



We strive daily to
be a company that
society can
continue to rely on.

HOYA



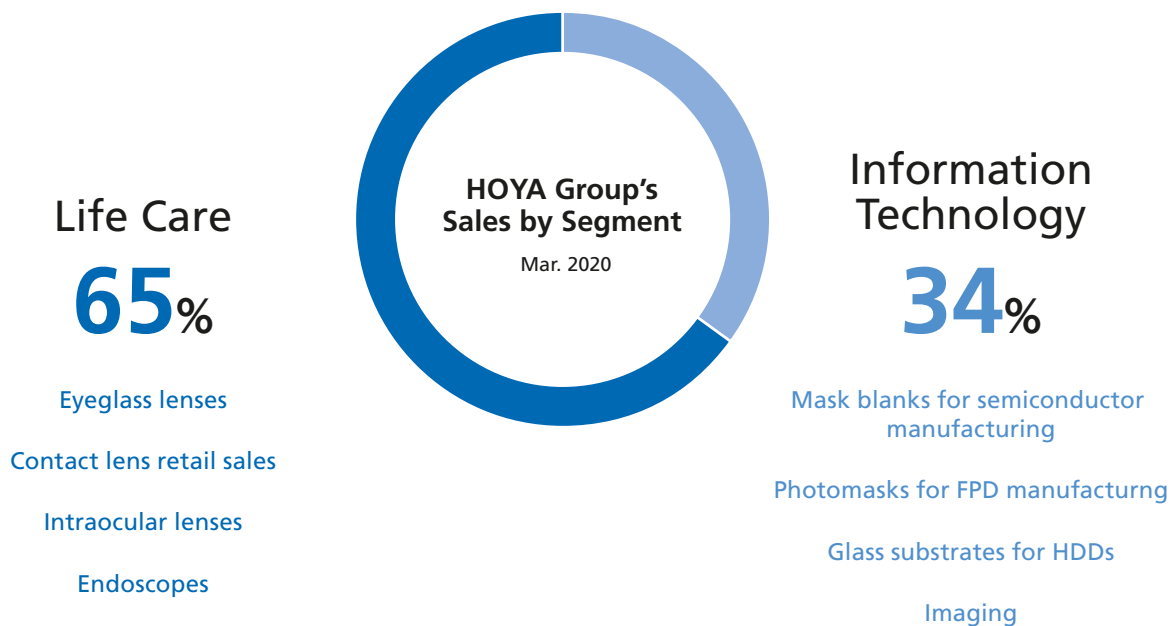
HOYA as an Investment Portfolio Management

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.

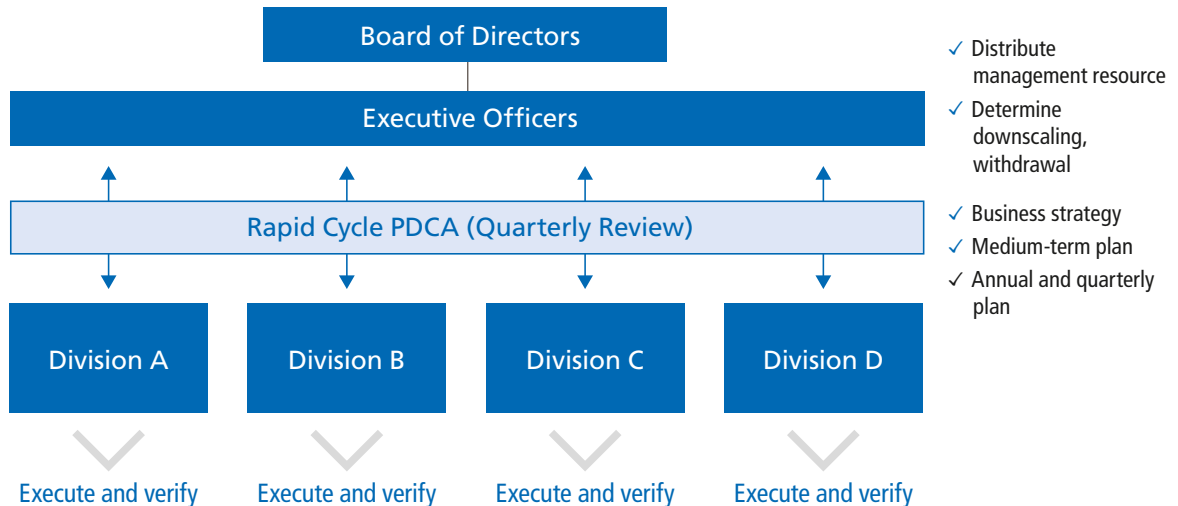
The present two business areas for portfolio management are "Life Care" and "Information Technology."



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

We will continue to rebalance our business portfolio on an ongoing basis without being constrained by what we are now to foster budding growth areas for the next 20 to 30 years.

▶ Accelerating growth in the Life Care business

Along with the aging global population and growth of the middle-class population derived particularly from economic growth in emerging countries, demand is increasing for adapting medical infrastructure to improve the quality of life (QOL). In view of this background, we regard the Life Care business as a growth engine and will actively develop competitive products and undertake bolt-on acquisitions (i.e., acquisitions designed to supplement the functions of existing businesses) in this business.

▶ Revitalizing the Information Technology business

The Information Technology business maintains product groups with high market share and has been a mature business with limited room for further growth. However, we are now beginning to identify certain areas that can be revitalized as a result of technological breakthroughs and have resumed investment in such areas. More specifically, we have identified two business areas of particular importance: mask blanks that are compatible with next-generation EUV lithography technologies in semiconductor manufacturing and glass substrates for data center HDDs, the market of which is expected to grow in response to the increasing volume of data creation. We will make investments in these areas in terms of technology and production capacity to achieve growth in sales and profit.

▶ Creating new business areas

As the renewal of the business portfolio is becoming a potential problem, we will strive to rebalance it as appropriate by acquiring new businesses through M&A. We are currently considering “medical services” and “semiconductors” as major themes and will try to enter specific niche segments within these areas where we are likely to secure a leading position to achieve sustainable growth.

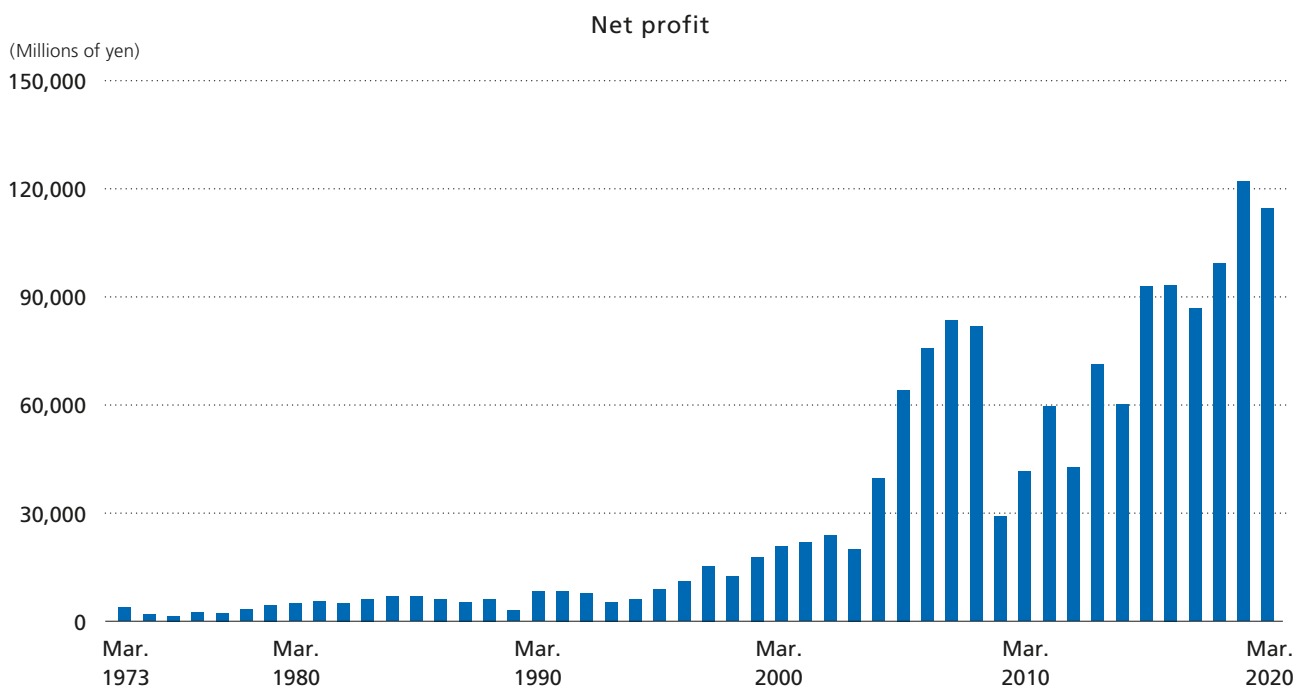
HOYA as an Investment Milestones in Our Growth

Persisting in Profitability

Since its listing on the First Section of the Tokyo Stock Exchange, HOYA has never reported a loss. This is due to our “business portfolio management” and our strategic byword, to be “a big fish in a small pond.” We keep adjusting our business portfolio through investment allocation decisions according to the needs of the time. We also acquire and maintain high shares in niche markets, which we develop by exploiting our strengths, to maximize profits.

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

HOYA has never reported a **loss** since its TSE listing.



1962	Began production of eyeglass lenses.
1972	Began production of contact lenses.
1973	Listed on the First Section of the Tokyo Stock Exchange.
1974	Began production of photomask substrates for semiconductors.
1983	Began production of semiconductor photomasks.
1986	Constructed the R&D Center.
1987	Began production of intraocular lenses and glass mold lenses.
1991	Began sales of glass disks for HDDs.
1995	Invited the first outside director.
1997	Completed the establishment of the area HQs for Europe, North America, and Asia.
2003	Shifted to a company with Committees system. Independent directors represented the majority of the Board of directors.
2008	Merged with PENTAX Corporation.
2009	Terminated the Crystal Glass business.
2010	Sold the hard disk glass media manufacturing operation.
2011	Sold the PENTAX Imaging Systems business.
2013	Acquired the eyeglass lens development and manufacturing business from Seiko Epson Corporation.
2014	Acquired a stake in Seiko Optical Products (engaged in sale of eyeglasses and related products) and made it a consolidated subsidiary.
2017	Concluded a contract to acquire Performance Optics, LLC. (engaged in manufacture and sale of eyeglass lenses).
2019	Acquired U.S.-based Mid Labs and Germany-based Fritz Ruck (manufacture and sales of ophthalmic medical devices)

*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.



HOYA as an Investment Market Growth

Market Growth and HOYA's Potential

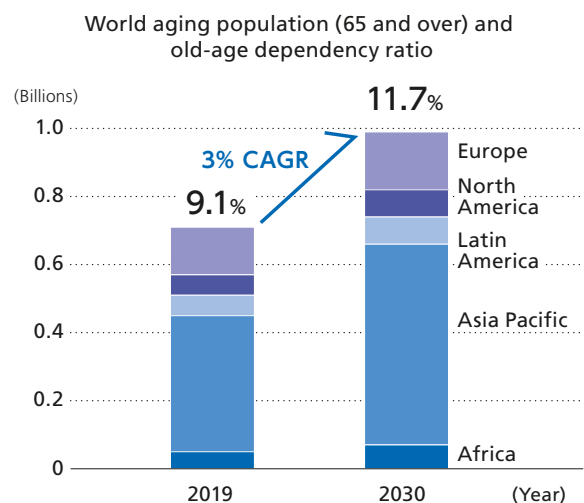
The Life Care business is expected to grow on the basis of the global aging population and improved living standards in emerging countries. The Information Technology market shows some signs of having matured in terms of growth cycles, but still has promising areas in technology advancement. We are determined to continue investing in such growth areas.

Life Care

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

► Aging global population expands market

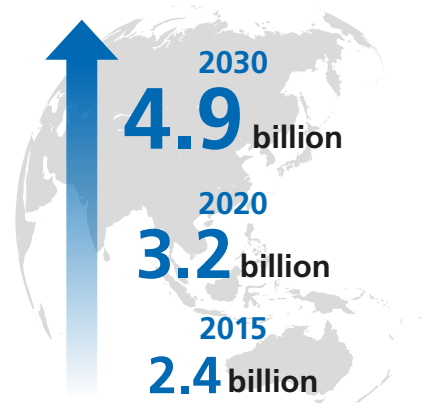
The aging global population is expected to boost demand for eyeglasses due to normal deterioration of vision by aging. Demand for medical flexible endoscopes is also anticipated to rise as a result of policies to restrain an increase in government medical expenditures, through preventive screening.



▶ **Emerging countries' improving living standards expands the market**

Middle-income populations 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.

World Middle-Class Population

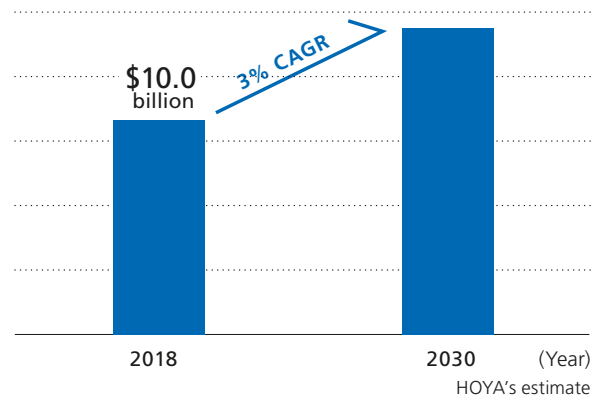


Source: Organisation for Economic Co-operation and Development (OECD)

▶ **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 impairment of vision caused by use of computers and smartphones for long hours.

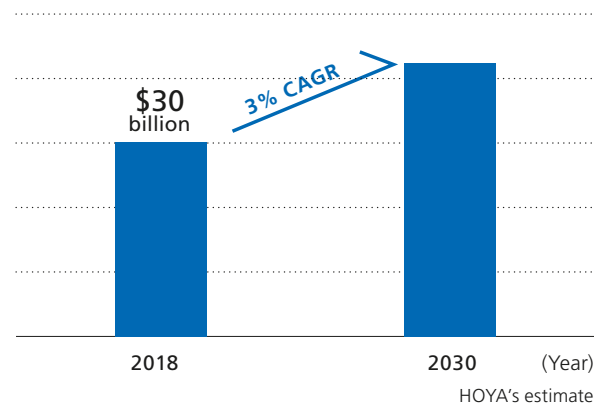
World Eyeglass Lens Market



▶ **More demand for minimally invasive medical procedures drives growth in the endoscope market**

Medical expenses are increasing worldwide, along with aging of populations. Governments are promoting disease prevention and early detection of diseases, as well as minimally invasive medical treatment. In particular the importance of the latter is rising in popularity, as part of the trend of reducing invasive medical treatment. Medical flexible endoscopes, which allow physicians to diagnose and treat the patient in a less-invasive way help to fulfill such needs.

World Medical Endoscope Market



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

EUV lithography is a technology used to transfer semiconductor circuit pattern to a substrate using extreme ultraviolet 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.

▶ Nearline server application of glass disks for HDDs

A nearline server is a server used for backups and archiving. The market of nearline servers is expected to grow significantly in response to a global surge in data volume. Memory storage capacity per server needs to be increased to realize more efficient server space within data centers. HOYA responds to such needs by providing customers with thinner disks, enabling an increase in the number of disks per server. This is helping us to increase disk shipment volume.

▶ In-vehicle camera lenses

In-vehicle camera lenses are expected to be used in sensors that are indispensable for self-driving technology, and their market is expected to grow rapidly. Leveraging high-value-added glass materials and aspherical glass lenses, which are our strengths, we will capitalize on the market growth.

HOYA as an Investment
Maximizing Shareholder Value

Advanced Corporate Governance Structure

To ensure the effective functioning and objectivity of the management supervisory function, five out of six directors in total are independent outside directors. The fact that all independent directors are corporate executives is another feature of HOYA's governance. Diversity in their experiences and backgrounds is contributing to raising management quality.



Independent Director
Mitsudo Urano
Leader Independent Director
Chairperson of the Nomination Committee
Biography → 25P



Independent Director
Yukako Uchinaga
Chairperson of the Audit Committee
Biography → 26P




Independent Director
Takeo Takasu
Chairperson of the Compensation Committee
Biography → 26P



Independent Director
Shuzo Kaihori
Biography → 27P



Independent Director
Hiroaki Yoshihara
Biography → 27P

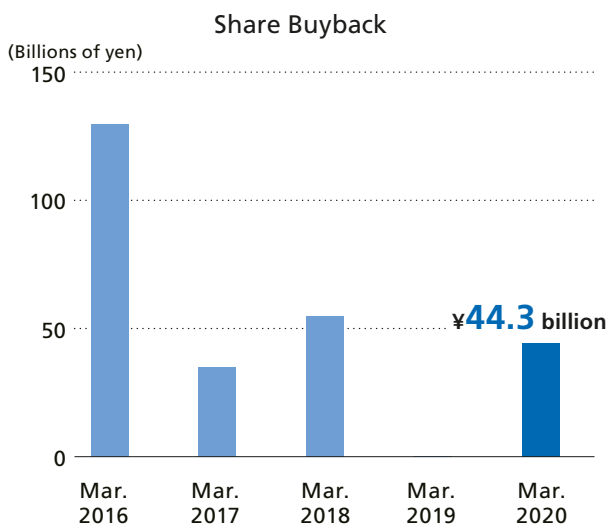
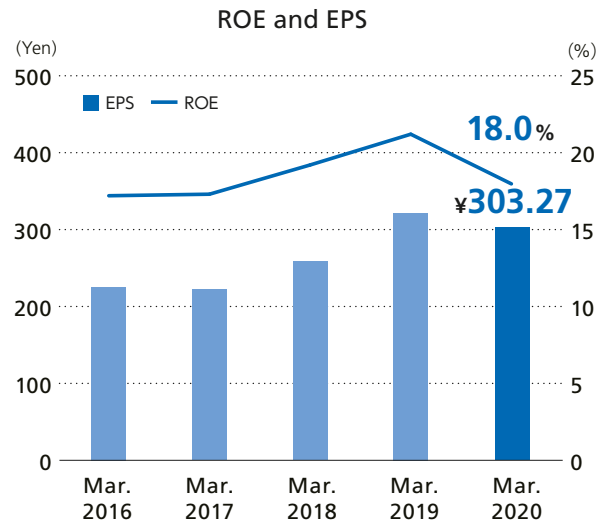
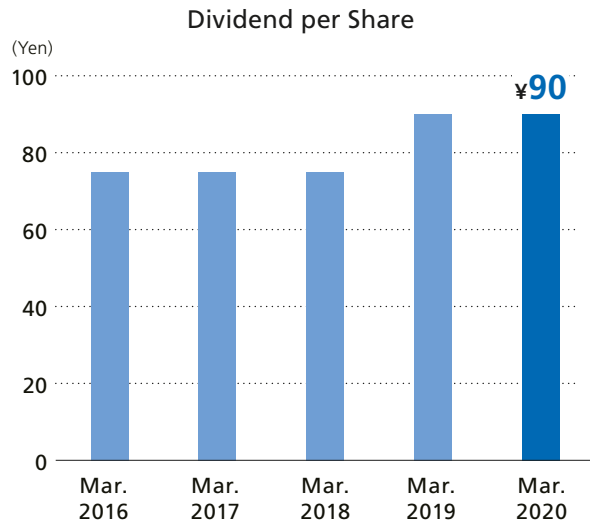


Hiroshi Suzuki
Biography → 28P

Pursuing Capital Efficiency

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

Major management indicators and return to shareholders

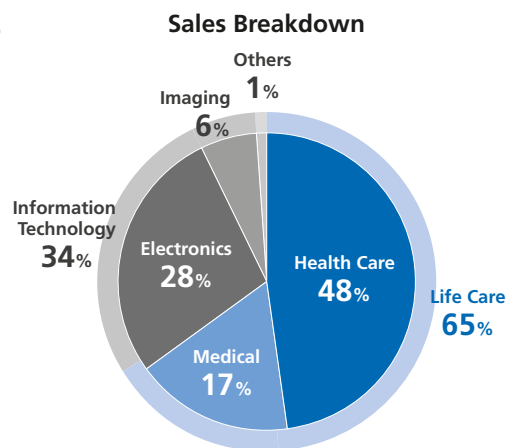


Highlights of the Year under Review

Financial

Sales

+1.9%
576.5 billion yen

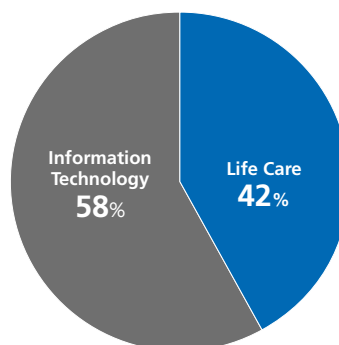


The HOYA Group's consolidated sales revenue reached a record high in the fiscal year ended March 31, 2020, increasing 1.9% year on year, to 576,546 million yen. The Information Technology segment, which enjoyed an increase in sales of semiconductor mask blanks for EUV lithography, etc., contributed to higher sales.

Pretax Profits

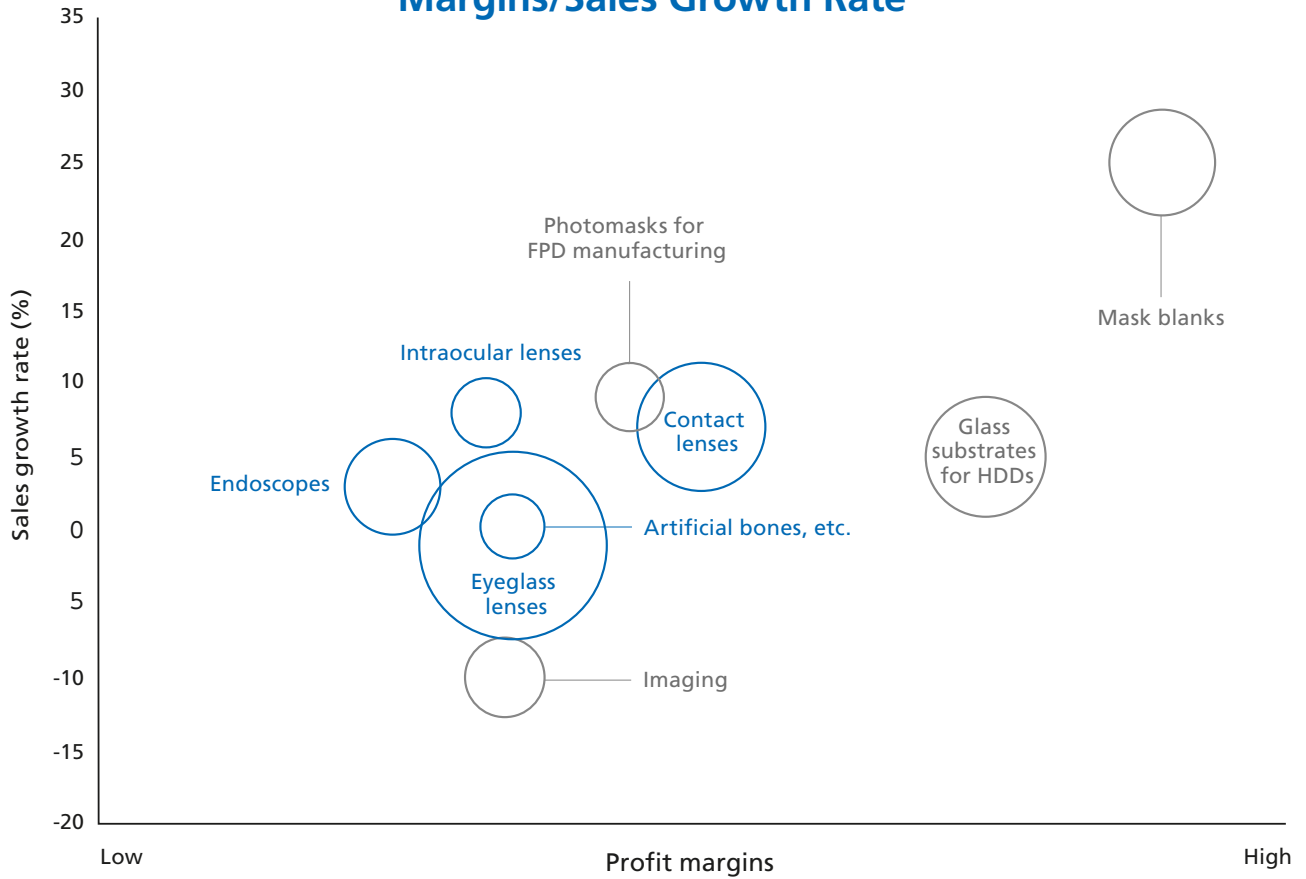
+1.8%
147.3 billion yen

Pretax Profit Breakdown by Segment



Pretax profits rose 1.8% year on year, to 147,268 million yen. Pretax profits also reached record highs, mainly due to higher profits associated with sales growth in the Information Technology segment and the expansion of sales of high-value-added products, among others.

**Product Sales/Profit
Margins/Sales Growth Rate**



Note: The growth rates of sales are after exclusion of the effects of fluctuations in foreign currency exchange rates

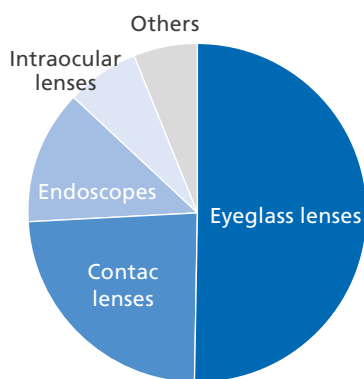
Sales in the Life Care Segment

+0.4%
3,750 billion yen

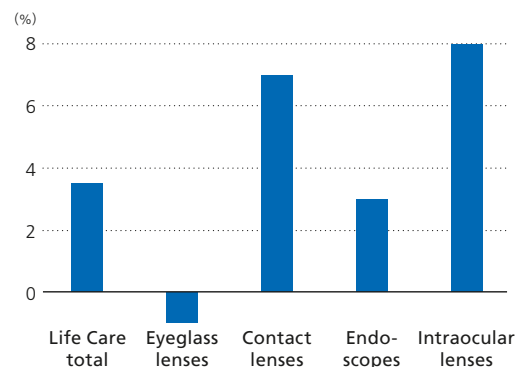
Sales in the Life Care segment amounted to 375,049 million yen, on par with the previous fiscal year's level. In the segment as a whole, sales were boosted by such factors as the increase in sales due to M&A relating to intraocular lenses and the positive effects of new products, as well as the increase in new customers brought about by enhancements made to existing stores and new shop openings for retail sales of contact lenses, in addition to more value-added products being sold, and higher sales attributable to the release of new endoscope products. However, primarily due to the sales of eyeglass lenses being impacted by foreign exchange and the novel coronavirus (COVID-19), the Life Care segment's overall sales turned out to be equivalent to the previous fiscal year's level.

The effective sales growth rate of the Life Care segment as a whole was +3.5%, excluding the impact of foreign exchange and M&A.

Life Care Sales Breakdown



Like-for-Like* Sales Revenue Growth Rate of Products in the Life Care Segment



* Year-on-year comparison on the same basis as the previous period, adjusted to eliminate the effect of changes in exchange rates or M&A activities.

Pretax Profits in the Life Care Segment

-10.2%
62.2 billion yen

Pretax profits in the Life Care segment decreased 10.2% year on year to 62,230 million yen. Pretax profits fell from the previous fiscal year due to such factors as the impact of the lump-sum payment incurred in the settlement reached with the U.S. Department of Justice in the endoscope case (4.7 billion yen), the impact of foreign exchange on eyeglass lenses sales and the one-off expenses incurred in launching a new plant in Vietnam.

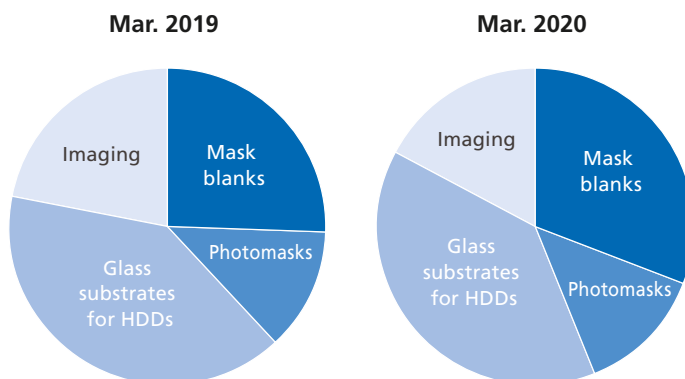
Sales in the Information Technology Segment

+4.9%

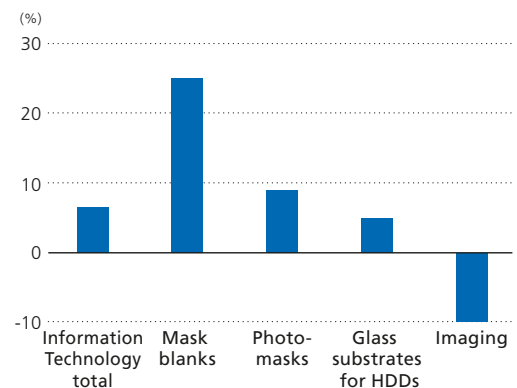
196.7 billion yen

Sales in the Information Technology segment rose 4.9% from the previous fiscal year, to 196,731 million yen. A significant contributing factor was the dramatic increase in sales of semiconductor mask blanks driven by increasing development demand for products compatible with next-generation EUV lithography. In addition, sales revenue of photomasks for FPD panel manufacturing and HDD glass substrates increased steadily. On the other hand, sales of imaging related products decreased from the previous fiscal year, as a result of the continued decline in sales of lenses for cameras due to competition from smartphones, etc.

Information Technology Sales Breakdown



Like-for-Like* Sales Revenue Growth Rate of Products in the Information Technology Segment



* Year-on-year comparison on the same basis as the previous period, adjusted to eliminate the effect of changes in exchange rates or M&A activities.

Pretax Profits in the Information Technology Segment

+9.4%

88.1 billion yen

Pretax profits increased significantly, rising 9.4% from the previous fiscal year, to 88,135 million yen. A significant contributing factor was the growth in semiconductor mask blanks driven by increasing development demand for products compatible with next-generation EUV lithography.

ESG

Proportion of Independent Directors

83.3%
(5 of 6)



HOYA appointed its first independent director in 1995, when corporate governance was barely discussed in Japan. In 2003, the Articles of Incorporation were amended to stipulate that more than half of directors be outside directors. Currently, 83% of HOYA's directors are outside directors, an extremely high level even by global standards.

*As of the end of June 2020

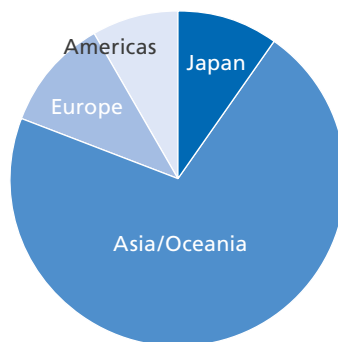
Corporate Management Experience of Independent Directors

100%
(5 of 5)



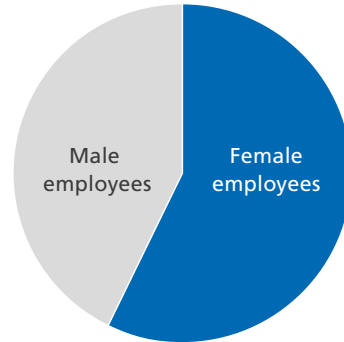
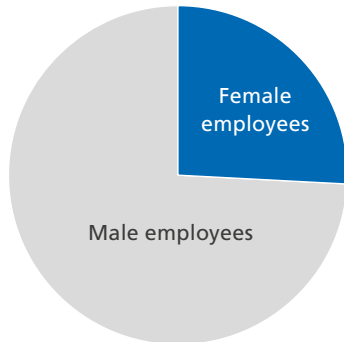
While many companies appoint lawyers, accountants, or academics as outside directors, all of HOYA's outside directors are persons with extensive experience in corporate management. The diverse fields of experience among HOYA's five outside directors includes electronics, IT services, education, and the food-related industry. This diversity makes for lively discussion at meetings of the Board of Directors.

Number of Employees by Region



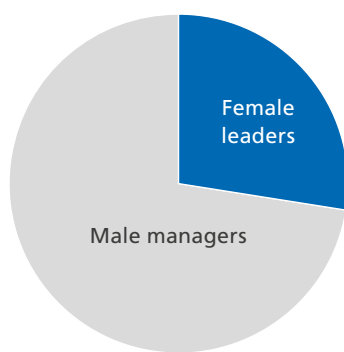
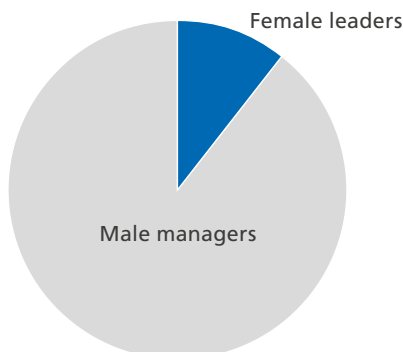
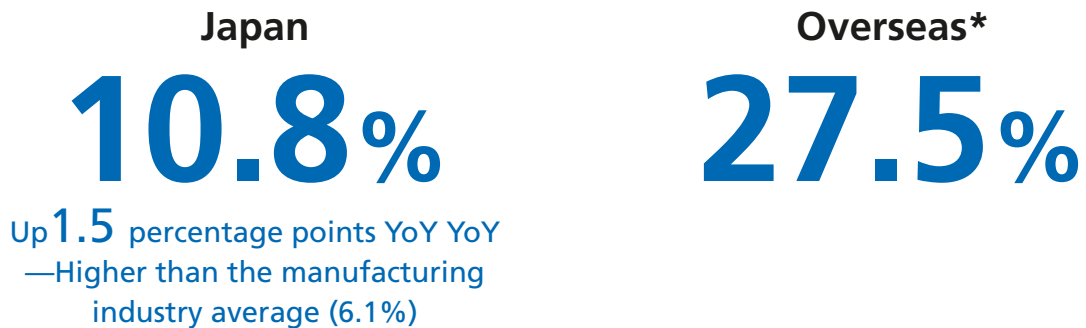
More than 90% of HOYA's employees work in locations outside Japan. Major manufacturing centers in Asia producing eyeglass lenses and HDD substrates account for the greatest proportion, with around 70% of employees in this region.

Proportion of Female Employees



The proportion for total HOYA (domestic + international) is **53.4%**.

Proportion of Female Leaders



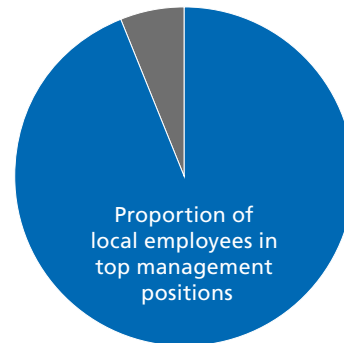
The proportion for total HOYA (domestic + international) is **20.2%**.

HOYA is increasing the proportion of female employees and leaders as part of its “Minkatsu” diversity project to create a friendly work environment for everyone. In addition to expanded recruitment and occupational fields for women, HOYA holds career advancement seminars for female employees, and promotes cross-divisional exchange.

* Based on an internal survey of 25,708 overseas employees

Proportion of Local Employees in Top Management Positions at Overseas Subsidiaries*

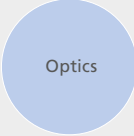
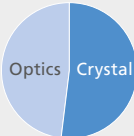
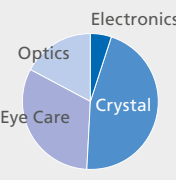
94.1%



HOYA actively recruits diverse personnel of different races, ethnic groups, nationalities, and religions in order to gain access to exceptional global talent and generate new ideas and value. Local employees are regularly appointed to top management positions at overseas subsidiaries.

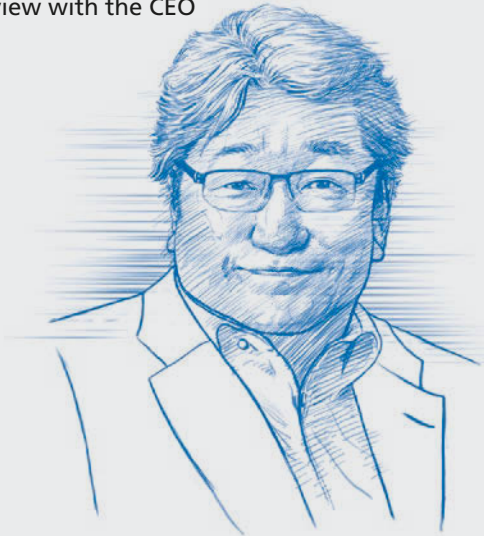
* As of the end of June 2019

Milestones in Our Growth

Net Income by Fiscal Year	Business Portfolio	Products and Technologies	History
1941–1981	<p>1941</p>  <p>1941</p>	<p>1941 HOYA founded Production of optical glass</p> <p>1945 Production of crystal stemware</p>	<p>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).</p>
	<p>1950</p>		
	<p>1960</p>  <p>1960</p>	<p>1962 Production of eyeglass lenses</p>	<p>1960 Showa Factory (currently, the Akishima Factory) established Company name changed to Hoya Lens Corporation</p> <p>1961 Listed on the Second Section of the Tokyo Stock Exchange</p>
	<p>1970</p>  <p>1979</p>	<p>1972 Production of contact lenses</p> <p>1974 Production of photomask substrates for semiconductors</p>	<p>1973 Listed on the First Section of the Tokyo Stock Exchange</p>
1980			

Net Income by Fiscal Year	Business Portfolio	Products and Technologies	History
<p>1982-2019</p>	<p>1990</p>	<p>1983 Production of photomasks for semiconductors</p> <p>1987 Production of intraocular lens for cataracts</p> <p>Production of molded glass lenses</p>	<p>1984 Company name changed to Hoya Corporation</p> <p>1986 R&D Center building established</p>
	<p>1998</p>	<p>1991 Launch of HDD glass disks</p>	<p>1995 Introduction of outside director system</p> <p>1997 Introduction of the Company System</p>
	<p>2010</p>	<p>2009 Withdrawal from the crystal business</p> <p>2010 Sale of HDD glass disk media business</p> <p>2011 Sale of PENTAX digital camera business</p>	<p>2003 Shift to a company with Committees structure (currently, a company with Nomination Committees, etc.)</p> <p>Majority of Board of Directors members outside directors</p> <p>2008 Merger with PENTAX Corporation</p>
	<p>2018</p> <p>2020</p>	<p>2010 Sale of HDD glass disk media business</p> <p>2011 Sale of PENTAX digital camera business</p>	<p>2010 Voluntary adoption of IFRS</p> <p>2017 Acquisition of Performance Optics, LLC (manufacture and sales of eyeglass lenses)</p> <p>2019 Acquisition of Mid Labs and Fritz Ruck (manufacture and sales of ophthalmic medical devices)</p>

Interview with the CEO



Through a profit-driven corporate culture and optimization of individual businesses, we aim to further strengthen HOYA's business portfolio—one that is capable of rapidly responding to changes in the operating environment.

Hiroshi Suzuki
President & CEO

Q Please recap the Company's operating performance for the fiscal year ended March 31, 2020, and provide a summary of key points for each of your main businesses.

In the fiscal year ended March 31, 2020, the Company achieved a new record high for sales. However, owing to the impact of such factors as the COVID-19 pandemic and a fine totaling \$43 million paid to the United States Department of Justice as part of a settlement related to the medical endoscope business, profit decreased. Based on actual performance excluding these irregular factors, we achieved increases in both sales and profit. In addition to a sound performance by the Life Care business—underpinned by such factors as an expansion of its sales network—the Information Technology business drove growth, with particularly robust expansion by extreme ultraviolet (EUV) mask blanks and glass substrates for data center hard disk drives (HDDs). During the fiscal year ended March 31, 2020, we also carried out an aggressive program of plant and equipment investment to expand manufacturing capacity for EUV mask blanks and HDD substrates in response to rising demand.

Q In the CEO interview for this report in 2019, you talked about how HOYA's essential strength is a portfolio-driven management style that focuses on retaining strong businesses. Please explain in more detail the basis of this approach—HOYA's system for nurturing strong business.

At HOYA, what we mean by a "strong business" can be summed up by the metaphor, "a large fish in a small pond." In other words, the business holds a dominant market share in a niche market. Hence, we aim for businesses that boast a high level of profitability. Since our objective is to be the top player in niche markets, we are not necessarily concerned with expanding the scale of a business or its sales. Consequently, the most important factor in the development of a strong business is market selection. If the pond already has a big fish, or there are a lot of fish swimming in the pond, or the pond is too large, the probability of success in such a market is lowered. In almost all cases, success or failure is determined at the point that the business domain is chosen. If one chooses the wrong market, no matter how skilled the management team might be, it will not proceed well.

With the assumption that an appropriate business domain has been selected, two key points are essential in nurturing a strong business. The ultimate objective of a business is to generate profits. Hence, the first point is that there must be a corporate culture focused on understanding the essence of the business quantitatively. This applies to everything that we do, whether it be analyzing the market or evaluating the business. We do not make

decisions based on vague goals. The goals for each business unit are applied to each operational location, such as factory, as well as at the department and section level. As a result, we have developed a firmly established culture in which each employee focuses on profitability. The second point is that our system prioritizes optimization on a business-unit basis, through the substantial delegation of authority and responsibility to each business division. Each business faces a very different competitive environment, and there are large differences in business characteristics. There are few instances in which a single prescription can be applied across the board. Fundamentally, the managers who are fully versed in the details of each business are responsible for the execution of that business. Executive officers, including myself, generally limit our involvement to matters that require major investment, or occasions on which progress of the business is lackluster. At such times, we make appropriate decisions and give instructions to managers. Based on this structure, each business is able to respond rapidly to changes in its operating environment, building up their strength as part of this process.

Q In last year's interview you also mentioned medical services and semiconductors as business areas that you wanted to newly add to HOYA's business portfolio. What progress has been made in these areas?

If the business portfolio is neglected, each business will reach the mature stage of the business life cycle, and the Company will end up losing its vitality. Bringing new blood into the business portfolio to rejuvenate it is absolutely essential for the maintenance of long-term growth. However, rather than entering a business area that is completely different from our existing businesses, it is more efficient to enter an adjacent business domain in which we can utilize the Company's management resources. Based on this philosophy, our current merger and acquisition (M&A) activities have adopted themes relating to medical services and semiconductors.

In the short-term, the semiconductor sector is affected by cyclicity*. However, we believe that the semiconductor sector will continue to grow in the long-term. In December 2019, HOYA issued a notice regarding a planned commencement of tender offer for semiconductor equipment manufacturer NuFlare Technology, Inc. However, since the Company's offer was not taken up by shareholders of NuFlare Technology, Inc., the acquisition bid was unsuccessful. In the future, we intend to execute M&A transactions in fields where we expect synergies to be generated with our existing businesses, including semiconductor equipment and components. In the medical field, against a backdrop characterized by population aging globally and increased opportunities for people to access medical services and healthcare, the market has high growth potential. Through M&A, HOYA will look to expand its business in this domain, in fields not limited to upstream products but also including midstream and downstream fields.

* Cyclicity: refers to the economic cycle. In the semiconductor sector, one business cycle, often called "the silicon cycle," generally lasts approximately four years.

Q Please outline the impact of the COVID-19 pandemic on HOYA's operating performance. Furthermore, in the "post-COVID-19" world, how do you envisage the business environment developing?

COVID-19 is greatly affecting final demand in the Life Care business. Within this, the eyeglass lens industry has a low ratio of online sales meaning that it is still substantially dependent on sales at brick-and-mortar retail stores. Consequently, there has been a significant decrease in revenues for eyeglass lenses worldwide as economic activities have been restricted and lockdowns have been implemented. With regard to medical-related products too, including endoscopes and intraocular lenses, sales have been poor owing to such factors as operations and treatments that use these products being classified as elective procedures at hospitals and clinics. However, demand is now beginning to gradually recover as there are patients who require intraocular lenses and other products, and restrictions on activities are starting to be relaxed.

In a "post-COVID-19" world, or in a world where we must learn to coexist with this novel virus, we will continue to prioritize the health and safety of employees, business partners and other stakeholders. At the same time, we

expect changes will become necessary to the style in which business is conducted. Even within this changing environment, we recognize the need to become even more proactive in our adoption of digital technologies. I believe that there is the potential to realize business development that achieves higher efficiency than in the “pre-COVID-19” world.

Q With regard to environmental, social, and corporate governance (ESG) issues, please provide an overview of your main initiatives.

Underpinned by the HOYA Corporate Mission—“Dedicated to innovation in information technology, lifestyles and culture, HOYA envisions a world where all can enjoy the good life, living in harmony with nature”—we think about solutions to environmental and social issues integrally, without uncoupling such issues from expansion of business profitability.

In the area of environmental issues, since HOYA is in the manufacturing sector, we prioritize the monitoring of energy-derived CO₂ emissions and volume of wastewater generated during the glass manufacturing process. With regard to CO₂ emissions, taking the fiscal year ended March 31, 2015, as the base year, from the fiscal year ended March 31, 2017, through the fiscal year ending March 31, 2021, we have set a goal of reducing emissions by 5%. By the fiscal year ended March 31, 2020, the Company reduced CO₂ emissions in Japan by 28.4%. However, outside Japan—owing to such factors as the expansion of overseas manufacturing facilities—emissions increased 13.0%. Hence, on a global basis, total CO₂ emissions rose 4.4%. During this period, since sales revenues increased 18%, efficiency improved in terms of emissions per unit of sales. However, after reviewing the results from this period, we intend to set a new target.

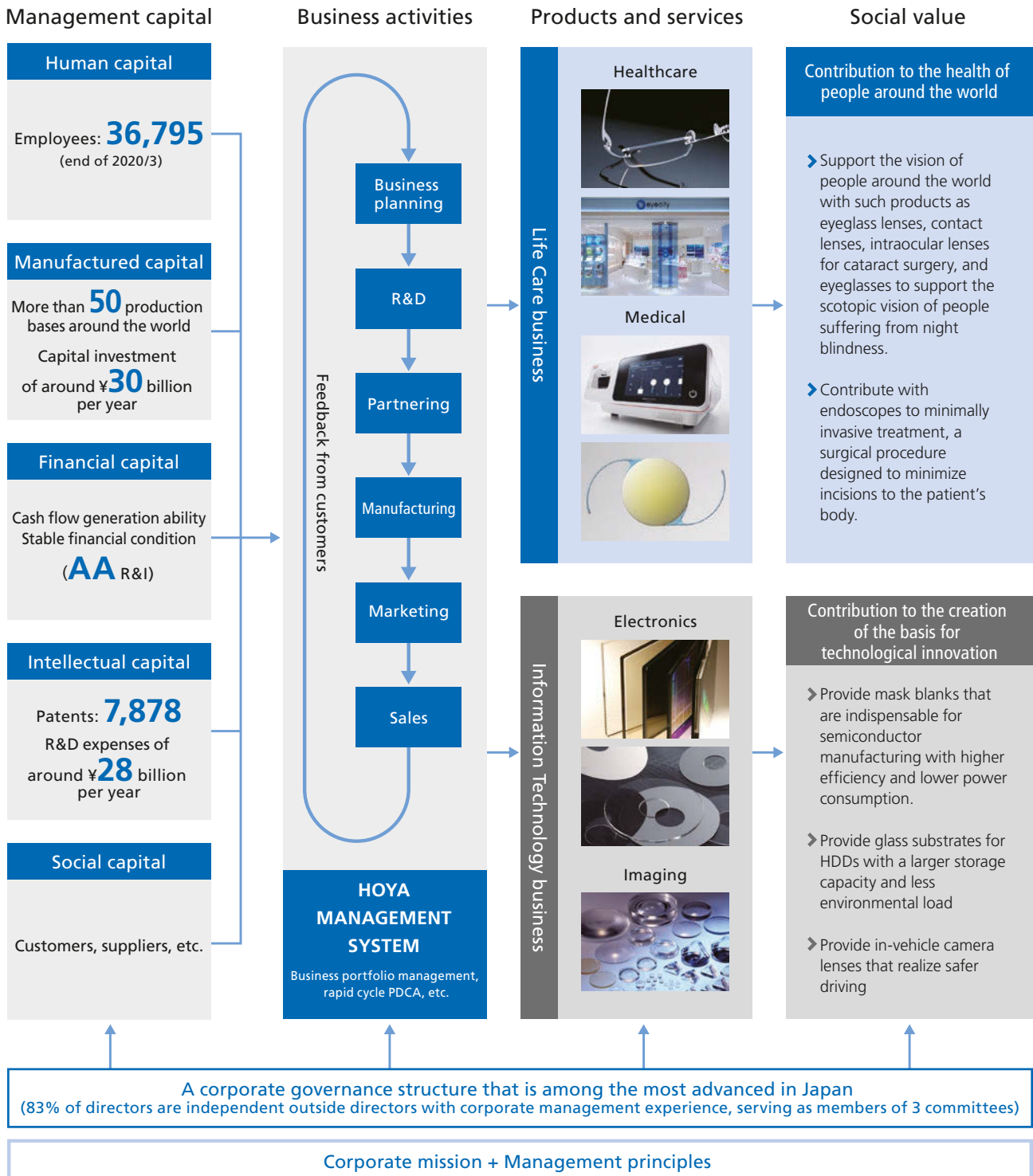
In the area of social issues, problems relating to racism are currently receiving substantial attention. HOYA is committed to respecting fundamental human rights. The HOYA Business Conduct Guidelines make clear the Company’s commitment in all of its business activities to eliminating all forms of discrimination and harassment based on such factors as race, nationality, gender, religion, belief, birthplace, age, or sexual orientation. Our commitment is not limited to the HOYA Group. We require product and service suppliers and vendors to comply with the HOYA Supplier Code of Conduct, which asks suppliers to protect fundamental human rights, and maintain legal compliance and ethical practices.

With regard to ESG-related issues, including the points I have already mentioned, after ascertaining the current situation the Board of Directors holds discussions from such perspectives as generation of business opportunities and risk recognition. From the perspective of business continuity, the Company has prepared a business continuity plan (BCP) to deal with such contingencies as the current COVID-19 pandemic.

Q Including reference to your cash allocation policy, what message do you wish to convey to shareholders and investors?

I believe that the COVID-19 pandemic will continue to affect the operating environment for the foreseeable future. As provisional measures in this unpredictable situation, while maintaining stable dividends, we will suspend execution of our share buyback program, as part of efforts to ensure stable cash flows. Meanwhile, the situation may also be seen as a potential opportunity as the possibility arises that valuations of M&A targets may decline. Hence, we intend to take an aggressive stance toward acquisitions. Once the sense of uncertainty is dispelled to a certain extent, our intention is to return to our former approach of returning excess cash to shareholders. The COVID-19 pandemic has had a significant short-term impact, and we have little choice but to adapt ourselves to coexistence with this new virus. However, there is no major change to the Company’s long-term growth scenario. Based on the many realizations brought about by the current situation, we intend to build an even stronger business structure. In these endeavors, we look forward to your ongoing support.

HOYA Value Creation Model



HOYA's ESG Approach

Amid the growing interest in Environment, Social and Governance (ESG) among stakeholders, the HOYA Group established the ESG Committee headed by the CEO in August 2019, with the aim of identifying items that contribute to the long-term growth of the HOYA Group (i.e., material issues), promoting their disclosure and pushing ahead with ESG activities.

In the fiscal year ended March 31, 2020, we investigated what had been deemed as material issues in each business division, built a system to collect information on ESG-related activities conducted in each business division, and analyzed an external agency's assessment of the Company's ESG approach, among others.

From the fiscal year ending March 31, 2021, we will exchange opinions with our stakeholders on candidate material issues based on the information we have collected to date and promote the identification of material issues (subject to approval by the management).

Examination status of material issues

The Company's material issues are examined by selecting those deemed as material issues by the Company from the SASB (Sustainability Accounting Standards Board) Materiality Map.

As a result of the examination by the ESG Committee, Product Quality & Safety, Employee Engagement, Diversity & Inclusion and Business Ethics were chosen as candidate material issues.

General Issue Category		Material issue according to SASB		Material issue according to HOYA's ESG Committee
		Medical Equipment & Supplies	Hardware	Company as a whole
Environment	GHG Emissions			○
	Air Quality			
	Energy Management			○
	Water & Wastewater Management			○
	Waste & Hazardous Materials Management			○
	Ecological Impacts			
Social Capital	Human Rights & Community Relations			○
	Customer Privacy			
	Data Security		○	
	Access & Affordability	○		
	Product Quality & Safety	○		○
	Customer Welfare			
Human Capital	Labor Practices			
	Employee Health & Safety			○
	Employee Engagement, Diversity & Inclusion		○	○
Business Model & Innovation	Product Design & Lifecycle Management	○	○	
	Business Model Resilience			
	Supply Chain Management	○	○	
	Materials Sourcing & Efficiency		○	○
	Physical Impacts of Climate Change			
Leadership & Governance	Business Ethics	○		○
	Competitive Behavior			
	Management of the Legal & Regulatory Environment			○
	Critical Incident Risk Management			
	Systemic Risk Management			

Corporate Governance

Basic views

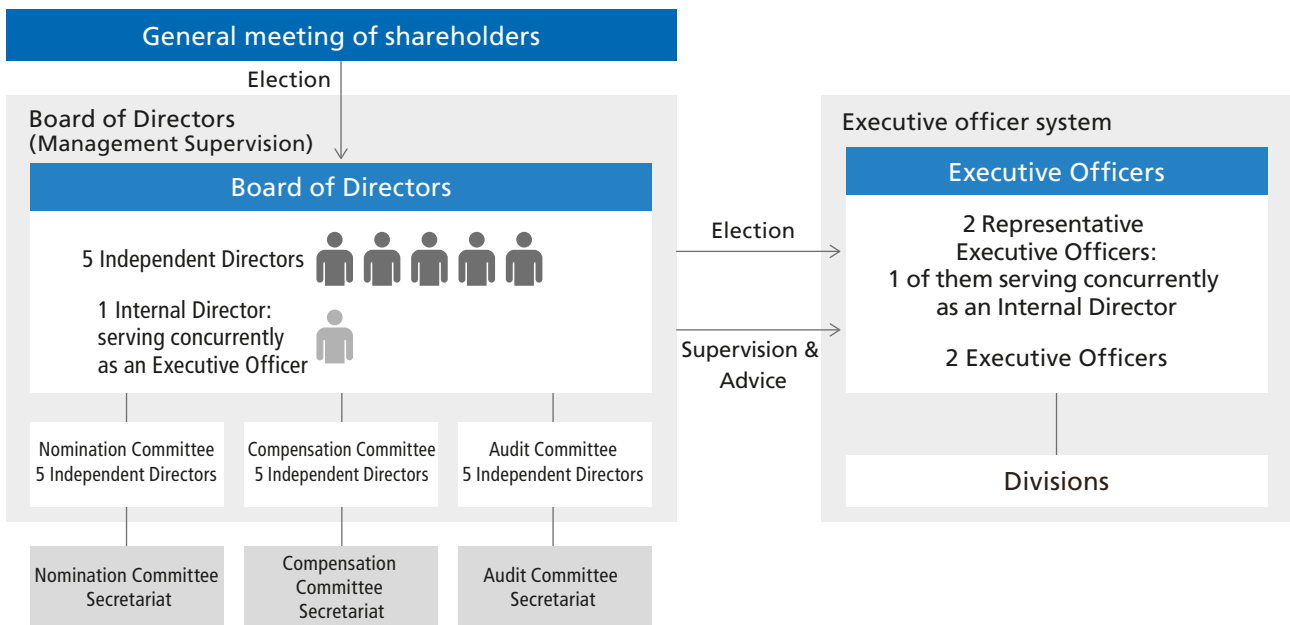
HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management. As the basis of taking a fair approach to stakeholders, to prevent management from being conducted based solely on in-house logic, we have set forth in the Articles of Incorporation that a majority of directors consist of independent 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 HOYA Corporate Governance Guidelines at the meeting of the Board of Directors, and intends to enhance 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 Committee, etc. management system, by giving executive officers authority to manage business, business decision makings are accelerated. At the same time, three committees—the Nomination Committee, the Compensation Committee, and the Audit Committee—were established, with a majority of the members being independent directors (at HOYA, the committees are composed exclusively of independent 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.

Corporate governance structure (As of the end of June 2020)



Board of Directors

Our Board of Directors comprises five independent directors and one internal director, for a total of six directors. The Board holds 10 regular Board meetings per year. At these meetings, directors have a lively discussion, and independent directors draw on their ample management experience and international perspectives to supervise and offer advice to the executive officers in the execution of their duties from a wide range of viewpoints. Also at the meetings, besides approving major business plans, detailed information is provided to independent directors through such means as presentations by division managers regarding products and the competitive environment.

HOYA conducts an annual questionnaire survey of independent directors for the purpose of evaluating the effectiveness of the Board of Directors as well as identifying any related issues.

Results of evaluation of the Board of Directors

Good	"Board of Directors' meetings had an atmosphere of openness and actively exchanged opinions."
Good	"Independent directors expressed questions and opinions from various angles on executive officers' proposals."
Good	"There was no issue with regard to the effectiveness of its supervisory functions."
Average	"Deliberations on ESG and risk management issues need to be deepened further."
Average	"Discussions on medium- to long-term portfolio reshuffling policies need to be deepened."
Average	"Promotion of management's succession planning needs to be enhanced"

At HOYA, directors are required to maintain an attendance ratio at meetings of the Board of Directors at or above 75% as one of the preconditions for reappointment as a director. For the fiscal year ended March 31, 2020, the attendance ratio of five directors was 100% and one director was 90%, and there was no problem with regard to the number of positions of other companies that were held concurrently by any of the directors.

Board Member profiles



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

Mitsudo Urano (Born on Mar. 20, 1948)

Number of years in office of the Director of the Company	Number of shares of the Company held	Number of attendances to the Board meetings
7 years	5,000 shares	9/10 times (90%)

Important positions of other companies concurrently held

Outside Director of Resona Holdings, Inc.
Outside Director of Hitachi Transport System, Ltd.

Reason for the selection for Director

He focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food manufacturer, and developed efficient management through company split-ups and informatization. He particularly has extensive experience and solid achievements on management informatization. In addition to the achievements in Nichirei Corporation, the Company's Nomination Committee expects that he will make a great contribution to enhance management efficiency and transparency through giving advice and proposals on overall company management with his deep insight and extensive experience as management having served as an outside director and outside corporate auditor in other companies listed on the First Section of the Tokyo Stock Exchange.

Apr. 1971 Joined Nippon Reizo Kabushiki Kaisha (present Nichirei Corporation)
Jun. 1999 Director and General Manager, Strategic Planning Division of Nichirei Corporation
Jun. 2001 Representative Director and President of Nichirei Corporation
Jan. 2005 Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc.
Apr. 2007 Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.
Jun. 2007 Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.
Jun. 2013 Advisor of Nichirei Corporation (retired in March 2018)
Jun. 2013 Director of the Company (present post)



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

Yukako Uchinaga (Born on Jul. 5, 1946)

Number of years in office of the
Director of the Company

7 years

Number of shares of the
Company held

1,000 shares

Number of attendances to the
Board meetings

10/10 times (100%)

- Jul. 1971 Joined IBM Japan, Ltd.
- Apr. 1995 Director in charge of Asia Pacific Products of IBM Japan, Ltd.
- Apr. 2000 Managing Director and Head of Tokyo Software Development Laboratory of IBM Japan, Ltd.
- Apr. 2004 Director and Senior Executive Officer in charge of Development & Manufacturing of IBM Japan, Ltd.
- Apr. 2007 Technical Advisor of IBM Japan, Ltd. (retired in March 2008)
- Apr. 2007 Board Chair of Japan Women's Innovative Network (J-WIN) (present post)
- Jun. 2007 Director of Benesse Corporation
- Apr. 2008 Director and Vice Chairman of Benesse Corporation
- Apr. 2008 Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation
- Oct. 2009 Director and Executive Vice President of Benesse Holdings, Inc. (retired in June 2013)
- Apr. 2013 Honorary Chairman of Berlitz Corporation (retired in June 2013)
- Jun. 2013 Director of the Company (present post)
- Sep. 2013 President & CEO of Globalization Research Institute Co., Ltd. (present post)
- Apr. 2014 Board Chair of Japan Diversity Network Association (retired in January 2019)

Important positions of other companies concurrently held

Board Chair of J-WIN, Non-Profit Organization
Outside Director of Teijin Limited

Reason for the selection for Director

Ms. Uchinaga is a pioneer of female executive officers as she was promoted to the first female director of IBM Japan, Ltd. Then, as CEO of Berlitz Corporation under Benesse Holdings, Inc., she established a brand of a "global human resource development enterprise" and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competition. In addition, for many years, she has devoted herself to activities for promoting the active participation of women by corporations and has also provided the Company with advice on promoting diversity. The Company's Nomination Committee expects she will even more greatly contribute to the effective use of IT for management purposes, the globalization of human resources, and diversity management in the Company,



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

Takeo Takasu (Born on Jun. 24, 1945)

Number of years in office of the
Director of the Company

6 years

Number of shares of the
Company held

2,800 shares

Number of attendances to the
Board meetings

10/10 times (100%)

- Apr. 1968 Joined The Sanwa Bank, Ltd. (Present MUFG Bank, Ltd.)
- Oct. 1993 Branch Manager, Los Angeles Branch of Sanwa Bank (retired in March 1996)
- Apr. 1996 Member, Corporate Planning of Bandai Co., Ltd.
- Jun. 1996 Representative Director of Bandai Holdings Corporation in U.S.
- Mar. 1999 President and Representative Director of Bandai Co., Ltd.
- Jun. 2005 Chairman and Representative Director of Bandai Co., Ltd.
- Sep. 2005 President and Representative Director of Bandai Namco Holdings Inc.
- Apr. 2009 Chairman and Representative Director of Bandai Namco Holdings Inc.
- Feb. 2010 Chairman and Director of Bandai Namco Holdings Inc.
- Jun. 2011 Advisor and Director of Bandai Namco Holdings Inc. (retired in June 2013)
- Jun. 2014 Director of the Company (present post)

Important positions of other companies concurrently held

Outside Director of Bell-Park Co., Ltd.
Outside Director of KADOKAWA CORPORATION

Reason for the selection for Director

After first serving at the former Sanwa Bank, Ltd., he accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company's performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company's Nomination Committee expects that he will make proposals from different and multi-angle perspectives through insights developed in the banking industry and management experience in the toy industry with different characteristics from that of the Company, as well as based on this experience as an outside director of other companies.



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

Shuzo Kaihori (Born on Jan. 31, 1948)

Number of years in office of the
Director of the Company

5 years

Number of shares of the
Company held

1,000 shares

Number of attendances to the
Board meetings

10/10 times (100%)

Apr.1973 Joined Yokogawa Electric Works Ltd. (Present Yokogawa Electric Corporation)
Apr.2005 Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation
Apr.2006 Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation
Jun.2006 Director and Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation
Apr.2007 Representative Director, President and Chief Executive Officer of Yokogawa Electric Corporation
Apr.2013 Representative Director, Chairman and Chief Executive Officer of Yokogawa Electric Corporation
Apr.2015 Director, Chairman of Yokogawa Electric Corporation
Jun.2015 Director of the Company (present post)
Jun.2016 Director and Chairman of the Board of Yokogawa Electric Corporation (retired in June 2018)

**Important positions of other companies
concurrently held**

Outside Director of Eisai Co., Ltd.

Reason for the selection for Director

He assumed the presidency of Yokogawa Electric Corporation, which operates a test and measurement business and industrial automation and control business, in 2007 when the company faced difficult business conditions, then was committed to turning around the company and achieved a surplus by changing the business model from hardware to software and promoting the globalization. The Company's Nomination Committee expects that he will contribute greatly to the Company's management from his performance that he boldly responded to changes in the business environment and achieved results and by giving advice on strengthening of software business, which is a challenge for the Life Care segment, an area expected to grow, based on his extensive experience.



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

Hiroaki Yoshihara (Born on Feb. 9, 1957)

Number of years in office of the
Director of the Company

2 year

Number of shares of the
Company held

0 shares

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 The 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

He 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,



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

Hiroshi Suzuki (Born on Aug. 31, 1958)

Number of years in office of the Director of the Company

27 years

Number of shares of the Company held

942,080 shares

Number of attendances to the Board meetings

10/10 times (100%)

- Apr.1985 Joined the Company
- Jun.1993 Director of the Company
- Jun.1997 Managing Director of the Company
- Apr.1999 Managing Director of the Company, President of Electro Optics Company
- Jun.1999 Executive Managing Director of the Company
- Jun.2000 Representative Director, President & CEO of the Company
- Jun.2003 Director, Representative Executive Officer, President & CEO of the Company (present post)
- Dec.2011 Chief Representative of Singapore Branch of the Company (present post)

Important positions of other companies concurrently held

Outside Director of KIOXIA Holdings Corporation (Former Toshiba Memory Holdings Corporation)

Reason for the selection for Director

He serves as the driving force of the management of the HOYA Group as Director and Representative Executive Officer President & CEO, and gives appropriate explanations and reports on strategies based on portfolio management at the meetings of the Board of Directors. He also supervises the execution of operations by other Executive Officers and adequately fulfills his role as Executive Officer and Director. In consideration of his achievements as Director to date, the Company's Nomination Committee expects that he will continue to endeavor to enhance the corporate value of the Company.

Independent directors' skills matrix

	Corporate management	Global business	Finance/ accounting	Technology	M&A	Development of human resources/ diversity
Mitsudo Urano	●	●				●
Yukako Uchinaga	●	●		●		●
Takeo Takasu	●	●	●		●	
Shuzo Kaihori	●	●		●		
Hiroaki Yoshihara	●	●	●		●	

Executive Officers

At HOYA, candidates for Chief Executive Officer (CEO); Chief Financial Officer (CFO); Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs; Executive Officer, Chief Technology Officer (CTO) are nominated by the Nomination Committee and appointed at a Board meeting (CEO serves concurrently as an internal director). They manage business execution of the HOYA Group according to the division of responsibility designated by the Board of Directors and decisions are made promptly. In regards to day-to-day business operations in each business, significant power is delegated to each division manager and executive officer's direct division managers to create and execute specific measures based on a business policy decided at a Board meeting.



Hiroshi Suzuki

Director, Representative Executive Officer
President & CEO



Ryo Hirooka

Representative Executive Officer & CFO



Eiichiro Ikeda

Executive Officer, Chief Technology Officer (CTO)



Augustine Yee

Executive Officer, Chief Legal Officer (CLO) and
Head of Corporate Development and Affairs

Committees

As internal organizations of the Board of Directors, we have the Nomination Committee, Compensation Committee, and Audit Committee; each of which is composed exclusively of independent 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 officer, 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 independent directors' overseeing executive officers.

The outline of the Standard for Election of Candidates for Director is as follows:

[For both internal and independent 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 independent 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 independent director candidates

To ensure the independence of candidates for independent 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 have 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 eight meetings during the fiscal year ended March 31, 2019, with 100% attendance of all members, and deliberated mainly on the following matters:

The Nomination Committee held eight meetings during the fiscal year ended March 31, 2020, in which the attendance ratio of four directors was 100% and one director was 87.5%, and deliberated mainly on the following matters:

■ **Future composition of the Board of Directors**

■ **Qualifications and skills required of future independent director candidates**

■ **Succession plans of executive officers**

- └ Clarification of required qualifications and skills amid medium- to long-term future changes in the business environment and the business portfolio
- └ Identification of candidates based on the clarification above

Compensation Committee

The objective of the Compensation Committee is to establish a remuneration system that incentivizes directors and executive officers 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 five meetings during the fiscal year ended March 31, 2020, with 100% attendance of all members, and deliberated mainly on the following matters:

● **Policy concerning remuneration for Directors**

The remuneration of Directors consists of a fixed salary and a medium- and long-term incentive (stock options). 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 and the levels set by other companies as determined by a survey conducted by an outside professional organization.

Furthermore, fixed numbers of stock options are granted to newly appointed and reappointed officers in order that they may hold a common viewpoint with shareholders regarding the share price and share interests with shareholders on a medium- to long-term basis. A reasonable number of stock options, which is calculated to be commensurate with the number of stock options granted at the time of new appointment, are also granted annually on an ongoing basis in consideration of the exercise price at the time of granting (the market price one day prior to the resolution regarding the grant), fluctuations in the share price during the exercise period, and fixed annual salaries.

[Composition ratio of compensation for directors]

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). 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 (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 annual incentive 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 have been adopted.

As a medium- and long-term incentive, the Company introduced the Performance Share Unit.

■ **Performance Share Unit**

The Company has introduced the Performance Share Unit (PSU) in place of the existing stock option plan since the fiscal year ended March 31, 2020. 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. The Company has selected sales, basic earnings per share (EPS) and return on equity (ROE) in the Consolidated Financial Statements as indicators of performance during three fiscal years.

The objective of the new plan is to further increase the motivation and drive of the Company's Executive Officers to medium- to long-term business performance goals and enhance the corporate value of the HOYA Group, and also to serve as mechanism for retention of highly talented human resources by setting a competitive compensation level.

Basic deliverable number of shares

Position/responsibilities	Basic deliverable number of shares
CEO	6,000
CFO	2,000
Other Executive Officers	1,700



Medium- to long-term performance targets

Indicator	Target (consolidated)	Reason for the selection of the indicator
Net sales	610 billion yen	Selected as an indicator to measure growth potential of the HOYA Group in the domestic and overseas markets.
Earnings per share (EPS)	350 yen	Selected as an indicator to measure growth of the Company from the same perspective as shareholders.
ROE	18.00%	Selected as an indicator to measure whether the Company has generated return on shareholders' investment effectively.

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. The targets above represent average values over the three fiscal years covered.

Under this plan, after determining the basic deliverable number of shares according to the position and responsibilities of each eligible recipient (CEO, CFO, and others), 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.

The Company also plans to issue new PSU covering the next three fiscal years in the following fiscal year onwards.

Total amount of remuneration, etc., Directors and Executive Officers for the fiscal year under review (before the introduction of PSU)

Classification	Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type				
			Fixed salary	Performance-based bonuses	Stock options	PSU	
Directors	Independent	6 persons	89 million yen	53 million yen	-	36 million yen	-
	Internal	1 person	8 million yen	8 million yen	-	-	-
	Total	7 persons	97 million yen	61 million yen	-	36 million yen	-
Executive Officers		4 persons	433 million yen	258 million yen	83 million yen	61 million yen	31 million yen
Total		11 persons	530 million yen	319 million yen	83 million yen	97 million yen	31 million yen

- (Notes) 1. At the end of the fiscal year under review, there were six Directors and four Executive Officers. One of the four Executive Officers served concurrently as Internal Director. The reason for the discrepancy with the number of Directors in the above table is because the above table includes one Director who retired at the closing of the 81th Ordinary General Meeting of Shareholders.
 2. The total amount of remuneration includes remuneration paid to one Executive Officer who retired as of the conclusion of the 81th Ordinary General Meeting of Shareholders.
 3. Fixed salary for Executive Officers includes overseas Executive Officer's benefit as expatriate of 103 million yen.
 4. For the stock options, fair values of stock acquisition rights were calculated and the table above shows amounts to be recorded as expenses for the fiscal year under review. For Executive Officers, no new stock options were granted in the fiscal year under review due to the introduction of PSU in place of the stock option plan from the fiscal year under review. The table above shows stock options granted in past fiscal years in amounts to be recorded as expenses for the fiscal year under review.
 5. For PSU, the table above shows amounts to be recorded as expenses for the fiscal year under review based on the share price at the time of the granting of shares.

Amount of consolidated remuneration for each Director (CEO)

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options	PSU
Hiroshi Suzuki Representative Executive Officer President & CEO	Director	8 million yen	8 million yen	-	-	-
	Representative Executive Officer	160 million yen	95 million yen	24 million yen	24 million yen	17 million yen

(Notes) Only those with remuneration totaling 100 million yen or more

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 the fiscal year under review, in which the attendance ratio of four directors was 100% and one director was 88.9%.

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 Internal Audit Department and the Help Line

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

HOYA Group Environmental, Occupational Safety and Health Philosophy and Fundamental Environmental Occupational Safety and Health Policies

The HOYA Group established its “Environmental Philosophy” and “Fundamental Environmental Policies” in 1993 and “Safety and Health Philosophy” and “Fundamental Safety and Health Policies” in 2002. Under these guidelines, the Group has been promoting the environmental, occupational safety and health activities at all its business facilities both 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.

HOYA Group Environmental Philosophy

It is our earnest desire to preserve the global environment in a pristine form and pass it to the next generation. Therefore, we, the HOYA Group and its employees, are united in our commitment to protect the environment, conserve resources, and ensure that all our corporate activities are conducted with adequate concern for the global environment.

Fundamental Environmental Policies

1. We recognize the importance of environmental conservation, thereby passing on the global environment in the best possible condition to the future generations. We make certain that all our corporate activities are conducted in a well-balanced manner for people, society, and the natural environment.
2. We establish and operate a Group-wide system of environmental conservation activities by enlisting the cooperation of all the Group companies around the world.
3. We comply with all laws and regulations relating to environmental impacts, such as waste generated by business activities, and make consistent efforts toward reducing these environmental impacts.
4. We carry out resource saving activities by pursuing greater efficiency in resource use, reduction of energy consumption, and recycling.
5. We maintain a keen interest in environmental issues throughout the Group and ensure that all the employees are thoroughly aware of the HOYA Group Environmental Philosophy and Fundamental Policies. By introducing environmental education programs and promoting internal communications.

HOYA Group Safety and Health Philosophy

We believe that a healthy mind and body of each employee is essential for the enrichment of all the employees' individual lives and the perpetual development of the HOYA Group companies.

We are therefore committed to maintaining and improving the employees' health and creating safe and pleasant conditions for all the employees of the group companies.

Fundamental Safety and Health Policies

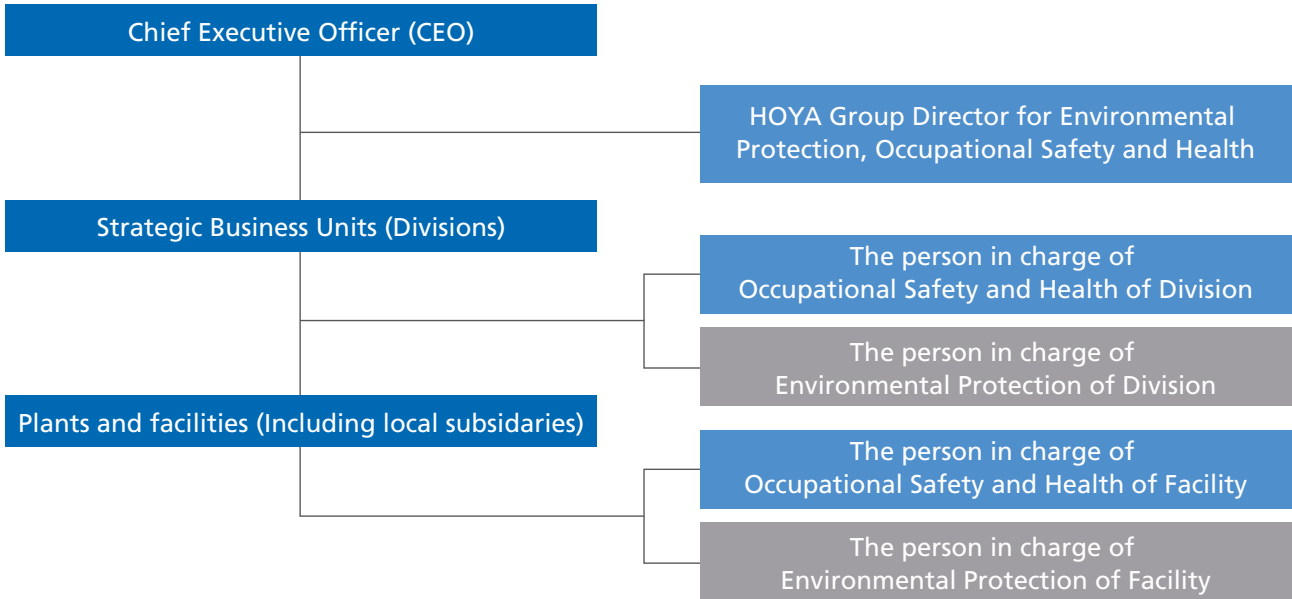
1. We maintain and improve the employees' health and safety at workplaces through the collective efforts of the company and the employees.
2. We observe applicable laws and regulations concerning workplace health and safety in creating safe and pleasant working conditions for the employees.
3. The company establishes effective organizations to measure workplace health and safety and promotes schemes to improve such organizations systematically.
4. The company gives priority to implementing measures to prevent accidents at workplaces over investing in production facilities.
5. The employees exercise care for the maintenance and promotion of their own health while incorporating the assistance from the company.

Environmental Protection and Occupational Safety and Health System

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 various activities of environmental protection and occupational safety and health. sources, and ensure that all our corporate activities are conducted with adequate concern for the global environment.

HOYA Group Environmental Protection and Occupational Safety and Health Organization



Environmental

Climate Change



Greenhouse Gas

HOYA strategy for CO₂ reduction

The HOYA Group is globally conducting its environmental protection activities, in which attempts are being made to reduce CO₂ emissions by paying special attention to its “energy consumption.”

CO₂ reduction targets

The HOYA Group also sets the following Group-wide reduction target for CO₂ emissions and is directing its environmental protection activities toward accomplishing it. That is, the HOYA Group aims to achieve a 5-percent reduction of CO₂ emissions from the fiscal year ended March 31, 2017 by the fiscal year ending March 31, 2021 (compared with the level of the fiscal year ended March 31, 2015).

CO₂ emissions

The CO₂ emissions of the HOYA Group in fiscal year ended March 31, 2020 were 418,466 tons of CO₂. (Scope 1 and 2 emissions)

The reduction of CO₂ emissions was 28.4 percent in Japan from the level of the fiscal year ended March 31, 2015. CO₂ emissions increased by 13.0 percent overseas. As a result, CO₂ emissions increased by 4.4% globally. (Net sales increased by 17.7% during the same period.)

Consequently, the HOYA Group was able to reduce CO₂ emissions per unit of net sales by 11.3%. We will continue to make efforts to reduce total CO₂ emissions.

We will also look into setting a target for the fiscal year ending March 31, 2022 and beyond.

CO₂ emissions of the HOYA Group (t-CO₂ equivalent)

Scope 1 and 2 emissions	Unit	Mar. 2015 (Base year)	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2020	Mar. 2020	% Change from the fiscal year ended March 31, 2015
Japan	t-CO ₂	82,835	85,261	69,992	71,375	66,824	59,304	-28.4%
Overseas	t-CO ₂	317,976	332,206	328,124	337,960	338,946	359,162	13.0%
Total	t-CO ₂	400,811	417,467	398,116	409,335	405,770	418,466	4.4%
CO ₂ emissions per unit of net sales	t-CO ₂ per billion yen	818	826	831	764	717	726	-11.3%

Note that CO₂ emissions are calculated, for each of the production bases*, from electric power and fuel consumptions as determined by the summation formulas standardized for the whole HOYA Group.

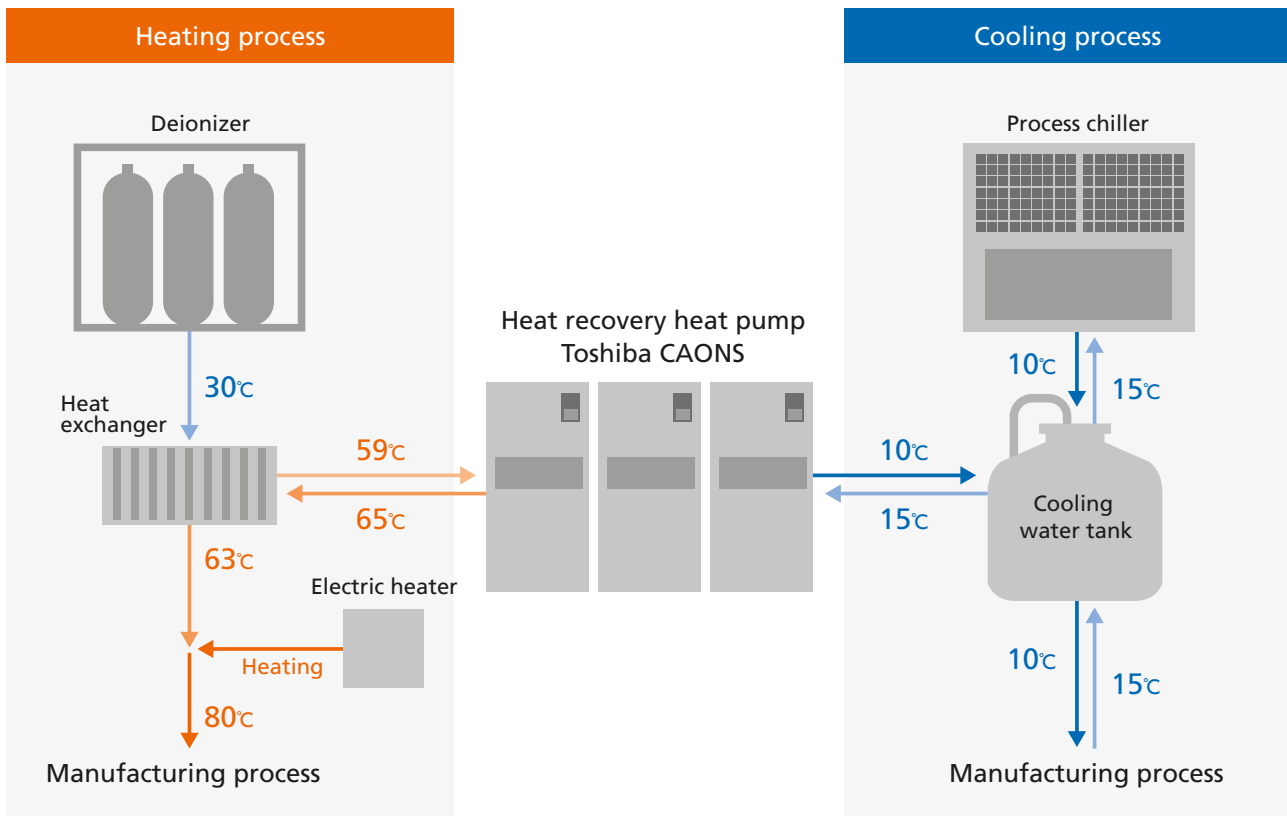
* Some non-production bases are included

Energy-saving and power-saving activities

As part of the actions for energy saving and power saving, each of the facilities is pushing ahead with the replacement of lighting fixtures and air conditioning equipment with those of the energy-saving type. At each of the Group's production bases, efforts are being made for energy saving by devising more efficient modes of operation and replacing existing equipment with energy-saving type equipment in an appropriate order.

Examples of energy-saving and power-saving initiatives

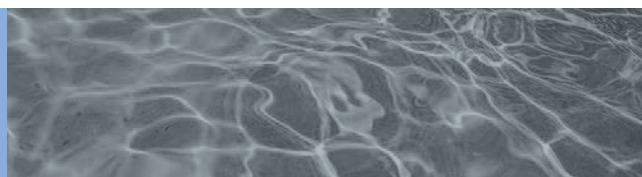
- Efforts to reduce greenhouse gas emissions at overseas offices using Joint Crediting Mechanism (JCM) (HOYA expects to cut its annual CO₂ emissions by 618 tons.)
- In 2016, we introduced a heat recovery heat pump at the eyeglass lens plant in Vietnam. It is used to save energy and reduce CO₂ emissions by using the heat that used to be exhausted 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.

Environmental

Water



Initiatives to effectively utilize water resources

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

Water usage reduction targets

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

Water usage

In the fiscal year ended March 31, 2019, water usage in the HOYA Group was 17,429,000 cubic meters.

Compared to the fiscal year ended March 31, 2015, we managed to maintain our global water usage at a level on par with the fiscal year ended March 31, 2015. (Net sales increased by 15.5% during the same period.)

The HOYA Group was able to reduce water usage per unit of net sales by 13.0%. We will continue to make efforts to effectively utilize water resources.

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

	Unit	Mar. 2015 (Base year)	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	% change from the base year
Japan	Thousand cubic meters	1,185	1,183	1,098	1,008	1,071	-9.6%
Overseas	Thousand cubic meters	16,169	16,336	15,871	16,360	16,357	1.2%
Total	Thousand cubic meters	17,354	17,519	16,969	17,368	17,429	0.4%
Water usage per unit of net sale	Thousand cubic meters per billion yen	35.4	34.6	35.4	32.4	30.8	-13.0%

Note: There has been a delay in updating the data for the fiscal year ended March 31, 2020, due to the impact of the COVID-19 pandemic.

Environmental

Pollution and Waste



Hazardous substance discharges and waste

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

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.

Waste emissions (t)

		Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019
Japan	Total emissions	2,656	3,462	3,362	3,478	3,144
	Recycling rate	79.0%	60.1%	66.1%	62.6%	65.9%
Overseas	Total emissions	43,992	43,760	49,888	56,354	56,766
	Recycling rate	61.0%	66.5%	66.3%	68.4%	69.1%
Global	Total emissions	46,648	47,222	53,250	59,832	59,911
	Recycling rate	62.0%	66.1%	66.3%	68.1%	68.9%

Note: There has been a delay in updating the data for the fiscal year ended March 31, 2020, due to the impact of the COVID-19 pandemic.

Chemical substances

Based on the HOYA Group Chemical Substances Management Standard, the HOYA Group manages chemical substances used in its business activities using common indicators that are used across all business activities of the HOYA Group.

Social

Human Capital



Labor Management

Basic approach

The HOYA Business Conduct Guidelines stipulate the basic guidelines to be complied with when performing operations based on the basic policies and values of the HOYA Group. The Business Conduct Guidelines clarify 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.

Human rights of employees

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.

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.

http://www.hoya.co.jp/english/csr/pdf/HOYAGroupModernSlaveryStatement2019_fin.pdf

Diversity

Equal opportunities for men and women

At the HOYA Group we work to achieve fair employment At the HOYA Group, we work to achieve fair employment opportunities and benefits for both genders.

At the HOYA Group in Japan, currently 125 women (10.8% of total employees) are active as women leaders.* In addition, as of the end of June 2020, one of the independent directors is a woman (16.7% of total directors). 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 order to increase the women in management percentage in Japan going forward, we will promote the development of a working environment that allows the women working at HOYA to feel reassured in their continual employment. Specifically, to realize our goal of increasing the percentage of women in managerial positions to at least 15% by the end of March 2021, we will conduct female leadership training, managerial training, lectures by role models, and networking activities to help foster female leaders.

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

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.

Utilizing global human resources

The HOYA Group implements sales and production at optimal locations on a global level. In addition, efforts are being made to globalize the entire Group by promoting the localization of top management of subsidiaries through actively promoting and creating opportunities for high-quality local human resources. The HOYA Group will work to provide equal opportunities to large numbers of high-quality human resources going forward.

In addition, as of the end of June 2020, at HOYA Corporation we have promoted a non-Japanese to the position of executive, and five non-Japanese are engaged as division managers in our global business.

Respecting individuals

1. Preventing sexual harassment and power harassment

The HOYA Business Conduct Guidelines clearly state that the diverse values, individuality, and privacy of individuals are to be respected and clearly prohibits discretionary language, acts of violence, sexual harassment, and power harassment in connection to race, nationality, gender, religion, belief, birthplace, age, or disabilities.

Activities to promote the awareness of the Guidelines are conducted through means such as training classes in Japan.

2. 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 Business Conduct Guidelines 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.

Development of Human Resources

Enhancement and development of human rights

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. In this manner, we aim to create a free-spirited work environment.

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.

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 toward employees that always do their

utmost amidst 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 by the President from the managers of each business and human resources representatives.

Occupational Safety and Health

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. The Group believes that such a work environment is essential for a fulfilling life of each of the employees and a lasting development of our enterprise.

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

The HOYA Group has been structuring a globally-operated management system based on ISO (International Organization for Standardization) 14001 and 45001 with the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees.

In February 2013, the certification of the Group switched to a global multisite certification.

In March 2020, the certification is applied to 52 sites in 18 countries.

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 on 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, 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, occupational safety and health personnel conference is held twice a year. The HOYA Group foremen training is held twice a year. The intra-Group consulting program for guidance and training 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.

Go to Occupational Accidents at HOYA Facilities page
<http://www.hoya.co.jp/english/csr/accidents.html>

Health promotion activities

CEO message on the health of our employees

Based on the recognition that “health promotion efforts are business investments,” the HOYA Group aims to maintain and promote the health of employees through organizational support and self-help efforts by employees themselves. In April 2015, the CEO issued a message to employees on 10 items that employees are encouraged to adhere to for the promotion of health.

White 500 certification for health and productivity management organizations

The HOYA Group has been certified under the METI’s White 500 certification program for outstanding health and productivity management organizations every year since the start of the program in 2017 (as of April 1, 2020). This program is administered by the Ministry of Economy, Trade and Industry jointly with Nippon Kenko Kaigi and in coordination with insurers to certify and announce companies practicing excellent health and productivity management. HOYA is practicing health and productivity management on a daily basis.

Mental health promotion

HOYA provides mental health education by industrial physicians for managers and general employees to deepen their understanding of mental healthcare. HOYA has also established the HOYA Group Mental Healthcare Guidelines to ensure sufficient line care by managers and to clarify the roles of the manager, the person in charge of personnel affairs, and the industrial physician in the introduction of treatment and reinstatement responses to ensure efficient coordination among them. In addition, HOYA is making continued efforts to improve the work environment using the results of organizational analysis of stress checks.

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.

Smoking control

To prevent passive smoking, indoor smoking has been prohibited in principle in all facilities located in Japan and overseas since April 2008. HOYA has also established a standard for the designation of outdoor smoking spaces to prevent any passive smoking by passersby or people taking a break. Furthermore, we have adopted stricter rules to prevent passive smoking in April 2018 to ensure that for parties, diners, etc., hosted by HOYA, a venue that is entirely non-smoking or provides a separate smoking area will be selected. HOYA introduced rules to totally prohibit smoking at all facilities inside and outside Japan during the regular working hours from the fiscal year ending March 31, 2021. HOYA aims to create a comfortable work environment at the workplace where employees spend a significant part of their living hours.

Specific Health Checkups and Specific Health Guidance

As part of efforts to prevent metabolic syndrome, HOYA has provided health guidance focusing on the prevention of lifestyle diseases of employees (lifestyle improvement program) in coordination with the health insurance association since 2002 before the start of the national Specific Health Guidance program. The scope of the health guidance has been expanded to cover

employees less than 40 years old (for the groups less than 25, 30, and 35 years old) for the early detection and treatment of lifestyle-related disease. We also monitor the participation rate and the achievement rate of Specific Health Checkups and Specific Health Guidance annually and are considering the introduction of a program to improve the participation rate.

Improving medical support at overseas facilities

At the HOYA Group, industrial physicians make regular visits to overseas facilities to support the coordination between local medical institutions and each facility. Under this arrangement, the coordination between local medical institutions and the facility enables both local employees and Japanese expats to receive appropriate and prompt medical services in the event of an emergency situation and for the management of chronic diseases.

Improving emergency medical care and first aid responses

We have established the HOYA Group Standard for Emergency Medical Care and First Aid to provide appropriate emergency medical care and first aid in the event of a workplace accident or an emergency situation and thereby to minimize health damage of employees. Based on this Standard, we work to ensure the proper installation and management of first aid equipment and to ensure that all employees ultimately receive lifesaving training to prepare for emergencies. Some of the facilities are equipped with AED on condition that at least two workers who have completed lifesaving training are assigned to each work shift.

Collaboration with Supply Chain Partners

Supplier Code of Conduct

HOYA 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.

The HOYA Supplier Code of Conduct is available on our website through the following links.

HOYA Supplier Code of Conduct -English (148KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC2018.pdf

HOYA Supplier Code of Conduct -Chinese (205KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_CN.pdf

HOYA Supplier Code of Conduct -Thai (129KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_TH.pdf

HOYA Supplier Code of Conduct -Vietnamese (290KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_VN.pdf

HOYA Supplier Code of Conduct -Korean (322KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_KR.pdf

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

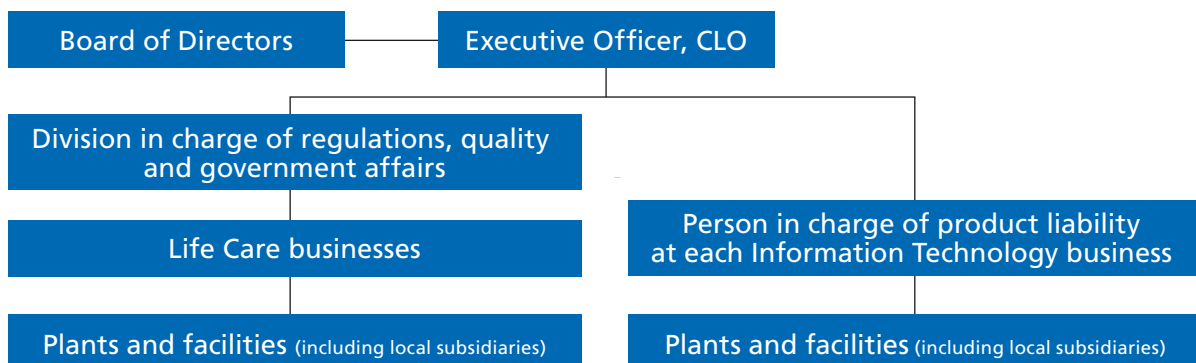
Each company in the HOYA Group provides, where appropriate, user training, up-to-date user guides and documents, product warning labels, and other information for the effective, safe use of our products. We continue to seek opinions from users of our products and reflect this feedback in future products.

■ 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 medical products, we have established a division in charge of regulations, quality, and government affairs across these businesses.



Social

Product Safety and Quality



Responses to Conflict Minerals

Conflict minerals policy

The HOYA Group cooperates with its suppliers to ensure that it does not use any minerals produced in the Democratic Republic of Congo or its neighboring countries that are defined as conflict minerals in Section 1502 of the U.S. Dodd-Frank Act.

Social Opportunities



Efforts to Meet Unmet Needs to Improve QOL


Efforts to Meet Unmet Needs to Improve QOL

Development of products that meet needs to improve QOL

We launched "HOYA MW10 HiKARI," eyeglasses to support the scotopic vision of people suffering from night blindness, in 2018, and the product has received high customer evaluation.

See the special website below for further information. (In Japanese only)

<https://hmwpj.com/>



Review of Operations Life Care Segment

Impact of the COVID-19 Pandemic

- Demand has dramatically fallen since March 2020 due to COVID-19, but business is expected to return to normal as the spread of the virus comes to an end.
Medium- to long-term growth forecasts remain unchanged.
- While the future business impact of COVID-19 is unknown at this point in time, the pace at which retail chains are being formed might accelerate among eyeglass lens and contact lens retail stores.
- Eyeglass lens and contact lens retailers are expected to make gradual progress in shifting to online sales, due to restrictions by medical regulations, etc. in each country.

	Manufacturing	Customer demand	Prospects for recovery in demand after relaxation of activity restrictions
Eyeglass lenses	Production has been adjusted to adapt to fall in demand	Demand has plummeted due to closure of retail stores in association with lockdown and restrictions on outings.	Demand is expected to recover to normal levels in July-September as activities resume (demand returned to normal in China and South Korea in May). Deferred demand is expected to be small.
Contact lenses	—	Sales opportunities have decreased due to businesses refraining from operating and people refraining from going out voluntarily.	Demand is expected to recover to normal levels in July-September as activities resume. Deferred demand is expected to be small as contact lenses are not being used while users stay at home.
Endoscopes	Production has not been impacted in general.	Demand has increased for pulmonology products. Number of non-urgent endoscopic examinations has decreased.	Resumption of activities has led to recommencement of operating activities targeted at hospitals and other customers of the Company which had been suspended; it is expected to take two to three months for demand to return to normal.
Intraocular lenses	Production has been adjusted to adapt to fall in demand.	Demand has decreased due to fall in number of cataract surgeries that are classified as elective procedures performed.	Cataract surgery will resume as risk of patients getting infected with COVID-19 diminishes. Demand is expected to temporarily increase due to deferred demand.

Note: Forecast as at August 2020

Health Care

(Information on HOYA's products may be found in the "Business Domains" section of its website. Please refer to this section for further information.)

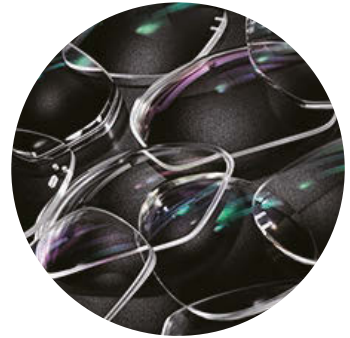
Eyeglass Lenses

› Business Overview

HOYA conducts research and development, manufacturing, and sales of eyeglass lenses.

Our product lineup includes single-vision lenses that possess a single corrective function for each lens, as well as progressive lenses (varifocal lenses) that offer wide visual fields and a seamless transition between near, intermediate, and far distances in a single lens.

By geographical region, a significant amount of sales, approximately 87%, takes place in markets outside Japan.



› Supply Chain



› Market Conditions

From March 2020, demand decreased due to the stagnation of economic activities as a result of people's movement being restricted in countries by their governments in response to COVID-19, which has turned into a global pandemic since March 2020. While it remains difficult to accurately forecast demand in light of fluid COVID-19 restrictions country by country, demand has been shown to strongly return once restrictions are lifted and economies can reopen. From a medium- to long-term perspective, eyeglass lens demand is expected to continue increasing globally due to such factors as the increasing aging population worldwide, enhanced purchasing power owing to the economic growth of emerging countries, increased awareness of health, and long hours of PC and smartphone use that leads to deterioration of vision. It will also be necessary to move our businesses forward by building a strategy while identifying changes in the market brought about by COVID-19.

Globally, the rate of growth was around 3% in value terms before the COVID-19 pandemic, although the pace of growth varied from region to region, as is seen in mature markets of Japan and Europe, and growth markets in the Americas as well as Asia. The global market is expected to grow at a similar pace once demand recovers after the pandemic comes to an end.

While there are variations from region to region, the emergence of giant retail store chains through consolidation and the resulting fall in unit sales prices are becoming a

worldwide trend. The impact of COVID-19 could accelerate this trend, giving rise to the need to keep a close eye on the situation.

Given this, the key to growth for lens manufacturers will be to reduce production costs and to increase sales of value-added products, such as those with different varieties of surface coatings (anti-glare coatings and anti-scratch coatings) and progressive lenses.

▶ **HOYA Position and Market Share**

HOYA stands at the No. 2 position in the industry, and, in addition to organic growth, has expanded its share of the market through M&A initiatives, including the 2013 acquisition of SEIKO's eyeglass lens unit, and U.S.-based Performance Optics, LLC. in 2017.

▶ **HOYA Outlook**

Eyeglass lens products account for over 50% of Life Care business sales, and are a growth driver for Life Care business expansion.

In the Americas, we have already established a strong presence in the channel of independent eyeglass stores, while there is still much room for market share expansion in the channel of chain stores, on which we will continue to focus. In addition, we will strengthen sales activities also in Asia, especially China, as well as in South America, where markets continue to grow. This is how we aim to achieve worldwide organic growth of 5% per year. On top of that, we will also pursue M&A opportunities to boost growth.

To respond to the increasing demand, we completed the construction of our second plant in Vietnam in November 2019. However, while preparations for production launch were underway, demand fell due to the impact of COVID-19, resulting in the delay of production launch. Having commenced production at the plant in July 2020, we plan to raise its operating rate in steps.

Contact Lenses

▶ **Business Overview**

In Japan, we are expanding Eyecity outlets, HOYA's contact lens specialty retail store chain.

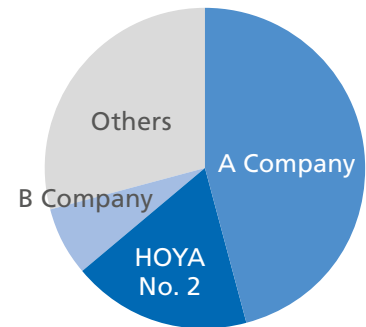
At Eyecity, we offer consulting and sales, making product recommendations ideally suited to the needs of individual customers, and, leveraging our strength, we provide a wide lineup sourced from major manufacturers throughout the world

Stores are established in convenient locations, in close proximity to train stations, inside shopping centers, and other areas.

▶ **Market Conditions**

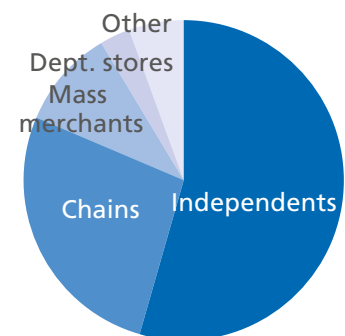
The contact lens market in Japan is valued at approximately 400 billion yen. On account of such factors as a growing level of nearsightedness among the younger generation, the rising age of those wearing contact lenses due to the growing prevalence of multifocal contact lenses, and a rise in average sales price reflecting the rising sales of high value-added lens products, we expect an ongoing market expansion, albeit slight.

Market Share (Mar. 2019)



(HOYA estimate on a value basis)

Sales Composition Ratio by Sales Channel in the U.S. (Mar. 2019)



(HOYA estimate on a value basis)



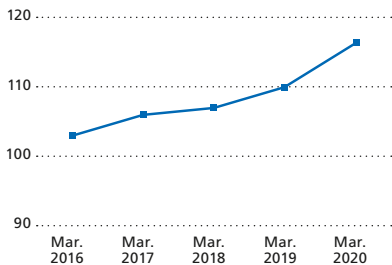
By sales channel, sales through the contact lens specialty store channel—which accounts for the largest share of total value—are expected to continue to grow steadily, driven by ongoing share expansion.

▶ HOYA Position and Market Share

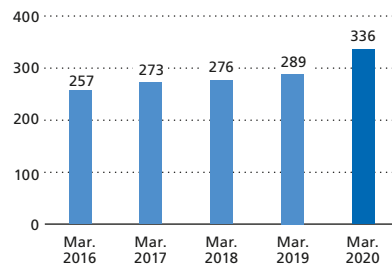
HOYA holds the top share in the retail channel for sales made through brick-and-mortar stores.

On top of sales growth from existing stores based on, among others, the promotion of high value-added products, we are working to expand sales through new stores. We also provide an online sales service in the form of “Ouchi Ni Todoku EyeCity” (meaning EyeCity delivered to your home) to adapt to Internet shopping, which has been expanding in recent years.

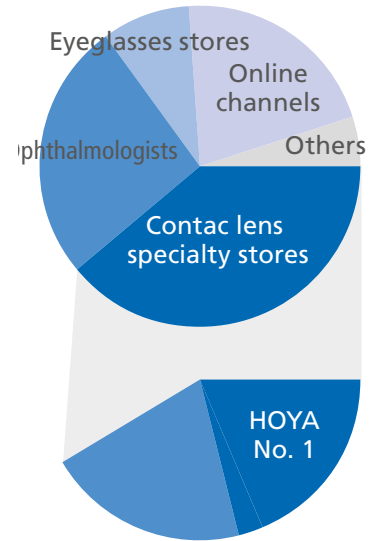
Sales per Customer
(Presented as an index with Mar. 2015 as 100)



Number of Eyecity Stores in Japan



Sales Composition Ratio by Sales Channel (Mar. 2020)



HOYA Market Share at Contact Lens Specialty Stores (HOYA estimate on a value basis)

▶ HOYA Outlook

Looking forward, HOYA is seeking to achieve a sustained sales growth rate at the 5% level by boosting sales at existing stores together with aggressively establishing new stores.

For new stores, HOYA will conduct detailed analyses of an area’s contact lens-wearing population, market growth rate, and competitive situation, and will establish stores mainly in city centers, regional cities, and large shopping centers. We will also strive to increase efficiency by relocating stores within the same marketing area as appropriate. In addition, we will work to accelerate growth by actively exploiting M&A opportunities targeting contact lens specialty stores that have a strong position in their respective local markets.

Medical

(Information on HOYA’s products may be found in the “Business Domains” section of its website. Please refer to this section for further information.)

Medical Endoscopes

▶ Business Overview

In this field, HOYA conducts research and development, manufacturing, and sales of medical endoscopes used in diagnosis and treatments of disorders associated with the ear, nose, and throat, the respiratory tract, and the digestive system.



The endoscope field comprises scopes and processors.

▶ **Supply Chain**



▶ **Sales by Region**

By geographical region, overseas sales account for a large portion of total sales.

▶ **Market Conditions**

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.

In particular, needs for the latter are increasing as part of the trend of reducing invasive medical treatment. As a result, demand for endoscopes is increasing as products to satisfy these needs.

The rate of growth is steady in the markets of developed countries and regions—Japan, the U.S., Europe, and others. However, in Asia, which is at a stage where endoscopes are becoming more prevalent, the growth rate continues to be high. Globally, we estimate that growth has continued at a rate of approximately 5%.

Mainly in North America, customer transactions are increasing through a joint purchasing organization, and building a sales system that responds to this kind of change can lead to sales growth.

With regard to products, overseas manufacturers of disposable endoscopes have been working to establish themselves. At the present time, however, they are still some way away from replacing conventional endoscopes. However, we predict that the presence of disposable endoscopes will rise in the medium to long term.

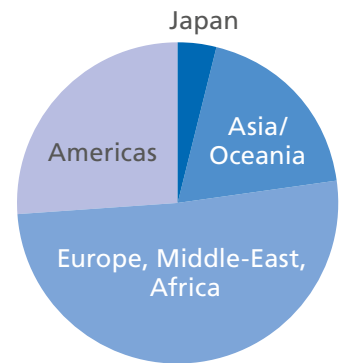
▶ **HOYA Position and Market Share**

With its strengths lying in high image quality, ultrasonic endoscopes and small-diameter endoscopes that strike a balance between image quality, exterior diameter, and channel size, HOYA holds the No. 2 position in the industry.

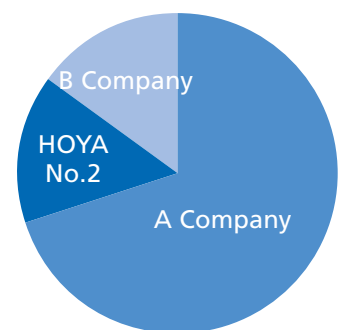
▶ **HOYA Outlook**

HOYA continues to secure stable earnings in Europe, which accounts for about 50% of total sales, and strives to achieve growth by boosting sales activities in APAC and the Americas.

Sales by Region (Mar. 2020)



Market Share (Mar. 2020)



(HOYA estimate on a value base)

While steadily engaging in products for gastrointestinal devices, the main battlefield in the flexible endoscope market, we will also seek product differentiation by developing treatment instruments that can be used in combination with endoscopes and disposable endoscopes.

Intraocular Lenses for Cataract Surgery

▶ Business Overview

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

Cataracts are very likely to occur in people of advanced years, and are the largest cause of vision loss in people around the world. IOLs are manmade medical devices implanted inside the eye to replace the eye's natural lens when it is removed during cataract surgery. This surgery makes it possible to recover clear eyesight that has been lost due to cataracts.

At HOYA, together with a foldable intraocular lens that can be inserted with a small incision of around 2.0 mm, we conduct R&D, manufacturing, and sales of injector systems and ophthalmic medical devices that make for safe cataract surgeries that can be performed smoothly.

▶ Supply Chain



▶ Sales by Region

By region, sales in Japan are close to 50%.

▶ Market Conditions

In line with the aging of society in locations throughout the world, rising needs for minimally invasive medical treatments and other factors, the market is, on a volume basis, maintaining a growth rate in the lower half of the single-digit range.

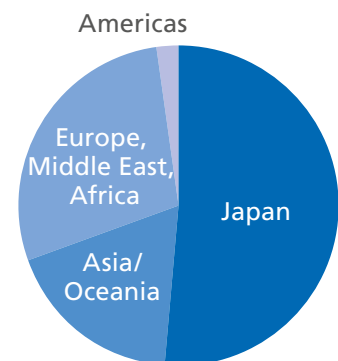
On a monetary basis, growth in high-end products—such as for corrective lenses for astigmatism and progressive lenses to correct presbyopia—are driving overall expansion in the market, which continues to undergo mid-single-digit growth.

▶ HOYA Position and Market Share

Owing to the product competitiveness of Vivinex™ (introduced in the market in 2015), a product with few side effects that is easily implanted into the eye and has received high post-surgery evaluations, our sales in Europe continues to grow at a pace that is significantly above the market.

HOYA is steadily increasing its market share and currently holds the No. 3 place in global terms.

Sales by Region (Mar. 2020)



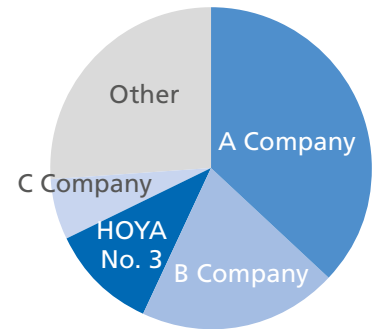
➤ **HOYA Outlook**

We will expand customer reach by bolstering the sales workforce in regions in which we already have sales bases, while entering into new regions one by one, whether directly or indirectly (collaboration with sales agents), and aggressively launch new products in pursuit of higher sales and earnings.

We will also seek to generate synergies with U.S.-based Mid Labs and Germany-based Fritz Ruck acquired in January 2019, whose product lineups cover devices used in cataract surgeries, etc.

Furthermore, in China, where the market is expected to expand in the future, we established a joint venture company with our existing partner and distribution agent GeMax in May 2020, to further increase sales by steadily absorbing demand in China.

Market Share (Mar. 2020)



(HOYA estimate on a value base)

Review of Operations Information Technology Segment

Impact of the COVID-19 Pandemic

- There has been no significant impact of COVID-19 on demand.
- There is a possibility of an increase in demand for mask blanks for semiconductors and substrates for hard disk drives (HDDs) due to an increase in investments related to 5G and data centers driven by society's accelerated shift to the online world

	Manufacturing	Customer demand	Prospects for recovery in demand after relaxation of activity restrictions
Mask blanks for semiconductors	Preprocessing plant in Malaysia was temporarily closed. (Already operating.)	Demand for final products targeting the consumer market has declined, but demand for development of leading-edge products has been steady	No impact. Strong growth is expected.
Photomasks for FPD/LSI	Production has not been impacted in general.	Demand has not been impacted and is steady.	No impact. Steady growth is expected.
Substrates for HDDs	New plant in Laos had been temporarily closed due to lockdown but already resumed operating. Disruptions in supply chain for HDDs for PCs have been observed.	Demand for 3.5-inch substrates has increased at data centers due to remote work, etc.	No impact. Steady growth is expected.
Imaging-related products	Production has not been impacted in general, despite temporary closure of a plant in China.	Demand for lenses for digital cameras, single-lens reflex cameras and mirrorless cameras has decreased due to fewer opportunities to take photos.	Demand is expected to recover along with resumption of travel, events, etc.

Note: Forecast as at August 2020

Electronics

(Information on HOYA's products may be found in the "Business Domains" section of its website. Please refer to this section for further information.)

Mask Blanks for Semiconductors

► Business Overview

In this business, we perform research and development, manufacturing, and sales of mask blanks for semiconductors.

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 raw material used for photomask manufacturing.

Because photomasks are created for each individual circuit pattern, mask blanks are essential to new products developed by semiconductor manufacturers, foundries, and other HOYA customers, and in the R&D stage of new manufacturing technologies such as those of extreme ultraviolet (EUV) lithography.

► Supply Chain



► Market Conditions

The semiconductor market, which experienced negative growth as a whole in 2019 due to falling memory prices, is on a recovery trend. In 2020, the market is expected to grow on the back of such factors as the full-fledged roll-out of 5G and the recovery of investments in data centers, but caution needs to be paid to the situation given the impact of COVID-19 and the rising tension in U.S.–China relations, among others.

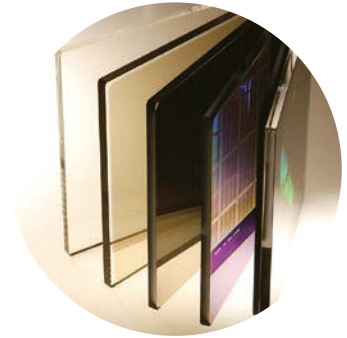
On the other hand, semiconductor manufacturers and foundries are conducting active research and development activities focusing on the further miniaturization of electronic circuits using extreme ultraviolet (EUV) lithography, a next-generation manufacturing technology.

Sales of blanks are primarily driven by the research and development demand of customers as they are necessary for each different circuit design.

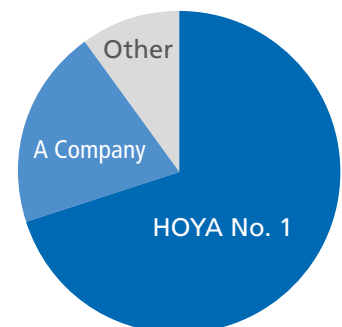
► HOYA Position and Market Share

Putting to use our core technologies of glass polishing and thin film technology has enabled us to capture a large share of the market over the long term.

Moreover, we have continued to conduct EUV blanks research for nearly 20 years, and have demonstrated a firm presence in this field which has exceptionally high hurdles to clear for entry.



Market Share (Mar. 2020)



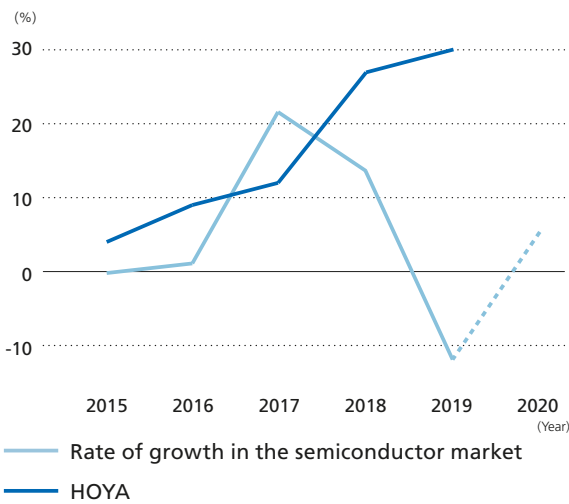
(HOYA estimate on a value base)

For HOYA, opportunities will continue to rise as we advance EUV lithography technology and expand market share.

➤ **HOYA Outlook**

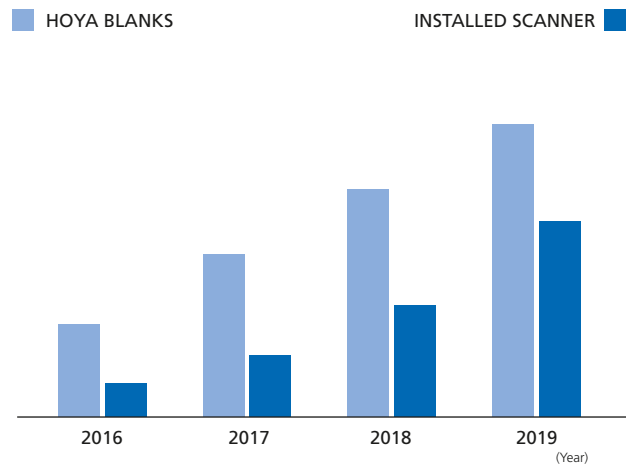
Along with the advance of miniaturization in semiconductors, it appears that demand for mask blanks for EUV lithography will continue to be strong in the fiscal year ending March 31, 2021 and beyond.

Semiconductor Market and HOYA's Growth Rate



Reference: World Semiconductor Trade Statistics

Sales of HOYA mask blanks for EUV lithography and number of EUV scanners installed (volume)



Mask blank sales are difficult to accurately predict due to the dramatic fluctuations that occur in line with customers' development speeds, and also because they are not consumables and are not necessarily linked to movements in the semiconductor industry as a whole. However, sales of products for EUV applications are expected to grow at a rate of around 50%.

Based on this demand forecast, we expanded the manufacturing line for mask blanks for EUV lithography and launched the operation of a new manufacturing line in 2020.

Photomasks for FPD Manufacturing

➤ **Business Overview**

HOYA conducts research and development, manufacturing, and sales of photomasks used for manufacturing FPDs*1 such as LCD*2 and OLED*3.

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



*1 FPD: Flat Panel Display
*2 LCD: Liquid Crystal Display
*3 OLED: Organic Light-Emitting Diode

▶ **Supply Chain**



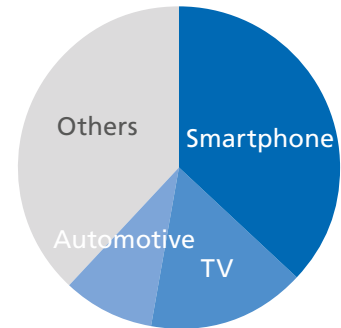
HOYA sources the substrate from raw materials manufacturers, and on that substrate performs polishing, deposition, and resist applications (blanks manufacturing). When the manufacture of the blanks is completed, HOYA conducts circuit pattern drawing, developing, etching, and resist stripping and cleaning,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

▶ **Sales Composition by Application**

The ratio of sales by application is stated as follows. The end-product market for smartphone applications continues to grow, and this seems to have come to account for the largest proportion.

In addition, sales for automotive applications are expanding, it became the proportion next to TVs.

Sales Composition by Application (Mar. 2020)



▶ **Market Conditions**

In the fiscal year ended March 31, 2020, the market of photomasks for FPD manufacturing as a whole expanded owing to the growth in the sixth generation for smartphones (LTPS-OLED/LCD), mainly in China.

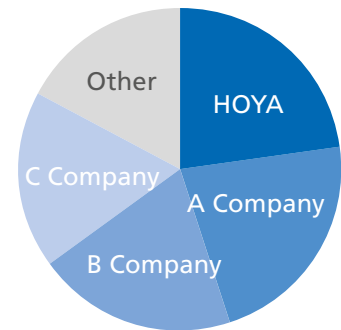
Market expansion is expected to continue going forward, driven by the operation of Gen.6 for the manufacturing of high-resolution panels (resolution over 300 ppi) mainly for smartphones, as well as Gen.10.5.

With regard to regions, it appears that continued expansion will occur in the Chinese market where new factory construction is ongoing.

▶ **HOYA Position and Market Share**

HOYA possesses expertise in high-precision products, and holds the top-class market share.

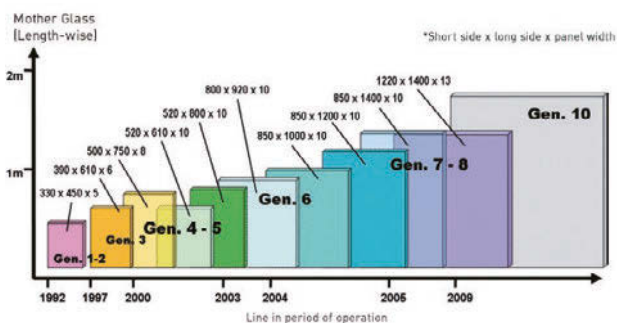
Market Share (Mar. 2020)



(HOYA estimate on a value basis)

▶ **HOYA Outlook**

We will strive for steady business growth focusing on high-precision Gen.6 products where there are future prospects for growth and on the Chinese market in term of geographic region.



Panel Generations

FPD (LCD, OLED, etc.) manufacturing lines are categorized by generation, which corresponds to mother glass size. Every year, the size of mother glass becomes progressively larger due to the upsizing of FPD in line with increasingly big screens, mainly for TVs, and, in order to enhance productivity, because it is effective to increase the number of panel configurations per one sheet of mother glass.

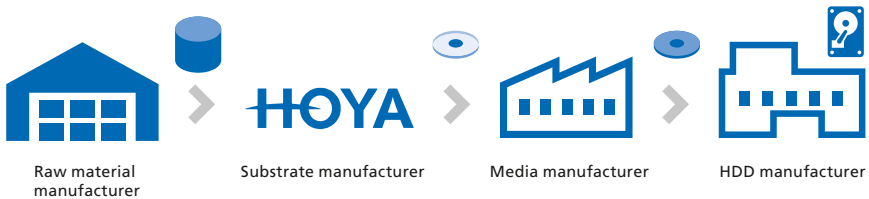
Glass Substrates for HDDs

▶ **Business Overview**

In this area, HOYA conducts research and development, manufacturing, and sales of glass substrates for hard disk drives (HDDs). HDDs are used as recording media in laptop computers and servers.

Since HOYA's full-scale entry into the 3.5-inch market for near-line servers in the fiscal year ended March 31, 2018, production numbers have rapidly grown.

▶ **Supply Chain**



From raw materials manufacturers, HOYA sources substrate raw materials, which we process in ways such as making it into a disc shape, enhancing its shock resistance, and polishing. After processing, we deliver this substrate to the media manufacturer where magnetic film is applied, among other film-forming processes, and it undergoes burnishing (final polishing) and other treatments before being shipped. In hard disk manufacturing, the HDD manufacturer assembles the hard disk, head, and other components, tests the completed product, and then ships.

* Hard disks may also be manufactured by the HDD manufacturer.

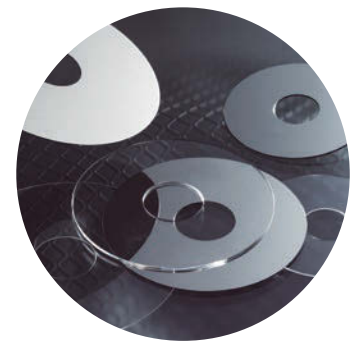
▶ **2.5-Inch Substrates Sales Composition by Application**

The sales composition ratio of our 2.5-inch substrates, by application, is as the right figure.

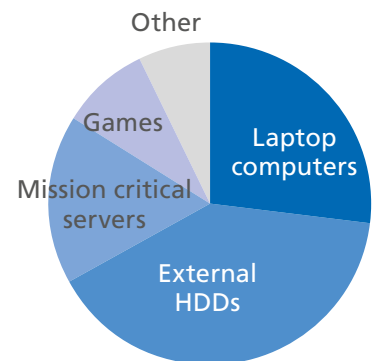
From the fiscal year ended March 31, 2018, we commenced mass production of 3.5-inch glass substrates, as these are expected to see an expansion of demand in the future.

The 3.5-inch substrates we produce are used in HDDs for near line (NL) servers that perform such functions as backup in data centers.

Sales of the 3.5-inch substrates are steadily growing, and by the fourth quarter of the fiscal year ended March 31, 2020 had expanded to 39% of business overall.



2.5 Inch Substrates
Sales Composition by Application
(Mar. 2020)



▶ **Market Conditions**

In the fields of laptop computers, mission critical servers, and other products, the 2.5-inch HDD market is being replaced by solid state drives (SSDs), which have faster data read/write speeds. SSDs were used in about 70% of the notebook PCs shipped in the fiscal year ended March 31, 2020, and the percentage of SSDs is expected to continue to increase steadily in the future.

On the other hand, in the 3.5-inch HDD market, NL servers, having a comparatively low access frequency with backup applications, predominantly use HDDs due to their cost advantages over SSDs. Although investments in facilities associated with data centers by large-scale cloud service vendors fluctuate significantly even in the short term, a significant market expansion is expected in the long term as data generation volumes expands throughout the world.

▶ **HOYA Position and Market Share**

Currently, all 2.5-inch substrates are made of glass. As the sole glass substrate manufacturer in the market, HOYA supports the HDD industry behind the scenes.

In the 3.5-inch substrate segment, products made of aluminum used to completely dominate the market based on their price advantage. However, our glass substrate products are now being adopted for HDDs as they are highly rigid and can increase the number of mounting disks by thinning the disks, and their market share in volume terms has risen to 20% (and 30% speaking only of our shares for HDDs used in NL servers). As the storage capacity of HDDs expands, our market share is also expected to expand.

▶ **HOYA Outlook**

Although we expect solid demand for external HDDs, sales of 2.5-inch substrate products, primarily for laptop computers, mission critical servers, and game consoles, are expected to decline by being replaced by solid state drives (SSDs).

For 3.5-inch substrate products, an increase in the adoption of HDDs equipped with HOYA products by cloud service providers is expected to lead to sales growth.

In the medium to long term, we anticipate growth of 3.5-inch substrate products that more than compensate for the contraction of 2.5-inch substrate products. We will utilize the new plant in Laos that manufactures 3.5-inch substrate products to meet the increase in demand.

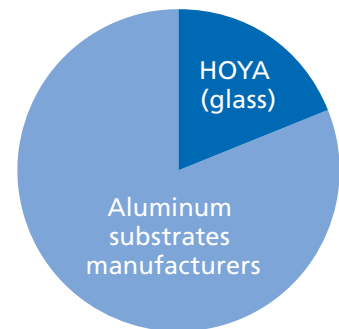
Potential for glass substrates in the 3.5-inch market

In response to the expansion of data volume and the storage volume generated worldwide, HDD manufacturers are continually introducing in the market new products with higher data capacity per HDD.

The increase in data capacity per HDD has been realized by increasing the recording density or area of the disk, but, at present, the development of technologies designed to improve recording density is stagnating, and the expansion of the recording area remains key to capacity expansion.

In the 3.5-inch market, the disk material is now mainly aluminum alloy. However,

3.5-inch Substrates for HDDs Market Share (Mar. 2020)



(HOYA estimate on a value base)

since a further increase in area can be realized by increasing the number of mounting disks by thinning the disks, it is becoming necessary to use glass instead of aluminum alloy as the former has higher rigidity and allows for more thinning. More specifically, after the point where the number of disks mounted in an HDD reaches 10 (substrate thickness: 0.5 mm), glass substrates are required (rigidity of glass and aluminum alloy in terms of Young's modulus are 95 GPa and 71 GPa, respectively).

In the event that HAMR (Heat-Assisted Magnetic Recording) is realized and commercialized, glass substrates, which have excellent heat-resistance characteristics, would be the only option because HAMR would entail heat at the production process of magnetic film (the heat resistant temperature of glass is 691 degrees Celsius, whereas that of aluminum alloy is 290 degrees Celsius).

Imaging-related Products

(Information on HOYA's products may be found in the "Business Domains" section of its website. Please refer to this section for further information.)

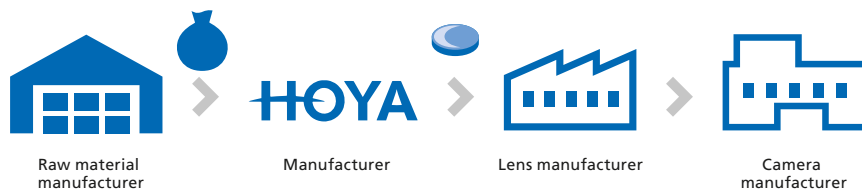
Imaging-related Products

(Including optical glass, optical lenses, camera lens units, and lasers)

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.

Supply Chain



HOYA sources materials from optical glass material manufacturers, conducts compound and solution treatments, manufactures lens materials and lens products, and delivers to lens and camera manufacturers.

Sales Composition by Application

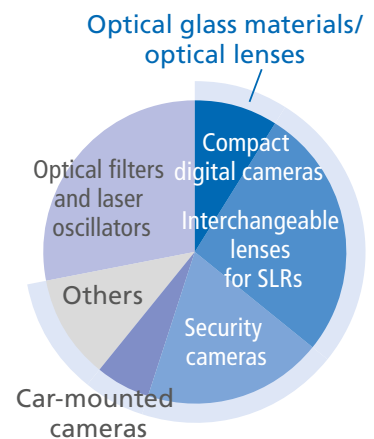
The ratio of sales by application is as the right figure.

Digital camera-related items for compact digital cameras and for interchangeable lenses that had previously made up the majority of sales are trending down, and now account for no more than 40% of total sales.

As for products for security cameras, which is a new area of application, the sales composition increased from the previous fiscal year since demand for aspherical glass lenses is increasing due to the increasing adoption of higher-pixel imaging.



Sales Composition by Application (Mar. 2019)



▶ **Market Conditions**

Compact digital cameras are increasingly being replaced by smartphones, and their decline is ongoing.

The market for interchangeable lenses is also shrinking due to the decrease in sales of interchangeable-lens cameras.

The market for security cameras is growing steadily, especially in China. Lately, the COVID-19 pandemic has given rise to a new trend to utilize security cameras for disease control, so demand is expected to expand.

▶ **HOYA Position and Market Share**

From research and development of optical glass composition to manufacturing of finished products of lenses, HOYA takes a consistent approach to its activities while building a structure that makes possible the mass production of an array of products.

HOYA maintains a high market share with its exceptional skills in aspherical glass molded (GMO) lenses.

GMOs are formed by directly pressing optical glass that has been subjected to high temperatures to make it malleable. These are optical lens products that require no polishing, and possess an excellent ability to correct distortions. Enabling a high angle design, the number of lenses used in optical systems can be reduced, and this contributes to compact, lightweight, and highly functional end-product cameras.

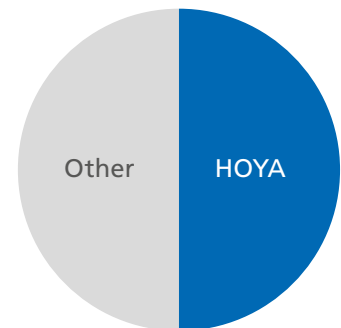
▶ **HOYA Outlook**

As for products for digital cameras, the fall in sales of products for compact digital cameras and interchangeable-lens cameras is expected to continue, as higher-quality/multi-lens imaging is increasingly realized by smartphone cameras.


On the other hand, products for security cameras, which are new applications, are expected to grow steadily due to the increasing adoption of higher-pixel imaging and the increasing number of security cameras installed.

On top of this, we are enhancing our sales activities for the adoption of HOYA products in advanced driver assistance systems (ADASs), facial authentication for mobile devices and Augmented Reality (AR) applications. In particular, their potential in the market of car-mounted cameras for image recognition in ADASs looks promising; we expect them to make a significant contribution to our business results when the practical application of this technology goes into full swing in a few years' time.

Share of Aspherical
GMO lenses
(Digital Camera-Related)
(Mar. 2019)



(HOYA estimate on a value base)



Financial Review

Scope of Consolidation

As of March 31, 2020, the HOYA Group consisted of the HOYA CORPORATION, 145 consolidated subsidiaries (9 of which are domestic and 136 overseas) and 18 affiliates (4 of which are domestic and the other 14 overseas).

The HOYA Group has adopted a business management structure where the Life Care and Information Technology business segments control subsidiaries around the world based on their respective responsibilities. Regional headquarters in the Americas, Europe and Asia support business operations by strengthening relationships with countries and areas in the respective regions, such as by providing legal support and conducting internal audits. The HOYA Group has its Financial Head Quarters (FHQ) at its Europe Regional Headquarters (Netherlands).

Adoption of the International Financial Reporting Standards

Beginning with the fiscal year ended March 31, 2011, the HOYA Group prepares its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRS) pursuant to paragraph (1), Article 120 of the Ordinance on Company Accounting. With respect to reportable segments presented in the overview of operation by business category, the HOYA Group divides its business into three reportable segments, based on IFRS. These segments are Life Care, Information Technology, and Other Businesses.

The Life Care segment deals in health care related products such as eyeglass lenses and contact lenses, as well as medical related products such as intraocular lenses and medical endoscopes. The Information Technology segment handles electronics related products used for the production of semiconductors, liquid crystals and hard disk drives (HDDs), and imaging related products such as digital camera lenses. The Other Businesses segment offers mainly information system services.

Review of Performance in the Fiscal Year Ended March 31, 2020

Sales for the consolidated fiscal year under review amounted to 576,546 million yen, a 1.9% increase year on year.

Profit before income tax increased compared to the preceding consolidated fiscal year by 1.8% to 147,268 million yen, and profit for the year decreased by 6.1% to 114,587 million yen. The profit before tax ratio was 25.5%, equivalent to the ratio of 25.6% in the preceding consolidated fiscal year.

Sales in the Life Care segment were level compared to the preceding consolidated fiscal year at 375,049 million yen. Segment profit decreased by 10.2% to 62,230 million yen.

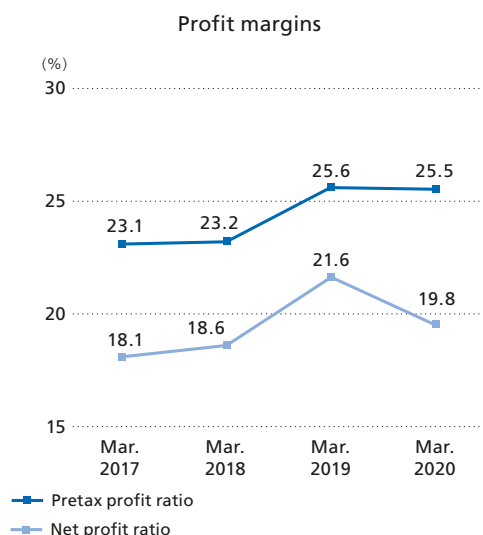
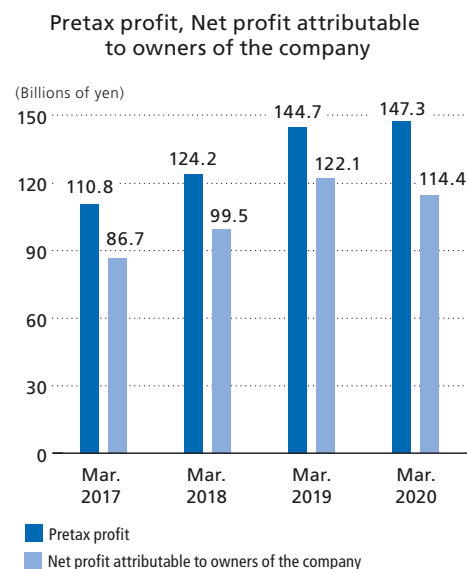
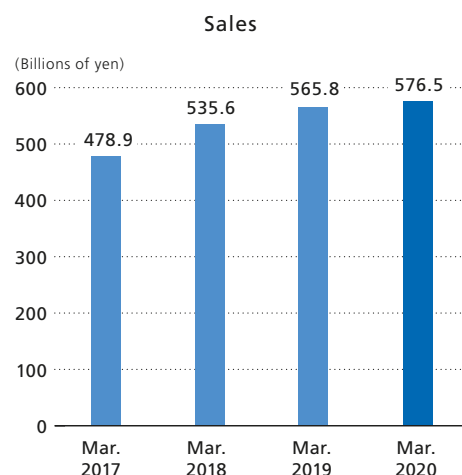
Sales of eyeglass lenses in Japan decreased due to a drop in sales brought about by recoiling demand subsequent to the consumption tax hike having gone into effect. The Company's sales overseas were adversely affected by a situation where respective European governments have been placing restrictions on economic activity since March with the aim of curbing the infectious spread of COVID-19. Prior to that, however, sales were on par with the preceding consolidated fiscal year due to our having managed to achieve growth surpassing that of the market. As a result, the business secured overall sales on par with those of the preceding consolidated fiscal year on a local currency basis. On a yen basis, sales decreased compared to the preceding consolidated fiscal year due to adverse effects of foreign exchange.

Sales of contact lenses increased compared to the preceding consolidated fiscal year as a result of our having captured last-minute demand ahead of the consumption tax hike, in addition to factors that included an increase in new customers caused by enhancements made to existing "Eyecity" retail stores, along with higher sales of value-added products and new store openings.

Sales of medical endoscopes in Japan remained on par with those of the preceding consolidated fiscal year. Meanwhile, sales overseas increased due to strong results largely attributable to positive effects of new products. Overall sales in the business increased on a local currency basis, but decreased on a yen basis compared to the preceding consolidated fiscal year due to adverse effects of foreign exchange.

Intraocular lenses for cataracts achieved strong sales in Japan as a result of having launched new products. Sales were also strong overseas given the contribution to sales of our highly competitive product Vivinex and positive effects of business acquisition. As a result, overall sales in the business increased substantially compared to the preceding consolidated fiscal year.

Sales in the Information Technology segment increased by 4.9%



compared to the preceding consolidated fiscal year to 196,731 million yen, and segment profit increased by 9.4% to 88,135 million yen.

Sales of mask blanks for semiconductors increased substantially compared to the preceding consolidated fiscal year as a result of customer's active R&D and having captured demand for embarking on mass production of leading-edge products including mask blanks for EUV (Extreme Ultraviolet) lithography.

With regard to photomasks for flat-panel-displays and semiconductors, sales of photomasks for semiconductors decreased due to a stagnating market for external sales of photomasks. However, sales of photomasks for flat-panel-displays increased as a result of our having captured demand in the still-growing Chinese market. As a result, overall sales in the business increased compared to the preceding consolidated fiscal year.

Regarding glass substrates for HDDs, sales of 2.5-inch substrates decreased amid a progressive shift to SSDs (solid state drives) from HDDs (hard disk drives) used with respect to laptop computers and other finished products. We achieved a substantial increase in sales of 3.5-inch substrates, which are poised for substantial growth going forward, as a result of having made progress in adopting such substrates for use in nearline server applications by data center end users. As a result, overall sales in the business increased compared to the preceding consolidated fiscal year.

Sales of lenses for cameras decreased compared to the preceding consolidated fiscal year as competition from smartphones continued to bring about a decline in sales of both lenses for compact digital cameras and interchangeable lenses.

(For further information on performance by product, please refer to the Review of Operations section.)

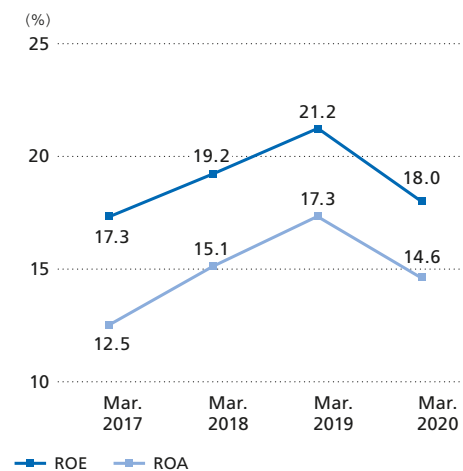
Financial Position

Total assets at March 31, 2020 increased by 47,093 million yen from the end of the preceding consolidated fiscal year to 811,008 million yen.

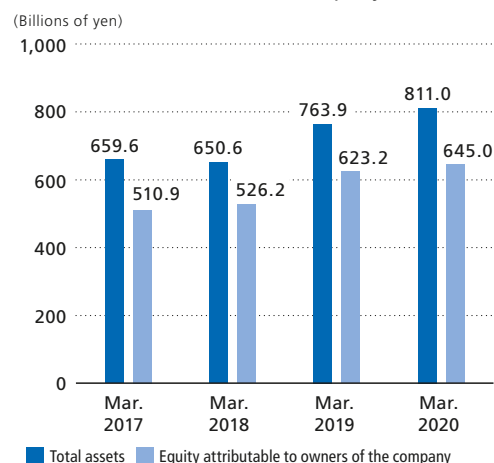
Non-current assets increased by 34,035 million yen to 289,836 million yen. This is primarily due to an increase of 41,225 million yen in property, plant and equipment-net despite a decrease of 4,512 million yen in intangible assets.

Current assets increased by 13,058 million yen to reach 521,171 million yen. This is primarily due to an increase of 24,584 million yen in cash and cash equivalents despite a decrease of 7,507 million yen in trade and other receivables.

Efficiency



Total assets, Equity attributable to owners of the company



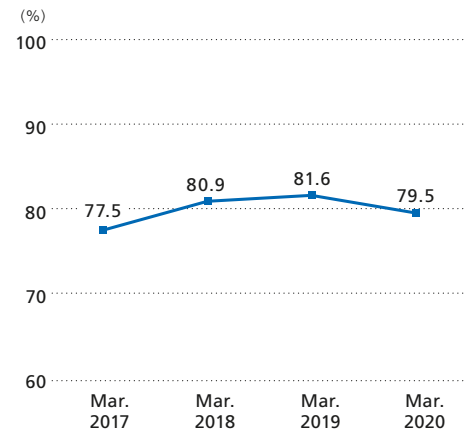
Total equity increased by 1,558 million yen to 629,265 million yen. This is primarily due to an increase of 58,599 million yen in retained earnings despite decreases of 20,329 million yen in non-controlling interests, 19,644 million yen in acquisition of treasury shares, and 16,074 million yen in accumulated other comprehensive income.

Equity attributable to owners of the Company increased by 21,886 million yen to 645,042 million yen.

Liabilities increased by 45,535 million yen to 181,743 million yen. This is primarily due to increases of 13,568 million yen in interest-bearing long-term debt due to an increase in lease liabilities and 12,986 million yen in other long-term financial liabilities.

The ratio of equity attributable to owners of the Company to total assets at March 31, 2020 decreased by 2.1 percentage points from the end of the preceding consolidated fiscal year and reached to 79.5%.

Ratio of equity attributable to owners of the Company



Cash Flow

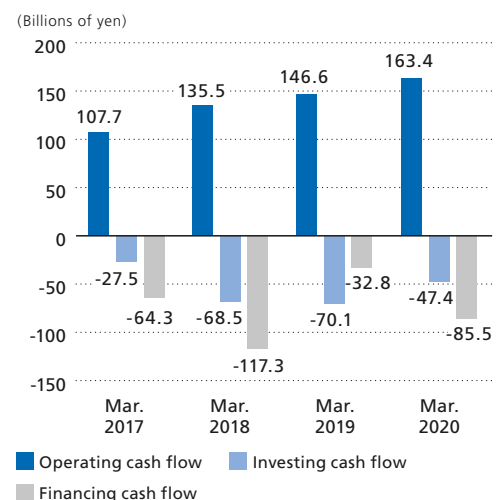
Cash and cash equivalents at the end of the fiscal year ended March 31, 2020 increased by 24,584 million yen (including the effect of changes in exchange rates of 5,930 million yen) from the end of the previous fiscal year to 317,982 million yen.

Net cash provided by operating activities increased by 16,777 million yen from the previous fiscal year to 163,366 million yen. This was mainly attributable to profit before tax of 147,268 million yen (an increase of 2,611 million yen in inflow from the previous fiscal year), depreciation and amortization of 34,374 million yen in (an increase of 7,958 million yen in inflow), an increase of 4,186 million yen in trade and other accounts receivable (an increase of 7,252 million yen in inflow), and an increase of 5,152 million yen in trade and other accounts payable (a decrease of 167 million yen in outflow).

Net cash used in investing activities decreased by 22,760 million yen from the previous fiscal year to 47,383 million yen. This was mainly attributable to purchase of property, plant and equipment of 45,177 million yen (an increase of 18,505 million yen in outflow from the previous fiscal year), payments for time deposits of 2,367 million yen (a decrease of 15,856 million in outflow).

Net cash used in financing activities increased by 52,676 million yen from the previous fiscal year to 85,468 million yen. This was mainly attributable to payments for purchase of treasury shares of 44,283 million yen (an increase of 44,281 million yen in outflow from the previous fiscal year) and dividends paid of 34,042 million yen (a decrease of 99 million yen in outflow).

Cash flow



Capital Expenditures/Depreciation and Amortization

The total capital expenditures of all operations of the HOYA Group amounted to 54,148 million yen during the consolidated fiscal year ended March 31, 2020, an increase of 24,944 million yen over the preceding consolidated fiscal year.

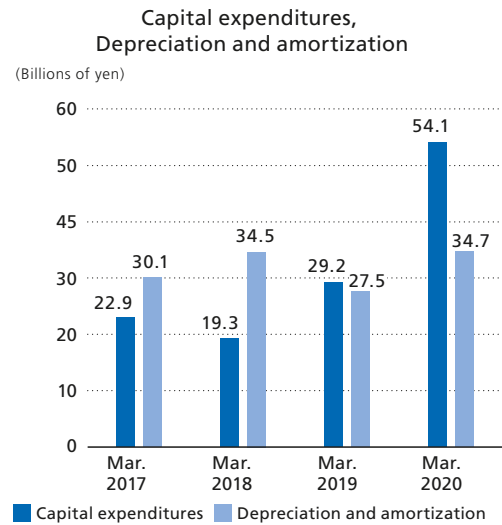
In the consolidated fiscal year under review, investment in the Life Care business increased 30.5% to 24,944 million yen year on year, and investment in the Information Technology business increased 191.3% to 28,939 million yen year on year, which account for 46.1% and 53.4%, respectively, of the total capital expenditures by the Group.

The investment was covered by internally generated funds.

During the consolidated fiscal year under review, in the Life Care business, the HOYA Group invested in production facilities particularly of its second plant in Vietnam with the aims of increasing capacity of production plants primarily for eyeglass lenses, enhancing efficiency, and optimization.

In the Information Technology business, the HOYA Group made investments mainly in production facilities for products occupying growth areas such as mask blanks for semiconductors for EUV lithography and glass substrates for HDDs used in data centers.

Depreciation and amortization (including impairment losses) for the fiscal year under review was 34,674 million yen, 26.0% higher than in the previous fiscal year.

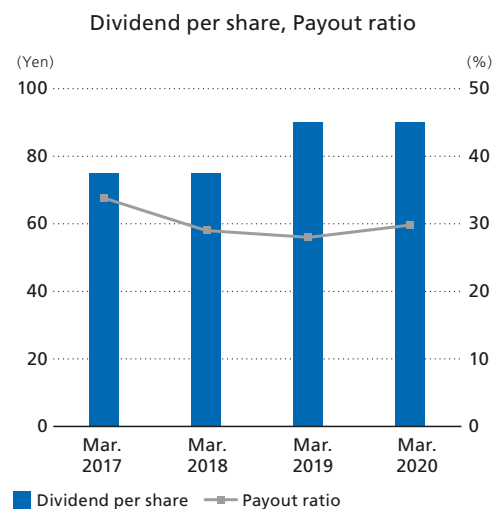


Policy Concerning Decisions on Appropriation of Retained Earnings, etc.

The HOYA Group aims to maximize its corporate value by developing businesses globally and changing the business portfolio to conform to the changing times and environments.

With respect to capital policy, our basic policy is to adopt decisions that strike the optimum balance between enhancing internal reserves for the future growth of the HOYA Group and returning profits to shareholders, while pursuing the optimum capital structure for the Hoya Group that includes financial soundness and capital efficiency.

In addition, by promoting management that gives priority to capital efficiency by realizing maximum profitability from the assets entrusted to us by the shareholders, and taking further steps toward management that gives priority to SVA (Shareholder Value Added), which is measured as the profit generated by the Hoya Group minus the cost of capital, i.e., the profit expected by shareholders, we aim for "Maximization of Corporate Value."



With respect to internal reserves for future growth, resources will be preferentially appropriated to investment in the growing businesses for market share expansion, entry into untapped markets, and nurturing and obtaining new technologies. In addition to growth of existing businesses, we will also proactively pursue possibilities including mergers and acquisitions to further enrich our business portfolio. As for the Information Technology segment, which has been positioned as a steady earnings business, we will continue to make capital investment that further reinforces the technological abilities that become the source of competitiveness, and development investment that will contribute to developing next-generation technologies and new products.

With respect to returning profit to shareholders, our policy is to proactively return profit to shareholders through using excess cash for dividends and the share repurchases while giving comprehensive consideration to the operating performance in the consolidated fiscal year under review, level of internal reserves, and the medium to long term demand for funds and capital structure, among other factors.

The annual dividend, including the interim dividend of 45 yen per share that was already paid, was 90 yen per share. The consolidated dividend payout ratio was 29.7.

In addition, we repurchased a total of 46,700 million yen in treasury stock between May 2019 and April 2020.