Briefing Summary of the Analyst/Investor Meeting
for the 4th Quarter (January to March 2015) Financial Results
for the Fiscal Year ended March 31, 2015
Tokyo, May 12, 2015

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. Net sales amounted to ¥127,440 million, which represented an increase of ¥12,216 million, or 10.6%, over the same period of the previous year. Profit before tax for the quarter under review was ¥25,309 million, which represented an increase of ¥5,417 million, or 27.2%, from the same quarter of the previous year. Profit for the quarter from all operations was ¥18,513 million, which represented an increase of ¥5,755 million, or 45.1%, from the same quarter of the previous 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.* During the fourth quarter, the yen depreciated substantially against the U.S. dollar and Thai baht in comparison with the previous year. On the other hand, the yen appreciated slightly against the euro. The figure for net sales includes ¥5.6 billion due to translation into yen. If this currency translation effect is excluded, the real increase in net sales was ¥6.6 billion, or 5.7%. Similarly, the figure for profit before tax includes a ¥1.8 billion boost due to translation into yen, and, if this is excluded, the profit before tax in real terms rose ¥3.6 billion, or 18.2%.
- Next, I would like to explain the effects of special factors on profit before tax for the quarter. Impairment losses were ¥2.4 billion lower than in the same quarter of the previous year. This was because, in the fourth quarter of the previous fiscal year, we reported ¥2.7 billion in expenses related to the closing and consolidation of production plants, but almost all these expenses were not incurred in the fourth quarter of the fiscal year under review. Also, as a result of foreign currency gains and losses in the consolidation of the overseas foreign currency assets of foreign subsidiaries, we reported a loss of ¥1.6 billion in the same period of the previous fiscal year, but

the loss for the quarter under review was approximately ¥0.6 billion. As a result, these losses declined about ¥1.0 billion from the same period of the previous year. In addition, other expenses include all individual expense items not shown elsewhere, but special factors included those in connection in the completion of the liquidation of two overseas subsidiaries amounting to ¥2.2 billion. This is because, while these two subsidiaries were still in operation, their foreign currency translation adjustment items were included within "exchange differences on translation of foreign operations" within the category of "items that may be reclassified subsequently to profit or loss." (These items appear near the middle of the Quarterly Consolidated Statement of Comprehensive Income.) As a result of the timing of liquidation of these companies, the accumulated foreign currency translation adjustments were reversed all at the same time and treated as losses prior to net income for the quarter. Among other special factors, financial income, financial expenses, additions to retirement benefits, and other items include such special factors, and, of these items about ¥1.2 billion was added to income during the fourth quarter. If the foreign currency adjustments mentioned previously are excluded, I noted previously that profit before tax increased by ¥3.6 billion; however, if this ¥1.2 billion is deducted, the effect of these special factors, real income from operating activities would show a gain of ¥2.4 billion, or 10%, over the same period of the previous year.

- If we take a closer look at results by segment, as shown on page 9, revenue in the Information Technology segment amounted ¥45.3 billion, representing an increase of ¥5.1 billion, or 12.8%, over the same period of the previous fiscal year. Segment profit before tax was ¥12.3 billion, representing an increase of ¥5.5 billion, or 80.7%. Excluding the effects of foreign currency translation, the rate of increase in revenues in real terms was just under ¥1.2 billion, or 3.0%, and the income increase for the segment was ¥4.3 billion, or 63.4%. Regarding special factors, the impairment losses I mentioned previously and the foreign currency translation adjustment account were mainly in the Information Technology segment, and the real effect of these amounted to a plus of about ¥0.5 billion, if these are excluded, the increase in profit from operating activities was ¥3.8 billion.
- Revenues in the Life Care segment were ¥81.0 billion, representing an increase of ¥6.8 billion, or 9.3%, over the previous year. If the effects of foreign currency translation are excluded, on a real basis, the increase amounted to ¥5.2 billion, or 7.0%. Segment profit before tax was ¥13.3 billion, representing a decrease of ¥2.4 billion, or 15.5%, but, if foreign currency translation effects (of about ¥0.7 billion) are excluded, on a real basis, the decrease in income was ¥3.1 billion. Profit declined ¥1.7 billion due to special factors; if the effects of these are excluded, the real decline in profit was about ¥1.4 billion. These special factors were the result of changes in the valuation of overseas foreign currency assets (including accounts receivable, accounts payable, and other items).

- Taking an even closer look by sub-segment (page 10), electronics-related products showed revenues of ¥34.1 billion, representing an increase of ¥4.1 billion, or 13.7%. After the exclusion of foreign currency effects, the increase in real terms was ¥0.9 billion, or 2.9%. Revenues from semiconductors and LCD-related products showed favorable growth compared to the previous year, but revenues from HDD glass substrates have not shown much expansion recently, and overall growth was 3.0%.
- Revenues of imaging-related products were ¥11.2 billion, an increase of ¥1.0 billion, or 9.9%, but after the exclusion of foreign currency effects, the increase was ¥0.3 billion, or 3.1%. Revenues from digital camera-related products decreased, but this decline was covered by higher revenue from new applications, including surveillance cameras and automobile-mounted cameras. As a result, overall revenues expanded.
- Revenues from healthcare-related products amounted to ¥60.2 billion, an increase of ¥5.6 billion, or 10.4%. After the exclusion of foreign currency effects, revenues rose ¥4.8 billion, or 8.8%. Revenues from eyeglass lenses increased because of the consolidation of Seiko Optical Products Co., Ltd. (SOP) and other factors. Revenues from contact lenses rose substantially immediately before the increase in Japan's consumption tax in the previous year, but revenues in the fourth quarter of the fiscal year under review showed double-digit declines.
- In the medical-related products business, revenues were ¥20.8 billion, an increase of ¥1.1 billion, or 6.0%. Excluding foreign currency effects, the increase in revenues was ¥0.4 billion, or 2.1%. Medical endoscope sales showed little change in trend through the third quarter, but, in the fourth quarter, real sales decreased slightly after the exclusion of foreign currency effects. The principal factors accounting for this were the delay in launching new products in North America and the lack of growth in the markets of Russia, Eastern Europe, and the emerging economies. On the other hand, we resumed the full-scale marketing of intraocular lenses (IOLs) in Japan in fall 2014, and revenues have gradually recovered. For the fourth quarter, revenue growth was just under 20% over the previous year.
- Next, let us review the Quarterly Consolidated Statement of Cash Flows, which may be found on page 6 of the *Quarterly Report).* Among cash flows from investing activities, ¥6.5 billion was reported as payments for acquisition of property, plant and equipment. A portion of expenditures on the eyeglass lens plant in the Philippines spilled over into fiscal 2015.
- Regarding dividends, the year-end dividend for the fiscal year will be ¥45 per share. Adding this to the interim dividend of ¥30 per share, which has already been paid, the dividend for the full fiscal year will be ¥75 per share. This represents a dividend payout ratio of 34%.
- During the fiscal year ended March 31, 2015, we announced two repurchases of the Company's own share. Both of these were conducted by making purchases from the market under discretionary investment contracts, but, after conclusion of these contracts, conditions cannot be

changed during the specified period. Based on the first contract, repurchases of approximately ¥30.0 billion were completed, but during the second repurchase period, which was announced on January 30, 2015, the purchases were not made, and the contract was terminated. However, the Company's policy of paying a return to shareholders remains unchanged. Today, the Board of Directors of the Company approved a share repurchase with an upper limit of 10 million shares or a purchase value limit of ¥45 billion, and news released to this effect was issued. The period for these repurchases will be from May 13, 2015, to September 30, 2015. These repurchases will also be conducted by making purchases from the market under a discretionary investment contract.

- Changes in management are as follows. Mr. Yukiharu Kodama and Mr. Yutaka Aso are scheduled to retire at the end of the Regular General Meeting of Shareholders to be held on June 19, 2015. Mr. Shuzo Kaihori, candidate for Director, is scheduled to be newly elected at the Regular General Meeting.

Overview of Operations by Mr. Hiroshi Suzuki, CEO

- We want to carry out repurchases of the Company's own shares properly and without fail.
- The profitability of the Life Care segment deteriorated in the fourth quarter, but this was because of foreign currency effects. The portion of our products manufactured in Asia outside Japan experienced higher costs due to the appreciation of Asian currencies. On the other hand, since all our other sales are on a yen or euro basis, the negative effects of foreign currency fluctuations on profitability appear to be particularly evident. However, after excluding foreign currency effects, profitability on a real basis has not deteriorated so much.

Eyeglass Lenses

- Revenues (sales) on a yen basis increased more than 20% over the same quarter of the previous year. On a like-for-like basis, excluding the impact of the consolidation of Seiko Optical Products Co., Ltd. (SOP) and foreign currency effects, sales growth was 5% to 6%.
- Conditions in the Japanese market were not good, and the deflationary trends are still continuing. Including the SOP results, sales in Japan account for a portion of total sales; so, we have been affected by conditions in the Japanese market.
- Performance in Europe and North America was steady, and our sales growth is higher than that of those markets as a whole.
- Regarding SOP, it is clear what we should be looking at. In the eyeglass lenses business, results from our efforts are not expected to appear in the short term. Basically, we will concentrate on selling the Seiko brand of eyeglasses in overseas markets. When selling eyeglasses, it is necessary to have manufacturing centers in the respective regions, but Seiko's infrastructure for

overseas sales is insufficient. To compensate for this, we want to make use of HOYA's existing infrastructure.

- We have just started operations at our new plant in the Philippines. This year, we want to focus especially on customers of leading retail chains in the United States.

Contact Lenses

- In part because of the surge in demand in the fourth quarter of last fiscal year prior to the increase in Japan's consumption tax, we saw a decline in sales in the fourth quarter of the fiscal year under review, but if we look at sales in April 2015, they are up about 25% from April 2014.
- Effective March 1, 2015, we acquired a contact lens retail chain with 22 stores in the Nagoya area in central Japan. As the market in Japan shrinks, as I have mentioned before, we will have to grow by acquisitions, and, a number of acquisitions that have been in our M&A pipeline, in addition to the acquisition of retail chains, that has been under consideration have been concluded.
- HOYA's cost structure is low; so, we expected that, by acquiring retail chains with multiple stores as we did this time, we will be able to capture additional customers and improve profitability through structural reforms. Our market share in Japan is 26%, but, through acquisitions and organic growth, we believe we can raise our share to about 33%.

Endoscopes

- We can see the effects of foreign currency fluctuations here. On a yen basis, revenues were about flat with the previous year, but, in local currencies, revenues decreased in Europe and the United States. In North America, because of slippages between periods, revenues we were planning to recognize in March slipped into April. Another factor is that, in the European region, revenues in Russia, Eastern Europe, and the Middle East, which were strong up to a few years ago, just virtually disappeared. This year, we are planning to make a strong push for business expansion in major countries in Europe where our market share is low, including Germany, France, and elsewhere.

Intraocular Lenses (IOLs)

- Revenues are steadily recovering following the recall.
- We have launched a new product. The material for making IOLs is a form of plastic, but lenses implanted in the eye absorb protein as time passes and, in some cases, this causes a clouding of the lenses or posterior capsule opacity (PCO). We have recently developed a new material that can suppress this phenomenon. In addition, intraocular lenses, in general, are made from polymers, and their inner structure has open spaces. As a result, over time, water bubbles form. Although this does not affect the user's sight, small clumps can form within the lens, and these

reflect light, causing a glistening effect. Our new product has a structure that restrains this effect. The healthcare industry is cautious, and, while revenues may not expand immediately, we have strong expectations for the future of this product.

Overview of Other Operations by Mr. Eiichiro Ikeda, COO

Photomasks and Mask Blanks for Semiconductors

- In the semiconductor market in fiscal 2014, volume expand, mainly for memory devices, in the domains from high-end to 90nm-180nm for use in automobile-mounted applications, power semiconductors for infrastructure use, and certain other uses.
- HOYA's sales of blanks expanded at double-digit rates over the previous year, but some of this growth was due to foreign currency factors. If these factors are excluded, sales expanded in the middle of the single-digit range. In part because semiconductor manufacturers are actively developing advanced devices, this has contributed to the improvement of the product mix.
- Since we think that development activities for advanced devices in the 22nm or smaller range will continue, we want to make a strong drive to capture related demand.

Photomasks for Large LCDs

- There are no major changes in the operating environment. The trend toward the development of high-precision, high-resolution LCDs, mainly for smartphones, will continue.
- Sales of LCDs for TVs increased temporarily at the year-end, but there has been no major growth thereafter. By region, sales in China expanded and, as a result, sales rose above the previous year-end.
- Since it appears that new panel production plants are scheduled to be built in China, HOYA will actively follow this trend. On the other hand, for our current customers, we will continue to respond to the continuing needs for the development of high-precision, high-resolution devices in advanced domains.
- We have decided to upgrade our equipment. We want to replace older equipment with new equipment and prepared the environment for responding to market needs.

Glass Memory Disks for HDDs

- Until the October-December quarter, replacement demand for notebook PCs running the post-Windows XP operating systems was strong, but after the beginning of 2015, in part because companies in the disk drive industry have been working to reduce overall inventories in advance of the launching of Windows 10, they have reduced production, and demand for drives has dropped sharply.

- HOYA had initially assumed that demand would drop in the fourth quarter. In addition, HOYA developed its operating plans with the assumption that production would decrease about 10% in the fourth quarter because its principal production plant is in Vietnam, where the long Tet vacation period in February would impact production. As a result, developments were as expected.
- At present also, demand for disk drives is weak, and a difficult operating environment is forecast for the first half of fiscal 2015. In fiscal 2014, by application, the ratio of notebook PCs fell below 50% of the total. By increasing its share and the number of disks sold for use in external hard disk drives for applications other than PCs and in servers that use multiple disks in each drive, HOYA has been able to compensate for the decline in demand for disks to some extent. In fiscal 2015, HOYA plans to manage these activities cautiously, basically under the assumption that demand will decline.

Imaging-Related Products

- The digital camera market is assumed to continue to shrink. However, we have been pushing ahead for more than a year on the development and marketing of products for new applications, such as compact "action cameras" for recording sports and other outdoor activities, surveillance cameras, and automobile-mounted cameras. As a result, after the exclusion of foreign currency effects, sales of these applications have increased. We also think that our new lens modules for smartphones will add to sales during the current fiscal year.

Questions and Answers Following the Briefing

Q1: In the Information Technology segment, have there been any changes in competitive relations? If so, what have they been?

A1: (COO) I think there have been virtually no changes in the blank, mask, and MD businesses.
(CEO) Since we are continuing to produce LCD masks at full capacity, for the time being, I think the current status will remain unchanged. The same holds for MDs. As regards competition, my view is that there is no need for concern.

Q2: In the Photomasks for LCDs business, are you considering expanding your business for 10G-related products?

A2: (COO) We are not considering expanding our business in 10G at the present time.

Q3: Are there any comments you can make on the Rodenstock acquisition that has been mentioned in the media?

A3: (CEO) There are no particular comments we can make at this time.

Q4: Regarding foreign currency gains and losses, what was your advance outlook (issued in the third quarter) for the impact on your businesses and your outlook for the impact of foreign currency translation?

A4: (CFO) We issued our assumptions, and they were the same as our outlook for foreign currency exchange rates we made public at the time of the third quarter announcement. In fact, the U.S. dollar strengthened against the euro, and the Thai baht moved in tandem with the dollar. In the eyeglass lens business, the euro and the yen are the currencies of revenues, but costs are on a dollar and Southeast Asian currency basis. This was a factor leading to a decline in profit margins. In addition, our subsidiaries in Southeast Asia are reporting foreign exchange losses on their assets and liabilities. The outlook we prepared was for a neutral impact from foreign currency factors, but, in fact, we saw a small loss.

Q5: If we consider that foreign currency fluctuations had a mainly negative impact on your business in Europe but that your actual results were at almost the same level as in your outlook, this implies that there were businesses where the negative impact of foreign currency

fluctuations was offset. Please tell us what businesses these might have been.

A5: (CFO) Sales of LCDs and semiconductors are stable, but high-precision related products are contributing to profitability.

Q6: It appears that there are companies that are expecting the realization of extreme-ultraviolet lithography (EUVL) technology in 2016 and 2017. What is HOYA's view of this? Also, if EUVL technology does become a reality, is your outlook for your share in blanks to be 100% in real terms?

A6: (CEO) I believe the issues related to EUVL differ according to equipment and blanks, and there is one company each involved in these issues. In this sense, such possibilities may exist. As regards the timing, our impression is that the realization of EUVL technology will come somewhat later than the years you mentioned. The issue being discussed in the market is 7nm units, but our feeling is that 7nm is not EUVL. Our impression is heat-assisted magnetic recording (HAMR) HDDs must come first.

Q7: Have some additional technical issues emerged?

A7: (CEO) Developments are shifting more and more in a difficult direction. Even though it appears that problems have been overcome, technical issues arise that must be targeted.

Q8: I have a question about repurchases of your own shares. Regarding the previous planned repurchase, I believe that the company HOYA entrusted with buying the shares may have made the judgment that HOYA's stock price had risen too much, and that company decided not to make discretionary repurchases. Do you have any plans for taking action as regards your stock price? Or have you made the judgment that repurchases will not be made when the stock price is too high? Also, you have close to ¥350 billion in cash on hand, you will repurchase ¥45 billion of your own shares, and you stated previously, "when cash on hand exceeds ¥300 billion, we will return profits to the shareholders." Has there been any change in your thinking on this issue?

A8: (CFO) There have been no changes in our thinking about returning a portion of profits to shareholders. However, repurchasing our own shares is also a form of investment for HOYA; therefore, we do not think it would be correct to impose any upper limit and repurchase our shares at any price. As regards cash on hand, there is no need for HOYA to accumulate additional cash; so, by returning ¥45 billion to the market, our aim is to pay cash out equivalent to the increase in free cash flow.

Q9: Could you give us information on the content of your investments and depreciation this year?

A9: (CFO) Based on our decisions, we are planning to make ¥30 billion in investments during the current year. The content, rather than being investments in additional production capacity, will be primarily for the replacement of existing equipment and responding to the trend toward meeting high-precision requirements. In the eyeglasses business, the decision regarding the Philippine plant was made in fiscal 2014, and it will fill the need for additional capacity. Since we operate by preparing budgets on a quarterly basis, please be aware that there is a possibility that actual investments made may differ from plans at the beginning of the fiscal year. Regarding depreciation, we are planning on between ¥33 billion and ¥34 billion, which will be about the same as in the previous year.
(CEO) Over the last three years, we have stopped making investments in Information Technology. This year, rather than investments for increasing capacity, we are planning on making investments on replacement of facilities.

Q10: On a business profit basis, HOYA has set new highs, but my impression is that the limit on profits on an organic growth basis will be between ¥120 billion and ¥130 billion. To attain further growth in profits, I think that mergers and acquisitions will be necessary from time to time. Mr. Suzuki, could you please comment on your ideas regarding M&A?

A10: (CEO) In our M&A activities, we have come to the conclusion that valuations do not make sense, and, therefore, we think that we have no choice but to do our best to identify M&A deals that will realize synergies. We believe that we should focus on deals in areas that are peripheral to our existing businesses and realize synergies so that the valuations will be justified. We are not making substantial M&A investments in the medical field, but our policy of emphasizing M&A remains unchanged. Regarding growth in profits, in the eyeglass lenses and endoscope businesses, we are currently making upfront expenses for future growth. If we set goals and apply ourselves, these are businesses where we can generate additional profits. I believe we will have opportunities for further increasing profits.

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