



January 22, 2007

## Financial Highlights for the Three Months (unaudited)

HOYA CORPORATION and Consolidated Subsidiaries

\*Contact:Naoji Ito, Manager of Corporate Communications Tel:03(3952)1160 Fax:03(3952)0726

E-mail:naoji.ito@mb.hoya.co.jp

( The yen amounts shown therein are rounded down to the nearest million.)

### 1.Performance for the three months ended Dec. 31, 2006 and 2005

(1)Results of Operations	Millions of Yen		
	Three months ended Dec. 31,		variance (%)
	2006	2005	
Net sales	98,929	87,286	( 13.3 )
Operating income	27,216	27,257	( -0.2 )
Ordinary income	25,148	27,162	( -7.4 )
Net income	19,963	20,120	( -0.8 )
Net income per share(Yen)	46.32	46.20	0.12

Notes : No changes have been made in accounting policy.

(2)Financial Position	Millions of Yen		
	As of Dec. 31,	As of Sep. 30,	As of Dec. 31,
	2006	2006	2005
Total assets	423,478	417,361	356,966
Net assets	343,290	322,690	259,926
Owner's equity ratio	80.6%	76.9%	72.8%
Net assets per share (Yen)	791.55	745.06	604.09

(3)Conditions of Cash Flow	Millions of Yen	
	Three months ended Dec. 31,	
	2006	2005
Net cash provided by operating activities	19,950	17,024
Net cash used in investing activities	-3,797	-19,719
Net cash provided by (used in) financing activities	-13,566	-56,765
Cash and cash equivalents at end of period	105,748	74,458

2. Projected Results for the Fourth Quarter	Millions of Yen		
	Three months ending/ended		variance (%)
	Mar.31,2007	Mar.31,2006	
Net sales	93,874	90,204	( 4.1 )
Operating income	24,418	24,043	( 1.6 )
Ordinary income	25,413	22,036	( 15.3 )
Net income	18,637	16,514	( 12.9 )
Net income per share (Yen)	43.22	38.21	5.01

#### (Notes)

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

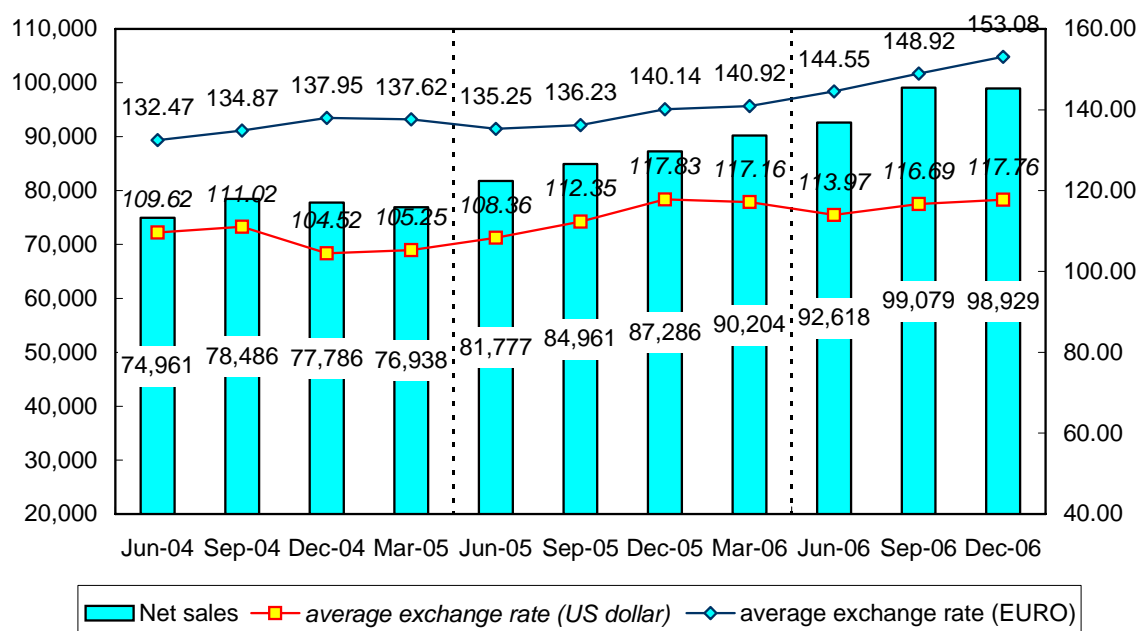
Results of Operations	Millions of Yen	Variance(%)
	Three months ended Dec. 31, 2006	year-on-year
Net sales	98,929	( 13.3 )
Operating income	27,216	( -0.2 )
Ordinary income	25,148	( -7.4 )
Net income	19,963	( -0.8 )
Net income per share(Yen)	46.32	0.12

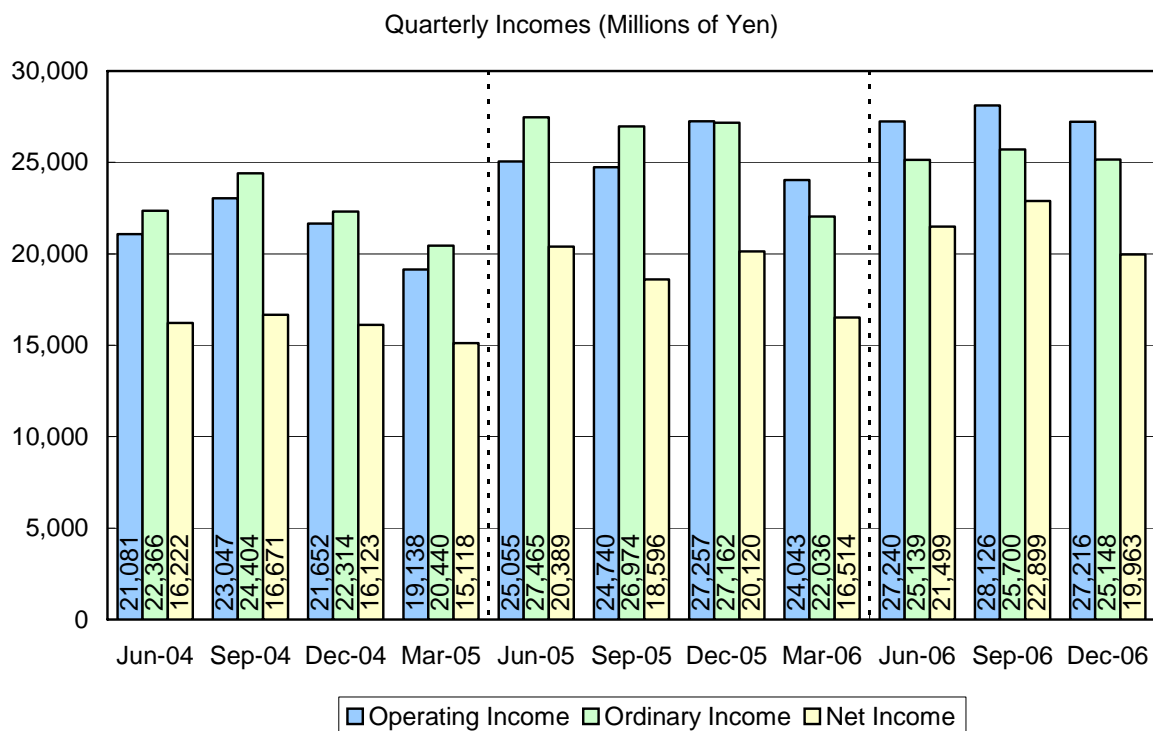
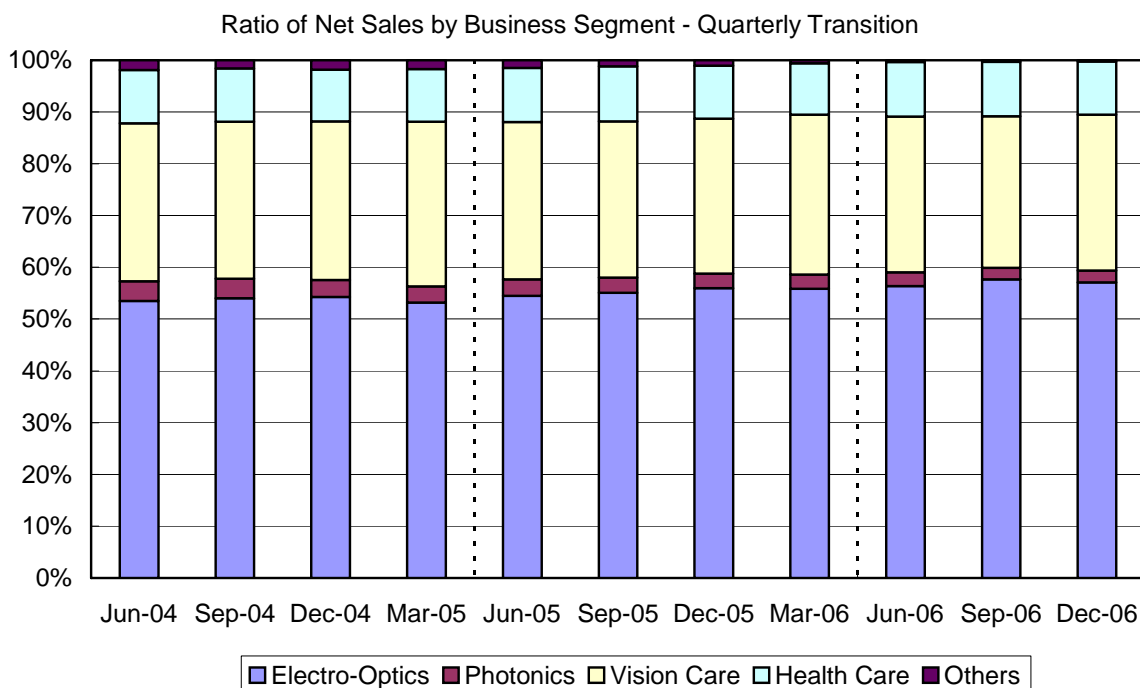
Economic conditions during the quarter under review were marked by a continuing improving the business climate with keeping high tone of capital investment and expansion of employment. Improvements in corporate performance led to increased employment, improvement in household income and increased expenses, 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 year-on-year basis. 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.

On the other hand, there were increase of start-up cost and depreciation on the production facilities recently established. There were also increase of production costs resulting from product-mix in some segments or market areas. As a result, operating margin declined slightly year-on-year basis.

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





## 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. As a result, the sales of LCD large masks decreased year-on-year.

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.

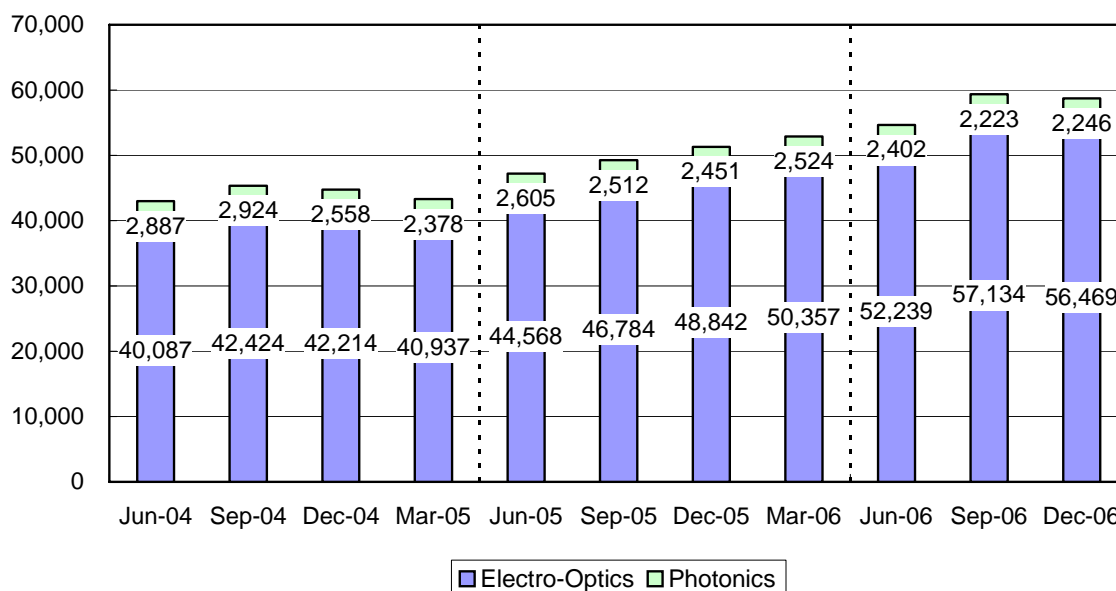
In optical lenses, the demand for lenses for mobile telephones equipped with cameras increased broadly, resulting in higher sales year-on-year.

#### 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.

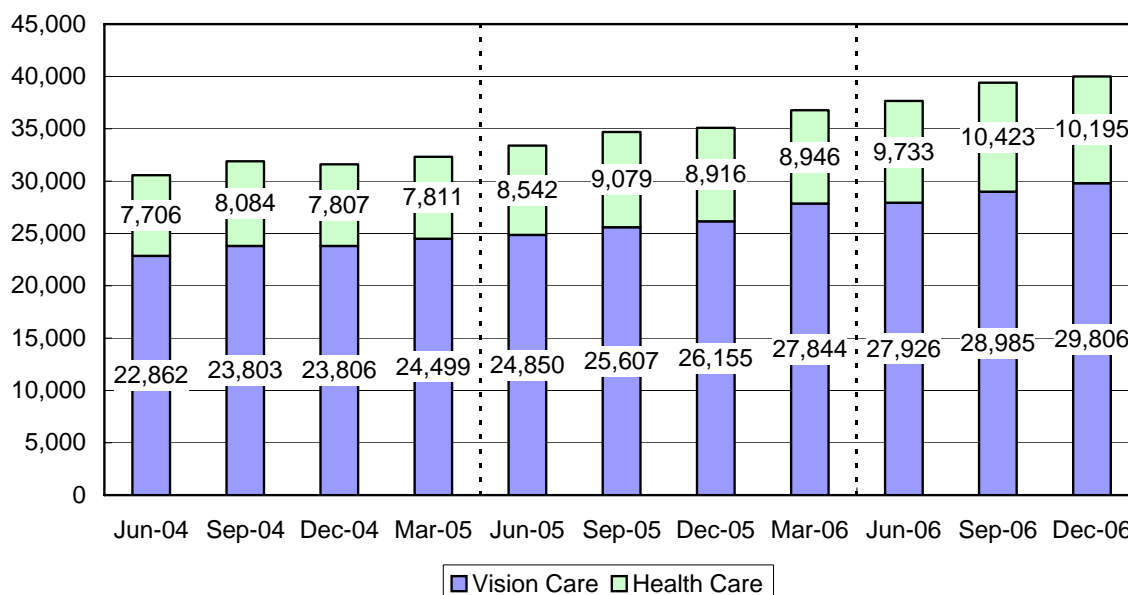
As a result, an increase was realized in the sector overall year-on-year.

### 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. Other Businesses

	<u>Millions of Yen</u>
	<u>Three months ended Dec. 31, 2006</u>
Quarterly net sales	212

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 Dec. 31, 2006</u>
Total assets	423,478
Net assets	343,290
Owner's equity ratio	80.6%

At the end of the quarter under review, the current assets increased Yen 275 million from the beginning of the quarter under review since cash and deposit increased Yen 7,062 million. Fixed assets increased Yen 5,841 million and total assets increased Yen 6,117 million. Liabilities decreased Yen 14,484 million due to decrease of current liabilities. Net assets came to Yen 343,290 million through increase of earned surplus. Owner's equity, which is total figures of Shareholders' equity and Valuation and translation adjustments, came to Yen 341.387 million and Owner's equity ratio came to 80.6%.

### 3. Conditions of Cash Flows

	<u>Millions of Yen</u>
	<u>Three months ended Dec. 31, 2006</u>
Net cash provided by operating activities	19,950
Net cash used in investing activities	-3,797
Net cash provided by (used in) financing activities	-13,566
Cash and cash equivalents at end of period	105,748

In terms of cash flows from operating activities, on the basis of Yen 25,106 million in income before income taxes and Yen 9,528 million in depreciation, net cash provided by operating activities amounted to 19,950 million. Net cash used in investment activities amounted to Yen 3,797 million in cash payments that were mainly used for investment in order to handle next-generation products, while there were also proceeds from sales of fixed assets. Free cash flow came to Yen 16,153 million and used Yen 12,932 million for payment of dividends. As a result, the term-end balance of cash and cash equivalents increased by Yen 7,062 million in comparison with that of the end of the previous quarter.

## 4. Projected Results for the Fourth Quarter

1. Year-on-year comparison	Millions of Yen		variance (%)
	Three months ending/ended		
	Mar.31,2007	Mar.31,2006	
Net sales	93,874	90,204 (	4.1 )
Operating income	24,418	24,043 (	1.6 )
Ordinary income	25,413	22,036 (	15.3 )
Net income	18,637	16,514 (	12.9 )
Net income per share (Yen)	43.22	38.21	5.01 Yen
2. Quarter-on-quarter comparison	Millions of Yen		variance (%)
	Three months ending/ended		
	Mar.31,2007	Dec.31,2006	
Net sales	93,874	98,929 (	-5.1 )
Operating income	24,418	27,216 (	-10.3 )
Ordinary income	25,413	25,148 (	1.1 )
Net income	18,637	19,963 (	-6.6 )
Net income per share (Yen)	43.22	46.32	-3.10 Yen

Ref : Projected Results for the Year ending March 31, 2007

	Millions of Yen		variance (%)
	Years ending/ended		
	Mar.31,2007	Mar.31,2006	
Net sales	384,500	344,228 (	11.7 )
Operating income	107,000	101,095 (	5.8 )
Ordinary income	101,400	103,637 (	-2.2 )
Net income	83,000	75,620 (	9.8 )
Net income per share (Yen)	192.66	171.71	20.95 Yen

*These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from that anticipated in these statements. These factors include changes in economic conditions, trends in our major markets, or fluctuation of currency exchange rates.*

## (2) Consolidated Financial Statements (unaudited)

## 1. Consolidated Balance Sheets

HOYA CORPORATION and Consolidated Subsidiaries	Millions of Yen			
	Dec.31,2006	Sep.30, 2006	Variance(%)	Dec.31,2005
<b>ASSETS</b>				
Current assets				
Cash and deposits	105,748	98,685		74,458
Notes and accounts receivable - trade	93,673	91,179		83,759
Inventories	47,861	45,432		41,700
Deferred tax assets	4,781	7,863		6,249
Other current assets	6,151	14,792		5,534
Allowance for doubtful receivables	-1,213	-1,224		-1,467
<b>Total current assets</b>	<b>257,003</b>	<b>256,728</b>	<b>0.1</b>	<b>210,235</b>
Fixed assets				
Tangible fixed assets				
Buildings and structures	31,716	30,611		28,895
Machinery and carriers	74,759	73,328		58,181
Tools, equipment and fixtures	12,451	12,103		10,645
Lands	9,066	8,867		8,948
Construction in progress	10,916	9,474		9,714
<b>Total tangible fixed assets</b>	<b>138,908</b>	<b>134,386</b>	<b>3.4</b>	<b>116,385</b>
Intangible fixed assets				
<b>Total intangible fixed assets</b>	<b>5,952</b>	<b>5,851</b>	<b>1.7</b>	<b>7,266</b>
Investments and other assets				
Investment securities	14,085	12,955		14,813
Deferred tax assets	2,896	2,991		3,293
Other assets	4,947	4,723		5,203
Allowance for doubtful receivables	-316	-274		-306
<b>Total investment and other assets</b>	<b>21,613</b>	<b>20,395</b>	<b>6.0</b>	<b>23,005</b>
<b>Total fixed assets</b>	<b>166,474</b>	<b>160,633</b>	<b>3.6</b>	<b>146,657</b>
Deferred charges				
<b>Total deferred charges</b>	<b>—</b>	<b>—</b>	<b>-</b>	<b>74</b>
<b>TOTAL ASSETS</b>	<b>423,478</b>	<b>417,361</b>	<b>1.5</b>	<b>356,966</b>

HOYA CORPORATION and Consolidated Subsidiaries	Millions of Yen			
	As of			
LIABILITIES AND NET ASSETS	Dec.31,2006	Sep.30,2006	Variance(%)	Dec.31,2005
<b>LIABILITIES</b>				
Current liabilities				
Notes and accounts payable - trade	28,612	30,228		28,174
Commercial paper	5,997	7,497		20,000
Income tax payable	8,623	15,219		10,256
Accrued bonuses to employees	2,248	4,134		2,085
Other current liabilities	32,756	35,654		33,317
<b>Total current liabilities</b>	<b>78,238</b>	<b>92,734</b>	<b>-15.6</b>	<b>93,834</b>
Long-term liabilities				
Allowance for special repairs	778	662		757
Other long-term liabilities	1,170	1,274		1,493
<b>Total long-term liabilities</b>	<b>1,949</b>	<b>1,936</b>	<b>0.7</b>	<b>2,250</b>
<b>Total Liabilities</b>	<b>80,187</b>	<b>94,671</b>	<b>-15.3</b>	<b>96,085</b>
<b>NET ASSETS</b>				
Shareholders' equity				
Paid-in capital	6,264	6,264		—
Capital surplus	15,898	15,898		—
Earned surplus	304,051	297,696		—
Treasury stock	-13,998	-15,521		—
Advances on subscription to treasury stock	45	16		—
<b>Total shareholders' equity</b>	<b>312,261</b>	<b>304,353</b>	<b>2.6</b>	<b>—</b>
Valuation and translation adjustments				
Valuation difference on available-for-sale securities	-36	-7		—
Translation adjustments	29,162	16,658		—
<b>Total valuation and translation adjustments</b>	<b>29,126</b>	<b>16,651</b>	<b>74.9</b>	<b>—</b>
New share subscription rights	66	—	-	—
Minority interest	1,836	1,685	9.0	—
<b>Total Net Assets</b>	<b>343,290</b>	<b>322,690</b>	<b>6.4</b>	<b>—</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>423,478</b>	<b>417,361</b>	<b>1.5</b>	<b>—</b>
<b>MINORITY INTEREST</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>954</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common stock	—	—	—	6,264
Capital surplus	—	—	—	15,898
Retained earnings	—	—	—	303,597
Net unrealized gain (loss) on available-for-sale securities	—	—	—	82
Foreign currency translation adjustments	—	—	—	4,812
Treasury stock - at cost	—	—	—	-70,727
<b>Total Shareholders' Equity</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>259,926</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>356,966</b>
Notes:	Millions of Yen			
1. Accumulated depreciation	213,543	196,198		176,548
2. Guarantees of borrowings and lease obligations for customers and Group's employees	2,739	2,702		2,209
3. Number of shares of treasury stock (unit : shares)	3,784,297	4,196,357		19,123,407

## 2. Consolidated Statements of Income

HOYA CORPORATION and Consolidated Subsidiaries

	Millions of Yen			
	Three months ended Dec. 31,		Variance(%)	Three months ended Sep.30, 2006
	2006	2005		
Net sales	98,929	87,286	13.3	99,079
Cost of sales	50,716	40,830	24.2	50,117
Gross profit	48,214	46,456	3.8	48,961
Selling, general and administrative expenses	20,997	19,198	9.4	20,836
Operating income	27,216	27,257	-0.2	28,126
Non-operating income	2,472	759	225.7	1,351
Interest income	567	482		777
Equity in earnings of affiliates	894	110		—
Others	1,011	167		574
Non-operating expenses	4,540	855	431.0	3,776
Interest expense	6	31		2
Sales discount	207	177		186
Foreign exchange losses	3,085	288		2,692
Equity in losses of affiliates	—	—		293
Others	1,242	358		603
Ordinary income	25,148	27,162	-7.4	25,700
Extra-ordinary gains	340	319	6.6	9,987
Gain on sales of property, plant and equipment	17	15		9,540
Others	322	305		447
Extra-ordinary losses	381	1,518	-74.9	3,355
Loss on disposal of property, plant and equipment	178	178		2,539
Additional retirement benefits paid to employees	119	383		5
Maintenance of environment	10	47		729
Loss on impairment of long-lived assets	4	320		67
Others	69	591		14
Income before income taxes and other items	25,106	25,963	-3.3	32,332
Income taxes - Current	2,181	4,422	-50.7	11,015
Income taxes - Deferred	2,905	1,388	109.3	-1,602
Minority interests in net income	56	30	86.7	22
Net income	19,963	20,120	-0.8	22,899
Net income per share(Yen)	46.32	46.20	0.12	53.16
Diluted net income per share(Yen)	46.14	46.01	0.13	52.96

Notes:

1. 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	98,929	97,461	1,468
Operating income	27,216	25,847	1,369
Ordinary income	25,148	23,776	1,372
Net income	19,963	18,724	1,239

2. Average rates of major foreign currencies	Three months ended Dec. 31,		Variance(%)	Three months ended Sep.30, 2006
	2006	2005		
US\$	Yen 117.76	117.83	0.1%	116.69
Euro	Yen 153.08	140.14	-9.2%	148.92
Thai Baht	Yen 3.27	2.87	-13.9%	3.09

3. Material facts occurring after the closing of accounts

HOYA CORPORATION and PENTAX Corporation announced on December 21, 2006 that they reached a basic understanding aimed at a management integration of the two companies, expected to be completed on October 1, 2007. For details, please refer to the press release attached in the end of this report.

### 3. 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
<b>BALANCE SEPTEMBER 30, 2006</b>	6,264	15,898	297,696	-15,521	16	304,353
Net income			19,963			19,963
Appropriations						
Cash dividends			-12,923			-12,923
Bonus to directors						
Loss on disposal of treasury stock						
Repurchase of treasury stocks				-3		-3
Disposal of treasury stocks			-686	1,527		840
Increase / decrease due to change in accounting standard of overseas consolidated subsidiaries						
Others					29	30
Net increase / decrease during the term under review except in Shareholders' Equity			6,354	1,523	29	7,907
Total increase / decrease during the term under review	-	-	6,354	1,523	29	7,907
<b>BALANCE DECEMBER 31, 2006</b>	6,264	15,898	304,051	-13,998	45	312,261

	Millions of Yen					
	Valuation and Translation Adjustments					
	Valuation difference on available-for- sale securities	Translation Adjustments	Total Valuation and Translation Adjustments	New Share Subscription Rights	Minority Interest	Total Net Assets
<b>BALANCE SEPTEMBER 30, 2006</b>	-7	16,658	16,651	-	1,685	322,690
Net income						19,963
Appropriations						
Cash dividends						-12,923
Bonus to directors						
Loss on disposal of treasury stock						-686
Repurchase of treasury stocks						-3
Disposal of treasury stocks						840
Increase / decrease due to change in accounting standard of overseas consolidated subsidiaries						
Others						30
Net increase / decrease during the term under review except in Shareholders' Equity	-29	12,504	12,474	66	150	12,692
Total increase / decrease during the term under review	-29	12,504	12,474	66	150	20,600
<b>BALANCE DECEMBER 31, 2006</b>	-36	29,162	29,126	66	1,836	343,290

Notes:

1. Condition of issued 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
		4,196,357	816	412,876	3,784,297	

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

Increase due to repurchase of treasury stock less than one unit	816 shares
Decrease due to sale of treasury stock less than one unit	76 shares
Decrease due to exercise of stock option	412,800 shares

## 4. Consolidated Statements of Cash Flows

HOYA CORPORATION and Consolidated Subsidiaries

	<u>Millions of Yen</u>		
	<u>Three months ended Dec.31,</u>		
	2006	2005	variance
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	25,106	25,962	-856
Depreciation and amortization	9,528	7,103	2,425
Loss on impairment of long-lived assets	4	319	-315
Provision for (reversal of ) accrued allowances for doubtful receivables	-4	0	-4
Provision for (reversal of ) accrued bonuses to employees	-1,900	-1,995	95
Provision for (Reversal of ) reserve for periodic repairs	114	8	106
Interest income and dividend receivable	-579	-482	-97
Interest expense payable	6	31	-25
Foreign exchange loss (gain)	553	-323	876
Equity in earnings of affiliates	-894	-109	-785
Gain on sales of property, plant and equipment and investment securities	-17	-14	-3
Loss on disposal of property, plant and equipment and investment securities	178	177	1
Other	908	-262	1,170
(Increase) decrease in notes and accounts receivable	-1,590	-5,719	4,129
(Increase) decrease in inventories	-571	-1,587	1,016
(Increase) decrease in other current assets	-542	-935	393
Increase (decrease) in notes and accounts payable	-2,207	264	-2,471
Increase (decrease) in income taxes payable	-279	-234	-45
Increase (decrease) in other current liabilities	480	615	-135
Sub total	28,291	22,817	5,474
Interest and dividend receivable	437	507	-70
Interest payable	-4	-11	7
Income taxes - paid	-8,774	-6,288	-2,486
Net cash provided by operating activities	19,950	17,024	2,926
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	-12,899	-16,493	3,594
Proceeds from sales of property, plant and equipment	9,626	65	9,561
Purchases of investment securities	—	-1,532	1,532
Expenditure for loans	-73	-0	-73
Income from collection of loans	5	33	-28
Expenditure for other investments	-505	-1,819	1,314
Income from other investments	48	28	20
Net cash used in investing activities	-3,797	-19,719	15,922
<b>FINANCING ACTIVITIES:</b>			
Net increase (decrease) in short-term bank loans	-1,499	20,000	-21,499
Increase in treasury stock	-3	-64,006	64,003
Decrease in treasury stock	869	618	251
Dividends paid	-12,932	-13,377	445
Net cash used in financing activities	-13,566	-56,765	43,199
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,476	2,614	1,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,062	-56,845	63,907
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	98,685	131,304	-32,619
CASH AND CASH EQUIVALENTS, END OF PERIOD	105,748	74,458	31,290
	<u>Millions of Yen</u>		
Note : Cash and Cash Equivalents at the End of the Period	<u>As of Dec.31,</u>		
	<u>2006</u>	<u>2005</u>	
Cash and deposits	105,748	74,458	
Total	105,748	74,458	

## 5. Preparation of the Consolidated Financial Statements

### Scope of Consolidation and Application of the Equity Method

1. Number of consolidated subsidiaries : 63 companies  
(Major consolidated subsidiaries :  
<overseas> HOYA HOLDINGS, INC.,HOYA HOLDINGS N.V., HOYA HOLDINGS ASIA PACIFIC PTE LTD.  
<domestic> HOYA CANDEO Optronics CORPORATION, HOYA HEALTHCARE CORPORATION
2. Number of unconsolidated subsidiaries : None
3. Number of affiliates : 4 companies  
(Number of affiliates accounted for by the equity method : 1 company, NH TECHNO GLASS CORPORATION)

#### Notes: Changes in Accounting Policies and Others

1. Changes in scope of consolidation and application of the equity method:
  - 1) Scope of consolidation
    - a) In comparison to the end of the same period of last year (Dec. 31, 2005) : no change in the number of subsidiaries.
      - 1 company increased due to the establishment: HOYA LENS INDIA PRIVATE LIMITED (India)
      - 2 companies increased due to the acquisition: QSTREAMS NETWORKS, INC. (USA)  
HOYA HILL OPTICS SA (PTY) LTD. (South Africa)
      - 1 company decreased due to the merger into the parent company : HOYA ADVANCED SEMICONDUCTOR TECHNOLOGIES CO.,LTD. (Japan)
      - 1 company decreased due to the closing : HOYA LENS MEXICO, SA.DE.CV. (Mexico)
      - 1 company decreased due to the merger into the other subsidiary : HOYA CRYSTAL, INC. (USA)  
\* merged into HOYA CORPORATION USA (USA)
    - b) In comparison to the end of previous quarter (Sep.30, 2006) : 1 company decreased.
      - 1 company decreased due to the merger into the other subsidiary : HOYA CRYSTAL, INC. (USA)  
\* merged into HOYA CORPORATION USA (USA)
  - 2) Application of the equity method
    - a) In comparison to the end of the same period of last year (Dec. 31, 2005) :  
No change
    - b) In comparison to the end the previous quarter (Sep.30, 2006) :  
No change

	as of Dec.31, 2006	as of Dec.31, 2005	variance	as of Sep.30, 2006
Consolidated subsidiaries	63 (do 5, os58)	63 (do 6, os57)	- (do-1, os+1)	64 (do 5, os59)
Nonconsolidated subsidiaries	- (do -, os -)	- (do -, os -)	- (do -, os -)	- (do -, os -)
Affiliates	4 (do 4, os -)	6 (do 5, os 1)	-2 (do-1, os-1)	4 (do 4, os -)
(accounted for by the equity method)	(1) (do 1, os -)	(1) (do 1, os -)	(-) (do-, os-)	(1) (do 1, os -)
Hoya Group Total	67	69	-2	68
(accounted for by the equity method)	(1)	(1)	(-)	(1)

(do : domestic, os : overseas)

2. Changes in accounting policy :  
From this fiscal year, the company has changed its classification of industry segment.

Notes Relating to Investment Securities and Derivatives

## 1. Investment securities with market values:

(Millions of Yen)

	As of								
	Dec.31, 2006			Sep.30, 2006			Dec.31, 2005		
Available-for-sale	Cost	Fair Value	Variance	Cost	Fair Value	Variance	Cost	Fair Value	Variance
Available-for-sale :									
Marketable Equity securities	1,692	1,629	-63	1,692	1,685	-7	1,692	1,870	177
Government bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total	1,692	1,629	-63	1,692	1,685	-7	1,692	1,870	177

## 2. Investment securities without market values:

(Millions of Yen)

	As of		
	Dec.31, 2006	Sep.30, 2006	Dec.31, 2005
Non-marketable stock of subsidiaries	11,287	10,123	11,650
Total	11,287	10,123	11,650
Non-marketable equity securities	902	882	1,016
Others	265	264	276
Total	1,168	1,146	1,292

## 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 Taxes

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

	<u>Millions of Yen</u>		
	<u>As of</u>		
	<u>Dec.31, 2006</u>	<u>Sep.30, 2006</u>	<u>Dec.31, 2005</u>
(1) Current deferred tax assets and liabilities			
Deferred tax assets			
Inventories - intercompany unrealized profits	2,441	1,965	2,049
Maintenance of environment	3	1,544	1,414
Accrued bonuses to employees	851	950	801
Loss on close of factory	—	1,701	—
Accrued enterprise taxes	435	404	418
Other	1,048	1,298	1,564
Total amount of deferred tax assets - current	<u>4,781</u>	<u>7,863</u>	<u>6,249</u>
(2) Non-current deferred tax assets and liabilities			
Deferred tax assets			
Excess amount of inclusion in deductible expenses for depreciation	1,614	1,738	1,938
Loss on impairment not deductible	621	619	877
Excess amount of inclusion in deductible expenses for allowance for doubtful receivables	111	518	109
Loss on disposal of fixed assets not deductible	518	111	—
Other	732	734	1,275
Total amount of deferred tax assets - fixed	<u>3,598</u>	<u>3,723</u>	<u>4,201</u>
Deferred tax liabilities			
Reserve for deferred income taxes on fixed assets	-315	-332	-415
Special depreciation reserve	-220	-233	-293
Net unrealized gain on available-for-sale securities	—	—	-33
Other	-165	-165	-165
Total amount of deferred tax liabilities - fixed	<u>-702</u>	<u>-732</u>	<u>-907</u>
Net amount of deferred tax assets - fixed	<u><u>2,896</u></u>	<u><u>2,991</u></u>	<u><u>3,293</u></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>Dec.31,2006</u>	<u>Dec.31,2005</u>	<u>Sep.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	-18.1	-18.0	-15.6
Non-Deductible expenses such as entertainment expenses	0.4	0.3	0.4
Per capita levy of inhabitants tax and others	0.1	0.1	0.1
Non-taxable dividend income	—	0.0	0.0
Intercompany cash dividend	—	0.0	0.0
Equity in earnings (losses) of affiliates	-0.4	-0.2	0.4
Tax credit on experiment and research expenses	-1.4	-0.4	-0.3
Other adjustment - net	-0.7	0.2	3.7
Effective income tax rate	<u><u>20.3</u></u>	<u><u>22.4</u></u>	<u><u>29.1</u></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

	<u>Millions of Yen</u>		
	<u>Three months ended</u>		
	<u>Dec.31, 2006</u>	<u>Dec.31,2005</u>	<u>Sep.30, 2006</u>
(2) Breakdown of expenses for employees' retirement benefits			
Additional retirement benefits paid to employees	119	383	5
Expenses for employees' retirement benefits	<u>119</u>	<u>383</u>	<u>5</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>Dec.31, 2006</u>	<u>Dec.31, 2005</u>	<u>Sep.30, 2006</u>
Machinery and others	4	320	67
Total	<u>4</u>	<u>320</u>	<u>67</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**For the three months ended December 31, 2006

	Millions of Yen						Total	Elimi. or corp.*	Consolidated
	Electro-Optics	Photo-nics	Vision Care	Health Care	Others				
Net sales:									
To outside customers	56,469	2,246	29,806	10,195	212	98,929	—	98,929	
Intersegment	103	67	-2	0	694	863	-863	—	
Total	56,573	2,313	29,804	10,195	906	99,792	-863	98,929	
Operating expenses	35,891	2,196	24,803	8,109	1,096	72,095	-381	71,712	
Operating income	20,681	118	5,002	2,086	-190	27,696	-481	27,216	
Operating income ratio	36.6%	5.1%	16.8%	20.5%	-21.0%	27.8%	—	27.5%	
Assets	267,415	7,683	110,728	21,368	2,448	409,643	13,834	423,478	
Depreciation	7,413	32	1,749	300	11	9,508	19	9,528	
Loss on impairment	—	—	—	—	4	4	—	4	
Capital Expenditures	6,216	20	3,093	721	9	10,061	2	10,064	
R&D Expenses	2,406	295	265	437	39	3,444	—	3,444	
Number of employees (p)	19,927	204	7,400	881	205	28,617	63	28,680	

For the three months ended December 31, 2005

	Millions of Yen						Total	Elimi. or corp.*	Consolidated
	Electro-Optics	Photo-nics	Vision Care	Health Care	Others				
Net sales:									
To outside customers	48,842	2,451	26,155	8,916	923	87,286	—	87,286	
Intersegment	74	59	-3	-1	1,043	1,174	-1,174	—	
Total	48,915	2,510	26,152	8,915	1,968	88,460	-1,174	87,286	
Operating expenses	29,471	2,209	20,433	7,040	1,513	60,666	-637	60,029	
Operating income	19,444	302	5,719	1,876	453	27,793	-536	27,257	
Operating income ratio	39.8%	12.0%	21.9%	21.0%	23.0%	31.4%	—	31.2%	
Assets	205,710	7,502	98,581	18,417	4,432	334,643	22,323	356,966	
Depreciation	5,169	27	1,654	225	13	7,090	13	7,103	
Loss on impairment	—	—	—	—	320	320	—	320	
Capital Expenditures	11,386	88	2,508	796	296	15,077	—	15,077	
R&D Expenses	2,109	263	671	256	2	3,302	—	3,302	
Number of employees (p)	15,949	188	6,847	713	305	24,002	50	24,052	

Ref : Differences between the 3rd quarter of this year and the same period last year

	Millions of Yen						Total	Elimi. or corp.*	Consolidated
	Electro-Optics	Photo-nics	Vision Care	Health Care	Others				
Net sales:									
To outside customers	7,627	-205	3,651	1,279	-711	11,643	-	11,643	
Variance(%)	15.6%	-8.4%	14.0%	14.3%	-77.0%	13.3%	-	13.3%	
Intersegment	29	8	1	1	-349	-311	311	-	
Total	7,658	-197	3,652	1,280	-1,062	11,332	311	11,643	
Operating expenses	6,420	-13	4,370	1,069	-417	11,429	256	11,683	
Operating income	1,237	-184	-717	210	-643	-97	55	-41	
Variance(%)	6.4%	-60.9%	-12.5%	11.2%	-	-0.3%	-	-0.2%	
Assets	61,705	181	12,147	2,951	-1,984	75,000	-8,489	66,512	
Depreciation	2,244	5	95	75	-2	2,418	6	2,425	
Loss on impairment	-	-	-	-	-316	-316	-	-316	
Capital Expenditures	-5,170	-68	585	-75	-287	-5,016	-	-5,013	
R&D Expenses	297	32	-406	181	37	142	-	142	
Number of employees (p)	3,978	16	553	168	-100	4,615	13	4,628	

\*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 Dec.31, 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	48,842	2,451	26,155	8,916	443	480	87,286	—	87,286
Intersegment	74	59	-3	-1	10	1,033	1,174	-1,174	—
Total	48,915	2,510	26,152	8,915	454	1,514	88,460	-1,174	87,286
Operating expenses	29,471	2,209	20,433	7,040	174	1,339	60,666	-637	60,029
Operating income	19,444	302	5,719	1,876	278	175	27,793	-536	27,257
Operating income ratio	39.8%	12.0%	21.9%	21.0%	61.2%	11.6%	31.4%	—	31.2%
Assets	205,710	7,502	98,581	18,417	1,169	3,262	334,643	22,323	356,966
Depreciation	5,169	27	1,654	225	0	13	7,090	13	7,103
Loss on impairment	—	—	—	—	320	—	320	—	320
Capital Expenditures	11,386	88	2,508	796	293	3	15,077	—	15,077
R&D Expenses	2,109	263	671	256	2	—	3,302	—	3,302
Number of employees (p)	15,949	188	6,847	713	93	212	24,002	50	24,052

\*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 Dec. 31, 2006 and 2005 are as follows:

2006 758 million Yen                      2005 525 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 Dec. 31, 2006 and 2005 are as follows:

2006 33,181 million Yen                      2005 28,776 million Yen

## 2. Geographic Segments

For the three months ended December 31, 2006

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimi. or corp.	
Net sales:							
To outside customers	68,434	9,279	13,417	7,799	98,929	—	98,929
Intersegment	6,691	74	150	41,204	48,118	-48,118	—
Total	75,125	9,354	13,567	49,002	147,047	-48,118	98,929
Operating expenses	65,581	8,921	11,497	35,150	121,150	-49,438	71,712
Operating income	9,543	432	2,069	13,852	25,897	1,319	27,216
Operating income ratio	12.7%	4.6%	15.3%	28.3%	17.6%	—	27.5%
Assets	175,142	13,879	81,580	211,728	482,330	-58,851	423,478

For the three months ended December 31, 2005

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimi. or corp.	
Net sales:							
To outside customers	61,326	9,025	10,243	6,692	87,286	—	87,286
Intersegment	6,931	91	173	33,234	40,430	-40,430	—
Total	68,257	9,115	10,416	39,926	127,716	-40,430	87,286
Operating expenses	58,675	8,503	8,849	26,293	102,320	-42,291	60,029
Operating income	9,582	613	1,568	13,633	25,396	1,862	27,257
Operating income ratio	14.0%	6.7%	15.1%	34.1%	19.9%	—	31.2%
Assets	172,257	21,002	51,118	148,290	392,669	-35,703	356,966

Ref: Differences between the 3rd quarter of this year and the same period last year

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimi. or corp.	
Net sales:							
To outside customers	7,108	254	3,174	1,107	11,643	-	11,643
Variance(%)	11.6%	2.8%	31.0%	16.5%	13.3%	-	13.3%
Intersegment	-240	-17	-23	7,970	7,688	-7,688	-
Total	6,868	239	3,151	9,076	19,331	-7,688	11,643
Operating expenses	6,906	418	2,648	8,857	18,830	-7,147	11,683
Operating income	-39	-181	501	219	501	-543	-41
Variance(%)	-0.4%	-29.5%	32.0%	1.6%	2.0%	-	-0.2%
Assets	2,885	-7,123	30,462	63,438	89,661	-23,148	66,512

Notes:

- The Company and 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, Canada, etc.

Europe: Netherlands, Germany, United Kingdom, etc., including South Africa

Asia: Singapore, Thailand, China, 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 Dec. 31, 2006 and 2005 are as follows:

<u>2006</u>	658 million Yen	<u>2005</u>	455 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 Dec. 31, 2006 and 2005 are as follows:

<u>2006</u>	30,956 million Yen	<u>2005</u>	69,332 million Yen
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### 3. Sales to Foreign Customers

For the three months ended December 31, 2006

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	11,139	13,957	29,754	1	54,851
Total Consolidated Net Sales (B)					98,929
Overseas Sales ratio (A/B)	11.2%	14.1%	30.1%	0.0%	55.4%
Regional Sales ratio	20.3%	25.4%	54.3%	0.0%	100.0%

For the three months ended December 31, 2005

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	10,025	10,747	23,502	2	44,275
Total Consolidated Net Sales (B)					87,286
Overseas Sales ratio (A/B)	11.5%	12.3%	26.9%	0.0%	50.7%
Regional Sales ratio	22.6%	24.3%	53.1%	0.0%	100.0%

Ref: Differences between the 3rd quarter of this year and the same period last year

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	1,114	3,210	6,252	-1	10,576
Total Consolidated Net Sales (B)					11,643
Overseas Sales ratio (A/B)	11.1%	29.9%	26.6%	—	23.9%

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., including South Africa

Asia: Singapore, Thailand, Republic of Korea, Taiwan, etc., including Australia

Other: Saudi Arabia, Brazil, etc.

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

HOYA CORPORATION and Consolidated Subsidiaries (Unaudited)

Business Category	Millions of yen, (%), [%]					
	Three months ended Dec. 31,		Variance		Three months ended	
	2006	2005	Amount	%	Sep.30, 2006	
<b>Electro-Optics</b>						
Domestic	24,410 ( 43.2 )	23,393 ( 47.9 )	1,017	4.3	24,536 ( 42.9 )	
Overseas	32,059 ( 56.8 )	25,449 ( 52.1 )	6,610	26.0	32,597 ( 57.1 )	
total	56,469 [ 57.1 ]	48,842 [ 56.0 ]	7,627	15.6	57,134 [ 57.7 ]	
<b>Photonics</b>						
Domestic	1,050 ( 46.7 )	1,400 ( 57.1 )	-350	-25.0	1,416 ( 63.7 )	
Overseas	1,196 ( 53.3 )	1,051 ( 42.9 )	145	13.8	806 ( 36.3 )	
total	2,246 [ 2.3 ]	2,451 [ 2.8 ]	-205	-8.4	2,223 [ 2.2 ]	
<b>Information Technology</b>						
Domestic	25,460 ( 43.4 )	24,792 ( 48.3 )	668	2.7	25,953 ( 43.7 )	
Overseas	33,255 ( 56.6 )	26,500 ( 51.7 )	6,755	25.5	33,404 ( 56.3 )	
total	58,716 [ 59.4 ]	51,293 [ 58.8 ]	7,423	14.5	59,357 [ 59.9 ]	
<b>Vision Care</b>						
Domestic	8,577 ( 28.8 )	8,811 ( 33.7 )	-234	-2.7	9,365 ( 32.3 )	
Overseas	21,229 ( 71.2 )	17,344 ( 66.3 )	3,885	22.4	19,620 ( 67.7 )	
total	29,806 [ 30.1 ]	26,155 [ 30.0 ]	3,651	14.0	28,985 [ 29.3 ]	
<b>Health Care</b>						
Domestic	9,835 ( 96.5 )	8,565 ( 96.1 )	1,270	14.8	10,131 ( 97.2 )	
Overseas	360 ( 3.5 )	350 ( 3.9 )	10	2.9	292 ( 2.8 )	
total	10,195 [ 10.3 ]	8,916 [ 10.2 ]	1,279	14.3	10,423 [ 10.5 ]	
<b>Eye Care</b>						
Domestic	18,412 ( 46.0 )	17,377 ( 49.5 )	1,035	6.0	19,496 ( 49.5 )	
Overseas	21,589 ( 54.0 )	17,693 ( 50.5 )	3,896	22.0	19,912 ( 50.5 )	
total	40,001 [ 40.4 ]	35,070 [ 40.2 ]	4,931	14.1	39,408 [ 39.8 ]	
<b>Others</b>						
Domestic	205 ( 96.7 )	842 ( 91.2 )	-637	-75.7	274 ( 87.3 )	
Overseas	7 ( 3.3 )	81 ( 8.8 )	-74	-91.4	40 ( 12.7 )	
total	212 [ 0.2 ]	923 [ 1.0 ]	-711	-77.0	314 [ 0.3 ]	
<b>Total Net Sales</b>						
Domestic	44,078 ( 44.6 )	43,011 ( 49.3 )	1,067	2.5	45,723 ( 46.1 )	
Overseas	54,851 ( 55.4 )	44,275 ( 50.7 )	10,576	23.9	53,356 ( 53.9 )	
Total	98,929 [ 100.0 ]	87,286 [ 100.0 ]	11,643	13.3	99,079 [ 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.

## (5) HOYA and PENTAX Reach Basic Understanding for Management Integration

### TRANSLATION OF JAPANESE ORIGINAL

HOYA CORPORATION  
Hiroshi Suzuki, President and CEO  
(TSE code: 7741)

PENTAX Corporation  
Fumio Urano, President & CEO  
(TSE code: 7750)

### **HOYA and PENTAX Reach Basic Understanding for Management Integration**

**[TOKYO December 21, 2006]** HOYA CORPORATION (“HOYA”) and PENTAX Corporation (“PENTAX”) announced today that they have reached a basic understanding aimed at a management integration of the two companies, expected to be completed on October 1, 2007. The new company’s name will be HOYA PENTAX HD Corporation. Under a corporate center with strategic planning functions, the new company will realign the business areas of HOYA and PENTAX. HOYA and PENTAX have recognized that they are the best possible business partners to establish a solid business structure that draws on their respective strengths. Through this management integration, the planned new structure will allow the new company to swiftly allocate significant management resources to develop strategic business areas, aiming at accelerating future growth.

#### **Important Notice to U.S. Investors**

This business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer of the securities is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court’s judgment.

You should be aware that the issuer may purchase securities otherwise than under this business combination, such as in open market or privately negotiated purchases.

## 1. Purpose of Management Integration

In an integration of equals, HOYA and PENTAX aim to enhance customer and shareholder value. The parties aim to achieve this through the establishment of a solid management foundation that will draw on the complementary managerial resources of the two companies to create synergies and accelerate business growth.

The common core technological platform for HOYA and PENTAX is grounded in optics, imaging and materials. Using this core platform, the two companies aim to optimize their business portfolios, focusing on the life care, optics, information technology, eye care and imaging systems areas. Expected stable revenue from the information technology and eye care areas will support the life care area to achieve strategic growth. In addition, vertical integration of the optics areas will lead to qualitative structural reform and further strengthen competitiveness.

The divisions of the new company are expected to be as follows:

- **Life care area:** (Major products include: endoscopes, medical accessories, new ceramics, and intraocular lenses) Life care is positioned as a strategic growth area. HOYA and PENTAX will pursue business development in the minimally invasive medical area where future demand is expected to grow. The newly integrated company will operate in areas which range from diagnostic to treatment fields, such as minimally invasive diagnosis using endoscopes and treatment using endoscopes and ancillary surgical devices, and will focus on globally cultivating bionic material markets including new ceramics and intraocular lenses. In addition, HOYA and PENTAX will enhance product development capabilities through aggressive research and development and mergers and acquisitions strategies and will strengthen sales and marketing structures in Japan and overseas. Through these measures, HOYA and PENTAX aim to double the size of their life care business.
- **Optics area:** (Major products include: optical glass and lenses, digital camera modules, micro-lenses, etc.) HOYA and PENTAX will vertically integrate the design, materials, lenses, processing and module groups in the optics area, which is expected to lead to qualitative structural reform and further strengthen competitiveness. HOYA and PENTAX will mutually utilize their respective manufacturing sites and customer bases, in order to secure a competitive edge against newly emerging Asian players and strongly position themselves for sustainable growth in the face of structural change in the optics industry.
- **Information technology area:** (Major products include: mask blanks, glass disk substrates, etc.) This is a core earnings driver where HOYA has secured a leading market position globally. The integrated company aims to further strengthen competitiveness and growth in this area.
- **Eye care area:** (Major products include: eyeglass lenses, contact lenses) Stable earnings growth is expected in this business. Positioning this business as another core earnings driver, the new company will continue to further strengthen competitiveness and further grow this business area.
- **Imaging systems area:** (Major products include: digital cameras, binoculars, etc.) In order to enhance business value, the new company will differentiate its offerings by specializing in high-value added products with unique technology and will focus on areas where it has a competitive edge. This area will be positioned as a foundation for development of new optical-related equipment and is expected to diversify into the life care and security business areas.

- **New areas, other areas:** (Major products include: business systems equipment, survey equipment, etc.) HOYA and PENTAX seek to invest aggressively in areas where they see future earnings growth opportunities. At the same time, they will focus on selected business areas to improve efficiency and to achieve optimal usage of managerial resources.

## **2. Background to the Management Integration Plan**

HOYA started as an optical glass manufacturer. Since its inception, the company has been diversifying its business by leveraging its optical materials technologies and precision processing technologies. HOYA has successfully built global niche market positions through its aggressive technological innovation and has established leadership in its areas of expertise, resulting in strong earnings. In the information technology area, HOYA has maintained a leading position globally for its semiconductor-related mask blanks and glass disk substrates for hard disk drives, and it is positioned as one of the leading manufacturers in optical glass and lenses. The company has also established a leading position in the eye care area, including in eyeglass lenses. HOYA continues to cultivate new business areas, in particular medical-related areas which are positioned as mid- to long-term core growth drivers, and has initiated global business development of intraocular lenses used for the surgical treatment of cataracts.

PENTAX's expertise stems from its long-accumulated know-how attained through the development and manufacturing of cameras and lenses. The company has successfully adapted its optical design and image processing technology for use in a variety of product areas and has developed businesses based on this optical technology. In the life care business, PENTAX has made early progress in developing a leading global position in the production of endoscopes, and it is also marketing globally various other products such as medical accessories and new ceramics for bone grafts. In its optical components business, PENTAX has leveraged its competitive edge in advanced optical technologies, where its major products include digital camera modules and DVD/CD convertible pickup lenses. PENTAX has also built a strong global brand in its imaging systems division, and the company has positioned the life care area as the focus for its mid- to long-term growth strategy. PENTAX has been working to ensure earnings improvement and company-wide growth through mergers and acquisitions, alliances and aggressive research and development activities.

While the market for advanced medical products has been growing globally with further growth expected, competition has also been intensifying. HOYA and PENTAX have been developing advanced medical products including endoscope diagnostics, minimally invasive surgical technologies, and bionic materials including new ceramics and intraocular lenses. In order to continue delivering growth in this market, it is critical that HOYA and PENTAX leverage their respective competitive advantages and make aggressive investments through mergers and acquisitions and research and development, as well as establish global sales and marketing networks at the earliest possible stage.

Significant structural changes have occurred in optical equipment and related materials since the emergence of digital cameras. Competitors in Asia have grown rapidly and are expected to continue gaining market share through low price campaigns and increasing the added value of their products. Along with existing camera manufacturers, home appliance makers have also entered the digital camera market, further intensifying competition in this segment. In order to maintain growth capabilities, cost competitiveness must be strengthened by lowering production costs and focusing on unique, high-end products. Measured structural change is necessary to ensure differentiation in this environment.

Based on the recognition that HOYA and PENTAX are the best possible business partners to establish a solid business structure that draws on their respective strengths, the two companies have reached a basic understanding aimed at management integration. Through this management integration, the planned new structure will allow the integrated company to swiftly allocate significant management resources to develop strategic business areas, aiming at future growth.

### **3. Method of Management Integration**

Under the terms of the basic understanding announced today HOYA will be the surviving company.

### **4. Management Integration Timing**

The merger of the two companies is planned to become effective as of October 1, 2007.

### **5. New Company Name**

After the management integration, the new company will be named HOYA PENTAX HD Corporation.

### **6. New Company Structure**

#### **(1) Corporate Governance**

The integrated firm will be managed through a committee system under Japanese Company Law to ensure strong corporate governance. The board will consist of 10 directors, five of whom will be non-executive directors, further reinforcing management transparency. Three of the executive directors will be appointed from HOYA and the others from PENTAX.

Fumio Urano (current PENTAX President & CEO) will become Chairman of the Board and Hiroshi Suzuki (current HOYA President and CEO) will become President & CEO.

## (2) Organizational Structure

The structure of the integrated firm will be based on the concept of a small headquarters with empowered business divisions. Allowing for an appropriate transition period, the new company is expected to have a corporate center with strategic planning functions and the business divisions outlined below. Moreover, the newly integrated company will continue to make the best possible use of the respective brands of both HOYA and PENTAX.

- **Life care area:** Combining HOYA's medical division and PENTAX's life care division
- **Optics area:** Combining HOYA's optics division and PENTAX's optical components division
- **Information technology area:** The remaining business after separating HOYA's optics division from the electro-optics area
- **Eye care area:** The remaining business after separating HOYA's medical division from the eye care division
- **Imaging systems area:** Continuing PENTAX's imaging systems division
- **New areas, other areas:** Continuing other existing divisions
- **Research and development:** Integrating HOYA's research and development center and PENTAX's research and development division

## 7. Merger Ratio

Each shareholder of PENTAX common stock will be allotted 0.158 shares of HOYA common stock per PENTAX share.

In order to achieve fairness, the parties received advice from third party advisers in respect of the determination of the merger ratio. HOYA was advised by UBS Securities Japan Ltd. ("UBS Investment Bank"), and PENTAX was advised by Morgan Stanley Japan Securities Co., Ltd., ("Morgan Stanley") for the basis of the merger ratio calculation. Both companies have discussed the results presented by the financial advisors, and settled at the ratio announced today.

Both financial advisors used a combination of average market price analysis, discounted cash flow analysis, comparable trading multiples analysis and other methods, respectively, to calculate the merger ratio.

Based on these analyses, HOYA obtained a fairness opinion from UBS Investment Bank, and PENTAX from Morgan Stanley, regarding the merger ratio from a financial point of view.

Neither UBS Investment Bank nor Morgan Stanley are related parties of HOYA and PENTAX.

This ratio is subject to change if there is a material change in the conditions which were used as fundamentals in the calculation.

## **8. Schedule**

HOYA and PENTAX intend to continue discussions to conclude a definitive agreement on the management integration in early April 2007. The expected schedule is outlined below. However, as discussions proceed, if exceptional circumstances arise, the two companies may decide to change the schedule or the method of integration in their effort to achieve management integration.

- (1) Early April 2007: Signing of definitive agreement
- (2) Middle of June 2007: HOYA will hold an Annual General Meeting of Shareholders where it will seek approval for proposed changes in the company articles of incorporation and the board of directors
- (3) End of June 2007: PENTAX will hold an Annual General Meeting of Shareholders where shareholders will be asked to approve the merger agreement
- (4) October 1, 2007: Effective merger date
- (5) TBA: Delivery to PENTAX shareholders of shares in the new company

Under Article 796, Clause 3, of the Japanese Company Law, HOYA is not required to receive shareholders' approval for the merger.

## **9. Structure for Proceeding with the Management Integration**

HOYA and PENTAX will form an integration committee, co-chaired by Fumio Urano, President & CEO of PENTAX, and Hiroshi Suzuki, President and CEO of HOYA, to ensure swift and smooth integration of the management and operations of the newly integrated company. The integration committee will review the administrative systems of each company, aiming at creating a best-practice administrative system for the newly integrated company.

## **10. Accounting Policies**

Accounting treatment associated with the merger will be disclosed when definitively determined. The exact amount of goodwill, the probability of accrual, and the amortization period have yet to be determined, and will be disclosed in due course.

## **11. Expected Impact on Earnings Forecasts as a Result of Merger**

The newly integrated company aims to strengthen the competitiveness of each business area and to maintain the rate of growth of corporate value.

## **12. Other**

The newly integrated company will continue the listing status of HOYA on the First Section of the Tokyo Stock Exchange. Information regarding the new company headquarters, total assets, paid-in capital, the number of shares newly issued upon the merger, and treatment of warrants and convertible bonds issued by PENTAX, will be provided when such matters are determined.

## 13. Overview of the Integrating Companies (as of September 30, 2006, non consolidated basis)

(1)	Company Name	HOYA CORPORATION (merging company)	PENTAX Corporation (company to be merged)
(2)	Areas of Business	Manufacturing and sales of electro-optics, eye care, and health care products	Manufacturing and sales of life care, imaging systems, and optical component products
(3)	Established	August 23, 1944	December 17, 1938
(4)	Headquarters	2-7-5 Naka-Ochiai, Shinjuku-ku, Tokyo	2-36-9 Maeno-cho, Itabashi-ku, Tokyo
(5)	Representative	Hiroshi Suzuki, President & CEO	Fumio Urano, President & CEO
(6)	Paid-in Capital	6,264 million yen	7,510 million yen
(7)	Shares Outstanding	435,017,020	127,697,952
(8)	Shareholders' Equity	102,330 million yen	40,088 million yen
(9)	Total Assets	236,504 million yen	119,570 million yen
(10)	Fiscal Year End:	March 31	March 31
(11)	Number of Employees	3,338 (27,974 on a consolidated basis)	1,336 (5,651 on a consolidated basis)
(12)	Major Business Partners	DAI NIPPON PRINTING CO., LTD. Sony Corporation Others	CASIO COMPUTER CO., LTD SANYO Electric Co., Ltd. Others
(13)	Major Shareholders and Shareholding Ratio	Japan Trustee Services Bank, Ltd. (in trust): 7.23% The Master Trust Bank of Japan, Ltd. (in trust): 5.35% The Chase Manhattan Bank N.A., London: 3.54% State Street Bank and Trust Company: 3.36% State Street Bank and Trust Company 505103: 3.17% The Dai-Ichi Mutual Life Insurance Company: 2.65% Nippon Life Insurance Company: 2.29% Mamoru Yamanaka: 2.07% The Chase Manhattan Bank 385036: 1.96% The Chase Manhattan Bank N.A., London SL Omnibus account 1.78%	HSBC Fund Services Sparx Asset Management Corporated: 11.44% Japan Trustee Services Bank, Ltd. (in trust): 8.66% The Master Trust Bank of Japan, Ltd. (in trust): 5.15% Mizuho Corporate Bank, Ltd.: 4.77% Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.: 3.91% State Street Bank and Trust Company: 3.76% Resona Bank, Ltd.: 2.42% Asahi Mutual Life Insurance Co.: 2.42% The Ashikaga Bank, Ltd.: 2.19% Nippon Life Insurance Company: 2.16%
(14)	Main Bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd.	Mizuho Corporate Bank, Ltd. Resona Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15)	Relationships between Integrating Companies	Capital relationships	N/A
		Personal relationships	N/A
		Business relationships	The two companies have business in some product areas.
		Relationships between people concerned	N/A

## (16) Results for the past three years (non consolidated basis)

	HOYA CORPORATION (merging company)			PENTAX Corporation (company to be merged)		
	March 2004	March 2005	March 2006	March 2004	March 2005	March 2006
Fiscal Year Ending:	March 2004	March 2005	March 2006	March 2004	March 2005	March 2006
Sales (million yen)	183,771	224,608	248,195	104,665	98,057	108,312
Operating Income (million yen)	28,341	35,131	29,746	5,728	2,647	2,001
Ordinary Income (million yen)	33,610	46,536	44,788	4,632	2,736	3,976
Net Income (million yen)	15,558	24,967	22,062	2,012	2,499	830
Net Income per Share (million yen)	34.56	56.38	50.14	15.59	19.84	6.71
Dividend per Share (yen)	25.00	37.50	60.00	3.00	4.50	6.00
Shareholders' Equity per Share (yen)	322.68	357.59	222.01	285.40	302.02	320.24

## (17) Results for the past three years (consolidated basis)

	HOYA CORPORATION (merging company)			PENTAX Corporation (company to be merged)		
	March 2004	March 2005	March 2006	March 2004	March 2005	March 2006
Fiscal Year Ending:	March 2004	March 2005	March 2006	March 2004	March 2005	March 2006
Sales (million yen)	271,443	308,172	344,228	134,493	133,558	142,211
Operating Income (million yen)	68,166	84,920	101,095	6,937	3,586	2,985
Ordinary Income (million yen)	66,554	89,525	103,637	5,375	3,396	3,260
Net Income (million yen)	39,548	64,135	75,620	3,089	3,526	805
Net Income per Share (million yen)	87.74	144.71	171.71	24.37	28.23	6.50
Shareholders' Equity per Share (yen)	491.90	623.59	648.87	254.97	280.48	305.79

Note: For HOYA, the net income per share, dividend per share and shareholders' equity per share have been revised to reflect a 4 for 1 split of the company's common stock that took effect from November 15, 2005.

**ENDS**

For enquiries, please contact:

HOYA CORPORATION: Akiko Maeyama, Corporate Communications, Phone: +813-3952-1160

PENTAX Corporation: Jiro Okamura, Investor Relations and Public Relations Dept., Phone:  
+813-3960-2698

Gavin Anderson & Company: Deborah Hayden/Minako Hattori, Phone: +813-5404-0640