Briefing Summary of the Analyst/Investor Meeting

for the 4th Quarter Financial Results for the Fiscal Year Ended March 31, 2013

Tokyo, May 8, 2013

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

- Please look at page 7 of the Quarterly Report. Income for discontinued operations (the camera operations) in the fourth quarter of last year is described at the bottom of the page.
- Concerning the statement of comprehensive income for continuing operations at the top of page 7, there were several special factors in the fourth quarter, which I will analyze as I explain fluctuations in actual sales and profit before tax.
- Sales totaled 96,095 million yen, an increase of 8,570 million yen (9.8%) from the previous year. The impact of foreign exchange rates when the financial statements of overseas subsidiaries were converted to yen is described in the middle of the page. Sales increased by 5,337 million yen with the impact of yen depreciation. Excluding the impact, the actual increase in sales was 3,233 million yen, or a rate of 3.7%.
- Profit before tax was 29,965 million yen, with the impact of yen depreciation adding 2,572 million yen to the total. This increase includes income from insurance payouts related to the flooding in Thailand, which was pushed up by 1,950 million yen by the foreign exchange rates, but is unrelated to operating performance. When this amount is subtracted from 2,572 million yen, we find that the foreign exchange rate conversion added 622 million to operating activities. When we subtract this amount from the increase of 15,921 million yen in profit before taxes, the result is 15,299 million yen, or a rate of increase of 108.9%. Since the figure for the preceding year was 14,044 million yen, the increase in profit is approximately twofold.
- I will also explain the other special factors. Logically speaking, the bottom line is that the increased profit is 1,803 million yen when these special factors are deducted, or 12.8% on a constant currency basis.
- First, we made an investment loss of 2,286 million yen as a result of structural reform at our equity-method affiliate, AvanStrate (46% held by HOYA). The company produced a profit of 666 million yen in the preceding fiscal year, and when this figure is added in, the negative factor

is 2,952 million yen.

- Income from the insurance payout related to the flooding in Thailand is 14,275 million yen. This amount is included in “other income” of 15,357 million yen. The income from the insurance payout accounts for 14,275 million yen of the 14,575 million yen increase over the same period in the previous year.
- Foreign exchange rates for non-operating income is listed elsewhere. There are 102 consolidated companies, and each corporate entity holds cash and deposits in other currencies than their own. They are primarily held by head office departments and include earnings on exchange of cash and deposits, earnings on exchange of receivables and payables, and earnings on exchange of loans within the Group. Added up, the gain on foreign exchange is 2,736 million yen compared to the same period in the preceding year. In the fourth quarter, the actual figure for gain on exchange is 7,793 million yen.
- In the previous year, we also suffered a “loss from disaster” of 1,033 million yen, but nothing happened in this term, which is another factor behind the increased profit.
- The “other expenses” category includes the cost of a voluntary recall of intraocular lenses, which exceeded third quarter forecasts by 110 million yen. When we add up profit on the sale of the land at Itabashi, profit on the sale of platinum for furnaces, and the loss of pensions and severance pay for PENTAX, which was dissolved in January, we get a negative balance of approximately 1,600 million yen. When we add up these special factors, the plus factors total 13,490 million yen. When this is deducted from the 15,299 million yen mentioned a moment ago, i.e., the difference when deducting profit and loss on exchange for overseas subsidiaries, the actual profit is 1,809 million yen. Excluding transient factors and exchange rate factors, this amount of 1,800 million yen is the net profit increase on an operational basis (12.8%).
- To sum up, actual sales have increased by 3.7%, and profit before tax has increased by 12.8%.
- Sales by products are listed on page 12. The table includes the foreign exchange rates for subsidiaries. The Information Technology segment made gains of 1,002 million yen on the exchange rate. When this is added to the decrease of 5,017 million yen compared to the same period last year, the actual decrease in income is 6,019 million yen (14.5%). The impact of the exchange rate was 530 million yen for electronics, and 470 million yen for imaging related products.
- In terms of the factors behind the year on year difference by product, the decrease in unit shipments for memory disks had an impact on electronics related products. Imaging related products were hit hard by the contraction in the compact camera market.
- In the Life Care segment, currency conversion accounted for an increase in income of 4,319 million yen. For, healthcare related products, the increase was 2,600 million yen, and for medical related products it was 1,700 million yen. When this is subtracted, the growth rate for

healthcare related products was 26.0%, and 6.2% for medical related products.

- As for healthcare related products, contact lenses are continuing to grow. Eyeglass lenses have recovered this far since the floods. Compared to the fourth quarter in the year before last, which was the year before the flooding, results have exceeded those figures by 7.5% although the exchange rate has also had an impact. There are still some areas where we must work on recovery, but we have exceeded the pre-flood figures.
- In medical related products, endoscopes have increased substantially. The voluntary recall of intraocular lenses had an impact, but we were able to achieve a growth rate of 6.2%.
- To sum up, when the impact of the currency exchange is excluded, the increase in income for the whole Group is 3.7%.
- The statement of cash flow is on page 17. “Net cash generated from operating activities” is 27,698 million yen, while “net cash used in investing activities” is 9,083 million yen, and free cash flow is 18,615 million yen. The 3,150 million yen of “proceeds from business transfers” refers to a cash-out transfer from Epson. In addition, outstanding insurance premiums at the end of the term totaled approximately 9,600 million yen. In the income statements, this has been included in revenue, but since the cash was credited on April 10th, it has been added to “trade and other receivables” on the balance sheet, and on the cash flow statement, it has already been credited and included in the 7,067 million yen of “increase in trade and other receivables,” which is the fifth item from the bottom of the “cash flows from operating activities” category.
- In terms of dividends, we have already paid out an interim dividend of 30 yen, and the year-end dividend payment is tentatively 35 yen, which would be an annual divided of 65 yen per share. The payout ratio is 39.45% on a consolidated basis, or slightly more than one third.
- Changes among the board members are listed on page 20 of the Japanese Tanshin Report. The list includes Ms. Yukako Uchinaga and Mr. Mitsudo Urano, who are recommended as new director appointments by the nominating committee and well be proposed at the General Shareholders’ Meeting for this fiscal year. Ms. Eiko Kono and myself, Kenji Ema, who are scheduled to step down from the board, are also listed here. On a personal note, I would like to thank you for your support and guidance over the years.

Overview of operations by Mr. Suzuki, CEO

- Our CFO, Mr. Ema, will be stepping down, but as of this year’s General Shareholders’ Meeting, I will continue to do my best as the only internal board member.
- Since I think it is easier to understand the explanations of the business performance overview if I compare it with the immediately preceding quarter, I will basically refer to the third quarter in my explanations.
- Compared to the third quarter, the Information Technology segment was down by 1.7%. Sales

did not vary much between the third and fourth quarters, but profits dropped in the fourth quarter. Half the factors behind the decrease in profit involved operations (on an operating profit basis), while the remainder were transient factors such as restructuring, impairment and inventory disposal. As for the share of profit decrease where operations are concerned, a substantial amount is due to the scale-back of factory operations in the fourth quarter affected by inventory adjustments in the market. We also thought that well-organized factory operations would bring down overall costs, so we made a deliberate decision to make the products in the third quarter and ship them in the fourth quarter. Considering that sales have been maintained, this is the reason for the drop in profits.

- In the Life Care segment, actual sales of intraocular lenses (IOL) were cut in half, but income from the eyeglass, endoscope and contact lens businesses increased to offset the losses. However, in terms of profits, the figures are unsatisfactory. I will explain the details for each segment.

<Eyeglass Lenses>

- In the fourth quarter, sales returned to what they were before the flooding. This was partly assisted by the yen depreciation, but we have managed to return to the pre-flood levels in about one year. When the flooding stopped the factories and we were unable to make deliveries to customers, we were first forced to stop supplies to our chain store customers causing them great inconvenience. Consequently, in the past year, we have been committed to getting these chain store customers to come back to us. To do so, we set reduced prices somewhat, and as a result, factory utilization has increased, but unit prices have dropped. Sales have recovered even as profitability for the product mix remains tough.
- From now on, we would like to improve the product mix even as we reclaim orders from small-scale stores, aside from the chain stores.
- Since the products are made in Thailand and imported to Japan where they are sold, yen depreciation was, unexpectedly, a factor behind the decrease in profits in the fourth quarter.
- In production capacity terms, we have also continued to make investments in other region while restoring the factories that were damaged in the floods. So, capacity is now about 1.5 times what it was before the floods, which means that utilization is still low. As well as improving the product mix, we would like to increase orders and raise utilization.

<Contact Lenses>

- Income and profit increased in the fourth quarter. This was not only in response to the new store openings, but income rose by 7 to 8% on the existing store basis as well.
- Since our share of the retail market for contact lenses is now about 22%, I believe that at some point in the near future, we will need to change the model. Since the current number of 201

stores is not so high, there is room to grow, but at present we are still investigating and considering the point in time where we will need a different model than the existing one.

<Endoscopes>

- Growth was steady in the fourth quarter.
- Since a lot of the production is based in Japan, yen depreciation favored us. In terms of profitability, we have been able to maintain mid-teen percentage growth.
- Medical related products remain weak in the European core countries. We have created sales by stimulating demand in the surrounding areas of Russia and the Middle East.
- Since we have been granted a new product license in North America, sales will be steady going forward.
- The flexible endoscopes that we produce are currently mainly used for examinations and not for surgery, but surgery using robots for minimally invasive medical procedures including endoscopy is becoming prevalent. We expect the combination of medical care and robots to broaden the field over a span of about five years, and we are presently acting on this assumption. On the one hand, the use of robots will improve precision, but we also have to consider the constraints on the degree of freedom. It seems that developments are moving toward flexing robot arms and cameras, so endoscopes hold out some promise as a platform for us.

<Intraocular Lenses>

- We have almost completed the voluntary recall of products that were taken out of production due to the high incidence of endophthalmitis.
- Where patients so wished, the lenses were removed, but the number of cases was small.
- We have almost completed the disposal process including inventories held by doctors and at the factory.
- However, it is still unclear what caused the endophthalmitis. As far as we are concerned, we would like to restore the factory to its state prior to the start of the problems (immediately after approval) and restart shipments.
- As of now, I believe we will be able to start sales some time in June or July.
- Since the incidence of endophthalmitis was several tenths of a percentage, we believe it is impossible to do a full investigation of the causes. Realistically speaking, the only approach is to restore the factory to its former state and to verify the situation while shipping products to the market. Consequently, I believe this will take some time.
- Overall profitability for the Life Care segment was not very good because eyeglass lenses have not returned to profitability. As well as improving the product mix, we would like to urgently return to the target of 18% on an operating income basis. The decrease in profits for IOL was

substantial, and we will spend six to ten months on the recovery, and on returning the Life Care segment to its proper profitability.

<Mask Blanks and Photomasks for Semiconductor Manufacturing >

- There were no major changes in the fourth quarter.
- For logic semiconductors, we have seen a node shift from 45 nm to 28 nm. Mass-produced masks are moving, but the number of designs are few, and since one fabless company producing one type of chip seems to be the end of it, there is a node shift taking place, but there is no major impact on blanks and masks.
- A positive point is that we are in the process of taking back some market share in the domains where we are contesting the competition for a share of the market.

< Photomasks for Large Liquid Crystal Displays (LCD)>

- The fourth quarter was good. The photomask demand for smartphones remains steady, but it was photomasks for 60 inch and larger televisions that provided traction for sales in the fourth quarter. In terms of photomasks for large television sets, it seems that all panel manufacturers are developing new designs and manufacturing new products for sale. I believe demand comes from North America. Personally, and I read it as a replacement cycle.
- However, things are not as good as they could be, even if customers are increasing their operating ratio, there is still excess capacity, and capacity is also temporarily blocked for the mask industry, but this is also something transient, and when we look at the averages, I think operating ratios are about 70%.
- Panels for smartphones that were made with 4^{th} generation mother glass in the past, are now made with 5^{th} or 6^{th} generations, and so photomasks for 6^{th} generation mother glass are becoming common for smartphone panel production. The competition on specs for smartphones has come to an end, and we are now shifting to competing on volume, so I think prices will be falling.

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

- Since we built up inventory in the third quarter, we stopped some of the product lines in the fourth quarter. Because of this, earnings fell even though sales were stable.
- I believe the accumulated inventories are gradually selling on the markets. Inventories of hard disk drives, media and glass substrates are returning to appropriate levels, so it seems that the inventory adjustment is almost at an end. But, since demand is not strong, things will probably stay as they are without a rebound. We seem to have touched bottom to some degree.
- The industry is culling its supply chains to two or three companies, and as long as drive makers

do not overproduce as in the past, supply and demand will not collapse and prices will be maintained.

- We cannot expect any major upsides for this business, but there don’t seem to be any major downsides either.

<Optical Lenses / Glass>

- Compact cameras have been performing badly since one year ago, but in the fourth quarter, SLR cameras also did badly.
- Our main customers, the manufacturers of interchangeable lenses for direct sales, are reducing production, and inventories of finished products seem to be growing. For interchangeable lenses, it seems that both manufacturing and distribution inventories are accumulating. Since interchangeable lenses have been a source of profit for all the companies until now, I believe that times will be tough for them in terms of profitability.
- As market volume is decreasing, we are also cutting back on operations, but we still have rare earths inventory sourced when the prices were rising sharply. This inventory is still on hand because orders have been dropping and the excess is not selling, so we are still making products at a high cost. Profitability is also falling in part due to the impact of impairment loss. Conditions are likely to remain bad for this business.
- In terms of market movements, compact cameras have been polarized into cheap products at the 50 dollar level, and high-class cameras with zoom functions that compete with SLR cameras. When we look at the new models from all companies, because the domain of cameras with a 5x to 8x zoom priced at 20,000 to 25,000 yen, which has been the mainstream so far, is no longer selling well, companies appear to avoid it when preparing a lineup of products. It seems that inventory adjustment in the SLR camera market will still take some time, so production will probably contract.

<Recap>

- The Information Technology segment is basically not performing well, but even so, the priority issue is to secure proper earnings. I believe that excluding the optical lenses / glass business, we have the earnings structure in place. The optical business will take a little more time.
- We will continue to expand the top line in the Life Care segment. We will increase sales volumes to earn revenue, and take growth in the Life Care segment to a point where it will far exceed the contraction of the Information Technology segment.
- Since we are sitting on a lot of cash I would like to go ahead with some M&A.

[Q&A]

Q: Mr. Ema, as CFO, what concerned you the most? What direction do you think your successor will take?

A. (CFO) As far as my successor is concerned, that appointment decision will be made by a nominating committee consisting solely of external directors.

When I was appointed to the board 20 years ago, our current honorary chairman, Mr. Suzuki, said to me "The company has employees, the employees have families, and when you include our customers and their families as well, the number is very large. As CFO, you will have to make investment decisions, but when you do, I would like you to keep in mind how your decisions can ensure that these stakeholders have happy lives." In Greek architecture, you see images of Hercules supporting the ceiling, and in the same way, I have done my job with this sense of carrying a weight on my shoulders. It has been important for me to take decisions to the satisfaction of stakeholders, including people outside the company.

I think it would be good if the new person (the successor) brought in new thinking to fit the surroundings. It is not the strong that survive, but those who have adapted to their surroundings.

Q. Please explain the figures for the year including the transient factors.

A. (CFO) Please have a look at page 17 of the Quarterly Report. Sales increased by 3,670 million yen due to the impact of the exchange rates, but on the other hand, the flooding in Thailand cost us 10,800 million yen in loss of sales, so when this is taken into account, net sales increased by 18,984 million yen (5.3%) in real terms. Profit before tax increased by 2,186 million yen due to the impact of the exchange rates, but this also includes 1,500 million yen, which was the impact of the exchange rate on the insurance income, so when this is deducted, the impact of the exchange rates on business activities was 689 million yen (0.2%). Due to the impact of the flooding in Thailand, we made a loss of 6,700 million yen in terms of profits, so when this is deducted, the increased profit was 41,358 million yen (76.6%) in real terms, but since this includes the special factors listed below (34,400 million yen), the increase in profit in real terms is 6,970 million yen (12.9%) when these special factors are deducted. To recap, in real terms, the increase in income was 5.3% and the increase in profit was 12.9%.

Investment profit on equity method associates was plus 1,864 million yen in the preceding year, but since it was loss of 11,912 million yen in this year, the year on year factor was negative 13,776 million yen. "Other income" also includes income from an insurance payout of 32,187 million yen, and the profit from step acquisition when the Brazil subsidiary was turned into a wholly owned subsidiary, which was 2,238 million yen. In addition, among the expenses, "the foreign exchange loss/gain of negative 12,539 million yen" was due to the exchange gain, which is the profit made on the yen conversion of cash and deposits, account receivables and payables, and loans within the Group held in foreign currencies by 102 consolidated subsidiaries. In terms of "loss from disaster," last year's loss of 5,909 million yen is gone, which is a factor behind the increase in profits. In addition, there was a decrease in profits of 1,420 million yen related to the recall of intraocular lenses, the 1,330 million yen write-down of rare earths, a profit of 1,500 million yen from the sale of platinum for furnaces and the land, and the cost of 3,600 million yen in January when we settled the defined benefit pension plans for employees brought over from Pentax. When these special factors are deducted from the total, the result is 34,400 million yen. Since hardly any of this will occur in this financial year, the amount of the increase of profits in real terms is 6,970 million yen that is obtained by deducting 34,400 million from the abovementioned 41,300 million yen. This will be the starting point for this financial year.

Q. *What about future directions for IFRS and other disclosure?*

A. (CEO) This will be a decision for the next CFO. I have worked with Mr. Ema for more than ten years, and he has been rigorous about proper assessment of good investments and bad investments with no compromises and based on a precise logic when making investment decisions, and I feel that this climate has become embedded in the company.

Q. *Which businesses are expected to increase profits in the new financial year?*

A. (CEO) There is high potential for the eyeglass and endoscopes businesses. Both businesses have a 10 or 15% share of the world market. Since both businesses have built up proper earnings structures, we believe they can grow by taking market share from the competitors, and we believe the key point is to what extent these businesses can provide traction for overall Group income.