

# Review of Operations & Outlook

## OVERVIEW

### Photographic Materials and Photo-Related Industrial Equipment

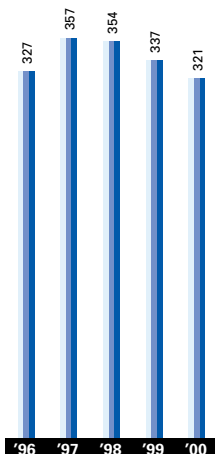
(Consumer Imaging Company, Medical and Graphic Company, Inkjet Business Group, EM and ID Business Group)

Overall sales in this segment declined 5%, or ¥15.6 billion, to ¥321.1 billion, and accounted for 57.2% of total consolidated sales.

Operating income increased dramatically, up 497%, or ¥15 billion, to ¥18.2 billion.

#### Photographic Materials

(Billions of Yen)



### Business Machines, Cameras, and Optical Products

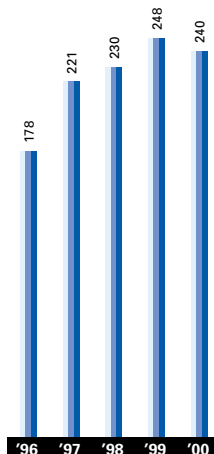
(Office Document Company, Optics Technology Company, Camera and Digital Photo Group)

Sales in this segment fell 3% from the previous fiscal year, to ¥239.8 billion, and accounted for 42.8% of total sales.

Operating income increased 37%, or ¥7 billion, to ¥24.8 billion.

#### Business Machines

(Billions of Yen)



## Consumer Imaging Company

The Konica Color CENTURIA color print film series, which was released worldwide under a unified packaging scheme in January 1999, sold well in all markets. Also, Konica has extended the CENTURIA series to include films for the Advanced Photo System (APS). The Konica Color CENTURIA APS series incorporates the latest advances from Konica in color negative film manufac-



Konica Color CENTURIA series

turing and emulsion technology to offer faithful color reproduction and spectacular image sharpness.

In Japan, Konica increased sales of its popular Torikkiri Konica Mini Goody series, which has set new standards



Torikkiri Konica Mini Goody

for film-in camera picture quality, by expanding marketing channels.

Sales of photographic film and paper in the United States increased 22% during fiscal 2000, and Konica Photo Imaging, Inc., returned to profitability. Sales in Europe and Asia were also brisk, with concentrated marketing campaigns in Russia and selected Asian countries leading to significant increases in sales. However, depressed domestic demand resulted in a decline in overall photographic materials sales.



Konica Digital Minilab QD-21 Plus System

In the strategic photofinishing field, Konica added the low-end QD-21 Limited model and the standard QD-21 Plus model to its QD-21 digital minilab series.

Despite the sales decline, cost-cutting measures and business restructuring led to a sharp rise in operating income during fiscal 2000.

### Medical and Graphic Company

Demand for X-ray film was stagnant in fiscal 2000 and price competition remained fierce. As the medical industry continued its shift toward the use of digital imaging processing equipment, Konica leveraged its sound reputation to strengthen its position in several key product categories.

Konica released the Konica DRY PRO 722, a high-performance, high-volume dry laser imager that uses ecologically sound dry silver-halide film technology. The Konica Direct Digitizer REGIUS Model 150 was also launched during the fiscal year. This cassette-type digital imaging system has a compact design and can be integrated with the Konica



Konica Direct Digitizer REGIUS Model 150

DRY PRO 722, which makes it ideally suited to emergency treatment situations. Konica is now refining its marketing activities to focus on total diagnostic support systems that employ dry digital processes.

In graphic imaging, although the decline in demand for equipment in the printing and pre-press fields bottomed out during the fiscal year, the market recovery was only slight. Konica transferred its presensitized plate business to Mitsubishi Chemical Corp. on March 31, 1999, to facilitate its strategy of concentrating greater resources in the color-proofing field. This move helped to raise Konica's marketing efficiency and improve profitability in the graphic imaging field. In Japan, Konica maintained its overwhelming lead in color



Konica Digital Konsensus

proofing, with the Konica Konsensus series of analog systems and Konica Digital Konsensus winning market praise for their high productivity and cost efficiency.

### Inkjet Business Group

In October 1999, Konica combined the various business sections engaged in inkjet-related activities to create a new business unit.

The Konica Inkjet Paper Photolike QP series, a quick-drying photo-quality paper



Konica Inkjet Paper Photolike QP

incorporating a unique multilayer, micro-porous coating technology developed by Konica, boasts a clear, sharp finish and has captured a large share of the domestic market.

With its strengths in photographic and chemical technologies, Konica is well positioned to develop faster, higher-resolution inkjet printer heads and ink as well as paper to capture unique business opportunities in this field.

### EM and ID Business Group

Konica has entered the market for TAC film, demand for which is expected to increase 25% a year over the next four years. In March 2000, the Company commenced operations at a new production facility in Kobe, and Konica will rely on its outstanding manufacturing technology to secure the trust of customers for this technically advanced film.

### Office Document Company

Sales by Konica's marketing subsidiaries increased, centering on digital copiers.

The cancellation of a contract to supply printers on an OEM basis led to a decline in office equipment sales.

Konica strengthened its series of high-speed copier/printers by introducing the Konica 7075 and Konica 7065 digital input/output system (DI/OS) machines. These systems include a number of high-value-added features, such as multiprotocol-compatible network printing systems and sophisticated finishing systems that enable optimal document-production efficiency in advanced networked offices. Konica also boosted its presence at the lower end of the digital copier market, introducing the Konica 7020 and the Konica 7030 to provide digital performance at more affordable prices.



Konica 7065

Konica is progressing rapidly with restructuring measures designed to ensure the provision of hardware and software services required for total document solutions in networked offices. In Europe, the Company has strengthened its direct marketing network and is working to achieve a uniform service level in all countries in the region. At the same time, Konica is looking to diversify into the print-on-demand market—a source of demand for document production and editing equipment—which is predicted to expand.

### Optics Technology Company

Konica's aspherical plastic pick-up lenses for optical disks, the mainstay product in Konica's optical components business, have an outstanding reputation among makers of data input/output, recording, and storage media devices for audio equipment and computers. In fiscal 2000, the IT revolution continued to spur demand for optical disks, including CD-R, CD-RW, and



MO Drive

DVD disks, that offer convenience in storing large amounts of data. Higher sales of aspherical plastic pick-up lenses as well as camcorder lens units, compact camera lens units, and 3.5-inch MO drives supported a healthy increase in sales of optics technology products.

### Camera and Digital Photo Group

Sales of compact cameras increased during the fiscal year, with APS cameras being the main contributors to sales growth. The popular Konica



Konica Revio Z3



Konica Digital Still Camera Q-M200

Revio series of APS cameras was expanded by the addition of the Konica Revio Z3. Featuring the same sleek design as earlier Konica Revio models, the Konica Revio Z3 includes a 3x zoom lens, a flash management function—which can save up to 50% on battery power—and a unique self-portrait mode, which enables photographers to perfectly frame self-portraits.

The Konica Digital Still Camera Q-M200 was a standout performer in digital still cameras—a product category in which Konica posted a large year-on-year gain in sales. Released in 1999, the Q-M200 offers resolution of more than two megapixels in a compact, lightweight design. OEM shipments also contributed to the sharp increase in digital camera sales.