HOYA

Annual Report 09

For the Year Ended March 31, 2009

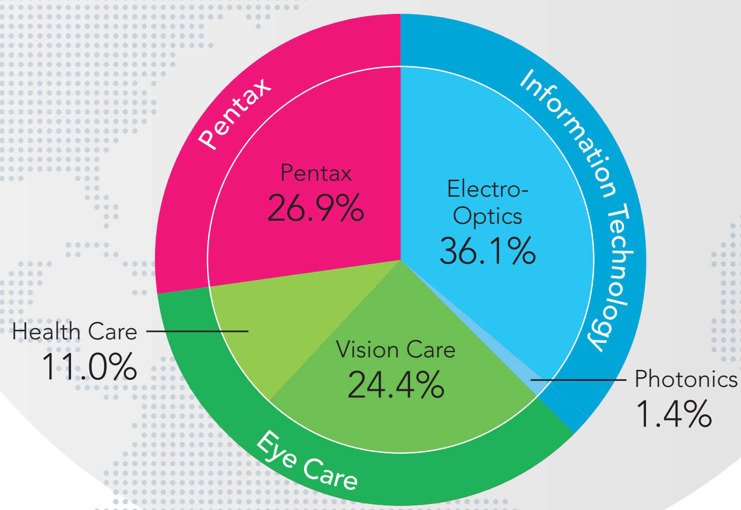
Our *Unique Strengths*

Since its establishment in 1941, HOYA has continued to grow around the core business of leading optical technologies. In today's changing global economy, Hoya is using its unique strengths in technology and management to respond quickly to changes in the business climate and achieve sustained growth.

Portfolio Management for Stable Growth

The Hoya Group maintains many different businesses. Achieving balance within this portfolio to ensure the Group's profitability, stability, and growth lie at the core of the Group's management. Hoya allocates investments according to changes in the times, working to both maximize corporate value and ensure sustained growth.

Sales by business area



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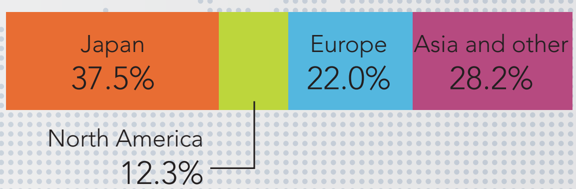
Disclaimer Regarding Forward-Looking Statements
Statements made in this annual report with respect to Hoya's plans and future performance are forward-looking statements based on management's judgments, plans and forecasts in light of the information available at the time of publication. Hoya cautions that a number of factors could cause actual events and results to differ materially from those discussed in the forward-looking statements. Such factors include but are not limited to foreign exchange rates, market trends and economic conditions.

Notation of Fiscal Years in This Report
- Hoya's fiscal year ends on March 31. In this annual report, references to years are the period ended March 31 of the year indicated.
- In this annual report, "the previous fiscal year," "the fiscal year under review," and "the year ahead" indicate the years ended March 31, 2008, March 31, 2009, and the year ending March 31, 2010, respectively.

A Flexible Global Strategy

Hoya does business all around the world. In order to deliver Hoya products to our global customers quickly and efficiently, Hoya is accelerating the shift of its production and sales bases overseas, keeping in mind optimal local production and optimal local sales and promoting its worldwide business. At each location, we seek both to localize Hoya and to promote global human resources.

Sales by region



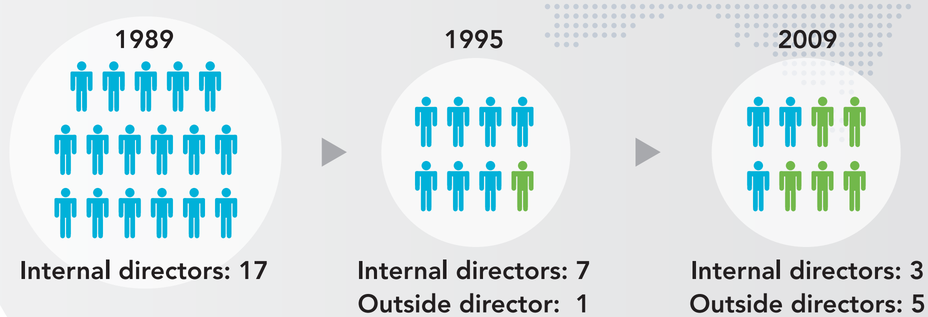
1997	Hoya completes the three-pronged matrix structure with regional headquarters in North America, Europe, and Asia
2003	The Group's financial headquarters move to Europe
2004	Eyeglass lens operation headquarters move to Europe
2007	IOL operations headquarters move to North America

A Highly Transparent Corporate Governance System

In order to keep guard against the potential for stagnation in the Board of Directors system, Hoya has gradually reduced the number of directors, and in 1995 began appointing outside directors. The current Board of Directors comprises five outside directors and three internal directors, for a total of eight. With more than half of the Board coming from outside the Company, management supervision is enhanced and transparency is ensured.

Hoya is governed under the "company with committees" system as defined by the Companies Act of Japan. All members of the Nomination Committee, Compensation Committee and Audit Committee are outside directors, helping to enhance the soundness of Hoya's management.

Changes in number of directors



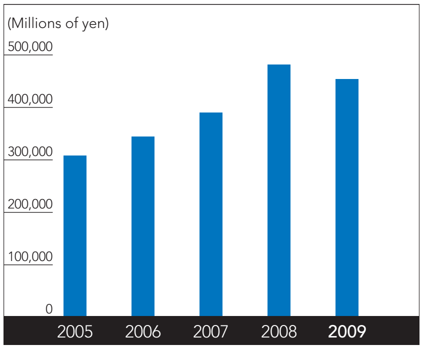
CONSOLIDATED FINANCIAL HIGHLIGHTS

Years Ended March 31

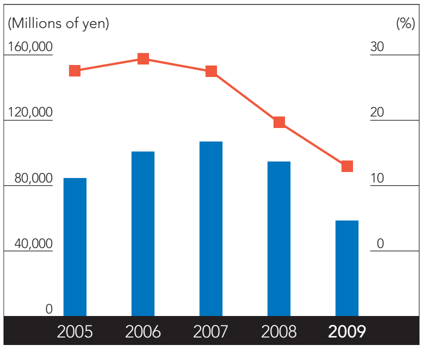
	2005	2006	2007	2008 Note 2	2009
For the year:					
Net sales (Millions of yen)	308,172	344,228	390,093	481,631	454,195
Operating income (Millions of yen)	84,920	101,096	107,213	95,074	59,095
Ordinary income (Millions of yen)	89,525	103,638	102,909	100,175	71,081
Net income (Millions of yen)	64,135	75,620	83,391	81,725	25,110
Capital expenditures (Millions of yen)	40,175	48,786	54,432	39,465	34,839
Research and development expenses (Billions of yen)	10,957	14,135	14,920	17,413	17,630
At year-end:					
Total assets (Millions of yen)	351,482	361,538	447,644	689,444	591,096
Total equity (Millions of yen)	277,889	279,481	367,145	394,626	338,010
Per share data:					
Net income (Yen)	144.71	171.71	193.50	189.01	58.01
Diluted net income (Yen)	144.38	171.08	192.78	188.78	58.00
Owners' equity (Yen) (Note 1)	623.59	648.87	845.98	903.49	774.65
Cash dividends applicable to the year (Yen)	37.50	60.00	65.00	65.00	65.00
Performance Indicators:					
Price earnings ratio (PER) (Times)	20.4	27.7	20.2	12.4	33.3
Price cash flow ratio (PCFR) (Times)	17.2	19.7	17.1	8.4	9.2
Price book value ratio (PBR) (Times)	4.7	7.3	4.6	2.6	2.5
Stock price at year-end (Yen)	2,950	4,750	3,910	2,340	1,930

Note
1) On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of equity, which is effective from the fiscal year ended March 31, 2007. Under this accounting standard, certain items which were previously presented as liabilities or assets are now presented as components of equity. Such items include stock subscription rights, minority interests and any deferred gain on derivative instruments. The Company now uses "Owners' equity" to replace the former "Shareholders' equity", which excludes such items as stock subscription rights and minority interests from Total equity.
2) In August 2007, Pentax Corporation and its subsidiaries were added to the Group's scope of consolidation. Therefore, performance figures shown include the results of Pentax Corporation and its subsidiaries from the second half of the fiscal year ended March 31, 2008 (the six-month period from October 1, 2007 to March 31, 2008).

NET SALES

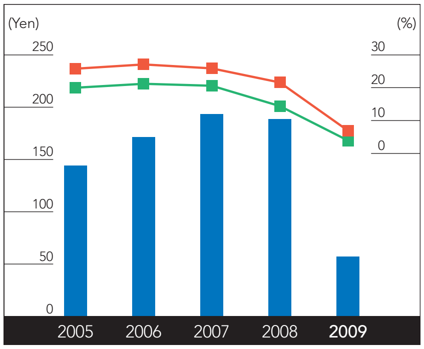


OPERATING INCOME / OPERATING MARGIN



■ Operating income (left)
— Operating margin (right)

EARNINGS PER SHARE / RETURN ON EQUITY / RETURN ON ASSETS



■ EPS (left)
— ROE (right)
— ROA (right)

A MESSAGE TO OUR STAKEHOLDERS

Through future-looking business portfolio management and with our outstanding optical technologies, Hoya aims to be a sustainable company that continues to provide society with solid value.

Hiroshi Suzuki
President and CEO

Our Enduring Vision

Fiscal 2009, the year ended March 31, 2009, was a tumultuous year marked by a financial crisis in the U.S. that ended up causing a global recession. For the Hoya Group, however, it was also the beginning of our next stage of evolution. I would like to take this opportunity to report to our stakeholders about conditions in fiscal 2009 and our outlook going forward.

REVIEW OF FISCAL 2009

During fiscal 2009, Hoya's business environment deteriorated rapidly. Financial unease quickly spread from the United States around the globe, resulting in a drop in capital expenditure and stagnant consumer spending and ultimately a significant slowdown in the real economy. Demand for digital products in particular contracted sharply from the third quarter (October to December 2008), while orders dropped as companies cut production. Downward pressure on prices also intensified.

Under these conditions, the Hoya Group posted consolidated net sales of ¥454,195 million, while operating income was ¥59,095 million, ordinary income was ¥71,081 million and net income was ¥25,110 million. Despite the fact that the full-year results of Pentax and its subsidiaries were included in consolidated results for the first time, sales were down 5.7% year on year due to a major fall in demand in the Information Technology field and in Pentax's digital camera business. Operating income and ordinary income were down 37.8% and 29.0%, respectively, due to factors such as lower sales in the major business divisions and an operating loss incurred by Pentax. Moreover, in the current uncertain business environment, we carefully evaluated businesses, conservatively recognizing impairment losses on fixed assets for Pentax business divisions and other. This step resulted in ¥30,459 million in impairment losses booked as special charges, which contributed to a 69.3% year-on-year decline in net income.

Fiscal 2009 was the beginning of the Hoya Group's next stage of evolution

Information Technology

Overall net sales in the Electro-Optics business were ¥163,902 million (down 21.9% compared with the preceding fiscal year), and operating income came to ¥39,712 million (down 41.1% compared with the preceding fiscal year).

Orders for mask blanks used in semiconductor production were substantially down, reflecting the general slowdown in the semiconductor market. Photomasks, which have a very specialized market, held up relatively well until the third quarter, but ultimately recorded a decline in sales for the full year.

Photomasks for LCD panels saw lower sales as capital expenditures in the panel market were halted from the second quarter of fiscal 2008 due to sluggish demand for LCD televisions.

In glass disks for hard disk drives, sales fell due to the effect of foreign currency movements and falling prices. In light of the rapid market deterioration and the associated changes in the industry landscape, we decided to halt negotiations regarding the hard disk media-related business merger with Showa Denko K.K. that had been scheduled to take place in fiscal 2009.

In optical lenses, production adjustments in the digital camera market resulted in lower orders for lenses for compact digital cameras, while prices declined, leading to a significant fall in sales.

Eye Care

In the Vision Care business, which produces eyeglass lenses, net sales totaled ¥110,725 million (down 12.4% compared with the preceding fiscal year) while operating income reached ¥21,807 million (up 5.6% compared with the preceding fiscal year). Both in Japan and overseas, we saw stronger competition from low-priced lenses produced in Asian countries, and even though we performed well in Europe and Asia, the yen's appreciation resulted in lower sales. Meanwhile, we worked to improve the efficiency and lower the cost of custom product production, which enabled us to achieve higher profits in this business.

In the Health Care business, net sales were ¥49,968 million (up 8.2% compared with the preceding fiscal year) and operating income reached ¥11,544 million (up 13.6% compared with the preceding fiscal year). In contact lenses, we won more customers by focusing on high-value-added products and conducting sales consultations, while intraocular lenses—and soft IOLs in particular—also performed steadily, helping to boost results.

Pentax

Pentax posted net sales of ¥122,190 million and an operating loss of ¥11,572 million. Although megapixel imaging capable endoscope systems performed well, overall medical endoscope sales were down due to the effects of foreign currency movements. In digital cameras, both SLR and compact camera sales dropped as a result of drastically lower demand and intensifying price competition.

Although medical-use endoscopes contributed to profits, the slump in the digital camera business, as well amortization of goodwill following the merger, resulted in an operating loss for the Pentax business in the fiscal year under review.

PORTFOLIO MANAGEMENT: GENERATING SOLID VALUE INTO THE FUTURE

Our results were considerably worse in fiscal 2009 than fiscal 2008. The major reason was the abrupt drop in demand in the Information Technology field, the pillar of our earnings, as a result of the global economic slowdown. I think it would be accurate to say that the industry itself has begun the structural transition from a growth industry to a mature one. In order for Hoya to achieve growth under these conditions, we need to reinvent our business scheme to respond flexibly to change and build a business structure that can ensure stability and growth.

Since it was founded in 1941 as Japan's first specialized optical glass manufacturer, Hoya has expanded and grown from our core competence in optical technology to cover a broad range of businesses, including electronics, photonics, and eye care. This history is one of "portfolio management;" developing core businesses while cultivating new ones, acquiring outside businesses and selectively allocating resources to ensure balanced growth and earnings for the Group overall. Over the years, Hoya has achieved continuous growth by optimally structuring its business portfolio to stay in step with the times. Our merger with Pentax in fiscal 2008 was based on this idea. When we looked ahead to Hoya 10 or 20 years down the road, we wanted to ensure that the Company would have the technologies and markets it needed. That is why I believe the merger was an extremely meaningful step for us. Given the impact of the global economic slump, we have yet to see the results we initially expected, but I firmly believe that Pentax's technologies and business base in the medical field will eventually bear fruit in the future.

While the high-tech industry may be maturing, Hoya can look to the aging societies of Japan, Europe, and the United States, and to improvement of infrastructure in newly emerging economies for enormous latent demand in health care fields such as eyeglasses, contact lenses, intraocular lenses, medical endoscopes, and artificial composite bone. For some of these fields, the market itself is expected to grow in the long term, while in others there is still room to increase our market share. I therefore believe that there is ample potential for growth.

Hoya has positioned health care as a growth segment for the future. We will work to achieve ongoing growth across the Group by actively investing management resources in these fields, while at the same time securing stable earnings from the Information Technology fields by displaying our technological competitiveness.

A COMPANY THAT CONTINUES TO DELIVER VALUE TO SOCIETY

I believe the role of a company is to exist permanently and provide continuous value to society. As the times have changed, Hoya has changed its core businesses and products. However, for over half a century we have contributed to the creation of a prosperous society through the technology of manipulating light.

In order to continue providing the value that society seeks, I have made it my top management priority to secure sustainable growth by practicing portfolio management to the greatest extent possible. That is why in the fiscal year under review we took advantage of the merger with Pentax to add a COO from outside the Company. We have thus formed a top management team of four executives: CEO, COO, CFO, and CTO. These four

In developing optimal regional production and sales and promoting globalization, Hoya continues to carry on the corporate philosophy of "changing with the times and conditions and implementing selection and concentration."

executives are able to make speedy and efficient decisions in their respective areas of responsibility on everything from management of the expanded Hoya Group to construction of a business portfolio for the future. Subsequently, at the June 2009 shareholders' meeting, the number of internal directors decreased from four to three. At the following meeting of the Board of Directors, five executive officers were appointed, including three serving concurrently as directors. This was done with a view to enhancing the executive framework. In addition, we have a governance framework where all the members of the Nomination Committee, Compensation Committee, and Audit Committee are outside directors. Their oversight has contributed to the reliability and transparency of Hoya's management.

Moreover, in developing optimal regional production and sales and promoting globalization, Hoya continues to carry on the corporate philosophy of "changing with the times and conditions and implementing selection and concentration." At the root of this is, of course, the management principle of increasing product competitiveness and heightening superiority in the market to ensure profitability. In my opinion, it is this philosophy that serves as the backbone of our diverse businesses and flexible business strategy, enabling Hoya to continue on as a sustainable company that provides society with solid value.

TO STAKEHOLDERS

I believe that all of us, shareholders, management, employees, and all our other stakeholders, are in the same boat: the good ship Hoya. Perpetually raising Hoya's corporate value benefits all stakeholders, and ultimately leads to shareholder returns. Raising corporate value—in other words, raising Hoya's future potential—is the greatest priority of my day-to-day management.

Going forward, as the business environment will undergo dramatic changes, we will continue to walk the road to new growth, relying on our impressive technological capabilities and unwavering corporate philosophy. I hope for your continued understanding and support for Hoya's management.

Hiroshi Suzuki
President and CEO

Perpetually raising Hoya's corporate value benefits all stakeholders

INTERVIEW WITH COO

Through outstanding technologies and diverse businesses and human resources, we will work to move forward as a global company.

Hiroshi Hamada
Chief Operating Officer

Our Evolving Strategy

Hoya is preparing for a new stage of growth by taking stock of the transforming market and building an optimal business portfolio.

Since taking up the position of COO in April 2008, Hiroshi Hamada has been at the helm of efforts to reform Hoya's operating structure. Here he discusses the way ahead for the new Hoya and the issues that must be tackled for the Company to move forward.

Profile

1982
Yamashita Shinnihon Steamship Co., Ltd. (currently Mitsui O.S.K. Lines, Ltd.)

1987
American Life Insurance Company (Tokyo), an AIG company

1992
Clarke Consulting Group (California, U.S.A.)

1995
Dell Computer Japan K.K. (currently Dell Japan Inc.)

2000
President and Representative Director, Dell Japan Inc., and Vice President, Dell Inc. (U.S.A.)

2006
Managing Partner, Revamp Corporation

2008
Executive Officer and COO of Hoya (April) and Director (June)

Question

It has been one year since you took on the role of COO. How do you see Hoya now and the role that you should play within the organization?

Answer

For me, this year was the start of a new mission. With the major changes in global markets, it was an exciting time.

Hoya does business in many different fields, and we have many exceptional engineers and technological specialists. Over the years, the Company has applied numerical management to each business and managed its portfolio efficiently through selection and focus across the entire organization, to achieve long-term, rational growth. That history has brought home to me what a special company Hoya is.

I believe that now is the time for Hoya to move into new businesses—we have joined up with Pentax, which mainly deals in finished products, and in terms of operating environment, the high-tech industry is reaching maturity. The new Hoya needs not only to leverage its superior development capabilities to create new products and technologies, but also to enhance overall marketing capabilities, including everything from products and sales strategies based on market analysis to sales, distribution, and after-sales services. By marketing capabilities, I mean creating strategies for how to segment the wider global market and which areas to target for finished products such as eyeglass and contact lenses and Pentax's cameras and medical endoscopes. For high-tech parts and materials, it means creating new business strategies while keeping a close eye on the market for finished products as it undergoes virtually unprecedented change.

If the role of the CEO is to promote business portfolio management based on a medium- to long-term vision, then I believe that my role as the COO is to formulate and implement the strategies that will bring this vision to life.

Question

What does Hoya need in order to achieve further growth?

Answer

Up to now, Hoya has emphasized investments in the field of Information Technology. Going forward, I would like to accelerate investments in human resources and facilities for the broad field of healthcare, including eyeglass and contact lenses, intraocular lenses, and the medical endoscope and new ceramics (bone prostheses) businesses that Pentax has brought to the table, and make that the cornerstone of the next stage of growth.

The slowdown in sales in the Information Technology segment during the fiscal year under review is not a sign that Hoya has lost its technological or competitive edge; it was due to stagnation in the global economy and the sudden slowdown of the IT industry as a whole. Still, even should demand recover at some point, there will be structural changes to the market environment, and our analysis leads us to believe that it will be very difficult to return to the type of growth we have enjoyed in the past.

Hoya strives toward speedy and flexible portfolio management. With Information Technology making a structural shift from growth business to mature business, we will maintain this as a stable source of income and position health care related businesses as our growth segment—a balanced strategy for growth.

Question

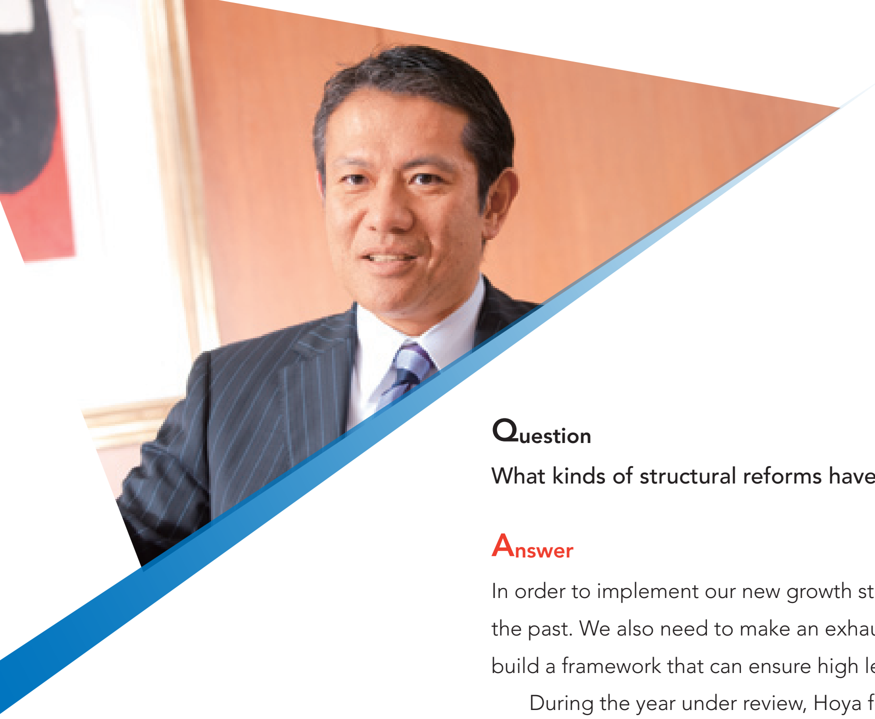
What are the possibilities for the health care related businesses, and what strategies will you use to pursue growth?

Answer

Consider that society is aging, both in Japan and in other countries around the world, and interest in health care is growing. At the same time, there is stable demand from emerging economies as they speed up the creation of their social infrastructure. For all these reasons and other, the field of health care can guarantee long-term growth.

For example, in the Vision Care segment, over many years of activity Hoya has established a firm business base as the No. 2 eyeglass lens manufacturer in the global market. But our market share has plateaued at a little over 10%, and there is plenty of room left for growth. In eyeglass lenses, market conditions have coupled with increasing commoditization due to the rise of low-price lenses. We aim to expand the business in this area by shifting gears to cover the entire market, from high-end to low-end. Likewise, with the *EyeCity* contact lens business, we are not stopping at being Japan's largest chain of contact lens retail stores. Instead, we are expanding our sales activities to the Internet and other channels, and making a full-fledged move into the Chinese market, to further expand and deepen our market.

Finally in intraocular lenses, endoscopes, and new ceramics, we have earned high evaluations from users for the outstanding characteristics of our products, which bring together cutting-edge technologies in each field. These markets have clear targets, so we will aggressively implement strategic marketing activities to raise our presence in all the major sales countries.



Question

What kinds of structural reforms have you been promoting as COO?

Answer

In order to implement our new growth strategy, we need to reexamine how we have allocated investments in the past. We also need to make an exhaustive study of our cost structure during the high-growth years, and build a framework that can ensure high levels of profitability amid the changing market.

During the year under review, Hoya focused on rebuilding a lean and efficient business structure. Specifically, we made organizational revisions, such as consolidating and eliminating manufacturing bases, accelerated transfer of production overseas, and restructured certain operations in the optical lens and other businesses. We also withdrew from unprofitable segments such as the crystal business, and reduced personnel in line with these reforms. We have made reduction of inventories and improving the yield rate common themes at all our production sites, and reviewed costs, from materials to outsourcing. We are continuing to reduce SG&A and other costs as much as possible across the entire Group in order to establish a strong, low-cost operating structure.

Through these initiatives, I hope to cultivate a strong corporate culture in which employees will take the whole product supply chain into perspective and consider the pursuit of competitiveness as part of their own jobs as members of the new Hoya.

Question

What are your ambitions for the future, and what message would you like to send to the shareholders?

Answer

Hoya will accelerate the pace to take on two challenges going forward: achieving growth balanced between health care businesses and Information Technology, and enacting reforms aimed at enhancing our responsiveness to the finished products market.

Personally, I am convinced that to realize progress Hoya must develop its diversity. If we want to create a strong company, we have to look to the whole world, crossing boundaries and breaking down customs to gather a collection of outstanding people. Going forward, Hoya will strengthen its personnel evaluations through a fair, merit-based system that does not take nationality, gender, or age into consideration, and speed up the globalization of our workforce. Diversifying businesses has been a solid tree supporting Hoya's sustained growth. As I see it, diversifying our people will add countless branches to that tree, yielding all kinds of fruit in markets around the globe.

I am still new at Hoya, so I am not wrapped up in past experience in the Company or preconceived notions. My only aim is to move ahead boldly with reforms so that Hoya can enjoy a bright future. I hope for the understanding and support of all our stakeholders as we move forward.

Hiroshi Hamada
Chief Operating Officer

HOYA AT A GLANCE

Ratio to Consolidated Net Sales and Core Products

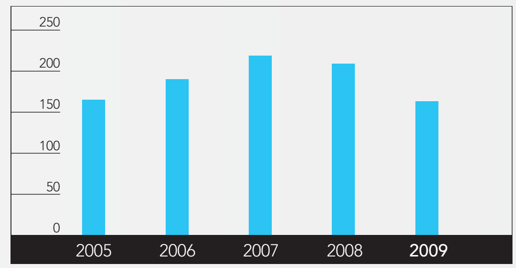
Net Sales (Billions of Yen)

Information Technology

Electro-Optics Division

36.1%

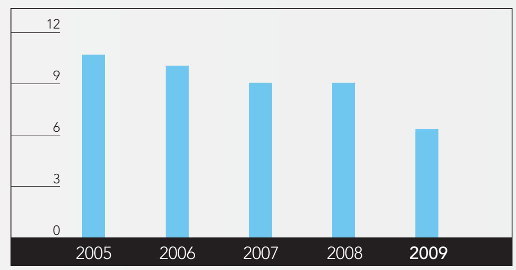
Core Products
- Mask blanks for the production of semiconductors
- Photomasks for the production of semiconductors
- Photomasks for the production of LCDs
- Glass disks for HDDs • Optical lenses and materials

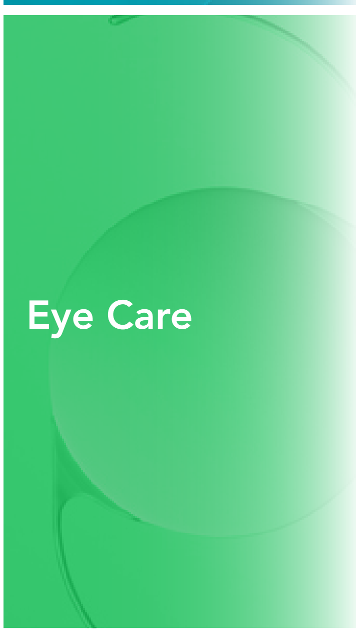


Photonics Division

1.4%

Core Products
- UV light sources • Laser oscillators
- Various types of electro-optical glasses and polarizing glass products



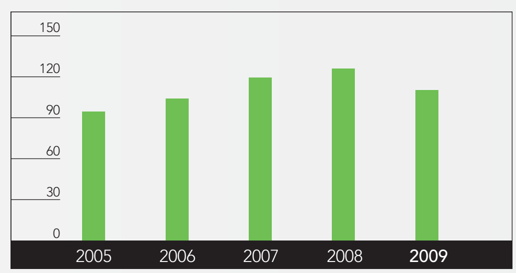


Eye Care

Vision Care Division

24.4%

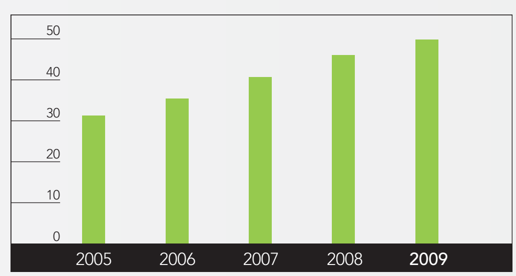
Core Products
- Eyeglass lenses



Health Care Division

11.0%

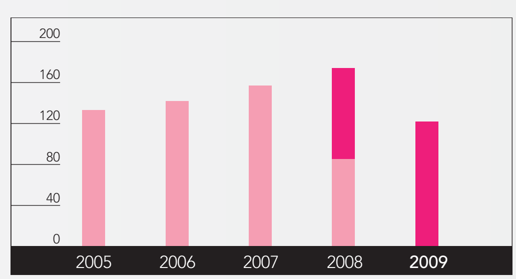
Core Products
- Contact lenses
- Intraocular lenses (IOL)



Pentax*[1]

26.9%

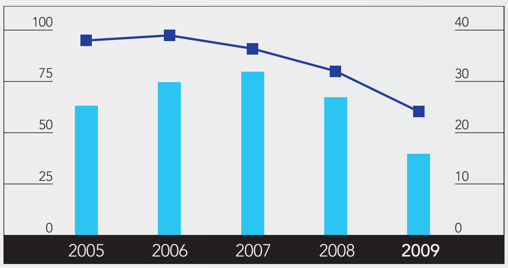
Core Products
- Medical endoscopes • Prosthetic bone filler
- Digital cameras • Lens units for digital cameras
- Microlenses



*[1] The results of Pentax Corporation and its consolidated subsidiaries (hereafter Pentax) prior to its consolidation are included for reference purposes through the fiscal year ended March 31, 2007. Annual results for the year ended March 31, 2008 include the combined six months prior to the consolidation of Pentax (April 1, 2007 to September 30, 2007) and the six months following consolidation (October 1, 2007 to March 31, 2008).

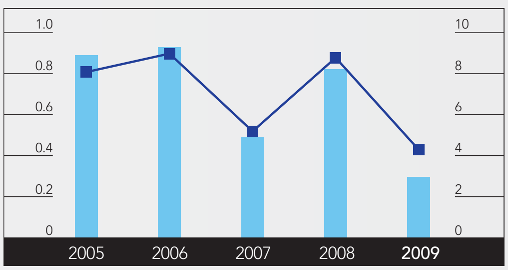
Operating Income (Billions of Yen) **Operating Margin** (%)

Description of Business



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.

In the fiscal year under review, both sales and profits for this division were down as a result of lower demand for finished digital products, the steep appreciation of the yen, and downward pressure on prices.

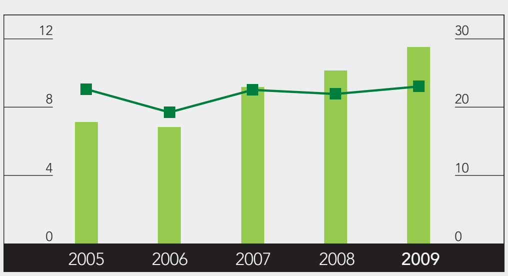


The Photonics Division applies optics technologies cultivated over many years to provide light source devices and equipment that utilize lasers and UV. Many of these products are used in manufacturing processes for semiconductors, LCD panels and digital cameras, the division's business enjoys the benefits of positive synergies with the Electro-Optics Division. The Company also expects to see growth in the polarizing glass products business, which began commercial operation in the year under review.

In the fiscal year under review, laser equipment performed strongly in the first half as LCD manufacturers expanded capital expenditures. In the second half, however, orders declined amid a rapid slowdown in the digital products market, and the division recorded both lower sales and profits.

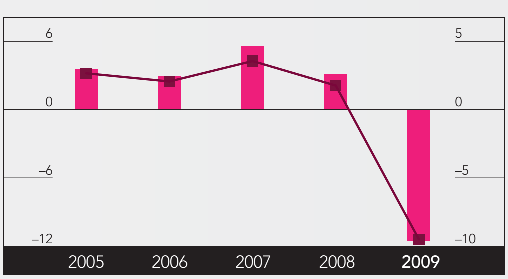
The Vision Care Division is engaged in manufacturing and sales of eyeglass lenses in global markets with a focus on four regions: Japan, Europe, North America and Asia-Pacific. The IT system linking the factories and sales points enables the division to deliver high-value-added lenses to customers around the world quickly and efficiently. The Company holds the top market share in Japan.

In the fiscal year under review downward pressure on prices increased, particularly in Japan and Europe. Nevertheless, the division secured growth in profits by enhancing price competitiveness through enhanced efficiency in special order production, as well as active introduction of new products.



The Health Care Division is responsible for the development of the over 150 *Eye City* stores, Japan's largest chain of contact lens specialty stores, serving a total of 6 million customers to date. It also manufactures and sells intraocular lenses (IOLs) used in the treatment of cataracts.

In the fiscal year under review, the division ramped up its high-quality consulting sales and after care service, maintaining a stable customer acquisition from the previous year. Meanwhile, steady demand for IOLs contributed to increases in both sales and profits. In addition, the division received approval from the U.S. Food and Drug Administration (FDA) for its IOLs, and has increased the speed of full-fledged development.



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 microlenses. 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.

In the fiscal year under review, sales fell significantly in the second half of the year due to the slowdown in demand for digital cameras and lower product prices. Currency exchange rates had a major impact on overseas sales, which account for a large proportion of total sales, resulting in a significant decrease in revenue. The digital camera division performed poorly, resulting in both lower sales and an operating loss for the division.

* Other businesses have not been included in this "HOYA AT A GLANCE" section. In addition, as part of its efforts to strengthen management and improve profitability, effective March 31, 2009 the Hoya Group has withdrawn from the crystal glassware business, which was previously listed under "other businesses."

INFORMATION TECHNOLOGY

Hoya contributes to an abundant and prosperous future through advanced technology supporting progress in the functions and value-added content of digital products, such as personal computers and large flat panel LCD televisions.

Electro-Optics Division

MASK BLANKS FOR SEMICONDUCTOR PRODUCTION

Fiscal 2009 Business Overview and Results

Hoya produces photomasks, which are the master plates used to transfer the semiconductor circuit patterns to silicon wafers, and the mask blanks that form the substrate for the photomasks. The Company supplies these products to semiconductor manufacturers in Japan and overseas and boasts an overwhelming share of the global market for mask blanks, particularly high precision mask blanks.

In the fiscal year under review, business in the semiconductor industry was robust during the first half. Against the backdrop of an economic slowdown that began in the second quarter, however, the second half witnessed large-scale reductions in production and curtailment of product development budgets and capital investments in the industry. Amid these market movements, sales of mask blanks fell in the second half because of the sharp drop in demand and pressure on prices, producing an overall decline in sales year on year. Even high precision products, such as the phase-shift mask blanks*[1] that had driven earnings growth in the past, faced a difficult business environment.

Future Strategies

Despite steady progress in cutting edge semiconductor development, mass production of the devices utilizing these chips have slowed the pace at which the industry shifts to the next generation of semiconductors. Consequently, a clear gap has opened up between technology progress and market needs. Furthermore, with the steadily worsening business climate surrounding the semiconductor industry, individual companies are limiting their investments in chip development and focusing their efforts on building cost-conscious, efficient production systems.

In recognition of these market needs, Hoya's strategy has been seeking other ways of increasing the degree of satisfaction of its customers besides its miniaturization-oriented product development by providing customers with added value. Its efforts have included material development to further heighten the durability of its products.

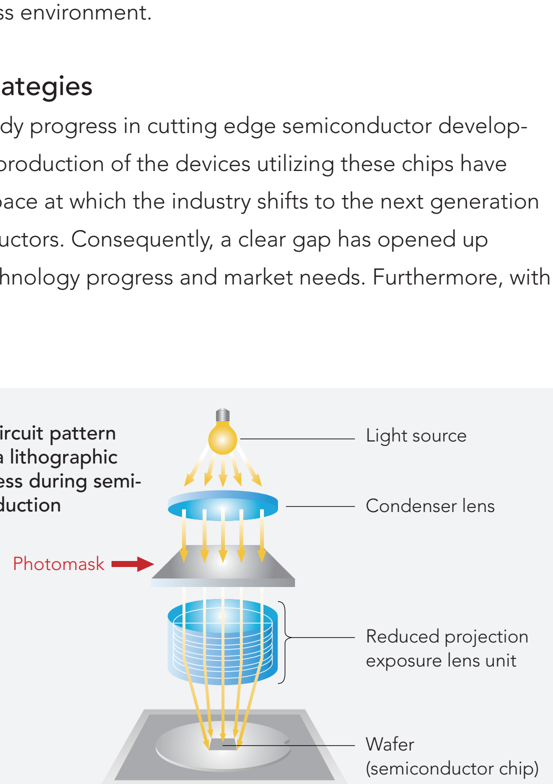
PHOTOMASKS FOR SEMICONDUCTOR PRODUCTION

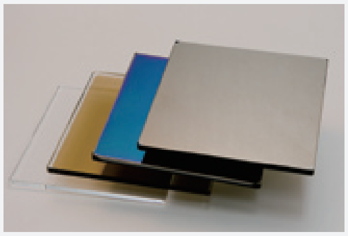
Fiscal 2009 Business Overview and Results

A photomask is a mask blank onto which a pattern has been drawn with an electron beam or laser writing device. Hoya has developed a highly competitive business model in the photomask market, strongly developing the business by specializing in cutting edge technology development and by taking advantage of in-house mask blank operations to differentiate itself from competitors in terms of its material processes.

In the fiscal year under review, Hoya put effort into providing high-quality, cutting edge photomasks. Although there were some successes with the introduction of new types of photoresist films and mask blank materials compatible with cutting edge manufacturing processes for semiconductors, such as immersion lithography, adverse business conditions such as stagnation in the semiconductor market, a slump in demand for photomasks and downward pressure on prices resulted in lower sales year on year.

Illustration of circuit pattern transfer using a lithographic exposure process during semiconductor production





Mask blanks
From the left: a glass substrate, a phase-shift halftone mask blank, a homogenous metallic film coated layer and a completed blank with photoresist coating.

Future Strategies

One of the trends in the photomask market is the continued decline in overall demand resulting from customers reducing the types of products used. In turn, this trend arises from a movement towards concentrating manufacturing in fabs (chip manufacturing specialists) and corporate reorganizations in the semiconductor industry. In recognition of these trends, Hoya is focusing more than ever before on maintaining close relationships with customers. The Company sees its highest priority issue as providing customers with optimum solutions as their partner for advanced technology development.

Going forward, Hoya intends to stay ahead of competitors with the latest next-generation lithography equipment, introduced in the fiscal year under review, working to further strengthen its competitiveness. In addition, the Company is utilizing correction technology for writing processes and simulation technology to duplicate semiconductor exposure processes to provide its own original high-value-added solutions.

PHOTOMASKS FOR LCD PANEL PRODUCTION

Fiscal 2009 Business Overview and Results

Hoya manufactures LCD photomasks, which are the master plates used in the manufacture of LCD panels for flat-panel televisions and computer monitors.

Hoya has leveraged several advantages in winning top share of the global market for LCD photomasks. It supplies high-value-added products that utilize technology accumulated in the development of photomasks for semiconductors. It also has a tripolar production system featuring hubs in Japan, Taiwan, and South Korea that enables rapid response to customer needs.

In the fiscal year under review, LCD panel manufacturers continued to actively increase capital investment in anticipation of a surge in demand related to the Beijing Olympics. Accordingly, Hoya fared well in the first half. However, in the second half, lower demand than expected from the Beijing Olympics and lagging consumption because of the economic downturn following the Lehman Brothers shock resulted in LCD panel inventory levels being substantially higher than demand. Consequently, the Company experienced a sharp decline in demand beginning in the third quarter along with continued strong downward pressure on prices. Overall sales fell compared with the previous fiscal year.

Future Strategies

In the past, LCD panel manufacturers have mainly relied on increasing the size of the glass used as a substrate to improve their productivity. Today the new challenge is to pursue further gains in productivity with an eye to achieving cost reductions within the manufacturing process. Within that trend, Hoya's multi-tone mask*[2] is a breakthrough product that promises to lower manufacturing costs through its significant contributions to reducing the number of processes in LCD manufacturers' production lines and increasing yields. In the fiscal year under review, the Company implemented improvements to the defect rates and degree of precision of multi-tone masks, focusing on differentiating its products in the market. Hoya also began such activities as utilizing inspection technology to raise the quality guarantee level for its LCD photomasks. Moving forward, the Company intends to take the initiative in the market by developing and proposing technologies that will be valued by LCD panel manufacturers seeking to improve productivity.

8th generation photomasks (1,220mm X 1,400mm)
An 8th generation glass substrate can yield screens for six 50-inch LCD TV panels.

*[1] **Phase shift mask blanks**
These mask blanks have a semi-transparent film coating between the glass substrate and a metallic film layer that enables the printing of smaller circuits. High-value-added products that increase the functionality of devices and enables greater miniaturization, phase shift mask blanks are contributing to the greater profitability of the business.

*[2] **Multi-tone masks**
Multi-tone masks can reduce the number of processes used in LCD panel production from five to four. Consequently, they contribute to reducing the manufacturing costs of LCD panel manufacturers and increasing their productivity.

INFORMATION TECHNOLOGY

GLASS MEMORY DISKS FOR HARD DISK DRIVES

Fiscal 2009 Business Overview and Results

Hoya produces glass memory disks used as recording media for hard disk drives (HDDs) and the glass substrates used to produce them. The Company mainly manufactures 2.5 inch disks, which are incorporated into HDDs and used in notebook computers. Hoya's substrates boast top market share, demonstrating competitiveness in all the major aspects of quality, cost, and production capacity.

Along with the growing needs for larger HDD memory capacity, there has been a demand for higher precision and zero defect features for substrates and higher storage capacities for glass memory disks. Hoya avails itself of technology capabilities built up over the years to continue to meet the demands of the market.

In the fiscal year under review, there was strong demand for Hoya's products as consumers began to replace their desktop computers with notebook computers. In addition, growth in sales of Internet books and other compact, low-price personal computers also drove up demand for HDDs. At the end of the third quarter, cumulative unit sales of substrates and glass memory disks had expanded year on year. In contrast, the sudden drop in demand in the fourth quarter due to the production cut backs and the related downward pressure on prices as well as the impact of exchange rate fluctuations resulted in unit sales and sales for the full year declining compared with the previous fiscal year.

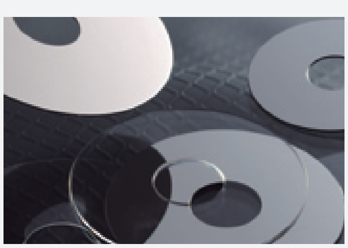
During the fiscal year under review, Hoya completed development of a new product that uses high precision polishing of the surface of the substrate to enable greater storage capacity. In conjunction with this development, the Company augmented its state-of-the-art mass production line at its Vietnam plant.

In September 2008, Hoya concluded a basic agreement with Showa Denko K.K. on merging the two companies' HDD recording media-related businesses. After the agreement, the two companies continued to make progress with discussions, but terminated negotiations in March 2009 because of the sudden deterioration in economic conditions and changes in the business environment.

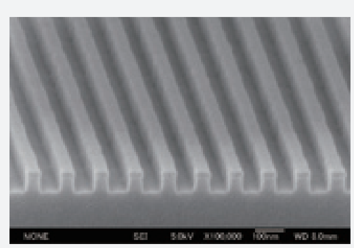
Future Strategies

Unit sales volume in the HDD market is anticipated to continue to grow, particularly for use in notebook computers. The market will also likely continue to demand that Hoya and other component manufacturers make further progress with greater storage capacities and lower costs.

Through next-generation R&D programs and production technology development, Hoya will concentrate on proposing new products, boosting quality, and achieving cost reductions. The Company will take steps to establish an organization that can ensure low-cost and stable supplies of substrates. It will further expand its substrate production facilities, taking demand into consideration in its timing, and prepare those facilities for the shift to next-generation products. Hoya also intends to increase the value-added content of its glass memory disks based on next-generation technology that utilizes discrete tracking and other technologies.



Substrates (transparent disks) and glass memory disks
Substrates are transparent, highly polished glass plates that can be coated with magnetic recording film to produce glass memory disks. Hoya ensures quality right from the materials stage, choosing the optimum melting, molding, and polishing methods. The resulting products feature high shock resistance produced through the use of special strengthening technologies.



Discrete tracking technology
By making grooves of non-magnetic material between recording tracks, this technology reduces the incidence of noise between neighboring tracks, thereby permitting increases in data recording density.

OPTICAL LENSES

Fiscal 2009 Business Overview and Results

Utilizing a complete production system capable of manufacturing everything from material glass to processed optical lenses, Hoya supplies high-value-added optical products that are used in optical devices such as digital cameras and video cameras.

In the fiscal year under review, the digital products market was robust in the first half, but end-user demand dropped in the second half under the impact of the economic downturn. Starting in the third quarter, manufacturers implemented sharp production cutbacks. Strongly affected by the large-scale declines in orders and the falling market prices, sales of the Company's optical lenses declined from a year earlier.

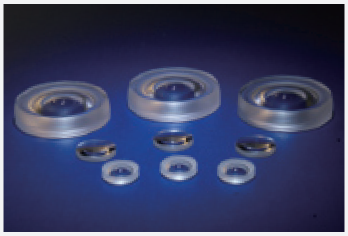
Hoya's aspherical molded lenses— its forte— have contributed much to the digital device market, particularly to making compact digital cameras smaller and lighter and with greater picture definition. During the fiscal year under review, the Company supplied the market with high-value-added products, such as concave meniscus aspherical lenses, and developed and introduced new types of optical glass demonstrating special optical properties. Moreover, Hoya began to expand orders for medium- and large-diameter optical lenses for digital single lens reflex (SLR) cameras. However, the sudden deterioration in the market resulted in sales falling below original expectations.

Future Strategies

Since price declines are expected to continue in the digital products market, strengthening cost competitiveness is the chief issue being addressed by Hoya. At the same time, the Company does not intend to let up on its product and technology development efforts. While making further progress with development of new optical materials, it is concentrating on establishing a stable supply organization capable of meeting customers' quality and cost requirements.

To strengthen cost competitiveness, Hoya primarily worked to reduce fixed costs during the fiscal year under review. In future, the Company will also strengthen its profit structure by improving production efficiency, reducing such variable costs as outsourcing and materials expenses, and improving product yields.

Among other activities, Hoya has established the Technology Center within Akishima Plant, the Company's main domestic base. The center is being used to enhance the Company's advanced technology development programs and to provide production technology guidance to Hoya's overseas plants.



Aspherical molded lenses
Aspherical molded lenses have excellent aberration correction properties, which enables the use of fewer lenses. By increasing the degree of freedom in optical design, this feature contributes to more compact, lightweight, and functionally sophisticated optical products.

Photonics Division

Fiscal 2009 Business Overview and Results

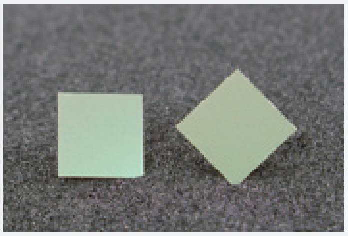
In the Photonics Division, Hoya applies its own optical technologies to manufacture and develop such products as laser oscillators and UV light source devices. Principal products include the defect correction equipment and laser oscillators for precision processing, which are used to assist analysis aid processing during semiconductor and flat-panel display (FPD) manufacturing process, as well as UV light source devices used in the UV resin bonding of such optical parts as optical pickups and camera modules. The Company also provides color filters that are used in various optical equipment, as well as specialty glasses for industrial and other applications. During the fiscal year under review, Hoya transferred its polarized glass products business from the R&D Center to the division to begin full-fledged commercialization of these products.

In the first half, demand for laser oscillators expanded on the strength of robust capital investments by LCD panel manufacturers. Entering the second half, however, capital investments by customers declined under the impact of the economic slowdown following the Lehman Brothers shock, causing a sharp drop in Hoya's orders. UV light source devices are used in bonding processes for a variety of electronic and optical components, such as optical communications components, semiconductor wafers, LCD panels, and optical disks. Since the UV light source market saw overall cutbacks in capital expenditures by the manufacturing industry throughout the year, business conditions were arduous in the fiscal year under review. On the other hand, specialty glasses continue to be highly evaluated by domestic customers as high quality products with superior fabrication precision and sales were also firm overseas. Overall, specialty glass supported the division's performance during the fiscal year under review. In the newly transferred polarized glass business, work on developing new customers progressed. This business is expected to grow along with capital investments in infrastructure overseas and the growing popularity of fiber to the home (FFTH) in the optical communications field.

Future Strategies

Under the impact of the down turn in the global economy, the division's core customers—semiconductor, LCD, and optical device manufacturers—are curtailing capital investment. Clearly, there will be hardships again in the current fiscal year. In response, the division will endeavor to increase business efficiency through structural reform and revision of its organization and systems. At the same time, it will continue to meet the needs of its customers by making maximum use of its proprietary technology in supplying a broad product lineup offering even higher functionality and ease of use.

UV-LED spot light source (EXECURE-H-1VC)
In assembling tiny elements of electronic and optical devices, it is typical to use UV light from a mercury lamp for setting. In recent years, however, there has been progress toward practical application of ultraviolet LEDs. Hoya's UV-LED spot light source is one such unique product, developed with technologies accumulated through the Company's experience in fiber optics.



Polarized glass (CUPO)
This polarized glass material is used in optical isolators for optical communications. Demand is expected to grow as optical communications networks reach global scales.

EYE CARE

Hoya's Eye Care business provides a wide range of eye-related products and services worldwide. Based on years of experience in optics and materials technology, we develop, manufacture and sell eyeglass lenses, contact lenses, and intraocular lenses for use after cataract surgery.

Vision Care Division

EYEGLASS LENSES

Fiscal 2009 Business Overview and Results

Hoya manufactures and sells eyeglass lenses on a global basis, offering products ranging from standard lenses to high-value-added lenses tailored to the vision needs and lifestyle of each individual customer. We utilize IT systems to link eyeglass retail stores to our production bases, thereby achieving an efficient supply chain for customers around the world.

In the fiscal year under review, consumption faltered under the shadow of the global economic slowdown. Against this backdrop, the eyeglass lens market saw prices fall and products grow increasingly commoditized. In this environment, Hoya focused on developing high-quality premium lenses and on improving price competitiveness by enhancing mass production facilities and Super RX Labs (special processing plants), with the twin aims of expanding market share and improving profitability.

Japan

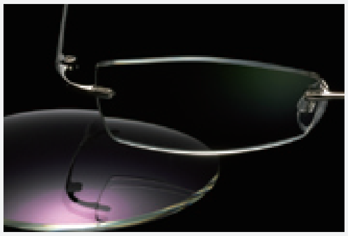
The eyeglass lens market in Japan is continuing to contract overall under the growing impact of low-priced lenses produced in China and other Asian countries. In response to these conditions, Hoya introduced the Hoyalux Trinity premium progressive lens product, expanded sales of high-function coatings and the EYVIA 1.74 high-index lens. In the price-sensitive single-focus lens market as well, we focused on sales of REMARK, rolling out measures to help resist price competition. Nevertheless, earnings declined year on year.

Europe

The European market also saw stronger downward price pressure, with apparent growth in the market for lower-price-range lenses. Hoya saw robust sales of Hoyalux iD MyStyle high-grade progressive lens and Hoyalux iD Lifestyle, primarily in Western European countries. In the single-focus lens market, we expanded sales of NULUX Active, which offers a more comfortable range of vision. We also strengthened our service and support offer to eyeglass retail stores through consultation and dispensing tools like the MyStyle Identifier and Visureal, which help select lenses that meet customer needs. As a result of these efforts, sales volume rose year on year. Sales also grew steadily in Poland, Hungary, and other countries in the Eastern Europe region.

North America

In the United States, where consumption dropped considerably in light of the Lehman Shock, Hoya continued efforts to strengthen sales to independent eyeglass retailers. As a result, we were able to boost sales volume for Hoyalux iD Lifestyle and other high-value-added products like special coatings, and saw results on a par with the previous year. In Canada, meanwhile, sales volume was



Hoyalux Trinity/ Hoyalux iD MyStyle/ Hoyalux iD LifeStyle
Created using Hoya's proprietary FreeForm technologies, these multifocal progressive lenses are customized to ensure optimal performance tailored to each customer's prescription and lifestyle. The brand is sold under different names in Europe, the United States and Japan.

NULUX Active
These new-concept lenses use advanced optical design principles to enhance comfort and high-mobility vision for single vision patients. Because it takes into account all types of eye motion, this strategic product is aimed at young people who make active use of their eyes.

significantly higher year on year. In terms of new markets, we made preparations for future growth, establishing a lab in Brazil as a joint venture with our distribution partner, and opening a representative office in Argentina.

Asia-Pacific

In China and Southeast Asian countries, earnings grew due to higher sales of REMARK new concept lenses and photochromatic lenses that darken automatically when exposed to sunlight. China, India, and other markets experiencing striking economic development are seeing rapid growth typified by the entry of eyeglass retail chains. Because further growth is highly likely going forward, we targeted future business expansion by focusing on the enhancement of educational programs for eyeglass retail stores, and on other means of strengthening relationships with customers. In Australia, although the market felt the impact of the economic recession in the second half of the year, overall sales for the year showed firm growth.

Future Strategies

We expect the polarization of the eyeglass lens market in developed countries to become further pronounced, with aging populations fueling growth in the higher price ranges such as progressive lenses, alongside growth in the lower-priced products. In newly emerging markets, we expect increased volume to meet population growth, and qualitative improvements as a result of higher demand for high value-added lenses as economic development progresses.

In order to secure future growth on a global basis, Hoya will work to improve profitability through sales of high-valued-added products and expand market share by also providing low-priced lenses. To support this strategy, we will establish an efficient supply system with production that leverages the strengths of each mass production facility and country lab.

Further, in markets with growth potential such as Eastern Europe, Russia and Asia, we will continue to accelerate growth through M&A, direct investment, and strengthening of educational programs for eyeglass retailers.

Beijing Olympics Gold Medalist Tia Hellebaut and Hoya NULUX EP

Hoya Lens Belgium, N.V. has a sponsorship contract with Olympic women's high-jump gold medalist Tia Hellebaut. The eyeglass lenses she sports during competitions are Hoya Nulux EP 1.67 high-refractive index plastic lenses with SFT coating (frames are by a Belgian manufacturer). Hoya Nulux EP ("REMARK" in Japan) are double-sided aspherical lenses, which both enable lenses to be thinner than conventional spherical lenses, but also broaden the wearer's field of clear vision.

Health Care Division

CONTACT LENSES AND EYE CITY

Fiscal 2009 Business Overview and Results

Hoya operates the *Eye City* chain of contact lens specialty stores, one of the largest such chains in Japan. The strengths of this chain lie in consulting-based sales, which provide the lenses best suited for each customer, and in the broad selection of products from famous manufacturers around the world. With approximately 150 locations nationwide, the cumulative number of customers surpassed 6 million through the end of the fiscal year under review.

During the fiscal year under review, the retail market for contact lenses saw moderate growth, centered on disposable lenses. However, business conditions remained challenging, with all contact lens retailers facing difficulty in opening new stores due to a decline in the number of ophthalmologists starting business because of revisions to fee standards for medical exams under the national healthcare system annually since 2006.

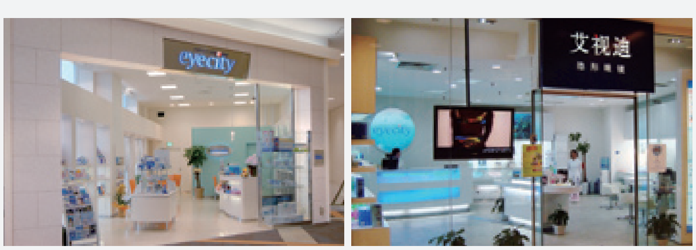
Hoya made efforts to strengthen sales of high-value-added products such as lenses made from new materials, lenses for astigmatism and bifocal lenses, and worked to improve its service. As a result, although there was no growth in the total number of stores, existing stores increased the number of new and repeat customers, leading to a year-on-year rise in sales. In addition, management efficiency was improved again through detailed pricing strategies and a scrap-and-build strategy of opening new stores and closing existing ones according to detailed sales area analysis.

Hoya entered the Chinese market in 2005. As of March 31, 2009, there were seven *Eye City* stores in Shanghai, and all had won strong support for their outstanding eye-testing technologies and high level of service.

Future Strategies

In the Japanese market, Hoya will accelerate store development. The Company is seriously considering expanding its sales area to the Chubu and Kyushu regions besides major metropolitan districts. It is also looking to store locations that customers will find convenient and reviewing store designs. In terms of sales promotions, the Company will augment traditional methods by making use of the Internet and other digital media in its marketing activities to efficiently target a broad customer base. Moreover, by strengthening human resources through recruitment and training, and optimal deployment, the Company will expand services and increase customer satisfaction.

In China, the scale of the contact lens retail market is currently estimated at around ¥70 billion. This market has not yet matured, with fewer people wearing contact lenses than in Japan. Growth is therefore expected in the future. Hoya will promote localization, while at the same time opening strategic new stores and conducting vigorous PR activities to raise recognition of the *Eye City* store brand mainly among women in their teens and 20s, the main target customer base. In this way, the Company will raise its presence as the market grows.



Eye City
At Hoya's *Eye City* chain, experienced professionals armed with the most accurate and latest knowledge of vision conduct sales consultations with individual customers. The store concept is identical in both Japan and China.

INTRAOCULAR LENSES (IOL)

Fiscal 2009 Business Overview and Results

Intraocular lenses (IOL) are artificial lenses used to replace clouded lenses during cataract surgery. Inserting these lenses into the affected eye can restore vision. Over many years of research into optical design and high-function materials, Hoya develops and provides unique IOL products that meet the needs of doctors practicing on the frontlines of medicine.

Hoya's foldable soft lenses can be folded into a small package, enabling delivery into the eye through a very small 1.8mm incision, the smallest in the world. Moreover, the pre-loaded iSert delivery system, which offers superior operability compared to previous ones, is contributing to the progress of medicine as a solution for enabling safe, accurate cataract procedures.

During the fiscal year under review, Hoya launched an aspherical pre-loaded IOL in the Japanese market. With focus on introduction and sales of the new product to medical institutions of all types, the Company was able to maintain strong sales from the previous fiscal year.

Outside of Japan, the Company focused on the launch of ultra-small incision type IOLs and expanding sales of the iSert system in developed countries, mainly Germany and France, and succeeded in raising market presence. In the Asia-Pacific region, there was steady progress in introducing new products, with a focus on China, South Korea and Australia. These measures resulted in high growth and strong results.

In addition, as business expanded, the Company conducted construction to expand production capacity in the Singapore factory, strove to secure a low-cost, stable supply framework, and pressed ahead with development and trial production of new products and materials for IOLs.

In September 2008, the iSpheric™ yellow acrylic foldable intraocular lens was approved by the U.S. Food and Drug Administration (FDA), and Hoya became the first Japanese manufacturer to enter the U.S. market for intraocular lenses, estimated to be the largest in the world. In April 2009, the Company began more full-fledged marketing activities in the United States. In the previous fiscal year, Hoya transferred its operations headquarters to Southern California, where world-renowned ophthalmologists conduct cutting-edge research. Taking FDA approval of the lenses as the impetus to accelerate creation of a sales structure in the United States, Hoya is now working to expand its business with a global focus.

Future Strategies

As society ages, the number of cataract suffers in developed countries is rising sharply. Developing countries are also seeing growth in the number of cataract patients seeking care as their economies rapidly expand. IOLs are therefore expected to see market growth worldwide. Hoya will pursue this growth opportunity by promoting R&D to enhance product functionality.

Yellow acrylic intraocular lens
These yellow intraocular lenses absorb ultra-violet light, are easy on the retina, and provide natural color tones. In 1991, Hoya became the first in the industry to release colored intraocular lenses.

The pre-loaded iSert delivery system
This disposable injector comes with an intraocular lens pre-loaded. In addition to reducing the amount of work required during surgery, it does not require washing or sterilization of related tools, facilitating cataract surgery.

PENTAX

The Pentax brand is recognized around world. Based on this brand, Hoya is making steady progress in uncovering new possibilities for the future in the fields of cameras and medical devices.

Lifecare Business

In the Lifecare Business, we provide clinicians with high-resolution, high-usability endoscopes and new ceramics products for medical use, contributing to the enhancement of both medical care and patient QOL (Quality of Life).

ENDOSCOPES FOR MEDICAL USE

Fiscal 2009 Business Overview and Results

In the medical devices field, Pentax develops high-quality flexible endoscopes for medical use and medical accessories (surgical instruments for endoscopes), primarily for the gastrointestinal system and sells them in Japan, North America, and in European countries. Because flexible endoscopes are inserted into narrow and convoluted luminal spaces, they must have superb operability to enable doctors to achieve precise manipulation, as well as high-resolution image processing to allow doctors to determine which areas are affected by cancer or other diseases. Pentax utilizes its many years of experience in optomechatronic technology to achieve these capabilities.

Endoscopes enable diagnosis and treatment without placing a heavy burden on patients' bodies, and help keep down healthcare costs by facilitating early detection and treatment of various conditions. For this reason, these tools are being actively introduced as a minimally invasive method of treatment at medical institutions across the globe.

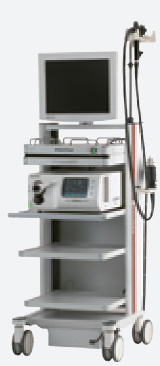
In the fiscal year under review, sales of the EPK-*i* series of endoscopes with megapixel-level resolution continued to post robust growth in the European and North American markets. In May 2008, the series was also launched in Japan, where it made a strong start, earning kudos from physicians for its clear imaging. Overseas sales rose in the first half of the year, led by Europe. In the second half of the year, however, even medical institutions began curtailing new investments amid the economic slowdown, resulting in lower sales compared to the previous year. In addition, because a large portion of sales of these products are generated in North America and Europe, sales were greatly impacted by currency exchange rates.

Future Strategies

Under the basic strategy of strengthening communication with doctors, we will establish specialized teams to develop new customers in key regions, and further enhance collaboration among development, production, and sales divisions and overseas sales companies. We will also work to enhance product lineups to meet the needs of university hospitals, clinics, and each region.

In terms of development, the Company is focused on developing products from the user's perspective and uncovering latent demand through constant, close contact with the medical community. We will also actively participate in joint research with universities and companies in Japan and overseas.

Through these activities, we aim to increase total customer satisfaction, from product development to sales and after-sales service.



The EPK-*i* endoscope system
The EPK-*i* endoscope system combines the high-resolution EPK-*i* video processor and the 90*i* video scope equipped with a megapixel CCD. Thanks to high-definition imaging and the proprietary i-scan image processing function, the system supports advanced endoscopic testing and diagnosis.

EG-2790*i* scope
This high-grade scope achieves dramatically high resolution through use of a high-definition CCD, and with a diameter of 9.0mm is ultra-light and slim enough for routine testing.

PENTAX

NEW CERAMICS

Fiscal 2009 Business Overview and Results

Pentax has captured a high market share in apatite products for use in such fields as orthopedics, brain surgery, and dentistry. These include biocompatible ceramic products APACERAM and BIOPEX-R paste. The former is used as a prosthetic filler for bone defects, while the latter offers enhanced bonding performance.

Pharmaceutical manufacturers around the world are employing the special protein adsorption characteristics of CHT ceramic hydroxyapatite (chromatography media) as a bulking agent in biopharmaceutical manufacturing and separation processes.

The composite bone market is continuing to grow gently, mainly in the Japanese market, and the new ceramics division is seeing firm growth in sales.

Future Strategies

We will work to expand the composite bone business, particularly in the spinal field. We will also make active efforts to expand the business through collaboration with other manufacturers in Japan and overseas to develop new products with better absorbability and strength and to enhance competitiveness.

We are currently stepping up efforts to commercialize products. We are bringing to market new absorbable composite bone products and BIOPEX-R, which offers improved solidification rates, and introducing a composite bone for the spine that incorporates titanium materials.

To prepare for growth, we are conducting full-fledged organizational reforms aimed at optimizing development, production, and sales divisions.

Imaging Systems Business

Fiscal 2009 Business Overview and Results

In the fiscal year under review, the market for digital cameras took a sudden turn, shifting from robust conditions in the first half of the year to harsh conditions from the third-quarter onward. This about-turn was caused by the global economic slowdown centered on the United States, the main demand driver in this market. The recession resulted in softer demand for both SLR and compact digital cameras, leading to higher inventories and rapid price declines.

Under these conditions, we introduced distinctive products grounded on our many years of optical design technology. These products were smaller and lighter, and offered better dust-, moisture- and water-resistance than previous models. The PENTAX Optio W60 compact digital camera (released in June 2008) recorded particularly strong sales; this product is capable of two hours of continuous underwater recording at a depth of 4 meters. In entry-class digital SLR cameras, in October 2008 we released the PENTAX K-m, which features a compact, light-weight body and intuitive operation, enabling even novice users to take pictures with ease. This camera was well supported by women and families. In January 2009, we created excitement in the market by also releasing a limited-edition white model of the PENTAX K-m.

In terms of product strategy, we emphasized both market positioning and sought to establish a low-cost operating structure in light of the challenging business environment. We moved quickly to implement early structural reforms, including integrating and eliminating manufacturing bases in Japan and transferring production lines overseas. We also undertook a review of all costs. Despite

Apatite products
Hydroxyapatite has nearly the same composition as human bone, and can be safely inserted into the human body for the long-term, eventually fusing with the bone to become part of it. Thanks to its safe profile for use with living tissue, this material is being used in development of a wide range of bone-related applications.

PENTAX K-7
A wealth of advanced technologies are packed into the highly mobile compact body of this top-end model.

PENTAX K-m
This entry-class SLR includes useful functions such as shake reduction and automatic scene recognition.

these efforts, however, sales in the Imaging Systems business fell year on year against the backdrop of worsening market conditions.

Future Strategies

We will promote further cost-structure reforms by continuing to enhance production efficiency and to rigorously cut fixed costs across the board, from materials to personnel.

In product development, we are working to differentiate our products by leveraging the Pentax brand and creating product development roadmaps that accurately reflect market needs. Meanwhile, we are pursuing a wide range of possibilities, including alliances with other companies, as we strive to accelerate the process from development to commercialization.

In digital camera products, we are using Pentax's outstanding features that enable shooting in different environments—including water-, moisture- and shake-resistance and durability—to create unique products guided by the core concept of "outdoor" photography.

Planning and development have proceeded based on this new concept, and in June 2009 we released the vanguard K-7 model. Full of functionality, it has drawn attention from a broad user base.

In interchangeable lenses as well, the merger with Hoya created an integrated system for development and production, from glass materials to lens modules. Going forward, we will capture synergies to deliver new value.

Optical Components Business

SMALL-SIZE LENSES

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

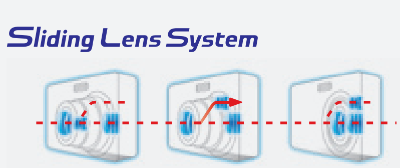
During the fiscal year under review, manufacturers of finished AV equipment conducted production adjustments in response to the slump in consumption from the third quarter on. The sudden decline in demand resulted in lower earnings for this business.

In light of the expected growth of the Blu-ray market, Pentax is working to enhance technological development and bolster its lineup. Going forward, we will also focus on developing production technology to ensure a stable supply of high-precision lenses, as well as strive to improve yields and reduce costs. The company is currently undertaking efforts to raise the efficiency of operations through reviews of organizational structures and production bases. At the same time, it is taking the merger with Hoya as an opportunity to look at what synergies can be derived in respect of plastic materials and new processing technologies.

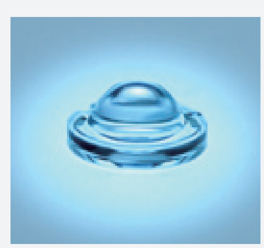
LENS UNITS FOR DIGITAL CAMERAS

Pentax has begun production of optical lens units for digital cameras, and is supplying custom-specified lenses to digital camera manufacturers and their ODM and OEM partners both in Japan and overseas. In particular, Pentax's patented sliding lens system has contributed greatly to reducing the size of compact digital cameras with high-zoom lenses. Going forward, the Company will focus on developing lens modules with limitless possibilities.

Optio W60
The slim, light-weight body of the Optio W60 is fitted with a 28mm 5x optical zoom lens.
It is the first compact digital camera capable of two hours of continuous underwater shooting at depths of up to 4 meters.



Sliding Lens System
A central lens block slides into place when the lens is in storage position, enabling the creation of compact cameras with a high-power optical zoom.



Blu-ray objective lens
This product uses ultra-high-precision molds and shaping technology to achieve stable performance even from a plastic lens.

Transparent Governance

Hoya separates management execution and oversight functions with a view to increasing management efficiency. Furthermore, in order to ensure that management is not based upon internal corporate logic alone, the Company has also put in place a highly transparent corporate governance system with active participation by outside directors who perform a supervisory role from the shareholders' perspective.

CORPORATE GOVERNANCE FRAMEWORK

In June 2003, Hoya moved to a "company-with-committees" management system as defined under the Companies Act of Japan, establishing three committees—the Nomination Committee, the Compensation Committee and the Audit Committee—each distinct from the Board of Directors. The Companies Act of Japan stipulates that a majority of the members of these committees be outside directors; at Hoya, the committees are composed exclusively of outside directors. Within the company-with-committees framework, this system enables delegation of decision-making authority from the Board of Directors to the executive officers so that they can focus on speedy and efficient management toward realizing improved business performance. At the same time, the three committees composed of outside directors provide enhanced powers of supervision and oversight over the executive officers to ensure overall soundness and transparency of management.

Board of Directors

The Board of Directors comprises five outside directors and three internal directors, for a total of eight directors. The Board meets every month, excluding February and August. At meetings, outside directors draw on their ample management experience and international perspectives to supervise and offer advice to the executive officers in the execution of their duties from a wide range of viewpoints.

Internal directors serve concurrently as executive officers. Authority has been further devolved from the executive officers to the heads of each business division, who are responsible for day-to-day business operations in their respective areas of activity. These division heads make detailed reports on each division's status to the executive officers at monthly business reporting meetings, at which strategies for responding to each issue are discussed. Important matters are all reported to meetings of the Board of Directors in order to ensure soundness of management.

The Three Committees

The Nomination Committee, Compensation Committee and Audit Committee are composed exclusively of outside directors, who are assured independence from the executive officers, and oversee their execution of duties from an impartial and fair standpoint taking the shareholders' perspective into account.

Directors

Takeo Shiina*	Executive Advisor of IBM Japan, Ltd.
Yuzaburo Mogi*	Representative Director, Chairman & CEO of Kikkoman Corporation
Eiko Kono*	Former Special Advisor of Recruit Co., Ltd.
Yukiharu Kodama*	President of the Mechanical Social Systems Foundation
Itaru Koeda*	Executive Advisor, Honorary Chairman of Nissan Motor Co., Ltd.
Hiroshi Suzuki	
Hiroshi Hamada	
Kenji Ema	

Executive Officers

Hiroshi Suzuki	President & CEO
Hiroshi Hamada	Executive Officer & COO
Kenji Ema	Executive Officer & CFO
Hiroaki Tanji	Executive Officer, Planning
Taro Hagiwara	Executive Officer, Technology

*Outside directors
(As of June 16, 2009)

• Nomination Committee

The Nomination Committee decides on the selection of candidates for appointment as directors and executive officers in accordance with selection standards, and submits nominations to the Board of Directors for approval. The committee also creates standards, based on which it evaluates the execution of duties by executive officers and reports the results to the Compensation Committee. When necessary, the Nomination Committee refers proposals to relieve directors of their posts to the General Meeting of Shareholders, and refers proposals to relieve executive officers of their posts to the Board of Directors.

• Compensation Committee

The Compensation Committee prepares the remuneration system that incentivizes directors and executive officers. It was established with the objective of contributing to improved financial performance for Hoya, by undertaking fair and accurate evaluations of results. The remuneration package for each director includes a fixed salary, results-based remuneration and stock options. Each package is decided based on consideration of such factors as prevailing business conditions, financial results and standards adopted by other companies.

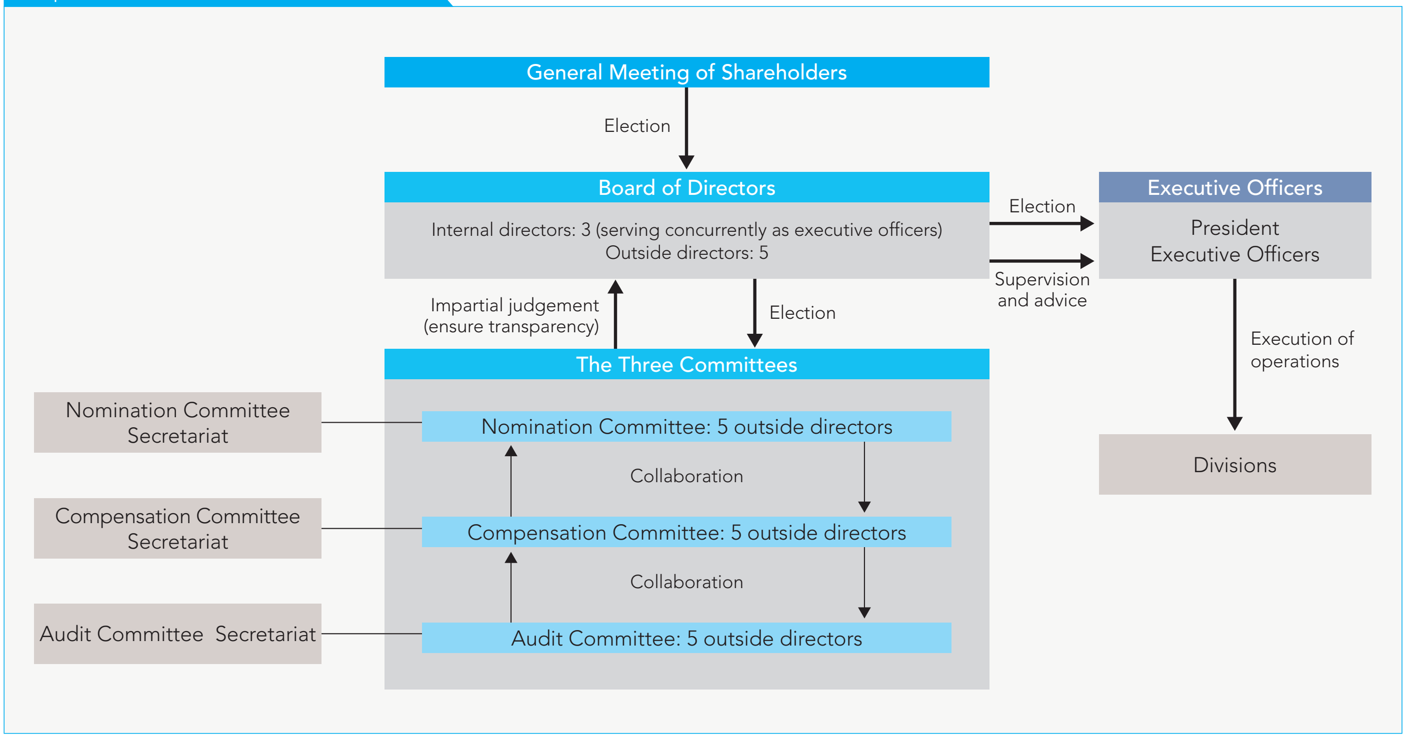
• Audit Committee

The Audit Committee formulates the audit policy and audit plans for each fiscal year, and receives the interim and final reports from the certified public accountants to verify the financial statements. In addition, it conducts hearings of the results of operational audits carried out by the Audit Department, verifying the soundness, lawfulness and efficiency of the Company's operations. All items of significant interest are reported to the Board of Directors, and action is taken as needed.

INTERNAL CONTROL SYSTEM

In addition to striving to further strengthen corporate governance, the Hoya Group also works toward the development of

Corporate Governance Structure



Transparent Governance

sound internal control systems with the objective of ensuring appropriate and efficient business management.

Each business division and facility develops and improves the control environment, evaluates and responds to risk, and verifies and improves control processes to ensure that the control systems that operate within each division and facility are the most appropriate for their operating environment.

The head of each business division has managerial authority and is responsible for improving business results. Each head is also obligated to seek to further improve internal control systems, with the objectives of maintaining compliance, the effectiveness and efficiency of work practices, the reliability of financial reporting and the integrity of management assets.

The Audit Department at Hoya Group Headquarters is responsible for the regular auditing and verification of administrative processes for each division and business office from an independent standpoint. It conducts operational audits, checks that internal control systems are functioning as they should, ensures that there is no dishonesty, and checks for areas for potential improvement. Problems that come to light as a result of audit procedures become the subject of a recommendation for improvement. Particularly important matters are reported to the Audit Committee and the Board of Directors, as well as to the executive officers. The executive officers decide upon and issue directives for speedy, appropriate responses.

• Hoya Business Conduct Guidelines

To achieve the best results from internal control systems, it is essential that all employees performing duties for an organization work to foster greater awareness. The Hoya Group has established a set of Business Conduct Guidelines that clarify the guiding principles under which each employee should perform his or her duties, with resolute adherence to professional ethics. The Group also conducts a wide range of employee education activities to foster awareness of regulations and rules.

• Hoya Help Line

In 2003 the Company implemented another initiative, the Hoya Help Line (HHL), as an internal reporting and consultative system for the Group. If there is an act that contravenes the law or the Hoya Business Conduct Guidelines, the Hoya Help Line is intended to enable early discovery of the contravention and quick reporting to top management, enabling timely and appropriate action to be taken on the issue. This structure helps to preserve the integrity of the Hoya Group as a whole. The Hoya Help Line is a dedicated system located within the Company's headquarters for internal use, and it can also be used as a point of contact with external legal counsel who is available to listen to employees. This separation preserves anonymity and works to maintain the system's functional effectiveness. As of the end of March 2009, the system had been introduced at Group companies in Japan, North America (the United States and Canada), Thailand and Europe. It is scheduled to be introduced in the Philippines in June 2009. The intention is to continue to expand the number of countries covered, giving the Hoya Help Line worldwide coverage.

• Internal Control Reporting System

Hoya has completed the creation of a system for visualizing the status of internal controls over financial reporting for the Group's key operating divisions. The Group has also created a framework for evaluation of these controls. In the fiscal year under review, the Group will begin conducting verifications of the effectiveness of internal controls. Items that do not conform or for which internal controls are found to be inappropriate or insufficient will be improved, and Hoya will continue its efforts to ensure the reliability of financial reporting.

Full Disclosure and Investor Relations Activities

Hoya considers fair and prompt disclosure of information and other investor relations activities to be a fundamental duty of management. The Company also values communication with shareholders, and it continues to clearly reflect their views in its management practices.

In 1998, Hoya began the disclosure of quarterly financial statements, ahead of many other Japanese firms. Since then the Company has sought to increase the timeliness and broaden the scope of disclosure by shortening the period between the account settlement at the end of each quarter and the disclosure, and ensuring that the volume of information in the quarterly reports is equivalent to that in the year-end financial reports.

Moreover, top management is actively involved in investor relations activities. For example, the CEO attends quarterly investor meetings to explain results and field questions for securities analysts and institutional investors.

Furthermore, to enrich interaction with individual shareholders and investors, Hoya has held seminars across Japan for individual investors since 2006. The seminars were well-attended by shareholders and investors in the fiscal year under review, offering a chance for the attendees to not only learn more about Hoya, but also renew their awareness of the Company as it changes, while providing the Company with valuable feedback. Going forward, Hoya will strive to further improve its investor relations activities, aiming to achieve even better dialogue with shareholders and investors.

Comment From an Outside Director

Takeo Shiina

Outside Director, Chairperson of the Nomination Committee
Executive Advisor, IBM Japan, Ltd.

In 1995, when I was appointed an outside director at Hoya, it was still rare in Japan for someone from outside a company to be offered a directorship. I was invited to become the only outside director among Hoya's eight directors at the time, no doubt in part because I already had experience as an outside corporate officer at a U.S. company. Roughly 14 years have passed since that time, and over that period Hoya has made dramatic progress in developing its corporate governance systems. I consider the Company's system to be highly reliable, and I am very glad to have had the opportunity to be part of Hoya's history as an outside director.

Today, five of Hoya's eight directors are outside directors, and under their supervision and oversight I believe the Company is conducting highly transparent and efficient management.

As outside directors, we recognize the importance of our role in overseeing the work of executive officers. Each year we hold discussions to define the duties of each officer, set goals, evaluate results, and determine compensation based on actual performance through the three committees of the "company-with-committees" system as defined under the Companies Act of Japan: the Nomination Committee, the Compensation Committee, and the Audit Committee. The role of an outside director is not, I believe, to ascertain the minute details of each business; rather, we draw on our rich experience as managers and knowledge of different fields to ask executives to explain their actions from a variety of perspectives and to offer our opinions, creating a strong Board of Directors and a highly transparent system of corporate governance.

Hoya is currently at a turning point. Its operations are growing and becoming increasingly global, while it expands its business domains through the merger with Pentax. As the chairperson of the Nomination Committee, I am making every effort to enhance the management team so that it can respond to the major changes in the Group's environment, while at the same time helping to develop the next generation of executives.

As outside directors, we pose difficult questions to management at Board of Directors' meetings, standing in the shareholders' shoes. I hope that our shareholders will also attend the General Meeting of Shareholders to ask questions about management, and participate as full stakeholders in Hoya.

Clear Corporate Social Responsibility

ENVIRONMENTAL ACTIVITIES

Environmental Management System

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. However, 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.

Examples of Activities Aimed at Reducing Environmental Impact and Risk

• Activities to Reduce Waste Disposal Volumes and Increase Waste Recycling

(1) Reducing effluent volumes

Hoya has reduced effluent volume at the facility in Hachioji, Tokyo by separating the water from the effluent using an evaporation process and further reducing the flow of the recovered water by introducing a volume reduction unit.

Collecting tank for waste fluid generated from lens cutting

(2) Recycling plastic chip waste

In a section of the Thailand plant, the discharge methods and disposal contractors used for waste, primarily plastic chip waste, were revised based on methods used in Japan, enabling the recycling of waste that previously had been disposed of as landfill as source of energy. In implementing these measures, the Company took particular care to comply with laws and regulations and avoid any secondary pollution impact from harmful substances. As a result, by the end of March 2009, the section of the Thailand plant had increased its recycling of discharged waste by about 74%, and reduced its waste discharge, including non-plastic waste, by approximately 27% compared to the previous year.

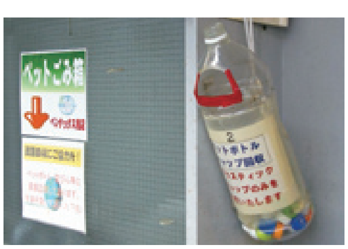
A Secondary battery recycling box

(3) Equipment for collecting intensively waste fluid generated from lens cutting

Hoya's facility in Koka, Shiga Prefecture switched their method of collecting waste fluid generated from the lens polishing process from drum cans to a collection tank. Eliminating the need to transport the drum cans also substantially reduced the risk of oil leakage.

(4) Recycling portable rechargeable batteries

As a member of the Japan Portable Rechargeable Battery Recycling Center (JBRC), a cooperative for recycling small rechargeable batteries, Hoya promotes battery recycling activities. The Company has installed a recycling box at the Itabashi facility in Tokyo to recycle batteries.



A PET bottle cap recycling box

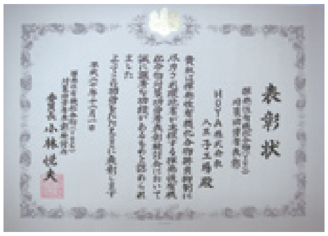
(5) Collecting PET bottle caps

Hoya collects PET bottle caps at the facilities as part of their environmental activities. The collected caps are sold to recyclers and the revenues put to use to send vaccines to children in developed countries through a nonprofit organization (NPO).

• Steps Taken to Reduce Use of Chemical Substances

Hoya has replaced the silica gel used in packaging certain products for transport to maintain quality with another desiccant. This decision was made in light of the EU's REACH regulations, which specify the cobalt chloride used in silica gel as a substance of very high concern.

The facility in Hachioji, Tokyo voluntarily reduced the amount of isopropyl alcohol used in their product washing process. Japan's Ministry of the Environment acknowledged these efforts to reduce VOCs (volatile organic substances) with a certificate of commendation.



Certificate of commendation for efforts to reduce VOCs

• Efforts to Reduce Environmental Impact of Operations on Surrounding Areas

(1) Measures to reduce leakage

Previously, there was a risk that the hydrofluoric acid effluent used in production processes at the facility in Akiruno, Tokyo could leak under unusual conditions due to the small capacity of the collection tank. In response, Hoya increased its emergency preparedness by installing an additional, larger tank to ensure that accidental leakage could be prevented even in extraordinary circumstances.

Tank for collecting hydrofluoric acid waste fluid

(2) Measures for tanks and distribution lines

To prevent the risk of leakage, Hoya has been proceeding with checking tanks and distribution lines throughout its operations. In addition, the Company is replacing buried distribution lines with aboveground lines.

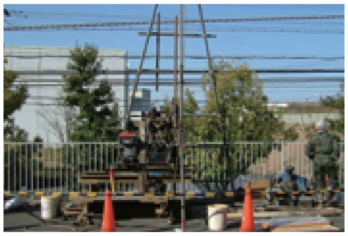
(3) Steps to improve and restore soil quality

Because the facility in Koka, Shiga Prefecture uses harmful substances, such as hydrofluoric acid, the Company has elected to conduct voluntary checks for soil contamination. Soil tests are now run on all ground other than under buildings. Results are analyzed to ensure that each indicator falls within allowed standards.

(4) Establishing inspection wells

As a result of the enforcement in August 2008 of a revised pollution prevention bylaw in Shiga Prefecture, Hoya is now required to test and report on the quality of the ground water at all facilities in that prefecture that handle harmful substances.

Consequently, to enable us to obtain and measure samples of ground water, the Company built an inspection well at its Koka facility. Going forward, tests will be conducted annually, and the results reported to the prefectural governor.



Inspection well for the collection and testing of groundwater

• Measures to Handle Asbestos Building Materials

Measures to handle asbestos building materials are one of the Group's priorities. All sprayed asbestos had been either removed or effectively contained by March 2008. Non-sprayed asbestos building materials are also being gradually removed. At some facilities, the Company removed asbestos building materials used in the insulation material in roofs. When removing these materials, great care is taken to address safety and health considerations, with producing and utilizing asbestos removal checklists.

Introduction of Environmental Management Systems (ISO 14001 Certification)

Since October 1996, 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, 2009) were certified under ISO 14001 standards.

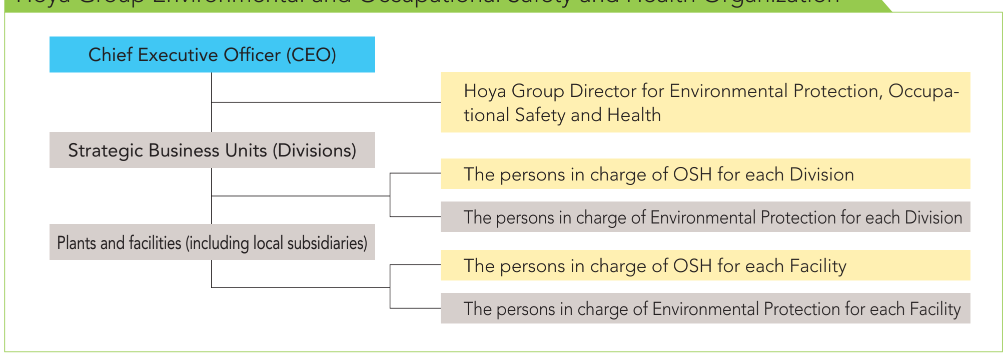
Clear Corporate Social Responsibility

OCCUPATIONAL SAFETY AND HEALTH INITIATIVES

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 continued its OSH activities at its domestic facilities and began them at its overseas plants and facilities. The Hoya Group Environmental Protection and Occupational Safety and Health management system was set up to ensure the smooth and effective implementation of these activities.

Hoya Group Environmental and Occupational Safety and Health Organization



Training on introduction of machinery safety standards

An OSH audit underway

Hands-on safety training at an OSH Asia Meeting

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, 2009, nine facilities in Japan and 29 facilities in 17 countries overseas have been certified under OHSAS 18001, a process that began in March 2002.

• 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 right from the design stage.

• Implementing OSH (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 of the Hoya Group Environmental Protection and OSH.

• Promoting OSH Activities by Global Staff

In order to promote sharing of information, education, and communication, Hoya periodically holds OSH staff meetings.

In June 2008, Hoya held the 3rd OSH Asia Meeting in Tokyo. About 50 participants attended the meeting, from 23 facilities in Japan and overseas. During the meeting, which ran for three days, participants reaffirmed Hoya's safety policies, studied assessment methods for chemical substances, visited a local production base, and attended hands-on safety training seminars taught by outside educational institutions.

For the future, through cooperation with subsidiaries in Asia, Europe, North America, and other regions, Hoya is planning to further strengthen its OSH management system and to enhance the performance of occupational safety and health.

Health Promotion Activities

• Mental Health Measures

With the help of industrial doctors, Hoya has implemented measures to raise mental health awareness through mental health courses for managers and supervisors and for regular employees. 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 industrial doctors.

• Measures to Prevent Excessive Work

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

• Special Health Checkups and Healthcare Instruction

Since 2002, Hoya has run a lifestyle habits improvement program for employees designed to prevent metabolic syndrome. In the fiscal year under review, the Company held special health educational seminars and lifestyle habits improvement programs to prevent metabolic syndrome for approximately 360 employees.

• Healthcare Management for Employees Assigned Overseas

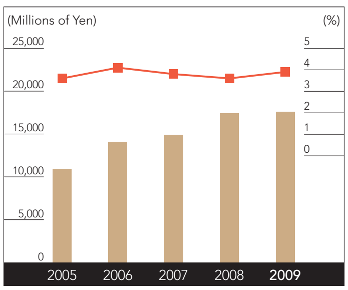
To provide healthcare management for employees assigned overseas, industrial doctors meet with employees and their families before they leave Japan to provide hygiene education and discuss health care while they are overseas. In addition, industrial doctors pay periodic visits to facilities and to discuss health care and other issues as necessary with employees located overseas.

• Measures for New Influenza Strain

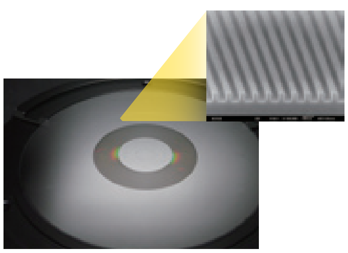
Since April 2009, Hoya implemented measures to deal with the epidemic of the new strain of influenza that spread to the world. Based on its existing manual for infectious diseases crises and led by the Influenza Infection Crisis Management Team, Hoya has responded to the raising of the WHO alert level by implementing general anti-infection measures (such as hand-washing, gargling, and use of alcohol disinfectants), measures to limit the travel by employees and their families, and to establish business continuity planning (BCP).

Forward Looking Research & Development

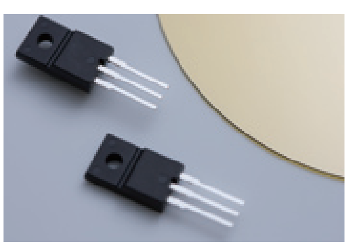
R&D EXPENSES



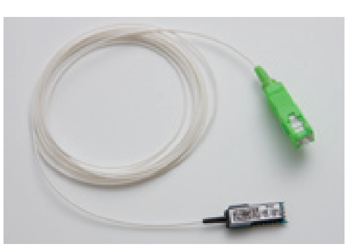
■ R&D Expenses (left)
— Ratio of R&D expenses to sales (right)



Quartz nanoimprint mold for DTR media



3C-SiC wafers and devices



Connectors for optical communications

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. The R&D Center conducts various R&D with an eye on the future. It conducts R&D in new business fields, develops technologies and products that enhance the competitiveness of existing businesses, and supports development on technology themes common to more than one business division.

In March 2008, Hoya merged with Pentax, in the process adding a new business domain: Pentax's precision devices, such as medical-use endoscopes and digital cameras, which the company has built up over the years. In addition to Hoya's traditional electro-optics, the Group is investing substantial management resources in the promising medical and health-care field, aiming to use its advanced technological capabilities to achieve sustained growth into the future. Here we present some of the R&D themes that Hoya is currently pursuing.

Nanoimprint Technology: Verifying Molds for Next-Generation HDDs

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 for next-generation hard disk drives (HDDs). Eyeing 2010 as the date for practical application of DTR media, HDD manufacturers are working on commercializing products, with high hopes for using Hoya's microfabrication technologies to achieve a track pitch of 50 nanometers.

3C-SiC: Success with Prototype Devices

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. The Company is aiming for practical application in 2010.

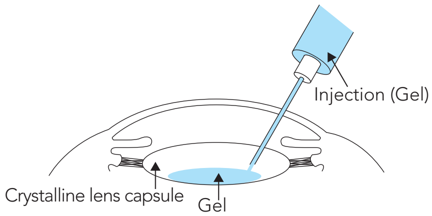
Connectors for Optical Communications: Completion of Ultra-Small FTTH Components

As the FTTH (Fiber to the Home) environment widens around the world, Hoya is working to develop a GE-PON/G-PON*[1]-compliant module for converting optical signals to electrical ones at optical communication access points. GE-PON/G-PON is the next-generation standard for high-speed optical communications, and is expected to become common from 2010 and beyond. By building a functional device on top of a wafer, Hoya is aiming to create products that are significantly smaller than existing products.

*[1] GE-PON/G-PON (Gigabyte Passive Optical Network): A technology that enables high-speed transmission of 1 gigabyte per second over fiber optic lines and networks.

Artificial Crystalline Lens Material: Recognition from the Japan Opthalmological Society

In the field of ophthalmology, Hoya is conducting R&D of artificial materials for use inside crystalline lens capsules. Animal trials are already underway, and are yielding extremely positive results. This material offers the potential for vision correction, and in the future may have medical applications that rival that of intraocular lenses.

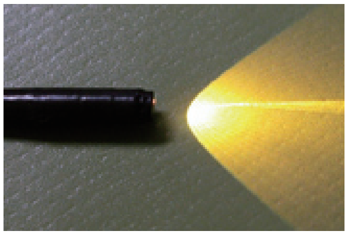


Artificial Crystalline Lens Material

Scanning Fiber Endoscope (SFE): Completion of Ultra-Small Diameter Endoscope Prototype

SFE is a new type of imaging device developed jointly by the University of Washington and Pentax. An ultra-small diameter prototype endoscope created using this technology is currently under testing. SFE produces high-definition images that are equal to or better than those provided by charge-coupled devices used in current endoscopes, while achieving a high frame rate.*[2] Using a narrow-band laser light source and image processing, the Company is working to improve the ability to distinguish between normal areas and tumors, and in combination with various optical technologies, it is aiming for application in applied products with new functionality.

*[2] Frame rate is a standard measure of frequency per time unit that an image is refreshed. Higher frame rates generate smoother images.



Head of an ultra-small diameter prototype SFE

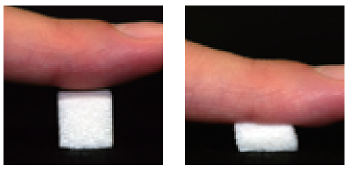
Ultrasonic Bronchoscope: Commercialization in October 2008

Much like an electronic endoscope, bronchoscopes are equipped with a color CCD on one end, allowing the medical professional to view the image on the screen as the device is inserted into the bronchial area. The convex array transducer enables ultrasound imaging from the tracheal mucous membrane. In October 2008, Hoya launched sales of the world's first ultrasonic bronchoscope, EB-1970UK, for the European market. This product enables physicians to view a precise optical image of the target area and then use the ultrasound image to confirm the affected area while making punctures. This new technology is expected to be effective in the diagnosis and treatment of chest diseases such as lung cancer.

The EB-1970UK ultrasonic bronchoscope

Biocompatible Organic/Inorganic Composite Bone Prostheses: Proven Effective in Clinical Trials

When implanted in the human body, biocompatible organic/inorganic composite bone prostheses are absorbed through the same mechanism as normal bone metabolism to form new bone tissue because they have the same structure as natural human bone. These bone prostheses are garnering attention as a bone regeneration "scaffolding material" that is approaching practical application in regenerative medicine. The prostheses show promise in applications that unite them with stem cells and bone morphogenetic protein technologies.



The resilience of biocompatible organic/inorganic composite bone prostheses

Forward Looking Research & Development

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. The 2008 merger with Pentax augmented the Group's intellectual property, and we intend to meld the existing intellectual property of the two corporations to create unprecedented value. From the perspective of patent portfolio management, the Company will work to enhance its intellectual property rights in growth areas such as medical care and healthcare going forward.

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 at 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. Hoya also respects patents held by others, affording them appropriate value and avoiding infringement, as part of its efforts to streamline its patent management.

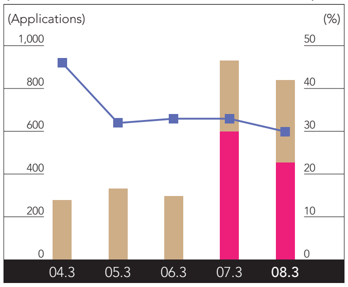
Utilization of Third-Party Patents and Technologies

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. Hoya's global headquarters are under the management of the chief intellectual property officer and are 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 CEO. 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.

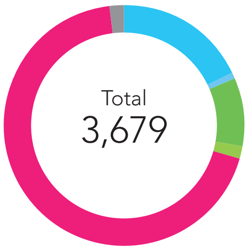
GLOBAL APPLICATIONS (BY YEAR OF APPLICATION)



Applications filed by previous Hoya Corporation (left)
Pentax applications filed (left)
Global Applications (right)

Forward Looking Research & Development

REGISTERED PATENTS AND UTILITY MODELS
(As of March 31, 2009)



Electro-Optics Division	661
Photonics Division	26
Vision Care Division	339
Health Care Division	59
Pentax	2,523
New-Business Related	70
Other	1

Status of Intellectual Property

Number of Registered Patents and All Patent Applications Filed

During the year under review, Hoya registered 3,679 patents and utility models in Japan. The main businesses of the electro-optics and vision care divisions accounted for 27% of these, while Pentax's cameras and medical-related devices accounted for 51%. Of the Company's patent applications, approximately 30% were lodged outside Japan during the year under review. Moreover, 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 61.6% for the fiscal period ended March 31, 2008, the most recent year for which data available.

Financial and Corporate Data

Eleven-Year Summary of Consolidated Financial Data

(Fiscal Years Ended March 31)

		1999	2000	2001	2002
Net sales (Millions of yen)	Hoya	201,290	201,110	236,802	235,265
	Pentax	*128,080*	*113,554*	*103,526*	*105,165*
Operating income (Millions of yen)	Hoya	31,726	34,688	45,128	43,898
	Pentax	*9,897*	*736*	*(512)*	*1,481*
Ordinary income (Millions of yen)	Hoya	33,612	35,484	48,184	45,774
	Pentax	*8,316*	*(3,203)*	*(626)*	*682*
Net income (Millions of yen)	Hoya	17,837	20,716	21,860	23,741
	Pentax	*6,410*	*(12,144)*	*(1,241)*	*(5,034)*
Return on assets (ROA) (%)		7.8	8.9	8.6	8.7
Return on owners' equity (ROE) (%)		11.6	12.4	11.8	11.5
Owners' equity ratio (%)		71.7	73.2	73.0	78.8
Inventory turnover (Months)		3.2	3.3	3.1	3.2
Capital expenditures (Millions of yen)		13,654	17,770	39,673	19,585
Depreciation, amortization and other (Millions of yen)*1		18,234	16,051	32,138	20,105
Research and development expenses (Billions of yen)		7.8	7.7	7.3	7.3
Per share data (after adjustment for stock split) (Yen) *2					
Net income		37.77	44.06	46.65	50.78
Cash dividends		7.50	8.75	12.50	12.50
Cash flow*3		77.65	79.15	116.24	88.31
Owners' equity*4		340.56	376.55	420.11	471.55
Price earnings ratio (PER) (Times)		44.5	55.0	43.7	44.5
Price cash flow ratio (PCFR) (Times)		21.6	30.6	17.6	25.6
Price book value ratio (PBR) (Times)		4.9	6.4	4.9	4.8
Stock price at year-end (Yen) (after adjustment for stock split)		1,680	2,425	2,040	2,260
Employees		9,414	10,651	12,966	13,311

Notes: 1. Effective April 1, 2002, the Company adopted "Accounting Standard for Earnings per Share" (Statement No. 2 issued by the Accounting Standards Board of Japan on September 25, 2002) and "Guidance on Accounting Standard for Earnings per Share" (Guidance No. 4 issued by the Accounting Standards Board of Japan on September 25, 2002). Net income per share and related data prior to that date are also calculated according to the standard for purposes of comparison.

2. On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of equity, which is effective from the fiscal year ended March 31, 2007. Under this accounting standard, certain items which were previously presented as liabilities or assets are now presented as components of equity. Such items include stock subscription rights, minority interests and any deferred gain on derivative instruments. The Company now uses "Owners' equity" to replace the former "Shareholders' equity," which excludes such items as stock subscription rights and minority interests from Total equity.

3. Owing to the inclusion in the scope of consolidation of Pentax Corporation and its subsidiaries on August 14, 2007, consolidated operating results for the fiscal year ended March 31, 2008, include the operating results of Pentax Corporation and its subsidiaries for the second half of the fiscal year (from October 1, 2007, to March 31, 2008). For reference, only the most important components of operating results during previous fiscal periods (through the first half of the fiscal year ended March 31, 2008) are shown individually for Pentax Corporation and its subsidiaries. Pentax Corporation was merged by absorption into Hoya Corporation on March 31, 2008.

2003	2004	2005	2006	2007	2008		2009
					First Half	Fiscal Year	
246,293	271,444	308,172	344,228	390,093		481,631	454,195
108,189	*134,493*	*133,558*	*142,211*	*157,344*	*85,689*	—	—
52,983	68,167	84,920	101,096	107,213		95,074	59,095
3,970	*6,937*	*3,586*	*2,985*	*5,653*	*3,337*	—	—
50,874	66,554	89,525	103,638	102,909		100,175	71,081
3,639	*5,375*	*3,396*	*3,260*	*5,067*	*2,820*	—	—
20,038	39,549	64,135	75,620	83,391		81,725	25,110
687	*3,089*	*3,526*	*805*	*3,570*	*586*	—	—
7.3	14.0	20.0	21.2	20.6		14.4	3.9
9.0	17.8	25.8	27.1	25.9		21.6	6.9
81.7	75.5	79.1	77.3	81.6		56.7	56.7
2.9	2.8	2.7	2.7	2.8		3.0	3.5
15,948	30,659	40,175	48,786	54,432		39,465	34,839
19,792	25,328	22,520	27,485	36,427		45,457	80,490
8.7	9.8	10.9	14.1	14.9		17.4	17.6
42.77	87.74	144.71	171.71	193.50		189.01	58.01
12.50	25.00	37.50	60.00	65.00		65.00	65.00
82.72	174.91	171.65	240.57	229.23		277.09	210.17
486.29	491.90	623.59	648.87	845.98		903.49	774.65
41.8	28.9	20.4	27.7	20.2		12.4	33.3
21.6	14.5	17.2	19.7	17.1		8.4	9.2
3.7	5.2	4.7	7.3	4.6		2.6	2.5
1,787	2,537	2,950	4,750	3,910		2,340	1,930
14,023	18,092	21,234	25,176	28,450		35,545	34,592

*1 Depreciation, amortization and other: Includes the loss on impairment of long-lived assets and amortization of goodwill.
*2 Per share data: Per share data has been retroactively adjusted to reflect a four-for-one split of common shares implemented on November 15, 2005.
*3 Cash flow per share: From fiscal 2002 and after, figures for cash flow per share are shown as cash flow from operating activities divided by the average number of issued shares for the fiscal period. Figures prior to 2002 are calculated using simple cash flow calculated by adding depreciation and other factors to net income.
*4 The figures presented for "owners' equity per share" for fiscal 2006 and earlier correspond to the figures previously presented as "shareholders' equity per share."

Hoya Group and Scope of Consolidation

The Hoya Group (the "Group") consists of Hoya Corporation (the "Company"), 102 consolidated subsidiaries (6 in Japan and 96 overseas) and 10 affiliates (5 in Japan and 5 overseas). Of the affiliates, 4 (2 in Japan and 2 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 countries or regions of its operations, as well as supporting business promotion activities. Hoya's branch in the Netherlands is the financial headquarters for the Group.

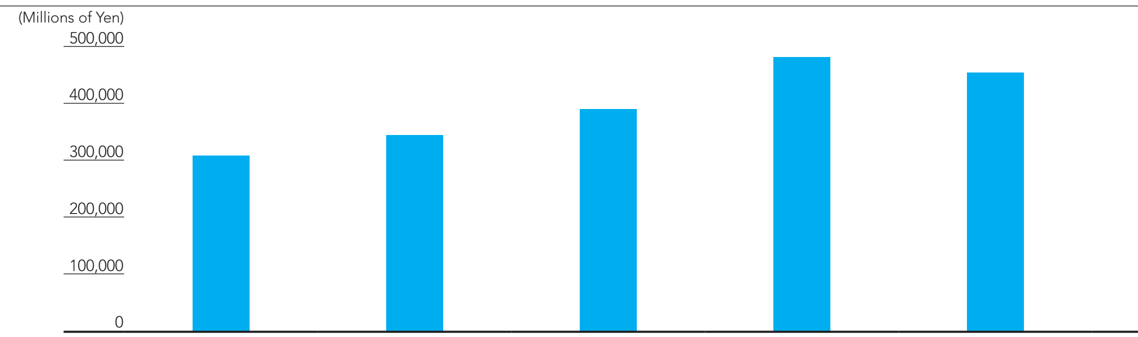
Business Integration with Pentax

In the first half of the previous fiscal year (fiscal year ended March 31, 2008), Hoya made a tender offer for the shares of Pentax Corporation, and as a result became the owner of a majority of Pentax's shares, thereby bringing the company and its subsidiaries (hereafter "Pentax" collectively) under the scope of consolidation from August 14, 2007. The income statement of Pentax was consolidated into Hoya's income statement from the second half of the previous fiscal year (the six-month period from October 1, 2007 to March 31, 2008). Subsequently, Hoya merged with Pentax on March 31, 2008.

Net Sales

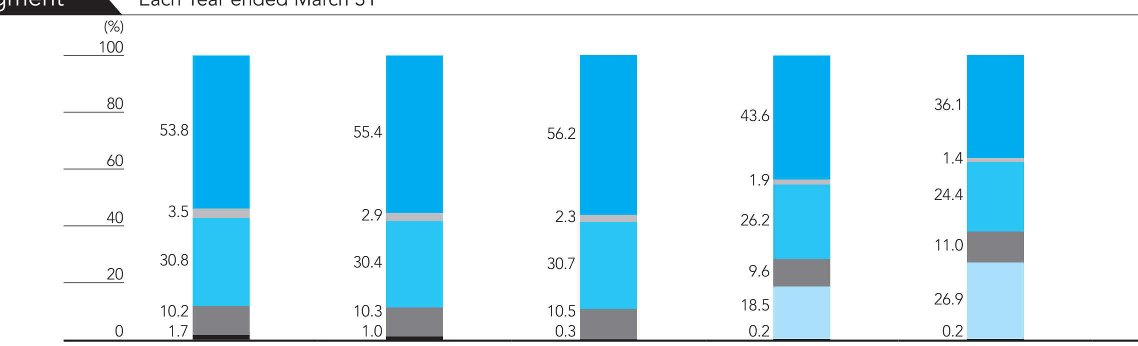
Consolidated net sales for the fiscal year ended March 31, 2009, amounted to ¥454,195 million, declining 5.7% year on year. By principal business segment, net sales in the Electro-Optics Division of the

Net Sales Each Year ended March 31



(Millions of Yen)	2005	2006	2007	2008	2009
Net Sales	308,172	344,228	390,093	481,631	454,195

Sales by Business Segment Each Year ended March 31



(Millions of Yen)	2005	2006	2007	2008	2009
Electro-Optics	165,664	190,552	219,252	209,883	163,902
Photonics	10,749	10,093	9,093	9,090	6,367
Vision Care	94,971	104,457	119,808	126,338	110,725
Health Care	31,409	35,484	40,850	46,177	49,968
Pentax	—	—	—	89,032	122,190
Other Businesses	5,379	3,642	1,090	1,111	1,043

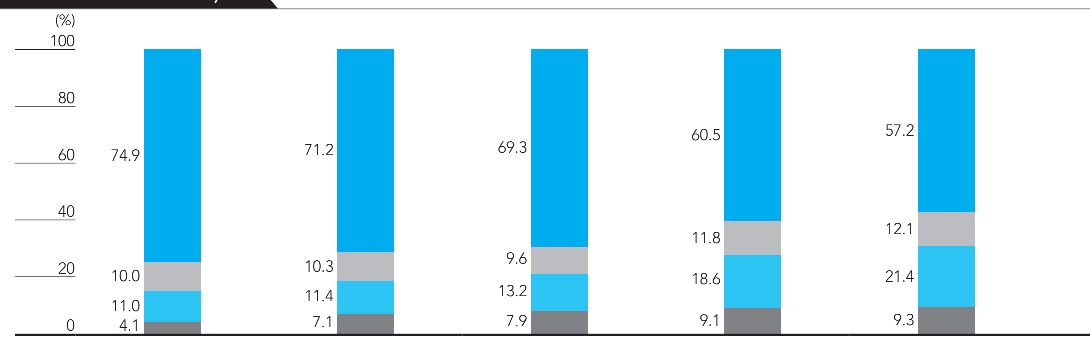
Information Technology business declined 21.9% year on year. Within the Eye Care business, net sales in the Vision Care Division were down 12.4% year on year, while in the Health Care Division net sales rose 8.2% year on year. For the Pentax divisions, net sales dropped 30.1%, compared with the previous fiscal year, including first-half results prior to consolidation.

By customer region, net sales to customers in Japan decreased 9.6%, to ¥170,363 million, while net sales to overseas customers declined 3.2%, to ¥283,832 million. As a result, the composition of net sales was 37.5% domestic and 62.5% 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 11.6% against the U.S. dollar, to ¥100.66, 11.7% against the euro, to ¥143.28, and 19.5% against the Thai baht, to ¥2.94 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 ¥30,100 million and net income by ¥8,143 million.

Sales by Region (Based on the office location)

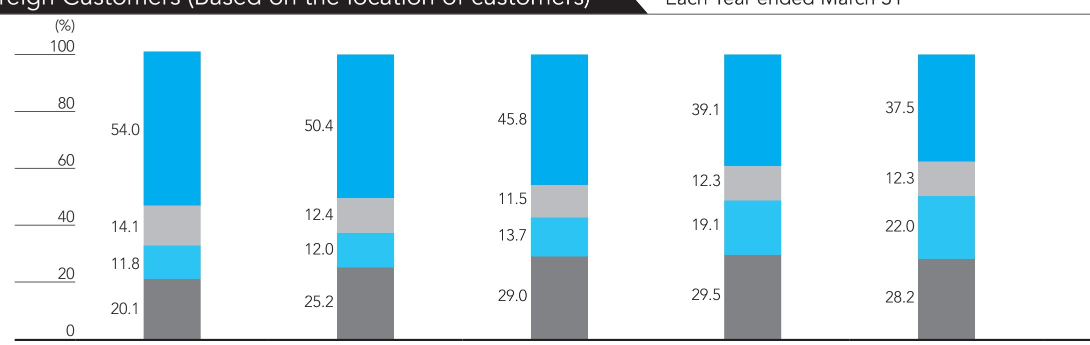
Each Year ended March 31



(Millions of Yen)	2005	2006	2007	2008	2009
Japan	230,946	244,998	270,373	291,566	259,631
North America	30,775	35,471	37,456	56,680	55,028
Europe	33,803	39,232	51,336	89,420	97,144
Asia	12,648	24,527	30,928	43,965	42,392

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

Each Year ended March 31



(Millions of Yen)	2005	2006	2007	2008	2009
Japan	166,414	173,506	178,547	188,520	170,363
North America	43,520	42,673	44,954	59,294	55,915
Europe	36,430	41,201	53,524	92,116	99,800
Asia and other	61,808	86,848	113,068	141,701	128,117

Net Income

The cost of sales ratio rose in the fiscal year under review as sales prices declined, resulting in the gross profit margin falling 3.6 percentage points, from 45.4% in the previous fiscal year, to 41.8%. Selling, general and administrative expenses rose 5.8% to ¥130,811 million, with the ratio of SG&A expenses to net sales rising 3.1 percentage points, from 25.7% to 28.8%. As a result, operating income fell 37.8%, to ¥59,095 million, and the operating margin fell 6.7 percentage points, to 13.0%.

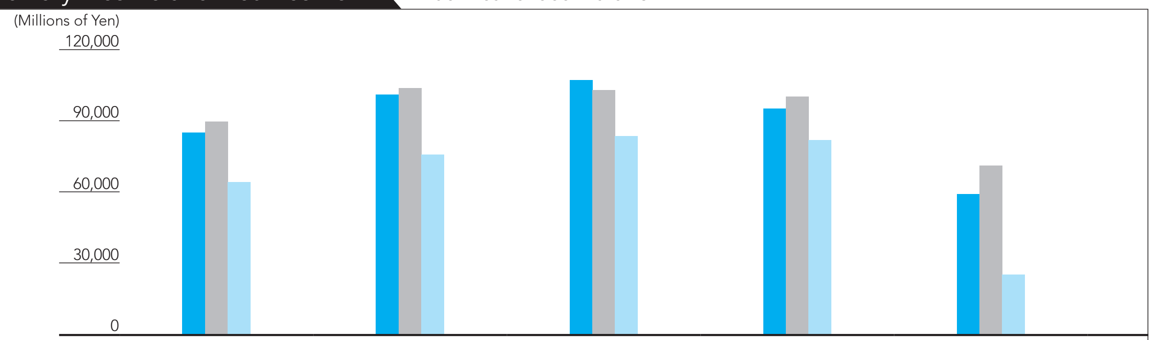
Major factors behind this decrease included lower profitability due to lower sales from major divisions. In addition, the Pentax digital camera business recorded an operating loss due to lower product prices caused by a sudden and sharp drop in market demand and escalating competition, resulting in operating costs that could not be absorbed and the amortization of goodwill associated with the management integration.

Ordinary income fell 29.0% year on year, to ¥71,081 million, due in part to a loss on equity-method investment of ¥315 million with regard to AvanStrate Inc. (formerly NH Techno Glass Corporation) as a result of sluggish demand in the LCD panel industry. This was despite foreign exchange gains of ¥7,152 million, despite the strong yen, thanks to Hoya's efforts to efficiently manage funds globally through multiple foreign-currency denominations.

Net income was 69.3% lower year on year, at ¥25,110 million. Positive contributing factors were a ¥9,705 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. On the other hand, Hoya recorded a ¥30,459 million asset impairment loss in each of the Pentax divisions and others, a ¥6,743 million charge for additional retirement benefits paid to employees in connection with business restructuring,

Operating Income, Ordinary Income and Net Income

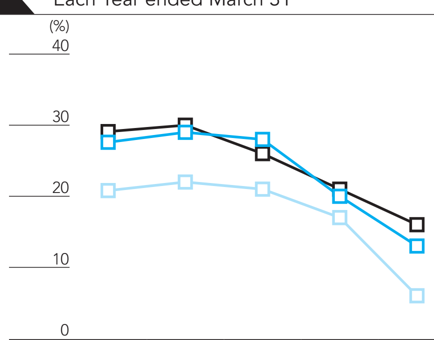
Each Year ended March 31



(Millions of Yen)	2005	2006	2007	2008	2009
Operating Income	84,920	101,096	107,213	95,074	59,095
Ordinary Income	89,525	103,638	102,909	100,175	71,081
Net Income	64,135	75,620	83,391	81,725	25,110

Profit Ratios

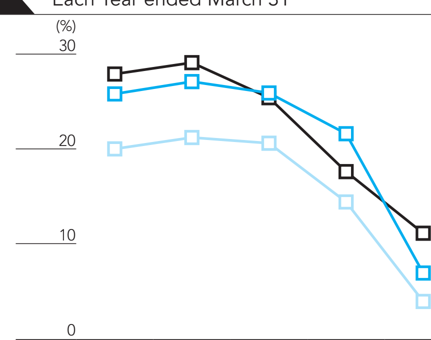
Each Year ended March 31



(%)	2005	2006	2007	2008	2009
Operating margin	27.6	29.4	27.5	19.7	13.0
Ordinary income ratio	29.1	30.1	26.4	20.8	15.6
Return on sales	20.8	22.0	21.4	17.0	5.5

Profitability

Each Year ended March 31



(%)	2005	2006	2007	2008	2009
ROE	25.8	27.1	25.9	21.6	6.9
Ordinary income/ total assets	27.9	29.1	25.4	17.6	11.1
ROA	20.0	21.2	20.6	14.4	3.9

and a total of ¥2,328 million for the write-down of investment securities due to share price declines.

Return on assets (ROA) was 3.9%, and return on owners' equity (ROE) was 6.9%.

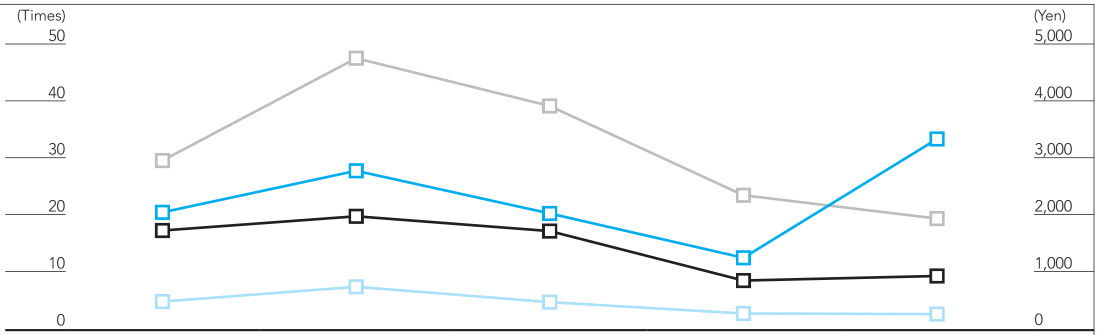
Dividends

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.

Although business conditions in the fiscal year under review were severe, 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.

Stock Price Data

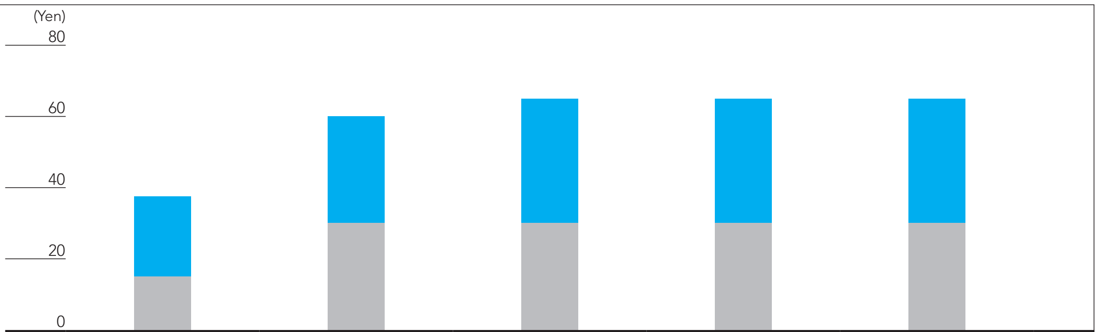
Each Year ended March 31



(Times)	2005	2006	2007	2008	2009
Price earnings ratio	20.4	27.7	20.2	12.4	33.3
Price cash flow ratio	17.2	19.7	17.1	8.4	9.2
Price book value ratio	4.7	7.3	4.6	2.6	2.5
Stock price at fiscal year-end (after adjustment for stock split) (Yen)	2,950	4,750	3,910	2,340	1,930

Dividend per Share

Each Year ended March 31



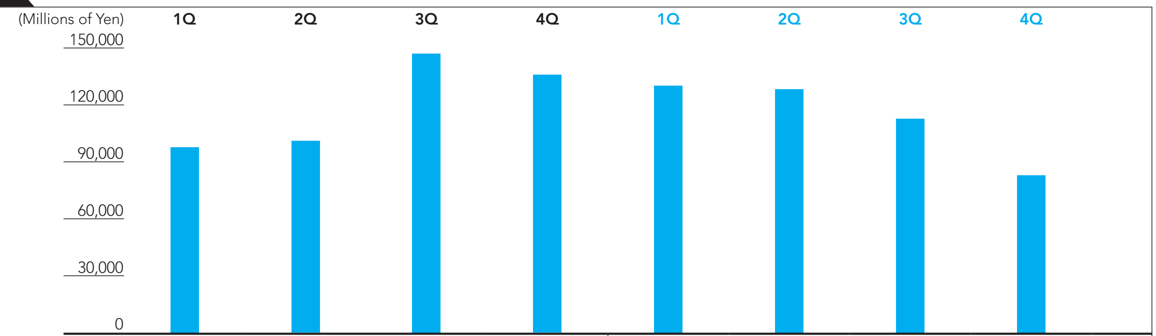
(Yen)	2005	2006	2007	2008	2009
Period-end dividend	22.50	30.00	35.00	35.00	35.00
Interim dividend	15.00	30.00	30.00	30.00	30.00
Total dividend	37.50	60.00	65.00	65.00	65.00

Note: Dividends per share for the fiscal year ended March 31, 2006 and earlier have been retroactively adjusted to reflect a four-for-one split of common shares implemented on November 15, 2005.

Quarterly Financial Data

Quarterly Net Sales

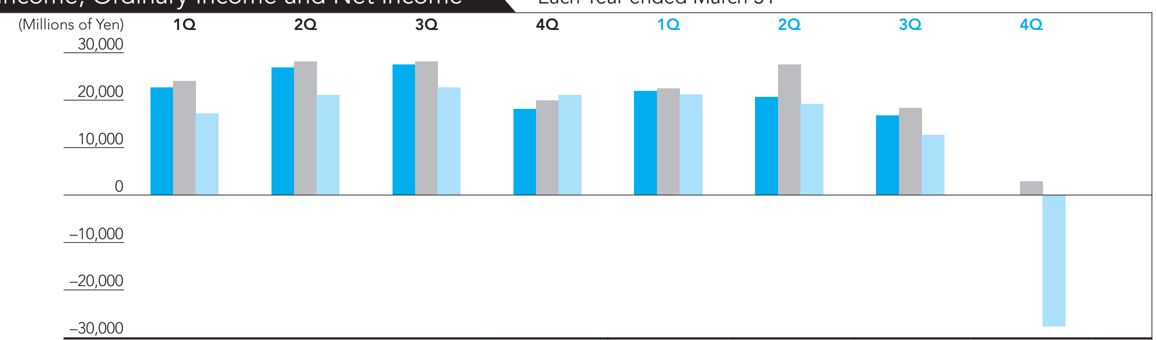
Each Year ended March 31



(Millions of Yen)	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q
Net Sales	97,779	100,980	147,055	135,816	130,157	128,372	112,741	82,925

Quarterly Operating Income, Ordinary Income and Net Income

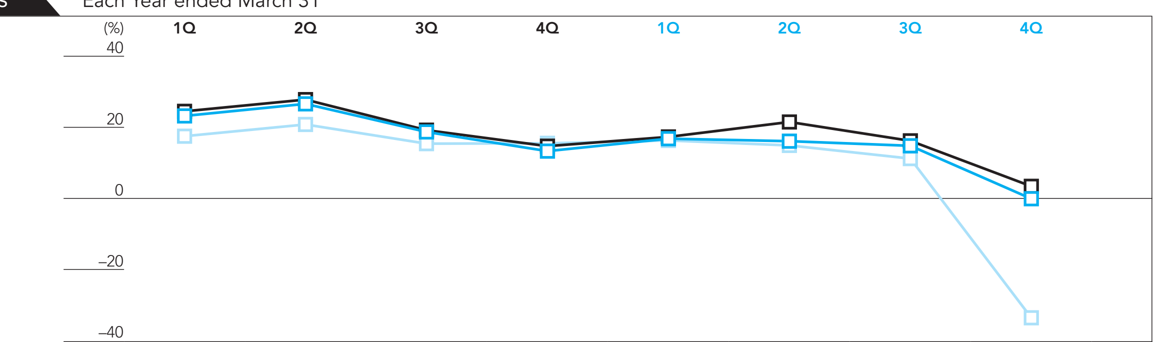
Each Year ended March 31



(Millions of Yen)	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q
Operating Income	22,640	26,850	27,525	18,059	21,858	20,611	16,687	–61
Ordinary Income	23,976	28,120	28,171	19,908	22,473	27,511	18,277	2,820
Net Income	17,097	21,021	22,603	21,004	21,198	19,136	12,610	–27,834

Quarterly Profit Ratios

Each Year ended March 31



(%)	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q
Operating margin	23.2	26.6	18.7	13.3	16.8	16.1	14.8	–0.1
Ordinary income ratio	24.5	27.8	19.2	14.7	17.3	21.5	16.2	3.4
Return on sales	17.5	20.8	15.4	15.5	16.3	14.9	11.2	–33.6

Segment Information

Details of each segment and growth rate and profitability by business segment are as follows.

Business Categories for the Year Ended March 31, 2009

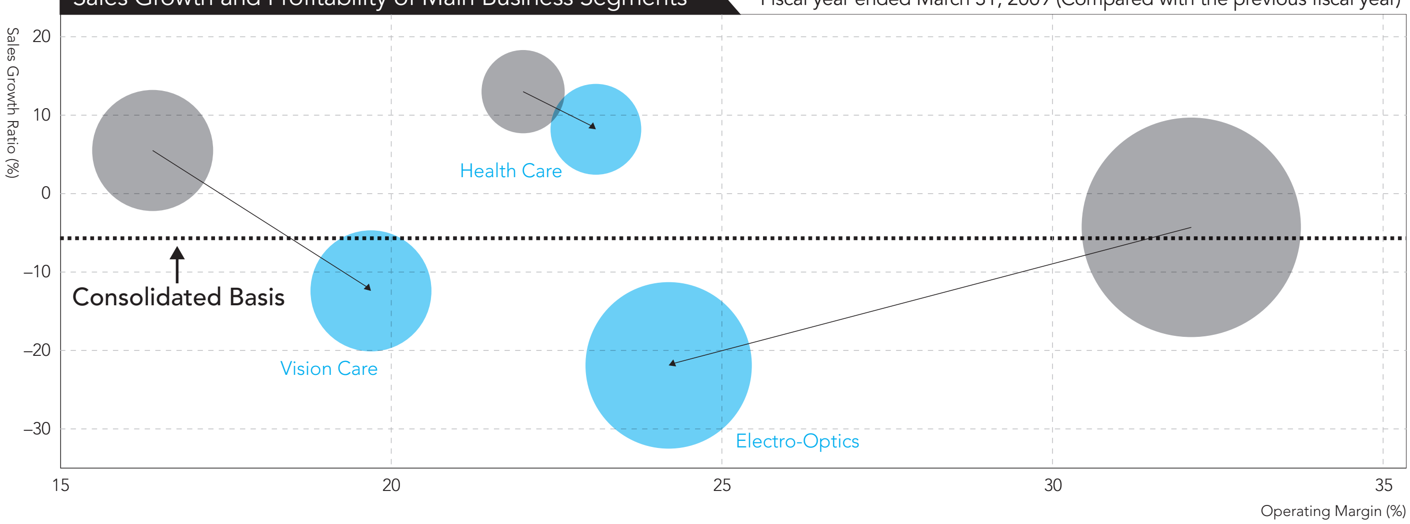
Business Category	Division	Products and Services
Information Technology	Electro-Optics	Photomasks and mask blanks for semiconductors, masks and devices for liquid-crystal displays (LCDs), glass disks for hard disk drives (HDDs), optical lenses, optical glasses, electronic glasses, optical communication products, etc.
	Photonics	Laser equipment, light sources for electronics industry, special optical glasses
Eye Care	Vision Care	Eyeglass lenses, eyeglass frames
	Health Care	Contact lenses and accessories, intraocular lenses
Pentax		Endoscopes, medical accessories, bone prosthesis, CHT Ceramic Hydroxyapatite, digital cameras, interchangeable lenses, digital camera accessories and modules, micro lenses, CCTV lenses
Others		Crystal glass products; design of information systems, outsourcing, etc.

Sales and Operating Income by Segment

The Year Ended March 31, 2009	Information Technology		Eye Care		Pentax	Others			
(Millions of Yen)	Electro-Optics	Photonics	Vision Care	Health Care			Total	Eliminations or Corporate	Consolidated
Sales to customers	163,902	6,367	110,725	49,968	122,190	1,043	454,195	—	454,195
Intersegment sales	274	583	11	—	13	4,073	4,954	(4,954)	—
Total sales	164,176	6,950	110,736	49,968	122,203	5,116	459,149	(4,954)	454,195
Operating income (loss)	39,712	297	21,807	11,544	(11,572)	235	62,023	(2,928)	59,095

Sales Growth and Profitability of Main Business Segments

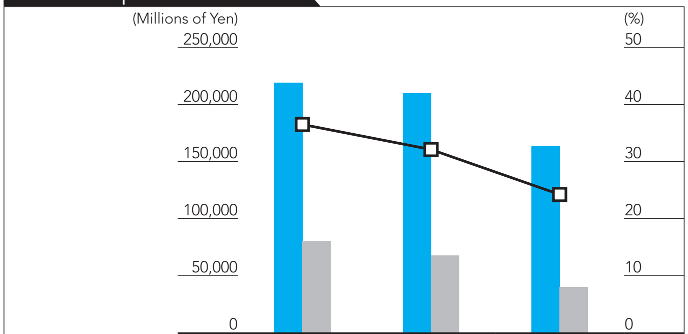
Fiscal year ended March 31, 2009 (Compared with the previous fiscal year)



Notes:
1: The size of the circle represents the amount of operating income. Grey circles represent the previous fiscal year; blue circles represent the fiscal year under review.
2: Pentax has been omitted from this visual representation.

Information Technology (Electro-Optics Division)

Electro-Optics Division　Each Year ended March 31



(Millions of Yen)	2007	2008	2009
■ Net sales	219,252	209,883	163,902
■ Operating income	80,085	67,464	39,712
□ Operating margin (%) Note	36.5	32.1	24.2
Assets	258,746	210,007	186,864
Depreciation	27,449	27,653	27,430
Capital expenditures	39,899	24,431	20,242

In the Electro-Optics Division, net sales decreased 21.9%, to ¥163,902 million. In mask blanks for semiconductor production, sales fell amid worsening business conditions in the semiconductor industry caused by the economic slump, with demand dropping precipitously as companies reduced development budgets and curbed capital expenditures. In photomasks for semiconductors, although Hoya worked to provide high-quality, state-of-the-art mask products, sales fell year on year on account of deteriorating market conditions in the fourth quarter. Downward price pressure on large-sized photomasks for LCDs remained intense. In the first half of the year panel manufacturers, Hoya's customers, relaxed their focus on volume production from the previous year and introduced new products and products for development, resulting in firm sales. From the second half of the year, however, demand contracted suddenly as a result of increases in panel inventories, and sales fell year on year accordingly. Sales of glass memory disks for HDDs were affected significantly by the strong yen and lower prices due to falling prices for HDDs, and in the fourth quarter major inventory adjustments were seen in the market, leading to a decline in sales. Sales of optical lenses also fell, as a worldwide drop in demand for digital cameras during the second half of the fiscal year caused a significant fall in orders for compact digital camera lenses and lower market prices.

Segment operating income fell 41.1%, to ¥39,712 million. The principal factors behind this decrease were a decline in orders amid a rising sense that the world economy was slowing, coupled with the impact of the strong yen and ongoing price declines.

Capital expenditures in this division came to ¥20,242 million, down 17.2% from the preceding term. These expenditures went toward up-front production-related investment involving next-generation semiconductor-related miniaturization projects and investment in boosting production of the Company's HDD glass disk plant in Vietnam.

Information Technology (Photonics Division)

The Photonics Division manufactures and sells defect correction equipment and laser oscillators used in highly precise processing, which are used by manufacturers of semiconductors, LCD panels, and optical devices for producing flat panels and semiconductors. It also manufactures and sells UV light source devices used to cure UV resins in the bonding of optical parts, such as optical pickups and camera modules. In addition, the division provides a wide range of specialty glasses, including color filters for optical devices and electronic glass for medical applications. During the fiscal year under review, a glass polarizer was transferred from the R&D Center for the purpose of full-fledged commercialization. Going forward, there are high expectations for growth in the optical communications field.

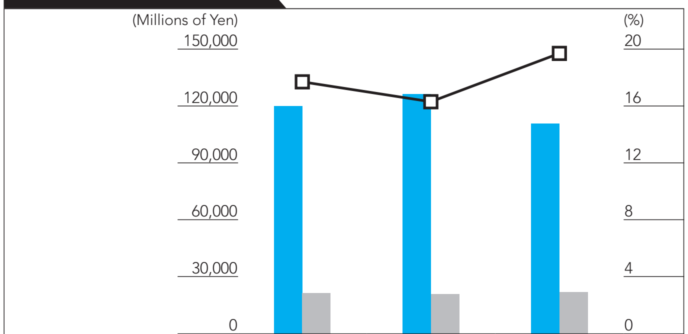
During the fiscal year under review, sales of laser devices were strong in the first half due to active capital expenditure by LCD panel manufacturers. In the second half of the fiscal year, however, the economic downturn led to a slowdown in customers' capital expenditures, resulting in significantly lower orders for Hoya's products. Although specialty glass materials propped up results, net sales declined 30.0% to ¥6,367 million. Operating income dropped 64.0% to ¥297 million.

Note: The operating margin above is calculated using sales to customers plus intersegment sales. Please refer to details on page 45, Sales and Operating Income by Segment.

Eye Care (Vision Care Division)

Vision Care Division

Each Year ended March 31



(Millions of Yen)	2007	2008	2009
Net sales	119,808	126,338	110,725
Operating income	21,167	20,653	21,807
Operating margin (%) Note	17.7	16.3	19.7
Assets	118,229	112,379	101,603
Depreciation	7,405	7,728	7,685
Capital expenditures	11,672	9,434	7,294

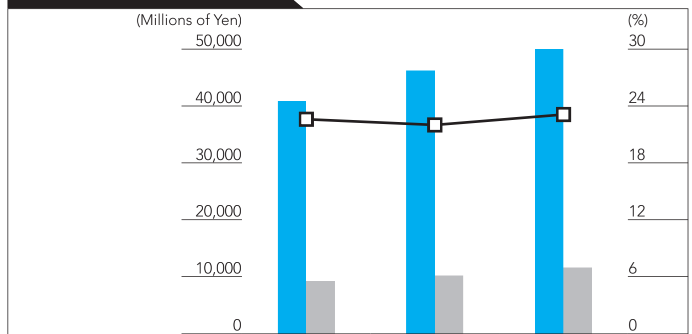
Sales in the Vision Care Division declined 12.4% year on year to ¥110,725 million, mainly due to the strong yen. As the Japanese market continued to contract due to falling prices, Hoya focused on expanding sales across its broad product lineup, ranging from progressive lenses to single-focus lenses and special coatings. Notwithstanding these efforts, sales declined 11.7% year on year. In the North American market, financial uncertainty depressed consumer sentiment, resulting in a 12.3% sales decline. In the European market, competition from low-priced lenses grew more intense. In response, Hoya worked to expand sales of high-value-added lenses, primarily in Western European countries, but sales nevertheless fell 6.5%. In Asia and Oceania, although sales of single-focus and photochromic lenses rose, slowing consumption resulted in a 12.3% decrease in sales.

Operating income for the Vision Care Division rose 5.6% over the previous fiscal year, to ¥21,807 million, resulting in an operating margin of 19.7%. The division promoted sales of high-value-added lenses and introduced new products in Japan and overseas, while working to enhance efficient production frameworks in Asia. As a result of these efforts, profitability rose year on year. Capital expenditure for this division totaled ¥7,294 million, 22.7% lower than in the previous fiscal year.

Eye Care (Health Care Division)

Health Care Division

Each Year ended March 31



(Millions of Yen)	2007	2008	2009
Net sales	40,850	46,177	49,968
Operating income	9,215	10,166	11,544
Operating margin (%) Note	22.6	22.0	23.1
Assets	24,410	24,416	26,609
Depreciation	1,170	1,311	1,215
Capital expenditures	2,119	848	1,507

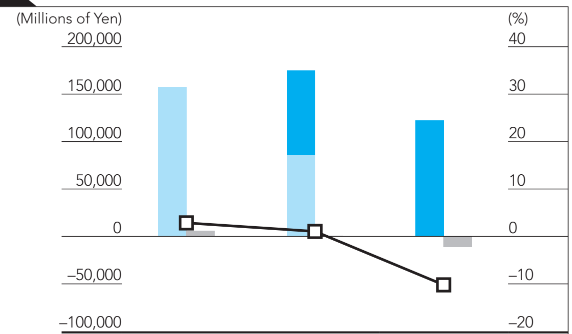
In the Health Care Division, sales rose 8.2% year on year, to ¥49,968 million. Eye City, our chain of directly managed contact lens specialty stores, drew more customers through consulting-based sales, and expanded sales of high-value-added products. As a result, although the total number of stores in Japan did not increase, existing stores won more new and repeat customers, leading to higher sales.

In intraocular lenses for use after cataract surgery, a new aspherical product was introduced in Japan. In the European market, the division worked hard at selling ultra small incision-type products, resulting in a year-on-year rise in sales. In September 2008, yellow lenses received U.S. Food and Drug Administration (FDA) approval, opening the door to entry into the U.S. market.

Operating income in the Health Care Division climbed 13.6% to ¥11,544 million. The operating margin rose to 23.1%. The division actively invested in marketing for further growth, as well as new product development, while continuing to reduce costs. These efforts paid off in higher profitability.

Pentax

Pentax Each Year ended March 31



(Millions of Yen)	2007	2008	2009
■ Net sales for the 12-month period	*157,344*	*174,720*	122,190
Of which, net sales for the 6-month period following consolidation	—	89,032	—
■ Operating income for the 12-month period	*5,653*	*3,202*	–11,572
Of which, operating income for the 6-month period following consolidation	—	–134	—
□ Operating margin for the 12-month period	*3.6*	*1.8*	–9.5
Of which, operating margin for the 6-month period following consolidation	—	–0.2	—
Assets	—	204,853	141,022
Depreciation	—	—	13,246
Captal Expenditures	—	—	5,119

Note:
Pentax was added to the scope of consolidation as of August 14, 2007. Performance for the 12 months prior to consolidation are shown in *italic type* for reference in comparing against past performance. Figures for the 12-month period ended March 31, 2008 comprise the total of the six months prior to consolidation and the six months following consolidation.

Sales in the Pentax divisions totaled ¥122,190 million. Pentax's results have been included in Hoya's consolidated results since the second half of the previous fiscal year (the six-month period from October 1, 2007 to March 31, 2008). For reference, sales decreased 30.1% compared with the whole of the previous fiscal year, including the six months prior to consolidation.

In the Lifecare business, the "i" series of megapixel-image-capable endoscopes continued to enjoy strong sales growth in North America and Europe. In Japan, the series was launched in May 2008, and transnasal endoscope sales were strong. However, overseas sales, which account for the majority of all sales, were affected by the yen's appreciation, resulting in a decrease in sales year on year.

In the Imaging Systems business, the entry-level digital SLR PENTAX K-m was launched in October 2008, and the compact, water-proof digital camera PENTAX Optio W60 was brought to market in June 2008. Despite promoting these unique products incorporating Pentax's technologies, stiff price-based competition from other manufacturers and the strong value of the yen, as well as lower demand caused by the economic downturn, led to a year-on-year decline in sales.

The Lifecare business contributed to profit; however, due to a slump in the Imaging Systems business and amortization of goodwill recognized from the management integration, the Pentax division recorded an operating loss of ¥11,572 million.

Other

The Crystal Glass business was one of the Hoya Group's major sales growth drivers after 1945. However, this business peaked after the collapse of the bubble economy in 1991, and sales have decreased since. In order to deal with slow corporate demand and low-priced competing products, Hoya implemented structural reforms. Notwithstanding these reforms, with worldwide consumption slowing as a result of the economic crisis, further deterioration of results was expected. Therefore, as part of measures to strengthen the Group's operations and improve profitability, Hoya discontinued this business on March 31, 2009.

Hoya's Service business involves the construction and operation of IT systems for companies throughout the Hoya Group, as well as outsourcing.

Results by Region

In Japan, sales fell in the Vision Care Division due to the market slowdown, but thanks to cost-reduction efforts the division saw higher earnings. The Electro-Optics Division, however, recorded decreases in both sales and earnings because of falling unit prices for products and declining orders. As a result, net sales in Japan totaled ¥259,631 million and operating income came to ¥7,371 million, representing a decrease in both sales and earnings year on year.

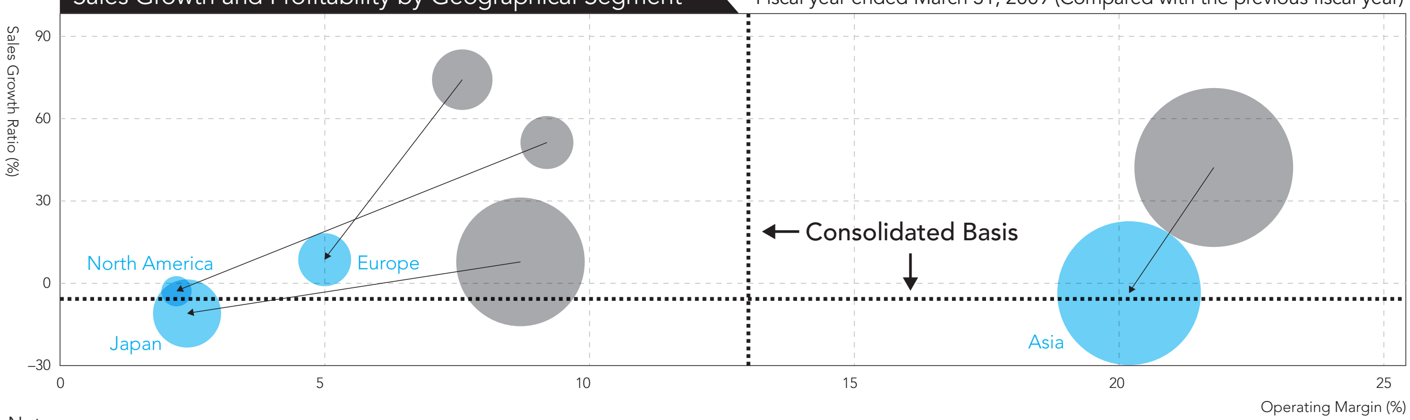
In North America, consumer sentiment cooled amid rising uncertainty about the future of the economy due to financial uncertainty. The Vision Care Division saw lower sales as a result of the appreciation of the yen, but recorded higher earnings due to the benefits of cost reductions. In the Pentax digital camera business, however, lackluster performance resulted in a major drop in earnings. As a result, net sales in North America totaled ¥55,028 million and operating income came to ¥1,225 million, representing both lower sales and lower earnings year on year.

In Europe, there was a visible slowdown in growth in the retail market, with contraction evident in certain countries. The Vision Care Division recorded declines in both sales and earnings amid the poor economic conditions and the strong yen, as did the Pentax Division, which was severely struck by exchange rates. Net sales in Europe totaled ¥97,144 million and operating income came to ¥4,943 million, representing higher revenues but lower earnings year on year.

In Asia, the Electro-Optics Division recorded higher sales due to the relocation of manufacturing bases and other factors, but declining product prices led to lower earnings. Meanwhile the Vision Care Division saw both sales and earnings fall against the backdrop of the strong yen and economic slowdown, despite a strong effort in emerging economies such as China and India. As a result, net sales in Asia totaled ¥42,392 million and operating income came to ¥35,772 million, both lower year on year.

Sales Growth and Profitability by Geographical Segment

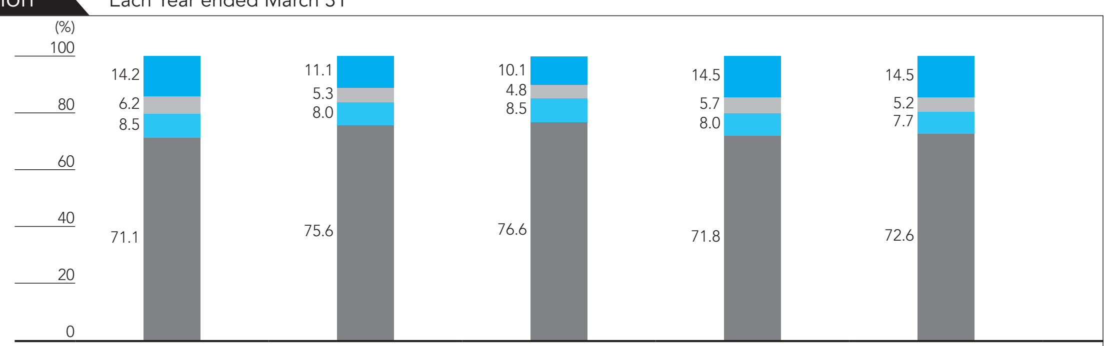
Fiscal year ended March 31, 2009 (Compared with the previous fiscal year)



Note:
- The size of the circle represents the amount of operating income. Grey circles represent the previous fiscal year; blue circles represent the fiscal year under review.
- Pre-consolidation data (six months ended September 30, 2007) on sales growth and profitability by geographical segment is not available for Pentax and is therefore not included in the calculations for this visual representation.

Group Employees by Region

Each Year ended March 31



(Person)	2005	2006	2007	2008	2009
Total	21,234	25,176	28,450	35,545	34,592
Japan	3,007	2,800	2,861	5,158	5,014
North America	1,316	1,337	1,380	2,010	1,797
Europe	1,809	2,009	2,429	2,862	2,660
Asia	15,102	19,030	21,780	25,515	25,121

Financial Position

Total assets as of March 31, 2009 stood at ¥591,096 million, a ¥98,347 million decrease compared with a year earlier.

Current assets declined 6.3% year on year, to ¥384,466 million. Cash and cash equivalents rose 14.7% from a year earlier, to ¥207,928 million, while notes and accounts receivable—trade decreased 31.2% to ¥82,875 million and inventories decreased 14.0%, to ¥71,258 million.

Non-current assets decreased ¥72,541 million from the previous fiscal year-end to ¥206,630 million. This reflected a decrease due to impairment losses on non-current assets of Pentax, as well as a decrease in the property, plant and equipment of subsidiaries outside of Japan due to the yen's appreciation, and a decline in investment securities as a result of the partial sale of part of the Company's equity interest in equity-method affiliate AvanStrate Inc. (formerly NH Techno Glass Corporation)

Total liabilities were down ¥41,732 million from the previous fiscal year-end, to ¥253,086 million. Although short-term loans payable increased ¥31,534 million, notes and accounts payable—trade decreased by ¥25,981 million, and income taxes payable decreased by ¥23,520 million.

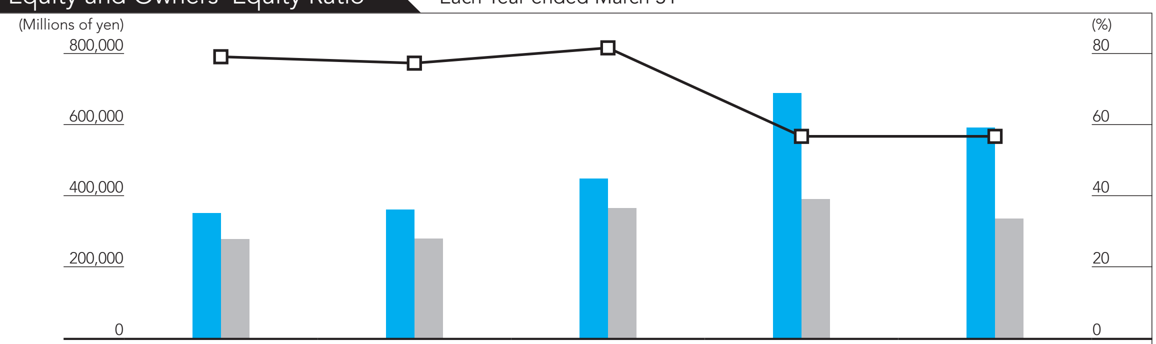
Total interest-bearing debt, including short-term loans, long-term debt with current maturities, commercial paper, other long-term debt, and corporate bonds and other, amounted to ¥159,714 million, resulting in a 27.0% rate of leverage.

Total equity declined ¥56,616 million year on year, to ¥338,010 million due to declines of ¥5,779 million in retained earnings and ¥50,521 million in foreign currency translation adjustments. Owners' equity, total equity less stock subscription rights and minority interests, amounted to ¥335,314 million, for an owners' equity ratio of 56.7%.

Capital Expenditures/ Depreciation and Amortization

Capital expenditures during the fiscal year under review totaled ¥34,839 million, 11.7% less than in the previous fiscal year. Investment in the Electro-Optics Division accounted for approximately 60% of the total, with a focus on expanding and strengthening facilities for semiconductor-related miniaturization projects and glass disks for HDDs, which are seeing rapid gains in recording capacity.

Total Assets, Owners' Equity and Owners' Equity Ratio Each Year ended March 31



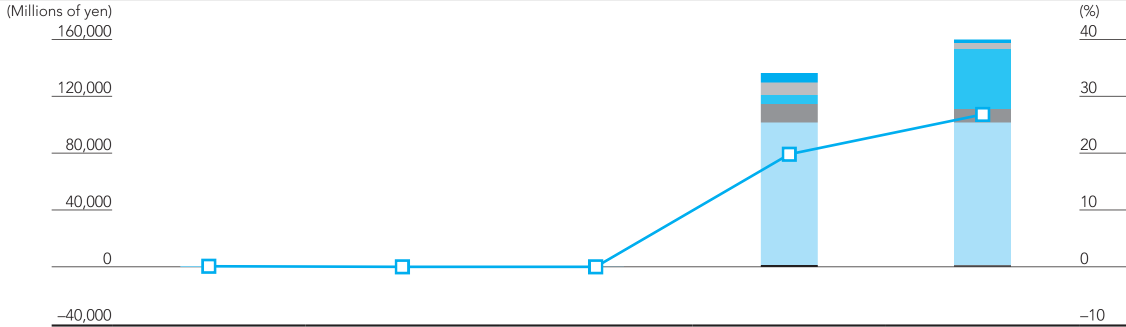
(Millions of yen)	2005	2006	2007	2008	2009
Total assets	351,482	361,538	447,644	689,444	591,096
Owners' equity	277,889	279,481	365,102	391,084	335,314
Owners' equity ratio (%)	79.1	77.3	81.6	56.7	56.7

Depreciation and amortization costs for the fiscal year under review increased 11.5%, to ¥50,031 million. The Electro-Optics Division accounted for just over 50% of this, at ¥27,430 million. In addition, the Pentax Division incurred depreciation of property, plant and equipment, as well as amortization of goodwill that arose as a result of the merger.

Moreover, as shown in the lower graph, amortization of goodwill and impairment losses are included in addition to the depreciation costs. For the fiscal year under review, each of the Pentax business divisions and others applied impairment accounting, resulting in an impairment loss of ¥30,459 million.

Interest-Bearing Debt

Each Year ended March 31

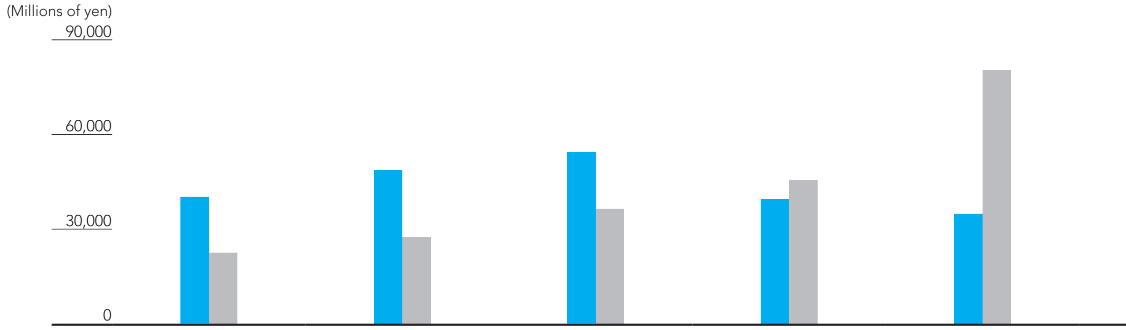


(Millions of yen)	2005	2006	2007	2008	2009
Short-term loans	194	—	—	6,465	2,145
Long-term debt with current maturities	—	—	—	8,749	4,402
Commercial paper	—	—	—	6,192	41,978
Long-term debt	—	—	—	13,268	9,688
Corporate bonds	—	—	—	99,967	99,972
Subtotal	194	—	—	134,641	158,185
Lease obligations	—	—	—	—	1,348
Discounted promissory notes	—	—	—	1,551	181
Total	194	—	—	136,192	159,714
Leverage ratio (%)	0.1	—	—	19.8	27.0

Note: Corporate bonds were issued to fund a public tender offer to acquire Pentax Corporation. The balance as of March 31, 2009 is: Five-year bonds: ¥39,986 million Seven-year bonds: ¥24,992 million Ten-year bonds: ¥34,994 million

Capital Expenditures/Depreciation, Amortization and other

Each Year ended March 31



(Millions of yen)	2005	2006	2007	2008	2009
Capital Expenditures	40,175	48,786	54,432	39,465	34,839
Depreciation, amortization and other	22,520	27,485	36,427	45,457	80,490

Note: Depreciation, amortization and other includes the loss on impairment of long-lived assets and amortization of goodwill.

Cash Flows

Net cash provided by operating activities amounted to ¥90,977 million, a decrease of ¥28,832 million from the previous fiscal year. The main positive factors were income before income taxes and minority interests of ¥44,059 million (down ¥50,494 million year on year), depreciation and amortization of ¥50,031 million (up ¥5,155 million), impairment loss of ¥30,459 million (up ¥29,877 million) and a decrease in notes and accounts receivable of ¥30,543 million (up ¥24,289 million). The main negative factors were a decrease in notes and accounts payable of ¥23,466 million (up ¥20,296 million) and ¥34,990 million in income taxes paid (up ¥10,030 million).

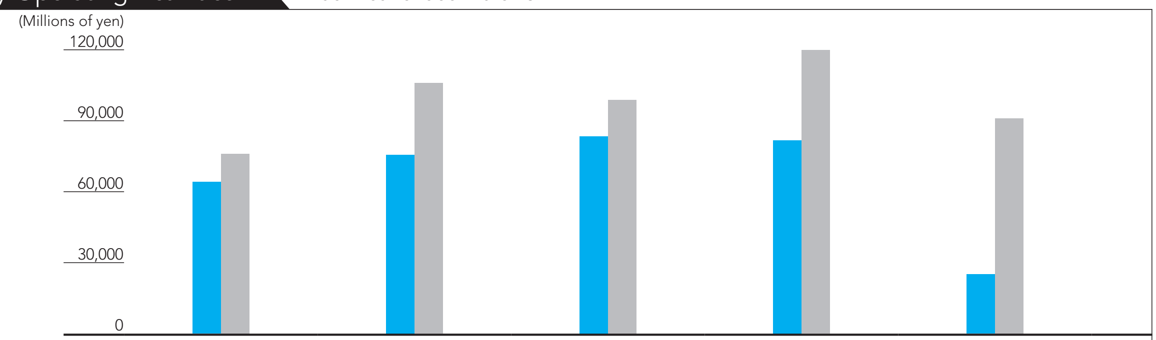
Net cash used in investing activities amounted to ¥34,330 million, a decrease of ¥78,707 million compared with the previous fiscal year. This was primarily attributable to payments of ¥34,174 million (down ¥4,715 million) for property, plant and equipment, centered on investments related to next-generation products in the Electro-Optics Division, as well as the absence of the ¥72,463 million used in the previous fiscal year to acquire Pentax's shares.

Net cash used in financing activities amounted to ¥5,801 million, a difference of ¥74,054 million from the net cash provided by in the previous fiscal year. This was mainly due to a net increase of ¥31,466 million in short-term loans, and a total of ¥28,115 million in dividends paid (an increase of ¥39 million year on year), as well as the absence of ¥99,804 million from long-term bank loans and issuance of corporate bonds for the tender offer for Pentax's shares in the previous fiscal year.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2009, was ¥207,928 million, an increase of ¥26,592 million.

Net Cash Provided by Operating Activities

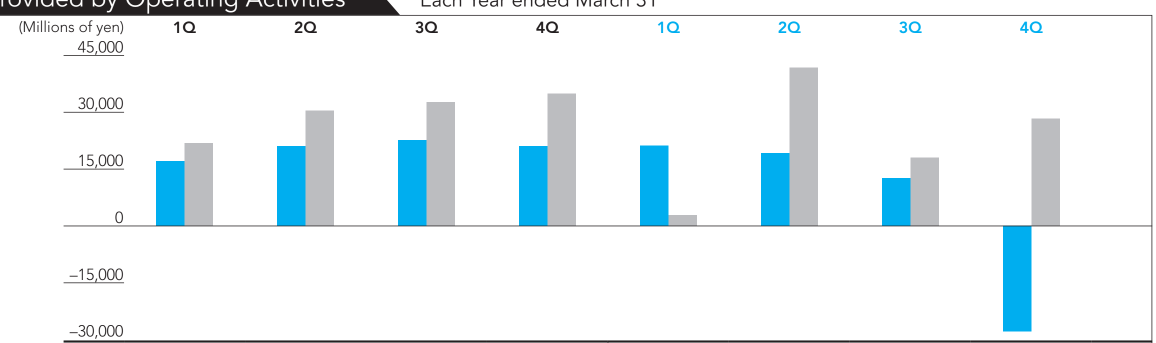
Each Year ended March 31



(Millions of yen)	2005	2006	2007	2008	2009
Net income	64,135	75,620	83,391	81,725	25,110
Net cash provided by operating activities	76,000	105,855	98,793	119,809	90,977

Quarterly Net Cash Provided by Operating Activities

Each Year ended March 31



(Millions of yen)	2008				2009			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net income	17,097	21,020	22,603	21,004	21,198	19,136	12,610	–27,834
Net cash provided by operating activities	21,815	30,450	32,595	34,948	2,883	41,805	18,006	28,283

Business Risks

The main items believed to be potential risk factors for development of the businesses of the Hoya Group are described below. Matters concerning forward-looking activities included in these statements are based on information evaluated by Hoya's management as of the date these materials were prepared.

1. Fluctuation of Exchange Rates

As the Hoya Group develops its business on a global scale, if the currencies of those countries in which the Hoya Group has major manufacturing operations appreciate, export prices of its products would rise, which would incur an increase in costs on a consolidated basis. If the currencies of those countries in which the Hoya Group has major sales operations depreciate, it would bring about a decrease in sales.

2. Influence of International Situations

In the event that the future movement of people, goods or money were to be extraordinarily restrained in certain regions, or if certain unexpected events took place in those countries in which the Hoya Group has business operations—including changes in the political, economic or legal environments, labor shortages, strikes, accidents or natural calamities, etc.—certain problems may arise in the execution of business operations.

3. Business in Production Goods

Every part of the Electro-Optics product range, which constitutes a major portion of Hoya Group revenue, involves intermediate production goods, components or materials. Therefore, growth of the business thereof is affected substantially by the market conditions of such end-consumer products such as personal computers and digital home appliances that are manufactured utilizing the resultant products.

4. Emergence of Discounters and Lowering of Prices in the Consumer Goods Sector

In recent years, discount shops of an unprecedented type have emerged and brought about a lowering of prices. If the influence of such discount shops swells to an extent that cannot be absorbed by the Hoya Group's cost reduction efforts and strategies for adding high value both in Japan and abroad, the business results and financial condition of the Hoya Group might be adversely affected.

5. Competence for Developing New Products

The Hoya Group strives at all times to develop state-of-the-art technologies. However, if the Hoya Group fails to sufficiently predict changes in the sector and markets or to develop new products that meet customer needs in time, the business results and financial condition of Hoya Group might be adversely affected.

6. Competition

The Hoya Group, which has the top market share for its many products in their respective sectors, is constantly exposed to relentless competition. There is no guarantee that the Hoya Group can maintain its overwhelming market share and compete efficiently in future. If customers shift allegiance due to cost pressures or inefficiency of Hoya's competitiveness, the business results and financial condition of Hoya Group might be adversely affected.

7. Production Capacity

At present, the Hoya Group reinforces its production capacity so as to meet orders that exceed existing production capacity in multiple business areas. However, if the setting up of such capacity were delayed for any reason, it would affect not only the Hoya Group's results but also the production and sales plans of its customers, which might bring about increased market share for its competitors, etc., and adversely affect the business results and financial condition of the Hoya Group.

8. New Business

New business is important for future growth. In the event that no promising new business is developed, the growth of the Hoya Group might not be achieved as planned. In addition, the Hoya Group may carry out mergers and acquisitions as a part of its business strategy. If unexpected obstacles emerge after such acquisition and unscheduled time and costs are required, the business results and financial condition of the Hoya Group might be adversely affected.

9. Risk of Information Leakage

In the course of its operations, the Hoya Group retains a substantial amount of personal and confidential information, and the Group has numerous measures in place to manage this information. Nevertheless, in the unlikely event that an outflow of information were to occur, the Hoya Group could experience a loss of trust from society and face significant liability for damages.

10. Intellectual Property Risk

In its new product development and manufacturing, as well as its sales activities, the Hoya Group conducts thorough advance research to avoid infringing upon other companies' intellectual property rights. Nevertheless, these efforts cannot eliminate the risk of a third party asserting infringement of their intellectual property rights. In such an event, in addition to legal costs and depending on the outcome of litigation, the Hoya Group might be unable to take advantage of said technology and could become liable for substantial damage compensation payments.

11. Product Quality Risk

The Hoya Group manufactures a wide variety of products according to stringent quality standards. However, if a quality issue were to arise, necessitating a recall or resulting in product liability, in addition to the cost of collecting such products the Group could incur significant damage to its reputation with customers. Also, depending on the product the Group could be liable for substantial damage compensation payments.

12. Risk Related to Human Resource Retention and Training

The ongoing growth of the Hoya Group is largely dependent on its ability to retain and train superior personnel in a wide range of fields. However, the Hoya Group's growth and operating performance could be negatively affected if the swiftly diversifying employment environment resulted in a situation that halted the flow of capable human resources or impeded the recruiting and training of new personnel.

13. Risk Related to Procuring Raw Materials and Other Items

Some of the raw materials and parts the Hoya Group uses in its manufacturing activities are of a specialty nature, such that suppliers are limited, so the selection of alternative suppliers would be problematic. Therefore, a natural calamity or accident on the part of a supplier could result in a sudden rise in purchase costs or the inability to secure a stable supply of parts from suppliers. This situation could cause the Hoya Group to delay product shipments or result in lost opportunities, thereby having a negative effect on the Group's operating performance and financial position.

14. Risk of Loss in Corporate Value from Hostile Takeover

The Hoya Group believes that management's responsibility is not to create measures defending it against corporate acquirers. However, as the people entrusted by shareholders management believes that it is important to achieve future corporate growth, enhancing corporate value by raising the Group's operating performance and financial soundness. If a hostile takeover were to occur nevertheless, the Hoya Group's operating performance and financial condition could be negatively affected.

Consolidated Balance Sheets

HOYA Corporation and Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2009	2008	2009
CURRENT ASSETS			
Cash and cash equivalents	¥ 207,928	¥ 181,336	$ 2,116,748
Notes and accounts receivable			
Trade (Note 12)	82,875	120,522	843,681
Other	1,971	2,726	20,069
Allowance for doubtful receivables	(2,683)	(2,388)	(27,315)
Inventories (Note 4)	71,258	82,822	725,415
Deferred tax assets (Note 9)	6,369	10,868	64,835
Other current assets (Note 13)	16,748	14,387	170,499
Total current assets	384,466	410,273	3,913,932
PROPERTY, PLANT AND EQUIPMENT (Note 5)			
Land	15,756	16,888	160,395
Buildings and structures	79,814	77,598	812,523
Machinery and vehicles	240,695	250,705	2,450,321
Furniture and equipment	42,292	35,302	430,544
Construction in progress	12,959	10,212	131,930
Total	391,516	390,705	3,985,713
Less—accumulated depreciation	(262,199)	(238,502)	(2,669,238)
Net property, plant and equipment	129,317	152,203	1,316,475
INVESTMENTS AND OTHER ASSETS			
Investment securities (Note 3)	3,550	4,924	36,143
Investments in non-consolidated subsidiaries and affiliated companies	7,778	17,279	79,179
Intangible (Note 5)	22,150	56,305	225,492
Lease deposits	3,664	3,718	37,301
Deferred tax assets (Note 9)	36,643	41,159	373,033
Other assets (Notes 5 and 13)	4,076	3,908	41,502
Allowance for doubtful receivables	(548)	(325)	(5,583)
Total investments and other assets	77,313	126,968	787,067
TOTAL ASSETS	¥ 591,096	¥ 689,444	$ 6,017,474

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES			
Notes and accounts payable			
Trade	¥ 29,558	¥ 55,539	$ 300,900
Construction and other	17,146	25,135	174,553
Short-term loans payable (Note 8)	44,191	12,657	449,871
Current portion of long-term debt (Note 8)	4,402	8,749	44,814
Income taxes payable (Note 9)	7,273	30,793	74,041
Accrued bonuses to employees	4,754	7,453	48,399
Accrued expenses	17,884	22,515	182,066
Other current liabilities (Note 13)	5,781	6,015	58,849
Total current liabilities	130,989	168,856	1,333,493
LONG-TERM LIABILITIES			
Bonds (Note 8)	99,972	99,967	1,017,740
Long-term debt (Note 8)	10,968	13,268	111,653
Employees' pension and retirement benefits (Note 6)	8,489	10,210	86,417
Allowance for periodic repairs	999	1,017	10,169
Other long-term liabilities	1,669	1,500	16,997
Total long-term liabilities	122,097	125,962	1,242,976
TOTAL LIABILITIES	253,086	294,818	2,576,469
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 12)			
EQUITY (Note 7)			
Common stock—authorized, 1,250,519,400 shares issued, 435,017,020 shares in 2009 and 2008	6,264	6,264	63,771
Capital surplus	15,899	15,899	161,851
Stock subscription rights (Note 14)	938	633	9,555
Retained earnings	368,109	373,888	3,747,416
Net unrealized loss on available-for-sale securities, net of tax	(304)	(835)	(3,096)
Foreign currency translation adjustments	(46,669)	3,852	(475,103)
Treasury stock, at cost—2,160,060 shares in 2009 and 2,158,291 shares in 2008	(7,985)	(7,984)	(81,288)
Total	336,252	391,717	3,423,106
MINORITY INTERESTS	1,758	2,909	17,899
TOTAL EQUITY	338,010	394,626	3,441,005
TOTAL LIABILITIES AND EQUITY	¥591,096	¥689,444	$6,017,474

Consolidated Statements of Income

HOYA Corporation and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
NET SALES	¥454,195	¥481,631	¥390,093	$4,623,790
COST OF SALES (Notes 6, 10, 11 and 14)	264,289	262,944	197,410	2,690,515
Gross profit	189,906	218,687	192,683	1,933,275
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6, 10, 11 and 14)	130,811	123,613	85,470	1,331,677
Operating income	59,095	95,074	107,213	601,598
OTHER INCOME (EXPENSES):				
Interest and dividend income	4,081	4,596	2,922	41,543
Interest expense	(2,348)	(1,451)	(87)	(23,901)
Foreign exchange gains (losses)—net	7,152	(5,447)	(6,711)	72,805
Equity in earnings (losses) of associated companies	(315)	5,926	642	(3,207)
Loss on remediation of soil pollution and others	(65)	(1,612)	(767)	(658)
Loss on sales and disposal of property, plant and equipment	(1,148)	(1,125)	(3,327)	(11,684)
Loss on impairment of long-lived assets (Note 5)	(30,459)	(581)	(88)	(310,075)
Additional retirement benefits paid to employees (Note 6)	(6,743)	(1,921)	(1,055)	(68,645)
Gain on sales of property, plant and equipment	366	520	9,629	3,720
Gain on transfer of business	886	—	—	9,021
Loss on write-down of investment securities	(2,328)	(909)	—	(23,697)
Gain on sales of investment securities	9,705	—	—	98,795
Received commission for prior years	3,200	—	—	32,577
Other income (expense)—net	2,980	1,483	(1,239)	30,335
Other expenses—net	(15,036)	(521)	(81)	(153,071)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	44,059	94,553	107,132	448,527
INCOME TAXES (Note 9)				
Current	9,845	34,550	23,492	100,228
Deferred	9,408	(20,083)	71	95,775
Total income taxes	19,253	14,467	23,563	196,003
MINORITY INTERESTS IN NET INCOME (LOSS) OF CONSOLIDATED SUBSIDIARIES	304	1,639	(178)	3,100
NET INCOME	¥25,110	¥81,725	¥83,391	$ 255,624

	Yen			U.S. Dollars
	2009	2008	2007	2009
PER SHARE OF COMMON STOCK (Notes 2.q and 15)				
Basic net income	¥58.01	¥189.01	¥193.50	$0.59
Diluted net income	58.00	188.78	192.78	0.59
Cash dividends applicable to the year	65.00	65.00	65.00	0.66

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

HOYA Corporation and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

		Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gain (Loss) on Available for Sale Securities, Net of Tax	Foreign Currency Translation Adjustments	Stock Subscription Rights	Minority Interests
BALANCE, MARCH 31, 2006	430,615,413	¥6,264	¥15,899	¥266,346	¥(16,280)	¥ 110	¥ 7,142	¥ —	¥ 920
Net income				83,391					
Cash dividends, ¥60 per share				(25,843)					
Bonuses to directors				(64)					
Repurchase of treasury stock	(2,861)				(13)				
Disposal of treasury stock	956,787			(1,607)	3,539				
Changes attributed to accounting changes in overseas consolidated subsidiaries				290					
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities						(196)			
Net increase in foreign currency translation adjustments							26,122		
Net increase in subscription rights								167	
Net increase in minority interests									956
Other increases					2				
BALANCE, MARCH 31, 2007	431,569,339	6,264	15,899	322,513	(12,752)	(86)	33,264	167	1,876
Net income				81,725					
Cash dividends, ¥65 per share				(28,089)					
Repurchase of treasury stock	(3,407)				(13)				
Disposal of treasury stock	1,292,797			(2,261)	4,781				
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities						(749)			
Net decrease in foreign currency translation adjustments							(29,412)		
Net increase in subscription rights								466	
Net increase in minority interests									1,033
BALANCE, MARCH 31, 2008	432,858,729	6,264	15,899	373,888	(7,984)	(835)	3,852	633	2,909
Adjustment of retained earnings due to adoption of PITF No. 18				(2,750)					
Net income				25,110					
Cash dividends, ¥65 per share				(28,136)					
Repurchase of treasury stock	(3,141)				(6)				
Disposal of treasury stock	1,372			(3)	5				
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities						531			
Net decrease in foreign currency translation adjustments							(50,521)		
Net increase in subscription rights								305	
Net decrease in minority interests									(1,151)
BALANCE, MARCH 31, 2009	432,856,960	¥6,264	¥15,899	¥368,109	¥ (7,985)	¥(304)	¥(46,669)	¥938	¥ 1,758

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gain (Loss) on Available for Sale Securities, Net of Tax	Foreign Currency Translation Adjustments	Stock Subscription Rights	Minority Interests
BALANCE, MARCH 31, 2008	$63,771	$161,851	$3,806,249	$(81,279)	$(8,499)	$ 39,211	$6,440	$ 29,615
Adjustment of retained earnings due to adoption of PITF No. 18			(27,996)					
Net income			255,624					
Cash dividends, $0.66 per share			(286,428)					
Repurchase of treasury stock				(61)				
Disposal of treasury stock			(33)	52				
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities					5,403			
Net increase in foreign currency translation adjustments						(514,314)		
Net increase in subscription rights							3,115	
Net decrease in minority interests								(11,716)
BALANCE, MARCH 31, 2009	$63,771	$161,851	$3,747,416	$(81,288)	$(3,096)	$(475,103)	$9,555	$ 17,899

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

HOYA Corporation and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
OPERATING ACTIVITIES				
Income before income taxes and minority interests	¥ 44,059	¥ 94,553	¥107,132	$ 448,527
Adjustment for:				
Depreciation and amortization	50,031	44,876	36,339	509,324
Loss on impairment of long-lived assets	30,459	582	88	310,075
Provision for (reversal of) allowance for doubtful receivables	587	557	(243)	5,975
Provision for (reversal of) accrued bonuses to employees	(2,716)	1,132	155	(27,653)
Provision for (reversal of) reserve for periodic repairs	(18)	126	268	(187)
Reversal of reserve for retirement benefit	(1,722)	—	—	(17,527)
Interest and dividend income	(4,081)	(4,595)	(2,922)	(41,543)
Interest expense	2,348	1,451	87	23,901
Foreign exchange loss (gain)	(8,032)	(2,121)	4,783	(81,768)
Equity in (earnings) losses of associated companies	315	(5,926)	(642)	3,207
Loss (gain) on sales of property, plant and equipment—net	180	(519)	(9,629)	1,829
Loss on disposal of property, plant and equipment	603	1,125	3,327	6,135
Gain on sales of Investment securities	(9,675)	—	—	(98,497)
Loss on write down of investment securities	2,328	872	7	23,697
Received commission for previous years	(3,200)	—	—	(32,577)
Gain on transfer business	(886)	—	—	(9,021)
Additional retirement benefits paid to employees	6,743	1,921	1,055	68,645
Loss on remediation of soil pollution and others	65	1,612	767	658
Other—net	(423)	11,568	1,962	(4,291)
Changes in assets and liabilities				
Decrease (increase) in notes and accounts receivable	30,543	6,254	(13,801)	310,937
Decrease (increase) in inventories	6,240	(7,163)	(4,799)	63,527
Decrease (increase) in other current assets	(2,284)	1,039	2,250	(23,256)
Decrease in notes and accounts payable	(23,466)	(3,170)	(1,208)	(238,888)
Decrease in other current liabilities	(1,020)	917	(781)	(10,383)
Interest and dividends-received	3,476	4,419	2,557	35,381
Interest—paid	(1,897)	(1,397)	(41)	(19,314)
Received commission for previous years—received	3,200	—	—	32,577
Additional retirement benefits paid to employees—paid	(3,112)	(2,797)	(558)	(31,679)
Loss on remediation of soil pollution and others—paid	(65)	(547)	(3,998)	(658)
Income taxes—paid	(34,990)	(24,960)	(23,362)	(356,207)
Refund of income taxes	7,387	—	—	75,204
Total adjustments	46,918	25,256	(8,339)	477,623
Net cash provided by operating activities	90,977	119,809	98,793	926,150
FORWARD	¥ 90,977	¥ 119,809	¥ 98,793	$ 926,150

(Continued)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
FORWARD	¥ 90,977	¥ 119,809	¥ 98,793	$ 926,150
INVESTING ACTIVITIES				
Payments for time deposit	¥ (7,108)	¥ —	¥ —	$ (72,364)
Proceeds from refund of time deposit	590	—	—	6,009
Payments for property, plant and equipment	(34,174)	(38,889)	(52,379)	(347,895)
Proceeds from sales of property, plant and equipment	1,170	1,216	10,218	11,912
Payments for investment securities	(748)	—	(408)	(7,615)
Proceeds from sales of investment securities	17,876	27	30	181,979
Payment for acquisition of shares of newly consolidated subsidiaries	(1,154)	(72,463)	(908)	(11,745)
Payments on merger to minority shareholders	(9,398)	—	—	(95,670)
Payments for loans	(158)	(182)	(585)	(1,606)
Proceeds from collection of loans	236	102	78	2,404
Payments for purchases of other assets	(3,641)	(3,225)	(3,274)	(37,067)
Proceeds from other assets	859	377	576	8,748
Proceeds from transfer of business	1,320	—	—	13,438
Net cash used in investing activities	(34,330)	(113,037)	(46,652)	(349,472)
FINANCING ACTIVITIES				
Net increase (decrease) in short-term loans	31,466	(3,882)	—	320,328
Proceeds from long-term bank loans and issuance of corporate bonds	135	99,804	—	1,375
Repayments of long-term debt	(8,979)	(1,866)	—	(91,404)
Payments for purchases of treasury stock	(6)	(30)	(13)	(61)
Proceeds from sales of treasury stock	3	2,518	1,934	29
Dividends paid	(28,115)	(28,076)	(25,810)	(286,218)
Other	(305)	(215)	(2)	(3,102)
Net cash provided by (used in) financing activities	(5,801)	68,253	(23,891)	(59,053)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(24,254)	(14,311)	8,798	(246,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,592	60,714	37,048	270,716
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	181,336	120,622	83,574	1,846,032
CASH AND CASH EQUIVALENTS, END OF YEAR	¥207,928	¥ 181,336	¥120,622	$2,116,748

See notes to consolidated financial statements.

NO. 1

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 and 2007 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hoya Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to $1, the rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

NO. 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 102 (100 in 2008 and 67 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 4 (8 in 2008 and 1 in 2007) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting was applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 20 years or less.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was not significant to decrease operating income, income before income taxes and minority interests. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash, and are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds. Cash equivalents mature or become due within three months of the date of acquisition.

d. Inventories—Prior to April 1, 2008, inventories were stated at cost, determined by the average method. In July 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 9," Accounting Standard for Measurement of Inventories", which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The Company applied the new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change in accounting methods on profit or loss and on business segment information was minimal.

e. Investment Securities—All investment securities are classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998 by the Company and its consolidated domestic subsidiaries, and to almost all property, plant and equipment of consolidated foreign subsidiaries. The ranges of useful lives are from 10 to 50 years for buildings and structures and from 3 to 12 years for machinery and vehicles.

g. Impairment of Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Intangible Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Amortization of software is calculated over 5 years. Amortization of patent is calculated over 8 years. Amortization of technological assets is calculated over 10 years. Goodwill is amortized on a straight-line basis over its estimated useful life determined for each investment, which does not exceed 20 years. However, insignificant goodwill is charged to income when incurred.

i. Accounting for Significant Allowances and Reserves—

i) Allowance for doubtful receivables: Allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts for receivables from companies in financial difficulty.

ii) Accrued bonuses to employees: Accrued bonuses to employees are provided based on the estimated amount to be paid.

iii) Employees' pension and retirement benefits: To prepare for retirement benefits payment to employees, an amount deemed to have accrued at the end of the consolidated fiscal year under review is provided as an allowance in certain divisions and overseas subsidiaries, based on estimated amounts of retirement benefit obligations and pension assets at the end of the year. Past service costs are amortized on a straight-line basis over 10 years, which is less than the expected average remaining working lives of the employees. Actuarial gains and losses are also amortized on a straight-line basis over 10 years, which is less than the expected average remaining working lives of the employees, commencing with the following fiscal year.

(Changes in accounting policies)

In July 2008, The Accounting Standards Board of Japan (ASBJ) issued an Accounting Standard—ASBJ Statement No.19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)". The above accounting standards were therefore applied from the fiscal year under review.

This had no effect on income before adjustment of income taxes and other items for the fiscal year under review, because its impact, including actuarial differences that accrued during the fiscal year under review, will be treated as costs in and after the following fiscal year.

iv) Reserve for periodic repairs: Reserve for periodic repairs is provided at amount estimated based on the expenses of the latest extensive repairs for continuous melting furnaces.

v) Allowance for product warranties: To prepare for after-sales service expenses that are anticipated to arise within product warranty periods, an allowance is provided on the basis of results for past fiscal years and forecasts for future warranty expenses. Some of the overseas subsidiaries primarily record estimates based on their net sales.

j. Research and Development Expenses—Research and development expenses are charged to income when incurred.

k. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change in accounting methods on profit or loss and business segment information was minimal.

l. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Foreign Currency Translations—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated overseas subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated overseas subsidiaries are translated into Japanese yen at the monthly average exchange rates.

p. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

There were no hedging instruments and hedged items as of March 31, 2009. Hedging instruments and hedged items as of March 31, 2008 were as follows:

Hedging instruments: Forward exchange contracts
Hedged items: Loans payable denominated in foreign currency

q. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant). Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. Stock Option—In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock subscription right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

s. New Accounting Pronouncements

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows for applying the equity method to the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

No. 3
INVESTMENT SECURITIES

Investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Marketable equity securities	¥2,050	¥3,616	$20,865
Non-marketable equity securities	1,500	1,308	15,278
Total	¥3,550	¥4,924	$36,143

The carrying amounts and aggregate fair values of marketable equity securities and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Available-for-sale—Equity securities	¥2,304	—	¥ 254	¥2,050
March 31, 2008				
Available-for-sale—Equity securities	4,677	—	1,061	3,616

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Available-for-sale—Equity securities	$23,451	—	$2,586	$20,865

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Equity securities	¥1,343	¥1,060	$13,676
Investment to limited partnership and others	157	248	1,602
Total	¥1,500	¥1,308	$15,278

These were no sales of available-for-sale securities for the years ended March 31, 2009 and 2008.

No. 4
INVENTORIES

Inventories as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products and merchandise	¥35,367	¥39,080	$360,037
Work in process	11,435	18,737	116,407
Raw materials and supplies	24,456	25,005	248,971
Total	¥71,258	¥82,822	$725,415

No. 5

IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2009, 2008 and 2007 as follows:

	2009			
Use	Location	Type of assets	Millions of Yen	Thousands of U.S. Dollars
Goodwill and other fixed assets for the PENTAX Division	Itabashi-ku, Tokyo, etc.	Goodwill, etc.	¥27,436	$279,304
Trademark rights of the PENTAX Division	Boston (U.S.A.)	Trademark	213	2,172
Tokyo Studio in the Crystal Division	Akishima-shi, Tokyo	Machinery and vehicles, etc.	68	683
Assets to be sold, disposed and idle assets, etc.	Mashiko-machi, Tochigi, etc.	Buildings and structures, etc.	2,742	27,916
Total			¥30,459	$310,075

The carrying amount of the goodwill and other fixed assets for the PENTAX Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 10%.

The carrying amount of the trademark rights of the PENTAX Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 16%.

The carrying amount of Tokyo Studio in the Crystal Division was measured in terms of its value in use, which is considered to be zero.

The carrying amount of the assets to be sold, disposed and idle assets was measured on the basis of their net sale price.

		2008	
Use	Location	Type of assets	Millions of Yen
Tokyo Studio in the Crystal Division	Akishima-shi, Tokyo	Buildings and structures, etc.	¥129
Rights in the Health Care Division	San Diego (U.S.A.)	Intangible assets	212
Assets for the surveying instrument business in the PENTAX Division	Ogawa-machi, Saitama	Buildings and structures, etc.	149
Idle assets, etc.	Mulleheimm (Germany), etc.	Buildings and structures, etc.	91
Total			¥581

The carrying amount of Tokyo Studio in the Crystal Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

The carrying amounts of the Rights in the Health Care Division were written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

The carrying amount of Assets for the surveying instrument business in the PENTAX Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

The book value of idle assets was reduced to their estimated recoverable amount, which was measured on the basis of their net sale price.

		2007	
Use	Location	Type of assets	Millions of Yen
Tokyo Studio in the Crystal Division	Akishima-shi, Tokyo	Buildings and structures, etc.	¥88
Total			¥88

The carrying amount of Tokyo Studio in the Crystal Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

No. 6

EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Company and certain consolidated domestic subsidiaries have defined contribution benefit plan. Regarding the PENTAX division, which merged in 2008, it operated a fund-type corporate pension plan, an agreement type corporate pension plan and a termination allowance plan as defined-benefit pension plan.

Certain overseas subsidiaries operate defined-benefit pension plan or defined contribution benefit plan.

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥19,687	¥20,899	$200,414
Less fair value of plan assets	(6,741)	(8,848)	(68,622)
Unrecognized actuarial differences	(4,478)	(1,865)	(45,589)
Prepaid pension cost	21	24	214
Employees' severance and retirement benefits	¥ 8,489	¥10,210	$ 86,417

Included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Service costs-benefits earned during the year	¥ 975	¥1,007	—	$ 9,922
Interest cost on projected benefit obligation	367	192	—	3,739
Expected return on plan assets	(171)	(182)	—	(1,745)
Recognized actuarial loss	158	—	—	1,611
Additional retirement benefits	6,743	1,921	1,055	68,645
Others	1,581	1,805	—	16,097
Severance and retirement benefit expenses	¥9,653	¥4,743	1,055	$98,269

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	Mainly 1.3%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 3.5%
Amortization period of prior service cost (Straight-line method)	Mainly 10 years	Mainly 10 years
Recognition period of actuarial gain (loss) (Straight-line method from the year ended March 31, 2009)	Mainly 10 years	Mainly 10 years

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total remaining service years.

No. 7
EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Board of Directors of companies with board committees (The Nomination committee, Compensation committee and Audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Company is organized as a company with board committees.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

On May 28, 2009, the Board of directors resolved cash dividends amounting to ¥15,150 million ($154,230 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized when the Board of directors resolves them.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock subscription rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock subscription rights, are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock subscription rights and treasury stock. Such treasury stock subscription rights are presented as a separate component of equity or deducted directly from stock subscription rights.

No. 8

SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Short-term loans and overdrafts, principally from banks, with interest rates ranging from 1.88% to 7.00% (2009) and from 0.00% to 5.23% (2008)	¥ 2,145	¥ 6,465	$ 21,834
Commercial paper with interest rates ranging from 0.20% to 0.25% (2009) and from 0.78% to 0.82% (2008)	41,978	6,192	427,346
Lease debt—current	68	—	691
Total	¥44,191	¥12,657	$449,871

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Bonds			
1.42%, unsecured straight bonds, payable in yen, due September 2012	¥ 39,986	¥ 39,982	$ 407,067
1.62%, unsecured straight bonds, payable in yen, due September 2014	24,992	24,991	254,426
1.93%, unsecured straight bonds, payable in yen, due September 2017	34,994	34,994	356,247
	99,972	99,967	1,017,740
Loans			
Long-term loans and overdrafts, principally from banks, with interest rates ranging from 0.00% to 7.00% (2009) and 0.00% to 5.23% (2008)	14,090	22,017	143,446
	14,090	22,017	143,446
Lease debt			
Lease debt—non-current	1,280	—	13,021
	1,280	—	13,021
Total	115,342	121,984	1,174,207
Less current portion included in current liabilities	(4,402)	(8,749)	(44,814)
	¥110,940	¥113,235	$1,129,393

Annual maturities of long-term bank loans as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Year Ending March 31	2009	2008	2009
2010	¥ 4,402	¥ 8,749	$ 44,814
2011	4,213	4,607	42,895
2012	4,358	4,038	44,367
2013	166	44,128	1,692
2014	160	6	1,630
Thereafter	791	60,456	8,048
Total	¥14,090	¥121,984	$143,446

No. 9
INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2009, 2008 and 2007.

Significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Deferred tax assets:			
Inventories—loss on write-down	¥ 5,734	¥ 5,120	$ 58,370
Accrued bonuses to employees	1,833	2,835	18,656
Additional retirement benefits paid to employees	1,310	—	13,339
Loss carry forwards	1,039	—	10,575
Inventories—intercompany unrealized profits	507	2,002	5,162
Accrued enterprise taxes	284	1,592	2,886
Accrued loss on remediation of soil pollution and others	—	601	—
Other	2,281	4,553	23,225
Less valuation allowance	(1,864)	(1,590)	(18,971)
Total	11,124	15,113	113,242
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliated companies	(2,482)	(2,600)	(25,267)
Other	(2,273)	(1,749)	(23,140)
Total	(4,755)	(4,349)	(48,407)
Net deferred tax assets	¥ 6,369	¥10,764	$ 64,835
Non-Current:			
Deferred tax assets:			
Loss carry forwards	¥18,051	¥20,161	$183,767
Asset adjustment account	13,699	20,012	139,459
Loss on impairment of long-lived assets	3,707	531	37,738
Unrealized gain on investment securities	3,607	2,569	36,720
Amortization of goodwill and property, plant and equipment	1,851	1,017	18,842
Allowance for doubtful receivables	548	131	5,581
Other	2,317	2,302	23,586
Less valuation allowance	(6,345)	(4,804)	(64,597)
Total	37,435	41,919	381,096
Deferred tax liabilities:			
Depreciation expense	(222)	(292)	(2,259)
Reserves for deferred income taxes on fixed assets	(171)	(198)	(1,746)
Reserves for special depreciation and other	(154)	(289)	(1,565)
Other	(245)	(166)	(2,493)
Total	(792)	(945)	(8,063)
Net deferred tax assets	¥36,643	¥40,974	$373,033

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Normal effective statutory tax rate	40.4%	40.4%	40.4%
Loss on impairment and depreciation of goodwill	21.5	—	—
Adjustment of deferred tax assets	6.8	—	—
The amount influence of merging	—	(9.0)	—
Undistributed earnings of overseas subsidiaries	5.8	—	—
Change in valuation allowance	4.5	0.6	—
Lower or exemption income tax rates applicable to income in certain foreign countries	(32.8)	(20.1)	(17.1)
Consolidated adjustment on unrealized gain in inventories	(1.8)	1.2	—
Other—net	(0.7)	2.2	(1.3)
Actual effective tax rate	43.7%	15.3%	22.0%

No. 10

LEASES

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses including lease payments for the years ended March 31, 2009, 2008 and 2007 were ¥8,210 million ($83,576 thousand), ¥7,482 million and ¥3,909 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense of finance lease that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			2009		
	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total
Acquisition cost	¥3,150	¥434	¥3,584	¥5,282	¥5,637	¥10,919	$32,064	$4,422	$36,486
Accumulated depreciation	1,973	266	2,239	3,156	4,048	7,204	20,084	2,706	22,790
Accumulated impairment loss	—	24	24	3	25	28	0	250	250
Net leased property	¥1,177	¥144	¥1,321	¥2,123	¥1,564	¥ 3,687	$11,980	$1,466	$13,446

The imputed interest expense portion as lessee is included in the above acquisition cost.

Obligation under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 552	¥2,039	$ 5,615
Due after one year	778	1,662	7,922
Total	¥1,330	¥3,701	$13,537

Allowance for impairment loss on leased property of ¥9 million ($90 thousand) and ¥14 million as of March 31, 2009 and 2008 is not included in obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Depreciation expense	¥600	¥2,347	¥718	$6,109
Lease payments	606	2,355	727	6,165
Reversal of allowance for impairment loss on leased property	6	8	9	56
Impairment loss	—	4	6	—

The imputed expense portion as lessee is included in the above obligation under finance leases.

Obligation under operating leases

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 860	¥ 85	$ 8,758
Due after one year	1,747	84	17,783
Total	¥2,607	¥169	$26,541

No. 11

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2009, 2008 and 2007 were ¥17,630 million ($179,478 thousand), ¥17,413 million, ¥14,920 million, respectively.

No. 12

COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2009 and 2008 the Group had the following contingent liabilities.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Guarantees of borrowings and lease obligations for customers	¥1,720	¥2,070	$17,516
Guarantees of borrowings for the Group's employees	2	2	19
Trade notes discounted	181	1,551	1,842
Total	¥1,903	¥3,623	$19,377

HOYA LENS DEUTSCHLAND GMBH (Germany), which is a subsidiary of the Company, received a statement of objections (the "statement") from the Federal Cartel office of the Federal Republic of Germany in December 2008. The Company and HOYA LENS DEUTSCHLAND GMBH are currently investigating the facts of this matter, and will deal with it appropriately.

There is a possibility that losses will be incurred in the future related to the statement. However, it is difficult to reasonably estimate the impact when this report was prepared, so the effect on the consolidated financial statements is not clear.

No. 13

DERIVATIVES AND HEDGING ACTIVITIES

Derivatives and hedging activities as of March 31, 2009 and 2008 consisted of the following:

1. Conditions of transactions

The Group enters into derivative financial instruments ("derivatives"), including forward foreign exchange contracts and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures on certain assets and liabilities.

Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trade or speculative purposes.

(1) Hedge accounting methods
Deferral hedging is applied. Loans payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.
(2) Hedging methods and hedged items
Exchange risks are hedged based mainly on the Company's 'Internal Management Regulations', and the Company has adopted a policy of not conducting any speculative derivative trading.

Hedging method: Forward exchange contracts

Item hedged: Loans payable denominated in foreign currencies

There were no hedging instruments and hedged items as of March 31, 2009.

2. Fair value of transactions

Fair value of transactions as of March 31, 2009 was as follows:

Currency-related transactions:

	Millions of Yen			
Items	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts				
Buy—USD	¥ 197	¥ —	¥ 231	¥ 34
EURO	12,383	2,426	12,034	(349)
Total	¥12,580	¥2,426	¥12,265	¥(315)

Notes: 1. Market value:
Forward foreign exchange contract: Translated by forward exchange rates
2. Transactions which are translated at the contracted forward rates are excluded.

Interest rate swap:

	Millions of Yen			
Items	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Interest rate swap				
Receive floating pay fixed	¥4,342	¥4,342	¥(43)	¥(43)
Total	¥4,342	¥4,342	¥(43)	¥(43)

Notes: 1. The principal amount regarding the interest rate swap is notional. The figures do not indicate market risks relating to the derivative transactions
2. Calculation of market value is based on the prices provided by the financial institutions the Company entered into the interest rate swap contracts with.

Currency-related transactions:

Items	Thousands of U.S. Dollars			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts				
Buy—USD	$ 2,000	$ —	$ 2,351	$ 351
EURO	126,066	24,695	122,510	(3,556)
Total	$128,066	$24,695	$124,861	$(3,205)

Interest rate swap:

Items	Thousands of U.S. Dollars			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Interest rate swap				
Receive floating pay fixed	$44,197	$44,197	$(442)	$(442)
Total	$44,197	$44,197	$(442)	$(442)

Fair value of transactions as of March 31, 2008 was as follows:

Currency-related transactions:

Items	Millions of Yen			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts				
Sell—USD	¥ 7,626	—	¥587	¥587
EURO	10,140	—	111	111
Buy—USD	100	—	5	5
EURO	1,777	—	104	104
Option				
Buy-Call—USD	321	—	15	15
Total	¥19,964	—	¥822	¥822

Notes: 1. Market value:
(1) Forward foreign exchange contract: Translated by forward exchange rates
(2) Currency option contract: Calculation of market is based on the prices provided by the financial institutions the Company has business connection with.
2. Transactions which are translated at the contracted forward rates are excluded.

Interest rate swap:

Items	Millions of Yen			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Interest rate swap				
Receive floating pay fixed	¥11,011	¥8,711	¥(82)	¥(22)
Total	¥11,011	¥8,711	¥(82)	¥(22)

Notes: 1. The principal amount regarding the interest rate swap is notional. The figures do not indicate market risks relating to the derivative transactions
2. Calculation of market value is based on the prices provided by the financial institutions the Company entered into the interest rate swap contracts with.

No. 14

STOCK OPTION PLANS

1. Description of Stock Option

(1) Description of Stock Option Plans

	3rd stock subscription rights		4th stock subscription rights		5th stock subscription rights	
Type and number of recipients (Note 1)	Directors of the Company	8	Directors of the Company	8	Directors of the Company	8
	Directors of subsidiaries	14	Directors of subsidiaries	5	Directors of subsidiaries	13
	Employees of the Company	60	Employees of the Company	54	Employees of the Company	85
	Employees of subsidiaries	35	Employees of subsidiaries	43	Employees of subsidiaries	77
Number of stock options by type of stock to be issued	Common stock	700,000	Common stock	635,600	Common stock	890,000
Grant date	December 12, 2003		December 13, 2004		January 1, 2006	
Vesting requirements	Remain employed from the grant date (December 12, 2003) to the end of the vesting period.		Remain employed from the grant date (December 13, 2004) to the end of the vesting period.		Remain employed from the grant date (January 1, 2006) to the end of the vesting period.	
Service period	From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.	
Exercise period (Note 2)	From October 1, 2004 to September 30, 2008		From October 1, 2005 to September 30, 2009		From October 1, 2006 to September 30, 2015	

	6th stock subscription rights		7th stock subscription rights		8th stock subscription rights		9th stock subscription rights	
Type and number of recipients	Directors of the Company	8	Directors of the Company	8	Directors of the Company	9		
	Directors of subsidiaries	73			Directors of subsidiaries	28	Directors of subsidiaries	1
	Employees of the Company	12			Employees of the Company	86		
	Employees of subsidiaries	88			Employees of subsidiaries	10		
Number of stock options by type of stock to be issued	Common stock	780,800	Common stock	77,600	Common stock	1,036,000	Common stock	60,000
Grant date	November 7, 2006		November 14, 2007		November 28, 2008		February 24, 2009	
Vesting requirements	Remain employed from the grant date (November 7, 2006) to the end of the vesting period.		Remain employed from the grant date (November 14, 2007) to the end of the vesting period.		Remain employed from the grant date (November 28, 2008) to the end of the vesting period.		Remain employed from the grant date (February 24, 2009) to the end of the vesting period.	
Service period	From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.	
Exercise period	From October 1, 2007 to September 30, 2016		From October 1, 2008 to September 30, 2017		From October 1, 2009 to September 30, 2018		From October 1, 2009 to September 30, 2018	

Notes: 1. Number of stock options is expressed in number of shares to be issued upon exercise. The number of shares to be issued has been adjusted taking into account a four-for-one stock split for common stock as of November 15, 2005.
2. Exercise of stock options during the exercise period is subject to terms and conditions stipulated in the agreement of allotment of stock subscription rights entered into with respective recipients.

(2) Number of Stock Options and Changes in Number of Stock Options

The following tables are based on the stock options which exist as of March 31, 2009. Number of stock options is expressed in number of shares to be issued upon exercise.

a. Number of stock options (Note)

	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights	8th stock subscription rights	9th stock subscription rights
Unvested							
As of March 31, 2008	—	—	—	—	77,600	—	—
Granted	—	—	—	—	—	1,036,000	60,000
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	77,600	—	—
Unvested							
As of March 31, 2009	—	—	—	—	—	1,036,000	60,000
Vested							
As of March 31, 2008	467,600	503,600	889,200	780,800	—	—	—
Vested	—	—	—	—	77,600	—	—
Exercised	400	—	—	—	—	—	—
Forfeited	467,200	—	—	—	—	—	—
Vested					—	—	—
As of March 31, 2009	—	503,600	889,200	780,800	77,600	—	—

Note: Number of shares in the above table is adjusted taking into account a four-for-one stock split for common stock as of November 15, 2005

b. Per unit information

	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights	8th stock subscription rights	9th stock subscription rights
Exercise price (yen) (Note 1)	2,438	2,713	4,150	4,750	4,230	1,556	1,704
Average stock price on exercise (yen) (Note 1)	2,802	—	—	—	—	—	—
Fair value per unit (as of grant date) (yen) (Note 2)	—	—	—	(a) 1,113 (b) 1,224 (c) 1,289 (d) 1,448	(a) 745 (b) 786 (c) 800 (d) 946	(a) 233 (b) 235 (c) 241 (d) 243	(a) 372 (b) 378 (c) 381 (d) 390

Notes: 1. Exercise price and average stock price on exercise in the above table is adjusted taking into account a four-for-one stock split for common stock as of November 15, 2005.
2. As the 1st stock subscription rights through 5th stock subscription rights were granted before the Corporate Act of Japan became effective, fair value per unit was not calculated.

2. Valuation Method for Fair Value of Stock Options

The 8th and 9th stock subscription rights granted for the year ended March 31, 2009 are valued as follows:

Fair value of stock subscription rights is valued for each of the following exercise periods.

(a) From October 1, 2009 to September 30, 2018
(b) From October 1, 2010 to September 30, 2018
(c) From October 1, 2011 to September 30, 2018
(d) From October 1, 2012 to September 30, 2018

a. Option-pricing model used: Black-Scholes model

b. Major assumptions used:

8th stock subscription rights

	(a)	(b)	(c)	(d)
Stock price to volatility (Note 1)	36.12%	35.73%	35.90%	35.73%
Estimated time to exercise (Note 2)	5.34 years	5.84 years	6.34 years	6.84 years
Estimated dividends (Note 3)	¥65	¥65	¥65	¥65
Risk free rate (Note 4)	0.90%	0.95%	1.00%	1.05%

9th stock subscription rights

	(a)	(b)	(c)	(d)
Stock price to volatility (Note 1)	36.95%	36.74%	36.33%	36.55%
Estimated time to exercise (Note 2)	5.10 years	5.60 years	6.10 years	6.60 years
Estimated dividends (Note 3)	¥65	¥65	¥65	¥65
Risk free rate (Note 4)	0.70%	0.76%	0.82%	0.88%

Notes: 1. It is based on historical volatility of stock price for the period, corresponding to the estimated time to exercise, prior to the grant date.
2. It is assumed to be exercised in the middle of the exercise period due to the lack of enough data for other reasonable estimation.
3. It is based on the actual dividends for the year ended March 31, 2008.
4. It is based on interest rates on national government bonds with maturity corresponding to the estimated time to exercise.

3. Estimation Methods for Number of Vested Stock Options

Only the actual number of stock options is reflected due to difficulty in estimating the number of stock options to be forfeited in the future.

4. Stock-based compensation expense is recorded on the consolidated statement of income for the year ended March 31, 2009 as follows:

Cost of sales	¥ 63 million
Selling, general and administrative expenses	¥243 million

No. 15

NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	EPS
For the year ended March 31, 2009				
Basic EPS—Net income available to common shareholders	¥25,110	432,858	¥ 58.01	$0.59
Effect of dilutive securities—Stock options	—	67		
Diluted EPS—Net income for computation	¥25,110	432,925	¥ 58.00	$0.59
For the year ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥ 81,725	432,383	¥189.01	
Effect of dilutive securities—Stock options	—	522		
Diluted EPS—Net income for computation	¥ 81,725	432,905	¥188.78	
For the year ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥ 83,391	430,968	¥193.50	
Effect of dilutive securities—Stock options	—	1,615		
Diluted EPS—Net income for computation	¥ 83,391	432,583	¥192.78	

No. 16

SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009, 2008 and 2007 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen								
	2009								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care					
Sales to customers	¥163,902	¥6,367	¥110,725	¥49,968	¥122,190	¥1,043	¥454,195	¥ —	¥454,195
Intersegment sales	274	583	11	—	13	4,073	4,954	(4,954)	—
Total sales	164,176	6,950	110,736	49,968	122,203	5,116	459,149	(4,954)	454,195
Operating expenses	124,464	6,653	88,929	38,424	133,775	4,881	397,126	(2,026)	395,100
Operating income (loss)	¥ 39,712	¥ 297	¥ 21,807	¥11,544	¥ (11,572)	¥ 235	¥ 62,023	¥(2,928)	¥ 59,095

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

Millions of Yen

2009

	Information Technology		Eye Care		Pentax	Other Businesses		Eliminations and	
	Electro-Optics	Photonics	Vision Care	Health Care			Total	Corporate	Consolidated
Assets	¥186,864	¥6,810	¥101,603	¥26,609	¥141,022	¥3,034	¥465,942	¥125,154	¥591,096
Depreciation	27,430	183	7,685	1,215	13,246	67	49,826	205	50,031
Impairment loss	758	—	87	—	29,547	67	30,459	—	30,459
Capital expenditures	20,242	131	7,294	1,507	5,119	195	34,488	351	34,839

a. Sales and Operating Income

Thousands of U.S. Dollars

2009

	Information Technology		Eye Care		Pentax	Other Businesses		Eliminations and	
	Electro-Optics	Photonics	Vision Care	Health Care			Total	Corporate	Consolidated
Sales to customers	$1,668,550	$64,813	$1,127,206	$508,681	$1,243,922	$10,618	$4,623,790	$ —	$4,623,790
Intersegment sales	2,791	5,941	112	—	131	41,464	50,439	(50,439)	—
Total sales	1,671,341	70,754	1,127,318	508,681	1,244,053	52,082	4,674,229	(50,439)	4,623,790
Operating expenses	1,267,062	67,729	905,318	391,159	1,361,857	49,695	4,042,820	(20,628)	4,022,192
Operating income (loss)	$ 404,279	$ 3,025	$ 222,000	$117,522	$ (117,804)	$ 2,387	$ 631,409	$(29,811)	$ 601,598

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

Thousands of U.S. Dollars

2009

	Information Technology		Eye Care		Pentax	Other Businesses		Eliminations and	
	Electro-Optics	Photonics	Vision Care	Health Care			Total	Corporate	Consolidated
Assets	$1,902,308	$69,328	$1,034,336	$270,888	$1,435,631	$30,893	$4,743,384	$1,274,090	$6,017,474
Depreciation	279,238	1,862	78,238	12,365	134,844	686	507,233	2,091	509,324
Impairment loss	7,718	—	881	—	300,793	683	310,075	—	310,075
Capital expenditures	206,068	1,331	74,258	15,339	52,108	1,987	351,091	3,572	354,663

a. Sales and Operating Income

Millions of Yen

2008

	Information Technology		Eye Care		Pentax	Other Businesses		Eliminations and	
	Electro-Optics	Photonics	Vision Care	Health Care			Total	Corporate	Consolidated
Sales to customers	¥209,883	¥9,090	¥126,338	¥46,177	¥89,032	¥1,111	¥481,631	¥ —	¥481,631
Intersegment sales	383	246	(2)	—	2	2,761	3,390	(3,390)	—
Total sales	210,266	9,336	126,336	46,177	89,034	3,872	485,021	(3,390)	481,631
Operating expenses	142,802	8,512	105,683	36,011	89,168	4,227	386,403	154	386,557
Operating income (loss)	¥ 67,464	¥ 824	¥ 20,653	¥10,166	¥ (134)	¥ (355)	¥ 98,618	¥(3,544)	¥ 95,074

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Millions of Yen								
	2008								
	Information Technology		Eye Care		Pentax	Other Businesses		Eliminations and Corporate	
	Electro-Optics	Photonics	Vision Care	Health Care			Total		Consolidated
Assets	¥210,007	¥8,037	¥112,379	¥24,416	¥204,853	¥2,818	¥562,510	¥126,934	¥689,444
Depreciation	27,653	138	7,728	1,311	7,856	47	44,733	143	44,876
Impairment loss	—	—	61	212	179	129	581	—	581
Capital expenditures	24,431	141	9,434	848	4,455	146	39,455	10	39,465

a. Sales and Operating Income

	Millions of Yen							
	2007							
	Information Technology		Eye Care		Other Businesses		Eliminations and Corporate	
	Electro-Optics	Photonics	Vision Care	Health Care		Total		Consolidated
Sales to customers	¥219,252	¥9,093	¥119,808	¥40,850	¥1,090	¥390,093	¥ —	¥390,093
Intersegment sales	414	248	0	0	2,766	3,428	(3,428)	—
Total sales	219,666	9,341	119,808	40,850	3,856	393,521	(3,428)	390,093
Operating expenses	139,581	8,851	98,641	31,635	4,206	282,914	(34)	282,880
Operating income (loss)	¥ 80,085	¥ 490	¥ 21,167	¥ 9,215	¥ (350)	¥110,607	¥(3,394)	¥107,213

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Millions of Yen							
	2007							
	Information Technology		Eye Care		Other Businesses		Eliminations and Corporate	
	Electro-Optics	Photonics	Vision Care	Health Care		Total		Consolidated
Assets	¥258,746	¥7,761	¥118,229	¥24,410	¥2,518	¥411,664	¥35,980	¥447,644
Depreciation	27,449	125	7,405	1,170	45	36,194	145	36,339
Impairment loss	—	—	—	—	88	88	—	88
Capital expenditures	39,899	155	11,672	2,119	90	53,935	497	54,432

Notes: 1. The Company and subsidiaries primarily engage in the manufacture and sale of products in six major segments grouped on the basis of similarities in the types, nature and market of the products. The six segments, namely, Electro-Optics, Photonics, Vision Care, Health Care, Pentax, and Other Businesses, consist primarily of the following products:

Electro-Optics: Photomasks and mask blanks for semiconductors, masks for liquid-crystal display (LCD), parts for glass panels of LCDs, glass disks for hard disk drives (HDDs), optical lenses, optical glasses, electronic glasses, optical communication products, etc.
Photonics: Laser equipment, light sources for use in the electronics industry, special optical glass, etc.
Vision Care: Eyeglasses, eyeglass frames, etc.
Health Care: Contact lenses and related accessories, intraocular lenses, etc.
Pentax: Endoscopes, medical accessories, bone prosthesis, CHT Ceramic Hydroxapatite, etc.
Digital cameras, interchangeable lenses, accessories for cameras, etc.
Digital camera modules, micro lenses, CCTV lenses, etc.
Other Businesses: Crystal glass products, construction of information systems, outsourcing, etc.

2. Corporate operating expenses consist primarily of the administration expenses of the Company and foreign holding companies, which are not allocated to industry segments. Corporate operating expenses for the years ended March 31, 2009, 2008 and 2007 were ¥3,917 million ($39,875 thousand), ¥6,289 million and ¥3,370 million, respectively.
3. Corporate assets consist primarily of cash, time deposits, investment securities and administrative assets of the Company and the foreign holding companies. Corporate assets as of March 31, 2009, 2008 and 2007 were ¥ 154,404 million ($1,571,863 thousand), ¥153,256 million and ¥61,381, respectively.
4. Consolidated operating expenses are equal to the total of cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements of income.

(2) Geographical Segments

The geographical segments of the Company and subsidiaries for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of Yen						
	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥259,631	¥55,028	¥97,144	¥ 42,392	¥454,195	¥ —	¥454,195
Intersegment sales	52,496	707	889	135,030	189,122	(189,122)	—
Total sales	312,127	55,735	98,033	177,422	643,317	(189,122)	454,195
Operating expenses	304,756	54,510	93,090	141,650	594,006	(198,906)	395,100
Operating income (loss)	7,371	1,225	4,943	35,772	49,311	9,784	59,095
Assets	¥249,701	¥33,681	¥64,607	¥217,187	¥565,176	¥ 25,920	¥591,096

	Thousands of U.S. Dollars						
	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$2,643,090	$560,196	$988,946	$ 431,558	$4,623,790	$ —	$4,623,790
Intersegment sales	534,421	7,199	9,053	1,374,628	1,925,301	(1,925,301)	—
Total sales	3,177,511	567,395	997,999	1,806,186	6,549,091	(1,925,301)	4,623,790
Operating expenses	3,102,470	554,922	947,680	1,442,019	6,047,091	(2,024,899)	4,022,192
Operating income (loss)	75,041	12,473	50,319	364,167	502,000	99,598	601,598
Assets	$2,542,006	$342,878	$657,710	$2,211,004	$5,753,598	$ 263,876	$6,017,474

	Millions of Yen						
	2008						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥291,566	¥56,680	¥89,420	¥ 43,965	¥481,631	¥ —	¥481,631
Intersegment sales	54,012	374	757	157,230	212,373	(212,373)	—
Total sales	345,578	57,054	90,177	201,195	694,004	(212,373)	481,631
Operating expenses	315,421	51,788	83,359	157,360	607,928	(221,371)	386,557
Operating income (loss)	30,157	5,266	6,818	43,835	86,076	8,998	95,074
Assets	¥333,040	¥37,722	¥66,642	¥228,174	¥665,578	¥ 23,866	¥689,444

	Millions of Yen						
	2007						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥270,373	¥37,456	¥ 51,336	¥ 30,928	¥390,093	¥ —	¥390,093
Intersegment sales	26,847	305	813	159,124	187,089	(187,089)	—
Total sales	297,220	37,761	52,149	190,052	577,182	(187,089)	390,093
Operating expenses	257,021	36,916	44,663	135,227	473,827	(190,947)	282,880
Operating income (loss)	40,199	845	7,486	54,825	103,355	3,858	107,213
Assets	¥193,390	¥13,507	¥107,564	¥207,158	¥521,619	¥ (73,975)	¥447,644

Notes: 1. The Company and subsidiaries are summarized in four segments by geographic area based on the countries where the Group is located. The segments consist of the following countries:
North America: United States of America, Canada, etc.
Europe: Netherlands, Germany, United Kingdom, etc. (including South Africa)
Asia: Singapore, Thailand, China, Republic of Korea, Taiwan, etc. (including Australia)
2. Corporate operating expenses consist primarily of the administration expenses of the Company, which are not allocated to segments by geographic area. Corporate operating expenses for the years ended March 31, 2009, 2008 and 2007 were ¥3,807 million ($38,753 thousand), ¥4,142 million and ¥2,993 million, respectively.
3. Corporate assets consist primarily of cash, time deposits, investment securities and administrative assets of the Company. Corporate assets as of March 31, 2009, 2008 and 2007 were ¥109,897 million ($1,118,773 thousand), ¥115,499 million and ¥59,047 million, respectively.
4. Consolidated operating expenses are equal to the total of cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements of income.

(3) Sales to Foreign Customers

The sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of Yen				
	2009				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥55,915	¥99,800	¥126,716	¥1,401	¥283,832
Consolidated sales (B)					454,195
(A)/(B)	12.3%	22.0%	27.9%	0.3%	62.5%

	Thousands of U.S. Dollars				
	2009				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	$569,225	$1,015,984	$1,289,996	$14,261	$2,889,466
Consolidated sales (B)					4,623,790
(A)/(B)	12.3%	22.0%	27.9%	0.3%	62.5%

	Millions of Yen				
	2008				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥59,294	¥92,116	¥140,433	¥1,268	¥293,111
Consolidated sales (B)					481,631
(A)/(B)	12.3%	19.1%	29.2%	0.3%	60.9%

	Millions of Yen				
	2007				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥44,954	¥53,524	¥113,060	¥8	¥211,546
Consolidated sales (B)					390,093
(A)/(B)	11.5%	13.7%	29.0%	0.0%	54.2%

Note: The Company and subsidiaries are summarized in four segments by geographic area based on the countries where the customers are located. The segments consist of the following countries:
North America: United States of America, Canada, etc.
Europe: Netherlands, Germany, United Kingdom, etc. (including South Africa)
Asia: Singapore, Thailand, Republic of Korea, Taiwan, etc. (including Australia)
Other: Saudi Arabia and Brazil, etc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
HOYA CORPORATION:

We have audited the accompanying consolidated balance sheet of HOYA CORPORATION and consolidated subsidiaries (the "Company") as of March 31, 2009, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company for the year ended March 31, 2008 were audited by other auditors whose report, dated June 18, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HOYA CORPORATION and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 16, 2009

CORPORATE DATA
(As of March 31, 2009)

Established
November 1, 1941

Paid-in Capital
¥6,264,201,967

Employees
Hoya Corporation
4,821 (down 384 from March 31, 2008)
Average age: 42.6
Average years of service: 16.5

Hoya Group (Consolidated)
34,592 (down 953 from March 31, 2008)

Fiscal Year
From April 1 to March 31 of the following year

Ordinary General Meeting of Shareholders
June

Record Dates
For the Ordinary General Meeting of Shareholders: March 31
For dividends from surplus: March 31, September 30

Directors and Executive Officers (As of June 16, 2009)

Directors

Takeo Shiina* (Executive Advisor of IBM Japan, Ltd.)

Yuzaburo Mogi* (Representative Director, Chairman & CEO of Kikkoman Corporation)

Eiko Kono* (Former Special Advisor of Recruit Co., Ltd.)

Yukiharu Kodama* (President of the Mechanical Social Systems Foundation)

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

Hiroshi Suzuki

Hiroshi Hamada

Kenji Ema

* Outside directors

Executive Officers

Hiroshi Suzuki (President & CEO)

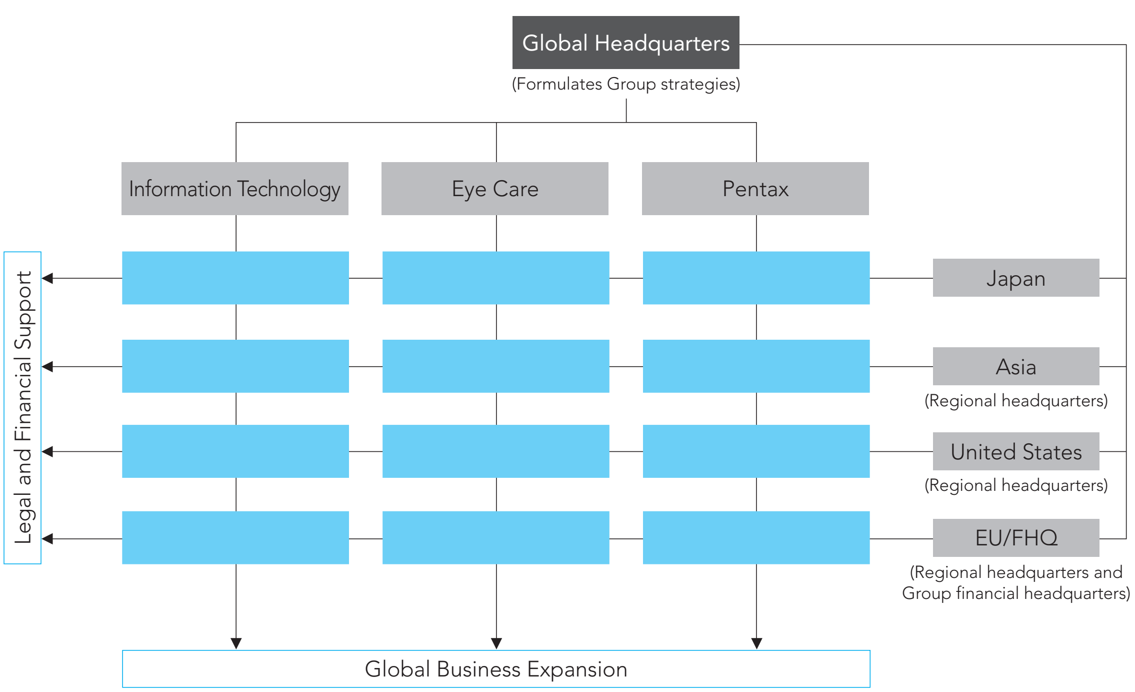
Hiroshi Hamada (Executive Officer & COO)

Kenji Ema (Executive Officer & CFO)

Hiroaki Tanji (Executive Officer, Planning)

Taro Hagiwara (Executive Officer, Technology)

Hoya Group Business Matrix by Business Segment and Area



TIMELINE

(As of March 31, 2009)

1941	
November	An optical glass production plant was established in the city of Hoya, in metropolitan Tokyo, and production of optical glass was initiated.
1944	
August	The plant was incorporated with capital of ¥1.2 million.
1945	
October	Crystal products were introduced.
1947	
August	Company name changed to Hoya Crystal Glass Manufacturing Co., Ltd.
1952	
February	The manufacture of optical glass BK7 resumed.
1960	
November	The Optics Division's Showa Plant (currently Akishima Plant) was completed in Tokyo. The Company merged with three affiliates.
1961	
October	Hoya was listed on the Second Section of the Tokyo Stock Exchange.
1962	
May	The manufacture of eyeglass lenses commenced.
October	Hoya was listed on the Second Section of the Nagoya Stock Exchange.
1963	
May	The Crystal Division's Musashi Plant was completed.
1967	
April	The Vision Care Division launched sales of progressive multifocal lenses.
1972	
December	Sales of soft contact lenses began.
1973	
February	The Company's listings were advanced to the First Section of the Tokyo and Nagoya Stock Exchanges.
1974	
January	The Electronics Division's Nagasaka Plant was completed, and the production of IC substrates began. Hoya's on-line network to handle eyeglass lens orders was introduced in the Vision Care Division.
1982	
October	Hoya Electronics Co., Ltd., merged with the parent company.
1983	
January	The construction of the Hachioji Plant in the Electronics Division was completed, and the production of IC photomasks commenced.
1984	
August	The current Head Office was completed.
October	Hoya Lens Corporation and Hoya Crystal Corporation merged with the parent company.
1985	
April	The Kodama Plant was completed for medical-related production and research.
1986	
October	The R&D Center was completed in the city of Akishima.
1987	
June	The production of intraocular lenses (IOLs) commenced.
November	The production of aspherical molded-glass lenses commenced.
1989	
April	Hoya Europe B.V. of the Netherlands (currently Hoya Holdings N.V.) and Hoya Corporation USA were established.
1991	
March	Glass disks for HDDs were launched.
1993	
October	Hoya Group's Environmental Philosophy was established.
1994	
April	The Hoya Group was reorganized with the establishment of the Electro-Optics Division, the Vision Care Division and the Crystal Division.
1995	
June	Hoya introduced an outside director system.

1996	
August	Hoya formed an alliance with IBM to develop a next-generation glass disk for HDDs.
November	Kumamoto Plant commenced operations as a photomask manufacturing plant.
1997	
April	Hoya introduced its "internal company system," reorganizing Group operations centered on two internal companies (Electro-Optics and Vision Care) and three subsidiaries (Hoya Photonics, Inc., Hoya Healthcare Corporation, and Hoya Crystal Corporation). Hoya implemented ERP R/3, an enterprise resource planning system developed by SAP AG of Germany.
May	Hoya Holdings Asia Pacific Pte Ltd. was established as the third regional headquarters after Hoya Holdings N.V. and Hoya Holdings, Inc., the regional headquarters for Europe and North America, respectively.
December	Hoya Lens Deutschland GmbH became the first Group company to receive ISO 14001 certification.
1998	
April	Hoya began the quarterly release of consolidated financial results. The Vision Care Company's Itsukaichi Plant became the Group's first domestic facility to receive ISO 14001 certification.
1999	
February	All major domestic plants received ISO 14001 certification.
September	Hoya acquired Belgian eyeglass manufacturer Buchmann Optical Industries N.V.
2000	
April	Hoya acquired Optical Resources Group, Inc. (ORI), a processor and marketer of eyeglasses in the United States (integrated into Hoya Corporation in March 2001).
July	Hoya acquired the semiconductor photomask production division of Oki Electric Industry Co., Ltd.
2001	
May	Hoya began marketing HOYALUX Summit Pro and NuLux lenses that use EYRY, a high-index, plastic lens material.
October	Hoya began manufacturing soft intraocular lenses.
2002	
May	Hoya began manufacture and sale of 3C-SiC, a new substrate material for semiconductors.
August	Technical alliance formed with Dai Nippon Printing Co., Ltd. to jointly develop mask blanks for next-generation semiconductors.
2003	
January	Company delisted from the First Section of the Nagoya Stock Exchange.
March	Subsidiaries Hoya Crystal Corp. and Hoya Crystal Shop Corp. merged with Hoya Corporation.
June	Hoya adopted a company-with-committees system.
July	Global financial management operations were transferred to a regional headquarters in Europe.
2004	
February	Subsidiary Hoya Optics Corp. was merged with Hoya Corporation.
March	Hoya acquired the HDD glass disk business of Nippon Sheet Glass Co., Ltd.
October	Established a Level-1 American Depositary Receipt (ADR) program.
2005	
November	A four-for-one split of common shares was implemented.
2006	
March	Subsidiary Hoya Advanced Semiconductor Technologies Co., Ltd. was merged with Hoya Corporation.
October	Contact lens production sector transferred to a subsidiary, Hoya Healthcare Corporation.
2007	
August	Pentax Corporation converted to consolidated subsidiary through acquisition of shares via takeover bid.
2008	
March	Pentax Corporation absorbed via merger.
2009	
March	Withdrawal from Crystal glassware business.

HOYA GROUP GLOBAL NETWORK
(As of March 31, 2009)

Europe

Regional Headquarters
HOYA HOLDINGS N.V.
Amsterdamseweg 29, 1422 AC Uithoorn, The Netherlands
TEL +31-0297-514-356

HOYA HOLDINGS (ASIA) B.V.

Information Technology
HOYA CONBIO FRANCE EURL

Eye Care
HOYA LENS DEUTSCHLAND GMBH
HOYA LENS DANMARK A/S
HOYA LENS U.K. LIMITED
HOYA LENS NEDERLAND B.V.
HOYA LENS FINLAND OY
HOYA LENS ITALIA S.P.A.
HOYA LENS IBERIA S.A.
HOYA LENS SWEDEN AB
HOYA LENS FRANCE S.A.S.
HOYA LENS POLAND SP. Z O.O.
HOYA LENS BELGIUM N.V.
HOYA LENS HUNGARY RT.
HOYA LENS MANUFACTURING HUNGARY RT
HOYA HILL OPTICS SA (PTY) LTD.
HOYA LENS NORWAY AS
HOYA SURGICAL OPTICS GMBH
HOYA LENS CZ. A. S.

Pentax
PENTAX EUROPE N.V.
PENTAX EUROPE GMBH
SISTEMAS INTEGRALES DE MEDICINA, S.A.
PENTAX NEDERLAND B.V.
PENTAX ITALIA S.R.L
PENTAX U.K. LTD.
PENTAX FRANCE S.A.S.
PENTAX SCHWEIZ AG

Asia and Oceania

Regional Headquarters
HOYA HOLDINGS ASIA PACIFIC PTE LTD.
138 Cecil Street, #08-03 Cecil Court, Singapore 069538
TEL +65-6323-1151

Information Technology
HOYA ELECTRONICS MALAYSIA SDN. BHD.
HOYA MICROELECTRONICS (SUZHOU) LTD.
HOYA MICROELECTRONICS TAIWAN CO., LTD.
HOYA ELECTRONICS KOREA CO., LTD.
HOYA MAGNETICS SINGAPORE PTE LTD.
HOYA GLASS DISK (THAILAND) LTD.
HOYA GLASS DISK PHILIPPINES, INC.
HOYA GLASS DISK VIETNAM LTD.
HOYA OPTO-ELECTRONICS QINGDAO LTD.
HOEV CO., LTD.
HOYA OPTICS (THAILAND) LTD.
HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.
HOYA OPTICAL (ASIA) CO., LTD.
EAST CHEER INVESTMENT LIMITED
SHENZHEN KTM GLASS SUBSTRATE CO., LTD.
KTM GLASS SUBSTRATE HONG KONG CO., LIMITED
HOGP LAND HOLDINGS, INC.

Eye Care

HOYA LENS THAILAND LTD.
HOYA LENS AUSTRALIA PTY. LTD.
HOYA LENS TAIWAN LTD.
HOYA LENS (S) PTE. LTD.
HOYA LENS HONG KONG LTD.
HOYA LENS KOREA CO., LTD.
HOYA LENS GUANGZHOU LTD.
HOYA LENS PHILIPPINES, INC.
MALAYSIAN HOYA LENS SDN. BHD.
THAI HOYA LENS LTD.
HOYA MEDICAL SINGAPORE PTE.LTD.
HOYA LENS SHANGHAI LTD.
HOYA LENS MANUFACTURING MALAYSIA SDN. BHD.
HOYA HEALTHCARE (SHANGHAI) CO., LTD.
HOYA LENS INDIA PRIVATE LTD.
HOYA LENS VIETNAM LTD.
PT HOYA LENS INDONESIA
FOCUS PREFERENCE SDN. BHD.

Pentax

PENTAX CEBU PHILIPPINES CORPORATION
PENTAX HONG KONG LTD.
PENTAX VN CO., LTD.
PENTAX(SHANGHAI) CORPORATION
PENTAX SINTAI HOLDING CO., LTD.
PENTAX SINTAI OPTICAL INSTRUMENT(SHENZHEN) CO., LTD.
PENTAX VQ CO., LTD
PENTAX BASO (GUANGZHOU) OPTOMECHATRONICS CO., LTD.
PENTAX VOICEWARE CO., LTD.
PENTAX OPTICAL COMPONENT HONG KONG LTD.
PENTAX TRADING (SHANGHAI) CO., LTD.
PENTAX MEDICAL SINGAPORE PTE LTD.
TI PENTAX HOLDING CO.,LTD. ◆

North America

Regional Headquarters

HOYA HOLDINGS, INC.
101 Metro Drive, Suite 500, San Jose, CA 95110, U.S.A.
TEL +1-408-441-0400

Information Technology

HOYA CORPORATION USA
HOYA PHOTONICS, INC.
RADIANT IMAGES, INC.

Eye Care

HOYA LENS CANADA, INC.
HOYA LENS OF AMERICA, INC.
EAGLE OPTICS, INC.
HOYA LENS OF CHICAGO, INC.
HOYA LENS OF NEW ORLEANS, INC.
MORGAN OPTICAL, INC.
VISION MEMBRANE TECHNOLOGIES, INC.
HOYA SURGICAL OPTICS, INC.
OPTOTAL HOYA S.A.◆

Pentax

PENTAX OF AMERICA, INC.
PENTAX CANADA INC.
MICROLINE SURGICAL INC.
NEOSPEECH, INC.

◆Equity-method affiliate

INVESTOR INFORMATION

(As of March 31, 2009)

Listing of the Company's Shares

First Section of the Tokyo Stock Exchange

Shares of Common Stock

Authorized: 1,250,519,400 shares
Issued: 435,017,020 shares

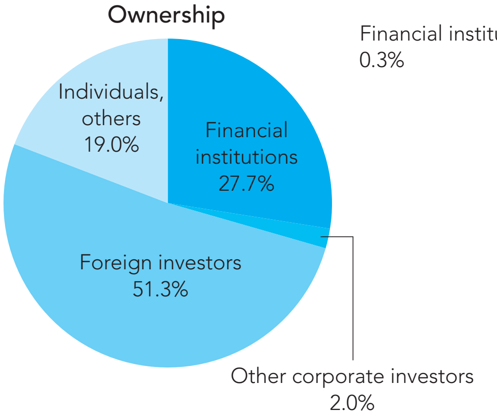
Trading Unit

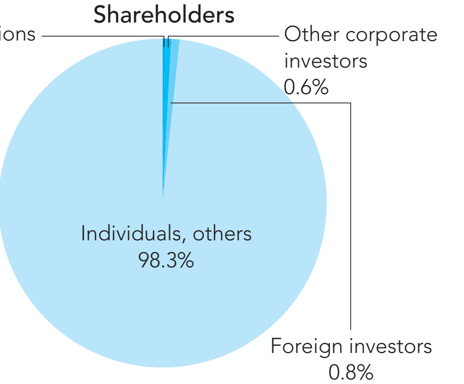
100 shares

Number of Shareholders

83,770

Share Ownership





Principal Shareholders

	Shareholder	Number of Shares (Hundreds of shares)	Percentage of Investment
1	JP Morgan Chase Bank 380055	391,641	9.05
2	Japan Trustee Services Bank, Ltd. (Trust Account)	300,296	6.94
3	Japan Trustee Services Bank, Ltd. (Trust Account 4G)	234,984	5.43
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	184,662	4.27
5	State Street Bank and Trust Company	139,032	3.21
6	The Chase Manhattan Bank NA London SL Omnibus Account	104,809	2.42
7	State Street Bank and Trust Company 505225	96,500	2.23
8	Mamoru Yamanaka	90,197	2.08
9	Deutsche Bank Trust Company Americas	85,597	1.98
10	Mellon Bank NA as Agent for its Client Mellon Omnibus US Pension	77,928	1.80
	Total	**1,705,648**	**39.41**

Note: Treasury stock (2,160,060 shares) is excluded from calculation of percentage of investment.

Issuance of Stock Subscription Rights

Stock subscription rights are issued as stock options, based on Board of Directors resolutions.

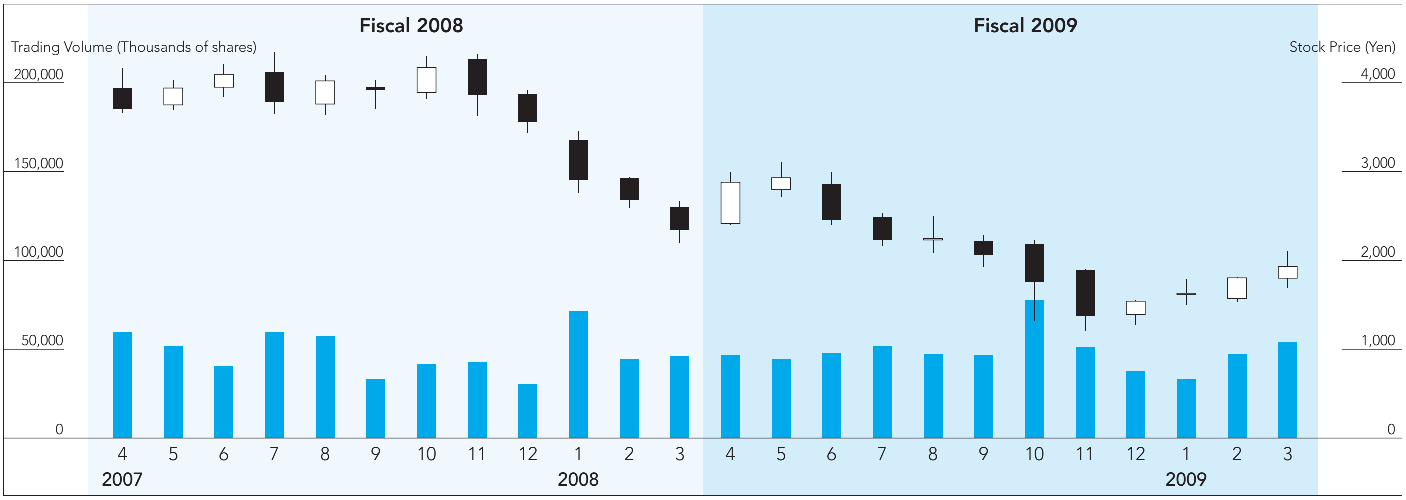
Eighth Issue
(Resolved by the Board of Directors on November 10, 2008)
1. Stock subscription rights granted: 2,590
2. Class and number of shares to be issued upon exercise of stock subscription rights: 1,036,000 shares of common stock (400 shares per stock subscription right)
3. Paid-in amount for stock subscription rights: Gratis
4. Exercise value per share at exercise of stock subscription rights: ¥1,556
5. Exercise period of stock subscription rights: From October 1, 2009, to September 30, 2018. However, limits on exercise volume per period are determined separately.

Ninth Issue
(Resolved by the Board of Directors on February 5, 2009)
1. Stock subscription rights granted: 150
2. Class and number of shares to be issued upon exercise of stock subscription rights: 60,000 shares of common stock (400 shares per stock subscription right)
3. Paid-in amount for stock subscription rights: Gratis
4. Exercise value per share at exercise of stock subscription rights: ¥1,704
5. Exercise period of stock subscription rights: From October 1, 2009, to September 30, 2018. However, limits on exercise volume per period are determined separately.

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
7-10-11 Higashisuna, Koto-ku
Tokyo 137-8081, Japan
Tel: +81-3-5683-5111

Stock Price and Trading Volume



Share Price

	2007		2008		2009	
	High	Low	High	Low	High	Low
January–March	¥4,750	¥3,810	¥3,460	¥2,200	¥2,105	¥1,500
April–June	¥4,210	¥3,660	¥3,100	¥2,400		
July–September	¥4,340	¥3,640	¥2,535	¥1,922		
October–December	¥4,320	¥3,440	¥2,230	¥1,212		

For additional information about this publication, contact:

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