

Briefing Summary of Analyst/Investor Meeting
for the 2nd Quarter Financial Results for the Fiscal Year Ending March 31, 2013
Tokyo, October 31, 2012

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 provide you with an explanation based on our results for the second quarter (three months from July 1 to September 30).
- Please turn to page 4 of the Quarterly Report. When we acquired PENTAX five years ago, we issued corporate bonds and raised 100 billion yen, of which 40 billion yen was redeemed in September. The Quarterly Consolidated Statement of Financial Position on page 4 shows that the amount of "Other short-term financial assets" was reduced by approximately 41 billion yen. Of this amount, 40 billion yen was used for the redemption. The corporate bonds were redeemed with the reduction of the "Interest-bearing short-term debt" by 40 yen, which is shown on page 5.
- The Quarterly Consolidated Statement of Comprehensive Income (All operations) on page 6 shows the combined results of continuing and discontinued operations. We sold the PENTAX camera business in the previous fiscal year, and the numerical results have changed accordingly.
- Consolidated Statement of Comprehensive Income for continuing operation, which is shown on page 7, shows that the sales reduced by 3,402 million yen year on year, to 93,103 million yen. The reduced amount includes a loss of 978 million yen because of the impact of foreign exchange rates and a decrease of approximately 44 billion yen in sales from eyeglass lenses operation, which resulted from the flooding in Thailand. Actual sales excluding the effect of foreign exchange rates and flooding increased by 1,950 million yen, up 2% year on year. Profit before tax increased 2,079 million yen, up 13.3% year on year, to 17,753 million yen. A breakdown includes a decrease of 60 million yen due to the impact of foreign exchange rates and a decline of 1,570 million yen attributable to the flooding. It also includes an increase of 5,040 million yen as insurance proceeds related to the flooding and a decrease of 31 million yen which resulted from the adjustment of acquisition prices related to the gain on step acquisitions that was generated when we increased our equity stake in an eyeglass lens manufacturer and distributor in Brazil, from 25% to 100%. Actual profit before tax excluding these special factors

declined 1.3 billion yen, down 8.3% year on year. As a consequence, our sales decreased and profit increased in terms of the numerical results shown in the Quarterly Consolidated Statement of Comprehensive Income. However, actual results excluding special factors are an increase in sales and decrease in profit.

- As for segment revenues and results on page 11, revenues in the Information Technology segment totaled 42,569 million yen. The impact of foreign exchange rates contributed to an increase of revenues of 94 million and an increase of profit of 19 million yen. Therefore, foreign exchange rates contributed positively to the results of this sector. However, the results remained almost flat compared with the same quarter of the previous fiscal year. Revenues in the Life Care sector stood at 49,989 million yen. The impact of foreign exchange rates pushed this total down by 1,070 million yen. The impact of euro exchange rates was great. Meanwhile, the flooding contributed to a decrease of 4.4 billion yen. Actual profit before tax for this segment, excluding insurance proceeds of 5 billion yen and a loss of 30 million yen for the adjustment of gains related to the acquisition of the subsidiary, totaled 9.4 billion yen, with a ratio of profit before tax at 17%. Summed up, the revenue increased 3 billion yen, up 5.8% year on year, while profit before tax declined 1.5 billion yen, down 14% year on year.
- In the Information Technology segment, we experienced year-on-year declines of both revenues and profit from semiconductor-related products, LCD photomasks, and optical lenses. The decline was partially offset by glass memory disks for HDDs. However, it was not fully offset, resulting in a decline in both revenues and profit in the second quarter, although both of them increased in the first quarter. The result for glass memory disks for HDDs is very much attributable to sales of PCs.
- In the Life Care segment, product shipments of eyeglass lenses fell approximately 40% immediately after the flooding. As of the end of the second quarter, revenues from the products are back to around 85% of the level seen before the flooding.
- Turning to intraocular lenses (IOL), we posted double-digit growth in both revenues and profits. For endoscopes, we experienced declines in both revenues and profits. Market conditions in Japan and North America were severe, which contributed significantly to the negative growth.
- We operate 197 stores of contact lenses in Japan. Revenues increased and profit also increased slightly.
- Turning to cash flows, cash flows from investing activities and financing activities involved redemption of corporate bonds, and the amount of free cash flows grew positively to 59.4 billion yen. However, actual amount of free cash flows excluding finance-related values such as corporate bonds grew positively to 18.3 billion yen.
- The interim dividend is 30 yen per share. Consolidated earnings per share were 91.35 yen. Therefore, the payout ratio for the first half under review is 32.8%, or almost one-third.

Overview of operations provided by Mr. Suzuki, CEO

- Let me summarize the results for the second quarter. Compared with the previous quarter (first quarter), revenues from glass memory disks for HDDs declined approx. 12%, with a decrease of revenues by approx. 400 million yen which is attributable to the impact of the anti-Japan protests in China on some of our production plants. On the other hand, revenues from eyeglass lenses increased 8% to 9% from the previous quarter, and overall results remained flat.
- Profit was also pushed down by glass memory disks for HDDs, while eyeglass lenses contributed positively. Operating income also remained almost flat from the first quarter.
- Compared with the same quarter of the previous fiscal year, revenues remained almost unchanged but profitability of optical lenses declined. As for endoscopes, profit structure has been improved.

<Mask Blanks for Semiconductor Manufacturing/Photomasks for Semiconductor Manufacturing>

- Both revenues and profit remained flat from the previous quarter (first quarter).
- I believe the competitive landscape in cutting-edge areas has not changed greatly. It changes slightly from quarter to quarter because of customers' inventory adjustments and node shifting, but it does not seem to have changed greatly.
- I think the idea that "450 mm wafer or EUV is quite difficult and the right time for it will not come for a while" has been prevalent throughout the industry. It seems that liquid immersion and double patterning are becoming realistic options for 20nm and 18nm products. The entire industry is intending to respond with higher specifications. This seems to have been reflected in chip designs.

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

- I believe that the global shipments and sales of notebook PCs declined year on year in terms of quantity in the second quarter.
- Shipments and sales of 2.5-inch HDDs declined or remained flat year on year in terms of quantity. It seems to be because external HDDs have been growing to a certain extent that HDDs did not decline significantly despite the decline in notebook PCs. However, inventories of HDDs seem to be increasing.
- HDD manufacturers have been adjusting production since the latter half of the second quarter. PC manufacturers stocked up on HDDs in the first quarter in response to the impact of the Thai flooding. In addition, sales of PCs have been slowing. This seems to be a reaction to the slowdown in production of HDDs in the second quarter. It seems that the adjustment of production at HDD manufacturers has not led to a reduction in inventories. Currently, however,

the adjustment of production seems to have begun to take effect and inventories have been gradually decreasing. Facing a year-on-year decline after years of double-digit growth, the industry faces an extremely difficult situation at present. I believe we should not assume an increase in HDD quantities.

- As for our performance, the second quarter saw a year-on-year decline in terms of quantity but positive year-on-year growth in monetary terms. Factors behind this include the effect of the price increase following soaring prices of rare earths and a rise in unit prices because of the shift in the product mix from 350GB to 500GB.

<Optical Glass>

- The compact camera market saw a decline in production by about 35%, and adjustment has been started. It seems from the component procurement situation, which precedes production, that production will be reduced further. Camera manufacturers have been adjusting production, but it does not appear that they have not reduced their distribution inventories.
- SLR cameras also declined year on year in terms of the component procurement as the advance indicator. Consumers in China seem to be reluctant to buy SLR cameras made in Japan, due in part to the boycotts of Japanese products. We are not sure if sales in the country will be recovered.
- Given this environment, I believe all we can do is to wait patiently. In response to the decline in production, camera manufacturers are shifting to the in-house production of lenses so as not to waste facilities and manpower. In the production of lens sets, however, we are much more competitive in terms of cost. So I assume that, in the medium and long term, lens production will be outsourced to specialized manufacturers like us.

<Eyeglass Lenses>

- The overall results are back to around 85% of the previous year's level.
- From our plants in Thailand, which were affected by the flooding, shipments were made mainly to Japan and European market, with some to Australia. Sales in these markets are back to around 80%. I believe it will take us a while to regain the remaining 20%, but we would like to bring them back to 100% by the end of the current fiscal year, or March 2013.
- The overall environment is not good. In Japan, the market has been shrinking. In Europe, consumption is weakening, especially in the south. It seems that it will take a while to rebuild sales even if we lower the prices or offer incentives. Retailers have some inventories, so it seems that once they switch to other suppliers, it will be difficult to switch back to previous suppliers soon.
- Our results in North America and China were not affected by the flooding because eyeglass

lenses are manufactured locally in these countries.

- We had secured operating margin of about 22% before the flooding, but I think it was too good. As I have been telling you, somewhere between 18% and 20% would be the appropriate level. I think that when sales are back to 100%, income ratio will be about 18% to 19%.

<Contact Lenses>

- We have been increasing the number of stores by double digits every year, but the growth has slowed to around 7% at present. In addition, the time it takes before a new store begins contributing to profit has been extending. The profit structure of new stores has become a little weaker. This is attributed to the downsizing of the overall market, with a decline in the population of young people who use contact lenses.
- This single business model which we have adopted today has its limitations. Therefore, we are currently looking for additional business models, including M&A and possible pathways to collaboration with eye clinics, which we believe we need.
- Our market share in the contact lens retail market has increased close to 30%. We would like to do something new and move onto a new growth path.

<Endoscopes>

- In the European market, the business climate in Southern Europe was bad, and conditions in the United Kingdom and France were difficult due to tight budgets. However, our sales increased 12% to 13% year on year thanks to the effect of the strategy of being aggressive in countries around Europe, Russia, Turkey, Iran, Iraq, and others, which we formulated in the beginning of the fiscal year. The increase of our sales is attributed mostly to growth in countries around Europe. We are doing well in Asia, too.
- Japanese and North American markets are difficult. When we acquired PENTAX, we thought we must win a certain share of the Japanese market, which is important. However, it is difficult to break into the stronghold of Olympus. It does not mean our products are inferior to theirs, but it is difficult to change the mindset of physicians who have been using Olympus products since they were students. We would like to add to our products features that are unavailable from Olympus products.
- In North America, we are having trouble with the incompleteness of our product lineup due to the delay in receiving approvals.
- Because we are being aggressive in the European and Asian markets, our sales grew 7% to 8%.

<Overall>

- Overall, the Information Technology segment will be difficult going forward. In the long run, we

will concentrate on areas where we can be the sole supplier while avoiding risks in other businesses. We will build secure profit structures in areas where we can survive. For businesses that will be smaller, we will reduce costs accordingly so that they will not have a negative impact on our performance but will be cash cows.

- As for the Life Care business, the eyeglass lenses market has outstanding potential, so we will ensure double-digit growth in this market. For endoscopes, we need to have products for competing with others and we are now developing new products. It will take three to four years to complete a process of commercializing a product, receiving approval, and launching it. We are determined to take this process.

[Q&A]

Q: I believe you have some business opportunities in areas such as mask blanks for semiconductors, mirrorless cameras, and blue lenses (which cut the blue light) as eyeglass lenses. What is your view?

- A: (CEO) With regard to semiconductor-related products, the product called OMOG is not for reducing size by using the effect of the phase shift that we do. Instead, semiconductor manufacturer adjusts the illumination system and reduces size by using an OMOG that fits the adjusted illumination system. This has been attracting attention in the industry. Recently, however, people discussing 20-nanometer nodes are more likely than before to regard the phase shift, which is the original method we do, as being more effective. We hear that this idea is spreading from 20-nanometer and 18-nanometer nodes to ones which are a little larger, or 40-nanometer nodes.
- Canon released mirrorless cameras. I think this company intends to take their time to sell mirrorless cameras. Probably, their strategy is to position mirrorless cameras as luxurious compact cameras. I think the future growth of the mirrorless camera market depends on how Canon will do it.
 - Eyeglass lenses are designed to be ultraviolet proof. There is a new idea of preventing lights from behind from reflecting off the lenses and entering the eyes. We have been focusing our efforts on cost cutting so far. However, we believe we will have to add new functions going forward, and give added value to our products so that consumers will be willing to pay extra money, which could be even 1,000 yen, for our products. We are good at doing this job, and we believe that this strategy is one way of winning in the market.
 - I think that the overall conditions are better than six months ago and three months ago. Our performance may decline further, but we now see the bottom. Now we see what we should do.

Q: The amount of profit before tax for the second quarter you forecasted in the first quarter was 1.52 billion yen, while the actual result was 17.8 billion yen, which is 2.6 billion yen larger than the forecast. Excluding the insurance proceeds of 5 billion yen, the increase in profit is smaller. What other factors contributed to the negative growth?

A: (CFO) Results of some businesses in the Information Technology segment declined more than we had expected. On the other hand, profit for the quarter was 16.2 billion yen, which is 4,470 million yen larger than the forecast value of 11.8 billion yen. Profit before tax was 2,570 million yen greater than forecast. This difference is attributable to the tax rate. Of the insurance proceeds related to the Thai flooding, those from property insurance are tax-free. This difference in the tax rate contributed to the larger amount of the profit.

(CEO) The profitability of optical lenses declined. The rare earths in the inventories we bought at high prices last year were converted to the current prices of this year. We posted the difference due to this conversion as a loss, which we did not anticipate.

Q: How is the progress of the deal with Seiko-Epson ?

A: (CEO) It is currently underway.

Q: Could you tell us your thought about IFRS?

A: (CFO) In overseas countries, the asset and liability approach is common and the concept of extraordinary profit and loss does not exist. If disclosure of something like multi-step profit under the Japanese accounting standard is desired, we will consider it. We would like to consider user convenience and study a method that will make our results easy for them to understand.

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