HOYA

ANNUAL REPORT 2008

For The Year Ended March 31, 2008

We will take advantage of our management integration with Pentax to accelerate growth.

On March 31, 2008, Hoya merged with Pentax—the Company's consolidated subsidiary since August 2007—and commenced operations as a single business entity. We will leverage the management resources of Hoya and Pentax to realize synergies and boost our growth.

Consolidated Financial Highlights

Years Ended March 31, 2007 and 2008

(Millions of yen)

	2007	2008*2
Net sales	¥390,093	¥481,631
Operating income	107,213	95,074
Ordinary income	102,909	100,175
Net income	83,391	81,725
Total assets	447,644	689,444
Net assets*1	367,145	394,626
Per share data (Yen)		
Net income	¥193.50	¥189.01
Diluted net income	192.78	188.78
Net assets	845.98	903.49
Cash dividends applicable to the year	65.00	65.00
Price earnings ratio (Times)	20.2	12.4
Price cash flow ratio (Times)	17.1	8.4
Price book value ratio (Times)	4.6	2.6
Stock price at year-end (Yen)	3,910	2,340

*1 From the fiscal year ended March 31, 2007, the Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).

*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).

Disclaimer Regarding Forward-Looking Statements

Statements made in this annual report with respect to Hoya's plans and future performance that are not historical fact are forward-looking statements. These statements are based on management's judgments, plans and forecasts in light of the information currently available to it. 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 Used in this Annual 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, 2007, March 31, 2008, and the year ending March 31, 2009, respectively.

HOYA

ANNUAL REPORT 2008

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I would like to thank all our shareholders for their continual understanding and support of the Hoya Group's management activities. First, I am delighted to report that Hoya submitted a tender offer to acquire Pentax Corporation in July 2007, taking on the firm as a consolidated subsidiary in August. On March 31, 2008, Hoya and Pentax merged to form a single business entity. Looking at the fiscal year under review as a turning point in Hoya's history, I am pleased to explain our future business direction, including the role of Pentax.

Review of Fiscal 2008

In the fiscal year under review, a large shadow was cast over the global economy by financial instability stemming from the U.S. subprime loan problem and soaring prices for crude oil and other raw materials. Amid such conditions, the Group's consolidated results showed net sales of ¥481.6 billion, operating income of ¥95.0 billion, ordinary income of ¥100.1 billion and net income of ¥81.7 billion. Partly thanks to the inclusion of the business results of Pentax Corporation and its subsidiaries into the consolidated

We aim to capitalize on our business integration with Pentax for sustained growth by speeding up optimization of our business portfolio to meet the needs of the times

Hiroshi Suzuki
President and CEO

results from the second half of the fiscal year, net sales were up a substantial 23.5% compared with the preceding fiscal year. However, operating income, ordinary income and net income were down 11.3%, 2.7% and 2.0%, respectively.

Primary factors in the decrease in earnings included lingering technical issues that occurred in certain products at the start of the fiscal period and lower profitability due to more severe price pressures in the midst of an overall rise in raw materials costs. The amortization of goodwill following the acquisition of Pentax's shares, which was carried out from July through August 2007, also began in the second half of the year, further depressing earnings. Although Hoya takes great care in advancing each of its businesses, in the fiscal year under review certain struggling products weighed heavily on the Company's overall performance. I offer my sincere apologies for any concerns this may have caused.

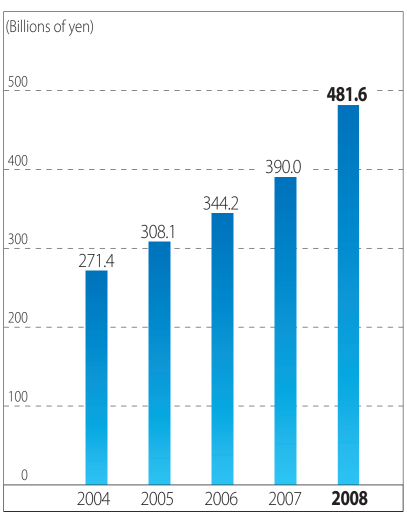
Information Technology

Overall net sales in the Electro-Optics business were ¥209.8 billion (down 4.3% compared with the preceding fiscal year), and operating income came to ¥67.4 billion (down 15.8% compared with the preceding fiscal year).

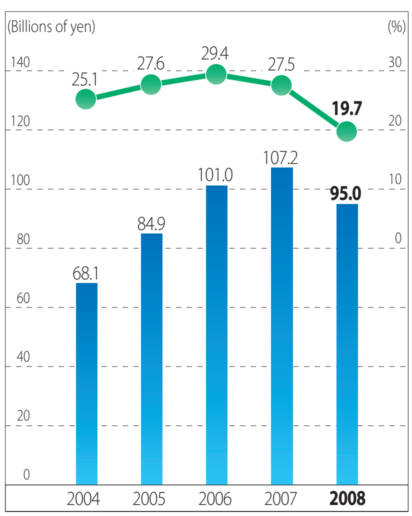
Mask blanks for semiconductor production sustained their robust performance, primarily in high-precision products. In semiconductor photomasks, focus on frontline products secured revenues on a par with the previous fiscal year, despite the small scale of the business. Although there were no significant changes through the year in our performance in semiconductor-related products or in the business environment, the semiconductor industry appears to be experiencing a structural shift. The advances in technology and higher development costs required for miniaturization are limiting the number of semiconductor producers able to accommodate the latest technologies, while incentives to engage in cutting-edge development are diminishing. This is resulting in ongoing harsh business conditions as the number of semiconductor chip development models declines, thereby stiffening competition in the photomask market and leading to lower prices.

In the LCD panel market in the fiscal year under review, an

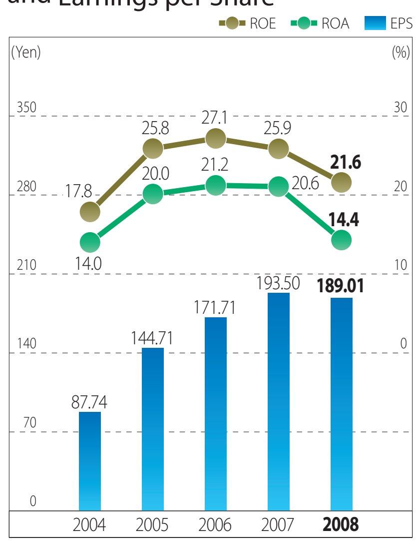
Net Sales



Operating Income and Operating Margin



Return on Equity, Return on Assets and Earnings per Share



(Fiscal years ended March 31)

Note: Operating performance figures for Pentax and its subsidiaries are included in the consolidated results from the second half of the fiscal year ended March 31, 2008 (October 1, 2007, to March 31, 2008).

emphasis by panel manufacturers on mass production instead of new development softened orders for new masks from photomask producers including Hoya. Consequently, the photomask market contracted even as the panel market expanded. Although the Company seems to have slightly augmented its market share, the shrinkage of the market as a whole made it difficult to maintain sales levels. At the same time, we are achieving satisfactory results from our efforts in recent years to technologically differentiate our products. Such efforts are progressing steadily and have resulted in higher ratings from customers.

In glass disks for hard disk drives, the Company got an early start on technical development relating to the perpendicular magnetic recording method, on which HDD producers commenced full-scale commercialization from the end of the preceding fiscal year. When we began manufacturing the new product, it unfortunately took longer than anticipated to develop technologies in line with the demands of our clients, leading to disappointing results in the first half of the fiscal year. However, development gradually caught up and performance staged a healthy recovery in the third and fourth quarters. We are still not making the most of our potential, and we believe we must make swift changes to our operations to take full advantage of our capacity in technology and production.

Concerning optical lenses, the digital camera market—which has grown for several years almost entirely without seasonal adjustments—was steady through the third quarter of the fiscal year. Although the Company's performance was weakened in the fourth quarter by the influence of short-term production adjustments carried out by digital camera manufacturers, results for the full fiscal year remained firm. The digital camera market is expected to continue expanding, with the number of units shipped rising in line with growing demand from emerging markets. We expect unit prices to fall, however, causing the growth rate to taper off. Hoya will continue to pursue its policy of market growth through specialization in products that utilize its technical capabilities.

Eye Care

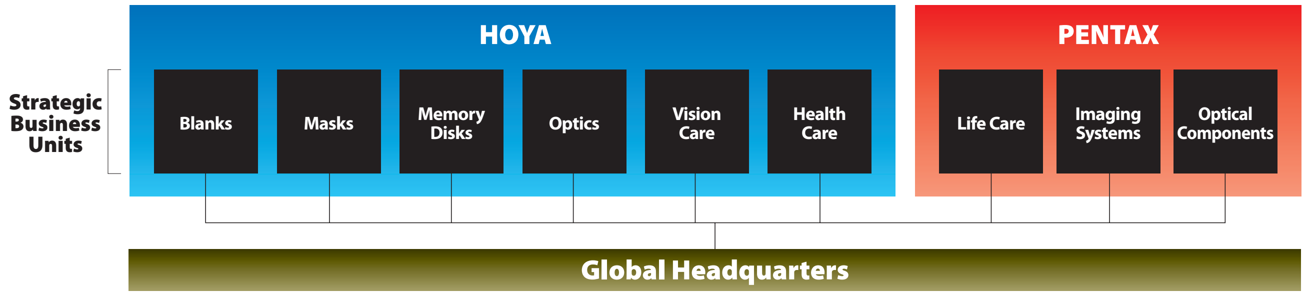
In the Vision Care business, which produces eyeglass lenses, net sales totaled ¥126.3 billion (up 5.5% compared with the preceding fiscal year) and operating income reached ¥20.6 billion (down 2.4% compared with the preceding fiscal year).

The fiscal year under review witnessed improved performance in the European market, owing to a successful expansion of sales channels as a result of management resources dedicated to the region, in addition to currency transaction gains from the rising euro. In the rapidly growing Asian markets as well, we achieved growth in the double digits and above. However, demand was sluggish in Japan and the United States, due to the impact of sagging consumption. Particularly in Japan, falling prices per unit product shrank the eyeglass market itself, which blunted the business's overall growth rate.

Concerning the Health Care business, net sales were ¥46.1 billion (up 13.0% compared with the preceding fiscal year) and operating income reached ¥10.1 billion (up 10.3% compared with the preceding fiscal year).

In intraocular lenses for implantation after cataract surgery, customers in Japan have recognized the advantages of our products, and they are near our original goals for market share. We expect new markets for such products once they obtain approval from the U.S. Food and Drug Administration (FDA), which is scheduled to happen in the year ahead. Our *Eye City* chain of contact lens specialty stores in Japan slowed the pace of new

New Structure of the Hoya Group



store openings, due to the influence of medical fee reforms. However, the chain attracted more customers and realized higher revenues at existing stores, as a result of further improvements in management efficiency and enhanced marketing activities. We see this as a year where we widened our lead over our competitors despite the inclement business climate.

Pentax

Pentax Corporation—which became Hoya's consolidated subsidiary in the second half of the fiscal year—posted net sales of ¥89.0 billion and operating loss of ¥134 million. The EPK-*i* series endoscope system that went on sale in the United States in May 2007 contributed to the sales increase. Also making a substantial contribution were sales of the digital SLR camera Pentax K10D, which earned three major global camera awards, evincing its strong popularity in Japan and other countries.

In the half-year following consolidation, the Company reaffirmed the promise and growth potential of medical endoscopes as key devices essential to the medical field. Going forward, we expect doctors' needs to become more sophisticated and complex, encompassing the ability to not only view the inside of patients' bodies, but to actually diagnose and treat the abnormalities discovered. We are proceeding with expansion in the medical endoscope field, including treatment tools for use with endoscopes, and other peripheral equipment.

Concerning the digital camera business, we are focusing on digital SLR cameras, targeting mainly high amateur users, and some business segments are already experiencing numerical performance gains thanks to business narrowing and selection, strategic product mixes and the establishment of new sales channels.

Our initial goal is to boost the operating margin of the Pentax businesses—primarily medical devices and digital cameras—non-inclusive of goodwill expenses, to 18% for the next three years.

Outlook and Priority Measures for Fiscal 2009

Hoya expects to see ongoing severe external conditions surrounding each of its businesses in the year ahead. In the global economy as well, the U.S. subprime loan problem is spilling over into Europe and Asia. The Hoya Group does not consider itself immune to the influence of such externalities. However, far from indicating any kind of loss of competitiveness, we believe the Company has the muscular financial position and business structure to maintain a degree of strength even in somewhat adverse circumstances.

Each of the Company's businesses are currently operating well in comparison with one year ago, and these results are manifesting in quantitative performance gains as well. In each business, we have revised our operating structures to optimize simplicity. These changes should enhance our ability to respond to market changes and allow us to sustain a measure of profitability through cost competitiveness even when product prices fall in the face of difficult market conditions. Concerning capital investments, from approximately one year prior we have carefully considered which areas to be aggressive in and which to narrow down, and have taken actions accordingly. We intend to pursue the same policy in the year ahead and the years following, channeling the minimum required level of financial resources into primarily frontline technology areas.

It has been approximately eight years since I took up the position of CEO. The scale of the Hoya Group businesses has grown substantially since then, but many improvements still need to be made in the operation and organizational structure of the businesses. With the addition of the Pentax business, I believe we have an excellent opportunity to review our operations from the ground up during the upcoming fiscal year. The Company has so far ridden the wave of market growth to achieve solid performance gains, a ride that has for too long lulled certain segments into contentment with current levels of success. It is difficult to change what one has become accustomed to, and the change requires vast expenditures of energy. However, we believe some areas require reform from the standpoint of sharpening our competitive edge. Rather than fearing change, we intend to bring the Company back to its roots and commence with efforts to bring about such changes. I would like to start by changing the mentality of each Group employee to put such measures into practice.

Business Portfolio Management and a Medium- to Long-Term Vision to Support Sustained Growth

Hoya's concept of business portfolio management is a business philosophy that entails retaining and subsuming several different businesses within the Group simultaneously and balancing them to sustain profitability, stability and growth overall. This is Hoya's basic attitude regarding management.

As with living things, every undertaking follows a life cycle of birth, growth, maturation and decline. In line with this process, enduring expansion requires constant generation of new businesses, or else the drawing in of new businesses from the outside. As one business is being born, another business may be removed from the portfolio once it has served its purpose.

My role as CEO is to continually tune the Group's business portfolio to the needs of the times. I consider it my highest mission to ensure the continued growth of the business entity that is the Hoya Group, through selection and winnowing of businesses, appropriate allocation of resources and the development of an optimal business portfolio.

Based on this approach, in the fiscal year under review we added the new portfolio elements of Pentax's businesses to Hoya's existing business portfolio. This was part of a two- to three-year effort to transform the Company, as well as one of the processes toward paving a new path for Hoya's growth over the next 10 years.

I see Hoya as an optics company. In that sense, I aim to develop the Company's businesses by leveraging its optical technologies and maximizing opportunities for growth and profits within those fields. Optics is one area that still has potential for growth. I remain optimistic about the potential for new business development in this domain.

Striving for Sustained Growth into the Future through Management Integration with Pentax

I said before that Hoya is an optics company. In looking to the next phase of the Company's growth utilizing its optical technologies, one business we had longed to enter at some point was endoscopes and other medical devices. We explored this field early on, but starting a business from the ground up takes time. Instead, we deemed outside resources a more effective way of keeping pace with the times, and settled on the business integration with Pentax as a viable option.

The medical endoscope business is very attractive, and one in which Pentax possesses superb technologies and development capabilities. The medical endoscope business shows tremendous potential. I would like to consciously cultivate this business into a pillar to support the Hoya Group's growth 10 to 20 years into the future. Although I simply say the "medical equipment field," this market is expected to diversify. Limiting the domain to optical technologies, which is an area of particular expertise for both corporations, we can demonstrate undisputed competitive advantages. To this end, we are aggressively investing management resources to cultivate and develop new markets.

Another anticipated benefit of the business integration is the contribution of Pentax's optical design technologies to the enrichment of Hoya's technology and expertise in optics. Pentax has excellent technologies relating to the design of a wide variety of optical parts and the manipulation of light itself. Going forward, we wish to share these technologies across the entire Group. By fusing Hoya's technical capabilities with Pentax's optical technologies, we should see future possibilities not only for cameras but also for totally new domains. To ensure favorable results from consolidating the two companies, we first intend to transform Pentax's business structure to streamline management and bolster responsiveness to market needs.

This business integration represents a milestone, rather than an endpoint, in the growth of the Hoya Group. Just looking at the medical devices field, we still see technologies and products that have room for improvement. We maintain our policy of cultivating and acquiring new technologies and new businesses to add value to the Hoya Group.

Although Pentax Corporation has been dissolved by this merger, we will continue to use the globally recognized Pentax brand name.

A Final Word to Our Shareholders

In the fiscal year under review, a difficult external environment and issues within the Company led to performance that fell short of expectations. I would like to once again apologize to our shareholders for the significant concerns this may have caused. In the business integration with Pentax as well, we received a broad range of opinions, admonitions and encouragement from our shareholders and a large number of our stakeholders, making this watershed year one in which I felt a renewed sense of responsibility as CEO. As Hoya responds flexibly to changes in the times, we remain committed to creating the kind of value for the general public and the advancement of society that only Hoya can offer. I look forward to the understanding and support of our shareholders in these endeavors for many years to come.

Hiroshi Suzuki, President and CEO

Who is PENTAX ?

In August 2007, looking to cultivate new business to accelerate growth into the next generation, the Hoya Group took on Pentax Corporation as a consolidated subsidiary. We subsequently merged with the firm on March 31, 2008. We are pleased to introduce Pentax as a perennial innovator in cameras and medical equipment, creating products born out of its unique technologies.

Cutting-edge R&D that looks to the future

Pentax researches and develops leading-edge technologies that look five or 10 years into the future, leveraging its optomechatronics technology. Under the principal themes of optics, precision technology and medical technology, Pentax adds to its internal resources by actively collaborating and engaging in joint development with the research departments of outside firms, universities and other institutions to speed up R&D and strengthen development capacity. With substantial growth anticipated for the medical field, the corporation endeavors to develop endoscope systems that utilize new technology, refine the performance of existing products and channel resources into research in biotechnology, nanotechnology and other future-oriented elemental technologies. The merger with Hoya will accelerate Pentax's research and development activities.

Continual growth in three core businesses fueled by original technology and ideas

Lifecare Business

Since its release of the bronchofiberscope in 1977, Pentax has developed and sold medical equipment that utilizes optics and precision processing technology. In the flexible endoscope field in particular, Pentax products designed for the respiratory system; the digestive system; ear, nose and throat examination; and other areas have garnered extensive support from doctors the world over for their superior performance, safety and ease of use. In the new ceramics field, the firm also develops biocompatible bone filling material and chromatography media for purification and separation of biopharmaceutical drugs.

Imaging Systems Business

In 1952, Pentax released the first 35mm SLR camera made in Japan, going on to create original technologies and products as a leader in the culture of images and photography. The PENTAX K10D, a digital SLR camera with interchangeable lens released in 2006, has earned plaudits from users around the world and dominated three top global camera awards based on its excellent performance, broad range of functions, superb usability and attractive pricing. The PENTAX K20D, released in March 2008, has also gotten off to a fine start.

A **global network** providing the people of the world with happiness and satisfaction

Beginning in 1962, Pentax has spent more than 40 years building an overseas network and actively participating in the global market. Pentax is appreciated as a worldwide brand.

Optical Components Business

Pentax's top-class optical technology is used in lens modules for compact digital cameras and pickup lenses used to read from and write to CDs, DVDs and other optical disks. One such module is the sliding lens system, an innovative lens structure brought to market in 2003, which offsets the lens groups and houses them on two different levels. The sliding lens system has contributed significantly to the development of thinner and lighter compact digital cameras.

Pentax: A history filled with product "firsts" in Japan and the world

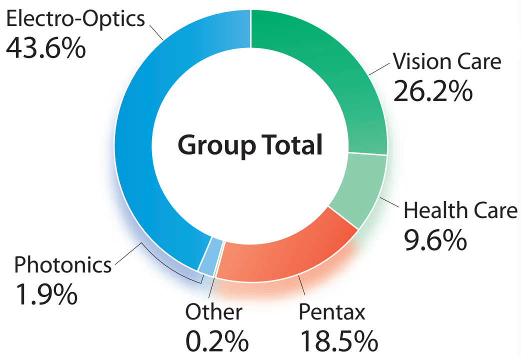
Since its establishment in 1919, Pentax's unique ideas and technical capabilities have generated an array of products that were the first of their kind in Japan or in the world. Pentax has continually innovated while remaining committed to smaller, more compact, more user-friendly cameras that retain high image quality. The corporation has also broken new ground with products in the medical equipment field, which it entered in 1977, and the new ceramics field, which it entered in 1983.

1919	Established Asahi Optical Joint Stock Co.
1938	Established Asahi Optical Co., Ltd. Began lens design and commenced production of camera lenses and binoculars
1952	Released the Asahiflex I, the first 35mm SLR camera made in Japan
1957	Released the Asahi PENTAX, an SLR camera featuring a pentaprism First used "PENTAX" in product names
1977	Entered medical equipment field and released FB-17A bronchofiberscope
1981	Cumulative global production of SLR cameras topped 10 million Released the PENTAX ME-F, the world's first TTL auto-focus SLR camera
1983	Entered the new ceramics field Released APACERAM, an artificial tooth root using hydroxyapatite
1985	Released Japan's first apatite bone filler
1986	Released the PENTAX Zoom 70, the world's first compact zoom camera
1987	Released the PENTAX SFX, the world's first TTL auto-focus SLR camera with built-in flash Entered the electronic endoscope field and released the PENTAX videoendoscope with built-in CCD sensor
1997	Entered the digital camera field and released the PENTAX EI-C90 digital still camera Released the PENTAX 645N, the world's first auto-focus, medium-format SLR camera with interchangeable lens
2000	Developed and commercialized the world's first DVD/CD-compatible hybrid diffraction lens
2002	Changed the company name from Asahi Optical Co., Ltd. to Pentax Corporation
2003	Released the PENTAX Optio S, a digital camera equipped with a sliding lens system
2004	Acquired 100% share of Microline, Inc. to augment the medical treatment equipment business, and established Microline Pentax, Inc.

Hoya at a Glance

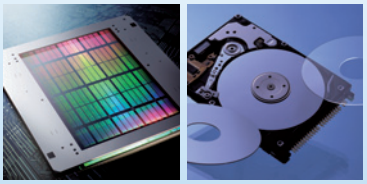
We aim to continue growing our operations in the Information Technology, Eye Care and now Pentax businesses and divisions.

Net Sales Breakdown by Business Segment*
(Year ended March 31, 2008)

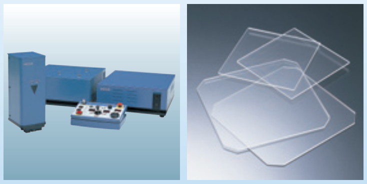


Information Technology

Electro-Optics Division



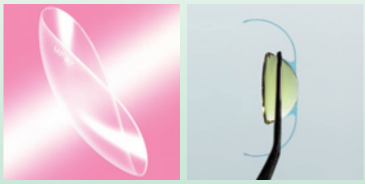
Photonics Division



Eye Care

Vision Care Division

Health Care Division



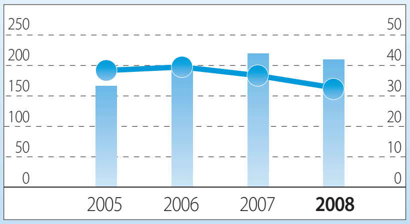
Pentax

Other

* Owing to the inclusion into Hoya's 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 (the six months from October 1, 2007, to March 31, 2008).

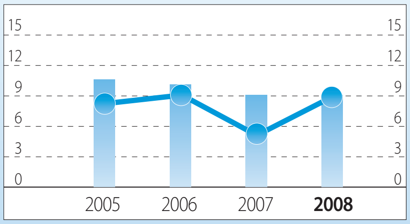
At a Glance

Net Sales (Billions of yen) | Operating Margin (%) | Core Products and Services



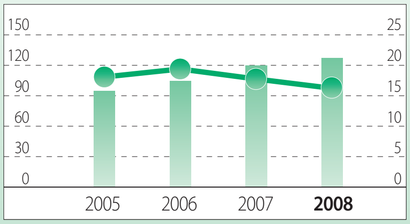
As functions and performance standards rise for semiconductors, LCD televisions, personal computers and digital cameras, and as these products grow more compact, Hoya maintains the technical skills, development capabilities and production systems to respond accurately to such needs. Hoya thereby sustains a large share of each of these markets. The Electro-Optics Division has become a driver of growth and profits for the Hoya Group.

- 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



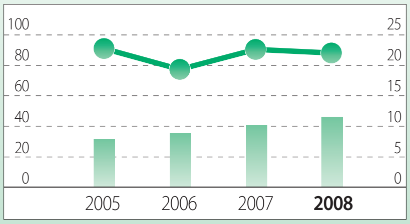
The Photonics Division applies optics technologies cultivated over many years to provide light source devices and equipment that utilize lasers and UV. Many of these products are used in manufacturing processes for semiconductors, LCD panels and digital cameras, and Hoya anticipates that the division's business will benefit from positive synergies with the Electro-Optics Division.

- UV light sources and excimer light sources
- Industrial and medical laser oscillators
- Various types of electro-optical glasses



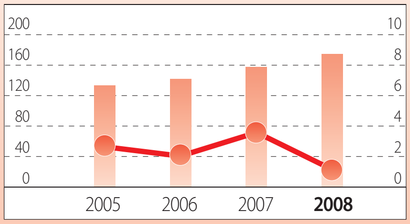
The Vision Care Division is engaged in global markets with a focus on four regions: Japan, Europe, North America and Asia-Pacific. Hoya develops its businesses in this field in ways that best reflect the varying commercial practices, laws, government regulations and consumer preferences in each region. The Company holds the top market share in Japan, based on the high quality and unquestionable value of its products. In Europe and the Asia-Pacific region, demand is rising for high-value-added products such as Hoya's excellent progressive and high index lenses.

- Eyeglass lenses



The Health Care Division is responsible for the development of the *Eye City* chain of contact lens specialty stores, and it also produces and sells intraocular lenses (IOLs) used in the treatment of cataracts. *Eye City* is the largest chain in its market segment in Japan. The *Eye City* business continues to attract more customers, thanks to the broad range of excellent products sourced from Japan and overseas to meet the needs of its diverse customers, not to mention its superior client consultation service and full range of after-sales services. Hoya markets IOLs globally, with focus on its headquarters in the United States.

- Contact lenses
- Intraocular lenses (IOLs)



Leveraging its optics and precision processing technologies developed over many years, the Pentax business develops and sells a broad selection of products, including medical devices, digital cameras, lens units for digital cameras, and microlenses. Particularly in the medical devices market, Hoya is garnering strong support for its development of flexible endoscopes with unprecedented image clarity and device operability. In cameras, the Company offers products with superior image quality and performance.

Note: Included here for reference are 12-month net sales and operating margin figures for Pentax Corporation and its consolidated subsidiaries, prior to inclusion in the Hoya Group.

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

The Crystal business provides top-grade crystal glass products created with masterful technique from quality glass. The Service business is mainly engaged in the development and operation of information systems for the companies in the Hoya Group.

- Crystal glass
- Development and operation of information systems

Information Technology

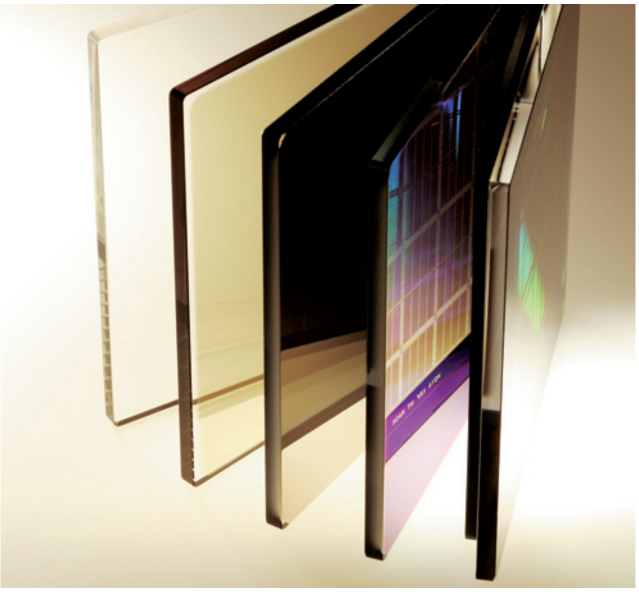
Along with the digitization of telecommunications, broadcasting, home electronics, entertainment and a host of other content comes the need to develop technologies to process increasing volumes of data at high speeds. Hoya provides the technology and products that enable the development of higher-capacity, faster information and telecommunications equipment that is more compact and lightweight. In the process, we make a significant contribution to the onward march of large-screen FPD televisions, digital cameras, notebook PCs and other digital products.

Electro-Optics Division

Mask Blanks and Photomasks for Semiconductor Production

Hoya provides high-value-added products and services that aid in semiconductor miniaturization and process enhancement

As semiconductor miniaturization continues, lithographic exposure—which transfers the circuit pattern onto the wafers—is key to the production process. Hoya produces photomasks, which are the master plates for the patterns used in lithographic exposure, and the mask blanks that form the substrate for the photomasks. A mask blank is a highly polished glass plate onto which a homogeneous metallic film and photosensitizing agent have been applied; a photomask is a mask blank onto which a pattern has been drawn with an electron beam or laser writing device. Semiconductor manufacturers seek to continue integrating more components with smaller circuits, as this increases device performance and saves on raw materials costs. Hoya takes advantage of its technical capabilities cultivated over the years to support semiconductor miniaturization by providing high-precision mask blanks and photomasks that competitors cannot match.



From left: a glass substrate, a phase-shift half-tone mask blank, a homogenous metallic film coated layer, a completed blank with photoresist coating and a complete photomask with circuit

Significant Actions Taken and Results Achieved in the Fiscal Year under Review

High-precision products drove sales

Looking back on the semiconductor market in the fiscal year under review, while the first half saw hearty incentives for cutting-edge development, the second half witnessed manufacturers seeking to improve productivity while pursuing miniaturization through more conservative means. At the same time, special attention was placed on profitability and efficiency as alarms were sounded over ever-inflating development investment costs.

In this environment, performance of Hoya's mask blanks stayed strong in the fiscal year under review, primarily supported by high-precision products. Among these, phase-shift mask blanks, which enable finer lines to be drawn by changing the phase of the light used, sustained their growth trend from the preceding year. The Company has nearly completed a technique for drawing circuit lines 45 nm* in width and has commenced product shipments, as well as steadily progressing in development of the upcoming 32 nm line width products.

In photomasks, rather than pursuing scale of business Hoya concentrated on developing frontline applications and strengthening cost competitiveness. As a result, we sustained the same level of profitability as during the preceding year. In the semiconductor industry, chip manufacturers are regarding manufacturing cost reduction as a key issue even as they accelerate development in leading-edge applications, resulting in more complex, high-level needs from photomask manufacturers than ever before. In line with this shift, the Company maintains a development system intimately coordinated with its customers, at times even getting involved in customers' circuit design and product development activities. Such coordination allows us to offer not only cutting-edge technology development, but also truly valuable solutions, such as products that increase yields on customers' production lines.

* One nanometer equals one billionth of a meter.

Highlights

EUV mask blanks, regarded as a candidate for the next generation of lithography technology

The argon fluoride excimer laser with a wavelength of 193 nm is currently the predominant light source used for lithographic exposure onto semiconductor wafers. The circuit patterns that the ArF excimer laser can draw were considered to be limited to a line width of 65 or 45 nm. However, as of 2008, advances in production techniques have brought 22 nm pattern formation into view. On the other hand, the strongest candidate for the next generation of lithography light source after ArF is extreme ultra violet (EUV), which has a wavelength of 13 to 14 nm. Hoya has already completed its basic R&D for EUV mask blanks and is offering test mask blanks with a view to commencement of mass production. We plan to continue enhancing EUV mask blanks toward practical application in 2011 and beyond.

Policies and Forecasts for the Year Ahead

Focusing on new product development and technical support to improve semiconductor manufacturing processes

Hoya will continue funneling resources into high-value-added products and enhancing its development system in support of 32 nm. Moreover, the semiconductor industry is nearing full-scale process development with 22 nm line widths. As a producer of mask blanks, Hoya intends to actively participate in development activities that look to the next generation, including joint development projects with device and materials manufacturers.

In the semiconductor industry, to cut down on production costs we anticipate even more industry activity that will change the semiconductor manufacturing process itself. Hoya will leverage its technical capacity and product expertise backed by its experience to provide mask blanks and photomasks that assist customers in refining their production processes. With technological advancements in semiconductors happening on a shorter cycle especially in recent years, Hoya is committed to responding swiftly to such market needs by further enhancing its development capabilities and its ability to offer customers valuable solutions.

LCD Photomasks

Hoya supports the expansion of the market for LCD panels

Liquid crystal displays (LCDs) permeate our lives on a broad scale, from flat panel televisions and computer monitors to digital cameras and mobile phones. LCD photomasks are the master plates used in the manufacture of these LCD panels. Hoya is the world's leading producer of LCD photomasks, and it has strengths in the production of large-scale LCD photomasks.

The LCD panel market continues to grow year by year, driven by demand for large flat-panel televisions and computers. Particularly in flat-panel televisions, which have enjoyed explosive global popularity, the panel manufacturers that are the Company's customers are working to increase panel size and improve productivity, in response to demand for larger displays and an ongoing rapid slide in unit product prices. In line with such trends, Hoya strives to provide large-scale photomasks for the efficient manufacture of larger panels and continues to supply new technologies that help improve its customers' productivity.

Large-scale photomasks for LCD production

Significant Actions Taken and Results Achieved in the Fiscal Year under Review

Offering new value in harsh market conditions

In the fiscal year under review, panel manufacturers slowed the pace of investments in facilities, and the thriving panel market led to a greater emphasis on mass production of existing models than on new product development, which reduced the number of new orders for photomasks and softened overall demand in the market. Coupled with plunging prices for certain products, the Company faced a year fraught with adversity.

Under such circumstances, Hoya worked to further cut costs and implemented new technologies to provide products that aid customers in streamlining and reducing costs in their production processes. For example, the Company is working to expand sales of its multi-tone mask, which can contribute to productivity through a 15% to 20% physical reduction in the panel manufacturing process. We have also applied high-level techniques used in photomasks for semiconductors, which we have been involved in for many years, to commence technical services that simulate customers' production processes with the aim of improving the process environment. As a result, our customers have reevaluated our advanced technical abilities and service quality, which we believe has succeeded in enhancing customer trust in Hoya's frontline technology capabilities.

Highlights

Pursuing excellence in quality, delivery times and costs to nimbly respond to customer needs

From autumn 2006, Hoya commenced in-house production of glass substrates (mask blanks) for LCD photomasks and reorganized its production system to incorporate all manufacturing stages from substrate to photomask. These changes have bolstered cost competitiveness by raising photomask quality and ensuring substrate supply. In addition, the tripolar production system the Company has been promoting since 2005, with hubs in Japan, Taiwan and South Korea, enables rapid response to customers in each region. There has been a growing tendency in recent years for panel manufacturers to keep a cautious eye on final demand when placing orders for photomasks. Hoya and other photomask producers are therefore being asked to deliver quality customized products in short time frames. In combination with in-house production of mask blanks, this tripolar system allows for agile response to such customer needs.

Large-sized LCD photomask (1,220 mm × 1,400 mm) used for eighth-generation LCD panels

Policies and Forecasts for the Year Ahead

We are extending our market lead through technological innovation and detailed accommodation of customer needs

As lower prices transform LCD televisions into consumer goods readily purchasable by the general public in a process known as "commoditization," the global market is projected to continue expanding in the year ahead, boosted by the Olympic Games and the spread of digital broadcasting networks. In the year ahead, we expect panel manufacturers to ramp up capital investment and establish new production lines in response to such demand, and the supply and demand situation in the photomask market is predicted to turn favorable.

Hoya will capitalize on these opportunities to elevate its presence in the market by continuing its technological innovation and responding carefully to the diverse needs of each customer. In the brief space of 10 years, the LCD panel market has rushed through a growth process that took the semiconductor market 30 years to complete, and there is still considered to be substantial room for refinement of production techniques. The Company aims to offer ground-breaking products to support the sustained growth of LCD panels by applying the technical capabilities we have accumulated in semiconductor photomasks to LCD photomasks.

Glass Memory Disks for Hard Disk Drives

We will further enhance our production and development structure to accommodate continuing growth in the 2.5-inch HDD market

Hard disk drives (HDDs) are incorporated into personal computers and other digital devices as data storage units. Highly shock-resistant glass disks are used in HDDs for notebook computers, portable game consoles and other mobile devices to ensure that data is not damaged in transit due to vibration or impact.

Hoya produces and sells substrates (polished glass plates) and media (consisting of magnetic recording films formed on the surfaces of the substrates) for such glass disks. Nearly all the Company's sales of such products are for 2.5-inch disks, which are incorporated into HDDs and used in notebook computers, car navigation systems and game consoles.

Glass memory disks used in notebook computer HDDs (illustration)

Significant Actions Taken and Results Achieved in the Fiscal Year under Review

Using adversity as a springboard for future growth

In the fiscal period under review, the 2.5-inch HDD market expanded on a global scale amid growing worldwide demand for notebook computers. Hoya's unit sales of substrates increased from the preceding fiscal year, but unit sales of media fell as a result of lagging development. Market prices also dropped, owing to severe market competition. Also, for products denominated in dollars, a rising yen eroded unit prices after conversion to the Japanese currency. As a result, sales declined overall.

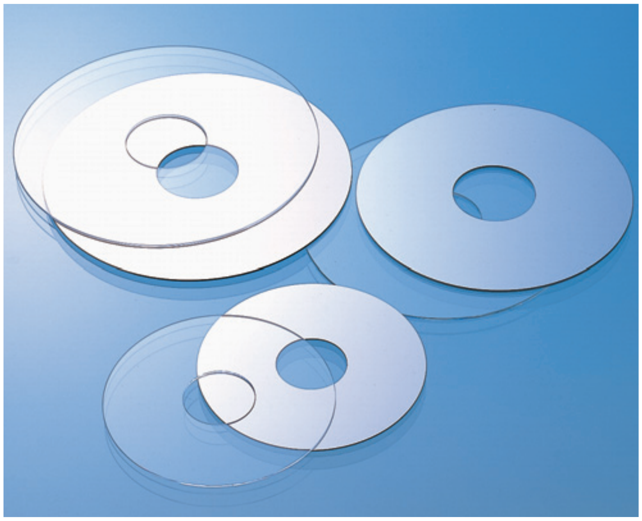
Around the spring of 2007, HDD manufacturers fully transitioned to a perpendicular magnetic recording method that enables increased storage capacity through greater data recording density. Although Hoya got a head start in developing media compatible with the new method several years in advance, delays in technical development at the final phase of commercialization thrust the Company into an uphill battle with its rivals in the first quarter of the fiscal year under review. However, we staged a gradual comeback from the second quarter and have now returned to a stable production system. As a result of such technical issues, significantly lower product prices despite market expansion, and ongoing cost pressures due to rising raw materials prices and the influence of exchange rates fluctuations, profitability in the fiscal year under review also declined compared with the previous fiscal year.

Policies and Forecasts for the Year Ahead

Expanding production systems in response to globally increasing demand
Advancing rapid development through an organizational structure responsive to the market

Demand for notebook computers is surging on a global scale, with notebook PCs forecast to overtake desktop models in 2009 as a percentage of all computers sold. This growing demand, replacement demand for desktops in Western markets and new demand for notebook PCs from emerging markets are expected to propel continued robust growth in the 2.5-inch HDD market as well. Moreover, although 3.5-inch HDDs have been standard for desktops because of the lack of need for portability, recent indications point toward the adoption of 2.5-inch units for desktops as well, in the interests of energy and space efficiency.

In an advance response to such demand, Hoya is promoting a plan to augment manufacturing facilities at its Vietnam plant—one of its main substrate production centers. We are also working to reorganize our production system to achieve higher quality, lower costs and more stable operations, in contrast to past efforts primarily focused on upping production volume. Our initial goal is to consolidate marketing, development and production functions to ensure firm support of customer needs through speedy development processes that enable swift response to market changes.



Glass memory disks for HDDs: transparent substrates and media

Highlights

Capitalizing on synergies with other divisions to enhance discrete track recording and other next-generation technologies

To stay ahead in the fast-moving HDD technology race, the Company is working to develop state-of-the-art technologies that look to the next generation and the generation after that. We are currently focusing R&D resources on discrete track recording media. By making grooves of non-magnetic material between recording tracks, this technology reduces the incidence of noise between neighboring tracks, thereby permitting an increase in data recording density of 1.5 to 2.0 times compared with conventional media. With the market anticipating commercialization of the technology in 2010, advances in media are leading to calls for technological innovation in substrates. Hoya is committed to developing and establishing production processes for next-generation products, utilizing the expertise accumulated throughout the Group at its R&D Center and other divisions.

Optical Lenses

Advances in superior-performance optical glass bring more sophisticated optical lenses

Hoya maintains a complete production system capable of manufacturing everything from optical glass to processed optical lenses, and develops and manufactures high-precision aspherical molded lenses and polished lenses used in the photographic optical units of digital cameras, video cameras, camera-equipped mobile phones and other devices. In particular, aspherical molded lenses—Hoya's forte—have excellent aberration correction properties, which enable wide-angle settings and require fewer lenses, thereby contributing handsomely to more compact, lightweight and functionally sophisticated cameras.

Significant Actions Taken and Results Achieved in the Fiscal Year under Review

Raising orders of lenses for compact digital cameras by commercializing technically challenging concave meniscus aspherical lenses

In the fiscal year under review, demand for digital cameras swelled in Japan, Europe, North America and other developed countries, as well as the BRICs markets of Brazil, Russia, India and China. The market experienced a steady stream of high-performance compact cameras, especially those having thin, lightweight designs while sporting high megapixel counts over 10 million and high-powered built-in zoom functionality. The SLR camera market is also growing steadily as resolutions improve, the number of entry-level models increases, operability improves and the units enjoy greater popularity with female shoppers ranging from pros to amateurs.

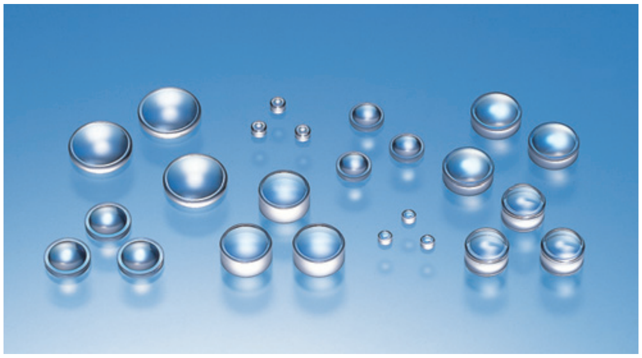
In this environment, demand for Hoya's aspherical molded lenses and polished lenses grew in the first half of the fiscal year under review to significantly exceed that of the previous year. In contrast, orders for optical lenses fell in the fourth quarter, due to a downturn in demand for compact cameras that began in the same quarter and the influence of inventory adjustments by camera manufacturers. Amid such problematic circumstances, sales of concave meniscus aspherical lenses grew considerably to become a core driver of net sales, as customers recognized the lenses' superb functionality and quality. Furthermore, production of SLR cameras has been increasing rapidly in the last several years, while medium- and large-aperture lenses sustained healthy sales momentum from the prior year.

Through to the preceding fiscal year, there was demand for both 2- and 3-megapixel glass lenses for camera-equipped mobile phones. However, a greater-than-expected switchover to plastic lenses depressed overall units produced in the fiscal period under review, despite the Company's focus on deploying high-end 3- to 5-megapixel models, which are particularly well-suited to take advantage of the benefits of molded glass lenses. Concerning optical glass materials, we successfully commercialized a high-functionality material we had been developing and earned resounding praise in bringing it to market. In terms of production, we upgraded the capacity of our glass melting furnace and our overseas polishing and mold pressing plants in response to booming demand. We also expanded our production lines for polished lenses used in digital SLR cameras, for which demand is expected to grow, and for aspherical lenses.

Highlights

Developing glass materials for high-performance aspherical molded lenses with superior optical properties

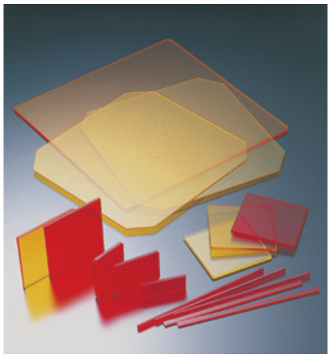
Hoya is channeling resources into the development of state-of-the-art optical glass materials that offer a high level of performance. Unlike plastic, optical glass comes in a wide array of diffractive indices and dispersion rates and has excellent stability under changes in temperature, moisture and other environmental factors, leading to its adoption in product areas requiring especially high performance and reliability. Optical glass used in aspherical molded lenses has been diversifying to cover a broader range of optical properties, in particular recently, and optical designs will require even higher diffractive indices and lower dispersion rates in the future. However, the extending coverage of physical properties is requiring ever more sophisticated processing techniques for molded lenses, leading to technical challenges in glass molding. Hoya is responding to these challenges by developing products ranging from advanced glass materials that have lower melting points while retaining excellent optical properties, including high diffractive indices and low dispersion rates to glass materials that present technical challenges in molding. Through this range, the Company is promoting development of leading-edge high-performance glass materials that anticipate market needs through comprehensive technical development all the way through to molding techniques, thereby enabling mass production.


Aspherical molded lenses

Photonics Division

In the Photonics Division, Hoya applies the optical technologies it has cultivated over the years to manufacture and develop such products as laser oscillators and UV light source devices. Principal products include the defect correction equipment used in the flat-panel display (FPD) manufacturing process, laser oscillators for precision processing that assists analysis aid processing during semiconductor manufacturing, as well as UV light source devices used in the UV resin bonding of such optical parts as optical pickups and camera modules. We also provide 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, in response to changes in the marketplace we reviewed our product mix and stepped up marketing activities. As a result, although sales remained on a par with the preceding fiscal year, profitability improved. In the upcoming fiscal year, we will concentrate on strengthening relations with customers and developing products and enhancing services to meet their needs. Through these efforts, we will strive to deliver truly valuable solutions to our customers.


Color filters

EXECURE 4000, a spot UV light source device

Eye Care

Eye care is growing in importance, particularly in developed countries with aging populations. Hoya meets this demand around the world in a number of ways: with high-value-added eyeglass lenses; at its *Eye City* chain of contact lens specialty stores that adopt a consulting-based sales approach; and through its intraocular lenses (IOLs), which assist the simple and safe surgical treatment of cataracts. In short, we provide a myriad of products and services to care for that most important sensory organ—the eye.

Vision Care Division

Eyeglass Lenses

Growing Steadily in a Difficult Environment by Providing High-Quality Eyeglass Lenses on a Global Basis

The global market for eyeglass lenses is still expanding at several percent per year. During the second half of fiscal 2008, however, the combination of weakening demand and an influx of low-priced lenses from Asia slowed the industry's growth. Amid this difficult operating environment, Hoya's Vision Care Business implemented a number of management initiatives that succeeded in boosted net sales 5.5%, compared with the preceding term.

Hoya excels by providing high-value-added lenses, produced using the industry's most advanced technologies. These include high index materials; antireflective, scratch-resistant and a variety of other coatings; and FreeForm design technology[*1], which is used in such applications as double-surface progressive lenses. The Company is optimizing its global supply chain, providing custom lenses via its Thai mass-production facilities, processing labs in countries throughout the world and its Super RX Labs in Thailand, featuring newly expanded capacity. This system enables Hoya to provide its customers with customized lenses swiftly and more efficiently than ever before.

Hoya is also enhancing eyeglass sales to a much broader customer base. For example, the Company helps retail stores offer higher-quality services by providing sales support software, expanding the application of direct ordering systems and other IT tools, as well as education and training.

Japan

Sales of Hoyalux FD Bifocal Eyeglass Lenses Increase

Throughout its long history of operations in Japan, Hoya has used advanced technologies to design high-value-added lenses that have earned a solid reputation. In recent years, price competition has intensified, owing to the proliferation of shops offering inexpensive eyeglasses. These shops, known as "one-price shops" and "three-price shops," are a relatively recent phenomenon. One-price shops typically offer generic-brand single-focus lenses in a limited range of frames—all at a single low price. Three-price shops are similar, but they offer a broader range of options, and pricing is tiered accordingly. Until now, this price competition has been limited mainly to single-focus lenses, but in the fiscal year under review the effects of this trend rippled outward. Prices fell on the high-end lenses that are Hoya's mainstay, and shops offering lower-priced progressive lenses began to emerge, pushing down prices marketwide.

Operating in this challenging business environment, Hoya has focused on boosting sales of Hoyalux FD[*2] bifocal lenses with a double-surface progressive lens design. Despite the impact of these sales, however, revenues were down slightly year on year as a result of the overall market contraction.

Going forward, Hoya will continue to attract customers with products that incorporate superior design and ophthalmic technologies. We recognize the diversity of customers' needs, and we are implementing a multibrand strategy targeting a broader range of customers.

Ad promoting REMARK, a new-concept lens

Europe

Hoya Market Share Rising Thanks to Growing Brand Awareness

Until fiscal 2008, Hoya had enjoyed several years of sales growth in Europe, but consumer demand in this market slackened in fiscal 2008. To be specific, the market for eyeglasses decelerated sharply in the third quarter. We addressed this situation by building the Hoya brand through such efforts as offering IT tools, training personnel at eyeglass retail stores and developing aggressive marketing strategies. Through these efforts, we increased sales of Hoyalux iD Lifestyle[*2] lenses, as well as lenses that incorporate Hoya's proprietary double-surface progressive lens design.

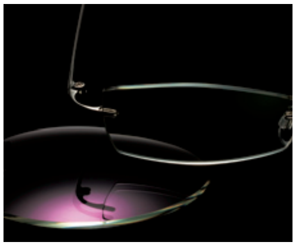
To maintain this momentum, we will strengthen our services for retail stores, thereby enhancing the Hoya brand.

North America

Cultivating Sales Channels and Aggressively Developing Our Brand Strategy

In fiscal 2008, this market endured issues related to the subprime loan crisis and rising unemployment, which affected all aspects of consumer spending. Although we have not placed a high priority on the North American market until now, we have steadily expanded these operations since our acquisition of local eyeglass lens processing and sales companies in fiscal 2001. Regulatory requirements and stiff competition are more challenging than in other markets, but we are steadily enhancing our market presence by cultivating sales channels and building our brand.

In the United States, the baby boom generation is nearing retirement and increasingly needs Hoya's high-performance lenses. We plan to introduce products to take advantage of this need, thus boosting our North American business onto a growth trajectory.



Brazil, Russia, India and China

Our Keys to Growth

Hoya is developing businesses in Brazil, Russia, India and China (BRICs), which have growing populations and robust economies. Russia and Eastern Europe are particularly noteworthy for the rising number of people who can afford quality eyewear. For example, Hoya's business in Russia doubled during the past year, and demand for high-end eyeglass lenses is rocketing in Poland, Hungary and Rumania.

China is also achieving rapid economic growth, but most of its consumers remain unaware of the advantages of multifocal lenses. In this market, only about 1% of the people who need multifocal lenses wear them, but demand for high-value-added eyeglasses is expected to grow in line with economic expansion and as the value of these lenses are better understood. Hoya plans to secure a major share of this tremendous market.

India's GDP has grown sharply over the past several years, and the number of educated, middle-class people who can purchase quality eyewear has risen accordingly. In fiscal 2007, we established a local subsidiary in Mumbai, which is our base for expansion.

Although Hoya's eyeglass lens business has aggressively expanded its global operations, its global market share lags its business in Japan.

Our first priority for the coming years is to bolster our global presence by cultivating the BRIC markets. As part of this strategy, we expect to take full advantage of opportunities to expand our business via local acquisitions. We believe the BRIC markets have great potential and expect to derive 80% of our growth from these emerging markets.

Hoya is also making plans for the future investment in South America and other areas where we have no direct investments at present.

*1 FreeForm design technology: Created by using Hoya's design and processing technologies, these lenses feature aspheric surfaces customized to ensure optimal performance tailored to each customer's order.

*2 Hoyalux FD (in Japan)/ Hoyalux iD Lifestyle (in Europe): These reasonably priced progressive lenses have the standardized design aspects of the superior Hoyalux iD lenses (See *3) so that more customers can experience the benefits of Hoyalux iD.

*3 Hoyalux iD: These double-surface progressive lenses are fully customized to provide clear near and far vision.

Health Care Division

Eye City Chain of Contact Lens Specialty Stores

While keeping pace with major changes in its operating environment, Hoya strives to create stores that customers prefer

Hoya's *Eye City* chain of 150 contact lens specialty stores across Japan is the largest such enterprise in the country. *Eye City* emphasizes the eye health of each of its clients as it expands the scale of its business by providing quality products and services that customers can feel secure in purchasing.

Significant Actions Taken and Results Achieved in the Fiscal Year under Review

We raised revenues and profits by replacing and rebuilding stores and enhancing employee education

Fiscal 2008 brought substantial changes in the business environment, brought on by revised fee standards for medical exams under the national healthcare system. In this environment, *Eye City* implemented a number of management measures that focused on creating stores that customers prefer.

First, to offer more convenience to customers, we continued the prior year's efforts to strategically replace underperforming stores with new ones based on detailed trade area analysis. We opened six new *Eye City* stores and closed nine others. Although these moves reduced our total number of stores by three, better locations and more efficient management attracted new customers and encouraged more visits by existing customers, so total customers served rose to more than 5.5 million. We also enhanced *Eye City*'s brand recognition through sales promotions targeting unique regional features. Through efforts such as these, *Eye City* is working to respond swiftly to the major shifts that characterize the operating conditions and competitive environment in Japan's contact lens market. By capitalizing on such changes, we intend to take the lead over our competitors by reinforcing our management structure and improving our level of service.

Our second measure was to enrich employee education, which is important as contact lenses are essentially highly controlled medical devices. Based on sufficient knowledge of the products we provide, the staff of *Eye City* works to offer higher-quality service through consultation services wherein customers are offered the contact lenses that suit them best. In the fiscal period under review, we stepped up training especially for store managers and area managers to ensure that every store in our extensive chain provides the same level of security and customer satisfaction through quality consultation services.

Finally, we channeled resources into new product development and forays into new markets. We are leveraging Hoya technologies to develop higher-value-added contact lenses, which we will successively release into the market. In new markets, we opened three additional stores in Shanghai, China. As a result of these measures, *Eye City* raised its competitive standing and increased revenues and profits compared with the previous fiscal year.

Eye City store in a shopping mall in Shanghai, China

Highlights

Moving into the Chinese Market, which Shows a Growing Interest in Contact Lenses

Even though the Chinese population is 10 times larger than Japan's, only a small portion of this population wears contact lenses. Despite rapid economic growth coupled with increasing interest in contact lenses—particularly among women in their 20s—market awareness of safety issues tends to be low, partly because of regulatory issues. Amid such market conditions, we opened the first overseas *Eye City* store in Shanghai in December 2005. Expanding from this launch of China's first contact lens specialty store, we have raised the number of *Eye City* stores in Shanghai to six. To ensure that customers can feel secure in wearing their contact lenses, staff opticians use the latest eye examination equipment to determine the best-suited lenses for each customer. Such thorough after-sales service helps earn the trust of our customers, demonstrating that we are their partner in eye health.

We plan to continue opening stores in China in the future, as we release new products and build up our presence in the Shanghai market. Looking also at other major cities, we aim to roll out stores strategically based on the characteristics of each area, thereby building an *Eye City* network in the Chinese market.

Policies and Forecasts for the Year Ahead

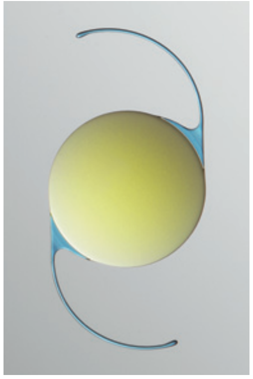
Seeing change as opportunity, we will fortify our base of operations as we prepare to make our next leap forward

Further revisions in April 2008 to the fee standards for medical examinations, including fees relating to contact lens examinations, is expected to mark the start of a new era in Japan's contact lens market. To be sure, we expect industry conditions in the upcoming year to be challenging, leading to a slowdown in new store construction and more stringent price competition. We will take this period as an opportunity to fortify our operating base as we prepare *Eye City* to make its next leap forward. During this period, we will lay the foundations for a solid management base from which to aggressively expand our business, hinging on the development of each employee in their interactions with customers. Complementing these efforts, we will offer product lineups, services and prices that attract more customers and raise customer satisfaction even higher.

Intraocular Lenses

Headquarters Relocating to the United States with the Aim of Strengthening Global Business

With advances in health care, the population of developed countries is rapidly aging, leading to increasing prevalence of age-related ailments, such as cataracts. With this condition, over time the lens of the eye grows milky white and loses its transparency. The resulting loss of sight can be rectified by replacing the clouded natural lens with a clear artificial lens, known as an intraocular lens (IOL).


Foldable acrylic IOL

In addition to hard lenses, Hoya has succeeded in creating a foldable soft lens, which can be inserted into an extremely small incision. Particularly in recent years, demand has grown for soft lenses, which reduce surgery-related stress to the patients. We manufacture and sell an innovative injector system using these foldable lenses to simplify IOL surgery.

Significant Actions Taken and Results Achieved in the Fiscal Year under Review

Stunning clarity from a leader in optics and vision

Hoya manufactures and sells foldable lenses that can be inserted in extremely small incisions, as well as the lens injector systems that make IOL surgery more convenient. Highly regarded by ophthalmologists for the quality and performance of its products, Hoya holds a high share of the domestic market in this area, despite its late entry into the field.

Since 2004, we have made steady inroads into the European and Asian markets. Hoya recognizes, however, that it is underrepresented globally and that it must reach out in particular to the United States if it is to benefit from the expected growth in the world's largest IOL market.

Hoya's bold decision in fiscal 2008 to transfer the global headquarters of its IOL business to Southern California, in the United States, in fiscal 2009 gives it a visible presence in the world's largest market, as well as exposure to the industry's most advanced R&D and most renowned surgeons.

Highlights

Pursuing Product Development Based on Advanced Technologies that Meet Ophthalmologists' Needs

Decades of research into optical designs and materials have enabled us to develop a lens with a high refractive index, allowing it to be thin and pliable enough to fold into an injector system and deliver through a very small incision. In ophthalmic cataract surgery, the smaller the incision size the less trauma there is to the eye and the faster healing occurs. Hoya concentrates its R&D efforts on developing quality products that are aligned with patients' needs. We differentiate ourselves by creating entirely new and high-value-added products. For example, although IOLs can improve eyesight that has diminished due to cataracts, they do not necessarily free patients entirely from eyeglasses. Present-day IOLs typically have a relatively long focus, making eyeglasses necessary for close-up viewing. Hoya addressed this situation by developing multifocal lenses, which feature several focal lengths. These lenses are currently undergoing clinical testing. We are also working on simpler methods of IOL insertion.

In addition to IOLs, we are pursuing developments in such areas as cataract surgery to correct for astigmatism. We will continue our research in this vein, taking input from ophthalmologists into account as we work to offer total solutions in the area of cataract surgery.

The iSert IOL injector system

Policies and Forecasts for the Year Ahead

Accelerating global IOL market development through full-fledged business expansion in the North American market

In the upcoming fiscal year, Hoya expects to receive U.S. Food and Drug Administration (FDA) approval for iSert, its preloaded IOL system. Accordingly, we are planning aggressive marketing efforts in North America. A system comprising an IOL injector with a preinserted lens, iSert is easier to use than previous products and allows the lens to be inserted through a small incision (2.65mm or less). For doctors, iSert simplifies surgeries and reduces surgery times. As the lens itself requires no handling, the iSert system eradicates the risks of incorrect loading and minimizes the risk of infection, and the small incision size reduces the potential for surgically induced astigmatism.

Some forecasts suggest that the value of the U.S. IOL market will double that of Europe and Japan, combined, by around fiscal 2012. In line with the full-fledged expansion of operations in the U.S. market, we will conduct product design, engineering and process and development R&D at three global locations: North America, Japan and Singapore. We also plan to reinforce our IOL development.

At the same time, we will continue focusing on expanding our existing European business and aggressively cultivate emerging markets, such as China and India.

Hoya continues to develop its business strategies with the aim of sustaining its double-digit growth. To achieve these targets, during the next three years we will optimize our supply chain, spanning product development, manufacturing, distribution and sales, enhancing quality and cost performance.

Pentax

Pentax's unique concepts and advanced optical and precision processing technologies are employed in cameras, but they also find their way into medical equipment, lens units for digital cameras, ultra-small lenses and products in a broad range of other fields that require high-resolution images and superior functionality and performance. In particular, demand is increasing for flexible endoscopes, in line with advances in medical treatment, doctors around the world praise Pentax endoscopes for their ease of use and image clarity.

Lifecare Business

Employing endoscope systems and new ceramics to provide high-quality products that push the envelope in medical care

Medical Devices

"*i*" series megapixel-image-capable endoscope system on sale in the United States and Europe

Pentax develops and sells flexible endoscopes for medical use, and medical accessories (surgical instruments for endoscopes).

Flexible endoscopes are minimally invasive medical devices with benefits for patients and doctors alike, as they enable early detection and treatment of lesions in the body. These tools are therefore being actively introduced in medical settings in Japan, North America, Europe and all across the globe. Although conventionally used primarily to observe and diagnose abnormalities, improvements in the functionality and performance of endoscopes are allowing for immediate treatment of observed areas and other advances in medical practice itself. Recently, more and more countries are recommending colon examinations to citizens who have reached a certain age, a trend that promises significant development and expansion of the role of endoscopes in the medical profession.

In the fiscal period under review, Pentax released the new "*i*" series endoscope system, which supports megapixel images. The series has received a considerable response for image quality surpassing that of existing products, as well as superior usability, on the heels of product presentations at academic conferences in the United States. Following full-scale releases in the Unites States in May 2007 and in Europe in December 2007, the system has been selling steadily. To put this fine product in the hands of more doctors, we are marketing to medical institutions mainly in Western countries and aim to reinforce our marketing structure in the year ahead. We introduced the "*i*" series in Japan in May 2008, which will be followed by launches in other Asian markets.

Endoscope systems
These medical instruments enable internal observation and treatment of the digestive, respiratory and other systems via a scope with an end-mounted image sensor, which is inserted into the mouth, nose, anus or other openings. Affected areas and lesions can be identified and treated without physical damage, placing less demand on the body and shortening hospital stays in comparison with open surgery. Flexible endoscopes are truly human-friendly medical devices.

Highlights

Pentax endoscopes praised for their high image quality and operability

Pentax entered the medical devices field with the 1977 release of its first bronchofiberscope. Since that time, we have leveraged our optomechatronics technology cultivated through camera development to create distinctive endoscopes with our proprietary technical capabilities.

Flexible endoscopes must provide medical practitioners with precise response to fine manipulations down to the millimeter, because the devices are inserted into narrow and convoluted luminal spaces. Pentax endoscopes offer superb operability that reflects the doctor's manipulations in an intuitive manner, moving the end of the instrument subtly up, down, left and right, and responding immediately when treatment tools are activated, stopped or released. Seeking to improve on image quality and image processing performance, the EPK-*i* series endoscope system released in 2007 succeeded in displaying megapixel-level image resolution. In addition, we are promoting R&D to solidify our lineup of autofluorescence endoscopes, ultrasound endoscopes that permit viewing of lesion depth, high-powered endomicroscopes that can resolve even cellular nuclei, and other products utilizing sophisticated viewing technologies, as well as treatment tools for use with endoscopes.

Endoscopes are advancing from merely allowing examination to actually letting doctors see the diseased areas. Medicine is also evolving to a stage where abnormal parts can be diagnosed and treated without open surgery, although this shift has only just begun. Pentax remains committed to contributing to medical progress by developing unique products through its proprietary technology.

New Ceramics

Prosthetic ceramic fillers highly regarded for use in orthopedics, brain surgery and dentistry

A number of new ceramic products are selling well, on ringing praise from medical fronts in Japan. These include biocompatible ceramic products APACERAM and BIOPEX-R, which are used as prosthetic fillers for defective parts of bones and following operations in such fields as orthopedics and brain surgery, and BONETITE, which is used to fill bone defects in tooth sockets and those resulting from periodontal diseases. Used in biotech drug purification and isolation, the bulking agent CHT ceramic hydroxyapatite (chromatography media) is employed in many biopharmaceutical manufacturing processes around the world.

As the medical field looks forward to sizable growth and a diversification of needs, the Company strives to build up groups of products truly sought after by customers and aggressively promotes global operations, while refining its unique technologies to outshine its rivals.

Imaging Systems Business

Ramping up sales promotions targeting high amateurs, centering on digital SLR cameras

As the global market for digital cameras continues to expand, demand for digital SLR cameras is enjoying particularly rapid growth, mainly among high amateur customers in developed countries. At the same time, despite a greater number of units shipped globally, difficulty in product differentiation and other factors have intensified price competition on compact digital cameras.

In this environment, the Company is funneling resources into the development and design of digital SLR cameras and interchangeable lenses, for which demand is expected to increase. In compact digital cameras, we are also working to streamline our lineup of product models, enhance regional sales strategies and reduce costs.

Product releases during the fiscal year included the March 2008 launch of the PENTAX K20D as the successor to the PENTAX K10D (released in November 2006) that earned three major global awards for digital SLR cameras. The K20D features a newly released built-in CMOS sensor and high-definition images that stand out from the crowd with an effective resolution of 14.6 megapixels, as well as shake reduction, a dust removal system and other performance refinements on the K10D. As a product that fully satisfies both high amateurs and professional photographers, the K20D has recorded solid sales since its launch. With its high-definition expression and exhaustive attention to image quality, the K20D is lauded as "a camera born to capture nature and scenery" by photography lovers and professionals alike.

We are working to enrich our lineup of interchangeable lenses and accessories, including a production capacity increase at our plant in Vietnam in the fiscal year under review. We continue to concentrate on developing distinctive lenses that enable a broader range of visual expression.

Furthermore, to enhance users' enjoyment of the "image culture" born out of using photographs as a form of communication, the Company supports every aspect of customers' camera use by providing a variety of services, including the Internet portal site Pentax+ [Plus] (helpful information on cameras and photography, as well as online albums).

Pentax retains the creative spirit of manufacturing in its ongoing efforts to develop products and services customers seek.

K20D

Experience new-generation digital photography!

Highlights

PENTAX K10D Wins Three Major Global Camera Awards

Featuring an effective resolution of 10.2 megapixels, internal shake reduction and high-resolution images with superior color reproduction, the PENTAX K10D (released in November 2006) won three major global camera awards: TIPA Best D-SLR Expert in Europe 2007, EISA European Camera of the Year 2007–2008 and Japan Camera Grand Prix 2007.

K10D

The new standard-setter for digital SLR image quality

Optical Components Business

Delivering High-Value-Added Lens Modules Based on Optical and Precision Processing Technologies

Small-Size Lenses

Developing DVD/CD-Compatible Hybrid Lenses

Pentax's DVD/CD-compatible hybrid lenses take full advantage of the Company's optical technology. Fine molding techniques enable a single lens to read from and write to DVDs and CDs at each of their respective wavelengths. This helps manufacturers make smaller notebook PCs and achieves high-performance, high-efficiency playback and recording. Although the market conditions in the fiscal year under review showed price decreases due to competition, the Company worked to accommodate such market needs by streamlining the production environment and raising yields in response.

We have already begun developing products employing pickup lenses compatible with Blu-ray and other next-generation media, and we intend to revamp our business structure in a timely and speedy fashion to stay in tune with market needs.

Lens Units for Digital Cameras

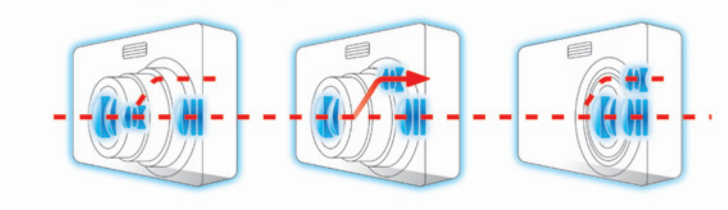
Sliding Lens System Contributing to Thinner, More High-Powered Cameras

In 2003, Pentax became the first in the world to commercialize the Sliding Lens System, a groundbreaking lens unit that offers zoom functions utilizing sophisticated optical design and mechanical technology while enabling thinner camera construction.

The compact digital camera market continues to experience intense product competition. In the 3–5x optical zoom market during fiscal period under review, ultra-thin camera bodies became an effective element of product differentiation strategy. In this background, thin and high-end lens units using the sliding lens system and regular lens units boosted sales.

With optical zoom magnifying power expected to continue increasing, the Company endeavors to meet market needs by commercializing—product by product—the technical capabilities it has cultivated over the years.

Sliding Lens System



Sliding Lens System
With the sliding lens system, a central lens block slides into place when the lens is in storage position, allowing for two-stage storage. This technology enables the creation of compact cameras with a high-power optical zoom that fits into a thin 2cm camera body.

R&D and Intellectual Property Activities

Research and Development

The Hoya Group pursues the twin objectives of achieving sustainable growth and increasing corporate value. The Group devotes considerable effort to strategic business planning and technology R&D that focus on the long term.

The saying, be "a big fish in a small pond," is one straightforward way of expressing Hoya's business strategy. The "big fish" refers to Hoya's top market share, and the "small pond" refers to the niche markets in which Hoya is active. Those markets may not be immense, but Hoya maintains its position as an industry-leading company in every one of them. The idiom about being a big fish in a small pond succinctly expresses Hoya's business strategy for R&D, as well. Hoya strives to develop technologies and cultivate new businesses that will, in the future, make Hoya a big fish in a small pond.

The Company's business integration with Pentax in the fiscal year under review should result in advances in the opto-electronics technologies Pentax has cultivated in endoscopes, digital cameras and other precision equipment, as well as deeper synergies with Hoya in the field of optics. The business integration with Pentax should also result in advances in technological development in the new growth field of endoscopes and other medical devices. This field has grown in recent years, spurred by ongoing advances in medical care. As medical practices are expected to become more advanced and needs to diversify, we will apply our technical superiority to this field of business, exercising our potential as a big fish in a small pond.

R&D Structure

The Hoya Group delegates a lot of authority and responsibility to its business divisions. In research and development, each division follows its own next-generation R&D as a natural extension of its current activities. The R&D Center at Hoya's Global Headquarters operates with a longer-term viewpoint and is engaged in research that will lead to the development of the technologies that will follow next-generation technologies, as well as research in new fields.

Major R&D Themes

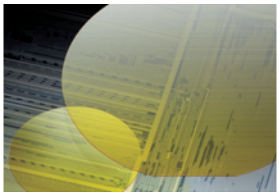
Here, we look at Hoya's principal research themes. We also introduce new fields of development that have emerged through the integration with Pentax.

Energy-efficient materials

Developing 3C-SiC cubic monocrystal silicon carbide as a prospective energy-efficient semiconductor

Preventing global warming is a worldwide concern, with energy conservation measures being actively implemented in a broad range of regions and industries. In view of this trend, Hoya is promoting the development of 3C-SiC cubic monocrystal silicon carbide semiconductor devices that are expected to offer superior energy efficiency.

In comparison with ordinary silicon-based devices, 3C-SiC devices are characterized by lower power loss and can operate at high temperatures. When used in hybrid and fuel cell powered vehicles, apart from the low energy consumption, they should have lower production costs due to their smaller size and the lower weight of cooling systems. With the goal of a practical application in 2010, Hoya is developing technologies for the production of large-diameter 3C-SiC wafers.



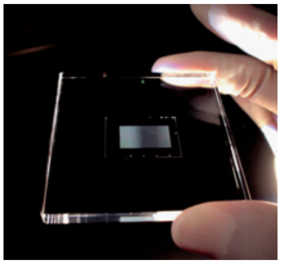
3C-SiC

Nanoimprint technology

Fabricating nanoimprint molds, a technology regarded as a gateway to the "terabyte*1 age"

The market continues to demand smaller and denser semiconductors to boost performance and reduce manufacturing costs. However, the lithography processes used to transfer circuit patterns onto semiconductors present substantial challenges in curtailing production equipment and component costs, which are ballooning as semiconductors are miniaturized. Nanoimprint technologies are being spotlighted as a possible solution.

Nanoimprint technology applies printing techniques to create an ultra-fine mold from which the circuit pattern is transferred by stamping—one of the cheapest means of producing large numbers of ultra-fine patterns. Nanoimprint technology enables the formation of patterns with line widths of as small as a dozen nanometers and is attracting attention as an effective technology for discrete track recording media, which is regarded as the next generation of recording media for hard disk drives. This



×1 nanoimprint template (mold) for 32 nm node production technology would yield recording densities that allow for single disks to store terabytes of data. Hoya got an early start in producing nanoimprint molds and continues its research toward applications for next-generation magnetic disks, optical parts and semiconductors.

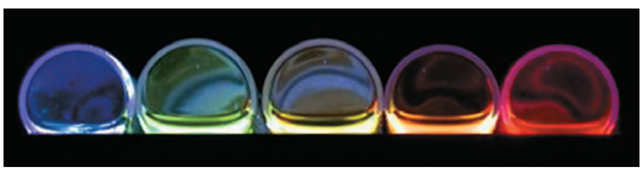
*1 One terabyte equals 1,000 gigabytes of data storage.

Nanoparticles

Developing new materials with revolutionary properties by combining nanoparticle dispersion and surface modification technologies

Nanoparticles are ultra-microscopic with diameters of only a few nanometers. The properties of metals, ceramics and other materials change at the nano-scale, yielding new functionality, such as luminescence.

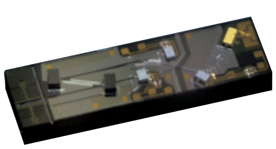
Hoya is researching the dispersion of a variety of nanoparticles and changes in their surface characteristics, and is attempting to develop compound materials with new physical properties. During the current fiscal year, Hoya targets practical applications in materials for high index optical parts and magnetic media related fields.


Example of fluorescence of nanocrystalline indium phosphide semiconductors

Connectors for optical communications

Promoting research on optical communication parts, materials and special fiber optic cables in anticipation of optical network expansion

In the midst of the swift rollout of broadband Internet connections, Hoya is continuing to push ahead with R&D on Fiber-to-the-Home (FTTH). One example is Hoya's module designed to convert optical signals to electrical ones at optical communication access points. Such products are expected to become key components for the extension of fiber optic networks. In the fiscal year under review, Hoya acquired a U.S. company, Xponent Photonics, Inc., which owns technologies for highly integrated optical modules, and is preparing for a full-scale launch of these modules in Japan.


Optical network component used in supplying FTTH

Optical research

Developing design, software and measuring technologies for the creation of precision optics products

The Company's Optical Technology Center is developing design, software and measuring technologies for all kinds of optical systems, including lenses for digital and security cameras, binoculars and telescopes; pickup lenses for CDs, DVDs and Blu-ray Discs; as well as laser printers, projectors and medical endoscopes.

By promoting in-house development of proprietary software used in design, we can incorporate high-level functions not viable in commercial software, thereby enabling ghost analysis, imaging characteristic evaluation and other simulation techniques compatible with digitization, as well as improved accuracy for MTF*2 evaluation.

In measuring technique development, we have created unique measurement evaluation methods and completed a gauge usable in mass production to assess birefringence (a phenomenon that deteriorates the optical properties of resin lenses).

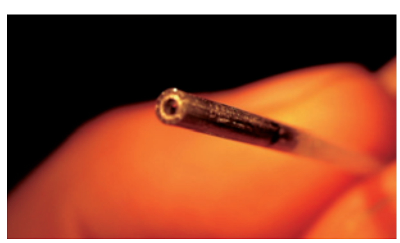
*2 MTF: Modulation Transfer Function, a benchmark for measuring lens imaging performance

Scanning fiber endoscope (SFE)

Pentax Develops SFE Imaging Device for Advanced Endoscopes

SFEs are a new type of imaging device that was developed jointly by the University of Washington and Pentax. Developed for inspection devices having an external diameter of 1.2 mm or less, SFEs offer 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*3. By combining various optical technologies, SFEs are better able to distinguish between healthy locations and tumor sites. Furthermore, SFEs can be combined with a host of peripheral accessories and procedural tools to create medical equipment with a host of new functions. The new SFEs allow for the creation of endoscopes that are smaller in diameter and offer more advanced functions than in the past, featuring diverse applications in endoscopic observation and medical treatment. Hoya is moving ahead with product development.

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


Distal end of prototype probe


Captured image with SFE probe

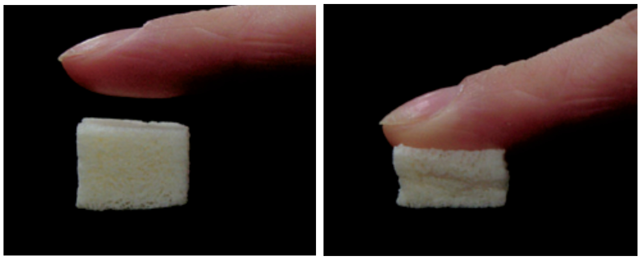
Biocompatible organic/inorganic composite bone prostheses

Developing biocompatible bone prostheses to contribute to bone regeneration in medicine

Human bone consists of a nanostructure of collagen fibers deposited with arrays of apatite particles (a group of phosphate minerals). This structure is believed to form spontaneously through the surface interactions of the two materials, a phenomenon known as self-organization.

Biocompatible organic/inorganic composite bone prostheses are the result of artificially recreating an environment that imitates bodily functions to catalyze the self-organization of apatite and collagen. Within the body, the 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. The prostheses demonstrate excellent functionality, including sponge-like resilience in moist conditions.

These bone prostheses are garnering attention as a bone regeneration "scaffolding material" that is approaching practical application in regenerative medicine because of their substantial contribution to patients' quality of life. 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

Intellectual Property Activities

The Hoya Group's intellectual property strategy protects its proprietary technologies. Along with business strategies and technical development, intellectual property activities are a key management strategy for supporting continued growth. The successful business integration with Pentax in the fiscal year under review augmented the Group's intellectual property, and we intend to meld the existing intellectual property of the two corporations to create unprecedented value.

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.

Patent prosecution for 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 indeed being imitated, warnings are issued and, where necessary, appropriate steps such as filing for injunction are taken.

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 groups 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 matters requiring coordination of intellectual property issues that run across more than one business division, or those involving the bringing of a case to court or reaching an amicable settlement—are deemed to require the approval of Hoya 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.

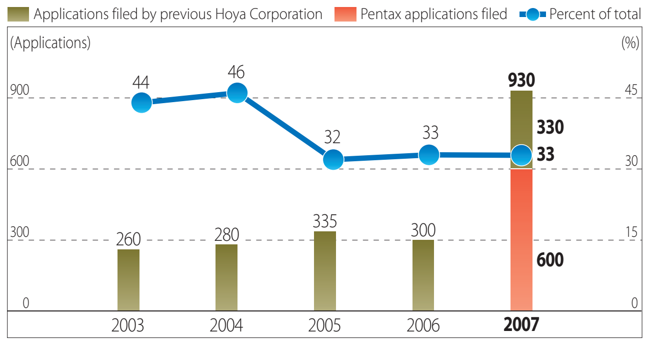
Status of Intellectual Property

Number of registered patents and all patent applications lodged in countries other than Japan

Hoya held 3,560 registered patents and utility models (2,492 of which are through Pentax) in Japan as of March 31, 2008. The Electro-Optics and Vision Care divisions accounted for 26% of the total, while Pentax accounted for 70%.

For Hoya, approximately 33% of all patent applications during the fiscal year under review were lodged in countries outside Japan.

Global Applications (By year of application)

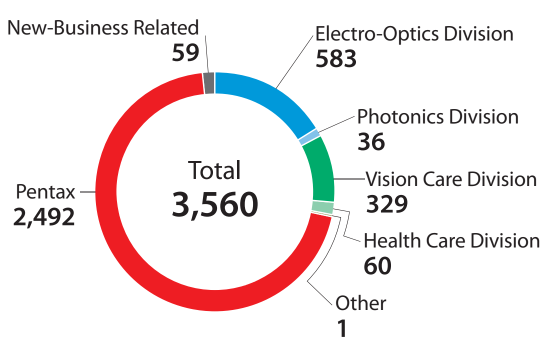


(Years ended March 31)

Percentage of patents granted

The percentage of patents granted groupwide in Japan in the fiscal period ended March 31, 2007 (including those in the prior examination and review stages) was approximately 60% (57% for previous Hoya applications and 63% for Pentax applications).

Registered Patents and Utility Models (As of March 31, 2008)



Environmental Initiatives

The expansion and sustainability of a company's business must be matched by the willingness to take on greater responsibility for issues of social concern, such as environmental protection. Hoya aims to grow in a manner that enables harmonious coexistence with the earth's environment. Hoya is engaged in a broad range of environmental protection activities that aim to reduce the environmental impact of its operations.

Environmental Protection Support Systems

In 1976, Hoya established pollution countermeasure committees at each of its operating bases. In 1993, the Company set up an environmental protection organizational structure that addresses environmental activities for each operating base companywide. At the same time, based on the Corporate Mission and the Management Principles for the Hoya Group, we drew up the Hoya Group's Environmental Philosophy and a set of Fundamental Environmental Principles to serve as standards of behavior. Since that time, we have persevered in our efforts to reduce our environmental impact.

In 1997, Hoya amended its Philosophy of Environment and Fundamental Principles of Environment, based on which it has been carrying out groupwide environmental protection activities since then. At the same time, we have formulated Group Environmental Management, System Regulations. The Environmental Headquarters' meetings directed by the CEO establish and manage environmental protection systems and structures as the most senior body responsible for the environment, and promote and oversee all of the Hoya Group's environmental protection activities.

Examples of Activities Aimed at Reducing Environmental Impact

Based on its Philosophy of Environment and Fundamental Principles of Environment, the Hoya Group has worked to eliminate the environmental impact of its activities. This section looks at several ecological activities the Hoya Group carried out during the fiscal year under review.

Initiatives designed to reduce CO_2 emissions and save energy

To cut CO_2 emissions, we have converted operating locations from heavy oil to liquefied petroleum gas, and again to natural gas.

In line with these efforts, Hoya took a number of initiatives to curtail CO_2 emissions from fuel use by cutting back on the amount of fuel used. These included implementing thermal management systems in steam boiler facilities, monitoring fuel combustion conditions, maintaining optimal air-fuel ratios and reducing the number of ignitions necessitated by equipment starts and stops.

The Company also implemented ice thermal storage systems, adopted high-efficiency electrical transformers and replaced outdated equipment with the best new models to keep facilities up to date. We also promoted greenery on rooftops at operational facilities and on balconies, introduced policies permitting lighter clothing in offices year-round, adjusted room air temperatures to more appropriate levels, managed lighting in smaller units of space by installing draw cord switches and maintained a policy of turning off room lighting during break times.

Efforts to reduce water consumption

At certain operating facilities, we have introduced ozone treatment devices and extended the re-use of factory waste water. In the past, applications for re-used waste water were limited to water for toilet flushing and air-conditioning coolant water, due to the effect on water quality. However, the implementation of ozone treatment has allowed for a higher level of purification. At operating facilities, approximately 30% of waste water is used as pure water for production.

Furthermore, we are re-using underground spring water as a coolant in cooling devices for molding machines. At certain operating facilities overseas, we have also instituted water quality monitoring to enable nearly 100% re-use of waste water used in the final rinse and cleaning phases.

Steps taken to reduce waste disposal volumes

Hoya reduced its volume of waste disposal through such efforts as recycling polishing sludge emitted by operating facilities as raw material for concrete, decreasing sludge quantities by improving waste water treatment processes, carrying out thermal recycling of discarded plastics and their conversion to valuable, saleable items, and collecting and recycling the cutting lubricant adhering to cut scraps.

In addition, closing the gap between the total volume of glass used and the volume of quality glass (the material loss volume) helped further cut down on waste. To achieve this, we first sought mainly to ascertain the actual material loss in each process.

From the fiscal year under review, the Hoya Group succeeded in converting some of its waste oil and waste plastic into valuable, saleable items, marking the commencement of enhanced efforts to reduce the volume of waste to be processed in the future.

Efforts to reduce the volume of packaging materials used

Hoya worked to reduce packaging materials through such measures as re-using larger volumes of product packaging boxes for a wider variety of purposes.

Steps taken to reduce chemical usage

We have implemented controls on the amount of substances used or emitted in production processes, and introduced chemical substitutions, in response to various laws and regulations. Targets on chemical substances have been set through such guidelines as the RoHS directive and REACH regulations. Each operating division is preparing activities that respond to such overseas regulations, which grow stronger each year.

Steps to reduce the environmental impact of products

We stopped distributing free software that is included with products via CDs and other physical media, switching instead to download via the Internet and e-mail distribution.

Measures to reduce environmental risks

●Steps to reduce leakage

Previously, the Company had transferred alkaline waste liquids originating from certain processes to drum cans and then transported them to the disposal site. However, as this procedure was carried out on a daily basis, there existed a risk of leakage from the drum cans toppling or otherwise being compromised. Leakage from drum cans at the outside storage area was also a concern, leading Hoya to help remedy the situation by establishing a centralized alkaline waste liquid collection line. The line stores the tanks indoors and enables rapid response in the event of an incident by the placement of protective liquid barriers and sensors around the tanks.

In addition, in response to increasing volumes of waste liquid at certain operating facilities, we introduced new waste liquid tanks to supplement conventional tanks, thereby enhancing the reliability of waste liquid collection and helping to prevent leakage.

●Measures for tanks and distribution lines

To prevent the risk of leakage from facilities that have become outdated, the Group is taking necessary measures to reduce the risk of harmful substance leakage from aging pipes.

Also, at certain facilities we are taking such steps as removing underground tanks and buried piping, introducing voluntary reinforcement of inspections of tanks and buried drainage basins and piping, and replacing or repairing tanks and pipes, as needed. Specific examples of efforts to cut the risk of leakage include upgrades to piping for suspension waste water and duplication of piping for chemicals, which have been completed. We will also upgrade final effluent pipes releasing into rivers.

●Renewal of aging facilities

To reduce risks associated with aging facilities, we are promoting upgrades to extra-high-voltage transforming stations, drainage facilities and other facilities required for plant operations.

●Efforts to improve and restore soil quality

With the closing certain facilities, we are conducting soil remediation as stipulated by the Soil Contamination Policy Act and other relevant legal statutes. Prior to commencing such operations, Hoya held an explanatory briefing to communicate with surrounding residents regarding the risks, taking appropriate steps to ensure that they would not be inconvenienced.

●Emergency response measures

Hoya strives to ensure that the environmental impact from its operating facilities to the outside world is minimized in the event of an accident, by compiling written procedures on emergency response methods.

Measures to handle asbestos building materials

One priority goal of the Group involves measures to handle asbestos building materials. All sprayed asbestos had been either removed or effectively contained by March 2008.

Hoya is also promoting removal or other relevant measures for other construction materials when buildings are renovated or at other opportune times.

Introduction of Environmental Management Systems (ISO 14001 Certification)

In October 1996, Hoya announced its intention to make its environmental management systems compliant with ISO 14001 certification standards, and in December 1997 Hoya Lens Deutschland GmbH became the first in the Hoya Group to gain such certification.

Since then, Hoya has proceeded with efforts to gain certification for its operating facilities, including overseas production bases, and a total of 42 Hoya group sites (13 in Japan, 29 abroad) have now acquired certification.

Corporate Governance

For Hoya, corporate governance is a matter of utmost importance to management. Based on its fundamental philosophy that "companies are owned by their shareholders," Hoya conducts its corporate management with the goal of maximizing shareholder value. To ensure it does not operate according only to internal thinking on management, Hoya's outside directors actively represent shareholders in the capacity of auditors. The Company has also separated the management and execution functions to accelerate decision-making and increase management efficiencies.

Corporate Governance Systems

In June 2003, Hoya instituted a company-with-committees management system, thereby establishing three committees—the Nomination Committee, the Compensation Committee and the Audit Committee—each distinct from the Board of Directors. The Japanese Corporate Law stipulates that a majority of the members of the three committees be outside directors, whereas at Hoya every one of the members are 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 may 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 over the executive officers to ensure overall soundness and transparency of management.

The Board of Directors and the Three Committees

To guard against the potential for stagnation in the Board of Directors system, and to ensure lively debate, Hoya has since 1989 been gradually reducing the number of its directors. From a total of 17 in 1989, the number had been halved to eight as of 1995. Furthermore, to ensure that views can be freely expressed, unconstrained by internal hierarchical structures or personal relationships, the Company has invited outside directors to participate in its management, beginning in 1995. Increasing in number each year, the outside directors currently comprise a majority in the Board of Directors, allowing for managerial supervision and advice from a third-party perspective outside the Company. Moreover, we welcomed one additional director, who is also an executive officer, from outside Hoya at the General Shareholders' Meeting held in June 2008, to further enhance business execution to the accommodate the increasing scale of operations, including the business integration with Pentax. Consequently, the Board of Directors now consists of five outside directors and four internal directors, for a total of nine directors.

The Board of Directors meets every month, excluding February and August. These meetings ensure that the outside directors both oversee and offer advice to the executive officers in their business activities, in an atmosphere that encourages lively debate. 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.

The Nomination Committee, Compensation Committee and Audit Committee each have downstream operations that have powers of appointment and dismissal and are independent of the executive officers. All the outside directors in each committee have plenty of experience in management and possess international outlooks. Each of them can be expected to offer impartial and appropriate opinions. At all meetings of the Board of Directors and the three committees, they offer frank, straight-forward views.

●**Nomination Committee**

The Nomination Committee decides on the selection of candidates for appointment as directors and executive officers, and submits them to the Board of Directors for its decision. The committee also makes decisions on the referral to Shareholders' Meetings of proposals to relieve directors of their posts, and on the referral to the Board of Directors of proposals to relieve executive officers of their posts. The committee follows standards for the selection of candidates for appointment as directors to ensure that appointments are fair and appropriate.

●**Compensation Committee**

The Compensation Committee prepares the remuneration system that boosts incentives for the 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 of each director is composed of a fixed salary, results-based remuneration and stock options. Each package is decided based on a consideration of such factors as prevailing business conditions, financial results and standards adopted by other companies.

Audit Committee

The Audit Committee, following the audit objectives and audit plans decided upon by the same committee, verifies the financial statements of the Company on the basis of reports received from outside auditors. In addition, it conducts hearings of the results of operational audits made 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 according to need.

Members of the Board of Directors

Internal Directors

- **Hiroshi Suzuki** — President and CEO
- **Hiroshi Hamada** — Director/Executive Officer, Chief Operating Officer
- **Kenji Ema** — Director/Executive Officer, Chief Financial Officer
- **Hiroaki Tanji** — Director/Executive Officer, Chief Technology Officer

Outside Directors

- **Takeo Shiina** — Outside Director, Chairperson of the Nomination Committee
- **Yuzaburo Mogi** — Outside Director, Chairperson of the Compensation Committee
- **Yoshikazu Hanawa** — Outside Director
- **Eiko Kono** — Outside Director
- **Yukiharu Kodama** — Outside Director, Chairperson of the Audit Committee

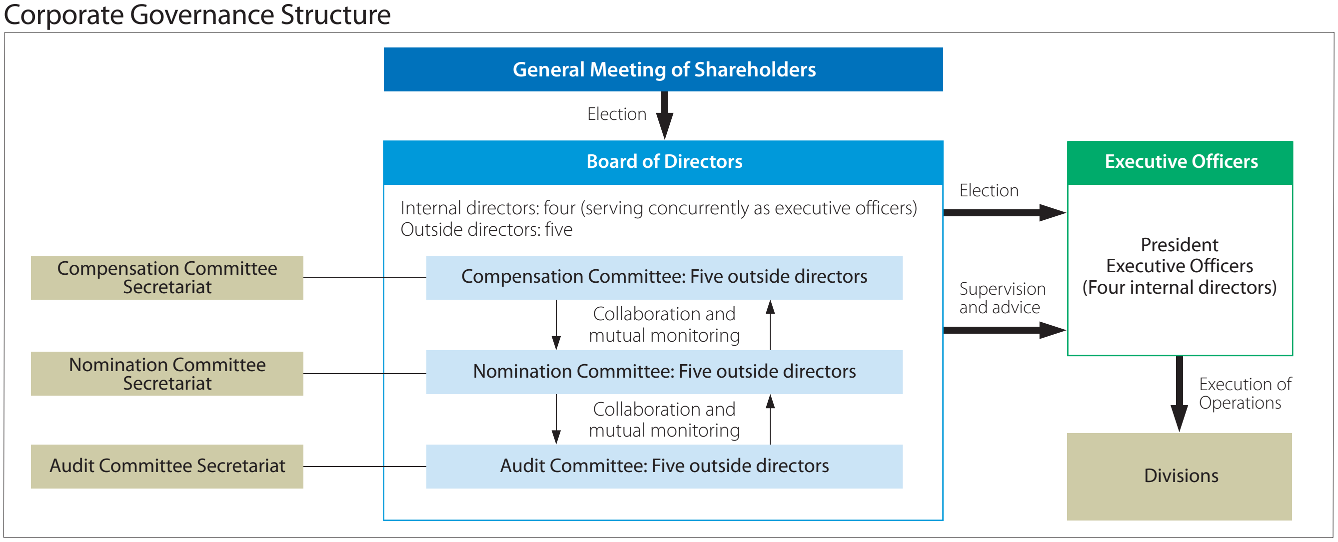
Internal Control Systems

In addition to striving to further strengthen its corporate governance, the Hoya Group also devotes resources to the development of sound internal control systems with the objective of ensuring fitting and efficient business management. These internal control systems are included in the day-to-day administrative processes of each business division, and the various business divisions bear the primarily responsibility for their implementation, verification and improvement. The head of each business division has the authority for managing that division and the responsibility 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. Each business is responsible not only for increasing efficiency and effectiveness to improve business results, but also bears responsibility as a corporate citizen for the legality and propriety of its operations.

Concerning the development of control systems within each business division, the operating environment differs according to the business. Factors that can differ include methods of improving and developing the control environment, and the risk evaluation and response systems in the workplace. This also extends to the ways control processes are audited and improved. For these reasons, the control systems that operate within each business division and each office are those that are deemed to be the most appropriate and most effective ones for each environment.

The Audit Department at Hoya Group Headquarters is responsible for the regular auditing and verification of

Corporate Governance Structure



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 possible areas for improvement. Problem areas 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.

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 work ethics, and Hoya is engaged in a wide range of employee education activities.

Another initiative, the Hoya Help Line (HHL), was established in 2003 as an internal reporting and consultative system. If there is an act that contravenes the law or the Hoya Business Conduct Guidelines, the Hoya Help Line ensures that the Company can discover the contravention and that a report will quickly reach 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 lawyers who are available to listen to employees. This separation preserves anonymity and works to maintain the system's functional effectiveness. As at the end of March 2008, the system had been introduced at Group companies in Japan, North America (the United States and Canada), Thailand and Europe. The intention is to continue to expand the number of countries covered, giving the Hoya Help Line worldwide coverage.

Under the guidance of the Internal Controls Group, Hoya is responding to Internal Control Reporting System requirements (Japan's version of the Sarbanes-Oxley Act*) by building a structure to elucidate the Hoya Group's state of preparedness in relation to its internal controls over financial reporting, as well as advancing development on operational and assessment systems for internal controls. Starting in April 2008, the effectiveness of internal control systems is being inspected and verified in stages, and improvements are being instituted where necessary.

*Internal Control Reporting System requirements fall under Japan's Financial Instruments and Exchange Law, which was promulgated in June 2006 and came into effect and applies to fiscal periods beginning in or after April 2008. Covering publicly listed companies, it seeks to strengthen internal controls through assessments of internal controls relating to financial reporting by management, and audits by certified public accountants. The law is designed to boost overall reliability and trust in corporate disclosure.

Full Disclosure and Investor Relations Activities

Hoya believes that fair and prompt disclosure of information and other investor relations activities are a fundamental duty of management. The Company respects the rights of each of its shareholders concerning appropriate disclosure of information. The Company also values communication with shareholders, and it continues to clearly reflect their views in its management practices.

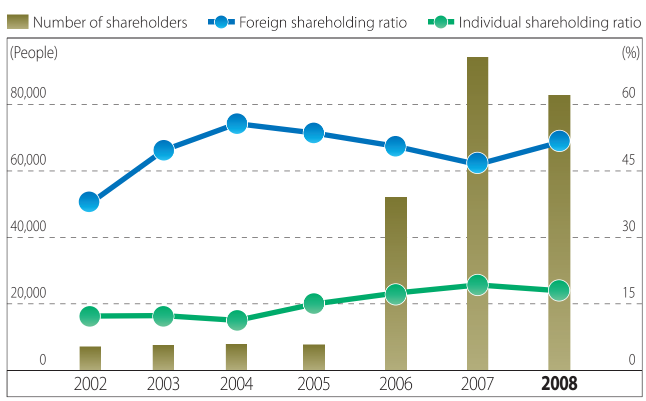
In 1998, Hoya began the disclosure of quarterly financial statements ahead of many other Japanese firms, and has sought to shorten the period between the account settlement at the end of each quarter and the disclosure. The volume of information in the quarterly reports is also the same as that contained in the year-end financial reports. The Company continues to strive to increase the speed of disclosure and broaden the content.

Moreover, top management actively participates in investor relations activities. For example, the CEO attends investor meetings that are held each quarter to discuss quarterly financial reports, where he explains strategy and fields questions, and he also visits overseas 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 also well-attended by shareholders and investors in the fiscal year under review, offering a chance for the attendees to learn more about Hoya and also providing the Company with valuable feedback. To meet the expectations of its shareholders, Hoya strives to further improve its investor relations activities, aiming to achieve even higher levels of corporate transparency.

Number of Shareholders and Shareholding Ratio

(As of March 31)



Financial and Corporate Data

Ten-Year Summary of Consolidated Financial Data

(Fiscal Years Ended March 31)

		1999	2000	2001	2002	2003
Net sales (Millions of yen)	Hoya	201,290	201,110	236,802	235,265	246,293
	Pentax	*128,080*	*113,554*	*103,526*	*105,165*	*108,189*
Operating income (Millions of yen)	Hoya	31,726	34,688	45,128	43,898	52,983
	Pentax	*9,897*	*736*	*(512)*	*1,481*	*3,970*
Ordinary income (Millions of yen)	Hoya	33,612	35,484	48,184	45,774	50,874
	Pentax	*8,316*	*(3,203)*	*(626)*	*682*	*3,639*
Net income (Millions of yen)	Hoya	17,837	20,716	21,860	23,741	20,038
	Pentax	*6,410*	*(12,144)*	*(1,241)*	*(5,034)*	*687*
Return on assets (ROA) (%)		7.8	8.9	8.6	8.7	7.3
Return on owners' equity (ROE) (%)		11.6	12.4	11.8	11.5	9.0
Owners' equity ratio (%)		71.7	73.2	73.0	78.8	81.7
Inventory turnover (Months)		3.2	3.3	3.1	3.2	2.9
Capital expenditures (Millions of yen)		13,654	17,770	39,673	19,585	15,948
Depreciation, amortization and other (Millions of yen)		18,234	16,051	32,138	20,105	19,792
Research and development expenses (Billions of yen)		7.8	7.7	7.3	7.3	8.7
Per share data (Yen) (after adjustment for stock split)	Net income	37.77	44.06	46.65	50.78	42.77
	Cash dividends	7.50	8.75	12.50	12.50	12.50
	Cash flow	77.65	79.15	116.24	88.31	82.72
	Net assets	340.56	376.55	420.11	471.55	486.29
Price earnings ratio (PER) (Times)		44.5	55.0	43.7	44.5	41.8
Price cash flow ratio (PCFR) (Times)		21.6	30.6	17.6	25.6	21.6
Price book value ratio (PBR) (Times)		4.9	6.4	4.9	4.8	3.7
Stock price at year-end (Yen) (after adjustment for stock split)		1,680	2,425	2,040	2,260	1,787
Employees		9,414	10,651	12,966	13,311	14,023

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. From the fiscal year ended March 31, 2007, the Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005) replacing "Shareholders' equity" used to date with "Owners' equity." The figures for "Return on owners' equity" and "Owners' equity ratio" presented for fiscal 2006 and earlier correspond to those of the former "Return on shareholders' equity" and "Shareholders' equity ratio," respectively.

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.

2004	2005	2006	2007	2008	
				First Half	Fiscal Year
271,444	308,172	344,228	390,093		**481,631**
134,493	*133,558*	*142,211*	*157,344*	*85,689*	—
68,167	84,920	101,096	107,213		**95,074**
6,937	*3,586*	*2,985*	*5,653*	*3,337*	—
66,554	89,525	103,638	102,909		**100,175**
5,375	*3,396*	*3,260*	*5,067*	*2,820*	—
39,549	64,135	75,620	83,391		**81,725**
3,089	*3,526*	*805*	*3,570*	*586*	—
14.0	20.0	21.2	20.6		**14.4**
17.8	25.8	27.1	25.9		**21.6**
75.5	79.1	77.3	81.6		**56.7**
2.8	2.7	2.7	2.8		**3.0**
30,659	40,175	48,786	54,432		**39,465**
25,328	22,520	27,485	36,427		**45,458**
9.8	10.9	14.1	14.9		**17.4**
87.74	144.71	171.71	193.50		**189.01**
25.00	37.50	60.00	65.00		**65.00**
174.91	171.65	240.57	229.23		**277.09**
491.90	623.59	648.87	845.98		**903.49**
28.9	20.4	27.7	20.2		**12.4**
14.5	17.2	19.7	17.1		**8.4**
5.2	4.7	7.3	4.6		**2.6**
2,537	2,950	4,750	3,910		**2,340**
18,092	21,234	25,176	28,450		**35,545**

- Depreciation, amortization and other: Includes the loss on impairment of long-lived assets and amortization of goodwill.
- 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.
- 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.
- The figures presented for "net assets 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"), 100 consolidated subsidiaries (seven in Japan and 93 overseas) and 11 affiliates (five in Japan and six overseas). Eight affiliates (two in Japan and six overseas) are accounted for by the equity method. Compared with the end of the previous fiscal year, five consolidated subsidiaries were added through the establishment of new companies and 36 by acquisitions. Five consolidated subsidiaries were eliminated through mergers with other subsidiaries as well as one through a merger with the parent and two through liquidations.

Each of the Group's major business divisions and subsidiaries carry out their business strategies as formulated by the global headquarters at Hoya Corporation, yet with their own management responsibility. Each region—Asia, North America and Europe—has its own headquarters, which focuses on enhancing relations within its country or region of 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

On December 21, 2006, Hoya concluded a preliminary agreement to merge with Pentax Corporation as of October 1, 2007. The merger would leverage the management resources of both companies to forge a solid business foundation, create synergies and accelerate growth.

After signing the preliminary agreement, HOYA and Pentax held several meetings aiming for signing a merger agreement in early April 2007, but for various reasons we deemed our initial plans for business integration by October 1, 2007, to be unworkable. However, the two companies continued to recognize that business integration would contribute to the corporate value of both companies. Subsequent negotiations and examinations prompted Hoya to make a tender offer for Pentax's shares, and the two companies agreed on May 31, 2007, to carry out the business integration by having Hoya take on Pentax as its wholly owned subsidiary through stock swaps and other means.

Based on this agreement, Hoya's tender offer for Pentax's shares conducted from July 3 to August 6, 2007, resulted in Hoya holding 90.48% of Pentax's total outstanding shares, thereby bringing Pentax and 33 of its consolidated subsidiaries under Hoya's scope of consolidation as of August 14, 2007.

Strengthening Pentax's core businesses will require flexible management. We realized that the merger that we initially planned would be the ideal way to enable swift management decisions and business operations at the Pentax divisions that rivaled the process at Hoya's other divisions, and would optimize the allocation of management resources across the Group instead of just within each subsidiary.

Consequently, the two companies concluded the merger agreement at the Board of Directors' meeting on October 29, 2007, and Hoya merged with Pentax on March 31, 2008.

Even after the merger, the brand name "Pentax" will continue to be used in light of its significance and economic value.

The income statements of Pentax and its consolidated subsidiaries have been consolidated into Hoya's income statements from the third quarter of the fiscal year under review (the three-month period from October 1, 2007, to December 31, 2007). Accordingly, the Group's business results only reflect the addition of Pentax's results after the consolidation, which is the second half of the fiscal year under review (the six-month period from October 1, 2007, to March 31, 2008).

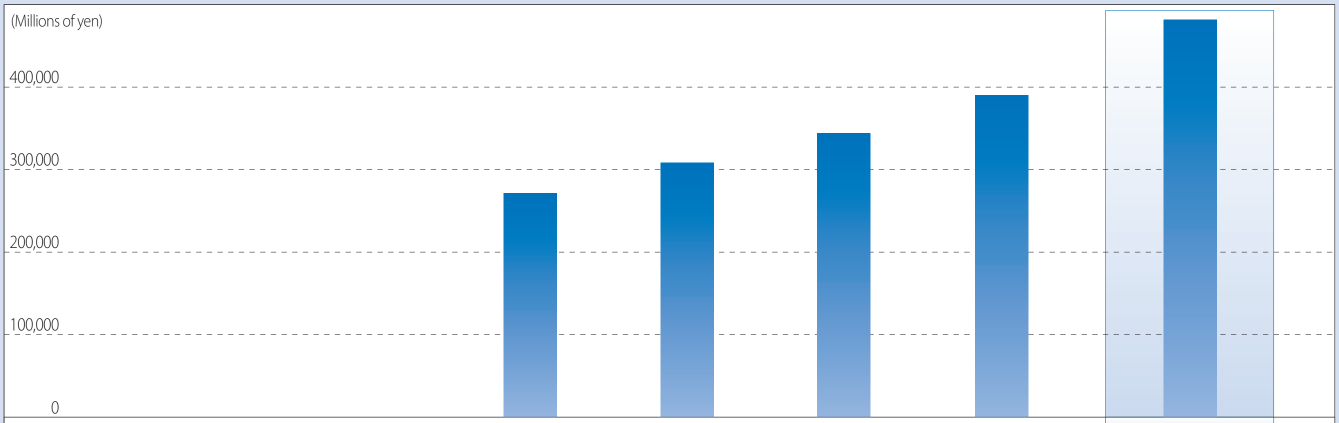
Net Sales

Consolidated net sales for the fiscal year ended March 31, 2008, amounted to ¥481,631 million, rising 23.5% year on year and reaching a historic high. By principal business segment, net sales in the Electro-Optics Division of the Information Technology business declined 4.3% year on year. Within the Eye Care business, net sales in the Vision Care Division increased 5.5% year on year, and in the Health Care Division net sales rose 13.0% year on year. The principal factor behind these substantial increases in consolidated net sales during the year was the addition of net sales for Pentax during the term. From Pentax, only net sales of ¥89,032 million were added during the second half of the fiscal year (the six-month period from October 1, 2007, to March 31, 2008).

By customer region, net sales to customers in Japan increased 5.6%, to ¥188,520 million, and net sales to overseas customers surged 38.6%, to ¥293,111 million. As a result, the composition of net sales was 39.1% domestic and 60.9% overseas. Hoya continues to pursue global business development, with its proportion of overseas net sales rising accordingly.

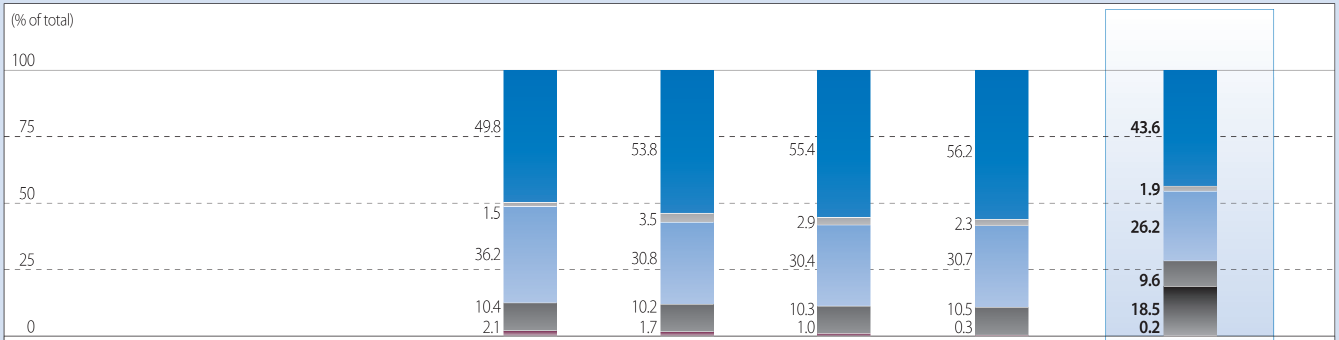
Hoya calculates the effect of exchange rates on operating results during the fiscal year under review by comparing the foreign currency denominated financial statements of its overseas subsidiaries when converted into yen at the average exchange rate during the fiscal year with the same statements when converted into yen at the average exchange rates prevailing during the previous year. In currency markets during the fiscal year, the yen rose 2.7% against the U.S. dollar, to ¥113.80, weakened 7.5% against the euro, to ¥162.26, and fell 12.7% against the Thai baht, to ¥3.65. Because the yen fell against these two base currencies, the operating results of Group companies in Europe and Thailand rose compared with conversion at the rate during the previous fiscal year. For the Group overall, the effect of exchange rates added ¥2,835 million to net sales and ¥4,391 million to net income.

Net Sales



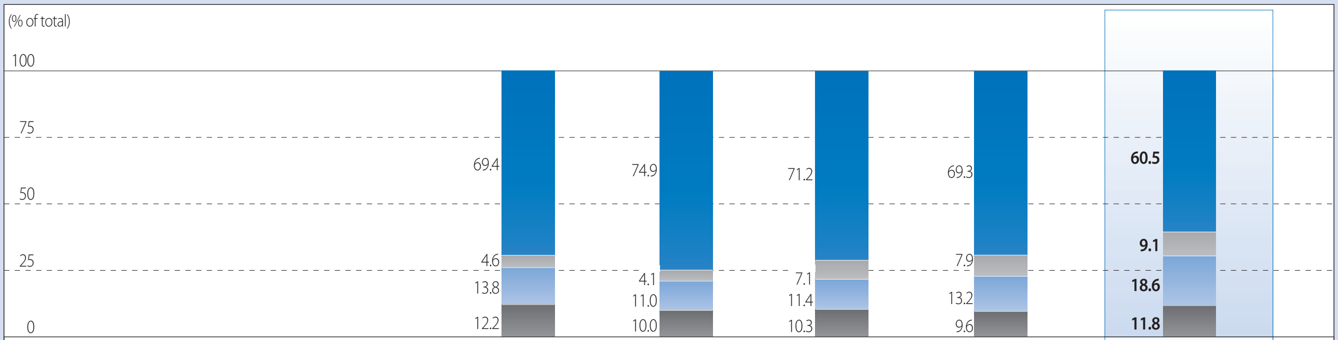
	2004	2005	2006	2007	2008
Net sales (Millions of yen)	271,444	308,172	344,228	390,093	**481,631**

Sales by Business Segment



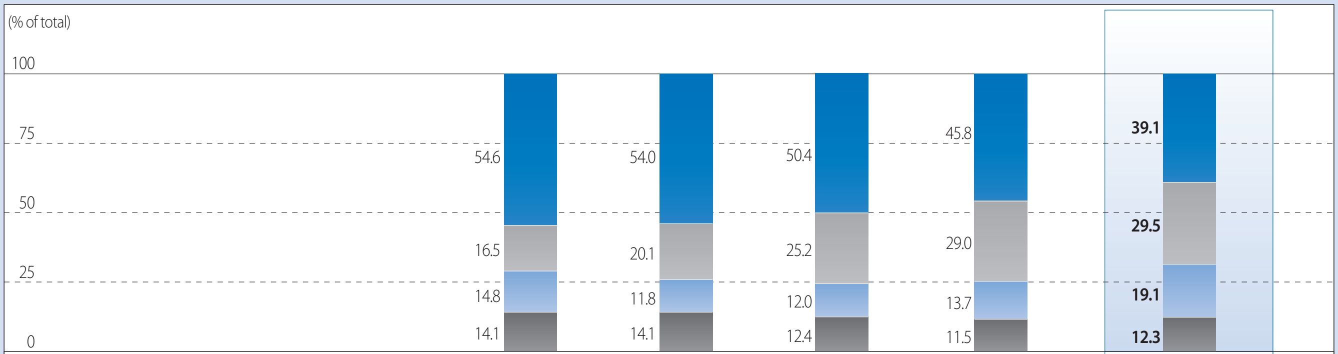
	2004	2005	2006	2007	2008
Electro-Optics (Millions of yen)	135,071	165,664	190,552	219,252	**209,883**
Photonics (Millions of yen)	4,116	10,749	10,093	9,093	**9,090**
Vision Care (Millions of yen)	98,203	94,971	104,457	119,808	**126,338**
Health Care (Millions of yen)	28,381	31,409	35,484	40,850	**46,177**
Pentax (Millions of yen)	—	—	—	—	**89,032**
Other Businesses (Millions of yen)	5,673	5,379	3,642	1,090	**1,111**

Sales by Region (Based on the location of the Company's offices)



	2004	2005	2006	2007	2008
Japan (Millions of yen)	188,441	230,946	244,998	270,373	**291,566**
Asia (Millions of yen)	12,404	12,648	24,527	30,928	**43,965**
Europe (Millions of yen)	37,486	33,803	39,232	51,336	**89,420**
North America (Millions of yen)	33,113	30,775	35,471	37,456	**56,680**

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



	2004	2005	2006	2007	2008
Japan (Millions of yen)	148,325	166,414	173,506	178,547	**188,520**
Asia and Other Areas (Millions of yen)	44,668	61,808	86,848	113,068	**141,701**
Europe (Millions of yen)	40,168	36,430	41,201	53,524	**92,116**
North America (Millions of yen)	38,283	43,520	42,673	44,954	**59,294**

Net Income

In line with the significant increase in net sales, the cost of sales also grew, rising 33.2%, to ¥262,944 million. Because cost of sales increased at a rate greater than the 23.5% rise in net sales, the gross profit margin fell to 45.4%, down 4.0 percentage points from 49.4% in the previous year. Selling, general and administrative expenses rose 44.6%, to ¥123,613 million, with the ratio of SG&A expenses to net sales up 3.8 percentage points, from 21.9% to 25.7%. As a result, operating income fell 11.3%, to ¥95,074 million, and the operating margin fell 7.8 percentage points, to 19.7%. Major factors included the inclusion into the Group's scope of consolidation from the second half of the fiscal year of Pentax and its consolidated subsidiaries, as well as increased production costs in pre-existing Hoya business segments and reduced production yields for highly complex products. Also, the Group continued its spending to ensure future growth, including capital expenditures and marketing activities, as well as research and development, and personnel increases. By quarter, the operating margin in the first quarter was 23.2%, 26.6% in the second quarter, 18.7% in the third quarter and 13.3% in the fourth quarter.

Ordinary income during the year under review was ¥100,175 million, down 2.7% from the preceding fiscal year.

Other income and expenses included ¥5,926 million in equity in earnings of associated companies, a substantial improvement from the ¥642 million recorded in the previous year, while gain on sales of property, plant and equipment plunged from ¥9,629 million in the preceding fiscal year to ¥520 million during the year under review. Consequently, income before income taxes and minority interests decreased ¥12,579 million, to ¥94,553 million.

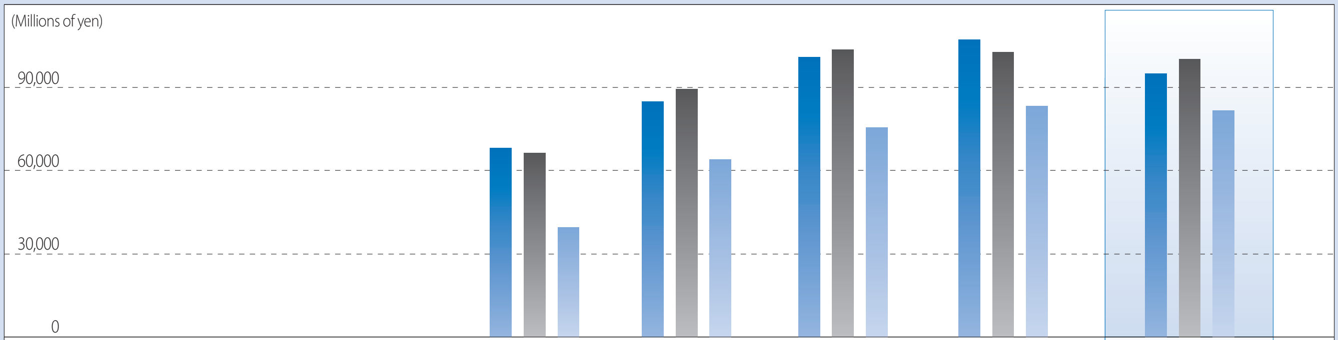
The Group recorded ¥20,083 million in income tax–deferred and ¥1,639 million in minority interests in net loss of consolidated subsidiaries through the merger during the year under review. As a result, net income was down 2.0% year on year, to ¥81,725 million.

Dividends

Hoya places top priority on capital investment, R&D investment and corporate merger and acquisition in its quest for growth on the use of internal reserve funds. Once objectives in these areas have been achieved, the Company's basic policy is to actively return surplus funds to shareholders. Dividends for the fiscal year under review consisted of an interim dividend of ¥30 per share and a year-end dividend of ¥35 per share, for an aggregate ¥65 per share for the full year. Taking into account our performance in the fiscal year under review and our outlook, we decided to maintain dividends at the same level as for the previous fiscal year.

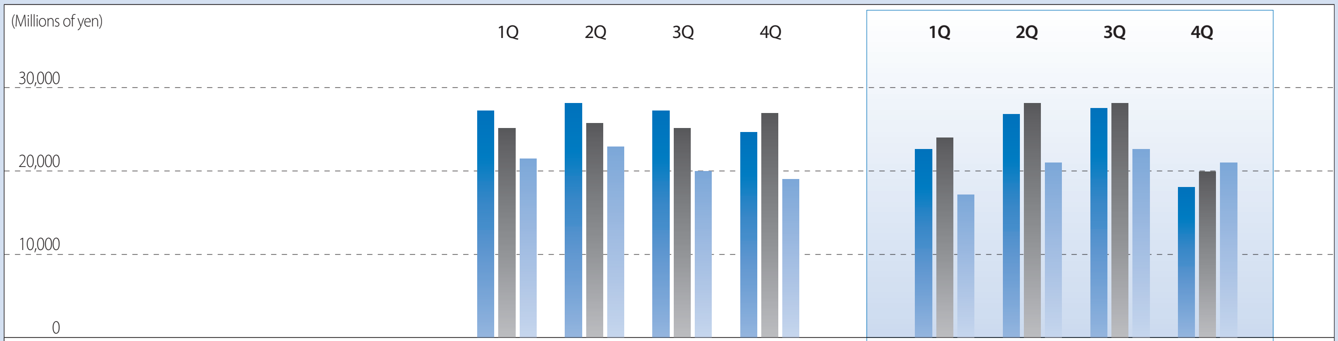
On a consolidated basis, the dividend payment ratio was 34.4%, up 0.8 percentage point from 33.6% in the previous fiscal year.

Operating Income, Ordinary Income and Net Income



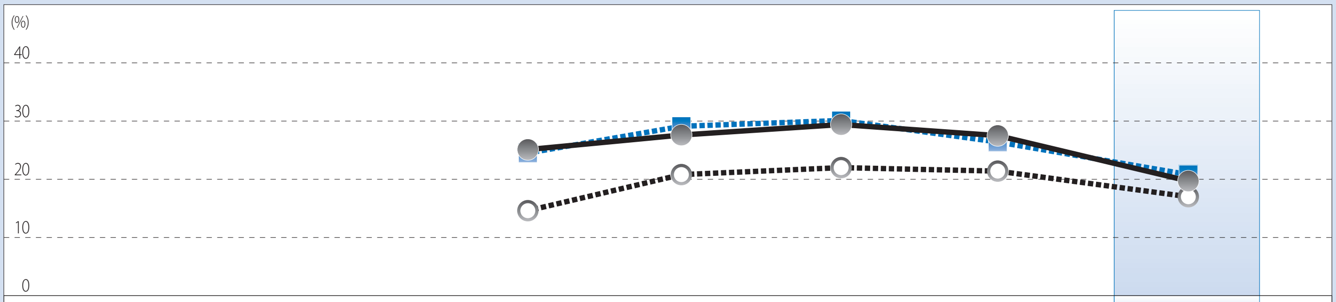
	2004	2005	2006	2007	2008
Operating income (Millions of yen)	68,167	84,920	101,096	107,213	**95,074**
Ordinary income (Millions of yen)	66,554	89,525	103,638	102,909	**100,175**
Net income (Millions of yen)	39,549	64,135	75,620	83,391	**81,725**

Quarterly Profits



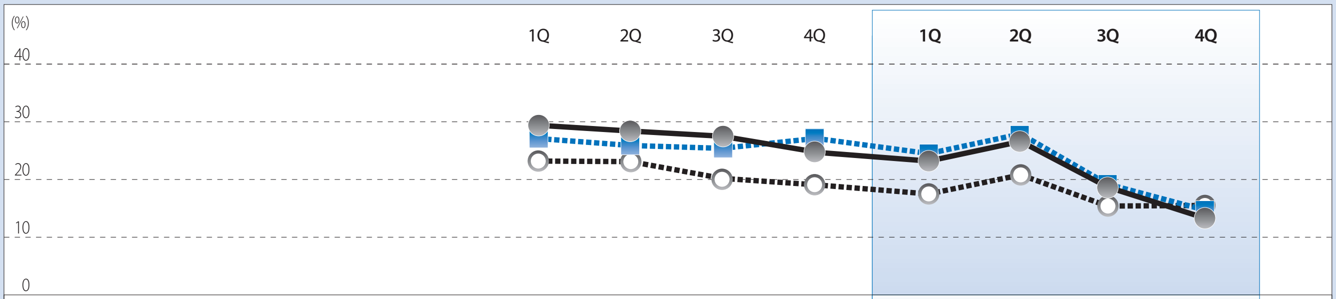
	2007 1Q	2007 2Q	2007 3Q	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q
Operating income (Millions of yen)	27,241	28,125	27,216	24,631	**22,640**	**26,850**	**27,525**	**18,059**
Ordinary income (Millions of yen)	25,140	25,700	25,148	26,921	**23,976**	**28,120**	**28,171**	**19,908**
Net income (Millions of yen)	21,500	22,899	19,964	19,028	**17,097**	**21,021**	**22,603**	**21,004**

Profit Ratios



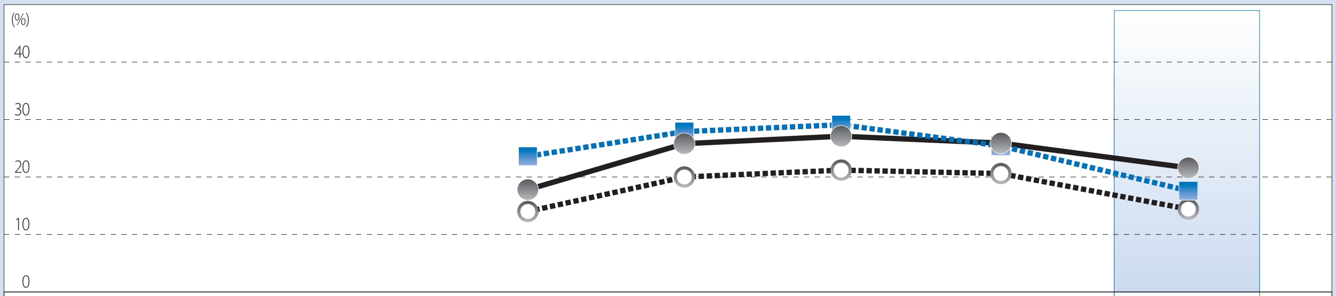
	2004	2005	2006	2007	2008
Operating margin (%)	25.1	27.6	29.4	27.5	**19.7**
Ordinary income ratio (%)	24.5	29.1	30.1	26.4	**20.8**
Return on sales (%)	14.6	20.8	22.0	21.4	**17.0**

Quarterly Profit Ratios



	2007				2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Operating margin (%)	29.4	28.4	27.5	24.8	**23.2**	**26.6**	**18.7**	**13.3**
Ordinary income ratio (%)	27.1	25.9	25.4	27.1	**24.5**	**27.8**	**19.2**	**14.7**
Return on sales (%)	23.2	23.1	20.2	19.1	**17.5**	**20.8**	**15.4**	**15.5**

Profitability



	2004	2005	2006	2007	2008
Return on owners' equity [ROE] (%)	17.8	25.8	27.1	25.9	**21.6**
Ordinary income/total assets (%)	23.6	27.9	29.1	25.4	**17.6**
Return on assets [ROA] (%)	14.0	20.0	21.2	20.6	**14.4**

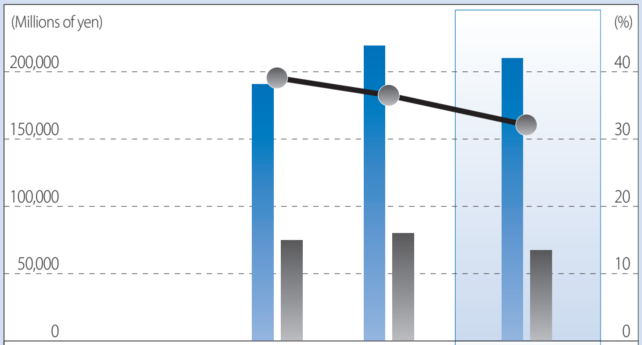
Note: From the fiscal year ended March 31, 2007, the Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), replacing "Return on shareholders' equity" used to date with "Return on owners' equity." The figures for "Return on owners' equity" presented for the fiscal year ended March 31, 2006 and earlier correspond to those of the former "Return on shareholders' equity."

Segment Information

For more detailed segment information, please refer to pages 12 through 25 of this report.

Information Technology (Electo-Optics Division)

Electro-Optics Division



	2006	2007	2008
Net sales (Millions of yen)	190,552	219,252	**209,883**
Operating income (Millions of yen)	74,862	80,085	**67,464**
Operating margin (%)	39.1	36.5	**32.1**
Assets (Millions of yen)	204,192	258,746	**210,007**
Depreciation (Millions of yen)	18,716	27,449	**27,653**
Capital expenditures (Millions of yen)	37,244	39,899	**24,431**

Note: The operating margin above is calculated using net sales plus intersegment sales. Please refer to details on page 78, Segment Information.

In the Electo-Optics Division, net sales decreased 4.3% during the year, to ¥209,883 million. In mask blanks for semiconductor production, orders for phase-shift mask blanks and other high-precision products rose in line with the ongoing miniaturization of semiconductors. In photomasks for semiconductors, although orders for high-precision and other products for the development of next-generation semiconductors increased, Japan-centered demand for medium- and lower-end products was lackluster, resulting in a year-on-year decline in sales. With regard to large-sized photomasks for LCD production, panel manufacturers—Hoya's customers—undertook concentrated mass production during the year, but sluggish growth in demand for new masks and falling market prices sapped sales. Sales of glass memory disks for HDDs declined, affected significantly by delayed first-quarter introductions of new products that use the perpendicular magnetic recording method. Sales of optical lenses increased, as worldwide growth in demand for digital cameras steadily pushed up demand for aspherical molded lenses for compact digital cameras, as well as for highly complex lenses.

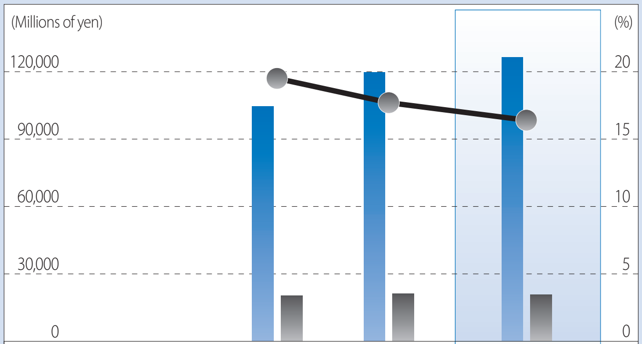
Segment operating income fell 15.8%, to ¥67,464 million. A poor first-quarter performance in glass memory disks had a substantial impact on income. Other principal reasons for lower income included an ongoing decline in product prices amid global economic deceleration throughout the year, coupled with higher production costs stemming from such factors as rising crude oil and raw materials prices, as well as yen appreciation.

Capital expenditures in this division came to ¥24,431 million, down 38.8% from the preceding term. These expenditures went toward up-front production-related investment involving next-generation semiconductor-related projects, expansion of our HDD glass disk plant in Vietnam and upgrades to our plant in Thailand that makes polished lenses for SLR digital cameras.

Information Technology (Photonics Division)

The Photonics Division mainly produces industrial devices that employ lasers and specialty light sources, which are used by manufacturers of semiconductors, LCD panels and optical devices. In a problematic market environment during the year, Hoya promoted profit-focused business strategies. Consequently, although divisional net sales remained flat, at ¥9,090 million, operating income surged 68.1%, to ¥824 million.

Eye Care (Vision Care Division)



	2006	2007	2008
Net sales (Millions of yen)	104,457	119,808	**126,338**
Operating income (Millions of yen)	20,370	21,167	**20,653**
Operating margin (%)	19.5	17.7	**16.3**
Assets (Millions of yen)	98,243	118,229	**112,379**
Depreciation (Millions of yen)	6,444	7,405	**7,728**
Capital expenditures (Millions of yen)	7,958	11,672	**9,434**

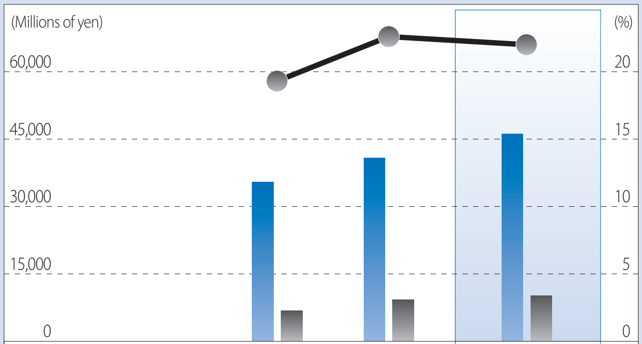
Note: The operating margin above is calculated using net sales plus intersegment sales. Please refer to details on page 78, Segment Information.

Net sales in the Vision Care Division rose 5.5%, to ¥126,338 million. Sales in Japan were down 4.8%, as the market continued to contract. Also, although sales of Hoya's high-end eyeglass lenses rose, prices were affected by downward pressure resulting from stiff competition for low-end lenses. In Europe, the deceleration in consumer demand grew more pronounced in the second half of the fiscal year, but by focusing on high-value-added products throughout the fiscal year Hoya succeeded in increasing sales in this market 10.0% year on year. Asia-Pacific sales in this division surged 20.0%, as the Company met expanding regional demand for high-value-added products. North American sales remained flat, as the subprime loan issue prompted an economic slowdown and affected the propensity to consume.

Operating income in this division declined 2.4% during the year, to ¥20,653 million, and the operating margin came to 16.3%. This decrease in profitability was attributable partly to our aggressive marketing activities targeting eyeglass stores in Japan and overseas, which we view as an investment in future growth, as well as to expenditures on upgrades to maintain cutting-edge factories in Asia.

Capital expenditures in this division were down 19.2% from the preceding term, to ¥9,434 million. This investment went toward IT systems linking Hoya's plants with customers' eyeglass stores, as well as efforts to raise production system efficiency.

Eye Care (Health Care Division)



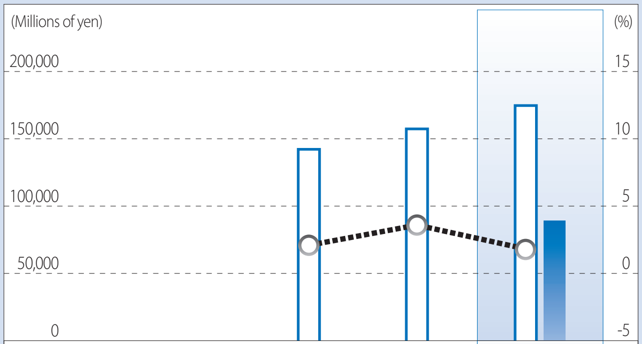
	2006	2007	2008
Net sales (Millions of yen)	35,484	40,850	**46,177**
Operating income (Millions of yen)	6,859	9,215	**10,166**
Operating margin (%)	19.3	22.6	**22.0**
Assets (Millions of yen)	19,927	24,410	**24,416**
Depreciation (Millions of yen)	855	1,170	**1,311**
Capital expenditures (Millions of yen)	2,391	2,119	**848**

Note: The operating margin above is calculated using net sales plus intersegment sales. Please refer to details on page 78, Segment Information.

Net sales in the Health Care Division rose 13.0% from the previous year, to ¥46,177 million. Heightened efforts to attract customers to our *Eye City* chain of directly managed contact lens specialty stores through consulting-based sales and enhanced after-sales services succeeded in raising store sales even though the overall number of stores in the chain decreased. Boosting sales in Japan and overseas were highly regarded products such as soft yellow lenses—post-cataract-surgery IOLs.

The division's operating income increased 10.3% during the year, to ¥10,166 million, and its operating margin came to 22.0%. Although the operating environment remained adverse, Hoya maintained profitability through aggressive investment in marketing to ensure future growth on the one hand, while cutting operating costs on the other.

Pentax



		2006	2007	2008
Reference: Net sales for the 12-month period		*142,211*	*157,344*	*174,720*
Of which, net sales for six-month period included in Hoya's consolidated statements of income (Millions of yen)				**89,032**
Operating income		*2,985*	*5,653*	*3,202*
Of which, operating income for six-month period included in Hoya's consolidated statements of income (Millions of yen)				**-134**
Operating margin (%)		*2.1*	*3.6*	*1.8*
				-0.2

Reference: Pentax 12-Month Net Sales Figures

Note: Net sales figures prior to consolidation are shown for Pentax Corporation and its subsidiaries for reference in comparing against past performance. Net sales figures from the initial fiscal year are for 12-month periods. Net sales figures following consolidation are shown for six-month periods.

Hoya's Pentax operations in the second half of the fiscal year (from October 1, 2007, to March 31, 2008), following the consolidation of Pentax and its subsidiaries, delivered net sales of ¥89,032 million.

In the Lifecare business, sales of the new megapixel-image-capable "i" series of flexible endoscopes for medical use enjoyed steady sales growth in the North American and European markets. In the Imaging Systems business, the PENTAX K10D, a digital SLR camera, has won three top global camera awards. Following this model, we introduced the PENTAX K100D standard model, and in the year under review we launched the PENTAX K20D. In addition to contributing to robust Imaging Systems business performance, the well-received PENTAX K20D demonstrated our commitment to aggressive product development and rounding out our portfolio of products with interchangeable lenses. However, as increasingly severe competition in the compact digital camera market is depressing unit prices, sales in this business were up only slightly during the year. Sales in the Optical Components business increased as a result of higher unit sales of high-end products using the Sliding Lens System and regular lens units.

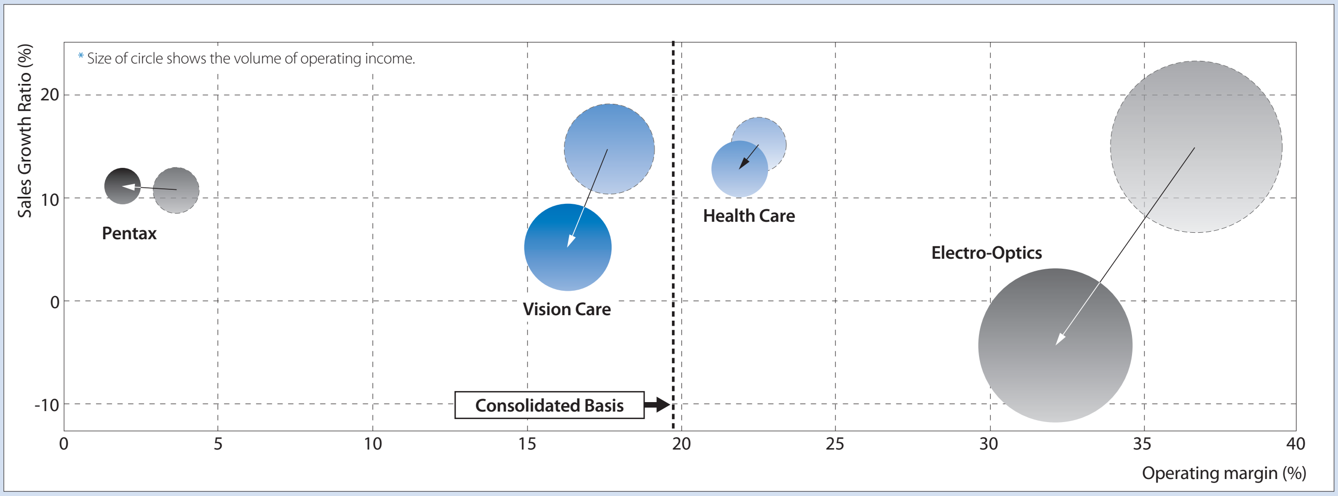
Pentax operations incurred a ¥134 million operating loss during the period. Contributing to this situation were the structural reforms we implemented to lay the foundations for future growth, business strategy reviews and organizational revisions, asset revaluation losses, and the amortization of goodwill that arose as the result of the merger.

Other

Our Crystal Glass business delivers top-end, hand-made crystal glassware. This entirely new brand concept depends on the mastery of Hoya's craftsmen, who work tirelessly to augment their professional skills. Hoya's Service business involves the construction and operation of IT systems for companies throughout the Hoya Group.

Sales Growth and Profitability of Main Business Segments

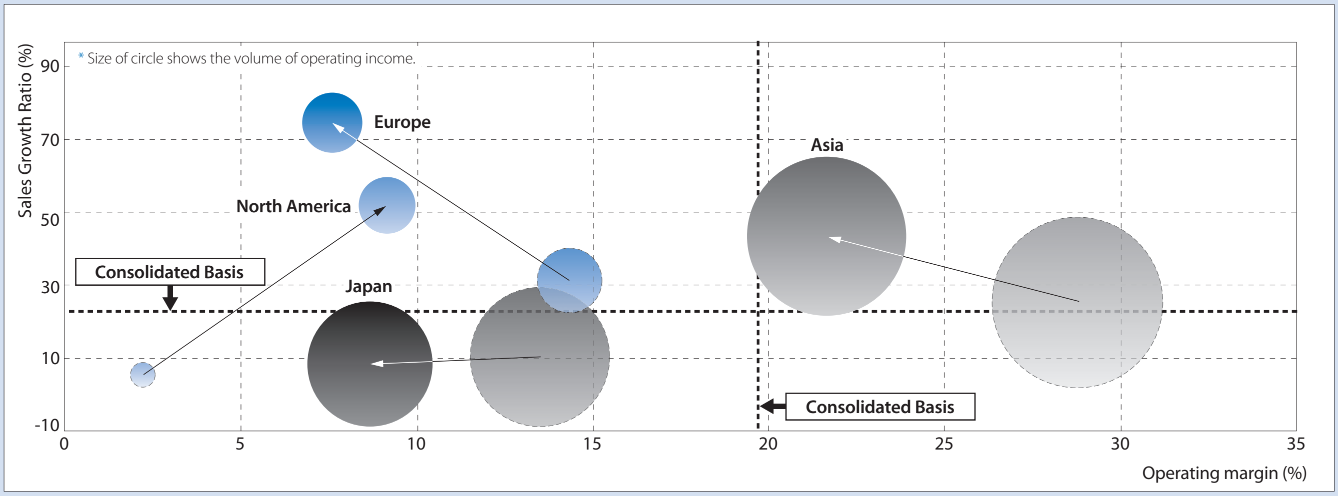
Fiscal year ended March 31, 2008 (Compared with the previous fiscal year)



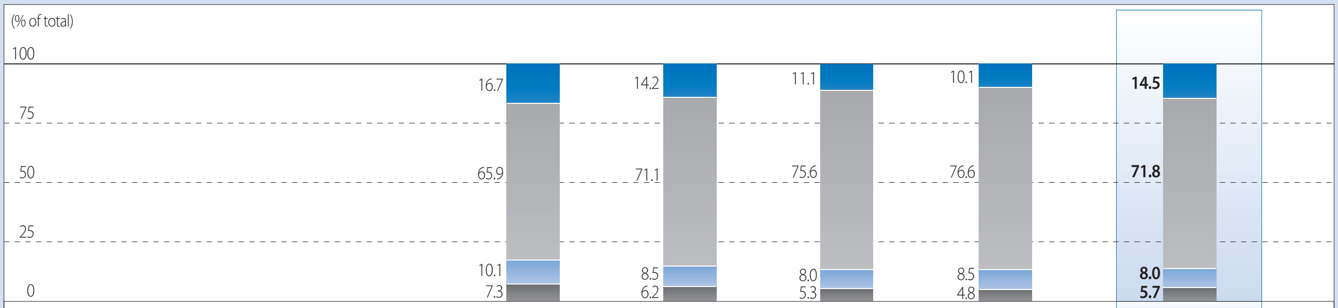
Note: Pentax operating performance figures for the fiscal year under review are the simple total of pre-consolidation and post-consolidation figures.

Management's Discussion and Analysis

Sales Growth and Profitability by Geographical Segment Fiscal year ended March 31, 2008 (Compared with the previous fiscal year)

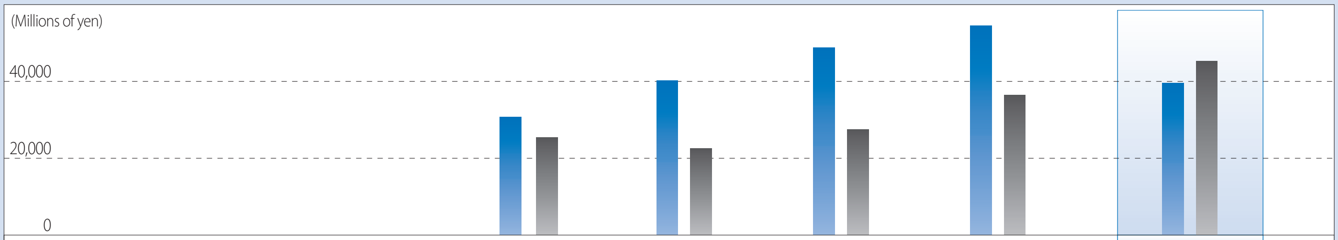


Group Employees by Region



	2004	2005	2006	2007	2008
Total	18,092	21,234	25,176	28,450	**35,545**
Japan (Persons)	3,023	3,007	2,800	2,861	**5,158**
Asia (Persons)	11,925	15,102	19,030	21,780	**25,515**
Europe (Persons)	1,821	1,809	2,009	2,429	**2,862**
North America (Persons)	1,323	1,316	1,337	1,380	**2,010**

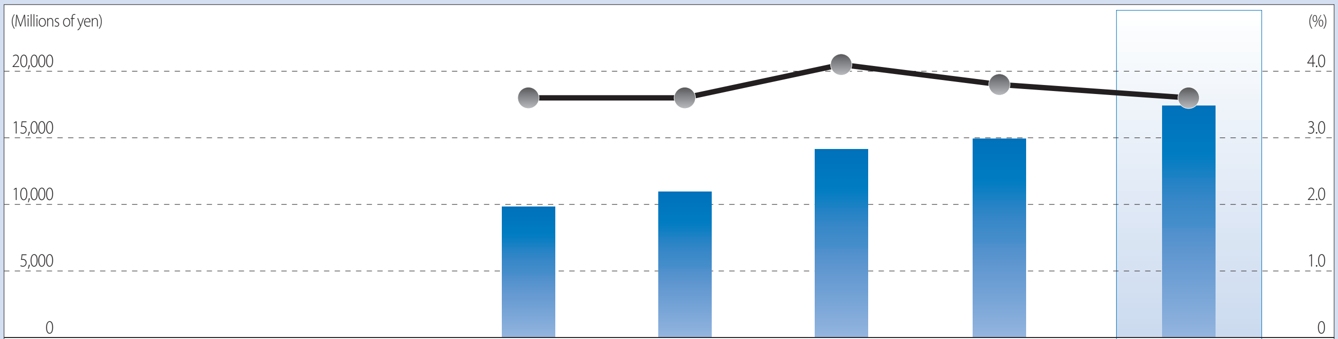
Capital Expenditures/Depreciation, Amortization and other



	2004	2005	2006	2007	2008
Capital expenditures (Millions of yen)	30,659	40,175	48,786	54,432	**39,465**
Depreciation, amortization and other (Millions of yen)	25,328	22,520	27,485	36,427	**45,458**

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

Research and Development Expenses



	2004	2005	2006	2007	2008
R&D expenses (Millions of yen)	9,847	10,957	14,135	14,920	**17,413**
R&D expenses/net sales (%)	3.6	3.6	4.1	3.8	**3.6**

Financial Position

Total assets as of March 31, 2008, stood at ¥689,444 million, a 54.0% increase, compared with a year earlier. The primary factor in this substantial gain was the addition of the total assets of Pentax (¥204,853 million as of March 31, 2008), based on the merger of Hoya and Pentax.

Current assets grew 48.8% year on year, to ¥410,273 million. Major contributing factors included a 50.4% increase in cash and cash equivalents, to ¥181,467 million; a 27.8% rise in notes and accounts receivable–trade, to ¥120,522 million; and a 66.6% increase in inventories, to ¥82,822 million.

Non-current assets increased ¥107,234 million to ¥279,171 million, owing to a considerable increase in goodwill and deferred tax assets based on the merger with Pentax.

Concerning liabilities, increases in notes and accounts payable–trade and income taxes payable, as well as an issue of straight bonds to raise funds for the tender offer on Pentax's shares, brought total liabilities to ¥294,818 million—a ¥214,319 increase.

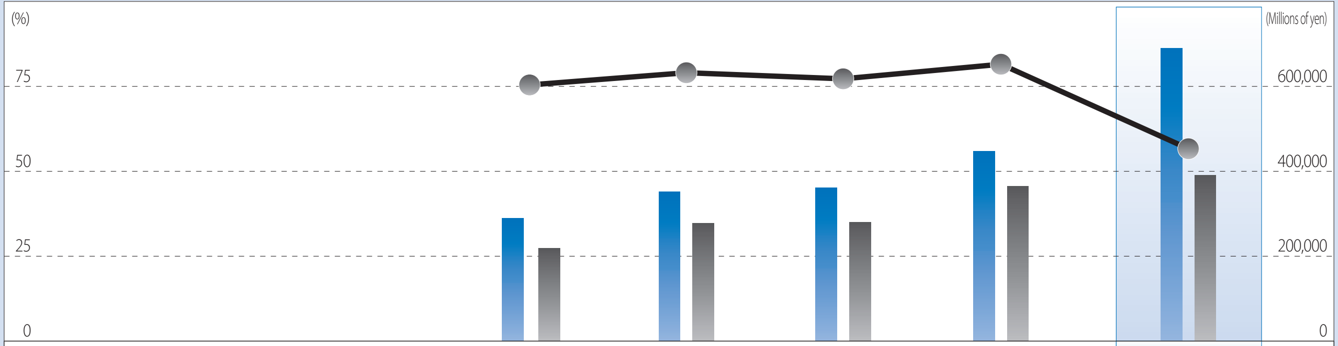
Total interest-bearing debt—short-term loans, long-term debt with current maturities, commercial paper, other long-term debt, and corporate bonds—reached ¥136,192 million, resulting in a 19.8% rate of leverage.

Shareholders' Equity

Retained earnings amounted to ¥373,888 million, partially based on ¥28,089 million in dividends paid from ¥81,725 million in net income. Treasury stock declined ¥4,768 million, to ¥7,984 million. As a result, total shareholders' equity came to ¥388,067 million, and net assets grew ¥27,481 million, compared with the previous fiscal year, to ¥394,626 million.

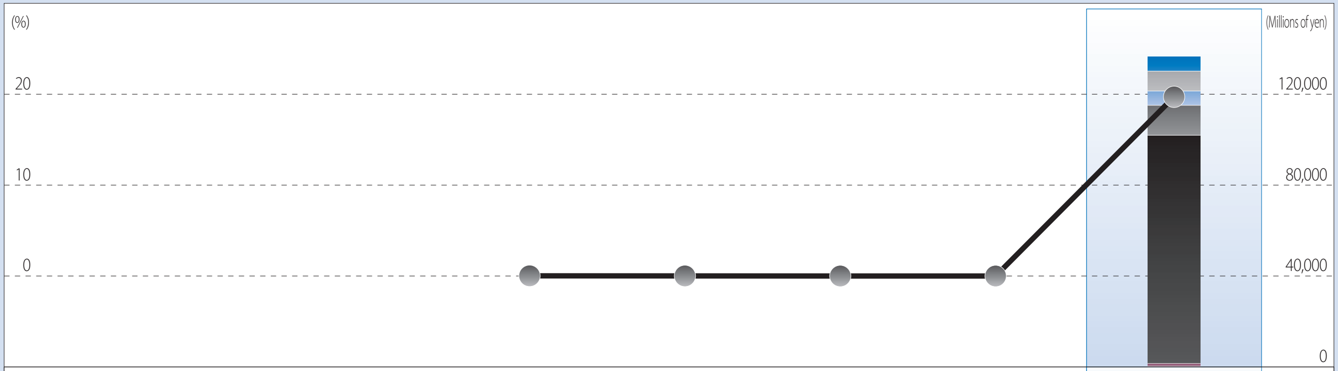
From the fiscal year ended March 31, 2007, the Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), the Shareholders' equity section has been replaced by a net assets section, to which accumulated gains (losses) from revaluation and translation adjustments, stock subscription rights and minority interests have been added to shareholders' equity. As a replacement for the former shareholders' equity, the Company uses owners' equity, which excludes stock subscription rights and minority interests from net assets. The ratio of owners' equity to total assets (owners' equity ratio; the former shareholders' equity ratio) for the fiscal year under review was 56.7%, a total of 24.9 percentage points lower than the 81.6% in the previous fiscal year.

Total Assets, Owners' Equity and Owners' Equity Ratio



	2004	2005	2006	2007	2008
Total assets (Millions of yen)	289,887	351,482	361,538	447,644	**689,444**
Owners' equity (Millions of yen)	218,979	277,889	279,481	365,102	**391,084**
Owners' equity ratio (%)	75.5	79.1	77.3	81.6	**56.7**

Interest-Bearing Debt



	2004	2005	2006	2007	2008
Short-term loans (Millions of yen)	486	194	—	—	6,465
Long-term debt with current maturities (Millions of yen)	—	—	—	—	8,749
Commercial paper (Millions of yen)	—	—	—	—	6,192
Long-term debt (Millions of yen)	—	—	—	—	13,268
Corporate bonds (Millions of yen)	—	—	—	—	99,967
Subtotal	486	194	—	—	134,641
Discounted promissory notes (Millions of yen)	—	—	—	—	1,551
Total	486	194	—	—	136,192
Leverage ratio (%)	0.2	0.1	—	—	19.8

Note: Corporate bonds were issued to fund a public tender offer to acquire Pentax Corporation, as follows:
Five-year bonds: ¥39,982 million Seven-year bonds: ¥24,991 million Ten-year bonds: ¥34,994 million

Cash Flows

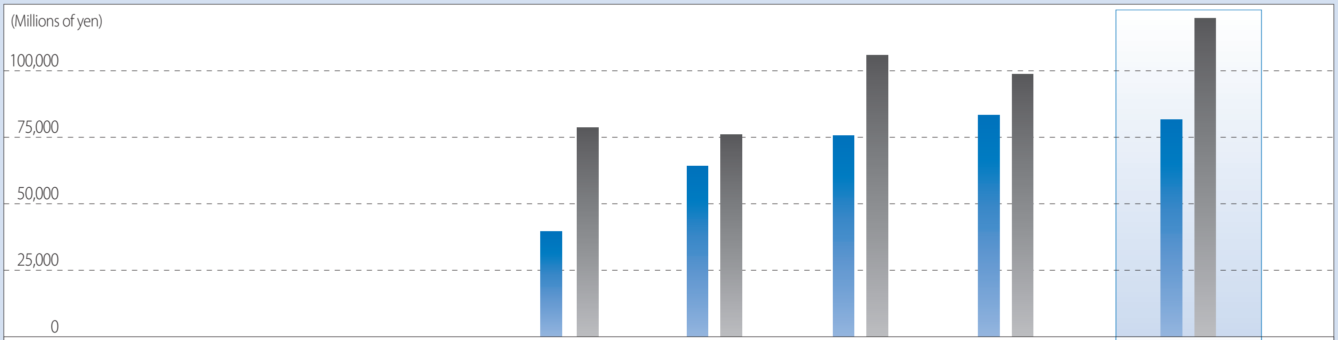
Net cash provided by operating activities amounted to ¥119,809 million, an increase of ¥21,016 million from the previous fiscal year. The main positive factors were income before income taxes and minority interests of ¥94,553 million (down ¥12,579 million year on year), depreciation and amortization of ¥44,876 million (up ¥8,537 million) and a decrease in notes and accounts receivable of ¥6,254 million (up ¥20,055 million). The main negative factors were an increase in inventories of ¥7,163 million (up ¥2,364 million), equity in earnings of associated companies of ¥5,926 million (up ¥5,284 million) and income taxes paid of ¥24,960 million (up ¥1,598 million).

Net cash used in investing activities amounted to ¥113,037 million—a ¥66,385 million increase. This was primarily attributable to expenditures of ¥72,463 million (up ¥71,555 million) for the purchase of shares of subsidiaries, stemming from the acquisition of Pentax's shares and other changes in the scope of consolidation, and expenditures of ¥38,889 million (down ¥13,490 million) for purchases of property, plant and equipment, especially investments to support forthcoming products in the Electro-Optics Division.

Net cash provided by financing activities amounted to ¥68,253 million, an increase of ¥92,144 million. Although dividends paid totaled ¥28,076 million (up ¥2,266 million), this was offset by proceeds of ¥99,804 million from long-term loans and corporate bonds issued for the tender offer on Pentax's shares.

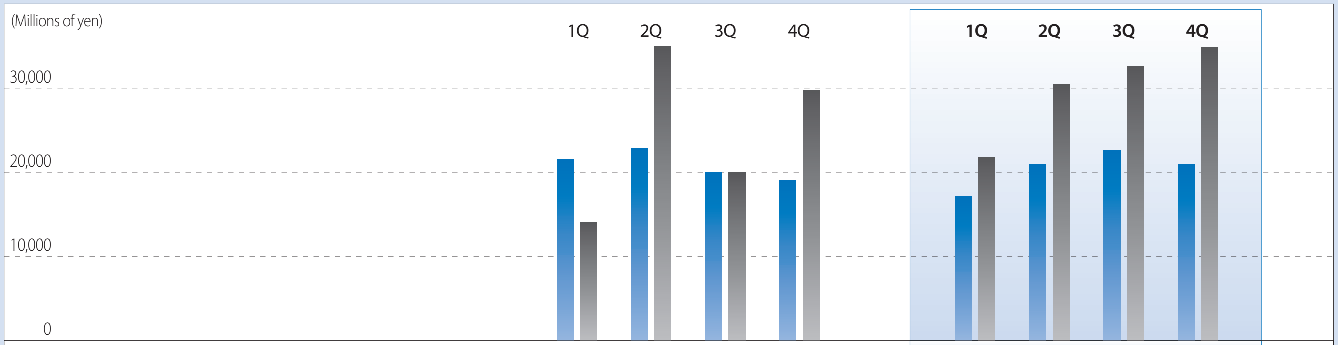
As a result of the above, the balance of cash and cash equivalents as of March 31, 2008, was ¥181,336 million—an increase of ¥60,714 million.

Net Cash Provided by Operating Activities



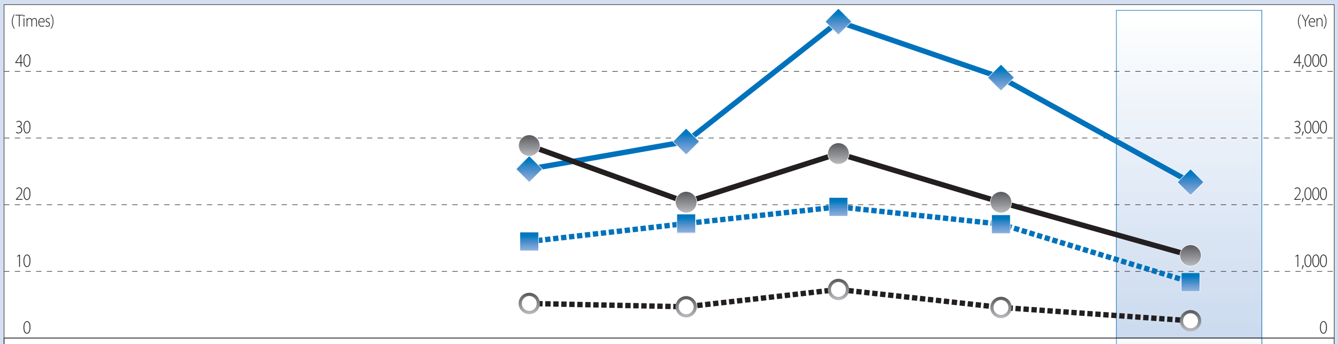
	2004	2005	2006	2007	2008
Net income (Millions of yen)	39,549	64,135	75,620	83,391	**81,725**
Net cash provided by operating activities (Millions of yen)	78,744	76,000	105,855	98,793	**119,809**

Quarterly Net Cash Provided by Operating Activities



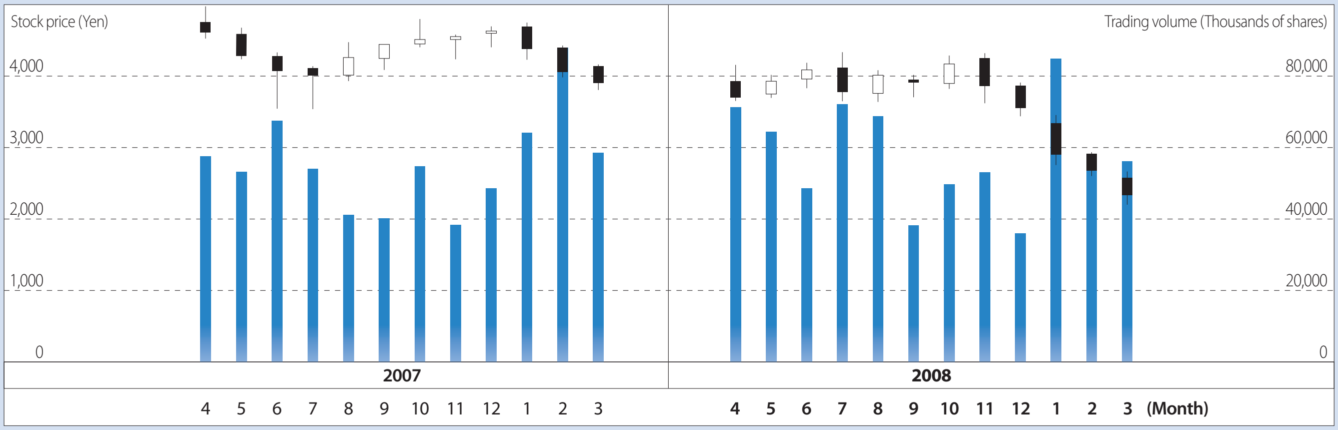
	2007 1Q	2007 2Q	2007 3Q	2007 4Q	2008 1Q	2008 2Q	2008 3Q	2008 4Q
Net income (Millions of yen)	21,500	22,899	19,964	19,028	**17,097**	**21,020**	**22,603**	**21,004**
Net cash provided by operating activities (Millions of yen)	14,066	35,017	19,950	29,760	**21,815**	**30,450**	**32,595**	**34,948**

Stock Price Data

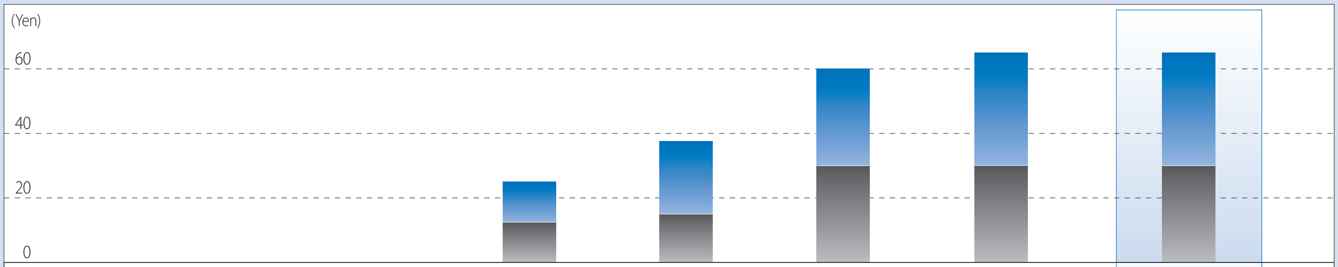


		2004	2005	2006	2007	2008
Price earnings ratio (Times)		28.9	20.4	27.7	20.2	**12.4**
Price cash flow ratio (Times)		14.5	17.2	19.7	17.1	**8.4**
Price book value ratio (Times)		5.2	4.7	7.3	4.6	**2.6**
Stock price at fiscal year-end (Yen) (after adjustment for stock split)		2,537	2,950	4,750	3,910	**2,340**

Stock Price and Trading Volume



Dividend Per Share



		2004	2005	2006	2007	2008
Period-end dividend (Yen)		12.50	22.50	30.00	35.00	**35.00**
Interim dividend (Yen)		12.50	15.00	30.00	30.00	**30.00**
Total dividend (Yen)		25.00	37.50	60.00	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.

Business Risk

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.

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.

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.

Our Business as 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.

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.

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.

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.

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.

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. Besides, 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.

Risk of Information Leaks

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.

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.

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.

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.

Risk in 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.

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, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2008**	2007	**2008**
CURRENT ASSETS			
Cash and cash equivalents	**¥181,467**	¥120,622	**$1,811,229**
Notes and accounts receivable			
Trade	**120,522**	94,297	**1,202,934**
Other	**2,399**	2,142	**23,945**
Allowance for doubtful receivables	**(2,388)**	(1,312)	**(23,835)**
Inventories (Note 4)	**82,822**	49,722	**826,649**
Deferred income taxes (Note 9)	**10,868**	7,068	**108,474**
Other current assets	**14,583**	3,168	**145,553**
Total current assets	**410,273**	275,707	**4,094,949**
PROPERTY, PLANT AND EQUIPMENT (Note 5)			
Land	**16,888**	9,154	**168,560**
Buildings and structures	**77,598**	70,040	**774,508**
Machinery and vehicles	**250,705**	245,211	**2,502,296**
Furniture and equipment	**35,302**	29,991	**352,351**
Construction in progress	**10,212**	11,918	**101,926**
Total	**390,705**	366,314	**3,899,641**
Less—accumulated depreciation	**(238,502)**	(223,096)	**(2,380,497)**
Net property, plant and equipment	**152,203**	143,218	**1,519,144**
INVESTMENTS AND OTHER ASSETS			
Investment Securities (Note 3)	**4,924**	2,898	**49,147**
Investments in non-consolidated subsidiaries and affiliated companies	**17,279**	11,678	**172,462**
Goodwill	**32,680**	2,243	**326,180**
Software	**4,960**	2,431	**49,506**
Lease deposits	**3,718**	3,435	**37,110**
Deferred income taxes (Note 9)	**41,159**	2,724	**410,809**
Other assets	**22,573**	3,632	**225,302**
Allowance for doubtful receivables	**(325)**	(322)	**(3,244)**
Total investments and other assets	**126,968**	28,719	**1,267,272**
TOTAL ASSETS	**¥689,444**	¥447,644	**$6,881,365**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES			
Notes and accounts payable			
Trade	**¥ 55,539**	¥ 27,733	**$ 554,337**
Construction and other	**24,334**	11,857	**242,878**
Short-term loans payable and long-term debt with current maturities (Note 8)	**21,406**	—	**213,654**
Income taxes payable (Note 9)	**30,793**	12,821	**307,346**
Accured bonuses to employees	**7,453**	4,328	**74,389**
Accured expenses	**22,515**	13,695	**224,723**
Other current liabilities	**6,816**	7,747	**68,031**
Total current liabilities	**168,856**	78,181	**1,685,358**
LONG-TERM LIABILITIES			
Bonds (Note 8)	**99,967**	—	**997,774**
Long-term debt (Note 8)	**13,268**	—	**132,428**
Employees' pension and retirement benefits (Note 6)	**10,210**	—	**101,906**
Allowance for periodic repairs	**1,017**	890	**10,151**
Other long-term liabilities	**1,500**	1,428	**14,972**
Total long-term liabilities	**125,962**	2,318	**1,257,231**
TOTAL LIABILITIES	**294,818**	80,499	**2,942,589**
CONTINGENT LIABILITIES (Notes 12 and 13)			
NET ASSETS (Notes 2.q and 7)			
SHAREHOLDERS' EQUITY (Notes 16 and 19)			
Common stock—authorized, 1,250,519,400 shares issued, 435,017,020 shares	**6,264**	6,264	**62,521**
Capital surplus	**15,899**	15,899	**158,688**
Retained earnings	**373,888**	322,513	**3,731,790**
Treasury stock, at cost— 2,158,291 shares in 2008 and 3,447,681 shares in 2007	**(7,984)**	(12,752)	**(79,689)**
Total shareholders' equity	**388,067**	331,924	**3,873,310**
ACCUMULATED GAINS (LOSSES) FROM REVALUATION AND TRANSLATION ADJUSTMENTS			
Net unrealized loss on available-for-sale securities, net of tax	**(835)**	(86)	**(8,334)**
Foreign currency translation adjustments	**3,852**	33,264	**38,447**
Total accumulated gains from revaluation and translation adjustments	**3,017**	33,178	**30,113**
STOCK SUBSCRIPTION RIGHTS (Note 17)	**633**	167	**6,318**
MINORITY INTERESTS	**2,909**	1,876	**29,035**
TOTAL NET ASSETS	**394,626**	367,145	**3,938,776**
TOTAL LIABILITIES AND NET ASSETS	**¥689,444**	¥447,644	**$6,881,365**

Consolidated Statements of Income

Hoya Corporation and Subsidiaries
Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
NET SALES	**¥481,631**	¥390,093	¥344,228	**$4,807,176**
COST OF SALES (Notes 10 and 12)	**262,944**	197,410	172,034	**2,624,453**
Gross profit	**218,687**	192,683	172,194	**2,182,723**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 12)	**123,613**	85,470	71,098	**1,233,786**
Operating income	**95,074**	107,213	101,096	**948,937**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**4,596**	2,922	1,795	**45,873**
Interest expense	**(1,451)**	(87)	(142)	**(14,482)**
Foreign exchange gains (losses)—net	**(5,447)**	(6,711)	243	**(54,367)**
Equity in earnigs of associated companies	**5,926**	642	1,285	**59,148**
Loss on clarification of soil pollution and others	**(1,612)**	(767)	(3,726)	**(16,089)**
Loss on closure of plant	**—**	—	(523)	**—**
Loss on disposal of property, plant and equipment	**(1,125)**	(3,327)	(625)	**(11,229)**
Loss on impairment of long-lived assets (Note 5)	**(581)**	(88)	(1,233)	**(5,799)**
Additional retirement benefits paid to employees (Note 6)	**(1,921)**	(1,055)	(1,689)	**(19,174)**
Gain on sales of property, plant and equipment	**520**	9,629	109	**5,190**
Gain on transfer of business	**—**	—	1,656	**—**
Loss on write-down of investment securities	**(909)**	—	—	**(9,073)**
Other income (expense)—net	**1,483**	(1,239)	(879)	**14,802**
Other expenses—net	**(521)**	(81)	(3,729)	**(5,200)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**94,553**	107,132	97,367	**943,737**
INCOME TAXES (Note 9)				
Current	**(34,550)**	23,492	22,250	**(344,845)**
Deferred	**20,083**	71	(512)	**200,449**
Total income taxes	**14,467**	23,563	21,738	**144,396**
MIINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	**1,639**	(178)	(9)	**16,359**
NET INCOME	**¥ 81,725**	¥ 83,391	¥ 75,620	**$ 815,700**

	Yen			U.S. Dollars
	2008	2007	2006	**2008**
PER SHARE OF COMMON STOCK (Notes 2.p and 15)				
Basic net income	**¥189.01**	¥193.50	¥171.71	**$1.89**
Diluted net income	**188.78**	192.78	171.08	**1.88**
Cash dividends applicable to the year	**65.00**	65.00	150.00	**0.65**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hoya Corporation and Subsidiaries
Years Ended March 31, 2008, 2007 and 2006

		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, 2005	111,381,243	¥6,264	¥15,899	¥268,255	¥ (7,879)	¥ 38	¥(4,688)	¥ —	¥ 831
Net income				75,620					
Appropriations									
Cash dividends, ¥210.00 per share				(23,398)					
Bonuses to directors				(65)					
Stock split	334,143,729								
Repurchase of treasury stock	(15,695,711)				(64,032)				
Disposal of treasury stock	786,152			(871)	2,450				
Retirement of treasury stock				(53,181)	53,181				
Net increase in unrealized gain on available-for-sale securities						72			
Net increase in foreign currency translation adjustments							11,830		
Net increase in minority interests									89
Other decreases				(14)					
BALANCE, MARCH 31, 2006	430,615,413	6,264	15,899	266,346	(16,280)	110	7,142	—	920
Net income				83,391					
Appropriations									
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 in unrealized gain 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 increase					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**					
Appropriations									
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 in unrealized gain on available-for-sale securities						**(749)**			
Net increase 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**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hoya Corporation and Subsidiaries
Years Ended March 31, 2008, 2007 and 2006

	Millions 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, 2007	$62,521	$158,688	$3,219,016	$(127,292)	$ (856)	$ 332,005	$1,669	$18,725
Net income			815,700					
Appropriations								
Cash dividends, $0.65 per share			(280,359)					
Repurchase of treasury stock				(130)				
Disposal of treasury stock			(22,567)	47,733				
Net increase in unrealized gain on available-for-sale securities					(7,478)			
Net increase in foreign currency translation adjustments						(293,558)		
Net increase in subscription rights							4,649	
Net increase in minority interests								10,310
BALANCE, MARCH 31, 2008	$62,521	$158,688	$3,731,790	$ (79,689)	$(8,334)	$ 38,447	$6,318	$29,035

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hoya Corporation and Subsidiaries
Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
OPERATING ACTIVITIES				
Income before income taxes and minority interests	**¥94,553**	¥107,132	¥97,367	**$943,737**
Adjustment for				
Depreciation and amortization	**44,876**	36,339	26,252	**447,909**
Provision for (reversal of) allowance for doubtful receivables	**557**	(243)	235	**5,559**
Provision for accrued bonuses to employees	**1,132**	155	278	**11,299**
Provision for reserve for periodic repairs	**126**	268	76	**1,258**
Gain on sales of property, plant and equipment	**(519)**	(9,629)	(109)	**(5,180)**
Loss on disposal of property, plant and equipment	**1,125**	3,327	625	**11,229**
Loss on impairment of long-lived assets	**582**	88	1,233	**5,809**
Loss on write-down of investment securities	**872**	—	—	**8,703**
Foreign exchange loss (gain)	**(2,121)**	4,783	(599)	**(21,170)**
Bonuses to directors	**—**	(65)	(65)	**—**
Equity in earnings of associated companies	**(5,926)**	(642)	(1,285)	**(59,148)**
Gain on transfer business	**—**	—	(1,656)	**—**
Other	**11,757**	(700)	77	**117,347**
Changes in assets and liabilities				
Decrease (increase) in notes and accounts receivable	**6,254**	(13,801)	(4,042)	**62,421**
Increase in inventories	**(7,163)**	(4,799)	(2,547)	**(71,494)**
Decrease in other current assets	**1,039**	2,250	2,097	**10,370**
Increase (decrease) in notes and accounts payable	**(3,170)**	(1,208)	3,644	**(31,640)**
Increase (decrease) in other current liabilities	**917**	(781)	2,420	**9,153**
Interest and dividend income	**(4,595)**	(2,922)	(1,795)	**(45,863)**
Interest expense	**1,451**	87	142	**14,483**
Interest and dividends—received	**4,419**	2,557	1,866	**44,106**
Interest—paid	**(1,397)**	(41)	(112)	**(13,943)**
Income taxes—paid	**(24,960)**	(23,362)	(18,247)	**(249,127)**
Total adjustments	**25,256**	(8,339)	8,488	**252,081**
Net cash provided by operating activities	**119,809**	98,793	105,855	**1,195,818**
INVESTING ACTIVITIES				
Proceeds from sales of investment securities	**27**	30	—	**269**
Payments for investment securities	**—**	(408)	(2,070)	**—**
Payment for acquisition of investments in newly consolidated subsidiaries	**(72,463)**	(908)	(337)	**(723,256)**
Proceeds from sales of property, plant and equipment	**1,216**	10,218	267	**12,137**
Payments for property, plant and equipment	**(38,889)**	(52,379)	(47,742)	**(388,152)**
Proceeds from transfer of business	**—**	—	2,230	**—**
Proceeds from other assets	**479**	654	271	**4,781**
Payments for purchases of other assets	**(3,407)**	(3,859)	(4,632)	**(34,005)**
Net cash used in investing activities	**(113,037)**	(46,652)	(52,013)	**(1,128,226)**

Consolidated Statements of Cash Flows

Hoya Corporation and Subsidiaries
Years Ended March 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	**2008**
FINANCING ACTIVITIES				
Net decrease in short-term loans	**¥ (3,882)**	¥ —	¥ (208)	**$ (38,746)**
Proceeds from long-term bank loans and issuance of corporate bonds	**99,804**	—	—	**996,147**
Repayments of long-term debt	**(1,866)**	—	—	**(18,625)**
Payments for purchases of treasury stock	**(30)**	(13)	(64,032)	**(299)**
Proceeds from sales of treasury stock	**2,518**	1,934	1,855	**25,132**
Dividends paid	**(28,076)**	(25,810)	(23,403)	**(280,227)**
Other	**(215)**	(2)	0	**(2,146)**
Net cash provided (used in) by financing activities	**68,253**	(23,891)	(85,788)	**681,236**
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	**60,714**	37,048	(29,301)	**605,988**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQIVALENTS	**(14,311)**	8,798	2,645	**(142,840)**
CASH AND CASH EQIVALENTS, BEGINNING OF YEAR	**120,622**	83,574	112,875	**1,203,933**
CASH AND CASH EQIVALENTS, END OF YEAR	**¥181,336**	¥120,622	¥ 83,574	**$1,809,921**

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.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for 2006) from the consolidated financial statements of Hoya Corporation (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

No. 2 SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

a. Principles of Consolidation—The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 100 (67 in 2007 and 62 in 2006) 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.

Investment in an affiliated company through the years is accounted for by the equity method and remaining non-consolidated subsidiaries and affiliated companies are stated at cost due to immateriality.

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

b. 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 mature or become due within three months of the date of acquisition.

c. Inventories—Inventories are stated principally at cost using the average method.

d. 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 net assets. 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.

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates 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 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.

In accordance with the revision of the Corporation Tax Law, starting in the consolidated fiscal year under review, a depreciation method based on the revised Corporation Tax Law is used for tangible fixed assets acquired on or after April 1, 2007. The change caused operating income and income before taxes and other items to decrease ¥426 million ($4,252 thousand). The effect of this change on business and geographical segments was insignificant.

This revision of the Corporation Tax Law also affects the treatment of assets acquired on and prior to March 31, 2007. The residual amounts of these assets shall be depreciated to the memorandum values (¥1) in a straight line over five years, commencing with the following fiscal year in which each asset's depreciation reaches to 5% of the acquisition cost by the declining method defined in the old Corporation Tax Law is terminated. The effects of this change on income before taxes and minority interests were insignificant.

f. 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 would be 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 would be 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.

g. 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. 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.

h. 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.

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.

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

j. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

k. 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.

l. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon shareholders' approval or resolution of the Board of Directors.

m. 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.

n. 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 shareholders' equity, which is translated at historical exchange rates. Other than the portion charged to the minority interests, differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of net assets. Revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the monthly average exchange rates.

o. 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.

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

p. 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 into common stock. 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.

q. Accounting Standard for Presentation of Net Assets in the Balance Sheet—Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests, as applicable, and the shareholders' equity sections.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. There were no effects on total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of March 31, 2006. The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007 and 2006.

r. Accounting Standard for Statement of Changes in Net Assets— Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance, "Guidance on Accounting Standard for Statement of Changes in Net Assets" (Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards"). Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

s. Accounting Standards for Business Combinations, Etc.— Effective April 1, 2006, the Company and its consolidated subsidiaries adopted the new accounting standards, "Accounting Standard for Business Combinations" (Business Accounting Council Statement of Opinion, October 31, 2003) and "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Guidance No. 10 issued by the Accounting Standards Board of Japan on December 27, 2005).

Adoption of these standards has no impact on income for the year ended March 31, 2007.

t. Accounting Standard for Directors' Bonus—Effective April 1, 2006, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Directors' Bonus" (Statement No. 4 issued by the Accounting Standards Board of Japan on November 29, 2005). As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥68 million, respectively. Adoption of this standard has little impact on segment information.

u. Stock Option—Effective April 1, 2006, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Share-based Payment" (Statement No. 8 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance, "Guidance on Accounting Standard for Share-based Payment" (Guidance No. 11 issued by the Accounting Standards Board of Japan on December 27, 2005).

As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2007 decreased ¥167 million, respectively.

v. Reclassification and Restatement—Certain prior year amounts have been reclassified to conform to the current year presentation.

Also, as described in Notes 2.q and 2.r, the consolidated balance sheet for 2006 has been adapted to conform to new presentation rules of 2007. Also, in lieu of the consolidated statement of shareholders' equity for the year ended March 31, 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007. These reclassifications had no impact on previously reported results of operations or retained earnings.

No. 3 INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Marketable equity securities	**¥3,616**	¥1,542	**$36,091**
Non-marketable equity securities	**1,308**	1,356	**13,056**
Total	**¥4,924**	¥2,898	**$49,147**

The carrying amounts and aggregate fair values of marketable equity securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Available-for-sale—Equity securities	**¥4,677**	**¥—**	**¥1,061**	**¥3,616**
March 31, 2007				
Available-for-sale—Equity securities	¥1,693	¥—	¥ 151	¥1,542

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Available-for-sale—Equity securities	**$46,681**	**$—**	**$10,590**	**$36,091**

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Equity securities	**¥1,060**	¥1,100	**$10,580**
Investment to limited partnership and others	**248**	256	**2,476**
Investment in unconsolidated subsidiaries and affiliated companies	**17,279**	11,678	**172,462**
Total	**¥18,587**	¥13,034	**$185,518**

These were no sales of available-for-sale securities for the years ended March 31, 2008 and 2007.

No. 4 INVENTORIES

Inventories as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Finished products and merchandise	**¥32,290**	¥17,453	**$322,287**
Semi-finished products and work in process	**23,360**	10,069	**233,157**
Raw materials	**10,987**	9,498	**109,662**
Supplies	**16,185**	12,702	**161,543**
Total	**¥82,822**	¥49,722	**$826,649**

No. 5 IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2008, 2007 and 2006. As a result, the Group recognized impairment losses of ¥129 million ($1,288 thousand), ¥88 million and ¥864 million for the years ended March 31, 2008, 2007 and 2006, respectively, as other expense for a decline in value, mainly from property of certain plants including the Tokyo Studio (in Akishima Plant) of the Crystal division, due to a continuous operating loss of that unit. The carrying amount of the relevant machinery was written down to the 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 Group reviewed its intangible fixed assets for impairment for the year ended March 31, 2008, and as a result recognized an impairment loss of ¥212 million ($2,116 thousand) as other expense for a decline in value of the intangible fixed assets since there was a possibility for the non-competition provision. The carrying amount of the relevant intangible assets were written down to the 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 Group reviewed its long-lived assets for impairment for the years ended March 31, 2008. As a result, the Group recognized impairment losses of ¥149 million ($1,487 thousand), as other expense for a decline in value, mainly from buildings and structures due to a continuous operating loss of that unit. The carrying amount of relevant buildings and structures was written down to the 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 Group reviewed its long-lived assets for impairment for the years ended March 31, 2008. As a result, the Group recognized impairment losses of ¥91 million ($908 thousand), as other expense, mainly from buildings and structures in Mulleheimm, Germany, and machineries in Itabashi-ku, Tokyo, since these were currently idle. The book value of idle assets was reduced to their recoverable amount, which was measured on the basis of their net sale price.

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2006, and as a result recognized an impairment loss of ¥369 million as other expense for a decline in value of the leased land in Machida-City, due to a fall of market land prices. The carrying amount of the relevant land was written down to the recoverable amount, which was measured at its declared value.

No. 6 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Company and certain of domestic subsidiaries provide contribution benefit plan. And Pentax divisions provide defined benefit plans.

Employees' severance and retirement benefits included in the liability section of the consolidated balances sheets as of March 31, 2008, 2007.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥20,899**	¥—	**$208,594**
Less fair value of pension assets	**(8,848)**	—	**(88,312)**
Unrecognized actuarial differences	**(1,865)**	—	**(18,615)**
Prepaid pension cost	**24**	—	**239**
Employees' serverance and retirement benefits	**¥10,210**	¥—	**$101,906**

Included in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	**2008**
Service costs-benefits earned during the year	**¥1,007**	¥—	¥—	**$10,051**
Interest cost on projected benefit obligation	**192**	—	—	**1,916**
Expected return on plan assets	**(182)**	—	—	**(1,816)**
Others	**3,726**	—	—	**37,189**
Serverance and retirement benefit expenses	**¥4,743**	¥—	¥—	**$47,340**

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	**Mainly 2.0%**	—
Expected rate of return on plan assets	**Mainly 3.5%**	—
Amortization of unrecognized prior service cost (Straight-line method)	**Mainly 10 years**	—
Recognition of unrecognized acturial gain (Straight-line method from the following fiscal year of recognition)	**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 service years.

No. 7 NET ASSETS

"Net assets" comprises four subsections, which are shareholders' equity, accumulated gains (losses) from revaluation and translation adjustments, stock subscription rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Since the Company introduced the committees system in 2003, dividends may be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

On May 22, 2008, the Board of Directors resolved cash dividends amounting to ¥15,150 million ($151,213 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized when the Board of Directors resolves them.

No. 8 SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Short-term loans and overdrafts, principally from banks, with interest rates ranging 0.00% to 5.23% (2008)	**¥ 6,465**	¥—	**$ 64,527**
Commercial Paper	**6,192**	—	**61,803**
Total	**¥12,657**	¥—	**$126,330**

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Bonds			
1.42%, unsecured straight bonds, payable in yen, due September 2012	**¥ 39,982**	¥—	**$ 399,062**
1.62%, unsecured straight bonds, payable in yen, due September 2014	**24,991**	—	**249,436**
1.93%, unsecured straight bonds, payable in yen, due September 2017	**34,994**	—	**349,276**
	99,967		**997,774**
Loans			
Long-term loans and overdrafts, principally from banks, with interest rates ranging 0.00% to 5.23% (2008)	**22,017**	—	**219,752**
	22,017	—	**219,752**
Total	**121,984**	—	**1,217,526**
Less current portion included in current liabilities	**(8,749)**	—	**(87,324)**
	¥113,235	¥—	**$1,130,202**

Annual maturities of long-term debt as of March 31, 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Year Ending March 31	**2008**	2007	**2008**
2009	**¥ 8,749**	¥—	**$ 87,324**
2010	**4,607**	—	**45,983**
2011	**4,038**	—	**40,303**
2012	**44,128**	—	**440,443**
2013	**6**	—	**60**
Thereafter	**60,456**	—	**603,413**
Total	**¥121,984**	¥—	**$1,217,526**

No. 9 INCOME TAXES

The company and its 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, 2008, 2007 and 2006.

Significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Current:			
Deferred tax assets:			
Inventories—intercompany unrealized profits	**¥ 2,002**	¥2,647	**$ 19,982**
Accrued bonuses to employees	**2,835**	1,656	**28,296**
Accrued loss on clarification of soil pollution and others	**601**	—	**5,999**
Accrued enterprise taxes	**1,592**	923	**15,890**
Inventories—loss on write-down	**5,120**	78	**51,103**
Other	**4,553**	1,764	**45,444**
Less valuation allowance	**(1,590)**	—	**(15,870)**
Total	**15,113**	7,068	**150,844**
Deferred tax liabilities:			
Undistributed earnings of associated companies	**(2,600)**	—	**(25,951)**
Other	**(1,749)**	—	**(17,457)**
Total	**(4,349)**	7,068	**(43,408)**
Net deferred tax assets	**¥10,764**	¥7,068	**$107,436**
Non-Current:			
Deferred tax assets:			
Asset adjuetment account	**¥20,012**	¥ —	**$199,740**
Net operating loss carried forward	**20,161**	—	**201,228**
Amortization of goodwill and property, plant and equipment	**1,017**	1,577	**10,151**
Loss on impairment of long-lived assets	**531**	622	**5,300**
Allowance for doubtful receivables	**131**	111	**1,308**
Loss on devaluation of investment securities	**2,569**	—	**25,641**
Other	**2,302**	1,119	**22,976**
Less valuation allowance	**(4,804)**	—	**(47,949)**
Total	**41,919**	3,429	**418,395**
Deferred tax liabilities:			
Reserves for special depreciation and other	**(289)**	(540)	**(2,885)**
Depreciation expense	**(292)**	—	**(2,914)**
Reserves for deferred gains on fixed assets	**(198)**	—	**(1,976)**
Other	**(166)**	(165)	**(1,657)**
Total	**(945)**	(705)	**(9,432)**
Net deferred tax assets	**¥40,974**	¥2,724	**$408,963**

A reconciliation between the normal effective statutory tax rates and actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 was as follows:

	2008	2007	2006
Normal effective statutory tax rate	40.4%	40.4%	40.4%
Lower or exemption income tax rates applicable to income in certain foreign countries	(20.1)	(17.1)	(18.2)
Expenses not permanently deductible for income tax purposes	0.6	0.4	0.4
Per capita portion	0.1	0.1	0.1
Non-taxable dividend income	(1.6)	(1.5)	(1.8)
Intercompany cash dividend and transactions	2.9	1.5	1.8
Equity in earnings of associated companies and retained earnings	0.2	(0.2)	(0.5)
Change in valuation allowance	0.6	—	—
Tax credit on reserch and development expenses	(0.8)	(0.7)	(0.5)
Foreign tax credit	(1.4)	—	—
Amortization of goodwill	1.2	—	—
The amount influence of merging	(9.0)	—	—
Consolidated adjustment on unrealized gain in inventories	1.2	—	—
Other—net	1.0	(0.9)	0.6
Accutual effective tax rate	15.3	22.0	22.3

No. 10 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2008, 2007 and 2006 were ¥17,413 million ($173,795 thousand), ¥14,920 million, ¥14,135 million, respectively.

No. 11 SUPPLEMENTARY CASH FLOW INFORMATION

1. Reconciliation of cash and cash equivalents

A reconciliation of cash and cash equivalents between the consolidated balance sheets and the conslodated statement of cash flows at March 31, 2008 and 2007 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Cash, time deposits and other cash equivalents	¥181,467	¥120,622	$1,811,229
Time deposits with deposit terms of more than three months	(131)	(—)	(1,308)
Cash and cash equivalents at end of the year	¥181,336	¥120,622	$1,809,921

2. Purchases of newly consolidated subsidiaries

The Company started to consolidate Pentax and its subsidiaries at September 30, 2007. The following shows the reconciliation from the payment for purchasing Pentax shares, which equals to the total of the assets and liabilities of the Pentax and its subsidiaries, to the payment for acquisition of subsidiaries' shares which effects the scope of consolidation.

	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
Assets	¥174,189	$1,738,587
Goodwill	27,226	271,744
Liabilities	(98,198)	(980,118)
Minority interests	(8,438)	(84,220)
Cash paid for the capital	94,779	945,993
Cash and cash equivalents of consolidated subsidiaries	22,648	226,051
Cash paid in conjunction with the purchases of consolidated subsidiaries	¥ 72,131	$ 719,942

No. 12 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, 2008, 2007 and 2006 were ¥7,482 milion ($74,678 thousand), ¥3,909 milion and ¥5,602 milion, respectively.

Pro forma information of leased property such as acuisition 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, 2008 and 2007 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total
Aquisiton cost	¥5,282	¥5,637	¥10,919	¥1,745	¥2,630	¥4,375	$52,720	$56,263	$108,983
Accumulated depreciation	3,156	4,048	7,204	658	1,307	1,965	31,500	40,403	71,903
Accumulated impairment loss	3	25	28	3	25	28	30	250	280
Net leased property	¥2,123	¥1,564	¥3,687	¥1,084	¥1,298	¥2,382	$21,190	$15,610	$ 36,800

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

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥2,039	¥ 704	$20,351
Due after one year	1,662	1,698	16,589
Total	¥3,701	¥2,402	$36,940

Allowance for impairment loss on leased property of ¥7 million ($70 thousand) and ¥9 million as of March 31, 2008 and 2007 are not included in obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Due within one year	¥2,347	¥718	¥726	$23,425
Lease payments	2,355	727	896	23,505
Reversal of allowance for impairment loss on leased property	8	9	170	80
Impairment loss	4	6	—	40

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

Obligations under operating leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 85	¥184	$ 848
Due after one year	84	400	839
Total	¥169	¥584	$1,687

No. 13 CONTINGENT LIABILITIES

At March 31, 2008, the Group had the following contingent liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Guarantees of borrowings and lease obligations for customers	**¥2,070**	¥2,772	**$20,661**
Guarantees of borrowings for the Group's employees	**2**	3	**20**
Total	**¥2,072**	¥2,775	**$20,681**

No. 14 DERIVATIVES AND HEDGING ACTIVITIES

Derivatives and hedging activities as of March 31, 2008 and 2007 consisted of the following:

1. Conditions of transactions

The Group enters into derivative contracts, including foreign exchange forward contracts, currency option contracts, and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures. The Group does not enter into derivatives for trade or speculative purposes.

(1) Hedge accounting methods

Deferral hedging is applied. Appropriation is adopted for hedging exchange risks when the criteria for appropriation are met.

(2) Hedging methods and hedged items

Exchange risks are hedged based mainly on the Company's 'Internal Management Regulations', and the Company adopted a policy of not conducting any speculative derivative trading.

Hedging mehod: Forward exchange contracts

Item hedged: Foreign currency denominated debt

2. Fair value of transactions

No derivative transaction subject to hedge accounting was carried out for the year ended March 31, 2007. Therefore, the validity of hedging is not evaluated.

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

Currency-related transactions

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

Notes: 1. Market value:
(1) Forward foreign exchange contract : Translated by forwward 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	Contract value (Millions of Yen)	Contract over one year (Millions of Yen)	Market value (Millions of Yen)	Unrealized gain (loss) (Millions of Yen)
Interest rate swap				
Receive floating pay fixed	¥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.

Currency-related transactions

Items	Contract value (Thousands of U.S. Dollars)	Contract over one year (Thousands of U.S. Dollars)	Market value (Thousands of U.S. Dollars)	Unrealized gain (loss) (Thousands of U.S. Dollars)
Forward foreign exchange contracts				
Sell—USD	$ 76,115	$—	$5,859	$5,859
EURO	101,208	—	1,108	1,108
Buy—USD	1,000	—	50	50
EURO	17,736	—	1,038	1,038
Option				
Buy-Call—USD	$ 3,204	$—	$ 150	$ 150

Interest rate swap

Items	Contract value (Thousands of U.S. Dollars)	Contract over one year (Thousands of U.S. Dollars)	Market value (Thousands of U.S. Dollars)	Unrealized gain (loss) (Thousands of U.S. Dollars)
Interest rate swap				
Receive floating pay fixed	$109,901	$86,945	$(818)	$(220)

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, 2008, 2007 and 2006 was follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	EPS
For the year ended March 31, 2008				
Basic EPS—Net income available to common shareholders	**¥81,725**	**432,383**	**¥189.01**	**$1.89**
Effect of dilutive securities—Stock options	**—**	**522**		
Diluted EPS—Net income for computation	**¥81,725**	**432,905**	**¥188.78**	**$1.88**
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	
For the year ended March 31, 2006				
Basic EPS—Net income available to common shareholders	¥75,555	440,008	¥171.71	
Effect of dilutive securities—Stock options	—	1,625		
Diluted EPS—Net income for computation	¥75,555	441,633	¥171.08	

No. 16 SHAREHOLDERS' EQUITY

(For the year ended March 31,2008)

Type and Number of Shares Issued, and Type and Number of Treasury Stock

	Number of Shares Issued As of March 31,2007	Increases in Number of Shares Issued for the year Ended March 31, 2008	Decreases in Number of Shares Issued for the year Ended March 31, 2008	Number of Shares Issued As of March 31, 2008
Shares issued		—	—	
Common stock	435,017,020	—	—	**435,017,020**
Total	435,017,020			**435,017,020**
Treasury stock				
Common stock*	3,447,681	**3,407**	**1,292,797**	**2,158,291**
Total	3,447,681	**3,407**	**1,292,797**	**2,158,291**

Notes: *Details of increases and decreases are as follows:
Increase of 3,407 shares attributed to the repurchase of odd lot shares
Decrease of 397 shares attributed to the request for additional purchase of odd lot shares by shareholders
Decrease of 1,292,400 shares attributed to the exercise of stock options

No. 17 STOCK OPTION PLANS

1. Description of Stock Option

(1) Description of Stock Option Plans

	1st stock subscription rights	2nd stock subscription rights	3rd stock subscription rights	4th stock subscription rights
Type and number of recipients (Note 1)	Directors of the Company 6 Directors of subsidiaries 43 Employees of the Company 121 Employees of subsidiaries 58	Employees of the Company 1 Employees of subsidiaries 1	Directors of the Company 8 Directors of subsidiaries 14 Employees of the Company 60 Employees of subsidiaries 35	Directors of the Company 8 Directors of subsidiaries 5 Employees of the Company 54 Employees of subsidiaries 43
Number of stock options by type of stock to be issued	Common stock 3,747,600	Common stock 32,000	Common stock 700,000	Common stock 635,600
Grant date	Nobember 1, 2002	June 9, 2003	December 12, 2003	December 13, 2004
Vesting requirements	Remain employed from the grant date (November 1, 2002) to the end of the vesting period.	Remain employed from the grant date (June 9, 2003) to the end of the vesting period.	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.
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 (Note 2)	From October 1, 2003 to September 30, 2007	From October 1, 2003 to September 30, 2007	From October 1, 2004 to September 30, 2008	From October 1, 2005 to September 30, 2009

	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights
Type and number of recipients (Note 1)	Directors of the Company 8 Directors of subsidiaries 13 Employees of the Company 85 Employees of subsidiaries 77	Directors of the Company 8 Directors of subsidiaries 73 Employees of the Company 12 Employees of subsidiaries 88	Directors of the Company 8
Number of stock options by type of stock to be issued	Common stock 890,000	Common stock 780,800	Common stock 77,600
Grant date	January 1, 2006	November 7, 2006	December 14, 2007
Vesting requirements	Remain employed from the grant date (January 1, 2006) to the end of the vesting period.	Remain employed from the grant date (November 7, 2006) to the end of the vesting period.	Remain employed from the grant date (December 14, 2007) 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, 2006 to September 30, 2015	From October 1, 2007 to September 30, 2016	From October 1, 2008 to September 30, 2017

Notes: 1. Number of stock options is expressed in number of shares to be issued upon exercise. The number of shares to be issued is 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, 2008. Number of stock options is expressed in number of shares to be issued upon exercise.

a. Number of stock options (Note)

	1st stock subscription rights	2nd stock subscription rights	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights
Unvested							
As of March 31, 2007	—	—	—	—	—	780,800	—
Granted	—	—	—	—	—	—	77,600
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	780,800	—
Unvested							
As of March 31, 2008	—	—	—	—	—	—	77,600
Vested							
As of March 31, 2007	1,497,200	16,000	512,000	530,400	889,200	—	—
Vested	—	—	—	—	—	780,800	—
Exercised	1,205,200	16,000	44,400	26,800	—	—	—
Forfeited	292,000	—	—	—	—	—	—
Vested							—
As of March 31, 2008	—	—	467,600	503,600	889,200	780,800	—

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

b. Per unit information

	1st stock subscription rights	2nd stock subscription rights	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights
Exercise price (yen) (Note1)	1,918	1,673	2,438	2,713	4,150	4,750	4,230
Average stock price on exercise (yen) (Note1)	3,896	3,950	3,852	3,843	—	—	—
Fair value per unit (as of grant date) (yen) (Note2)	—	—	—	—	—	(a) 1,113 (b) 1,224 (c) 1,289 (d) 1,448	(a) 745 (b) 786 (c) 880 (d) 946

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 Law of Japan became effective, fair value per unit was not calculated.

2. Valuation Method for Fair Value of Stock Options

The 7th stock subscription rights granted for the year ended March 31, 2008 are valued as follows:

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

(a) From October 1, 2008 to September 30, 2009
(b) From October 1, 2008 to September 30, 2010
(c) From October 1, 2008 to September 30, 2011
(d) From October 1, 2008 to September 30, 2017

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

b. Major assumptions used:

	(a)	(b)	(c)	(d)
Stock price to volatility (Note 1)	29.37%	29.54%	31.35%	32.36%
Estimated time to exercise (Note 2)	5.38 years	5.88 years	6.38 years	6.88
Estimated dividends (Note 3)	¥65	¥65	¥65	¥65
Risk free rate (Note 4)	1.07%	1.11%	1.15%	1.20%

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, 2007.
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, 2008 as follows:

Cost of sales	¥ 105 million
Selling, general and administrative expenses	¥ 311 million

No. 18 BUSINESS COMBINATIONS AND BUSINESS DIVESTITURES

Business combination — the purchase method

1. Name of the acquired company, description of its businesses, major reasons for business combination, business combination date, legal form for business combination, name of the concerned company after business combination and ratio of acquired voting rights

(1) Name of the acquired company and description of its businesses
Acquired company: Pentax Corporation
Business description: Manufacture, sale, etc. of life care products, imaging systems and optical components

(2) Reasons for business combination
The Company and Pentax Corporation aim to establish strong operating foundations by using management resources they respectively own in a manner supplementary to each other. The two companies also seek to create corporate value by developing attractive products with optical and precision processing technologies at which they excel and offering the products to a broader range of customers.

Following the management integration, the Company and Pentax Corporation are working to optimize their business portfolios, and aim at further bolstering their competitiveness.

(3) Business combination date
August 14, 2007

(4) Legal form for business combination
Share acquisition

(5) Name of the concerned company after business combination
Pentax Corporation

(6) Ratio of acquired voting rights
90.58% (Note: The Company and Pentax Corporation merged in March 2008. Details of their merger are stated in "business combination—under common control.")

2. Period of the acquired company's results included in consolidated financial statements for the consolidated fiscal year under review

The acquired company's results during the period from October 1, 2007 to March 31, 2008 are consolidated.

3. Cost of acquiring the company and its breakdown

Share acquisition expenses	¥ 94,482 million
Direct expenditure on share acquisition	296 million
Acquisition cost	¥ 94,778 million

4. Amount of goodwill, reason for its recognition, amortization method and period

(1) Amount of goodwill

¥ 27,225 million

(2) Reason for recognition

The market value of net assets at the time of business combination fell short of the acquisition cost. For this reason, the difference is recognized as goodwill.

(3) Amortization method and amortization period

Straight-line amortization in 10 years

5. Assets received and liabilities succeeded on the business combination date, and their major constituents

Current assets	¥ 100,132 million
Fixed assets	74,056 million
Total assets	¥ 174,188 million
Current liabilities	¥ 67,822 million
Long-term liabilities	30,375 million
Total liabilities	¥ 98,197 million

6. Estimated effects on consolidated statements of income for the consolidated fiscal year under review in case business combination is presumed to have been completed on the first day of the fiscal year

Net sales	¥ 85,689 million
Operating income	956 million
Ordinary income	-169 million
Income before income taxes and other items	-1,725 million
Net income	-1,195 million
Net income per share	-2.76

(Method for calculating estimated amounts and important premises)

Estimated amounts were calculated retroactive to the first day of the consolidated fiscal year under review, based on figures presented in statements of income for the period from April 1, 2007 to September 30, 2007. Estimated net sales and losses stated above were calculated by assuming that the business combination had been completed on the first day of the consolidated fiscal year, and that the acquired company's voting rights had been owned at the rate of 100% from the first day.

The amounts stated above include adjustments for goodwill amortization and interest cost, etc. These amounts have not been verified through audit.

Business combination — under common control

(Summary of transaction)

The Company merged its five consolidated subsidiaries, namely Pentax Optotech Co., Ltd., Pentax Tohoku Co., Ltd., Pentax Fukushima Co., Ltd., Pentax Service Co., Ltd. and Pentax Incubation Co., Ltd., into Pentax Corporation effective March 30, 2008. The Company merged Pentax Corporation by absorption on March 31, 2008.

(Major reason for business combination)

The Company and Pentax Corporation reached an agreement for integrating their management for the purposes of establishing strong operating foundations by using management resources in their possession in a manner supplementary to each other, generating synergies, and accelerating new growth for the future. Based on this agreement, the Company made a tender offer to Pentax Corporation and, as a result of the offer, made Pentax Corporation a consolidated subsidiary.

The Company reached the conclusion that management mobility and flexibility were essential for strengthening Pentax Corporation's core businesses and that integration in the form of a merger, as it had originally planned, was the best way that allows Pentax Corporation divisions to make business judgments and take business actions as speedily as the Company's divisions, and optimizes the distribution of management resources in the integral framework of the Hoya Group, instead of small subsidiary frameworks. The Company firmly believes that the merger and integration of Pentax Corporation divisions into itself make the Group organization flatter, compared with the maintenance of Pentax Corporation as its subsidiary, and permit the Hoya Group to make business judgments flexibly and speedily, and to achieve further growth in new fields with appropriate resource distribution.

1. Merger involving six consolidated subsidiaries, namely, Pentax Corporation, Pentax Optotech Co., Ltd., Pentax Tohoku Co., Ltd., Pentax Fukushima Co., Ltd., Pentax Service Co., Ltd., and Pentax Incubation Co., Ltd.

(1) Names of companies involved in business combination, description of their businesses, business combination date, legal form for business combination, and name of the company formed through business combination

① Names of companies involved in business combination and description of their businesses

Combining company: Pentax Corporation
Business description: Manufacture and sale, etc. of life care products, imaging systems and optical components

Combined company: Pentax Optotech Co., Ltd.
Business description: Manufacture and sale of optical components, precision components, machinery and tools

Combined company: Pentax Tohoku Co., Ltd.
Business description: Manufacture of medical equipment

Combined company: Pentax Fukushima Co., Ltd.

Business description: Manufacture of optical components

Combined company: Pentax Service Co., Ltd.
Business description: Repair of optical components

Combined company: Pentax Incubation Co., Ltd.
Business description: Research and development of medical equipment

② Business combination date
March 30, 2008

③ Legal form for business combination and name of the company formed through business combination
The legal form for this business combination is merger by absorption with Pentax Corporation as the surviving company. The name of the company formed through business combination is Pentax Corporation. No share issuance or capital increase resulted from the merger.

(2) Summary of accounting procedures
The merger stated above is eliminated in its entirety as an internal transaction, as it corresponds to a transaction, etc. under common control. Therefore, this merger has no impact on the consolidated financial statements.

2. Merger of the Company and Pentax Corporation

(1) Names of companies involved in business combination, description of their businesses, business combination date, legal form for business combination, and name of the company formed through business combination

① Names of companies involved in business combination and description of their businesses
Combining company: Hoya Corporation (the Company)
Business description: Manufacture and sale, etc. of electro-optics, vision care and healthcare products
Combined company: Pentax Corporation
Business description: Manufacture and sale, etc. of life care products, imaging systems and optical components

② Business combination date
March 31, 2008

③ Legal form for business combination and name of the company formed through business combination
The legal form for this business combination is merger by absorption with the Company as the surviving company and Pentax Corporation as the company ceasing to exist. The name of the company formed through business combination is Hoya Corporation. No share issue or capital increase resulted from the merger.

(2) Summary of accounting procedures
The merger stated above was treated in accordance with the Accounting Standard for Business Combinations (issued by the Business Accounting Council on October 31, 2003) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (issued by the Accounting Standards Board of Japan on December 27, 2005). The assets and liabilities which the Company took over from the ceased company were based on their book values recorded on the day before the merger date. Their book values were adjusted only when the Company adjusted the ceasing company's book values in its consolidated financial statements.

(3) Items relating to cash payment on merger to minority shareholders
Acquisition cost and its breakdown

① Share acquisition expenses	¥ 9,757 million
Direct expenditure on share acquisition	— million
Acquisition cost	¥ 9,757 million

② Money paid for acquisition and its calculation method
(A) Consideration for acquired shares
¥ 770 was paid for each share acquired
(B) Method for calculating per-share payment
The amount of per-share payment was calculated comprehensively in view of amounts calculated by third-party organizations.
(C) Number of acquired shares and their valuation

Common stock	12,671,186 shares
Valuation	¥ 9,757 million

③ Amount of goodwill, reason for its recognition, amortization method and period
(A) Amount of goodwill ¥ 4,507 million
(B) Reason for recognition
The goodwill resulted as the acquisition value of additionally obtained Pentax shares exceeded the value of net assets received for the additionally interest acquisition.
(C) Amortization method and amortization period
Straight-line amortization in 10 years

No. 19 SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings for the year ended March 31, 2008 were resolved by the Company's Board of Directors on May 22, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35.00 ($0.35) per share	¥15,150	$151,213

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥12,984 million ($129,594 thousand, ¥30 ($0.30) per share) on November 26, 2007, based on a resolution of the Board of Directors.

Partial sale of shares in NH TECHNO GLASS

The Company sold 21.5% of its 50% shareholding in NH TECHNO GLASS CORPORATION ("NH TECHNO GLASS"), applied an equity method, to the Carlyle Group ("Carlyle") on June 6, 2008 based on the share transfer agreement on May 9, 2008.

1. Reasons for share disposal

The Company agreed to accept Carlyle as its investment partner in NH TECHNO GLASS, following the decision to sell the entire shareholding (50%) in NH TECHNO GLASS made by joint investment partner Nippon Sheet Glass Co., Ltd. In a parallel development, the Company decided to transfer 21.5% of its shareholding in NH TECHNO GLASS, in which it held a 50% stake, to Carlyle. Nonetheless, the Company will ultimately own 47.4% of NH TECHNO GLASS shares, following changes to its capital structure and organizational restructuring. As a major shareholder in NH TECHNO GLASS, the Company will continue to work in concert with Carlyle.

Taking advantage of the share transfer agreement, NH TECHNO GLASS will develop its businesses more aggressively under President Makino's leadership. Specifically, NH TECHNO GLASS will engage in aggressive capital investment focusing on its production facilities overseas, to respond to the requests for increases in LCD glass substrate output being made by customers. Moreover, the Company will strengthen the business infrastructure of NH TECHNO GLASS further in concert with Carlyle, with a view to enhancing its corporate value and listing its shares on a stock exchange in the future.

2. Profile of the acquiring party

(1) Business name
Carlyle Group

(2) Representative
Louis Gerstner (co-representatives for Japan: Tamotsu Adachi and Masao Hirano)

(3) Head office address
Washington, D.C., the United States (1001 Pennsylvania Ave., N.W. Suite 220 South, Washington, D. C.)

(4) Description of major businesses
Investment operations (private equity fund)

(5) Relationship with the Company
None

3. Date of share disposal

June 6, 2008

4. Name of the affiliate, description of its businesses, and details of its transactions with the Company

(1) Business name
NH TECHNO GLASS CORPORATION

(2) Representative
Jun Makino, president

(3) Address
Yokohama City, Kanagawa Prefecture

(4) Date of establishment
May 21, 1991

(5) Business description
Manufacture and sale of TFT LCD glass substrates

(6) Fiscal year-end
End of March

(7) Number of employees
1,147 persons on a consolidated basis, including 184 persons in Japan

(8) Major offices
Yokohama, Yokkaichi and overseas subsidiaries (in Taiwan, Singapore and South Korea)

(9) Capital sum
¥ 3,000 million

(10) Aggregate number of outstanding shares
60,000 shares

(11) Shareholders
The Company (shareholding ratio at 50%) and Nippon Sheet Glass Co., Ltd. (shareholding ratio at 50%)

(12) Contents of transactions with the Company
Purchase and receipt of royalties

5. Number of shares to be sold, sale value, gain or loss on sale, and equity ratio after disposal

(1) Number of owned shares before transfer
30,000 shares (ownership ratio: 50%) (number of voting rights: 30,000 rights)

(2) Number of shares to be transferred
12,921 shares (sale value: 17,400 million yen)

(3) Gain on sale
10.4 billion yen will be recorded as other income.

(4) Number of owned shares after transfer
17,079 shares (ownership ratio: 28.5%) (number of voting rights: 17,079 rights)

No. 20 SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2008, 2007 and 2006 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen								
	2008								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care					
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	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care					
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

	Thousands of U.S. Dollars								
	2008								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care					
Sales to customers	$2,094,843	$90,728	$1,260,986	$460,898	$888,629	$11,092	$4,807,176	$ —	$4,807,176
Intersegment sales	3,822	2,454	(20)	—	20	27,561	33,837	(33,837)	—
Total sales	2,098,665	93,182	1,260,966	460,898	888,649	38,653	4,841,013	(33,837)	4,807,176
Operating expenses	1,425,312	84,959	1,054,826	359,427	889,988	42,190	3,856,702	1,537	3,858,239
Operating income (loss)	$ 673,353	$ 8,223	$ 206,140	$101,471	$ (1,339)	$ (3,537)	$ 984,311	$(35,374)	$ 948,937

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

	Thousands of U.S. Dollars								
	2008								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care					
Assets	**$2,096,087**	**$80,217**	**$1,121,659**	**$243,697**	**$2,044,645**	**$28,127**	**$5,614,432**	**$1,266,933**	**$6,881,365**
Depreciation	**276,007**	**1,376**	**77,129**	**13,085**	**78,409**	**471**	**446,477**	**1,432**	**447,909**
Impairment loss	**—**	**—**	**611**	**2,116**	**1,790**	**1,288**	**5,805**	**—**	**5,805**
Capital expenditures	**$ 243,843**	**$ 1,413**	**$ 94,165**	**$ 8,463**	**$ 44,463**	**$ 1,455**	**$ 393,802**	**$ 103**	**$ 393,905**

a. Sales and Operating Income

	Millions of Yen							
	2007							
	Information Technology		Eye Care		Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care				
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	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care				
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

a. Sales and Operating Income

	Millions of Yen								
	2006								
	Information Technology		Eye Care		Lifestyle Refinement		Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service			
Sales to customers	¥190,552	¥10,093	¥104,457	¥35,484	¥1,864	¥1,778	¥344,228	¥ —	¥344,228
Intersegment sales	744	246	1	0	33	4,333	5,357	(5,357)	—
Total sales	191,296	10,339	104,458	35,484	1,897	6,111	349,585	(5,357)	344,228
Operating expenses	116,434	9,405	84,088	28,625	2,052	5,464	246,068	(2,936)	243,132
Operating income (loss)	¥ 74,862	¥ 934	¥ 20,370	¥6,859	¥ (155)	¥647	¥103,517	¥(2,421)	¥101,096

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

	Millions of Yen								
	2006								
	Information Technology		Eye Care		Lifestyle Refinement		Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service			
Assets	¥204,192	¥7,606	¥98,243	¥19,927	¥840	¥3,984	¥334,792	¥26,746	¥361,538
Depreciation	18,716	109	6,444	855	—	53	26,177	75	26,252
Impairment Loss	—	—	—	—	864	—	864	369	1,233
Capital expenditures	37,244	208	7,958	2,391	762	160	48,723	63	48,786

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: (Lifecare) Endoscopes, Medical Accessories, APACERAM bone prosthesis, CHT Ceramic Hydroxapatite, etc.
(Imaging System) Digital cameras, Interchangeable lenses, Accessories for cameras, etc.
(Optical Components) Digital camera modules, Micro lenses, CCTV lenses, etc.
Other Businesses: Crystal glass products, construction of information systems, outsourcing, etc.

2. The Crystal and Services businesses used to be presented separately as individual divisions. However, shrinking sales and operating income brought about by restructuring has reduced the importance of separate presentation, and from the fiscal year ended March 31, 2007, these businesses are presented together as "Other Businesses."
3. Since Pentax and its subsidiaries were consolidated to Hoya Corporation during the period under review, the segmentation of business category, products and services are reclassified as per above. Profit and loss of Pentax and its subsidiaries are combined into the Consolidated Statements of Income from October 1, 2007 and the statements of income include Pentax and its subsidiaries' profit and loss only for six months ended March 31, 2008.
4. 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, 2008, 2007 and 2006 were ¥6,289 million ($62,771 thousand), ¥3,370 million and ¥2,630 million, respectively.
5. 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, 2008, 2007 and 2006 were ¥153,256 million ($1,529,654 thousand), ¥61,381 million and ¥35,135 million, respectively.
6. 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, 2008, 2007 and 2006 are summarized as follows:

	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
Interarea transfers	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

	Thousands of U.S. Dollars						
	2008						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$2,910,128	$565,729	$892,501	$ 438,818	$4,807,176	$ —	$4,807,176
Interarea transfers	539,099	3,730	7,552	1,569,318	2,119,699	(2,119,699)	—
Total sales	3,449,227	569,459	900,053	2,008,136	6,926,875	(2,119,699)	4,807,176
Operating expenses	3,148,226	516,901	832,013	1,570,614	6,067,754	(2,209,515)	3,858,239
Operating income (loss)	301,001	52,558	68,040	437,522	859,121	89,816	948,937
Assets	$3,324,080	$376,505	$665,161	$2,277,417	$6,643,163	$ 238,202	$6,881,365

	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
Interarea transfers	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

	Millions of Yen						
	2006						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥244,998	¥35,471	¥39,232	¥ 24,527	¥344,228	¥ —	¥344,228
Interarea transfers	23,901	222	683	120,813	145,619	(145,619)	—
Total sales	268,899	35,693	39,915	145,340	489,847	(145,619)	344,228
Operating expenses	230,414	34,606	33,367	97,226	395,613	(152,481)	243,132
Operating income (loss)	¥ 38,485	¥ 1,087	¥ 6,548	¥ 48,114	¥ 94,234	¥ 6,862	¥101,096
Assets	¥163,840	¥22,377	¥63,346	¥149,299	¥398,862	¥ (37,324)	¥361,538

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, 2008, 2007 and 2006 were ¥4,142 million ($41,341 thousand), ¥2,993 million and ¥2317 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, 2008, 2007 and 2006 were ¥115,499 million ($1,152,800 thousand), ¥59,047 million and ¥33,959 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, 2008, 2007 and 2006 are summarized as follows:

	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%**

	Thousands of U.S. Dollars				
	2008				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	**$591,815**	**$919,413**	**$1,401,667**	**$12,656**	**$2,925,551**
Consolidated sales (B)					**4,807,176**
(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%

	Millions of Yen				
	2006				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥42,673	¥41,201	¥85,988	¥860	¥170,722
Consolidated sales (B)					344,228
(A)/(B)	12.4%	12.0%	25.0%	0.2%	49.6%

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.

Independent Auditors' Report

To the Shareholders and Board of Directors of
HOYA CORPORATION:

We have audited the accompanying consolidated balance sheets of HOYA CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31,2008, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits provide 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 subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31,2008, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 19 to the consolidated financial statements, HOYA CORPORATION partially sold its shareholding in NH TECHNO GLASS CORPORATION, applied an equity method, to the Carlyle Group on June 6, 2008 based on the share transfer agreement on May 9, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 18, 2008

Corporate Data

(As of March 31, 2008)

Established
November 1, 1941

Paid-in Capital
¥6,264,201,967

Employees

Hoya Corporation
5,205 (up 2,156 from March 31, 2007)
Average age: 42.5
Average years of service: 16.5

Hoya Group
35,545 (up 7,095 from March 31, 2007)

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 18, 2008)

Directors

Takeo Shiina (Advisor of IBM Japan, Ltd.)

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

Yoshikazu Hanawa (Honorary Chairman of Nissan Motor Co., Ltd.)

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

Yukiharu Kodama
(President of The Mechanical Social Systems Foundation)

Hiroshi Suzuki

Hiroshi Hamada

Kenji Ema

Hiroaki Tanji

Executive Officers

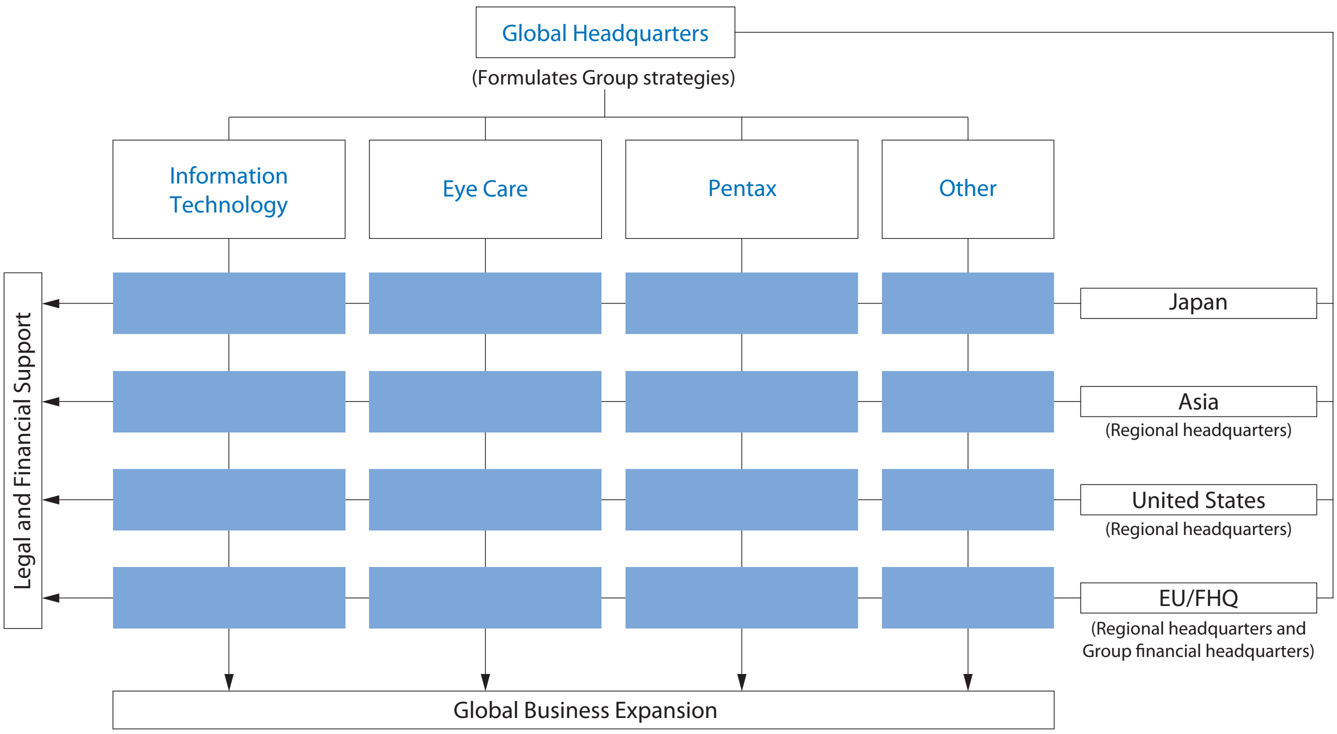
Hiroshi Suzuki (President & CEO)

Hiroshi Hamada (Chief Operating Officer)

Kenji Ema (Chief Financial Officer)

Hiroaki Tanji (Chief Technology Officer)

Hoya Group Business Matrix by Business Segment and Area



Timeline

(As of March 31, 2008)

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 established 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.

Hoya Group Global Network

(As of March 31, 2008)

Europe

Regional Headquarters

HOYA HOLDINGS N.V.
Amsterdamseweg 29, 1422 AC Uithoorn, The Netherlands
TEL +31-297-514-356

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 PRIVATE CO.
HOYA HILL OPTICS SOUTH AFRICA (PTY) LTD.
HOYA LENS NORWAY AS
HOYA MEDICAL EUROPE GMBH

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.
TAIWAN NH TECHNO GLASS CORPORATION ◆
NH TECHNO GLASS SINGAPORE PTE LTD. ◆
NH TECHNO GLASS KOREA CORPORATION ◆

◆Equity-method affiliate

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.
THAI HOYA HOLDINGS 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.
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.
QSTREAMS NETWORKS, 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.

Pentax

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

Investor Information

(As of March 31, 2008)

Listing of the Company's Shares
First Section of the Tokyo Stock Exchange

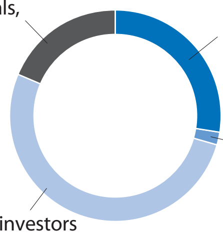
Shares of Common Stock
Authorized: 1,250,519,400
Issued: 435,017,020

Trading Unit
100 shares

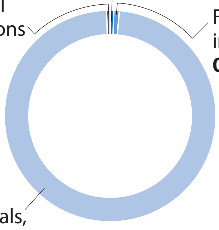
Shareholders
82,383

Share Ownership

● Ownership



● Shareholders



Principal Shareholders

	Shareholder	Number of Shares (Hundreds of shares)	Voting Rights (%)
1	JPMorgan Chase Bank 380055	283,363	6.55
2	Japan Trustee Services Bank, Ltd. (Trust Account)	255,679	5.91
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	201,351	4.65
4	State Street Bank and Trust Company	145,279	3.36
5	The Dai-ichi Mutual Life Insurance Company	115,306	2.66
6	State Street Bank and Trust Company 505103	112,313	2.60
7	Deutsche Bank Trust Company Americas	106,418	2.46
8	Mamoru Yamanaka	90,197	2.08
9	Nippon Life Insurance Company	74,426	1.72
10	The Chase Manhattan Bank N.A. London SL Omnibus Account	73,929	1.71
	Total	**1,458,263**	**33.70**

Issuance of Stock Acquisition Rights

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

Seventh Issue (Resolved by the Board of Directors on October 29, 2007)

1. Stock acquisition rights granted: 194
2. Class and number of shares to be issued upon exercise of stock acquisition rights: 77,600 shares of common stock
3. Paid-in amount for stock acquisition rights: Gratis
4. Exercise value per share at exercise of stock acquisition rights: ¥4,230
5. Exercise period of stock acquisition rights: From October 1, 2008, to September 30, 2017. However, limits on exercise volume per period are determined separately.

Share Price

	2007		2008	
	High	Low	High	Low
January–March	¥4,750	¥3,810	¥3,460	¥2,200
April–June	¥4,210	¥3,660		
July–September	¥4,340	¥3,640		
October–December	¥4,320	¥3,440		

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
7-10-11 Higashisuna, Koto-ku
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Global Headquarters

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R&D Center

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<Blanks Division>

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<Vision Care Company>

Global Headquarters

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