

Briefing Summary of the Analyst/Investor Meeting
for the 4th Quarter (January to March 2017) Financial Results
Ending Mar 31, 2017
Tokyo, May 11, 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 ¥126.3 billion, an increase of ¥4.6 billion (3.8%) compared to the same period in the prior fiscal year.
- Profit before tax was ¥24.4 billion, up ¥1.2 billion (5.4%).
- Quarterly profit was ¥19 billion, up ¥500 million (2.6%) year on year.
- On a yen basis, both revenues and profits were higher year on year.
(Reference: Quarterly Report, Supplementary Data, Quarterly Consolidated Statement of Comprehensive Income, P.7)

Impact of Foreign Currency Translation

- The yen rose against foreign currencies year on year, particularly against the euro (6.1% increase).
- Foreign currency translation resulted in a reduction in revenues of ¥2.8 billion. In real terms, revenues were up ¥7.5 billion (6.2%) when excluding the impact of foreign currency translation.
- In real terms, quarterly profit before tax was nearly unaffected by foreign currency translation, increasing ¥600 million (3%).
(Reference: Quarterly Report, Supplementary Data, Notes 1 and 2, P.7)

Special Items

- HOYA recorded ¥1.3 billion in loss on foreign exchange for the fourth quarter. This loss was related to the revaluation of receivables and payables denominated in foreign currencies. This result was due to a slight increase in the value of the yen at the end of March compared to the end of December. Loss on foreign exchange for the same period in the prior fiscal year was ¥3.1 billion. Accordingly, loss on foreign exchange narrowed by ¥1.8 billion year on year.
- Other revenue was down ¥1.2 billion. This was mainly due to the fact that HOYA property overseas was expropriated by the local government during the fourth quarter. HOYA received ¥900 million in relocation compensation.

Description by Business Segment (Reference: Quarterly Report, Supplementary Data, P.9)

Information Technology

- The Information Technology segment reported sales of ¥41.6 billion, a ¥2.2 billion (5.5%) increase year on year.
- Segment profit (profit before tax) amounted to ¥13.6 billion, ¥1.1 billion (8.5%) higher year on year.

- In real terms, sales increased ¥2.9 billion (7.2%) when excluding the impact of foreign currency translation.
- Segment profit rose ¥1.3 billion (10.2%) in real terms when excluding the impact of foreign currency translation.
- In real terms, HOYA recorded higher operating profits of ¥1.7 billion for the segment when excluding the impact of foreign currency translation.

Life Care

- The Life Care segment reported sales of ¥83.8 billion, up ¥2.8 billion (3.5%) year on year.
- Segment profit (profit before tax) amounted to ¥12.3 billion, down ¥1.3 billion (9.7%) year on year.
- In real terms, sales increased ¥5 billion (6.1%) when excluding the impact of foreign currency translation.
- Segment profit fell ¥1.1 billion (8%) in real terms when excluding the impact of foreign currency translation.

Sales of Major Products

Electronics-Related Products

- The company recorded ¥32.5 billion in sales of electronics-related products (semiconductor and LCD-related products, glass substrates for hard disk drives) for the quarter. This represented a ¥2.3 billion (7.9%) increase compared to the same period in the prior fiscal year.
- In real terms, sales increased ¥2.9 billion (9.7%) when excluding the ¥500 million negative impact of foreign currency translation.
- Sales of glass substrates for hard disk drives and mask blanks for semiconductors drove sales for the segment.
- Factors behind this significant increase in sales include weak performance in the prior fiscal year, continued shortages of NAND in the market, and our capturing a higher share of the market.
- Sales of blanks, including products for EUV, increased quarter on quarter.
- Mask sales encountered challenges during the quarter. Production capacity has yet to return to full levels due to the impact of the earthquakes in Kumamoto.
- Sales of electronics-related products drove our swing to growth.

Imaging-Related Products

- HOYA recorded ¥9.1 billion in sales of imaging-related products, level year on year.
- In real terms, sales were down slightly, as the impact of foreign currency translation was negligible.
- Compared to the first half of the fiscal year, sales declines leveled off.

Healthcare-Related Products

- HOYA recorded ¥62.4 billion in sales for healthcare-related products (eyeglass lens, contact lenses), up ¥1.7 billion (2.9%) year on year.
- In real terms, sales were up ¥3 billion (5%) after eliminating the ¥1.3 billion negative impact of foreign currency translation. Given the large ratio of our sales in Europe, the strength of the yen against the euro (6%) has a negative impact on our business.
- Sales of contact lenses and eyeglass lenses grew in the mid-single digits after

- excluding the impact of foreign currency exchange.
- Our eyeglass lens business in the Americas experienced double-digit growth, mainly due to the impact of business acquisitions. Sales in Asia also grew in the double digits; however, this was mainly due to poor performance in the prior year.
- Our acquisition of Performance Optics has not been concluded, as the regulatory authorities have yet to give final approval.

Medical-Related Products

- HOYA recorded ¥21.4 billion in sales for medical-related products (endoscopes, intraocular lenses, etc.), up ¥1.1 billion (5.3%) year on year.
- In real terms, sales were up ¥1.9 billion (9.5%) when excluding the ¥900 million negative impact of foreign currency translation. We have a certain amount of sales denominated in the euro, which were affected by foreign currency translation.
- Sales of intraocular lenses continued to be strong, growing by more than 10%. Performance was strong both in Japan and Europe.
- Endoscope sales experienced double-digit growth year on year, demonstrating much more stable growth compared to last year.
- By region, the Americas reported the greatest growth. The year's performance looks comparatively better than last year due to both weakness last year and the closing of a major transaction in March of this year. Growth in Europe was in the mid-single digits.

Life Care Profitability

- Profit growth has not risen in ratio to sales growth.
- The main factors here are related to M&A in our eyeglass lens business. Here, we recognized certain pre-acquisition costs related to an acquisition not yet completed, as well as integration-related costs for an acquisition that has been completed. In addition, we incurred plant start-up costs in our intraocular lens and eyeglass lens businesses.

Balance Sheets

- Other current assets decreased in connection with a business acquisition in the United States for our eyeglass lens business. This acquisition was finalized in January; however, the funds were in escrow as of the end of December, presented as other current assets on our balance sheet. Since this acquisition closed in January, the related cash balance has been converted to goodwill, intangible fixed assets, inventories, property, plant and equipment, etc.
- (Reference: Quarterly Report, Supplementary Data, P.4)

Other

Our year-end dividend was the same as prior year at ¥45.

[Information Technology Segment Earnings Overview from Mr. Eiichiro Ikeda, COO]

Information Technology Segment

- The Information Technology segment reported 7% higher sales and 10% higher profits after excluding the impact of foreign currency exchange. These results represent higher year-on-year revenues and profits for the IT segment.
- Sales of photomasks for LCDs fell approximately 30%, mainly due to production capacity declines in the wake of the Kumamoto earthquakes.
On the other hand, sales of glass substrates for hard disk drives and mask blanks for semiconductors grew more than enough to compensate for the drop in photomask sales.

The two main drivers of growth for glass substrates for hard disk drives were our increased market share and ongoing demand for hard disk drives in response to NAND supply constraints. The main driver of growth for mask blanks was continued demand for cutting-edge products, including products for EUV.

The most significant change quarter-on-quarter was the fact that we maintained sales of imaging-related products at a level on par with the same period in the prior fiscal year. As the market for digital cameras continues to contract, sales of related HOYA products also decline. However, we were able to maintain sales nearly level year on year by compensating with sales growth in other products.

- Our initial forecasts reflected our expectation of a gradual decline in Information Technology segment sales. However, we no longer feel the need to be quite so negative in our outlook.

The rate of decline for imaging-related product sales has leveled off, putting sales level with the prior fiscal year. The impact of the Kumamoto earthquakes will no longer affect year-on-year results for mask sales performance. As long as we increase production capacity, we should be able to grow sales. The market for 2.5-inch glass substrates for hard disk drives has stabilized, and we expect to see gradual growth in sales of near-line server products.

Mask Blanks for Semiconductors

- Sales of mask blanks were strong, rising by more than 10% year on year.
- All of our semiconductor manufacturing customers have been active in developing cutting-edge products. We were able to capture much of this demand, leading to an improved product sales mix.
- These cutting-edge products include our mask blanks for EUV, sales of which have started to increase. Sales of this product have risen two-fold compared to the prior year, accounting now for more than 10% of all sales of mask blanks for semiconductors.
- Semiconductor manufacturers continue to work toward adopting EUV technologies for single-nanometer nodes some time between 2018 and 2019. We expect fiscal 2017 to be a strong year for development demand for related products.

Photomasks for LCDs

- The disaster at our Kumamoto Plant caused a near-30% decline in sales of photomasks for LCDs.
- We have already explained our plan to close the Kumamoto Plant, covering production capacity through our plants in Taiwan and Korea. Despite having increased production capacity in stages, we have yet to reach pre-earthquake levels. We will be systematic in our measures to increase production capacity, returning to pre-earthquake volume some time during the second half of fiscal 2017.

Glass Substrates for Hard Disk Drives (HDDs)

- Sales of glass substrates for hard disk drives rose more than 20% year on year, even after eliminating the impact of foreign currency exchange.
- Although sales fell throughout the first and second quarters of fiscal 2016, performance swung to year-on-year growth beginning in the third quarter. This increase was due to several reasons, including our capture of market share after the exit of a competitor from this business, the constrained supply of NAND, and the lack of SSD units for us in PCs. These factors combined to prevent hard disk drive demand from falling as much as we originally anticipated. Performance remained strong in April, and we presently believe these market conditions will continue until some time in 2017.

- However, we believe that demand for 2.5-inch notebook PC hard drives will decline over the medium and long term. We have created our business plans based on this assumption. The market for hard disk drives used for near-line servers in data centers and other applications is growing. The market will transition away from the current aluminum substrate to glass, and we are engaged in joint development with customers to create new glass products to be in position. We are working toward the shift to mass production within the year.

Imaging-Related Products

- Sales of imaging-related products fell 2% year on year. Sales were nearly level, just a 0.6% decrease, after eliminating the impact of foreign currency exchange. After excluding the impact of our closing our pickup lens products, performance was level with the prior year.
- Although the market for digital cameras is contracting overall, the compact digital camera niche is going through a particularly marked decline. Here, our sales of products for compact digital cameras has fallen significantly as a ratio of overall sales. While the contraction of the digital camera market begins to have less impact on our business, we have also been growing sales of products for other applications, including car-mounted cameras and surveillance cameras. As a result, sales were level year on year.
- While we expect the digital camera market to continue to contract throughout fiscal 2017, sales of products to this market now represent a declining portion of overall sales. Accordingly, we do not believe the impact of this market decline will have the same significant impact on our business as in the past.
- Our basic approach is to reduce expenses ahead of anticipated sales decreases to ensure profitability. In our current situation, however, we have not been able to catch up to our projections, resulting in being late in reducing certain costs. However, the rate of sales decreases will level off in the future, allowing us to make meaningful improvements in profitability for fiscal 2017.

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

Eyeglass Lenses

- Eyeglass lens sales increased nearly 5% after eliminating the impact of foreign currency exchange.
- Sales in Japan fell 3%, dragging down overall performance.
- Growth in Europe was generally in line with market growth at between 1% and 2%. In the Americas, where we engaged in M&A, sales growth was in the double digits. Like-for-like growth, even after eliminating the impact of M&A, was between 6% and 7%. Growth in Asia was between 12% and 13%. This performance in Asia and the Americas reflects our solid operations in these regions. Japan dragged down performance, resulting in overall growth of 5%.
- In the Americas, sales growth outpaced market growth by a significant margin. We expect these conditions to continue for some time, acting as a tailwind for company performance.

Contact Lenses

- Contact lens sales increased by nearly 5%.
- Sales growth is only natural as we open more stores. Over the past five to six years, we have been opening more stores in large shopping malls in outlying regions of Japan.

Consumers who traditionally do their purchasing near train stations are now traveling to shopping malls. We moved early to take advantage of this trend to open stores in shopping malls. More recently, there has been a slowdown in mall construction. Malls have also become smaller in size. As a result, opening stores in malls is no longer as simple as it once was.

- In Tokyo, we are opening stores in new areas. However, we have seen cannibalization to a greater extent than we anticipated. In one case, we opened stores separated by the distance of two train stations. In the end, one-third of new customers had come from one store or the other. It has taken longer than expected for new stores to take off. The issue we face now is how to create a structure to deliver earnings from smaller stores in smaller commercial markets. We still have capacity to open new stores, however. While we cannot change our approach 180 degrees, we must consider the fact that cannibalization is a greater issue than we initially thought.

Endoscopes

- Endoscope sales rose 11% after eliminating the impact of foreign currency exchange.
- Growth was 30% in the Americas, reflecting a significant M&A deal and the relatively low performance during the prior fiscal year. Sales rose 5% in Europe.
- In the United States, the market has traditionally been one in which the thousands of small clinics purchased a new scope once every five years or so. Today, as larger hospital groups across the U.S. absorb smaller hospitals, we have seen a major change in purchasing trends. Now, rather than doctors purchasing their own scopes, we are seeing a more businesslike approach with group buyers managing purchase transactions. We anticipate that the U.S. market structure will introduce wide swings in sales performance in the future. While the U.S. is leading this trend of consolidation into groups, Europe is moving to a similar structure. We have already seen signs of this trend during the fourth quarter.
- While we have had challenges in the United States, including limitations on sellable products, we have put together our product lineup and received permission to sell a new product. Accordingly, the business environment is looking brighter.

Intraocular Lenses (IOLs)

- Sales of intraocular lenses rose 15% after eliminating the impact of foreign currency exchange.
- While this is not a major improvement quarter on quarter, performance was affected by a lack of production capacity. Our new plants will begin operations some time between July and August, which we expect will result in another step up in sales growth during the second half of the fiscal year.
- Feedback for our new products has been overwhelmingly positive, and at present we can only supply about half of the demand we are seeing.

[Company Overview from Mr. Hiroshi Suzuki, CEO]

- Our Life Care segment reported lower profits on higher sales. This was mainly due to several temporary or one-time expenses, including the cost of a business acquisition, plant start-up costs, and a reduction in inventories. Since these are not regular costs, we are not overly concerned. As we want to continue to grow sales in our Life Care segment, we are incurring up-front costs. Our primary goal is to grow sales in a stable, sustainable manner.

- Performance in our Information Technology segment has started to become more consistent, and we expect the current situation to continue for the time being. While the impact of the earthquakes has been a drag on our mask business, conditions have stabilized overall. We forecast profitability for the segment as a whole to grow steadily, reflecting our expectation that our business in glass substrates for hard disk drives will continue its current trajectory for some time.

[Q&A Highlights]

Q1: What is your outlook for glass substrates for hard disk drives? How long do you expect the current high demand to continue?

A1: We do not expect production capacity for flash memory to catch up with demand until after the end of the year.

However, we do not expect demand for 2.5-inch substrates to drop at that time.

Compartmentalization has begun to occur within the notebook PC market, meaning that hard disks will not simply be replaced by flash memory. The market will divide, for example, into those who use storage in mobile situations and those who use storage generally in the office.

In this way, notebook PCs with HDD do not always compete with notebook PCs with flash memory.

Therefore, an increase in flash memory usage does not necessarily mean an equivalent decrease in 2.5-inch substrates. (Hiroshi Suzuki, CEO)

Q2: What is the outlook for 3.5-inch glass substrates for near-line servers?

A2: The near-line server market is beginning to use 3.5-inch glass substrates.

Volume for these glass substrates will grow in all likelihood. While we expect sales and profits of our glass substrates for hard disk drives to grow this year, growth is likely to stabilize, resulting in flat performance next year and beyond. (Hiroshi Suzuki, CEO)

Q3: While fourth quarter sales of EUV products doubled compared to the same period in the prior fiscal year, what is your outlook for next year?

A3: We expect fiscal 2018 performance to double 2017 results. (Eiichiro Ikeda, COO)

Given the pellicle problem and other issues, EUV usage in mass production is still some ways off. It is nearly a foregone conclusion that single node can only be created using EUV. It would be impossible to try to stop at this point. At the same time, we are being conservative in our view as to whether sales of products for EUV will grow for the indefinite future. (Hiroshi Suzuki, CEO)

Q4: Cash at the end of the year amounted to ¥300 billion. Has your policy related to shareholder returns changed at all? Also, please tell us about your current views on acquisitions.

A4: Our approach to shareholder returns has not changed. We intend to return surplus funds to our shareholders.

We will also keep an eye on the market for the timing to repurchase shares. We expect to make more acquisitions as the opportunities arise. At the same time, we are properly integrating the businesses we have already acquired. (Ryo Hirooka, CFO)

Q5: What are your profit ratios on eyeglass lenses?

A5: Eliminating the impact of temporary costs, fourth quarter performance was at the proper cruising speed. However, we must improve our efficiency. One reason profit ratios were lower was that our up-front investments did not function at high efficiency. We are working to generate the correct return on investment here.

In the retail market, large chains are absorbing the smaller chains. While we are seeing price pressures, we intend to produce better internal efficiencies, targeting a profit ratio of 18%. (Hiroshi Suzuki, CEO)

Q6: What are your plans for fiscal 2017 capital investment and expectation for depreciation costs?

A6: Our approved budget at present for capital investment is ¥20 billion. We expect to incur ¥27 billion in depreciation and amortization.

We also expect to see amortization of intangible fixed assets related to acquisition accounting treatment for the upcoming acquisition of Performance Optics this fiscal year. We do not have any specific plans for major capital investment. (Ryo Hirooka, CFO)

Q7: What is the outlook for digital camera demand?

A7: I think it is too early to predict a bottom in the market for digital cameras themselves. At the same time, other applications are beginning to emerge, mitigating some of the risk in our imaging-related product business as a whole. (Hiroshi 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.