

Briefing Summary of the Analyst/Investor Meeting
for the 2nd Quarter Financial Results for the Fiscal Year Ending March 31, 2012
Tokyo, October 31, 2011

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

Overview of financial results provided by Mr. Ema, CFO

<Overview of financial results>

- Let me explain our financial results, using the *Quarterly Report(English)*. The Balance Sheet on page 4 and 5 show assets and liabilities at the time we sold our camera business to Ricoh. On the asset side, "assets held for sale" of 19,350 million yen appear on the third line from the bottom on page 4, and on the liability side, "liabilities held for sale" of 10,341 million yen appear on the fourth line from the bottom on page 5. These items appear on the Balance Sheet only this time.
- The Quarterly Statement of Comprehensive Income is on page 6. This shows the values of all operations. Sales were 104,113 million yen, down 3,366 million yen year on year. Profit before tax was 14,876 million yen, down 1,617 million yen (9.8%). Profit for the quarter was 12,569 million yen, down 1,494 million yen.
- The effect of exchange rate changes when the financial statements of overseas consolidated subsidiaries converted into the yen appears in Note 1 on page 6. Sales, profit before tax, and profit for the quarter declined by 2,395 million yen, 786 million yen, and 721 million yen, respectively. These items have been influenced by the effect of exchange rate changes due to the stronger yen, and their values have an impact on operating income. The effect of the stronger yen was particularly significant in the 2nd quarter, as the yen was 9.4% stronger against the US dollar, 2.4% stronger against the euro, and 6.6% stronger against the Thai baht, compared to the exchange rate of the same period last year.
- Of the decline of 3,366 million yen in sales, the decrease due to the exchange rate changes was 2,395 million yen. Excluding this, sales from actual business activities declined 970 million yen. Although we posted sales of approx. 3 billion yen from the HDD glass disk media business in the previous fiscal year, they did not appear in the current fiscal year as we sold the business. By segment, as this was included in Information Technology, the actual decline in sales in this segment was approx. 1.2 billion yen. Sales increased by 3.2 billion yen in the Life Care business.
- Profit before tax declined by 1,617 million yen, of which 786 million yen was due to exchange rate changes and 831 million yen was the decrease in the profit from actual business activities. By segment, Information Technology showed a decline of approx. 1.0 billion yen, while Life Care rose approx. 1.6 billion yen. Other than these, foreign exchange differences were included in the item of "Other expenses," and the amount was 1,592 million yen in the

previous year and 4,483 million yen in the current year. The difference of them was a negative factor of approx. 2.8 billion yen. Of the foreign exchange differences of 4,483 million yen for the current year, approx. 0.5 billion yen was related to cash, and approx. 3.9 billion yen was the unrealized portion, of which 2.5 billion yen was the effect of the exchange conversion of foreign deposits. The unrealized foreign exchange differences for lending and borrowings (investment) between subsidiaries were approx. 1.0 billion yen. Tallying these values, the unrealized foreign exchange differences came to 3.9 billion yen, and the realized foreign exchange differences were 0.5 billion yen. These values came to be a total of approx. 4.4 billion.

- Other comprehensive income was negative 21,104 million yen. The value for “Exchange differences on translation of foreign operations” was approx. 20.5 billion yen. This shows how much difference of value Group companies would have if they were translated at the current exchange rates. As a result, comprehensive income for the quarter came to negative 8,535 million yen. This value will invert if the exchange rate of the yen swings in the opposite direction. If you look at the value taking this into account, I think that it will be easier to understand it.
- Page 7 shows the comprehensive income divided into continuing and discontinued operations. Sales from continuing operations were 96,505 million yen, up 707 million yen year on year, and profit before tax was 15,674 million yen, down 1,120 million yen. Profit for the quarter was 13,030 million yen, down 1,623 million yen. The negative effect of exchange conversion was 2,220 million yen for sales and approx. 0.7 billion yen for both profit before tax and profit for the quarter.
- Discontinued operations included the HDD glass disk media business and the camera business in the previous year, but only the camera business in the current year.
- Regarding the Quarterly Consolidated Statement of Cash Flows on page 8, the “Net cash generated from operating activities” was 25,124 million yen, and cash out of “Net cash used in investing activities” was 7,286 million yen, most of which was capital expenditure. “Net cash used in financing activities” was outflow of 1,498 million yen.
- Page 9 shows the segment information of all operations. Page 10 shows the segment information by dividing our operations into continuing and discontinued operations. The table in the middle of page 10 shows the segment information for the 2nd quarter under review, and the values on the right-end column are the results from all operations, of which sales were 104.1 billion yen, and profit before tax, which was 14.8 billion yen. Their breakdowns are written at left, which shows that Information Technology posted sales of approx. 43.7 billion yen and profit before tax of approx. 8.9 billion yen. Life Care recorded sales of approx. 52.4 billion yen and profit before tax of approx. 11.0 billion yen. Although Information Technology had accounted for more than 50% of total sales in the past, Life Care exceeded that of Information Technology in the quarter under review. The segment profit before tax rate was also higher in Life Care than in Information Technology.
- Page 12 shows further details of the results for each segment. Details of continuing operations by product, the second table from the top, show that sales in “Electronics related

products” declined by approx. 1.4 billion yen, or 5.0%, year on year. This was mainly because of the effect of smaller sales of semiconductors and HDD glass disk substrates. Imaging-related products are related to the optical business. Sales in this segment increased, mainly reflecting high sales of optical lenses.

- In the Life Care segment, health care related products consist of lenses for eyeglasses and contact lenses. Results in lenses for eyeglasses were affected by exchange rate changes. Sales in Japan declined reflecting actual business activities, while sales in the United States and Europe decreased, reflecting the effect of exchange rate changes. Sales in Asia increased. In local currency terms, sales increased in each of the United States, Europe, and Asia. Sales of contact lenses showed double-digit growth. Medical-related products mean intraocular lenses and medical endoscopes. Sales of intraocular lenses and medical endoscopes both increased, and the growth rate was almost the same for both. Sales of medical endoscopes were affected by exchange rate changes but increased in local currency terms, with especially significant growth of 45% in the United States. In Asia, sales were approximately tripled.
- Dividends are written in the financial highlights on page 1. In the previous year, the interim dividend was 30 yen per share, and the year-end dividend was 35 yen per share. We have decided to pay an interim dividend of 30 yen per share for the current fiscal year and will announce the year-end dividend after the full-year results have been compiled. The consolidated payout ratio for the first half under review is 46%.

Overview of operations provided by Mr. Suzuki, CEO

<Flood in Thailand>

- We have two plants for eyeglass lenses in Thailand. One manufactures lenses for finished products, and the other produces custom-made lenses according to the optometry prescriptions of customers. Both plants have been suspended in production. Inside the plant for custom-made lenses, the flooding has reached a depth of about one meter. With respect to the plant for finished products (mass-market products), floodwaters of more than one meter have reached the outside of the plant, but the interior has not been flooded as the waters are blocked by sandbags. Our efforts to achieve a cost advantage by concentrating other countries’ plants for custom-made lenses in Thailand have ended up working against us. We originally amalgamated four plants for custom-made lenses in Japan into one plant in Thailand and imported 90% of custom-made lenses from that country. Production of these imported lenses is at present suspended. As production in Thailand accounts for a sizable portion of our global eyeglasses business, I think that the impact will be significant.
- With respect to HDD-related products, as drives and parts plants are significantly affected, production of HDDs will decline in the second half, which will have an impact on our HDD glass disk substrate business, although our HDD glass disk plant was not directly affected. Our optical lens business will also be affected, given that the procurement of parts to produce cameras has become difficult, as some of our customers’ plants have been involved.

- In any event, it is uncertain when the floodwaters will recede from our eyeglasses plants, and even if they do recede, I think that most of the machinery and equipment will be unusable. Also, given that hundreds of plants were affected in Thailand, I think that it will take time to resume operations at our plants as contractors for electrical and other work will be hard to find. Therefore, the damage is still uncertain. I think that the damage will be in the double digits of billion yen in terms of the impact on sales, and also on profits.

<Overall>

- The Life Care business grew steadily. On the other hand, the performance of Information Technology was not as good as expected.

<Mask Blanks for Semiconductor Manufacturing>

- The performance of mask blanks was particularly weak in the 2nd quarter. There was a tendency among our customers to accumulate large volumes of inventories in April and May after the earthquake. In addition to the deteriorating performance as a reaction, the utilization rate also declined at foundry makers. As a result, the number of photomasks naturally dropped. The volumes declined 14 to 15% year on year. Overall, the number of semiconductor designs and design activities were sluggish. However, I think that the decline in the 2nd quarter itself is transitory.

<Photomasks for Semiconductor Manufacturing>

- EUV is being valued. Although trial equipment has been adopted at advanced manufacturers, they are not yet practical for volume production. There are still many technical hurdles to overcome. They have not yet been capable of manufacturing decent semiconductors. As it has become more evident that the current exposure systems will be used for the moment, it is necessary to address the double patterning as a practical manufacturing process.

<Photomasks for Liquid Crystal Displays (LCD)>

- The performance of products for televisions is slumping, while that of small- and medium-sized products for smartphones is buoyant. Looking at the situation from a macro perspective, as products for televisions are worsening, the development activities of other products such as oxide semiconductors are beginning to pick up, as something new has to be done at the same time. Other companies also begin to move toward panels, from which they can easily make money, thinking that it is not exactly necessary to engage now in the volume zone such as high-definition.

<Glass Memory Disks for Hard Disk Drives (HDDs)>

- As there was a fairly large shipment at the end of September, I thought that sales might fall in October and November as a reaction. However, the situation ended up with a decline in the production volume of HDDs itself. I expect that the production of HDDs will be down 15 to 20% in the 3rd quarter. As it looks unlikely that the production will recovery in the

January-March period, I think that it will take some more time to recover. I believe that we will find the situation where manufacturing PCs will be impossible as HDDs cannot be made.

- As the quantity of our products itself increased by around 12% year on year in the 2nd quarter, I think that we manufactured a decent amount. However, profitability was not very good because of problems such as the appreciation of the yen and rare earth prices. I expect that the quantity will decrease around 20% going forward.

Overview of performance provided by Mr. Hamada, COO

<Digital Cameras and Optical Lenses>

- For the camera business of PENTAX, the 2nd quarter was the final quarter. As the launch of mirrorless cameras was two months behind schedule due to the effects of the earthquake, the results were lackluster. I believe that demand for cameras overall is pretty much accounted for by smartphones. In particular, cameras with a zoom of less than five times will probably decline by around 15% in volume terms going forward, I think. I thought that if the new mirrorless segment had been established instead, the quantity of mirrorless cameras may increase by around 15%, combined with single-lens reflex cameras. However, as the camera business will miss the Christmas season because of the floods, the outlook is very uncertain. Given that there are only three countries, namely Japan, Hong Kong, and the United Kingdom, in the world where mirrorless cameras account for more than 20% of our product mix and that mirrorless cameras have not yet been recognized in other countries, we had put our hopes on their performance this autumn. As such, the camera business had an regrettable outcome.
- The lens business of HOYA grew around 10% year on year in the 2nd quarter, thanks to customers who tried to accelerate the recovery from the earthquake. Although the flooding in Thailand will have an impact going forward, I think that the overall trend will be positive for HOYA, as I expect that the performance of both mirrorless and single-lens reflex cameras will improve, while that of compact cameras will decline.

<Medical Endoscopes>

- I think that medical endoscopes will not grow much as they are, particularly in major EU countries and the Southern European markets. In Northern and Eastern Europe and the Middle East, however, there are countries not affected by the economic crisis. Our advance into these emerging countries has blossomed, and medical endoscopes returned to growth of nearly 10% in local currency terms in Europe, the Middle East, and Africa. In the Americas, medical endoscopes showed growth of more than 40% year on year in local currency terms.

<Intraocular Lenses>

- Although sales volumes of intraocular lenses are smaller than those of medical endoscopes, it has nearly doubled on a year-on-year basis in Europe, and we plan to gradually extend the operations into Eastern Europe and the so-called “stan” countries such as Kazakhstan. I

expect that our share of the Japanese market will increase from the current 32% to 35% early next year to reach a top in the market.

<Contact Lenses>

- The number of stores has not increased significantly, but growth of around 10% continues as both sales per store and unit prices are rising.

Q&A

Q: In circumstances where the macro-environment has changed due to the flooding, etc., what kinds of management strategies will you adopt to increase earnings this year and next year?

A: (Suzuki, CEO) Our strategies will not change substantially, but the most important thing at this stage is to put our plants in Thailand back to work soon. The fact that 90% of the production of our lenses for eyeglasses, which have a market share of 40% in Japan, has shutdown is causing our customers a great deal of trouble. As other companies don't have the ability to fill this need, we have to get the plants back to work as soon as possible. However, I think that the effect will drag on for a while, as customers will not return soon even if our plant resume operation.

From a macro perspective, we are basically focusing on growing Life Care and improving profitability in Information Technology. As the Information Technology business is a cash cow, we can even improve profitability by reducing capital expenditure. At the same time, our strategy of increasing sales in Life Care even at the cost of profitability to a certain extent remains unchanged. Although things have not proceeded as we expect, given that profitability in Information Technology has not improved as expected due to the stronger yen and that eyeglasses, which we seek to expand, are affected by the floods, the direction of our strategies remains unchanged.

Q: If there is any competitor in Life Care whose reputation has deteriorated, is it possible for HOYA to increase market share? Are acquisitions attractive as a business opportunity?

A: (Hamada, COO) Most doctors are not aware of such things, and even if they are, they will use whatever they want to use, irrespective of these things. So for now, there is no effect.

(Suzuki, CEO) Although some talk about M&A is continuing in Life Care, they are not likely to be concluded in a few months.

Q: You expected that profit before tax for the first half would be 38 billion yen in the previous forecast. Please tell me the reasons for the gap with 34.1 billion yen of the actual results, in terms of foreign exchange and actual business activities.

A: (Ema, CFO) The impact of foreign exchange was large. Compared with the 1st quarter, the yen in the 2nd quarter became slightly stronger against the US dollar. Also, the yen fluctuates significantly at term ends (June and September). We were affected by US dollar-denominated cash and deposits we hold in Japan, and an unrealized exchange loss of 4.0 billion yen arose from the deposits for the first half. For the 2nd quarter, this had an impact of 2.5 billion yen,

which primarily explains the gap.

(Suzuki, CEO) Results of actual business activities were, roughly speaking, in line with expectations.

Q: Are there any changes in your forecasts for depreciation and amortization and capital expenditure due to the effects of the flooding in Thailand?

A: (Ema, CFO) According to our plan at the end of September, which did not include the effects of the floods, capital expenditure is 42 billion yen. Depreciation and amortization are expected to be around 32 billion yen.

(Suzuki, CEO) In relation to Thailand, there are machinery assets of around 10 billion yen. Unless I see them for myself, I cannot say how badly they have been damaged. Although these assets are posted as capital expenditure, I cannot say to what extent they are covered by insurance, either, until we negotiate with the insurers. As capital expenditure for the second half has already been committed and cannot be terminated, it will not decline.

Q: Can the plant in Pathum Thani be used when the floodwaters recede? When do you think it can resume operation, roughly? Also, please tell me about the situation of alternative production while operations are shutdown.

A: (Suzuki, CEO) As the plant for mass-market lenses in Pathum Thani has not been flooded, it can be used soon after the surrounding floodwaters recede. However, we cannot make contact with about half of its employees, as their homes are flooded. As our workforce will not soon return even if we reopen, I think that it will take time to resume production. Of the two plants, the one for mass-market lenses manufactures a much larger volume, but the other for custom-made lenses is larger in sales terms. In that regard, the effect of losing the production in the plant for custom-made lenses is more significant. As we have small custom-made plants in different places, we have quickly dispatched Thai employees to plants that are able to increase production, so that the lost production can be offset to a certain extent. However, we can only make up about 10 to 15% of the lost production. As we have concentrated most advanced facilities in Thailand, we cannot fully compensate for the lost production even if plants in other regions increase their production.

Q: I imagine that LCD glass substrate operations will be difficult, given the situation of AvanStrate. Please tell me what you will be doing with the LCD glass substrates business going forward, given the postponed IPO of AvanStrate. I believe that they have corporate bonds that will be redeemed in 2015. Are they going to issue additional bonds?

A: (Suzuki, CEO) We are saying that the IPO will be impossible unless the market is ready. I also believe that the listing will be more difficult given the operating environment, as prices are likely to fall. Although I think that production of LCD glass substrates is not necessarily hugely overcapacity since shipments are steady quantitatively, price competition will intensify as our largest competitor announced that they would maintain market share even if that means reducing prices. As I believe that AvanStrate has a higher cost structure, we will build a solid

structure, taking into account that the higher cost structure is attributable to factors related to internal operations, such as the way in which the products are manufactured and the yield. Although the operation was inefficient last year as the furnace was enlarged and glass was improved, I think that AvanStrate has become a more competitive company than last year as a result of these initiatives. With respect to the listing, I think that the hurdle has become higher, looking at the current conditions.

The issuing of corporate bonds cannot be known until the time comes.

Q: You explained that production of HDDs will decline 15 to 20% in the December quarter from the September quarter because of the effects of the flood. Are you talking about HOYA production? Have you made any progress in alternatives to rare earths? What about prices? Rare earth prices have declined slightly.

A: (Suzuki, CEO) In saying that production would decline, I was referring to drive manufacturers. With respect to alternatives to rare earths, we were hoping to make much greater progress but we have not yet received approval from our customers. Since we have a considerable volume of rare earth inventories that we bought when the price was at its peak and we have not obtained approval for alternative materials, we are making our products at fairly high costs. In the second half, if alternative materials are in use more than before, with approval obtained, the environment will improve. Therefore, even if the quantity declines, I think that our profitability will not fall as much as expected.

Q: What are the factors for your forecast that intraocular lenses will have the largest share of the Japanese market?

A: (Hamada, COO) A major factor is that we are constantly launching new products and that our products (injector-type) that enable surgery to be done accurately and quickly are well received. As these products are very difficult to design, they are one of our competitive advantages.

Q: Is there any impact of introducing the IFRS on the CEO's decision-making? Please tell me your feeling as a producer of financial statements under the IFRS.

A: (Suzuki, CEO) What surprised me was that comprehensive income for the 2nd quarter became negative. It has become evident that we cannot run the Company by referring to this information. I believe that when I actually make a business decision, making a judgment on an operating basis, the former profit and loss basis, or the so-called operating income basis will serve as the most useful reference. Speaking from a more macro perspective, as we think about management on a cash flow basis, there is no difference between the IFRS and the JGAAP.

(Ema, CFO) As we have been compiling the budget under the International Accounting Standards since 2008, I think that nothing new has arisen in our financial statements. I think that all accounting standards have shortcomings of some kind. As financial statements under the IFRS are not prepared with readers in mind, we are making our financial statements easier

for them to understand by preparing supplementary materials like this “Quarterly Report”. I think that we should take advantage of the positive aspects of each accounting standard.

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 judgments 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.