



Interview with HOYA's CEO

We are developing new businesses, a key management issue for us, through R&D that extends across the boundaries between businesses, and through M&A activity based on a wide-ranging perspective. In this way, we are building a business portfolio that will generate new growth for the Company.

Eiichiro Ikeda

Director, Representative Executive Officer, President & CEO

Could you tell us how you feel about being appointed CEO, and could you also outline your career to date, and your key achievements? In particular, what do you think were the reasons you were selected as the new CEO?

I had a vague feeling that, if a new CEO was appointed, it would probably be someone from outside the Company, rather than being an internal appointment, so to be honest, when the Nomination Committee got in touch with me I was very surprised.

I majored in Chemistry in university, and when I joined HOYA in April 1992 after graduating, I worked as a process engineer at a department involved in manufacturing magnetic recording media, as part of the Memory Disk (MD) business. In 2010, I was appointed as the head of the business, but it just so happened that at that time this business was sold off to one of our customers. This was the first time that I had been involved in a large-scale business transfer, but we managed to complete it successfully. In September 2010, I was appointed head of the Optical Lens SBU. I realized a substantial improvement in its profitability, which contributed to an improvement in the profitability of the Information Technology business domain as a whole. These achievements were recognized by the Company, and in 2013 I was appointed COO of the Information Technology business. However, at that time the Information Technology business domain was positioned as a cash cow supporting the Life Care business domain, which was seen as a business with high growth potential. As a result, investment in the Information Technology business domain was limited, which had led to a steady decline in sales. Today, the Information Technology business domain is a key pillar of growth for the Company, but back then many people, both outside and within the Company, were dubious about the growth potential of products such as glass substrate for hard disks intended for use with nearline storage, and mask blanks for use in extreme ultraviolet (EUV) lithography. Despite these circumstances, by carefully selecting which business areas to focus on, after taking over as COO I was able to get the Information Technology business back on a path of raising sales revenue and succeeded in improving its profitability. Starting in 2018, I had the experience of running the contact lens business for around two years, which was the first time I had worked in the Life Care business domain, and beginning in 2021 I was simultaneously in charge of research and development at the endoscope business. In this way, rather than just seeing things from the viewpoint of an executive officer, I have had an experience in a wide range of areas within the HOYA Group from a frontline perspective. I think that this wide-ranging experience and record of achievement were viewed positively by the Nomination Committee.

What do you see as being the CEO's most important role? Also, could you explain what things you will keep the same and what you want to change? And what do you see as being the main management issues for HOYA?

Over the course of its long history, which extends back 80 years, HOYA has focused its management resources on those businesses where it is competitive, while withdrawing from or selling off businesses where it is uncompetitive, and in this way has been able to keep strengthening its business portfolio. This effective business portfolio management has been an important strength for HOYA and going forward I consider business portfolio management to be the most important role for HOYA's CEO. In particular, I see the biggest aspect of my mission as being to add businesses to HOYA's portfolio that can serve as drivers of growth over the next 10–20 years. Within the HOYA Group, basically each business operates with a high degree of autonomy but going forward we will need to generate new technologies and products that no individual business can create on its own, and we will be putting in place an R&D framework that extends across the boundaries between businesses. With regard to M&A, up until now we have tended to focus mainly on the Life Care business domain, but in the future, we will be expanding our perspective to also include the Information Technology business domain so that we can identify new business areas with strong growth potential. We will be paying particular attention to semiconductor-related areas, where we can expect to create synergy with our existing business areas.

Since March 2022, we have been making efforts to strengthen our business development, under the direction of Chief Business Development Officer (CBDO) Augustine Yee, who is also HOYA's Chief Legal Officer (CLO). Whereas in the past the Life Care business domain was positioned as the key growth driver, and the Information Technology business domain was positioned as the cash cow, going forward, we will consider the positioning of each individual business and product without regard for which segment it belongs to, and we will allocate management resources to those items which have higher growth potential. It should be noted that our approach to decision-making, whereby decisions are made based on numerical data in relation to profitability and return on investment, will remain unchanged in the future.

Currently, another important management issue for HOYA besides developing businesses with long-term growth potential is the strengthening of environmental, social, and corporate governance (ESG). We have positioned ESG initiatives as being of great importance in relation to the HOYA Group's medium- and long-term purpose. In March 2022, we established a new ESG Promotion Office under the Chief Sustainability (ESG) Officer (CSO), and we are aiming to strengthen our ESG initiatives. Taking the new framework as a basis, going forward, after having set objectives corresponding to the ESG materiality that was specified in September 2021, we will be proceeding with concrete measures in this area.

[For more information about ESG, please read the message from Tomoko Nakagawa, Executive Officer and Chief Sustainability \(ESG\) Officer.](#)

With the negative impact on economic activity and the supply chain disruption that have accompanied the continuing COVID-19 pandemic, together with rising raw materials costs and logistics expenses, Russia's aggression in Ukraine, etc., the level of uncertainty in the global business environment is increasing. What is your thinking on risk management for HOYA going forward?

The real value of business portfolio management lies in the diversification of risk. As the regional breakdown of sales, customer profiles, sensitivity to the business climate and to exchange rate fluctuations, etc. all vary from business to business, effective portfolio management can make it possible to achieve resilience in relation to various types of uncertainty. For example, during the global financial crisis of 2008 that followed the bankruptcy of Lehman Brothers, although HOYA's Information Technology business domain was seriously affected by the crisis, sales performance in the Life Care business domain, which is less vulnerable to fluctuations in the business climate, remained strong. By contrast, when the COVID-19 pandemic began to spread around the world, the Life Care business domain was heavily affected because

of factors such as new regulations imposed in various countries, but the negative impact on the Information Technology business domain was limited, and this contributed toward stability of the HOYA Group as a whole. Going forward, although we can expect to see continued uncertainty due to inflation caused by COVID-19 and by geopolitical factors, and due to supply chain disruption, we will continue to review our existing systems on an ongoing basis and make changes as necessary. With regard to compliance risk, we have put in place a Group-wide system under the direction of the Chief Compliance Officer, who is based in the HOYA Group's head office, and we are implementing more effective compliance risk management.

Could you tell us about your approach to returning profits to shareholders, including share buybacks? Also, do you have a message that you would like to give, in terms of your vision as the new CEO, or areas that you want to focus on?

Regarding cash allocation, our policy of prioritizing investment in areas with growth potential, and returning surplus profits to shareholders, remains unchanged. Our approach of thinking in terms of the total amount of profits to be returned to shareholders, rather than treating share buybacks and dividends separately, also remains the same. In the fiscal year ended March 31, 2022, we increased the year-end dividend from 45 yen to 60 yen, and also implemented share buybacks totaling over 65 billion yen, so the total shareholder return (TSR) came to approximately 100 billion yen.

As I pointed out just now, I see the most important aspect of my mission as HOYA's CEO as being business portfolio management. My intention is that, while promoting the development and acquisition of businesses that can serve as drivers of growth over the long term, we will adjust as necessary with regard to businesses and products where there are doubts about growth potential, and in this way build a business portfolio that can contribute toward the sustainable growth of the HOYA Group.

I am determined that, going forward, we will continue to attach great importance to the HOYA philosophy of emphasizing profitability and making judgments based on objective numerical data, and that we will also manage the Company in a way that returns to the essential aspects of HOYA's purpose. That is to say, by providing solutions relating to people's eyesight and other aspects of their health, and by providing solutions that support the information technology that is vital to contemporary social and economic activity, we will enhance the quality of life (QOL) of people throughout the world. HOYA celebrated the 80th anniversary of its founding in 2021. Over the next 20 years, as we move toward our 100th anniversary, I hope that we will create new markets and pursue innovation with passionate enthusiasm, so as to enhance the QOL of people of all kinds throughout the world and help create a better tomorrow.

A Message from HOYA's CSO

I will be striving to take HOYA's sustainability activities to an even higher level while aiming to both contribute toward the realization of a sustainable society and enhance corporate value over the medium to long term.

Tomoko Nakagawa

Executive Officer, Chief Sustainability (ESG) Officer



The position of Chief Sustainability (ESG) Officer, to which I have been appointed, was created under the new management structure which HOYA adopted on March 1, 2022. At a time when stakeholders' awareness of sustainability or environmental, social, and governance (ESG) is rising, and when sustainability and ESG have become a management issue of growing importance to HOYA, I am eager to take on this challenge and will work to promote sustainability and ESG initiatives in the HOYA Group with the aim of contributing to the realization of a sustainable society and enhancing HOYA's corporate value over the medium to long term.

The first tasks that I undertook as CSO were putting in place relevant internal systems and the formulation of a sustainability policy. In the past, individual business divisions implemented their own social contribution activities and measures to reduce environmental impact. Now, besides formulating a Group-wide sustainability policy, we have also established an ESG Promotion Office, a dedicated organization for promoting ESG-related sharing of best practices and collaboration between business divisions, which is based in the HOYA Group head office. As HOYA has developed a wide range of businesses, ranging from semiconductor components to medical devices, sustainability/ESG initiatives and issues are not necessarily the same in every business. For this reason, each business has established its own sustainability/ESG unit or responsible person in a way that suits that particular business, putting in place the necessary systems. Going forward, the HOYA Group head office will be collaborating with sustainability/ESG managers at each business, sharing and enhancing related know-how, and promoting activities in which the whole Group works together as one.

In May 2022, the formulation of the HOYA Group's sustainability policy was approved by the Board of Directors. Over the 80 years since the Company was founded, HOYA has continued to expand its business areas in line with its corporate philosophy: "Dedicated to innovation in information technology, lifestyle and culture, HOYA envisions a world where all can enjoy the good life, living in harmony with nature." HOYA's mission is to contribute toward enhancing the quality of life of people throughout the world through its products and services and by providing solutions that support eyesight and other aspects of human health, or which support contemporary information technology. Based on this corporate philosophy and approach, we have formulated a policy that incorporates items that are expected to be important for the Company's continued growth over the medium to long term. In the future, besides drawing up strategies and measures based on this policy, we also intend to implement activities aimed at disseminating awareness within the Company, so that employees can be more aware of sustainability in their day-to-day operations.

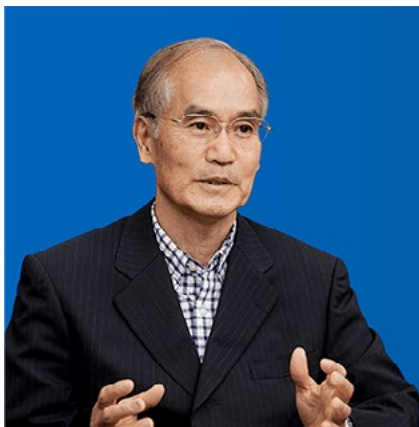
Sustainability Policy

HOYA Group is committed to contributing toward building a sustainable society and aims to enhance our long-term corporate value by implementing our management principles based on our corporate mission in our day-to-day work.

- We will aim to help resolve global social issues through innovation in our businesses.
- We will realize fair and highly transparent corporate management by building a relationship based on trust through consistent dialogue with key stakeholders.
- We will aim to minimize environmental externalities in our business activities to ensure our future generations inherit a healthy global environment in the future.
- We respect the human rights of all people involved in our business activities, including those in our supply chain and will strive to prevent any abuse on human rights.
- We will create a work environment to promote diversity and inclusion with an emphasis on the wellbeing of our employees in the aim of keeping high motivation and moral to create new value.

In line with the revision of Japan's Companies Act in 2003, HOYA transitioned speedily to become a company with Nomination Committee, etc. and restructured its Board of Directors so that independent directors held over half of the seats on the Board, committing itself to management characterized by a high level of objectivity and transparency, with the committee system as its foundation. Going forward, I believe that HOYA will need to adopt an even more proactive approach to environmental (the "E" element of ESG) and social (the "S" element) initiatives, and to related disclosure, with the Board of Directors expected to implement regular monitoring of the content of such activities.

In the future, while strengthening our ongoing dialogue with all stakeholders, we will take HOYA's sustainability/ESG activities to an even higher level, aiming both to contribute to the realization of a sustainable society and to enhance HOYA's corporate value over the medium to long term.



A Message from an Independent Director

While making adjustments to the governance system on a continuous basis, HOYA will be transforming its management by integrating its business growth strategy and ESG strategy.

Mitsudo Urano

Lead Independent Director, Chairperson of the Nomination Committee,
Member of the Compensation Committee, Member of the Audit
Committee

As an independent director, what is your assessment of HOYA's Board of Directors?

The matters handled by the Board of Directors fall into four broad categories. The first of these is matters stipulated by the Companies Act, such as corporate accounts and dividends. The second category is quarterly budget planning, and this is the area where there tends to be the liveliest exchange of views. While all companies review their accounts on a quarterly basis, I am not aware of any other company that performs the quarterly Plan-Do-Check-Act (PDCA) cycle with as much precision or as extensively as HOYA. What is more, although this process is based around a short period of just three months, the medium- and long-term growth strategy is also incorporated into the process, so the independent directors are able to point out issues and make suggestions based on their diverse perspectives. The third category is the business review, in which the directors and executive officers engage in discussion, based not so much on recent performance as on explanations from the division heads responsible for each business area regarding medium- and long-term market forecasts and strategies. Finally, the fourth category is matters relating to business development. Projects both large and small are brought up for discussion by each business, and the directors present their views in an objective manner, making effective use of their own respective skillsets in terms of M&A activity, international business, etc. Whatever the topic being discussed, it is not viewed in a one-sided manner, but rather is examined from multiple perspectives, and assessment is performed rapidly using the PDCA cycle.

Could you tell us about the areas where you feel that HOYA excels, and about any areas where you feel that improvements are needed?

Having had experience at various different companies, I personally feel that where HOYA excels most is in its implementation of business portfolio management that adheres to a management philosophy of aiming to be "a big fish in a small pond." What I also think is marvelous is that HOYA has clear positioning for each business in its portfolio, and consciously characterizes each business as being a "star," "cash cow" or "problem child." As a result, the Company has been able to achieve outstanding financial performance, including capital efficiency, which is very impressive too. With regard to corporate governance also, HOYA was one of the earliest companies in Japan to have independent directors hold more than half of the seats on the board of directors, and to transition to a committee system, and it has continued to be seen as being at the cutting-edge of governance. If one looks more closely at the details of HOYA's corporate governance, it is clear that the diversity of its independent directors, in terms of having management experience in a wide range of industries and having diverse specialist backgrounds, has also contributed to strengthening governance.

Although, as I have just noted, HOYA has received very positive assessments in relation to the governance (G) aspect of ESG, I think that in terms of the environmental (E) and social (S) aspects of ESG, HOYA has only really kept pace with other companies, and may even have lagged behind, and that there is a need for improvement here. As attention has been focused on the areas where HOYA excels, so far it has not received criticism for being weaker in other areas but going forward HOYA will be aiming to speed up its efforts to address these weaknesses. A further point is that HOYA needs to bring its succession planning up to the standards of a global enterprise. In this regard, HOYA is making a painstaking effort to put the necessary framework in place, with the Chief Human Resources Officer (CHRO) playing a central role. As an independent director and member of the Nomination Committee, I think that HOYA should make a steady, concerted effort in this area.

The primary role of an independent director is to exercise oversight over the Company's management. In the future, what areas do you think you will be focusing on?

The most important role of the independent directors is to remove the CEO in the event that anything improper has occurred, so the basic precondition for being an independent director is that you must have the necessary force of character to be able to do that if necessary. As all of HOYA's independent directors have extensive managerial experience, HOYA has the right system in place to allow the CEO to be removed whenever that might prove necessary. Although during the nine years that I have been an independent director at HOYA, the company has received a positive external assessment of its corporate governance system, I have always felt that there is a need for constant adjustment. Although HOYA's corporate governance is outstanding, I have raised the questions of whether it might be a good idea for the Board of Directors to be chaired by an internal director (as representative executive officer, president & CEO), whether it would be practical to introduce an "in-house company" system or a holding company structure, and what the response should be if something were to happen to the CEO. I think that these questions need to be discussed again. While such discussion may lead to the conclusion that things are fine as they are now, I think that it is important to discuss these kinds of topics from multiple different perspectives.

Given your position as an independent director, could you comment on the two management issues that the new CEO is focusing on (i.e., the development of businesses with growth potential and strengthening ESG)?

Regarding the strategy for business development, we are currently engaged in ongoing discussions of this issue with the executive officers. One of the reasons why Mr. Ikeda was selected to become the new CEO was that he was able to outline a clear vision and path for the HOYA Group's growth over the medium and long term. With regard to the Information Technology business domain, HOYA is in the process of firmly adopting a strategy of looking for potential seeds of growth in areas outside its existing businesses, while also realizing business development by making even more effective use of the Company's technological excellence. As regards the Life Care business domain, consideration is being given to expanding the range of business areas with a focus on ophthalmology. Discussion is underway based on expanding the range of HOYA's existing Life Care businesses, such as eyeglass lenses, contact lenses, intraocular lenses, and surgical instruments for eye surgery, new business areas that are closely related to them, and vision-related markets. As an independent director with expertise in the areas of international business development and M&A, I support these moves, and I want HOYA to demonstrate that it still has plenty of potential for growth.

Could you tell us which areas you think HOYA should focus on when promoting ESG?

In the past, I have had the opportunity to examine a wide range of companies, and I have found that when approaching ESG it is not enough to just think “how will this be viewed by the market?” How sincere senior management are about ESG is extremely important, and if this sincerity is lacking, ordinary employees will not be convinced by the ESG message.

The last 10 years or so have seen the emergence, particularly in the United States, of the “benefit corporation” (an enterprise that aims to generate not only economic benefits but also environmental and/or social benefits) concept, a concept that is exemplified by Patagonia, Inc., the outdoor clothing and equipment vendor. This may be the ultimate expression of ESG and can probably be said to be in conformity with the trend away from capitalism that emphasizes shareholders’ interests above all else toward stakeholder capitalism.

A further point is that I believe that, fundamentally speaking, ESG cannot be successful without respect for other living beings and without a perspective that views the world as an integrated system. Over the past 300 years, a single species—mankind—has caused extensive destruction to the global environment and has deprived other species of their right to existence. The fact is that scientific and technological development in human society has brought about a fundamental transformation in global ecosystems. However, I believe that science and technology also have the power to solve this problem. Some people would say that “a profit-oriented organization like a corporation cannot solve the world’s environmental problems,” but as I see it, business enterprises are the organizations that can most effectively address social issues in their own particular fields of expertise. I am convinced that it is actually business enterprises that are the best organizations for realizing a sustainable planet. While HOYA specified its materiality in September 2021, I think that the Company will need to keep adding to and adjusting its materiality. HOYA has a wide range of different businesses, each of which has different material issues, so I see this as being an issue that needs to be discussed at the level of the individual business division.

As Chair of the Nomination Committee, could you explain the reasons behind the selection of the new CEO?

The deciding factor was Mr. Ikeda’s expertise and strong track record across a wide range of different businesses. He has performed outstandingly, not only with regard to technology but also in terms of his ability to read the market and the way he interacts with customers. In particular, although the former CEO Mr. Suzuki unquestionably played a leading role in driving the growth of HOYA’s Information Technology business division, Mr. Ikeda’s contribution was also very substantial.

Something else which can safely be said to be one of Mr. Ikeda’s strengths is his ability to take a wide-ranging view of the HOYA’s business portfolio as a whole, from a perspective that emphasizes technological superiority, by utilizing the experience he has accumulated in overseeing technology development for the HOYA Group as a whole, including the Life Care business domain. A further point I would like to add is that I was very impressed by some of the statements that Mr. Ikeda made while he was serving concurrently as head of HOYA’s contact lens business (the “eyecity” brand). The perceptiveness that Mr. Ikeda demonstrated by pointing out, within a short time after taking over as head of the business, that with the changes in the market environment such as the growth of e-commerce, it was time to reconsider the business strategy (including its future store opening plans), left a deep impression on me. Adding to this his familiarity with HOYA’s management philosophy and with the Company’s mechanisms, I felt that Mr. Ikeda was the ideal choice to become HOYA’s new CEO.

At the most recent General Meeting of Shareholders (held in June 2022), the structure of the Board of Directors was changed, with the addition of a second internal director and a second female independent director. Could you outline the background to this change?

Regarding the increase in the number of internal directors, Mr. Ikeda expressed a desire to have Mr. Ryo Hirooka join the Board. In the past, the Chief Financial Officer (CFO) did serve as a member of the Board, and Mr. Hirooka was already sitting in on every Board meeting, including those at which quarterly budgets were discussed; furthermore, his appointment would not upset the balance between independent directors and internal directors, so we as external directors did not feel that there was anything wrong with this idea, and in fact we thought it was a good suggestion.

With regard to the independent directors, finding suitable female candidates for directorships who possess the necessary insight and experience in relation to governance, business development, and global business has been a long-standing challenge for HOYA. Every year, when compiling a list of potential candidates and exchanging views, we have found that there are relatively few women on active service in Japan who have the necessary experience in business development and business management, and due to the shortage of candidates, we have had to extend the scope of our search to include women working overseas. This year, we invited Ms. Takayo Hasegawa, who is one of very few women in Japan with a high level of expertise in both technology and management, and Ms. Mika Nishimura, who has extensive global business experience, mainly in the United States, to become independent directors.

Finally, do you have a message for the readers of this report?

Rather than allowing itself to become complacent, HOYA is implementing managerial reforms so that it can continue to demonstrate outstanding performance in the future and realize sustainable growth. HOYA is currently fine-tuning a market-focused growth strategy for the Information Technology business domain, where the Company has a significant technological advantage, and also for eye care-related businesses, where strong structural growth is anticipated, and I am confident that you will be impressed by these strategies when they are finalized. By integrating the business growth strategy and the ESG strategy, the Company will be managed in a way that contributes toward addressing the social issues highlighted in the United Nations Sustainable Development Goals (SDGs), and we look forward to receiving the continued support of all stakeholders.