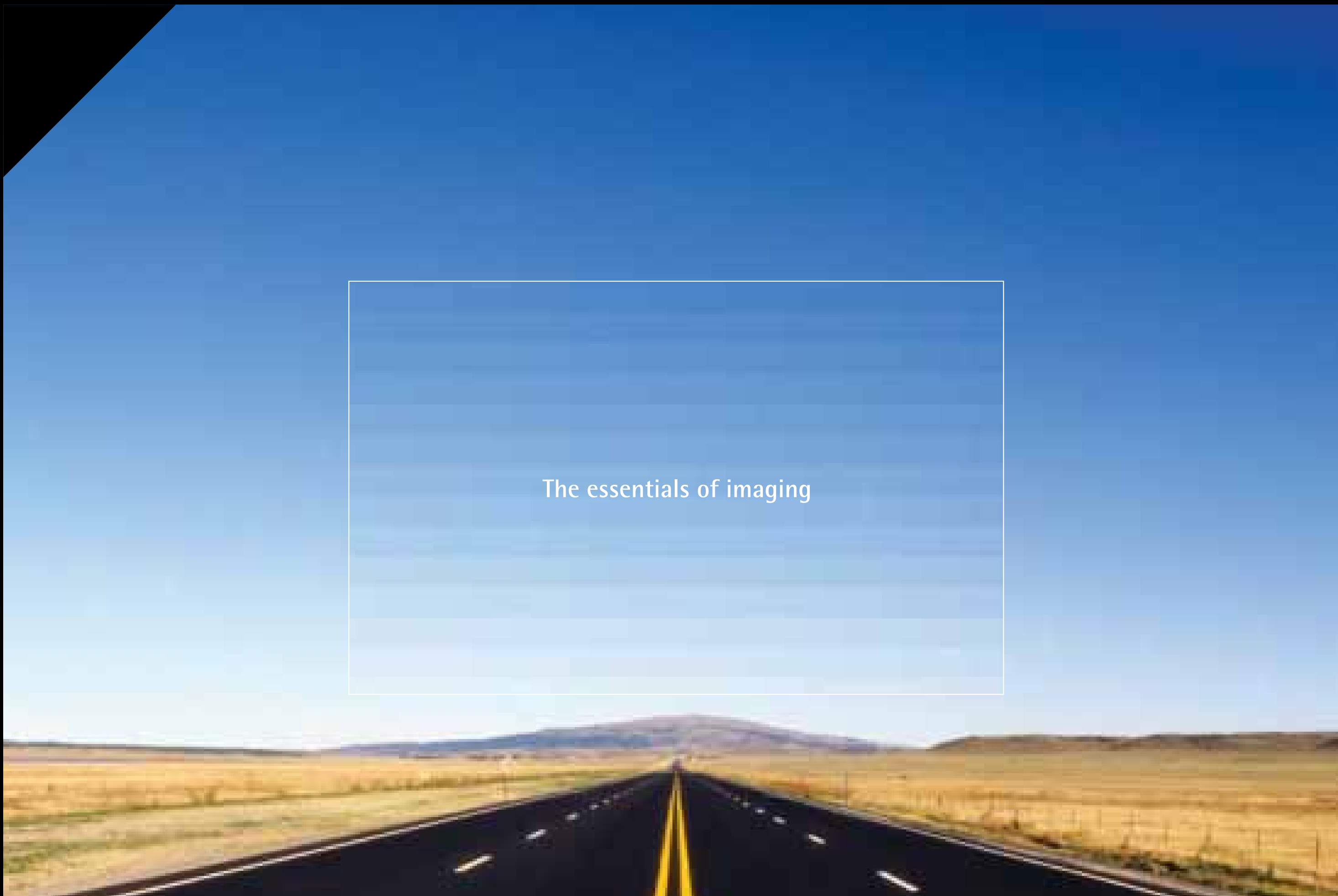


ANNUAL REPORT 2003

MINOLTA

The essentials of imaging

www.minolta.com

Company Profile

For more than 70 years, since its establishment in 1928, Minolta Co., Ltd., has worked to create new value by accumulating and cultivating light-related technologies. Armed with a wealth of expertise in optical, sensing, mechatronics, image processing, and other technologies, we have earned the trust and high acclaim of our customers in diverse fields. These fields include image information products, such as digital copiers, laser printers, micrographics, and digital image input/output devices, as well as digital and film cameras, industrial instruments, and other optical devices.

The Company first expanded its operations overseas in the 1950s. Today, overseas sales account for over 80% of net sales, underpinned by more than 60 overseas sales and production bases.

Minolta was also early to adopt environmental preservation initiatives and continues its efforts to reduce environmental impact on a Groupwide basis.

"The essentials of imaging" is our corporate slogan. Guided by this slogan, we will strive to become an "essential" company to our customers by providing appealing, high-quality products, backed by personalized services. In this way, we hope to unleash new potential in our ongoing quest to become an excellent company that contributes to individuals and to society.

Contents

Disclaimer Regarding Forward-Looking Statements

Any statements in this document, other than those of historical fact, are forward-looking statements about the future performance of Minolta and its Group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions, such as consumer spending and private capital expenditures, particularly given the continuing sluggish economy of Japan; currency exchange rate fluctuations, notably with the yen, U.S. dollar, Asian currencies, the euro and other currencies in which Minolta operates its international business; direct and indirect restrictions imposed by other countries; fluctuations in market prices of securities in which Minolta has substantial holdings; and Minolta's ability to maintain its strength in many products and geographical areas, through such means as new product introductions, in a market that is highly competitive in terms of both price and technology, pertinent to the industry to which the Company primarily belongs.

Consolidated Financial Highlights

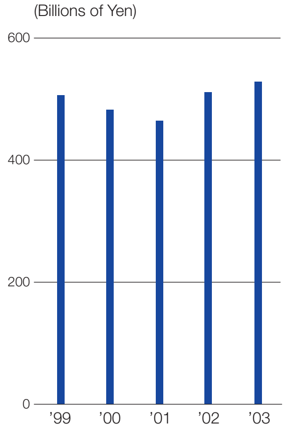
Minolta Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note)
	2003	2002	**2003**
For the Year:			
Net sales	**¥528,155**	¥510,862	**$4,401,292**
Operating income	**34,383**	3,950	**286,525**
Net income (loss)	**12,696**	(34,350)	**105,800**
Capital expenditures	**19,847**	27,002	**165,392**
R&D expenditures	**24,335**	29,000	**202,792**
At Year-End:			
Total assets	**¥367,278**	¥427,247	**$3,060,650**
Total shareholders' equity	**57,947**	46,502	**482,892**
Interest-bearing debt	**171,030**	240,694	**1,425,250**
Per Share of Common Stock:	Yen		U.S. dollars
Net income	**¥ 45.33**	¥ (122.59)	**$ 0.38**
Net assets	**207.02**	165.97	**1.73**
Cash dividends	**3.00**	—	**0.03**
Financial Ratios:			
Equity ratio (%)	**15.78**	10.88	
Debt/equity ratio (times)	**2.95**	5.18	
Return on equity (%)	**24.31**	(58.37)	

Note: U.S. dollar amounts above and elsewhere in this report are translated from yen, for convenience only, at the rate of ¥120=US$1, the approximate exchange rate prevailing at March 31, 2003.

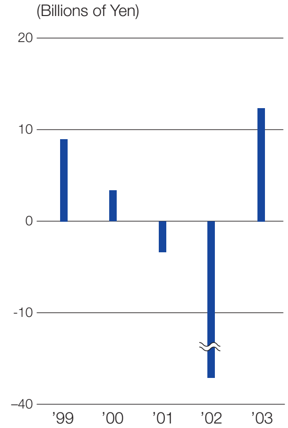
Net Sales

(Billions of Yen)



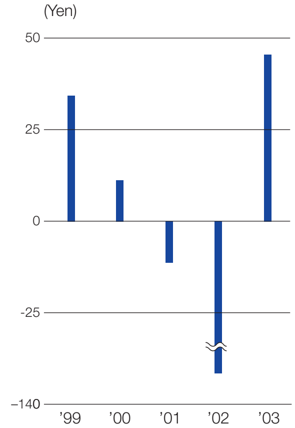
Net Income (Loss)

(Billions of Yen)



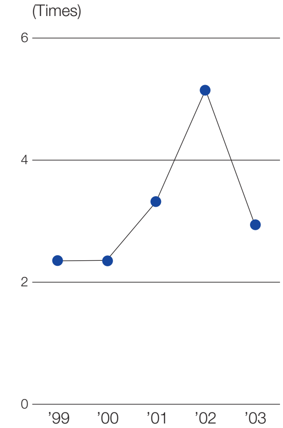
Net Income (Loss) per Share

(Yen)



Debt/Equity Ratio

(Times)



To Our Shareholders

Despite an extremely harsh market environment in fiscal 2002, the year ended March 31, 2003, impacted by the global deflationary trend and anxieties over the war in Iraq, Minolta Co., Ltd. strengthened its Companywide resolve to secure a strong operating performance and produce a V-shaped recovery. As a result of its efforts throughout the year, Minolta reported net sales of ¥528.2 billion and operating income of ¥34.4 billion, both record highs for the Company. Even more noteworthy was our return to net profit, with net income of ¥12.7 billion, a turnaround from the net loss of ¥34.4 billion recorded in the previous fiscal year. Minolta has positioned the reduction of interest-bearing debt by generating greater cash flow as a top management priority. We have successfully accelerated debt reduction programs, cutting the balance of interest-bearing debt from a peak of ¥250 billion to ¥171 billion as of the fiscal year-end, to significantly strengthen our financial position. As a result, the equity ratio has improved from 10.9% to 15.8%.

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.

Based on our core competencies, we focused on a specific product mix strategy, raising performance in the image information products business through expanded sales of our mainstay color multifunctional peripheral (MFP) series, and significantly increasing sales in the optical products business with the introduction of digital cameras featuring a proprietary optical system that places the optical zoom lens inside the flat camera body.

Minolta has also undertaken significant steps to transform its Groupwide mindset, shifting from a revenue and earnings focus to more of a capital efficiency and cash flow focus. By undertaking a comprehensive review of our cost structure and boldly reducing Group fixed costs, procurement costs, and inventories, we aim to establish a platform capable of generating sustained profits irrespective of deflationary conditions and periods of low growth.

Minolta does not take lightly the anticipated increase in global competition both from within and outside the industry. Amid an increasingly harsh economic environment, we will redouble our efforts to enhance shareholder value.

In August 2003, Minolta Co., Ltd. and Konica Corporation integrated their respective managements and established a holding company, Konica Minolta Holdings, Inc. With the birth of an entirely new entity, the new corporate group aims to strengthen total business competitiveness and profitability, as well as expand business, by combining the strength of both companies. Guided by our corporate slogan, “The essentials of imaging,” amid intensifying global competition, we will continue our efforts to become “an essential company” to our customers. We ask for the continued support and understanding of our shareholders.

August 2003

Yoshikatsu Ota
President and Representative Director

Image Information Products

C O M P A N Y

DiALTA Color CF3102

www.BERTL.com

In line with our selective concentration strategy, we have allocated management resources in areas that focus on the promotion of digitization and the acceleration of colorization in potential high-growth businesses, multi-functional peripherals (MFPs) and laser printers (LBPs). The image information products business is important to our operations, and we intend to become a top supplier by concentrating in our specialized genres and in specified geographic areas where our strength can be demonstrated.

Responding to calls from the market for advanced information network technology and digitization, Minolta expanded sales in the MFP business by enhancing its lineup. In this business, we introduced the DiALTA Di551 and DiALTA Di451, supporting high productivity in the networked office environment, and the DiALTA Di850, which features high productivity, polymerized toner technology, and high-speed output of 85 copies per minute.

In the growing digital color MFP field, we boosted our market

DiALTA Di850

share by expanding sales of the tandem engine based DiALTA Color CF3102 and DiALTA Color CF2002, using polymerized toner. We increased market share in each of our operating regions and most notably acquired a leading position in the color MFP market in Germany in 2002. We were very successful in raising our profile in digital imaging products, receiving various awards for their excellent performance, such as the “Editor’s Choice” award from the U.S. *Better Buys for Business* magazine and the “Five Star Exceptional Rating” from the independent international publisher of news, research and critical analysis service covering digital imaging systems, Business Equipment Research & Test Laboratories (BERTL).

In the office market, we focused on providing total solutions for

magicolor 2300DL

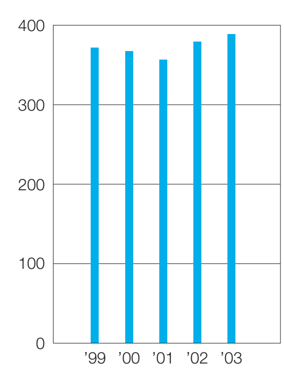
PagePro 1250E

both the hardware and software needs of customers. We launched PageScope Suite, a Web-based network and document management software that lowers the total cost of ownership (TCO) and increases office work productivity.

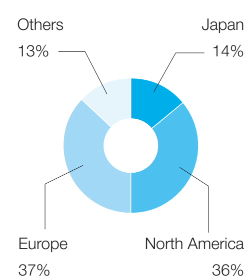
Overall growth in the LBP market was less than initially anticipated, however, new products such as the monochrome PagePro 1200/1250 series and PagePro 9100 contributed to expanding market share in Europe, the U.S., and China. In the color LBP market, we continued to acquire market share in Europe and the U.S. through sales of magicolor 2200, introduced in fiscal 2001. In the fiscal year under review, our market share was increased significantly by the newly released magicolor 2300DL, which has been recognized for its high productivity, compactness, and affordability. This product caters to the A4/letter size LBP market, the largest volume market categorized by paper size, solidifying our position in the market. Due to the contribution brought by magicolor series LBPs, which are highly regarded for their cost performance, we also expanded our OEM business, deriving maximum benefit from our business alliance.

Collaborative arrangements including the joint development and supply of products and a polymerized toner joint-venture business have been developed since April 2000, and have contributed steadily to results. The management integration formalized with Konica Corporation in August 2003 aims to strengthen the position of the new company in the field of image information products, enhancing development and marketing capabilities, competitiveness and profitability.

Image Information Products Company Sales
(Years ended March 31)
(Billions of Yen)



Sales by Region
(As of March 31, 2003)
(%)



Optical Products

C O M P A N Y

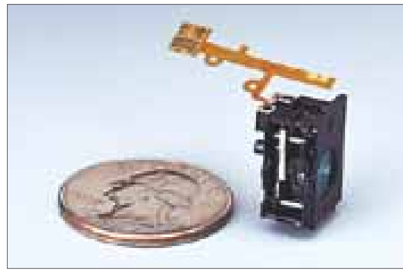
DiMAGE Xt

The worldwide digital camera market has continued to expand significantly while at the same time exhibiting increasingly intense competition. In fiscal 2002, we continued our program of far-reaching structural reforms and cost reduction under the selective concentration and differentiation strategies in an effort to capture a dominant position in specified genres. With contributions delivered by the DiMAGE digital cameras including the DiMAGE 7i, a high-end model with 5 megapixel effective resolution and built-in 7x zoom lens, the DiMAGE 7Hi, a high-function limited edition, the compact and stylish DiMAGE F series with 4 megapixel and 5 megapixel effective resolution, and the DiMAGE X full-flat 3x zoom series with 2 megapixel and 3.2 megapixel effective resolution, we doubled unit sales compared with the previous fiscal year and captured high market share in the respective categories.

The DiMAGE X series utilizes Minolta's revolutionary folded optical zoom lens unit, which differs greatly from conventional lens systems,

Color prism unit with the accurately positioned Digital Micromirror Device™* (DMD™) panels for digital projectors

Digital Micromirror Device™ is a trademark of U.S.-based Texas Instruments Incorporated.*



MZC (Micro Zoom Camera) Miniture Optical Zoom Unit

incorporating a zoom lens in a body that is only 20mm thick. The DiMAGE X has received unprecedented acclaim, winning a number of awards including the Camera Grand Prix 2002 Special Prize in Japan, the Digital Compact Camera of the Year 2002-2003 from the European Imaging and Sound Association (EISA), the Best Design awards among The Best Photo Products in Europe Awards 2002-2003 selected by the Technical Image Press Association (TIPA), and the internationally acclaimed iF Gold Award in Germany for its superior design. We actively pursued diversified sales channels such as nationwide electric appliance retailers and PC stores and achieved significant year-on-year growth both in sales volume and amount.

As for film cameras, we continued our program of structural reform anticipating a growing trend toward global market reduction. Minolta has concentrated on the introduction of new models with unique characteristics. The DYNAX series of compact single lens reflex (SLR) cameras is one such example and has maintained its market share in its class. The DYNAX 4 (marketed as Maxxum 4 in North America, α-Sweet ⅡL in Japan) has attracted wide acclaim, offering compactness and functionality on par with advanced models, winning the European Camera of the Year 2002-2003 from EISA.

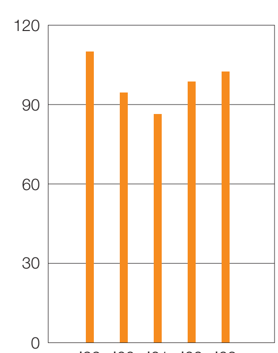
In the optical systems business, we increased sales on the back of growing demand, reflecting the trend toward mobile PC communications and higher capacity hard disks. In addition, we strengthened our cost competitiveness in optical units for digital projection systems through the smooth start up of production at our China-based subsidiary. In addition, we have commenced mass production of micro-lens units for application in mobile phones mounted with cameras, a field which offers significant growth potential.

Following management integration with Konica Corporation, we will leverage the technical expertise of both companies, allocate management resources to those categories where high-profits are anticipated, and market products with competitive advantage. Through these measures, we aim to establish a dominant position in specified genres and improve our earnings capacity.

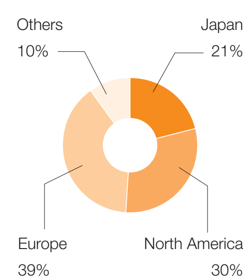
DiMAGE 7Hi

DYNAX 4

Optical Products Company Sales
(Years ended March 31)
(Billions of Yen)



Sales by Region
(As of March 31, 2003)
(%)



Instrument Systems

C O M P A N Y

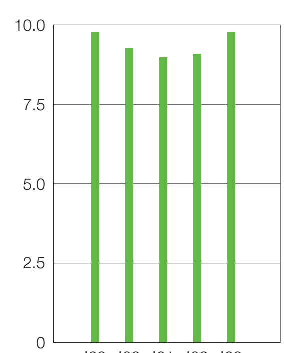
VIVID 910

Optimizing Minolta's sensing technology, the Instrument Systems Company markets industrial instruments for measuring light, color, and temperature with a variety of applications to meet greatly increasing demands in industrial product quality management. Another important product line is non-contact 3D digitizers, which are carving our way to success, responding to increasing demands for 3D digitizing in reverse engineering, archiving cultural properties, and other uses. For medical applications, Pulsox series oxygen saturation monitors and jaundice meters are widely accepted in the world market.

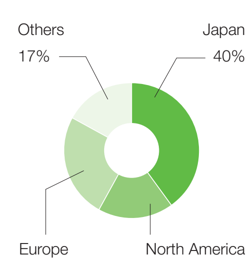
In fiscal 2002, we expanded sales of the VIVID 910, a new model of portable non-contact VIVID series digitizers with high accuracy and high-speed scanning capabilities. Moreover, we solidified our market position in the color measurement field by expanded sales of the newly introduced Chromameter CR-400 and CR-410 equipped with a huge number of added value features and improved versatility.

CR-400/410

Instrument Systems Company Sales
(Years ended March 31)
(Billions of Yen)



Sales by Region
(As of March 31, 2003)
(%)



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.

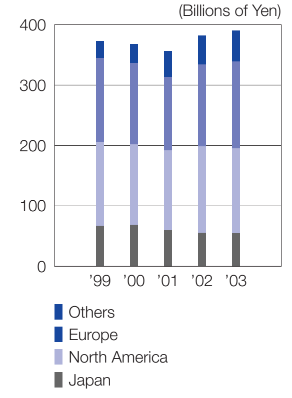
Against this backdrop, each and every member of the Company was firmly committed to ensuring a V-shaped recovery. As a result, Minolta achieved record sales and operating income for the fiscal year under review.

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.

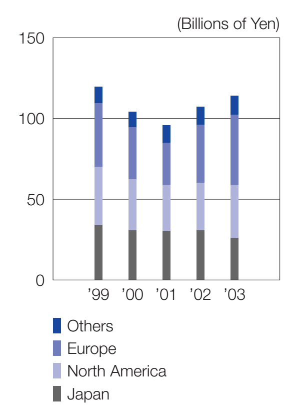
Selling, general and administrative (SG&A) expenses fell ¥5.6 billion, to ¥200.7 billion, reflecting the aforementioned structural reforms and in particular the effects of an early retirement initiative implemented in fiscal 2001. Accordingly, the SG&A expense ratio to net sales improved 2.4 percentage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

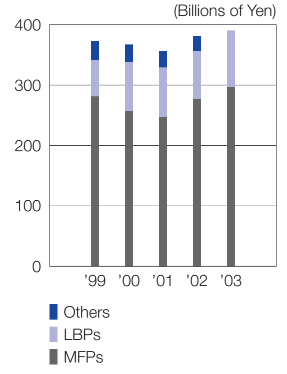
In fiscal 2002, net cash provided by operating activities amounted to ¥79.0 billion, compared to ¥37.3 billion in the previous fiscal year. This was the result of the significant improvement in earnings due to comprehensive measures to reduce costs, principally procurement costs and indirect Group expenses, 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**
LBPs	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.

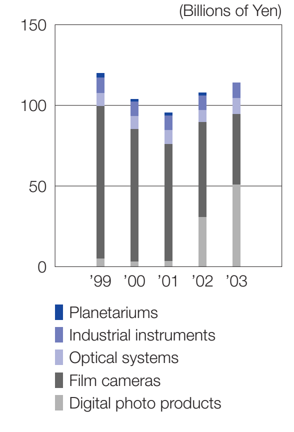
Outlook

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 2003	2002	Thousands of U.S. dollars (Note 1) 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	**$4,401,292**
Cost of Sales (Notes 10 and 12)	**293,076**	300,585	**2,442,300**
Gross profit	**235,079**	210,277	**1,958,992**
Selling , General and Administrative Expenses (Note12)	**200,696**	206,327	**1,672,467**
Operating income	**34,383**	3,950	**286,525**
Other Income (Expenses):			
Interest and dividend income	**714**	669	**5,950**
Interest expense	**(7,075)**	(8,302)	**(58,958)**
Gain on return of substitutional portion of the employee welfare pension fund plan (Note11)	**2,633**	—	**21,942**
Loss on valuation of investments in securities	**(6,448)**	(13,983)	**(53,733)**
Extraordinary amortization of goodwill on consolidation	**—**	(3,307)	**—**
Special retirement benefits (Note 11)	**—**	(5,236)	**—**
Other, net	**(8,891)**	(7,360)	**(74,093)**
	(19,067)	(37,519)	**(158,892)**
Income (loss) before income taxes and minority interests	**15,316**	(33,569)	**127,633**
Income Taxes (Note 13)**:**			
Current	**2,977**	1,799	**24,808**
Deferred	**70**	(590)	**584**
	3,047	1,209	**25,392**
Income (loss) before minority interests	**12,269**	(34,778)	**102,241**
Minority Interests	**427**	428	**3,559**
Net income (loss)	**¥ 12,696**	¥ (34,350)	**$ 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		
2003	Acquisition cost	Carrying value	Unrealized gain (loss) – on balance sheet –
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		
2002	Acquisition cost	Carrying value	Unrealized gain (loss) – on balance sheet –
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		
2003	Acquisition cost	Carrying value	Unrealized gain (loss) – on balance sheet –
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 by 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**
①Retirement benefit obligation	**¥(68,854)**	¥(120,404)	**$(573,783)**
②Plan assets at fair value	**21,785**	50,629	**181,541**
③Unfunded benefit obligation (①+②)	**(47,069)**	(69,775)	**(392,242)**
④Unrecognized retirement benefit obligation at transition	**10,298**	19,442	**85,817**
⑤Unrecognized actuarial loss	**13,723**	19,411	**114,358**
⑥Accrued retirement and severance benefits (③+④+⑤)	**¥(23,048)**	¥ (30,922)	**$(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**
①Service cost	**¥ 4,529**	¥ 5,234	**$ 37,742**
②Interest cost	**3,145**	3,402	**26,208**
③Expected return on plan assets	**(2,051)**	(2,251)	**(17,092)**
④Amortization of unrecognized retirement benefit obligation at transition	**1,387**	1,522	**11,558**
⑤Amortization of unrecognized actuarial loss	**1,201**	1,028	**10,008**
⑥Amortization of unrecognized prior service cost	**(221)**	—	**(1,841)**
⑦Retirement benefit expenses (①+②+③+④+⑤+⑥)	**7,990**	8,935	**66,583**
⑧Gain 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

At March 31, 2003	Buildings and structures	Machinery and equipment	Other assets	Total
	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 photocopiers, 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

	Image information products	Optical products	Other	Total	Eliminations*	Consolidated total
Year ended March 31, 2003	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

				Millions of yen			
Year ended March 31, 2003	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
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			
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

				Thousands of U.S. dollars			
Year ended March 31, 2003	Japan	North America	Europe	Other	Total	Eliminations*	Consolidated total
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**	**$4,401,292**

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.

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.

Board of Directors / Corporate Data

(As of July 1, 2003)

President
Yoshikatsu Ota

Directors
Yoshihiko Higashiyama
Norio Tashima
Norikatsu Shimizu
Hiroshi Fujii
Toshiaki Ishihara
Tateomi Kohno
Yoshisuke Takekida
Masanori Hondo
Masaru Oba

The above members of the Board of Directors are also Executive Officers

Corporate Auditors
Mikio Naya
Akio Kawano
Kazunari Ohno
Kimio Haruna

Executive Officers
Shigeyuki Seki
Masao Bando
Hiroshi Furukawa
Hiroshi Ishiko
Mitsuharu Ohura
Hisashi Tokumaru
Akio Kitani
Hideki Okamura
Shoei Yamana

Head Office
3-13, 2-chome, Azuchi-machi,
Chuo-ku, Osaka 541-8556, Japan
Telephone: (81) 6-6271-2251
Fax: (81) 6-6266-1010

Tokyo Office
NS Takanawa Bldg.,
19-13, 2-chome, Takanawa,
Minato-ku, Tokyo 108-8608, Japan
Telephone: (81) 3-5423-7557
Fax: (81) 3-5423-7550

Plants
Japan: Sakai Operations, Sayama Operations,
Toyokawa Administrative Center,
Mikawa Plant, Mizuho Plant, Itami Plant
Overseas: U.S.A., France, Malaysia, China, Brazil

Laboratories
Japan: Technical Center, Takatsuki Laboratory,
Toyokawa Development Center,
Advanced System Center Seishin
Overseas: U.S.A.

Number of Group Companies Worldwide
86 subsidiaries
5 affiliates

Major Businesses
Minolta's business encompasses a variety of products & services in the image information & optical business fields, from development to services.
Image Information Products:
Photocopiers, printers, facsimile machines, and micrographics
Optical Products:
Cameras, their accessories, lenses, binoculars, industrial instruments, optical units, and planetariums

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DYNAX series SLRs are marketed as the Maxxum series in North America and the α-series in Japan, and China.
RIVA compact cameras are marketed as the CAPIOS series in Japan and the Freedom series in North America.
VIVID 910 3D digitizer is marketed in Europe as VI-910.

Shareholder Information

(As of March 31, 2003)

Established
November 1928

Paid-in Capital
¥25,832,512,890

Number of Employees
Parent Company 3,200
Consolidated 19,682 (including Parent Company)

Authorized Stock
800,000,000 shares

Common Stock Shares Outstanding
280,207,681 shares

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Düsseldorf, Frankfurt

Number of Shareholders
22,983

Fiscal Year-end
March 31

Independent Public Accountant
Shin Nihon & Co.

Transfer Agent
UFJ Trust Bank Limited
Osaka Branch
Corporate Agency Department
6-3 Fushimimachi 3-chome, Chuo-ku,
Osaka 541-8502, Japan, and
at the head office and all branch offices of
UFJ Trust Bank Limited

Major Shareholders	Stake (%)
1. The Master Trust Bank of Japan, Ltd.	9.2
2. Daido Life Insurance Company	5.2
3. Sumitomo Mitsui Banking Corporation	5.0
4. Resona Bank, Ltd.	5.0
5. Japan Trustee Service Bank, Ltd.	4.4
6. Nippon Life Insurance Company	3.5
7. The Hyakujushi Bank, Limited	2.9
8. UFJ Trust Bank Limited	2.8
9. Mizuho Corporate Bank, Ltd.	2.7
10. Nissay Dowa General Insurance Co.,Ltd.	2.5

Stockholding Unit
1,000 shares

General Shareholders' Meeting
Mid-June

Investor Relations
Corporate Communications & Investor Relations Division, Minolta Co., Ltd.

Osaka
3-13, 2-chome, Azuchi-machi, Chuo-ku, Osaka 541-8556, Japan
Tel: (81) 6-6271-2268 Fax: (81) 6-6271-8320

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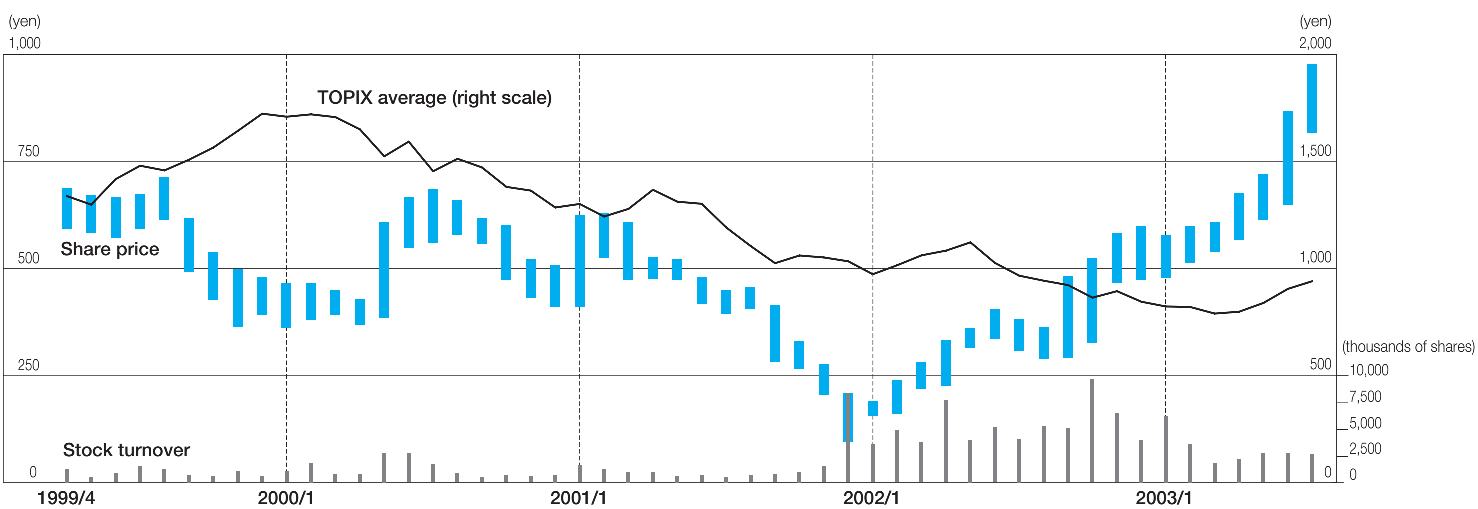

MINOLTA

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