

Six-Year Financial Summary

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

	Millions of yen					
	2003	2002	2001	2000	1999	1998
For the Year:						
Net sales	¥528,155	¥510,862	¥464,289	¥482,767	¥506,075	¥490,259
Cost of sales	293,076	300,585	263,865	269,412	280,021	278,039
Operating income	34,383	3,950	9,190	20,268	29,085	26,892
Net income (loss)	12,696	(34,350)	(3,127)	3,144	9,002	16,429
Depreciation and amortization	25,337	26,399	25,405	23,387	23,375	20,172
Capital expenditures	19,847	27,002	32,206	26,357	24,046	29,350
R&D expenditures	24,335	29,000	26,300	30,918	26,664	24,267
At Year-End:						
Total assets	¥367,278	¥427,247	¥456,251	¥402,839	¥415,685	¥451,614
Total current assets	223,856	263,951	293,524	251,561	274,892	316,188
Property, plant and equipment—net	88,439	98,542	86,339	79,624	81,677	82,652
Total current liabilities	233,045	286,548	293,964	244,168	261,444	308,843
Long-term debt	36,887	46,538	60,995	57,910	48,937	41,919
Total shareholders' equity	57,947	46,502	71,194	75,005	80,047	77,074
Yen						
Per Share of Common Stock:						
Net income (loss)	¥ 45.33	¥(122.59)	¥ (11.16)	¥ 11.22	¥ 32.13	¥ 58.83
Net assets	207.03	165.97	254.08	267.69	285.67	275.98
Cash dividends	3.00	—	6.00	6.00	7.00	6.00
Percent						
Financial Ratios:						
Cost of sales ratio	55.5%	58.8%	56.8%	55.8%	55.3%	56.7%
Equity ratio	15.8	10.9	15.6	18.6	19.3	17.1
Return on assets	3.2	(7.8)	(0.7)	0.8	2.1	3.9
Return on equity	24.3	(58.4)	(4.3)	4.1	11.5	23.6
Other:						
Number of employees	19,682	21,932	22,729	21,794	20,294	20,503



Financial Review

Consolidated Operating Results

In fiscal 2002, ended March 31, 2003, Minolta faced an extremely harsh operating environment battered by global deflation and anxieties over the war in Iraq. Despite signs of a slight resurgence in capital expenditure in the U.S., personal consumption, which had served to support the economy, began to fall toward the end of the fiscal year. In Europe, concerns emerged regarding the deterioration of the German economy, and in Asia, overall conditions remained weak, excluding the continued strong performance by China. Closer to home, the Japanese economy was mired in recession, characterized by weak domestic demand brought on by prolonged deflation, uncertainty over employment conditions and other factors, and an increasingly soft export market.

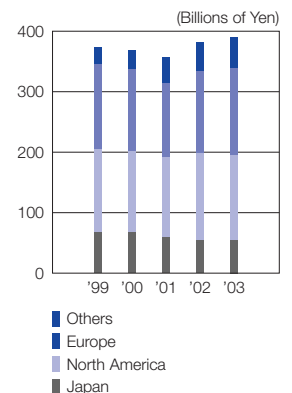
Against this backdrop, each and every member of the Company was firmly committed to ensuring a V-shaped recovery. As a result, Minolta achieved record sales and operating income for the fiscal year under review.

Net sales increased ¥17.3 billion to ¥528.2 billion, a record high for the Company. Driving our achievements in fiscal 2002 were steadfast efforts to implement strategies that focused on the selection and concentration of a specific genre and lineup of products and those regions where the Company could attain the number one position in the market. Another factor was the depreciation of the yen against the euro, which contributed ¥9.8 billion to sales performance. Based on an acceleration of colorization in image information products, Minolta focused on a specific product mix strategy, raising performance in the image information products business through expanded sales of its mainstay digital color MFP series. The Company also achieved the leading share in the German market for full-color MFPs with polymerized toner and expanded market share in Europe and the U.S. in color LBPs. In the optical products business, which includes digital cameras, a field characterized by intense competition, results were boosted by the Company's unique digital camera series incorporating a folded optical zoom lens unit with 3x zoom. Based on its specific product mix strategy, Minolta expanded market share in the target categories and effectively doubled its unit sales in this field.

On the earnings front, the Company recorded improvements in gross profit, non-operating, pre-tax, and net income results, and posted its highest operating income since establishment. Group efforts to review fixed expenses and

Breakdown of Image Information Products Sales by Region

	Billions of yen				
	1999	2000	2001	2002	2003
Japan	¥ 67.4	¥ 69.5	¥ 60.2	¥ 56.0	¥ 54.7
Overseas	305.5	298.2	296.5	325.9	335.2
North America	138.4	132.5	131.9	143.0	140.9
Europe	139.6	134.8	122.0	135.2	143.9
Others	27.5	30.9	42.6	47.7	50.4
	¥372.9	¥367.7	¥356.7	¥381.9	¥389.9



procurement costs, and the implementation of bold structural reforms were rewarded by an improvement in earnings.

Gross profit for the fiscal year under review totaled ¥235.1 billion, a year-on-year increase of ¥24.8 billion. The gross profit margin was 44.5%, up 3.3 percentage points from 41.2% in the previous fiscal year. Major contributing factors were initiatives implemented in fiscal 2001, including cutbacks in procurement costs, and the shift of production to China, as well as a decline in labor expenses as a result of structural reforms and personnel reduction. Other factors included efforts to add greater value to the Company's lineup of digital cameras and a concentration on specific product lines, and an increase in consumables sales, particularly polymerized toner.

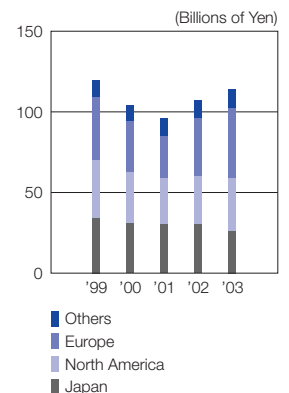
Selling, general and administrative (SG&A) expenses fell ¥5.6 billion, to ¥200.7 billion, reflecting the aforementioned structural reforms and in particular the effects of an early retirement initiative implemented in fiscal 2001. Accordingly, the SG&A expense ratio to net sales improved 2.4 percentage points from 40.4% to 38.0%.

Accounting for all these factors, operating income surged to ¥34.4 billion, surpassing its previous record high of ¥29.1 billion in fiscal 1998, and a significant increase of ¥30.4 billion compared with the previous fiscal year. In addition, the operating income to sales ratio was 6.5%, an improvement over the fiscal 1998 level.

In other expenses, the major components were interest expense of ¥7.1 billion, loss on valuation of inventories of ¥5.7 billion, and loss on valuation of investments in securities of ¥6.4 billion. These figures were all lower than in the previous fiscal year due to a variety of structural reform initiatives and reduction of costs, including accelerated repayment of interest-bearing debt made possible through the increase in cash flows, the introduction of supply chain management (SCM), and enhanced inventory management. Other income mainly comprised ¥2.6 billion in the return of pension assets previously managed on behalf of the government. As a result, income before income taxes and minority interests was ¥15.3 billion. In line with Minolta's commitment to a V-shaped recovery, net income totaled ¥12.7 billion, a turnaround of ¥47.0 billion from the net loss of ¥34.4 billion in the previous fiscal year.

Breakdown of Optical Products Sales by Region

	Billions of yen				
	1999	2000	2001	2002	2003
Japan	¥ 34.1	¥ 30.9	¥30.6	¥ 31.4	¥ 26.2
Overseas	86.0	73.2	65.1	76.6	87.8
North America	36.2	31.6	28.5	29.1	33.1
Europe	39.5	32.2	26.3	36.3	42.9
Others	10.3	9.4	10.3	11.2	11.8
	¥120.1	¥104.1	¥95.7	¥108.0	¥114.0



Liquidity and Financial Position

Equal to the Company's commitment to a V-shaped recovery, Minolta positioned a robust financial platform as a major priority in fiscal 2002. At the end of the previous fiscal year, interest-bearing debt stood at ¥240.7 billion, while shareholders' equity was down to ¥46.5 billion, due to the significant net loss recorded by the Company in fiscal 2001. As a result, the equity ratio deteriorated from 15.6% in fiscal 2000 to 10.9%. In an effort to strengthen the Company's financial position and thereby revive the trust of stakeholders, Minolta focused on improving cash flow and to accelerate the reduction of interest-bearing debt.

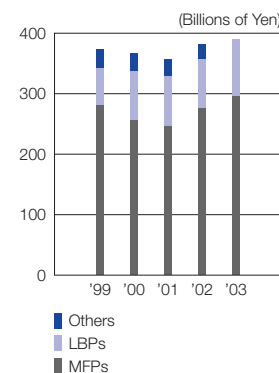
In fiscal 2002, net cash provided by operating activities amounted to ¥79.0 billion, compared to ¥37.3 billion in the previous fiscal year. This was the result of the significant improvement in earnings due to comprehensive measures to reduce costs, principally procurement costs and indirect Group expenses, and the Company's efforts to increase sales by concentrating on specific genres and lineup of products and those regions where the Company could attain the number one position in the market. Another major factor contributing to the increase in operating cash flows was the decrease in inventories of ¥19.9 billion. This can be attributed to ¥5.7 billion brought by the revaluation of inventories, the full-fledged introduction of SCM for a portion of the Company's mainstay products, the optimization of marketing structure, and overall inventory reduction brought by the increased sales. As a result, the Company achieved targets for inventory reduction and average monthly inventory turnover more than one year ahead of schedule. Minolta also actively cut back the balance of notes and accounts receivable, contributing ¥15.4 billion to the increase in operating cash flows.

Net cash used in investing activities was ¥15.3 billion reflecting the continuation of reduced capital expenditures. Restricting expenditure mainly for molds for new products where future growth can be expected, Minolta held capital expenditure to ¥7.2 billion less than the previous fiscal year. Consequently, free cash flow (net cash flow from operating activities less net cash flow used in investing activities) rose to ¥63.8 billion, up from ¥14.9 billion in the previous fiscal year.

Breakdown of Image Information Products Sales by Product Type

	Billions of yen				
	1999	2000	2001	2002	2003
MFPs	¥280.9	¥257.5	¥247.1	¥277.0	¥297.1
LBP	61.0	81.2	82.5	79.8	92.8
Others	31.0	29.0	27.1	25.1	—
	¥372.9	¥367.7	¥356.7	¥381.9	¥389.9

In the fiscal year ended March 31, 2003, the Image Information Products business was reclassified from three segments to the two segments of MFPs and LBPs.



This free cash flow was applied to the reduction of interest-bearing debt. As a result, the balance of interest-bearing debt as of March 31, 2003 stood at ¥171.0 billion, which including the redemption of bonds totaling ¥15.5 billion, translated into a total reduction of close to ¥70 billion.

Shareholders' equity was ¥57.9 billion, an increase of ¥11.4 billion. Despite this turnaround, Minolta acknowledges there is considerable work to be done to complete a total recovery from the loss incurred in fiscal 2001. Thanks to those measures implemented to streamline the Company's asset base, total assets stood at ¥367.3 billion, down from ¥427.2 billion as of the end of the previous fiscal year. As a result, the equity ratio improved to 15.8%, surpassing the level of fiscal 2000. In addition, the debt to equity ratio significantly improved to 2.95 times from 5.18 times reflecting positive steps taken toward a strong and healthy financial position.

Further indications of the Company's efforts to streamline its balance sheet were the jump in interest coverage ratio from 0.56 times to 4.96 times, and the turnaround from a loss on asset ratio of 7.8% to return on assets (ROA) of 3.2%. As previously discussed, Minolta positioned the improvement of its financial position and the achievement of a V-shaped recovery as its key priorities for fiscal 2002. In realizing these targets, the Company has worked to regain the trust of all its stakeholders.

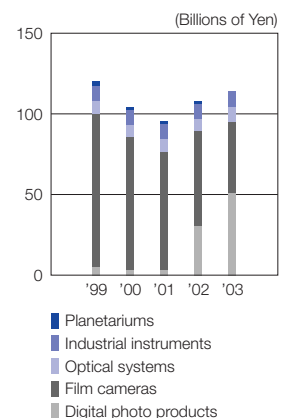
Outlook

In August 2003, Minolta and Konica Corporation completed the integration of their respective managements through an exchange of shares. This integration has resulted in a completely new entity, built on the foundation of each company's core imaging business, with the aim of expanding business and improving competitiveness and earnings capacity. Despite the forecast of sustained difficult operating conditions, this new entity is dedicated to delivering innovative products and services in the imaging domain that will instill in its customers the maximum satisfaction, and leave a lasting impression, to establish credibility and leading position in global markets.

Breakdown of Optical Products Sales by Product Type

	Billions of yen				
	1999	2000	2001	2002	2003
Digital photo products	¥ 4.9	¥ 3.4	¥ 6.5	¥ 30.7	¥ 50.8
Film cameras	94.8	82.1	69.8	59.0	44.1
Optical systems	8.1	7.9	8.6	7.6	9.8
Industrial instruments	9.8	9.3	9.0	9.1	9.3
Planetariums	2.5	1.4	1.8	1.6	—
	¥120.1	¥104.1	¥95.7	¥108.0	¥114.0

In the fiscal year ended March 31, 2003, the planetarium segment was removed from the Optical Products business and was reclassified into the Others business.



Consolidated Balance Sheets

Minolta Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2003 and 2002

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Current Assets			
Cash and deposits (Note 3)	¥ 33,585	¥ 39,302	\$ 279,875
Marketable securities (Notes 3 and 4)	5	4	42
Notes and accounts receivable (Note 7):			
Trade	96,708	112,354	805,900
Unconsolidated subsidiaries and affiliates	3,697	4,061	30,808
Other	4,461	4,370	37,175
Allowance for doubtful receivables	(4,258)	(4,218)	(35,483)
Notes and accounts receivable, net	100,608	116,567	838,400
Inventories (Notes 5 and 7)	77,248	98,127	643,733
Deferred income taxes (Note 13)	5,414	3,065	45,117
Other current assets (Note 3)	6,996	6,886	58,300
Total current assets	223,856	263,951	1,865,467
Investments and Other Assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliates	3,482	2,408	29,017
Other (Notes 4 and 7)	16,051	21,563	133,758
Total investments in securities	19,533	23,971	162,775
Long-term receivables:			
Unconsolidated subsidiaries and affiliates	51	148	425
Other	1,362	2,450	11,350
Allowance for doubtful receivables	(626)	(1,340)	(5,217)
Long-term receivables, net	787	1,258	6,558
Deferred income taxes (Note 13)	11,873	14,453	98,942
Other investments	7,206	7,729	60,050
Total investments and long-term receivables	39,399	47,411	328,325
Property, Plant and Equipment (Notes 7 and 18):			
Land (Note 18)	27,503	27,817	229,192
Buildings and structures	63,517	64,387	529,308
Machinery and equipment	183,257	179,883	1,527,141
Construction in progress	260	171	2,167
	274,537	272,258	2,287,808
Accumulated depreciation	(186,098)	(173,716)	(1,550,816)
Property, plant and equipment, net	88,439	98,542	736,992
Intangible Assets	15,584	17,343	129,866
	¥ 367,278	¥ 427,247	\$ 3,060,650

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Current Liabilities:			
Short-term bank loans (Notes 3, 6 and 7)	¥119,969	¥171,705	\$ 999,742
Current portion of long-term debt (Notes 6 and 7)	13,815	21,781	115,125
Notes and accounts payable:			
Trade	51,035	52,683	425,291
Unconsolidated subsidiaries and affiliates	383	150	3,192
Total notes and accounts payable	51,418	52,833	428,483
Accrued income taxes (Note 13)	2,743	1,665	22,858
Accrued expenses	20,489	18,024	170,742
Other current liabilities	24,611	20,540	205,091
Total current liabilities	233,045	286,548	1,942,041
Long-Term Liabilities:			
Long-term debt (Notes 6 and 7)	36,887	46,538	307,391
Accrued retirement and severance benefits (Note 11)	23,483	31,357	195,692
Deferred income taxes (Note 13)	99	185	825
Deferred income taxes on revaluation reserve for land (Notes 13 and 18)	5,975	6,167	49,792
Other long-term liabilities	8,490	8,485	70,750
Total long-term liabilities	74,934	92,732	624,450
Minority Interests	1,352	1,465	11,267
Contingent Liabilities (Note 15)			
Shareholders' Equity (Notes 8 and 21):			
Common stock:			
Authorized—800,000,000 shares			
Issued—280,207,681 shares in 2003 and 2002	25,833	25,833	215,275
Capital surplus	40,325	51,198	336,041
Revaluation reserve for land (Note 18)	8,741	8,516	72,842
Retained earnings (deficit)	(9,588)	(33,149)	(79,900)
Net unrealized holding loss on securities (Notes 4 and 13)	(346)	(367)	(2,883)
Translation adjustments	(6,877)	(5,524)	(57,308)
	58,088	46,507	484,067
Less treasury stock, at cost (Note 9):			
304,184 shares in 2003 and 24,545 shares in 2002	(141)	(5)	(1,175)
Total shareholders' equity	57,947	46,502	482,892
	¥367,278	¥427,247	\$3,060,650

Consolidated Statements of Operations

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Net Sales (Note 10)	¥528,155	¥510,862	\$4,401,292
Cost of Sales (Notes 10 and 12)	293,076	300,585	2,442,300
Gross profit	235,079	210,277	1,958,992
Selling, General and Administrative Expenses (Note 12)	200,696	206,327	1,672,467
Operating income	34,383	3,950	286,525
Other Income (Expenses):			
Interest and dividend income	714	669	5,950
Interest expense	(7,075)	(8,302)	(58,958)
Gain on return of substitutional portion of the employee welfare pension fund plan (Note 11)	2,633	—	21,942
Loss on valuation of investments in securities	(6,448)	(13,983)	(53,733)
Extraordinary amortization of goodwill on consolidation	—	(3,307)	—
Special retirement benefits (Note 11)	—	(5,236)	—
Other, net	(8,891)	(7,360)	(74,093)
	(19,067)	(37,519)	(158,892)
Income (loss) before income taxes and minority interests	15,316	(33,569)	127,633
Income Taxes (Note 13):			
Current	2,977	1,799	24,808
Deferred	70	(590)	584
	3,047	1,209	25,392
Income (loss) before minority interests	12,269	(34,778)	102,241
Minority Interests	427	428	3,559
Net income (loss)	¥ 12,696	¥ (34,350)	\$ 105,800

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Common stock			
Balance at beginning and end of the year	¥ 25,833	¥ 25,833	\$ 215,275
Capital surplus			
Balance at beginning of the year	¥ 51,198	¥ 51,198	\$ 426,649
Transfer to retained earnings (deficit)	(10,873)	—	(90,608)
Balance at end of the year	¥ 40,325	¥ 51,198	\$ 336,041
Revaluation reserve for land			
Balance at beginning of the year	¥ 8,516	¥ —	\$ 70,967
Net change	225	8,516	1,875
Balance at end of the year	¥ 8,741	¥ 8,516	\$ 72,842
Retained earnings (deficit)			
Balance at beginning of the year	¥(33,149)	¥ 1,897	\$(276,242)
Add:			
Net income	12,696	—	105,800
Adjustment resulting from initial inclusion of subsidiaries in consolidation	11	145	92
Transfer from capital surplus	10,873	—	90,608
Deduct:			
Net loss	—	(34,350)	—
Cash dividends paid	—	(841)	—
Reversal of revaluation reserve for land	(19)	—	(158)
Balance at end of the year	¥ (9,588)	¥(33,149)	\$ (79,900)
Net unrealized holding loss on securities			
Balance at beginning of the year	¥ (367)	¥ —	\$ (3,058)
Net change	21	(367)	175
Balance at end of the year	¥ (346)	¥ (367)	\$ (2,883)
Translation adjustments:			
Balance at beginning of the year	¥ (5,524)	¥ (7,733)	\$ (46,033)
Net change	(1,353)	2,209	(11,275)
Balance at end of the year	¥ (6,877)	¥ (5,524)	\$ (57,308)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥ 15,316	¥(33,569)	\$ 127,633
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	25,337	26,399	211,142
Amortization of goodwill on consolidation	896	4,467	7,467
(Decrease) increase in accrued retirement and severance benefits	(7,958)	9,348	(66,317)
Interest and dividend income	(714)	(669)	(5,950)
Interest expense	7,075	8,302	58,958
Equity in (earnings) loss of unconsolidated subsidiaries and affiliates	(72)	75	(600)
(Gain) loss on sales of investments in securities	(9)	1,628	(75)
Loss on valuation of investments in securities	6,448	13,983	53,733
Gain on sales of property, plant and equipment	(368)	(1,647)	(3,067)
Changes in operating assets and liabilities:			
Notes and accounts receivable	15,403	3,431	128,358
Inventories	19,853	45,064	165,442
Notes and accounts payable	(612)	(16,656)	(5,100)
Accrued consumption taxes	222	716	1,850
Other, net	6,484	(10,484)	54,034
Subtotal	87,301	50,388	727,508
Interest and dividend income received	713	604	5,942
Interest expense paid	(7,310)	(8,354)	(60,917)
Income taxes paid	(1,678)	(5,362)	(13,983)
Net cash provided by operating activities	79,026	37,276	658,550
Cash Flows from Investing Activities:			
Proceeds from sales of marketable securities	—	45	—
Purchases of property, plant and equipment	(12,331)	(20,804)	(102,758)
Proceeds from sales of property, plant and equipment	2,568	4,710	21,400
Purchases of investments in securities	(3,019)	(2,423)	(25,158)
Proceeds from sales of investments in securities	1,171	1,747	9,758
Additional acquisition of subsidiaries' shares	(3)	(234)	(25)
Repayment of loans receivable	(35)	(47)	(292)
Collection of loans receivable	335	80	2,792
Other, net	(3,962)	(5,450)	(33,017)
Net cash used in investing activities	(15,276)	(22,376)	(127,300)
Cash Flows from Financing Activities:			
(Decrease) increase in short-term bank loans	(51,068)	3,443	(425,567)
Proceeds from long-term borrowings	14,402	8,925	120,017
Repayment of long-term borrowings	(15,659)	(14,638)	(130,492)
Redemption of unsecured bonds	(15,500)	(1,200)	(129,167)
Dividends paid	(9)	(845)	(75)
Dividends paid to minority interests	(89)	(84)	(742)
Other, net	(1,466)	(248)	(12,216)
Net cash used in financing activities	(69,389)	(4,647)	(578,242)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(649)	884	(5,408)
(Decrease) increase in Cash and Cash Equivalents	(6,288)	11,137	(52,400)
Cash and Cash Equivalents at Beginning of Year (Note 3)	38,505	27,114	320,875
Cash and Cash Equivalents of Initially Consolidated Subsidiaries at Beginning of Year	1,143	254	9,525
Cash and Cash Equivalents at End of Year (Note 3)	¥ 33,360	¥ 38,505	\$ 278,000

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Minolta Co., Ltd. and Consolidated Subsidiaries

1. Basis of Preparation

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

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Certain modifications to the format have been made to facilitate understanding by readers outside Japan.

(b) The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥120 = US\$1.00, the approximate rate of exchange in effect on March 31, 2003. 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.

2. Significant Accounting Policies

(a) Principles of Consolidation

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

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

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

(b) Cash and Cash Equivalents (See Note 3)

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

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

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

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

(d) Inventories (See Note 5)

Inventories of the Company are stated at cost determined principally by the weighted average method. Inventories of subsidiaries are stated principally at the lower of cost or market, cost being determined principally by the first-in, first-out method.

(e) Derivatives (See Note 14)

Derivatives are stated at fair value.

(f) Depreciation

(1) Property, Plant and Equipment

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

(2) Intangible Assets

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

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

Research and development expenses are charged to income as incurred. In accordance with a new accounting standard for research and development expenses and computer software, expenditures relating to the cost of computer software intended for internal use are charged to income as incurred, except if these are deemed to contribute to generating future income or cost savings. Such expenditures are capitalized as intangible assets and amortized by the straight-line method over their useful lives, generally over a period of 5 years.

(h) Bonuses

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

(i) Lease Transactions (See Note 17)

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

(j) Hedge Accounting

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

(k) Income Taxes (See Note 13)

Deferred income taxes have been provided for temporary differences between the balances of assets and liabilities reported for financial purposes and the corresponding balances for tax reporting purposes.

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

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

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

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

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

(m) Foreign Currency Translation

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

(n) New Accounting Standards

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

3. Cash and Cash Equivalents

In the presentation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts in the balance sheets at March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash and deposits	¥33,585	¥39,302	\$279,875
Cash equivalents included in marketable securities	5	4	42
Time deposits with an original maturity in excess of 3 months included in cash and deposits	(192)	(135)	(1,600)
Negative cash equivalents included in short-term bank loans	(38)	(666)	(317)
Cash and cash equivalents at end of year	¥33,360	¥38,505	\$278,000

4. Marketable Securities and Investments in Securities—Other

Information regarding other securities with market value at March 31, 2003 and 2002 is summarized as follows:

(a) Other Securities with Quoted Market Values

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss) – on balance sheet –
2003			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 6,163	¥ 7,237	¥ 1,074
Debt securities	1	1	0
Subtotal	6,164	7,238	1,074
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	8,638	6,998	(1,640)
Other	459	453	(6)
Subtotal	9,097	7,451	(1,646)
Total	¥15,261	¥14,689	¥ (572)

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

	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss) – on balance sheet –
2003			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 51,358	\$ 60,308	\$ 8,950
Debt securities	8	8	0
Subtotal	51,366	60,316	8,950
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	71,984	58,317	(13,667)
Other	3,825	3,775	(50)
Subtotal	75,809	62,092	(13,717)
Total	\$127,175	\$122,408	\$ (4,767)

The Company and its subsidiaries recorded an impairment loss of ¥6,074 million (\$50,619 thousand) on equity securities included in other securities for the year ended March 31, 2003. Devaluation is carried out principally when the market value falls by more than 50% from the carrying value or when the market value falls by 30% to 50% from the carrying value for two years.

5. Inventories

A summary of inventories at March 31, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished goods	¥56,336	¥72,343	\$469,467
Work in process	16,095	19,984	134,125
Raw materials and supplies	4,817	5,800	40,141
	¥77,248	¥98,127	\$643,733

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

The weighted average interest rate on short-term bank loans was 3% at March 31, 2003 and 2002.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
2.3% yen unsecured bonds, due 2002	¥ —	¥10,000	\$ —
3.0% yen unsecured bonds, due 2004	8,300	8,800	69,167
1.75% euro-yen unsecured bonds, due 2002	—	5,000	—
1.355% yen unsecured bonds, due 2004	3,000	3,000	25,000
Bank loans,* due through 2009:			
Secured	566	1,507	4,716
Unsecured	38,836	40,012	323,633
	50,702	68,319	422,516
Less current portion	13,815	21,781	115,125
	¥36,887	¥46,538	\$307,391

* The weighted average interest rate on long-term bank loans was 3% at March 31, 2003 and 2002.

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥13,815	\$115,125
2005	24,096	200,800
2006	6,931	57,758
2007	4,020	33,500
2008	1,720	14,333
2009 and thereafter	120	1,000
	¥50,702	\$422,516

The Company issued 3.0% yen unsecured bonds of ¥8,800 million (\$73,333 thousand) in December 1997.

The Company issued 1.355% yen unsecured bonds of ¥3,000 million (\$25,000 thousand) in December 2000.

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 whether in the market or elsewhere.

7. Pledged Assets

The following assets were pledged as a foundation mortgage for short-term bank loans of ¥4 million (\$33 thousand) at March 31, 2003:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 4,686	\$ 39,050
Machinery and equipment	579	4,825
Land	12,138	101,150
Total	¥17,403	\$145,025

The assets pledged as collateral for short-term bank loans and long-term debt at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 494	\$ 4,117
Machinery and equipment	731	6,092
Land	874	7,283
Investments in securities	111	925
Notes and accounts receivable	3,448	28,733
Inventories	2,370	19,750
Total	¥8,028	\$66,900

Short-term bank loans and long-term debt, including current portion secured by such collateral at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term bank loans	¥1,815	\$15,125
Long-term debt, including current portion	566	4,717
Total	¥2,381	\$19,842

8. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equivalent to at least 10% of cash dividends and bonuses paid to directors and corporate auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of the common stock. The Code provides that neither capital surplus nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

At March 31, 2002, the Company's legal reserve, which was included in retained earnings, was ¥2,561 million. The Company reversed it to eliminate a deficit during the year ended March 31, 2003 and the Company's legal reserve was nil at March 31, 2003.

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for treasury stock and reversal of legal reserves. The effect of the adoption of this standard on the consolidated results of operations for the year ended at March 31, 2003 was immaterial.

In accordance with the revised regulations on consolidated financial statements, additional paid-in capital reported in shareholders' equity in the previous year has been presented as capital surplus at March 31, 2002.

9. Treasury Stock

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

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, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Sales to	¥8,815	¥9,876	\$73,458
Purchases from	3,321	1,888	27,675

11. Retirement and Severance Benefits

(a) Defined Benefit Plan for Employees

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

The funded and accrued status of the defined benefit plans of the Company and its consolidated subsidiaries at March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
① Retirement benefit obligation	¥(68,854)	¥(120,404)	\$(573,783)
② Plan assets at fair value	21,785	50,629	181,541
③ Unfunded benefit obligation (①+②)	(47,069)	(69,775)	(392,242)
④ Unrecognized retirement benefit obligation at transition	10,298	19,442	85,817
⑤ Unrecognized actuarial loss	13,723	19,411	114,358
⑥ Accrued retirement and severance benefits (③+④+⑤)	¥(23,048)	¥ (30,922)	\$(192,067)

Pursuant to the enactment of the Defined Benefit Corporate Pension Plan Law, the Company obtained approval from the Minister of Health, Labour and Welfare on March 31, 2003, for an exemption from future retirement benefit obligations with respect to the substitutional portion of the employee Welfare Pension Fund Plan the Company operates on behalf of the Japanese government. The Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its employee welfare pension fund plans as of the date of approval of its exemption, assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and the related pension plan assets had been completed as of that date. As a result, the Company recognized a gain of ¥2,633 million (\$21,942 thousand) for the year ended March 31, 2003. The pension assets which have been transferred were calculated at ¥22,602 million (\$188,350 thousand) at March 31, 2003.

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

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
① Service cost	¥ 4,529	¥ 5,234	\$ 37,742
② Interest cost	3,145	3,402	26,208
③ Expected return on plan assets	(2,051)	(2,251)	(17,092)
④ Amortization of unrecognized retirement benefit obligation at transition	1,387	1,522	11,558
⑤ Amortization of unrecognized actuarial loss	1,201	1,028	10,008
⑥ Amortization of unrecognized prior service cost	(221)	—	(1,841)
⑦ Retirement benefit expenses (①+②+③+④+⑤+⑥)	7,990	8,935	66,583
⑧ Gain on return of substitutional portion of the employee welfare pension fund plan	(2,632)	—	(21,933)
Total (⑦+⑧)	¥ 5,358	¥ 8,935	\$ 44,650

Because of the amendment of bylaw of the Company's employee pension that the payment starting age was raised for the substitutional portion, the unrecognized prior service cost (the deduction of obligation) was incurred and the related amortization was recognized for the year ended March 31, 2003. The unrecognized prior service cost was lapsed by the return of the substitutional portion of the employee pension fund plan at March 31, 2003.

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

The assumptions used for the above calculations were as follows:

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

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

The Company recorded accrued retirement and severance benefits for directors and corporate auditors, based on the Company's internal rules. This accrual amounted to ¥435 million (\$3,625 thousand) at March 31, 2003 and 2002.

12. Research and Development Expenses

Cost of sales and selling, general and administrative expenses for the years ended March 31, 2003 and 2002 included research and development expenses of ¥24,335 million (\$202,791 thousand) and ¥29,000 million, respectively.

13. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which in the aggregate, resulted in a statutory tax rate of approximately 42.0% for the years ended March 31, 2003 and 2002. Foreign subsidiaries are subject to the income tax regulations of the countries in which they operate.

A reconciliation of the statutory tax rates and effective tax rates for the year ended March 31, 2003, as a percentage of income before income taxes and minority interests, is as follows;

	2003
Statutory tax rate	42.0%
Increase (decrease) in income taxes resulting from:	
Valuation allowance	(30.3)
Permanent non-deductible expenses	20.8
International tax rate differences	(10.2)
Effect of change in statutory tax rate on deferred tax balances at the year end	1.0
Other	(3.4)
Effective tax rate	19.9%

For the year ended March 31, 2002, a reconciliation of the statutory tax rate and the effective tax rate has been omitted as a loss before income taxes and minority interests was recorded.

The significant components of deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Current			
Deferred tax assets (reflected in current assets):			
Research and development expenses	¥ 421	¥ 579	\$ 3,508
Inventories written down	1,922	1,366	16,017
Allowance for doubtful receivables	970	1,496	8,083
Accrued bonuses	1,693	408	14,109
Provision for product warranties	316	327	2,633
Intercompany profit on inventories	486	197	4,050
Other	942	1,365	7,850
	6,750	5,738	56,250
Less: Valuation allowance	(1,314)	(2,666)	(10,950)
	5,436	3,072	45,300
Deferred tax liabilities			
Refundable taxes	(2)	(6)	(17)
Other	(20)	(1)	(166)
	(22)	(7)	(183)
Deferred tax assets, net	¥ 5,414	¥ 3,065	\$ 45,117
Non-Current			
Deferred tax assets (reflected in investment and other assets):			
Retirement and severance benefits	¥ 7,329	¥ 9,607	\$ 61,075
Depreciation	4,735	4,300	39,459
Loss on devaluation of securities	1,982	5,418	16,517
Tax loss carryforward	11,001	12,806	91,675
Other	1,591	2,187	13,257
	26,638	34,318	221,983
Less: Valuation allowance	(12,340)	(17,543)	(102,833)
	14,298	16,775	119,150
Offset of deferred tax liabilities	(2,425)	(2,322)	(20,208)
Deferred tax assets, net	¥ 11,873	¥ 14,453	\$ 98,942
Deferred tax liabilities			
(reflected in long-term liabilities):			
Undistributed earnings of foreign subsidiaries	¥ (1,175)	¥ (1,593)	\$ (9,792)
Other	(1,349)	(914)	(11,241)
	(2,524)	(2,507)	(21,033)
Offset of deferred tax assets	2,425	2,322	20,208
Deferred tax liabilities, net	¥ (99)	¥ (185)	\$ (825)
Deferred tax liabilities for land revaluation (reflected in long-term liabilities):			
Deferred tax liabilities for land revaluation	¥ (5,975)	¥ (6,167)	\$ (49,792)

In accordance with a law on amendments to local tax laws, etc. announced on March 31, 2003, the Company and its domestic consolidated subsidiaries applied a statutory tax rate of 40.6% to the calculation of deferred tax assets and liabilities at March 31, 2003, which are expected to be reversed on April 1, 2004 and thereafter. The effect of this change in the statutory tax rate applied was to decrease deferred tax assets, net of deferred tax liabilities, deferred tax liabilities on revaluation reserve for land at March 31, 2003 by ¥171 million (\$1,425 thousand) and ¥206 million (\$1,718 thousand), respectively, and to increase unrealized holding loss on securities at March 31, 2003 and income taxes-deferred for the year ended March 31, 2003 by ¥7 million (\$58 thousand) and ¥148 million (\$1,233 thousand), respectively.

14. Derivatives

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

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

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

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

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

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

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

The fair value of the derivative positions open at March 31, 2003 and 2002 is summarized as follows:

(a) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			2003		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:									
To sell foreign currencies:									
US\$	¥12,445	¥12,621	¥(175)	¥17,270	¥17,322	¥ (52)	\$103,708	\$105,175	\$(1,458)
EURO	18,444	18,955	(511)	15,009	15,098	(89)	153,700	157,958	(4,259)
C\$	948	980	(33)	995	1,004	(9)	7,900	8,167	(275)
STG£	—	—	—	622	627	(5)	—	—	—
Total	¥31,837	¥32,556	¥(719)	¥33,896	¥34,051	¥(155)	\$265,308	\$271,300	\$(5,992)
To buy foreign currencies:									
US\$	¥ 371	¥ 364	¥ (6)	¥ 3	¥ 3	¥ (0)	\$ 3,092	\$ 3,033	\$ (50)
EURO	190	194	4	176	174	(2)	1,583	1,617	33
A\$	4	4	(0)	1	1	(0)	33	33	(0)
Yen	314	286	(26)	132	124	(8)	2,617	2,383	(216)
Total	¥ 879	¥ 848	¥ (28)	¥ 312	¥ 302	¥ (10)	\$ 7,325	\$ 7,066	\$ (233)

(b) Interest-Rate-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2003			2002			2003		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Interest-rate swaps:									
Receive/variable	—	—	—	—	—	—	—	—	—
Pay/ fixed	—	—	—	¥10,000	¥(652)	¥(652)	—	—	—

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

15. Contingent Liabilities

At March 31, 2003, contingent liabilities for notes discounted in the ordinary course of business amounted to ¥359 million (\$2,992 thousand). At March 31, 2003, contingent liabilities for guarantees of loans to companies other than consolidated subsidiaries amounted to ¥2,237 million (\$18,642 thousand).

16. Supplemental Disclosures of Cash Flow Information

During the years ended March 31, 2003 and 2002, leased property and certain related obligations of ¥3,449 million (\$28,742 thousand) and ¥2,053 million, respectively, were recorded as finance lease transactions.

17. Leases

(a) Lessees' Accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2003 and 2002, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2003				
	Millions of yen			
Acquisition costs	¥320	¥8,591	¥460	¥9,371
Accumulated depreciation	122	4,492	202	4,816
Net book value	¥198	¥4,099	¥258	¥4,555
At March 31, 2002				
	Millions of yen			
Acquisition costs	¥273	¥6,753	¥516	¥7,542
Accumulated depreciation	90	3,929	310	4,329
Net book value	¥183	¥2,824	¥206	¥3,213

	Buildings and structures	Machinery and equipment	Other assets	Total
At March 31, 2003	Thousands of U.S. dollars			
Acquisition costs	\$2,667	\$71,592	\$3,833	\$78,092
Accumulated depreciation	1,017	37,433	1,683	40,133
Net book value	\$1,650	\$34,159	\$2,150	\$37,959

Future minimum lease payments subsequent to March 31, 2003 on finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 7,938	\$ 66,150
Over 1 year	8,245	68,708
Total	¥16,183	\$134,858

Of the above amounts, future minimum lease payments subsequent to March 31, 2003 for sublease transactions was ¥5,903 million (\$49,192 thousand) for 1 year or less and ¥5,660 million (\$47,167 thousand) for over 1 year, resulting in ¥11,563 million (\$96,358 thousand) in total. The corresponding future minimum receipts on the lessors' side is almost the same amount, which is included in the following list of future minimum lease receipts in (b) Lessors' accounting.

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

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease payments	¥1,988	¥1,697	\$16,567
Depreciation equivalent	1,953	1,645	16,275
Interest expense equivalent	56	44	467

Future minimum lease payments subsequent to March 31, 2003 on non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 3,551	\$ 29,592
Over 1 year	11,890	99,083
Total	¥15,441	\$128,675

(b) Lessors' Accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2003 and 2002:

	Machinery and Equipment		
	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Acquisition cost	¥4,491	¥981	\$37,425
Accumulated depreciation	3,185	359	26,542
Net book value	¥1,306	¥622	\$10,883

Future minimum lease receipts subsequent to March 31, 2003 on finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥ 6,563	\$ 54,692
Over 1 year	6,360	53,000
Total	¥12,923	\$107,692

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

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease receipts	¥617	¥425	\$5,142
Depreciation equivalent	584	383	4,867

Future minimum lease receipts subsequent to March 31, 2003 on non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
1 year or less	¥1,984	\$16,533
Over 1 year	3,887	32,392
Total	¥5,871	\$48,925

18. Land Revaluation

Effective March 31, 2002, the Company revalued its land used for operations in accordance with the laws on land revaluation. The resulting revaluation surplus, net of the applicable tax effect, has been stated as a component of shareholders' equity, "Revaluation reserve for land." The applicable tax effect is included in non-current deferred tax liabilities. The carrying value of the land before revaluation and after revaluation at March 31, 2002 amounted to ¥9,454 million and ¥24,137 million, respectively. The fair value of the revalued land at March 31, 2003 was less than the carrying value by ¥2,213 million (\$18,442 thousand).

19. Amounts Per Share

Amounts per share at March 31, 2003 and 2002 and for the years then ended were as follows:

	Yen		U.S. dollars
	2003	2002	2003
Net assets	¥207.03	¥ 165.97	\$1.73
Net income (loss)	45.33	(122.59)	0.38
Cash dividends	3.00	—	0.03

Until the year ended March 31, 2002, amounts per share of net assets were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date. Net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, amounts per share of net assets at March 31, 2003 was computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. Net income per share was computed based on the net

income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year. The amounts per share at March 31, 2002 and for the year then ended computed based on the new standard were same as those based on the previous standard.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.

20. 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 photo-copiers, printers and related accessories. The optical products segment includes primarily cameras, lenses, radiometric instruments and related accessories. The other segment includes items not classified under image information products or optical products.

The following tables present information by industry segment and geographic area as well as overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002:

Information by Industry Segment

Year ended March 31, 2003	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
	Millions of yen					
Net sales:						
Unaffiliated customers	¥389,936	¥114,040	¥24,179	¥528,155	¥ —	¥528,155
Intersegment	164	465	8,120	8,749	(8,749)	—
Total	390,100	114,505	32,299	536,904	(8,749)	528,155
Operating expenses	360,148	111,297	31,271	502,716	(8,944)	493,772
Operating income	¥ 29,952	¥ 3,208	¥ 1,028	¥ 34,188	¥ 195	¥ 34,383
Assets	¥247,612	¥ 78,400	¥13,905	¥339,917	¥27,361	¥367,278
Depreciation and amortization	20,969	4,101	267	25,337	—	25,337
Capital expenditures	15,824	3,180	843	19,847	—	19,847
Year ended March 31, 2002	Millions of yen					
Net sales:						
Unaffiliated customers	¥381,907	¥107,993	¥20,962	¥510,862	¥ —	¥510,862
Intersegment	37	82	2,541	2,660	(2,660)	—
Total	381,944	108,075	23,503	513,522	(2,660)	510,862
Operating expenses	371,127	115,312	23,173	509,612	(2,700)	506,912
Operating income (loss)	¥ 10,817	¥ (7,237)	¥ 330	¥ 3,910	¥ 40	¥ 3,950
Assets	¥267,949	¥ 98,459	¥ 6,118	¥372,526	¥54,721	¥427,247
Depreciation and amortization	20,853	5,394	93	26,340	59	26,399
Capital expenditures	21,732	4,662	608	27,002	—	27,002

Year ended March 31, 2003	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
	Thousands of U.S. dollars					
Net sales:						
Unaffiliated customers	\$3,249,467	\$950,333	\$201,492	\$4,401,292	\$ —	\$4,401,292
Intersegment	1,367	3,875	67,666	72,908	(72,908)	—
Total	3,250,834	954,208	269,158	4,474,200	(72,908)	4,401,292
Operating expenses	3,001,234	927,475	260,591	4,189,300	(74,533)	4,114,767
Operating income	\$ 249,600	\$ 26,733	\$ 8,567	\$ 284,900	\$ 1,625	\$ 286,525
Assets	\$2,063,434	\$653,333	\$115,875	\$2,832,642	\$228,008	\$3,060,650
Depreciation and amortization	174,742	34,175	2,225	211,142	—	211,142
Capital expenditures	131,867	26,500	7,025	165,392	—	165,392

* The assets in the eliminations column include ¥28,518 million (\$237,650 thousand) and ¥55,410 million of assets at March 31, 2003 and 2002, respectively, maintained for general corporate purposes, principally consisting of surplus funds under management (cash and negotiable securities) and long-term investments (investments in securities) of the Company.

Information by Geographic Area

Year ended March 31, 2003	Millions of yen						Consolidated total
	Japan	North America	Europe	Other	Total	Eliminations*	
Net sales:							
Unaffiliated customers	¥168,346	¥163,592	¥162,873	¥ 33,344	¥528,155	¥ —	¥528,155
Intersegment	174,684	4,116	1,810	98,233	278,843	(278,843)	—
Total	343,030	167,708	164,683	131,577	806,998	(278,843)	528,155
Operating expenses	317,452	163,786	160,784	128,719	770,741	(276,969)	493,772
Operating income	¥ 25,578	¥ 3,922	¥ 3,899	¥ 2,858	¥ 36,257	¥ (1,874)	¥ 34,383
Assets	¥217,166	¥ 88,492	¥ 88,826	¥ 39,752	¥434,236	¥ (66,958)	¥367,278

Year ended March 31, 2002	Millions of yen						Consolidated total
	Japan	North America	Europe	Other	Total	Eliminations*	
Net sales:							
Unaffiliated customers	¥165,695	¥166,284	¥152,037	¥ 26,846	¥510,862	¥ —	¥510,862
Intersegment	153,046	3,781	1,696	98,082	256,605	(256,605)	—
Total	318,741	170,065	153,733	124,928	767,467	(256,605)	510,862
Operating expenses	315,557	170,944	152,799	123,316	762,616	(255,704)	506,912
Operating income (loss)	¥ 3,184	¥ (879)	¥ 934	¥ 1,612	¥ 4,851	¥ (901)	¥ 3,950
Assets	¥241,396	¥104,309	¥ 93,010	¥ 46,567	¥485,282	¥ (58,035)	¥427,247

Year ended March 31, 2003	Thousands of U.S. dollars						Consolidated total
	Japan	North America	Europe	Other	Total	Eliminations*	
Net sales:							
Unaffiliated customers	\$1,402,883	\$1,363,267	\$1,357,275	\$ 277,867	\$4,401,292	\$ —	\$4,401,292
Intersegment	1,455,701	34,300	15,083	818,608	2,323,692	(2,323,692)	—
Total	2,858,584	1,397,567	1,372,358	1,096,475	6,724,984	(2,323,692)	4,401,292
Operating expenses	2,645,434	1,364,884	1,339,866	1,072,658	6,422,842	(2,308,075)	4,114,767
Operating income	\$ 213,150	\$ 32,683	\$ 32,492	\$ 23,817	\$ 302,142	\$ (15,617)	\$ 286,525
Assets	\$1,809,716	\$ 737,433	\$ 740,217	\$ 331,267	\$3,618,633	\$ (557,983)	\$3,060,650

* The assets in the eliminations column include ¥28,518 million (\$237,650 thousand) and ¥55,410 million of assets at March 31, 2003 and 2002, respectively, maintained for general corporate purposes, principally consisting of surplus funds under management (cash and negotiable securities) and long-term investments (investments in securities) of the Company.

Overseas Sales

Years ended March 31	North America	Europe	Other	Total (A)	Consolidated total (B)	(A)/(B) (%)
	Millions of yen					
2003	¥188,982	¥186,821	¥62,375	¥438,178	¥528,155	83.0%
2002	189,108	171,542	58,969	419,619	510,862	82.1%

Year ended March 31	Thousands of U.S. dollars				
	2003	\$1,574,850	\$1,556,842	\$519,792	\$3,651,483

21. Subsequent Events

(a) Stock Swap Contract

The Company resolved at the Board of Directors Meeting and concluded a stock swap contract with Konica Corporation ("Konica") on May 15, 2003.

This contract was approved at the Ordinary General Shareholders' Meetings held on June 25, 2003 for Konica and on June 27, 2003 for the Company.

The Company and Konica will swap stocks on August 5, 2003, having Konica as a complete parent company and Minolta as a wholly owned subsidiary. After the stock swap, Konica will become a new integrated holding company, "Konica Minolta Holdings, Inc".

Konica will newly issue 174,008,969 shares of common stock for this stock swap, and for the shareholders in the Company's shareholders list (including beneficial shareholders) as of the day immediately before the swap date, Konica will allocate 0.621 common share of Konica for those who own 1 common share of the Company. For this transaction, Konica will not pay stock swap grant to Minolta's shareholders, however, dividend for the newly issued common shares will be calculated from April 1, 2003.

(b) Company Separation and Merger

The Company resolved the future business restructuring plan at the Board of Directors Meeting on May 15, 2003.

On October 1, 2003, the Company will separate the five business sectors—image information products (office equipment), optical products, cameras, photo imaging, and instrument systems—and the two functions as technology center and business expert. And each separated operation will be succeeded by the corresponding business company of Konica or by the preparatory company set up by the Company.

After the above separation of the Company, the functions as corporate strategy and administration will be left and it will be merged with the new integrated holding company, "Konica Minolta Holdings, Inc".

(c) Appropriation of Retained Earnings

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2003, were approved at a shareholders' meeting of the Company held on June 27, 2003:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.0=\$0.03 per share)	¥840	\$7,000



Independent Auditors' Report

The Board of Directors
Minolta Co., Ltd.

We have audited the accompanying consolidated balance sheets of Minolta Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion independently on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Minolta Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2 to the consolidated financial statements, Minolta Co., Ltd. and consolidated subsidiaries have adopted a new accounting standard for valuation of other securities with market value effective the year ended March 31, 2002 in the preparation of their consolidated financial statements.

As described in Note 21 to the consolidated financial statements, Minolta Co., Ltd. concluded a stock swap contract with Konica Corporation as resolved at the Board of Directors of Minolta Co., Ltd. on May 15, 2003. This contract was approved at the ordinary shareholders' meetings held on June 25, 2003 for Konica Corporation and on June 27, 2003 for Minolta Co., Ltd. The Board of Directors of Minolta Co., Ltd. also resolved that Minolta Co., Ltd. reorganizes its business through a company separation and merges with a new integrated holding company named "Konica Minolta Holdings, Inc." (presently Konica Corporation.)

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Shin Nihon & Co.

Osaka, Japan
June 27, 2003

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