



HOYA REPORT 2015




President & CEO **Hiroshi Suzuki**

Report on Results for the Fiscal Year Ended March 31, 2015

Net sales of the HOYA Group for fiscal 2015 (ended March 31, 2015) amounted to ¥489.9 billion, representing an increase of 14.6% over the previous fiscal year. Pretax profit was ¥118.2 billion, 38.3% higher year on year, and net profit amounted to ¥92.9 billion, representing a 54.5% increase over fiscal 2014. HOYA currently positions its Life Care business segment as a growth field, while, on the one hand, the role of the Information Technology segment as a mature field is to generate stable earnings. Based on this positioning, HOYA is continuing to expand its business portfolio. Both the Life Care and Information Technology segments reported increases in sales and profit. In fiscal 2015, as the Life Care segment continued steady growth, the Information Technology segment showed major increases in profit, supported by stronger demand than was expected. In the Information Technology segment in particular, HOYA made progress in reducing costs as a result of the acceleration of structural reforms in recent years based on a conservative market outlook. In the midst of strong market demand, HOYA has been able to respond successfully, and this has been responsible for the favorable results reported by the segment. However, our view that the Life Care segment will drive the accelerated growth of the HOYA Group in the long term remains unchanged.

In the Life Care field, HOYA reported a major increase in sales, due to expansion in sales of eyeglass lenses in overseas markets and the consolidation of Seiko Optical Products Co., Ltd. (SOP) at the end of the previous fiscal year. In the endoscopes business, over the past two to three years, HOYA has concentrated on tapping into demand in emerging countries and regions, including Eastern Europe, the Middle East, and Russia. However, due to such factors as the deterioration of political conditions in those areas, sales remained at the same level as in the previous year. In the contact lenses retailing business, as a result of the impact of the increase in Japan's consumption tax, sales were below the previous fiscal year. However, sales of intraocular lenses for cataract surgery have recovered steadily from the recall conducted previously, and sales expanded. As a result of these developments, sales of the Life Care segment were ¥306.6 billion, representing a major increase of 15.5% year on year. Segment pretax profit was ¥52.9 billion, an increase of 6.5% over the previous fiscal year.

In the Information Technology segment, among electronics-related products, demand for the replacement of PCs accompanying the termination of Windows XP support and demand for servers and external hard disk drives (HDDs) as well as other applications was firm. As a result, the glass memory disks (substrates) for HDDs business made a major contribution to expansion in sales. In the imaging-related products business, as demand for digital cameras has stagnated in recent years, HOYA has worked to develop lens products for new applications, such as surveillance cameras, "action cameras" for recording sports and other outdoor activities, and automobile-mounted cameras, and sales have increased. As a result of these activities, sales in the Information Technology segment were ¥180.1 billion, up 13.1% from the previous fiscal year. Segment pretax profit amounted to ¥57.3 billion, representing a 59.8% increase year on year.

Performance by business segment is explained in detail in the messages from the Executive Officers of the respective segments. Please refer to these.

Performance in fiscal 2015

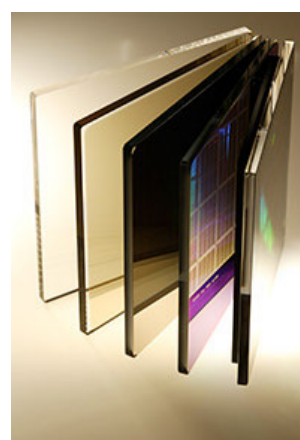
(Millions of yen)

	FY2014	FY2015	Growth Rate
Consolidated Sales	427,575	489,961	+14.6%
Consolidated Profit Before Tax	85,486	118,249	+38.3%
Profit from Ordinary Operating Activities	81,117	110,282	+36.0%

* "Profit from Ordinary Operating activities" excludes financial income/costs, share of profit (loss) of associates, foreign exchange gains or losses, and other non-recurring gains or losses from profit before tax.

HOYA's Business Portfolio Management and Outlook

The HOYA Group operates a range of different businesses simultaneously, and, while maintaining a balance among these businesses, HOYA's basic management stance is to conduct "business portfolio management" to secure profitability, stability, and growth for the Group as a whole. One of the features of HOYA Group management is the development and nurturing of niche markets where it can demonstrate its strengths, and maximize profitability by capturing a high market share in these markets. In other words, HOYA's base strategy is to be "a big fish in a small pond." In the Information Technology field, this structure has been put into place, and there are many businesses where we already have a high market share. As a result, we have secured relatively high profitability in those markets. On the other hand, market trends in these businesses are a factor determining HOYA's performance. In mature markets, we want to continue to secure stable earnings by anticipating future changes in the business environment and responding promptly.



On the other hand, in the Life Care field, there are businesses where we are not "a big fish in a small pond," because within large markets, there are competitors that are bigger than HOYA, and we are the No. 2 company. All our markets are expected to expand in the long term, and there are domains where there is considerable room for growth. Going forward, the issue of most importance for HOYA's growth will be expanding its market share.



To expand market share, we will not make a frontal attack on competing companies, but further segment the markets by region and type of product and specify the markets where we will compete (i.e., win). In these domains, we will work to expand our market share by allocating resources on a priority basis. In other words, we will take the initiative to divide up the large pond and create smaller ponds, and then cultivate large fish for the small ponds. This is a task that will take time, but repeating these initiatives over periods of 10 or 20 years will be the most efficient and realistic method for implementing the corporate strategy that HOYA has established of being "a big fish in a small pond."

HOYA's current business portfolio management is the accumulation of past experiences of success and failure and is the result of a transitional process of choosing and exiting various businesses. When choosing to enter business domains, we emphasize logical thinking based on objective data. I think that HOYA is a company where reaching an internal consensus on corporate directions derived from objective data is relatively easy. The practice of making decisions based on logical thinking is clearly recognized as the proper course of action, and the implementation of these actions is a matter of course. This practice was rooted in HOYA's corporate culture before I became CEO. The makeup of the current portfolio is definitely not optimal; I believe we should be constantly evolving the portfolio in response to changes in society and technology. Along with changes in the times, new markets come into being, and we want to focus on investing corporate resources in these new opportunities.

| *A Closing Word about HOYA Management*



HOYA is a collection of various businesses, including electronics, imaging, health care, and medical, and we think of HOYA as a concept encompassing all of these businesses. The ultimate raison d'être for HOYA is to manage each of these businesses in response to the needs of the times, efficiently, and on a sustainable basis for the long term. To do this, we think HOYA as a company must continue to undergo constant change. There must be a form for HOYA that is superior to HOYA today, and we are constantly searching for HOYA's ideal form.

Among issues faced today, we have focused on the globalization of management. In today's HOYA, where 90% of employees and 70% of sales are overseas, we realize that the functions of management have not necessarily been globalized. Our globalization has not been according to the pattern of U.S. companies or European companies, and we are seeking to develop a pattern of globalization that is distinctive to HOYA.

In closing, I invite you to watch HOYA's continuing evolution with anticipation

Hiroshi Suzuki
President & CEO

Executive Officer Vision Company President **Girts Cimermans**

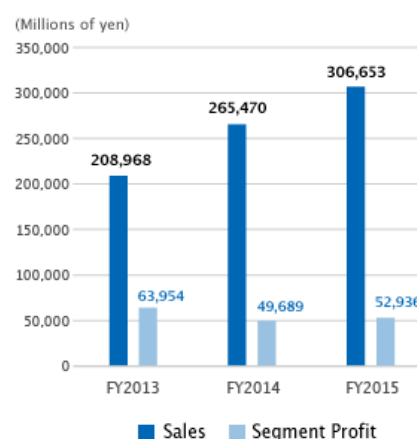


Performance in Fiscal 2015

The Life Care Segment Reports Increases in Revenue and Profit

The Life Care Segment recorded revenue of ¥306.6 billion (up 15.5% year on year). The eyeglass lenses business reported a large increase in revenue overall, as revenues, principally in overseas markets, expanded, and Seiko Optical Products (Seiko Eyeglass Lenses Sales) was consolidated into the HOYA Group as of March 31, 2014. Retail revenues from contact lenses decreased because of the reactionary decline in sales that followed in the wake of the surge in demand prior to the increase in Japan's consumption tax. Sales of endoscopes, which were strong in the previous fiscal year, in Russia, the Middle East, and elsewhere remained at the level of the prior fiscal year in reaction to unstable conditions in those regions. However, eyeglass lenses were a major growth driver, and, in the Life Care business segment as a whole, revenues showed a major increase over the previous year. Segment pretax profit amounted to ¥52.9 billion, an increase of 6.5%, or ¥3.2 billion. The ratio of pretax profit to revenues was 17.3%

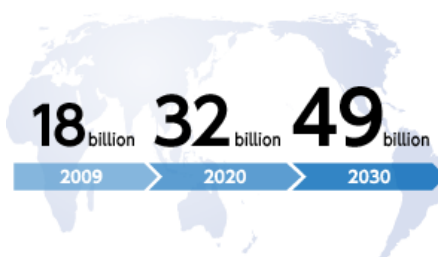
Sales and Segment Profit



Long-Term Stable Growth Is Expected in the Life Care Segment

HOYA Life Care is focused on two domains. These are the eye-related product markets and low-invasive medical devices. In the eye-related field, HOYA is focused on eyeglass lenses and contact lenses which are part of our daily lives and play an important role in our lives and intraocular lenses for the treatment of cataracts, enabling us to see. In the low-invasive device field, we have applied the optical technology that we have developed in the medical field to develop endoscopes, which contribute to early discovery and treatment of diseases, laparoscopic surgical instruments, endoscope reprocessors, prosthetic fillers, and orthopedics implants.

Projection of World Middle-income Class Population



Source: OECD

Growth is expected in both of these fields along with the increase in the aging population and expansion in middle-income population along with economic development in the emerging markets, which are both forecast to bring expanded health care needs. Looking ahead, the demand for better products and services will expand and medical needs will become more diverse. On the other hand, we think that the initiatives in all countries to reduce medical costs and other factors will broaden the possibilities for business expansion in many areas. In response to these trends, we will provide superior products and services, and, thereby, contribute to realizing healthy and comfortable lives for the peoples of the world.

Expansion in the Eyeglass Lenses Business

Eyeglass Lenses to Drive Growth in the Life Care Segment –Review of the Fiscal Year

During the year under review, within the Life Care segment, the eyeglasses business made major strides. In February 2013, the Seiko Eyeglass Lens development and manufacturing business of Seiko Epson Corporation was acquired by HOYA. Thereafter, we completed the acquisition of 50% of the shares of the eyeglass-related sales business of Seiko Optical Products Co., Ltd., which is a subsidiary of Seiko Holdings Co., Ltd., and, as of March 31, 2014, it became a subsidiary of HOYA. As a result, we have brought together research and development, manufacturing, and other functions which the three companies have brought to a high level on their own and are now strongly positioned to provide customers throughout the world with superior HOYA, SEIKO, and PENTAX products and services across a broad product range.



In existing business domains also, we saw favorable growth in revenues, mainly in overseas markets, and reported major expansion in the eyeglass lens business.

Expansion in the global market for eyeglass lenses is said likely to be in the 2% to 3% range, but, during the period under review, HOYA continued to grow market share. Particularly strong growth was reported in the European markets. On the one hand, sales expanded significantly through a major retail chain that we commenced transactions with in fall 2013, and, on the other hand, we were able to show robust increases in sales to customer segments other than major chain retailers. By product, sales of our new “MyStyle” progressive lenses, which are suited to individual lifestyles, showed favorable expansion, and this contributed to overall growth in revenues. Going forward, by strengthening our marketing tailored to each customer segment, we want to accelerate growth in sales. In the year under review, we continued to expand our footprint in emerging markets, as we established our direct presence in Argentina and Turkey.

The North American market is one area where HOYA can expect major growth going forward. During the period under review, sales of progressive lenses and specialty coated lenses, especially through independent eyeglass stores, expanded and contributed to overall sales growth. Compared with other markets, HOYA’s share in North America presents attractive growth potential. We are working to expand our range of products suited for the North American market and strengthen our sales infrastructure. In addition, during the year under review, we began operations at a state-of-the-art plant in Dallas, Texas, that concentrates our specialty processed product manufacturing lines. By working effectively together with laboratories in various parts of North America, we are well positioned to efficiently and promptly supply our customers.

South America presents additional growth opportunity for HOYA, as our direct presence there is limited to Brazil, where we continued to gain market share, and the recently started Argentina operations.

In the Asia Pacific region, revenue expanded, principally in Australia, Taiwan, South Korea, and elsewhere, and, as a result, we reported favorable performance. On the other hand, in the Japanese market, where we have a high market share, revenues for the fiscal year declined year on year along with the shrinkage in the market. Factors accounting for this were a reactionary drop in demand following the surge in demand prior to an increase in the consumption tax in April 2014 and trends in the market which have made sale of high-priced items more difficult.

Progress toward Integrating the Seiko Eyeglass Lenses Business

In February 2013, HOYA acquired an eyeglass lens development and manufacturing business from Seiko Epson. Over approximately the last two years, we have completed the integration of these manufacturing and development functions with HOYA. In manufacturing, we optimized our production systems by consolidating Seiko Epson's plants, which were in separate locations in Japan and the Philippines, and focused on structuring a joint production system with HOYA's existing plants. In development, we realized increased productivity in manufacturing in a short period of time by making use of the different product development technologies and manufacturing technologies of the two companies. Looking to the future, we are expecting that this will bring new possibilities for product development.

In marketing, we will position SEIKO eyeglass lenses as the premium brand and focus on expanding sales in Europe, the Americas, and other developed markets. SEIKO eyeglass business due to its strong brand recognition has significant opportunities to expand outside Japan. Following the recent integration, we think it will be possible to expand SEIKO brand sales at an accelerated pace by leveraging the geographical footprint of HOYA.

Aiming for Medium-Term Growth

Aiming for Expansion in Global Market Share

The global market for eyeglass lenses is expected to grow at between 2% and 3% annually for the coming few years. In emerging markets of Asia and South America, we anticipate higher market growth fueled by better access to health care and the rapidly expanding middle-class population. The demographic trend of aging population in Europe and North America will continue. This will impact the growth of progressive lenses and other high-end products as well as customized products. Overall, the global market is expected to show steady expansion. Amid this environment, we think that HOYA, which ranks No. 2 internationally, is in an excellent position to accelerate its growth. We will, therefore, focus on increasing our share in the markets of the industrialized countries, expanding our coverage of the emerging markets, and increasing our global share..

In this year's annual report, we have included a feature article on eyeglass lenses, which HOYA is now focusing on as its growth driver. In this feature, we want to communicate HOYA's strengths in this business by introducing some of the employees who work in HOYA's manufacturing plants and sales locations around the world—people like these who have been the source of HOYA's strength over the more than 60 years it has been in the eyeglass lens business.

►Growth Potential of the Eyeglass Lenses Business

We look forward to your continuing understanding and support of HOYA's business activities and hope you will watch with anticipation our growth in the years ahead.

Girts Cimermans
Executive Officer Vision Company President

Executive Officer & COO, Information Technology **Eiichiro Ikeda**

Performance in Fiscal 2015

Information Technology (IT) Segment Reports Major Increases in Sales and Income

As a result of structural reforms we have been implementing since the previous fiscal year, we have transformed our business structure and are now able to maintain profitability even in markets where substantial growth is not expected. In addition, with the exception of the imaging-related products business, other markets have been stronger than we initially assumed. As a consequence, sales of the IT segment amounted to ¥180.1 billion, 13.1% above the previous fiscal year, and segment profit was ¥57.3 billion, representing a gain of 59.8% year on year.

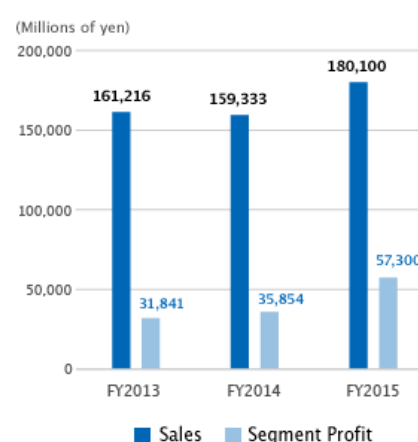
Analysis by product within the IT segment shows that glass substrates for hard disk drives (HDDs) turned in the strongest performance. Initially, we had assumed that the notebook PC market would shrink, but, with the terminal of Microsoft's support for Window XP, demand for the replacement of existing PCs was stronger than we had forecast. Among non-PC applications also, demand was firm, including sales of external HDDs, and, along with the trend toward larger memory capacity requirements, the number of disks per HDD is increasing. Moreover, demand for HOYA's glass disks for use in servers and game consoles continued to be firm. As a result, major increases in sales and profit were reported for glass substrates for HDDs.

Among semiconductor-related products, owing to favorable conditions in the semiconductor industry throughout the fiscal year, semiconductor manufacturers, who are the principal customers for HOYA's semiconductor-related products, continued to engage in the active development of cutting-edge technologies. This resulted in firm demand for higher-priced items and contributed to improvement in the product mix and profits. Demand for middle- to low-end products, such as those for infrastructure and installation in automobiles, was also strong. Accordingly, unit volume of sales and unit prices held firm, resulting in an increase in sales year on year.

In the liquid crystal display (LCD) related businesses, demand for high-precision, high-resolution photomasks for LCDs used in smartphones and tablet computers continued to be favorable. Demand for photomasks for 4K and large LCDs for TVs was also strong, and sales rose year on year.

In the imaging-related products business, the market for digital cameras, which are the main application for HOYA products in this business, is shrinking, and HOYA is endeavoring to reduce its dependence on this application. Specific measures include focusing on new applications, such as surveillance cameras, compact "action cameras" for recording sports and other outdoor activities, and automobile-mounted cameras. We are making steady progress in this area, and profitability in this business increased year on year.

Sales and Segment Profit

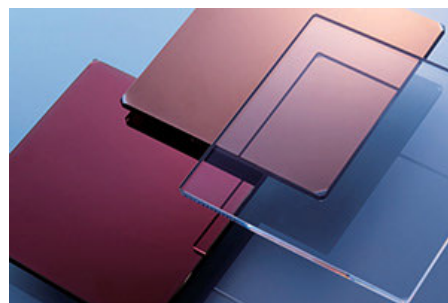


Initiatives in Fiscal 2016

Our understanding is that, as the market for notebook PCs shrinks, applications for glass substrates used in HDDs will expand beyond external HDDs and servers to other areas, and this will be a positive development for HOYA. Previously, this business depended strongly on notebook computers for its profits, but, now the ratio of sales for use in notebook PCs has fallen below 50%. Looking ahead, we think that demand will continue to rise as sales for use in external HDDs and servers continue to rise, and the number of disks per HDD unit increases. From a technology perspective, next-generation HAMR (heat-assisted magnetic recording) technology is expected to bring a dramatic increase in HDD storage memory capacity. We view this as a good opportunity for HOYA to demonstrate its superiority in the glass substrate business, and we intend to give our full support to customers to meet their needs from both a technical and a supply perspective as well as contribute to the realization of new technologies.

In the imaging-related product business, three product areas, namely, optical materials, optical lenses, and lens units, account for about 80% of sales. By application, about 70% of these products go into conventional digital cameras. We are continuing to develop demand in new applications outside the field of digital cameras, including surveillance cameras, compact “action cameras,” and automobile-mounted cameras, and we are aiming to raise the ratio of new applications to 50% or more. Thus far, we have supplied optical lenses, optical materials, and other related products as discrete units suited to the designs of our digital camera manufacturer customers. Specifically, we have operated our business on a product-by-product basis, supplying optical materials to lens polishing companies, optical lenses to lens unit manufacturers, and lens units to camera manufacturers. However, going forward, we foresee that, among our customer groups, there will be some customers who do not have the sophisticated optical design technology that traditional camera manufacturers have. Therefore, we will draw on our technology and manufacturing know-how to process optical materials into lenses and going further downstream to design and manufacture lens unit products. By actively making proposals for such products, we will endeavor to develop new markets. As one example of these activities, the year before last, we developed the lens unit for smartphones that incorporates the thinnest threefold zoom lenses module in the industry using our glass mold lens, which is one of HOYA's strengths. At present, we are in receipt of positive responses from several smartphone manufacturers. In those business domains where it is necessary to actively develop different customer groups in the new areas, we are working to strengthen our marketing functions and are focusing more sharply on structuring systems for formulating proposals that meet customer needs.

In the mask blanks for semiconductors business, we are expecting continued strong interest in the semiconductor industry in cutting-edge fields next year and in subsequent years. We are working to gain an accurate grasp of customer needs and respond to their technical requirements no matter what direction their advanced development activities may take. This includes movements toward use of next-generation extreme ultraviolet lithography (EUVL). Our aim will be to take the leadership in the creation of the cutting-edge blank market.



In the LCD-related product field, we are assuming that there will continue to be a trend toward higher-precision and higher-resolution units across the board from small and medium-sized to large panels, including the smartphone and tablet computer fields. We are working to differentiate ourselves by responding to customer needs accurately and promptly and increase our market share.

HOYA's Core Competencies in the IT Field

HOYA conducts many business activities in the IT field and supplies products to meet differing market needs. Activities in our business domains are based on five technologies for glass formation/melting/molding, polishing, cleaning, precision processing, and membrane production. These are our core competencies. HOYA is organized according to divisions that operate on a daily basis as profit centers with substantial authority delegated to them. Each of these divisions further develops these corporate technologies optimally for its own business activities. As a result, these divisions are “big fish in small ponds,” having superior competitive power in their own niche markets, and maintain high profitability.



On the other hand, depending on the business, it may be necessary to develop new customers in different fields. We would like to review and put these five core technologies in order to understand the necessity of developing and making effective use of them in other fields and prioritizing the issues we should address. In addition, the HOYA Group has not typically moved personnel across existing divisions, but, instead, the typical model has been for technical personnel to spend many years in one business accumulating experience and specializing in one technical field. However, since I became COO of the IT segment, I have placed more emphasis on the interchange of technical personnel and actively reassigned personnel across divisional lines. As a result, we have worked to transfer technologies to other divisions and raise the overall technological level of the Group. I have also taken more active initiatives than previously in expanding personnel to support HOYA's technology.

Aiming for Stable Growth

The markets where HOYA has a presence within the IT field are assessed as mature markets, but, because we look to future technological needs and stay ahead of our competitors, we think there is considerable room for growth in these businesses. Also, in each of these businesses, since we believe that the source of profit is technological capability, we have no intention of ceasing our quest to strengthen our technological capabilities. As the COO in charge of the IT segment, we want to continue to contribute to raising the corporate value of the HOYA Group by generating stable earnings and continuing our stable growth.



We look forward to the continuing understanding and support of our shareholders.

Eiichiro Ikeda
Executive Officer & COO, Information Technology

Messages from the Outside Directors

I will contribute to HOYA's sustained development drawing on my highly developed "common sense" about management and my capability for asking questions.

One of the roles of outside directors is to observe and give direction from their independent perspective as representatives of the shareholders to the executive officers. When it is judged that top management is acting inappropriately, we are required to call a halt to that behavior. I think my role as an outside director is to draw on my "common sense" regarding management that I have gained as a member of top management elsewhere and perform a checking function in many capacities making use of the Company's financial statements, conducting dialogue with the market, responding in times of crisis, and in other situations.

To perform my outside director roles as observer and provider of direction, I receive detailed reports from the business divisions containing not only financial data but also information on the strategy in the background that led to these financial results. Since the commitment of executive officers to quarterly budgets is outstanding, we directors also must gain a grasp of the core of problems and endeavor to pose accurate and sharp questions. At the Board of Directors' meetings, we conduct in-depth discussions centering around the allocation of corporate resources. This creates a tense mood, and my feeling is that we are making decisions speedily.

Another point about HOYA's corporate governance is its Nomination Committee, Compensation Committee, and Audit Committee. For example, an important theme of discussion in meetings of the Nomination Committee is the choice of candidates for director positions, which we outside directors also discuss. Another important topic this committee discusses is the selection and training of the next generation of managers from a medium- to long-term perspective. The Audit Committee conducts auditing activities based on themes for the period, and the Compensation Committee makes judgments on the validity of proposals made by the committee secretariat based on criteria that clearly link compensation with performance. I believe these corporate governance committees are functioning effectively.

HOYA's management is based on the strategy of being a "big fish in a small pond." Under this strategy, HOYA shows its strengths in developing niche markets, capturing high market shares and, thereby, maximizing profits. However, for HOYA to realize sustainable growth, my understanding is that it will be important for HOYA to nurture the development of markets, or "small ponds," within the Life Care business segment or attain further growth through M&A. In the Life Care field, I feel that there is still considerable room for HOYA to contribute to the world.



As an outside director, I want to fulfill my weighty responsibilities by working to observe and provide direction for the executive officers and through drawing on my “common sense” about management and capability for asking questions.

Mitsudo Urano
Outside Director

Messages from the Outside Directors

My role is to catch the attention of the executive officers and make them feel a sense of positive tension to keep them on their toes. That is the most-important role of the outside directors.

I think our role as outside directors is to provide a checking function to confirm whether management is building healthy relationships with shareholders, employees, business partners, and other stakeholders. We should make the executive officers, who are responsible for business execution, feel a sense of positive tension and let them know that matters will not move forward if the outside directors are not persuaded. We should also encourage them to pay attention when there is a gap between what is regarded as common sense inside the Company versus common sense on the outside. I think the roles required of outside directors are “catching the attention of and creating positive tension” among the executive officers. I think the Board of Directors of HOYA are



explanations, and all the outside directors express their opinions.

As a “company-with-nomination committees,” HOYA has three committees, namely, the Nomination Committee, Compensation Committee, and Audit Committee. All the members of these committees, including the chairperson, are outside directors. The Nomination Committee, consisting entirely of outside directors, selects the candidates for outside director and functions independently of the president. The Compensation Committee functions effectively, basing its decisions on clearly defined criteria for calculating directors’ bonuses, and provides explanations of the decision process.

On the other hand, for systemic reasons, the Audit Committee seems to have issues to address. The audit committees in a company-with-nomination committees differ from companies with full-time statutory auditors, and, in part because they cannot look into the daily affairs of the company in detail, I think it is necessary for them to be involved from the early stages when various reports are received from the accounting auditors. In view of this, I believe consideration should be given to the best ways of assuring the quality of auditing in companies with audit committees.

One indispensable element for HOYA to attain sustainable growth is human resources, especially employing a variety of young people. Another important element will be creating a work environment where it is easy for young people to work and be motivated as well as bring new people up in the organization.

HOYA provides a broad range of products to the global markets. I think that HOYA has a corporate culture where young people are able to have dreams and be motivated. Going forward also, as a natural extension of HOYA's two major segments of IT and Life Care, I believe it will be possible to realize further growth through continuing to create new products and businesses through innovation and technology development.

Takeo Takasu
Outside Director

Messages from the Outside Directors

I want HOYA to move upward to the next level in terms of the effective use of human resources who have global-class capabilities and in terms of the use of IT.

One of the roles of outside directors is to give advice and raise questions that are not constrained by stereotypes in the Company. In the HOYA Board of Directors' meetings, discussions are extremely open and straightforward, and sharp questions are raised following explanations by persons in charge of various businesses. These discussions are based on specialized knowledge and experience gained through long years of business experience. Discussions with the aim of attaining continuing growth are quite logical and active, while also giving rise to a sense of positive tension. I also have the feeling that the executive officers are listening sincerely and attentively to the opinions of the outside directors.



Another role of the outside directors is to monitor the activities of top management from the point of view of the shareholders. The directors have been elected by the shareholders, and, as members of the Board of Directors, which performs an overall management function, the directors observe and make judgments about the operation of the Company with an eye contributing to its survival and prosperity.

HOYA's businesses are growing and it always takes strong action in dealing with weak areas. For HOYA to continue to grow, it must establish a strong, dominant position in the IT field and, in the Life Care field, it must accurately identify the markets where it will focus, differentiate its products and services, and build a strong, solid presence. To do this, it will be important to draw on top-quality human resources from around the world. HOYA employees hail from many countries around the world, and I believe that the active interchange of personnel across business segments, including executive personnel, will be necessary. We hold ongoing discussions about how to make the most-effective use of personnel.

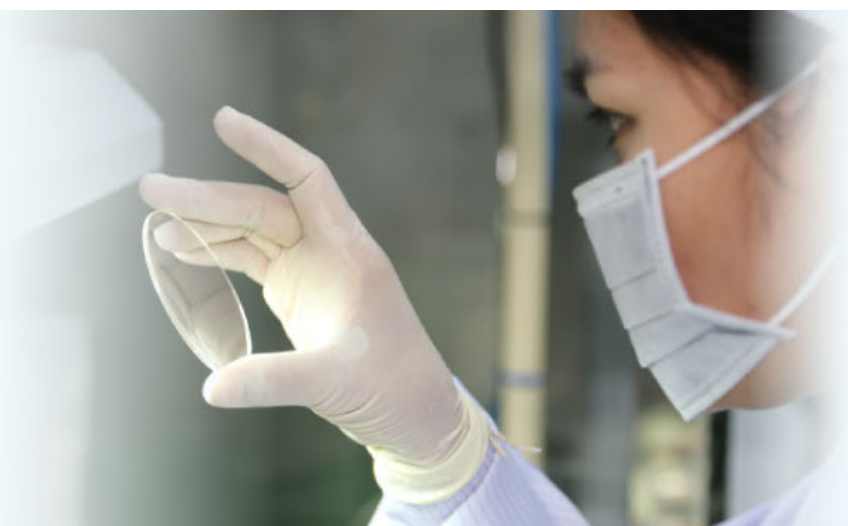
Furthermore, as business become increasingly global, using IT actively to gather data from around the world instantaneously, sharing information through making IT platforms compatible, and clarifying business processes will be important issues to generate a sense of speed in the organization. The world's global corporations are placing strong emphasis on these areas, but I think HOYA has room for improvement in this area.

I am confident that HOYA will continue to growth as a company and respond to my expectations.

Yukako Uchinaga
Outside Director

Special Feature:

Growth Potential of the Vision Care Business



From the Production

From the Operation



Team members at HOLT sat down to provide a video report about their unit's role in Hoya's expanding Vision Care business.

HOYA LENS THAILAND LTD. (HOLT)



President
Mr. Thanit Setthaphongwanit



RX Ayutthaya-1 GM
Ms. Thipparat Onpaen



Mass Ayutthaya-1 GM
Mr. Sompop Khumpeepong



RX Business Management GM
Ms. Unchalee Chaiprapa

HOLT's Role as Global Super Laboratory

HOYA LENS THAILAND LTD. is the largest eyeglass lenses manufacturing company located in Thailand. HOLT has two mass-produced "stock lenses" facilities and three special-order prescription "RX lenses" facilities in the Ayutthaya and Patumthani areas, each playing a vital strategic role as the largest within the HOYA VISION CARE Group. The vast majority of produced lenses are exported to affiliated companies of the VISION CARE Group and customers all around the world. Further, HOLT plays an important role in the integration process of HOYA with the development and manufacturing business acquired from SEIKO EPSON.

Strengths of HOLT

HOLT operates the world's largest-scale eyeglass lens manufacturing facility ensuring best-in-class quality, high productivity, timely delivery, and excellent customer service to supply a wide range of the products from the high-end to the commodity level.



To meet the quality standards requested by customers and required by local regulations, HOLT has implemented a total quality control system and an advanced IT system. As to the IT system, the skilled local IT team is highly responsive to a variety of detailed requirements from customers and to ongoing manufacturing process improvements. In addition, the HOLT customer service team regularly surveys customers to monitor and further improve customer satisfaction.

To satisfy the lead time requested by customers is very important for eye glasses business, and HOLT's location in Thailand is a big advantage in reducing delivery times. In the case of shipment to Japan, HOLT ships by overnight flight and the products arrive at airports in the Tokyo and Kansai regions early the next morning. From Bangkok's international airport HOLT ships products to some 40 destinations around the world.

HOLT's high-quality operation has been well supported by the expertise, passion, and diligence of its employees. Since its founding in 1974, HOLT has been developing local staff talent by providing training and career advancement opportunities. Localization of management has progressed via close day-to-day collaboration between Thai and Japanese team members. In fact, most key positions at HOLT are handled by local team members. Each employee of HOLT from management to operator in the production process is engaged in his or her job emphasizing high quality and quick delivery to assure excellent service for customers.



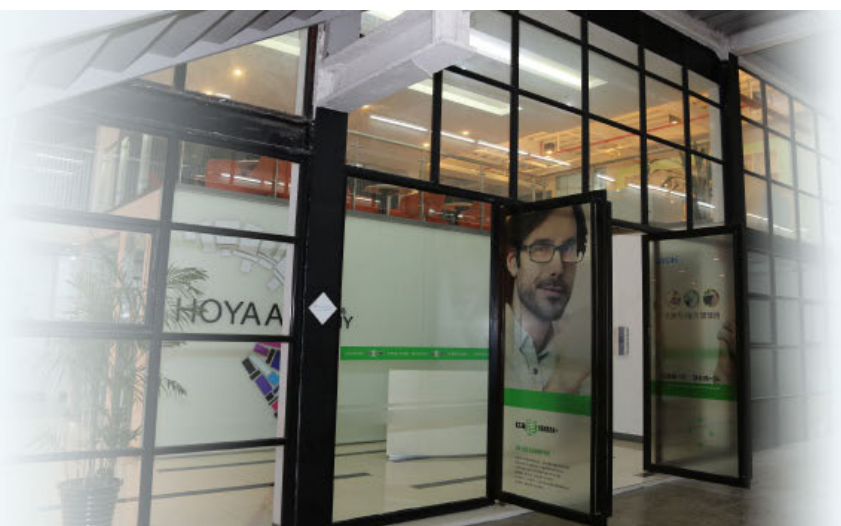
Overcoming the Flood: Teamwork to Keep Moving Forward

The natural disaster of the October 2011 Thailand floods devastated HOLT's facilities, completely flooding the Ayutthaya plant and damaging almost all of the equipment. First, HOLT team members quickly evaluated how to continue to support our customers going forward and worked hard to reestablish production, shifting the production function to various regions by dispatching skilled production staff and closely cooperating with the global HOYA organization as well as outside production machine vendors. As a result, HOLT was able to fully restart operations as early as April 2012. Diligence and passion of HOLT's staff and cooperation with regions were the key to recover the production within only six months.

HOLT continues to play a leading role in Vision Care, closely coordinating with affiliated factories and laboratories around the world and supporting ongoing improvements in quality and service going forward.

Special Feature:

Growth Potential of the Vision Care Business



From the Production

From the Operation



In video interviews, team members at Asia HQ, HOYA Vision Care Company, share their views on HOYA's strategy for the Vision Care business in the Asia-Pacific region.

HOYA Vision Care Company Asia Headquarters



Chief Executive Officer,
HOYA Vision Care Company Asia Headquarters
Mr. Yasuyuki Nitta



Chief Operating Officer,
HOYA LENS SHANGHAI LTD.
Ms. Joice Xue



Vice General Manager,
Seiko Optical Trading (Shanghai) Co., Ltd.
Ms. Nichole Yan



General Manager of Suzhou OZMA
Ms. Chen Chunzhen

Current Status of the Vision Care Business in Asia

HOYA Vision Care Company Asia HQ is in charge of the countries and regions such as Eastern Asia excluding Japan, Southeast Asia, Oceania, and India. HOYA Vision Care Company started its business in Asia earlier than other global players and in addition to a long business history in the region, as our origin is Japan, we know well Asian faces and Asian eyes.

Taking a long-term perspective, over the past decade, we estimate year-on-year growth in the eye glass market across Asia-Pacific has been above mid-single digits, which has been clearly above the rest of the world. With the market in India expanding in the double-digit range, the prospect for continuing growth in the Chinese market remains in the high-single digits overall. The HOYA Vision Care business is growing at a higher rate than the market growth of other regions. Particularly to China in fiscal 2015 (ended March 31, 2015), we achieved about 20% sales growth as a result of the inclusion of Seiko Optical Products.



HOYA's Future Growth Strategies in Asia-Pacific

HOYA Vision Care's business model starts from a point of GDP per capita of about US\$3,000. In this sense, China, with its higher GDP per capita, offers both a large so-called economic zone as well as a developed premium zone. The premium zone in India is another promising opportunity.

China is a key market in which HOYA is rolling out these three brands to targeted segments. China is a huge and important market with as many as 400 million persons with myopia, and, based on some 20 years of experience on the ground, HOYA is the leader in the progressive lens market there. At the same time, the overall market penetration of progressive lenses in China is still only about 2%, representing a substantial opportunity for growth. It is essential for us to maximize this market growth opportunity that HOYA continuously launches new series of progressive lenses from the entry level to the high-end level drawing on our advantages that we have gained through global markets, including our technology for design, our training to opticians, and sales and marketing know-how.

In Shanghai, HOYA has for a number of years operated a facility named "HOYA Academy" which provides opticians in China with in-depth training for overall skills for progressive lenses from selling, fitting, edging, and dealing with customers' complaints. This training is one of the key marketing activities to develop the progressive lens market in China because the enlightenment of the opticians is necessary for growth of sales for progressive lenses.

Integration with SEIKO Eyeglass Lenses

The eyeglass lenses business of SEIKO also includes frames. Therefore, rather than offer lenses and frames separately, we are offering eyewear solutions with frames plus lenses. SEIKO is a well-known brand that has built its reputation among consumers for its watch products.

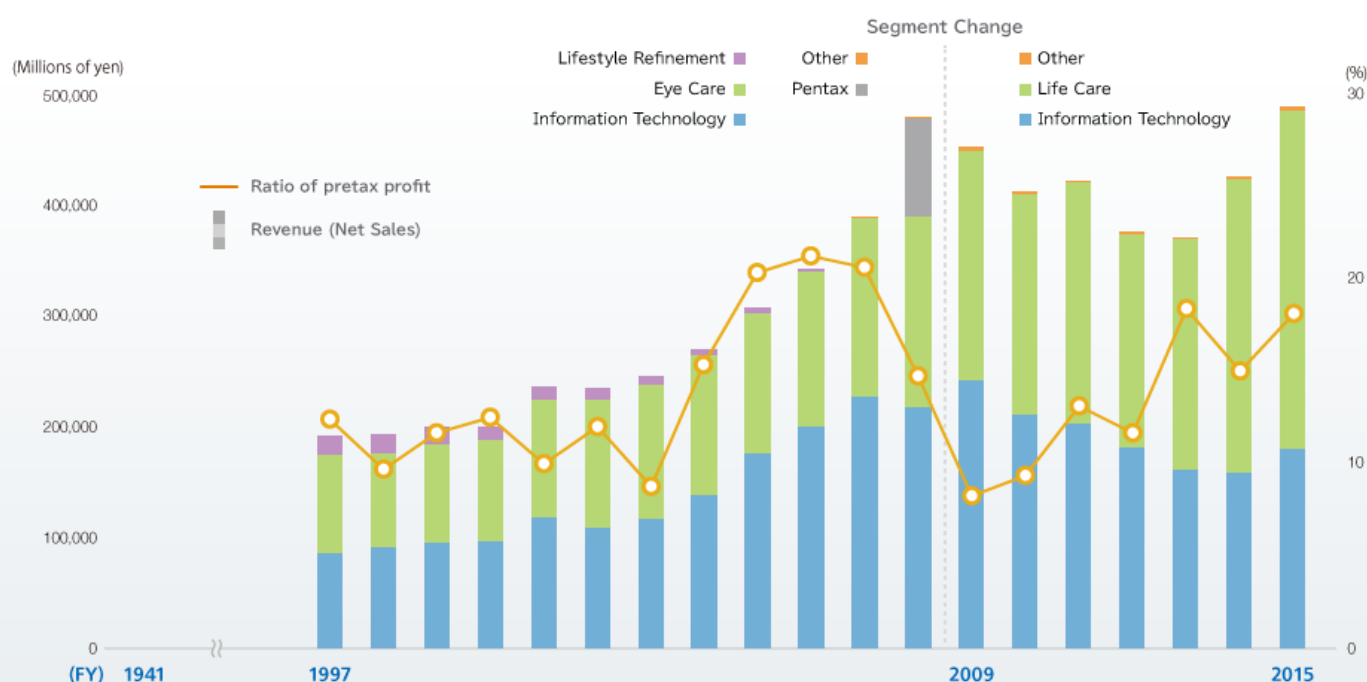
By including SEIKO Optical Products, Inc. within the scope of HOYA's consolidated financial statements, we are now positioned to further develop two well-known brands, namely, SEIKO and PENTAX in all regions.

As HOYA Vision Care Company has developed its eyeglass lens business in Asia for many years, it has built a favorable reputation as an eyeglass lenses manufacturer for the high quality of its products and the excellence of its services. HOYA is working to expand its business activities in Asia by further developing these two brands, SEIKO and PENTAX, that are well-known among consumers,

In addition, in developing the SEIKO brand business, HOYA will draw fully on the capabilities of its plant in China and work to realize maximum synergies.



HOYA's Growth Path



1973

The Company listed on the First Section of the Tokyo Stock Exchanges.

1995

HOYA invited first outside director.

1997

Hoya established the third regional area HQ in Singapore, the area HQs for Europe and North America, respectively.

1999

Acquired ISO 14001 in all principle factories in Japan

2003

HOYA establishes a company-with-committees system.

2007

As a result of the Tender Offer, PENTAX became a consolidated subsidiary of HOYA.

2009

HOYA terminated the Crystal business.

The eyeglass division relocated its headquarters from the Netherlands to Thailand, home to a cutting-edge production facility.

2010

HOYA Healthcare Co. Ltd. was absorbed by HOYA Corporation and became Eye Care Division.

Disclosed its consolidated financial statements in accordance with first-time adoption of IFRSs for the fiscal year ended March 31, 2010.

2011

HOYA sold PENTAX Imaging Systems business to Ricoh Company, Ltd.

2012

Acquired Japan Unitec, a metallic implant manufacture

HOYA, SEIKO and EPSON; Agreements executed in the field of optical products business.

2013

HOYA acquired eyeglass lens development and manufacturing business from Seiko Epson Corporation.

HOYA acquired 30% of the shares of Seiko Optical Products Co. Ltd., a wholly owned subsidiary of SEIKO Holdings Corporation responsible for the sales of the eyeglass-related products.

HOYA acquired the majority shares of Wassenburg, a leading company in the field of endoscope reprocessing.

2014

Hoya completed the acquisition of a 50% stake in Seiko Optical Products that became a consolidated subsidiary.

HOYA in Figures



Sales of Products with No. 1 Global Market Shares

35.0%

HOYA implements a strategy of being “a big fish in a small pond,” and has specialized in product domains where it has strengths and has established competitive positions. As a result, 34.5% of its sales are accounted for by products that have the leading global market share in their markets and is working to increase this percentage.

Pretax Profit Ratio to Sales

24.1%

As a result of pursuing policies for establishing a position as a leading company in designated markets and maximizing profit, in fiscal 2015 HOYA's ratio of pretax profit to sales was 24.1%. Going forward, HOYA will continue not only to emphasize the size of sales but also profitability.

ROE

16.5%

HOYA has been a pioneer in Japan in encouraging an awareness of the efficient application of capital, and its initiatives have included not only adoption of ROE but also Shareholders' Value Added (SVA) (the increase in corporate value) as indicators of management performance.

Total Return to Shareholders

¥76.8 Bil.

In determining return to shareholders, HOYA gives comprehensive consideration to its funding needs in the medium-to-long term and other factors, and then actively distributes the remainder as dividends to shareholders and for conducting share buybacks.

Percentage of Outside Directors on the Board

5/6

In 2003, HOYA made the transition to a company with governance committees, and, since that time, has worked to strengthen its corporate governance. As of June 2015, five of HOYA's six-member Board of Directors were outside directors, and this Board composition enables effective and highly transparent governance.

Ratio of Non-Japanese in Senior Management Positions at Overseas Subsidiaries

76.0%

In all its businesses, HOYA pursues the development of globally optimal production and marketing systems. As part of its distinctive globalization policy, HOYA appoints a high percentage of non-Japanese personnel to senior management positions in overseas subsidiaries.

Financial Review

Scope of Consolidation

As of March 31, 2015, the HOYA Group consisted of the HOYA CORPORATION, 118 consolidated subsidiaries (11 of which are domestic and 107 are overseas), and 9 affiliates (4 of which are domestic and the other 5 overseas).

The HOYA Group is operated and managed through global consolidated Group management. The independent management teams of business segments, including Information Technology and Life Care, are responsible for executing management strategies.

Regional headquarters in the Americas, Europe, and Asia support business operations by strengthening relationships with countries and areas in the respective regions, such as by providing legal support and conducting internal audits. In particular, the HOYA Group has its Financial Headquarters (FHQ) in the Netherlands.

Adoption of the International Financial Reporting Standards

Beginning with the fiscal year ended March 31, 2011, the HOYA Group has prepared its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRS) pursuant to the first paragraph, Article 120 of the Ordinance on Account of Companies.

With respect to reportable segments presented in the overview of operations by business category, the HOYA Group divides its business into three reportable segments, based on IFRS. These segments are Information Technology, Life Care, and Other Businesses.

The Information Technology segment handles electronics-related products used for the production of semiconductors, liquid crystals and hard drive disk drives (HDDs), and imaging-related products, such as digital camera lenses. The Life Care segment deals with health care related products, such as eyeglass lenses and contact lenses, as well as medical-related products, such as intraocular lenses and endoscopes. The Other Business segment offers mainly information system services.

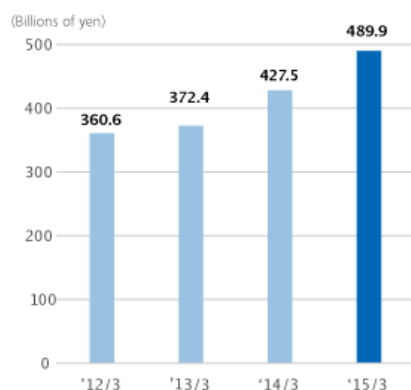
Sales

During the consolidated fiscal year under review, although trends in the economy of the United States remained firm, economies in the rest of the world remained caught in a state of uncertainty as the countries of Europe were stagnant, growth in the emerging countries slowed, and geopolitical risks emerged, including the Ukrainian situation, wars in the Middle East, and other issues. In Japan, as a result of government economic policies and other factors, corporate performance, the employment environment, and other indicators showed improvement, and, while the economy remained on a gradual recovery trend, the effects of the increase in the consumption tax in April were prolonged.

As for the HOYA Group, in the Information Technology segment, sales of products related to smartphones and tablet computers and glass substrates for use in hard disks held firm, but sales of digital camera related products continued to be weak. On the other hand, the Life Care segment reported substantial increases in sales of eyeglass lenses in overseas markets, and the consolidation of the sales company for SEIKO eyeglass lenses at the end of the previous period also contributed to the rise in sales. In the contact lenses business, sales declined over the course of the fiscal year influenced by a slump in demand that followed the surge in demand at end of the previous year in advance of the increase in the consumption tax. With the exception of endoscopes, sales of medical-related products held firm. In addition, the depreciation in the value of the yen also had a positive impact, leading to Groupwide increases in sales over the previous year.

As a result, sales of continuing operations for the fiscal year under review amounted to ¥489,961 million, representing an increase of 14.6% over the previous fiscal year.

Sales

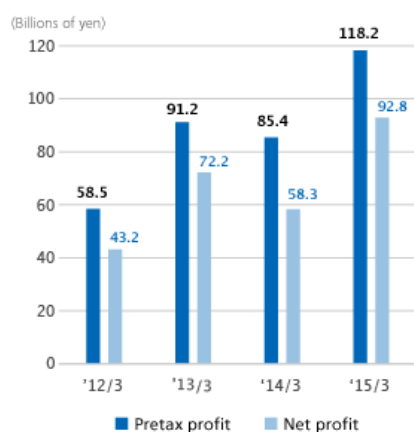


Profit

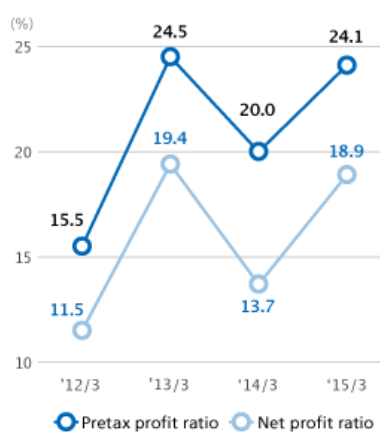
Profit before tax was ¥118,249 million, while profit for the year was ¥92,941 million, representing increases of 38.3% and 54.5%, respectively. These were supported by improved profitability in the Information Technology segment and foreign exchange conversion gains resulting from the strengthening of the U.S. dollar against the yen and euro.

The ratio of profit before tax to sales was 24.1%, a 4.1 percentage point increase from the preceding fiscal year's 20.0%.

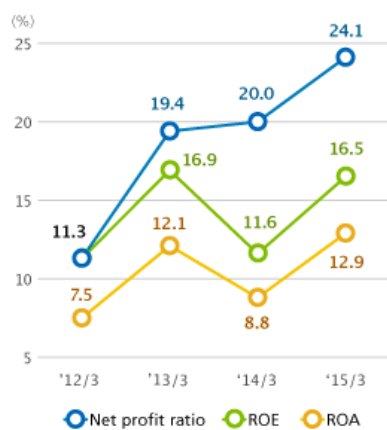
Pretax profit, Net profit



Profit ratios



Profitability



Outline of Consolidated Results by Business Segment

Information Technology Segment

Electronics-Related Products

Sales of semiconductor-related products increased over the previous consolidated fiscal year due primarily to sales of products for use in smartphones and tablets. In addition, both sales in volume terms and unit prices held firm in all categories from cutting-edge products to middle- and low-end products. Moreover, the depreciation of the yen also has a positive effect, and overall sales for the fiscal year expanded.

As for liquid crystal related products, demand for high-precision, high-resolution masks for small to medium sizes was favorable, and demand for large masks for 4K TVs and other large-screen sizes held firm. As a result, sales in this business expanded.

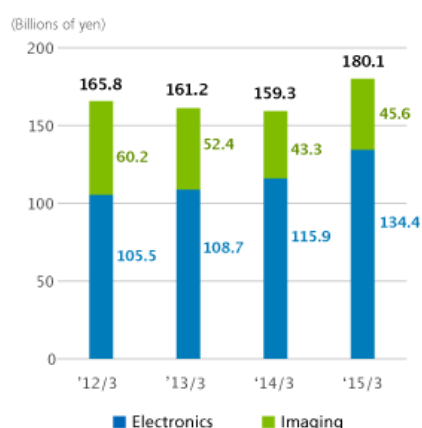
In the glass substrate for HDD use business, compared with the previous year, when shipments were weak because of production adjustments in the market, demand for the replacement of PCs related to the ending of support for Window XP and firm demand for applications, such as external HDDs for game consoles, held firm, resulting in increased sales over the previous year.

Imaging-Related Products

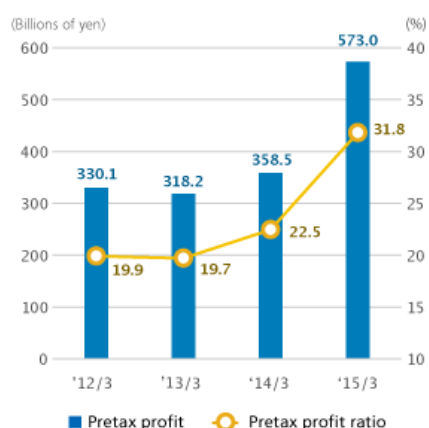
In the digital camera market, including compact digital cameras and interchangeable lens camera types, the number of units sold fell substantially because of the inroads into the market by smartphones and the slowdown in the Chinese economy. Amid this environment, the Group focused on selling interchangeable lenses for the after-sales market and products for use in surveillance cameras. As a result, sales of imaging-related products as a whole increased.

As a consequence, sales of this segment (Information Technology) were ¥180,164 million, an increase of 13.1% over the previous year. Segment profit amounted to ¥57,303 million, representing an increase of 59.8% over the previous fiscal year.

Sales and profit



Pretax profit, Pretax profit ratio



Life Care Segment

Health Care Related Products

Sales of eyeglass lenses posted a large increase from the previous consolidated fiscal year. This was due to a number of factors, including the consolidation of the sales company for SEIKO eyeglass lenses at the end of the previous fiscal year, an increase in sales in overseas markets and higher unit prices, and the positive effect of the decline in the value of the yen. Sales of contact lenses decreased, despite the opening of new “Eyecity” specialty stores and reinforced promotional campaigns at existing stores, because of the prolonged reactionary decline in sales following the surge in demand at the end of the previous fiscal year prior to the increase in Japan’s consumption tax on April 1.

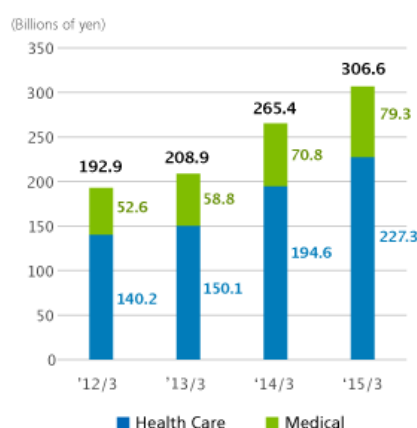
Medical-Related Products

Sales of endoscopes decreased from the previous fiscal year. In the European region, this was because of the reduction in government budgets in the principal countries of Europe and the deterioration of the political conditions in certain regions (the Middle East and Russia) where sales had been strong in the previous fiscal year. In the North American market, shipments decreased year on year because of restraints on medical expenditures, more-intense competition, delays in introducing new products, and other factors. On the other hand, sales in the Asia-Pacific were favorable, especially in China, Japan, and other countries of the region. Overall, even though the decline in the value of the yen had a positive effect, sales in this business were at about the same level as in the previous year.

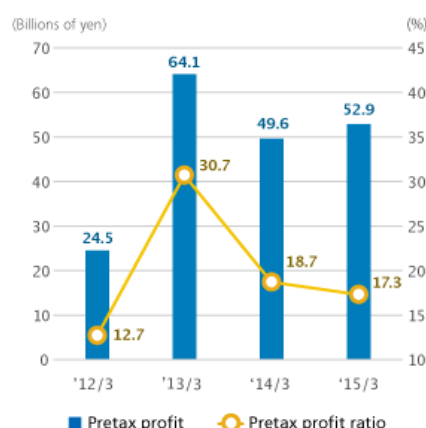
In the intraocular lens (IOL) business, HOYA conducted a voluntarily recall in February 2013 for certain products, but began to resume sales step by step in overseas markets beginning in July 2013. In the Japanese market, we conducted an autonomous immunity survey beginning in January 2014, and then resumed full-scale marketing in August 2014. As a result of gradual recovery in sales following the resumption of marketing, sales rose above the previous fiscal year.

As a result, the Life Care segment reported sales of ¥306,653 million, an increase of 15.5% year on year. The segment profit before tax was ¥52,936 million, representing an increase of 6.5% year on year.

Sales and profit



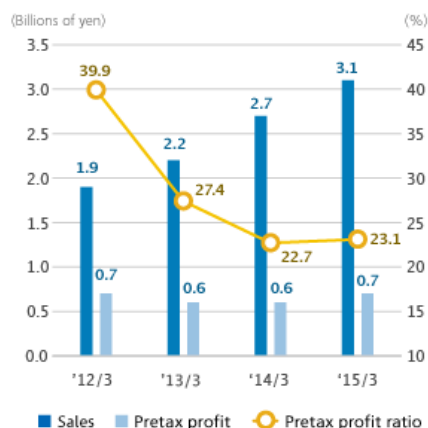
Pretax profit, Pretax profit ratio



Other

The Other business segment consists mainly of information system services offered to the HOYA Group and outside customers as well as new business development. Revenues from the segment were ¥3,117 million, 13.8% higher than in the previous year. Segment profit amounted to ¥727 million, representing an increase of 20.8%.

Sales, Pretax profit, Pretax profit ratio



Dividend Policy

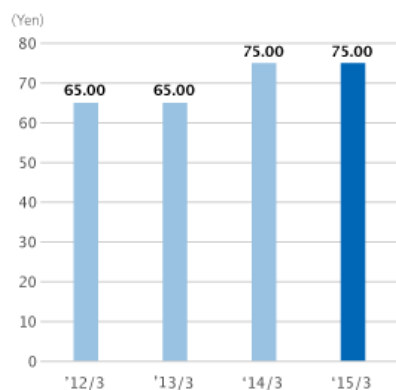
HOYA's basic capital policy is not only to maintain a sound financial position to secure stable and sustainable corporate growth but also maintain an optimal balance between building retained earnings for financing future growth and returning profits to shareholders. In addition, HOYA's management stance is to emphasize return on capital and generate as much profit as possible through the efficient use of the capital that shareholders have invested in the Company. However, going beyond this, HOYA practices SVA (Shareholder Value Added) management and aims to raise return on invested capital as high above the cost of capital as possible and aim for maximizing corporate value.

Regarding internal reserves, resources will be preferentially appropriated to investment in the Life Care business field, which we have positioned as a growth business. These resources are being used for market share expansion, entry into untapped markets, and developing as well as acquiring new technologies. In addition to growth of existing businesses, HOYA will proactively pursue various possibilities, including mergers and acquisitions, to further enrich its business portfolio and expand business operations. In the Information Technology business field, which has been positioned as a steady earnings business, we will continue to make capital investments that further reinforce the technological capabilities that become the source of competitiveness, and development investments that will contribute to the development of next-generation technologies and new products.

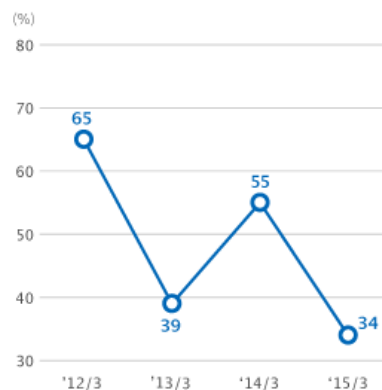
In determining return to shareholders, HOYA's bases for judgment are performance results and the level of retained earnings, funding needs in the medium-to-long term, and the composition of capital from an overall perspective. HOYA then actively distributes dividends to shareholders and conducts share buybacks.

In view of this policy, HOYA conducted a share buyback program totaling ¥30 billion (The buyback program was approved in May 2014, completed in August 2014, and the shares were cancelled in September 2014.). The interim dividend was set at ¥30 per share and coupled with the end-of-year dividend, the annual dividend will be ¥75 per share. The consolidated dividend payout ratio is 34.4%.

Dividend per share



Payout ratio



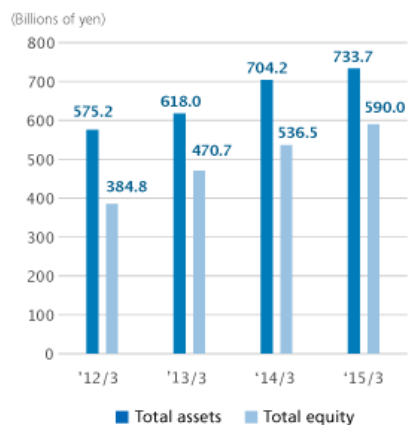
Financial Position

Total assets at the end of the fiscal year under review increased ¥29,449 million from the previous fiscal year-end, to ¥733,732 million. Non-current assets decreased by ¥9,405 million, to ¥180,166 million. This decrease was due to declines of ¥991 million in goodwill, ¥4,287 million in intangible assets, ¥2,025 million in long-term financial assets, and ¥1,321 million in fixed assets due to depreciation and amortization.

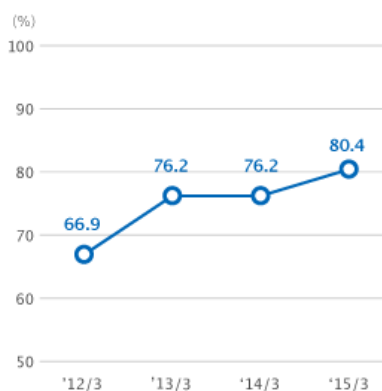
Current assets increased ¥38,853 million, to ¥553,566 million. This was mainly due to an increase in cash and cash equivalents by ¥17,726 million. Total equity rose ¥53,447 million, to ¥596,095 million. This increase was mainly due to the rise in retained earnings of ¥30,920 million and an increase in accumulated other comprehensive income/(loss) of ¥20,507 million. Equity attributable to owners of the parent company increased ¥53,487 million, to ¥590,014 million.

Total liabilities decreased ¥23,998 million, to ¥137,637 million. The ratio of equity attributable to owners of the Company's total assets as of the end of the consolidated fiscal year under review was 80.4%, which was 4.2 percentage points higher than the 76.2% at the end of the previous fiscal year.

Total assets, Total equity



Ratio of assets attributable to owners of the Company



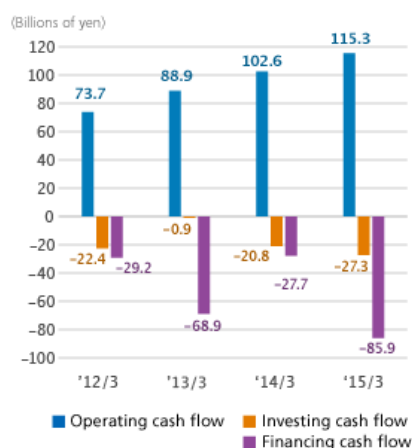
Cash Flow

Cash and cash equivalents at the end of fiscal 2015 increased ¥17,726 million, to ¥348,819 million. This increase included ¥15,662 million due to foreign currency fluctuations. Net cash generated from operating activities was ¥115,380 million (an increase of ¥12,710 million in the prior fiscal year). Principal items increasing operating cash flows were profit before tax of ¥118,249 million (an increase of ¥32,762 million year on year), depreciation and amortization of ¥34,852 million (an increase of ¥961 million year on year), and other factors. Principal items reducing operating cash flows were an increase in trade and other receivables of ¥736 million (an increase of ¥3,118 billion year on year), a decrease in trade and other payables of ¥314 million (a decrease of ¥1,857 million year on year), an increase in inventories of ¥701 million (an increase of ¥12,487 million year on year), and income taxes paid of ¥27,354 million (an increase in cash outflow of ¥2,862 million year on year).

Net cash used in investing activities was ¥27,387 million (a year-on-year increase in cash outflow of ¥6,505 million). While cash flow was increased by ¥2,118 million in proceeds from sales of property, plant and equipment (an increase of ¥1,168 million year on year) and other items, this inflow was offset by payments for acquisition of property, plant and equipment of ¥18,385 million (an increase of ¥1,839 million year on year), payments for purchase of a subsidiary of ¥281 million (a decrease of ¥6,109 million year on year), payments for loans to related companies of ¥8,500 million (an increase of ¥6,504 million year on year), and other items.

Net cash used in financing activities was ¥85,929 million (a year-on-year increase in cash outflow of ¥58,135 million). Principal cash outflows were dividends paid of ¥32,103 million (an increase of ¥4,002 million year on year), payments for purchase of treasury shares of ¥30,035 million (an increase of ¥30,031 million year on year), payments for redemption of bonds of ¥25,126 million (an increase of ¥24,892 million year on year).

Cash flow



Capital Expenditures/Depreciation and Amortization

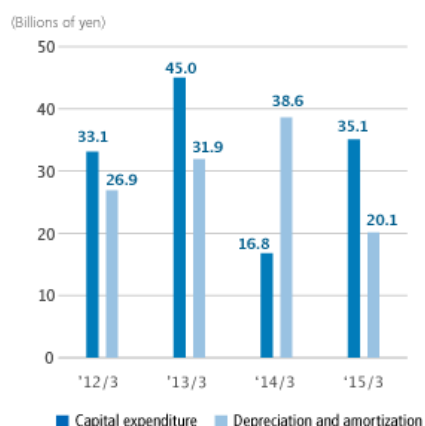
Total capital expenditures of all operations of the HOYA Group amounted to ¥20,184 million, representing an increase of ¥3,345 million over the previous fiscal year. In the consolidated fiscal year under review, investment in the Information Technology business amounted to ¥6,953 million, which accounted for 34.4% of total capital investment, and investment in the Life Care business was ¥13,117 million, 65.0% of the total. These investments were covered by internally generated funds.

Capital expenditure was made in the consolidated fiscal year under review in the electronics-related product businesses of the Information Technology business to further enhance and differentiate technological capabilities and to increase productivity. In the imaging-related products business, investments were made to conserve energy and expand capacity for production of high-value-added materials.

Within the Life Care segment, in the eyeglass lens business, where HOYA is aiming to capture growth in the expanding global market, investments were made to increase production capacity in volume production facilities in Asia and improve productivity in HOYA's processing plants located around the world through the relocation and closure of certain production locations.

Depreciation and amortization (including impairment loss) for the fiscal year under review decreased 9.1%, to ¥35,138 million. Both the Information Technology and Life Care segments spend about one-half each of the total amount.

Capital expenditure, Depreciation and amortization



HOYA REPORT 2015