

**Briefing Summary of the Analyst/Investor Meeting
for the 1st Quarter (April to June 2016) Financial Results
Ending Mar 31, 2017
Tokyo, July 29, 2016**

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

Quarterly Consolidated Statement of Comprehensive Income for All Businesses

Revenue and Profit for the Quarter

- Revenues were ¥115.2 billion, ¥11.1 billion, or 8.8%, below the same period of the previous year.
- Profit before tax was ¥22.3 billion, ¥8.6 billion, or 27.9%, below the same period of the previous year.
- Profit for the quarter was ¥18.0 billion, ¥5.7 billion, or 24.0% below the same period of the previous year.
(Reference: Quarterly Report, Supplementary Data, Quarterly Consolidated Statement of Comprehensive Income, page 7)

Impact of Translation from Foreign Currencies

- For the effects of foreign currencies when translating the business performance of consolidated overseas subsidiaries into yen, the yen in the first quarter was stronger against all major currencies, including the U.S. dollar, euro, and Thai baht, compared to the same period of the previous year.
- The impact of foreign currency translation on revenues was a reduction of ¥10.1 billion. If this currency translation effect is excluded, the real increase in sales was ¥1.0 billion, or -0.8%.
- Turning to the effects of foreign currency on quarterly profit before tax, foreign currency translation decreased profit before tax by ¥2.2 billion, effectively a ¥6.4 billion, or 20.7%, decrease in profit.
(Reference: Quarterly Report, Supplementary Data, page 7, Notes 1 and 2)

Reasons for Differences between Profit from Ordinary Operations and Profit before Tax (Adjustment Items)

- Regarding foreign exchange (gain)/loss (exchange differences on translation of assets in foreign currencies), there was a ¥3.4 billion foreign exchange loss during the first quarter. There was a ¥2.0 billion gain during the same period of the previous year, making foreign exchange (gain)/loss contribute ¥5.4 billion yen to the reduction of income year on year.
- In addition, losses related to the Kumamoto earthquake totaled ¥1.2 billion in the first quarter.
- Foreign exchange loss and the loss related to the Kumamoto earthquake combined to total a ¥6.6 billion reduction in earnings. Including other effects, operating activities effectively contributed to a ¥6.3 billion reduction in earnings.

- Approximately ¥6.3 billion out of the “¥6.4 billion reduction in earnings” that is the change in profit before tax excluding foreign currency translation is due to foreign exchange losses and the effect of the Kumamoto earthquake as decrease factors, approximately ¥0.1 billion is effectively the result of an actual decrease, and both sales and income were generally flat on an effective basis.

Results by Business Segment

Explanation by business segment (Reference: Quarterly Report, Supplementary Data, page 9)

Information Technology

- Revenues in the Information Technology segment were ¥37.8 billion, a decrease of ¥7.7 billion, or 16.9%, compared with the same period of the previous year.
- Foreign currency translation decreased revenues by ¥3.3 billion. After excluding this effect, segment revenues in real terms declined ¥4.4 billion, or 9.7%.
- Segment profit (profit before tax) was ¥11.2 billion, ¥5.0 billion, or 31.0% lower than the same period of the previous year.
- Impact of foreign currency translation in the segment profit was negatively affected by ¥1.0 billion. After excluding this effect, segment profit in real terms decreased ¥4.0 billion, or 24.9%.
- As explained earlier, expense items under operating activities as decrease factors increased by approximately ¥6.3 billion year-on-year, but ¥2.5 billion yen of this was an increase in the Information Technology Segment. A large portion of the ¥1.2 billion loss related to the Kumamoto earthquake occurred in the Mask Division of the Information Technology Segment.

Life Care

- Revenues in the Life Care segment were ¥76.3 billion, a decrease of ¥3.5 billion, or 4.3%.
- Foreign currency translation decreased revenues by ¥6.8 billion. After excluding this effect, segment revenues in real terms increased ¥3.4 billion, or 4.2%.
- Segment profit (profit before tax) was ¥14.2 billion, ¥0.3 billion, or 1.8% lower than in the same period of the previous year.
- Foreign currency translation had a negative effect on segment profit by ¥1.3 billion. After excluding this effect, segment profit in real terms increased ¥1.0 billion, or 6.9%.
- After excluding the effect of foreign currency translation, both revenues and income increased in the Life Care Segment.

Revenue from Major Products

Electronics Related Products

- Revenues in the electronics related products businesses (semiconductors, LCD-related products, and glass substrates for HDDs) totaled ¥29.6 billion, ¥4.0 billion, or 11.8%, lower than in the same period of the previous year.
- Foreign currency translation decreased revenues by ¥2.6 billion. After excluding this effect, revenues of this business decreased ¥1.4 billion, or 4.1%, from the same period of the previous year.
- Revenues of mask blanks for semiconductors continued to perform well, increasing in the high single digit year on year after excluding the effect of foreign currency translation.
- Revenue from HDD substrates decreased in the mid-single digits after excluding the

effect of foreign currency translation, which was the main cause of decreased revenues in electronics related products.

- Revenues from photomasks for LCDs decreased in the mid-single digits after excluding the effect of foreign currency translation. The Kumamoto earthquake had the effect of reducing revenues by around 10%, but with the start of operation of high precision machinery in overseas factories in the first quarter, we are making an effort to cover the shortfall in production across overseas factories. The portion not covered is decrease in revenues.

Imaging-Related Products

- Revenues of image-related products were ¥8.3 billion, ¥3.7 billion, or 31.1% lower than the same period of the previous year.
- Foreign currency translation decreased revenues by ¥0.7 billion. After excluding this effect, revenues of this business were down ¥3.0 billion, or 25.4%, year on year.
- Camera production was affected by the Kumamoto earthquake, and revenues of optical lenses also decreased. Around 10% out of the 25.4% reduction in revenue was due to the earthquake, and the remainder was due to a reduction in demand for cameras and action cameras.

Healthcare Related Products

- Revenues from healthcare-related products (eyeglass lenses and contact lenses) were ¥57.3 billion, ¥2.6 billion, or 4.3%, lower than in the same period of the previous year.
- Foreign currency translation decreased sales by ¥4.8 billion. After excluding this effect, revenues of this business rose by ¥2.3 billion, or 3.8%. Because overseas sales account for a large proportion of sales of eyeglass lenses, the business is susceptible to the effect of foreign currency translation.
- Contact lenses continued to perform well, with growth in the high single digits compared to the same period of the previous year. We opened 24 new stores last fiscal year, and expect to open even more this fiscal year.
- Revenues of eyeglass lenses grew in the mid-single digits after excluding the effect of foreign currency translation. Growth has outperformed the market in Europe and the United States. Revenues decreased on a value basis in Japan.

Medical Related Products

- Revenues from medical-related products (endoscopes and intraocular lenses, etc.) were ¥19.0 billion, which was ¥0.9 billion, or 4.4%, lower than in the same period of the previous year.
- Foreign currency translation decreased sales by ¥2.0 billion. After excluding this effect, revenues of this business rose by ¥1.1 billion, or 5.4%.
- Intraocular lenses continue to perform well, showing growth exceeding 20% in all regions.
- Revenues of endoscope were generally flat on a local currency basis. Growth was around the same as the market in Europe, and growth in Asia was in the double digits partially due to active investment. However, revenues decreased in the United States.

Impact of the Kumamoto Earthquake

- The ¥1.2 billion loss related to the Kumamoto earthquake in the first quarter explained earlier does not include opportunity loss, but includes expenses directly recorded as P/L such as fixed asset retirement, disposal of assets and restructuring expenses. Over the entire year, we expect expenses related to the earthquake to total around ¥3.0 billion. Expenses totaling several hundred million yen will arise in the second quarter, and the

repair expenses for the two damaged mask writers are expected to arise in the latter half of the fiscal year.

- From the perspective of opportunity loss, the impact of the earthquake on the masks and devices for liquid-crystal displays and optical business had the effect of reducing overall revenues by around 2% year on year.
- Although there will be impact on the optical business in the second quarter as well, but we believe that things will gradually return to normal from the second quarter, while the effect on masks and devices for liquid-crystal displays will continue throughout the fiscal year. We estimate the effect of opportunity loss due to the earthquake on revenues over the entire year leads to a decrease of 1.2 to 1.3% year on year.

Cash Flows

- In financing activities ¥17.8 billion was used to pay year-end dividends, and ¥5.0 billion was used to acquire treasury stock as resolved in February. As a result, the balance of cash flows used in financing activities totaled ¥23.2 billion.
- The “effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies” amounted to ¥23.6 billion yen, however, because HOYA holds much of its cash and deposits in foreign currencies, this seems to be a smaller amount when converted into yen. On the balance sheet, cash and deposits decreased to ¥255.3 billion. (Reference: Quarterly Report, Supplementary Data, pages 4 and 6)

Forecast for the First Half

- We are forecasting revenues of ¥230.0 billion, profit before tax of ¥48.0 billion, and profit for the term of ¥38.5 billion. (Assumed rate: USD=JPY105, EUR=JPY115)

Release

- 2 releases were published.
- A resolution was passed by the Board of Directors today to retire 7,154,000 shares of treasury stock acquired in April after a resolution in February.
- Today, the Board of Directors resolved to acquire treasury stock valued at up to ¥30.0 billion (8.3 million shares). (Acquisition period: August 1 to October 27)

[Overview of Operations in the IT Segment by Mr. Eiichiro Ikeda, COO]

- Sales in the Information Technology Segment as a whole were down 16.9% year on year. Excluding the impact of foreign exchange rates, sales declined by 9.7% year on year, with electronics related products down 4.1% and imaging related products down 25.4%.
- Factors contributing to the decrease in imaging related products included a decrease of 9 to 10% due to reduced production of cameras resulting from reduced production of image sensors, a decrease of 5 to 6% due to ceasing the business of pickup lenses for optical drives this year (this is expected to continue to have an impact until the fourth quarter of this fiscal year), and the remaining 10% decline was a reduction from normal business.
- Profit in the Information Technology Segment as a whole decreased with the decline in sales, but the profit ratio from ordinary operating activities increased by 0.4 percentage points year on year, indicating a slight improvement in profitability. As we have communicated in the past, we are making an effort to maintain profitability despite the environment of decreased revenues and profits.

Mask Blanks for Semiconductors

- Revenues of mask blanks for semiconductors increased by low-single digit year on year. Excluding the impact of foreign exchange rates, revenues increased by high single digits year on year. Profitability improved.
- According to external data, the semiconductor market as a whole recently continues to show negative growth, but HOYA's products are not semiconductor components and are used not only in the mass production phase of semiconductors but also in the development phase. Semiconductor manufacturing companies continue to actively develop cutting-edge products, resulting in increased volume of our product in this area, and consequently increased revenues and profits.
- An increase of sales of cutting edge products has led to an improvement in our product mix and also profitability.
- We believe this trend will continue from the second quarter of FY2016.
- Of these cutting edge products, semiconductor manufacturers externally disclose the application of EUV technology in some layers of production of the 5-7nm products from 2018 to 2020. HOYA already supplies EUV products to semiconductor manufacturers. Although they do not account for a large portion of sales, looking at the performance of blanks for EUV alone, they have increased year on year and quarter on quarter, and are beginning to contribute to the improvement of profitability.

Photomasks for Large LCDs

- Excluding the impact of foreign exchange rates, revenues decreased by mid-single digits year on year.
- One factor causing the reduction of revenues is the impact of the decrease in production volume as a result of the Kumamoto Plant being affected by the earthquake, but we have maintained increased revenues when this factor is excluded.
- Fire damage to production facilities in the Kumamoto Plant was greater than initially forecast. We were initially considering restoration of the plant, but reconsidered optimization of our entire production organization including Taiwan and South Korea, and decided to close the Kumamoto Plant.
- Development activities will continue in Kumamoto, and we intend to reopen the facility this fiscal year as a new development center for large liquid crystal display photomasks.
- We will make an effort to cover the production capacity of the Kumamoto Plant by utilizing the new mask writers that we had been planning to introduce in Kumamoto and Taiwan since before the earthquake.

Glass Substrates for Hard Disk Drives (HDDs)

- Revenues of HDD glass substrates decreased by 15%. Excluding the impact of foreign exchange rates, revenues decreased by mid-single digits. Profitability remained steady. We have been able to maintain profitability in an environment where volume is decreasing.
- HOYA's products are substrates for 2.5" HDDs, and revenues of these continued to decrease year on year due to the decline in production of notebook PCs, which are currently the main application for these, and the rapid spread of solid state drives (SSDs).
- The replacement of HDDs with SSDs is also taking place in the area of high-performance enterprise servers. There are several areas in servers, but our HDD substrates are used in the area of performance enterprise servers requiring high performance, and a certain degree of replacement with SSDs has been one of the factors leading to reduced revenues.

- The only area that is increasing is drives for game consoles.
- It is believed that this trend will continue for some time, but aluminum substrates are used for some products in the 2.5" HDD market, and we make an effort to replace these with our glass substrates. We would like to ensure that the reduction in HOYA's performance is less than the reduction of the market for substrates of 2.5" HDDs.
- In addition, aluminum substrates are currently used in near-line server drives that are only growing segment of HDDs, and we are conducting negotiations to replace these with our glass substrates.
- We have the impression that HAMR technology will be applied by companies manufacturing HDDs some time in the future. HAMR technology was originally envisaged to be used in drives for PCs with one drive, but we wonder if there are now no good applications for using HAMR as SSDs replace HDDs as PC drives.

Imaging-Related Products

- Excluding the impact of foreign exchange rates, revenues decreased by more than 20% year on year.
- Of this decrease, a reduction in actual business accounted for around 10%. The digital camera market continues to contract. The decrease in demand for compact digital cameras was particularly pronounced due to the impact of the Kumamoto earthquake. We do not believe that demand will rebound and foresee that it will continue to decrease in the future.
- To regain ground for the contraction in demand, we are promoting sales of products for new applications such as surveillance cameras and automobile-mounted cameras. Sales for new applications are actually increasing, but they have not reached the point where they are able to cover the decrease in revenues from products for digital cameras.
- We believe that growth of products for new applications will be able to cover the reduction in revenues from products for digital cameras when the decrease in products for digital cameras progresses a little further.
- We believe that determining how to promote sales of products for new applications is an important issue at present.

[Overview of Operations in the Life Care Segment by Hiroshi Suzuki, CEO]

Eyeglass Lenses

- Overall, revenues increased. When foreign exchange is excluded, revenues grew around 10 percent in the United States and in the mid-single digits in Europe. Although it has been an ongoing trend, revenues in Japan decreased in the low single digits due to the deflationary trend of unit prices. Overall, growth was in the mid-single digits. The problem is Asia, and there are problems in the internal structure in China, which are being addressed.

Contact Lenses

- Revenues grew in the high single digits. Revenues in existing stores increased slightly, and the sales of 24 new stores opened last year were added to these.
- We believe that we can maintain this growth trend for some time. We also plan to open 30 stores this year. The actual number of stores may be fewer than the planned number, but we believe we will be able to open around the same number as in the previous fiscal year.

Endoscopes

- Overall, performance remained unchanged excluding foreign exchange. Growth was around 10 percent in Asia and mid-single digits in Europe. The United States is dragging down overall results. Performance in the United States is expected to recover at the start of next year, but we believe it will begin to gradually improve from the second half of this year. We anticipate our product lineup to be complete and obstacles to sales activities to be removed from around the second half of the year.
- We have overcome the worst part and believe that the business will make a positive contribution in the future.

Intraocular Lenses (IOLs)

- This business is performing extremely well and growth exceeds 20 percent.
- New products are performing well. Cataract surgery is that inserting an intraocular lens made of plastic into the eye. However, even if the lens material is biocompatible, adverse effect such as becoming clouded due to the attachment of protein over time, or moisture entering the plastic and causing bubbles generally occur after lenses are inserted. The material used in this new product is expected to have the effect of suppress such phenomena occurring after surgery. In real terms, this is yet to make an explosive contribution to sales, and is currently in the stage in accumulating clinical results. We believe that medical products gain trust as they accumulate clinical results over a period of two to three years after release on the market, and that this product will become more competitive over time. We anticipate that it will be a product to look forward to. We still have a small share in the intraocular lens market, but expect the business to expand to a certain size after three or four years at the current rate of growth.

Artificial Bones and Metallic Implants

- HOYA's medical related products include artificial bones and metallic implants business. It is a small business in relation to the whole but it is growing well. Most of the players in this area in Japan are foreign manufacturers, and we have found that it is easy for us to be accepted by customers because we are a domestic manufacturer. We would like to work hard to grow this business.
- Listing each business in the Life Care Segment in order of profit ratio, the best is artificial bones and metallic implants, followed by contact lenses, intraocular lenses (IOLs), endoscopes and eyeglass lenses. The segment as a whole has a profit ratio from ordinary operating activities of around 19 percent, but the eyeglass lenses business accounts for such a significant portion and is pushing the overall profit ratio down, while other businesses have a higher profit ratio.

Capital Policy

- We returned a total of 165 billion yen to shareholders through dividends and repurchases of the Company's own shares. Our policy of continuing returns will remain unchanged unless we perform any major M&As. We have not established any strict rules or standards, but our approach is to use cash for M&A, and we will continue our policy of returning any amount exceeding this.

[Questions and Answers Following the Briefing]

Q. How much positive impact do you think EUV will have on revenues in 2018?

A. EUV may be applied to mass production in 2018 for some layers, but we do not believe that it will actually be applied to a substantial quantity in mass production. HOYA is currently shipping for R&D applications and has a reasonable track record in terms of both volume and value. EUV is expected to increase in volume with an increase in research applications rather than an increase in volume in the mass production phase. The volume is expected to be more than double. We also believe that we can maintain high prices by supplying products with high specs. (Suzuki, CEO)

Q. What is the outlook for HDDs? You mentioned that SSDs are also penetrating into servers, and there are concerns that this trend will accelerate in the future. How much should we expect this segment to shrink in the future?

A. We do not foresee the rate of decline to significantly accelerate from the current pace during this fiscal year. HDDs are in decline as a whole, but there are applications such as game consoles that will increase due to seasonal factors, and the number of substrates per HDD is increasing slightly because the memory density of media is not increasing. It may seem that numbers will fall extremely quickly based on an estimation using the number of PCs and the ratio of PCs incorporating SSDs, but we do not believe the fall will be as pronounced as such estimates suggest.
(Ikeda, COO)

Q. I think you are always looking for M&A opportunities, but due to the reduction in overall valuations, there must be some deals that you had previously skipped which are now falling within range of execution. Please describe the overall conditions. Also, have there been any changes in the external environment causing changes in the businesses and segments covered by M&A?

A. Although the valuation of small companies valued at 40 to 50 billion yen remains high, valuations in large companies seem to have peaked. The ophthalmology segment that has been our main focus is still expensive by our standards, but some large deals are starting to become affordable. I think the eyeglass lenses segment can be summed up by whether or not a deal can be made rather than the issue of valuation. The targets are clear, so we will continue to look for possibilities. (Suzuki, CEO)

Q. What is the backdrop behind the strong performance of existing contact lens stores? Is the market growing or are you taking market share from other companies?

A. The existing market is neither growing nor shrinking. I think demand for color contact lenses is bolstering the market in these conditions. I think existing stores are performing well because they have skillfully captured demand for color contact lenses.
(Suzuki, CEO)

Q. HOYA invested in InnFocus but sold its stake within a year of the investment (due to acquisition by another company). Why didn't HOYA make it into a subsidiary? What led to the sale?

A. We hold the excellent technology and products of InnFocus in high regard. We calculated what return we would get if it was incorporated into our company as a business. We decided to sell our stake because we determined that we could sell at a higher price than the return discounted to present value. We hold their excellent technology and products in high regard

and expect the company that made the acquisition to commercialize them as a business. (Suzuki, CEO)

Q. With regard to shareholder returns, you have stated that any amount exceeding that used for M&A will be allocated to returns, but it could be anticipated that you may not be able to return all free cash flow this fiscal year due to restrictions on the distributable amount of non-consolidated basis? Will you make any adjustments to address this?

A. We will not change the capital policy itself. There are procedures for increasing the distributable amount, and we may consider these if necessary. (Hirooka, CFO)

Q. The amount of investment in 3D NAND by memory manufacturers is expected to be quite substantial. As all production lines will come on line, what impact do you foresee the increased supply and falling prices of flash memory to have on the HDD substrate business in the future?

A. I think various companies have their own approaches to 3D NAND, but I personally do not believe manufacturing cost will decrease due to 3D NAND. In fact, considering the amount of capital investment, I think the manufacturing cost of 3D NAND will be higher than ordinary NAND for some time. Investment in 3D NAND possibly lead to a fall in NAND flash prices due to oversupply, but I do not think costs will decrease. The motivation for installing SSDs in both PCs and servers is more due to performance than cost, so I do not believe there will be a sudden swell in the ratio of PCs incorporating SSDs even if prices plummet. However, over a long span, I think most PCs will eventually incorporate SSDs. (Suzuki, CEO)

End

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.