

**Briefing Summary of the Analyst/Investor Meeting  
for the 1st Quarter (April to June 2015) Financial Results  
for the Fiscal Year Ending March 31, 2016  
Tokyo, July 29, 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 by Mr. Ryo Hirooka, CFO**

- I would like to begin by pointing out two changes in the disclosure materials we provide. Beginning this time, we have added a page that summarizes my explanation at the end of Supplementary Materials for the *Quarterly Report*. Please refer to this. Also, to help readers to understand the longer-term trends in various indicators, we have provided our *Fact Book*, which is a quarterly disclosure document showing information in graph form. Beginning this year, we will begin to disclose this information on an annual basis for a longer term. The financial results for the fiscal year ended March 31, 2015, will be posted on our Website in early August.
- Next, I would like to explain the Quarterly Consolidated Statement of Comprehensive Income, which appears on page 7 of the *Quarterly Report*. Sales amounted to ¥126.2 billion, which represented an increase of ¥13.1 billion, or 11.6%, over the same period of the previous year. Profit before tax for the quarter under review was ¥30.9 billion, which represented an increase of ¥8.4 billion, or 37.7%, from the same quarter of the previous year. Profit for the quarter from all operations was ¥23.6 billion, which represented an increase of ¥5.6 billion, or 31.7%, from the same quarter of the previous year.
- The impact of translation from foreign currencies into yen on the performance of consolidated subsidiaries overseas, together with the exchange rates for principal currencies, is shown in notes at the bottom of page 7 of the *Quarterly Report*. During the first 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 sales includes ¥7.1 billion due to translation into yen. If this currency translation effect is excluded, the real increase in sales was ¥6.0 billion, or 5.3%. Similarly, the figure for profit before tax includes a ¥2.3 billion boost due to translation into yen, and, if this is excluded, the profit before tax in real terms rose ¥6.0 billion, or 27.1%.

- Turning to the effects of special factors on profit before tax for the quarter: We reported gains on the value of other foreign currency assets (which arise due to the revaluation of foreign currency denominated assets) for the quarter of ¥2.0 billion. On the other hand, since we reported a loss of just under ¥0.5 billion on this item in the same period of the previous year, the change in this item was +¥2.5 billion. Other special items did not have a major impact, and, if we total these, including impairment losses, increases and decreases in financial income and cost items, etc., the total effect was slightly less than a +¥2.7 billion addition to profit before tax. I noted previously that profit before tax increased ¥8.4 billion; however, if the foreign currency effect of ¥2.3 billion and impact of special factors of ¥2.7 billion are excluded, real profit from operating activities would show a gain of ¥3.4 billion, or 14.5% over the same period of the previous year.
- A closer examination of results by segment, as shown on page 9, indicates that revenue in the Information Technology segment amounted to ¥45.5 billion, an increase of ¥3.5 billion, or 8.3%. Segment profit before tax was ¥16.2 billion, representing an increase of ¥3.3 billion, or 26.1%. The effects of foreign currency translation are shown in the note on page 9 of the *Quarterly Report*. The effect of foreign currency translation was to boost revenues by ¥4.7 billion, and, if this is excluded, in real terms, revenues were ¥1.2 billion, or 2.8% below the level of the same quarter of the previous fiscal year. On the other hand, profit before tax rose ¥1.6 billion due to foreign currency translation. Of the effect of special factors of ¥2.7 billion that I mentioned earlier, the effect on the Information Technology segment was ¥0.7 billion. In real terms, after excluding foreign currency effects and special factors, revenue increased about ¥1.0 billion, and, on a real basis, the segment posted a decrease in revenues and an increase in profit.
- Revenues in the Life Care segment were ¥79.8 billion, representing an increase of ¥9.4 billion, or 13.3%, over the previous year. Segment profit before tax was ¥14.5 billion, representing an increase of ¥2.8 billion, or 24.4%. Revenues were boosted by ¥2.5 billion by foreign currency translation effects, and, after exclusion of these effects, increased by ¥6.9 billion, representing an increase of 9.8%. Segment profit before tax was boosted by ¥0.8 billion by the effects of currency translation, and, if these effects are excluded, segment profit rose ¥2.0 billion. In the Life Care segment, although increases and decreases differed among sub-segment businesses, overall, the level of special factors was virtually level with the previous year. As a result, the segment reported increased revenue and profit.
- Taking an even closer look by sub-segment (page 10), electronics-related products, which comprises semiconductors, LCD-related products, and glass substrates for HDDs, revenues were ¥33.5 billion, representing an increase of ¥2.7 billion, or 8.8%, from the previous year. The effects of foreign currency translation are shown in a note in the middle of the page, and their impact boosted revenues by ¥3.7 billion. After excluding these effects, on a real basis,

revenues decreased ¥1.0 billion, or 3.3%. The factor accounting for this decline was lower sales in volume terms of glass substrates for HDDs. Since revenues are denominated in U.S. dollars, converted to yen, revenues rose over the same quarter of the previous year, but, on a dollar basis, revenues declined by a higher single-digit percentage. On the other hand, semiconductors and LCD-related products showed robust expansion, and, on an overall basis, the segment as a whole reported a decline of about 3.3%.

- Revenues of imaging-related products were ¥11.9 billion, representing an increase of just under ¥0.8 billion, or 7%, but foreign currency translation effects boosted revenues by ¥1.0 billion, and, in real terms, revenues declined ¥0.2 billion, or 1.7%.
- Revenues from healthcare-related products were ¥59.8 billion, representing an increase of ¥8.0 billion, or 15.4%, with foreign currency translation boosting revenues by ¥1.3 billion. After the exclusion of these translation effects, revenues were ¥6.6 billion, an increase of 12.9%. Eyeglass lenses, even after excluding translation effects, showed stable growth in the upper single-digit range. Revenues from contact lenses in the quarter under review rose by more than 25%, due to the relatively lower level of sales in the same quarter of the previous year, owing to the reaction to the increase in the consumption tax. For your reference, the rate of growth in comparison with the same quarter of the year before last was about 10%.
- In medical-related products, revenues were ¥19.9 billion, representing an increase of just under ¥1.4 billion, or 7.5%, but foreign currency translation was responsible for ¥1.1 billion of the increase. After the exclusion of foreign currency effects, revenues were up ¥0.2 billion, or 1.4%. Medical endoscope sales showed almost no growth overall, sales in Asia outside Japan showed a substantial increase, but sales growth elsewhere stagnated. On the other hand, revenues from intraocular lenses (IOLs) are on a steady recovery trend in Japan compared with the same period of the previous year, as we resumed sales on a test basis (following an epidemiological study after a voluntary recall in February 2013) and then resumed full-scale marketing in fall 2014. We are introducing new products in this business beginning this fiscal year, and these activities will contribute to sales recovery.
- Let us review the Quarterly Consolidated Statement of Cash Flows, which may be found on page 6 of the *Quarterly Report*. Cash flows from operating activities were ¥32.3 billion, which was ¥14.5 billion higher than in the same quarter of the previous fiscal year. Major factors accounting for this were the inflow of cash due to business activities and a decline in taxes paid. Among cash flows from financing activities, year-end dividend payments of ¥45 per share, amounting to ¥19.0 billion, related to the previous fiscal year, were made during the quarter under review. In addition, related to shareholders' equity on the balance sheets, the Company paid ¥39.2 billion through the end of June to purchase treasury shares. At the time of the previous release of financial results, we announced a share buyback program with an upper

limit of ¥45.0 billion, and purchases made through the end of June amounted to ¥39.2 billion. We issued a notice on July 10 indicating the completion of this buyback program, and, at that time, we had completed purchase of the full amount of ¥45.0 billion.

- The outlook for the first half ending September 30, 2015 is shown on page 11 of the *Quarterly Report*. We are forecasting revenue of ¥250.0 billion, profit before tax of ¥57.0 billion, and profit for the term of ¥44.5 billion. We are forecasting that there may be further declines in glass substrates for HDDs.
- We are planning on capital investments in the second quarter of ¥6.0 billion, depreciation and amortization of ¥8.5 billion, and R&D spending of ¥6.0 billion.
- As a news release we issued today indicates, at the meeting of the Board of Directors held today, the decision was made to cancel all 9,478,600 of the treasury shares purchased in the recent buyback.

## **Overview of Operations by Mr. Eiichiro Ikeda, COO**

### **Information Technology Segment**

- Profitability is improving, and, on an overall basis, revenues and profit rose. After the exclusion of foreign currency translation effects, on a real basis, revenues were down for the quarter but profit increased. At present, since the business with the segment having the most influence on performance is the glass substrate for HDD business, we pay particular attention to trends in demand in the HDD industry. We manage production closely in step demand trends and keep in mind the need to maintain and monitor profitability.

### **Photomasks and Mask Blanks for Semiconductors**

- In the semiconductor market, although sales for PC use are weak, conditions for memory devices are favorable, and demand for blanks, from the low-middle price segment to the high end, was strong. Year-on-year sales expansion was in the high single-digit range. We are forecasting that demand will continue to be firm through the coming quarter, and we are planning to maintain profitability through continuing to respond to demand in the high-precision market segment.

### **Photomasks for Large LCDs**

- Although the start-up of new panel production lines in China has influenced market conditions and prices are on a downtrend, demand for photomasks continues to be strong.
- By application, sales for use in PCs are weak, and demand in the tablet business is slowing. However, demand for LCDs in smartphones and TVs is expanding, and this is driving the

market. In all applications, demand is moving toward high-precision, high-resolution units. This movement toward so-called 4K units is occurring not only in TVs but also in other applications. High-resolution masks are needed for product development purposes, and the ratio of these higher-priced units in our product mix is high. Compared with the same periods of the previous year, sales of these units are expanding at double-digit rates. These trends in high-precision and high-resolution masks are expected to continue into the next quarter.

- The new plants of Chinese panel manufacturers are going into operation, and getting ready to seize demand from this source is an issue that we are aware of right now in this business.

#### **Glass Substrates for Hard Disk Drives (HDDs)**

- These units are priced in U.S. dollars, and, because of foreign currency movements, on a yen basis, revenue was up just under 10% year on year, but, on a dollar basis, sales declined in the high single-digit range.
- While demand for notebook PCs is on a declining trend, last year there was demand for replacement of Windows XP units. This year, production adjustments are taking place in anticipation of the launching of Windows 10, and demand is continuing to be weak. Amid this business environment, we are aiming to maintain profitability through the careful management of production.

#### **Imaging-Related Products**

- The digital camera market is continuing to shrink. We are continuing to reduce dependence on the digital camera business by developing demand for applications other than digital cameras, such as compact “action cameras” for recording sports and other outdoor activities, surveillance cameras, and automobile-mounted cameras. We have been able to maintain revenues at the previous year’s level after excluding foreign currency conversion effects. We are aware that we may have issues with maintaining this approach going forward.

#### **Overview of Operations by Mr. Hiroshi Suzuki (CEO)**

##### **Eyeglass Lenses**

- I think sales went smoothly during the quarter. Performance in Europe was good, and, if we exclude the effects of foreign currency conversion and look at “Like for Like” results, sales growth year on year was in the high single-digit range.
- Conditions in Japan have been tough, but, even after the impact of the increase in the consumption tax, our sense is that the shrinkage in the market is beginning to ease.
- The most-important issue in the eyeglass lenses business is building the network. This includes

such down-to-earth activities as sales training, visiting new customers, and opening customer accounts. Our activities in these areas are showing results, and I think trends show we can expect continuity.

- We manufacture a major portion of these products in areas that are linked with the U.S. dollar. On the other hand, the highest percentage of sales is in Europe. In addition, since we also have sales in Japan, the rise in the value of the dollar influences our cost of manufacturing, and the declines in the value of the euro and the yen influence profitability of sales. On balance, this has had an adverse effect on profitability. Normally, as sales rise, fixed costs should decline and profits would rise, and this would lead to a positive cycle, but, in this environment, even if sales rise, it is more difficult to increase profit ratios.

### **Endoscopes**

- Sales growth was positive in Japan and the rest of Asia, but in Europe and North America, sales growth was actually flat to minus. Profit margins have not declined substantially, but conditions are difficult. Although the situation has not changed significantly from the previous quarter, and sales are expanding to some extent, to the main countries in Europe, while conditions in surrounding countries, including those in the Middle East and Russia, are severe.

### **Contact Lenses**

- Sales showed major expansion in numerical terms, but this was due to the impact of shrinkage in the same period of the previous year. However, we are continuing to open new stores, and sales via the Internet, which were a cause for concern, are losing some momentum.
- Contact lenses are sold through four retail channels: namely, ophthalmologist clinics, eyeglass stores, contact lens stores, and the Internet. Sales through ophthalmologist clinics and eyeglass stores are continuing to decline, while sales through the Internet have been on the rise in recent years. There are two types of sales over the Internet. One is where domestically procured contacts are sold to customers in Japan, and the other is where customers import their contacts from overseas. Imports through the Internet have decreased as the yen has declined in value. In addition, purchases of domestic contacts have also decreased because the price differential is not as wide as it was initially.
- We are moving toward continuing our M&A activities, even though on a smaller scale. We have about 250 contact lens specialty stores and there are still double that number, if all stores selling contact lenses are included. We are continuing our day-to-day activities to develop the rest of the market.

## **Overall Summary**

- In the Life Care segment, there were stronger and weaker businesses during the quarter, but overall sales showed strong expansion. We should have shown somewhat higher profitability for the quarter, but this was reduced by foreign currency movements.
- In the Information Technology segment, sales shrank but we secured profits. In other words, we assumed a relatively weak market outlook and took rapid measures to cut costs through the end of the previous year. Therefore, to summarize the performance results, even though sales did not expand, we secured firm increases in profits.
- Regarding the extreme ultra-violet (EUV) technology, some of our customers are moving aggressively in development. I cannot give you information on the details of what they are doing, but I think they have the feeling that they are on the verge of breakthroughs.
- Regarding smartphone panels, a number of new designs have been introduced. There are many designs that have been developed, including those with curved shapes, differing shapes, etc.; we have observed that masks for the units are increasing.
- In the glass substrates for HDD-use business, demand for notebook PCs is on the decline, and, among notebook PCs, the ratio of SSD usage is rising bit by bit. Amid these trends, we are seeing that demand for external disk drives has not declined as much. The issue for the time being is how to cope with the decline in demand for 2.5-inch types. Looking ahead, we are forecasting increases in glass substrate related demand for servers.
- We are forecasting that demand in the market for digital cameras will decline further, but, contrary to forecasts, it appears that the bottom in the market is coming into view. Demand is favorable for interchangeable lens types even among camera fans. Especially in China and elsewhere, it appears that demand from the camera fan customer segment is larger than it was in the film camera era.
- We completed our share buyback program. We plan to cancel the shares we have purchased, and, as before, we still have a high level of available cash. For the time being, our policy of returning excess cash to shareholders remains unchanged.

## **Questions and Answers Following the Briefing**

Q1: Semiconductor manufacturing equipment manufacturers are showing strong signs of production adjustments. Could you please provide us with your views regarding developments in the high-technology market, including the impact of these production adjustments on the drive toward the development of cutting-edge masks and the effects on the cutting-edge development road map?

A1: (Suzuki CEO) Cutting-edge mask-related activities are not weakening. However, efforts are still in the development stage, and we believe that some aspects of volume production may be difficult.

Q2: In the EUV area, when commercialization actually begins, we believe that HOYA will have to make major preparations. Have you already reached this stage?

A2: (Ikeda COO) In the case of EUV, moving to the volume production stage will require somewhat more time, and we believe EUV is something that will take time. From our position, as a supplier of blanks, we are also the development partner of our customers. When the time comes, we must supply products that satisfy technological requirements, and I believe we are able to provide these supplies now. From an equipment perspective also, we have resources that will enable us to provide supplies when the time comes.

(Suzuki CEO) When EUV manufacturing equipment is up and running to some extent, we will make preparations, and are thinking of moving in sync with the cycle.

Q3: Please give us your thoughts regarding the second quarter. Equipment manufacturers are issuing severe outlooks for orders. What will be the impact on your financial results? Will the percentage of sales, etc., in the Information Technology segment decrease?

A3: (Suzuki CEO) Our assumption is that the adjustments in the HDD industry are still not completed, and we believe that there is a possibility of further declines. Also, when HDD production falls below a certain level, this will be reflected to some degree in profits. Other than this, we do not think any other major changes will occur.

Q4: HDDs will show some decline, but is it your impression other businesses within Information Technology will cover for this?

A4: (Suzuki CEO) My impression is that other businesses will not be able cover fully the HDD decline.

Q5: In your previous remarks, I believe you said that of the two technologies, EUV and heat-assisted magnetic recording (HAMR), HAMR would come first. Have your views on this order changed? Timewise, when will the commercialization of these technologies begin to have effects on your business?

A5: (Suzuki CEO) The order will not change. From a technology showcase perspective, we think samples will be made available during the current fiscal year. However, for HAMR to come into general use, we believe a span of about 18 months will be necessary.

Q6: I believe someone mentioned that, profitwise, the eyeglass lenses business is in difficulty, but in the first quarter how did this business stand with regard to its targets? Also, what will you do from the next quarter onward to increase profitability? Are you putting priority on raising profitability?



A6: (Suzuki CEO) I think this business has generally attained its target profit ratio, after the exclusion of foreign currency translation effects. Since the major floods in Thailand, we have been taking some pains in creating sales, and, even now, there is still room for improvement in the product mix and customer mix. We have work to raise unit sales prices and our profit ratio by improving these two mixes.

Q7: In the endoscopes business as a whole, what were the growth rates in local currencies? During the rest of the current fiscal year, is there a possibility that the pace of sales will pick up? Or, in the midst of a severe environment, will you be implementing measures to make additional sales?

A7: (Suzuki CEO) Excluding the effects of foreign currency fluctuations, sales were down slightly. Our outlook for the second half is not very pessimistic. We believe we have built the base for this business, and, although we will have to work hard, the numbers are in place, and it is in the other areas where the numbers are not in place that we are experiencing difficulties. The numbers are not good, but the form is not necessarily bad.

Q8: Are we correct in understanding that in the endoscopes business, during the remainder of this fiscal year, profitability is not expected to show any major change?

A8: (Suzuki CEO) We think that profitability will show no major change.

Q9: In the eyeglass lenses business, do you think that, as time goes by, the impact of foreign currency fluctuations on costs will move toward improvement? Are foreign currency factors putting pressures on costs and will this affect competitiveness?

A9: (Suzuki CEO) Our competitors in many cases manufacture their products in the markets where they are purchased by customers, but our production is concentrated in U.S. dollar linked production bases, and we sell a large amount of our products in non-dollar regions. For this reason, our susceptibility to foreign currency movements is high. Our only option is to raise unit prices by improving the customer mix and the product mix.

Q10: How far have you proceeded in integrating the Seiko Optical Products group? What will be your next M&A deal?

A10: (Suzuki CEO) My impression is that we have almost completed integration of production and are at the halfway point in integrating sales. This means that overall integration is between 70% and 75% completed. So, you would be correct in thinking that we have about another 20% to 25% to reach the goal of full integration. M&A has synergistic effects. Therefore, if we can realize a return on our invested capital in a certain period, then we should undertake such M&A deals.

Q11: In the LCD mask business, what effect will the movement among users toward in-house production have on HOYA's business in this field?

A11: (Suzuki CEO) I have heard that companies that are moving toward in-house production are interested in owning mask technology rather than in securing manufacturing capacity, but I think we have to watch this trend carefully. I do not believe this trend will have an impact on demand in the mask business in the short term.

*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.*