

**Summary of financial results meeting  
for the three months ended December 31, 2008  
Tokyo, February 5, 2009**

***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

3Q: October 1 to December 31, 2008

4Q: January 1 to March 31, 2009

Next 1Q: April 1 to June 30, 2009

**[Presentation by Mr. Ema, CFO: Performance for the 3Q]**

**Business Performance**

Sales:	Yen 112,740 million	(-23.3% year on year )
Operating Income:	Yen 16,687 million	(-39.4%)
Ordinary Income:	Yen 18,276 million	(-35.1%)
Net Income:	Yen 12,610 million	(-44.2%)

**Financial position**

Total Assets:	Yen 595,454 million
Net Assets:	Yen 354,590 million
Owners' Equity Ratio:	59.1%

**Performance for the quarter**

- The full-year performance estimates were announced on February 3 in accordance with the rules on timely disclosure stipulated by the Tokyo Stock Exchange.
- With regard to the impact of foreign exchange, the performance of overseas subsidiaries converted into yen is consolidated and the exchange rate of Japanese yen against the major three currencies, such as US dollar, Euro and Thai Baht, has been rising. As a result, there was a 14,506 million yen decrease in sales. Deducting this from a year-on-year decrease of 34,315 million yen in sales, earnings from business activities resulted in a 19.8

billion yen decrease. Divisionally, we posted a 7.9 billion yen decrease in the Electro Optics Division (EO), a 0.6 billion yen decrease in the Vision Care Division (VC), a 1.0 billion yen increase in the Health Care Division (HC), and an 11.4 billion yen decrease in Pentax respectively.

- Operating profit was 16,687 million yen (decreased by 10,838 million yen compared to the same period last year), of which approximately 7 billion yen derived from business activities. Divisionally, there was a 5.2 billion yen decrease in EO, a 0.7 billion yen increase in VC, a 0.5 billion yen increase in HC, and 2.8 billion yen decrease in Pentax.
- As for non-operating profit and loss, investment profit and loss on the equity method went into the red, mainly attributed to NH Techno Glass Corporation, which changed its name into AvanStrate Inc. In the 3Q, the investment loss on the equity method was 1,574 million yen. In view of the previous year's investment profit on the equity method of 2,183 million yen, this means a decrease of 3,757 million on a year-on-year basis.
- As for exchange gain and loss, we accrued 2,275 million yen of exchange gain in the 3Q. Since the loss from exchange was a 1,895 million yen in the same period the previous year, it means an increase of 4,170 million yen.
- There is a time lag between product sales and cost recovery in normal business activities, which may cause an exchange loss. We posted an exchange loss of approximately 5 billion yen. On the other hand, the head office has a debt from overseas subsidiary, which achieved a gain of approximately 7 billion yen in the 3Q under the currency basket system. As a result, there was a gain of approximately 2.2 billion yen from foreign exchange. I specifically mentioned this because such a gain is most unlikely under these circumstances.
- With regard to extraordinary profit and loss, a 2,016 million yen loss from the write-down of investment securities was mainly due to an appraisal loss of stock investment for the former Pentax.
- Net income for the quarter was 12,610 million yen, decreased by 9,993 million yen on a year-on-year basis (44.2% decrease), and current net income per share was 29.13 yen.
- As for the segment data (p.8 in the Quarterly Report), Pentax showed an operating loss of 1,433 million yen. It suffered a loss of 3.5 billion yen in the camera business, and its total loss was 1.4 billion yen after the setoff against gains in other businesses.
- EO showed a 10 billion yen decrease in sales on a year-on-year basis. It showed a 7.5 billion yen decrease in operating profits, which was almost equally derived from three segments: Mask blanks for semiconductors, MD (HDD-use glass memory disks), and optical lenses. Pentax showed a 3 billion yen decrease in operating profits, of which there was a 5 billion yen decrease in profits in the camera segments. As a result, this means an approximately 2 billion yen increase in profits in other businesses.
- The sales growth rates by product (p.24 in the Quarterly Report) indicate that most segments showed a decrease in sales. The exact causes of a decrease vary according to segment, including a decline in quantity due to the economic downturn, drop in unit prices,

and the appreciation of the yen, which had an impact on each product.

- We estimate that the 4Q will show a significant negative growth compared to the 3Q. It is expected that business situations for the period from January to March will become worse than that from October to December.
- We announced the full-year performance estimates on February 3. We did so in accordance with the rules of the Tokyo Stock Exchange, which require that any company should announce revised performance estimates when their profits increase or decrease by 30% or more compared to the originally estimated figures (if there are no already-published estimated figures, the actual results of the previous year). It is estimated that the performance in the 4Q will consist of an 88,731 million yen of sales, a 155 million yen deficit in operating profits, a 4,260 million yen deficit in ordinary income, and a 10,944 million yen deficit in current net income. It includes an extraordinary loss of 10 billion yen in order to incorporate the costs necessary for structural reforms because the 4Q is considered to be a transitional period to promote reforms for the future. The costs are mainly personal-related, as well as facility related.
- The figures of the previous results corresponding to estimated figures do not include those for Pentax in the first half before it was consolidated, and differ from the actual figures. Looking at increase and decrease after including the results of Pentax in the first half of the previous year, there was a 107.3 billion yen decrease in sales, a 39.4 billion yen decrease in operating profit, a 39 billion yen decrease in ordinary income, and a 40.3 billion yen decrease in current net income respectively.
- Estimated sales for the full year include a 31 billion yen decrease due to the impact of foreign exchange. Estimated operating profit includes a 12.3 billion yen decrease, estimated ordinary income includes a 13.3 billion yen decrease, and estimated current net income includes a 12.6 decrease respectively.
- It is estimated that there will be an 11 billion yen decrease in sales and a 5.1 billion yen decrease in operating profit due to the impact of foreign exchange in the 4Q. The assumed exchange rate in the 4Q is 85 yen to the US dollar and 115 yen to the euro.

**[Explanation of general state of company performance by Mr. Hamada, COO]**

- I would like to discuss the future outlook rather than the results in the 3Q.
- The EO Division suffered the aftermath of the rapid downturn in the final product market, the timing of which varied according to the products involved, and its performance has significantly decreased in this quarter. Actual demand for products, such as personal computers, TV sets and semiconductors, has been decreasing. In addition, demand for upstream products has also been decreasing, as HOYA is a parts manufacturer who is supplying such upstream industrial goods. There are many different industry perspectives as to how long this condition will continue: some say that demand will begin to recover in

the latter half of the next fiscal year, while others say demand will never revert to its normal level even if it recovers. To give an example of personal computers, the year-on-year growth from 2008 to 2009 differs between research companies and manufacturers. With regard to notebook PCs, some say that unit shipments will increase by 10-20% on a year-on-year basis, while others say that they will show negative growth on a year-on-year basis. We are conducting research on final products, including personal computers, by monitoring demand trends in shops and checking inventory levels in each process in the supply chain from component manufacturers to retail stores. At the same time, with regard to blanks and masks, we are monitoring the operational status of related equipment, machinery, and production facilities that require a longer lead time to deliver, such as steppers and testing equipment. From a comprehensive standpoint, we predict that the performance from the 4Q to the first half of the next fiscal year will remain at low levels, although slight differences in business segments may emerge. Under such circumstances, HOYA intends to promote structural reforms as soon as possible by downsizing and sorting out investments.

- Since we merged with Pentax, the percentage of products from divisions other than EO, such as medical equipment, medical products, and eyeglass lenses, has increased to 50% or more. Almost all are final products; offered to end-users in their original form as manufactured, unlike materials and parts in the EO business. Sales in cameras were seen to plummet, because Pentax was a small company and susceptible to a downturn in the market and the rate of decline was higher than with other major companies. In the digital camera segment, we will continue to promote structural reforms, not as a one-time-only effort, and change its product line with the aim of restoring financial conditions as much as possible by the end of the next fiscal year.
- Eye-care related segments, including eye glasses, contact lenses, and IOLs (intraocular lens for cataracts), these four medical-related business segments including Pentax's endoscopes have been relatively less affected by the global economy, although the aftermath is expected to gradually affect markets worldwide from this year. There seems to have been some impact due to the tendency of hospitals to hold off buying new devices or patients becoming reluctant to go to hospital to save money. Under these circumstances, we have decided to proactively implement a growth strategy, for which final products are key, and marketing strength must be immediately boosted. The term "marketing" here does not mean advertizing but rather product development, based on a manufacturing roadmap after identifying and carefully examining the present market needs, hidden potential needs, and future needs, and to sell products in selected markets. This is an important and fundamental strategy. Because the percentage of final products increased due to consolidation with Pentax and most of those final products belong to the medical segment, we should enhance marketing and sales strength to achieve growth in that segment. These may be abstract notions, and that's all of my explanation on business activities. I would like

to answer each question individually.

**[Supplementary Explanation from Mr. Suzuki, CEO]**

- On the positive side in the 3Q, endoscopes and eye glasses, as non-EO segments, showed steady growth on a local currency basis. Sales of eye glasses have increased by approximately 5% in North America, while those of endoscopes have increased by a little smaller than 10% on average in Europe and the United States, with both segments showing steady growth. Looking at the figures for January, there is no change, which can be considered favorable.
- The most noteworthy incident in the 3Q was the shutdown of Thailand's main airport, which affected the eyeglass lens segment. Eyeglasses should be delivered quickly, and delayed deliveries caused our customers considerable inconvenience. In particular, it greatly affected sales in Japan, which dipped. Except for this, other areas have shown steady growth to date on a local currency basis. It was recognized that EO would suffer more severe conditions and that we would have to strive to increase sales in other divisions. Though some may criticize our efforts as lacking, we should accept the current situation whereby divisions other than EO are sustaining the corporate performance of the HOYA Group.
- For the next fiscal year, it is essential to determine the level at which the recession will bottom out, and up to what level sales will recover from the recession. Estimated sales for the 4Q are 88.3 billion yen, which will be the break-even point for this fiscal year. However, if sales at that level are maintained throughout the year, this means annual sales for the next fiscal year will be 350 billion yen. Considering the fact that annual sales are estimated to be 400-420 billion yen, based on the assumption that the sales level will decrease by 20% compared to the first half of this fiscal year, estimated annual sales for the following fiscal year will be within the range of 350-420 billion yen. Supposing that a 400 billion level is ensured, profit will be only half or less that of this fiscal year by simple arithmetic. Therefore, the point is to examine how to raise that level. As COO Hamada says, we expect an extraordinary loss for the 4Q, however, our intention is not just a downsizing due to curtailed operations but instead reform the structure to promote shifts in functions and locations. As it is an appropriate time to undertake structural reforms, we would like to promote them, especially in the fundamental part. We do not complete all the process with the extraordinary loss that we reported in the 4Q, and some part of the structure will need to be changed further in future. Therefore, we will continue to take approaches to structural reforms in the next fiscal year; properly estimating the sales for the next fiscal year and trying to grasp how we should reform the structure according to the scale of the estimated sales. Subsequently, we will strive to realize the reformed structure as soon as possible. We consider it a time for us to implement structural reforms in order to gain competitiveness for the future. Our aim is to restore our commercial functions to what they

should be. We are not expected to be able to achieve good results in the next 1Q, while it may be too early to predict the situation four months and a half ahead of schedule. However, under the circumstances where no one can tell what is going on in the market and what customers need and there are different perspectives concerning the demand for final products, we currently have nothing on which to rely. The market situation is unlikely to show significant improvement in the next 1Q compared to the 4Q. During this period, we should take steps in anticipation of a few quarters ahead. With this in mind, we will continue to manage operations in the remaining 4Q and the next 1Q.

**[Questions and Answers]**

***Q: Mask blanks indicated a sharp drop in the 3Q which we had never experienced before, so what is going on in the industry? Do you think it will recover in future or that such drop is just temporary? What is your opinion?***

A: (CEO Suzuki) The industry is significantly affected by sluggish consumer demand and activities involving the creation of new designs have ceased. There is a tendency to eliminate expenses incurred from activities, whereas our customers of both blanks and masks intend to minimize costs, including designs. This does not mean that they should quit designing for semiconductors, and I expect that design activities will return at some time in future. Since chips for new products have to be changed, design activities will be resumed. On the other hand, it may take time to restore growth in blanks, which had shown a growth in high-precision and high-end products with small nodes. As for research and development, the development of 22-16 nm products seems to have been continued. However, it is unlikely that those products, which have been developed at a small-scale level, will be incorporated into a regular product development program. Though we cannot expect the same level of growth in blanks as before, I think it is too pessimistic to forecast that the current situation will last for many years to come.

***Q: Please explain about the goals and concepts for structural reforms, including personnel reforms, for which 10 billion yen is posted in the 4Q. It is estimated that the annual depreciation will be 50 billion yen – does this include impairment loss? Give us your estimates for capital investments, depreciation costs, and R&D expenses in the next fiscal year.***

A: (CFO Ema) The estimated depreciation costs for the current year are 50 billion yen, which seems almost the same as the amount we announced in October 2008, decreasing by approximately 1 billion yen, while capital investments have decreased by approximately 14 billion yen, which was included in the amount announced in October. Specifically, investments in semiconductor-related and MD segments have been excluded. Extraordinary losses of 10 billion yen, which include the write-off amount of facilities, consist mainly of personnel expenditures. Because we are in the process of formulating the annual plan for the next fiscal year, which will be decided in the board meeting held at the end of March, I cannot give you

our estimation for the next fiscal year today.

**Q: CEO Suzuki predicted that if we merely maintained the level in the 4Q without taking further action, full-year sales would be 350 billion yen in the next fiscal year, meaning that we would end up breaking even. Please give us a rough estimate of the fixed expenses to be reduced for the next year.**

A: (CEO Suzuki) We should consider various expenditures, including extraordinary losses, in the first half. In addition, structural reforms do not make a positive impact on profit and may cause inefficiencies in some aspects while we in the reforming process. We'd rather focusing on striving to establish a new structure by the end of the first half and to develop it into a solid profit structure required for the company.

**Q: Please explain about the current conditions of Pentax-related business and your prospect of the profit recovery program for the next fiscal year. The decline in profit margin of the actual performance was not as significant as I had expected, despite the negative impact of the strong yen, though I personally predicted that the deficit would have accumulated further. What is the background of Pentax's total deficit of 1.4 billion yen while there was a deficit of 3.5 billion yen in the camera segment? What are your prospects for profit and loss in endoscopes, digital cameras, and opto-devices for the next fiscal year? If we set the goal of posting a deficit of approximately 10 billion yen for this fiscal year, by what extent are you planning to reduce the deficit for the next fiscal year?**

A: (COO Hamada) We are now in the process of formulating the figures for the next fiscal year. For the camera business in Pentax (including parts), we have closed some bases in Japan, which will be transferred overseas. We have also accelerated the disposal of product inventories, the production of which was launched two years ago, with the aim of achieving a recovery with a rising intonation in the next fiscal year. I think we must take the plunge and trim off the fat. I predict that the scale and marketing share will decline compared to a few years ago when Pentax had momentum. With the impact of the strong yen in mind, we should focus on profitable countries and regions. The selection and integration of regions and products, including personnel and bases, will also be promoted in a straightforward manner. Endoscopes have shown a year-on-year growth on a local currency basis, while there is an increasing tendency to refrain from going to the hospital to save money, which means patient numbers fall, making it increasingly difficult for hospitals to purchase new endoscopes due to a lack of funds. However, Pentax's endoscopes have a very small market share in Japan, and I think there is considerable room for internal improvement. As it is impossible to improve the situation in a single step, we will continue to work on improvement by strengthening the management team and examining approaches. In the endoscope industry, there are only three companies, the leading manufacturer Olympus, Fujifilm, and our own, each of which offers similar products and

services at similar prices. I don't think it is difficult to differentiate ourselves. We found the point that helps to differentiate ourselves, so we will strive to reinforce it. Because euro- and dollar-based transactions account for 90% of our business, estimated year-on-year sales on a Japanese yen basis may show little growth in the first half of the next fiscal year. However, I believe the actual performance depends on growth on a local currency basis and the share we have gained, so we should strive to maintain a growth rate of approximately 10%. We aim to achieve a year-on-year increase in sales on a local currency basis and the number of units in each quarter from the next 1Q with a rising intonation.

**Q: Does the growth rate of approximately 10% in the actual performance of endoscopes exactly mean 8-9% or 11-12%? Also, does it mean that our share increased during the growth?**

A: (COO Hamada) I think the market has continued to show a growth of 3-5% and our share has been increasing gradually. The precise definition of the growth rate is a single digit figure close to 10.

**Q: What is your strategy for pickup lenses?**

A: (COO Hamada) It has taken longer for Blu-ray Disc products to penetrate the market than we expected, and poor demand for final products has hampered the growth of pickup lenses. We have already reached a technical level enabling us to manufacture good quality products. I expect the demand for pickup lenses to increase in conjunction with the growth in the market and the dissemination of Blu-ray Disc products.

**Q: According to your prospects, sales in MDs for the 4Q will show a drop of 62.3% compared to the previous quarter. Does this mean that the 62.3% drop will be caused by a joint venture (JV) to which a part of the sales will be transferred at a certain point or for without JV-related reason? Please update us on the joint venture project.**

A: (CEO Suzuki) It means that the 62.3% drop will be caused for without JV-related reason. The joint venture project is being promoted in the glass media segment, but sales in both media and substrates are expected to decline. The prospect that substrates, which have an approximately 60% share of 2.5-inch glass discs for notebook PCs, will decline at such level means that the production of HD drives will show a corresponding drop. There was a newspaper article concerning a joint venture project between Toshiba Corporation and Fujitsu Limited, which will have an impact on HOYA because both companies are our customers. It will have an equivalent impact on Showa Denko, which is the partner of our joint venture. Consequently, the process to create our joint venture is behind schedule. However, we are advancing the project in order to determine the final shape by the end of March 2009, hence the overall picture for the project remains the same.



**Q: Please give us the breakdown of a deficit by segment in the 4Q.**

A: (CFO Ema) From the aspect of demand, electronic component and automotive industries face a difficult situation. This situation has significantly affected EO, which is a division of HOYA engaged in business with the electronic component industry. It has also had a considerable impact on the camera segment.

**Q: It is predicted that Pentax will increase the level of deficit in the 4Q compared to the 3Q, while profit in VC and HC will remain almost the same. Does this mean that the cause of an increase in deficits will be a decline in EO? Does it include the effects of foreign exchange?**

A: (CEO Suzuki) Foreign exchange has also affected endoscopes and VC, which have shown a decrease in profit. The three major segments causing increased deficits are cameras, semiconductors and MDs, but the prediction that the growth achieved in endoscopes and VC in the 3Q will be maintained in the 4Q could be misleading. It would be appropriate to understand that foreign exchange affected half of the 3Q and will continue having an effect throughout the 4Q. It is predicted that EO will show a deficit.

**Q: I understand that the corporate performance in the 4Q will worsen. On the other hand, there is an earned surplus of approximately 400 billion yen. What do you think about dividend distribution?**

A: (CEO Suzuki) We haven't decided anything yet regarding the dividend distribution. Moreover, if I may say so, I think it is the time to retain as much cash as possible. Under these circumstances, various things have happened to date, and anything could happen in future, regardless of whether good or bad. I think we need cash to hedge against risk and we should retain a generous amount of cash to take the chance when the circumstances change.

**Q: Please give us explanation about HOYA's inventory levels by product under circumstances where the economic situation has drastically changed.**

A: (CFO Ema) The balance sheet shows that our inventory levels have decreased, because inventories in overseas subsidiaries have declined in value due to foreign exchange fluctuations. Subsidiaries follow the international accounting standards, including reflection of collectability (lower-of-cost or market-value method). For example, products which are excessively manufactured and have been kept in stock over 6 months should be reduced by 25% or 50% at regular intervals. We encourage each segment to conduct business activities by minimizing inventories. However, I feel the figures of the financial report for December are slightly higher because we experienced a sharp downturn in demand and product components were included in inventories. Please note that the figures for inventories in the balance sheet are smaller than the actual quantities due to foreign exchange conversion. In this regard, many foreign currency translation adjustments are reported in the equity section of the balance sheet.

As for camera inventories, we confirm whether they can ensure collectability, including new models as well as compact-type products etc., which may be written down as necessary. From a financial standpoint, it is desirable that all of them be sold.

(COO Hamada) Both the unit shipment and sales of digital cameras have decreased, so there has been little change in the inventory level.

***Q: Operating margins in the eye care segment showed steady growth, including 19.3% in VC and 24.4% in HC. What do you think about the reasons and future margins, including investments and promotional costs?***

A: (CEO Suzuki) The figures of VC for the 3Q appreciated slightly under the influence of movements in inventories. Therefore, please note that the figures for the 4Q will become lower than the actual results with 3Q's rebound. I feel that the figures for the 3Q are higher by a few points (approximately 2.5%) as an ongoing business model. It is also estimated that profit margins for the 4Q will show a decline of a few points compared to previous growth rates, due to the negative impact of foreign exchange. In Europe and the United States, the 4Q is a strong one, so you had better understand that margins on a local currency basis will not be changed, merely affected by seasonality. We have not currently taken any special measures that require considerable promotional costs.

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