Briefing Summary of the Analyst/Investor Meeting
for the 3rd Quarter (October to December 2016) Financial Results
Ending Mar 31, 2017

Tokyo, January 31, 2017

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 Revenue and Profit

- HOYA Corporation reported quarterly revenues of ¥122.6 billion, a decrease of ¥5.1 billion (4% decrease) compared to the same period in the prior fiscal year.
- Profit before tax was ¥32.5 billion, up ¥1.3 billion (4.2% increase) year on year.
- Quarterly profit was ¥25.1 billion, up ¥1 billion (4.4% increase).
  (Reference: Quarterly Report, Supplementary Data, Quarterly Consolidated Statement of Comprehensive Income, P.7)

Impact of Foreign Currency Translation

- During the third quarter, the Japanese yen trended weaker against foreign currencies compared to the prior quarter. However, the yen remained strong relative to the main currencies used by our consolidated subsidiaries (U.S. dollar, euro, baht).
- Foreign currency translation resulted in a reduction in revenues of ¥8.5 billion. In real terms, revenues were up ¥3.4 billion (2.7% increase) when excluding the impact of foreign currency translation.
- Quarterly profit before tax increased ¥3.1 billion (9.9% increase) year on year in real terms when excluding the ¥1.8 billion negative impact of foreign current translation.
  (Reference: Quarterly Report, Supplementary Data, Notes 1 and 2, P.7)

Differences between Profit from Ordinary Operating Activities and Profit before Tax (Reconciling Items)

- HOYA recorded a ¥3.8 billion gain on foreign exchange for the third quarter. These gains were related to the revaluation of assets denominated in foreign currencies. This result represents a ¥4.2 billion increase in foreign exchange gains compared to ¥400 million in foreign exchange losses recorded for the same period in the prior fiscal year.
- Other factors contributed to approximately ¥500 million in higher profits for the period. These factors include the recording of restructuring costs during the third quarter of the prior fiscal year which were not incurred this period, and the recording of several hundred million yen in insurance proceeds.
- Reconciling items to arrive at profit from ordinary operating activities amounted to a ¥4.7 billion increase in profits.
- HOYA recorded a positive impact of ¥3.1 billion to profit before tax after eliminating the impact of foreign currency translation. Considering this and the ¥4.7 billion in reconciling items resulting in increased profits, we can conclude that profits from operating activities were lower by ¥1.6 billion in real terms compared to the prior fiscal year. As a result,

revenue was higher and profit was lower year on year in real terms.
(Reference: Quarterly Report, Supplementary Data, P.11)

Results by Business Segment

Description by business segment (Reference: Quarterly Report, Supplementary Data, P.16)

Information Technology

- The Information Technology segment reported revenues of ¥43 billion, a ¥3.2 billion decrease (7% decrease) year on year.
- In real terms, revenues were down ¥500 million (1% decrease) when excluding the ¥2.8 billion negative impact of foreign currency translation.
- Segment profit (profit before tax) amounted to ¥16.9 billion, ¥74 million lower (0.4% decrease) year on year.
- In real terms, segment profit was up ¥900 million (5.4% increase) when excluding the ¥1 billion negative impact of foreign currency translation.
- Reconciling items between profit from ordinary operating activities and segment income include ¥1.8 billion in factors for increased profits for the third quarter. These reconciling items consist mainly of the impact of foreign exchange, as well as proceeds from insurance and gain on sale of fixed assets. When considering this ¥1.8 billion in reconciling items in light of the ¥900 million of segment income after excluding the impact of foreign currency translation, we can conclude that approximately ¥900 million of this amount was a decrease in profits stemming from operating activities in real terms.

Life Care

- The Life Care segment reported revenues of ¥78.7 billion, down ¥1.6 billion (2% decrease) year on year.
- In real terms, revenues increased ¥4.1 billion (5% increase) when excluding the ¥5.7 billion in negative impact of foreign currency translation.
- Segment profit (profit before tax) amounted to ¥13.9 billion, down ¥1 billion (6.4% decrease) year on year.
- Excluding the ¥800 million negative impact of foreign currency translation on profit, segment profit was down ¥100 million (0.9% decrease).
- There were no significant reconciling items between profit from ordinary activities and segment profit. In real terms, profit from operating activities was approximately 1% lower, with the segment recording higher revenues and lower profits.

Revenue from Major Products

(Reference: Quarterly Report, Supplementary Data, P.10)

Electronics-Related Products

- The Company recorded ¥33 billion in revenues for electronics-related products (semiconductors, LCD-related products, glass substrates for hard disk drives, etc.). This represents a ¥1.7 billion decrease (4.8% decrease) compared to the same period in the prior fiscal year.
- In real terms, revenues increased ¥500 million (1.4% increase) when excluding the ¥2.1

billion negative impact of foreign currency translation.

- Sales of glass substrates for hard disk drives grew 10% for the third quarter when excluding the impact of foreign currency translation. The Company's share of the 2.5-inch glass substrate market grew due to the restricted supply of NAND, resulting in year-on-year growth for these products.
- Revenues for mask blanks for semiconductors continued to grow at a strong pace, with double-digit percentage growth compared to the prior year and growth compared to the prior quarter. The Company also saw growth in revenues of EUV mask blanks
- Revenues of masks for LCDs and semiconductors continued to suffer from the reduced production capacity at the Kumamoto plant in the wake of the Kumamoto earthquakes. As a result, revenues for these products were down nearly 30% year on year.

Imaging-Related Products

- HOYA recorded ¥9.9 billion in revenues for imaging-related products, down ¥1.6 billion (13.8% decrease) year on year.
- In real terms, revenues were down ¥900 million (8.1% decrease) when excluding the ¥700 million negative impact of foreign currency translation.
- While the digital camera market continues to experience contraction, we experienced only a marginal decline in revenues for these products compared to the first half.

Healthcare-Related Products

- HOYA recorded ¥58.1 billion in revenues for healthcare-related products (eyeglass lenses, contact lenses), down ¥1.2 billion (2% decrease) year on year.
- In real terms, revenues were up ¥2.6 billion (4.4% increase) when excluding the ¥3.8 billion negative impact of foreign currency translation. Given the high ratio of overseas sales for eyeglass lenses, foreign currency translation has a significant impact on revenues for this product.
- Sales of contact lenses continued to perform well, with year-on-year growth in the mid-single digits.
- Revenues for eyeglass lenses (on local currency basis) were only slightly higher in the second quarter year on year. However, we saw revenue growth in the low single digits during the third quarter. In the Americas, we experienced close to double-digit percentage growth, including the impact of our acquisition in that region. We saw stable revenue growth for the period in Europe. While we experienced negative trends in Asia for a short period, revenues grew for the third quarter.

Medical-Related Products

- HOYA recorded ¥20.6 billion in revenues for medical-related products (endoscopes, intraocular lenses, etc.), down ¥400 million (2% decrease) year on year.
- In real terms, segment revenues were up ¥1.4 billion (6.7% increase) when excluding the ¥1.8 billion negative impact of foreign currency translation.
- Performance of intraocular lenses continues to be favorable, with revenue percentage growth in the high teens on a local currency basis. Sales in both Japan and overseas have shown strong growth.
- Endoscope performance has been stable overall, with revenue percentage growth in the low single digits on a local currency basis. Performance in America is rebounding from a

low point.

Cash Flows

- Included in cash from investing activities is ¥6.4 billion in outlays for payments for purchase of subsidiary. This outlay was related to our acquisition of a medical equipment company in the United States. The company in question develops equipment that is used with endoscopes to treat esophagus conditions. While revenues are extremely small at present, we plan to sell these products with endoscopes in the future. HOYA paid ¥6.4 billion in connection with this acquisition during the period.
- Also included in cash from investing activities is ¥6.2 billion in payments for business transfer. This payment is related to the acquisition of a prescription protective eyewear business in the United States.
  (Reference: Quarterly Report, Supplementary Data, P.6)

Balance Sheets

- Overall, balances were higher, mainly due to the weakness of the yen against other currencies between the end of September and the end of December.
- Of the ¥6.3 billion increase in other current assets, ¥6.2 billion was related to the acquisition of a prescription protective eyewear business. This acquisition closed in January. As of December, the cash used for the acquisition was positioned in an account at a financial institution, shown in our accounting records as other current assets.
- Related to the acquisition of a medical equipment company, we recorded two separate amounts for goodwill (¥3.8 billion) and intangible assets (¥9 billion). Further, HOYA recognized ¥3.5 billion in deferred tax assets related to this acquisition. The final acquisition price for this company consists of the ¥6.4 billion paid and a planned ¥3.4 billion in an expected future milestone progress payment. We project the combination of these two amounts to be the real acquisition cost for this company.
  (Reference: Quarterly Report, Supplementary Data, P.4,5)

Earnings Forecasts

- For the fiscal year, HOYA forecasts revenue of ¥473 billion, profit before tax of ¥111 billion, and profit of ¥87 billion.
- These forecasts are based on a projected exchange rate of JPY110 to the US dollar and JPY 120 to the euro.
- These forecasts reflect the holiday in Vietnam and other seasonality in our Information Technology segment, as well as an expected slight decline in performance for the fourth quarter as compared to the third quarter. We forecast the same levels of profitability for the fourth quarter this fiscal year as last fiscal year.

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

Information Technology Segment

- Revenues in the Information Technology Segment were relatively flat, declining 1% year on year. Operating profits were down 3.6% for the same period.
  By business sector, revenues fell for photomasks and imaging-related products, but these declines were offset by growth in mask blanks and hard disk drive (HDD) substrates.

Although performance has been moving in the same direction since the first half, revenue and profit decline percentages were narrower than the second quarter, when both fell by double digits.

- More specifically, revenue from photomasks fell 30% year on year. Production challenges at Kumamoto accounted 20% of this decline, while other factors accounted for the remaining 10%.
  The digital camera market continues to shrink, which has had a negative impact on the Company' imaging revenue.
  On the other hand, mask blank sales increased sharply overall year on year. Sales of EUV mask blanks have been strong since the second quarter. Sales of HDD substrates were also up significantly year on year. This increase was due to several market factors, including HOYA's now-100% share of the glass substrate market and a shortage of NAND for solid-state drive applications.
  Sales of information communication products overall were flat year on year. Mask blanks and hard disk drive substrates compensated up for the drop in photomasks and imaging-related products.

Mask Blanks for Semiconductors

- Revenue from mask blanks for semiconductors rose by more than 10% year on year. Excluding the impact of foreign exchange rates, revenue growth rate was in the mid-teens. Profitability also improved over the period.
- Our semiconductor manufacturer customers continue to develop cutting-edge products, and HOYA has been able to capture this development-related demand. Products for cutting-edge applications account for an increasing share of sales, boosting revenues and profitability. We understand that working to improve our product mix will be important to our future business.
- We continue to expect semiconductor manufacturers to use multi-layer technology for 7nm and thinner applications in 2018 and beyond. This will have a positive impact on our leading-edge offerings, particularly for EUV-related products.
  Development demand is gradually rising as a preliminary indication for mass production. We are capturing this demand, leading to higher revenues both year on year and compared to the prior quarter.
- We believe that mask blanks for cutting-edge products and EUV products will continue to drive demand for mask blanks as a whole, driving earnings.

Photomasks for Large LCDs

- Photomask revenues fell 30% year on year. A downturn in production volume at the damaged Kumamoto Plant was responsible for 20% of this decline. However, the impact of these production issues have remained consistent in scale. In addition, panel manufacturers placed higher priority on manufacturing throughout the third quarter. The resulting decrease in demand for masks for development purposes accounted for approximately 10% of the remaining decline in revenues.
- As we head into the next fiscal year, the installation of new mask writers and the repair of damaged equipment at the Kumamoto Plant should help improve production capacity. We expect to get production back up to pre-earthquake levels sometime around the middle of the next fiscal year.

Glass Substrates for HDDs

- Revenue was flat year on year. Excluding the impact of foreign exchange shows that both sales volume and revenues increased significantly, by nearly 10%. Profit ratios remained steady throughout the quarter.
- Among the factors contributing to gains, HOYA gained a 100% share of the glass substrate market after the exit of our competitor. Additionally, shortages of NAND have meant insufficient availabilities of solid-state drives. As a result, hard disk drives are being used.
  We expect these conditions to last through the first half of fiscal 2017 or perhaps deep into calendar year 2017.
- The number of notebook PCs manufactured will decline. At the same time, hard disk drives will be replaced by solid-state drives in a number of applications. These factors will combine to further contract the market for 2.5-inch substrates over the medium and long term.
  We do not project a significant decrease in performance for related products until a certain point in fiscal 2017. In light of what may follow, it is important that we push the transition from aluminum substrates to our glass substrate, as we have been saying for some time. Presently, we are working with hard disk drive manufacturers to develop 3.5-inch glass substrates.

Imaging-Related Products
- Revenue decreased in excess of 10% year on year. Excluding the impact of foreign exchange, the revenue decline was in the upper single digits.
- This is still a smaller decline than the 20% year-on-year decrease we experienced in the second quarter.
- One factor behind the third-quarter decline was our withdrawal from the pickup lens business this year. While this withdrawal accounted for several percentage points of the revenue decline, the contraction of digital camera-related revenues was the most prominent factor. On the other hand, the rate of decline has been slowing gradually since the second quarter.
- Revenue is rising for other applications, but this growth does not yet compensate fully for the loss of digital camera product revenues. We do believe, however, that growth of sales for new applications during fiscal 2017 will make up for a considerable part of the downturn in digital camera product revenues.
- We will improvement profitability by optimizing our business structure and cutting fixed costs.

[Life Care Segment Earnings Overview from Mr. Hiroshi Suzuki, CEO]

Eyeglass Lenses
- We noted no major change in trends related to eyeglass lenses. When excluding the impact of foreign exchange, the revenue growth rate in Europe was in the low single digits, while growth in the Americas was nearly 10%. Revenues in Japan declined in the low single digits. In Asia, revenue transitioned from stagnation to growth, contributing to company-wide improvements for the period.

Contact Lenses

- The contact lens revenue growth rate was in the mid-single digits for the third quarter. Sales were weak in December, which is normally a business time for contact lenses. Accordingly, we will keep a close eye on revenue trends. Most recently, January revenue performance has progressed as anticipated. While new store revenues is growing, certain existing stores are underperforming projections. Our goal is to open Eyecity locations in a way to avoid cannibalization between stores. We need to conduct an analysis as to whether this is actually the case.

Endoscopes

- Endoscope revenues have ceased to fall in America, and revenues have shifted to positive growth overall. Revenues are growing in Europe as well, and we anticipate favorable trends overall. We have plans to release several new products to the market, leading us to expect positive developments over the next year. In America, we have seen an increase in group purchases among endoscope clients, represented by Integrated Delivery Networks and Group Purchasing Organizations. Many of these groups require dual sourcing, which is a chance for us to gain entry as long as we provide proper products and services. We are also seeing an increasing trend toward buyers and other business-oriented individuals making the final purchase decision. While these changes have been occurring over the past two or three years, they have become more prominent of late. We see this as a positive development for us in the market. We have an optimistic view of our businesses in America.

Intraocular Lenses (IOLs)

- Although intraocular lens performance has been strong, we have no more manufacturing capacity at present. We expect to launch a new plant and have it producing a certain volume in the second half of 2017. Until then, we will operate without more manufacturing capacity. While the IOL revenue growth rate has been in the double digits year on year, our quarter-on-quarter growth rate will be constrained until the new plant is up and running.

[Company Overview from Mr. Hiroshi Suzuki, CEO]

- Excluding the impact of the earthquakes and foreign exchange, HOYA reported a third quarter revenue growth rate in the mid-single digits. While we have secured stable growth, we believe we still have issues related to revenue. Repair costs and other temporary factors affected performance. However, we understand that there are still other management issues to resolve. While we projected a contraction in the digital camera market, we did not anticipate the complete scale and speed of the market deterioration. As such, the organizational size of our optics business is outsized compared to our revenues. Our eyeglass lens business has seen a decline in efficiencies, mainly due to advanced investments to grow revenues. While advanced investment is necessary, we must move quickly to connect this investment to revenue growth.
- The market for digital cameras continues to contract. Even so, we do not anticipate a major downturn in the Information Technology field as a whole. We believe Life Care will continue to grow at least at the current single-digit pace or greater. The main issue

we see at present is creating a structure that matches profits gains with revenue growth.

[Q&A Highlights]
Q1: New plants for 10.5G and larger LCD masks are being planned. Are you considering responding to this demand?

A1: We have no plans for major investments at this time. (Ikeda, COO)

Q2: What is the outlook for EUV?

A2: Our outlook remains as we have stated before. Presently, sales of mask blanks for EUV represent about 10% of total mask blank revenues. We project fiscal 2018 revenues to be about twice fiscal 2016 revenues. (Ikeda, COO)

Q3: Referring to the management issues you mentioned earlier. We understand what you mean by greater costs in the optics business and concerns in the contact lens business about Eyecity stores are cannibalizing each other. Should we infer that there are other management issues?

A3: Eyeglass lens revenues are taking more time to catch up to advanced investment than we anticipated. Here, we believe we need to find some more efficiencies. (Suzuki, CEO)

Q4: You mentioned management issues. Have you changed M&A priorities compared to the past?

A4: We must execute M&A strategically. Since there is another party involved, the timing depends on that other party. At present, we believe it is important to integrate those entities into our organization. (Suzuki, CEO)

Q5: We understand that you are working cooperatively with customers to enter the 3.5-inch market for glass substrates for hard disk drives. Can you describe the progress, your assessment, and the timing of when these products will contribute to revenues?

A5: In the short term, we expect that NAND shortages will result in revenues at the current level throughout calendar 2017. After that, substrates for near-line servers will transition to glass. However, the speed of that transition will be gradual, and is not likely to offset the contraction of the 2.5-inch market. Accordingly, we anticipate that revenue levels may decline by a gradual amount.
Although the transition to glass may be gradual, demand for 3.5-inch near-line servers will grow by a significant margin. Accordingly, we expect to see revenue at nearly the same levels as the current 2.5-inch product.
Over the long term, the HDD recording method will transition to HAMR, requiring an improvement in recording density. In this case, glass substrates will be inevitable. We are not overly pessimistic about this business in the short, medium, or long term, and we do not see developments here as a risk. (Suzuki, CEO)

Q7: With the integration of Essilor and Luxottica, have you changed your view of Performance Optics?

A7: The goal of our acquisition of Performance Optics was to develop chain customers in America. We do not believe that the integration of these two companies will have any impact on that. Leveraging Performance Optics, we will work to raise awareness of our company among American chain customers as a trusted supplier. For this reason as well, we are aware of the importance of integrating Performance Optics fully into our organization and executing on the necessary measures. (Suzuki, CEO)

Q8: We understand that Performance Optics has never been an overly profitable company. What measures will you take in the course of integration to increase profitability?

A8: Although costs related to temporary factors have been incurred, the profitability of Performance Optics compares favorably with our own. We plan to integrate in a way that leads to manufacturing efficiencies. There may be a question of timing, but we believe that profitability will improve. (Suzuki, CEO)

End