



ONLINE
HOYA Report 2013



Five points to know about Hoya

Thank you for visiting Hoya's Annual Report 2013.

First, we would like to relate five distinctive aspects of Hoya as a company.

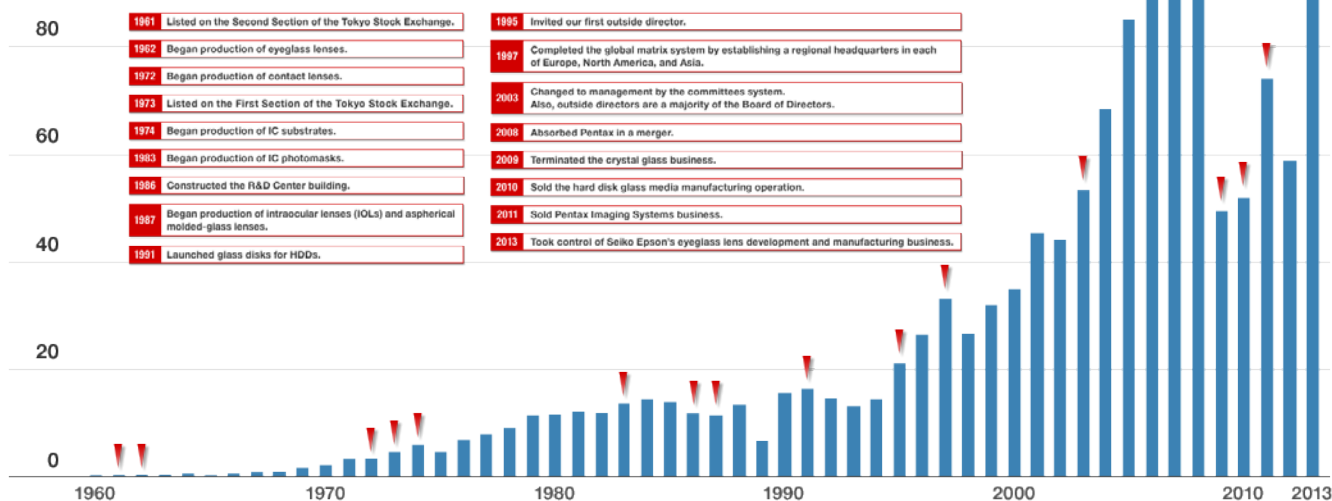
Profitability comes first at Hoya.

“A company persisting in profitability” is us, Hoya.

billion
120

We have not had an **operating loss** since 1960.

We don't care much about size or sales amount.



If you place your cursor on the mark, a pop-up appears.

■ Operating profit (1960-2012)

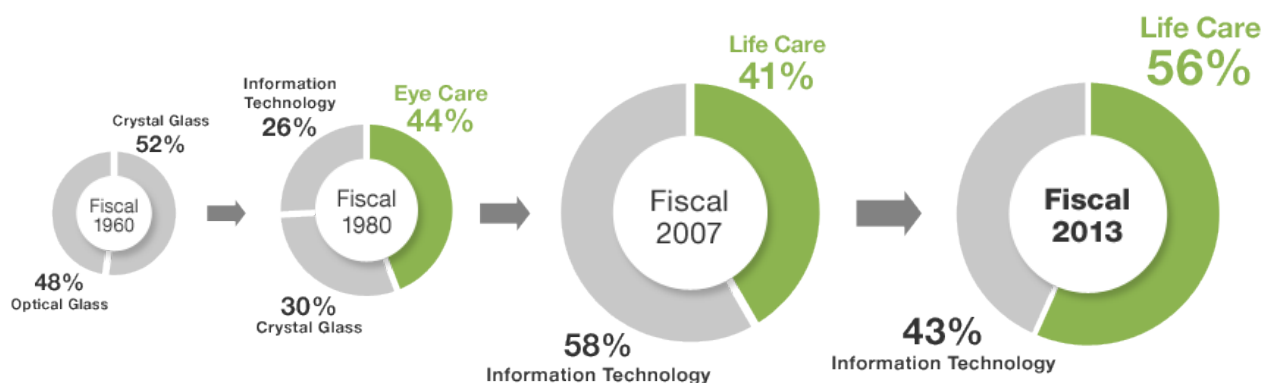
*Since fiscal 2011, the IFRS has been applied to Hoya's financial statements. Since fiscal 2009, profit before tax has been shown in place of operating profit.

Notation in this annual report on the website

HOYA's fiscal year ends on March 31. In this website, references to years are to the period ended March 31 of the year indicated.

We will keep changing
our business portfolio.

At present, **the Life Care business** is
our growth driver.

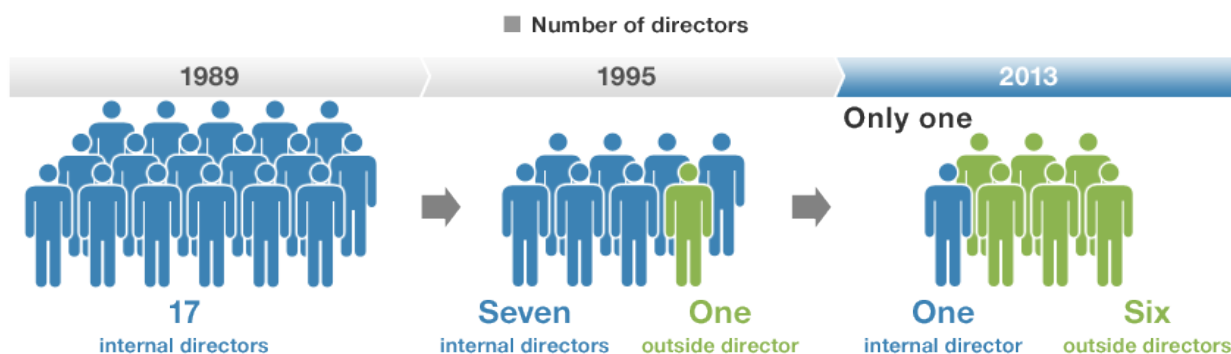


■ Change of the Business Portfolio Over Time (Sales by Business Segments)

Fewer directors mean more speedy decision-making.

Efficient and transparent corporate governance system

In addition to enhancing the managerial supervising function, mainly overseen by independent outside directors, a transparent corporate governance system has been established.



* As of June 21, 2013

In 2003, Hoya instituted a company-with-committees management system, thereby establishing three committees—the Nomination Committee, the Compensation Committee and the Audit Committee—each distinct from the Board of Directors. Within the company-with-committees framework, this system enables delegation of decision-making authority from the Board of Directors to the executive officers so that they may focus on speedy and efficient management toward realizing improved business performance. At the same time, the three committees composed of outside directors provide enhanced powers of supervision over the executive officers to ensure overall soundness and transparency of management.

We aim to be “a big fish in a small pond.”

Being “a big fish in a small pond.”

For Hoya, it means to focus on our areas of strength and establish a position with superior competitiveness in those areas. We emphasize the enhancement of competitiveness (translating into expansion of our market share) in our areas of strength, rather than seeking to expand size and scope of operation.

■ Sales ratio of products with the global top market share **34%**

■ Sales ratio of products with the top market share in Japan **45%**

■ Market shares of major products



Photomasks
for LCD panels
**No. 1
in the world**



Glass disk
substrates
for HDDs
**No. 1
in the world**



Optical lenses/
optical glass
**No. 1
in the world**



Eyeglass lenses
**No. 2
in the world**



Contact lens
retail business
**No. 1
in Japan**



Medical
endoscopes
**No. 2
in the world**



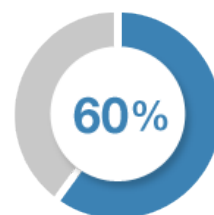
Ceramic
artificial bone
**No. 1
in Japan**

Ninety percent of our workforce are non-Japanese.

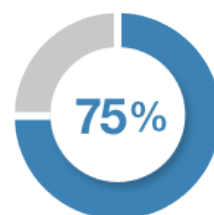
At Hoya, Japanese employees are a minority.

Having pursued a strategy of global optimal production and sales, today's Hoya is mainly comprised of overseas-based global human resources.

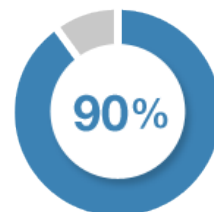
Overseas sales



Overseas production ratio



Overseas employees ratio



From CEO

Message to stakeholders

Aiming at high growth of
the Life Care business and building of
a new business portfolio



Hiroshi Suzuki
President and CEO

To our shareholders and customers: I thank you for your ongoing support and understanding.

I am pleased to explain the business results of Hoya, your company, for the fiscal year ended March 31, 2013. In addition, I would like to tell you about how the Hoya corporate group is striving, with the aim of creating more corporate value, to use the precious funds extended to us by all shareholders.

-
- 1 Fiscal year ended March 2013 Result Review
 - 2 Business Portfolio Management As Hoya's Way
 - 3 Hoya's sources of strength
 - 4 My job as CEO
 - 5 Concluding message to shareholders
-

1 Fiscal year ended March 2013 Result Review

During the fiscal year ended March 2013 (from April 1, 2012 to March 31, 2013), Hoya's consolidated sales amounted to ¥372,494 million, down 1.2% year on year. Excluding sales contributed by the PENTAX Imaging Systems Business, which was sold in October 2011, in the first half of the previous fiscal year, sales increased by 3.3% year on year.

The Life Care segment recorded sales of ¥208,968 million, up 8.3% year on year, and grew to contribute 56% of group sales. The Eyeglass Lens division, the main business of the segment, suffered from a significant drop in production and sales due to the massive flooding that occurred in Thailand in October 2011 (the previous year).

However, the steady recovery through the year has enabled the division's sales in the fourth quarter (January-March 2013) to surpass the pre-flood level.

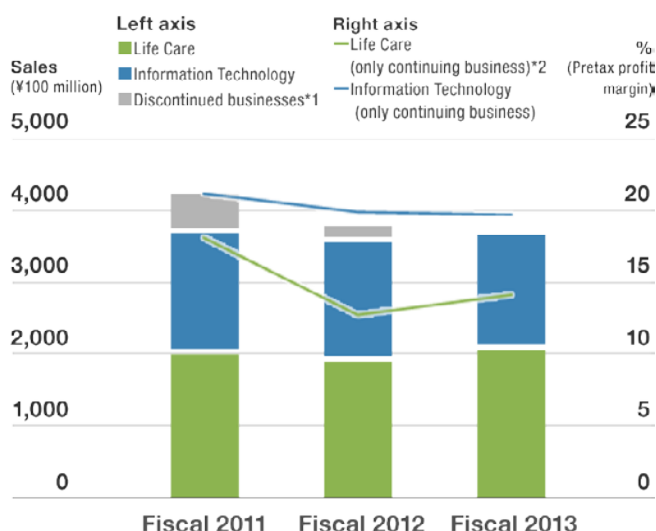
Medical Endoscope division continued steady expansion in the fiscal year under review. The Intraocular Lens (IOL) division also showed steady results in the first half. In the third quarter (October-December 2013), upon receiving higher than expected reported rates of inflammation and/or endophthalmitis for some IOL products, we voluntarily suspended shipments and recalled those products. I apologize deeply to those concerned for any inconvenience and worries this might have caused. While the interruption of production and voluntary recall of IOLs had a slight impact, the Life Care segment achieved an increase in

sales and earnings thanks to steady growth of other divisions.

Meanwhile, the Information Technology segment posted sales of ¥161,216 million, down 11.5% year on year, due to a slowdown in market growth of semiconductors, flat panel TVs, laptop computers, and other final products which use Hoya's products. Sales decreased only 2.8% if sales in the PENTAX Imaging Systems Business, which was sold to Ricoh Company, Ltd. in October 2011, were excluded.

Profit before taxes amounted to ¥89,368 million, up 52.7% year on year, including special factors such as insurance income of ¥32,187 million related to the damage from the Thai floods, a foreign exchange gain of ¥12,539 million due to the weaker yen during the second half, and losses from equity-method investments of ¥11,912 million. Even after excluding these extraordinary factors, profit before taxes for the current year was higher year-on-year. By segment, the Life Care segment posted a pretax profit of ¥63,954 million and a segment profit margin of 30.6%. Excluding ¥32,187 million in insurance income as part of compensation for damage caused by the Thai floods in October 2011 and ¥2,238 million as a gain on step acquisitions, segment pretax profit would have been ¥29,529 million with a profit margin of 14.1%. In the meantime, the Information Technology segment recorded profit before tax of ¥31,841 million and a segment profit margin of 19.7%.

■ Three Years of Consolidated Operating Results
(FY2011 to FY2013)



*1 Discontinued businesses include the following:
PENTAX digital camera business (sold on October 1, 2011)
HDD glass memory disk business (magnetic coating) (sold on June 30, 2010)

*2 The pretax profit margin of the Life Care segment (continuing business only) is based on pretax profit which excludes the Thai flood-related insurance income and gain on step acquisitions.

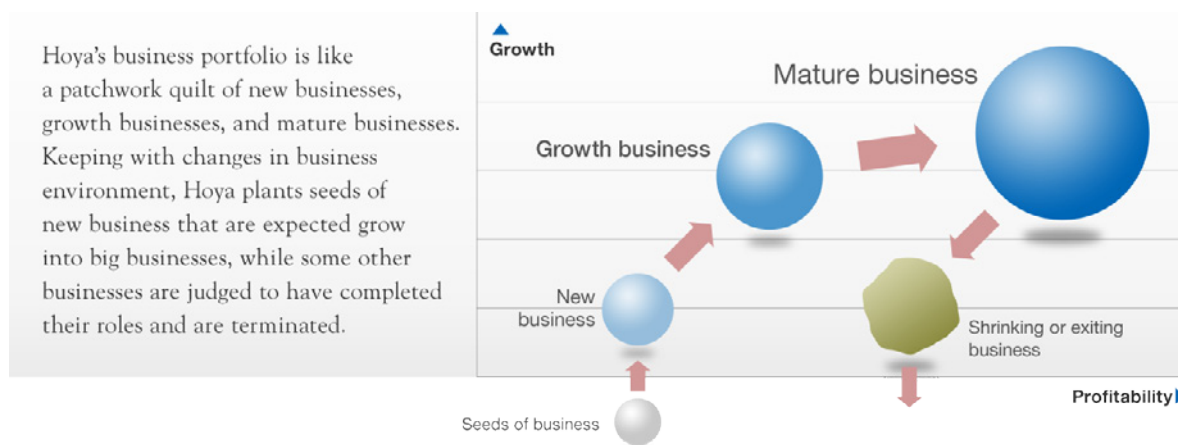
2 Business Portfolio Management As Hoya's Way

The Hoya Group uses "portfolio management" techniques to ensure the profitability, stability and growth potential of the Group as a whole by simultaneously holding several different businesses and striking an appropriate balance between them.

Generally speaking, some companies focus on one and only business, while other companies concurrently operate multiple businesses. Clearly Hoya is the latter type. Every business has a lifecycle of its own and passes from its growth stage via a maturity stage into a decline stage. While companies with a focus on a single business could be efficient, they may suffer from a start-up cost of a new business.

On the other hand, Hoya, with its multiple-business model, has various businesses at different stages of their lifecycles, allowing the entire Group to sustainably generate steady returns while tolerating a certain level of risk.

You may think that Hoya is engaged in numerous unrelated businesses of completely different markets. In fact, our businesses have a common underlying know-how, which has been accumulated to become the unique strength of Hoya across our businesses. I firmly believe that this strength will be a key to make our businesses distinct.



3 Hoya's sources of strength

So, what is the common underlying know-how Hoya possesses? I keep telling everyone at Hoya to strengthen his or her business in charge. Methods may differ by business, as each business has a different market, product, or competitive landscape. Nevertheless, regardless of the business, our underlying aim is to become "a big fish in a small pond." It means that we focus on our areas of strength and endeavor to obtain and retain dominant position in selected niche markets. It may sound simple but is not easy to achieve. What is important for us here is to think about how to become more competent relative to our competitors under given competitive conditions. It is of vital importance to establish a market or a position where Hoya can be overwhelmingly strong. Let me give an example from the optical lens business, which is Hoya's original business. Initially Hoya's main operation was to melt optical glass.

With the aim of differentiating ourselves, we have expanded from glass melting to manufacturing of glass lenses and further to assembly of multiple glass lenses into a lens module. As we focused on how Hoya can create value in the scene of capturing an image into picture elements (pixels), our strategies have become clearly visible.

Regarding our business related to hard disk drive glass disks, we sold our operation for applying magnetic coating (Media business) and decided to concentrate on fabricating and polishing glass substrates (Substrate business) about two years ago. This has enabled us to do mass production of high-grade substrates at lower costs, and this has resulted in raising our market share.

Concentrate wholeheartedly on how to become "a big fish in a small pond." This issue, in my view, is rooted in the mindset of our employees, which is becoming one of our strengths.

4 My job as CEO

I believe my job as CEO is to further enhance Hoya's business portfolio. Namely, to strengthen and grow our existing businesses, to identify what is missing in and appropriate to the company and adding it to our portfolio, and to decide to shrink or exit our declining businesses in a timely manner. Obviously this is based on the long-term premise that Hoya will keep growing. Being a CEO, I look at our business portfolio as an aggregate of diverse businesses and find it important to maintain a good balance as a whole entity.

I believe that the information and technology industry has passed the inflection point of its growth and is

entering into a long period of maturity. While it may sink into a period of decline, we are not assuming further expansion of this market.

In anticipation of this outlook, we have focused on creating the condition to generate long-term steady earnings for our related businesses in the past few years. We anticipate that a decrease in the number of players in these markets could stabilize pricing. In addition to no need for heavy capital spending, mature technologies should mean to lower production costs. Combining all those factors, the related businesses have fundamentally become able to maintain profits. At any rate, we have created such a

structure by conscious efforts.

Let us now think about mask blanks for semiconductors and photo masks for LCD panels. Change in structure of chips and other technological shift and innovation can be expected in the future. Nevertheless, the semiconductor industry itself should be regarded as maturing. I am keenly aware that Hoya's information technology business is based on such mature industry.

Thus, I will continue to focus on creating an environment that enables our related business to maintain profits for a long time in the future. On the other hand, in the case of a business in which we

cannot ensure a competitive positioning and in which we keep generating negative cash flow, we may be forced to select an exit strategy. This is what we have done in the past, in case of business closures and withdrawal. The most recent example was to close down our history of more than 60 years in the crystal glass business in 2009. When we assessed that we could not become more competitive in a certain business, we decided to make a speedy sale of that business to the most appropriate buyer.

We sold the media business (HDD glass memory disk coating) to Western Digital Corporation in 2010 and the PENTAX digital camera business to

Ricoh Company in 2011.

In contrast, Hoya aims to achieve high growth in the promising Life Care

businesses. I believe our present business portfolio is insufficient to do so. We need to add new businesses.

Having said this, I also firmly believe that we can achieve a double-digit growth even with the current businesses alone. As we have various products for



the elderly, the global aging trend is positive for us. In addition, our eyeglass lens business has merely 10% share in the global market. We will first approach many of our untapped markets or customer segments.

We have just begun global expansion of our Intraocular Lens (IOL) businesses. Many overseas markets remain unexplored. In addition, our market share for medical endoscopes is still small, while those endoscopes have a great growth potential. At present, endoscopes are mainly used for diagnosis of lesions. In the near future, technological innovation will shift from diagnosis to treatment.

Endoscopes, in my view, will be the products that provide a platform for new applications.

I constantly keep reviewing and developing our business portfolio in various ways to match the time and environment. By doing so, I remain committed to my task as CEO to the goal of maximizing the return on funds extended by our shareholders. I think that the company is owned by its shareholders and the company deserves to exist by generating the expected return for the shareholders. From a perspective of return to shareholders not only at

present but also for the future, we aim at a long-term sustainable generation of return.

One of my challenges as CEO is how to efficiently use cash accumulated on our balance sheet. We have considered various M&A opportunities cautiously, as one of the ways to grow. However, in many cases, high valuations have prevented us from concluding such deals. While we have not achieved as much as desired, we will continue to address this pressing issue and intend to fill in whatever is missing in our portfolio.

5 Concluding message to shareholders

Hoya is engaged in various businesses with each one striving to strengthen itself, with the aim of becoming "a big fish in a small pond." Each business has a strategy, is operated by passionate employees who are dedicated to execute the strategy, and is supported by a global system. In addition, each business is based on a management structure which has been designed to enable sustainable growth and operate within a transparent governance system which ensures proper functioning. I firmly believe that Hoya's sources of strengths have emerged from such underlying structure.

As Hoya's CEO, I am dedicated to the mid-term sustainable annual growth of 10%. To achieve this, we intend to realize high growth of the Life Care

segment and to build a new business portfolio.

We plan to shift and utilize cash flow, management know-how, and human resources from the Information Technology segment to the Life Care segment. While it is difficult to foresee the future in this time of uncertainty, Hoya's visions and strategies are becoming clear. As a person in charge of funds made available to us by shareholders, I am fully committed to the management of Hoya.

I thank our shareholders for their ongoing support and understanding.

July 2013

President and CEO



Special Features for 2013

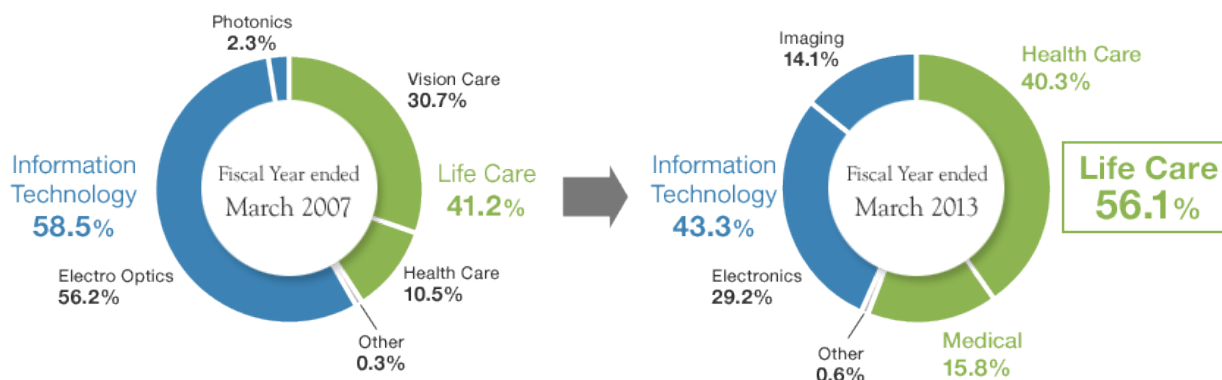
Feature
No. 1Lifecare's
growth
story

1 Lifecare Business is a key for HOYA's sustainable growth

Developed countries are facing issues derived from aging populations, expansion of medical service needs for the elderly, and growth and development of the healthcare service market, while tighter control of medical-related expenditures is an imminent issue that must be addressed. Meanwhile, in emerging countries rapid economic growth has led to an increase in the middle-income population. There, accordingly, medical infrastructure has to be augmented on an urgent basis, and the importance of improving people's quality of life (QOL) is rising. Hoya's Life Care Segment is contributing to society in these countries, with products that are associated with eyes and which therefore have much to do with the people's QOL, as well as with endoscopes and other medical devices, which, in keeping with medical progress, are in increasing demand.

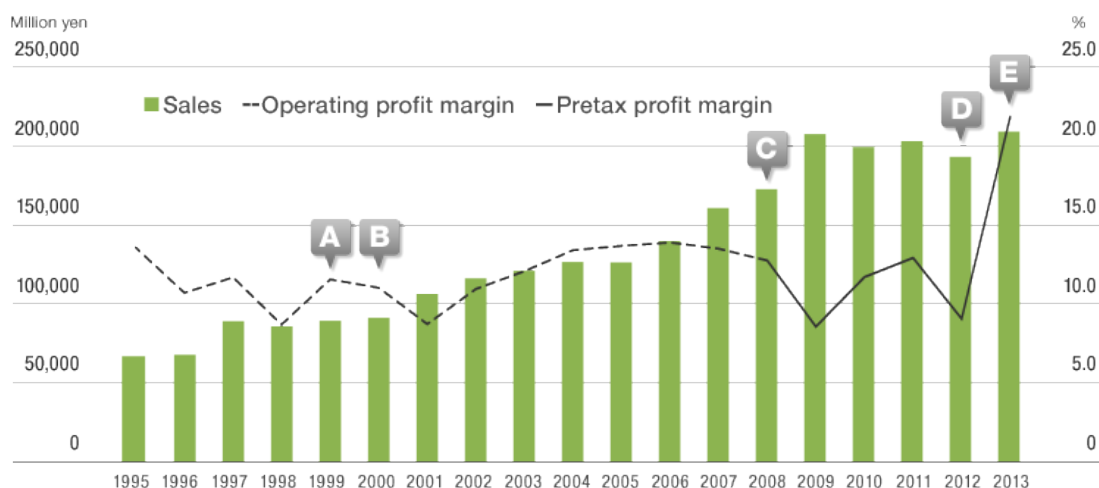
Life Care Segment has become Hoya's core business

Change in Business Portfolio



Life Care Segment will accelerate growth by aggressively making investments

Life Care Segment Sales and Operating Profit Margin



*HOYA Group prepares and discloses its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), from the fiscal year ending March 31, 2011, instead of Japanese GAAP. In the above graph, profit before tax ratio is disclosed in 2008 and thereafter instead of operating profit ratio.

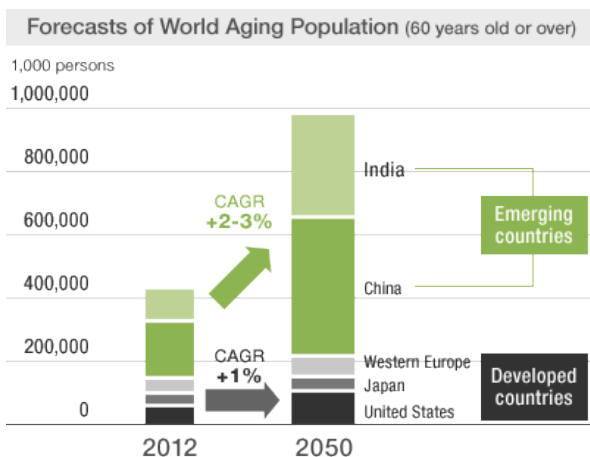
M&A Activities in Life Care Segment

Year	Business	Country	Company/Division	Business Activities
A 1999年	Eyeglass lens	Belgium	Buchmann Optical Industries, N.V.	Production and sales of eyeglass lenses
B 2000年	Eyeglass lens	U.S.A.	Optical Resources Group, Inc.	Processing and sales of eyeglass lenses
C 2008年	Endoscopes, artificial bones	Japan	Pentax Corporation	Development, production, and sales of endoscopes, artificial bones, etc.
D 2012年	Endoscopes	Germany	Digital Endoscopy GmbH	Development of endoscopic imaging products with expertise in software-based computer architecture and optical illumination technologies
	Eyeglass lens	Brazil	Optotal Hoya S.A.	Production and sales of eyeglass lenses
	Artificial bones	Japan	Japan Universal Technologies, Inc.	Development and production of metallic implant for orthopedics
E 2013年	Eyeglass lens	Japan	Seiko Epson Corp.'s eyeglass lens business	Development and production of eyeglass lenses
	Eyeglass lens	Japan	Investment in Seiko Optical Products Co., Ltd.	Sales of eyeglass lenses

Why is Hoya investing in the lifecare area?

1 Aging of the global population

Aging of the global population is driving expansion of the market for medical and healthcare services, while governments everywhere face the challenge of rising medical-related expenditures. Accordingly, the worldwide need for early detection of a disease and early medical treatment is rising.



2 Increase in middle-class population, particularly in emerging countries

In emerging economies, rapid economic growth has led to improvement in living standards and a surge in the middle-income population. Accordingly, we are witnessing growing need to improve medical infrastructures, enhance medical services, and improve the people's quality of life (QOL) in line with changes in their life style.



Hoya's intraocular lenses for cataract treatment, eyeglass lenses, medical endoscopes, and other products have seen a rise in demand due to the aging of the global population, improvement in living standards in emerging countries, and other reasons. Many of these products also contribute to minimally invasive medical treatment. Because of these factors, this business is expected to grow in line with long-term growth potential of the market.

The key drivers for Hoya's growth are eyeglass lenses and endoscopes

Due to the aging of the global population and a rise in the middle-income population, the need for both better medical infrastructure and enhanced quality of life (QOL) will continue to grow. Given such a macro environment and Hoya's potential and technologies, the key drivers for Hoya's medium- to long-term growth are the eyeglass lens business and the endoscope business.

Business	CAGR	Hoya's market share	Factors for profit growth	Future development
Medical endoscope	8% (excluding impact from exchange rate fluctuations)	No.2 in the world	<ul style="list-style-type: none"> • Develop differentiated products • Global expansion • M&A 	Continue to develop products that respond to needs at medical care site and promote global operation in production, sales, and services. Look for M&A opportunities for the purpose of acquiring advanced technologies.
Eyeglass lens	8% (2004 to 2010; world ex. Japan) 3% (2010 to 2012; world ex. Japan; including impact from the Thai flooding)	No.2 in the world	<ul style="list-style-type: none"> • Develop premium products • Service innovation • Industry's top cost competitiveness • Share growth in developed countries • Growth in emerging markets • M&A 	In keeping with the aging of the population, expand sales of integrated double surface progressive lenses made possible by advanced optical design technology, and the industry's top-class coating technology in the high-growth premium product category. In the volume zone, expand sales of low-price products, aiming growth across the entire global market.
Contact lens specialty stores (Eyecity)	10%	No.1 in Japan	<ul style="list-style-type: none"> • Store development (store openings and scrap & build) • Increase in customers through consulting-based sales style • Efficient store management 	Will increase Eyecity stores from the present 200 to 300. Will maintain high profitability by efficient store expansion through use of scrap and build approach, enhanced product line-up, unique consulting-based sales, and management know-how.

Feature
No. 1

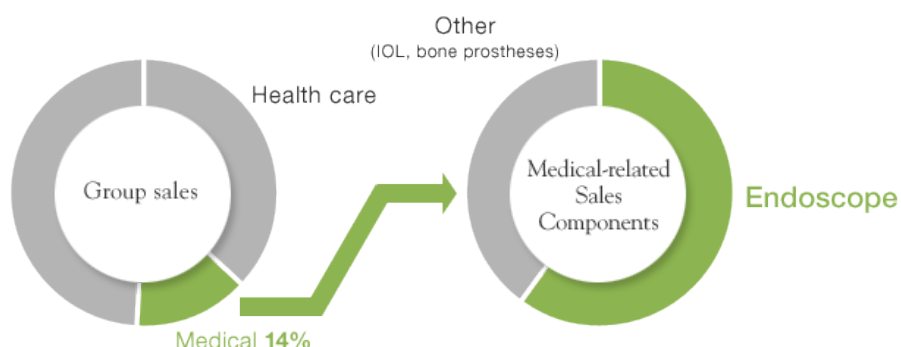
Lifecare's
growth
story

Growth Driver Medical Endoscope Business Potential 2

The medical endoscope business,
one of HOYA's growth drivers,
has the following characteristics and growth potential.

Medical Endoscope Business in the HOYA Group

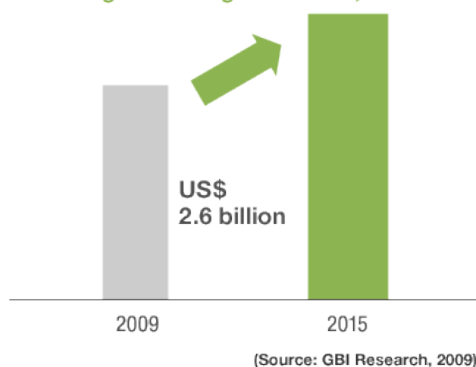
Fiscal 2013 Sales Components



The global medical endoscope market has high growth potential.

Flexible endoscopes' global market

Average annual growth rate, 7-8%



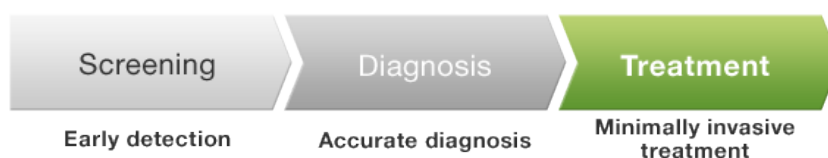
Growth driver of the market

- Aging population
- Increase in number of cancer patients
- Initiatives to reduce medical-related costs
- Greater demand for low-invasive diagnosis and therapeutic devices
- Greater demand in emerging markets for improved quality of life, associated with augmented medical infrastructure and changes in life style

Minimally invasive medical treatment is expected to revolutionize the medical world.

Minimally invasive medical treatment is designed to minimize pain, fever, bleeding, scar formation, and other manifestations in the patient's body that are, associated with surgery or medical treatment. The benefits of this method (such as reduced pain and shortening of hospital stays) have proved attractive not only to patients but also to national governments seeking to restrain the growth of expenditures for medical care. The medical endoscope is indispensable for minimally invasive medical treatment. Importantly, it facilitates early detection, accurate diagnosis, and reduced ancillary effects of the treatment (and surgery) on the patient, playing a vital role in all those processes.

Development of minimally invasive medical diagnosis and treatment, and the endoscope's roles

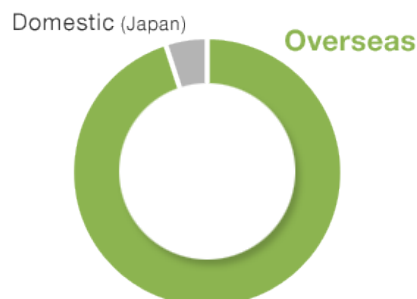


HOYA's global medical endoscope business

No. 2 market share in the world

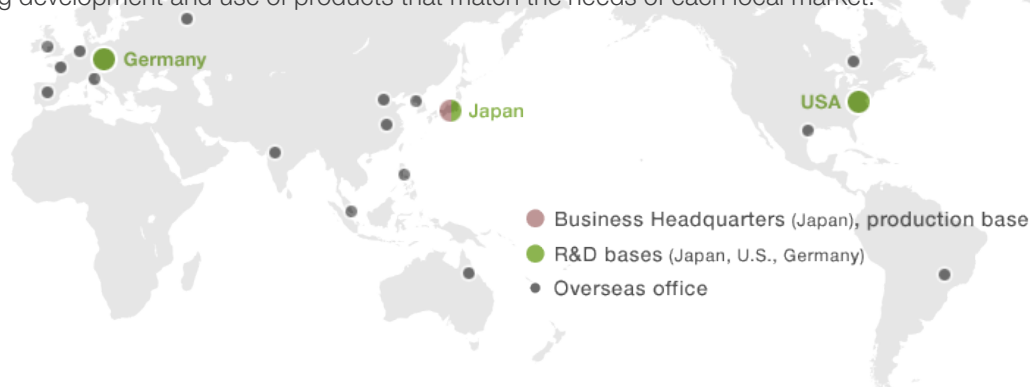


Overseas sales ratio



Global network

HOYA has a global network of bases for R&D, sales and marketing, and customer service for its endoscope business. Overseas group companies in 14 countries and R&D bases in Japan, the U.S., and Germany are promoting development and use of products that match the needs of each local market.



HOYA's technologies support its growth. Most-advanced flagship model's capabilities.

PENTAX EPK-i & 90i series



EG-2990i



EC-3890i series

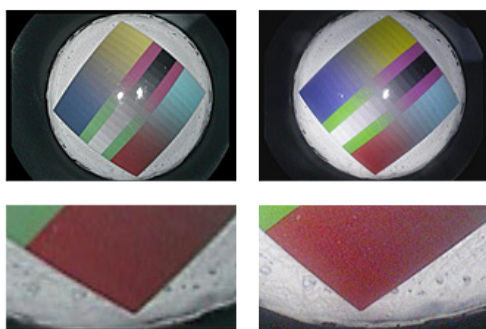


EPK-i

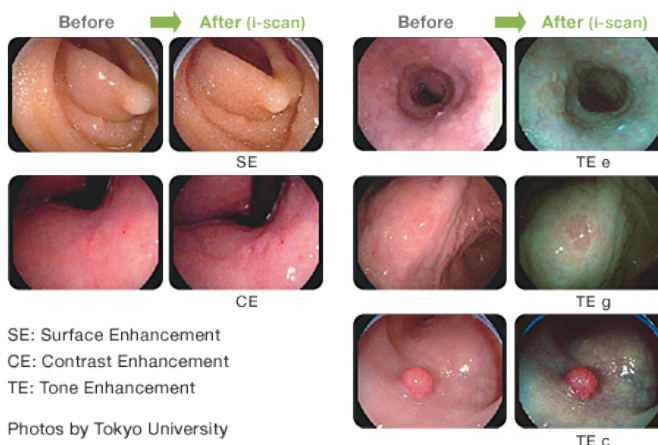
PENTAX EPK-i & 90i series is a high-end series of HOYA's medical endoscopes. It combines the videoscope 90i series, which mounted a Megapixel CCD for the first time in the world for endoscopes, with the video processor EPK-i which realizes a high-resolution output by adopting the patented image processing function called i-scan. Combining these two devices satisfies the medical field's requirements for better pictures, high resolution, and multiple functions.

Comparison of 90i series (HD) and conventional model (SR)

Conventional model → 90i(HD)



High-resolution output provided by HOYA image processing function i-scan



Next-generation high-function video processor **EPK-i7000**



In October 2012, EPK-i7000 was released in some markets, with other countries pending regulatory approvals.

In May 2013, "OE" (Optical Enhancement), a new advanced optical enhancement technology for the i-scan, has been launched for the Japan market, and soon other countries as well. This technology digitally enhances the visibility of blood vessels, ducts of the glands and surface structures.

Targets: Driving Sustainable Double Digit Growth

In order to drive and sustain double digit growth, we have developed and implemented a strategy that consists of 6 key points:

-
1. Broaden our portfolio with M&A into complementary & adjacent spaces while simultaneously focusing our internal R&D on innovative products that are DIFFERENTIATED from competitors by ease of use, clinical relevance, and quality.
 2. Strong focus on a global quality system.
 3. Grow in emerging markets through localization of resources and management teams.
 4. Globalize company operations to reduce our cost position.
 5. Build our reputation as #1 in customer satisfaction.
 6. Build an energized and world class team.
-

Against the backdrop of aging populations and global expansion of medical services, the market for flexible endoscopes and related products and services is expected to remain strong in the foreseeable future and continue to grow.

We are determined to concentrate on continuing to gain global market share in flexible endoscopy with game changing products as well as enter new endoscopy-related fields, in cooperation with leading medical institutions and research universities.

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Feature
No. 1

Lifecare's
growth
story

G r o w t h D r i v e r

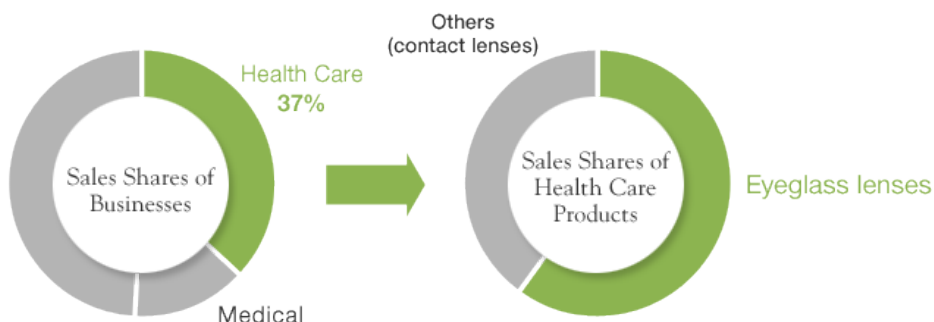
Potential of the Eyeglass Lens Business

Eyeglass lenses are another business Hoya is identifying as a key growth driver.

The eyeglass lens market has high growth potential thanks to the aging of global population and other factors. Here we explain the characteristics and growth potential of Hoya's eyeglass lens business.

Eyeglass Lens Business within the Hoya Group

Fiscal 2013 Sales Breakdown

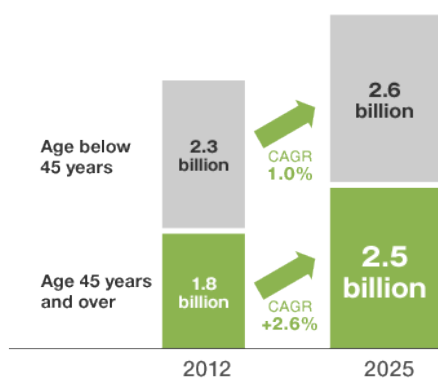


Growth of the eyeglass lens wholesale market

The global eyeglass lens wholesale market is expected to increase from \$11.3 billion in 2012 to \$15.0 billion by 2025, particularly supported by growth in progressive lenses(PAL). On the back of the aging of the global population and the expanding middle-income population in emerging countries, the eyeglass lens market is projected to keep growing.

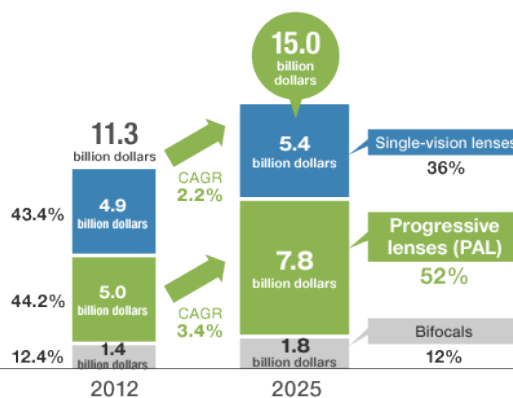
The population in need of visual correction

The aging population means an increase in the population that needs visual correction.



Growth Projection of the Eyeglass Lens Wholesale Market (in Value)

The global lens wholesale market is projected to grow from \$11.3 billion in 2012 to \$15.0 billion by 2025, driven by growth in progressive lenses(PAL).



(Hoya estimates based on data by external research agencies)

Global Eyeglass Lens Wholesale Market

* 2012 – Hoya' estimates



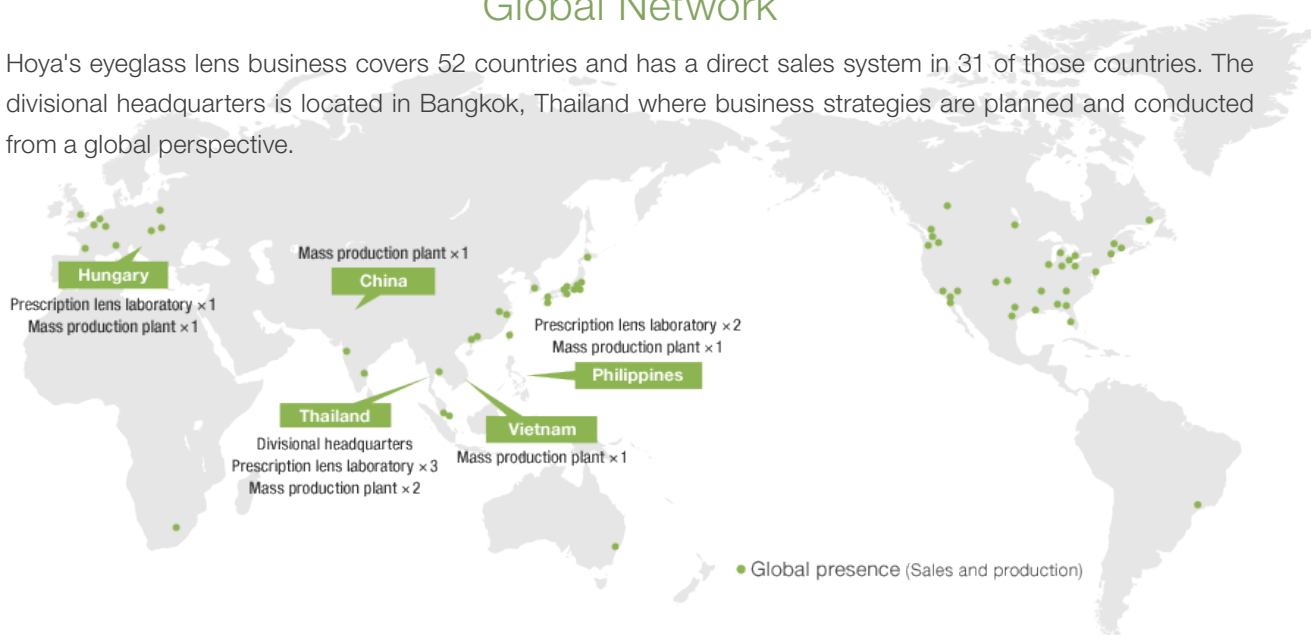
Hoya has a global extensive eyeglass lens operation

Global Market Share and Overseas Sales Ratio



Global Network

Hoya's eyeglass lens business covers 52 countries and has a direct sales system in 31 of those countries. The divisional headquarters is located in Bangkok, Thailand where business strategies are planned and conducted from a global perspective.



Six strengths support Hoya's global expansion

1

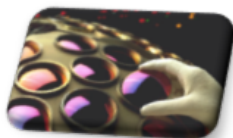
Optical design technology



The integrated double-surface progressive lens that uses Hoya's proprietary premium lens design technology can be order-made and offers clear, naturally comfortable vision with little distortion and swaying.

2

Surface treatment technology



Hoya's high level of coating technology makes it top-class in anti-reflection coatings in the industry.

3

Quality control at the top international level



Hoya's strict quality control system is at the top international level and guarantees high quality in any market.

4

Efficient production system



Hoya's leading-edge plant in Thailand operates 24 hours a day, 365 days a year, helping to ensure speedy delivery to customers worldwide.

5

Frame-fitting processing



Hoya's production plant and eye glass stores are directly connected online and provide seamless services for precise and speedy fitting of lenses to frames.

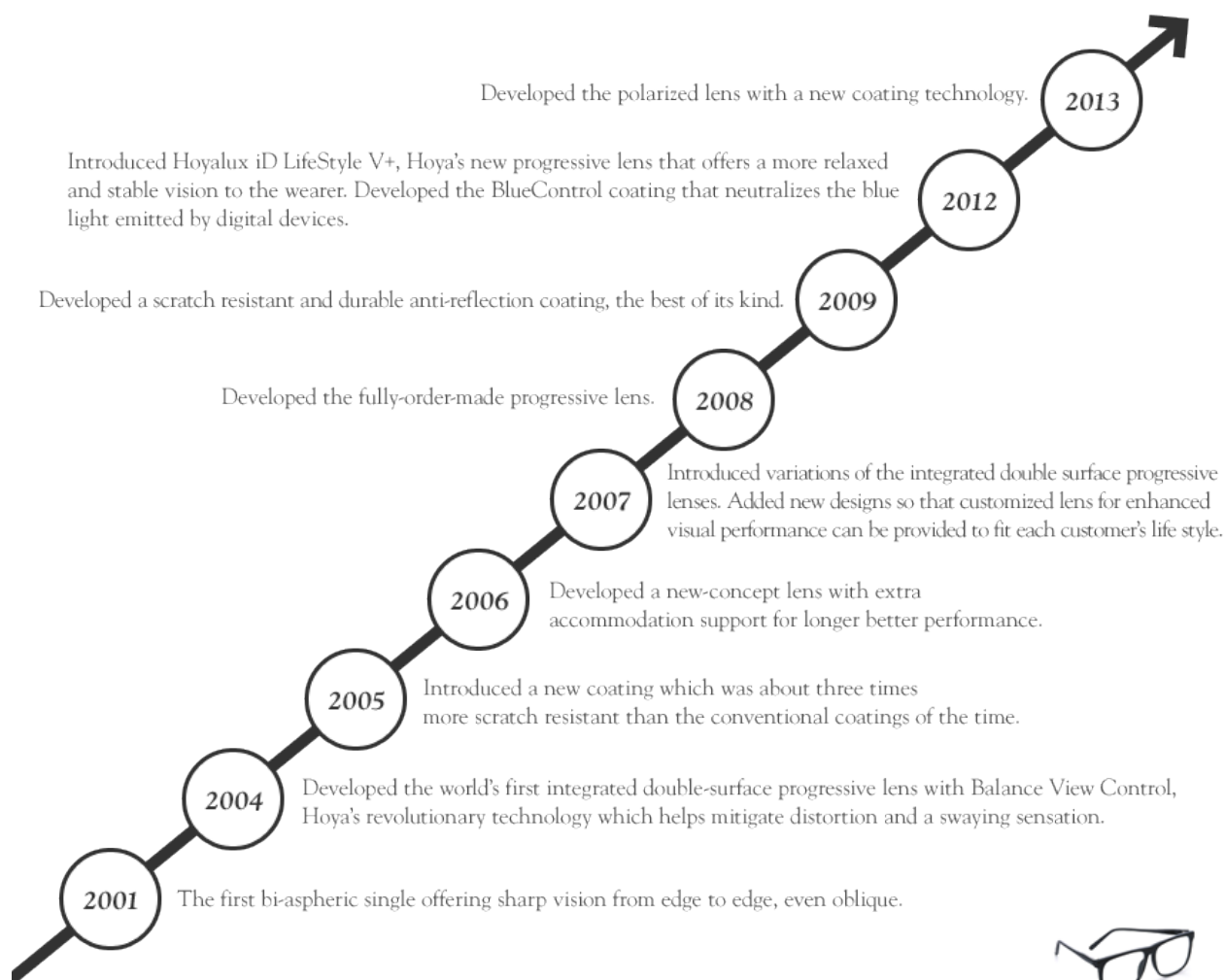
6

Remote processing system



Hoya's production plant and eye glass stores are directly connected online. Ability to instantly exchange messages regarding detailed requirements for prescription lenses means customers receive their eyeglasses in the shortest possible time.

Hoya's history in product innovation



Six key strategies for growth

We differentiate our products by using our advanced technology, such as the world-leading coating technology and integrated double surface progressive lens that has been made possible by use of our proprietary Free Form technology.

To provide a person with corrective eyeglasses it is no longer good enough to have an eyeglass shop make precise measurements of visual acuity. It is also important to determine the optimal eyeglass lens that fits the lifestyle of the wearer. Hoya uses the latest IT technology to enable eyeglass shops to determine and recommend the ideal lenses that satisfy the specific needs of each customer. This advance enables improvement of customer satisfaction.

We will be aggressive in expanding business in emerging countries which have high growth potential, such as India and China, and where Hoya's presence is still low, such as Russia, Eastern Europe, and South America.



In our industry we were early to shift our production overseas. We also make efforts in development of manufacturing technology in order to improve productivity, reduce material wastage, adopt new low-cost materials, and make other changes or improvements. Through these measures, we are dedicated to maintaining the top-class cost competitiveness in the industry.

We are also seeking M&A opportunities, as it will help us to achieve a speedy entry into unexploited markets, establish or expand networks, or strengthen our presence in a market.

In Europe, the U.S., Japan, Australia, and other developed countries, market demand for progressive lenses is expected to grow due to aging of the population. In addition, an increasing usage of smartphones, tablet PCs, and other mobile devices is driving a growth in demand for special surface coating to help reduce blue light, which is one of the reasons that cause glare and flicker. We plan to accelerate growth by expanding sales in developed markets of value-added products such as those with that kind of coating.



In February 2013, Hoya acquired from Seiko Epson eyeglass lens development and manufacturing business.

In June 2013, we also acquired 30% shares of Seiko Optical Products Co., Ltd., which sells Seiko brand eyeglass lenses. We will promote sales of the Seiko brand eyeglass lenses in Japan and overseas by putting those products on Hoya's global manufacturing and sales network.

We aim at growing at a higher rate than the industry.

In April 2012, Hoya acquired 100% of issued and outstanding shares of Optotal Hoya S.A., the largest prescription lens laboratory in Brazil, and made it a wholly-owned subsidiary. In February 2013, the eyeglass lens development and manufacturing business of Seiko Epson Corporation was transferred to Hoya. Through these activities, we expanded our business in this fiscal year ended March 2013 and our sales in the fourth quarter exceeded the quarterly sales level prior to the flooding in Thailand.

In developed countries such as the U.S., Europe, Japan, and Australia, we are witnessing growing needs for the integrated double surface designed progressive lens, as progress in aging of the population means greater demand for presbyopia eyeglasses, and for our special surface coating, as more people use smart-phones, tablet PCs, and other mobile devices. These are the product areas we have been focusing on. We will continue to do so to accelerate our growth.

Turning into emerging markets such as China, India, Russia, and South America, our strategy is to use

our strong financial base and to offer a wide range of products that cover low-priced products as well as high value-added products and features including the integrated double surface progressive lenses and the anti-reflection coating.

Our team of dedicated high-performance members has made a great start of the new fiscal year, with an exciting product development roadmap that will undoubtedly support our future growth. We will strive hard to meet your expectations.



What is **SVA**, that provides for Hoya's sustainable growth?

Shareholders Value Added

Since 1998 Hoya has introduced SVA (Shareholders Value Added), an innovative management index, as an indicator for running the company and its businesses. We would like to explain why SVA is important for us.

What is SVA, that provides for Hoya's sustainable growth?

Second Feature

Aiming at maximizing corporate value

SVA management

The company's business activities are comprised of various elements. They include "revenues" generated from operations, "costs" associated with those operations, "total assets" which are at the base of the activities, "funded capital" that financially supports them, and "cost of shareholders' equity" which is the return the company pays to its owners, i.e., shareholders. SVA, which is derived from combining these elements, is a metric to reflect an increase of corporate value.

SVA represents a company's worth after satisfying all stakeholders

Hoya believes that these elements of corporate activities incorporate determinants of satisfaction of all stakeholders of the company. "Sales" are the result of "satisfaction of customers", "operational costs" mean "satisfaction of suppliers and employees (in a form of salaries)", "tax" indicates "satisfaction of the national and local governments," "interest paid" results in "satisfaction of financial institutions," and "cost of shareholders' equity" includes "satisfaction of shareholders."

The remaining balance after satisfying all those stakeholders is an increase of corporate value, i.e., SVA. Thus, engaging in a corporate activity to increase SVA reflects our willingness and commitment to satisfy everyone associated with Hoya and at the same time to keep growing as a company.

We also want to point out that SVA is different from EVA (Economic Value Added). EVA is a measure that compares net operating profit to total cost of capital, while SVA can be calculated from the ROIA (return on invested assets) and the WACA (weighted average cost of assets). As total assets incorporate all corporate resources for business activities, the calculated figure can be broken down into the operating profit to total assets ratio and the cost of capital for each business segment.



$$SVA = \underbrace{ROIA}_{\substack{\text{Net operating profit after tax} \\ \times \\ \text{Total asset turnover}}} - \underbrace{WACA}_{\substack{\text{After-tax interest cost to total assets} \\ + \\ \text{Cost of shareholders' equity to total assets}}}$$

Discounted increase of a corporate value of a single year = Corporate value

In the long corporate history of Hoya, we once generated net loss and was temporarily under control of a bank. That was back in 1967. Five years after, the bitter experience triggered us to adopt cash flow management. Since then, we have upgraded our major management measure from ordinary profit to ROE in 1994, and further to SVA in 1997. ROE is an effective tool to check the efficiency of shareholders' equity, but as more debt can also generate more

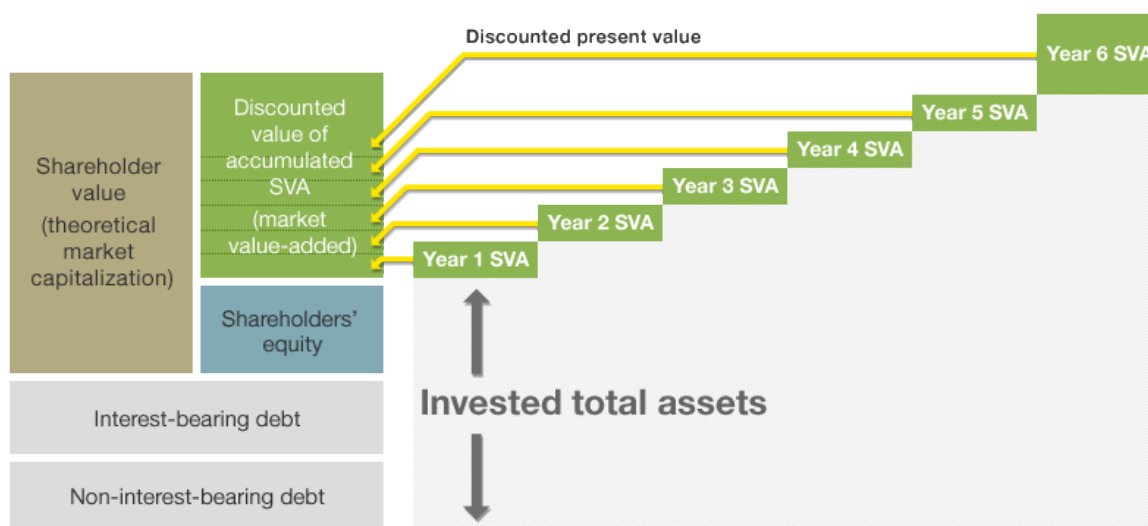
income, the shareholders' equity ratio (or leverage) needs to be counted.

Rather, we decided to adopt SVA, which is intended to show the amount of increase or decrease of corporate value. A relatively new concept incorporated in SVA was the "cost of shareholders' equity." Historically, the Japanese accounting rules had used the term "own capital," literally reflecting the general idea that reserves, retained earnings, and the like are the company's cost-free funds and have no funding costs. SVA, however, is different. It is based on the view that reserves and retained earnings are part of shareholders' equity, which incurs a cost, in the form of the expected return of shareholders. Hence, the amount of net profit minus expected return (cost) ends up to be an increase in corporate value.

Changes in Hoya's major management measure

Before 1994	Ordinary Profit	Management which emphasizes revenues, i.e., how much profit is generated from revenues
From 1994 to 1997	ROE (Net profit/Shareholders' equity)	Management which emphasizes efficient use of capital, i.e., how much profit is generated from shareholders' equity
After 1997	SVA	Management which emphasizes corporate value, i.e., by how much profit exceeds cost of capital
	Cash flow management	Management which emphasizes efficient use of financial flows

Discounted increase of a corporate value of a single year = Corporate value



Enhancing competitiveness and securing stable earnings

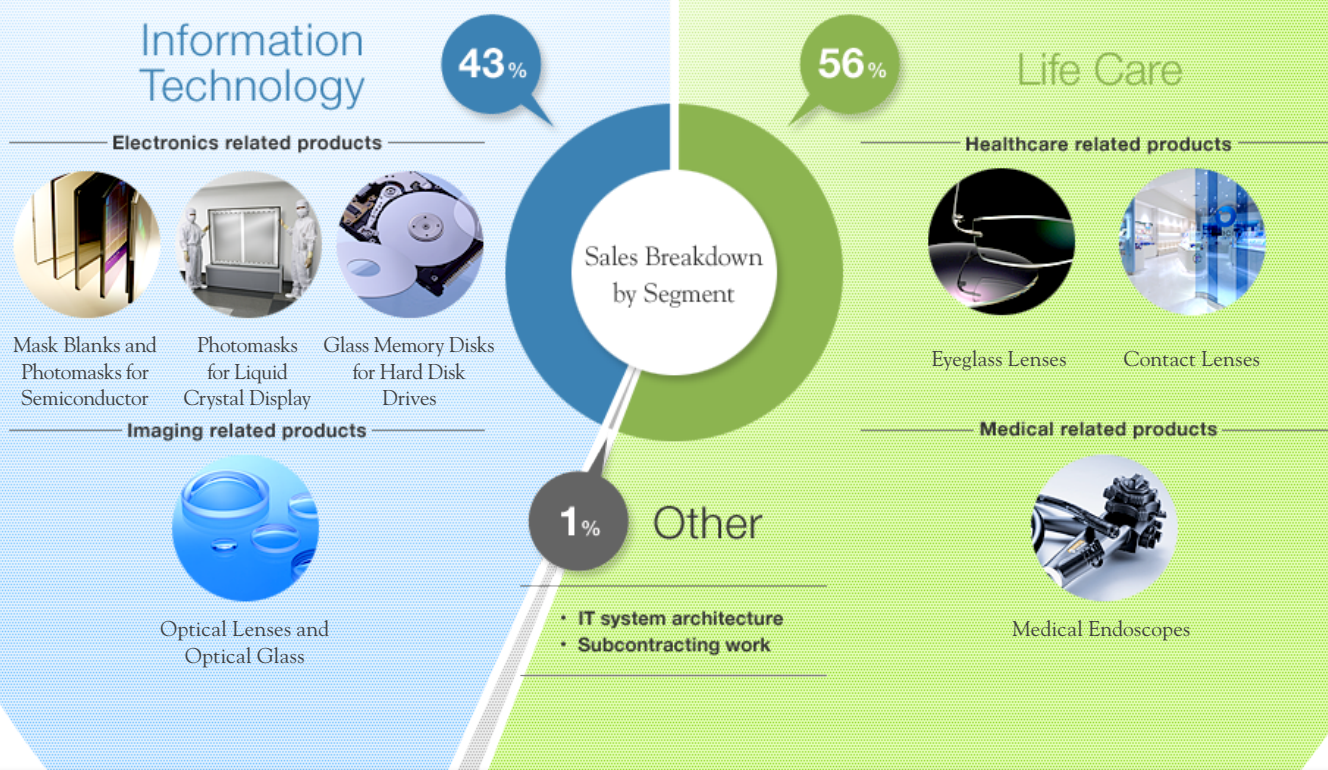
SVA is a more challenging measure than ROE, as it incorporates the expected return of shareholders, which is a kind of cost for the company. However, we believe that the proverb, "Necessity is the mother of invention," has proven to be true. All of our employees strive hard to come up with ways for overcoming a more challenging hurdle of achieving the target SVA. By doing so, the Hoya Group has been able to enhance competitiveness and maintain stable earnings, despite some ups and downs caused by economic fluctuation.

We have set a hurdle rate for each business, based on its characteristics, which results in a portfolio of diverse businesses ranging from high-risk high-return businesses to middle-risk middle-return businesses.

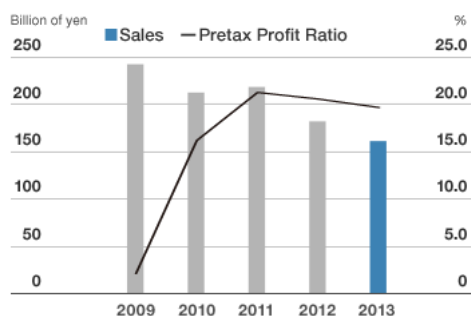
Hoya's business segments and products

Hoya has adopted the portfolio management method. We are engaged in multiple businesses in a balanced manner and secure group-wide stable earnings and sustained corporate growth.

At present, the pillars that support our business are Information Technology and Lifecare. The Information Technology segment generates stable earnings by relying on its technological competitiveness and high market shares, while the Life Care segment is accelerating growth through aggressive investment of management resources.

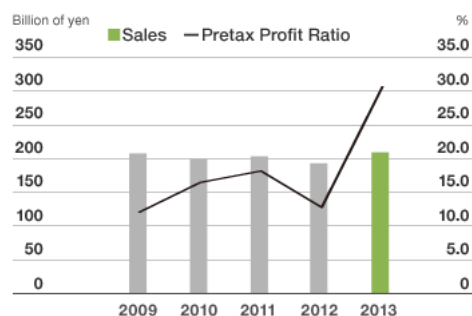


Sales / Pretax Profit Ratio



5-year sales and operating profit

Sales / Pretax Profit Ratio



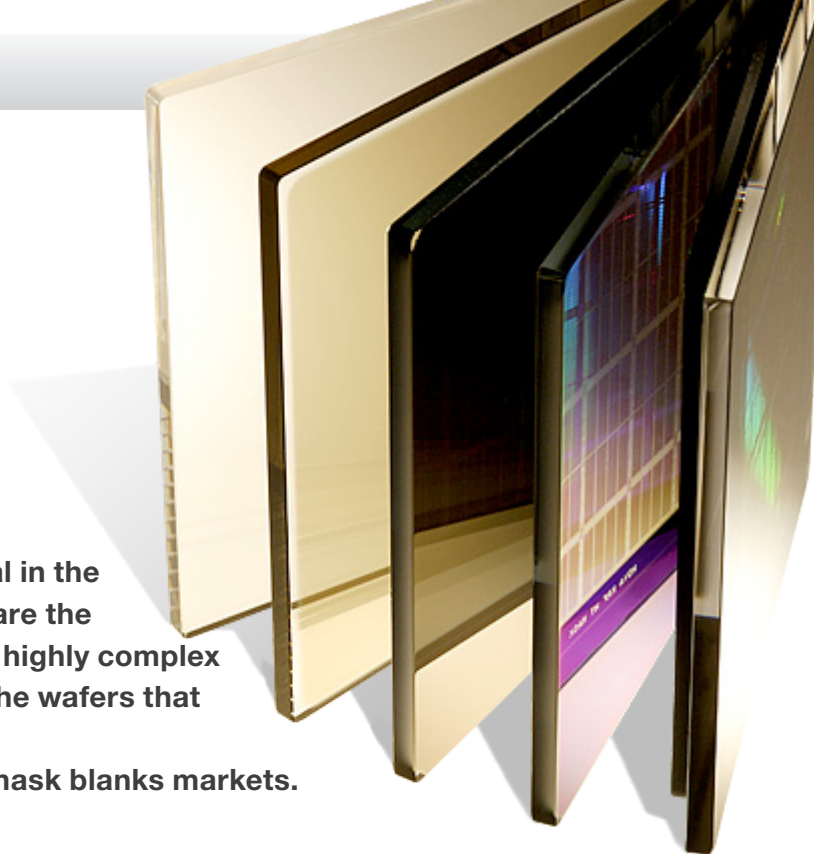
5-year sales and operating profit

Information Technology

Mask Blanks and Photomasks for Semiconductor

Mask blanks and photomasks are essential in the production of semiconductor chips. They are the master plates used to transfer the minute, highly complex circuit patterns for semiconductors onto the wafers that become IC chips.

HOYA has a dominant global share in the mask blanks markets.



1

Strong presence with a wide product lineup

In the semiconductor industry, chip miniaturization is advancing based on the aim of developing semiconductors with advanced performance and reducing costs. What holds the key to this is the lithography (exposure) process, which transfers circuit patterns to wafers.

Hoya manufactures photomasks, the original versions of patterns used in this process, and mask blanks, which are substrates for these photomasks.

In the fiscal year under review, this business was adversely impacted by the slowdown in the semiconductor industry, but we displayed a strong presence in the market by virtue of our broad product lineup, ranging from leading-edge blanks for next-generation EUV* lithography to general-purpose products.

*The technology of forming fine circuit patterns on silicon wafers by using ultraviolet light with an ultra-short wavelength, namely, 13.5 nanometers (nm).

This enables finer patterns to be formed than when using conventional light sources.

2

Obtaining customer trust by steadily supplying high-quality products in large volume

Hoya's strengths are its high technological capabilities and its production system, which enables the Company to steadily supply high-quality products in large volume. Hoya is meeting the diversifying needs of customers that are expanding in tandem with advances in miniaturization with customized products and services. Since starting to manufacture IC mask substrates in 1974, Hoya has continued to innovate technologies and strengthen its production system, and has now established a position as the world's top manufacturer of mask blanks.

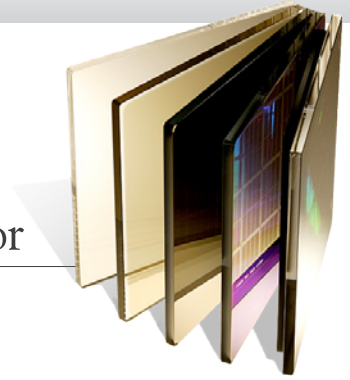


Left: Mask blanks

Right: Photomask incorporating a pattern

Information Technology

Mask Blanks and Photomasks for Semiconductor



3

Global organization, risk diversification

In response to the Great East Japan Earthquake, Hoya constructed a new plant in Singapore and put it into operation in September 2012 to enhance production efficiency and diversify risks.

Going forward, together with the Nagasaka Plant in Japan, Hoya will promote R&D in cutting-edge fields and build an efficient production system that handles high-precision products to general-purpose products. Moreover, Hoya plans to expand business under an organization that can supply high-quality products to customers more rapidly and steadily than before.



Singapore Plant

4

Expectations that next-generation EUV lithography technology will achieve further miniaturization

Chip miniaturization requires smoothness and flatness at a level of more than ten nanometers with no defects in mask blanks as well. Further miniaturization of semiconductors is a growth driver for Hoya, which handles high-end products.

In the semiconductor industry, the development of light sources used in the lithography process has advanced from conventional ArF (wavelength of 193nm) to EUV (extreme ultraviolet light, wavelength of 13-14nm), which can draw even finer patterns. Hoya is also promoting the development of products suited to EUV lithography at a rapid pace and has already started to supply mask blanks for development use ahead of its competitors.

Hoya will continue to contribute to the miniaturization of semiconductors as the leading supplier of mask blanks.

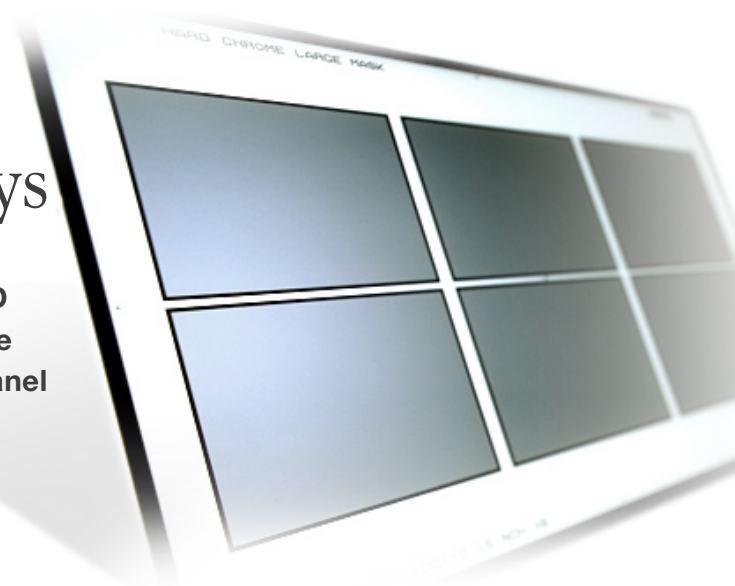


Information Technology

Photomasks for Liquid Crystal Displays

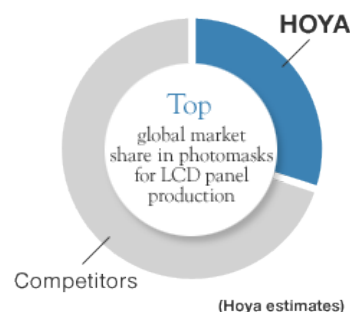
LCD photomasks are the master plates used in the manufacture of the LCD panels found in LCD televisions, computer monitors, and smartphone screens. They are the essential parts for LCD panel production.

In 1985, HOYA pioneered the development and production of LCD photomasks by applying its technologies for semiconductor photomasks.



1 Leading company with top global market share

Since Hoya developed photomasks in 1985, it has continued to contribute to the market penetration of LCD panels as a leading company among photomask manufacturers. Hoya is naturally able to supply high-quality products rapidly and steadily, and by constantly promoting technological innovation, the Company supplies masks with new functions and high-value-added masks to create finer patterns and shorten takt time. In such ways, Hoya has established a position as the leading company in the market by endeavoring to supply products that customers truly need.



2 Hoya is responding to increasing size and higher resolution with its technological capabilities.

Owing to the increasing popularization of laptop computers and flat-panel TVs, the LCD panel market has grown substantially during the past ten years. As part of this trend, photomasks have also become larger year by year in response to the development of TVs with larger screens. There are photomasks with a size of 1.5 meters square, and advanced technology to guarantee quality homogenously, namely, flatness and low defectiveness in relation to large areas, has ended up becoming necessary.

At present, demand for small, high-definition panels with advanced performance is expanding in tandem with the market penetration of smartphones. As a result of this trend, even higher specifications have become demanded in the photomasks that Hoya handles as well. Based on the high technological capabilities that we can provide because we handle semiconductor photomasks, we will continue to aim for growth in this business.



Photomask for LCD panel production
(8th generation, 1,220mm x 1,400mm)

Information Technology

Photomasks for Liquid Crystal Displays



3

We rapidly reflect customer needs in product development with our global network.

Hoya has now established an organization that can respond quickly and precisely to various customer needs, based on its network of bases in Japan, South Korea and Taiwan. One of Hoya's strengths is the fact that it puts priority on communication with customers on a regular basis, accurately ascertains needs, and reflects them rapidly in product development.



4

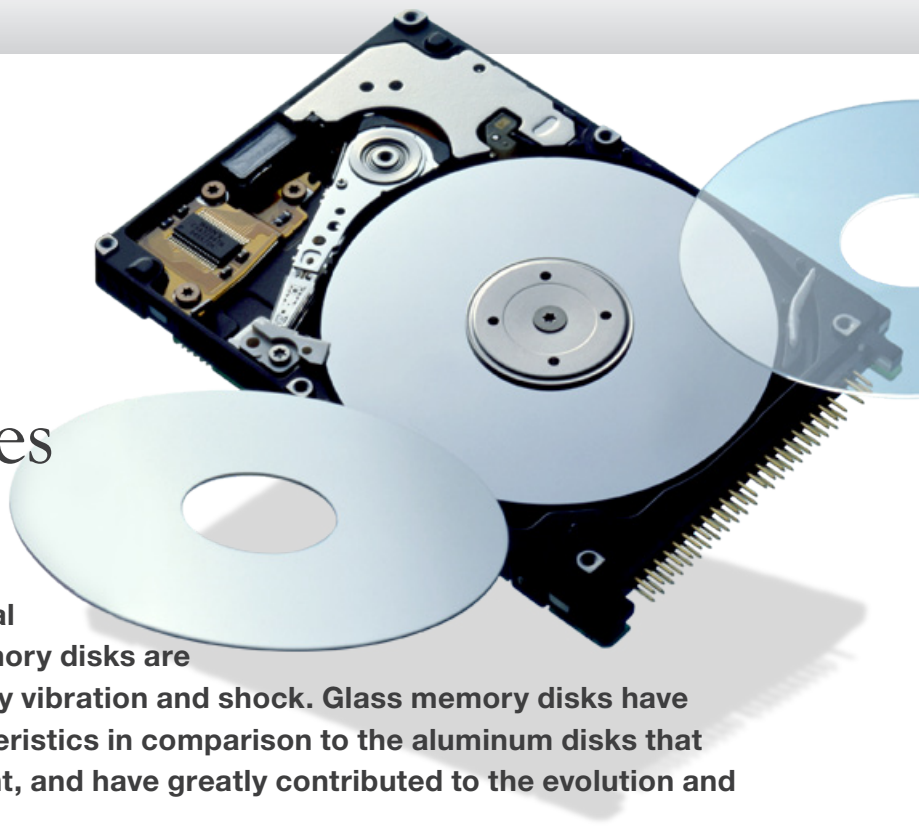
We will accelerate our technological distinctiveness and dominate our competitors.

The structure of LCD panels is very similar to that of semiconductor chips, and this is an area where there is still plenty of room to develop products with higher precision. At present, various R&D activities are progressing, as even higher resolution with advanced performance is required in the industry. Amid growing expectations regarding the future of panels, various possibilities have also been hinted at in the development of technologies. These include high resolution that far surpasses high definition (HD), functions such as touch panels and 3D, and the development of new pattern circuits that enable power saving. To fulfil these demands, Hoya will continue to lead the way in technological innovation as the leading manufacturer of photomasks.

Information Technology

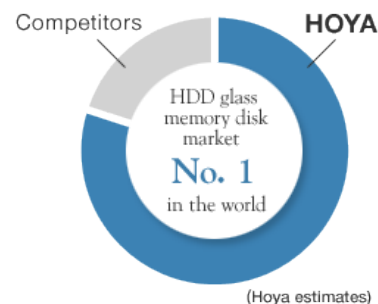
Glass Memory Disks for Hard Disk Drives

Among recording media for mobile devices such as laptop computers, car navigation systems and external hard disk drives (HDDs), glass memory disks are used to prevent data loss caused by vibration and shock. Glass memory disks have superior shock-resistance characteristics in comparison to the aluminum disks that are used in non-portable equipment, and have greatly contributed to the evolution and diffusion of mobile devices.



1 Specializing in substrates, Hoya has acquired a dominant market share

Among disks that are recording media for HDDs as well, Hoya specializes in glass disks, which have superior shock-resistance characteristics, and handles processes ranging from development to manufacturing. In 2010, we decided to transfer operations for applying magnetic coatings to glass disk substrates to another company and concentrate management resources on fabricating and polishing glass substrates. As a result, our business competitiveness increased further, and we now hold a dominant position in this market.



2 Production capacity and supply system that win the trust of customers

The source of Hoya's competitiveness is the ability to supply high-quality products in large volume rapidly and steadily. This may appear to be a matter of course, but it is not simple to quickly develop leading-edge products that customers require and continue to supply them steadily in a large quantity. Quality, quantity and delivery all lead to customer trust.



State-of-the-art plant in Vietnam that started operation in 2011

Information Technology

Glass Memory Disks for Hard Disk Drives



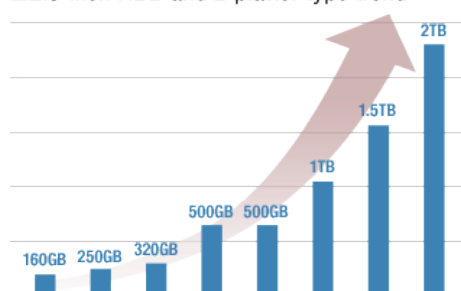
3

Further boosting market share through development of next-generation products

The recording capacity of HDDs has grown rapidly in the past five years. Owing to the spread of digital cameras and smartphones, easily taking photos and videos and viewing and sharing them via the Internet have become more common. Such digital data has been stored on HDDs in PCs and the cloud while the recording capacity of HDDs has also grown from 160 gigabytes (GB) through 250GB and 320GB to 500GB at present.

In anticipation of further capacity expansion, Hoya aims to promote the development of high-spec glass substrates that enable growth in memory disk storage density and further boost its market share.

■ 2.5-inch HDD and 2-platter type trend



4

Promising outlook for heat-assisted magnetic recording, a new technology that will support further capacity growth

New technologies are being developed to increase the recording capacity of HDD media. It has been claimed that research and development related to heat-assisted magnetic recording (HAMR) is being promoted as the next candidate for the current perpendicular magnetic recording method. HAMR is a technology that magnetically records data on media by reducing the coercivity using laser thermal assistance to heat the material when writing. It will be able to realize ultra-high recording density of one terabyte per square inch. As media are heated at a high temperature at the time of processing, glass substrates, which have excellent heat resistance, are said to be suitable for disk substrates.

As the leading company in the glass substrate market, Hoya is developing glass substrates compatible with heat-assisted technology ahead of its competitors and will continue to contribute to the further growth of HDD capacity.

Information Technology

Optical Lenses and Optical Glass

Optical glass is the business that formed the foundation for Hoya's establishment in 1941.

Hoya's products, which make use of expertise and technological capabilities built up over many years, have won high acclaim from all around the world.

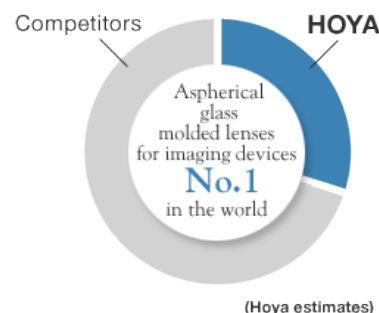
We will continue to strengthen our integrated production system, from the development of new optical glass materials to optical lenses and lens units, and achieve further evolution.

1 Hoya has continued to lead the world for a long time.

Hoya's optical glass business already boasts a history of more than 70 years.

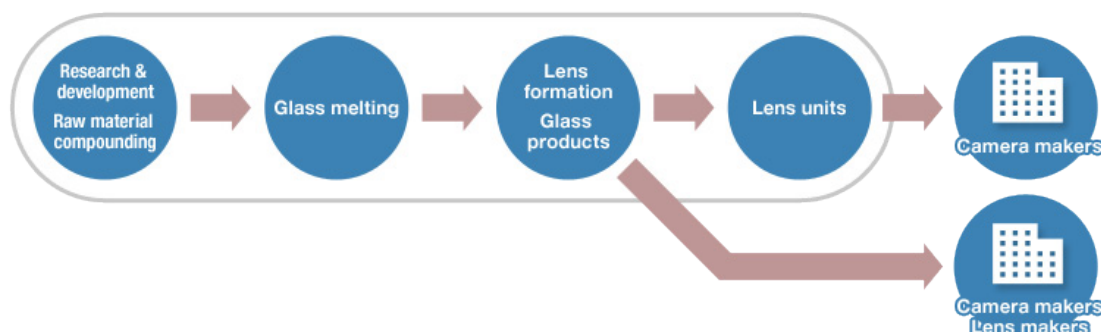
Hoya provides optical glass materials and various kinds of lenses and lens units made of optical glass or plastic, including high-precision, high-value-added products used in photography-related optical units such as single lens reflex cameras and compact digital cameras.

In particular, Hoya's glass aspherical molded lenses are made into lens products that do not require polishing by directly press molding optical glass melted at high temperatures. Because it is possible to design lenses that offer excellent correction for aberrations and offer a high angle of view, the number of lens elements in optical devices is reduced. This contributes to the smaller size, lower weight and higher functionality of cameras, which are final products.



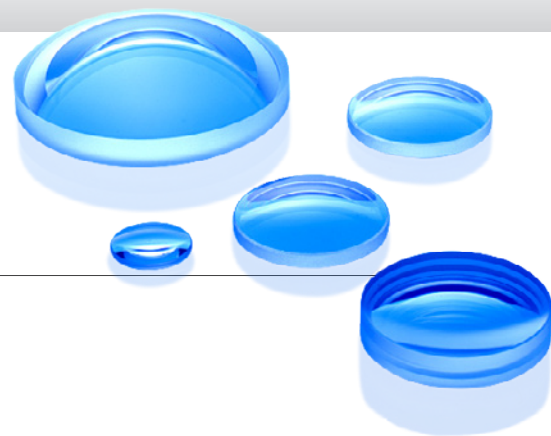
2 Integrated production from development to manufacturing is Hoya's competitive strength.

Since its foundation, Hoya has consistently engaged in operations ranging from accumulated research and development related to the formation of optical glass to the manufacture of finished products such as optical lens units. Furthermore, we have established a system enabling mass production of a variety of products.



Information Technology

Optical Lenses and Optical Glass



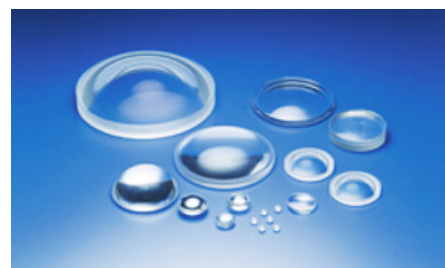
3 Digital cameras are becoming a mature market.

The digital camera market, which is the main consumer of optical glass, continued to grow strongly in the past. However, during the past several years there have been economic downturns in European countries and the United States and clouds have begun to gather over the Chinese market, which was driving economic growth. Consequently, shipment volume for compact digital cameras has declined after peaking in 2008. Moreover, we believe that the market for single lens reflex cameras, which expanded strongly during the past several years, is expected to ease back from 2013, and its rate of growth will become moderate. The factors behind this include a move away from compact digital cameras associated with the market penetration of smartphones and a drop in demand for single-lens reflex cameras. Hoya's optical business has been adversely affected by this trend in the digital camera market.

4 Expectations regarding new market needs created by “safety and sensing” are growing.

Nevertheless, digital cameras are likely to continue to hold an important position in people's lives. Owing to the expansion of emerging markets following on the heels of China, worldwide demand is projected to continue. On another front, needs for higher performance cameras and higher zoom power are expected to require further technological innovation in lenses. In order to reliably reflect such requirements in products, Hoya intends to step up its efforts in the development of technologies, including optical glass, glass lenses, plastic lenses and lens units combining glass lenses and plastic lenses, and overcome intense market competition by responding to needs for higher performance cameras with higher zoom power.

If we turn our attention to other markets than digital cameras, demand for security in the form of surveillance cameras and car-mounted cameras is also projected to expand, and as demand for high-precision lenses is expected to grow based on higher resolution and higher angles of view, we are convinced that Hoya will continue to bring value to the society.



Aspherical glass molded lens



Plastic lens



Lens unit

Lifecare

Eyeglass Lenses

As the leading company in the global eyeglass lens market* with a long business history spanning more than 50 years, Hoya has continued to develop high-quality, high-performance products and provided optimal vision solutions for people all over the world. As the main driver of growth in the Life Care segment, this is a business that is supporting Hoya's growth.



1

A large global eyeglass lens wholesale market valued at US\$11.3 billion*

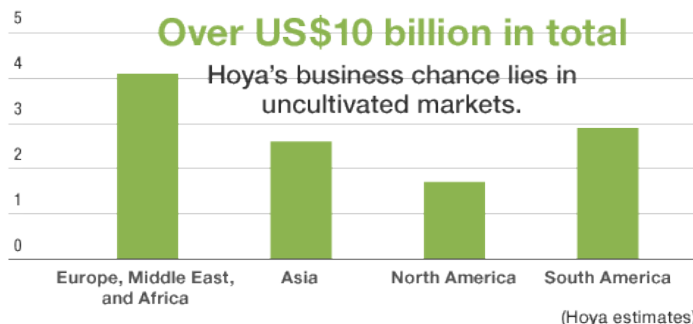
The global ophthalmic eyeglass lens wholesale market is estimated to be worth US\$11.3 billion, and Hoya's global share of it is around 10%. Although we have direct sales networks in the major countries and regions of the world, we believe that the business opportunities for Hoya, including uncultivated markets, are worth US\$10 billion or more.

In addition to the major countries in Europe, business expansion can be expected in Russia, North Africa and Eastern Europe. The North American market, which Hoya entered on a full scale in 2000, is a region where we still have a short track record in the long history of this business. However, we have steadily increased sales since developing polycarbonate materials in 2010, and we foresee continued strong growth here. In addition to our business development, various Asian countries with rapidly growing populations, we have made a full-scale entry into the South American region, where we made the eyeglass lens manufacturing and sales company a wholly-owned subsidiary in 2012. However, many uncultivated markets such as Mexico and Colombia remain, and we will actively develop business expansion measures to enhance our presence in these markets.

* 2012 - Hoya estimates



■ Global Eyeglass Lens Wholesale Market by Region (US\$1 billion)



Lifecare

Eyeglass Lenses



2

Hoya's strengths are its proprietary premium lens design technologies and its unique service innovation.

The integrated double surface progressive design lenses that Hoya developed for the first time in the world in 2004 offer a wide field of vision and substantially reduce feelings of swaying and distortion, as their design is completely tailored to the individual based on the use of Free Form* design technology. Unlike progressive design that is based on either the front surface or the back surface of the lens, they realize a more comfortable field of vision and are even easier to wear. Furthermore, in the case of coating technologies, Hoya is continuing to propose industry-leading products in terms of anti-reflection and scratch resistance.

Besides developing lenses, Hoya also provides various kinds of innovative services by making effective use of IT at eyeglass stores. These encompass not only promoting an understanding of Hoya's technologies and products but also providing customer service, measurement and product ordering to ensure that customers are quickly supplied with optimal lenses.

For the sake of the optimal field of vision that suits each customer, we are focusing our efforts on innovating products and services on a daily basis.

*A design technology and processing technology that provides optimal performance to each lens by designing the optimal aspherical surface for each order.

Optical design technologies

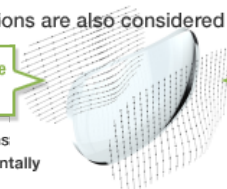
Double surface design
progressive additional lenses

Freeform Design Technology™

- Frame shapes
- Wearing conditions are also considered

Horizontal progressive
components

Field of vision widens
when placing horizontally
progressive design
on the inside surface

Vertical progressive
components

Changes in line of
vision feel comfortable
when vertically
progressive design are
placed on outside surface

Surfacing technologies

Free Form surface generator
Point-by-point freeform cutting on
front and back

rough
cutting



fine
cutting



diamond
cutting

Processing at points rather than areas

Lifecare

Eyeglass Lenses



Service Innovation

Service innovation utilizing IT

Hoya is proposing various innovative services with the aim of expanding sales of premium products while enhancing the satisfaction of customers.



Educational and experiential showroom

Hoya conducts seminars and training sessions aimed at enhancing the knowledge and skills of sales staff at eyeglass stores.

HOYA Faculty in Hungary



Hoya Faculty

HOYA Academy in China



Hoya Academy

Lifecare

Eyeglass Lenses

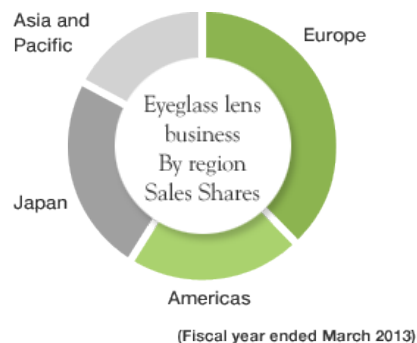


3

Accelerating growth with a global organization

Overseas markets, excluding Japan, account for nearly 80% of sales in Hoya's eyeglass lenses business. Demand for eyeglass lenses is growing primarily in emerging markets, namely, China, India, South America, Russia and the Middle East, where economic growth is particularly striking, and Hoya is also striving to capture opportunities for business expansion in these growth markets by expanding its operations globally.

At present, Hoya is operating in 52 countries, with an American assuming the role of a top executive and the divisional headquarters in Thailand, which is equipped with leading-edge production facilities, taking command of global strategies. We will further accelerate our global expansion by leveraging our network, which enables speedy delivery to customers from efficiently located factories around the world that handle operations ranging from customized processing of premium lenses to mass production of general-purpose products.



Global Network

Divisional headquarters: Thailand
Operation in 52 countries
Direct sales system in 31 countries
Mass production plants: 5
Prescription lens laboratories: 5
Local laboratories: 48

Lifecare

Eyeglass Lenses



4

We will accelerate growth through organic growth combined with M&A.

The number of eyeglass wearers is projected to continue to increase due to the worldwide aging of the population and an increase in the middle-income populations of emerging markets.

Hoya's eyeglass lens business experienced a sharp drop in sales because of the large floods that occurred in Thailand in the fall of 2011, but sales recovered steadily during the subsequent year. In addition, we turned an affiliated company that has top market share as an eyeglass lens manufacturer and sales company in Brazil into a wholly-owned subsidiary in 2012. Then, in 2013, we acquired the Seiko brand eyeglass lens development and manufacturing business from Seiko Epson Corporation and decided to take an equity stake in Seiko Optical Products Co., Ltd., a company that sells Seiko eyeglass lenses. Thus, we are actively promoting business expansion through M&A as well as through organic growth.

Hoya's strengths are its product capabilities backed by advanced technologies, its efficient production network that extends globally, and its service innovation that leverages information technology. Moreover, we aim to achieve further growth as our passionate global personnel deliver these outstanding values supported by the trust of our customers.

**Medium-term
Business Targets**

- Annual double-digit volume growth
- Organic growth that is at least double market growth
- Growth in market share as No. 1 in the industry

Lifecare

Contact Lenses and Eyecity, a Chain of Contact Lens Specialty Stores



HOYA operates 200 Eyecity stores throughout Japan.

This chain of contact lens specialty stores has continued to achieve sales and profit growth.

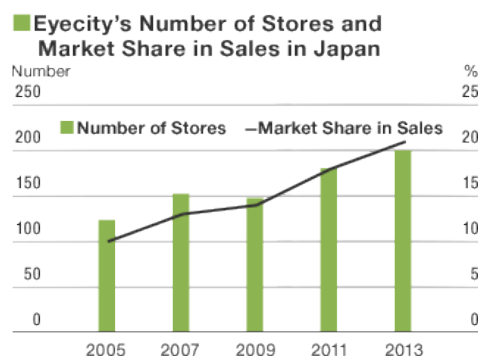
We aim to achieve differentiation from other competing stores through consulting-based sales.

Furthermore, based on customers' opinions directly received from stores and market research, we are developing and supplying Hoya's original high-value-added products such as bifocal contact lenses and toric contact lenses.

1 Eyecity, Hoya's chain of contact lens specialty stores, boasts the largest number of users in Japan*.

In the domestic market, the number of people wearing contact lenses is in decline due to the impact of the low birth rate, but Eyecity has continued to achieve sales and profit growth and maintained high profitability as a retail business. Since starting out as a retail business in 1973, Eyecity has steadily increased the number of stores mainly in urban areas, and as of June 2013, the number has grown to more than 200 stores. Eyecity will continue to accelerate new store openings, continue to build a business model that responds to market change, and further increase its market share.

*Times-Current, Inc.: Survey on Actual Conditions Relating to Contact Lens Stores (May 2013)



Eyecity's sales are growing.
(Market shares in sales are estimated by Hoya)

Lifecare

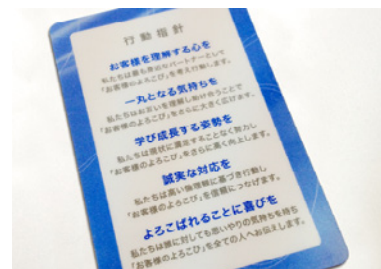
Contact Lenses and Eyecity, a Chain of Contact Lens Specialty Stores



2

Customer-focused sales strategy supports differentiation from competitors

Eyecity's consulting-based sales style was cultivated from our concept of protecting the health of customers' eyes, since we sell contact lenses, which are a specially controlled medical device. As a chain of contact lens specialty stores with the largest number of customers in Japan, Eyecity stocks about 200 types of products. Moreover, the trust in Eyecity that we acquired by sparing no effort to communicate with customers is the source of its high market share.



The Eye Care Division, which supervises Eyecity, has the proprietary principle of "Delightful experience for all customers". This spirit has indeed accelerated differentiation from competitors. The photo shows the Eye Care Division's original credo that all the staff share.

3

Product strategy support high profits

eyecity not only procures and sells products from renowned contact lens manufacturers around the world but also sells contact lenses with advanced performance that Hoya itself developed with its advanced technological capability based on market research. We have responded to market needs by developing Hoya's own high-value-added products, such as one-month disposable lenses and toric lenses. Our one-month disposable lenses use silicon hydrogel, a new material that enables oxygen to directly permeate the lens, and offer an enhanced antifouling property based on a special surface coating technology..

Only Hoya shares the function of a retailer and the function of a manufacturer, and we will use this strength to develop better products in tandem with our customers.



"Hoya Airy One Month" soft contact lenses, which can be worn all day for one month, control dryness without preventing the eye from breathing and realize sharper vision.

4

Expanding into regional areas and overseas markets — the widening potential of Eyecity

As the domestic market is contracting, we will strive to expand our business operations by leveraging the strengths of Eyecity. In addition to opening stores in urban areas, we will promote business development in small regional trading areas and in overseas countries.

By improving services that dominate other stores through sales focused on consulting and developing products that make use of our function as a manufacturer, we will continue to grow our business.

Lifecare

Medical Endoscope

High levels of advancement in flexible endoscopy technology, and market growth, are anticipated.

Endoscopes are used not only to accurately diagnose lesions but also to take samples of mucous tissue and enable direct treatment of disease in a single series of steps.

This kind of treatment, which goes beyond observing the disease, is called "minimally invasive medical procedure" and is replacing conventional laparotomy.

Flexible endoscopy not only minimizes the physical burden to the patient's body resulting from medical practice but also reduces medical costs. It will provide valuable assistance to many governments' initiatives in curtailing medical expenditures.



1

High growth expectation as medical device for low-invasive medical treatment

The market for flexible endoscopes is expected to increase by 7-8% a year.

Minimally invasive medical treatment is a promising medical procedure which not only minimizes the burden to the patient's body but also reduces time and cost spent for medical treatment, by enabling early detection and treatment. In addition to medically developed countries, emerging countries such as China and India are facing the need to establish medical infrastructure associated with their economic growth, and improve the people's quality of life (QOL). Against this background, use of endoscopic diagnosis and treatment is projected to grow solidly. Moreover, efforts at curtailing medical expenditures in many countries will further increase the adoption of flexible endoscopes in medical practice as one of the ways to detect disease early through physical checkup or to avoid adverse effects of the disease.



Source: GBI Research, 2009

Growth drivers

- Aging population
- Increase in number of cancer patients
- Initiatives to reduce medical-related costs
- Greater demand for low-invasive diagnosis and therapeutic devices
- Greater demand in emerging markets for improved quality of life, associated with augmented medical infrastructure and changes in life style

2010-2015 growth forecasts for the market for endoscopes

Annual average **7~8%**

Source: GBI Research, 2009

Lifecare

Medical Endoscope



2

Pentax technological advances demonstrated in the mega pixel age

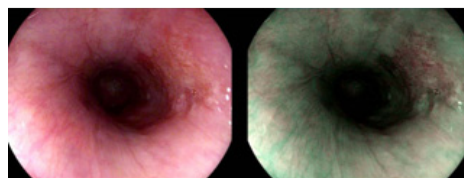
Since the launch of a bronchial fiberscope in 1977, Pentax has been engaged in the development of medical devices, using its optical and precision processing technology, which was accumulated in its camera business. While Pentax was consolidated with Hoya in August 2007 and subsequently merged with it in March 2008, the endoscope business has kept the PENTAX brand for its products. At present, we offer endoscopes for bronchial, digestive tract, ears, nose, and throat uses, and video processors which offer high-definition endoscope images. In October 2012, we released EPK-i7000, the highest-end model of the i-series, that is also the next-generation high-function video processor. Combining the video processor with the i-series endoscope, which mounted a Megapixel CCD, high-definition images can be provided to facilitate diagnosis and treatment in endoscopic examination.



EPK-i7000



i-series scope



Observation image

Observation image

Clinical images provided by Dr. Shinya Odajima and Dr. Mitsuhiro Fujishiro, the University of Tokyo Hospital.

In May 2013, "OE" (Optical Enhancement), the latest image enhancement technology for the i-scan, was released. This technology digitally enhances the visibility of blood vessels, ducts of the glands and surface structures, in addition to conventional optical enhancement functions (enhancement of surface, contrast, and tones.) The OE facilitates more precise detection and characterization of lesions in digestive organ.

Lifecare

Medical Endoscope



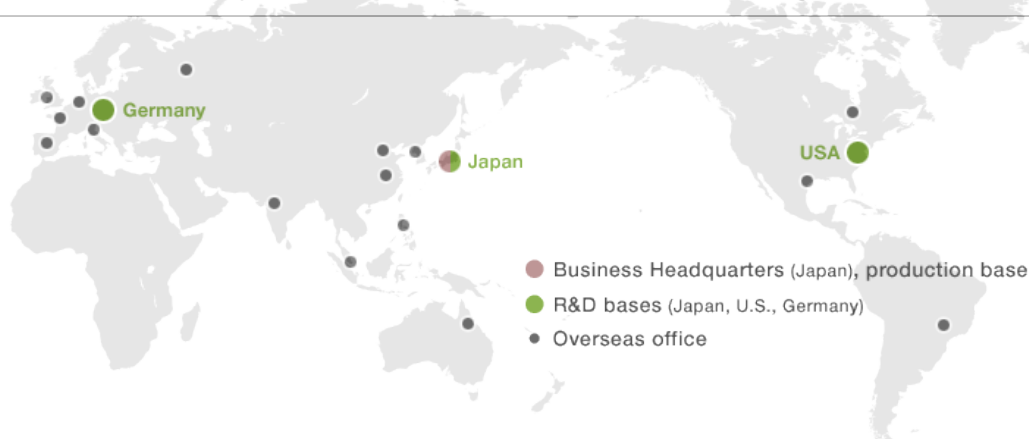
3

A global operational structure promises response to diverse needs and accelerates growth

The endoscopy market is growing globally. We have established a global organization in order to capture growth opportunities in China, India, and other high-growth emerging markets, in addition to Europe and North America. Through efficient deployment of R&D, sales, and service bases worldwide, and establishment of a system to provide innovative solutions that respond to diverse needs in each country and region, we are intent on promoting our growth on a global scale.

Global deployment of R&D, sales, and service bases

- Business Headquarters: Japan
- Overseas offices in 14 countries
- R&D bases: Japan, U.S., Germany
- The division is headed by an American.



4

Target 10% annual growth in sales

Hoya aims to achieve 10% annual growth in sales and outperform market growth rates. In addition to globalizing our organization, we have focused on strengthening our organization in all aspects including research and development, quality and cost control, and after services in recent years. This has resulted in establishing an efficient and strategic business structure. Going forward, by further strengthening our alliances with medical professionals, we plan to speedily offer to the market innovative products that use our proprietary technology, and other products that satisfy diverse needs. Our goal is to expand our business in the globally expanding endoscopy market.

HOYA's Invisible Assets

Corporate Governance

HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management.

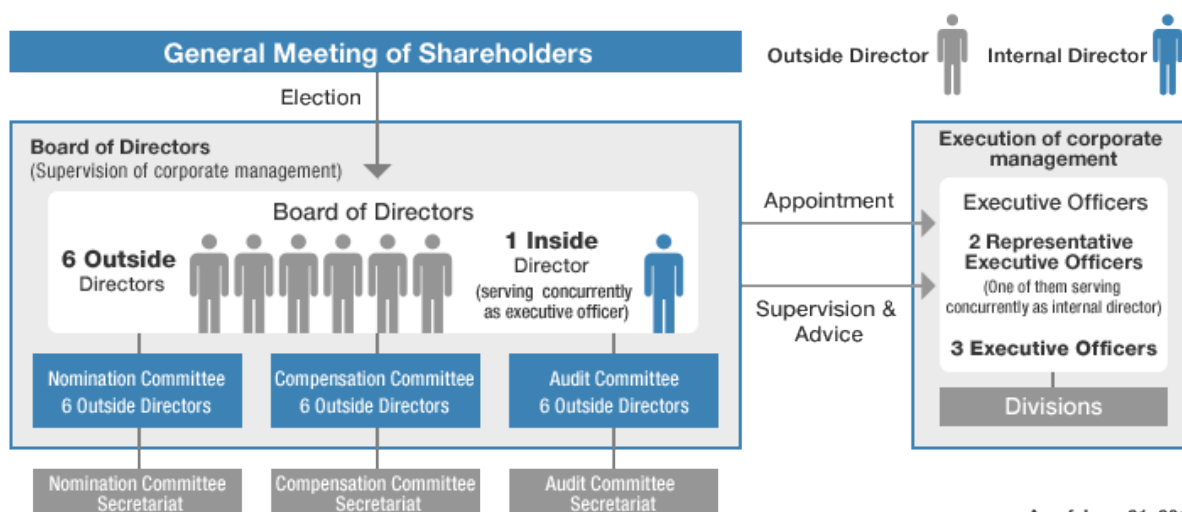
As the basis of taking a fair approach to stakeholders, we have adopted a "company with committees" structure simultaneously with the revision of the Companies Act, which enables us to better distinguish the execution and supervision of management to prevent management from being conducted based solely on in-house logic. We have also set forth in the Articles of Incorporation that the majority of Directors consist of Outside Directors, who actively supervise management by Executive Officers and provide advice in order to improve corporate value from an objective and broad perspective. HOYA also gives Executive Officers the authority and responsibility for the execution of operations, in order to accelerate decision making and improve management efficiency.

"Company with Committees" Structure

HOYA corporation employs a "company-with-committees" management system, which was created as a result of a legislative amendment in June 2003. Under the "company-with-committees" management system, by giving executive officers authority to manage business, business decision makings are accelerated. At the same time, three committees — the Nomination Committee, the Compensation Committee and the Audit Committee - were established, with a majority of the members being outside directors (at HOYA, the committees are composed exclusively of outside directors as of March 31, 2013), to ensure the effectiveness of management supervision by the Board of Directors.

Adopting the "company-with-committees" management system enables us to clearly separate the execution and supervision of corporate management, whereas this was not possible with the previous "company-with-auditors" system. Through this system, we aim to ensure efficient management and improve the overall soundness and transparency of management.

Corporate Governance Structure



As of June 21, 2013

Board of Directors

HOYA's Board of Directors, in which Outside Directors comprise the majority of Board members (a total of 7 Directors, consisting of 6 Outside and 1 Internal Director as of June 21, 2013), convene regular Board meetings 10 times a year as a general rule. Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, with globally-minded Outside Directors with a wealth of management experience supervising the execution of operations by Executive Officers and providing them with advice from various angles. Also at the meetings, besides approving major business plans, detailed information is provided to outside directors through means such as presentations by division managers regarding products and business environment.

Executive Officers

At HOYA, five persons - namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Executive Officer in charge of Technology, Chief Operating Officer (COO) in charge of Information and Technology, and Chief Operating Officer (COO) in charge of Life Care - are nominated by the Nomination Committee as candidates for Executive Officers and elected at the meeting of the Board of Directors as of June 21, 2013 (CEO concurrently serves as Internal Director). Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carry out decision-making in a speedy fashion. Respective persons responsible for business divisions are instructed by the Executive Officers to formulate and execute specific policies based on the management policies decided at the meetings of the Board of Directors, and report the progress of businesses at the business reporting meetings, which are held more or less each month.

Committees

The Board of Directors has internal organizations, namely, "Nomination Committee", "Compensation Committee" and "Audit Committee", each of which consists solely of Outside Directors.

Nomination Committee

The Nomination Committee, which is comprised of 6 Outside Directors, selects candidates for Directors based on the "Basis for Election of Candidates for Directors" and proposes the candidates to the General Meeting of Shareholders for voting. It also selects candidates for Executive Officers and the Representative Executive Officer, and proposes the candidates to the Board of Directors for voting. As necessary, it makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting.

●Basis for Election of Candidate for Directors (Outline)

Those with appropriate personalities and insights as director and with no health problems in performing their duties. With regards to internal director candidates, they must have a high level of specialized knowledge in our business, excellent business decision-making ability and business execution ability, and excellent leadership, decision-making, analytical, forward-thinking and policymaking skills.

Regarding candidates for outside directors, they must have extensive experience as business managers or be in positions as professionals in law, accounting, finance or similar fields. They must not have significant interests in the HOYA Group, be able to maintain their independence and participate in at least 75% of HOYA Group's board meetings.

●Criteria for Independence of Candidates for Directors

The Committee sets out the criteria for independence of candidates for directors, which is stricter than the rules by Tokyo Stock Exchange so that a function of overseeing executive officers required to outside directors is secured.

To ensure the independence of candidates for outside directors, candidates must not fall under any of the categories below.

<Those related to the HOYA Group>

- Those who previously worked for the HOYA Group
- Those who have a family member (spouse, children or blood relatives or in-laws up to the second degree) who has held the position of a director, executive officer, auditor or management employee in the past 5 years.

<Those related to a significant business partner>

- Those who are operating officers, executive officers or employees of HOYA Group's important clients who make up 2% or more of HOYA's consolidated sales in the past 3 consecutive years; or if the HOYA Group is an important client who makes up 2% or more of the consolidated sales of the candidate's enterprise group in the past 3 consecutive years.

<Those who provide professional services (lawyers, chartered accountants, certified tax accountants, patent attorneys, judicial scriveners and those in similar professions.)>

- Those who have received remuneration of 5 million yen or more per year from the HOYA Group in the past 2 years.

<Other categories>

- When directors are mutually dispatched between HOYA and the candidate's company or organization.
- If the candidate's company has any other significant interests within the HOYA Group.

Compensation Committee

The Compensation Committee, which is comprised of 6 Outside Directors, builds a remuneration structure that gives more incentives to Directors and Executive Officers and assesses their work in an appropriate manner, with the aim to help improve HOYA's business performance. The Compensation Committee determines the remuneration of Directors and Executive Officers on an individual basis in accordance with the following policies.

●Remuneration etc. for Directors and Executive Officers of the Company

(i) Basic Policy

The Company has established a Compensation Committee with the objective of "contributing to improvement of results of the Company by constructing a remuneration system that raises motivation of Directors and Executive Officers and by appraising their performance appropriately." The Committee is made up of all of 6 Outside Directors who are not Executive Officers of the Company.

(ii) Policy concerning remuneration for Directors

The remuneration of Directors consists of a fixed salary and stock options. The fixed salaries consist of a basic compensation and compensation for being a member or a chairman of the Nomination, Compensation or Audit Committee. The compensation levels are set appropriately by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

(iii) Policy concerning remuneration for Executive Officers

The remuneration of Executive Officers consists of a fixed salary, performance-based compensation and stock options.

Fixed salaries are set appropriately according to the office and responsibility of each Executive Officer (President, CEO, etc.) and by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

Performance-based compensation is determined by both financial performance, measured as the percentage of targets met with respect to indicators corresponding to sales, profit for the year and earnings per share, which is given an 80% weight, and the degree of achievement with respect to management measures set at the beginning of the fiscal year, which is given a 20% weight. Remuneration typically consists of 50% fixed salary and 50% performance-based pay. The performance-based portion, however, can fluctuate widely, depending on the Company's performance.

Benefits granted to expatriates (such as housing) are also set at appropriate levels in consideration of the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

(iv) Stock Options

In order for newly-appointed Directors and Executive Officers to share the same perspective as shareholders in regards to share price, and for those re-appointed to share common interest with shareholders on long-term basis, commensurate stock options, which are a certain percentage of the granted shares when newly-appointed, are granted continuously every year in consideration of the exercise price at the time of granting (a market price one day prior to a Board of Directors resolution regarding stock option grants), fluctuations in the share price during the exercise period and fixed annual salaries.

Based on the above, the number of stock options granted to Outside Directors is fixed each year, whereas the number of stock options granted to Executive Officers is based on Company performance and individuals' evaluations, subject to deliberation by the Compensation Committee and decided by the Board of Directors.

Retirement benefits for officers were eliminated in 2003 as it was determined that these benefits were essentially a service pay for many years of service and had little to do with Company's performance or shareholder returns, and as such are not appropriate as a component of the officer compensation scheme.

Total amount of remuneration, etc. of Directors and Executive Officers for the fiscal year ended March 2013.

Classification	Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type			
			Fixed salary	Performance based remuneration	Stock option	
Directors	Outside	5	62	51	-	11
	Internal	3	18	18	-	-
	Total	8	80	68	-	11
Executive Officers	4	288	182	95		11
Total	9	367	250	95		22

Note 1. At the end of the fiscal year under review, there were 7 Directors and 3 Executive Officers. Two of the 3 Executive Officers served concurrently as Internal Directors.

Note 2. The total amount of remuneration includes remuneration paid to one Director who retired as of the conclusion of the 74th Ordinary General Meeting of Shareholders.

● Overview of Liability Limitation Contract

The Company and its Outside Directors have concluded an agreement that limits possible future liabilities of the latter prescribed in the first paragraph, Article 423 of the Companies Act to the higher of a prefixed amount exceeding 10 million yen or the amount prescribed by the Act.

Audit Committee

The Audit Committee, which is comprised of 6 Outside Directors, formulates the audit policies and audit plans for each fiscal year, and verifies financial statements, etc. based on the quarterly reports and year-end reports received from the Independent Auditor according to such policies and plans. It also interviews the Internal Audit Division to obtain the results of operational audits, and verifies the soundness, legality, efficiency, etc. of management. All important matters are reported to the Board of Directors, and countermeasures are taken as necessary.

Internal Control System

In addition to striving to further strengthen corporate governance, HOYA also works toward the development of sound internal control systems with the objective of ensuring appropriate and efficient business management. Each business division and facility develops and improves the control environment, evaluates and responds to risk, and verifies and improves the control processes to ensure that the control systems that operate within each division and facility are the most appropriate for their operating environment. The head of each business division has managerial authority and is responsible for improving the business results. Each head is also obligated to seek to further improve internal control systems, with the objectives of maintaining compliance, effectiveness and efficiency of work practices, the reliability of financial reporting and the integrity of management assets. The Audit Department at HOYA Global Headquarters is responsible for the regular auditing and verification of administrative processes for each division and business office from an independent standpoint. It conducts operational audits, checks that internal control systems are functioning as they should, ensures that there is no dishonesty, and checks for areas for potential improvement. Problems that come to light as a result of audit procedures become the subject of a recommendation for improvement. Particularly important matters are reported to the Audit Committee and the Board of Directors, as well as to the Executive Officers. The Executive Officers decide upon and issue directives for speedy, appropriate responses.

Frameworks and Policies Concerning Internal Control Systems

① System for Ensuring Adequacy of Operations:

Contents of the resolutions the Board of Directors of the Company made with regard to internal control systems set out in (b) and (e) of first item, first paragraph, Article 416 of the Companies Act and Article 112 of the Ordinance for Enforcement of the Companies Act are as follows:

(1) Important matters in the execution of duties by the Audit Committee

(i) Matters concerning Directors and employees assisting the Audit Committee in its duties

- The Audit Committee Office shall be established to assist the Audit Committee in its duties.

(ii) Matters concerning independence from the Executive Officers of Directors and employees stated in the above item

- The regulations of the Company shall prescribe that the Audit Committee has the power to appoint and dismiss staff members of the Audit Committee Office.

(iii) Systems required for reports to the Audit Committee, including reports by Executive Officers and employees

- The Board of Directors Regulations were amended to require reporting of all important matters to the Board of Directors, where Outside Directors comprise the majority of Board members.

As a result, reports to the Board of Directors cover all important matters. For this reason, no special stipulations are established regarding matters that need to be reported to the Audit Committee.

(iv) Other systems to ensure the effectiveness of audits by the Audit Committee

- The Company shall position the Internal Audit Division under the Audit Committee. The Internal Audit Division shall conduct audits focusing on onsite audits according to the audit policies and plans adopted or approved by the Audit Committee, and shall report to the Audit Committee as the occasion demands.
- Each internal organization shall promptly report information it retains or manages at the request of the Audit Committee or the Internal Audit Division.

(2) Matters required for ensuring the adequacy of operations

(i) Systems concerning the storage and management of information about the execution of duties by Executive Officers

- Efforts shall be made to adequately store and manage important matters, including documents, records and minutes relating to applications for internal approval, in accordance with laws, regulations and other standards.

(ii) Regulations and other systems concerning the management of the risk of loss

- Each organ and division shall try to identify and manage risks, and shall aim for improvements as the occasion demands, taking into consideration the instructions of the Internal Audit Division, etc.

(iii) Systems for ensuring the efficiency of duty performance by Executive Officers

- Each division shall carry out its operations according to the annual plan and the quarterly budget adopted at meetings of the Board of Directors.
The HOYA Group shall ensure the efficiency of Group management by evaluating the levels of target achievement every quarter and working to make improvements as the occasion demands.
- Executive Officers shall be timely and precise in performing their duties based on the decision-making system for their execution of duties, which covers their standards for approving important matters.

(iv) Systems for ensuring compliance with laws, ordinances and the Articles of Incorporation of the way duties are performed by Executive Officers and employees

- The HOYA Group shall secure systems relating to the HOYA Business Conduct Guidelines that need to be observed by Directors and employees of the HOYA Group.

(v) Systems for ensuring the adequacy of Group operations, including a given company, its parent and its subsidiaries

- The HOYA Group shall observe across its organization the HOYA Business Conduct Guidelines established based on the Management Policy and Management Principles of the Group, and shall undertake educational activities as required. The HOYA Group will reinforce the effectiveness of such activities with the HOYA Help Line, an intra-Group system for reporting and counseling. The Group shall operate this system not only in Japan but also overseas to ensure the soundness of Group activities.

(3) System for ensuring reliability of financial reporting

The HOYA Group shall establish and manage a system of internal controls for financial reporting and build a system for evaluating its financial reporting to ensure the reliability of its financial reporting and valid, appropriate submission of internal control reports as prescribed in the Financial Instruments and Exchange Act.

② Basic Policy against Anti-Social Forces

The Company's Board of Directors has passed the following resolution about basic policy concerning anti-social forces.

The Company shall have no relationship with anti-social forces and will confront such forces resolutely in association with professional organizations, in opposition to any unreasonable demands of those forces.

Basic Policy on Parties that Control Decisions Concerning Corporate Finance and Business Policies

The Company does not have a specific basic policy in this regard. However, the Company's basic view is as follows: The Company takes the view that judgment should ultimately lie with shareholders when an acquisition proposal and the like is made with the transfer of management control as its objective. No concrete threat regarding acquisition has emerged so far. The Company has no intention to fix concrete arrangements (so-called "countermeasures against takeovers") before the emergence of any such proposal. The responsibility of management is not to take unnecessary actions to defend companies from takeovers. As an entity that operates for the benefit of its shareholders, the Company considers it crucial to increase the return of profit to shareholders and increase its corporate value by constantly monitoring transactions of its shares and changes to its shareholders, to improve its business performance and increase its financial strength with the greater objective of achieving further growth.

If an acquisition or similar proposal is made, the Company considers it important to provide the information shareholders require to make a judgment based on an examination of the proposal made by the proposer. If the Company believes that the proposal will not increase the corporate value of the Company and benefit the common interest of its shareholders, it will clearly explain to the shareholders the reasons that form the background to its position, and try to obtain the understanding of shareholders.

**Business
Conduct
Guidelines**

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

**HOYA
Help Line**

In 2003 the Company implemented another initiative, the HOYA Help Line, as an internal reporting and consultation system for the Group. If there is an act that contravenes the law or the HOYA Business Conduct Guidelines, the HOYA Help Line is intended to enable early identification of the problem and quick reporting to top management, while protecting the informer, which enables timely and appropriate action to be taken on the issue. This system helps to preserve the integrity of the HOYA Group as a whole. The HOYA Help Line has two types of points of contact; one is "HHL" a dedicated section within the Company's headquarters and the other is an outside legal counsel. The system is designed to preserve anonymity and works to maintain the system's functional effectiveness. As of March 2013, the system is in place at Group companies in Japan, North America (the United States and Canada), Thailand, European countries, Philippines, Singapore, Australia, Malaysia, and South Korea, and operates in accordance with business practice and laws of each country. We continue to expand the number of countries covered, giving the HOYA Help Line worldwide coverage.

Full Disclosure and Investor Relations Activities

HOYA considers fair and prompt disclosure of information and other investor relations activities to be a fundamental duty of management. The Company also values communication with shareholders, and it continues to clearly reflect their views in its management practices. In 1998, HOYA started quarterly disclosure of financial statements, ahead of many other Japanese firms. Since then the Company has sought to increase the timeliness and broaden the scope of disclosure by shortening the period between the account settlement at the end of each quarter and the disclosure, and ensuring that the volume of information in the quarterly reports is equivalent to that in the year-end financial reports. Top management is actively involved in investor relations activities.

For example, the CEO attends every quarterly investor meetings to explain results and answer questions from securities analysts and institutional investors.

HOYA's Invisible Assets

List of Directors

Outside Directors



Yuzaburo Mogi

Career Summary

- 1958 Apr. Joined Noda Shoyu Co. Ltd. (present Kikkoman Corporation)
- 1979 Mar. Director of Kikkoman Corporation
- 1982 Mar. Managing Director of Kikkoman Corporation
- 1985 Oct. Managing Director and Representative Director of Kikkoman Corporation
- 1989 Mar. Executive Managing Director and Representative Director of Kikkoman Corporation
- 1994 Mar. Executive Vice President and Representative Director of Kikkoman Corporation
- 1995 Feb. President and Representative Director of Kikkoman Corporation
- 2001 Jun. Director of the Company (present post)
- 2004 Jun. Representative Director, Chairman and CEO of Kikkoman Corporation
- 2011 Jun. Honorary CEO, Chairman of the Board of Kikkoman Corporation (present post)



Yukiharu Kodama

Career Summary

- 1957 Apr. Joined the Ministry of International Trade and Industry (MITI), Japan (present the Ministry of Economy, Trade and Industry (METI))
- 1985 Jun. Director General of the Minister's Secretariat MITI
- 1988 Jun. Director General of Industrial Policy Bureau MITI
- 1989 Jun. Administrative Vice-Minister of MITI
- 1991 Jun. Retired from MITI
- 1991 Jun. Advisor to Japan Industrial Policy Research Institute (JIPRI)
- 1992 Feb. Advisor to the Industrial Bank of Japan (IBJ)
- 1993 Jun. President of the Shoko Chukin Bank
- 2001 Jul. Chairman of the Japan Information Processing Development Corporation (JIPDEC)
- 2005 Jun. Director of the Company (present post)
- 2007 Nov. Chairman of the Mechanical Social Systems (Incorporated) Foundation
- 2012 Apr. Chairman of the Mechanical Social Systems (General Incorporated) Foundation (present post)



Itaru Koeda

Career Summary

- 1965 Apr. Joined Nissan Motor Co., Ltd.
- 1993 Jun. Director of Nissan Motor Co., Ltd.
- 1998 May Managing Director of Nissan Motor Co., Ltd.
- 1999 May Vice President of Nissan Motor Co., Ltd.
- 2003 Apr. Representative Director of Nissan Motor Co., Ltd.
- 2003 Jun. Co-Chairman of Nissan Motor Co., Ltd.
- 2003 Jun. Chairman of Calsonic Kansei Corporation
- 2003 Jul. Director of Renault SA
- 2005 Mar. Chairman of JATCO, Ltd.
- 2008 Jun. Chairman Emeritus and Advisor of Nissan Motor Co., Ltd. (present post)
- 2009 Jun. Director of the Company (present post)



Yutaka Aso

Career Summary

- 1973 Nov. Joined Osawa Shokai (present J. Osawa Group Co., Ltd.)
- 1975 May Auditor of Aso Cement Co., Ltd. (present Aso Corporation)
- 1977 Jun. Senior Managing Director of Aso Cement Co., Ltd.
- 1979 Dec. President of Aso Cement Co., Ltd.
- 2001 Aug. President and Representative Director of Aso Cement Co., Ltd.
- 2001 Aug. President and Representative Director of LAFARGE ASO CEMENT Co., Ltd. (present Aso Cement Co., Ltd.) (present post)
- 2010 Jun. Chairman and Representative Director of Aso Corporation (present post)
- 2011 Jun. Director of the Company (present post)



Yukako Uchinaga

Career Summary

- 1971 Jul. Joined IBM Japan ,Ltd.
- 1995 Apr. Director in charge of Asia Pacific Products of IBM Japan ,Ltd.
- 2000 Apr. Managing Director and Head of Software Development Laboratory of IBM Japan ,Ltd.
- 2004 Apr. Director and Corporate Senior Executive Vice President in charge of Development and Manufacturing of IBM Japan, Ltd.
- 2007 Apr. Technical Advisor to IBM Japan, Ltd
- 2007 Jun. Director of Benesse Corporation
- 2008 Apr. Director and Vice Chairman of Benesse Corporation, Chairman of the Board, CEO, and President of Berlitz Corporation
- 2009 Oct. Director and Vice Chairman of Benesse Holdings, Inc.
- 2013 Apr. Honorary Chairman of the Board of Berlitz Corporation (present post)
- 2013 Jun. Director of the Company (present post)



Mitsudo Urano

Career Summary

- 1971 Apr. Joined Nippon Reizo Kabushiki Kaisha. (present Nichirei Corporation)
- 1999 Jun. Director and General Manager of Strategic Planning Division of Nichirei Corporation
- 2001 Jun. Representative Director and President of Nichirei Corporation
- 2005 Jan. Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc.
- 2007 Apr. Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.
- 2007 Jun. Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.
- 2013 Jun. Director of Hoya Corporation (present post) Senior Corporate Advisor of Nichirei Corporation (present post)

Internal Director



Hiroshi Suzuki

Career Summary

- 1985 Apr. Joined Hoya Corporation
- 1993 Jun. Director of the Company
- 1997 Jun. Managing Director of the Company
- 1999 Apr. Managing Director of the Company, President of Electro Optics Company
- 1999 Jun. Executive Managing Director of the Company
- 2000 Jun. President and Representative Director of the Company
- 2003 Jun. Director, President, and CEO of the Company (present post)
- 2011 Dec. Chief Representative of Singapore Branch of the Company (present post)

HOYA's Invisible Assets

Messages from Outside Directors

Yuzaburo Mogi

Honorary CEO,
Chairman of the Board of
Kikkoman Corporation



Hoya's strength in our globalized society is, I believe, in ability to devise strategy in a long-term global perspective — and to implement it. The company has worldwide business operations and has hired many talented non-Japanese division managers in addition to its CEO who has extensive overseas work experience.

All outside directors including myself are internationally-minded and all have a wealth of experience. In addition to overseeing Hoya's activities, we bring a global perspective in our advice on Hoya's strategies.

In my view, what is most important for Hoya today is to develop its highly promising Life Care businesses into a growth-leading basis of the company. Hoya's speedy decision-making and execution capabilities are sources of strength but can become weaknesses as well.

We, as outside directors, intend to help grow the company by overseeing whether the company is properly managed from a different perspective than that of the internal management.

Outside director

Chairman of the
Nomination
Committee

Member of the
Compensation
Committee

Member of the
Audit Committee

Yukiharu Kodama

Chairman of the
Mechanical Social Systems
Foundation, Incorporated Foundation



I find that Hoya's strength includes the management's flexibility and speed in decision-making and execution as well as having an efficient system to instill the strength in each business division, which operates on a global scale. In addition, Hoya's corporate governance is functioning properly. This was evidenced by the efficiency of management as provided by a "company with committees" system. The system for listening and properly responding to employees' complaints and dissatisfactions is additional evidence. Hoya has sustained high profit and high growth by developing niche markets which larger companies would find difficult to penetrate. In order to globally develop and expand this business model, Hoya will need to make further efforts in gathering information, R&D, and hiring talented people globally. I am confident that Hoya is willing and capable of overcoming those challenges and keeping on its growth path.

I intend to make the best-possible effort to contribute to Hoya's development based on my 34 years of working in government service and then being in an executive position in the financial industry and various associations, as well as on my knowledge and insight with regard to economic and political matters.

Outside director

Chairman of the
Audit Committee

Member of the
Nomination
Committee

Member of the
Compensation
Committee

Itaru Koeda

Chairman Emeritus and Advisor of
Nissan Motor Co., Ltd.



Outside director

Chairman of the
Compensation
Committee

Member of the
Nomination
Committee

Member of the
Audit Committee

Each of the Hoya business units is adept at assessing its positioning and strength in the market, and flexibly and actively addressing the challenges of changes in the environment. Management's decision making is quick and clear, and executed with speed.

Regarding corporate governance, outside directors are fully functioning and engage in vigorous discussions at each meeting of the Board of Directors.

I believe that Hoya, by using its strengths, has a lot of potential. The company is planting various seeds for the future and is expected to keep growing by adapting to changes over time. I think Hoya's shareholders and other stakeholders all have high expectations of the company, particularly of its future growth. I hope Hoya will aim high and strive hard to meet expectations of the stakeholders. I am involved in lively, candid discussions at the meetings of the Board and assess whether executive officers are appropriately managing the company. On top of that, what I have in mind is to contribute to developing Hoya's management to capitalize on its strengths.

Yutaka Aso

Chairman and Representative Director
of Aso Corporation



Outside director

Member of the
Nomination
Committee

Member of the
Compensation
Committee

Member of the
Audit Committee

In my view, Hoya, being run by the founder's family, has distinctive strength in its capability to make decisions and speedy judgments, and its continuity in missions and commitment. Moreover, Hoya is specialized in the niche businesses where it has outstanding strength. While a typical owner-manager company may lack fairness or appropriateness in making or executing decisions, Hoya has welcomed many outside directors — extremely rare among Japanese corporations — and those members of the board tend to be senior citizens with rich experience. The open, active discussions at board meetings should also be included in the list of Hoya's strengths. As one of the reasons why Hoya's corporate governance is functioning well, I would like to give the nature of the CEO, who has a cheerful and fair personality and a wealth of knowledge. During board meetings, outside directors are encouraged to speak out with straight-forward opinions and comments.

The Life Care segment has high growth potential, and products made in Japan have highly regarded and trusted in Asian countries. I am confident that the Life Care segment will do much to drive Hoya's sales and earnings.

As is the case with many companies including Hoya, it is indispensable to increase Japanese who can work in the global business scene as well as non-Japanese staff.

Leveraging my experience in medical-related business and my information on the market trend and others, I would like to actively make remarks and give hints to the Company. I am willing to share my views as a corporate owner, difficulties in management, and experiences of risks and others.

HOYA's Invisible Assets

Employees talk about "Invisible Assets"

We interviewed employees that are playing an active role in the HOYA Group to convey the essence of "human resources" and "organization", which are HOYA's invisible assets, to all stakeholders.



The division president trusts me. I have a responsibility to fulfill that trust.

Loo Kin Pung

Blanks Division
HOYA ELECTRONICS SINGAPORE PTE.LTD.
Managing Director

First, we will introduce Managing Director Loo Kin Pung at the Blanks Division Singapore plant.

Managing Director Loo previously worked at the Singapore plant of another division of HOYA, but even though he once left HOYA in tandem with a business transfer, he followed his superior at the time and rejoined the company at the Blanks Division Singapore plant. At present, he is a resident of Singapore who manages nearly 60 employees as the president and manager of product development at a local subsidiary.

Loo's mission is to acquire certification, reduce costs and improve quality for products produced at the Singapore plant.

HOYA's culture is all about thorough discussion

The members of the Blanks Division engage in various discussions every day. The themes are wide ranging and include products, customers, and technology, but at any rate, this is a team that conducts lively discussions. These discussions are very effective in advancing the development of HOYA. First, mistakes are prevented. As employees repeatedly engage in sufficient discussion to advance their work, mistakes can be predicted and avoided in advance. Second, decision-making is fast. Decisions are made swiftly based on a consensus that is established through sufficient discussion involving many employees. This is the same not only within the division but also between the divisional director and the CEO. There are cases where we make a proposal to the divisional director, the divisional director proposes this to the CEO, and feedback comes to us at an amazing speed. I believe that the speed of this decision-making is the source of HOYA's strength.

I think the speed of decision-making is also influenced by the strong relationship of trust between superiors and their subordinate staff. The divisional director really trusts me. He has created an environment where it is easy to work. In the same way, the CEO trusts the divisional director. I believe that I have a responsibility to diligently fulfil the trust of the divisional director in the form of results. By working at HOYA, I came to realize that a company that values its employees is a company that trusts its employees.



Aiming for true globalization



Of course, HOYA also has its challenges. HOYA is a Japanese company that is developing business globally. However, I feel that it still has to advance in some aspects to become a truly global company. Mind sets of people have to change and various innovations are also needed. I believe that, as a tool for innovation, having a universal language is one of essential factors toward becoming a truly global company. At present, all meetings are not necessarily carried out in English. This is perhaps a challenge for HOYA, but I believe it is a challenge that can be quickly resolved.



I want to try to get to the core of this job.

Misa Yokoyama
Store manager
Eyecity Tanashi store, Eye Care Division

Employee Interview 02

Misa Yokoyama in the Eye Care Division, is one of eight female store managers at Eyecity (as of May 2013), a chain of more than 200 stores operated by Hoya across Japan. She joined the company as a new graduate employee in 2007, and after serving as the deputy store manager of the Shinjuku store and store manager of the Tokorozawa store, she is now engaged as the store manager of the Tanashi store. Ms. Yokoyama's mission is to achieve the store's target profit. As the store manager, Ms. Yokoyama is given discretion regarding many operations ranging from staff recruitment and education to store decoration, inventory management, and sales promotion activities such as campaigns.

Eyecity continually passes on DNA focused on profit

The mission given to store managers is to increase the profit of the stores of which they are in charge and to contribute to the growth of Eyecity and the creation of value. As in the case of the manager of the store where I was working as a staff member and various superiors, I also manage the store while having a strong focus on "profit". Since I have the kind of personality that thoroughly gets to the core of something if I do something at all, I am striving to increase profits while checking data that appears on preliminary reports every day and also undertaking various schemes and endeavors. As I have been given the authority to manage the store, I formulate strategies that pool everyone's opinions while looking at preliminary figures, and put them into action immediately at my own responsibility. When a strategy works admirably, that is special. I am of course happy when figures actually increase, but above all the faces of the staff that appear happy when we achieve a target become my motivation and driving force.

In this way, I can take on various challenges by leading on the spot. I really feel that being in such environment is a powerful weapon in terms of managing the store. Also, I feel that we can take on challenges because this is a system where superiors and the head office give advice and follow up on things.



Consulting sales are the strength of Eyecity and its distinctiveness.

There is a difference between Eyecity and other contact lens shops. This is the fact that Eyecity carries out consulting-type sales based on conversations with customers. I have also inspected competing stores, and many stores recommend the same contact lenses that the user is currently wearing or a slightly better version provided by the same manufacturer. At Eyecity, we talk to each customer about their use of contact lenses, including when they wear them, their sense of dryness, and whether they use eye drops or not, and we recommend the ideal product for their

current situation. A high-priced product is not necessarily a good product for each person.

Proposals that are from the point of view of the customer are indeed the strength of Eyecity and its distinctiveness. By further reinforcing our strength and making use of it, I believe staff will be able to feel pride and confidence in the fact that they are working at Eyecity, and I think we will create an Eyecity where our personnel have brand value so that more customers use our stores with a sense of assurance. I feel that we need to make further efforts to ensure that more customers say "the brand value of Eyecity is its staff!" And, I am convinced that day will definitely come.



HOYA's Invisible Assets

VOICE From Vision Care Company

"What do you think are HOYA's invisible assets?"

When preparing this report, we asked this question to some of our customers such as ophthalmologists and eyeglass shop owners, and our global staff in the Eyeglass Lens Division.

Meet some HOYA customers



Region : Singapore Customer

Dr. Koh Liang Hwee

Designs, coatings and materials, combined with Strong Technical and Sales Support from HOYA team Singapore!



Region : Hong Kong Customer

Mr. Chan

The high reliability and stability of quality, as well as, coating of Hoya lens has helped us to keep our customers being loyalty since they think we really have provided the best choice to them.



Region : U.S. Customer

Dr. Charles Aldridge

When it comes to eyewear, one size does not fit all. Each patient is unique and has their own special visual needs. HOYA has done a remarkable job of providing a large variety lens designs and materials that meet and match those needs.



Region : U.S. Customer

Dr. Weise

The value that Hoya brings to our office based on quality products is great. Hoya makes us look innovative. The value that Hoya brings to our office by supporting our research, by not only helping that single child, but all those who come after we learn the answers to our research questions is amazing. Hoya wants to give back and makes us look smarter. The value that Hoya brings to the lives of each smiling child is priceless. I look forward to learning what Hoya will do next!"

Meet some HOYA customers



Region : U.S. Customer

LaFollette Clinic

HOYA partners with our consulting firm, Cleinman Performance Partners, which enables us to provide our patients with the latest technology while managing our bottom line. Patient satisfaction is consistently high with these products and services. Brandi Watson, our HOYA representative, adds the personal touch that private practices need in order to stay competitive in today's eye care market. This allows private practices to differentiate themselves from the big box retailers.



Region : U.S. Customer

Dr. Mark Skowron

It is comforting to know that we are prescribing the best, and latest in technology offered in the Eyecare industry. When patients wear a Hoya Digital Progressive and they can see the increase in reading area and feel the softness of the distortion. They tell me it is the best lens they have ever had. That is value.



Region : U.S. Customer

Tom Krasnoff

Our relationship is a partnership where we work together to satisfy our customer's needs. The support we get from our Hoya representative and the customer service people at the lab are second to none.



Region : France Customer

Jean Francois Amé

The working relationship established with Hoya is widely based on the permanent research of innovations. Many new products such as PAL geometries, coatings and new cutting edge tools designed to improve the optician's work (i.e. Hoyanet, Visureal, iLog, HVCviewer and Photo).

What's more, Hoya teletraining and Hoya Faculty are capital aspects of our partnership.

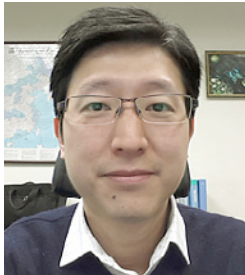


Region : U.K. Customer

David Goad

The combination of knowledgeable staff, a "can do" attitude and superb products enables us to give our patients the best products in the world with great confidence. The new technology helps us demonstrate and re-enforce value to our patients, we also find that Hoyanet is an excellent resource for marketing.

Meet some HOYA employees



Region : Hong Kong

George Kwan

I am proud of the quality and corporate governance of HOYA, they are the core stone of HOYA to success in the past and also in the future.



Region : Malaysia

Low Vhee Quin

The uniqueness of the organization culture creates a strong committed management team. Each individual roles and responsibilities was clearly defined. This has enable speedy and efficient decisions in their respective areas on every matters.



Region : Taiwan

Tu Jiu-Ting

We have continuously increased with our quality and sales significantly in the past 5 years. In Taiwan market, especially to be a leader it is to have a good evaluation from both customer and consumer.



Region : U.S.

Doug McClure

I am driven by the fact that I take great pride in the Hoya name, I never want to let anyone down, whether it's our customers who depend on us to give them the best in eye care by providing the best in eye glasses technology or our fellow associates here at Hoya; who's families depend on our success.



Region : U.S.

Heather Padgett

My job is my passion, knowing that everyday no matter what I do or how I feel what I am doing in the end helps someone be able to see and gives them the gift of sight...this is what drives me...not the people not my job but knowing that no matter what I am doing it is helping someone.



Region : U.S.

Juli Dewalt

I take pride in the fact that HOYA supports the private Eye Care Professionals from the time they are students in Optometry school and continuing through their careers in optometry. This builds great brand loyalty.

Meet some HOYA employees



Region : U.S.

Rodney Webb

New challenges are the driving force. While there are repetitive duties in our jobs, each day holds new challenges and unique situations that require the best possible solutions. Challenges allow the opportunity to learn something new every day.



Region : U.S.

Sara Mayhew

Management is a word that does not adequately describe the structure at HOYA. The term team leader is a better fit. The "management" at HOYA is more like the team captain that works with you and allows a person to feel like they have made their own accomplishments.



Region : U.S.

Juanita Goodyear

My position requires a close relationship with our region's management team. They are an experienced and intelligent group of people. We respect one another, and work with the same values and goals. It's great to work with people that you feel are family.



Region : German

AGotzen

The management for me is very visible in crisis. During the Thai flood, which has been a real crisis for all of us, we could learn that the management is working well and effective. Decisions were taken on short term but still balanced and on a long term view.



Region : Finland

I NAAPI

Hoya respects local differences. Appreciation of employees is one of the secrets why people want to stay long with Hoya.

11-year Financial Data

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net sales (Millions of yen)	246,293	271,443	308,172	344,228	390,093	481,631	453,870	413,726	423,063	376,940	372,494
Operating profit (Millions of yen)	52,982	68,166	84,920	101,095	107,213	95,073	-	-	-	-	-
Ordinary profit (Millions of yen)	50,874	66,554	89,525	103,637	102,909	100,175	-	-	-	-	-
Pretax profit (Millions of yen)							50,768	51,557	73,920	58,530	89,368
Net profit (Millions of yen)	20,037	39,548	64,135	75,620	83,391	81,725	29,380	41,517	59,579	42,680	71,242
Return on total assets attributable to owners of the Company (ROA)	7.3	14.0	20.0	21.2	20.6	14.4	4.6	7.4	10.5	7.5	11.9
Return on equity attributable to owners of the Company (ROE)	9.0	17.8	25.8	27.1	25.9	21.6	8.0	11.8	16.3	11.3	16.6
Ratio of assets attributable to owners of the Company (%)	81.7	75.5	79.1	77.3	81.6	56.7	56.1	63.8	65.1	66.9	76.2
Capital expenditure (Millions of yen)	15,948	30,659	40,175	48,785	54,432	39,465	34,838	29,020	38,488	33,185	45,011
Depreciation and amortization*1 (Millions of yen)	19,792	25,328	22,519	27,484	36,425	45,457	80,488	35,336	33,238	26,904	31,991
R&D expenses (Millions of yen)	8,681	9,847	10,957	14,134	14,920	17,412	17,630	17,311	16,711	16,094	15,703
Per share data (adjusted for stock split)*2 (Yen)											
Net profit	42.77	87.74	144.71	171.71	193.50	189.01	67.87	95.24	138.49	100.18	164.78
Dividend	12.50	25.00	37.50	60.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
Cash flow from operating activities *3	82.72	174.91	171.65	240.57	229.23	277.09	213.34	193.49	214.44	170.87	206.24
Assets attributable to owners of the Company *4	486.29	491.90	623.59	648.87	845.98	903.49	788.27	828.82	873.49	891.93	1,091.25

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Price to earnings ratio (PER)	41.8	28.9	20.4	27.7	20.2	12.4	28.4	27.0	13.7	18.6	10.6
Price to cash flow ratio (PCFR)	21.6	14.5	17.2	19.7	17.1	8.4	9.0	13.3	8.9	10.9	8.5
Price to per-share assets attributable to owners of the Company ratio (PBR)	3.7	5.2	4.7	7.3	4.6	2.6	2.4	3.1	2.2	2.1	1.6
Stock price at year-end (Yen)	1,787	2,537	2,950	4,750	3,910	2,340	1,930	2,569	1,898	1,859	1,752
Number of employees	14,023	18,092	21,234	25,176	28,450	35,545	34,592	34,450	36,547	32,363	35,130

- Notes:
- Hoya has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), since fiscal 2011, instead of accounting principles generally accepted in Japan ("Japanese GAAP"). Financial data for fiscal 2009 and fiscal 2010 have been retroactively adjusted in accordance with IFRS.
 - Due to the adoption of IFRS, operating profit and ordinary profit have not been disclosed since fiscal 2009.
 - Net sales, pretax profit, and net profit for fiscal 2009 and after include all businesses, namely continuing businesses and discontinued businesses.
 - Figures displayed as "return on total assets attributable to owners of the Company (ROA)", "return on assets attributable to owners of the Company (ROE)", "ratio of assets attributable to owners of the Company", and "price to per-share assets attributable to owners of the Company ratio (PBR)" prior to fiscal 2008 are "ratio of net profit to total assets (ROA)", "ratio of net profit to shareholders' equity (ROE)", "ratio of shareholders' equity to total assets", and "ratio of price to book value per share (PBR)", respectively.
 - Results for fiscal 2008 include the second-half results of PENTAX Corporation and its subsidiaries (from October 1, 2007 to March 31, 2008), as PENTAX and its subsidiaries were consolidated with Hoya Corporation as of August 14, 2007. They were merged with Hoya on March 31, 2008.

*1 Depreciation and amortization includes goodwill amortization and impairment losses.

*2 Per share data are retroactively adjusted reflecting a four for one stock split effective on November 15, 2005.

*3 Cash flow from operating activities per share: The figures for fiscal 2002 and after are the amount of cash flow from operating activities divided by the average number of shares outstanding for the term.

*4 Assets attributable to owners of the Company per share: The figures for fiscal 2006 and before are "shareholders' equity per share", and those for fiscal 2007 and 2008 are "net assets per share".

Financial Review

Management Discussion and Analysis (All Operations*)

1 Scope of Consolidation

As of March 31, 2013, the HOYA Group ("HOYA") consisted of the HOYA CORPORATION, 101 consolidated subsidiaries (6 of which are domestic and 95 overseas) and eight affiliates (4 of which are Japanese and the other 4 overseas).

HOYA 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 America, 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, HOYA has its treasury base in the Netherlands.

2 Adoption of International Financial Reporting Standards

HOYA prepares its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), under the provision of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No.28, 1976).

The reportable segment are constituent units of the Group for which separate financial information is obtained and examined on a regular basis by the Board of Directors, the chief operation decision maker, to determine the allocation of management resources and evaluate the business performance.

In accordance with its management philosophy, the Group has categorized "Information Technology" and "Life and Culture" as its business domains, to achieve sustainable growth in corporate value in these business domain. the Group has been making decisions on the allocation of management resources and monitoring the operating results. As a result, the Group consists of three reportable business segments: the Information Technology business, the Life Care business and the Others business, which are consistent with the above business domains. The Information Technology business handles products for the myriad of applications spawned by the digitalization of information and the emergence of the Internet. This segment produces and sells a broad array of I/O (input/output) device related products in the information technology sector, including electronics related products that are essential for modern digital information and communications technologies, and optical technology-based imaging related products that are necessary to import pictures and video images as digital information.

The Life Care business produces and sells health care related products for daily use in the healthcare and medical sectors, and medical related products, including equipment and materials for use in medical procedures. This segment is typically required to obtain approvals and permissions in accordance with the Pharmaceutical Affairs Act in Japan and other regulations. As a result, sophisticated technologies and highly reliable quality control systems are critical for smooth business operation in this sector.

The Other Businesses segment mainly offers information system services, and takes charge of new businesses.

3 Sales

During the consolidated fiscal year ended March 31, 2013, the global economy continued to slow, reflecting the prolonged European financial problems, which had global repercussions, and sluggish economic growth in China and other emerging economies. In Japan the economy continued to see reconstruction demand after the Great East Japan Earthquake but the country's exports decreased due to the strong yen and the sluggish overseas economy. However, since the change of government in December 2012, hopes for new economic measures and easing monetary policy have contributed to the depreciation of the yen and an upturn in the stock market.

In this environment, sales in HOYA's Information Technology segment decreased from the previous year. This was attributable to a shift in demand from notebook PCs and compact digital cameras, final products that use many of our main products, to smartphones, tablet PCs, and other products that do not use our products as much. The Life Care segment posted an increase in sales from the previous year. Sales in the eyeglass lens business recovered from the impact of the flooding in Thailand and were supported by higher sales at a newly consolidated subsidiary, while sales of medical endoscopes and contact lens were steady.

As a result, HOYA's sales in all operations for the fiscal year under review amounted to ¥372,494 million, down ¥4,446 million (1.2%) year on year. Excluding sales contributed by the PENTAX Imaging Systems Business, which was sold in October 2011, in the first half of the previous fiscal year, sales on a continuing basis increased by 3.3% year on year on year in the fiscal year under review.

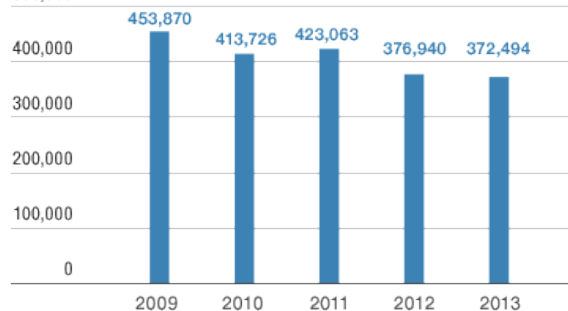
By business segment, sales in the Information Technology segment were down 11.5% on an overall business basis but down 2.8% on a continuing business basis, which excludes sales in the PENTAX Imaging Systems Business. The Life Care segment recorded an 8.3% increase in sales.

By customer region, net sales to customers in Japan decreased 5.6%, to ¥136,896 million, and net sales to overseas customers increased 1.6%, to ¥235,597 million. As a result, domestic sales and overseas sales accounted for 36.8% and 63.2% of total net sales, respectively. The overseas sales ratio was 1.7 percentage points higher than in the previous year.

HOYA calculated the effect of exchange rates on operating results during the fiscal year under review by comparing the foreign currency-denominated financial statements of its overseas subsidiaries when converted into yen at average exchange rates during the fiscal year under review with the same statements when converted into yen at the average exchange rates prevailing during the previous fiscal year. In the foreign exchange market, the average exchange rates for the yen were ¥83.32 against the U.S. dollar (the yen weakened by 5.5% from the previous fiscal year), ¥107.39 against the euro (the yen appreciated by 2.0%), and ¥2.72 against the Thai baht (the yen weakened by 5.4%). For the Group overall, the effect of exchange rates increased net sales by ¥3,670 million and net profit by ¥2,086 million.

Sales

Millions of yen
500,000



4 Transfer of Seiko Epson's eyeglass lens development and manufacturing business

On February 1, 2013, the eyeglass lens development and manufacturing business of Seiko Epson Corporation was transferred to HOYA. Sales and profits for the fiscal year under review have incorporated this business since the date of the transfer. On November 16, 2012, HOYA also executed an agreement with Seiko Holdings Corporation ("SEIKO") to acquire 50% ownership of Seiko Optical Products Co., Ltd. ("SOP") by March 31, 2014 and acquired an initial tranche of 30% on June 1, 2013. SOP was a wholly owned subsidiary of SEIKO as of March 31, 2013, and is responsible for sales of eyeglass-related products. Through this business alliance with SEIKO, including the partial share acquisition, HOYA will use its global manufacturing and sales network and expand sales of SEIKO branded eyeglass lenses, with the aim of enhancing the corporate value of both companies.

5 Recovery from the Flood Damage in Thailand

The massive flooding that occurred in Thailand in October 2011 inflicted damage directly on two plants operated by HOYA LENS THAILAND LTD., which is HOYA's flagship manufacturing site for eyeglass lenses. Efforts were made to restore its infrastructure and manufacturing facilities, which resulted in the resumption of operations at the beginning of April 2012 and the completion of the restoration in September 2012. On a quarterly basis, sales recovered to the pre-flooding level in the fourth quarter of the fiscal year under review.

We sincerely apologize for having caused substantial inconvenience to many customers during the suspension of operations. Insurance income of ¥32,187 million as compensation for damage caused by the flooding was recorded in the fiscal year under review.

6 Income

Profit before taxes amounted to ¥89,368 million and profit for the year amounted to ¥71,242 million, marking a significant year-on-year increase of 52.7% and 66.9%, respectively. The pretax profit margin was 24.0%, an increase of 8.5 percentage points over the previous fiscal year's level of 15.5%.

As for other income, the eyeglass lens business recorded ¥32,187 million in insurance income as part of compensation for fixed assets and lost profit suffered from the flooding in Thailand and ¥2,238 million as a gain on step acquisitions, associated with the additional acquisition of shares in Optotal Hoya LIMITADA (formerly Optotal Hoya S.A.), HOYA's affiliate engaged in the manufacturing and sales of eyeglass lenses in Brazil, which became a wholly owned subsidiary. In addition, the yen depreciated against other major currencies toward the end of the fiscal year, which resulted in recording foreign exchange gain of ¥12,539 million on foreign currency-denominated cash and deposits, and credits and debts which were held by the Group, and loans and borrowings within the Group. Moreover, share of losses from associates of ¥11,912 million was recorded for the structural reforms of AvanStrate Inc., an equity-method affiliate. Even after excluding these extraordinary factors, profit before taxes for the current year exceeded year-on-year.

In the Information Technology segment, mask blanks for semiconductors secured a similar level of sales to the previous year, despite the sluggish semiconductor market, as HOYA became more competitive in the blanks market. As for photomasks for LCD panels, sales of small- and medium-sized photomasks for smartphones and tablet PCs were firm, while sales of large-sized ones for LCD televisions showed signs of a recovery toward the end of the fiscal year and drove earnings. On the other hand, sales of glass memory disks for HDDs were affected by the shift in demand from notebook PCs to other products, including tablets and smartphones, and were subdued. Among imaging related products, sales of optical lenses declined in the second half of the fiscal year, due to the shrinking digital camera market. As a result, the Information Technology segment recorded profit before tax of ¥31,841 million and a segment profit margin of 19.7%.

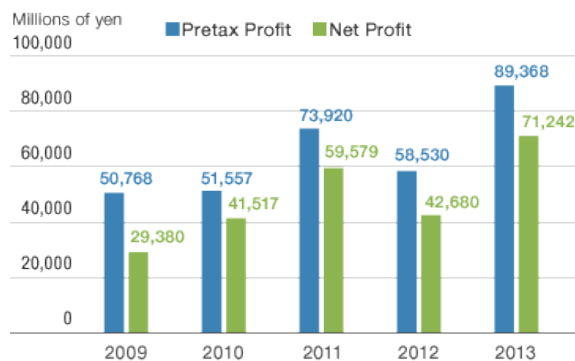
In the Life Care segment, the major plants in Thailand which suspended operations as a result of the massive flooding resumed operations in April 2012, and sales of eyeglass lenses recovered to the pre-flooding level by the fourth quarter of the fiscal year. In addition, Optotal Hoya LIMITADA (formerly Optotal Hoya S.A.), HOYA's affiliate engaged in manufacturing and sales of eyeglass lenses in Brazil, became a wholly owned subsidiary, while the eyeglass lens development and manufacturing business of Seiko Epson Corporation was transferred to HOYA. These developments contributed to an increase in sales and profit in the eyeglass lens business compared to the previous year. At the same time, the Eye City chain of contact lens specialty stores enjoyed continued growth in sales and profit from the previous fiscal year, thanks to new store openings and growth in sales of high-value-added lenses. The medical endoscope business also achieved increased sales and profit against the previous year thanks to brisk sales mainly in emerging markets such as Russia, the Middle East, and Asia. In addition, the launch of new products stimulated replacement demand in some regions and the trend of the weaker yen contributed positively. With regard to intraocular lenses (IOL), we ranked No. 1 in sales in the domestic market and enjoyed strong sales. In the fourth quarter, however, we suspended supply of some products and undertook a voluntary recall of those products because incidence rates of inflammation and endophthalmitis were reported to have exceeded certain levels in the third quarter. This resulted in a decrease in sales and profit from the previous year.

In sum, the Life Care segment offset the profit decline for intraocular lenses with profit growth in other businesses and posted pretax profit of ¥63,954 million and a segment profit margin of 30.6%. Pretax profit included ¥32,187 million in insurance income as part of compensation for damage caused by the Thai flooding in October 2011 and ¥2,238 million as a gain on step acquisitions, associated with the additional acquisition of shares in Optotal Hoya S.A. Excluding such factors, segment pretax profit would have been ¥29,529 million with

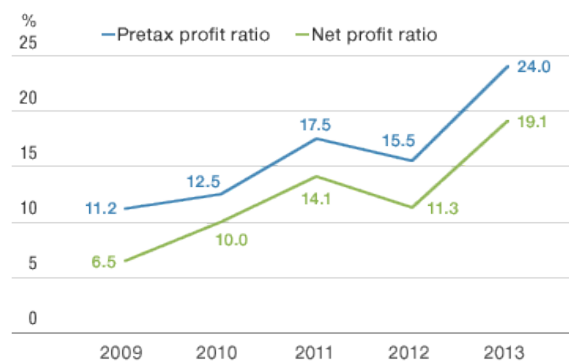
a profit margin of 14.1%.

Return on assets (ROA) was 11.9%, and return on equity attributable to owners of the Company (ROE) was 16.7%.

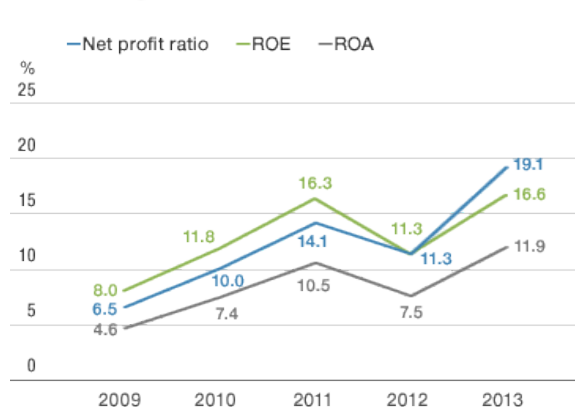
Pretax Profit / Net Profit



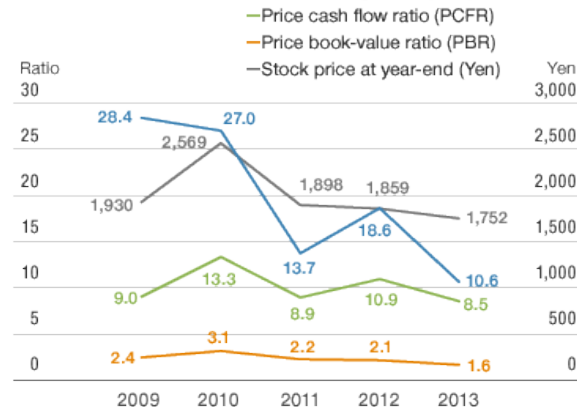
Profit Ratios



Profitability



Stock Price Data



Dividends

HOYA determines dividends for each fiscal year by taking into account the Company's performance and medium- and long-term capital requirements. It also tries to strike a balance between returning profits to shareholders and supplementing internal reserves to fund future growth. HOYA's policy regarding internal reserves is to continue to actively appropriate resources for marketing for consumer products, primarily in the medical field, while also making timely investments in corporate mergers and acquisitions and R&D for future growth, as well as investing to ensure sufficient production capacity and to develop next-generation technologies and new products.

In the fiscal year under review, after balancing the need for internal reserves for future growth, HOYA paid an interim dividend of ¥30 per share and a year-end dividend of ¥35 per share, for an aggregate dividend of ¥65 per share for the full year, on a par with the previous fiscal year. The consolidated payout ratio was 39.4%.

Dividend Per Share



8 Financial Position

Total assets at the end of the fiscal year under review increased ¥42,839 million, or 7.4% year on year, to ¥618,074 million.

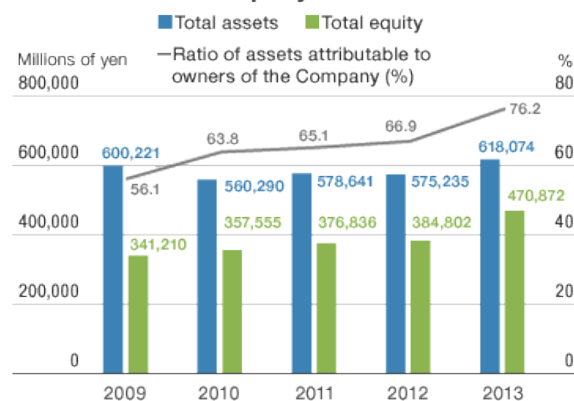
Non-current assets increased ¥24,357 million (14.2%) year on year, to ¥195,917 million. The cost of restoration for major eyeglass lens production sites damaged by the flooding in Thailand and construction of a plant to produce mask blanks for semiconductors in Singapore and others led to an increase of ¥32,343 million in property, plant and equipment – net, while investments in associates decreased ¥12,401 million as a share of losses from associates was recorded.

Current assets increased ¥18,483 million (4.6%) year on year, to ¥422,157 million. The increase was primarily due to a rise in trade and other receivables of ¥13,133 million and a ¥44,124 million increase in cash and cash equivalents, while other short-term financial assets decreased by ¥38,062 million partly due to payments for redemption of corporate bonds.

Liabilities amounted to ¥147,389 million, a ¥43,193 million decrease from the level of a year earlier. This was primarily due to a ¥39,333 million decrease in interest-bearing short-term debt, which was mainly caused by payments for redemption of corporate bonds and a ¥4,224 million decrease in retirement benefits obligation, stemming from the completion of a closed-end defined-benefit plan (former Pentax retirement fund plan), which was transferred at the time of the business integration with Pentax.

Total equity increased by ¥86,032 million year on year, to ¥470,685 million, partly due to a ¥43,055 million increase in retained earnings. Equity attributable to owners of the Company, which is obtained by deducting non-controlling interest in equity from total equity, amounted to ¥470,872 million, improving the ratio of equity attributable to equity holders of the parent by 9.3 percentage points from a year earlier levels, to 76.2%.

**Total Assets, Total Equity,
and Ratios of Assets Attributable to
Owners of the Company**



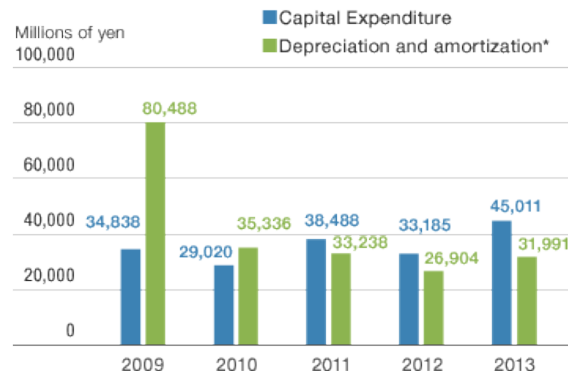
Capital Expenditures / Depreciation and Amortization

The total capital investment increased by 35.6% from the previous year to ¥45,011 million during the fiscal year under review. Investment in the Information Technology business amounted ¥24,771 million and investment in Life Care business amounted ¥20,018 million, which account for 55.0% and 44.5% of the total investment by the Group respectively.

In the Information Technology business, major investments, from the perspective of risk diversification, included construction of a plant to produce mask blanks for semiconductors in Singapore and a new production line at a plant producing glass disks for HDDs in Vietnam. In the Life Care business, major expenditures included the reconstruction cost for the eyeglass lens production sites which were damaged by the flooding in Thailand in October 2011, and expenses to enhance production capacity in group factories located in places other than Thailand, as an alternative production site.

Depreciation and amortization (including impairment loss) for the fiscal year under review increased 14.6%, to ¥31,991 million. The Information Technology segment accounted for approximately 60% of this, at ¥18,103 million.

Capital Expenditure and Depreciation and Amortization



* Depreciation and amortization includes impairment losses.

Cash Flow

Net cash provided by operating activities amounted to ¥88,991 million, an increase of ¥15,271 million from the previous fiscal year. The main positive factors were profit before taxes from continuing operations of ¥89,368 million (up ¥35,347 million year on year), depreciation and amortization of ¥30,872 million (up ¥2,945 million), and share losses of associates of ¥11,912 million (up ¥13,776 million). The main negative factors included an increase in trade and other receivables of ¥8,216 million (down ¥19,007 million), a decrease of trade and other payables of ¥7,692 million (up ¥964 million), and a decrease in retirement benefits obligation and other provisions of ¥4,188 million (up ¥4,140 million).

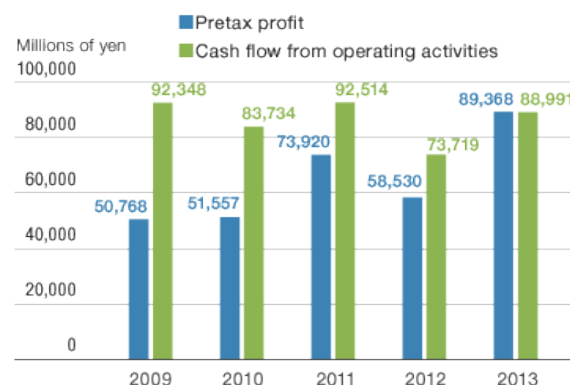
Net cash used in investing activities amounted to ¥948 million, a decrease of ¥21,549 million compared with the previous fiscal year.

This was primarily attributable to ¥40,000 million in withdrawals of time deposit (up ¥30,000 million), proceeds from sales of property, plant and equipment of ¥7,573 million (up ¥7,012 million), payments for acquisition of property, plant and equipment of ¥43,049 million (up ¥11,865 million), and net cash outflow on acquisition of subsidiary of ¥10,127 million (up ¥10,047 million).

Net cash used in financing activities amounted to ¥68,997 million, an increase of ¥39,738 million. This was mainly due to a total of ¥28,071 million in dividends paid (up ¥68 million year on year) and ¥40,287 million yen payments for redemption of corporate bonds.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2013, increased ¥44,124 million from the previous year to ¥248,896 million, including ¥25,078 million effects of exchange rate changes.

Cash Flow from Operating Activities



Subsequent Events

Nothing of note.

About Us

Corporate Data

March 31, 2013

Corporate Profile

Company Name	HOYA CORPORATION
Head Office	2-7-5 Naka-Ochiai, Shinjuku-ku, Tokyo 161-8525 Japan
Founded	November 1, 1941
Established	August 23, 1944
Business Domains	HOYA is a Japanese multinational company and the leading supplier of innovative precision products based on its optics technologies. HOYA is active in the fields of Life Care and Information Technology providing eyeglasses, medical endoscopic system, intraocular lenses, optical lenses as well as key components for the semiconductor devices, LCD panels and HDDs.
Paid-Capital	6,264,201,967 yen
Number of Employees	HOYA Group Total; 32,363
Revenue	372,494 million yen (2013.3 Consolidated, all operations)
Profit before Tax	89,368 million yen (2013.3 Consolidated, all operations)

Main Products

Electronics	Mask blanks/photomasks for semiconductors / Photomasks for LCDs / Glass disks for hard disk drives
Imaging	Optical lenses/glasses / Lens modules for digital camera / Micro lenses / Lazer equipments / Eyeglass lenses
Health Care	Contact lenses and accessories
Medical	Medical endoscopes
Other	Intraocular lenses / Bone prosthesis / System architecture

Directors

Board of Directors (as of June 21, 2013)		
Board of Directors	Yuzaburo Mogi (Chairman of the Board of Kikkoman Corporation) Yukiharu Kodama (President of the Mechanical Social Systems Foundation) Itaru Koeda (Chairman Emeritus and Advisor of Nissan Motor Co., Ltd.) Yutaka Aso (Chairman and Representative Director of Aso Corporation) Yukako Uchinaga (Board Chairman of J-WIN (Japan Women's Innovative Network)) Mitsudo Urano (Senior Corporate Advisor of Nichirei Corporation) Hiroshi Suzuki	
Executive Officers (as of June 21, 2013)		
President	CEO	Hiroshi Suzuki
Executive Officers	Technology	Taro Hagiwara
	CFO	Ryo Hirooka
	COO	Eiichiro Ikeda
	COO	Girts Cimermans

Stock Information

March 31, 2013

Stock Information	Listing of the Company's Shares	First Sections of the Tokyo Stock Exchanges
	Number of Shares of Common Stock	Authorized: 1,250,519,400 Issued: 435,017,020
	Trading Unit	100 shares
	Number of Shareholders	83,560
	*the Company implemented four for one stock split for the shareholders registered as of September 30, 2005. New shares took effect on November 15, 2005. *14,379,000 treasury shares were cancelled as of February 1, 2006.	

Transfer Agent of Common Stock Handling Office	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan Tel. 03-5683-5111
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Principal Shareholders (as of March 31, 2013)	Shareholders	Shareholdings	Percentage of total shares issued(%)
1	State Street Bank and Trust Company	26,548,415	6.10
2	Japan Trustee Services Bank, Ltd. (Trust Account)	25,375,800	5.83
3	Northern Trust Company (AVFC) Sub Account American Client	16,869,198	3.87
4	The Master Trust Bank of Japan, Ltd. (Trust Account)	14,883,000	3.42
5	State Street Bank and Trust Company 505225	10,942,998	2.51
6	SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	9,895,500	2.27
7	The Chase Manhattan Bank NA London SL Omnibus Account	9,536,758	2.19
8	Mamoru Yamanaka	9,020,424	2.07
9	Northern Trust Company (AVFC) Re US Tax Exempt Pension Funds	6,639,000	1.52
10	JP Morgan Chase Bank 380055	6,242,227	1.43
Above total		135,953,320	31.3

Disclaimers

HOYA has made all possible efforts with regard to information posted on this website and other linked company's websites. However, no guarantee is given regarding the accuracy, completeness, validity, immediacy or timeliness of this information, any of which could include errors, misprints or other defects.

HOYA and its information providers accept no responsibility whatsoever for any losses, financial or otherwise, arising from the use of this information. In addition, HOYA and its information providers accept no responsibility whatsoever for any losses, financial or otherwise, arising from computer system malfunction or any other cause resulting in error, invalidity, delay, omission, defect or suspension of the information provided.

HOYA may make comments and disclose information which include forward-looking statements with respect to HOYA's plans and future performance. Such forward-looking statements that are not historical fact are based on management's assumptions and beliefs in light of the information available to it when such statements were prepared. We do not guarantee the accuracy or completeness of the information herein.

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 fluctuation of exchange rates and interest rates, international situations, market trends and economic conditions, competition, production capacity and research and development capabilities and so on. Please refer to Business Risk.

The information posted on this HOYA Annual Report website is not provided for the purpose of inducing investment activities. Investors are advised that any investment must be made at the investor's own discretion.

HOYA²⁰¹³
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