HOYA

2006 ANNUAL REPORT

The square and the circle:
Hoya's identity integrates two distinctive characteristics.

HOYA Corporation has built its business on two distinct foundations, and at first glance each would appear to have an entirely different character.

One is the field of Information Technology, where Hoya offers indispensable products used in the manufacture of such items as semiconductors, liquid crystal display (LCD) panels, digital cameras and hard disk drives (HDDs). This list of industrial, high-tech products is symbolized by the right angles of a harder shape.

Hoya's other field of business is Eye Care. We handle eyeglass lenses and contact lenses, everyday products that everyone is familiar with. This field certainly has a softer, rounder image.

Welcome to Hoya—a company that brings together the characteristics of both the square and the circle to form a harmonious balance.

Hoya's identity is found where the square and the circle become a single story of success.

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.

Notes:
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, 2005, March 31, 2006, and March 31, 2007, respectively.

Consolidated Financial Highlights

(Years ended March 31)

	2005	2006
Net sales (Millions of Yen)	·308,172	**¥344,228**
Operating income (Millions of Yen)	84,920	**101,096**
Ordinary income (Millions of Yen)	89,525	**103,638**
Net income (Millions of Yen)	64,135	**75,620**
Total assets (Millions of Yen)	351,482	**361,538**
Total shareholders equity (Millions of Yen)	277,889	**279,481**
Per share data (Yen) *1		
Net income	·144.71	**¥171.71**
Diluted net income	144.38	**171.08**
Cash dividends applicable to the year	37.50	**60.00***2
Price earnings ratio (Times)	20.4	**27.7**
Price cash flow ratio (Times)	17.2	**19.7**
Price book value ratio (Times)	4.7	**7.3**
Stock price at year-end (Yen) *3	2,950	**4,750**

*1. Indicates per share data are all retroactive adjustments reflecting the four for one share split that was effective from November 15, 2005.
*2. The cash dividend of ¥60 indicates the sum of the ¥30 year-end dividend per share, and the ¥30 retroactive adjustment reflecting the share split implemented November 2005 relating to the interim dividend (¥120 per share) prior to the split.
*3. The stock price at year-end reflects the share split that was effective from November 15, 2005, and is a retroactive adjustment of the stock price prior to the split.

Contents

Note on segment data:

In addition to the review of operations by segment found on pages 10 to 23 of this annual report, segment-specific data can be found on pages 32 through 43, in the financial section.

A Message to Our Stakeholders

Hiroshi Suzuki,
President and CEO

I am delighted to have the opportunity to report on Hoya's consolidated results for the fiscal year ended March 31, 2006, and to give an overview of our future business direction.

The Surprising Scope of Hoya's Business

The number of Hoya shareholders jumped from just 7,000 a year ago to more than 50,000 at the end of March 2006. Institutional investors continue to hold the greater proportion of shares, but I am also extremely pleased that a large number of individuals became Hoya shareholders during the fiscal year under review.

Many readers probably have an image of Hoya as a company in the eyeglass lens and contact lens business. In fact, the Company has core strengths in two business areas: Information Technology and Eye Care. Eyeglass lenses and contact lenses are the main products of the Eye Care side of our business, and I believe that consumers in general are quite familiar with the Hoya name when it comes to these. In the Information Technology business, however, some might be surprised to hear about our dominant share in the markets for the mask blanks and photomasks that are so essential to the production of semiconductor chips and LCD panels, the glass disks used in the HDDs found in notebook computers, and the optical glass lenses seen in digital cameras and camera-equipped mobile phones. All of these are home electrical products influenced by advances in digital technologies, and although Hoya's brand name does not appear on these consumer products, we contribute significantly to the improved functionality of the products that people everywhere use. Our products greatly enhance the convenience to consumers. Hoya has been admired by institutional investors for some time, but from here forward I hope that individual shareholders will also feel an affinity for Hoya as an especially approachable company.

Review of Fiscal 2006 Results

Let me provide a brief review of Hoya's consolidated results for fiscal 2006. Net sales rose 11.7% on the previous year to reach ¥344,228 million. Operating income was up 19.0% year on year to ¥101,096 million, and ordinary income grew 15.8% to ¥103,638 million. Net income increased 17.9% to ¥75,620 million. In the Information Technology field, both sales and income saw double-digit growth as we stepped up production capacity in response to strong demand. In fact, demand grew more quickly than expected, so we lost some opportunities due to inadequate supply. In the Eye Care field, both eyeglass lenses and contact lenses achieved steady growth in sales and income. Clearly, the industrial structures of the Information Technology and Eye Care fields differ greatly. Yet I believe that this year's results clearly demonstrate the effectiveness of Hoya's overall group strategy, which is to maximize income by leveraging our intrinsic strengths in both fields.

<Information Technology>

The Electro-Optics division saw net sales grow by 15.0% over the previous year, and operating income rose 18.3%. Like last year, both the growth in demand for digital consumer electronics products and the increasing demand for highly functional products contributed to these favorable results.

Hoya's mask blanks, which are used in the production of semiconductors, enjoy the major share of the market, and sales to semiconductor manufacturers around the globe continued to post steady results. Over the past several years, sales of high-end products have been expanding. The trend toward more minutely detailed integrated circuit (IC) chips continues, and the need for high-resolution, high-precision mask blanks keeps on growing. Demand for photomasks employed in semiconductor production is following a similar trend.

In South Korea, we built a new plant for production of the photomasks used in the manufacture of LCD panels. With this step, we have completed our three-facility production system, with the other bases being in Japan and Taiwan. Because each of Hoya's production facilities is located close to the panel makers' own plants, we can ensure that our products accurately meet our clients' detailed requirements. We are positioned to develop our business with great responsiveness to market needs. Another positive for the Company is that the growing size of LCD panels is driving increased demand for larger and more precise photomasks—an area where we already have the edge.

Income from the sale of glass disks for HDDs saw a major increase in the fiscal year under review, with demand driven by the many consumers replacing their desktop computers with notebooks as the latter have become widely used. During the year, Hoya responded to this strong demand by opening a new plant in Vietnam, in addition to expanding capacity at existing plants. In the field of optical lenses, results were enhanced by the commencement of full-scale production of lenses for camera-equipped mobile phones, in addition to existing production of lenses for digital cameras.

The Photonics division recorded a contraction in net sales of 6.1% in comparison with the previous year. This is a business characterized by severe competition and challenges in product differentiation. However, due to efforts to improve the earnings structure in this business, we achieved a small increase of 4.6% in operating income.

<Eye Care>

Net sales in the Vision Care division grew 10.0% compared to the previous year, and operating income rose 19.3%. In Japan, sales did not grow as quickly as we had hoped, as a result of the slowdown in the eyeglass market. Demand recovered in Europe, which is a large market for Hoya, and results for North America, Asia-Pacific region also improved, yielding these strong overall results.

In the Health Care division, net sales were 13.0% higher than the previous year. This growth was driven by healthy sales in Hoya's directly managed contact lens specialty retail store chain, *Eye City*, where we have been aggressively opening new stores. I credit these good results to *Eye City*'s customer-specific consulting approach to sales, and the excellent after-sales service offered. We achieved growth despite the fact that price competition has become entrenched in the Japanese domestic market. Elsewhere, we are developing the global market especially in Europe for intraocular lenses (IOLs), which are used in the treatment of cataracts, and sales are growing steadily. During the fiscal year under review, we made accounting changes in the treatment of the bonus points given to *Eye City* customers when they make purchases, and as a result a full year's worth of the reserve fund was appropriated in one lump sum as sales administrative expenses for the fourth quarter. In addition to that, R&D costs increased greatly due to investment in the development of new products. As a result, the division recorded a decline in operating income of 3.9% compared with a year earlier.

<Other Business Field>

The Crystal division, another business operated by Hoya, is engaged in the production and sale of crystal tableware and interior products. Faced with the contraction in the market for gifts and increasing competition from overseas products, the size of this business has decreased year by year. During the fiscal year under review, we attended to streamlining the existing business to lay the groundwork for our plans to revitalize it.

Future Prospects

Hoya continues to strive to expand the scope of its two key fields of business: Information Technology and Eye Care. The Information Technology field currently enjoys the lion's share of growth in the Company's profits and scale of business, but this is also a field with plenty of risk, because any technological revolution can suddenly change the competitive environment. The Eye Care area, the other key field, is less affected by technological innovation or shifts in economic conditions. The two fields therefore strike a good balance with one another.

Our theme for the year ahead will be further sharpening Hoya's competitive edge. Since the Company's mask blanks, LCD photomasks, optical lenses and glass disks all enjoy a high share of their markets, we spent the last two years prioritizing expansion of productive capacity to fulfill supply responsibilities. We are likely to meet our goals for increased production volumes in the first half of fiscal 2007, so during the second half we plan to devote more resources to further improving quality.

Management Systems

Within the Hoya Group, headquarters does not issue orders to each business division relating to each action, and in fact each division has the authority to conduct its own business. Prescriptions for the improvements to quality that I referred to above are prepared by each division. One division may strengthen its cost-competitiveness, while another might consider it vital to refine its leading-edge technologies. Also, because the same division might need to proceed differently depending on the region, there are circumstances when each region makes its own independent decisions. For example, it is not unusual for the Japanese, European and North American regions to undertake completely different marketing activities for eyeglass lenses within the Vision Care division.

I believe that the Hoya Group will be strongest if each business division has its own decision-making authority, and if each division works hard to create the ideal conditions for its own business. At the same time, in return for this devolution of authority, each division has the responsibility to explain its actions. The decision-making process is unconstrained, but decision makers are held

A Message to Our Stakeholders

accountable to demonstrate why and how they reached a particular conclusion. We also recognize that, concerning compliance and corporate social responsibility, each individual in each division shoulders an important duty, since he or she is responsible for his or her own actions, rather than having them dictated from the top down. Headquarters clearly sets out the target standards of conduct, and each division acts in accordance with those standards. I see Hoya as having the responsibility to conduct its business in conformity not only with legal and ethical codes, but also with those rules that it must observe to stay true to itself as a high-quality company.

Corporate Governance

Hoya operates within a company-with-committees system. There is a Board of Directors, which is the highest decision-making organ, and three committees—the Nomination Committee, Compensation Committee and Audit Committee. Of the eight members of the Board of Directors, the majority are outside directors, and all members of the three committees are outside directors. We have thus established a system of corporate governance that maximizes supervisory functions. It can be said that corporate governance systems are really called to account in emergency situations.

The role of the Board of Directors is recognized as being not only to supervise the activities of the executive officers, but also in an emergency to act as the representative of the shareholders and protect the interests of the Company. Our outside directors, who have no particular interest in Hoya, serve an important supervisory role in the Company's management. In addition, we considered it important to develop and operate systems to prevent the occurrence of an emergency, as well as maintaining a system of checks. The Company is striving to further strengthen its internal control systems and perfect a thoroughgoing checking function through its internal audit team.

A Final Word to Our Shareholders

I like to think that all of our stakeholders—including shareholders, employees and management—share a common destiny in a ship called "Hoya." My long-held conviction that a company belongs to its shareholders will not change. I am fully aware that it is the duty of the management to make the most effective use of our shareholders' investments, and to work as one with our employees to further develop the business and enhance Hoya's corporate value.

We are all deeply grateful for your ongoing support.

Hiroshi Suzuki, President and CEO

Hoya's Technological Strengths

Pure Innovation—From the Very Beginning to Today

Hoya got its start in 1941 as Japan's first specialty maker of optical lenses. At the time, the production of optical glass was seen as a leading-edge industry, and Hoya took on the challenge of building this new business from the ground up. Ever since then, the Company has pursued the endless possibilities offered by glass. And glass is more than just a material; it is a conveyor of light. Another key theme since the beginning has been the emphasis on "light" in Hoya's pursuit of technological innovation and expansion into new fields. Today, the Company's business has broadened considerably. Hoya is a partner of choice for the semiconductor and digital equipment industries when it comes to ultra-advanced electro-optics, and also helps individuals lead healthy and fulfilling lives with its eyeglasses, contact lenses and crystal products.

The creation of completely new technologies from the ground up, their augmentation with the addition of new technologies, and the further development of existing technologies—Hoya's history is a story of continuous technological innovation.

Hoya's core technologies support its development as a "technological creator" company.

Hoya's Seven Core Technologies

Glass Formation Technologies

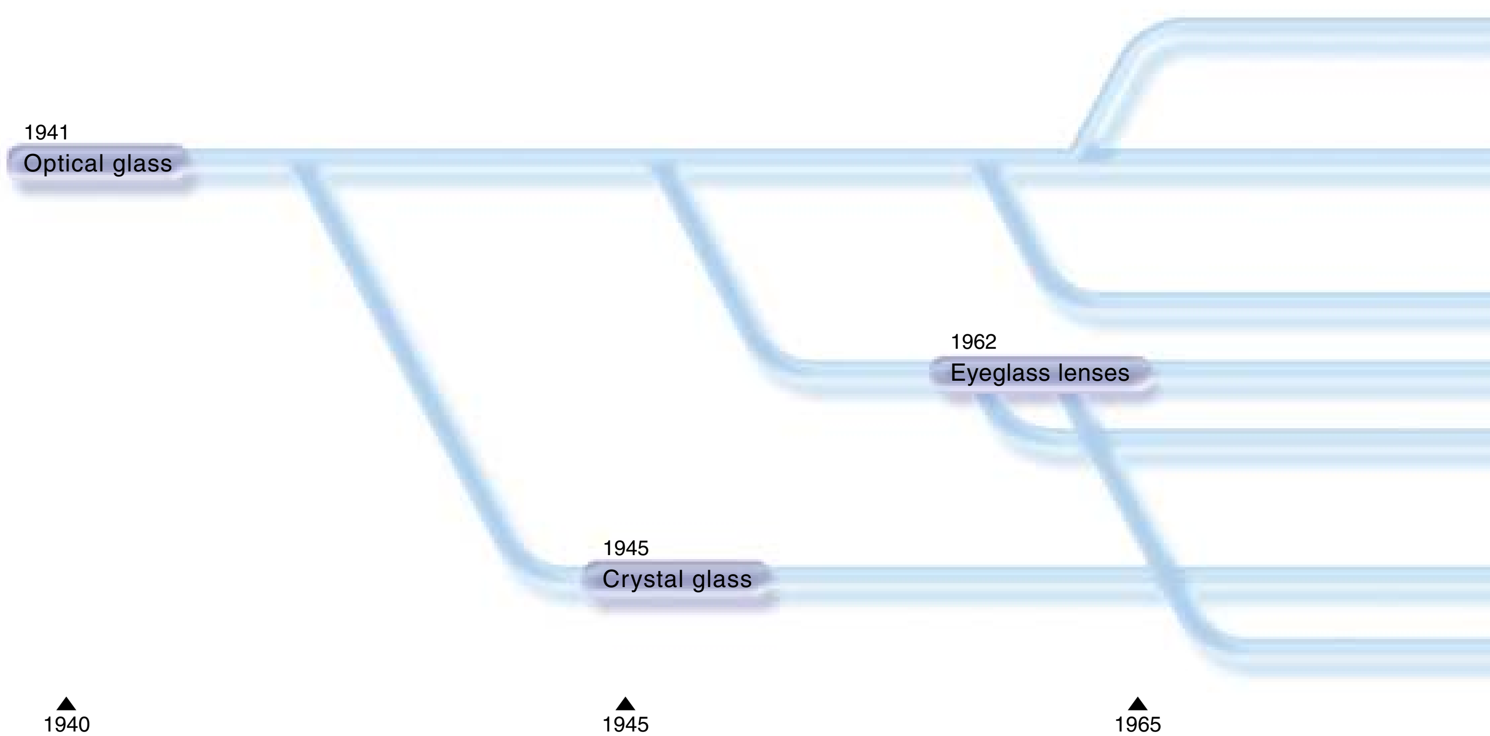
At any given time, Hoya is producing more than 100 different varieties of optical glass, working from a proprietary "recipe book" that contains over 50,000 different ways to manufacture glass. Hoya carefully selects the purest materials from around the globe, and combines them in a multitude of ways to create an endless variety of glass products with optical characteristics that precisely match market needs.

Glass Melting Technologies

Hoya melts glass at around 1,300°C to 1,500°C, which enables it to produce high-quality glass that is extremely even and homogeneous. The Company introduced platinum furnace and electric melting systems ahead of other companies, and has adopted a continuous melting process. As a result, Hoya offers its customers an extremely stable supply of high-quality products.

Molding Technologies

Molten glass can be continuously molded into a variety of different shapes, permitting efficient production of large volumes of optical glass. Hoya's use of extremely high-precision press molding techniques enables the Company to produce molded aspherical lenses without the need for time-consuming grinding and polishing processes. Best of all, these technologies allow Hoya to conduct mass production with measurement tolerances at the sub-micron level.



Polishing Technologies

Glass substrates are ground and polished to a designated degree of thickness. The grinding process involves the use of diamond grindstones that smooth out bumps, hollows and other irregularities in the substrate. On top of this, polishing processes use special polishing powders to produce an ultra-smooth surface. Hoya's highest precision products are the mask blanks and photomasks used in the production of semiconductors. These products are polished flat to an accuracy of one thousandth of a millimeter, with a surface roughness of only one millionth of a millimeter.

Thin Film Technologies

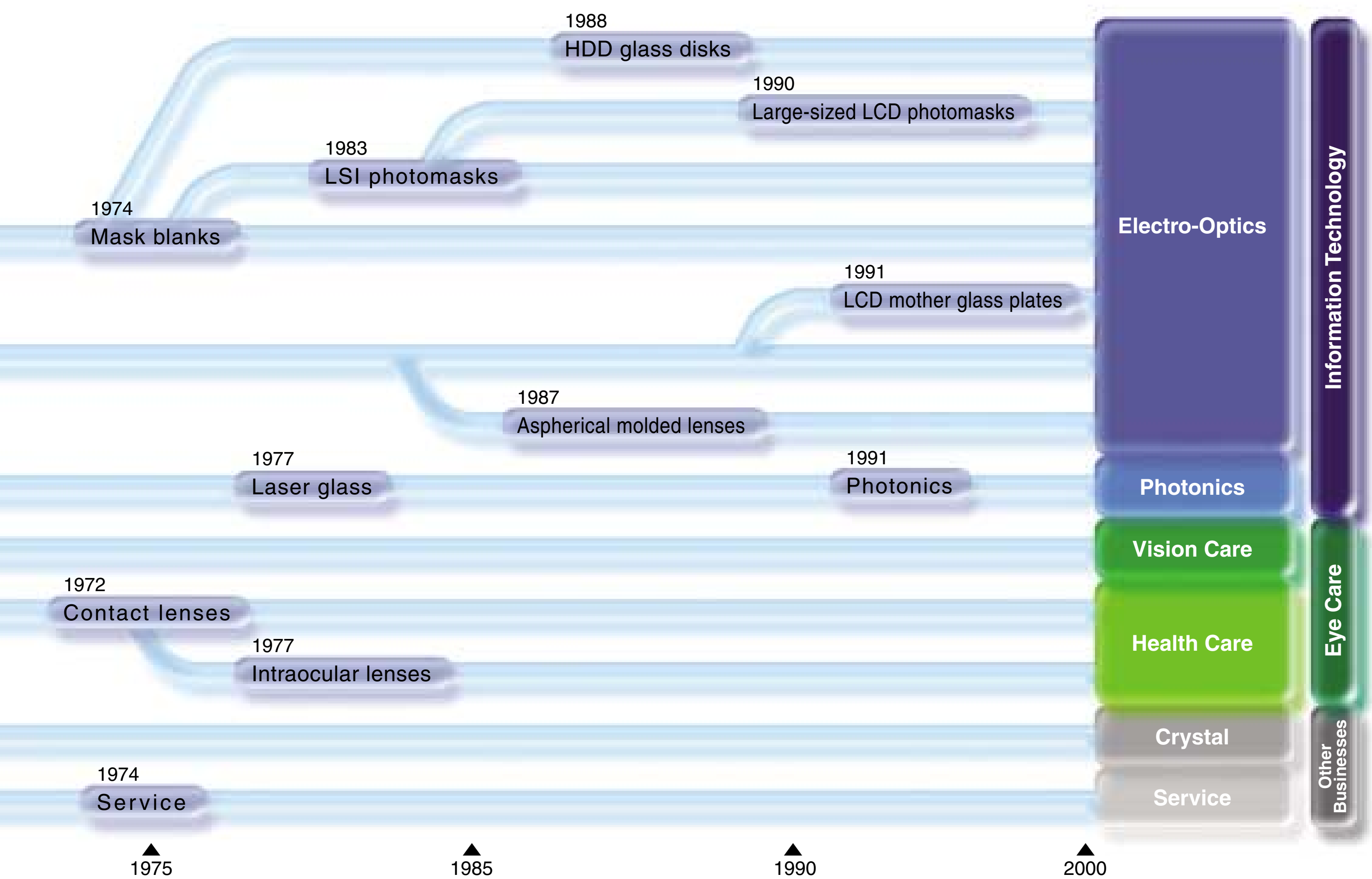
Hoya developed its surface treatment technologies beginning with anti-reflective coatings for optical filters. It has continued to refine these technologies by developing coatings for eyeglass lenses, and today it employs new technologies in spattering processes for mask blanks and glass magnetic-memory disks.

Optics Design

Hoya has amassed a considerable armada of optical lens design technologies over the years. The Company rigorously controls the degree of refraction, dispersion and light transmittance, as well as the homogeneity of the glass, and fine-tunes these characteristics to create optical products that meet the very different needs of each individual client. Hoya's advanced lens design technologies contribute to the development of higher resolution displays with greater image quality for both digital cameras and mobile phones with cameras. These advanced technologies are also seeing use in the design of eyeglass lenses.

Precision Processing (Lithographic Technologies)

The photomasks employed in the production of semiconductors stand at the pinnacle of the world of high-tech products that require ultra-precise processing technologies. Leading-edge lithographic technologies are used to etch extremely fine circuit patterns with line widths of only several tens of nanometers. On a daily basis, Hoya is challenging the limitations of technologies and pushing back the frontier of physical materials, providing assistance to semiconductor makers who continue to develop products that perform better and achieve ever greater integration.



Hoya's Business Strengths

Hoya's Objective: To Maximize Corporate Value

In 1997, the Company's management benchmark was changed from return on equity (ROE) to shareholder value added (SVA). ROE, an index that emphasizes the effective use of capital, measures how much profit a company has made using the capital that its shareholders have entrusted to it. In contrast, SVA takes into consideration the cost of capital, so it attaches great importance to the value to shareholders. It subtracts the profit anticipated by shareholders from the net income generated by business activity, yielding the amount of added value that has actually accrued to shareholders. In actuality, prior to 1997 Hoya had already adopted the management stance of "consider shareholders first." This principle was taken one step further through the utilization of the SVA index, and the Company now explicitly aims to "maximize corporate value."

Reorganization of Business Indicators at Hoya

Ordinary income
Before March 31, 1994
Sales-oriented management focused on how much profit has increased in relation to sales

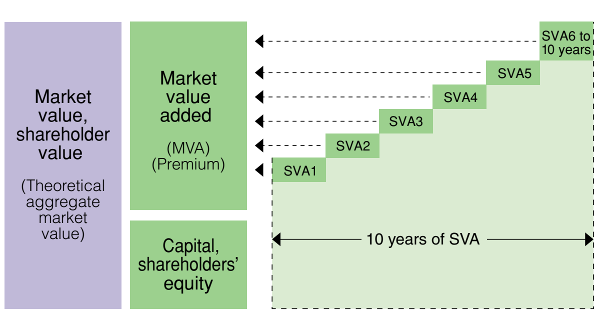
▼

ROE
(Return on equity)
April 1, 1994 to March 31, 1997
Capital efficiency-oriented management focused on how much profit has been generated using shareholders' equity

▼

SVA
(Shareholder value added)
April 1, 1997 to present
Shareholder value-oriented management focused on how much profit has exceeded the cost of capital

SVA and Market Value (Shareholder Value)



1. MVA is the aggregate each year of single-year SVA discounted by the cost of capital at current value.
2. The outcome of utilizing SVA will be the same as the shareholder value calculated from cash flow.

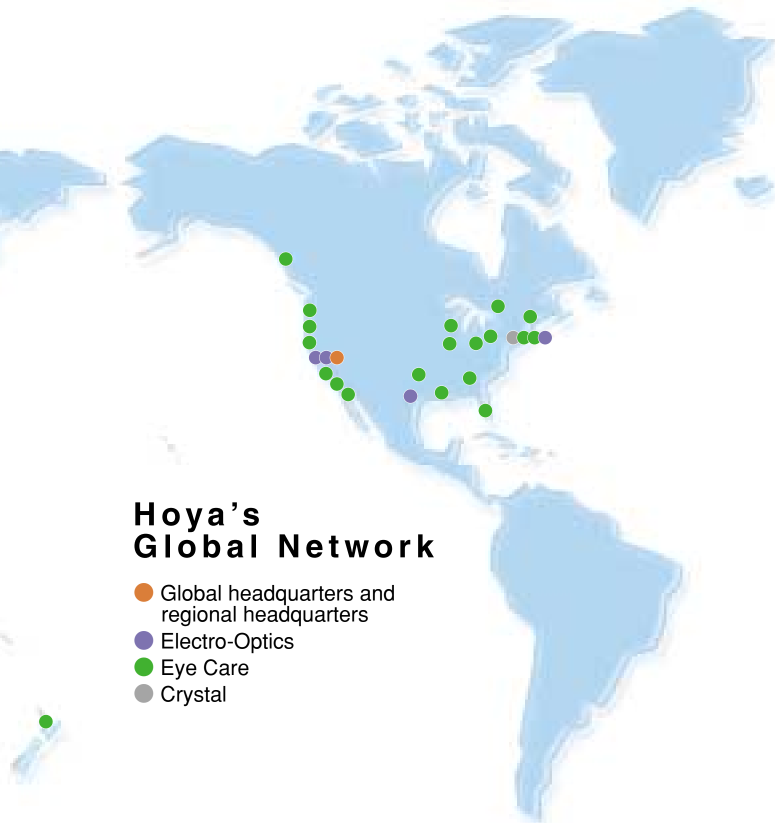
Building a Global Business

Hoya's Medium-Term Strategic Plan, adopted in 1997, identified building a global business as a key piece of the Company's effort to deliver increased value to shareholders.

Doing business with a broad, global perspective has enabled Hoya to not only discern in advance changes in market structures but also reform its overall business organization. This in turn allowed the Company to introduce more efficient business management methods. As a result, Hoya outgrew the need to limit allocation of management resources to its business in Japan, and can choose the best production locations and most appropriate sales locations from around the globe.

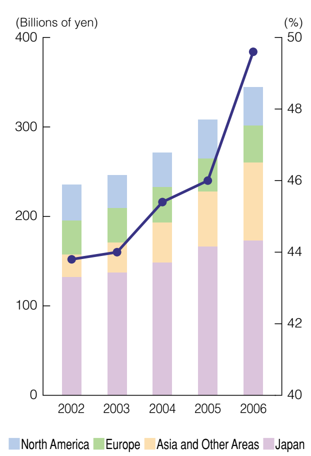
In Japan, the location of Hoya's global headquarters, global strategies are formulated, research and development is undertaken, production technologies are developed, and high-end goods are produced. The Company's headquarters issues strategic directives and provides development technologies to production facilities and sales offices located around the world, ensuring that these quickly reflect local production and sales activities. In addition, regional headquarters in the United States, Europe and Asia work across different operational divisions, providing legal assistance and financial administration to their respective regions.

The Hoya Group Financial Headquarters are currently located in the Netherlands, and this is where global financial

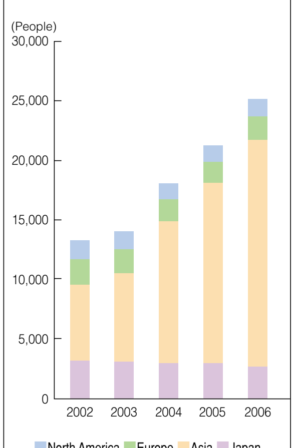


strategies and funding activities are carried out. Further, proportionate to the Company's increasing ratios of overseas production and sales, the number of overseas-based employees and foreign shareholders is also growing, showing that Hoya's business has embraced globalization.

Sales by Customer Region
and Rate of Overseas Sales



Number of Employees by Region



Management

Today's business environment is changing at a tremendous pace. Technological innovation continues to evolve, and market competition grows more and more fierce. In this environment, decision-making by top management has become increasingly important, and society has reached the point where such decision-making can have a life-or-death outcome for a company. Hoya has sought to strengthen its corporate governance systems, through the earliest possible adoption of a company-with-committees system, and it simultaneously took active steps to appoint outside directors. At the same time, it established a clear separation between management and execution, and by delegating a large amount of authority to those responsible for execution, the Company has accelerated decision-making processes and promoted more efficient business management.

Hoya is committed to continuing to benefit society by making the best possible use of its technological strengths and resources, applying them to bring products to the market when they are most needed. By excelling in basic corporate activities like these, the Company has become what it is today—moving steadily from one achievement to the next under a highly responsive management system.

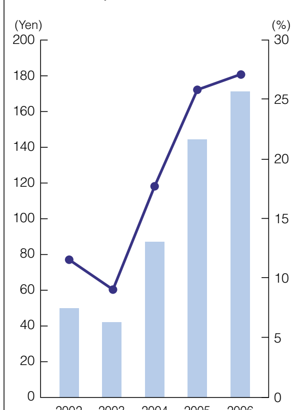
Transitions in the Board of Directors

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

Internal directors

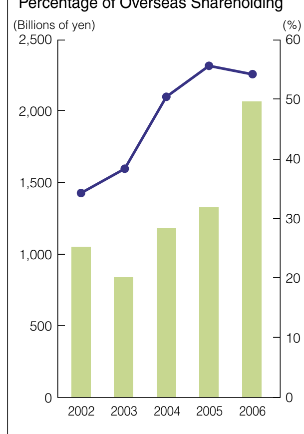
Outside directors

Net Income per Share*/ROE



*Data have been retroactively adjusted reflecting stock split.

Aggregate Market Value and
Percentage of Overseas Shareholding



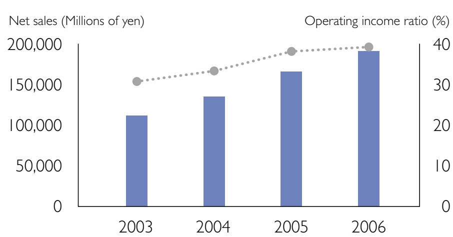
Hoya at a Glance

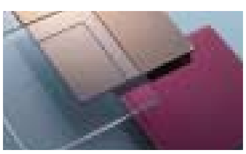
Information Technology

Electro-Optics Division

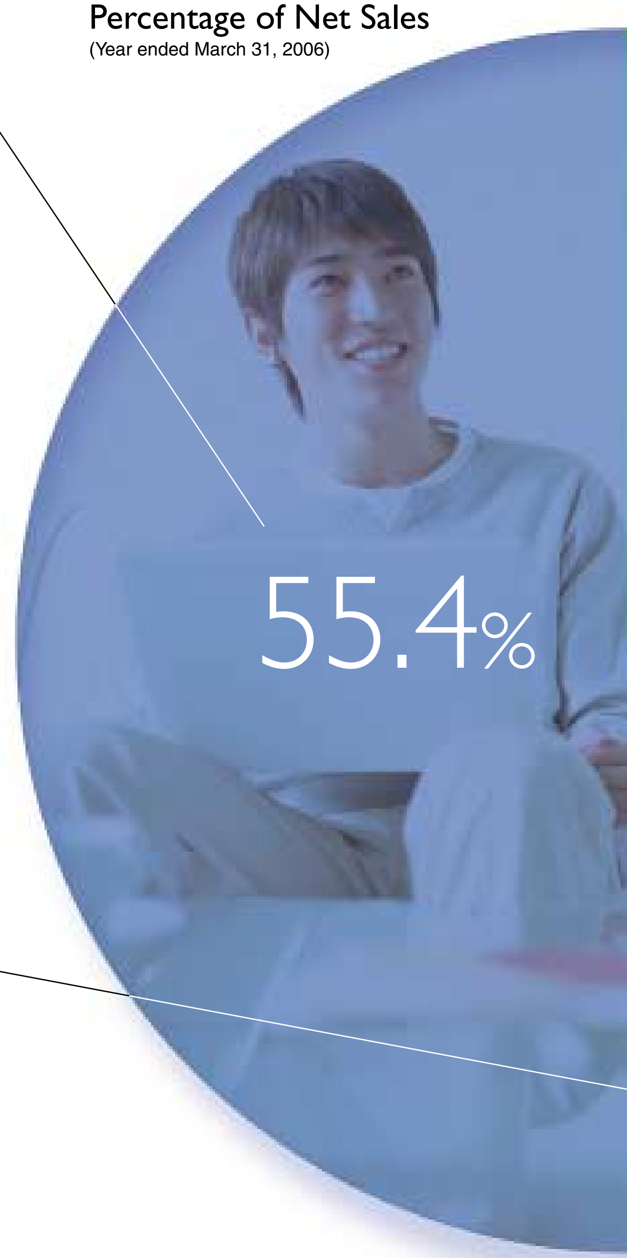
The main products in this division include the mask blanks and photomasks that are essential to the production of semiconductor chips and LCDs, as well as glass disks for HDDs and optical lenses for digital cameras. For all of these products, the evolution of higher functionality is ongoing, and the functional standards demanded by clients continue to rise. Hoya's ability to build production systems that can meet expanding demand is a strong determinant of its market competitiveness. The Electro-Optics Division continues to meet market demands accurately, and the business keeps growing. In both overall sales and profitability, the division plays a leading role for the Hoya Group.

- Mask blanks for the production of semiconductors
- Photomasks for the production of semiconductors
- Large-sized LCD photomasks
- Glass disks for HDDs (substrates and media)
- Optical lenses, glass materials





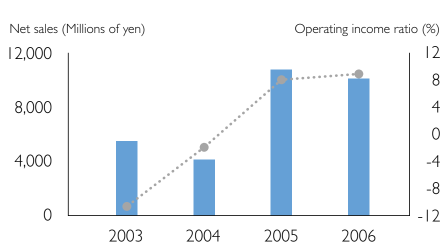
Percentage of Net Sales
(Year ended March 31, 2006)



Photonics Division

The primary products in this division comprise industrial and medical equipment that utilizes lasers and specialized light sources. Key clients for industrial equipment are the manufacturers of semiconductors, LCD panels and digital cameras. Achieving differentiation in this business is a challenge, but Hoya expects it to benefit from positive synergies with the Electro-Optics Division.

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

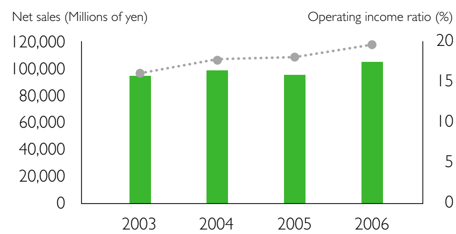


Eye Care

Vision Care Division

Hoya engages in the global production and sale of eyeglass lenses. Since this market is relatively mature, sales growth is somewhat slow, but the Company has succeeded in maintaining stable profitability by introducing high-value-added products and cutting costs through the expansion of overseas production. Hoya is developing this business with a focus on four key regions: Japan, Europe, North America and Asia/Pacific. Because each region has its own unique characteristics, the Company develops business strategies in response to the specific commercial practices and consumer tastes found in each locality.

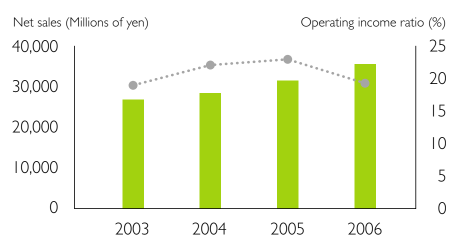
● Eyeglass lenses



Health Care Division

Hoya's Health Care Division oversees the development of the *Eye City* chain of directly managed contact lens specialty stores, and also produces intraocular lenses (IOLs) for the treatment of cataracts. *Eye City* is the top player in this field in Japan. Customers appreciate the way *Eye City* experts offer genuine customer consultation throughout the sales process, and also enjoy the full after-sales service. Their preference for *Eye City* is reflected in continuously growing sales and profit figures. In addition, with the global market for IOLs poised to keep growing vigorously, IOLs are the most promising single product in Hoya's Eye Care business.

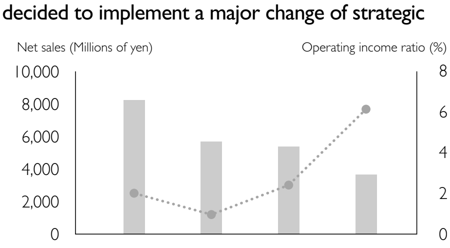
● Contact lenses
● Intraocular lenses (IOLs)



Other Businesses

Crystal Division: Hoya's crystal products have to date targeted the gift market, but the declining scale of this market has meant that the crystal business has continued to contract. The Company has therefore decided to implement a major change of strategic direction for this business, and will develop new markets in line with an entirely new concept.

Service Division: This division is mainly engaged in the development and operation of information systems for the companies of the Hoya Group.



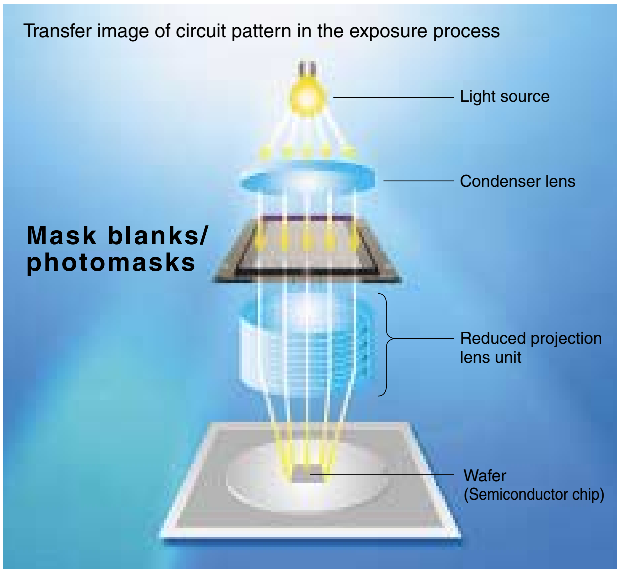
Information Technology

Cameras are moving on from film to digital; televisions are leaving behind cathode-ray tubes in favor of LCDs; and cassette tape players have given way to portable digital music players. The adoption of digital technology in home electrical appliances such as these is transforming people's daily lives for the better. This change is being accomplished by advances in the technologies used to manufacture such devices as semiconductors, optical glass lenses, LCD panels and HDDs. Hoya, through its Information Technology business, contributes significantly to this technological revolution.

Mask Blanks for Producing Semiconductors

Mask blanks and photomasks are essential in the production of semiconductor chips. Mask blanks are precisely polished glass plates coated with a metallic film and a light-sensitive material. A mask blank becomes a photomask when circuit patterns are etched into it with electron beam or laser etching equipment. To use the analogy of film photography, the mask blank is like the unexposed film, and the photomask is the equivalent of the developed negative. Just as a photographic print is made by passing light through the negative onto the photographic paper, in semiconductor production a lithographic process is used to transfer the circuit pattern on the photo mask onto the semiconductor wafer.

During the fiscal year ended March 31, 2006, Hoya's high-end mask blanks, including phase-shift mask blanks*[1], recorded big increases in shipments due to the trend toward increased in performance and capacity in large-scale integrated circuits (LSIs). Semiconductor design rules*[2] are steadily developing to require ever more minute line widths, from 90 nm*[3] through 65 nm to 45–32 nm. This trend means that mask blanks will be required to offer a level of quality and precision that exceeds current concepts of high resolution and freedom from defects. The Company enjoys a more than 70% share of the global market for mask blanks used in semiconductor manufacture. As the leader in this field, Hoya actively pursues technological innovation that will result in product quality that is not only better than what the competition can offer, but that also meets the absolute quality requirements of clients. The Company will continue to pour its energies into the development of leading-edge technologies that meet clients' needs by working collaboratively with semiconductor manufacturers and mask makers.



Photomasks for Producing Semiconductors

The market for photomasks used in the production of semiconductors is, on the whole, in a period of stable growth. Industry participants, however, are closely watching trends in restructuring on the supply side the industry as well as the day-to-day changes in technological competitiveness. In this market environment, Hoya devotes its resources to the development and production of high-precision photomasks, concentrating on high-end products.

During the fiscal year ended March 31, 2006, full-scale commercial production got under way for 65-nm photomasks. Since semiconductor manufacturers are actively increasing their investment in R&D, Hoya also shipped samples of state-of-the-art photomasks for use in the development of next-generation semiconductors. The semiconductor industry is in the midst of a change in the light source used for the lithographic etching of the circuit pattern onto the wafer, from the current krypton fluoride (KrF) with a wavelength of 248 nm to the argon fluoride (ArF) excimer laser with a wavelength of 193 nm. Furthermore, through the use of immersion technology*[4], ArF lasers have entered the ultra-high resolution lithographic field, creating the possibility of line widths of 32 nm and below. The demand for high-resolution photomasks grows stronger all the time, and the Company expects its role in filling that demand to continue to expand.

Notes:
*1. Phase-shift masks use phase differences in light to enable extremely high-resolution lithography.
*2. Design rules are constraints placed on the design of LSIs to ensure that production processes can successfully meet the design intent.
*3. A nanometer (nm) equals one billionth of a meter.
*4. Using this lithographic technology, the gap between the lens and the wafer is filled with a liquid to improve resolution.

LCD Photomasks

LCD photomasks are the large-sized photomasks inscribed with the patterns used for the production of LCD panels. LCD televisions, which are increasing in size year by year, play a large part in boosting demand for LCD panels, and there is a corresponding growth in demand for ever larger photomasks for use in the production of those panels. Because the degree of precision demanded of large LCD panels is comparable with that required of semiconductor chips, Hoya, which produces photomasks for semiconductors, is well placed to use the same technologies to meet market needs.

Supplementing its plants in Kumamoto, Japan and Taiwan, Hoya opened a new plant in South Korea in October 2005, bringing to three the number of LCD photomask production facilities. Because all three plants are close to their respective LCD panel manufacturers, the Company can develop products that meet the needs of each market and shorten delivery time frames. Hoya will continue to improve its competitive strengths using this approach.

LCD panels are classified according to their size as fifth-generation, sixth-generation and so on*1. In 2006, full-scale commercial production will begin for seventh-generation panels, and production of eighth-generation panels is also expected to be brisk during 2007. In response to this expanding demand for large panels and to ensure that Hoya builds a dominant position for itself in comparison with the competition, the Company has set a number of operational objectives. On the technical side, these include the development of high-value-added technology, which can best be represented by the multi-tone mask*2. On the production side, Hoya will enhance competitiveness by improving the production efficiencies and effectively managing its three-plant system.

South Korea plant

Notes:
*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 miniaturization of patterns and semi-transparent film. Use of this mask reduces the number of lithographic processes for TFT LCD panels from five to four, contributing to production efficiencies and cost reductions for panel manufacturers.

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

Glass Disks for HDDs

To ensure that data are not damaged if notebook computers are subjected to vibration or shock, the HDDs inside must be highly shock resistant. These HDDs utilize glass disks, which have excellent shock resistance properties, and Hoya is the top supplier of those glass disk substrates.

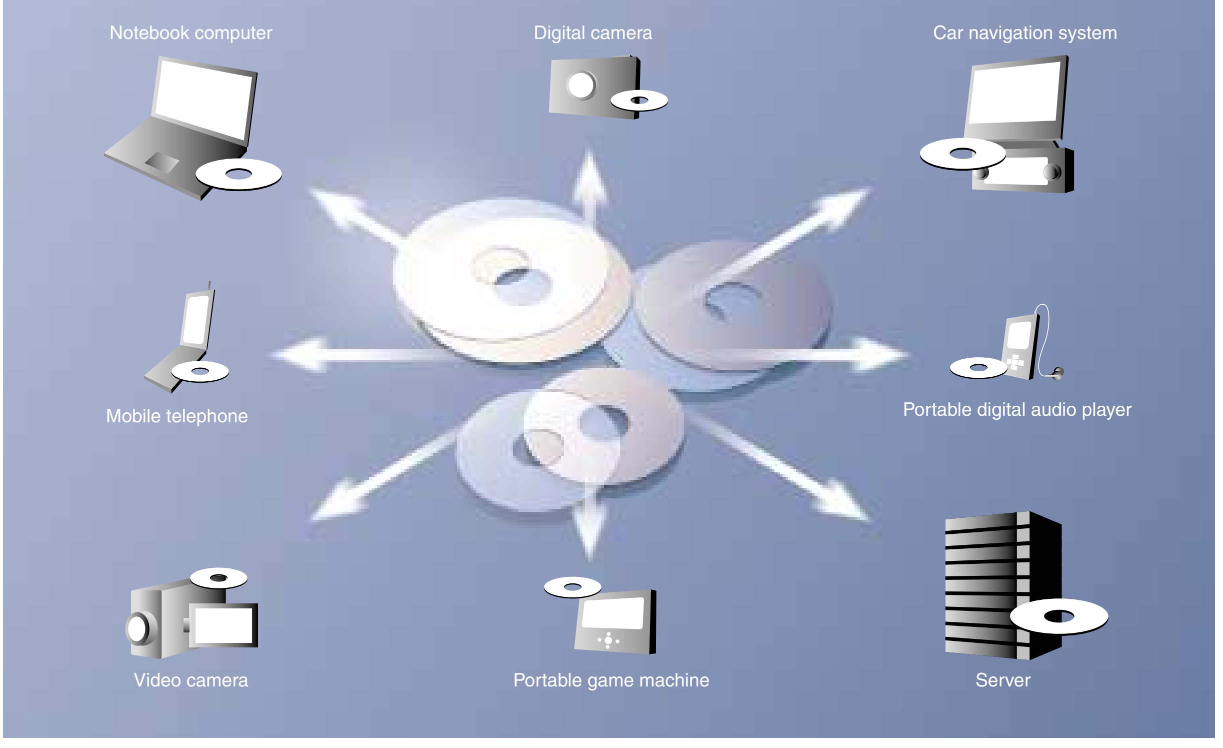
The glass disk sizes produced by Hoya can be broadly divided into 3.0-inch, 2.5-inch, 1.8-inch and smaller diameter sizes (1.0-inch and 0.85-inch). The 2.5-inch disks are widely used in notebook computers, and are also installed in car navigation systems and game machines. The 3.0-inch disks are produced mainly for high-performance computing equipment such as servers, which require high reliability. The small diameter sizes are found in portable music players and digital video cameras.

The production of glass disks is divided into two main processes: the polishing of the glass plate to produce the substrate, and the deposition of the magnetic media on the glass substrate. During the fiscal year ended March 31, 2006, more notebook computers were shipped than had been forecast, and this resulted in a sudden growth in demand for 2.5-inch glass disks. To meet this demand and boost production capacity, Hoya expanded manufacturing facilities in existing plants and opened a new substrate plant in Vietnam in October 2005. Currently Hoya is producing disk substrates at plants in Thailand, the Philippines and Vietnam, and the magnetic media are applied by its Singapore plant.

The next technology to be introduced into the HDD arena is the perpendicular magnetic recording method, which will allow for higher data storage volumes. Rapid development of this media and speedy finalization of mass production technologies are required. Because the new method will greatly increase the storage size of hard disks in comparison with the current longitudinal recording method, it is expected that new commercial applications will be developed. Hoya was quick to commence development work on the media to be used for the perpendicular magnetic recording method, and is proceeding with preparations to commence actual shipments in 2006.

Vietnam plant

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



Optical Lenses

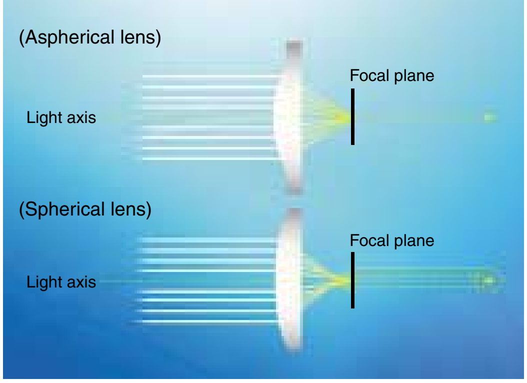
Hoya is one of the few manufacturers able to undertake integrated production of lenses, from the production of the glass materials through to the actual optical lenses. Glass lenses can be broadly broken down into two categories: molded glass lenses (aspherical lenses) and polished glass lenses (spherical lenses). Glass molded aspherical lenses are able to correct superbly for aberrations. They permit shorter focusing distances, and fewer lens elements need to be used. Because of this, they help to reduce the size and weight of optical equipment. The Company's molded glass aspherical lenses take advantage of these characteristics chiefly for digital cameras, digital video cameras and camera-equipped mobile phones.

During the fiscal year ended March 31, 2006, Hoya commenced large-scale production of lenses for use in camera-equipped mobile phones. Until recently, it was usual for such lenses to be made of plastic, but now that mobile phones are being produced with high-resolution cameras of 2 megapixels and above, the demand for aspherical glass molded lenses has jumped. The Company has been making camera lenses for mobile phones at its plant in Suzhou, China, where production commenced in August 2004. Demand is expected to grow even further, and Hoya is currently pushing ahead with plans to further expand production capability.

Camera lenses for mobile phones must meet even stricter optical performance standards than those used in digital cameras, and large-scale, low-cost production facilities are also required. In addition to devoting resources to the development of these lenses, Hoya is working to incorporate its own proprietary techniques into its production processes, so that it can offer products that precisely meet the needs of its clients.

Hoya's glass molded aspherical lenses used for camera lenses for mobile phones with upgraded resolution

Comparison between aspherical and spherical glass lenses



Feature of aspherical molding lens

Aspherical molding lens that enables manufacturing high-precision lens without polishing process. Because the aberration (distortion) decreases compared with the spherical lens, the miniaturization and degree of freedom of the design of the product have been improved since it reduced the number of lenses used.

Photonics

The Photonics Division develops and markets lasers and other optical equipment, based on the practical application of optical technologies developed by the Company over many years. The division comprises HOYA CANDEO OPTRONICS CORPORATION, which handles equipment used by industry, and HOYA PHOTONICS CORPORATION and HOYA PHOTONICS, INC. (a U.S. corporation) and others, which handle medical equipment.

In the field of industrial applications, the main products are laser oscillators used during the production of flat panel displays to correct defects, and ultraviolet light source devices used to cure ultraviolet resins in bonding processes for optical parts (such as optical pickups and camera modules). Others are colored glass filters and opto-electronics glass used in optical equipment and industrial applications. Hoya places great emphasis on technology development in such core areas as equipment planning and technical design, as well as on its product differentiation strategies. The Company also believes that the key to further growth in this field is to maintain close liaison with end users. In particular, Hoya has established local offices for the production of equipment used in the manufacture of flat panel displays in South Korea and Taiwan, so that it can gain an accurate understanding of the actual needs of its client panel manufacturers in their plants. It actively incorporates the understanding gained in this way into product development.

Hoya's photonics equipment for medical use includes laser scalpels, laser equipment for dental treatment, and lasers employed in dermatological treatment and plastic surgery. Such equipment is widely used in medical treatment.

Laser oscillator (LASER SYSTEM HSL-5500)

Spot UV light source equipment (EXECURE 4000)

Color filter

Electro-optical glasses

Eye Care

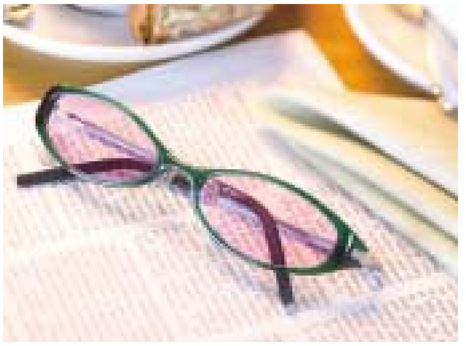
Hoya's Eye Care business comprises two separate divisions.

The Vision Care Division produces high-value-added eyeglass lenses for global markets.

The Health Care Division operates Hoya's *Eye City* contact lens specialty stores throughout Japan, and is also working to manufacture and sell on a global basis the intraocular lenses (IOLs) used in cataract operations.

It is precisely because Hoya has been involved in the "eye" business for so long that it is able to offer very high standards of product quality and service.

Eyeglass Lenses



While the global eyeglass lens market is showing moderate growth overall, there is a trend toward polarization in the market, with sales of high-end lenses rising in specific regions and countries, and low-priced products becoming more prominent elsewhere. Faced with such a market environment, the Company has continued to focus on the upper end of this market, relying on cutting-edge technology to provide high-value-added products that support the vision needs of society. This strategy has provided solid growth.

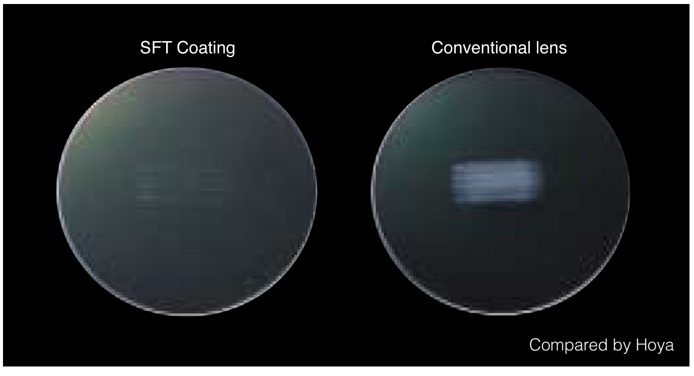
Underpinning growth during the fiscal year ended March 31, 2006, was an emphasis on localization, and the success of continuous new product development. The eyeglass lens market varies widely by country and region in terms of distribution structures, customer preferences and governmental regulation, and Hoya has restructured its business to divest decision-making authority to country and regional managers, allowing them to pursue the best strategies for their markets. This region-based marketing strategy has opened up new channels for the cutting-edge products that are the basis for the Company's success. These include the thin, high-index material lens EYNOA and EYRY, "Hoyalux iD," the world's first integrated double-surface progressive lens design. By utilizing both surfaces of the lens in conjunction, these lenses expand the clear view at both near and far distances, and vastly improve on the curvature and distortions common in previous lenses. Other products include the new SunTech series of light-sensitive lenses, and a scratch-resistant SFT Coating.

The two most important markets for Hoya are Japan and Europe, both of which have high demand for premium products and similar replacement cycles. The Vision Care headquarters was relocated from Japan to the Netherlands during 2005, reflecting the growth potential in Europe and a commitment to greater global business development from a European base.

Hoya Continues to Hold the Top Market Share in Japan

Despite a mature market that has been stagnant overall for the last few years, reflecting sluggish personal consumption and deflationary trends, Hoya continues to hold the leading position in its home market, where the quality and reliability of its products are particularly valued, and sales inched up from a year earlier. Low-priced glasses from discount retailers, the so-called "three-price shops," remain popular, but growth has shown signs of leveling off, and recovery in the economy is helping to turn attention toward the premium products in which Hoya has an advantage. The aging of the population should also give a boost to the multifocal lenses and special coatings that are the Company's strength, and provide steady sales if not rapid growth.

Comparison between SFT Coating and conventional lens



The steel wool wear endurance test, which moves the lens from side to side 50 times with a load of four kg applied to the steel wool

Europe Rebounds with Solid Growth

Sales in Europe rebounded nicely from a year earlier, mainly in Germany, where a change in government health insurance policies caused a significant disruption in the market the previous year. The relocation of the Vision Care headquarters to the Netherlands during the period will allow Hoya to focus more closely on the entire European market, which is expected to grow as standards of living rise and the European Union expands. In anticipation of the market expansion, Hoya is devoting resources to establishing new distributor channels and strengthening partnership relationships, conducting seminars for opticians, training sales representatives and hiring new personnel, and devising other strategies to grow business throughout the continent. This broad-based sales strategy is centered on local control, and should produce steady annual growth.

Brand Recognition on the Rise in North America

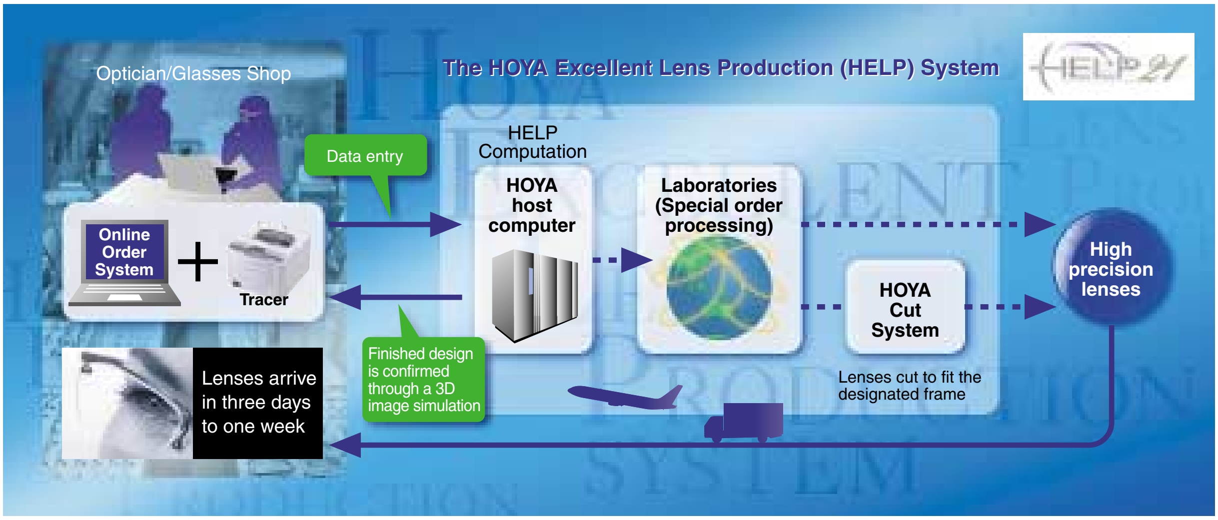
Sales rose in North America, although margins remain tight in the key U.S. market due to structural differences in terms of both marketing and distribution, together with Food and Drug Administration (FDA) regulations that limit the degree to which Hoya can exploit its cutting-edge technologies. Nevertheless, extensive marketing efforts to establish relationships with retailers, particularly independent ophthalmologists, is solidifying the Company's U.S. base, and recognition of Hoya's high-value-added products is rising.

Asia-Pacific Offers a Diversified, Growth Scenario

The Asian market grew substantially during the fiscal year ended March 31, 2006. Asia is extremely diverse in terms of structures and income levels, however, with differing strategies necessary for each country. Hoya continues to expand its share in the region, particularly in South Korea, although sales in Australia have doubled over the last five years. The Company's premium products have achieved high recognition in both of these markets. China will be a key market once rising living standards boost demand for premium products, and Hoya is devoting resources to establishing connections in the country that will leave it well placed for future growth in this promising market.

Future Continues to Look Bright

Hoya expects to continue its strong growth in all overseas markets while maintaining its leading share in Japan. Supporting this growth is a substantial investment in a new IT system (an upgraded version of Hoya's current HELP system) that will allow for greater flexibility, interconnectedness and localization, including customer-specific interfaces and global internal sourcing. This system, which is scheduled to come on line in mid-2006, will reinforce the Company's local focus and ensure speed and flexibility to support global business development. We expect a continued rise in sales in this business.



The HELP system is supported by a leading-edge computer system that handles everything from complex data calculations to the cutting of lenses. Glasses can be ordered while creating simulations of finished products.

Contact Lenses and *Eye City*

The *Eye City* chain of directly owned and managed retail stores specializing in the sale of contact lenses boasts the largest sales volume of any such enterprise in the Japanese domestic market. As of March 2006, 141 *Eye City* stores were operating across the country. *Eye City* not only supplies extremely safe, effective, and high-quality contact lenses from manufacturers around the globe, it also advises individual customers on the specific products that are most appropriate for their eyes and vision characteristics. *Eye City* consultants use their precise knowledge of the benefits of all the latest products to offer a uniquely professional sales consultation service. The chain is also known for providing thoroughly satisfying after-sales service, helping customers to derive the maximum benefit from their contact lenses with optimum comfort and reliability over time.

Contact lenses are specially controlled medical devices worn on the prescription of an ophthalmologist, and their use requires careful management. Recently, however, in a number of cases people failed to take their contacts seriously enough, and the incidence of eye-related problems caused by mistakes in usage or care has been increasing. *Eye City* protects the health of its customers' irreplaceable eyes by giving the greatest possible priority to safety. Professional consultants with a precise understanding of contact lenses and a thorough knowledge of the latest product information—which changes on virtually a daily basis—carefully explain lens characteristics and make suggestions to customers on correct use. The total number of *Eye City* customers now stands at 4.5 million: they value not only the broad lineup of high-quality products but also the quality of the customer-focused service they receive.

The development of new retail locations continues to proceed on the basis of convenience to customers. New stores are developed primarily in the main hub stations of train lines and in suburban shopping malls. A vigorous scrap-and-build program for the closure and relocation of underperforming locations has also been maintained. Hoya continues to devote its energies to maintaining close relationships with ophthalmologists and to making sure retail facilities have an extremely clean feel. Apart from aiming to create the right "hardware"—the stores themselves—the Company is working to ensure excellent "software," which is how *Eye City* employees relate to customers, by providing training in the provision of high-quality customer service. During the fiscal year ended March 31, 2006, new training centers were established in Tokyo and Osaka, and the division is working hard to assist the development of human resources.

In December 2005, the first *Eye City* store outside Japan was established in Shanghai, China. Here, as well, Hoya puts top priority on providing reassuring and reliable service by developing premium-quality sales stores.

The first *Eye City* store outside Japan (Shanghai, China)

Intraocular Lenses (IOLs)

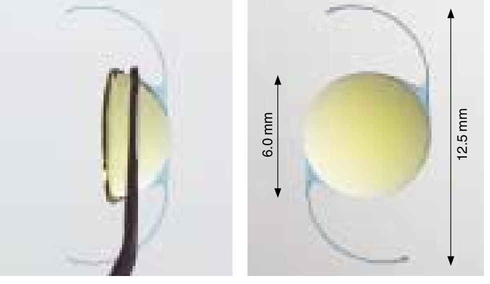
In Hoya's Eye Care field, sales of IOLs are expected to record the strongest growth.

IOLs are medical devices used for the surgical treatment of cataracts. After the eye's clouded lens has been removed, an IOL, which is an artificial lens, is inserted to restore good vision. Together with the gathering pace of the aging of society, primarily in developed countries, the number of patients with age-related cataracts is increasing rapidly, and further growth is expected over the long term. There are two types of IOLs: the conventional hard type and the new foldable soft type, which is folded for insertion during the cataract operation. This latter type, which can be surgically inserted through a much smaller incision, is on the way to becoming the mainstream solution due to the greatly reduced discomfort for the patient.

The shift to use of the foldable lens type IOL is proceeding quickly in the Japanese market, and in this market Hoya's product quality is valued highly. Market share is growing steadily. In 2004, a new yellow type of IOL was introduced which, in addition to offering the ability to reduce UV light transmission, also offered a protective effect for the retina. An injector system that simplifies the surgical procedure has also become firmly established in the market.

During the fiscal year ended March 31, 2006, Hoya worked hard to grow its business in world markets, and was successful in building stronger networks with ophthalmology clinics and stepping up marketing activities. Driven primarily by Germany and France, sales in the Company's European markets grew very significantly. In Asia, Hoya posted solid results in countries such as China and South Korea. In the United States, the Company is making final preparations to gain Food and Drug Administration (FDA) certification. It will lodge applications in 2006, with certification expected some time during 2007.

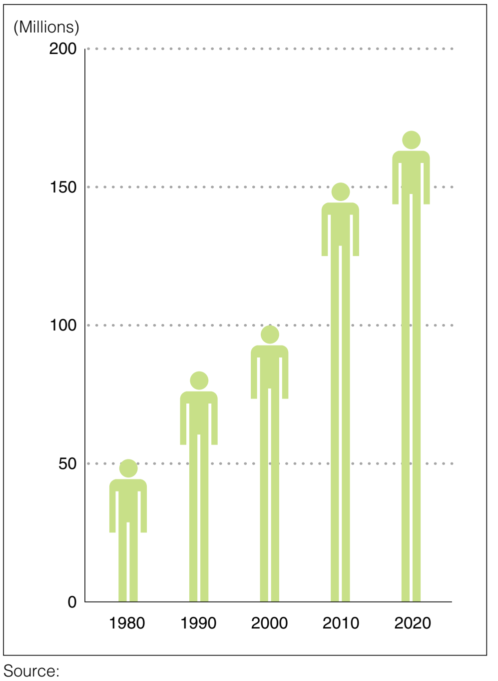
Hoya's Singapore plant, which commenced commercial operations in 2004, started shipping products to Japan during the fiscal year ended March 31, 2006, in addition to continuing its exporting to Europe. The plant now serves as a central point of production for the Company's global markets.



Foldable acrylic IOL: HOYA AF-1 (UY)

IOL injector: HOYA Injector System HOYA-IS

Global Estimate of the Number of Eyes with < 6/60 Due to Cataracts



Source:
Journal of Community Eye Health
International Resource Centre, International Centre of Eye Health

Crystal Division

Hoya's Crystal business incorporates the production and sale of crystal tableware, interior products, jewelry and artistic pieces. The appeal of these products, which are made from the best-quality glass materials, comes from the sense of transparency that seems to draw the viewer in, as well as from the beauty created by the interplay of light within the crystal. The Company's Crystal business has a history of more than 50 years, but with the contraction of the corporate gift market and the sluggish demand for personal gifts, Hoya has intentionally allowed the business to shrink each year.

Currently, however, we aim to revive the business, and have begun reviewing existing business structures and the product lineup under a new conceptual framework. In addition to designing new product concepts, the business will move away from its current focus on the gift market. Purchasers will be carefully targeted, and the objective will be to appeal to more sophisticated individual consumers. Hoya hopes to propose attractive designs that will appeal to consumers. The mission assigned to the Crystal division is to serve as the new "face" of the Hoya Group.

R&D and New Businesses

The Hoya Group has adopted a variety of strategies focused on increasing corporate value and ensuring continued growth in the future. Of these, the most critical are R&D and new business development. Hoya aims to build on its existing proprietary technologies to develop highly competitive businesses. The Company is committed to aggressive investment in these two areas.

Further Technological Development of Existing Businesses

The majority of Hoya's current products enjoy a solid share of their respective markets, thanks to their reliability and the outstanding technologies behind them. Hoya, however, does not intend to relax its continual effort at R&D. Rather, it is determined to continue to leverage technological progress to meet changing client needs.

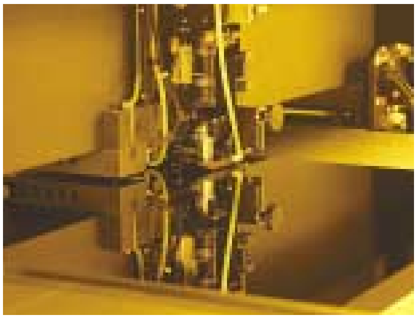
The latest developments in the R&D arena related to Hoya's existing fields of business are introduced below, as well as the Company's efforts to expand the scope of its business based on the innovative application of existing technologies.

Information Technology

In the field of lithography, Hoya continues to grow its business by focusing primarily on the development of high-precision, high-end mask blanks used in the production of semiconductors. In response to the ongoing miniaturization of semiconductors, the Company is working to develop next-generation, high-end mask blank that anticipate the specifications laid down in the Road Map.*1

Under the Road Map for next-generation lithography technology, the electron beam has been ruled out as a candidate for the lithographic light source, and extreme ultraviolet (EUV) is viewed as the strongest candidate. Hoya has already completed the development of the essential technologies required for the mask blanks needed for EUV lithography. In addition to being able to offer mask blanks for testing mass production with greatly reduced defects at the nanometer level, the Company is pushing forward with the development of technologies for EUV photo masks. In the field of electron beam lithography, Hoya continues to supply samples to some industry sectors, and will keep a close watch on trends in technological developments in that field.

In the field of glass memory disks for HDDs, Hoya is moving toward the commencement of mass production of disks for the new perpendicular magnetic recording method,*2 which transcends the limitations of the conventionally used longitudinal recording method. Competition is intensifying with the flash memory alternative to hard disks, however, so now it is necessary to achieve both a further increase in recording density and a reduction in cost.



To address these issues, Hoya is proceeding with development of technologies for the perpendicular method as well as research on the development of the next-generation, high-density recording method that will one-day supersede the perpendicular magnetic method. The Company anticipates the practical application of discrete track media technology*3 or patterned media technology.*4 Hoya feels strongly that the relative importance of new fundamental technologies will grow. These include ultra-precise process technologies and nano-scale materials—the kind of technologies that have not been incorporated into the current generation of hard disks. To resolve the technological issues faced in these areas, the Company will take a creative approach to development that applies all the core technologies it has amassed in the field of lithography.

In the field of optics, Hoya enjoys particular strengths in the press mold technologies used in the production of aspherical lenses. In addition, the Company continues to develop new optical glass materials with special optical characteristics, and is working to realize the practical application of production technologies for specially shaped lenses that meet the needs of state-of-the-art optical design technologies. In these ways, Hoya will protect its status as an industry leader in the market for digital imaging lenses, which will become increasingly competitive. The Company will also further improve its press mold technologies, which are used in the precision mass production of extremely small lenses, thus continuing to enhance its competitiveness in the market for camera lenses for mobile phones, which are being produced in higher and higher resolutions.

Notes:

*1. The Road Map describes the setting of various numerical objectives and associated technological issues that must be addressed to achieve the production of next-generation semiconductors. This is an important set of guiding principles in the context of the drive for technological development of semiconductor manufacturers and the makers of equipment and materials used in the production of semiconductors.

*2. A technology that increases the density of hard disk recorded data by magnetizing the disk's magnetic layer in a vertical direction, in contrast to the current horizontal direction.

*3. 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.

*4. 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.

Eye Care

Manufacturers of eyeglass lenses in South Korea and China have until recently concentrated on low-end products, but are now moving into such middle-end products as plastic lenses with a high refractive index. They are speeding up their drive to catch up technologically. In response to this situation, Hoya is developing a new range of highly functional coatings, including a new anti-reflective coating, photochromic coatings,*5 and dirt repellent coatings. Hoya's effort to push ahead with the introduction of high-value-added products is also augmented by its aspherical free form processing technologies and other unique advantages. In addition, the Company is striving to cut costs by creating innovative production technologies.

The need for IOLs is expected to increase significantly into the future, in line with the growth in the number of cataract patients in aging societies. Hoya is working to introduce an improved cartridge injector for IOLs to greatly reduce the levels of discomfort experienced by patients during cataract operations and further enhance the safety of the procedure. The Company will continue to actively engage in R&D of new medical products in the ophthalmic field, including the development of an IOL that offers a broader range of vision correction.

Note:
*5. Photochromic lenses change color when subjected to light, through changes to the molecular structure while the molecular weight remains unchanged. These lenses are used in light-sensitive sunglasses.

New Business Development

The Hoya Group actively seeks to develop or acquire a new, third major line of business to complement its successes in Information Technology and Eye Care. The objective is to develop a business that leverages its proprietary technologies in a field which can be expected to grow over the long term. The Company engages in both in-house and collaborative R&D, and is investing in a variety of ventures with the objective of procuring and developing new technologies that will sustain growth into the future. This section presents several new fields that hold the promise of taking root and growing as strong new businesses.

Optical Communications System

Over the past several years, broadband has won acceptance quickly both in the workplace and at home, and new services such as video distribution have come into their own. Hoya is working on technologies for the integration of optical parts for communications devices, through the practical application of optical technologies. The Company has invested in the U.S. firm, Xponent Photonics, Inc., which owns technologies allowing for the development of highly integrated modules used in fiber to the home (FTTH), an optical fiber data communications service for the home that is currently experiencing rapid growth. These technologies offer the potential to go beyond FTTH—for instance, they can be used in connectors of high-resolution audiovisual equipment. We will work with Xponent to expand the range of applications.

3C-SiC

Seen from the perspective of strategies for responding to global warming and contributing to environmental conservation, expectations have grown for hybrid automobiles and fuel cell powered vehicles. Hoya is developing devices that use large-diameter 3C-SiC monocrystal (based on silicon carbide), which can be employed in power devices that are highly energy efficient at high voltage and with low power loss. The aim is to achieve practical applications in the automobile field, which demands absolute safety and reliability.

Glass Substrates

Glass substrate products came into commercial production in 2006 for use in mobile phones, thanks to their superior high-frequency characteristics, capability for minutely detailed processing, and capacity for double-sided electrical connectivity. Demand is somewhat limited at the moment, but Hoya anticipates that the track record of these glass substrates will provide the evidence it takes to motivate producers to adopt them for ultrahigh-speed optical-electric conversion modules.

Nanoimprint Technology

Thus far, miniaturization in the semiconductor industry has primarily helped to realize lower production costs. From the next generation of semiconductors onward, however, huge changes in lithography technologies will be required, and the industry is concerned about the possibility of increased investment in plant and equipment. This has given rise to the belief that EUV lithography, which is expected to be the next-generation technology, may be used only for the production of a limited range of identical devices in large numbers.

In this context, nanoimprint technology is attracting attention as a new ultra-fine processing technology that could be used to mold circuit patterns on devices requiring smaller production runs, at a lower cost. Hoya is proceeding with development of technologies that can be employed at the 50-nanometer level and below. Applications may not be limited to semiconductor manufacture; the Company is also considering the possibility of expanding the use of the technology to optical applications such as light emitting devices and displays.

Corporate Governance

Hoya treats corporate governance as one of its most vital management principles. Based on its fundamental vision that "companies are owned by their shareholders," the Company conducts its corporate management with the goal of maximizing shareholder value. To ensure it does not operate according to internal management philosophies alone, Hoya was quick to adopt a system of outside directors who represent shareholders. While enhancing its systems of corporate governance, the Company has also separated management and execution functions to accelerate decision-making.

Corporate Governance Systems

In June 2003, Hoya instituted a company-with-committees system. Three committees—the Nomination Committee, Compensation Committee and Audit Committee—were established. Through its resolve to strengthen supervisory functions and to broadly devolve 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.

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 achieve greater freedom of expression that is unconstrained by internal hierarchical structures or personal relationships, the Company has invited outside directors to participate in its management since 1995. Outside directors provide operational supervision and advice. The membership of the Nomination Committee, the Compensation Committee and the Audit Committee consists exclusively of the outside directors, to further strengthen the supervisory function.

Nomination Committee

The Nomination Committee is responsible for the nomination of directors and executive officers and for relieving them of their posts if necessary. Authority to appoint the President and to remove him from his post if necessary is also held by the outside directors, who represent all shareholders.

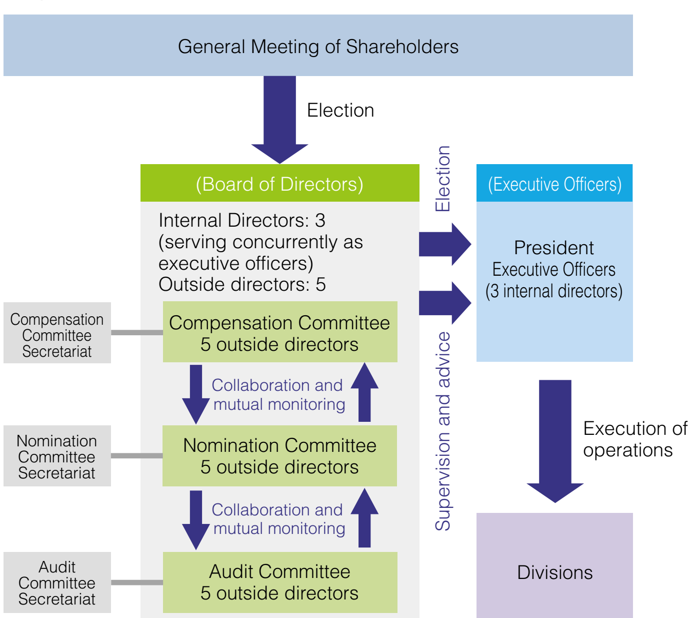
Compensation Committee

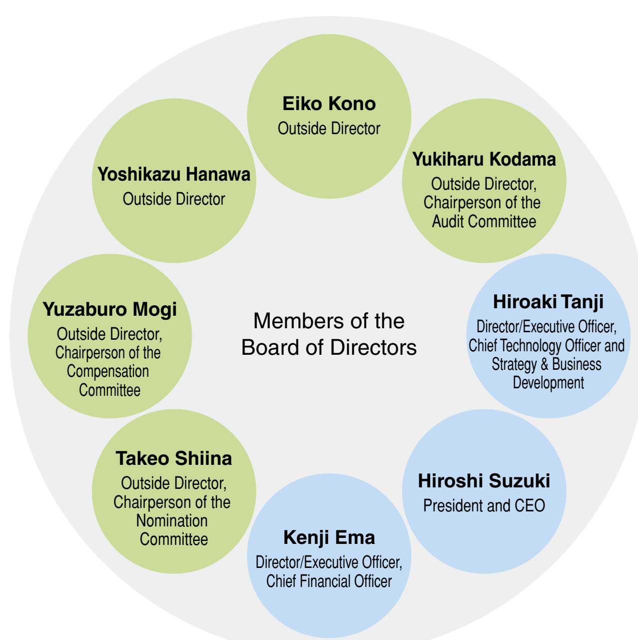
The Compensation Committee prepares the remuneration system that boosts incentives for the directors and executive officers. It was established with the objective of contributing to improved financial performance for Hoya, by undertaking fair and accurate evaluations of results.

Audit Committee

The Audit Committee verifies the financial statements of the Company on the basis of reports received from outside auditors. It also audits internal control systems and undertakes audits of business activities, assets, and others.

Corporate Governance Structure





Business Operations and Compliance

The Board of Directors meets every month, excluding February and August. Its task is to ensure that the outside directors oversee the business activities of the executive officers in an atmosphere that encourages lively debate. Authority has been broadly devolved from the executive officers to the heads of each business division, who are responsible for business operations in their respective areas of activity. Each business division makes a detailed report to the executive officers at a business reporting meeting held every month, and strategies to be followed in response to each issue are discussed. The devolution of authority allows for timely and effective decision-making. At the same time, however, since the outside directors (who act as overseers) are in the majority, the executive officers are made more accountable. This arrangement means that Hoya's corporate governance enjoys a strong system of checks and balances.

In the area of compliance, the Company has issued the Hoya Business Conduct Guidelines, which are based on the Corporate Mission and Management Principles of the Hoya Group. The Guidelines outline the guiding principles under which each employee should perform his or her duties, with resolute adherence to work ethics. A Hoya Help Line, an internal reporting and consultative system, has also been established. Should any employee discover an act that contravenes the law or the Hoya Business Conduct Guidelines, the Hoya Help Line ensures that a report will quickly reach top management so that appropriate action can be taken on the issue. This system helps to preserve the health of the Group as a whole. The Hoya Help Line, a special system that has been established at the Company's headquarters, can also be used as a point of contact with external lawyers available to listen to employees. The system was introduced at Hoya's U.S. companies in 2005, and plans are in place to expand it to cover the Company's operations worldwide.

Full Disclosure

Fair and prompt disclosure of information is a fundamental duty of management. Hoya respects the rights of shareholders and is diligent in fulfilling its obligations concerning disclosure. The Company also values dialogue with its shareholders, and will continue to clearly reflect their views in its management practices.

In 1998, Hoya commenced the disclosure of quarterly financial statements ahead of many other Japanese firms, and has gradually reduced the delay between the end of each quarter and publication. It releases consolidated accounts about three weeks after the end of the period, and the volume of information is of the same level as that contained in reports published annually. 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.

Corporate Social Responsibility

Hoya believes that companies should pursue more than profit: they should also fulfill their responsibilities as good corporate citizens, for instance, by contributing to the community and taking care of the environment. In this regard, the Company has established a set of Management Principles, which each employee must follow and which cover decision-making and behavior in the business context. These principles are based on Hoya's Corporate Mission. By acting in accordance with these Management Principles, the Company aims to not only grow as a group but also contribute to the broader society, including in terms of economic and cultural development.

HOYA

Corporate Mission

Dedicated to innovation in information technology, lifestyles and culture, Hoya envisions a world where all can enjoy the good life, living in harmony with nature.

Management Principles

Commitment to society
Hoya always strives to be a responsible corporate citizen. We work hard to ensure that our corporate activities are carried out with respect for the environment. We are absolutely committed to legal compliance and ethical practices.

Commitment to customers
Hoya's goal is to provide safe, high-quality products and services that offer true value. We make every effort to increase customer satisfaction by continuously improving the quality of our operations.

Commitment to shareholders
Hoya strives to increase corporate value by improving business results and maintaining growth. Our goal is to pay fair dividends and give shareholders a return on investment that meets their expectations. We willingly and impartially disclose corporate information.

Commitment to employees
Hoya respects the personality and individuality of each employee. We offer employees opportunities to maximize their initiative and creativity in a safe and fulfilling work environment. We do our best to ensure a good living for our employees.

Dedication to innovative management
Hoya constantly strives to create new value through innovation and creative technology. We make the most of the advances of the information age with our worldwide management network. We take a global perspective while respecting local culture and customs.

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. In 1976, Hoya established pollution countermeasure committees at each of its plants, and has been engaged ever since in a variety of initiatives to protect the environment and conserve natural resources. A few of those initiatives are introduced below.

1. Reduction of Environmental Impact

Hoya has identified the four main areas where its production activities have an environmental impact—levels of energy consumption, water usage, waste volume, and volume of packaging materials—and is pushing ahead with measures to reduce impact in all of these areas.

Energy Consumption

Hoya has implemented a number of energy-saving initiatives at its facilities, including the introduction of ice thermal storage systems and high efficiency electrical transformers. Along with these steps, Hoya has also introduced rooftop gardening at factory buildings, casual days in the office on ordinary work days in summer. Efforts such as these are examples of the steps that Hoya has taken across all of its businesses to conserve energy. In the term under review, Hoya reduced energy usage levels 8% from the previous year, although the ratio of energy usage to net sales increased by approximately 11%.

Water Usage

Through ongoing efforts for the re-use of factory waste water and the introduction of automated water faucet control in washroom hand basins, water usage decreased by 7% year on year, but rose by 13% when expressed as a ratio to net sales.

Waste Volume

In the fiscal year under review, the Musashi Plant building was dismantled and production was moved to Akishima-shi in metropolitan Tokyo, so there was a large increase in the volume of waste. As a result, a large increase in waste volume was recorded. Regarding other wastes, however, efforts were made to reduce waste volume on a number of fronts, including recycling of sludge from polishing as raw material for concrete and thermal recycling of waste plastics. The volume of waste was reduced by around 29%, or about 13% when expressed as a ratio to net sales.

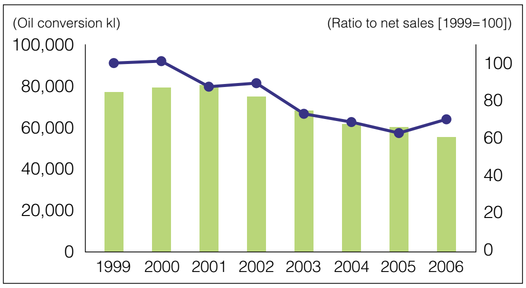
Volume of Packaging Materials

Thanks to activities such as promoting the re-use of cardboard packing boxes, the volume of packaging materials used fell by 21% year on year, and was about level with last year when expressed as a ratio to net sales.

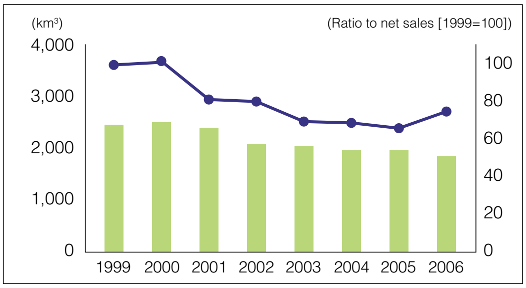
2. Introduction of Environmental Management Systems (ISO 14001 Certification)

In October 1996, the Hoya Group announced plans to make its environmental management systems compliant with ISO 14001 certification standards, and in December 1997 the plant run by HOYA LENS DEUTSCHLAND GmbH (in Germany) became the first to gain such certification. Since then, the Hoya Group has pushed forward according to plan toward the certification of all production plants, including those located overseas. By the end of March 2001, nearly all mass production plants in Japan and abroad had been certified. As of the end of March 2006, a total of 35 plants belonging to the Hoya Group had been certified (11 in Japan, 24 abroad).

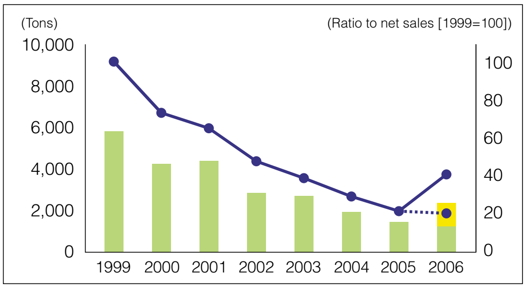
Energy Consumption (Oil Conversion) and Its Ratio to Net Sales



Water Use and Its Ratio to Net Sales

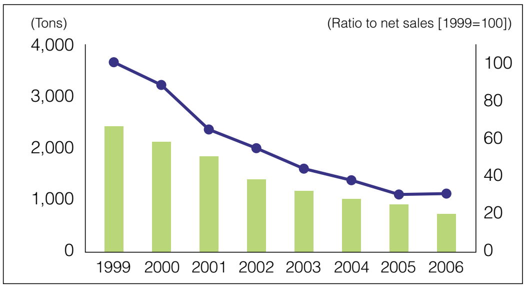


Waste Volume and Its Ratio to Net Sales



The yellow portion is the transient construction scrap wood and others accompanying the Musashi factory relocation conducted during the fiscal year ended March 2006, and the sales unit index except a transient factor is expressed as the dotted line.

Packaging Materials and Their Ratio to Net Sales



Notes: 1. Ratio to net sales indicated based on 1999=100. Please also note that Hoya uses units of millions of yen to calculate ratios to net sales.
2. Statistics of the nine domestic production sites; Nagasaka, Hachioji, Kumamoto, Akishima, Nagano, Lens Technology Center, Minakuchi, Musashi (currently Tokyo Studio), Kodama.

Financial Section and Corporate Data

Contents

Ten-Year Summary

		1997	1998	1999	2000
Net sales (Millions of yen)		¥193,402	¥193,473	¥201,290	¥201,110
Operating income (Millions of yen)		32,936	26,395	31,726	34,688
Ordinary income (Millions of yen)		35,086	26,759	33,612	35,484
Net income (Millions of yen)		15,300	12,348	17,837	20,716
Selling, general and administrative expenses/net sales (%)		27.7	28.2	26.4	25.4
Return on assets (ROA) (%)		7.1	5.3	7.8	8.9
Return on equity (ROE) (%)		11.4	8.5	11.6	12.4
Equity ratio (%)		61.0	63.7	71.7	73.2
Inventory turnover (Months)		3.2	3.4	3.2	3.3
Capital expenditures (Millions of yen)		32,318	19,504	13,654	17,770
Depreciation, amortization and other (Millions of yen)		15,705	17,570	18,234	16,051
Research and development expenses (Billions of yen)		6.0	7.5	7.8	7.7
Per share data (Yen) (after adjustment for stock split)	**Net income**	32.42	26.12	37.77	44.06
	Cash dividends	5.75	7.00	7.50	8.75
	Cash flow	66.75	64.41	77.65	79.15
	Shareholders' equity	305.17	317.67	340.56	376.55
Price earnings ratio (PER) (Times)		42.7	36.4	44.5	55.0
Price cash flow ratio (PCFR) (Times)		20.8	14.8	21.6	30.6
Price book value ratio (PBR) (Times)		4.5	3.0	4.9	6.4
Stock price at year-end (Yen) (after adjustment for stock split)		1,385	950	1,680	2,425
Aggregate market value (Billions of yen)		643.3	441.3	780.4	1,126.4
Employees (Persons)		9,588	9,320	9,414	10,651

Effective April 1, 2002, the Company adopted a new accounting standard for net income per share of common stock issued by the Accounting Standards Board of Japan. Net income per share and related data prior to that date are also calculated according to the standard for purposes of comparison.

- Ordinary income: Income before income taxes that is adjusted for non-operating income and expenses. Ordinary income is not reported net of taxes.
- Selling, general and administrative expenses/net sales: A calculation of management efficiency, also known as the "sales expense ratio."
- 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 equity (net income/ average total shareholders' equity x 100): An index of efficiency and profitability in terms of the shareholders' equity.
- Shareholders' equity ratio: The ratio of shareholders' 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.
- 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 4-for-1 split of common shares implemented on November 15, 2005. The dividend per share for 2006 of ¥60 per share is the aggregate value of the interim dividend of ¥30 (actual payment before the split of ¥120 ÷ 4) and the year-end dividend of ¥30 (after the split).

2001	2002	2003	2004	2005	2006
¥236,802	¥235,265	¥246,293	¥271,444	¥308,172	¥344,228
45,128	43,898	52,983	68,167	84,920	101,096
48,184	45,774	50,874	66,554	89,525	103,638
21,860	23,741	20,038	39,549	64,135	75,620
23.8	24.2	24.4	22.3	21.1	20.7
8.6	8.7	7.3	14.0	20.0	21.2
11.8	11.5	9.0	17.8	25.8	27.1
73.0	78.8	81.7	75.5	79.1	77.3
3.1	3.2	2.9	2.8	2.7	2.7
39,673	19,585	15,948	30,659	40,175	48,786
32,138	20,105	19,792	25,328	22,520	27,485
7.3	7.3	8.7	9.8	10.9	14.1
46.65	50.78	42.77	87.74	144.71	171.71
12.50	12.50	12.50	25.00	37.50	60.00
116.24	88.31	82.72	174.91	171.65	240.57
420.11	471.55	486.29	491.90	623.59	648.87
43.7	44.5	41.8	28.9	20.4	27.7
17.6	25.6	21.6	14.5	17.2	19.7
4.9	4.8	3.7	5.2	4.7	7.3
2,040	2,260	1,787	2,537	2,950	4,750
947.6	1,049.8	830.3	1,178.7	1,325.7	2,066.3
12,966	13,311	14,023	18,092	21,234	25,176

- **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 (stock price at year-end/net income per share):** An index of valuation that compares the Company's stock price with its earnings to judge whether the stock is overvalued or undervalued.
- **Price cash flow ratio (stock price at 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 year-end/shareholders' equity 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

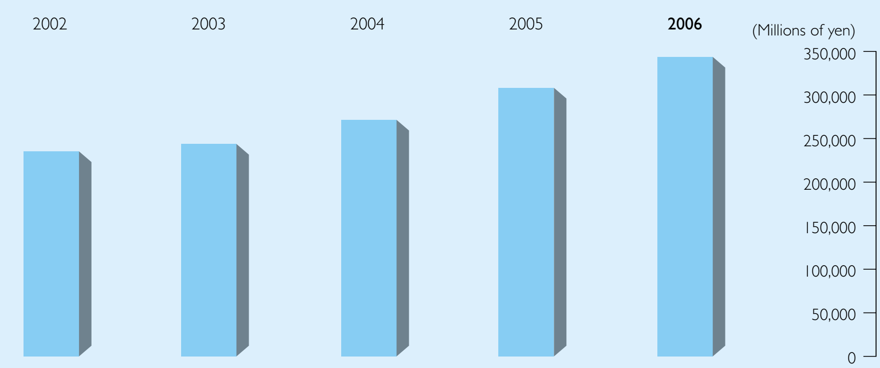
The Hoya Group (the "Group") consists of Hoya Corporation, its 62 consolidated subsidiaries (five in Japan and 57 overseas) and five affiliates in Japan. One of the five affiliates is accounted for by the equity method. Compared with the end of the prior consolidated fiscal year, five consolidated subsidiaries were added through establishment of new companies, and one was added by an acquisition. One consolidated subsidiary was eliminated through liquidation, and one was eliminated through absorption by merger with the parent company. There were no changes in the number of affiliates.

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, implements the management strategies formulated by the Global Headquarters at Hoya Corporation in line with their independent business responsibilities. By area, the regional headquarters in North America, Europe and Asia conduct 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, 2006 increased 11.7% year on year to ¥344,228 million. By main business segment, net sales for the Electro-Optics division in the Information

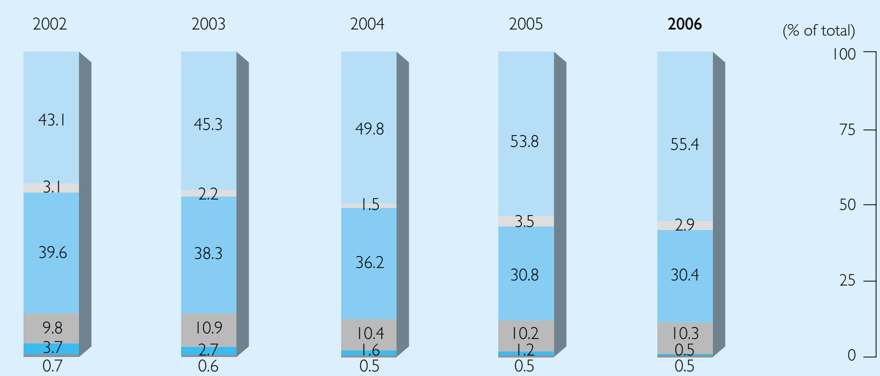
Net Sales



(Millions of yen)

	2002	2003	2004	2005	2006
Net sales	235,265	246,293	271,444	308,172	**344,228**

Sales by Business Segment



(Millions of yen)

	2002	2003	2004	2005	2006
Electro-Optics	101,496	111,461	135,071	165,664	**190,552**
Photonics	7,157	5,485	4,116	10,749	**10,093**
Vision Care	93,184	94,388	98,203	94,971	**104,457**
Health Care	23,106	26,717	28,381	31,409	**35,484**
Crystal	8,788	6,719	4,322	3,672	**1,864**
Service	1,534	1,523	1,351	1,707	**1,778**

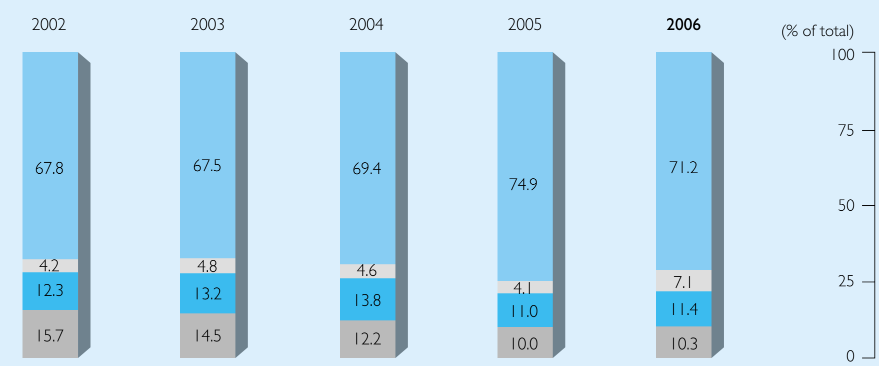
Technology field rose 15.0% year on year, net sales for the Vision Care division in the Eye Care field increased 10.0%, and net sales for the Health Care division rose 13.0%.

Regarding net sales by customer region, net sales to customers in Japan increased 4.3% to ¥173,506 million, while net sales overseas grew 20.4% to ¥170,722 million. As a result, the composition of net sales was 50.4% domestic and 49.6% overseas. Domestic sales and overseas sales in the previous fiscal year accounted for 54.0% and 46.0% of total net sales, respectively, illustrating the rising proportion of overseas sales that has continued from the prior consolidated fiscal year.

Hoya calculates the effect of exchange rates on operating results in the consolidated fiscal year under review by comparing the foreign currency denominated financial statements of its overseas subsidiaries, when converted into yen at the average exchange rates during the consolidated fiscal year under review, with the same statements when converted into yen at the average exchange rates prevailing during the previous fiscal year. In currency markets during the fiscal year, the yen weakened 5.9% against the U.S. dollar to ¥113.93, 1.8% against the euro to ¥138.13, and 4.9% against the Thai baht to ¥2.81. Because the yen fell against all these main currencies, the operating results of Group companies in the United States, Europe and Thailand swelled on an exchange rate basis. Overall, the effect of exchange rates added ¥4,718 million to net sales and ¥2,650 million to net income.

Sales by Region

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

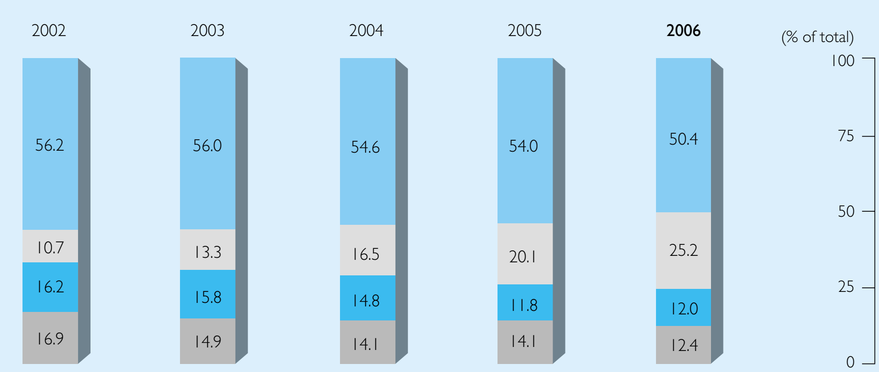


(Millions of yen)

	2002	2003	2004	2005	2006
Japan	159,368	166,178	188,441	230,946	**244,998**
Asia	9,948	11,705	12,404	12,648	**24,527**
Europe	28,964	32,639	37,486	33,803	**39,232**
North America	36,985	35,771	33,113	30,775	**35,471**

Sales to Domestic and Foreign Customers

(Based on the location of customers)



(Millions of yen)

	2002	2003	2004	2005	2006
Japan	132,248	138,006	148,325	166,414	**173,506**
Asia and Other Areas	25,127	32,806	44,668	61,808	**86,848**
Europe	38,144	38,789	40,168	36,430	**41,201**
North America	39,746	36,692	38,283	43,520	**42,673**

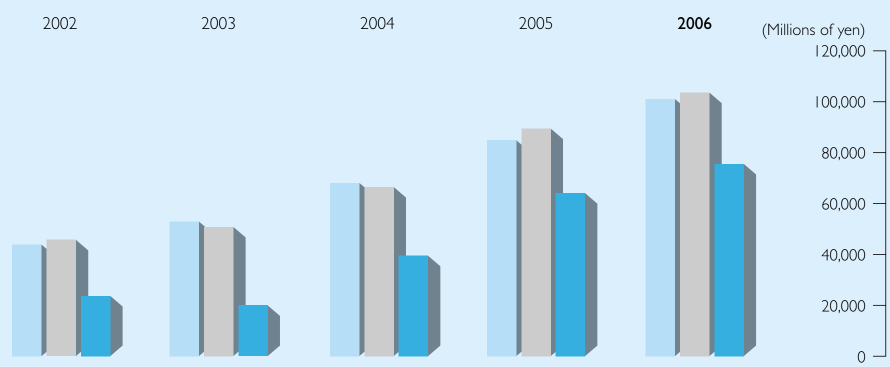
Net Income

As net sales expanded, the cost of sales also rose, increasing 8.9% year on year to ¥172,034 million. Because cost of sales grew less than net sales, which increased 11.7%, the gross profit margin improved to 50.0%, up 1.3 percentage points from 48.7% in the previous fiscal year. Selling, general and administrative (SG&A) expenses also rose with the growth in net sales, increasing 9.0% to ¥71,098 million. SG&A expenses as a percentage of net sales, however, declined 0.4 percentage point, from 21.1% to 20.7%, because SG&A expenses rose at a lower pace than the growth rate for net sales. As a result, operating income increased 19.0% to ¥101,096 million, and the operating income ratio improved by 1.8 percentage points to 29.4%. By quarter, the operating income ratio was 30.6% in the first quarter, 29.1% in the second quarter, 31.2% in the third quarter and 26.7% in the fourth quarter.

Net income for the consolidated fiscal year under review increased 17.9% to ¥75,620, despite contraction in other income such factors as a fall in equity in earnings of associated companies of ¥2,423 million from the previous fiscal year and a decline in foreign exchange gains (losses), from ¥875 million in the previous year to ¥243 million. There were otherwise increase of ¥1,746 million for loss on clarification of soil pollution and ¥374 million for impairment losses, although declines of ¥323 million in loss on disposal of property, plant and equipment, and ¥741 million in loss on plant closure from the ¥1,264 million due to significant restructuring generated in the previous year.

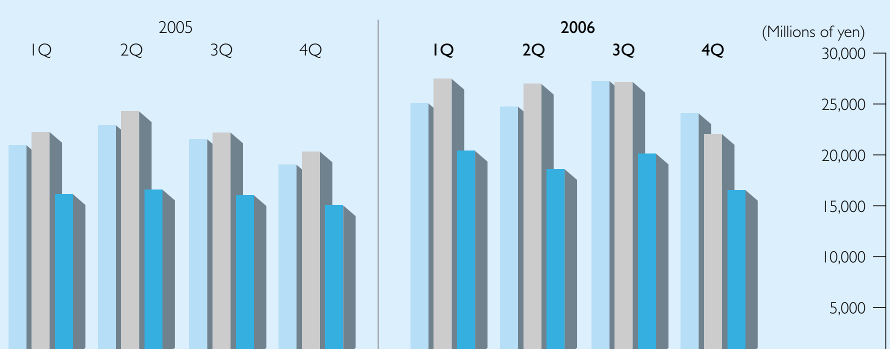
Return on assets (ROA) improved by 1.2 percentage points to 21.2%, and return on equity (ROE) improved by 1.3 percentage points to 27.1%. Dividends for the consolidated fiscal year under review consisted of an interim dividend of ¥120 per share and a year-end dividend of ¥30 per share, for an aggregate ¥150 per share for the full year. If the interim dividend is adjusted retroactively to reflect the 4-for-1 stock split implemented in November 2005, the dividend payment for the full year amounts to ¥60 per share (¥120 ÷ 4 + ¥30 = ¥60), a 60% increase from previous year's dividend of ¥37.5 per share.

Operating Income, Ordinary Income and Net Income



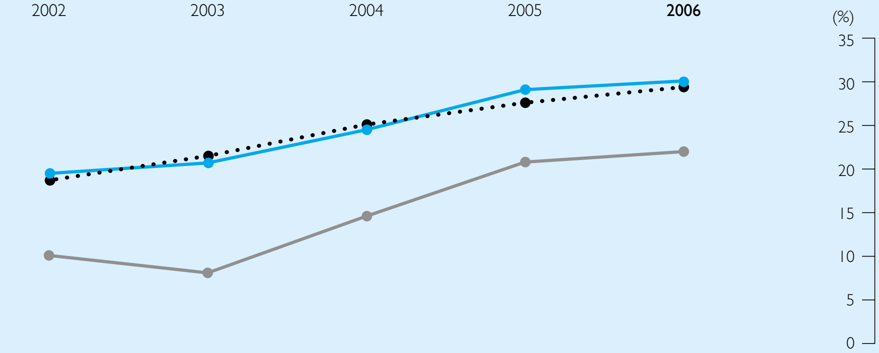
(Millions of yen)	2002	2003	2004	2005	2006
Operating income	43,898	52,983	68,167	84,920	101,096
Ordinary income	45,774	50,874	66,554	89,525	103,638
Net income	23,741	20,038	39,549	64,135	75,620

Quarterly Profits



(Millions of yen)	2005 1Q	2005 2Q	2005 3Q	2005 4Q	2006 1Q	2006 2Q	2006 3Q	2006 4Q
Operating income	21,082	23,047	21,652	19,139	25,056	24,740	27,257	24,043
Ordinary income	22,366	24,405	22,314	20,440	27,466	26,974	27,161	22,037
Net income	16,223	16,671	16,123	15,118	20,389	18,596	20,120	16,515

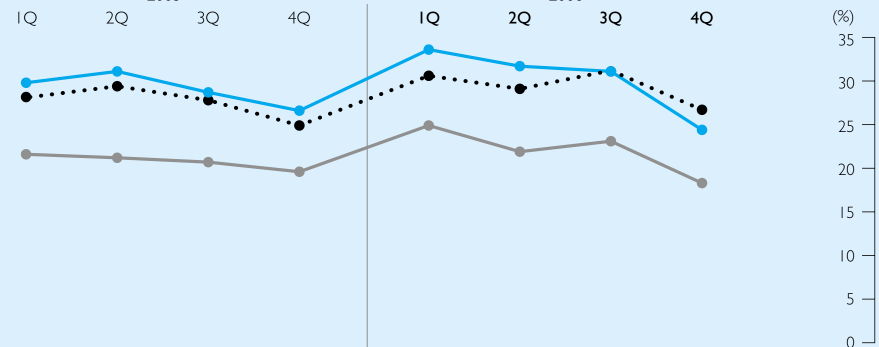
Profit Ratios



(%)

		2002	2003	2004	2005	**2006**
Operating income ratio	●······	18.7	21.5	25.1	27.6	29.4
Ordinary income ratio	●——	19.5	20.7	24.5	29.1	30.1
Return on sales	●——	10.1	8.1	14.6	20.8	22.0

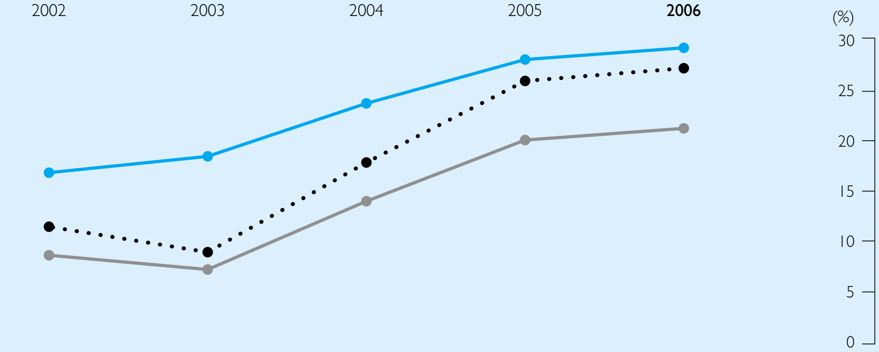
Quarterly Profit Ratios



(%)

		2005				**2006**			
		1Q	2Q	3Q	4Q	**1Q**	**2Q**	**3Q**	**4Q**
Operating income ratio	●······	28.1	29.4	27.8	24.9	30.6	29.1	31.2	26.7
Ordinary income ratio	●——	29.8	31.1	28.7	26.6	33.6	31.7	31.1	24.4
Return on sales	●——	21.6	21.3	20.7	19.6	24.9	21.9	23.1	18.3

Profitability



(%)

		2002	2003	2004	2005	**2006**
Return on equity (ROE)	●······	11.5	9.0	17.8	25.8	27.1
Ordinary income/total assets	●——	16.8	18.4	23.6	27.9	29.1
Return on assets (ROA)	●——	8.7	7.3	14.0	20.0	21.2

Segment Overview

Information Technology (Electro-Optics and Photonics Division)

Net sales in the Electro-Optics division rose 15.0% year on year to ¥190,552 million. In mask blanks for semiconductor production, demand was strong for high-precision products such as phase shift mask blanks in response to greater functionality and higher capacity of LSIs. There was an increase in orders for photomasks for semiconductor production, mainly high-end products that comply with 65-nm line width design rules, though sales remained flat overall as a result of a special order for ordinary class products during the previous fiscal year. In photomasks for LCD panels, the Group benefited from increased production capacity owing to the opening of a new production facility, and demand was strong for leading-edge, large-scale masks as a result of the establishment of highly active, new production lines, and the development of new models by many panel manufacturers.

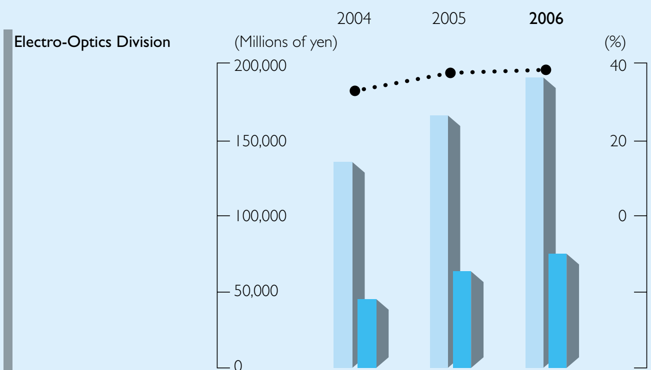
In glass disks for HDDs, although demand for applications such as portable music players slowed from the middle of the year, demand for disks for laptop computers expanded strongly. Net sales also rose steadily as a result of the start of production at a new plant, and investment aimed at increasing production at existing plants. In optical glass products, inventory adjustments in the digital camera market that began in the second half of the previous year were completed. Sales rose from the previous fiscal year as a result of increased demand for lenses for digital cameras (mainly products with high degrees of added value), and the full-scale start of shipments of camera lenses for new applications such as mobile phones.

Operating income in the Electro-Optics division rose 18.3% to ¥74,862 million. In the first half, demand exceeded supply capacity for many products, boosting profit margins to high levels because plant capacity utilization rates were high. In the second half, supply capacity was filled as a result of the benefit of investment in increased production, although profit margins eroded due to such factors as the surfacing of price competition for certain products, and changes in the product mix. Demand for all products remained strong, however, and the operating income ratio for the full year rose by 1.0 percentage point to 39.1%. By quarter, the operating income ratio was 42.0% in the first quarter, 38.3% in the second quarter, 39.8% in the third quarter and 36.8% 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 was higher than the consolidated average growth rate for net sales of 11.7% (the circle is above the Consolidated Basis line), and the operating income ratio rose from the previous consolidated fiscal year (the circle shifted to the right).

Capital investment in the Electro-Optics division rose 16.5% to ¥37,244 million, due mainly to the establishment of a new large-scale LCD photomask plant in South Korea, a new HDD glass disk plant in Vietnam, and proactive investments to increase production capacity at existing plants, such as those for optical lenses.

Net sales for the Photonics division fell 6.1% to ¥10,093 million from the previous fiscal year. Operating income rose 4.6% to ¥934 million, and the operating income ratio improved 0.9 percentage point to 9.0%. Although net sales declined as a result of a reshuffling of the product mix in favor of more profitable products, earnings rose due to the strengthening of the marketing structure and greater efficiency in the production structure.

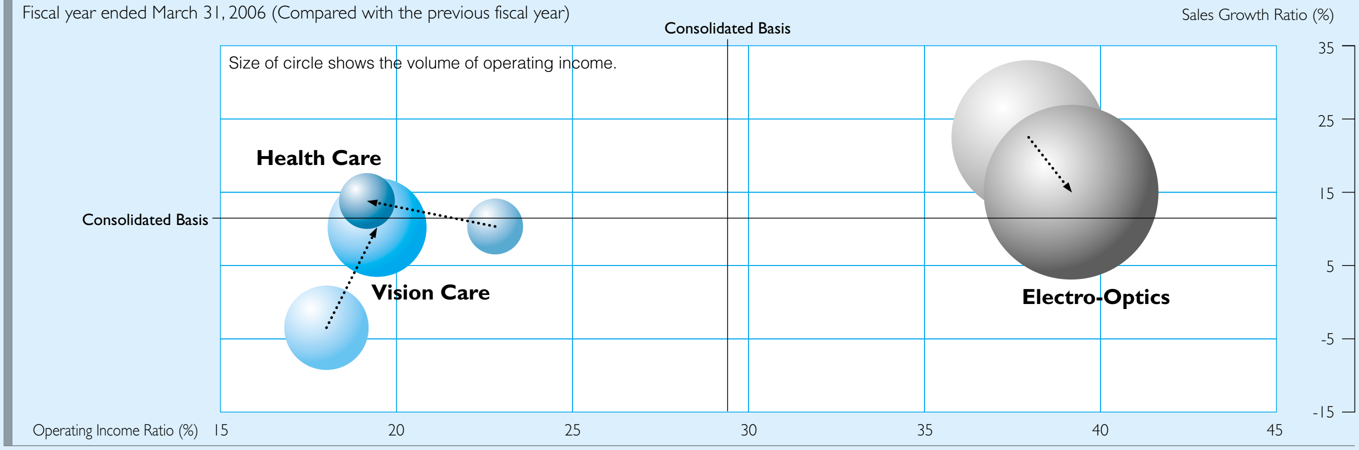


		2004	2005	2006
Net sales (Millions of yen)		135,071	165,664	190,552
Operating income (Millions of yen)		45,170	63,290	74,862
Operating income ratio* (%)	●·····	33.4	38.1	39.1
Assets (Millions of yen)		132,240	162,638	204,192
Depreciation (Millions of yen)		13,205	14,730	18,716
Capital expenditures (Millions of yen)		22,247	31,962	37,244

* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 62 Segment Information.

Sales Growth and Profitability of Main Business Segments

Fiscal year ended March 31, 2006 (Compared with the previous fiscal year)



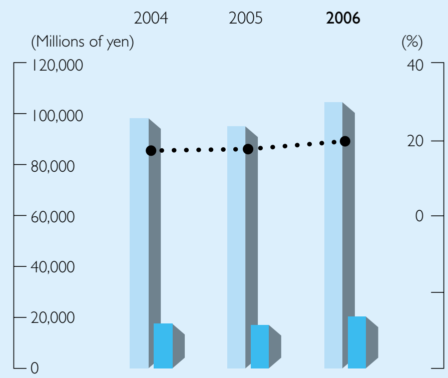
Eye Care (Vision Care Division)

Net sales of the Vision Care division rose 10.0% to ¥104,457 million. In the domestic eyeglass lens market, despite signs of deflationary trends and a sense of shrinkage of the market, there was an increase in high-value-added products such as progressive lenses, and sales rose slightly, 0.4% from the previous fiscal year. In overseas markets, on the other hand, strong growth in net sales was recorded in all regions, including Europe, North America and the Asia-Pacific region.

In Europe, the Company's principal market of Germany had remained sluggish since the abolishment in December 2003 of a provision of the health insurance system supporting the purchase of eyeglasses, but the deep-rooted popularity of high-value-added lenses and recovery since the abandonment of the health insurance provision resulted in a 15.9% rise in sales. The global headquarters for the Vision Care division has been moved to the Netherlands as part of an ongoing policy of focusing on the European market. In North America, awareness of the Hoya brand is steadily rising, and revenue rose 20.0% from the previous fiscal year as a result of the success of product strategies. In the Asia-Pacific region, the focus on marketing activity tailored to each region led to an 18.0% rise in net sales.

Operating income for the Vision Care division increased 19.3% to ¥20,370 million, while the operating income ratio was 19.5%, 1.5 percentage points higher than in the previous fiscal year. Profitability rose as a result of a decline in the sales to cost ratio following the rise in revenue, along with healthy sales of high-value-added products. By quarter, the operating income ratio was 17.9% in the first quarter, 19.6% in the second quarter, 21.9% in the third quarter and 18.7% in the fourth quarter. Circles in the segment graph have shifted up and to the right, reflecting the recovery in the net sales growth rate and increase in the profit margin.

Capital investment in the Vision Care division increased by 17.3% to ¥7,958 million. During the consolidated fiscal year under review, the Company continued to build a global production organization with a focus on optimal production locations.



		2004	2005	2006
Net sales (Millions of yen)		98,203	94,971	104,457
Operating income (Millions of yen)		17,496	17,079	20,370
Operating income ratio* (%)		17.8	18.0	19.5
Assets (Millions of yen)		92,082	90,765	98,243
Depreciation (Millions of yen)		5,735	5,900	6,444
Capital expenditures (Millions of yen)		6,916	6,787	7,958

* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 62 Segment Information.

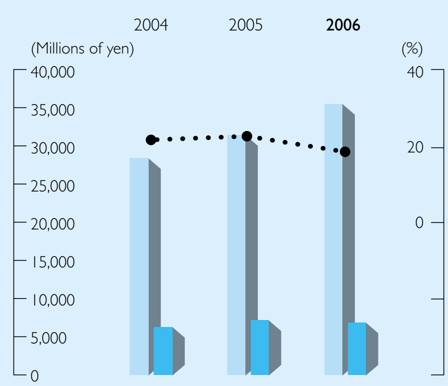
Eye Care (Health Care Division)

Net sales for the Health Care division grew 13.0% to ¥35,484 million. In contact lenses, net sales expanded strongly due to efforts by directly managed *Eye City* stores to open new locations and increase the ability to attract customers, along with promotion of consulting sales requiring a high level of expertise. In IOLs, sales rose both in Japan and overseas as a result of sales of high-value-added products such as soft and yellow lenses, and due to aggressive efforts to develop the business globally.

Operating income for the Health Care division decreased 3.9% to ¥6,859 million. In the fourth quarter of the consolidated fiscal year under review, accounting for expenses related to the point system for product sales at *Eye City* was changed from time of use to time of conferment, resulting in a full year's worth of point system expenses for the consolidated fiscal year under review being recorded as a lump sum in SGA expenses during the fourth quarter. As a result of this change in the accounting treatment for the point system, and aggressive investment of R&D expenses in the IOL field, the operating income ratio fell in the short term during the fourth quarter, and the operating income ratio for the year was down 3.4 percentage points to 19.3%. By quarter, the operating margin was 24.1% in the first quarter, 24.8% in the second quarter, 21.0% in the third quarter and 7.6% in the fourth quarter.

On the segment graph, as a result of the increase in the net sales growth rate combined with the fall in profit margin, the circle has shifted upward and to the left. It also represents the effect of forward-looking investments made with an eye to future growth.

Capital investment in the Health Care division increased approximately 3.2 times to ¥2,391 million. This was mainly for capital expenditures related to R&D in the field of IOLs, and shifting of production plants overseas.

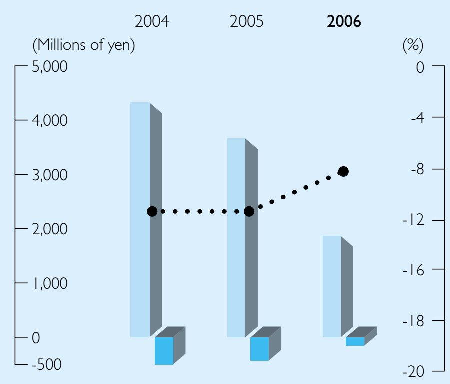


		2004	2005	2006
Net sales (Millions of yen)		28,381	31,409	35,484
Operating income (Millions of yen)		6,273	7,141	6,859
Operating income ratio* (%)		22.1	22.7	19.3
Assets (Millions of yen)		18,873	18,330	19,927
Depreciation (Millions of yen)		532	669	855
Capital expenditures (Millions of yen)		1,201	738	2,391

* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 62 Segment Information.

Other Businesses (Crystal Division)

Net sales for the Crystal division decreased 49.2% to ¥1,864 million. In response to the slowdown in corporate demand for gifts, Hoya is currently reducing the scale of this business, and is in the process of fundamentally restructuring the division. The Crystal division incurred an operating loss totaling ¥155 million for the consolidated fiscal year under review, although this loss is down significantly from the ¥421 million loss in the previous fiscal year. The value of certain assets was reduced to a recoverable amount, and the ¥864 million reduction was recorded as an impairment loss.

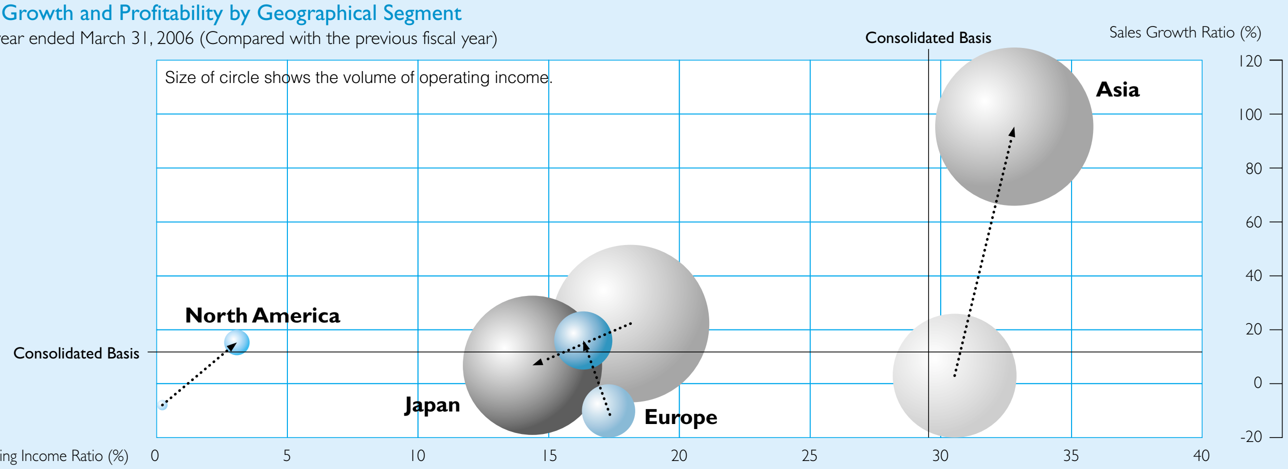


		2004	2005	2006
Net sales (Millions of yen)		4,322	3,672	1,864
Operating loss (Millions of yen)		-496	-421	-155
Operating loss ratio* (%)		-11.3	-11.3	-8.2
Assets (Millions of yen)		2,805	1,900	840
Depreciation (Millions of yen)		352	-	-
Capital expenditures (Millions of yen)		224	92	762

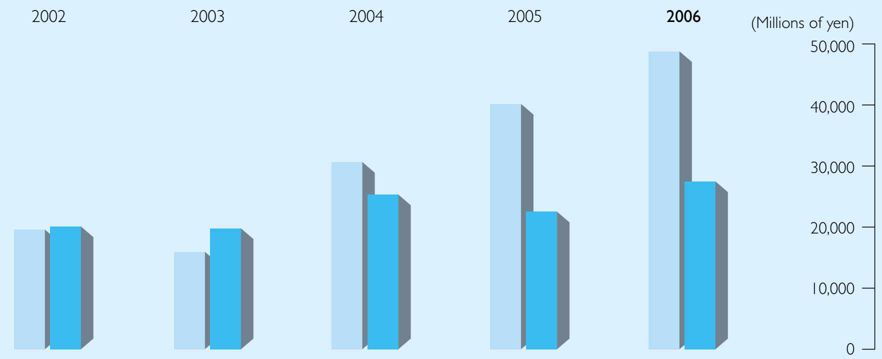
* The operating income ratio above is calculated using net sales plus intersegment sales. Please refer to details on page 62 Segment Information.

Sales Growth and Profitability by Geographical Segment

Fiscal year ended March 31, 2006 (Compared with the previous fiscal year)



Capital Expenditures

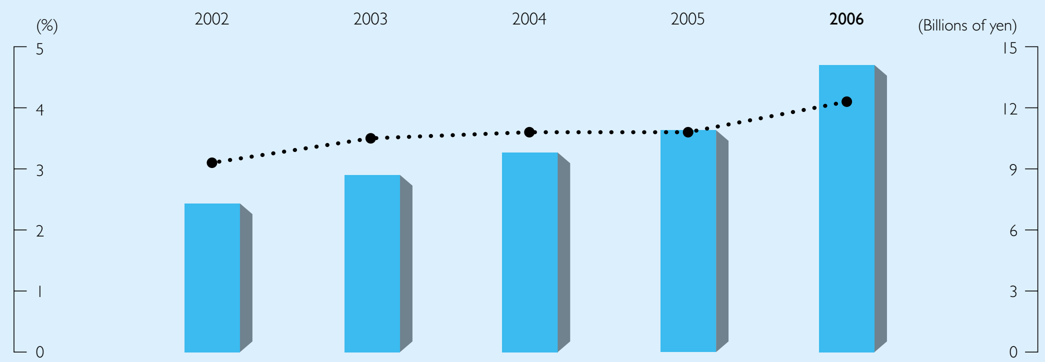


(Millions of yen)

	2002	2003	2004	2005	2006
Capital expenditures	19,585	15,948	30,659	40,175	**48,786**
Depreciation, amortization and other	20,105	19,792	25,328	22,520	**27,485**

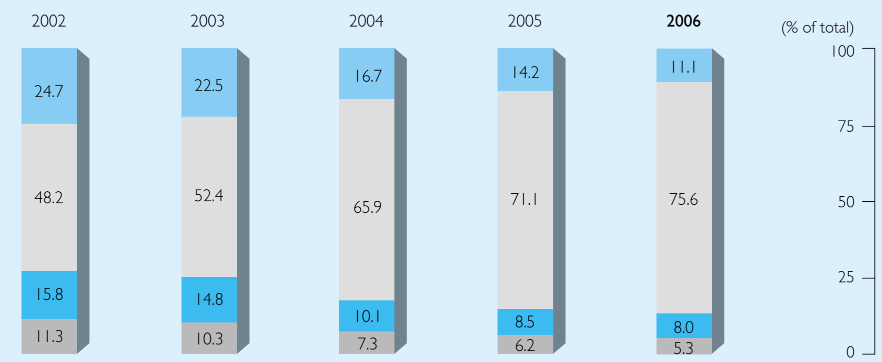
Note: Depreciation, amortization and other includes depreciation, amortization of goodwill, and loss on impairment of long-lived assets.

Research and Development Expenses



	2002	2003	2004	2005	2006
R&D expenses (Billions of yen)	7.3	8.7	9.8	10.9	**14.1**
R&D expenses/net sales (%)	3.1	3.5	3.6	3.6	**4.1**

Group Employees by Region



(Persons)

	2002	2003	2004	2005	2006
Total	13,311	14,023	18,092	21,234	**25,176**
Japan	3,282	3,150	3,023	3,007	**2,800**
Asia	6,411	7,346	11,925	15,102	**19,030**
Europe	2,102	2,082	1,821	1,809	**2,009**
North America	1,516	1,445	1,323	1,316	**1,337**

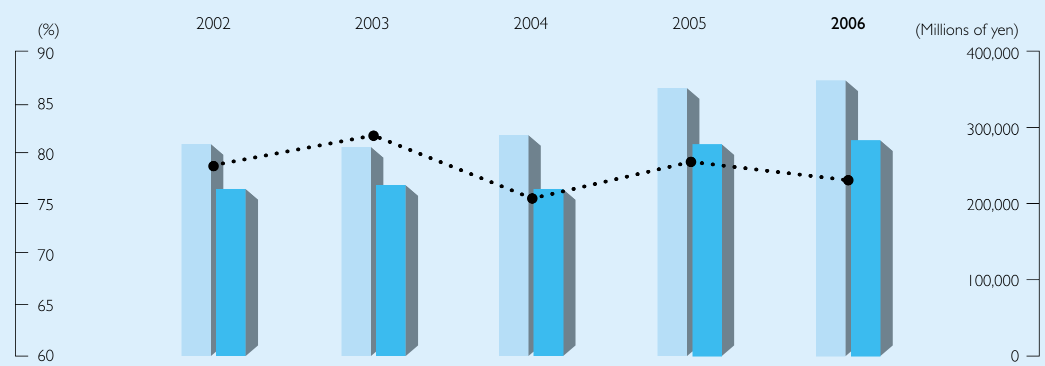
Financial Position

In terms of assets at the end of the consolidated fiscal year under review, current assets declined by 8.8% to ¥212,274 million. This was due mainly to a 4.0% increase in notes and accounts receivable to ¥78,294 million, against a 26.0% fall in cash and cash equivalents to ¥83,574 million stemming from an increase in expenditures for acquisition of treasury stock (up ¥63,994 million year on year), and an increase in dividend payments (up ¥11,157 million). Because property, plant and equipment increased 26.7% to ¥120,604 million, and investments and other assets rose 22.2% to ¥28,660 million, noncurrent assets expanded 25.8% to ¥149,264 million. Total assets increased 2.9% from the previous fiscal year to ¥361,538 million.

Current liabilities increased 12.0% to ¥79,305 million, reflecting increases in notes and accounts payable of 3.2% to ¥41,020 million, and income taxes payable of 43.1% to ¥14,342 million. Noncurrent liabilities fell 7.0% from the previous fiscal year to ¥1,832 million, while total liabilities were up 11.5% to ¥81,137 million.

In shareholders' equity, retained earnings decreased 0.7%, or ¥1,909 million, to ¥266,346 million, reflecting the increase in net income of ¥75,620 million, against a decrease of ¥77,529 million composed mainly of dividends paid of ¥23,398 million, and retirement of treasury stock of ¥53,181 million. Shareholders' equity rose 0.6% from the previous fiscal year to ¥279,481 million as a result of a shift in the foreign currency translation adjustments from a subtraction of ¥4,688 million the previous fiscal year to an addition of ¥7,142 million resulting from a decline in the value of the yen, and an increase in treasury stock of ¥8,401 million. The shareholders' equity ratio fell by 1.8 percentage points, to 77.3% from 79.1%.

Total Assets, Shareholders' Equity and Shareholders' Equity Ratio



	2002	2003	2004	2005	2006
Total assets (Millions of yen)	278,068	274,289	289,887	351,482	361,538
Shareholders' equity (Millions of yen)	219,180	224,219	218,979	277,889	279,481
Shareholders' equity ratio (%)	78.8	81.7	75.5	79.1	77.3

Cash Flows

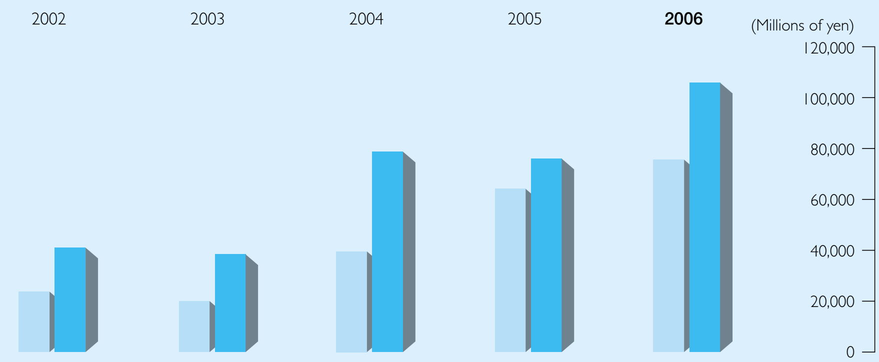
Cash provided by operating activities amounted to ¥105,855 million, an increase of ¥29,855 million from the previous fiscal year. The main factors with a positive impact on cash were income before income taxes and minority interests of ¥97,367 million (up ¥13,901 million year on year) and depreciation and amortization of ¥26,252 million (up ¥4,591 million). The main factors with a negative impact on cash were an increase in notes and accounts receivable of ¥4,042 million (down ¥1,351 million year on year), an increase in inventories of ¥2,547 million (up ¥21 million), and income taxes paid of ¥18,247 million (down ¥5,011 million).

Net cash used in investing activities amounted to ¥52,013 million, an increase of ¥16,489 million from the previous fiscal year. This mainly reflected purchases of property, plant and equipment of ¥47,742 million (up ¥14,348 million year on year), a significant rise that has continued from the previous fiscal year.

Net cash used in financing activities amounted to ¥85,788 million, an increase of ¥74,096 million from the previous fiscal year. Main uses of cash were acquisition of treasury stock of ¥64,032 million (up ¥63,994 million year on year), and payment of dividends of ¥23,403 million (up ¥11,157 million).

As a result of the above, the balance of cash and cash equivalents at the end of the consolidated fiscal year under review totaled ¥83,574 million, a decrease of ¥29,301 million.

Net Cash Provided by Operating Activities



(Millions of yen)

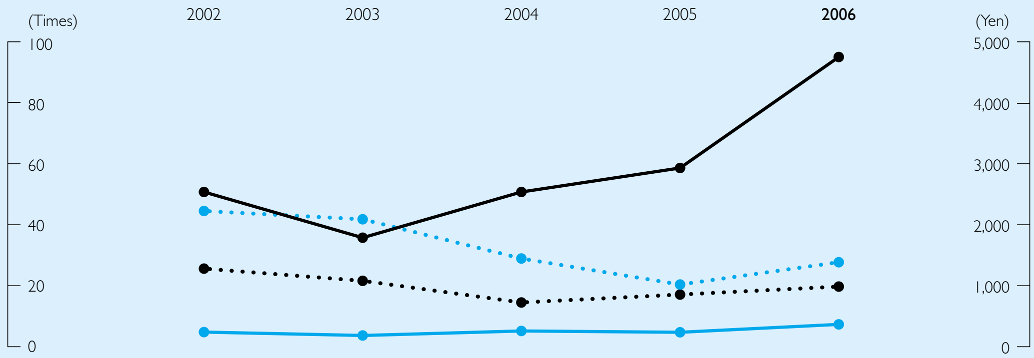
	2002	2003	2004	2005	2006
Net income	23,741	20,038	39,549	64,135	75,620
Net cash provided by operating activities	41,023	38,390	78,744	76,000	105,855

Quarterly Net Cash Provided by Operating Activities

(Millions of yen)

	2005 1Q	2005 2Q	2005 3Q	2005 4Q	2006 1Q	2006 2Q	2006 3Q	2006 4Q
Net income	16,223	16,671	16,123	15,118	20,389	18,596	20,120	16,515
Net cash provided by operating activities	10,091	25,522	12,603	27,784	17,759	29,802	17,025	41,269

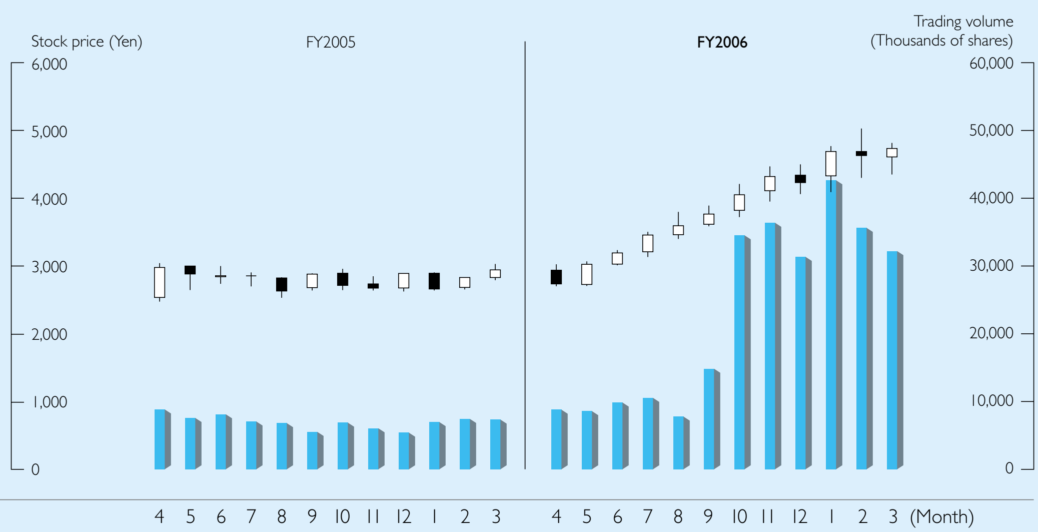
Stock Price Data



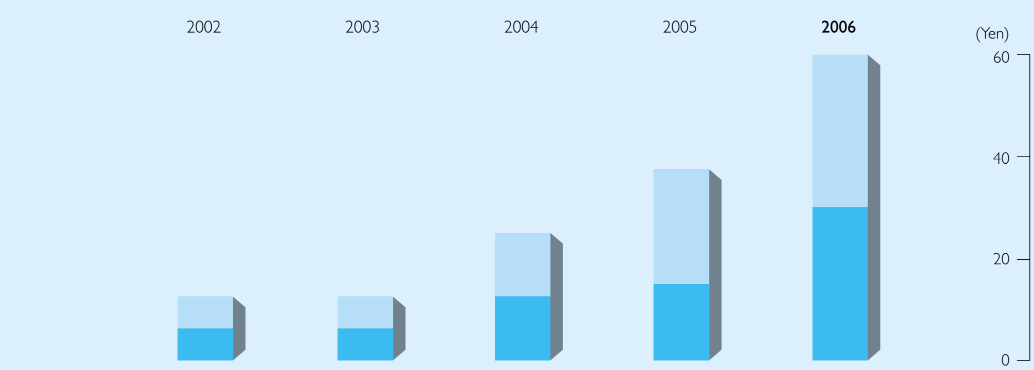
	2002	2003	2004	2005	2006
Price earnings ratio (Times)	44.5	41.8	28.9	20.4	27.7
Price cash flow ratio (Times)	25.6	21.6	14.5	17.2	19.7
Price book value ratio (Times)	4.8	3.7	5.2	4.7	7.3
Stock price at fiscal year-end (Yen) (after adjustment for stock split)	2,260	1,787	2,537	2,950	4,750

Stock Price and Trading Volume

(after adjustment for stock split)



Dividend Per Share



(Yen)

	2002	2003	2004	2005	2006
Period-end dividend	6.25	6.25	12.50	22.50	30.00
Interim dividend	6.25	6.25	12.50	15.00	30.00
Total dividend	12.50	12.50	25.00	37.50	60.00

Note: Dividend per share has been retroactively adjusted to reflect a 4-for-1 split of common shares implemented on November 15, 2005. The interim dividend per share for 2006 indicated above is ¥30 reflecting a stock split, although the actual interim payment before the split was ¥120.

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, 2006 and 2005

ASSETS	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 83,574	¥ 112,875	$ 711,450
Notes and accounts receivable:			
Trade	78,381	73,619	667,243
Other	1,426	2,913	12,139
Allowance for doubtful receivables	(1,513)	(1,236)	(12,880)
Inventories (Note 4)	41,178	36,165	350,541
Deferred income taxes (Note 10)	7,408	6,501	63,063
Prepaid expenses and other current assets	1,820	2,035	15,493
Total current assets	212,274	232,872	1,807,049
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	8,649	8,937	73,627
Buildings and structures	61,583	56,916	524,245
Machinery and vehicles	193,972	165,885	1,651,247
Furniture and equipment	25,023	22,858	213,016
Construction in progress	13,196	6,907	112,335
Total	302,423	261,503	2,574,470
Accumulated depreciation	(181,819)	(166,345)	(1,547,791)
Net property, plant and equipment	120,604	95,158	1,026,679
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,998	897	25,521
Investments in associated companies (Note 6)	11,063	9,486	94,177
Goodwill	1,875	1,336	15,962
Software	3,922	3,101	33,387
Lease deposits	3,006	2,633	25,590
Deferred income taxes (Note 10)	2,757	3,098	23,470
Other assets	3,335	3,203	28,390
Allowance for doubtful receivables	(296)	(302)	(2,520)
Total investments and other assets	28,660	23,452	243,977
TOTAL	¥ 361,538	¥ 351,482	$ 3,077,705

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
CURRENT LIABILITIES:			
Short-term loans (Note 8)	¥ —	¥ 195	$ —
Notes and accounts payable:			
Trade	28,070	24,453	238,955
Construction and other	12,950	15,289	110,241
Income taxes payable (Note 10)	14,342	10,023	122,091
Accrued bonuses to employees	4,208	3,917	35,822
Accrued expenses	18,409	14,162	156,712
Other current liabilities	1,326	2,753	11,288
Total current liabilities	79,305	70,792	675,109
LONG-TERM LIABILITIES:			
Reserve for periodic repairs	620	542	5,278
Other long-term liabilities	1,212	1,428	10,318
Total long-term liabilities	1,832	1,970	15,596
MINORITY INTERESTS	920	831	7,832
CONTINGENT LIABILITIES (Notes 12, 13 and 15)			
SHAREHOLDERS' EQUITY (Notes 9 and 17):			
Common stock— authorized, 1,250,519,400 shares in 2006 and 316,224,600 shares in 2005; issued, 435,017,020 shares in 2006 and 112,349,005 shares in 2005	6,264	6,264	53,324
Capital surplus	15,899	15,899	135,345
Retained earnings	266,346	268,255	2,267,353
Net unrealized gain on available-for-sale securities	110	38	936
Foreign currency translation adjustments	7,142	(4,688)	60,799
Treasury stock— at cost, 4,401,607 shares in 2006 and 967,762 shares in 2005	(16,280)	(7,879)	(138,589)
Total shareholders' equity	279,481	277,889	2,379,168
TOTAL	¥361,538	¥351,482	$3,077,705

Consolidated Statements of Income

Hoya Corporation and Subsidiaries
Years Ended March 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
NET SALES	¥344,228	¥308,172	¥271,444	$2,930,348
COST OF SALES (Notes 11 and 12)	172,034	158,024	142,683	1,464,493
Gross profit	172,194	150,148	128,761	1,465,855
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 11 and 12)	71,098	65,228	60,594	605,244
Operating income	101,096	84,920	68,167	860,611
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,795	1,022	558	15,281
Interest expense	(142)	(87)	(189)	(1,209)
Foreign exchange gains (losses)—net	243	875	(2,900)	2,069
Equity in earnings of associated companies	1,285	3,708	1,700	10,939
Loss on clarification of soil pollution and others	(3,726)	(1,980)	—	(31,719)
Loss on closure of plant	(523)	(1,264)	—	(4,452)
Loss on disposal of property, plant and equipment	(625)	(948)	(1,900)	(5,321)
Loss on impairment of long-lived assets (Note 5)	(1,233)	(859)	(2,040)	(10,496)
Additional retirement benefits paid to employees (Note 7)	(1,689)	(843)	(1,090)	(14,378)
Gain on sales of property, plant and equipment and other assets	109	195	523	928
Gain on transfer of business	1,656	—	—	14,097
Amortization of goodwill	—	—	(3,300)	—
Additional expense incurred to dissolve the contributory funded pension plan (Note 7)	—	—	(888)	—
Other income (expenses)—net	(879)	(1,273)	(3,145)	(7,483)
Other expenses—net	(3,729)	(1,454)	(12,671)	(31,744)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	97,367	83,466	55,496	828,867
INCOME TAXES (Note 10):				
Current	22,250	18,690	18,574	189,410
Deferred	(512)	532	(2,775)	(4,358)
Total income taxes	21,738	19,222	15,799	185,052
MINORITY INTERESTS IN NET INCOME	(9)	(109)	(148)	(76)
NET INCOME	¥ 75,620	¥ 64,135	¥ 39,549	$ 643,739

	Yen			U.S. Dollars
	2006	2005	2004	2006
PER SHARE OF COMMON STOCK (Notes 2.o and 16):				
Basic net income	¥171.71	¥578.84	¥350.96	$1.46
Diluted net income	171.08	577.52	350.56	1.46
Cash dividends applicable to the year	150.00	150.00	100.00	1.28

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Hoya Corporation and Subsidiaries
Years Ended March 31, 2006, 2005 and 2004

		Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	115,173,355	¥6,264	¥15,899	¥216,272	¥ 15	¥(7,178)	¥ (7,053)
Net income				39,549			
Appropriations:							
Cash dividends, ¥75.00 per share				(8,440)			
Bonuses to directors				(169)			
Repurchase of treasury stock	(3,962,711)						(32,905)
Disposal of treasury stock	55,894			(36)			454
Net decrease in unrealized gain on available-for-sale securities					(45)		
Net decrease in foreign currency translation adjustments						(3,648)	
BALANCE, MARCH 31, 2004	111,266,538	6,264	15,899	247,176	(30)	(10,826)	(39,504)
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	
BALANCE, MARCH 31, 2005	111,381,243	6,264	15,899	268,255	38	(4,688)	(7,879)
Net income				75,620			
Appropriations:							
Cash dividends, ¥210.00 per share				(23,398)			
Bonuses to directors				(65)			
Stock split (Note 16)	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	
Other decreases				(14)			
BALANCE, MARCH 31, 2006	430,615,413	¥6,264	¥15,899	¥266,346	¥110	¥ 7,142	¥(16,280)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2005	$53,324	$135,345	$2,283,604	$323	$(39,908)	$ (67,072)
Net income			643,739			
Appropriations:						
Cash dividends, $1.79 per share			(199,183)			
Bonuses to directors			(553)			
Stock split (Note 16)						
Repurchase of treasury stock						(545,093)
Disposal of treasury stock			(7,415)			20,856
Retirement of treasury stock			(452,720)			452,720
Net increase in unrealized gain on available-for-sale securities				613		
Net increase in foreign currency translation adjustments					100,707	
Other decrease			(119)			
BALANCE, MARCH 31, 2006	$53,324	$135,345	$2,267,353	$936	$ 60,799	$(138,589)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Hoya Corporation and Subsidiaries
Years Ended March 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 97,367	¥ 83,466	¥ 55,496	$ 828,867
Adjustments for:				
Depreciation and amortization	26,252	21,661	19,988	223,478
Amortization of goodwill	—	—	3,300	—
Provision for (reversal of) allowance for doubtful receivables	235	(345)	(1,169)	2,000
Provision for accrued bonuses to employees	278	194	191	2,367
Reversal of accrued retirement benefits	—	—	(293)	—
Provision for reserve for periodic repairs	76	185	94	647
Gain on sales of property, plant and equipment and other assets	(109)	(195)	(523)	(928)
Loss on disposal of property, plant and equipment	625	948	1,900	5,321
Loss on impairment of long-lived assets	1,233	859	2,040	10,496
Foreign exchange loss (gain)	(599)	(233)	1,209	(5,099)
Bonuses to directors	(65)	(63)	(169)	(553)
Gain on transfer of business	(1,656)	—	—	(14,097)
Equity in earnings of associated companies	(1,285)	(3,708)	(1,700)	(10,939)
Other	77	554	1,126	655
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(4,042)	(5,393)	(4,997)	(34,409)
Decrease (increase) in inventories	(2,547)	(2,526)	222	(21,682)
Decrease (increase) in other current assets	2,097	2,428	(1,961)	17,851
Increase (decrease) in notes and accounts payable	3,644	(1,629)	5,116	31,021
Increase in other current liabilities	2,420	3,142	1,719	20,601
Interest and dividends income	(1,795)	(1,022)	(558)	(15,281)
Interest expense	142	87	189	1,209
Interest and dividends receivable	1,866	958	659	15,885
Interest payable	(112)	(110)	(155)	(953)
Income taxes—paid	(18,247)	(23,588)	(6,880)	(155,333)
Income taxes—refunded	—	330	3,900	—
Total adjustments	8,488	(7,466)	23,248	72,257
Net cash provided by operating activities	105,855	76,000	78,744	901,124
INVESTING ACTIVITIES:				
Proceeds from sales of investment securities	—	—	102	—
Payments for investment securities	(2,070)	(10)	(379)	(17,622)
Acquisition of majority shares	(337)	—	—	(2,869)
Proceeds from sales of property, plant and equipment	267	541	814	2,273
Payments for property, plant and equipment	(47,742)	(33,394)	(23,212)	(406,419)
Payments for purchases of goodwill	—	—	(3,300)	—
Proceeds from transfer of business	2,230	—	—	18,984
Proceeds from other assets	271	532	2,829	2,307
Payments for purchases of other assets	(4,632)	(3,193)	(5,193)	(39,431)
Net cash used in investing activities	(52,013)	(35,524)	(28,339)	(442,777)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
FINANCING ACTIVITIES:				
Net decrease in short-term loans	¥ (208)	¥ (158)	¥ (1,738)	$ (1,771)
Payments for purchases of treasury stock	(64,032)	(38)	(32,921)	(545,092)
Proceeds from sales of treasury stock	1,855	911	419	15,791
Dividends paid	(23,403)	(12,246)	(8,588)	(199,225)
Other	(0)	(161)	(25)	(0)
Net cash used in financing activities	(85,788)	(11,692)	(42,853)	(730,297)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,946)	28,784	7,552	(271,950)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARY AT THE DATE OF CHANGE	—	—	378	—
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,645	3,666	(3,199)	22,516
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,875	80,425	75,694	960,884
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 83,574	¥112,875	¥ 80,425	$ 711,450
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Retirement of treasury stock	¥ 53,181	¥ 30,702	¥ —	$ 452,720
Increase in assets and liabilities due to consolidation of a subsidiary previously unconsolidated				
Assets (primarily accounts receivable, inventory and property)	—	—	2,607	—
Liabilities (primarily trade payables)	—	—	(870)	—

See notes to consolidated financial statements.

No. 1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, 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 shareholders' equity) from the consolidated financial statements of 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, 2006, which was ¥117.47 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, 2006 include the accounts of the Company and its 62 (58 in 2005 and 55 in 2004) 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 associated company through the years is accounted for by the equity method and remaining associated companies are stated at cost due to immateriality.

The differences between the cost and underlying net equity of investment in consolidated subsidiaries and associated companies accounted for by the equity method are charged to income when incurred.

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 shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

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 66.4% of total tangible fixed assets in 2006 and 56.3% in 2005. The ranges of useful lives are from 10 to 50 years for buildings and structures and from 5 to 10 years for machinery and vehicles.

f. 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 with a period of 20 years on a straight-line method.

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

i. 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.

j. 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.

k. 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.

l. 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.

m. 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 shareholders' equity.

Revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the monthly average exchange rates.

n. 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.

The foreign exchange forward contracts employed to hedge foreign currency exchange rate exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

o. 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.

p. Reclassifications—Certain reclassifications have been made for the 2005 and 2004 consolidated financial statements to conform to the classifications used in 2006. These changes had no impact on previously reported results of operations or cash flows or shareholders' equity.

No. 3 INVESTMENT SECURITIES

Investment securities as of March 31, 2006 and 2005 mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Marketable equity securities	¥1,875	¥309	$15,962
Non-marketable equity securities	1,081	588	9,202
Total	¥2,956	¥897	$25,164

The carrying amounts and aggregate fair values of marketable equity securities at March 31, 2006 and 2005 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006:				
Available-for-sale—Equity securities	¥1,693	¥182	—	¥1,875
March 31, 2005:				
Available-for-sale—Equity securities	160	149	—	309

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006				
Available-for-sale—Equity securities	$14,412	$1,550	—	$15,962

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Equity securities	¥ 802	¥274	$6,827
Investment to limited partnership and others	279	314	2,375
Total	¥1,081	¥588	$9,202

There were no sales of available-for-sale securities for the years ended March 31, 2006 and 2005.

No. 4 INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Finished products and merchandise	¥15,646	¥14,623	$133,191
Semi-finished products and work in process	9,446	8,084	80,412
Raw materials	6,836	6,198	58,194
Supplies	9,250	7,260	78,744
Total	¥41,178	¥36,165	$350,541

No. 5 LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2006 and 2005. As a result, the Group recognized impairment losses of ¥864 million ($7,355 thousand) and ¥92 million for the years ended March 31, 2006 and 2005, respectively, as other expense for a decline in value, mainly from property of certain plants including the Musashi 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 as of 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 in consult of appraised value of land facing a thoroughfare and sales amount among others.

The Group reviewed its long-lived assets for impairment as of 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.

No. 6 INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Investments	¥11,063	¥9,486	$94,177

No.7 RETIREMENT BENEFITS AND PENSION PLANS

For the year ended March 31, 2003, the Company and certain domestic subsidiaries dissolved the contributory funded plan and abolished the unfunded retirement benefit plan. The remaining balance of transitional obligation at the dissolution of the contributory funded pension plan and the abolishment of the unfunded retirement benefit plan was charged to income in the year ended March 31, 2003.

The components of net periodic benefit costs for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Additional expense incurred to dissolve the contributory funded pension plan	¥ —	¥ —	¥ 888	$ —
Additional retirement benefits paid to employees	1,689	843	1,090	14,378
Net periodic benefit costs	¥1,689	¥843	¥1,978	$14,378

Additional expenses incurred to dissolve the contributory funded pension plan were loss incurred on the dissolution of the plan for the year ended March 31, 2004.

No.8 SHORT-TERM LOANS

Short-term loans at March 31, 2005 consisted of notes to banks and bank overdrafts and the annual interest rates applicable to the short-term loans were 4.70% at March 31, 2005. There were no short-term loans at March 31, 2006.

No.9 SHAREHOLDERS' EQUITY

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, 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.

Japanese Company Law ("the Law") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code was repealed ("the Code").

Under the Code, companies were required to set aside an amount equal to at least 10% 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 Law, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in-capital or legal earnings reserve. Under the Code, additional paid-in capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, even when the total amount of additional paid-in-capital and legal earnings reserve is less than 25% of common stock, additional paid-in-capital and legal earnings reserve may be available for dividends if there are sufficient distributable surplus. 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 may be capitalized by a resolution of the Board of Directors. Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 reserve to be reduced in the case where such reduction was resolved at the shareholders meeting. The Company retired treasury stock of ¥53,181 million ($452,720 thousand) and ¥30,702 million during the fiscal years ended March 31, 2006 and 2005, respectively.

The general shareholders meeting held in June 2003 approved the introduction of the Committees System stipulated in the Code. Before the Committees System was introduced, dividends had been approved by the general shareholders meeting held subsequent to the fiscal year to which the dividends were applicable. After introducing the Committees System, dividends may be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

No. 10 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, 2006 and 2005 and 41.7% for the year ended March 31, 2004.

Significant components of deferred tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current:			
Deferred tax assets:			
Inventories—intercompany unrealized profits	¥1,692	¥1,711	$14,404
Accrued bonuses to employees	1,602	1,529	13,638
Accrued loss on clarification of soil pollution and others	1,474		12,548
Accrued enterprise taxes	728	692	6,197
Accrued expenses	—	498	—
Inventories—loss on write-down	254	455	2,162
Other	1,658	1,616	14,114
Total	¥7,408	¥6,501	$63,063
Non-current:			
Deferred tax assets:			
Amortization of goodwill and property, plant and equipment	¥1,962	¥1,876	$16,702
Loss on impairment of long-lived assets	1,376	862	11,714
Loss on closure of plant in the next year	—	510	—
Allowance for doubtful receivables	105	117	894
Other	259	624	2,205
Total	3,702	3,989	31,515
Deferred tax liabilities:			
Reserves for special depreciation and other	705	700	6,002
Other	240	191	2,043
Total	945	891	8,045
Net deferred tax assets	¥2,757	¥3,098	$23,470

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, 2006, 2005 and 2004 was as follows:

	2006	2005	2004
Normal effective statutory tax rate	**40.4%**	40.4%	41.7%
Lower or exemption of income tax rates applicable to income in certain foreign countries	**(18.2)**	(13.8)	(12.4)
Expenses not permanently deductible for income tax purposes	**0.4**	0.4	0.7
Per capita portion	**0.1**	0.1	0.2
Non-taxable dividend income	**(1.8)**	(2.6)	(2.1)
Intercompany cash dividend and transactions	**1.8**	0.8	1.6
Equity in earnings of associated companies	**(0.5)**	(1.8)	(1.2)
Special income tax credit on experiment and research expenses	**(0.5)**	(0.8)	(1.1)
Other—net	**0.6**	0.3	1.1
Actual effective tax rate	**22.3%**	23.0%	28.5%

No. 11 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2006, 2005 and 2004 were ¥14,135 million ($120,329 thousand), ¥10,957 million and ¥9,847 million, respectively.

No. 12 LEASES

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses including lease payments for the years ended March 31, 2006, 2005 and 2004 were ¥5,602 million ($47,689 thousand), ¥5,802 million and ¥6,748 million, respectively. For the year ended March 31, 2004, the Group recorded an impairment loss of ¥276 million on certain leased property held under finance leases that do not transfer ownership, and an allowance for impairment loss on leased property, which is included in current liabilities.

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, 2006 and 2005 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2006			2005			2006		
	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total
Acquisition cost	**¥3,485**	**¥2,084**	**¥5,569**	¥3,796	¥2,409	¥6,205	**$29,667**	**$17,741**	**$47,408**
Accumulated depreciation	**2,398**	**1,138**	**3,536**	2,191	1,667	3,858	**20,414**	**9,687**	**30,101**
Accumulated impairment loss	**—**	**—**	**—**	—	203	203	**—**	**—**	**—**
Net leased property	**¥1,087**	**¥ 946**	**¥2,033**	¥1,605	¥ 539	¥2,144	**$ 9,253**	**$ 8,054**	**$17,307**

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
	2006	2005	2006
Due within one year	¥ 833	¥ 786	$ 7,091
Due after one year	1,200	1,358	10,216
Total	¥2,033	¥2,144	$17,307

Allowance for impairment loss on leased property of ¥170 million as of March 31, 2005 is not included in obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Depreciation expense	¥726	¥959	¥1,297	$6,180
Lease payments	896	959	1,297	7,627
Reversal of allowance for impairment loss on leased property	170	105	—	1,447
Impairment loss	—	—	276	—

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

No. 13 CONTINGENT LIABILITIES

At March 31, 2006, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Guarantees of borrowings and lease obligations for customers	¥2,206	¥1,364	$18,779
Guarantees of borrowings for the Group's employees	4	5	34
Total	¥2,210	¥1,369	$18,813

No. 14 STOCK-BASED COMPENSATION PLANS (UNAUDITED)

On June 17, 2005, June 18, 2004, June 20, 2003 and June 21, 2002, the Company's shareholders approved a stock option plan for the Group's directors and key employees. Under the plan, 4,401 thousand options were granted to them to purchase shares of the Company's common stock during the exercise period from October 1, 2006 to September 30, 2015, October 1, 2005 to September 30, 2009, October 1, 2004 to September 30, 2008 or from October 1, 2003 to September 30, 2007. The options were granted at an exercise price of ¥4,150, ¥2,713, ¥2,438, ¥1,673 or ¥1,918.

At the Company's shareholders' meeting held on June 16, 2006, the following stock option plan for the Group's directors and key employees was approved. The plan provides for granting options to the Group's directors and key employees to purchase up to 1,200 thousand shares of the Company's common stock in the period from October 1, 2007 to September 30, 2016. The options are granted at an exercise price at the fair value at the previous date of the option grant. The Company plans to issue acquired treasury stock upon exercise of the stock options.

No. 15 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, 2006 and 2005 and such amounts which are assigned to the associated assets or liabilities and are recorded on the balance sheets at March 31, 2006 and 2005, are not subject to disclosure of market value information.

No. 16 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006, 2005 and 2004 was follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	EPS
Year ended March 31, 2006:				
Basic EPS—Net income available to common shareholders	¥75,555	440,008	¥171.71	$1.46
Effect of dilutive securities—Stock options	—	1,625		
Diluted EPS—Net income for computation	¥75,555	441,633	¥171.08	$1.46
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	
Year ended March 31, 2004:				
Basic EPS—Net income available to common shareholders	¥39,500	112,545	¥350.96	
Effect of dilutive securities—Stock options	—	129		
Diluted EPS—Net income for computation	¥39,500	112,674	¥350.56	

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 and 2004, net income per share would have been ¥144.71 ($1.23) in 2005 and ¥87.74 ($0.75) in 2004.

No. 17 SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings for the year ended March 31, 2006 were resolved by the Company's Board of Directors on May 25, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30.00 ($0.26) per share	¥12,918	$109,969

In addition to the cash dividends described above, the Company paid interim cash dividends of ¥13,374 million ($113,850 thousand, ¥120.00 ($1.02) per share) on November 21, 2005 to shareholders of record as of September 30, 2005, based on a resolution of the Board of Directors.

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, 2006, 2005 and 2004 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen								
	2006								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
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				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
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

	Thousands of U.S. Dollars								
	2006								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
Sales to customers	$1,622,133	$85,920	$889,223	$302,068	$15,868	$15,136	$2,930,348	$ —	$2,930,348
Intersegment sales	6,333	2,094	9	0	281	36,886	45,603	(45,603)	—
Total sales	1,628,466	88,014	889,232	302,068	16,149	52,022	2,975,951	(45,603)	2,930,348
Operating expenses	991,181	80,063	715,825	243,679	17,468	46,514	2,094,730	(24,993)	2,069,737
Operating income (loss)	$ 637,285	$ 7,951	$173,407	$ 58,389	$ (1,319)	$ 5,508	$ 881,221	$(20,610)	$ 860,611

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

	Thousands of U.S. Dollars								
	2006								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
Assets	$1,738,248	$64,748	$836,324	$169,635	$7,151	$33,915	$2,850,021	$227,684	$3,077,705
Depreciation	159,326	928	54,857	7,278	—	451	222,840	638	223,478
Impairment loss	—	—	—	—	7,355	—	7,355	3,141	10,496
Capital expenditures	317,051	1,771	67,745	20,354	6,487	1,362	414,770	536	415,306

a. Sales and Operating Income

	Millions of Yen								
	2005								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
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 and Capital Expenditures

	Millions of Yen								
	2005								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
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

a. Sales and Operating Income

	Millions of Yen								
	2004								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥135,071	¥4,116	¥98,203	¥28,381	¥4,322	¥1,351	¥271,444	¥ —	¥271,444
Intersegment sales	81	—	18	—	62	5,804	5,965	(5,965)	—
Total sales	135,152	4,116	98,221	28,381	4,384	7,155	277,409	(5,965)	271,444
Operating expenses	89,982	4,193	80,725	22,108	4,880	6,547	208,435	(5,158)	203,277
Operating income (loss)	¥ 45,170	¥ (77)	¥17,496	¥ 6,273	¥ (496)	¥ 608	¥ 68,974	¥ (807)	¥ 68,167

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen								
	2004								
	Information Technology		Eye Care		Lifestyle Refinement				
	Electro-Optics	Photonics	Vision Care	Health Care	Crystal	Service	Total	Eliminations and Corporate	Consolidated
Assets	¥132,240	¥1,748	¥92,082	¥18,873	¥2,805	¥2,797	¥250,545	¥39,342	¥289,887
Depreciation	13,205	59	5,735	532	352	30	19,913	75	19,988
Impairment loss	—	—	—	—	2,040	—	2,040	—	2,040
Capital expenditures	22,247	36	6,916	1,201	224	14	30,638	21	30,659

Notes: 1. The Company and subsidiaries primarily engage in the manufacture and sale of products in six major segments grouped on the basis of similarities in the types, nature and market of the products. The six segments, namely, Electro-Optics, Photonics, Vision Care, Health Care, Crystal and Service, 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.
Crystal: Crystal glass products
Service: Construction of information systems, outsourcing, etc.

2. Corporate operating expenses consist primarily of the administration expenses of the Company and foreign holding companies, which are not allocated to industry segments. Corporate operating expenses for the years ended March 31, 2006, 2005 and 2004 were ¥2,630 million ($22,389 thousand), ¥2,873 million and ¥2,424 million, respectively.
3. Corporate assets consist primarily of cash, time deposits, investment securities and administrative assets of the Company and the foreign holding companies. Corporate assets as of March 31, 2006, 2005 and 2004 were ¥35,135 million ($299,098 thousand), ¥75,076 million and ¥52,594 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.

(2) Geographical Segments

The geographical segments of the Company and subsidiaries for the years ended March 31, 2006, 2005 and 2004 are summarized as follows:

	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**

	Thousands of U.S. Dollars						
	2006						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$2,085,622	$301,958	$333,974	$ 208,794	$2,930,348	$ —	$2,930,348
Interarea transfers	203,465	1,890	5,814	1,028,458	1,239,627	(1,239,627)	—
Total sales	2,289,087	303,848	339,788	1,237,252	4,169,975	(1,239,627)	2,930,348
Operating expenses	1,961,471	294,594	284,047	827,667	3,367,779	(1,298,042)	2,069,737
Operating income	$ 327,616	$ 9,254	$ 55,741	$ 409,585	$ 802,196	$ 58,415	$ 860,611
Assets	$1,394,739	$190,491	$539,253	$1,270,954	$3,395,437	$ (317,732)	$3,077,705

	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

	Millions of Yen						
	2004						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥188,441	¥33,113	¥37,486	¥12,404	¥271,444	¥ —	¥271,444
Interarea transfers	16,790	91	849	60,196	77,926	(77,926)	—
Total sales	205,231	33,204	38,335	72,600	349,370	(77,926)	271,444
Operating expenses	167,669	31,390	29,294	54,693	283,046	(79,769)	203,277
Operating income	¥ 37,562	¥ 1,814	¥ 9,041	¥17,907	¥ 66,324	¥ 1,843	¥ 68,167
Assets	¥161,336	¥19,059	¥26,691	¥66,338	¥273,424	¥ 16,463	¥289,887

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 consisted of the following countries:

North America: United States of America, Canada, etc.
Europe: Netherlands, Germany, United Kingdom, etc.
Asia: Singapore, Thailand, China, Republic of Korea, Taiwan, etc.

2. Corporate operating expenses consist primarily of the administration expenses of the Company and one foreign holding company, which are not allocated to segments by geographic area. Corporate operating expenses for the years ended March 31, 2006, 2005 and 2004 were ¥2,317 million ($19,724 thousand), ¥2,562 million and ¥2,074 million, respectively.

3. Corporate assets consist primarily of cash, time deposits, investment securities and administrative assets of the Company and one foreign holding company. Corporate assets as of March 31, 2006, 2005 and 2004 were ¥33,959 million ($289,087 thousand), ¥72,841 million and ¥47,511 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, 2006, 2005 and 2004 are summarized as follows:

	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%**

	Thousands of U.S. Dollars				
	2006				
	North America	Europe	Asia	Other	Total
Overseas sales	**$363,267**	**$350,736**	**$732,000**	**$7,321**	**$1,453,324**
Consolidated sales					**2,930,348**

	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%

	Millions of Yen				
	2004				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥38,283	¥40,168	¥44,656	¥12	¥123,119
Consolidated sales (B)					271,444
(A)/(B)	14.1%	14.8%	16.5%	0.0%	45.4%

Note: The Company and subsidiaries are summarized in four segments by geographic area based on the countries where the customers are located. The segments consisted of the following countries:

North America: United States of America, Canada, etc.
Europe: Netherlands, Germany, United Kingdom, etc.
Asia: Singapore, Thailand, Republic of Korea, Taiwan, etc.
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 sheet of Hoya Corporation and consolidated subsidiaries as of March 31, 2006, and the related consolidated statement of income, shareholders' equity and cash flows for the year 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, 2006 and the consolidated results of their operations and their cash flows for the year then ended , in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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 16, 2006

Corporate Data

(As of March 31, 2006)

Established

November 1, 1941

Paid-in Capital

¥ 6,264,201,967

State of Employees

Number of employees of HOYA Corporation:

3,220 (increased 47 from the end of the previous fiscal year)

Average age: 41.0

Average years of service: 12.8

Total number of employees in the Hoya Group:

25,176 (increased 3,942 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 16, 2006)

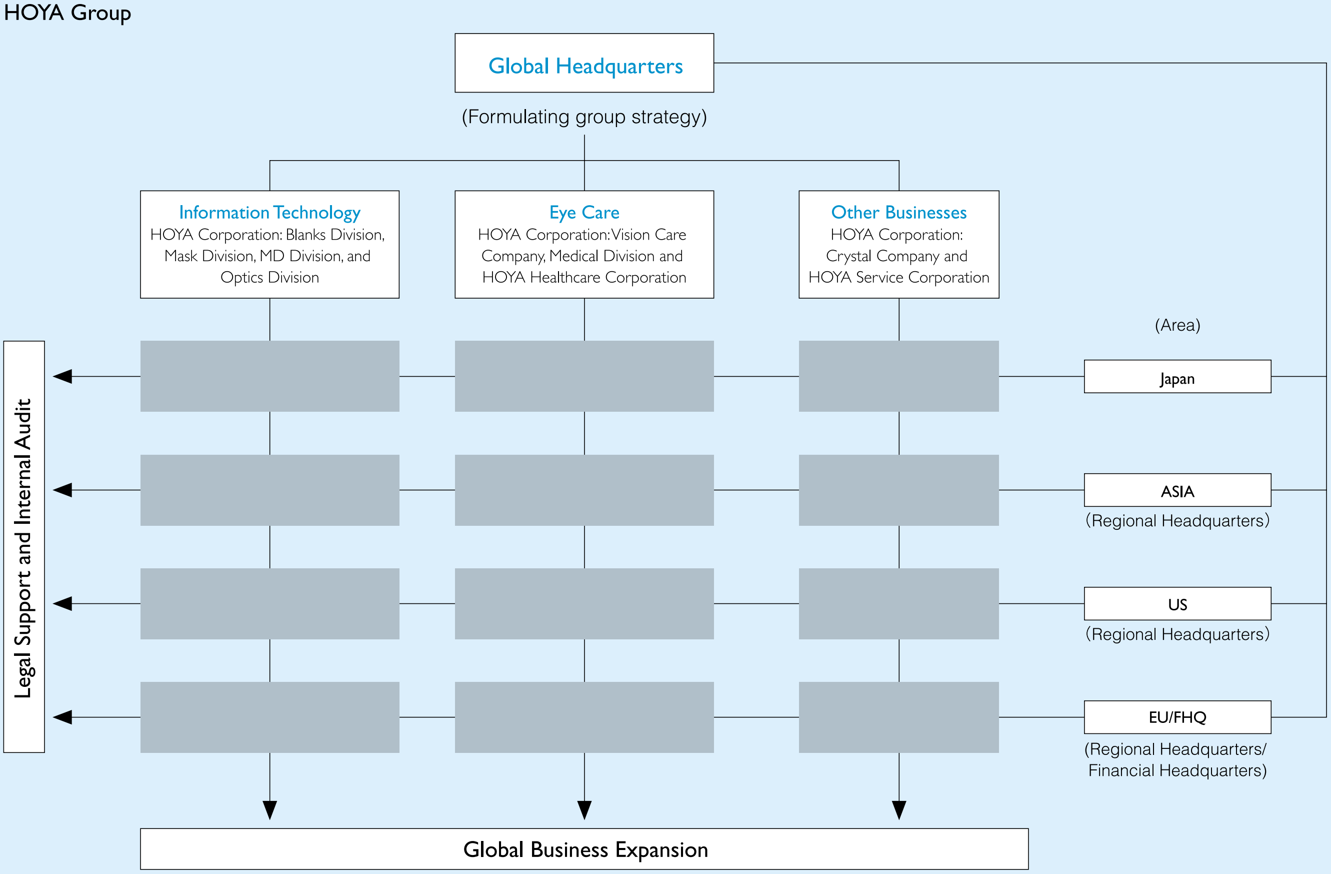
Directors

Takeo Shiina (Senior Advisor of IBM Japan, Ltd.)
Yuzaburo Mogi (Chairman & CEO of Kikkoman Corporation)
Yoshikazu Hanawa (Advisor and 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 and Strategy & Business Development)

HOYA Group



Investor Information

(As of March 31, 2006)

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

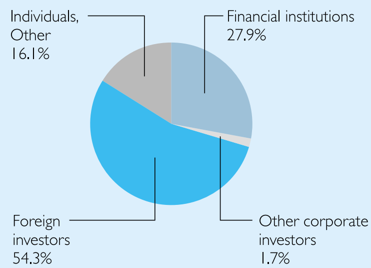
Number of Shareholders

51,789

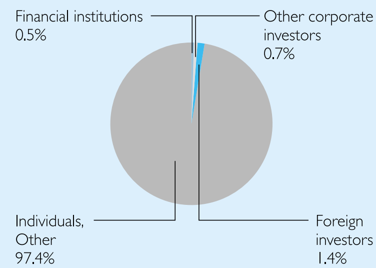
※ A four for one split of common shares was implemented on November 15, 2005. As of February 1, 2006, the Company retired 14,379,000 shares of treasury stock.

Breakdown of Shareholders

<Ownership>



<Number of Shareholders>



Acquisition, Disposal and Ownership by the Company of Its Own Shares:

Acquisition of shares

Common stock: 15,695,711 shares

Aggregate acquisition price: ¥64,031 million

Disposal of shares

Common stock: 786,152 shares

Aggregate disposal price: ¥1,577million

Retirement of Shares

Common stock: 14,379,000 shares

Number of shares owned by the Company at the end of the fiscal year under review

Common stock: 4,401,607 shares

(Note) As of March 31, 2005, the Company owned 3,871,048 shares of its common stock.

Principal Shareholders

	Shareholders	Number of shares (Hundreds of shares)	Percentage of voting rights (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	281,424	6.53
2	State Street Bank and Trust Company	249,435	5.79
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	228,443	5.30
4	The Chase Manhattan Bank, N.A. London	218,406	5.07
5	State Street Bank and Trust Company 505103	152,915	3.55
6	The Dai-ichi Mutual Life Insurance Company	115,306	2.67
7	Nippon Life Insurance Company	100,001	2.32
8	The Chase Manhattan Bank, N.A. London, SL Omnibus Account	93,460	2.17
9	Mamoru Yamanaka	90,197	2.09
10	The Chase Manhattan Bank 385036	87,464	2.03
	Above total	**1,617,054**	**37.56**

Issuance of New Share Subscription Rights

Following the approval at the 67th Ordinary General Meeting of Shareholders, in connection with the resolution of the Board of Directors, the Company issued new share rights as stock option. Details are disclosed as below:

Fifth issue of new subscription rights for common stock (Resolved by the Board of Directors on December 22, 2005)

1. Number of new share subscription rights the Company granted: 2,225 rights
2. Class and number of new shares to be issued upon exercising of new share subscription rights: 890,000 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: ¥ 4,150
5. New share subscription period: From October 1, 2006 to September 30, 2015 Maximum percentage of new share subscription rights exercisable during each period is fixed separately.

Common Stock Price Range

	2005		2006	
	High	Low	High	Low
Jan.–Mar.	¥ 3,037	¥ 2,645	¥ 5,040	¥ 4,100
Apr.–June	3,242	2,707	4,990	3,550
July–Sept.	3,900	3,140		
Oct.–Dec.	4,510	3,730		

※ Stock prices have been retroactively adjusted to reflect four for one split of common shares implemented on November 15, 2005.

Transfer Agent of Common Stock Handling Office

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Corporate Agency Department
7-10-11 Higashisuna, Koto-ku,
Tokyo 137-8081, Japan
Tel. 03-5683-5111

Hoya's Timeline

(As of March 31, 2006)

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 Philosophy of Environment 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 holding company 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 meregd with Hoya Corporation.

Hoya's Directory

(As of March 31, 2006)

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(As of March 31, 2006)

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※Equity-method affiliate

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