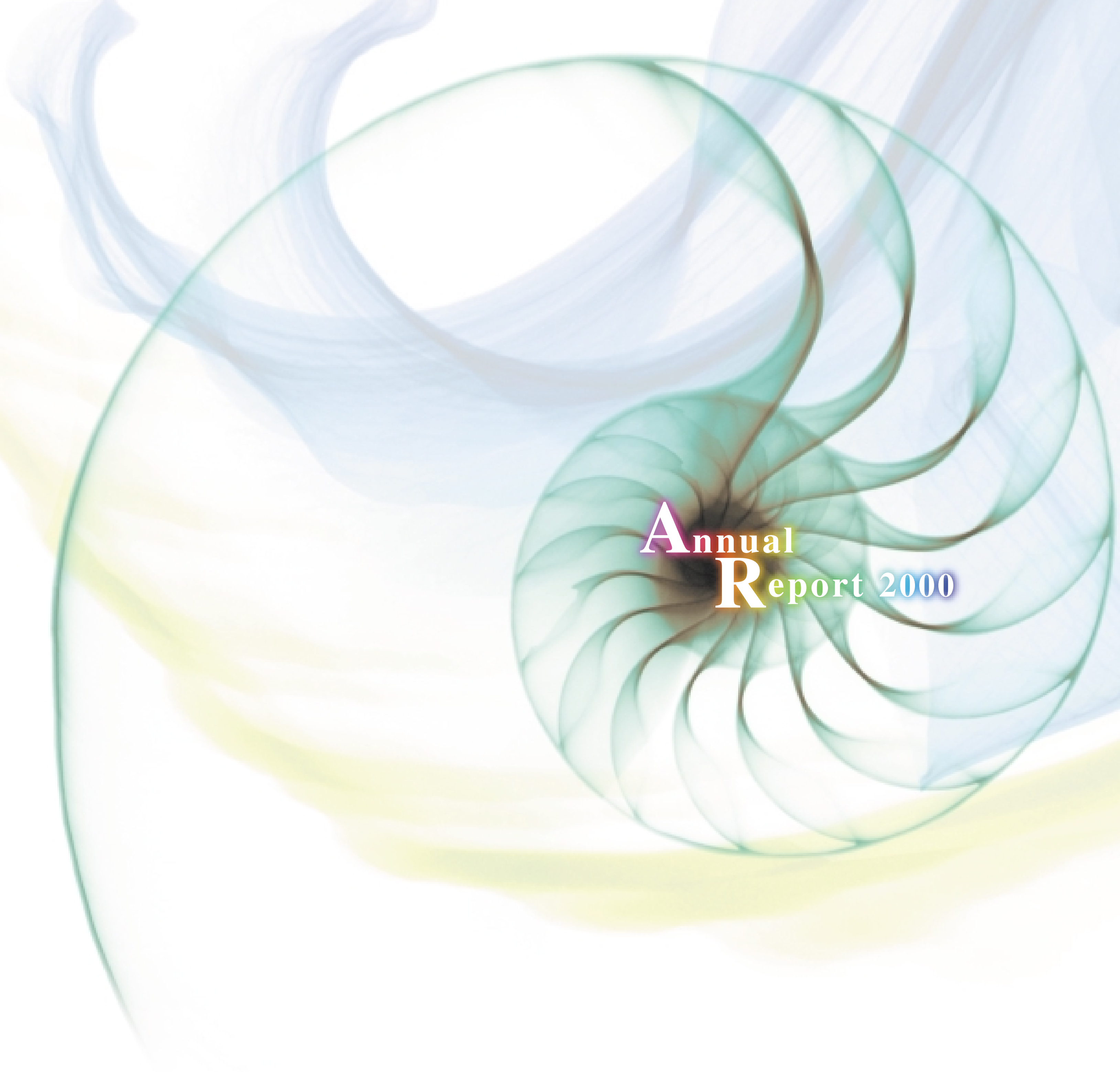
Annual Report 2000



MINOLTA

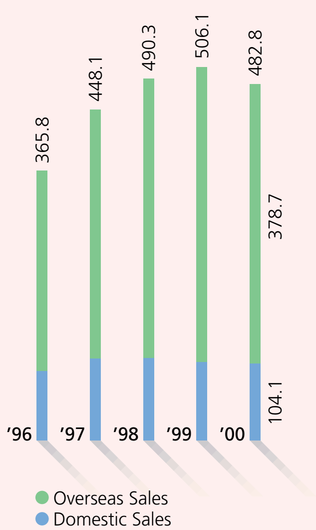
Financial Highlights

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2000	1999	1998	**2000**
For the Year:				
Net sales	**¥482,767**	¥506,075	¥490,259	**$4,554,406**
Net income	**3,144**	9,002	16,429	**29,660**
Per Share (Yen and U.S. dollars):				
Net income	**¥ 11.22**	¥ 32.13	¥ 58.83	**$ 0.11**
Cash dividends	**6.00**	7.00	6.00	**0.06**
At Year-End:				
Total assets	**¥411,607**	¥419,731	¥455,090	**$3,883,085**
Total shareholders' equity	**83,773**	84,093	80,550	**790,311**

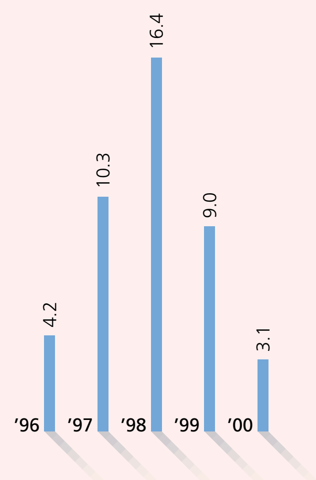
Notes: 1. Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each fiscal year and adjusted for free distributions of common stock.
2. Cash dividends per share are those declared as applicable to the respective fiscal year and cash dividends charged to retained earnings are those actually paid.
3. U.S. dollar amounts are translated from yen amounts at the rate of ¥106=US$1.00 solely for the convenience of the reader.

Net Sales
(Billions of yen)



Sales Breakdown
(%)

Net Income
(Billions of yen)



CONTENTS

A Message from the President

Since its establishment in 1928, Minolta has been a pioneer
of light-related technology development in a growing number of fields.
Currently, society is undergoing great changes due to such factors as the widespread application
of digital technologies and information networks.
Aiming to respond to society's changing needs and ensure its dynamic development
during the 21st century, Minolta is expanding the scope of its core technological capabilities
to encompass various types of advanced information technology (IT).
We are striving to meet diverse needs of individuals, businesses, and industries
while optimizing our global development, manufacturing, and marketing networks
in a manner that is harmonious with both local and global society.
With regard to environmental preservation,
Minolta is proactively taking numerous initiatives in line with its emphasis on being
an exemplary corporate citizen everywhere it has a presence.
Being highly conscious of the environmental effects of every aspect of our operations,
we have expeditiously worked to obtain ISO 14001 certification
for the environmental management systems of our facilities.
Looking toward the 21st century,
Minolta is intent on maximizing the benefits of its accumulated capabilities
by operating as a truly excellent company.

Yoshikatsu Ota
President and Representative Director

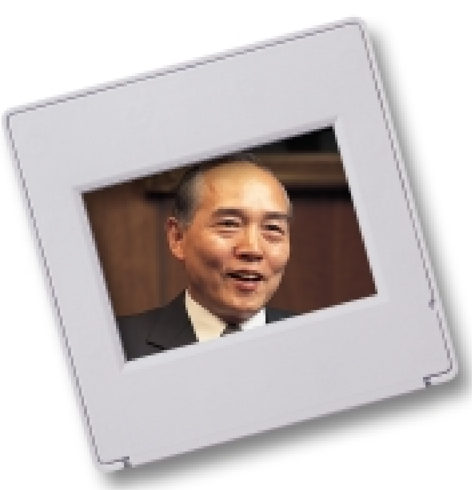
Q Please describe the operating environment surrounding Minolta Co., Ltd., during fiscal 2000, the year ended March 31, 2000.

A There was general improvement in the economic conditions of our principal overseas markets as continued economic expansion in the United States and Europe helped support recovery in Asian economies. In Japan, government policies aimed at boosting domestic demand had a positive effect and, although predicting future trends remains difficult, there were signs of recovery in exports and capital investment during the latter half of the fiscal year.

Against this backdrop, conditions in Minolta's business fields were affected by rapid shifts to digital technologies and electronic networks, a further increase in the intensity of global competition, and the appreciation of the yen. We strove to expand our sales and profitability amid these conditions by implementing a variety of strategies, placing particular emphasis on rapidly responding to new developments through the efficient allocation of corporate resources to strategic business sectors.

Q What is your overall appraisal of Minolta's performance and business development during the fiscal year?

A Although our sales volume increased, the appreciation of the yen caused the yen-denominated value of our consolidated net sales to decline by 4.6% from the previous term, to ¥482.8 billion. The yen value to the dollar and euro appreciated ¥16 and ¥28, respectively, and this factor alone depressed the yen value of overseas sales by ¥52.3 billion. Our profitability was severely impacted by the harshness of competition and the strengthening of the yen, and despite our efforts to reduce the cost of sales and selling, general and administrative expenses, operating income fell to ¥8.5 billion, down by 55.8%. Reflecting expenses associated with strategic moves to enhance our profit structure, net income dropped by 65.1%, to ¥3.1 billion. Overseas sales decreased by 5.3%, to ¥378.7 billion, which corresponded to 78.4% of consolidated net sales.



In image information product operations, Minolta worked to increase sales of such digital products as its DiALTA series of digital full-color plain paper copiers/printers, which was expanded to encompass products for a full range of needs during the previous fiscal year, and its highly popular CF series of full-color copiers/printers. With regard to printers, we endeavored to augment our OEM business. Having acquired a controlling interest in QMS, Inc., a leading U.S.-based printer manufacturer, we proceeded to combine our printer marketing and development operations with those of QMS and are preparing to market that company's products under the MINOLTA-QMS, Inc., brand.

Regarding optical product operations, Minolta introduced numerous new camera products, including two new items in the DYNAX single lens reflex (SLR) line (α-series in Japan, MAXXUM series in North America); an additional item in the VECTIS line of compact Advanced Photo System (APS) cameras; and the Dimâge RD 3000 SLR digital camera with exchangeable lenses and a 2.7 million pixel charge coupled device (CCD) image sensor. The Company also strove to increase market share of the DYNAX 9, a recently launched model that offers professional performance.

With respect to other fields, Minolta continued to expand its lines of distinctive radiometric instruments, such as those for sensing and analyzing colors and light. We also aptly utilized our leading-edge optical technologies in optical products, centering on high-performance digital image projection devices, which made a significant contribution to consolidated net sales.

Q **Could you describe your plans for the current fiscal year as well as your medium-term objectives?**

A Minolta is currently implementing its New Excellent 2003 (NEXT'03) medium-term business plan, which covers the five fiscal years from April 1999 through March 2004. The plan has four principal objectives: 1) optimizing corporate governance through increased information disclosure, 2) emphasizing the consolidated management of the Minolta Group, 3) strengthening core competencies in growth fields, and 4) adopting more-flexible hiring policies as well as personnel policies that encourage and reward outstanding employee contributions. During the period of NEXT'03, we aim to boost consolidated net sales to ¥800 billion, from ¥506.1 billion in fiscal 1999 just prior to the plan's implementation, and increase operating income to ¥38 billion.

Our primary strategy for attaining these goals is to focus on digital products. This focus applies to all business units in both image information and optical products. Our strategy places particularly strong emphasis on rapidly proceeding with the digitization of image information product operations—which center on such items as copiers and printers—and we are implementing an action plan designed to elevate sales of such products to ¥600 billion in the last year of NEXT'03. Compared with other types of digital equipment, Minolta has noteworthy strengths in copiers and printers and is making a special effort to improve the color outputting capabilities of those products.

At the same time, we are taking various measures to increase our growth and profitability by raising our efficiency levels and strengthening our financial position.

Q **What is the principal significance of Minolta's acquisition of QMS, Inc.?**

A The use of full-color documents in ordinary business offices is increasing, and we anticipate that technological progress will spur a surge of growth in the global market for full-color copiers and printers over the next few years. Because of this, in June 1999 Minolta decided to obtain a controlling interest in QMS, Inc. (currently MINOLTA-QMS, Inc.). By integrating and restructuring the color printer software development and marketing operations of Minolta and MINOLTA-QMS, we expect to benefit from significant synergies as we endeavor to strengthen our marketing capabilities in the United States and Europe.

Moreover, there are accelerating shifts toward digital copiers that enable various types of document manipulation as well as toward the integration of copying and printing capabilities in single products. By drawing on QMS's color image-processing knowhow in Minolta's product development programs, we expect to be able to better satisfy diverse customer needs for printers and copiers as well as integrated copiers/printers and network-linked versions of all those products.

Q **Why did you reorganize your marketing operations in Europe?**

A In response to the growing worldwide popularity of digital networks, Minolta is intent on increasing the share of its business associated with digital and full-color products and believes that successfully realizing this goal will require the implementation of fundamental reforms and the augmentation of operating efficiency. As part of our overall strategy for reforming marketing operations, we have shifted the responsibility for a variety of

European marketing subsidiaries to Minolta Europe GmbH, which is based in a suburb of Hanover, Germany. By summer 2000, we had converted 32 companies that market image information products, cameras, and radiometric instruments into subsidiaries of Minolta Europe. By the end of next spring, plans call for similarly consolidating European logistics based in Bremen, Germany. These steps are enabling the unified administration of personnel, financial, and product matters in Europe, and we anticipate that we will considerably increase our distribution efficiency and reduce our inventories in that region.

Q **Is the reorganization of Minolta's component and materials procurement system significant?**

A As we strengthen the vertically divided operations of our business units in various fields, we think it is also important to upgrade our companywide horizontally divided functions. As part of our plans for accelerating Minolta's structural reform, we have established the Procurement Headquarters, which is striving to undertake unified global procurement activities in place of the procurement activities that were carried out separately by each division up to now.

Q **Why did Minolta and Konica Corporation agree to collaborate?**

A In April 2000, Minolta and Konica announced a business alliance involving the collaborative development of technologies related to principal copier components as well as next-generation "polymerization toner" and other consumables. We are seeking to synergistically combine the distinctive strengths of each company—such as Konica's high-speed digital copier technologies and Minolta's digital color image-processing technologies—at the product development level. Minolta is expanding its copier manufacturing operations in China, while Konica is expanding its copier manufacturing operations in both China and Germany. In the face of increasingly intense global competition, we anticipate that this alliance will lead to greater efficiency in both development and manufacturing operations as well as upgrade our competitiveness in the color document field, which is expected to grow considerably.

Q **Please describe Minolta's approach to environmental preservation.**

A Preserving the world's natural environment is one of humankind's most important tasks, and there are increasing calls for striking a balance between the objectives of economic development and environmental preservation. People throughout the world are demanding that corporations adhere to high standards of corporate citizenship in all their activities. As environmental consciousness is a key element in corporate citizenship, corporate environmental programs must be recognized as extremely important.

Minolta established its Environmental Policy Committee in 1990. In 1992, the Company instituted the Minolta Environmental Charter, which has provided a framework for the systematic implementation of environmental programs throughout the Minolta Group.

We are determined to ensure that our approaches to environmental preservation and other important issues are clearly understood to be in accord with the interests of stakeholders. Reflecting its strong emphasis on preserving the environment, the Company has begun implementing the Minolta Mid-Term Environmental Plan, which covers the five fiscal years from April 1999 through March 2004. Besides strengthening our environmental management systems, we are engaged in diverse activities aimed at contributing to local communities and global society, such as programs involving product recovery and recycling, the use of environmental labels, and the reduction of waste products. There remain many challenges to be overcome in these regards, and we are redoubling our efforts to overcome these challenges.

Q What are your expectations with regard to the operating environment and your performance during the current fiscal year?

A Overseas, the general trend of economic recovery and expansion is projected to continue. In Japan, so long as the yen does not appreciate further, economic improvement is expected to result from an export-led rise in capital investment as well as measures to promote recovery in personal consumption. On the other hand, Minolta must prepare itself for numerous potential difficulties, such as those related to exchange-rate fluctuations, intensifying product-development competition, changing business styles due to the increasingly widespread use of information networks, growing price competition, the challenge of attaining higher customer satisfaction, and rising demand for stringent environmental preservation measures. In addition, demands for greater corporate rationalization and transparency are continuing to increase, as reflected through our moves to introduce new accounting standards, increase the transparency of corporate governance, and evaluate ourselves based on consolidated management situations.

As the "information society" takes shape, Minolta is focusing on reinforcing its presence in the rapidly growing information industry. Placing primary emphasis on such image information inputting and outputting equipment as copiers, printers, and cameras, the Company is stepping up efforts to respond accurately to market needs and maximize customer satisfaction through highly efficient product development, manufacturing, and marketing activities. We believe these efforts are key to expanding our business and maintaining stable profitability. We view our worldwide marketing network as a principal competitive strength and intend to leverage that strength as much as possible by making strategic decisions more quickly than our competitors, concentrating our resources in strategic fields, and further bolstering our financial position so as to facilitate the aforementioned decisions and resource concentrations. We also are endeavoring to enhance our profitability and increase shareholder value through various measures to augment cooperation among Minolta Group companies throughout the world, such as groupwide procurement and marketing programs and steps to optimize the allocation of manufacturing tasks.

I greatly appreciate the support Minolta has received from shareholders and associates and look forward to further strengthening our mutually beneficial relationships in the future.

Yoshikatsu Ota
President and Representative Director

What is Minolta?

Amid the intensively networked society that will emerge during the 21st century, it is projected that further surges of progress will be achieved in information technology (IT) and that the range and diversity of information applications involving computers, communications and other equipment, and software for data inputting and outputting will increase considerably. These and other changes are expected to promote the rapid diversification and digitization of communication styles and methods of people everywhere.

In light of these prospects, Minolta is endeavoring to effectively leverage its core imaging technologies by equipping itself with greater capabilities for employing sophisticated IT and networking technologies and providing total solutions tailored to match the varying quality and performance requirements of users. To help readers better understand Minolta's strategic positioning, the following sections focus on the Company's core imaging technologies, approach to environmental preservation, and positioning with regard to individual industry segments.

Core Imaging Technologies

Minolta is building on its technological strengths accumulated over many years through the development of cameras and image information products, such as in the area of optical technologies, as well as know-how related to the sensing, analysis, and reproduction of colors. The Company has steadily bolstered such strengths by augmenting its associated resources and software. Keeping in step with the growing use of electronic networks due to contemporary technological advances that are expanding the scope of digital technologies and IT, Minolta is further strengthening and integrating its technological resources that have potential to increase the ease with which customers can make use of the Company's technologies during the 21st century. The Core Imaging Technologies section of this report presents an overview of Minolta's solid core imaging technologies foundations, which have spawned a broad range of products well suited for satisfying customer needs.

Environment

Aiming to further step up its environmental preservation activities, Minolta has begun implementing the Minolta Mid-Term Environmental Plan, which covers the five fiscal years beginning with fiscal 1999. This plan expands on previous environmental preservation activities by setting clear-cut goals for improvement with respect to individual preservation and business activity categories. One of the plan's goals is to obtain ISO 14001 certification for all major Group manufacturing facilities in Japan and overseas. Product-related goals include reducing the use of specified chemicals and increasing product recovery and recycling. Among the broad range of planned initiatives related to corporate facilities, the Company is aiming to establish recycling systems, reduce the volume of waste products generated, conserve energy, precisely manage the use of chemicals, and make important contributions to local communities as well as to society on a larger scale.

Industry Segment Report

Based on the highly competitive technological resources described above, Minolta develops and provides diverse products, services, and solutions while placing strong emphasis on the functionality of those offerings as seen from customers' perspectives. The Industry Segment Report section of this report presents information on the Company's recent initiatives in its four principal business segments.

Minolta recognizes that the increasingly pervasive presence of IT has brought the Company to the brink of an era in which all of its products will be digitized and interconnected with networks. Accordingly, rather than focusing exclusively on individual business fields, the Company is striving to address customer objectives, applications, and needs by developing and providing digital solutions that thoroughly integrate requisite technologies, regardless of their origin.

Core Imaging Technologies

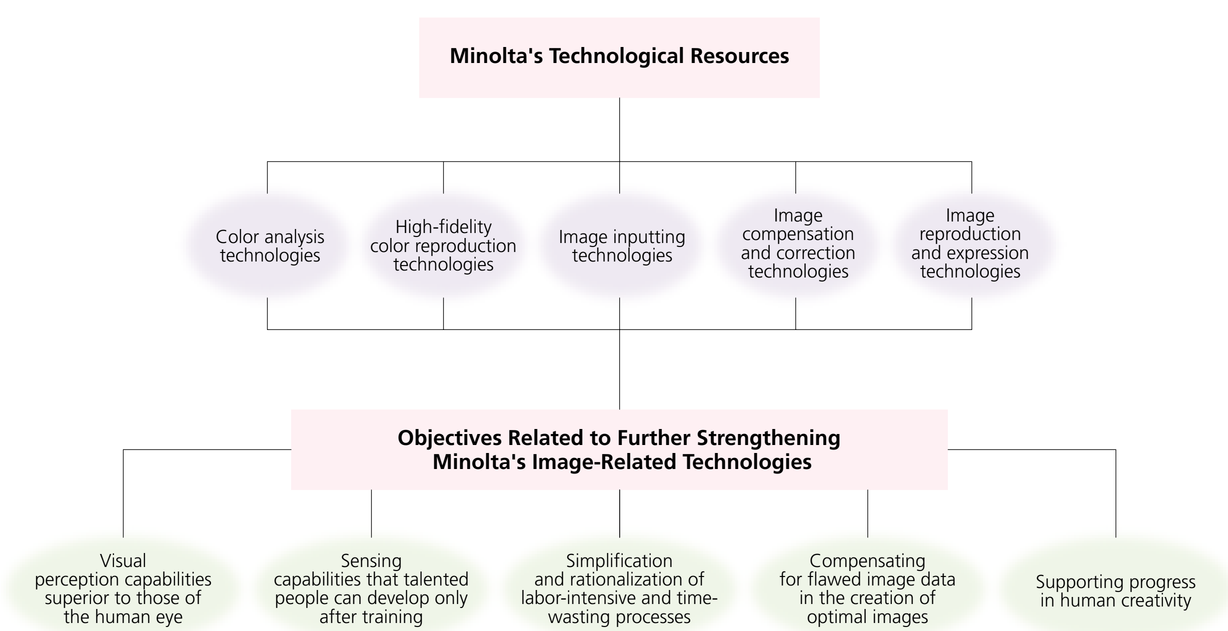
Many of the technological resources that Minolta has developed over the decades are associated with the ways that people and product systems can input color and image data as well as output that data with superior fidelity and expressiveness. The Company is endeavoring to help its customers make use of those technological resources with even greater facility and effectiveness by providing customers with different kinds of support.

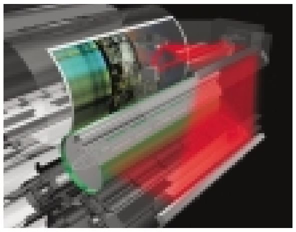
Digitization and networks are exerting a strong influence on the imaging field. People are inputting and outputting a growing amount of image information using an increasingly diverse range of home-, office-, and mobile-use equipment, and the number of image information applications is expected to continue rising. To support those applications, the scope of Minolta's technologies will rapidly broaden during the 21st century.

Interface Technology

Since its establishment, Minolta has consistently given special emphasis to creating products that anyone can use—products that flexibly match the abilities of users with different skill levels and are easy to use. In line with this emphasis, the Company has avidly pursued the development of user-product interfaces as well as additional product functions that help users utilize new technologies more easily. Due to advances in digital technologies, products and systems are becoming increasingly sophisticated. The number of users who can make the most of such complex technologies without assistance is shrinking. However, Minolta strongly emphasizes product designs that are easy to use and provides a level of user support that rises in parallel with the level of product sophistication.

One representative example of technologies that anyone can use is the auto focus (AF) technologies incorporated into Minolta's optical





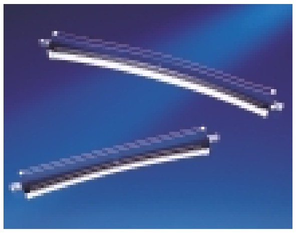
An illustration of the imaging unit of products in the CF series of full-color digital copiers/printers

products. The Company has greatly enhanced AF capabilities with a high-performance microcomputer chip that performs calculations for predictive focusing and other complex tasks. An example in the image information product field is the DiALTA series of multifunctional digital copiers, which have been highly evaluated for their work capacity, ease of operation, and reliability.

Image Development Reproduction Technology

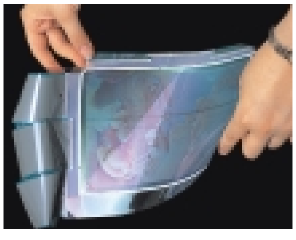
Inputting—Over many years, Minolta has developed such technologies as aspherical lens, autofocusing, and mechatronics technologies to increase the compactness of its products. In addition to increasing cameras' compactness, aspherical lenses have helped improve picture quality by boosting image portrayal capabilities.

Processing—Minolta's technologies have enabled the development of software products used for image enhancement and color matching. For example, Dimâge Scan Elite features color matching technology that adjusts colors in line with monitor characteristics, allowing users to digitize photographs and use high-fidelity image displays on their monitors for highly precise image compensation processes. One noteworthy application of the Company's intelligent image compensation technology is the PS 7000 book copying system, which copies books opened in an upward-facing position. This product uses automatic image-correction technologies to eliminate shadowing and image distortion near the binding. Minolta's digital PPCs automatically distinguish between the text and photographic portions of the pages they scan. Photographic portions are processed using the New Screen LIMOS imaging system, which senses and reproduces a very high number of tone gradations. Data scanned from remaining portions is compressed to shorten processing and transmission times.



Polynomial surface mirrors used for a multibeam laser scanning system

Outputting—Minolta has a wealth of innovative outputting and display technologies. In response to the growing sophistication and application of digital technologies, the Company has developed unique development systems to realize ever-higher image quality, including screen technology for accurately reproducting subtle transitions between tone gradations. Minolta's extremely rapid PLZT optical shutter arrays are making it possible to develop printers and other types of image outputting equipment with greater speed and image resolution. To increase the speed of its digital copiers and printers while maintaining excellent image quality, Minolta has developed a unique multibeam laser scanning optics system that uses a pair of polynomial surface mirrors to minimize wave-front aberration, which reduces the precision of the multiple laser beams' relative positioning and causes image quality to deteriorate. The Company has also developed epochal technologies related to chiral nematic liquid crystals, which have attracted considerable attention due to their potential as reusable media for replacing printed documents in many applications. Chiral nematic liquid crystals' superior viewability and low power consumption offer great advantages with regard to such applications as electronic bulletin boards.



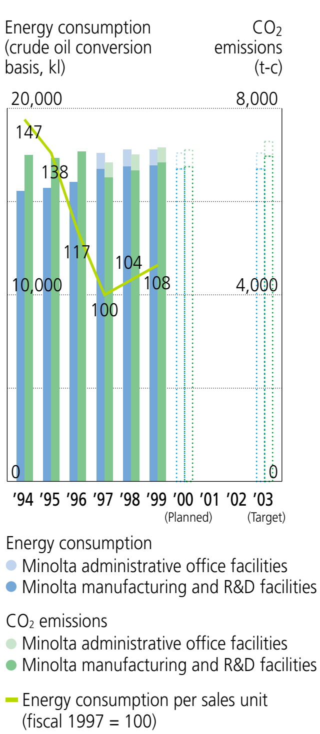
A data display device incorporating chiral nematic liquid crystals

Environment

Cleaning recovered cartridges for reuse

Toner bottles collected for reuse

An Eco-Ice unit (ice-based heat storage heating/air conditioning system) at Itami Plant



Environmental Management

To promote environmental preservation activities, Minolta organizes comprehensive environmental management programs. The Company has just completed the first year of a five-year environmental plan and almost all the plan's performance targets for the year were attained. One of the plan's goals is to obtain ISO 14001 certification for environmental management systems for all major Group manufacturing facilities in Japan and overseas. At the end of fiscal 1999, such certification had been received for 20 Group facilities, including all domestic manufacturing plants. Minolta is currently expanding the scope of its ISO 14001 certification to encompass such facilities as R&D centers and offices in Japan as well as the facilities of affiliated companies throughout the world. To accurately measure the costs and results of its environmental preservation activities and position itself to improve the cost-effectiveness of those activities, Minolta introduced an environmental accounting system from fiscal 1999, a year ahead of the target schedule of its Mid-Term Environmental Plan.

Product-Related Initiatives

For three copier models, including the Di350, Minolta has prepared Type III environmental labels, which are a standard format for presenting such information as that on energy consumption and environmental relevance at each products' life stage. Based on the results of its product assessment programs, the Company is working to increase the recovery and recycling of its copiers. It is also developing epochal new technologies for such environment-conscious products as chiral nematic full-color LCDs and reusable media sheets that can be used with copiers in place of both paper and OHP film.

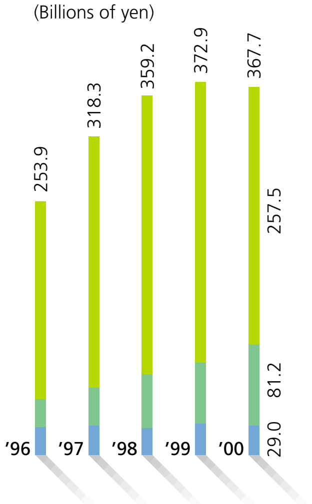
Facility-Related Initiatives

In fiscal 1999, the total volume of industrial waste generated at Minolta's domestic manufacturing and R&D facilities and disposed of as industrial waste was 694 tons, 41.5% lower than the level in the previous fiscal year, and 51% of the waste was reutilized. Energy consumption at manufacturing and R&D facilities (on a crude oil conversion basis) was kept to approximately 1% above the fiscal 1997 level, despite a significant increase in the capacity utilization rate of glass-melting furnaces. Minolta voluntarily created its own air- and water-quality standards during fiscal 1999 and has begun applying these standards at each of its manufacturing and R&D facilities. To prevent environmental pollution due to chemicals, the Company has created chemicals management systems that enable it to maintain a quantitative grasp of the chemicals used in its products and facilities.

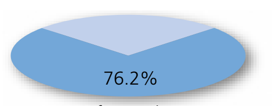
Industry Segment Report

I M A G E   I N F O R M A T I O N

Image Information Products Sales Breakdown
(Billions of yen)



Copiers
Printers
Other OA products



of net sales

Against the backdrop of rapid progress in IT, Minolta is working through its operations in image information and other fields to help office workers perform their intellectual and concrete tasks more efficiently and effectively. For example, the Company supports the productivity and creativity of work with documents by supplying comprehensive image information inputting/outputting systems comprising both hardware and software. The DiALTA series of digital monochrome multifunctional copiers/printers are suited for next-generation offices and enhance customer satisfaction by offering superior performance with regard to image quality, ease of operation, reliability, productivity, connectivity, and environment consciousness. The Company's principal products in the image information segment include the CF series of system-integrated, full-color digital copiers/printers that offer a full range of basic functions and fine-tuning capabilities.

TOPICS

▶ Having made short product development periods a principal management objective, Minolta has taken steps to create quicker and more-efficient development programs, such as the controller development program of MINOLTA-QMS and a product development tie-up with Konica.

Di520

▶ During the fiscal year ended March 31, 2000, Minolta launched its Di521, Di621, and Di400 digital copiers in Japan and thereby further strengthened the DiALTA copier line's responsiveness to demand for low-speed through high-speed units. In the U.S. market, the Di520, sister machine of the Di521, won the prestigious Digital Imaging System of the Year 1999/2000 award from U.S.-based Buyers Laboratory, Inc.

▶ From April 24, 2000, QMS, Inc., changed its corporate name to MINOLTA-QMS, Inc., and plans call for unifying the naming of MINOLTA-QMS brand printers. The MINOLTA-QMS magicolor 2 DeskLaser captured *PC World* magazine's Best Buy award and took top spot in that publications' March 2000 Top 10 Printer Review.


CF910

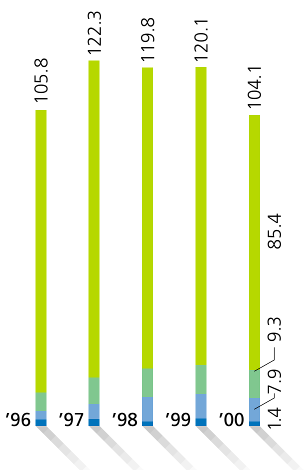

Di350

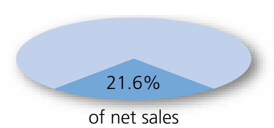

PagePro4100


magicolor 2 DeskLaser

V I S U A L L I F E S T Y L E

Optical Products Sales Breakdown
(Billions of yen)





The growing application of digital technologies has expanded the potentials of photography. Minolta has striven to realize these potentials in line with its traditional emphasis on enabling customers to enjoy photography in diverse ways and promoting the development of photographic culture. Drawing on the comprehensive range of optical and user-camera interface technologies developed for its sophisticated camera products, the Company is making use of the latest digital and network technologies to further broaden the scope of customers' photographic activities. To meet digital photography needs, the Company has launched such digital cameras as the Dimâge RD 3000, ideal for professional applications, and the Dimâge 2300, a compact digital camera with 2.3 megapixel picture resolution. The Dimâge Scan Dual II, a scanner for both APS and 35mm film, creates high-quality digital images for commercial applications, while the Dimâge Scan Multi is a high-performance scanner that can handle several film formats.

Among the other principal product lines in this segment are the VECTIS line of APS cameras; the DYNAX series of SLRs, which have been highly evaluated worldwide; and the RIVA series of high-performance 35mm compact cameras.

TOPICS

▶ RIVA ZOOM 150 and Dimâge Scan Elite won top awards from the European Imaging and Sound Association (EISA). EISA is the largest editorial multimedia organization in Europe, with a membership of 40 audio, video, and photo magazines drawn from 19 European countries.

▶ The top-of-the-line DYNAX 9 SLR won the Camera Grand Prix '99 award of Japan's Camera Press Club.

▶ The VECTIS 2000 was presented with the Best APS Camera award 2000-2001 of the Technical Image Press Association (TIPA), which includes 31 leading photography magazines from 13 European countries.


DYNAX 9

▶ Minolta's camera manufacturing unit in China, Shanghai Minolta Optical Products Co., Ltd. (SMO), has steadily augmented its design capabilities and will begin independent camera design operations from 2001.

RIVA ZOOM 150

VECTIS 2000


Dimâge RD 3000

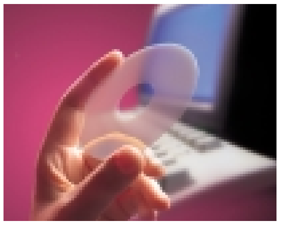
Dimâge Scan Elite

O P T O - D E V I C E S & C O M P O N E N T S

Based on advanced optical technologies accumulated over many years, Minolta has provided diverse opto-devices and components with superior performance and thereby rapidly expanded the scale of its optical systems business. The Company anticipates that its opto-devices and components business will become a principal pillar of its operations during the 21st century. Among Minolta's principal products in this field are LCD and DLP™ projection systems and optical devices for a broad range of business presentation and entertainment applications, including large venue and mobile applications. These products meet increasingly demanding market requirements regarding precision, image resolution, brightness, and compactness. Employing its exclusive mirror scan technology and its extremely rapid PLZT optical shutter arrays, Minolta is developing printers, scanners, and other types of image inputting/outputting equipment that offers greater speed and image resolution. The Company has also begun business involving glass substrates for hard disks by using its considerable optical lens manufacturing know-how.

DLP™ is a trademark of Texas Instruments Incorporated.

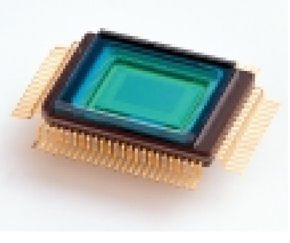
TOPICS



▶ Minolta has begun manufacturing and marketing glass substrates for hard disks.

▶ The Company is developing optical systems for ultraportable projectors that are light and compact. The market for such projectors is expected to grow rapidly.

▶ Minolta's complementary metal-oxide semiconductor (CMOS) area image sensor has a dynamic range, more than 1,000 times broader than that of conventional image sensors, based on charge coupled devices (CCDs). This dynamic range is achieved by attaching a logarithmic converting circuit (LOG sensor) to each picture element of the sensor. Its many potential applications include artificial eyes and intelligent transport systems.



LOG sensor

High-precision zoom/nonzoom lenses (XGA/SXGA) for DLP™ projectors

Optical unit for LCD projectors

High-performance printer unit

ADVANCED SENSING

Expertise in optomechatronics technologies has enabled Minolta to expand its business of providing advanced sensing devices to growth industries, particularly devices for measuring light and color. The Company's products have come to occupy substantial positions in a number of markets, and Minolta is continuing to develop improved products while placing emphasis on precision, operational ease, and compactness. In recent years, the growing use 3D computer-aided design (CAD) systems by manufacturers and 3D computer graphics by the movie industry have spurred rising market needs for 3D digitizers. Minolta has responded to these needs by developing the VIVID 700 non-contact 3D digitizer, which scans and measures the 3D shape of objects in only 0.6 second with a simple camera-like operation. Among other important advanced sensing products are spectrophotometers and chroma meters that offer highly accurate and reliable performance in a wide range of applications involving both solid and liquid samples, rapid and precise spectroradiometers, such display-related measuring instruments as cathode ray tube (CRT) image analyzers, digital illuminance meters for monitoring and adjusting the performance of lighting equipment and for such diverse applications as those related to agriculture and forestry, luminance meters for appraising the intensity of light emitted by objects, spot thermometers that determine an object's temperature through the remote measurement of the object's infrared energy emissions, medical instrument products that provide diagnostic information based on analyses of the body's light-absorption behavior, and photographic meters able to meet professional photographers' needs for measuring light and color with a high level of precision.

TOPICS

グッドデザイン賞 受賞商品

Illuminance Meter T-10 series

▶ In October 1999, Japan's Ministry of International Trade and Industry (MITI) gave one of its Good Design awards to the compact, lightweight, and easy-to use products in Minolta's T-10 series of illuminance meters.

▶ Available autumn 2000, the VIVID 300 offers performance comparable to that of the VIVID 700 at an even more-affordable price and is expected to further expand the use of Minolta's non-contact 3D shape inputting devices in such fields as 3D animation, computer graphics, medicine, dentistry, anatomy, biometrics, and research.

Non-contact 3D Digitizer VIVID 700

SPECTROPHOTOMETER CM-3600d

SPECTRORADIOMETER CS-1000

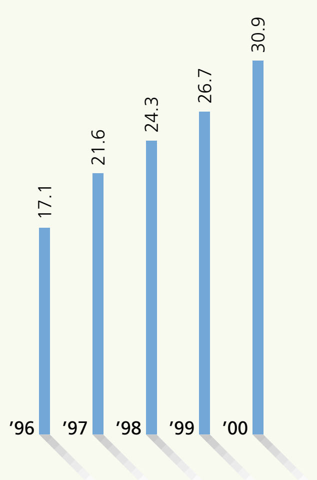
Five-Year Summary

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

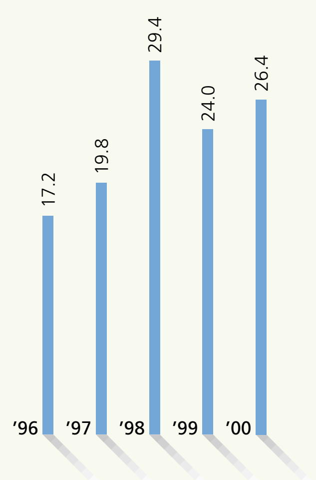
	Millions of yen					Thousands of U.S. dollars (Note 3)
	2000	1999	1998	1997	1996	**2000**
For the Year:						
Net sales	**¥482,767**	¥506,075	¥490,259	¥448,074	¥365,751	**$4,554,406**
Net income	**3,144**	9,002	16,429	10,290	4,245	**29,660**
R&D expenditures	**30,918**	26,664	24,267	21,644	17,134	**291,679**
Depreciation and amortization	**23,387**	23,375	20,172	17,957	15,270	**220,632**
Capital expenditures	**26,357**	24,046	29,350	19,809	17,195	**248,651**
Per Share (Yen and U.S. dollars):						
Net income	**¥ 11.22**	¥ 32.13	¥ 58.83	¥ 36.85	¥ 15.20	**$ 0.11**
Cash dividends	**6.00**	7.00	6.00	5.50	2.50	**0.06**
At Year-End:						
Total assets	**¥411,607**	¥419,731	¥455,090	¥404,425	¥355,987	**$3,883,085**
Total shareholders' equity	**83,773**	84,093	80,550	66,076	57,933	**790,311**

Notes: 1. Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each fiscal year and adjusted for free distributions of common stock.
2. Cash dividends per share are those declared as applicable to the respective fiscal year and cash dividends charged to retained earnings are those actually paid.
3. U.S. dollar amounts are translated from yen amounts at the rate of ¥106=US$1.00 solely for the convenience of the reader.

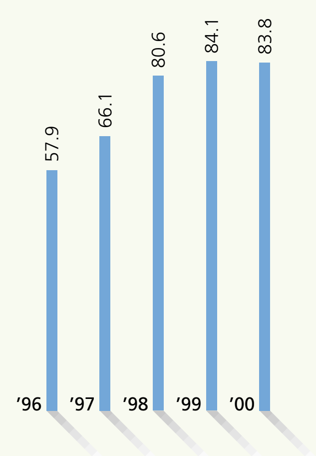
R&D Expenditures
(Billions of yen)



Capital Expenditures
(Billions of yen)



Total Shareholders' Equity
(Billions of yen)



Financial Review

Overview

As described in previous sections of this annual report, Minolta's operating environment is undergoing considerable change due to such factors as trends in the global economy and rapid shifts to digital technologies and electronic networks. In response, the Company has emphasized strategies for increasing Group sales and profitability and rapidly responding to new developments through the efficient allocation of corporate resources to strategic business sectors.

The Company took numerous effective measures to augment its sales of image information, optical, and other products. As overseas sales accounted for more than 78% of the Company's consolidated net sales, however, the appreciation of the yen vis-à-vis both the dollar and the euro significantly depressed the yen-denominated value of consolidated net sales, which were also negatively affected by a general intensification of price competition. Despite such positive factors as the increase in European sales and the effect of the inclusion of additional Group companies within the scope of consolidation, consolidated net sales declined by 4.6% from the previous fiscal year, to ¥482.8 billion, and net income dropped by 65.1%, to ¥3.1 billion. Free cash flows amounted to net cash outflows of ¥11.7 billion, primarily due to the drop in cash inflows provided by operating activities.

Net Sales

During the fiscal year ended March 31, 2000, consolidated net sales decreased by 4.6%, or ¥23.3 billion, to ¥482.8 billion.

In image information product operations, Minolta worked to increase sales of such digital products as its DiALTA series of monochrome copiers/printers and its highly popular line of full-color copiers/printers. With regard to printers, the Company endeavored to augment its business as an OEM supplier and integrate its printer-related marketing and development operations with those of QMS, Inc., a leading U.S.-based printer manufacturer in which the Company acquired the controlling interest in July 1999.

Breakdown of Sales of Image Information Products

	Millions of yen				
Years ended March 31	**2000**	1999	1998	1997	1996
Copiers	**¥257,541**	¥280,938	¥278,532	¥251,096	¥198,334
Printers	**81,228**	60,965	53,976	37,839	27,989
Other OA products	**28,957**	31,036	26,668	29,375	27,546
	¥367,726	¥372,939	¥359,176	¥318,310	¥253,869

	2000	1999	1998	1997	1996
Overseas sales	**¥298,244**	¥305,526	¥286,099	¥244,913	¥195,279
Domestic sales	**69,482**	67,413	73,077	73,397	58,590
	¥367,726	¥372,939	¥359,176	¥318,310	¥253,869

Breakdown of Sales of Optical Products

	Millions of yen				
Years ended March 31	**2000**	1999	1998	1997	1996
Photographic equipment	**¥ 85,440**	¥ 99,745	¥100,678	¥106,203	¥ 94,677
Radiometric instruments	**9,338**	9,804	9,500	8,932	6,165
Optical devices and components	**7,874**	8,078	8,166	4,909	2,805
Planetariums	**1,423**	2,460	1,463	2,298	2,145
	¥104,075	¥120,087	¥119,807	¥122,342	¥105,792

	2000	1999	1998	1997	1996
Overseas sales	**¥ 73,234**	¥ 85,957	¥ 86,342	¥ 89,473	¥ 74,119
Domestic sales	**30,841**	34,130	33,465	32,869	31,673
	¥104,075	¥120,087	¥119,807	¥122,342	¥105,792

Sales of the Company's copiers, printers, and other image information products increased, particularly in Europe, and the consolidation of additional companies also had a positive effect on sales of image information products. The yen value of sales of image information products based on the currency exchange rates of the previous fiscal year increased by 1.6%, but the appreciation of the yen during the fiscal year under review caused the actual yen value of these sales to decrease.

Regarding optical product operations, the Company worked to expand its share of the global camera market by introducing new SLR, compact, and digital camera products. In other fields, the Company continued to broaden its lines of distinctive radiometric instruments and expand the applications of its leading-edge optical technologies in opto-devices & components centering on high-performance digital image projection devices. However, the combination of intensifying competition and the appreciation of yen depressed optical product sales by 13.3%, or ¥16.0 billion, to ¥104.1 billion. Sales from other operations were down by 16.0%, or ¥2.0 billion, to ¥11.0 billion.

Consolidated domestic net sales declined by 1.9%, or ¥2.0 billion, to ¥104.0 billion. Depressed on the whole by the average appreciation of yen during the period, consolidated net sales in overseas markets fell by 5.3%, or ¥21.3 billion, to ¥378.7 billion. This decrease accounted for 91.3% of the drop in total consolidated net sales. Overseas sales as a share of total consolidated net sales fell to 78.4%, down by 0.6%.

Its consolidated companies in Japan recorded ¥174.7 billion in net sales, for a decline of 0.8%, or ¥1.4 billion. Net sales of its consolidated companies based in North America decreased by 6.6%, or ¥10.4 billion, to ¥146.6 billion. Net sales of its consolidated companies based in Europe fell by 6.6%, or ¥10.0 billion, to ¥142.3 billion. Net sales of its consolidated companies based in other regions dropped by 7.3%, or ¥1.5 billion, to ¥19.1 billion.

Costs, Expenses, and Net Income

The Company's cost of sales decreased by 3.8%, or ¥10.6 billion, to ¥269.4 billion, a lower rate of decline than the 4.6% drop in consolidated net sales. This reflected the fact that net sales declined in some product categories due to lower selling prices and the appreciation of yen even though the sales volume actually increased. Thus, despite various cost reductions, cost of sales as a percentage of net sales rose by 0.5%, to 55.8%.

Selling, general and administrative (SG&A) expenses were reduced by 2.0%, to ¥193.1 billion, although R&D expenses increased by ¥4.3 billion. SG&A expenses as a percentage of net sales rose by 1.0%, to 40.0%.

Consequently, operating profit fell by 30.3%, or ¥8.8 billion, to ¥20.3 billion. Operating profit as a percentage of net sales declined by 1.5%, to 4.2%.

Other expenses, net increased by ¥1.0 billion, to ¥14.2 billion, although the decrease in interest rates helped lower the net financial expenses due to interest and dividend items of ¥3.0 billion. The increase in other expenses, net was attributable to such factors as a ¥4.8 billion rise in the currency transaction loss and ¥1.9 billion in losses on restructuring-related expenses for measures primarily taken in North America and Europe.

Thus, income before income taxes and minority interests dropped by 61.7%, or ¥9.8 billion, to ¥6.1 billion, reflecting the rise in the effective tax rate after the adoption of tax-effect accounting to 69.3%, from 41.8%. Accordingly, net income decreased by 65.1%, or ¥5.9 billion, to ¥3.1 billion. Net income per share fell by ¥20.91, to ¥11.22. As mentioned, cash dividends of the parent company applicable to the fiscal year were lowered by ¥1.0 per share, to ¥6.0 per share.

Financial Position

At the end of the fiscal year, total assets stood at ¥411.6 billion, down by ¥8.1 billion from the previous year-end amount. This decrease reflected the Company's efforts to increase the efficiency of its capital deployment by restraining asset growth in fields other than strategic growth fields and to lower the balance of interest-bearing debt.

The decline in total assets reflected a ¥16.3 billion drop in total current assets to ¥258.6 billion. The Company's use of funds to redeem bonds and otherwise repay interest-bearing debt caused declines of ¥6.3 billion in cash and deposits, ¥8.7 billion in inventories, and ¥7.2 billion in notes and accounts receivable.

Total investments and long-term receivables declined by ¥1.6 billion, to ¥49.6 billion, chiefly because of the decrease in investments resulting from the increase in the number of its consolidated subsidiaries.

A total of ¥22.8 billion was invested in tangible fixed assets, largely investments to promote the growth of image information products operations. As this amount was less than the amount of depreciation, the net value of property, plant and equipment declined by ¥2.1 billion, to ¥79.6 billion.

Because the addition of 14 newly consolidated subsidiaries led to significant increases in foreign currency translation adjustments and consolidation adjustments, other assets grew by ¥11.8 billion, to ¥23.8 billion.

Total liabilities decreased by ¥8.2 billion, to ¥326.6 billion. Short- and long-term interest-bearing debt edged down only ¥0.1 billion, to ¥197.2 billion, reflecting the higher yen-denominated value of the foreign currency denominated debt of its consolidated subsidiaries throughout the world due to the appreciation of the yen. The actual rise in constant yen terms was ¥15.3 billion. Operating and other liabilities fell by ¥8.1 billion, to ¥129.4 billion, principally due to declines of ¥3.6 billion in accrued income taxes and ¥4.7 billion in other current liabilities.

Retained earnings fell by ¥0.3 billion as the Company's net income of ¥3.1 billion was offset by declines of ¥1.7 billion due to the payment of cash dividends and an additional ¥1.7 billion due to the increase in consolidated subsidiaries. Thus, shareholders' equity edged down by ¥0.3 billion, to ¥83.8 billion. Reflecting the reduction of liabilities, the equity ratio rose to 20.4%, from 20.0%.

Cash Flows

Cash and cash equivalents at end of year stood at ¥38.5 billion, approximately unchanged from the previous fiscal year-end. This level is 0.96 times the ¥40.2 billion average monthly level of the Company's net sales, and management is confident that the Company has maintained a sufficient liquidity level for the unhindered continuation of its operations.

Net cash provided by operating activities during the fiscal year amounted to ¥19.3 billion, ¥10.4 billion less than in the previous year. Net cash inflows from net income before income taxes, such non-cash items as depreciation and amortization, and other items totaled ¥23.0 billion, down ¥13.5 billion. This reflected the decreases in net income as well as in non-cash items. Cash outflows due to changes in operating assets and liabilities and other items decreased by ¥3.1 billion, to ¥3.7 billion.

Net cash used in investing activities declined by ¥1.9 billion, to ¥31.1 billion. Capital investment amounted to ¥23.2 billion, approximately the same level as in the previous fiscal year, and ¥4.8 billion was invested in the acquisition of additional subsidiaries.

Free cash flows from operating and investing activities amounted to net outflows of ¥11.7 billion, and this was offset through the issuance of bonds and by the management of borrowings.

Net cash provided by financing activities amounted to ¥13.3 billion, a ¥23.1 billion change from the previous year, when cash used in financing activities totaled ¥9.7 billion. The net increase in funds procured primarily through the issuance of bonds and by the management of borrowings was ¥5.0 billion and ¥10.3 billion, respectively, and the Company used ¥1.7 billion for the payment of dividends.

Consolidated Statement of Income and Retained Earnings (Deficit)

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	1999	1998	**2000**
Net Sales (Notes 10 and 19)	**¥482,767**	¥506,075	¥490,259	**$4,554,406**
Cost of Sales (Note 12)	**269,412**	280,021	278,039	**2,541,623**
Gross profit	**213,355**	226,054	212,220	**2,012,783**
Selling, General and Administrative Expenses (Note 12)	**193,087**	196,969	185,328	**1,821,575**
Operating profit (Note 19)	**20,268**	29,085	26,892	**191,208**
Other Income (Expenses):				
Interest and dividend income	**1,330**	1,399	1,380	**12,547**
Interest expense	**(7,392)**	(10,357)	(9,840)	**(69,736)**
Other, net (Note 13)	**(8,113)**	(4,219)	(6,533)	**(76,538)**
	(14,175)	(13,177)	(14,993)	**(133,727)**
Income before income taxes and minority interests	**6,093**	15,908	11,899	**57,481**
Income Taxes (Credit) (Notes 2 (j) and 14):				
Current	**4,186**	7,894	7,458	**39,491**
Deferred	**37**	(1,251)	(11,986)	**348**
	4,223	6,643	(4,528)	**39,839**
Income before minority interests	**1,870**	9,265	16,427	**17,642**
Minority Interests	**(1,274)**	263	(2)	**(12,018)**
Net income	**3,144**	9,002	16,429	**29,660**
Retained Earnings (Deficit):				
Balance at beginning of year	**7,064**	4,262	(10,207)	**66,642**
Cumulative effect on prior years of adoption of tax-effect accounting	**—**	(3,979)	—	**—**
Adjustments due to increase in consolidated subsidiaries	**(1,732)**	(212)	(340)	**(16,340)**
Adjustments due to decrease in consolidated subsidiaries	**—**	—	106	**—**
Appropriations:				
Cash dividends	**1,681**	1,959	1,676	**15,858**
Bonuses to directors and corporate auditors	**50**	50	50	**472**
Balance at end of year	**¥ 6,745**	¥ 7,064	¥ 4,262	**$ 63,632**

	Yen			U.S. dollars (Note 1)
Net Income per Share (Note 2 (l))	**¥ 11.22**	¥ 32.13	¥ 58.83	**$ 0.11**

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

Minolta Co., Ltd. and Consolidated Subsidiaries
March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2000**	1999	**2000**
Current Assets:			
Cash and deposits (Note 3)	¥ 23,726	¥ 30,034	$ 223,830
Marketable securities (Notes 3 and 4)	7,130	8,106	67,264
Notes and accounts receivable:			
Trade	93,093	95,519	878,236
Unconsolidated subsidiaries and affiliates	4,032	7,757	38,038
Other	1,597	2,764	15,066
Allowance for doubtful receivables	(3,670)	(3,828)	(34,623)
Notes and accounts receivable, net	95,052	102,212	896,717
Inventories (Note 5)	103,170	111,850	973,302
Other current assets (Notes 3 and 14)	29,520	22,690	278,491
Total current assets	258,598	274,892	2,439,604
Investments and Long-Term Receivables:			
Investments in securities:			
Unconsolidated subsidiaries and affiliates	1,598	3,690	15,075
Other (Notes 4 and 7)	34,292	34,413	323,510
Total investments in securities	35,890	38,103	338,585
Long-term receivables:			
Unconsolidated subsidiaries and affiliates	132	106	1,245
Other	2,655	2,795	25,047
Allowance for doubtful receivables	(945)	(1,254)	(8,915)
Long-term receivables, net	1,842	1,647	17,377
Other investments	11,844	11,395	111,736
Total investments and long-term receivables	49,576	51,145	467,698
Property, Plant and Equipment, at Cost (Note 7):			
Land	12,592	12,973	118,792
Buildings and structures	60,046	60,832	566,472
Machinery and equipment	168,574	157,737	1,590,321
Construction in progress	835	3,608	7,877
	242,047	235,150	2,283,462
Accumulated depreciation	(162,423)	(153,473)	(1,532,292)
Property, plant and equipment, net	79,624	81,677	751,170
Other Assets (Notes 2 (m) and 14)	23,809	12,017	224,613
	¥411,607	¥419,731	$3,883,085

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current Liabilities:			
Short-term bank loans (Notes 3, 6 and 7)	**¥132,746**	¥136,380	**$1,252,321**
Commercial paper	**—**	6,028	**—**
Current portion of long-term debt (Notes 6 and 7)	**6,555**	5,960	**61,840**
Notes and accounts payable:			
Trade	**59,661**	60,873	**562,840**
Unconsolidated subsidiaries and affiliates	**1,272**	1,449	**12,000**
Total notes and accounts payable	**60,933**	62,322	**574,840**
Accrued income taxes	**2,851**	6,466	**26,896**
Accrued expenses	**18,594**	17,120	**175,415**
Other current liabilities	**22,489**	27,168	**212,160**
Total current liabilities	**244,168**	261,444	**2,303,472**
Long-Term Liabilities:			
Long-term debt (Notes 6 and 7)	**57,910**	48,937	**546,321**
Accrued retirement and severance benefits (Note 11)	**18,308**	17,877	**172,717**
Other (Notes 7 and 14)	**6,188**	6,473	**58,377**
Total long-term liabilities	**82,406**	73,287	**777,415**
Minority Interests	**1,260**	907	**11,887**
Contingent Liabilities (Note 16)			
Shareholders' Equity:			
Common stock, ¥50 par value (Note 8):			
Authorized—800,000,000 shares			
Issued—280,207,681 shares in 2000 and 1999	**25,833**	25,833	**243,708**
Capital surplus (Note 8)	**51,198**	51,198	**483,000**
Retained earnings	**6,745**	7,064	**63,632**
	83,776	84,095	**790,340**
Less treasury stock, at cost (Note 9):			
7,060 shares in 2000 and 2,474 shares in 1999	**3**	2	**29**
Total shareholders' equity	**83,773**	84,093	**790,311**
	¥411,607	¥419,731	**$3,883,085**

Financial Highlights
A Message from the President
What is Minolta?
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Corporate Directory

Consolidated Statement of Cash Flows

Minolta Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	2000
Cash Flows from Operating Activities:		
Income before income taxes and minority interests	¥ 6,093	$ 57,481
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	23,387	220,632
Amortization of goodwill on consolidation	949	8,953
Increase in accrued retirement and severance benefits	766	7,226
Interest and dividend income	(1,330)	(12,547)
Interest expense	7,392	69,736
Gain on sales of marketable securities	(1,052)	(9,925)
Loss on valuation of marketable securities	551	5,198
Gain on disposal of property, plant and equipment	(102)	(962)
Changes in operating assets and liabilities:		
Notes and accounts receivable	2,018	19,038
Inventories	864	8,151
Notes and accounts payable	(4,477)	(42,236)
Accrued consumption taxes	123	1,160
Other, net	(2,209)	(20,839)
Subtotal	32,973	311,066
Interest and dividend income received	1,310	12,359
Interest expense paid	(7,350)	(69,340)
Income taxes paid	(7,623)	(71,915)
Net cash provided by operating activities	19,310	182,170
Cash Flows from Investing Activities:		
Purchases of marketable securities	(1,708)	(16,113)
Proceeds from sales of marketable securities	1,585	14,953
Purchases of property, plant and equipment	(23,160)	(218,491)
Proceeds from sales of property, plant and equipment	1,176	11,094
Purchases of investments in securities	(476)	(4,491)
Proceeds from sales of investments in securities	258	2,434
Payments for acquisition of new subsidiaries	(4,758)	(44,887)
Payments for loans receivable	(159)	(1,500)
Collection of loans receivable	205	1,934
Other, net	(4,016)	(37,886)
Net cash used in investing activities	(31,053)	(292,953)
Cash Flows from Financing Activities:		
Increase in short-term bank loans	11,481	108,311
Decrease in commercial paper	(5,580)	(52,642)
Proceeds from long-term borrowings	11,179	105,462
Repayment of long-term borrowings	(6,785)	(64,009)
Issuance of unsecured bonds	5,000	47,170
Dividends paid	(1,682)	(15,868)
Dividends paid to minority interests	(211)	(1,991)
Other, net	(64)	(603)
Net cash provided by financing activities	13,338	125,830
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,954)	(27,868)
Decrease in Cash and Cash Equivalents	(1,359)	(12,821)
Cash and Cash Equivalents at Beginning of Year (Note 3)	38,510	363,302
Cash and Cash Equivalents of Newly Consolidated Subsidiaries at Beginning of Year	1,346	12,698
Cash and Cash Equivalents at End of Year (Note 3)	¥38,497	$363,179

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Millions of yen	
	1999	1998
Cash Flows from Operating Activities (Note 17):		
Net income	¥ 9,002	¥16,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,375	20,172
Loss on disposal of property, plant and equipment	787	642
Loss on sales of marketable securities and investments in securities	2,605	999
Loss on revaluation of securities	25	857
Deferred income taxes	(1,251)	(11,986)
Provision for losses on receivables	704	1,316
Other	1,234	548
Changes in operating assets and liabilities:		
Notes and accounts receivable	2,751	(4,761)
Inventories	8,931	(12,223)
Notes and accounts payable	(14,296)	(2,864)
Accrued income taxes	(578)	5,413
Accrued expenses	272	2,484
Other current assets	(2,179)	(1,607)
Other current liabilities	(417)	391
Foreign currency adjustments (Note 2 (m))	(1,240)	1,156
Net cash provided by operating activities	29,725	16,966
Cash Flows from Investing Activities (Note 17):		
Purchases of property, plant and equipment	(24,597)	(28,526)
Proceeds from sales of property, plant and equipment	1,952	3,174
Proceeds from sales of marketable securities and investments in securities	2,642	1,827
Increase in marketable securities and investments in securities	(8,811)	(3,008)
Other, net	(4,170)	(1,955)
Net cash used in investing activities	(32,984)	(28,488)
Cash Flows from Financing Activities (Note 17):		
Proceeds from long-term debt	15,542	5,456
Repayment of long-term debt	(6,384)	(2,400)
(Decrease) increase in short-term bank loans	(803)	5,195
Decrease in commercial paper	(640)	(801)
Issuance of unsecured bonds	—	20,000
Redemption of bonds	(16,238)	—
Exercise of warrants	741	—
Dividends paid	(1,959)	(1,676)
Net cash (used in) provided by financing activities	(9,741)	25,774
(Decrease) Increase in Cash and Cash Equivalents	(13,000)	14,252
Cash and Cash Equivalents at Beginning of Year	51,684	37,432
Cash and Cash Equivalents at End of Year	¥38,684	¥51,684

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Minolta Co., Ltd. and Consolidated Subsidiaries
March 31, 2000, 1999 and 1998

1 Basis of Financial Statement Presentation and Translation

(a) Minolta Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with financial accounting standards generally accepted and applied in Japan, and its overseas subsidiaries in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of Japan. Certain modifications in format have been made to facilitate understanding by readers outside Japan. Accordingly, the accompanying 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.

(b) The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥106=US$1.00. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

(c) Effective the year ended March 31, 2000, the Company was required for the first time to prepare a consolidated statement of cash flows as part of its consolidated financial statements under the Securities and Exchange Law of Japan. Accordingly, the Company has prepared its 2000 consolidated statement of cash flows in accordance with "Accounting Standards for Consolidated Statement of Cash Flows" issued by the Business Accounting Deliberation Council. Because of the lack of year-to-year comparability with previously disclosed consolidated statement of cash flows for the years ended March 31, 1999 and 1998, these have been presented separately.

(d) Certain accounts in the consolidated balance sheet at March 31, 1999 have been reclassified to conform to the 2000 presentation.

2 Significant Accounting Policies

(a) Principles of Consolidation

In accordance with the accounting standards for consolidation issued by the Business Accounting Deliberation Council of Japan, effective April 1, 1999, the accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differ from that of the Company; however, the necessary adjustments have been made if the effect of the difference is material.

All assets and liabilities of the subsidiaries are revaluated on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period of five or ten years on a straight-line basis if such excess is material, or charged to income when incurred, if immaterial.

(b) Cash Equivalents (See Note 3)

In 2000, cash equivalents include all highly liquid debt instruments with a maturity of three months or less when purchased and overdrafts under total cash management.

In 1999 and 1998, cash equivalents included all highly liquid debt instruments with a maturity of three months or less when purchased.

(c) Inventories (See Note 5)

Inventories of the Company are stated at cost determined principally by the weighted average method. Inventories of subsidiaries are stated principally at the lower of cost (generally on a first-in, first-out basis) or market.

(d) Marketable Securities and Investments in Securities

Marketable securities and investments in securities are stated at cost determined by the moving average method.

(e) Depreciation

Depreciation of property, plant and equipment is computed principally by the declining-balance method by the Company and the domestic consolidated subsidiaries, whereas the overseas consolidated subsidiaries compute depreciation by the straight-line method over the estimated useful lives of the respective assets. However, for buildings (excluding fixtures attached to the buildings) acquired on or subsequent to April 1, 1998, the straight-line method is applied by the Company and its consolidated subsidiaries in Japan.

The estimated useful lives of buildings (excluding fixtures attached to the buildings) were shortened effective April 1, 1998. As a result of this change, depreciation for the year ended March 31, 1999 increased by ¥119 million, operating profit decreased by ¥98 million and income before income taxes and minority interests by ¥119 million.

(f) Repairs and Maintenance

Normal repair and maintenance expenses are charged to income as incurred. Costs of improvements and renovations are capitalized.

(g) Research and Development Costs and Computer Software (See Note 12)

Research and development costs are charged to income as incurred. In accordance with new accounting standards for research and development costs and computer software, expenditures relating to the cost of computer software intended for internal use are charged to income as incurred, except if these are deemed to contribute to generating future income or cost savings. Such expenditures are capitalized as other assets and amortized by the straight-line method over their useful lives, generally over a period of five years.

(h) Bonuses

Bonuses to employees, which are paid semiannually, are accrued based upon management's estimate of the annual amount. In Japan, bonuses to directors and corporate auditors, which are subject to the approval of the shareholders, are accounted for as an appropriation of retained earnings.

(i) Lease Transactions (See Note 18)

The Company and various consolidated subsidiaries lease certain equipment under non-cancelable lease agreements referred to as finance leases. Finance leases, other than those which transfer the ownership of the leased property to the lessee, are accounted for as operating leases.

(j) Income Taxes (See Note 14)

Provision has been made in the consolidated accounts to reflect the 2000 and 1999 interperiod allocation of income taxes arising from timing differences in the recognition of certain income and expenses for financial reporting and tax purposes. However, this provision was recorded particularly for gains (losses) which arose as a result of consolidation items, such as the elimination of unrealized intercompany profits at March 31, 1998.

(k) Retirement and Severance Benefits (See Note 11)

Upon retirement or the termination of employment for reasons other than dismissal for cause, employees of the Company and certain consolidated subsidiaries are entitled to lump-sum payments. The Company has a non-contributory funded pension plan for all eligible regular employees in respect of retirement and severance benefits. At March 31, 2000, approximately 95% of such employees were covered by the pension plan. Past service cost is being amortized over a period of 13 years and 2 months. In addition, certain consolidated subsidiaries have funded pension plans for eligible employees.

The Company has also provided for estimated retirement and severance benefits to directors and corporate auditors. Provision has been made in the financial statements for the estimated accrued liability for their retirement and severance benefits not covered by the pension plans.

(l) Net Income per Share

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each fiscal year, adjusted for any free distributions of common stock.

(m) Translation of Foreign Currencies

Foreign currency amounts are translated into yen amounts at the year-end rates for current monetary assets and current liabilities and at historical rates for all other accounts. Gains (losses) resulting from such translation adjustments are credited or charged to income as incurred.

The balance sheet accounts of the overseas consolidated subsidiaries have been translated into yen at the year-end rates, except for the components of shareholders' equity, which have been translated at their historical rates. The differences resulting from such translations are included under other assets and amounted to ¥8,767 million ($82,708 thousand) and ¥4,046 million for the years ended March 31, 2000 and 1999, respectively. Income, expenses and cash flows are translated at the average exchange rates for the year.

(n) Changes in Method of Accounting

Effective April 1, 1999, the Company changed its basis of valuation of marketable securities and investments in securities from the weighted average method, to the moving average method. As a result of this change, income before income taxes and minority interests for the year ended March 31, 2000 increased by ¥349 million.

Effective April 1, 1998, the Company changed its basis of recording packaging and transportation expenses of its products and the costs of expendable supplies for sales (instruction manuals packed in the product packages) to cost of sales, from selling, general and administrative expenses. As a result of this change, income before income taxes and minority interests for the year ended March 31, 1999 increased by ¥16 million (cost of sales increased by ¥3,956 million and selling, general and administrative expenses decreased by ¥3,972 million).

3 Cash and Cash Equivalents

In the 2000 presentation of the consolidated cash flows, relations between items included in cash and cash equivalents and the corresponding amounts in the balance sheet at March 31, 2000 and 1999 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Cash and deposits	**¥23,726**	¥30,034	**$223,830**
Cash equivalents in marketable securities	**53**	1,651	**500**
Cash equivalents in other current assets	**14,999**	6,999	**141,500**
Deposits over 3-month period in cash and deposits	**(157)**	(174)	**(1,481)**
Minus cash equivalents in short-term bank loans	**(124)**	—	**(1,170)**
Cash and cash equivalents at end of year	**¥38,497**	¥38,510	**$363,179**

4 Marketable Securities and Investments in Securities—Other

Marketable securities and investments in securities—other include securities for which market quotations are available.

(a) Marketable securities

The book and market values at March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	**2000**
Book value	**¥ 7,053**	**$ 66,538**
Market value	**11,418**	**107,717**

(b) Investments in securities—other

The book and market values at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Book value	**¥33,692**	¥33,410	**$317,849**
Market value	**32,227**	29,845	**304,028**

5 Inventories

A summary of inventories at March 31, 2000 and 1999 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Finished goods	**¥ 77,015**	¥ 79,612	**$726,557**
Work in process	**20,754**	26,532	**195,792**
Raw materials and supplies	**5,401**	5,706	**50,953**
	¥103,170	¥111,850	**$973,302**

6 Short-Term Bank Loans and Long-Term Debt

The annual interest rates on short-term bank loans ranged from 1% to 32% in 2000 and from 1% to 26% in 1999. The weighted average interest rate was 4% in 2000. Short-term bank loans included borrowings under acceptance by overseas subsidiaries in amounts of nil and ¥5,128 million at March 31, 2000 and 1999, respectively.

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
2.3% yen unsecured bonds, due 2002	**¥10,000**	¥10,000	**$ 94,340**
3.0% yen unsecured bonds, due 2004	**10,000**	10,000	**94,340**
1.75% euro-yen unsecured bonds, due 2002	**5,000**	—	**47,170**
Loans with banks,* due through 2018:			
Secured	**3,427**	3,137	**32,330**
Unsecured	**36,038**	31,760	**339,981**
	64,465	54,897	**608,161**
Less current portion	**6,555**	5,960	**61,840**
	¥57,910	¥48,937	**$546,321**

* The annual interest rates on long-term loans with banks ranged from 0% to 13% at March 31, 2000 and from 1% to 12% at March 31, 1999. The weighted average rate was 3% in 2000.

The aggregate annual maturities of long-term debt subsequent to March 31, 2000 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 6,555	$ 61,840
2002	12,670	119,529
2003	19,561	184,538
2004	8,598	81,113
2005	16,389	154,613
2006 and thereafter	692	6,528
	¥64,465	$608,161

The 2.3% yen unsecured bonds in the amount of ¥10,000 million ($94,340 thousand) were issued by the Company in October 1997. All the outstanding bonds can be repurchased at any time prior to maturity at the option of the Company, in whole or in part, at any price, in the market or elsewhere.

The 3.0% yen unsecured bonds in the amount of ¥10,000 million ($94,340 thousand) were issued by the Company in December 1997. All the outstanding bonds can be repurchased at any time prior to maturity at the option of the Company, in whole or in part, at any price, in the market or elsewhere.

The 1.75% euro-yen unsecured bonds in the amount of ¥5,000 million ($47,170 thousand) were issued by the Company in June 1999.

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of the bank, and that any collateral so furnished will be applicable to all indebtedness due to that bank. In addition, such agreements provide that the bank has the right to offset cash deposited against any long-term or short-term debt which becomes due and, in the case of default or certain other specified events, against all other debts payable to the bank.

7 Pledged Assets

The following assets were pledged as collateral for obligations at March 31, 2000 and 1999:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Property, plant and equipment, net of accumulated depreciation	**¥14,606**	¥15,056	**$137,792**
Investments in securities	**857**	1,748	**8,085**
	¥15,463	¥16,804	**$145,877**

The obligations secured by such collateral at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Short-term bank loans	**¥ 625**	¥ 255	**$ 5,896**
Long-term debt, including current portion	**3,427**	3,137	**32,330**
Long-term liabilities—other, including current portion	**—**	492	**—**
Notes discounted	**—**	677	**—**
	¥4,052	¥4,561	**$38,226**

8 Common Stock

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 50% of the proceeds from the issuance of stock, either by the sale of new shares or as a result of the conversion of convertible debentures or notes or by the exercise of warrants sold after 1981, be credited to the capital surplus account. For the year ended March 31, 2000, no shares were issued. For the year ended March 31, 1999, the Company issued 925,790 shares of common stock upon the exercise of warrants.

9 Treasury Stock

The Company has introduced a unit share system as permitted under the Code. Under this system, shareholders holding fewer than 1,000 shares are not permitted to exercise voting rights. Accordingly, the Company repurchased its own shares from shareholders who held fewer than 1,000 shares and had requested such repurchases. The balance of treasury stock reflected in the accompanying consolidated balance sheet represents the cost of repurchasing these shares, which are expected to be resold subsequently to third parties.

10 Sales to and Purchases from Unconsolidated Subsidiaries and Affiliates

Sales to and purchases from unconsolidated subsidiaries and affiliates for the years ended March 31, 2000, 1999 and 1998 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2000	1999	1998	**2000**
Sales to	**¥10,803**	¥13,940	¥15,559	**$101,915**
Purchases from	**5,488**	5,269	5,550	**51,774**

11 Pension Plans

The charges to income under the Company's and consolidated subsidiaries' retirement, severance and pension plans amounted to ¥3,828 million ($36,113 thousand), ¥3,844 million and ¥3,700 million for the years ended March 31, 2000, 1999 and 1998, respectively.

12 Research and Development Costs

Cost of sales and selling, general and administrative expenses for the year ended March 31, 2000 included ¥30,918 million ($291,679 thousand) of research and development costs.

13 Extraordinary Item

Other, net, for the year ended March 31, 2000 included losses of ¥1,900 million on restructuring-related expenses.

14 Interperiod Income Tax Allocation

Interperiod income tax allocation has been made as described in Note 2 (j).

The significant components of deferred income tax assets and liabilities at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Current			
Deferred income tax assets (reflected in other current assets):			
Research and development expenses	¥ 824	¥ 410	$ 7,774
Inventories written down	740	970	6,981
Allowance for doubtful receivables	791	—	7,462
Accrued bonuses	595	179	5,613
Warranty reserve	283	456	2,670
Intercompany profit on inventories	3,963	5,377	37,387
Other	1,953	1,803	18,424
	9,149	9,195	86,311
Less: valuation allowance	(1,205)	(497)	(11,368)
	7,944	8,698	74,943
Offset of deferred income tax liabilities	(196)	(137)	(1,849)
Deferred income tax assets, net	¥7,748	¥8,561	$ 73,094
Deferred income tax liabilities:			
Allowance for doubtful receivables	¥ 111	¥ 106	$ 1,047
Other	85	36	802
	196	142	1,849
Offset of deferred income tax assets	(196)	(137)	(1,849)
Deferred income tax liabilities, net	¥ —	¥ 5	$ —
Non-Current			
Deferred income tax assets (reflected in other assets):			
Retirement and severance benefits	¥3,768	¥3,246	$ 35,547
Depreciation	2,531	1,926	23,877
Allowance for doubtful receivables	295	894	2,783
Unutilized tax losses	4,214	997	39,755
Other	622	371	5,868
	11,430	7,434	107,830
Less: valuation allowance	(5,500)	(2,595)	(51,887)
	5,930	4,839	55,943
Offset of deferred income tax liabilities	(899)	(1,110)	(8,481)
Deferred income tax assets, net	¥5,031	¥3,729	$ 47,462
Deferred income tax liabilities (reflected in other long-term liabilities):			
Undistributed earnings of foreign subsidiaries	¥ 859	¥1,105	$ 8,104
Other	289	291	2,726
	1,148	1,396	10,830
Less: valuation allowance	(6)	(87)	(57)
	1,142	1,309	10,773
Offset of deferred income tax assets	(899)	(1,110)	(8,481)
Deferred income tax liabilities, net	¥ 243	¥ 199	$ 2,292

A reconciliation of the Japanese statutory income tax rates and effective tax rates for the years ended March 31, 2000 and 1999, as a percentage of income before income taxes, is as follows:

	2000	1999
Japanese statutory income tax rate	**42.0%**	47.3%
Increase (decrease) in income taxes resulting from:		
Valuation allowance	**21.6**	2.7
Expenses not deductible for tax purposes	**8.2**	8.1
Amortization of consolidation goodwill	**4.5**	0.6
Deferred income taxes related to intercompany profit on inventories	**3.5**	(12.1)
Deduction for tax purposes	**(8.2)**	(1.2)
Other	**(2.3)**	(3.6)
Effective tax rate	**69.3%**	41.8%

15 Derivatives

1. Status of Derivatives Transactions

(a) Types and Objectives

To avoid the effects of currency exchange rate fluctuations on the value of foreign currency assets and liabilities, the Company and its consolidated subsidiaries utilize forward foreign exchange contracts to hedge certain foreign currency assets and liabilities (principally those associated with the Company and its consolidated subsidiaries' export and import transactions). In addition, to avoid the effects of currency exchange rate and interest rate fluctuations on monetary assets and liabilities, the Company and its consolidated subsidiaries have entered into currency and interest rate swaps.

(b) Derivatives Policy

The Company and its consolidated subsidiaries utilize derivatives to hedge the risk of fluctuations in foreign currency exchange rates and interest rates. Under the Company's and its consolidated subsidiaries' policy, derivatives are not entered into for speculative trading purposes.

(c) Types of Risks Inherent in Derivatives Transactions

Forward foreign exchange contracts, currency options and currency swaps involve the risk of fluctuations in foreign currency exchange rates. In addition, interest rate swaps involve the risk of fluctuations in interest rates.

The Company and its consolidated subsidiaries, however, utilize derivatives effectively as a hedging strategy in order to reduce the risk inherent in its assets and liabilities, and these transactions are not likely to have a major impact on the Company's or its consolidated subsidiaries' performance. In addition, when conducting derivatives transactions, the Company and its consolidated subsidiaries select only financial institutions with high credit ratings; accordingly, the risk of counterparties failing to perform their obligations is minimal.

(d) Risk Management Systems for Derivatives

The Company's Finance Division is responsible for making the arrangements for, and managing the risk inherent in, the Company's derivatives positions. The Board of Directors or the Managing Directors' committee deliberates and decides the policy for derivatives and the risk management procedures. Each month, in employing derivatives in manage foreign currency risk, the directors responsible for finance report to the Managing Directors' committee on the open forward foreign exchange contracts and currency options, and this committee sets the policy for the utilization of derivatives. Other significant derivatives require the approval of the Board of Directors or the Managing Directors' committee.

The consolidated subsidiaries' Finance Divisions are responsible for making the arrangements for, and managing the risk inherent in, their derivatives positions which require the approval of the President or the directors in accordance with these established policies for derivatives.

(e) Other Matters

The contract value or notional principal amounts presented in the following table do not reflect the actual level of risk associated with the Company's and the consolidated subsidiaries' derivatives positions.

2. Market Value of Derivatives

(a) Currency-related derivatives

	Millions of yen		Thousands of U.S. dollars	
	2000		2000	
	Contract value (notional principal amount)	Market value	Contract value (notional principal amount)	Market value
Forward foreign exchange contracts:				
To sell foreign currencies	¥1,961	¥2,019	$18,500	$19,047
To buy foreign currencies	1,229	1,235	11,594	11,651
Currency swaps	—	—	—	—
	¥3,190	¥3,254	$30,094	$30,698

(b) Interest rate related derivatives

	Millions of yen		Thousands of U.S. dollars	
	2000		2000	
	Contract value (notional principal amount)	Market value	Contract value (notional principal amount)	Market value
Interest rate swaps:				
Pay—fixed interest rate	¥11,062	¥(570)	$104,358	$(5,377)
Receive—fixed interest rate	—	—	—	—
	¥11,062	¥(570)	$104,358	$(5,377)

16 Contingent Liabilities

At March 31, 2000, the contingent liabilities for notes discounted in the ordinary course of business amounted to ¥1,352 million ($12,755 thousand). At March 31, 2000, contingent liabilities for guarantees and commitments involving managerial guidance related to loans amounted to ¥2,877 million ($27,142 thousand), which includes ¥2,158 million ($20,358 thousand) with respect to certain unconsolidated subsidiaries.

Guarantees amounted to ¥2,362 million ($22,283 thousand) and commitments involving managerial guidance relating to loans amounted to ¥515 million ($4,858 thousand).

17 Supplemental Disclosures of Cash Flow Information

During the year ended March 31, 2000, leased property and related obligations of ¥171 million ($1,613 thousand) were newly recorded under finance lease transactions.

The Company and its consolidated subsidiaries made interest payments of ¥11,129 million and ¥9,515 million for the years ended March 31, 1999 and 1998, respectively. The Company and its consolidated subsidiaries paid ¥8,472 million and ¥1,863 million for income taxes for the years ended March 31, 1999 and 1998, respectively.

During the year ended March 31, 1999, common stock issued and capital surplus related to the exercise of warrants amounted to ¥471 million.

In addition, during the year ended March 31, 1998, common stock issued and capital surplus related to the conversion of convertible bonds amounted to ¥3 million.

18 Lease Transactions

Information on the lease payments of the Company and its consolidated subsidiaries is summarized as follows:

(a) For finance leases, exclusive of those which transfer the ownership of the leased assets to the lessee:

	Land	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2000	Millions of yen				
Amounts corresponding to:					
Acquisition costs	**¥—**	**¥59**	**¥28,257**	**¥1,132**	**¥29,448**
Accumulated depreciation	**—**	**32**	**18,946**	**799**	**19,777**
Remaining value at the end of the year	**¥—**	**¥27**	**¥ 9,311**	**¥ 333**	**¥ 9,671**
At March 31, 1999	Millions of yen				
Amounts corresponding to:					
Acquisition costs	¥6	¥72	¥27,321	¥1,506	¥28,905
Accumulated depreciation	1	34	15,611	949	16,595
Remaining value at the end of the year	¥5	¥38	¥11,710	¥ 557	¥12,310

	Land	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2000	Thousands of U.S. dollars				
Amounts corresponding to:					
Acquisition costs	**$—**	**$557**	**$266,575**	**$10,679**	**$277,811**
Accumulated depreciation	**—**	**302**	**178,735**	**7,538**	**186,575**
Remaining value at the end of the year	**$—**	**$255**	**$ 87,840**	**$ 3,141**	**$ 91,236**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Future minimum payments due in:			
1 year or less	**¥5,159**	¥ 7,004	**$48,670**
Over 1 year	**4,736**	5,619	**44,679**
	¥9,895	¥12,623	**$93,349**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease payments	**¥7,917**	¥8,853	**$74,689**
Depreciation equivalent	**7,446**	8,544	**70,245**
Interest expense equivalent	**398**	265	**3,755**

(b) For operating leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Future minimum payments due in:			
1 year or less	**¥ 3,149**	¥3,334	**$ 29,708**
Over 1 year	**14,914**	6,503	**140,698**
	¥18,063	¥9,837	**$170,406**

Information on the lease income of the Company and its consolidated subsidiaries is summarized as follows:

(a) For finance leases, exclusive of those which transfer the ownership of the leased equipment to the lessee:

	Machinery and Equipment		
	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Amounts corresponding to:			
Acquisition cost	**¥5,161**	¥3,795	**$48,689**
Accumulated depreciation	**2,150**	1,514	**20,283**
Remaining value at the end of the year	**¥3,011**	¥2,281	**$28,406**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Future minimum receipts:			
1 year or less	**¥1,732**	¥1,331	**$16,340**
Over 1 year	**1,441**	1,306	**13,594**
	¥3,173	¥2,637	**$29,934**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease income	**¥1,970**	¥1,652	**$18,585**
Depreciation equivalent	**1,876**	1,427	**17,698**

(b) For operating leases:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Future minimum receipts:			
1 year or less	**¥1,207**	¥1,329	**$11,387**
Over 1 year	**1,933**	1,382	**18,236**
	¥3,140	¥2,711	**$29,623**

19 Segment Information

The Company and its consolidated subsidiaries operate principally in three industry segments: image information products, optical products and other.

The image information products segment includes primarily photocopiers, printers, other OA products (facsimile machines, word processors and document imaging products) and related accessories. The optical products segment includes primarily cameras, lenses, binoculars, radiometric instruments, planetariums and related accessories. The other segment includes items not classified under image information products or optical products.

The following tables present information by industry segment and geographic area as well as overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2000, 1999 and 1998:

Information by Industry Segment

	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
Year ended March 31, 2000	Millions of yen					
Net sales:						
Unaffiliated customers	¥367,726	¥104,075	¥10,966	¥482,767	¥ —	¥482,767
Intersegment	10	37	701	748	(748)	—
Total	367,736	104,112	11,667	483,515	(748)	482,767
Operating expenses	347,876	103,939	11,447	463,262	(763)	462,499
Operating profit	¥ 19,860	¥ 173	¥ 220	¥ 20,253	¥ 15	¥ 20,268
Assets	¥241,234	¥ 85,520	¥ 3,845	¥330,599	¥81,008	¥411,607
Depreciation expense	18,428	4,816	74	23,318	69	23,387
Capital expenditures	21,365	4,926	66	26,357	—	26,357
Year ended March 31, 1999	Millions of yen					
Net sales:						
Unaffiliated customers	¥372,939	¥120,087	¥13,049	¥506,075	¥ —	¥506,075
Intersegment	146	183	519	848	(848)	—
Total	373,085	120,270	13,568	506,923	(848)	506,075
Operating expenses	347,169	117,308	13,361	477,838	(848)	476,990
Operating profit	¥ 25,916	¥ 2,962	¥ 207	¥ 29,085	¥ —	¥ 29,085
Assets	¥251,243	¥ 95,838	¥ 4,780	¥351,861	¥67,870	¥419,731
Depreciation expense	17,735	4,399	72	22,206	74	22,280
Capital expenditures	19,675	4,258	113	24,046	—	24,046
Year ended March 31, 1998	Millions of yen					
Net sales:						
Unaffiliated customers	¥359,176	¥119,807	¥11,276	¥490,259	¥ —	¥490,259
Intersegment	200	121	550	871	(871)	—
Total	359,376	119,928	11,826	491,130	(871)	490,259
Operating expenses	334,143	118,278	11,817	464,238	(871)	463,367
Operating profit	¥ 25,233	¥ 1,650	¥ 9	¥ 26,892	¥ —	¥ 26,892
Assets	¥275,856	¥105,395	¥ 5,043	¥386,294	¥68,796	¥455,090
Depreciation expense	15,138	3,969	56	19,163	69	19,232
Capital expenditures	24,864	4,418	68	29,350	—	29,350

	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
Year ended March 31, 2000	Thousands of U.S. dollars					
Net sales:						
Unaffiliated customers	$3,469,113	$981,840	$103,453	$4,554,406	$ —	$4,554,406
Intersegment	94	349	6,613	7,056	(7,056)	—
Total	3,469,207	982,189	110,066	4,561,462	(7,056)	4,554,406
Operating expenses	3,281,848	980,557	107,991	4,370,396	(7,198)	4,363,198
Operating profit	$ 187,359	$ 1,632	$ 2,075	$ 191,066	$ 142	$ 191,208
Assets	$2,275,792	$806,792	$ 36,274	$3,118,858	$764,227	$3,883,085
Depreciation expense	173,849	45,434	698	219,981	651	220,632
Capital expenditures	201,556	46,472	623	248,651	—	248,651

* The assets in the eliminations column include ¥82,336 million ($776,755 thousand), ¥68,029 million and ¥68,986 million of assets maintained for general corporate purposes, principally excess funds under management (cash and negotiable securities) and long-term investments (investment securities) of the Company at March 31, 2000, 1999 and 1998.

Information by Geographic Area

Year ended March 31, 2000	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
	Millions of yen						
Net sales:							
Unaffiliated customers	¥174,710	¥146,602	¥142,341	¥19,114	¥482,767	¥ —	¥482,767
Intersegment	159,092	197	473	57,618	217,380	(217,380)	—
Total	333,802	146,799	142,814	76,732	700,147	(217,380)	482,767
Operating expenses	322,123	145,067	141,650	75,030	683,870	(221,371)	462,499
Operating profit	¥ 11,679	¥ 1,732	¥ 1,164	¥ 1,702	¥ 16,277	¥ 3,991	¥ 20,268
Assets	¥197,681	¥ 87,657	¥ 81,533	¥29,584	¥396,455	¥ 15,151	¥411,606

Year ended March 31, 1999	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
	Millions of yen						
Net sales:							
Unaffiliated customers	¥176,081	¥157,003	¥152,368	¥20,623	¥506,075	¥ —	¥506,075
Intersegment	168,018	122	467	69,458	238,065	(238,065)	—
Total	344,099	157,125	152,835	90,081	744,140	(238,065)	506,075
Operating expenses	326,446	154,569	147,567	88,978	717,560	(240,570)	476,990
Operating profit	¥ 17,653	¥ 2,556	¥ 5,268	¥ 1,103	¥ 26,580	¥ 2,505	¥ 29,085
Assets	¥184,297	¥ 79,757	¥ 91,155	¥32,934	¥388,143	¥ 31,588	¥419,731

Year ended March 31, 1998	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
	Millions of yen						
Net sales:							
Unaffiliated customers	¥182,963	¥147,610	¥138,693	¥20,993	¥490,259	¥ —	¥490,259
Intersegment	169,762	312	776	76,384	247,234	(247,234)	—
Total	352,725	147,922	139,469	97,377	737,493	(247,234)	490,259
Operating expenses	334,456	144,043	133,098	93,268	704,865	(241,498)	463,367
Operating profit	¥ 18,269	¥ 3,879	¥ 6,371	¥ 4,109	¥ 32,628	¥ (5,736)	¥ 26,892
Assets	¥188,414	¥ 91,892	¥ 95,460	¥38,629	¥414,395	¥ 40,695	¥455,090

Year ended March 31, 2000	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
	Thousands of U.S. dollars						
Net sales:							
Unaffiliated customers	$1,648,207	$1,383,038	$1,342,840	$180,321	$4,554,406	$ —	$4,554,406
Intersegment	1,500,868	1,859	4,462	543,566	2,050,755	(2,050,755)	—
Total	3,149,075	1,384,897	1,347,302	723,887	6,605,161	(2,050,755)	4,554,406
Operating expenses	3,038,896	1,368,557	1,336,321	707,830	6,451,604	(2,088,406)	4,363,198
Operating profit	$ 110,179	$ 16,340	$ 10,981	$ 16,057	$ 153,557	$ 37,651	$ 191,208
Assets	$1,864,915	$ 826,953	$ 769,179	$279,094	$3,740,141	$ 142,934	$3,883,075

* The assets in the eliminations column include ¥82,336 million ($776,755 thousand), ¥68,029 million and ¥68,986 million of assets maintained for general corporate purposes, principally excess funds under management (cash and negotiable securities) and long-term investments (investment securities) of the Company at March 31, 2000, 1999 and 1998.

As mentioned in Note 2 (n), effective April 1, 1999, the Company changed its method of accounting for the valuation of marketable securities and investments in securities from the weighted average method, to the moving average method. The effects of this change on the segment information presented on the previous page for the year ended March 31, 2000 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
By business segment:		
Increase in assets in image information products segment	¥349	$3,292
By geographic area:		
Increase in assets in Japan	349	3,292

As mentioned in Note 2 (n), the Company changed its method of accounting for the packaging and transportation expenses of its products and the cost of expendable supplies for sales effective April 1, 1998. The effects of this change on the segment information presented above for the year ended March 31, 1999 are summarized as follows:

	Millions of yen
By business segment:	
Increase in operating profit in image information products segment	¥12
Increase in operating profit in optical products segment	3
By geographic area:	
Increase in operating profit in Japan	16

As mentioned in Note 2 (e), the Company and its consolidated domestic subsidiaries changed their method of accounting for the depreciation of buildings effective April 1, 1998. The effects of this change on the segment information presented above for the year ended March 31, 1999 are summarized as follows:

	Millions of yen
By business segment:	
Decrease in operating profit in image information products segment	¥65
Decrease in operating profit in optical products segment	32
By geographic area:	
Decrease in operating profit in Japan	98

Overseas Sales

Year ended March 31	North America	Europe	Other	Total (A)	Consolidated total (B)	(A)/(B) (%)
	Millions of yen					
2000	**¥169,582**	**¥166,369**	**¥42,774**	**¥378,725**	**¥482,767**	**78.4%**
1999	183,071	179,114	37,818	400,003	506,075	79.0%
1998	170,584	166,690	41,492	378,766	490,259	77.3%
Year ended March 31	Thousands of U.S. dollars					
2000	**$1,599,830**	**$1,569,519**	**$403,528**	**$3,572,877**	**$4,554,406**	

20 Subsequent Events

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2000, were approved at the sharehold-ers' meeting held on June 29, 2000:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 per share)	¥841	$7,934
Bonuses to directors and corporate auditors	50	472

Report of Independent Auditors

The Board of Directors
Minolta Co., Ltd.

We have audited the consolidated balance sheets of Minolta Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and retained earnings (deficit), and cash flows for each of the three years in the period ended March 31, 2000, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Minolta Co., Ltd. and consolidated subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in the method of accounting for packaging and transportation expenses of its products and the cost of expendable supplies for sales in the year ended March 31, 1999 and in the method of accounting for marketable securities and investments in securities in the year ended March 31, 2000, as described in Note 2 (n) to the consolidated financial statements.

As described in Note 1 to the consolidated financial statements, Minolta Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation, research and development costs and computer software in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Century Ota Showa & Co.

Century Ota Showa & Co.

Osaka, Japan
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Minolta Co., Ltd. under Japanese accounting principles and practices.

Board of Directors

(As of July 1, 2000)

President

Yoshikatsu Ota*

Senior Executive Directors

Yoshihiko Higashiyama
Norio Tashima

Executive Directors

Norikatsu Shimizu
Masayoshi Inoue

Executive Advisor

Osamu Kanaya

Directors

Toshio Kobori
Ryusho Kutani
Toru Kisanuki
Hiroshi Fujii
Norio Uryu
Akio Kawano
Shigeyuki Seki
Toshiaki Ishihara
Tateomi Kohno
Yoshisuke Takekida
Masanori Hondo
Masaru Oba

Full-Time Corporate Auditors

Mikio Naya
Takeshi Mabuchi

Corporate Auditors

Shiro Kawahara
Kimio Haruna

*Representative Director

Corporate Data

(As of July 1, 2000)

MINOLTA CO., LTD.

Established

November 1928

Paid-in Capital

¥25,832,512,890 (As of March 31, 2000)

Number of Employees**

4,841 (As of March 31, 2000)

Independent Public Accountants

Century Ota Showa & Co.

Major Businesses

Image Information Products:
Manufacture and sale of photocopiers, printers, facsimile machines, word processors, document imaging products and their accessories
Optical Products:
Manufacture and sale of cameras, lenses, binoculars, radiometric instruments, planetariums and their accessories
Other:

Stock Exchange Listings

Osaka, Tokyo, Nagoya, Frankfurt and Düsseldorf

Transfer Agent

The Toyo Trust & Banking Co., Ltd.
Transfer business handled at the Corporate Agency Dept., Osaka Branch, The Toyo Trust & Banking Co., Ltd.,
6-3, Fushimi-machi 3-chome, Chuo-ku, Osaka 541-8502, Japan,
and at the head office and all branch offices of The Toyo Trust & Banking Co., Ltd.

The following are trademarks or registered trademarks of Minolta Co., Ltd.:
•DiALTA / •Di350 / •Di521 / •Di621 / •Di400 / •Di520 / •CF910 / •PagePro4100
•DYNAX / •DYNAX 9 / •α / •MAXXUM / •VECTIS / •VECTIS 2000 /
•RIVA / •RIVA ZOOM 150 / •CAPIOS / •Freedom
•Dimâge RD 3000 / •Dimâge Scan Elite / •Dimâge 2300 / •Dimâge Scan Dual II /
•Dimâge Scan Multi
•VIVID 700 / •VIVID 300 / •VI-700 / •VI-300 / •T-10 / •CM-3600d / •CS-1000
The following are trademarks or registered trademarks of MINOLTA-QMS, Inc.:
•magicolor / •DeskLaser

DYNAX series SLRs are marketed as the MAXXUM series in North America and the α-series in Japan, and RIVA compact cameras are marketed as the CAPIOS series in Japan and the Freedom series in North America.
VIVID 700 and VIVID 300 3D digitizers are marketed in Europe as VI-700 and VI-300.

**The number of employees does not include temporarily transferred employees, temporary employees, or temporarily retired employees.

Corporate Directory

(As of July 1, 2000)

Head Office

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Chuo-ku, Osaka 541-8556, Japan
Telephone: (81) 6-6271-2251
Fax: (81) 6-6266-1010
Telex: J63403

Tokyo Office

19-13, Takanawa 2-chome,
Minato-ku, Tokyo 108-8608, Japan
Telephone: (81) 3-5423-7551
Fax: (81) 3-5423-7550

Plants

Sakai Operations, Sayama Operations, Toyokawa Administrative Center, Toyokawa Plant, Mikawa Plant, Mizuho Plant, Itami Plant

Laboratories

Technical Center, Takatsuki Laboratory, Toyokawa Development Center, Advanced Systems Center Seishin

Other

Esaka Operations

Major Subsidiaries

SALES

JAPAN
- Minolta Sales Co., Ltd.*
- Minolta Planetarium Co., Ltd.*
- Minolta Office System Tokai Co., Ltd.*
- Minolta Office System Kinki Co., Ltd.*
- Minolta Office System Tokyo Co., Ltd.*
- Minolta Office System Kyushu Co., Ltd.*
- Minolta-QMS K.K.*

U.S.A.
- Minolta Corporation*
- Minolta Business Solutions, Inc.*
- Mohawk Marketing Corporation*
- Astro-Tec. Mfg., Inc.*
- Minolta Information Systems, Inc.*
- Minolta-QMS, Inc.*

CANADA
- Minolta Canada Inc.*
- Minolta Business Equipment (Canada), Ltd.*
- QMS Canada, Inc.*

GERMANY
- Minolta Europe GmbH*
- Develop GmbH*
- Plankopie Gesellschaft für Bürosysteme (M) mbH*
- HPZ Hurth Papier GmbH
- QMS GmbH*

FRANCE
- Minolta France S.A.*
- Repro Conseil S.A.*
- QMS France S.a.r.l*

U.K.
- Minolta (UK) Limited*
- QMS (U.K.) Ltd.*

SWITZERLAND
- Minolta (Schweiz) AG*

AUSTRIA
- Minolta Austria Gesellschaft mbH*

THE NETHERLANDS
- Minolta Camera Benelux B.V.*
- QMS Europe B.V.*
- Triple S International B.V.

BELGIUM
- Minolta Business Equipment (Belgium) N.V.*

SWEDEN
- Minolta Svenska AB*
- Minolta Business Equipment Sweden AB*
- QMS Nordic AB*

NORWAY
- Minolta Norway AS*

ITALY
- Minolta Italia S.p.A.*

PORTUGAL
- Minolta Portugal Limitada*

SPAIN
- Minolta Spain S.A.*

DENMARK
- Minolta Denmark A/S*

HUNGARY
- Minolta Magyarorszag Kft.

POLAND
- Minolta Polska Sp. zo. o.

THE CZECH REPUBLIC
- Minolta spol.s r.o.*

SLOVAKIA
- Minolta Slovakia spol.s r.o.

ROMANIA
- Minolta Romania s.r.l.

LITHUANIA
- UAB Minolta Baltia

BULGARIA
- Minolta Bulgaria o.o.d.

SLOVENIA
- Minolta d.o.o. Ljubljana

CROATIA
- Minolta Zagreb d.o.o.

SERBIA
- Minolta Beograd d.o.o.

UKRAINE
- Minolta Ukraine

CHINA (HONG KONG)
- Minolta Hong Kong Limited*

CHINA
- Minolta International Trading (Shanghai) Co., Ltd.

SINGAPORE
- Minolta Singapore (PTE) Limited*

MALAYSIA
- Minolta Marketing (M) Sdn. Bhd.*

NEW ZEALAND
- Minolta New Zealand Limited*

AUSTRALIA
- Minolta Business Equipment Australia PTY. Ltd.*
- QMS Australia PTY Ltd.*

MANUFACTURING

JAPAN
- 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 Kogyo Co., Ltd.*
- Fujikasei Co., Ltd.*
- MYG Disk Corporation*

U.S.A.
- Minolta Advance Technology Inc.*

FRANCE
- Minolta Lorraine S.A.*

MALAYSIA
- Minolta Malaysia Sdn. Bhd.*
- Minolta Precision Engineering (M) Sdn. Bhd.*

CHINA (HONG KONG)
- Minolta Industries (HK) Limited*

MANUFACTURING & SALES

BRAZIL
- Minolta Copiadora do Amazonas Ltda.*

CHINA
- Shanghai Minolta Optical Products Co., Ltd.*
- Wuhan Minolta Office Automation Equipments Co., Ltd.*

R&D

JAPAN
- Minolta Software Laboratory Co., Ltd.

U.S.A.
- Minolta Systems Laboratory Inc.

OTHER

JAPAN
- Tokyo Minolta Camera Service Co., Ltd.
- Minolta Hoken Daiko Co., Ltd.
- Minolta Digital Solution Co., Ltd.*
- Dynax Trading Co., Ltd.
- Minolta Logistics Co., Ltd.
- Minolta Quality Service Co., Ltd.
- Minolta Techno System Co., Ltd.*

U.S.A.
- Minolta Investments Company*

THE NETHERLANDS
- Minolta Europe Finance B.V.*

*Consolidated Subsidiary

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