

Financial Review

(Consolidated Financial Statements)

OPERATING ENVIRONMENT

In fiscal 1999, ended March 31, 1999, weak consumer spending and private-sector capital investment prevented the Japanese economy from moving any closer to recovery.

◆ Overseas, while demand for Konica's mainstay products in the United States and Europe was solid, the economic downturn in Asia continued to have a serious effect on sales in certain product segments.

SALES

Consolidated net sales amounted to ¥584.3 billion (US\$4,790 million), down ¥0.1 billion from the previous fiscal year. By segment, Photographic Materials and Photo-Related Industrial Equipment declined 4.9% in fiscal 1999, to ¥336.6 billion (US\$2,759 million), with the stagnant economies in Japan and elsewhere in Asia hampering sales of consumer products. Sales in the Business Machines segment climbed 7.6%, to ¥247.7 billion (US\$2,030 million), with a strong performance by digital copiers and other office equipment supporting revenue growth.

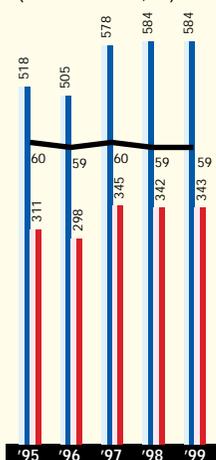
◆ By geographic region, domestic sales declined 7.1%, to ¥328.6 billion (US\$2,693 million), while overseas sales increased 10.9% billion, to ¥255.8 billion (US\$2,096 million). As a percentage of net sales, overseas sales rose from 39.5% to 43.8%.

◆ Export sales increased 3.0%, to ¥330.1 billion (US\$2,706 million), and export sales as a percentage of net sales edged up from 54.9% to 56.5%.

INCOME

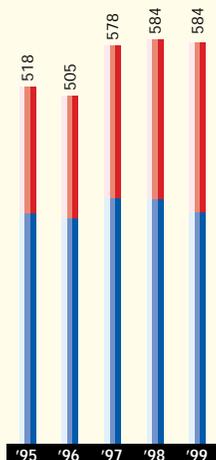
Gross profit declined ¥0.2 billion, or 0.1%, to ¥241.8 billion (US\$1,982 million), and the gross profit ratio was 41.4%, the same as in the previous fiscal year. This reflects the success of measures to raise profit margins, in particular cost reduction measures. Selling, general and administrative (SG&A) expenses increased ¥10.5 billion, or 4.8%, to ¥227.2 billion (US\$1,862 million), due mainly to costs associated with sales and market network rationalization activities and a sharp increase in the value of the yen in the second half of the fiscal year. As a percentage of net sales, SG&A expenses rose 1.8 percentage points, to

Net Sales, Cost of Sales, and Cost of Sales Ratio
(Billions of Yen, %)



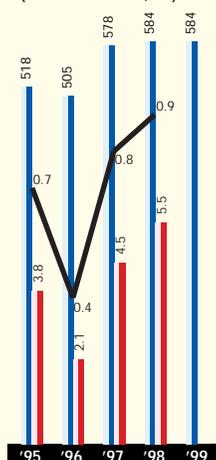
■ Net Sales
■ Cost of Sales
— Cost of Sales Ratio (%)

Net Sales by Product Segment
(Billions of Yen)



■ Business Machines
■ Photographic Materials

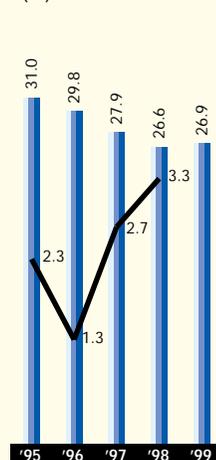
Net Sales, Net Income, and Return on Sales
(Billions of Yen, %)



■ Net Sales
■ Net Income
— Return on Sales (ROS) (%)

Note: Net Income and ROS for 1999 were ¥3.2 billion and -0.5%, respectively.

Shareholders' Equity Ratio and Return on Equity
(%)



■ Shareholders' Equity Ratio (%)
— Return on Equity (ROE) (%)

Note: ROE for 1999 was -1.9%.

38.9%. As a result, operating income fell ¥10.6 billion, or 42.2%, to ¥14.6 billion (US\$119 million).

◆ Other expenses totaled ¥25.4 billion (US\$209 million), compared with ¥9.2 billion in the previous fiscal year. The high costs associated with business restructuring activities were the primary reason for this downturn. Consequently, Konica recorded a net loss of ¥3.2 billion (US\$26 million).

FINANCIAL POSITION

At March 31, 1999, total current assets stood at ¥349.2 billion (US\$2,863 million), down ¥43.6 billion, or 11.1%, from the previous fiscal year-end. This decline was due mainly to falls in trade receivables of ¥10.0 billion and inventories of ¥20.3 billion, reflecting lower sales activity and efforts to reduce inventory levels.

◆ Net property, plant and equipment increased ¥1.7 billion, or 1.0%, to ¥161.5 billion (US\$1,324 million), while investments and other assets advanced ¥8.1 billion, or 12.7%, to ¥71.5 billion (US\$586 million).

◆ Total current liabilities fell ¥42.9 billion, or 13.2%, to ¥281.4 billion (US\$2,306 million), primarily as a result of a ¥41.5 billion fall in trade payables, which declined amid the slack economic environment, and an ¥8.8 billion decline in short-term loans. Consequently, the current ratio increased from 1.21 to 1.24.

◆ Long-term liabilities increased ¥20.2 billion, or 18.4%, to ¥130.0 billion (US\$1,065 million).

◆ Total shareholders' equity fell ¥8.4 billion, to ¥158.7 billion (US\$1,301 million), mainly as a result of the use of monies in the legal reserve. The shareholders' equity ratio increased from 26.6% to 26.9%.

Six-Year Summary

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

	Millions of yen					
	1999	1998	1997	1996	1995	1994
For the Year:						
Net sales.....	¥584,342	¥584,402	¥578,081	¥505,349	¥517,601	¥492,947
Operating income.....	14,575	25,211	26,165	19,075	18,453	12,185
(Loss) income before provision for income taxes.....	(10,872)	15,984	16,205	9,530	8,214	5,007
Net (loss) income.....	(3,166)	5,501	4,541	2,119	3,843	4,214
At Year-End:						
Total assets.....	¥589,201	¥629,063	¥592,997	¥552,009	¥544,740	¥531,570
Total shareholders' equity.....	158,742	167,145	165,269	164,304	168,958	172,459
Interest-bearing debt.....	247,882	234,292	213,314	191,279	169,569	176,269
Per Share of Common Stock (Yen):						
Net (loss) income.....	¥ (8.9)	¥ 15.4	¥ 12.7	¥ 5.9	¥ 10.8	¥ 11.8
Cash dividends applicable to earnings of the year.....	10.0	10.0	10.0	10.0	10.0	10.0