HOYA

2007
ANNUAL REPORT

Hoya—Originating and developing world-class business enterprises

Contents

Note on segment data:

In addition to the review of operations by segment found on pages 6 to 18 of this annual report, segment-specific data can be found on pages 32 through 43, in the financial section.

In all the compelling businesses Hoya develops, the goal is to lead the way by meeting or exceeding global standards.

In the Information Technology field, Hoya has consistently maintained a high share of the global market for such products as mask blanks, large-sized photomasks for LCD production, glass disks for hard disk drives, and optical lenses.

In the Eye Care field, Hoya's eyeglass lenses, contact lenses and intraocular lenses are enjoying a growing presence around the globe, thanks to a differentiated market strategy that makes the most of the unique characteristics of each country and region.

Hoya's R&D and product development efforts are driven by a powerful vision of the future. Hoya's constant exploration of the potential of leading-edge technologies has made it an industry leader.

In today's world of dynamic, borderless business and investment, Hoya's commitment to the development of world-class business enterprises perfectly positions the company for continued success.

Consolidated Financial Highlights

	2006	2007
Net sales (Millions of Yen)	¥344,228	¥390,093
Operating income (Millions of Yen)	101,096	107,213
Ordinary income (Millions of Yen)	103,638	102,909
Net income (Millions of Yen)	75,620	83,391
Total assets (Millions of Yen)	361,538	447,644
Net assets (Millions of Yen)*1	279,481	367,145

Per share data (Yen)*2	2006	2007
Net income	¥171.71	¥193.50
Diluted net income	171.08	192.78
Cash dividends applicable to the year	60.00※3	65.00
Price earnings ratio (Times)	27.7	20.2
Price cash flow ratio (Times)	19.7	17.1
Price book value ratio (Times)	7.3	4.6
Stock price at year-end (Yen)	4,750	3,910

*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). The figure for "Net assets" of the fiscal year ended March 31, 2006, corresponds to the total of the former "Shareholders' equity."

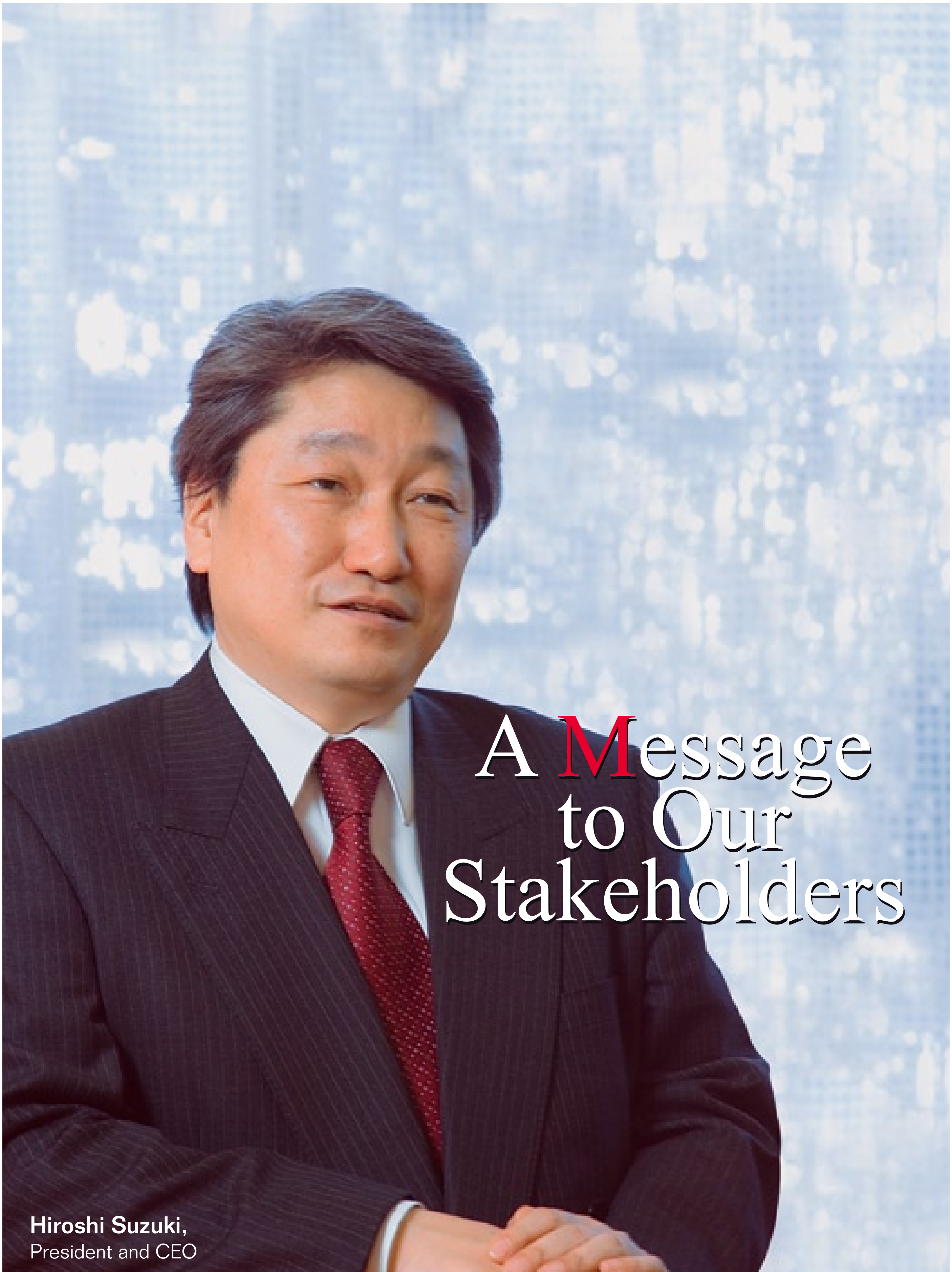
*2. Indicates per share data are all retroactive adjustments reflecting the four-for-one stock split that was effective from November 15, 2005.

*3. The cash dividend of ¥60 indicates the sum of the ¥30 year-end dividend per share, and the ¥30 retroactive adjustment reflecting the stock split implemented November 2005 relating to the interim dividend (¥120 period share) prior to the split.

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to plans and future performance that are not historical fact are forward-looking statements. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Hoya cautions that a number of factors could cause actual 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.

Note: Hoya's fiscal year ends on March 31. In this annual report, references to years indicate 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 period ended March 31, 2006, March 31, 2007, and March 31, 2008, respectively.



A Message to Our Stakeholders

Hiroshi Suzuki,
President and CEO

I am delighted to have the opportunity to report on Hoya's business results for the fiscal year ended March 31, 2007, and to offer an overview of our future business direction.

Managing the Business Portfolio for Sustained Growth

Hoya manages its business based on the philosophy that every undertaking has a predetermined lifespan, so we aim to ensure sustained growth over time by pursuing a thoughtful balance of enterprises that precisely meet the needs of their times. Hoya's business portfolio continues to be adjusted in careful reflection of the changing times and the evolving business environment.

Currently, Information Technology and Eye Care are the two main fields of Hoya's business. I would imagine that many readers are most familiar with our Eye Care business, which includes eyeglass lenses and contact lenses. Our flagship product in this field is eyeglass lenses, for which Hoya is the largest manufacturer in the Japanese domestic market. On the global stage, too, our eyeglass lenses have been very well received.

The Information Technology business has been making a great contribution to Hoya's growing profitability, thanks to the current trend toward greater functionality and reliance on digital technology for home electrical products and IT devices. It would be rare for most people to get a chance to see the products Hoya offers in the Information Technology field, even though they are hidden away inside devices they use every day. The fact is that the materials and products Hoya makes are all indispensable to the manufacture of such ubiquitous goods as notebook computers, digital cameras and LCD televisions.

Review of Fiscal 2007 Results: Sales and Income Both at Record Highs

Hoya's consolidated results for fiscal 2007 were very favorable. Net sales rose 13.3% on the previous year to reach ¥390,093 million. Operating income was up 6.1% year-on-year to ¥107,213 million. Ordinary income fell 0.7% to ¥102,909 million. Net income was ¥83,391 million, up 10.3%. Summarizing the year as a whole, in the first half results were bullish, riding a wave of strong demand. In the second half, however, we were busy accelerating investment in the extra productive capacity needed to respond to swiftly increasing demand. Unfortunately, it was not possible to give adequate attention to further development of each individual product because of the energy we had to devote to the establishment of expanded production lines. I cannot, therefore, say that the second half produced the results we had hoped for.

In the Information Technology field, the trend toward higher performance in the end products which use Hoya components continued, and we were able to achieve good results by leveraging Hoya's technological strengths. However, while overall results were good, some sectors faced an extremely competitive environment and there were arenas in which the battle was very intense. The Eye Care business, which handles general consumer goods, achieved steady growth in profit thanks to strategies designed to match the circumstances in each market as well as our commitment to offering high-value-added products and services.

We are managing Hoya's business portfolio to ensure that the two fields of Information Technology and Eye Care—each of which possesses very different characteristics—work together in a well-balanced way to meet the needs of the times, thus supporting the overall growth of the Hoya Group. This year gave us opportunity to renew our appreciation of this balance.

Information Technology

Net sales in the Electro-Optics division grew 15.1% over the previous year, and operating income rose 7.0%. Demand for digital consumer electronic products remained strong, and the investments in increased production we made to respond produced good results.

As devices continued to shrink in the semiconductor industry, it led to growth in sales of Hoya's mask blanks, which are used in semiconductor production. Hoya's mask blanks command a strong share of the global market, thanks to our ability to respond to the needs of semiconductor manufacturers operating at the leading edge of technological development by supplying high-precision products. Our strength in this area grew even more prominent in the fiscal year under review, with high-end products accounting for a higher proportion of sales and driving growth. In the area of photomasks for semiconductor manufacturing, we have been making considerable investments in cutting-edge technologies in the field of production development in recent years. Our photomask products have been well received by clients, and sales have exceeded expectations. The success of our mask blank and photomask businesses is the result of how we leverage the strengths of our proprietary technologies in leading-edge fields to meet the high expectations of our customers. I can say without reservation that this strategy has been the right one.

In the market for Hoya's glass disks for hard disk drives, demand for notebook computers kept growing around the globe.

We also saw a technological change during the year, with hard disk drive manufacturers introducing the new perpendicular recording method. To respond to the vigorous demand driven by the growing shift from desktop computers to notebooks, we boosted the capacity of our Vietnam plant, which came online in 2005, and also added new lines to existing plants. At the same time, we pushed forward with preparations for the transition to new technologies. Our all-out effort to increase production capacity helped to generate outstanding growth in sales, but on the other hand, technology development related to the new perpendicular recording method did not proceed in a timely manner, and there were some temporary shipping delays and production cost overages.

In a favorable development for Hoya's optical lens business, digital camera functionality continued to heighten added value, with higher resolution and zoom ratios. This led to greater demand for Hoya's aspherical molded lenses. Demand also rose swiftly for lenses for camera-equipped mobile phones, which Hoya first started shipping in 2004, and production continued at full capacity, so as a result we were able to increase profitability this fiscal year.

The LCD industry is approaching a situation where supply may vastly exceed demand for LCD panels, which presented a challenge to Hoya's business in photomasks for LCD panel manufacturers. During the fiscal year, intense competition led to declining prices, which also impacted Hoya as a mask manufacturer. We continue to pursue a product differentiation strategy based on technological innovation. We also strove to overcome the year's difficult business environment by further improving product quality and enhancing cost competitiveness through adopting integrated production systems, starting with the mask blanks that are base plate materials for photomasks.

In the Photonics division, Hoya's pattern defect correction equipment, which is used in the production of LCD panels, is responsible for the largest proportion of sales. Sales for the fiscal year, however, were greatly affected by market conditions in the LCD panel industry. We are working on the product mix, cost reduction, and new product development with the primary objective of improving profitability, but still, due to the strong competition that characterizes this segment, net sales and operating income decreased year-on-year.

Eye Care

Net sales in the Vision Care division grew 14.7% on the previous year, and operating income rose 3.9%. The global eyeglass lens market is growing at a leisurely 2-3% each year, but Hoya was able to achieve growth at a rate that exceeded overall market growth. I think it is fair to say that Hoya's value-added product strategy together with its region-specific business approach were the keys to this achievement. The Japanese domestic market, which has hitherto been the cornerstone of Hoya's eyeglass business, is showing signs of contracting as a result of the decrease in the country's population and an influx of budget product from Asia. Despite the difficult market, however, Hoya maintained sales at the same level as the previous year by introducing new products and strengthening marketing of high-value-added lines.

In our European markets, we achieved double-digit growth using localization strategies, under which each product is developed and sold to suit local tastes. In the Asian region, clients favoring low-cost products still make up the bulk of the market. However, there is a growing trend toward recognition of the value of high-end eyeglass lenses, and Hoya's results improved. In the United States, too, the Hoya brand is steadily gaining ground.

In the Health Care division, net sales grew 15.1% over the previous year, and operating income rose 34.3%. In the previous fiscal year, there were temporary research and development expenses, and expenses related to a change in the *Eye City* chain's bonus points scheme, so in the current fiscal year profit recovered dramatically. It was a year of change in market conditions for contact lenses, including modified fee standards for medical examinations in Japan. However, thanks to the strategic marketing and high-quality services provided by our *Eye City* chain of contact lens specialty stores, Hoya secured an even more competitive position in the market. Both sales and income grew, continuing the growth reported a year earlier.

Thanks to the well-known quality of Hoya's intraocular lenses (IOLs) for cataract surgery, Hoya's market share in Japan increased during the fiscal year. Although it has been less than two years since IOLs went on sale in Europe, our market presence there is steadily growing. In order to further expand market share going forward, we will continue both to improve existing products and to introduce new products.

A Message to Our Stakeholders

Current Issues and Future Prospects

In my view, our slogan for the current fiscal year (ending March 2008) should be “further sharpening Hoya’s competitive edge.” This is the issue that each business division needs to address. As you may recall, we used the same phrase a year ago, but in the fiscal year ended March 2007 we again faced pressure to increase investment in mass production capacity, despite having thought last year that we had reached a plateau. Looking back over the past three years, we have invested an annual amount of around ¥50,000 million in plant and equipment, putting a great deal of effort into boosting the capabilities of existing plants and opening new plants overseas. It cannot be denied, however, that these efforts took a certain toll. As human resources, particularly engineers, were devoted to the increase in production capacity, other tasks had to take a back seat, including new product development, the refining of production processes, and work to achieve greater productive efficiency. In the current fiscal year, we will continue to strive to sharpen Hoya’s “innate” competitive edge. This means developing products that are ahead of the competition, achieving stable mass production of high-quality product, implementing firm cost structures, and ensuring on-time delivery. Although all of these are natural extensions of current projects, I believe the path to continued success is paved by layering such solid achievements one on top of another.

Touching now on a mid- to long-term issue, I believe that it is important that we should cultivate and develop a new field of business that, in addition to the two current areas of Information Technology and Eye Care, can play a leading role in Hoya’s growth into a new era. Not wishing to rely too heavily on existing products and proprietary technologies, we are currently seeking to broaden Hoya’s business portfolio, giving due consideration to fields that will foster growth while also making effective use of all of Hoya’s management corporate resources.

A Final Word

I am always careful to set Hoya’s course with the wishes of our shareholders in mind. I am sure that you have heard me say, “The company belongs to its shareholders.” My thinking on this matter will not change. In the fiscal year under review, which saw a more robust stock market, shareholder interest in Hoya grew: by the end of March 2007 the number of individual shareholders had grown dramatically to reach almost 100,000. It gives me great joy to have so many of you as joint owners of Hoya, but it also gives me pause when I consider the weighty management responsibility that you have entrusted to me.

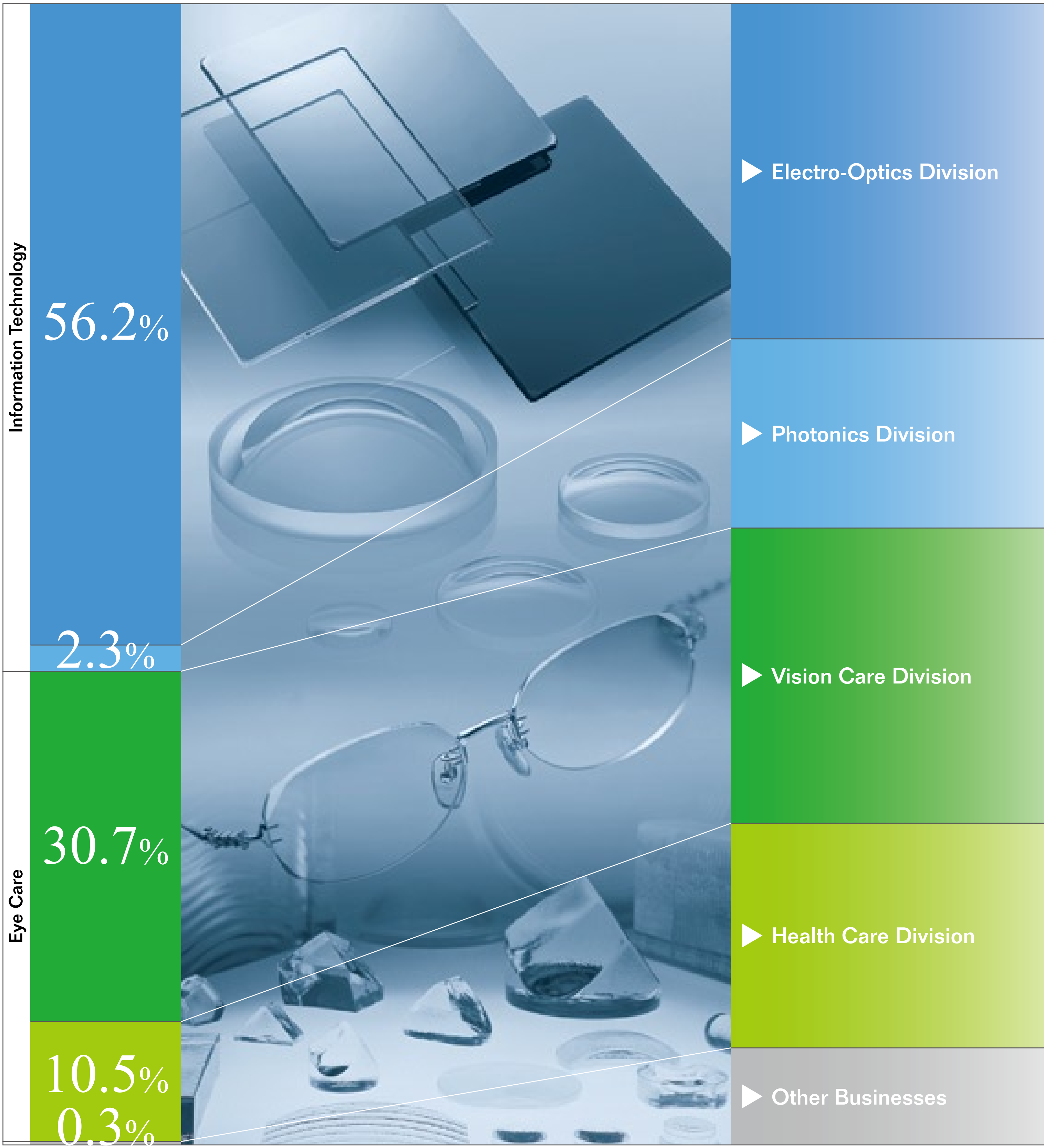
In a world in which the movement of people, goods and money is increasingly borderless, we live in an age which expects businesses to be administered according to global standards. From business management to environmental responsiveness and corporate compliance, everything needs to be seen from a global perspective. Similarly, all of Hoya’s stakeholders—including shareholders, trading partners and employees—are becoming diversified around the globe, and their very diverse values intermingle and coexist with each other. In the midst of this globalization of the business environment and the emergence of widely differing values, I look back to the basics—“Hoya’s raison d’être”—and I want to see Hoya create the kind of value for society that only Hoya can create. My hope is that every shareholder would look forward to Hoya’s creation of new value for the future.

In order to foster Hoya’s ongoing growth and development, we have for some time now been examining the potential of incorporating a new business into our portfolio. In December 2006, a basic understanding was reached with Pentax Corporation on a management integration of the two companies, with a merger to be completed on October 1, 2007. After the initial agreement, the form the merger was to take changed from a management integration through share swap merger to a tender offer, and a new agreement was reached to proceed with this in July 2007. Hoya has been providing updates on the merger on its website and in other media, and we will continue to make new information available to the public as appropriate. I look forward to the continuing understanding and support of our shareholders as we move forward with this exciting new step.

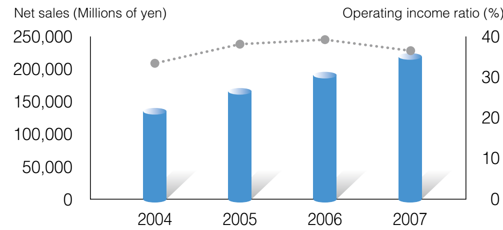
Hiroshi Suzuki, President and CEO

Hoya at a Glance

Percentage of Net Sales (Year ended March 31, 2007)

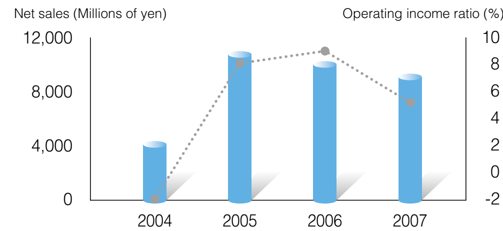


The main products in this division include mask blanks and photomasks used in the production of semiconductors, photomasks for the manufacture of LCD panels, glass disks used in hard disk drives, and optical lenses for digital cameras. Functional standards continue to rise for the end products made with these components, which include semiconductors, LCD televisions, personal computers and digital cameras. Hoya's products, which are intimately involved in the production of these goods, are expected to have ever-higher product quality and functionality. Hoya enjoys the top market share for its flagship products in these fields. The Electro-Optics Division is a major driver of both overall sales and profitability for the group thanks to its ability to accurately assess the wide-ranging needs of the market and to respond to them with the requisite high technical standards and production systems.



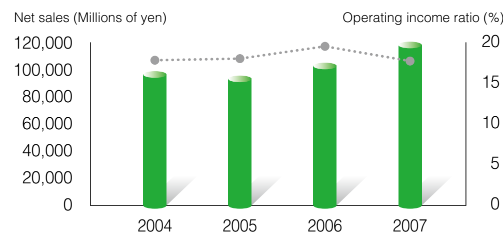
- Mask blanks for the production of semiconductors
- Photomasks for the production of semiconductors
- Large-sized LCD photomasks
- Glass disks for HDD
- Optical lenses, glass materials

The Photonics Division is engaged in the development and sale of devices and equipment that utilize lasers and UV. This industrial equipment is used to manufacture semiconductors, LCD panels and digital cameras, and Hoya anticipates that the Division's business will benefit from positive synergies with the Electro-Optics Division. Medical equipment is used in the fields of dentistry, dermatology, and plastic and reconstructive surgery.



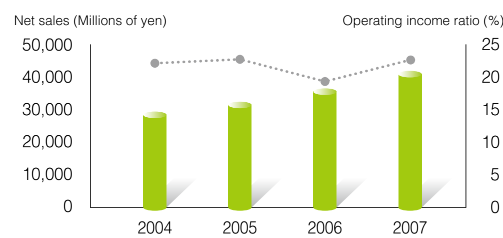
- UV light sources and excimer light sources
- Industrial and medical laser oscillators

The Vision Care Division is engaged in the manufacture and sale of eyeglass lenses 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, and the high quality and unquestionable value of its products continue to enhance the presence of the Hoya brand. In Europe, and also in the Asia-Pacific region where consumer purchasing power has grown, both sales and profits are continuing to rise thanks to increasing demand 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 directly managed contact lens specialty stores, and it also produces and sells intraocular lenses (IOLs) used in the treatment of cataracts. *Eye City*'s sales in Japan are the largest in its market segment. The *Eye City* business continues to grow, 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. Against a background of an aging global society, Hoya continues to invest in the development of IOL markets both in Japan and other countries. These steady efforts are generating a good deal of success.



- Contact lenses
- Intraocular lenses (IOLs)

Under a new concept, the Crystal Division is in the process of developing new markets. The Service Division is mainly engaged in the development and operation of information systems for the companies in the Hoya Group.

People today live their daily lives surrounded by all kinds of electrical devices, including home electric appliances and other communication equipment. The careful observer today would notice that analog is being replaced by digital for most of the things that people own, bringing greater convenience and abundance to their lives. Hoya's Information Technology business is contributing greatly to the continuing evolution of flat screen televisions, digital cameras and notebook computers, all of which are representative of these new digital products.

Information Technology

Mask Division, Hachioji Plant, Japan

Aiming for the ultimate in performance and functionality, Hoya is committed to developing new leading-edge technologies

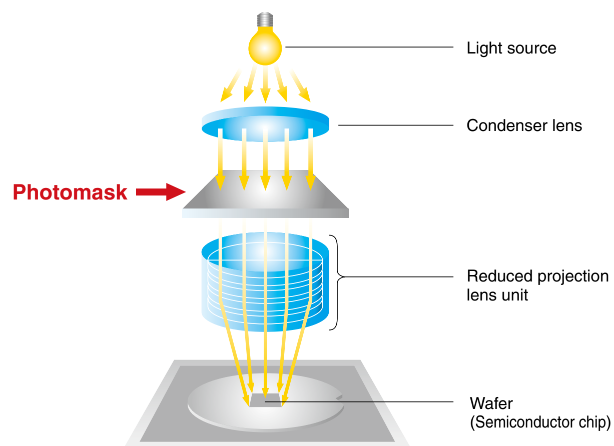
Mask Blanks and Photomasks for Producing Semiconductors

Mask blanks and photomasks are essential in the production of semiconductor chips. They are the master plates used to transfer the minute, highly complex circuit patterns for semiconductors onto the wafers that become IC chips. A photomask is a six-inch-wide glass plate onto which an electron beam or laser writing device has drawn a circuit pattern. A mask blank is the same plate before it has been written with a circuit pattern. Hoya has several strengths in this field, including: (1) the superb technologies it uses to precisely polish glass substrates and then lay down homogeneous metallic films and photosensitizing agents on those substrates; (2) the ability to develop new products that exactly meet client needs, thanks to a collaborative development project model: and (3) excellent production capabilities, which allow the company to offer a stable supply of finished mask blanks and photomasks to the market.

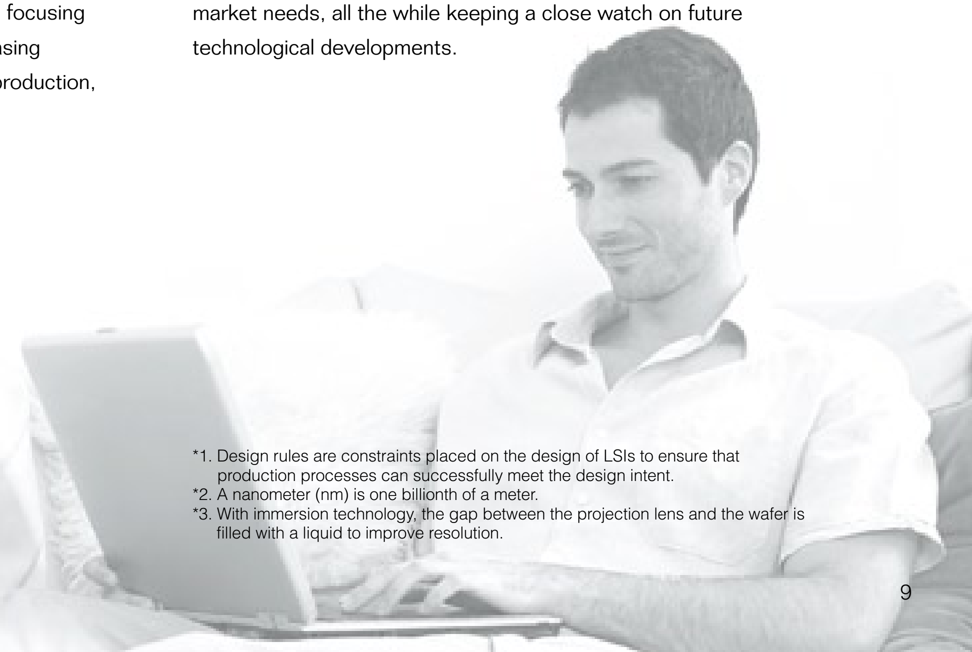
As semiconductors have evolved to offer ever greater performance, and as circuit patterns have become increasingly complex, semiconductor design rules*1 are steadily changing to require ever more precise line width, from 90 nm*2 through 65 nm to 45-32 nm. During the fiscal year ended March 31, 2007, demand for Hoya's high-end products continued to expand. In particular, very strong growth was seen in sales of phase-shift mask blanks, which are produced by taking advantage of the phase difference of light rays to realize higher resolution on the semiconductor wafer. Hoya will continue to develop leading-edge technologies through its collaborative development programs with manufacturers of semiconductors and masks. It will also further enhance its production systems to ensure that client expectations are met, and will endeavor to further reduce production costs.

In the photomask business, Hoya is devoting its efforts to the development and production of high-precision products, focusing on high-end items. During the year, Hoya shipped increasing quantities of photomasks compatible with 65 nm node production, and shipments of photomasks for use in development of next-generation 45 nm node production were also rolled out. The light source used for the lithographic exposure of circuit patterns onto semiconductor wafers is in the process of moving from krypton fluoride (KrF) with a wavelength of 248 nm, to the argon fluoride (ArF) excimer laser, with a wavelength of 193 nm. Additionally, through the use of immersion technology*3 and ArF light sources, it has been possible to achieve line widths of 32 nm and below. For leading-edge applications, not only semiconductor manufacturers, but also photomask makers, require high level technologies, and there are only a limited number of mask suppliers that are able to meet those needs. Given this situation, Hoya's engineering and production divisions will work as one, doing their utmost for the further development of high-precision photomasks that meet market needs, all the while keeping a close watch on future technological developments.

Transfer image of circuit pattern in the exposure process




Mask blank (left) and photomask (right)



*1. Design rules are constraints placed on the design of LSIs to ensure that production processes can successfully meet the design intent.
*2. A nanometer (nm) is one billionth of a meter.
*3. With immersion technology, the gap between the projection lens and the wafer is filled with a liquid to improve resolution.

Hoya's photomasks are at work behind the scenes, helping to bring the world larger, higher definition LCD televisions

LCD Photomasks

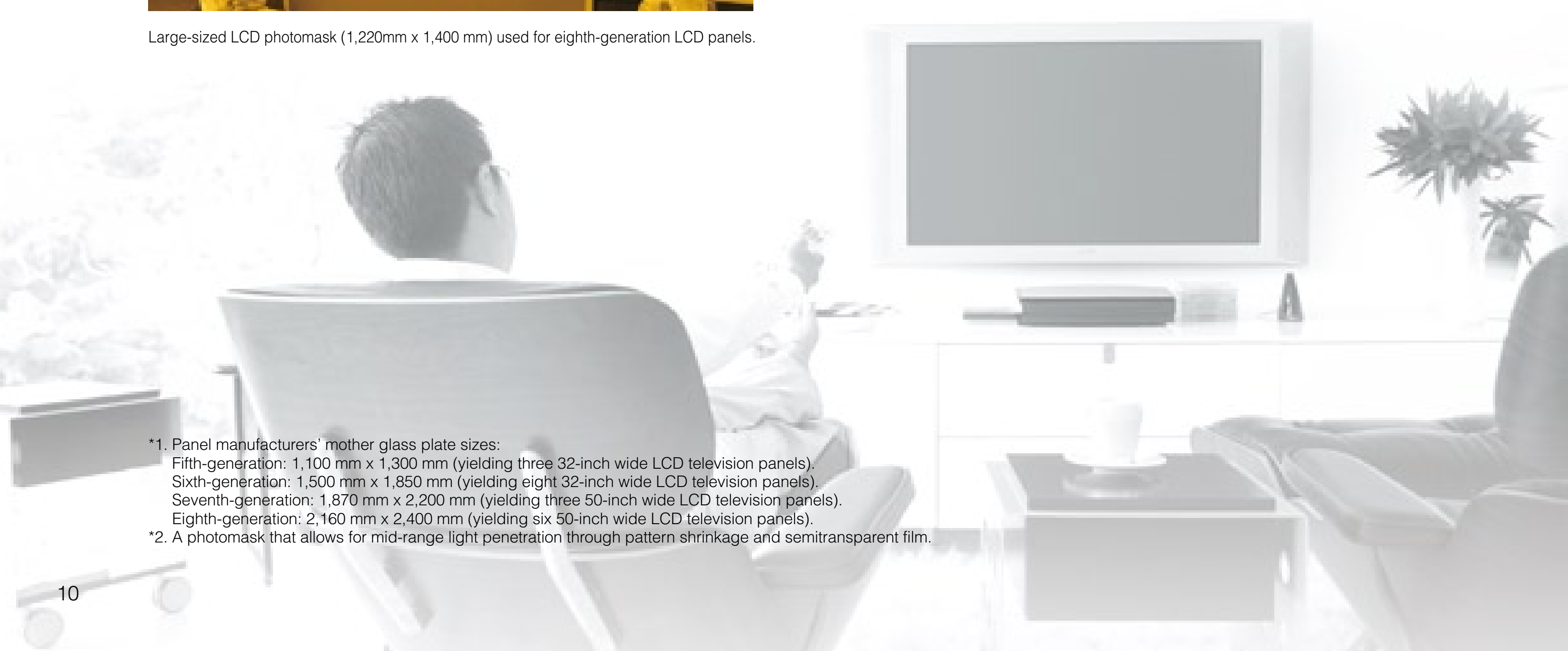
LCD photomasks are the master plates that are used in the manufacture of the LCD panels found in large flat televisions and computer monitors. Hoya is the world's leading producer of LCD photomasks, and it has special strengths in the production of large-scale LCD photomasks.

The major factor in today's demand for LCDs is the constant increase in the size of LCD televisions. There is a corresponding demand for ever larger LCD photomasks. LCD panels are classified according to their size as fifth-generation, sixth-generation and so on*[1], depending on the size of the "mother glass" panels used in their mass production. During 2006, LCD panel manufacturers were active in the production of sixth- and seventh-generation panels, responding to the demand for larger LCD panels and aiming for greater production efficiency. There was also a move by some manufacturers to the production of eighth-generation panels.

In response to the large-scale increase in production by panel manufacturers, photomask producers also boosted their production capacity. As a result, declining prices due to growing competition between manufacturers were clearly witnessed in the photomask market. Despite this environment, Hoya, by introducing further improvements to photomask quality, helped LCD panel manufacturers not only to improve the quality of their products but also to lower their production costs. Of special note is the multi-tone mask*[2] that Hoya has been able to bring to fruition through the application of its advanced engineering strengths. These masks make it possible for panel manufacturers to reduce costs by realizing around a 20% reduction in the number of production processes. As another way of differentiating its products in the market, Hoya is contemplating applying the technologies it has developed for its higher-precision semiconductor photomasks in the quality assessment of its LCD masks.

In the fiscal year ended March 31, 2007, the respective functions of the Kumamoto (Japan), Taiwan and South Korea plants were delineated, and Hoya worked to solidify a tripolar production system. Each plant is located in close proximity to its client LCD panel manufacturers, enabling Hoya to develop products that meet the needs of each respective market, and to shorten delivery times. Hoya is also working to realize further efficiencies in production processes. These strategies position Hoya to continue to enhance its competitiveness. Also during the year, Hoya's plant in Malaysia commenced production of the mask blanks that are the substrates for photomasks. Hoya believes that the application of an integrated manufacturing process—from mask blanks to photomasks—will add further value to Hoya's products.

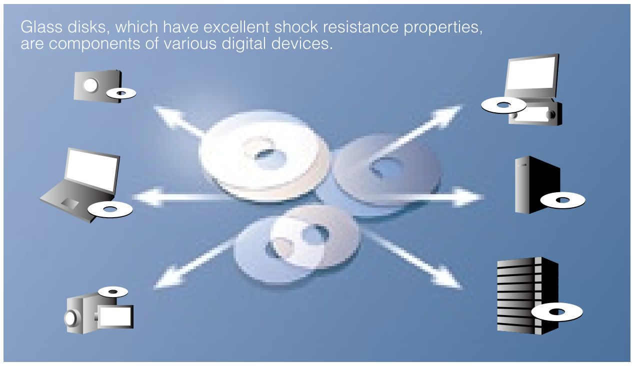
Large-sized LCD photomask (1,220mm x 1,400 mm) used for eighth-generation LCD panels.



*1. Panel manufacturers' mother glass plate sizes:
Fifth-generation: 1,100 mm x 1,300 mm (yielding three 32-inch wide LCD television panels).
Sixth-generation: 1,500 mm x 1,850 mm (yielding eight 32-inch wide LCD television panels).
Seventh-generation: 1,870 mm x 2,200 mm (yielding three 50-inch wide LCD television panels).
Eighth-generation: 2,160 mm x 2,400 mm (yielding six 50-inch wide LCD television panels).
*2. A photomask that allows for mid-range light penetration through pattern shrinkage and semitransparent film.

Thanks to their excellent shock resistance characteristics and large data storage capacity, Hoya's memory disks have become indispensable in notebook computers

Glass Memory Disks for Hard Disk Drives



Glass disks, which have excellent shock resistance properties, are components of various digital devices.

Apart from their well-known use in notebook computers, hard disk drives (HDDs) are also found in car navigation systems and portable music players, and more recently, even in digital video cameras. The recording media for hard disk drives used in such mobile devices has to be able to prevent data loss, which means it must have the ability to withstand vibration and shock. Glass memory disks have superior shock-resistance characteristics in comparison to the aluminum disks that are used in non-portable equipment.

The glass disks produced by Hoya can be broadly classified into 3.0-inch, 2.5-inch and smaller diameter sizes (1.8-inch and 1.0-inch). The majority of Hoya's disks are of the 2.5-inch size, and these are widely used in notebook computers. Some are also used in car navigation systems and game machines. The 3.0-inch disks are used in servers and other high-performance computing equipment that requires a high degree of reliability. Hoya's smaller diameter disks are used in portable music players and digital video cameras, though not in great numbers.

The production of glass disks is divided into two main processes: (1) the substrate is produced by polishing the glass plate; and (2) the media—a magnetic recording film—is applied to the substrate. Hoya produces disk substrates in Thailand, the Philippines and Vietnam, and the magnetic media is applied in Singapore. In the fiscal year ended March 31, 2007, notebook computers shipments saw global growth, and Hoya was able to respond to the increasing demand thanks to its recent investment in a new plant in Vietnam and new production lines in Singapore.

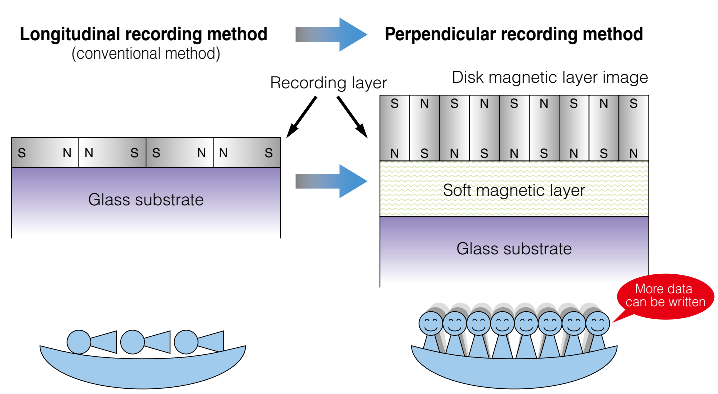
The market continues to demand ever greater data recording capacity for movies, music, and other content. This trend is driving the continuing shift from the conventional longitudinal recording method to the new perpendicular recording method,[*1] which enables a greater data storage volume. Hoya has already commenced shipment of disks that use the new method, and is working to produce media with even greater storage capacity.

As HDDs increase in storage capacity, competition among HDD manufacturers is intensifying. With the resulting decline in HDD prices, there is more demand for lower prices on both substrates and media. In this environment, Hoya is taking full advantage of its integrated HDD production capability—from raw materials to substrate production and application of media—to deliver high-quality products at low cost to meet the evolving needs of the market. With a close watch on the future, Hoya is also actively engaged in development of next-generation technologies and the technologies that will follow the next generation, such as discrete track recording technology[*2] and bit-patterned media technology,[*3] which are anticipated to increase recording capacities dramatically.

*1. This technology increases data recording density on the HDD by magnetizing the media in a direction perpendicular to the disk's surface, as opposed to the horizontal direction conventionally used.
*2. By making a groove between recording tracks, it is possible to reduce the magnetic interference between neighboring tracks. It is anticipated that this will make possible further miniaturization and greater recording density.
*3. Recording media in which magnetic particles are physically isolated from each other in a regular pattern. Neighboring magnetic particles are not affected by each other, and it is anticipated that this will make it possible to achieve much higher recording density.

How does the perpendicular recording method reduce the size of disk drives while increasing their data storage capacity?

When data are written to an HDD, the head magnetizes the disk as it moves across its surface, and this process allows data to be written and read. In the conventional longitudinal recording method, the magnetic surface of the disk was magnetized in a horizontal direction, but with the perpendicular recording method, the disk is magnetized in a perpendicular direction. Using the perpendicular recording method makes it possible to write much more data on the same surface area. Further, the neighboring minutely sized magnetic domains exert a mutually attracting magnetic force, and this makes it harder for recorded data to be lost unintentionally.



An excellent track record built on years of expertise

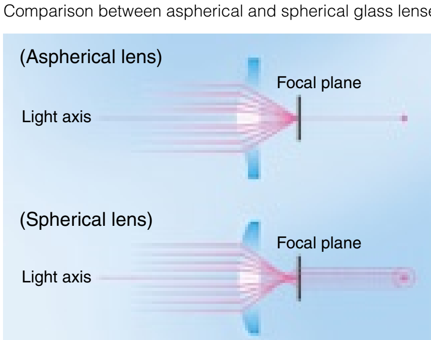
Optical Lenses

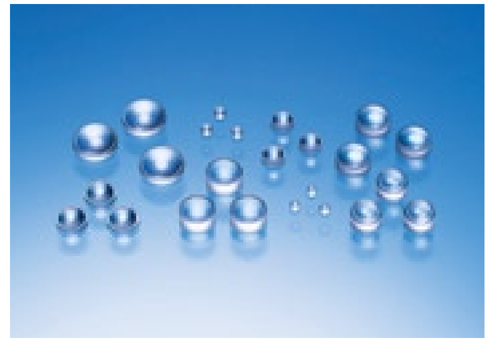
Hoya's optical lenses can be categorized into two basic types: polished glass lenses (spherical lenses) and molded glass lenses (aspherical lenses). Hoya's aspherical lenses are formed at high temperatures in metal molds from molten optical glass. Hoya makes full use of its proprietary technologies and long years of experience in their production—from glass formation to lens molding. Because of their sophisticated shapes, aspherical lenses offer excellent correction for aberrations, making it possible to shorten focal distances and reduce the number of lens elements. This contributes to higher functionality for optical devices like digital cameras, as well as to the smaller size and lower weight of such devices.

In the fiscal year, sales of digital camera lenses rose dramatically. In Japan, the introduction of compact digital cameras with greater functionality drove increased demand among people who wanted to replace their camera with a new one. Another reason for growing sales was the new demand from Asia and other regions experiencing pronounced economic growth. In the mobile phone market, rising sales of camera phones offering two megapixel image resolution or better also contributed to demand. Hoya invested new funds in its miniature lens plant in Suzhou, China, to boost its productive capacity, and despite the capacity expansion, the plant ran at a high rate of utilization throughout the year.

Hoya's glass molded aspherical lenses used for the camera lens module for mobile phones

Comparison between aspherical and spherical glass lenses





Aspherical glass lenses

Market demand for high-precision lenses continues to grow. With the increasing resolution of digital cameras and mobile phone cameras and their new zoom function, they need glass molded lenses, which have better optical performance. Digital video cameras also are now mainly of the HD (high definition) type, and these products also use high-precision aspherical lenses. In addition, digital SLRs have been enjoying great popularity of late, and demand for the polished glass used for interchangeable lenses is also growing.

Optical lenses have served as the cornerstone of Hoya's business since its founding in 1941, and the technological expertise Hoya has amassed over the years has won constant acclaim from customers. Hoya will continue to support the evolution of optical lenses by developing high-performance glass materials and fully utilizing the strengths inherent in its end-to-end production model, which integrates everything from the glass materials to the optical lenses themselves.

Outstanding optical technologies for the industrial and medical fields

Photonics

Hoya's photonics business develops practical applications for the optical technologies that the company has amassed over the years, mostly for equipment such as laser oscillators and UV light source devices. These devices are used in the production of digital equipment and in dental and dermatological treatment.

In the industrial field, the Photonics Division offers products such as defect correction equipment used in the production of flat panel displays and laser oscillators used in highly precise processing, such as analysis aid processing, in semiconductor production. Other key products include the ultraviolet light sources used to cure UV resins in the bonding of optical parts, such as those found in optical pickups and camera modules.

Additional products include glass for electronic materials, such as the color filters and other specialty glasses used in a wide variety of products and fields—cameras, optical parts, industrial production, medical equipment and instructional materials. Hoya provides many kinds of specialty glasses for different applications.

Hoya seeks to boost the competitive standing of each of its products through its technological development efforts, and also devotes its energies to market research that allows the company to offer appropriate solutions to each and every client. Hoya has established a local subsidiary in South Korea and a branch office in Taiwan as part of its strategy to build capacity to offer thoroughgoing after-sales support near clients with Asian production bases. Hoya is also working to develop products that even more precisely meet these users' needs. Into the future, Hoya will continue to offer its clients greater value by improving equipment functionality, and introducing new, client-driven products.

The equipment that Hoya supplies for medical use includes a laser device that permits dental treatment with little pain, and another laser device that is used by dermatologists and plastic surgeons to remove birthmarks and spots. Hoya strives to develop minimally invasive laser-based medical equipment, with the objectives of facilitating major progress in medical treatment and an improvement in the quality of life of those being treated.

Color filter

Electro-optical glasses

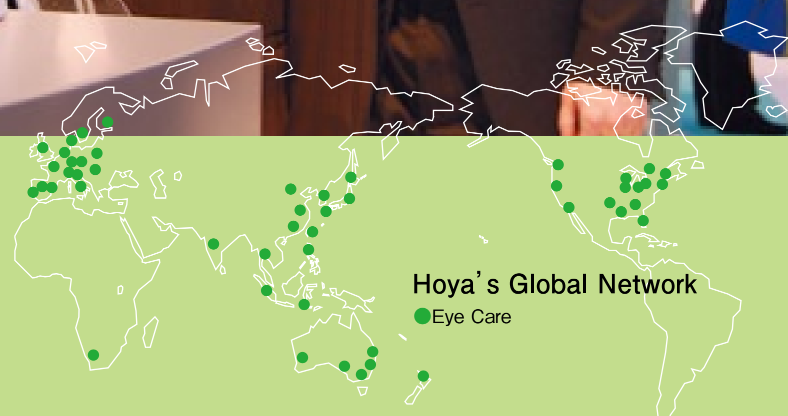
Laser oscillator (LASER SYSTEM HSL-5500)

Spot UV light source equipment (EXECURE 4000)

In the Eye Care business, the Vision Care Division offers high-value-added eyeglass lenses in many countries across the globe. The Division's overseas business is expanding, and its base is now becoming truly global. In addition to managing Hoya's *Eye City* chain of contact lens specialty stores throughout Japan, the Health Care Division is also engaged in the global development of intraocular lenses (IOLs) for the treatment of cataracts. It is also working to accelerate the development of Hoya's business activities in the medical field. Because the Eye Care business is so closely connected with the eye—perhaps the most important sensory organ—Hoya always strives to offer the safest and highest possible quality in both products and services.

Eye Care

Sales representatives and a marketer from Germany and Austria (at OPTI-MÜNCHEN international optics and eyewear exhibition)



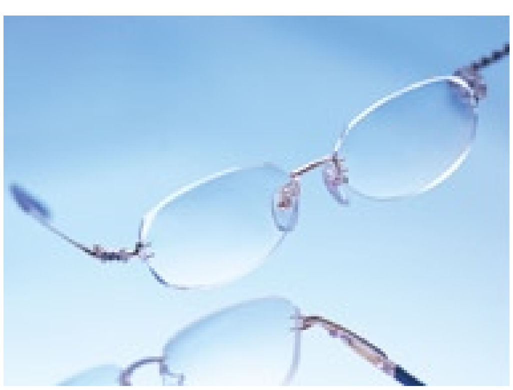
Hoya is developing its eyeglass lens business with strategies tailored to suit individual market environments, introducing high-value-added products and new brands

Eyeglass Lenses

The global eyeglass lens market continues to show moderate growth on the whole, but a closer look reveals a rather complex picture. In certain countries and regions, the demand is for high-end lenses, while in other areas the price competition for low-priced lenses is intense. Despite the nuances of this market environment, Hoya continues to record strong performance thanks to growth in sales of its high-value-added products. These include the Hoyalux iD multifocal lens, which features Hoya's proprietary integrated double-surface progressive lens design, as well as high-index lenses and superior performance lens coatings.

Because distribution systems, consumer tastes and government regulations differ from country to country and region to region, Hoya runs its eyeglass business using strategies specifically tailored for each different market. In the fiscal year ended March 31, 2007, Hoya commenced sales of Hoyalux FD lenses in the Japanese, European and Asian markets. These new lenses are being produced based on a partial standardization of the superlative designs used in the fully optioned, custom-made Hoyalux iD lenses. The objective is to offer many customers a new series of lenses which benefit from the same superior technologies that have been proven in iD lens designs. Also during the year, Hoya introduced two new brands to complement the Hoya brand in Asia and Europe, seeking to build market share using a multi-branding strategy.

During the year, emerging markets also showed significant activity. Sales doubled in Russia, and set new growth records in Poland and Hungary following the establishment of sales subsidiaries in those countries. In South Africa, a sales company that was made a subsidiary in 2006 recorded double-digit growth, and in Saudi Arabia and other countries in the Middle East distribution networks continued to grow. Hoya has also established a local subsidiary in Mumbai, aiming to build a new presence in the Indian market, which is set to record strong future economic growth. Hoya predicts that, over the next 20 years, 80% of sales growth will come from Asia and other emerging markets. However, in order to realize this potential, Hoya must expand its network of clients among eyeglass retail stores and invest in training and education for these clients' employees. This step will lay the foundation for sales of high-value-added products.



Japanese Market Poised to Recover Following Introduction of New Products

The Japanese market remains somewhat sluggish. Hoya experienced growth in its high-value-added, high-end products, mostly in top performance coatings and newly designed progressive lenses. However, as a result of price competition in the lower price brackets, the company's total sales in Japan remained practically flat year-on-year. Nonetheless, following the November 2006 introduction of the Hoyalux FD lens series and the series of seminars held in support of this new release, Hoya saw a return to positive figures in overall sales growth for eyeglass lenses in the beginning of 2007. The company anticipates that the new series will continue to contribute to sales growth.

Strong Brand Recognition in European and Russian Markets

Sales in Hoya's European markets continued to show extremely strong growth, in a repeat of last year's good performance. The best-performing product was the Hoyalux iD. Following the Japanese release, the European Hoyalux FD brand, known as Hoyalux iD LifeStyle, was introduced in Germany in February 2007, then successively in other countries. Research in European and Russian markets focusing on retail stores selling both Hoya and competing products revealed that Hoya was on top in both quality and cost performance, showing that Hoya's brand reputation is extremely high in those markets. To capitalize on these favorable conditions and lock in further growth, in 2006 Hoya launched the "Hoya Vision Care Center," a training and sales support tool used in retail stores for patient consultation and to simulate eyeglasses on a PC. Hoya will invest additional funds in its HOYALOG on-line ordering system, which directly links retail stores to its make-to-order factories. This will enable its HELP system to adjust lens geometry even more precisely, and it further enhance the convenience of the HOTS (Hoya Open Tracer System), which is a measurement system used for cutting lenses to fit a wide variety of frames.

Strong Expectations from the North American Market

In comparison with the Japanese and European markets, Hoya's high-value-added eyeglass products still have low rates of penetration in North America. Imports of low cost goods continue to rise there, as well, another factor that makes this market difficult to navigate in terms of Hoya's business development. Despite that, however, in the fiscal year ended March 31, 2007, Hoya achieved sales growth of over 10% compared to the previous year thanks to a sales expansion strategy targeting distributors and retail chains. A further boost was provided by the trend toward stronger demand for high-value-added and highly functional eyeglasses—Hoya's particular strengths—from the baby boom generation, which has now entered the key consumer age bracket.

Hoya Pursues Larger Share of Asia-Pacific Market with Multi-branding Strategy

In the fiscal year ended March 31, 2007, sales growth in the Asian market slowed from the fast pace of growth a year earlier. This can be attributed to intensifying competition in Korea, which accounts for a high percentage of Hoya's sales in the Asia-Pacific market, and in China, which is set to become a huge new sales base. Until recently Hoya had been developing its markets concentrating on its high-value-added products. However, in the Asian region its strategy includes both the introduction of a new brand aimed at promoting progressive lenses and the launch of a new single vision, low-cost lens brand which will combat the growing market share of low-cost Chinese-made products. This Asia-Pacific strategy allows the company to meet the needs of a wide variety of consumers, with a broad range of products offered across all price brackets. In Australia, on the other hand, Hoya has teamed up with the U.S. firm Transitions Optical, Inc. to sell Transitions® light-sensitive lenses which cut ultraviolet light transmission, further promoting high added value in its product lineup in that country.

Planning a Global Educational Campaign on Hoya's Outstanding Lens Technology

Hoya's iD FreeForm Design Technology™, integrated double-surface progressive lens design, is used in its Hoyalux iD and Hoyalux iD LifeStyle lenses. Lenses made with this technology are polished to a high degree of accuracy on both lens surfaces. Making the most of Hoya's world-first proprietary technology, they offer a wide field of view and greatly reduce curvature and distortion. To ensure that this superior technology appeals effectively to latent consumer needs and thereby improves Hoya's sales results, the company is now developing a global campaign that will clearly convey its benefits to both consumers and sales agencies.

Supported by Hoya's iD FreeForm Design Technology™, Hoyalux iD LifeStyle guarantees a wide intermediate segment and minimal distortion. Taking as a basis the natural eyeball rotation, Hoyalux iD LifeStyle guarantees an extremely natural progression.

Marketing contact lenses by appealing to the client's point of view

Contact Lenses and *Eye City*

Hoya's *Eye City* chain of contact lens specialty stores boasts the largest sales volume of any such enterprise in the Japanese domestic market. As of March 2007, the business had grown to include 153 stores in a Japan-wide network. *Eye City* locations can be found in all major commercial areas, from the metropolis to the suburb. Following the opening in 2005 of the first overseas *Eye City* store in Shanghai, China, Hoya is now pushing forward with expansion aimed at reaching the globe.

Eye City strives to work in partnership with each one of its individual clients, looking after the health their eyes. With safety uppermost, Hoya constantly strives to further improve its levels of service and provide an even broader product lineup.

Contact lenses are specially controlled medical devices worn on the prescription of an ophthalmologist. Because they are in the eyes for long periods of time, users need to be given sufficient information on their use, and they need to know how to take appropriate care of them. *Eye City* stocks safe, top-quality products, and its specialist staff members are thoroughly familiar with correct usage requirements as well as the latest information about every item in the range. This allows staff to offer each client highly appropriate pre-purchase advice and after-sales service. If by any chance a customer were to have a problem with his or her lenses, or perhaps damage a lens, highly experienced staff are always on hand to provide the assistance and advice the customer needs as a contact lens wearer. *Eye City* is working to further raise standards of customer service through the introduction of advanced information management systems, so that no matter which store a client visits, he or she will receive the same high standard of attention. The high-quality, client-oriented services offered by *Eye City* have been well received by its customers, and the business has now served a total of more than 5 million clients.

During the fiscal year ended March 31, 2007, Hoya experienced changes in the market environment as a result of such matters as the April 2006 revision to the fee standards for medical examinations. However, thanks to sound management, strategic marketing, and the trust afforded by clients as a result of its high

Eye City store in the mall in the Tokyo metropolitan area

service standards, *Eye City* was able to further boost its competitiveness in the market. Both sales and profit once again increased in comparison with the previous year.

The opening of a store in Shanghai was the springboard for the future development of the Asian market, and there are currently three stores open in total. All three stores are separately located and they differ in style, and Hoya is currently assessing which business model is the most appropriate. There is not as yet a great deal of publicly available information in China on the appropriate use of contact lenses, so Hoya would like to concentrate on promoting the high-quality *Eye City* brand with an emphasis on complete eye examination and lens fitting services.

At present, *Eye City* sells only certain Hoya products—high functionality contact lenses, such as toric and bifocal lenses. From now on, however, Hoya intends to work to broaden the lineup of Hoya products handled by *Eye City*, by striving to develop and manufacture new lenses offering greater added value, such as those made with new materials.

Put the sparkle back in your eyes with IOLs: Hoya meets medical treatment needs with optical technologies

Intraocular Lenses (IOLs)

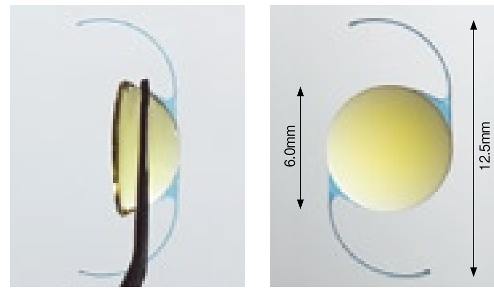
As medical treatment continues to improve, the percentage of seniors in society is increasing, especially in developed countries. Together with this "aging" phenomenon, the incidence of age-related cataracts is also on the increase. Cataract disease is an ailment that causes the eye's lens to become cloudy with advanced age. It leads to a deterioration in vision, and if the disease progresses, there is even a danger of blindness. An IOL is an artificial lens that is inserted after removing the clouded lens in a surgical operation. It is a revolutionary medical device that can be used to restore visual acuity to people who have lost it due to cataracts.

There are two types of IOL: the conventional hard type and the new foldable soft type. The foldable IOL greatly reduces the level of patient discomfort in the cataract operation, and this type of lens now accounts for 95% of all IOLs sold in the Japanese market. Hoya produces and sells a soft IOL that can be inserted through a very small incision, as well as an injector system that greatly simplifies the surgery. Hoya continues to improve these devices. Ophthalmologists have also warmly welcomed Hoya's yellow-type lens that, in addition to reducing UV light transmission, also helps to protect the retina, and market share continues to expand steadily.

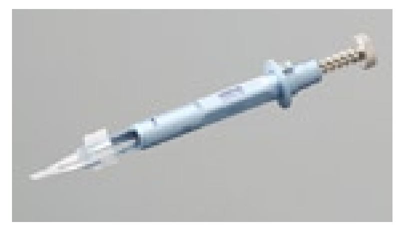
Sales growth in the European market is driven mainly by Germany and France. Hoya's market share in these countries is still relatively low, so Hoya believes that there is plenty of potential for further growth in sales. Hoya is investing actively in expanding sales, by deploying sales and technical specialists to key countries, holding seminars, and conducting surgery demonstrations. The company is also seeking to boost recognition of the Hoya brand by enhancing its collaboration with ophthalmologists.

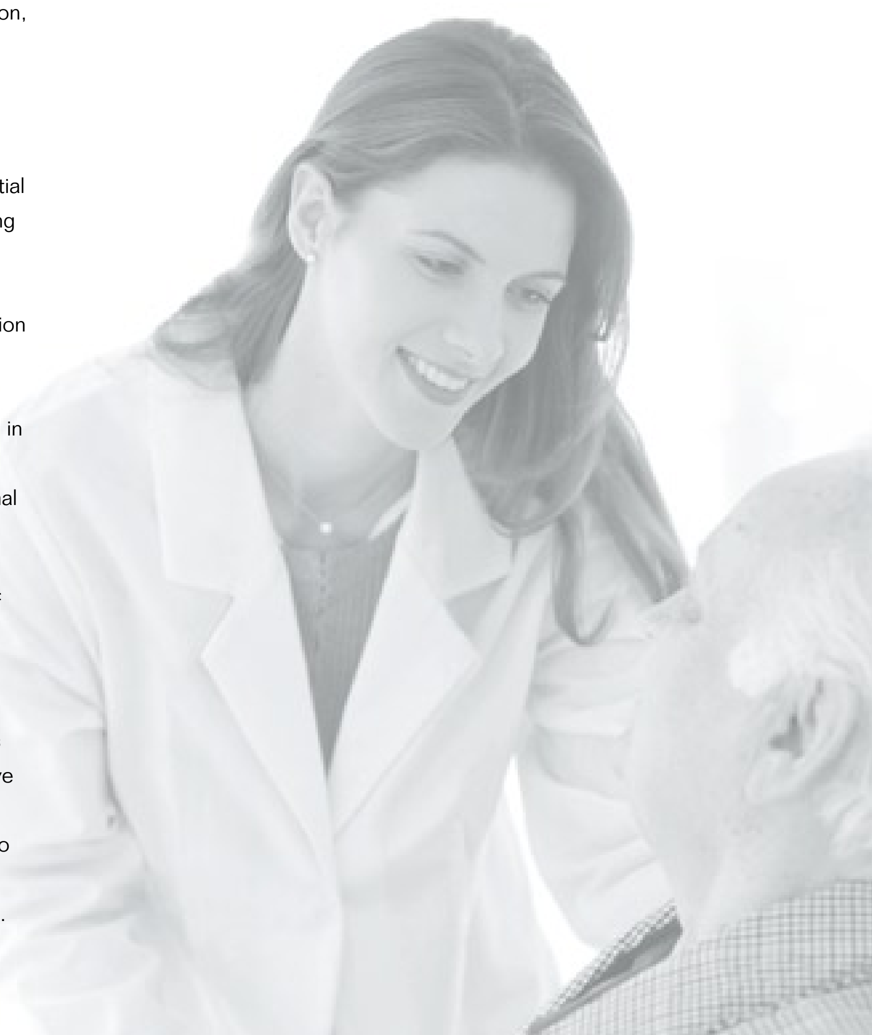
Sales are growing in Asia. In addition to its existing markets in China and South Korea, Hoya is developing a new market in Thailand. In the United States, Hoya is proceeding with the formal procedures necessary for FDA approvals, and it is expecting to receive them, including production process approvals, in 2008.

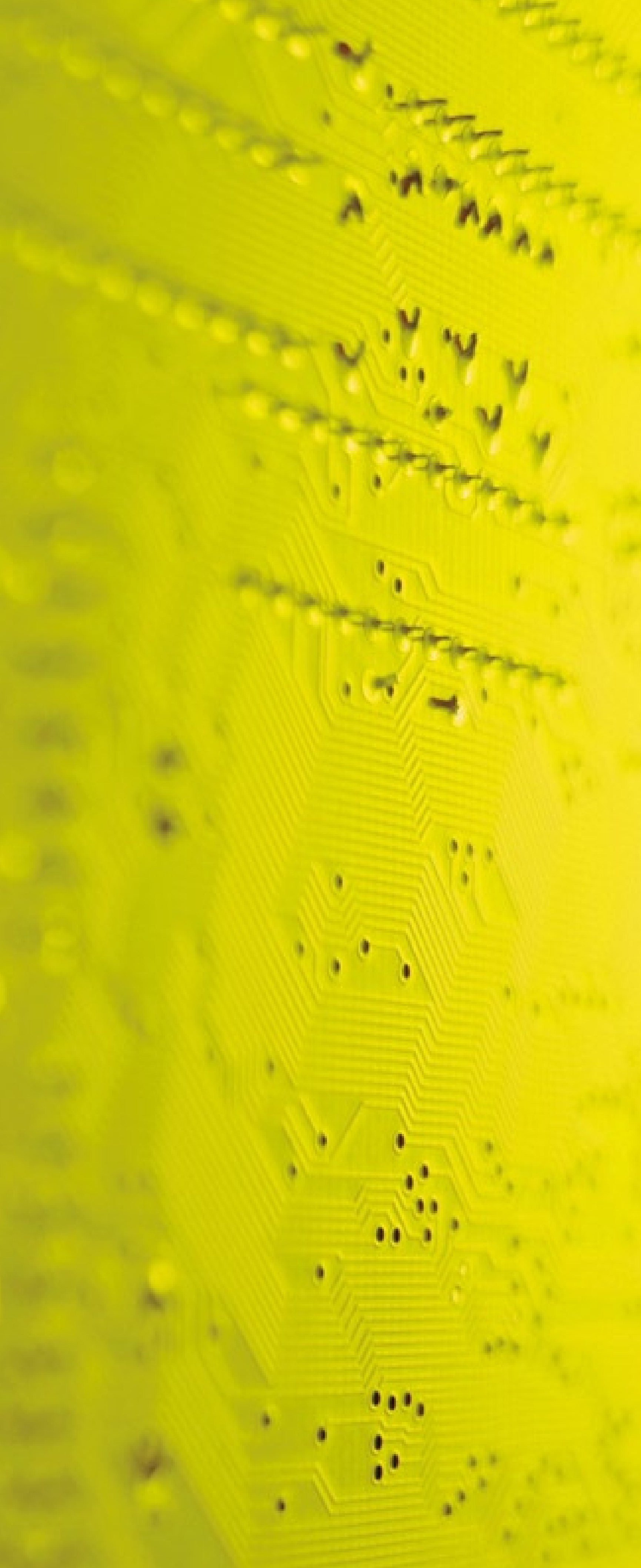
In the area of IOLs, Hoya is seeking to develop a number of improvements so it can market next-generation products that meet a variety of needs. Market demands include greater protection against post-operative infection, a benefit expected from a smaller surgical incision. There is also demand for lenses that have greater stability within the eye, and for lenses that have a smaller chance of being associated with the formation of secondary cataracts. Hoya is tackling these issues by working to develop products that will be even easier and safer to use, and offer even greater functionality, such as protection for the retina.



Foldable acrylic IOL: HOYA AF-1 (UY)


IOL injector: HOYA Injector System HOYA-IS





- R&D and New Businesses
- Intellectual Property Management
- Environmental Initiatives
- Corporate Governance

R&D and New Businesses

The Hoya Group pursues the twin objectives of achieving growth now and in the future and increasing corporate value. The group devotes considerable effort to strategic business planning and technology R&D that are clearly focused on the long term. Hoya has realized excellent profitability by enhancing the competitive strengths of its key products in their respective markets, often achieving top market share. This could not have been accomplished in the absence of Hoya's R&D policy—which is to create new products from the ground up. Aiming to create highly competitive businesses driven by leading-edge proprietary technologies, Hoya actively invests in seed technologies that have the potential to become the giant "trees" of the future.

R&D Philosophy

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. In the field of R&D, this helps Hoya keep close relationships with its clients and contribute and participate in a positive manner in leading-edge fields.

As well as undertaking industry-leading research and technology development in its niche markets, Hoya is actively promoting the development of important new fields of business, with the mid- to long-term objective of "building a new pond" of its own. Another characteristic of Hoya's way of doing business is its determination to take the best possible advantage of applied research that has the potential to lead to practical applications. This focus is shaped by today's environment of accelerating change, where it will become crucially important to maintain a practical perspective on R&D, seeing it as directly linked to real-world application and economic performance. Hoya's R&D philosophy will ensure that its development efforts are efficient and waste-free.

Research and Development Structure

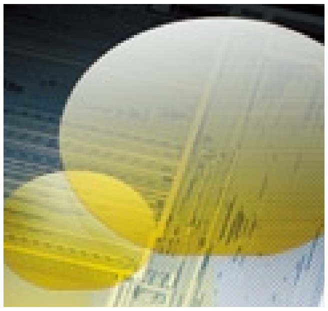
The Hoya Group devolves a large degree of authority and responsibility to each of its business divisions. In the field of R&D also, each business division follows its own next-generation technological research and development as a natural extension of its current activities. In addition, the R&D Center that belongs to 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 the next-generation technologies, as well as research in entirely new fields.

Current Research at the R&D Center

Hoya's R&D Center is currently engaged in three key lines of research: energy-efficient materials, nanotechnology and optical communications. In each field, the center undertakes horizontal development of existing businesses that rely on practical application of Hoya's core technologies, while at the same time promoting the development of new fields that differ from those with existing businesses. The R&D Center is thus sowing the seeds of the new businesses that will support Hoya's future growth. More information on each of these three research themes appears below. Also introduced are Hoya's EUV mask blanks, which were under development at the R&D Center until 2006, but have now been handed over to the relevant business division with the objective of putting the technology to practical use.

<Energy-Efficient Materials>

Increasing public recognition of the need to protect the environment and formulate strategies to combat global warming has meant ever increasing demands for energy-efficiency in industry. Hoya is engaged in the development of devices that use 3C-SiC cubic monocrystal silicon carbide. There are strong expectations for high energy efficiency semiconductor devices based on 3C-SiC, which Hoya is developing. In comparison with ordinary silicon-based devices, 3C-SiC devices are characterized by lower power loss and an ability to operate even at high temperatures. When they are used in hybrid vehicles and fuel cell powered vehicles, apart from the low



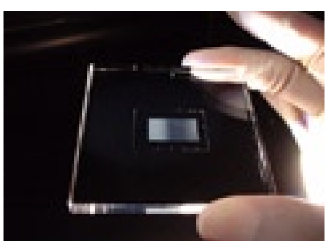
3C-SiC

energy consumption, they are expected to offer lower production costs thanks to the smaller size and lower weight of cooling systems. The aim is to have the new technology incorporated into high efficiency power devices across a variety of fields.

<Nanotechnology>

1. Nanoimprint technology

In such fields as semiconductors and data storage where the market expects device features to continue to shrink, the overriding objective is to cut costs by increasing data density. One strategic solution on which work is proceeding involves abandoning photolithography. Printing technologies form the basis of this new approach, and especially at the nano level, nanoimprint technologies are currently enjoying the limelight. They involve first producing one ultra-fine mother mold, from which is produced daughter and grandchild molds that can be used to transfer the pattern by stamping. It is thought that this will be the cheapest means of reproducing large numbers of ultra-fine patterns. Hoya has already commenced efforts to produce nanoimprint molds using its existing photomask and mask blank production technologies. The company expects to realize practical applications in such areas as optical parts, next-generation magnetic disks and semiconductors.

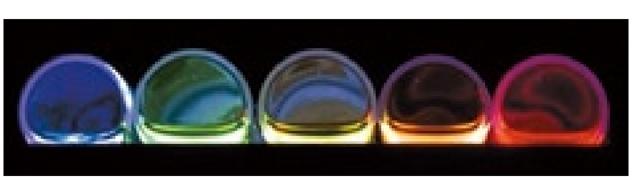


×1 nanoimprint template (mold) for 32 nm node production

2. Nanoparticles

Once certain materials are made on the nano scale, their characteristics as materials alter, and new functions such as light emission can be brought about. As an example, when gold is made as fine as nanoparticles it becomes transparent to light. Not only that—it also becomes red. Stained glass is one example. This came about when, in ancient times, gold nanoparticles were accidentally mixed with glass. Hoya is currently undertaking R&D on the dispersion of a variety of nanoparticles and changes in their surface characteristics, and attempts are being made to develop compound materials with new physical properties from a suitable combination of nanoparticles. Based on work in progress, Hoya foresees practical applications in materials for optical parts and data storage related fields.

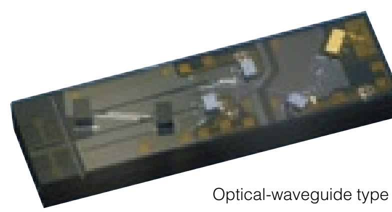
* Nano is used to mean one billionth of a meter.



Fluorescence of nanocrystalline indium phosphorus semiconductor

<Optical Communications>

Hoya is engaged in the development of optical communications parts and materials and special fiber optic cables, in anticipation of future developments in fiber optic networks. In the midst of the swift rollout of broadband internet connections, Hoya is continuing to push ahead with R&D on FTTH (fiber to the home). For example, Hoya is undertaking R&D on a key part that, once a fiber optic cable is connected to it, would convert the optical signal to an electrical one. Another R&D topic is a module that would boost transmission speeds. In the optical communications field, Hoya is actively investing in overseas venture businesses and undertaking collaborative development. For example, Hoya has an alliance with the U.S. firm Xponent Photonics, Inc., which owns technologies for highly integrated optical modules.



Optical-waveguide type FTTH component

<EUV Mask Blanks>

In the semiconductor industry, the need for higher data density and low energy consumption are behind the demand that circuitry shrink even further. Under the Road Map for next-generation lithography technology, extreme ultra violet (EUV) light is regarded as the strongest candidate as an exposure light source for semiconductor production. Hoya has already completed its basic R&D for EUV mask blanks, and it has started offering test blanks with a view to commencement of mass production. In 2006, the R&D Center transferred responsibility for the development of EUV mask blanks to the relevant business division, which will henceforth be engaged in development leading to practical applications.

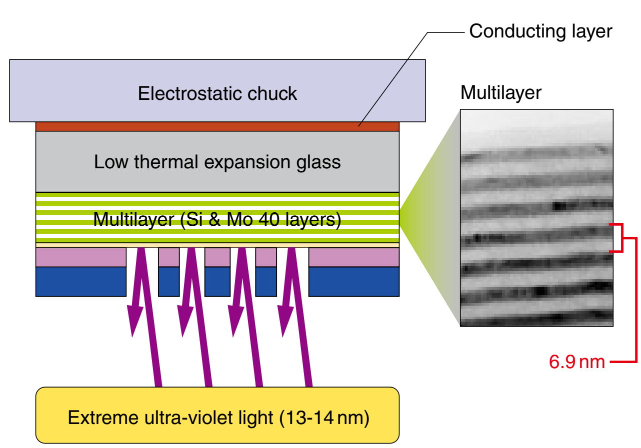


Illustration of reflective EUV mask

Intellectual Property Management

Ever since its establishment, the Hoya Group's drive to create innovative technologies has ensured growth for the company. In all areas, from the high-tech world of semiconductors and digital devices to the eye care business based on eyeglass lenses and intraocular lenses, Hoya strives to maximize corporate value by leveraging its superior technical skills and competitive strengths. Starting out as a specialist manufacturer of optical lenses, then moving onward into glass composition and molding, and later establishing and integrating polishing, coating and minutely detailed processing technologies, Hoya now offers many leading-edge products that no other company can imitate. Hoya's intellectual property strategy protects its proprietary technologies. Hoya believes that when business strategies and technical development efforts work together as a unified whole, intellectual property strategy also becomes a key management strategy for supporting continued growth for years to come.

1. Objectives of the Hoya Group's Intellectual Property Strategy

For the Hoya Group, a fundamental objective is to make the fullest possible use of intellectual property in order to bolster the competitive strengths of its global businesses.

● Patent Prosecution for Obtaining Patent Rights

To ensure that its patent prosecution for obtaining patent rights is as efficient as possible, Hoya always relies on close teamwork between technical development managers and intellectual property managers. It aims to secure all necessary intellectual property rights, from the initial stage of the development of leading-edge technologies and including peripheral technology, applied technology and alternative technology. In relation to those fields in which Hoya commands a leading position, Hoya aims to accelerate the process of securing patents in leading-edge fields. In business areas that are in mature markets, Hoya concentrates on promoting efficient patent prosecution by preventing infringement of the patents held by other companies. To achieve these ends, careful technical search and observation of patent information on other companies is implemented and Hoya promotes the patent prosecution that is most appropriate for each different business environment. Additionally, given the increasing speed of the globalization of business, Hoya is devoting itself to the implementation of global patent management systems that will be coordinated with the move of its production bases in Japan and trading partners into international markets.

● Objectives of Licensing Out

The scale of each of Hoya's individual businesses is not large, but Hoya strives to improve its competitiveness in each respective market. Hoya focuses on effectively and fully utilizing the technical 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, or where Hoya can expect licensing-out to result in an expansion of the overall market, or when changes are witnessed in terms of Hoya's competitiveness in the market (e.g., where such an action is beneficial to Hoya from a strategic business perspective). Strategic moves like these can enable Hoya to make the most of its intellectual property. Such a licensing-out, however, by regulation requires the approval of Global Headquarters and the strictest management.

● Prevention of Imitation and Infringement

Hoya maintains a constant watch on the market to ensure that its patented technologies are not imitated by third parties. When its technologies are indeed being imitated, warnings are issued and where necessary, appropriate steps such as taking legal action are put in motion. Hoya also respects patents held by others. It affords them appropriate value and takes pains to ensure that it does not infringe upon third-party patents, as one aspect of its efforts to enhance the efficiency of its patent management.

● Utilization of Third-Party Patents and Technologies

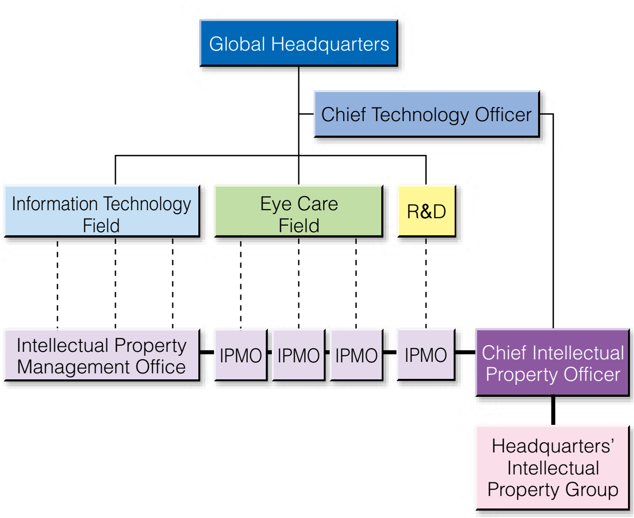
Hoya does not rely excessively on its own proprietary technologies and patents. If, following careful technical search and consideration of the available technologies, it finds that third parties hold superior technologies, patents, or other advantages, and when Hoya decides that it would be efficient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

2. Systems Supporting Intellectual Property Activities

The Hoya Group is organized according to business divisions and companies. There is extensive delegation of authority, from strategic business planning to decision making. Intellectual property groups have been established in each business division, and they are each responsible for independently working in conformity with the respective strategies of their business 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 of Hoya's own patents.

Hoya's Global Headquarters is under the management of the chief intellectual property officer and is responsible for working to improve the intellectual property functions of the group as a whole. This includes such matters as establishing and promoting the group's overall intellectual property strategy, managing the group's intellectual property assets, assisting business divisions in the establishment of patent strategies and the development of patent management systems, and the training and skill enhancement of employees. In particular, where matters necessitate decision-making for the group as a whole—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—they are adjudged matters requiring 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. This is accomplished by regularly holding a joint intellectual property meeting, where all divisions exchange information.

●Hoya Group's Intellectual Property Management Organization



3. Intellectual Property: Current Status

● Number of Registered Patents and Global Application Ratios

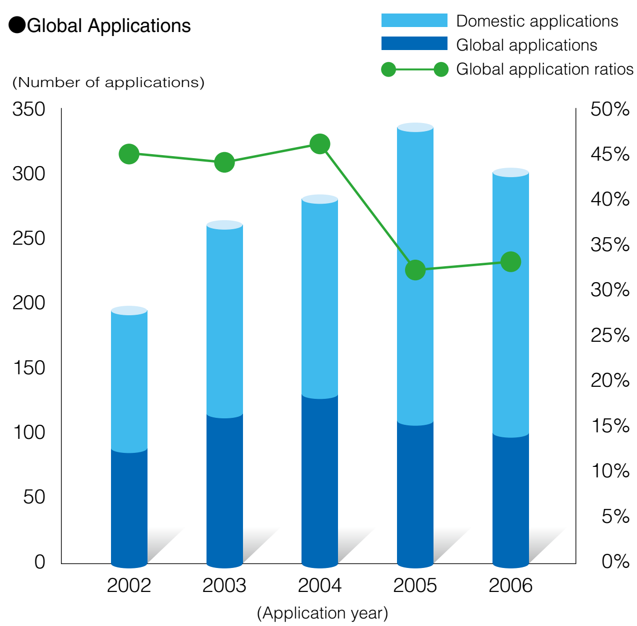
Hoya held 967 registered patents and utility models in Japan as of March 31, 2007. Of these, the Electro-Optics Division and Vision Care Division held approximately 85%. Over 30% of new patent applications during the year were filed outside of Japan. This figure of 30% of all patent applications lodged in countries other than Japan will remain a target for Hoya in coming years.

As of March 31, 2007, Hoya held 1,007 registered trademarks in Japan, and 952 overseas.

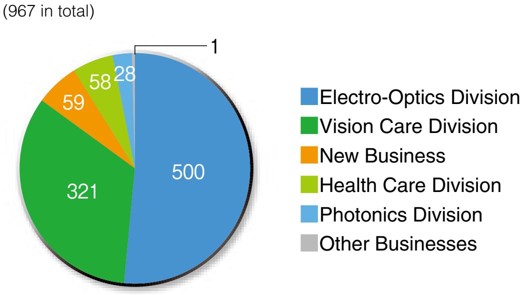
● Percent of patents granted

In fiscal 2005, the percent of patents granted (notices of patents granted divided by the sum total of all patents granted, patents finally rejected by the Japanese Patent Office, applications withdrawn after commencement of examination, and applications abandoned) was 49.5%, and in fiscal 2006 it was 49.1%. Hoya will continue to undertake appropriate evaluation of its inventions, and will manage its technical development and intellectual property in an efficient manner.

●Global Applications



●Registered Patents and Utility Models Held as of March 31, 2007
(967 in total)



Environmental Initiatives

The Hoya Group believes that the expanding scale of a company's business operations must be matched by the willingness to take on greater and greater responsibility for issues of social concern, such as environmental protection. Hoya pursues business growth with full consideration for the earth's precious environment, and has stated as much in its philosophy on protecting the environment. Hoya is engaged in environmental protection activities in many different ways. Faced with the fact of limited global resources, Hoya seeks to do what it can right now, and to achieve the things that it should, one by one.

1. Environmental Protection Support Systems

In 1976, Hoya established pollution countermeasure committees at each of its plants. In 1993, Hoya set up an environmental protection organizational structure across the entire company. At the same time, based on the Corporate Mission and the Management Principles for the Hoya Group, Hoya drew up the Hoya Group's Environmental Philosophy and a set of Fundamental Environmental Principles to serve as standards of behavior. Then, in 1997, Hoya amended the Philosophy of Environment and Fundamental Principles of Environment, and since then has been carrying out Group-wide environmental protection activities.

Hoya Group Environmental Philosophy

At the Hoya Group, we are united in our commitment to protect the environment, conserve resources and ensure that all of our corporate activities are conducted with concern for the global environment. It is our earnest desire to give the generations to come as healthy an environment as possible.

Fundamental Environmental Principles

1. To ensure that the global environment will be passed on to the next generation in the best possible condition, we recognize that environmental conservation is an essential aspect of all corporate activities and conduct our business activities with concern for people, societies and the natural environment.
2. Enlisting the cooperation of all group companies around the world, we shall establish a group-wide system for promoting environmental conservation activities.
3. We comply with all laws and regulations on environmental impacts such as waste generated by business activities, and constantly strive to reduce these environmental impacts.
4. We undertake initiatives to reduce the use of resources, such as pursuing greater efficiency in resource use, reduction of energy consumption and recycling.
5. To maintain a keen awareness of environmental issues throughout the group, we ensure that all employees are thoroughly aware of the Hoya Group Environmental Philosophy and Fundamental Environmental Principles by offering education programs and using internal communications.

2. Examples of Activities Aimed at Reducing Environmental Impact

● Initiatives designed to reduce CO_2 emissions

The fuel used at plants has been converted from Bunker A heavy oil to liquefied petroleum gas, which has a lower emission factor per unit of heat produced. Further, plants are being converted to the use of natural gas, which has an even lower emission factor.

Additional benefits from fuel conversion have included lower levels of smoke production and a reduction in storage requirements for dangerous materials, lowering the risk of serious accidents.

Hoya continues to promote other energy-saving activities, such as the introduction of ice thermal storage systems, which has been proceeding for some time, and the use of high efficiency electrical transformers. Along with this, Hoya is rolling out other energy-saving initiatives, such as encouraging rooftop greenery and introducing more efficient air-conditioning systems, with the objective of reducing CO_2 emissions.

Hoya is also taking steps to manage a reduction in CO_2 emissions in areas other than production. These measures include the introduction of light clothing in the office, more appropriate adjustment of room air temperatures, and the use of more efficient lighting.

● Efforts to reduce water consumption

Steps have been taken to limit the amount of water used. These include promoting the re-use of factory waste water and the introduction of automated water faucet control in washroom hand basins.

● Steps taken to reduce waste disposal volumes

Resources have been devoted towards achieving reductions in the volume of waste disposal. Steps taken have included chemical recycling of polishing sludge as raw material for concrete, and thermal recycling of discarded plastics and chemicals.

● Efforts to reduce the volume of packaging materials used

Hoya has taken steps to reduce the volume of packaging materials used, through such means as promoting the reuse of cardboard packing boxes used to deliver products to clients, and by broadening the scope of a changeover to returnable containers.

● Steps taken to reduce chemical usage

Steps have been taken to reduce the amount of chemicals used in production processes. These include a collaboration between Japanese and overseas plants to switch from the use of HCFC141b (1,1-dichloro-1-fluoroethane) to water for cleaning processes, and a reduction in the amount of monomers consumed through a change in the shape of gaskets used in the production of eyeglass lenses.

Other steps taken have included controls for the amount of substances used or emitted in production processes, and the introduction of chemical substitutions, in response to various laws and regulations, such as Japan's Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management.

● Improvements to waste water disposal

In February 2006, Hoya introduced a means of boosting the removal of fluorine from factory waste water. The new method of removal by crystal growth achieved a 50% reduction in fluorine levels. This new system is notable in that the crystals to which the fluorine has adhered (fluorine apatite) are valuable, saleable items, and it also plays a part in reducing waste volumes.

● Emergency response measures

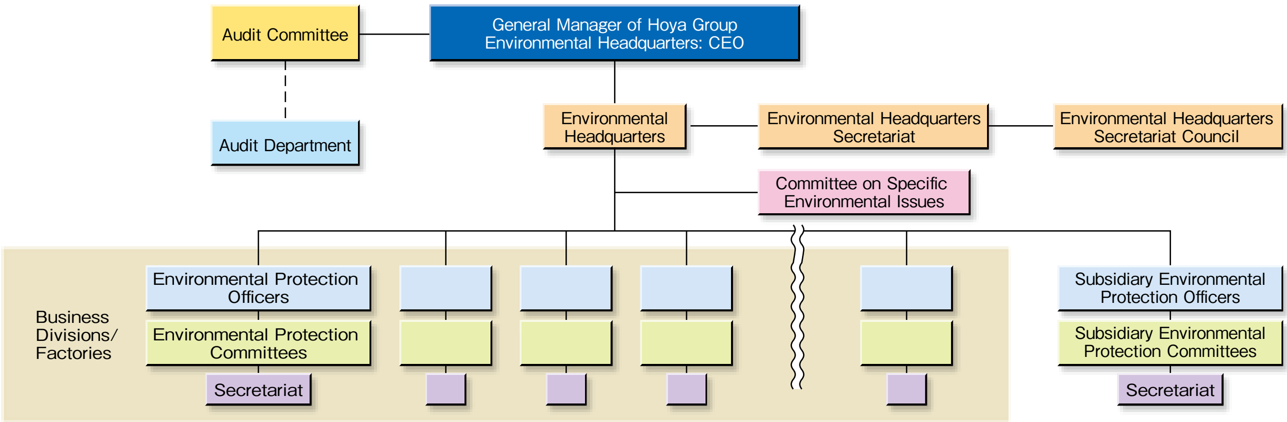
Hoya has produced procedural manuals setting out responses to be instituted in an emergency at each of its plants. Should worst come to worst, efforts would be made to limit to the smallest extent possible any environmental effects outside the plant. Steps have been taken to develop reliable countermeasures at the facilities level also. These include, for example, the introduction of oil/water separation equipment and oil leak monitoring equipment to prevent any oil leak from entering waterways.

3. 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 plants, including overseas production bases, and a total of 35 Hoya group sites (11 in Japan, 24 abroad) had been certified by the end of March 2007. The certification process is continuing.

Aiming for the concrete realization of the Environmental Philosophy and Fundamental Environmental Principles, an Environmental Headquarters headed by the CEO establishes and manages environmental protection systems and structures as the most senior body responsible for the environment, and it oversees all of the Hoya Group's environmental protection activities

●The Hoya Group's Environmental Management Organization



The top managers of each business division and each factory, in their roles as Senior Environmental Protection Officers, have overall responsibility for the management of environmental protection activities in each division or factory under their management. A Secretariat assists the Environmental Protection Committee, which is presided over by the Senior Environmental Protection Officer.

Corporate Governance

For Hoya, corporate governance is a matter of utmost import 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 has adopted a system of outside directors who to represent shareholders. While strengthening its systems of corporate governance, the Company has also separated management and execution functions to accelerate decision-making and increase management efficiencies.

Corporate Governance Systems

In June 2003, Hoya instituted a company-with-committees system. By broadly devolving decision-making authority from the Board of Directors to executive officers, the Company has set up a system that helps executive officers improve business results by allowing them to manage operations in a more timely and efficient manner. At the same time, Hoya established three committees—the Nomination Committee, the Compensation Committee and the Audit Committee—which are distinct from the Board of Directors and are composed of outside directors. The objectives are to provide enhanced powers of supervision over the executive officers and to ensure overall soundness and transparency of management.

The Board of Directors and the Three Committees

The eight-member Board of Directors comprises five outside directors and three internal directors. 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, numbers have fallen to the current eight. Further, 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 since 1995. Outside directors provide managerial supervision and advice.

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. Three internal directors serve concurrently as executive officers. Authority has also been 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 a detailed report to the executive officers at monthly business reporting meetings, and 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 are all composed exclusively of outside directors. The independence of the Committees and their downstream organizations from the executive officers is ensured by their decision-making authority, including the powers of appointment and dismissal. All of the outside directors, who have been invited from outside the Hoya Group, have plenty of experience in management and possess international outlooks. All of them can be expected to offer impartial and appropriate opinions, taking the standpoint of our shareholders. At all meetings of the Board of Directors and the three Committees, they offer frank, genuine opinions.

● Nomination Committee

The Nomination Committee decides on the selection of candidates for appointment as directors and executive officers,

●Transitions in the Board of Directors

Internal directors Outside directors

Year	Total number of directors
1994	10
1995	8
1999	7
2000	6
2001	6
2003 to present	8

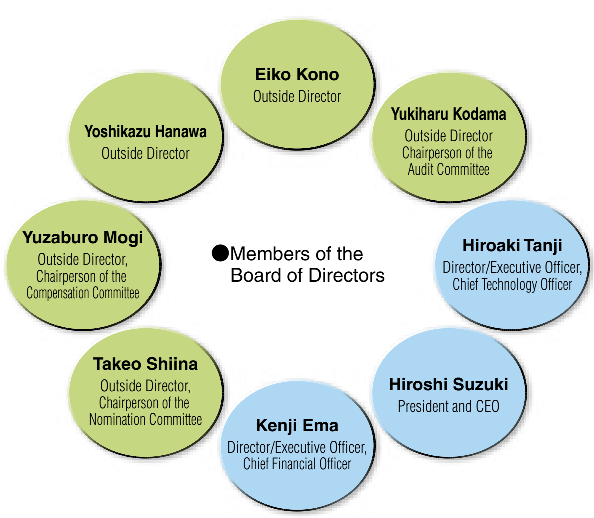
and submits them to the Board of Directors for its decision. It also takes decisions on the referral to Shareholders' Meetings of proposals to relieve directors of their posts, and it takes decisions on the referral to the Board of Directors of proposals to relieve executive officers of their posts. The Committee lays down the standards for the selection of candidates for appointment as directors, and it ensures that appointments are appropriate. In particular, in relation to the nomination of outside directors, in addition to requiring appropriate standards of knowledge, experience and field of specialization, the Committee also maintains the strictest standards relating to any interests candidates may have in the Hoya group.

Compensation Committee

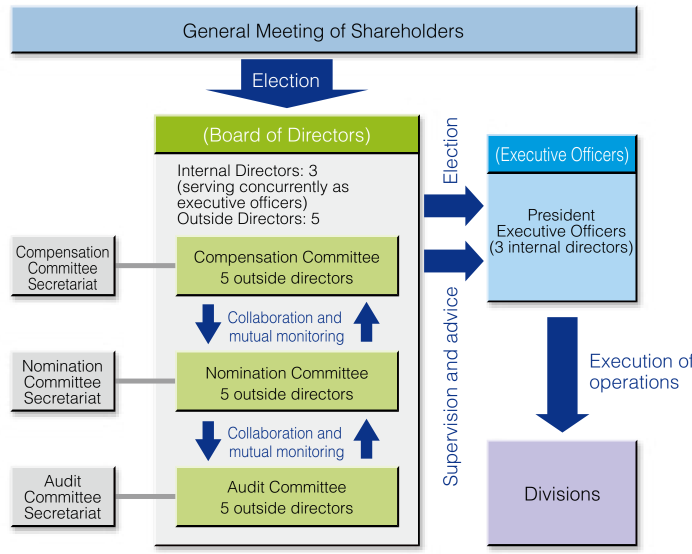
The Compensation Committee prepares the remuneration system that boosts incentives for the directors and executive officers. It was established with the objective of contributing to improved financial performance for Hoya, by undertaking fair and accurate evaluations of results. The remuneration package 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. In order to ensure the effectiveness and efficiency of the work for which the Audit Committee is responsible, an Audit Department with full-time staff members has been established as a support organization.



●Corporate Governance Structure



Internal Control Systems

In addition to striving to further strengthen its corporate governance, the Hoya Group also devotes resources to development of sound internal control systems with the objective of ensuring fitting and efficient business management. These internal control systems cover the day-to-day administrative processes of each business division, and the various business divisions are mainly responsible for their implementation, verification and improvement. The head of each business division has both the authority and the responsibility for managing that division and for improving business results. Each head is also responsible for seeking 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. By meeting these obligations, Hoya's value is undoubtedly raised in the eyes of society.

Touching now upon the development of control systems within each business division, the actual 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 administrative processes for each division and business office from an independent standpoint. It conducts operational audits, checks that internal

HOYA Business Conduct Guidelines is distributed to all employees

control systems are functioning as they should, ensures that there is no dishonesty, and checks for possible areas for improvement, etc. Problem areas that come to light as a result of audit procedures become 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 important 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, an internal reporting and consultative system, was established in 2003. If there is an act that contravenes the law or the Hoya Business Conduct Guidelines, the Hoya Help Line ensures that Hoya 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 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, and it can also be used as a point of contact with external lawyers who are available to listen to employees. This preserves anonymity and works to maintain the system's functional effectiveness. As at the end of March 2007, the system had been introduced in Japan, the United States and in group companies in Thailand, which has the largest number of employees on a global basis. The intention is to continue to expand the number of countries covered, giving the Hoya Help Line worldwide coverage.

Building an Internal Controls Reporting System

Hoya has responded to the Japanese version of the Sarbanes-Oxley law (dubbed "J-SOX")* by newly forming an Internal Controls Group and appointing full-time staff thoroughly familiar with accounting and audit procedures. The Group has already commenced work on documentation in order to elucidate the Hoya Group's state of preparedness in relation to its internal controls over financial reporting and is in the process of developing operational as well as assessment systems for internal controls. Working towards the law coming into effect in April 2008, the effectiveness of internal control systems will be inspected and verified in stages, and where necessary, improvements will be instituted.

* An internal controls reporting system required under Japan's Financial Instruments and Exchange Law, which was promulgated in June 2006 and which will come into effect and apply 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

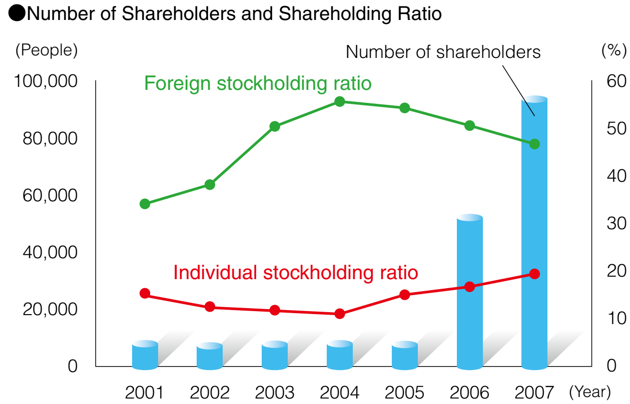
Hoya believes that fair and prompt disclosure of information and other investor relations activities are a fundamental duty of management. The Company respects the rights of its shareholders concerning appropriate disclosure of information. It also values communication with shareholders, and it continues 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 gradually shortened the period between the end of each quarter and the disclosure, and the volume of information is 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. 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.

In the fiscal year ended March 2007, Hoya devoted additional energies to interaction with individual shareholders and investors. For example, it held seminars across Japan for individual investors. Since 2003 the ratio of shares held by foreign shareholders has been maintained at a high 50% or so. More recently, the number of individual shareholders has also risen rapidly, and in the fall of 2006 Hoya conducted a survey focused on the Company of Japanese shareholders, and received many valuable comments and opinions. Respondents gave good marks to the Company for its growth, stability and technical strengths, and expectations for the future were also high in these areas. Valuable feedback was also given regarding returns on shareholder investment and investor relations activities. Hoya plans to refer to the results of the survey in its investor relations work in the future. Hoya will continue to respond to the increasingly diverse wishes of its shareholders, and will strive to further improve its investor relations activities, aiming to achieve even higher levels of corporate transparency.

Hoya's seminar for individual investors

●Number of Shareholders and Shareholding Ratio



Financial Section and Corporate Data

Contents

Ten-Year Summary

		1998	1999	2000	2001
Net sales (Millions of yen)		¥193,473	¥201,290	¥201,110	¥236,802
Operating income (Millions of yen)		26,395	31,726	34,688	45,128
Ordinary income (Millions of yen)		26,759	33,612	35,484	48,184
Net income (Millions of yen)		12,348	17,837	20,716	21,860
Selling, general and administrative expenses/net sales (%)		28.2	26.4	25.4	23.8
Return on assets (ROA) (%)		5.3	7.8	8.9	8.6
Return on owners' equity (ROE) (%)		8.5	11.6	12.4	11.8
Owners' equity ratio (%)		63.7	71.7	73.2	73.0
Inventory turnover (Months)		3.4	3.2	3.3	3.1
Capital expenditures (Millions of yen)		19,504	13,654	17,770	39,673
Depreciation, amortization and other (Millions of yen)		17,570	18,234	16,051	32,138
Research and development expenses (Billions of yen)		7.5	7.8	7.7	7.3
Per share data (Yen) (after adjustment for stock split)	Net income	26.12	37.77	44.06	46.65
	Cash dividends	7.00	7.50	8.75	12.50
	Cash flow	64.41	77.65	79.15	116.24
	Owners' equity	317.67	340.56	376.55	420.11
Price earnings ratio (PER) (Times)		36.4	44.5	55.0	43.7
Price cash flow ratio (PCFR) (Times)		14.8	21.6	30.6	17.6
Price book value ratio (PBR) (Times)		3.0	4.9	6.4	4.9
Stock price at year-end (Yen) (after adjustment for stock split)		950	1,680	2,425	2,040
Aggregate market value (Billions of yen)		441.3	780.4	1,126.4	947.6
Employees (Persons)		9,320	9,414	10,651	12,966

Notes: 1. Effective April1, 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. "Owners' equity": "Stock subscription rights" and "Minority interests" are excluded from "Net assets."

- **Return on assets (net income/average total assets x 100):** An index of efficiency and profitability in terms of management of the Company's assets.
- **Return on owners' equity (net income/average owners' equity x 100):** An index of efficiency and profitability in terms of the owners' equity.
- **Owners' equity ratio:** The ratio of owners' equity to total assets; the higher the ratio, the higher the degree of safety.
- **Inventory turnover (average of inventory assets at beginning and end of fiscal period/monthly average cost of goods sold):** An index of capital efficiency. The fewer the number of months, the better the production and sales efficiencies.

2002	2003	2004	2005	2006	2007
¥235,265	¥246,293	¥271,444	¥308,172	¥344,228	¥390,093
43,898	52,983	68,167	84,920	101,096	107,213
45,774	50,874	66,554	89,525	103,638	102,909
23,741	20,038	39,549	64,135	75,620	83,391
24.2	24.4	22.3	21.1	20.7	21.9
8.7	7.3	14.0	20.0	21.2	20.6
11.5	9.0	17.8	25.8	27.1	25.9
78.8	81.7	75.5	79.1	77.3	81.6
3.2	2.9	2.8	2.7	2.7	2.8
19,585	15,948	30,659	40,175	48,786	54,432
20,105	19,792	25,328	22,520	27,485	36,427
7.3	8.7	9.8	10.9	14.1	14.9
50.78	42.77	87.74	144.71	171.71	193.50
12.50	12.50	25.00	37.50	60.00	65.00
88.31	82.72	174.91	171.65	240.57	229.23
471.55	486.29	491.90	623.59	648.87	845.98
44.5	41.8	28.9	20.4	27.7	20.2
25.6	21.6	14.5	17.2	19.7	17.1
4.8	3.7	5.2	4.7	7.3	4.6
2,260	1,787	2,537	2,950	4,750	3,910
1,049.8	830.3	1,178.7	1,325.7	2,066.3	1,700.9
13,311	14,023	18,092	21,234	25,176	28,450

- **Capital expenditures:** Includes property, plant and equipment as well as intangible fixed assets.
- **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.
- **Price earnings ratio (PER; stock price at fiscal year-end/net income per share):** An indicator to determine whether a company's share price is relatively high or low in comparison with its earnings. A company's PER is compared against the market average or that of competitors to determine the standard for the share price and other data.
- **Price cash flow ratio (stock price at fiscal year-end/cash flow per share):** Cash flow is calculated by adding net income, depreciation, amortization and other. Depreciation indicates active investment aiming for future growth, so the price cash flow ratio can be used to gauge the price level of a stock by taking into consideration future growth potential. It can be used together with the price earnings ratio, the market average and comparative ratios for other companies in the same industry to judge whether the Company's stock price is overvalued or undervalued.
- **Price book value ratio (stock price at fiscal year-end/net assets per share):** An index of valuation that compares the Company's stock price to the value of its net assets. An index of less than one suggests that dissolving the company and selling off its assets may be more profitable than holding the Company's stock.

▶ MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hoya Group and Scope of Consolidation

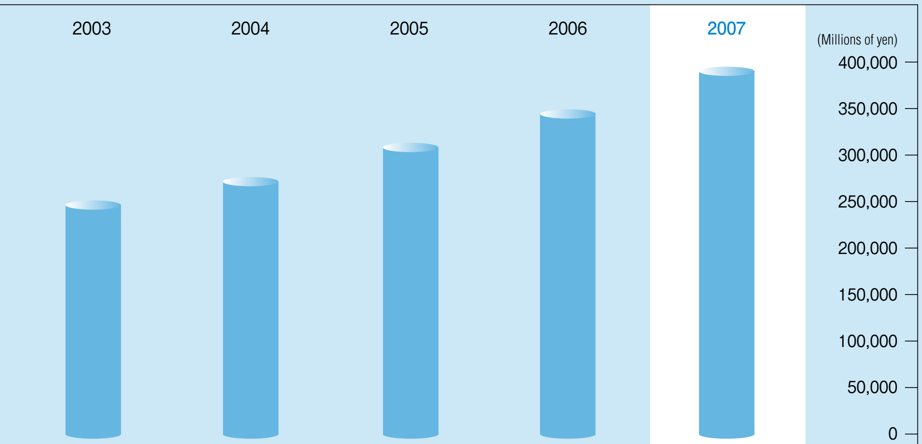
The Hoya Group (the "Group") consists of Hoya Corporation (the "Company"), 67 consolidated subsidiaries (five in Japan and 62 overseas) and four affiliates (all in Japan). One of the four affiliates is accounted for by the equity method. Compared with the end of the prior consolidated fiscal year, five consolidated subsidiaries were added through establishment of new companies, and one was added by an acquisition. One consolidated subsidiary was eliminated through merger with another subsidiary, and the number of affiliates was reduced by one.

The Group is managed through consolidated group management on a global basis. Each of the Group's major business divisions, centered on the Information Technology and Eye Care fields, conducts its business on its own responsibility and authority in accordance with the business strategies formulated by the Global Headquarters at Hoya Corporation. By area, the regional headquarters in North America, Europe and Asia conducts activities such as strengthening relationships with the countries and areas in their respective regions, providing legal support and conducting internal audits, thereby supporting the promotion of business activities. The Group's financial headquarters is located in Europe.

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2007 increased 13.3% year on year to ¥390,093 million. By main business segment, net sales for the Electro-Optics division in the Information Technology field rose 15.1% year on year, net sales for

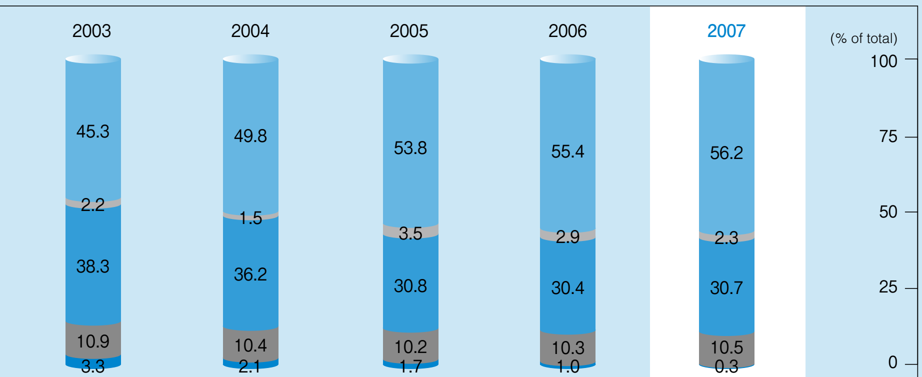
Net Sales



(Millions of yen)

	2003	2004	2005	2006	2007
Net sales	246,293	271,444	308,172	344,228	390,093

Sales by Business Segment



(Millions of yen)

	2003	2004	2005	2006	2007
Electro-Optics	111,461	135,071	165,664	190,552	219,252
Photonics	5,485	4,116	10,749	10,093	9,093
Vision Care	94,388	98,203	94,971	104,457	119,808
Health Care	26,717	28,381	31,409	35,484	40,850
Other Businesses	8,242	5,673	5,379	3,642	1,090

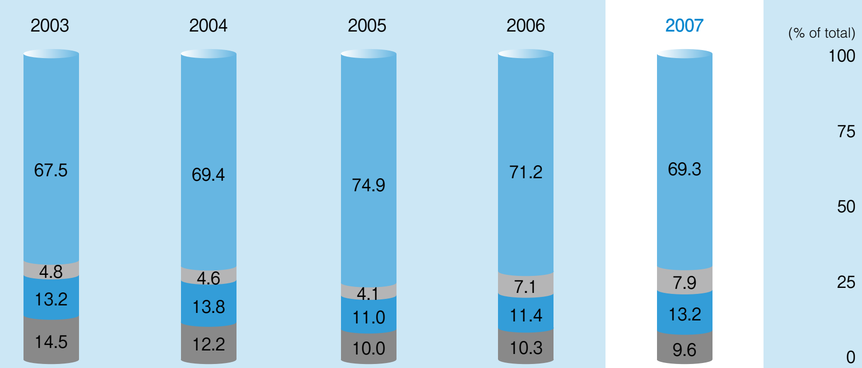
the Vision Care division in the Eye Care field increased 14.7%, and net sales for the Health Care division rose 15.1%.

By customer region, net sales to customers in Japan increased 2.9% to ¥178,547 million, while net sales overseas grew 23.9% to ¥211,546 million. As a result, the composition of net sales was 45.8% domestic and 54.2% overseas, the first time that overseas sales exceeded sales in Japan. Hoya continues to further pursue global business development, with the proportion of overseas sales in Asia rising particularly noticeably.

Hoya calculates the effect of exchange rates on operating results during the subject fiscal year by comparing the foreign currency denominated financial statements of its overseas subsidiaries when converted into yen at the average exchange rates during the subject fiscal year, with the same statements when converted into yen at the average exchange rates prevailing during the previous fiscal year. In currency markets during the subject fiscal year, the yen weakened 2.7% against the U.S. dollar to ¥116.96, 9.3% against the euro to ¥150.95, and 15.3% against the Thai baht to ¥3.24. Because the yen fell against all these main currencies, the operating results of Group companies in the United States, Europe and Thailand swelled compared to conversion at the rate during the previous fiscal year. For the Group overall, the effect of exchange rates added ¥6,823 million to net sales and ¥5,421 million to net income.

Sales by Region

(Based on the location of the Company's offices)

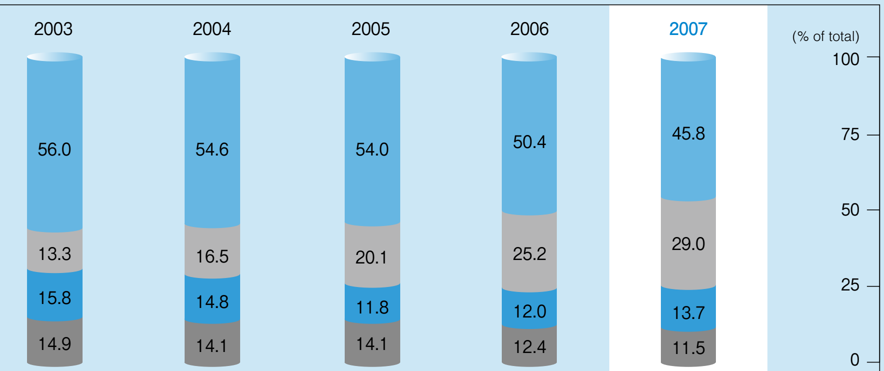


(Millions of yen)

	2003	2004	2005	2006	2007
Japan	166,178	188,441	230,946	244,998	270,373
Asia	11,705	12,404	12,648	24,527	30,928
Europe	32,639	37,486	33,803	39,232	51,336
North America	35,771	33,113	30,775	35,471	37,456

Sales to Domestic and Foreign Customers

(Based on the location of customers)



(Millions of yen)

	2003	2004	2005	2006	2007
Japan	138,006	148,325	166,414	173,506	178,547
Asia and Other Areas	32,806	44,668	61,808	86,848	113,068
Europe	38,789	40,168	36,430	41,201	53,524
North America	36,692	38,283	43,520	42,673	44,954

Net Income

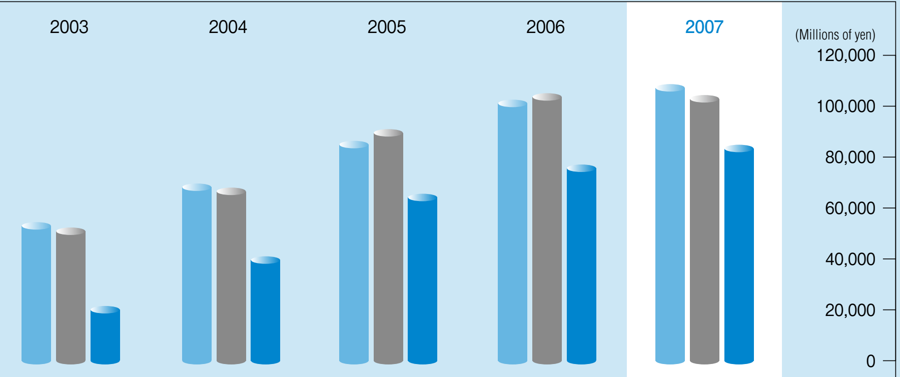
As net sales expanded, the cost of sales also rose, increasing 14.8% year on year to ¥197,410 million. Because cost of sales grew at a rate greater than the 13.3% increase in net sales, the gross profit margin slipped to 49.4%, down 0.6 percentage point from 50.0% in the previous fiscal year. Selling, general and administrative (SG&A) expenses rose 20.2% from the previous fiscal year to ¥85,470 million, with the ratio of SG&A expenses to net sales up 1.2 percentage points to 21.9% from 20.7% a year earlier. As a result, although operating income increased 6.1% to ¥107,213 million, the operating income ratio declined 1.9 percentage points to 27.5%. All of the expenditures were the result of proactive spending to ensure future growth, including capital expenditures and marketing activities, as well as research and development, and personnel increases. By quarter, the operating income ratio was 29.4% in the first quarter, 28.4% in the second quarter, 27.5% in the third quarter and 24.8% in the fourth quarter.

Ordinary income for the subject fiscal year declined 0.7% year on year to ¥102,909 million. This was due mainly to foreign exchange losses during the subject fiscal year of ¥6,711 million, compared to a gain of ¥243 million during the previous fiscal year, arising from the effect of exchange rate conversions related to credit and debit of funds between Group companies, along with a decline in equity in earnings of affiliates from ¥1,285 million the previous fiscal year to ¥642 million for the subject fiscal year.

Other income and expenses included a ¥9,520 million increase in gain on sales of property, plant and equipment, against a ¥2,703 million increase in loss on disposal of property, plant and equipment from the previous fiscal year, along with a ¥2,958 million decrease in loss on clarification of soil pollution and others, and a ¥1,145 million decrease in loss on impairment. As a result, net income for the subject fiscal year rose 10.3% year on year to ¥83,391 million.

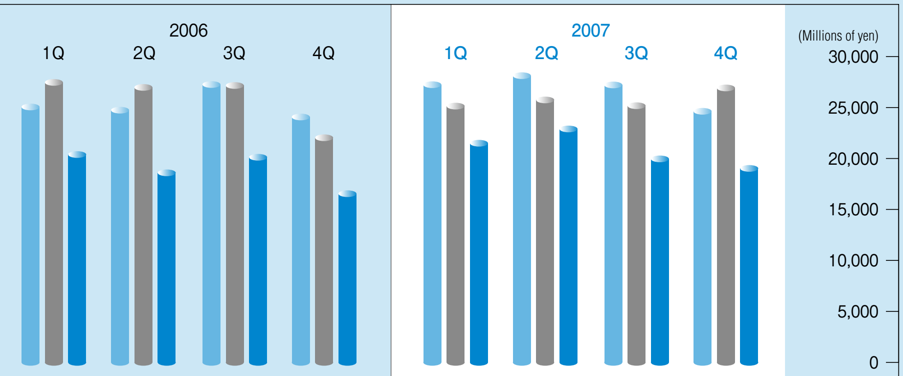
Return on assets (ROA) declined by 0.6 percentage point to 20.6%, and return on owners' equity (ROE) fell by 1.2 percentage points to 25.9%. Dividends for the subject fiscal year consisted of an interim dividend of ¥30 per share and a year-end dividend of ¥35 per share, for an aggregate ¥65 per share for the full year, an increase of ¥5 from the previous fiscal year. Hoya paid an interim dividend during the previous fiscal year of ¥120 per share, but if adjusted retroactively to reflect the four-for-one stock split implemented in November 2005, it is equal to ¥30 per share, which along with the year-end dividend from the previous fiscal year of ¥30 per share amounts to a full-year dividend of ¥60 per share.

Operating Income, Ordinary Income and Net Income



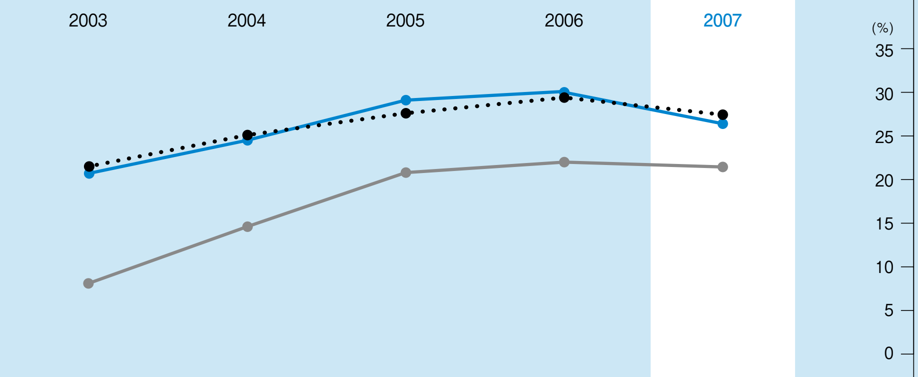
(Millions of yen)	2003	2004	2005	2006	2007
Operating income	52,983	68,167	84,920	101,096	107,213
Ordinary income	50,874	66,554	89,525	103,638	102,909
Net income	20,038	39,549	64,135	75,620	83,391

Quarterly Profits



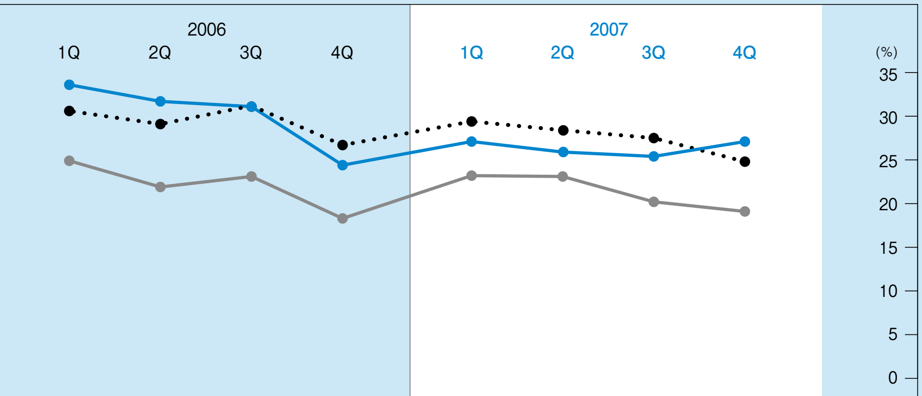
(Millions of yen)	2006 1Q	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q	2007 4Q
Operating income	25,056	24,740	27,257	24,043	27,241	28,125	27,216	24,631
Ordinary income	27,466	26,974	27,161	22,037	25,140	25,700	25,148	26,921
Net income	20,389	18,596	20,120	16,515	21,500	22,899	19,964	19,028

Profit Ratios



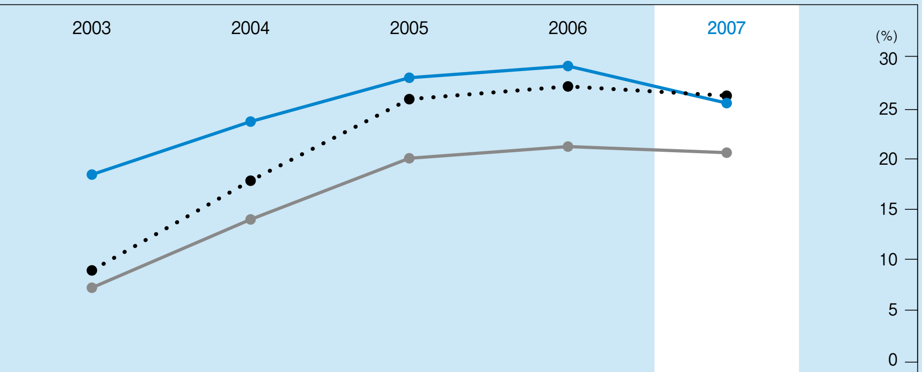
(%)	2003	2004	2005	2006	2007
Operating income ratio	21.5	25.1	27.6	29.4	27.5
Ordinary income ratio	20.7	24.5	29.1	30.1	26.4
Return on sales	8.1	14.6	20.8	22.0	21.4

Quarterly Profit Ratios



(%)	2006 1Q	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q	2007 4Q
Operating income ratio	30.6	29.1	31.2	26.7	29.4	28.4	27.5	24.8
Ordinary income ratio	33.6	31.7	31.1	24.4	27.1	25.9	25.4	27.1
Return on sales	24.9	21.9	23.1	18.3	23.2	23.1	20.2	19.1

Profitability



(%)	2003	2004	2005	2006	2007
Return on owners' equity (ROE)	9.0	17.8	25.8	27.1	25.9
Ordinary income/total assets	18.4	23.6	27.9	29.1	25.4
Return on assets (ROA)	7.3	14.0	20.0	21.2	20.6

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 Overview

Information Technology (Electro-Optics and Photonics Division)

Net sales in the Electro-Optics division rose 15.1% year on year to ¥219,252 million. In mask blanks for semiconductor production, where Hoya holds a large share of the global market, a rising proportion of sales came from such high-precision products as phase shift mask blanks, as semiconductor feature sizes are required further to shrink. In photomasks for semiconductor production, an area in which Hoya has focused on cutting-edge development, there was also a rise in sales of high-precision products. In photomasks for large-sized LCD panels, however, sales were down as a result of falling unit prices arising from greater competition in the photomask market. In glass disks for hard disk drives (HDDs), Hoya enhanced its production capacity in response to robust demand in the global market arising from such factors as the replacement of desktop computers with notebooks, achieving a sharp rise in revenue. In optical glass products, demand for aspheric molded lenses expanded as a result of higher resolutions and enhanced zoom features in digital cameras. Demand for camera lenses for mobile phones was also strong, and sales rose.

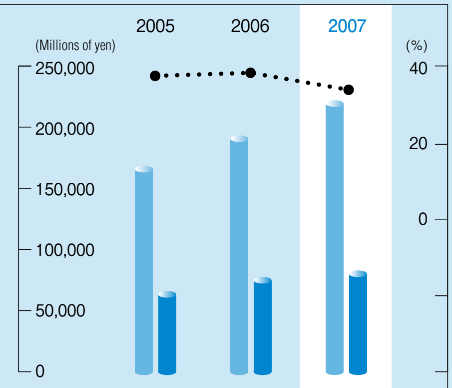
Operating income in the Electro-Optics division rose 7.0% to ¥80,085 million. During the first half, high plant capacity utilization rates underpinned by robust market demand kept the operating income ratio around 38%, but the ratio declined in the second half due to greater competition in the market for photomasks for large-sized LCD panels, rising production costs for HDD glass disks arising from the shift to a new technology (perpendicular magnetic recording), and an increase in depreciation cost. By quarter, the operating income ratio was 38.6% in the first quarter, 38.1% in the second quarter, 36.6% in the third quarter and 32.6% in the fourth quarter.

As indicated in the graph for “Sales Growth and Profitability of Main Business Segments” (“the segment graph”), the net sales growth rate in the Electro-Optics division, like in the previous year, was higher than the consolidated average growth rate for net sales of 13.3% (the center of the circle is above the Consolidated Basis line), while the operating income ratio declined slightly from the previous fiscal year (the circle shifted to the left).

Capital expenditures in the Electro-Optics division rose 7.1% to ¥39,899 million, mainly for increases in production capacity for HDD glass disks and optical lenses, and the establishment of a new plant for large-sized LCD mask blanks.

Net sales for the Photonics division fell 9.9% from the previous fiscal year to ¥9,093 million, while operating income fell 47.5% to ¥490 million. The main reason for the decline was a significant falloff in sales of pattern defect correction equipment for LCDs.

Electro-Optics Division

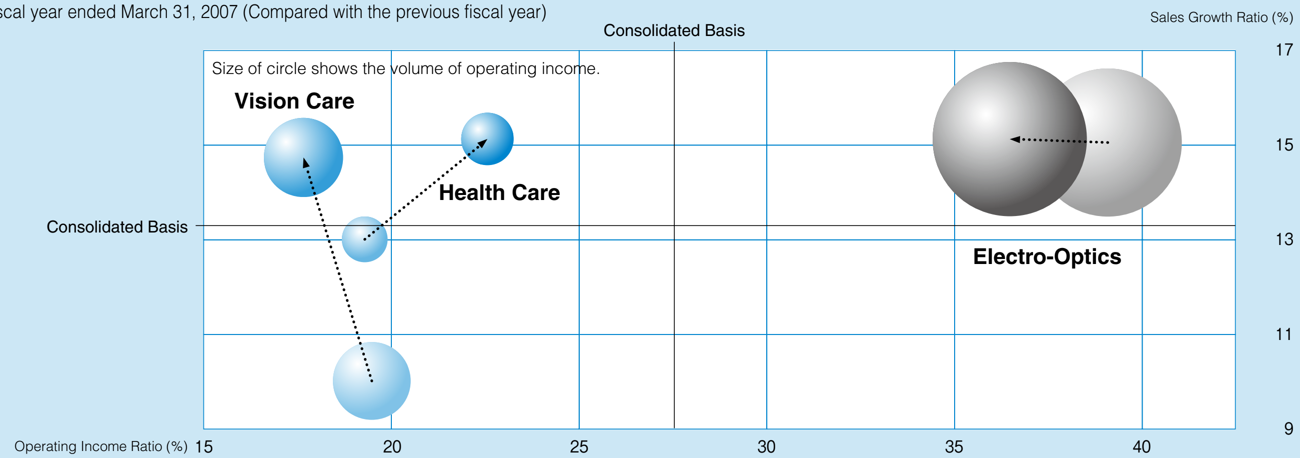


		2005	2006	2007
Net sales (Millions of yen)	▬	165,664	190,552	219,252
Operating income (Millions of yen)	▬	63,290	74,862	80,085
Operating income ratio* (%)	●·····	38.1	39.1	36.5
Assets (Millions of yen)		162,638	204,192	258,746
Depreciation (Millions of yen)		14,730	18,716	27,449
Capital expenditures (Millions of yen)		31,962	37,244	39,899

* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 65, Segment Information.

Sales Growth and Profitability of Main Business Segments

Fiscal year ended March 31, 2007 (Compared with the previous fiscal year)

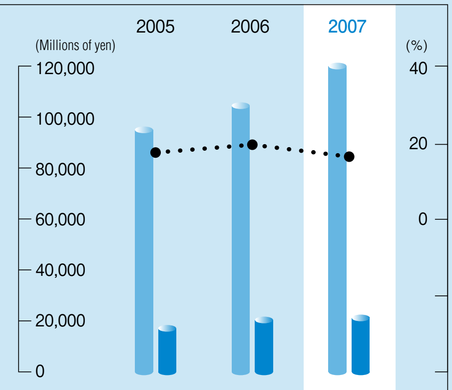


Eye Care (Vision Care Division)

Net sales of the Vision Care division rose 14.7% to ¥119,808 million. In the domestic eyeglass lens market there were signs of a shrinking of the market due to population decline and greater prevalence of low-cost products manufactured in Asia, but Hoya managed to keep sales to a 0.1% increase, roughly on par with the previous fiscal year, through introduction of new products and enhanced marketing for high-value-added products. In Europe, where demand for high-value-added lenses is strong, sales were up 27.0% year on year, the fruit of strategies tailored to the preferences of each region. In the Asia-Pacific region, although the market is strongly oriented toward low-cost products, there has been a steady increase in customers specifically requesting Hoya's high-value-added products. Further, a focus on marketing activities tailored to the market characteristics of the Asia-Pacific region, such as the introduction of new brands, led to a 14.5% rise in sales. In North America as well, the market penetration of the Hoya brand is steadily rising, and revenue rose 15.5% from the previous fiscal year.

Operating income for the Vision Care division increased 3.9% from the previous fiscal year to ¥21,167 million, with an operating income ratio of 17.7%, 1.8 percentage points lower than in the previous fiscal year. The main factor pushing down the operating income ratio was proactive investment in marketing and sales promotions oriented toward the future of overseas markets. By quarter, the operating income ratio was 18.5% in the first quarter, 18.1% in the second quarter, 16.8% in the third quarter and 17.4% in the fourth quarter. Although profit margins declined, expansion in overseas markets allowed Hoya to achieve sales growth that exceeded the growth rate on a consolidated basis, shifting the position of the circles in the segment graph upward and to the left.

Capital expenditures in the Vision Care division increased 46.7% to ¥11,672 million. The main uses for this investment were investments of funds to further develop an IT system and develop new products, along with efforts to establish a global production structure aimed at optimal production locations.

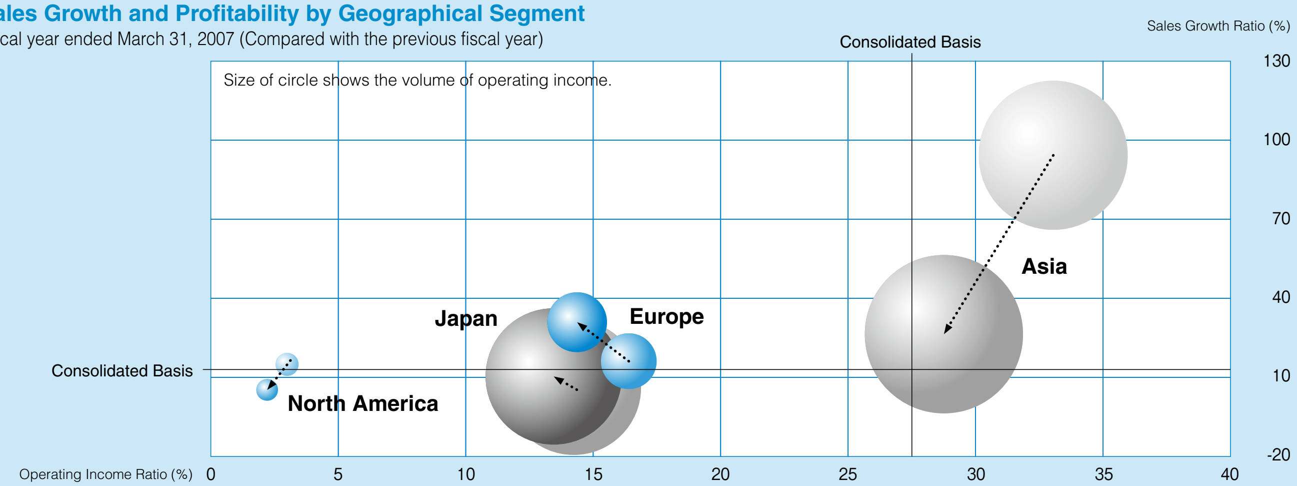


	2005	2006	2007
Net sales (Millions of yen)	94,971	104,457	119,808
Operating income (Millions of yen)	17,079	20,370	21,167
Operating income ratio* (%)	18.0	19.5	17.7
Assets (Millions of yen)	90,765	98,243	118,229
Depreciation (Millions of yen)	5,900	6,444	7,405
Capital expenditures (Millions of yen)	6,787	7,958	11,672

* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 65, Segment Information.

Sales Growth and Profitability by Geographical Segment

Fiscal year ended March 31, 2007 (Compared with the previous fiscal year)



Segment Overview

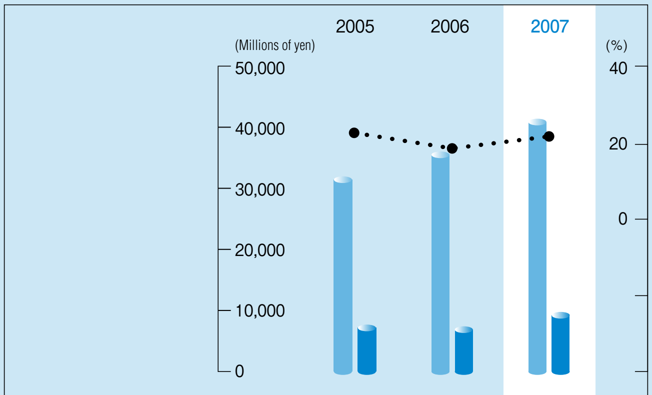
Eye Care (Health Care Division)

Net sales for the Health Care division grew 15.1% year on year to ¥40,850 million. In contact lenses, amid sweeping changes in the market following revision of the remuneration system for medical services, Hoya achieved revenue growth through continued opening of new locations of directly managed *Eye City* stores, along with customer appreciation of high-quality service. In intraocular lenses (IOLs) used for surgical treatment of cataracts, sales rose both in Japan and overseas as a result of Hoya's growing share of the domestic market, where high-quality products are valued, along with steadily growing visibility in overseas markets.

Operating income for the Health Care division increased 34.3% to ¥9,215 million, with an operating income ratio of 22.6%, 3.3 percentage points higher than in the previous fiscal year. During the previous fiscal year, the Company changed the method of accounting for expenses related to the points awarded to customers for product purchases at *Eye City*, resulting in a full year's worth of point system expenses being recorded as a lump sum in the fourth quarter of that fiscal year, which provided a significant boost to earnings. By quarter, the operating income margin was 21.7% in the first quarter, 23.3% in the second quarter, 20.5% in the third quarter and 24.6% in the fourth quarter.

In the segment graph on page 36, as a result of improvement in both net sales growth rate and the profit margin, the circle shifted upward and to the right.

Capital expenditures in the Health Care division decreased 11.4% to ¥2,119 million. Although the Company shifted IOL production plants overseas and made other expenditures, the decline arose from a temporary R&D investment generated in the previous fiscal year.



		2005	2006	2007
Net sales (Millions of yen)		31,409	35,484	40,850
Operating income (Millions of yen)		7,141	6,859	9,215
Operating income ratio* (%)		22.7	19.3	22.6
Assets (Millions of yen)		18,330	19,927	24,410
Depreciation (Millions of yen)		669	855	1,170
Capital expenditures (Millions of yen)		738	2,391	2,119

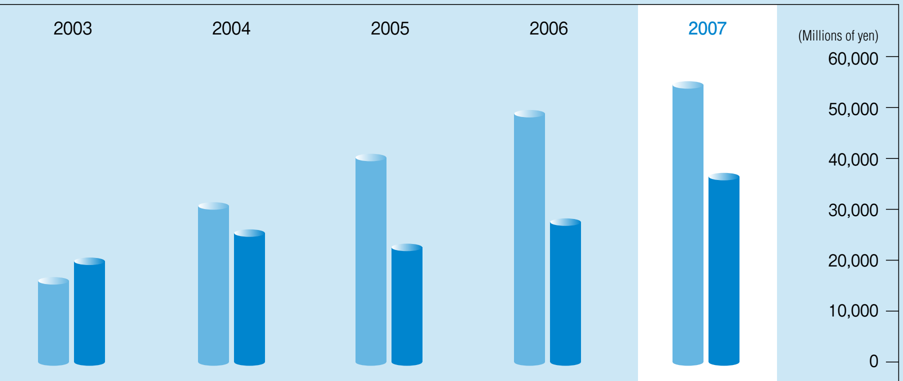
* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 65, Segment Information.

Other Businesses

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."

The Crystal business has been reduced in scale through restructuring, but is currently continuing to pioneer new markets and develop unique products by adhering to a concept unlike that followed previously. The Services business provides IT systems, outsourcing and other services to Hoya Group companies. The division's temporary staffing business was sold on March 1, 2006, which resulted in the decline in both revenue and earnings of the "Other Businesses."

Capital Expenditures
Depreciation, Amortization and Other

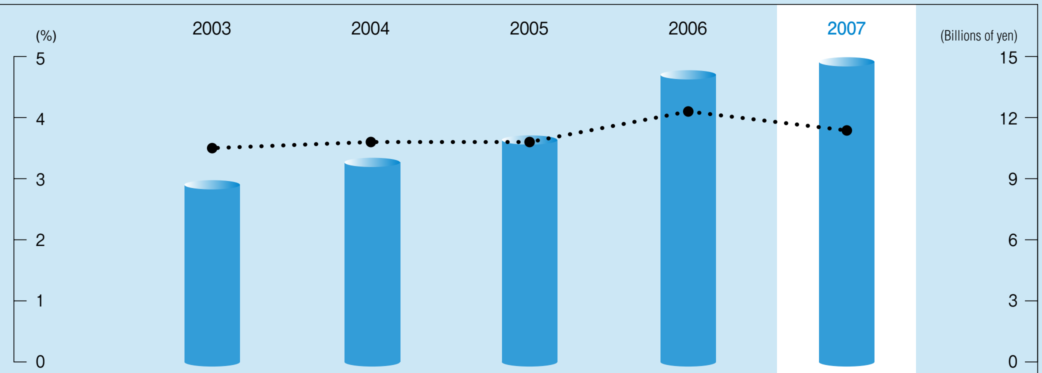


(Millions of yen)

	2003	2004	2005	2006	2007
Capital expenditures	15,948	30,659	40,175	48,786	54,432
Depreciation, amortization and other	19,792	25,328	22,520	27,485	36,427

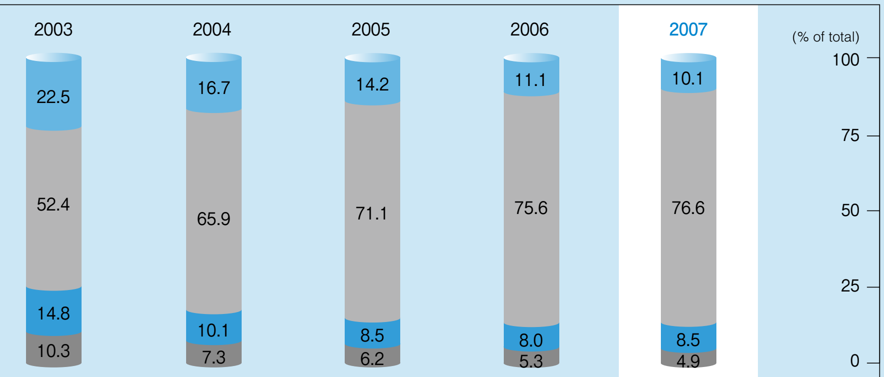
Note: Depreciation, amortization and other includes depreciation, amortization of goodwill, and loss on impairment of long-lived assets.

Research and Development Expenses



	2003	2004	2005	2006	2007
R&D expenses (Billions of yen)	8.7	9.8	10.9	14.1	14.9
R&D expenses/net sales (%)	3.5	3.6	3.6	4.1	3.8

Group Employees by Region



(Persons)

	2003	2004	2005	2006	2007
Total	14,023	18,092	21,234	25,176	28,450
Japan	3,150	3,023	3,007	2,800	2,861
Asia	7,346	11,925	15,102	19,030	21,780
Europe	2,082	1,821	1,809	2,009	2,429
North America	1,445	1,323	1,316	1,337	1,380

Financial Position

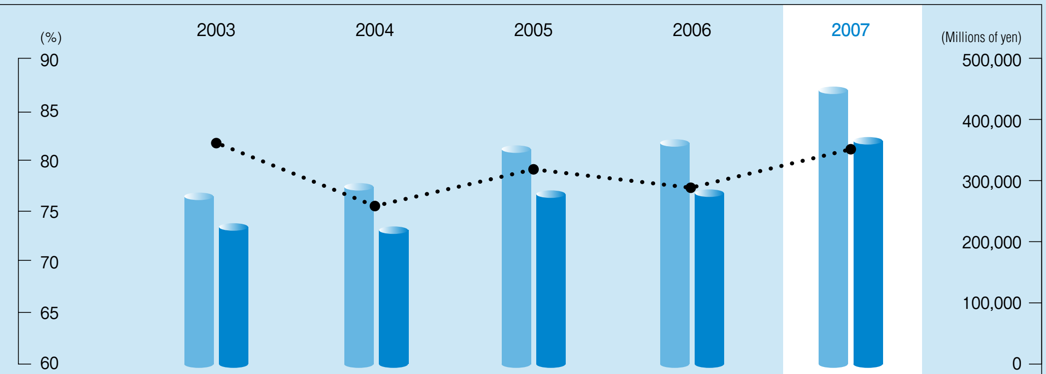
In terms of assets, current assets increased by 29.9% from the end of the previous fiscal year to ¥275,707 million. The main factors for this, following the increases in revenue and earnings, were a 44.3% increase in cash and deposits to ¥120,622 million, a 20.3% rise in notes and accounts receivable—trade to ¥94,297 million, and a 20.7% increase in inventories to ¥49,722 million. The rate of growth in cash and deposits was particularly high owing to a decline in expenditures for acquisition of treasury stock, from ¥64,032 million in the previous fiscal year to ¥13 million during the subject fiscal year. Total property, plant and equipment increased 18.8% year on year to ¥143,218 million, total investment and other assets rose 0.2% to ¥28,719 million, and total noncurrent assets expanded 15.3% to ¥171,938 million. As a result, total assets at the end of the subject fiscal year amounted to ¥447,644 million, an increase of 23.8% from the end of the previous fiscal year.

In terms of liabilities, notes and accounts payable—trade decreased 1.2% to ¥27,733 million, while income tax payable declined 10.6% to ¥12,821 million, with total current liabilities decreasing 1.4% from the end of the previous fiscal year to ¥78,181 million. Noncurrent liabilities increased 26.5% from the end of the previous fiscal year to ¥2,318 million. As a result, total liabilities at the end of the subject fiscal year amounted to ¥80,499 million, a decrease of 0.8% from the end of the previous fiscal year.

In terms of net assets, retained earnings rose ¥56,167 million, or 21.1%, year on year to ¥322,513 million as a result of an increase in net income to ¥83,391 million, against ¥25,843 million in dividends paid, and a decline in other components totaling ¥1,381 million. Treasury stock declined ¥3,528 million. Consequently, total shareholders' equity amounted to ¥331,924 million. Translation adjustments were ¥33,264 million, up ¥26,122 million year on year. As a result, total accumulated gains (losses) from revaluation and translation adjustments amounted to ¥33,178 million. Total net assets were ¥367,145 million.

Also, from the fiscal year ended March 31, 2007, in accordance with the "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 subject fiscal year was 81.6%, a total of 4.3 percentage points higher than the 77.3% in the previous fiscal year.

Total Assets, Owners' Equity and Owners' Equity Ratio



	2003	2004	2005	2006	2007
Total assets (Millions of yen)	274,289	289,887	351,482	361,538	447,644
Owners' equity (Millions of yen)	224,219	218,979	277,889	279,481	365,102
Owners' equity ratio (%)	81.7	75.5	79.1	77.3	81.6

Cash Flows

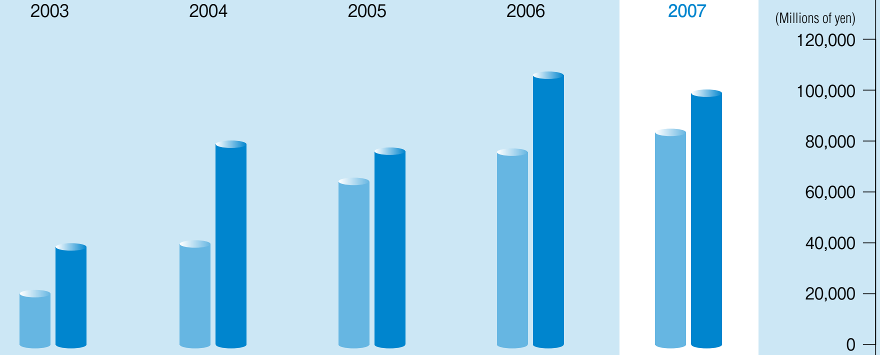
Cash provided by operating activities amounted to ¥98,793 million, a decrease of ¥7,062 million from the previous fiscal year. The main factors with a positive impact on cash were income before income taxes and minority interests of ¥107,132 million (up ¥9,765 million year on year) and depreciation and amortization of ¥36,339 million (up ¥10,087 million). The main factors with a negative impact on cash were an increase in notes and accounts receivable of ¥13,801 million (up ¥9,759 million year on year), gain on sales of property, plant and equipment of ¥9,629 million (up ¥9,520 million), an increase in inventories of ¥4,799 million (up ¥2,252 million), and income taxes paid of ¥23,362 million (up ¥5,115 million).

Net cash used in investing activities amounted to ¥46,652 million, a decrease of ¥5,361 million from the previous fiscal year. Despite expenditures of ¥52,379 million for purchases of property, plant and equipment (up ¥4,637 million year on year), the decline stemmed mainly from proceeds from sales of property, plant and equipment of ¥10,218 million (up ¥9,951 million).

Net cash used in financing activities amounted to ¥23,891 million, a decrease of ¥61,897 million from the previous fiscal year. Although dividends paid totaled ¥25,810 million (up ¥2,407 million year on year), the decline stemmed mainly from payments for purchases of treasury stock (¥64,032 million in the previous fiscal year), which fell to just ¥13 million for the subject fiscal year.

As a result of the above, the balance of cash and cash equivalents at the end of the subject fiscal year totaled ¥120,622 million, an increase of ¥37,048 million.

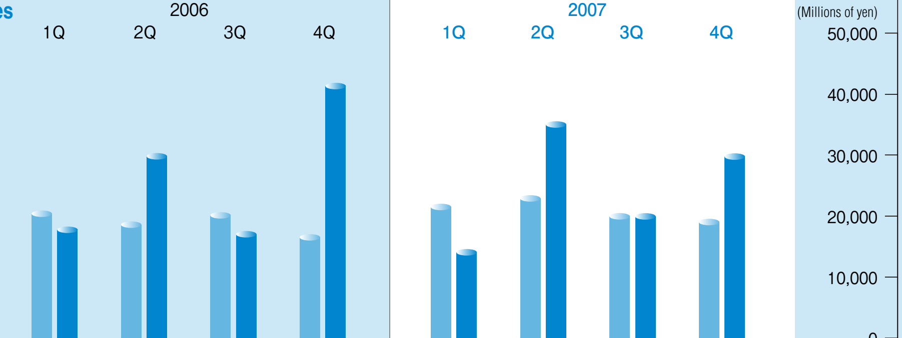
Net Cash Provided by Operating Activities



(Millions of yen)

	2003	2004	2005	2006	2007
Net income	20,038	39,549	64,135	75,620	83,391
Net cash provided by operating activities	38,390	78,744	76,000	105,855	98,793

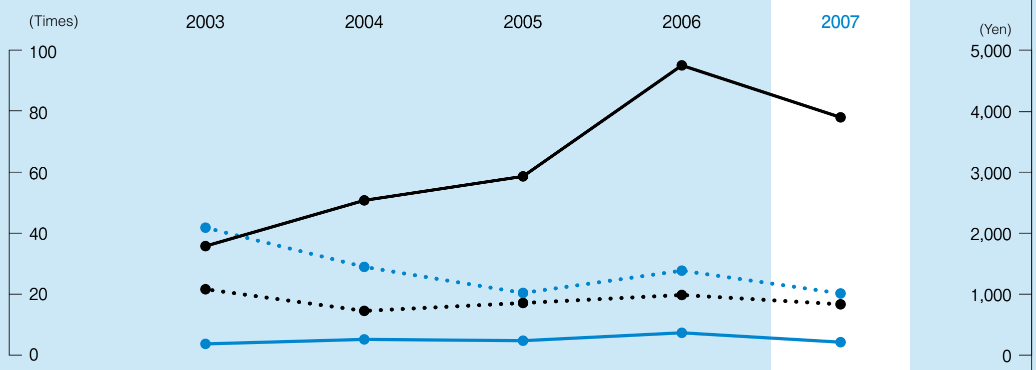
Quarterly Net Cash Provided by Operating Activities



(Millions of yen)

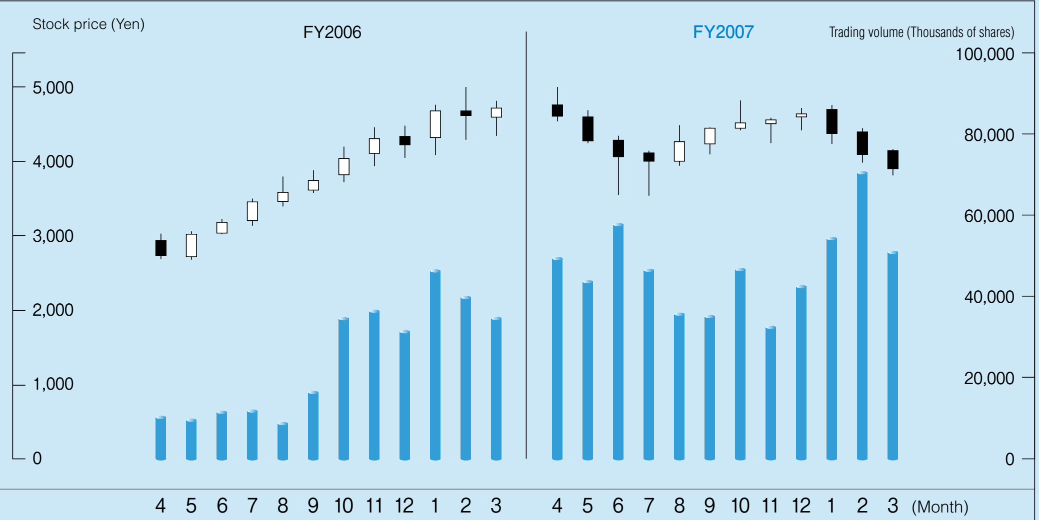
	2006 1Q	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q	2007 4Q
Net income	20,389	18,596	20,120	16,515	21,500	22,899	19,964	19,028
Net cash provided by operating activities	17,759	29,802	17,025	41,269	14,066	35,017	19,950	29,760

Stock Price Data

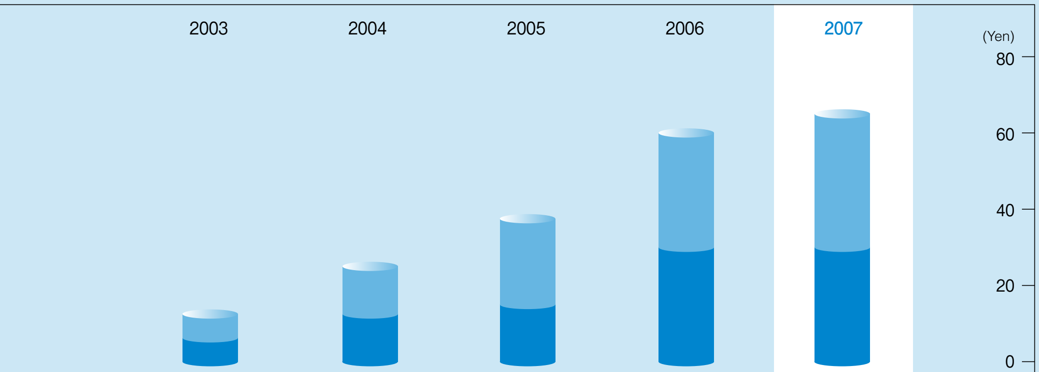


		2003	2004	2005	2006	2007
Price earnings ratio (Times)		41.8	28.9	20.4	27.7	20.2
Price cash flow ratio (Times)		21.6	14.5	17.2	19.7	17.1
Price book value ratio (Times)		3.7	5.2	4.7	7.3	4.6
Stock price at fiscal year-end (Yen) (after adjustment for stock split)		1,787	2,537	2,950	4,750	3,910

Stock Price and Trading Volume



Dividend Per Share



(Yen)

		2003	2004	2005	2006	2007
Period-end dividend		6.25	12.50	22.50	30.00	35.00
Interim dividend		6.25	12.50	15.00	30.00	30.00
Total dividend		12.50	25.00	37.50	60.00	65.00

Note: Interim 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

At present, the situation in some countries, is extremely tense. Hereafter, in the event that movement of people, goods or money were restrained extraordinarily in a certain region, 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, 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 products range, which constitutes a major portion of the 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 products as semiconductors, LCD panels and HDDs that are manufactured utilizing the Hoya Group products, and by that of personal computers and home appliances, etc. that are manufactured utilizing the resultant products.

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

In recent years in the eyeglass and contact lens markets, 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

In the industrial sector to which Hoya Group belongs, technological advances are swift and 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.

Consolidated Balance Sheets

Hoya Corporation and Subsidiaries
March 31, 2007 and 2006

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 120,622	¥ 83,574	$ 1,021,787
Notes and accounts receivable:			
Trade	94,297	78,381	798,789
Other	2,142	1,426	18,145
Allowance for doubtful receivables	(1,312)	(1,513)	(11,114)
Inventories (Note 4)	49,722	41,178	421,194
Deferred income taxes (Note 8)	7,068	7,408	59,873
Other current assets	3,168	1,820	26,836
Total current assets	275,707	212,274	2,335,510
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	9,154	8,649	77,543
Buildings and structures	70,040	61,583	593,308
Machinery and vehicles	245,211	193,972	2,077,179
Furniture and equipment	29,991	25,023	254,053
Construction in progress	11,918	13,196	100,957
Total	366,314	302,423	3,103,040
Less—accumulated depreciation	(223,096)	(181,819)	(1,889,843)
Net property, plant and equipment	143,218	120,604	1,213,197
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,898	2,956	24,549
Investments in non-consolidated subsidiaries and affiliated companies	11,678	11,063	98,924
Goodwill	2,243	1,875	19,000
Software	2,431	3,922	20,593
Lease deposits	3,435	3,006	29,098
Deferred income taxes (Note 8)	2,724	2,757	23,075
Other assets	3,632	3,377	30,768
Allowance for doubtful receivables	(322)	(296)	(2,728)
Total investments and other assets	28,719	28,660	243,279
TOTAL	¥ 447,644	¥ 361,538	$ 3,791,986

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Notes and accounts payable:			
Trade	¥ 27,733	¥ 28,070	$ 234,926
Construction and other	11,857	12,950	100,440
Income taxes payable (Note 8)	12,821	14,342	108,607
Accrued bonuses to employees	4,328	4,208	36,662
Accrued expenses	13,695	18,409	116,010
Other current liabilities	7,747	1,326	65,625
Total current liabilities	78,181	79,305	662,270
LONG-TERM LIABILITIES:			
Allowance for periodic repairs	890	620	7,539
Other long-term liabilities	1,428	1,212	12,097
Total long-term liabilities	2,318	1,832	19,636
TOTAL LIABILITIES	80,499	81,137	681,906
CONTINGENT LIABILITIES (Notes 10 and 11)			
NET ASSETS (Notes 2.q and 7):			
SHAREHOLDERS' EQUITY (Notes 14 and 16):			
Common stock—authorized, 1,250,519,400 shares issued, 435,017,020 shares	6,264	6,264	53,062
Capital surplus	15,899	15,899	134,680
Retained earnings	322,513	266,346	2,732,003
Treasury stock, at cost—3,447,681 shares in 2007 and 4,401,607 shares in 2006	(12,752)	(16,280)	(108,021)
Total shareholders' equity	331,924	272,229	2,811,724
ACCUMULATED GAINS (LOSSES) FROM REVALUATION AND TRANSLATION ADJUSTMENTS			
Net unrealized gain (loss) on available-for-sale securities, net of tax	(86)	110	(729)
Foreign currency translation adjustments	33,264	7,142	281,779
Total accumulated gains (losses) from revaluation and translation adjustments	33,178	7,252	281,050
STOCK SUBSCRIPTION RIGHTS (Note 15)	167	—	1,415
MINORITY INTERESTS	1,876	920	15,891
TOTAL NET ASSETS	367,145	280,401	3,110,080
TOTAL	¥447,644	¥361,538	$3,791,986

Consolidated Statements of Income

Hoya Corporation and Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2007
NET SALES	¥390,093	¥344,228	¥308,172	$3,304,473
COST OF SALES (Notes 9 and 10)	197,410	172,034	158,024	1,672,258
Gross profit	192,683	172,194	150,148	1,632,215
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 10)	85,470	71,098	65,228	724,015
Operating income	107,213	101,096	84,920	908,200
OTHER INCOME (EXPENSES):				
Interest and dividend income	2,922	1,795	1,022	24,752
Interest expense	(87)	(142)	(87)	(737)
Foreign exchange gains (losses)—net	(6,711)	243	875	(56,849)
Equity in earnings of associated companies	642	1,285	3,708	5,438
Loss on clarification of soil pollution and others	(767)	(3,726)	(1,980)	(6,497)
Loss on closure of plant	—	(523)	(1,264)	—
Loss on disposal of property, plant and equipment	(3,327)	(625)	(948)	(28,183)
Loss on impairment of long-lived assets (Note 5)	(88)	(1,233)	(859)	(745)
Additional retirement benefits paid to employees (Note 6)	(1,055)	(1,689)	(843)	(8,937)
Gain on sales of property, plant and equipment	9,629	109	195	81,567
Gain on transfer of business	—	1,656	—	—
Other income (expenses)—net	(1,239)	(879)	(1,273)	(10,495)
Other expenses—net	(81)	(3,729)	(1,454)	(686)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	107,132	97,367	83,466	907,514
INCOME TAXES (Note 8):				
Current	23,492	22,250	18,690	199,000
Deferred	71	(512)	532	602
Total income taxes	23,563	21,738	19,222	199,602
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(178)	(9)	(109)	(1,508)
NET INCOME	¥ 83,391	¥ 75,620	¥ 64,135	$ 706,404

	Yen			U.S. Dollars
	2007	2006	2005	2007
PER SHARE OF COMMON STOCK (Notes 2.p and 13):				
Basic net income	¥193.50	¥171.71	¥578.84	$1.64
Diluted net income	192.78	171.08	577.52	1.63
Cash dividends applicable to the year	65.00	150.00	150.00	0.55

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hoya Corporation and Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Outstanding Number of Shares of Common Stock	Millions of Yen							
		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, 2004	111,266,538	¥6,264	¥15,899	¥247,176	¥(39,504)	¥(30)	¥(10,826)	¥ —	¥ 722
Net income				64,135					
Appropriations:									
Cash dividends, ¥110.00 per share				(12,241)					
Bonuses to directors				(63)					
Repurchase of treasury stock	(3,437)				(38)				
Disposal of treasury stock	118,142			(50)	961				
Retirement of treasury stock				(30,702)	30,702				
Net increase in unrealized gain on available-for-sale securities						68			
Net increase in foreign currency translation adjustments							6,138		
Net increase in minority interests									109
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 (Note 13)	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 stock 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

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gain (Loss) on Available-for-Sale Securities, Net of Tax	Foreign Currency Translation Adjustments	Stock Subscription Rights	Minority Interests
BALANCE, MARCH 31, 2006	$53,062	$134,680	$2,256,213	$(137,907)	$ 931	$ 60,500	$ —	$ 7,793
Net income			706,404					
Appropriations:								
Cash dividends, $0.51 per share			(218,916)					
Bonuses to directors			(542)					
Repurchase of treasury stock				(110)				
Disposal of treasury stock			(13,613)	29,979				
Changes attributed to accounting changes in overseas consolidated subsidiaries			2,457					
Net increase in unrealized gain on available-for-sale securities					(1,660)			
Net increase in foreign currency translation adjustments						221,279		
Net increase in stock subscription rights							1,415	
Net increase in minority interests								8,098
Other increase				17				
BALANCE, MARCH 31, 2007	$53,062	$134,680	$2,732,003	$(108,021)	$ (729)	$281,779	$1,415	$15,891

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hoya Corporation and Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2007
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥107,132	¥ 97,367	¥ 83,466	$907,514
Adjustments for:				
Depreciation and amortization	36,339	26,252	21,661	307,827
Provision for (reversal of) allowance for doubtful receivables	(243)	235	(345)	(2,058)
Provision for accrued bonuses to employees	155	278	194	1,313
Provision for reserve for periodic repairs	268	76	185	2,270
Gain on sales of property, plant and equipment	(9,629)	(109)	(195)	(81,567)
Loss on disposal of property, plant and equipment	3,327	625	948	28,183
Loss on impairment of long-lived assets	88	1,233	859	745
Foreign exchange loss (gain)	4,783	(599)	(233)	40,517
Bonuses to directors	(65)	(65)	(63)	(551)
Equity in earnings of associated companies	(642)	(1,285)	(3,708)	(5,438)
Gain on transfer of business	—	(1,656)	—	—
Other	(700)	77	554	(5,932)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(13,801)	(4,042)	(5,393)	(116,908)
Decrease (increase) in inventories	(4,799)	(2,547)	(2,526)	(40,652)
Decrease (increase) in other current assets	2,250	2,097	2,428	19,060
Increase (decrease) in notes and accounts payable	(1,208)	3,644	(1,629)	(10,233)
Increase (decrease) in other current liabilities	(781)	2,420	3,142	(6,616)
Interest and dividend income	(2,922)	(1,795)	(1,022)	(24,752)
Interest expense	87	142	87	737
Interest and dividends—received	2,557	1,866	958	21,660
Interest—paid	(41)	(112)	(110)	(347)
Income taxes—paid	(23,362)	(18,247)	(23,588)	(197,899)
Income taxes—refunded	—	—	330	—
Total adjustments	(8,339)	8,488	(7,466)	(70,641)
Net cash provided by operating activities	98,793	105,855	76,000	836,873
INVESTING ACTIVITIES:				
Proceeds from sales of investment securities	30	—	—	254
Payments for investment securities	(408)	(2,070)	(10)	(3,456)
Acquisition of majority shares	(908)	(337)	—	(7,692)
Proceeds from sales of property, plant and equipment	10,218	267	541	86,557
Payments for property, plant and equipment	(52,379)	(47,742)	(33,394)	(443,702)
Proceeds from transfer of business	—	2,230	—	—
Proceeds from other assets	654	271	532	5,541
Payments for purchases of other assets	(3,859)	(4,632)	(3,193)	(32,690)
Net cash used in investing activities	(46,652)	(52,013)	(35,524)	(395,188)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2007
FINANCING ACTIVITIES:				
Net decrease in short-term loans	¥ —	¥ (208)	¥ (158)	$ —
Payments for purchases of treasury stock	(13)	(64,032)	(38)	(110)
Proceeds from sales of treasury stock	1,934	1,855	911	16,383
Dividends paid	(25,810)	(23,403)	(12,246)	(218,636)
Other	(2)	0	(161)	(17)
Net cash used in financing activities	(23,891)	(85,788)	(11,692)	(202,380)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,250	(31,946)	28,784	239,305
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	8,798	2,645	3,666	74,528
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	83,574	112,875	80,425	707,954
CASH AND CASH EQUIVALENTS, END OF YEAR	¥120,622	¥ 83,574	112,875	$1,021,787
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Retirement of treasury stock	¥ —	¥ 53,181	¥ 30,702	$ —

See notes to consolidated financial statements.

▶Notes to Consolidated Financial Statements

Hoya Corporation and Subsidiaries

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 Securities and Exchange Law 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 and 2005) 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 Securities and Exchange Law. 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, 2007, which was ¥118.05 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, 2007 include the accounts of the Company and its 67 (62 in 2006 and 58 in 2005) 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 net book value of tangible fixed assets depreciated by the straight-line method was approximately 66.2% of total tangible fixed assets in 2007 and 66.4% in 2006. The ranges of useful lives are from 10 to 50 years for buildings and structures and from 3 to 10 years for machinery and vehicles.

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

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. 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, 2007 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 current fiscal year.

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 current fiscal year 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 current fiscal year decreased by ¥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, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Marketable equity securities	¥1,542	¥1,875	$13,062
Non-marketable equity securities	1,356	1,081	11,487
Total	¥2,898	¥2,956	$24,549

The carrying amounts and aggregate fair values of marketable equity securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007:				
Available-for-sale—Equity securities	¥1,693	¥—	¥151	¥1,542
March 31, 2006:				
Available-for-sale—Equity securities	1,693	182	—	1,875

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007:				
Available-for-sale—Equity securities	$14,341	$—	$1,279	$13,062

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Equity securities	¥1,100	¥ 802	$ 9,318
Investment to limited partnership and others	256	279	2,169
Total	¥1,356	¥1,081	$11,487

There were no sales of available-for-sale securities for the years ended March 31, 2007 and 2006.

No.4 INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products and merchandise	¥17,453	¥15,646	$147,844
Semi-finished products and work in process	10,069	9,446	85,294
Raw materials	9,498	6,836	80,457
Supplies	12,702	9,250	107,599
Total	¥49,722	¥41,178	$421,194

No.5 IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2007, 2006 and 2005. As a result, the Group recognized impairment losses of ¥88 million ($745 thousand), ¥864 million and ¥92 million for the years ended March 31, 2007, 2006 and 2005, 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 long-lived assets for impairment for the year ended March 31, 2006, and as a result recognized an impairment loss of ¥369 million ($3,141 thousand) 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.

The Group reviewed its long-lived assets for impairment for the year ended March 31, 2005 and as a result, recognized an impairment loss of ¥767 million as other expense for a decline in value, mainly from land of the Photonics division of the Maebashi Plant due to a close of that unit. The carrying amount of the relevant property, plant and equipment was written down to the recoverable amount, which was measured upon consultation of appraised value of land facing a thoroughfare and sales amount, among others.

No.6 RETIREMENT BENEFITS AND PENSION PLANS

The components of net periodic benefit costs for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Additional retirement benefits paid to employees	¥1,055	¥1,689	¥843	$8,937
Net periodic benefit costs	¥1,055	¥1,689	¥843	$8,937

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"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

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 31, 2007, the Board of directors resolved cash dividends amounting to ¥15,105 million ($127,954 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized when the Board of directors resolves them.

Both of the Code and the Law allow Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal earnings reserve to be reduced in the case where such reduction was approved at the shareholders' meeting. The Company retired treasury stock of ¥53,181 million during the fiscal years ended March 31, 2006.

No.8 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, 2007, 2006 and 2005.

Significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current:			
Deferred tax assets:			
Inventories—intercompany unrealized profits	¥2,647	¥1,692	$22,423
Accrued bonuses to employees	1,656	1,602	14,028
Accrued loss on clarification of soil pollution and others	—	1,474	—
Accrued enterprise taxes	923	728	7,819
Inventories—loss on write-down	78	254	661
Other	1,764	1,658	14,942
Total	¥7,068	¥7,408	$59,873
Non-current:			
Deferred tax assets:			
Amortization of goodwill and property, plant and equipment	¥1,577	¥1,962	$13,359
Loss on impairment of long-lived assets	622	1,376	5,269
Allowance for doubtful receivables	111	105	940
Other	1,119	259	9,479
Total	3,429	3,702	29,047
Deferred tax liabilities:			
Reserves for special depreciation and other	540	705	4,574
Other	165	240	1,398
Total	705	945	5,972
Net deferred tax assets	¥2,724	¥2,757	$23,075

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Normal effective statutory tax rate	40.4%	40.4%	40.4%
Lower or exemption income tax rates applicable to income in certain foreign countries	(17.1)	(18.2)	(13.8)
Expenses not permanently deductible for income tax purposes	0.4	0.4	0.4
Per capita portion	0.1	0.1	0.1
Non-taxable dividend income	(1.5)	(1.8)	(2.6)
Intercompany cash dividend and transactions	1.5	1.8	0.8
Equity in earnings of associated companies	(0.2)	(0.5)	(1.8)
Tax credit on research and development expenses	(0.7)	(0.5)	(0.8)
Other—net	(0.9)	0.6	0.3
Actual effective tax rate	22.0%	22.3%	23.0%

No.9 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2007, 2006 and 2005 were ¥14,920 million ($127,565 thousand), ¥14,135 million and ¥10,957 million, respectively.

No.10 LEASES

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses including lease payments for the years ended March 31, 2007, 2006 and 2005 were ¥3,909 million ($33,113 thousand), ¥5,602 million and ¥5,802 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			2007		
	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total
Acquisition cost	¥1,745	¥2,630	¥4,375	¥3,485	¥2,084	¥5,569	$14,782	$22,279	$37,061
Accumulated depreciation	658	1,307	1,965	2,398	1,138	3,536	5,574	11,072	16,646
Accumulated impairment loss	3	25	28	—	—	—	25	212	237
Net leased property	¥1,084	¥1,298	¥2,382	¥1,087	¥ 946	¥2,033	$ 9,183	$10,995	$20,178

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
	2007	2006	2007
Due within one year	¥ 704	¥ 833	$ 5,963
Due after one year	1,698	1,200	14,384
Total	¥2,402	¥2,033	$20,347

Allowance for impairment loss on leased property of ¥9 million ($76 thousand) and ¥170 million as of March 31, 2007 and 2006 are not included in obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Depreciation expense	¥718	¥726	¥959	$6,082
Lease payments	727	896	959	6,158
Reversal of allowance for impairment loss on leased property	9	170	105	76
Impairment loss	6	—	—	51

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
	2007	2006	2007
Due within one year	¥184	¥—	$1,559
Due after one year	400	—	3,388
Total	¥584	¥—	$4,947

No.11 CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Guarantees of borrowings and lease obligations for customers	¥2,772	¥2,206	$23,482
Guarantees of borrowings for the Group's employees	3	4	25
Total	¥2,775	¥2,210	$23,507

No.12 DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2007 and 2006 and such amounts which are assigned to the associated assets or liabilities and are recorded on the balance sheets at March 31, 2007 and 2006, are not subject to disclosure of market value information.

No.13 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007, 2006 and 2005 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, 2007:				
Basic EPS—Net income available to common shareholders	¥83,391	430,968	¥193.50	$1.64
Effect of dilutive securities—Stock options	—	1,615		
Diluted EPS—Net income for computation	¥83,391	432,583	¥192.78	$1.63
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	
For the year ended March 31, 2005:				
Basic EPS—Net income available to common shareholders	¥64,072	110,690	¥578.84	
Effect of dilutive securities—Stock options	—	253		
Diluted EPS—Net income for computation	¥64,072	110,943	¥577.52	

On November 15, 2005, the Company effected four-for-one stock split of its shares of common stock pursuant to a resolution approved at a meeting of the Board of Directors held on July 20, 2005. As a result, the number of shares of the Company's common stock in issue has increased to 449,396,020 shares. If the stock split had gone into effect at the beginning of the year ended March 31, 2005, net income per share would have been ¥144.71 in 2005.

No.14 SHAREHOLDERS' EQUITY

(For the year ended March 31, 2007)

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

	Number of Shares Issued As of March 31, 2006	Increases in Number of Shares Issued for the Year Ended March 31, 2007	Decreases in Number of Shares Issued for the Year Ended March 31, 2007	Number of Shares Issued As of March 31, 2007
Shares issued				
Common stock	435,017,020	—	—	435,017,020
Total	435,017,020	—	—	435,017,020
Treasury stock				
Common stock*	4,401,607	2,861	956,787	3,447,681
Total	4,401,607	2,861	956,787	3,447,681

Note: *Details of increases and decreases are as follows:
Increase of 2,861 shares attributed to the repurchase of odd lot shares
Decrease of 387 shares attributed to the request for additional purchase of odd lot shares by shareholders
Decrease of 956,400 shares attributed to the exercise of stock options

No.15 STOCK OPTION PLANS

(For the year ended March 31, 2007)

1. Description of Stock Option

(1) Description of Stock Option Plans

	1st stock subscription rights	2nd stock subscription rights	3rd stock subscription rights
Type and number of recipients	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
Number of stock options by type of stock to be issued (Note 1)	Common stock 3,747,600	Common stock 32,000	Common stock 700,000
Grant date	November 1, 2002	June 9, 2003	December 12, 2003
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.
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, 2003 to September 30, 2007	From October 1, 2003 to September 30, 2007	From October 1, 2004 to September 30, 2008

	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights
Type and number of recipients	Directors of the Company 8 Directors of subsidiaries 5 Employees of the Company 54 Employees of subsidiaries 43	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
Number of stock options by type of stock to be issued (Note 1)	Common stock 635,600	Common stock 890,000	Common stock 780,800
Grant date	December 13, 2004	January 1, 2006	November 7, 2006
Vesting requirements	Remain employed from the grant date (December 13, 2004) to the end of the vesting period.	Remain employed from the grant date (January 1, 2006) to the end of the vesting period.	Remain employed from the grant date (November 7, 2006) to the end of the vesting period.
Service period	From the grant date to the end of the vesting period.	From the grant date to the end of the vesting period.	From the grant date to the end of the vesting period.
Exercise period (Note 2)	From October 1, 2005 to September 30, 2009	From October 1, 2006 to September 30, 2015	From October 1, 2007 to September 30, 2016

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, 2007. 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
Unvested						
As of March 31, 2006	—	—	—	—	890,000	—
Granted	—	—	—	—	—	780,800
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	890,000	—
Unvested						
As of March 31, 2007	—	—	—	—	—	780,800
Vested						
As of March 31, 2006	2,304,000	16,000	597,600	593,600	—	—
Vested	—	—	—	—	890,000	—
Exercised	806,800	—	85,600	63,200	800	—
Forfeited	—	—	—	—	—	—
Vested						
As of March 31, 2007	1,497,200	16,000	512,000	530,400	889,200	—

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

b. Per unit information

	1st stock subscription rights	2nd stock subscription rights	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights
Exercise price (yen) (Note 1)	1,918	1,673	2,438	2,713	4,150	4,750
Average stock price on exercise (yen) (Note 1)	4,315	—	4,271	4,396	3,960	—
Fair value per unit (as of grant date) (yen) (Note 2)	—	—	—	—	—	(a) 1,113 (b) 1,224 (c) 1,289 (d) 1,448

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 6th stock subscription rights granted for the year ended March 31, 2007 are valued as follows:

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

(a) From October 1, 2007 to September 30, 2008

(b) From October 1, 2007 to September 30, 2009

(c) From October 1, 2007 to September 30, 2010

(d) From October 1, 2007 to September 30, 2016

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

b. Major assumptions used:

	(a)	(b)	(c)	(d)
Stock price volatility (Note 1)	32.28%	33.91%	34.32%	37.19%
Estimated time to exercise (Note 2)	5.40 years	5.90 years	6.40 years	6.90 years
Estimated dividends (Note 3)	¥60	¥60	¥60	¥60
Risk free rate (Note 4)	1.32%	1.38%	1.43%	1.49%

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, 2006.
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 forfeited 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, 2007 as follows:

Cost of sales	¥ 44 million
Selling, general and administrative expenses	¥123 million

No.16 BUSINESS COMBINATIONS AND BUSINESS DIVESTITURES

1. The Outline and Purposes of Transaction

Following the decision made by the chief executive officer of the Company on July 28, 2006, the Company split-up its contact lens production function and merged it into HOYA HEALTHCARE CORPORATION, a wholly-owned subsidiary, on October 1, 2006.

The purpose of this transaction is to achieve more efficient management for the Group; HOYA HEALTHCARE CORPORATION, which currently engages in retail of contact lens, is expected to be able to reflect market needs more rapidly and effectively into development and production by combining the related production function.

2. Shares to Be Issued

No shares were to be issued in connection with this transaction, as permitted under the Corporate Law of Japan, since HOYA HEALTHCARE CORPORATION is a wholly-owned subsidiary of the Company.

3. Treatment of the Company's Stock Subscription Rights

Stock subscription rights of HOYA HEALTHCARE CORPORATION will not be allocated to the holders of stock subscription rights of the Company as substitutes.

4. Summary of Accounting Treatment

Since the transaction is classified as "transactions under common control" under the "Accounting Standard for Business Combinations," the Company does not recognize gain/loss on the transaction, and HOYA HEALTHCARE CORPORATION is to record the assets and liabilities transferred at their book value before the transaction.

5. Assets and Liabilities to Be Transferred

	Millions of Yen
Current assets	¥1,076
Fixed assets	589
Total assets	¥1,665
Current liabilities	¥ 68
Total liabilities	¥ 68

No.17 SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings for the year ended March 31, 2007 were resolved by the Company's Board of Directors on May 31, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35.00 ($0.30) per share	¥15,105	$127,954

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥12,925 million ($109,488 thousand, ¥30 ($0.25) per share) on November 21, 2006 to shareholders of record as of September 30, 2006, based on a resolution of the Board of Directors.

Significant Subsequent Events

The Company resolved, at the meeting of its board of directors held on May 31, 2007, to acquire the shares of PENTAX Corporation ("PENTAX") through a tender offer (the "Tender Offer").

The Company resolved, at the meeting of its board of directors held on June 15, 2007, the partial modification to Tender Offer.

1. Purpose of Tender Offer

The Company and PENTAX aim to establish a solid management foundation by leveraging managerial resources of the two companies in a mutually complementary manner and to enhance corporate value by utilizing the two companies' strength in optical and precision processing technologies to develop appealing products and provide them to a broader customer base. Following the management integration, the Company and PENTAX aim to optimize their business portfolios and to further strengthen competitiveness.

2. Terms of Tender Offer

(1) Purchase Price

a. Common stock of PENTAX: ¥770 per share.
However, if PENTAX's annual general meeting of shareholders for the 77th period approves the surplus dividends for the 77th period per share in the amount of more than ¥7, the purchase price will be determined to be the result obtained by deducting the amount equal to the surplus dividends resolved in excess of ¥7 per share from ¥770.

b. PENTAX bonds with share subscription warrants: ¥1,433,056 for each of the bonds (face value of each bond: ¥1,000,000)
However, if PENTAX's annual general meeting of shareholders for the 77th period approves the surplus dividends for the 77th period per share in the amount of more than ¥7, the purchase price for such bonds will be determined by dividing the issue price of each bond by ¥540 (convertible price) and multiplying by the purchase price of common stock.

c. 1st Series Share Subscription Warrants: ¥1 per warrant.

(2) Upper limit of the number of shares to be purchased: None.

(3) Lower limit of the number of shares to be purchased: 67,740,000 shares.

(4) Timing of the commencement of the Tender Offer:
Planned to commence on or around three business days after the day on which PENTAX filed the securities report for the 77th period with the Director-General of the Kanto Local Finance Bureau.

No.18 SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2007, 2006 and 2005 was as follows:

(1) Industry Segments

a. Sales and Operating Income

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

	Thousands of U.S. Dollars							
	2007							
	Information Technology		Eye Care		Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care				
Sales to customers	$1,857,281	$77,027	$1,014,892	$346,040	$ 9,233	$3,304,473	$ —	$3,304,473
Intersegment sales	3,507	2,101	0	0	23,431	29,039	(29,039)	—
Total sales	1,860,788	79,128	1,014,892	346,040	32,664	3,333,512	(29,039)	3,304,473
Operating expenses	1,182,389	74,977	835,587	267,980	35,629	2,396,562	(289)	2,396,273
Operating income (loss)	$ 678,399	$ 4,151	$ 179,305	$ 78,060	$ (2,965)	$ 936,950	$(28,750)	$ 908,200

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

	Thousands of U.S. Dollars							
	2007							
	Information Technology		Eye Care		Other Businesses	Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care				
Assets	**$2,191,834**	**$65,743**	**$1,001,516**	**$206,777**	**$21,330**	**$3,487,200**	**$304,786**	**$3,791,986**
Depreciation	**232,520**	**1,059**	**62,728**	**9,911**	**381**	**306,599**	**1,228**	**307,827**
Impairment loss	**—**	**—**	**—**	**—**	**745**	**745**	**—**	**745**
Capital expenditures	**$ 337,984**	**$ 1,313**	**$ 98,874**	**$ 17,950**	**$ 762**	**$ 456,883**	**$ 4,210**	**$ 461,093**

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

a. Sales and Operating Income

	Millions of Yen								
	2005								
	Information Technology		Eye Care		Lifestyle Refinement		Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service			
Sales to customers	¥165,664	¥10,749	¥94,971	¥31,409	¥3,672	¥1,707	¥308,172	¥ —	¥308,172
Intersegment sales	526	234	18	—	50	5,054	5,882	(5,882)	—
Total sales	166,190	10,983	94,989	31,409	3,722	6,761	314,054	(5,882)	308,172
Operating expenses	102,900	10,090	77,910	24,268	4,143	6,088	225,399	(2,147)	223,252
Operating income (loss)	¥ 63,290	¥ 893	¥17,079	¥ 7,141	¥ (421)	¥ 673	¥ 88,655	¥(3,735)	¥ 84,920

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

	Millions of Yen								
	2005								
	Information Technology		Eye Care		Lifestyle Refinement		Total	Eliminations and Corporate	Consolidated
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service			
Assets	¥162,638	¥7,648	¥90,765	¥18,330	¥1,900	¥3,216	¥284,497	¥66,985	¥351,482
Depreciation	14,730	126	5,900	669	—	82	21,507	154	21,661
Impairment loss	—	767	—	—	92	—	859	—	859
Capital expenditures	31,962	191	6,787	738	92	219	39,989	186	40,175

Notes: 1. The Company and subsidiaries primarily engage in the manufacture and sale of products in five major segments grouped on the basis of similarities in the types, nature and market of the products. The five segments, namely, Electro-Optics, Photonics, Vision Care, Health Care 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.
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. 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, 2007, 2006 and 2005 were ¥3,370 million ($28,547 thousand), ¥2,630 million and ¥2,873 million, respectively.
4. 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, 2007, 2006 and 2005 were ¥61,381 million ($519,958 thousand), ¥35,135 million and ¥75,076 million, respectively.
5. 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, 2007, 2006 and 2005 are summarized as follows:

	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	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

	Thousands of U.S. Dollars						
	2007						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$2,290,326	$317,289	$434,867	$ 261,991	$3,304,473	$ —	$3,304,473
Interarea transfers	227,421	2,584	6,887	1,347,937	1,584,829	(1,584,829)	—
Total sales	2,517,747	319,873	441,754	1,609,928	4,889,302	(1,584,829)	3,304,473
Operating expenses	2,177,222	312,715	378,340	1,145,506	4,013,783	(1,617,510)	2,396,273
Operating income	340,525	7,158	63,414	464,422	875,519	32,681	908,200
Assets	$1,638,204	$114,418	$911,173	$1,754,833	$4,418,628	$ (626,642)	$3,791,986

	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	¥ 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

	Millions of Yen						
	2005						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥230,946	¥30,775	¥33,803	¥ 12,648	¥308,172	¥ —	¥308,172
Interarea transfers	19,048	200	255	89,749	109,252	(109,252)	—
Total sales	249,994	30,975	34,058	102,397	417,424	(109,252)	308,172
Operating expenses	204,413	30,912	28,195	71,004	334,524	(111,272)	223,252
Operating income	¥ 45,581	¥ 63	¥ 5,863	¥ 31,393	¥ 82,900	¥ 2,020	¥ 84,920
Assets	¥165,938	¥17,129	¥32,927	¥104,191	¥320,185	¥ 31,297	¥351,482

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, 2007, 2006 and 2005 were ¥2,993 million ($25,354 thousand), ¥2,317 million and ¥2,562 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, 2007, 2006 and 2005 were ¥59,047 million ($500,186 thousand), ¥33,959 million and ¥72,841 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, 2007, 2006 and 2005 are summarized as follows:

	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%

	Thousands of U.S. Dollars				
	2007				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	$380,805	$453,401	$957,730	$67	$1,792,003
Consolidated sales (B)					3,304,473

	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%

	Millions of Yen				
	2005				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥43,520	¥36,430	¥61,798	¥10	¥141,758
Consolidated sales (B)					308,172
(A)/(B)	14.1%	11.8%	20.1%	0.0%	46.0%

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.

KPMG

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, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 17 to the consolidated financial statements, HOYA CORPORATION resolved, at the meeting of its board of directors held on May 31, 2007, to acquire the shares of PENTAX Corporation through a tender offer.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 19, 2007

Corporate Data

(As of March 31, 2007)

Established
November 1, 1941

Paid-in Capital
¥ 6,264,201,967

State of Employees
Number of employees of HOYA Corporation:
3,049 (decreased 171 from the end of the previous fiscal year)
Average age: 41.6
Average years of service: 13.2
Total number of employees in the Hoya Group:
28,450 (increased 3,274 from the end of the previous fiscal year)

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

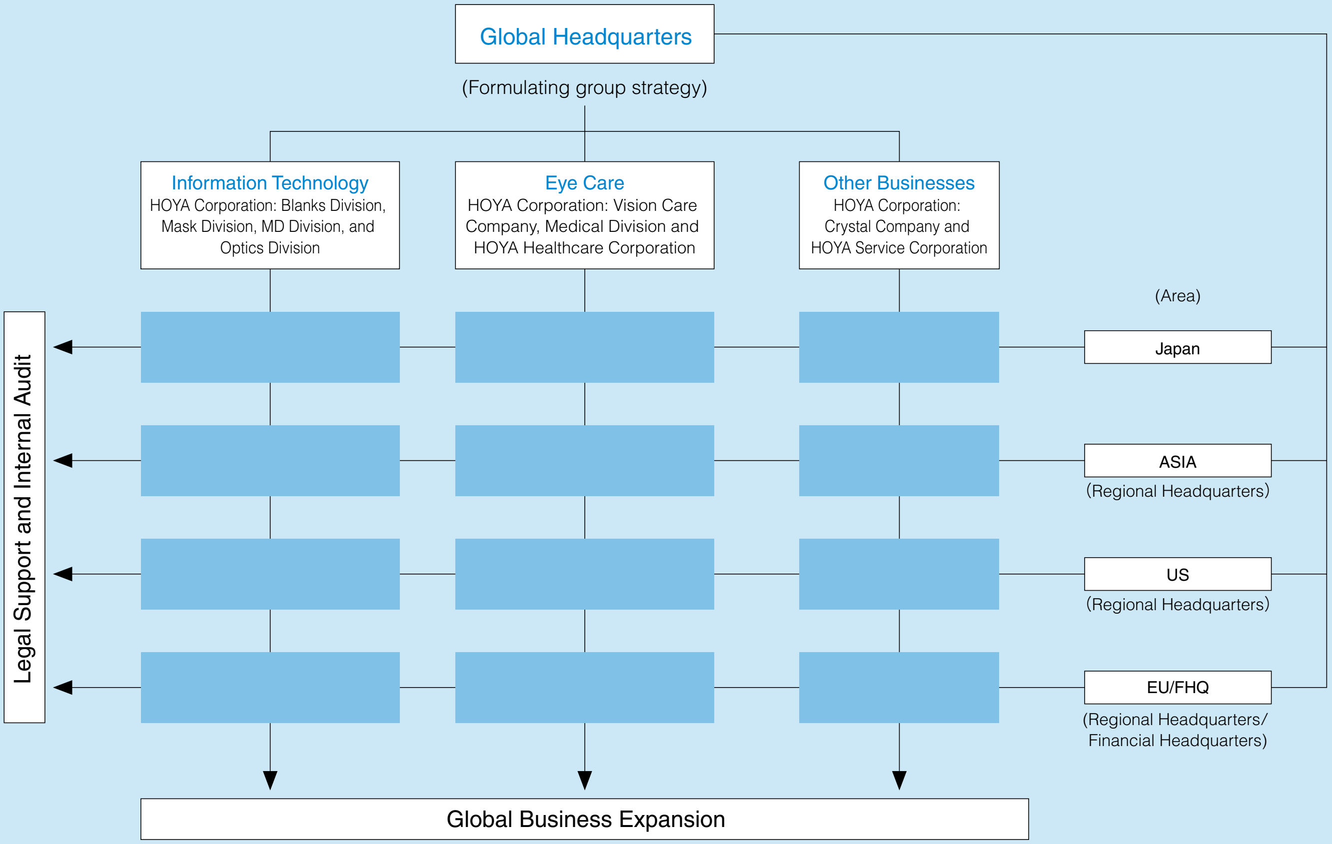
General Shareholders' Meeting
June

Directors and Executive Officers (As of June 19, 2007)

Directors
Takeo Shiina (General Advisor of IBM Japan, Ltd.)
Yuzaburo Mogi (Chairman & CEO of Kikkoman Corporation)
Yoshikazu Hanawa (Honorary Chairman of Nissan Motor Co., Ltd.)
Eiko Kono (Senior Advisor of Recruit Co., Ltd.)
Yukiharu Kodama (President of Japan Information Processing Development Corporation)
Hiroshi Suzuki
Kenji Ema
Hiroaki Tanji

Executive Officers
Hiroshi Suzuki (President & CEO)
Kenji Ema (Chief Financial Officer)
Hiroaki Tanji (Chief Technology Officer)

HOYA Group Matrix Systems by Business Segment and Area



Investor Information

(As of March 31, 2007)

Listing of the Company's Shares

First Section of the Tokyo Stock Exchange

Number of Shares of Common Stock

Authorized: 1,250,519,400

Issued: 435,017,020

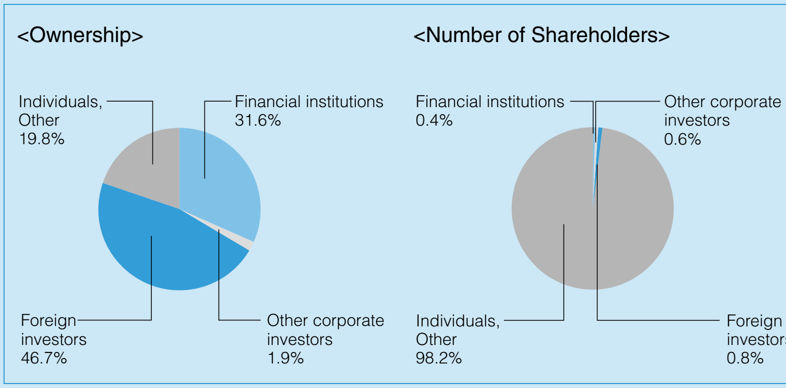
Trading Unit

100 shares

Number of Shareholders

93,566

Breakdown of Shareholders



Principal Shareholders

	Shareholders	Number of shares (Hundreds of shares)	Percentage of voting rights (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	293,646	6.80
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	235,087	5.45
3	The Chase Manhattan Bank, N.A. London	144,323	3.34
4	State Street Bank and Trust Company 505103	119,103	2.76
5	The Dai-ichi Mutual Life Insurance Company	115,306	2.67
6	State Street Bank and Trust Company	105,043	2.43
7	Nippon Life Insurance Company	100,001	2.32
8	Mamoru Yamanaka	90,197	2.09
9	The Chase Manhattan Bank 385036	88,677	2.05
10	Deutsche Bank Trust Company Americas	78,340	1.82
	Above total	**1,369,723**	**31.73**

Issuance of New Share Subscription Rights

Following the approval at the 68th Ordinary General Meeting of Shareholders, in connection with the resolution of the Board of Directors, the Company issued new share subscription rights as stock option. Details are disclosed as below:

Sixth issue of new subscription rights for common stock
(Resolved by the Board of Directors on October 19, 2006)

1. Number of new share subscription rights the Company granted: 1,952 rights
2. Class and number of new shares to be issued upon exercising of new share subscription rights: 780,800 shares of common stock of the Company (400 shares for each new share subscription right)
3. Price of a new share subscription right: Free of charge
4. Paid-in amount per share upon exercising of a new share subscription right: ¥4,750
5. Exercise period: From October 1, 2007 to September 30, 2016. Maximum percentage of new share subscription rights exercisable during each period is fixed separately.

Common Stock Price Range

	2006		2007	
	High	Low	**High**	**Low**
Jan.–Mar.	¥ 5,040	¥ 4,100	**¥ 4,750**	**¥ 3,810**
Apr.–June	4,990	3,550	**4,210**	**3,660**
July–Sept.	4,480	3,540		
Oct.–Dec.	4,810	4,240		

Transfer Agent of Common Stock Handling Office

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
7-10-11 Higashisuna, Koto-ku,
Tokyo 137-8081, Japan
Tel. 03-5683-5111

Hoya's Timeline

(As of March 31, 2007)

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.
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.

Hoya's Directory

(As of March 31, 2007)

GLOBAL HEADQUARTERS

HOYA CORPORATION
2-7-5 Naka-Ochiai, Shinjuku-ku, Tokyo
161-8525, Japan
TEL 03-3952-1151

R&D Center
3-3-1 Musashino, Akishima-shi,
Tokyo 196-8510, Japan
TEL 042-546-2755

FINANCIAL HEADQUARTERS

NETHERLANDS BRANCH
Amsterdamseweg 29, 1422 AC Uithoorn,
The Netherlands
TEL 0297-514-356

<Blanks Division>

EUROPE BRANCH
Bilton House, 54/58 Uxbridge Road,
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(As of March 31, 2007)

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