

HOYA



Onwards and Upwards



CEO Message



Hiroshi Suzuki
President and CEO

Hoya is striving to become a global leader, continuously providing high value by developing businesses portfolio centered on expertise in optical technologies.



Profile

Apr. 1985	Joined the Company
May 1993	President of HOYA Corporation USA
Jun. 1993	Director of the Company
Jun. 1997	Managing Director of the Company
Apr. 1999	Managing Director of the Company
	President, Electro Optics Company
Jun. 1999	Executive Managing Director of the Company
Jun. 2000	President and Representative Director of the Company
Jun. 2003	Director, President, Representative Executive Officer and CEO of the Company (present post)

Fiscal 2010, the year ended March 31, 2010, was a difficult period for business, marked by a global economic slump that followed the financial crisis in the US. However, as Hoya struggled to address this harsh business environment, we made dramatic structural reforms that have transformed the Company into a leaner, more muscular organization which could ride out the economic storm and prepare for a renewed growth phase. I would like to take this opportunity to thank Hoya customers and shareholders for their support over the past year, and discuss the company's current position, and prospects for the future.

Review of Fiscal 2010

At the start of fiscal 2010, Hoya faced an extremely harsh business climate. There was no sign of a letup in the economic slump, and we approached the new fiscal period with a real sense of crisis. Market demand – particularly for digital products such as semiconductors, PCs, LCD panels and the like – plunged to extremely low levels at the end of fiscal 2009, and the industry as a whole was forced to conduct extensive inventory adjustments. Hoya had little choice but to respond to this slump with aggressive measures to slim down operations. We temporarily suspended production in several business segments, and made exhaustive efforts to reduce fixed costs to a level that matched the low sales levels. By summer, the strict production cuts and inventory adjustments began to take effect, and demand began to recover rapidly. However, this rebound was more sudden than expected, and it took some time to adjust to the improved demand conditions. Thus, even though volume rebounded in the latter part of the year, unit prices remained weak, and have yet to regain the levels they held before the economic crisis. Consequently, even in the second half, we continued to face a rather difficult earnings structure.

In the Eye Care and Medical businesses, demand remained fairly solid even in the immediate wake of the "Lehman Shock". Earnings contributions from these segments remained relatively firm. Although we have been trying to accelerate business expansion by investing in growth segments, during fiscal 2010 it was necessary to place the emphasis on balanced earnings, and Hoya had to cut back investments in future growth businesses. Consequently, Hoya will need to review the roadmap for future growth, and address the associated issues during fiscal 2011.

Due to the business conditions described above, consolidated net sales for the period declined 9.0% year on year, to ¥413,524 million. Operating income rose 8.9%, to ¥64,327 million, ordinary income was down 18.7% year on year, to ¥57,805 million, but net income increased by 50.8%, to ¥37,875 million.

Although the adverse business climate caused sales to drop off, year on year, the efforts we made to improve Hoya's cost structure have turned the Company into a leaner, more muscular organization. As a result, operating income registered year-on-year growth. Furthermore, the asset impairment losses and write-offs that Hoya booked in fiscal 2009, on the Pentax business, among others, amounted to ¥30.4 billion. Since these items disappeared from the accounts in fiscal 2010, net income grew more than 50% year on year.

In the Information Technology business, Hoya's Electro-Optics Division posted ¥143,375 million in net sales, a decline of 12.5% year on year. Operating income fell 27.4% to ¥28,823 million.

In the Eye Care business, sales in the Vision Care Division declined 6.4%, to ¥103,625 million, but operating income increased by 2.5% year on year, to ¥22,350 million. Sales in the Health Care Division, meanwhile, rose 8.1% to ¥54,012 million, and operating income expanded 6.9% year on year, to ¥12,336 million.

Sales in Pentax fell 13.1% year on year, to ¥106,150 million, but the unit posted an operating profit of ¥2,768 million, following an operating loss in fiscal 2009.

Portfolio Management Aimed at Perpetuating Growth

Since Hoya was founded in 1941, as Japan's first specialized manufacturer of optical glass products, the Company has focused its efforts on developing businesses in its area of core competence – optical technology. The Company has expanded steadily, and now operates businesses in a variety of related fields, including electronics, photonics, eye care and health care.

However, the Company's growth has not been simply a haphazard diversification. Hoya's management philosophy is based on careful business portfolio management. Each of the business units overseen by the Hoya Group has a specific role to play in contributing to the group's overall growth and earnings performance. Though the characteristics of each individual business may differ, we strive to maintain an effective balance among the parts, adjusting the portfolio carefully to address changes in market needs and the conditions of the business environment. By managing its business portfolio effectively, Hoya aims to achieve sustainable growth over the long term.

About ten years ago, Hoya's portfolio of businesses could be divided into two roughly equal halves – the information technology business and the eye care business. However, as the global market for digital electronics products expanded, the information technology business steadily increased its contributions to overall sales and profits, and it has now become the main engine of growth for the Hoya Group. Favorable market trends have supported the Company's growth, but we have steadily enhanced our competitive edge by developing optical technology to a level that few competitors can match. This technology forms the basis for Hoya's success in generating high profitability.

The unprecedented financial crisis which struck in fiscal 2008 triggered structural changes in many industries and consumer markets, and accelerated other global changes such as the growing importance of emerging industrialized countries. It also had major implications for the economic growth that has been driven by the global shift to digital technology.

To address these changes, Hoya is reappraising its business portfolio. In the Information Technology business, we intend to continue focusing on the optical technology that has always been Hoya's greatest strength, seeking to maintain a competitive edge in existing businesses and thus generating a steady flow of earnings. However, we also plan to expand our focus over the next decade and seek to accelerate growth in the Company's other business segments – eye care, health care and medical equipment. Hoya already has a long history of success in these businesses. We will seek to generate growth in industrialized countries, where the average age of the population is rising, by providing higher value-added products. At the same time, we will work to expand into markets in emerging economies.

Hoya will continue adjusting its business portfolio on the basis of long-term strategies that aim to perpetuate company growth.

Outlook for the Future

The specific direction of Hoya's business portfolio management will be based on the trends we anticipate in our major markets. Although in the Electro-Optics field, many manufactures might appear to have suspended technological developments during fiscal 2010, there has been a great deal of technological advancement behind the scene. Hoya is also preparing to implement its advances, timing the launch of new technologies to match market needs. Meanwhile, emerging economies are taking a more prominent role in the electronics industry in every respect, from production to the final consumer markets for the products. By cooperating closely with manufacturers in these countries, Hoya intends to establish an even stronger global presence. From a long-term perspective, the expanding volume of information that is generated and demanded by today's information technology products will make our optical technologies increasingly vital to the processing, storage and transmission of information. This trend could open up entirely new fields of business for Hoya.

In the Vision Care business, the market is steadily polarizing into two major formats – independent store channels and major eyeglass chains. We intend to refine our business model and pursue a two-channel strategy, in an effort to satisfy both of these retail customers.

The *Eye City* business, which operates a chain of contact lens specialty stores, is expanding steadily in Japan with the opening of new stores. However, in order to derive the maximum benefits from this chain store strategy, Hoya intends to accelerate the pace of new store openings and thereby increase market share. Our intraocular lens business, which provides artificial lenses for cataract surgery, received a boost in August 2009 when the FDA approved these lenses for sale in the US. This will allow us to move forward with a global expansion strategy. We are now on the same footing as

business rivals, and we will strive to establish a competitive edge by providing distinctive products through a unique sales channel strategy.

In the two years since Hoya acquired Pentax, the business has been reorganized to achieve a better fit with Hoya's management strategy, with Pentax operations restructured into three segments – medical endoscopes, digital cameras and other products. We expect the merits of this business integration to become steadily more apparent in the future.

The economic dislocation and confusion which followed the collapse of Lehman Brothers is gradually fading, and the global economy moving back towards normalcy. Still, major global changes are very likely to continue, and as a corporate manager, I consider it crucial to repay the trust and confidence invested in Hoya by its shareholders by anticipating and responding to the changing environment with decisive yet carefully considered actions. I believe that business conditions in fiscal 2011 will be considerably better than last year, and the challenges that each of our businesses face will become clearer. On behalf of the entire Hoya management team, I want to assure stakeholders that we will carefully consider all the risks, and try to chart a course for even greater success in the future.

Closing Thoughts

In today's world, a company must constantly seek ways to justify its existence by contemplating the value that it provides to society and how it can satisfy the needs of the communities in which it operates. Naturally, these considerations must evolve in accordance with the changes taking place in society itself, and the value a company creates must be flexible enough to respond to these changes. Globalization is one example of such a change; Hoya must decide where and how it can manufacture products most efficiently, where we can sell the most of products, and how we can generate the greatest value from their sale. In order to maximize all of these factors, we will need to build a global organization that has the optimal production locations and the optimal sales channels.

During fiscal 2010, Hoya was forced to slam on the brakes. However, since all Company employees understood the challenges and conditions we faced, and followed management's decision to implement them swiftly, we were able to pull through the difficult adjustment period successfully. Now it is time for the Company to focus its energies on accelerating smoothly into the next phase of growth.

I want to thank Hoya's customers and shareholders for their understanding, and welcome their continuing support as we move towards a brighter future.



President and CEO

HOYA Annual Report 2010

COO Message



Hiroshi Hamada
Chief Operating Officer

Pursuing continued expansion by adopting market-driven management stance and placing emphasis on customer satisfaction



Profile

Apr. 1982	Joined Yamashita Shinnihon Steamship Co., Ltd. (present Mitsui O.S.K. Lines, Ltd.)
Mar. 1987	ALICO Japan
Nov. 1992	Clarke Consulting Group of the United States
Jan. 1995	Dell Computer Corporation (present Dell Inc.)
Aug. 2000	President and Representative Director of the above company
	Vice President of Dell Inc. of the United States
May 2006	Representative partner of Revamp Corporation
Apr. 2008	Executive Chief Operating Officer of the Company (present post)
Jun. 2008	Director of the Company (present post)

Extensive structural reforms have made Hoya a slimmer, more muscular competitor

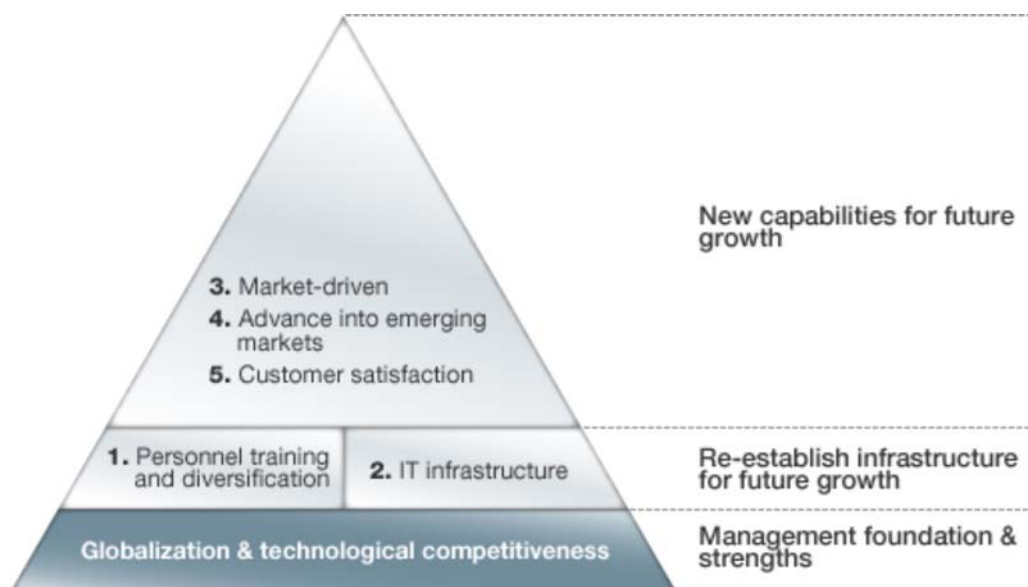
Fiscal 2010 was my second year as the COO of Hoya. I took the post in April 2008, and the economic crisis which unfolded later that year set off a global recession of truly historic proportions, but over the past year, Hoya made some important steps forward in our effort to climb out of this slump, by implementing large-scale structural reforms. During the first half of fiscal 2010, in particular, the economic downturn created a very difficult operating environment, characterized by weak demand and depressed prices. Hoya responded to these pressures by making major structural changes, closing down plants, temporarily halting production lines and working to cut procurement costs. In this way, we succeeded in cutting expenses dramatically. These measures have improved the profitability of operations considerably compared with fiscal 2009, and made Hoya a leaner, more muscular organization.

Five Initiatives to Support Future Growth

Now that the first stage of restructuring has been completed, I am eager to begin the next step of the process. In fiscal 2011, I am implementing five initiatives that we believe will put the Company firmly on the path to future growth.

Over the past year we have been building on Hoya's strengths by pursuing greater globalization (establishing the most appropriate structure and location for both production and management, to target the most appropriate markets) and improving the Company's technological competitiveness. This year, as COO, I will implement the five initiatives, starting with (1) preparing the necessary personnel training and diversification and (2) improvements to IT infrastructure needed to support growth in the longer term. We will then follow with (3) market-driven business expansion, an (4) accelerated advance into emerging markets and (5) efforts to enhance customer satisfaction. I believe that these five initiatives will help Hoya move quickly into a new phase of growth.

Pyramid: 5 Initiatives



(1) Personnel Training and Diversification

Hoya employs over 34,000 people worldwide, and we believe that the diverse skills and capabilities of this work force are indispensable to the Company's progress and success. In order to effectively address and overcome the multitude of national borders and social customs that exist in the markets Hoya serves, we need to take the maximum advantage of our employees' diverse capabilities. To this end, we have introduced a fair and transparent personnel structure which hires, trains and rewards employees based on their contributions, regardless of their age, nationality, sex or ethnic background. We also are developing a thorough training structure to ensure that each employee can realize their full potential.

(2) Improvements to IT Infrastructure

Hoya has a long track record of using technology to help enhance productivity, but a careful survey of our global operations indicates that there is still room for improvement and further rationalization in each of the Company's business segments. One measure that can help improve efficiency is to develop an integrated, global IT infrastructure for the Hoya Group. This IT infrastructure will be indispensable in the coming years, as the volume of information and the speed at which it flows continue to increase. By doing so, we can enhance the value of Hoya products and make them even more cost competitive.

(3) Market-Driven Business Expansion

In the past, Hoya has developed products from a technician's perspective, focusing on the technology. Because the quality of the technology has been such a defining factor in the electronics industry, manufacturers could usually be sure of achieving customer satisfaction, simply by developing and delivering the most advanced technology. Hoya has succeeded in building several strong businesses by following this technology-driven course. However, with the purchase of the Pentax business, Hoya advanced into a realm of business that is much more market-driven. The Company's business portfolio now encompasses millions of customers, with very diverse needs. Our clients now range from individual consumers to hospitals to major product manufacturers, and the importance of direct sales and marketing efforts has greatly increased. In order to make further progress with our current portfolio of businesses, we may need to adopt a much more market-driven approach. This is true not only of the Pentax division; further expansion in Hoya's eye care business will also require such an approach. Therefore, we are making efforts to enhance research into market needs, track the efforts of rival manufacturers and thus remain abreast of trends in what customers value, using this information to create a global product development roadmap and marketing strategy that can best satisfy their needs.

(4) Accelerated Advance into Emerging Markets

If Hoya adopts a market-driven focus, then we cannot ignore the fact that emerging economies are making a major contribution to global demand growth. For that reason, we are placing top priority on addressing and developing these emerging markets.

(5) Efforts to Enhance Customer Satisfaction

A market-driven approach to business expansion is based on determining where value lies for the customer, and finding a way to deliver that value. Therefore, it is essential that Hoya develops a clear awareness of and dedication to customer

satisfaction. We are implementing a variety of programs that aim to enhance customer satisfaction.

I believe that by diligently implementing the initiatives outlined above, Hoya will be able to resume a steady and sustainable growth trajectory. As COO, I will take the lead and work closely with employees worldwide, as well as dealers and customers in each region, doing my utmost to guide our businesses on an expanding course.

Continued efforts to enhance value

Over the past year, Hoya has implemented structural reforms to improve profitability, making the organization leaner and stronger. This year, we intend to build on that success and move the Company back on the path of earnings growth. By implementing the five initiatives outlined above, we can provide shareholders and all our other stakeholders with increased value to reward them for their ongoing support.

I trust that you will continue to support Hoya as we embark on the next stage of growth and development, and share in the rewards we cultivate.



Chief Operating Officer

HOYA Annual Report 2010

Business Overview

Electro-Optics Division

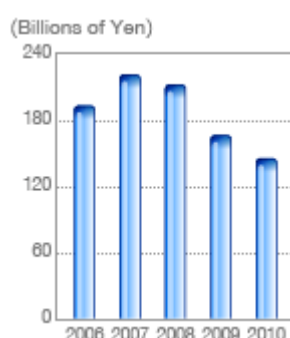
The Electro-Optics Division provides mask blanks and photomasks used in the production of semiconductors and LCD panels which are embedded in digital equipments such as personal computers, LCD televisions, digital cameras and mobile phones, as well as cutting-edge glass memory disks and optical lenses to support the miniaturization and enhanced functionality of those products. Hoya maintains a large global share of each of these markets, based on proprietary technologies at each stage from development to production.

Share of net sales

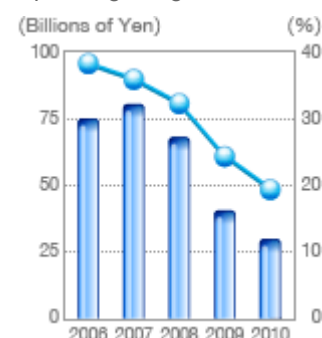
34.7%



Net Sales



Operating Income / Operating Margin



► Mask Blanks for Semiconductor Production

► Photomasks for LCD Panel Production

► Optical Lenses

► Photomasks for Semiconductor Production

► Glass Memory Disks for Hard Disk Drives

Photonics Division

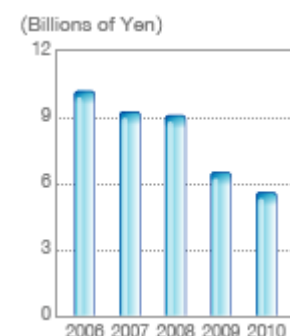
The Photonics Division applies optics technologies cultivated over many years to provide laser Oscillators and UV Light sources used in manufacturing processes for semiconductors, LCD panels and optical devices. The Division also provides colored glass filters and special glass products for various purposes.

Share of net sales

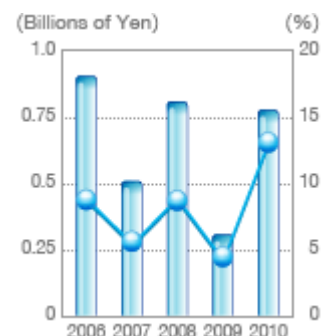
1.3%



Net Sales



Operating Income / Operating Margin



Vision Care Division

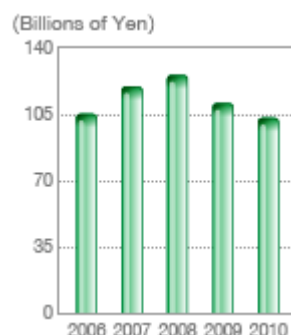
The Vision Care Division is engaged in manufacturing and sales of eyeglass lenses in global markets. The IT system linking the factories and sales points enables the division to deliver high-value-added lenses to customers around the world quickly and efficiently. The Company holds the top market share in Japan.

Share of net sales

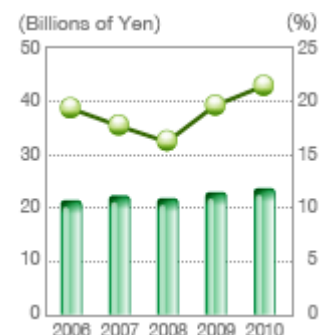
25.1%



Net Sales



Operating Income / Operating Margin



► Eyeglass Lenses

Health Care Division

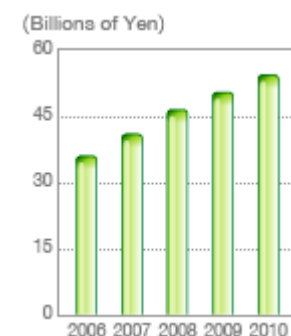
The Health Care Division is responsible for the development of the over 170 *Eye City* stores, Japan's largest chain of contact lens specialty stores. It also manufactures and sells intraocular lenses (IOLs) used in the treatment of cataracts globally.

Share of net sales

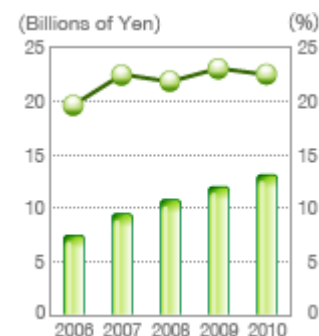
13.1%



Net Sales



Operating Income / Operating Margin



► Contact Lenses and Eye-City

► Intraocular Lenses (IOL)

PENTAX



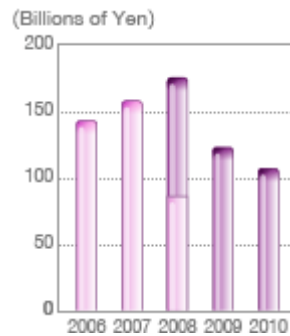
The Pentax business leverages its optics and precision processing technologies to develop and sell a broad selection of products, including medical devices, digital cameras, lens units for digital cameras, and Small-size Lenses. In the medical devices market, the division is focusing on endoscopes with the expectation that medical care will progress and the market will grow in the long-term. In cameras, the Company is working to develop unique products based around the globally recognized PENTAX brand.

Share of net sales

25.7%



Net Sales



Operating Income /
Operating Margin



► Endoscopes for Medical Use

► Digital Cameras

► New Ceramics

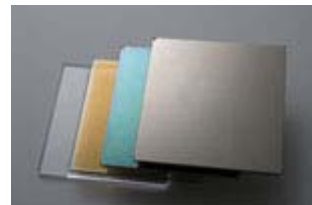
► Small-size Lenses

HOYA Annual Report 2010

Mask blanks for Semiconductor Production

Fiscal 2010 Business Overview and Results

The semiconductor market started out sluggish in the first half of the year under review in the wake of the global financial crisis, but recovered gradually from the summer such that some companies stepped up capital investment and advanced R&D. Some manufacturers made aggressive changes to their business structures during the period of limited investment, pursuing greater manufacturing efficiencies and cost cuts, and therefore achieved a marked improvement in earnings from the second half as the economy recovered.



Mask blanks for semiconductor production

Hoya's mask blanks business reported a recovery from the second half in line with the increased investment by semiconductor manufacturers. However, across the semiconductor market as a whole, fewer manufacturers were pursuing cutting-edge R&D and many companies cut costs by streamlining their product line-up, therefore taking a cautious approach on mask blank orders. As a result, slow growth by high-end products and downward pressure on prices meant this segment recorded a fall in both sales and profits compared with the previous year.

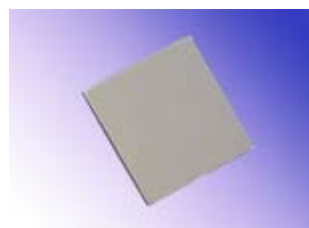
In the year under review, Hoya continued to focus on developing mask blank materials and cutting costs in order to respond to further miniaturization by semiconductor manufacturers and cost pressures. Hoya is developing advanced photoresist films that can be used for 32 nanometer node microtechnologies, and is working to achieve quality control with a defect rate of zero. The Company is also focusing its efforts on improving manufacturing efficiencies, including better yields on manufacturing lines that have been shifted overseas.

Outlook for Fiscal 2011

In fiscal 2011, the semiconductor market is expected to continue recovering and cutting-edge R&D may be earmarked for significant investment. Hoya will therefore continue to pursue R&D into advanced technologies as a leader in the mask blanks field. As well as redoubling its efforts in component technologies that underpin advanced R&D, Hoya is working to ensure the stable supply of high-precision mask blanks through rigorous product assessment and analysis and the sharing of in-house expertise. At the same time, Hoya will cut costs to create robust business structures.

Topics

In semiconductor production, extreme ultraviolet (EUV) lithography is drawing attention as a promising technology for the next generation of lithography light sources after the current ArF light source. Semiconductor manufacturers are developing this technology with the goal of commercializing EUV lithography around 2013; Hoya is leading the competition in the development of cutting-edge mask blanks and photomasks for use with EUV lithography. The Company aims to respond to market needs quickly and accurately by combining mask blanks materials technologies with state-of-the-art lithography techniques developed in its photomask business.

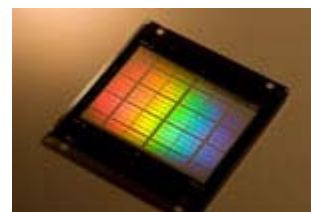


EUV Mask blanks

Photomasks for Semiconductor Production

Fiscal 2010 Business Overview and Results

The structure of the semiconductor market has changed significantly since the onset of the financial crisis in 2008 as a result of restraint in R&D investment, increased corporate restructuring, and other factors. With emerging economies, primarily China, now playing a leading role in the market, driving global demand, even greater pricing pressures are evident.



Photomasks for semiconductor production

Reflecting these difficult operating conditions, Hoya's performance in the first half of fiscal 2010 was sluggish. In the second half, various semiconductor manufacturers that had exercised restraint because of the financial crisis resumed development investment, leading to gradual signs of a recovery in photomask demand. Nevertheless, full-year demand was down year on year, resulting in lower sales and profits.

Hoya worked to develop business, focusing on advanced domains, and to strengthen competitiveness through rigorous development of advanced technologies. In addition to the cutting-edge lithography equipment released in fiscal 2009, the Company introduced inspection equipment for advanced 22nm node products, stealing a march on competitors. This achievement enabled Hoya to capture demand for photomasks for development after semiconductor manufacturers resumed R&D investment.

Outlook for Fiscal 2011

In semiconductors, companies are aiming to improve chip performance through finer design rules and reduce costs by boosting production capacity. However, the investment cost in advanced domains is increasing year by year, while the number of companies engaging in advanced development is on the decline as more and more companies seek to reduce costs by using general-purpose parts to produce devices. Against this backdrop, Hoya's photomask business intends to expend every effort to supply customers with high-quality photomasks needed to support advanced semiconductor development, while at the same time focus on enhancing cost-competitiveness.

Photomasks for LCD Panel Production

Fiscal 2010 Business Overview and Results

During the fiscal year under review, the LCD panel market expanded, supported by global demand for LCD televisions, mainly in China and other emerging economies. The past several years have seen productivity gains resulting from an increase in panel sizes, which has led in turn to competition to produce larger photomasks. The trend toward larger photomasks has paused for the moment, however, and the market is proceeding with product development focused on higher-resolution and higher-performance LCD panels. In 2010, which is being called “the first year of 3D,” still more intense technological competition is beginning.



Photomasks for LCD Panel production

Amid this environment, Hoya is working to rapidly supply products in response to customers' needs and individual specifications. These products include high-end, high-quality photomasks for panels with improved performance and cost-competitive products for general-use items. During fiscal 2010, both sales and profits fell as a result of severe downward pressure on prices. This was despite higher shipments of photomasks accompanying expansion of the LCD panel market. In terms of production, the Company made continuous efforts to reduce production costs and also worked to strengthen the production framework at its three bases in Taiwan, South Korea and Japan, pursuing certain efficiencies on a local basis and seeking to boost efficiency across all three bases in other areas.

Outlook for Fiscal 2011

In fiscal 2011, overall demand will be driven by development in high-performance LCD televisions, with 3D and high-definition sets at the forefront, as well as by volume growth in low-priced products, mainly in emerging economies. Hoya, as a leading company in the field of photomasks, will continue to focus efforts on developing technologies for and expanding production of high-performance photomasks to make these advanced functions possible. More specifically, demand is growing each year for multi-tone masks able to transfer extremely fine circuit patterns to substrates, and Hoya intends to use its technological capabilities gained through development of photomasks for semiconductor production to set itself apart from the competition.

Glass Memory Disks for Hard Disk Drives

Fiscal 2010 Business Overview and Results

Hoya develops and manufactures 2.5-inch glass memory disks for HDDs, which are used mainly in mobile devices such as notebook PCs and external hard drives. During the fiscal year under review, the notebook PC market saw strong growth including for netbooks and low-priced PCs. In the HDD market, some lingering inventory adjustment effects spilled over from fiscal 2009 into the first quarter, but from the second quarter onward performance was strong as production increased and demand surged.

Amid this environment, Hoya's glass disk business maintained a high operating rate, boosted by strong demand from the second quarter. As sales volume rose, sales in monetary terms grew year on year despite the effects of the strong yen and lower prices.

Regarding glass substrate products, in fiscal 2010, Hoya focused on enhancing precision, including reducing defects and improving the smoothness of disk surfaces, mindful that higher density will be in even greater demand going forward. At factories in Thailand and the Philippines, Hoya made progress switching production lines to enable them to handle high-precision products. In media products, the Company developed high-density-compatible materials, and worked to reduce costs by improving product quality and productivity.



Glass Memory Disks for Hard Disk Drives

Outlook for Fiscal 2011

Fiscal 2011 is expected to bring continued growth for the HDD market, mainly in demand for use in notebook PCs. In order to respond to strong demand growth going forward, Hoya plans to both reinforce its existing factories and build new manufacturing facilities in Philippines and Vietnam. The Company will work to improve disk precision to stay in step with the increasing memory capacity of HDDs. In substrate products, we aim to maintain our No. 1 industry position in terms of quality, cost, and delivery timeframes.

As of June 30 2010, HOYA completed the agreement regarding the transfer the hard disk media manufacturing operation and related assets to Western Digital Corporation. Going forward, HOYA will focus on and allocate its resources to its glass substrates business to enhance its competitiveness and boost future growth.

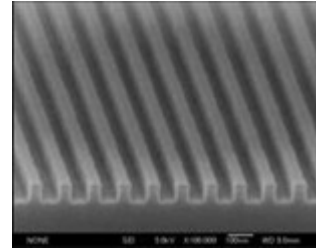
Topics

In HDD recording media, developers are working on new technologies to increase storage capacity. At present, perpendicular magnetic recording is being used to improve recording capacity by aligning the poles of magnetic writing elements perpendicular to the recording layer. But the industry is now developing new technologies such as discrete track

recording¹ and assist recording² to replace existing methods and achieve even greater increases in recording capacity. As a leading glass disk company, Hoya is also working actively to develop technologies for next-generation media.

¹ In this method, channels are created between the tracks of the recording material to reduce the magnetic interference between adjacent tracks. It is expected that this will enable higher areal recording density.

² In this method, lasers are used to locally apply heat to the recording medium before writing to reduce the magnetic coercive force.



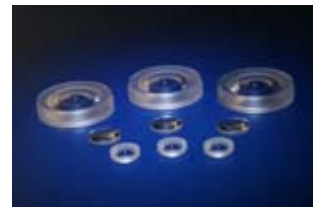
Mold for Discrete track recording media

HOYA Annual Report 2010

Optical Lenses

Fiscal 2010 Business Overview and Results

Demand in the digital camera market, Hoya's main market for optical lenses, which plummeted following the Lehman Shock in fiscal 2009, began to show signs of recovery from the second half of fiscal 2010, and had picked back up again by the end of the fiscal year. The market for digital cameras saw shipment volume rise year on year due to expanded lineups in both top-end and entry-class models, as well as the addition of the new mirrorless category. The market for interchangeable lenses also performed firmly in step with expansion in digital interchangeable lens cameras. Compact cameras recorded the largest year-on-year drop in sales in several years as rising demand in emerging economies failed to compensate for stagnant sales in developed nations because of the economic recession.



molded lenses

Amid this environment, Hoya's optical lens business saw growth in sales volume of aspherical molded lenses and polished lenses. Due to lower product prices, changes in the product mix, and the appreciation of the yen, however, sales declined in monetary terms.

The digital camera market is seeing increasing demand for high zoom power, slimmer bodies, and wide-angle shooting capabilities. In lenses as well, camera manufacturers are looking for high-function lenses that enable advanced photography.

During fiscal 2010, as these customer needs became more sophisticated, Hoya worked to develop high-performance optical materials with superior optics and establish volume production processing technology for aspherical molded lenses using these new materials. High-precision aspherical molded lenses using a new high-index, high-dispersion optical material (M-FDS2) won a particularly strong reception for addressing wide-angle shooting and zoom needs, and contributed to sales.

At the same time, the competitive environment especially for polished lenses intensified as a result of the growing prominence of lens manufacturers in Asia, particularly China, meaning downward pressure on prices was as strong as ever. In response, Hoya relocated and reinforced manufacturing facilities at production bases in Japan and overseas, and strove to boost productivity, including improving the yield rate. Hoya also focused on strengthening sales, production, and service in Asia as more corporate customers shift their production processes to that region.

Outlook for Fiscal 2011

In fiscal 2011, Hoya expects to see demand for digital cameras grow due to the Shanghai Expo and the 2010 FIFA World Cup. However, customers will also increasingly demand high performance lenses that require a high degree of manufacturing competence as camera users seek higher zoom power, slimmer camera bodies, and wider-angle shooting capabilities. Stiffer price-based competition is also anticipated. Based on its integrated production system, from optical material development to lens manufacturing, Hoya will leverage its cost-competitiveness and proposal-making capabilities backed by unparalleled technologies and expertise to meet the demand for more advanced digital cameras and other optical products.

Photonics Division

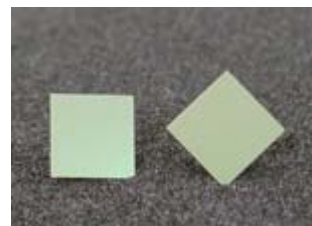
Fiscal 2010 Business Overview and Results

UV (ultraviolet) light source products are used in digital device manufacturing processes for UV-resin bonding. The fiscal year under review saw vitalization of capital expenditure by customers in the HDD, optical pickup, and touch panel markets, and a recovery in demand. Hoya secured firm orders, and was able to maintain sales on a par with the previous year in the UV light source category.

Sales of laser oscillators, which are mainly used to repair pattern defects in flat panel manufacturing, dropped significantly as a result of extreme selectivity in capital expenditures at our customers.

In addition, color filter glass and special glass used in various applications including industry and medicine performed well, supported by steady sales in the medical market. And infrastructure investments by the Chinese government pushed up the demand for the polarized glass (CUPO) used in optical communications isolators, of which the Company launched full-fledged sales in fiscal 2009. However, amid the economic recession following the Lehman shock, in this product segment, sales fell year on year due to a sharp drop in demand for certain parts used in video cameras.

Market conditions made it difficult to gauge demand during the economic recession in fiscal 2010. In this environment, Hoya took measures actively promoting efficiencies in its sales activities, streamlining the organization to enable timely response to changes in the scale of demand, and working to reduce fixed costs. Thanks to these efforts, the company secured higher profits year on year.



Polarized glass (CUPO)



UV-LED spot light source
(EXECURE-H-1VC)

Outlook for Fiscal 2011

In fiscal 2011, it is likely that demand will remain difficult to anticipate. However, there is expected to be continuous demand for optical pickups, camera modules, and other digital products. Hoya will implement changes in its business model and internal structures to enable the Company to continue to customize existing products to accurately meet individual customer needs, to shorten the timeframes from receipt of orders to delivery, and to respond to demands for low pricing. In product development, the Company intends to make use of existing technologies to expand business into new domains. Growth is expected in Asia, led by China, as the region becomes the center of demand going forward. In response, Hoya will accelerate the shift to Asia on both the sales and manufacturing fronts.

Topics

Hoya is proceeding with the development of a new light source device that can handle the full range of UV exposure, from spot to area exposure. The fiscal year under review, Hoya developed UV-LED exposure unit with line-type illumination.

Hoya is developing highly competitive new products in the field of optical technologies, where it has built up experience in fiber optics.



line-type UV-LED

Eyeglass Lenses

Fiscal 2010 Business Overview and Results

During the fiscal year under review, the market for eyeglass lenses felt the impact of the economic recession that followed the global financial crisis. In eyeglass retail markets in developed countries, consumers wore lenses longer before buying replacement ones, and purchasing sentiment fell for high-value-added products such as photochromic and progressive lenses. Market polarization became more pronounced. Prices fell and eyeglass lenses were increasingly commoditized as major eyeglass retailers expanded flat-price and 2-for-1 promotions to drive traffic.

At the same time, independent opticians saw growth in high-performance eyeglass lenses customized to each individual customer's eyes and lifestyle. In emerging economies such as India and China, rising standards of living due to rapid economic development saw a growing number of customers purchase high-performance lenses, resulting in firm growth.

In the eyeglass lens business, in Japan Hoya saw lower revenues year on year as a result of market contraction due to the declining population and falling prices. In the United States, sales were down as consumption dropped in the aftermath of the financial crisis and the yen was strong against the dollar. Sales also fell in natural resource-based economies such as Canada and Australia as consumer sentiment weakened amid lackluster commodity markets. In the European market, by contrast, sales grew despite the strong yen. This was because the Company was able to offset price declines with higher volumes in some markets, and sales of high-value-added lenses grew. Sales were up in Asia as well, on the back of higher volumes and robust demand for high-value-added eyeglass lenses amid economic development.

In fiscal 2010, Hoya strategically rolled out a range of products for each region, from high-value-added lenses to mid- and low-priced lenses. Positioned at the top of the premium lens category is the Hoyalux iD MyStyle (Hoyalux Trinity in Japan) progressive lens, which fuses Hoya's optical and materials technologies. Using the measuring devices installed at each eyeglass retailer and a unique software algorithm, customers can get MyStyle lenses customized not only for their prescription, frame and face shapes, but also their individual lifestyle. The lens calculation algorithm also takes into account the customer's previous lens design, resulting in higher comfort and much faster adaptation.



During fiscal 2010, Hoya prepared to launch TrueForm in Europe and Asia and IQ in North America, a new lens developed to bridge the gap between conventional lens technology and Hoya's proprietary FreeForm Technology, used to produce the premium MyStyle line. In addition to the reasonable price, TrueForm lenses can be produced at regional labs, enabling fast turnaround times with delivery in just three to four days of order. In Europe, the Company launched lenses treated with LongLife (EX-3 in the United States) anti-reflective coating, a scratch resistant, water-repellent coating that is among the best in the industry in terms of quality performance coatings.



Regarding the production framework, Hoya worked to expand global market share and enhance profitability, by striving to raise price-competitiveness while growing volume through efficient operation of:

- Mass production factories to produce semi-finished and finished stock lenses;
- Global Rx Labs for high-volume processing of unique prescription lenses for all markets; and
- Regional Rx Labs, consisting of 52 facilities in 30 countries to deliver prescription lenses with fast turnaround and local service.

In July 2009, the Company commenced activities at HOLT Japan, a new organization enabling the quick supply of large product volumes from Thai mass production facilities to Japanese eyeglass retailers. This new approach addressed market needs and led to higher sales. In October 2009, with its sights set on growth in the global market, the division relocated its headquarters from the Netherlands to Thailand, home to a cutting-edge production facility. The move to Asia resulted in a framework that will allow the Company to pursue

Global production systems
Thai, China, Vietnam



regional and product strategies by promoting collaboration between the Thailand factory and the various labs and sales channels around the world.

Outlook for Fiscal 2011

The global market for eyeglass lenses has substantial room for growth for the Company as societies age and customer bases in emerging economies grow. Hoya currently has a global market share of just over 10%, and in fiscal 2011 intends to increase that share by growing sales of mid- to low-priced lenses as well as high-value-added lenses. Specifically, the Company will expand sales of TrueForm, which targets the middle sector of the market, and introduce its anti-reflective coatings to new markets. In addition, Hoya will develop second brands for emerging economies in Asia, India and South America, which are experiencing striking economic growth. The Company will also promote tie-ups and joint ventures with local manufacturers in these regions in order to efficiently and quickly enter and establish a footing in the local markets.

In the medium to long term, Hoya will accelerate global growth by focusing on speeding up expansion in the high-value-added lens domain, opening up new markets, and leveraging IT to deliver efficient and innovative services.

HOYA Annual Report 2010

Contact Lenses and *Eye-City*

Fiscal 2010 Business Overview and Results

During the fiscal year under review, the retail market for contact lenses in Japan felt the impact of the economic recession, recording negative year-on-year growth in both conventional long-wear and disposable lenses. Amid the economic slowdown, there was a decline in consumer sentiment for one-day and two-week disposable lenses, which had been growing until the previous fiscal year, leading to decreases in both unit sales and average prices. As a result, the contact lens industry marked its first-ever year-on-year decline.

In this difficult business environment, Hoya's *Eye City* stores, one of Japan's largest chains of contact lens specialty stores, was the only industry player to achieve increases in both sales and profits. This helped it to raise its market share by 2 percentage points year on year and maintain its leading position.

In fiscal 2010, Hoya vigorously pursued a strategy of opening new stores based on detailed sales area analysis. As a result, the Company opened a record 21 new stores, bringing the total number of *Eye City* stores to 168 nationwide as of March 31, 2010. In addition to increased sales from the new stores, existing stores (opened before fiscal 2010) saw positive growth in sales as a result of improvements to customer interfacing, and the deployment of effective marketing strategies utilizing digital media and member databases, which succeeded in attracting new and repeat customers. The cumulative number of customers continued to grow, reaching 7.5 million by the end of the fiscal year under review.

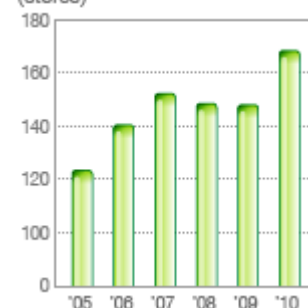
Sales of Hoya Airy One month disposable lenses were strong in their debut year, growing quickly to capture the third-largest share in the one-month type market.

In the Chinese market, which Hoya entered in 2005, there are currently 7 *Eye City* stores in Shanghai. During the fiscal year under review, the Company focused on building a business model with an eye toward further market expansion.



Eye-City

Number of *Eye-City* stores(Japan)
(stores)



Outlook for Fiscal 2011

The market for contact lenses in Japan is expected to contract due to cooling consumer sentiment as well as the low birthrate and aging demographics. Amid this environment, Hoya intends to provide higher-quality service by listening carefully to customer feedback, while stepping up store staff education and training, and renewing store design and logos in order to reinforce the brand. We will also aim to expand the scale of business by raising sales at existing stores and accelerating the pace of new store openings. With the rise of the Internet, we expect online contact lens sales to grow in addition to conventional in-store sales. We will therefore explore possible business models in order to expand our operations.

Topics

During fiscal 2010, we launched Hoya Airy One month, a soft lens made of an advanced silicon hydrogel that can be worn for up to a month. Using proprietary Hoya technology, this lens reduces drying without preventing the eye from breathing, offering consumers a healthier, more comfortable experience. The product has been well-received for its excellent performance.



HOYA Airy One month

Intraocular Lenses (IOL)

Fiscal 2010 Business Overview and Results

The global market for intraocular lenses (IOLs) used in cataract surgery is expanding as the number of cataract surgery patients increases alongside aging demographics and increased economic development in emerging economies. The majority of intraocular lenses used to replace the natural lens in cataract patients are currently standard, spherical monofocal IOLs. However, in many developed nations around the world, patients' increasing demand for improved Quality of Life is creating new markets for aspherical, multifocal, toric and accommodating IOLs. Currently, the worldwide market is \$2.1 billion and is projected to grow to \$3.1 billion in the next five years.

Hoya's hydrophobic IOLs, using a precision lathe-cut manufacturing method¹, which results in superior optical quality. Hoya IOLs are available in a novel pre-loaded insertion system that provides safety, efficiency and predictability for surgical outcomes. The lenses are currently available in Japan, Europe, Asia and the United States. In Japan, the Company has already captured 30% of the total market. During fiscal 2010, performance was driven by sales growth in Japan, China, Italy, and the United States, allowing the division to achieve year-on-year growth in revenues.

During the fiscal year under review Hoya began selling the iMics1™ series of hydrophobic IOLs, which enable surgeons to insert the lens through an incision size as small as 1.8mm, resulting in superior patient outcomes. Japan sales commenced in June 2009, and sales were launched in European countries in January 2010, with the series receiving strong reception in all markets. In August 2009, the Company launched iSert™ pre-loaded IOL delivery system in the United States, the only small incision system of its kind currently available in the United States, the world's largest market for IOLs. The pre-loaded system has earned a positive response from ophthalmological associations and ophthalmologists for making safer, more efficient cataract surgery possible. Hoya launched iSert™ in Korea in January 2010, and plans to follow up with launches in India. Both iMics1™ and iSert™ contribute to ophthalmological medicine by providing not only high-quality, precision lenses, manufactured using Hoya's outstanding proprietary optical technologies and materials, but also revolutionary insertion devices that make surgery more predictable for both patients and doctors.

In addition to developing improved products, Hoya also offers hospitals and clinics unique supply chain systems to support their business operations. One example of such support is SAMI™ (Smart Automated Micro-tag Inventory), an inventory management system that the Company has launched in the United States. SAMI™ uses RFID tags on product packages to reduce doctors' administrative load, while automating inventory management and ordering processes and increasing efficiencies.

¹ Lathe cutting is a manufacturing process which fabricates lenses precisely one by one from button shaped materials using computer controlled machine. In HOYA, a cutting-edge line combined with pad polishing and tumble polishing processes is used to achieve sharp edge and smooth optic surface.



Intraocular Lenses (IOL)

IOL Global Market size expectation
(Billion dollars)



(company estimate)

Market share in Japan



(company estimate)



iSert™ pre-loaded IOL delivery system

Outlook for Fiscal 2011

The market for IOLs is projected to see significant growth going forward. In fiscal 2011, Hoya will enhance and expand sales of existing products, including refined versions of the iSert™ pre-loaded delivery system. The Company will also accelerate development of premium IOLs for which growth is anticipated, including toric IOLs and multifocal IOLs. With regard to sales, following the entry into the North American market in 2009 that launched full-fledged global development, Hoya will work to increase its market share in developed countries while opening up markets mainly for high-end products in China, India and other emerging economies in order to capture global market share. In line with this global expansion, the Company will also work to educate ophthalmologists around the world about the Hoya brand.

Topics

In cataract surgery, artificial IOLs are introduced to the eye through an incision of just a few millimeters. The smaller the incision size, the quicker the healing and the lower the risk of infection. Hoya's iMics1™, launched in Japan in 2009, is a revolutionary IOL that uses a proprietary loop design and dedicated insertion tool to enable insertion through an incision size as small as 1.8 mm. Following the highly successful Japan launch, Hoya plans to roll out the product in the United States, Europe and Asia.



HOYA Annual Report 2010

Endoscopes for Medical Use

Fiscal 2010 Business Overview and Results

In fiscal 2010, the medical endoscopes market felt the effects of the 2008 financial crisis, with capital expenditures by medical institutions mainly in developed economies falling off sharply, and with many U.S. medical institutions paying close attention to developments in U.S. healthcare system reform. As a result, the European and North American markets contracted year on year. Meanwhile, markets expanded in emerging economies such as China, which is building up its healthcare systems.

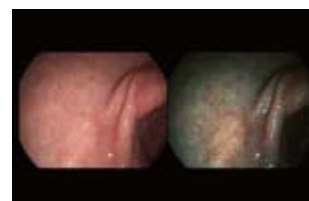
Against this backdrop, sales fell year on year in the medical endoscopes business, which derives a high proportion of sales from overseas, due to restraint and postponement of capital expenditures by European and North American medical institutions and to the major impact of the strong yen.

In fiscal 2010, an ultrathin video laryngoscope released in September 2009 (VNL-90s) and a ultrasonic video bronchoscope put on the market in the previous fiscal year received strong acclaim, contributing to sales. The otolaryngological field is currently shifting from using fiberscopes to using high-resolution videoscopes, and the VNL-90s has an outer tip diameter as narrow as 3mm, while still retaining the high image quality of conventional scopes.

With regard to image processing, the Company upgraded the software for its EPK-i high-resolution endoscope system, and added a new "twin mode" which improves on the observational power of conventional single-screen models through a function that enables physicians to simultaneously view both standard and special displays. This new feature has earned attention in the medical world. The expansion of the lineup of upper and lower digestive tract endoscopes in the EPK-i series, which launched in 2007, is almost complete. Now able to meet a wide range of customer needs, this enhanced lineup will lead to higher sales in fiscal 2011 and beyond. With a view to full-fledged global development going forward, the Company also appointed personnel with a firm track record in the business in the U.S., which represents the largest market, to top positions in the division, and reviewed its business strategy.



ultrathin video laryngoscope
(VNL-90s)



Twin mode (left:normal image,
right:i-scan image)

Outlook for Fiscal 2011

Going forward, there will likely be increased demand for flexible endoscopes with higher-function image-processing technology and greater operability to help physicians perform accurate and quick diagnoses. In fiscal 2011, market conditions will remain uncertain in light of U.S. healthcare system reform and economic trends. Nevertheless, Hoya intends to continue to strengthen collaboration with doctors, and to focus on developing products that respond accurately to frontline medical needs. The Company will also further enhance marketing efforts in China and other emerging economies.

Topics

The EB-1970UK ultrasonic videoscope, which enables physicians to observe at depths of 1-5 cm from the surface structure, is unique as the first ultrasonic bronchoscope with a CCD on the tip. In fiscal 2009, Hoya launched the EB-1970UK in Europe and North America, and in fiscal 2010, the Company saw growth in demand from advanced medical institutions in both regions. In areas where precise observation and diagnosis are required, such as examining the lymph nodes around the bronchial tubes for signs that cancer has spread, the device has won praise for its high resolution and ease of use.



Ultrasonic videoscope
(EB-1970UK)

New Ceramics

Fiscal 2010 Business Overview and Results

During the fiscal year under review, the composite bone market continued to see gentle growth, mainly in Japan. The global market for chromatography media for the biopharmaceutical manufacturing process also grew steadily. In these markets, which are experiencing stable albeit moderate growth, the new ceramics business achieved another year of increases in both sales and profits.

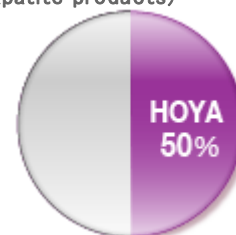
Hoya's mainstay product in this business is APACERAM, which holds the top share in the apatite products category. A prosthetic filler for bone defects, APACERAM is used mainly in the fields of orthopedics, brain surgery, and dentistry. Composite bone products break down into two major categories: solid-types such as APACERAM, and paste types. During fiscal 2010, BIOPEX-R, a paste-type composite bone material, sold well. In October 2009, the company released a new, fast-drying product, BIOPEX QUICK TYPE, aimed at the brain surgery field, and succeeded in winning new customers. Hoya also pressed forward with business expansion policies that reach beyond conventional ceramics. For example, in November 2009, Hoya launched an implant product for brain surgery made of titanium materials, which it had been considering releasing for some time.

Many major pharmaceutical manufacturers in Japan and around the world use Ceramic Hydroxyapatite as a chromatography media. These are often used in processes where a higher degree of purification is required. During fiscal 2010, sales of Hoya's Ceramic Hydroxyapatite grew firmly, in part due to improved product recognition.



New Ceramics

Market share in Japan
(apatite products)



(company estimate)

Outlook for Fiscal 2011

The composite bone market is expected to continue growing steadily in fiscal 2011, but Hoya has set its growth target higher than the market growth rate. In order to meet its goals, the company aims to boost its share in existing markets and expand business to new markets by enhancing the product lineup. Specifically, it will work to expand sales of the abovementioned products released in fiscal 2010, accelerate the speed to market of new products that improve on the functions of conventional products, and consider introducing new metallic materials. The company will also accelerate growth in the chromatography media market, which is expected to grow strongly. Going forward, Hoya will work to provide patients and medical professionals alike with outstanding implant products and the related medical tools.

Digital Cameras

Fiscal 2010 Business Overview and Results

The digital camera market showed signs of recovery during the fiscal year under review. This was in part because inventory adjustments sparked by the 2008 Lehman shock had run their course by the end of fiscal 2009, and because various companies released new models from the first quarter of fiscal 2010. Globally, SLR camera units shipped were up year on year due to the expansion of entry-level models, but full-year results were down as a consequence of a significant drop in compact cameras. In what was a severely competitive environment, companies competed to differentiate products and prices declined.

Against this backdrop, PENTAX focused on combining its optical and advanced technologies, honed over many years, to develop and manufacture products worthy of the PENTAX name. In June 2009, the company released the PENTAX K-7 digital SLR camera, which features high reliability and ease-of-use along with advanced shooting functions in a compact body, making it easy for users to take high-resolution photos. The new model won high praise for its ability to satisfy advanced amateur photographers and other photo enthusiasts. In October 2009, the company rolled out 100 color variations of the PENTAX K-x, which features functionality approaching that of top-end models in a compact, lightweight, easy-to-operate body (color variations only available in Japan). The concept behind the multi-color lineup espond to diversifying user needs by making cameras a more personal tool to enjoy as a hit, mainly among female consumers and novice photographers. In March 2010, the company unveiled the PENTAX 645D, the first-ever PENTAX medium-format digital SLR, which drew attention for its high reliability and super-high resolution as an industry-leading field camera. In compact cameras, the company released a total of nine new models with a focus on design or featuring high-zoom lenses and water- and dust-resistance in addition to improved standard functions.

In fiscal 2010, sales fell year on year, due not only to the difficult market conditions but also the major impact of the weak euro and dollar on overseas sales, which account for the majority of sales. However, profitability rose considerably thanks to major structural reforms implemented in fiscal 2009, including a more efficient production system and greater focus on the product lineup.

Outlook for Fiscal 2011

The digital camera market in fiscal 2011 is expected to remain the same size as in fiscal 2010. With the market still driven by demand in emerging economies, it is anticipated that product prices will drop. Nevertheless, the trend toward multi-functional models, offering improved basic functions such as high resolution and high zoom along with various other functions such as face recognition, shake reduction, HD video, and image-processing effects, is expected to continue. PENTAX intends to firmly grasp these market needs, and develop business in a timely manner, from product development through to production and sales.



PENTAX K-x



"PENTAX K-x" was selected the Best DSLR Entry Level in Europe 2010 at TIPA



PENTAX 645D

Topics

At the International Security Conference & Exposition, held in Las Vegas in March 2010, PENTAX's PAIR (PENTAX Atmospheric Interference Reduction) H55ZAME long-range zoom lens beat out the competition to win Best in Video Device in the New Product Showcase. Featuring a 55x long-range zoom, PAIR also has a newly developed fog-cancellation system that can reduce noise caused by atmospheric interference to facilitate outdoor live security surveillance of national borders, coastlines, ports, and airports.



Lens for Security Camera PAIR
H55ZAME



At the International Security
Conference & Exposition, PAIR
H55ZAME won Best in Video
Device

HOYA Annual Report 2010

Small-size lenses

In this business, HOYA manufactures and sells DVD/CD-compatible hybrid lenses, Blu-ray pickup lenses, and plastic lens units for digital cameras.

Fiscal 2010 Business Overview and Results

The market recovered rapidly from the first quarter of the fiscal year under review, with DVD/CD-compatible lenses showing firm growth in line with increasing PC demand. Blu-ray pickup lenses also recorded significantly higher volumes year on year. With the Blu-ray market expected to grow going forward, Pentax will focus on product development in order to meet customers' future needs as quickly as possible.



Blu-ray objective lenses

Outlook for Fiscal 2011


Furthermore, we are proceeding as planned with efforts to strengthen the organization and production bases. This should help us to improve production efficiency and reduce costs going forward. We will utilize our strengths in high-precision lens molding technology to create a framework for meeting all the various needs of our customers.

Management Discussion and Analysis

(Notation)

The Company has been preparing its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and now plans to get it ready by the end of this year. In the meantime, please also refer to the following documents.

 Quarterly Business Report for the fiscal year ended March 31, 2010

 The 72nd Business Report; attached documents for the Notice of the 72nd Ordinary General Meeting of Shareholders

We are sorry for any inconvenience that may cause to you.

Hoya Group and Scope of Consolidation

The Hoya Group (the "Group") consists of Hoya Corporation (the "Company"), 106 consolidated subsidiaries (5 in Japan and 101 overseas) and 9 affiliates (5 in Japan and 4 overseas). Of the affiliates, 3 (2 in Japan and 1 overseas) are accounted for by the equity method.

The Hoya Group is managed on a global, consolidated basis. Each of the Group's business divisions and subsidiaries carries out their business strategies as formulated by the global headquarters at Hoya Corporation, yet with their own management responsibility. Each region? North America, Europe and Asia?has its own headquarters, which focuses on enhancing relations with the countries or regions of its operations, as well as supporting business promotion activities, including with legal assistance and internal auditing. Hoya's branch in the Netherlands is the financial headquarters for the Group.

Net Sales

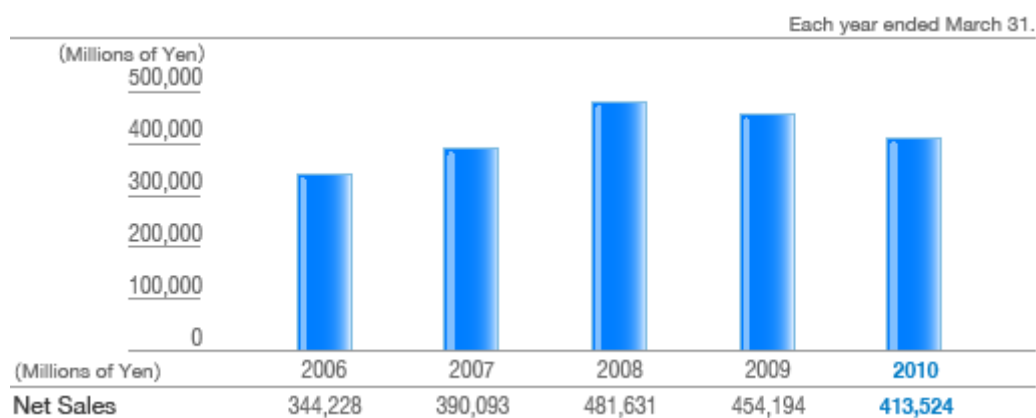
Consolidated net sales for the fiscal year ended March 31, 2010, amounted to ¥413,524 million, declining 9.0% year on year. By principal business segment, net sales in the Electro-Optics Division of the Information Technology business declined 12.5% year on year. Within the Eye Care business, net sales in the Vision Care Division were down 6.4% year on year, while in the Health Care Division net sales rose 8.1% year on year. For the Pentax divisions, net sales dropped 13.1%, compared with the previous fiscal year.

By customer region, net sales to customers in Japan decreased 10.6%, to ¥152,266 million, while net sales to overseas customers declined 8.0%, to ¥261,258 million. As a result, the composition of net sales was 36.8% domestic and 63.2% overseas, meaning that overseas net sales accounted for an even higher proportion of total net sales than in the previous fiscal year.

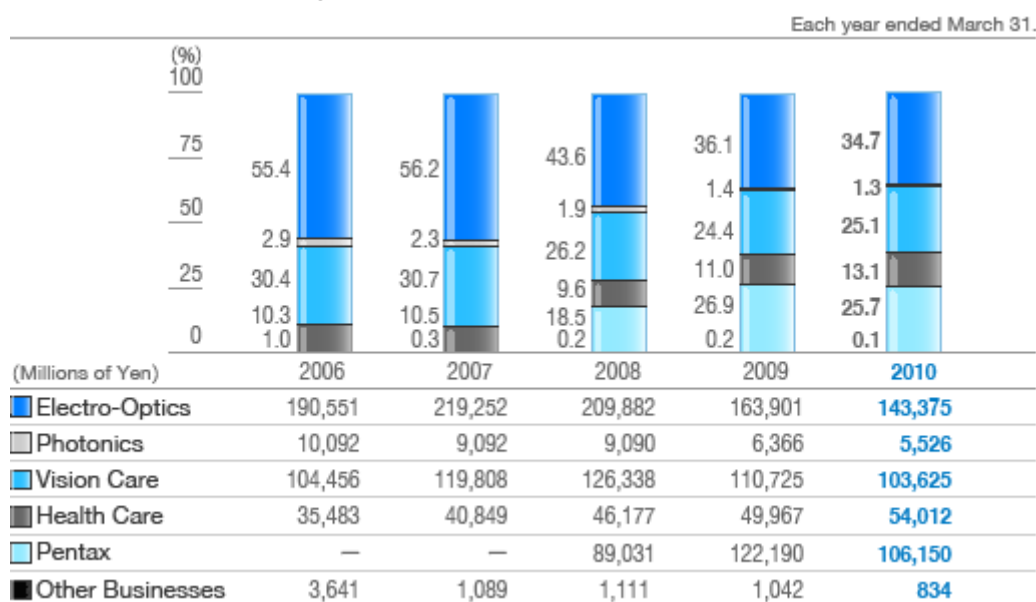
Hoya calculated the effect of exchange rates on operating results during the fiscal year under review by comparing the foreign currency-denominated financial statements of its overseas subsidiaries when converted into yen at the average exchange rates during the fiscal year with the same statements when converted into yen at the average exchange rates during the previous fiscal year. In currency markets during the fiscal year under review, the yen rose 8.0% against the U.S. dollar, to ¥92.61, 8.8% against the euro, to ¥130.68, and 6.5% against the Thai

baht, to ¥2.75 compared with the previous year. As a result of the yen's appreciation against these currencies, the operating results of Group companies in major overseas regions were lower than they would have been if converted using the previous fiscal year's rates. For the Group overall, exchange rates reduced net sales by ¥15,547 million, operating income by ¥3,618 million, and net income by ¥3,290 million.

Net Sales

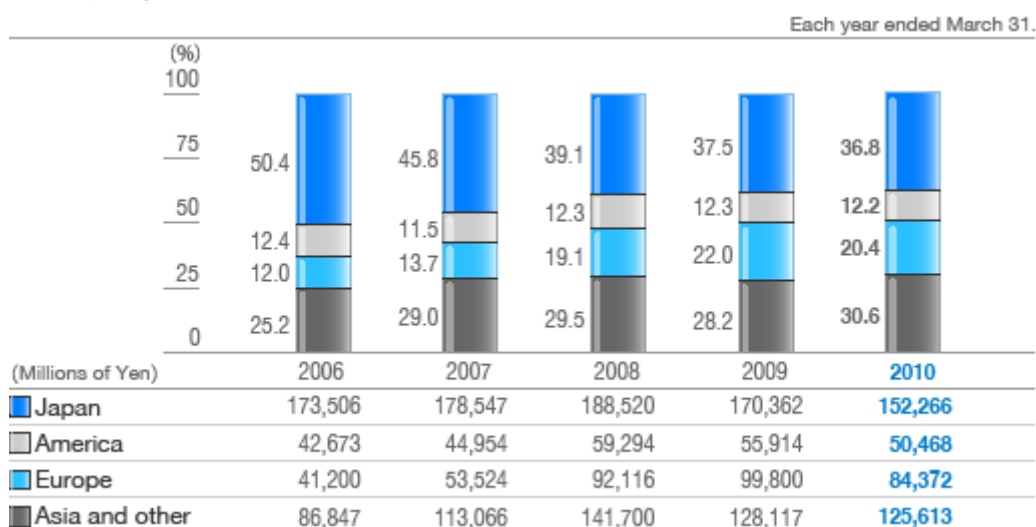


Sales to Domestic and Foreign Customers(Based on the location of customers)



▶ Please go to Business Overview for more information

Sales by Region(Based on the office location)



Income

Although net sales fell year on year due to declining product prices, the impact of the strong yen and other factors, efforts at cost reduction centered around fixed costs resulted in a lower cost of sales. Gross profit margin improved 1.8 percentage points from 41.8% in the previous year to 43.6%. Selling, general and administrative expenses decreased 11.2% to ¥116,121 million, with the ratio of SG&A expenses to net sales falling 0.8 percentage points, from 28.8% to 28.0%. As a result, operating income increased 8.9%, to ¥64,327 million, and the operating margin rose 2.6 percentage points, to 15.6%.

Although income in the Electro-Optics Division declined as a result of lower shipment volumes and a significant decrease in sales due to falling product prices, which could not be offset by efforts to reduced fixed costs, earnings were up in the Vision Care Division and Health Care Division, and at Pentax profitability moved into the black from the significant loss in the previous year due to the effects of structural reform.

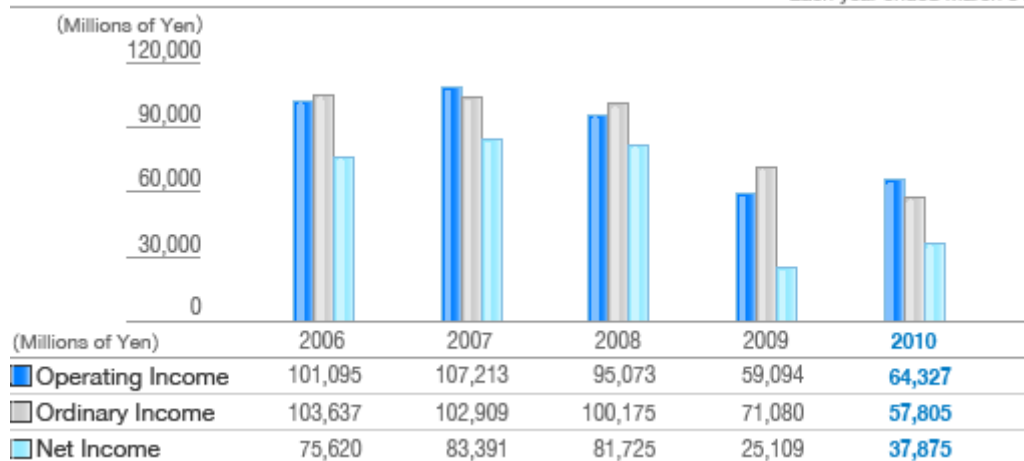
Ordinary income fell 18.7% year on year, to ¥57,805 million. This was attributable to a foreign exchange loss of ¥6,488 million, as compared to a foreign exchange gain of ¥7,151 million in the previous fiscal year.

Net income was 50.8% higher year on year, at ¥37,875 million. Contributing factors included the following. In the previous year, the Company recorded a ¥9,704 million gain on sales of investment securities from the partial transfer of part of Hoya's equity interest in an equity-method affiliate, and an extraordinary gain of ¥3,200 million representing commission fees received for prior years as a result of a review of a licensing contract. During the fiscal year under review, this commission fee fell to ¥1,013 million. Also in the previous fiscal year, Hoya recorded an asset impairment loss of ¥30,458 million in each of the Pentax divisions and others; in the fiscal year under review this asset impairment loss was reduced to ¥833 million.

Return on assets (ROA) was 6.6%, and return on owners' equity (ROE) was 11.1%, both representing year-on-year improvements.

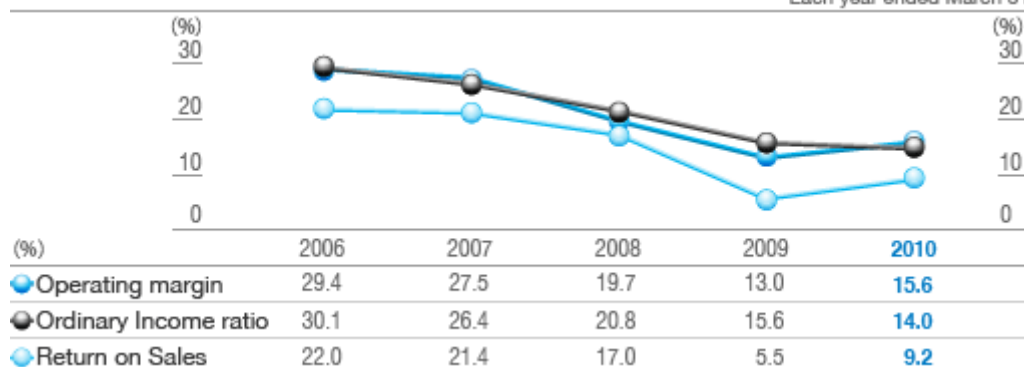
Operating income/Ordinary income/Net income

Each year ended March 31.



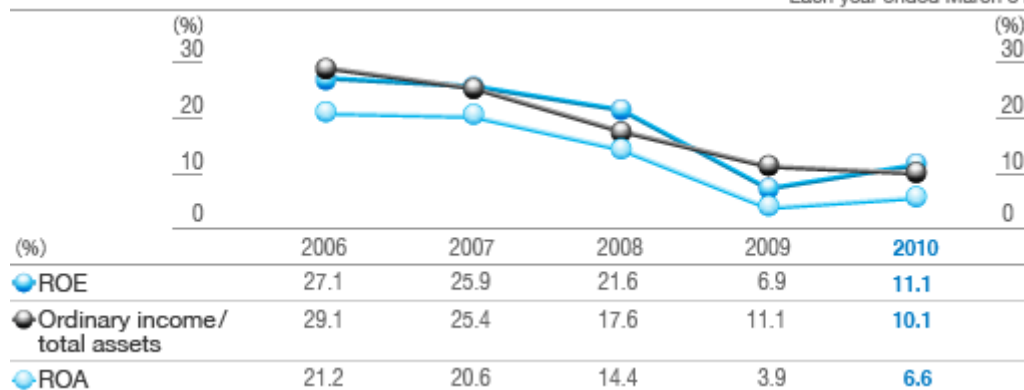
Profit Ratios

Each year ended March 31.

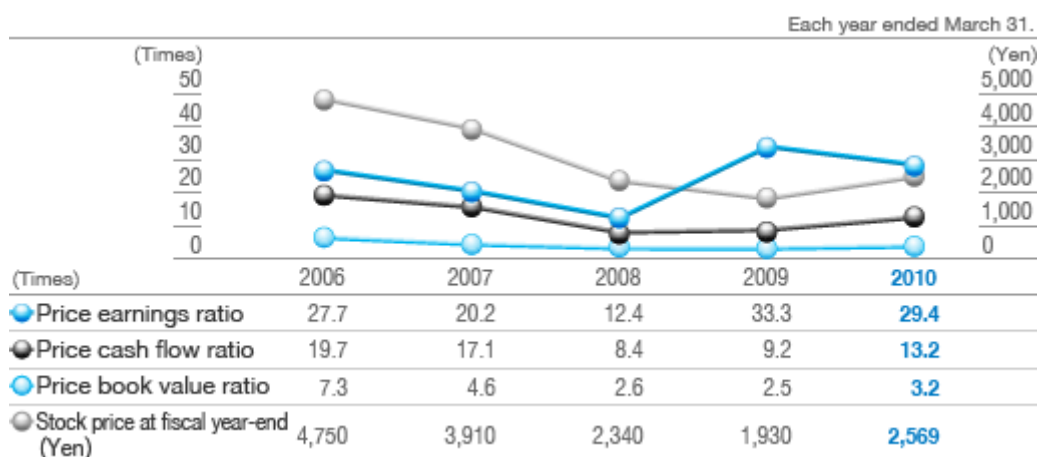


Profitability

Each year ended March 31.



Stock Price Data

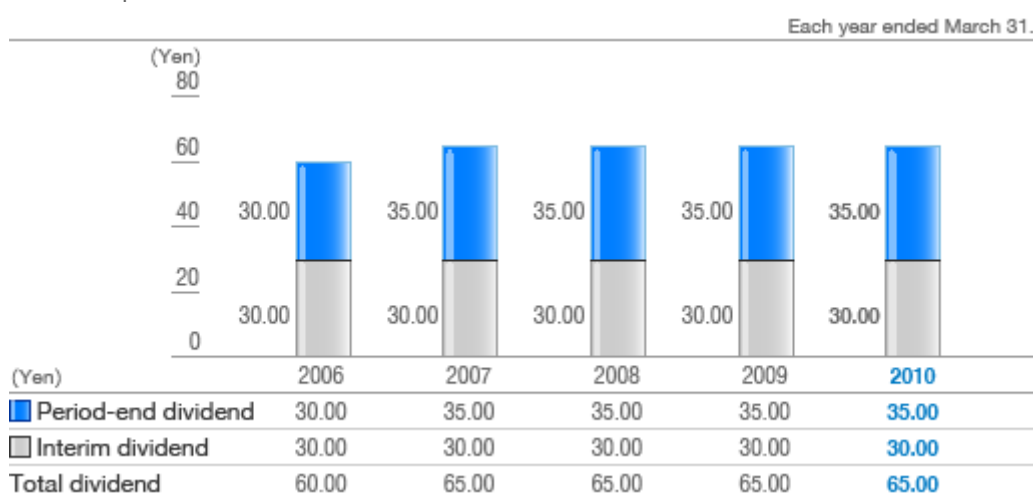


Dividends

Hoya determines dividends for each fiscal year by taking into account the Company's performance and medium- and long-term capital requirements. It also tries to strike a balance between returning profits to shareholders, employee welfare benefits, and supplementing internal reserves to fund future growth. Hoya's policy regarding internal reserves is to continue to actively appropriate resources for marketing for consumer products, primarily in the medical field, while also making timely investments in corporate mergers and acquisitions and R&D for future growth, as well as investing to ensure sufficient production capacity and to develop next-generation technologies and new products.

In the fiscal year under review, after balancing the need for internal reserves for future growth, Hoya paid an interim dividend of ¥30 per share and a year-end dividend of ¥35 per share, for an aggregate dividend of ¥65 per share for the full year, on a par with the previous fiscal year.

Dividends per share



Results by Region

In Japan, the Electro-Optics Division recorded decreases in both sales and earnings because of falling unit prices for products and declining sales volume. In the Vision Care Division as well, both sales and earnings fell as a result of the protracted market slowdown. With the Pentax divisions, however, sales fell due to steep price competition with competitors amid the economic recession, but earnings rose thanks to cost-reduction effects achieved through

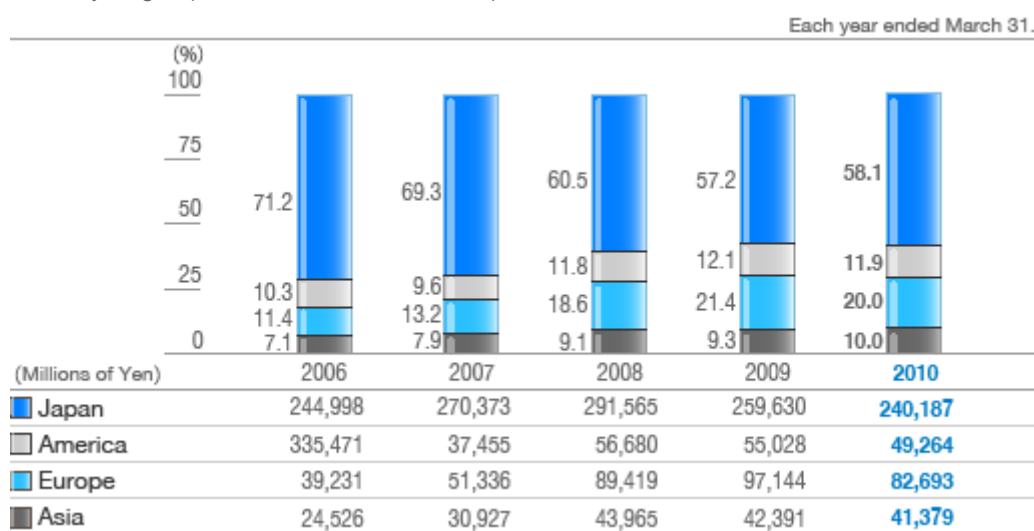
structural reforms, implemented in the previous fiscal year, and other factors. As a result, net sales in Japan totaled ¥240,187 million and operating income came to ¥18,057 million, representing lower sales but higher earnings year on year.

In America, despite signs of a recovery in certain areas of the economy, the overall stagnation continued and consumer sentiment remained cool, resulting in lower sales and earnings in the major divisions. As a result, net sales in North America totaled ¥49,264 million and operating income came to ¥391 million, representing both lower sales and lower earnings year on year.

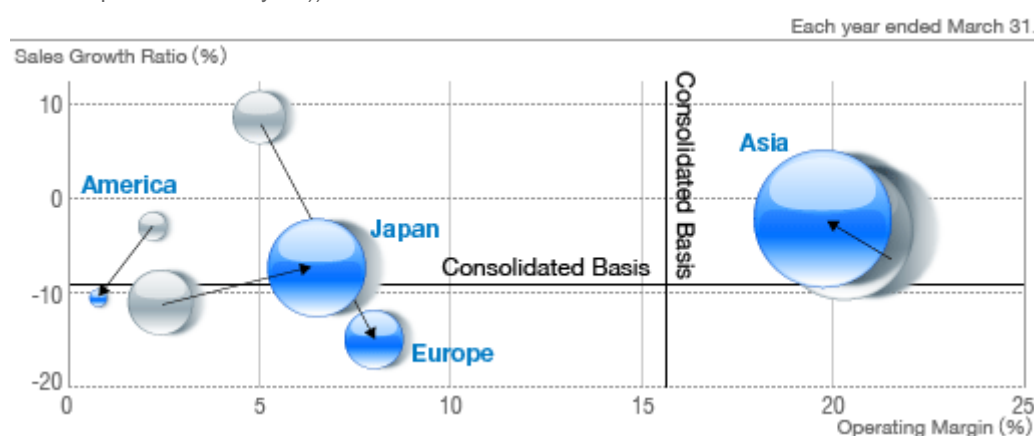
In Europe, the Vision Care Division recorded a decline in sales due to factors such as the strong yen, but achieved higher profits thanks to cost reduction efforts. The Pentax Division saw sales fall due to a significant drop in the digital camera market, but earnings increased as cost reductions resulting from structural reforms implemented in the previous fiscal year took effect. As a result, net sales in Europe totaled ¥82,693 million and operating income came to ¥6,708 million, representing lower sales but higher earnings year on year.

In Asia, the Electro-Optics Division recorded a drop in both sales and earnings due to the impact of the strong yen and declining product prices. Meanwhile the Vision Care Division saw both sales and earnings climb thanks to growth in volume of value-added products, but the increase was not enough to offset the decline in the Electro-Optics Division. As a result, net sales in Asia totaled ¥41,379 million and operating income came to ¥34,133 million, both lower year on year.

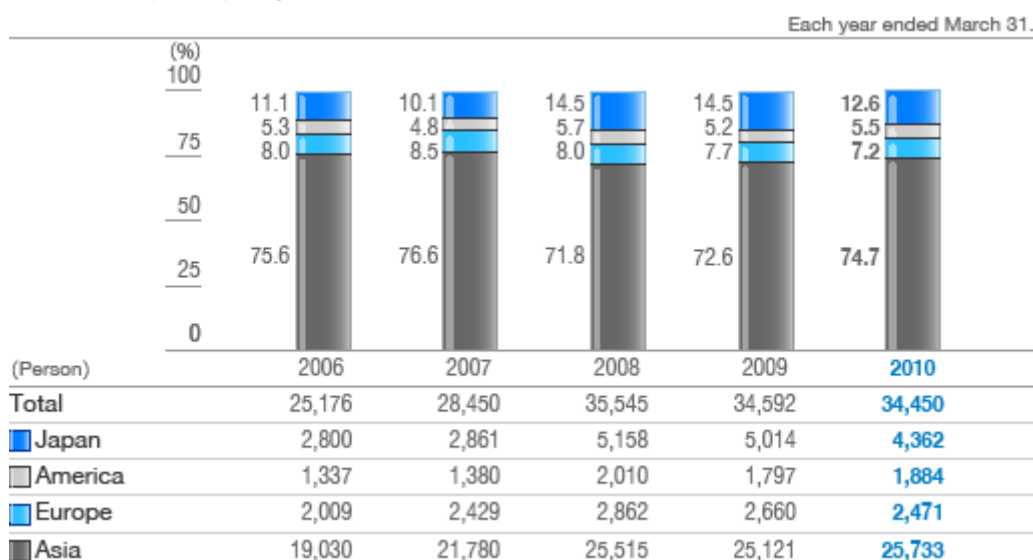
Sales by Region(Based on the office location)



Sales Growth and Profitability of Main Business Segments (Fiscal Year Ended March 31 2010,(compared with the previous fiscal year))



Group Employees by Region



Financial Position

Total assets as of March 31, 2010 stood at ¥549,736 million, a ¥41,360 million or 7.0% decrease compared with a year earlier. Current assets declined ¥39,218 million, or 10.2% year on year, to ¥345,247 million. Within this, cash and cash equivalents were down ¥41,233 million from a year earlier, to ¥173,307 million, while notes and accounts receivable-trade increased ¥10,738 million to ¥93,612 million and inventories (total of products, finished goods, work in progress, materials and stored items) decreased ¥9,791 million to ¥61,466 million.

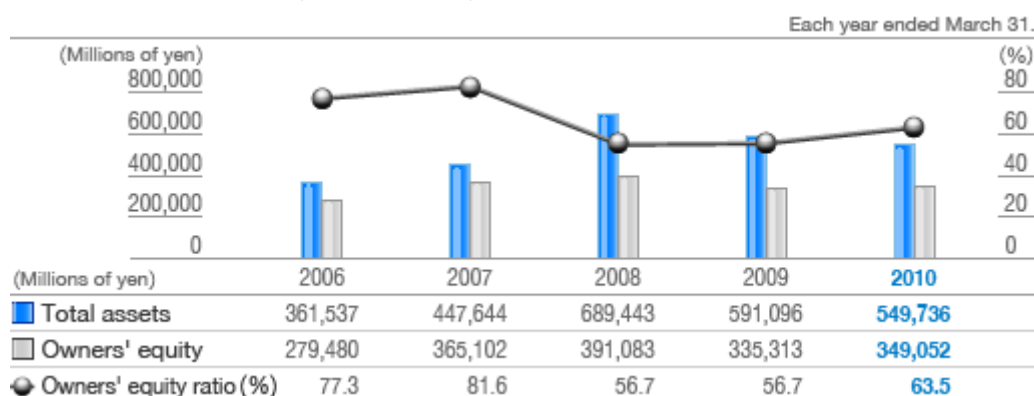
Non-current assets decreased ¥2,141 million, or 1.0%, from the previous fiscal year-end to ¥204,489 million, due in part to a decrease of ¥8,360 million in machinery and transportation equipment.

Total liabilities were down ¥54,822 million from the previous fiscal year-end, to ¥198,264 million. Although notes and accounts payable-trade increased by ¥3,571 million, commercial paper declined by ¥41,978 million and long-term debt (including long-term debt with current maturities) declined by ¥8,983 million.

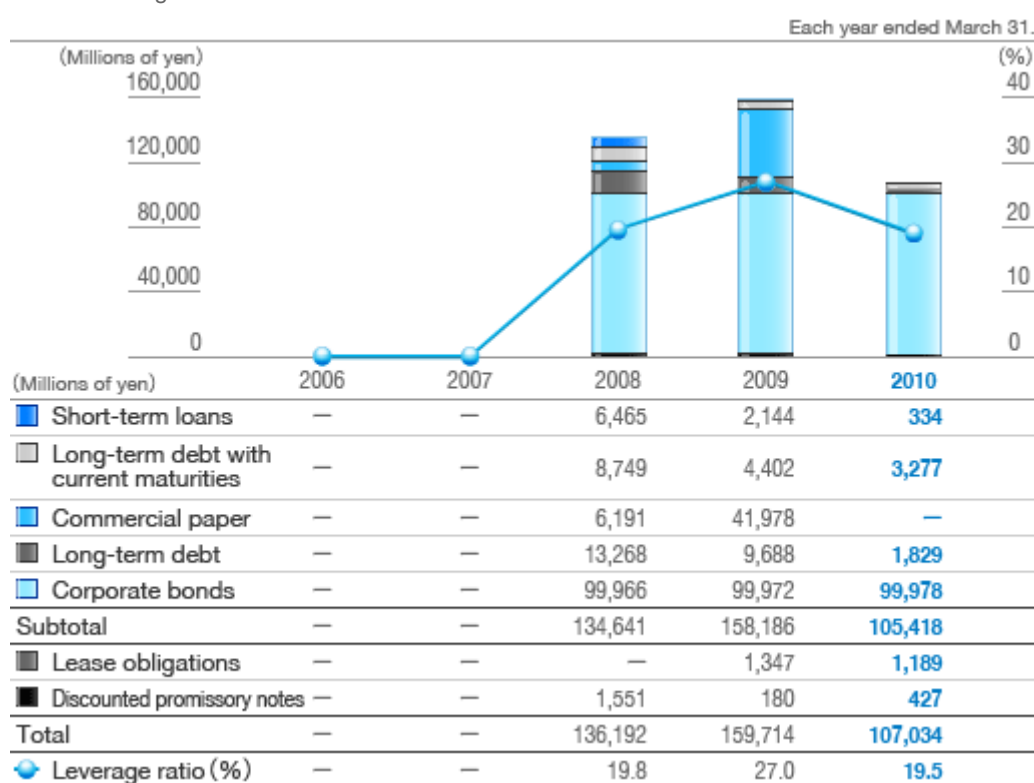
Total interest-bearing debt, including short-term loans, long-term debt with current maturities, commercial paper, other long-term debt, and corporate bonds and other, amounted to ¥107,034 million, resulting in a 19.5% rate of leverage, an improvement of 7.5 percentage points from the previous year.

Total equity rose ¥13,463 million year on year, to ¥351,472 million due to increases of ¥9,619 million in retained earnings, ¥3,026 million in treasury stock (less capital portion), and foreign currency translation adjustments of ¥6,695 million. Owners' equity, total equity less stock subscription rights and minority interests, amounted to ¥349,052 million, for an owners' equity ratio of 63.5%, an improvement of 6.8 percentage points year on year.

Total Assets/Owners' Equity/Owners' Equity Ratio



Interest Baring Debt



Capital Expenditures/Depreciation and Amortization

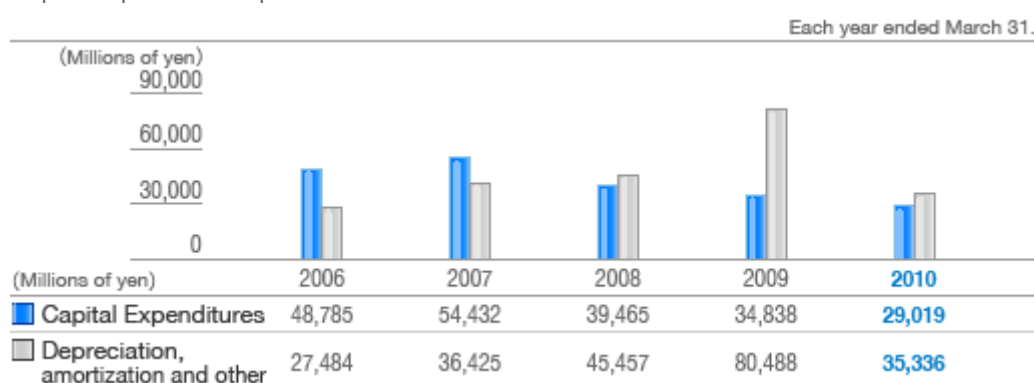
Capital expenditures during the fiscal year under review totaled ¥29,019 million, 16.7% less than in the previous fiscal year. Investment in the Electro-Optics Division accounted for approximately 60% of the total. These investments were aimed at next-generation advanced technologies and expanding production capacity, with a focus on expanding and strengthening facilities for semiconductor-related products and glass disks for HDDs. In the Vision Care Division, the company invested to boost production capacity, centering on Asian production plants with a view to expanding eyeglass lens production volume.

Depreciation and amortization costs for the fiscal year under review decreased 31.0%, to ¥34,503 million. The Electro-Optics Division accounted for approximately 60% of this, at ¥20,430 million.

Moreover, as shown in the lower graph, amortization of goodwill and impairment losses are included in addition to the depreciation costs. In the previous fiscal year, each of the Pentax

divisions and others applied impairment accounting, resulting in an impairment loss of ¥30,458 million.

Capital Expenditure/Depreciation and Amortization



Cash Flows

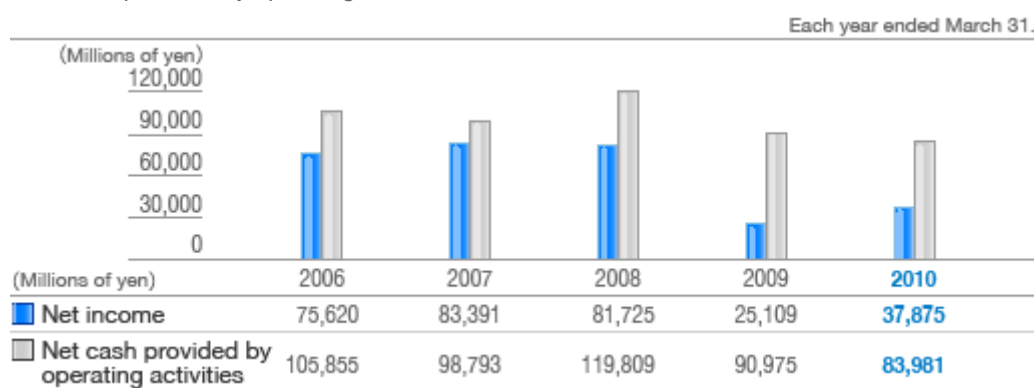
Net cash provided by operating activities amounted to ¥83,981 million, a decrease of ¥6,994 million from the previous fiscal year. The main positive factors were income before income taxes and minority interests of ¥49,761 million (up ¥5,703 million year on year), depreciation and amortization of ¥34,503 million (down ¥15,527 million), decrease in inventory of ¥9,990 million (up ¥3,750 million) and foreign currency loss of ¥6,975 million (up ¥15,007 million). The main negative factors included an increase in notes and accounts receivable of ¥10,829 million (up ¥41,372 million year on year), and ¥10,726 million in income taxes paid (down ¥24,264 million).

Net cash used in investing activities amounted to ¥40,723 million, an increase of ¥6,395 million compared with the previous fiscal year. This was primarily attributable to payments of ¥26,650 million (down ¥7,523 million) for property, plant and equipment, centered on investments related to next-generation products and increased production in the Electro-Optics Division.

Net cash used in financing activities amounted to ¥84,976 million, an increase of ¥79,176 million from the net cash used in the previous fiscal year. This was mainly due to a net decrease of ¥41,978 million in commercial paper, and a total of ¥28,236 million in dividends paid (an increase of ¥121 million year on year).

As a result of the above, the balance of cash and cash equivalents as of March 31, 2010, was ¥167,938 million, a decrease of ¥39,989 million.

Cash flow provided by operating activities



Subsequent Events

On April 28, 2010, Hoya Corporation completed an agreement to transfer the hard disk glass media manufacturing business and related assets operated by Hoya Corporation and HOYA MAGNETICS SINGAPORE, PTE LTD., its wholly owned subsidiary, to the U.S. company Western Digital Corporation as of June 30, 2010. The hard disk market is expected to continue to see high growth going forward, mainly for notebook computers and digital household appliances. Following the transfer, Hoya aims to leverage its glass materials technology and precision processing technology and concentrate management resources on its glass substrates for hard disks business, which currently hold the leading global market share, to further enhance business competitiveness and achieve growth.

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R&D Activities

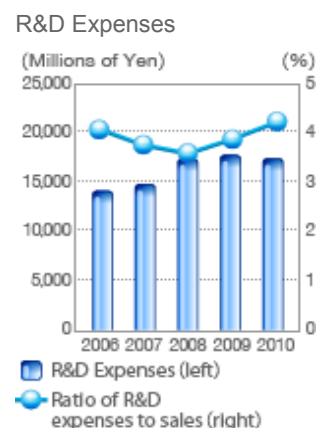
Aiming to achieve sustainable growth and increase corporate value, the Hoya Group devotes considerable effort to formulating business strategy from a long-term perspective and developing technology, as well as acquiring and cultivating new businesses.



R&D Policy

Hoya is involved in a wide range of businesses. In each business division, the Group promotes R&D based on the medium-term plan, aiming to maintain and enhance its technological competitiveness. The Corporate R&D Center at the global headquarters provides development support for the technological issues embraced by each division, as well as conducting basic research that will supply the seeds for future growth and acquiring and cultivating new businesses and technologies from a long-term perspective. Hoya is currently shifting the core of R&D from the Information Technology field to medical and healthcare, and aggressively introducing development resources in order to bolster the R&D system. In the medical and healthcare field, the Company is focusing not only on areas where it already has technologies, but also on regenerative medicine and diagnostic and treatment methods other than endoscopy, looking to expand the range of future possibilities.

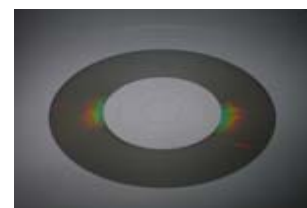
The Corporate R&D Center and the R&D function in each business division share information as they work to maximize the results of each R&D project.



Major R&D themes

Nanoimprint Technology

Hoya is putting its years of expertise in lithographic technologies to good use in the development of nanoimprint molds, which will be used to create the discrete track recording (DTR) media and bit pattern media (BPM) for next-generation hard disk drives (HDDs). Various HDD manufacturers are pursuing R&D to commercialize this technology as early as possible, and Hoya has launched shipment of samples. In BPM, Hoya has succeeded in using its microfabrication technologies to achieve a track pitch of 30 nanometers or less.¹



Quartz nanoimprint mold for DTR media

¹ Nanometer (nm): 1 nanometer = 1 billionth of a meter

3C-SiC

Hoya is promoting the development of 3C-SiC cubic monocrystal silicon carbide semiconductor wafers and devices, which are expected to offer superior energy efficiency. 3C-SiC can be used

in automobiles and home appliances such as air conditioners to help combat global warming. Taking volume production efficiency into account, Hoya is currently developing six-inch wafers and testing and evaluating the power devices that will be the end product.



3C-SiC wafers

Optical Communications Parts

As the FTTH (Fiber to the Home) environment widens around the world, Hoya has developed a module for converting optical signals to electrical ones at optical communication access points that is compliant with GE-PON/G-PON², a high-speed optical communications standard. By building a functional device on top of a wafer, Hoya has succeeded in creating products that are significantly smaller than existing products. In fiscal 2010, the Company received approval from customers and launched product shipments. Hoya first invested in this technology in 2005, and produced the first product through joint development with the former Xponent Photonics, Inc., a U.S. company that merged with Hoya in 2008. As optical networks continue to develop going forward, the market is expected to grow to the ¥10 billion scale.



Connectors for optical communications

² GE-PON/G-PON (Gigabyte Passive Optical Network): A technology that enables high-speed transmission of 1.25-2.5 gigabyte per second over fiber optic lines and networks.

Biocompatible Materials

Hoya is researching biocompatible materials for ophthalmological applications. Hoya already has a visual correction lens business that handles intraocular lenses (IOLs) and contact lenses. The Company is now developing materials that are more durable and functional and that are better for the eyes. As part of this research, Hoya is investigating an artificial crystalline lens material that fills the crystalline lens capsule. This material has the potential to regulate visual acuity and is expected to become a therapeutic method on a par with IOLs.

Microfiberscope with 0.8mm external diameter

In the field of endoscopy, Hoya is working to develop component technologies and products that will allow minimally invasive procedures, thereby reducing discomfort and the burden on the patient, and that will enable observation of minute lesions. The challenge lies in developing small yet high-resolution imaging devices and advanced image processing technologies.

In the year under review, Hoya developed a microfiberscope with an external diameter of 0.8mm. The Company now plans to incorporate this technology in endoscopic systems for the diagnosis and treatment of peripheral lung cancer and other diseases.



Upper: microfiberscope with an external diameter of 0.8mm.
lower: FNL-7RP3, existing product with smallest diameter (Φ2.4mm at the tip of rigid part)

 Hoya's Seven Core Technologies

Intellectual Property Activities

The Hoya Group's intellectual property strategy protects proprietary technologies, and along with business strategies and R&D, is a key management strategy for supporting Hoya's continued growth.



Hoya works to enhance Group intellectual property rights in a broad range of fields, including Information Technology, eye care, medical care, and cameras and optics, with a particular emphasis on growth areas such as medical care and healthcare.

Intellectual Property Policy

One of the Hoya Group's fundamental objectives is to make the fullest possible use of intellectual property to bolster the competitive strengths of its global businesses.

Obtaining Patent Rights

To ensure the most efficient possible patent prosecution for obtaining patent rights, technical development managers and intellectual property managers work closely as a team. The Company aims to secure all necessary intellectual property rights from the initial stage of the development of leading-edge technologies, with an eye toward peripheral, applied and alternative technologies. In relation to those fields in which Hoya commands a leading position, the Company focuses on accelerating the process of securing patents in cutting-edge areas. At the same time, in competitive markets, Hoya concentrates on promoting efficient patent prosecution while preventing infringement of the patents held by other companies. To achieve these ends, careful technical searches of patent information of other firms are performed, and the Company supports the patent prosecution that is most appropriate for each field. Hoya is also devoting itself to the formation of global patent networks that will be coordinated with the moves of its production bases and trading partners into international markets.

Cross-Licensing and Out-Licensing

Hoya's individual businesses are not large, but the Company strives to improve its competitiveness in each respective market. Hoya focuses on effectively and fully utilizing the patents that are the cornerstone of the competitive position its businesses enjoy. This means there are cases in which Hoya might assign licenses to third parties: for instance, where it is appropriate to sign cross-licensing agreements granting mutual exercise of patent rights, or where the Company can expect out-licensing of its patents to other companies to result in an expansion of the overall market, or when dictated by changes in Hoya's competitiveness. This enables the Company to pursue effective utilization of its intellectual property in line with its business strategy.

Prevention of Imitation and Infringement

Hoya maintains a constant watch on the market to ensure that its technologies are not imitated by third parties. When its technologies are imitated, the Company issues warnings and, where necessary, takes appropriate steps such as filing for injunction.

Utilization of Third-Party Patents and Technologies

Hoya does not rely excessively on its own proprietary technologies and patents. If, after careful technical search and consideration of the available technologies, the Company finds that third parties have superior technologies, patents or other advantages, and if it decides that using them would be most efficient in commercializing a product, Hoya takes steps to seek licenses to use third-party patents or introduce their technologies.

Systems Supporting Intellectual Property Activities

The Hoya Group is organized according to business divisions and companies, with extensive delegation of authority from strategic business planning to decision-making. Each division has an intellectual property group responsible for working in conformity with the respective strategies of their divisions—for instance, by filing patent applications and other rights—

related management activities, taking actions in relation to patents held by others and licensing out Hoya's own patents. The Corporate Intellectual Property Division is responsible for working to improve the intellectual property functions of the Group. This includes such matters as establishing and promoting overall intellectual property strategy, assisting business divisions in the establishment of patent strategies, the training and skill enhancement of employees, managing intellectual property assets, and the development of patent management systems. In particular, matters that necessitate decision-making for the Group—for example those requiring coordination of intellectual property issues that run across more than one business division, or that involve bringing a case to court or reaching an amicable settlement—are deemed to require the approval of headquarters and are strictly managed under the direction of the Corporate Intellectual Property Division. Because intellectual property activities are dispersed across all business divisions, there is a need to reduce any adverse effect from potential difficulties in information sharing. At the same time, to improve synergies between business divisions, the Company periodically holds joint intellectual property meetings for the exchange and sharing of information on each division's intellectual property activities.

Status of Intellectual Property

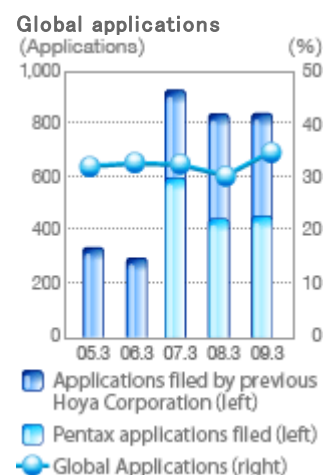
Number of Registered Patents and Patent Applications Filed

During the year under review, Hoya had registered 4,351 patents and utility models in Japan. The main businesses of the Electro-Optics and Vision Care divisions accounted for 32% of these, while PENTAX medical-related devices accounted for 34% and camera and optical products for 28%.

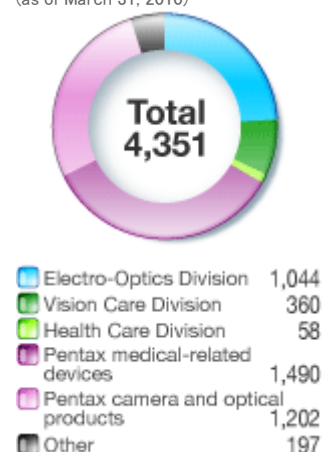
In 2009, 842 patent applications were lodged in Japan, of which the Electro-Optics and Vision Care divisions accounted for 43% and the PENTAX Division 53%. Of the Company's patent applications, 36% were lodged outside Japan during the year under review. As shown by this high percentage of global patent applications, Hoya is making the fullest possible use of intellectual property in line with its policy of increasing the competitive strengths of its global businesses.

Percentage of Patents Granted

The percentage of patents granted Group-wide in Japan (including those in the prior examination and review stages) was approximately 58% for 2009, the most recent year for which data are available.



Registered patents and utility models
(as of March 31, 2010)



Corporate Governance

For HOYA, Corporate Governance is a matter of utmost importance to management. HOYA exerts itself to increase management efficiency and to enhance management transparency.



 Please click here for HOYA's corporate governance systems.

Board of Directors(As of June 18, 2010)

Directors

Name

career

Takeo Shiina¹



Jun. 1953
May 1962
Feb. 1975
Jan. 1993
Jun. 1995
Dec. 1999
May 2007
Apr. 2010

Joined IBM Japan, Ltd.
Director of IBM Japan, Ltd.
President and Representative Director of IBM Japan, Ltd.
Chairman of IBM Japan, Ltd.
Director of the Company (present post)
Senior Adviser to IBM Japan, Ltd.
Adviser of IBM Japan, Ltd.
Honorary Adviser to IBM Japan, Ltd. (present post)

Yuzaburo Mogi¹



Apr. 1958
Mar. 1979
Mar. 1982
Oct. 1985
Mar. 1989
Mar. 1994
Feb. 1995
Jun. 2001
Jun. 2004

Joined Noda Shoyu Co., Ltd. (present Kikkoman Corporation)
Director of Kikkoman Corporation
Managing Director of Kikkoman Corporation
Managing Director and Representative Director of Kikkoman Corporation
Executive Managing Director and Representative Director of Kikkoman Corporation
Executive Vice President and Representative Director of Kikkoman Corporation
President and Representative Director of Kikkoman Corporation
Director of the Company (present post)
Representative Director, Chairman and CEO of Kikkoman Corporation (present post)

Eiko Kono¹





Dec. 1969
Apr. 1984
Aug. 1985
Nov. 1986
Jul. 1994
Jun. 1997
Jun. 2003
Jun. 2003
Apr. 2004
Jun. 2005

Joined RECRUIT Co., Ltd.
Director of RECRUIT Co., Ltd.
Managing Director of RECRUIT Co., Ltd.
Senior Managing Director of RECRUIT Co., Ltd.
Executive Vice President of RECRUIT Co., Ltd.
President and Representative Director of RECRUIT Co., Ltd.
Director of the Company (present post)
Chairperson and CEO of RECRUIT Co., Ltd.
Chairperson and Chairperson of the Board of Directors of RECRUIT Co., Ltd.
Special Advisor of RECRUIT Co., Ltd.

Apr. 1957
Jun. 1985
Jun. 1988

Joined the Ministry of International Trade and Industry (MITI) (now the Ministry of Economy, Trade and Industry (METI))
Director General of the Minister's Secretariat MITI
Director General of Industrial Policy Bureau MITI

Yukiharu Kodama¹ 	Jun. 1989	Administrative Vice-Minister of MITI.
	Jun. 1991	Retired from MITI
	Jun. 1991	Advisor to Japan Industrial Policy Research Institute(JIPRI)
	Feb. 1992	Advisor to the Industrial Bank of Japan (IBJ)
	Jun. 1993	President of The Shoko Chukin Bank
	Jul. 2001	Chairman of the Japan Information Processing Development Corporation (present post)
	Jun. 2005	Director of the Company (present post)
	Nov. 2007	Chairman of the Mechanical Social Systems Foundation (present post)
Itaru Koeda¹ 	Apr. 1965	Joined Nissan Motor Co., Ltd.
	Jun. 1993	Director of Nissan Motor Co., Ltd.
	May 1998	Managing Director of Nissan Motor Co., Ltd.
	May 1999	Vice President of Nissan Motor Co., Ltd.
	Apr. 2003	Representative Director of Nissan Motor Co., Ltd.
	Jun. 2003	Co-Chairman of Nissan Motor Co., Ltd.
	Jun. 2003	Chairman of Calsonic Kansei Corporation (present post)
	Jul. 2003	Director of Renault S.A
	Jun. 2008	Chairman Emeritus and Advisor of Nissan Motor Co., Ltd. (present post)
	Jun. 2009	Director of the Company (present post)
Hiroshi Suzuki	Apr. 1985	Joined the Company
	May 1993	President of HOYA Corporation USA
	Jun. 1993	Director of the Company
	Jun. 1997	Managing Director of the Company
	Apr. 1999	Managing Director of the Company
		President, Electro Optics Company
	Jun. 1999	Executive Managing Director of the Company
	Jun. 2000	President and Representative Director of the Company
	Jun. 2003	Director, President, Representative Executive Officer and CEO of the Company (present post)
Hiroshi Hamada	Apr. 1982	Joined Yamashita Shinnihon Steamship Co., Ltd. (present Mitsui O.S.K. Lines, Ltd.)
	Mar. 1987	ALICO Japan
	Nov. 1992	Clarke Consulting Group of the United States
	Jan. 1995	Dell Computer Corporation (present Dell Inc.)
	Aug. 2000	President and Representative Director of the above company
		Vice President of Dell Inc. of the United States
	May 2006	Representative partner of Revamp Corporation
	Apr. 2008	Executive Chief Operating Officer of the Company (present post)
	Jun. 2008	Director of the Company (present post)
Kenji Ema	Mar. 1970	Joined the Company
	Jun. 1993	Director of the Company, in charge of Administration Planning, Accounting and Purchase
	Jun. 1997	Managing Director of the Company, in charge of Strategy, Planning and Treasury
	Jun. 2000	Executive Managing Director of the Company, in charge of Corporate Finance
	Jun. 2001	Executive Managing Director and CFO of the Company
	Jun. 2003	Director, Executive Officer and CFO of the Company (present post)
	Jul. 2003	President of HOYA HOLDINGS N.V.
	Jan. 2007	Executive Officer Chief Financial of HOYA CORPORATION, Netherlands Branch

¹ indicates outside directors as provided for in Article 2, Item 15 of the Company Law.

Executive Officers

Hiroshi Suzuki ²	President & CEO
Hiroshi Hamada ²	Executive Officer & Chief Operating Officer
Kenji Ema ²	Executive Officer & Chief Financial Officer
Taro Hagiwara	Executive Officer, Technology

² indicates Director

HOYA Annual Report 2010

Comment from an Outside Director

Itaru Koeda (Executive Advisor, Honorary Chairman of Nissan Motor Co., Ltd.)

I was newly appointed as an outside director of Hoya at the Ordinary General Meeting of Shareholders in June 2009. Prior to assuming this position, I was aware of Hoya's eyeglass lens business, the merger with PENTAX, and the Company's high profits. Once I began participating in management, however, I truly came to understand how different Hoya is from the automotive company format where I spent so many years working. Unlike the auto industry, where a company is focused on developing and manufacturing a single type of end product, Hoya covers an extremely broad range of businesses, from the Group's high-tech parts and materials to eyeglass lenses and medical-related products—the sum of all these varied parts is the company we know as Hoya. Within the business, authority and responsibility is distributed broadly, from executive officers to business divisions, resulting in a truly efficient underlying management structure in which division systems are firmly in place.



Looking back over fiscal 2010 from my perspective as an outside director, the most striking aspect of Hoya's management is the substantial debate at meetings of the Board of Directors. At each meeting, the five outside directors from different backgrounds took time to ask perceptive questions based on their wealth of knowledge and experience. In terms of execution, based on the concept of portfolio management, decision-making about the allocation of management resources was dynamic and timely.

In this type of corporate entity, I believe that stakeholders look to outside directors such as myself to act as a safety valve to check whether management decisions are correct from the perspectives of societal common sense. At the same time, having come from an automotive company where brand value has a major impact on sales, I feel it is of great importance in conducting oversight of management to consider whether any individual business activities may be damaging the value of the overall Hoya brand. Hoya already has strong brand value, and as I continue my duties as outside director I am committed to fulfilling my responsibility to ensure that appropriate management decisions are made to further enhance that value.

The market environment remains severe, still reverberating from the impact of the Lehman shock. Under these conditions, simultaneously managing multiple businesses of different types is a difficult task, but I believe that Hoya's four executive officers (three of whom are also internal directors) are doing a fine job of assigning responsibilities in a balanced manner and steering the Company ahead. Going forward, I anticipate that they will wield Hoya's brand power based as it is on the Company's unrivalled dynamism, first-rate specialist abilities and the reliability of Hoya quality and technologies, to achieve further growth.

I hope that all shareholders will continue to watch over Hoya's business with an understanding of its great future potential.

Environmental Management System

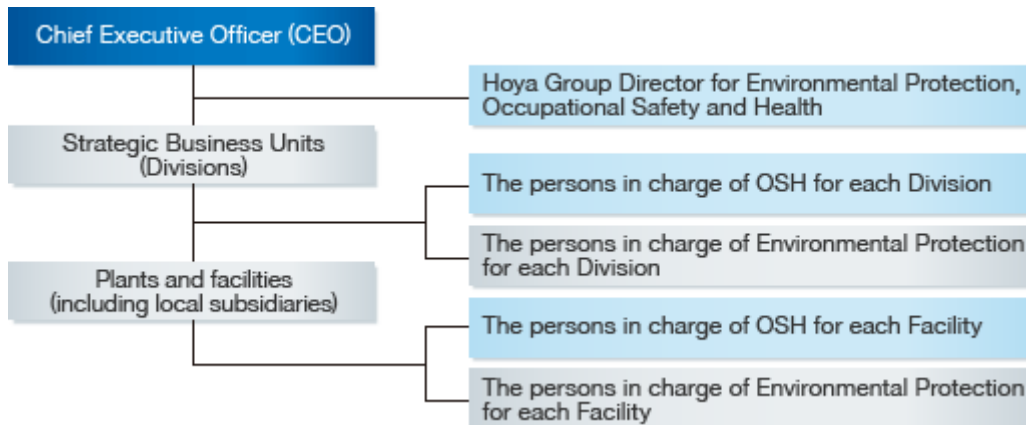
Hoya actively engages in environmental preservation efforts as part of its corporate social responsibility in order to pass on to future generations a global environment in better shape than today.



Hoya's environmental protection activities got underway in 1976 with the establishment of pollution countermeasure committees at each facility. In 1993, the Group drew up its Environmental Philosophy and a set of Fundamental Environmental Principles. The next step came in 1996 with the formulation of the Group Environmental Management Regulation, on which Hoya's environmental protection system is based. The Conference of the Environmental Office, the most senior body of the system and responsible for all environmental decisions, was headed up by the Company's chief executive officer.

In October 2008 the Company merged its environmental protection and occupational safety and health systems, abolishing both the Environmental Management Regulation and the Conference of the Environmental Office. Environmental protection activities are now carried out under a new system headed up by the Hoya Group Director for Environmental Protection, Occupational Safety and Health.

Hoya Group Environmental and Occupational Safety and Health organization



On March 31, 2010, the Hoya Group Director for Environmental Protection, Occupational Safety and Health issued the Hoya Group Facility Standard for Environmental Protection, for the purpose of determining the basic specifications for environmental facility and preventing harmful effects both within and outside of facilities. With the creation of these standards, the Group has prepared a system that enables it to consider environmental effects both within and outside of facilities from the design stage and introduce environmental facility.

Examples of Activities Aimed at Reducing Environmental Impact

Based on the Environmental Philosophy and Fundamental Environmental Principles, Hoya is promoting activities aimed at reducing environmental impact.

Aiming to Reduce CO₂ Emissions (energy conservation)

In order to respond to amendments to Japan's Law Concerning Act on the Rational Use of Energy, Hoya has created an internal organization in line with the stipulations of the law.

At the Kumamoto facility, Hoya has taken energy conservation measures by efficiently deploying air cooling refrigerator and ice thermal storage refrigerator, and reducing the supplied steam pressure and the number of times the boiler started and stopped. The former measure effectively controls the amount of heat released based on outside temperatures, limiting the amount of electric power consumed in the daytime. The latter provides steam at the minimum required pressure, eliminating excess pressure and carefully controlling activation pressure to reduce the number of times the boiler is started and stopped (ignited) by approximately 30%.

Activities to Reduce Waste Disposal Volumes and Increase Waste Recycling

(1) Recycling nitrates

At the facility in Hokuto, Yamanashi Prefecture, the nitrates used in glass processing materials used to be processed as waste. Nitrates are used as a processing materials for precision glass. Because they contain few impurities even after processing, we investigated whether they could be reused, and discovered that they could be turned into a product as a metal heat processing agent. Thus, Hoya has been able to turn used nitrates in to a valuable product, selling it for re-use.



Used nitrates turned into a valuable product(Nagasaka facility)

(2) Recycling empty contact lens containers

Disposable lenses are the most popular contact lens product. At the *Eye City* contact lens specialty chain operated by the Eye Care Division. In fiscal 2010, Hoya began the *Eye City* ECO Project, in which all 168 stores collect empty cases from customers' used lenses for recycling.

The empty cases collected from around the country are then sold to a manufacturer of the recycling products, and the proceeds are donated, with a matching contribution from Hoya, to the Japan Eye Bank Association.



Contact lens case and recycling box

In the past, there was no effective system for recycling empty contact lens cases, and customers' used cases and the empty cases from samples used in stores were discarded as waste. When 1 kg of plastic waste is burned, approximately 2.6 kg(*) of CO₂ are released. This initiative therefore contributes to reducing CO₂ emissions.

(*)Ministry of the Environment, Japan: Calculation based on figures for emissions generated by burning waste plastic in the Report on Calculation of Greenhouse Gas Emissions

(3) "Zero emissions" waste reduction initiatives

Certain Hoya facilities in Japan have achieved "zero emissions" status, meaning that thanks to advances in recycling activities almost no waste is sent to landfills or disposed of

by simple burning. Going forward, Hoya will work to raise the quality of recycling at these facilities.

(4) Promoting separation of waste at overseas facilities

Hoya is continuously expanding the scope of waste separation at its overseas facilities. In fiscal 2010, the facility in Hungary installed PET bottle compression equipment and established a dedicated receptacle for the compressed bottles, further advancing separation.



A PET bottle compressor and a recycling box

Efforts to Reduce Environmental Impact of Operations on Surrounding Areas

In October 2009, the facility in Koka, Shiga Prefecture, participated in a water contamination prevention drill hosted by the local environmental association. The exercises involved creating an oil fence and piling sandbags in the event of a hypothetical leak of hazardous substances from a facility into the river. The drill was held in order to promote cooperation of local companies in responding to such an event, and proved a meaningful exercise from an external communications perspective as well.

In order to ensure that Hoya could provide a certain response if a leak of hazardous substances occur, participants traced for themselves the rainwater drainage ways around the facility that might provide a ditch for the hazardous substances to reach rivers. They contributed their findings to a map of rainwater drainage ways being created by the environmental association.

Cooperation in Community Activities

As part of their environmental activities, Hoya's major facilities in Japan conduct activities in conjunction with community projects, such as holding clean-up activities in the surrounding area during a local "clean" campaign.

Examples include the participation of the Itabashi, Tokyo facility in Itabashi Ward's Spring Cleaning campaign, and joint cleanup activities with local welfare facilities.

Awards

On October 28, 2009 the facility in Hachioji, Tokyo was recognized with a 2009 Tokyo Environmental Award (Governor's Award) in recognition of its efforts to prevent disasters related to high-pressure gas and its significant record in ensuring public safety.



Introduction of Environmental Management Systems (ISO 14001 Certification)

In October 1996, Hoya proclaimed introduction of ISO 14001 environmental management systems. In December 1997, HOYA LENS DEUTSCHLAND GmbH became the first Group company to achieve certification.

Since then, Hoya has been introducing ISO 14001 environmental management systems both in Japan and overseas, with focus on production facilities. Group-wide, a total of 42 sites (13 domestic sites and 29 overseas sites, as of March 31, 2010) were certified under ISO 14001 standards.

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Occupational Safety and Health Initiatives

Hoya works to create a comfortable environment where every employee can work safely and in good health, both to support a meaningful life plan for employees and ensure the lasting development of the Company.



Occupational Safety and Health System

In 1995, the Hoya Group formulated its Occupational Safety and Health (OSH) Principles and Basic Policy, under which the Group promotes its OSH activities at its facilities both in Japan and overseas. In October 2008 the Company integrated its environmental protection and occupational safety and health systems. Environmental protection and occupational safety and health activities are now carried out under a new system headed up by the Hoya Group Director for Environmental Protection, Occupational Safety and Health.

Safety Activities

Establishing an Occupational Safety and Health Management System

To ensure the safety and health of its employees, Hoya has established an occupational safety and health management system based on the Occupational Health and Safety Assessment Series (OHSAS) 18001 standards. As of March 31, 2010, 8 facilities in Japan and 26 facilities in 19 countries overseas have been certified by OHSAS 18001, a process that began in March 2002.



Risk assessment work-site training(Vietnam)

Measures to Ensure Machinery and Equipment Safety

In April 2005, with the aim of preventing accidents related to operating machinery and equipment, the Hoya Group Machinery Safety Standard was issued. Within the field of occupational safety measures, Hoya is prioritizing implementation of risk reduction measures for machinery and equipment from the design stage.

Implementing Occupational Safety and Health Audits

To improve and enhance the performance of occupational safety and health systems, audits are conducted on a regular basis at facilities in Japan and overseas by a director and staff for Environmental Protection, occupational safety and health. Measures are in place for implementing their providing advice and guidance with regard to legal compliance, improving safety and health performance.



OSH Audit (Thailand)



Implementing Safety Education for the Hoya Group

In order to share information related to the environment, safety and health and to improve employee skills, Hoya holds Environmental Protection, occupational safety and health Staff Meetings at location in Japan and overseas. Currently,

meetings of the persons in charge of Environmental Protection, occupational safety and health for each Division are held around three times a year, Hoya Group foreman training is held twice a year, and hands-on safety training seminars taught by outside educational institutions are held once a year. Each of these activities contributes to raising the level of safety at the Hoya Group.



Employee training (Japan)



Audit Meeting (USA)

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Health Promotion Activities

In order to support a meaningful life plan for employees and ensure the lasting development of the Company, Hoya works to maintain and enhance health throughout the Group so that employees can work energetically, healthy in both mind and body.



Mental Health Care

Hoya has implemented measures to deepen understanding of employee's stress and stress-related illnesses (mental disorder) through mental health courses for managers and supervisors and for regular employees led by occupational physicians. Based on the Hoya Group Mental Health Measures Guidelines, the Company has also established a system to ensure thorough care by managers and supervisors with the support of staff in charge of personnel and occupational physicians.

Preventing Health Problems due to Excessive Work

In compliance with the 2006 revision of the Industrial Safety and Health Act, Hoya has implemented standards to address excessive working hours. Employees who exceed these standards meet with occupational physicians and address the problem through work management overseen by a personnel officer and other on-site supervisor, and healthcare management programs provided by occupational physicians.



Counseling with occupational physician

Preventing Lifestyle Diseases and Metabolic Syndrome

Since 2002, Hoya has implemented lifestyle improvement programs aimed at helping employees to reduce body fat. Starting in 2008, the Company began conducting special health educational guidance led by public health nurses to combat metabolic syndrome. In fiscal 2010, approximately 440 employees have participated in these programs for preventing lifestyle diseases and metabolic syndrome.



Health educational guidance :
testing age of blood vessel

Healthcare Consultation for Employees Assigned Overseas

As a health consultation for employees assigned overseas, occupational physicians meet with the employees and their families to conduct a health check-up and to provide hygiene education and health care advice before they leave Japan or while they are overseas. In addition, occupational physicians pay periodic visits to facilities and to discuss health condition and other issues as necessary with employees located overseas.


Measures for Addressing New Influenza Strains

In May 2009, led by the Influenza Infection Crisis Management Team, Hoya updated existing manual for infectious diseases crises. After determining that infectiousness and fatality rates were roughly the same as the seasonal flu, the Company decided to adopt the same measures as for the seasonal flu. As a result of infection prevention measures based on the existing manual for infectious disease crises, there have been no confirmed cases of serious illness due to infectious disease or mass infection in the Group.

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