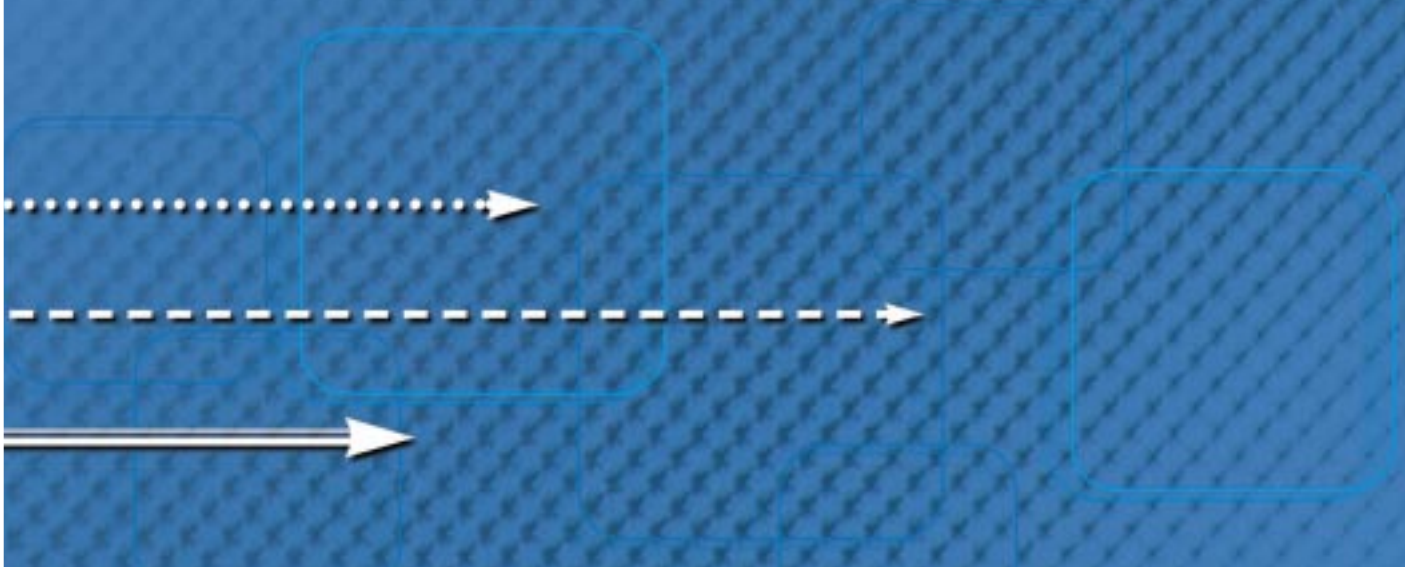


Providing Imaging Solutions in the Digital Age



Under SAN 2003, Konica is reforming its business to meet the needs of consumers with an ever-increasing wealth of information at its disposal. The words *Speed, Alliance, and Network* have been chosen because they best represent the qualities of solutions required in a networked society driven by digital technologies.

In the 21st century, Konica's aim is to open new fields of digital imaging and extend a tradition of delivering products and services that create time and make life more enjoyable for people around the world.

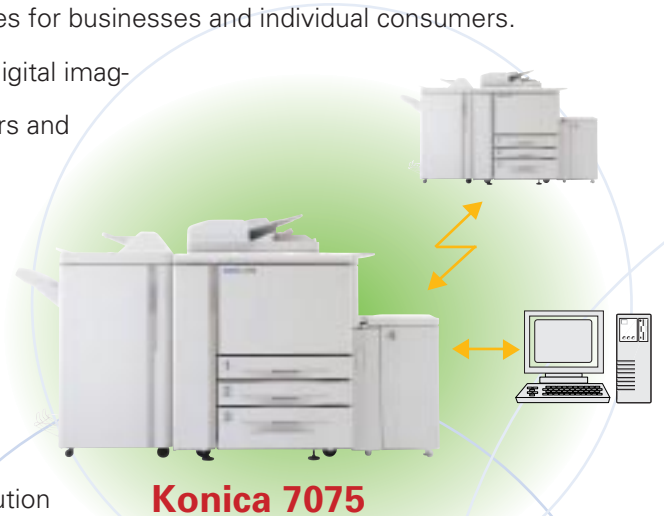
KONICA'S Solutions

Meeting Digital and Networking Demands

Konica is renowned for its silver-halide and electronic photography technologies. The Company is now fusing this imaging know-how with digital processes to open new possibilities for businesses and individual consumers.

Through its lineup of QD-21 digital minilabs, Konica has taken digital imaging to a new level, thereby creating profit opportunities for retailers and added convenience for digital camera users. The QD-21 series of digital photofinishing systems are easily linked to networking environments and can support all types of digital images. It also offers floppy disk and CD-ROM write services as well as a variety of other output and print capabilities. The value-creating potential that the QD-21 series offers retailers will become more evident as the trend toward the electronic processing and distribution of photographs gathers speed.

In the field of office equipment, Konica is making adjustments to its production network to meet the global demand for digital machines. In addition to the popular high-speed digital copiers manufactured in Japan, in 1999 the Company began manufacturing medium-speed copiers in Germany and low-speed copiers in China. Also, Konica



for Digital Demands

has entered the market for small-lot printing—the so-called print-on-demand market—by developing its high-speed digital copiers to meet the diverse small-lot printing needs. The functionality of Konica’s digital copiers with networking capability is expanding, as they offer a range of document-editing software for the easy production of documents with a professional finish.

Medical imaging is another field in which Konica has taken the lead in the application of digital technologies. Since launching the first X-ray film in Japan, Konica has developed and brought to market a large number of medical imaging diagnostic systems. Today, the Company is shifting its emphasis to the development of total diagnostic support solutions based on digital technologies, with “digital,” “dry,” and “environmental consideration” as key words.

Today’s media are continually diversifying, and in the graphic arts industry technological innovation must accelerate to enable the industry to keep pace with other, more modern media. Konica is meeting this challenge by converging its photographic and electronic technologies in high-definition products that boost output to unprecedented levels.

By 2003, the Company aims to increase the percentage of sales accounted for by digital products from the current level of approximately 30%, to 70%.

Konica Digital Medical Imaging System 2000



Providing Imaging Solutions in the Digital Age

Anticipating New Market Needs

In line with its philosophy of raising customer satisfaction, Konica makes every effort to respond quickly to emerging technologies and demand for new types of digital products and services indispensable for today's—and the future's—networking community. The Company has a track record of taking the lead; in the field of optics technology, for instance, Konica was a pioneer in the development of aspherical plastic pick-up lenses for CD players. Since introducing them in 1984, the Company has maintained an approximate 70% share of the global market for pick-up lenses used in optical disk drives.

Thanks to agile maneuvering in fiscal 2000, Konica is again well positioned to capture growth opportunities in various markets.

One of our new businesses with great potential is TAC film, sales of which are expected to expand in tandem with the broader application of LCDs. TAC film is used to cover LCD polarizing plates, which adjust the direction of light. A new TAC film production plant in Kobe started operations in March 2000, helping Konica realize its goal of raising annual production capacity 50% by the spring of 2001.

In response to the surging popularity of digital imaging color prints, Konica expanded its production capacity for well-accepted, high-quality glossy inkjet paper fourfold during fiscal 2000. In addition to Konica brand paper, the Company began supplying glossy inkjet paper to major international makers on an OEM basis. To take the lead in emerging commercial-use markets and to further consumer-use, sheet-type inkjet paper, the Company introduced rolled inkjet paper for large format plotters, which is perfect for advertising, graphic design, and other large-format commercial printed material for displays.



Aspherical Plastic Pick-Up Lenses

Magneto-Optic (MO) Drive



Konica also began leveraging its inkjet printer expertise in new markets. For example, Konica's inkjet textile printing system that prints digitally processed designs directly onto textiles is now recognized as the perfect system for small-lot printing among textiles and apparel-related markets. Konica started OEM shipments of the system in 1999 and will sell it under the Konica brand in Europe and the United States in 2000, with the aim of increasing its share of the global textile printing market to 30% by 2002.

By combining the various R&D and business sections engaged in inkjet activities, a new business unit, the Inkjet Business Group, was formed in October 1999. Konica's strengths in the emerging inkjet business lie in housing all of the key component technologies and software—inkjet paper, ink, printer head, printer, and color management software—within the Company. Building the Inkjet Business Group is a strategic priority for Konica, and the Company aims to increase related annual sales to ¥50 billion by 2004.

Making full use of IT is one of the key strategies under SAN 2003, and Konica is developing new business models and concepts to realize its goals.



Inkjet Papers

Inkjet Textile Printing System, Konica Nassenger



R&D Expenditures
(Billions of Yen)

