



From the Former President and Current Executive Advisor

Osamu Kanaya



I am proud to note that Minolta has successfully transformed and invigorated itself under my stewardship over the past six fiscal years. Having accomplished what I set out to do, I passed the presidential baton to Yoshikatsu Ota on June 29. Upon becoming president in April 1993, I announced a comprehensive three-year restructuring program that enabled Minolta to expeditiously regain its net profitability and to resume dividend payments on schedule, in the fiscal year ended March 31, 1996. Minolta then began implementing the Challenge 70 management plan. The plan covered the three years through the fiscal year under review, during which Minolta celebrated the 70th anniversary of its establishment. The central goal of Challenge 70 was to make Minolta a dynamic company focused primarily on digital imaging and needs related to computer networks. Our strategies for quickly expanding our presence in promising growth fields have been conspicuously fruitful.



Environment

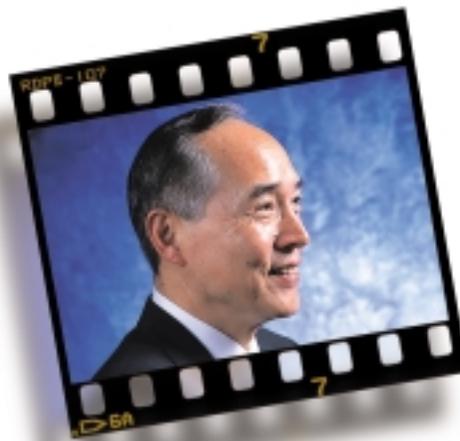
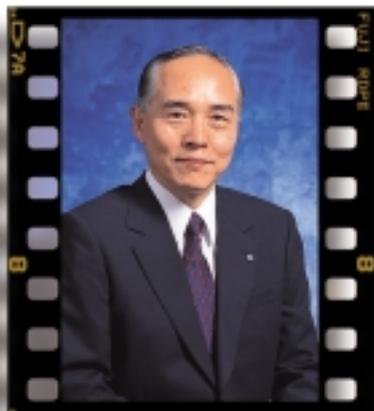
During fiscal 1999, ended March 31, 1999, weak personal consumption and private-sector capital investment led to negative economic growth in Japan, and the restructuring of the country's financial system exacerbated a credit contraction. Such factors as the deterioration of corporate performance and the rising number of bankruptcies increased the severity of the employment situation and presented a harsh operating environment. Overseas, the United States sustained its economic expansion, while the rise in U.S. stock prices and associated asset effect promoted consumer spending. In Europe, the benefits of the euro's introduction were not yet evident, as economic growth tended to slow. Asian countries worked to stabilize the value of their currencies, but signs of a general recovery were still lacking.

Amid these conditions, Minolta Co., Ltd., proceeded with the strategic development of its operations and focused a growing share of its resources on the rapidly expanding markets for digital and network-based products. However, the Company faced increasingly difficult challenges due to the shortening of product life cycles, the intensification of price competition, and the weakness of demand in principal domestic and overseas markets.

Performance

In image information product operations, Minolta worked to promote sales of CS-PRO series plain paper copiers (PPCs) that incorporate full-color and digital technologies. In the latter half of the period under review, the Company bolstered the series with the launch of new low- and medium-speed digital models. Regarding laser printers, we stepped up our OEM business and maintained efforts to broaden the marketing of our printers sold under the PagePro and PageWorks names. Total sales of image information products grew 3.8%, to ¥372,939 million. Operating profit from image information product operations increased 1.9%, to ¥25,916 million.

Regarding optical product operations, Minolta introduced numerous new camera products, including the DYNAX 9, a new model within the DYNAX single lens reflex (SLR) line that offers professional-level performance; the VECTIS 300



From the Current President
Yoshikatsu Ota



I am honored to succeed Mr. Kanaya as Minolta's president and I am confident that we will sustain Minolta's dynamic corporate development through our cooperative efforts to implement the NEXT '03 medium-term business plan.

In particular, I will be emphasizing efforts to increase the Company's efficiency by increasing the speed and the implementation of measures based on management decisions.

Another key goal will be to emphasize employees' actual contributions and encourage staff to proactively address challenging tasks.

At the same time, I believe Minolta must maintain and extend its long tradition of providing the products and services that accurately match the needs and desires of customers.



within the VECTIS line of compact Advanced Photo System (APS) cameras; and the Dimâge EX digital camera. The Company expanded its radiometric instrument lines and the market share of those lines by responding to customer requests for additional cathode-ray tube (CRT) image analyzers and photospectrometers. We also used our advanced optics technologies to develop new types of optical components and devices. Total sales of optical products edged up 0.2%, to ¥120,087 million, while related operating profit surged 79.5%, to ¥2,962 million. Sales from other operations rose 15.7%, to ¥13,049 million.

As a result, Minolta's consolidated net sales for the period grew 3.2%, to ¥506,075 million. This and cost reductions enabled the Company to boost its income before income taxes and minority interests 33.7%, to ¥15,908 million. However, due to the drop in deferred income taxes (credit) reflecting such special factors as the credit balance in the current fiscal year and deferred income taxes in the previous fiscal year, the Company's net income decreased 45.2%, to ¥9,002 million.

Overview of the NEXT '03 Medium-Term Business Plan

Minolta's principal strategies are articulated in the NEXT '03 medium-term business plan, which places special emphasis on optimizing corporate governance, emphasizing the consolidated management of the Minolta Group, strengthening core businesses with growth potential, and eliciting the latent abilities of personnel.

Recognizing the importance of maximizing its return on shareholders' equity over the long term, Minolta will make important decisions from the perspective of shareholders, increase the transparency of its operations, and bring itself into greater conformance with generally accepted global standards. In addition to such traditional indices of corporate performance as net sales and income, Minolta will analyze cash flow and place strong emphasis on generating cash returns that exceed its capital costs. To foster appropriate market prices for its shares, the Company will promote outsourcing and operational spin-offs in all of its divisions. Through these activities, we intend to build a highly competitive company and increase the satisfaction of all our stakeholders.

Minolta will also give greater attention to Group strategy and consolidated performance. The Company is examining its operations in each business field from a consolidated perspective and working to enhance profitability in each field from the same consolidated perspective. We are reevaluating the Group's business structures and management systems with an eye to further boosting efficiency. We are also upgrading our information systems to facilitate quick and flexible responses to changing market conditions throughout the world.

Providing customers with the visual image information they desire can be considered Minolta's principal core value. The Company is working to maximize the benefits of its unique optics, image processing, and other technologies as well as its global marketing network as it moves to expand core businesses involving products, systems, and services for image inputting and outputting. Planning to build strong and distinctive positions in markets with long-term growth potential, the Minolta Group is placing strong emphasis on synergistically combining its capabilities related to color image outputting. We will also undertake operations in new growth fields and anticipate that our innovative optical devices and

related products will generate a considerable share of our earnings in the 21st century.

Human resources are the foremost source of Minolta's dynamism, and the Company is aiming to become a group of closely collaborating but independent specialists. To create a bolder corporate culture, the Company is undertaking a full-scale campaign to promote innovative and ambitious thinking.

In Closing

Having marked the 70th anniversary of its founding in November 1998, Minolta is embarking on a new stage of its history while maintaining a forward-looking stance. The Company will continue to anticipate future needs and take the necessary measures to become a digital imaging company distinguished by an extraordinarily high level of creative originality.

August 1999



Osamu Kanaya
*Executive Advisor and
Member of the Board*



Yoshikatsu Ota
President and Representative Director

Countermeasures to the Y2K (Year 2000) Issue

Recognizing the seriousness of the Y2K issue, Minolta has been addressing the Y2K compliance of its products and principal information systems since 1997. In October 1998, the Company set up a Y2K project team, headed by an executive director, which has been surveying the present situation, executing and promoting remediation measures, and implementing educational activities within the Company as well as the principal domestic and overseas members of the Minolta Group. Progress reports have been made regularly to management, and the Company's facilities and internal systems are scheduled to be Y2K compliant by the end of September 1999. In June 1999, the Company drafted a contingency plan designed to manage all problems that could arise due to unforeseen situations.

Regarding Y2K measures for products, the Company's initial survey was completed in August 1998, and Japanese and English descriptions of the Y2K compliance status of Minolta products have been posted on Group companies' Internet web sites since December 1998.

The cost of Y2K countermeasures during the three years through the period under review was approximately ¥70 million and is projected to amount to ¥150 million during the current fiscal year.