



Quarterly Financial Highlights (unaudited)

HOYA CORPORATION and Consolidated Subsidiaries

Performance for the three months ended September 30, 2006 and 2005 (Second Quarter)

(Figures less than a million yen are omitted.)

(1)Results of Operations	Millions of Yen			
	Three months ended			
	Sep.30, 2006	Sep.30, 2005	variance(%)	Jun.30, 2006
Net sales	99,079	84,961	(16.6)	92,618
Operating income	28,126	24,740	(13.7)	27,240
Ordinary income	25,700	26,974	(-4.7)	25,139
Net income	22,899	18,596	(23.1)	21,499
Net income per share(Yen)	53.16	41.72		49.92
Ordinary income / net sales	25.9%	31.7%		27.1%

Notes : No changes have been made in accounting policy.

(2)Financial Position	Millions of Yen		
	As of		
	Sep.30, 2006	Jun.30, 2006	Sep.30, 2005
Total assets	417,361	391,972	391,768
Net assets	322,690	288,734	305,191
Shareholders' equity ratio	76.9%	77.3%	77.9%
Net assets per share (Yen)	745.06	648.87	684.60

(3)Conditions of Cash Flows	Millions of Yen		
	Three months ended		
	Sep.30, 2006	Sep.30, 2005	Jun.30, 2006
Net cash provided by operating activities	35,017	29,802	14,065
Net cash used in investing activities	-14,741	-7,892	-14,825
Net cash used in financing activities	-22,256	88	17,255
Cash and cash equivalents, end of period	98,685	131,304	100,449

Notes :

Hoya Corporation discloses financial reports quarterly on consolidated basis.

The forecast for the fiscal year will be released on consolidated basis when the business results for the third quarter are disclosed.

Hoya Corporation does not guarantee the accuracy or completeness of the information herein. Unless otherwise stated estimates or forecasts are solely those of our company and subject to change without notice. Hoya Corporation accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.

1. Business Overview

1. Results of Operations

1) General Overview

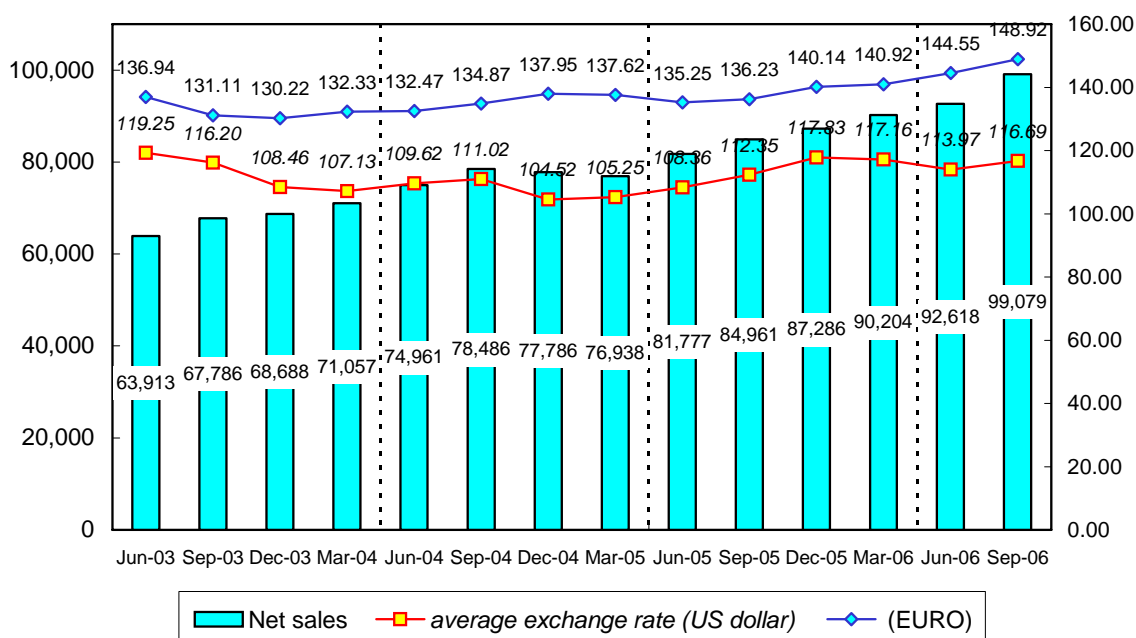
Results of Operations	Millions of Yen Three months ended Sep. 30, 2006
Net sales	99,079
Operating income	28,126
Ordinary income	25,700
Net income	22,899
Net income per share(Yen)	53.16

Economic conditions during the quarter under review were marked by a continuing improving the business climate with keeping high tone of capital investment and expansion of employment. It was also positive factor in the currency market during the term under review, that the major currencies were appreciated all against the yen, on a year-on-year basis. Improvements in corporate performance led to increased employment, improvement in household income and increased expenses, reinforcing the virtuous cycle of further upward growth in corporate capital investment.

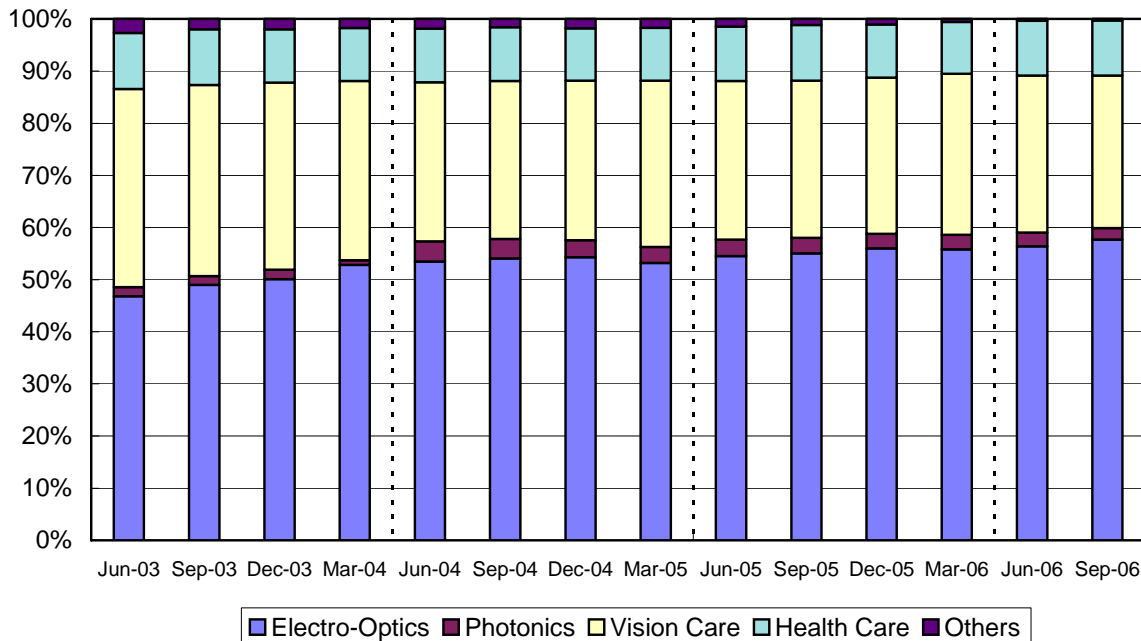
Meanwhile, for the HOYA Group overall, in the Electro-Optics sector, the general proactive reinforcement of production capacity by clients and the development of new products were vigorous, promoting robust demand overall and leading to increased revenues. In Vision-Care division, the market overseas for eyeglass lenses showed an expansion while the Healthcare division also performed well, showing an increase in revenues.

As a result, consolidated net sales, operating profits and net income during the quarter under review increased year-on-year basis and posted historical records on quarterly basis.

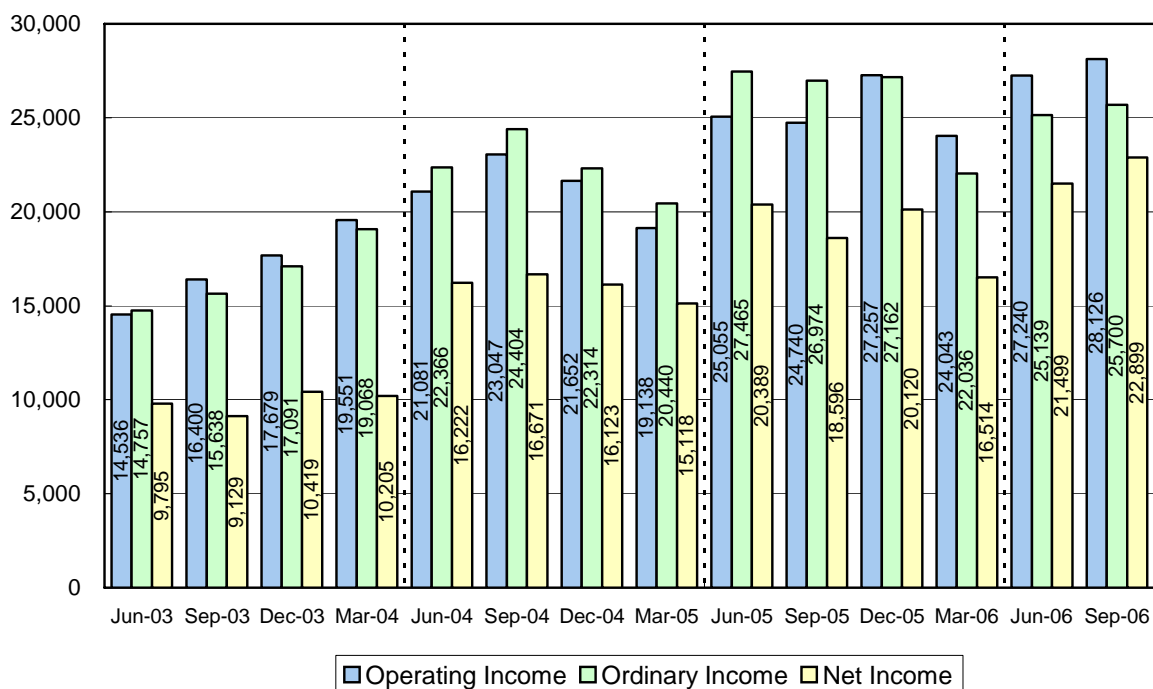
Quarterly net sales (Million Yen) and average exchange rate
 (Yen/US dollar & EURO)



Ratio of Net Sales by Business Segment - Quarterly Transition



Quarterly Incomes (Millions of Yen)



2) Segment Overview

1.Information Technology

Electro-Optics

In terms of mask blanks for manufacturing semiconductors, HOYA received a decent volume of orders for such high-precision products as blanks for phase-shift masks, etc., and sales increased on a year-on-year basis.

There was also an increase in orders for photomasks for semiconductor production, high precision products and next-generation developed products, leading to higher sales volume year-on-year.

Competition among mask producers for orders in the area of large-size masks for LCD use intensified due to the broad reduction in panel prices by LCD panel producers. However the sales of LCD large masks increased year-on-year due to the demand for the new production lines of panel producers.

In terms of glass disks for hard disk drives (HDDs), the demand remained strong and, thanks to a commencing of shipment from new factory in Vietnam, the sales increased substantially on a year-on-year basis.

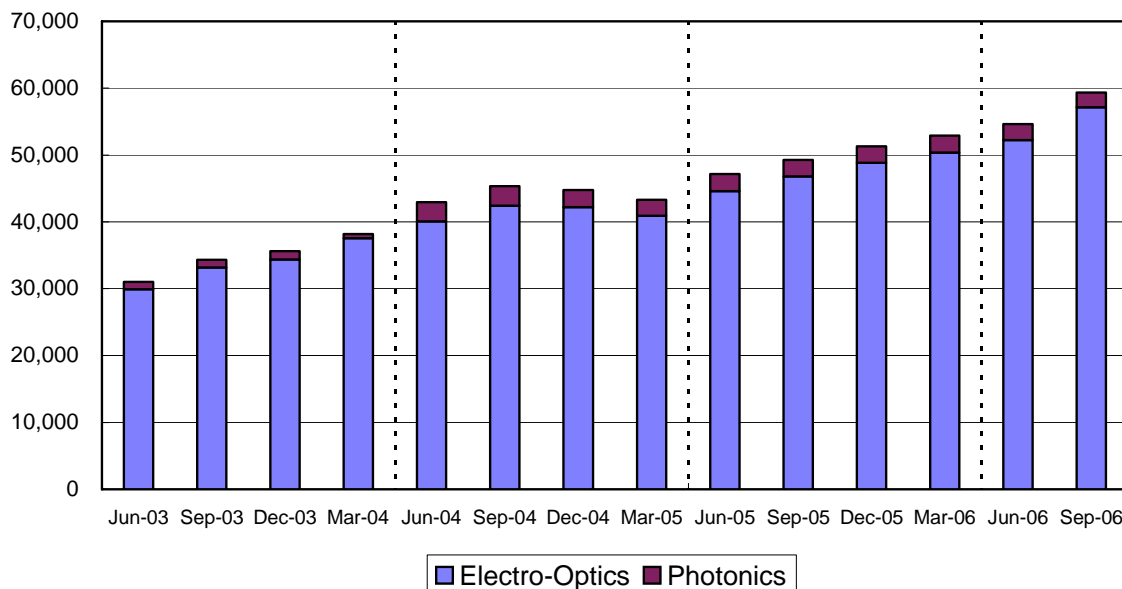
In optical lenses, in addition to the reemergence of a trend toward increase in lens shipments for digital cameras, the demand for lenses for mobile telephones equipped with cameras increased broadly, resulting in higher sales year-on-year.

Photonics

This segment covers laser-related equipment for industrial, dental and medical applications.

Sales of industrial laser related equipment slowed down in general during the quarter under review, resulting in declined sales, as the same term in the previous year was the peak of investments in new LCD production lines mainly in Taiwan and South Korea.

Quarterly Net Sales of Information Technology (Millions of Yen)



2. Eye Care

Vision Care

The slump in the domestic market for eyeglass lenses continued as before but HOYA realized growth in the high price bracket through the value-added enhancement of products centered in high-function coatings and newly-designed progressive lenses. In the low price bracket, however, overall sales in the domestic market were at essentially the level as in the previous year due to stiff price competition.

In eyeglass lenses in markets overseas, the expansion continued to advance in sales for newly designed progressive lenses, high refraction lenses and other high value added products in Asia-Oceania, Europe and North America and the markets remained firm. There was an overall increase in the sales volume year-on-year in spite of tough competition due to a price offensive in low-end lenses. In Europe, a recovery in the market became especially apparent centered in Germany, the largest market, and sustained expansion was realized.

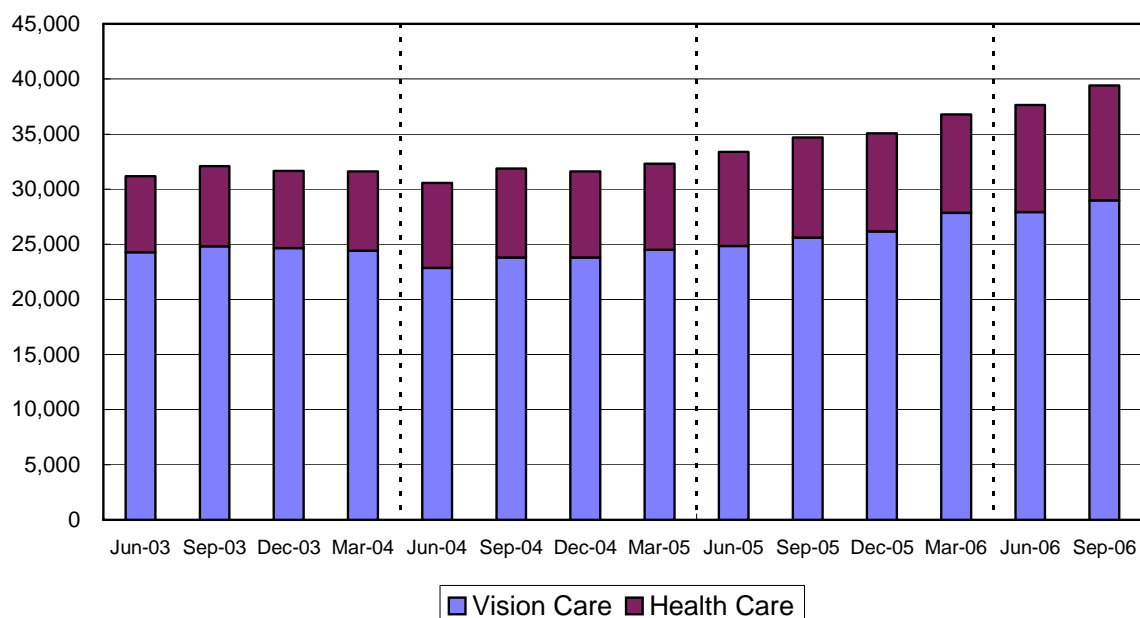
As a result, an increase was realized in the sector overall year-on-year.

Health Care

In contact lenses, in addition to the healthy sales results made by the existing directly-owned stores, it will continue to pursue differentiation from competitors through expanded sales in bifocal lenses and other high value added products through the continued establishment of new stores and consulting sales taking advantage of specialized knowledge.

In intraocular lenses, flexible (soft) intraocular lenses, especially yellow-lenses, have been demonstrating robust performance in the domestic market, recording an increase in sales volume year-on-year.

Quarterly Net Sales of Eye Care (Millions of Yen)



3. Others

In crystal, the crystal operations were reduced in scale through restructuring and, in services, the spin-off of the temporary staff outplacement service effective March 1, 2006, resulting in a reduction in sales year-on-year in both sectors.

2. Financial Position

	<u>Millions of Yen</u> <u>As of Sep. 30, 2006</u>
Total assets	417,361
Net assets	322,690
Shareholders' equity ratio	76.9%

At the end of the quarter under review, the current assets increased Yen 17,745 million since notes and accounts receivable increased Yen 8,508 million though cash and deposit decreased. Fixed assets increased Yen 7,645 million and total assets increased Yen 25,389 million. Liabilities decreased Yen 8,566 million due to decrease of commercial paper. Net assets came to Yen 322,690 million through earned surplus increased Yen 22,988 million.

3. Conditions of Cash Flows

	<u>Millions of Yen</u> <u>Three months ended Sep. 30, 2006</u>
Net cash provided by operating activities	35,017
Net cash used in investing activities	-14,741
Net cash used in financing activities	-22,256
Cash and cash equivalents, end of period	98,685

In terms of cash flows from operating activities, on the basis of Yen 32,332 million in income before income taxes and Yen 8,512 million in depreciation, net cash provided by operating activities amounted to 35,017 million. Net cash used in investment activities amounted to Yen 14,741 million in cash payments that were mainly used for investment in order to handle next-generation products. Free cash flow came to Yen 20,276 million and used to repayment for commercial paper. As a result, the term-end balance of cash and cash equivalents decreased by Yen 1,764 million in comparison with that of the end of the previous quarter.

(2) Consolidated Financial Statements (unaudited)

1. Consolidated Balance Sheets

HOYA CORPORATION and Consolidated Subsidiaries	Millions of Yen			
	As of			
	Sep.30,2006	Jun.30,2006	Variance	Sep.30,2005
ASSETS				
ASSETS				
Current assets				
Cash and deposits	98,685	100,449	-1,764	131,304
Notes and accounts receivable - trade	91,179	82,671	8,508	77,485
Inventories	45,432	44,254	1,178	38,670
Deferred tax assets	7,863	5,461	2,402	7,961
Other current assets	14,792	7,327	7,465	4,981
Allowance for doubtful receivables	-1,224	-1,182	-42	-1,440
Total current assets	256,728	238,983	17,745	258,963
Fixed assets				
Tangible fixed assets				
Buildings and structures	30,611	29,900	711	26,321
Machinery and carriers	73,328	62,405	10,923	50,528
Tools, equipment and fixtures	12,103	11,284	819	10,032
Lands	8,867	8,640	227	8,874
Construction in progress	9,474	12,488	-3,014	10,873
Total tangible fixed assets	134,386	124,720	9,666	106,630
Intangible fixed assets				
Total intangible fixed assets	5,851	7,576	-1,725	5,701
Investments and other assets				
Investment securities	12,955	13,117	-162	12,438
Deferred tax assets	2,991	3,154	-163	2,808
Other assets	4,723	4,729	-6	4,941
Allowance for doubtful receivables	-274	-310	36	-309
Total investments and other assets	20,395	20,691	-296	19,879
Total fixed assets	160,633	152,988	7,645	132,210
Deferred charges				
Total deferred charges	-	-	-	594
TOTAL ASSETS	417,361	391,972	25,389	391,768

Tokyo, October 19, 2006/10/19
Quarterly Report for the three months ended Sep.30,2006

HOYA CORPORATION and Consolidated Subsidiaries	Millions of Yen			
	As of			
<u>LIABILITIES AND NET ASSETS</u>	Sep.30,2006	Jun.30,2006	Variance	Sep.30,2005
LIABILITIES				
Current liabilities				
Notes and accounts payable - trade	30,228	29,173	1,055	27,580
Commercial paper	7,497	30,000	-22,503	-
Income tax payable	15,219	7,230	7,989	11,937
Accrued bonuses to employees	4,134	2,325	1,809	4,072
Other current liabilities	35,654	32,413	3,241	39,908
<u>Total current liabilities</u>	92,734	101,143	-8,409	83,499
Long-term liabilities				
Allowance for special repairs	662	817	-155	748
Other long-term liabilities	1,274	1,276	-2	1,427
<u>Total long-term liabilities</u>	1,936	2,093	-157	2,176
<u>Total Liabilities</u>	94,671	103,237	-8,566	85,676
NET ASSETS				
Shareholders' equity				
Paid-in capital	6,264	6,264	-	-
Capital surplus	15,898	15,898	-	-
Earned surplus	297,696	274,708	-	-
Treasury stock	-15,521	-15,954	-	-
Advances on subscription to treasury stock	16	3	-	-
<u>Total shareholders' equity</u>	304,353	280,920	-	-
Valuation and translation adjustments				
Valuation difference on available-for-sale securities	-7	-30	-	-
Translation adjustments	16,658	6,966	-	-
<u>Total valuation and translation adjustments</u>	16,651	6,935	-	-
Minority interest	1,685	878	-	-
<u>Total Net Assets</u>	322,690	288,734	-	-
TOTAL LIABILITIES AND NET ASSETS	417,361	391,972	-	-
MINORITY INTEREST	-	-	-	901
SHAREHOLDERS' EQUITY				
Common stock	-	-	-	6,264
Capital surplus	-	-	-	15,898
Retained earnings	-	-	-	297,127
Net unrealized gain (loss) on available-for-sale securities	-	-	-	71
Foreign currency translation adjustments	-	-	-	-6,830
Treasury stock - at cost	-	-	-	-7,340
<u>Total Shareholders' Equity</u>	-	-	-	305,191
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	-	-	-	391,768
Notes:				
	Millions of Yen			
1. Accumulated depreciation	196,198	187,926		175,390
2. Guarantees of borrowings and lease obligations for customers and Group's employees	2,702	2,424		1,640
3. Number of shares of treasury stock (unit : shares)	4,196,357	4,313,419		3,602,420

2. Consolidated Statements of Income

HOYA CORPORATION and Consolidated Subsidiaries

Millions of Yen

	Three months ended				
	Sep.30, 2006	Sep.30, 2005	Value	Variance (%)	Jun.30, 2006
Net sales	99,079	84,961	14,118	16.6	92,618
Cost of sales	50,117	44,291	5,826	13.2	45,539
Gross profit	48,961	40,669	8,292	20.4	47,079
Selling, general and administrative expenses	20,836	15,930	4,906	30.8	19,838
Operating income	28,126	24,740	3,386	13.7	27,240
Non-operating income	1,351	2,757	-1,406	-51.0	638
Interest income	777	557	220		442
Foreign exchange gains	—	1,191	-1,191		—
Equity in earnings of affiliates	—	645	-645		—
Others	574	364	210		195
Non-operating expenses	3,776	523	3,253	622.0	2,739
Interest expense	2	4	-2		34
Sales discount	186	172	14		191
Foreign exchange losses	2,692	—	2,692		1,668
Equity in losses of affiliates	293	—	293		545
Others	603	348	255		300
Ordinary income	25,700	26,974	-1,274	-4.7	25,139
Extra-ordinary gains	9,987	1,415	8,572	605.8	121
Gain on sales of property, plant and equipment	9,540	24	9,516		66
Others	447	1,391	-944		55
Extra-ordinary losses	3,355	4,894	-1,539	-31.4	439
Loss on disposal of property, plant and equipmen	2,539	203	2,336		119
Maintenance of environment	729	3,538	-2,809		11
Loss on impairment of long-lived assets	67	124	-57		14
Additional retirement benefits paid to employees	5	851	-846		94
Others	14	178	-164		200
Income before income taxes and other items	32,332	23,494	8,838	37.6	24,821
Income taxes - Current	11,015	7,713	3,302	42.8	2,332
Income taxes - Deferred	-1,602	-2,850	1,248	-43.8	955
Minority interests in net income	22	37	-15	-40.5	33
Net income	22,899	18,596	4,303	23.1	21,499
Net income per share(Yen)	53.16	41.72	11.44		49.92
Diluted net income per share(Yen)	52.96	41.57	11.39		49.71

Notes:

- With effect on November 15, 2005, HOYA CORPORATION carried out a four-for-one stock split. The per share information for the three months ended Sep. 30, 2005 were adjusted to reflect the stock split assuming that the above stock split was exercised on the beginning of the previous fiscal year.
- Effect of Exchange Rate Change on Net Sales and Incomes ("2006 A" is the actual value of this period. "2006 B" is the nominal value of this period which temporarily exchanged by the currency rate of the same period last year. unit : millions of Yen)

	2006 A	2006 B	influences
Net sales	99,079	97,352	1,727
Operating income	28,126	26,501	1,625
Ordinary income	25,700	24,172	1,528
Net income	22,899	21,577	1,322

	Three months ended				
		Sep.30,2006	Sep.30,2005	Variance(%)	Jun.30,2006
3. Average rates of major foreign currencies					
US\$	Yen	116.69	112.35	-3.9%	113.97
Euro	Yen	148.92	136.23	-9.3%	144.55
Thail Baht	Yen	3.09	2.71	-14.0%	3.00

3. Quarterly Consolidated Statements of Shareholders' Equity

HOYA CORPORATION and Consolidated Subsidiaries

	Millions of Yen					
	Shareholders' Equity					
	Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Advances on subscription to treasury stock	Total Shareholders' Equity
BALANCE JUNE 30, 2006	6,264	15,898	274,708	-15,954	3	280,920
Net income			22,899			22,899
Appropriations						
Cash dividends						
Bonus to directors						
Loss on deposit of treasury stock			-200			-200
Repurchases of treasury stocks				-2		-2
Disposal of treasury stocks				436		436
Increase / decrease due to change in accounting standard of overseas consolidated subsidiaries			290			290
Others					13	13
Net increase / decrease during the term under review except in Shareholders' Equity			22,988	433	13	23,433
Total increase / decrease during the term under review	—	—	22,988	433	13	23,433
BALANCE SEPTEMBER 30, 2006	6,264	15,898	297,696	-15,521	16	304,353

	Millions of Yen				
	Valuation and Translation Adjustments				
	Valuation difference on available-for- sale securities	Translation Adjustments	Total Valuation and Translation Adjustments	Minority Interest	Total Net Assets
BALANCE JUNE 30, 2006	-30	6,966	6,935	878	288,734
Net income					22,899
Appropriations					
Cash dividends					
Bonus to directors					
Loss on deposit of treasury stock					-200
Repurchases of treasury stocks					-2
Disposal of treasury stocks					436
Increase / decrease due to change in accounting standard of overseas consolidated subsidiaries					290
Others					13
Net increase / decrease during the term under review except in Shareholders' Equity	23	9,692	9,716	807	10,523
Total increase / decrease during the term under review	23	9,692	9,716	807	33,956
BALANCE SEPTEMBER 30, 2006	-7	16,658	16,651	1,685	322,690

Notes:

1. Condition of outstanding stocks	Common stock	beginning of the period	increase during the period	decrease during the period	end of the period	unit : shares
		435,017,020	—	—	435,017,020	
2. Condition of treasury stock	Common stock	beginning of the period	increase during the period	decrease during the period	end of the period	unit : shares
		4,313,419	633	117,695	4,196,357	

The breakdown of increase/decrease of treasury stock (by reason) is as follows :

Increase due to repurchase of treasury stock less than one unit	633 shares
Decrease due to sale of treasury stock less than one unit	95 shares
Decrease due to exercise of stock option	117,600 shares

4. Consolidated Statements of Cash Flows

HOYA CORPORATION and Consolidated Subsidiaries

	Millions of Yen			
	Three months ended			
	Sep.30,2006	Sep.30,2005	Variance	Jun.30,2006
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	32,332	23,494	8,838	24,821
Depreciation and amortization	8,512	5,928	2,584	7,553
Loss on impairment of long-lived assets	67	124	-57	14
Provision for (reversal of) accrued allowances for doubtful receivables	-14	90	-104	-326
Provision for (reversal of) accrued bonuses to employees	1,834	1,997	-163	-1,885
Provision for (Reversal of) reserve for periodic repairs	-155	64	-219	197
Interest income and dividend receivable	-789	-558	-231	-448
Interest expense payable	2	3	-1	34
Foreign exchange loss (gain)	3,256	-153	3,409	72
Equity in earnings of affiliates	293	-645	938	545
Gain on sales of property, plant and equipment and investment securities	-9,539	-23	-9,516	-66
Loss on disposal of property, plant and equipment and investment securities	2,538	202	2,336	119
Losses on write-down of investment securities	7	—	7	—
Bonus to directors	—	—	—	-64
Other	696	-2,183	2,879	84
(Increase) decrease in notes and accounts receivable	-7,633	-1,844	-5,789	-3,875
(Increase) decrease in inventories	-199	-612	413	-3,129
(Increase) decrease in other current assets	2,848	-458	3,306	-1,455
Increase (decrease) in notes and accounts payable	292	1,461	-1,169	803
Increase (decrease) in income taxes payable	-709	713	-1,422	420
Increase (decrease) in other current liabilities	915	2,386	-1,471	728
Sub total	34,554	29,986	4,568	24,143
Interest and dividend receivable	798	619	179	409
Interest payable	-2	-2	0	-23
Income taxes - paid	-333	-801	468	-10,463
Net cash provided by operating activities	35,017	29,802	5,215	14,065
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	-14,153	-8,335	-5,818	-13,509
Proceeds from sales of property, plant and equipment	421	144	277	153
Purchases of investment securities	-84	—	-84	-120
Proceeds from sales of investment securities	—	—	—	30
Expenditure for loans	-10	—	-10	0
Income from collection of loans	33	11	22	29
Expenditure for other investments	-998	-1,137	139	-872
Income from other investments	49	23	26	373
Net cash used in investing activities	-14,741	-7,892	-6,849	-14,825
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term bank loans	-22,502	-207	-22,295	30,000
Increase in treasury stock	-2	-12	10	-3
Decrease in treasury stock	250	309	-59	178
Dividends paid	—	—	—	-12,920
Dividends paid for minority shareholders	-2	-1	-1	—
Net cash used in financing activities	-22,256	88	-22,344	17,255
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	216	2,307	-2,091	379
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-1,764	24,305	-26,069	16,875
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	100,449	106,998	-6,549	83,574
CASH AND CASH EQUIVALENTS, END OF PERIOD	98,685	131,304	-32,619	100,449

Notes:

- Negative figures with "-" (minus) in the above statements indicate net outflow of cash and cash equivalents.
- The above statements are direct translation from *Kessan Tanshin* made under the Japanese Accounting Standard.
- Cash and Cash Equivalents at the End of the Period (unit:Millions of Yen) :

	As of		
	Sep.30,2006	Sep.30,2005	Jun.30,2006
Cash and deposits	98,685	131,304	100,449
Total	98,685	131,304	100,449

Notes Relating to Stock Split

With effect on November 15, 2005, HOYA CORPORATION "the Company" carried out a four-for-one stock split.

1. Outstanding shares before stock split	112,349,005 shares
2. Increase in shares	337,047,015 shares
3. Outstanding shares after increase	449,396,020 shares

The per share information for the three months ended September 30, 2005 are adjusted to reflect the stock split assuming that the above stock split was exercised on the beginning of the previous fiscal year. For your reference, actual per share information which is not adjusted for the same period last year is as follows :

	<u>Three months ended</u>	
	<u>Sep.30,2005</u>	
	<u>not adjusted</u>	<u>adjusted</u>
Shareholders' equity per share (Yen)	2,738.40	684.60
Basic net income per share (Yen)	166.88	41.72
Diluted net income per share (Yen)	166.28	41.57

Notes Relating to Investment Securities and Derivatives

1. Investment securities of current market values:

(Millions of Yen)

	As of								
	Sep.30, 2006			Jun.30, 2006			Sep.30, 2005		
Available-for-sale	Cost	Fair Value	Variance	Cost	Fair Value	Variance	Cost	Fair Value	Variance
Available-for-sale : Marketable Equity securities	1,692	1,685	-7	1,692	1,640	-52	159	327	167
Government bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	364	317	-47
Total	1,692	1,685	-7	1,692	1,640	-52	524	644	119

2. Investment securities of non-current market values:

(Millions of Yen)

	As of		
	Sep.30, 2006	Jun.30, 2006	Sep.30, 2005
Non-marketable stock of subsidiaries	10,123	10,412	11,117
Total	10,123	10,412	11,117
Non-marketable equity securities	882	791	261
Others	264	273	414
Total	1,146	1,064	676

3. Derivatives

Significant hedge accounting methods

(1) Hedge accounting methods

Deferral hedging is applied. Appropriation is adopted for hedging exchange risks when the criteria for appropriation are met.

(2) Hedging methods, items covered by hedging and hedging strategy

Exchange risks are hedged based mainly on the company's "Internal Management Regulations", and the company has adopted a policy of not conducting any speculative derivative trading.

Hedging method: forward exchange contracts

Items hedged: Foreign currency denominated debt

Notes Relating to Income Tax

1. Breakdown of major factors giving rise to deferred tax assets and liabilities:

	<u>Millions of Yen</u>		
	<u>Sep.30, 2006</u>	<u>As of Jun.30, 2006</u>	<u>Sep.30, 2005</u>
(1) Current deferred tax assets and liabilities			
Deferred tax assets			
Inventories - intercompany unrealized profits	1,965	1,719	2,277
Maintenance of environment	1,701	1,459	1,753
Accrued bonuses to employees	1,544	834	1,564
Loss on close of factory	404	404	—
Accrued enterprise taxes	950	171	777
Other	1,298	872	1,589
Total amount of deferred tax assets - current	<u>7,863</u>	<u>5,461</u>	<u>7,961</u>
(2) Non-current deferred tax assets and liabilities			
Deferred tax assets			
Excess amount of inclusion in deductible expenses for depreciation	1,738	1,866	2,005
Loss on impairment not deductible	619	606	748
Excess amount of inclusion in deductible expenses for allowance for doubtful receivables	111	118	115
Loss on disposal of fixed assets not deductible	518	—	—
Other	734	1,399	845
Total amount of deferred tax assets - fixed	<u>3,723</u>	<u>3,990</u>	<u>3,715</u>
Deferred tax liabilities			
Reserve for deferred income taxes on fixed assets	-332	-398	-423
Special depreciation reserve	-233	-250	-277
Net unrealized gain on available-for-sale securities	—	-21	-40
Other	-165	-165	-165
Total amount of deferred tax liabilities - fixed	<u>-732</u>	<u>-836</u>	<u>-906</u>
Net amount of deferred tax assets - fixed	<u>2,991</u>	<u>3,154</u>	<u>2,808</u>

2. The effective income tax rates of the companies differed from the statutory tax rate for the following reasons:

	<u>Three months ended</u>		
	<u>Sep.30, 2006</u>	<u>Sep.30, 2005</u>	<u>Jun.30, 2006</u>
Statutory tax rate of the Company	40.4 %	40.4 %	40.4 %
(Adjustment)			
Lower income tax rates applicable to income in certain foreign countries	-15.6	-19.1	-19.3
Non-Deductible expenses such as entertainment expenses	0.4	0.2	0.3
Per capita levy of inhabitants tax and others	0.1	0.1	0.1
Non-taxable dividend income	0.0	-0.3	-6.3
Intercompany cash dividend and transactions	0.0	0.4	6.3
Equity in earnings of affiliates	0.4	-1.1	0.9
Refund of income tax paid in previous year	—	—	-5.7
Tax credit on experiment and research expenses	-0.3	-0.5	-0.4
Other adjustment	3.7	0.5	-3.1
Effective income tax rate	<u>29.1</u>	<u>20.7</u>	<u>13.2</u>

Notes Relating to Employees' Retirement Benefits

1. Systems of employees' retirement benefits the Company adopts

The Company had systems to support lump sum severance pay and an employees' pension fund (Kosei Nenkin Kikin). During the third quarter of the fiscal year ended in March 2003, the system of lump sum severance pay was abolished. The employees' pension fund was dissolved with approval for its dissolution sanctioned by the Minister of Health, Labor and Welfare on January 29, 2003 and this has been in the process of completion. On May 26, 2004, the Company obtained approval from the Minister of Health, Labor and Welfare for the completion of the liquidation thereof.

2. Details of liabilities for employees' retirement benefits

(1) Breakdown of liabilities for employees' retirement benefits

None

(2) Breakdown of expenses for employees' retirement benefits

	<u>Three months ended</u>		
	<u>Sep.30, 2006</u>	<u>Sep.30, 2005</u>	<u>Jun. 30, 2006</u>
Additional retirement benefits paid to employees	<u>5</u>	<u>851</u>	<u>94</u>
Total expenses for employees' retirement benefits	<u><u>5</u></u>	<u><u>851</u></u>	<u><u>94</u></u>

(3) Calculation basis of liabilities for employees' retirement benefits

None

Notes Relating to Impairment of Fixed Assets

The company, which groups its assets in terms of its business units, accounted for impairment for the following groups of assets during the terms under review.

Tokyo Studio, etc. in the Crystal Division

Location	Akishima-shi, Tokyo, etc
Use	Facilities for manufacturing crystal glassware, etc
Asset Class	Machinery and equipment, etc.

In the Crystal Division, which experienced a substantial decline in demand for personal consumption and for corporate gifts amid the sluggish market, and book value of the asset group relating to this division was decreased to its recoverable amount, and the decrease was posted as impairment loss under extraordinary losses.

	<u>Millions of Yen</u>		
	<u>Three months ended</u>		
	<u>Sep.30, 2006</u>	<u>Sep.30, 2005</u>	<u>Jun.30, 2006</u>
Machinery and others	<u>67</u>	<u>124</u>	<u>14</u>
Total	<u><u>67</u></u>	<u><u>124</u></u>	<u><u>14</u></u>

The recoverable amount of the asset group was measured in terms of its value in use while its future cash flows were computed by discounting them by 5%.

(3) Segment Information (unaudited)

HOYA CORPORATION and Consolidated Subsidiaries

1. Industry Segments

(Figures less than a million Yen are omitted.)

for the three months ended September 30, 2006

	Millions of Yen							Elimin. or corp.*	Consolidated
	Electro- Optics	Photo- nics	Vision Care	Health Care	Others	Total			
Net sales:									
To outside customers	57,134	2,223	28,985	10,423	314	99,079	—	99,079	
Intersegment	91	77	-0	-0	646	812	-812	—	
Total	57,225	2,299	28,984	10,423	960	99,892	-812	99,079	
Operating expenses	35,449	2,176	23,731	7,996	1,137	70,488	464	70,954	
Operating income	21,777	123	5,253	2,427	-176	29,404	-1,278	28,126	
Operating income ratio	38.1%	5.4%	18.1%	23.3%	-18.3%	29.4%	-	28.4%	
Assets	250,542	7,802	111,318	19,867	2,719	392,251	25,110	417,361	
Depreciation	6,464	29	1,690	255	10	8,450	61	8,512	
Loss on impairment	—	—	—	—	67	67	—	67	
Capital Expenditures	12,287	39	3,718	429	75	16,548	477	17,025	
R&D Expenses	2,773	278	429	317	15	3,814	—	3,814	
Number of employees (p)	19,281	204	7,388	815	225	27,913	61	27,974	

for the three months ended September 30, 2005

	Millions of Yen							Elimin. or corp.*	Consolidated
	Electro- Optics	Photo- nics	Vision Care	Health Care	Others	Total			
Net sales:									
To outside customers	46,784	2,512	25,607	9,079	978	84,961	—	84,961	
Intersegment	534	59	-1	0	1,231	1,823	-1,823	—	
Total	47,319	2,572	25,606	9,079	2,208	86,783	-1,823	84,961	
Operating expenses	29,208	2,441	20,593	6,831	2,192	61,265	-1,045	60,220	
Operating income	18,111	131	5,013	2,248	15	25,518	-779	24,740	
Operating income ratio	38.3%	5.1%	19.6%	24.8%	0.7%	29.4%	—	29.1%	
Assets	188,839	7,440	93,751	16,514	4,684	311,230	80,537	391,768	
Depreciation	4,114	23	1,561	202	13	5,915	12	5,928	
Loss on impairment	—	—	—	—	124	124	—	124	
Capital Expenditures	9,951	13	1,839	157	135	12,097	27	12,124	
R&D Expenses	2,362	260	568	266	8	3,467	—	3,467	
Number of employees (p)	14,708	192	6,750	699	383	22,732	52	22,784	

Ref : Differences between the first half of this year and the same period last year

	Millions of Yen							Elimin. or corp.*	Consolidated
	Electro- Optics	Photo- nics	Vision Care	Health Care	Others	Total			
Net sales:									
To outside customers	10,350	-289	3,378	1,344	-664	14,118	-	14,118	
Variance(%)	22.1%	-11.5%	13.2%	14.8%	-67.9%	16.6%	-	16.6%	
Intersegment	-443	18	1	0	-585	-1,011	1,011	-	
Total	9,906	-273	3,378	1,344	-1,248	13,109	1,011	14,118	
Operating expenses	6,241	-265	3,138	1,165	-1,055	9,223	1,509	10,734	
Operating income	3,666	-8	240	179	-191	3,886	-499	3,386	
Variance(%)	20.2%	-6.1%	4.8%	8.0%	#####	15.2%	-	13.7%	
Assets	61,703	362	17,567	3,353	-1,965	81,021	-55,427	25,593	
Depreciation	2,350	6	129	53	-3	2,535	49	2,584	
Loss on impairment	-	-	-	-	-57	-57	-	-57	
Capital Expenditures	2,336	26	1,879	272	-60	4,451	450	4,901	
R&D Expenses	411	18	-139	51	7	347	-	347	
Number of employees (p)	4,573	12	638	116	-158	5,181	9	5,190	

*Elimi. or corp. : Eliminations or corporate

Notes:

1. Products and Services of each Business Division:

(1) From this fiscal year, the company has changed its segmentation of industry as follows, because the necessity of classified disclosure for both Crystal and Service has decreased due to the decline of sales and profits by the Company's re-organization :

Business Category	Division	Products and Services
Information Technologies	Electro-Optics	Photomasks and Maskblanks for semiconductors, Masks and Devices for liquid-crystal displays (LCDs), Glass disks for hard disk drives (HDDs), Optical lenses, optical glasses, electronic glasses, Optical communication related devices, etc.
	Photonics	Lazer equipments for industrial, dental, and medical purposes, Light sources for electronics industry, special optical glasses, etc.
Eye Care	Vision Care	Eyeglass lenses, eyeglass frames, etc.
	Health Care	Contact lenses and accessories, intraocular lenses, etc.
Others		Crystal glass products; Design of information systems, etc.

(2) Formerly the company's business segment classification was as follows:

Business Category	Division	Products and Services
Information Technologies	Electro-Optics	Photomasks and Maskblanks for semiconductors, Masks and Devices for liquid-crystal displays (LCDs), Glass disks for hard disk drives (HDDs), Optical lenses, optical glasses, electronic glasses, Optical communication related devices, etc.
	Photonics	Lazer equipments for industrial, dental, and medical purposes, Light sources for electronics industry, special optical glasses, etc.
Eye Care	Vision Care	Eyeglass lenses, eyeglass frames, ophthalmic equipments, etc.
	Health Care	Contact lenses and accessories, intraocular lenses, etc.
Others	Crystal	Crystal glass products
	Service	Design of information systems, placement of temporary staff, etc.

(3) The business results for the three months ended Sep. 30, 2005 according to the former business segment are as follows:

	Millions of Yen							Elimin. or corp.*	Consoli -dated
	Electro- Optics	Photo- nics	Vision Care	Health Care	Crystal	Service	Total		
Net sales:									
To outside customers	46,784	2,512	25,607	9,079	480	498	84,961	—	84,961
Intersegment	534	59	-1	0	15	1,216	1,823	-1,823	—
Total	47,319	2,572	25,606	9,079	494	1,714	86,783	-1,823	84,961
Operating expenses	29,208	2,441	20,593	6,831	667	1,525	61,265	-1,045	60,220
Operating income	18,111	131	5,013	2,248	-173	188	25,518	-779	24,740
Operating income ratio	38.3%	5.1%	19.6%	24.8%	-35.0%	11.0%	29.4%	42.7%	29.1%
Assets	188,839	7,440	93,751	16,514	1,382	3,302	311,230	80,537	391,768
Depreciation	4,114	23	1,561	202	—	13	5,915	12	5,928
Loss on impairment	—	—	—	—	124	—	124	—	124
Capital Expenditures	9,951	13	1,839	157	124	10	12,097	27	12,124
R&D Expenses	2,362	260	568	266	8	—	3,467	—	3,467
Number of employees (p)	14,708	192	6,750	699	129	254	22,732	52	22,784

*Elimi. or corp. : Eliminations or corporate

2. Amounts and composition of unallocable operating expenses are included in "Eliminations or Corporate". Corporate operating expenses mainly consist of the administration expenses of the headquarters of the Company and the overseas regional headquarters, which are not allocated to each industry segment. Corporate operating expenses for the three months ended Sep. 30, 2006 and 2005 are as follows:

2006 1,231 million Yen 2005 757 million Yen

3. Corporate assets included in "Eliminations or Corporate" mainly consist of cash, time deposits, investments securities and administrative assets of the Company and the overseas regional headquarters. Corporate assets as of Sep. 30, 2006 and 2005 are as follows:

2006 19,253 million Yen 2005 82,641 million Yen

2. Geographical Segments (Figures less than a million Yen are omitted.)

for the three months ended September 30, 2006

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimin or corp.*	
Net sales:							
To outside customers	70,328	9,016	11,539	8,197	99,079	—	99,079
Intersegment	7,131	68	247	41,256	48,702	-48,702	—
Total	77,458	9,083	11,786	49,453	147,781	-48,702	99,079
Operating expenses	66,882	9,073	10,664	34,141	120,759	-49,804	70,954
Operating income	10,577	11	1,123	15,313	27,023	1,103	28,126
Operating income ratio	13.7%	0.1%	9.5%	31.0%	18.3%	—	28.4%
Assets	176,164	13,331	91,006	193,604	474,106	-56,744	417,361

for the three months ended September 30, 2005

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimin or corp.*	
Net sales:							
To outside customers	62,359	8,770	9,174	4,657	84,961	—	84,961
Intersegment	5,773	35	130	28,102	34,040	-34,040	—
Total	68,131	8,806	9,305	32,759	119,000	-34,040	84,961
Operating expenses	56,980	8,416	7,916	22,217	95,529	-35,309	60,220
Operating income	11,151	389	1,389	10,542	23,471	1,268	24,740
Operating income ratio	16.4%	4.4%	14.9%	32.2%	19.7%	—	29.1%
Assets	166,008	18,984	38,340	131,941	355,275	36,493	391,768

Ref : Differences between the second quarter of this year and the same period last year

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimin or corp.*	
Net sales:							
To outside customers	7,969	246	2,365	3,540	14,118	-	14,118
Variance(%)	12.8%	2.8%	25.8%	76.0%	16.6%	-	16.6%
Intersegment	1,358	33	117	13,154	14,662	-14,662	-
Total	9,327	277	2,481	16,694	28,781	-14,662	14,118
Operating expenses	9,902	657	2,748	11,924	25,230	-14,495	10,734
Operating income	-574	-378	-266	4,771	3,552	-165	3,386
Variance(%)	-5.1%	-97.2%	-19.2%	45.3%	15.1%	-	13.7%
Assets	10,156	-5,653	52,666	61,663	118,831	-93,237	25,593

*Elimi. or corp. : Eliminations or corporate

Notes:

- The Company and its subsidiaries are summarized in four segments by geographic area based on the countries where the Group offices are located. The segments consisted of the following countries:
 - North America: United States of America and Canada
 - Europe: Netherlands, Germany, United Kingdom, etc., including South Africa
 - Asia: Singapore, Republic of Korea, Taiwan, etc., including Australia
- Amounts and composition of unallocable operating expenses are included in "Eliminations or Corporate". Corporate operating expenses mainly consist of the administration expenses of the headquarters of the Company and the overseas regional headquarters, which are not allocated to each industry segment. Corporate operating expenses for the three months ended Sep. 30, 2006 and 2005 are as follows:

2006	1,132	million Yen
2005	682	million Yen
- Corporate assets included in "Eliminations or Corporate" mainly consist of cash, time deposits, investments securities and administrative assets of the Company and the overseas regional headquarters. Corporate assets as of Sep. 30, 2006 and 2005 are as follows:

2006	16,955	million Yen
2005	80,021	million Yen

3. Sales to Foreign Customers

(Figures less than a million Yen are omitted.)

for the three months ended September 30, 2006

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	10,875	12,091	30,390	0	53,356
Total Consolidated Net Sales (B)					99,079
Overseas Sales ratio A/B	11.0%	12.2%	30.7%	0.0%	53.9%
Regional Sales ratio	20.4%	22.7%	56.9%	0.0%	100.0%

for the three months ended September 30, 2005

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	10,774	9,628	19,874	3	40,281
Total Consolidated Net Sales (B)					84,961
Overseas Sales ratio A/B	12.7%	11.3%	23.4%	0.0%	47.4%
Regional Sales ratio	26.8%	23.9%	49.3%	0.0%	100.0%

Ref:

Differences between the second quarter of this year and the same period last year

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	101	2,463	10,516	-3	13,075
Total Consolidated Net Sales (B)					14,118
Variance(%)	0.9%	25.6%	52.9%	-	32.5%

Note: The Company and subsidiaries are summarized in four segments by geographic area based on the countries where the Customers are located. The segments consisted of the following countries:

North America:	United States of America, Canada, etc.
Europe:	Netherlands, Germany, United Kingdom, etc.
Asia:	Singapore, Republic of Korea, Taiwan, etc.
Other:	Saudi Arabia, Brazil, etc.

Re: South Africa is included in Europe and Australia is in Asia.

(4) Composition of Net Sales by Business Category (unaudited)

HOYA CORPORATION and Consolidated Subsidiaries

Business Category Company	Millions of yen [%]					
	Three months ended		Variance		Three months ended	
	Sep.30, 2006	Sep.30, 2005	Value	(%)	Jun.30, 2006	
Electro-Optics						
Domestic	24,536 (42.9)	24,189 (51.7)	347	1.4	23,654 (45.3)	
Overseas	32,597 (57.1)	22,595 (48.3)	10,002	44.3	28,585 (54.7)	
total	57,134 [57.7]	46,784 [55.1]	10,350	22.1	52,239 [56.4]	
Photonics						
Domestic	1,416 (63.7)	1,286 (51.2)	130	10.1	1,416 (59.0)	
Overseas	806 (36.3)	1,226 (48.8)	-420	-34.3	986 (41.0)	
total	2,223 [2.2]	2,512 [2.9]	-289	-11.5	2,402 [2.6]	
Information Technology						
Domestic	25,953 (43.7)	25,475 (51.7)	478	1.9	25,070 (45.9)	
Overseas	33,404 (56.3)	23,822 (48.3)	9,582	40.2	29,571 (54.1)	
total	59,357 [59.9]	49,297 [58.0]	10,060	20.4	54,641 [59.0]	
Vision Care						
Domestic	9,365 (32.3)	9,538 (37.2)	-173	-1.8	8,885 (31.8)	
Overseas	19,620 (67.7)	16,069 (62.8)	3,551	22.1	19,040 (68.2)	
total	28,985 [29.3]	25,607 [30.1]	3,378	13.2	27,926 [30.2]	
Health Care						
Domestic	10,131 (97.2)	8,837 (97.3)	1,294	14.6	9,310 (95.7)	
Overseas	292 (2.8)	242 (2.7)	50	20.7	422 (4.3)	
total	10,423 [10.5]	9,079 [10.7]	1,344	14.8	9,733 [10.5]	
Eye Care						
Domestic	19,496 (49.5)	18,375 (53.0)	1,121	6.1	18,195 (48.3)	
Overseas	19,912 (50.5)	16,311 (47.0)	3,601	22.1	19,463 (51.7)	
total	39,408 [39.8]	34,686 [40.8]	4,722	13.6	37,659 [40.7]	
Others						
Domestic	274 (87.3)	830 (84.9)	-556	-67.0	280 (88.6)	
Overseas	40 (12.7)	148 (15.1)	-108	-73.0	36 (11.4)	
total	314 [0.3]	978 [1.2]	-664	-67.9	317 [0.3]	
Total Net Sales						
Domestic	45,723 (46.1)	44,680 (52.6)	1,043	2.3	43,547 (47.0)	
Overseas	53,356 (53.9)	40,281 (47.4)	13,075	32.5	49,071 (53.0)	
total	99,079 [100.0]	84,961 [100.0]	14,118	16.6	92,618 [100.0]	

Notes: 1. Figures of less than a million yen are omitted.
 2. Figures in () are percentages of business category sales.
 3. Figures in [] are percentages of total net sales.

Notes Relating to Material Facts Occurring After the Closing of Accounts

In a meeting of the Board of Directors on October 19, 2006, HOYA CORPORATION "the Company" decided to grant stock options to directors, executive officers and employees of the Company and its subsidiaries.

The terms and conditions of the stock options granted to directors and executive officers of the Company were resolved at the Board of Directors' meeting in accordance with the deliberation of the compensation committee.