



Good Quality of Life



Advance of Technology



Progress of Globalization

Corporate Data

March 31, 2012

| | |
|---------------------|---|
| Company Name | HOYA CORPORATION |
| Head Office | 2-7-5 Naka-Ochiai, Shinjuku-ku, Tokyo 161-8525 Japan |
| Established | November 1, 1941 |
| Business Domains | HOYA is a Japanese multinational company and the leading supplier of innovative precision products based on its optics technologies. HOYA is active in the fields of Life Care and Information Technology providing eyeglasses, medical endoscopic system, intraocular lenses, optical lenses as well as key components for the semiconductor devices, LCD panels and HDDs. |
| Paid-Capital | 6,264,201,967 yen |
| Number of Employees | HOYA Group Total; 32,363 |
| Revenue | 376,940 million yen (2012.3 Conosolidated, all operations) |
| Profit before Tax | 58,530 million yen (2012.3 Conosolidated, all operations) |

Main Products

| | |
|-------------|---|
| Electronics | <ul style="list-style-type: none"> ● Mask blanks/photomasks for semiconductors ● Photomasks for LCDs ● Glass disks for hard disk drives |
| Imaging | <ul style="list-style-type: none"> ● Optical lenses/glasses ● Lens modules for digital camera ● Micro lenses ● Lazer equipments |
| Health Care | <ul style="list-style-type: none"> ● Eyeglass lenses ● Contact lenses and accessories |
| Medical | <ul style="list-style-type: none"> ● Medical endoscopes ● Intraocular lenses ● Bone prosthesis |
| Other | <ul style="list-style-type: none"> ● System architecture |

Directors

Board of Directors and Executive Officers (as of June 20, 2012)

| | |
|------------------------|---|
| Yuzaburo Mogi | Director*, chairman of the Nomination Committee, member of Compensation Committee and member of Audit Committee (Honorary CEO, Chairman of the Board of Kikkoman Corporation) |
| Eiko Kono | Director*, chairman of the Compensation Committee, member of Nomination Committee and member of Audit Committee (Formerly, Special Advisor to RECRUIT Co., Ltd.) |
| Yukiharu Kodama | Director*, chairman of the Audit Committee, member of Nomination Committee and member of Compensation Committee (President of the Mechanical Social Systems Foundation) |
| Itaru Koeda | Director*, member of the Nomination Committee, member of Compensation Committee and member of Audit Committee (Chairman Emeritus and Advisor of Nissan Motor Co., Ltd.) |
| Yutaka Aso | Director*, member of Nomination Committee, member of Compensation Committee and member of Audit Committee (Chairman and Representative Director of Aso Corporation) |
| Hiroshi Suzuki | Director, President & CEO |
| Kenji Ema | Director, Executive Officer & CFO |
| Taro Hagiwara | Executive Officer, Technology |

* Mr. Yuzaburo Mogi, Ms. Eiko Kono, Mr. Yukiharu Kodama, Mr. Itaru Koeda and Mr. Yutaka Aso are outside directors as indicated in the 15th item, Article 2 of the Companies Act.

History

1940s

| | | | |
|------|-----|---|---|
| 1941 | Nov | An optical glass production plant was established in the city of HOYA in metropolitan Tokyo, and production of optical glass began. |  |
| 1944 | Aug | The plant incorporated with capital of 1.2 million yen. | |
| 1945 | Oct | HOYA discontinued production of optical glass at the end of Second World War and launched crystal products. |  |

1950s

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|------|-----|--|--|
| 1952 | Feb | The manufacture of optical glass BK7 (borosilicate glass) resumed. | |
|------|-----|--|--|

1960s

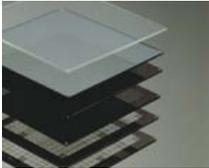
| | | | |
|------|-----|---|---|
| 1960 | Nov | Showa Plant (Akishima city, Tokyo, the present Akishima Plant) was established. |  |
| 1961 | Oct | HOYA listed on the Second Section of the Tokyo Stock Exchange. | |
| 1962 | May | The manufacture of eyeglass lenses began. |  |
| 1967 | Apr | The company launched progressive multifocal lenses. |  |

1970s

| | | | |
|------|-----|---|--|
| 1972 | Dec | The production of soft contact lenses began. | |
| 1973 | Feb | HOYA listed on the First Section of the Tokyo Stock Exchange. | |

| | | | | |
|------|-----|--|--|---|
| 1974 | Jan | Nagasaka Plant (Yamanashi prefecture) was established and the Company began production of IC substrates. The company introduced online ordering system for eyeglass lens. |  |  |
|------|-----|--|--|---|

1980s

| | | | | |
|------|-----|--|---|---|
| 1983 | Jan | Hachioji Plant (Tokyo) was constructed and production of photomasks for semiconductors began. |  | |
| 1984 | Aug | The Company renamed HOYA Corporation, and the current Head Office was completed. | | |
| 1985 | May | Production of large photomasks for LCD began. |  | |
| 1986 | Oct | R&D Center in the city of Akishima was completed. |  | |
| 1987 | Jun | HOYA launched intraocular lenses (IOLs) and aspherical molded-glass lenses. |  |  |
| 1989 | Apr | HOYA established HOYA Europe B.V. in the Netherlands (currently HOYA Holdings N.V.) and HOYA Corporation USA to reinforce global management. |  | |

1990s

| | | | | |
|------|-----|--|---|--|
| 1991 | Mar | HOYA launched glass disks for HDDs. |  | |
| 1993 | Oct | First Group's Philosophy of Environment issued. | | |
| 1995 | Jun | HOYA invited the first outside director. | | |
| 1996 | Aug | HOYA formed an alliance with IBM to develop a next-generation glass disk for HDDs. | | |
| | Nov | Kumamoto Plant was completed. | | |

| | | |
|------|-----|--|
| 1997 | Apr | HOYA introduced its “internal company system,” reorganizing Group operations centered on two internal companies (Electro-Optics and Vision Care) and three subsidiaries (HOYA Photonics, Inc., HOYA Healthcare Corporation, and HOYA Crystal Corporation). |
| | May | HOYA established HOYA Holdings Asia Pacific Pte Ltd, as the third regional HQ after HOYA Holdings N.V. and HOYA Holdings, Inc., the regional HQs for Europe and North America, respectively. |
| | Dec | HOYA LENS DEUTSCHLAND became the first Group company to receive ISO 14001 certification. |
| 1998 | Apr | HOYA began the quarterly release of consolidated financial results. Itsukaichi Plant became the Group's first domestic facility to receive ISO14001 certification. |
| 1999 | Feb | All major domestic plants received ISO14001 certification. |

2000s

| | | | |
|------|-----|---|--|
| 2000 | Jul | HOYA acquired manufacturing section of photomasks for semiconductors from OKI Electric Industry Co.,Ltd. | |
| 2001 | May | HOYA launched HOYALUX Summit Pro and NuLux lenses that use EYRY, a high-index, plastic lens material. |  |
| | Oct | HOYA began manufacturing soft intraocular lenses. | |
| 2002 | Aug | Technical alliance formed with Dai Nippon Printing Co., Ltd. to jointly develop mask blanks for next generation semiconductors. | |
| 2003 | Jun | HOYA established a company-with-committees system. | |
| | Jul | HOYA transferred its global financial management operations to regional HQ in Europe. | |
| 2004 | Mar | HOYA acquired the HDD glass disk business of Nippon Sheet Glass Co., Ltd. | |
| | Oct | HOYA established a Level 1 American Depositary Receipt (ADR) program. | |
| 2005 | Nov | HOYA common stock split four-for-one. | |
| 2006 | Mar | Subsidiary HOYA Advanced Semiconductor Technologies Co., Ltd. was merged with HOYA Corporation. | |
| 2007 | Aug | As a result of the tender offer, PENTAX became a consolidated subsidiary of HOYA Corporation. | |
| 2008 | Mar | HOYA and PENTAX merged. |   |
| 2009 | Mar | HOYA terminated the Crystal business. | |
| | Sep | HOYA launched the first small incision preloaded insert system “iSert” in the USA. |  |
| | Oct | The eyeglass division relocated its headquarters from the Netherlands to Thailand, home to a cutting-edge production facility. |  |

2010s

| | | |
|------|-----|---|
| 2010 | Jan | HOYA Healthcare Co. Ltd. was absorbed by HOYA Corporation and became Eye Care |
| | Jun | Division. |
| | Oct | HOYA sold the HDD glass media manufacturing business. |
| | | HOYA transferred the specialty glass business for imaging sensor to its wholly owned subsidiary, HOYA CANDEO OPTRONICS. |
| 2011 | Oct | HOYA sold PENTAX Imaging Systems business to Ricoh Company, Ltd. |

Products

HOYA secures stable earnings and sustained corporate growth by adopting portfolio management with multiple business segments.



Information Technology
**Mask Blanks/Photomasks
for Semiconductor Manufacturing**

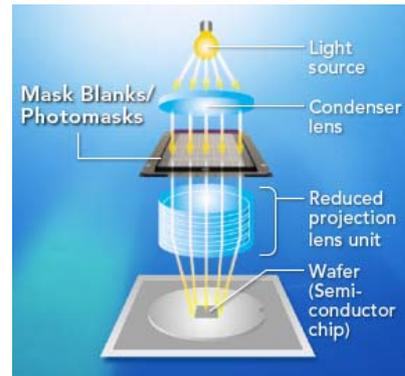


Mask Blanks/Photomasks for Semiconductor Manufacturing

Mask blanks and photomasks are essential in the production of semiconductor chips. They are the master plates used to transfer the minute, highly complex circuit patterns for semiconductors onto the wafers that become IC chips. A mask blank is a six-inch glass substrate polished precisely* and coated with a metallic film and photosensitizing agent. This substrate becomes a photomask when a circuit pattern is drawn onto it with an electron beam (EB) or laser. In the production of semiconductors, an exposure system is used to transfer the circuit pattern on the photomask onto the semiconductor wafers.

* HOYA's mask blanks are polished flat to an accuracy of less than one thousandth of a millimeter, with a surface roughness of only one millionth of a millimeter (one nanometer).

HOYA's mask blanks boast an overwhelming market share. The company provides a wide variety of mask blanks, from those for leading-edge development, to commoditized products, to semiconductor manufacturers and photomask manufacturers in Japan and overseas. In addition to ensuring a stable supply of high-quality products, HOYA customizes its products to suit the process of each customer. It thus provides high added value, including contributing to the improvement of customer yields.



Transfer image of circuit pattern in the exposure process

Toward Progress in the Miniaturization and Development of EUV Lithography

As the circuit density of semiconductors has been growing greater, design rules (the width of the lines of the circuit drawn on a wafer) have been becoming finer every year — from 90nm to 65nm, 45nm, and 32nm. As of 2012, the line width of advanced circuits has been scaled down to as narrow as 28nm, or even 22nm. Amid this trend toward miniaturization, fine circuit patterns need to be drawn with high precision and resolution. The trend also requires flawless quality, that is, mask blanks and photomasks with absolutely no scratches or distortion.

Meanwhile, the development of extreme ultraviolet (EUV) lithography has been in progress. EUV's wavelength is only 13.5nm, while the wavelength of the ArF laser, the current light source of exposure systems used in semiconductor production, is 193nm. As the next light source, EUV is being

developed to enable further semiconductor miniaturization. It is expected to lead to even higher-density semiconductors. Electronic devices that incorporate such chips will be faster, smaller and more versatile. It appears that the commercial production of these semiconductors will not begin until 2015 at the earliest, which means that it will take some time. HOYA is progressing steadily with the development of mask blanks and photomasks that will work with EUV lithography.

Progress in miniaturization is expected to lead to demand for even higher specifications of mask blanks and photomasks. As the leading company in mask blanks, HOYA will continue to support the semiconductor industry by developing state-of-the-art technologies.



IBD (Ion Beam Deposition) system to form reflective Mo/Si multilayer for EUV lithography

Information Technology

Large-Size Photomasks for Liquid Crystal Displays



Large-Size Photomasks for Liquid Crystal Displays

LCD photomasks are the master plates used in the manufacture of the LCD panels found in LCD televisions, computer monitors, and smartphone screens. They are the essential parts for LCD panel production. In 1985, HOYA pioneered the development and production of LCD photomasks by applying its technologies for semiconductor photomasks.

LCD panels have grown significantly in the past ten years, led by growing demand for LCD televisions, which has been increasing in size every year. Accordingly, HOYA's LCD photomasks have also grown larger. In addition to the size, the required level of mask quality has been getting higher. Amid this trend, HOYA provides panel manufacturers with high-quality, high value-added products by making use of the technologies it has cultivated through the development of semiconductor photomasks.



LCD photomasks

Toward Further Growth

In addition to the spread of LCD TVs, recent years have also seen the explosive growth of smartphones. This has resulted in a significant increase in demand for medium- and small-size photomasks. Unlike those for LCD TVs, these photomasks are generally required to be highly precise. This is another area in which HOYA's technological excellence is utilized.



LCD Photomask plant in Taiwan

Information Technology
Glass Memory Disks for Hard Disk Drives

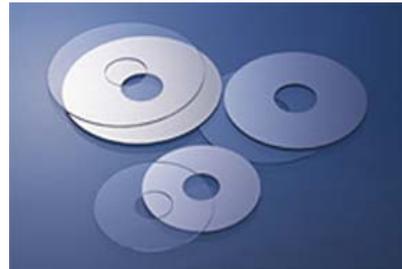


Glass Memory Disks for Hard Disk Drives

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

HOYA, a pioneer in the development of the glass memory disks, manufactures and sells the substrates (polished glass) of the glass disks. The majority of sales are from 2.5-inch disks, which boast superior surface smoothness and readiness for large-capacity HDDs. Due to these advantages, HOYA holds a global market share of over 70% for these disks.

The HDD market is expected to continue expanding alongside growing demand for even larger capacities in data storage, with HDDs remaining competitive in terms of both price and reliability. This is despite the emergence of a number of competing storage device technologies, including Internet-based cloud computing and solid state drives (SSD) using flash memories. At the same time, higher storage densities in HDDs will require glass disks of even higher quality.



Glass disks for HDDs

Growing Capacity of Glass Memory Disks

The capacity of HDDs has been growing rapidly, from 160 gigabytes (GB) through 250GB to 320GB. Currently, products with a capacity of 500GB per platter are being produced commercially. The capacity increase of HDDs requires improvement in the quality of glass memory disks. In this environment, HOYA will continue to respond to customer needs through the stable production of high-quality products by taking advantage of its technological excellence.



Glass disk (substrate) plant in Vietnam

Information Technology
Optical Glass/Optical Lenses



Optical Glass

HOYA provides glass with the optical properties demanded by the market. The data on glass composition included in the database amounts to as many as 50,000 pieces. Around 100 of them are used for the lenses that HOYA currently provides. As an expert in optical lenses, HOYA considers not only the optical properties but also the ease of processing of its products.



Optical glass

Optical Lenses

HOYA's optical lenses can be categorized into two basic types: polished glass lenses (spherical lenses) and molded glass lenses (aspherical lenses). HOYA's aspherical lenses are formed at high temperatures in metal molds from molten optical glass.

Because of their sophisticated shapes, aspherical lenses offer excellent correction for aberrations, making it possible to shorten focal distances and reduce the number of lens elements. This contributes to higher functionality for optical devices like digital cameras, as well as to the smaller size and lower weight of such devices.

HOYA will continue to support the further evolution of optical lenses by taking advantage of its integrated system of production, from glass materials to finished lenses, and by developing glass materials that add value to products.



Aspherical molded glass lenses

Life Care
Eyeglass Lenses



Eyeglass Lenses

As a global manufacturer of eyeglass lenses, HOYA has passionately driven optical technology innovation with the aim of finding only the best vision solutions. As HOYA tirelessly pursues better ways to manipulate light, HOYA knows that the sharp focus of its Research and Design will lead to higher quality lens solutions.

HOYA has been a leader in innovative optical technologies for over 50 years. HOYA's passion for creating the most profound vision solutions identifies the unwavering promise to provide eye care professionals and their patients with powerful optical technologies.

HOYA's proprietary technologies and award winning designs create the ultimate benchmark in lens performance, style and comfort.

BALANCED VIEW CONTROL

Balanced View Control is HOYA's unparalleled technology that creates a profoundly clear vision experience for the progressive lens wearer. Patented 3D visualisation methods are used to simulate and verify the patient's visual perception when looking at objects at various distances, in different directions of gaze and while moving.

INTEGRATED DOUBLE SURFACE DESIGN (iD)

iD is HOYA's patented, award-winning design technology that separates the surface geometry of progressive lenses into two components: vertical and horizontal, positioned individually on each of the two lens surfaces. Thanks to this technology, HOYA's premium progressive lenses can be individually designed; each patient's unique visual and lifestyle requirements can be integrated in the lens design to provide them with the most comfortable and accurate vision, tailored to their individual needs.

In addition to its range of high value-added lenses and to answer the increasing demand for low cost, entry-level products, especially in emerging markets, HOYA provides a wide range of commodity eyeglass lenses to meet consumer requirements worldwide.



Life Care

Contact Lens and *Eyecity*



***Eyecity*, a Chain of Contact Lens Specialty Stores**

HOYA directly manages *Eyecity*, one of the largest chains of contact lens specialty stores in Japan. *Eyecity's* strength lies in the way it sells products to customers, with the store staff suggesting the optimal product for each customer as they undertake consultations with them.

Eyecity also boasts a wide array of products from renowned manufacturers all over the world. As of March 31, 2012, HOYA operates a total of 192 *Eyecity* stores throughout Japan. The contact lens market in Japan is faced with the demographic problem of the low birthrate and longevity. Young people in the population, who are potentially new contact lens customers, are in decline. Despite this trend, *Eyecity* secures a high level of customer satisfaction through its high-quality customer service. As a result, it has continued to expand its business steadily and maintains the largest share in the contact lens retail market in Japan.

At each *Eyecity* store, well-experienced professional staff, equipped with the appropriate knowledge and the latest product information, sell products to customers through individual dialogues with them. On the advertising and sales promotion front, *Eyecity* has continued to convert from paper media such as flyers and free community paper inserts to TV commercials and digital media including internet ads and e-mail newsletters. This has contributed greatly to winning new customers.

In March 2011, *Eyecity* introduced its new logo. The logo was designed in the motif of an eye, as the symbol of the company's focus on beautiful eyes. The large circle symbolizes a beautiful eye, while the small circle expresses the light reflected from the eye. The bright, moist eye symbolizes *Eyecity's* pride and determination as a company that provides customers with consultations to make their eyes more attractive.



Life Care
Intraocular Lenses



Intraocular Lenses for Cataract Treatment

The number of cases of cataracts attributed to aging has been growing rapidly due to the aging of the global population. Cataracts are a disorder of the eye, or clouding that develops in the crystalline lens of the eye due to aging. They not only cause vision loss, but potentially lead to blindness if untreated. An intraocular lens (IOL) is an artificial crystalline lens used in an eye from which a clouding crystalline lens has been removed during cataract surgery. It is an innovative medical device that enables people who once suffered from cataracts to see normally again.

There are two types of IOLs. One is a hard lens. The other is a soft, foldable intraocular lens that allows the optical portion to be bent, permitting insertion through a small incision. In recent years, demand for soft IOLs has been growing as they reduce the burden on patients during surgery.

HOYA manufactures and sells lens injection systems that facilitate surgery, along with soft, foldable IOLs that can be inserted through extremely small incisions (the world's smallest 1.8mm incisions). In 2007, the company released the iSert™ pre-loaded IOL delivery system. This product boasts significantly higher operability than conventional products, and is contributing to healthcare as a solution that ensures safe, secure cataract surgery.

The mainstay product, the iMics1, is a revolutionary IOL featuring both a sharp edge and smooth optical surface. HOYA developed this product by using materials proven to be safe and effective and by designing the aspherical surface in a unique way. The company provides ophthalmologists with the product in a pre-loaded surgical insertion system, which also minimizes the incision size.

In 2009, HOYA entered the United States, the world's largest cataract IOL lens market. The company commenced full-scale operation in the country with the iSert, the country's first pre-loaded IOL delivery system permitting a small incision size.

In Japan, HOYA launched the IOL business in 1987, or 25 years ago. The company's products are highly acclaimed in hospitals and clinics for their superior operability, as well as the high-quality lenses.

In 2011, HOYA transferred the headquarters of this business from the United States to Singapore. The company has since been working on expanding the business in the global market.



Pre-loaded IOL delivery system "iSert™"



IOL plant in Singapore

Life Care
Medical Endoscopes



Medical Endoscopes

Medical flexible endoscopes are used to examine the interior of human organs, permitting the early detection and treatment of disease in the organs. They are used in minimally invasive medical procedures, and are therefore being introduced worldwide as a method that is beneficial for both physicians and patients.

Medical flexible endoscopes have been used mainly for the observation and examination of abnormal regions. They now also permit the immediate treatment of observed abnormal regions. With this and other improvements in functions and performance, the range of use of the endoscopes has been expanding year by year.

In recent years, there has been an increasing number of countries where colorectal examinations using endoscopes are recommended for people who have reached a certain age. Accordingly, medical practices using flexible endoscopes are expected to continue spreading.

HOYA provides the i-Series endoscope systems, which permit the megapixel resolution of images. With a wide array of products, including video scopes and fiberscopes, and high-quality after-sales services, HOYA contributes to diagnosis, treatment, and medical research in diverse departments, including those related to the digestive organs, otorhinolaryngology, and respiratory disease.

The i-Series products, which were launched in 2007, are highly acclaimed for the megapixel resolution of endoscopic images, enabled by technologies that significantly improved picture quality and image processing performance over previous products.

In addition, HOYA is also applying its creative technologies to the development of products that will contribute greatly to the early detection of affected areas, such as the autofluorescence imaging endoscope, confocal endoscope, high-power endoscope, and ultrasound endoscope.

The company has also developed and manufactures endoscopic treatment tools. Combined with endoscopes, these tools permit the collection of body tissue samples and the incision of affected areas without opening the abdominal cavity. Medical practices using endoscopes have gone through various evolutions, from "mere observation," to "detection of affected areas," to the phase of "diagnosing and treating abnormal areas" without opening the abdominal cavity.



Endoscope system



Distal end of scope



Laparoscopic surgical instrument

Life Care
Bone Prostheses



Bone Prostheses(Prosthetic ceramic fillers)

Apatite products, the mainstay products of HOYA's New ceramics division, are used mainly in the fields of orthopedics, brain surgery and dentistry as prosthetic fillers for bone defects. APACERAM, one of HOYA's apatite products, boasts the overwhelming top share in the ceramic artificial bone market. It is made of hydroxyapatite, a chemical compound that is virtually the same as the constituents of human bone. Hydroxyapatite implantation is safe, and in fact, over time, the implant is partially resorbed and replaced by natural bone, as it becomes part of the body.

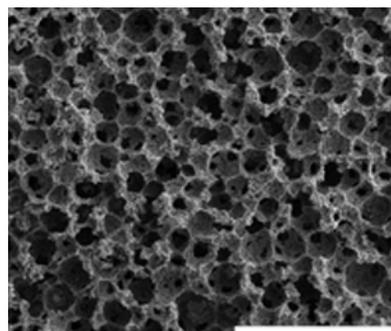
HOYA also launched a solid-type prosthetic filler, SUPERPORE™, in 2010.

The Company also launched a paste-type prosthetic filler, BIOPEX® ADVANCE, which reaches maximum strength in just 12 hours after surgery. This gained kudos for greatly improving the quality of life of patients, by enabling them to rise up the day after surgery.

In 2012, HOYA could gain a foothold through entering the market for metallic implants, which has a size of 120 billion yen. The company is determined to focus its efforts on the development of new products combining ceramics and metals.



SUPERPORE™



Porosity of SUPERPORE™

Business Strategy

HOYA aims to be a global niche company by creating new markets with proprietary technologies.

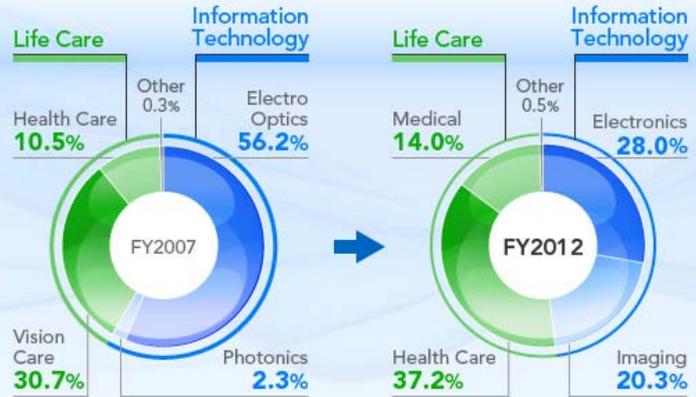
The idiom “big fish in a small pond,” is a straightforward way of expressing HOYA's business strategy. In other words, HOYA seeks to maintain its position as an industry leader in the niche market where it creates pioneering products. HOYA maintains high market share and maximizes corporate value by creating new markets with its proprietary technologies.



Portfolio Management

HOYA aims to achieve sustained growth by revamping its business portfolio according to market needs.

HOYA Group operates on the basis of portfolio management, which ensures the profitability, stability, and growth potential of the Group as a whole, while maintaining a balance among its multiple, diverse business segments. HOYA allocates investments according to changing times, working to both maximize corporate value and ensure sustained growth.



Global Strategy

HOYA develops global businesses and establishes a global organization to support it.

HOYA is operated and managed through global consolidated group management. The independent management teams of business segments, including Information Technology and Life Care are responsible for executing management strategies. Regional headquarters in America, Europe and Asia support business operations by strengthening relationships with countries and areas in the respective regions such as by providing legal support and conducting internal audits.



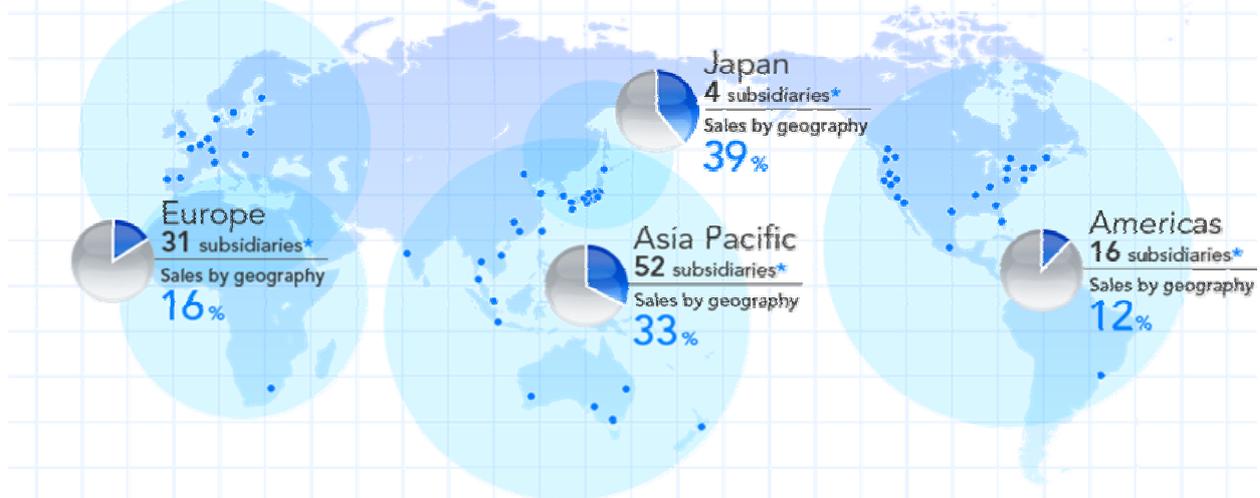
Building a Global Business

HOYA seeks optimal local production and optimal local sales on a global scale.

To deliver HOYA's products and services to customers around the world quickly and efficiently, HOYA is accelerating the shift of its production and sales bases overseas, with a focus on matching optimal local production and optimal local sales with its worldwide business. As of March 2012, overseas production accounted for 70% of total production, and overseas sales approximately 60% of total sales.



* Number of consolidated subsidiaries



Global Personnel Organization

HOYA promotes global personnel to executive positions.

As of March 2012, the total number of Group employees stood at approximately 32,000 persons, of which about 90% are overseas personnel. As it expands its business to the world, HOYA encourages localization, and this includes appointing local staff to management roles.

Employees by region

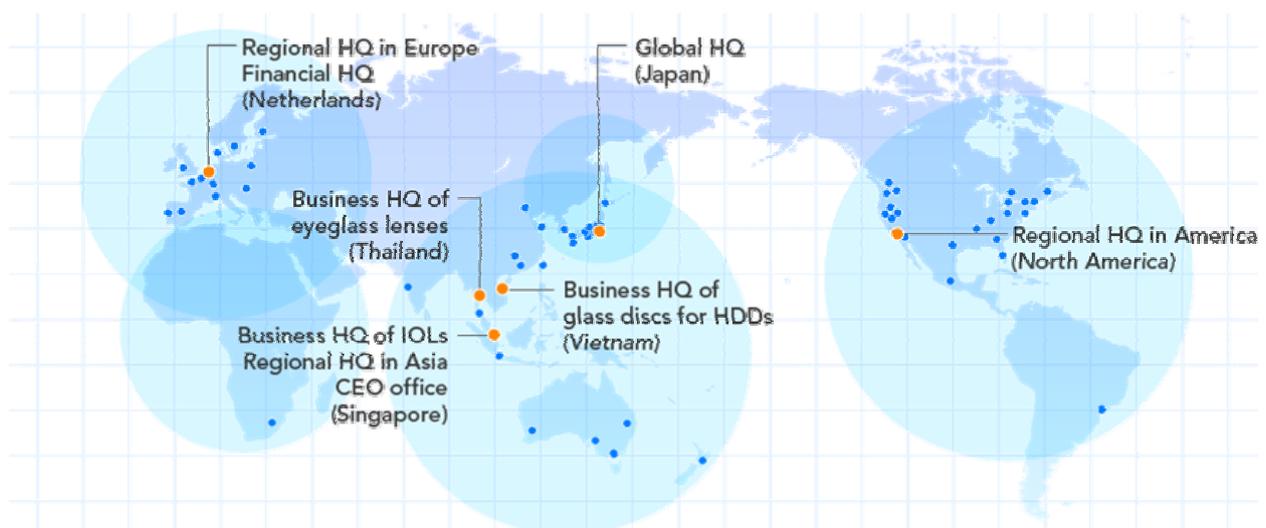


Global Management

HOYA accelerates the globalization of management in step with the globalization of its businesses.

Among various businesses, the three Life Care businesses (medical endoscopes, eyeglass lenses and intraocular lenses) for which business strategies need to be formulated and executed particularly from a global perspective are headed by personnel with a wealth of knowledge and experience in their respective fields, regardless of nationality. Each division develops business at the optimal location.

HOYA shifted its financial headquarters in 2003 to the Netherlands, the optimal location for formulating and executing financial strategies. In 2011, HOYA established a CEO Office in charge of the Group's portfolio strategies in Singapore, which is located in a center of Asian markets that are expected to enjoy substantial growth in the future. The CEO Office takes command of Hoy's global strategies.



Financial Strategy

HOYA aims to maximize corporate value by adopting Shareholders Value Added (SVA) as a management benchmark.

In 1997, HOYA changed its management benchmark from return on equity (ROE) to shareholder value added (SVA), which takes into consideration the cost of capital. ROE, an index that emphasizes the effective use of capital, measures the profit a company has made using the capital that its shareholders have entrusted to it. In contrast, SVA takes into account the cost of capital, so it attaches great importance to the corporate value. It subtracts the cost of capital from the net income generated by business activities, yielding the added value that has actually accrued to the corporate. Prior to 1997, HOYA had already adopted a management stance of "consider shareholders first." It then took this principle one step further with the adoption of the SVA index, as part of its commitment to maximizing corporate value.

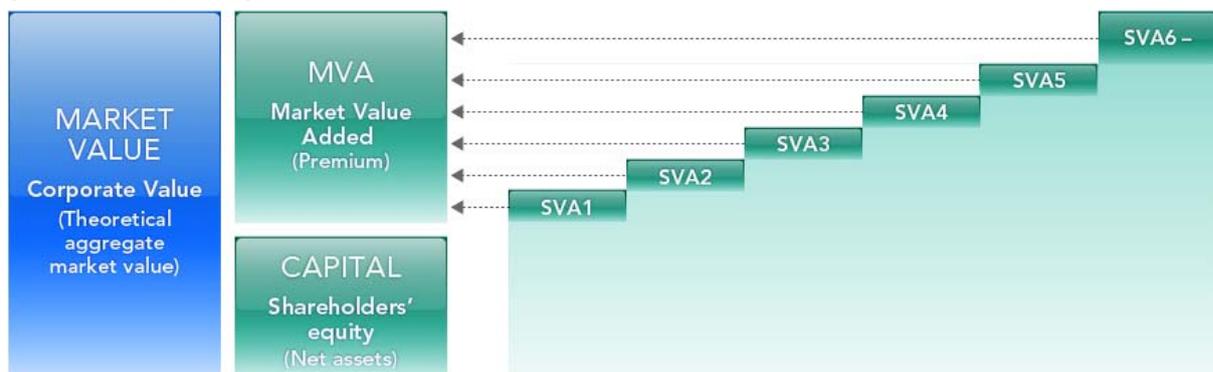


SVA management

Corporate value-oriented management focused on the extent to which profit has exceeded the cost of capital.

SVA management emphasizes the extent to which the profits a company generates exceed the cost of assets, using the company's assets. When profits exceed the cost of capital, corporate value increases. SVA management satisfies all of the company's stakeholders first, and then increases corporate value.

SVA and MARKET VALUE



* MVA is the aggregate each year of single-year SVA discounted by the cost of capital at current value.

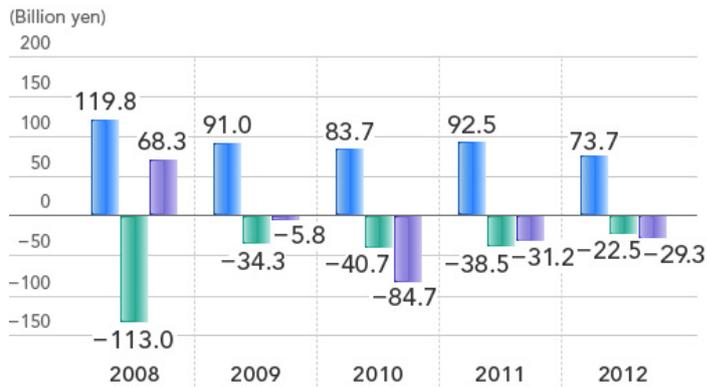
Cash Flow Management

HOYA emphasizes capital efficiency in its management.

In 1998, HOYA became one of the first Japanese companies to begin disclosing cash flow statements quarterly together with the traditional financial statements.

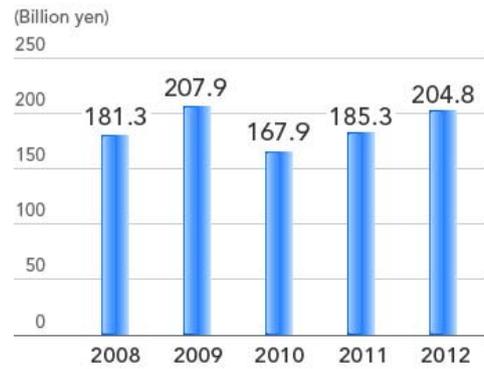
From early on, HOYA has sought to emphasize capital efficiency in its management.

Cash Flow



- Net Cash provided by operating activities
- Net Cash used in investing activities
- Net Cash used in financing activities

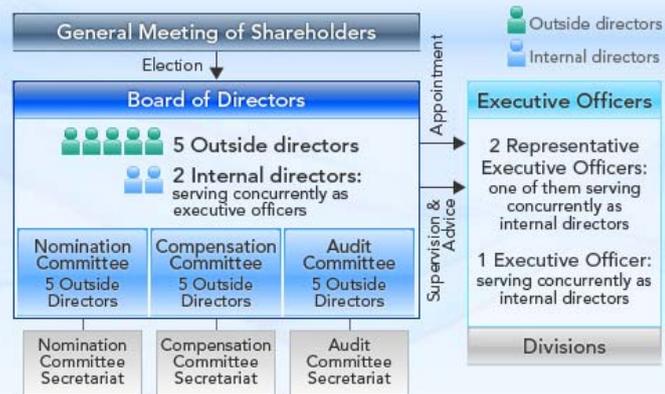
Cash and cash equivalents, end of year



Management Transparency

**Highly Transparent Corporate Governance System
with more than half of the Board coming from outside the Company**

In order to keep guard against the potential for stagnation in the Board of Directors system, HOYA has gradually reduced the number of directors, and in 1995 began appointing outside directors. The current Board of Directors comprises five outside directors and three internal directors, for a total of eight. With more than half of the Board coming from outside the Company, management supervision is enhanced and transparency is ensured. HOYA is governed under the “company with committees” system as defined by the Companies Act of Japan. All members of the Nomination Committee, Compensation Committee and Audit Committee are outside directors, helping to enhance the soundness of HOYA’s management.



Changes in the number of directors



(As of June 20, 2012)

Environmental activities —HOYA’s Approach to the Environment—

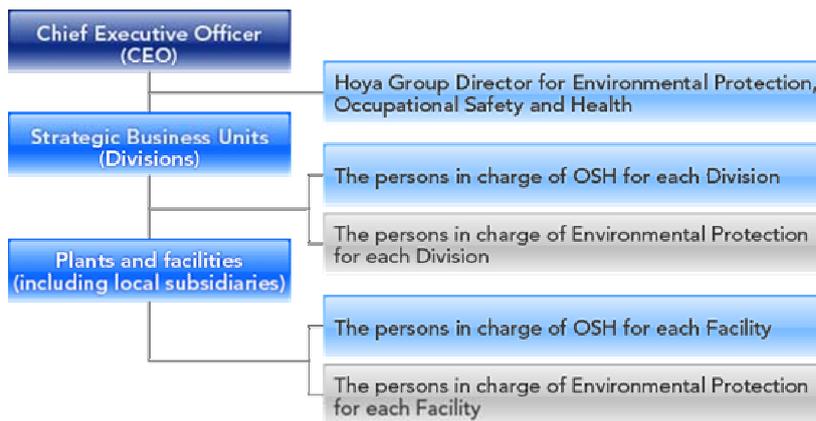
HOYA actively engages in environmental preservation efforts as part of its corporate social responsibility in order to pass on to future generations a global environment in better shape than today.

Administrative structure for the Group-wide environmental protection

HOYA’s environmental protection activities had their inception when the Pollution Control Committee was created for each factory of the Group in 1976. Then the HOYA Group Environmental Philosophy and Fundamental Environmental Policies were formulated in 1993, and the Rules for the Group’s Environmental Management Organization were established in 1996. Thus, according to those guidelines and rules, the environmental protection (conservation) organization of the HOYA Group had been managed under the supervision of the Headquarters Environmental Conference as the supreme decision-making body headed by the CEO.

In October 2008, the environmental protection organization and the occupational safety and health organization of the Group were merged with each other, and consequently the above-mentioned Headquarters Environmental Conference was abolished. Since then, with the new structure supervised by the HOYA Group Director for Environmental Protection, Occupational Safety and Health, the Group has been conducting various activities of environmental protection.

HOYA Group Environmental and Occupational Safety and Health (OSH) Organization



At the end of March 2010, the basic specifications for the environmental facilities (installations) within HOYA were defined, and the HOYA Group Environmental Protection Standard for Facility was issued with the purpose of preventing such installations from having any harmful impact on the environment inside and outside the workplaces. With the issuance of the standard, the Group is now ready to introduce environmental facilities (installations) after careful consideration of possible environmental burdens inside and outside the workplace from the design stage.

Case examples of activities for reducing environmental burdens

The HOYA Group has been carrying out various environmental burden reduction activities under its Environmental Philosophy and Fundamental Environmental Policies.

1. Soil pollution control measures, underground water pollution control measures, hazardous substance leak control measures

● Use of double-shell structure for underground tanks

It is difficult to take adequate leak prevention measures for underground tanks, which do not allow airtightness tests often used to check hermetically-sealed tanks. Therefore, a measure normally taken is applying an anticorrosion coating on the inside surfaces of the tank and conducting periodic inspections to check for cracks. However, a drawback of such a measure is that by the time any defect is discovered, a hazardous substance may have already leaked outside, thus requiring lots of manhours to remedy the situation.

At our plant in Hokuto City, Yamanashi Prefecture, a project is going on and will be completed in the fiscal year 2012. In the project, a coating sheet made of FRP (fiber-reinforced plastic) will be installed on the interior walls of existing underground organic waste fluid tanks. This is to make over those tanks into a double-shell structure according to the HOYA Group Environmental Protection Standard for Facility, which was issued in March 2010 in anticipation of the revision of the Water Pollution Control Act in June 2012. The makeover will include the installation of leak detecting tubes between the coating sheet and the wall to detect leaks if any. The plan for this project was formulated in the fiscal year 2011.

● Renewal of aging tanks at the effluent treatment facility and repair of tank dikes in chemical storage area

At our plant in Koka City, Shiga Prefecture, the aging PAC tanks of the chemical tanks at the effluent treatment facility were replaced with new ones as a measure to reduce the risks of environmental accidents due to tank failures.

Also, the tank dikes in the chemical storage area of the effluent treatment facility within the Koka plant were subjected to the following improvements in compliance with the HOYA Group Environmental Protection Standard for Facility:

- Separation of adjacent acidic and alkaline tanks from each other
- Division of the interiors of the tank dikes into the acidic and the alkaline sections
- Repair of tank dikes showing advanced corrosion

2. Proper Disposal of Industrial Waste

● Disposal of low-concentration PCB waste

Until recently, there has been no well-defined method for disposal of waste containing low-concentration PCB (polychlorinated biphenyl). Thus such waste was stored within the factory after taking some leak prevention measure for it. With the arrival of a combustion disposal method, it is now possible to entrust the disposal to a licensed contractor. In the fiscal year 2011, therefore, our plant at Hokuto City, Yamanashi Prefecture consigned the disposal of four units of high-voltage transformers as waste containing low-concentration PCB to a licensed contractor. In this commission of disposal, the contractor was asked to faithfully observe the Japanese government's Guidelines for Collection and Transportation of Low-concentration PCB Contaminated Electrical and Other Waste and other applicable laws and regulations. Also, it was confirmed that the collection and transportation of the units to the disposal site should be performed properly and

safely according to the preliminary agreements and in compliance with the Road Traffic Act and other related laws and regulations. Thus, prior confirmation between the parties concerned covered the operation procedure including that for the purging of oil before the transportation, the safety management system to be employed, the qualification of the workers, the emergency response when necessary, etc., and the disposal was completed in April 2012.

● Donation of profit on sale of industrial waste

The plant in Koka City, Shiga Prefecture outputted part of its industrial waste as valuables and donated the profit on sale of them to the “Mother Lake Shiga Campaign” site. The contribution was made twice in a year, which amounted to ¥239,016 in the first half of the fiscal year of 2011. The donated money will be used in environmental projects related to Lake Biwa. A description of the contribution was posted on the Internet web page of the Shiga Campaign Site.

● Recycling of the empty cases of contact lenses

The contact lens outlets “Eye City,” which are an operation of HOYA’s Eye Care Division, have been carrying out the Eye City ECO Project since 2010. This project aims to promote the recycling of the empty cases of the now-mainstream disposable contact lenses recovered at 193 outlets of ours in Japan. The empty plastic cases recovered by those retail outlets were sold to recycling contractors, and the Division contributed the payment received for the sale plus the equal amount of the HOYA donation to the Japan Eye Bank Association.

The total of the donations from April 2010 to September 2011 amounts to ¥1,223,560.

The recovery of the empty cases from this recycling activity amounts to 40.86 tons, which is equivalent to 128.71 tons of CO₂ reductions. The area of forest needed to absorb this amount of carbon dioxide is as wide as 5.6 Tokyo Domes.

As part of this recycling project, the aluminum seals on the empty plastic cases are also recovered and sold to the recycling contractors.

According to the survey of the Eye City Net members in August 2011, 68 percent of the members did not know that the empty cases of the disposable lenses can be recycled. Yet, 75 percent of the members responded to the questionnaire that they are willing to help the recycling by keeping the empty cases of the disposable lenses. Thus the Eye City ECO Project is now an activity increasingly appreciated and backed up by the Eye City Net members.

 Let's recycle the empty cases of disposable contact lenses!



Please drop your used lens cases in the Eye City Recovery Box.

3. Efficient use of resources

● Recycling of water in deionized water production

At our plant in Pyeongtaek City in Korea, the deionized water production line was expanded to two systems in answer to the rise in the use of deionized water. Until recently, the RO water* discharged from the process of deionized water production had been disposed of as wastewater. However, the reuse of this water in the newly added line is keeping the use of water at a limited level.

* RO (reverse osmosis) is a technique of causing a “reverse osmosis” by applying a large pressure to a semipermeable membrane in opposition to the osmotic pressure. The RO water is the water produced by the use of a reverse osmosis (RO) membrane.

4. Energy saving and power saving activities

● Installation of demand monitors and replacement of fluorescent lamps

The power supply in Japan today is precarious due to the shutdown of nuclear power plants after the tsunami disaster. In consideration of the situation and with

the purpose of reducing power cost, the plant in Koka City in Shiga Prefecture has installed demand monitors for measuring the electric energy consumed. The plan is to promote further energy saving through effective utilization of the demand monitors.

Also, in consideration of this power supply situations, the Koka plant carried out a replacement of 200 lamps by energy-saving type fluorescent lamps in the summer of 2011. As a result, it could achieve a reduction in power consumption of 41,975 kWh/year. Moreover, a reduction in power consumption of 61,320 kWh/year was additionally accomplished by eliminating 234 fluorescent lamp units by thinning out their locations.

Occupational Safety and Health

HOYA works to create a comfortable environment where every employee can work safely and in good health, both to support a meaningful life plan for employees and ensure the lasting development of the Company.

Administrative structure for the Group-wide Occupational Safety and Health

In 1995, the HOYA Group formulated its Occupational Safety and Health (OSH) Principles and Basic Policy, under which the Group promotes its OSH activities at its facilities throughout Japan and overseas. In October 2008 the Company integrated its environmental protection and occupational safety and health systems. Environmental protection and occupational safety and health activities are now carried out under a new system headed up by the HOYA Group Director for Environmental Protection, Occupational Safety and Health.

Safety Activities

Establishing an Occupational Safety and Health Management System

To ensure the safety and health of its employees, HOYA has established an occupational safety and health management system based on the Occupational Health and Safety Assessment Series (OHSAS) 18001 standards. As of March 31, 2012, 8 facilities in Japan and 28 facilities in 18 countries overseas have been certified by OHSAS 18001, a process that began in March 2002.

Initiatives to Utilize Risk Assessments in Reducing Risk

Along with the rising popularity of OHSAS18001 certification, the Company issued the HOYA Group Risk Management Guidelines for Occupational Safety and Health in November 2009. This guideline has since been used to bring more cohesion to the risk assessments among facilities, and to focus on safety measures based on hierarchy of risk reduction measures.

Measures to Ensure Machinery and Equipment Safety

In April 2005, with the aim of preventing accidents related to operating machinery and equipment, the HOYA Group Machinery Safety Standard was issued. Within the field of occupational safety measures, HOYA has placed utmost priority on the implementation of risk reduction measures for machinery and equipment right from the design stage.

Implementing Occupational Safety and Health Audits

To improve and enhance the performance of occupational safety and health systems, audits are conducted on a regular basis at facilities in Japan and overseas by a director and staff of the HOYA Group Environmental Protection and occupational safety and health. Measures are in place for implementing their providing advice and guidance with regard to legal compliance, improving safety and health performance.



Implementing Occupational Safety and Health Audits

Implementing Safety Education for the HOYA Group

HOYA holds meetings with occupational safety and health staff in Japan and overseas and provides consulting within the group to share information and improve skills on issues pertaining to the occupational safety and health. Currently, meetings of the persons in charge of environmental protection and occupational safety and health for each Division are held around three times a year and HOYA Group foreman training is held twice a year. Consulting on the subject matter within the group is provided mainly to the business bases overseas. Each of these activities contributes to raising the level of safety at the HOYA Group.



Implementing Safety Education for the HOYA Group

Corporate Governance

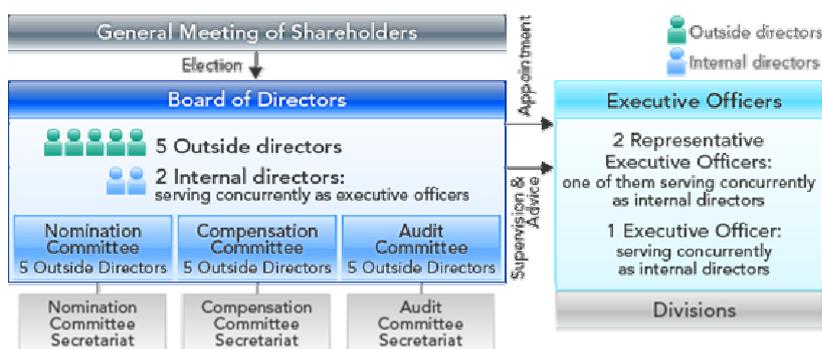
HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management.

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

“Company with Committees” Structure

HOYA corporation employs a “company-with-committees” management system, which was created as a result of a legislative amendment in June 2003. Under the “company — with - committees” management system, by giving executive officers authority to manage business, business decision makings are accelerated. At the same time, three committees - the Nomination Committee, the Compensation Committee and the Audit Committee - were established, with a majority of the members being outside directors (at HOYA, the committees are composed exclusively of outside directors), to ensure the effectiveness of management supervision by the Board of Directors. Adopting the “company-with-committees” management system enables us to clearly separate the execution and supervision of corporate management, whereas this was not possible with the previous “company-with-auditors” system. Through this system, we aim to ensure efficient management and improve the overall soundness and transparency of management.

Governance Structure



Board of Directors

HOYA's Board of Directors, in which Outside Directors comprise the majority of Board members (7 Directors, consisting of 5 Outside and 2 Internal Directors as of June 20, 2012), convene regular Board meetings 10 times a year as a general rule. Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, with globally-minded Outside Directors with a wealth of management experience supervising the execution of operations by Executive

Officers and providing them with advice from various angles. Also at the meetings, besides approving major business plans, a detailed information is provided to outside directors through means such as presentations by division managers regarding products and the competitive environment.

Executive Officers

At HOYA, three persons - namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Executive Officer in charge of Technology - are nominated by the Nomination Committee as candidates for Executive Officers and elected at the meeting of the Board of Directors as of June 20, 2012 (CEO and CFO concurrently serve as Internal Directors). Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carry out decision-making in a speedy fashion. Respective persons responsible for business divisions are instructed by the Executive Officers to formulate and execute specific policies based on the management policies decided at the meetings of the Board of Directors, and report the progress of businesses at the business reporting meetings, which are held more or less each month.

Committees

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

Nomination Committee

The Nomination Committee, which is comprised of 5 Outside Directors, selects candidates for Directors based on the "Basis for Election of Candidates for Directors" and proposes the candidates to the General Meeting of Shareholders for voting. It also selects candidates for Executive Officers and the Representative Executive Officer, and proposes the candidates to the Board of Directors for voting. As necessary, it makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting.

●Basis for Election of Candidate for Directors (Outline)

Those with appropriate personalities and insights as director and with no health problems in performing their duties. With regards to internal director candidates, they must have a high level of specialized knowledge in our business, excellent business decision-making ability and business execution ability, and excellent leadership, decision-making, analytical, forward-thinking and policymaking skills. Regarding candidates for outside directors, they must have extensive experience as business managers or be in positions as professionals in law, accounting, finance or similar fields. They must not have significant interests in the HOYA Group, be able to maintain their independence and participate in at least 75% of HOYA Group's board meetings.

●Criteria for Independence of Candidates for Directors

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

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

<Those related to the HOYA Group>

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

<Those related to a big business partner>

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

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

- Those who have received remuneration of JPY5 million or more per year from the HOYA Group in the past two years.

<Other categories>

- When directors are mutually dispatched between HOYA and other companies/organizations
- If the candidate's company has any other important interests within the HOYA Group

Compensation Committee

The Compensation Committee, which is comprised of 5 Outside Directors, builds a remuneration structure that gives more incentives to Directors and Executive Officers and assesses their work in an appropriate manner, with the aim to help improve HOYA's business performance. The Compensation Committee determines the remuneration of Directors and Executive Officers on an individual basis in accordance with the following policies.

● Remuneration etc. for the Director of the Company

(i) Basic Policy

The Company has established a Compensation Committee with the objective of "contributing to improvement of results of the Company by constructing a remuneration system that raises motivation among Directors and Executive Officers and by appraising their performance appropriately." The Committee is made up of all of 5 Outside Directors who are not Executive Officers of the Company.

(ii) Policy concerning remuneration for Directors

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

(iii) Policy concerning remuneration for Executive Officers

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

Fixed salaries are set appropriately according to the office and responsibility of

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

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

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

(iv) Stock Options

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

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

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

Total amount of remuneration, etc. of Directors and Executive Officers for the fiscal year ended March 2012.

| Classification | | Number of (payees) | Total amount of (remuneration, etc.) | Total amount of remuneration by type | | |
|--------------------|----------|--------------------|--------------------------------------|--------------------------------------|--------------------------------|--------------|
| | | | | Fixed salary | Performance based remuneration | Stock option |
| Directors | Outside | 6 persons | 59 millions | 51 millions | - | 8 millions |
| | Internal | 3 persons | 24 millions | 24 millions | - | - |
| | Total | 9 persons | 83 millions | 75 millions | - | 8 millions |
| Executive officers | | 4 persons | 275 millions | 184 millions | 43 millions | 48 millions |
| Total | | 10 persons | 358 millions | 258 millions | 43 millions | 56 millions |

Note 1. At the end of the fiscal year under review, there were eight Directors and four Executive Officers. Three of the four Executive Officers served concurrently as internal Directors.

Note 2. The total amount of remuneration includes remuneration paid to one Executive Officer who retired as of the conclusion of the 73rd Ordinary General Meeting of Shareholders.

● Overview of Liability Limitation Contract

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

Audit Committee

The Audit Committee, which is comprised of 5 Outside Directors, formulates the audit policies and audit plans for each fiscal year, and verifies financial statements, etc. based on the quarterly reports and year-end reports received from the Independent Auditor according to such policies and plans. It also interviews the Internal Audit Division to obtain the results of operational audits, and verifies the soundness, legality, efficiency, etc. of management. All important matters are reported to the Board of Directors, and countermeasures are taken as necessary.

Internal Control System

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

Frameworks and Policies Concerning Internal Control Systems

① System for Ensuring Adequacy of Operations:

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

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

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

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

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

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

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

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

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

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

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

(2) Matters required for ensuring the adequacy of operations

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

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

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

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

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

- Each division shall carry out its operations according to the annual plan and the quarterly budget adopted at meetings of the Board of Directors.

The HOYA Group shall ensure the efficiency of Group management by evaluating the levels of target achievement every quarter and working to make improvements as the occasion demands.

- Executive Officers shall be timely and precise in performing their duties based on the decision-making system for their execution of duties, which covers their standards for approving important matters.

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

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

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

- The HOYA Group shall observe across its organization the HOYA Business Conduct Guidelines established based on the Management Policy and Management Principles of the Group, and shall undertake educational activities as required. The HOYA Group will reinforce the effectiveness of such activities with the HOYA Help Line, an intra-Group system for reporting and counseling.

The Group shall operate this system not only in Japan but also overseas to ensure the soundness of Group activities.

(3) System for ensuring reliability of financial reporting

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

② Basic Policy for Eliminating Antisocial Forces

A meeting of the Board of Directors resolved to adopt the following basic policy for the elimination of antisocial forces.

We shall have no association whatsoever with antisocial forces, and deal with undue claims made by such forces resolutely as an organization in cooperation with specialized external agencies.

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

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

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

Business Conduct Guidelines

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

HOYA Help Line

In 2003 the Company implemented another initiative, the HOYA Help Line, as an internal reporting and consultation system for the Group. If there is an act that contravenes the law or the HOYA Business Conduct Guidelines, the HOYA Help Line is intended to enable early identification of the problem and quick reporting to top management, while protecting the informer, which enables timely and appropriate action to be taken on the issue. This system helps to preserve the integrity of the HOYA Group as a whole. The HOYA Help Line has two types of points of contact; one is "HHL" a dedicated section within the Company's headquarters and the other is an outside legal counsel. The system is designed to preserve anonymity and works to maintain the system's functional effectiveness. As

of March 2012, the system is in place at Group companies in Japan, North America (the United States and Canada), Thailand, European countries, Philippines, Singapore, Australia and Malaysia, and operates in accordance with business practice and laws of each country. We continue to expand the number of countries covered, giving the HOYA Help Line worldwide coverage.

Full Disclosure and Investor Relations Activities

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

Board of Directors

Board of Directors (As of June 20, 2012)

Outside directors



Yuzaburo Mogi

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



Eiko Kono

- Dec.1969 Joined RECRUIT Co., Ltd.
- Apr.1984 Director of RECRUIT Co., Ltd.
- Aug.1985 Managing Director of RECRUIT Co., Ltd.
- Nov.1986 Senior Managing Director of RECRUIT Co., Ltd.
- Jul.1994 Executive Vice President of RECRUIT Co., Ltd.
- Jun.1997 President and Representative Director of RECRUIT Co.,Ltd.
- Jun.2003 Director of the Company (present post)
- Jun.2003 Chairperson and CEO of RECRUIT Co., Ltd.
- Apr.2004 Chairperson and Chairperson of the Board of Directors of RECRUIT Co., Ltd.
- Jun.2005 Special Advisor of RECRUIT Co., Ltd.



Yukiharu Kodama

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



Itaru Koeda

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



Yutaka Aso

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

Internal Directors



Hiroshi Suzuki

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



Kenji Ema

- Mar.1970 Joined the Company
- Jun.1993 Director of the Company, in charge of Administration Planning, Accounting and Purchase
- Jun.1997 Managing Director of the Company, in charge of Strategy, Planning and Treasury
- Jun.2000 Executive Managing Director of the Company, in charge of Corporate Finance
- Jun.2001 Executive Managing Director and CFO of the Company
- Jun.2003 Director, Executive Officer and CFO of the Company (present post)
- Jul.2003 President of HOYA HOLDINGS N.V.
- Jan.2007 Executive Officer Chief Financial of Netherlands Branch of the Company
- Dec.2011 Executive Officer Chief Financial of Netherlands Branch of the Company (renomination, present post)

Comments from Outside Directors

Outside Directors Help Steer the Ship With a Sense of Ownership

Outside Director, Chairman of the Compensation Committee, member of Nomination Committee and member of Audit Committee

Eiko Kono (Formerly, Special Advisor to RECRUIT Co., Ltd.)

I chose to accept the position of outside director at HOYA Corporation because I was impressed by what CEO Suzuki told me the first time I met him. He said, "It is not me making this request; the other outside directors say we want Ms. Kono." At the time, the position of outside director itself was not very common. So I perceived a great deal of discipline with regard to governance in the fact that the company was choosing a new outside director not by calling on personal acquaintances but by following the recommendation of the other outside directors.

And when I actually took up the position, there were other things that impressed me as well. The same is true today, but all the outside directors, myself included, were either corporate executives or former executives. I think this is extremely rare in Japan. There are companies with attorneys or certified public accountants as outside directors, but HOYA has put priority on capabilities that are inherently possessed by executives with hard-won experience on the frontlines of corporate management. The five current outside directors have vast and diverse experience and knowledge that is brought to bear in overseeing and assessing management. I feel the company's governance system truly meets global standards.

What particularly strikes me on a regular basis is the fact that the outside members survey management from every conceivable angle with a sense of ownership. The members offer various opinions within the scope of their knowledge as a matter of course, but they also take the discussion to another level by debating whether the best practices of other companies are being effectively incorporated and at times whether research and development is heading in the right direction. This approach is the natural result of every outside director engaging in the job as if they themselves were managing HOYA.

The days of Japanese companies experiencing soaring growth like they used to are for the most part over. Emerging countries are catching up and the strong yen is producing a headwind, so not even all of HOYA's businesses are necessarily performing well. This is precisely the reason why clarifying and openly discussing problems is so important. HOYA's Board of Directors meetings take place in an exceptionally open and fair atmosphere. Problems are put on the table without reservation and discussed with all due seriousness. This ensures that problems even in businesses that are not in good shape are brought to the attention of the Board and not concealed by executives. In this sense, the process I think reflects the fact that the internal directors (executives) really understand the point of governance.

From my perspective as an outside director, one of the tasks facing HOYA is development of human resources. It could be said that the main mission of corporate executives is to train the next set of executives. Internal personnel development is important, but the most significant challenge is how to actively



bring in capable people from also outside the company and how to develop exceptional people for the next generation of HOYA's growth.

I believe that the role of corporate executives is to advance the organization and maximize corporate value. As an outside director, I intend to contribute to the further growth of HOYA with the same aspiration.

I would ask shareholders to also continue closely tracking HOYA's growth going forward.

July 2012

Outside Director and Chairman of the Compensation Committee

Eiko Kono

Dynamic Board of Directors Symbolic of HOYA's Energetic Corporate Culture

Outside Director, Chairman of the Nomination Committee, member of Compensation Committee and member of Audit Committee

Yuzaburo Mogi (Honorary CEO, Chairman of the Board of Kikkoman Corporation)

I began serving as an outside director for HOYA Corporation in 2001. I was aware of HOYA and its products prior to that, but I remember when I was appointed listening to a presentation on the company and thinking it to be truly exceptional. HOYA is characterized by its outstanding profit margins. This means none other than HOYA's strategy of concentrating resources in areas where it excels and capturing large market is a successful strategy. At the time, this was quite a discovery for me.

I also remember thinking that the atmosphere surrounding the Board of Directors was cheerful and optimistic.

HOYA board meetings start at 9:00 in the morning and sometimes run until around 1:00 in the afternoon. Although the meetings can be long, serious discussion and debate always takes place throughout. The meetings are very dynamic and conducted in an atmosphere that is never brutal, but always cheerful. When an important agenda such as an M&A is discussed, the opinions of directors often clash, but the same convivial atmosphere prevails.

HOYA's executive officers work quite hard so that they represent this kind of corporate culture. For corporate management to function the people at the top must work hard. I think HOYA is a company that lives by this ironclad rule.

Globalization remains a major issue not only for HOYA but for Japanese companies in general. In HOYA's case, from CEO Suzuki on down, executive officers have extensive experience overseas, global perspective and a firm grasp of international business. In fact, HOYA was among the first in Japan to deliberately expand overseas, and has established a large number of business strongholds outside Japan. I have a lot to look forward to because expansion in HOYA's global operations can only accelerate.

I'm also attracted in particular to HOYA's Life Care segment which includes products related to eye care and medical care. Businesses promoting health will no doubt experience major growth globally, including in emerging markets, and so I expect will HOYA's Life Care segment going forward. Medical businesses are involved in none other than human life, and technological capability is extremely



important. On this point, HOYA has proprietary technologies and it continues to refine them.

Our expected role as outside directors is to monitor the proper management conduct of executive officers from a perspective that differs from the internal management team. For this reason I feel it's important to ask tough questions at board meetings without reservation.

I sense even from a long-term perspective that HOYA is a company with a great future. I sincerely ask that shareholders also take a long-term view in their guidance and support of HOYA.

July 2011

Outside Director and Chairman of the Nomination Committee

Yuzaburo Mogi

As outside director, I am committed to fulfilling my responsibility to ensure that appropriate management decisions are made at HOYA.

Outside Director, member of the Nomination Committee, member of Compensation Committee and member of Audit Committee

Itaru Koeda (Chairman Emeritus and Advisor of Nissan Motor Co., Ltd.)

I was newly appointed as an outside director of HOYA at the Ordinary General Meeting of Shareholders in June 2009. Prior to assuming this position, I was aware of HOYA's eyeglass lens business, the merger with PENTAX, and the Company's high profits. Once I began participating in management, however, I truly came to understand how different HOYA is from the automotive company format where I spent so many years working. Unlike the auto industry, where a company is focused on developing and manufacturing a single type of end product, HOYA covers an extremely broad range of businesses, from the Group's high-tech parts and materials to eyeglass lenses and medical-related products—the sum of all these varied parts is the company we know as HOYA. Within the business, authority and responsibility is distributed broadly, from executive officers to business divisions, resulting in a truly efficient underlying management structure in which division systems are firmly in place.

Looking back over fiscal 2010 from my perspective as an outside director, the most striking aspect of HOYA's management is the substantial debate at meetings of the Board of Directors. At each meeting, the five outside directors from different backgrounds took time to ask perceptive questions based on their wealth of knowledge and experience. In terms of execution, based on the concept of portfolio management, decision-making about the allocation of management resources was dynamic and timely.

In this type of corporate entity, I believe that stakeholders look to outside directors such as myself to act as a safety valve to check whether management decisions are correct from the perspectives of societal common sense. At the same time, having come from an automotive company where brand value has a major impact on sales, I feel it is of great importance in conducting oversight of management to consider whether any individual business activities may be damaging the value of the overall HOYA brand. HOYA already has strong brand value, and as I continue my duties as outside director I am committed to fulfilling my responsibility to



ensure that appropriate management decisions are made to further enhance that value.

The market environment remains severe, still reverberating from the impact of the Lehman shock. Under these conditions, simultaneously managing multiple businesses of different types is a difficult task, but I believe that HOYA's four executive officers (three of whom are also internal directors) are doing a fine job of assigning responsibilities in a balanced manner and steering the Company ahead. Going forward, I anticipate that they will wield HOYA's brand power based as it is on the Company's unrivalled dynamism, first-rate specialist abilities and the reliability of HOYA quality and technologies, to achieve further growth.

I hope that all shareholders will continue to watch over HOYA's business with an understanding of its great future potential.

July 2010^{*}

Outside Director

Itaru Koeda

^{*} The comment was given when he finished the first year as Outside Director of the Company.

Activity Highlights

2011

June 16 **Information Technology**

HOYA establishes a new plant for melting optical glass in Shandong, China

In the digital camera and optical glass market, continued industry accumulation and growth of demand are expected especially in developing countries, mainly in China. In addition, the close relationship with resource countries, mainly China is of growing importance in raw procurement. Under the above circumstances, the Company decided to build a new production base in China, to manufacture such high-function and high-quality optical glasses, and offer to the customers keeping close relationship with the market.

[Read more→](#)



Future image of optical glass plant in China

July 15 **Information Technology**

HOYA establishes a new plant for producing mask blanks in Singapore

The Company newly builds a next-generation production line to meet quality requirements of advanced mask blanks for semiconductor manufacturing, of which demand is expected to grow in the future. With this, the Company diversifies its facilities taking strengthening of Business Continuity Plan into consideration.

[Read more→](#)

July 22 **Life Care**

HOYA opens first office in China for flexible endoscope business to strengthen healthcare delivery in China

PENTAX Lifecare, HOYA Corporation's flexible endoscope business division announced today that it opened a legal entity and office in Shanghai, China on July 5. This will mark a significant advance into the Chinese medical equipment market.

[Read more→](#)



October 1 **Information Technology**

HOYA announces closing of sale of the PENTAX imaging systems business

HOYA Corporation ("HOYA") announced today that HOYA executed corporate split agreement and the transfer agreement, as released "Sales of the PENTAX Imaging Systems Business" on July 1, 2011 and "Notice of Partial Modification and Execution of the Corporation of the Corporate Split (Kyushu bunkatsu) Agreement (Progress report)" on August 10, 2011. As the result, HOYA succeeded the PENTAX Imaging Systems Business to Ricoh Company, Ltd.

[Read more→](#)

Mar 30 [Life Care](#)

PENTAX Lifecare expands its R&D capabilities in Germany

PENTAX Lifecare, a division of HOYA Corporation, today announced the acquisition of Digital Endoscopy GmbH, which will expand PENTAX's global R&D capabilities. Based in Friedberg, Bavaria, center of Germany's medical technology frontier, Digital Endoscopy develops innovative endoscopic imaging products with expertise in software-based computer architecture and optical illumination technologies.

[Read more→](#)



Members of Digital Endoscopy GmbH

Apr 2 [Life Care](#)

HOYA Lens Thailand re-opens its doors

AYUTTHAYA — Six months after the closing in October 2011, caused by the worst flooding to hit Thailand in decades, HOYA Lens Thailand Limited has re-opened its manufacturing facility in Ayutthaya according to plan. HOYA starts production with limited volumes of prescription lenses [Rx] which will increase progressively on a monthly basis.

[Read more→](#)



HOYA Lens Thailand, Ltd.
Ayutthaya Plant

Apr 3 [Life Care](#)

HOYA Vision Care expands its direct presence in Brazil

HOYA Corporation's Vision Care Division, a key player in the global market for ophthalmic lenses, today announced the acquisition of Optotal HOYA S.A., its exclusive partner in Brazil. Optotal operates the largest prescription lens (Rx) laboratory and one of the largest wholesale distribution networks in the ophthalmic lens market in Brazil.

[Read more→](#)



Optotal HOYA

Apr 10 [Life Care](#)

Basic agreement in the field of eyewear business aiming to promote the Japanese distinctive brand and optical technologies worldwide

HOYA Corporation ("HOYA") and Seiko Epson Corporation ("Epson") today came to a basic agreement to begin discussions on transfer of Epson's eyeglass lens development and manufacturing business to HOYA.

[Read more→](#)

CEO Message

HOYA has built a powerful, resilient business structure in the face of unexpected changes. We will utilize this structure to further develop a portfolio for future growth.

President and CEO Hiroshi Suzuki

The fiscal year ended March 2012 was marked by an unprecedented series of events and circumstances--the Great East Japan Earthquake of March 11, disastrous flooding in Thailand, sharp yen appreciation, skyrocketing prices associated with China's restrictions on rare earth exports, and changes in the semiconductor market environment. All had a significant and undeniably adverse impact on Japan's economy and industry.

HOYA was also impacted considerably, so I do not believe that our financial performance was satisfactory from the standpoint of shareholders. However, with the exception of these transient factors, we were able to reinforce the basic structure of our businesses and add more muscle. This allowed us to capture market share and revenue in Information Technology and accelerate growth by focusing management resources on Life Care. It was therefore also a year of steady progress in portfolio management. Of course we will be flexible in transforming business portfolios as times change, and are aware of the need in this era of rapid change for making prompt revisions to our portfolio.

Reviewing the past year with this in mind, I will provide an overview of the year and report on prospects for the future.



Initiatives and Achievements: Review of Fiscal 2012

With markets growing more competitive, in the Information Technology field we identified and focused on priority businesses. These efforts bore fruit as we leveraged our competitive technical capacities to generate relatively stable revenues in face of the prevailing headwind of yen appreciation and rising raw material costs.

In the area of mask blanks for semiconductor production, we are producing stable revenues while maintaining overwhelming market share. In the year under review, we strengthened customer relations by promoting development more in line with the specific needs of individual customers. Glass memory disks for hard disk drives made further progress in the market as we launched

production of cutting-edge products with 500 GB per platter capacity ahead of other companies. Optical lenses rode a tailwind of rapidly growing demand for compact SLR cameras (mirrorless) that increased the need for high-quality lenses with high zoom power. This led to an increase in orders for aspherical glass molded lenses, a HOYA specialty. By contrast, the Photomask business saw conditions deteriorate from a continued fall in product prices and appreciation of the yen, despite the attainment of considerable sales volume growth in mainly advanced, high-precision products.

The PENTAX camera business achieved profitability after a long fight and was sold. We are happy that our former colleagues will be taking on the challenge of a new stage of growth.

The performance of the Life Care field was hampered substantially by flooding in Thailand. If this impact is excluded, we were able to generate healthy growth by investing resources on a strategic basis. Endoscopes for medical use and eyeglass lenses experienced conspicuous growth in emerging markets, while contact lenses and intraocular lenses enjoyed steady expansion in the domestic market.

In the eyeglasses lens business, supplies mainly to Japan and Europe were temporary halted due to the flooding in Thailand in October, 2011, which resulted in substantial inconvenience for many customers. I would like to take this opportunity to again offer my sincere apologies. In April 2012 operations have started again at plants that had been flooded, and every effort is being made to restore supply volume to previous levels. We plan to return production capacity to pre-flood levels by summer 2012.

In the *Eyecity* contact lens specialty store business, online advertising and other aspects of our brand strategy paid dividends as store visits increased, and we maintained a firm grip on the top share of the domestic market. Japan's market for intraocular lenses is the second largest in the world, and we successfully increased our share, producing major earnings growth. At the same time, the new ceramics (composite bone) segment enjoyed steady sales of mainstay prosthetic filler products while successfully paving the way for entry into the metallic implant market. Endoscopes for medical use dealt with slow demand in developed countries, where fiscal instability was ongoing, and delays in new product launches, which put a damper on earnings. However, in emerging markets, demand grew against a backdrop of population gains and medical infrastructure development, providing robust growth for HOYA products as well.

As a result of the above developments, HOYA achieved consolidated net sales of ¥376,940 million, a year-on-year decrease of 10.9%, and profit before taxes of ¥58,530 million, a year-on-year decline of 20.8%. Sales were significantly affected by lower product prices and the stronger yen. The flooding in Thailand and consequent suspension of operations at a flagship eyeglass lens factory had an impact on income before income taxes and minority interests, as it not only caused sales and profits to decline due to lost opportunities but resulted in a ¥5,909 million loss from disaster in primarily plant and equipment.

Risk Management: Taking a Long-Term Perspective While Striking a Balance with Profitability

The Great East Japan Earthquake was a powerful reminder of the importance of risk management. In the year under review HOYA constructed a production plant for mask blanks in Singapore and a melting facility for optical glass in China, with a view primarily to ensure business continuity during disasters. During this time, major flooding occurred in Thailand as described above, forcing HOYA's major eyeglass lens plant in the country to temporarily suspend operations. Alternative production plans and other measures were quickly implemented after the plant was damaged, but we were unable to supply products as intended, and this had a major impact on the segment's performance. We deeply regret this turn of events. We intend to draw on these experiences to conduct risk management even more proactively, but I think it is important not to forget that risk management must strike a balance with profitability. Excessive risk measures can unnecessarily reduce profits, but there is also the danger of insufficient risk measures leading to a business continuity crisis. In this sense I believe that carefully gauging risk tolerance is an important aspect of managing a company. HOYA puts the focus on business continuity from a long-term perspective. We will engage in efficient risk management while considering an appropriate balance with profitability.

Growth and Prospects: The Ten Year Roadmap

Since its establishment in 1941 as Japan's first optical glass manufacturer, HOYA has pursued a basic business strategy of being "a big fish in a small pond." The "pond" is the market and the "fish" is the share of that market. This expresses the basic strategy of gaining a dominant position by capturing the top market share in limited niche markets. We believe that finding many small ponds and creating our own new ponds will translate into sustained growth for the HOYA Group as a whole.

HOYA is currently involved in two major areas, Information Technology and Life Care.

Information Technology is becoming increasingly polarized. In the semiconductor market, for example, a limited number of firms are competing to develop high-end products while price competition dominates the tail-end as products become commoditized. HOYA participates as a parts supplier by providing cutting-edge technology, whether mask blanks or photomasks, but we must also generate a certain amount of revenue and profits by becoming cost competitive enough in commodity products to compete with Asian firms. Moreover, just as LCD panels have become more compact and higher resolution, hard disk drives larger capacity, and digital cameras smaller with higher zoom power, our products must also provide more added value than ever before. HOYA will produce stable earnings in Information Technology by outstripping the competition with dominantly low costs and stable supply while accommodating market needs.

HOYA will also actively invest earnings from Information Technology in Life Care, which will drive future growth. On the macro level, emerging countries need to enhance their medical infrastructures to address population gains, and as wealth becomes more evenly distributed globally as economic disparities are reduced, the medical market will only continue to grow. The decision therefore to devote even more resources to Life Care is an appropriate one. Of course we will continue to accelerate growth in existing businesses, and as a part of that mergers and acquisitions will be pursued as an option. From the standpoint of physician relations, we are considering launching new businesses in areas where networks have already been established through existing businesses; specifically, internal medicine, ophthalmology and orthopedics.

In addition, projecting out the HOYA Group ten years from now, we intend to add a third pillar to Information Technology and Life Care. Specifics will be worked out at a later date. Although making use of current resources is a precondition, we intend to explore a range of possibilities without tying ourselves exclusively to the manufacturer format.

There is no doubt that global society is currently in the midst of major change. And I feel that HOYA itself is at a critical juncture. The times as they are make the future very difficult to foresee, but 2012 will likely be a year for carefully considering HOYA's future and how to bring it about.

To Our Shareholders and Customers

HOYA was confronted with many changes in 2011, but we were able to steadily bolster our competitiveness. I am proud of the fact that we now have a business structure tough enough to weather a strong headwind in both Information Technology and Life Care.

Moving forward, we will make new business creation a priority while considering M&A as an option in order to further enhance our business portfolio.

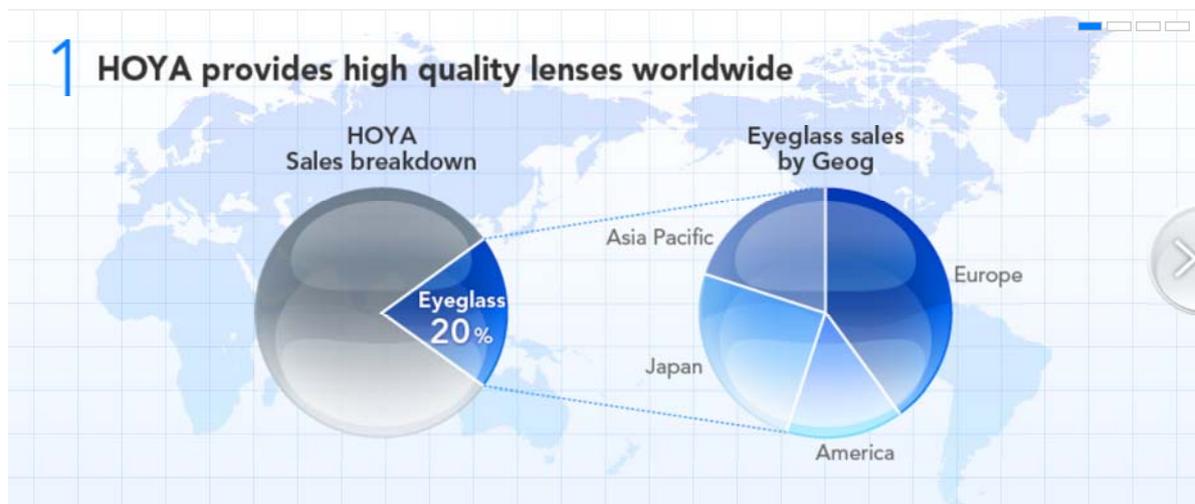
We thank our shareholders and customers for their ongoing support and understanding.



President and CEO

Special Features **Eyeglass Lenses**

Recovering from the aftermath of Thai flood and looking for further global growth.



In 2012, HOYA celebrates the 50th anniversary since first started the manufacturing of eyeglass ophthalmic lenses, back in 1962. With a much longer history and tradition in the field of optical lenses, this being the first product launched within the group companies, HOYA managed to share its expertise, competence and advanced proprietary technologies among the group's divisions. With this strong background at its core, HOYA Group's Vision Care Division has focused on research, development and production of high quality ophthalmic lenses and quickly became one of the leading companies in the Global market of vision correction.

Today, HOYA offers an extensive portfolio of eyeglass ophthalmic lenses and cooperates with a large network of Eye Care Professionals and optical stores for providing high quality of vision for young and senior consumers, worldwide.

Moreover, with a strong belief that each consumer has unique visual needs, HOYA developed the manufacturing technologies as well as the global IT platform of anamnesis, measurement and ordering tools to enable the integration of consumer's individual requirements into the production of truly customized lenses.

Among HOYA's Group companies, the Vision Care Division is a major contributor in terms of sales, profits and innovation initiatives and will remain as one of the core businesses to support future growth of HOYA Group.

Eyeglass business - Key Figures

- Over 12,000 employees
- 52 Countries covered : 31 with direct Subsidiaries and 21 through Partners
- Global Mass Production Facilities located in Thailand, Vietnam, China and Hungary
- Global RX Super Lab located in Thailand
- Pan-European RX Super Lab located in Hungary
- 46 Local RX Labs located in 21 countries
- Over 64,000 active accounts globally [excluding Partner Network]
- 1710 patent registered and examination [31.03.12]

Leading products and technologies:

iD Free From Design Technology

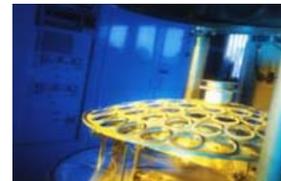
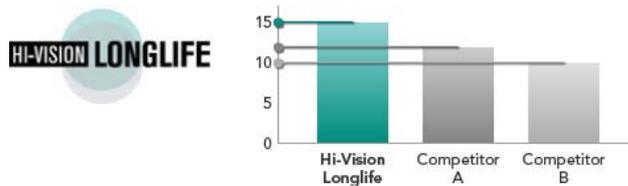
The world's first integrated double surface progressive lens design with Balanced View Control, a revolution in the reduction of distortion and swaying feelings.



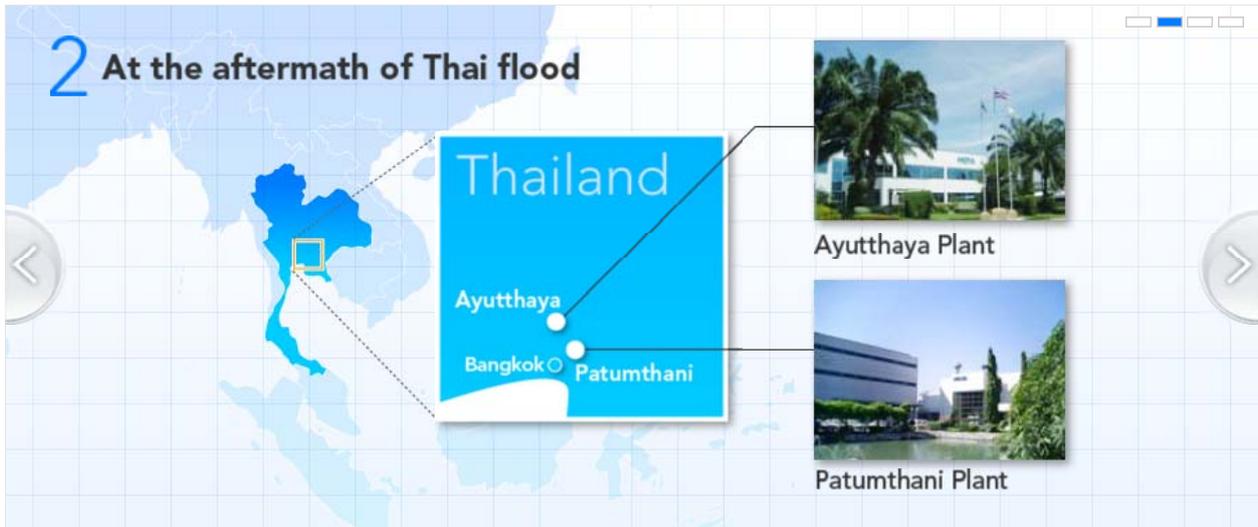
Hi-Vision Long Life

The most durable*, scratch resistant antireflective coating in the market.

* Based on comparative evaluation performed by an independent party.



Special Features Eyeglass Lenses



With the global demand for high quality lenses and the increasing competition in the ophthalmic lens industry, HOYA accelerated the partial transfer of its production capacities from local markets to overseas, as a measure of cost reduction and production efficiency improvement. Thailand and later Vietnam has been recognized as one of the most attractive locations for establishing Global manufacturing facilities due to high quality of human resources and benefits in terms of supply chain management. In 1974, ahead of many other Japanese companies, HOYA opened its first mass production plant of eyeglass lenses in Thailand, followed in year 2000 by the first of the three global RX Super Lab facilities. Since then, the Global Production center in Thailand has become one of HOYA's strategic pillars for sustainable growth, proven in the last decade.

However, in October 2011, an unfortunate natural disaster hit Thailand taking lives of hundreds of people and leaving millions without houses. This was Thailand's worst flood event in the past 50 years. Along with the civilian households, many of the Industrial Estate parks located north of Bangkok have been covered by the flood waters, in spite of the preventive and emergency measures taken by authorities. HOYA was one of the many Japanese companies affected by this unprecedented event which constrained the Company to cease operations at all of its three Global RX Super Labs and the mass production plant located in Ayutthaya for about 6 months, being severely damaged by the floodwaters. At the same time, the mass production operation at the facility located in Patumthani has been voluntary suspended, for about one month, to ensure worker's safety and equipment protection.



Ayutthaya plant flooded

As a result and with Thailand's RX Super Labs accounting for a high share of global supply to all regions, most of the HOYA' eyeglass lens subsidiaries, including Japan and Europe, could not meet the demand from the customers and were forced to suspend receiving orders for the lens types and volumes which could not be produced in the local RX laboratories, mainly in the premium segment of customized progressive lenses.

Consequently, compared to normal business circumstances, HOYA recorded a negative impact of about 18 billion yen in sales and about 12 billion yen in operating profit in the second half of fiscal year ended March 2012. Additionally, in the second half of Fiscal Year ended March 2012, the Company recorded extraordinary losses of about 6 billion yen due to the damage on factory's building and equipments, which amount is expected to be recovered by insurance during the next fiscal year.

Mr. Hiroshi Suzuki the President and CEO of HOYA Group as well as the entire HOYA organization deeply apologizes to all customers worldwide for the inconvenience caused by suspending the operation in Thailand, in the aftermath of the flood event. HOYA also apologizes to all its stakeholders for the anxiety caused with this unfortunate business interruption.

Special Features

Eyeglass Lenses



3 Measures taken to recover from the flood



Restoration at Ayutthaya plant

At Ayutthaya plant which was constrained to cease operation due to Thai Flood, new equipments were installed, engineers were back to work and resumed the production of eyeglass lenses in April 2012.



From the suspension of production at Ayutthaya plant, HOYA implemented the contingency measures starting with increasing the manpower and machine capacity in the local small sized laboratories worldwide. Experienced Thai engineers were sent to various countries, including Japan, to support the local teams in increasing production output and meeting the market demand. As an example, in Europe the individual country labs connected into a flexible network and based on a 24/7 schedule and extra-ordinary investment in additional equipments, the entire region managed to triple total production capacity in less than 3 months, although not enough to respond to the demand.



Thai engineers transferred to Europe

With similar measures, all the other regions, including Japan, increased the local production capacity and strived to catch up with the orders.

Meanwhile, at the Ayutthaya facility the buildings have been repaired, the damaged equipments sent for restoration while new equipments were already installed by the end of March 2012. Order receiving at Ayutthaya plant resumed from April 2012 and by the end of June, with the production capacity progressively increasing, HOYA reached a sufficient level of total global capacity [Thailand Super Labs + Local lab network] to meet the global pre-flood demand and to ensure adequate output volumes for the summer season demand in this year.

Special
Features

Eyeglass Lenses



4 We aim to grow globally after overcoming the difficulties



By seeking production efficiency and cost reduction, HOYA centralized a large share of its production operations to overseas locations for each business division, including eyeglass lens business. In contrast, this industry driven strategy brings along a high level of business interruption risk due to potential natural calamities, political unrest or other external factors. The unfortunate flood event in Thailand offered a clear understanding for HOYA management team that implementation of risk hedging structures and strategies must be accelerated.

Taking this experience as a lesson learned, HOYA refined its global production strategy by setting the goal for a balanced, safe and stable supply chain, through a well determined level of production decentralization. HOYA's eyeglass lens division is the first of the group's divisions to implement this new direction as a mandatory foundation for sustainable global growth.

In an ophthalmic eyeglass lens market valued globally at 12 Bill USD in year 2011 and growing between 1.5% to 2.0% yearly, HOYA as one of the key players in the industry will continue its journey towards market leadership through ambitious targets, aiming a yearly growth rate of at least 3 times higher than the market growth, from FY 2013 onwards.

Global growth strategies

One of the key strategic objectives for HOYA eyeglass lens division which will represent the core driver for future growth is to become the fastest-growing supplier of progressive lenses [PAL] worldwide.

To reach this objective, localization of Free-Form technology and Premium Anti-Reflection coatings is an important initiative taken by HOYA since 3 years ago and accelerated in the last quarter of the FY ended March 2012 as part of a significant expansion of Local RX Labs production capacities and capabilities. At the same time, HOYA will continue to bring in the market new and innovative PAL designs and technologies as a result of focused R&D activities and close cooperation with specialized academic partners.

Leveraging on a wide and strong distribution network, as well as trustworthy relationship with its customers worldwide, HOYA will focus to grow its customer base both with Independent Opticians and Retail Chains.

Also, with a rapid expansion of “digital” media, increase in product complexity and a demand for continuous education, HOYA will continue to provide the tools and the knowledge to support its customers for achieving better business performance, especially in the field of prescribing and selling value added lenses.

To reach this goal, HOYA developed a robust, comprehensive and dynamic palette of New Media Tools and established state of the art Education and Experience Centers opened in Budapest, Shanghai and Malaysia.

HOYA will continue its quest in pursuing growth in the key emerging markets by building on its Multi-Brand / Multi-Channel strategy with a special focus on China, India and Brazil.

Part of this growth is supported by a recently initiated M&A campaign, with a first project accomplished on April 2nd, when HOYA announced the acquisition of Optotal HOYA S.A., its exclusive partner in Brazil. As a result, HOYA now operates the largest prescription lens (Rx) laboratory and one of the largest wholesale distribution networks in the ophthalmic lens market in Brazil.

The acquisition of Optotal was an important step for HOYA in setting the basis for future growth within the BRIC countries and it is one of the multiple M&A projects started by HOYA in various markets, with existing partners or industry players.

Stronger than ever, with a highly motivated and passionate team, ambitious growth objectives and sustainable strategies, HOYA is ready to challenge the industry leadership position in the coming years.



Lens Simulation Center

Special Features **Optical Lenses**

A system integrated for stable growth, from materials to manufacturing



1 From optical glass materials to lens manufacturing



HOYA Plant at the Time of Foundation (roofs for heat exhaust and chimneys, characteristics of glass manufacturing plant, are visible)

HOYA's roots are in optical glass. The company was established in 1941 out of a desire to manufacture optical glass in Japan rather than relying on imports from Germany. At the time optical glass was a cutting-edge industry. When the war ended HOYA overcame the devastation and at long last began manufacturing crystal products. It subsequently changed its name to HOYA Crystal Glass Manufacturing, Co., Ltd.. As the economy started to recover, demand for optical glass returned, and HOYA recommenced shipments of optical glass for binoculars in 1951 and color filters for cameras the next year in 1952.



Making Crucibles (at the Time of Foundation)

A major turning point came with the development of aspherical glass molded lenses in the 1980s and acquisition of an optical lens plant. This marked the company's full-fledged transition from manufacturing a material, glass, to producing a processed product, lenses. At the time, camera manufacturers still manufactured lenses themselves. HOYA therefore entered the market from the upstream materials sector.

Aspherical glass molded lenses provided a tailwind. Lenses polished manually by skilled craftspeople took a great deal of time to produce and were very expensive. Molded lenses, which were manufactured by pressing glass softened at high temperatures, established for HOYA an inexpensive way to mass produce lenses.



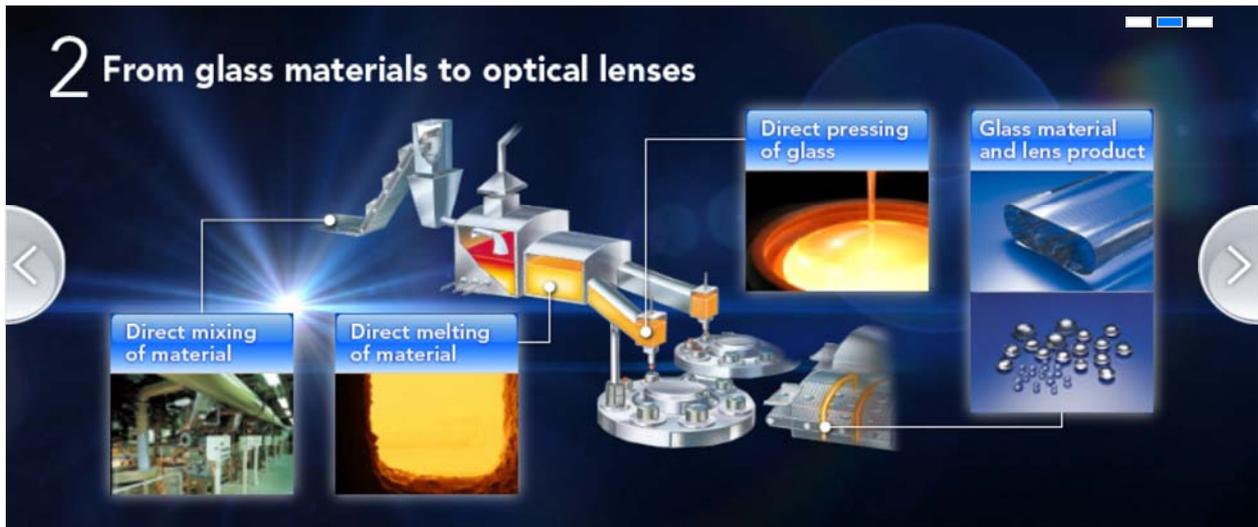
Aspherical glass molded lenses

Given their shape characteristics, one aspherical glass molded lens could play the same role as two polished lenses, which made it possible to make camera

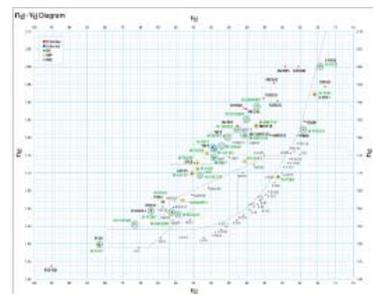
bodies more compact. This cost effectiveness led the lenses to be adopted by camera manufacturers as well. The conversion from film cameras to digital cameras beginning the previous decade provided even greater impetus for adoption of aspherical molded lenses, which developed into an essential component for making cameras smaller and lighter.

In this way HOYA developed its businesses from manufacturing optical glass to optical lenses.

Special Features **Optical Lenses**



The optical properties of optical glass are expressed numerically by a refractive index and Abbe number (reciprocal dispersion). Even with glass that appears the same at first glance, different refractive indexes and Abbe numbers produce entirely different characteristics. Mapping out these two properties produces a diagram that looks a lot like the Japanese archipelago (diagram at right). Glass HOYA produces can be roughly divided into three categories, lenses that correct chromatic aberration (FCD family; "A" area on diagram), lenses with a high refractive index (FDS family; "B" area on the diagram), and lenses that combine both properties (TAFD family; "C" area on the diagram). There are around 100 types. The lens module used in a standard camera is made by combining multiple lenses with these differing properties.



Nd-Vd Diagram [\[Enlarge\]](#)

These optical glass lenses are manufactured by mixing a material called silica sand with several types of rare earth as necessary and then melting the mixture in a melting furnace and later pressing it into lens products. In addition, HOYA provides other lens manufacturers with optical glass materials that have yet to be processed into lenses. It also offers spherical lenses manufactured using the lens processing and polishing processes, as well as aspherical molded lenses produced by aspherical lens pressing after transforming glass material into preform.



Pressing of Optical Glass

In this way, HOYA is a reliable supplier of several thousand optical glass pressed products and lenses every month.

Special Features Optical Lenses



The digital camera market is the main consumer of optical glass, and the market was growing rapidly for over ten years. On a volume basis, shipments of compact digital cameras continue to increase, but product unit prices have plummeted, so on a value basis, shipments have declined since their peak in 2008. By contrast, the single lens camera market is riding a tailwind provided by the popularity of mirrorless models, and it is expected to continue growing for the foreseeable future.

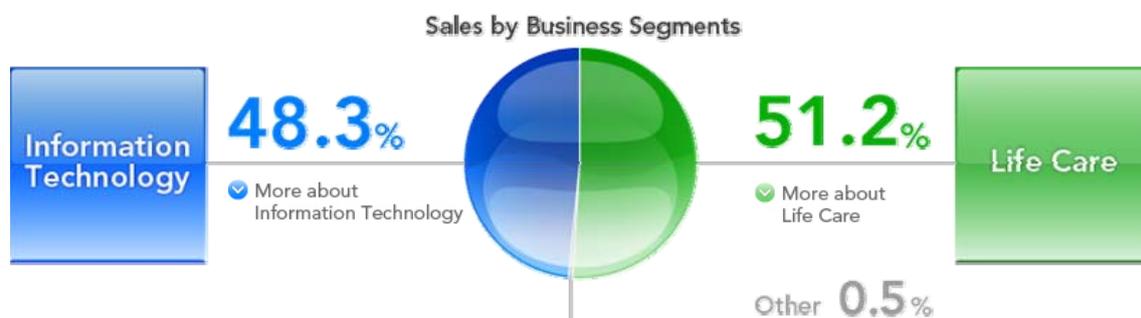
Most cameras use HOYA's optical glass (prior to being processed in lenses) or our lenses. As touched on above, the secret of our strength is an integrated production system that can mass produce high precision lenses from the glass materials we develop. Compact cameras and digital single lens cameras are expected to continue to get smaller and lighter. As this takes place camera lenses will need to offer higher precision and greater functionality. As the leading company in optical lenses, HOYA will continue working to improve R&D and manufacturing technologies to enable us to provide superior products, from high added-value glass to lenses.

Digital cameras will likely continue to play an important role in people's lives. Global demand is also expected to continue alongside growth in emerging markets. Compact cameras with higher and higher zoom power will continue to be the trend as well, so growth in this lens market is also expected.

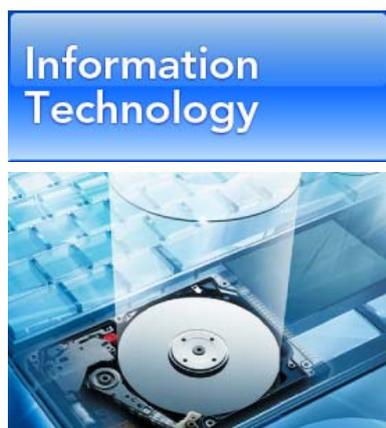
At the same time, looking at other sectors, demand growth is also anticipated in CCTV cameras (security cameras) and car cameras, for example. CCTV cameras

will require high precision lenses as megapixels increase along with security-related demand. Car cameras are another promising market. Rearview cameras, for example, are set to become mandatory in the U.S., and it is projected that every car will be equipped with multiple cameras for different purposes, such as identification and sensing. Expectations are high for all the ways in which cameras will be utilized as a set of eyes--as sensors for capturing objects--in industry and everyday life. And as a professional in lenses, an indispensable component of those eyes HOYA intends to utilize its integrated system of glass material development, lens processing and mass production to continue helping customers in need of optical glass and optical lenses as their valued partner.

Business Overview for the fiscal year ended March 2012



Note: Beginning with the fiscal year ended March 31, 2011, HOYA prepares its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRSs)



Electronics related products

The markets of semiconductors and liquid crystal-related products generated a certain level of demand, especially in emerging countries, but growth was sluggish on the whole amid economic uncertainties. HOYA managed to secure considerable shipment volumes, especially among state-of-the-art products and high precision products, but sales decreased, due to a continued falling trend of unit prices and yen's appreciation.

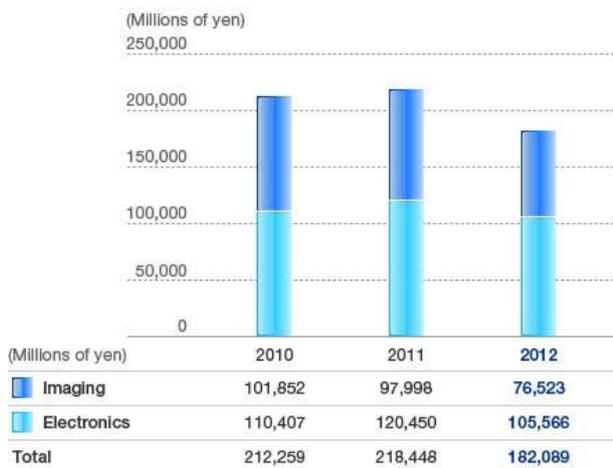
In contrast, shipment volumes of glass disks (substrates) for HDDs surpassed those in the preceding consolidated fiscal year, but sales decreased slightly compared to the previous year due to clients being affected by the flooding in Thailand, on top of the impact of the strong yen.

Imaging related product

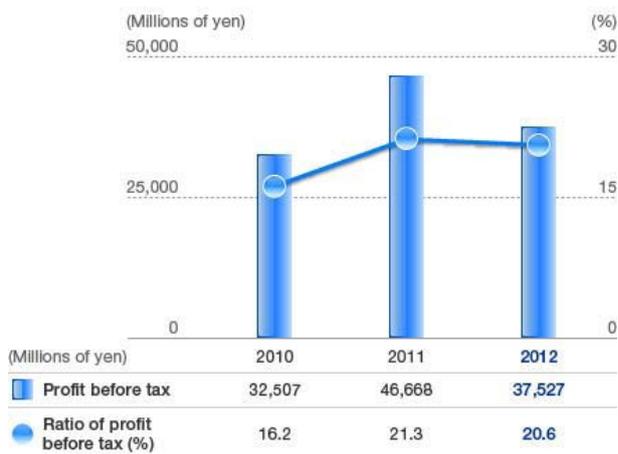
Lenses for digital cameras contributed significantly to increased sales from the preceding consolidated fiscal year, driven by interchangeable lenses for digital single-lens cameras particularly noteworthy was the increase in the ratio of high-value-added glass models, in which we had been putting a great deal of sales expansion efforts.

As a result, the Information Technology segment posted sales of 182,089 million yen, a 16.6% decrease over the preceding consolidated fiscal year. The segment profit (profit before tax) decreased 19.6% year on year, to 37,527 million yen. On July 1, 2011, an agreement was reached and concluded between HOYA and Ricoh Co., Ltd. to transfer the PENTAX Imaging Systems Business to Ricoh and the transfer was executed on October 1, 2011. As a result, the Business is classified as a discontinued operation from this consolidated fiscal year.

Sales



Profit before tax/Ratio of profit before tax



Health Care related Products

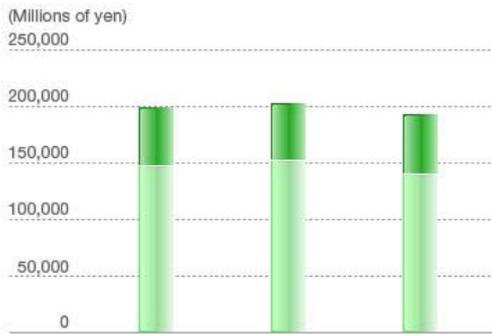
On July 1, 2011, an agreement was reached and concluded between HOYA and Ricoh Co., Ltd. to transfer the PENTAX Imaging Systems Business to Ricoh and the transfer was executed on October 1, 2011. As a result, the Business is classified as a discontinued operation from this consolidated fiscal year. Sales of contact lenses grew, thanks to an increase in the number of customers visiting directly-managed stores, a sales expansion of products with high added value, and an increase in the number of stores, resulting from aggressive opening of new stores.

Medical related Products

Medical endoscopes remained sluggish in European market due to the financial crisis. In the United States, however, purchase activities are picking up. Markets in emerging countries remained healthy. As a result, sales rose in comparison with the preceding consolidated fiscal year as a whole. As for intraocular lenses (IOL), soft lenses sold at a healthy pace and sales increased from the preceding consolidated fiscal year.

As a result, the Life Care segment reported sales of 192,947 million yen, a 5.0% decrease over the preceding consolidated fiscal year. The segment profit was 24,568 million yen, down 33.1% from the preceding consolidated fiscal year.

Sales



| (Millions of yen) | 2010 | 2011 | 2012 |
|--------------------|---------|---------|----------------|
| Health Care | 51,594 | 50,734 | 52,671 |
| Medical | 147,580 | 152,271 | 140,276 |
| Total | 199,175 | 203,006 | 192,947 |

Profit before tax/Ratio of profit before tax



| (Millions of yen) | 2010 | 2011 | 2012 |
|---------------------------------------|--------|--------|---------------|
| Profit before tax | 32,968 | 36,743 | 24,568 |
| Ratio of profit before tax (%) | 16.4 | 18.1 | 12.7 |

Management Discussion and Analysis (All Operations*)

* "All operations" means that the financial figures include both "continuing operations" and "discontinued operations".

Scope of Consolidation

As of March 31, 2012, the HOYA Group ("HOYA") consisted of the HOYA CORPORATION, 103 consolidated subsidiaries (4 of which are domestic and 99 overseas) and nine affiliates (4 of which are Japanese and the other 5 overseas).

HOYA is operated and managed through global consolidated group management. The independent management teams of business segments, including Information Technology, and Life Care, are responsible for executing management strategies. Regional headquarters in America, Europe and Asia support business operations by strengthening relationships with countries and areas in the respective regions, such as by providing legal support and conducting internal audits. In particular, HOYA has its treasury base in the Netherlands.

Adoption of the International Financial Reporting Standards

Effective from the fiscal year ended March 31, 2011, HOYA prepares its consolidated financial statements in compliance with International Financial Reporting Standards (IFRSs). With respect to reporting segments presented in the overview of operation by business category, HOYA divides its business into three reporting segments in accordance with IFRSs. These segments are Information Technology, Life Care, and Other Businesses.

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

In accordance with its management philosophy, the Group has categorized "Information Technology" and "Life and Culture" as its business domains, to achieve sustainable growth in corporate value in these business domain, the Group has been making decisions on the allocation of management resources and monitoring the operating results. As a result, the Group consists of three reportable business segments: the Information Technology business, the Life Care business and the Others business, which are consistent with the above business domains.

The Information Technology business handles products for the myriad of applications spawned by the digitalization of information and the emergence of the Internet. This segment produces and sells a broad array of I/O

(input/output) device related products in the information technology sector, including electronics related products that are essential for modern digital information and communications technologies, and optical technology-based imaging related products that are necessary to import pictures and video images as digital information.

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

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

Sales

During the consolidated fiscal year ended March 31, 2012, a sense of uncertainty continued to linger in the global economy due to fiscal concerns in the United States and Europe, despite the growth observed in emerging countries. Japan suffered the impact of the Great East Japan Earthquake in the beginning of the fiscal year, but showed signs of recovery along with the restoration of supply chains. However, causes of concern still remain, such as the electricity shortage and the radioactivity issue stemming from the nuclear power plant accident, in addition to the accelerated uptrend of the Japanese Yen, further heightening the sense of anxiety over the future of the economy. On top of this, the massive flooding that occurred in Thailand in October 2011 inflicted huge damage to manufacturing sites of Japanese companies and heavily affected supply chains.

Against such uncertainties, HOYA properly responded to changes in orders received according to market demand, and basically maintained the competitiveness of its businesses per se, but its sales were affected greatly by a fall in unit prices and the strong yen. Furthermore, HOYA's production sites of flagship products such as eyeglass lenses, which are located in Thailand, were severely affected by the flood, such as being forced to suspend operations for a long period of time. It was also affected by the production sites of clients including HDD manufacturers being flooded.

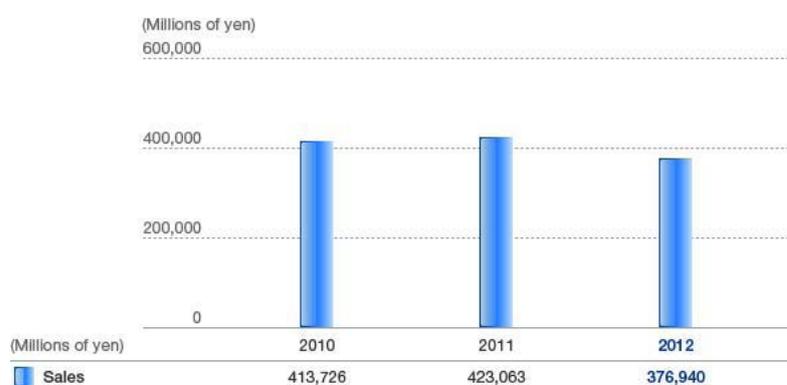
As a result, sales for the fiscal year under review amounted to ¥376,940 million, down ¥46,123 million (10.9%) year on year. By principal business segment, net sales decreased 16.6% year on year in the Information Technology business, and decreased 5.0% year on year in the Life Care business.

By customer region, net sales to customers in Japan decreased 9.5%, to ¥144,943 million and net sales to overseas customers decreased 11.7%, to

¥231,996 million. As a result, the composition of net sales was 38.5% domestic and 61.5% overseas.

HOYA calculated the effect of exchange rates on operating results during the fiscal year under review by comparing the foreign currency denominated financial statements of its overseas subsidiaries when converted into yen at the average exchange rates during the fiscal year under review, with the same statements when converted into yen at the average exchange rates prevailing during the previous fiscal year. In the foreign exchange market, the yen appreciated 7.3% against the U.S. dollar to ¥78.98 on average during the fiscal year under review, while it gained 2.7% against the euro to ¥109.55 and 5.8% against the Thai baht to ¥2.58 over the preceding fiscal year. For the Group overall, the effect of exchange rates reduced net sales by ¥7,197 million and net profit by ¥1,297 million.

Sales



Transfer of the PENTAX Imaging Systems Business

On July 1, 2011, an agreement was reached and concluded between HOYA and Ricoh Co., Ltd. to transfer the PENTAX Imaging Systems Business to Ricoh and the transfer was executed on October 1, 2011. As a result, the Business is classified as a discontinued operation from the fiscal year under review.

Flood Damage in Thailand

The massive flooding that occurred in Thailand in October 2011 inflicted damage directly to two plants at HOYA LENS THAILAND LTD., which is HOYA's flagship manufacturing site for eyeglass lenses.

Heavy damage was incurred particularly at Ayutthaya Plant, which deals in custom-made products: its premises were flooded, so operations were suspended on October 12. At the Plant, the ground floor was submerged once but flood waters subsided towards the end of the year, so efforts were made to restore its infrastructure and manufacturing facilities, which resulted in the resumption of operations in the beginning of April 2012.

Fortunately, neither deaths nor injuries have been reported. We sincerely apologize for having caused substantial inconvenience to many customers during the suspension of operations.

Income

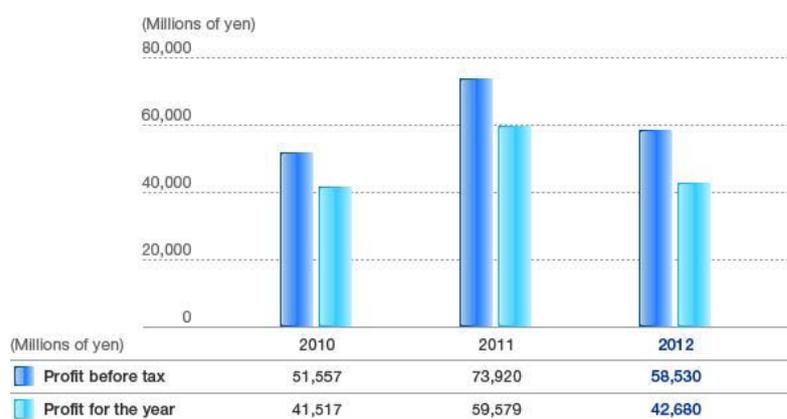
As outlined above, profit before taxes amounted to ¥58,530 million and profit for the year amounted to ¥42,680 million, a 20.8% and 28.4% down year on year respectively. The ratio of profit before tax was 15.5%, a 2.0 percent point decrease over the previous fiscal year's 17.5%.

Profitability of the Information Technology deteriorated from the previous fiscal year due mainly to the slowdown in demands for mask blanks and photomasks for semiconductor and glass disks for HDDs during the first half of the fiscal year under the influence of the Great East Japan Earthquake, in addition to the appreciation of the Japanese yen and the surge in the rear earth prices in a part of the businesses. On the other hand, profitability for optical glass and optical lenses business improved from the previous fiscal year as the Company received larger orders of the high precision lenses on the back of the brisk market of single lens digital cameras.

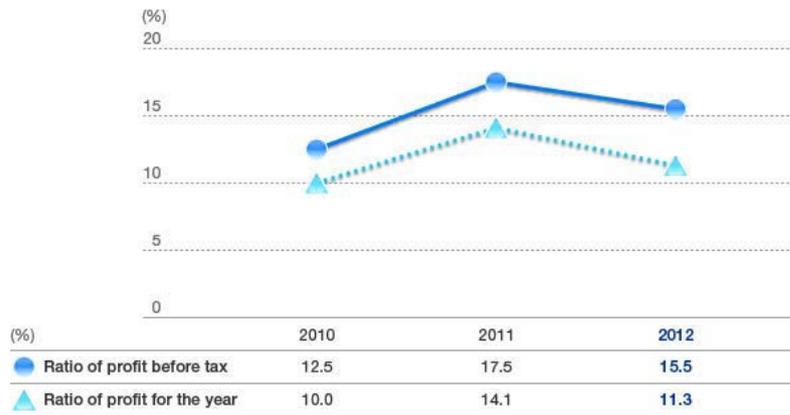
In the life Care business, eyeglass lens business recorded the reduction in sales and profit caused by the loss of sales opportunities due to the suspension of operation of the flagship plant for eyeglass lenses as a result of the flooding in Thailand, in addition a loss of plant facilities, etc. due to disaster in the amount of 5,909 million yen was recorded. Contact lens and intraocular lens businesses enjoyed high profitability continuously from the previous fiscal year. Medical endoscope business secured the similar level of profitability as the previous year thanks to the increasing demands in the emerging countries although the medical institutions in the United States and Europe were holding off buying in the midst of financial uncertainty.

Return on assets (ROA) was 7.5%, and return on equity attributable to owners of the Company (ROE) was 11.3%.

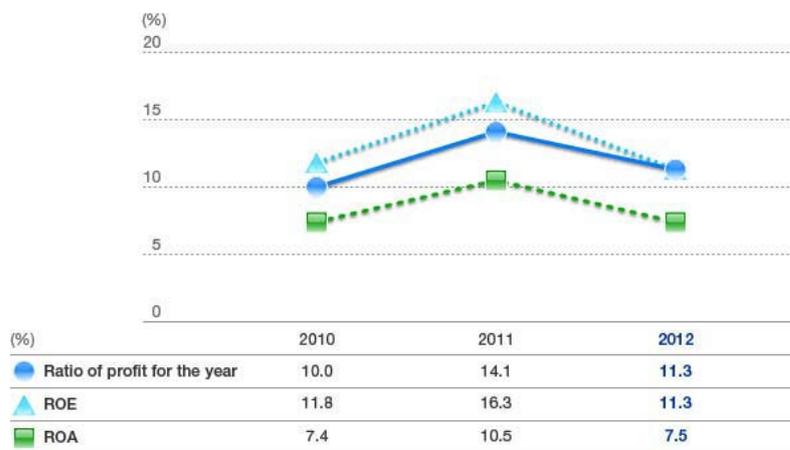
Profit before tax/Profit for the year



Profit Ratios



Profitability



Stock Price Data

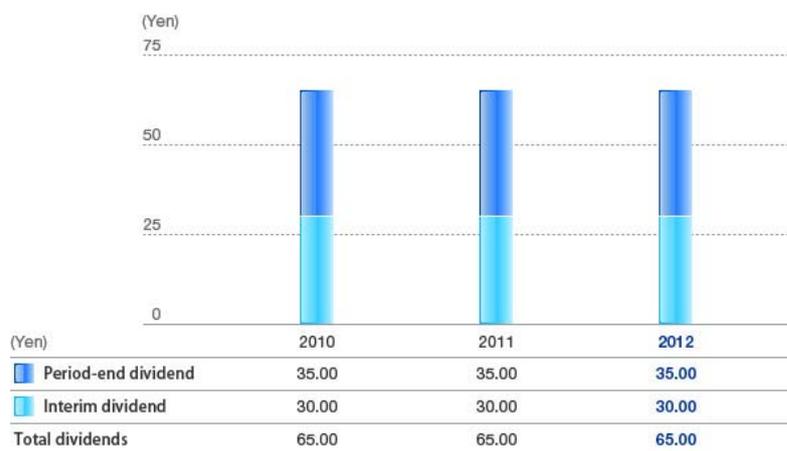


Dividends

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

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

Dividends per share



Financial Position

Total assets at the end of the current fiscal year decreased ¥3,406 million, or 0.6% year on year, to ¥575,235 million.

Non-current assets decreased ¥32,624 million (16.0%) year on year, to ¥171,561 million.

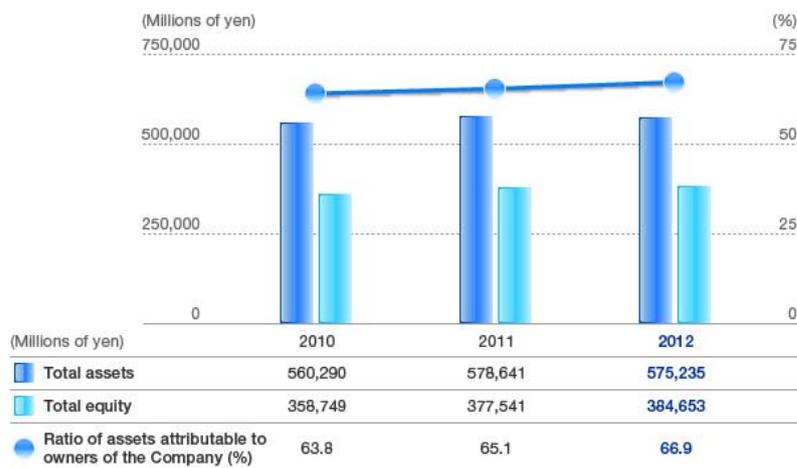
Current assets increased by ¥29,218 million (7.8%) year on year, to ¥403,674 million. The increase was primarily due to a rise in other short-term financial assets by ¥20,308 million and a ¥19,521 million increase in cash and cash equivalents, while trade and other receivables decreased by ¥10,763 million.

Liabilities amounted to ¥190,582 million, a ¥10,518 million decrease from the levels of a year earlier.

Total equity increased by ¥7,112 million year on year, to ¥384,653 million, partly due to a ¥15,177 million increase in retained earnings. Equity

attributable to owners of the Company, which is obtained by deducting non-controlling interest in equity from total equity, amounted to ¥384,802 million, improving the ratio of equity attributable to equity holders of the parent by 1.8 percent point from a year earlier levels, to 66.9%.

Total Assets/Total equity/Owners' Equity Ratio



Capital Expenditures / Depreciation and Amortization

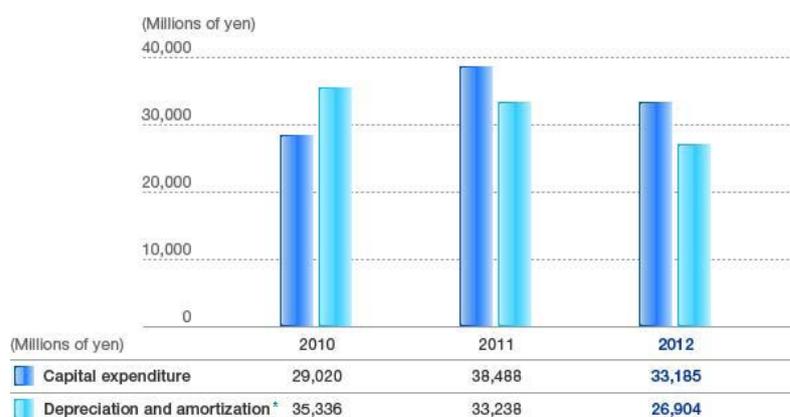
The total capital investment amounted to ¥33,185 million during the fiscal year under review, a decrease of ¥5,303 million (13.8%) over the preceding fiscal year. Investment in the Information Technology business amounted ¥20,474 million and investment in Life Care business amounted ¥11,780 million, which account for 61.7% and 35.5% of the total investment by the Group respectively.

The Great East Japan Earthquake that struck on March 11, 2011 caused some damage HOYA's facilities. The cost to repair the damaged facilities did not significantly affect the results of the fiscal year under review. However, the Earthquake has given rise to a greater need to have multiple manufacturing sites from the viewpoint of risk dispersion, so new plants for information technology business area were established overseas which include the plant of mask blanks for semiconductor in Singapore and glass melting facility in China. They were partly accounted for the amount of capital investment in the fiscal year under review.

Furthermore, the massive flooding in Thailand that occurred in October 2011 flooded HOYA's eyeglass lens production site and forced it to suspend operations. Consequently, HOYA was forced to enhance production capacity in the group factories located in other than the Thailand, as alternative production site, and manufacturing facilities in the Thailand had to be completely replaced at the plant, and they were partly accounted for in the fiscal year under review.

Depreciation for the fiscal year under review decreased 10.8%, to ¥27,927 million. The Information Technology accounted for approximately 60% of this, at ¥17,983 million.

Capital Expenditure/Depreciation and Amortization



* Depreciation and amortization includes also impairment losses.

Cash Flow

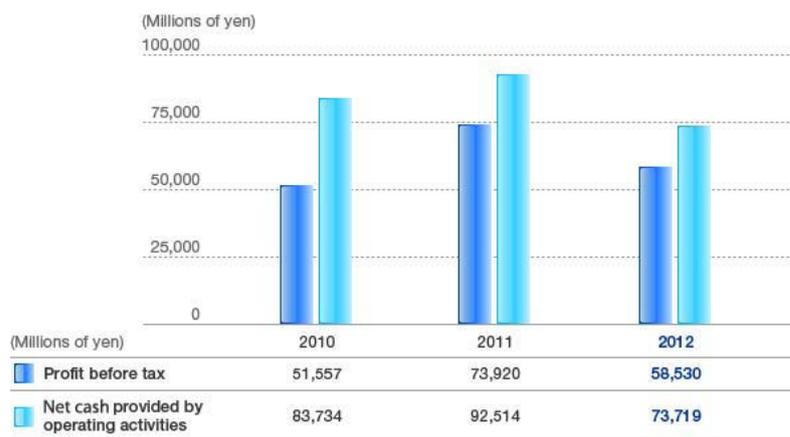
Net cash provided by operating activities amounted to ¥73,719 million, a decrease of ¥18,795 million from the previous fiscal year. The main positive factors were profit before taxes from continuing operations of ¥54,021 million (down ¥9,224 million year on year), depreciation and amortization of ¥27,927 million (down ¥3,367 million), and trade and other receivables of ¥10,791 (up ¥8,120 million). The main negative factors included an increase in inventories of ¥4,800 million (down ¥5,326 million) and trade and other payables of ¥6,728 million (up ¥13,735 million).

Net cash used in investing activities amounted to ¥22,497 million, a decrease of ¥15,994 million compared with the previous fiscal year. This was primarily attributable to ¥16,618 million in withdrawals of time deposit (up ¥15,070 million), withdrawals of transferable deposit of ¥10,000 million, proceeds from business transfer of ¥12,537 million (down ¥8,117 million), deposits for transferable deposit of ¥30,000 million, and payments for acquisition of property, plant and equipment of ¥31,184 million (down ¥4,857 million).

Net cash used in financing activities amounted to ¥29,259 million, a decrease of ¥1,985 million. This was mainly due to a total of ¥28,003 million in dividends paid (up ¥32 million year on year).

As a result of the above, the balance of cash and cash equivalents as of March 31, 2012, was ¥204,772 million, a year on year increase of ¥19,520 million.

Net cash provided by operating activities



Subsequent Events

Nothing of note.

Disclaimers

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

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

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

HOYA cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include but are not limited to fluctuation of exchange rates and interest rates, international situations, market trends and economic conditions, competition, production capacity and research and development capabilities and so on. Please refer to Business Risk.

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