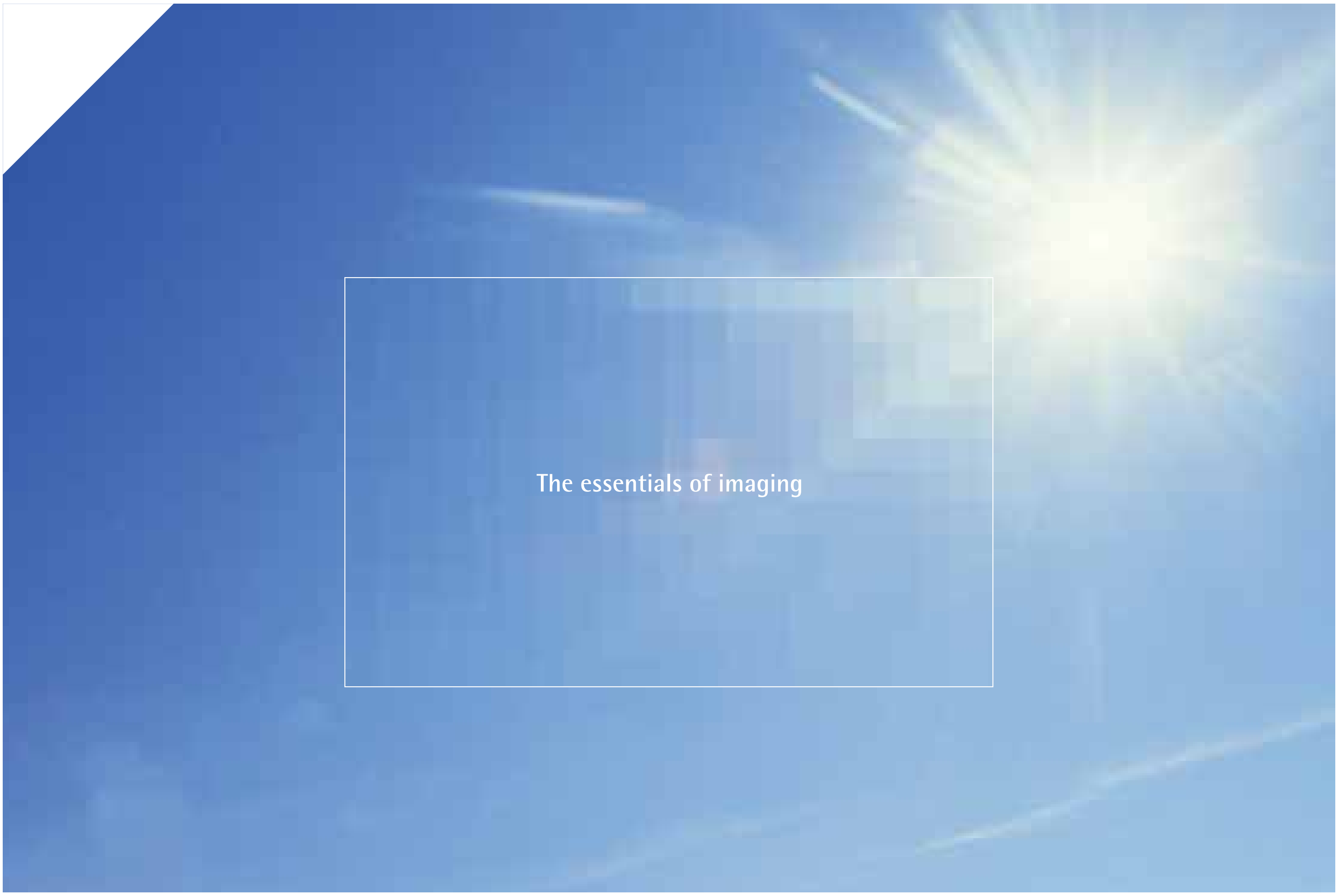


KONICA MINOLTA HOLDINGS, INC. ANNUAL REPORT 2003

KONICA MINOLTA

Company Profile

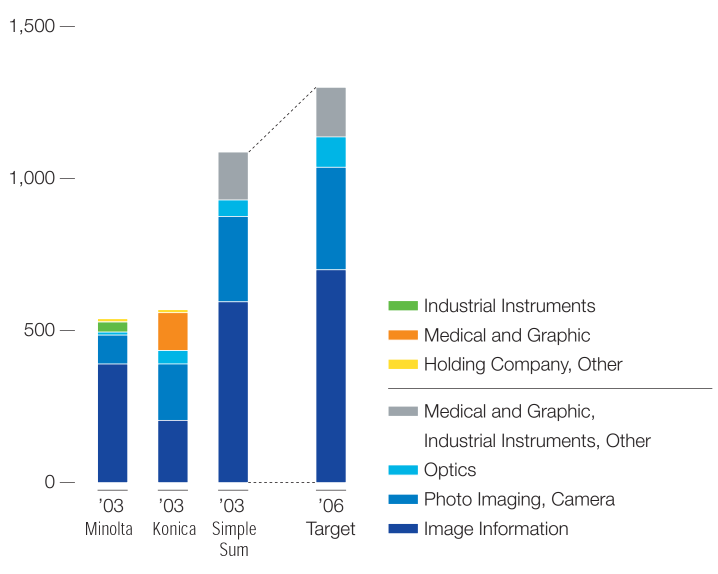
In August 2003, Konica Corporation and Minolta Co., Ltd. integrated their respective managements and established a holding company, Konica Minolta Holdings, Inc., founded on the concept of creating an entirely new corporate group.

The new integrated company is seeking to maximize corporate value by adopting portfolio-based strategic decision-making in the fields of image information, optics, and electronic materials (EM) technologies, photo imaging, cameras, medical and graphic imaging, and industrial instruments. We are also actively working to cultivate new business domains through the integration of our core technologies.

Driven by its corporate message "The essentials of imaging," the new corporate group plans to take the lead in delivering innovative products that continue to create impressions in the field of imaging, address the needs of the era, and meet the expectations of stakeholders.

Operating Overview and Sales Targets

(Billions of yen)



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Consolidated Financial Highlights

Konica Corporation

	Millions of yen		Thousands of U.S. dollars (Note)
	2003	2002	**2003**
For the Year:			
Net sales	**¥559,041**	¥539,571	**$4,650,923**
Operating income	**42,855**	29,609	**356,531**
Net income	**16,375**	11,059	**136,237**
Capital expenditures	**21,625**	45,593	**179,908**
R&D expenditures	**30,308**	29,171	**252,146**
At Year-End:			
Total assets	**¥515,956**	¥527,360	**$4,292,479**
Total shareholders' equity	**181,019**	171,226	**1,505,982**
	Yen		U.S. dollars
Per Share of Common Stock:			
Net income—primary	**¥ 45.7**	¥ 30.9	**$ 0.38**
Shareholders' equity	**506.8**	479.0	**4.22**
Cash dividends	**10.0**	10.0	**0.08**
	Percent		
Financial Ratios:			
Equity ratio	**35.1%**	32.5%	
Return on assets	**3.17**	2.10	
Return on equity	**9.05**	6.46	

Note: U.S. dollar amounts above and elsewhere in this report for Konica are translated from yen, for convenience only, at the rate of ¥120.20=US$1, the approximate exchange rate prevailing at March 31, 2003.

Minolta Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note)
	2003	2002	**2003**
For the Year:			
Net sales	**¥528,155**	¥510,862	**$4,401,292**
Operating income	**34,383**	3,950	**286,525**
Net income (loss)	**12,696**	(34,350)	**105,800**
Capital expenditures	**19,847**	27,002	**165,392**
R&D expenditures	**24,335**	29,000	**202,792**
At Year-End:			
Total assets	**¥367,278**	¥427,247	**$3,060,650**
Total shareholders' equity	**57,947**	46,502	**482,892**
Interest-bearing debt	**171,030**	240,694	**1,425,250**
	Yen		U.S. dollars
Per Share of Common Stock:			
Net income (loss)	**¥ 45.33**	¥ (122.59)	**$ 0.38**
Shareholders' equity	**207.02**	165.97	**1.73**
Cash dividends	**3.00**	—	**0.03**
	Percent		
Financial Ratios:			
Equity ratio	**15.8%**	10.9%	
Return on assets	**3.2**	(7.8)	
Return on equity	**24.3**	(58.4)	

Note: U.S. dollar amounts above and elsewhere in this report for Minolta are translated from yen, for convenience only, at the rate of ¥120.00=US$1, the approximate exchange rate prevailing at March 31, 2003.

To Our Shareholders

Fumio Iwai, President & CEO (Left)
Yoshikatsu Ota, Vice President (Right)

Between 1998 and 1999, under the influence of the stagnant silver-halide photographic market, Konica Corporation lost momentum in its photographic film business, which had been its prime source of earnings. This situation, combined with increasingly fierce competition in this sector, served to temporarily stall revenue. To make matters worse, an increase in interest-bearing debt at the time also had a negative impact on Konica's balance sheet.

Given these circumstances, management decided that a thorough reorganization of the business structure was required. Based on that decision, we began by focusing our business operations, eliminating those sectors that were not profitable. At the same time, we shifted to a management structure concentrating on free cash flows, with the aim of improving our financial affairs. Using these accomplishments as a springboard, in 2000 we formulated the SAN Plan, a medium-term management plan. We also progressed with digital networking across all of our business domains, and shifted toward growth sectors. Through these actions, we made significant improvements to our earnings potential. We are also diligently advancing improvements to management efficiency. Responsive and timely management and business portfolio management yielded significant results in fiscal 2002, ended March 31, 2003, with Konica recording its highest levels ever in operating income, recurring income, and net income.

In 1999, Minolta Co., Ltd. formulated NEXT '03, its new medium-term management plan, that essentially outlined an aggressive strategy for growth and expansion over the next five years. Some factors, however, prevented the Company from performing as planned. Chief among these were sluggish market growth, increasingly fierce competition, and exchange rate fluctuations beyond expectations. At the same time, such adjustments as book reductions in share crossholdings, in accordance with changes in accounting standards to comply with global standards, were also adopted during this period, with the result that Minolta recorded a significant net loss in the first half of fiscal 2001.

Under these conditions, management reexamined the state of the medium-term management plan, while working to change the management mind-set within the group. We implemented strategies that focused even further on the selection and concentration of a specific genre and lineup of products and those regions where the Company could attain the number one position in the market. Management also focused on capital efficiency and cash flows, rather than profit and loss. In particular, we have revamped our companywide structure, reducing the number of employees, lowering procurement costs, and eliminating excess inventory. We have also moved swiftly to reduce our growing interest-bearing debt. Thanks to the contributions made by these various structural reforms, together with real contributions to our performance by those product lines where we have been advancing: digitization, colorization, and the specific genre strategy, we recorded our highest-ever results in net sales, operating income, and recurring income for fiscal 2002, while successfully reducing interest-bearing debt from ¥250 billion as of the end of fiscal 2001, to ¥171 billion.

The field of imaging, a business domain of both Konica and Minolta, remains very promising, with continued growth forecast. As technology advances, however, the market is likely to be dominated by top-ranking companies with the gap between upper- and lower-ranked businesses expected to increase. Competition is also anticipated to intensify as large numbers of companies from other industries enter the market. To combat this difficult environment, Konica and Minolta have worked to improve their competitiveness in the image information business, beginning in April 2000, through collaborative partnership in the research and development of new products and joint businesses in the consumables field, including polymerization toner. This partnership has lately achieved considerable success, with both companies placing greater trust in one another and advancing their management integration plans. Fruitful collaboration has enabled the two companies to maximize synergies in such businesses as optical technologies and cameras, in addition to the image information business. We firmly believe that the resulting company will achieve a leading position in the global marketplace.

To date, our two companies have met and overcome our respective management difficulties independently. We have come to the conclusion, however, that it will be difficult to realize further development and growth if we maintain existing structures and status. Accordingly, we established Konica Minolta Holdings, Inc. in August 2003, based on a determination to found a brand-new enterprise group.

The aims of this management integration are as follows:

1. To maximize corporate value by promoting portfolio management and improving competitiveness of individual businesses

> We will execute a strategy for achieving top standing in various categories, with the image information business at the core of portfolio management, to drive growth.

> In the optics business, where we already are No. 1, we will expand our business domain, making it even stronger, by combining and upgrading our optical technologies.

> We will increase the synergy between Minolta's camera business and Konica's consumer photo imaging business.

2. To operate our business in a fair and transparent manner, under a new corporate governance scheme

Immediate issues and concerns facing management are as follows:

1. Building a new corporate culture after the integration from the existing corporate cultures of the two companies, while accelerating the pace of the integration itself

2. Accelerating measures to streamline costs at the new company

By improving our technologies in optics, precision engineering, materials, and coating—which Konica has cultivated over 130 years and Minolta has accumulated over 75 years—we will work diligently to provide our customers with unique products and services that will assure them of the utmost satisfaction and delight in our photo imaging business domain. Our aim is to become a global market leader, through advanced technology and solid reliability.

Operating objectives for the new company have been set at ¥1,300 billion in net sales and ¥150 billion in operating income for fiscal 2005. We are working to implement management rapidly and maximize shareholder value to achieve these objectives. To this end, we are grateful for your support and understanding.

August 2003

Fumio Iwai

Fumio Iwai, President & CEO,
Representative Executive Officer

Yoshikatsu Ota, Vice President,
Representative Executive Officer

Q. ***Please tell us how the management integration between Konica and Minolta came about.***

A. The business environment in which we find ourselves today is undergoing tremendous change on a global scale. We can group these changes into three major categories. The first of these is technological change. Advances in digitization and networking are rapidly expanding the range of product development, and demanding ever-higher levels of engineering ability. Extensive operating resources are necessary to outdo one's competitors and ensure a position of competitive advantage. The second such change is in the marketplace. Image information, a major business field and growth area for Konica and Minolta, is expanding steadily. On the other hand, customers are making increasingly diverse demands, and we must further improve our competitiveness if we are to meet these various needs, and thus, ensure a top position in this field. The third change is in competition. At present, competition is intensifying on a global level, not only within all industries, but also between different industries as well. Major players are vying for the top spot in all of these business fields, and the time is coming when only the top companies in any given business field will survive. Amid these factors, and a strong awareness of impending crisis, we have thought long and hard about how to remain vital, eventually reaching the conclusion that a strategic alliance was essential to doing so.

Q. ***What were the factors that brought this integration to fruition?***

A. Both our companies had a strong awareness of impending crisis vis-à-vis our business environment. And in April 2000, we agreed to an operating partnership in the image information field for the codevelopment of mutually complementary products. As part of this alliance, we established a joint-venture company, Konica Minolta Supplies Manufacturing Co., Ltd. in December 2000 for the purpose of mass-producing the next-generation polymerization toner. This partnership in business operations has produced significant results, strengthening our mutual sense of trust and reliance. By means of this partnership, we have generated synergy, primarily through a mutual relationship of trust and collaboration. Building on these accomplishments, we came to the mutual conclusion that combining and reinforcing our strengths would enable us to secure an unquestioned place among the top corporate groups in the industry. We also shared the belief that integration would make it possible for us to make our businesses stronger, and push us into the top ranks of businesses in terms of revenues.

Business Integration Time Line

Apr. 2000

Konica and Minolta—basic agreement on business alliance focusing on product development in the field of image information and the start of a consumables-related joint-venture business.

Dec. 2000

Konica and Minolta's joint venture for polymerized toner, Konica Minolta Supplies Manufacturing Co., Ltd., starts operations.

Feb. 2002

Feasibility study for the management integration of both companies commenced.

Sep. 2002

Konica and Minolta agree to increase capital of joint-venture Konica Minolta Supplies Manufacturing Co., Ltd., each company to contribute ¥1.3 billion.

Jan. 2003

Management integration of Konica Corporation and Minolta Co., Ltd. announced.

Q. ***What are your reasons for choosing this time to integrate?***

A. In order to survive in the competitive global arena, we need a system capable of operating more speedily and focusing on competition, in a business structure that is closer to our customers than ever before. Furthermore, in order to respond to rapidly changing business environments, a more unique business structure is required. That is to say, it is imperative that we build a system that separates management and operating executive functions Group-wide, wherein management will pursue strategies that maximize profits and minimize Group-wide risks, and the operating executive will maximize company competitiveness in the marketplace. Accordingly, Konica adopted a holding company format and spun off business operations in April 2003. Minolta had in fact introduced an internal company system from April 2002. To further accelerate management decision-making and processes, and improve competitiveness, however, the companies decided that it would be in their best interests to integrate management promptly after Konica had spun off its business operations into independent companies and formed a holding company.

Q. ***What are the objectives of this integration?***

A. In addition to implementing portfolio management centered on the image information business, the Group's largest business field, we will work to maximize corporate value and build a structure capable of dramatically pursuing business competitiveness. Another central aspect of the integration is combining our respective strengths in optical technologies to make our optics business more solid. Based on the simple sum of the two companies' sales, the new entity would exceed net sales of ¥1 trillion for the fiscal year ended March 31, 2003. The new corporate group will aim for net sales of ¥1.3 trillion, and operating income of ¥150 billion in fiscal 2005.

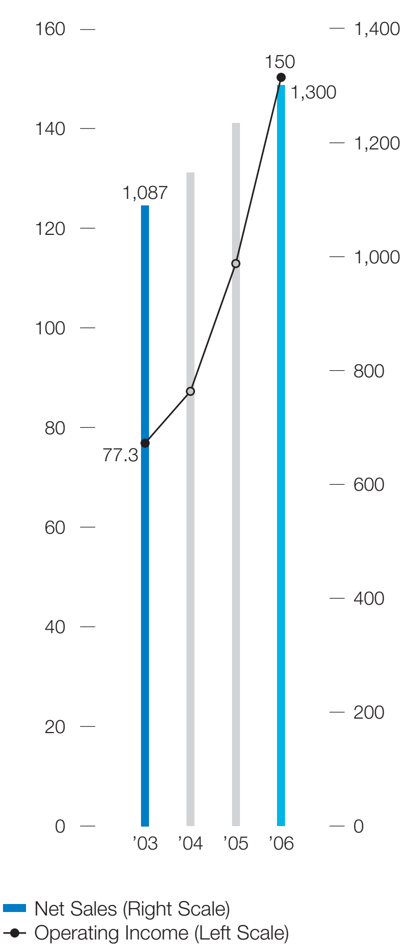
Q. *Please describe the expected effects of the integration.*

A. In all integrated fields, we are promoting greater efficiency by revamping our business structures, as well as consolidating and streamlining organizations. We are also reducing procurement cost through improved purchasing power, driving sales by increased marketing efficiency, and in particular reducing employee numbers by 4,000 across the Group. These measures will produce annual cost savings of ¥50 billion in fiscal 2005. In the image information business, the largest business for both Konica and Minolta, Konica has great strength in the development and marketing of high-speed multifunctional peripherals (MFPs), while Minolta has strong developing and marketing ability in medium- to low-speed MFPs and particularly color MFPs and laser printers (LBPs), where it maintains a large share of the market. As an integrated force, the new company will possess an extremely formidable technical and marketing advantage over many of its rivals. In addition, the Company is deriving tremendous synergy by utilizing the advantage of the polymerization toner, another core business. The combined strengths will result in further dramatic improvements in competitiveness, while at the same time greatly increase the impact the Company has on the marketplace, and increase sales. In addition, referring to the optical technology field that is another strength of both companies, combining Konica's plastic lens technology with Minolta's glass mold technology, we will expand our business and further solidify our hold on the top spots in the optics business. In our microcamera unit business, where we expect rapid expansion, we aim for sizable business growth, including building a structure capable of striving for the top share of the market. In our camera and consumer imaging business, we aim for increased earning power and greater sales by building a solid marketing organization for all of our camera and photosensitive paper product lines.

We will increase sales and earnings through benefits derived from the integrated product lineups and the strengthened worldwide marketing network.

Net Sales and Operating Income Targets

(Billions of yen)



Note: Forecasts are as of January 15, 2003, the date the "Letter of Intent for the Management Integration" was announced.

Q. *What are the workings of the integration?*

A. Konica Corporation migrated to a holding company structure in April 2003, and Konica Corporation and Minolta Co., Ltd. concluded management integration in an exchange of shares in August 2003, with one share of Minolta stock being valued at 0.621 share of Konica stock. With completion of the stock swap, the name of the integrated company was changed to Konica Minolta Holdings, Inc. Given that the post-integration management structure consists of spinning off business operations into independent companies under the holding company, we opted for the exchange of shares scheme because it would simplify the processing involved. While Konica Minolta Holdings, Inc. is built on the foundation of equality between the two companies, this is in fact the creation and birth of a new corporate group.

in accordance with the business portfolio, including the photo imaging business, which primarily encompasses color film and photo paper, the medical and graphic business, and the industrial instruments business.

Q. ***Please outline your corporate philosophy.***

A. We cite the building of new value as the philosophy behind our integration. Our management vision is to be a revolutionary corporation in the imaging field, capable of stirring great emotion, and a global corporation that leads the way in the marketplace through advanced technology and a high degree of reliability. Our business domain is the imaging input/output field. We will make substantial improvements to the competitiveness of the largest business in that field, namely, the image information business. At the same time, we will further solidify the position of our optical business by combining the optical technologies that are major strengths of the new company. We will further manage the Group

Konica Minolta Management Philosophy and Vision

Management Philosophy:

The Creation of New Value

Management Visions:

Innovative Corporation That Continues to Create Impressions in the Field of Imaging.
A Global Market Leader That Offers Advanced Technology and Reliability.

Corporate Message:

"The essentials of imaging"

Outline of the New Corporate Group—Forecast net sales for the fiscal year ending March 31, 2004, ¥1,142.0 billion.

Company Name	Year ending March 2004 Forecast Net Sales (Billions of yen)	Business and Functions
Konica Minolta Holdings, Inc.		Planning and promoting group management strategy, auditing group management, other group management and administration
Business Companies		
Konica Minolta Business Technologies, Inc.	617.0	Manufacturing, sale and related services of copiers, printers, micro systems, facsimile, and related supplies
Konica Minolta Opto, Inc.	108.0	Manufacturing and sale of optical and related products and electronic materials
Konica Minolta Photo Imaging, Inc.	166.0	Manufacturing, sale and related services of consumer and commercial photographic materials, ID photos, inkjet media, and related equipment
Konica Minolta Camera, Inc.	161.0	Manufacturing, sale, and related services of photographic equipment such as digital cameras, film cameras and lenses
Konica Minolta Medical and Graphic, Inc.	153.0	Manufacturing, sale, and related services of film and processing equipment for medical and graphic imaging
Konica Minolta Sensing, Inc.	10.5	Manufacturing and sale of instrument systems for photographic, industrial, and medical industries
Common Function Companies		
Konica Minolta Technology Center, Inc.	—*	Research and development, incubation of new technologies and businesses, and administration and services of intellectual properties
Konica Minolta Business Expert, Inc.	—*	Various management support and indirect functions and services

* The figures are eliminated since they are internal sales within the Group.

Q. ***What are the functions of the holding company and business companies after management integration?***

A. The function of the holding company is to manage the Group's affairs in a fair and transparent fashion, allocate management resources in an optimal manner through optimum business portfolio management, and increase the corporate value of the Group as a whole. The function of the business companies, on the other hand, is to provide the maximum return on the investments they receive from the holding company. They do everything directly related to their respective business field, functioning as independent companies, with maximum authority delegated to them, while also being held strictly accountable.

Q. ***What is the resulting company's post-integration business structure?***

A. To maximize the effects of the integration, and to generate the greatest synergy, we will reorganize our business in October 2003, creating six business companies and two common function companies under the umbrella of Konica Minolta Holdings, Inc. The six business companies are as follows: Konica Minolta Business Technologies, Inc., whose business field is MFPs, LBPs, and related supplies; Konica Minolta Opto, Inc., whose business field is optical elements such as optical pickup lenses, microcamera units, and triacetyl cellulose (TAC) film for liquid crystal display (LCD) polarizing plates; Konica Minolta Camera, Inc., which consists primarily of digital cameras; Konica Minolta Photo Imaging, Inc., which consists primarily of our photographic film business; Konica Minolta Medical and Graphic, Inc., which consists primarily of the medical and graphic imaging business; and Konica Minolta Sensing, Inc., which consists of our color, light, and shape measurement products. The common function companies are Konica Minolta Technology Center, Inc., which is responsible for the advancement of both leading-edge and basic technologies in all fields, as well as incubation of R&D for new business areas, and Konica Minolta Business Expert, Inc., which undertakes information processing, distribution, and human resources services on a companywide basis.

Q. ***What is your strategy for the image information business?***

A. The primary business field is input and output products and solutions in the networked office environment including MFPs and LBPs. We intend to establish a solid place in the industry by placing priority on allocating the management resources created by the integration to color MFPs/LBPs and the medium- and high-speed digital MFPs, which are growth sectors.

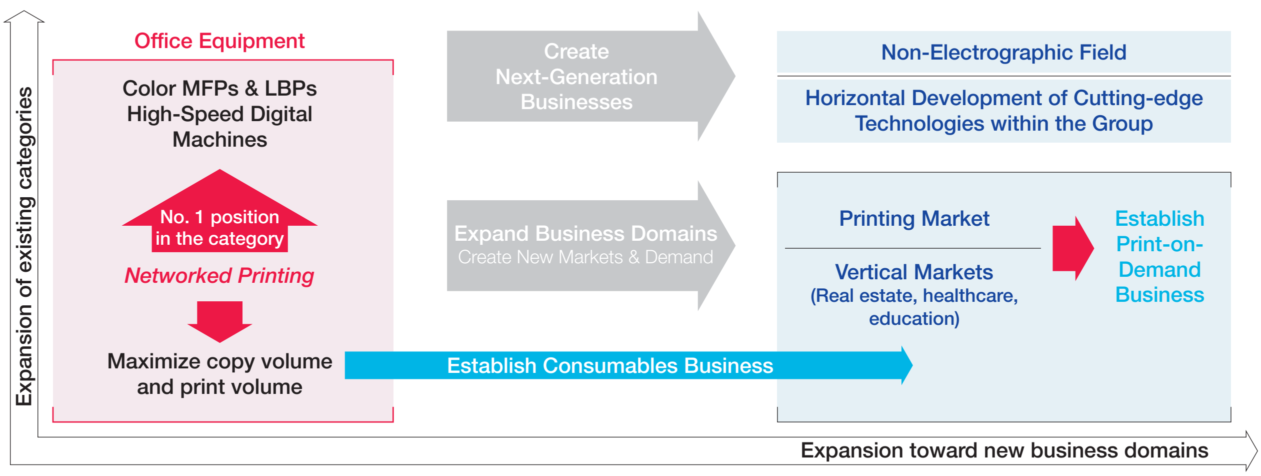
Our strategies include making inroads into the near-print market, which includes devices that create completed business documents, and vertical markets, by strengthening on-demand printing and the polymerization toner business. We intend to build a business structure that is highly creative and sensitive to the market.

At the same time, we will improve customer satisfaction by strengthening the ability to respond to the demand of key markets, and establishing a product planning and development structure capable of making us an industry leader in terms of solutions, as well as reorganizing and improving our direct sales division. Moreover, we will further improve on our strengths, and undertake strategic alliances that will enable us to surpass the competition.

Q. ***What is your strategy for the optics business?***

A. As the trend toward digital networking gains greater speed, we are seeing tremendous growth in sales volumes of digital products using optical components. Thus, this business is growing in importance. Konica Minolta possesses unique optical technologies such as flat plastic lens technology, where the Company holds the top market share in this business field, and advanced glass mold lens technology. Combining these superior

Image Information Business Strategy



optical, image evaluation, and precision engineering technologies, we will further increase the competitiveness of our optical pickup lenses and microcamera units, which generate substantial revenue for the Group. At the same time, we intend to enlarge the scope of the optics business, expanding and advancing it to achieve the top share of its market and a position that our rivals cannot easily erode. We will also maintain our proactive stance of prioritizing investments for electronic materials, chief among these being TAC film for LCD polarizing plates, with the aim of expanding our business operations in the display materials sector.

Q. ***Please outline your strategy for the camera and the photo imaging businesses.***

A. The first stage for both of these businesses will be to build a structure that responds to our customers' demands, by integrating the sales networks and completing product lines, providing everything from cameras to color film to photographic paper. In parallel with this, we will also put efforts into offering products and services in the form of a single system, from input to output, and, taking ubiquitous imaging as our watchwords, build new products and business models capable of responding to the diverse demands of our customers. With digital cameras at the core of its business, the camera business will strive for improved operating efficiency and increased revenues. It will concentrate on highly profitable segments, using product differentiation to achieve its aim of obtaining the top market share in those segments. The photo imaging business will put effort into creating and expanding on new business in mature markets such as Japan, Europe, and the U.S., while at the same time exploring untapped markets such as Russia, Asia, and other regions where considerable growth and opportunity are anticipated.

Q. ***What are your strategies for the medical and graphic imaging business and the industrial instruments business?***

A. As the market trend toward digital networks increases, the medical and graphic imaging business will develop its ability in digital input and output hardware, materials, and software systems products, and its solutions business, including proactively pursuing business overseas. The industrial instruments business will draw on our accumulated optical technology to develop a full range of high-value-added instruments that provide highly precise measurements of such elements as color, light, temperature, and shape, for a wide range of industrial sectors, including photography and medicine, with the aim of securing stable revenues.

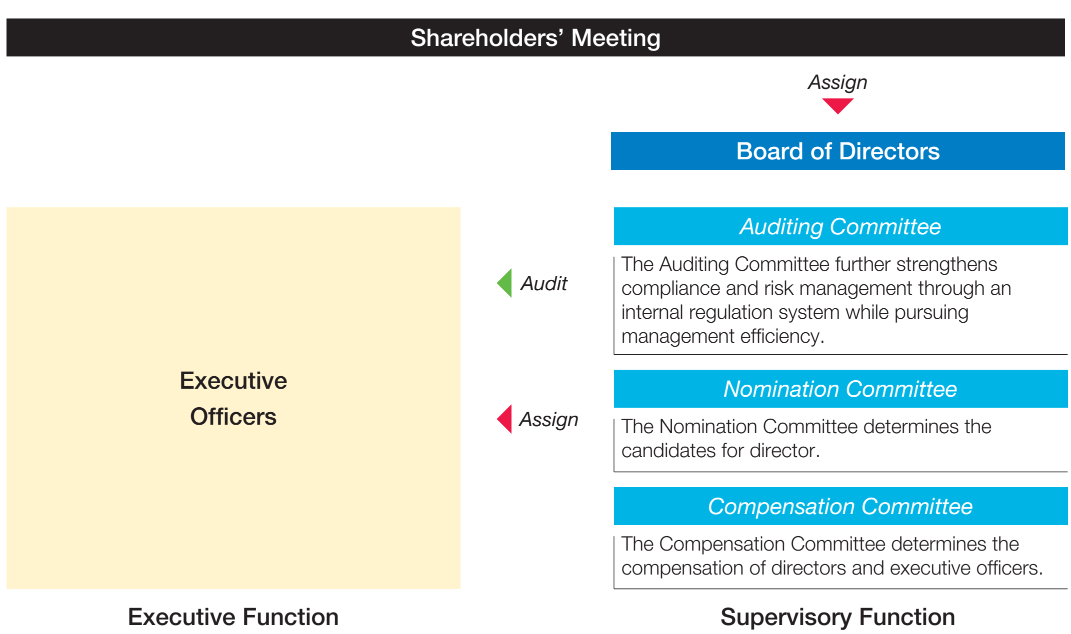
Q. ***What is the role of the technical development company?***

A. Toward the creation of new value in the imaging field, we will take the initiative in developing technology strategies in all of our business companies, driving the sophistication of our foundational and leading-edge technologies, in our core technology domains: optical, mechanical, materials, engineering, electronics, and software. Furthermore, we will utilize the technologies thus acquired to support the Group as a whole, by working beyond the framework of individual companies to incubate new business relating to everything from input to output, while also putting efforts into building a technology knowledge management system. Additionally, in order to improve the materials technology that is a core competency of the enterprise group, we commenced construction in June 2003 of a materials research laboratory within our site in Hachioji, Tokyo. Our materials engineers have thus far been largely isolated from one another. Now, we intend to develop these technologies in a more efficient manner, by bringing them together in the one place. We are also studying the possibilities of building a Ubiquitous Imaging Research Laboratory, which would focus on an emerging ubiquitous computing lifestyle, wherein people will be able to access the Internet and other information networks anytime and anywhere.

Q. ***What are your corporate governance policies?***

A. In order to fulfill the holding company's function, namely, maximizing the Group's corporate value, we must have management that is fair and transparent with regard to our stakeholders. As well, in order to make effective use of the capital entrusted with us by our shareholders, and maximize the return on that investment, it is incumbent upon us to separate managing overview from business process execution, with the Board of Directors and the managing executives carrying out their respective duties in ways that are both just and sound. As well, we must address these functions in a manner that is both speedy and efficient. With these points in mind, we have adopted a company-with-committees system, which Konica had adopted in June

Company-with-Committees System



The Chairman of the Board will not concurrently take the post of executive officer.
A director who also takes the post of representative executive officer cannot become a Nomination Committee or Compensation Committee member.
Konica Minolta's three committees consist of five members each, of which a majority must be external directors.

2003. In so doing, we have implemented four initiatives in management, with the aim of improving the management audit function, decision-making and executive functions, establishing a highly transparent management organization, and improving our response to compliance risks.

In accordance with the philosophy of separating management audit from the executive function, the Board of Directors now focuses solely on the overall issues facing the Group such as direction, deciding on the basic course management will take, rather than making decisions regarding day-to-day operations, in an effort to promote propriety and efficiency in management. We are also establishing Nomination, Compensation, and Auditing Committees, each of which will be comprised of a majority of external directors. With regard to improving the decision-making and business process execution functions, the latter is now entirely the province of the executive officers, which will speed up the pace of management decision-making and execution. Under the auspices of the President and Representative Officer, the executive officers will assume full responsibility for the various business processes with which they are vested, and work to their utmost to increase operating revenues. With regard to establishing a highly transparent management organization, our regulations make it impossible for the Chairman of the Board of Directors to simultaneously serve as an executive officer. Additionally, we are implementing decisions that will improve transparency in management, which include the following: members of the Nominating and Compensation Committees will not simultaneously serve as representative executive officers; instead, each committee will make decisions on director nominations, as well as compensation for managing and executive officers alike. With regard to improving our response to compliance risks, the Board of Directors and the Auditing Committee will implement a prepared internal control system, with the aim of further strengthening management of compliance risk, and making management more efficient.

Q. ***What are the functions of the three committees?***

A. The Nomination Committee will consider and determine the appointment and removal of directors. The Compensation Committee will determine remuneration for directors and executive officers. The Auditing Committee will continue its existing audit function and to overview financial management of the Group. The Board of Directors will consist of 12 members comprising 8 internal and 4 external directors. In addition, each committee will be comprised of more than 3 directors of which a majority will be external directors.

Q. ***In conclusion, what are your thoughts regarding the management integration and the image of the new group?***

A. Our goal is to further enhance the strengths of the two companies, and through the integration of imaging technologies to consistently deliver fresh, innovative, and exciting products and services to our customers. In order to realize the corporate image that we envisage for the future, to successfully compete, and to take a leading position in global markets, we must show a full commitment to the integration and adopt a totally fresh approach to what is effectively a new beginning.

Image Information Business

DiALTA Color CF3102

magicolor 2300DL

The image information business is the largest business of the Group. The principal area of business is in the field of input and output devices focusing on color multifunctional peripherals (MFPs), laser printers (LBPs), and image information-related software, systems, and services. By combining the strengths of Konica and Minolta, the new company will work to create optimal environments for corporate customers, delivering network document solutions, and supporting the communication and information sharing requirements of business users.

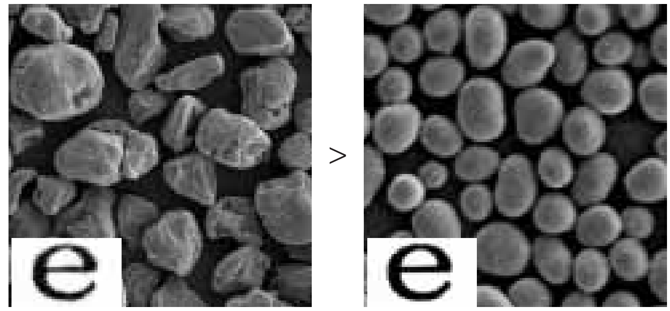
Realizing that our business currently occupies the fourth position in global markets, we will strive to enhance our competitiveness in solutions and systems, in addition to the expansion of our business scale. To this end, the goal of the new integrated company is to maximize the strengths of Konica and Minolta, bolster competitiveness in its core competencies based on a selective concentration strategy, and establish a leading position in specified genres.

In more specific terms, the new company will allocate management resources in the segments of color MFPs, LBPs, and medium- and high-speed digital MFPs, in an effort to achieve the top position in office color MFPs and LBPs, near-print devices, print-on-demand (POD), and in polymerized toner.

In the office color MFP and LBP market, the shift from monochrome to color is advancing steadily, and prompting expectations of significant market growth. Minolta in particular was early in putting emphasis on color MFPs and LBPs as a core business, and its color LBPs have acquired the second position* in the global market including its OEM business. A notable success was the release in September 2002 of a principal A4/letter size color LBP, which has been recognized for its compactness, cost performance, and image quality. In this business, we will expand sales by strengthening marketing capabilities, as made possible by the management integration. In medium- and high-speed digital MFPs, the new company will focus on the near-print, print-on-demand (POD), and book-on-demand markets. As digitization advances in the office environment, IT administrators, whose principal criterion is

*Statistics for fiscal 2002 (IDC Japan—Printer Tracker 4th Quarter 2002)

The No. 2 Plant of Konica Minolta Supplies Manufacturing Co., Ltd. was completed in May 2003 to increase production of polymerized toner to meet growing demand.



Conventional toner (left) produced by the pulverizing method and the new-generation polymerization toner.

print quality, have begun to initiate purchasing control. Konica's medium- and high-speed devices have established a reputation with IT administrators for quality and reliability. In leveraging this acclaim, the new company will nurture new markets through an enhanced marketing structure, and innovative solutions that address the network and advanced needs of IT technology.

As the trend toward digitization and colorization in image information products advances, Konica's proprietary polymerization toner assumes a more critical position in this business. By reducing the size and standardizing the shape of toner particles, minute lines, characters, photos, illustrations, and half-tones can be reproduced with greater precision and richness. Konica and Minolta have collaborated in this business since December 2000, and the new integrated company will continue to strengthen its consumable supplies business focusing on the polymerization toner. Due to the high technical expertise required to develop a polymerization toner, this product affords us a measure of protection against competing products whereas the conventional pulverized toner is affected by rival brands. Thus, we anticipate stable consumables sales growth in line with new product introduction.

Sitios 7165

This largest business of the new integrated company provides a number of scale merits. First, it accelerates product development and maximizes efficiencies as well as allows the concentrated allocation of management resources in solutions and systems that are our priority domains. Second, it allows the Group to produce a lineup of high-quality, low-cost products comparable with those of our competitors.

On the marketing side, in ensuring that both companies' global networks are strengthened and effectively coordinated, the Group will work to expand its businesses in worldwide markets, as well as focus on cultivating new opportunities in vertical and near-print markets.

In order to further complement and enhance development, production, and sales, the group will also actively pursue future business alliances with other companies.

Optics Business

In the optics business, we will expand our business scale and bolster profitability by utilizing management resources which have been reinforced by the integration between Konica and Minolta.

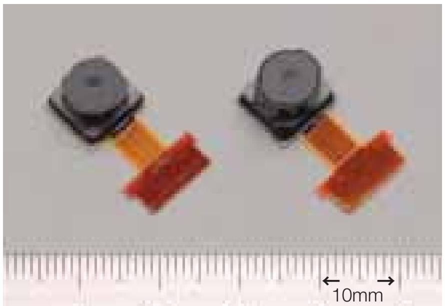
In the optical pickup lens business, the new company's aspherical plastic lenses for optical disks, mainly used in CDs and DVDs, enjoy wide market acclaim for their quality, based on our technology and production capacity, while boasting an overwhelming share of the market.

In the optics-related products business, an area earmarked for significant future growth, we are seeing new entrants from other industries and in-house manufacturing by major corporate clients, serving to further intensify competition in this business. Against the backdrop of continued downturn in the IT sector, fluctuation in order volumes and downward pressure on prices, we see little reason for short-term optimism. Nevertheless, the new company will also step up its development of future-oriented technologies. Looking ahead, we will work to retain our dominant position in the business by centering our R&D on aspherical plastic lenses for optical discs for use with blue-violet lasers, the next-generation lasers, and fortify our patent protection strategy and flexible production capabilities. In particular, both Konica and Minolta have received high praise for their ultra-high-precision metal molding technologies and casting technology, and for addressing the diverse needs of customers in the lens and optical design technology market.

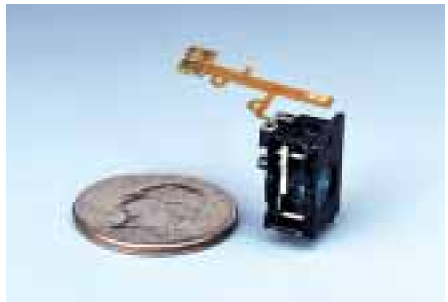
In conjunction with the steady promotion of the optical pickup lens business, we will also expand business in microcamera units (MCUs) and electronic materials (EM).

The demand for MCUs for application in mobile phones is anticipated to increase in line with demands for greater picture quality and pixilation. We are well positioned to meet this

Optical Pickup Lenses
Using our world-class optical technologies, we supply aspherical plastic lenses that are used in the optical pickup mechanisms for a variety of optical disk drives and players, including those used in notebook computers and DVD players.



Microcamera Units
Microcamera units are being built into mobile phones and personal digital assistants, an area of much anticipated growth.



MZC (Micro Zoom Camera)
The Miniature Optical Zoom Unit has a unique actuator, realizing a compact precision-drive mechanism, and is expected to have broad applications in camera mobile phones and other products.

demand and to expand market share in this business by combining our respective expertise in glass lens technology and plastic lens technology. Moreover, the potential for application of MCUs incorporating lenses and sensors other than in mobile phones is considerable, and we are poised to expand development in this business.

In the lens unit business, we will expand our activities in an effort to address the diverse needs of digital camera manufacturing, a market that continues to experience significant growth.

In the EM business, we will promote triacetyl cellulose (TAC) film for liquid crystal display (LCD) polarizing plates for application in PCs, mobile phones, and LCD TVs. Although this business was initially an adjunct to conventional color film production, the Kobe site commenced exclusive manufacture in April 2000, in response to the significant increase in demand. Furthermore, a second plant at the Kobe site commenced production in 2002 working to address continued expansion in the market. In the future, we will look to integrate our film creation technologies, which are core technologies in the color film business, with our material and coating technologies, and in applying atmospheric plasma to a diversity of processes, develop high-value-added products that will serve to expand and strengthen our business.

Composition of Liquid Crystal Panel

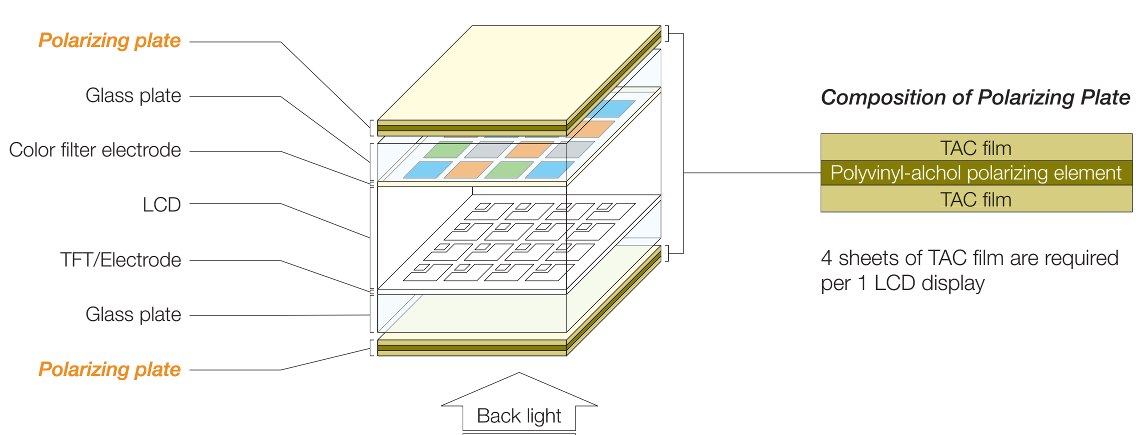


Photo Imaging and Camera Businesses

MINOLTA DYNAX 7 (left) and Konica Color Centuria SUPER 400

MINOLTA DiMAGE Xt
The stylish DiMAGE Xt digital camera with 3× folded optical zoom lens

Konica R1 Super Digital Minilab System

In delivering products and services that incorporate a scope expanding from input to output, the photo imaging and camera businesses are expected to perform as key businesses as well as the driving force for the new corporate group's brand image.

Our mainstay silver-halide color film and color paper business in the photo imaging field is highly impacted by the worldwide expansion of digital cameras. In Japan, North America, and Europe, which are categorized as mature markets, sales of color films have deteriorated. Sales in Russia, China, India, and surrounding regions, on the other hand, have been growing. The key issue facing the Group in this business is to establish new alternative businesses in response to the decline in the color film market.

The Group follows a bipolar policy with regard to its color photo business, divided between growth markets such as Russia, China, and India, and mature markets such as Japan, North America, and Europe. In growth markets, the Group is active in allocating management resources to strengthen marketing capabilities and to enhance competitiveness. In mature markets, on the other hand, we are undertaking comprehensive structural reform, building platforms that will ensure appropriate earnings, as well as working to cultivate and strengthen new businesses including inkjet media and digital photo network printing. Based on the bipolar strategy, we will strive to secure sustained business growth.

In the camera business, the Group will continue to introduce high-value-added products with digital cameras placed as the core of the business.

Amid intensified competition in the digital camera market due to the participation of a diverse number of manufactures, the Company is well recognized because of its unique optical technology. It also possesses the potential power to produce competitive products as evidenced in its digital camera with revolutionary folded optical zoom lens unit that is only 20mm thick. In addition to these competitive advantages, the global marketing network is a significant factor in attaining a leading position in world markets.

We recognize that the expansion of our business scale, the increase of cost competitiveness as well as the promotion of brand awareness are the key issues in achieving our goal. We will enhance our earnings power and raise brand value by delivering not only high-quality images, but also new compact, powerful, and stylish designs and in this manner, differentiate ourselves from competitors and achieve the top position in each category.

Medical and Graphic Imaging Businesses

In the medical and graphic imaging business, we contribute to improved medical and printing trade through system correspondence and solutions, in response to the trend toward digitization and networking in both sectors. In this manner, we are striving to raise corporate value and to become a leading company in the medical imaging business and printing fields.

In the medical imaging business, in line with growing digitization and networking in hospitals, demand for high-clarity digital input and output devices and dry-film are increasing rapidly. In this context, we established a new production plant for dry-film materials, compatible with digital-format products at our Kofu site in fiscal 2002, differentiating ourselves from conventional film producers. Overseas markets however, particularly in Europe and the U.S. have lagged compared with domestic growth, prompting renewed marketing efforts and steps to raise sales capabilities.

In the graphic imaging business, the digital proof and process-less plate markets have overtaken traditional film. As a result, the film market, a source of stable earnings, has significantly diminished. We make efforts to adopt initiatives in the new proof market, by developing our core material technologies such as process-less plates featuring new materials.

We enjoy market acclaim for the quality of our products and will work to create a new stable earnings base. In the future, earnings from materials and services will continue to underpin our profit platform, with new enhanced contributions from devices and particularly film.

REGIUS
REGIUS170 is a high-definition X-ray imaging system.

Digital Konsensus Pro
Digital Konsensus Pro has earned accolades for its definitive simplification of the proofing process.

Konica Minolta Medical and Graphic, Inc., Kofu site
A new medical dry film plant was finished in April 2002 to meet increasing demand for X-ray film as a digital image storage medium, which is expected to grow substantially.

Industrial Instruments Business

VIVID 910
Non-contact 3D digitizer

Taking advantage of our advanced sensing technology, the new company will strive to create high profits by delivering high-value-added products to the industrial sector.

Our products, which incorporate advanced sensing technology and compact design technology, have earned the trust of the market for their reliability and high quality. Together with a global sales network, the industrial instruments business serves as the basis for securing stable earnings.

The Group has acquired a strong position in the non-contact 3D digitizer market, offering a diversity of applications including reverse engineering, archiving cultural properties, and other various industrial uses. In addition, our color measurement instruments used in the product quality control field have gained a substantial share in Europe and Asia and are exhibiting sustained sales growth.

In the future, we will upgrade our product lineup in three target areas including 3D digitizers used in such plant operations as online quality control; color measurement systems for the automobile industry; and display measurement systems for flat panel displays.

CM-2600d
The CM series of spectrophotometers are capable of reading and quantifying subtle differences in shades of color, and are widely used for on-site color quality control in production.

CA-210
The CA series of color analyzers, which measure light source color, are used to measure the color and luminance of LCDs and cathode-ray tubes (CRTs).

The Konica Minolta Group undertakes stake-holder-oriented business activities in an effort to ensure stakeholder trust and continued support.

The Konica Minolta Group produces a wide range of products, from photocopiers and other image information products to optical pickup lenses, color film, and cameras. Although environmental impact varies greatly depending on the type of product, we are doing our best to consider the environment in every facet of our business activities through ongoing activities to reduce various kinds of environmental burden such as the volume of energy consumption and use of chemical substances.

To create a society where sustainable development is possible, we believe that corporations must fulfill their social responsibilities in addition to promoting economic growth. We believe that companies must pay strict attention to laws, regulations, and rules in fulfilling their social responsibilities, and must answer the expectations of stakeholders. As a member of society, Konica Minolta Holdings is an ongoing concern supported by its stakeholders and society. We believe that only the companies that have gained the confidence of their stakeholders are competent as ongoing concerns. To this end, companies must consider their relationship with stakeholders while advancing their corporate activities.

In addition, to maintain accountability as a corporation, Konica Minolta Holdings is determined to maintain high visibility in its operations. We believe it is necessary to disclose in fine detail and easy-to-understand language our activities so that stakeholders are able to determine whether we are fulfilling our social responsibilities.

While working hard to improve the global environment, we are proactively responding to the needs of local communities in order to contribute to the advancement of society as a corporate citizen.

For more information on our environmental activities, please access our Web site at: http://konicaminolta.net/environ/index.html

Relationship with Stakeholders

Board of Directors

Konica Minolta Holdings, Inc.
As of August 5, 2003

Chairman of the Board of Directors
Tomiji Uematsu

Directors
Fumio Iwai
Yoshikatsu Ota
Kikuo Fujiwara — Senior Corporate Advisor, Shimadzu Corporation
Tetsuya Katada — Senior Advisor, Komatsu Ltd.
Hiroyuki Fujimura — Chairman and Representative Director, Ebara Corporation
Noriyuki Inoue — Chairman and Chief Executive Officer, Daikin Industries, Ltd.
Yoshihiko Higashiyama
Takeo Koitabashi
Norio Tashima
Masaru Kanbe
Masanori Hondo

President & CEO, Representative Executive Officer
Fumio Iwai

Vice President, Representative Executive Officer
Yoshikatsu Ota

Senior Executive Officers
Norio Tashima
Masaru Kanbe
Masanori Hondo
Hideaki Iwama
Teruo Kawaura
Hirofumi Sakaguchi
Takamasa Shintani
Shigeyuki Seki
Hiroshi Fujii
Shoei Yamana

Executive Officers
Hiroshi Ishiko
Toshiaki Ishihara
Mitsuharu Ohura
Masaru Oba
Kaoru Onodera
Tateomi Kohno
Tomohisa Saito
Yasunari Sata
Yoshihiko Someya
Yoshisuke Takekida
Hiroshi Furukawa
Toshifumi Hori
Takashi Matsumaru
Tsuyoshi Miyachi

Seated (from left to right): Hiroyuki Fujimura, Tetsuya Katada, Fumio Iwai, Tomiji Uematsu, Yoshikatsu Ota, Kikuo Fujiwara, Noriyuki Inoue
Standing (from left to right): Masaru Kanbe, Takeo Koitabashi, Yoshihiko Higashiyama, Norio Tashima, Masanori Hondo

Six-Year Financial Summary

Konica Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31

	Millions of yen					
	2003	2002	2001	2000	1999	1998
For the Year:						
Net sales	**¥559,041**	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401
Cost of sales	**321,381**	309,633	319,163	323,710	342,543	342,452
Operating income	**42,855**	29,609	30,543	33,131	14,575	23,062
Net income (loss)	**16,375**	11,059	6,457	7,627	(3,166)	5,501
Depreciation and amortization	**28,497**	26,219	25,940	30,687	32,488	28,488
Capital expenditures	**21,625**	45,593	30,424	30,237	42,702	47,850
R&D expenditures	**30,308**	29,171	26,672	25,730	27,944	26,666
At Year-End:						
Total assets	**¥515,956**	¥527,360	¥518,181	¥549,703	¥589,201	¥629,062
Total current assets	**311,818**	309,602	317,890	335,899	349,240	392,855
Property, plant and equipment—net	**148,040**	156,061	141,870	141,114	161,534	159,873
Total current liabilities	**244,033**	267,805	262,273	272,568	280,922	324,194
Long-term debt	**51,318**	46,472	57,099	77,657	94,344	76,010
Total shareholders' equity	**181,019**	171,226	160,259	162,793	158,742	167,144
	Yen					
Per Share of Common Stock:						
Net income (loss)—primary	**¥ 45.7**	¥ 30.9	¥ 18.1	¥ 21.3	¥ (8.9)	¥ 15.4
Shareholders' equity	**506.8**	479.0	448.1	455.2	443.8	467.3
Cash dividends	**10.0**	10.0	10.0	10.0	10.0	10.0
	Percent					
Financial Ratios:						
Cost of sales ratio	**57.5%**	57.4%	58.7%	57.7%	58.6%	58.6%
Equity ratio	**35.1**	32.5	30.9	29.6	26.9	26.6
Return on assets	**3.17**	2.10	1.21	1.34	(0.52)	0.90
Return on equity	**9.05**	6.46	4.00	4.74	(1.94)	3.31
Other:						
Number of employees	**17,199**	17,319	17,595	17,839	18,953	18,388

Segment Information

Konica Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31

Segment Information by Product

	Millions of yen					
	2003	2002	2001	2000	1999	1998
Net sales:						
Photographic materials	**¥294,319**	¥300,401	¥305,200	¥321,084	¥336,643	¥354,101
Business machines	**264,721**	239,170	238,518	239,816	247,698	230,300
Consolidated	**¥559,041**	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401
Operating income:						
Photographic materials	**¥ 15,866**	¥ 17,123	¥ 19,022	¥ 18,158	¥ 3,041	¥ 14,034
Business machines	**36,499**	21,677	20,174	24,786	18,086	18,490
Total	**52,365**	38,801	39,197	42,945	21,128	32,525
Eliminations and corporate	**(9,510)**	(9,191)	(8,654)	(9,813)	(6,553)	(9,462)
Consolidated	**¥ 42,855**	¥ 29,609	¥ 30,543	¥ 33,131	¥ 14,575	¥ 23,062

Domestic Sales and Export Sales

	Millions of yen					
	2003	2002	2001	2000	1999	1998
Domestic sales (Note 1)	**¥234,531**	¥233,827	¥249,473	¥256,824	¥254,193	¥263,730
Export sales (Note 2):	**324,510**	305,744	294,246	304,076	330,149	320,671
North America	**137,930**	137,723	140,078	139,380	156,583	145,153
Europe	**91,589**	79,352	72,968	85,694	103,010	98,300
Asia and other	**94,990**	88,668	81,199	79,001	70,555	77,218
Ratio of export sales to net sales	**58.0%**	56.7%	54.1%	54.2%	56.5%	54.9%
Net sales	**¥559,041**	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401

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

Segment Information by Geographic Region (Note 1)

	Millions of yen					
	2003	2002	2001	2000	1999	1998
Net sales:						
Japan	**¥323,524**	¥317,306	¥336,294	¥332,649	¥328,570	¥353,793
Overseas:	**235,517**	222,265	207,423	228,250	255,772	230,607
North America	**124,964**	126,361	120,016	129,152	150,377	131,560
Europe	**83,474**	73,009	66,549	78,079	86,006	78,445
Asia and other	**27,077**	22,894	20,858	21,019	19,389	20,602
Consolidated	**¥559,041**	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401
Operating income:						
Japan	**¥ 43,969**	¥ 32,691	¥ 36,286	¥ 33,697	¥ 14,905	¥ 17,608
Overseas:	**8,381**	6,735	2,024	6,554	3,769	4,812
North America	**5,063**	3,511	2,154	5,037	3,321	3,284
Europe	**1,504**	1,943	(871)	689	478	1,529
Asia and other	**1,813**	1,280	741	828	(30)	(1)
Total	**52,350**	39,427	38,311	40,252	18,674	22,420
Eliminations and corporate	**(9,495)**	(9,817)	(7,767)	(7,121)	(4,099)	641
Consolidated	**¥ 42,855**	¥ 29,609	¥ 30,543	¥ 33,131	¥ 14,575	¥ 23,062
Assets:						
Japan	**¥340,141**	¥343,399	¥345,592	¥342,434	¥350,202	¥374,585
Overseas:	**167,387**	160,469	152,078	153,224	198,561	209,806
North America	**83,806**	98,286	93,245	97,036	132,233	145,157
Europe	**60,770**	43,771	43,079	42,037	53,510	50,785
Asia and other	**22,810**	18,412	15,754	14,151	12,818	13,864
Total	**507,528**	503,869	497,672	495,659	548,764	584,393
Eliminations and corporate	**8,427**	23,491	20,508	54,044	40,436	44,669
Consolidated	**¥515,956**	¥527,360	¥518,181	¥549,703	¥589,201	¥629,062

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

Consolidated Financial Review

Konica Corporation and Consolidated Subsidiaries

Scope of Consolidated Financial Results

The Konica Group comprises Konica Corporation, 75 consolidated subsidiaries, 18 unconsolidated subsidiaries, and 9 affiliated companies.

The businesses operated by Konica Corporation and its subsidiaries comprise the following two business segments and are differentiated on a product basis. The Photographic Materials segment deals primarily in the production and marketing of color film, paper, minilab equipment, film and processing equipment for identification photos, x-rays, and printing, as well as TAC film for LCD polarization plates and inkjet printing products. The Business Machines segment deals primarily in the production and marketing of cameras, digital cameras, copiers, facsimiles machines, printers, and other business machines, as well as polymerization toner, OPC drums, and optical pickup lenses.

Consolidated Business Results

Sales

In fiscal 2002, the fiscal year ended March 31, 2003, the downward trend in the world's largest economies, the U.S. and Europe, grew stronger. Concerns about the conflict in Iraq combined with this trend to prolong the global recession, further delaying the possibility of economic recovery. The Japanese economy remained sluggish, owing to uncertainty over the future. Capital investment continued to contract, while consumer spending remained lackluster owing in large part to deepening anxieties over the employment situation. Against this backdrop, Konica experienced a strong performance in its strategic growth businesses and was boosted by the yen's depreciation against the U.S. dollar and the euro. In the fiscal year ended March 31, 2003, consolidated net sales rose 3.6% year on year, from ¥539.6 billion, to ¥559.0 billion.

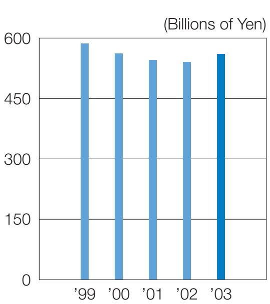
By business segment, in the Photographic Materials and Photo-related Industrial Equipment Companies sales of color film and printing paper fell due to the increasing trend toward market digitization. At the same time, in the Business Machines, Cameras, and Optical Products, sales of medium- and high-speed copiers in the Office Document Company and optical pickup lenses in the Optical Products Company were strong.

Cost of Sales, and Selling, General and Administrative Expenses

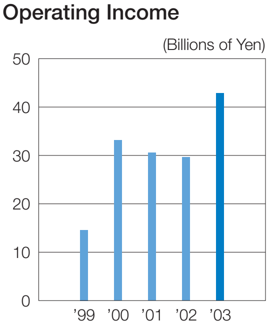
The cost of sales during the fiscal year under review increased ¥11.7 billion, compared with the previous period, to ¥321.4 billion. While the Company incurred increased overseas procurement costs due to the yen's depreciation against major currencies, efforts to reduce production costs and increased sales volume enabled Konica to hold the cost of sales to essentially the same level as the previous fiscal year. As a result of these factors, gross profit increased 3.4% year on year to ¥237.7 billion.

Selling, general and administrative (SG&A) expenses declined ¥5.5 billion to ¥194.8 billion. This was mainly attributable to a ¥3.5 billion reduction in sales expenses at the Group's graphics image sales company due to an adjustment for exchange rate movements. Experimental research expenses rose ¥1.4 billion and expenses owing to the depreciation of the yen increased ¥4.1 billion. As a result, the net cutback in other expenses was held to ¥2.0 billion.

Net Sales



Operating Income



SG&A expenses as a ratio to net sales fell from 37.1% to 34.8%.

Operating Income, Net Income

Operating income increased 44.7% to ¥42.9 billion, reflecting the increase in gross profit and measures implemented to reduce expenses. As a percentage of net sales, operating income improved from 5.5% in the fiscal year ended March 31, 2002, to 7.7%.

Net other expenses totaled ¥18.1 billion, an increase of ¥3.5 billion, impacted by a number of factors. Although the Company recorded a foreign exchange gain on overseas sales of ¥2.9 billion in fiscal 2001 due to the depreciation of the yen, Konica incurred an exchange loss of ¥2.4 billion, a turnaround of ¥5.3 billion, in the fiscal year under review due to the yen's appreciation. The Company also recorded income of ¥4.5 billion from the transfer to a defined contributory pension system. This however was offset by business restructuring expenses of ¥5.6 billion in preparation for structural reform of its consumer imaging business. Other income for fiscal 2002 totaled ¥2.9 billion.

As a result of the preceding factors, income before income taxes and minority interests increased 64.9% compared with the previous fiscal year to ¥24.7 billion, and net income increased 48.1% to ¥16.4 billion, a record profit for the Group. Earnings per share of common stock jumped from ¥30.9 to ¥45.7, return on equity increased from 6.46% to 9.05%, and return on assets rose from 2.10% to 3.17%.

Segment Information

Photographic Materials

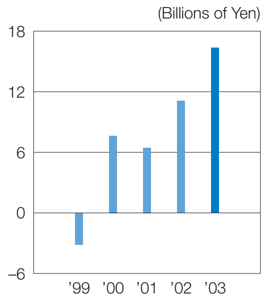
Sales in our Photographic Materials segment declined 2.0% compared with the previous fiscal year to ¥294.3 billion. Operating income in this segment declined 7.3% year on year to ¥15.9 billion.

In the Color Film and Printing Paper fields, sales increased in the growth markets of Russia and Asia. In mature markets such as Japan, Europe, and the U.S., however, sales contracted due to the increased penetration of digital cameras and the impact on traditional silver-halide film and a decline in product prices. Operating income in this segment increased year on year due to cutbacks in production and fixed expenses.

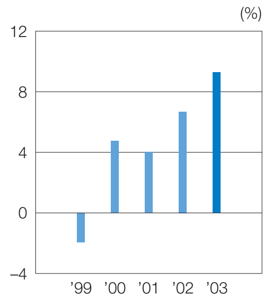
In the Medical and Graphic Imaging business, the trend toward digital networks continues to increase rapidly. In the midst of these circumstances, the dry film products of the Company's medical imaging business performed steadily. In the graphic imaging business, overseas sales of printer film and domestic sales of digital color proof-related equipment were strong despite market contraction brought on by the trend to CTP processing. On the earnings front, operating income in the medical and graphic imaging business declined year on year significantly impacted by depreciation expenses following start up of the Company's Kofu dry film plant.

Sales of tri-acetyl cellulose (TAC) film for use in LCD polarization plates, designated a strategic business, increased substantially. Amortization of the No. 2 line at Konica's Kobe facility, which went online in August 2002, however, offset contributions to earnings in the photographic materials business.

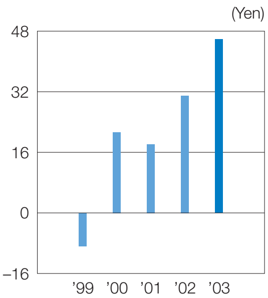
Net Income



Return on Equity



Net Income per Share



Business Machines

Sales in the Business Machines segment rose 10.7% to ¥264.7 billion. Operating income rose 68.4% over the previous fiscal year to ¥36.5 billion.

The Office Document business, which accounts for the leading share of this business, posted record sales of ¥204.6 billion, boosted by the shift in copier sales toward value-added products such as medium- and high-speed multifunctional peripherals (MFPs) and strong sales of the next-generation polymerization toners. Operating income in this business surged to ¥22.4 billion.

The optical pickup lens business of the Optics Technology business experienced rapid growth in the first half of the fiscal year under review due to increasing popularity of DVD players and increased demand for software. The sharp jump in demand in China and Hong Kong for video CD players also impacted favorably on results. While inventory adjustments in the second half reduced unit volume shipped, total shipments for fiscal 2002 increased by 47% compared with the previous fiscal year. In terms of product composition, DVD recorders, which have comparatively high unit prices, experienced solid sales volume growth.

Liquidity and Sources of Capital

The Konica Group has continued to work to increase free cash flow through increased sales and higher profits. As a result free cash flows (net cash provided by operating activities minus net cash used in investing activities) totaled ¥29.1 billion. In the fiscal year under review Konica reduced interest-bearing debt by ¥24.0 billion to ¥152.1 billion. The debt/equity ratio declined to 0.84 of a point from 1.03 times in the previous fiscal year.

Cash Flows

Net cash provided by operating activities increased ¥18.3 billion to ¥66.4 billion. Income before taxes and minority interests increased ¥9.7 billion to ¥24.7 billion in line with the increase in sales. Depreciation and amortization expenses increased ¥2.3 billion to ¥28.5 billion, attributed to the start up of operations at the medical imaging dry film plant in Kofu and the No. 2 line of the TAC film plant for LCD polarizing plates in Kobe, completed in fiscal 2001.

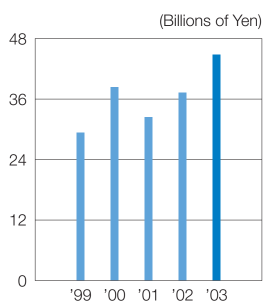
Accounts receivable fell ¥7.7 billion while inventory declined ¥2.2 billion. Accounts payable increased ¥3.3 billion and operating capital rose ¥13.2 billion.

Net cash used in investing activities narrowed ¥2.2 billion to ¥37.3 billion. The principal components were mainly related to investments in the Company's medical-use dry film production facilities, TAC film for LCD polarization plates, and the acquisition of property, plant and equipment to strengthen production facilities for polymerization toner totaling ¥29.5 billion, down ¥12.1 billion from the previous fiscal year.

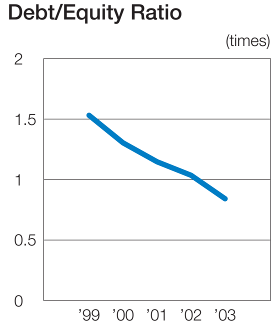
Moreover, Konica utilized ¥9.4 billion in investing activities for the acquisition of intangible fixed assets and an increase in loans receivable.

Net cash used in financing activities amounted to ¥24.7 billion, up ¥5.6 billion from the previous fiscal year. This was mainly attributable to the repayment of long-term loans from financial institutions and the redemption of bonds. As a result, interest-bearing debt stood at ¥152.1 billion, a decline of ¥24.0 billion from the end of the previous fiscal year.

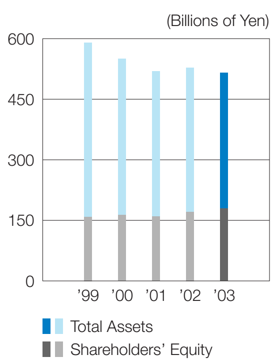
Gross Cash Flow



Debt/Equity Ratio



Total Assets/Shareholders' Equity



Assets, Liabilities, and Equity

Total assets as of March 31, 2003 totaled ¥516.0 billion, a decline of ¥11.4 billion compared with the previous fiscal year-end. In current assets, trade notes and accounts receivable declined ¥8.0 billion and inventory fell ¥3.5 billion. The balance of cash and other current assets however increased ¥13.7 billion, for an aggregate rise in total current assets of ¥2.2 billion.

For the fiscal year under review, capital expenditures of ¥21.6 billion fell below depreciation expense of ¥28.5 billion. As a result, the balance of property, plant and equipment, net, fell ¥8.0 billion. Investments and other assets declined by ¥5.6 billion for an aggregate fall in fixed assets of ¥13.6 billion. As a result, the balance of total assets as of the fiscal year-end decreased ¥11.4 billion.

On the liabilities side, current liabilities declined ¥23.8 billion. Major components were an increase of ¥5.6 billion in reserve for structural reforms relating to the consumer imaging business and declines in interest-bearing debt and other current liabilities of ¥28.8 billion and ¥0.6 billion, respectively. Long-term liabilities rose ¥1.1 billion resulting in an aggregate decline in total liabilities of ¥23.7 billion.

Turning to shareholders' equity, while consolidated retained earnings increased by ¥12.8 billion, foreign currency translation and other losses increased by ¥2.7 billion. As a result, total shareholders' equity increased ¥9.8 billion compared with the previous fiscal year-end.

Reducing total assets and increasing shareholders' equity in this manner resulted in an increase of 2.6 percentage points in the shareholders' equity ratio over the previous fiscal year to 35.1%.

Capital Expenditures and Research and Development Expenditures

Konica invested ¥6.5 billion in capital expenditures primarily in the upgrade of production facilities for medical-use dry film and inkjet paper in the photographic materials business. In business machines, cameras, and optical products, the Company undertook expenditures totaling ¥6.7 billion in an effort to bolster production facilities for optical disk non-spherical plastic lenses, copiers, and polymerization toners.

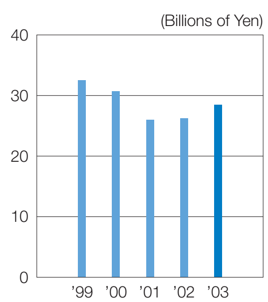
Other capital expenditures amounted to ¥8.4 billion and were used for the acquisition of buildings owned by the Company and the development of information and management systems in line with the companies move toward spin off and a holding company structure.

R&D expenses for the fiscal year under review increased ¥1.4 billion to ¥30.3 billion. An amount ¥13.8 billion was allocated to the photographic materials business, ¥11.6 billion to business machines, cameras, and optical products, and ¥4.9 billion to the development of the Group's platform technologies and in particular state-of-the-art technologies and digital networking.

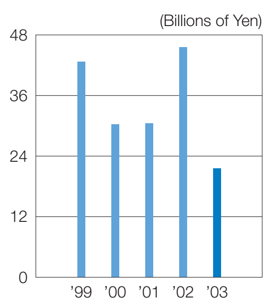
Outlook

The market trend toward adopting digital networks continues to advance at a rapid pace. At the same time, however, the world's major economies continue to show few signs of recovery. Under these conditions, Konica has decided to adopt a holding company structure with the aim of promoting speedy and efficient business portfolio management. In establishing an entirely new entity under a strengthened format, Konica is working to strengthen its business platform and to enhance the corporate value of the Group for the benefit of its shareholders.

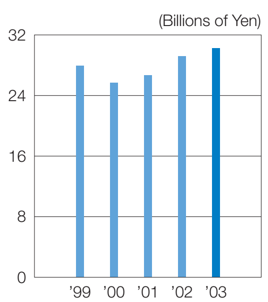
Depreciation Expenses



Capital Expenditures



R&D Expenditures



Consolidated Balance Sheets

Konica Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

Assets	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 3) 2003
Current Assets:			
Cash and cash equivalents (Note 4)	**¥ 51,876**	¥ 47,659	**$ 431,581**
Notes and accounts receivable—trade	**129,212**	137,224	**1,074,975**
Less: Allowance for doubtful accounts	**(6,746)**	(7,819)	**56,123**
Inventories	**98,848**	102,348	**822,363**
Deferred tax assets (Note 7)	**22,759**	12,963	**189,343**
Other accounts receivable	**9,942**	9,513	**82,712**
Other current assets	**5,925**	7,713	**49,293**
Total current assets	**311,818**	309,602	**2,594,160**
Property, Plant and Equipment:			
Land	**18,672**	19,335	**155,341**
Buildings and structures	**113,202**	112,104	**941,780**
Machinery and equipment	**291,916**	296,518	**2,428,586**
Construction in progress	**5,579**	20,691	**46,414**
Total property, plant and equipment	**429,369**	448,649	**3,572,121**
Less: Accumulated depreciation	**(281,329)**	(292,587)	**(2,340,507)**
Property, plant and equipment, net	**148,040**	156,061	**1,231,614**
Investments and Other Assets:			
Investment securities (Note 5)	**14,201**	13,469	**118,145**
Long-term loans	**1,103**	2,291	**9,176**
Deferred tax assets (Note 7)	**14,343**	18,826	**119,326**
Intangible assets	**10,646**	10,884	**88,569**
Long-term prepaid expenses	**5,268**	5,604	**43,827**
Other investments	**12,498**	13,053	**103,977**
Other assets	**336**	34	**2,795**
Less: Allowance for doubtful accounts	**(2,300)**	(2,469)	**(19,135)**
Total investments and other assets	**56,097**	61,696	**466,697**
Total assets	**¥515,956**	¥ 527,360	**$4,292,479**

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

Liabilities and Shareholders' Equity	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 3) 2003
Current Liabilities:			
Short-term debt (Note 6)	**¥ 90,592**	¥111,741	**$ 753,677**
Current portion of long-term debt (Note 6)	**10,175**	17,894	**84,651**
Notes and accounts payable—trade	**71,425**	68,256	**594,218**
Accrued expenses	**37,315**	34,945	**310,441**
Accrued income taxes (Note 7)	**9,913**	6,539	**82,471**
Other current liabilities	**24,608**	28,426	**204,725**
Total current liabilities	**244,033**	267,805	**2,030,225**
Long-Term Liabilities:			
Long-term debt (Note 6)	**51,318**	46,472	**426,938**
Accrued retirement benefits	**24,303**	35,078	**202,188**
Other long-term liabilities	**13,056**	6,036	**108,619**
Total long-term liabilities	**88,679**	87,587	**737,762**
Minority Interests	**2,224**	741	**18,502**
Shareholders' Equity (Note 9)**:**			
Common stock, par value ¥50 per share:			
Authorized—800,000,000 shares			
Issued and outstanding—357,655,368 shares	**37,519**	37,519	**312,138**
Additional paid-in capital	**79,342**	79,342	**660,083**
Retained earnings	**69,052**	56,251	**574,476**
Unrealized gains on securities	**825**	891	**6,864**
Foreign currency translation adjustments	**(5,309)**	(2,659)	**44,168**
Less: Treasury common stock	**(410)**	(119)	**3,411**
Total shareholders' equity	**181,019**	171,226	**1,505,982**
Commitments and Contingent Liabilities (Note 10)			
Total liabilities and shareholders' equity	**¥515,956**	¥527,360	**$4,292,479**

Consolidated Statements of Income

Konica Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Net Sales	**¥559,041**	¥539,571	**$4,650,924**
Cost of Sales	**321,381**	309,633	**2,673,719**
Gross profit	**237,660**	229,937	**1,977,205**
Selling, General and Administrative Expenses	**194,804**	200,328	**1,620,672**
Operating income	**42,855**	29,609	**356,533**
Other Income (Expenses):			
Interest and dividend income	**1,051**	720	**8,745**
Interest expenses	**(4,484)**	(6,668)	**(37,305)**
Foreign exchange gains (losses), net	**(2,397)**	2,876	**(19,945)**
Equity in earnings of unconsolidated subsidiaries and affiliates, net	**310**	(1,020)	**2,586**
Gains on sales of fixed assets	**181**	410	**1,507**
Net gain resulting from the change of pension scheme (Note 12)	**4,544**	—	**37,808**
Provision of reserve for reorganization/liquidation expenses	**(5,637)**	—	**(46,897)**
Write-down on investment securities	**(2,167)**	(1,688)	**(18,036)**
Amortization of unrecognized obligation at transition (Note 12)	**(1,325)**	(1,647)	**(11,029)**
Other, net	**(8,202)**	(7,597)	**(68,241)**
Total	**(18,126)**	(14,615)	**(150,805)**
Income before income taxes	**24,728**	14,994	**205,728**
Income Taxes (Note 7)**:**			
Current	**14,375**	8,441	**119,598**
Deferred	**(6,195)**	(4,576)	**(51,543)**
Total	**8,180**	3,865	**68,055**
Minority Interests in Earnings of Consolidated Subsidiaries	**(172)**	(69)	**(1,436)**
Net Income	**¥ 16,375**	¥ 11,059	**$ 136,237**

	Yen		U.S. dollars (Note 3)
Per Share of Common Stock:			
Net income	**¥ 45.7**	¥ 30.9	**$ 0.38**
Cash dividends	**10.0**	10.0	**0.08**

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

Consolidated Statements of Shareholders' Equity

Konica Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2003 and 2002

	Shares of issued common stock (thousands)	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	357,655,368	¥37,519	¥79,342	¥48,813	¥1,064	¥(6,478)	¥ (2)
Net income for the year				11,059			
Cash dividends paid				(3,576)			
Bonuses to directors and corporate auditors				(45)			
Net unrealized gains on securities					(173)		
Foreign currency translation adjustments						3,819	
Purchase of treasury stock							(117)
Balance at March 31, 2002	357,655,368	¥37,519	¥79,342	¥56,251	¥ 891	¥(2,659)	¥(119)
Net income for the year				16,375			
Cash dividends paid				(3,574)			
Net unrealized gains on securities					(66)		
Foreign currency translation adjustments						(2,650)	
Purchase of treasury stock							(291)
Balance at March 31, 2003	**357,655,368**	**¥37,519**	**¥79,342**	**¥69,052**	**¥ 825**	**¥(5,309)**	**¥(410)**

	Shares of issued common stock (thousands)	Thousands of U.S. Dollars (Note 3)					
		Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	357,655,368	$312,138	$660,083	$467,978	$7,413	$(22,121)	$ (990)
Net income for the year				138,231			
Cash dividends paid				(29,734)			
Net unrealized gains on securities					(549)		
Foreign currency translation adjustments						(22,047)	
Purchase of treasury stock							(2,421)
Balance at March 31, 2003	**357,655,368**	**$312,138**	**$660,083**	**$574,476**	**$6,864**	**$(44,168)**	**$(3,411)**

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

Consolidated Statements of Cash Flows

Konica Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 24,728**	¥ 14,994	**$ 205,724**
Depreciation and amortization	**28,497**	26,219	**237,080**
Decrease in allowance for doubtful receivables	**(2,163)**	(2,055)	**(17,995)**
Interest and cash dividend income	**(1,051)**	(720)	**(8,744)**
Interest expenses	**4,484**	6,668	**37,304**
Loss on sales or disposal of fixed assets, net	**3,112**	4,088	**25,890**
Write-down of investment securities	**2,167**	1,688	**18,028**
Amortization of unrecognized net obligation at transition	**1,325**	1,647	**11,023**
Net gain resulting from the change of pension scheme	**(4,544)**	—	**(37,812)**
Loss on liquidation of affiliated company	**—**	2,451	**—**
Provision of reserve for reorganization/liquidation expenses	**5,637**	—	**46,897**
Decrease in notes and accounts receivable	**7,686**	9,164	**63,943**
Decrease in inventories	**2,187**	4,202	**18,195**
Increase (decrease) in notes and accounts payables (decrease: minus)	**3,337**	(13,349)	**27,762**
Increase (decrease) in accrued consumption tax payable (decrease: minus)	**155**	(1,405)	**1,290**
Other	**4,991**	5,609	**41,522**
Subtotal	**80,552**	59,205	**670,150**
Interest and dividend income received	**1,506**	697	**12,529**
Interest expenses paid	**(4,653)**	(6,773)	**(38,710)**
Income taxes paid	**(10,968)**	(5,003)	**(91,248)**
Net cash provided by operating activities	**66,437**	48,125	**552,720**
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	**(29,545)**	(41,616)	**(245,799)**
Proceeds from sale of property, plant and equipment	**2,177**	5,483	**18,111**
Payment for acquisition of intangible assets	**(3,669)**	(1,500)	**(30,524)**
Payment for loans receivable	**(5,743)**	(449)	**(47,779)**
Proceeds from return of loans receivable	**2,963**	939	**24,651**
Payment for acquisition of investment securities	**(706)**	(216)	**(5,874)**
Proceeds from sales of investment in securities	**746**	697	**6,206**
Payment for other investments	**(3,533)**	(3,641)	**(29,393)**
Other	**(18)**	806	**(150)**
Net cash used in investing activities	**(37,328)**	(39,496)	**(310,549)**
Cash Flows from Financing Activities:			
Net short-term debt	**(19,551)**	22,986	**(162,654)**
Proceeds from long-term debt	**16,000**	8,223	**133,111**
Redemption of long-term debt	**(3,300)**	(33,512)	**(27,454)**
Proceeds from the issuance of bonds	**—**	2,000	**—**
Redemption of bonds	**(15,354)**	(15,150)	**(127,737)**
Proceeds from capital increase from minority interest	**1,300**	—	**10,815**
Payment for repurchase of treasury stocks	**(204)**	(19)	**(1,697)**
Dividends paid	**(3,576)**	(3,576)	**(29,750)**
Net cash used in financing activities	**(24,685)**	(19,049)	**(205,366)**
Effect of exchange rate changes on cash and cash equivalents	**(206)**	904	**(1,714)**
Increase (decrease) in cash and cash equivalents (decrease: minus)	**4,216**	(9,515)	**35,075**
Cash and cash equivalents at beginning of the year	**47,659**	56,573	**396,498**
Increase in cash and cash equivalents by new consolidation	**—**	602	**—**
Cash and cash equivalents at fiscal year-end	**¥ 51,876**	¥ 47,659	**$ 431,581**

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

Notes to Consolidated Financial Statements

Konica Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2003 and 2002

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 75 subsidiaries in which it has control. All significant intercompany transactions and accounts and unrealized profits among the companies are eliminated in consolidation.

Investments in 15 unconsolidated subsidiaries and 3 significant affiliates are accounted for by the equity method. Investments in 3 insignificant unconsolidated 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) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided at the amount of possible losses from uncollectable receivables based on the management's estimate.

(e) Inventories

Inventories are valued principally on an average-cost basis.

(f) 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.

(g) 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.

(h) Research and Development Expenses

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

(i) 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.

However, 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, commodity price, and exchange rate. 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.

(j) Accrued Retirement Benefits

Pension and severance costs for employees are accrued based on the estimates of projected benefit obligations and the plan assets at the end of current fiscal year. The actuarial difference is amortized mainly over a period of 10 years, which is within the average remaining service period, using straight-line method from the next year in which they arise.

The prior service cost is amortized mainly over a 10-year period, which is within the average remaining service period, using straight-line method from the time when the difference was generated.

Pursuant to the Defined Benefit Enterprise Pension Plan Law, the Company and several consolidated subsidiaries obtained approval from the Minister of Health, Labor and Welfare for the exemption from the payment for future benefits of the Entrusted Government's Portion. The Company and several consolidated subsidiaries applied accounting for Liquidation of the Entrusted Government's Portion at the date of approval resulting in relinquishment of the entrusted portion of the retirement benefit obligation of welfare pension funds and the related pension fund assets, which is allowed as an alternative accounting method in accordance with article 47-2 of Accounting Committee Report No.13 "Practical Guidance for Accounting for Retirement Benefits (Interim Report)" issued by the Japanese Institute of Certified Public Accountants. The effect to the statements of income resulting from the accounting treatment applied is described in Note 12. Retirement Benefits Plan.

On April 30, 2003, the Company, upon enactment of Defined Contribution Pension Plan Law, transferred a portion of defined benefit pension plan to a defined contribution pension plan. Pursuant to Financial Accounting Standards Implementation Guidance No.1 "Accounting for Transfers between Retirement Benefit Plans" issued by Accounting Standard Board of Japan, and "Report of Practical Issues No.2 Practical Treatment of Accounting for Transfers between Retirement Benefit Plans" issued by the Accounting Standards Board of Japan, the effect resulting from the accounting treatment applied to the statements of income are described in Note 12. Retirement Benefits Plan.

(k) 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 ¥120.20=US$1, the rate of exchange on March 31, 2003, 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
	2003	2002	**2003**
Cash and bank deposits	**¥51,876**	¥47,359	**$431,581**
Money management funds	**0**	300	**0**
Cash and cash equivalents	**¥51,876**	¥47,659	**$431,581**

5. Securities

As of March 31, 2003

(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	¥3,995	¥5,936	¥1,940
(2) Other	—	—	—
Subtotal	3,995	5,936	1,940
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value			
(1) Shares	3,734	3,113	(620)
(2) Other	78	61	(16)
Subtotal	3,812	3,174	(637)
Total	¥7,808	¥9,111	¥1,303
	Thousands of U.S. dollars		
Total	$64,958	$75,799	$10,840

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

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥669	¥121	¥21
	Thousands of U.S. dollars		
Other securities	$5,566	$1,007	$175

(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
Unlisted stocks	¥742	$6,173
Unlisted foreign bonds	264	2,196

(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	¥264	—
	Thousands of U.S. dollars	
Unlisted foreign bonds	$2,196	—

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

Short-term and long-term debt as of March 31, 2003 and 2002 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	(Interest rate)	2002	**2003**
Short-term loans	**¥ 90,592**	2.09	¥111,741	**$753,677**
Current portion of long-term loans	**5,121**	1.71	2,540	**42,608**
Long-term loans	**24,126**	0.92	14,226	**200,722**
	¥119,840		¥128,508	**$997,997**

The annual maturities of long-term debt as of March 31, 2003 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 3,044	$25,329
2005	1,019	8,483
2006	2,009	16,718
2007	11,007	91,577

Bonds

Bonds as of March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Bonds	**¥32,246**	¥47,600	**$268,270**

The annual maturities of long-term debt as of March 31, 2003 is as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 5,054	$42,047
2004	7,054	58,686
2005	10,054	83,644
2006	5,054	42,047
2007	30	250

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Property, plant and equipment	**¥2,199**	¥2,374	**$18,297**

7. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2003 and 2002 was 42.1%.

At March 31, 2003 and 2002, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	2003	2002
Statutory tax rate	**42.1%**	42.1%
Unrecognized tax effect	**(8.5)**	—
Accumulated deficit	**—**	(13.6)
Other, net	**(0.5)**	(2.7)
Effective tax rate	**33.1%**	25.8%

Statutory effective tax rate used for the calculation of non-current deferred tax assets and liabilities is mainly 40.5% (prior fiscal year was 42.1%). Due to the change in the tax rate, amounts of deferred tax assets (net of deferred tax liabilities) decreased by ¥346 million and deferred income taxes increased by ¥367 million.

At March 31, 2003 and 2002, significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Gross deferred tax assets:			
Tax effect on loss of a consolidated subsidiary previously not recognized	**¥ 3,810**	¥ 3,057	**$ 31,697**
Tax loss carryforwards	**4,820**	9,459	**40,100**
Reserve for employees' retirement allowance	**15,046**	15,451	**125,175**
Inventories, etc	**6,970**	2,631	**57,987**
Other, net	**20,439**	16,477	**170,042**
Subtotal	**51,085**	47,075	**425,000**
Valuation allowance	**(6,587)**	(6,764)	**(54,800)**
Deferred tax assets total	**44,497**	40,311	**370,191**
Total gross deferred tax liabilities	**(7,517)**	(8,521)	**(62,537)**
Net deferred tax assets	**¥36,980**	¥31,789	**$307,654**

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.

8. Research and Development Expenses

Total amounts charged to income for the fiscal years ended March 31, 2003 and 2002 are ¥30,308 million (US$252,153 thousand) and ¥29,171 million, respectively.

9. Shareholders' Equity

Retained earnings at March 31, 2003 and 2002 include a legal reserve of ¥69,052 million and ¥56,251 million, respectively. The Japanese Commercial Code provides that an mount equal to at least 10 percent of cash dividends and other distribution from retained earnings paid by the Company and its subsidiaries be appropriated as a legal reserve. No further appropriation is required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital.

On June 25, 2003 the ordinary general shareholders' meeting approved a cash dividend to be paid to shareholders on record as of March 31, 2003 totaling ¥1,786 million, at rate of ¥5.00 per a share. The meeting also approved a treasury stock purchase program in which the Company is authorized to repurchase up to 35 million shares within the acquisition cost of ¥20 billion later than the date of the next ordinary general shareholders' meeting to reduce the outstanding shares.

10. Contingent Liabilities

The Company and its subsidiaries were contingently liable, as of March 31, 2003, for loans guaranteed of ¥122 million (US$1,015 thousand).

11. 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:

Accounting for Finance Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for mainly by a method similar to that used for ordinary operating leases.

Lessee

1. Finance Leases

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Machinery and equipment	**¥ 10,724**	¥11,826	**$ 89,218**
Tools and furniture	**9,369**	6,913	**77,945**
Others	**507**	451	**4,218**
	20,601	19,192	**171,389**
Less: Accumulated depreciation	**(10,570)**	(9,392)	**(87,937)**
Net book value	**10,031**	9,799	**83,453**
Depreciation	**¥ 4,311**	¥ 3,463	**$ 35,865**

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, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥ 3,564**	¥3,343	**$29,651**
Due over one year	**6,466**	6,456	**53,794**
	10,031	9,799	**83,453**
Lease rental expenses for the year	**¥ 4,311**	¥3,463	**$35,865**

2. Operating Leases

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥ 4,940**	¥ 4,036	**$ 41,098**
Due over one year	**14,745**	14,568	**122,671**
	¥19,685	¥18,604	**$163,769**

Lessor

Finance Leases

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Leased tools and furniture:			
Purchase cost	**¥ 576**	¥ 766	**$4,792**
Accumulated depreciation	**(537)**	(689)	**(4,468)**
Net book value	**¥ 38**	¥ 77	**$ 316**

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Due within one year	**¥ 44**	¥ 88	**$ 366**
Due over one year	**—**	—	**—**
	44	88	**366**
Lease rental income for the year	**618**	792	**5,141**
Depreciation for the year	**¥537**	¥689	**$4,468**

12. 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, 2003 is analyzed as follows:

	Millions of yen	Thousands of U.S. dollars
a. Retirement benefit obligations	¥(79,163)	$(658,594)
b. Plan assets	34,853	289,958
c. Unfunded retirement benefit obligations (a+b)	(44,309)	(368,627)
d. Unrecognized transition amount	2,391	19,892
e. Unrecognized actuarial differences	19,645	163,436
f. Unrecognized prior service cost	(65)	(541)
g. Net amount on consolidated balance sheets (c+d+e+f)	(22,337)	(185,832)
h. Prepaid pension cost	1,965	16,348
i. Accrued retirement benefits (g–h)	¥(24,303)	$(202,188)

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, 2003 is as follows:

	Millions of yen	Thousands of U.S. dollars
a. Service costs	¥4,776	$39,734
b. Interest costs	2,975	24,750
c. Expected return on plan assets	(545)	(4,534)
d. Amortization of transition amount	1,325	11,023
e. Actuarial differences that are accounted for as expenses	1,285	10,691
f. Prior service costs that are accounted for as expenses	(156)	(1,298)
g. Retirement benefit costs (a+b+c+d+e+f)	¥9,662	$80,383

The Company and its domestic subsidiaries' defined benefit plans so far are comprised of the plan regulated by the Defined Benefit Enterprise Pension Plan Law, the tax-qualified pension plan and the lump-sum payment plan. In October 2002, the Company and certain number of subsidiaries were permitted to transfer the defined portion of their plan regulated by the Defined Benefit Enterprise Pension Plan Law to Japanese Government's Welfare Pension Plan by Japanese Government, then the future payment of related benefit portion shall be replaced by the government. The fund for the replacement shall be paid to the government and the related projected benefit obligation was reversed. The net of the reversal and the payment resulted in gain amounting to ¥8,081 million. In addition, the Company and some subsidiaries changed a portion of tax-qualified pension plan to contribution plan, of which the necessary contribution at transition was made partially by the assets of tax-qualified pension plan. The rest amounting ¥2,993 million was charged to income during the year.

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 3.0%
c. Expected rate of return on plan assets		Mainly 1.5%
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

13. Subsequent Events

The general shareholders' meeting held on June 25, 2003 approved the following agenda:

(a) Share Exchange Agreement with Minolta Co., Ltd.

The share exchange agreement with Minolta Co., Ltd. (Minolta) was resolved at the board of directors' meeting held on May 15, 2003 and the Company made a contract with Minolta immediately. The details of the share exchange agreement are as follows:

Purpose

The Company and Minolta reached an agreement that in order to enhance business competitiveness, improve profitability, and to maximize corporate value as an entire group, it is the best solution to integrate all the business resources of the two companies into one by share exchange. The purpose of the business integration is to survive in the severe competition in the global market, to maximize further corporate value, and to place the Company in a leading position in the industry.

The Method and Outline of the Share Exchange

1) The stocks of the Company are exchanged with those of Minolta, and thus the Company will become the full parent, and Minolta will become the full subsidiary. After the share exchange, the Company will become a new integrated holding company, Konica Minolta Holdings, Inc.

   The Company will allocate 0.621 common share to those who own one common share of Minolta.
2) The Company will newly issue 174,008.969 common shares to the shareholders on Minolta's shareholders list (including beneficial shareholders) as of the end of the day immediately before the date of share exchange.
3) Dividends for the newly issued common shares will be calculated effective from April 1, 2003.
4) The Company will not pay share exchange grant to Minolta's shareholders.
5) The Company will not increase its stated capital for the share transactions. Capital reserve will be increased by the amount pursuant to Clause 1-2 of Article 288-2 of the Commercial Code of Japan.

Timing of the share exchange

The share exchange will be effective on August 5, 2003. However, the date is subject to change by the mutual agreement between the Company and Minolta, due to the reasons including administrative matters relating to share exchange process.

Outline of Minolta

Head office: Chuo-ku, Osaka
Representative: Yoshikatsu Ota, President
Capital: ¥25,832 million

1) Business: Manufacture and sale of products including copiers, printers, cameras, optical units, radiometric instruments, and planetariums.
2) Sales and net income for the year ended March 31, 2003
   Sales: ¥296,329 million
   Net income: ¥11,969 million
3) Assets, liabilities and shareholders' equity as of March 31, 2003

Current assets	¥127,815 million
Non-current assets	¥141,381 million
Total assets	¥269,196 million
Current liabilities	¥125,397 million
Non-current liabilities	¥57,420 million
Total liabilities	¥182,818 million
Shareholders' equity	¥86,378 million

(b) Purchase of Treasury Stock

In order to flexibly respond to the change in the management environment, pursuant to article 210 of the Commercial Code of Japan the shareholders approved a maximum limit to potentially acquire treasure stocks during the period from immediately after the shareholders' meeting to the next general shareholders' meeting. The outlines of the treasury stocks to be acquired are as follows:

(1) Type of stock to be acquired: Common stock of the Company
(2) Number of shares to be acquired: maximum 35 million shares
(3) Amount of shares to be acquired: maximum ¥20 billion

14. 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
2003: Net sales					
Outside	**¥294,319**	**¥264,721**	**¥559,041**	**¥ —**	**¥559,041**
Intersegment	**3,958**	**1,290**	**5,249**	**(5,249)**	**—**
Total	**298,278**	**266,012**	**564,290**	**(5,249)**	**559,041**
Operating expenses	**282,412**	**229,513**	**511,925**	**4,260**	**516,185**
Operating income	**¥ 15,866**	**¥ 36,499**	**¥ 52,365**	**¥ (9,510)**	**¥ 42,855**
Assets	**¥271,641**	**¥183,358**	**¥455,000**	**¥60,956**	**¥515,956**
Depreciation	**14,143**	**11,516**	**25,659**	**2,839**	**28,497**
Capital expenditure	**6,528**	**6,661**	**13,190**	**8,435**	**21,625**

	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

	Thousands of U.S. dollars (Note 3)				
	Photographic materials	Business machines	Total	Eliminations and corporate	Consolidation
2003: Net sales					
Outside	**$2,448,577**	**$2,202,338**	**$4,650,923**	**$ —**	**$4,650,923**
Intersegment	**32,928**	**10,732**	**43,669**	**(43,669)**	**—**
Total	**2,481,514**	**2,213,078**	**4,694,592**	**(43,669)**	**4,650,923**
Operating expenses	**2,349,517**	**1,909,426**	**4,258,943**	**35,441**	**4,294,384**
Operating income	**$ 131,997**	**$ 303,652**	**$ 435,649**	**$ (79,118)**	**$ 356,531**
Assets	**$2,259,908**	**$1,525,441**	**$3,785,358**	**$507,121**	**$4,292,479**
Depreciation	**117,662**	**95,807**	**213,469**	**23,619**	**237,080**
Capital expenditure	**54,309**	**55,416**	**109,734**	**70,175**	**179,908**

By Geographic Region

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidation
2003: Net sales							
Outside	**¥323,524**	**¥124,964**	**¥83,474**	**¥27,077**	**¥ 559,041**	**¥ —**	**¥559,041**
Intersegment	**121,857**	**8,424**	**674**	**41,243**	**172,200**	**(172,200)**	
Total	**445,382**	**133,388**	**84,148**	**68,321**	**731,241**	**(172,200)**	**559,041**
Operating expenses	**401,412**	**128,325**	**82,644**	**66,508**	**678,890**	**(162,705)**	**516,185**
Operating income	**¥ 43,969**	**¥ 5,063**	**¥ 1,504**	**¥ 1,813**	**¥ 52,350**	**¥ (9,495)**	**¥ 42,855**
Assets	**¥340,141**	**¥ 83,806**	**¥60,770**	**¥22,810**	**¥ 507,528**	**¥ 8,427**	**¥515,956**

	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

	Thousands of U.S. dollars (Note 3)						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidation
2003: Net sales							
Outside	**$2,691,547**	**$1,039,634**	**$694,459**	**$225,266**	**$4,650,923**	**$ —**	**$4,650,923**
Intersegment	**1,013,785**	**70,083**	**5,607**	**343,120**	**1,432,612**	**(1,432,612)**	**—**
Total	**3,705,341**	**1,109,717**	**700,067**	**568,394**	**6,083,536**	**(1,432,612)**	**4,650,923**
Operating expenses	**3,339,534**	**1,067,596**	**687,554**	**553,311**	**5,648,003**	**(1,353,619)**	**4,294,384**
Operating income	**$ 365,799**	**$ 42,121**	**$ 12,512**	**$ 15,083**	**$ 435,524**	**$ (78,993)**	**$ 356,531**
Assets	**$2,829,792**	**$ 697,221**	**$505,574**	**$189,767**	**$4,222,363**	**$ 70,108**	**$4,292,479**

Export Sales

	Millions of yen	Thousands of U.S. dollars (Note 3)	Percentage of net sales
2003: Sales to			
North America	**¥137,930**	**$1,147,504**	**24.7%**
Europe	**91,589**	**761,972**	**16.4**
Asia and Other	**94,990**	**790,266**	**17.0**
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

Report of Independent Auditors

Konica Corporation and Consolidated Subsidiaries

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

We have audited the accompanying consolidated balance sheets of KONICA CORPORATION and its subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KONICA CORPORATION and its subsidiaries as of March 31, 2003 and 2002, 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).

As described in Note 13 (a) the share exchange agreement with Minolta Co., Ltd. was approved at the general shareholders' meeting held on June 25, 2003.

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, 2003

Six-Year Financial Summary

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					
	2003	2002	2001	2000	1999	1998
For the Year:						
Net sales	**¥528,155**	¥510,862	¥464,289	¥482,767	¥506,075	¥490,259
Cost of sales	**293,076**	300,585	263,865	269,412	280,021	278,039
Operating income	**34,383**	3,950	9,190	20,268	29,085	26,892
Net income (loss)	**12,696**	(34,350)	(3,127)	3,144	9,002	16,429
Depreciation and amortization	**25,337**	26,399	25,405	23,387	23,375	20,172
Capital expenditures	**19,847**	27,002	32,206	26,357	24,046	29,350
R&D expenditures	**24,335**	29,000	26,300	30,918	26,664	24,267
At Year-End:						
Total assets	**¥367,278**	¥427,247	¥456,251	¥402,839	¥415,685	¥451,614
Total current assets	**223,856**	263,951	293,524	251,561	274,892	316,188
Property, plant and equipment—net	**88,439**	98,542	86,339	79,624	81,677	82,652
Total current liabilities	**233,045**	286,548	293,964	244,168	261,444	308,843
Long-term debt	**36,887**	46,538	60,995	57,910	48,937	41,919
Total shareholders' equity	**57,947**	46,502	71,194	75,005	80,047	77,074
	Yen					
Per Share of Common Stock:						
Net income (loss)	**¥ 45.33**	¥(122.59)	¥ (11.16)	¥ 11.22	¥ 32.13	¥ 58.83
Net assets	**207.03**	165.97	254.08	267.69	285.67	275.98
Cash dividends	**3.00**	—	6.00	6.00	7.00	6.00
	Percent					
Financial Ratios:						
Cost of sales ratio	**55.5%**	58.8%	56.8%	55.8%	55.3%	56.7%
Equity ratio	**15.8**	10.9	15.6	18.6	19.3	17.1
Return on assets	**3.2**	(7.8)	(0.7)	0.8	2.1	3.9
Return on equity	**24.3**	(58.4)	(4.3)	4.1	11.5	23.6
Other:						
Number of employees	**19,682**	21,932	22,729	21,794	20,294	20,503

Consolidated Statements of Operations

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Net Sales	**¥528,155**	¥510,862	**$4,401,292**
Cost of Sales	**293,076**	300,585	**2,442,300**
Gross profit	**235,079**	210,277	**1,958,992**
Selling , General and Administrative Expenses	**200,696**	206,327	**1,672,467**
Operating income	**34,383**	3,950	**286,525**
Other Income (Expenses):			
Interest and dividend income	**714**	669	**5,950**
Interest expense	**(7,075)**	(8,302)	**(58,958)**
Gain on return of substitutional portion of employee welfare pension fund plan	**2,633**	—	**21,942**
Loss on valuation of investments in securities	**(6,448)**	(13,983)	**(53,733)**
Extraordinary amortization of goodwill on consolidation	**—**	(3,307)	**—**
Special retirement benefits	**—**	(5,236)	**—**
Other, net	**(8,891)**	(7,360)	**(74,093)**
	(19,067)	(37,519)	**(158,892)**
Income (loss) before income taxes and minority interests	**15,316**	(33,569)	**127,633**
Income Taxes:			
Current	**2,977**	1,799	**24,808**
Deferred	**70**	(590)	**584**
	3,047	1,209	**25,392**
Income (loss) before minority interests	**12,269**	(34,778)	**102,241**
Minority Interests	**427**	428	**3,559**
Net income (loss)	**¥ 12,696**	¥ (34,350)	**$ 105,800**

Consolidated Balance Sheets

Minolta Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
Assets	2003	2002	2003
Current Assets			
Cash and deposits	¥ 33,585	¥ 39,302	$ 279,875
Marketable securities	5	4	42
Notes and accounts receivable:			
Trade	96,708	112,354	805,900
Unconsolidated subsidiaries and affiliates	3,697	4,061	30,808
Other	4,461	4,370	37,175
Allowance for doubtful receivables	(4,258)	(4,218)	(35,483)
Notes and accounts receivable, net	100,608	116,567	838,400
Inventories	77,248	98,127	643,733
Deferred income taxes	5,414	3,065	45,117
Other current assets	6,996	6,886	58,300
Total current assets	223,856	263,951	1,865,467
Investments and Other Assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliates	3,482	2,408	29,017
Other	16,051	21,563	133,758
Total investments in securities	19,533	23,971	162,775
Long-term receivables:			
Unconsolidated subsidiaries and affiliates	51	148	425
Other	1,362	2,450	11,350
Allowance for doubtful receivables	(626)	(1,340)	(5,217)
Long-term receivables, net	787	1,258	6,558
Deferred income taxes	11,873	14,453	98,942
Other investments	7,206	7,729	60,050
Total investments and long-term receivables	39,399	47,411	328,325
Property, Plant and Equipment:			
Land	27,503	27,817	229,192
Buildings and structures	63,517	64,387	529,308
Machinery and equipment	183,257	179,883	1,527,141
Construction in progress	260	171	2,167
	274,537	272,258	2,287,808
Accumulated depreciation	(186,098)	(173,716)	(1,550,816)
Property, plant and equipment, net	88,439	98,542	736,992
Intangible Assets	15,584	17,343	129,866
	¥ 367,278	¥ 427,247	$ 3,060,650

Liabilities, Minority Interests and Shareholders' Equity	Millions of yen 2003	2002	Thousands of U.S. dollars 2003
Current Liabilities:			
Short-term bank loans	**¥119,969**	¥171,705	**$ 999,742**
Current portion of long-term debt	**13,815**	21,781	**115,125**
Notes and accounts payable:			
Trade	**51,035**	52,683	**425,291**
Unconsolidated subsidiaries and affiliates	**383**	150	**3,192**
Total notes and accounts payable	**51,418**	52,833	**428,483**
Accrued income taxes	**2,743**	1,665	**22,858**
Accrued expenses	**20,489**	18,024	**170,742**
Other current liabilities	**24,611**	20,540	**205,091**
Total current liabilities	**233,045**	286,548	**1,942,041**
Long-Term Liabilities:			
Long-term debt	**36,887**	46,538	**307,391**
Accrued retirement and severance benefits	**23,483**	31,357	**195,692**
Deferred income taxes	**99**	185	**825**
Deferred income taxes on revaluation reserve for land	**5,975**	6,167	**49,792**
Other long-term liabilities	**8,490**	8,485	**70,750**
Total long-term liabilities	**74,934**	92,732	**624,450**
Minority Interests	**1,352**	1,465	**11,267**
Contingent Liabilities			
Shareholders' Equity:			
Common stock:			
Authorized—800,000,000 shares			
Issue—280,207,681 shares in 2003 and 2002	**25,833**	25,833	**215,275**
Capital surplus	**40,325**	51,198	**336,041**
Revaluation reserve for land	**8,741**	8,516	**72,842**
Retained earnings (deficit)	**(9,588)**	(33,149)	**(79,900)**
Net unrealized holding loss on securities	**(346)**	(367)	**(2,883)**
Translation adjustments	**(6,877)**	(5,524)	**(57,308)**
	58,088	46,507	**484,067**
Less treasury stock, at cost:			
304,184 shares in 2003 and 24,545 shares in 2002	**(141)**	(5)	**(1,175)**
Total shareholders' equity	**57,947**	46,502	**482,892**
	¥367,278	¥427,247	**$3,060,650**

Consolidated Statements of Shareholders' Equity

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Common stock			
Balance at beginning and end of the year	**¥ 25,833**	¥ 25,833	**$ 215,275**
Capital surplus			
Balance at beginning of the year	**¥ 51,198**	¥ 51,198	**$ 426,649**
Transfer to retained-earnings (deficit)	**(10,873)**	—	**(90,608)**
Balance at end of the year	**¥ 40,325**	¥ 51,198	**$ 336,041**
Revaluation reserve for land			
Balance at beginning of the year	**¥ 8,516**	¥ —	**$ 70,967**
Net change	**225**	8,516	**1,875**
Balance at end of the year	**¥ 8,741**	¥ 8,516	**$ 72,842**
Retained earnings (deficit)			
Balance at beginning of the year	**¥(33,149)**	¥ 1,897	**$(276,242)**
Add:			
Net income	**12,696**	—	**105,800**
Adjustment resulting from initial inclusion of subsidiaries in consolidation	**11**	145	**92**
Transfer from capital surplus	**10,873**	—	**90,608**
Deduct:			
Net loss	**—**	(34,350)	**—**
Cash dividends paid	**—**	(841)	**—**
Reversal of revaluation reserve for land	**(19)**	—	**(158)**
Balance at end of the year	**¥ (9,588)**	¥(33,149)	**$ (79,900)**
Net unrealized holding loss on securities			
Balance at beginning of the year	**¥ (367)**	¥ —	**$ (3,058)**
Net change	**21**	(367)	**175**
Balance at end of the year	**¥ (346)**	¥ (367)	**$ (2,883)**
Translation adjustments:			
Balance at beginning of the year	**¥ (5,524)**	¥ (7,733)	**$ (46,033)**
Net change	**(1,353)**	2,209	**(11,275)**
Balance at end of the year	**¥ (6,877)**	¥ (5,524)	**$ (57,308)**

Consolidated Statements of Cash Flows

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	**¥ 15,316**	¥(33,569)	**$ 127,633**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**25,337**	26,399	**211,142**
Amortization of goodwill on consolidation	**896**	4,467	**7,467**
(Decrease) increase in accrued retirement and severance benefits	**(7,958)**	9,348	**(66,317)**
Interest and dividend income	**(714)**	(669)	**(5,950)**
Interest expense	**7,075**	8,302	**58,958**
Equity in (earnings) loss of unconsolidated subsidiaries and affiliates	**(72)**	75	**(600)**
(Gain) loss on sales of investments in securities	**(9)**	1,628	**(75)**
Loss on valuation of investments in securities	**6,448**	13,983	**53,733**
Gain on sales of property, plant and equipment	**(368)**	(1,647)	**(3,067)**
Changes in operating assets and liabilities:			
Notes and accounts receivable	**15,403**	3,431	**128,358**
Inventories	**19,853**	45,064	**165,442**
Notes and accounts payable	**(612)**	(16,656)	**(5,100)**
Accrued consumption taxes	**222**	716	**1,850**
Other, net	**6,484**	(10,484)	**54,034**
Subtotal	**87,301**	50,388	**727,508**
Interest and dividend income received	**713**	604	**5,942**
Interest expense paid	**(7,310)**	(8,354)	**(60,917)**
Income taxes paid	**(1,678)**	(5,362)	**(13,983)**
Net cash provided by operating activities	**79,026**	37,276	**658,550**
Cash Flows from Investing Activities:			
Proceeds from sales of marketable securities	**—**	45	**—**
Purchases of property, plant and equipment	**(12,331)**	(20,804)	**(102,758)**
Proceeds from sales of property, plant and equipment	**2,568**	4,710	**21,400**
Purchases of investments in securities	**(3,019)**	(2,423)	**(25,158)**
Proceeds from sales of investments in securities	**1,171**	1,747	**9,758**
Additional acquisition of subsidiaries' shares	**(3)**	(234)	**(25)**
Repayment of loans receivable	**(35)**	(47)	**(292)**
Collection of loans receivable	**335**	80	**2,792**
Other, net	**(3,962)**	(5,450)	**(33,017)**
Net cash used in investing activities	**(15,276)**	(22,376)	**(127,300)**
Cash Flows from Financing Activities:			
(Decrease) increase in short-term bank loans	**(51,068)**	3,443	**(425,567)**
Proceeds from long-term borrowings	**14,402**	8,925	**120,017**
Repayment of long-term borrowings	**(15,659)**	(14,638)	**(130,492)**
Redemption of unsecured bonds	**(15,500)**	(1,200)	**(129,167)**
Dividends paid	**(9)**	(845)	**(75)**
Dividends paid to minority interests	**(89)**	(84)	**(742)**
Other, net	**(1,466)**	(248)	**(12,216)**
Net cash used in financing activities	**(69,389)**	(4,647)	**(578,242)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(649)**	884	**(5,408)**
(Decrease) increase in Cash and Cash Equivalents	**(6,288)**	11,137	**(52,400)**
Cash and Cash Equivalents at Beginning of Year	**38,505**	27,114	**320,875**
Cash and Cash Equivalents of Initially Consolidated Subsidiaries at Beginning of Year	**1,143**	254	**9,525**
Cash and Cash Equivalents at End of Year	**¥ 33,360**	¥ 38,505	**$ 278,000**

The Konica Minolta Holdings Group

Konica Corporation and Consolidated Subsidiaries
As of August 2003

Business Companies

Konica Photo Imaging Corporation
Konica Medical and Graphic Corporation
Konica Business Technologies Corporation
Konica Opto Corporation

Common Function Companies

Konica Technology Center Corporation
Konica Business Expert Corporation

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 Repro Co., Ltd.
Konica System Equipment Co., Ltd.

Overseas Operations

North America & Central America

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725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
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Konica Photo Imaging U.S.A., Inc.
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Konica Medical Imaging, Inc.
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Tel: (1) 973-633-1500

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Konica Business Technologies U.S.A., Inc.
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Albin Industries, Inc.
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Tel: (1) 810-478-0005

Konica Office Products, Inc.
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Konica Manufacturing U.S.A., Inc.
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Konica Supplies Manufacturing U.S.A., Inc.
Upper Chesapeake Corporate Center, 1000 Konica Drive,
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Konica Computer Solutions, Inc.
7710 Kanamar Court, San Diego, CA 92121, U.S.A.
Tel: (1) 858-549-2199

Konica Technology, Inc.*
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Konica Finance U.S.A. Corporation
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Konica Capital EC (Holland) B.V.*
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Konica Austria GmbH
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Thuan An District, Bin Duong Province, Vietnam
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Konica (Dalian) Co., Ltd.
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Dalian Economic and Technical Development Zone, Dalian 116600, China
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Singapore 149598
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K.B.A. Properties Pty. Ltd.
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Konica Photochem (Thailand) Co., Ltd.*
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* Unconsolidated subsidiary
** Representative office

Minolta Co., Ltd. and Consolidated Subsidiaries
As of August 2003

Domestic Operations

Marketing & Service

Minolta Sales Co., Ltd.
Minolta Planetarium Co., Ltd.
Minolta-QMS K.K
Minolta Office System Tokai Co., Ltd.
Minolta Office System Kinki Co., Ltd.
Minolta Office System Tokyo Co., Ltd.
Minolta Camera Service Co., Ltd.*
Minolta Techno System Co., Ltd.

Manufacturing

Aoi Camera Co., Ltd.
Sankei Precision Products Co., Ltd.
Toyohashi Precision Products Co., Ltd.
Nara Minolta Seiko Co., Ltd.*
Nankai Optical Co., Ltd.*
Okayama Minolta Seimitsu Co., Ltd.
Miki Minolta Industries Co., Ltd.
Minolta Components Co., Ltd.
MYG Disk Corporation
F&M Imaging Technology Co., Ltd.
Kansai Optim Co., Ltd.
Konica Minolta Supplies Manufacturing Co., Ltd.

Other

Minolta Software Laboratory Co., Ltd. *
Minolta Digital Solution Co., Ltd.
Minolta Logistics Co., Ltd.*
Minolta Quality Service Co., Ltd.
Minolta Hoken Daiko Co., Ltd.*
Famous Co., Ltd.

Overseas Operations

The Americas

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Tel: (1) 201-825-4000

Minolta Business Solutions, Inc.*
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MINOLTA-QMS, Inc.
One Magnum Pass, Mobile, AL 36618 U.S.A.
Tel: (1) 251-633-4300

Mohawk Marketing Corporation
2873 Crusader Circle, Virginia Beach VA 23456, U.S.A.
Tel: (1) 757-499-8901

Astro-Tec Manufacturing, Inc.
550 Elm Ridge Avenue, Canal Fulton, OH 44614 U.S.A.
Tel: (1) 330-854-2209

Minolta Systems Laboratory Inc.*
2940 North First Street, San Jose, CA 95134 U.S.A.
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Minolta Advance Technology, Inc.
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Shanghai Minolta Optical Products Co., Ltd.
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Shanghai Minolta Precision Optics Co., Ltd.*
26 Bao Sheng Road, Songjiang Area, Shanghai, P.R.China
Tel: (86) 21-5774-5050

Wuhan Minolta Office Automation Equipments Co., Ltd.
23 Jiang Xing Road, Wuhan, P.R.China 430023
Tel: (86) 27-8356-0400

Minolta Hong Kong Limited
Room 208, Eastern Centre 1065 King's Road, Quarry Bay, Hong Kong
Tel: (852) 2565-8181

Minolta Industries (HK) Limited
12th Floor, 1063 King's Road, Quarry Bay, Hong Kong
Tel: (852) 2963-4567

Minolta Business Equipment Australia Pty Ltd.
9/372 Eastern Valley Way, Chatswood NSW 2067 P.O.Box D3002, Australia
Tel: (61)2-9935-5555

Minolta-QMS Australia Pty Ltd.
Minolta-QMS Building 44 Hampden Road, Artarmon NSW 2064 Australia
Tel: (61) 2-9884 9966

Minolta New Zealand Limited
34 Vestey Drive Mt.Wellington P.O.Box14044, Panmure Auckland, New Zealand
Tel: (64) 9-573-5450

* Unconsolidated subsidiaries

Corporate Data

Konica Minolta Holdings, Inc.
As of August 5, 2003

Konica Minolta Holdings, Inc.

Marunouchi Center Building, 1-6-1 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel: (81) 3-6250-2100
Fax: (81) 3-3218-1368
URL: http://konicaminolta.net

Established

August 2003

Paid-in Capital

¥37,519 million (US$312 million)

Number of Employees

Parent company approximately 100, Group approximately 38,000

Investor Information

Konica Corporation and Consolidated Subsidiaries
As of March 31, 2003

Common Stock
Authorized: 800,000,000 shares
Outstanding: 357,655,368 shares

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Frankfurt, Düsseldorf

Number of Shareholders
24,160

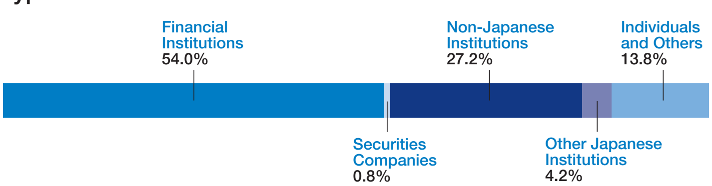
Independent Auditor
ChuoAoyama Audit Corporation

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

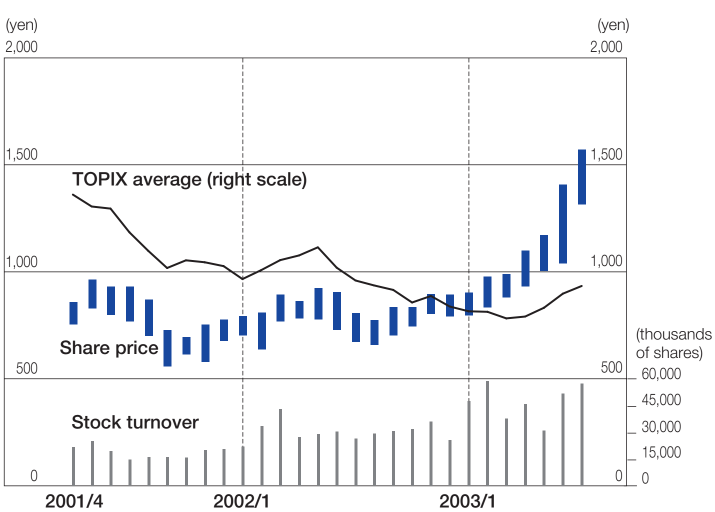
Major Shareholders

	(%)
1. Japan Trustee Services Bank, Ltd.	10.4
2. The Master Trust Bank of Japan, Ltd.	5.9
3. UFJ Bank Limited	5.0
4. The Bank of Tokyo-Mitsubishi, Ltd.	4.8
5. UFJ Trust Bank Limited	2.9
6. Mitsui Asset Trust and Banking Company, Limited	2.9
7. Trust & Custody Services Bank, Ltd.	2.7
8. Sompo Japan Insurance Inc.	2.2
9. Nippon Life Insurance Company	2.1
10. Konica Employee Shareholders Association	1.9

Types of Shareholders



Stock Price Chart



Minolta Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2003

Common Stock
Authorized: 800,000,000 shares
Outstanding: 280,207,681 shares

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Frankfurt, Düsseldorf

Number of Shareholders
22,983

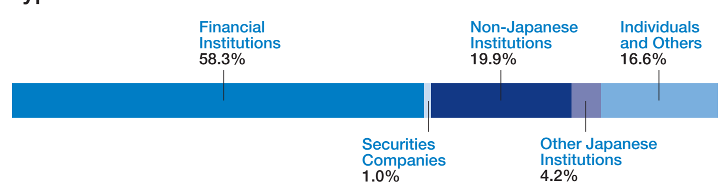
Independent Auditor
Shin Nihon & Co.

Transfer Agent for Common Stock
UFJ Trust Bank Limited, Osaka Branch
6-3 Fushimimachi 3-chome, Chuo-ku,
Osaka 541-8502, Japan

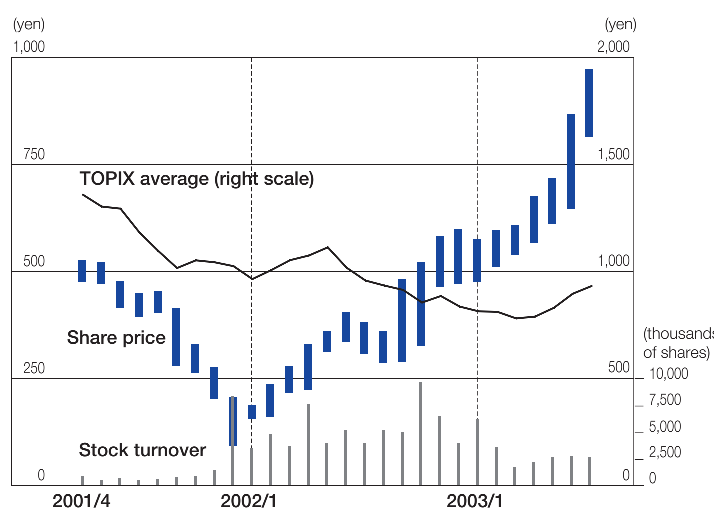
Major Shareholders

	(%)
1. The Master Trust Bank of Japan, Ltd.	9.2
2. Daido Life Insurance Company	5.2
3. Sumitomo Mitsui Banking Corporation	5.0
4. Resona Bank, Ltd.	5.0
5. Japan Trustee Services Bank, Ltd.	4.4
6. Nippon Life Insurance Company	3.5
7. The Hyakujushi Bank, Limited	2.9
8. UFJ Trust Bank Limited	2.8
9. Mizuho Corporate Bank, Ltd.	2.7
10. Nissay Dowa General Insurance Co.,Ltd.	2.5

Types of Shareholders



Stock Price Chart



KONICA MINOLTA HOLDINGS, INC.

Marunouchi Center Building, 1-6-1 Marunouchi,
Chiyoda-ku, Tokyo 100-0005, Japan
Tel. (81) 3-6250-2100 Fax. (81) 3-3218-1368
http://konicaminolta.net

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