

Optics

High sales growth was recorded in all business areas centering on TAC film and glass substrates for hard disks, and a recovery in the optical pickup lenses for memory devices also contributed to the profit increase.

For the fiscal year ended March 2007, the first half saw strong sales growth for highly functional products in the display materials business. In more detail, strong sales growth was recorded for LCD-use TAC film as well as viewing angle expansion film supported by growing demand for large screen LCD TVs. From the second half, although customer inventory adjustments and a changeover to new products had a negative effect on unit shipments, a sales increase was recorded for the full fiscal year. This notwithstanding, a new fourth production line began operating in September 2006 to cope with increased demand, which expanded Konica Minolta's TAC film production capacity to 120 million square meters a year, and provided a boost to sales. Moreover, we began construction of a fifth production line that is scheduled to begin operating from the fall of 2007.

In the optical pickup lens business, our main pickup lens products for current generation DVDs were negatively affected by customer inventory adjustments in the first half. However, memory-related pickup lens products emerged from a period of inventory adjustments, and sales recovered driven by our main object lens products.



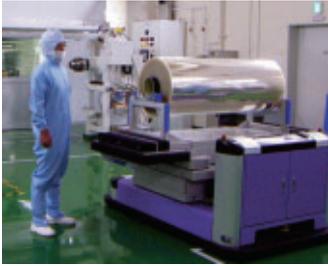
TAKASHI MATSUMARU
President
Konica Minolta Opto, Inc.



Konica Minolta's optical pickup lenses
enjoy a commanding market share



Glass hard disk substrates are light
and very durable



TAC film production process



Lens unit for camera-equipped mobile phones

In next generation pickup lenses, which are expected to become the next driver of our optical pickup lens business, full-fledged production is underway for both Blu-ray Disk and HD DVD format end products. In addition, object lens shipments began and made a contribution to sales and earnings. In particular, Konica Minolta has a commanding lead in object lenses because of its organic integration of plastic lens and glass molding technologies made possible by the merger of Konica and Minolta.

In glass substrate for hard disks, stable growth in lap-top PCs and growing demand from expanding applications of hard disk drives in networked home appliances, and progress in adapting to perpendicular magnetic recording resulted in strong sales overall in the first half. However, growth rates decelerated in the second half due to the impact of customer inventory adjustments.

Sales of digital camera lens units waned as a result of intensified competition in finished product markets. In components for mobile phones with cameras, however, demand is shifting from 1.3 mega pixel models to the high end segment such as 2 to 3 mega pixels, which is our area of strength. As a result, volume growth was seen in shipments to major domestic and overseas customers, which contributed to the expansion of our business during the fiscal year.

Given the above, consolidated net sales for the Optics business in the fiscal year ended March were ¥139.0 billion and operating income reached ¥21.0 billion.