Briefing Summary of the Analyst/Investor Meeting
for the 1st Quarter (April to June 2014) Financial Results
for the Fiscal Year Ending March 31, 2015

Tokyo, July 29, 2014

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 IR Group. Please also refer to the cautionary notes on the final page.

Overview of Financial Results by Mr. Ryo Hirooka, CFO

Overview of Financial Results

- I will begin my explanation with the Quarterly Consolidated Statement of Comprehensive Income on page 7 of the Quarterly Report. Sales amounted to ¥113,071 million, which represented an increase of ¥12,646 million, or 12.6%, over the same quarter of the previous year. Profit before tax for the quarter under review was ¥22,443 million, which represented an increase of ¥2,320 million, or 11.5%, from the same quarter of the previous year. Profit for the quarter from all operations was ¥17,962 million, which was ¥5,628 million, or 45.6%, higher than in the same period of the previous year. Therefore, both sales and profit increased from the same quarter of the prior year.
- The impact of the translation from foreign currencies into yen on the performance of consolidated subsidiaries overseas, together with the exchange rates for principal currencies, is shown in a note located at the bottom of page 7 of the Quarterly Report. The figure for sales includes ¥2,592 million due to translation into yen. If this is excluded, the real increase in sales was ¥10.0 billion, or 10.0%. Similarly, profit before tax includes ¥278 million owing to translation into yen. When this is excluded, real profit before tax for the quarter rose ¥2.0 billion, or 10.1%, from the same quarter of the previous year. The figure for profit for the quarter includes ¥196 million due to translation into yen. If this is excluded, the real increase in profit for the quarter was ¥5.4 billion, or 44.0%.
- Among special items, in the first quarter of the previous fiscal year, the yen began to depreciate beginning in the immediately preceding quarter. This appreciation led to a gain in the value of foreign currency assets when translated into yen of ¥5.8 billion. However, during the quarter under review, the yen strengthened, which led to a loss on the value of foreign currency assets of slightly less than ¥0.5 billion, and expenses in total rose ¥6,279 million. In addition, the net effect of income in

affiliates accounted for under the equity method (share of losses from associates), finance costs, impairment losses, and other factors combined with foreign currency translation effects was about ¥5.0 billion higher in the same quarter of the previous year. However, if these special items are excluded, profit before tax rose ¥7.0 billion, or 43.7%.

- Looking next at segment results, which are shown on page 9, revenues of the Information Technology segment were ¥42,025 million (an increase of ¥3.0 billion, or 7.7%, year on year). Segment profit amounted to ¥12,873 million (an increase of ¥3.9 billion, or 45.0%, year on year. After the exclusion of the effects of foreign currency translation, the real increase in revenues was 5.6%, and the rise in segment profit was 43.2%. In the Life Care segment, revenues were ¥70,433 million (an increase of ¥9.6 billion, or 15.9%, year on year), and segment profit amounted to ¥11,659 million (an increase of ¥2.6 billion, or 28.8%). After the exclusion of foreign currency translation effects, the real increase in segment revenues was ¥7.9 billion, or 13%, and segment profit posted a gain of ¥2.5 billion, up 27.8%
- Taking an even closer look by sub-segment, electronics-related products showed revenues of ¥30.8 billion (an increase of ¥2.6 billion year on year), but, on a real basis, after exclusion of foreign currency translation effects, revenues were up ¥1.9 billion, or 6.7%. Overall performance in this sub-segment was firm. As a result of favorable results for LCD masks during the quarter under review and a deterioration in performance in the same quarter of the previous fiscal year in glass memory disks for hard disk drive (HDD) use, revenues showed double-digit growth.
- Revenues from imaging-related products amounted to ¥11.2 billion (an increase of ¥0.42 billion year on year), but, on a real basis, they increased ¥0.3 billion, or 2.9% year on year. Revenues were virtually flat with the same period of the previous year, with some products showing improvement and others deteriorating. Particularly noteworthy increases in revenues were reported for optical glasses and lenses for cameras with interchangeable lenses and CCTV units.
- Revenues of Health Care related products were ¥51.8 billion (an increase of ¥6.6 billion year on year), but, on a real basis, the increase was ¥5.4 billion, or 12.1%. Contact lens revenues showed a two-digit decline for the quarter, reflecting the slump that followed the surge in demand prior to the increase in Japan’s consumption tax on April 1, 2014. It appears that revenues returned to close to the previous year’s levels in July. Revenues from eyeglass lenses are expanding. One of the major factors for this was the consolidation of Seiko Optical Products Co., Ltd. (SOP) beginning with the first quarter under review. Revenues from medical-related products were ¥18.5 billion (an increase of ¥3.0 billion year on year), and, on a real

basis, they amounted to ¥2.4 billion (a 15.7% increase year on year). Major factors accounting for this increase included the consolidation, beginning in November 2013, of Wassenburg Medical B.V., a manufacturer of automated endoscope reprocessing machines, single-digit growth in endoscope revenues, and the effects, in the first quarter of the previous year, of a recall of a portion of intraocular lenses, which was followed by expansion of about 40% over the same quarter of the previous fiscal year.

- Turning next to the Quarterly Consolidated Statement of Financial Position, which may be found on page 4 of the Quarterly Report, cash and cash equivalents decreased ¥41.7 billion. This was primarily because of the payment of the year-end cash dividend for the fiscal year, amounting to ¥19.4 billion and payments for the repurchase of own shares of ¥24.7 billion.
- Among non-current assets, long-term financial assets increased ¥8.3 billion. This was due to the lending of ¥8.5 billion to AvanStrate Inc. (hereinafter, ASI) on June 30, a company which is accounted for under the equity method. This loan is secured by collateral in the form of platinum held by ASI.
- Among equity items, treasury shares increased ¥23.7 billion. This was because of the repurchase of own shares and decreases due to the exercise of stock options. Regarding repurchases of own shares, the Company completed these repurchases on July 15, and, in total, 9.23 million shares were repurchased at a value of almost ¥30.0 billion. Plans call for retiring the shares repurchased at an early date.
- Next, let us review the Quarterly Consolidated Statement of Cash Flows, which may be found on page 6 of the Quarterly Report. Net cash generated from operating activities amounted to ¥17.8 billion (an increase of ¥2.2 billion over the figure for the same period of the previous year). Among items in net cash used in investing activities, the item “Other payments” shows a payment of ¥8.8 billion. This contains the previously mentioned loan made to ASI.
- Net cash used in financing activities contains mainly ¥19.4 billion in dividends paid, which represented a ¥4.9 billion larger payment than in the same quarter of the previous year. This was due to an increase in the year-end dividend for the fiscal year, to ¥45 per share, compared with ¥35 per share in the same period of the previous year. Payments for repurchase of own shares amounted to ¥24.7 billion.
- The Company has projected results for the first half of the fiscal year (ending September 30, 2014). The Company is expecting revenue of ¥226.0 billion and profit before tax of ¥43.0 billion for the first half. Assumptions behind this forecast are that revenues in the second quarter will be virtually flat with those in the first quarter, but the Company is taking a conservative view of profit. In the first quarter, performance in the Information Technology segment was better than anticipated,

but there is a downside risk in the second quarter. In the Life Care segment, performance of contact lenses in the second quarter is expected to improve, but this will be a seasonally weak period for eyeglass lenses and endoscopes in Europe. We are assuming exchange rates of ¥100 to one U.S. dollar and ¥135 to one euro. The outlook is for a somewhat stronger yen than in the first quarter, and the negative effect of this currency fluctuation has been taken into account in the outlook.

Overview of Operations by Mr. Hiroshi Suzuki (CEO)

This time I would like to explain our performance results from a somewhat different perspective.

Eyeglass Lenses

- Thus far, HOYA products have been sold through our own sales channels. Going forward, however, we are planning to strengthen our HOYA, SEIKO, and PENTAX multi-brand, multi-channel approach. We are also considering a somewhat more-aggressive approach in our M&A activities.
- At present, we are not targeting equipment, eyeglasses for reading purposes, or sales of eyeglasses over the Internet.

Contact Lenses

- Performance of Eye City in the first quarter was not very good because of the slump in demand that followed the surge in demand caused in the previous quarter by the increase in the consumption tax. However, since there has not been a basic change in trends, we will work to move sales back onto a growth track and increase our current market share of 22% finally to between 30% and 35%. To do this, we are considering opening additional shops in regional cities and through M&A.

Endoscopes

- Profitability in this business has improved. Our awareness is that this business ultimately can earn a 30% ratio of profit to sales.
- For the time being, we are making marketing investments to further develop the market.
- Since we believe that moving more in the direction of making endoscopes that can diagnose and treat patients at the same time is the correct approach, we are expanding our business in that direction.

Intraocular Lenses

- Although we temporarily stopped production and recalled some products in this business, we will fully restart sales in Japan in August 2014. We believe that performance will make a comeback. However, considering the fact that our percentage of sales in overseas markets is increasing, we think that profitability may not recover immediately.

Life Care Segment as a Whole

- There are two main issues in the Life Care segment as a whole. These are increasing production capacity for eyeglass lenses and the fact our increases in capacity now on stream are fully utilized. Also, in the endoscope business, we must expand sales globally, including in the developed countries.

Photomasks and Mask Blanks for Semiconductors

- The market is moving ever closer to further miniaturization, such as those products that measure only 10 or single nanometer line-width products. There is, however, also talk of returning to the development of extreme ultraviolet (EUV) lithography. It appears that development in the high-end is not proceeding that successfully.
- Regarding 10 nanometer (nm) node domains, these have been established technically but this has not reached the stage of mass production. Instead, it appears that the technologies for 10nm are actually used for the production for the 20nm node, which is somewhat less demanding technologically.

Photomasks for Large Liquid Crystal Displays (LCDs)

- Supplies of these units are short, and the supply/demand balance is tight.
- In part because HOYA has somewhat of a technological lead over its competitors, even in a tight market, we are deliberately selecting orders for higher-prices units. As a result, profitability is improving.
- Some panel manufacturers are moving to produce in-house. This was also true previously in the case of semiconductors. In the manufacturing of panels, the quality of the mask is becoming more important. This is to the advantage of mask manufacturers such as us, but, on the other hand, there are some panel manufacturers that are beginning to produce masks as an integral part of their processes, and this is a source of concern.
- However, we have differentiated our products technologically, and we think it will not be easy for them to catch up.

Glass Memory Disks for Hard Disk Drives (HDDs)

- This business led us on to good results in the first quarter. Units sold were more than we had expected during the quarter. Revenues expanded steadily as PC sales moved upward, due to demand for replacement of XP units and lower sales in tablet devices.

- We consolidated our former five plants into three, and, in part because these three plants are working at full capacity, profitability has improved.
- There have not been any major changes in the market environment. Sales of PCs may decline, but the disk per drive ratio is moving on an increasing trend, and the conditions for disks are favorable.

Optical Glass

- Our business structural reforms moved along faster than we had thought. Thus, even though the markets for digital cameras and single-lens reflex cameras head downward, sales of products for use in other than digital cameras, such as lenses for CCTVs and automobile-mounted cameras as well as lenses for GoPro and other sports-related cameras, while still low in volume, will grow and cover for the drop in sales of lenses for digital cameras to some extent.
- Since our profit structure is in place and functioning, even though I said last year (somewhat pessimistically) that "we may sell this business," right now, even if sales are not up to expectations, we can shrink the scale of operations and secure a profit.

Information Technology Segment as a Whole

- I think our approach in the IT segment is correct now. We are scheduled to move forward on our current course for one to two years.

Questions and Answers Following the Briefing

Q: Have you made any progress on the lens modules for smartphones that you announced last year?

(CEO) The CUBE 3x optical zoom lens modules that we developed for smartphones are scheduled to make their appearance installed in smartphones in December this year. The CUBE is a special module, and unit sales may be small. If they earn a favorable reputation, they may sell. They have appeared in several programs, but, in the case of smartphones, there are instances where sales are cancelled just before product launches, so we do not know how many will be sold.

Q: What is your view of the semiconductor industry now?

(CEO) At present, the semiconductor industry is busily competing for development of photomasks for single-digit nanometer node products. At this stage, it appears they are conducting technical verifications on whether they can establish single-digit nanometer technology. However, the number of semiconductor companies competing has shrunk from 10 companies formerly, to 2.5 companies, so the excitement is not as great as before. However, the main thing that semiconductor companies are concerned with is being in the lead technologically. Therefore, whether they can make a profit is a secondary issue.

Q: Please give us your ideas regarding M&A. Also, you mentioned previously that you may "do M&A in businesses that are somewhat outside your current business portfolio." What are your thoughts on this now?
In the eyeglass lens domain, our competitors are showing interest in opportunities for small projects in the emerging countries; so, it may be difficult. We want to consider other opportunities. We have assigned an executive officer to be in charge of creating new business. When the target is set, we will provide a budget, and then reallocate human resources.

Q: You mentioned that, in the first quarter, the IT segment reported an increase in profit in real terms of ¥3.8 billion. Could you give us some more details on this?
(CFO) Glass memory disks for HDD use were a big contributor to the increase in profit. As a result of the closing and consolidation of our factories, based on the assumption that the market would shrink, our fixed costs decreased. In addition, in the first quarter of last year, we reduced inventories, but inventories have now leveled out at a normal level. Also, since the market environment for LCD masks is good, the fact that we are selecting products where we have an advantage is contributing to profitability. Overall, as we continue to make structural reforms, sales grew a little, and profits have improved.

Q: What is your outlook for the IT segments in the second half of the fiscal year?
(CEO) Overall, the market environment is not good. PCs are declining, semiconductors are not particularly robust, and digital cameras are on a downward trend. Therefore, moving from the first half of the fiscal year to the second, the environment will not improve, but, by implementing various measures, we expected profitability to improve.

Q: You mentioned that the Life Care segment reported an increase in profit of ¥2.5 billion. Please provide more details what was behind this increase. Did the consolidation of Seiko Optical Products (SOP) and Wassenburg have a bid impact on the increase in profits?
(CFO) Because of the improvement overall, contact lenses showed declines in sales and

profit, but sales of eyeglass lenses and endoscopes increased and profit also increased. Intraocular lenses did not perform well in the first quarter of the previous fiscal year because of the effects of the recall, so, compared with the same period of the previous year, performance improved. Sales expanded because of the consolidation of SOP, but this made almost no contribution to profit. Also, since the sales of Wassenburg, which is a manufacturer of automated endoscope reprocessing machines, are relatively small, its impact on profit will be minimal.

Q: It has been about one year since HOYA created the Chief Operating Officer position. Please give us your thoughts on this from an overall perspective.
(CEO) In the IT and Life Care segments, the COOs of each segment are in effective charge of operations. I thought this would make things easier for the CEO, but I am still just as busy as before, but with other things. I have been able to put more emphasis on creating new businesses. Personally, it is easier for me to do things by myself, but, from the Company's long-term perspective, the current system is better, I think.

Q: What is the current status of production of LCD masks and glass memory disks for HDDs? Will it be possible to increase sales?
(CEO) Our LCD mask production facilities are working at full capacity. By taking orders for products that are higher priced, we think we can expand sales. Since demand for glass disks is on a gentle downward trend, along with this we want to run our factories efficiently.

Q: When do you expect the profitability of SOP to improve?
(CEO) We acquired the manufacturing division from Epson and consolidated SOP, a sales company of Seiko-brand eyeglasses. We believe the positive impact on cost in manufacturing will emerge in about a year. Since SOP has been selling mainly in the domestic market, its overseas sales capabilities are not as strong. Looking ahead, we are planning to use HOYA's production and sales infrastructure to expand sales of SEIKO-brand products. Improvement in profitability of sales will take about two and a half years.

Q: What is the status of the start-up of your new eyeglasses lens factory, and what are your plans for increasing capacity?
(CEO) Eyeglass lenses, unlike the IT business, are a seasonal product, and sales vary from region to region. In Japan, sales expand after the company bonuses are paid. In Europe, sales rise during the winter. Orders increase on weekends and during the week. Our utilization rate for eyeglass production facilities is just above 80%. Our calculations

show that, with a utilization rate of this level, we can respond to demand even during seasonally strong periods of demand. So, I think we can consider the 80% level as essentially full capacity utilization. We are building a new factory in the Philippines, and it will go into operation at the end of this year. Around July 2015, we are planning for overall production capacity about 20% higher than it is now.

Q: Do you expect any changes in the dependency of the imaging-related product business on digital cameras?

(CEO) The ratio of sales to digital camera companies has declined from 80% to about 50%.

Q: What are your plans for using your cash?

(CFO) We are placing maximum priority on using cash for M&A deals. We have put together a budget of about ¥50 billion a year, but, depending on the circumstances, we can exceed this budget. We have plans for capital investment of about ¥27 billion annually and our depreciation is running between ¥32 billion and ¥33 billion a year for the fiscal year ending March 2015. The level of repurchases of own shares will depend on prevailing conditions.

(CEO) Our idea of returning unused cash to shareholders remains unchanged.