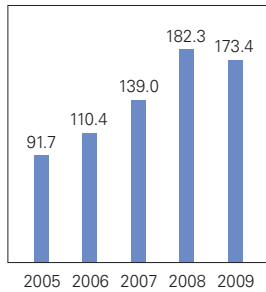
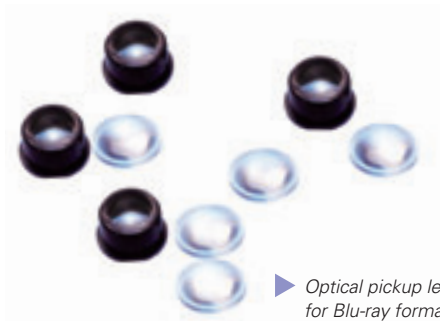
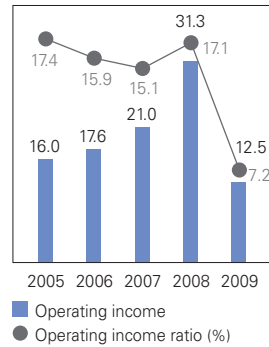


Net Sales
(Billions of Yen)



Operating Income and Operating Income Ratio
(Billions of Yen)



▶ Optical pickup lenses for Blu-ray format

Optics



▶ TAC film, a key material for LCD panels



Overview

We posted solid gains in all segments of the Optics business in the first half of the fiscal year, but performances deteriorated from the second half owing to the global recession.

During the first half, we did well in display materials, an area of particular focus, by increasing market share with new VA-TAC films for large-size LCD televisions. Greater production capacity also contributed to annual unit sales gains. On the downside, the operating climate deteriorated from the third quarter because LCD manufacturers slashed production. We responded to this situation by provisionally freezing production capacity increases, decreasing inventories, and lowering our breakeven point.

Sales of mainline optical pickup lenses were solid in the first half of the fiscal year. This reflected the full-fledged diffusion of Blu-ray format optical pickup lenses. The successful development of this product ahead of our rivals has given us a dominating market position. Demand for Blu-ray players plunged from the third quarter, however, so unit sales of optical pickup lenses for Blu-ray format were around the same as a year earlier. Further, CD and DVD player optical pickup lens unit sales also dropped significantly. Similarly, inventory adjustments by PC manufacturers from the fourth quarter resulted in hard disk substrate unit sales volume remaining flat from the previous year.

Sales of microcamera modules for camera-equipped mobile phones and digital camera lens units were generally sluggish. This was because manufacturers cut production in the third quarter.

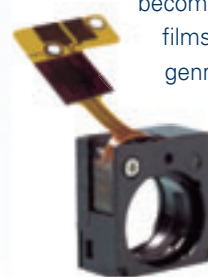
Optics sales therefore declined 4.9% year on year, to ¥173.4 billion, and operating income fell 59.9%, to ¥12.5 billion, reflecting lower unit sales and higher depreciation expenses owing to Japanese tax law reforms.

Outlook

While we believe that demand for TAC films bottomed out in the April–June term of FY March 2010, further inventory adjustments are likely. It will take some time for demand to recover completely for optical pickup lenses and glass hard disk substrates. Our priorities for the year ahead will be to secure sufficient earnings while the operating climate remains adverse. We plan to do this by optimizing production sites, materials purchasing, and inventory management, while focusing on

becoming more competitive in mainstay TAC films and optical pickup lenses to maintain our genre-top market positions.

An important challenge in pursuing consistently solid growth over the medium term will be to keep increasing the digital appliance-related business while expanding into other new areas.



▶ Lens unit for camera-equipped mobile phones

▶ Glass hard disk substrates