

Briefing Summary of the Analyst/Investor Meeting  
for the 2nd Quarter (July to September 2017) Financial Results  
Ending March 31, 2018  
Tokyo, October 27, 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 ¥135.8 billion, an increase of ¥20.9 billion (+18.2%) compared to the same period in the prior fiscal year.
- Profit before tax was ¥32.9 billion, up ¥1.2 billion (+3.9%).
- Quarterly profit was ¥26.8 billion, up ¥1.9 billion (+7.9%) year on year.  
(Reference: Quarterly Report, Supplementary Data, Quarterly Consolidated Statement of Comprehensive Income, P.7)

Impact of Foreign Currency Translation

- The yen weakened against most currencies, resulting in a positive impact of ¥7.6 billion on revenues after foreign currency translation. In real terms, revenues were up ¥13.3 billion (11.6%) when excluding the impact of foreign currency exchange.
- Quarterly profit before tax was up ¥1.8 billion due to the impact of foreign currency translation. In real terms, quarterly profit before tax fell ¥500 million (1.7%).  
(Reference: Quarterly Report, Supplementary Data, Notes 1 and 2, P.7)

Special Items

- Financial income fell ¥6.3 billion compared to the year-ago quarter. This result was mainly due to the sale of a venture company last year, with no corresponding special items recorded in the current year.
- Valuation of assets denominated in foreign currencies resulted in a foreign exchange loss of ¥1.5 billion in the prior year. This year, we have recorded nearly zero losses, resulting in a positive impact of ¥1.6 billion.

Description by business segment (Reference: Quarterly Report, Supplementary Data, P.9)

Life Care

- The Life Care segment reported sales of ¥88.1 billion, up ¥12.5 billion year on year.
- Segment profit amounted to ¥14.5 billion, up slightly (¥300 million) compared to the year-ago quarter.
- Foreign currency translation had a ¥5.3 billion positive impact on segment performance. Including the effect of our acquisition of Performance Optics, sales were up ¥7.1 billion in real terms.
- Segment profit was down ¥500 million in real terms after eliminating the impact of foreign currency translation.

Information Technology

- The Information Technology segment reported sales of ¥46.8 billion, up ¥8.5 billion

- year on year.
- Segment profit amounted to ¥19.4 billion, a ¥6.5 billion increase compared to the year-ago quarter.
- Foreign currency translation had a ¥2.3 billion positive impact on segment performance. Sales were up ¥6.2 billion in real terms after eliminating the impact of foreign currency translation.
- Segment profit was up ¥5.6 billion in real terms after eliminating the impact of ¥800 million foreign currency translation.

#### Revenue from Major Products

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

##### Healthcare-Related Products

- HOYA recorded ¥67.1 billion in sales for healthcare-related products (eyeglass lenses, contact lenses), up ¥10.2 billion (+18%) year on year. Performance grew in the double-digit range, including the impact of M&A activity.
- Foreign currency translation had a ¥3.8 billion impact on segment performance, with sales up ¥6.5 billion in real terms after eliminating the impact of foreign currency translation.
- Despite some regional differences, sales of eyeglass lenses were particularly strong in Asia, rising in the double digits.
- Contact lens sales also showed stable growth, due in part to new store openings.

##### Medical-Related Products

- HOYA recorded ¥21.0 billion in sales for medical-related products (endoscopes, intraocular lenses, etc.), up ¥2.2 billion (+12%) year on year. In real terms, sales grew ¥600 million (3.5%), reflecting a positive ¥1.6 billion impact of foreign currency translation.
- Sales of intraocular lenses continued to be strong, gaining in the double-digit range even after eliminating the impact of foreign currency exchange. While our new plant is in the start-up stages, we used our existing plant to the greatest extent possible to meet demand and secure growth.
- While sales of endoscopes varied region to region, sales grew at a stable pace comparatively in Asia and Europe, struggles in the U.S. were a drag on overall performance.

##### Electronics-Related Products

- The company recorded ¥35.2 billion in sales of electronics-related products (semiconductor and LCD-related products, glass substrates for hard disk drives) for the quarter. This represented a ¥6.0 billion (20%) increase compared to the same period in the prior fiscal year.
- Foreign currency had a ¥1.8 billion impact on segment performance, with sales up ¥4.2 billion in real terms after eliminating the impact of foreign currency translation.
- Sales of mask blanks for semiconductors grew in the double digits compared to the year-ago quarter, as did glass substrates for hard disk drives, pushed higher by NAND supply constraints, our capture of greater market share, and other factors.

##### Imaging-Related Products

- Imaging-related product sales amounted to ¥11.6 billion, an increase of ¥2.5 billion (28%) compared to the same period in the prior fiscal year.

- While foreign currency translation had a significant impact on performance, sales grew 22% even when eliminating this factor.
- Demand for digital cameras stagnated in the wake of the Kumamoto earthquakes during the first half of the prior fiscal year. Comparative growth in demand for digital cameras since that time and strong demand for surveillance cameras combined to generate year-on-year growth for imaging-related products.

#### Balance Sheet (Consolidated Statement of Financial Position)

(Reference: Quarterly Report, Supplementary Data, P.4-5)

- Accounts receivable increased due to growth in quarterly sales.
- Goodwill and intangible fixed asset balances increased mainly due to the impact of our acquisition of Performance Optics. Allow me to mention that goodwill is not amortized under IFRS.
- Short-term interest-bearing debt decreased ¥35.0 billion, mainly due to redemptions of corporate bonds in September.

#### Statement of Cash Flows

(Reference: Quarterly Report, Supplementary Data P.6)

- Cash used in investing activities amounted to ¥54.0 billion, mainly stemming from acquisitions of subsidiary companies (mostly Performance Optics), as well as an investment in a speech recognition company.
- Cash used in financing activities amounted to ¥53.9 billion, consisting mainly of ¥35.0 billion in redemption of corporate bonds and ¥19.0 billion in purchases of treasury stock (through September 2017).

#### Shareholder Returns

- We declared an interim dividend of ¥30 per share, on par with the prior year.
- As we announced in our timely disclosure, we have reached our maximum ¥25.0 billion in stock buybacks, and we are currently deliberating the retirement of treasury stock.

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

- Information Technology segment sales for the second quarter amounted to 46.8 billion yen, up 22% year on year. The increase was 16% when excluding the impact of foreign currency exchange.
- The Information Technology segment was able to achieve higher earnings for higher sales thanks to improved profitability as well as all segments being able to report growth.

#### Mask Blanks for Semiconductors

- Mask blanks for semiconductors grew in the strong high-teens year on year, and in the mid-teens after eliminating the impact of foreign currency exchange.
- The main factor behind this growth was more activity in developing cutting-edge products, including EUV, on the part of semiconductor manufacturers.
- We still believe that semiconductor manufacturers will begin mass production of EUV products in the 2018 to 2019 time frame. The current trends will like continue in the next fiscal period and beyond.

#### Photomasks for LCDs

- Photomask for LCDs swung to revenue growth supported by ongoing recovery in our supply capacity. This recovery is the result of repairing and moving production

equipment overseas in the time since we closed our Kumamoto plant, which was damaged in the Kumamoto earthquakes.

- However, photomask sales has not yet recovered to pre-earthquake levels due to the fact that Korean manufacturers are shifting toward in-house production of photomasks in the region.

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

- Sales of glass substrates for hard disk drives grew a strong 20%-plus, or in the mid-teens after excluding the impact of foreign currency exchange.
- We have secured essentially 100% of the market as our competitor in this market withdrew in October of last year.
- We have seen a significant increase in sales year on year, since our competitor was still in the market during the second quarter last year. We will be operating under comparable conditions beginning in the third quarter. Accordingly, we do not expect the same type of growth as we saw for the second quarter of this year.
- Sales grew in part due to NAND supply constraints. However, demand for SSDs remains high, and we continue to expect demand for 2.5-inch glass substrates to fall off.
- Mass production for 3.5-inch glass substrates used in near line servers began in the first quarter. However, these substrates have not shown significant growth recently. At present, we are not sure whether 3.5-inch substrates will compensate for the drop in 2.5-inch substrates in the future.

#### Imaging-Related Products

- Sales of imaging-related products rose nearly 30%, an increase of almost 20% when excluding the impact of foreign currency exchange.
- In addition to our recovery from the Kumamoto earthquakes, high demand for surveillance cameras in China contributed to sales growth. This improvement in sales has come as a result of the use of aspherical glass mold lenses in surveillance cameras.
- Contraction in the market for digital cameras has bottomed out, while sales of digital cameras accounts for a shrinking portion of overall imaging business sales. Accordingly, we do not believe overall sales will experience a negative impact on sales year to year.

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

- Life Care segment growth amounted to 9.4% after excluding the impact of foreign currency exchange, recording strong gains in sales.

#### Eyeglass Lenses

- Sales of eyeglass lenses were strong in the Americas. While market conditions are challenging, we nevertheless recorded 6% growth, even after eliminating the impact of M&A activity and foreign currency exchange.
- Asia/Oceania also reported solid performance for the period, up 7%.
- While Japan continued to decline, retail prices for eyeglasses have stabilized. Sales performance swung to growth for the period, however slightly.
- Performance in Europe was not to our satisfaction. Changes in insurance plans in France led to lower performance, driving down HOYA earnings in Europe.
- Eyeglass lens business sales were strong in general.

- M&A-related costs in the second quarter were a drag on profits, and we have yet to see any synergistic effects of M&A on sales. We expect profits to improve over the second half of the year, partly as a result of incurring no further M&A costs.

#### Contact Lenses

- Contact lens sales improved between 5% and 6% year on year.
- We have seen no changes in the conditions surrounding our business here. New store openings and higher comparable store sales have contributed to growth.

#### Intraocular Lenses (IOLs)

- Sales of intraocular lenses continue to grow in the double-digits, even when excluding the impact of foreign currency exchange.
- While profitability has declined somewhat, this is due to temporary factors, including advanced costs for launching a new factory.
- In the future, we expect sales to continue double-digit growth with increasing profitability.

#### Endoscopes

- Sales of endoscopes in Europe and Asia grew at a solid 4% to 5% for the period.
- While performance was poor in the U.S., we are gaining traction among hospital and group purchasers, raising the size of unit transactions. We were able to secure large deals in the prior year of the type we were not able to secure this year. While this led to lower sales for the period, we do not believe we have any structural issues
- HOYA was the first company ever to secure FDA approval for duodenoscopes that allow for removal and easy cleaning of the tip. Over the second half of the year, we plan to engage in sales promotions and other activities to improve earnings in the U.S.

#### [Company Overview from Mr. Hiroshi Suzuki, CEO]

- Information Technology likely reached a peak in the second quarter, and we expect to enter a slight adjustment phase.
- To secure profitability for the group as a whole, we will raise profit ratios in our Life Care segment. We hired more employees, constructed plants, and engaged in M&A activities to raise sales. Next, we plan to tie these measures to profits to lift profitability from regular sales activities in the Life Care segment to 20%. We expect to use this improvement to compensate for deceleration in Information Technology.
- We want the market to view the intent behind our investment in Pangea as a pure financial investment. We believe we will see returns on our investment in response to the strong demand for NAND.

#### [Q&A Highlights]

Q1: Is the extreme shortage in SSD supply coming to a resolution in the near future?

A1: Looking at the HDD/SSD trends for notebook PC shipments, we see that SSDs are cutting consistently into HDD demand, which is a trend likely to continue in the future. However, as far as we can tell from recent trends, there have been no changes in the shortage of supply. As yield rates for NAND production improve, we predict a challenging future for hard disk drives. (Eiichiro Ikeda, COO)

There have been no production adjustments for 2.5-inch glass substrates of late, nor do we believe there will be any adjustments during the third quarter. (Hiroshi Suzuki, CEO)

Q2: What do you see as the outlook for EUV blanks?

A2: Blanks for EUV are double 2016 levels. We expect this growth to increase slightly in the future. (Eiichiro Ikeda, COO)

Q3: What is the impact of foreign currency exchange on your Life Care segment? Also, what is the foreign currency exchange sensitivity associated with your purchase of Performance Optics?

A3: While a strong Euro helps our eyeglass lens business, the impact on the Life Care segment is minor when looking at it as a whole. (Ryo Hirooka, CFO)  
Manufacturing for Performance Optics is mainly in Asia, while sales are mainly in America. We see this acquisition as reducing our foreign currency exchange sensitivity. (Hiroshi Suzuki, CEO)

Q4: We understand that lenses used in 3D sensors for smartphones are made of glass. What impact will this have on HOYA earnings?

A4: The technology involved appears to emit light from a smartphone or other product to measure objects and perform other tasks. Plastic lenses would melt in this type of application, so glass seems to be the better material. We have been approached by a number of companies, but nothing has developed as of this point in time. (Hiroshi Suzuki, CEO)

Q5: What is the operational status of your new intraocular lens plant? Will you still incur costs going forward?

A5: We intend to increase capacity in stages at the plant as we improve yield rates. Quality is particularly important for medical products. At this point, we are keeping production limited intentionally to gauge the response of the market as we increase production capacity little by little. Our view of the schedule is to see the plant operating at full capacity and contributing to profits in a year to 18 months from now. (Hiroshi Suzuki, CEO)

Q6: Major companies in Korea are in the planning stages for dedicated EUV plants. Are preparations at HOYA proceeding smoothly?

A6: First, we assume that mask blanks are not raw materials or consumable products thus production increases by the manufactures do not necessary mean more consumption of blanks. In fact, amount of consumption is rather big at the development stages and there are less concerns of supply shortages at the mass production phase. (Eiichiro Ikeda, COO; Hiroshi Suzuki, CEO)

Q7: What is the degree of HOYA contribution to the rapid advancements in OLED production in China?

A7: The future in Korea is unclear as companies there shift supply in-house. Accordingly, we are working to expand our business among Chinese clients. Recently, one-fourth of our photomask blanks sales are for China. (Eiichiro Ikeda, COO)  
Sales of mask blanks rise in the stages prior to the start up of mass production. Sales do not increase as much as one would expect once mass production begins. This quarter, OLED outperformed LCD. We expect the ratio of photomasks for OLED use will rise in the future. (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.*