Q1: Despite very difficult conditions under global economic stagnation, Minolta reported consolidated net sales of ¥510.9 billion, a 10.0% advance. But the Company posted a net loss of ¥34.4 billion. Can you summarize the Company's performance?

A1: Fiscal 2001 was our second successive year of losses. We regret this and apologize for the concern we have caused shareholders. There are several reasons why we experienced net losses while generating higher sales. On the non-operating side, we posted a loss on valuation of inventory, devaluation of goodwill on consolidation for Minolta-QMS, Inc., unrealized losses on the valuations and sales of marketable securities, and incurred a restructuring expense associated with our early retirement plan. These and other factors had major impacts on our bottom line.

We are implementing a relentless and multifaceted restructuring campaign to reinforce our operating foundations. Specific initiatives here include reducing staff overhead, cutting procurement costs, lowering inventories, reassessing capital investments, and reorganizing our production bases. Expenses from such efforts were partly responsible for our net losses. If you look more closely, however, you will see some major improvements as the year progressed.

For example, operating income in the second half of the term was ¥9.8 billion better than during the first half, and ¥6.1 billion higher than for the same period a year earlier. Of special note, the image information products segment performed well, with a 7.1% rise in sales and a 7.6% increase in operating income. Even more noteworthy was our return to positive net cash flow from operating activities, which turned negative in fiscal 2000. Specifically, net cash provided by operating activities was ¥37.3 billion in fiscal 2001, compared with ¥3.2 billion minus in the previous year. Inventory reductions were a major factor in this improvement.

Moreover, net cash used in investing activities declined, from ¥34.5 billion in fiscal 2000 to ¥22.4 billion in fiscal 2001. This was largely because we stepped up screening, curtailed investments, and increased sales of idle assets. Net cash used in financing activities was ¥4.6 billion. As a result, we recorded an ¥11.1 billion increase in cash and cash equivalents for the year.

We will accelerate management reforms to ensure that these improvements produce enduring benefits.

Q2: Let's turn to structural reforms implemented in fiscal 2001. You reduced employee numbers by 1,119 compared with your stated target of 900. You cut procurement costs by ¥15.0 billion, and slashed inventories by ¥39.2 billion, well above your ¥30.0 billion goal. Can we conclude that your rationalization plans have proceeded well?

A2: In fiscal 2001, we tackled structural reform, as the numbers show. Our initial plan was to streamline Minolta Group staffing by 10%, or 2,500 people, by the end of fiscal 2003. In fact, staff departures were higher than expected in fiscal 2001, allowing us to conserve ¥1.7 billion in the process. We plan a further reduction of 1,500 employees in fiscal 2002. Additionally, for the parent company, we established a special early retirement plan, seeking to reduce headcount by 500. We have already surpassed that target, with 516 applicants having opted for early retirement.

We dramatically reassessed our procurement systems. In particular, we substantially reduced the number of suppliers and embarked on negotiations with larger vendors. We also adopted advanced information technologies and unified procurement under the umbrella of the Procurement Headquarters.

The result of these initiatives has been a ¥15.1 billion drop in procurement costs.

As you pointed out, our inventory reduction efforts exceeded our initial goal, but the primary purpose of this initiative was to enhance our balance sheets. We are satisfied with our achievements from this first year of structural reforms. To lower inventories further, we will integrate our supply chain management (SCM) systems, currently operating in some sectors of the Group, into a worldwide SCM setup that will become fully operational in fiscal 2002.

In other areas, we stepped up manufacturing in China, shifting domestic manufacturing to a local production subsidiary as part of proactive efforts to reorganize our production network.

Naturally, the structural reforms implemented in fiscal 2001 are part of an ongoing process. In fiscal 2002 and beyond, we will again set high goals and tackle them with unshakable resolve.

Q3: Improving the balance sheets is a key Minolta objective. By the end of September 2001, however, interest-bearing debt had ballooned to ¥250 billion. Can you please describe how you plan to reduce this debt, as well as your other financial strategies?

A3: Strengthening the balance sheets and optimizing capital resource allocation rank alongside raising free cash flow as top management objectives. We must bolster shareholders' equity while trimming our overall balance sheets, such as by slashing inventories, liquidating accounts receivable, and selling non-essential assets.

Admittedly, interest-bearing debt rose to ¥250 billion in September 2001, but by March 31, 2002, we cut that to ¥240 billion, about the same level as the end of fiscal 2000 and in line with our target. This was achieved through a ¥39.2 billion inventory reduction, as well as the sale of fixed assets, notably our Toyokawa plant, which became idle when we shifted production overseas. We will continue working to improve our balance sheets. Our plan is to cut interest-bearing debt to ¥212 billion in fiscal 2002 and ¥197 billion in fiscal 2003.

There are also concerns about our short-term debt levels. We will reduce the turnaround for receivables and employ factoring and other techniques to address these issues.

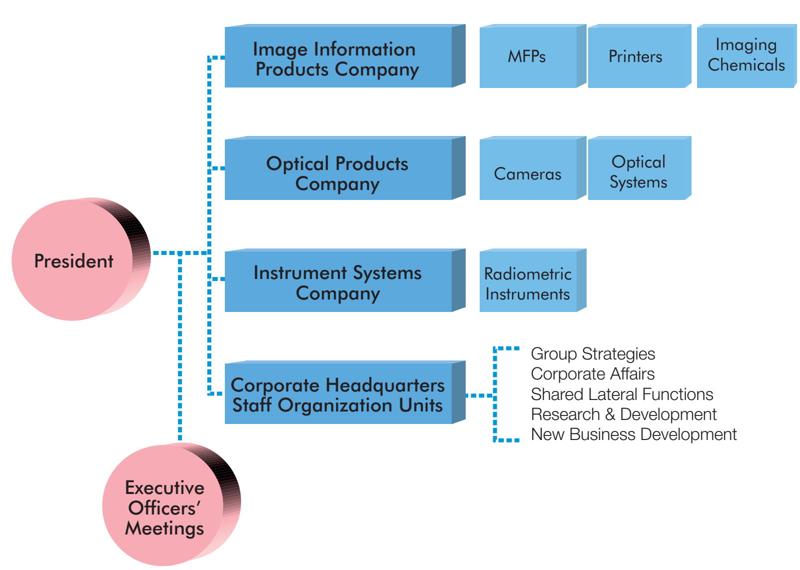
Q4: As part of its campaign to strengthen corporate governance, Minolta introduced an executive officer system in April 2001, embarking on a drive to separate various management functions. You reduced the number of directors and abolished the titles of "senior executive director" and "executive director." You also separated the functions of Executive Officers' Meetings and the Board of Directors. Why did you take such steps?

A4: In today's financial markets, companies are shifting their emphasis from indirect to direct financing. Meanwhile, industrialized economies have entered a prolonged low-growth period, and markets are becoming more global in nature. Against this background, the so-called "shareholder-oriented management" style has now become a global economic trend. By clearly separating management's supervisory and execution functions and raising transparency of management, we seek to fulfill the responsibilities that shareholders have entrusted to us. The new system is significant from the perspective of reinforcing corporate governance.

Q5: At the start of fiscal 2002, you instituted an "internal company" system. What is the significance of this change?

A5: The system is designed to strengthen our competitiveness in two ways. The first is to transfer

Minolta's Internal Company System



significant authority to each internal company president, thus increasing the speed of decision-making. The second is to shorten the distance between the Company and its customers and thus raise satisfaction. By building an integrated, top-down decision-making system, we hope to eliminate task conflicts and duplications, allocate limited managerial resources more efficiently, and improve productivity. In these ways, we are working to create a strongly competitive organization.

In the future, the presidents of internal companies will take greater responsibility for monitoring their cash flows and for closely tracking performance indicators. As such, they will need to do their jobs with a greater sense of urgency. Under the new system, each executive officer, together with company presidents, will be responsible for ensuring the transparent and impartial execution of operations and for reporting to the Board of Directors.

Q6: Please outline your competitive strategies for fiscal 2002 and beyond.

A6: Ultimately, we are pursuing two broad paths. First, we will reinforce our structural reforms. Second, we will adopt a selective concentration strategy for key businesses.

Rather than be content with the results of structural reforms in fiscal 2001, we will further reduce inventories, procurement costs, and personnel, taking them to more rational levels. In addition, we will pursue far-reaching reforms in both production and sales. This will entail accelerating the shift of production to China, revamping our sales channel strategies, securing large OEM accounts, and reinforcing our solutions business.

Our selective concentration strategy calls for us to become a top supplier in specified fields where we can fully demonstrate our core competence, rather than simply covering all market areas. In other words, we want to incrementally establish Minolta as the clear brand of choice in its specified fields in fiscal 2002 and beyond.

We are particularly strong in image processing technologies. Here, we are committed to building a solid position in color output products. In Europe, we already have a high market share for our color copiers in the segment of 13 to 29 pages per minute, and for color desktop laser printers, which outputs A4-/letter-sized paper.

In image information products, where we have performed well, we are extensively pushing our color strategy. In fiscal 2001, we augmented our mainstay line of color multi functional peripherals (MFPs) including DiALTA Color CF2001, a digital full-color MFP, which incorporates a tandem printing system that ensures high speed.

In the laser printer category, we increased sales of magicolor 2200 DeskLaser, a color laser printer bearing the Minolta-QMS brand, dramatically raising our share of the European and North American markets. We fully understand the importance of steadily building up a presence in these valuable regions and segments. In addition, we are promoting development of an original Minolta web-based network management utility that, when linked with an output device, permits total management of office documents in networked environments.

In optical products, our policy is to limit new product launches to items customers really want. At the same time, we are working to establish new de facto standards for digital cameras by developing unique products with unparalleled technologies, such as the DiMAGE X.

* MFP
The copier with expandability which provides the functions of a copier, a facsimile, a printer and etc. in one machine, in the way that it enhances office work productivity.

Q7: Can you describe your basic R&D structure and initiatives for cultivating new businesses aside from image information products and optical products?

A7: Both image information and optical products will remain our core businesses. We revamped research and development structure in keeping with our introduction of an internal company system to create the Image Information Technologies Center and the Optical Development Center. The Image Information Technologies Center's major mission is to provide technical support for our digital image information business. The Optical Development Center oversees the development of fundamental optical technologies for internal companies and applies their core competencies across operational boundaries.

We are also pursuing technologies that integrate our strengths in both image information and optical products. Our digital surveillance system, which incorporates image processing and micro-optoelectronic technologies, is a good example. To further enhance our digital surveillance system, we are working hard to develop the necessary technologies and create a viable business model. We are also developing optical devices for mobile applications, such as a micro zoom camera unit that incorporates our Smooth Impact Drive Mechanism based on our unique optical technologies. Such devices should enjoy great demand as mobile communications and computing advance.

Q8: Please explain Minolta's environmental activities.

A8: We believe that harmonizing with the environment in close communication with society is crucial to corporate management. Adopting an environmental management perspective, we are working to minimize the impact of our activities—both product- and operation-related—on the environment. We have implemented a green procurement system so that we can initiate all our environmental activities from the procurement stage. Through these efforts, we can decrease the environmental impact both our products and the operations of our suppliers.

Q9: The Japanese economy has entered a period of structural reform, highlighted by a wave of amendments to the Commercial Code and tax laws. A recent revision to the Commercial Code, to be enacted in April 2003, will allow U.S.-style management systems to be adopted in Japan. What type of management style will Minolta embrace as it looks to the future? And how do you see Japanese management styles evolving?

A9: It's basically a question of balance. This means acting in the interests of all stakeholders—customers, stockholders, bondholders, and employees alike. Also, it would be a mistake to conclude that conventional Japanese-style management is wrong and American-style management is right. What is certain is that economic structures change over time, and corporations can only evolve by responding to such developments. In this age of globalization and the IT-sparked information economy, a company cannot continue winning if it adheres stubbornly to traditional Japanese business models. Ideally, companies must adapt their management supervision and business execution functions to global standards, while retaining sound corporate philosophies and traditions. If it is deemed best to hire external directors and other U.S.-style systems, then such steps should be taken. I feel that, from now on, we will enter an era in which companies can freely choose their management styles and corporate governance frameworks in ways that best manifest their core competencies. I believe that East or West, a company's most valuable assets are an enduring corporate philosophy and management vision that allow it to meet stakeholder expectations.

Minolta's Environmental Initiatives