

**Briefing Summary of the Analyst / Investor Meeting for the Consolidated Financial
Results for the 1st Quarter : Three Months ended June 30, 2009**

Tokyo, July 31, 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.

Quarterly Financial Highlights by Mr. EMA, CFO

- Sales and earnings for the first quarter of the fiscal year under review (April to June 2009) declined on a year-on-year basis. Net sales decreased 27.0%, operating income declined 57.5% and net income fell 81.8%. In particular, in the electro-optics (EO) division, operating income decreased by 12.5 billion yen because the personal computer, digital camera and semiconductor-related businesses were adversely affected by the recession.
- The good news is that net sales and operating income for the first quarter under review rose by 12.0 billion yen and 9.3 billion yen, respectively, from the previous fourth quarter (January to March 2009). In the previous fourth quarter, a net loss of 60 million yen was posted. However, the first quarter under review showed a recovery to a operating income of 9.3 billion yen.
- As to extraordinary gains and losses, extraordinary gains of 9.7 billion yen were recorded on a full year basis last year because Nippon Sheet Glass Co., Ltd. sold the stocks of NH Techno Glass Corporation (current name: AvanStrate Inc.) to a fund, and the Company also sold part of its holding of shares in NH Techno Glass Corporation to the fund. With the receipt of 3.2 billion yen in patent fees, extraordinary gains of around 13.0 billion yen in total were earned last year. With the absence of such extraordinary gains this year, net income showed a sharp decline.
- Total assets decreased by 53.4 billion yen from the end of the previous fiscal year, to 537.6 billion yen, due mainly to a decline in cash and deposits. Because of the amendment to Japanese tax laws, 95% of dividends received from overseas subsidiaries are not subject to taxes. As a result, in June, the subsidiary in the Netherlands made a dividend payment of 124.0 billion yen to Japan. Using the dividends received as funds, all the CPs were redeemed, and some of the short-term and long-term debts were repaid. As a result, cash, deposits and debts decreased. Net assets declined by 2.3 billion yen to 335.7 billion yen, reflecting the payment of 15.1 billion yen as year-end dividends.
- As to cash flows, net cash of 15.6 billion yen was provided by operating activities and net cash of 8.7 billion yen was used in investing activities. Free cash flow stood at positive 6.8 billion

yen.

- The forecast for the interim period has just been announced. We expect net sales of 195.0 billion yen (down 24.6% from a year earlier), operating income of 24.0 billion yen, ordinary income of 20.4 billion yen and net income of 13.5 billion yen. Operating income, ordinary income and net income are expected to decline 43.5%, 59.2% and 66.5%, respectively.
- In terms of the balance sheet, cash and deposits decreased by 48.1 billion yen from the end of the previous fiscal year, due mainly to the repayment of debts of 45.3 billion yen. Intangible fixed assets increased by 4.1 billion yen. This was attributable to the acquisition of Starion Instruments Corporation in the United States, which manufactures surgical instruments for endoscopes.
- As to debts, short-term debts, long-term debts to be repaid within one year, CPs and long-term debts decreased. In total, 45.3 billion yen was repaid.
- Earned surplus declined by 11,299 million yen due to the payment of 15,149 million yen in dividends, despite net income of 3,850 million yen for the first quarter under review.
- In the notes shown on page 7 of the quarterly report, the amount of the effect of foreign currency translations of overseas consolidated subsidiaries and the rate of increase or decrease in foreign exchange rates are indicated in terms of US Dollar, Euro and Thai Baht. In the first quarter under review, the yen appreciated 8.2% against the US Dollar, 19.0% against the Euro and 13.3% against the Thai Baht on a year-on-year basis. Due to the effect of the appreciation of the yen, net sales fell by 8.2 billion yen from a year earlier, operating income declined by 1.5 billion yen, ordinary income dropped by 1.4 billion yen and quarterly net income decreased by 1.3 billion yen, respectively.
- The statement of income shows a 27% decline in net sales, 6.3% or 8,262 million yen of which was attributable to the effect of foreign exchange rates. Excluding the effect of foreign exchange rates, net sales decreased 20.7% on an actual business activity basis. Net sales declined 13.1% in the EO division and 6.9% in the Pentax division. The EO division showed a sharper decline. Operating income also decreased 57.5% from a year earlier, of which 6.9% was attributable to the effect of foreign exchange rates. Operating income on an actual business activity basis decreased 50.6%. In the EO division, operating income declined 51.0%. The decline in operating income was therefore mostly attributable to the EO division.
- As to investment gains and losses on equity method, losses of 548 million yen were posted for the first quarter under review compared with gains of 801 million yen a year earlier, resulting in a decline of 1,350 million yen year on year.
- Please look at the segment information shown on page 9. On a consolidated basis, net sales decreased 27.0% and operating income declined 57.5% or 12,560 million yen. In the EO division, operating income declined by 11,440 million yen, accounting for most of the decline

in operating income. This was attributable to lower net sales than a year earlier for all products including mask blanks, photomasks, memory disks and optics. This division was greatly affected by the change that occurred in the economic environments in the second half of last year. The Pentax showed an operating loss of 941 million yen. The operating loss incurred by the camera business remained and was not able to be offset by operating income from the other businesses.

- With regard to growth rate by product, the year-on-year rate of growth fell in the first quarter under review, or is expected to fall in the second quarter, due to the effects of a decline in volume, and a fall in unit prices and foreign exchange rates. The quarterly rate of growth shows a slight recovery for the first quarter on an actual basis. There are many divisions that show a recovery from the bottom reached in the previous fourth quarter. Volumes show a certain recovery, but all divisions are subject to strong pressure for unit price discounts. Mask blanks showed a rise in net sales for the first quarter under review of 19.7% from the previous fourth quarter, but are expected to show a slight decline in the second quarter from the first quarter. The Pentax recovered in the first quarter from the previous fourth quarter, but is now expected to show a decline in the second quarter.

Segment Overview by Mr. Suzuki, CEO

Mask blanks and photomasks used in the manufacture of semiconductors

- To look at semiconductors, I believe it is better to look at mask blanks because it has a high market share. Compared with the previous fourth quarter, the first quarter showed a recovery in sales, but they are expected to decline in the second quarter. A recovery from the previous fourth quarter was clearly achieved. However, sales remained at the same level from April to July. Both volume and amount stay flat. I therefore feel that design activities for semiconductors declined sharply, then recovered and remained at the same level thereafter. I do not feel that design activities for semiconductors will ever increase. A sharp decline in sales from the previous year in terms of amount is attributable to the effect of foreign exchange rates. As to sales in terms of volume, excluding the effect of foreign exchange rates, it appears that the current situation is not so different from last year's situation, with the exception of the previous fourth quarter.
- At present, sales of advanced products are declining, and the sales volume of the mid- and low-end products is rising from the previous year. This is because difficult masks do not need to be used in advanced lines due to the improved performance of steppers. This may be a temporary phenomenon. However, I believe that mask blanks may suffer in the second quarter due to deterioration in the mixes. As a matter of course, there is progress in the development of advanced products. What I was interested in is the fact that there is a move toward giving up

45nm and commencing 32nm using double exposure and immersion technology.

- In terms of photomasks, the production capacity of the mid- and low-end products of mask makers appears to be insufficient. I think that the present situation is showing an unexpectedly insufficient production capacity of the mid- and low-end products, while sales of advanced products are not brisk.

Photomasks used for LCD

- LCD panel manufacturers are having problems due to the short supply of glass plates. AvanStrate is sought after by customers. Glass melting makers are not able to move so quickly because they belong to the raw materials industry. If they resume after extinguishing their fires, they can not ship any products for at least one month to six weeks. Logically, I believe they have the production capacity. I do not think that the manufacture of LCD panel will become impossible due to the tight supply of glass. However, glass makers cannot start up at the same pace as the volume of panel fabrication will rise, due to a time differential problem. The lag is therefore noticeable.
- Strictly speaking, I think that panel makers started operating 8G first, so the total glass volume is sufficient, but the production at 8G is becoming tight. I feel that liquid crystal panel makers' competition in terms of the size of televisions came to an end because the standard size of televisions is not that large. It appears that the alignment technology to move the liquid crystal molecule and technology to control image movement will become the factors for the next competition.
- LCD photomasks are almost in full production. Unit prices are continuing to fall, however, and are declining 20% to 25% from a year earlier.

Glass memory disks used for HDDs

- With regard to glass memory disks used for HDDs, substrates have been almost in full production since the end of July. It appears that customer demand is equivalent to 120% of the production capacity of the Company. We may cause problems for customers because of the shortage of substrates, but I even think that HDDs are getting overproduced. The inventory of HDDs does not appear to be large, however. It appears that the inventory of drives was empty from the fourth quarter to the beginning of the first quarter. I believe that an adjustment will be made in fall, but it will only be small.
- Demand for media is strong, however it will be in full production around August. Nonetheless, profits will not be generated even in the event of full production, due to the low prices. This is a sad situation. Production of 250GB began, but its price is low. The price will not show any recovery until the next 320GB. I think that 320GB will come out around the end of this year. One side is about 160GB, and both sides are 320GB. One platter with both sided and one side platter make 500GB. Three types of products can be produced using one technology. 320GB

appears to be the sweet spot. Accordingly, if technologies are developed in this area and certain prices are maintained, media makers may secure profits.

- We recently heard that, if the density of SSDs is increased through miniaturization, the life of SSDs will be short. There appear to be an increasing number of people asserting that it is difficult to replace HDDs with SSDs, because a breakthrough cannot be achieved under the current structure.

Eyeglass lenses

- Eyeglasses are greatly affected by the impact of foreign exchange rates. On a local currency basis, sales declined 10% from a year earlier in Japan, rose 3% in Asia, remained flat in Europe, and decreased 5% in the United States. Total sales declined 3.8%. Sales declined most sharply in Japan, while remaining acceptable in other regions. Japan is a problem. We were aware that a certain level of prices had to be maintained in the past. It appears that retail prices are not ceasing to fall. As a result, unless plants manage to gain a certain sales volume, manufacturers will not survive. We will therefore obtain volume through a change of direction. Retail price competition in Japan will not cease. We are considering the adoption of a policy to prioritize the operation of plants.
- Looking at foreign countries, there are about three manufacturing companies that have been acquired by private equities using the LBO method in the eyeglass industry. However, they appear to have begun to suffer. There seems to be a real possibility of an M&A deal. We have started to see a small number of cases where private equities have left, and we feel that the tidal flow is changing.
- In advanced countries, the market is not growing. However, the Company wishes to acquire a market share because it currently has only a small share. Meanwhile, we have to strive in BRICs as well. In Russia, the eyeglass market is unexpectedly small. We therefore wish to focus on India, Brazil and China, because we have already conducted business in those markets, and we have plants located there. Markets with high prices may appear to be growing, but in fact are not. Basically, we have to compete with local makers. We initially expected that high value-added markets would expand, but it appears that they will not expand as projected.
- It is vital to increase market shares in advanced countries to achieve results. We have focused on marketing, but it has failed to bring about results. We therefore need to be aggressive regarding price to a certain extent. An operating income ratio of about 18% was originally assumed for our business. Under the current conditions, we can secure profits at a rate of 20% to 22%, enjoying the effect of cost reductions. We will therefore compete for market share more aggressively in the future.

Segment Overview by Mr. Hamada, COO

Digital cameras and optical lenses, etc.

- In terms of camera-related products, the Company manufactures optical glass materials, lenses, lens units and cameras on an integrated basis, so I will talk about all of them.
- This year, in the digital camera industry, all companies have suspended production since the end of last year and made sales at heavy discounts. As a result, a major slump was caused all around the world, which was the first slump since the start of the camera industry. The slump came to an end, new cameras came out and orders for lenses are increasing little by little.
- About 110 million units of compact cameras were sold in worldwide last year. Shipments also showed the same figure. The Company projects that the number of compact cameras sold this year will decline 10% to 12% from last year, to between 97 and 98 million.
- It was said that 9.6 to 9.7 million units of single-lens reflex cameras were sold last year. We expect that the number of single-lens reflex cameras sold this year will decline less sharply than compact cameras, to around 9.0 million. We expect that the number of camcorders sold will decrease by around 50% from the previous year. In the past, there was a period when people visited mass retailers to buy camcorders with the aim of obtaining discounted prices of around 100,000 yen to 130,000 yen. Unit prices have fallen, however, and you can now buy a camcorder for around 60,000 yen. The unit prices of camcorders have decreased and the volume of camcorders has declined sharply. During the past few months, sales of compact cameras have continued to decline to the level of 75% of the previous year. They are expected to rise slightly from now on, and ultimately stay at around 88%, less than 90%, of the previous year.
- To date, shipments of single-lens reflex cameras have risen from the previous year. It is difficult to understand the retail data. On an integrated basis, the shipments are slightly higher than the previous year. In general, makers appear to be continuing to produce intensively until the end of the year. However, it appears that all companies are carefully developing a plan for the fourth quarter (January to March next year) to prevent overproduction.
- Under such conditions, the Company feels that a rapid recovery was seen for glass materials in the optical lens business. Despite this recovery, sales declined 30% to 40% compared to that of the previous year. There is a delay in the growth of optical lenses. This is not because the Company's products are poor, but priority was placed on in-house manufacture since lenses began to be manufactured in-house by camera manufacturers when the number of cameras produced was reduced last year. The Company considers this period to be a time when it is enhancing its competitive power through improving yields and manufacturing lenses using new glass materials. Among others, the business of selling lens units for compact cameras declined 15% to 10% from a year earlier, showing a recovery. The business requires unit design

capability and various electrical capabilities, and its sense of success is different from that of lens materials. The Company's lens units that are used for zoom lenses have gained public favor, and the Company has received numerous orders.

- Pentax cameras suffered greatly during the last year. The plant in Tochigi Prefecture was closed, and the plant in Fukushima Prefecture, where lens units were manufactured, was streamlined. Production technologies and sales functions were rearranged all around the world. This had an impact and earnings improved considerably, despite a decline in sales from the previous year.
- The K-7 single-lens reflex camera, which was manufactured by the new management after the merger with HOYA, has a very good reputation and has a backlog. We have heard a rumor that the K-7 may receive the Camera of the Year award. This product has contributed to the recovery of the Company's confidence.
- With regard to compact cameras, the new product that was introduced in July is a camera produced by the new Pentax management. We will continue to introduce interesting cameras in the future.
- We have streamlined the business structure. We will focus on marketing and use advanced technologies. We therefore wish to record a profit on a single month basis in the second half through accelerating the start-up of mass production and cost reductions, with the slogans "Time to Market" and "Time to Volume".
- We manufacture pickup lenses for DVD recorders, etc. While there was no demand for Blu-ray pickup lenses from January to March, a large number of orders was received during the past two months. The results of the small plastic lens business improved rapidly.
- Electric makers are extremely sensitive, probably because they have experienced more boom-and-bust cycles or look further ahead. There is a strong suggestion that AV-related products will not be sold as briskly as expected in this year's Christmas trade war. We expected that large orders would be received for Blu-ray pickup lenses, but now consider that the number of orders received may decline in the second half of the year.

Medical endoscopes

- We were concerned that the medical endoscope market might shrink from January to March this year due to the recession in Europe and the United States. However, sales of medical endoscopes used for the stomach and large intestine, our mainstay products, have remained at a higher level than the previous year in the United States and Europe. In Japan, the Company has a very small presence. In Asia, there are strategic countries where the Company has a market share of 20% or 40%. We therefore intend to commit ourselves to the introduction of human resources there. The Company also manufactures small endoscopes used for the nose, stomach and bronchus, etc. Sales of these endoscopes are not brisk at present, however. It appears that their sales tend to decline quickly in the event of a recession. Medical endoscopes used for the

large intestine are a tool for doctors, and they use medical endoscopes a great deal in Japan, the United States, Germany and France, thereby causing them to break down more rapidly. It therefore appears that there is some replacement demand despite the recession. Endoscopes used for the nose and throat are not likely to break down easily because they are used more gently. Small clinics that use such endoscopes tend to refrain from buying in the event of a recession, and we feel that sales of these endoscopes are declining. In any event, we feel that pipelines have increased, so we do not take a pessimistic view.

Intraocular lenses

- Intraocular lenses used for cataract operations were approved in the United States, and three to four months have passed since their launch. The number of sales force has increased. We will introduce various new products in the future, including injectors equipped with lenses. We are now working hard toward creating startups in the United States.
- We are currently spending money for investments for the future growth. Success in the United States, which we entered after thorough preparation, is the key to success in global business, so that is what we are focusing on.
- In Japan, there was a period when the number of operations and patients decreased sharply due to the impact of a new strain of influenza. It appears that Japan is showing a weak recovery, however. We wish to continue to show a rise after a level flight while enjoying an increase by a few percentage points from the previous year.

Contact lenses

- We have been operating 151 Eye City stores in Japan, which are the largest specialist chain stores of contact lenses in Japan. We have opened eight stores in China. This year's theme for Japan is the development of new stores. We are confident that we can open around ten stores. We are developing a plan regarding location, tenants and doctors. We wish to open more than 20 stores if possible. While there is almost no change in the number of stores in the quarter under review, and it appears that customers prefer contact lenses that can be used for two weeks or a month rather than daily disposable contact lenses due to the effects of the recession, sales have remained at a higher level than the previous year. We wish to continue pursuing the development of new stores.

Artificial bones

- There are artificial bones that are used to reinforce the skull, or are inserted into a lumbar. Some products have a market share of 40% or 70%, and sales have grown since the previous year.

Questions and answers

Q: Give us an idea of the estimated annual operating income.

A: (Suzuki, CEO) To be honest, it is quite difficult to estimate. As of now, we are unable to produce

an outlook for the fourth quarter.

Q: The operating income for the second quarter is expected to be 14.7 billion yen. Tell us what factors have contributed to the 5.4 billion yen rise from the first quarter.

A: (Ema, CFO) There is a recovery in the volume of memory disks. We have received numerous inquiries. A rise in the rate of operation will have a positive effect on the earnings of a process industry company. The earnings of the Pentax division are expected to recover from the current level.

Q: The operating income of the EO division for the first quarter appears low. What do you think about this?

A: (Suzuki, CEO) The current conditions are very good. However, the production of memory disks was almost completely suspended up to and including March. Consequently, April's results remained poor. Full-scale production recommenced in June. The figure for the first quarter is lower than the average of June and April.

Q: How did sales of endoscopes increase on a local currency basis?

A: (Hamada, COO) Sales of endoscopes rose by a few percentage points. Sales were affected by foreign exchange rates. Sales of endoscopes declined slightly in the United States and rose in other regions, resulting in an overall increase.

Q: What is the expected annual amount of capital investment and depreciation expenses?

A: (Ema, CFO) Capital investment is expected to amount to 25.0 billion yen in total. 3.0 billion yen was added to the capital investment amount, which was announced in May. Depreciation expenses are estimated at 35.0 billion yen, which is slightly lower than the initially planned 37.0 billion yen due to the timing of inspection.

Q: Tell how you will use funds. You said that the dividends are not yet decided because an M&A deal has become more of a real possibility. In terms of structural reform, tell us about the current status of the restructuring cost that was initially expected for the first half because there is a recovery in demand.

A: (Suzuki, CEO) We will determine the dividends by taking cash needs into consideration. If an M&A deal becomes more of a real possibility, we will revise the dividends. With regard to structural reform, we consider it difficult to reduce personnel expenses due to a recovery in demand. As to memory disks, the operation of plants was suspended because no orders were received in February and March. However, we considered that demand would recover quickly.

We therefore guaranteed to pay 70% of the workers' wages and sent them home. Some workers did not return after the demand recovered, however, so we are currently hiring workers. As a result, if personnel expenses are reduced, it will be difficult for us to manage at present. As we mentioned previously, we are carrying out work to improve efficiencies while changing the form and structure of the business on an ongoing basis. We will concentrate on this in the second half, but it may not be completed before the beginning of next fiscal year. The integration and relocation of plants will take time. Nonetheless, we will continue to pursue it to reduce costs by 10.0 to 15.0 billion yen.

Certain statements contained in this report constitute forward-looking statements regarding the company's future performance and environment of the industry in which the company is involved. Forward-looking statements are based on the judgment of the company and corporate group obtained based on information obtainable at the time the statements are made and they also contain risks and uncertainties. The company does not guarantee the completeness or accuracy of the content. Consequently, you are advised to refrain from making investment judgments relying entirely on these forecasts. Actual performance and the industry environment may differ materially from those expressed by the forward-looking statements for a number of reasons. You are requested to make final decisions regarding investment, etc., on your own. Please be aware that we cannot take responsibility for the outcome of investments.