



## Quarterly Financial Highlights (unaudited)

HOYA CORPORATION and Consolidated Subsidiaries

Performance for the three months ended September 30, 2005 and 2004 (Second Quarter)

(Figures less than a million yen are omitted.)

(1)Results of Operations	<u>Millions of Yen</u>			
	Three months ended			Jun.30, 2005
	Sep.30, 2005	Sep.30, 2004	change(%)	
Net sales	84,961	78,486	( 8.2 )	81,777
Operating income	24,740	23,047	( 7.3 )	25,055
Ordinary income	26,974	24,404	( 10.5 )	27,465
Net income	18,596	16,671	( 11.5 )	20,389
Net income per share(Yen)	166.88	149.78		183.02
Ordinary income / net sales	31.7%	31.1%		33.6%

Notes : No changes have been made in accounting policy.

(2)Financial Position	<u>Millions of Yen</u>		
	As of		
	Sep.30, 2005	Jun.30, 2005	Sep.30, 2004
Total assets	391,768	352,588	319,944
Shareholders' equity	305,191	286,827	250,696
Shareholders' equity ratio	77.9%	81.3%	78.4%
Shareholders' equity per share (Yen)	2,738.40	2,574.53	2,252.35

(3)Conditions of Cash Flows	<u>Millions of Yen</u>		
	Three months ended		
	Sep.30, 2005	Sep.30, 2004	Jun.30, 2005
Net cash provided by operating activities	29,802	25,522	17,758
Net cash used in investing activities	-7,892	-9,863	-12,504
Net cash provided (used in) financing activities	88	45	-9,805
Cash and cash equivalents, end of period	131,304	94,660	106,998

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

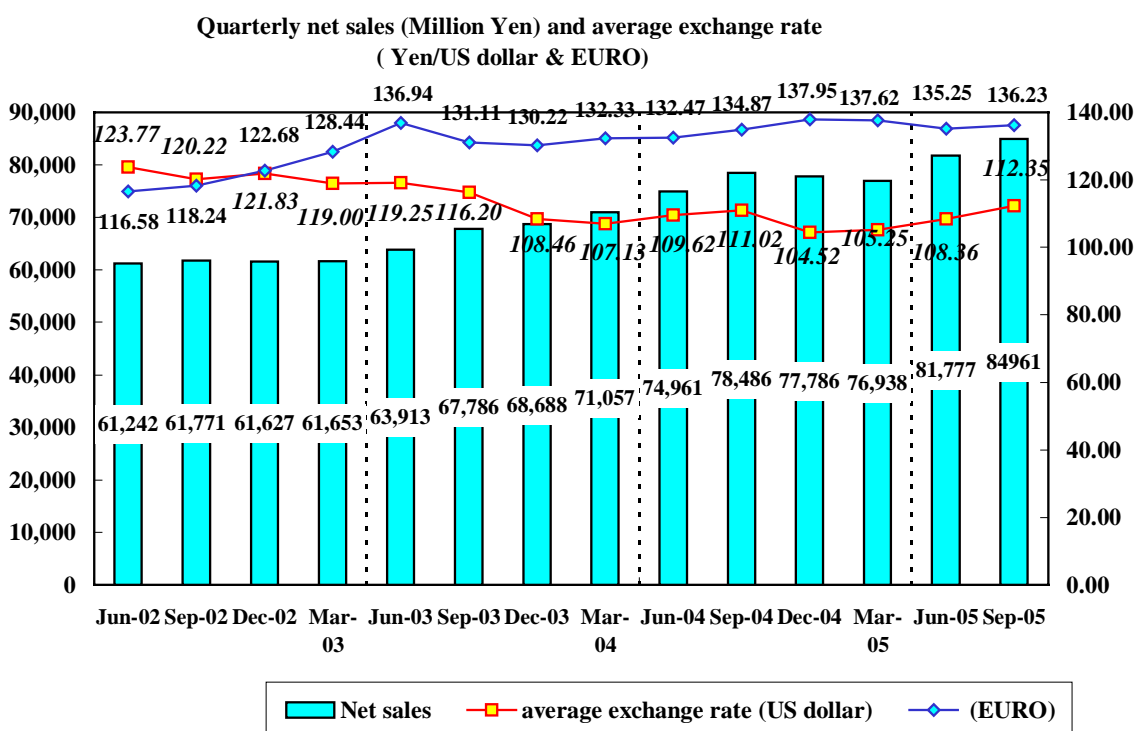
### 1) General Overview

<u>Results of Operations</u>	<u>Millions of Yen</u> <u>Three months ended Sep. 30, 2005</u>
Net sales	84,961
Operating income	24,740
Ordinary income	26,974
Net income	18,596
Net income per share(Yen)	166.88

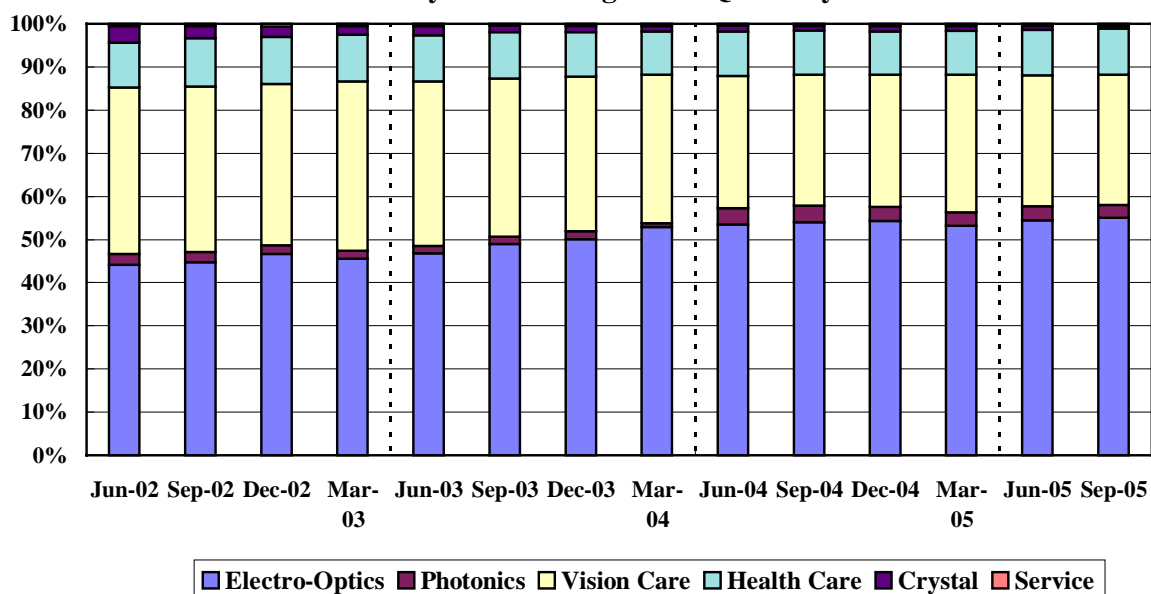
The quarter under review was marked by ongoing inventory adjustments of digital appliance products and enthusiasm in both corporate production and investment plans in anticipation of the yearend sales battle while personal consumption began to look more cheerful. In its August report, the government issued an overall assessment that "the business climate is improving both for the private sector and household budget and is showing a moderate recovery" and the domestic stock markets have begun to demonstrate brisk movement.

In the currency market during the quarter under review, the US dollar, euro and Thai baht appreciated by 1.2%, 1.0% and 1.5% respectively all against the yen on a year-on-year basis.

Within that context, in the HOYA group, the Electro-Optics division saw continued demand for high-precision products as clients were active in aggressive production capacity reinforcement and new product development. In the Vision Care division, both domestic and overseas eyeglass lens market enjoyed strong growth. In the Health Care division, sales were strong in high-function products. As a result, consolidated sales during the quarter under review increased 8.2% year-on-year to 84,961 million yen.

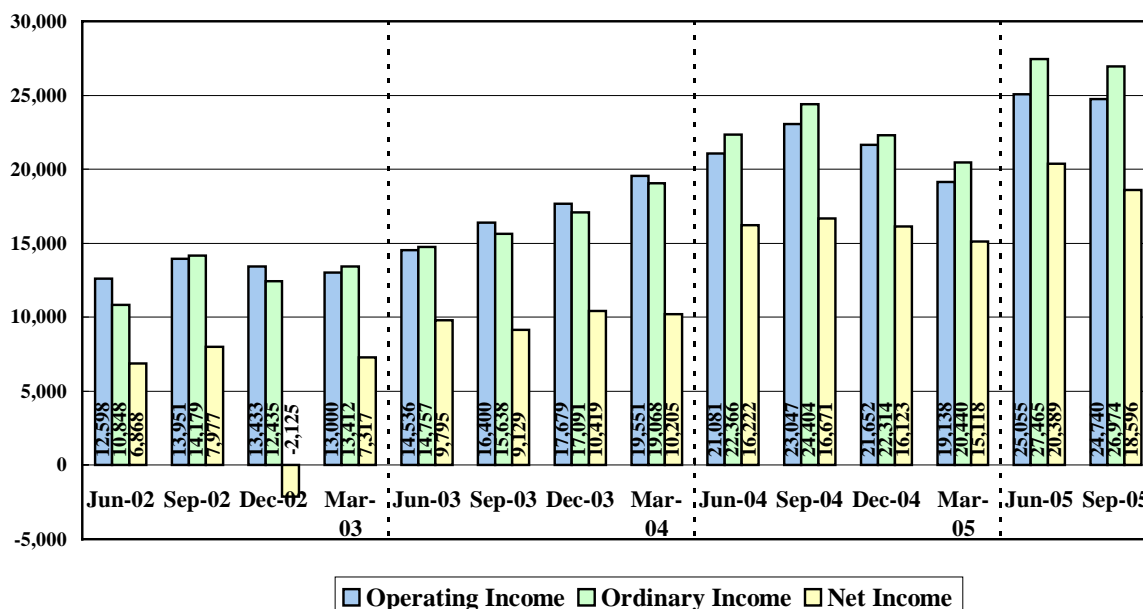


### Ratio of Net Sales by Business Segment - Quarterly Transition



During the quarter under review, the Electro-Optics division saw steady orders for high-precision products. In the Eye Care sector, a boost in revenues was achieved through expanded sales of high-value-added products. For the Group overall, operating income, ordinary income and net income for the term increased 7.3%, 10.5% and 11.5%, respectively, on a year-on-year basis. Net income per share for the quarter increased yen 17.10 year-on-year to yen 166.88.

### Quarterly Incomes (Millions of Yen)



Note:

In the quarter ended Dec. 31, 2002, the Company posted the expenses for dissolution of the employee pension fund for Yen 14,949 million under extra-ordinary loss.

## 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.

In photomasks for semiconductor production, sales increased year-on-year along with an increase in orders from overseas market and for next-generation products such as masks for 65nm level semiconductors.

In terms of LCD masks, the demand of large LCD masks were slowed as LCD panel manufacturers were not active in development of new models or launching new production lines as they were engaged in mass production in this quarter, resulting in decreased sales on a year-on-year basis.

In HDD (hard disk) glass disks, there was a decline in small-size disks for portable music players, which have been surging in growth, due to the utilization of other types of recording media and, given the expansion in the sales of notebook computers, 2.5-inch disks have been moving vigorously, bringing an increase in sales year-on-year.

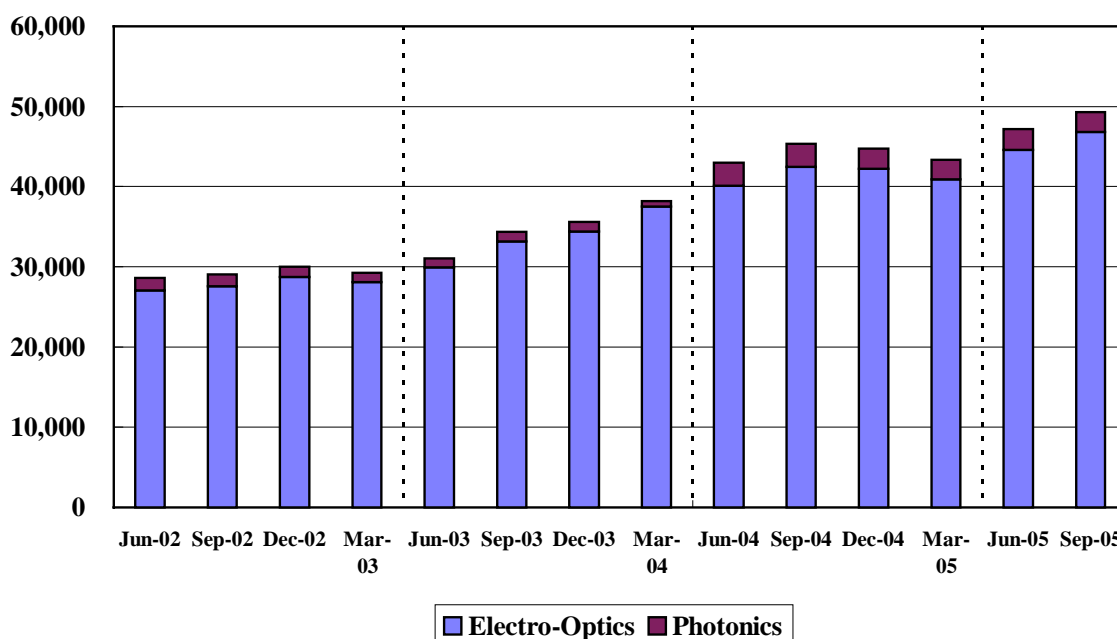
In optical lenses, growth has not been great in spite of a gradual recovery in the market for digital cameras and other products. HOYA has begun shipments for camera-equipped mobile phones and other new uses and has furthermore been promoting strategies for products with high value added properties, resulting in increased sales overall on a 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

In the domestic eyeglass market, a moderate recovery has continued. At HOYA, in spite of persistently intense price competition for products in the lower price band, sales grew in the upper price band with the launch of new products onto the market and the addition of higher value to its products centered on progressive lenses. Overall, sales increased on a year-on-year basis.

Overseas, sales growth in all region such as Asia and Oceania, the United States and Europe, remained strong reflecting the higher value-added products promoted by HOYA. Especially there was a sign of recovery in Germany, Europe's largest market, while other markets showed an indication of growth. Aggregate sales in the term in overseas markets increased on a year-on-year basis.

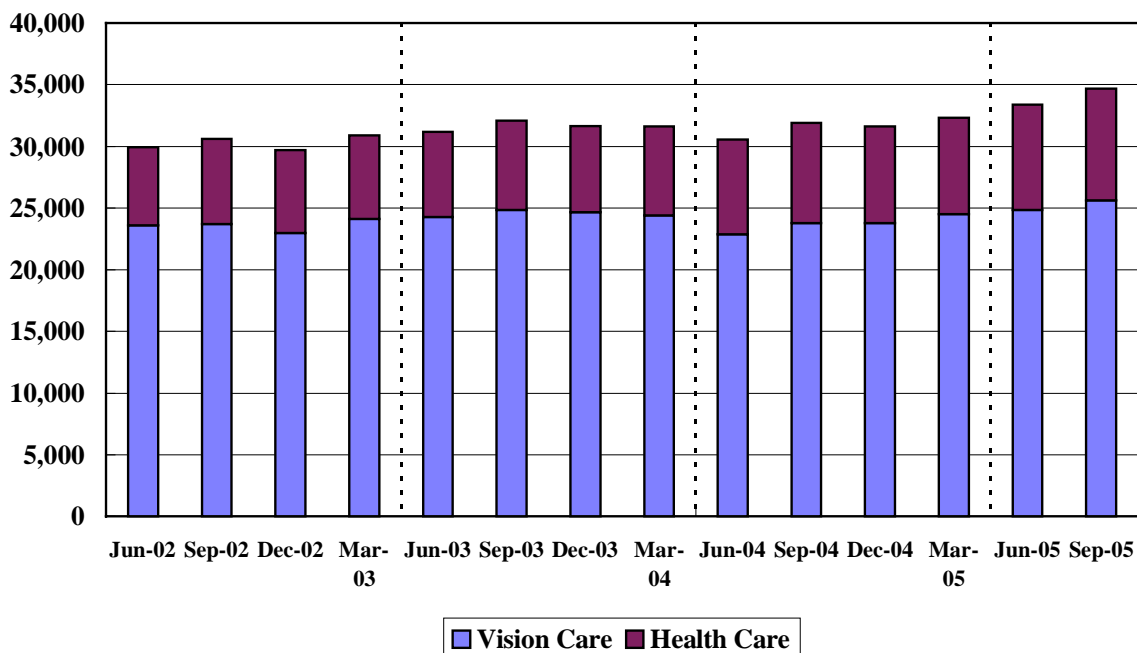
As a result, revenues of the Vision Care division as a whole decreased on a year-on-year basis.

### Health Care

In terms of contact lenses, in the midst of intensified price competition in the market among discount retailers, HOYA sought to differentiate itself from its competitors by continuing the establishment of new retail stores, taking advantage of its professional expertise to improve face-to-face customer services and promoting sales of multifocal lenses and other high value-added products, thereby boosting sales on a year-on-year basis.

Sales of intraocular lenses (IOL) increased on a year-on-year basis due to favorable sales of soft intraocular lenses, especially new item of yellow-lens, during the term both in Japan and overseas.

Quarterly Net Sales of Eye Care (Millions of Yen)



### **3. Others**

#### **Crystal**

In terms of crystal, HOYA is reducing the scale of its operations in this sector as part of its business restructuring initiatives and, since corporate demand in the market remained slow, sales decreased on a year-on-year basis.

## **2. Financial Position**

	<u>Millions of Yen</u>
	<u>As of Sep. 30, 2005</u>
Total assets	391,768
Shareholders' equity	305,191
Shareholders' equity ratio	77.9%

At the end of the quarter under review, current assets increased Yen 29,433 million and fixed assets also increased Yen 9,505 million against the end of the previous quarter. As a result, total assets increased Yen 39,180 million. Shareholders' equity increased Yen 18,364 million due to increase of Yen 18,582 in retained earnings.

## **3. Conditions of Cash Flows**

	<u>Millions of Yen</u>
	<u>Three months ended Sep. 30, 2005</u>
Net cash provided by operating activities	29,802
Net cash used in investing activities	-7,892
Net cash provided by (used in) financing activities	88
Cash and cash equivalents, end of period	131,304

Cash flow from operating activities during the quarter under review amounted to Yen 29,802 million, which included Yen 23,494 million in quarterly income before income taxes and minority interests and Yen 5,928 in depreciation and amortization among others. Free cash flow amounted to Yen 21,910 million. The term-end balance of cash and cash equivalents increased Yen 24,305 million from the previous quarter.

## (2) Consolidated Financial Statements (unaudited)

### 1. Consolidated Balance Sheets

HOYA CORPORATION and Consolidated Subsidiaries	Millions of Yen			
	As of			
	Sep.30,2005	Jun.30,2005	Variance	Sep.30,2004
<b>ASSETS</b>				
Current assets	258,963	229,561	29,402	213,797
Cash and deposits	131,304	106,998	24,306	94,660
Notes and accounts receivable - trade	77,485	75,384	2,101	73,042
Inventories	38,670	37,507	1,163	35,307
Deferred tax assets	7,961	5,407	2,554	6,649
Other current assets	4,981	5,601	-620	5,591
Allowance for doubtful receivables	-1,440	-1,337	-103	-1,453
Fixed assets	132,210	122,674	9,536	105,907
Tangible fixed assets	106,630	99,142	7,488	85,515
Buildings and structures	26,321	24,714	1,607	24,172
Machinery and carriers	50,528	46,677	3,851	36,848
Lands	8,874	8,892	-18	9,333
Other tangible fixed assets	20,905	18,857	2,048	15,161
Intangible fixed assets	5,701	5,366	335	4,888
Investments and other assets	19,879	18,165	1,714	15,503
Investment securities	12,438	11,546	892	8,183
Deferred tax assets	2,808	2,468	340	2,859
Other assets	4,941	4,458	483	4,901
Allowance for doubtful receivables	-309	-307	-2	-441
Deferred charges	594	352	242	239
<b>Total Assets</b>	<b>391,768</b>	<b>352,588</b>	<b>39,180</b>	<b>319,944</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities	83,499	62,829	20,670	66,381
Notes and accounts payable - trade	27,580	26,621	959	27,415
Short-term bank loans	-	199	-199	150
Income tax payable	11,937	4,929	7,008	11,885
Accrued bonuses to employees	4,072	2,070	2,002	3,835
Other current liabilities	39,908	29,008	10,900	23,094
Long-term liabilities	2,176	2,073	103	2,039
Allowance for special repairs	748	684	64	-
Other long-term liabilities	1,427	1,389	38	2,039
<b>Total Liabilities</b>	<b>85,676</b>	<b>64,903</b>	<b>20,773</b>	<b>68,420</b>
Minority interest	901	857	44	827
Common stock	6,264	6,264	-	6,264
Additional paid-in capital	15,898	15,898	-	15,898
Retained earnings	297,127	278,545	18,582	243,722
Net unrealized gain (loss) on available-for-sale securities	71	63	8	23
Foreign currency translation adjustments	-6,830	-6,293	-537	-6,714
Treasury stock-at cost	-7,340	-7,651	311	-8,498
<b>Total Shareholders' Equity</b>	<b>305,191</b>	<b>286,827</b>	<b>18,364</b>	<b>250,696</b>
<b>Total</b>	<b>391,768</b>	<b>352,588</b>	<b>39,180</b>	<b>319,944</b>
Notes:	Millions of Yen			
Accumulated depreciation	175,390	169,660		159,519
Guarantees of borrowings and lease obligations for customers and Group's employees	1,640	1,501		1,089
Number of shares of treasury stock (unit : stocks)	900,605	939,449		1,044,621

## 2. Consolidated Statements of Income

HOYA CORPORATION and Consolidated Subsidiaries

Millions of Yen

Three months ended

	Sep.30,2005	Sep.30,2004	Variance		Jun.30,2005
			Value	(%)	
Net sales	84,961	78,486	6,475	8.2	81,777
Cost of sales	44,291	39,772	4,519	11.4	40,072
Gross profit	40,669	38,713	1,956	5.1	41,705
Selling, general and administrative expenses	15,930	15,666	264	1.7	16,649
Operating income	24,740	23,047	1,693	7.3	25,055
Non-operating income	2,757	1,723	1,034	60.0	2,822
Interest income	557	212	345		417
Foreign exchange gains	1,191	114	1,191		575
Equity in earnings of affiliates	645	1,118	-473		1,131
Others	364	276	88		698
Non-operating expenses	523	365	158	43.3	411
Interest expense	4	28	-24		66
Sales discount	172	144	28		163
Others	348	192	156		181
Ordinary income	26,974	24,404	2,570	10.5	27,465
Extra-ordinary gains	1,415	161	1,254	778.9	69
Gain on sales of property, plant and equipment	24	49	-25		18
Others	1,391	112	1,279		50
Extra-ordinary losses	4,894	2,283	2,611	114.4	584
Maintenance of environment	3,538	1,101	3,538		-
Additional retirement benefits paid to employees	851	684	167		292
Loss on disposal of property, plant and equipment	203	279	-76		13
Loss on impairment of long-lived assets	124	26	124		3
Others	178	192	-14		274
Income before income taxes and other items	23,494	22,282	1,212	5.4	26,951
Income taxes - Current	7,713	6,866	847	12.3	4,802
Income taxes - Deferred	-2,850	-1,302	-1,548	118.9	1,728
Minority interests in net income	37	47	-10	-21.3	31
Net income	18,596	16,671	1,925	11.5	20,389
Net income per share(Yen)	166.88	149.78	17.10		183.02

Notes:

- Effect of Exchange Rate Change on Net Sales and Incomes ("2005 A" is the actual value of this period. "2005 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)

	2005 A	2005 B	influences
Net sales	84,961	84,546	415
Operating income	24,740	24,516	224
Ordinary income	26,974	26,706	268
Net income	18,596	18,351	245

		Three months ended			
		Sep.30,2005	Sep.30,2004	Variance(%)	Jun.30,2005
2. Average rates of major foreign currencies					
US\$	Yen	112.35	111.02	-1.2%	108.36
Euro	Yen	136.23	134.87	-1.0%	135.25
Thail Baht	Yen	2.71	2.67	-1.5%	2.68

### 3. Consolidated Statements of Retained Earnings

HOYA CORPORATION and Consolidated Subsidiaries

Items	Millions of Yen			
	Three months ended			
	Sep. 30,2005	Sep. 30,2004	Variance	Jun. 30, 2005
<b>Additional Paid-In Capital</b>				
Balance at the beginning of the period	15,898	15,898	-	15,898
Adjustment of retained earnings	-	-	-	-
Appropriations	-	-	-	-
Balance at the end of the period	15,898	15,898	-	15,898
<b>Retained Earnings</b>				
Balance at the beginning of the period	278,545	227,060	51,485	268,255
Adjustment of retained earnings	18,596	16,671	1,925	20,389
Net income	18,596	16,671	1,925	20,389
Appropriations	14	9	5	10,098
1. Cash dividends	-	-	-	10,024
2. Bonuses to directors	-	-	-	65
3. Cancellation of treasury stock	-	-	-	-
4. Loss on deposit of treasury stock	14	9	5	8
Balance at the end of the period	297,127	243,722	53,405	278,545

## 4. Consolidated Statements of Cash Flows

HOYA CORPORATION and Consolidated Subsidiaries

	Millions of Yen Three months ended			
	Sep.30,2005	Sep.30,2004	Variance	Jun.30,2005
<b>OPERATING ACTIVITIES:</b>				
Income before income taxes and minority interests	23,494	22,282	1,212	26,951
Depreciation and amortization	5,928	5,225	703	5,398
Loss on impairment of long-lived assets	124	26	98	3
Provision for (reversal of ) accrued allowances for doubtful receivables	90	-42	132	119
Provision for (reversal of ) accrued bonuses to employees	1,997	1,851	146	-1,844
Provision for (Reversal of ) reserve for periodic repairs	64	-95	159	141
Interest income and dividend receivable	-558	-214	-344	-420
Interest expense payable	3	28	-25	66
Foreign exchange loss (gain)	-153	-100	-53	-194
Equity in earnings of affiliates	-645	-1,118	473	-1,131
Gain on sales of property, plant and equipment and investment securities	-23	-49	26	-18
Loss on disposal of property, plant and equipment and investment securities	202	279	-77	13
Bonus to directors	-	-	-	-65
Other	-2,183	6	-2,189	285
(Increase) decrease in notes and accounts receivable	-1,844	-2,609	765	-1,894
(Increase) decrease in inventories	-612	-624	12	-1,562
(Increase) decrease in other current assets	-458	729	-1,187	-222
Increase (decrease) in notes and accounts payable	1,461	30	1,431	2,266
Increase (decrease) in income taxes payable	713	-83	796	437
Increase (decrease) in other current liabilities	2,386	416	1,970	-1,030
Sub total	29,986	25,938	4,048	27,299
Interest and dividend receivable	619	217	402	400
Interest payable	-2	-42	40	-56
Income taxes - paid	-801	-590	-211	-9,883
Net cash provided by operating activities	29,802	25,522	4,280	17,758
<b>INVESTING ACTIVITIES:</b>				
Purchases of property, plant and equipment	-8,335	-9,336	1,001	-12,302
Proceeds from sales of property, plant and equipment	144	6	138	11
Purchases of investment securities	-	-10	10	-
Payment for loans	-	-64	64	-1
Proceeds from loans	11	14	-3	48
Increase in investments and other assets	-925	-516	-409	-291
Decrease in investments and other assets	1,212	44	1,168	31
Net cash used in investing activities	-7,892	-9,863	1,971	-12,504
<b>FINANCING ACTIVITIES:</b>				
Net increase (decrease) in short-term bank loans	-207	-85	-122	-
Repayments of long-term bank loans	-	-11	11	-
Payments for purchase of treasury stock	-12	-5	-7	-9
Proceeds from sales of treasury stock	309	149	160	228
Dividends paid	-	-	-	-10,024
Dividends paid for minority shareholders	-1	0	-1	-
Net cash used in financing activities	88	45	43	-9,805
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,307	1,796	511	-1,324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,305	17,501	6,804	-5,875
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	106,998	77,158	29,840	112,874
CASH AND CASH EQUIVALENTS, END OF PERIOD	131,304	94,660	36,644	106,998

### Notes:

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

	As of		
	Sep.30,2005	Sep.30,2004	Jun.30,2005
Cash and deposits	131,304	94,660	106,998
Marketable securities	-	-	-
Total	131,304	94,660	106,998

## 5. Preparation of the Consolidated Financial Statements

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

1. Number of consolidated subsidiaries : 60 companies  
(Major companies: <overseas> HOYA HOLDINGS, INC.,HOYA HOLDINGS N.V.,  
HOYA HOLDINGS ASIA PACIFIC PTE. LTD., HOYA PHOTONICS, INC.  
<domestic> HOYA CANDEO OPTRONICS CORPORATION,  
HOYA HEALTHCARE CORPORATION )
2. Number of unconsolidated subsidiaries : None
3. Number of affiliates : 5 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:

###### A. Scope of consolidation

- a) In comparison to the end of the same period last year (Sep. 30, 2004) : 4companies increased in total.  
4 companies increased due to the establishment: HOYA GLASS DISK VIETNAM LTD. (Vietnam)  
HOYA LENS OF NEW ORLEANS, INC. (USA)  
HOYA MEDICAL EUROPE GMBH. (Germany)  
and other 1 company (overseas)

- b) In comparison to the end of previous quarter (June 30, 2005) :  
No change

###### B. Application of the equity method

- a) In comparison to the end of the same period last year (Sep. 30, 2004) :  
No change
- b) In comparison to the end the previous quarter (June 30, 2005) :  
No change

	as of Sep. 30, 2005	as of Sep. 30, 2004	variance	as of Jun. 30, 2005
Consolidated subsidiaries	60 (do 6, os54)	56 (do 6, os50)	4 (do-, os +4)	60 (do 6, os54)
Nonconsolidated subsidiaries	- (do -, os -)	- (do -, os -)	- (do-, os -)	- (do -, os -)
Affiliates	5 (do 5, os -)	5 (do 5, os -)	- (do-, os-)	5 (do 5, os -)
(accounted for by the equity method)	(1) (do 1, os -)	(1) (do 1, os -)	- (do-, os-)	(1) (do 1, os -)
Total Hoya Group	65	61	4	65
(accounted for by the equity method)	(1)	(1)	-	(1)

(do : domestic, os : overseas)

2. Changes in accounting policy :  
None

## Notes Relating to Investment Securities and Derivatives

### 1. Investment securities of current market values:

(Millions of Yen)

	As of								
	<u>Sep.30, 2005</u>			<u>Jun.30, 2005</u>			<u>Sep.30, 2004</u>		
	Cost	Fair Value	Variance	Cost	Fair Value	Variance	Cost	Fair Value	Variance
Available-for-sale									
Available-for-sale :									
Marketable Equity securities	159	327	167	159	308	148	159	270	110
Government bonds	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	364	317	-47	-	-	-	-	-	-
<b>Total</b>	<b>524</b>	<b>644</b>	<b>119</b>	<b>159</b>	<b>308</b>	<b>148</b>	<b>159</b>	<b>270</b>	<b>110</b>

### 2. Investment securities of non-current market values:

(Millions of Yen)

	As of		
	<u>Sep.30, 2005</u>	<u>Jun.30, 2005</u>	<u>Sep.30, 2004</u>
	Non-marketable stock of subsidiaries	11,117	10,632
<b>Total</b>	<b>11,117</b>	<b>10,632</b>	<b>7,636</b>
Non-marketable equity securities	261	275	275
Others	414	329	-
<b>Total</b>	<b>676</b>	<b>604</b>	<b>275</b>

### 3. Derivatives

None

## 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, 2005</u>	<u>As of Jun.30, 2005</u>	<u>Sep.30, 2004</u>
(1) Current deferred tax assets and liabilities			
Deferred tax assets			
Inventories - intercompany unrealized profits	2,277	2,163	1,808
Maintenance of environment	1,753	-	-
Accrued bonuses to employees	1,564	760	1,494
Accrued enterprise taxes	777	249	737
Amortization of goodwill	-	287	906
Other	1,589	1,946	1,702
Total amount of deferred tax assets - current	<u>7,961</u>	<u>5,407</u>	<u>6,649</u>
(2) Non-current deferred tax assets and liabilities			
Deferred tax assets			
Amortization of goodwill and property, plant and equipment	2,005	1,800	1,926
Loss on impairment of long-lived assets	748	698	847
Allowance for doubtful receivables	115	114	153
Other	845	744	807
Total amount of deferred tax assets - fixed	<u>3,715</u>	<u>3,357</u>	<u>3,735</u>
Deferred tax liabilities			
Reserve for deferred income taxes on fixed assets	-423	-431	-431
Special depreciation reserve	-277	-255	-278
Net unrealized gain on available-for-sale securities	-40	-35	-
Other	-165	-165	-165
Total amount of deferred tax liabilities - fixed	<u>-906</u>	<u>-889</u>	<u>-875</u>
Net amount of deferred tax assets - fixed	<u>2,808</u>	<u>2,468</u>	<u>2,859</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.30,2005</u>	<u>Sep.30,2004</u>	<u>Jun.30,2005</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	-19.1	-11.8	-15.3
Non-Deductible expenses such as entertainment expenses	0.2	0.2	0.4
Per capita levy of inhabitants tax and others	0.1	0.1	0.1
Non-taxable dividend income	-0.3	-	-6.2
Intercompany cash dividend and transactions	0.4	-	6.2
Equity in earnings of affiliates	-1.1	-2.0	-1.7
Tax credit on experiment and research expenses	-0.5	-0.6	-0.4
Other adjustment	0.5	-1.3	0.7
Effective income tax rate	<u>20.7</u>	<u>25.0</u>	<u>24.2</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, 2005</u>	<u>Sep.30, 2004</u>	<u>Jun. 30, 2005</u>
Additional retirement benefits paid to employees	<u>851</u>	<u>684</u>	<u>292</u>
Expenses for employees' retirement benefits	<u>851</u>	<u>684</u>	<u>292</u>

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

None

## Notes Relating to Impairment of Fixed Assets

Since the quarter ended March 31, 2004, the Company has adopted impairment accounting for fixed assets :

Crystal Division

#### (1) Group of assets applied :

Production facilities of crystal glassware at Musashi Factory, Crystal Division

#### (2) Breakdown of impairment

	<u>Three months ended</u>		
	<u>Sep.30, 2005</u>	<u>Sep.30, 2004</u>	<u>Jun. 30, 2005</u>
Machinery and others	<u>124</u>	<u>26</u>	<u>3</u>
Total	<u>124</u>	<u>26</u>	<u>3</u>

### (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, 2005

	Millions of Yen								
	Electro- Optics	Photo- nics	Vision Care	Health Care	Crystal	Service	Total	Elimin. or corp.*	Consolidated
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)	-
<b>Total</b>	<b>47,319</b>	<b>2,572</b>	<b>25,606</b>	<b>9,079</b>	<b>494</b>	<b>1,714</b>	<b>86,783</b>	<b>(1,823)</b>	<b>84,961</b>
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%	-	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	-	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

for the three months ended September 30, 2004

	Millions of Yen								
	Electro- Optics	Photo- nics	Vision Care	Health Care	Crystal	Service	Total	Elimin. or corp.*	Consolidated
Net sales:									
To outside customers	42,424	2,924	23,803	8,084	844	407	78,486	-	78,486
Intersegment	155	42	-1	0	7	1,267	1,470	(1,470)	-
<b>Total</b>	<b>42,580</b>	<b>2,967</b>	<b>23,801</b>	<b>8,083</b>	<b>851</b>	<b>1,674</b>	<b>79,956</b>	<b>(1,470)</b>	<b>78,486</b>
Operating expenses	25,327	2,605	19,663	6,097	931	1,524	56,147	(709)	55,439
Operating income	17,253	362	4,138	1,986	-80	150	23,808	(761)	23,047
Operating income ratio	40.5%	12.2%	17.4%	24.6%	-9.4%	9.0%	29.8%	-	29.4%
Assets	148,813	8,170	92,124	20,882	2,466	2,496	274,953	44,990	319,944
Depreciation	3,577	30	1,425	163	-	12	5,209	16	5,225
Loss on impairment	-	-	-	-	26	-	26	-	26
Capital Expenditures	5,349	13	1,452	213	26	46	7,102	1	7,103
R&D Expenses	1,847	207	275	272	5	-	2,609	-	2,609
Number of employees (p)	12,445	226	6,143	565	177	262	19,818	54	19,872

Ref:

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

	Millions of Yen								
	Electro- Optics	Photo- nics	Vision Care	Health Care	Crystal	Service	Total	Elimin. or corp.*	Consolidated
Net sales:									
To outside customers	4,360	-412	1,804	995	-364	91	6,475	-	6,475
Variance(%)	10.3%	-14.1%	7.6%	12.3%	-43.1%	22.4%	8.2%	-	8.2%
Intersegment	379	17	0	0	8	-51	353	(353)	-
<b>Total</b>	<b>4,739</b>	<b>-395</b>	<b>1,805</b>	<b>996</b>	<b>-357</b>	<b>40</b>	<b>6,827</b>	<b>(353)</b>	<b>6,475</b>
Operating expenses	3,881	-164	930	734	-264	1	5,118	(336)	4,781
Operating income	858	-231	875	262	-93	38	1,710	(18)	1,693
Variance(%)	5.0%	-63.8%	21.1%	13.2%	-	25.3%	7.2%	-	7.3%
Assets	40,026	-730	1,627	-4,368	-1,084	806	36,277	35,547	71,824
Depreciation	537	-7	136	39	-	1	706	-4	703
Loss on impairment	-	-	-	-	98	-	98	-	98
Capital Expenditures	4,602	0	387	-56	98	-36	4,995	-1	5,021
R&D Expenses	515	53	293	-6	3	-	858	-	858
Number of employees (p)	2,263	-34	607	134	-48	-8	2,914	-2	2,912

\*Elimi. or corp. : Eliminations or corporate

Note:

1. Products and Services of each Business Division:

Business Category	Division	Products and Services
Information Technology	Electro-Optics	Photomasks and Maskblanks for semiconductors, Masks and Devices for liquid-crystal displays (LCDs) Glass disks for hard disk drives (HDDs), Optical Communication, Optical lenses, optical glasses, electronic glasses, 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, intraocular lenses, etc.
Others	Crystal	Crystal glass products
	Service	Design of information systems, placement of temporary staff, etc.

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, 2005 and 2004 are as follows:

2005	757 million Yen
2004	754 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, 2005 and 2004 are as follows:

2005	82,641 million Yen
2004	59,745 million Yen

## 2. Geographical Segments

(Figures less than a million Yen are omitted.)

for the three months ended September 30, 2005

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Eliminations or corporate	
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)	-
<b>Total</b>	<b>68,131</b>	<b>8,806</b>	<b>9,305</b>	<b>32,759</b>	<b>119,000</b>	<b>(34,040)</b>	<b>84,961</b>
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

for the three months ended September 30, 2004

	Millions of Yen						Consolidated
	Japan	North America	Europe	Asia	Total	Eliminations or corporate	
Net sales:							
To outside customers	59,873	7,682	7,967	2,965	78,486	-	78,486
Intersegment	4,548	45	67	22,247	26,908	(26,908)	-
<b>Total</b>	<b>64,422</b>	<b>7,727</b>	<b>8,034</b>	<b>25,212</b>	<b>105,395</b>	<b>(26,908)</b>	<b>78,486</b>
Operating expenses	51,550	7,548	6,897	17,314	83,309	(27,870)	55,439
Operating income	12,871	179	1,137	7,898	22,086	960	23,047
Operating income ratio	20.0%	2.3%	14.2%	31.3%	21.0%	-	29.4%
Assets	168,718	20,035	30,728	90,716	310,199	9,745	319,944

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	Eliminations or corporate	
Net sales:							
To outside customers	2,486	1,088	1,207	1,692	6,475	-	6,475
Variance(%)	4.2%	14.2%	15.1%	57.1%	8.2%	-	8.2%
Intersegment	1,225	-10	63	5,855	7,132	(7,132)	-
<b>Total</b>	<b>3,709</b>	<b>1,079</b>	<b>1,271</b>	<b>7,547</b>	<b>13,605</b>	<b>(7,132)</b>	<b>6,475</b>
Operating expenses	5,430	868	1,019	4,903	12,220	(7,439)	4,781
Operating income	-1,720	210	252	2,644	1,385	308	1,693
Variance(%)	-13.4%	117.3%	22.2%	33.5%	6.3%	-	7.3%
Assets	-2,710	-1,051	7,612	41,225	45,076	26,748	71,824

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.  
 Asia: Singapore, Republic of Korea, Taiwan, etc.

- 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, 2005 and 2004 are as follows:

2005 682 million Yen  
 2004 680 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, 2005 and 2004 are as follows:

2005 80,021 million Yen  
 2004 55,875 million Yen

### 3. Sales to Foreign Customers

(Figures less than a million Yen are omitted.)

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%

for the three months ended September 30, 2004

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas Sales (A)	11,440	8,736	15,778	2	35,956
Total Consolidated Net Sales (B)					78,486
Overseas Sales ratio A/B	14.6%	11.1%	20.1%	0.0%	45.8%
Regional Sales ratio	31.8%	24.3%	43.9%	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)	-666	892	4,096	1	4,325
Total Consolidated Net Sales (B)					6,475
Variance(%)	-5.8%	10.2%	26.0%	50.0%	12.0%

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.

## Notes Relating to Stock Split

In a meeting of the Board of Directors held on July 20, 2005, HOYA CORPORATION "the Company" decided to carry out a four-for-one stock split. The details are as follows:

1. **Number of shares to be increased**  
Ordinary shares                      337,047,015 shares
2. **Method**  
With effect on November 15, 2005, the shares of shareholders recorded on September 30, 2005 will be split four for one.
3. **Date entitled to dividend**  
October 1, 2005

The per share information assuming that the above stock split was exercised on the beginning of the term under review and on the beginning of the same period last year are as follows:

	<u>Sep. 30, 2005</u>	<u>Three months ended</u> <u>Sep. 30, 2004</u>	<u>Jun. 30, 2005</u>
Shareholders' equity per share (Yen)	684.60	563.08	643.63
Basic net income per share (Yen)	41.72	37.44	45.75
Diluted net income per share (Yen)	41.57	37.35	45.63

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

HOYA CORPORATION and Consolidated Subsidiaries

(unaudited)

Business Category Company	Millions of yen [%]					
	Three months ended		Variance		Three months ended	
	Sep.30, 2005	Sep.30, 2004	Value	(%)	Jun.30, 2005	
<b>Electro-Optics</b>						
Domestic	24,189 ( 51.7 )	21,907 ( 51.6 )	2,282	10.4	23,884 ( 53.6 )	
Overseas	22,595 ( 48.3 )	20,517 ( 48.4 )	2,078	10.1	20,683 ( 46.4 )	
total	46,784 [ 55.1 ]	42,424 [ 54.1 ]	4,360	10.3	44,568 [ 54.5 ]	
<b>Photonics</b>						
Domestic	1,286 ( 51.2 )	1,984 ( 67.9 )	-698	-35.2	1,457 ( 55.9 )	
Overseas	1,226 ( 48.8 )	940 ( 32.1 )	286	30.4	1,147 ( 44.1 )	
total	2,512 [ 2.9 ]	2,924 [ 3.7 ]	-412	-14.1	2,605 [ 3.2 ]	
<b>Information Technology</b>						
Domestic	25,475 ( 51.7 )	23,891 ( 52.7 )	1,584	6.6	25,342 ( 53.7 )	
Overseas	23,822 ( 48.3 )	21,457 ( 47.3 )	2,365	11.0	21,830 ( 46.3 )	
total	49,297 [ 58.0 ]	45,348 [ 57.8 ]	3,949	8.7	47,173 [ 57.7 ]	
<b>Vision Care</b>						
Domestic	9,538 ( 37.2 )	9,590 ( 40.3 )	-52	-0.5	9,034 ( 36.4 )	
Overseas	16,069 ( 62.8 )	14,213 ( 59.7 )	1,856	13.1	15,815 ( 63.6 )	
total	25,607 [ 30.1 ]	23,803 [ 30.3 ]	1,804	7.6	24,850 [ 30.4 ]	
<b>Health Care</b>						
Domestic	8,837 ( 97.3 )	7,940 ( 98.2 )	897	11.3	8,255 ( 96.6 )	
Overseas	242 ( 2.7 )	143 ( 1.8 )	99	69.2	287 ( 3.4 )	
total	9,079 [ 10.7 ]	8,084 [ 10.3 ]	995	12.3	8,542 [ 10.4 ]	
<b>Eye Care</b>						
Domestic	18,375 ( 53.0 )	17,531 ( 55.0 )	844	4.8	17,290 ( 51.8 )	
Overseas	16,311 ( 47.0 )	14,356 ( 45.0 )	1,955	13.6	16,103 ( 48.2 )	
total	34,686 [ 40.8 ]	31,887 [ 40.6 ]	2,799	8.8	33,393 [ 40.8 ]	
<b>Crystal</b>						
Domestic	332 ( 69.2 )	701 ( 83.1 )	-369	-52.6	625 ( 82.2 )	
Overseas	148 ( 30.8 )	142 ( 16.9 )	6	4.2	135 ( 17.8 )	
total	480 [ 0.6 ]	844 [ 1.1 ]	-364	-43.1	760 [ 0.9 ]	
<b>Service</b>						
Domestic	498 ( 100.0 )	407 ( 100.0 )	91	22.4	450 ( 100.0 )	
Overseas	- ( - )	- ( - )	-	-	- ( - )	
total	498 [ 0.6 ]	407 [ 0.5 ]	91	22.4	450 [ 0.6 ]	
<b>Others</b>						
Domestic	830 ( 84.9 )	1,108 ( 88.6 )	-278	-25.1	1,075 ( 88.8 )	
Overseas	148 ( 15.1 )	142 ( 11.4 )	6	4.2	135 ( 11.2 )	
total	978 [ 1.2 ]	1,251 [ 1.9 ]	-273	-21.8	1,211 [ 1.5 ]	
<b>Total Net Sales</b>						
Domestic	44,680 ( 52.6 )	42,530 ( 54.2 )	2,150	5.1	43,708 ( 53.4 )	
Overseas	40,281 ( 47.4 )	35,956 ( 45.8 )	4,325	12.0	38,069 ( 46.6 )	
total	84,961 [ 100.0 ]	78,486 [ 100.0 ]	6,475	8.2	81,777 [ 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.