

**Summary of financial results meeting
for the three months ended June 30, 2008**

Tokyo, August 11, 2008

Note: This memo is posted for reference purposes for the convenience of those who were unable to attend the meeting and is not a verbatim record of all statements made at the meeting. Please be aware that it has been compiled in a concise form at the judgment of the Company's Corporate Communications Group. Please also refer to the cautionary notes on the final page.

Note:

1Q: April 1 to June 30, 2008

2Q: July 1 to September 30, 2008

[Presentation by CFO Mr. Ema : Performance for the 1Q]

Business Performance

Sales:	Yen 130,156 million	(+33.1% year on year)
Operating Income:	Yen 21,857 million	(-3.5%)
Ordinary Income:	Yen 22,473 million	(-6.3%)
Net Income:	Yen 21,198 million	(+24.0%)

Financial position

Total Assets:	Yen 685,555 million
Net Assets:	Yen 415,781 million
Owners' Equity Ratio:	60.1%

Company's forecast for the first half from April 1 to September 30, 2008.

Sales:	Yen 263.8 billion	(+32.7%)
Operating Income:	Yen 45.0 billion	(-9.1%)
Ordinary Income:	Yen 48.4 billion	(-7.1%)
Net Income:	Yen 40.4 billion	(+6.0%)

- Figures of Pentax sectors for the same quarter last year (before the consolidation) are not included in the quarterly report. On paper, sales increased by 33.1%, gross profit increased by 25.4%, and operating income decreased by 3.5%. In comparison, based on figures in real terms, including those of Pentax for the same quarter last year, sales decreased by 6.1%, gross profit decreased by 3.1%, and the gross profit margin rate is 44.0% (1.4 percent point increase year-on-year). While the operating income is 21.8 billion yen, the growth rate in real terms is minus 8.2% and the operating income ratio is 16.8% (0.4

- percent point decrease year-on-year). The breakdown is as follows: The former HOYA sectors show a decrease of 4.2% in sales year-on-year, a decrease of 2.3% in gross profit, a gross profit rate of 47.6% (0.9 percent point increase year-on-year), operating profit of 21.9 billion yen (3.3% year-on-year decrease), and operating income of 23.4% (0.2 percent point increase year-on-year). The Pentax sector shows sales of 36.4 billion yen (10.8% year-on-year decrease), gross profit of 12.6 billion yen (5.6% year-on-year decrease), a gross profit rate of 34.7% (1.9 percent point increase year-on-year), and an operating loss of 39 million yen (decreased by 1,213 million yen year-on-year).
- Pentax shows sales of 36.4 billion yen and overall group sales increased by 32.3 billion yen, while sales of the former HOYA decreased by 4.1 billion yen (4.2%). Gross profit of the Group as a whole increased by 11.6 billion yen, while Pentax's increase was 12.6 billion, meaning that the HOYA sectors' profit decreased by 1 billion yen. SG&A also increased by 12.4 billion yen, and Pentax's SG&A expenses increased by 12.7 billion. With this in mind, the Hoya sectors saw SG&A expenses fall by 0.3 billion yen, resulting in a saving of expenses. The breakdown of a 783 million yen decrease in operating profit is namely: a 740 million yen decrease in the HOYA sector and a 40 million yen decrease in Pentax respectively.
 - The influence of foreign exchange, as noted in the footnote on page 7 of the quarterly report, results in sales and profit decline in each item: a 3,061 million yen decline in sales, a 1,525 million yen decline in operating income, a 1,641 million yen decline in ordinary income, and a 1,520 million yen decline in net income. These figures are calculated based solely on the results for HOYA in the previous year, excluding those of Pentax. Due to the strength of the yen, sales and profits in US dollars and Thai baht appeared to have decreased. Examining further details of that, sales increased by 36.2% in terms of pure business activities, but because foreign exchange is a factor contributing to a 3.1% decline in sales, the breakdown of the actual increase rate is: +37.3% in Pentax, -1.7% in Electro-Optics (EO), virtually the same level in Vision Care (VC), and +1.2% in Health Care (HC). Operating income shows a 6.7% decrease due to the effect of currency exchange, which is equivalent to yen 1,525 million in value. In terms of business activities (excluding foreign exchange effects), the operating income of the group as a whole increased by 3.3%. The breakdown is: a 3.4% decrease in EO, a 4.2% increase in VC, a 2.7% increase in HC, and a 38 million yen loss in Pentax. This means that foreign exchange had little influence on Pentax's operating profit.
 - With regard to extraordinary profit, we sold 22% of the shares of NH Techno Glass Corporation to the Carlyle Group in 1Q, and 9.7 billion yen is posted to gain on the sale of investments in securities. The Carlyle Group became the biggest shareholder of NH, and we reached an agreement on royalties at that point, consequently, 3.2 billion yen as received commission for the past fiscal year is posted to extraordinary profit. For these extraordinary profits, an effective tax rate of 40.4% is applied. Accounting Rule No. 18 has

been applied, and the amount affected by the accounting calculation is included in the deferred income taxes of 14.1 billion yen (effective tax rate: 39.9%) in 1Q. Due to special factors, the applicable tax rate in 1Q became closer to 40.4% in income statement unlike in past years.

- Goodwill and patent rights amortization of total 1.2 billion yen is included in the SG&A expenses in the 1Q in Pentax sector.
- A yen 12.5 billion decrease in deferred income taxes of investment and other assets from the same quarter last year in the balance sheet affects the effective tax rate in the income statement.
- In the liability section, the sector of income taxes payable shows considerable movement. When Pentax and HOYA merged at the end of the previous fiscal year, income taxes payable as of March 31, 2008 were 30.7 billion yen as a result of tax calculation on the Pentax side, all of which were paid in the 1Q. Income taxes payable, which included a tax payment of 21.9 billion yen for the profit realized on the Pentax side on the merger, decreased by 24.5 billion yen.
- The cash flow statement shows that cash flows by operating activities comprise an income of 2,883 million yen. 21.9 billion yen of 27.1 billion yen as the income taxes paid represents the amount of tax paid by Pentax. With regard to cash flow by investment activities, almost all the proceeds from the sales of investment securities of 17,486 million yen were equivalent to the sales value of the 22% of NH shares sold to the Carlyle Group. Because around 10% of minority shareholders remained at the completion of a takeover bid for Pentax, 9.3 billion yen expenses paid to minority shareholders as delivered money due to the merger represented the amount paid to those minority shareholders in June following the merger at the end of March. It would be easier to understand if you consider the payment of income taxes to be excluded from ordinary expenses, because such payment temporarily occurred due to the sales of NH shares and delivered money due to Pentax merger.
- The table in the top of the segment data (page 9 of the quarterly report) shows the results for the current quarter, while that at the bottom of the page shows the figures in comparison with the same quarter last year. It is re-emphasized that the results of the Pentax sectors for the previous year are assumed to be zero, so please note that the actual results of the current quarter are placed in the increase/decrease column as differences.
- There has been a decrease of 783 million yen in operating profit for the entire group. The breakdown is: a 1.82 billion yen decrease in EO, a 452 million yen increase in VC, and a 615 million yen increase in HC. The sales growth rate by product for EO segment is listed on page 14 of the same report. A decrease in sales of mask banks and optical lenses had a significant impact on the decrease in segment overall operating profit. Sales of memory disks increased over last year. Though sales and profits were stagnant in the 1Q of the previous fiscal year due to technical problems in the memory disk business, they have

improved in this year, which contributed to increased sales. By offsetting those positive and negative factors, EO resulted in an overall decrease in profit of 1.82 billion yen in total. The biggest factor contributing to profit decline was a sales decrease by 18% in optical lenses, which was largely affected by lenses of digital cameras.

- As indicated in the annotation on page 14, the growth rate of Pentax listed in the table is a figure in real terms in comparison with the same quarter last year pre-merger and the current quarter. There are three sectors in Pentax, namely: Imaging Systems (IS) for digital cameras etc., Optical Components (OC) including digital camera modules, and Life Care (LC) handling products related to medical equipments. The year-on-year sales growth rate by sector for the 1Q is: a 23.1% decrease in IS, an 18.4% decrease in OC, and a 17.6% increase in LC. Sales in IS decreased, but sales in LC increased due to the introduction of new products. In terms of profit and loss, IS recorded loss, but LC showed an increased profit. Because profit earned in LC cannot offset the loss in IS, Pentax showed a total operating loss of 39 million yen.

[Presentation by CEO Mr. Suzuki and COO Mr. Hamada]

----- We have tended to announce the business results earlier than other companies, but it is now almost mid-August. Therefore, we would like to provide explanations focused on the current conditions in July and August, after briefly reporting on the quarter from April to June. Today, I, CEO Suzuki, will give details of the former HOYA sectors, while COO Hamada will explain the Pentax sectors.

Mask blanks and Photomasks for LSI production

- Reduced development costs in the semiconductor industry has led to a decrease in the demand for masks, and consequently also for blanks. This does not mean that our company's share has declined, but rather indicates that the entire market has shrunk. Because these products secure higher profitability but bear higher fixed cost structure than other product groups, a decrease in sales volume leads directly to a decrease in profit, which considerably affected our first quarter results.
- Examining sales by region, there was a decline by 20-30% in Europe and the United States, which is, however, unsurprising, since such trends were already structurally apparent. In the past, a decline in Europe and the United States had been compensated by an increase in Asia securing positive growth. However, it became clear Asia was not growing in the 1Q. In particular, it seems that sales did not increase due to purchase restrictions (cost containment) in Korean makers and weakened demand for high-end products in Taiwan.
- Stagnant sales growth in cutting edge products (65nm or smaller) is considered to be a factor reducing total sales.
- Currently, it seems that sales in July and August have increased by about 5% over the previous quarter. Though only one month and several days have passed in the current

quarter, this is how we see it. There is no particular change, and the effects of cost reduction seen in the 1Q seem to have gradually emerged. Though we saw chip makers reduced development costs temporarily in past, there was an idea that a decrease in sales would even lead to an improvement in development, because such development was regarded as sanctuary and had a countercyclical function against the market trend. However, there has been no such move at present. There is thus little demand for high end products, such as 65nm and 45nm, in the mask market, and every manufacturer is striving to obtain orders for mid to low-end products, thus causing price competition to intensify. Mask manufacturers who sell to external customers have been suffering the most severe damage from the reduction in unit prices of those products.

- Because July and August are traditionally considered to be a trough of development in masks, we predict that sales in LSI masks in the 2Q will not increase so much, even compared to the previous quarter.

Large Photomasks for liquid crystal display (LCD)

- Operation rates in panel manufacturers seem to have been reduced significantly. Such a tendency is apparent, especially in Taiwanese manufacturers. Officially, the operating rate is said to be reduced by 10-15%, but we feel it is actually higher. It seems that the inventory has remained unchanged, despite the operating rate having been reduced. This applies to not only panels for TV sets but also medium- and small-sized panels.
- Korean manufacturers have maintained an unchanged operating rate. Although we do not have a clear idea of the actual amount, their comments gave us an impression that they intend to get through this quarter maintaining this level.
- The investment in G8 panels is expected to start showing some effects in the second half of the year in Taiwan and Korea, although manufacturers in both countries have maintained a cautious attitude to the same. Still, they are steadily advancing preparations and promoting installation in plants, although the plan has unfolded slower than originally scheduled. They have no intention of suspending the plan or canceling orders, but there seems to have been a slight delay in installation.
- Sales in masks are not basically so bad. A backlash against little orders for masks, which had continued for the previous two quarters because panel manufacturers were busy with mass production, contributed to an increase in sales over the same quarter last year as well as compared to the previous quarter.
- In May and June, as the production of new panels for the year-end season started, we, a mask manufacturer, saw mask orders for new panel production as well as orders that had stopped so far, but re-emerged currently, both led to an increase in sales.
- Orders in July and in recent days have increased by about 10% over the previous quarter, while demand for masks themselves seems relatively high, although the orders for masks for new production lines remain unreleased yet. In the latter area, a gradual increase in

orders is expected from the end of the 2Q (from late August to September) and they will record positive growth as a whole.

Glass memory disks (MD) for HDDs

- The most remarkable trend in Media is a decline in unit prices. While a foreign manufacturer having newly entered the market for 2.5-inch drives have increased their share, other manufacturers have not really increased their sales volume. With this in mind, there are rooms in production capacity in media manufacturers who sell externally, hence unit prices are affected. It seemed to us that the situation was likely to be comparatively favorable to our company, however, the decline in unit prices damaged us. The media's unit prices decreased by 7-8% from the previous quarter.
- I think that the above mentioned foreign manufacturer will promote internal manufacturing further in future and so media manufacturers who sell to external customers, including HOYA, will be unlikely to successfully turn things around within a short period of time.
- Substrates performed well. I feel that 1Q results were significantly influenced by currency exchange compared to the same quarter last year. If the foreign manufacturer promote internal manufacturing further as stated above, our company will be expected to receive more orders for substrate.
- The production quantity of 2.5-inch HDDs has been increasing by 20-30% in the market. As the second building in our Vietnam plant has been completed and currently installing equipments, it is estimated that total production will increase by about 15% by the end of the year.

Optical lenses

- Optical lenses achieved the poorest performance among EO segment in the 1Q.
- This was partly due to the impact of the market environment, however, our loss of market share is a more serious problem.
- Plastic lenses for mobile phones have been disseminated for a short period. We had insisted that we would not depend on mobile phones, for which there would be little demand. However, in fact, we depended on them to some extent and anticipated a certain order volume for lenses for mobile phones, which was adversely affected. On the other hand, Chinese manufacturers significantly increased the production volume of lenses for digital cameras and tried very aggressively to push lenses at lower unit prices. Some orders went to them, while Taiwanese manufacturers have also been strengthening self-manufacturing. I think that these three factors are the reasons why our company has lost market share.
- While a manufacturer of compact cameras using mainly plastic lenses have been riding high and expanding their share in the low-end market this year compared to the last, in view of glass lenses we faced severe market conditions, and it seems that glass lens market is not growing but rather shrinking.

- I have the impression that each camera manufacturer is putting the brakes on production from late June to early August as if reducing production. Normally, August is the time when they have to initiate preparations in time for the year-end shopping season, however, I feel that the situation now is totally different. I suppose they might have trouble with disposing of the inventory generated in early spring. Anyway, they seem to have already decreased production in a cautious manner.
- We are planning to produce lenses for blu-ray, pickup lenses for both glass and plastic.
- We lost ground to Chinese manufacturers in the domain of lenses for digital cameras in 1Q, partly because we refused to discount prices. With this in mind, we intend to make a concession as far as possible from now on.
- In addition, we will strive to expand the market for lenses of single-lens reflex cameras. I am not sure whether the goal will be achieved during the second half of this year or in the next, but I think the extent to which we will receive orders for new designs is important.

Vision Care (eyeglass lenses)

- There has been no major change, but the market has deteriorated.
- In Europe and the United States, the sales on a local currency basis have increased by a few percent compared to last year. However, the market has apparently deteriorated compared to one or two years ago, and growth is also expected to stagnate in future.
- We have suffered the greatest hardship in the Japanese market, where sales have decreased. Countries where sales have decreased in the 1Q include Japan and the United States. Though the sales decrease in America is due to foreign exchange, sales in the Japanese market have simply decreased; due mainly to the decline in unit prices. The recent emergence of specialty shops offering progressive lenses at prices of 18,900 yen has had an impact on other chain stores, and this move looks set to continue. It is expected that eyeglass chain stores will rapidly shift to a sales style whereby they sell eyeglasses at a fixed price of about 20,000 yen.
- Profitability in the 1Q has improved, but not because of favorable factors. It is rather due to the influence of various other factors, such as inventories and foreign exchange, and indicates that profitability has improved without any major structural changes. In order to keep up with current trends, we will try to implement more aggressive strategies to increase sales quantity without concern for profitability. Previously, we strove to boost sales by shifting to higher prices, in foreign markets as well as the Japanese market. Such efforts have already achieved a certain result, so we will strive aggressively to gain market share in future.

PENTAX : Digital Cameras and Endoscopes

(COO Hamada) My talk will focus on cameras and medical equipments. There are some factors, including organizational change and operational transfer, so I would like to talk from

a qualitative standpoint, without mentioning the actual figures, such as an increase or decrease on a year-on-year basis.

- Sales of cameras decreased from last year. This is because the market is now confronted with a price war, and single-lens reflex cameras have come close to saturation point. Under such harsh conditions, Pentax, which has only a small market share and lacks brand strength, has suffered the most severe damage over the last six months.
- From a macroscopic viewpoint, the data show that there has been some increase on a year-on-year basis in both compact cameras and single-lens reflex cameras, although we believe the volume of shipments does not always correspond to the sales volume (demand) at shops. Though single-lens reflex cameras have served as a catalyst for growth in overall cameras to date, I feel a major trend has seen them virtually lose their momentum or approach saturation point. Examining players in the camera industry, consumer electronics companies have entered the single-lens reflex camera market and adopted an aggressive approach in order to gain share in the compact cameras sector. The former balanced camera industry no longer exists, and the struggle for survival is expected to become even more intense among a dozen companies.
- It seems camera functions have entered the territory whereby performance enhancements exceed the level at which humans can perceive. As is apparent from examples of various home electric appliances and PCs, dozens of companies are competing with each other. I think they will gradually move toward competition focused on price, branding and design, from a macroscopic viewpoint.
- There are some technologies in which Pentax gains superiority, as well as valued customers and distributors/channels of Pentax products in Europe and the United States. Thus, we should strive to take advantage of these and revert to basics by bringing products to the market on time. It is a basic principle to reduce the “time to market”, namely, bring distinctive products onto the market as soon as possible, because products similar to those of other companies can be sold at a higher price if they are released at least a week ahead of other companies.
- Even if Pentax produces excellent products, they often bring them onto the market a few months later than other companies. By that time, products have come down in price and their specifications already look slightly up-to-date. Such products cannot be sold in high volumes at the proper price. Therefore, we will try to stick to the basics to bring products using unique Pentax technologies in order to market on time.
- Overall cost structure has been checked from production cost to sales expenses, although some problems may be overlooked. There are still various bases and facilities in areas where operating costs are high. They should be moved elsewhere or their business should be outsourced as soon as possible to reduce costs. We will try to stick to the basics to improve cost structure and enhance efficiency. The goal for this year is to build up our

basic strength.

- It is difficult to draw up a distinctive roadmap for only a month or so. It is also difficult to bring products based on the roadmap to market so soon. In this, the first year of structural reformation, we are promoting company-wide efforts.
- Medical equipments have shown an increase in growth on a year-on-year basis, while a new product, EPK-i, was also released in Japan. Previously, it gained only a small market share in Japan while occupying a relatively higher market share in North America, Europe and Asia. We will take this opportunity to devise efforts to expand the market in Japan based on full-scale preparations. Olympus is too big for us to catch up with, but we will set a goal of catching up with that company one day. We will try to set a vision from a macroscopic viewpoint and foresee the movements of other companies, such as when, where and what they are going to release, by grasping global trends. Subsequently, we will draw up an appropriate roadmap and decide on the target segment in which to centralize resources. We will also stick to the basics to review sales and marketing activities by examining how product planning should be conducted. We have already launched some projects.

[Questions and answers]

Q: The performance for the past quarters had been declining, but for this 1st quarter exceeded market expectations after a long interval. I think it is due to both structural and market factors, but I wonder whether the entire business has almost bottomed out, or whether the current harsh conditions will continue for some time. What do you think about it from a qualitative standpoint? Do you think the performance in the second half will be better than that in the first half due to factors for recovery except market factors? What are your prospects for the next year?

A: (CEO Suzuki) As I said in the previous meeting, I feel that the performance in the second half will be better. Nevertheless, the external environment has deteriorated, and the current performance has declined, hence performance in June is worse than that in May, and performance in July is worse than that in June. However, such deterioration is within the scope of the assumption, and in view of the market environment and the position of our company within the same, I think that our position will improve in the second half, relatively speaking. My opinion is based on the circumstances of fields on which we have focused. In the second half, growth will depend on how we focus on non-technological segments, such as eyeglasses and contact lenses, and medical segments, such as endoscopes and lifestyle-related segments, all of which account for 30% of our company's sales. It would be the best way, with the current environment in mind, to boost growth in sales in these sectors, such as by enhancing growth in endoscopes and aggressively expanding the eyeglass market. I mean that we will be able to gain a better position in the second half with regard to fields we have focused on while the market environment will deteriorate. However, the emphasis on medical segments and glasses

is another story. Our company should prioritize, transfer resources to, and aggressively expand the market for eyeglasses, endoscopes and contact lenses, so we intend to ensure solid growth in them.

Q: I had great expectations of increased sales for LCD Photomasks, but the LCD panel industry seems to have entered an adjustment period before Hoya makes a recovery. Previously, there was little demand for masks, due to the high operating rate of panel manufacturers. Do you think that there will be a boom in the HOYA mask business slightly later than the whole industry? Or can we not expect any recovery due to structural factors?

A: (CEO Suzuki) Because masks are only a tool in the LCD panel manufacturing process, I do not consider them to be linked to the overall business climate. Unlike mature industries, such as semiconductors, the LCD mask business doesn't seem to be linked to the overall LCD industry climate as far as I can see, or rather, seems to have a countercyclical function. I think that mask will remain in good condition for a while. Demand for masks will continue to grow, partly because of the scheduled launch of new product lines, and partly because panel manufacturers now have suffered from costs therefore started to introduce measures for retooling to reduce costs. There seems to be a considerable need for masks as measures for retooling in both Korea and Taiwan. In that sense, I think that the mask industry will ride high, while panels will remain in a severe condition for the time being. By mid-2009, the excess in supply will continue, while new product lines will be launched. However, Taiwanese manufacturers have started to cut output slightly earlier, so there has been little movement in sales volume without this causing a price collapse, as was previously the case. One of my concerns is that it may be difficult to ensure profit on medium- and small-sized panels.

Q: Would it be correct to understand that it is not due to competitive factors that LCD masks have lost market share? Would it be correct to understand that increase in sales will continue for about a year?

A: (CEO Suzuki) I don't think that we have lost market share, rather I think that we have expanded it. The trend of sales growth is expected to continue for more than a year. At this point, I don't believe that the trend will be in decline.

Q: What are the forecast figures of Pentax in the 2Q?

A: (CFO Ema) The forecasted growth rate for Pentax as a whole will show a decrease of 18.5% on a year-on-year basis in the 2Q. The breakdown is: a 20% decrease in IS, a 38% decrease in OC, and an 8% increase in medical equipments.

Q: You once told us about a plan for Pentax to achieve a sales volume of 200 billion yen and an operating margin of 18% in three years. What do you think about the feasibility of

those figures after completing operations for half a year?

A: (CEO Suzuki) It depends on the composition of sales, and I didn't clearly mean to set a time limit, but I still feel the same way as I told you at that time. There is no change in my thinking that we should build a business by ensuring sales volume at that level and an operating margin of 18%.

Q: What is the forecast figure of the tax rate for this year?

A: (CFO Ema) I think that it will return to pre-existing levels in the 2Q or later unless there are any special factors. It is expected to be about 20-25%, but the annual rate would be slightly higher because the rate in the 1Q was 39.9%.

Q: How do you see the trends of the unit prices of LCD Photomasks and HDD glass substrates ?

A: (CEO Suzuki) LCD photomask market started to see a balance between supply and demand, and so their prices are becoming stable. There is still no sign they will rise, although there is also scarcely any possibility of a drop in price. Though prices may fluctuate in the market where there are several players, they seem to have bottomed out on the whole. Sold on a dollar basis, HDD glass substrates have been significantly influenced by foreign exchange. It seems that in the relationship of supply and demand there is no particular factor that may cause a big drop in unit prices (the market has not been in a situation of excessive supply), and price declines have remained at a normal level in this industry (except for the influence of foreign exchange). Unit prices decreased by a few percent from the previous quarter.

Q: Pentax's digital cameras have shown negative growth in both the 1Q and 2Q; having decreased by more than 20% on a year-on-year basis. Considering this negative growth by unit price, sales volume and inventory, do the results of the 1Q and 2Q have the same significance? What are your prospects for the second half or later?

A: (COO Hamada) There are the same negative factors in the 1Q and 2Q. The development of products in stock was conducted from summer to autumn last year, whereupon the process of production planning and marketing was initiated. For cameras, it may take about half a year or more to complete the process. The process continues automatically, even in the 1Q and 2Q this year, and price competition has intensified while the market has been deteriorating during the 1Q and 2Q. Pentax's products cannot be sold at higher prices, even if excellent, because their release is slightly late, and we tend to increase inventory. In the 1Q and 2Q, we were forced to continue selling products at lower prices to prevent the inventory from increasing further. I don't think that performance will improve so drastically in the second half. Instead of our existing growth-oriented style of producing and selling products as much as possible to boost sales, we try to draw up a detailed roadmap for products in view of their profit, conduct marketing, prepare a production plan, and determine the production volume that can be sold.

There is no doubt that the 2Q and the second half will also see a difficult situation, but the decline in profit is expected to bottom out and gradual profit improvement is anticipated.

Q: What are your prospects for capital investments and depreciation in this fiscal year ending Mar. 2009? What do you think about investments in next-generation LCD Photomasks and HDD media as major investments for this year and the next?

A: (CFO Ema) We expect capital investments of 47-48 billion yen, and depreciation of slightly over 50 billion yen. They have not completely been decided yet but are part of our plan as a framework.

(CEO Suzuki) I suppose you referred to the next generation of LCD Photomasks, such as the 10G, which we would like to launch basically. SHARP Corporation has already launched the 10G, and the LCD industry is anticipated to move to the 10G from its present stance, while it also seems as if Korean and Taiwanese manufacturers will also move to the 10G or 11G. I'm not sure whether 50-inch TV displays will become the standard, but I believe that the 10G and 11G will become the next standards, regardless of the standardization of 50-inch TV displays, and that we will be unable to advance by ignoring them.

With regard to HDD substrates, if we took no measures, this would only encourage competitors to expand their market share, so capital investments necessary for substrates according to the growth in quantity should be made continuously. Because the balance between supply and demand has been maintained, we should make such capital investments without striving excessively and breaking down the balance.

It is expected that discreet track media will appear as products to be showcased next year. With that in mind, small investments of several billion yen will be made next year. Development will probably be initiated this year, but I think that we still have a long way to go before mass production of discreet track media commences. On the cost front, they will not become profitable unless we show significant technical progress. We recognize that we should take measures to make technical progress in those media because memory capacity tends to increase. However, I expect that it will take two more years, or even three, for them to finally become profitable.

Q: What is the ratio of 160GB products and 120GB products with regard to the media mixture from April to June? What image do you have of the quarter from July to September? I hear that lenses for single-lens reflex cameras have been considered relatively unprofitable, while requiring great care. What is the background to the change in strategy to strengthen them?

A: (CEO Suzuki) Currently, 160GB products account for about 80%. I think that almost all products will be 160GB in the 2Q.

As for lenses of single-lens reflex cameras, the reason is that we have prospects to establish a firm business relationship with major single-lens reflex camera manufacturers. Because we

have established such a framework and come to anticipate sustainable business transactions, we decided to strengthen those lenses, from which we can expect a certain amount of long-term production, even if it is difficult to make a profit structurally compared to small lenses.

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