

Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2002	2001	2000	1999	1998	2002
For the Year:						
Net Sales	¥510,862	¥464,289	¥482,767	¥506,075	¥490,259	\$3,841,068
Net (loss) income	(34,350)	(3,127)	3,144	9,002	16,429	(258,271)
R&D expenditures	29,000	26,300	30,918	26,664	24,267	218,045
Depreciation and amortization	26,399	25,405	23,387	23,375	20,172	198,489
Capital expenditures	27,002	32,206	26,357	24,046	29,350	203,023
Per Share (Yen and U.S. dollars):						
Net (loss) income	¥ (122.59)	¥ (11.16)	¥ 11.22	¥ 32.13	¥ 58.83	\$ (0.92)
Cash dividends	0.00	6.00	6.00	7.00	6.00	0.00
At Year-End:						
Total assets	¥427,247	¥456,251	¥402,839	¥415,685	¥451,614	\$3,212,383
Total shareholders' equity	46,502	71,194	75,005	80,047	77,074	349,639

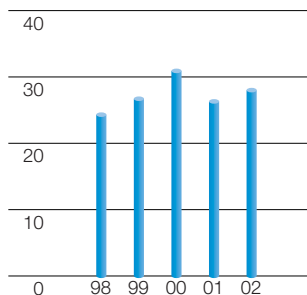
Notes: 1. Net (loss) income per share is computed based upon the weighted average number of shares of common stock outstanding during each fiscal year and adjusted for free distributions of common stock.

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. The U.S. dollar amounts are translated from yen amounts at the rate of ¥133 = US\$1.00 solely for the convenience of the reader.

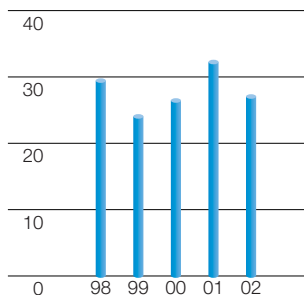
R&D Expenditures

Billions of yen



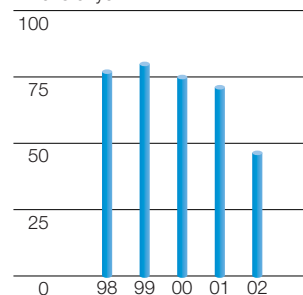
Capital Expenditures

Billions of yen



Total Shareholders' Equity

Billions of yen



Operating Results

In fiscal 2001, ended March 31, 2002, Minolta faced a challenging operating environment. The global IT industry continued its prolonged slump, and the effects of the terrorist attacks of September 2001 weighed on the world economy as a whole. Furthermore, maturing markets in our core businesses of image information and optical products intensified price competition. We posted extraordinary losses due to inventory revaluation and disposal, resulting from rapid changes in some specific products' markets. We also incurred losses from the devaluation of goodwill on consolidation for Minolta-QMS, as well as revaluation of investments in securities caused by the poor performance of the Japan's stock market and the restructuring expenses. These factors contributed to a consolidated net loss of ¥34.4 billion for the term, despite an overall increase in consolidated net sales.

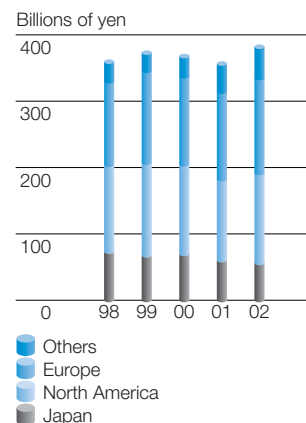
The loss mainly reflected measures taken to quickly return the Company to steady profitability, reinforce its business base, and enhance asset quality. In addition, during the second half of the term, we implemented fundamental reforms to reduce staffing, procurement costs, inventories, and defer capital spending. At the same time, we revamped our manufacturing operations, strove to lower our breakeven point by reducing fixed costs, and worked to more efficiently use working capital. We are confident that these restructuring efforts will reinvigorate the Company and enable stable sales and earnings growth in the years ahead.

In our image information products segment, we bolstered our lineup of DiALTA digital copiers during fiscal 2001. We significantly expanded our share of the North American and European color laser printer markets by cultivating our new sales outlets and expanding sales, especially of the Minolta-QMS magicolor 2200 DeskLaser. These efforts paid off with a 7.1% rise in segment sales, to ¥381.9 billion, while operating income increased 7.6%, to ¥10.8 billion. As demand for color laser printers continues to grow, Minolta will use its technical superiority to steadily expand shares especially in Europe and North America, solidifying its position as market leader.

In our optical products segment, the Company boosted sales 12.8%, to ¥108.0 billion. Unfortunately, difficult business conditions and cut-throat competitions led to an operating loss of ¥7.2 billion for optical products. Minolta's goal in fiscal 2001 was to emulate its leadership in the conventional film camera market by fully entering the market for digital cameras. The improvement in net sales during the period under review stemmed partly from the popularity of such distinctive offerings as the DiIMAGE X digital camera, which boasts numerous innovative

Breakdown of Sales by Region for Image Information Products

	Billions of yen				
	1998	1999	2000	2001	2002
Japan	¥ 73.1	¥ 67.4	¥ 69.5	¥ 60.2	¥ 56.0
Overseas	286.1	305.5	298.2	296.5	325.9
US	125.5	138.4	132.5	131.9	143.0
Europe	130.6	139.6	134.8	122.0	135.2
Others	30.0	27.5	30.9	42.6	47.7
	¥359.2	¥372.9	¥367.7	¥356.7	¥381.9



features. Minolta will continue to pursue a focused strategy in this market, enhancing its offerings with cutting-edge capabilities and differentiating its products to expand sales and build solid foundations for profitability.

Net sales for fiscal 2001 rose 10.0%, to ¥510.9 billion. However, cost of sales jumped 13.9%, which limited the growth of gross profit to 4.9%. In addition, selling, general and administrative (SG&A) expenses rose 7.9%, owing largely to the depreciation of the yen against the dollar. As a result, operating income plunged 57.0%, to ¥3.9 billion.

Against this background, several factors combined to hamper net income. Most impacts to our bottom line reflected our campaign to rapidly build stability for long-term growth, reinforce our business base, and strengthen our balance sheets. For example, we devaluated goodwill on consolidation for Minolta-QMS, Inc., a U.S. sales subsidiary. In addition, our early retirement program led to extraordinary loss for retirement and severance benefits. Finally, a decline in stock prices depressed the value of our investments in securities. As a result of these factors, Minolta recorded a net loss of ¥34.4 billion.

Shareholders' equity at the end of fiscal 2001 totaled ¥46.5 billion, down 34.7% from ¥71.2 billion at the end of the previous term. Management thus concluded that declaring a dividend for the term would be inappropriate, and apologizes sincerely for the inconvenience to shareholders.

Interest-bearing debt as of March 31, 2002 amounted to ¥240.7 billion, an increase of ¥3.3 billion, while the Company actually reduced interest-bearing debt by ¥3.0 billion. However, this improvement was masked by a ¥6.3 billion increase attributable solely to foreign exchange translations.

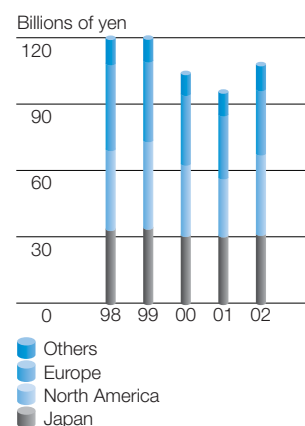
Loss before income taxes and minority interests amounted to ¥33.6 billion. However, because this resulted from non-cash transactions, net cash provided by operating activities amounted to ¥37.3 billion, compared to ¥3.2 billion minus in fiscal 2000.

Major non-cash items included an increase in accrued retirement and severance benefits, the goodwill devaluation mentioned earlier, and loss on valuation of investments in securities. Meanwhile, the Company benefited from a ¥45.1 billion reduction in inventories—the result of aggressive cuts and efforts to adjust production—and from redoubled efforts to shorten the average age of receivables.

Liquidity and Financial Position

Breakdown of Sales by Region for Optical Products

	Billions of yen				
	1998	1999	2000	2001	2002
Japan	¥ 33.5	¥ 34.1	¥ 30.9	¥30.6	¥ 31.4
Overseas	86.3	86.0	73.2	65.1	76.6
US	38.7	36.2	31.6	28.5	29.1
Europe	36.1	39.5	32.2	26.3	36.3
Others	11.5	10.3	9.4	10.3	11.2
	¥119.8	¥120.1	¥104.1	¥95.7	¥108.0



Risk Management

From ¥34.5 billion in fiscal 2000, net cash used in investing activities in fiscal 2001 was ¥22.4 billion, reflecting endeavors to limit capital investments to those for immediate requirements.

Net cash used in financing activities was ¥4.6 billion, compared with ¥24.8 billion provided in the previous term, partly because of the Company's retirement of debt.

Due to the extraordinary loss (on an accounting basis), which was largely because of efforts to strengthen the Company's financial underpinnings, the equity ratio came down to 10.9% from 15.6% in fiscal 2000. However, cash and cash equivalents at year-end increased by ¥11.4 billion, to ¥38.5 billion.

Furthermore, while the Company's interest coverage ratio (on an accounting basis) declined from 2.9 in fiscal 1999, to 1.2 in fiscal 2000, and 0.6 in fiscal 2001, net cash flows from operating activities increased from ¥19.3 billion in fiscal 1999, to ¥37.3 billion in fiscal 2001, and cash and cash equivalents rose to approximately the same level—¥38.5 billion—by the end of the term, compared with ¥38.5 billion in fiscal 1999. These facts show how solvent we are rather than we look in our successful financial management.

Management is confident that these trends point to the likelihood of a V-shaped recovery in Minolta's performance as they leverage earnings in its business and financial operation. These will include benefits from our emphasis on our color strategy in the image information products segment, our strategy of focus and differentiation in the optical products segment, and the structural reforms being implemented to bolster Minolta's business base and enhance asset quality.

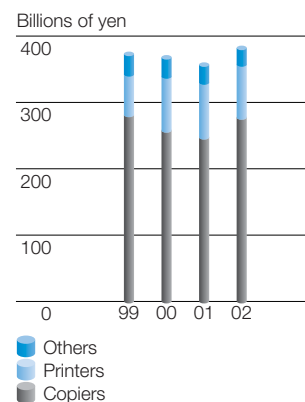
Minolta faces various risks in its operating environment, including business, interest rate, credit, foreign exchange, and financial risks. Amid today's market fluctuations and relentless competition, the importance of risk management for corporate survival cannot be overstated.

Business risk is possibly the most difficult type of risk for any corporation to assess and control. Minolta monitors this risk by closely tracking markets and conducting sophisticated marketing research and analysis.

Minolta hedges against rises in interest rates through interest rate swaps (receivable at variable rates and payable at fixed rates). The Company manages its capital with a view toward lowering the cost of borrowing while minimizing its credit risk premium.

Breakdown of Sales by Products for Image Information Products

	Billions of yen			
	1999	2000	2001	2002
MFPs	¥280.9	¥257.5	¥247.1	¥277.0
Printers	61.0	81.2	82.5	79.8
Others	31.0	29.0	27.1	25.1
	¥372.9	¥367.7	¥356.7	¥381.9



Outlook

Around 80% of Minolta's sales are from outside Japan. While the Company's market risk is well diversified internationally, foreign exchange risk must be hedged through the use of forward foreign exchange contracts. Whereas such measures provide effective protection, Minolta considers it even more important to manage foreign exchange risk by developing products and solutions that are inherently resistant to such risk, by reinforcing its financial fundamentals and by optimizing its management of foreign production and procurement.

Economic prospects for North America and Europe provide some grounds for optimism. Unfortunately, the outlook for Japan remains grim, as the nation continues to lag in economic reforms.

Nevertheless, the fundamental restructuring that Minolta initiated in fiscal 2001 continues apace. Fiscal 2002 will be a significant year for achievement under our five-year management plan. Group companies will pull together to reinforce the global value of our brand and enhance shareholder value. In particular, demand for color copiers and printers is accelerating in North America and Europe, and we are beginning to realize the strategic benefits of our early entry into, and aggressive development of, these markets. Furthermore, we will continue to increase sales from digital products and from total hardware/software system solutions for inputting and outputting color documents.

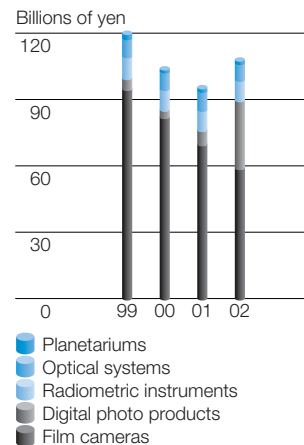
The demands of an increasingly information-intensive, digitized society will drive Minolta's future. We must change to reap the maximum benefits from this ongoing paradigm shift. In pursuit of enterprise excellence, Minolta has deployed several initiatives in recent years to transform itself into a flatter organization, decentralize management for speedier decision-making, ensure transparency, and better allocate management resources.

As the global economy begins to improve, Minolta's initiatives should significantly improve its performances in fiscal 2002 and beyond. Against this background, management forecasts fiscal 2002 net sales of ¥530.0 billion, operating income of ¥8.0 billion, and net income of ¥6.0 billion. For the term, the Company assumes that the yen will average ¥125 against the dollar and ¥110 against the euro.

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Breakdown of Sales by Products for Optical Products

	Billions of yen			
	1999	2000	2001	2002
Film cameras	¥ 94.8	¥ 82.1	¥69.8	¥ 59.0
Digital photo products	4.9	3.4	6.5	30.7
Radiometric instruments	9.8	9.3	9.0	9.1
Optical systems	8.1	7.9	8.6	7.6
Planetariums	2.5	1.4	1.8	1.6
	¥120.1	¥104.1	¥95.7	¥108.0



Consolidated Balance Sheets

Minolta Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current Assets :			
Cash and deposits (Note 3)	¥ 39,302	¥ 27,284	\$ 295,504
Marketable securities (Notes 3 and 4)	4	69	30
Notes and accounts receivable (Note 7):			
Trade	112,354	111,609	844,767
Unconsolidated subsidiaries and affiliates	4,061	2,780	30,534
Other	4,370	2,466	32,857
Allowance for doubtful receivables	(4,218)	(3,951)	(31,714)
Notes and accounts receivable, net	116,567	112,904	876,444
Inventories (Notes 5 and 7)	98,127	137,340	737,797
Deferred income taxes (Note 13)	3,065	8,491	23,045
Other current assets (Notes 3 and 13)	6,886	7,436	51,774
Total current assets	263,951	293,524	1,984,594
Investments and Other Assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliates	2,408	2,057	18,105
Other (Notes 4 and 7)	21,563	37,041	162,128
Total investments in securities	23,971	39,098	180,233
Long-term receivables:			
Unconsolidated subsidiaries and affiliates	148	119	1,113
Other	2,450	2,552	18,421
Allowance for doubtful receivables	(1,340)	(1,101)	(10,075)
Long-term receivables, net	1,258	1,570	9,459
Deferred income taxes (Note 13)	14,453	7,839	108,669
Other investments (Note 13)	7,729	7,088	58,113
Total investments and long-term receivables	47,411	55,595	356,474
Property, Plant and Equipment (Notes 7 and 18):			
Land (Note 18)	27,817	13,086	209,150
Buildings and structures	64,387	64,271	484,113
Machinery and equipment	179,883	184,989	1,352,504
Construction in progress	171	227	1,286
	272,258	262,573	2,047,053
Accumulated depreciation	(173,716)	(176,234)	(1,306,136)
Property, plant and equipment, net	98,542	86,339	740,917
Intangible Assets	17,343	20,793	130,398
	¥ 427,247	¥ 456,251	\$ 3,212,383

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001	2002
Current Liabilities:			
Short-term bank loans (Notes 3, 6 and 7)	¥171,705	¥162,550	\$1,291,015
Current portion of long-term debt (Notes 6 and 7)	21,781	12,794	163,767
Notes and accounts payable:			
Trade	52,683	67,110	396,113
Unconsolidated subsidiaries and affiliates	150	734	1,128
Total notes and accounts payable	52,833	67,844	397,241
Accrued income taxes	1,665	4,929	12,519
Accrued expenses	18,024	22,242	135,519
Other current liabilities	20,540	23,605	154,435
Total current liabilities	286,548	293,964	2,154,496
Long-Term Liabilities:			
Long-term debt (Notes 6 and 7)	46,538	60,995	349,910
Accrued retirement and severance benefits (Note 11)	31,357	21,873	235,767
Deferred income taxes (Note 13)	185	179	1,391
Deferred income taxes on revaluation reserve for land (Notes 13 and 18)	6,167	—	46,368
Other long-term liabilities	8,485	6,829	63,797
Total long-term liabilities	92,732	89,876	697,233
Minority Interests	1,465	1,217	11,015
Contingent Liabilities (Note 15)			
Shareholders' Equity (Notes 8 and 20):			
Common stock:			
Authorized—800,000,000 shares			
Issued—280,207,681 shares in 2002 and 2001	25,833	25,833	194,233
Capital surplus	51,198	51,198	384,947
Revaluation reserve for land (Note 18)	8,516	—	64,030
Retained earnings (deficit)	(33,149)	1,897	(249,241)
Net unrealized holding loss on securities	(367)	—	(2,759)
Translation adjustments	(5,524)	(7,733)	(41,533)
Total shareholders' equity	46,507	71,195	349,677
Less treasury stock, at cost (Note 9):			
24,545 shares in 2002 and 1,514 shares in 2001	(5)	(1)	(38)
Total shareholders' equity	46,502	71,194	349,639
	¥427,247	¥456,251	\$3,212,383

Consolidated Statements of Operations and Retained Earnings

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Net Sales (Note 10)	¥510,862	¥464,289	\$3,841,068
Cost of Sales (Notes 10 and 12)	300,585	263,865	2,260,038
Gross profit	210,277	200,424	1,581,030
Selling , General and Administrative Expenses (Note12)	206,327	191,234	1,551,331
Operating income (Note 2(o))	3,950	9,190	29,699
Other Income (Expenses):			
Interest and dividend income	669	1,161	5,030
Interest expense	(8,302)	(8,903)	(62,421)
Extraordinary amortization of goodwill on consolidation	(3,307)	—	(24,865)
Loss on valuation of investments in securities	(13,983)	(3,419)	(105,135)
Special retirement benefits (Note 11)	(5,236)	—	(39,368)
Other, net	(7,360)	1,451	(55,338)
	(37,519)	(9,710)	(282,097)
Loss before income taxes and minority interests (Note 2(o))	(33,569)	(520)	(252,398)
Income Taxes (Credit) (Note 13):			
Current	1,799	6,195	13,526
Deferred	(590)	(3,414)	(4,435)
	1,209	2,781	9,091
Loss before minority interests	(34,778)	(3,301)	(261,489)
Minority Interests	428	174	3,218
Net loss	(34,350)	(3,127)	(258,271)
Retained Earnings (Deficit):			
Balance at beginning of year	1,897	6,745	14,263
Adjustment resulting from initial inclusion of subsidiaries in consolidation	145	37	1,090
Adjustment resulting from change in fiscal year-end of consolidated subsidiaries	—	(27)	—
Appropriations:			
Cash dividends	841	1,681	6,323
Bonuses to directors and corporate auditors	—	50	—
Balance at end of year	¥ (33,149)	¥ 1,897	\$ (249,241)
		Yen	U.S. dollars (Note 1)
Net Loss per Share	¥ (122.59)	¥ (11.16)	\$ (0.92)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash Flows from Operating Activities:			
Loss before income taxes and minority interests	¥(33,569)	¥ (520)	\$(252,398)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	26,399	25,405	198,489
Amortization of goodwill on consolidation	4,467	1,286	33,586
Increase in accrued retirement and severance benefits	9,348	2,788	70,285
Interest and dividend income	(669)	(1,161)	(5,030)
Interest expense	8,302	8,903	62,421
Equity in loss of unconsolidated subsidiaries and affiliates	75	51	564
Loss (gain) on sales of investments in securities	1,628	(1,003)	12,241
Loss on valuation of investments in securities	13,983	3,418	105,135
Gain on sales of property, plant and equipment	(1,647)	(200)	(12,383)
Changes in operating assets and liabilities:			
Notes and accounts receivable	3,431	(10,016)	25,797
Inventories	45,064	(26,064)	338,827
Notes and accounts payable	(16,656)	4,325	(125,233)
Accrued consumption taxes	716	123	5,383
Other, net	(10,484)	1,712	(78,827)
Subtotal	50,388	9,047	378,857
Interest and dividend income received	604	1,167	4,541
Interest expense paid	(8,354)	(9,090)	(62,812)
Income taxes paid	(5,362)	(4,287)	(40,316)
Net cash provided by (used in) operating activities	37,276	(3,163)	280,270
Cash Flows from Investing Activities:			
Purchases of marketable securities	—	(40)	—
Proceeds from sales of marketable securities	45	40	338
Purchases of property, plant and equipment	(20,804)	(26,490)	(156,421)
Proceeds from sales of property, plant and equipment	4,710	2,064	35,413
Purchases of investments in securities	(2,423)	(1,907)	(18,218)
Proceeds from sales of investments in securities	1,747	2,730	13,135
Additional acquisition of subsidiaries' shares	(234)	(4,559)	(1,759)
Repayment of loans receivable	(47)	(456)	(353)
Collection of loans receivable	80	172	602
Other, net	(5,450)	(6,027)	(40,977)
Net cash used in investing activities	(22,376)	(34,473)	(168,240)
Cash Flows from Financing Activities:			
Increase in short-term bank loans	3,443	20,677	25,887
Proceeds from long-term borrowings	8,925	12,642	67,105
Repayment of long-term borrowings	(14,638)	(9,289)	(110,060)
Issuance of unsecured bonds	—	3,000	—
Redemption of unsecured bonds	(1,200)	—	(9,023)
Dividends paid	(845)	(1,678)	(6,353)
Dividends paid to minority interests	(84)	(55)	(631)
Other, net	(248)	(486)	(1,865)
Net cash (used in) provided by financing activities	(4,647)	24,811	(34,940)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	884	1,049	6,647
Increase (Decrease) in Cash and Cash Equivalents	11,137	(11,776)	83,737
Cash and Cash Equivalents at Beginning of Year (Note 3)	27,114	38,497	203,865
Cash and Cash Equivalents of Initially Consolidated Subsidiaries at Beginning of Year	254	393	1,909
Cash and Cash Equivalents at End of Year (Note 3)	¥ 38,505	¥ 27,114	\$ 289,511

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Minolta Co., Ltd. and Consolidated Subsidiaries

1. Basis of Preparation

(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 at 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, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Certain modifications to the format have been made to facilitate understanding by readers outside 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 ¥133 = US\$1.00, the approximate rate of exchange in effect on March 31, 2002. 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) Certain accounts in the consolidated balance sheets as of March 31, 2001 and the consolidated statements of operations and retained earnings for the year then ended have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on net loss or shareholders’ equity.

2. Significant Accounting Policies

(a) Principles of Consolidation

In accordance with a new accounting standard for consolidation issued by the Business Accounting Deliberation Council of Japan, effective April 1, 1999, the accompanying consolidated financial statements included 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 and Cash Equivalents (See Note 3)

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible into cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(c) Marketable Securities and Investments in Securities (See Note 4)

Other securities with market value are stated at market value. (Unrealized holding gain or loss is accounted for as a component of shareholders’ equity. Cost of securities sold are determined principally by the moving-average method).

Other securities without market value are stated at cost determined principally by the moving-average method.

(d) 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 or market, cost being determined principally by the first-in, first-out method.

(e) Derivatives (See Note 14)

Derivatives are stated at fair value.

(f) Depreciation

(1) Property, Plant and Equipment

The Company and its domestic consolidated subsidiaries compute depreciation of property, plant and equipment principally by the declining-balance method over the useful lives of the respective assets as stipulated in the Corporation Tax Law of Japan; 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 domestic consolidated subsidiaries.

(2) Intangible Assets

Depreciation of intangible assets is computed by the straight-line method.

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

Research and development expenses are charged to income as incurred. In accordance with a new accounting standard for research and development expenses 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 5 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 17)

The Company and various consolidated subsidiaries lease certain equipment under noncancelable 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) Hedge Accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rate applied to the interest-rate swaps had originally applied to the underlying debt and others.

(k) Income Taxes (See Note 13)

Provision has been made in the consolidated accounts to reflect the interperiod allocation of income taxes arising from timing differences in the recognition of certain income and expenses for financial reporting and tax purposes.

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

To provide for the payment of retirement benefits and pension plan payment to employees, the Company and certain consolidated subsidiaries record a reserve equivalent to the amount recognized as necessary at the end of the year under review based on the estimated retirement benefit obligation and the fair value of the pension plan assets at the fiscal year end.

Actuarial gain and loss are being amortized in the years following the year in which the gain or loss is recognized by the straight-line method within a specific period (15 years) which falls within the average remaining years of service of the eligible employees'.

The unrecognized retirement benefit obligation at transition is being amortized principally over 15 years.

The Company has also provided for estimated retirement and severance benefits to directors and corporate auditors. Provision has been made at the estimated total amount of their retirement and severance benefits not covered by the pension plans.

3. Cash and Cash Equivalents

(m) Net Income (loss) per Share

Net Income (loss) per share is computed based upon the weighted-average number of shares of common stock outstanding during each fiscal year, as adjusted for any free share distributions.

(n) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into yen amounts at the fiscal year end rates. Gains or 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 rates in effect on the year-end dates of the respective subsidiaries, except for the components of shareholders' equity, which have been translated at their historical rates. The differences resulting from such translations are presented as a component of shareholders' equity. Income, expenses and cash flows are translated at the average exchange rates for the year.

(o) New Accounting Standards

Effective April 1, 2001, the Company and its subsidiaries adopted a new accounting standard for financial instruments in Japan, for other securities with market value. As a result, net unrealized holding loss on securities at March 31, 2002 amounted to ¥367 million (\$2,759 thousand).

Effective April 1, 2000, the Company and its subsidiaries adopted a new accounting standard for retirement benefits and pension plans in Japan. As a result, loss before income taxes and minority interests for the year ended March 31, 2001 increased by ¥2,140 million.

Effective April 1, 2000, the Company and its subsidiaries adopted a new accounting standard for financial instruments in Japan, except for other securities with market value. As a result, loss before income taxes and minority interests for the year ended March 31, 2001 increased by ¥623 million and operating income increased by ¥134 million.

Effective April 1, 2000, the Company and its subsidiaries adopted a revised accounting standard for foreign currency translation. As a result, loss before income taxes and minority interests increased by ¥405 million and operating income decreased by ¥400 million for the year ended March 31, 2001.

In the presentation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts in the balance sheets at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of
	2002	2001	2002
Cash and deposits	¥39,302	¥27,284	\$295,504
Cash equivalents included in marketable securities	4	23	30
Time deposits with an original maturity in excess of 3 months included in cash and deposits	(135)	(91)	(1,015)
Negative cash equivalents included in short-term bank loans	(666)	(102)	(5,008)
Cash and cash equivalents at end of year	¥38,505	¥27,114	\$289,511

4. Marketable Securities and Investments in Securities—Other

Information regarding other securities with market value at March 31, 2002 is summarized as follows:

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss) - on balance sheet -
2002			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 6,460	¥ 8,313	¥ 1,853
Debt securities	1	1	0
Other	—	—	—
Subtotal	6,461	8,314	1,853
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	14,186	11,709	(2,477)
Debt securities	—	—	—
Other	545	541	(4)
Subtotal	14,731	12,250	(2,481)
Total	¥21,192	¥20,564	¥ (628)

	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss) - on balance sheet -
2002			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 48,571	\$ 62,504	\$ 13,933
Debt securities	8	8	0
Other	—	—	—
Subtotal	48,579	62,512	13,933
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	106,662	88,038	(18,624)
Debt securities	—	—	—
Other	4,098	4,068	(30)
Subtotal	110,760	92,106	(18,654)
Total	\$159,339	\$154,618	\$ (4,721)

Effective April 1, 2001, other securities with market value were carried at market value with any unrealized gain or loss, net of the applicable taxes recorded as a component of shareholders' equity.

The Company and its subsidiaries recorded an impairment loss of ¥13,849 million (\$104,128 thousand) on equity securities included in other securities for the year ended March 31, 2002. Devaluation is carried out principally when the market value falls by more than 50% from the carrying value or when the market value falls by 30% to 50% from the carrying value for two years.

Securities with market value at March 31, 2001 were as follows:

	Millions of yen		
	Book value (Acquisition cost)	Market value	Unrealized gain (loss) - off balance sheet -
2001			
Held-to-maturity debt securities	¥ 45	¥ 45	¥ (0)
Other securities	36,475	30,807	(5,668)

Other securities without market value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Other securities			
Unlisted equity securities	¥998	¥565	\$7,504
Other	4	23	30

Sales of other securities for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Proceeds			
Proceeds	¥1,747	¥2,729	\$13,135
Aggregate gain	25	1,003	188
Aggregate loss	1,653	—	12,429

5. Inventories

A summary of inventories at March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods	¥72,343	¥100,112	\$543,932
Work in process	19,984	27,620	150,256
Raw materials and supplies	5,800	9,608	43,609
	¥98,127	¥137,340	\$737,797

6. Short-Term Bank Loans and Long-Term Debt

The weighted average interest rates on short-term bank loans were 3% and 4% for the years ended March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
2.3% yen unsecured bonds, due 2002	¥10,000	¥10,000	\$ 75,188
3.0% yen unsecured bonds, due 2004	8,800	10,000	66,166
1.75% euro-yen unsecured bonds, due 2002	5,000	5,000	37,594
1.355% yen unsecured bonds, due 2006	3,000	3,000	22,556
Bank loans,* due through 2018:			
Secured	1,507	2,036	11,331
Unsecured	40,012	43,753	300,842
	68,319	73,789	513,677
Less current portion	21,781	12,794	163,767
	¥46,538	¥60,995	\$349,910

* The weighted average interest rates on long-term bank loans were 3% for the year ended March 31, 2002 and 4% for the year ended March 31, 2001.

The aggregate annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥21,781	\$163,767
2004	15,741	118,353
2005	26,016	195,609
2006	2,070	15,564
2007	2,340	17,594
2008 and thereafter	371	2,790
	¥68,319	\$513,677

The Company issued 2.3% yen unsecured bonds of ¥10,000 million (\$75,188 thousand) in October 1997 and 3.0% yen unsecured bonds of ¥8,800 million (\$66,166 thousand) in December 1997.

The Company issued 1.75% euro-yen unsecured bonds of ¥5,000 million (\$37,594 thousand) in June 1999 and 1.355% yen unsecured bonds of ¥3,000 million (\$22,556 thousand) in December 2000.

All the outstanding bonds, other than the 1.75% euro-yen unsecured bonds, can be repurchased at any time prior to maturity at the option of the Company, in whole or in part, at any price whether in the market or elsewhere.

7. Pledged Assets

The following assets were pledged as collateral for obligations at March 31, 2002:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥21,758	\$163,594
Investments in securities	274	2,060
Notes and accounts receivable	4,964	37,323
Inventories	2,944	22,136
	¥29,940	\$225,113

The obligations secured by such collateral at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Short term bank loans	¥2,840	\$21,353
Long-term debt, including current portion	1,507	11,331
	¥4,347	\$32,684

8. Shareholders' Equity

9. Treasury Stock

10. Sales to and Purchases from Unconsolidated Subsidiaries and Affiliates

11. Retirement and Severance Benefits

The Commercial Code of Japan (the "Code") provides that an amount equivalent to at least 10% of cash dividends and bonuses paid to directors and corporate auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of the capital surplus account and the legal reserve equals 25% of the common stock account. The Code also provides that neither capital surplus nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be by transferred to common stock by resolution of the Board of Directors. The Company's legal reserve, which is included in retained earnings, amounted to ¥2,561 million (\$19,256 thousand) and ¥2,475 million, respectively, at March 31, 2002 and 2001.

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 certain shareholders who held fewer than 1,000 shares and had requested such repurchases. The balance of treasury stock reflected in the accompanying consolidated balance sheets represents the cost of repurchasing these shares, which are expected to be subsequently resold.

Sales to and purchases from unconsolidated subsidiaries and affiliates for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Sales to	¥9,876	¥6,641	\$74,256
Purchases from	1,888	3,959	14,195

(a) Defined Benefit Plan for Employees

The Company and its domestic consolidated subsidiaries have defined benefit pension plans pursuant to the Japanese Welfare Pension Insurance Law, as well as substituted noncontributory pension plans and lump-sum indemnities. Certain overseas subsidiaries have also adopted defined benefit plans. In addition, in some cases extra benefits may be paid to employees upon retirement, which are not covered by the standard actuarial calculation of retirement and severance benefits.

The funded and accrued status of the defined benefit plans of the Company and its consolidated subsidiaries at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
① Retirement benefit obligation	¥(120,404)	¥(108,248)	\$(905,293)
② Plan assets at fair value	50,629	50,575	380,669
③ Unfunded benefit obligation (①+②)	(69,775)	(57,673)	(524,624)
④ Unrecognized retirement benefit obligation at transition	19,442	21,008	146,181
⑤ Unrecognized actuarial loss	19,411	15,419	145,947
⑥ Accrued retirement and severance benefits (③+④+⑤)	¥ (30,922)	¥ (21,246)	\$(232,496)

Included in the retirement benefit obligation (①) and accrued retirement and severance benefits (⑥) at March 31, 2002 presented above is ¥5,236 million (\$39,368 thousand) for additional early retirement incentive payments.

The components of retirement benefit expenses for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
① Service cost	¥5,234	¥4,356	\$39,353
② Interest cost	3,402	2,887	25,579
③ Expected return on plan assets	(2,251)	(2,025)	(16,925)
④ Amortization of unrecognized retirement benefit obligation at transition	1,522	1,278	11,444
⑤ Amortization of unrecognized actuarial loss	1,028	—	7,729
⑥ Retirement benefit expenses (①+②+③+④+⑤)	¥8,935	¥6,496	\$67,180

Other than the retirement benefit expenses described above, ¥5,236 million (\$39,368 thousand) was recorded and included in special retirement benefits presented in the consolidated statement of operations and retained earnings for the year ended March 31, 2002 for additional early retirement incentive payments.

The assumptions used for the above calculations were as follows:

- (i) Distribution method of estimated benefits:
Straight-line method
- (ii) Discount rate:
3.0%
- (iii) Expected rate of return on plan assets:
Principally 4.0%
- (iv) Number of years over which the actuarial differences are expensed:
15 years (determined by the straight-line method over a period which falls within the average remaining years of service of the employees participating in the plans and expensed commencing the following term.)
- (v) Number of years over which the obligation at transition is to be expensed:
Principally 15 years.

(b) Retirement and Severance Benefit Plan for Directors and Corporate Auditors

The Company recorded accrued retirement and severance benefits for directors and corporate auditors, based on the Company's internal rules. This accrual amounted to ¥435 million (\$3,271 thousand) and ¥627 million at March 31, 2002 and 2001, respectively.

Cost of sales and selling, general and administrative expenses for the years ended March 31, 2002 and 2001 included research and development expenses of ¥29,000 million (\$218,045 thousand) and ¥26,300 million, respectively.

13. Interperiod Income Tax Allocation

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

The significant components of deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current			
Deferred tax assets			
(reflected in current assets):			
Research and development expenses	¥ 579	¥ 551	\$ 4,353
Inventories written down	1,366	998	10,271
Allowance for doubtful receivables	1,496	859	11,248
Accrued bonuses	408	864	3,068
Provision for product warranties	327	319	2,459
Intercompany profit on inventories	197	4,820	1,481
Other	1,365	1,266	10,263
	5,738	9,677	43,143
Less: Valuation allowance	(2,666)	(1,178)	(20,045)
	3,072	8,499	23,098
Deferred tax liabilities			
(reflected in long-term liabilities):			
Adjustment of provision for product warranties	—	(2)	—
Refundable taxes	(6)	(5)	(45)
Other	(1)	(1)	(8)
	(7)	(8)	(53)
Deferred tax assets, net	¥ 3,065	¥ 8,491	\$ 23,045
Non-Current			
Deferred tax assets			
(reflected in investments and other assets):			
Retirement and severance benefits	¥ 9,607	¥ 5,236	\$ 72,233
Depreciation	4,300	2,645	32,331
Loss on devaluation of securities	5,418	1,265	40,737
Tax loss carryforward	12,806	7,762	96,286
Other	2,187	1,787	16,443
	34,318	18,695	258,030
Less: Valuation allowance	(17,543)	(9,483)	(131,902)
	16,775	9,212	126,128
Offset of deferred tax liabilities	(2,322)	(1,373)	(17,459)
Deferred tax assets, net	¥ 14,453	¥ 7,839	\$ 108,669
Deferred tax liabilities			
(reflected in long-term liabilities):			
Undistributed earnings of foreign subsidiaries	¥ (1,593)	¥ (1,320)	\$ (11,978)
Other	(914)	(232)	(6,872)
	(2,507)	(1,552)	(18,850)
Offset of deferred tax assets	2,322	1,373	17,459
Deferred tax liabilities, net	¥ (185)	¥ (179)	\$ (1,391)
Deferred tax liabilities for land revaluation			
(reflected in long-term liabilities):			
Deferred tax liabilities for land revaluation	¥ (6,167)	¥ —	\$ (46,368)

For the years ended March 31, 2002 and 2001, a reconciliation of the Japanese statutory income tax rate and the effective tax rates is omitted as a loss before income taxes and minority interests was recorded for both years.

14. Derivatives

To avoid the adverse effects of fluctuations of foreign currency exchange rates and interest rates, the Company and its consolidated subsidiaries enter into forward foreign exchange contracts, currency option contracts and currency and interest rate swaps.

The Company and its consolidated subsidiaries utilize these derivatives as hedges to reduce the risk inherent to their assets and liabilities. These transactions are not likely to have a major impact on the performance of the Company and its consolidated subsidiaries.

In addition, derivatives transactions are not entered into for speculative trading purposes in accordance with the internal guidelines established by the Company and its consolidated subsidiaries.

In accordance with the Company's internal policies on derivative transactions, the Finance Division of the Company is responsible for managing the market and credit risk relating to these transactions, and this division manages the position limits, credit limits and the status of all open derivatives positions.

The Board of Directors or the Executive Officers' Meetings of the Company approves the policies and procedures for the risk management of all derivative transactions and positions.

In accordance with the internal regulations, the consolidated subsidiaries manage derivative transactions and related risks, and their presidents or directors are responsible for authorizing them.

The Company and its consolidated subsidiaries employ hedge accounting for derivative transactions and hedge against the risk of fluctuation in foreign exchange and interest rates within the scope of the demand arising from the actual underlying items hedged.

The fair value of the derivative positions open at March 31, 2002 and 2001 is summarized as follows:

(a) Currency-related derivatives

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			2002		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:									
To sell foreign currencies:									
US\$	¥17,270	¥17,322	¥ (52)	¥20,167	¥20,332	¥(165)	\$129,849	\$130,240	\$ (391)
EURO	15,009	15,098	(89)	17,429	17,553	(123)	112,850	113,519	(669)
C\$	995	1,004	(9)	1,142	1,153	(10)	7,481	7,549	(68)
STG£	622	627	(5)	241	240	(0)	4,677	4,714	(37)
Total	¥33,896	¥34,051	¥(155)	¥38,979	¥39,278	¥(298)	\$254,857	\$256,022	\$(1,165)
To buy foreign currencies:									
US\$	¥ 3	¥ 3	¥ (0)	¥ —	¥ —	¥ —	\$ 23	\$ 23	\$ (0)
EURO	176	174	(2)	—	—	—	1,323	1,308	(15)
A\$	1	1	(0)	—	—	—	8	8	(0)
Yen	132	124	(8)	134	133	(1)	992	932	(60)
Total	¥ 312	¥ 302	¥ (10)	¥ 134	¥ 133	¥ (1)	\$ 2,346	\$ 2,271	\$ (75)

(b) Interest-rate-related derivatives

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			2002		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Interest-rate swaps:									
Receive/ variable									
Pay/ fixed	¥10,000	¥(652)	¥(652)	¥10,000	¥(769)	¥(769)	\$75,188	\$(4,902)	\$(4,902)

*Derivative transactions with hedge accounting applied are excluded from the above table.

15. Contingent Liabilities

16. Supplemental Disclosures of Cash Flow Information

17. Leases

At March 31, 2002, contingent liabilities for notes discounted in the ordinary course of business amounted to ¥682 million (\$5,128 thousand). At March 31, 2002, contingent liabilities for guarantees and commitments involving managerial guidance related to loans to companies other than consolidated subsidiaries amounted to ¥3,060 million (\$23,008 thousand).

During the years ended March 31, 2002 and 2001, leased property and certain related obligations of ¥2,053 million (\$15,436 thousand) and ¥436 million, respectively, were recorded as finance lease transactions.

(a) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2002 and 2001, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2002 Millions of yen				
Acquisition costs	¥273	¥6,753	¥516	¥7,542
Accumulated depreciation	90	3,929	310	4,329
Net book value	¥183	¥2,824	¥206	¥3,213

	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2001 Millions of yen				
Acquisition costs	¥238	¥7,379	¥540	¥8,157
Accumulated depreciation	112	4,518	319	4,949
Net book value	¥126	¥2,861	¥221	¥3,208

	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2002 Thousands of U.S.dollars				
Acquisition costs	\$2,053	\$50,774	\$3,880	\$56,707
Accumulated depreciation	677	29,541	2,331	32,549
Net book value	\$1,376	\$21,233	\$1,549	\$24,158

Future minimum lease payments subsequent to March 31, 2002 on finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 6,862	\$ 51,594
Over 1 year	7,955	59,812
Total	¥14,817	\$111,406

Of the above amounts, future minimum lease payments subsequent to March 31, 2002 for sublease transactions was ¥5,365 million (\$40,338 thousand) for 1 year or less and ¥5,966 million (\$44,857 thousand) for over 1 year, resulting in ¥11,331 million (\$85,195 thousand) in total. The corresponding future minimum receipts on the lessors' side is almost the same amount, which is included in the following list of future minimum lease receipts in (b) Lessors' accounting.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Lease payments	¥1,697	¥2,754	\$12,759
Depreciation equivalent	1,645	2,684	12,368
Interest expense equivalent	44	54	331

Future minimum lease payments subsequent to March 31, 2002 on noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 3,805	\$ 28,609
Over 1 year	13,783	103,632
Total	¥17,588	\$132,241

(b) Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2002 and 2001:

	Machinery and Equipment		Thousands of U.S. dollars
	Millions of yen		
	2002	2001	2002
Acquisition cost	¥981	¥678	\$7,376
Accumulated depreciation	359	363	2,699
Net book value	¥622	¥315	\$4,677

Future minimum lease receipts subsequent to March 31, 2002 on finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 5,885	\$44,248
Over 1 year	6,596	49,594
Total	¥12,481	\$93,842

Lease receipts relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements are summarized as follows:

	Millions of yen	Thousands of U.S. dollars	
	2002	2001	2002
Lease receipts	¥425	¥1,147	\$3,195
Depreciation equivalent	383	1,109	2,880

Future minimum lease receipts subsequent to March 31, 2002 on noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥2,186	\$16,436
Over 1 year	4,347	32,684
Total	¥6,533	\$49,120

Effective March 31, 2002, the Company revalued its land used for operations in accordance with the laws on land revaluation. The resulting revaluation surplus, net of the applicable tax effect, has been stated as a component of shareholders' equity, "Revaluation reserve for land." The applicable tax effect is included in non-current deferred tax liabilities. The carrying value of the land before revaluation and after revaluation at March 31, 2002 amounted to ¥9,454 million (\$71,083 thousand) and ¥24,137 million (\$181,481 thousand), respectively.

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 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, 2002 and 2001:

Information by Industry Segment

	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
Year ended March 31, 2002						
Millions of yen						
Net sales:						
Unaffiliated customers	¥381,907	¥107,993	¥20,962	¥510,862	¥ —	¥510,862
Intersegment	37	82	2,541	2,660	(2,660)	—
Total	381,944	108,075	23,503	513,522	(2,660)	510,862
Operating expenses	371,127	115,312	23,173	509,612	(2,700)	506,912
Operating income (loss)	¥ 10,817	¥ (7,237)	¥ 330	¥ 3,910	¥ 40	¥ 3,950
Assets	¥267,949	¥ 98,459	¥ 6,118	¥372,526	¥54,721	¥427,247
Depreciation and amortization	20,853	5,394	93	26,340	59	26,399
Capital expenditures	21,732	4,662	608	27,002	—	27,002
Year ended March 31, 2001						
Millions of yen						
Net sales:						
Unaffiliated customers	¥356,669	¥ 95,700	¥11,920	¥464,289	¥ —	¥464,289
Intersegment	19	18	651	688	(688)	—
Total	356,688	95,718	12,571	464,977	(688)	464,289
Operating expenses	346,634	96,844	12,325	455,803	(704)	455,099
Operating income (loss)	¥ 10,054	¥ (1,126)	¥ 246	¥ 9,174	¥ 16	¥ 9,190
Assets	¥290,225	¥100,685	¥ 4,834	¥395,744	¥60,507	¥456,251
Depreciation and amortization	20,217	5,058	67	25,342	63	25,405
Capital expenditures	25,556	6,550	100	32,206	—	32,206
Year ended March 31, 2002						
Thousands of U.S. dollars						
Net sales:						
Unaffiliated customers	\$2,871,481	\$811,978	\$157,609	\$3,841,068	\$ —	\$3,841,068
Intersegment	278	617	19,105	20,000	(20,000)	—
Total	2,871,759	812,595	176,714	3,861,068	(20,000)	3,841,068
Operating expenses	2,790,428	867,008	174,233	3,831,669	(20,300)	3,811,369
Operating income (loss)	\$ 81,331	\$ (54,413)	\$ 2,481	\$ 29,399	\$ 300	\$ 29,699
Assets	\$2,014,654	\$740,293	\$ 46,000	\$2,800,947	\$411,436	\$3,212,383
Depreciation and amortization	156,790	40,556	699	198,045	444	198,489
Capital expenditures	163,399	35,053	4,571	203,023	—	203,023

* The assets in the eliminations column include ¥55,410 million (\$416,617 thousand) and ¥61,573 million of assets at March 31, 2002 and 2001, respectively, maintained for general corporate purposes, principally consisting of surplus funds under management (cash and negotiable securities) and long-term investments (investments in securities) of the Company.

Information by Geographic Area

	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
Year ended March 31, 2002							
Millions of yen							
Net sales:							
Unaffiliated customers	¥165,695	¥166,284	¥152,037	¥26,846	¥510,862	¥ —	¥510,862
Intersegment	153,046	3,781	1,696	98,082	256,605	(256,605)	—
	318,741	170,065	153,733	124,928	767,467	(256,605)	510,862
Operating expenses	315,557	170,944	152,799	123,316	762,616	(255,704)	506,912
Operating income (loss)	¥ 3,184	¥ (879)	¥ 934	¥ 1,612	¥ 4,851	¥ (901)	¥ 3,950
Assets	¥241,396	¥104,309	¥ 93,010	¥46,567	¥485,282	¥ (58,035)	¥427,247
Year ended March 31, 2001							
Millions of yen							
Net sales:							
Unaffiliated customers	¥170,065	¥142,333	¥129,018	¥22,873	¥464,289	¥ —	¥464,289
Intersegment	157,523	240	716	66,046	224,525	(224,525)	—
Total	327,588	142,573	129,734	88,919	688,814	(224,525)	464,289
Operating expenses	318,256	142,948	131,359	87,048	679,611	(224,512)	455,099
Operating income (loss)	¥ 9,332	¥ (375)	¥ (1,625)	¥ 1,871	¥ 9,203	¥ (13)	¥ 9,190
Assets	¥255,192	¥109,325	¥ 98,764	¥41,149	¥504,430	¥ (48,179)	¥456,251
Year ended March 31, 2002							
Thousands of U.S. dollars							
Net sales:							
Unaffiliated customers	\$1,245,827	\$1,250,256	\$1,143,135	\$201,850	\$3,841,068	\$ —	\$3,841,068
Intersegment	1,150,722	28,428	12,752	737,459	1,929,361	(1,929,361)	—
Total	2,396,549	1,278,684	1,155,887	939,309	5,770,429	(1,929,361)	3,841,068
Operating expenses	2,372,609	1,285,293	1,148,865	927,188	5,733,955	(1,922,586)	3,811,369
Operating income (loss)	\$ 23,940	\$ (6,609)	\$ 7,022	\$ 12,121	\$ 36,474	\$ (6,775)	\$ 29,699
Assets	\$1,815,008	\$ 784,278	\$ 699,323	\$350,128	\$3,648,737	\$ (436,354)	\$3,212,383

* The assets in the eliminations column include ¥55,410 million (\$416,617 thousand) and ¥61,573 million of assets at March 31, 2002 and 2001, respectively, maintained for general corporate purposes, principally consisting of surplus funds under management (cash and negotiable securities) and long-term investments (investments in securities) of the Company.

As mentioned in Note 2 (o), the Company and its subsidiaries adopted a new accounting standard for retirement benefits and pension plans effective April 1, 2000.

The effects of this change on the segment information presented on the previous pages for the year ended March 31, 2001 are summarized as follows:

	Millions of yen
By business segment:	
Decrease in operating income in the image information products segment	¥1,344
Decrease in operating income in the optical products segment	790
Decrease in operating income in the other segment	6
By geographic area:	
Decrease in operating income in the Japan segment	2,140

As mentioned in Note 2 (o), the Company and its subsidiaries adopted a new accounting standard for financial instruments effective April 1, 2000.

The effects of this change on the segment information presented on the previous pages for the year ended March 31, 2001 are summarized as follows:

	Millions of yen
By business segment:	
Increase in operating income in the image information products segment	¥ 83
Increase in operating income in the optical products segment	51
By geographic area:	
Increase in operating income in the Japan segment	134

As mentioned in Note 2 (o), the Company and its subsidiaries adopted a revised accounting standard for foreign currency translation effective April 1, 2000.

The effects of this change on the segment information presented on the previous pages for the year ended March 31, 2001 are summarized as follows:

	Millions of yen
By business segment:	
Decrease in operating income in the image information products segment	¥360
Decrease in operating income in the optical products segment	40
By geographic area:	
Increase in operating income in the Japan segment	5
Decrease in operating income in the North America segment	4
Increase in operating income in the Europe segment	89
Decrease in operating income in the other segment	19
Decrease in operating income in Eliminations	471

Overseas Sales

	North America	Europe	Other	Total (A)	Consolidated total (B)	
Years ended March 31	Millions of yen					(A)/(B) (%)
2002	¥189,108	¥171,542	¥58,969	¥419,619	¥510,862	82.1%
2001	168,406	148,189	52,971	369,566	464,289	79.6%
Years ended March 31	Thousands of U.S. dollars					
2002	\$1,421,865	\$1,289,789	\$443,376	\$3,155,030	\$3,841,068	

20. Subsequent Event

The following disposition of retained-earnings deficit of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2002, was approved by the shareholders at a meeting held on June 27, 2002:

	Millions of yen	Thousands of U.S. dollars
Reversal of legal reserve to retained-earnings deficit	¥ 2,560	\$19,248
Transfer of capital surplus to retained-earnings deficit	10,837	81,481

Independent Auditors' Report

The Board of Directors and the Shareholders
Minolta Co., Ltd.

We have audited the consolidated balance sheets of Minolta Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended, 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, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2 to the consolidated financial statements, Minolta Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits, financial instruments and foreign currency translations effective the year ended March 31, 2001 and for valuation of other securities with market value effective the year ended March 31, 2002 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 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.



Shin Nihon & Co.

Osaka, Japan
June 27, 2002

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