

A Message from the President



Since its establishment in 1928, Minolta has been a pioneer of light-related technology development in a growing number of fields. Currently, society is undergoing great changes due to such factors as the widespread application of digital technologies and information networks.

Aiming to respond to society's changing needs and ensure its dynamic development during the 21st century, Minolta is expanding the scope of its core technological capabilities to encompass various types of advanced information technology (IT).

We are striving to meet diverse needs of individuals, businesses, and industries while optimizing our global development, manufacturing, and marketing networks in a manner that is harmonious with both local and global society.

With regard to environmental preservation, Minolta is proactively taking numerous initiatives in line with its emphasis on being an exemplary corporate citizen everywhere it has a presence. Being highly conscious of the environmental effects of every aspect of our operations, we have expeditiously worked to obtain ISO 14001 certification for the environmental management systems of our facilities.

Looking toward the 21st century, Minolta is intent on maximizing the benefits of its accumulated capabilities by operating as a truly excellent company.

Yoshikatsu Ota

President and Representative Director

Q Please describe the operating environment surrounding Minolta Co., Ltd., during fiscal 2000, the year ended March 31, 2000.

A There was general improvement in the economic conditions of our principal overseas markets as continued economic expansion in the United States and Europe helped support recovery in Asian economies. In Japan, government policies aimed at boosting domestic demand had a positive effect and, although predicting future trends remains difficult, there were signs of recovery in exports and capital investment during the latter half of the fiscal year.

Against this backdrop, conditions in Minolta's business fields were affected by rapid shifts to digital technologies and electronic networks, a further increase in the intensity of global competition, and the appreciation of the yen. We strove to expand our sales and profitability amid these conditions by implementing a variety of strategies, placing particular emphasis on rapidly responding to new developments through the efficient allocation of corporate resources to strategic business sectors.

Q What is your overall appraisal of Minolta's performance and business development during the fiscal year?

A Although our sales volume increased, the appreciation of the yen caused the yen-denominated value of our consolidated net sales to decline by 4.6% from the previous term, to

¥482.8 billion. The yen value to the dollar and euro appreciated ¥16 and ¥28, respectively, and this factor alone depressed the yen value of overseas sales by ¥52.3 billion. Our profitability was severely impacted by the harshness of competition and the strengthening of the yen, and despite our efforts to reduce the cost of sales and selling, general and administrative expenses, operating income fell to ¥8.5 billion, down by 55.8%. Reflecting expenses associated with strategic moves to enhance our profit structure, net income dropped by 65.1%, to ¥3.1 billion. Overseas sales decreased by 5.3%, to ¥378.7 billion, which corresponded to 78.4% of consolidated net sales.

In image information product operations, Minolta worked to increase sales of such digital products as its DiALTA series of digital full-color plain paper copiers/printers, which was expanded to encompass products for a full range of needs during the previous fiscal year, and its highly popular CF series of full-color copiers/printers. With regard to printers, we endeavored to augment our OEM business. Having acquired a controlling interest in QMS, Inc., a leading U.S.-based printer manufacturer, we proceeded to combine our printer marketing and development operations with those of QMS and are preparing to market that company's products under the MINOLTA-QMS, Inc., brand.

Regarding optical product operations, Minolta introduced numerous new camera products, including two new items in the DYNAX single lens reflex (SLR) line (α -series in Japan, MAXXUM series in North America); an additional item in the VECTIS line of compact Advanced Photo System (APS) cameras; and the Dimàge RD 3000 SLR digital camera with exchangeable lenses and a 2.7 million pixel charge coupled device (CCD) image sensor. The Company also strove to increase market share of the DYNAX 9, a recently launched model that offers professional performance.

With respect to other fields, Minolta continued to expand its lines of distinctive radiometric instruments, such as those for sensing and analyzing colors and light. We also aptly utilized our leading-edge optical technologies in optical products, centering on high-performance digital image projection devices, which made a significant contribution to consolidated net sales.





Q Could you describe your plans for the current fiscal year as well as your medium-term objectives?

A Minolta is currently implementing its New Excellent 2003 (NEXT'03) medium-term business plan, which covers the five fiscal years from April 1999 through March 2004. The plan has four principal objectives: 1) optimizing corporate governance through increased information disclosure, 2) emphasizing the consolidated management of the Minolta Group, 3) strengthening core competencies in growth fields, and 4) adopting more-flexible hiring policies as well as personnel policies that encourage and reward outstanding employee contributions. During the period of NEXT'03, we aim to boost consolidated net sales to ¥800 billion, from ¥506.1 billion in fiscal 1999 just prior to the plan's implementation, and increase operating income to ¥38 billion.

Our primary strategy for attaining these goals is to focus on digital products. This focus applies to all business units in both image information and optical products. Our strategy places particularly strong emphasis on rapidly proceeding with the digitization of image information product operations—which center on such items as copiers and printers—and we are implementing an action plan designed to elevate sales of such products to ¥600 billion in the last year of NEXT'03. Compared with other types of digital equipment, Minolta has noteworthy strengths in copiers and printers and is making a special effort to improve the color outputting capabilities of those products.

At the same time, we are taking various measures to increase our growth and profitability by raising our efficiency levels and strengthening our financial position.

Q What is the principal significance of Minolta's acquisition of QMS, Inc.?

A The use of full-color documents in ordinary business offices is increasing, and we anticipate that technological progress will spur a surge of growth in the global market for full-color copiers and printers over the next few years. Because of this, in June 1999 Minolta decided to obtain a controlling interest in QMS, Inc. (currently MINOLTA-QMS, Inc.). By integrating and restructuring the color printer software development and marketing operations of Minolta and MINOLTA-QMS, we expect to benefit from significant synergies as we endeavor to strengthen our marketing capabilities in the United States and Europe.

Moreover, there are accelerating shifts toward digital copiers that enable various types of document manipulation as well as toward the integration of copying and printing capabilities in single products. By drawing on QMS's color image-processing know-how in Minolta's product development programs, we expect to be able to better satisfy diverse customer needs for printers and copiers as well as integrated copiers/printers and network-linked versions of all those products.

Q Why did you reorganize your marketing operations in Europe?

A In response to the growing worldwide popularity of digital networks, Minolta is intent on increasing the share of its business associated with digital and full-color products and believes that successfully realizing this goal will require the implementation of fundamental reforms and the augmentation of operating efficiency. As part of our overall strategy for reforming marketing operations, we have shifted the responsibility for a variety of

European marketing subsidiaries to Minolta Europe GmbH, which is based in a suburb of Hanover, Germany. By summer 2000, we had converted 32 companies that market image information products, cameras, and radiometric instruments into subsidiaries of Minolta Europe. By the end of next spring, plans call for similarly consolidating European logistics based in Bremen, Germany. These steps are enabling the unified administration of personnel, financial, and product matters in Europe, and we anticipate that we will considerably increase our distribution efficiency and reduce our inventories in that region.

Q Is the reorganization of Minolta's component and materials procurement system significant?

A As we strengthen the vertically divided operations of our business units in various fields, we think it is also important to upgrade our companywide horizontally divided functions. As part of our plans for accelerating Minolta's structural reform, we have established the Procurement Headquarters, which is striving to undertake unified global procurement activities in place of the procurement activities that were carried out separately by each division up to now.

Q Why did Minolta and Konica Corporation agree to collaborate?

A In April 2000, Minolta and Konica announced a business alliance involving the collaborative development of technologies related to principal copier components as well as next-generation "polymerization toner" and other consumables. We are seeking to synergistically combine the distinctive strengths of each company—such as Konica's high-speed digital copier technologies and Minolta's digital color image-processing technologies—at the product development level. Minolta is expanding its copier manufacturing operations in China, while Konica is expanding its copier manufacturing operations in



both China and Germany. In the face of increasingly intense global competition, we anticipate that this alliance will lead to greater efficiency in both development and manufacturing operations as well as upgrade our competitiveness in the color document field, which is expected to grow considerably.

Q Please describe Minolta's approach to environmental preservation.

A Preserving the world's natural environment is one of humankind's most important tasks, and there are increasing calls for striking a balance between the objectives of economic development and environmental preservation. People throughout the world are demanding that corporations adhere to high standards of corporate citizenship in all their activities. As environmental consciousness is a key element in corporate citizenship, corporate environmental programs must be recognized as extremely important.

Minolta established its Environmental Policy Committee in 1990. In 1992, the Company instituted the Minolta Environmental Charter, which has provided a framework for the systematic implementation of environmental programs throughout the Minolta Group.

We are determined to ensure that our approaches to environmental preservation and other important issues are clearly understood to be in accord with the interests of stakeholders. Reflecting its strong emphasis on preserving the environment, the Company has begun implementing the Minolta Mid-Term Environmental Plan, which covers the five fiscal years from April 1999 through March 2004. Besides strengthening our environmental management systems, we are engaged in diverse activities aimed at contributing to local communities and global society,

such as programs involving product recovery and recycling, the use of environmental labels, and the reduction of waste products. There remain many challenges to be overcome in these regards, and we are redoubling our efforts to overcome these challenges.

Q What are your expectations with regard to the operating environment and your performance during the current fiscal year?

A Overseas, the general trend of economic recovery and expansion is projected to continue. In Japan, so long as the yen does not appreciate further, economic improvement is expected to result from an export-led rise in capital investment as well as measures to promote recovery in personal consumption. On the other hand, Minolta must prepare itself for numerous potential difficulties, such as those related to exchange-rate fluctuations, intensifying product-development competition, changing business styles due to the increasingly widespread use of information networks, growing price competition, the challenge of attaining higher customer satisfaction, and rising demand for stringent environmental preservation measures. In addition, demands for greater corporate rationalization and transparency are continuing to increase, as reflected through our moves to introduce new accounting standards, increase the transparency of corporate governance, and evaluate ourselves based on consolidated management situations.



As the “information society” takes shape, Minolta is focusing on reinforcing its presence in the rapidly growing information industry. Placing primary emphasis on such image information inputting and outputting equipment as copiers, printers, and cameras, the Company is stepping up efforts to respond accurately to market needs and maximize customer satisfaction through highly efficient product development, manufacturing, and marketing activities. We believe these efforts are key to expanding our business and maintaining stable profitability. We view our worldwide marketing network as a principal competitive strength and intend to leverage that strength as much as possible by making strategic decisions more quickly than our competitors, concentrating our resources in strategic fields, and further bolstering our financial position so as to facilitate the aforementioned decisions and resource concentrations. We also are endeavoring to enhance our profitability and increase shareholder value through various measures to augment cooperation among Minolta Group companies throughout the world, such as groupwide procurement and marketing programs and steps to optimize the allocation of manufacturing tasks.

I greatly appreciate the support Minolta has received from shareholders and associates and look forward to further strengthening our mutually beneficial relationships in the future.



Yoshikatsu Ota
President and Representative Director