

WORLD LEADERSHIP

As the market for optical technology based products continues to expand, Konica Minolta intends to leverage its industry leading design and production technology capabilities in this area to capture leading market shares in next generation products, with the aim of establishing itself as the world's most formidable optical device company.





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Optics Key Strategies

1. **Optical pickup lens:**
Ensure top market share in next generation DVDs with industry-leading technologies.
2. **Film for LCD:**
Expand production capacity and business scale in response to market growth.
3. **Microcamera/micro lens units for mobile phones:**
Capture major accounts and develop new business opportunities.
4. **DSC/VCR lens units:**
Develop new customers
5. **Glass substrates for hard disks:**
Expand business focusing on small-diameter models.

Business Targets (Billions of Yen)

	March 2005 (Actual)	March 2009 (Projected)
Net Sales	¥91.7	¥170.0
Operating Income	16.0	31.0

REVIEW OF FISCAL 2004

In fiscal 2004, ended March 2005, the main optical pickup lens business saw declining sales volumes on extended inventory adjustment for DVD players and other consumer electronic equipment. In addition, the lens unit business also recorded lower sales volumes on weaker demand for lens units used in digital cameras and video cameras, owing to inventory adjustments in these final products.

On the other hand, overall TAC film sales for LCDs were strong, mainly supported by continued diffusion of LCD panels for televisions. In particular, profit margins also improved supported by an expanding proportion of high value-added LCD-use TAC film.

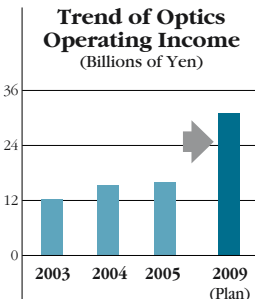
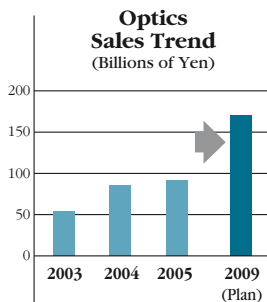
In addition, the Group actively promoted sales of products with highly functional features in the domestic market based on Konica Minolta's proprietary technology in micro lens units and microcamera modules for camera-equipped mobile phones, including mega pixel class high image quality auto-focus and optical zoom lenses.

Moreover, in glass substrates for hard disk drives, new 1.8-inch products for handheld audio players were added to the lineup of existing 2.5-inch products, which supported strong sales of small diameter products for mobile equipment applications.

As a result, consolidated fiscal year ended March 2005 sales for the Optics Business were ¥91.7 billion, while operating income was ¥16.0 billion.

ANALYSIS OF OPTICS RELATED MARKETS IN FISCAL 2004

In optical pickup lenses, the competition to develop DVD standards is nearly over, and the segment now faces a new age of price competition. Since diffusion ratios in Japan for DVD players have exceeded 70%, unit prices are beginning to soften. On



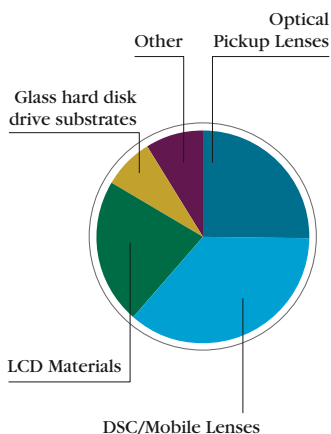
the other hand, the market for recordable DVDs is expanding rapidly. In addition, the Group foresees new market growth for next generation optical pickup lenses. As the barriers to market entry in this segment are high, Konica Minolta intends to establish the leading market share in this segment based on its technological strengths.

In the LCD-use TAC film market, the Group foresees continued growth in demand being driven by growing diffusion of LCD panels for televisions and personal computers, and is emphasizing development and sales of higher value-added products.

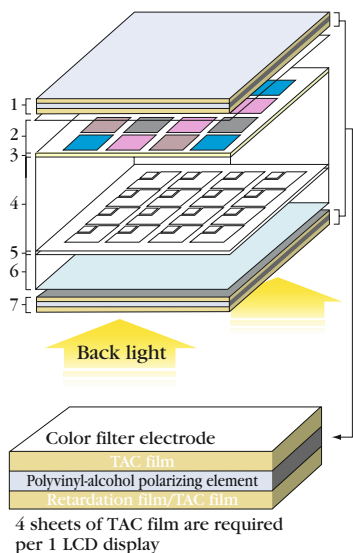
Competition is intensifying for micro lens units and microcamera modules with the entry into the low image quality segment by Taiwanese and other overseas producers. This notwithstanding, the Group believes it can continue to maintain high market shares in Japan in the high image quality segment and aims to further expand its market share through sales in growing overseas markets. This is because the Group believes that micro lens units and microcamera modules still have good growth potential, and it foresees a growing shift to higher image quality and higher value-added. The key to higher value-added is the application of proprietary technologies in creating additional features such as zoom and auto-focus supported by proprietary micro actuator technology, where the Group intends to fully leverage its competitive strengths.

The glass hard disk drive substrate market continues to show strong growth, and the Group is therefore continuing to expand production capacity.

Share of Sales by Product
(Fiscal year ended March 2005)



Composition of Liquid Crystal Panel



1. Polarizing plate
2. Glass plate
3. Color filter electrode
4. LCD
5. TFT/Electrode
6. Glass plate
7. Polarizing plate

TECHNOLOGICAL STRENGTH IN HIGH VALUE-ADDED LCD-USE TAC FILM

LCD protective film for polarizing plate demand continues to expand with the diffusion of LCD panels for televisions and monitors and the shift to larger screen sizes. Given such promising market conditions, Konica Minolta is actively conducting research and development leveraging its accumulated know-how in materials and film technologies. With the shift to larger and brighter displays, the level of quality demanded by users continues to rise. By making film thinner and adding the retardation function, the Group intends to meet such user demands while at the same time establishing superior competitiveness.

NEXT GENERATION RESEARCH AND DEVELOPMENT

In pickup lenses, the Group has high expectations for next generation technologies. Development of high precision lenses as well as optical elements is already completed, and the Group is pursuing further development as it works to achieve even more sophisticated solutions. As the market for projection televisions continues to expand mainly in the United States, Konica Minolta is pursuing the development of a revolutionary mirror optical unit that can provide both thinner projection units and clearer pictures. In addition, development is under way on 0.85-inch glass hard disk drive substrates in response to the continued growth in ever more compact mobile equipment related applications.