

Interview with the CEO

Staying true to its values,  
HOYA is pursuing fresh approaches  
for medium- to long-term growth.

**Eiichiro Ikeda**

Director, Representative Executive Officer, President & CEO



**It's now just over a year since your appointment as CEO. Looking back on your efforts over the past year, what kinds of results have you achieved and what were the reactions? Conversely, please tell us about challenges you foresee going forward and any new observations.**

My first year as CEO was a challenging one. We suffered short-term declines in several divisions in the Information Technology business, for example. But the Life Care business trended favorably and we achieved record sales and profit levels, thanks to cost management, which we'll get into later. It was also a year of organizational improvement and sowing seeds, to lead to growth in the medium to long term.

When I was appointed Representative Executive Officer, President & CEO in March 2022, I took a closer look at our social responsibilities and the value we offer. As a result, I decided that we need to focus on the following three business domains.

#### ■ Eye Health

As the demographic profile ages and people spend more time peering at the screens of their digital devices, visual acuity and eye health have emerged as social issues. HOYA is committed to supporting the vision of people around the world. We're doing this by driving continuous technological innovation in existing products, such as eyeglass lenses, contact lenses, and intraocular lenses (IOLs) for cataract surgery, and by expanding our presence in the ophthalmological space through merger and acquisition (M&A).

#### ■ Medtech & Life Science

Another feature of the aging of modern societies is that demand is increasing for ways of extending healthy lifespan and providing low-impact medical care. By providing medical products such as medical endoscopes, artificial bones, minimally invasive surgical instruments, and chromatographic media, HOYA supports health and quality of life for people around the world.

#### ■ Information Technology

There's no way to cut ourselves off from technology today. The internet, big data, generative AI, automation, and so on are everywhere. HOYA provides powerful backup for technological development by supplying glass substrates for hard disk drives, photomasks, mask blanks, camera lenses, and other precision optical products.

The HOYA Group has more than 10 independently operated divisions. In the past, these divisions did not cooperate with each other much. To encourage the development of new technologies and markets through development activities across divisions, HOYA established a series of virtual companies, organized around the

three business domains I just outlined. Under this arrangement, we're now advancing development of products that individual divisions could not create on their own, such as glass material for augmented-reality headsets. We're also exploring new businesses through M&A. Previously, our M&A activities have been confined to the Life Care field, but we're now expanding the scope to include information technology. However, unlike M&A in Life Care, where the framework for M&A is well established, in Information Technology it took longer than we expected to establish systems for exploring and analyzing opportunities and making deals. We're now working on effective solutions for these issues so we can build a business portfolio capable of long-term growth.

## **The Life Care business is flourishing overall, but some products in the Information Technology business are affected by inventory adjustments in the supply chain. What's the secret to providing firm support for profitability in such an environment?**

Our Information Technology business is affected by a number of challenges. The trend toward working and studying at home has hindered large-scale investment in technology, while supply chains, which had swollen as a result of business continuity plans (BCPs), are in the process of inventory rightsizing. In fiscal 2022, these trends negatively impacted sales of some products, mainly glass substrates for hard disk drives and blanks for semiconductor fabrication. This mood of uncertainty is continuing in the current fiscal year (ending March 31, 2024).

So, given these circumstances, supporting high profitability in the Information Technology business will require nimble cost management based on two principles that flow from HOYA's roots: all aspects of business must be measured in numbers, and the most important of those numbers is profitability. For example, in the third quarter of fiscal 2022 (October 1 to December 31, 2022: Q3 fiscal 2022), profit from sales of glass substrates for hard disk drives was almost 70% lower than in the same period of the previous fiscal year (YoY). In an ordinary company, such a plunge in revenue could easily result in negative earnings. But in HOYA's case, we were able to minimize the drop in profitability by shutting down operations completely at multiple plants and slashing costs to the bone to the fullest extent possible. There isn't one "magic-wand" solution for all problems. Instead, it's important to stay firmly committed to protecting earnings, sense shifts in the wind early, and move immediately into cost-cutting mode.

## **Tell us about your approach to returning value to shareholders, including through share buybacks. Also, do you have a message about key policies going forward and matters you want people to focus on most?**

In terms of cash allocation, we're prioritizing investment and M&A for medium- to long-term growth, as I mentioned earlier. In fact, we're in the process of compiling the long list of candidate companies and assets for M&A in the fields of ophthalmology and semiconductor fabrication, where we foresee secular growth.

As for return to shareholders, our policy is unchanged. In principle, we return 100% of excess cash to shareholders in the form of share buybacks and cash dividends. In fiscal 2022 we made no major investments, so we were able to return a total of over 190 billion yen to shareholders—our highest figure ever, and a level that exceeded our free cash flow. We are planning M&A activities in the near future, however, so we are holding onto over 400 billion yen in cash and deposits for that purpose.

In fiscal 2023, we expect the Life Care business to continue its brisk performance while the Information Technology business persists in an adjustment phase. Accordingly, we will continue to focus on flexible and

nimble cost management.

Finally, we aim to further bolster corporate value by grappling with environmental, social, and governance (ESG) materialities\*. We are moving forward with solutions to social issues in three fields: Eye Health, Medtech & Life Science, and Information Technology. Also, HOYA is boosting employee engagement and slashing emissions of greenhouse gases (particularly CO<sub>2</sub>). I ask for everyone's continued support in this endeavor.

\* For details on measures related to ESG materialities, please refer to [the message from the CSO, Tomoko Nakagawa](#).

A Message from the CSO

Fiscal 2022 was a year of great progress.  
Today, we're moving resolutely  
on new measures for ESG.

**Tomoko Nakagawa**

Executive Officer, Chief Sustainability (ESG) Officer



**Strengthening ESG has been identified as an important management issue for HOYA's new management structure. You've taken up the post of Chief Sustainability (ESG) Officer. What measures have you undertaken since your appointment?**

The first thing I did after my nomination to the post of CSO in March 2022 was to set up a framework for advancing ESG. On the organizational level, I established a dedicated ESG department at the head office and appointed people in charge of ESG in each division. I established a sustainability policy to guide activities, having first obtained the approval of the Board of Directors. I report regularly to the Board of Directors about ESG matters. Executive directors conduct their evaluations according to ESG targets set by the Compensation Committee, but we've begun to incorporate ESG targets into evaluations by the managers of each division. With the head office and the divisions working closely together, HOYA can respond on ESG matters more rapidly than ever.

**Can you provide a little more detail? There are a wide variety of ESG issues to be tackled. How did you deal with each issue?**

Let's talk about human capital first. The HR Department conducts a continuous series of surveys on employee engagement and improvement measures are implemented based on the results. In fiscal 2022, we introduced an evaluation system on the global level for the first time, creating measures in common for the entire HOYA Group. Measures such as these give us a ready snapshot of our human capital and enable us to provide detailed support for the growth of each individual employee.

We also advanced Group-wide activities for due diligence on human rights. In fiscal 2022, with support from outside experts, we identified a number of latent human rights risks. Going forward, we're going to build a more robust human rights due diligence framework, incorporating existing efforts but also embracing suppliers and other stakeholders up and down the value chain, and then work to strengthen it.

The next agenda is reducing our environmental impact. We updated our platform for collecting and managing environmental data, constructing a system that can collect more accurate environmental data globally. We've also started third-party assessment of greenhouse gas emissions. Over 90% of our greenhouse gas emissions in Scope 1 and Scope 2 are caused by Scope 2 purchases of electrical power, so we joined RE100 in February 2023 and set a target of switching 100% of the energy we use to renewable sources by 2040. To reduce CO<sub>2</sub> emissions, which were approximately 520,000 tons in fiscal 2021, we plan to switch Scope 2 energy consumption to renewables and to reduce Scope 1 energy consumption by 60% using electrification and

carbon offsets, by 2030. By 2040, the centenary of the HOYA Group, we aim to achieve 100% elimination of CO<sub>2</sub> emissions. Each division is preparing its own medium- to long-term roadmap for introducing renewable energy and reducing emissions of CO<sub>2</sub>. We hope to boost the effectiveness of these efforts by including degree of accomplishment of these goals in the evaluations of division managers.

With regards to disclosure, HOYA conducted and disclosed its first scenario analysis based on the TCFD Declaration. On ESG performance, our MSCI ESG rating was upgraded to AAA, MSCI Inc.'s highest rating. HOYA was acknowledged for its efforts on ESG and for the content of its Integrated Report.

We made progress on other fronts as well. HOYA moved ahead with participation in international initiatives, including signing the United Nations Global Compact. Also, as a corporate group engaged in multiple businesses related to eyesight, the HOYA Group partnered with Orbis International, an NGO that contributes to society on matters mainly related to eye health. Through this partnership, HOYA supports, and will continue to support, the provision of ophthalmic medical services to those in need, principally in the developing world.

### **Would you tell us a few observations and issues that you noticed in the course of actually improving the ESG performance?**

Because HOYA grants considerable authority to each division, each division is effectively run as an independent company. This includes ESG. And since ESG efforts are handled on a division-by-division basis, the overall picture of Group ESG initiatives is hard to discern as the divisions do not share their ESG efforts with each other. To address this situation, we began by having our ESG Promotion Office aggregate issues and information from the people in charge of ESG at each division; we then created a portal site to disclose the information in-house, creating a framework for sharing information and knowledge in-house. Another issue I discovered was that in many cases our divisions, being focused on profitability, were placing low priority on installation of utilities, whose environmental performance is high but whose investment payback period is long. I persuaded divisions to draw up plans to improve their people's understanding of the significance of ESG initiatives, in order to strike a balance between environmental performance and profitability and move toward reducing environmental impact over the medium to long term.

### **So, HOYA has issued TCFD Disclosure for the first time. Can you be specific about the kinds of information disclosed?**

This was our first disclosure, as I mentioned, so we began with scenario analyses focused on our two divisions with the highest electricity consumption and therefore our highest CO<sub>2</sub> emissions: our plants in Thailand and Vietnam. For our analysis of risks and opportunities associated with climate change, we followed the Task Force on Climate-related Financial Disclosures (TCFD) framework, selecting a medium-term time frame, to 2030.

Roughly 30 individuals, drawn from the head office and the departments related to the divisions in question, took part in our evaluation of risks and opportunities, conducting discussions in a workshop format. Highly knowledgeable views were shared in a lively exchange from each perspective. Participants included members from Europe and Southeast Asia as well as Japan, so the authentic voices of frontline team members were reflected in the scenario analyses.

For details on the risks and opportunities identified, please refer to [the disclosure documents](#). I believe it's important to conduct such exercises regularly, so that we can analyze the impact the external environment has on HOYA and the rest of the supply chain and respond to the identified risks and opportunities in our daily

business activities.

**You made a lot of progress in fiscal 2022. What efforts do you have in store going forward?**

ESG covers a wide variety of items, so it's really important to select items that have the greatest impact on HOYA, draft plans for them, and move forward. The items on which HOYA will place priority are calculation of Scope 3 emissions, broadening the range of businesses subject to TCFD analysis, expansion of human capital, due diligence on human rights in the supply chain, and so on. We will continue to make steady progress in these efforts.

We're continuing to advance HOYA's sustainability and ESG activities to the next level while deepening dialogue with all stakeholders, as we strive to improve the Company's medium- to long-term corporate value while contributing to the achievement of a sustainable society. I ask for everyone's continued support.

A Message from an Independent Director

I support and oversee the Board of Directors' formulation of growth strategies to offer fresh market value as only HOYA can.

**Hiroaki Yoshihara**

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



### How do you evaluate Mr. Ikeda's first year as CEO?

In March 2022, Hiroshi Suzuki stepped down from his role as CEO, leaving behind a legacy of outstanding results over the course of more than two decades. His successor, Eiichiro Ikeda, has now been CEO for a little over a year, and we have heard a great deal regarding the leadership that will be expected and demanded of him. While that year and several months was characterized by considerable trial-and-error on Mr. Ikeda's part, I feel that he has steadily executed his responsibilities with the management ideals and philosophy of HOYA in his heart. In a challenging and highly uncertain business environment, Mr. Ikeda has pursued profitability and responded promptly to emerging risks to turn in excellent business results in fiscal 2022. Simply put, I believe this outcome testifies to the management skills of Mr. Ikeda as CEO and the rest of his management team. A lot of issues remain, but it was a solid first year. Moreover, when we consider management resources such as the engineering capabilities, productive capacity, and human capital HOYA possesses, and its positioning in the market, it is clear that even greater things can be expected going forward.

### What's the biggest change you've noticed under the new management team?

Well, first, I'm pleased with the continuity. The Company is continuing to derive solid business results from its pursuit of operational excellence, backed by HOYA's signature strength in strict operating portfolio management and its management philosophy of thoroughgoing insistence on profitability.

What's changed dramatically since Mr. Ikeda's elevation to CEO are two new measures to strengthen the HOYA organization. The first of these is Ms. Nakagawa's appointment as CSO in March 2022. Under her leadership, dedicated ESG organizations have been established at the head office and in each division, strengthening and accelerating the implementation of our ESG strategies. From my perspective as an independent director, HOYA's performance has improved, but many areas continue to require improvement in comparison with best practice, particularly the "E" (environmental) and "S" (social) components. Having said that, an organizational structure is now in place and the management team's sponsorship of and commitment to ESG have been made explicit. This is significant progress. The second new measure is the introduction in October 2022 of an in-house-company system. At this point, we have established three in-house companies and are exploring ways to enrich them, including through ongoing deliberations by the Board of Directors. In the near future, I strongly expect to see benefits that can be clearly measured in numbers, as the further sharing and effective use within in-house companies of human capital and assets result in development of innovative products and services, improvement of our global footprint, more effective use of organizational and human capital, cost benefits from shared services, and so on.

## **From your perspective as an independent director, what management issues do you think HOYA should focus on?**

I'm delighted to see that HOYA is achieving consistently strong business results and enjoys a sterling reputation in the market. But if we look at examples of the ups and downs companies have suffered in the past, we can clearly see that undue focus on the short-term bottom line has often prevented companies from attaining medium- to long-term goals or led to the decay of their corporate cultures. Now, precisely because of the dominant position it enjoys in certain fields, it is most urgent for HOYA to create the businesses that will drive clear growth for the future. For example, I believe HOYA should consider acquiring companies in fields with strong affinities to its core competencies and where powerful synergies can be expected. If strong candidates emerge based on numerous perspectives, including technology, human capital, and customer base, HOYA should take swift action. The Board of Directors is currently verifying various scenarios and engaged in ongoing discussions with the management team to hammer out a plan of action that judiciously balances short-term profitability with medium- to long-term growth potential.

We also need to construct an organization-wide process for succession planning, for the CEO as well as other leaders. At this time, our Chief Human Resource Officer (CHRO) is overseeing an overhaul of our global personnel system. By rendering our personnel pipeline more transparent, we can clarify the current status of development of leadership candidates and the talents we will need in the future. I believe that implementing personnel management in a planned and time-effective manner is an especially important issue for HOYA as the Company battles in the global market.

## **What, then, are HOYA's core competencies?**

First, HOYA has been a leader in the fields of optics and precision machining for over 80 years, and its position in this market is solid. Second, the management team constantly assesses the market dominance of each business, and its thorough, organization-wide commitment to profitability is uncompromising. Third, its ability to respond rapidly to crises and risks is superior to most other companies.

I should also add that, though I'm not sure this qualifies as a core competency, when I was appointed director in June 2018 I was immediately surprised to learn that the administrative division of the head office is run by an elite corps of just a few people and that the division of roles is clearly and effectively defined. Even now, it is rare to find a company whose head-office functions are handled by so few people. At times, I think it would be helpful to add a few more people to the this team. Of course, I understand that the grounds for this slim management are a policy that personnel should be posted as close to the front lines of business as possible, and that the wisdom of this policy is proven by the clear allocation of responsibilities among the head office, in-house companies, and divisions and the clear distinction between in-house tasks and outsourced tasks.

## **What issues do you expect the Board of Directors to focus on going forward?**

I think they're basically the items I mentioned earlier. Important points that the Board of Directors is currently overseeing and supporting include continuous evaluation of our operating portfolio, clarifying our growth strategies for the medium to long term, advancing our ESG strategies, and constructing a systematic approach to succession planning.

Of these, growth strategy and evaluation of business portfolio strategy are closely intertwined. As it deliberates on revisions to its portfolio, the Board constantly searches for opportunities to generate Group-wide synergies. To offer fresh market value as only HOYA can, we have to devise growth strategies that are



consistent across the Group at the in-house company and division levels. Another vital task for the Board of Directors is to deliberate on the proper state of R&D as the source of our growth strategy, under our Vision of “Innovation for a Better Tomorrow.” As we hammer out our ideal growth strategy and future state, I have great expectations for the knowledge, experience, and skills of Mr. Ikeda, who has been in charge of business divisions, COO and Chief Technology Officer (CTO) before becoming CEO.

One of the most important roles the Board of Directors has is the appointment and dismissal of CEOs in ways that uphold the trust placed in it by stakeholders. The Board supervises the management team, and supports and works diligently with it, so that its members can realize their full potential based on their talents and experience and become better leaders.

**And finally, please give us your message to stakeholders.**

With its outstanding management resources and excellent market positioning, HOYA is blessed with strong potential for growth. Despite the uncertainties of the business environment, as an independent director I am sincerely committed to supervising and supporting the management team in the execution of its duties from an independent perspective. My aim in doing so is to improve corporate value over the medium to long term while enhancing quality of life for individuals and promoting ESG strategies that contribute to the formation of a society that is in harmony with people and nature. I ask for stakeholders’ continued support in this endeavor.