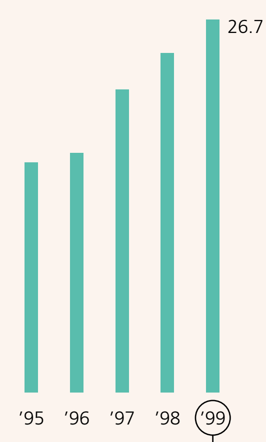
Five-Year Summary

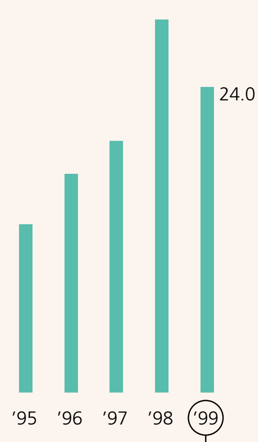
Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S.dollars (Note 3)
	1999	1998	1997	1996	1995	**1999**
For the Year:						
Net sales	**¥506,075**	¥490,259	¥448,074	¥365,751	¥333,656	**$4,182,438**
Net income (loss)	**9,002**	16,429	10,290	4,245	(890)	**74,397**
R&D expenditures	**26,664**	24,267	21,644	17,134	16,433	**220,364**
Depreciation and amortization	**23,375**	20,172	17,957	15,270	16,965	**193,182**
Capital expenditures	**24,046**	29,350	19,809	17,195	13,213	**198,727**
Per Share (Yen and U.S. dollars):						
Net income (loss)	**¥ 32.13**	¥ 58.83	¥ 36.85	¥ 15.20	¥ (3.19)	**$ 0.27**
Cash dividends	**7.00**	6.00	5.50	2.50	—	**0.06**
At Year-End:						
Total assets	**¥419,731**	¥455,090	¥404,425	¥355,987	¥336,584	**$3,468,851**
Total shareholders' equity	**84,093**	80,550	66,076	57,933	54,790	**694,983**

Notes: 1. Net income (loss) 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 ¥121=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

Net Sales

During the fiscal year 1999, ended March 31, 1999, consolidated net sales rose 3.2%, or ¥15.8 billion, to ¥506.1 billion. Helped by the overall depreciation of the yen throughout the period, consolidated net sales in overseas markets increased 5.6%, or ¥21.2 billion, to ¥400.0 billion, with particularly strong growth in North America and Europe. As a result of this rise in contrast to the decline in domestic sales, overseas sales as a share of total consolidated net sales rose to 79.0%, up 1.7 percentage points. Consolidated domestic net sales decreased 4.9%, or ¥5.4 billion, to ¥106.1 billion.

Sales of image information products advanced 3.8%, or ¥13.8 billion, to ¥372.9 billion, largely because of a rise in copier sales. Sales of copiers increased 5.7%, or ¥15.9 billion, to ¥294.4 billion, while sales of printers and other products edged down 2.6%, or ¥2.1 billion, to ¥78.5 billion. Sales of image information products were up 6.8% overseas and down 7.8% in Japan, and the share of overseas sales of image information products grew 2.2 percentage points, to 81.9%.

Total sales of optical products edged up 0.2%, or ¥0.3 billion, to ¥120.1 billion, principally due to a rise in camera sales. Sales of cameras rose 2.2%, or ¥1.7 billion, to ¥77.5 billion, reflecting contributions from newly marketed Advanced Photo System compact cameras, SLRs, and digital cameras. Although domestic sales of optical products grew 2.0%, overseas sales of these products edged down 0.4%, and Minolta's overseas share of optical product sales declined a slight 0.5 percent, to 71.6%.

Sales from other operations were up 15.7%, or ¥1.8 billion, to ¥13.0 billion.

Consolidated companies in Japan recorded ¥176.1 billion in net sales, down 3.8%. However, net sales of consolidated companies based in North America advanced 6.4%, to ¥157.0 billion. Net sales of consolidated companies based in Europe also surged 9.9%, to ¥152.4 billion. Net sales of consolidated companies based in other regions decreased 1.8%, to ¥20.6 billion.

Costs, Expenses, and Net Income

The overall volume of sales remained sluggish, but with decreases in cost of sales for many products, the Company's cost of sales was restrained to ¥280.0 billion, 0.7% above the level of the previous year. Cost of sales as a percentage of net sales fell 1.4 percent, to 55.3%. Selling, general and administrative expenses grew 6.3%, to ¥197.0 billion, largely due to increases in personnel and R&D expenses. Consequently, operating profit increased 8.2%, or ¥2.2 billion, to ¥29.1 billion. Operating profit as a percentage of net sales edged up 0.2 percent, to 5.7%.

Net other expenses decreased ¥1.8 billion, to ¥13.2 billion. Of this, interest expense, net, edged up ¥0.5 billion, to ¥9.0 billion, while other, net, expense decreased ¥2.3 billion, to ¥4.2 billion. These changes reflected a decrease in losses on the write-down of investment securities and an improvement in currency adjustment items, which offset a rise in losses on sales of investment securities.

Accordingly, income before income taxes and minority interests rose 33.7%, or ¥4.0 billion, to ¥15.9 billion. The effect of tax effect accounting reduced the balance of deferred income taxes (credits), however, the burden of corporate and other taxes grew. Largely due to the drop in deferred income taxes (credits), net income dropped 45.2%, or ¥7.4 billion, to ¥9.0 billion, and net income per share fell ¥26.70, to ¥32.13. The annual cash dividends of the parent company were raised ¥1.0 per share, to ¥7.0 per share.

Image Information Products Sales Breakdown

Millions of yen

Years ended March 31	**1999**	1998	1997	1996	1995
Copiers	**¥294,404**	¥278,532	¥251,096	¥198,334	¥172,135
Printers and others	**78,535**	80,644	67,214	55,535	60,776
Total	**¥372,939**	¥359,176	¥318,310	¥253,869	¥232,911

	1999	1998	1997	1996	1995
Overseas sales	**¥305,526**	¥286,099	¥244,913	¥195,279	¥180,106
Domestic sales	**67,413**	73,077	73,397	58,590	52,805
Total	**¥372,939**	¥359,176	¥318,310	¥253,869	¥232,911

Optical Products Sales Breakdown

Millions of yen

Years ended March 31	**1999**	1998	1997	1996	1995
Cameras	**¥ 77,520**	¥ 75,815	¥ 80,448	¥ 69,375	¥57,401
Interchangeable lenses	**7,013**	7,692	9,747	9,664	10,704
Camera accessories and others	**35,554**	36,300	32,147	26,753	28,501
Total	**¥120,087**	¥119,807	¥122,342	¥105,792	¥96,606

	1999	1998	1997	1996	1995
Overseas sales	**¥ 85,957**	¥ 86,342	¥ 89,473	¥ 74,119	¥64,273
Domestic sales	**34,130**	33,465	32,869	31,673	32,333
Total	**¥120,087**	¥119,807	¥122,342	¥105,792	¥96,606

Financial Position

At the end of the fiscal year, total assets stood at ¥419.7 billion, down 7.8%, or ¥35.4 billion, from the corresponding balance at the previous year-end. 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 by striving to lower its balance of interest-bearing debt.

The decline in total assets reflected a ¥41.3 billion drop in total current assets to ¥274.9 billion. The Company's use of funds to redeem bonds and otherwise repay interest-bearing debt resulted in decreases of ¥13.0 billion in cash and cash equivalents, ¥13.2 billion in inventories, and ¥8.2 billion in notes and accounts receivable.

A total of ¥23.4 billion was invested in tangible fixed assets, largely representing investments in molds and dies for new products and investments to promote rationalization. As this amount was less than the related depreciation, the book value of property, plant and equipment declined ¥1.0 billion, to ¥81.7 billion.

Primarily as a result of a ¥6.4 billion rise in other investments, which principally reflects deferred assets and deferred income tax assets, total investments and long-term receivables advanced ¥6.9 billion, to ¥55.0 billion.

Total liabilities dropped ¥39.1 billion, to ¥334.7 billion. This was largely the result of a ¥20.4 billion decrease in short- and long-term interest-bearing debt as a consequence of various procurement, repayment, and redemption activities. Noteworthy among these activities was the redemption of a ¥16.2 billion issue of deutsche mark denominated bonds with warrants. Operating and other liabilities fell ¥18.7 billion, to ¥137.4 billion, principally because of a ¥15.3 billion fall in notes and accounts payable.

Largely because of growth in retained earnings, shareholders' equity rose ¥3.5 billion, to ¥84.1 billion. Reflecting the reduction in liabilities, the equity ratio rose to 20.0%, from 17.7%.

Cash Flows

Despite the decline in net income, net cash provided by operating activities during the fiscal year amounted to ¥29.7 billion, ¥12.8 billion higher than in the previous year. Net cash inflow from net income and such noncash items as depreciation, amortization and deferred income taxes totaled ¥36.5 billion, up ¥7.5 billion. While net income dropped ¥7.4 billion, deferred income taxes decreased ¥10.7 billion and depreciation and amortization grew ¥3.2 billion. Cash outflow due to changes in operating assets and liabilities decreased ¥5.3 billion, to ¥6.8 billion. This reflected a ¥21.2 billion drop in inventories, which offset a ¥3.9 billion rise in the funding burden associated with receivables and payables.

Net cash used in investing activities grew ¥4.5 billion, to ¥33.0 billion. Capital investment fell ¥3.9 billion, to ¥24.6 billion. However, net cash outflow due to purchases and sales of securities and other investing activities increased ¥7.2 billion, to ¥10.3 billion, and cash inflow due to sales of property, plant, and equipment dropped ¥1.2 billion, to ¥2.0 billion. Net cash used in financing activities amounted to ¥9.7 billion, a ¥35.5 billion change from the previous year, when cash provided by financing activities totaled ¥25.8 billion. This reflected the absence of large procurement measures, such as the two issuances of bonds with a value of ¥20.0 billion during the previous year, as well as the redemption of a ¥16.2 billion issue of deutsche mark denominated bonds with warrants. As net cash used in investing and financing activities exceeded net cash provided by operating activities, cash and cash equivalents at the end of the year decreased ¥13.0 billion, to ¥38.7 billion. If surplus funds under management and negotiable securities were included, however, the value of the liquid funds would drop to ¥45.1 billion, or 1.07 times the average monthly level of the Company's net sales. Accordingly, management is confident that the Company has maintained a sufficient liquidity level for the unhindered continuation of its operations.

Response to the Year 2000 (Y2K) Issue

The Company has established Groupwide systems for implementing hardware- and software-related countermeasures to the Y2K issue in Japan and overseas. These countermeasures are scheduled to be completed by the end of September 1999.

The Company projects that the direct cost of countermeasures for internal information systems during the current fiscal year will amount to ¥220 million. Approximately ¥700 million of Y2K-related expenses has been accounted for during the period from March 1995 through the end of the fiscal year under review. The Company projects that Y2K-related expenses will not have an appreciable effect on its operations or performance.

Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**1999**	1998	**1999**
Current Assets:			
Cash and cash equivalents	¥ 38,684	¥ 51,684	$ 319,702
Marketable securities	6,455	5,423	53,347
Notes and accounts receivable:			
Trade	95,519	103,680	789,413
Unconsolidated subsidiaries and affiliates	7,757	7,022	64,107
Other	2,764	4,263	22,843
Allowance for doubtful receivables	(3,828)	(4,509)	(31,636)
Notes and accounts receivable, net	102,212	110,456	844,727
Inventories (Note 3)	111,850	125,087	924,380
Other current assets (Note 13)	15,691	23,538	129,679
Total current assets	274,892	316,188	2,271,835
Investments and Long-Term Receivables:			
Investments in securities:			
Unconsolidated subsidiaries and affiliates	3,690	2,580	30,496
Other (Notes 5 and 6)	34,413	33,484	284,405
Total investments in securities	38,103	36,064	314,901
Long-term receivables:			
Unconsolidated subsidiaries and affiliates	106	478	876
Other	2,795	2,919	23,100
Allowance for doubtful receivables	(1,254)	(282)	(10,364)
Long-term receivables, net	1,647	3,115	13,612
Other investments (Note 6)	15,224	8,847	125,818
Total investments and long-term receivables	54,974	48,026	454,331
Property, Plant and Equipment, at Cost (Note 6):			
Land	12,973	13,181	107,215
Buildings and structures	60,832	61,806	502,743
Machinery and equipment	157,737	157,218	1,303,612
Construction in progress	3,608	452	29,818
	235,150	232,657	1,943,388
Accumulated depreciation	(153,473)	(150,005)	(1,268,371)
Property, plant and equipment, net	81,677	82,652	675,017
Other Assets (Note 2 (n))	8,188	8,224	67,668
	¥419,731	¥455,090	$3,468,851

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1999	1998	Thousands of U.S. dollars (Note 1) 1999
Current Liabilities:			
Short-term bank loans (Notes 4 and 6)	**¥136,380**	¥147,071	**$1,127,107**
Commercial paper	**6,028**	7,266	**49,818**
Current portion of long-term debt (Notes 4 and 6)	**5,960**	21,429	**49,256**
Notes and accounts payable:			
Trade	**60,873**	76,020	**503,083**
Unconsolidated subsidiaries and affiliates	**1,449**	1,631	**11,975**
Total notes and accounts payable	**62,322**	77,651	**515,058**
Accrued income taxes	**6,466**	8,115	**53,438**
Accrued expenses	**17,120**	17,906	**141,488**
Other current liabilities	**27,168**	29,405	**224,529**
Total current liabilities	**261,444**	308,843	**2,160,694**
Long-Term Liabilities:			
Long-term debt (Notes 4 and 6)	**48,937**	41,919	**404,438**
Retirement and severance benefits (Note 11)	**17,877**	16,806	**147,744**
Other (Note 6)	**6,473**	6,236	**53,496**
Total long-term liabilities	**73,287**	64,961	**605,678**
Minority Interests	**907**	736	**7,496**
Contingent Liabilities (Note 15)			
Shareholders' Equity:			
Common stock, ¥50 par value (Notes 4 and 8):			
Authorized—800,000,000 shares			
Issued—280,207,681 shares in 1999 and 279,281,891 shares in 1998	**25,833**	25,461	**213,496**
Capital surplus (Note 8)	**51,198**	50,829	**423,124**
Retained earnings (Note 7)	**7,064**	4,262	**58,380**
	84,095	80,552	**695,000**
Less treasury stock, at cost: 2,474 shares in 1999 and 3,301 shares in 1998 (Note 9)	**2**	2	**17**
Total shareholders' equity	**84,093**	80,550	**694,983**
	¥419,731	¥455,090	**$3,468,851**

Consolidated Statements of Income and Retained Earnings (Deficit)

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	**1999**
Net Sales (Notes 10 and 18)	**¥506,075**	¥490,259	¥448,074	**$4,182,438**
Cost of Sales (Notes 2 (o), 10 and 18)	**280,021**	278,039	262,445	**2,314,223**
Gross profit	**226,054**	212,220	185,629	**1,868,215**
Selling, General and Administrative Expenses (Notes 2 (o) and 18)	**196,969**	185,328	165,660	**1,627,843**
Operating profit (Note 18)	**29,085**	26,892	19,969	**240,372**
Other Income (Expenses):				
Interest and dividend income	**1,399**	1,380	1,136	**11,562**
Interest expense	**(10,357)**	(9,840)	(9,589)	**(85,595)**
Other, net (Note 12)	**(4,219)**	(6,533)	92	**(34,868)**
	(13,177)	(14,993)	(8,361)	**(108,901)**
Income before income taxes and minority interests (Note 2 (o))	**15,908**	11,899	11,608	**131,471**
Income Taxes (Credit) (Notes 2 (k) and 13):				
Current	**7,894**	7,458	1,928	**65,240**
Deferred	**(1,251)**	(11,986)	(492)	**(10,339)**
	6,643	(4,528)	1,436	**54,901**
Income before minority interests	**9,265**	16,427	10,172	**76,570**
Minority Interests	**263**	(2)	(118)	**2,173**
Net income	**9,002**	16,429	10,290	**74,397**
Retained Earnings (Deficit) (Note 7):				
Balance at beginning of year	**4,262**	(10,207)	(18,343)	**35,222**
Cumulative effect on prior years of change in accounting for the interperiod allocation of income taxes (Notes 2 (k) and 13)	**(3,979)**	—	—	**(32,884)**
Adjustments due to increase in consolidated subsidiaries	**(212)**	(340)	(758)	**(1,752)**
Adjustments due to decrease in consolidated subsidiaries	**—**	106	—	**—**
Appropriations:				
Cash dividends (Note 7)	**1,959**	1,676	1,396	**16,190**
Bonuses to directors and corporate auditors (Note 7)	**50**	50	—	**413**
Balance at end of year	**¥ 7,064**	¥ 4,262	¥ (10,207)	**$ 58,380**
	Yen			U.S. dollars (Note 1)
Net Income per Share (Note 2 (m))	**¥ 32.13**	¥ 58.83	¥ 36.85	**$ 0.27**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	1999
Cash Flows from Operating Activities (Note 16):				
Net income	¥ 9,002	¥16,429	¥10,290	$ 74,397
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	23,375	20,172	17,957	193,182
Loss on disposal of property, plant and equipment	787	642	1,042	6,504
Loss (gain) on sales of marketable securities and investments in securities	2,605	999	(2,356)	21,529
Loss on revaluation of securities	25	857	—	207
Deferred income taxes	(1,251)	(11,986)	280	(10,339)
Provision for losses on receivables	704	1,316	1,910	5,818
Other	1,234	548	74	10,197
Changes in operating assets and liabilities:				
Notes and accounts receivable	2,751	(4,761)	(19,403)	22,736
Inventories	8,931	(12,223)	(5,562)	73,810
Notes and accounts payable	(14,296)	(2,864)	20,781	(118,149)
Accrued income taxes	(578)	5,413	1,667	(4,777)
Accrued expenses	272	2,484	938	2,248
Other current assets	(2,179)	(1,607)	(3,513)	(18,008)
Other current liabilities	(417)	391	3,990	(3,446)
Foreign currency adjustments (Note 2 (n))	(1,240)	1,156	1,609	(10,248)
Net cash provided by operating activities	29,725	16,966	29,704	245,661
Cash Flows from Investing Activities (Note 16):				
Purchases of property, plant and equipment	(24,597)	(28,526)	(17,826)	(203,281)
Proceeds from sales of property, plant and equipment	1,952	3,174	2,885	16,132
Proceeds from sales of marketable securities and investments in securities	2,642	1,827	11,177	21,835
Increase in marketable securities and investments in securities	(8,811)	(3,008)	(15,616)	(72,818)
Other, net	(4,170)	(1,955)	(5,377)	(34,463)
Net cash used in investing activities	(32,984)	(28,488)	(24,757)	(272,595)
Cash Flows from Financing Activities (Note 16):				
Proceeds from long-term debt	15,542	5,456	12,335	128,446
Repayment of long-term debt	(6,384)	(2,400)	(1,496)	(52,760)
(Decrease) increase in short-term bank loans	(803)	5,195	(8,087)	(6,636)
(Decrease) increase in commercial paper	(640)	(801)	622	(5,289)
Issuance of unsecured bonds	—	20,000	—	—
Redemption of bonds	(16,238)	—	—	(134,199)
Exercise of warrants	741	—	—	6,124
Dividends paid	(1,959)	(1,676)	(1,396)	(16,190)
Net cash (used in) provided by financing activities	(9,741)	25,774	1,978	(80,504)
(Decrease) Increase in Cash and Cash Equivalents	(13,000)	14,252	6,925	(107,438)
Cash and Cash Equivalents at Beginning of Year	51,684	37,432	30,507	427,140
Cash and Cash Equivalents at End of Year	¥38,684	¥51,684	¥37,432	$319,702

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Minolta Co., Ltd. and Consolidated Subsidiaries
March 31, 1999, 1998 and 1997

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 in Japan and its overseas subsidiaries in conformity with those of the countries of their 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. The Company has prepared consolidated statements of cash flows for the purpose of inclusion in these financial statements, although such statements are not currently required in 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 ¥121=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) Certain accounts in the consolidated balance sheets at March 31, 1998 and the consolidated statements of income and retained earnings (deficit), and cash flows for each of the two years in the period ended March 31, 1998 have been reclassified to conform to the 1999 presentation. These reclassifications had no effect on net income or shareholders' equity.

2 Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. The accounts of the consolidated subsidiaries are included on the basis of their fiscal years, which end on March 31, except for certain subsidiaries whose fiscal year-end is December 31.

All significant intercompany balances and transactions have been eliminated in consolidation.

The difference between the cost and the underlying net equity at the respective acquisition date of each investment in consolidated subsidiaries is amortized over a five-year period.

(b) Cash Equivalents

Cash equivalents include all highly liquid debt instruments with a maturity of three months or less when purchased.

(c) Inventories (See Note 3)

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 weighted average method.

(e) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates (companies owned 20% to 50%) are principally stated at cost determined by the weighted average method.

(f) Depreciation

Depreciation of property, plant and equipment is computed principally by the declining-balance method, whereas overseas 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 subsidiaries in Japan. The effect of this change for the year ended March 31, 1999 was immaterial.

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 and income before income taxes decreased by ¥119 million.

(g) Repairs and Maintenance

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

(h) Research and Development

Research and development expenses are charged to income as incurred.

(i) 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.

(j) 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.

(k) Income Taxes (See Note 13)

Provision has been made in the consolidated accounts to reflect the 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 consolidations such as the elimination of unrealized intercompany profits at March 31, 1998 and 1997. The effect of this change was to increase net income by ¥2,699 million and to decrease retained earnings by ¥1,279 million for the year ended March 31, 1999.

(l) 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 noncontributory funded pension plan for all qualified regular employees in respect of retirement and severance benefits. At March 31, 1999, approximately 95% of such employees were covered by the pension plan. Past service cost is being amortized over a 17-year period. In addition, certain consolidated subsidiaries have funded pension plans for qualified 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 retirement and severance benefits not covered by the pension plans.

(m) 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 the free distribution of common stock.

(n) Translation of Foreign Currencies

Foreign currency amounts are translated into yen amounts at the year-end rates for monetary current 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 financial statements of overseas subsidiaries have been translated into yen at the year-end rates for the balance sheet accounts, 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 ¥4,046 million ($33,438 thousand) and ¥3,475 million for the years ended March 31, 1999 and 1998, respectively. Income and expenses are translated at the average exchange rates for the year.

(o) Changes in Method of Accounting

In 1999, 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 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 Inventories

A summary of inventories at March 31, 1999 and 1998 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Finished goods	**¥ 79,612**	¥ 87,718	**$657,950**
Work in process	**26,532**	28,651	**219,273**
Raw materials and supplies	**5,706**	8,718	**47,157**
	¥111,850	¥125,087	**$924,380**

4 Short-Term Bank Loans and Long-Term Debt

The annual interest rates on short-term bank loans ranged from 1% to 26% in 1999 and from 1% to 22% in 1998. Short-term bank loans included borrowings under acceptances by overseas subsidiaries in amounts of ¥5,128 million ($42,380 thousand) and ¥47,181 million at March 31, 1999 and 1998, respectively.

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
2.3% yen unsecured bonds, due 2002	**¥10,000**	¥10,000	**$ 82,645**
3.0% yen unsecured bonds, due 2004	**10,000**	10,000	**82,645**
5 1/2% deutsche mark bonds with warrants, due 1998	**—**	16,238	**—**
Loans with banks, due through 2018, at interest rates ranging from 1% to 12% at March 31, 1999 and from 1% to 13% at March 31, 1998:			
Secured	**3,137**	4,209	**25,925**
Unsecured	**31,760**	22,901	**262,479**
	54,897	63,348	**453,694**
Less current portion	**5,960**	21,429	**49,256**
	¥48,937	¥41,919	**$404,438**

The aggregate annual maturities of long-term debt subsequent to March 31, 1999 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2000	¥ 5,960	$ 49,256
2001	5,667	46,835
2002	11,119	91,892
2003	13,606	112,446
2004	1,753	14,488
2005 and thereafter	16,792	138,777
	¥54,897	$453,694

The 2.3% yen unsecured bonds in the amount of ¥10,000 million ($82,645 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 ($82,645 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.

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.

5 Investments in Securities—Other

Investments in securities—other includes securities whose quoted market value at March 31, 1999 and 1998 are compared with their related book value as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Book value	**¥33,410**	¥33,116	**$276,116**
Market value	**29,845**	28,474	**246,653**

6 Pledged Assets

The following assets were pledged as collateral for obligations at March 31, 1999 and 1998:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Property, plant and equipment, net of accumulated depreciation	**¥15,056**	¥15,937	**$124,430**
Investments in securities	**1,748**	810	**14,446**
	¥16,804	¥16,747	**$138,876**

The obligations secured by such collateral at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Short-term bank loans	**¥ 255**	¥ 224	**$ 2,107**
Long-term debt, including current portion	**3,137**	4,209	**25,926**
Long-term liabilities—other, including current portion	**492**	1,779	**4,066**
Notes discounted	**677**	852	**5,595**
	¥4,561	¥7,064	**$37,694**

7 Legal Reserve and Cash Dividends

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and bonuses to directors and corporate auditors paid by the Company and its domestic consolidated subsidiaries be appropriated to the legal reserve until such reserve equals 25% of stated capital. The legal reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

In 1999, the legal reserve has been included in and presented with retained earnings in the consolidated financial statements as permitted under a recent amendment to Accounting Principles for Consolidated Financial Statements in Japan.

The legal reserve amounted to ¥2,376 million ($19,636 thousand) and ¥2,127 million at March 31, 1999 and 1998, respectively.

8 Common Stock

The Commercial Code of Japan 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, 1999, the Company issued 925,790 shares of common stock upon the exercise of warrants. For the year ended March 31, 1998, the Company issued 4,690 shares of common stock upon the conversion of bonds.

9 Treasury Stock

The Company has introduced a unit share system as permitted under the Commercial Code of Japan. 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 sheets 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, 1999, 1998 and 1997 were as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Sales to	**¥13,940**	¥15,559	¥14,690	**$115,207**
Purchases from	**5,269**	5,550	9,377	**43,545**

11 Pension Plans

The charges to income under the Company's and its consolidated subsidiaries' retirement, severance and pension plans amounted to ¥3,844 million ($31,769 thousand), ¥3,700 million and ¥3,279 million for the years ended March 31, 1999, 1998 and 1997, respectively.

12 Extraordinary Item

Other, net, for the year ended March 31, 1999 included losses of ¥2,609 million on sales of investments in securities.

13 Interperiod Income Tax Allocation

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

Significant components of deferred income tax assets and liabilities at March 31, 1999 are as follows:

	Millions of yen	Thousands of U.S. dollars
(Current)		
Deferred income tax assets (reflected in other current assets):		
Inventories written down	¥ 970	$ 8,017
Warranty reserve	456	3,769
Intercompany profit on inventories	5,377	44,438
Other	2,392	19,768
	9,195	75,992
Less—Valuation allowance	(497)	(4,108)
	8,698	71,884
Offset of deferred income tax liabilities	(137)	(1,132)
Deferred income tax assets, net	¥8,561	$70,752
Deferred income tax liabilities (reflected in other investments):		
Allowance for doubtful receivables	¥ 106	$ 876
Other	36	297
	142	1,173
Offset of deferred income tax assets	(137)	(1,132)
Deferred income tax liabilities, net	¥ 5	$ 41
(Non-Current)		
Deferred income tax assets (reflected in other current liabilities):		
Retirement and severance benefits	¥3,246	$26,826
Depreciation	1,926	15,917
Allowance for doubtful receivables	894	7,388
Other	1,368	11,307
	7,434	61,438
Less—Valuation allowance	(2,595)	(21,446)
	4,839	39,992
Offset of deferred income tax liabilities	(1,110)	(9,174)
Deferred income tax assets, net	¥3,729	$30,818
Deferred income tax liabilities (reflected in other long-term liabilities):		
Undistributed earnings of foreign subsidiaries	¥1,105	$ 9,132
Other	291	2,405
	1,396	11,537
Less—Valuation allowance	(87)	(718)
	1,309	10,819
Offset of deferred income tax assets	(1,110)	(9,174)
Deferred income tax liabilities, net	¥ 199	$ 1,645

A reconciliation of the Japanese statutory income tax rate and effective tax rate as a percentage of income before income taxes is as follows:

	1999
Japanese statutory income tax rate	47.3%
Increase (decrease) in income taxes resulting from:	
Expenses not deductible for tax purposes	8.1
Less deferred income taxes related to intercompany profit on inventories	(14.1)
Other	0.5
Effective tax rate	41.8%

The cumulative net deferred income tax benefits of ¥15,880 million which resulted from this allocation at March 31, 1998 have been reflected under other current assets in the accompanying consolidated balance sheets.

The Company did not recognize interperiod income tax allocations on intercompany profits in the amount of ¥8,219 million for the year ended March 31, 1997 since realization beyond any reasonable doubt was not assured.

14 Derivatives Transactions

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 utilizes forward foreign exchange contracts to hedge certain foreign currency assets and liabilities (mainly those associated with the Company's 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 has entered into currency and interest rate swaps.

(b) Derivatives Policy

The Company utilizes derivatives to hedge the risk of fluctuations in foreign currency exchange rates and interest rates. Under the Company's policy, derivatives are not entered into for speculative 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, however, utilizes 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 performance. In addition, when conducting derivatives transactions, the Company selects 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 Company has not prepared a set of policies for derivatives, but in employing derivatives in managing currency risk, the Company limits its derivatives to those required by its actual volume of transactions. Moreover, each month, the director responsible for finance reports to the Managing Directors' Committee on forward foreign exchange contracts and currency options, and this committee sets the policy for the utilization of derivatives. Other significant derivatives transactions require the approval of the Board of Directors or the Managing Directors' Committee.

(e) Other Matters

The contract values or notional principal amounts presented in the following tables do not reflect the actual level of risk associated with the Company's derivatives transactions.

2. Market Value of Derivatives Transactions

(a) Currency-related derivatives

	Millions of yen				Thousands of U.S. dollars	
	1999		1998		**1999**	
	Contract value (notional principal amount)	Market value	Contract value (notional principal amount)	Market value	Contract value (notional principal amount)	Market value
Forward foreign exchange contracts:						
To sell foreign currencies	**¥16,533**	**¥16,281**	¥53,948	¥54,812	**$136,636**	**$134,554**
To buy foreign currencies	**8,335**	**8,741**	13,820	14,541	**68,884**	**72,240**
Currency swaps	**100**	**16**	208	22	**827**	**132**
	¥24,968	**¥25,038**	¥67,976	¥69,375	**$206,347**	**$206,926**

(b) Interest-related derivatives

	Millions of yen				Thousands of U.S. dollars	
	1999		1998		**1999**	
	Contract value (notional principal amount)	Market value	Contract value (notional principal amount)	Market value	Contract value (notional principal amount)	Market value
Interest rate swaps:						
Pay—fixed interest rate swaps	**¥10,000**	**¥(702)**	¥10,000	¥(435)	**$82,645**	**$(5,802)**
Receive—fixed interest rate swaps	**—**	**—**	10,000	12	**—**	**—**
	¥10,000	**¥(702)**	¥20,000	¥(423)	**$82,645**	**$(5,802)**

15 Contingent Liabilities

At March 31, 1999, contingent liabilities for notes discounted in the ordinary course of business amounted to ¥1,369 million ($11,314 thousand). At March 31, 1999, contingent liabilities for guarantees and commitments involving managerial guidance related to loans amounted to ¥5,200 million ($42,975 thousand) which includes ¥5,198 million ($42,959 thousand) in respect to certain unconsolidated subsidiaries.

Guarantees amounted to ¥2,631 million ($21,744 thousand) and commitments involving managerial guidance related to loans amounted to ¥2,569 million ($21,231 thousand).

16 Supplemental Disclosures of Cash Flow Information

The Company and its consolidated subsidiaries made interest payments of ¥11,129 million ($91,975 thousand), ¥9,515 million and ¥9,548 million for the years ended March 31, 1999, 1998 and 1997, respectively. The Company and its consolidated subsidiaries paid ¥8,472 million ($70,017 thousand), ¥1,863 million and ¥1,797 million for income taxes for the years ended March 31, 1999, 1998 and 1997, respectively.

During the year ended March 31, 1999, common stock issued and capital surplus related to the exercise of warrants amounted to ¥471 million ($6,124 thousand).

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.

17 Lease Transactions

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

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

At March 31, 1999	Land	Buildings and structures	Machinery and equipment	Other investments	Total
	Millions of yen				
Amounts corresponding to:					
Acquisition cost	¥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

At March 31, 1999	Land	Buildings and structures	Machinery and equipment	Other investments	Total
	Thousands of U.S. dollars				
Amounts corresponding to:					
Acquisition cost	$50	$595	$225,793	$12,446	$238,884
Accumulated depreciation	8	281	129,016	7,843	137,148
Remaining value at the end of the year	$41	$314	$ 96,777	$ 4,603	$101,736

At March 31, 1999	Millions of yen	Thousands of U.S. dollars
Future minimum payments due in:		
1 year or less	¥ 7,004	$ 57,884
Over 1 year	5,619	46,436
	¥12,623	$104,322

For the year ended March 31, 1999	Millions of yen	Thousands of U.S. dollars
Lease payments	¥8,853	$73,165
Amount corresponding to depreciation	8,544	70,612
Amount corresponding to interest expense	265	2,190

Lease payments for the year ended March 31, 1998 amounted to ¥6,917 million.

(b) For operating leases:

At March 31, 1999	Millions of yen	Thousands of U.S. dollars
Future minimum payments due in:		
1 year or less	¥3,334	$27,554
Over 1 year	6,503	53,744
	¥9,837	$81,298

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

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

At March 31, 1999	Machinery and Equipment Millions of yen
Amounts corresponding to:	
Acquisition cost	¥3,795
Accumulated depreciation	1,514
Remaining value at the end of the year	¥2,281

At March 31, 1999	Machinery and Equipment Thousands of U.S. dollars
Amounts corresponding to:	
Acquisition cost	$31,364
Accumulated depreciation	12,513
Remaining value at the end of the year	$18,851

At March 31, 1999	Millions of yen	Thousands of U.S. dollars
Future minimum receipts:		
1 year or less	¥1,331	$11,000
Over 1 year	1,306	10,793
	¥2,637	$21,793

For the year ended March 31, 1999	Millions of yen	Thousands of U.S. dollars
Lease income	¥1,652	$13,653
Amount of depreciation	1,427	11,793

Lease income for the year ended March 31, 1998 amounted to ¥530 million.

(b) For operating leases:

At March 31, 1999	Millions of yen	Thousands of U.S. dollars
Future minimum receipts:		
1 year or less	¥1,329	$10,984
Over 1 year	1,382	11,421
	¥2,711	$22,405

18 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, OA systems (printers, 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 segment entitled “Other” 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, 1999, 1998 and 1997:

Information by Industry Segment

	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
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
Year ended March 31, 1997	Millions of yen					
Net sales:						
Unaffiliated customers	¥318,310	¥122,342	¥7,422	¥448,074	¥ —	¥448,074
Intersegment	976	472	739	2,187	(2,187)	—
Total	319,286	122,814	8,161	450,261	(2,187)	448,074
Operating expenses	300,759	121,047	8,486	430,292	(2,187)	428,105
Operating profit (loss)	¥ 18,527	¥ 1,767	¥ (325)	¥ 19,969	¥ —	¥ 19,969
Assets	¥235,671	¥107,180	¥4,026	¥346,877	¥57,548	¥404,425
Depreciation expense	13,142	3,835	66	17,043	77	17,120
Capital expenditures	15,930	3,832	47	19,809	—	19,809

	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
Year ended March 31, 1999	Thousands of U.S. dollars					
Net sales:						
Unaffiliated customers	**$3,082,140**	**$992,455**	**$107,843**	**$4,182,438**	**$ —**	**$4,182,438**
Intersegment	**1,207**	**1,512**	**4,289**	**7,008**	**(7,008)**	**—**
Total	**3,083,347**	**993,967**	**112,132**	**4,189,446**	**(7,008)**	**4,182,438**
Operating expenses	**2,869,165**	**969,488**	**110,421**	**3,949,074**	**(7,008)**	**3,942,066**
Operating profit	**$ 214,182**	**$ 24,479**	**$ 1,711**	**$ 240,372**	**$ —**	**$ 240,372**
Assets	**$2,076,388**	**$792,050**	**$ 39,504**	**$2,907,942**	**$560,909**	**$3,468,851**
Depreciation expense	**146,570**	**36,355**	**596**	**183,521**	**611**	**184,132**
Capital expenditures	**162,603**	**35,190**	**934**	**198,727**	**—**	**198,727**

* The assets in the eliminations column include ¥68,029 million ($562,223 thousand), ¥68,986 million and ¥58,431 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, 1999, 1998 and 1997, respectively.

Information by Geographic Area

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, 1997	Japan	International	Total	Eliminations*	Consolidated total
	Millions of yen				
Net sales:					
Unaffiliated customers	¥168,019	¥280,055	¥448,074	¥ —	¥448,074
Intersegment	131,488	44,084	175,572	(175,572)	—
Total	299,507	324,139	623,646	(175,572)	448,074
Operating expenses	287,380	313,872	601,252	(173,147)	428,105
Operating profit	¥ 12,127	¥ 10,267	¥ 22,394	¥ (2,425)	¥ 19,969
Assets	¥173,618	¥205,133	¥378,751	¥ 25,674	¥404,425

Year ended March 31, 1999	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
	Thousands of U.S. dollars						
Net sales:							
Unaffiliated customers	$1,455,215	$1,297,545	$1,259,240	$170,438	$4,182,438	$ —	$4,182,438
Intersegment	1,388,578	1,009	3,859	574,033	1,967,479	(1,967,479)	—
Total	2,843,793	1,298,554	1,263,099	744,471	6,149,917	(1,967,479)	4,182,438
Operating expenses	2,697,901	1,277,430	1,219,562	735,355	5,930,248	(1,988,182)	3,942,066
Operating profit	$ 145,892	$ 21,124	$ 43,537	$ 9,116	$ 219,669	$ 20,703	$ 240,372
Assets	$1,523,116	$ 659,149	$ 753,347	$272,181	$3,207,793	$ 261,058	$3,468,851

* The assets in the eliminations column include ¥68,029 million ($562,223 thousand), ¥68,986 million and ¥58,431 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, 1999, 1998 and 1997, respectively.

As mentioned in Note 2 (o), the Company has changed its method of accounting for 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	Thousands of U.S. dollars
By business segment:		
Increase in operating profit in image information products segment	¥12	$ 99
Increase in operating profit in optical products segment	3	25
By geographic area:		
Increase in operating profit in Japan	16	132

As mentioned in Note 2 (f), the Company and its consolidated domestic subsidiaries have 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	Thousands of U.S. dollars
By business segment:		
Decrease in operating profit in image information products segment	¥65	$537
Decrease in operating profit in optical products segment	32	264
By geographic area:		
Decrease in operating profit in Japan	98	810

Overseas Sales

	Overseas sales					
	North America	Europe	Other	Total (A)	Consolidated total (B)	
Year ended March 31	Millions of yen					(A)/(B) (%)
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
1997				337,335	448,074	75.3
Year ended March 31	Thousands of U.S. dollars					
1999	**$1,512,984**	**$1,480,281**	**$312,545**	**$3,305,810**	**$4,182,438**	

19 Subsequent Events

The Company and QMS, Inc. (headquarters: Alabama, U.S.A; sales in 1998: approximately US$133 million; New York Stock Exchange ticker symbol: AQM) reached an agreement as of June 7, 1999. The Company purchased 2.13 million shares of a private placement of QMS common stock for US$12.2 million (equivalent of 19.9%) on June 7, 1999 and made an offer by tender (5.44 million shares) to purchase QMS stock at US$6.25 per share (US$34 million) in order to obtain a majority interest (51%) in QMS from June 14 to July 12, 1999. The tangible and intangible assets of QMS in the printer business field, including its capabilities in business management, product planning, sales, and software development have made QMS highly attractive to the Company, as the Company plans to strengthen its focus on color output devices in digital imaging. Minolta Investments Company (MIC: a U.S.-based wholly owned subsidiary of the Company) purchased the shares of QMS common stock on behalf of the Company.

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 1999, were approved at the shareholders' meeting held on June 29, 1999:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 per share)	¥841	$6,950
Bonuses to directors and corporate auditors	50	413

Report of Independent Auditors

The Board of Directors
Minolta Co., Ltd.

We have examined the consolidated balance sheets of Minolta Co., Ltd. and its consolidated subsidiaries as of March 31, 1999 and 1998, 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, 1999, all expressed in yen. Our examinations 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 its consolidated subsidiaries at March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for recording the basis of packaging and transportation expenses of its products and the cost of expendable supplies for sales as described in Note 2 (o) to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1999 are presented solely for convenience. Our examination 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.

Showa Ota & Co.

Osaka, Japan
June 29, 1999

Board of Directors

(As of July 1, 1999)

President
Yoshikatsu Ota*

Senior Executive Directors
Yoshihiko Higashiyama
Norio Tashima

Executive Directors
Norikatsu Shimizu
Tadashi Arai
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

Full-Time Corporate Auditors
Mikio Naya
Takeshi Mabuchi

Corporate Auditors
Shiro Kawahara
Shigenobu Futose

*Representative Director

Corporate Data

(As of July 1, 1999)

MINOLTA CO., LTD.

Established
November 1928

Paid-in Capital
¥25,832,512,890 (As of March 31, 1999)

Number of Employees**
4,760 (As of March 31, 1999)

Independent Public Accountants
Showa Ota & 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

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.:
•α-9 / •MAXXUM 9 / •DYNAX 9 / •DYNAX / •VECTIS / •VECTIS 300 / •VECTIS 2000 / •Dimâge EX / •Dimâge Scan Multi / •VIVID 700 / •MINOLTA 3D 1500 / •RD3000 / •PageWorks / •PagePro / •CS-PRO / •DiALTA / •CF910 / •Color PagePro EX / •PagePro 25 / •PagePro 18 / •T-10 / •CM / •CM-3630 / •CM-3600d / •IA-1000 / •DPCS 3000 / •EP3000 / •MINOLTAFAX 3600 / •PS7000 / •Di250 / •Di350 / •Di620 / •ACTIVA / •Infinium γ II

(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. PagePro printers are marketed as the PageWorks series in North America.)

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

Corporate Directory

(As of July 1, 1999)

Head Office

3-13, Azuchi-machi 2-chome,
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 Overseas Subsidiaries

SALES

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

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

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

FRANCE
- Minolta France S.A.*
- Repro Conseil S.A.*

U.K.
- Minolta (UK) Limited*

SWITZERLAND
- Minolta (Schweiz) AG*

AUSTRIA
- Minolta Austria Gesellschaft mbH*

THE NETHERLANDS
- Minolta Camera Benelux B.V.*

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

SWEDEN
- Minolta Svenska AB*
- Minolta Business Equipment Sweden 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.*

MANUFACTURING

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

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

OTHER

U.S.A.
- Minolta Investments Company

THE NETHERLANDS
- Minolta Europe Finance B.V.*

Major Domestic Subsidiaries

SALES

- Minolta Sales Co., Ltd.*
- Minolta Planetarium Co., Ltd.*
- Tokai Minolta Co., Ltd.*
- Kinki Minolta Co., Ltd.*
- Minolta Media Works Co., Ltd.*
- Kyushu Minolta Co., Ltd.*

MANUFACTURING

- 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

R&D

- Minolta Software Laboratory Co., Ltd.

OTHERS

- 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 Service Kyushu
- Minolta Techno Service Chugoku
- Minolta Techno Service Kinki
- Minolta Techno Service Chubu
- Minolta Techno Service Tokyo*
- Minolta Techno Service Kita-Kanto
- Minolta Techno Service Tohoku
- Minolta Techno Service Hokkaido

*Consolidated Subsidiary

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