

A MESSAGE FROM THE PRESIDENT



QUESTION

How was Minolta Co., Ltd.'s performance during fiscal 2000, ended March 31, 2001?

ANSWER

Several factors combined to make fiscal 2000 a difficult year for Minolta in performance terms. However, we continued making progress in various strategies for promoting the Company's strong sustained growth during the 21st century, and we are confident that the downtrend in our principal performance indicators during the year under review was no more than a temporary dip.

The operating environment in Japan remained harsh, reflecting the persistent weakness of personal consumption. Things were somewhat better overseas, but the worldwide drop in stock prices during the latter half of the year quickly weakened consumer spending in the United States and began affecting economic conditions in Europe. The general deterioration in economic conditions overseas also intensified price competition. Moreover, as almost 80% of the Company's sales were overseas, the considerable appreciation of the yen relative to the dollar and the euro had a large impact on consolidated net sales and operating profit, which were down 3.8% and 54.7%, respectively, from their fiscal 1999 levels. It is worth noting that the average value of the yen during the year was up 1% in U.S. dollar terms and a full 13% against the euro. We estimate that this accounted for 4% of

the drop in our consolidated net sales. We also recorded some extraordinary expenses, such as those for the amortization of retirement benefit liabilities that arose due to the introduction of new accounting standards and a ¥3.4 billion loss on the downward revaluation of investment securities. These were large factors underlying our ¥3.1 billion net loss for the year.

QUESTION

ANSWER

Could you describe the Minolta Group's principal management strategies?

The Minolta Group is implementing the New Excellent 2003 (NEXT'03) medium-term business plan, which covers the five fiscal years from April 1999 through March 2004. This plan emphasizes improvements related to corporate governance and consolidated Group management, as well as strengthening core competences in growth fields and encouraging employees to make the most of their latent abilities.

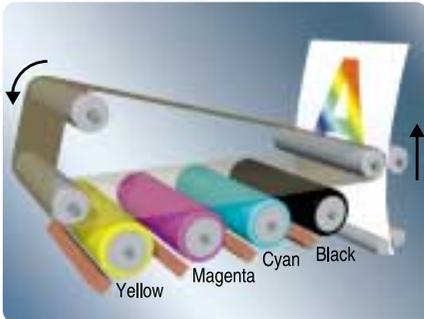
Our most important task is to ensure that the Group proactively takes advantage of new business opportunities stemming from the increasing pervasiveness of the Internet and other new forms of IT throughout the world. In this regard, we are continuing to shift Group resources to strategic product fields, particularly digital imaging products and full-color image outputting products. Attaining our performance targets will require expanding our operations, and we believe that we can gain growth momentum by enhancing our basic strengths as a manufacturer, progressively improving production processes, increasing customer satisfaction through the development of new products in line with demand trends, and boosting cost-competitiveness through the coordination of procurement and logistics on a Groupwide basis. Our worldwide network is another of the core strengths we intend to further leverage, but we also recognize the importance of establishing more-flexible profit and financial structures to insulate Group performance from the impact of foreign exchange fluctuations.

In April 2001, we introduced an executive officer system to encourage a highly transparent management style and clearly separate the strategic decision-making tasks of the Board of Directors from the strategic execution and day-to-day management activities of executive officers. The new system is encouraging a greater allocation of operational authority, clarifying the authority and responsibilities of individual executives, speeding up decision making, and promoting greater emphasis on operational results. In conjunction with the introduction of the executive officer system, we made organizational changes to accelerate Minolta's ongoing structural reforms, focusing in particular on allocating more resources to expanding business in such digital products as copiers, printers, multifunctional peripherals (MFPs), and cameras.

QUESTION

What kind of steps has Minolta been taking to expand its image information product operations?

ANSWER



Structural diagram of a newly developed tandem system that incorporates four colors of the developing units.

We endeavored to expand sales during fiscal 2000 by launching a new, high-quality image, high-productivity model in our series of DiALTA digital copiers/printers and DiALTA Color digital color copiers/printers. At the end of the fiscal year, we reorganized image information product operations to concentrate more resources on developing them, increase their flexibility and growth—by directly linking related product development and marketing activities—and clarify the scope of the MFP and printer business units.

In April 2000, we announced a business alliance with Konica Corporation involving collaboration in the development of office equipment as well as the establishment of a consumables manufacturing joint venture. This alliance has helped combine the distinctive strengths of each company. In December 2000, a joint venture—Konica Minolta Supplies Manufacturing Co., Ltd. (KMSM)—was formed to mass manufacture the first cooperatively developed product—a next-generation toner called “polymerization toner” that greatly improves image quality because it has finer and more uniform particles than conventional pulverized toner. Besides being less expensive to manufacture than conventional toner, the new toner has a lower impact on the environment because it entails less energy consumption and lower gas emissions in its manufacture. KMSM is aiming to be the top polymerization toner maker in terms of both quality and quantity.

In November 2000, Minolta converted QMS, Inc., into a subsidiary and renamed it Minolta-QMS, Inc. A leading U.S.-based printer manufacturer, the subsidiary has sophisticated expertise in developing controller software for color printers, and this expertise is contributing to the parent company’s development capabilities. Since Minolta obtained a controlling interest in Minolta-QMS in July 1999, the subsidiary has played a central role in the Minolta Group’s printer operations. We are also realizing significant expansion of printer business development by fully utilizing the worldwide marketing operations of the Minolta Group.

In April 2001, Minolta and Fujitsu Limited agreed to establish a joint venture—F&M Imaging Technology Co., Limited. By facilitating technical cooperation between the parent companies, the joint venture will enable product development to be conducted with greater efficiency and speed, thereby enabling us to overcome increasingly fierce competition. The joint venture is focusing on the development of business-use color laser printers using tandem print engines. Minolta and Fujitsu aim to be global leaders in tandem printers, which are expected to be the major segment of the color laser printer market, and the partners are planning to start the full-scale marketing of products in spring 2002 using their respective sales channels.

QUESTION

ANSWER

**What is Minolta's strategy for business in optical products?**

In fiscal 2000, we worked to strengthen our digital photography product lineup by introducing two new digital cameras, including the Dimâge 2330 Zoom, and two additional film scanner models. We also marketed new 35mm single-lens-reflex (SLR) and compact cameras as well as Advanced Photo System compact cameras. Of these, the DYNAX 7 SLR camera (α -series in Japan, MAXXUM series in North America) received the Best Photo SLR Camera prize within the TIPA 2001-2002 awards of the Technical Image Press Association (TIPA)—which includes 32 leading photography and imaging magazines from 13 European countries—and the “Camera Grand Prix 2001” award of the Japan Camera Press Club—whose members include 13 photography magazines in Japan.

At the end of the fiscal year, we restructured the organization of our optical product operations. To expedite growth of our digital photography business, we separated our camera development operations into film camera and digital photo development divisions. We are giving priority in resource allocations to the latter division, which is putting particular emphasis on device development and image processing technologies. To minimize duplication of efforts and boost efficiency, the development of lenses, finder units, lens barrels, and mounting designs for both film and digital products are now handled by a separate unit.

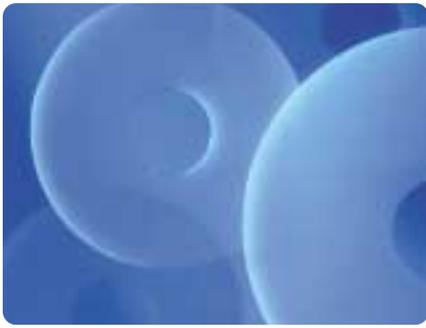
Minolta is striving to make full use of its special strengths in optical and image processing technologies to create excellent digital photography products. The Company has maintained its position at the cutting edge of film camera development by offering optimal combinations of functional diversity and operational ease. By emphasizing four concepts—clarity, creativity, compactness, and connectivity—we are using this traditional Minolta approach to develop digital cameras that are uniquely suited to all levels of professional and amateur photographers. Beginning in June 2001, we plan to significantly bolster our presence in the high-performance digital cameras market by launching two compact models and two models for professionals and ambitious amateurs. We expect particularly strong demand for the DiMAGE 7 digital camera, which was selected as the outstanding “Innovative Digital Product” at the PMA 2001 show hosted by the U.S.-based Photo Marketing Association (PMA) in February 2001.

QUESTION

ANSWER

What about Minolta's other business fields?

We expanded our radiometric instrument lineup by marketing a color spectrophotometer, a 3D digitizer, and various other specialized products. Sales of optical systems also contributed to overall sales, especially sales of optical units for digital projectors and digital minilabs. Sales also rose in our new optical systems business of glass substrates for hard disks (HDs), which is handled by a subsidiary, MYG Disk Corporation. To expand the scale and scope of this business, upgrade our related processing technologies, and extend our sales channels, we acquired the HD glass substrate business of Mitsui Mining & Smelting Co., Ltd., in November 2000.



Glass substrates for hard disks

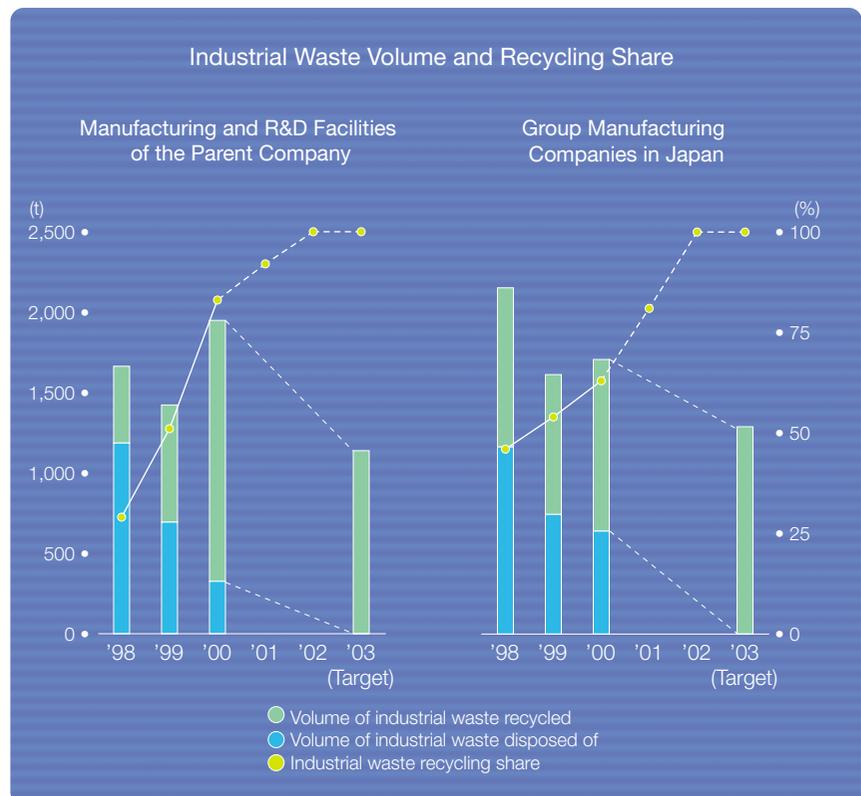
QUESTION

ANSWER

Minolta's shift of manufacturing operations to overseas locations has created excess domestic production capacity in certain fields. We are now seeking to employ that capacity and our related technological strengths more efficiently by stepping up the marketing of optical components and other types of components to companies outside the Minolta Group. For example, Minolta Components Co., Ltd., has begun using its high-precision core-molding technology to produce optical plastic devices and composite units. We are striving to augment our external marketing and sales of such components and using nanotechnology to meet the needs of device manufacturers.

Please describe Minolta's approach to environmental protection.

Minolta has long been a leader in environmental protection programs, which it considers an integral element of good corporate citizenship. The Company established its Environmental Policy Committee in fiscal 1990. In fiscal 1992, we instituted the Minolta Environmental Charter, which has provided a framework for the implementation of environmental programs throughout the Minolta Group. We are now implementing the Minolta Mid-Term Environmental Plan, which covers the five fiscal years from April 1999 through March 2004. This ambitious plan calls for numerous additional environmental protection initiatives, such as the introduction of a comprehensive "Green" Procurement system and the complete elimination of waste products at manufacturing facilities. For several copier models, Minolta has prepared Type III environmental labels, which are a standard format for presenting such information as that on power consumption and ozone depleting substances at each stage of the product's life. Based on its product assessment programs,



the Company is working to increase the recovery and recycling of used copiers, toner cartridges, and toner bottles.

We recently completed a program to obtain ISO 14001 certification for the environmental management systems of all the plants, offices, and other facilities of the parent company. Regarding the Minolta Group, eight manufacturing companies in Japan and seven overseas have been certified so far. Moreover, five manufacturing plants of the parent company and two plants of Group companies in Japan have achieved zero waste output—which we define as entailing 100% recycling of general and industrial waste from manufacturing activities, without incineration or landfill.

In December 2000, Minolta began implementing its “Green” Procurement system, which gives top priority to the use of environment-conscious products. All Minolta Group companies around the world will begin employing the system in October 2001, with the goal of achieving 100% green procurement during fiscal 2003. Minolta categorizes some procurement as “green” based on the ISO 14001 certification, release of environmental data, and other indicators of the environmental consciousness of suppliers as well as the environment-consciousness of individual parts and materials. The “Green” Procurement system aims to reduce the burden Minolta products place on the environment and reduce product costs in terms of the total product life cycles. We also aim to help our business partners achieve higher levels of environment-aware operations.

QUESTION

What are your expectations regarding your operating environment and performance during the current fiscal year?

ANSWER

During fiscal 2001, we anticipate a difficult business climate in the copier, printer, and camera fields due to inventory adjustments stemming from economic slow-downs in the United States and Europe. In response, we will continue working to expand sales of digital products and seek sales growth in the color output field by offering comprehensive color document solutions that combine input/output hardware and software. We forecast that the Company will boost its consolidated net sales and generate improved levels of net income.

Our new corporate slogan, “The essentials of imaging,” expresses Minolta’s continued commitment to supplying products, services, and solutions that are indispensable in the field of imaging. We aim to inspire people’s intellectual creativity, enrich their daily lives, and promote human communication through the creation of high-quality images.

I would like to thank Minolta’s shareholders and associates for their support and am looking forward to further strengthening our relationship in the future.