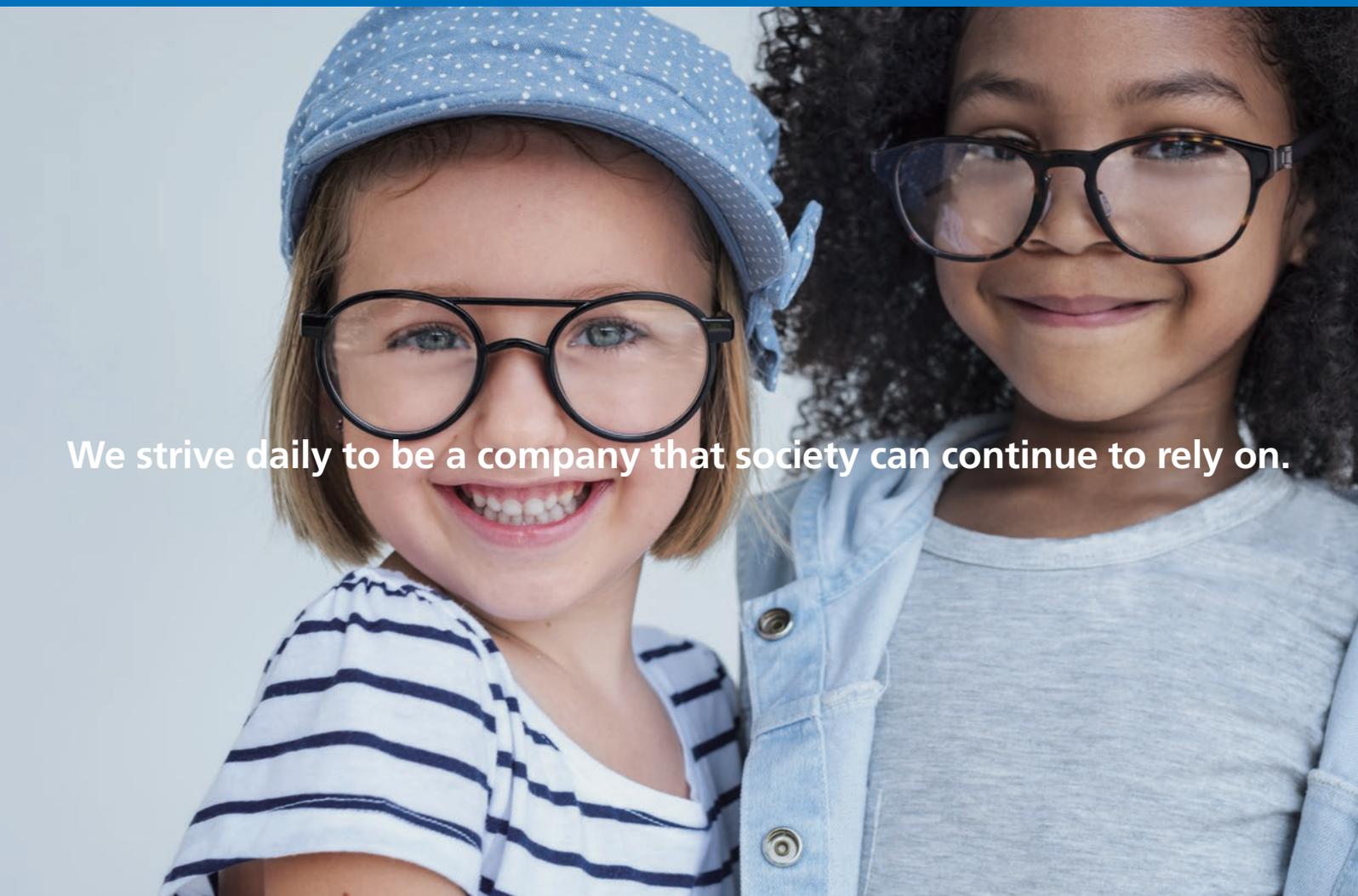


HOYA REPORT 2019

A photograph of two young girls wearing glasses. The girl on the left is wearing a blue polka-dot headband and a striped shirt, smiling broadly. The girl on the right is wearing a light blue denim jacket over a grey t-shirt, smiling gently. The background is a plain, light-colored wall.

We strive daily to be a company that society can continue to rely on.

HOYA

HOYA as an Investment Portfolio Management



Portfolio Management



Milestones in Our Growth



Market Growth



Maximizing Shareholder Value

Source of Our Strengths: Business Portfolio Management

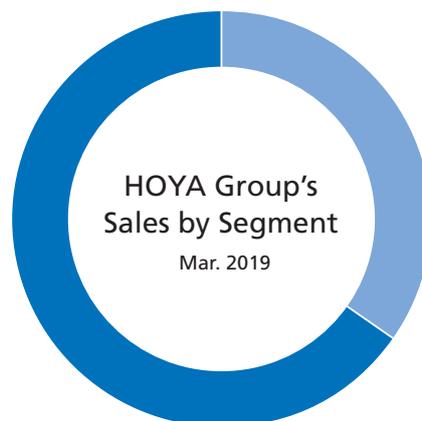
HOYA's portfolio management aims to secure profitability, stability, and growth potential of the Group as a whole by operating multiple businesses with different characteristics in terms of business model, sensitivity to economic cycles, etc., to diversify risk.

We examine each business to determine its stage in the lifecycle and allocate more management resources to areas with higher growth potential. We construct our business portfolio based on the survival of the fittest principle by, for example, withdrawing from a business that has lost its competitive edge.

The present two business areas for portfolio management are "Life Care" and "Information Technology."

Life Care

66%



Information Technology

33%

Eyeglass lenses

Contact lens retail sales

Intraocular lenses

Endoscopes

Mask blanks for semiconductor manufacturing

Photomasks for LCD/OLED display manufacturing

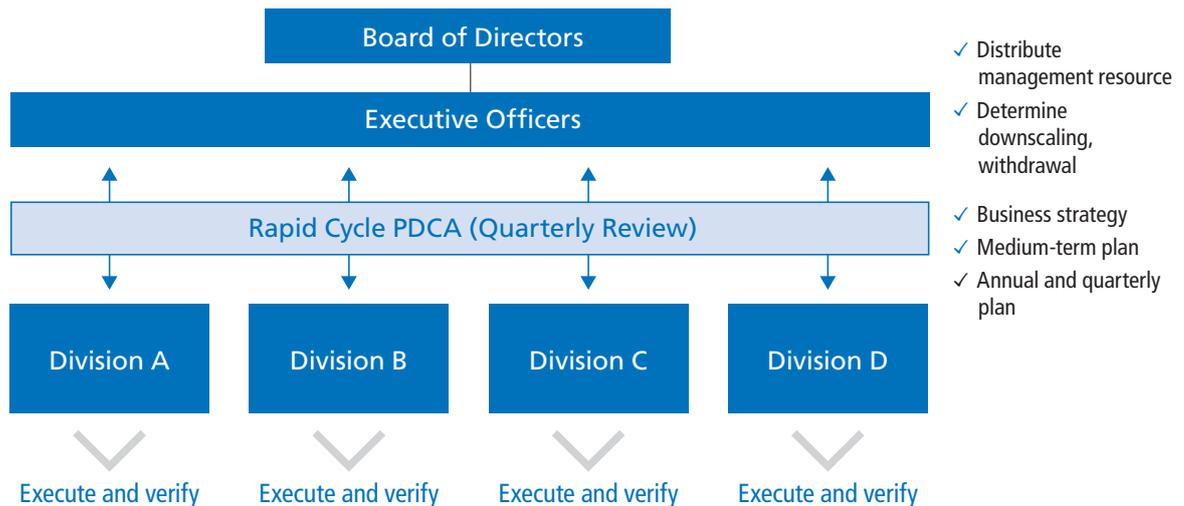
Glass substrates for HDDs

Imaging

The HOYA Management System

Based on the idea that “the accumulation of short-term results will produce long-term growth,” we conduct rapid-cycle reviews and improvement activities on a quarterly basis.

After receiving explanations on growth strategy and operating results from each business division, executive officers make decisions on the allocation of management resources to each business as well as any business downscaling or withdrawal decisions, which is the foundation of our business portfolio management.



Areas of Focus over the Next 10 Years

We will continue to rebalance our business portfolio on an ongoing basis without being constrained by what we are now to foster budding growth areas for the next 20 to 30 years.

▶ Accelerating growth in the Life Care business

Along with the aging global population and growth of the middle-class population derived particularly from economic growth in emerging countries, demand is increasing for adapting medical infrastructure to improve the quality of life (QOL). In view of this background, we regard the Life Care business as a growth engine and will actively develop competitive products and undertake bolt-on acquisitions (i.e., acquisitions designed to supplement the functions of existing businesses) in this business.

▶ Revitalizing the Information Technology business

The Information Technology business maintains product groups with high market share and has been a mature business with limited room for further growth. However, we are now beginning to identify certain areas that can be revitalized as a result of technological breakthroughs and have resumed investment in such areas. More specifically, we have identified two business areas of particular importance: mask blanks that are compatible with next-generation EUV lithography technologies in semiconductor manufacturing and glass substrates for data center HDDs, the market of which is expected to grow in response to the increasing volume of data creation. We will make investments in these areas in terms of technology and production capacity to achieve growth in sales and profit.

▶ Creating new business areas

As the renewal of the business portfolio is becoming a potential problem, we will strive to rebalance it as appropriate by acquiring new businesses through M&A. We are currently considering “medical services” and “semiconductors” as major themes and will try to enter specific niche segments within these areas where we are likely to secure a leading position to achieve sustainable growth.

HOYA as an Investment Milestones in Our Growth



Portfolio Management



Milestones in Our Growth



Market Growth



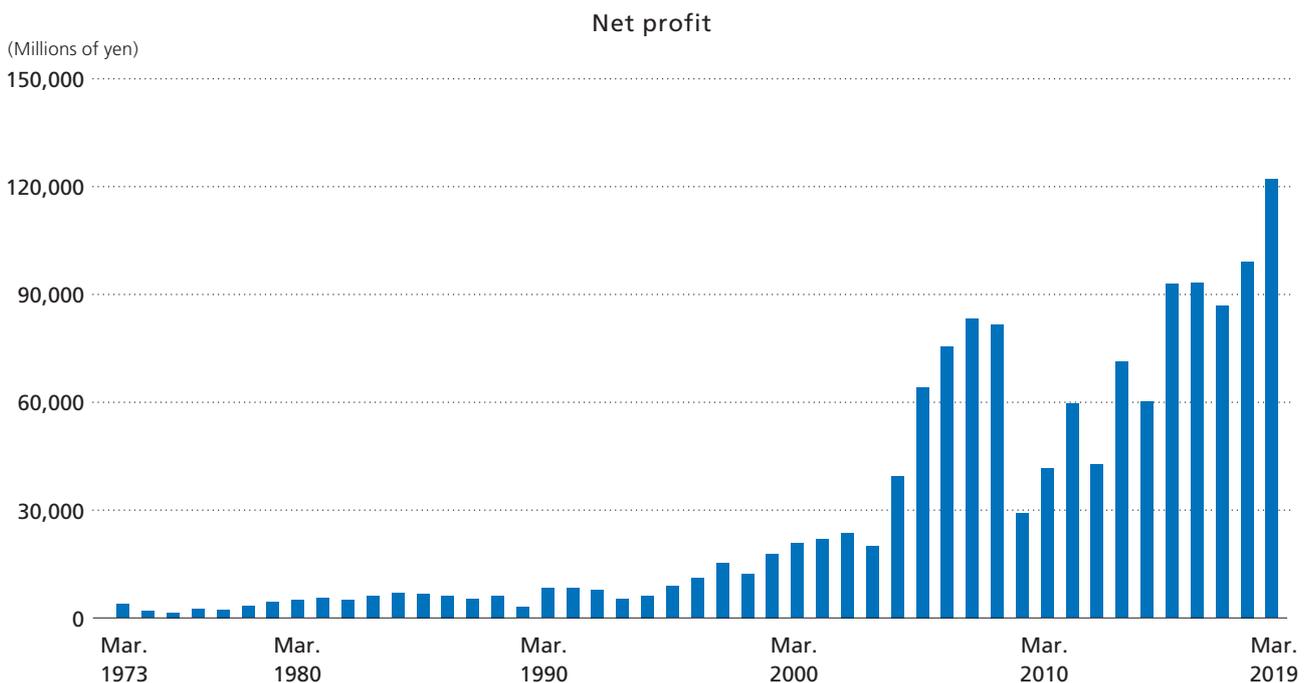
Maximizing Shareholder Value

Persisting in Profitability

Since its listing on the First Section of the Tokyo Stock Exchange, HOYA has never reported a loss. This is due to our “business portfolio management” and our strategic byword, to be “a big fish in a small pond.” We keep adjusting our business portfolio through investment allocation decisions according to the needs of the time. We also acquire and maintain high shares in niche markets, which we develop by exploiting our strengths, to maximize profits.

HOYA’s continued net profit since its TSE listing in 1973

HOYA has never reported a **loss** since its TSE listing



1962	Began production of eyeglass lenses.
1972	Began production of contact lenses.
1973	Listed on the First Section of the Tokyo Stock Exchange.
1974	Began production of photomask substrates for semiconductors.
1983	Began production of semiconductor photomasks.
1986	Constructed the R&D Center.
1987	Began production of intraocular lenses and glass mold lenses.
1991	Began sales of glass disks for HDDs.
1995	Invited the first outside director.
1997	Completed the establishment of the area HQs for Europe, North America, and Asia.
2003	Shifted to a company with Committees system. Independent directors represented the majority of the Board of directors.
2008	Merged with PENTAX Corporation.
2009	Terminated the Crystal Glass business.
2010	Sold the hard disk glass media manufacturing operation.
2011	Sold the PENTAX Imaging Systems business.
2013	Acquired the eyeglass lens development and manufacturing business from Seiko Epson Corporation.
2014	Acquired a stake in Seiko Optical Products (engaged in sale of eyeglasses and related products) and made it a consolidated subsidiary.
2017	Concluded a contract to acquire Performance Optics, LLC. (engaged in manufacture and sale of eyeglass lenses).
2019	Acquired U.S.-based Mid Labs and Germany-based Fritz Ruck (manufacture of ophthalmic medical devices)

*HOYA has prepared its consolidated financial statements in accordance with IFRS since the fiscal year ended March 31, 2011 in lieu of the Japanese standard.

HOYA as an Investment Market Growth



Portfolio Management



Market Growth



Milestones in Our Growth



Maximizing Shareholder Value

Market Growth and HOYA's Potential

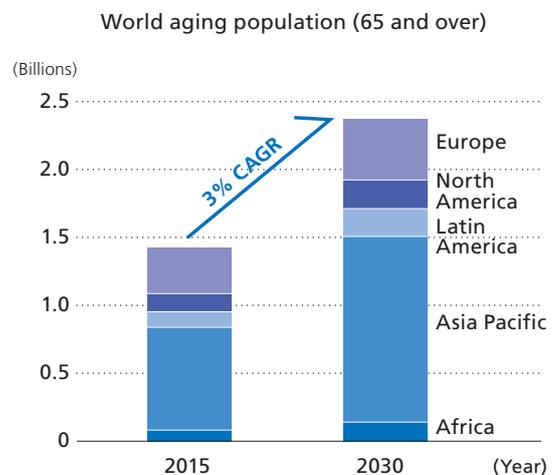
The Life Care business is expected to grow on the basis of the global aging population and improved living standards in emerging countries. The Information Technology market shows some signs of having matured in terms of growth cycles, but still has promising areas in technology advancement. We are determined to continue investing in such growth areas.

Life Care

Market growth, driven by global aging population and improving living standards in emerging countries

► Aging global population expands market

The aging global population is expected to boost demand for eyeglasses due to normal deterioration of vision by aging. Demand for medical flexible endoscopes is also anticipated to rise as a result of policies to restrain an increase in government medical expenditures, through preventive screening.



Source: United Nations

➤ **Emerging countries' improving living standards expands the market**

Middle-income populations are increasing on the basis of economic growth of emerging countries. More people will have opportunities to buy eyeglasses or receive medical treatment, which means expansion of business opportunities for HOYA.

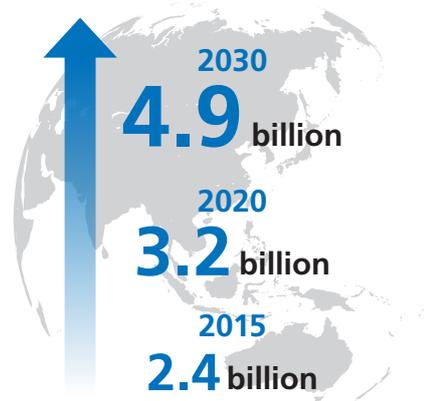
➤ **Increase in the elderly and middle-class population expands the market**

Demand for eyeglass lenses is increasing worldwide, due to aging of populations, higher purchasing power supported by emerging countries' economic growth, rising health consciousness, and impairment of vision caused by use of computers and smartphones for long hours.

➤ **More demand for minimally invasive medical procedures drives growth in the endoscope market**

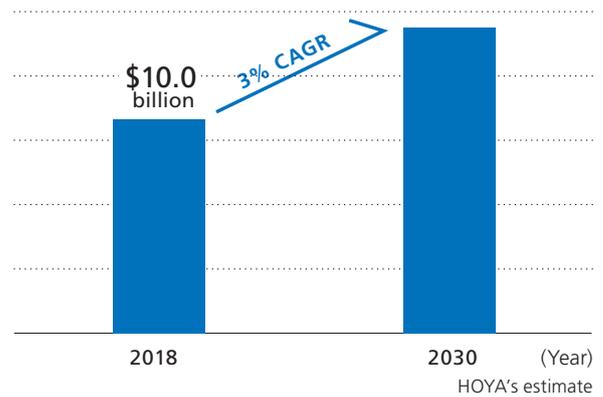
Medical expenses are increasing worldwide, along with aging of populations. Governments are promoting disease prevention and early detection of diseases, as well as minimally invasive medical treatment. In particular the importance of the latter is rising in popularity, as part of the trend of reducing invasive medical treatment. Medical flexible endoscopes, which allow physicians to diagnose and treat the patient in a less-invasive way help to fulfill such needs.

World Middle-Class Population

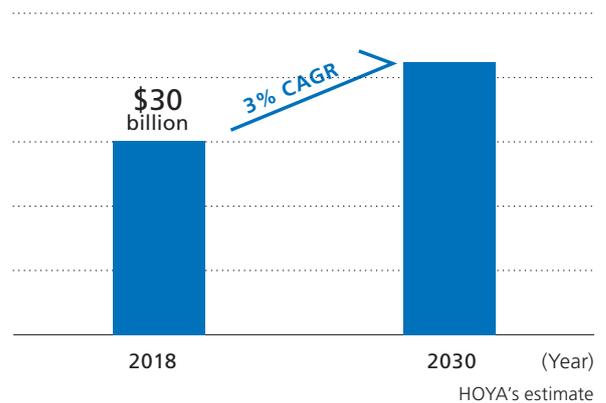


Source: Organisation for Economic Co-operation and Development (OECD)

World Eyeglass Lens Market



World Medical Endoscope Market



Market Growth Drivers

- Aging population
- Increase in cancer rate
- Initiatives for disease prevention
- Desire for improvement of QOL and minimally invasive diagnosis and treatment devices
- Improved medical infrastructure in emerging countries

Information Technology

Market growth, driven by technological advancement and expansion of application areas

The market of the Information Technology business as a whole is in a matured stage, but a closer look at each of our products reveals potential growth sub-segments.

▶ Mask blanks for EUV lithography

EUV lithography is a technology used to transfer semiconductor circuit pattern to a substrate using extreme ultraviolet light. It is a potential key for advanced miniaturization of semiconductor circuits. HOYA understands client needs accurately and precisely, and properly responds to technological requirements with the underlying objective of being a leader in the market of mask blanks for EUV lithography.

▶ Nearline server application of glass disks for HDDs

A nearline server is a server used for backups and archiving. The market of nearline servers is expected to grow significantly in response to a global surge in data volume. Memory storage capacity per server needs to be increased to realize more efficient server space within data centers. HOYA responds to such needs by providing customers with thinner disks, enabling an increase in the number of disks per server. This is helping us to increase disk shipment volume.

▶ In-vehicle camera lenses

In-vehicle camera lenses are expected to be used in sensors that are indispensable for self-driving technology, and their market is expected to grow rapidly. Leveraging high-value-added glass materials and aspherical glass lenses, which are our strengths, we will capitalize on the market growth.

HOYA as an Investment Maximizing Shareholder Value



Portfolio Management



Milestones in Our Growth



Market Growth



Maximizing Shareholder Value

Advanced Corporate Governance Structure

To ensure the effective functioning and objectivity of the management supervisory function, five out of six directors in total are independent outside directors. The fact that all independent directors are corporate executives is another feature of HOYA's governance. Diversity in their experiences and backgrounds is contributing to raising management quality.



Independent Director

Mitsudo Urano

Leader Independent Director
Chairperson of the Nomination Committee

Biography → 24P



Independent Director

Yukako Uchinaga

Chairperson of the Audit Committee

Biography → 25P



Independent Director

Takeo Takasu

Chairperson of the Compensation Committee

Biography → 25P



Independent Director

Shuzo Kaihori

Biography → 26P



Independent Director

Hiroaki Yoshihara

Biography → 26P



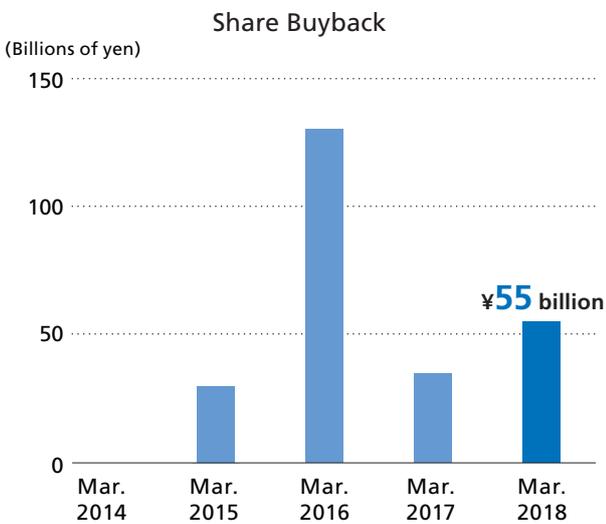
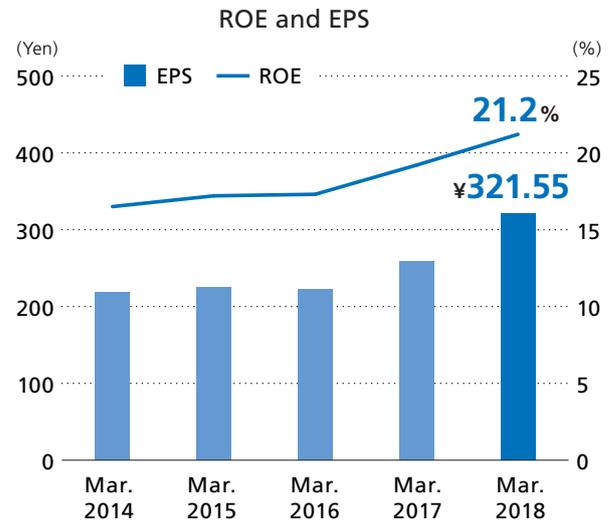
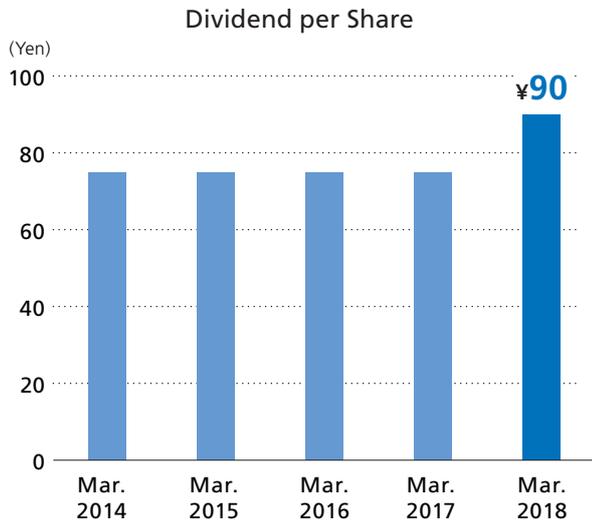
Hiroshi Suzuki

Biography → 27P

Pursuing Capital Efficiency

Return to shareholders and capital efficiency are among the key management considerations at HOYA.

Major management indicators and return to shareholders



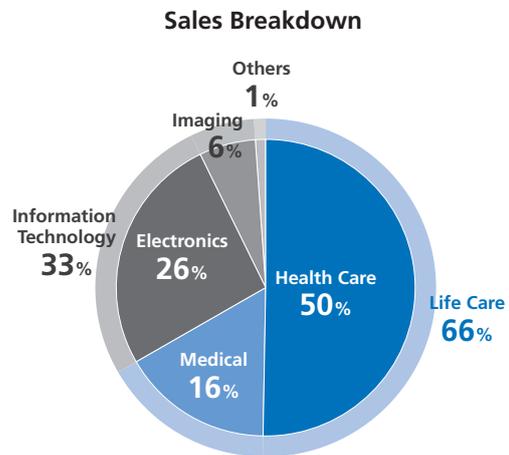


Highlights of the Year under Review

Financial

Sales

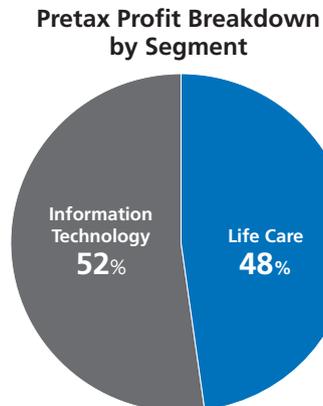
+5.6%
565.8 billion yen



The HOYA Group's consolidated sales revenue reached a record high in the fiscal year ended March 31, 2019, increasing 5.6% year on year, to 565,810 million yen. Sales rose in both the Life Care segment, which HOYA considers its growth driver, as well as the Information Technology segment.

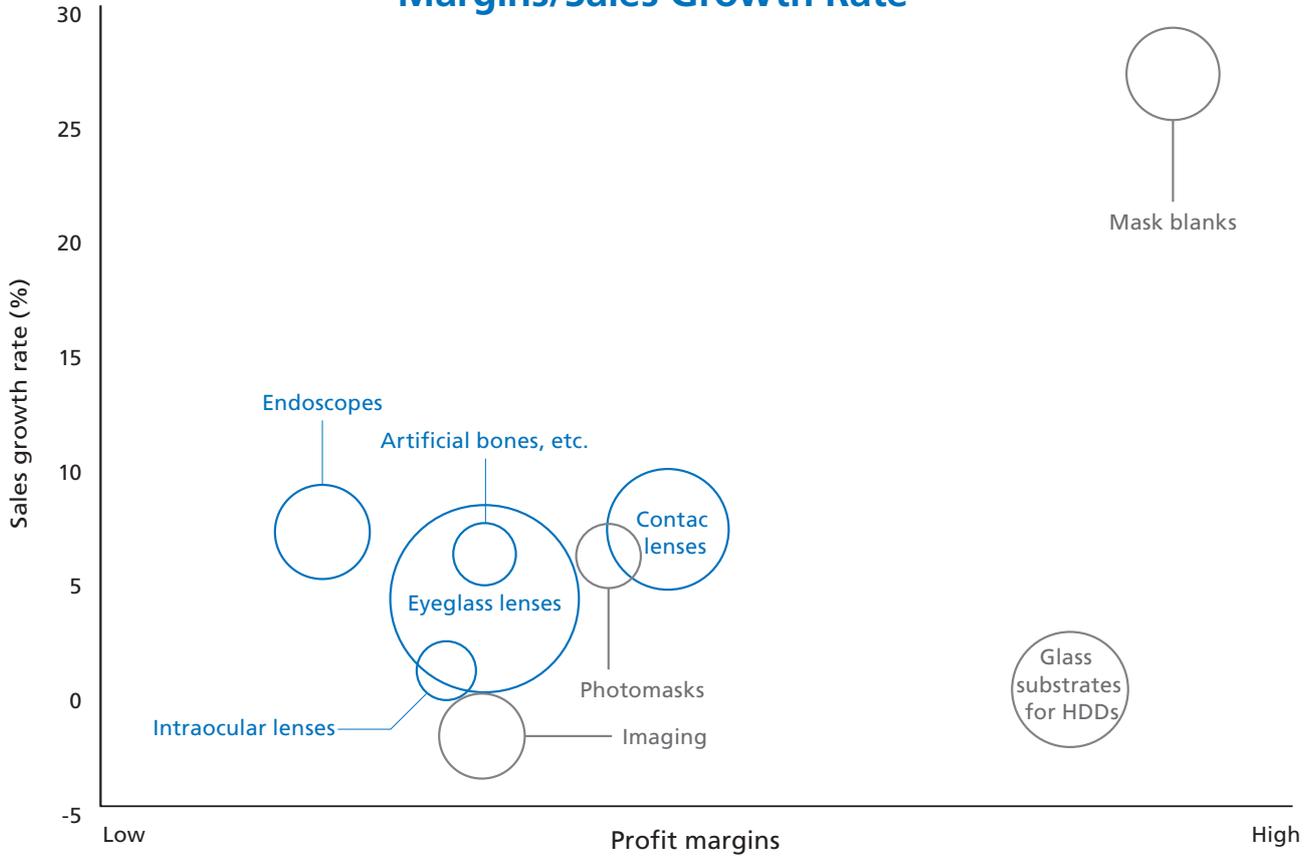
Pretax Profits

+16.4%
144.7 billion yen



Pretax profits rose 16.4% year on year, to 144,657 million yen. Profits also reached record highs, boosted by increased sales growth and expanded sales of high-value-added products.

Product Sales/Profit Margins/Sales Growth Rate



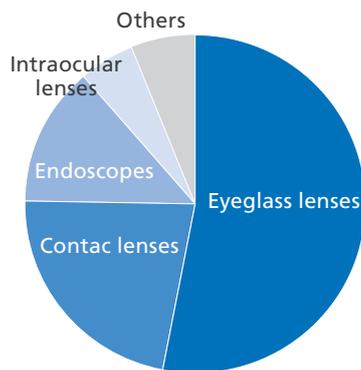
The growth rates of sales are after exclusion of the effects of fluctuations in foreign currency exchange rates.

Sales in the Life Care Segment

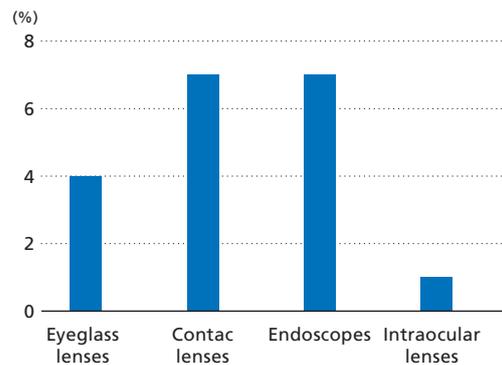
+5.8%
373.4billion yen

Sales in the Life Care segment rose 5.8% from the previous fiscal year, to 373,388 million yen. Segment sales grow steadily supported by such efforts as new shop openings for retail sales of contact lenses and launches of new endoscope products.

Life Care Sales Breakdown



Like-for-Like* Sales Revenue Growth Rate of Products in the Life Care Segment



* Year-on-year comparison on the same basis as the previous period, adjusted to eliminate the effect of changes in exchange rates or M&A activities.

Pretax Profits in the Life Care Segment

+22.8%
69.3billion yen

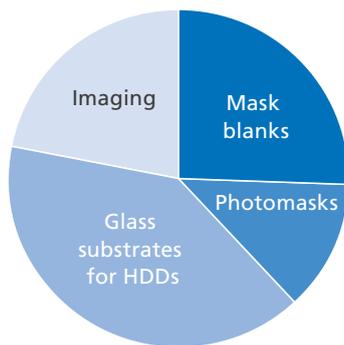
Pretax profits rose 22.8% year on year, to 69,290 million yen due to steady expansion of earnings from ordinary business activities.

Sales in the Information Technology Segment

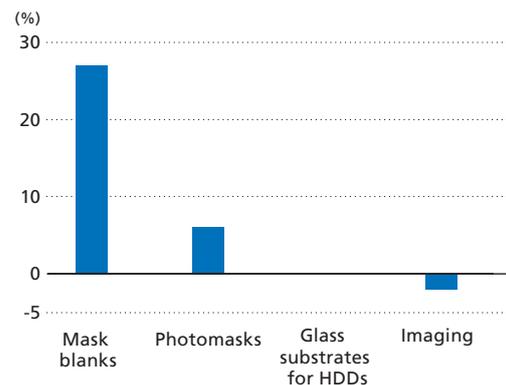
+5.1%
187.5 billion yen

Sales in the Information Technology segment rose 5.1% from the previous fiscal year, to 187,546 million yen. A significant contributing factor was the growth in semiconductor mask blanks driven by increasing development demand for products compatible with next-generation EUV lithography.

Information Technology Sales Breakdown



Like-for-Like* Sales Revenue Growth Rate of Products in the Information Technology Segment



* Year-on-year comparison on the same basis as the previous period, adjusted to eliminate the effect of changes in exchange rates or M&A activities.

Pretax Profits in the Information Technology Segment

+15.2%
80.5 billion yen

Pretax profits increased significantly, rising 15.2% from the previous fiscal year, to 80,596 million yen. This was due mainly to expanded sales of high-value-added products such as semiconductor mask blanks for EUV lithography.

ESG

Proportion of Independent Directors

83.3%
(5 of 6)

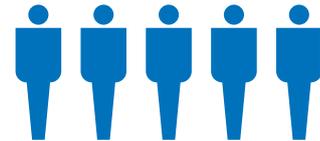


HOYA appointed its first independent director in 1995, when corporate governance was barely discussed in Japan. In 2003, the Articles of Incorporation were amended to stipulate that more than half of directors be outside directors. Currently, 83% of HOYA's directors are outside directors, an extremely high level even by global standards.

*As of the end of June 2019

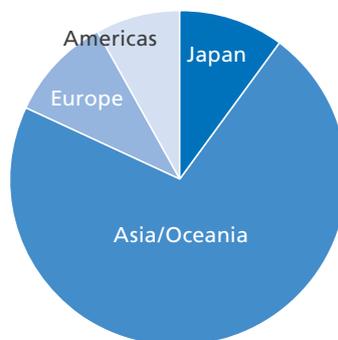
Corporate Management Experience of Independent Directors

100%
(5 of 5)



While many companies appoint lawyers, accountants, or academics as outside directors, all of HOYA's outside directors are persons with extensive experience in corporate management. The diverse fields of experience among HOYA's six outside directors includes automobiles, electronics, IT services, education, and the food-related industry. This diversity makes for lively discussion at meetings of the Board of Directors.

Number of Employees by Region

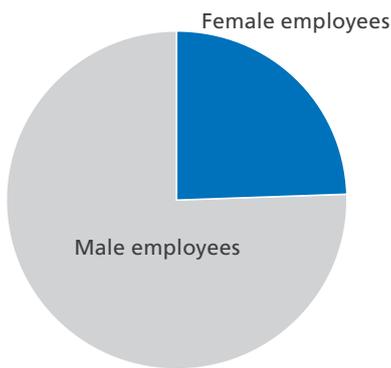


More than 90% of HOYA's employees work in locations outside Japan. Major manufacturing centers in Asia producing eyeglass lenses and HDD substrates account for the greatest proportion, with around 70% of employees in this region.

Proportion of Female Employees*/Proportion of Female Leaders*

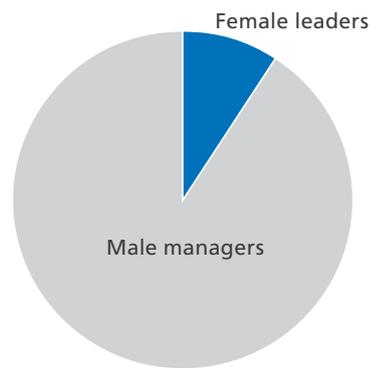
24.7%

Up 1.7 percentage points YoY



9.3%

Up 1.2 percentage points YoY—Higher than the manufacturing industry average (5.6%)

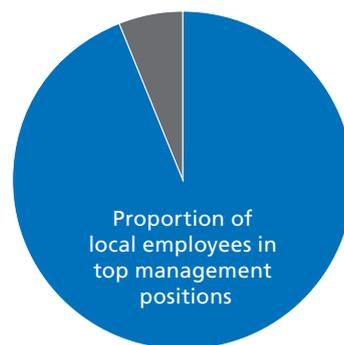


HOYA is increasing the proportion of female employees and managers as part of its “Minkatsu” diversity project to create a friendly work environment for everyone. In addition to expanded recruitment and occupational fields for women, HOYA holds career advancement seminars for female employees, and promotes cross-divisional exchange.

* Cumulative total of all Group companies in Japan

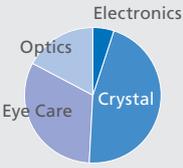
Proportion of Local Employees in Top Management Positions at Overseas Subsidiaries

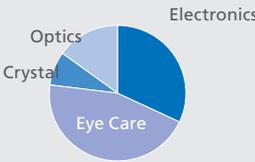
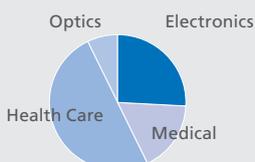
94.1%



HOYA actively recruits diverse personnel of different races, ethnic groups, nationalities, and religions in order to gain access to exceptional global talent and generate new ideas and value. Local employees are regularly appointed to top management positions at overseas subsidiaries.

Milestones in Our Growth

Net Income by Fiscal Year	Business Portfolio	Products and Technologies	History
1941–1981	<p>1941</p>  <p>1941</p>	<p>1941 HOYA founded Production of optical glass</p> <p>1945 Production of crystal stemware</p>	<p>1941 The brothers Shoichi and Shigeru Yamanaka established an optical glass production plant in the city of Hoya, Tokyo (a part of today's Nishi-tokyo).</p>
	<p>1950</p>		
	<p>1960</p>  <p>1960</p>	<p>1962 Production of eyeglass lenses</p>	<p>1960 Showa Factory (currently, the Akishima Factory) established Company name changed to Hoya Lens Corporation</p> <p>1961 Listed on the Second Section of the Tokyo Stock Exchange</p>
	<p>1970</p>  <p>1979</p>	<p>1972 Production of contact lenses</p> <p>1974 Production of photomask substrates for semiconductors</p>	<p>1973 Listed on the First Section of the Tokyo Stock Exchange</p>

Net Income by Fiscal Year	Business Portfolio	Products and Technologies	History
<p>1982-2019</p> 	<p>1990</p>  <p>1998</p>	<p>1983 Production of photomasks for semiconductors</p> <p>1987 Production of intraocular lens for cataracts</p> <p>Production of molded glass lenses</p> <p>1991 Launch of HDD glass disks</p>	<p>1984 Company name changed to Hoya Corporation</p> <p>1986 R&D Center building established</p> <p>1995 Introduction of outside director system</p> <p>1997 Introduction of the Company System</p>
	<p>2000</p>	<p>2009 Withdrawal from the crystal business</p>	<p>2003 Shift to a company with Committees structure (currently, a company with Nomination Committees, etc.)</p> <p>Majority of Board of Directors members outside directors</p> <p>2008 Merger with PENTAX Corporation</p>
	<p>2010</p>  <p>2018</p> <p>2019</p>	<p>2010 Sale of HDD glass disk media business</p> <p>2011 Sale of PENTAX digital camera business</p>	<p>2010 Voluntary adoption of IFRS</p> <p>2017 Acquisition of Performance Optics, LLC (manufacture and sales of eyeglass lenses)</p> <p>2019 Acquisition of U.S.-based Mid Labs and Germany-based Fritz Ruck (manufacture of ophthalmic medical devices)</p>

Interview with the CEO

HOYA's essential strength lies in its management style in which we constantly maintain multiple business lines and select the strongest ones among them to keep in our business portfolio.

Hiroshi Suzuki
President & CEO



Q Would you give us a recap of the financial results for the fiscal year ended March 31, 2019?

For the consolidated financial results for the fiscal year ended March 31, 2019, we achieved record-high sales revenue and profit once again. Sales revenue reached 565.8 billion yen, up 5.6% from the previous fiscal year. Profit before tax increased 16.4% to 144.6 billion yen, and profit attributable to owners of the Company increased 22.7% to 122.1 billion yen. The market environment in which we operate was not particularly favorable, but we were able to achieve balanced growth in both Life Care and Information Technology businesses, mainly thanks to the effect of M&A activities and the growth in competitive product groups. In the Life Care business, sales of eyeglass lenses, contact lenses, and endoscopes were particularly strong. In the Information Technology business, semiconductor mask blanks and photomasks for LCDs achieved notable sales growth.

Q What is the “essential strength” that supports the strong financial results?

Shareholders' and investors' attention is often drawn to our excellent capability to develop applications to connect core technologies such as optical technology we have developed over many years to actual profit or our unique product groups. However, it is my long-standing understanding that HOYA's essential strength lies in its management style in which we constantly maintain multiple business lines and select the strongest ones among them to keep in our business portfolio. In other words, we have constructed the current business portfolio mix that combines profitability and growth potential through the many years of organic selection and evolution process. We will continue to stick to this approach. We will always evaluate our business portfolio from a longer-term standpoint and will continue to add new businesses and keep only those that are strong and fit with

the times. I believe that HOYA can realize sustainable growth as a result although its specific business portfolio mix is likely to change over time.

In addition, we shouldn't overlook our profit-oriented corporate culture. It is in our corporate DNA that people at HOYA are traditionally particular about money, that is, we share a common value to put profit first. This is consistently reflected in their behavior. For example, "let's make a profit" can be communicated more easily throughout the Company than "let's increase sales." It can be said that the management philosophy that "short-term profit should not be sacrificed for long-term growth" is firmly embedded in our corporate culture. The existence of such a common value and judgment criteria is perhaps one of the factors that helped the successful evolution of our business portfolio mentioned above.

Q What is the "essential strength" that supports the strong financial results?

As the domestic market matures, we inevitably had to look to overseas markets with larger growth potential. In particular, overseas sales growth we have achieved over the last several years depended largely on the growth of the Life Care business. We achieved this by actively investing cash generated from the Information Technology business, which has already had a high market share in a maturing market, in the Life Care business that has a higher growth potential on a global scale. With the product lines of eyeglass lenses, intraocular lenses, and endoscopes, HOYA has already established a notable market position, but still has significant room for market share expansion. Given the economic growth in emerging countries, we can also expect growth in the market as a whole.

Q On the other hand, what do you see as management challenges?

Our global presence, which has been expanding through the business expansion into overseas markets and the acquisition of foreign companies, will have to continue to expand in the future. In this situation, I recognize as a management challenge the establishment of a global management structure to ensure effective overseas business operations. Most of the top management executives at our overseas subsidiaries are local hires, and we are actively delegating the management authority to the local management team. However, the delegation of authority alone will not ensure success. Difficulties lie in the establishment of the scope of parent company controls and a clear division of responsibilities between the headquarters in Japan and local management, as well as in taking the balance between human factors and system factors in local business management. That said, the quality of human resources and what incentives should be provided to them will matter most in the end. It is not just a matter of bonuses, but the overall framework to foster a mindset of awareness and aspiration as management will prove to be the key to success.

Another management challenge, as I see it, is the need to add new businesses to our business portfolio for the future. Each business has its own lifecycle and there are some businesses that have already passed the peak and are on a downhill. Unless we have secured new growth drivers by the time they have to be discontinued eventually, we cannot deny the possibility that our overall business ground will sink. We will continue to work on adding and developing new growth drivers, mainly leveraging M&A activities.

Q In what specific business segments do you hope to add new growth drivers?

Specifically, we are exploring "medical services" for the Life Care business and "semiconductors" for the Information Technology business as major themes in terms of business segments that we hope to add to our business portfolio. In the Life Care business, we will seek to identify business opportunities at a point that is closer to end

products and consumers (patients). As we see more inefficiency downstream in the industry structure especially with regard to medical devices and services, I believe that we can find sufficient revenue opportunities by offering efficiency improvements there.

With regard to the Information Technology business, looking at potential areas that are not so far away from our existing business areas, we see “semiconductors” as a segment with high future potential as it supports a wide range of industry areas and technological innovation. The “semiconductors” segment actually consists of a variety of different sub-segments ranging from raw materials to manufacturing equipment, and we will apply the same old approach mentioned above to them to identify niche markets where we can leverage our strengths.

Q What is your vision for future growth? Where is the growth area?

It is in the segment of eyeglass lenses that we plan to seek growth most earnestly. Our insistent approach to “strong business” is “to become the largest fish (gain the highest share) in a small pond.” We still have enough room for further growth in eyeglass lenses and, for that matter, endoscopes. As both of these businesses have a structure in which we can secure profit relatively easily but for a major market change or technological innovation, we will strive to improve profitability further, while also striving to expand market share. Speaking of market share, we do not necessarily seek to seize the largest share in the global market. Rather, we start with securing the top position in a specific regional market. Our strategy is to accelerate growth by keeping doing this, and we plan to implement it within a few years. Regarding other products we offer such as contact lenses and intraocular lenses, we predict that part of contact lenses will be replaced with intraocular lenses in the future in much the same way as part of eyeglass lenses have been replaced with contact lenses. In other words, our strategic crux lies in running multiple businesses at the same time while forecasting the lifecycle of each business so as not to miss any further demand. In January 2019, we expanded the product portfolio of intraocular lenses through M&A, and this was also a measure that was consistent with this strategic purpose.

Q ESG management is drawing increasing attention. What do you see as most important in corporate governance? And what is the unique feature of HOYA's corporate governance structure?

I see the ability to avoid downside risks in management as one of the most important functions of corporate governance. In particular, whether a company can replace top executives following poor earnings results to make quick responses for recovery would make a huge difference. I believe that this process will not work well unless a majority of Board members are outside directors. HOYA has a unique governance structure among Japanese companies in that I am the only internal director (also serving as CEO) among the Board members, and all other members are outside directors. This structure encourages me to keep a feeling of tension all the time while managing the Company and to report a wide range of issues to Board meetings. This feeling of tension may be the most valuable thing. Another important feature is that all outside directors have experience in corporate management. They would raise objections and questions from various angles and I have found that their approaches to risk management and viewpoints were really to the point, and we together have an active and high-quality discussion at each Board meeting.

Q What are among the most important themes currently discussed at Board meetings?

One of the most important themes is successor planning for my position (CEO). In anticipation of a situation in

which I resign including an event of an unforeseeable accident, we need to choose candidates to succeed me as CEO in advance. The successor may be selected from inside or outside the Company. In any case, the Nomination Committee is responsible for the selection of final candidates, and I will not be involved in the selection process as I am not a member of the Committee. Highly competent candidates are currently being proposed in various forms by the Nomination Committee to the Board of Directors for evaluation. Regular surveys are also conducted to identify competent candidates from outside the Company using external executive search firms.

Q What is your view on environmental issues and social contribution activities?

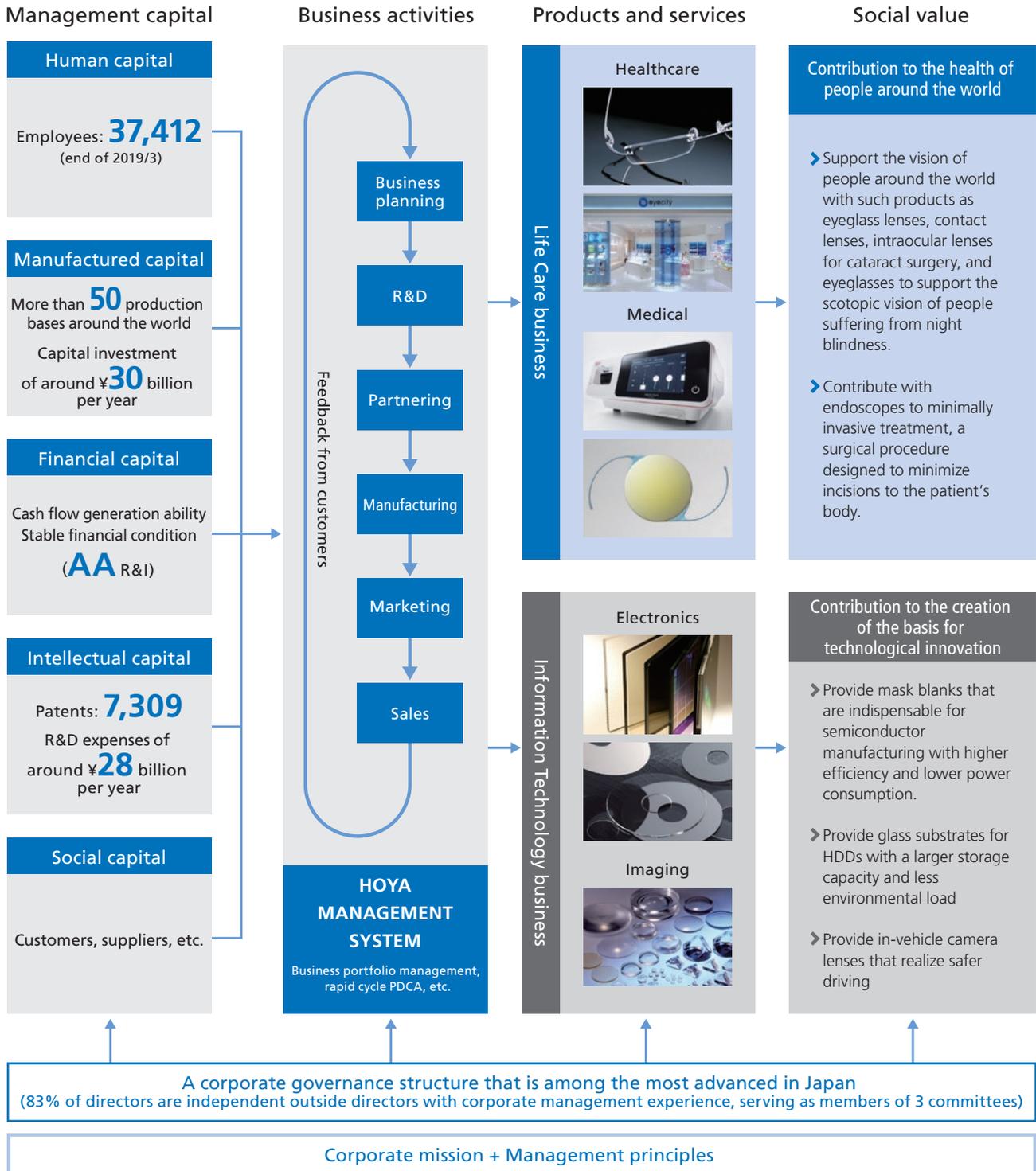
I treat social contribution activities and revenue-generating businesses in an integrated manner. In other words, if we can excel in both, the Company will be able to achieve sustainable growth and continue to contribute to society. For HOYA, health care (eyeglass lenses, contact lenses, etc.) and medical (endoscopes, etc.) segments are both the drivers of its growth strategy and businesses that contribute to the promotion of health of people all over the world at the same time. Our aim is to augment growth and to work on further social contributions at the same time by capitalizing on the expansion of markets related to such issues as aging population around the world and improving living standards in emerging countries.

Q Could you give a message to shareholders and investors?

I would like shareholders and investors to evaluate our attractiveness from a long-term perspective. As I mentioned above, the current business structure has been developed to generate adequate return as a result of investments in various businesses over the long term, with business portfolio rebalancing and risk diversification along the way. It needs to continue to evolve into the future. For this reason, there are also values that we cannot realize in the short term. Under this structure, we will invest the funds entrusted to us from our shareholders in an efficient manner with proper risk management, to realize sustainable value creation. We always value your support very much.



HOYA Value Creation Model



Corporate Governance

Basic views

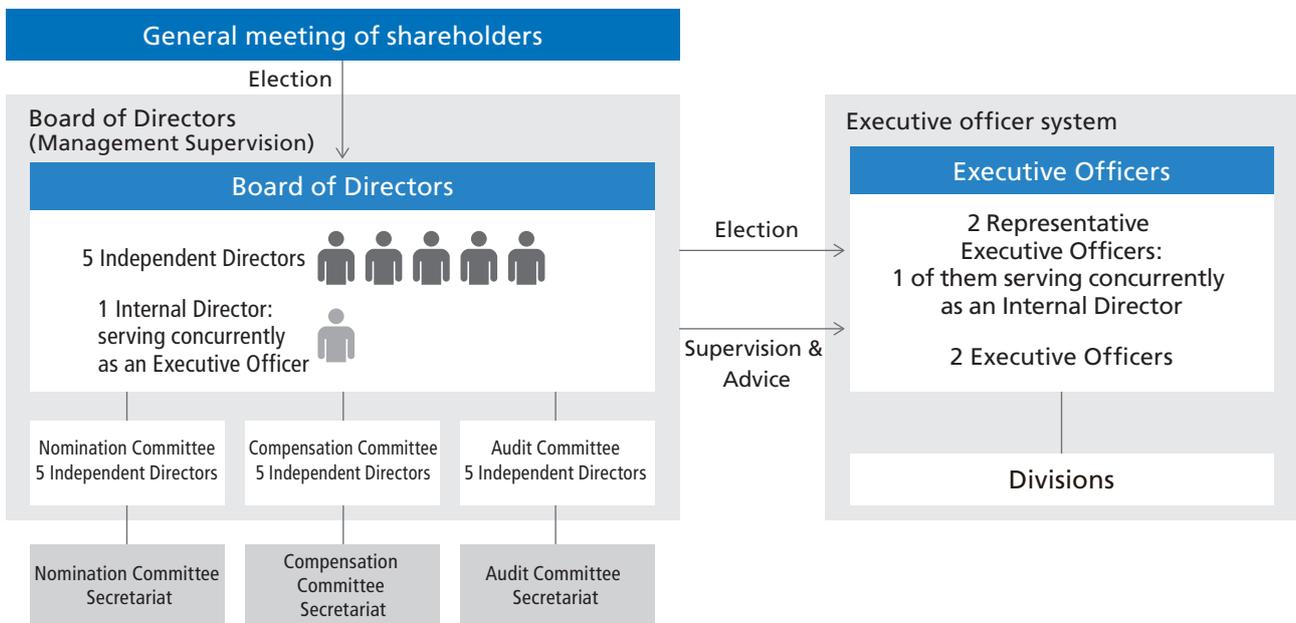
HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management. As the basis of taking a fair approach to stakeholders, to prevent management from being conducted based solely on in-house logic, we have set forth in the Articles of Incorporation that a majority of directors consist of independent 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.

The Company has established HOYA Corporate Governance Guidelines at the meeting of the Board of Directors, and intends to enhance corporate governance structure and to introduce better governance systems by revising the guidelines.

Structure

HOYA employs a company with Nomination Committees, etc. management system. Under a company with Nomination committees, etc. 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 independent directors (at HOYA, the committees are composed exclusively of independent directors), to ensure the effectiveness of management supervision by the Board of Directors. Adopting a company with Nomination Committees, etc. 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 the end of June 2019)



Board of Directors

Our Board of Directors comprises five independent directors and one internal director, for a total of six directors. The Board holds 10 regular Board meetings per year. At these meetings, directors have a lively discussion, and independent directors draw on their ample management experience and international perspectives to supervise and offer advice to the executive officers in the execution of their duties from a wide range of viewpoints. Also at the meetings, besides approving major business plans, detailed information is provided to independent directors through such means as presentations by division managers regarding products and the competitive environment.

HOYA conducts an annual questionnaire survey of independent directors for the purpose of evaluating the effectiveness of the Board of Directors as well as identifying any related issues.

Results of evaluation of the Board of Directors

Good	"Board of Directors' meetings had an atmosphere of openness and actively exchanged opinions."
Good	"Independent directors expressed questions and opinions from various angles on executive officers' proposals."
Good	"There was no issue with regard to the effectiveness of its supervisory functions."
Average	"Deliberations on ESG and risk management issues need to be deepened further."
Average	"The Company needs to formulate a medium-term management plan."

At HOYA, directors are required to maintain an attendance ratio at meetings of the Board of Directors at or above 75% as one of the preconditions for reappointment as a director. For the fiscal year ended March 31, 2019, the attendance ratio of all directors was 100%, and there was no problem with regard to the number of positions of other companies that were held concurrently by any of the directors.

Board member profiles



Independent Director, Lead Director,
Chairperson of the Nomination Committee,
Member of the Compensation Committee, Member of the Audit Committee

Mitsudo Urano (Born on Mar. 20, 1948)

Number of years in office of the
Director of the Company

6 years

Number of shares of the
Company held

5,000 shares

Number of attendances to the
Board meetings

10/10 times (100%)

Apr. 1971 Joined Nippon Reizo Kabushiki Kaisha (present Nichirei Corporation)
Jun. 1999 Director and General Manager, Strategic Planning Division of Nichirei Corporation
Jun. 2001 Representative Director and President of Nichirei Corporation
Jan. 2005 Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc.
Apr. 2007 Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.
Jun. 2007 Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.
Jun. 2013 Advisor of Nichirei Corporation (retired in March 2018)
Jun. 2013 Director of the Company (present post)

Important positions of other companies concurrently held

Outside Director of Yokogawa Electric Corporation (scheduled to retire the position in June 2019)
Outside Director of Resona Holdings, Inc.
Outside Director of Hitachi Transport System, Ltd.

Reason for the selection for Director

He focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food manufacturer, and developed efficient management through company split-ups and informatization. He particularly has extensive experience and solid achievements on management informatization. In addition to the achievements in Nichirei Corporation, the Company's Nomination Committee expects that he will make a great contribution to enhance management efficiency and transparency through giving advice and proposals on overall company management with his deep insight and extensive experience as management having served as an outside director and outside corporate auditor in other companies listed on the First Section of the Tokyo Stock Exchange.



Independent Director,
Chairperson of the Audit Committee,
Member of the Nomination Committee, Member of the Audit Committee

Yukako Uchinaga (Born on Jul. 5, 1946)

Number of years in office of the
Director of the Company

6 years

Number of shares of the
Company held

1,000 shares

Number of attendances to the
Board meetings

10/10 times (100%)

Jul. 1971 Joined IBM Japan, Ltd.
Apr. 1995 Director in charge of Asia Pacific Products of IBM Japan, Ltd.
Apr. 2000 Managing Director and Head of Tokyo Software Development Laboratory of IBM Japan, Ltd.
Apr. 2004 Director and Senior Executive Officer in charge of Development & Manufacturing of IBM Japan, Ltd.
Apr. 2007 Technical Advisor of IBM Japan, Ltd. (retired in March 2008)
Apr. 2007 Board Chair of Japan Women's Innovative Network (J-WIN) (present post)
Jun. 2007 Director of Benesse Corporation
Apr. 2008 Director and Vice Chairman of Benesse Corporation
Apr. 2008 Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation
Oct. 2009 Director and Executive Vice President of Benesse Holdings, Inc. (retired in June 2013)
Apr. 2013 Honorary Chairman of Berlitz Corporation (retired in June 2013)
Jun. 2013 Director of the Company (present post)
Sep. 2013 President & CEO of Globalization Research Institute Co., Ltd. (present post)
Apr. 2014 Board Chair of Japan Diversity Network Association (retired in January 2019)

**Important positions of other companies
concurrently held**

Board Chair of J-WIN, Non-Profit Organization
Outside Director of Aeon Co., Ltd.
Outside Director of Teijin Limited

Reason for the selection for Director

Ms. Uchinaga is a pioneer of female executive officers as she was promoted to the first female director of IBM Japan, Ltd. Then, as CEO of Berlitz Corporation under Benesse Holdings, Inc., she established a brand of a "global human resource development enterprise" and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competition. In addition, for many years, she has devoted herself to activities for promoting the active participation of women by corporations and has also provided the Company with advice on promoting diversity. The Company's Nomination Committee expects she will even more greatly contribute to the effective use of IT for management purposes, the globalization of human resources, and diversity management in the Company,



Independent Director,
Chairperson of the Compensation Committee,
Member of the Nomination Committee, Member of the Audit Committee

Takeo Takasu (Born on Jun. 24, 1945)

Number of years in office of the
Director of the Company

5 years

Number of shares of the
Company held

2,800 shares

Number of attendances to the
Board meetings

10/10 times (100%)

Apr.1968 Joined The Sanwa Bank, Ltd. (Present MUFG Bank, Ltd.)
Oct.1993 Branch Manager, Los Angeles Branch of Sanwa Bank (retired in March 1996)
Apr.1996 Member, Corporate Planning of Bandai Co., Ltd.
Jun.1996 Representative Director of Bandai Holdings Corporation in U. S.
Mar.1999 President and Representative Director of Bandai Co., Ltd.
Jun.2005 Chairman and Representative Director of Bandai Co., Ltd.
Sep.2005 President and Representative Director of Bandai Namco Holdings Inc.
Apr.2009 Chairman and Representative Director of Bandai Namco Holdings Inc.
Feb.2010 Chairman and Director of Bandai Namco Holdings Inc.
Jun.2011 Advisor and Director of Bandai Namco Holdings Inc. (retired in June 2013)
Jun.2014 Director of the Company (present post)

**Important positions of other companies
concurrently held**

Outside Director of Bell-Park Co., Ltd.
Outside Director of KADOKAWA CORPORATION

Reason for the selection for Director

After first serving at the former Sanwa Bank, Ltd., he accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company's performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company's Nomination Committee expects that he will make proposals from different and multi-angle perspectives through insights developed in the banking industry and management experience in the toy industry with different characteristics from that of the Company, as well as based on this experience as an outside director of other companies.



Independent Director,
Member of the Nomination Committee,
Member of the Compensation Committee, Member of the Audit Committee

Shuzo Kaihori (Born on Jan. 31, 1948)

Number of years in office of the
Director of the Company

4 years

Number of shares of the
Company held

1,000 shares

Number of attendances to the
Board meetings

10/10 times (100%)

- Apr.1973 Joined Yokogawa Electric Works Ltd. (Present Yokogawa Electric Corporation)
- Apr.2005 Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation
- Apr.2006 Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation
- Jun.2006 Director and Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation
- Apr.2007 Representative Director, President and Chief Executive Officer of Yokogawa Electric Corporation
- Apr.2013 Representative Director, Chairman and Chief Executive Officer of Yokogawa Electric Corporation
- Apr.2015 Director, Chairman of Yokogawa Electric Corporation
- Jun.2015 Director of the Company (present post)
- Jun.2016 Director and Chairman of the Board of Yokogawa Electric Corporation (retired in June 2018)

**Important positions of other companies
concurrently held**

Outside Director of Eisai Co., Ltd.

Reason for the selection for Director

He assumed the presidency of Yokogawa Electric Corporation, which operates a test and measurement business and industrial automation and control business, in 2007 when the company faced difficult business conditions, then was committed to turning around the company and achieved a surplus by changing the business model from hardware to software and promoting the globalization. The Company's Nomination Committee expects that he will contribute greatly to the Company's management from his performance that he boldly responded to changes in the business environment and achieved results and by giving advice on strengthening of software business, which is a challenge for the Life Care segment, an area expected to grow, based on his extensive experience.



Independent Director,
Member of the Nomination Committee,
Member of the Compensation Committee, Member of the Audit Committee

Hiroaki Yoshihara (Born on Feb. 9, 1957)

Number of years in office of the
Director of the Company

1 year

Number of shares of the
Company held

0 shares

Number of attendances to the
Board meetings

8/8 times (100%)

- Nov.1978 Joined Peat Marwick Mitchell & Co.
- Jul. 1996 National Managing Partner, the Pacific Rim Practice of KPMG LLP
- Oct.1997 The Board Member of KPMG LLP
- Oct.2003 Vice Chairman and Global Managing Partner of KPMG International (retired in April 2007)
- Jun.2018 Director of the Company (present post)

**Important positions of other companies
concurrently held**

Outside Director of Murata Manufacturing Co., Ltd.

Outside Director of Hitachi, Ltd

Reason for the selection for Director

He has long-term experience as an expert in finance and accounting as well as management experience gained as Global Managing Partner of an international accounting firm. He also has a track record of participating in the M&A of many companies from a professional standpoint. The Company's Nomination Committee expects that he will contribute to the improvement of the supervisory function of the Board of Directors of the Company and at the same time provide plenty of advice in regard to M&A, an important measure in the Company's business strategy,



Director, Representative Executive Officer
President & CEO
Chairperson of the Board of Directors

Hiroshi Suzuki (Born on Aug. 31, 1958)

Number of years in office of the Director of the Company

26 years

Number of shares of the Company held

942,080 shares

Number of attendances to the Board meetings

10/10 times (100%)

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

Important positions of other companies concurrently held

Outside Director of Toshiba Memory Holdings Corporation

Reason for the selection for Director

He serves as the driving force of the management of the HOYA Group as Director and Representative Executive Officer President & CEO, and gives appropriate explanations and reports on strategies based on portfolio management at the meetings of the Board of Directors. He also supervises the execution of operations by other Executive Officers and adequately fulfills his role as Executive Officer and Director. In consideration of his achievements as Director to date, the Company's Nomination Committee expects that he will continue to endeavor to enhance the corporate value of the Company.

Independent directors' skills matrix

	Corporate management	Global business	Finance/ accounting	Technology	M&A	Development of human resources/ diversity
Mitsudo Urano	●	●				●
Yukako Uchinaga	●	●		●		●
Takeo Takasu	●	●	●		●	
Shuzo Kaihori	●	●		●		
Hiroaki Yoshihara	●	●	●		●	

Executive Officers

At HOYA, candidates for Chief Executive Officer (CEO); Chief Financial Officer (CFO); Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs; Executive Officer, Chief Operating Officer (COO) in charge of Information Technology and Chief Technology Officer (CTO); are nominated by the Nomination Committee and appointed at a Board meeting (CEO serves concurrently as an internal director). They manage business execution of the HOYA Group according to the division of responsibility designated by the Board of Directors and decisions are made promptly. In regards to day-to-day business operations in each business, significant power is delegated to each division managers, and executive officers direct division manager to create and execute specific measures based on a business policy decided at a Board meeting. At the monthly business reporting meetings, division managers report to executive officers about the progress of their respective operations.



Hiroshi Suzuki

Director, Representative Executive Officer
President & CEO



Ryo Hirooka

Representative Executive Officer & CFO



Eiichiro Ikeda

Executive Officer & COO, Information Technology and
Chief Technology Officer (CTO)



Augustine Yee

Executive Officer, Chief Legal Officer (CLO) and
Head of Corporate Development and Affairs

Committees

As internal organizations of the Board of Directors, we have the Nomination Committee, Compensation Committee, and Audit Committee; each of which is composed exclusively of independent directors.

Nomination Committee

The Nomination Committee fairly and rigorously selects candidates for directors, ensuring said candidates possess knowledge, expertise, and capabilities suited to HOYA's business environment, based on the "Standard for Election of Candidates for Director," and proposes the candidates to the General Meeting of Shareholders for voting. The Committee also fairly and rigorously selects candidates for executive officers and the representative executive officer, based on the "Standard for Election of Candidates for Executive Officer," and proposes the candidates to the Board of Directors for voting. In cases that meet the criteria for dismissal, the Committee 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.

The Committee has set out independence criteria for director candidates that are stricter than the rules of the Tokyo Stock Exchange to ensure the effective functioning of independent directors' overseeing executive officers.

The outline of the Standard for Election of Candidates for Director is as follows:

[For both internal and independent director candidates]

- Those with appropriate personalities and insights as director
- Those with no health problems in performing their duties

[For internal director candidates]

- Those with a high level of knowledge and ample experience in our business
- Excellent business decision-making ability and business execution ability

[For independent director candidates]

- Those with extensive experience as business managers
- Or those who are in positions as professionals in law, accounting, finance, or similar fields
- Those who are able to participate in at least 75% of the HOYA Group's Board meetings
- **Those who have no significant interests in the HOYA Group and are able to maintain their independence**



■ Independence criteria for independent director candidates

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

<Those who are related to the HOYA Group>

- Those who previously worked for the HOYA Group
- Those who have a family member (spouse, child, or relatives by blood or by affinity within the second degree) who have held the position of director, executive officer, corporate auditor, or management employee of the HOYA Group in the past five years

<Major shareholder>

- Those who are major shareholders (10% or more) of the HOYA Group, or those who are directors, executive officers, corporate auditors, or employees of companies that are major shareholders of the HOYA Group or those who have a family member who holds a top management position at such companies
- Those who execute operations of a company of which a major shareholder is the HOYA Group

<Those who are related to major business partners>

- Those who are operating directors, executive officers, or employees of any important business partner, either for the HOYA Group or the corporate groups which the candidates come from, the sales to which business partner comprises 2% or more of the consolidated net sales of the HOYA Group or the company groups for either of the past three years, or those who have a family member who is a top management of such business partner

<Those who provide professional services (lawyers, certified public accountants, certified tax accountants, patent attorneys, judicial scriveners, etc.)>

- Those who have received remuneration of 5 million yen or more per year or those who have a family member who have received remuneration of 5 million yen or more per year, from the HOYA Group in the past three years
- When the organization that the candidate belongs to, such as a company and association, has received cash, etc., from the HOYA Group, the amount of which exceeds 100 million yen per year or 2% of consolidated net sales of the said organization, whichever is higher

<Donation, etc.>

- When the association or organization which the candidate belongs to as director or operating officer has received donations or grants in the past three years, the amount of which exceeds 10 million yen per year or 30% of the said organization's average annual total costs, whichever is higher, or when the association or organization which the candidate's family member belongs to has received donations or grants equivalent to the aforementioned amount

<Others>

- When directors are exchanged
- When the candidate has any other important interest in the HOYA Group

The Nomination Committee held eight meetings during the fiscal year ended March 31, 2019, with 100% attendance of all members, and deliberated mainly on the following matters:

■ **Future composition of the Board of Directors**

■ **Qualifications and skills required of future independent director candidates**

■ **Succession plans of executive officers**

- └ Clarification of required qualifications and skills amid medium- to long-term future changes in the business environment and the business portfolio
- └ Identification of candidates based on the clarification above.

Compensation Committee

The objective of the Compensation Committee is to establish a remuneration system that incentivizes directors and executive officers and to contribute to improved financial performance for HOYA by undertaking appropriate evaluations of their performance. The Compensation Committee decides on a remuneration package for each director and executive officer in accordance with the following policies:

● **Policy concerning remuneration for Directors**

The remuneration of Directors consists of a fixed salary and a medium- and long-term incentive (stock options). The fixed salaries consist of a basic compensation and compensation for being a member or a chairperson 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.

Furthermore, fixed numbers of stock options are granted to newly appointed and reappointed officers in order that they may hold a common viewpoint with shareholders regarding the share price and share interests with shareholders on a medium- to long-term basis. A reasonable number of stock options, which is calculated to be commensurate with the number of stock options granted at the time of new appointment, are also granted annually on an ongoing basis in consideration of the exercise

price at the time of granting (the market price one day prior to the resolution regarding the grant), fluctuations in the share price during the exercise period, and fixed annual salaries.

[Composition ratio of compensation for directors]

Fixed salary: Medium- and long-term incentive (stock options) = Approximately 1:0.3–0.6

(Note) The ratio of the above medium- and long-term incentive shall fluctuate with changes in the Company's share price and other factors.

● **Policy concerning remuneration for Executive Officers**

The remuneration of Executive Officers consists of a fixed salary, an annual incentive (performance-based bonuses), and a medium- and long-term incentive (Performance Share Unit). For fixed salaries, basic compensation is set appropriately according to the office and responsibility of each Executive Officer (Representative Executive Officer, CFO, 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. Other than basic compensation described above, 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.

The annual incentive is determined according to quantitative results and qualitative evaluations and varies within the range roughly from 0% to 200%. As indicators of quantitative results, net sales, profit attributable to owners of the Company, and basic earnings per share (EPS) stated in the Consolidated Financial Statements of the Company have been adopted.

As a medium- and long-term incentive, the Company introduced the Performance Share Unit.

■ **Performance Share Unit**

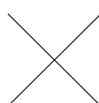
The Company's Compensation Committee, at a meeting held on May 7, 2019, resolved to introduce the Performance Share Unit (PSU) in place of the existing stock option plan, as a medium- to long-term incentive plan for Executive Officers. The objective of the new plan is to further increase the motivation and drive of the Company's Executive Officers to medium- to long-term business performance goals and enhance the corporate value of the HOYA Group, and also to serve as mechanism for retention of highly talented human resources by setting a competitive compensation level.

Under this plan, after determining the basic deliverable number of shares according to the position and responsibilities of each eligible recipient (CEO, CFO, and others), the Company grants compensation in an amount equivalent to the market price of the Company's shares according to the degree of achievement of the medium- to long-term performance targets shown in the table below.

The Company also plans to issue new PSU covering the next three fiscal years in the following fiscal year onwards.

Basic deliverable number of shares

Position/responsibilities	Basic deliverable number of shares
CEO	8,600
CFO	2,500
Other Executive Officers	2,200



Medium- to long-term performance targets

Indicator	Target (consolidated)	Reason for the selection of the indicator
Net sales	630 billion yen	Selected as an indicator to measure growth potential of the HOYA Group in the domestic and overseas markets.
Earnings per share (EPS)	390 yen	Selected as an indicator to measure growth of the Company from the same perspective as shareholders.
ROE	20.00%	Selected as an indicator to measure whether the Company has generated return on shareholders' investment effectively.

The targets above are set in consideration of, among others, the Company's business environment and market consensus and do not constitute the Company's financial forecasts. The targets above represent average values over the three fiscal years covered.

Total amount of remuneration, etc., Directors and Executive Officers for the fiscal year under review
(before the introduction of PSU)

Classification	Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type			
			Fixed salary	Performance-based bonuses	Stock options	
Directors	Independent	6 persons	93 million yen	58 million yen	-	35 million yen
	Internal	1 person	8 million yen	8 million yen	-	-
	Total	7 persons	101 million yen	66 million yen	-	35 million yen
Executive Officers		5 persons	517 million yen	272 million yen	182 million yen	62 million yen
	Total	11 persons	618 million yen	338 million yen	182 million yen	98 million yen

(Notes) 1. At the end of the fiscal year under review, there were seven Directors and four Executive Officers. One of the four Executive Officers served concurrently as Internal Director. The reason for the discrepancy with the number of Executive Officers in the above table is because the above table includes one Executive Officer who retired at the closing of the 80th Ordinary General Meeting of Shareholders.
2. The total amount of remuneration includes remuneration paid to one Executive Officer who retired as of the conclusion of the 80th Ordinary General Meeting of Shareholders.
3. Fixed salary for Executive Officers includes overseas Executive Officer's benefit as expatriate of 103 million yen.
4. For stock options, fair values of stock acquisition rights were calculated and the table above shows amounts to be recorded as expenses for the fiscal year under review.
5. Stock options granted to Executive Officers are compensation reflecting performance that is linked to share price.

Amount of consolidated remuneration for each Director and Executive Officer
(CEO and those with remuneration totaling 100 million yen or more)

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options
Hiroshi Suzuki Representative Executive Officer President & CEO	Director	8 million yen	8 million yen	-	-
	Representative Executive Officer	192 million yen	99 million yen	70 million yen	23 million yen
Ryo Hirooka Representative Executive Officer & CFO	Representative Executive Officer	111 million yen	59 million yen	41 million yen	11 million yen
Eiichiro Ikeda Executive Officer & COO, Information Technology and Chief Technology Officer (CTO)	Executive Officer	102 million yen	54 million yen	36 million yen	12 million yen
Augustine Yee Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs	Executive Officer	107 million yen	55 million yen	36 million yen	16 million yen

Audit Committee

The Audit Committee formulates the audit policies and audit plans for each fiscal year and verifies financial statements, etc., based on the quarterly reports, year-end reports, and timely reports received from the accounting auditor according to such policies and plans. It also interviews the Audit Department and the Internal Control Department 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.

Audit Committee meetings were convened nine times in the fiscal year under review, with 100% attendance by all Committee members.

The Committee discussed mainly the following agenda items:

- Agreement on the accounting auditor of the HOYA Group and its remuneration
- Resolution on the audit report of the Audit Committee
- Review reporting from the accounting auditor (five times in total per year)
- Quarterly reporting from the Internal Audit Department and the Help Line

Deliberations during the fiscal year under review also focused on reports from the accounting auditor, the Audit Department, and the Internal Control Department, while providing advice and suggestions to the executive team with regard to any issues that came to light.

HOYA Group Environmental, Occupational Safety and Health Philosophy and Fundamental Environmental, Occupational Safety and Health Policies

Outlined below are the environmental protection, occupational safety and health activities being performed within the HOYA Group companies.

The HOYA Group established its “Environmental Philosophy” and “Fundamental Environmental Policies” in 1993 and “Safety and Health Philosophy” and “Fundamental Safety and Health Policies” in 2002. Under these guidelines, the Group has been promoting the environmental, occupational safety and health activities at all its business facilities both inside and outside Japan.

In 2012, the environmental, occupational safety and health management systems of the individual facilities were reviewed thoroughly in the process of obtaining a global multisite certification for those systems. Since then, the Group has been operating all its environmental protection, occupational safety and health activities in a globally integrated manner.

HOYA Group Environmental Philosophy

It is our earnest desire to preserve the global environment in a pristine form and pass it on to the next generation. Therefore, we, the HOYA Group and its employees, are united in our commitment to protect the environment, conserve resources, and ensure that all our corporate activities are conducted with adequate concern for the global environment.

Fundamental Environmental Policies

1. We recognize the importance of environmental conservation, thereby passing on the global environment in the best possible condition to the future generations. We make certain that all our corporate activities are conducted in a well-balanced manner for people, society, and the natural environment.
2. We establish and operate a Group-wide system of environmental conservation activities by enlisting the cooperation of all the Group companies around the world.
3. We comply with all laws and regulations relating to environmental impacts, such as waste generated by business activities, and make consistent efforts toward reducing these environmental impacts.
4. We carry out resource saving activities by pursuing greater efficiency in resource use, reduction of energy consumption, and recycling.
5. We maintain a keen interest in environmental issues throughout the Group and ensure that all the employees are thoroughly aware of the HOYA Group Environmental Philosophy and Fundamental Environmental Policies, by introducing environmental education programs and promoting internal communications.

HOYA Group Safety and Health Philosophy

We believe that a healthy mind and body of each employee is essential for the enrichment of all the employees’ individual lives and the perpetual development of the HOYA Group companies. We are therefore committed to maintaining and improving the employees’ health and creating safe and pleasant working conditions for all the employees of the Group companies.

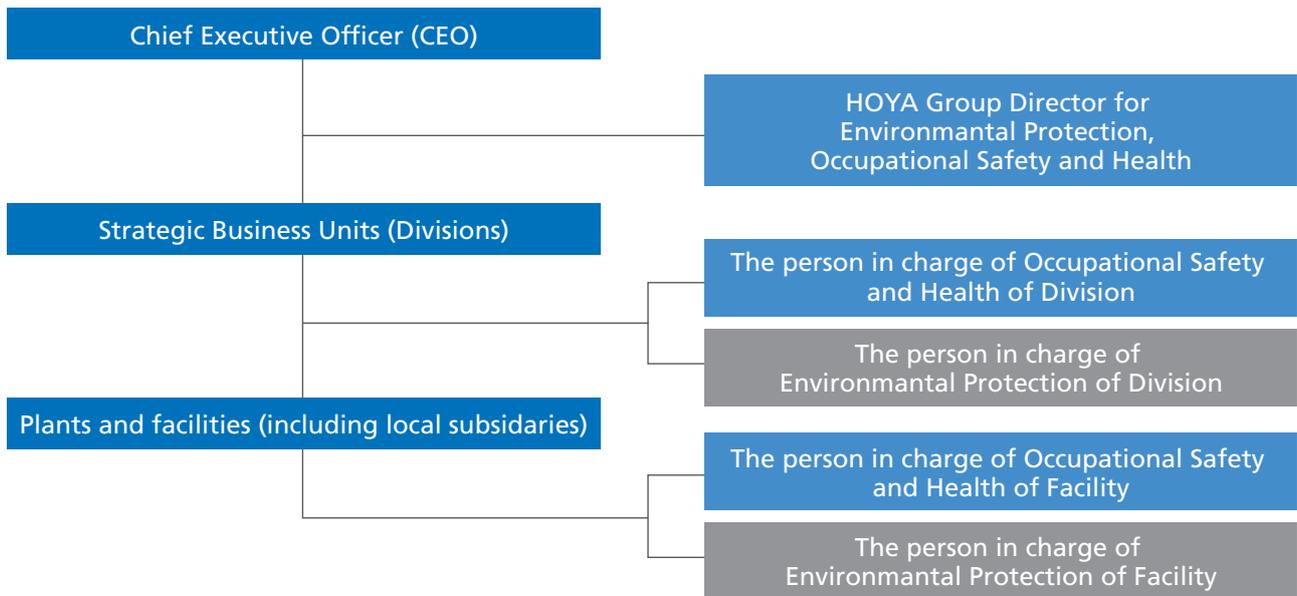
Fundamental Safety and Health Policies

1. We maintain and improve the employees’ health and safety at workplaces through the collective efforts of the company and the employees.
2. We observe applicable laws and regulations concerning workplace health and safety in creating safe and pleasant working conditions for the employees.
3. The company establishes effective organizations to ensure workplace health and safety and promotes schemes to improve such organizations systematically.
4. The company gives priority to implementing measures to prevent accidents at workplaces over investing in production facilities.
5. The employees exercise care for the maintenance and promotion of their own health and safety while incorporating the assistance from the company.

Environmental Protection and Occupational Safety and Health System

In October 2008, the Group’s environmental protection organization and the occupational safety and health organization were merged with each other. Since then, with the new structure supervised by the HOYA Group Director for Environmental Protection, Occupational Safety and Health, the Group has been carrying out various activities of environmental protection and occupational safety and health.

HOYA Group Environmental Protection and Occupational Safety and Health Organization



Environmental



Greenhouse gas

HOYA strategy for CO₂ reduction

The HOYA Group is globally conducting its environmental protection activities, in which attempts are being made to reduce CO₂ emissions by paying special attention to its "energy consumption."

CO₂ Reduction Targets:

The HOYA Group also sets the following Group-wide reduction target for CO₂ emissions and is directing its environmental protection activities toward accomplishing it. That is, the HOYA Group aims to achieve a 5-percent reduction of CO₂ emissions from the fiscal year ended March 31, 2017 by the fiscal year ending March 31, 2021 (compared with the level of the fiscal year ended March 31, 2015).

CO₂ emissions:

The CO₂ emissions of the HOYA Group in the fiscal year ended March 31, 2019 were 405,770 tons of CO₂. (Scope 1 and 2 emissions)

The reduction of CO₂ emissions was 19.3 percent in Japan from the level of the fiscal year ended March 31, 2015.

The emissions were 6.6 percent increased overseas.

As a result, the emissions were 1.2% increased globally.

CO₂ emissions of the HOYA Group (t-CO₂ equivalent)

	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	% Change from the fiscal year ended March 31, 2015
Japan	82,835	85,261	69,992	71,375	66,824	-19.3%
Overseas	317,976	332,206	328,124	337,960	338,946	+6.6%
Total	400,811	417,467	398,116	409,335	405,770	+1.2%

Note that CO₂ emissions are calculated, for each of the production bases*1, from electric power and fuel consumptions as determined by the summation formulas standardized for the whole HOYA Group.

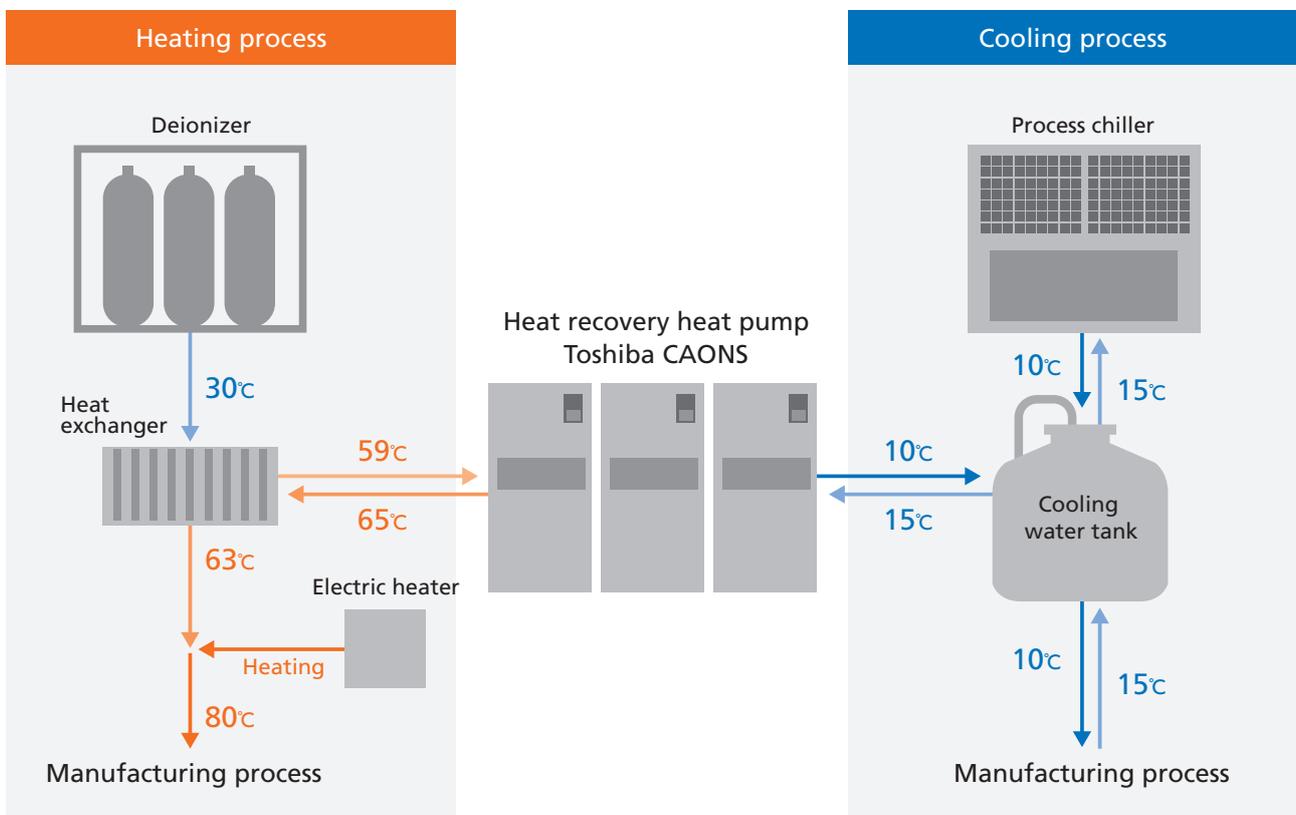
*1 Some non-production bases are included

Energy-saving and power-saving activities

As part of the actions for energy saving and power saving, each of the facilities is pushing ahead with the replacement of lighting fixtures and air conditioning equipment with those of the energy-saving type. At each of the Group's production bases, efforts are being made for energy saving by devising more efficient modes of operation and replacing existing equipment with energy-saving type equipment in an appropriate order. (HOYA expects to cut its annual CO₂ emissions by 618 tons.)

Examples of energy-saving and power-saving initiatives

- Efforts to reduce greenhouse gas emissions at overseas offices using Joint Crediting Mechanism (JCM)
- In 2016, we introduced a heat recovery heat pump at the eyeglass lens plant in Vietnam. It is used to save energy and reduce CO₂ emissions by using the heat that used to be exhausted to the outside air when cold heat was supplied as a source of cold heat for the production process and as an auxiliary heat source for heating the water used in the manufacturing process. Before introducing the heat recovery heat pump, we used only electric heaters to obtain the desired temperature.



- At the eyeglass lens plant in Vietnam, one of the existing centrifugal chillers was replaced with a highly efficient inverter centrifugal chiller. By using the new chiller for regular operation and the old one as backup equipment, we achieved a lower introduction cost, improved energy efficiency, and reduced CO₂ emission at the same time.

Environmental



Hazardous substance discharges and waste

Soil pollution control measures, underground water pollution control measures, and hazardous substance leak control measures

In March 2010, the Group issued the HOYA Group Standard for Environmental Facilities designed to help the Group to prevent any hazardous impact on the environment inside and outside the HOYA Group facilities.

Waste

In entrusting contracted disposal of factory waste, individual facilities select contractors after carefully checking their business licenses.

Also, through consignment contract with appropriate disposal contractors, the Group promotes the recycling of industrial waste, creation of monetary values out of waste, and reduction of waste emissions.

Waste emissions (t)

		Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019
Japan	Total emissions	2,656	3,462	3,362	3,478	3,144
	Recycling rate	79.0%	60.1%	66.1%	62.6%	65.9%
Overseas	Total emissions	43,992	43,760	49,888	56,354	56,766
	Recycling rate	61.0%	66.5%	66.3%	68.4%	69.1%
Global	Total emissions	46,648	47,222	53,250	59,832	59,911
	Recycling rate	62.0%	66.1%	66.3%	68.1%	68.9%

Chemical substances

Based on the HOYA Group Chemical Substances Management Standard, the HOYA Group manages chemical substances used in its business activities using common indicators that are used across all business activities of the HOYA Group.

Social



Labor Management

Basic approach

The HOYA Business Conduct Guidelines stipulates the basic guidelines to be complied with when performing operations based on the basic policies and values of the HOYA Group. The Business Conduct Guidelines clarify that basic human rights are to be respected and that all forms of discrimination and harassment in connection to race, nationality, gender, religion, belief, birthplace, age, or disabilities are to be eliminated in all corporate activities.

Human rights of employees

We aim to create a safe and healthy workplace that allows employees to feel secure while they work. The Company will provide equipment, systems, and working conditions so that each and every employee respects and cooperates with each other as the Company strives to create a workplace that is easy to work in.

Modern Slavery Statement

In accordance with the UK Modern Slavery Act 2015 legislation, the HOYA Group publishes a statement on the steps it has taken to identify and eradicate slavery and human trafficking within its business and supply chains.

http://www.hoya.co.jp/english/csr/pdf/HOYAGroupModernSlaveryStatement2018_fin.pdf

Diversity

Equal opportunities for men and women

At the HOYA Group, we work to achieve fair employment opportunities and benefits for both genders.

At the HOYA Group in Japan, currently 99 women (9.3% of total employees) are active as women leaders.* In addition, as of the end of June 2019, one of the independent directors is a woman (16.7% of total directors). We do not discriminate based on gender in hiring, promotions, or pay increases, and instead focus on actively employing human resources with highly specialized capabilities and morals.

In order to increase the women in management percentage in Japan going forward, we will promote the development of a working environment that allows the women working at HOYA to feel reassured in their continual employment. Specifically, to realize our goal of increasing the percentage of women in managerial positions to at least 15% by the end of March 2021, we will conduct female leadership training, managerial training, lectures by role models, and networking activities to help foster female leaders.

*Women leaders: Subsectional chief equivalent to or above section and highly skilled professionals

Utilizing people with disabilities

The HOYA Group actively utilizes people with disabilities, for example in the operation of its Ichikawa Challenge Office that supports eco projects.

Utilizing global human resources

The HOYA Group implements sales and production at optimal locations on a global level. In addition, efforts are being made to globalize the entire Group by promoting the localization of top management of subsidiaries through actively promoting and creating opportunities for high-quality local human resources. The HOYA Group will work to provide equal opportunities to large numbers of high-quality human resources going forward.

In addition, as of the end of June 2019, at HOYA Corporation we have promoted a non-Japanese to the position of executive, and three non-Japanese are engaged as division managers in our global business.

Respecting individuals

1. Preventing sexual harassment and power harassment

The HOYA Business Conduct Guidelines clearly state that the diverse values, individuality, and privacy of individuals are to be respected and clearly prohibits discretionary language, acts of violence, sexual harassment, and power harassment in connection to race, nationality, gender, religion, belief, birthplace, age, or disabilities.

Activities to promote the awareness of the Guidelines are conducted through means such as training classes in Japan.

2. Establishment of an employee whistleblowing and consultation system

As part of our internal control systems, the HOYA Group established the HOYA Help Line in 2003 as a whistleblowing and consultation system for the Group. This is a framework that protects whistleblowers when there have been violations of laws, regulations, or the HOYA Business Conduct Guidelines so that problems can be known at an early stage and smoothly communicated to top management in an aim to ensure the soundness of the entire Group through quick and appropriate responses to such issues.

Development of Human Resources

Enhancement and development of human rights

Basic approach

At the HOYA Group, we provide a work environment that respects individuality and diversity and promotes the growth of individuals while giving consideration to the safety and health of employees. Furthermore, each and every employee works to improve the knowledge and skills and we provide the innovative value sought by society. In this manner, we aim to create a free-spirited work environment.

Human resource development

People differ in terms of things such as values, how they live, personality, and individual capabilities. There are also a wide variety of stances toward jobs and ways of working. For this reason, organizational management in the current era needs to provide frameworks that leverage the individuality of employees and allow employees to increase their capabilities in environments that match individual aptitudes. The new ideal employee environment sought by HOYA is one in which all employees can fully exploit their capabilities and contribute to the organization and business through friendly competition.

In response to the wide variety of capacity development needs of employees and in order to learn the specialized knowledge and skills required for the industry, the HOYA Group individually deploys the employee educational programs that are most suitable for each business division and region.

HOYA Prize

The HOYA Prize is an award system that has been established for all employees with the aim of recognizing and rewarding the daily hard work and efforts of employees in order to communicate a spirit of gratitude toward employees that always do their utmost amidst a difficult business environment. The award system does not stipulate any detailed standards, but winners are rather decided on by the CEO based on recommendations received by the President from the managers of each business and human resources representatives.

Occupational Safety and Health

Occupational safety and health activities

The HOYA Group is pushing for the creation of a pleasant workplace environment where every one of the employees can work in good health and safety. The Group believes that such a work environment is essential for a fulfilling life of each of the employees and a lasting development of our enterprise.

Structuring of a global management system for its environmental and occupational safety and health management system

The HOYA Group has been structuring a globally-operated management system based on ISO (International Organization for Standardization) 14001 and OHSAS (Occupational Health and Safety Assessment Series) 18001 with the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees.

In February 2013, the certification of the Group switched to a global multisite certification.

In January 2019, the certification is applied to 52 sites in 18 countries.

Reduction of risks using risk assessment

All hazardous factors are constantly being checked by risk assessment in accordance with the HOYA Group Risk Management Guidelines for Occupational Safety and Health. As well, effective safety measures are being taken in order of priority for risk reduction.

Strengthening of chemical substances management

Based on the HOYA Group's common index HOYA Group Chemical Substances Management Standard, we are managing chemical substances used in our business activities and working to prevent occupational accidents and diseases caused by chemical substances.

Assurance of safety of machines and equipment

The safety of machines and equipment is a matter of greater importance in achieving occupational safety. Various measures for the safety of machines and equipment (reduction of risks) are being taken from design stage on according to the HOYA Group Standard for the Safety of Machines and Equipment to prevent machine-related accidents.

OSH Audit (Occupational safety and health)

At all the Group's business facilities inside and outside Japan, the environment, occupational safety and health personnel and specialized staff conduct internal audits periodically. After the audits, they give necessary advice and guidance to respective sections to improve their observance of laws and regulations and performance of occupational safety and health.

Training in HOYA Group safety and health

The facility environment, occupational safety and health personnel conference is held twice a year. The HOYA Group foremen training is held twice a year. The intra-Group consulting program for guidance and training is held several times a year mainly for the overseas production bases. These are all designed to enhance the performance of the occupational safety and health activities within the HOYA Group.

Go to Occupational Accidents at HOYA Facilities page
<http://www.hoya.co.jp/english/csr/accidents.html>

Health promotion activities

CEO message on the health of our employees

Based on the recognition that “health promotion efforts are business investments,” the HOYA Group aims to maintain and promote the health of employees through organizational support and self-help efforts by employees themselves. In April 2015, the CEO issued a message to employees on 10 items that employees are encouraged to adhere to for the promotion of health.

White 500 certification for health and productivity management organizations

The HOYA Group has been certified under the METI’s White 500 certification program for outstanding health and productivity management organizations every year since the start of the program in 2017 (as of April 1, 2019). This program is administered by the Ministry of Economy, Trade and Industry jointly with Nippon Kenko Kaigi and in coordination with insurers to certify and announce companies practicing excellent health and productivity management. HOYA is practicing health and productivity management on a daily basis.

Mental health promotion

HOYA provides mental health education by industrial physicians for managers and general employees to deepen their understanding of mental healthcare. HOYA has also established the HOYA Group Mental Healthcare Guidelines to ensure sufficient line care by managers and to clarify the roles of the manager, the person in charge of personnel affairs, and the industrial physician in the introduction of treatment and reinstatement responses to ensure efficient coordination among them. In addition, HOYA is making continued efforts to improve the work environment using the results of organizational analysis of stress checks.

Overwork prevention

HOYA has established the HOYA Group Standard for the Prevention of Overwork-related Health Problems, which is in compliance with industrial safety and health laws and regulations, and has implemented it at all HOYA Group companies. Workers with long working hours are required to have an interview with an industrial physician, and a system has been put in place to ensure the person in charge of personnel affairs, the manager, and the industrial physician work together to slash long working hours from the perspectives of both labor management and health management. In addition, as part of workstyle reform, HOYA is strengthening efforts to steadily improve the utilization rate of annual paid leave.

Smoking control

To prevent passive smoking, indoor smoking has been prohibited in principle in all facilities located in Japan and overseas since April 2008. HOYA has also established a standard for the designation of outdoor smoking spaces to prevent any passive smoking by passersby or people taking a break. Furthermore, we have adopted stricter rules to prevent passive smoking in April 2018 to ensure that for parties, diners, etc., hosted by HOYA, a venue that is entirely non-smoking or provides a separate smoking area will be selected. HOYA is currently preparing for the introduction of rules to totally prohibit smoking at all facilities inside and outside Japan during the regular working hours by the end of the fiscal year ending March 31, 2020. HOYA aims to create a comfortable work environment at the workplace where employees spend a significant part of their living hours.

Specific Health Checkups and Specific Health Guidance

As part of efforts to prevent metabolic syndrome, HOYA has provided health guidance focusing on the prevention of lifestyle diseases of employees (lifestyle improvement program) in coordination with the health insurance association since 2002 before the start of the national Specific Health Guidance program. The scope of the health guidance has been expanded to cover employees less than 40 years old (for the groups less than 25, 30, and 35 years old) for the early detection and treatment of lifestyle-related disease. We also monitor the participation rate and the achievement rate of Specific Health Checkups and Specific Health Guidance annually and are considering the introduction of a program to improve the participation rate.

Improving medical support at overseas facilities

At the HOYA Group, industrial physicians make regular visits to overseas facilities to support the coordination between local medical institutions and each facility. Under this arrangement, the coordination between local medical institutions and the facility enables both local employees and Japanese expats to receive appropriate and prompt medical services in the event of an emergency situation and for the management of chronic diseases.

Improving emergency medical care and first aid responses

We have established the HOYA Group Standard for Emergency Medical Care and First Aid to provide appropriate emergency medical care and first aid in the event of a workplace accident or an emergency situation and thereby to minimize health damage of employees. Based on this Standard, we work to ensure the proper installation and management of first aid equipment and to ensure that all employees ultimately receive lifesaving training to prepare for emergency. Some of the facilities are equipped with AED on condition that at least two workers who have completed lifesaving training are assigned to each work shift.

Collaboration with Supply Chain Partners

Supplier Code of Conduct

HOYA seeks to apply a high level of legal compliance and ethical practices consistent with its legal and social responsibilities and duty to protect the basic human and worker rights of everyone in the organization.

We have also established the HOYA Supplier Code of Conduct that applies to all suppliers providing products and services to us. The Code requires our suppliers to adopt the same level of legal compliance and ethical practices as HOYA, and all our suppliers are asked to accept and comply with it before conducting business with HOYA.

The HOYA Supplier Code of Conduct is available on our website through the following links.

HOYA Supplier Code of Conduct -English (148KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC2018.pdf

HOYA Supplier Code of Conduct -Chinese (205KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_CN.pdf

HOYA Supplier Code of Conduct -Thai (129KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_TH.pdf

HOYA Supplier Code of Conduct -Vietnamese (290KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_VN.pdf

HOYA Supplier Code of Conduct -Korean (322KB)

http://www.hoya.co.jp/english/csr/pdf/Supplier_CoC_KR.pdf

Social

Product Safety and Quality

Product Safety Assurance Policy and Structure

Product safety assurance policy

■ Legal compliance

Each company in the HOYA Group complies with the standards required of products in Japan and elsewhere around the world. We also comply with laws, regulations, and other standards related to product quality and safety.

■ Collecting and responding to product incident information

each company in the HOYA Group collects information from customers and other sources related to product incidents and/or malfunctions. When necessary, we provide legally mandated reports to regulatory agencies and appropriate information to customers and others. We enact measures to recall products, repair products, in addition to taking other actions regarding any product-related issues.

■ Ensuring product safety

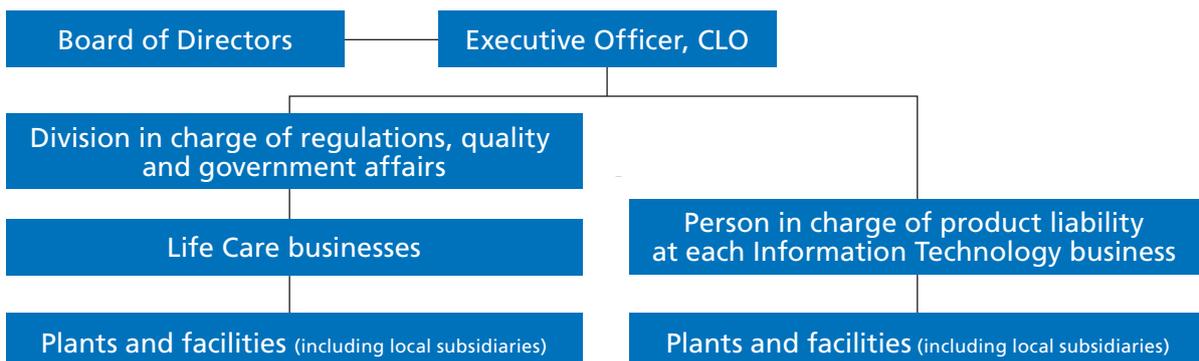
Each company in the HOYA Group provides, where appropriate, user training, up-to-date user guides and documents, product warning labels, and other information for the effective, safe use of our products. We continue to seek opinions from users of our products and reflect this feedback in future products.

■ Training and educational systems to improve product safety and quality

Each company in the HOYA Group strives to improve product safety and quality. To accomplish this goal, we conduct ongoing education and training activities. At the same time, each Group company performs reviews and updates to product safety and quality management organizations and systems.

Product safety assurance structure

At the HOYA Group, under the supervision of the executive officer in charge, each business division has product safety assurance functions. For businesses falling under the Life Care segment, which handles medical products, we have established a division in charge of regulations, quality, and government affairs across these businesses.



Social



Product Safety and Quality

Responses to Conflict Minerals

Conflict minerals policy

The HOYA Group cooperates with its suppliers to ensure that it does not use any minerals produced in the Democratic Republic of Congo or its neighboring countries that are defined as conflict minerals in Section 1502 of the U.S. Dodd-Frank Act.



Social Opportunities

Efforts to Meet Unmet Needs to Improve QOL

Efforts to meet unmet needs to improve QOL

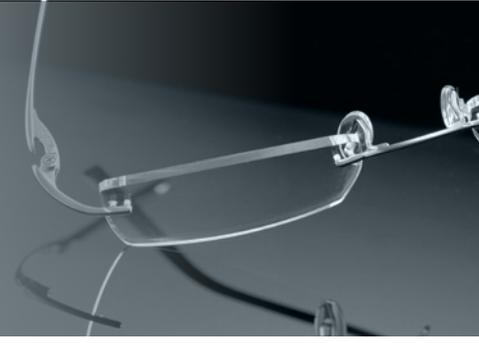
Development of products that meet needs to improve QOL

We launched "HOYA MW10 HiKARI," eyeglasses to support the scotopic vision of people suffering from night blindness, in 2018, and the product has received high customer evaluation.

See the special website below for further information. (In Japanese only)

<https://hmwpj.com/>

Review of Operations Life Care Segment



Health Care

(Information on HOYA's products may be found in the "Business Domains" section of its website. Please refer to this section for further information.)

Eyeglass Lenses

› Business Overview

HOYA conducts research and development, manufacturing, and sales of eyeglass lenses.

Our product lineup includes single-vision lenses that possess a single corrective function for each lens, as well as progressive lenses (varifocal lenses) that offer wide visual fields and a seamless transition between near, intermediate, and far distances in a single lens.

By geographical region, a significant amount of sales, approximately 87%, takes place in markets outside Japan.



› Supply Chain



› Market Conditions

Eyeglass lens demand is increasing globally on account of a worldwide aging population, enhanced purchasing power owing to burgeoning economies in emerging countries, increased awareness of health-related issues, and long hours of PC and smartphone use that leads to vision impairment.

Globally, the rate of growth is around 3% in value terms, although expansion varies according to region, such as is seen with the mature markets of Japan and Europe, and growth markets in the Americas as well as Asia. Within this, there are the emerging countries of Asia and South America, which are expanding notably beyond the middle-income range, and are driving the growth in volume terms of emerging countries.

Regions around the world have differing and respective characteristics, although overall global trends, namely the consolidation and emergence of giant retail-type

store chains, and resulting declines in unit sales prices are continuing. Given this, the key to growth for lens manufacturers will be to reduce production costs and to increase sales of value-added products, such as those with different varieties of surface coatings (anti-glare coatings and anti-scratch coatings) and progressive lenses.

▶ **HOYA Position and Market Share**

HOYA stands at the No. 2 position in the industry, and, in addition to organic growth, has expanded its share of the market through M&A initiatives, including the 2013 acquisition of SEIKO's eyeglass lens unit, and U.S.-based Performance Optics, LLC in 2017.

▶ **HOYA Outlook**

Eyeglass lens products account for over 50% of Life Care business sales, and are a growth driver for business expansion.

In the Americas, we have already established a strong presence in the channel of independent eyeglass stores, while there is still much room for market share expansion in the channel of chain stores, on which we will continue to focus. In addition, we will strengthen sales activities also in Asia, where markets continue to grow. This is how we aim to achieve worldwide organic growth of 5% per year. On top of that, we will also pursue M&A opportunities to boost growth.

To respond to the increasing demand, we have started the construction of our second plant in Vietnam. The new plant is scheduled to start operation in December 2019.

Contact Lenses

▶ **Business Overview**

In Japan, we are expanding Eyecity outlets, HOYA's contact lens specialty retail store chain.

At Eyecity, we offer consulting and sales, making product recommendations ideally suited to the needs of individual customers, and, leveraging our strength, we provide a wide lineup sourced from major manufacturers throughout the world.

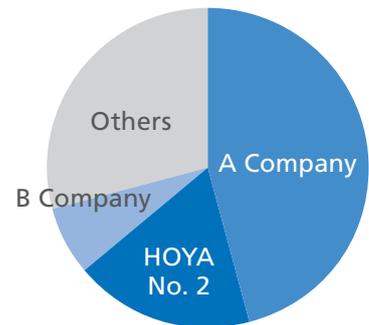
Stores are established in convenient locations, in close proximity to train stations, inside shopping centers, and other areas.

▶ **Market Conditions**

The contact lens market in Japan is valued at approximately 400 billion yen. On account of such factors as a growing level of nearsightedness among the younger generation, the rising age of those wearing contact lenses due to the growing prevalence of multifocal contact lenses, and a rise in average sales price reflecting the rising sales of high value-added lens products, we expect an ongoing market expansion, albeit slight.

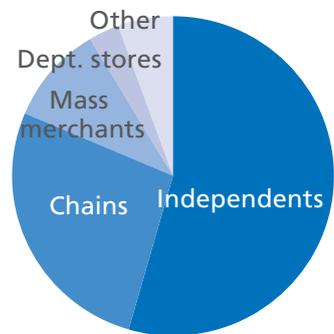
By sales channel, sales through the contact lens specialty store channel—which accounts for the largest share of total value—are expected to continue to grow steadily, driven by ongoing share expansion.

Market Share (Mar. 2019)



(HOYA estimate on a value basis)

Sales Composition Ratio by Sales Channel in the U.S. (Mar. 2019)



(HOYA estimate on a value basis)

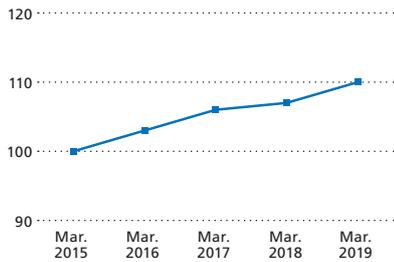


▶ **HOYA Position and Market Share**

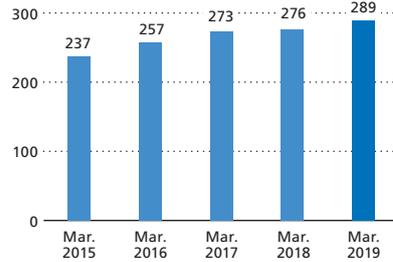
HOYA holds the top share in the retail channel for sales made through brick-and-mortar stores.

On top of sales growth from existing stores based on, among others, the promotion of high value-added products, we are working to expand sales through new stores.

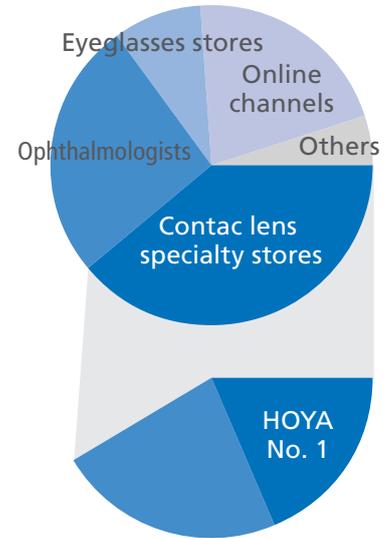
Sales per Customer
(Presented as an index with Mar. 2015 as 100)



Number of Eyecity Stores in Japan



Sales Composition Ratio by Sales Channel (Mar. 2019)



HOYA Market Share at Contact Lens Specialty Stores (HOYA estimate on a value basis)

▶ **HOYA Outlook**

Looking forward, HOYA is seeking to achieve a sustained sales growth rate at the 5% level by boosting sales at existing stores together with aggressively establishing new stores.

For new stores, HOYA will conduct detailed analyses of an area’s contact lens-wearing population, market growth rate, and competitive situation, and will establish stores mainly in city centers, regional cities, and large shopping centers. We will also strive to increase efficiency by relocating stores within the same marketing area as appropriate. In addition, we will work to accelerate growth by actively exploiting M&A opportunities targeting contact lens specialty stores that have a strong position in their respective local markets.

Medical

(Information on HOYA’s products may be found in the “Business Domains” section of its website. Please refer to this section for further information.)

Medical Endoscopes

▶ **Business Overview**

In this field, HOYA conducts research and development, manufacturing, and sales of medical endoscopes used in diagnosis and treatments of disorders associated with the ear, nose, and throat, the respiratory tract, and the digestive system.

The endoscope field comprises scopes and processors.



▶ **Supply Chain**



▶ **Sales by Region**

By geographical region, a large volume of sales takes place outside Japan; in fact, this accounts for almost all of our sales.

▶ **Market Conditions**

Medical expenses are increasing worldwide in line with the aging of society.

To keep medical expenses in check, governments in countries across the globe are promoting the early detection of disease and minimally invasive medical procedures.

In particular, needs for the latter are increasing as part of the trend of reducing invasive medical treatment. As a result, demand for endoscopes is increasing as products to satisfy these needs.

The rate of growth is steady in the markets of developed countries and regions—Japan, the U.S., Europe, and others. However, in Asia, which is at a stage where endoscopes are becoming more prevalent, the growth rate continues to be high. Globally, we estimate that growth will continue at a rate in the lower half of the single-digit range.

Mainly in North America, customer transactions are increasing through a joint purchasing organization, and building a sales system that responds to this kind of change can lead to sales growth.

With regard to products, overseas manufacturers of disposable endoscopes have been working to establish themselves. At the present time, however, they are still some way away from replacing conventional endoscopes. However, we predict that the presence of disposable endoscopes will rise in the medium to long term.

▶ **HOYA Position and Market Share**

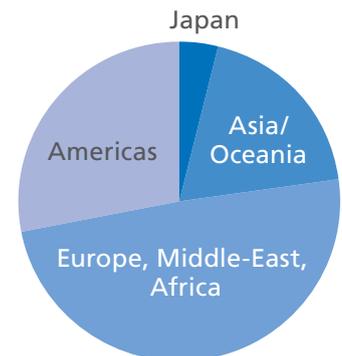
With its strengths lying in high image quality, ultrasonic endoscopes and small-diameter endoscopes that strike a balance between image quality, exterior diameter, and channel size, HOYA holds the No. 2 position in the industry.

▶ **HOYA Outlook**

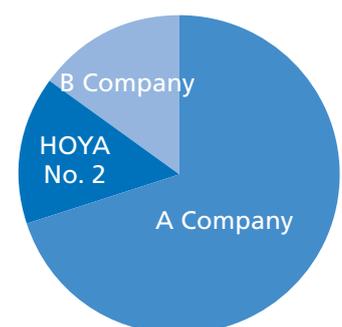
HOYA continues to secure stable earnings in Europe, which accounts for about 50% of total sales, and strives to achieve growth by boosting sales activities in APAC and the Americas.

While steadily engaging in products for gastrointestinal devices, the main battlefield in the flexible endoscope market, we will also seek product differentiation by devel-

Sales by Region (Mar. 2019)



Market Share (Mar. 2019)



(HOYA estimate on a value basis)

oping treatment instruments that can be used in combination with endoscopes and disposable endoscopes.

Intraocular Lenses for Cataract Surgery

Business Overview

In this field, we perform research and development, manufacturing, and sales of intraocular lenses (IOLs) for cataract surgeries and ophthalmic medical devices.

Cataracts are very likely to occur in people of advanced years, and are the largest cause of vision loss in people around the world. IOLs are manmade medical devices implanted inside the eye to replace the eye's natural lens when it is removed during cataract surgery. This surgery makes it possible to recover clear eyesight that has been lost due to cataracts.

At HOYA, together with a foldable intraocular lens that can be inserted with a small incision of around 2.0 mm, we conduct R&D, manufacturing, and sales of injector systems and ophthalmic medical devices that make for safe cataract surgeries that can be performed smoothly.

Supply Chain



Sales by Region

By region, sales in Japan are close to 50%.

Market Conditions

In line with the aging of society in locations throughout the world, rising needs for minimally invasive medical treatments and other factors, the market is, on a volume basis, maintaining a growth rate at the mid single-digit range.

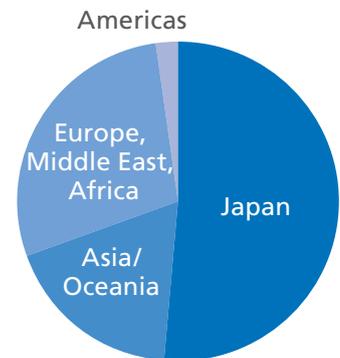
On a monetary basis, growth in high-end products—such as for corrective lenses for astigmatism and progressive lenses to correct presbyopia—are driving overall expansion in the market, which continues to grow at a rate in the lower half of the single-digit range.

HOYA Position and Market Share

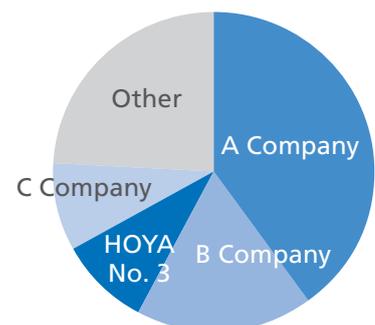
Owing to the product competitiveness of Vivinex™ (introduced in the market in 2015), a product with few side effects that is easily implanted into the eye and has received high post-surgery evaluations, our sales in Europe continues to grow at a pace that is significantly above the market.

HOYA is steadily increasing its market share and currently holds the No. 3 place in global terms.

Sales by Region



Market Share (Mar. 2019)



(HOYA estimate on a value base)

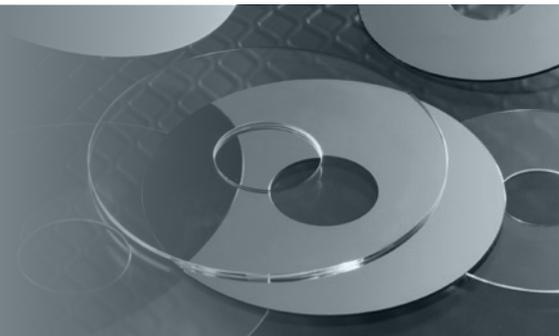
▶ **HOYA Outlook**

We will expand customer reach by bolstering the sales workforce in regions in which we already have sales bases, while entering into new regions one by one, whether directly or indirectly (collaboration with sales agents). As Mid Labs and Fritz Ruck, which HOYA acquired in January 2019, have product lineups covering devices used in cataract surgeries, we will realize an increase in sales of intraocular lenses by making a comprehensive proposal combining intraocular lenses with ophthalmic medical devices to customers.

We are striving to expand sales and earnings by bolstering sales capabilities, increasing sales area, and aggressively launching new products in both standard and high-value-added categories.

Review of Operations

Information Technology Segment



Electronics

(Information on HOYA's products may be found in the "Business Domains" section of its website. Please refer to this section for further information.)

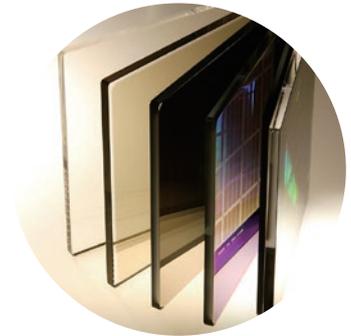
Mask Blanks for Semiconductors

Business Overview

In this business, we perform research and development, manufacturing, and sales of mask blanks for semiconductors.

Critical in the semiconductor fabrication process, photomasks are the master plates used to transfer a semiconductor's intricate and complex circuit pattern onto a semiconductor wafer, and mask blanks are the raw material used for photomask manufacturing.

Because photomasks are created for each individual circuit pattern, mask blanks are essential to new products developed by semiconductor manufacturers, foundries, and other HOYA customers, and in the R&D stage of new manufacturing technologies such as those of extreme ultraviolet (EUV) lithography.



Supply Chain



Note: In some cases product goes via photomask manufacturer

Market Conditions

The semiconductor market continued to growth in 2017 and 2018, but the market as a whole saw a negative growth rate in 2019 mainly due to falling memory prices.

On the other hand, semiconductor manufacturers and foundries are conducting active research and development activities focusing on the further miniaturization of electronic circuits using extreme ultraviolet (EUV) lithography, a next-generation manufacturing technology.

Sales of blanks are primarily driven by the research and development demand of customers as they are necessary for each different circuit design.

➤ **HOYA Position and Market Share**

Putting to use our core technologies of glass polishing and thin film technology has enabled us to capture a large share of the market over the long term.

Moreover, we have continued to conduct EUV blanks research for nearly 20 years, and have demonstrated a firm presence in this field which has exceptionally high hurdles to clear for entry.

For HOYA, opportunities will continue to rise as we advance EUV lithography technology and expand market share.

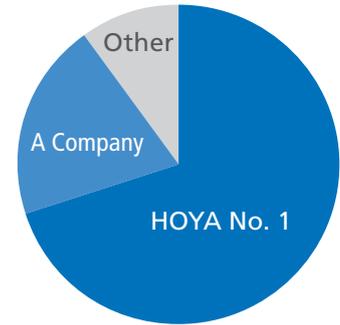
➤ **HOYA Outlook**

Along with the advance of miniaturization in semiconductors, it appears that demand for mask blanks for EUV lithography will continue to be strong in the fiscal year ending March 31, 2020 and beyond.

Mask blank sales are difficult to accurately predict due to the dramatic fluctuations that occur in line with customers' development speeds, and also because they are not consumables and are not necessarily linked to movements in the semiconductor industry as a whole. However, sales in volume terms for EUV applications are expected to double from levels of the fiscal year ended March 31, 2019 in about three years.

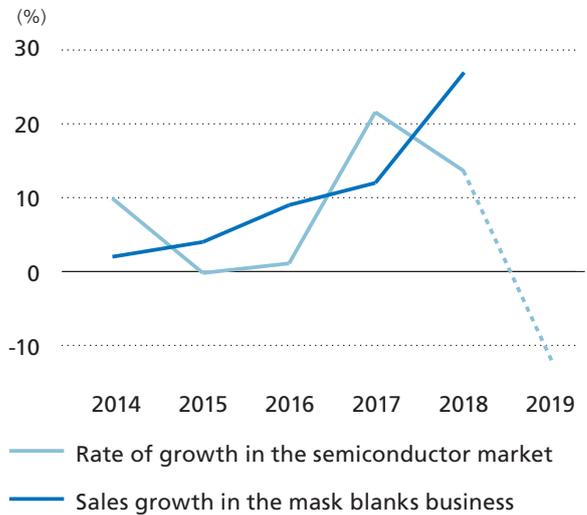
Based on this demand forecast, we decided to expand the manufacturing line for mask blanks for EUV lithography, and the new manufacturing line is scheduled to start operation around mid-2020.

Market Share (Mar. 2019)



(HOYA estimate on a value base)

Global Semiconductor Market and Sales Growth in Mask Blanks



Reference: World Semiconductor Trade Statistics

Photomasks for LCD/OLED Display Manufacturing

➤ **Business Overview**

HOYA conducts research and development, manufacturing, and sales of photomasks for LCD*1/OLED*2 display manufacturing.

When manufacturing panels for TVs, smartphones, laptop computers, and other devices, LCD/OLED display photomasks are used as the master plates to transfer the circuit pattern onto the substrate.

*1 LCD: Liquid Crystal Display

*2 OLED: Organic Light-Emitting Diode



➤ **Supply Chain**



HOYA sources the substrate from raw materials manufacturers, and on that substrate performs polishing, deposition, and resist applications (blanks manufacturing). When the manufacture of the blanks is completed, HOYA conducts circuit pattern drawing, developing, etching, and resist stripping and cleaning, and delivers it to panel manufacturers (photomask manufacturing).

▶ **Sales Composition by Application**

The ratio of sales by application is stated as follows. The end-product market for smartphone applications continues to grow, and this seems to have come to account for the largest proportion. In addition, sales for automotive applications are expanding, it became the proportion next to TVs.

▶ **Market Conditions**

In the fiscal year ended March 31, 2019, the LCD/OLED display photomask market as a whole expanded over the previous fiscal year owing to the growth in the sixth generation, primarily for smartphones (LTPS* 1/OLED).

*1 LTPS: Low Temperature Poly Silicon

The market as a whole is expected to continue to expand going forward, driven by growth in the sixth generation for the manufacturing of high-resolution panels (resolution over 300 ppi) and recovery in the 10+ generation.

With regard to regions, it appears that continued expansion will occur in the Chinese market where new factory construction is ongoing.

▶ **HOYA Position and Market Share**

HOYA possesses expertise in high-precision products, and holds the top-class market share.

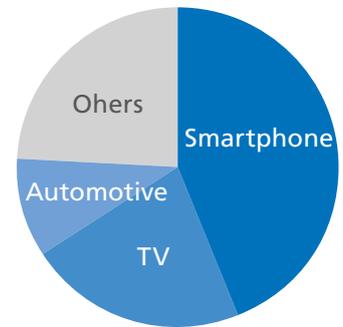
▶ **HOYA Outlook**

We will strive for steady business growth focusing on high-precision sixth generation products where there are future prospects for growth and on the Chinese market in term of geographic region.

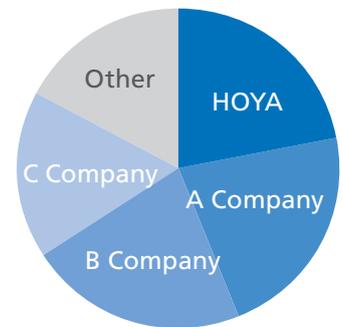
Panel Generations

LCD/OLED panel manufacturing lines are categorized by generation, which corresponds to mother glass size. Every year, the size of mother glass becomes progressively larger due to the upsizing of panels in line with increasingly big screens, mainly for TVs, and, in order to enhance productivity, because it is effective to increase the number of panel configurations per one sheet of mother glass.

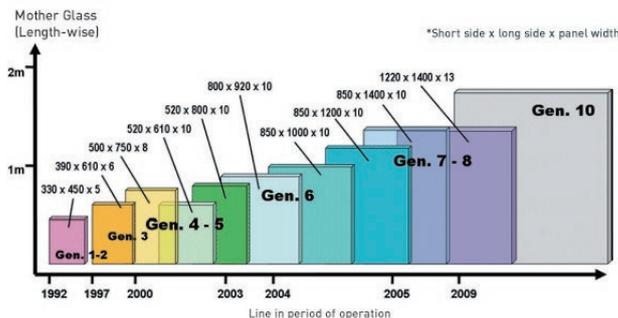
Sales Composition by Application (Mar. 2019)



Market Share (Mar. 2019)



(HOYA estimate on a value basis)



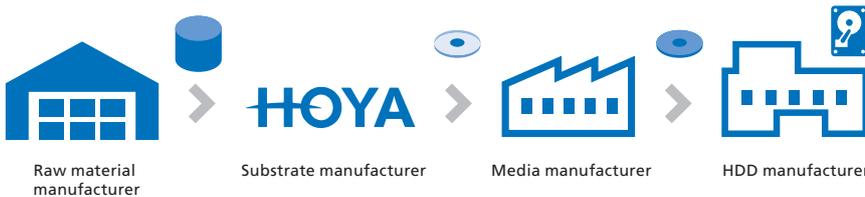
Glass Substrates for HDDs

Business Overview

In this area, HOYA conducts research and development, manufacturing, and sales of glass substrates for hard disk drives (HDDs). HDDs are used as recording media in laptop computers and servers.

Since HOYA's full-scale entry into the 3.5-inch market for near-line servers in the fiscal year ended March 31, 2018, production numbers have rapidly grown.

Supply Chain



From raw materials manufacturers, HOYA sources substrate raw materials, which we process in ways such as making it into a disc shape, enhancing its shock resistance, and polishing. After processing, we deliver this substrate to the media manufacturer where magnetic film is applied, among other film-forming processes, and it undergoes burnishing (final polishing) and other treatments before being shipped. In hard disk manufacturing, the HDD manufacturer assembles the hard disk, head, and other components, tests the completed product, and then ships.

* Hard disks may also be manufactured by the HDD manufacturer.

2.5-Inch Substrates Sales Composition by Application

The sales composition ratio of our 2.5-inch substrates, by application, is as the right figure.

From the fiscal year ended March 31, 2018, we commenced mass production of 3.5-inch glass substrates, as these are expected to see an expansion of demand in the future.

The 3.5-inch substrates we produce are used in HDDs for near line (NL) servers that perform such functions as backup in data centers.

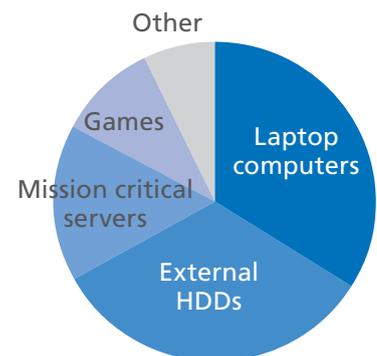
Sales of the 3.5-inch substrates are steadily growing, and by the fourth quarter had expanded to 29% of business overall.

Market Conditions

In the fields of laptop computers, mission critical servers, and other products, the 2.5-inch HDD market is being replaced by solid state drives (SSDs), which have faster data read/write speeds. SSDs were used in about 60% of the notebook PCs shipped in the fiscal year ended March 31, 2019, and the percentage of SSDs is expected to continue to increase steadily in the future.



2.5 Inch Substrates
Sales Composition by Application
(Mar. 2019)



On the other hand, in the 3.5-inch HDD market, NL servers, having a comparatively low access frequency with backup applications, predominantly use HDDs due to their cost advantages over SSDs. Although investments in facilities associated with data centers by large-scale cloud service vendors fluctuate significantly even in the short term, a significant market expansion is expected in the long term as data generation volumes expands throughout the world.

➤ **HOYA Position and Market Share**

Currently, all 2.5-inch substrates are made of glass. As the sole glass substrate manufacturer in the market, HOYA supports the HDD industry behind the scenes.

In the 3.5-inch substrate segment, products made of aluminum used to completely dominate the market based on their price advantage. However, our glass substrate products are now being adopted for HDDs as they are highly rigid and can increase the number of mounting disks by thinning the disks, and their market share in volume terms has risen to 11% (and 16% speaking only of our shares for HDDs used in NL servers). As the storage capacity of HDDs expands, our market share is also expected to expand.

➤ **HOYA Outlook**

Although we expect solid demand for external HDDs, sales of 2.5-inch substrate products, primarily for laptop computers, mission critical servers, and game consoles, are expected to decline by being replaced by solid state drives (SSDs).

For 3.5-inch substrate products, an increase in the adoption of HDDs equipped with HOYA products by cloud service providers is expected to lead to sales growth.

In the medium to long term, we anticipate growth of 3.5-inch substrate products that more than compensate for the contraction of 2.5-inch substrate products.

Under these circumstances, construction of a new plant that manufactures 3.5-inch substrate products is being carried out in Laos in preparation for the future increase in demand, and the new manufacturing line is scheduled to start operation around mid-2020.

Potential for glass substrates in the 3.5-inch market

In response to the expansion of data volume and the storage volume generated worldwide, HDD manufacturers are continually introducing in the market new products with higher data capacity per HDD.

The increase in data capacity per HDD has been realized by increasing the recording density or area of the disk, but, at present, the development of technologies designed to improve recording density is stagnating, and the expansion of the recording area remains key to capacity expansion.

In the 3.5-inch market, the disk material is now mainly aluminum alloy. However, since a further increase in area can be realized by increasing the number of mounting disks by thinning the disks, it is becoming necessary to use glass instead of aluminum alloy as the former has higher rigidity and allows for more thinning. More specifically,

3.5-inch Substrates for HDDs Market Share (Mar. 2019)



(HOYA estimate on a value base)

after the point where the number of disks mounted in an HDD reaches 10 (substrate thickness: 0.5 mm), glass substrates are required (rigidity of glass and aluminum alloy in terms of Young's modulus are 95 GPa and 71 GPa, respectively).

In the event that HAMR (Heat-Assisted Magnetic Recording) is realized and commercialized, glass substrates, which have excellent heat-resistance characteristics, would be the only option because HAMR would entail heat at the production process of magnetic film (the heat resistant temperature of glass is 691 degrees Celsius, whereas that of aluminum alloy is 290 degrees Celsius).

Imaging-related Products

(Information on HOYA's products may be found in the "Business Domains" section of its website. Please refer to this section for further information.)

Imaging-related Products (Including optical glass, optical lenses, camera lens units, and lasers)

Business Overview

In this area, we conduct research and development, manufacturing, and sales of optical lenses for a variety of cameras, as well as for optical glass materials.

Supply Chain



HOYA sources materials from optical glass material manufacturers, conducts compound and solution treatments, manufactures lens materials and lens products, and delivers to lens and camera manufacturers.

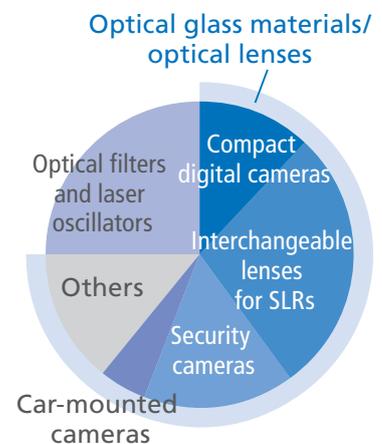
Sales Composition by Application

The ratio of sales by application is as the right figure. Digital camera-related items for compact digital cameras and for lens modules that had previously made up the majority of sales are trending toward a decline, and now account for 40% of the sales composition ratio.

As for products for security cameras, which is a new area of application, demand for aspherical glass lenses is increasing due to the increasing adoption of higher-pixel imaging. However, growth in our sales decelerated as the Chinese market is undergoing inventory adjustment for end products following a rapid market growth in the past years, and demand for end products outside China also fell due to the effect of U.S.–China trade friction. As a result, the composition ratio of products for security cameras is flat from the previous fiscal year.



Sales Composition by Application
(Mar. 2019)



▶ **Market Conditions**

Compact digital cameras are increasingly being replaced by smartphones, and their decline is ongoing.

Modular camera lenses are undergoing a gradual decline together with a shrinking market for single-lens reflex cameras, but the market for mirrorless cameras is growing at a solid pace.

Growth in the market for security cameras has subsided for the time being.

▶ **HOYA Position and Market Share**

From research and development of optical glass composition to manufacturing of finished products of lenses, HOYA takes a consistent approach to its activities while building a structure that makes possible the mass production of an array of products.

HOYA maintains a high market share with its exceptional skills in aspherical glass molded (GMO) lenses.

GMOs are formed by directly pressing optical glass that has been subjected to high temperatures to make it malleable. These are optical lens products that require no polishing, and possess an excellent ability to correct distortions. Enabling a high angle design, the number of lenses used in optical systems can be reduced, and this contributes to compact, lightweight, and highly functional end-product cameras.

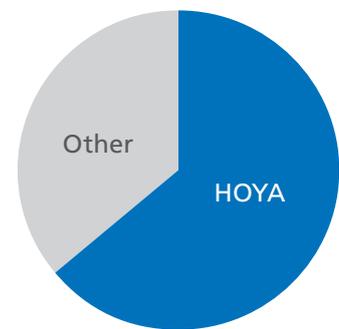
▶ **HOYA Outlook**

As for products for digital cameras, sales of products for compact digital cameras are expected to continue to fall as higher-quality imaging is increasingly realized by smartphone cameras. On the other hand, we should be able to realize stable growth in the field of high-end cameras (interchangeable-lens cameras, such as single-lens reflex and mirrorless cameras), which is relatively immune to the effect of the erosion by smartphone cameras, by leveraging our strengths, such as the quality of GMO.

Although products for security cameras are currently facing inventory adjustment as a backlash to previous rapid growth, we predict that they will continue to grow moderately in the medium to long term due to the increasing adoption of higher-pixel imaging and the increasing number of security cameras installed.

We also expect growth in the market for car-mounted cameras used for image recognition in advanced driver assistance systems (ADASs), although it will be several more years before this technology is widely applied in the market and this offers a significant contribution to our business results.

Share of Aspherical
GMO lenses (Mar. 2019)
(Digital Camera-Related)



(HOYA estimate on a value base)



Financial Review

Scope of Consolidation

As of March 31, 2019, the HOYA Group consisted of HOYA CORPORATION, 146 consolidated subsidiaries (11 of which are domestic and 135 overseas), and 10 affiliates (4 of which are domestic and the other 6 overseas).

The HOYA Group has adopted a business management structure where the Life Care and Information Technology business segments control subsidiaries around the world based on their respective responsibilities. Regional headquarters in the Americas, Europe, and Asia support business operations by strengthening relationships with countries and areas in the respective regions, such as by providing legal support and conducting internal audits. The HOYA Group has its Financial Head Quarters (FHQ) at its Europe Regional Headquarters (Netherlands).

Adoption of the International Financial Reporting Standards

Beginning with the fiscal year ended March 31 2011, the HOYA Group prepares its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRS) pursuant to paragraph (1), Article 120 of the Ordinance on Company Accounting. With respect to reportable segments presented in the overview of operation by business category, the HOYA Group divides its business into three reportable segments, based on IFRS. These segments are Life Care, Information Technology, and Other Businesses.

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

Review of Performance in the Fiscal Year Ended March 31, 2019

Sales for the consolidated fiscal year under review amounted to 565,810 million yen, a 5.6% increase year on year.

Profit before income tax and profit for the year increased compared to the preceding consolidated fiscal year by 16.4% to 144,657 million yen and 23.0% to 122,072 million yen, respectively. The profit before tax ratio rose to 25.6%, an increase of 2.4 percentage points from 23.2% in the preceding consolidated fiscal year.

Sales in the Life Care segment increased by 5.8% compared to the preceding consolidated fiscal year to 373,388 million yen. Segment profit increased by 22.8% to 69,290 million yen.

Overall sales increased compared to the preceding consolidated fiscal year as eyeglass lenses saw growth in existing business in the overseas market of the Americas, and we saw growth from our acquisition of Performance Optics, LLC.

Sales of contact lenses increased compared to the preceding consolidated fiscal year due to an increase in new customers caused by opening new "Eyecity" retail stores and enhancing existing stores.

Medical endoscopes trended strongly in Europe and the U.S. due to the launch of new products and the strengthening of our sales framework, bringing overall sales higher than in the preceding consolidated fiscal year.

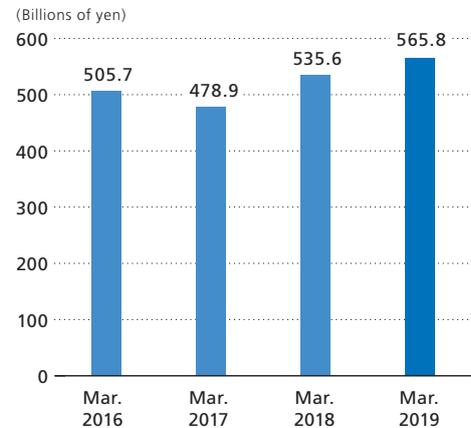
Intraocular lenses for cataracts trended well in Japan, while overseas, Vivinex—a product with considerable competitive strength—made a contribution, leading to sales coming in above the preceding consolidated fiscal year.

Sales in the Information Technology segment increased by 5.1% compared to the preceding consolidated fiscal year to 187,546 million yen, and segment profit increased by 15.2% to 80,596 million yen.

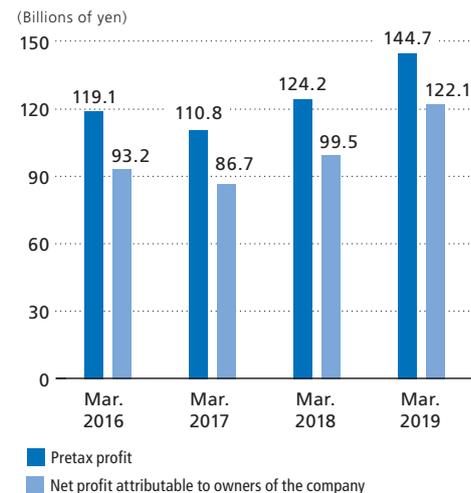
The saturation of the market for finished products such as personal computers and tablets continues, and the smartphone market is beginning to slow down. However, sales of the Company's mask blanks for semiconductors increased compared to the preceding consolidated fiscal year due to the capture of an active research and development demand related to leading-edge products, such as those based on next-generation EUV lithography.

With regard to photomasks for liquid-crystal displays, recovery of research and development demand, mainly in displays for smartphones, and development of new customers in the still growing

Sales



Pretax profit, Net profit attributable to owners of the company



Profit margins



Chinese market, led to higher sales compared to the preceding consolidated fiscal year.

Regarding glass substrates for HDDs, sales from 2.5-inch substrates, which account for most of sales, decreased from the previous fiscal year, as HDDs are being replaced with SSDs, particularly for use in laptop computers. Increasing use of 3.5-inch substrates by data center end users brought sales higher than the preceding consolidated fiscal year. As a result, overall sales was nearly flat from the year earlier.

Market contraction in the digital camera market eased in the last fiscal year, but competition from smartphones took the market into a further downward trend and sales fell versus the preceding consolidated fiscal year.

(For further information on performance by product, please refer to the Review of Operations section.)

Financial Position

Total assets at March 31, 2019 increased by 113,270 million yen from the end of the preceding consolidated fiscal year to 763,915 million yen.

Non-current assets increased by 51,347 million yen to 255,802 million yen. This is primarily due to increases of 10,951 million yen in goodwill, 7,445 million yen in intangible assets, and 28,508 million yen in long-term financial assets.

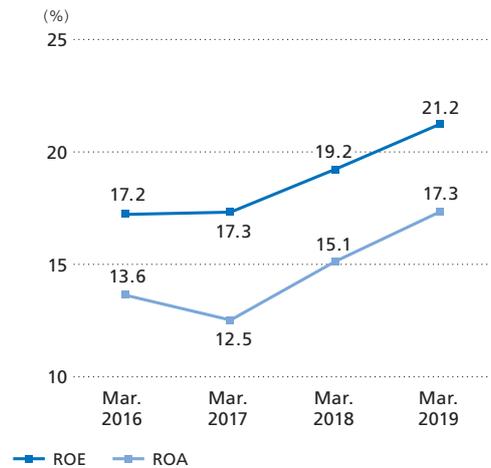
Current assets increased by 61,924 million yen to reach 508,113 million yen. This is primarily due to an increase in cash and cash equivalents of 47,562 million yen.

Total equity increased by 97,030 million yen to 627,707 million yen. This is primarily due to an increase in retained earnings by 87,641 million yen.

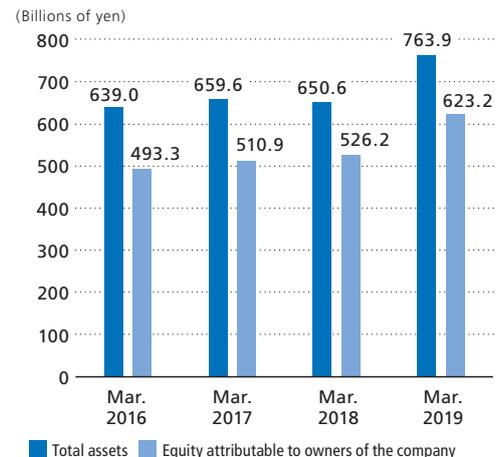
Equity attributable to owners of the company increased by 96,962 million yen to 623,155 million yen. Liabilities increased by 16,241 million yen to 136,208 million yen.

The ratio of assets attributable to owners of the company to total assets at March 31, 2019 increased by 0.7 percentage points from the end of the preceding consolidated fiscal year and reached to 81.6%, which was 80.9% in the preceding consolidated fiscal year.

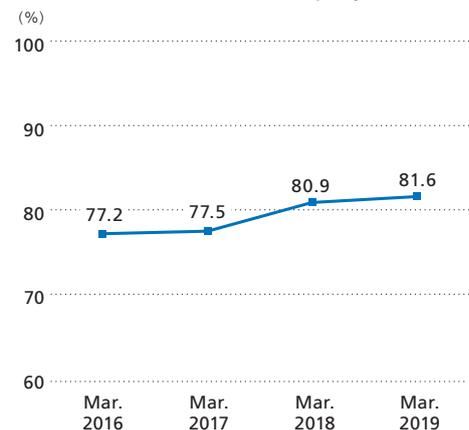
Efficiency



Total assets, Equity attributable to owners of the company



Ratio of assets attributable to owners of the Company



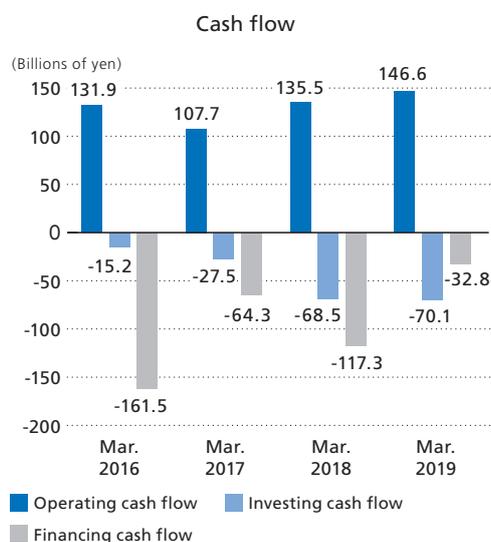
Cash Flow

Cash and cash equivalents at the end of the fiscal year ended March 31, 2019 increased by 47,562 million yen (including the effect of changes in exchange rates of 3,910 million yen) from the end of the previous fiscal year to 293,397 million yen.

Net cash provided by operating activities increased by 11,089 million yen from the previous fiscal year to 146,588 million yen. This was mainly attributable to profit before tax of 144,657 million yen (an increase of 20,409 million yen in inflow from the previous fiscal year), depreciation and amortization of 26,416 million yen in (a decrease of 2,296 million yen in inflow), an increase of 6,128 million yen in inventories (a decrease of 7,892 million yen in inflow), an increase of 3,066 million yen in trade and other accounts receivable (an increase of 3,497 million yen in inflow), an increase of 4,985 million yen in trade and other accounts payable (a decrease of 932 million yen in outflow), and corporate income tax paid of 31,637 million yen (an increase of 5,212 million yen in outflow).

Net cash used in investing activities increased by 1,611 million yen from the previous fiscal year to 70,144 million yen. This was mainly attributable to purchase of property, plant and equipment of 26,672 million yen (an increase of 8,698 million yen in outflow from the previous fiscal year), acquisition of investments of 27,777 million yen (an increase of 26,444 million in outflow), and acquisition of subsidiaries of 19,742 million yen (a decrease of 34,276 million yen in outflow).

Net cash used in financing activities decreased by 84,541 million yen from the previous fiscal year to 32,792 million yen. This was mainly attributable to dividends paid of 34,141 million yen (an increase of 5,099 million yen in outflow from the previous fiscal year).

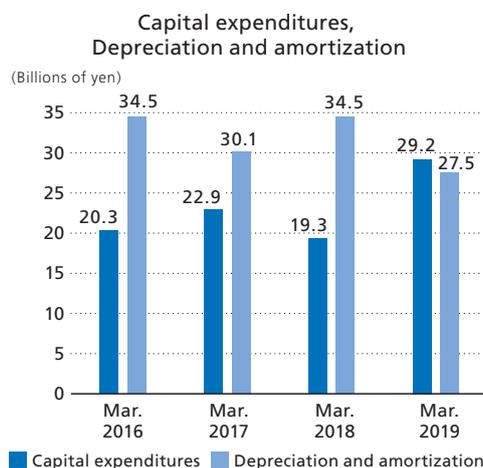


Capital Expenditures/Depreciation and Amortization

The total capital expenditures of all operations of the HOYA Group amounted to 29,204 million yen during the consolidated fiscal year ended March 31, 2019, an increase of 9,915 million yen over the preceding consolidated fiscal year.

In the consolidated fiscal year under review, investment in the Life Care business increased 78.8% to 19,108 million yen year on year, and investment in the Information Technology business increased 18.1% to 9,933 million yen year on year, which account for 65.4% and 34.0%, respectively, of the total capital expenditures by the Group.

The investment was covered by internally generated funds.



During the consolidated fiscal year under review, in the Life Care business, the HOYA Group invested in production facilities, primarily for eyeglass lenses, with the aim of increasing capacity of production plants and production efficiency, and optimization.

In the Information Technology business, the HOYA Group invested in production facilities, primarily for glass substrates for HDDs offering new areas of application.

Depreciation and amortization (including impairment losses) for the fiscal year under review were 27,515 million yen, 20.3% lower than in the previous fiscal year.

Policy Concerning Decisions on Appropriation of Retained Earnings, etc.

The HOYA Group aims to maximize corporate value by developing its business operations under Group management from a global perspective and adjusting the business portfolio in the process to suit changes in the times and the environment.

Our basic policy on the appropriation of retained earnings is to determine the amount of dividend in consideration of the financial results of the fiscal year under review and medium- to long-term funding needs, striving to maintain an appropriate balance between shareholder return and the need for internal reserves for future growth of the Company.

We plan to apply the internal reserves for investments in the Life Care business, which we position as a growth business, for the purpose of increasing market share, entering into new markets, and developing and acquiring new technologies, on a priority basis. In addition to internal growth of existing businesses, we will actively pursue M&A opportunities to expand the business portfolio and achieve speedy business expansion.

In the Information Technology business, which we position as a stable revenue business, we will continue to make capital investments to increase technological strength, which is to become the source of our competitiveness, as well as investments for the development of next-generation technologies and new products.

The annual dividend, including the interim dividend of 45 yen per share that was already paid, was 90 yen per share. The consolidated dividend payout ratio was 28.0%.

In the fiscal year ending March 31, 2020, the Board of Directors of the Company passed a resolution for the acquisition of own shares in the amount of 60.0 billion yen in total.

