

Briefing Summary of Analyst/Investor Meeting
for First Quarter Financial Results for the Fiscal Year Ending March 31, 2014
Tokyo, July 31, 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. Hirooka, CFO

<Overview of Financial Results>

- Allow me to start with an explanation of the consolidated statement of comprehensive income for all operations (p. 6 of the Quarterly Report). My explanation will be based on all operations since there were no discontinued operations during this quarter and the previous first quarter. Sales totaled 100,425 million yen, increasing 7,810 million yen, or 8.4%, from the previous year. Profit before tax stood at 20,123 million yen, declining 5,757 million yen, or 22.2%, from the previous year. Profit for the quarter (profit after tax) was 12,334 million yen, falling 10,900 million yen, or 46.9%, from the previous year. Profit for the quarter per share was 28.51 yen.
- A major change from the same period the previous year was seen in the impact of foreign exchange rates. The exchange rate impact from the translation rate into yen of overseas consolidated subsidiaries is noted on the bottom of this section (p. 6 of the Quarterly Report), along with foreign exchange rates that our Company considers as major currencies (the US dollar, euro, Thai baht). These three currencies have each appreciated against the yen by nearly 25% to 30% compared with the same period the previous year. As a result, the impact of foreign exchange rates from the currency translation accounted for an increase in sales of 8,558 million yen, a rise of 1,550 million yen in profit before tax and a climb of 1,481 million yen in profit for the quarter.
- Sales rose 7,810 million yen, but since an increase of 8,558 million yen in sales from the currency translation is included, sales declined by 748 million yen, or 0.8%, excluding the impact of foreign exchange rates, with results roughly unchanged from the same period the previous year. Profit before tax declined by 5,757 million yen, but since this number includes an increase of 1,550 million yen from the currency translation, the actual profit before tax for actual business activities that excludes this factor is a decline of 7,307 million yen.
- Three major factors are behind the 7,307 million yen decline in profit before tax. Of the

three, two are special factors that appeared in the previous first quarter. "Other income" in the statement of comprehensive income declined by 13,311 million yen from the same period the previous year, but this is a result of the absence this quarter of insurance proceeds of 11,038 million yen related to the flooding in Thailand from the previous first quarter as well as 2,269 million yen in profit from a step acquisition of an eyeglass lenses company in Brazil in April the previous year, which resulted in the Company owning a 100% stake from the previously held 25% of total shares. These two special factors totaled 13,307 million yen and the amount of the decline in "other income" is mostly due to these factors. The other point is that among the expenses in the statement of comprehensive income, "the foreign exchange loss/gain" served as a factor for increasing profit by 8,135 million yen from the same period the previous year. Foreign exchange loss/gain refers to foreign exchange losses or gains in assets/liabilities held in foreign currencies other than one's own currency (precisely, it is functional currency), and occurs, for example, when one holds a dollar-denominated deposit in Japan. Otherwise, adding the special factors that are equivalent to extraordinary gains and losses based on Japanese accounting standards amounts to 5,415 million yen. And also, if the impact of the foreign exchange rate translation were to be excluded, the profit before tax based on actual business activities declined by 1,892 million yen (=simple gain/loss in profit before tax of -5,757 million yen + special factors of 5,415 million yen + impact of foreign exchange translation of 1,550 million yen), or 7.3%.

- Turning to an explanation of each segment (p. 10 of the Quarterly Report), sales in the Information Technology segment declined by 5,768 million yen and profit before tax for the segment fell by 888 million yen. Sales in the Life Care segment increased 13,402 million yen, profit before tax posted a decline of 10,477 million yen. Meanwhile, looking at actual results for each segment excluding the special factors, such as the insurance proceeds from the flooding in Thailand and the impact of the foreign exchange loss/gain, sales in the Information Technology segment fell by 7,227 million yen, profit before tax declined by 2,585 million yen, while sales in the Life Care segment rose by 6,341 million yen and profit before tax increased by 1,654 million yen. As such, excluding special factors including those from foreign exchange rates, the Information Technology segment posted a decline in sales and profit, while the Life Care segment showed an increase in sales and profit.
- Further, as I look into the details of explaining sales by product (p. 12 of the Quarterly Report), they show that electronics-related products in the Information Technology segment posted a sales decline of 1,601 million yen from the previous year. Excluding the impact of foreign exchange rates, this is equivalent to a decline in sales of around

2,300 million yen. The main factor behind the sales drop was attributable to the business for glass memory disks for HDDs. Sales of notebook PCs are sluggish, and right now, market growth has halted. Also, we posted a substantial decline in sales because during the previous first quarter, our sales rose as a result of HDD manufacturers increasing production after the flooding in Thailand. Sales of imaging-related products fell 4,167 million yen, but the decline is around 4,900 million yen, excluding the impact of foreign exchange rates. The languishing camera market was the main factor behind the decline. There are still no signs of a recovery in demand at the moment.

- Meanwhile, healthcare-related products in the Life Care segment posted a sales increase of 11,661 million yen and an around 7,000-million-yen increase excluding the impact of foreign exchange rates. The largest sales gain was seen in eyeglass lenses. The previous first quarter was a period during which we started up the plant that was damaged by the flooding in Thailand, and sales in this first quarter returned to levels seen before the flooding. Amid the sluggish market for contact lenses, our Company has continued to register high single-digit growth in sales. Sales of medical-related products increased by 1,741 million yen, but declined by around 700 million yen excluding the impact of foreign exchange rates. Endoscopes are growing at a healthy clip. Foreign exchange rates also moved in a positive direction in this first quarter, resulting in a sales increase of around 30% from the same period the previous year. Even excluding the impact of foreign exchange rates, the sales increase stands at 5-6%. On the other hand, we undertook a voluntary recall of some intraocular lenses (IOL) and the fact that we were unable to resume sales during this first quarter served as a factor for the sales decline.
- Overall, the situation is such that the sales decline in the Information Technology segment is being covered by the Life Care segment. On the profit front, given that we caused a great inconvenience to our customers for eyeglass lenses as a result of the flooding in Thailand, we cut prices as well as conducted sales promotions, which have helped us recover market share. As for medical-related products, we have been growing sales as we implemented front-loaded investments, while continuing to expand our sales channel. However, we are still in the growing stages on the profit front and are in a situation in which we are unable to cover the profit decline in the Information Technology segment.
- Regarding the consolidated statement of financial position (p. 4), we received a reassessment notice with respect to transfer pricing taxation from the Tokyo Regional Taxation Bureau on June 26. Our Company perceives that it has carried out transactions under fair and proper price conditions and declared and paid a proper amount of taxes in

accordance with the tax laws and regulations of each country. Even though we have received the reassessment notice, we are currently making preparations toward taking steps seeking withdrawal of the reassessment notice in accordance with the relevant law.

- Provisional corporate tax of 8,419 million yen is posted under “other current assets” in the consolidated statement of financial position. An increase of 7,097 million yen compared with the number at the end of the fourth quarter in other current assets is mostly due to the provisional corporate tax.
- As for the statement of cash flows (p. 8 of the Quarterly Report), net cash used in investing activities showed a decline in outflow of 18,044 million yen. One of the reasons for this result is the “payments for acquisition of property, plant and equipment” as there was an outflow of 11,962 million yen in the previous first quarter, while the outflow this first quarter stood at 3,711 million yen. This is attributable to an increase in outflows during the previous first quarter as a result of restoring the plant after the flooding in Thailand and building a plant overseas for the electronics-related business. Another factor behind the decline in cash outflow is the “net cash outflow on acquisition of subsidiary,” which showed an outflow of 10,221 million yen in the previous first quarter as it included an acquisition of an eyeglass lenses company in Brazil, but there were no major acquisitions during this first quarter. Net cash used in financing activities includes outflows of year-end dividend payments totaling 14,475 million yen. As a result, the balance of cash and cash equivalents at the end of the period stood at 259,699 million yen.
- The Company’s forecast for the first half of this fiscal year (p. 14 of the Quarterly Report) is 200 billion yen for revenue, 34 billion yen for profit before tax and 23.5 billion yen for profit. Comparing the first and second quarters, we expect revenue to be largely unchanged. We expect profit before tax in the second quarter to be more or less unchanged excluding the impact of the foreign exchange loss/gain and the proceeds from disposal of investment securities posted in the first quarter. We expect foreign exchange rates in the second quarter to be at 100 yen for the US dollar and 130 yen for the euro, the same level as the first quarter.

[Overview of operations by Mr. Suzuki, CEO]

- Regarding the impact of foreign exchange rates, HOYA has a high rate of overseas production compared with companies that manufacture domestically and export overseas, and since this ratio includes a portion that is sent to and sold in Japan, the commonly accepted idea of a weak yen having a positive impact on profit does not apply.

In fact, we have been cognizant of creating a structure that is neutral to fluctuations in foreign exchange rates.

- On the assumption of a contraction in the Information Technology segment, we have been working on offsetting it with the Life Care segment in the recent a couple of years, but we have yet to fully offsetting it. This is especially true for profit.
- In order to get the actual conditions of the business, we looked at the year-over-year changes in operating income (note: our Company uses IFRS standards, so operating income referred to in this statement does not match the operating income utilized by Japanese standards in a minute way) used for internal management purposes only and excluding the impact from foreign exchange rates. This showed the Information Technology segment posting a 30% decline in profit. The Life Care segment showed a 22% increase in profit. The situation with the Information Technology segment is that it is barely registering a profit, with special demand in glass substrates for HDDs having been seen in the first quarter of last year and sales of intraocular lenses (IOL) have halved due to the impact of a halt in production and a recall in this first quarter. Given these factors, the overall impression is that the growth in the Life Care segment is covering the slump in the Information Technology segment, but is not sufficient yet.
- In the Information Technology segment, as a result of a drop in end-user demand, our clients first cut the production and then pushed down inventory levels in the fourth quarter. Inventory levels for HDDs and cameras were also adjusted on the client side in the fourth quarter, and during that time, demand for our Company's products weakened, and thus led to our Company reducing the production level. However, inventory levels did not fall immediately, which ended up with our Company pushing forward with inventory adjusting in the first quarter. As such, looking at our Company's earnings shows that this impact was large in both the fourth quarter and first quarter compared with actual demand. At the moment, demand for end-user products and sales of our products appear to be in line with each other. Earnings in the second and third quarters will likely be better than in the fourth and first quarters, but this does not mean that demand for end-user products will pick up steam, and in fact, the camera market will likely deteriorate further.

<Eyeglass lenses>

- Sales were up around 20% from the same period the previous year in Japan, Asia and Europe on a local currency basis. Major recovery is starting with the areas that were affected by the flooding the previous year. While the United States did not get affected by the flooding that much, it grew by around 15%.

- Sales are growing at a healthy pace, but an improvement in profitability is being held back because of cutting prices and taking other measures in order to get sales back on track. Profitability is around four percentage points below what they ought to be at the moment. Going forward, the Company will work on making progress in improving the product mix and cutting costs at plants for about a year and will work on retrieving this 4%.
- We will work on getting profitability back while growing sales.

<Contact lenses>

- Sales rose by nearly 10% compared with the same period the previous year. Five stores were added during the first quarter. Even looking at existing stores alone, sales have achieved a 5% to 6% increase in sales.
- While the domestic retail market for contact lenses has not grown, our Company's market share appears to be on the rise.
- We had seen the existence of retail sales on the Internet as a threat in the retail sales market for contact lenses, but we think that there will be fewer vendors that will sell at strained prices as procurement costs for individual importers will rise due to the impact of the weak yen.
- We are planning to open 19 to 20 new stores again this term, and believe that we will be able to maintain sales growth at nearly a double-digit pace.

<Endoscopes>

- Sales in the first quarter rose 5% to 6% from the same period the previous year on a local currency basis.
- The concern is the shrinking demand in southern Europe.
- Last year, the weak demand among central countries in Europe was offset by the growth in peripheral countries in Europe, and we plan to work on overall growth by focusing on regions like China, India as well as Central and South America in earnest this year. Since HOYA's presence in these regions is still small, we think that there is great room for growth.

<Intraocular lenses>

- We halted the production and shipment of some products as the rate of incidence of endophthalmitis was higher than the standard reference value, and we apologize for causing great concern and inconvenience to everyone.
- Newly-created products were shipped to Europe and Asia starting in July.

- As for Japan where the rate of incidence was high, sales will resume once permission and authorization are granted, but we plan to proceed in a cautious manner. Rather than staging a v-shaped recovery in the second half of the fiscal year, we would like to realize a recovery by being cautious while confirming that problems do not exist.

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

- Demand is centered on tablets and smartphones.
- Sales rose 12% compared with the same period the previous year partly due to the strong yen, and even excluding the foreign exchange impact, sales rose at a middle single-digit rate. The products are sold in Asia, Japan and North America, and since transactions in Asia are denominated in yen, the impact of the dollar will only be on North America, which means that its ratio is not that large.
- There is activity in cutting-edge development as well as that for mask blanks and photomasks for research and development, but we do not expect this area to expand in a major way, given actual demand on a production basis. The situation remains unchanged, with the outlook quite sluggish.

< Photomasks for Liquid Crystal Displays (LCD)>

- The biggest change was seen in photomasks for liquid-crystal displays, the first of its kind since the fourth quarter.
- Currently, our plants are still operating at full capacity.
- Sales are rising at around 15% on a year-over-year basis.
- Behind the rise in sales appears to be a demand for development of 4K and OLED, but at the center of this demand is the need to create television panels with a wide viewing angle or a high transmission rate, making the design patterns microscopic. Various panel makers are making a go at reaching the limits of this manufacturing technology, with designs being improved and attempts being made at adding various types of contrivances to photomasks and as a result, boosting demand for photomasks.

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

- As I noted in the beginning, the production adjustment among HDD manufacturers and the inventory adjustment of glass substrates came to an end, and production levels appear to have recovered to normal levels starting in July. A shakeout of the HDD market is advancing amid weak demand in notebook PCs, which is prompting companies to proceed with their production plans in a cautious manner, so it does not

appear as if there will be excessive production as seen to date.

<Optical Glass>

- Optical glass and optical lenses for cameras are facing the toughest conditions at the moment.
- Camera manufacturers appear to be restricting their production volume at the moment, but their inventory does not appear to be selling as had been expected. We think that the market is contracting at a faster pace than that of production adjustment.
- Given this type of environment, difficult times will likely continue for this business for the time being.
- Since we have the product capability and cost competitiveness, we would like to securely obtain our profit, even if it is small in scale, by reducing our business in line with the market's contraction while enduring a tough period.

[Q&A]

- Q. *Could you please tell us how tough the conditions are for intraocular lenses, optical lenses and glass substrates for HDDs by giving us an idea of the year-over-year sales levels and profitability?*
- A. (CEO) Sales of intraocular lenses have halved. Their profitability is strained quite a bit. Sales of optical lenses-related products have nearly halved. Their profitability is also facing harsh conditions. Glass substrate sales declined from the same period the previous year because of special demand last year, but are flat compared with the previous quarter, so they seem to have hit bottom. The numbers that have come out point to solid profitability.
- Q. *What are your plans regarding IFRS going forward?*
- A. (CFO) We will not be changing accounting standards right away. The basic thinking behind IFRS is to provide useful information for decision-making from the perspective of investors. We will consider matters by listening to the views of investors going forward (in order to make our IFRS disclosure easier to understand).
- Q. *Which way do you think glass substrates for HDDs will go in the future, while keeping market share in mind?*
- A. (CEO) I think our share is rising, given that HDD manufacturers have told us that using our Company's substrates gives them a better yield. However, since the market will not expand going forward, there will be times when our Company will reduce plant capacity

or book impairment losses, so we would like to generate solid profits by maintaining our operating ratio.

Q. *As CEO, what do you expect of the CFO and COO?*

A. (CEO) CFO Hirooka knows the work of the previous CFO really well. First, I would like him to thoroughly perform the previous CFO's work. And by having the COO observe the operational front line, I would be able to focus on my primary job as CEO. Specifically, I will focus on M&As and push forward with work that will create the next phase of growth for HOYA.

Q. *Could you please tell us about market trends and share of the eyeglass lenses business?*

A. (CEO) The eyeglass lenses market is growing at a double-digit base on a volume basis and rising by around 2% on a price basis. Growth on a volume basis is seen in places like emerging countries where the level of disposable income is low, so its impact on prices is small. Since prices have been falling in developed countries, the overall growth is at 2% on a price basis. To date, the contraction in the Japanese market was being offset by the market expansion in Europe and Asia, but the contraction in Japan seems to have stopped, so there may be a little more growth going forward. Our Company share was around 10-12% before the flooding, but fell to around 7% because of the flooding. But this recovered to about 10% to 11% this year. Going forward, there will be more growth if M&A is implemented, and even if we were to look at organic growth alone, I think that we would be able to achieve around a 2 percentage-point rise in share.

Q. *Please tell us about the effective tax rate going forward.*

A. (CFO) Due to a special factor in this first quarter, our effective tax rate is high. The effective tax rate moves up and down based on various factors on a quarterly basis, so I cannot categorically state a number. A major factor behind the low effective tax rate last year was because insurance proceeds related to the flooding in Thailand constituted tax-exempt income. As our Company expands its global business, we will work on molding our business so as to realize production and sales at optimal locations by producing (good-quality products) at locations where low costs are possible and selling them at high prices. I believe that the effective tax rate will be in line with such results.

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.