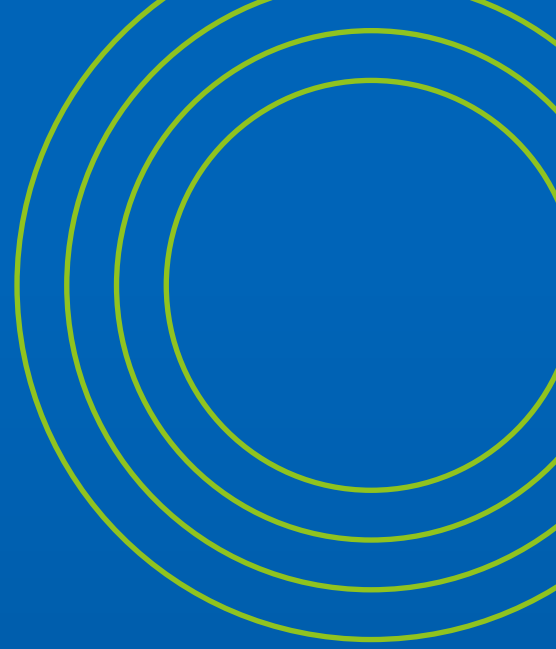




Innovating for a Better Tomorrow

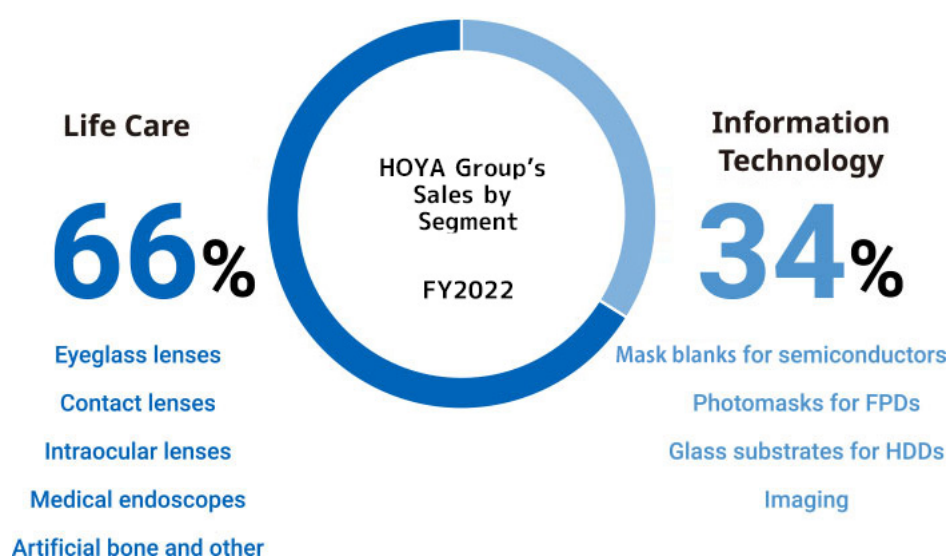


INTEGRATED REPORT 2023

Business Portfolio Management

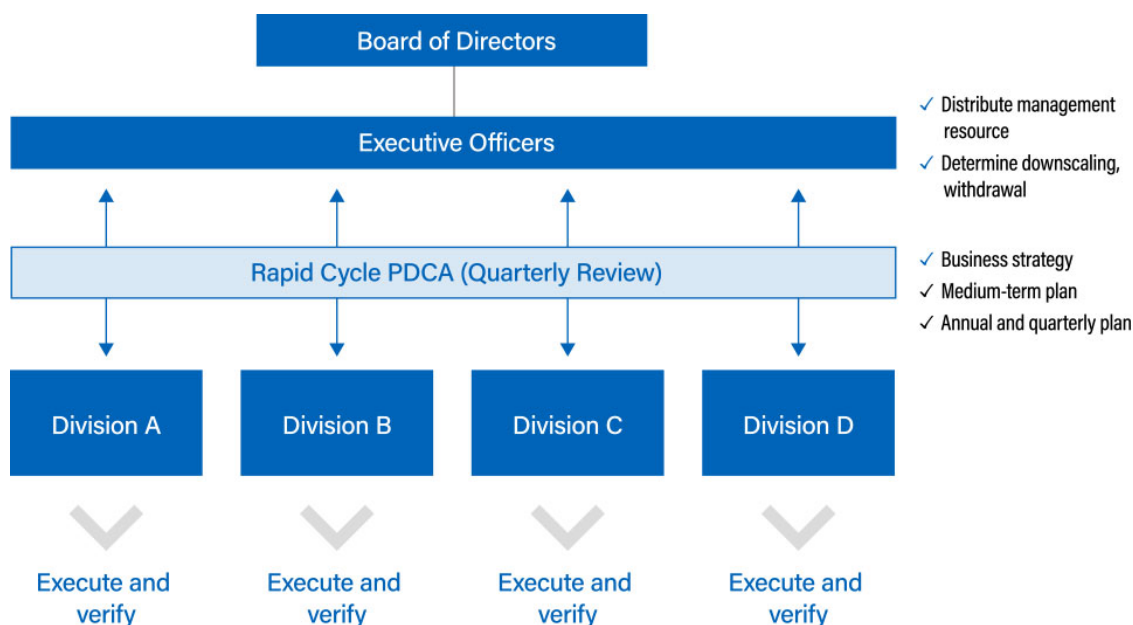
Source of Our Strengths: Business Portfolio Management

HOYA's portfolio management aims to secure profitability, stability, and growth potential of the Group as a whole by operating multiple businesses with different characteristics in terms of business model, sensitivity to economic cycles, etc., to diversify risk. We examine each business to determine its stage in the lifecycle and allocate more management resources to areas with higher growth potential. We construct our business portfolio based on the survival of the fittest principle by, for example, withdrawing from a business that has lost its competitive edge. The present two business areas for portfolio management are Life Care and Information Technology.



The HOYA Management System

Based on the idea that “the accumulation of short-term results will produce long-term growth,” we conduct rapid-cycle reviews and improvement activities on a quarterly basis. After receiving explanations on growth strategy and operating results from each business division, executive officers make decisions on the allocation of management resources to each business as well as any business downscaling or withdrawal decisions, which is the foundation of our business portfolio management.



Areas of Focus over the Next 10 Years

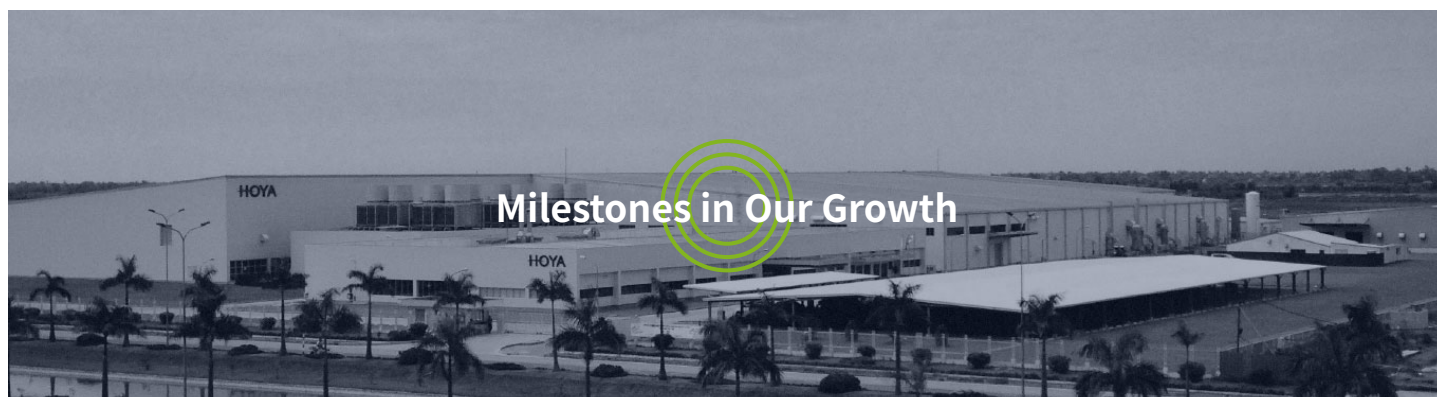
➤ Refinement of Business Portfolio Strategy

The Life Care business is expected to enjoy continuing stable growth over the long term, amid global population aging and increasing demand for higher quality of life (QOL) as economic growth advances in emerging countries. The Information Technology business, which has been regarded as a cash cow, not only because HOYA has already acquired a high market share but also because there was a period of stagnation in the growth potential of related markets, is also expected to grow due to such factors as the breakthrough in semiconductor miniaturization technology in recent years and the acceleration of the data-driven trend in all industries. Against this background, we are establishing a framework to focus on growth potential business-by-business and product-by-product, irrespective of whether the segment is in the Life Care business or the Information Technology business.

We also recognize that the development/acquisition of new businesses that serve as the driving force for perpetual corporate growth is the most significant management challenge, so we will work on this by taking a two-pronged approach, i.e., in-house development and M&A. Given that there have not been many cases in which business divisions collaborated with each other in the past, we will launch research and development across business divisions on a project-by-project basis going forward, in an effort to create new markets and products. Looking ahead, we will also consider M&A, which has been executed mainly in the Life Care business to date, by expanding the scope to include the Information Technology business domain as well, not just Life Care business-related opportunities. Market domains that are presumed to be selected are fields adjacent to existing domains that are consistent with HOYA's vision and mission; we will seek to enter domains that look promising for HOYA to establish its position as a leader in niche markets and attain high profitability.

➤ Enhancement of ESG

Ahead of other Japanese companies, HOYA's Board of Directors has consisted of independent directors accounting for the majority of its members, and its corporate governance (G) has been enhanced with high objectivity and transparency based on a framework in the form of a system of committees. Going forward, HOYA will accelerate environmental (E) and social (S) initiatives as well. [Please also refer to the message by Ms. Tomoko Nakagawa, Chief Sustainability \(ESG\) Officer, etc.](#)

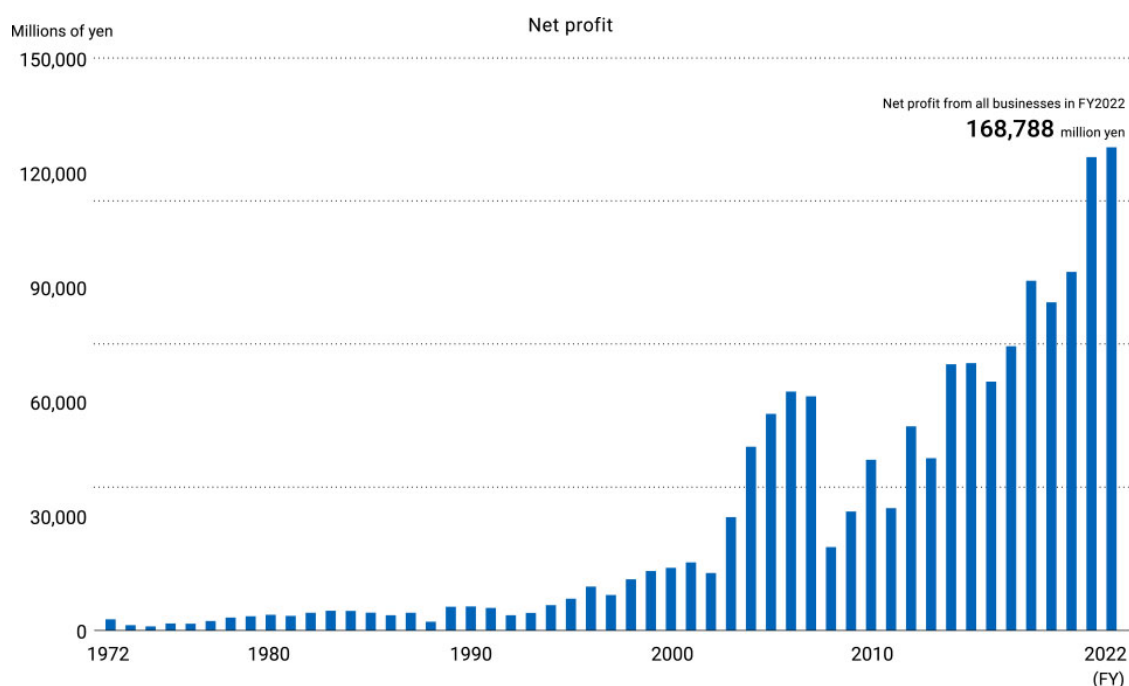


Persisting in profitability

We have steadily increased profits through business portfolio management, in which we optimize the allocation of investments to meet the needs of the times and change the nature of our business quickly, and through a system of reviewing and improving our business on a short-term (quarterly) basis.

HOYA's continued net profit since the TSE listing in 1973

HOYA has never reported a loss since its TSE listing.

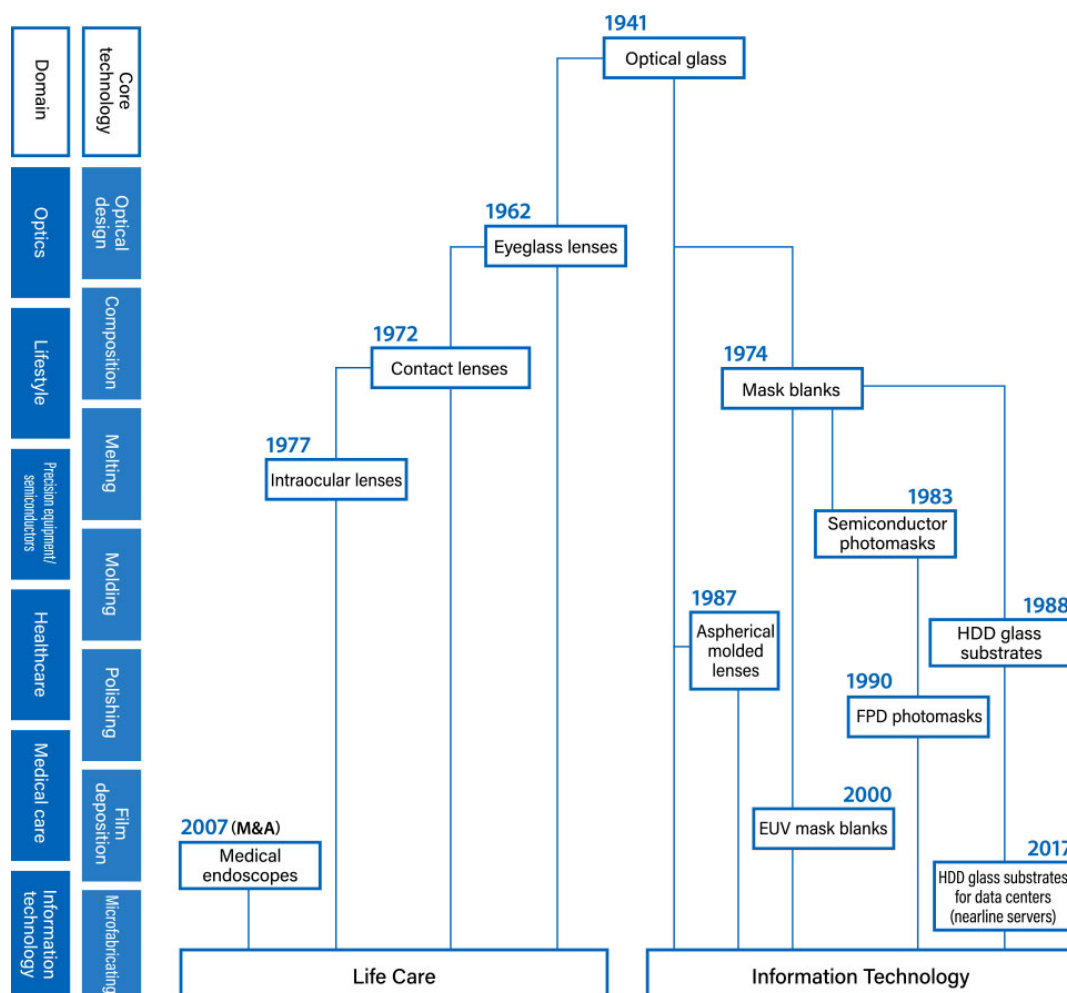


Note: HOYA has prepared its consolidated financial statements in accordance with IFRS since the fiscal year ended March 31, 2011, in lieu of the Japanese standard.

Change and Expansion of Business Domains

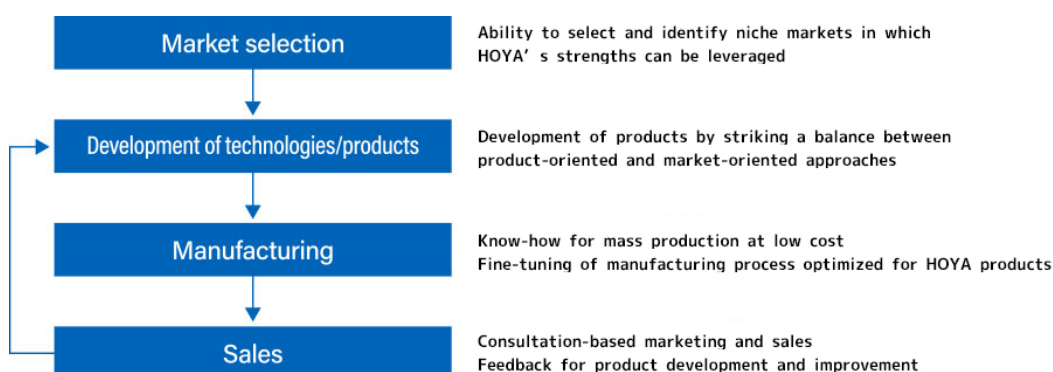
HOYA launched its business from the field of optical glass in 1941. For 80 years since its foundation, HOYA has demonstrated the strengths of business portfolio management by expanding the domains of its products and services in accordance with its corporate mission, which is to “contribute to the creation of a truly prosperous society in harmony with people, society, and nature, through the creation and innovation of businesses.”

HOYA's 80-year History



Growth Engine

Business scale expansion is currently driven by “awareness of differentiation” in each stage of the value chain, i.e., market selection, development of technologies/products, manufacturing and sales.



Market Growth

Market Growth and HOYA's Potentials

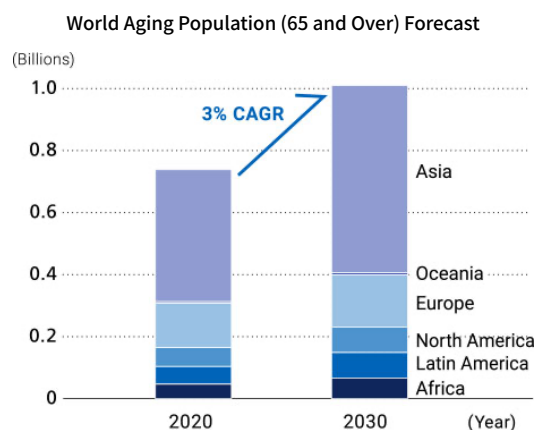
The Life Care business is expected to enjoy long-term structural expansion against a background of global population aging and improving living standards in emerging countries. In the Information Technology business, the market is expected to grow due to factors such as progress in the miniaturization of semiconductors and increasing data-center demand. We will invest to achieve performance that outstrips the market growth potential of each business.

Life Care

Market growth, driven by global aging population and improving living standards in emerging countries

▶ Aging global population expands the market

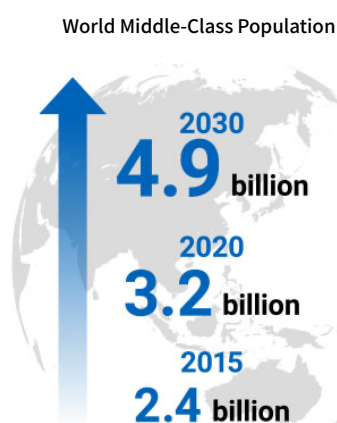
As global population aging advances, growing numbers of people are forecast to need products for orthoptics, such as eyeglasses, contact lenses and intraocular lenses, due to deterioration of vision with age. Demand for flexible endoscopes is also anticipated to rise as governments promote preventive screening to restrain growth in medical expenditures.



Source: United Nations, World Population Prospects 2022

▶ Emerging countries' improving living standards expands the market

Middle-class populations, especially in Asia, are increasing on the basis of economic growth of emerging countries. More people will have opportunities to buy eyeglasses or receive medical treatment, which means expansion of business opportunities for HOYA.

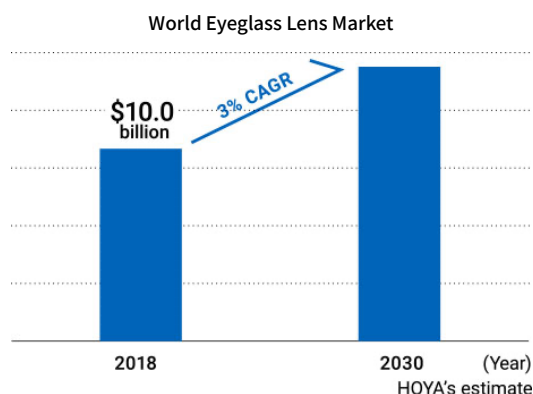


Source: OECD DEVELOPMENT CENTRE Working Paper No. 285

THE EMERGING MIDDLE CLASS IN DEVELOPING COUNTRIES by Homi Kharas

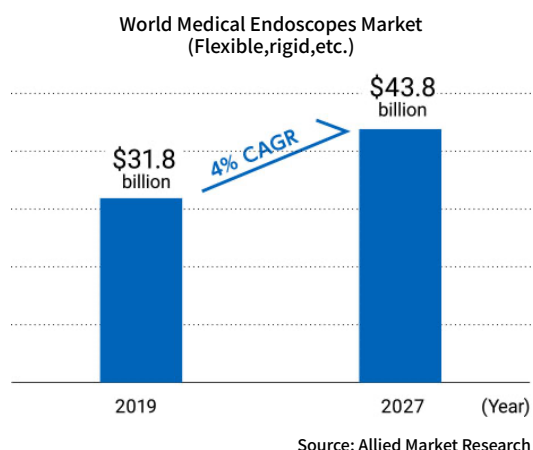
► **Increase in the elderly and middle-class population expands the market**

Demand for eyeglass lenses is increasing worldwide, due to aging of populations, higher purchasing power supported by emerging countries' economic growth, rising health consciousness, and deterioration of vision caused by longer screen times.



► **More demand for minimally invasive medical treatment drives growth in the endoscope market**

Medical expenses are increasing worldwide, along with aging of populations. To restrain medical costs, governments are recommending early detection of diseases and minimally invasive medical treatment. Need for the latter in particular is expanding, to minimize the physical toll on patients taken by invasive medical treatment. Flexible endoscopes, which allow physicians to diagnose and treat the patient without damaging the body, are strongly expected to fulfill such needs.



Market Growth Drivers

- Aging population
- Increase in cancer rate
- Initiatives for disease prevention
- Desire for improvement of QOL and minimally invasive diagnosis and treatment devices
- Improved medical infrastructure in emerging countries

Information Technology

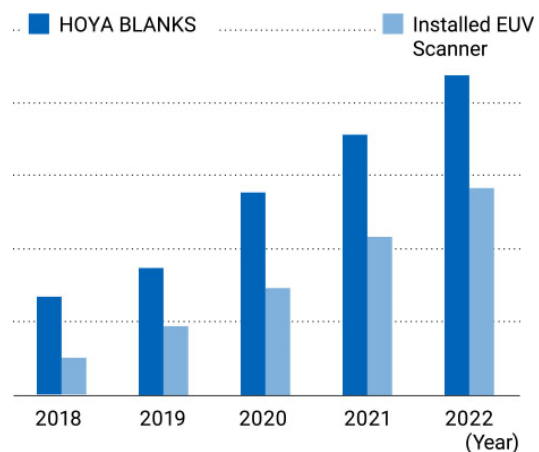
Market growth, driven by technological advancement and expansion of application areas

The market of the Information Technology business as a whole is in a matured stage, but a closer look at each of our products reveals potential growth sub-segments.

► Mask blanks for EUV lithography

Extreme ultraviolet (EUV) lithography is a technology used to transfer semiconductor circuit pattern to a substrate using EUV light. It is a potential key for advanced miniaturization of semiconductor circuits. HOYA understands client needs accurately and precisely, and properly responds to technological requirements with the underlying objective of being a leader in the market of mask blanks for EUV lithography.

Sales of HOYA Mask Blanks for EUV Lithography and Number of EUV Scanners Installed (Volume)

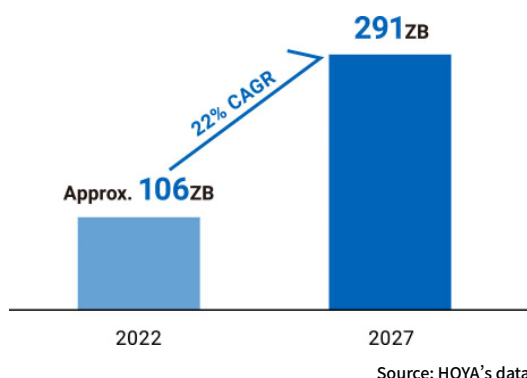


► Nearline server application of glass disks for HDDs

Nearline storage is used for backup and archiving purposes. The market for nearline storage has continued to undergo significant growth to accommodate the global surge in data volume. Memory capacity per storage unit needs to be increased to improve the efficiency of server space in data centers. HOYA will meet such needs by proposing an increase in the number of disks mounted per HDD to customers based on thinner disks in an effort to increase disk shipment volume.

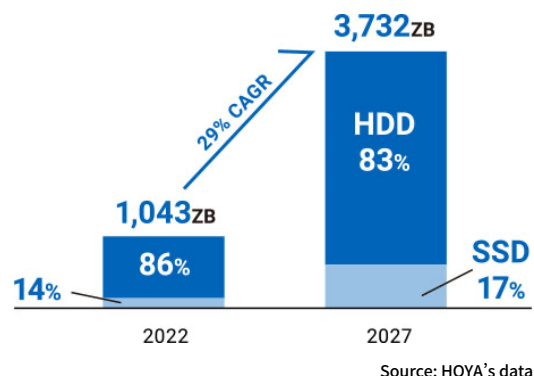
Trends in Data Traffic Volume

Data growth is accelerating on a global scale due to the progress of 5G, artificial intelligence (AI) and other technologies.



Enterprise Exabyte Shipment Volume

HDDs will continue to play a central role in nearline storage in the future.



► In-vehicle camera lenses

The market for in-vehicle camera lenses is expected to grow, as they are expected to be used in sensors required for automated driving technology. We will absorb market growth by leveraging high-value-added glass materials and aspherical glass lenses, in which our strength lies.



Advanced corporate governance structure

To ensure the effective functioning and objectivity of the management supervisory function, five out of seven directors are independent outside directors. As a monitoring board, outside directors enhance the quality of corporate governance by applying their wealth of management experience, insight and leadership ability to HOYA's management.

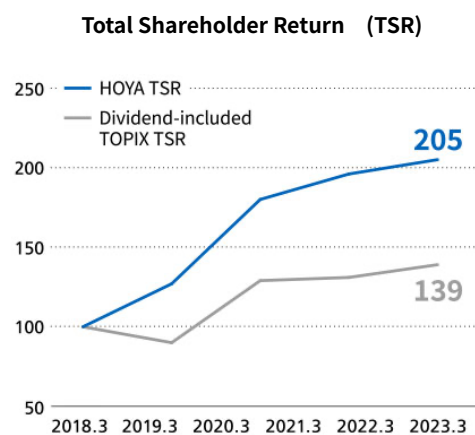
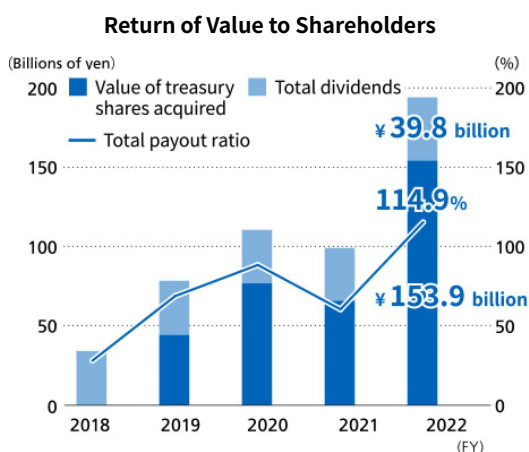
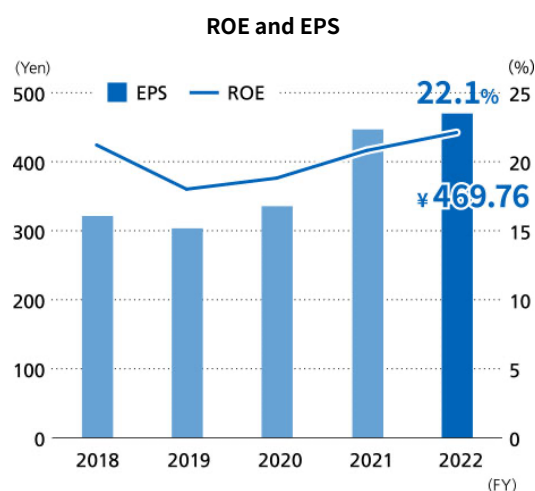
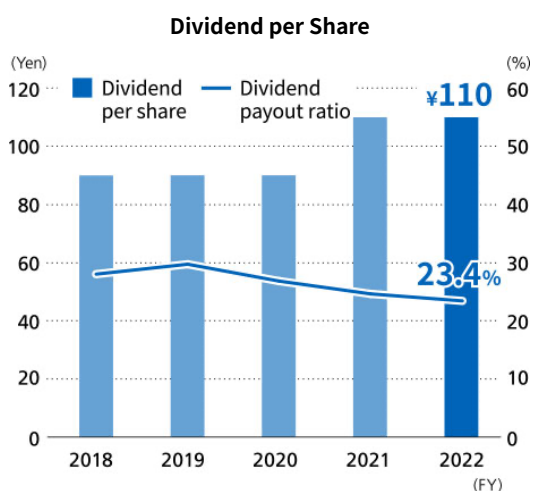
	Independent Director Lead Independent Director Hiroaki Yoshihara Biography →		Independent Director Yasuyuki Abe Biography →
	Independent Director Takayo Hasegawa Biography →		Independent Director Mika Nishimura Biography →
	Independent Director Mototsugu Sato Biography →		Eiichiro Ikeda Biography →
	Ryo Hirooka Biography →		

	Background of Outside Directors						
	Corporate Management	Global Business	Finance/Accounting	IT/Technology	M&A	Sustainability/ESG	Medical
Hiroaki Yoshihara	●	●	●	●	●	●	
Yasuyuki Abe	●	●		●	●	●	
Takayo Hasegawa	●	●		●		●	
Mika Nishimura		●			●	●	●
Mototsugu Sato	●	●	●		●	●	

Pursuing capital efficiency

Return to shareholders and capital efficiency are among the key management considerations at HOYA.

Major management indicators and return to shareholders



This indicates the investment performance by taking share price changes and dividends into consideration, assuming that an index of 100 equals the amount of investment on March 31, 2018.

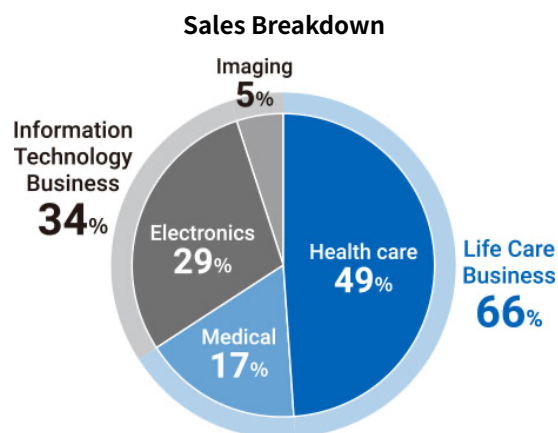
Highlights of the Year



Financial

Sales

+9.4%
723,6billion yen



Sales revenue reached its highest level ever for HOYA. Although sales of glass substrates for HDDs declined sharply, business results in the Life Care business were firm and the Company benefited from a lower yen exchange rate. Growth rate was 9.4%. Growth rate net of exchange-rate effects was 1.2%.

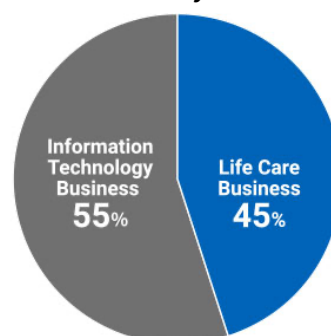
Profit from Ordinary Operating Activities

+5.2%

210,8billion yen

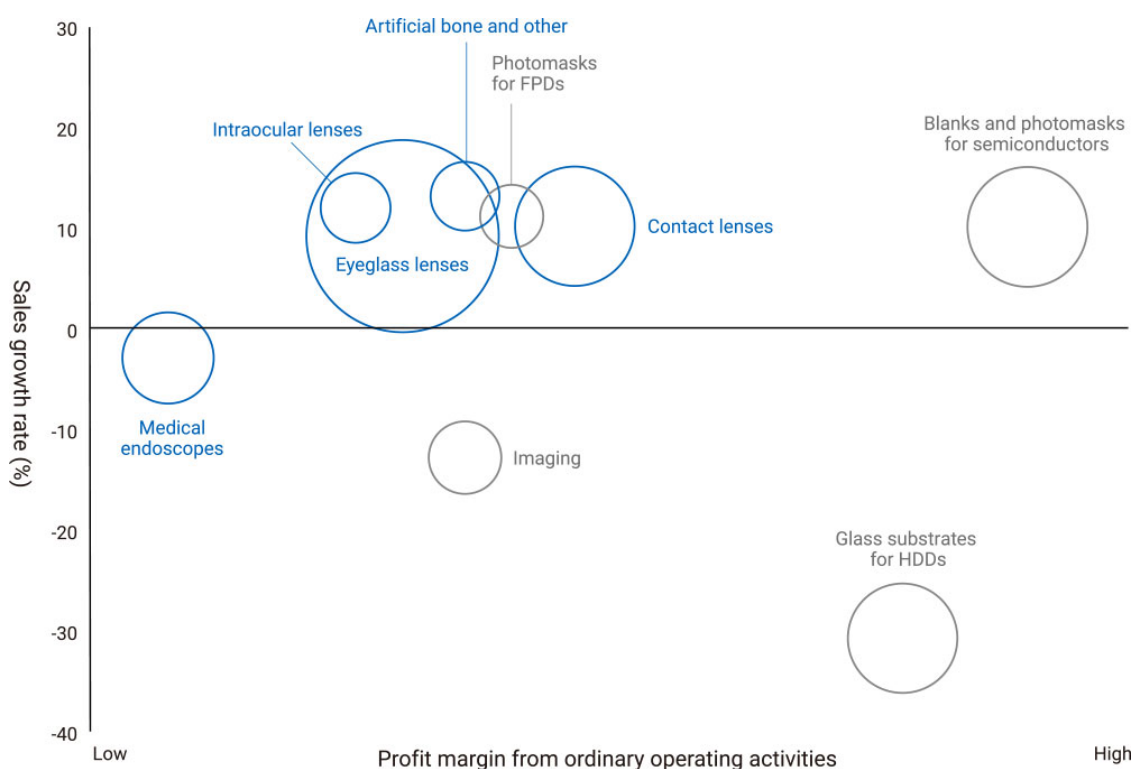
Profit margin from ordinary operating activities:
29.1% (-1.2%pt)

Profit from Ordinary Operating Activities Breakdown by Business



Profit from ordinary operating activities was the highest in HOYA's history, thanks to increased revenue and thorough cost management. Profit margin declined as the Information Technology business, whose profit margin is relatively high, accounted for a lower percentage of sales revenue. Growth rate was 5.2%. Growth rate net of exchange-rate effects was 2.4%.

Product Sales/Profit Margins/Sales Growth Rate



Note: Sales growth rate excluding FX impact

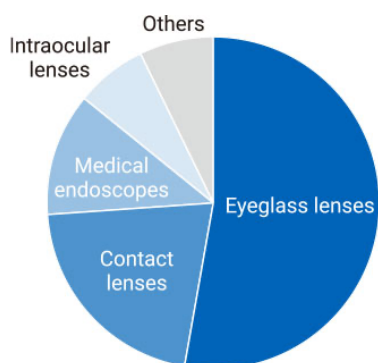
Sales in the Life Care Business

+16.5%

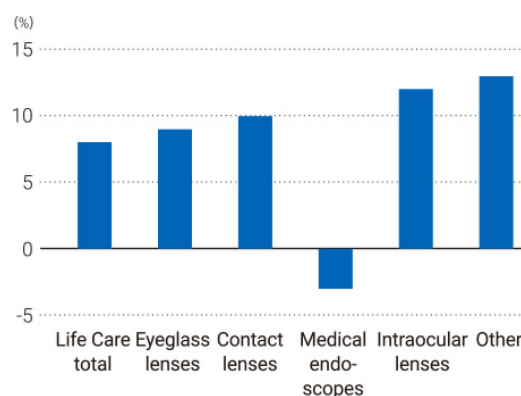
474,6billion yen

Sales revenue in the Life Care business soared as economic recovery advanced, thanks to firm sales of high-value-added products and recovery from the COVID-19 pandemic. Growth rate of sales revenue was 16.5%. Growth rate net of exchange-rate effects was 8.0%.

Life Care Sales Breakdown



Sales Growth Rate of Products in the Life Care Business*



*Sales growth rate excluding FX impact.

Profit from Ordinary Operating Activities in the Life Care Business

+16.0%

96,8billion yen

Profit margin from ordinary operating activities: 20.4% (-0.1%pt)

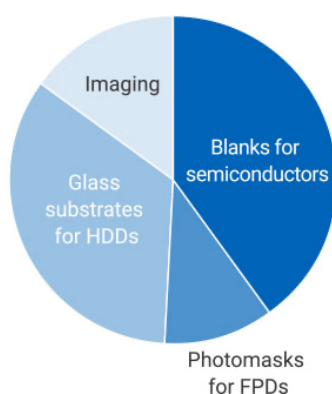
Profit from ordinary operating activities in the Life Care business increased, as virtually all businesses in this segment saw increased profits. Growth rate was 16.0%. Growth rate net of exchange-rate effects was 9.8%.

Sales in the Information Technology Business

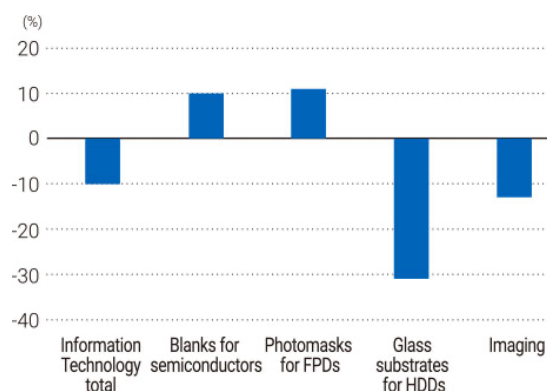
-1.6%
244,3billion yen

Sales in the Information Technology business declined from the previous fiscal year. Although the Company captured strong demand for mask blanks for extreme ultraviolet (EUV) lithography, sales of glass substrates for HDDs and camera lenses decreased slightly due to inventory adjustments in these products. Growth rate was -1.6%. Growth rate net of exchange-rate effects was -9.6%.

Information Technology Sales Breakdown



Sales Growth Rate of Products in the Information Technology Business*



*Sales growth rate excluding FX impact.

Profit from Ordinary Operating Activities in the Information Technology Business

-1.9%
118,3billion yen

Profit margin from ordinary operating activities: 48.4% (-0.1%pt)

In profit from ordinary operating activities in the Information Technology business, the Company supported a profit margin roughly equal to that of the previous fiscal year. Although revenue dropped sharply in the relatively high-margin business of glass substrates for HDDs, HOYA was able to implement thoroughgoing cost management in this business. The growth rate was -1.9%. Growth rate net of exchange-rate effects was -8.7%.

Financial data is available in [the IR Library on HOYA's website](#).

Highlights of the Year

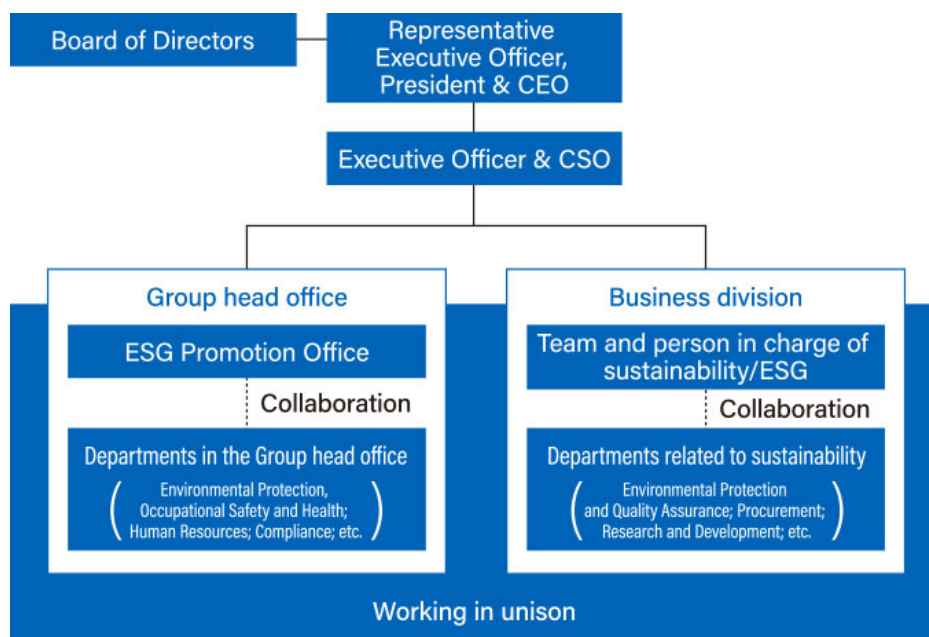


ESG

Strengthening the Group's ESG Organizational Structure and Governance

The HOYA Group drafts policies and key initiatives with respect to ESG through the ESG Promotion Office, a dedicated organization under the Chief Sustainability (ESG) Officer. The Board of Directors, which serves as the monitoring board, deliberates on these policies and initiatives, decides whether to adopt them, and receives regular reports from the CSO (four times in fiscal 2022), offering advice from a wide range of perspectives. In addition, a sustainability/ESG-related team and personnel in charge are established in each business division. These personnel establish key performance indicators (KPIs) aligned with Group targets. The CSO reports their activities and progress to the Board of Directors, which monitors them.

In fiscal 2022, ESG indicators were incorporated into the Performance Share Unit (PSU) that serves as a medium- to long-term incentive in Executive Officers' remuneration. To enhance the effectiveness of these indicators, in fiscal 2022 key ESG criteria, such as degree of achievement of renewable-energy targets, were added to the annual incentives of personnel responsible for each business.



Measures Related to Climate Change

Scenario analysis based on the TCFD declaration

In November 2021, HOYA announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). After that announcement, the Company began conducting scenario analysis based on the TCFD declaration, identifying risks and opportunities associated with climate change and evaluating their financial impacts. Based on that analysis, HOYA is now moving forward with the drafting and implementation of countermeasures. [The Company publishes a report entitled TCFD Disclosure](#), which describes this scenario analysis in detail.

Joining RE100^{*1} and Setting Targets for Renewable-energy Usage Rates

HOYA joined RE100 in February 2023, and has set a target to achieve a 100% renewable-energy usage rate (deriving 100% of the energy consumed in its business activities from renewable sources) by fiscal 2040. As an intermediate target, the Company aims to achieve a renewable-energy usage rate of 60% by fiscal 2030, and is accelerating efforts to transition to renewable energy.

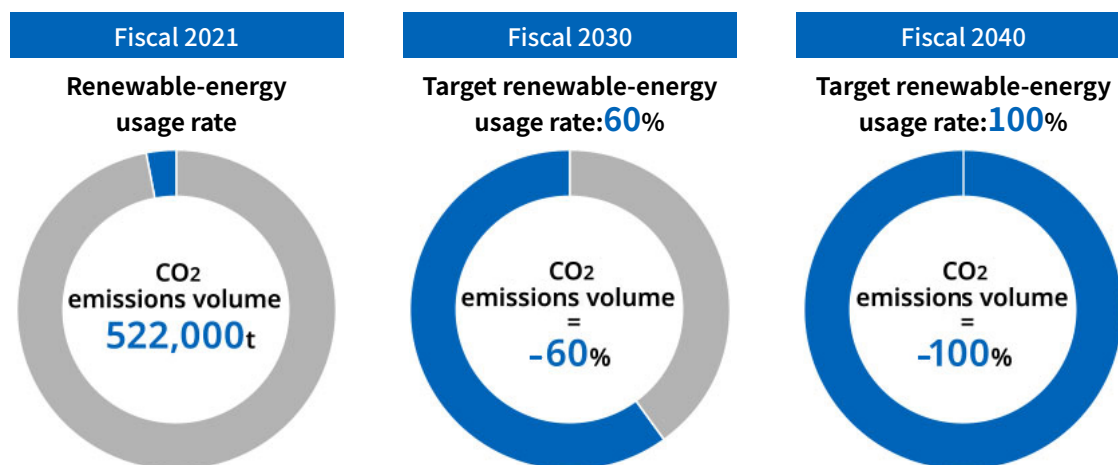
Medium- to long-term CO₂ emissions reduction targets

Energy purchases constitute over 90% of the HOYA Group's CO₂ emissions (Scopes 1 and 2). In addition to its target for renewable-energy usage rate, the Group has set a target of complete elimination of CO₂ emissions (Scopes 1 and 2) by fiscal 2040. In addition to ongoing efforts, such as energy-saving activities and upgrading to high-efficiency equipment at production sites, the Group has begun a host of other measures in Japan and overseas including installing solar panels and switching to electrical power from sustainable sources.

[For a detailed discussion, please read "Environmental."](#)

^{*1} "RE100" refers to "100% renewable electricity." This international initiative commits influential companies worldwide to converting the energy they use in business activities to 100% renewable energy.

Medium- to long-term Targets for Renewable-energy Usage Rate and Reduction of CO₂ Emissions



Expansion of Human Capital

Employee engagement surveys

In September 2022, the HOYA Group conducted its third employee engagement survey. Targeting all HOYA Group employees worldwide, this year's survey attained a 97% response rate. After analyzing the results of this survey, the Group implemented a series of measures, focusing on the fields of talent management and career development. The survey results were also discussed at the individual-workplace level, to identify points for improvement leading to meaningful plans of action.

Introduction of a new global performance management framework (performance evaluation system)

Based on the results of the employee engagement survey, the Group began operating a new, common global framework for performance evaluation, which was developed based on the previously used framework. The framework introduces 360° evaluation and other measures to reflect the results of performance evaluation and fosters an environment for obtaining regular and effective feedback for the purpose of personnel development.

Introduction of a career development program

HOYA recognizes that providing opportunities for continuous updating of knowledge and reskilling is vital for upholding its competitiveness. To that end, the HOYA Group is offering LinkedIn Learning, an on-demand, online learning platform. The platform will support career development for the employees who underpin HOYA's growth strategy.

Establishing human-rights policy and exercising human-rights due diligence

The HOYA Group proclaims its philosophy and values through a number of policy statements. The HOYA Code of Conduct and HOYA Supplier Code of Conduct codify the Group's guidelines for action based on respect for human rights. The Group professes its compliance with international principles and guidelines, informed by basic principles of human rights, and has established the [HOYA Group Policy on Human Rights](#), whose scope includes its partnerships with HOYA stakeholders.

The HOYA Group is committed to exercising due diligence on human rights. As part of this effort, the Group has brought to light and enumerated potential human-rights issues and risks in its value chain and enumerated human-rights issues for each stakeholder. As a result, the Group has identified the following high-priority issues: risks related to labor compliance; privacy protection and personal-information management; consumer (patient) safety; and bribery/corruption. In addition to continuing efforts to enhance understanding of the Codes of Conduct and educational and training measures to prevent harassment, the Group is intensifying existing measures and augmenting them with additional approaches. Going forward, the Group intends to build and reinforce a framework for human-rights due diligence extending to all stakeholders throughout the value chain, from those within the Group to suppliers, for example through the use of questionnaire surveys.

In January 2023, HOYA signed the United Nations Global Compact (UNGC). Hoya supports all 10 of the UNGC's principles in the areas of human rights, labor, the environment and anti-corruption and is pressing ahead with measures to achieve further permeation of commitment to sustainability.

[For a detailed discussion, please refer to “Social.”](#)

External Evaluation and Expansion of Disclosure

Status of Adoption by GPIF ESG Indexes

HOYA has been selected as a constituent of the following ESG indexes adopted by the Government Pension Investment Fund (GPIF) of Japan.

■ **FTSE Blossom Japan Sector Relative Index** (general index)



**FTSE Blossom
Japan Sector
Relative Index**

■ **2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX** (general index)

**2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

■ **2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)** (thematic index: social initiatives)

**2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

■ **S&P/JPX Carbon Efficient Index** (thematic index: environmental protection)



HOYA has also been selected for inclusion in the following

- MSCI ESG Leaders Indexes
- MSCI Japan Climate Change Index
- iSTOXX MUTB Japan Platinum Career 150 Index



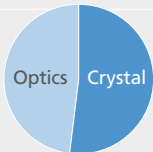
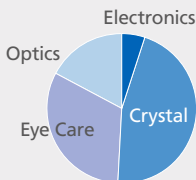
Main ESG Rating Status

- MSCI ESG rating: AAA (highest of seven ratings, upgraded from A in previous evaluation)
- Sustainalytics ESG risk rating: Low Risk

Main ESG Rating Status

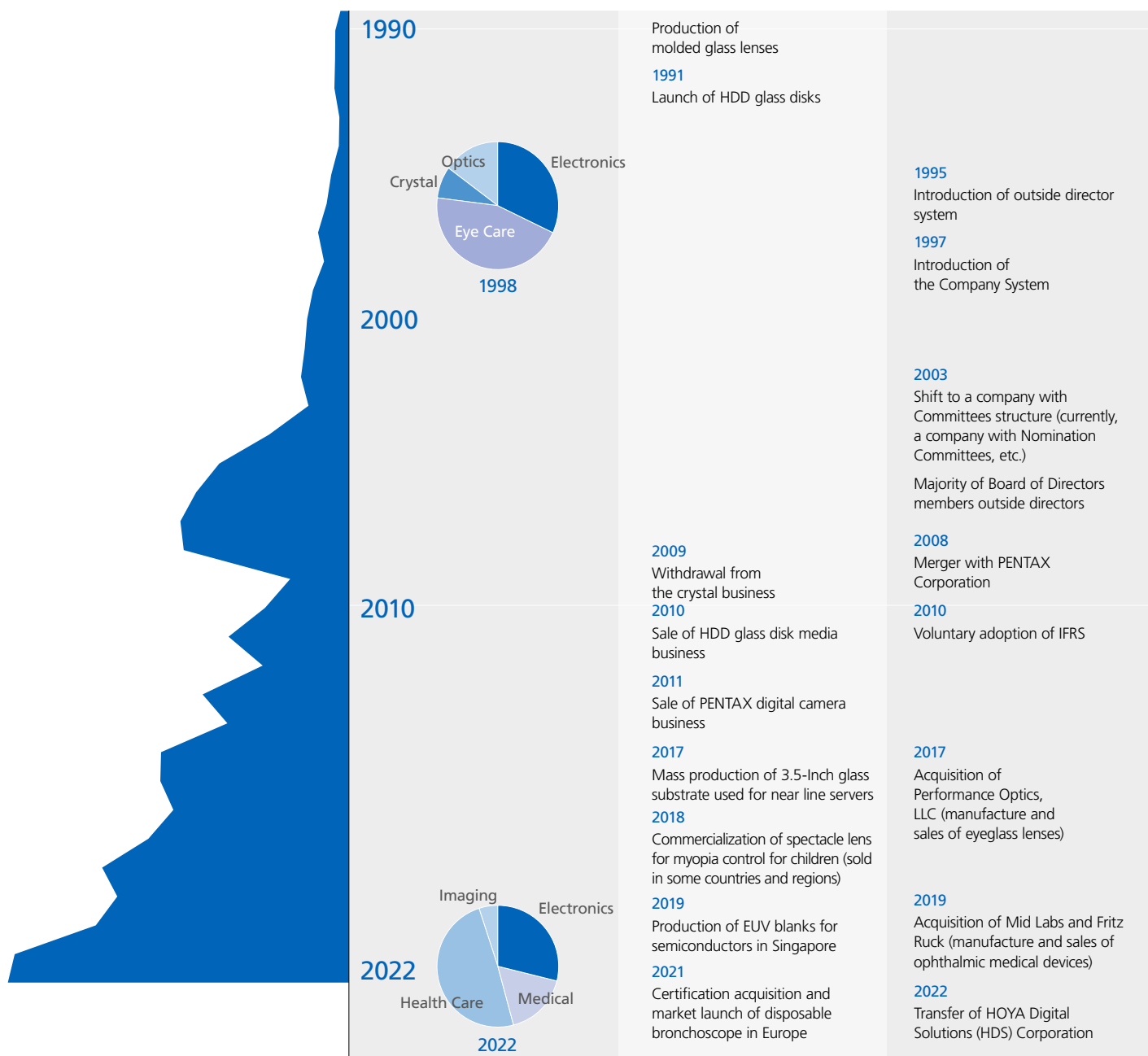
- Selected by GPIF's external asset managers for "excellent integrated report"
- Certified by the Ministry of Economy, Trade and Industry (METI) as an outstanding health and productivity management organization for seven consecutive years
- R&I rating: AA
- Selected as one of the Most Honored Companies in the Electronics/Precision Instruments sector in Institutional Investor magazine's 2023 All-Japan Executive Team rankings as of June 30, 2023

Milestones in Our Growth

Net Income by Fiscal Year	Business Portfolio	Products and Technologies	History
	1941  1941	1941 HOYA founded Production of optical glass 1945 Production of crystal stemware	1941 The brothers Shoichi and Shigeru Yamanaka established an optical glass production plant in the city of Hoya, Tokyo (a part of today's Nishi-tokyo).
	1950		
	1960  1960	1962 Production of eyeglass lenses	1960 Showa Factory (currently, the Akishima Factory) established Company name changed to Hoya Lens Corporation 1961 Listed on the Second Section of the Tokyo Stock Exchange
	1970  1979	1972 Production of contact lenses 1974 Production of photomask substrates for semiconductors	1973 Listed on the First Section of the Tokyo Stock Exchange
	1980	1983 Production of photomasks for semiconductors 1987 Production of intraocular lens for cataracts	1984 Company name changed to Hoya Corporation 1986 R&D Center building established

HOYA

INTEGRATED REPORT 2023



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 CO₂). 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 CO₂ 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 CO₂ emissions. Each division is preparing its own medium- to long-term roadmap for introducing renewable energy and reducing emissions of CO₂. 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 CO₂ 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.

Tagline: Innovating for a Better Tomorrow

Vision: To be a company that continues to innovate for a better tomorrow

Mission: To improve the quality of life (QOL) of people around the world and contribute to a truly prosperous society through business activities in three key business fields

Three Key Business Fields



External Environment

Increasing geopolitical risks
Uncertainty regarding economic trends
Climate-change risks
Aging society
Increasing severity of myopia and other ophthalmic health issues
Medical care and healthcare inequalities
Accelerating technological development

Input

- Core Values**
 - Advanced optics technology, nurtured over 80 years. Precision processing technology for glass, plastics, etc.
 - Know-how for mass production at low cost, with stable quality
 - Insistence on profitability, widely instilled among employees
 - Ability to adapt flexibly to crisis in the event of emergencies
- Management Capital Data**
 - Human capital**
36,571 employees
 - Manufacturing capital**
Over 50 production sites worldwide
 - Annual capital investments: Approx. 40 billion yen
 - Financial capital**
Generates annual FCF of approx. 160 billion yen
 - Strong financial base
 - D/E ratio: 0.03
 - R&I rating: AA
 - Intellectual capital**
Approx. 7,700 patents
 - Annual R&D expenses: Approx. 29 billion yen
 - Social and related capital**
Cooperation with customers, suppliers, local governments and other stakeholders based on relationship of trust

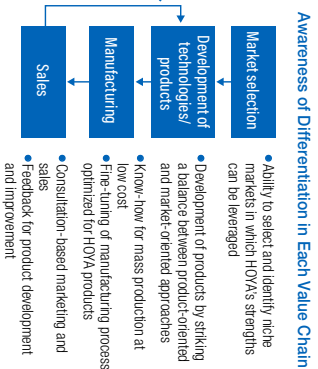
Medium-term Targets

Expand presence in three main fields
Build a solid portfolio that contributes to long-term growth through acquisition of new businesses and effective organization of operations

Drivers and Frameworks for Growth

- Stable growth through flexible portfolio restructuring
- Diversification of risks and opportunities by rolling out a wide range of businesses
- Quarterly Review System**
 - Steady growth through a short-term Plan-Do-Check-Act (PDCA) cycle based on a long-term growth scenario
 - Optimal and timely allocation of management resources

Value Chain



Outcomes

Impact and Social Value

- Eye Health**
Support the eyesight of approx. 100 million people per year through products in the ophthalmologic field such as eyeglass lenses, contact lenses and intraocular lenses. Eliminate disparities in ophthalmic medicine and education worldwide.
- Medtech & Life Science**
Contribute to goals such as early detection of disease states using endoscopes, quicker postoperative recovery of people by minimally invasive medical treatment and extension of healthy life-span
- Information Technology**
High-precision photomasks and mask blanks that help improve efficiency and save energy in semiconductors that are indispensable for the information society, and increased capacity of storage based on glass substrates for HDDs that are essential for data accumulation.
- Employees**
An environment in which employees feel empowered and able to apply their talents to maximum effect
- Shareholders**
Continuous improvement of shareholder value
- Customers**
Solutions to customer problems
- Environment**
Reduction of environmental impact

Economic Value

Sales revenue: 723.6 billion yen
Pretax profits: 215.8 billion yen
Pretax profit margin: 29.8 %
ROE: 20.8 %
Operating cash flows: 201.8 billion yen
(fiscal year ended March 31, 2023)

Sustainability

- Enhancement of Initiatives for Four Material Issues of ESG
- Solid, Constantly Advancing Corporate Governance
- Strengthening of SDGs Initiatives



Reinvestment to strengthen management capital

HOYA's ESG Approach

ESG and Sustainability Governance Framework

Governance

HOYA is organized as a company with Nomination Committee, etc. As such, the Board of Directors functions as a monitoring board, supervising the executive side and deliberating and deciding on materialities in management policy Group-wide. To secure management supervisory functions and ensure their objectivity, in fiscal 2022 the Company established a framework in which six of eight directors are outside directors. All outside directors are fully experienced as managers and possess an international outlook; moreover, three of the six outside directors were selected in part for having backgrounds in personnel training and diversity. Some of the outside directors have experience in key management decision-making regarding climate change.

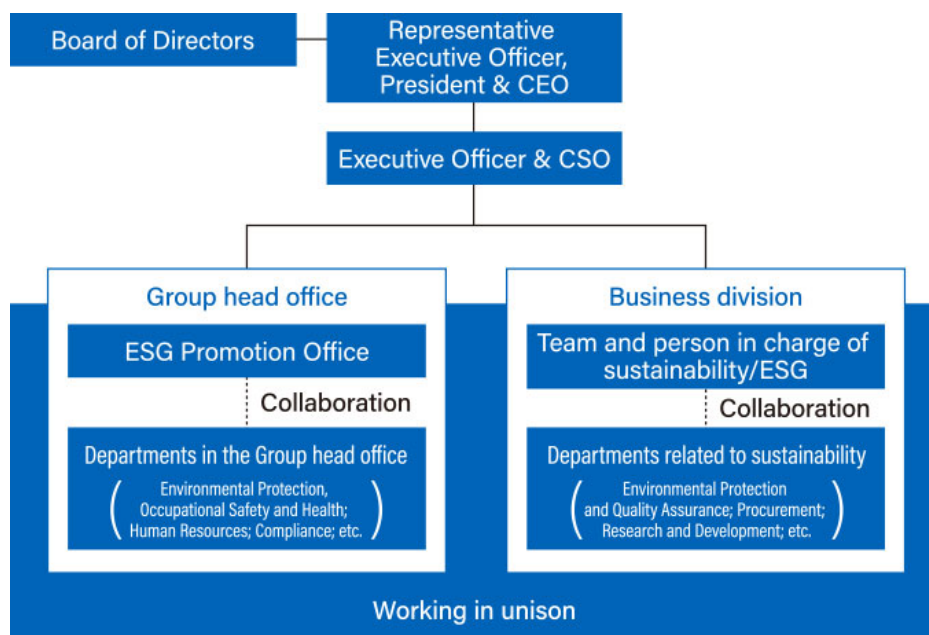
The ESG Promotion Office proposes basic policy, materialities, and key measures such as TCFD and RE100 concerning the Group's sustainability. The Board of Directors deliberates on these proposed measures and decides whether to adopt them. In addition, the Board of Directors receives regular reports on issues related to sustainability, including responses to climate change, from the Chief Sustainability (ESG) Officer (four times in fiscal 2022). The Board offers advice from multifaceted perspectives. Similarly, the Group CHRO reports regularly to the Board of Directors regarding personnel measures across the HOYA Group.

At HOYA, we conduct business operations through a divisional management approach facilitated by portfolio management. As such, each business division's specific policies on responding to sustainability-related issues, including climate change and human capital, are reflected in the management strategy, management plan and annual budget of each business, to be approved and decided by the Board of Directors. Each business division has assigned a team in charge of sustainability/ESG, which confers with the CSO to set targets and KPIs for that business division in line with Group targets. The CSO reports the activities and progress of each business division to the Board of Directors, which monitors said activities and progress.

In fiscal 2022, ESG indicators were incorporated into the Performance Share Unit (PSU), serving as a medium- to long-term incentive in Executive Officer's remuneration. Targets are set according to evaluations by outside organizations and the status of efforts on key ESG themes. In fiscal 2023, to enhance the effectiveness of these indicators, important KPIs among the key ESG-related targets set by each business division, such as renewable-energy usage rate, were added to the criteria for annual incentives of the presidents of each business division.

Risk Management

The HOYA Group's head office appoints persons responsible for functions considered a significant risk to the Company, including compliance, response to pharmaceutical regulations, cybersecurity and safety/hygiene. The responsible persons in the head office cooperate with persons responsible for the same functions in each business division to identify and prevent risks and submit a report once a year to the Board of Directors. With respect to climate change, the head-office TCFD project and business divisions draft and implement response measures appropriate to each business division, based on TCFD scenario analysis. (In fiscal 2022, analysis was conducted on the eyeglass lens business and the HDD glass substrate business.)



Sustainability Policy

For the purpose of clearly stipulating the HOYA Group's basic stance and policy on sustainability and further promoting sustainability activities, we established the HOYA Group's Sustainability Policy in May 2022.

HOYA Group is committed to contribute towards 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 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.

For HOYA's Corporate Mission, Management Principles and Vision, [click here](#).

Material Issues

Having internally discussed and examined matters that contribute to the HOYA Group's medium- to long-term growth (i.e., material issues), we identified four material issues with the approval of the Board of Directors in September 2021.

Process of Identifying Material Issues



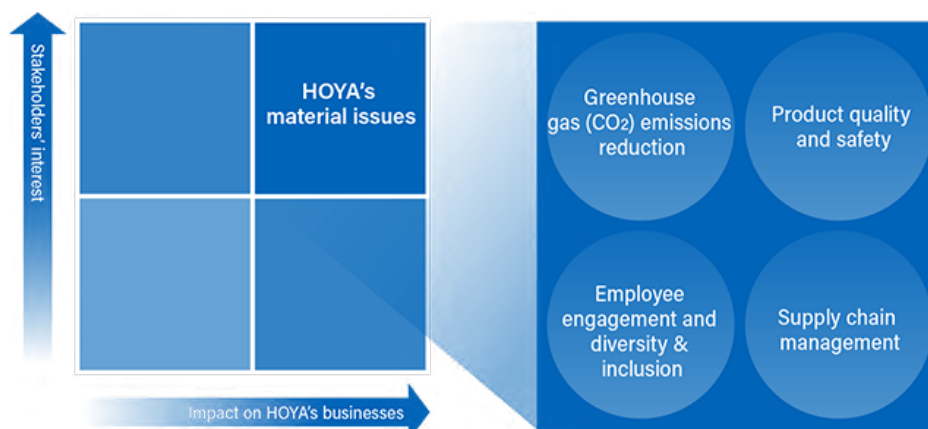
*1. SASB, GRI, IIRC, ISO26000, TCFD, RBA, CDP

*2. Industries: Medical Equipment & Supplies, Hardware, Semiconductors

*3. Sustainability Accounting Standards Board

Identified Material Issues

Four material issues have been identified in HOYA as a result of the above process.



Risks and Opportunities of Material Issues

In consideration of the social issues worldwide and HOYA's business environment, we examined and discussed the following risks and opportunities in the process of selecting material issues.

Material issue	Risk	Opportunity
Greenhouse gas (CO₂) emissions reduction	● Laws, regulations and industry rules and/or demands from customers might become tougher, and if they are not addressed, it might diminish the competitiveness of HOYA's products/services and/or HOYA's social credibility ● Carbon tax and/or carbon pricing (e.g., emissions trading scheme) might be introduced more widely	● Electricity-saving production processes lead to cost reduction
Product quality and safety	● If any inadequacy/defect in a product occurs, or if an incident involving noncompliance with laws, regulations or standards arises, it might give rise to costs of recall and/or diminish HOYA's social credibility ● Laws, regulations, standards, etc. related to product quality and safety might become tougher	● Thorough compliance with laws, regulations, industry rules, etc. and execution of business activities in a sound manner help enhance corporate value
Employee engagement and diversity & inclusion	● Competition to secure highly talented human resources might intensify on a global scale	● Increase in opportunities for value creation and innovation brought about by securing and developing diverse human resources
Supply chain management	● HOYA might be suspended from trading or its social credibility might be diminished by the impact of violation of laws and regulations and/or infringement of human rights, etc. in the supply chain	● A stable supply of components being secured and a sustainable production system being established by building a relationship based on trust with suppliers

Approach to and Measures for Material Issues

Material issue	Approach	Measures	Relevant SDGs
Greenhouse gas (CO₂) emissions reduction	Set a medium- and long-term target for CO ₂ emissions reduction and create a roadmap to achieve it Set measures and KPIs to achieve the target and steadily implement the measures and monitor KPIs	• Replace production equipment with units that have high energy efficiency • Consider and promote the introduction of renewable energy • Switch lighting to LEDs, promote eco-cars for company vehicles, etc. • Promote disclosures based on TCFD recommendations	  
Product quality and safety	Review and improve the product safety and quality management system and operations on an ongoing basis?especially in the Life Care business, which deals in medical products?so that customers can use products more effectively and safely	• Enhance the quality management system on an ongoing basis in response to changes in regulations • Maintain ISO9001/13485 certification by enhancing internal QMS audit	
Employee engagement and diversity & inclusion	Aim at creating a workplace environment in which diverse employees can fully demonstrate their capabilities with a sense of fulfillment from work so that employees' growth also translates into HOYA's growth	• Conduct employee engagement surveys and implement measures in response to analyses of survey results • Promote the "Minkatsu" diversity project to create a work environment in which everyone can play an active role (mainly targeted at workplaces in Japan)	  
Supply chain management	Properly manage the supply chain based on the HOYA Supplier Code of Conduct, from the viewpoint of complying with laws and regulations and protecting human rights not only internally but also in the supply chain	• Encourage suppliers to abide by the HOYA Supplier Code of Conduct and obtain their signatures • Conflict minerals survey	 

- Measures and targets/indexes for material issues will be additionally set and reviewed in the process of holding discussions and carrying out initiatives in-house.
- As HOYA's businesses are wide-ranging, we will also discuss and examine individual sustainability/ESG issues in each business division on top of the common material issues.

Corporate Governance

Basic views

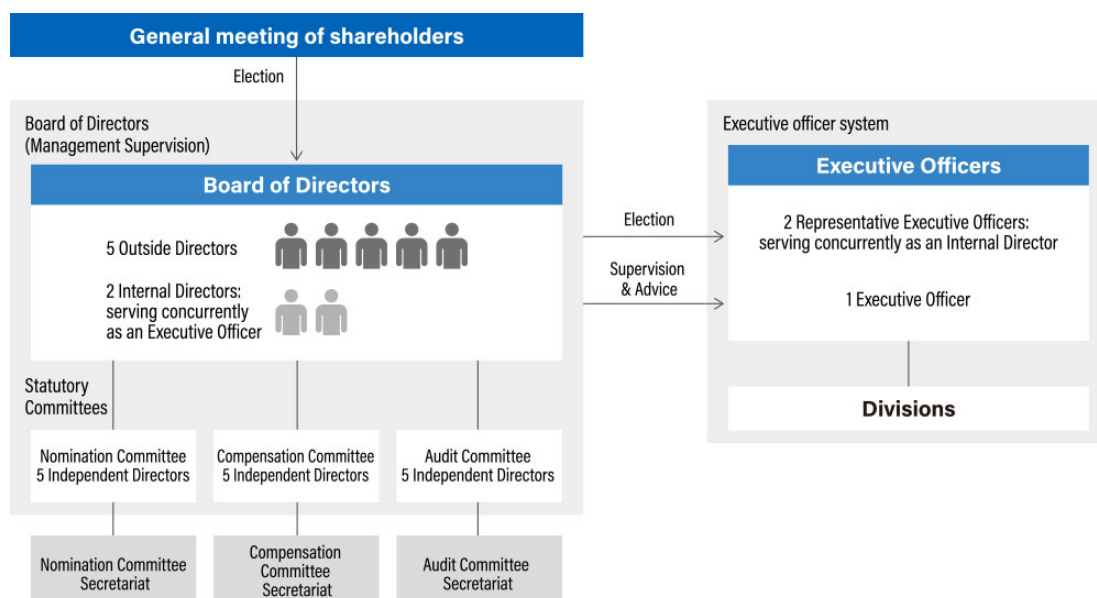
HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management. As the basis of taking a fair approach to stakeholders, to prevent management from being conducted based solely on in-house logic, we have set forth in the Articles of Incorporation that a majority of directors consist of outside directors, who actively supervise management by executive officers and provide advice in order to improve corporate value from an objective and broad perspective. HOYA also gives executive officers the authority and responsibility for the execution of operations, in order to accelerate decision-making and improve management efficiency.

The Company has established the HOYA [Corporate Governance Guidelines](#) at the meeting of the Board of Directors, and intends to enhance the corporate governance structure and to introduce better governance systems by revising the guidelines.

Structure

HOYA employs a company with Nomination Committee, etc. management system. Under a company with Nomination Committees, etc. management system, by giving executive officers authority to manage business, business decision-making is accelerated. At the same time, three statutory committees—the Nomination Committee, the Compensation Committee, and the Audit Committee—were established, with a majority of the members being outside directors (at HOYA, the committees are composed exclusively of outside directors), to ensure the effectiveness of management supervision by the Board of Directors. Adopting a company with Nomination Committees, etc. management system enables us to clearly separate the execution and supervision of corporate management, whereas this was not possible with the previous company with Auditors system. Through this system, we aim to ensure efficient management and improve the overall soundness and transparency of management. Also, because HOYA has businesses that handle medical equipment, a voluntary Healthcare Compliance Committee is established consisting of three outside directors with knowledge of medical fields to monitor these businesses' regulatory compliance.

Corporate Governance Structure (As of June 2023)



Board of Directors

Board of Directors

Our Board of Directors comprises five outside directors and two internal directors, totaling seven directors (as of June 30, 2023). In principle, the Board holds 10 regular Board meetings per year. Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, where globally-minded outside directors with a wealth of management experience ask questions and give advice on the execution of operations by executive officers from various angles. The Board of Directors also works to obtain necessary information as appropriate on the developments in significant legal revisions and trends in corporate governance through lectures given by outside experts and other means.

In fiscal 2022, the Board of Directors was comprised of six outside directors, including two female outside directors, and two internal directors. Board of Directors' meetings were convened 10 times, with 90% attendance by one director and 100% attendance by the other directors.

Based on the Board of Directors Regulations, the Board of Directors not only addresses statutory matters but also approves quarterly budgets and quarterly earnings reports, deliberates on M&A projects and the executive organization, and receives reports on the activity status and medium- to long-term plans of each business division. Once a year, the members of the Board of Directors and the three committees are asked to evaluate themselves through a survey on their operations and effectiveness. A summary of the results of the evaluations for fiscal 2022 is as follows:

Based on a common understanding of the importance of leveraging the functions of monitoring and supervising executive actions, the Board of Directors is highly regarded for its active and open discussion. Among the issues identified as key issues in evaluating the effectiveness of the Board of Directors in the fiscal year under review, steady progress was seen in strengthening of internal controls and risk management. On the other hand, two other issues identified as key issues, dialogue on formulation of a medium- to long-term strategy and formation of a CEO succession plan, it was recognized that more detailed discussion is needed. Also requiring more detailed discussion are risks associated with issues of sustainability. Regarding the statutory committees, it was found that each committee is conducting sufficient dialogue based on appropriate numbers and compositions of members. At the same time, it was recognized that, for the Nomination Committee, not only the CEO succession plan but also the future composition of the Board of Directors is an issue for future attention; for the Compensation Committee, criteria for evaluating remuneration of executives are an issue for future attention; and, for the Audit Committee, continuing, regular review of risks is needed.

To enable more detailed discussion of each of the issues raised above, the Company is moving forward with responses so that sufficient time and information are secured in advance; allocation of time for framing of and deliberation on proposals is improved; and full communication among directors is enabled.

Board Member Profiles



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

Hiroaki Yoshihara

(Born on Feb. 9, 1957)

Number of years in office of the
Director of the Company

5 years

Number of shares of the
Company held

0 Share

Number of attendances to the
board meetings

10/10 times (100%)

Nov. 1978	Joined Peat Marwick Mitchell & Co.
Jul. 1996	National Managing Partner, the Pacific Rim Practice of KPMG LLP
Oct. 1997	Board Member of KPMG LLP
Oct. 2003	Vice Chairman and Global Managing Partner of KPMG International (retired in April 2007)
Jun. 2018	Director of the Company (present post)

Important positions of other companies concurrently held

Outside Director of Hitachi, Ltd

Reason for the Selection for Director

Mr. Yoshihara has long-term experience as an expert in finance and accounting as well as management experience gained as Global Managing Partner of an international accounting firm. He also has a track record of participating in the M&A of many companies from a professional standpoint. The Company's Nomination Committee expects that he will contribute to the improvement of the supervisory function of the Board of Directors of the Company and at the same time provide plenty of advice in regard to M&A, an important measure in the Company's business strategy,



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

Yasuyuki Abe

(Born on Apr. 17, 1952)

Number of years in office of the
Director of the Company

2 years

Number of shares of the
Company held

0 share

Number of attendances to the
Board meetings

10/10 times (100%)

Apr. 1977	Joined Sumitomo Corporation
Jun. 2002	Representative Director and President of Sumisho Electronics Co., Ltd. (present SCSK Corporation)
Apr. 2005	Representative Director and President of Sumisho Computer Systems Corporation (present SCSK Corporation)
Jun. 2009	Representative Director, Managing Executive Officer, General Manager, Financial & Logistics Business Unit of Sumitomo Corporation
Apr. 2010	Representative Director, Managing Executive Officer, General Manager, New Industry Development & Cross-function Business Unit of Sumitomo Corporation
Apr. 2011	Representative Director, Senior Managing Executive Officer, General Manager, New Industry Development & Cross-function Business Unit, General Manager, Financial Service Division of Sumitomo Corporation
Apr. 2013	Representative Director, Senior Managing Executive Officer, General Manager, Corporate Planning & Coordination Group of Sumitomo Corporation
Jun. 2015	Advisor of Sumitomo Corporation (retired in June 2018)
Jun. 2021	Director of the Company (present post)

Important positions of other companies concurrently held

Outside Director of SUBARU CORPORATION

Reason for the Selection for Director

Mr. Abe was primarily engaged in the electric power, machinery, and information fields at Sumitomo Corporation, a general trading company. After being stationed twice in the United States, he served as representative director and president of the company's electronics and information related subsidiaries. Subsequently, as a representative director of Sumitomo Corporation, he was engaged in the company's financial, logistics and new business development. The Company's Nomination Committee has judged that he will contribute to the Board of Directors of the Company through his wide-ranging experience at the general trading company, his global mindset cultivated over the years of stay in the United States, his business experience nurtured as a representative director and president, and his experience as an outside director gained at other companies after leaving Sumitomo Corporation.



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

Takayo Hasegawa

(Born on Oct. 15, 1959)

Number of years in office of the
Directors of the Company

1 year

Number of shares of the
Company held

0 share

Number of attendances to the
Board meetings

8/8 times (100%)

Apr. 1984	Joined SHOWA ELECTRIC WIRE AND CABLE CO., LTD. (present SWCC Corporation)
Jun. 2005	Deputy Director of Technical Development Center and Manager of Superconducting Project of SHOWA ELECTRIC WIRE AND CABLE CO.
Apr. 2006	Director, Director of Technical Development Center of SWCC SHOWA CABLE SYSTEMS CO., LTD.
Apr. 2010	Managing Director, Director of Technical Development Center of SWCC SHOWA CABLE SYSTEMS CO., LTD., and Corporate Officer, General Manager of The Technology Planning Office of SHOWA ELECTRIC WIRE AND CABLE CO., LTD. (present SWCC Corporation)
Jun. 2013	Director, General Manager of The Technology Planning Office of SHOWA ELECTRIC WIRE AND CABLE CO., LTD.
Jun. 2018	President and Director of SWCC SHOWA HOLDINGS CO., LTD.
Apr. 2019	President and Representative Director, Group CEO of SWCC SHOWA HOLDINGS CO., LTD.
Apr. 2020	President and Representative Director, Chairman of the Board of Directors, Group CEO of SWCC SHOWA HOLDINGS CO., LTD. (present post)
Jun. 2022	Director of the Company (present post)

Important positions of other companies concurrently held

President and Representative Director, Chairman of the Board of Directors, Group CEO of SWCC Corporation*

* On April 1, 2023, the company renamed from SWCC SHOWA HOLDINGS CO., LTD.

Reason for the Selection for Director

Ms. Hasegawa was engaged for many years as a researcher in the R&D divisions of the SWCC Group, which was originally established in the electric wire and cable industry and expanded widely into the Energy / Infrastructure, Communications/Industrial Devices, and Electrical Equipment/Components businesses, promoting the technological development of the SWCC Group. Since taking office as the first female President and Representative Director from the R&D divisions in the SWCC Group in 2018, she has implemented rapid reform of governance by dividing the business of SWCC SHOWA HOLDINGS CO., LTD. into segments, helping to ensure stable profitability. The Company's Nomination Committee expects that she will contribute significantly to the Company's management based on her experience as a manager backed by expertise as an engineer and with regard to initiatives for new business and transformation.



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

Mika Nishimura

(Born on Aug. 14, 1963)

Number of years in office of the
Director of the Company

1 year

Number of shares of the
Company held

0 share

Number of attendances to the
Board meetings

8/8 times (100%)

Jun. 1985	Joined BAIN & COMPANY
Aug. 1989	Joined LEK PARTNERSHIP
Jan. 1992	Director, Global Marketing of GUIDANT CORPORATION
Sep. 1999	Managing Partner of THE BLG GROUP
Oct. 2002	Vice President International Sales, Operations and Marketing of EV3
Jan. 2007	Managing Partner of THE BLG GROUP
Jan. 2011	Operational Partner of GILDE HEALTHCARE PARTNERS (present post)
Apr. 2011	Vice President, Commercial Development of AUXOGYN (present PROGYNY)
Nov. 2015	Vice President, Commercialization of NVISION MEDICAL CORPORATION (present BOSTON SCIENTIFIC)
Jun. 2022	Director of the Company (present post)

Important positions of other companies concurrently held

Operational Partner of GILDE HEALTHCARE PARTNERS

Reason for the Selection for Director

Ms. Nishimura has over 30 years of experience in the medical technology sector and was engaged in commercialization strategy on a global scale (50 markets in North America, Europe, the Asia-Pacific region, and Central and South America). Through leadership positions, including Director, Global Marketing, she has been involved in clinical and business strategies and has a proven track record in helping to launch franchises that contribute to stable revenue growth. In addition, her experience as a partner in a life science venture fund has given her a broad global perspective on the latest technologies and companies. Based on her past experience, the Company believes that she will contribute to strengthening the supervisory function, primarily in the life science business, and at the same time provide a great deal of advice on business strategy of the Company.



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

Mototsugu Sato

(Born on Oct. 17, 1956)

Number of years in office of the
Director of the Company

New

Number of shares of the
Company held

0 share

Number of attendances to the
Board meetings

-

Apr. 1979	Joined Matsushita Electric Works Ltd.
Apr. 2008	Executive Officer of Matsushita Electric Works Ltd.
Apr. 2011	Senior Executive Officer in charge of accounting of Panasonic Electric Works Co., Ltd
Oct. 2013	Executive Officer in charge of Planning of Panasonic Corporation
Jun. 2014	Director in charge of Planning of Panasonic Corporation
Apr. 2015	Managing Director in charge of Planning of Panasonic Corporation
Apr. 2016	Representative Director and Senior Managing Director in charge of Planning and Human Resources of Panasonic Corporation
Jun. 2017	Representative Director, Senior Managing Executive Officer, Chief Strategy Officer (CSO), and Chief Human Resources Officer (CHRO) of Panasonic Corporation
Apr. 2019	Representative Director and Executive Vice President, Director of Corporate Strategy Division of Panasonic Corporation
Apr. 2022	Representative Director, Executive Vice President of Panasonic Holdings Corporation (present post) Representative Director, Member of the Board, President and Chief Executive Officer (CEO) of Panasonic Operational Excellence Co., Ltd. (present post)
Jun. 2023	Director of the Company (present post)

Important positions of other companies concurrently held

Representative Director, Executive Vice President of Panasonic Holdings Corporation

Representative Director, Member of the Board, President and Chief Executive Officer (CEO) of Panasonic Operational Excellence Co., Ltd.

Reason for the Selection for Director

Mr. Sato has extensive experience as a manager at Panasonic Holdings Corporation, a company that develops a wide variety of products globally, including home appliances, audio/visual equipment, automotive products, industrial equipment, and information and telecommunications equipment, primarily on diverse staff functions, including administrative divisions, and has contributed to the company's business growth and corporate value enhancement. The Company's Nomination Committee expects that he will contribute significantly to the Company's management with regard to important issues such as new business and supervision of the entire Group, based on his experience as a manager backed by his wide range of experience in the global manufacturing industry and extensive knowledge of business administration.



Director, Representative Executive Officer, President & CEO
Chairperson of the Board of Directors

Eiichiro Ikeda

(Born on Mar. 17, 1970)

Number of years in office of the
Director of the Company

1 year

Number of shares of the
Company held

1,400 shares

Number of attendances to the
Board meetings

8/8 times (100%)

Apr. 1992	Joined the Company
Feb. 2010	Co-CEO, Memory Disk Division of the Company
Sep. 2010	Head of Optical Lens of the Company
Jun. 2013	Executive Officer & Chief Operating Officer (COO) of the Company
Jun. 2015	Executive Officer & Chief Operating Officer (COO), Information Technology and Chief Technology Officer (CTO) of the Company
Mar. 2020	Executive Officer & Information Technology and Chief Technology Officer (CTO) of the Company
Mar. 2022	Representative Executive Officer President & CEO of the Company Chief Representative of Singapore Branch of the Company (present post)
Jun. 2022	Director Representative Executive Officer, President & CEO (present post)

Important positions of other companies concurrently held

None

Reason for the Selection for Director

Mr. Ikeda has been leading the Group as Representative Executive Officer, President & CEO, and Director this term, and gives appropriate explanations and reports on strategies based on portfolio management at meetings of the Board of Directors after taking office as Representative Executive Officer, President & CEO in March 2022. He also supervises the execution of operations by other Executive Officers and strives to enhance the corporate value of the Group. The Company's Nomination Committee believes that he will contribute to important management matters while fulfilling his accountability to the Board of Directors as an Executive Officer of the Company, taking into consideration his past performance as a Director.



Director, Representative Executive Officer & CFO

Ryo Hirooka

(Born on Jan. 14, 1974)

Number of years in office of the
Director of the Company

1 year

Number of shares of the
Company held

8,000 shares

Number of attendances to the
Board meetings

8/8 times (100%)

Apr. 1996	Joined The Sumitomo Trust and Banking Company, Limited (present Sumitomo Mitsui Trust Bank, Limited)
Sep. 2002	Joined the Company
Aug. 2004	Financial Manager of HOYA HOLDINGS N.V. (Netherlands)
Feb. 2007	Director of HOYA HOLDINGS N.V.
Jul. 2007	Director of HOYA HOLDINGS N.V., and President of HOYA HOLDINGS (Asia) B.V.
Jul. 2009	Deputy CFO of Netherlands Branch of the Company
Jun. 2013	Executive Officer & CFO of the Company
Jun. 2014	Representative Executive Officer & CFO (present post)
Jun. 2022	Director, Representative Executive Officer & CFO (present post)

Important positions of other companies concurrently held

None

Reason for the Selection for Director

Mr. Hirooka has been leading the Group's financial strategy as Representative Executive Officer & CFO and Director, implementing proactive and flexible measures with a focus on capital efficiency. In addition, he has been explaining and reporting financial matters, including financial results, appropriately at meetings of the Board of Directors and results briefing sessions, and has been fulfilling his role as an Executive Officer and Director. The Company's Nomination Committee believes that he will contribute to important management matters while fulfilling his accountability to the Board of Directors as an Executive Officer of the Company, taking into consideration his past performance as a Director.

Independent Directors' Skills Matrix

	Corporate Management	Global Business	Finance/ Accounting	IT/ Technology	M&A	Sustainability/ESG	Medical
Hiroaki Yoshihara	●	●	●	●	●	●	
Yasuyuki Abe	●	●		●	●	●	
Takayo Hasegawa	●	●		●		●	
Mika Nishimura		●			●	●	●
Mototsugu Sato	●	●	●		●	●	

Executive Officers

At HOYA, swift execution of operations is conducted by entrusting the authority of the Board of Directors to executive officers within the framework of a “company with Nomination Committee, etc.” Three persons, namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Sustainability (ESG) Officer, have been nominated by the Nomination Committee as candidates for executive officers and elected at the Board of Directors’ meetings. Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carries out decision-making in a speedy fashion. The executive officers instruct the head office divisions and the respective persons responsible for the business divisions to formulate and implement specific measures based on the management policy determined by the Board of Directors. With respect to all business divisions, Budgetary Business Division Meetings are held every quarter in each business division, with the attendance of all executive officers, where the status of progress relative to the annual plan is checked and deliberations are held on plans for the coming quarter. Authority over day-to-day business operations in each business is largely delegated to the respective persons responsible for the business divisions, who execute the plan approved at the Budgetary Meeting. The CEO, CFO and CSO all attend each meeting of the Board of Directors.



Representative Executive Officer
President & CEO

Eiichiro Ikeda



Representative Executive Officer & CFO

Ryo Hirooka



Executive Officer
Chief Sustainability (ESG) Officer

Tomoko Nakagawa

Committees

As internal organizations of the Board of Directors, we have the Nomination Committee, Compensation Committee, Audit Committee; and Healthcare Compliance Committee, each of which is composed exclusively of outside directors.

Nomination Committee

The Nomination Committee fairly and rigorously selects candidates for directors, ensuring said candidates possess knowledge, expertise, and capabilities suited to HOYA's business environment, based on the "Standard for Election of Candidates for Director," and proposes the candidates to the General Meeting of Shareholders for voting. The Committee also fairly and rigorously selects candidates for executive officers and the representative executive officers, based on the "Standard for Election of Candidates for Executive Officer," and proposes the candidates to the Board of Directors for voting. In cases that meet the criteria for dismissal, the Committee makes decisions to propose the dismissal of directors to the General Meeting of Shareholders and the dismissal of executive officers to the Board of Directors for voting.

The Committee has set out independence criteria for director candidates that are stricter than the rules of the Tokyo Stock Exchange to ensure the effective functioning of outside directors' overseeing executive officers. The outline of the Standard for Election of Candidates for Director is as follows:

[For both internal and outside director candidates]

- Those with appropriate personalities and insights as director
- Those with no health problems in performing their duties

[For internal director candidates]

- Those with a high level of knowledge and ample experience in our business
- Excellent business decision-making ability and business execution ability

[For outside director candidates]

- Those with extensive experience as business managers or those who are in positions as professionals in law, accounting, finance or similar fields
- Those who are able to participate in at least 75% of the HOYA Group's Board meetings.
- Those who have no significant interests in the HOYA Group and are able to maintain their independence



■ Independence criteria for outside director candidates

To ensure the independence of candidates for outside directors, candidates must not fall under any of the categories below.

<Those who are related to the HOYA Group>

- Those who previously worked for the HOYA Group
- Those who have a family member (spouse, child or relatives by blood or by affinity within the second degree) who have held the position of director, executive officer, corporate auditor or management employee of the HOYA Group in the past five years

<Major shareholder>

- Those who are major shareholders (10% or more) of the HOYA Group, or those who are directors, executive officers, corporate auditors or employees of companies that are major shareholders of the HOYA Group or those who have a family member who holds a top management position at such companies

- Those who execute operations of a company of which a major shareholder is the HOYA Group

<Those who are related to major business partners>

- Those who are operating directors, executive officers or employees of any important business partner, either for the HOYA Group or the corporate groups which the candidates come from, the sales to which business partner comprises 2% or more of the consolidated net sales of the HOYA Group or the company groups for either of the past three years, or those who have a family member who is a top management of such business partner

<Those who provide professional services (lawyers, certified public accountants, certified tax accountants, patent attorneys, judicial scriveners, etc.)>

- Those who have received remuneration of 5 million yen or more per year or those who have a family member who has received remuneration of 5 million yen or more per year, from the HOYA Group in the past three years
- When the organization that the candidate belongs to, such as a company and association, has received cash, etc. from the HOYA Group, the amount of which exceeds 100 million yen per year or 2% of consolidated net sales of the said organization, whichever is higher

<Donation, etc.>

- When the association or organization which the candidate belongs to as director or operating officer has received donations or grants in the past three years, the amount of which exceeds 10 million yen per year or 30% of the said organization's average annual total costs, whichever is higher, or when the association or organization which the candidate's family member belongs to has received donations or grants equivalent to the aforementioned amount

<Others>

- When directors are exchanged
- When the candidate has any other important interest in the HOYA Group

The Nomination Committee held nine meetings during fiscal 2022, in which the attendance ratio of all members was 100%. At these meetings, the Committee deliberated on the qualifications and skills expected of candidates for directors; diversity; and executive succession plans.

Compensation Committee

The objective of the Compensation Committee is to establish a remuneration system that incentivizes directors and executive officers according to their roles and to contribute to improved financial performance for HOYA by undertaking appropriate evaluations of their performance. The Compensation Committee decides on a remuneration package for each director and executive officer in accordance with the following policies:

The Compensation Committee held seven meetings during fiscal 2022, in which the attendance ratio of all members was 100%. During these meetings, the Committee held in-depth deliberations, particularly on how to link ESG indicators to director and executive remuneration.

■ Policy concerning remuneration for Directors

The remuneration of directors consists of a fixed salary and a medium- to long-term incentive. The fixed salaries consist of a basic compensation and compensation for being a member or a chairperson of the Nomination, Compensation, or Audit Committee. The compensation levels are set appropriately by taking into consideration such factors as the Company's business environment, the levels set by other companies as determined by a survey conducted by an outside professional organization, and the positions and responsibilities of each director. As a medium- to long-term incentive, the Company has introduced the Restricted Stock Unit (RSU), which delivers shares prescribed in accordance with the period employed as

an outside director of the Company. The RSU will be granted annually in order for directors to share a common viewpoint with shareholders regarding the share price and to share interests with shareholders on a medium- to long-term basis. Every year, the Company announces a basic deliverable number of shares equivalent to fixed remuneration to outside directors for a three-year period from that year. After the end of the period in question, the Company determines, for each outside director, a basic compensation amount which is the market value of the Company's shares for the basic deliverable number of shares. The Company will pay to the outside directors 50% of the basic compensation amount as claims for monetary remuneration. Independent directors shall invest the monetary claims in kind and shall be granted a number of Company shares, which is equal to the amount of monetary claims in question divided by paid-in amount per Company share. From the viewpoint of ensuring payment of tax, the Company shall pay the remainder of the basic compensation amount in cash. However, the heirs of outside directors who died during their tenure and outside directors who retire due to injury or illness shall receive the entire basic compensation amount in cash. Also, the Company plans to issue RSU for periods of three years starting from the following fiscal year, and continuing thereafter.

[Composition ratio of compensation for directors]

Fixed salary: Medium- to long-term incentive (RSU) = Approximately 1:1

Note: A rough guide assuming that the share price in three years' time is about the same as the share price when the RSU was granted.

In fiscal 2022, the Compensation Committee deliberated on appropriate composition and levels of remuneration, taking into consideration basic policies, the Company's business environment, and levels, positions and responsibilities at other companies as discovered in surveys by outside specialist organizations. The Compensation Committee determined the remuneration for each director, based on the judgement that remuneration levels were composed in accordance with Company policy and appropriate for directors' positions and responsibilities. As such, the Compensation Committee further judged that the details of remuneration of individual directors in the fiscal year under review were in accordance with Company policy.

For the purpose of holding a common viewpoint with shareholders regarding the share price and sharing interests with shareholders on a medium- to long-term basis, fixed numbers of stock options were granted to newly appointed and reappointed directors until fiscal 2021. After a waiting period of approximately one year, the exercisable portion of the stock options in each of the years following thereafter is 25% of the total number granted. The period during which the stock options may be exercised is 10 years.

[Composition ratio of compensation for directors until fiscal 2021]

Fixed salary: Medium- and long-term incentive (stock options) = Approximately 1:0.3~0.6

Note: The ratio of the above medium- and long-term incentive shall fluctuate with changes in the Company's share price and other factors.

■ Policy concerning remuneration for Executive Officers

The remuneration of Executive Officers consists of a fixed salary, an annual incentive (performance-based bonuses), and a medium- and long-term incentive (Performance Share Unit (PSU)). For fixed salaries, basic compensation is set appropriately according to the office and responsibility of each Executive Officer (Representative Executive Officer, CFO, etc.) and by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization. Other than basic compensation described above, benefits granted to expatriates in connection to their overseas postings (such as housing) are also set at appropriate levels in consideration of the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

The performance-based bonus is determined according to quantitative results and qualitative evaluations and varies within the range roughly from 0% to 200%. As indicators of quantitative results, net sales, profit attributable to owners of the Company, and basic earnings per share (EPS) stated in the Consolidated Financial Statements of the Company are selected.

[Composition ratio of executive officers' remuneration]

CEO

Fixed salary: Annual incentive (performance-based bonus): Medium- and long-term incentive (PSU) =
Approximately 1:1:1.25

Other executive officers'

Fixed salary: Annual incentive (performance-based bonus): Medium- and long-term incentive (PSU) =
Approximately 1:1:1

Note: A rough guide assuming all targets are achieved 100% and that the share price in three years' time is about the same as the share price when the PSU was granted.

■ Performance Share Unit

The Company has introduced the Performance Share Unit (PSU) in place of the existing stock option plan since fiscal 2019. The PSU is a system for granting shares at a number that is in proportion to the level of achievement of the predetermined performance conditions. The payment ratio that corresponds to the level of achievement of the performance targets will range from 0% to 200%, based on performance during three fiscal years. Of note, as indicators of performance during three fiscal years, HOYA has selected net sales, earnings per share (EPS) and return on equity (ROE) in the Consolidated Financial Statements, and in fiscal 2022, newly introduced an ESG indicator. The objective of the PSU is to boost the motivation and morale of HOYA's executive officers with respect to medium- to long-term business performance and higher corporate value, and secure highly talented human resources by setting a competitive compensation level.

Under this plan, after determining the basic deliverable number of shares according to the position and responsibilities of each eligible recipient, the Company grants compensation in an amount equivalent to the market price of the Company's shares according to the degree of achievement of the medium- to long-term performance targets shown in the table below.

Basic deliverable number of shares		Medium- to long-term performance targets			
Position/ responsibilities	Basic deliverable number of shares	Indicator	Target (consolidated)	Weight	Reason for the selection of the indicator
CEO	6,300	Revenue	800 billion yen	25%	Selected as an indicator to measure growth potential of the HOYA Group in the domestic and overseas markets.
CFO	3,300	Earnings per share (EPS)	560 yen	25%	Selected as an indicator to measure growth of the Company from the same perspective as shareholders.
CSO	2,500	ROE	20.00%	25%	Selected as an indicator to measure whether the Company has generated return on shareholders' investment effectively.
		ESG indicator	Evaluations by external organizations ^{*2}	15%	Selected as an indicator to measure the initiatives relating to sustainability from an ESG standpoint.
			Status of initiatives on priority ESG themes	10%	

*1 The targets above are set in consideration of, among others, the Company's business environment and market consensus and do not constitute the Company's financial forecasts.

*2 Evaluations by three companies, namely, CDP, Sustainalytics and DJSI, will be used.

The above are target figures for the three fiscal years from fiscal 2023 to fiscal 2025.

Total amount of remuneration, etc. of Directors and Executive Officers for the fiscal year under review

Classification	Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type					
			Fixed salary	Performance-based bonuses	Stock options	PSU	RSU	
Directors	Independent	7 persons	148 million yen	78 million yen	—	53 million yen	—	17 million yen
	Internal	3 persons	4 million yen	28 million yen	—	-23 million yen	-1 million yen	—
	Total	10 persons	153 million yen	106 million yen	—	30 million yen	-1 million yen	17 million yen
Executive Officers		4 persons	552 million yen	297 million yen	182 million yen	3 million yen	71 million yen	—
Total		14 persons	705 million yen	403 million yen	182 million yen	33 million yen	70 million yen	17 million yen

- Notes: 1. At the end of the fiscal year under review, there were eight directors (six outside directors and two internal directors) and four executive officers. These are different from the figures presented in the table above because one internal director and one outside director who retired at the conclusion of the 84th Ordinary General Meeting of Shareholders are included.
2. Fixed salary for executive officers includes overseas executive officers' benefit as expatriate of 77 million yen.
3. For stock options, the fair value of stock acquisition rights was calculated and amounts to be recorded as expenses for the fiscal year under review are shown in the table above. For executive officers, no stock options were newly granted in the fiscal year under review due to the introduction of PSU in place of stock options from fiscal 2019. Also, for independent outside directors, from fiscal 2022 RSU is introduced in place of stock options. Although no stock options were granted in fiscal 2022, the table above shows stock options granted in past fiscal years in amounts to be recorded as expenses for the fiscal year under review. Also, share remuneration expenses for internal directors are reversed.
4. For PSU, the table above shows amounts to be recorded as expenses for the fiscal year under review. Share remuneration expenses for internal directors are reversed.

Amount of consolidated remuneration for each Director

Chief Executive Officer (CEO)

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options	PSU
Eiichiro Ikeda Representative Executive Officer President & CEO	Director	4 million yen	4 million yen	—	—	—
	Representative Executive Officer	220 million yen	128 million yen	63 million yen	1 million yen	28 million yen

Executive Officers (whose consolidated remuneration, etc. totaled 100 million yen or more during the consolidated fiscal year)

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options	PSU
Ryo Hirooka Representative Executive Officer & CFO	Director	4 million yen	4 million yen	—	—	—
	Representative Executive Officer	136 million yen	70 million yen	48 million yen	1 million yen	17 million yen
Augustine Yee Executive Officer, Chief Business Development Officer(CBDO) and Chief Legal Officer (CLO)	Executive Officer	108 million yen	61 million yen	33 million yen	1 million yen	14 million yen

Audit Committee

The Audit Committee formulates the audit policies and audit plans for each fiscal year and verifies financial statements, etc., based on the quarterly reports, year-end reports, and timely reports received from the accounting auditor according to such policies and plans. It also interviews the Audit Department and the Internal Control Department to obtain the results of operational audits, and verifies the soundness, legality, efficiency, etc., of management. All important matters are reported to the Board of Directors, and countermeasures are taken as necessary.

Audit Committee meetings were convened nine times in fiscal 2022. One member's attendance ratio was 88.9%; for all other members, attendance ratio was 100%.

The Committee discussed mainly the following agenda items:

- Agreement on the accounting auditor of the HOYA Group and its remuneration
- Resolution on the audit report of the Audit Committee
- Review reporting from the accounting auditor (five times in total per year)
- Quarterly reporting from the Audit Department and the Help Line

Deliberations during the fiscal year under review also focused on reports from the accounting auditor and the Audit Department, while providing advice and suggestions to the executive team with regard to any issues that came to light.

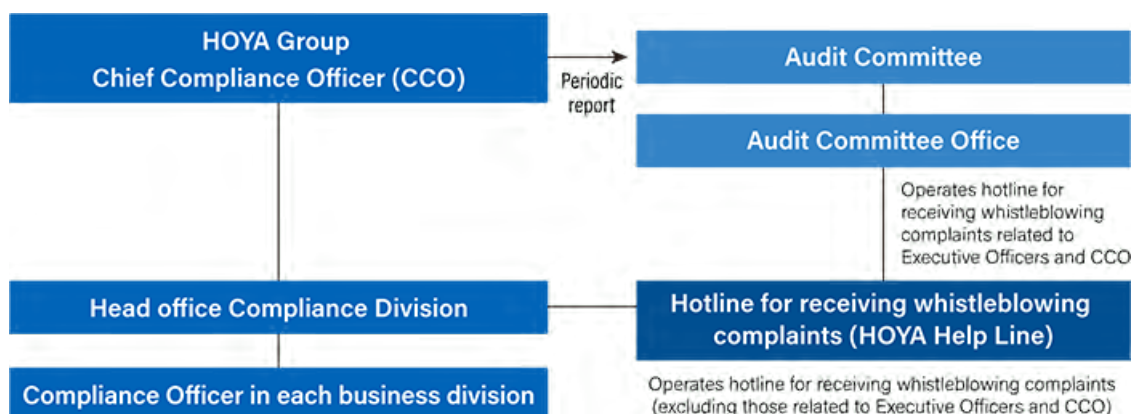
Healthcare Compliance Committee

The HOYA Group established the Healthcare Compliance Committee with the objective of obtaining thorough compliance with laws, ordinances, standards and norms, both in Japan and overseas, required of healthcare products. Composed of three outside directors who are knowledgeable about the healthcare field, the Healthcare Compliance Committee conducts monitoring of the status of the relevant business divisions' responses to regulations and other matters.

The Healthcare Compliance Committee met eight times in fiscal 2022. Obtaining advice as necessary from specialists with expert knowledge of the laws and ordinances in each country with respect to healthcare products, each member of the Healthcare Compliance Committee offers proposals and advice to each business division in charge of regulatory affairs.

HOYA Group Compliance Organization

The HOYA Group has established the Headquarters Compliance Group under the HOYA Group Chief Compliance Officer (CCO), and appointed a Compliance Officer in each business division. In addition, the Headquarters Compliance Group operates a hotline for receiving whistleblowing complaints (HOYA Help Line). However, the Audit Committee is directly in charge of whistleblowing complaints related to Executive Officers and the CCO, who constitute the upper organization of the Compliance Group, and the Audit Committee Office serves as the point of contact for receiving such complaints. The content of and responses to whistleblowing complaints made to the HOYA Help Line are reported by the CCO to the Audit Committee on a regular basis. Of note, any unfair treatment of whistleblowers and persons seeking advice (including any retaliatory measures such as dismissal, salary reduction, personnel transfer and harassment) is prohibited.



Establishment of an employee whistleblowing and consultation system

As part of our internal control systems, the HOYA Group established the HOYA Help Line in 2003 as a whistleblowing and consultation system for the Group. This is a framework that protects whistleblowers when there have been violations of laws, regulations, or the HOYA Code of Conduct so that problems can be known at an early stage and smoothly communicated to top management in an aim to ensure the soundness of the entire Group through quick and appropriate responses to such issues. Information on whistleblowing complaints is also reported to the Audit Committee on a quarterly basis.

We are creating an environment in which advice can be sought easily, including establishing an external point of contact for consultation in each country, accepting whistleblowing complaints and consultation requests 24 hours a day on the Web in multiple languages, making consultation available in the local language, and allowing anonymity of whistleblowers. Having established rules on the operation of the HOYA Help Line in compliance with laws and regulations, we protect whistleblowers by prohibiting any acts that constitute the unfair treatment of whistleblowers and respond to whistleblowing complaints by giving consideration to the confidentiality of information to ensure their anonymity.

In fiscal 2022, there were 170 whistleblowing complaints made to the HOYA Help Line, of which 54% were related to the workplace environment and 25% were related to HOYA's system.

In fiscal 2022, there were no whistleblowing incidents inflicting a serious impact on HOYA's businesses.

Number of Whistleblowing Incidents (Global)

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of whistleblowing incidents	105	146	135	180	170
Percentage of employees*	0.27%	0.38%	0.35%	0.49%	0.39%

* Ratio of whistleblowers to the total number of employees in the country where the whistleblowing and consultation system has been introduced

For our business partners outside the HOYA Group, we have established a point of contact for making inquiries and reports in respect of the HOYA Supplier Code of Conduct. We also investigate and respond to incidents in an appropriate manner in consideration of the protection of the informer and the confidentiality of information.

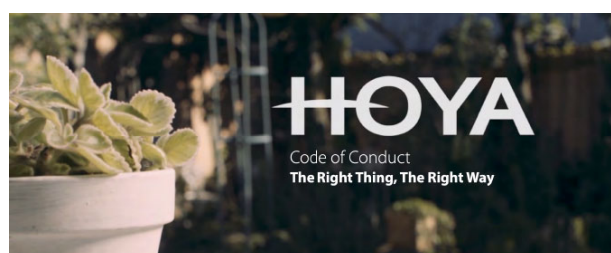
Point of contact for inquiries and reports related to the HOYA Supplier Code of Conduct:

supplierconduct@hoya.com

HOYA Code of Conduct

HOYA believes that if each and every employee acts fairly with high ethical standards in good faith, not to mention complying with laws and regulations, it will translate into “stakeholders’ trust.” Based on such a view, in 1997 we established the [HOYA Code of Conduct](#), which clearly defines the standards of conduct for each and every employee. We have since repeatedly revised the Code while reflecting the enactment of new laws and regulations and the amendment and abolition of existing ones, as well as changes in society. Also, we check the behavioral guidelines in workplace activities and utilize the Code to raise employees’ awareness as our basic policy for compliance.

Having translated the Code into 27 languages in consideration of the circumstances of HOYA, which operates businesses on a global scale, we are making the Code thoroughly known within the Group by such means as making employees do a read through in the group to which they belong once a year and conducting online education and verification tests. In fiscal 2022, the participation rate in online education and verification tests targeted at all employees in the HOYA Group was 97%.



Prevention of Harassment

We have established the HOYA Group Policies and Guidelines for Measures to Prevent Harassment, which set forth measures and guidelines to prevent harassment, protect the dignity of employees as an individual and prevent workplace disorder and any obstacles to work. Based on the Guidelines as well as laws and regulations in each country, we conduct education and training on harassment prevention measures targeting all employees of the HOYA Group. For managers in Japan, we conduct training on manager-oriented harassment prevention measures.

Furthermore, we conduct initiatives to instill and ingrain compliance on an ongoing basis, such as posting information via the intranet and on bulletin boards, etc., and creating awareness-raising pamphlets and posters. From time to time, we post self-check tests (Q&A) on noncompliance incidents that are likely to occur in familiar situations as well as contents for understanding the essence of compliance through in-house case studies via the intranet and on bulletin boards, etc., so that employees can check compliance again when given the opportunity to do so and thereby gain a higher level of awareness.

Environmental

HOYA Group Environmental Philosophy and Fundamental Environmental Policies

HOYA is engaged in environmental protection activities as part of its ESG promotion efforts, in order to protect the global environment to be inherited by the next generation.

The HOYA Group established its “Environmental Philosophy” and “Fundamental Environmental Policies” in 1993, and has since been promoting environmental protection activities targeting all of its business facilities inside and outside Japan.

In 2012, the environmental, occupational safety and health management systems of the individual facilities were reviewed thoroughly in the process of obtaining a global multisite certification for those systems. Since then, the Group has been operating all its environmental protection, occupational safety and health activities in a globally integrated manner.

In 2022, we updated the “Environmental Philosophy” and “Fundamental Environmental Policies” to proactively address issues surrounding the global environment.

HOYA Group Environmental Philosophy

The HOYA Group pushes forward with its corporate activities focusing on sustainability to preserve the global environment for future generations.

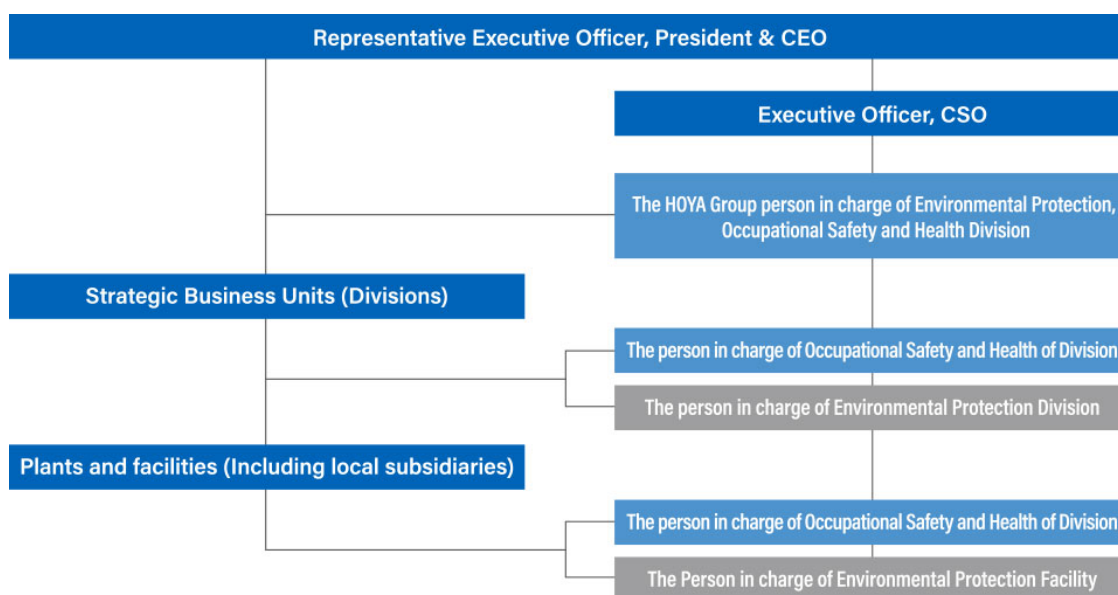
Fundamental Environmental Policies

1. We carry on our corporate activities in harmony between people, society, and nature by recognizing the importance of environmental protection in all our operations.
2. We keep reducing environmental burdens in our corporate activities of product development, manufacture, and sale by complying with the applicable environmental laws and regulations of each country and locality.
3. We set up our structures and targets and carry out our measures and policies systematically in advancing our global environmental protection activities.
4. We pursue our activities designed for prevention of global warming and creation of recycling society by training our consciousness and responsibility on the preservation of the environment.

HOYA Group Environmental Protection and Occupational Safety and Health Organization

In October 2008, the Group’s environmental protection organization and the occupational safety and health organization were merged with each other. Since then, with the new structure supervised by the HOYA Group Director for Environmental Protection, Occupational Safety and Health, the Group has been carrying out smooth and efficient activities of environmental protection and occupational safety and health.

HOYA Group Environmental Protection and Occupational Safety and Health Organization



Structuring of a global management system for its environmental and occupational safety and health management system

The HOYA Group has been building a global management system based on ISO (International Organization for Standardization) 14001 and 45001 for the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees. In February 2013, the HOYA Group acquired global multisite certification. As of March 31, 2023, 49 sites in 19 countries were certified. Certification has been acquired at 100% of our major production/research and development bases, and certification is also being obtained for newly organized bases one by one.

[Go to the current status of ISO qualification](#)

Environmental

Climate Change

Response to Climate Change

In 2021, the HOYA Group identified four material issues. Among these, the entire Group is tackling “reduction of greenhouse gases” as a top-priority issue. In December 2021, the Group endorsed the Task Force on Climate-related Financial Disclosures (TCFD). Pursuant to this announcement, in April 2023, the Group began disclosing information based on the TCFD Declaration, strengthening its response to risks associated with climate change. In February 2023, the Group joined RE100, an international environmental initiative aimed at achieving 100% sourcing of renewable energy for all energy consumed in business activities. The HOYA Group aims to reach this milestone by fiscal 2040 and is accelerating its efforts toward that end.



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



Medium- to Long-term Targets and Results

Over 90% of the HOYA Group’s greenhouse-gas emissions (total of Scope 1 and Scope 2) are in Scope 2; the majority of these are indirect emissions arising from purchased electrical power. By aggressively advancing the transition to electricity from renewable sources that do not emit greenhouse gases, the Group is effectively slashing CO₂ emissions. The Group is targeting complete transition to renewables (renewable-energy usage rate of 100%) by fiscal 2040, with an interim target of 60% renewable-energy usage rate by fiscal 2030.

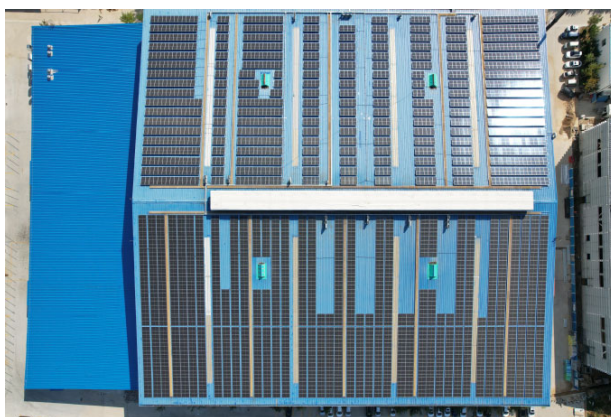
Indicator	FY2021 Result ^{*1} (Base year)	FY2022 Result	FY2030 Target	FY2040 Target
Renewable-energy usage rate (%)	1%	2%	60%	100%
HOYA Group CO ₂ emissions (Scopes 1 & 2)	522K t-CO ₂	499K t-CO ₂ (4% reduction from FY2021 level)	60% reduction	100% elimination

^{*1} Greenhouse gas emissions (Scopes 1 and 2, energy consumption) in FY2021 were verified by a third party through limited-assurance operations. In the course of the verification process, the method of calculation and coefficient used to calculate CO₂ were revised, resulting in correction of the figures disclosed in February 2023. The Group expects to receive third-party verification of the FY2022 results within the current year.

For data on Scope 1 and Scope 2 results, please refer to the Environment page of [the ESG Databook](#).

Introduction of Renewable Energy

The HOYA Group is moving forward with switching to renewable energy at each production base and sales base. In fiscal 2022 the Group introduced solar-power generation facility on its own premises, building the facility at HOYA Optical Technology (Weihai) Co., Ltd., a production base for optical glass and lenses in Shandong Province, China. The Group is also accelerating conversion to purchase of renewable energy by reviewing electrical-power agreements and using energy attribute certificates, focusing on countries in which renewables are readily available. In fiscal 2022, based on a renewable-energy plan (with energy attribute certificates) to achieve 100% renewable-energy sourcing at HOYA CORPORATION's Vision Care Matsushima Plant and at HOYA Lens Deutschland GmbH. In addition, the global head office in Japan has already achieved 100% renewable-energy usage, by means of a feed-in-tariff (FIT) non-fossil-fuel certificate from FIT.



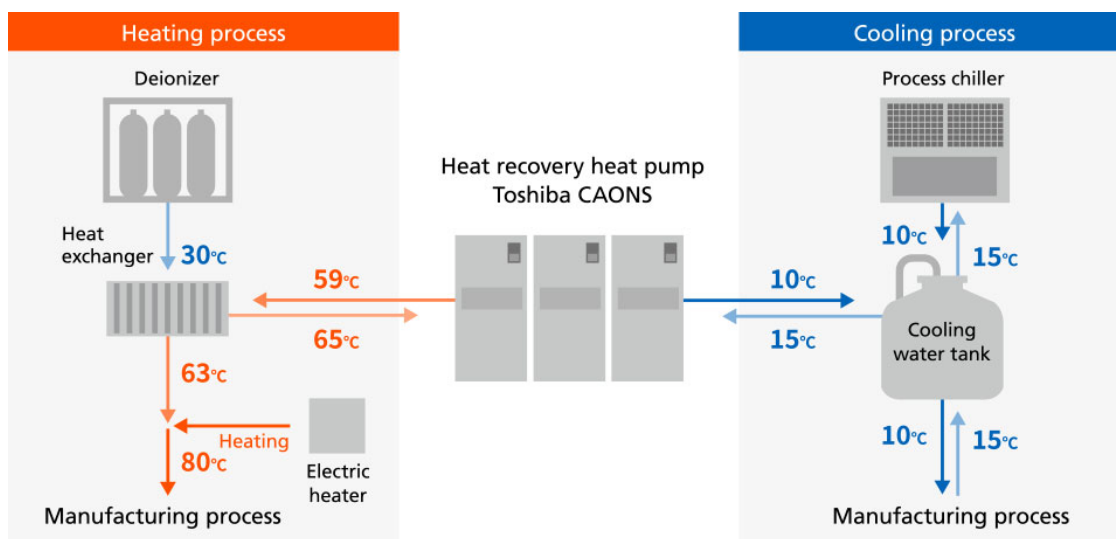
Solar panels installed at HOYA Optical Technology (Weihai) Co., Ltd.
(annual generating capacity: 1,300 MWh; reduction in annual CO₂ emissions: about 800 t-CO₂)

Energy saving and power saving activities

At production bases, we are replacing facilities with energy-saving types (such as adopting ice thermal storage systems and high-efficiency transformers), conducting energy-saving activities (such as optimizing the operating hours of boilers and air-conditioning equipment) and promoting roof-greening, etc. We are also endeavoring to suppress CO₂ emissions from non-production bases by such means as introducing casual wear, adjusting the indoor temperature appropriately and implementing efficient lighting in offices.

Examples of energy/power saving initiatives

- Use of the Joint Crediting Mechanism (JCM)
- In 2016, we introduced a heat recovery heat pump at the eyeglass lens plant in Vietnam. It is used to save energy and reduce CO₂ emissions by using the heat that used to be expelled to the outside air when cold heat was supplied as a source of cold heat for the production process and as an auxiliary heat source for heating the water used in the manufacturing process. Before introducing the heat recovery heat pump, we used only electric heaters to obtain the desired temperature.



- At the eyeglass lens plant in Vietnam, one of the existing centrifugal chillers was replaced with a highly efficient inverter centrifugal chiller. By using the new chiller for regular operation and the old one as backup equipment, we achieved a lower introduction cost, improved energy efficiency, and reduced CO₂ emissions at the same time.

Scenario Analysis Based on the TCFD Declaration

In fiscal 2022, the Group carried out its first scenario analysis based on the TCFD recommendations. The HOYA Group focused on plants in Thailand and Vietnam that are its main production sites for two business divisions, eyeglass lenses and glass substrates for HDDs, as these operations have high CO₂ emissions (high power consumption). Two scenarios were drawn up with fiscal 2030 as the middle of the timeline: one in which global temperatures increase by 4°C, another in which they increase by 1.5°C. In the Group's analysis of risks and opportunities, personnel from the Executive Office and the division-related segments (Technology Development, Manufacturing, Administration, Sales, and Environment, Safety & Health) conducted workshops with members in Japan, Southeast Asia and Europe. A vigorous exchange of opinions was held, as members shared views based on specialized knowledge, obtaining unvarnished feedback from each workplace. The HOYA Group will continue to conduct regular reviews, responding to events such as business-division expansion and changes in the external environment, reflecting the results of scenario analysis in its business activities and advancing responses to risks and opportunities. In this way the Group will enhance its resilience to climate change.

For details, please refer to [“TCFD Disclosure.”](#)

(1) Governance

HOYA is organized as a company with Nomination Committee, etc. As such, the Board of Directors functions as a monitoring board, supervising the executive side and deliberating and deciding on material issues in management policy Group-wide. To secure management supervisory functions and ensure their objectivity, in fiscal 2022 the Company established a framework in which six of eight directors are independent outside directors. All outside directors are fully experienced as managers and possess an international outlook, while several have experience in key management decision-making regarding climate change.

The ESG Promotion Office, a dedicated department at Group head office, proposes activities related to sustainability, including climate change. The Board of Directors deliberates on these proposed measures and decides whether to adopt them. In addition, the Board of Directors receives regular reports from the Chief Sustainability (ESG) Officer (four times in fiscal 2022), on which basis it provides the Company with advice from multifaceted perspectives. In fiscal 2022, the ESG Promotion Office deliberated on and decided a number

of matters related to climate change, such as setting the Basic Policy on Sustainability, start of scenario analysis based on TCFD and joining RE100.

At HOYA, we conduct business operations through a divisional management approach facilitated by portfolio management. As such, each business division's specific policies on responding to sustainability-related issues such as climate change are reflected in the management strategy, management plan and annual budget of each business division, to be approved and decided by the Board of Directors.

Each business division confers with the CSO to set targets and KPIs for that business division in line with Group targets. The CSO reports the activities and progress of each business division to the Board of Directors, which monitors said activities and progress. Beginning in fiscal 2022, ESG indicators are incorporated into the Performance Share Unit (PSU), serving as a medium- to long-term incentive in Executive Officer's remuneration. Targets are set according to evaluations by outside organizations and the status of efforts on key ESG themes. From fiscal 2023, to enhance the effectiveness of these indicators, important KPIs among the ESG-related targets set by each business division, such as renewable-energy usage rate, were added to the criteria for annual incentives of the presidents of each business division.

(2) Strategy

Dedicated organizations such as the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) have hypothesized scenarios in which the global average temperature rises by 1.5°C or 4°C by a certain date. Based on these scenarios, the HOYA Group analyzed three aspects—Transition risks, physical risks and opportunities—and assigned each risk and opportunity to one of three levels of importance according to likelihood of occurrence and anticipated financial impact.

Examples of risks and opportunities in the eyeglass lenses business division (excerpt from moderate or higher risks)

	Description	Response
Transition risks	• Delays in responding to consumers' heightened awareness of climate change results in lost market share and/or declining sales. • Action on climate change and climate-related disclosure have been added to factors customers use to select suppliers. Delay in responding results in lost customers and/or declining sales. • Inadequate response to environmental issues such as reduction of CO2 emissions and water recycling causes loss of reputation and/or declining sales.	• Consideration of listing CO2 emissions on product packaging • Revision of marketing strategy: Reduction of impact from climate change through product innovation; enhanced dissemination of information • Regular reporting to customers and other external stakeholders regarding progress on ESG • Expansion of disclosure related to climate change, such as TCFD or the Carbon Disclosure Project (CDP)
Physical risks	Infectious-disease outbreaks made possible by unusual weather disrupt production activities and supply chains or trigger lockdowns and other restrictions on activity, causing the optometrist shops that are the Group's customers to restrict hours of operation, thereby reducing demand.	• Drafting and updating of BCPs for Group plants • Geographical diversification of production sites
	Unusual weather causes stagnation in production or sales activities; flooding causes inundation or destruction of production sites.	• Geographical diversification of production sites and advancement of measures against water damage • Drafting of BCPs to secure/safeguard materials, inventories, etc.
Opportunities	As demand for low-carbon products grows, early success in product development leads to increased sales.	• Listing of carbon footprints • Incorporation of determination to reduce environmental impact into product development strategy • Coordination with material producers
	As demand grows for products that are easy to recycle/reuse, early success in product development leads to increased sales.	• Formation of a product strategy focused on a recycling-oriented society through collaboration with suppliers and customers
	The Group streamlines production processes using DX, etc.	• Reduction of CO2 emissions and related costs by improving production efficiency • Investment in DX and DX training
	Drafting of BCPs, use of in-house production sites and diversification of suppliers	• Introduction of and training in BCPs • Refurbishment of each plant, geographical diversification of production sites, etc.

Examples of risks and opportunities in the glass substrate for HDDs business division (excerpt from moderate or higher risks)

	Description	Response
Physical risks	Infectious-disease outbreaks made possible by unusual weather disrupt production activities and supply chains, causing customers' plants to reduce levels of operation, thereby reducing demand.	• Drafting and updating of BCPs for in-house production sites • Geographical diversification of production sites • Consideration of plans to reduce customers' climate-change risk
Opportunities	Disclosures on ESG, climate change, etc. boost the Company's reputation on financial markets, reducing cost of fundraising.	• Deployment in disclosures for TCFD and on ESG • Disclosure and improvement of rank on CDP
	As demand for low-carbon products grows, early success in product development leads to increased sales.	• Listing of carbon footprints • Revision of product strategies • Increase in budget for technology development • Coordination with material producers
	As global warming causes water shortages, successful development of technologies to reuse and reduce water use leads to reduced water costs.	• Establishment of production methods that use little water • Introduction of advanced water treatment technologies, increase in reuse
	Technologies such as DX achieve improved efficiency in manufacturing processes.	• Reduction of CO2 emissions and reduction of related costs due to improved production efficiency • Investment in DX and DX training
	Drafting of BCPs, use of in-house production sites and diversification of suppliers	• Introduction of and training in BCPs • Refurbishment of each plant, geographical diversification of production sites, etc.

(3) Risk Management

The HOYA Group continually monitors conditions related to climate change. If conditions change significantly, the head office TCFD Project, which includes members of the ESG Promotion Office, the Corporate Communication Department and the Environmental Safety and Health Department, works with business divisions to review risks. Under the general supervision of the persons responsible for each business, the appropriate segments of each business division (Production Division, Retail Development Department, Purchasing Department, etc.) coordinate and conduct their responses.

With respect to risk related to changes in the operating environment due to climate change (transition risks), based on scenario analysis, the sustainability/ESG teams and persons responsible in the business divisions in each country work with segments related to sustainability, such as environmental, quality-assurance, purchasing and other segments, to draft and implement responses appropriate to their respective business divisions.

(4) Indicators and Targets

Indicators used to evaluate climate-related risks and opportunities include Scope 1 and Scope 2 greenhouse gas emissions and share of renewables in energy used in business activities.

Targets for introduction of renewable energy

- Transition to 60% of electricity used in business activities to renewable energy sources by fiscal 2030
- Transition to 100% of electricity used in business activities to renewable energy sources by fiscal 2040

CO₂ emission reduction targets (Scope 1 and Scope 2)

- 60% reduction of CO₂ emissions by fiscal 2030 (compared with fiscal 2021)
- 100% elimination of CO₂ emissions by fiscal 2040 (compared with fiscal 2021)

Biodiversity

The HOYA Group works actively to support and protect biodiversity. Based on the HOYA Group Environmental Philosophy and Fundamental Environmental Policies, the Group scrupulously conducts appropriate management of water use, wastewater, waste materials and chemical substances, as well as cleanup activities in the regions in which its production sites are located, in Japan and overseas. In August 2022, the HOYA Group began participating in the JAL Carbon Offset Program. Through this program, the Group offsets the CO₂ it emits on business flights to or from Japan on JAL by purchasing carbon credits of the Southern Cardamom Reducing Emissions from Deforestation and Degradation (REDD+)* Project, a tropical rainforest protection program. Preserving the rainforest provides vital regional protection, as it not only preserves a “carbon sink” that absorbs CO₂ but also protects wildlife, supports biodiversity, and supports the livelihoods of local residents. By purchasing these carbon credits, the HOYA Group supports this project. In fiscal 2022, the Group purchased credits equivalent to some 130 tons of CO₂.

*This carbon project is verified through the Verified Carbon Standard (VCS).

Environmental

Water

Initiatives to effectively utilize water resources

The HOYA Group endeavors to effectively utilize water resources by reusing water and reducing water intake on a global scale, in accordance with its Fundamental Environmental Policies.

Water intake reduction targets

The HOYA Group has set numerical targets in each of its business segments and manages its progress in achieving the targets.

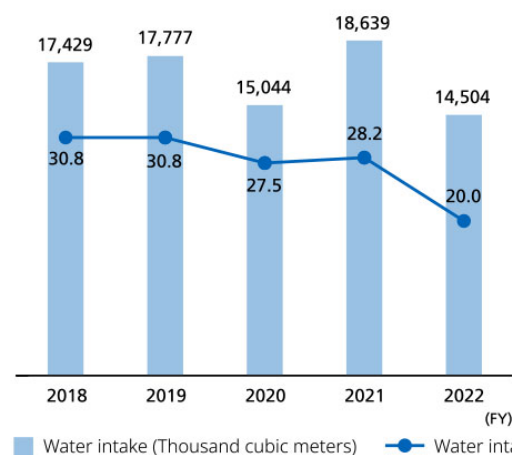
Water intake

The HOYA Group has been promoting initiatives to reuse water in recent years. As we have, our water reuse ratio has been on an uptrend in the past couple of years. We will continue to make effective use of water resources.

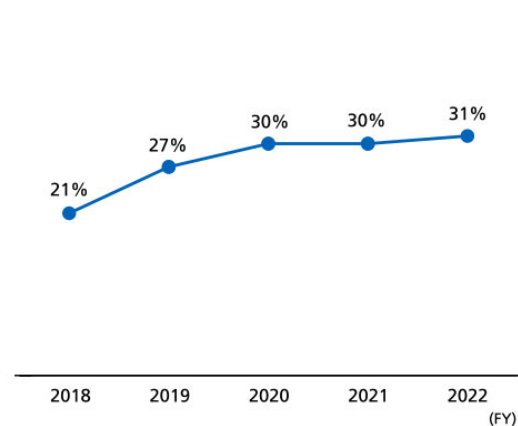
Water intake in the HOYA Group (1,000 cubic meters)

	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Japan	Thousand cubic meters	1,071	929	886	866	800
Overseas	Thousand cubic meters	16,357	16,848	14,158	17,773	13,704
Total	Thousand cubic meters	17,429	17,777	15,044	18,639	14,504
Water intake per unit of net sales	Thousand cubic meters per billion yen	30.8	30.8	27.5	28.2	20.0
Water reuse ratio	%	21%	27%	30%	30%	31%

Water intake



Water reuse ratio

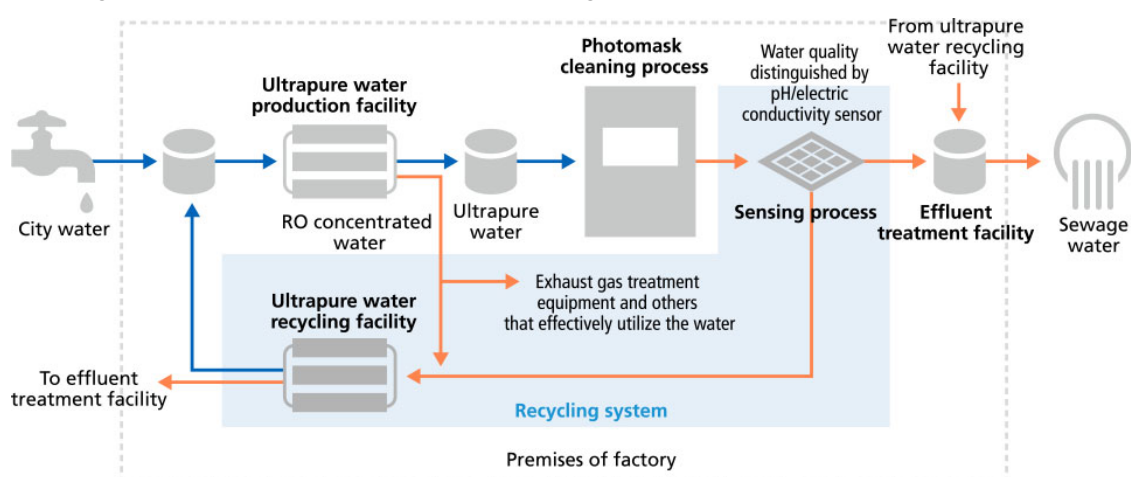


Water intake was calculated targeting production bases, based on the usage of city water, industrial water and groundwater identified by using the data aggregation format shared universally within the HOYA Group.

Initiatives to reuse water

Initiatives to effectively utilize water resources are being carried out in each business segment. In the photomask manufacturing process, cleaning is performed by using ultrapure water to remove various chemicals and foreign matter. The used water undergoes a process at an effluent treatment facility to be rendered harmless, some of which is subsequently collected and reused. The ultrapure water recycling facility, which consists of adsorbents and reverse osmosis (RO) membranes, makes it possible to reuse water by removing impurities.

Recycling of ultrapure water in photomask manufacturing process



Environmental

Pollution Control Measures and Waste, etc.

Soil pollution control measures, underground water pollution control measures, and hazardous substance leak control measures

In March 2010, the Group issued the HOYA Group Standard for Environmental Facilities designed to help the Group to prevent any hazardous impact on the environment inside and outside the HOYA Group facilities.

Waste reduction and reuse initiatives

In entrusting contracted disposal of factory waste, individual facilities select contractors after carefully checking their business licenses. Also, through consignment contracts with appropriate disposal contractors, the Group promotes the recycling of industrial waste, creation of monetary values out of waste, and reduction of waste emissions.

In order to realize a sustainable, recycling-oriented society, we are recycling wood waste and waste plastics, promoting the reuse of packaging materials, and recycling paper, among others. Our major factories in Japan have achieved zero emissions in terms of industrial waste.

Also, our factories outside Japan are holding in-house competitions regarding ideas for recycling waste plastics, using recycled paper of beverage packaging to repair roofs damaged by disasters in cooperation with local volunteer groups and thereby contributing to society and engaging in other initiatives in the form of in-house recycling activities, in addition to turning polluted sludge into valuable substances and reusing photomask cases, among others.



Collection of paper cartons to be recycled into roofing materials

Waste emissions in the HOYA Group (t)

		2018	2019	2020	2021	FY2022
Japan	Total emissions (t)	3,144	2,099	2,229	2,295	2,250
	Recycling rate	65.9%	76.0%	91.0%	90.5%	79.9%
Overseas	Total emissions (t)	56,766	56,289	54,281	64,185	46,977
	Recycling rate	69.1%	76.2%	72.0%	69.9%	70.3%
Global	Total emissions (t)	59,911	58,388	56,509	66,480	49,228
	Recycling rate	68.9%	76.2%	72.8%	70.6%	70.7%

Chemical substances

Based on the HOYA Group Chemical Substances Management Standard, the HOYA Group as a whole complies with laws and regulations in accordance with the Standard with respect to chemical substances used in business activities, takes countermeasures against their leakage and manages such substances by utilizing Safety Data Sheets (SDSs).

Animal experimentation

There are some cases in which animal experiments need to be conducted to develop some medical products. The HOYA Group has established regulations in each business in consideration of various laws and regulations as well as guidelines established by relevant organizations, and conducts internal screening from the viewpoint of the 3Rs principle on animal experimentation, i.e., Replacement (utilization of alternative methods of experimentation that do not involve the use of animals), Reduction (reduction of the number of animals used) and Refinement (alleviation of pain and suffering caused to animals).

Social

Human Capital

Respecting Human Rights

Respecting human rights

Basic approach

The HOYA Group respects the human rights of all officers and employees of the HOYA Group and all stakeholders involved in the business activities of the Group. The Group advances efforts on human rights in accordance with the UN Guiding Principles on Business and Human Rights.

HOYA Global Code of Conduct

The [HOYA Global Code of Conduct](#) stipulates the basic guidelines to be complied with when performing operations based on the Corporate Mission and values of the HOYA Group. The Code of Conduct clarifies that basic human rights are to be respected and that all forms of discrimination and harassment in connection to race, nationality, gender, religion, belief, birthplace, age, or disabilities are to be eliminated in all corporate activities, and that child labor, forced labor and human trafficking are prohibited. We aim to create a safe and healthy workplace that allows employees to feel secure while they work. The Company will provide equipment, systems, and working conditions so that each and every employee respects and cooperates with each other as the Company strives to create a workplace that is easy to work in.

The HOYA Group takes rigorous measures to ensure Group-wide understanding of its stance on human rights. The Group translates the Code into 27 languages in view of the status of its global operations, conducts e-learning once a year for all Group employees and tests participants to ensure that they understand the content. We also conduct internal audits to confirm that the procedures described above are followed. Confirmation notices regarding strict compliance with the Code of Conduct for all Group employees were submitted with a 97% submission rate in fiscal 2022.

HOYA Group Human Rights Policy

In October 2022, with the approval of the Board of Directors, the HOYA Group established the [HOYA Group Human Rights Policy](#), spelling out the Group's stance on respect for human rights in accordance with the Group's Corporate Mission and Management Principles. The policy includes in its scope all of its partnerships with stakeholders and commits the HOYA Group to complying with a number of international principles and guidelines, including the UN International Bill of Human Rights, the International Labor Organization (ILO)'s ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business & Human Rights (UNGPs), and the 10 Principles of the UN Global Compact.

Based on the Human Rights Policy, the Group puts its respect for human rights into practice by five means:

- Conducting due diligence on human rights
- Relief measures
- Dialogue with stakeholders
- Awareness-raising activities and education
- Disclosure

The Policy on Human Rights is published on the HOYA Group website in Japanese and English and all stakeholders are made aware of it.

Framework for Promoting Response on Human Rights

Under the authority of the Chief Sustainability (ESG) Officer, the ESG Promotion Office at Group head office coordinates with the Compliance Department, Legal Department, Personnel Department, and other related departments in the head office, proposing policies and plans for the entire Group on human rights and confirming progress in a timely manner. In addition, the Chief Compliance Officer (CCO) oversees an organizational framework for managing compliance risk globally. The CCO responds to the full range of compliance issues, including labor-related compliance, human rights-related issues such as consumers' (patients') rights to be safe and informed, protection of privacy and management of personal information, corruption and bribery. On a regular basis, the CCO reports its activities and progress to the Board of Directors and reflects feedback from the Board of Directors in activities.

Due Diligence on Human Rights

Identifying Human Rights Issues (Negative Impacts)

To assess human rights risks in its value chain, the HOYA Group selected four divisions and obtained professional opinions from outside experts on each of them in fiscal 2022. Selected for the details of their operations and other factors, the four divisions are the Eyeglass Lens Division, the Medical Endoscope Division, Semiconductor Mask Blanks Division, and the HDD Glass Substrate Division. The Group also referred to outside data on international compacts and guidelines^{*1} related to human rights, industry attributes, country risks and so forth, as well as results of hearings with business divisions and other related departments in Group head office. Through these efforts, the Group discovered and categorized potential issues and risks on human rights for each stakeholder.

*1 These include the UN International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the 10 Principles of the UN Global Compact, and OECD Guidelines for Multinational Enterprises.

Identification of Human Rights Issues for Each Stakeholder

As a result of the human rights risk assessment, the Group identified potential human rights issues related to each stakeholder in our value chain. In addition to continuing efforts to enhance understanding of the Codes of Conduct and educational and training measures to prevent harassment, the Group is intensifying existing measures and augmenting them with additional approaches. Going forward, the Group intends to build and reinforce a framework for human rights due diligence extending to all stakeholders throughout the value chain, from those within the Group to suppliers, for example through the use of questionnaire surveys.

Potential Human Rights Issues Identified for Each Stakeholder

Rights area/issue		Stakeholder				
		HOYA employees (Manufacturing)	HOYA employees (Non-manufacturing)	Suppliers	Consumers/ patients	Regional communities
Labor compliance	Elimination of discrimination	✓	✓	✓		
	Harassment	✓	✓	✓		
	Gender	✓	✓	✓		
	Occupational health and safety	✓		✓		
	Excessive or unreasonable work hours			✓		
	Insufficient or unpaid wages	✓		✓		
	Child labor			✓		
	Forced labor	✓		✓		
	Rights of migrant and foreign laborers			✓		
Access to legal relief		✓	✓	✓	✓	
Consumer safety and right to know					✓	
Protection of privacy and management of personal information		✓	✓		✓	
Human rights issues related to the environment and climate change						✓
Bribery and corruption		✓		✓		✓

Corrective and Complaint Processing Mechanisms

As part of its internal control systems, in 2003, the HOYA Group launched the HOYA Help Line, a service for receiving Group-internal whistleblowing reports and requests for advice. With outside consultation services established in each country, the HOYA Help Line makes it easy for employees to seek advice. Inquiries are accepted online round-the-clock in multiple languages; employees can receive consultation in their local languages and report issues anonymously. The Group has drawn up rules of operation for the HOYA Help Line that are fully legally compliant, protects whistleblowers and prohibits retaliation against them, and maintains confidentiality to ensure anonymity. In fiscal 2022, there were 170 whistleblowing complaints made to the HOYA Help Line, of which 54% were related to the workplace environment and 25% were related to HOYA's system. In fiscal 2022, there were no whistleblowing incidents inflicting a serious impact on HOYA's businesses.

For business partners outside the HOYA Group, HOYA fields inquiries about the HOYA Supplier Code of Conduct, establishes contact points for whistleblowing, and conducts surveys and responses appropriately to protect whistleblowers and their information.

For details please see [“Compliance.”](#)

Employee Education and Training

Once a year, the HOYA Group conducts e-learning and tests all Group employees on their knowledge of the HOYA Global Code of Conduct, ensuring thorough circulation of information within the Group. On harassment, the Group has formulated the HOYA Group Policy and Guidelines on Measures to Prevent Harassment. This document discloses measures and policies to prevent harassment, protect respect for each employee as an individual, and prevent disruptions to workplace discipline and barriers to work. Based on these Guidelines and the laws and ordinances of each country, the Group provides all Group employees with education and training on measures to prevent harassment; in Japan, this training is tailored to each level of management. In fiscal 2021, 97% of employees in Japan underwent training on measures to prevent harassment and were tested on their knowledge of the subject.

Supply Chain Measures

The HOYA Group asks all of the business partners who supply it with products and services to maintain the same level of compliance and ethical conduct that the Group does. With this aim in mind, the Group prepared the HOYA Supplier Code of Conduct. All suppliers are required to accept, sign and comply with this Code of Conduct. The HOYA Supplier Code of Conduct calls on all suppliers to prohibit forced labor, child labor, discrimination, harassment, corruption and bribery, and to uphold the principles of freedom of association and right to collective bargaining and secure occupational health and safety. To ensure responsible mineral procurement, the Group conducts surveys on conflict minerals and sets targets for suppliers' rate of response to the survey and the number and percentage of smelters that are compliant with the Responsible Minerals Assurance Process (RMAP). On the basis of these targets, the Group monitors results and promotes efforts to reduce risk associated with conflict minerals.

For details please see [“Supply Chain Management.”](#)

Measures to Ensure the Safety of Consumers (Including Patients)

To strengthen its product safety management system, the HOYA Group must ensure rigorous compliance with the standards required of healthcare products in Japan and overseas, laws and ordinances governing product quality and safety, and other norms. For this purpose, in fiscal 2022, the Group launched the Healthcare Compliance Committee, composed of independent directors. The Group obtains objective advice from these independent directors and, when needed, from experts versed in the laws and ordinances of particular countries, as it carries out activities to secure product safety, led by an officer responsible for regulatory compliance.

For details please see [“Product Safety Assurance Policy and Structure.”](#)

Protecting Privacy and Managing Personal Information

The HOYA Global Code of Conduct declares the Group's respect for individuals' right to protection of privacy and stipulates prudent management of personal information. To prevent information leaks by improving HOYA Group employees' security mindset, the Group provides cybersecurity training on a regular basis, using e-learning. In 2022 the Group adopted a basic policy for the handling of personal numbers and specified personal information and made clear its stance of strict compliance with related laws and guidelines. In these ways the HOYA Group is working to prevent problems related to the handling of personal information.

Grappling with Bribery and Corruption

Based on the HOYA Global Code of Conduct, in 2021, the HOYA Group moved to strengthen measures to prevent bribery and corruption by instituting the [Anti-Bribery and Anti-Corruption Policy](#). This policy establishes rules for preventing bribery and corruption and stipulates measures such as formation of an internal management framework and provision of training. The Group is also continuing to provide employees with education on these issues.

Modern Slavery Statement

In accordance with the UK Modern Slavery Act 2015 legislation, the HOYA Group publishes a statement on the steps it has taken to identify and eradicate slavery and human trafficking within its business and supply chains.

[Modern Slavery Statement \(1,435KB\)](#)

Social

Human Capital

Strategy for human resource development

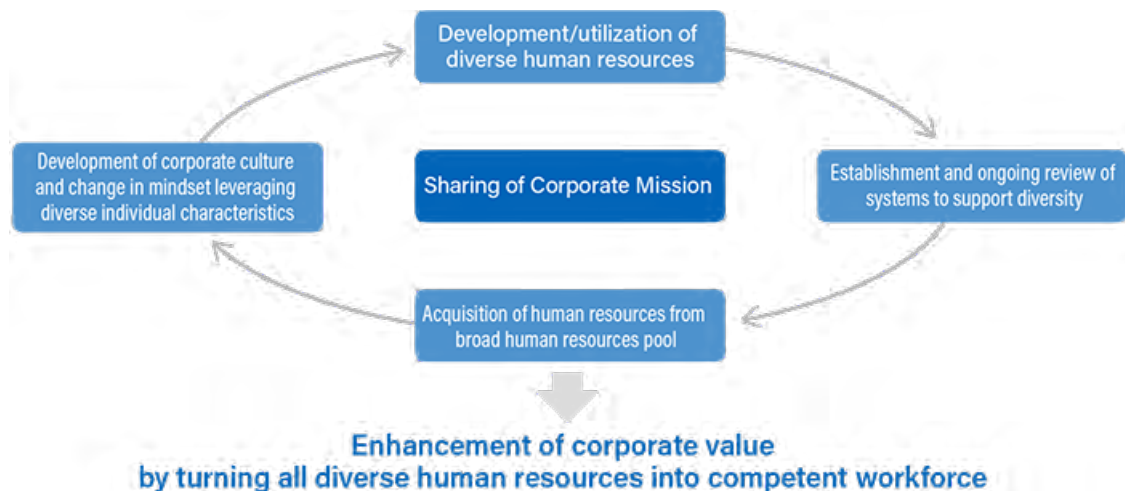
Human Capital Strategy

The HOYA Group recognizes that its people are an asset of the highest priority. Its personnel strategy is to prevail over its competition by continuously investing in personnel.

With its diverse operations worldwide, the HOYA Group advances by producing in the best locations for production and selling in the best locations for sales. The Group also recognizes that the diversity of its people is its strength and the wellspring of its continuous creation of value. Based on this understanding, and in accordance with its basic philosophy and values, the Group has translated the HOYA Code of Conduct into 27 languages, circulating it thoroughly throughout the Group, to set forth the fundamental policies with which Group employees must strictly comply in the course of their operations. This unified understanding of HOYA values is the bond that unites the HOYA Group's diverse personnel.

Respect for individuals is one of the Group's basic principles of management. The HOYA Group is expending maximum efforts to support employees in achieving freedom and fulfillment, by expanding opportunities to pursue maximum autonomy and creativity and securing a safe and supportive work environment.

One of the HOYA Group's key policies for sustainability is that it strives to foster an environment in which diverse personnel can play active roles in creating new value, with emphasis on employees' wellbeing. While intensifying competition for talented personnel is a risk factor for the Group, the Group believes that securing and developing a diverse workforce increase opportunities for value-creating innovation. For this reason, the HOYA Group ranks "employee engagement, diversity and inclusion" as one of its vital issues.



Diversity

Utilizing Global Human Resources

With its diverse operations worldwide, the HOYA Group advances globally by producing in the best locations for production and selling in the best locations for sales. Recognizing that the diversity of its people is a strength for this strategy, the HOYA Group hires on the basis of individual capability, not nationality, gender, or similar distinctions.

Over 90% of Group employees are assigned to posts outside Japan. By actively promoting outstanding local personnel and increasing opportunities for them to excel, the Group is driving its globalization forward. As a result, some 90% of overseas Group companies are headed by non-Japanese persons. Moreover as of June 30, 2023, a majority of the Group's main business divisions entrust management of global operations to non-Japanese division presidents. HOYA will continue to provide many talented individuals with opportunities to shine.

“Minkatsu” Diversity Project

In 2014, we launched the “Minkatsu” diversity project for the purpose of creating a work environment in which each and every employee can feel a sense of fulfillment from work and play an active role by fully demonstrating his/her ability. As part of the “Minkatsu” diversity project, we are working to increase the proportion of female employees and female leaders*.

* Female leaders: Subsectional chief equivalent to or above section and highly skilled professionals

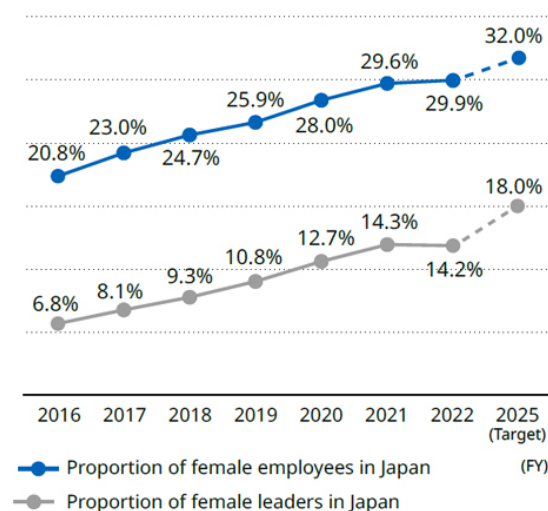
Proportion of Female Employees and of Female Leaders

Proportion of Female Employees	FY2020	FY2021	FY2022
Japan	28.0%	29.6%	29.9%
Overseas	55.7%	—	54.6%
Group-wide	53.0%	—	52.0%

Proportion of Female Leaders	FY2020	FY2021	FY2022
Japan	12.7%	14.3%	14.2%
Overseas	43.3%	—	41.6%
Group-wide	34.5%	—	35.9%

Note: Calculations for Japan are based on data from a March 2023 survey on “Minkatsu.” Calculations for other countries are based on data from a September 2022 engagement survey.

Proportion of Female Employees and Proportion of Female Leaders in Japan



We do not discriminate based on gender in hiring, promotions, or pay increases, and instead focus on actively employing human resources with highly specialized capabilities and morals. In addition, at HOYA Corporation, two of its seven directors are women (28.6%), and three of its officers including executive officers are women (37.5%).

We have been promoting “Minkatsu” activities by setting our target at making female leaders and female employees in Japan account for at least 15% and 30%, respectively, by the end of fiscal 2022. The proportion of women is steadily increasing, but these efforts were only a first step toward our goal. Going forward, we are setting new targets, aiming to raise women as a proportion of leaders in Japan to 18% and women as a proportion of employees in Japan to 32% by the end of fiscal 2025. To achieve these goals, we will continue to engage proactively in initiatives to eliminate the mindset of assigning duties based on sex, create well-planned

educational programs and provide opportunities for women in management roles, and recruit female managers from outside.

Creating Supportive Workplace Environments and Cultures

Business divisions are making efforts to develop the necessary environment and systems, and create culture tailored to their respective businesses. By developing an environment in which diverse personnel can play an active role by demonstrating their capabilities and systems that enable workstyles with higher productivity and efficiency, we will strive to strike a balance between realizing the sense of fulfillment from work as well as personal life and enhancing corporate value.

Those related to childcare/nursing care support

- Childcare/nursing care support system (leave of absence, shortened working hours)
- Staggered working hours
- Leave to provide care for children
- Encouraging male employees to take childcare leave, etc.

Those related to workstyle in general

- Flextime system • Shortened working hours, reduced number of working days
- Challenge leave* • Second job • Work from home
- Encouraging employees to proactively take annual leave by setting recommended days for taking annual leave, etc.

* HOYA Corporation has established the challenge leave system for employees that have worked for a set number of consecutive years. A challenge leave of 20 days each is granted when the number of consecutive years worked by employees that work five days a week reached 10 years, 20 years, and 30 years.

Utilizing people with disabilities

The HOYA Group actively utilizes people with disabilities, for example in the operation of its Ichikawa Challenge Office that supports eco projects.

(Proportion of disabled persons employed in Japan: 2.40% as of March 31, 2023)

Employee Engagement Survey

Based on the belief that “people are our great asset,” we are seeking to create a workplace environment in which diverse employees can demonstrate their respective abilities, take on new challenges and realize their potential. HOYA periodically conducts an employee engagement survey targeted at all employees in the Group. Through the survey, we listen to employees’ opinions and utilize them to create a better workplace environment. In September 2022, the HOYA Group conducted its third employee engagement survey, attaining a 97% response rate. After analyzing the results of this and previous surveys, the Group implemented a series of measures, focusing on the fields of talent management and career development. The survey results were also discussed at the individual-workplace level, to identify points for improvement leading to meaningful plans of action.

1. Performance Management (Performance Evaluation System)

To encourage employees to make the most of their abilities, it is essential that the HOYA Group build a framework for fair and objective evaluation of their results. For this purpose, we have revamped the HOYA Group’s framework of performance management (performance evaluation system) and started implementing it as a global common framework in fiscal 2022. The system introduces 360° evaluation to ensure that results of performance evaluation are reflected in remuneration and provides an environment for regular and effective feedback on personnel training.

Gist of new performance management:

- Determine clearly-defined figures that are expected for performance targets and actions
- Conduct evaluation in a fair and objective manner
- Give periodic and effective feedback for human resource development
- Pay-for-performance

2. Career Development

Providing employees with ample opportunities to update their knowledge continuously and pursue reskilling is vital in supporting enterprise competitiveness. To ensure employees of these opportunities, the HOYA Group is introducing an on-demand learning platform, supporting the career development needs of the employees who support HOYA's growth strategy.

Gist of career development program (online learning platform):

- Re-train employees who support HOYA's growth strategy
- Spur employees to engage in life-long learning
- Upskill employees by providing on-demand learning content

Going forward, we will continue to listen to employees' opinions through employee engagement surveys on an ongoing basis and develop an environment in which each and every employee can grow together with HOYA with a sense of fulfillment from work.

Enhancement and development of human resources

Basic approach

At the HOYA Group, we provide a work environment that respects individuality and diversity and promotes the growth of individuals while giving consideration to the safety and health of employees. Furthermore, each and every employee works to improve the knowledge and skills and we provide the innovative value sought by society.

Human resource development

People differ in terms of things such as values, how they live, personality, and individual capabilities. There are also a wide variety of stances toward jobs and ways of working. For this reason, organizational management in the current era needs to provide frameworks that leverage the individuality of employees and allow employees to increase their capabilities in environments that match individual aptitudes. The new ideal employee environment sought by HOYA is one in which all employees can fully exploit their capabilities and contribute to the organization and business through friendly competition.

In response to the wide variety of capacity development needs of employees and in order to learn the specialized knowledge and skills required for the industry, the HOYA Group individually deploys the employee educational programs that are most suitable for each business division and region.

For example, for the Eye Care Company's human resource development and HOYA Electronics Singapore's participation in the Electronic Industry Citizenship Coalition (EICC) Code of Conduct seminar, please refer to [our website](#).

HOYA Prize

The HOYA Prize is an award system that has been established for all employees with the aim of recognizing and rewarding the daily hard work and efforts of employees in order to communicate a spirit of gratitude towards employees that always do their utmost amid a difficult business environment. The award system does not stipulate any detailed standards, but winners are rather decided on by the CEO based on recommendations received from the managers of each business and human resources representatives.



Social

Human Capital

Occupational Safety and Health

HOYA Group's Occupational safety and health activities

The HOYA Group is pushing for the creation of a pleasant workplace environment where every one of the employees can work in good health and safely. For the HOYA Group's philosophy, basic policies and organizational structure related to occupational safety and health, please refer to [HOYA's website](#).

Status of Occupational Accidents

The HOYA Group engages in day-to-day safety and health activities aimed at preventing serious occupational accidents from occurring. We are striving to reduce the risks of occupational accidents occurring by sharing information within the Group and conducting in-house training, internal audits, etc., in addition to assessing risks based on the HOYA Group Risk Management Guidelines for Occupational Safety and Health and engaging in various initiatives for managing chemical substances and assuring the safety of machines and equipment.

	Scope	FY2020	FY2021	FY2022 ^{*1}
Number of occupational accidents	Japan	9	11	14
	Overseas	181	208	180
	Group-wide	190	219	194
Lost time injury (LTI) frequency rate ^{*2}	Japan	0.37	0.38	0.37
Lost time injury (LTI) intensity rate ^{*2}	Japan	0.008	0.003	0.001

*1 Survey period: 2022 calendar year

*2 Reference data: Lost time injury (LTI) frequency rate: 1.25, Lost time injury (LTI) intensity rate: 0.08 in the manufacturing industry according to Ministry of Health, Labour and Welfare's fiscal 2022 data

Reduction of risks using risk assessment

All hazardous factors are constantly being checked by risk assessment in accordance with the HOYA Group Risk Management Guidelines for Occupational Safety and Health. As well, effective safety measures are being taken in order of priority for risk reduction.

Strengthening of chemical substances management

Based on the HOYA Group's common index HOYA Group Chemical Substances Management Standard, we are managing chemical substances used in our business activities and working to prevent occupational accidents and diseases caused by chemical substances.

Assurance of Safety of machines and equipment

The safety of machines and equipment is a matter of greater importance in achieving occupational safety. Various measures for the safety of machines and equipment (reduction of risks) are being taken from the design stage according to the HOYA Group Standard for the Safety of Machines and Equipment to prevent machine-related accidents.

OSH Audit (Occupational safety and health)

At all the Group's business facilities inside and outside Japan, the environment and occupational safety and health personnel and specialized staff conduct internal audits periodically. After the audits, they give necessary advice and guidance to respective sections to improve their observance of laws and regulations and performance of occupational safety and health.



Training in HOYA Group safety and health

The facility environment and occupational safety and health personnel conference is held twice a year. The intra-Group consulting program for guidance and training on management systems and risk assessment is held several times a year mainly for the overseas production bases. These are all designed to enhance the performance of the occupational safety and health activities within the HOYA Group.



Social

Human Capital

Health Management

HOYA Group's Health Measures

- | | |
|--|--|
| 1. Certification for health and productivity management organizations | 2. Countermeasures against infectious diseases |
| 3. Measures to prevent lifestyle diseases and prevent them from increasing in severity | 4. Mental health measures |
| 5. Return-to-work support and assistance for work-treatment balance | 6. Promotion of women's health |
| 7. Smoking control | 8. Overwork prevention and improvement of work-life balance |
| 9. Management of health of Japanese expatriates | 10. Improving emergency medical care and first aid responses |

Certification for health and productivity management organizations

Based on the recognition that “health promotion efforts are business investments,” we are committed to health management with the support of the companies and the cooperation of all employees.

Please refer to this for the CEO's Health Management Declaration and the seven articles that HOYA Group employees are required to follow. (in Japanese only)

The HOYA Group has been certified for seven consecutive years under the Ministry of Economy, Trade and Industry (METI)'s certification program for outstanding health and productivity management organizations since the start of the program in 2017 (as of April 1, 2023).



Improvement of labor productivity

The HOYA Group aims to improve each and every employee's well-being, develop a pleasant workplace environment in which he/she can demonstrate his/her capabilities, and implement health measures tailored to health issues, to ultimately eliminate presenteeism^{*1} and absenteeism^{*2}. In an internal survey begun in fiscal 2021, neck problems, stiff shoulders, insomnia and lower back pain were identified as health issues that heavily affect presenteeism, so we are working to rectify these issues as a matter of priority. We are also striving to reduce absenteeism by working on the prevention of cerebral cardiovascular diseases and mental

health problems, as well as providing return-to-work support and assisting employees in striking a balance between work and treatment.

*1 Presenteeism: Deterioration in productivity while being present at work due to health problems

*2 Absenteeism: Absence from work due to health problems

Overwork prevention

HOYA has established the HOYA Group Standard for the Prevention of Overwork-related Health Problems, which is in compliance with industrial safety and health laws and regulations, and has implemented it at all HOYA Group companies. Workers with long working hours are required to have an interview with an industrial physician, and a system has been put in place to ensure the person in charge of personnel affairs, the manager, and the industrial physician work together to slash long working hours from the perspectives of both labor management and health management. In addition, as part of workstyle reform, HOYA is strengthening efforts to steadily improve the utilization rate of annual paid leave.

Countermeasures against infectious diseases

Since before the COVID-19 pandemic, HOYA had been proactively working on measures to address the risks of emerging infectious diseases, following the formulation of its “Guidelines on Countermeasures Against New Strains of Influenza and Other Infectious Diseases” based on a scenario of pandemics of new strains of influenza and other emerging infectious diseases. Under the Guidelines, we have established the HOYA Group Influenza/Epidemic Risk Management Team, formulated a business continuity plan, and organized channels for collecting, conveying and sharing information; in addition, we have put in place a framework to enable the stable supply of products, etc. while minimizing health hazards by giving top priority to ensuring the safety of employees, their families, relevant parties and others.

Countermeasures against COVID-19

The respective Crisis Management Teams of the head office and each business promptly collect information and collaborate with each other. In addition, we have summarized such matters as measures to prevent infections in the HOYA Group in the “HOYA Global Post-COVID-19 Work Handbook,” translated it into 21 languages, distributed it to all employees in the Group, and are continuing to use it to conduct education and awareness-raising activities targeted at all employees through e-learning. We also conduct internal audits on employees’ status of adaptation to and compliance with the provisions in the Handbook in an effort to stringently enforce countermeasures against infections. In each country, we assess the status of the spread of infection as needed and are continuing autonomous measures to stop COVID-19, to maintain stable continuity of business.

Supporting Mental Health

The Group has established the HOYA Group Mental Healthcare Guidelines, which specify in-house counseling services, support for return to the workplace, and educational programs. Informed by these Guidelines, the Group works hard to prevent damage to health from stress-related illness and to detect and respond to such issues at an early stage. The Group is making special efforts to provide instruction on mental health

management, led by industrial physicians, and to deepen employees' understanding of mental healthcare. A framework has been set in place to ensure sufficient care of each line by managers and to clarify the roles of managers, persons responsible for personnel matters, and industrial physicians, ensuring effective liaison among them. In annual stress checks, the HOYA Group is actively providing one-on-one guidance for high-stress sufferers by industrial physicians, feedback of results from organizational analysis, and activities to improve the organizational environment.

Measures to prevent lifestyle diseases and prevent them from increasing in severity

HOYA is stringently enforcing steps to be taken after medical checkups by industrial physicians and health nurses and striving to make more employees undergo detailed medical examinations and boost the effects of medical treatment. As a health program in collaboration with HOYA's corporate health insurance association, we are working on implementing specific health checkups and specific health guidance in an efficient and effective manner. Furthermore, we are taking measures to promote fitness habits, through health programs and using a smartphone app that ranks users on number of steps taken. Our aim is not only to prevent lifestyle diseases but also to alleviate stiff shoulders/lower back pain and improve the quality of sleep of employees.

Social

Product Safety and Quality



Product Safety Assurance Policy and Structure

Product safety assurance policy

■ Legal compliance

Each company in the HOYA Group complies with the standards required of products in Japan and elsewhere around the world. We also comply with laws, regulations, and other standards related to product quality and safety.

■ Collecting and responding to product incident information

Each company in the HOYA Group collects information from customers and other sources related to product incidents and/or malfunctions. When necessary, we provide legally mandated reports to regulatory agencies and appropriate information to customers and others. We enact measures to recall products and repair products, in addition to taking other actions regarding any product-related issues.

■ Ensuring product safety

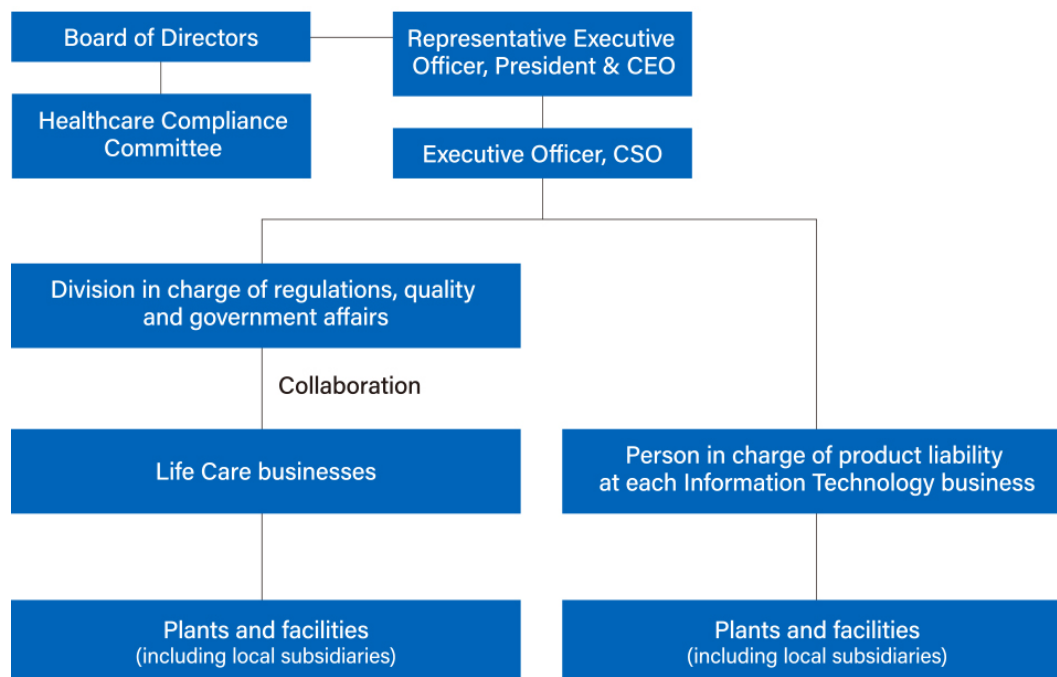
Each company in the HOYA Group provides, where appropriate, user training, up-to-date user guides and documents, product warning labels, and other information for the effective, safe use of our products. We continue to seek opinions from users of our products and reflect this feedback in future products.

■ Training and educational systems to improve product safety and quality

Each company in the HOYA Group strives to improve product safety and quality. To accomplish this goal, we conduct ongoing education and training activities. At the same time, each Group company performs reviews and updates to product safety and quality management organizations and systems.

Product safety assurance structure

At the HOYA Group, under the supervision of the executive officer in charge, each business division has product safety assurance functions. For businesses falling under the Life Care segment, which handles healthcare and medical products, we have established a division in charge of regulations, quality, and government affairs across these businesses.



■ Healthcare Compliance Committee

The HOYA Group established the Healthcare Compliance Committee with the objective of obtaining the thorough compliance with laws, ordinances, standards and norms, both in Japan and overseas, required of healthcare products. Composed of three independent directors who are knowledgeable about the healthcare field, the Healthcare Compliance Committee conducts monitoring of the status of the relevant business divisions' responses to regulations and other matters. Obtaining advice as necessary from specialists with expert knowledge of the laws and ordinances in each country with respect to healthcare products, each member of the Healthcare Compliance Committee offers proposals and advice to each business division for whose regulatory response he or she is responsible.

Quality Management System

The HOYA Group has acquired international quality management system ISO9001 (mainly for the Information Technology business) or ISO13485 (mainly for the Life Care business) focusing on major production bases in each business and is making efforts to improve the safety and quality of its products.

	ISO9001	ISO14001	ISO45001	ISO13485
Number of ISO certified sites	35	49	46	44
Uptake rate*	100%	89%	85%	—

*Refers to the percentage of production sites eligible for certification that have completed certification.

For information on our acquisition status of ISO certification, please refer to [this page](#)

Social

Supply Chain Management



Basic Policy

The HOYA Group operates manufacturing facilities on a global scale and sells products to customers around the world by processing and assembling raw materials and components procured at the facilities in each country.

In order to boost corporate value in a sustainable manner, it is important to maintain product safety and quality at a high level, comply with laws and regulations and protect human rights not only within the Company but also throughout its supply chains. For this purpose, it is imperative to manage supply chains in an appropriate manner. Accordingly, major suppliers are required to sign and comply with the HOYA Supplier Code of Conduct; additionally, key suppliers are visited and examined periodically, and as necessary, provided with assistance to make improvements.

Supplier Code of Conduct

The HOYA Group seeks to apply a high level of legal compliance and ethical practices consistent with its legal and social responsibilities and duty to protect the basic human and worker rights of everyone in the organization.

We have also established the [HOYA Supplier Code of Conduct](#) that applies to all suppliers providing products and services to us. The Code requires our suppliers to adopt the same level of legal compliance and ethical practices as HOYA, and all our suppliers are asked to accept and comply with it before conducting business with HOYA.

Going forward, we will continue to work on suppliers so that we can obtain signatures from all of them.
(Signature rate as at time of fiscal 2020 survey: Approx. 90%)

Supplier Audits

Key suppliers are audited, either periodically or as necessary, in accordance with the quality assurance system in each business segment.

Responsible Mineral Procurement

Conflict Minerals Survey

With the cooperation of its suppliers, the HOYA Group does not use any minerals sourced from the Democratic Republic of the Congo or its neighboring countries that are defined as conflict minerals in Section 1502 of the U.S. Dodd-Frank Act.

We request suppliers to comply with the HOYA Supplier Code of Conduct that sets out the above policy, and key suppliers to periodically cooperate in our conflict minerals survey* using the Conflict Minerals Reporting Template (CMRT), which is a template provided by the Responsible Minerals Initiative (RMI). Since fiscal 2020, we have been conducting the conflict minerals survey on a Company-wide scale by expanding its scope to include the Life Care business as well, not just the Information Technology business.

We will continue to engage in initiatives with the cooperation of suppliers, including initiatives to identify smelters so that the procurement source of minerals will be limited to smelters that are compliant with the Responsible Minerals Assurance Program (RMAP).

* Minerals subject to the survey: tantalum, tin, gold, tungsten

Conflict Minerals Survey Results and Targets

In the conflict minerals survey completed in fiscal 2022, we succeeded in maintaining a high survey response rate and improved the number and percentage of smelters compliant with RMAP. We are continuing to promote initiatives to reduce the risk of conflict minerals. For example, we work with suppliers to improve the accuracy of the survey and, in the event of non-response to the survey or failure to confirm RMAP-compliant smelters, we conduct additional surveys and request improvements as necessary. Going forward, we plan to conduct a survey of minerals other than 3TG^{*1}, such as cobalt and mica.

	FY2021	FY2022	Target
Survey response collection rate ^{*2}	99.6%	99.0%	100%
Identified smelters ^{*3}	160	150	—
Number of RMAP-compliant smelters ^{*3}	140	147	—
Percentage of RMAP-compliant smelters	88%	98%	Ongoing improvement

*1 Tantalum, tin, gold, tungsten

*2 The survey is conducted after selecting key suppliers subject to the survey according to the characteristics of each business.

*3 Some smelters are also included in the fiscal 2021 survey.

Social

Corporate Citizenship

HOYA's mission is to contribute to improving the quality of life (QOL) of people around the world through its own products and services. We are working to contribute to the resolution of social issues regarding eye care, in which many of our businesses are engaged, from the perspective of supporting "seeing" around the world.

Contributing to Improving Ophthalmic Medical Access in Developing Countries

Aiming to improve ophthalmic medical access in developing countries and to avoid illness and ophthalmic diseases by conducting appropriate testing, diagnostics, and treatment, we have formed partnerships with international and local organizations to promote literacy in ophthalmic treatment and support activities in order to educate eye care professionals and improve their skills.



HOYA Vision Care Company (eyeglass lens business) has partnered with Orbis International, a global nonprofit and nongovernmental organization dedicated to saving eyesight worldwide. Together, HOYA and Orbis support work in communities to help bridge the vision care gap. Through their network, HOYA has supported Orbis in mentoring, training, and inspiring local vision care teams in underserved and rural areas, enabling the fight against preventable blindness in their own communities. Working together to develop the Cybersight digital education platform, which connects vision professionals to training materials from across the world, HOYA and Orbis have a shared vision to prevent avoidable blindness.

Contribution to Ophthalmic Medical Research and Education

The rapid pace of myopia has become a global health issue, and it is said that by 2050 approximately five billion people, roughly half of the world's population, may be affected by nearsightedness.*¹



HOYA Vision Care Company entered into a partnership with the International Myopia Institute*² in March 2022 to promote the prevention, treatment, and management of shortsightedness.

In addition, HOYA Surgical Optics (intraocular lens business) has entered into partnerships with the European School for Advanced Studies in Ophthalmology (ESASO)*³, which supports the education of ophthalmologists around the world. HOYA Surgical Optics has donated surgical devices (equipment and intraocular lenses) to ESASO's facilities in Lugano and Lublin and their clinical application specialists support ESASO's training teams in wet labs with surgeons.

*1 Source: Holden B. A., et al. Global Prevalence of Myopia and High Myopia and Temporal Trends from 2000 through 2050. *Ophthalmology*. 2016 May; 123(5): 1036?1042

*2 International Myopia Institute: A nonprofit organization of experts from around the world, established in 2015, following the WHO-BHVI meeting amid the growing need to take measures against myopia on a global scale.

*3 ESASO: A nonprofit organization supporting education aimed at improving the expertise and skills of ophthalmologists around the world.

[Click here](#) for the website of HOYA Vision Care Company.

[Click here](#) for the website of HOYA Surgical Optics.

Donations

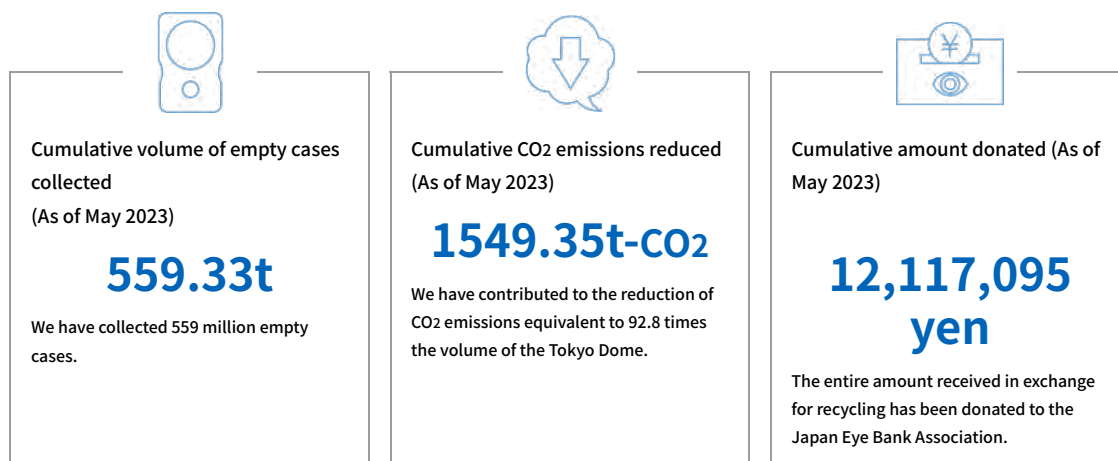
HOYA Surgical Optics, headquartered in Singapore, has concluded a corporate giving partnership with the Singapore Association of the Visually Handicapped (SAVH), a group that supports people with visual disabilities, and conducts support activities such as donations to this organization. Donations are used for rehabilitation and after-sales care programs for people with visual disabilities.

The “Eyecity Eco Project” executed by Eyecity

The “Eyecity Eco Project” executed by Eyecity—our chain of contact lens specialty stores— runs a campaign that involves collecting and recycling empty disposable contact lens cases and donating all proceeds from the sale of the empty cases to recycling contractors. We have been carrying out this industry-first initiative on an ongoing basis since 2010, with the aim of contributing to society in three ways: 1) Protecting the environment by recycling empty cases into resources, 2) Providing self-reliance/employment support to disabled persons, and 3) Making donations to the Japan Eye Bank Association. This year marks the 13th year of this project.



Volume Collected and Amount Donated to Date



Humanitarian Aid

In February 2023, an earthquake struck the border region between Turkey and Syria. To assist in relief and recovery in the stricken region, HOYA Corporation. donated a total of 10 million yen to the Japanese Red Cross Society and UNICEF Japan.

In addition, individual business divisions engaged in support activities of their own. For example, the Vision Care Division, which manufactures and sells eyeglass lenses, collected donations from employees; donated matching funds to support organizations; and donated 2,000 eyeglass lenses to disaster victims through the Turkish Optician Associations.

The PENTAX Medical Division, which operates the Group’s medical endoscope business, delivered medical equipment worth 150,000 euros (about 21.2 million yen), including gastrointestinal endoscopes and single-use endobronchial endoscopes, to disaster-struck hospitals. The HOYA Group prays for the quickest possible recovery for the suffering region.

Life Care Business

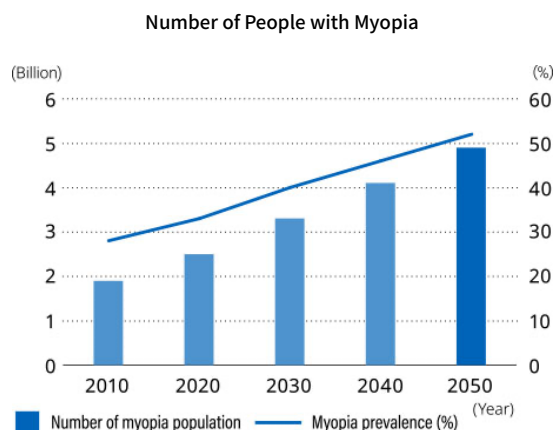
Health Care

Eyeglass Lenses

Market Environment

Myopia, or short-sightedness, is a rapidly growing health problem in today's world, as societies worldwide become more aged, myopia in children increases, and people spend increasing time staring at screens in today's digital lifestyles. At the same time, awareness of health and wellbeing is growing worldwide. Moreover, economic growth in emerging countries is bringing increased purchasing power to those countries, while awareness of eye health is growing. For all these reasons, the market for eyeglass lenses is expected to enjoy stable growth going forward.

Although the global economic environment remains unclear overall, the market for eyeglass lenses remains relatively immune, owing to their status as necessities and as products covered by private and public health insurance in Western countries.



Status of Our Business

Business Overview

The HOYA Group sources from material producers resin and other materials used to make eyeglasses, manufactures lenses, and wholesales them to chain and independent optometrist shops.

At the HOYA Group, our mission is to provide people with lifelong eyecare solutions. Guided by this mission, we provide a diverse array of lenses for people in all stages of life, from general single-vision lenses to progressive (varifocal) lenses for elderly people and spectacle lenses for myopia control in younger children. To provide our customers with the best possible products, we pour efforts into continuous research and development aimed at improving eyeglass functionality, in areas such as optical design, lens coating and photochromatic Lenses*.

On a regional basis, overseas net sales account for 90% of the total. Sales are greatest in Europe, followed by the Americas. The HOYA Group operates production facilities around the world, with particularly high production volume in Thailand and Vietnam.

* A lens that darkens its color when exposed to UV light

▶ Market Position

The HOYA Group boasts the world No. 2 spot in eyeglass lenses. In addition to organic growth, we have expanded market share through mergers and acquisitions. A little less than 30% of the share of this market is held by numerous small to medium-sized lens manufacturers. By capturing market share from and acquiring these smaller players, the HOYA Group is continuously striving to grow market share.

▶ Conditions by Region

The market is a mature one, with North America and Europe forming our most important market, accounting for some 70% of divisional sales. Nonetheless, the HOYA Group has plenty of room to grow its market presence in the United States, and we are working hard to reinforce the local organization and sales capability in that country.

Turning to Asia ex-Japan, our growth in China has been spectacular. We are significantly expanding sales in China through MiYOSMART (of which more later).

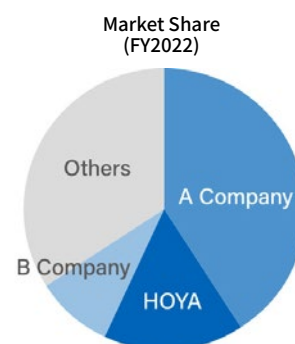
▶ Outlook

Eyeglass lenses are the HOYA Group's largest source of sales. They are the driver of the expansion of the Life Care business overall.

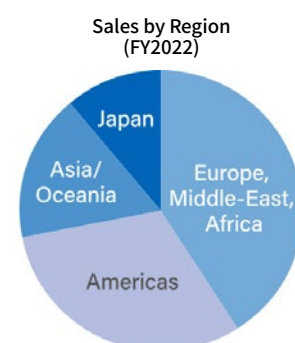
The HOYA Group is improving customer experience and cultivating even stronger relationships with optometrist shops and eyecare professionals worldwide. To this end, we are bolstering local lab services in each region and enhancing our global manufacturing footprint and redundancy.

Technological innovation is vital to serve customers' vision correction needs at each life stage. Among them, remedial solutions to improve eyesight are attracting attention. MiYOSMART is a lens used to slow the progression of myopia in younger children. Since the product's launch in 2018, over 4 million MiYOSMART lenses have been sold worldwide, with HOYA taking the lead in this product category. Today the HOYA Group sells MiYOSMART lenses in over 30 countries*. Going forward, the Group plans to launch the sunglass and photochromatic versions of MiYOSMART lenses and to roll out MiYOSMART lenses in new markets.

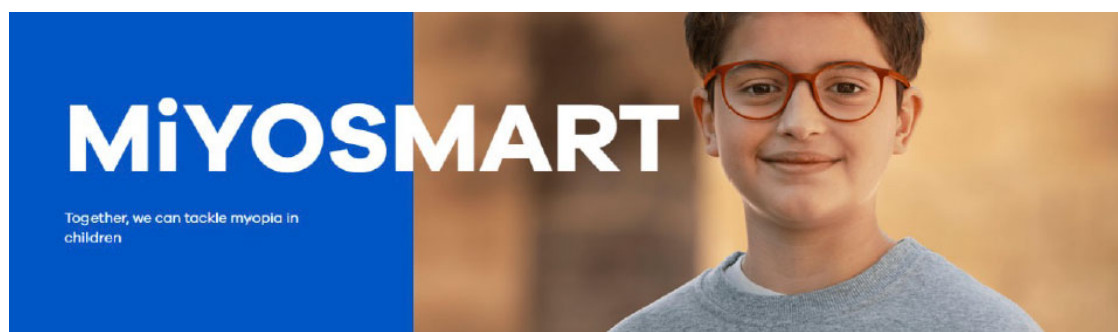
In regional terms, we are strengthening our sales activities in China and other high-growth emerging markets, expanding market share. In the United States, where a high percentage of sales are to independent optometrist shops, we are enhancing our presence in business targeting optometrist chains. To extend our reach to customers, we are also looking into mergers and acquisitions.



[HOYA estimate on a value basis]



By means of these efforts, the HOYA Group aims to achieve higher growth than in the past (low-to-mid single digit).



* As of August 2022, MiYOSMART has not received approval in Japan.
For more information, please visit the official [MiYOSMART website](#)

Contact Lenses

Market Environment

The retail market for contact lenses in Japan is growing at a gradual 1% or so annually, against a background of declining birthrate and population aging.

In the most recent fiscal year, the COVID-19 pandemic calmed down, increasing opportunities for outings and thereby the frequency with which people put in and take out their contact lenses. The market is growing at a faster pace than usual as a result. The COVID-19 pandemic may have triggered an increase in opportunities to purchase contact lenses via the internet.

Rising myopia among the young, combined with increasing adoption of bifocal contact lenses among the elderly, is boosting demand for contact lenses, particularly for high-value-added products, pushing up the average unit price per sale. The market is expected to continue to grow in this fashion, albeit at a modest pace.

Status of Our Business

► Business Overview

Eyecity is HOYA's contact lens specialty retail store chain, comprising 360 outlets across Japan. Eyecity offers consulting sales, proposing products optimally tailored to each individual customer, backed by a comprehensive lineup of products from major producers worldwide. Outlets are typically situated in convenient locations, such as near train stations and in shopping malls. To cater to today's growing online shopping needs, HOYA also offers subscription and on-demand delivery services, to enthusiastic customer reception.

In March 2022 HOYA began manufacturing and selling the hoyaONE series of private-brand contact lenses. The Company is pursuing a vertical-integration strategy, leveraging its strengths in retail channels for contact lenses.



➤ Market Position

HOYA holds more than 50% of the market share in the largest category of contact lens sales channels, contact lens specialty stores. HOYA expects contact lens specialty stores to continue taking market share from ophthalmological channels, owing to their comprehensive lineups and superior prices.

On the other hand, online shopping has been expanding its market share in recent years. HOYA believes that responding to this channel will be vital in assuring the Company's market position.

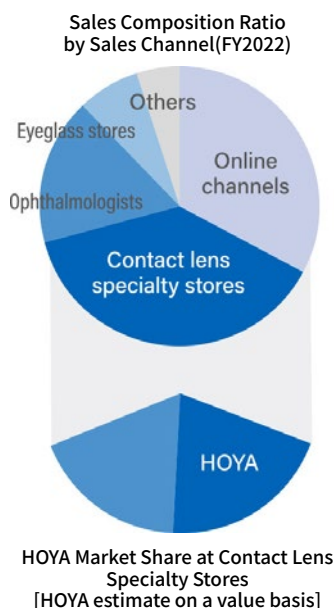
➤ Outlook

The Company has been pursuing a strategy of raising its profile by opening 15 to 20 stores a year. However, as the number of stores operated in Japan has now reached some 360 locations, HOYA is now advancing a change of growth strategy.

HOYA now aims to grow by improving customer retention at existing stores and increasing unit price per customer by offering high-value-added products.

Also, to cater to today's growing online shopping needs, HOYA is moving to strengthen its online sale services, such as subscription and on-demand delivery services.

We are also focusing on sales of our private-brand, the hoyaNONE series, aiming for mid-single-digit growth.



Medical

Medical Endoscopes

Market Environment

Medical expenses are increasing worldwide in line with the aging of society. To keep medical expenses in check, governments in countries across the globe are promoting the early detection of disease and minimally invasive medical procedures. Minimally invasive medical treatment does not involve the use of a scalpel on the patient's body and thus minimizes the physical burden on the patient. Due to this demand, endoscopes are attracting a great deal of attention.

The growth of the endoscope market is modest in developed countries. In Asia ex-Japan, however, growth rates remain high, as these countries are still in the early adoption phase. China especially is expected to lead growth in the global market.

Status of Our Business

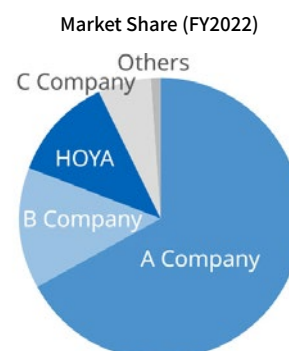
Business Overview

HOYA conducts research & development, manufacturing, and sales of medical flexible endoscopes used in the examination and treatment of digestive system, ear, nose & throat (ENT), respiratory organs, etc. Medical flexible endoscopes are composed of a scope that is inserted into the patient's body and a video processor. The Company sells these products to healthcare institutions, organizations that purchase jointly with healthcare institutions, and sales agencies.



Market Position

HOYA is the third largest group in the industry globally. The Group's strengths lie in high image quality; ultrasonic endoscopes; small-diameter endoscopes that strike a balance among image quality, exterior diameter and channel size; and products designed for easy cleaning and disinfection.



[HOYA estimate on a value basis]

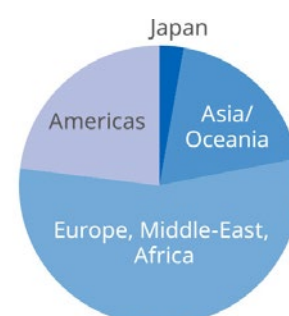
Conditions by Region

Most of the Company's sales are in Europe and other overseas regions.

Outlook

The demographic profiles of many countries are aging. Also, demand is growing for minimally invasive medical procedures. As a result of these factors, the market for medical endoscopes is forecast to grow in the mid-to-high single digit.

Sales by Region (FY2022)



In the short term, as a result of the reopening of economies from the COVID-19 pandemic, use of endoscopes by healthcare facilities, and therefore demand from first-time purchases and upgrade purchases of endoscopes, is expected to continue to grow. Also, supplies of electronic components for the video-processing components of these products are gradually increasing, but it will take time for the supply to satisfy demand fully.

Against the background described above, in fiscal 2023 HOYA expects to expand the list of regions in which it sells single-use endoscopes and launch two new products, a high-end video processor and video gastroenteroscope, in various countries.



PENTAX Medical ONE Pulmo
(Single-use bronchial endoscope)



PENTAX Medical INSPIRA™ Video Processor EPK-i8020c, i20c series scope
(High-end video processor and video gastrointestinal scope)



Intraocular Lenses

Market Environment

As populations age around the world, medical infrastructure spreads in emerging countries and access to advanced medical technology improves, demand for intraocular lenses for cataracts is rising. Cataracts are a disease in which a cloudy white area forms in the crystalline lens of the eye, causing vision to deteriorate. Probability of suffering cataracts increases with age and is the greatest cause of eyesight loss in the world today. In cataract surgery, the natural lens that has developed the cataract is replaced with a new, clear IOL. In addition to conventional monofocal lenses, in recent years high-end products such as trifocal lenses and lenses with deep focal depth have entered the market, resulting in mid-single digit market growth. In the near term, sales growth should be higher than normal in Japan, whose recovery from the effects of the COVID-19 pandemic was delayed compared with other countries.

Status of Our Business

Business Overview

In this field, we perform research and development, manufacturing, and sales of ophthalmic medical devices and intraocular lenses (IOLs) for cataract surgeries.

Drawing on over 30 years of experience and expertise in the IOL business, HOYA has contributed to improving the vision and quality of life of millions of cataract sufferers.

HOYA pre-loaded IOLs* combine HOYA's strengths in optical technology with the Group's experience and expertise in developing injectors for intraocular lenses. These advantages have earned admiration on the global market, propelling the HOYA Group to top market share in this category.

* In a pre-loaded injector, the intraocular lens is pre-installed in the injector, supporting safer and more reliable surgeries.



Vivinex

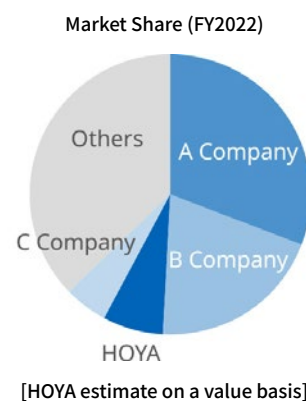
Market Position

HOYA is steadily increasing its market share and currently holds the global No. 3 position.

Driven by the flagship brand, Vivinex™ (launched in 2015), sales continue to grow at a pace that is above the market. Vivinex™ combines an IOL material that offers unprecedented clarity of vision with multiSert™, our proprietary 4-in-1 injector, which is designed to provide outstanding IOL delivery consistency.

Status by Region

In a breakdown of net sales by region, Japan accounts for about 40% of HOYA's worldwide net sales.



HOYA is continually expanding the roster of countries in which it sells. As a result, our overseas sales ratio is expected to rise.

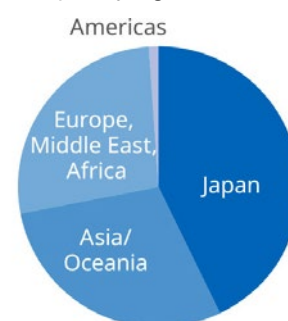
▶ Outlook

By bolstering sales of Vivinex Gemetric trifocal IOLs, a high-value-added product, HOYA is meeting the needs and expectations of a wider range of customers.

In addition to bolstering our sales workforce in regions in which we already have sales bases, we are establishing sales companies and reaching out to sales agencies in regions in which we do not yet have a presence. In this way we are widening our total addressable market. In January 2023 the HOYA Group established a sales company in South Korea, a country where demand for IOLs is rising.

As a result of the above initiatives, the HOYA Group is aiming to outgrow the IOL market overall (mid-single-digit).

Sales Composition of HOYA Surgical Optics by Region (FY2022)



Ceramic Artificial Bones, Metal Orthopedic Implants

Market Environment

As Japan's demographic profile ages, bone fractures and disease are on the rise. The market for orthopedic and neurosurgical implants effective in their treatment is expected to continue to grow.

Status of Our Business

▶ Business Overview

HOYA develops and manufactures ceramic artificial bones and metal implants, which are used to compensate for bone loss and repair bone fractures. The Company mainly supplies these products to healthcare facilities in Japan, where they contribute to the treatment of numerous patients.

▶ Market Position

In the ceramics market, HOYA was the first company in Japan to manufacture and sell a hydroxyapatite product with more or less the same constituents as a human bone, and has led the Japanese market ever since. HOYA entered the market of metal implants in 2012, through management integration with Japan Universal Technologies, Inc. We manufacture and sell implants that are optimized to the skeletal structure of Japanese people in terms of shape and size. In metal orthopedic implants for distal radius fractures, HOYA offers an extensive product lineup that has captured top market share in Japan (HOYA survey, case basis).

▶ Outlook

By maintaining its share of the ceramic artificial bone market and developing new applications, the Company expects to expand its market. HOYA will respond to patient and healthcare-facility needs by extending its lineup of metal implant products and bolstering its sales capabilities. Leveraging its strength as both a manufacturer and vendor of both ceramic artificial bone and metal implants, HOYA aims to combine products of both materials to propose new surgical procedures, thereby differentiating itself from the competitors.

Status of Our Business

▶ Business Overview

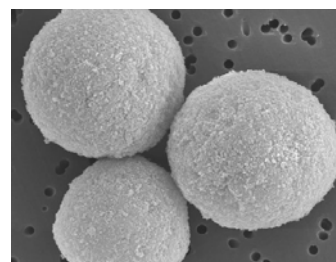
The Company manufactures bioceramic chromatography media and sells them through distributors. The products are adopted by pharmaceutical companies and research facilities worldwide.

▶ Market Position

A wide range of methods are used to separate and refine biopharmaceuticals. HOYA's spherical ceramic hydroxyapatite media possess high capacity for absorption of various proteins, enabling efficient removal and powerful separation of impurities in the purification process. As such, these unique products enjoy strong market favor.

▶ Outlook

Market needs for biopharmaceuticals are many and diverse, extending to antibody preparations, vaccines, gene therapies and more. To cater to these needs and secure further growth, the HOYA Group is working with customers and research institutes to accelerate the development of products and refining processes and is expanding production capacity to respond to growing demand.



Chromatography media
(enlarged image)

Information Technology Business

Electronics

Mask Blanks for Semiconductors

Market Environment

Although prone to business cycles, the semiconductor market is forecast to continue growing for the long term, in tandem with the continuing development of technologies such as cloud computing, AI, IoT and automated driving. To fabricate ever more high-density, high-performance semiconductors, miniaturization of circuit patterns is progressing. For example, the introduction of lithography technologies using extreme ultraviolet (EUV) light is expanding.

Over the short term, the semiconductor market, which had been active during the COVID-19 pandemic, began to deteriorate from about mid-2022. More recently, however, investment in semiconductors related to generative AI (GPUs, etc.) has grown active. Taking market cycles into consideration, a recovery in this field is anticipated from 2024 onward.

Status of Our Business

► Business Overview

In this business, we perform research, development, and manufacturing of mask blanks for semiconductors and sell these products to semiconductor manufacturers and foundries as well as mask shops.

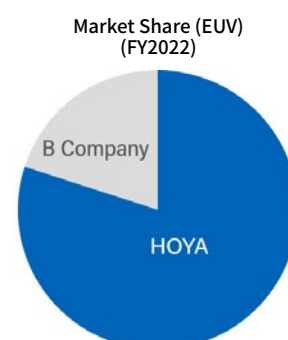
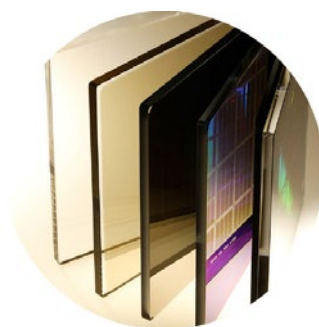
Critical in the semiconductor fabrication process, photomasks are the master plates used to transfer a semiconductor's intricate and complex circuit pattern onto a semiconductor wafer, and mask blanks are the base material used for photomask manufacturing.

Because mask blanks are created for each individual circuit pattern, they are essential to product development by semiconductor manufacturers, foundries, and other HOYA customers, and in the R&D stage of miniaturization.

► Market Position

In close collaboration with its customers, HOYA has long contributed to the miniaturization and improvement of performance of semiconductors. This track record has enabled the Company to maintain an exceptionally large share of the market for mask blanks for many years.

Competition in the field of EUV mask blanks is expected to intensify over the medium to long term. HOYA expects to continue to lead the field, leveraging its preeminence in low-defect products and next-generation products such as phase shift masks.



HOYA consistently maintains a strong presence in optical deep-ultraviolet (DUV) lithography, a conventional lithographic technology.

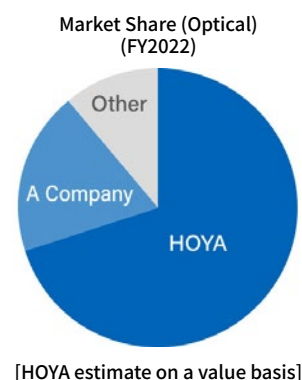
➤ Outlook

Demand for EUV mask blanks is expected to continue to grow over the long term.

Mask blanks are used in R&D activities in significant quantities, but they are not consumables, so demand for them related to the mass production phase is comparatively light. For this reason, demand for mask blanks is only weakly correlated with demand for final products in the semiconductor market. As such, growth for these products derives from the continuing miniaturization of circuit channels and the number of designs for final products.

As of 2023, mass production of semiconductors of the 3 nm generation using EUV lithography has begun. Nodes will continue to shrink every two to three years, to 2 nm, then 1.4 nm and so on. In tandem with this miniaturization, customer demands for quality (fewer defects, etc.) will become increasingly challenging, leading to demand for mask blanks suited to phase shift masks and high-numerical-aperture (high-NA) EUV lithography.

Under these conditions, the Company is introducing leading-edge equipment and continuously strengthening production capacity. At the beginning of 2023, HOYA boosted the production capacity of its EUV mask-blank plant in Singapore and placed orders for additional EUV mask-blank inspection equipment. HOYA is vigorously investing in growth.



Photomasks for FPDs

Market Environment

Flat panel displays (FPDs) are used in a wide array of products, including TVs, PCs, smartphones, and automobiles.

For many years, LCDs were the focus of display technology. In recent years, adoption of organic light emitting diode (OLEDs) has advanced, principally in smartphones and high-end TVs.

Under the environment described above, photomasks for FPDs have continued to enjoy solid demand, as LCDs have given way to OLEDs and new functions and designs, such as flexible OLEDs that enables bendable displays, have been developed. In regional terms, manufacturers in China have set the pace on growth in this segment.

Status of Our Business

Business Overview

When manufacturing FPDs for TVs, smartphones, laptop computers, and other devices, photomasks for FPD manufacturing are important components used as the master plates to transfer the circuit pattern onto the substrate.

HOYA sources the substrate from raw materials manufacturers, and on that substrate performs polishing, deposition, and resist applications (blanks manufacturing). When the manufacture of the blanks is completed, HOYA conducts circuit pattern drawing, developing, etching, and resist stripping and cleaning, and delivers it to panel manufacturers (photomask manufacturing).

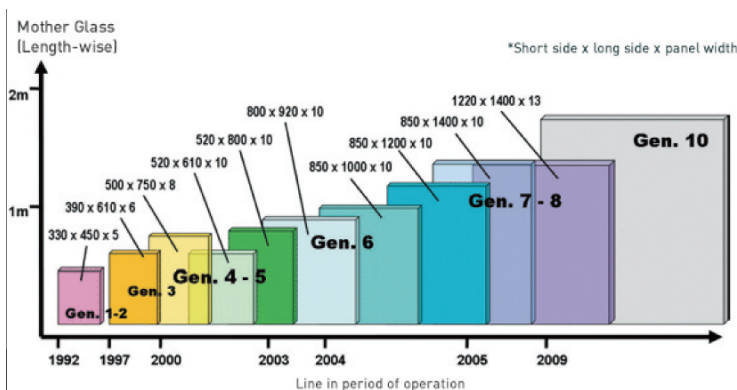
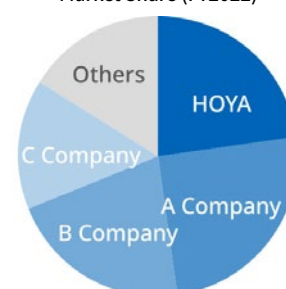


HOYA Position and Market Share

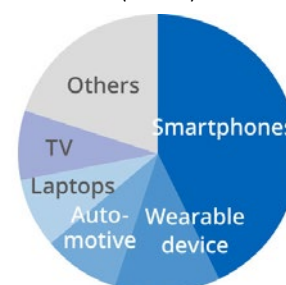
HOYA possesses expertise in high-precision products such as high-resolution masks and phase-shifting masks, and holds the top-class market share.

FPDs are categorized by generation, which corresponds to mother glass size. Our business focuses on medium-sized mother glass of generations 6 to 8.

Market Share (FY2022)



Sales Composition by Application (FY2022)



Sales Composition by Application

The ratio of sales by application is shown in the pie graph at right. Smartphones account for the largest share. However, sales for new applications, such as wearable devices and automotive applications, are growing.

Outlook

HOYA aims to achieve steady business growth by focusing on high-precision products of medium size (generations 6 to 8), which are expected to continue to grow.

To capture demand from panel manufacturers in China, which are enjoying blistering growth, in September 2022, HOYA established a joint-venture company with BOE Group, the world's largest panel manufacturer. This joint-venture company, Chongqing MasTek Electronics Co., Ltd., is constructing an FPD photomask plant in Chongqing. Completion is expected at the beginning of 2024.



Ground-breaking ceremony at the plant of Chongqing MasTek Electronics Co., Ltd.

Glass Substrates for HDDs

Market Environment

The market for hard disk drives (HDDs) is expected to enjoy stable demand over the medium to long term as demand for data storage consistently grows. Fields such as cloud services and data centers depend critically on large-volume, low-cost data storage. HDDs provide high capacity and can store large volumes of data at relatively low cost, so they are widely used for nearline* applications. As data generation volume grows, demand for HDDs is expected to grow continuously over the long term.

In consumer products such as laptop PCs and game devices, however, solid state drives (SSDs) are steadily replacing HDDs, owing to their superiority in high-speed data access, impact-resistance, and low power consumption.

In the short term, the HDD market enjoyed special demand due to the COVID-19 pandemic, as people chose or were compelled to work from home. However, as historic inflation has hampered personal-consumption expenditures and corporate investments, the near-term prospects of HDDs are uncertain.

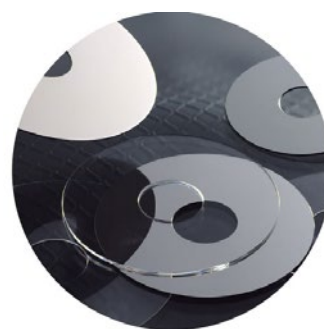
*Nearline data storage is not as fast as online storage, but it can be accessed over a network if necessary, unlike magnetic tape and other offline storage approaches, so it is a data storage solution capable of high-speed data communication.

Status of Our Business

► Business Overview

In this area, HOYA conducts research and development, manufacturing, and sales of glass substrates for HDDs. From raw material manufacturers, HOYA sources substrate raw materials, which the Company processes into disc shapes, strengthens and polishes. After processing, we sell this substrate to HDD manufacturers and to media manufacturers who turn it into magnetic media.

HOYA manufactures 3.5-inch-standard products for nearline servers and 2.5-inch-standard products for laptop PCs and other consumer products. Today the majority of sales are in 3.5-inch-standard products.



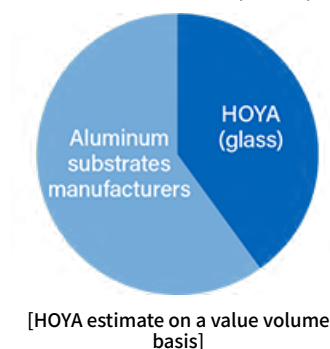
▶ HOYA Position and Market Share

HOYA is the world's only glass substrate manufacturer, commanding 100% market share.

The market for substrates for consumer products (2.5 inches) consists entirely of glass products, which is one reason HOYA holds 100% share of this market.

The market for substrates for nearline applications (3.5 inches) includes both aluminum and glass products. We estimate that HOYA's share of this market is about 40%. As ballooning data generation volumes stoke demand for high-capacity HDDs, next-generation technologies such as heat-assisted magnetic recording (HAMR) are expected to be introduced and increasing number of disks (11 or more) are expected to be mounted in some products. Each of these solutions requires glass substrates, so HOYA expects to extend its share of the data-center market.

3.5-Inch Substrate Used for Near Line Servers Market Share (FY2022)



▶ Outlook

Demand for 3.5-inch products for nearline applications is slackening in the short term amid a global economic slowdown. In the long term, however, sustainable long-term growth is foreseen thanks to expanding use of online services such as video streaming, social media, and e-commerce, as well as DX, cloud services, and generative AI. The superiority of glass substrates in handling high-capacity data-storage applications is expected to boost HOYA's market share long term.

2.5-inch products for consumer products are expected to be gradually replaced by SSDs. Sales volume on these products is already small, so HOYA believes their impact on the glass substrate business as a whole is limited.

Imaging

Imaging-related Products (Including optical glass, optical lenses, camera lens units, and lasers)

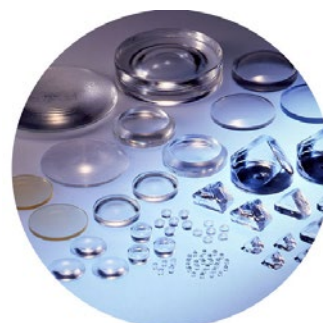
Market Environment

The digital-camera market is trending favorably, lifted by the reopening of economies after COVID-19 and active development by camera manufacturers of mirrorless cameras and their interchangeable lenses. The market for cameras used in automotive systems such as driver-assist systems, collision-avoidance systems, and parking-assist systems is continuing to grow, and further growth is forecast in fields related to automated driving systems.

Status of Our Business

▶ Business Overview

In this area, we conduct research and development, manufacturing, and sales of optical lenses for a variety of cameras, as well as for optical glass materials. These products are used in a wide variety of applications, including automotive cameras and interchangeable lenses for mirrorless cameras. HOYA sources materials from optical glass material manufacturers, conducts compound and solution treatments, manufactures lens materials and lens products, and sells to lens and camera manufacturers.



▶ Market Position

HOYA is engaged in the entire sequence of operations from R&D on optical glass composition to manufacturing of finished products of lenses. We have built out a system fully capable of multi-model, large-volume production.

HOYA boasts strengths in aspherical glass molded lenses (GMOs), supporting high market share.

GMOs are optical lens products that are molded by direct pressing of optical glass that has been rendered flexible in high heat, without polishing. Because they deliver excellent aberration correction, GMOs enable the number of lenses used in optical systems to be reduced, contributing to smaller size, lower weight and more advanced function of the cameras that are the final products.

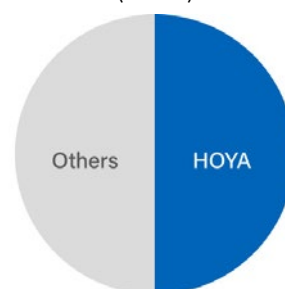
▶ Sales Composition by Application

Interchangeable lenses for mirrorless cameras and still cameras such as compact digital cameras account for some 40% of HOYA's sales in this field. Relatively new applications such as security cameras and automotive cameras are growing as a percentage of sales.

▶ Outlook

While sales of products for still cameras are currently firm, the market is expected to dwindle gradually over the medium to long term as the features and resolution of smartphone cameras expand and improve. In automotive camera products, applications for advanced driver-assistance systems (ADAS) are expected to broaden. Meanwhile the discovery of new applications, such as optical products for augmented reality/mixed reality, is continuously advancing.

Share of Aspherical GMO lenses
(Digital Camera-Related)
(FY2022)



[HOYA estimate on a value basis]

Sales Composition by Application
(FY2022)

