

Moving  
towards  
the next **80** years →



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

**HOYA**

**INTEGRATED REPORT 2021**



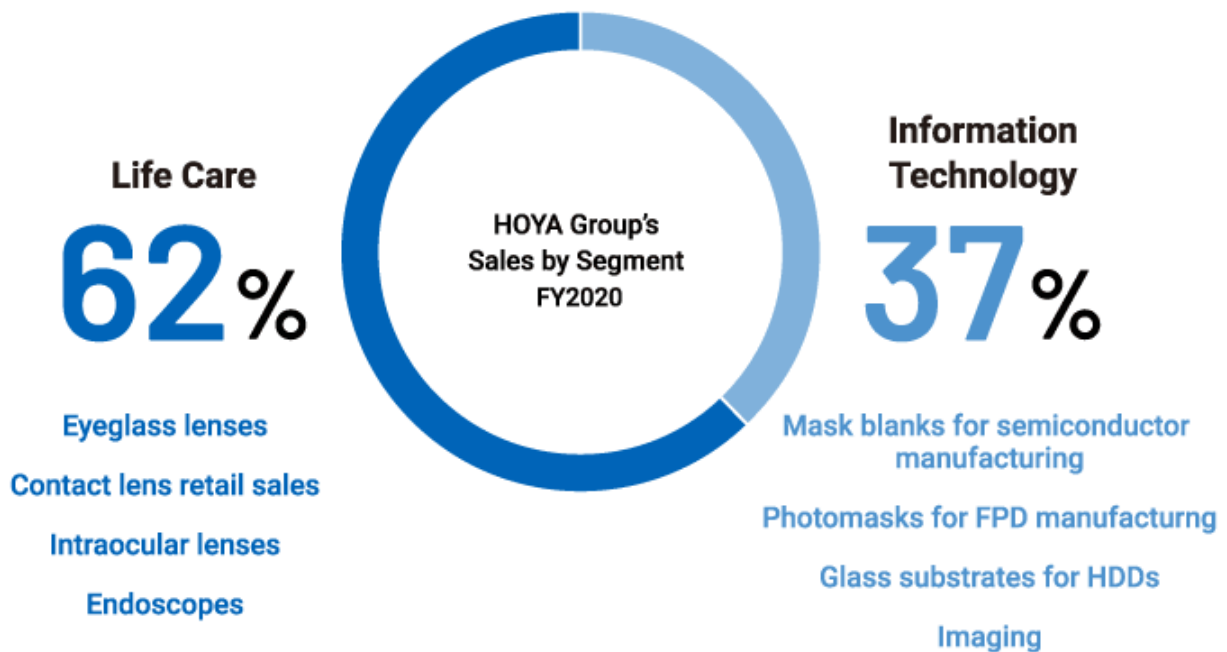
## Business Portfolio Management

### Source of Our Strengths: Business Portfolio Management

HOYA's portfolio management aims to secure profitability, stability, and growth potential of the Group as a whole by operating multiple businesses with different characteristics in terms of business model, sensitivity to economic cycles, etc., to diversify risk.

We examine each business to determine its stage in the lifecycle and allocate more management resources to areas with higher growth potential. We construct our business portfolio based on the survival of the fittest principle by, for example, withdrawing from a business that has lost its competitive edge.

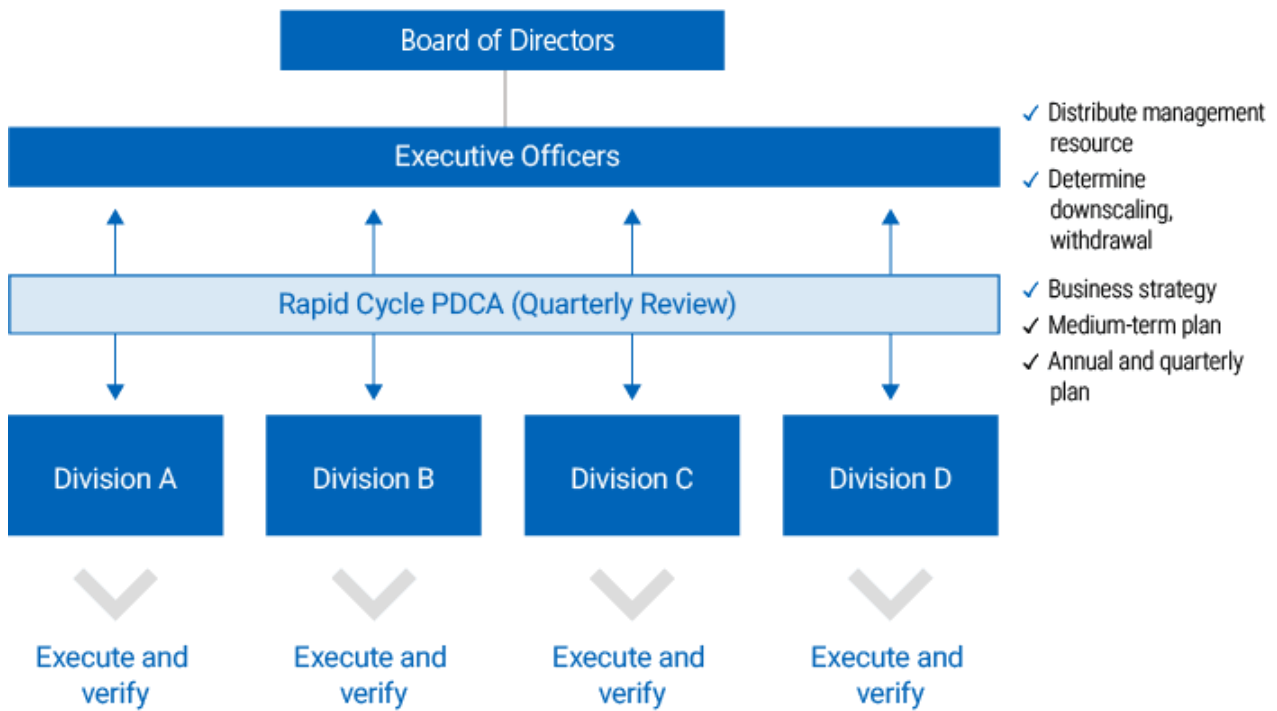
The present two business areas for portfolio management are Life Care and Information Technology.



### The HOYA Management System

Based on the idea that “the accumulation of short-term results will produce long-term growth,” we conduct rapid-cycle reviews and improvement activities on a quarterly basis.

After receiving explanations on growth strategy and operating results from each business division, executive officers make decisions on the allocation of management resources to each business as well as any business downscaling or withdrawal decisions, which is the foundation of our business portfolio management.



## Areas of Focus over the Next 10 Years

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”-related areas 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.



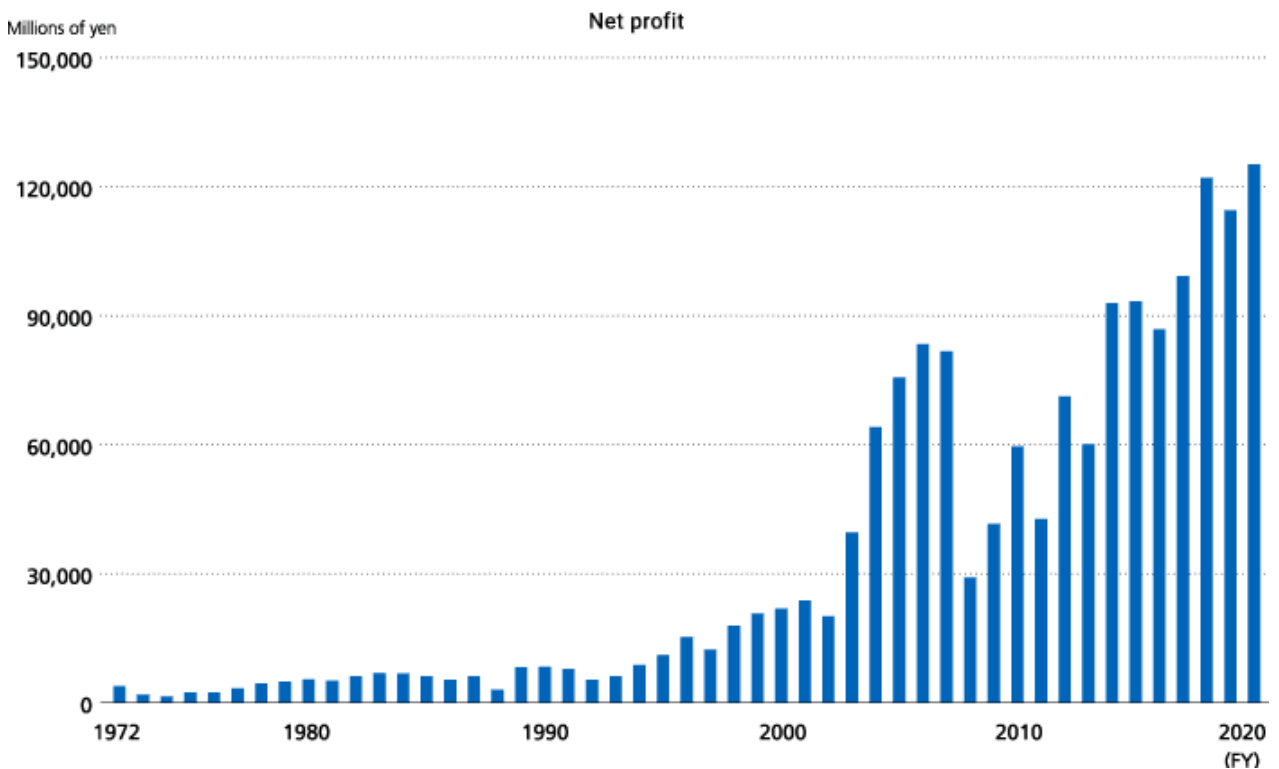
## Milestones in Our Growth

### 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 its 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 photomasks for semiconductors.
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.



## Market Growth and HOYA's Potential

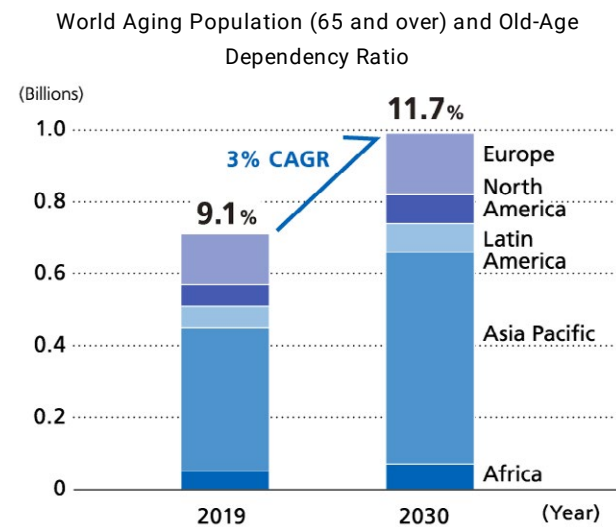
The Life Care business is expected to grow on the basis of the global aging population and improved living standards in emerging countries. The Information Technology market shows some signs of having matured in terms of growth cycles, but still has promising areas in technology advancement. We are determined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

### Life Care

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

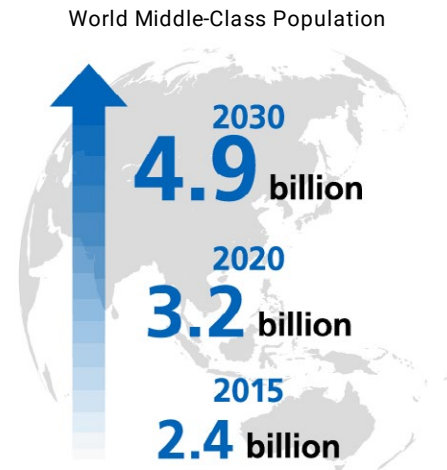
#### ▶ Aging global population expands market

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' improved living standards expands the market**

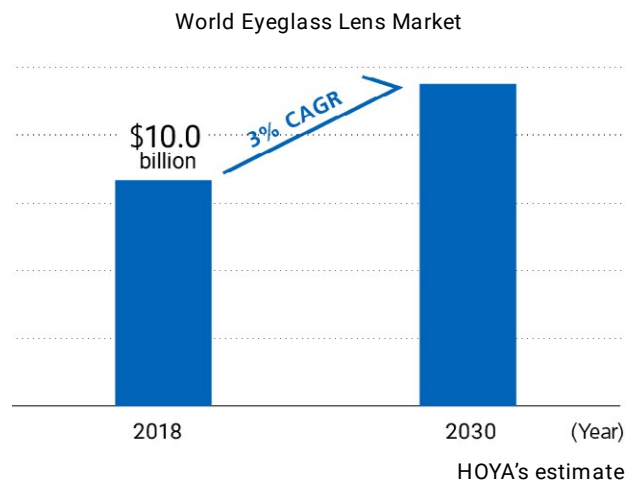
Middle-income populations are increasing on the basis of economic growth of emerging countries. More people will have opportunities to buy eyeglasses or receive medical treatment, which means expansion of business opportunities for HOYA.



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

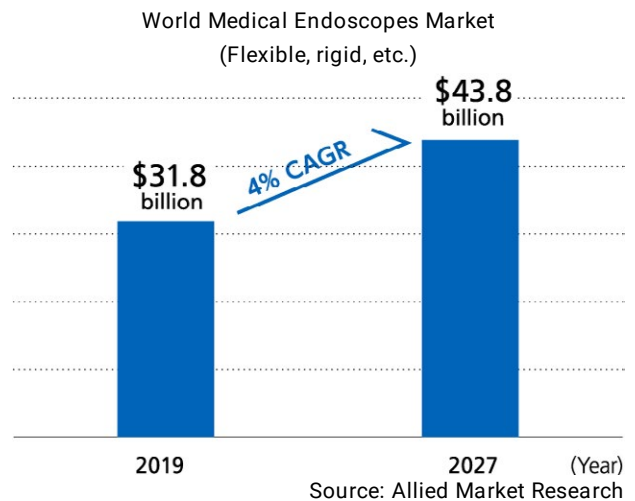
▶ **Increase in the elderly and middle-class population expands the market**

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.



▶ **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.



**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 has continued to undergo significant growth to accommodate the 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.

## 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

Lead Independent Director  
Chairperson of the Nomination Committee

Biography →



Independent Director

### Yukako Uchinaga

Chairperson of the Audit Committee

Biography →



Independent Director

### Shuzo Kaihori

Chairperson of the Compensation Committee

Biography →





Independent Director

Hiroaki Yoshihara

Biography →



Independent Director

Yasuyuki Abe

Biography →



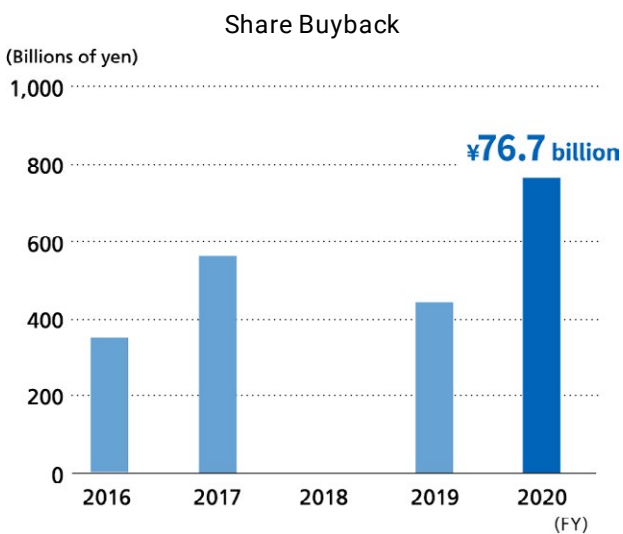
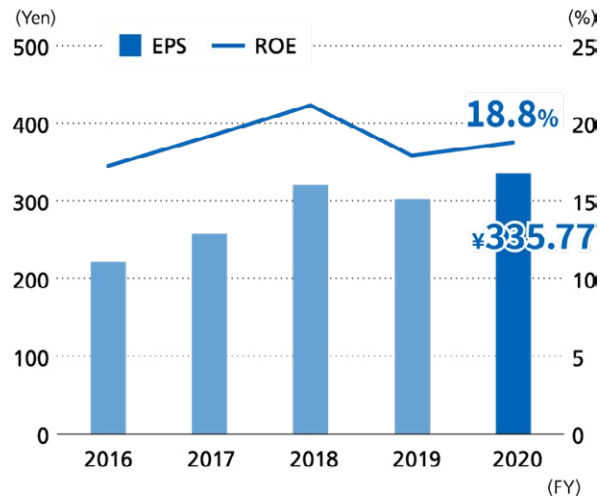
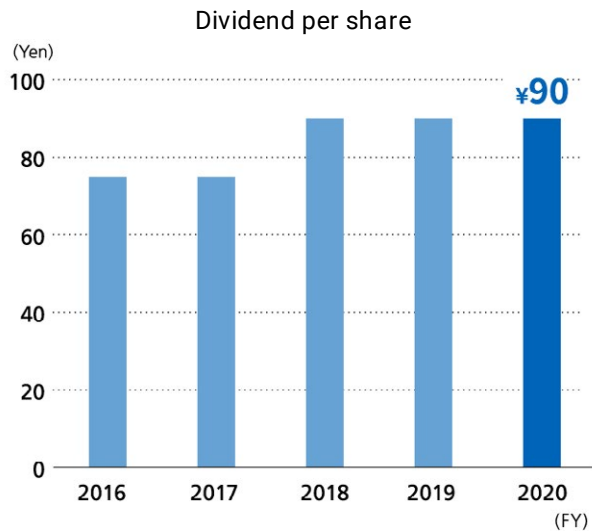
Hiroshi Suzuki

Biography →

## Pursuing Capital Efficiency

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

### Major management indicators and return to shareholders



## Fiscal 2020 Highlights

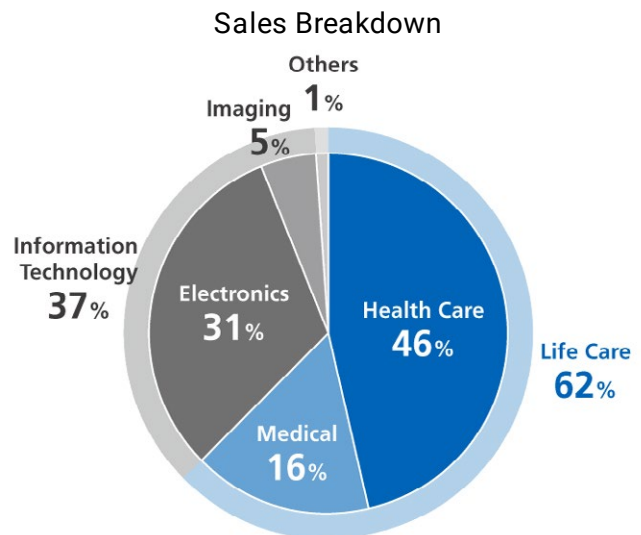


### Financial

### Sales

**-5.0%**

547.9 billion yen



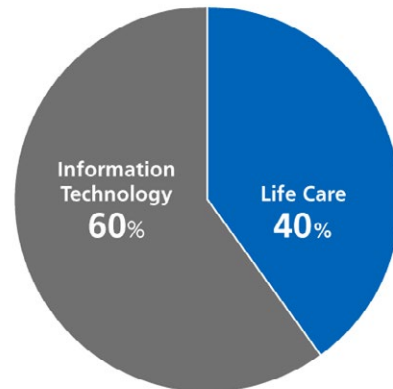
The HOYA Group's consolidated sales revenue decreased 5.0% year on year to 547,921 million yen. The Information Technology segment enjoyed an increase in sales due to higher sales of semiconductor mask blanks for EUV lithography, but the Life Care segment experienced a reduction in sales due to the impact of COVID-19, resulting in a decrease in sales in the Group as a whole.

**Pretax Profits**

Pretax Profits Breakdown by Segment

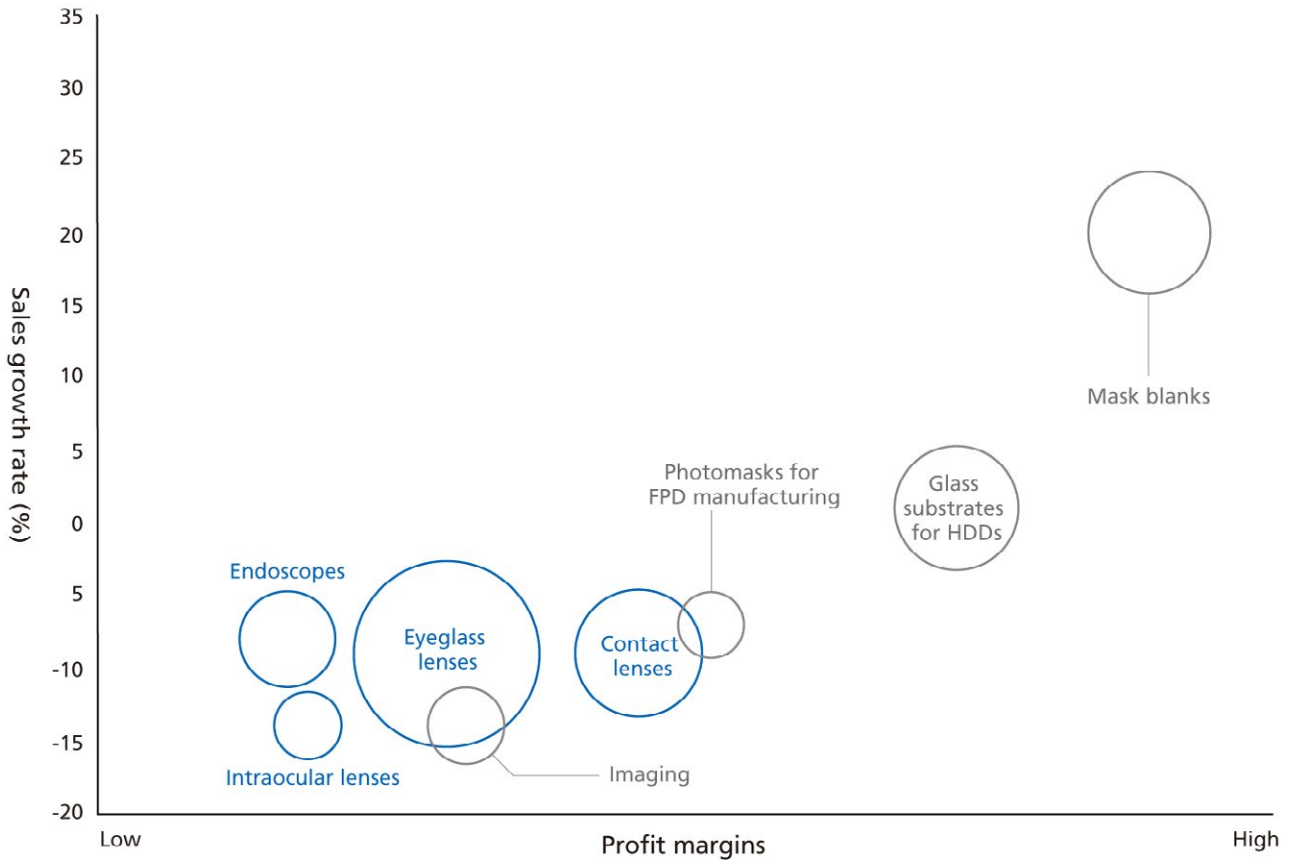
**+8.1%**

159.2 billion yen



Pretax profits reached a record high due to such factors as higher profits associated with thoroughgoing cost management as well as the sales growth in the Information Technology segment.

**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.

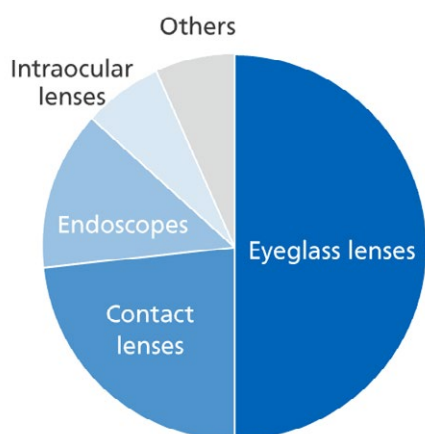
## Sales in the Life Care Segment

**-8.9%**

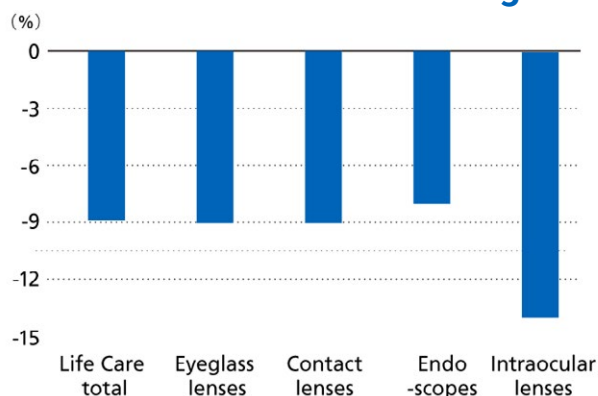
341.8 billion yen

Sales in the Life Care segment decreased 8.9% year on year to 341,801 million yen. Sales are on a recovery trend overall, despite variations among businesses and countries/regions. However, each business was heavily impacted by COVID-19 in the first half of fiscal 2020, resulting in a decrease in sales in the Life Care segment as a whole.

### 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

**+2.1%**

63.5 billion yen



While costs were curtailed in preparation for the fall in demand due to the impact of COVID-19, recovery in sales turned out to be faster than expected, leading to higher pretax profits than in the previous fiscal year.

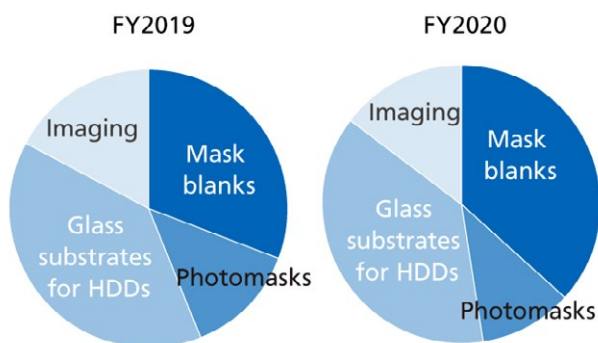
## Sales in the Information Technology Segment

# +2.2%

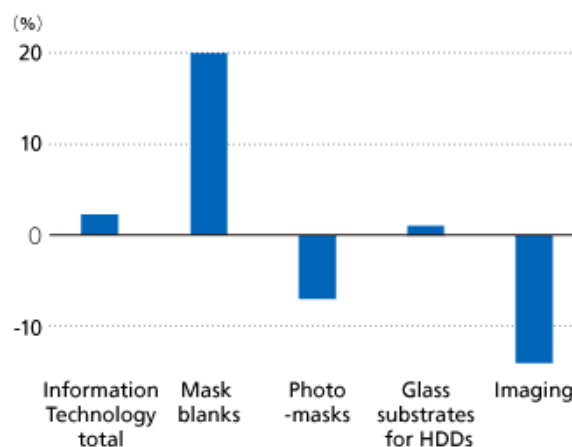
201.0 billion yen

Sales in the imaging business decreased due to the impact of COVID-19, whereas sales of semiconductor mask blanks substantially increased as a result of the increase in demand of research and development for EUV lithography, which is a cutting-edge lithography technology. This has resulted in an increase in sales in the Information Technology segment as a whole from the previous fiscal year.

### 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

**+7.7%**

94.9 billion yen

Pretax profits increased, rising 7.7% from the previous fiscal year, to ¥94,905 million. A contributing factor was the growth in semiconductor mask blanks driven by increasing development demand for products compatible with 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 2021

## Corporate Management Experience of Independent Directors

**100%**

(5 of 5)



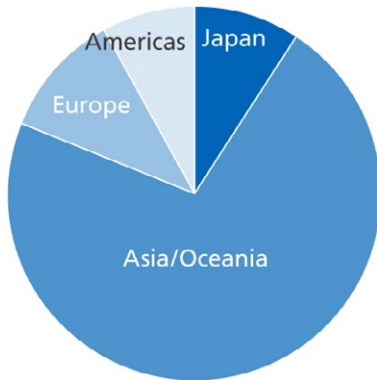
While many companies appoint lawyers, accountants, or academics as outside directors, all of HOYA's outside directors are persons with extensive experience in corporate management. The diverse fields of experience among HOYA's five outside directors includes electronics, IT services, education, and the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

**Number of Employees by Region**

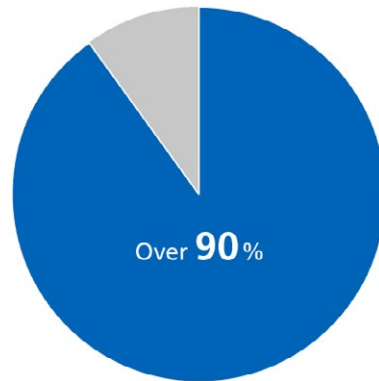
**Non-Japanese Top Management at Overseas Subsidiaries**

**Proportion of Employees Working in Locations Outside Japan**

**>90%**



**>90%**



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. HOYA actively recruits diverse personnel of different races, ethnic groups, nationalities, religions, etc., in order to gain access to exceptional global talent and create new ideas and values. In particular, HOYA is promoting the appointment of local employees to top management positions at its overseas subsidiaries.

**Proportion of Female Employees**

**Japan**

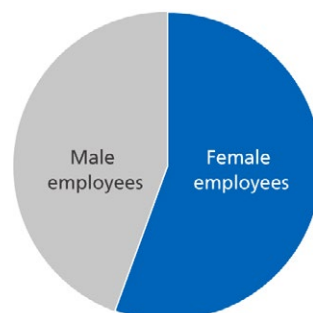
**28.0%**

Up 2.0 ppt YoY



**Overseas\***

**55.7%**

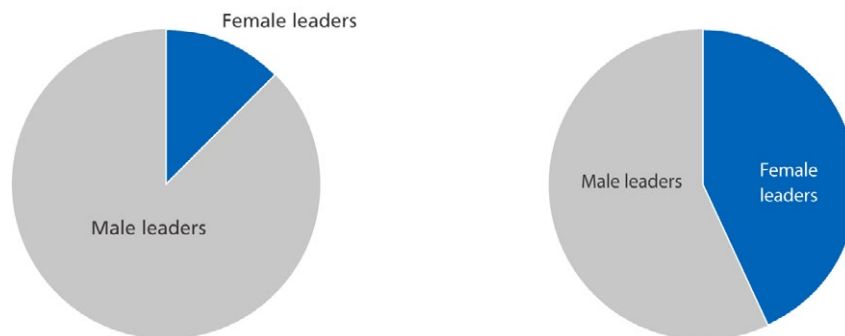


The proportion for total HOYA (domestic + international) is **53.0%**.

## Proportion of Female Leaders



Up **1.9** ppt YoY – Higher than the manufacturing industry average (6.4%)



The proportion for total HOYA (domestic + international) is **34.5%**.

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.

\* This year's survey differs from the previous survey method because the scope of the survey was expanded regarding overseas employees.



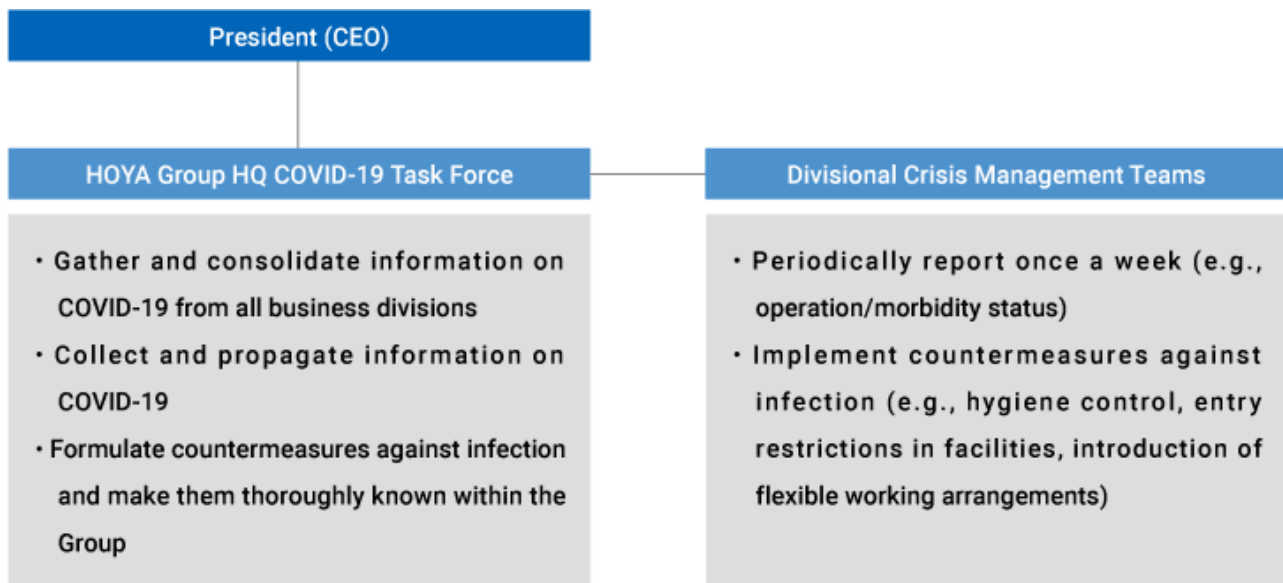
# HOYA's Initiatives against the COVID-19 Pandemic

## Measures and Responses

The HOYA Group is taking all possible measures to ensure the safety and health of its employees, their families, local residents, business partners and all other stakeholders, and to ensure the safe continuation of its business activities in the face of the spread of COVID-19.

### Establishment of Global COVID-19 Task Force

Having restructured the respective Crisis Management Teams of the head office and each business division that had been organized in accordance with the Guidelines on Countermeasures Against New Strains of Influenza and Other Infectious Diseases in response to COVID-19, our Crisis Management Teams take the lead in taking such action as promptly collecting information and overseeing countermeasures.



### Preparation of the HOYA Global Post-COVID-19 Work Handbook

We have prepared the HOYA Global Post-COVID-19 Work Handbook, covering the most recent findings of COVID-19, measures to prevent infections in operational locations/factories, how to respond and determination of whether or not to attend work in the event that anyone becomes infected or comes into close contact with an infected person, and other knowledge and information required to protect the health and safety of employees and continue business activities in a safe manner, as well as the HOYA Group's rules, among others. We have translated the Handbook into 21 languages and distributed it so that we could make its content thoroughly known among all employees in the HOYA Group. Having conducted education and awareness-raising activities targeted at all employees through e-learning, the percentage of employees who took the e-learning course reached almost 100% in October 2020. We have also conducted an internal audit on the adaptation/compliance status regarding matters stated in the Handbook, more or less 100% of which has been completed.



## Promotion of Flexible Workstyles

In 2014, the HOYA Group launched the “Minkatsu” diversity project to create a friendly work environment for everyone, and has since been aiming to create a work environment in which each and every employee can feel a sense of fulfillment from work and play an active role by fully demonstrating his/her ability.

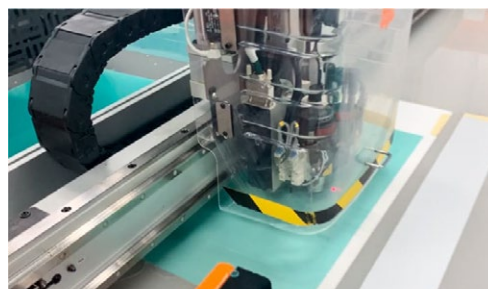
In response to the COVID-19 pandemic, we have been promoting flexible workstyles that not only give more freedom to employees in terms of their workstyle—by such means as promoting Work From Home (WFH) and staggered commuting and abolishing core hours in the flextime system—but are also effective in terms of both infection prevention and productivity improvement.

Also, given that WFH is being promoted in each country, we have created the IT Remote Working Handbook and shared it within the HOYA Group to enable employees to perform tasks at home and remotely in a safe and efficient manner.

## Corporate Citizenship

In order to support front-line healthcare personnel tackling COVID-19, HOYA Vision Care ATC (Advanced Technology Center) Ramsey in the U.S., which is engaged in the eyeglass lenses business, manufactured and donated 28,000 face shields to doctors and nurses who are providing care for COVID-19 patients, in partnership with Oakley, Inc., a manufacturer and distributor of sunglasses and other eyewear.

Furthermore, PENTAX Medical, which is engaged in the medical endoscope business, donated medical equipment such as bronchoscopes and intubation scopes (worth US\$430,000).



Production of face shields

## Impact on Business

Due to the imposition of restrictions on economic activities in each country aimed at curbing the spread of COVID-19 infections, the Life Care segment was mainly impacted in terms of sales (i.e., customer demand). In conjunction with the spread of vaccinations and the resumption of economic activities worldwide, sales are on a recovery trend, and normality is being restored in businesses.

## Impact on Sales

### Life Care Segment

- Eyeglass lenses: Sales opportunities decreased due to the impact of temporary closure of eyeglass stores/opticians—i.e., our customers—and restrictions on outings, etc.
- Contact lenses: The market temporarily shrank due to the decrease in sales opportunities as a result of the temporary closure and reduced operating hours of stores belonging to our specialty retail store chain Eyecity, as well as the reduced frequency of contact lens use attributable to fewer opportunities to go out and more hours spent at home.
- Medical endoscopes: Investments were suppressed due to restrictions on sales activities targeted at hospitals and changes in the business environment surrounding hospitals.
- Intraocular lenses for cataracts: Number of surgeries decreased due to such factors as postponement of cataract surgery to avoid infection risks.

Net sales in the Life Care segment were heavily impacted, especially in the first half of fiscal 2020. However, each segment is on a recovery trend, despite variations between countries/regions.



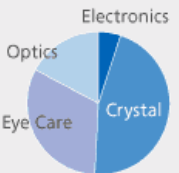
### Information Technology Segment

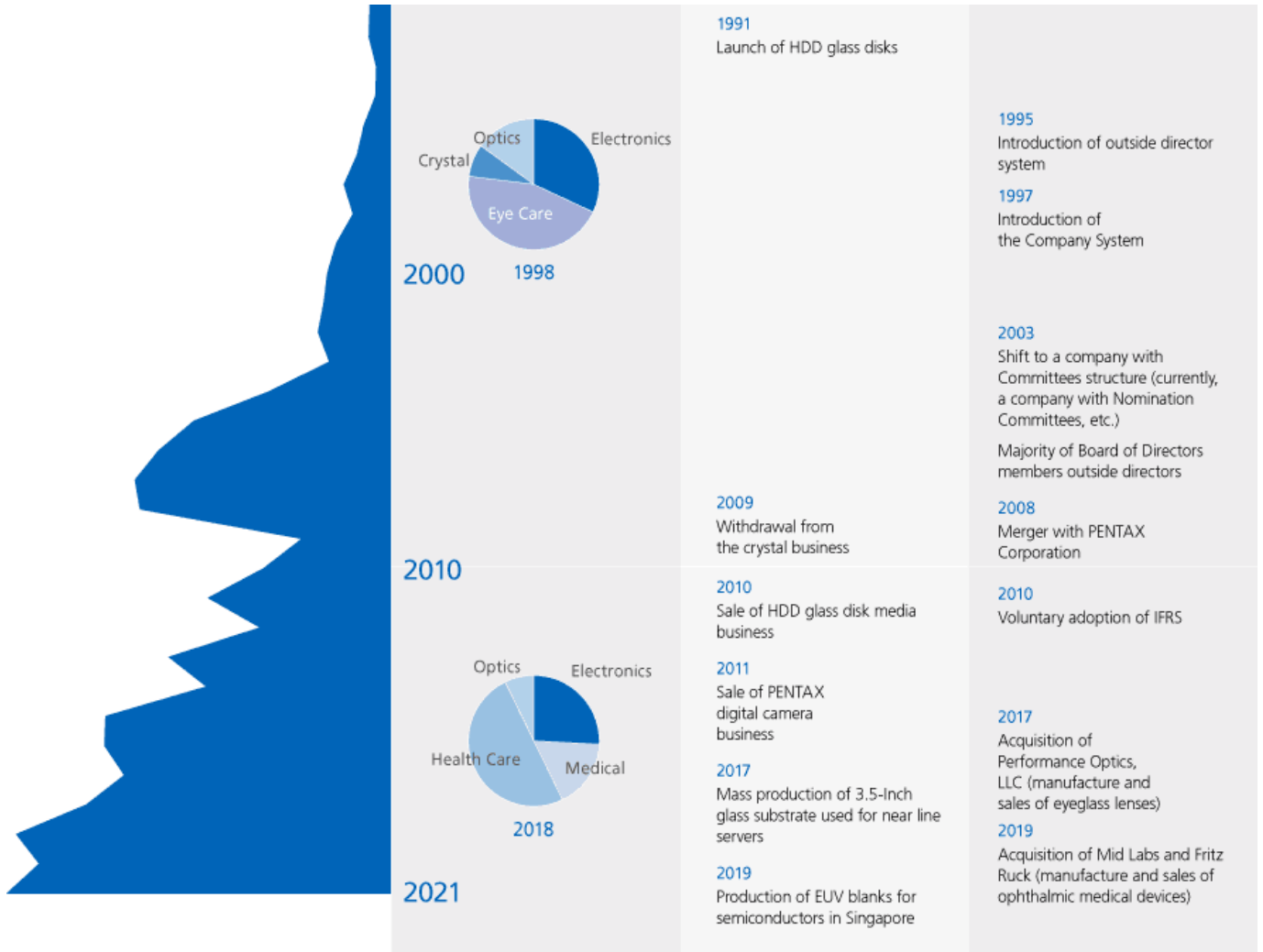
On the other hand, the impact on the Information Technology segment was relatively limited in terms of sales; in particular, HDD substrates were very strong against the backdrop of expanding demand for storage in data centers and mask blanks for EUV lithography performed extremely well on the back of the increase in demand stemming from brisk research and development of next-generation semiconductors.

## Impact on Production

Despite the temporary shutdown, decrease in operating rate, etc., at some operational locations, both Life Care and Information Technology segments have not been substantially impacted in terms of business operations (as of July 2021). However, we are keeping a close watch on the situation as it may be affected by future infections and the closure of manufacturing sites at the request of governments.

## Milestones in Our Growth

Net Income by Fiscal Year	Business Portfolio	Products and Technologies	History
	<p>1941</p>  <p>Optics</p> <p>1941</p>	<p>1941</p> <p>HOYA founded Production of optical glass</p> <p>1945</p> <p>Production of crystal stemware</p>	<p>1941</p> <p>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>Optics Crystal</p> <p>1960</p>	<p>1962</p> <p>Production of eyeglass lenses</p>	<p>1960</p> <p>Showa Factory (currently, the Akishima Factory) established Company name changed to Hoya Lens Corporation</p> <p>1961</p> <p>Listed on the Second Section of the Tokyo Stock Exchange</p>
	<p>1970</p>  <p>Optics Electronics Eye Care Crystal</p> <p>1979</p>	<p>1972</p> <p>Production of contact lenses</p> <p>1974</p> <p>Production of photomask substrates for semiconductors</p>	<p>1973</p> <p>Listed on the First Section of the Tokyo Stock Exchange</p>
	<p>1980</p>	<p>1983</p> <p>Production of photomasks for semiconductors</p> <p>1987</p> <p>Production of intraocular lens for cataracts</p> <p>1990</p> <p>Production of molded glass lenses</p>	<p>1984</p> <p>Company name changed to Hoya Corporation</p> <p>1986</p> <p>R&amp;D Center building established</p>







## Interview with the CEO

**We will continue to create new value for society by reforming our business portfolio to adapt to the environment.**

**Hiroshi Suzuki**

President & CEO

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**Please provide an explanation of the Company's financial results for the fiscal year ended March 31, 2021 (fiscal 2020), especially with respect to factors behind the increase/decrease in sales and factors behind the change in profit margin in each business. Also, taking a look back over the past year, is there anything you rate highly, or on the contrary, anything deemed as unfinished business?**

In fiscal 2020, the Company experienced a reduction in sales of 5% from the previous fiscal year, to 547,921 million yen, primarily as a result of the Life Care business being impacted by the COVID-19 pandemic, but achieved a substantial increase in profits, i.e., profit before tax increased 8.1% year on year, to 159,218 million yen, and profit for the year rose 9.3% year on year, to 125,221 million yen. With respect to profit margins, the Company's profit before tax ratio increased by 360 basis points from the previous fiscal year, to 29.1%.

I appreciate the fact that, despite the extremely tough and unprecedented business environment, the Group worked together as one, reduced costs in a flexible manner, and achieved higher profits in such an emergency situation, which is highly characteristic of HOYA. One thing we regret is that while our "defense" was strong, our "offense" fell short of taking advantage of such a situation to catch competitors off their guard.

By business segment, the Life Care segment was generally impacted by lockdowns and other restrictions imposed to prevent the spread of COVID-19 infections. On the other hand, the Information Technology segment experienced relatively limited impact; in particular, extreme ultraviolet (EUV) mask blanks and substrates for hard disk drives (HDDs) for data centers performed extremely well. The growth of EUV mask blanks was driven by the further boost in research and development of next-generation semiconductors by semiconductor manufacturers and foundries, while the growth of HDD substrates for data centers stemmed from the ongoing expansion of storage demand at data centers.

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**Please describe the impact of COVID-19 on each business and the future outlook. Also, what is your interpretation of the impact of changes in the environment toward the post-COVID-19 era (the "new normal") on the Company, in terms of its positive and negative aspects?**

As I have always said, forecasting is possible for up to the next six months or so, but to be honest, what will happen in a year's time is anyone's guess. We can be more accurate by steadily putting our mind to the Company's foreseeable operating performance in three months' time and six months' time, rather than trying to predict things that are uncertain, as substantiated by past trends in operating performance.

With this as an assumption, the COVID-19 infection situation has repeatedly been undergoing the cycle of improvement and deterioration due to such factors as variant strains, and the situation remains unpredictable. With that said, normality should gradually be restored in the world along with the progress in vaccinations. While eyeglasses and other industries with large exposure to off-line sales channels (brick-and-mortar stores) have suffered a huge impact, demand is steadily recovering, in conjunction with the resumption of economic activities. Gradual recovery is also being observed with respect to medical-related products, which had been affected by the fall in the number of surgeries and the suppression of capital investments. In the Life Care business, progress toward digitization is under way to a certain extent, but no major change is expected to take place in terms of the industrial structure itself.

In the Information Technology business, workstyle reform triggered by the pandemic and the acceleration of digital transformation (DX) might lead to the expansion of demand for the Company's semiconductor-related products (mask blanks and photomasks) as well as data-center-related products (HDD substrates).

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## **What are your views on the directionality of the Company's business portfolio going forward? In particular, please elaborate on new domains that you wish to add and those that you wish to curtail. Also, please explain the Company's policy for merger and acquisition (M&A).**

My biggest job remains unchanged, that is, to reform the Company's business portfolio to adapt to changes in the environment, and to allocate management resources to each business. Our basic approach is to add domains that are adjacent to our existing business domains through M&A, whether vertical or horizontal. Instead of exclusively focusing on M&A that complements existing businesses (bolt-on acquisitions), we are also considering adding domains in the form of new businesses, rather than pursuing synergies with existing businesses.

Medical domains are promising as target domains. That said, pharmaceuticals are difficult for us. A domain that is close to our existing businesses may be medical devices, particularly the ophthalmology domain. In 10 years' time, the industry will likely have substantially changed, giving rise to niche markets and opportunities. On the other hand, on the technology front, communication is a tough nut to crack after all, and HDDs might no longer have any market in the long run. Under these circumstances, the semiconductor business domain enjoys stability in the long run, so we are constantly monitoring niche business domains surrounding the semiconductor industry.

A common approach is to buy up a struggling business from another company and enhance it by introducing a proprietary management system, but this is not necessarily efficient. To put it bluntly, our aim is to buy up a business that will succeed without us having to do anything. Also, in regard to price, we place importance on performing calculations related to future returns in a logical manner and maintaining discipline. It is important to be disciplined enough to pull out when the price is higher than the theoretical price, even by one yen. In that sense, offers currently on the market are more or less outside our scope in terms of valuation. We intend to acquire businesses that enable us to reliably earn

returns through synergy effects with our existing businesses.

While there are no specific businesses currently being considered for curtailment or withdrawal, we have retained successful businesses and strong businesses and, as a result, reinforced our business portfolio to date. A business that fails to succeed even when competent people put in hard work must be questioned as to whether its business domain has any potential in the first place; if it is deemed futile, we will quit decisively.

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**Reportedly, HOYA is a group of business divisions that are completely financially independent of each other, and each business division has a different culture. With this in mind, is there a corporate culture that is universal within the HOYA Group that serves as its source of strength?**

As we have optimized organizations, systems, and the like in line with the respective characteristics of their business domains, it is true that each business division has a different culture. The personnel system also varies from division to division, and transfers and other exchanges of employees between business divisions are limited. Employees may have a sense of belonging to their respective business divisions, but their sense of belonging to HOYA is weak. It is fair to say that HOYA is distinctive for its strong centrifugal force rather than centripetal force. In this context, “thinking in numerical terms” may be regarded as our universal culture. Rather than measuring things based on a single yardstick, we use coefficients that vary among businesses. The culture of getting a grasp of things logically based on numbers without any dynamics being involved other than those that translate into profits—for example, factions, academic cliques, and other forms of noise and bias—has been developed universally in the history of HOYA.

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**HOYA’s corporate governance has been acclaimed for being progressive, as reflected in its independent outside directors accounting for the majority of Board members. On the other hand, some people question why Mr. Suzuki, internal director and CEO, concurrently serves as the Chairperson of the Board of Directors. What is your response to this? Also, now that 21 years have already passed since you assumed the current position in 2000, what are your thoughts about your successor?**

In the Board of Directors of the Company, Mr. Mitsudo Urano serves as the Lead Director, and independent outside directors have extremely strong power as they account for five out of six Board members, constituting the majority of the Board. I serve as the Chairperson of the Board of Directors based on the view that nothing would be more rational than for me to preside over the Board meetings, given that I have the deepest understanding of businesses and internal matters. However, nothing is ever decided at my discretion, and if the Company’s operating performance deteriorates I will be rejected as CEO by the outside directors. In actual fact, there have been cases in which I was told to leave the room as they needed to discuss something in confidence; if I had not been asked to come back, I could very well have just packed my bags and gone home.

In regard to a succession plan, the Nomination Committee, consisting exclusively of outside directors, is formulating a plan. Although I offer my opinions on candidates and other matters, I am not a member of

the Nomination Committee, so I have no right to make any decision. In the timeframe of the next 10 to 20 years, health care and medical domains that are more complex in operations and more global in scale are expected to expand, so candidates will likely be sought from such a perspective. For the continued, perpetual survival and prosperity of HOYA into the future, I believe my mission is to pass on HOYA in a stronger state than before to the next-generation management team.

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**Interest in environmental, social, and governance (ESG) has been growing not only among investors but also among a wide range of stakeholders including customers and suppliers nowadays. What is your interpretation of the relationship between ESG initiatives and corporate value? Also, please explain what you think is the most important in promoting ESG.**

As for ESG, I think it is no good trying to please everybody, and armchair discussions alone will not cut the mustard either. There is no point discussing ideals regarding “the vision we should pursue”; what matters is “How exactly are we going to achieve the goals?” I also believe continuity is important, so anything unsustainable should not be carried out.

In terms of environmental, the reduction of CO<sub>2</sub> emissions is becoming increasingly important. Being a manufacturer, the Company uses an extremely large amount of electricity in its manufacturing equipment and clean rooms. We need to replace equipment with units that are more energy-efficient. However, the conventional equation in which the reduction of CO<sub>2</sub> emissions also translated into cost reduction has started to fall apart, giving rise to the need for discussions at the level of international politics, not just at the corporate level. Going forward, we will look into options, including those other than replacing manufacturing equipment.

In terms of social, let me talk a little bit about diversity. In the HOYA Group, employees are given equal opportunities, regardless of gender, race, and so forth. Personnel affairs are decided with an extremely simple, flat mindset, putting highly capable individuals in charge of appropriate positions. HOYA is a Japanese company, but no less than 90% of its employees are non-Japanese nationals, and members of the management team of its local subsidiaries in each country vary widely in terms of nationality and race. Taking a look at gender diversity, for example, almost all of our local subsidiaries in Thailand have a female president, but this is rather attributable largely to factors specific to the country and society itself. The fact that many of the current systems in society have been created by men cannot be denied; unless we create an environment in which women can demonstrate their capabilities, such a society cannot be deemed truly sustainable. Let me also add that I question myself as to whether it is right to just hire a certain number of women or appoint a female director for the sake of meeting numerical targets.

ESG initiatives will undoubtedly translate into higher corporate value. It ultimately boils down to the question: “What kind of value has been created for society?” Beating the competition is not the only measure of a company’s strength. The objective of a company is to undergo perpetual development, so in an extreme case, even if the company is acquired, it will be no problem as long as this objective can be fulfilled.

While there may be instances in which discrepancies may arise with the yardstick of capital markets (market capitalization), I believe they will be reconciled in the long run.

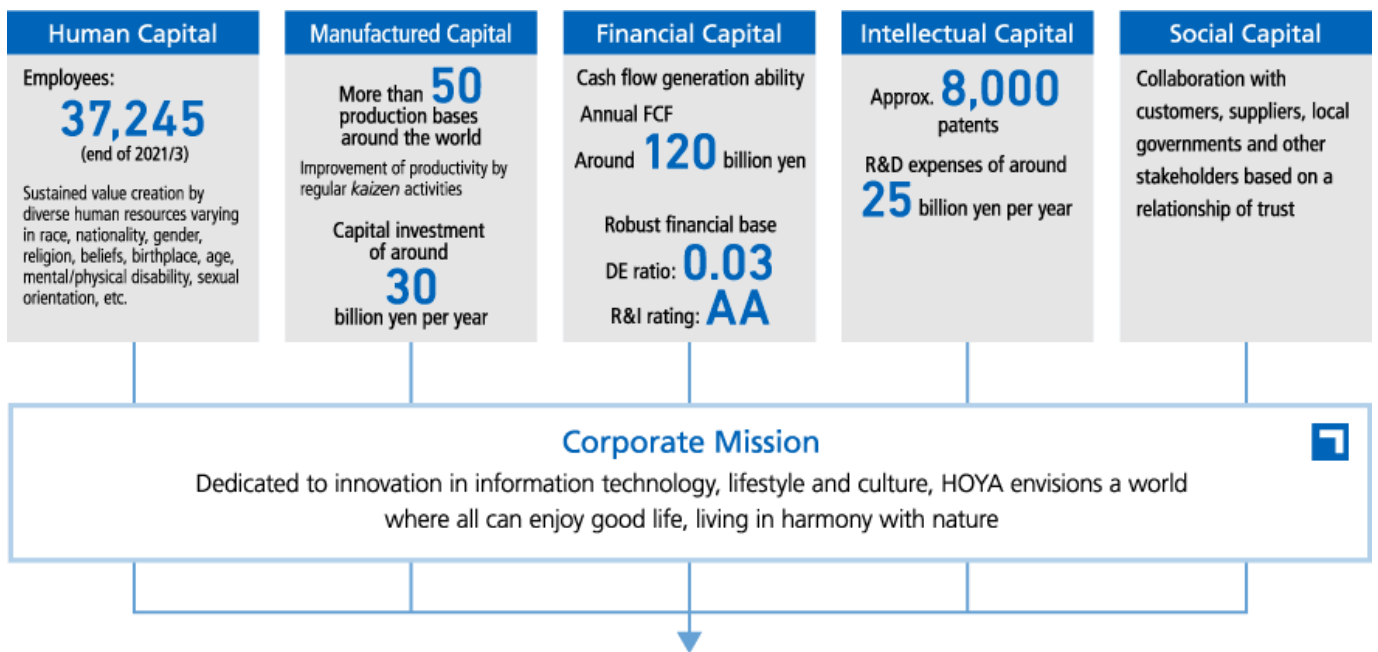
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**Please describe the past results and future approach regarding shareholder returns, including share buybacks. Also, what message do you wish to convey to shareholders and investors, including priorities and noteworthy matters in the Company's relationship with them and the Company's progress toward sustainable growth?**

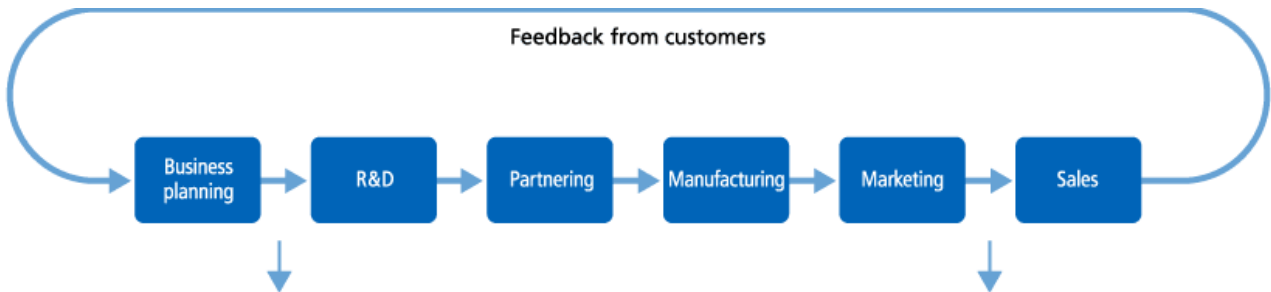
Our approach remains unchanged in that we will use funds by giving priority to investments aimed at sustained growth for the future. However, M&A, which forms the core of our growth strategy, will depend heavily on the existence of opportunities as well as valuations; therefore, if these factors do not materialize, and consequently, surplus funds arise, our basic policy is to return the funds to shareholders. In the past year, the Company executed a share buyback amounting to 80 billion yen in total, accounting for approximately 1.7% of the total number of outstanding shares, and retired the shares after acquiring them. Going forward, we will continue to conduct management that gives priority to capital efficiency by allocating funds in a flexible manner and proactively making growth-oriented investments and generating shareholder returns while keeping an eye on the balance with investment opportunities.

# HOYA Value Creation Model

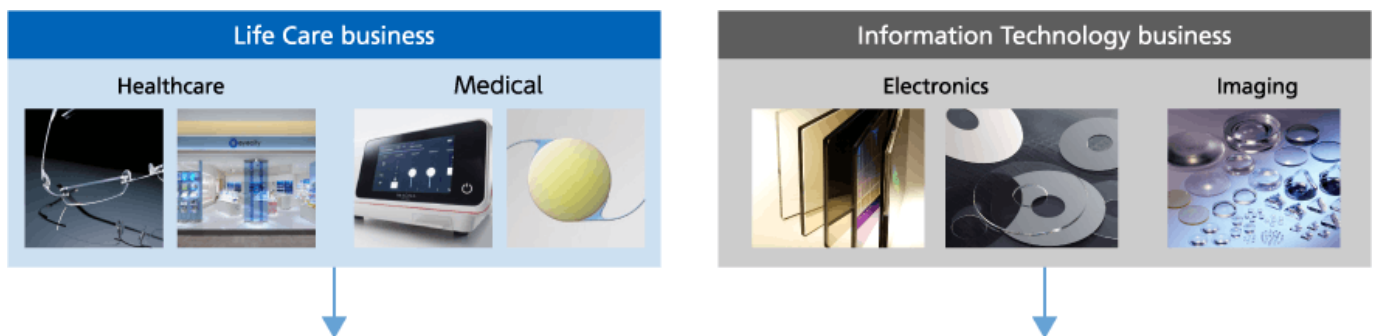
## Management Capital



## Business model



## Products and services



## Social value

### Contribution to the health of people around the world

Support the vision of people around the world with such products as eyeglass lenses, contact lenses, intraocular lenses for cataract surgery, and eyeglasses to support the scotopic vision of people suffering from night blindness

➤ Contribute with endoscopes to minimally invasive treatment, a surgical procedure designed to minimize incisions to the patient's body

### Contribution to the creation of the basis for technological innovation

➤ Contribute to semiconductor manufacturing with higher efficiency and lower power consumption by providing mask blanks

➤ Contribute to storage with larger capacity and lower environmental impact by providing glass substrates for HDDs

➤ Contribute to safer automobiles by providing in-vehicle camera lenses

### Governance

Based on the concept of business portfolio management, Executive Officers review the progress of each business target and changes in the business environment at the management meeting held every three months to allocate management resources, including investing in growth areas and withdrawing from declining businesses.

### ESG activities aimed at achieving SDGs

- E** (Environment) Enhance response to environmental issues
- S** (Social) Enhance response to social issues
- G** (Governance) Realize advanced corporate governance (independent outside directors account for 83% of the Board/all members have corporate management experience/committee established)

### Social environment and issues concerning corporate activities

- Increasingly aging society and expansion of demand for advanced medical equipment
- Progression of myopia due to increased screen time
- Higher speed, higher functionality and increased data volume of communication equipment

## Vision

### For a Better Tomorrow

- Solve eye health issues
- Alleviate patients' burden by promoting minimally invasive medical treatment
- Improve safety and work efficiency, develop technologies that support the big data society



## HOYA's ESG Approach

Amid the growing interest in Environment, Social and Governance (ESG) issues 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 fiscal 2020, we not only engaged in normal activities such as dealing with investors related to ESG, providing information to information vendors and collecting information, but also analyzed information to be disclosed in accordance with ISO26000 by utilizing an external agency and performed specific tasks to prepare for the identification of material issues.

### 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 ESG Committee's examination and interviews with investors, GHG Emissions, Product Quality & Safety, Employee Engagement, Diversity & Inclusion and Supply Chain Management were chosen as candidate material issues. Material issues are scheduled for identification (approval by management) in fiscal 2021.

General issue category		Material issue according to SASB			Material issue according to HOYA's ESG Committee	Material issue according to investors
		Medical Equipment & Supplies	Hardware	Semiconductors	Company as a whole	Company as a whole
Environment	GHG Emissions			○	○	○
	Air Quality					
	Energy Management			○	○	
	Water & Wastewater Management			○	○	
	Waste & Hazardous Materials Management			○	○	○
	Ecological Impacts					



		Material issue according to SASB			Material issue according to HOYA's ESG Committee	Material issue according to investors
		Medical Equipment & Supplies	Hardware	Semiconductors	Company as a whole	Company as a whole
General issue category						
Social Capital	Human Rights & Community Relations				○	
	Customer Privacy					
	Data Security		○			
	Access & Affordability	○				
	Product Quality & Safety	○			○	○
	Customer Welfare					
	Selling Practices & Product Labeling	○				
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					

		Material issue according to SASB			Material issue according to HOYA's ESG Committee	Material issue according to investors
		Medical Equipment & Supplies	Hardware	Semiconductors	Company as a whole	Company as a whole
General issue category						
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.

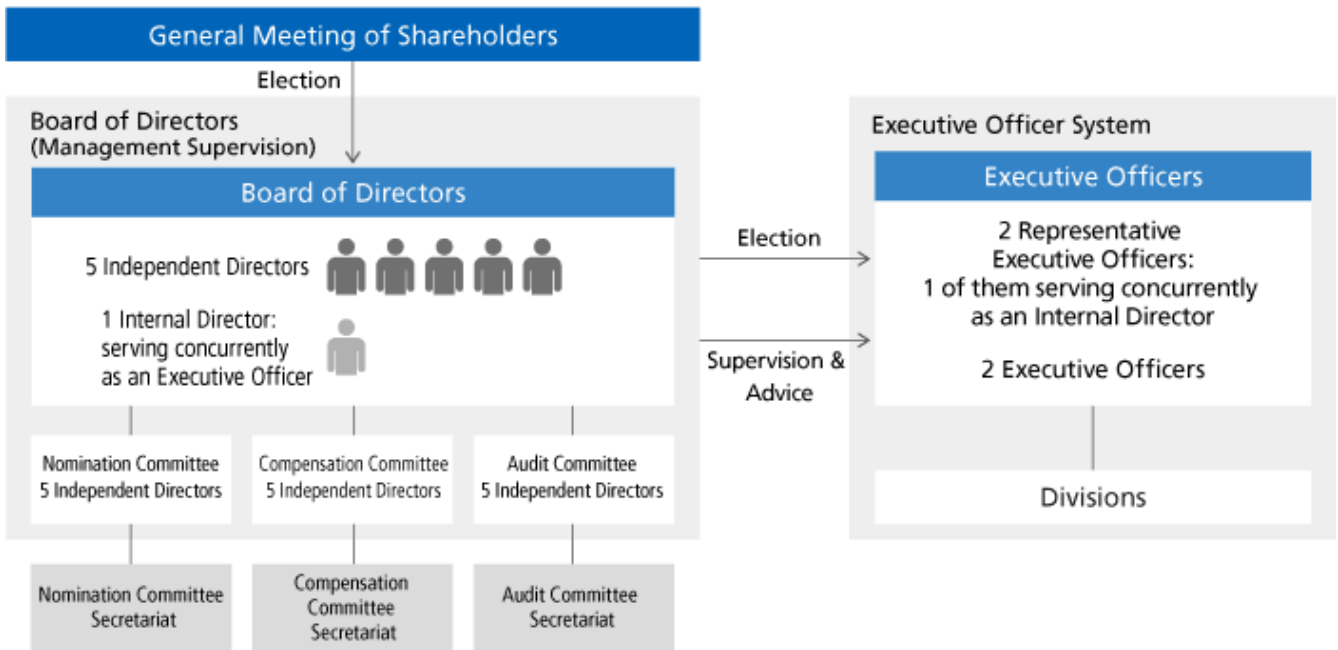
The Company has established HOYA Corporate Governance Guidelines at the meeting of the Board of Directors, and intends to enhance the corporate governance structure and to introduce better governance systems by revising the guidelines.

- ▶ [Articles of Incorporation](#)
- ▶ [Regulations of the Board of Directors](#)
- ▶ [Corporate Governance Guidelines](#)
- ▶ [Corporate Governance Report](#)

## 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 making is 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 Committee, 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 2021)



**Board of Directors**

**Board of Directors**

Our Board of Directors comprises five outside directors and one internal director, totaling six directors. In principle, 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 medium- to long-term management strategies and risk management need to be deepened further."
Average	"Adequate discussions on the diversity of directors and management's succession planning need to be promoted on an ongoing basis."

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 fiscal 2020, the attendance ratio of five directors was 100% and one director was 88.9%, 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

8 years

Number of shares of the  
Company held

5,000 shares

Number of attendances  
to the Board meetings

9/9 times (100%)

- 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)

#### Important positions of other companies concurrently held

Outside Director of Hitachi Transport System, Ltd.

#### Reason for the selection for Director

Mr. Urano 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.



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

## Yukako Uchinaga

(Born on Jul. 5, 1946)

Number of years in office of the  
Director of the Company

8 years

Number of shares of the  
Company held

1,000 shares

Number of attendances  
to the Board meetings

9/9 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
- Outside Director of SINTOKOGIO, LTD.

### 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,  
Member of the Audit Committee

## Shuzo Kaihori

(Born on Jan. 31, 1948)

Number of years in office of the  
Director of the Company

6 years

Number of shares of the  
Company held

1,000 shares

Number of attendances  
to the Board meetings

9/9 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

Mr. Kaihori 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 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

3 years

Number of shares of the  
Company held

0 share

Number of attendances  
to the Board meetings

9/9 times (100%)

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

### Important positions of other companies concurrently held

Outside Director of Hitachi, Ltd

### Reason for the selection for Director

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



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

## Yasuyuki Abe

(Born on Apr. 17, 1952)

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
New	0 share	—

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

### Important positions of other companies concurrently held

Advisor of ORANGE AND PARTNERS CO., LTD.  
Outside Director of SUBARU CORPORATION

### Reason for the selection for Director

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



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

28 years

Number of shares of the  
Company held

84,980 shares

Number of attendances  
to the Board meetings

9/9 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

Mr. Suzuki 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	•	•		•		•
Shuzo Kaihori	•	•		•		
Hiroaki Yoshihara	•	•	•	•	•	
Yasuyuki Abe	•	•		•	•	

## 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; and 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 six meetings during fiscal 2020, in which the attendance ratio of one member was 83.3% and all other members was 100%, and held discussions 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 fiscal 2020, in which the attendance ratio of all members was 100%, and held discussions especially on performance-based remuneration for executive officers.

### ● 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. Stock options become exercisable after a waiting period of approximately one year, in increments of 25% of the granted number of stock options in each subsequent year. Stock options are exercisable for a period of ten years.

#### [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 fiscal 2019. The PSU is a system for granting shares at a number that is in proportion to the level of achievement of the predetermined performance conditions. The payment ratio that corresponds to the level of achievement of the performance targets will range from 0% to 200%, based on performance during three fiscal years. The Company has selected net sales, 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 PSU 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 a mechanism for retention of highly talented human resources by setting a competitive compensation level.

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

Basic deliverable number of shares		Medium- to long-term performance targets		
Position/ responsibilities	Basic deliverable number of shares	Indicator	Target (consolidated)	Reason for the selection of the indicator
CEO	4,100	×	Net sales	670 billion yen Selected as an indicator to measure growth potential of the HOYA Group in the domestic and overseas markets.
CFO	1,400		Earnings per share (EPS)	430 yen Selected as an indicator to measure growth of the Company from the same perspective as shareholders.
Other executive officers	1,200		Return on equity (ROE)	19.00% 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.

## Total amount of remuneration, etc. of Directors and Executive Officers for fiscal 2020

Classification	Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type			
			Fixed salary	Performance-based bonuses	Stock options	PSU
<b>Directors</b>						
<b>Independent</b>	5 persons	94 million yen	50 million yen	—	43 million yen	—
<b>Internal</b>	1 person	11 million yen	8 million yen	—	3 million yen	—
<b>Total</b>	6 persons	105 million yen	58 million yen	—	46 million yen	—
<b>Executive Officers</b>	4 persons	573 million yen	243 million yen	220 million yen	30 million yen	81 million yen
<b>Total</b>	10 persons	678 million yen	301 million yen	220 million yen	76 million yen	81 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.
2. Fixed salary for Executive Officers includes overseas Executive Officer's benefit as expatriate of 72 million yen.
3. 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 fiscal 2019. The table above shows stock options granted in past fiscal years in amounts to be recorded as expenses for the fiscal year under review.
4. 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 Executive Officer

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options	PSU
<b>Hiroshi Suzuki</b> , Representative Executive Officer President & CEO	Director	11 million yen	8 million yen	—	3 million yen	—
	Representative Executive Officer	217 million yen	85 million yen	76 million yen	12 million yen	44 million yen
<b>Ryo Hirooka</b> Representative Executive Officer & CFO	Representative Executive Officer	127 million yen	55 million yen	54 million yen	5 million yen	13 million yen
<b>Eiichiro Ikeda</b> Executive Officer, Chief Technology Officer (CTO)	Executive Officer	112 million yen	50 million yen	44 million yen	6 million yen	12 million yen
<b>Augustine Yee</b> Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs	Executive Officer	118 million yen	53 million yen	47 million yen	6 million yen	12 million yen

## Audit Committee

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

Audit Committee meetings were convened nine times in fiscal 2020, 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 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.

# Environmental

## HOYA Group Environmental Philosophy and Fundamental Environmental Policies

The HOYA Group actively engages in environmental preservation efforts as part of its corporate social responsibility in order to pass on to future generations a global environment in better shape than today.

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 1995. 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

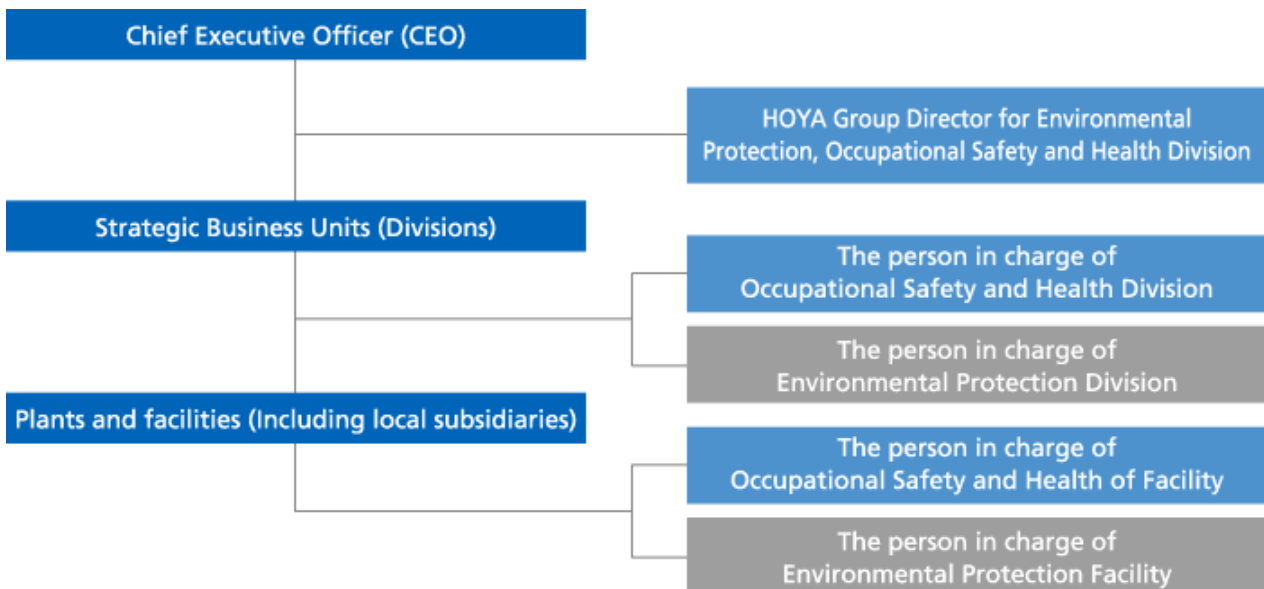
1. We recognize the importance of environmental conservation, thereby passing on the global environment in the best possible condition to the future generations. We make certain that all our corporate activities are conducted in a well-balanced manner for people, society, and the natural environment.
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.

- 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 Environmental Policies, by introducing environmental education programs and promoting internal communications.

### HOYA Group Environmental Protection and Occupational Safety and Health Organization

In October 2008, the Group’s environmental protection organization and the occupational safety and health organization were merged with each other. Since then, with the new structure supervised by the HOYA Group Director for Environmental Protection, Occupational Safety and Health, the Group has been carrying out smooth and efficient activities of environmental protection and occupational safety and health. Having established the HOYA Group’s standards and the like, we are making them thoroughly known within the Group and conducting education at each business facility and production site in an effort to prevent accidents. Also, environmental, occupational safety and health activities that have been performed are subject to an internal audit, followed by a review at the management level, based on which the effectiveness of the activities are evaluated and improved on an ongoing basis.

#### HOYA Group Environmental Protection and Occupational Safety and Health Organization



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

The HOYA Group has been building a global management system that integrates ISO (International Organization for Standardization) 14001 and 45001 for the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees. In February 2013, the HOYA Group acquired global multisite certification. As of March 2021, 50 sites in 18 countries were certified. Certification has been acquired at 100% of our major production/research and development bases, and certification is also being obtained for newly organized bases one by one.

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

# Environmental

## Climate Change



## Greenhouse Gas

### HOYA Strategy for CO<sub>2</sub> Reduction

The HOYA Group is globally conducting its environmental protection activities, in which attempts are being made to reduce CO<sub>2</sub> emissions by paying special attention to its "energy consumption."

### CO<sub>2</sub> Reduction Targets

The HOYA Group has been focusing its efforts on environmental protection activities, having set its CO<sub>2</sub> emissions reduction target at achieving "a 5-percent reduction of CO<sub>2</sub> emissions from fiscal 2016 by fiscal 2020 (compared with the level of fiscal 2014)."

Also, having set the HOYA Group's new medium-term target at achieving "a 16-percent reduction of CO<sub>2</sub> emissions per unit of net sales from fiscal 2021 by fiscal 2025 (compared with the level of fiscal 2019)" as its target for the next five years, the HOYA Group is engaged in initiatives to reduce CO<sub>2</sub> emissions by setting numerical targets and formulating action plans in each business with the aim of fulfilling the Group's target.

### CO<sub>2</sub> Emissions

In fiscal 2020, which was the final year for the medium-term target, the HOYA Group's CO<sub>2</sub> emissions amounted to 406,176 tons. (Scope 1 and 2 emissions) CO<sub>2</sub> emissions increased by 1.3% compared with the level in fiscal 2014, falling short of the target; however, we were able to reduce CO<sub>2</sub> emissions per unit of net sales by 9.4%. We will continue to accelerate our initiatives so that we can successfully reduce not only CO<sub>2</sub> emissions per unit of net sales but also total CO<sub>2</sub> emissions.

## CO<sub>2</sub> emissions of the HOYA Group (t-CO<sub>2</sub>equivalent)

Scope 1 and 2 emissions	Unit	FY2014 (Base year)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	% change from the base year
Japan	t-CO <sub>2</sub>	82,835	85,261	69,992	71,375	66,824	59,304	43,452	-47.5%
Overseas	t-CO <sub>2</sub>	317,976	332,206	328,124	337,960	338,946	359,162	362,724	14.1%
Total	t-CO <sub>2</sub>	400,811	417,467	398,116	409,335	405,770	418,466	406,176	1.3%
CO <sub>2</sub> emissions per unit of net sales	t-CO <sub>2</sub> per billion yen	818	826	831	764	717	726	741	-9.4%

Note that the CO<sub>2</sub> emissions are calculated, for each of the production bases<sup>\*1</sup>, from the electric power and fuel consumptions as determined by the summation formulas standardized for the whole HOYA Group.

\*1 Some non-production bases are included

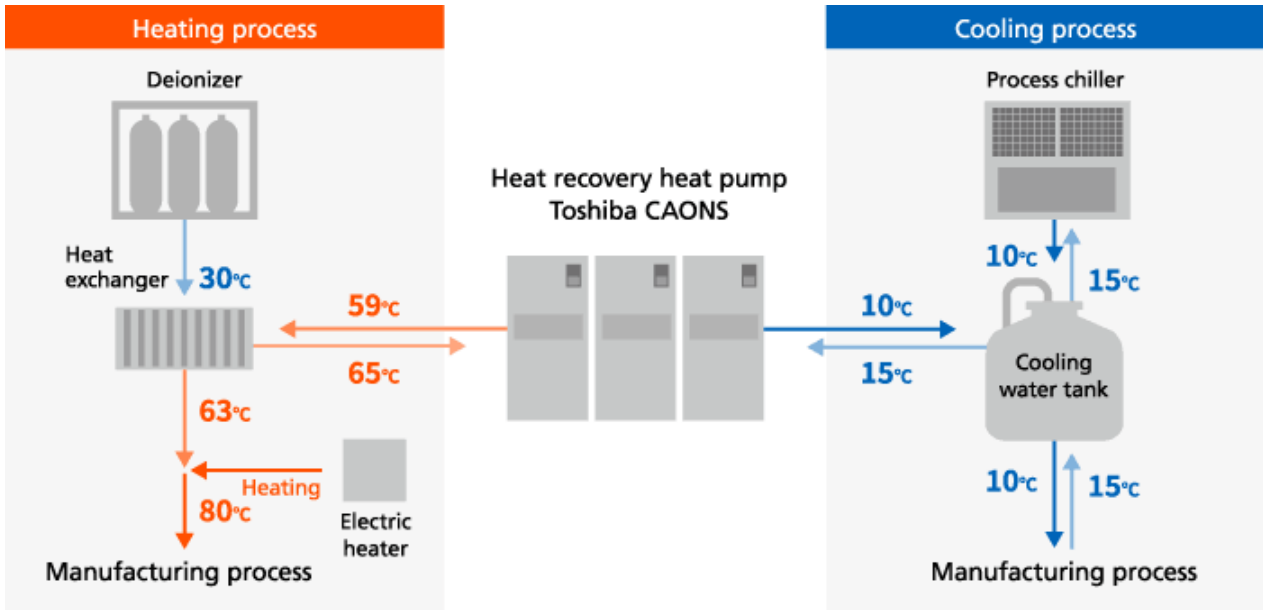
## Energy saving and power saving activities

At production bases, we are replacing facilities with energy-saving types (such as adopting ice thermal storage systems and high-efficiency transformers), conducting energy-saving activities (such as optimizing the operating hours of boilers and air-conditioning equipment) and promoting roof-greening, etc. We are also endeavoring to suppress CO<sub>2</sub> emissions from non-production bases by such means as introducing casual wear, adjusting the indoor temperature appropriately and implementing efficient lighting in offices.

### Examples of energy/power saving initiatives

- Efforts to reduce greenhouse gas emissions at overseas offices using Joint Crediting Mechanism (JCM) (HOYA expects to cut annual CO<sub>2</sub> 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 CO<sub>2</sub> emissions by using the heat that used to be expelled to the outside air when cold heat was supplied as a source of cold heat for the production process and as an auxiliary heat source for heating the water used in the manufacturing process. Before introducing the heat recovery heat pump, we used only electric heaters to obtain the desired temperature.





- At the eyeglass lens plant in Vietnam, one of the existing centrifugal chillers was replaced with a highly efficient inverter centrifugal chiller. By using the new chiller for regular operation and the old one as backup equipment, we achieved a lower introduction cost, improved energy efficiency, and reduced CO<sub>2</sub> emissions at the same time.

- Introduction of renewable energy  
HOYA Vision Care ATC (Advanced Technology Center) Ramsey, which is one of our eyeglass lens business bases in the U.S., has been running on 100% renewable energy generated by solar and wind power since 2014. This has the effect of reducing approximately 3,800 tons of CO<sub>2</sub> emissions per year.



# 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 fiscal 2020, water usage in the HOYA Group was 15,044,000 cubic meters. Compared to fiscal 2014, we managed to reduce water usage by 13.3% within the Group as a whole, and by 22.3% in terms of water usage per unit of net sales, having raised the ratio of water reuse.

#### Water usage in the HOYA Group (Thousand cubic meters)

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	% change from the base year
Japan	Thousand cubic meters	1,185	1,183	1,098	1,008	1,071	929	886	-25.2%
Overseas	Thousand cubic meters	16,169	16,336	15,871	16,360	16,357	16,848	14,158	-12.4%
Total	Thousand cubic meters	17,354	17,519	16,969	17,368	17,429	17,777	15,044	-13.3%

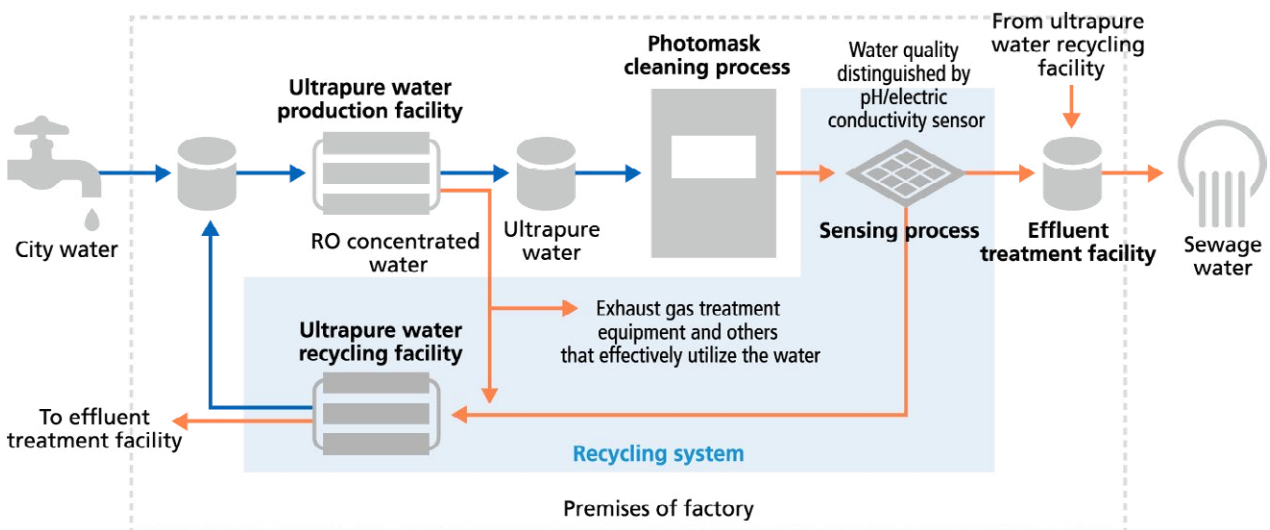
	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	% change from the base year
Water usage per unit of net sales	Thousand cubic meters per billion yen	35.4	34.6	35.4	32.4	30.8	30.8	27.5	-22.3%
Water reuse ratio	%	15%	16%	18%	20%	21%	27%	30%	+15%

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

### Initiatives to reuse water

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

#### Recycling of ultrapure water in photomask manufacturing process



# Environmental

## Pollution Control Measures and Waste, etc.



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

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

### Waste

In entrusting contracted disposal of factory waste, individual facilities select contractors after carefully checking their business licenses.

Also, through consignment contracts with appropriate disposal contractors, the Group promotes the recycling of industrial waste, creation of monetary values out of waste, and reduction of waste emissions. In order to realize a sustainable, recycling-oriented society, we are recycling wood waste and waste plastics, promoting the reuse of packaging materials, and recycling paper, among others. Our major factories in Japan have achieved zero emissions in terms of industrial waste.

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

[\\* For further information, please refer to Corporate Citizenship.](#)

### Waste emissions in the HOYA Group (t)

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Japan	Total emissions	2,656	3,462	3,362	3,478	3,144	2,099	2,229
	Recycling rate	79.0%	60.1%	66.1%	62.6%	65.9%	76.0%	91.0%
Overseas	Total emissions	43,992	43,760	49,888	56,354	56,766	56,289	54,281
	Recycling rate	61.0%	66.5%	66.3%	68.4%	69.1%	76.2%	72.0%
Global	Total emissions	46,648	47,222	53,250	59,832	59,911	58,388	56,509
	Recycling rate	62.0%	66.1%	66.3%	68.1%	68.9%	76.2%	72.8%

### Chemical substances

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

### Animal experimentation

The HOYA Group's Management Principles stipulate as follows: "We work hard to ensure that our corporate activities are carried out with respect for the environment." The Group's Business Conduct Guidelines require the promotion of sustainability and efforts to conduct environmentally-friendly activities.

There are some cases in which animal experiments need to be conducted to develop some medical products.

Based on the above policy, the HOYA Group has established regulations in each business in consideration of various laws and regulations as well as guidelines established by relevant organizations, and conducts internal screening from the viewpoint of the 3Rs principle on animal experimentation, i.e., Replacement (utilization of alternative methods of experimentation that do not involve the use of animals), Reduction (reduction of the number of animals used) and Refinement (alleviation of pain and suffering caused to animals).

## Social

### HOYA Group Occupational Safety and Health Philosophy and Fundamental Occupational Safety and Health Policies



The HOYA Group established its “Safety and Health Philosophy” and “Fundamental Safety and Health Policies” in 1995. Under these guidelines, the Group has been promoting the occupational safety and health activities at all its business facilities globally.

In 2012, the Group reviewed the content of its environmental and occupational safety and health management systems upon acquiring global multisite certification for such systems, and has since been conducting globally-standardized safety and health activities.

#### HOYA Group Safety and Health Philosophy

We believe that a healthy mind and body of each employee is essential for the enrichment of all 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.

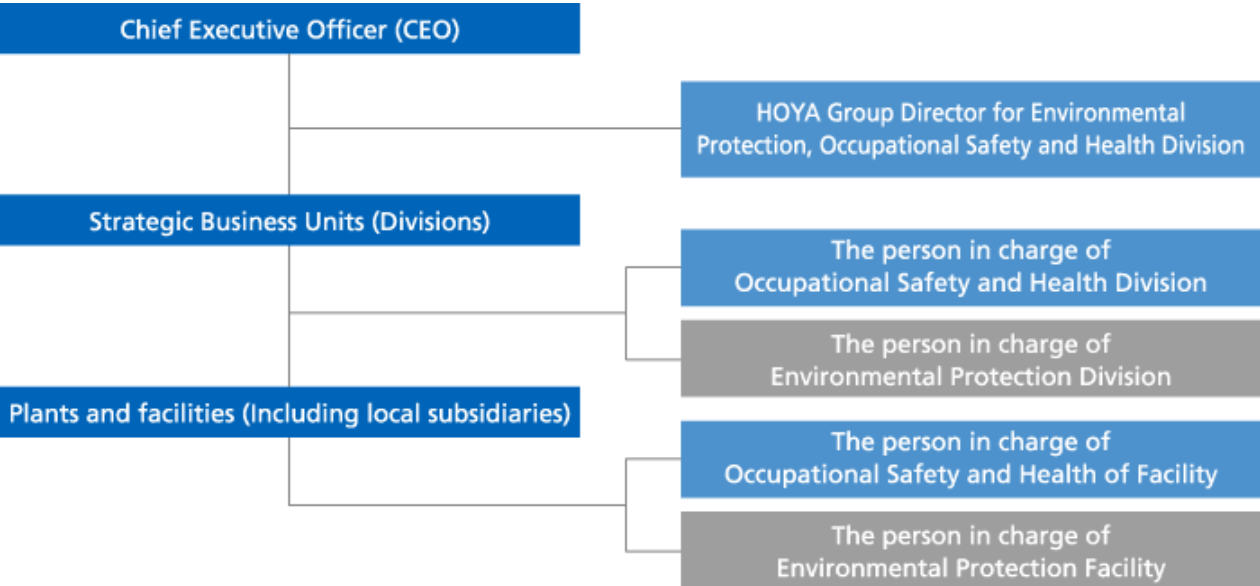
#### Fundamental Safety and Health Policies

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.

**HOYA Group Environmental Protection and Occupational Safety and Health Organization**

In October 2008, the Group’s environmental protection organization and the occupational safety and health organization were merged with each other. Since then, with the new structure supervised by the HOYA Group Director for Environmental Protection, Occupational Safety and Health, the Group has been carrying out smooth and efficient activities of environmental protection and occupational safety and health. Having established the HOYA Group's standards and the like, we are making them thoroughly known within the Group and conducting education at each business facility and production site in an effort to prevent accidents. Also, environmental, occupational safety and health activities that have been performed are subject to an internal audit, followed by a review at the management level, based on which the effectiveness of the activities are evaluated and improved on an ongoing basis.

**HOYA Group Environmental Protection and Occupational Safety and Health Organization**



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

The HOYA Group has been building a global management system that integrates ISO (International Organization for Standardization) 14001 and 45001 for the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees. In February 2013, the HOYA Group acquired global multisite certification. As of March 2021, 50 sites in 18 countries were certified. Certification has been acquired at 100% of our major production/research and development bases, and certification is also being obtained for newly organized bases one by one. For information on our acquisition status of ISO certification, please refer to [this page](#).

# Social

## Human Capital



## Labor Management

### Respecting human rights

#### Basic approach

The HOYA Code of Conduct stipulates the basic guidelines to be complied with when performing operations based on the Corporate Mission and values of the HOYA Group. The Code of Conduct 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. 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.

#### HOYA Code of Conduct

The HOYA Code of Conduct is guidelines for all officers and employees of the HOYA Group to execute operations in the right way in accordance with the philosophy and values set out in its Corporate Mission and Management Principles. Having translated the HOYA Code of Conduct into 27 languages in consideration of the circumstances of the Company, which operates businesses on a global scale, we are making the content thoroughly known within the Group by such means as making employees do a read-through in the Group to which they belong once a year and conducting online education and verification tests.

[Go to HOYA Code of Conduct page](#)

### Respecting individuals

#### 1. Preventing sexual harassment and power harassment

The HOYA Code of Conduct clearly states 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 Code 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 Code of Conduct so that problems can be known at an early stage and smoothly communicated to top management in an aim to ensure the soundness of the entire Group through quick and appropriate responses to such issues.

We have been creating an environment in which advice can be sought easily, including establishing an external point of contact, accepting whistleblowing complaints and consultation requests 24 hours a day on the Web, and allowing anonymity.

### Number of Whistleblowing Incidents (Global)

FY2016	FY2017	FY2018	FY2019	FY2020
75	111	105	146	135



## Modern Slavery Statement

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

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

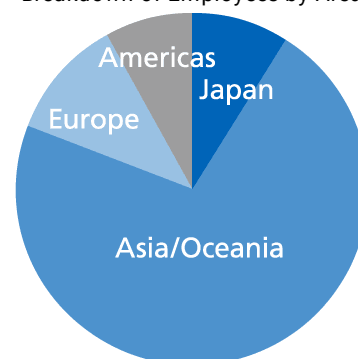
## Diversity

### Utilizing global human resources

The HOYA Group promotes sales and production at optimal locations on a global scale in diverse businesses. In this context, the diversity of human resources in the Company is our strength as well as our driving force for sustained value creation. HOYA believes that by respecting and accepting diversity and proactively taking advantage of the “differences,” we can flexibly adapt to the ever-changing business environment and meet diversifying customers' needs, and thereby bring about higher corporate value.

HOYA has long been recruiting personnel based on their individual capabilities, regardless of their nationality, gender, etc. Over 90% of our employees work in locations outside Japan. By proactively promoting talented local employees to top management positions and giving them more opportunities, we have been pursuing globalization of the Group as a whole, resulting in the percentage of non-Japanese nationals in top management positions at overseas subsidiaries exceeding 90%. Going forward, HOYA will continue to provide equal opportunities to many competent personnel.

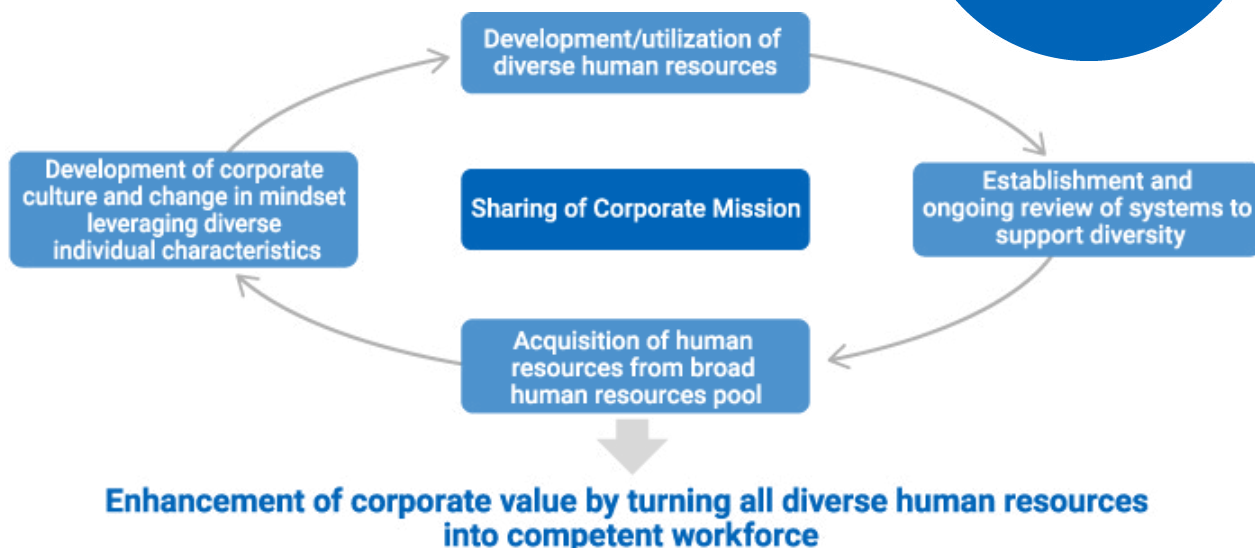
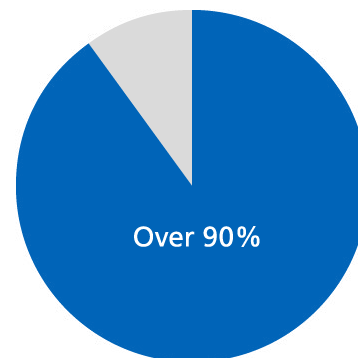
Breakdown of Employees by Area



Non-Japanese Top Management at Overseas Subsidiaries

As of the end of June 2021, at HOYA Corporation, we have promoted a non-Japanese to the position of executive and six non-Japanese nationals serving as division managers, accounting for the majority of division managers, ran businesses globally.

Non-Japanese Top Management at Overseas Subsidiaries



### “Minkatsu” Diversity Project

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

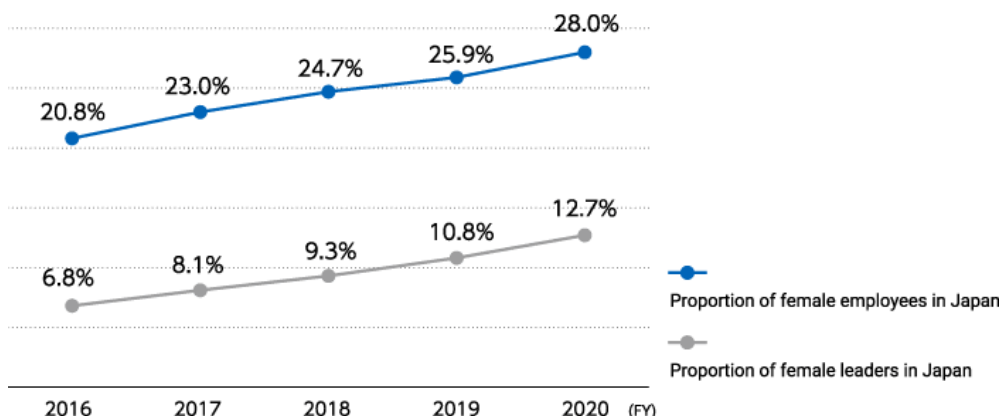
\* Female leaders: Subsectional chief equivalent to or above section and highly skilled professionals

### Proportion of Female Employees and Female Leaders

FY2020	Japan	Overseas*	Group-wide
Proportion of Female Employees	28.0%	55.7%	53.0%
Proportion of Female Leaders	12.7%	43.3%	34.5%

\* The survey method is different from the previous survey as the scope of the survey was expanded with respect to overseas employees.

## Proportion of Female Employees and Female Leaders in Japan



We do not discriminate based on gender in hiring, promotions, or pay increases, and instead focus on actively employing human resources with highly specialized capabilities and morals. In addition, one of the independent directors is a woman (16.7% of total directors).

Despite having promoted the “Minkatsu” diversity project by setting our target at making female leaders in Japan account for 10% or higher by March 31, 2018, we fell short of meeting the target at that point in time. We are promoting activities based on new targets that we have set again, i.e., making female leaders and female employees in Japan account for at least 15% and 30%, respectively, by April 2023. The proportion of women is steadily increasing, and going forward, we will continue to engage in initiatives from the viewpoint of expanding the recruitment and occupational fields of women and improving the workplace environment/culture, as well as holding career advancement seminars and cross-divisional exchange meetings targeted at female employees, among others.



Seminar by Eiichiro Ikeda (CTO) for female employees in technical positions

### Business divisions are making efforts to develop the necessary environment, systems and culture tailored to their respective businesses.

#### Those related to childcare/nursing care support

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

#### Those related to workstyle in general

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

\* Please refer to our [website](#).

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

## 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. For more information about the eco project, please see [Social Contribution Activities](#).

## Employee Engagement Survey

In order for the workplace—i.e., “HOYA”—to be a “field” in which individuals can undergo further growth while “actions demanded” by the Company are demonstrated by employees on an individual basis, we believe that it is important for both employees and the Company to make efforts to pursue the ideal workplace by identifying the areas in need of improvement through engagement surveys. The Company conducts an employee engagement survey covering the entire Group once a year. The response rate for the survey conducted in March 2021 was 96%.



Employee Survey 2021

*For a Better Tomorrow*

## “Actions Demanded by HOYA”

Engage in work from a business perspective in view of total optimization—not partial optimization—of business while being mindful of our vision

- Reject the status quo and make a change
- Stick to your strong beliefs
- Think outside the box in terms of your work

We believe that by taking such actions, the creation and innovation of new values and frameworks will be facilitated, and that the growth of individuals will translate into the growth of businesses and the Company as a result.

In response to the survey results, discussions are held at each workplace, and based on a deeper understanding of the results, areas in need of improvement are identified and reflected in action plans.

# Social

## Human Capital



## 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 protection and occupational safety and health management system

The HOYA Group has been structuring a globally-operated management system that integrates ISO (International Organization for Standardization) 14001 and 45001 for the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees. In February 2013, the certification of the Group switched to a global multisite certification. In March 2021, the certification is applied to 50 sites in 18 countries. Certification has been acquired at 100% of our major production/research and development bases, and certification is also being obtained for newly organized bases one by one. For information on our acquisition status of ISO certification, please refer to [this page](#).

### Reduction of risks using risk assessment

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

### Strengthening of chemical substances management

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

## Assurance of Safety of machines and equipment

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

## OSH Audit (Occupational safety and health)

At all the Group's business facilities inside and outside Japan, the environment, 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 intra-Group consulting program for guidance and training on management systems and risk assessment is held several times a year mainly for the overseas production bases. These are all designed to enhance the performance of the occupational safety and health activities within the HOYA Group.



[Go to Occupational Accidents at HOYA Facilities page>](#)

## 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.

## Certification for health and productivity management organizations

The HOYA Group has been certified for five consecutive years under the Ministry of Economy, Trade and Industry (METI)'s certification program

for outstanding health and productivity management organizations since the start of the program in 2017 (as of April 1, 2021). This program is administered by METI 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. Furthermore, HOYA is engaged in initiatives to improve the work environment on an ongoing basis by conducting stress checks on employees and utilizing their organizational analysis results.

## 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, dinners 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 fiscal 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 (the milestone ages of 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 an AED on the condition that at least two workers who have completed lifesaving training are assigned to each work shift.



## 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, 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.

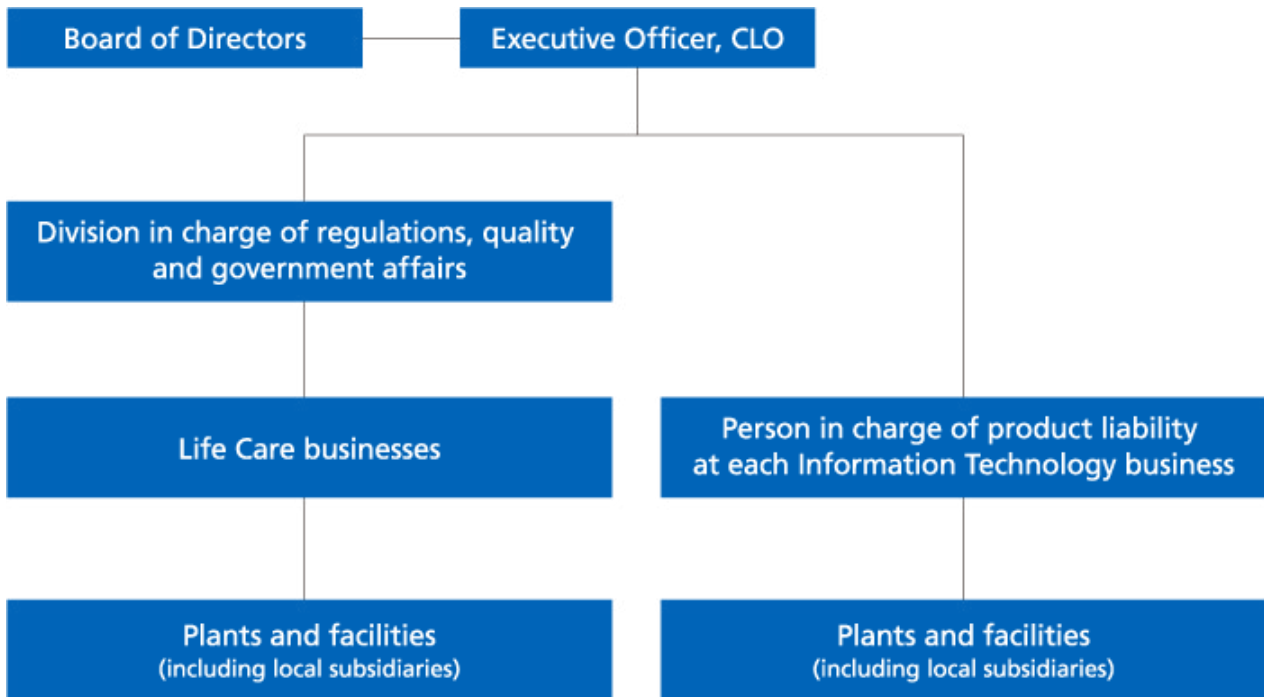
#### ■Training and educational systems to improve product safety and quality

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.



**Quality Management System**

The HOYA Group has acquired international quality management system ISO 9001 (mainly for the Information Technology business) or ISO 13485 (mainly for the Life Care business) focusing on major production bases in each business and is making efforts to improve the safety and quality of its products.

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

# Social

## Supply Chain Management



### Basic Policy

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

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

### HOYA Supplier Code of Conduct

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

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

In fiscal 2020, the collection rate of receipts was around 90%. Going forward, we will continue to work on suppliers so that we can obtain signatures from all of them.

Please refer to the HOYA Supplier Code of Conduct, which is available [here](#).

### Supplier Audits

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

## Responses to Conflict Minerals

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

We request suppliers to comply with the HOYA Supplier Code of Conduct that sets out the above policy, and key suppliers to cooperate in our conflict minerals survey using the Conflict Minerals Reporting Template (CMRT), which is a template provided by the Responsible Minerals Initiative (RMI).

The conflict minerals survey, which had previously been conducted in the Information Technology business, was evolved into a Company-wide initiative by expanding its scope to include the Life Care business as well in fiscal 2020.

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

## Social

### Corporate Citizenship



## Contact Lens Store “Eyecity Eco Project”

### Campaign to Recycle Empty Contact Lens Cases

Eyecity—our chain of contact lens specialty stores—executes the “Eyecity Eco Project,” a recycling campaign in which special boxes are set up in Eyecity stores across Japan to collect empty disposable contact lens cases that are recyclable. This industry-first campaign was launched in 2010 with the aim of contributing to society in three ways (1. Protecting the environment by recycling empty cases into resources, 2. Providing self-reliance/employment support to disabled persons, and 3. Making donations to the Japan Eye Bank Association) and celebrated its 11th anniversary this year.



Since the launch of the campaign, we have been conducting a wide range of collection activities with the endorsement and cooperation of many organizations, local governments, and customers. Empty contact lens cases are collected regardless of the shop where they were purchased or the manufacturer and then sold to recycling manufacturers. Proceeds from the sale are donated to the Japan Eye Bank Association to help people who wish to regain their sight. The reality, however, is that approximately 5,000 tons of empty contact lens cases per year are still being disposed of as waste. For this reason, we will continue making efforts to broaden our circle of corporate citizenship with the cooperation of more people going forward.

### Volume Collected and Amount Donated to Date



**Cumulative volume of empty cases collected**  
(As of May 2021)

**399.92 tons**

We have collected (390 million empty cases).



**Cumulative CO<sub>2</sub> emissions reduced**  
(As of May 2021)

**1095.18 t-CO<sub>2</sub>**

We have contributed to the reduction of CO<sub>2</sub> emissions equivalent to 5.6 times the volume of the Tokyo Dome.



**Cumulative amount donated**  
(As of March 2021)

**9,145,731 yen**

The entire amount received in exchange for recycling has been donated to the Japan Eye Bank Association.

**“Eyecity Eco Project”: Contributing to Society in Three Ways**



**Protecting the Environment by Recycling Empty Cases into Resources**



We reduce CO<sub>2</sub> emissions by recycling empty cases instead of incinerating them as waste.



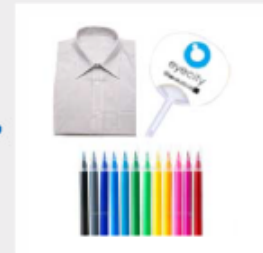
Empty disposable lens case



Crushed into small fragments at a recycling plant



Processed and converted into recycled polypropylene materials



Reborn as various recycled products



**Providing Self-Reliance/ Employment Support to Disabled Persons**



Ichikawa Challenge Office—the disabled people's division of Eyecity—is engaged in recycling support operations, including peeling aluminum stickers off empty cases that have been collected from stores and ophthalmology clinics.

Each year, the Office also purchases 80,000 small hand-made items produced at social welfare facilities across Japan and gives them as a present at Eyecity stores to customers who have cooperated as a token of appreciation. We hope to make greater contributions to local communities through the local consumption of these locally-produced, small hand-made items.



Production of small hand-made items



Work performed at Ichikawa Challenge Office



## Making Donations to the Japan Eye Bank Association



All the proceeds from the sale of empty cases to recycling contractors are donated to the Japan Eye Bank Association. To recover the sight of individuals suffering from impaired vision due to corneal disease, the eye bank serves as a bridge between those awaiting corneal transplant and donors. The Association is engaged in activities to promote eye donation registration with the eye bank and make arrangements for doctors to extract the cornea in the event that a prospective eye donor has passed away.

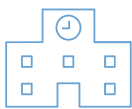
### What Is the Japan Eye Bank Association?

The Japan Eye Bank Association is a non-profit, public interest corporation established for the purpose of awareness-raising and promotion of corneal transplant and the eye bank so that people in need of a corneal transplant can regain their sight.

### Agreement Signed with Public Institutions

We have entered into an agreement with public institutions with the aim of contributing to a sustainable society through mutual cooperation in the appropriate collection of empty disposable contact lens cases. Eyecity will expand this initiative across Japan.

### Current number of participants in the "Eyecity Eco Project" (as of the end of May 2021)



#### Schools

**1,651 schools**

Elementary/junior-high/high/vocational schools



#### Companies

**702 companies**

1,949 locations including offices and branches



#### Local governments

**15 areas**

91 locations including public facilities

Click [here](#) for more information on the Eyecity Eco Project. (Only in Japanese)



**HOYA Vision Care Canada: Medical Optometric Care Support Activities**

**Becomes National Partner of Optometry Giving Sight (OGS)**



In March 2021, HOYA Vision Care Canada, which is engaged in the eyeglass lens business, became a national partner of Optometry Giving Sight (OGS), an organization conducting fund-raising activities and providing financing for regions and communities in need of support for medical optometric care and other support activities in more than 40 countries worldwide.

HOYA Vision Care Canada will continue to engage in activities to contribute to society to enable as many people as possible around the world to receive medical assistance and gain a clear vision through its donations to OGS and support activities.

Click [here](#) for the website of Optometry Giving Sight.



**HOYA LAMPHUN LTD.: Disaster Support through Recycling Activities**

**Recycling Paper Cartons into Materials for Repairing Disaster-Damaged Roofs**



HOYA LAMPHUN LTD. in Thailand has been helping repair roofs damaged due to disasters by collecting used paper cartons for beverages and recycling them into roofing materials with the cooperation of a volunteer foundation under The Thai Red Cross Society since 2012. To date, approximately 950 kg of paper cartons (equivalent to about 91,000 paper cartons) has been collected and recycled into 45 sheets of roofing materials.



Going forward, the HOYA Group will continue carrying out activities to contribute to society on a global scale in close association with each business domain/region.





## Impact of COVID-19

- Since the outbreak of the COVID-19 pandemic, the demand for products of the Life Care segment has temporarily decreased due to such factors as restrictions on economic activities. However, normality is expected to be restored in its businesses along with the progress in vaccinations and the resumption of economic activities.
- The shift of eyeglass lens and contact lens retailers to online sales channels is expected to be gradual rather than rapid, due to restrictions by medical regulations in each country, among others. No medium- to long-term changes in industrial structure have been observed, so there are no changes in the growth scenario of HOYA's Life Care segment.

	Customer demand		Changes in the market structure due to COVID-19
	Current status	Future prospect	
Eyeglass lenses	Demand is on a recovery trend, despite variations among regions/countries depending on the pace of progress in vaccinations and the resumption of economic activities.	Demand is expected to undergo a full-fledged recovery along with the progress in vaccinations and the resumption of economic activities.	None in particular
Contact lenses	Demand temporarily decreased due to the reduction in the frequency of contact lens use associated with fewer opportunities to go out. Amid the state of emergency declaration, some stores have been closed or shortened their operating hours; in	Demand is expected to recover from the second half of the fiscal year ending March 31, 2022 (fiscal 2021) onward, as opportunities to go out increase along with the progress in vaccinations.	None in particular Acceleration of the shift to online sales channels and other such developments have not been observed; in Japan, contact lens specialty stores still serve as the biggest sales channel.

	response, online sales (targeted at Eyecity members) are being promoted.		
Endoscopes	Hospitals' capital investment environment seems to be recovering gradually.	As inspections that had been postponed return to normal in terms of the number of cases, hospitals' capital investments are expected to resume, leading to a recovery in demand.	None in particular with respect to the main market, i.e., existing reusable endoscopes. The market of disposable endoscopes appears to be expanding on the back of COVID-19.
Intraocular lenses	Demand is on a recovery trend, despite variations among regions/countries depending on the pace of progress in vaccinations.	Demand is expected to recover along with the progress in vaccinations, especially among patients comprised of the elderly. Pent-up demand is expected to arise temporarily for cataract surgery that had been postponed.	None in particular

## 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.)

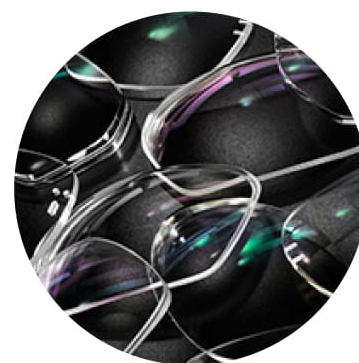
### Eyeglass Lenses

#### ▶ 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

To curb the rapid spread of COVID-19, many social and economic activities faced restrictions around the world. Curfews, temporary closures and social distancing measures also affected eye care professionals around the globe herewith greatly impacted our sales. After the first quarter of fiscal 2020, however, a recovery trend set in, and we are expecting to turn this into growth as vaccination spreads and control over the spread of the virus is extended, subject to the economic activities across countries.

External research indicates that most countries will return to their pre-COVID-19 level by 2022 calendar year. And from there, we expect the eyeglass lenses business will return to an organic growth at the low to mid single digit rate from a mid to long term perspective, driven by an increasing aging population worldwide, enhanced purchasing power owing to the economic growth of emerging economies, increased awareness of eye health, and longer hours using digital devices.

The contribution to global growth varies per region. North America, Europe, and Japan being the mature markets will continue to play a significant role in the overall market; while faster growth is expected from emerging markets from increased availability of vision protection products and growing middle class populations, such as in the LATAM and APAC regions.

## ▶ 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.

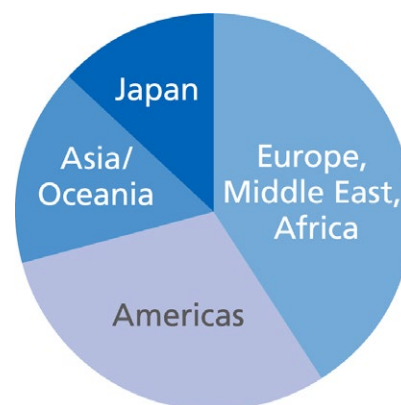
We are strengthening sales activities in Asia, with a focus on China, as well as in several growth markets on the South American continent. Additionally, in the United States, we continue to focus on expanding sales to key accounts and chain stores, on top of the strongly established presence amongst independent opticians. With these opportunities and focus areas, we aim to achieve higher than market growth. On top of that, we will also continue to pursue M&A opportunities to boost growth.

On the production side, to respond to the increasing demand, we completed the construction of our second plant in Vietnam and started production in July 2020.

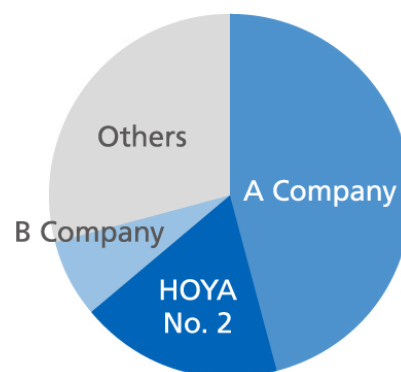
The rapid progression of myopia is becoming a global health challenge. An estimated 5 billion people, or half of the global population, could be affected by short-sightedness by 2050. Together with the Hong Kong Polytechnic University, HOYA developed "MiYOSMART"; an innovative spectacle lens for myopia control. Commercialization of the product started in 2018. MiYOSMART is currently available in several markets, mainly in Asia and Europe, and will be expanded in the future after obtaining approval.

Note: Not approved in Japan and the U.S. as of July 2021.

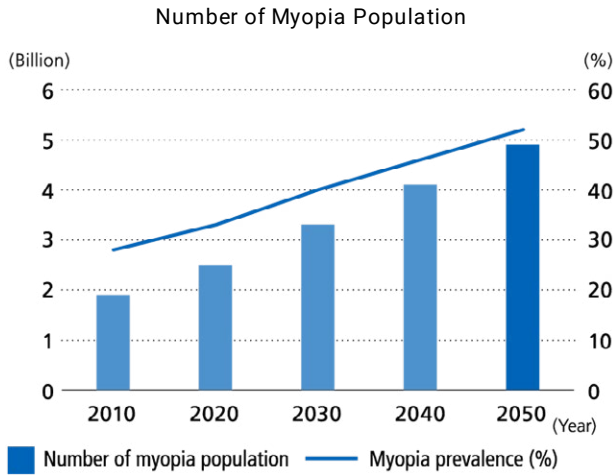
Sales by Region  
(FY2020)



Market Share (FY2019)



[HOYA estimate on a value basis]



MiYOSMART



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

## 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.

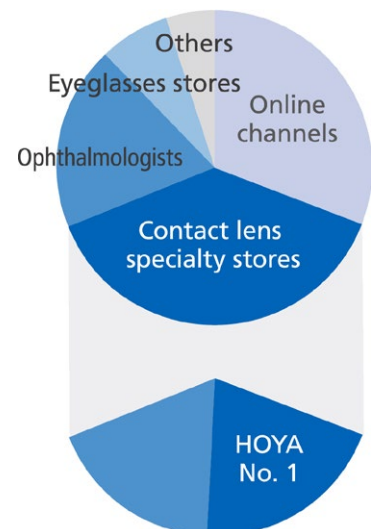


### Market Conditions

The contact lens market in Japan, which had been valued at approximately 400 billion yen, temporarily shrank in the COVID-19-impacted fiscal 2020, due to the reduction in the frequency of contact lens use as a result of such factors as the increase in Work From Home (WFH) and homeschooling opportunities and the decrease in opportunities to go out. However, we expect the medium/long-term expansionary trend of contract lens demand to remain unchanged going forward, given the increasing percentage of nearsightedness among the younger generation, and the rising age of contact lens users due to the growing prevalence of multifocal contact lenses. Furthermore, market expansion—albeit slight—is expected to continue going forward, due to such factors as the rise in the average unit sales price stemming from the increase in sales of high value-added lenses.

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.

Sales Composition Ratio by Sales Channel (FY2020)



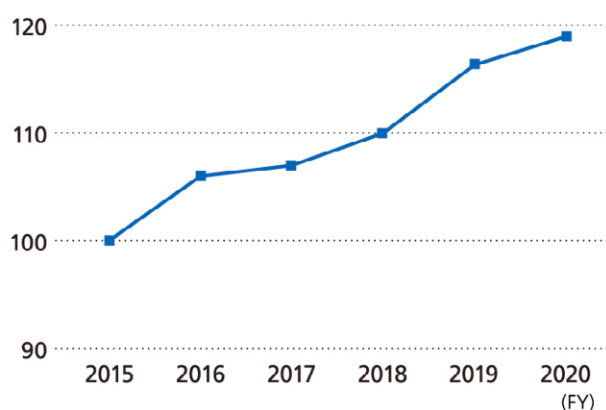
HOYA Market Share at Contact Lens Specialty Stores [HOYA estimate on a value basis]

## ▶ HOYA Position and Market Share

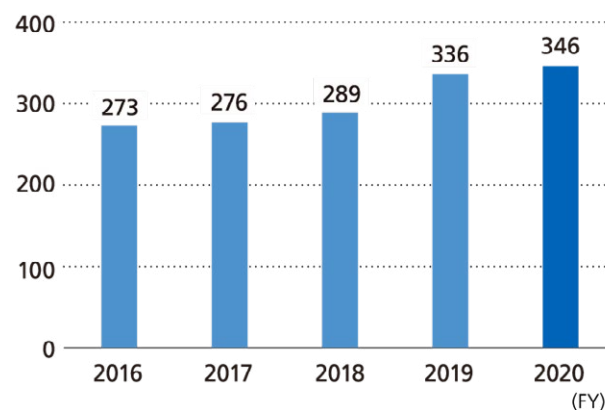
HOYA holds the top share in the retail channel for sales made through brick-and-mortar stores.

On top of sales growth at existing stores based on, among others, the promotion of high value-added products, we are working to expand sales by opening new stores, including M&A. We also provide an online sales service in the form of “Hoshii Toki Bin” (meaning on-demand delivery) to adapt to Internet shopping, which has been expanding in recent years. The service has been used by many people especially during the COVID-19 pandemic.

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



Number of Eyecity Stores in Japan



## ▶ HOYA Outlook

Going forward, HOYA will seek to achieve ongoing sales growth at a rate of around 5% through the growth of sales at existing stores and the opening of new stores, including M&A.

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.



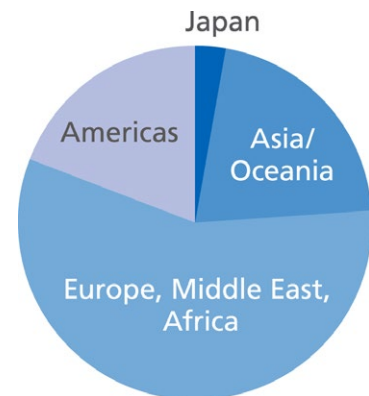
▶ Supply Chain



▶ Sales by Region

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

Sales by Region (FY2020)



▶ 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.

In the fiscal 2020, the impact of COVID-19 brought about changes in the business environment surrounding hospitals, resulting in the suppression of investments. However, in the medium to long term, we expect the global market to continue growing at a rate of around 5%. (HOYA estimate)

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.

In relation to products, our first disposable bronchoscope "PENTAX Medical ONE Pulmo" obtained CE mark certification in Europe in May 2021. Although the presence of disposable endoscopes is not yet strong enough to replace conventional endoscopes at this stage, their presence is expected to grow in the medium to long term, so this is regarded as a stepping stone for us.



PENTAX Medical ONE Pulmo



▶ **HOYA Position and Market Share**

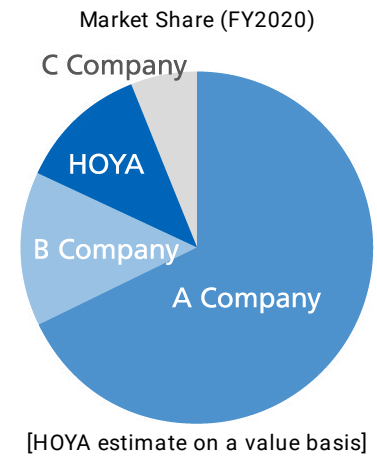
With its strengths lying in high image quality, ultrasonic endoscopes and small-diameter endoscopes that strike a balance between image quality, exterior diameter, and channel size, HOYA is the second largest group in the industry.

▶ **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.

While steadily engaging in initiatives targeted at products for gastrointestinal devices, the main battlefield in the flexible endoscope market, we will also seek product differentiation by further developing treatment instruments used in combination with endoscopes as well as disposable endoscopes for areas other than bronchial tubes.

In May 2021, we entered into an agreement with Jiangsu Vedkang Medical Science and Technology Co., Ltd (Vedkang) in China to establish a joint venture company to develop and manufacture treatment instruments for endoscopes. The new company will supply single-use treatment instruments for endoscopes developed and manufactured by Vedkang to markets worldwide through PENTAX Medical's sales networks.



**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.

With nearly 35 years of experience in designing and producing IOLs, HOYA Surgical Optics' mission is to improve vision and quality of life for millions of people suffering from cataract.

Cataract is a condition that becomes more common as we age and is the largest cause of vision loss in people around the world. A cataract is treatable with surgery and it is one of the most performed surgical procedures in the world. A cataract surgery replaces the natural lens that has developed the cataract with a new clear intraocular lens (IOL).

The rich HOYA heritage and expertise in developing optical products and technologies coupled with the wealth of knowledge that we have accumulated in developing intraocular lenses and injectors makes us the provider of the world's most trusted fully pre-loaded IOLs\* and allowed us to gain market leadership in the fully pre-loaded IOL category worldwide.



\* In a pre-loaded injector, the intraocular lens is pre-installed in the injector, supporting surgeons to perform safer and more reliable surgery.

▶ Supply Chain



▶ Sales by Region

By region, sales in Japan account for about half of total sales.

▶ Market Conditions

In fiscal 2020, the number of cataract surgeries decreased due to the impact of COVID-19, resulting in a decline in revenue for this business. However, as the spread of COVID-19 subsides, surgeries that have been postponed will be performed and the business is expected to return to its growth scenario of pre-COVID-19.

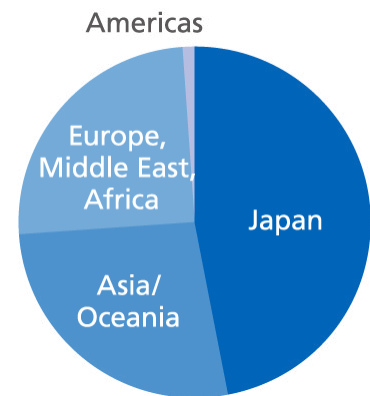
The ophthalmology industry remains attractive, maintaining a growth rate of about 3%. The aging population, developing medical infrastructure in emerging markets, and increasing access to healthcare and advanced medical technologies are the main drivers of this growth. Growth in high-end products—such as extended depth of focus and multi-focal IOLs—are expected to driver further overall expansion in the market.

▶ HOYA Position and Market Share

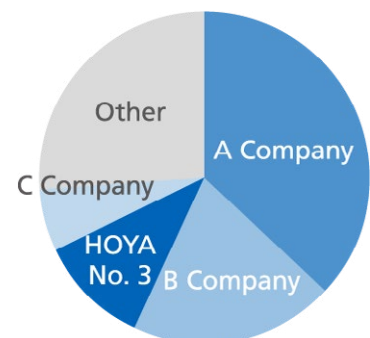
Driven by the flagship brand, Vivinex™, sales continue to grow at a pace that is above the market. Vivinex™ combines an IOL material which offers unprecedented clarity of vision with multiSert™, our proprietary 4-in-1 injector, which is designed to provide outstanding IOL delivery consistency.

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

Sales Composition of HOYA Surgical Optics by Region (FY2020)



Market Share (FY2020)



[HOYA estimate on a value basis]



▶ **HOYA Outlook**

We have further expanded our portfolio with the addition of a family of Trifocal IOLs. This has allowed us to enter the highly profitable segment of presbyopia correcting IOL market. HOYA offers a comprehensive solution to cover any customer need and expectation in the field of cataract surgery.

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

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.

We will also continue to pursue synergies with Fritz Ruck (Germany) and Mid Labs (U.S.), which were acquired in 2019 and produce instruments used in cataract surgery, etc.

## Information Technology Segment

### Impact of COVID-19

- There has been no significant impact on demand overall, although the intensity of the impact has varied from business to business.
- Even after the end of the COVID-19 pandemic, the increase in demand for mask blanks for semiconductors and substrates for hard disk drives (HDDs) is expected to continue along with the continuation of Work From Home (WFH), homeschooling, etc. to a certain extent.

	Customer demand		Changes in the market structure due to COVID-19
	Current status	Future prospect	
Mask blanks for semiconductors	Mask blanks continue to perform well, as there has been no impact on EUV research and development activities—the driving force behind the demand for mask blanks.	Strong growth will continue due to brisk EUV research and development activities.	There has been no change in the market structure due to COVID-19. Semiconductor manufacturing sites are expected to undergo geographic diversification due to friction between the U.S. and China and the global shortage of semiconductors.
Photomasks for FPD/LSI	As panel manufacturers have focused their efforts on mass production activities in response to rising panel prices, demand for photomasks for research and development purposes has fallen.	Research and development demand is expected to recover along with the normalization of the supply and demand relationship and the price of panels.	None in particular

Substrates for HDDs	Demand for 3.5-inch substrates for data centers has increased due to WFH, homeschooling, etc.	Momentum for strong growth will continue.	None in particular
Imaging-related products	Due to fewer opportunities to take photos in conjunction with restrictions on movement, etc., demand for digital camera-related items for compact digital cameras and for interchangeable lenses decreased but is currently on a recovery trend.	The market is expected to recover along with the resumption of travel, etc., but the digital camera market is not expected to expand again due to the continuation of market erosion by smartphone cameras. The market of products for security cameras will continue to grow.	Despite the short-term acceleration of the contraction of the digital camera market, there are no changes in the market structure. On the other hand, new applications are expanding, e.g., security cameras are being used as a measure to curb the spread of COVID-19 infections.

## 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.)

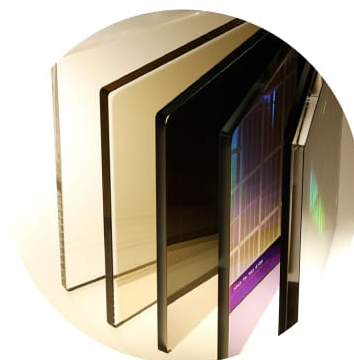
### Mask Blanks for Semiconductors

#### ▶ 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



Note: In some cases, product goes via photomask manufacturer

▶ Market Conditions

In 2020, the electronics market experienced an increase in demand for computers and data center-related equipment due to the launch of the 5G smartphone market and the increase in Work From Home (WFH) and homeschooling opportunities because of the COVID-19 pandemic. This led to an increase in memory and logic device demand, resulting in 5% growth of the semiconductor market overall in 2020. In 2021, the growth of the semiconductor market is expected to accelerate on the back of such factors as the recovery of demand for automobiles and other final products that had fallen in each country and the further increase in sales of 5G smartphones.

Going forward, the growth of the market for mask blanks is expected to continue, given that semiconductor manufacturers and foundries are briskly conducting research and development activities aimed at the further miniaturization of electronic circuits using extreme ultraviolet (EUV) lithography—a cutting-edge manufacturing technology—and that customers' research and development demand is the key driving force for the demand for mask blanks.

▶ HOYA Position and Market Share

We have maintained a large share of the market over the long term by leveraging our strength, that is, our ability to mass-produce high-quality products in a stable manner.

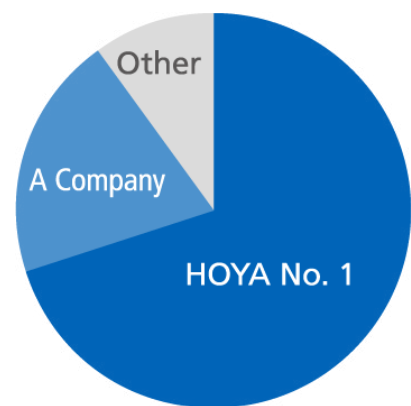
Moreover, we have continued to conduct EUV blanks research for nearly 20 years, and have demonstrated a firm presence in this field which has exceptionally high hurdles to clear for entry.

HOYA is enjoying an ever-growing presence as the only manufacturer that has rolled out both EUV and optical (existing non-EUV lithography technology) products.

▶ HOYA Outlook

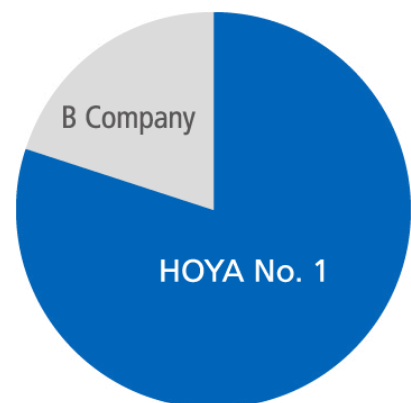
Along with the advance of miniaturization in semiconductors, it appears that demand for mask blanks for EUV lithography will continue to be strong in the future.

Market Share (Optical)  
(FY2020)



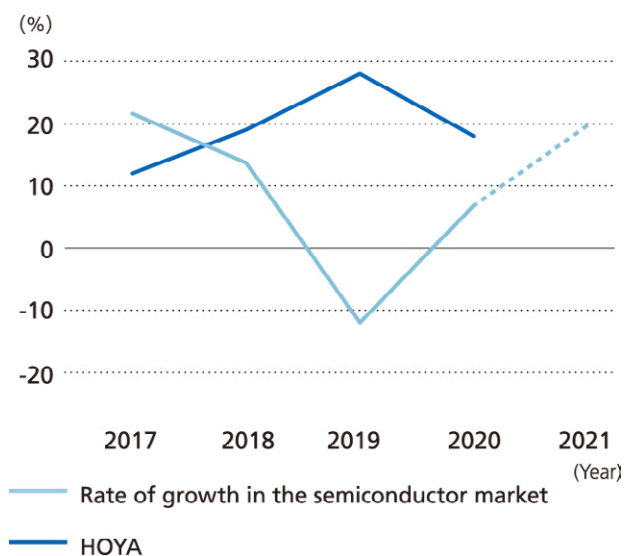
[HOYA estimate on a value basis]

Market Share (EUV)  
(FY2020)

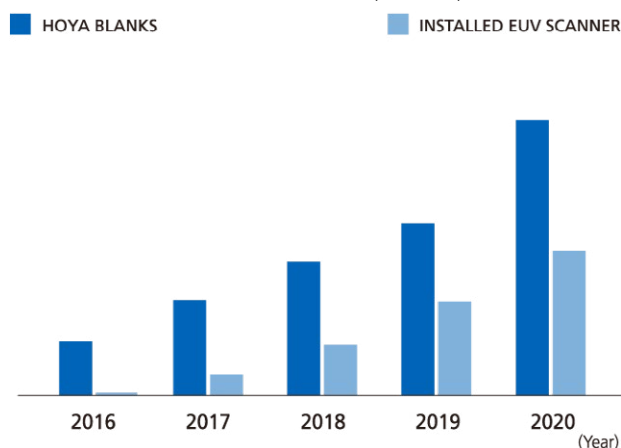


[HOYA estimate on a value basis]

Semiconductor Market and HOYA's Growth Rate



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



Reference: WSTS

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, in regards to products for EUV applications, the cumulative number of EUV lithography machines installed is deemed as one of the indicators of growth of the EUV market.

In such an environment, we expanded the manufacturing line for mask blanks for EUV lithography and launched the operation of a new manufacturing line in a phased manner in 2020. As demand is expected to expand further, we are also re-expanding the manufacturing line with the aim of launching its operation in 2023.

## Photomasks for FPD

### Business Overview

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

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



Raw material manufacturer



HOYA

Photomask blanks and photomasks manufacturer



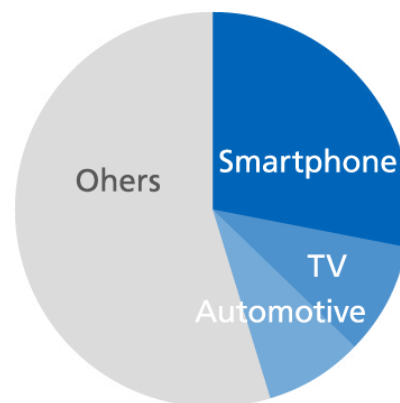
Panel manufacturer

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, accounting for the largest proportion.

Sales Composition by Application (FY2020)



### ▶ Market Conditions

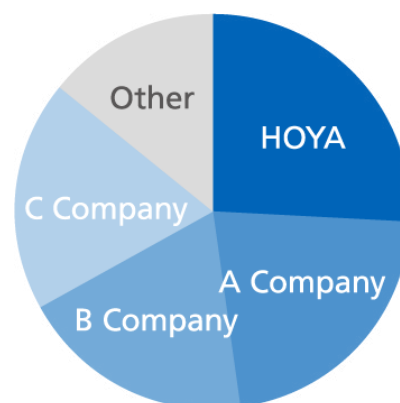
In the fiscal year ended March 31, 2021 (fiscal 2020), panel prices rose due to the increase in display demand arising from the COVID-19 pandemic. As panel manufacturers focused their efforts on mass-production activities, demand of research and development activities for photomasks decreased. As a result, the FPD photomask market shrank.

Going forward, the market is expected to grow due to such factors as the recovery in panel manufacturers' research and development demand in line with the normalization of the supply and demand relationship and the price of panels, as well as the increase in demand for FPD photomasks for small- and medium-sized OLEDs used in smartphones, etc.

### ▶ HOYA Position and Market Share

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

Market Share (FY2020)



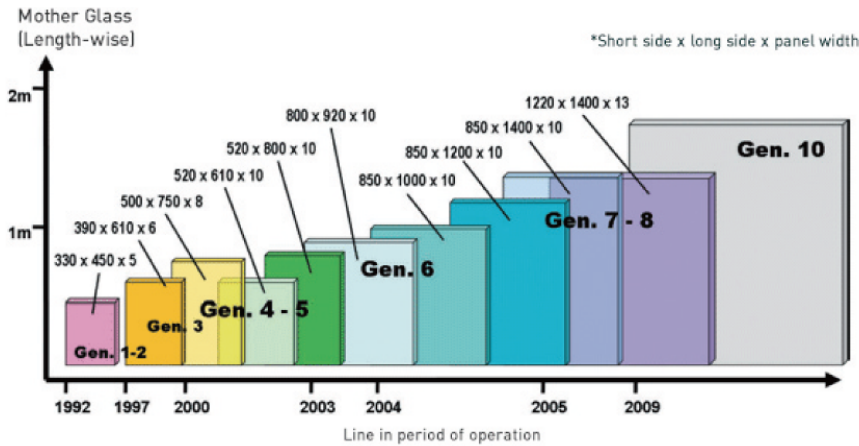
[HOYA estimate on a value basis]

### ▶ 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

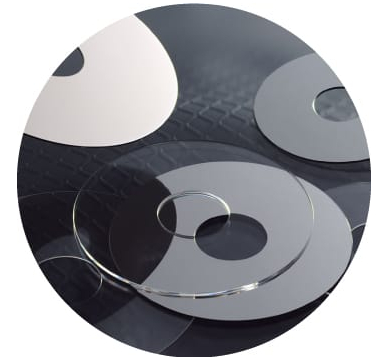
FPD (LCD, OLED, etc.) manufacturing lines are categorized by generation, which corresponds to mother glass size. The size of mother glass has become progressively larger year by year not only because TV screens have become bigger, but also for the purpose of enhancing productivity by increasing the number of panel configurations per sheet. Growth is expected to continue going forward also with respect to small- and medium-sized panels centering on Gen. 6, in which HOYA has an edge, driven mainly by demand for OLEDs for smartphones.



## Glass Substrates for HDDs

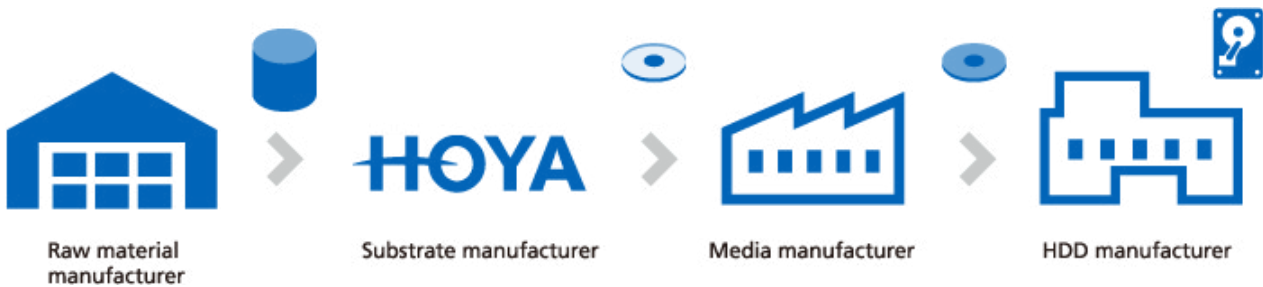
### Business Overview

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-fledged entry into the market of 3.5-inch substrates for data center servers in 2017, the business has continued to undergo high growth to the extent that it accounted for at least half of the sales of the business segment in terms of amount in fiscal 2020.

### 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.

Note: Hard disks may also be manufactured by the HDD manufacturer.



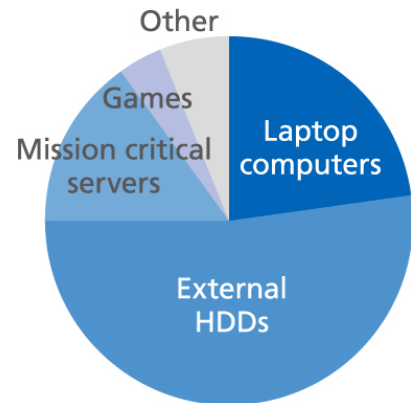
▶ **Sales Composition by Application**

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

HOYA's 3.5-inch substrates are used in HDDs for near line (NL) servers used for backup and other purposes at data centers.

Sales have been growing steadily and accounted for approximately 60% of sales of the business segment in the fourth quarter of fiscal 2020.

2.5-Inch Substrates Sales Composition by Application (FY2020)



▶ **Market Conditions**

In the fields of laptop computers, external HDDs, mission-critical servers, and games, the market for 2.5-inch HDDs is shrinking, as they are being replaced by solid state drives (SSDs), which have faster data read/write speeds.

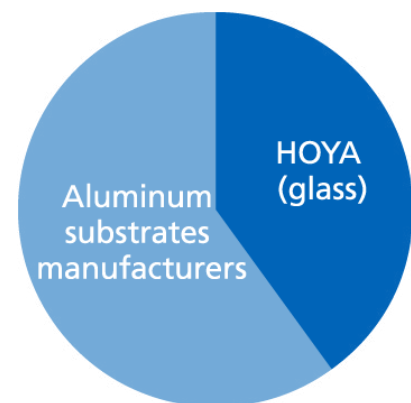
On the other hand, in the 3.5-inch HDD market, NL servers, having a comparatively low access frequency with backup applications, predominantly use HDDs due to their cost advantages over SSDs. Although investments in facilities associated with data centers by large-scale cloud service vendors fluctuate significantly even in the short term, a significant market expansion is expected in the long term as data generation volumes expand 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 40%. As the storage capacity of HDDs expands, our market share is also expected to expand.

3.5-Inch Substrate Used for Near Line Server Market Share (FY2020)



[HOYA estimate on a value basis]

▶ **HOYA Outlook**

Sales of 2.5-inch substrate products are expected to decline on an ongoing basis, as the replacement of HDDs with SSDs in computers and mission-critical servers continues into the future.

Sales of 3.5-inch substrates are expected growth in line with the continued expansion of the market. In the medium term, growth is expected to accelerate through the acquisition of new customers; we will switch existing manufacturing facilities and utilize the new plant in Laos 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, 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).

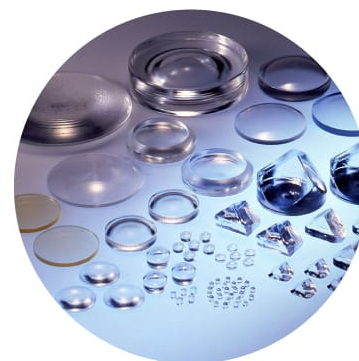
## Imaging-related Products

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

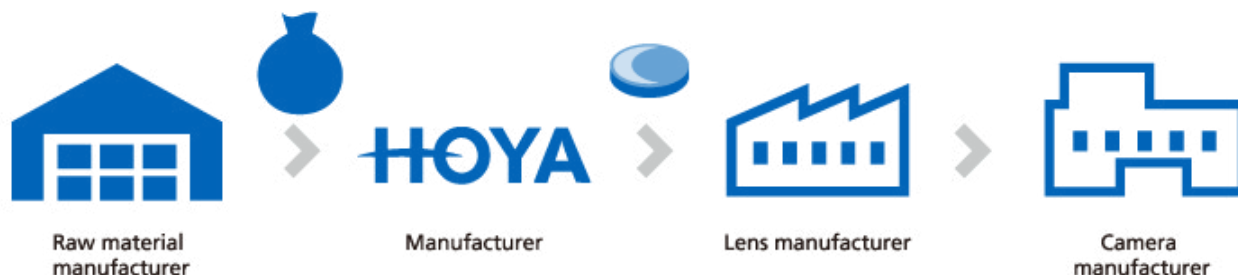
### Imaging-related Products (Including optical glass, optical lenses, camera lens units, and lasers)

#### ▶ 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, interchangeable lenses, etc. that had previously made up the majority of sales are trending down, and now account for approximately 30% of total sales.

As for products for security cameras, which is a new area of application, sales increased to a scale equivalent to those of interchangeable lenses on the back of growing demand for aspherical glass lenses due to the increasing adoption of higher-pixel imaging.

▶ **Market Conditions**

Despite trending toward improvement, demand for interchangeable lenses and compact digital cameras substantially decreased in the first half of fiscal 2020, due to fewer opportunities to take photos as a result of the impact of COVID-19. Likewise, demand for security cameras was impacted by COVID-19 in the first half of fiscal 2020, but is undergoing rapid recovery; in our view, the security camera market will become a growth market in the medium term.

▶ **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.

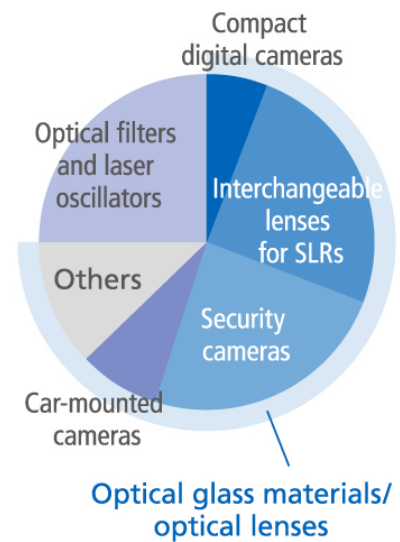
GMOs are formed by directly pressing optical glass that has been subjected to high temperatures to make it malleable. These are optical lens products that require no polishing, and possess an excellent ability to correct distortions. Enabling a high angle design, the number of lenses used in optical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

▶ **HOYA Outlook**

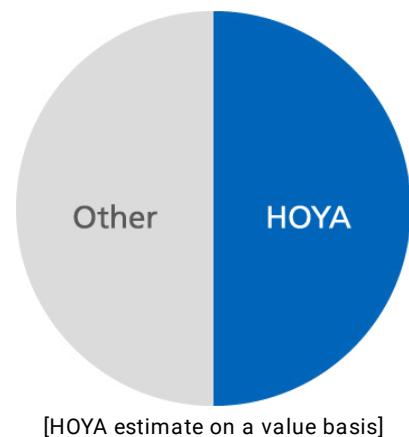
As for products for digital cameras, the fall in sales of products for compact digital cameras and interchangeable-lens cameras is expected to continue, as higher-quality/multi-lens imaging is increasingly realized by smartphone cameras.

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.

Sales Composition by Application (FY2020)



Share of Aspherical GMO Lenses (Digital Camera-Related) (FY2020)



[HOYA estimate on a value basis]

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.

# Financial Review

## Scope of consolidation

As of March 31, 2021, the HOYA Group consisted of HOYA CORPORATION, 143 consolidated subsidiaries (7 of which are domestic and 136 overseas) and 18 affiliates (5 of which are domestic and the other 13 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.

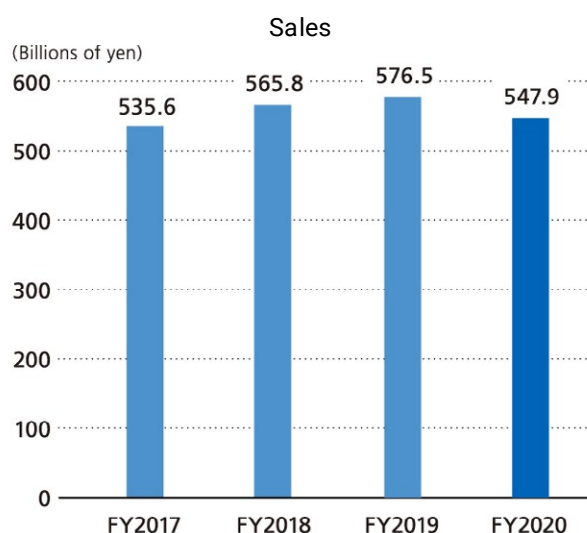
The Life Care segment deals in health care related products such as eyeglass lenses and contact lenses, as well as medical related products such as intraocular lenses and medical endoscopes. The Information Technology segment handles electronics related products used for the production of semiconductors,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

## Review of Performance in the Fiscal Year Ended March 31, 2021 (Fiscal 2020)

Sales for the consolidated fiscal year under review amounted to 547,921 million yen, a 5.0% decrease year on year.

Profit before income tax increased compared to the preceding consolidated fiscal year by 8.1% to 159,218 million yen, and profit for the year increased by 9.3% to 125,221 million yen. The profit before tax ratio was 29.1%, an increase of 3.6 percentage points from 25.5% in the preceding consolidated fiscal year.

Sales in the Life Care segment decreased by 8.9% compared to the preceding consolidated fiscal year



to 341,801 million yen. Segment profit increased by 2.1% to 63,544 million yen.

Sales of eyeglass lenses are recovering, despite national and regional variation. However, sales decreased over the consolidated fiscal year due to the impact on the Company's sales caused by the restrictions on economic activity implemented in various countries with the aim of curbing the spread of COVID-19 during the first half of the fiscal year, such as temporary closures of eyeglass stores, which are our customers, and restrictions on going outside.

Sales of contact lenses are recovering, but sales decreased due to the temporary closures and reduced business hours implemented at our "Eyecity" retail stores due to COVID-19.

Sales of medical endoscopes are recovering overall, but sales decreased as a result of COVID-19 in the domestic and overseas markets due to a significant impact on our sales activities, limited investment due to changes in the business environment of hospitals and other factors.

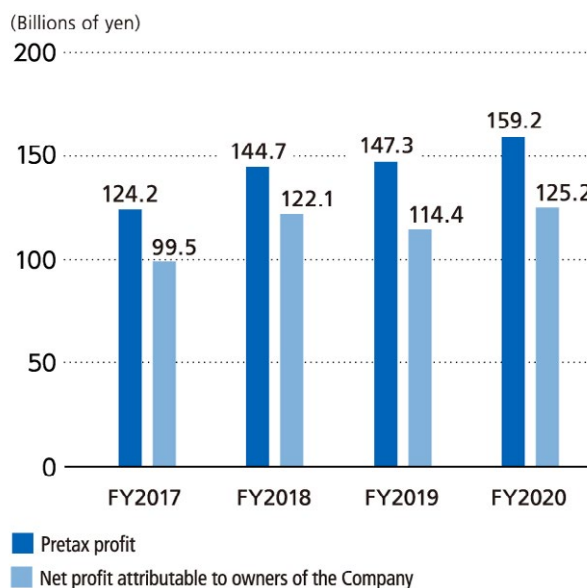
Sales of intraocular lenses for cataracts are recovering, particularly in the overseas market, but sales decreased over the consolidated fiscal year due to the impact of COVID-19 on the domestic and overseas markets during the first quarter of the fiscal year reducing the number of cataract surgeries being performed, which led to decreased sales for the Company.

Sales in the Information Technology segment increased by 2.2% compared to the preceding consolidated fiscal year to 200,965 million yen, and segment profit increased by 7.7% to 94,905 million yen.

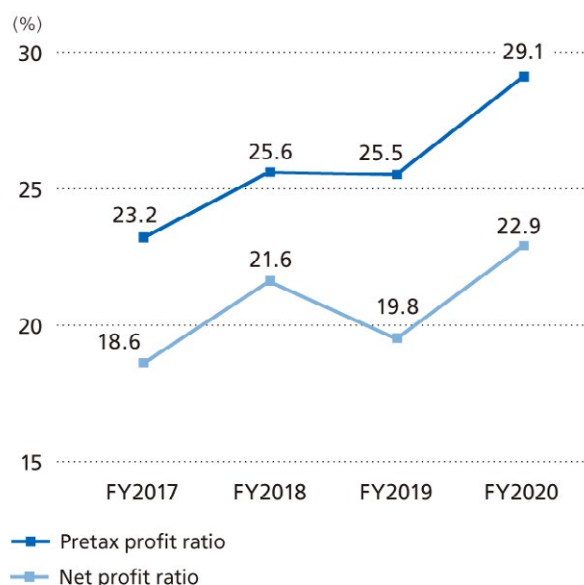
Sales of mask blanks for semiconductors increased substantially compared to the preceding consolidated fiscal year as a result of our having captured demand for active R&D and embarking on mass production of leading-edge products including mask blanks for EUV (Extreme Ultraviolet) lithography.

With regard to photomasks for FPD, rising prices in the TV panel market price caused by people staying home led to a trend in our customers prioritizing

Pretax profit, Net profit attributable to owners of the company



Profit Margins



mass-production activities. As a result, photomask demand for research and development decreased, which caused lower sales.

Regarding glass substrates for hard disks, we achieved a large increase in sales of 3.5-inch substrates, which are poised for substantial growth going forward, due to continued demand for such substrates for use in nearline server applications at data center end users. Sales of 2.5-inch substrates decreased amid an accelerating shift to SSDs (solid state drives) from HDDs (hard disk drives) and lower sales caused by factors such as supply chain disruption caused by COVID-19 in the first quarter of the fiscal year. As a result, overall sales in the business segment slightly decreased year on year.

With regard to lenses for cameras, smartphones continued to erode the compact digital camera and interchangeable lens markets. Although now recovering, sales of lenses for cameras decreased due to COVID-19, because of reduced operation at customer production sites, temporary closures of retail stores, and lower demand for and sales of camera products caused by fewer opportunities to take photos due to restrictions on going outside.

(For further information on market conditions by product, please refer to the [Review of Operations section.](#))

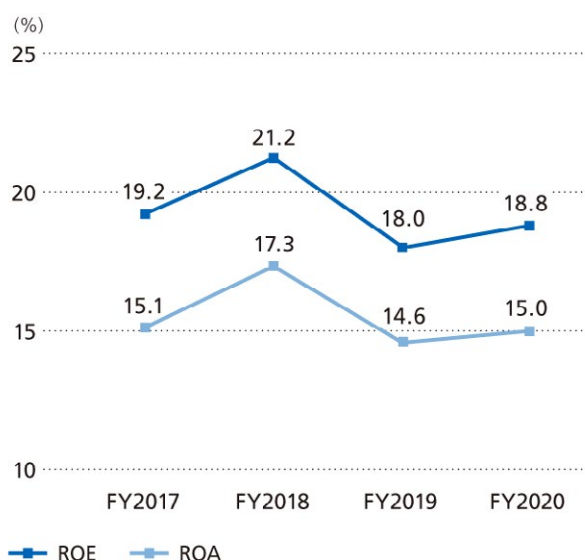
## Financial Position

Total assets at March 31, 2021 increased by 42,282 million yen from the end of the preceding consolidated fiscal year to 853,290 million yen.

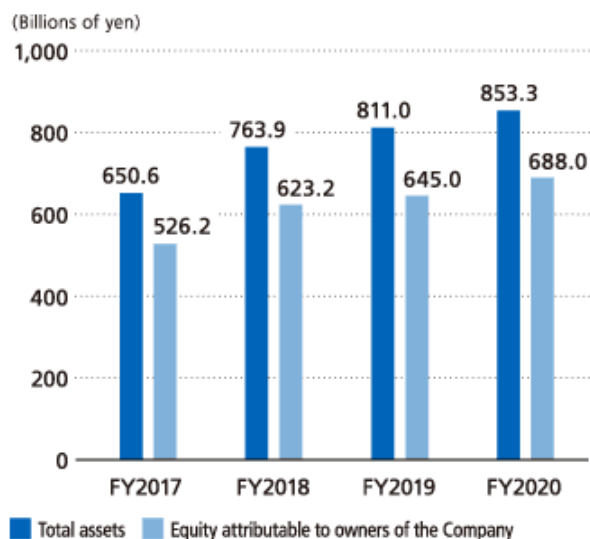
Non-current assets increased by 8,869 million yen to 298,705 million yen. This is primarily due to increases of 12,655 million yen in property, plant and equipment—net, and 6,030 million yen in long-term financial assets despite decreases of 6,394 million yen in goodwill, and 2,686 million yen in intangible assets.

Current assets increased by 33,413 million yen to reach 554,584 million yen. This is primarily due to increases of 16,915 million yen in cash and cash equivalents, 13,911 million yen in trade and other

### Efficiency



### Total Assets, Equity Attributable to Owners of the Company



receivables, and 2,593 million yen in other short-term financial assets.

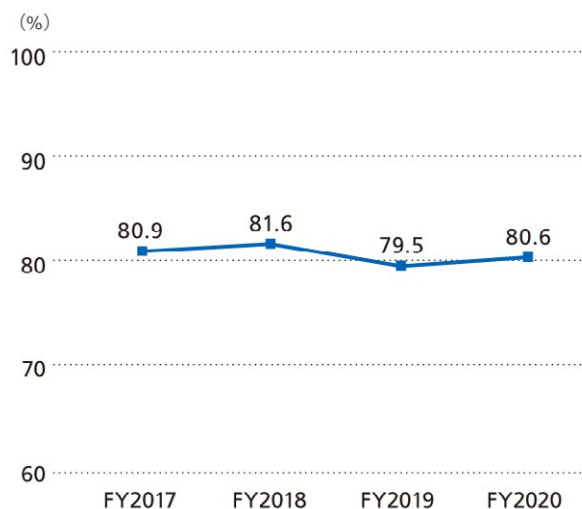
Total equity increased by 43,147 million yen to 672,412 million yen. This is primarily due to increases of 34,216 million yen in retained earnings, and 26,265 million yen in accumulated other comprehensive income despite an increase of 15,597 million yen in treasury shares.

Equity attributable to owners of the Company increased by 42,959 million yen to 688,000 million yen.

Liabilities decreased by 865 million yen to 180,878 million yen.

The ratio of equity attributable to owners of the Company to total assets at March 31, 2021 increased by 1.1 percentage points from the end of the preceding consolidated fiscal year and reached to 80.6%, which was 79.5% in the preceding consolidated fiscal year.

Ratio of Assets Attributable to Owners of the Company



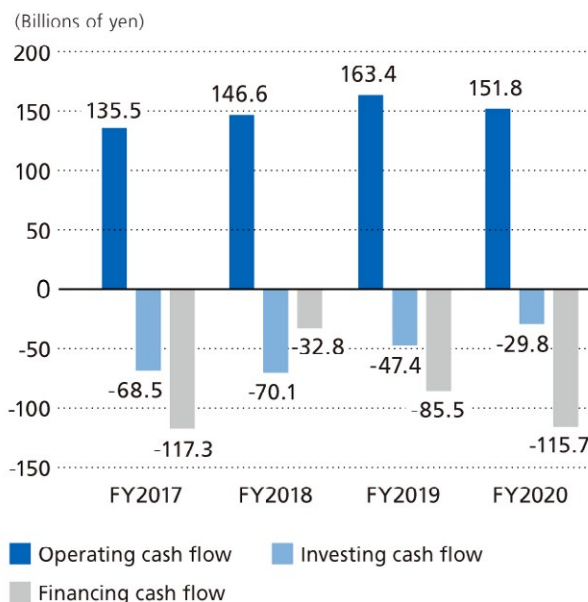
## Cash Flow

Cash and cash equivalents at the end of the fiscal year under review increased by 16,915 million yen (including the effect of changes in exchange rates of 10,566 million yen) from the end of the previous fiscal year to 334,897 million yen.

Net cash provided by operating activities decreased by 11,553 million yen from the previous fiscal year to 151,812 million yen.

This was attributable to the increase in cash mainly due to profit before tax of 159,218 million yen (an increase of 11,950 million yen in inflow from the previous fiscal year), depreciation and amortization of 36,336 million yen (an increase of 1,963 million yen in inflow) and impairment losses of 8,166 million yen (an increase of 7,866 million yen in inflow), and on the other hand, the decrease in cash mainly due to an increase of 9,788 million yen in trade and other accounts receivable (a decrease of 13,975 million yen in inflow), a decrease of 6,352 million yen in trade and other accounts payable (an increase of 11,504 million yen in outflow) and corporate income tax paid of 34,875 million yen (an increase of 11,706 million yen in outflow).

Cash Flow





Net cash used in investing activities increased by 17,594 million yen from the previous fiscal year to 29,790 million yen. This was mainly attributable to purchase of property, plant and equipment of 31,246 million yen (a decrease of 13,931 million yen in outflow from the previous fiscal year).

Net cash used in financing activities decreased by 30,205 million yen from the previous fiscal year to 115,673 million yen. This was mainly attributable to payments for purchase of treasury shares of 76,675 million yen (an increase of 32,392 million yen in outflow from the previous fiscal year) and dividends paid of 33,720 million yen (a decrease of 322 million yen in outflow).

## Capital Expenditures/Depreciation and Amortization

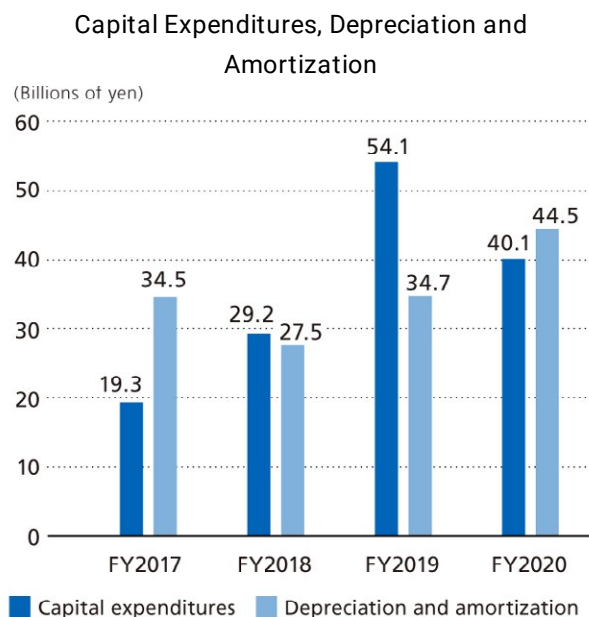
The total capital expenditures of all operations of the HOYA Group amounted to 40,093 million yen during the consolidated fiscal year under review, a decrease of 14,055 million yen over the preceding consolidated fiscal year.

In the consolidated fiscal year under review, investment in the Life Care business amounted to 12,644 million yen and investment in the Information Technology business amounted to 27,053 million yen, which account for 31.5% and 67.5%, 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 mainly invested in increasing production of eyeglass lenses, etc.

In the Information Technology business, we made investments mainly in production facilities at our Singapore plant that manufactures mask blanks for semiconductors for EUV lithography and production facilities for the launch of our new Laos plant that manufactures glass substrates for hard disks used in data centers.





Depreciation and amortization (including impairment losses) for the fiscal year under review were 44,502 million yen, 28.3% higher than in the previous fiscal year.

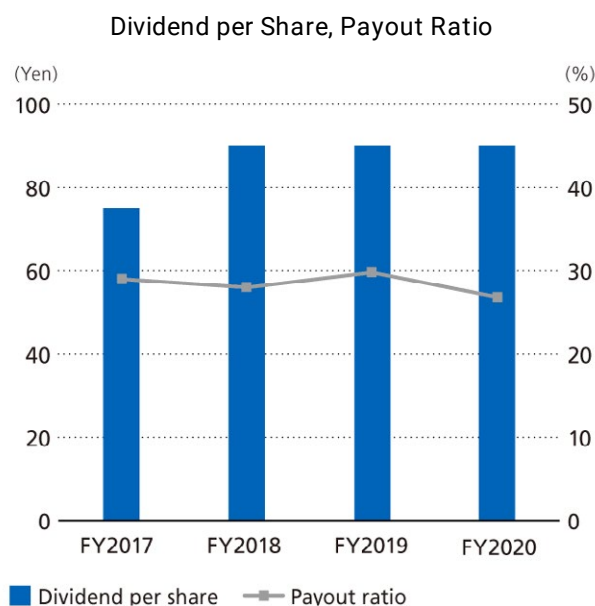
## Policy Concerning Decisions on Appropriation of Retained Earnings, etc.

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 26.8%.

As for share buyback, the total amount of treasury shares acquired corresponding to the portion that had been approved by resolution at the meeting of the Board of Directors during the fiscal year under review was 80 billion yen. (Share buyback period was from October 2020 to April 2021.)