





HOYA Corporation



HOYA is striving to become a sustainable company by continuously providing definite value to society based on an unwavering management philosophy and a portfolio strategy that is both unique and timely.

Hiroshi Suzuki President and CEO

The fiscal year ended March 2011 was witness to a string of economic events, from the European financial crisis to a persistently strong yen, the rise of emerging countries, and further deflation in Japan. And, in March, Japan was hit with a disaster of unprecedented proportions, the Earthquakes and Tsunami. It was therefore simultaneously a year of momentous change in HOYA's operating environment.

Despite navigating such rough waters, HOYA pursued a management strategy of capturing value in Information Technology and concentrating management resources in Life Care to accelerate growth.

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

Initiatives and Achievements: Review of Fiscal 2011

HOYA is pursuing calls for maintaining our competitive edge with the aim of capturing a certain level of revenues in Information Technology, which pivots on our exceptional optical technology, and accelerating growth in Life Care by injecting management resources on a priority basis. In Life Care, there was marked growth in the global market and among the emerging market countries in particular.

As a result of the above, in the fiscal year under review we achieved consolidated net sales of ¥413,349 million from continuing operations, an increase of 2.7% over the previous year, and income before income taxes and minority interests of ¥63,758 million, a year-on-year increase of 26.2%. The hard disk glass media manufacturing business was transferred, so it is classified as a discontinued operation. We recorded a gain on transfer of ¥10,343 million, and income from discontinued operations totaled ¥9,873 million. As a result, net income for the HOYA Group overall was ¥59,579 million, a year-on-year increase of 43.5%.

Fundamentals and Future Prospects: A Roadmap to Growth

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.

To put it another way, subdividing otherwise large markets on the basis of different axes (region, product and technology), selecting segments that allow us to leverage our strengths, and focusing energy and resources in them makes it possible to gain an overwhelming presence in those segments. As a school of big fish in small ponds, we will continue striving for a balanced form of management while maintaining our competitiveness.

Globalization is also an important concept that speaks to the future of HOYA.

In 1974 we established our first overseas production site in Thailand and subsequently established regional headquarters in Europe, North America and Asia, as we actively worked to globalize the organization. Although we are still only halfway there in terms of globalization in the true sense. True globalization goes beyond production and sales; it means having head office functions and decision-making for development and the like spread out all over the world. We firmly believe that making optimal management decisions quickly from a global perspective will ensure sustained corporate growth over the long term.

With the spotlight on health and medicine continuing to get brighter, it is expected that the market itself will continue to steadily grow in a way that is relatively impervious to economic ups and downs. HOYA intends to apply the optical technology it has cultivated to the field of medicine and raise its presence in businesses related to health and medicine. The Group strongly believes that by providing enduring solutions that meet needs in areas closely connected to people's lives, such as the areas we are currently involved in, endoscopes, eyeglass lenses and intraocular lenses, it will be able to bring about changes in the quality of those lives. Moreover, HOYA will continually search for the seeds of new businesses in which it can leverage its strengths and conduct focused investment for growth.

To Our Shareholders

Reconstruction in the aftermath of the Great East Japan Earthquake will be without a doubt a major task for Japan, as well as for industry and commerce at the global level. The first steps are already being taken. As a member of the industrial community, HOYA is fully committed to the recovery and reconstruction of the affected regions.

Optical Technology comprises the DNA of HOYA. With this DNA as our core competence, we intend to provide value to society in various forms to make our presence even stronger.

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

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President and CEO

HOYA Annual Report 2011

COO Message



We will build a solid business continuity plan to become an even stronger global competitor.

Hiroshi Hamada Chief Operating Officer

With burgeoning signs of a recovery in the global economy, in the fiscal year ended March 2011 HOYA actively carried out operations in target markets in its various business sectors. Having converted to a lean, muscular organization in the global financial crisis, the Company promoted five initiatives aimed at further growth. Going forward HOYA will reformulate its business continuity plan, the lifeline of any corporation, based in part on its experience with the Great East Japan Earthquake.

We Achieved Healthy Growth in Our Businesses

Despite being subjected to an entirely unforeseen situation at the end of the term in the form of the Great East Japan Earthquake, we were able to make fiscal 2011 a year of healthy growth, even compared to our competitors.

Information Technology

In the Information Technology segment, prices for digital devices dropped at a faster rate as market players consolidated, and the market itself began to contract. In the area of mask blanks for semiconductor production, we were able to stay a step ahead of the competition with products compatible with extreme ultraviolet (EUV) lithography. In addition, we sold off our hard disk media manufacturing operation and devoted management resources to our HDD glass substrate business. We made a bold decision to invest in the Philippines to construct a new factory, which gave us a framework for accommodating rising demand, while striving to win the fierce price wars.

In the area of PENTAX brand digital cameras, our unique, new SLR camera available in 100 color variations strongly appealed to consumers and gave birth to a new group of PENTAX enthusiasts. The brand's mid-range and medium-format digital SLR cameras delivered the PENTAX legacy in quality and performance and received glowing reviews from the core group of PENTAX loyalists, both professionals and amateurs. The segment returned to operating profit for the full year, thanks in part to promptly implemented structural reforms.



In the Life Care segment HOYA achieved growth in overseas markets.

The eyeglass lens business saw the domestic market start to recover as Japan's deflationary economy began to bottom out. We aggressively entered emerging markets, and the business grew faster than the market average.

In the *Eyecity* contact lens specialty store business, we succeeded in capturing a new customer segment by focusing on online promotions. With a product lineup that takes advantage of the chain's top share of the retail market, *Eyecity* proved to be overwhelmingly effective at acquiring customers.

In the area of intraocular lenses used in cataract surgery, new pre-loaded products enjoyed steady growth, and we increased our share even in our main market of Japan. We were also successful in steadily expanding market share in the U.S. and emerging market countries.

In endoscopes for medical use, sales slowed temporarily due to the impact of medical reforms in the U.S., but signs of a recovery became apparent in the second half. There was marked growth in emerging market countries, and we were able to build a foundation for regional development going forward.

Five Initiatives for Restructuring Got Off to a Good Start

In 2010, HOYA formulated five restructuring initiatives as a strategy for future growth. Specifically, the strategy consists of enhancing our core competencies in globalization technological prowess and accelerating HOYA's growth through 1) human resource training and diversification, 2) IT infrastructure upgrades, 3) market-driven business expansion, 4) faster penetration of emerging markets, and 5) efforts to enhance customer satisfaction.

None of the initiatives are meant to be completed in a single fiscal year; they are intended to be carried out over the medium-to-long term. Our achievements in the fiscal year ended March 31, 2011, however, showed competence and we got off to a good start.

As a case in point in human resource diversification, the intraocular lens business relocated its global headquarters to Singapore for reasons that include a diverse talent pool, as well as infrastructure stability. Globalization was also promoted in the endoscope business by hiring talented people from countries around the world.

To upgrade the Group's IT infrastructure, a new officer in charge of IT was appointed, and we began globally integrating our IT infrastructure. Upgrades to IT infrastructure will be accelerated at the global level from the standpoint of business continuity planning as well.

As mentioned earlier, we made steady progress penetrating the emerging markets during the year under review. We will continue to build on this success, not only in Asia, but in a broader spectrum of emerging markets.

New Priorities to Create Even More Definitive Value

In addition to the above initiatives, we identified two new priorities for the fiscal year ending March 31, 2012: 1) formulate a more in-depth business continuity plan, and 2) develop innovative products.

1) Build a more in-depth business continuity plan

Fortunately, HOYA's personnel and facilities were mostly kept out from harm's way of the Great East Japan Earthquake. This was in part one of the benefits of having globalized and having dispersed our business strongholds throughout the world, rather than having concentrated them in one place. Some of our customers and suppliers, however, suffered major damage from the disaster itself and the subsequent power shortages, and we had our supply chain disrupted temporarily. Based on this experience, we intend to formulate a more in-depth business continuity plan.

2) Develop innovative products

To continue to facilitate the growth of businesses in the Life Care segment, we will focus on developing innovative new products by investing in new technologies and partnering with other companies, while also considering M&A deals at the global level.

In the Information Technology segment, the other of our two business drivers, we have continually maintained a high share of our markets, but many of those markets have matured and industry players are being reshuffled worldwide. To survive this reshuffling and remain a powerful competitor, HOYA put its advanced technical capabilities to good use, to create value and provide customer satisfaction that consistently exceeds market expectations.

Guided by these priorities, I believe that the initiatives we take in the year ending March 31, 2012 will lead, also, to an increase in corporate value from the perspective of our shareholders and our other stakeholders at large. Thank you for your continuing support and understanding.

Chief Operating Officer

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Special Features 1. EUV Lithography • 2. Medical Flexible Endoscopes • Advances in semiconductor performance and circuit miniaturization • Why miniaturization is o important • The future for EUV and Hoya's goals • Comparison • Why miniaturization is o important • The future for EUV and Hoya's goals

Advances in semiconductor performance and circuit miniaturization

Hoya's contribution to progress in the semiconductor industry

Semiconductors are vital to the operation of products large and small that we rely on for our daily activities. These chips control everything from PCs, mobile phones and digital cameras to home appliances and automobiles.

Moore's Law symbolizes the remarkable speed of advances in semiconductor performance. The law states that transistor density on semiconductor chips will double approximately every 18 months.

Semiconductor devices are made by using ultraviolet light to project circuit patterns on the surface of silicon



Clean room in Nagasaka plant

wafers. Hoya used its decades of expertise in optical technology to start a lithography business in the 1970s for semiconductor manufacturing equipment. By fabricating the mask blanks used to make semiconductor photomasks, Hoya has played an important role in the rapid advances in semiconductor devices expressed by Moore's Law.

Miniaturization is now measured in molecules and even atoms



Advances in scaling down design rules (the width of circuit lines) have been critical to making semiconductor devices with greater circuit density.

In the past, line width was measured in microns, which is short for micrometer (one thousandth of a millimeter). Today, semiconductor makers use nanometers (one millionth of a millimeter) instead. The switch to nanometers, which are used to express the size of molecules and atoms, demonstrates the

exacting demands now placed on semiconductor miniaturization.



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Why miniaturization is so important

EUV – The ultimate lithography technology

Lithography is the process by which circuit patterns with line width measured in nanometers are formed on semiconductor wafers. This field, which is critical to progress in semiconductor miniaturization, is Hoya's greatest strength.

Lasers are used as the light source in steppers, which are machines that project microscopic circuitry on wafers. The most advanced technology is ArF laser immersion lithography, which uses a wavelength of 193nm. This technology can form lines only 40nm to 30nm wide, a level no other type of lithography can match.

The accelerating pace of progress in circuit density is placing increasing demands on the equipment used to manufacture semiconductor devices. Only limited potential remains for more progress with ArF laser technology. To move on to the next step, the semiconductor industry has turned its attention to EUV, which is regarded as the ultimate lithography technology.



Mo/Si multilayer for EUV lithography

Extreme ultraviolet (EUV) light is the section of the ultraviolet spectrum with an extremely short wavelength. In fact, the EUV wavelength of only 13.5nm is less than one-tenth the wavelengths of ArF lasers.

Using light with this remarkably short wavelength opens the way to fabricating semiconductors with an even higher density. Products that incorporate these chips will be faster, smaller and more versatile.

Taking on the challenging of achieving a breakthrough



Mask blanks for semiconductor production



Many problems must be solved before manufacturers can use EUV lithography on their production lines. Interest in EUV first emerged more than 20 years ago. The fact that this technology has not genuinely reached the practical, mass productions stage shows how high the technological barriers are.

Photomasks are instrumental to the transfer of circuit patterns to silicon wafers. To make a photomask, the pattern is placed on a glass substrate called a mask blank. Unlike ArF lithography in which light is transmitted through a transmission mask, EUV lithography reflects light off of a defect-free reflection mask to expose the circuit pattern. This is achieved through light reflected by interlayer interference and requires an ultra-multilayer membrane comprised of several tens in alternating layers of molybdenum and silicon. Each paired molybdenum-silicon layer is only 7.0nm thick, with a tolerance in precision of no more than 0.01 nm. Precision membrane formation

technology is vital to achieving this level of accuracy. Moreover, the substrate's flatness cannot vary by more than 30nm. This is about four times more exacting than for conventional photomask blanks. Furthermore, precision control is required for both sides of an EUV substrate.

Defects are not allowed: Imperfections on the blank will be transferred to the wafer. EUV lithography uses light with a wavelength more than one order of magnitude smaller than with conventional lithography. As a result, even imperfections with a height more than 20 times less than the maximum permissible defect size for conventional lithography will become a phase shift defect that is transferred to the wafer with EUV technology. This is why the blank can have no defects larger than 30nm. As a frame of reference, a particle of tobacco smoke measures 1 μ m (micron) or smaller. This means a defect 1/30th the particulate size of tobacco smoke may not be tolerable, which offers some idea of how microscopic and almost none-existent the defects must be.

In relative terms, this would be the equivalent of not allowing a defect the size of single pollen on a flat surface the size of a soccer field.

Until recently, it was this daunting nature of those many challenges that held progress in the commercialization of EUV lithography back.



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The future for EUV and Hoya's goals

Our mission as the leading manufacturer of mask blanks

The most advanced semiconductors that are made today require a design rule of 40nm to 30nm. But the industry is now on the verge of the 20nm (generally referred to as 2Xnm) era. That means EUV lithography will probably move from research facilities to production facilities at last.

As the world's largest supplier of mask blanks, Hoya long ago began EUV research activities. Over the years, Hoya steadily moved closer to commercializing this technology by surmounting one hurdle after another. Mass-production EUV equipment will probably appear after a few more years. Hoya is determined to retain its position as the leading mask blank manufacturer as the semiconductor industry makes the transition to EUV lithography.

This commitment reflects HOYA's mission of contributing to the semiconductor industry in a



IBD System

supporting role by keeping pace with progress with design rules, no matter how fine circuit patterns become.

Semiconductor devices are a vital part of many products, and mask blanks in turn are an essential part of the production of these devices. Recognizing the importance of these blanks, Hoya is firmly dedicated to fulfilling its mission of supplying blanks regardless of the associated risks.

The vital role of semiconductor technology



Micro fabrication

Only 20 years ago, personal computers were large, heavy and slow. Mobile phones were just a distant dream. Today's notebook computers are far superior to even the large computers that were used two decades ago. Mobile phones, smartphones, tablet computers and other sophisticated IT products have been an indispensable part of our lives.

Advances in semiconductor technology have been

critical to the emergence of these new IT products. In a few years, semiconductor companies will take another step forward by using EUV lithography for mass production. This will undoubtedly trigger a new phase of progress among manufacturers of electronic devices and many other types of products.

Aiming for even more ambitious goals

Micro electro-mechanical systems (MEMS) are tiny integrated devices or systems that combine semiconductor and mechanical components, usually on a single silicon substrate. Making MEMS even smaller will create many potential applications. For instance, much potential exists in the health care field. MEMS may be used in artificial hearts, inner ears and other organs. As part of a smart grid, MEMS could create a system that precisely oversees power consumption of individual home appliances. The result would be a big contribution to solving problems involving energy.

EUV has the potential to become a force behind progress like this on a virtually unlimited scale. Furthermore, these dreams will most likely become reality in the not-too-distant future.

1. EUV Lithography	2. Medical Flexible Endoscopes	
 Advances in semiconductor performance and circuit miniaturization 	 Why miniaturization is so important 	The future for EUV and Hoya's goals

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Medical Endoscopes - Clinical Application and Market Opportunity

Introduction to medical flexible endoscopes

Flexible endoscopes are used by physicians to examine the interior of human organs (such as esophagus, stomach, duodenum, colon, lung, etc.) and to assist in minimally invasive medical procedures pertaining to the observation and treatment of disease in these organs. Although the most common use of flexible endoscopes so far has been in the area of colo-rectal cancer screening, flexible endoscopy is also gaining prominence in assisting the observation and treatment of disease in esophageal cancer, gastric cancer, lung cancer, etc.



Medical Flexible Endoscopes

Market growth potential and drivers

Healthcare providers around the world are looking for innovative medical solutions that reduce the cost of healthcare delivery, while improving both the quality of service provided and the access to superior healthcare.

Our aim at PENTAX Lifecare is to serve the evolving needs of the market and grow our annual revenue by at least 10% in the developed countries and by over 30% in the emerging countries.

Market growth potential

- The global flexible endoscopy market is expected to grow by approximately 10% annually over the next 5 years
- On a regional basis, the markets in North America and Europe are expected to see an annual growth of approximately 5-10% over the next 5 years. The rapidly growing healthcare market of Asia, Latin America, Eastern Europe, Middle East, and Africa are expected to see an annual growth of over 20% over the next 5 years.

Market growth drivers

- Increased incidence of disease
- Aging populations
- Economic pressure to reduce the cost of treatment and hospital stays
- Growth of minimally invasive diagnostic tools and surgery
- Advancement in medical technology
- Improved healthcare, increased prosperity, and changing lifestyles in developing countries

Medical Flexible Endoscopes

1. EUV Lithography

 Medical Endoscopes Clinical Application and Market Opportunity Best-in-Class Quality and Customer Satisfaction Plans for future growth 	 Medical Endoscopes Clinical Application and Market Opportunity 	 Best-in-Class Quality and Customer Satisfaction 	 Plans for future growth
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Best-in-Class Quality and Customer Satisfaction

To improve the standard of patient care and quality of healthcare delivery

PENTAX Lifecare is a division of Hoya Corporation and our mission is to improve the standard of patient care and quality of healthcare delivery by providing the best endoscopic products and services with a focus on QUALITY, CLINICALLY RELEVANT INNOVATION, and SIMPLICITY.

Through leading edge R&D and manufacturing, we provide endoscopic imaging devices and solutions to the global medical community under the brand name of PENTAX. We specialize in the development of video and fiber endoscopy equipment for observation, therapeutic and research applications in the GI, ENT and Pulmonary medical fields, offering a full range of products and services.

In addition to our manufacturing facilities and global headquarters in Japan, PENTAX Lifecare has a worldwide focus and presence with R&D, regional sales, service, and in-country facilities around the globe. Our global employees represent the diverse countries where we do business, allowing us to provide innovative solutions tailored to meet the specific needs







across diverse geographical regions. It is our ultimate goal to provide the highest level of customer satisfaction within our industry.

Advantages and Features

What customers say about our products

Best-in-class image quality

Superior image acquisition and processing technology with high-definition, megapixel images

Leading edge technology

Advanced imaging technologies such as endoscopic ultrasound and confocal endoscopy World-class product quality and reliability

Ensuring the optimal durability, usability and quality of products to increase customer productivity

Broad portfolio

Leading the market with a broad portfolio of product offerings to suit each customer in every clinical field of endoscopy

2. Medical Flexible Endoscopes

1. EUV Lithography



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Plans for future growth

Products and technology

Focus on enhancing the clinical value proposition

Address unmet clinical needs
Increase customer benefit and quality of clinical outcome
Create and leverage a competitive advantage

Lead with "Advanced Application" products and solutions

Innovate premium end technology and partner with top-tier technology providers to develop differentiated and clinically relevant products.

Specific solutions for both developed and emerging countries

Innovate new technologies for developed countries while developing new cost-effective products for the emerging healthcare markets. In effect, pursue a two pronged strategy enabling leadership in the premium segment along with technology flow down towards the lower cost segment.

Expand product portfolio into therapeutics

Lead with the flexible endoscopy platform in minimally invasive surgery with growth in endoscope enabled therapeutics.

Operations

- Improve profitability while investing for growth.
- Accelerate product development cycle and continually improve quality while reducing cost of goods.
- Improve global organization and process by investing in new leadership talent from top-tier medical device companies.

Sales Strategy

- Focus on customer satisfaction.
- Strengthen our brand.
- Expand rapidly into emerging markets and broaden global reach with local distributors.
- Physician training.



Plans for future growth

1. EUV Lithography

2. Medical Flexible Endoscopes

 Medical Endoscopes

 Clinical Application and Market Opportunity

 Best-in-Class Quality and Customer Satisfaction

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Financial Review

Management Discussion and Analysis

Hoya Group and Scope of Consolidation

As of March 31, 2011, the Hoya Group consists of Hoya Corporation, 102 consolidated subsidiaries (4 in Japan and 98 overseas), and 10 affiliates (5 in Japan and 5 overseas).

The Hoya Group is managed on a global, consolidated basis. Each of the Group's business segments, including Information Technology and Life Care, carries out its business strategies as formulated by the global headquarters at Hoya Corporation, yet with its own management responsibility. Regional headquarters in North America, Europe and Asia support business operations by strengthening relationships with countries and areas in the respective regions, by such means as providing legal support and conducting internal audits. The Hoya Group's headquarters for finance is in the Netherlands.

- Adoption of IFRSs Vet Sales Income
- Dividends
 Financial Position
- Capital Expenditures/Depreciation and Amortization
- Cash Flows Subsequent Event

Adoption of IFRSs

Effective from the fiscal year ended March 31, 2011, the Company prepares its consolidated financial statements in compliance with 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 IFRS 8. These segments are Information Technology, Life Care, and Other Businesses.

The reporting segments are constituent units of the Group for which separate financial information is obtained and reviewed regularly by the Board of Directors, the Group's chief operating decision making body, to determine the allocation of management resources and evaluate business performance. In accordance with its management philosophy, the Group has categorized "information technology" and "life and culture" as its business domains. To achieve sustained growth in corporate value in these business domains, the Group makes decisions on the allocation of management resources and monitors their operating results. As a consequence, the Group consists of three reporting segments consistent with the above business domains: Information Technology, Life Care and Other Businesses.

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.

Net Sales

In the fiscal year under review, the global economy saw a measure of recovery, mainly in emerging nations. However, the economic outlook for the U.S. and Europe remains clouded. In Japan, the continued strength of the yen has produced an elevated sense of caution, especially among exporters. To make matters worse, the Great East Japan Earthquake that struck on March 11, 2011, together with the resulting crisis at affected nuclear power plants, have combined darken the mood, not only in the affected regions, but indeed the entire Japanese economy.

Against this backdrop, the Hoya Group's production and shipments increased year on year owing to growth in orders accompanying the markets' recovery. However, sales were significantly affected by lower product prices and the strong yen. Hoya was also affected by quake related damage at both customers and suppliers, and by a decline in shipments enforced by production stoppages at some of its own plants.

As a consequence, consolidated net sales amounted to ¥413,349 million, up ¥10,920 million (2.7%) year on year. By principal business segment, net sales increased 3.9% year on year in the Information Technology business, and rose 1.9% year on year in the Life Care business.

By customer region, net sales to customers in Japan increased 5.1%, to ¥160,210 million, while net sales to overseas customers grew 1.2%, to ¥253,139 million. As a result, the composition of net sales was 38.8% domestic and 61.2% overseas.

In currency markets during the fiscal year under review, the yen rose 8.0% against the U.S. dollar, to ¥85.22, 13.8% against the euro, to ¥112.61, and 0.4% against the Thai baht, to ¥2.74 compared with the previous year. For the Group overall, exchange rates reduced net sales by ¥17,324 million. If converted using the previous fiscal year's rates, net sales would have increased by ¥28,244 million (7.0%) year on year.

Sales



Income

As outlined above, net sales increased 2.7% year on year to ¥413,349 million. In addition, cost cutting initiatives centering on fixed costs resulted in lower expenditure. As a result, income before taxes from continuing operations rose 26.2% year on year, to ¥63,758 million.

The pretax margin was 15.4%, up 2.8 percentage points year on year from 12.6%.

Contributing factors to the increase in income before taxes included the following: The Company reported brisk growth in sales of glass disks for hard disk drives (HDDs), optical lenses and optical glass. In digital cameras, meanwhile, new product launches and price protection initiatives combined with cost reductions in sales promotion to boost profitability, such that the business went from posting a large pretax loss the previous fiscal year to delivering a pretax profit in this.

In the Life Care business, healthcare related products (eyeglass lenses and contact lenses) fared well, while in medical related products (endoscopes for medical use), profitability improved year on year amid a recovery in the market.

On April 28, 2010, moreover, Hoya Corporation completed an agreement to transfer the hard disk glass media manufacturing business and related assets operated by Hoya Corporation and Hoya Magnetics Singapore, Pte., Ltd., its wholly owned subsidiary, to the U.S. company Western Digital Corporation as of June 30, 2010. For the fiscal year under review, Hoya classified the HDD glass media business as a discontinued operation, booking a ¥10,343 million gain on the sale. Including income for the year from discontinued operations, income for the year from all operations increased 43.5% year on year, to ¥59,579 million.

The hard disk market is expected to continue to see high growth going forward, mainly for notebook PCs and digital household appliances. Following the transfer, Hoya aims to leverage its glass materials technology and precision processing technology and concentrate management resources on its HDD glass substrates, which currently holds the leading global market share, to further enhance business competitiveness and achieve growth.

Return on assets (ROA) was 10.5%, and return on equity attributable to owners of the Company (ROE) was 16.3%, both representing year-on-year improvements.







Profitability



(%)	2009	2010	2011	
 Ratio of profit attributable to owners of the Company 	6.5	10.2	14.5	
-🚣- ROE	7.5	11.8	16.3	
•⊕• ROA	4.2	7.4	10.5	



Each year ended March 31.

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.



Each year ended March 31.

Financial Position

Total assets as of March 31, 2011 stood at ¥578,641 million, an ¥18,351 million or 3.3% increase compared with a year earlier.

Non-current assets declined ¥16,953 million, or 7.7% year on year, to ¥204,185 million.

Current assets increased ¥35,304 million, or 10.4%, year on year to ¥374,456 million. This was largely attributable to other short-term financial assets increasing ¥21,379 million year on year, to ¥26,964 million, and to cash and cash equivalents rising ¥17,313 million year on year, to ¥185,252 million.

Non-current liabilities were down ¥2,658 million from the previous fiscal year-end, to ¥111,961 million, largely because of a ¥2,226 million drop in interest-bearing long-term debt.

Current liabilities increased by ¥2,218 million year on year, to ¥201,100 million.

Total equity rose ¥18,792 million year on year, to ¥377,541 million, due in part to an increase of ¥31,703 million 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 ¥376,836 million, improving the ratio of equity attributable to owners of the Company by 1.3 percentage points year on year, to 65.1%.

Total Assets/Total equity/Owners' Equity Ratio



Capital Expenditures / Depreciation and Amortization

Capital expenditures during the fiscal year under review totaled ¥38,488 million, 32.6% more than in the previous fiscal year. Investment in the Information Technology business accounted for approximately 70% of the total. These investments were aimed at next-generation advanced technologies and expanding production capacity, with a focus on expanding and strengthening facilities for semiconductor-related products and glass disks for HDDs. In the Life Care business, the company invested to boost production capacity, centering on Asian production plants, with a view to expanding eyeglass lens production volume.

Depreciation and amortization costs for the fiscal year under review decreased 2.6%, to ¥30,369 million. The Information Technology segment accounted for approximately 60% of this, at ¥19,111 million.



Capital Expenditure/Depreciation and Amortization

Each year ended March 31.

Cash flows

Net cash provided by operating activities amounted to ¥92,514 million, an increase of ¥8,780 million from the previous fiscal year. The main positive factors were income before taxes from continuing operations of ¥63,758 million (up ¥13,244 million year on year), and depreciation and amortization of ¥31,294 million (down ¥2,660 million). The main negative factors included an increase in inventories of ¥10,126 million (down ¥20,219 million) and ¥8,370 million in income taxes paid (down ¥2,357 million).

Net cash used in investing activities amounted to ¥38,491 million, a decrease of ¥2,232 million compared with the previous fiscal year. This was primarily attributable to ¥20,654 million in proceeds from the transfer of the glass media business, the agreement for which was signed in the first quarter, as well as payments of ¥36,041 million (up ¥9,390 million) for the acquisition of property, plant and equipment (mostly in the Information Technology business), and of ¥20,000 million for negotiable certificates of deposit (acquired for the purpose of investing surplus funds).

Net cash used in financing activities amounted to ¥31,244 million, a decrease of ¥53,486 million from the net cash used in the previous fiscal year. This was mainly due to a total of ¥27,971 million in dividends paid (a decrease of ¥265 million year on year) and ¥3,337 million in repayments of long-term borrowings (a decrease of ¥5,808 million).

As a result of the above, the balance of cash and cash equivalents as of March 31, 2011, was ¥185,252 million, a year on year increase of ¥17,313 million.



Cash flow provided by operating activities

Each year ended March 31.

Subsequent Events

Nothing of note.

HOYA Annual Report 2011

The HOYA Group remains committed to its management philosophy, which identifies "information technology" and "life and culture" as its principal business domains. In order to ensure sustainable growth in its corporate value in each of these domains, the Group continues to make decisions with respect to the allocation of management resources while monitoring operating results.

In this context, the HOYA Group has further identified three reportable business segments: Information Technology; Life Care and Other, which are aligned to the aforementioned business domains effective from the fiscal year ended March 31, 2011.

Information Technology 49.0% More about Information Technolo	gy		Life Care 51.0% More about Life Care
Former Business Segments		New Business	Segments
Electro-Optics Division		Information	Electronics related products
Photonics Division		Technology	Imaging related products
Vision Care Division			Health Care related products
Health Care Division		Life Care	Medical related products
PENTAX			medical related products
Others		Others	

Information Technology 49.0%

In electronics-related products, conditions were bolstered by the global recovery in semiconductor- and liquid crystal-related markets driven mainly by demand from emerging countries. While the HOYA Group experienced a year-on-year increase in overall shipment volumes primarily of advanced, high-precision products, this was not reflected in substantial sales growth due mainly to the continued decline in product prices and rapid appreciation of the yen.



In imaging-related products, sales volumes were up from the previous year on the back of robust activity in the digital camera market. This was largely attributable to the positive turnaround

in global demand particularly in emerging countries. Shipment volumes of camera modules incorporating interchangeable lenses were also strong. In its finished stock lens lineup, HOYA's Pentax brand digital cameras witnessed ongoing growth in single lens reflex cameras reflecting robust demand mainly for entry-level models. Buoyed by the subsequent upswing in interchangeable lens sales, volumes rose from a year ago.

Accounting for each of the aforementioned factors, sales in the Information Technology segment were 208,735 million yen, up 3.9% year on year. Profit for the year before tax amounted to 36,506 million yen, 12.3% higher than the previous year.

Electronics related products

- Mask blanks for Semiconductor Production
- Photomasks for Semiconductor Production
- Photomasks for LCD Panel Production
- Glass Memory Disks for Hard Disk Drives

Imaging related products

- Optical Lenses
- Photonics Division
- PENTAX Digital Cameras
- PENTAX Small-size lenses

Life Care

In healthcare-related products, shipments of eyeglass lenses increased compared with the previous year. In Japan, however, results were affected by lower unit sales prices. Overseas, while sales also climbed on a local currency basis, results were substantially impacted by appreciation of the yen.

51.0

Sales volumes of contact lenses rose year on year with an increase in the number of customers visiting directly-owned stores. This was also attributable to higher sales of value-added products and the increase in the number of stores following aggressive expansion initiatives.

Sales (Billion yen) 2,500 2,000 1,500 1,000 500 0 2009 2010 2011

In medical-related products, results were affected by ongoing

restraint toward purchases by medical institutions in Europe and the United States. This largely reflected financial instability in Europe and the slump in economic conditions in the U.S. Despite robust trends in emerging countries, shipment volumes stalled compared with the previous year due to such factors as the high proportion of medical endoscope products to total sales in Europe and the U.S. and the significant impact of appreciation of the yen. On a positive note, sales of intraocular lenses (IOLs) were firm owing to strong sales of soft lenses.

As a result, sales in the Life Care segment were 203,006 million yen, up 1.9% compared with the previous year. Profit for the year before tax amounted to 36,743 million yen, up 12.4% year on year.

Health Care related products

- Eyeglass Lenses
- Contact Lenses and Eyecity

Medical related products

- Endoscopes for Medical Use
- Intraocular Lenses (IOL)
- New Ceramics

Information Technology

Mask blanks for Semiconductor Production

Fiscal 2011 Business Overview and Results Outlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

The year under review was marked by further progress in semiconductor miniaturization and leading to increased activity for mass production at the 45 nanometer node. At the same time, consolidation among semiconductor makers at home and abroad has resulted in fewer types of photomasks being used. The market for mask blanks used in semiconductor production grew steadily through 2007 but subsequently went through a period of contraction amid worldwide economic stagnation until 2010, when demand recovered somewhat.



Mask blanks for semiconductor production

Such a backdrop contributed to Hoya's mask blanks business in the volume shipped. In value terms, however, sales declined year on year as a consequence of falling unit prices and unfavorable exchange rates. Hoya faces continued competition in both cutting-edge and generic products, but maintains a high share of the mask blanks market by virtue of an aggressive approach to development, service and marketing.

Among semiconductor manufacturers there are mounting expectations that extreme ultraviolet (EUV) lithography will prove a promising successor to ArF lithography currently in use for the most complex devices. Hoya has been active in the R&D of mask blanks for use with EUV lithography, and aims to ramp up trial production of EUV mask blanks soon.

Hoya was fortunate in that its Nagasaka Plant sustained no direct damage due to the Great East Japan Earthquake. As a precaution against power restrictions in summer, the Company is making back-up arrangements including facilities for in-house power generation.

Outlook for Fiscal 2012

Semiconductor makers are migrating to even finer process technologies; namely, 32 and 22 nanometers. As the leading manufacturer of mask blanks for semiconductor production, Hoya will continue investing in R&D and manufacturing facilities with a view to satisfying the technology and quality requirements of next-generation products.

Information Technology

Photomasks for Semiconductor Production

Fiscal 2011 Business Overview and Results Outlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

Mergers among major manufacturers led to further consolidation of the semiconductor industry in 2010, yet the market grew more than 30% overall on such factors as a renewal of momentum following the Lehman Shock, and robust demand for smartphones, tablet PCs and other mobile devices. If we confine our discussion to photomasks, however, the recovery was somewhat muted. This was for the reason the upturn for semiconductor makers was sharp enough that they had little time for rolling out new products. Most were busy



Photomasks for semiconductor production

mass producing to keep up with demand, and many had to resort to continually using their existing photomasks. As a consequence, photomask demand from foundries actually declined year on year. Even so, Hoya achieved slight growth in photomask sales.

Moreover, a trend had begun to emerge for major semiconductor makers to produce their highprecision photomasks in-house. Against this backdrop, Hoya took initiatives to supply premiumquality photomasks needed to support advanced semiconductor development, along with its emphasis of the middle and lower end of the photomask market.

Outlook for Fiscal 2012

In fiscal 2012, demand for leading-edge products at the 40 nanometer node is expected to rise. On the other hand for Hoya, the middle and low end of the domestic market therefore holds promise. In fiscal 2012, the Company will endeavor to increase its exposure to these segments of the market, with a view to steadily growing earnings. In addition to cementing its position in this manner, Hoya remains committed to supplying high-precision photomasks as well.

The Company also aims to leverage its advantages as an integrated photomasks manufacturer from mask blanks on up. Ties between the photomask and mask blank businesses will be strengthened more than ever with a view to encouraging information sharing and cooperation in such areas as process evaluation and product development.

Information Technology

Photomasks for LCD Panel Production

Fiscal 2011 Business Overview and Results Voltook for Fiscal 2012

Fiscal 2011 Business Overview and Results

By the second half of 2009, the LCD panel market had made a remarkable recovery from the previous year's Lehman Shock. In the first half of 2010, however, momentum stalled due to factors such as inventory build-up. Growth resumed in the second half amid robust demand for smartphones, tablet PCs and other mobile devices.



Photomasks for LCD Panel production

Low-temperature polycrystalline silicon (LTPS) and organic EL panels are used in smartphone displays, and this migration

toward these higher-resolution panels is creating increased demand for high-end, high-quality photomasks. The year under review was expected to be the "breakout year for 3D," but that title seems likely to be conferred on 2011 or later years, as sales have not risen to the extent anticipated.

Under these circumstances, Hoya as a leading manufacturer of photomasks for LCD panel production strove to supply products catering to the every need of its valued customers. Square measurement shipment volume of photomasks grew strongly as a result in the year under review. In monetary terms, however, sales rose only slightly as price declines continued unabated.

Meanwhile, specialty masks came to occupy an increasingly large share of the photomask market. In fiscal 2011 such masks accounted for roughly 30% of Hoya's photomask sales, or double the level from the year before. Such value-added growth in sales composition went some way to offset the decline in prices.

Outlook for Fiscal 2012

Demand for smartphones and tablet PCs is expected to continue expanding in 2011, and although these mobile devices feature small displays, the photomasks used command a higher price per square measurement than those found in televisions. Hoya aims to tap growing demand for such products by developing technologies for high-performance photomasks delivering higher resolution. Ultimately, the Company expects these technologies will be employed in televisions also.

In response to increasing demand for higher-spec photomasks in Japan, Taiwan, and South Korea, Hoya is also working to share information and integrate functions across its bases in all three countries. Concurrently, the Company is analyzing the medium-term market outlook with a view to creating a clearly defined roadmap and manufacturing products that accurately meet market needs.

Information Technology

Glass Memory Disks for Hard Disk Drives

Fiscal 2011 Business Overview and Results FOutlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

Hoya develops and manufactures glass disk substrates for 2.5inch memory disks in hard disk drives (HDDs), which are used mainly in notebook PCs and external hard drives. During the fiscal year under review, the market for these HDDs and the glass memory disks inside them expanded steadily, driven by strong demand in notebook PCs for both business and personal use.

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



Glass Memory Disks for Hard Disk Drives

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. To address both these output and quality demands, Hoya in 2010 began production at its second factory in the Philippines and also started constructing a second factory in Vietnam. As an upside to the large investment this entailed, Hoya's capacity for producing glass disk substrates will surge 70% once these two facilities are ready.

By contrast, a challenge in the past year was the sharply higher price of cerium, a rare earth consumed in polishing glass disks. This squeezed profit margins, as it was difficult for Hoya to ask customers to shoulder this cost increase, and there were limits to cost-reduction efforts. To solve this problem, Hoya is developing alternative technologies for eliminating the use of cerium. Hoya believes that it may be able to switch to these alternatives in 2011.

In other developments, on June 30, 2010, Hoya sold its operations for applying magnetic coatings to glass disk substrates, to concentrate instead on fabricating and polishing glass substrates. This move will eliminate competitive relationships that stood in the way of in-depth communications between Hoya and its customers, enabling the free exchange of ideas for mutually improving product competitiveness.

Outlook for Fiscal 2012

HDD have advanced rapidly in density from 160GB (gigabyte) per square inch, to 250GB and 320GB. In the near term, mass production will commence on 500GB products. In the first half of fiscal 2012, the challenge for Hoya will be improving the quality of glass disks to meet the more rigorous approval standards HDD manufacturers will impose when they raise density. On the other hand, those higher approval standards will also mean higher barriers to entry that work to Hoya's quality advantage. The fundamentals of maintaining high quality, remaining cost competitive and meeting tight delivery timeframes are lasting strengths we will continue to

pursue as a manufacturer. Hoya forecasts mass production in 500GB to start in the second half of 2012.

Moreover, we expect the notebook PC market to gather momentum in the second half of 2012. Apart from the traditional Christmas sales season, the Chinese New Year has recently begun to boost demand in January and February. Previously, January and February saw a drop-off in demand. We will remain on the lookout to capture this new demand.

Topics

In HDD recording media, developers are working on new technologies to increase storage capacity. At present, perpendicular magnetic recording is being used to improve recording capacity by aligning the poles of magnetic writing elements perpendicular to the recording layer. New technologies that hold the promise of achieving even greater storage densities of one terabyte per square inch include discrete track recording¹ and assist recording². Although it remains to be seen which among these technologies will become mainstream, mass



Mold for Discrete track recording media

production of the next generation of media is projected to begin in around 2013. As a leading glass disk company, Hoya is working actively to develop materials and processing technologies for next-generation media.

1:In this method, channels are created between the tracks of the recording material to reduce the magnetic interference between adjacent tracks. It is expected that this will enable higher areal recording density.

2:In this method, lasers are used to locally apply heat to the recording medium before writing to reduce the magnetic coercive force.

Information Technology

Optical Lenses

Fiscal 2011 Business Overview and Results Qutlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

In the fiscal year under review, sales volume in the digital products market compared favorably with a year earlier. This came as demand picked up worldwide, but especially in emerging economies. Hoya similarly posted year-on-year growth in shipment volume for optical lenses, amid increasing orders for high-precision products including compact camera interchangeable lenses and lenses for digital video cameras.



Molded lenses

On the other hand, the Company experienced declining product prices, improvement in the product mix, and yen appreciation. That Hoya nonetheless achieved year-on-year growth in sales from both a volume and value standpoint is attributable to its launch of high-performance optical materials with superior optics, anticipating market needs for higher zoom power, slimmer bodies and wide-angle shooting capabilities.

In addition to the boost provided by high-refractive-index, high-dispersion optical materials launched the previous year, there were contributions also from an expanded lineup of highrefractive-index, low-dispersion materials.

At the same time, the competitive environment especially for polished lenses intensified, meaning downward pressure on prices was as strong as ever. As was the case the previous year, however, Hoya's aspherical glass molded lenses-which give advanced performance and compact construction-were well received in the market for interchangeable lenses used in digital cameras, and contributed to sales.

Outlook for Fiscal 2012

The market risk inherent in fiscal 2012 is the previous year's problems of soaring prices for optical materials (rare metals and rare earths), compounded by effects from the earthquake. Against this backdrop the Hoya will continue investing in the development of high-performance optical materials and manufacture of high precision lenses with a view to distinguishing itself from rivals. Hoya's unique competitive strength is its integrated production system, from optical material development to lens manufacturing, which it will continue leveraging to meet demand for optical lenses supporting ever more advanced digital products.

Information Technology

Photonics Division

Fiscal 2011 Business Overview and Results Toutlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

In fiscal 2011, sales of color filter glass were buoyant throughout the year. Sales of light source products rose in the first half but fell as the second half began. Toward the end of the fiscal year, however, their sales picked up visibly amid rapid expansion of the market for smartphones. This expansion should further boost sales in fiscal 2012.

All in all, sales at existing businesses grew 16% year on year in fiscal 2011, meeting the Company's goal. Sales of specialty glass for image sensors was added for reporting in October 2010, upon the product category was split from Hoya for merger with a wholly owned subsidiary comprising the Photonics Division.

Outlook for Fiscal 2012

In fiscal 2012, UV-LED light source devices will be a major theme for the Company. UV light sources have a range of applications, including the curing of electronic and optical adhesives. Hoya is developing new light source devices for widening the area of UV irradiation from spot to area exposure, and in the fiscal year under review the Company developed a UV-LED exposure unit capable of exposing a broad area. Hoya is already exploring new applications for this technology, including UV printing, and in fiscal 2012 it will be looking to ramp up sales.

The Company will also aim to increase sales of the specialty glasses that currently underpin its business framework, with a view to capturing top share of the market in each application.

In color filter glass, which is used in various applications



UV-LED spot light source



Polarized glass (CUPO)

including industry and medicine, a glass melting joint venture in China began operating in the first half of 2011. The Company expects this joint venture to enhance its cost competitiveness, affording it an extra edge over global rivals.

Hoya's polarized glass is used in optical communications isolators, demand for which is expected to grow in tandem with rising investment in optical communications networks, especially by China, India, and other emerging economies.

In addition, the Company's image sensor glass is an essential component of the CCD and CMOS image sensors that in turn are critical elements of digital cameras. By improving both performance and finish, Hoya aims to increase its share of the digital SLR camera market, for which particularly strong growth is projected.

Topics

UV inkjet printing light sources

By developing new light source devices for widening the area of UV irradiation from spot to area exposure, Hoya has gained access to new markets, one such application being UV curing of industrial inkjet printer inks. Broad surface UV irradiation will enable the ink to be cured rapidly, which in turn contributes to good print quality.



Line-type UV-LED

Information Technology

PENTAX Digital Cameras

Fiscal 2011 Business Overview and Results

The digital camera market in the year under review exhibited growth on a volume basis, with SLR cameras gaining 30% and compact cameras increasing 13% compared to the previous calendar year. Those volumes, however, remained below levels prior to the global financial crisis, when in aftermath sales fell precipitously in 2009. In addition, a marked decline in product unit prices that started last year continued to accelerate. Unit prices for SLR cameras in particular fell abruptly with the growing popularity of mirrorless models. Moreover, the strong ven led companies to rein activities in Europe and North America in and focus on sales in the Japanese market, which prompted fierce competition at stores and further price cuts. Alternately, it also appears more consumers were waiting for the price of older models to fall, as there were no assurances the new models would be as groundbreaking and equipped with new technologies they sought.

PENTAX began the year in review with momentum from the PENTAX K-x launched in 2009, which was a huge hit, setting the record in volume sales for the company's line of digital SLR cameras. The uniqueness of the 100 color variations to these cameras went over well with consumers and even novice SLR users actively purchased interchangeable lenses, which contributed substantially to revenues. In addition, the PENTAX 645D, the company's first-ever medium-format digital SLR, an internationally acclaimed model that won two prestigious camera awards in Japan and Europe, and the PENTAX K-5, a digital SLR for advanced amateur photographers, both continued to be well received as serious, technology-rich cameras, even by longtime PENTAX enthusiasts. In compact digital cameras, the PENTAX Optio RS1000, which features a removable faceplate that can be customized with any number of designer skins, proved to be a hit with new customers in addition to established PENTAX enthusiasts.

ult e



PENTAX K-x



PENTAX 645D



"PENTAX K-x" was selected the Best DSLR Entry Level in Europe 2011 at TIPA



PENTAX Optio RS1000

As mentioned above, the company exhibited a firm presence in the camera market by following a two-pronged strategy of developing serious products with distinctive PENTAX technologies, on one hand, and unique and creative products, on the other. The television commercials the company ran during the holiday sales season in December was also effective in raising recognition levels. As a result, PENTAX as an independent operating segment turned a fiscal-



year profit for the first time since the merger.

Outlook for Fiscal 2012

Prices in the digital camera market are projected to continue falling in fiscal 2012, particularly among SLR cameras from the onslaught of mirrorless models. With no groundbreaking technologies on the horizon, the market as a whole moreover is expected to remain in deadlock. Under these circumstances, Hoya has decided to transfer the PENTAX Imaging Systems Business to Ricoh on October 1, 2011.

Information Technology

PENTAX Small-size lenses

Fiscal 2011 Business Overview and Results Outlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

Hoya manufactures and sells DVD/CD-compatible hybrid lenses, plastic Blu-ray pickup lenses, and plastic lens units for digital cameras. We were the first company in the world to successfully mass produce plastic Blu-ray lenses.

Blu-ray was expected to see increased demand from lower product prices and the growing popularity of large, high resolution televisions, but the market did not expand as projected due to economic stagnation in Europe and the U.S. and other factors.

DVD/CD-compatible hybrid lenses for computers sold briskly initially, but adjustments to drive inventories during the year under review along with lower unit prices held sales below initial forecasts.



Blu-ray objective lense



Plant in the Philippines

On the flipside, during the year under review, we aggressively

developed overseas production to strengthen the business. Manufacturing processes were transferred to a plant established on Cebu Island in the Philippines and localization was completed for post-molding processes.

Outlook for Fiscal 2012

In fiscal 2012 we are working to rapidly turn the business around by addressing a range of issues in technology, manufacturing and sales.

Our products are largely dependent on the high-precision aspect of technology. In particular, we will work to achieve even higher precision by reducing lens aberrations. We will also focus on developing a single triple-wavelength lens that will work with three types of media, DVD, CD and Blu-ray. In the Blu-ray market, which is about to enter a growth phase, we will firmly accommodate technology-related needs so that no opportunities are missed.

In terms of manufacturing, efforts will be made to raise the functionality of the Philippines plant, where production processes were transferred. Local productivity will be enhanced, costs reduced and quality improved. We will revamp conventional processes, create procedure manuals and thoroughly implement numerical evaluations in order to further ensure high-quality manufacturing at the site.

On the sales side we will more carefully identify customer requirements to pursue customer satisfaction and cultivate new customers.

The plastic lens market remains promising, and Hoya will utilize its proficiencies to take on the challenge of developing new market sectors.

Life Care

Eyeglass Lenses

Fiscal 2011 Business Overview and Results Outlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

During the fiscal year under review, the retail market for eyeglass lenses slowly recovered from the economic downturn that followed the financial crisis. Fiscal 2011 was a year of pronounced regional differences. Whereas trading in the developed markets of Western Europe and North America improved slightly, conditions in Japan, Australia, Spain and the Nordic countries were much more difficult. Meanwhile, eyeglass retail markets in the BRIC countries expanded at a rate of around 20%.





Wholesale markets for eyeglass lenses saw competition intensify because of the entry of lowpriced, single-vision commodity eyeglass lens suppliers from China, India, Eastern Europe and elsewhere, pushing the wholesale sector closer to competition based on low prices.

Against this backdrop, in local currency terms Hoya delivered sales growth of 10% in Europe, 11% in the U.S. and Canada, and 20% in Asia. In the Japanese market, Hoya performed strongly, but certain client eyeglass retailers were damaged by the Great East Japan Earthquake. Consequently, sales in Japan decreased about 2% year on year.

Despite this mixed regional performance, Hoya still outperformed the average market growth rate in each region for several reasons. The first reason is its sophisticated technology. For example, in recent years, Free Form Surface (FFS) lenses have started to replace traditional Progressive Addition Lenses (PALs) in the market for line-free bifocal eyeglasses. By separating vision correction into horizontal and vertical components on the two surfaces of the lens, Hoya FFS technology can address an individual's visual acuity with greater precision and comfort. Hoya is among the few global suppliers with a robust and growing patent and IP portfolio in this technology. FFS lenses command a premium price in the market. While conventional PALs still account for the majority of multi-focal lenses on the global market in volume terms, PALs and FFS lenses are evenly matched when compared on a monetary basis. In terms of sales volume, FFS lenses are achieving steady growth worldwide.

Another contributing factor behind Hoya's strong performance was its brand strategy.

Hoya successfully developed a new base of customers for whom Hoya products were previously outside of their price range, particularly in the Asian market. This was done by offering lenses under different brand names with more commoditized features than what is offered in the Japanese market. Hoya opened new doors by providing commodity lenses to retailers to whom it previously did not supply products at all. Going forward, the Company intends to go further and provide these retailers with the in-depth knowledge and experience they would need to carry Hoya's top product line. Hoya also established a joint venture with a Chinese company to roll out a line of lenses priced even lower, under an entirely separate brand and company name.

In essence, Hoya's strategy is to address the high-end market with the traditional Hoya brand, while developing the mid-range market with a new brand, and entering the low-end market

through a new company. This strategy enabled Hoya to cultivate markets in second- and thirdtier networks, and to deliver strong growth in excess of the average market growth rate.

As a new initiative, Hoya opened specialized and dedicated training centers in Budapest, Hungary and Shanghai, China, for sales optometrists of eyeglass retailers. Hoya believes that such training centers will play an increasingly important role in the quest to expand sales of premium products in emerging markets.



Training center

Outlook for Fiscal 2012

In Fiscal 2012, Hoya will step up its effort to enhance this brand strategy. Hoya's ultra-premium, personalized FFS progressive lens, named Hoyalux *Trinity* in Japan, has been rebranded as *MyStyle* in the U.S., Canada and Europe, and *Thea* in China. This lens, furthermore, will be offered in a wider array of materials, functions and attributes, to offer consumers an even finer choice in prescriptions in accordance with their design and lifestyle preferences.

Moreover, to fill a wide gap in price that remains between conventional PALs and higher quality FFS lenses, Hoya will continue to expand the marketing of an entry-model FFS product named *TrueForm* in Europe and Asia, *TF* in Japan, and *IQ* in the U.S. and Canada. This so-called bridging product will be developed strategically to encourage as well as ease the





HOYA TrueForm TECHNOLOGY

transition of consumers from PAL, to the comfort and acuity of a pair of multifocal glasses made with FFS lenses of the highest quality.

Another strategic thrust for Hoya in fiscal 2012 will be the introduction of its first polycarbonate material lens. The type of impact-resistant polycarbonate offers is particularly suited for withstanding a ball-drop test instituted by the Food and Drug Administration in the U.S. for certification purposes. For this reason, the market share of polycarbonate lenses in the U.S., the largest eyeglass market in the world, is roughly 50%. The addition of polycarbonate to a wide range of other unique lens materials will enable Hoya to strive for an even greater share of this market.

Yet another aspect of Hoya's strategy will be service innovation. As lenses have evolved in complexity, so has the technical expertise required of eyeglass retailers. Customers need sales staff in eyeglass stores to explain and service the technology of these sophisticated lenses to their satisfaction. To address this need, Hoya will continue to develop proprietary equipment with leading-edge imaging software to automate the process of taking precise ocular measurements and calculating highly refined vision prescriptions. Plans are also underway to open new training centers in India and Brazil for mastering this equipment and software.

Much of Hoya's manufacturing of conventional eyeglass lenses was consolidated in 2010, in a highly cost efficient and integrated 24/7/365 facility in Thailand. By contrast, FFS manufacturing bases will be localized and placed closer to customers to accelerate growth and ensure fast, flexible and superior delivery service.

Life Care

Contact Lenses and Eyecity

Fiscal 2011 Business Overview and Results Qutlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

The contact lens market in Japan faces the demographic problem of low birthrate and longevity. Young people in the population, who are potentially new contact lens customers, are in decline, while people in the baby boom generation are growing older and leaving the contact lens market. As a result, the overall market continued to decline slightly in the year under review. In terms of individual products, there was growth in the market for one-day and two-week disposable lenses, but also large decreases in users of conventional long-wear hard and soft lenses, which put a damper on the sector. As for distribution channels, contact lens specialty stores and online outlets experienced growth, but eye clinics and eyeglass retailers saw their channels contract significantly.

Despite such challenging market conditions, Eyecity, Hoya's directly managed chain of contact lens specialty stores, achieved increases in both sales and profits. Sales rose doubledigit on year. In sales amount, the chain's top share of the market rose roughly two percentage points on year to 18%.

Our targeted pricing strategy was one of the major reasons for

this success. With contact lens users on the decline, acquiring first-time customers at Eyecity was a key objective. We adopted a targeted pricing strategy, involving a promotional discount for first-time customers, to get customers to switch to Eyecity from other competitors. And, in certain sales territories, we set prices with an awareness of the peers to compete locally. The economies of scale as the largest contact lens chain in Japan made Eyecity to execute competitive pricing strategy. As a strategy, it proved highly effective in acquiring new customers for existing stores.

On the advertising and sales promotion front, we continued to convert from paper media such as flyers and free community paper inserts to digital media. An email newsletter issued to over 30% of existing Eyecity members has proven a very effective sales promotion. As digital marketing can be carried out at a low cost, its importance as a marketing tool can only increase.

We opened 18 new stores during the year under review, which was just short of our initial 20store projection. As of March 2011, there were 181 Eyecity stores nationwide.

Outlook for Fiscal 2012

In fiscal 2012, we will strive more than ever to stay on track of the success we had continually raising sales, profits and market share in fiscal 2011.



EyeCity

Number of EyeCity stores (Japan)





One top priority in fiscal 2012 will be to achieve another double-digit increase in sales. To accomplish this, we will aim to open 20 new stores while initiating measures to boost brand awareness and penetration of *Eyecity*.

In fiscal 2012 we will consider investing in advertisements on new mass media, with the aim of enhancing the service-oriented brand image of *Eyecity*. The contact lens industry tends to primarily promote location and price. But, through out mass media advertising, we hope to bring our superior service orientation as a new rule of games in the market competition. Mass media advertising has been an issue at *Eyecity* for many years, but judging the present to be the perfect opportunity, we have made the decision to embark on a campaign.

In China, fiscal 2012 will be the first year in the development of a five-year strategy. We intend to formulate a manufacturing strategy with a global perspective that considers both where to produce and where to sell.

The Great East Japan Earthquake caused store closings in March and April at numerous *Eyecity* stores due to rolling power outages and shopping centers that closed. At present, all stores, with the exception of one store operating in temporary quarters, have returned to business as usual. We will not let this disaster stand in the way of moving aggressively forward in fiscal 2012.

Life Care

Endoscopes for Medical Use

Fiscal 2011 Business Overview and Results ____ Outlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

Fiscal 2011 was a year of transformation within the Life Care business segment. Although there were no major product launches, numerous changes in the segment's organization and commercial execution ensured that operating income surpassed the prior-year level. The market environment continued to slowly improve in North America and in Europe, while in Asia emerging markets such as China and India achieved particularly brisk growth.

Against this backdrop, we implemented changes in five major objectives.

(1) Commercial execution

In the fiscal year under review, we identified disparate

Medical Flexible Endoscopes

issues confronting each operation, clarified common goals for our business as a whole, and formulated strategies for improving commercial execution in endoscopes accordingly. Whereas before there was considerable variation in strategy depending on the region or product, in the year in review we took up a global marketing perspective in accordance with a mandate to "sell everything, everywhere.%rd Particular effort was put into expanding sales channels in emerging markets, including South America, China, India, Eastern Europe and the Middle East.

(2) Clear vision for people and process

The segment's management team was renewed and changes were made to the organization to attract the right people and bring out their best. We began building a process that above all values efficiency, training, opportunity and merit to draw out the best performance in all employees. In addition, we put in place new teams and leaders charged with overseeing the Asian including Japanese operation as a whole, in a bid to better harness the abundant growth opportunities offered by China and India. These changes were also directed at increasing the market share in Japan.

(3) Product development

A new product development process in the endoscope business is in the process of being implemented, where the objective is now to combine the best-in-class products expected of a large company with the nimbleness and clinically relevant innovation of a startup company. Changes were also made to ensure a more customer-oriented approach to product development. Implementation of these changes will continue into the next fiscal year.

(4) Global quality control system

A global system of product assurance and quality control is also in the process of being established. In the year under review, stringent standards for our endoscopes met with approval of the FDA in two audits of a routine nature. The goal, however, is to raise those



standards even higher to enable the business to position quality as a competitive advantage.

(5) Operational excellence

While on the one hand campaigning to improve quality, Hoya also undertook cost-cutting initiatives in the year under review. By means of procurement globalization, yield improvement and a more targeted approach to product development, the endoscope business reduced costs while simultaneously improving quality.

With regard to the earthquake, Hoya has three endoscope manufacturing facilities in Eastern Japan but fortunately the damage they incurred was small and inconsequential. While damage sustained by some suppliers caused disruptions to the supply chain, this was quickly restored. As of June, production was back to full capacity.

Outlook for Fiscal 2012

In fiscal 2012, we will pursue the changes undertaken in fiscal 2011 with further enhancements.

In marketing, the attributes of each market will be recorded in a database that will underpin future marketing activity. At the same time the endoscope business will work on further strengthening the PENTAX brand, along with its launch of global Website.

In terms of organization, the endoscope business aims to transform its corporate culture toward more focus on accountability and results, through a still-greater emphasis on speed, execution, and customer satisfaction. The business will also continue on the path to becoming more global, with ongoing upgrades in leadership talent and business process.

New product launches are scheduled, and it is Hoya's intention that newly released products be distinguished from the competition by industry-leading quality coupled with clinical relevance and customer-focused design.

The segment has set itself the goal of double-digit revenue growth in fiscal 2012, and over the medium term looks for growth to be stronger still. Over the next five years, we aim for growth in revenue over 10% per annum in Europe and North America, and over 30% in emerging markets.

Life Care

Intraocular Lenses (IOL)

Fiscal 2011 Business Overview and Results Qutlook for Fiscal 2012

Fiscal 2011 Business Overview and Results

The global economy remained overcast in 2010. Yet, it was against this backdrop that the global market for intraocular lenses (IOL) in the surgical treatment of cataracts grew 7% to 8% in size. In terms of the number of these cataract procedures, growth among major markets was approximately 3% in the U.S., 1% in Japan, 2% in Western Europe and 6% in China. Among emerging markets, India in particular exhibited exceptional growth. Longer term, the dollar value of this global market for cataract procedures is projected to grow from an estimated US\$2.2 billion in 2010, to US\$3.3 billion in 2015. Currently the majority of IOL surgically implanted to replace the eye's clouded crystalline lens and restore vision are standard, aspheric single-focus lenses. But there is also a growing market for premium IOL, with a variety of corrective functions, that an increasing number of patients concerned with their quality of life are willing to pay for. Such premium, micro-incision IOL and toric IOL for correcting astigmatism, multi-focal IOL, and even a special IOL Hoya is developing for correcting presbyopia. This premium segment, involving not only the developed markets but the wealthier patients from China, India and other emerging markets, is where much of the market growth is expected to concentrate over the next five years.

Hoya is the fastest growing IOL company globally, particularly in the micro-incision IOL and enhanced monofocal segments. It is also the first company in the world to package soft hydrophobic IOL, lathe-cut to precision^{*}, in a novel pre-loaded surgical insertion system. Together, this package delivers safe

Intraocular Lenses (IOL)

IOL Global Market size (Billion dollars):





iSert[™] pre-loaded IOL delivery system

and efficient procedures for surgeons, while minimizing the incision size and surgically induced astigmatism. Combining such superior products with agile marketing, Hoya's market share of IOL increased in practically every region of the world; from Japan, the U.S. and Europe, to Asia. Moreover, the Company waged a very successful brand awareness campaign involving presentations at medical congresses in the U.S. and reports published in various medical journals, among other tactics.

The fiscal year in review was also the year in which Hoya's IOL business truly began to globalize. In the U.S., the single largest IOL market in the world, a business Hoya launched in 2009 with the iSert[™] preloaded IOL system performed exceedingly well. No more than two years after establishment, this embryonic business captured 4% to 5% of the market share where the three other key competitors controlled the remaining 93%. This was an exceptionally good start. Currently, the Company has three major IOL products in the U.S. undergoing clinical tests. Hoya will strive for another substantial expansion in U.S. market share, once it receives regulatory approval to launch these products.

Meanwhile, back in Japan, Hoya captured a 30% market share and was all but about to overtake its competitor in first place. In fact, Hoya had already overtaken this competitor as the top supplier in the market for IOL among ophthalmology clinics in Japan. Leveraging its key attributes of agility and expertise, Hoya is now just a few steps away from gaining the top overall share of IOL (for both hospitals and clinics) in this market.

Business was also strong in the emerging markets in Asia, where Hoya's earnings on IOL grew anywhere from 20% to 30% in China, India, Australia, Thailand, Singapore and South Korea.

To accelerate the global development of this business, Hoya's IOL Headquarters was moved to Singapore at the end of the consolidated 2011 fiscal year. For seven years, Hoya had a very big and important operation in Singapore for manufacturing all its IOL. Consolidation of the head office functions and R&D center for IOL in Singapore, also, will enable Hoya to take advantage of all possible business efficiencies. This will be a move strategically important to the uniqueness of Hoya's business, as the other three major IOL competitors are all based in the U.S.

Outlook for Fiscal 2012

Developing this business further in all major markets spanning the U.S., Japan, Western Europe, China, India and other emerging markets will be a top priority in fiscal 2012. Along with iSert[™], Hoya will expand the launch of its groundbreaking iMic1[™] series of preloaded IOL systems into these new markets.



Hoya will continue to focus its R&D and Commercial teams into two key areas; the development of lens optics that provide enhanced vision and lens delivery systems that minimize patient recovery thru micro-incision surgery. Hoya will leverage these technologies to promote global business growth in the premium IOL market.

In addition, the Company made a strategic investment in a Swiss company named Adoptics AG in 2010, for the aim of developing and launching an accommodative IOL in the Hoya brand. An accommodative IOL changes shape in response to pressure in the eye, when the muscles in the eye move. This will correct presbyopia, or farsightedness caused when, with age, the human lens in the eye loses accommodation, or the elasticity to change shape and focus on different distances. Although still a number of years away from approval, this is an epoch-making product that will literally change ophthalmology, mentioned here as an example of Hoya's tremendously rich product pipeline.

*:Lathe cutting is a manufacturing process which fabricates lenses precisely one by one from button shaped materials using a computer controlled machine. In Hoya, a cutting-edge line combined with pad polishing and tumble polishing processes is used to achieve sharp edge and smooth optic surface.

Life Care

New Ceramics

Fiscal 2011 Business Overview and Results

In the fiscal year under review, Japan's composite bone market grew 3-4% in terms of patient numbers. However, the market was nearly flat compared to the previous year on a value basis due to medical fee reforms. In this climate, Hoya's composite bone segment achieved sales growth of double-digit year on year. By contrast, segment sales of chromatography media, used in the refinement of biopharmaceutical compounds, declined 30% compared to the previous year: Although, to be sure, this was because a big order from a major customer was held up and booked after the fiscal year ended. Given the global market for chromatography media has grown at a rate of 10-15% annually, we expect steady expansion in this business going forward.

Against this market backdrop, New Ceramics saw earnings increase on flat sales, as a result of initiatives the business took to improve operational efficiency.

A prosthetic filler for bone defects, APACERAM, Hoya's mainstay in the apatite product category, is used mainly in the fields of orthopedics, brain surgery and dentistry. A new solid-type prosthetic filler, SUPERPORE[™], was launched in July 2010 and went on to meet initial sales targets as of the end of



(company estimate)

the term. This achievement was the combined result of exceptional product strength and swift marketing. The Company also launched a new 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. Sales of this product were also strong.

The goals during the fiscal year under review for the business division were to expand market share, maintain a highly profitable operating structure and to enter the market for metallic implants. Market share increased from the launch of promising new products and vigorous marketing initiatives. The division was also successful in enhancing the profitability of its operations. Unfortunately, the other goal of entering the market for metallic implants went unachieved.

Outlook for Fiscal 2012

The composite bone market is expected to see stable growth over the long term. In fiscal 2012, Hoya will strive to build on the momentum of SUPERPORE[™] and BIOPEX[®] ADVANCE and increase sales in this business category 15% year on year. The Company will focus in particular



on significantly increasing market share for SUPERPORE[™]. In terms of products, Hoya is considering the development of new products that use metal alternatives. Entering the metallic implant market will continue to be a goal, and the business will target the European market in particular. The market for chromatography media is expected to continue to grow steadily in fiscal 2012 as well.

R&D Activities

Aiming to achieve sustainable growth and increase corporate value, the Hoya Group devotes considerable dffort to formulating business strategy from along-term perspective and developing technology, as well as acquiring and cultivating new businesses.



R&D Activities

Aiming to achieve sustainable growth and increase corporate value, the Hoya Group devotes considerable effort to formulating business strategy from a long-term perspective and developing technology, as well as acquiring and cultivating new businesses.

Hoya is involved in a wide range of businesses. In each business division, the Group promotes R&D based on the mediumterm plan, aiming to maintain and enhance its technological competitiveness. The Corporate R&D Center at the global headquarters



provides development support for the technological issues embraced by each division, as well as conducting basic research that will supply the seeds for future growth and acquiring and cultivating new businesses and technologies from a long-term perspective.

Hoya reorganized its Corporate R&D Center in fiscal 2011, with a view to strengthening the optical technology and technical planning departments. The objective is to provide technical support to each business division, all of which have optical technology as their bedrock, and from a longer-term perspective to aid in fostering and acquiring new businesses and technologies.

Within the Corporate R&D Center, the technical planning department is central to all joint development activities undertaken with external research organs. By dint of actively collaborating with such organizations the Company is shifting the core of R&D from the information technology field to the medical and healthcare arenas.

The Corporate R&D Center and the R&D function in each business division share information as they work to maximize the results of each R&D project.

Optical technology department:

Hoya is pursuing research into technologies for simulating the behavior of geometric and wave optics, and studying applications in optical measuring. Based on this research the Company is developing optical measuring instruments that will aid each of its business divisions in manufacturing products with greater precision and enhanced quality. These include technologies

for analyzing and visualizing the optical phenomena of defects in phase-type diffractive lenses, improving surface profilometry resolution with digital holography, and for measuring transmittance in microscopic thin films. The department is also working to develop new optical products.

Nanoimprint Technology:

Hoya is putting its lithographic technologies to use in the development and trial production of nanoimprint molds, which will be used in the creation of patterned media (DTM, BPM) for use in increasing the areal density of hard disk drives (HDDs), and in high-brightness LEDs.

Various HDD manufacturers are vigorously pursuing R&D to commercialize patterned media technology, and Hoya has begun shipping DTM molds enabling nanoimprint processing on all surfaces of 2.5-inch media. In BPM, Hoya has used the latest microfabrication technologies to develop a mold producing a bit pitch of 25 nanometers and surface recording density of 1 Tbit/inch*.

In molds for use in manufacturing LEDs, the Company has developed and started shipping samples of molds with 100-300 nanometer pitch size, suitable for high-brightness chip designs.

*Nanometer (nm):1 nanometer = 1 billionth of a meter



Nano-imprint mold for HDD patterned media



Nano-imprint mold for high intensity LED (x100,000)

3C-SiC:

Hoya is promoting the development of 3C-SiC (cubic monocrystal silicon carbide) semiconductor wafers and devices. The superior energy efficiencies expected of this material means it would be a counterweight to global warming when applied in automobiles and home appliances such as air conditioners. Hoya has reported at various international conferences and symposia that it obtained very high channel mobility of 200 cm2/Vs with a prototype 3C-SiC MOSFET (metal oxide semiconductor field-effect transistor) it fabricated in fiscal 2011.



3C-SiC

Optical Communications Parts:

As the FTTH (Fiber to the Home) environment widens around the world, Hoya has developed a module for converting optical signals to electrical ones at optical communication access points that is compliant with GE-PON/G-PON2^{*}, a high-speed optical communications standard. By building a functional device on top of a wafer. Hoya has succeeded in creating products that are significantly smaller than existing products. Hoya received approval from customers and launched product shipments in fiscal 2011, and plans to ramp up mass production



An optical telecommunications device

in step with full-blown product acceptance in fiscal 2012. As optical networks continue to develop

going forward, the market is expected to grow in magnitude to around ¥30 billion.

*GE-PON/G-PON (Gigabyte Passive Optical Network):A technology that enables high-speed transmission of 1.25-2.5 gigabyte per second over fiber optic lines and networks.

Biocompatible Materials:

Hoya is researching biocompatible materials for ophthalmological applications. Hoya already has a visual correction lens business that handles intraocular lenses (IOLs) and contact lenses. The Company is now developing materials that are more durable and functional and that are better for the eyes. As part of this research, Hoya is investigating an artificial crystalline lens.

Material that fills the crystalline lens capsule. This material has the potential to regulate visual acuity and is expected to become a therapeutic method on a par with IOLs. The Company is also conducting research on ways to enhance the biocompatibility of intraocular lenses and other devices by applying special coatings and microscopic structures to their surface.

i10 series endoscopes designed to alleviating burden on doctors

In recent years, endoscopes have come to perform therapeutic functions as well as clinical examinations.

The burden on doctors can become large in protracted clinical endoscopic procedures, and to alleviate this load Hoya has been developing new endoscopic controller parts that it envisions will allow lengthy use without fatigue.



Controller to the i10 series endoscope

In this manner the Company hopes not just to reduce the fatigue of doctors, but also to shorten the time of clinical

examinations with controllers that are easier to operate, in doing so easing the burden on the patient.

HOYA Annual Report 2011

Intellectual Property Activities

The Hoya Group's intellectual property strategy protects proprietary technologies, and along with business strategies and R&D, is a key management strategy for supporting Hoya's continued growth.



Hoya works to enhance Group intellectual property rights in a broad range of fields, including Information Technology, eye care, medical care, and cameras and optics, with a particular emphasis on growth areas such as medical care and healthcare.

Intellectual Property Policy

One of the Hoya Group's fundamental objectives in intellectual property activities is to make the fullest possible use of intellectual property to bolster the competitive strengths of its global businesses.

Obtaining and Formulating Patent Rights

To ensure the most efficient possible patent prosecution for obtaining and formulating patent rights, technical development managers and intellectual property managers work in close consultation with one another. The Company aims to secure all necessary intellectual property rights from the initial stage of the development of the relevant technologies, with an eye toward peripheral, applied and alternative technologies. In relation to those fields in which Hoya commands a leading position, the Company focuses on accelerating the process of securing patents in cutting-edge areas. At the same time, in competitive markets, Hoya concentrates on promoting efficient prosecution of patent formulation while preventing infringement of the patents held by other companies. To achieve these ends, careful technical searches of patent information of other firms are performed, and the Company supports the patent prosecution that is most appropriate for each field. Hoya is also engaged in patent will be coordinated with the moves of its production bases and sales and trading partners into international markets.

Cross-Licensing and Out-Licensing

Hoya's individual businesses are not large, but the Company strives to improve its competitiveness in each respective market. Hoya focuses on effectively and fully utilizing the patent rights that are the cornerstone of the competitive position its businesses enjoy. This means there are cases in which Hoya might assign licenses to third parties: for instance, where it is appropriate to sign cross-licensing agreements granting mutual exercise of patent rights, or where the Company can expect out-licensing of its patent rights to other companies to result in an expansion of the overall market, or when dictated by changes in Hoya's competitiveness. This enables the Company to pursue effective utilization of its intellectual property in line with its business strategy.

Prevention of Imitation and Infringement

Hoya maintains a constant watch on the market to ensure that its development technologies are not imitated by third parties. When its technologies are imitated, the Company issues warnings and, where necessary, takes appropriate steps such as filing for injunction.

Utilization of Third-Party Patents and Technologies

Hoya does not rely excessively on its own proprietary technologies and patents. If, after careful technical search and consideration of the available technologies, the Company finds that third parties have superior technologies, patents or other advantages, and if it decides that using them would be most efficient in commercializing a product, Hoya takes steps to seek licenses to use third-party patents or introduce their technologies. As just described, respect for the intellectual property rights of the Company and of others is a basic stance of the Hoya Group.

Systems Supporting Intellectual Property Activities

The Hoya Group is organized according to business divisions and companies, with extensive delegation of authority from strategic business planning to decision-making. Each division has an intellectual property group responsible for working in conformity with the respective strategies of their divisions-for instance, by filing patent applications and other rights formulation, activities, taking actions in relation to patents held by others and licensing out Hoya's own patents. The Corporate Intellectual Property Division is responsible for working to improve the intellectual property functions of the Group. This includes such matters as establishing and promoting overall intellectual property strategy, assisting business divisions in the establishment of patent strategies, the training and skill enhancement of employees, managing intellectual property assets, and the development of patent management systems. In particular, matters that necessitate decision-making for the Group-for example those requiring coordination of intellectual property issues that run across more than one business division, or that involve bringing a case to court or reaching an amicable settlement-are deemed to require the approval of global headquarters and are strictly managed under the direction of the Corporate Intellectual Property Division. Because intellectual property activities are dispersed across all business divisions, there is a need to reduce any adverse effect from potential difficulties in information sharing. At the same time, to improve synergies between the intellectual property activities of business divisions, the Company periodically holds joint intellectual property meetings for the exchange and sharing of information on each division's intellectual property activities.

Status of Intellectual Property

Number of Registered Patents and Patent Applications Filed

During the year under review, Hoya had registered 4,065 patents and utility models in Japan. The main businesses of the Electro-Optics and Vision Care divisions accounted for 29% of these, while PENTAX medicalrelated devices accounted for 38% and camera and optical products for 28%.

In 2010, 680 patent applications were lodged in Japan, of which the Electro-Optics and Vision Care divisions accounted for 45% and the PENTAX Division 44%. Of the Company's patent applications, 36% were lodged outside Japan during the year under review. As shown by this high percentage of global patent applications, Hoya is making the fullest possible use of intellectual property in line

with its policy of increasing the competitive strengths of its global businesses.

Japanese patent applications by segment (April 2010 to March 2011)



Registered patents and utility models(as of March 31, 2011)



Electro-Optics division	789
Vision Care Division	381
Health Care division	- 62
Pentax medical-related devices1	,535
Pentax camera and optical products 1	,158
Other	140

Global applications



Percentage of Patents Granted

The percentage of patents granted Group-wide in Japan (including those in the prior examination and review stages) was approximately 55% for 2010, the most recent year for which data are available.

HOYA Annual Report 2011

Corporate Governance

For HOYA, Corporate Governance is a matter of utmost importance to management. HOYA exerts itself to increase management efficiency and to enhance management transparency.

Please click here for HOYA's corporate governance systems.

Board of Directors (As of June 23, 2011)

Directors

Yuzaburo Mogi*



 Comment from an Outside Director

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 (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*

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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
	(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 (present post)
Jul.2003	Director of Renault S.A
Jun.2008	Chairman Emeritus and Advisor of Nissan Motor Co., Ltd
	(present post)
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	President and Representative Director of Aso Cement Co.,Ltd.
	(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)

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)

Hiroshi Hamada

Apr.1982	Joined Yamashita Shinnihon Steamship Co., Ltd. (present Mitsui
	O.S.K. Lines, Ltd.)
Mar. 1987	ALICO Japan

Nov.1992	Clarke Consulting Group of the United States
Jan.1995	Dell Computer Corporation (present Dell Inc.)
Aug.2000	President and Representative Director of the above company,
	Vice President of Dell Inc. of the United States
May 2006	Representative partner of Revamp Corporation
Apr.2008	Executive Chief Operating Officer of the Company (present post)
Jun.2008	Director 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 HOYA CORPORATION,
	Netherlands Branch

*:indicates outside directors as provided for in Article 2, Item 15 of the Company Law.

Executive Officers

President & CEO
Executive Officer & Chief Operating Officer
Executive Officer & Chief Financial Officer
Executive Officer, Technology

*:indicates Director

HOYA Annual Report 2011

Corporate Governance

Comment from an Outside Director

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

Yuzaburo Mogi

Outside Director and Chairman of the Nomination Committee (Honorary Chairman and 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.

Yuzaburo Mogi

Outside Director and Chairman of the Nomination Committee HOYA Annual Report 2011

EH&S

Environmental activities

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.

Environmental Management System

Hoya's environmental protection activities got underway in 1976 with the establishment of pollution countermeasure committees at each facility. In 1993, the Group drew up its Environmental Philosophy and a set of Fundamental Environmental Principles. The next step came in 1996 with the formulation of the Group Environmental Management Regulation, on which Hoya's environmental protection system is based. The Conference of the Environmental Office, the most senior body of the system and responsible for all environmental decisions, was headed up by the Company's chief executive officer.

However, in October 2008 the Company merged its environmental protection and occupational safety and health systems, abolishing both the environmental Management Regulation and the Conference of the Environmental Office. Environmental protection activities are now carried out under a new system headed up by the Hoya Group Director for Environmental Protection, Occupational Safety and Health.



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

At the end of March 31, 2010, the Company issued a Hoya Group Facility Standard for Environmental Protection to set forth the basic specifications of environmental facilities the Group installs to protect the environment against harmful impact both inside and outside its premises. The standards established a framework for taking internal and external environmental impacts into consideration from the design stages of the environmental facilities the Hoya Group installs.

Examples of Activities Aimed at Reducing Environmental Impact

Based on the Environmental Philosophy and Fundamental Environmental Principles, Hoya is promoting activities aimed at reducing environmental impact.

Energy Conservation Measures

Amendments to Japan's Act on the Rational Use of Energy required a response from Hoya as a corporate entity.

Responding to the amended Act was an important component of the Hoya Group environmental protection initiatives in fiscal 2011. The Company gave a briefing on the Act's key amendments to the officers and employees in charge of environmental protection at each division to make the details widely known. The amendments required Hoya to keep track of the energy the Group consumed not only at the level of manufacturing bases, but down at the level of individual sales operations and stores. Most of the energy the Hoya Group consumes is electricity. In preparing to adapt to the amended Act, the group developed a framework for a detailed account of the power each facility consumed in fiscal 2010, based on data from electricity bills and other resources. In fiscal 2011, a system to effectively monitor power consumption was introduced, and the reports the system generated, stipulated by the amended Act, were duly submitted to the relevant government ministries and agencies.

Replacement of Transformers at Power Intake Facilities

Transformers at the power intake facility at one of Hoya's factories in Koka, Shiga Prefecture were replaced for renewal with the most efficient, state-of-the-art model. This measure had the impact of reducing power consumption 34,588 kWh per year, equivalent to a reduction in CO₂ emission of 12 tons annually. The old transformers were disposed after they were properly inspected to contain no PCB. These measures were duly recorded in the aforementioned reports stipulated in the amended Act.

Energy Efficient Lighting Fixtures

The Hoya Group's factories, buildings and offices have also been re-equipped in stages with energy efficient lighting fixtures.

A Hoya Group factory in Nagai City, Yamagata Prefecture, for example, completely re-equipped with energy efficient lighting fixtures in March 2011 is projected to consume 3.2% less power for lighting in fiscal 2012.

As an additional measure, the factory's vending machines are scheduled to be replaced with energy-efficient models.

Measures to Prevent Water Pollution

Replacement of Old and Worn Out Feed Pipes for Chemical Agents in Waste Water Treatment Facilities

Chemical agents had begun to crystallize inside the aging feeder pipes to a waste water treatment facility in Hoya's factory in Koka, Shiga Prefecture. As it was conceivable for the pipes to clog and affect the treatment of waste water, steps were taken to prevent an environmental accident beforehand. Together with renovating the water treatment facility, the polyvinyl chloride feeder pipes were replaced with hard vinyl chloride more resistant to rupturing under impact, insulated to prevent freezing in the winter and equipped with a dedicated valve for flushing out clogs.

Activities to Increase Waste Recycling

Recycling Empty Contact Lens Containers

Disposable lenses are the most popular contact lens product at the *Eye City* contact lens specialty chain operated by the Eye Care Division. In fiscal 2010, Hoya

began the *Eye City* ECO Project, in which all 184 stores collect empty cases from customers' used lenses for recycling. The empty plastic cases collected from around the country were then sold to a manufacturer of recycled products, and the proceeds were donated, with a matching contribution from Hoya, to the Japan Eye Bank Association.



A letter of appreciation from Japan Eye Bank Association

In the first half of fiscal 2011, the Hoya group donated ¥306,000 in proceeds from recycling and matched contributions to the Japan Eye Bank Association.

The weight in empty contact lenses cases recovered, including those disposed at the Kodama factory, amounted to 19,564 kilograms counting the second half, for all of fiscal 2011. Incinerating such a volume in empty cases would have released 61.6 tons of CO₂ into the atmosphere. The woodlands needed to absorb that amount of atmospheric CO₂ would amount to 4.85 hectares, a space more expansive than the Tokyo Dome baseball stadium.

As part of recycling activities, Hoya separates and collects the aluminum seals to the empty plastic cases for sale to manufacturers of recycled products as well.

Measures to Handle Waste Containing Asbestos

Asbestos is categorized into three levels from 1 to 3 in descending danger of scattering into the air. Level 1 includes sprayed asbestos coatings, while level 2 includes asbestos used as pipe insulation and level 3 includes asbestos roofing and exterior boards.

The Hoya Group has removed all level 1 asbestos most at risk of scattering into the air from its premises. All matter of level 2 asbestos accessible for removal has been removed as well. Level 3 asbestos boards have been placed under strict control to prevent breaking and scattering, and the plan is to remove them in stages and bring the risk of their fibers scattering to the air closer to zero.

Introduction of Environmental Management Systems (ISO 14001 Certification)

In October 1996, Hoya proclaimed the introduction of ISO 14001 environmental management systems. In December 1997, HOYA LENS DEUTSCHLAND GmbH became the first Group company to achieve certification.

Since then, Hoya has been introducing ISO 14001 environmental management systems both in Japan and overseas, with focus on production facilities. Group-wide, a total of 42 sites (10 domestic sites and 32 overseas sites, as of March 31, 2011) were certified under ISO 14001 standards.

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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.

Occupational Safety and Health System

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 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, 2011, 8 facilities in Japan and 26 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.



OSH Audit

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



Employee training

mainly to the business bases overseas. Each of these activities contributes to raising the level of safety at the Hoya Group.

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Health Promotion Activities

In order to support a meaningful life plan for employees and ensure the lasting development of the Company, Hoya works to maintain and enhance health throughout the Group so that employees can work energetically, healthy in both mind and body.

Mental Health Measures

Hoya has implemented measures to raise mental health awareness through mental health courses for managers and supervisors and for regular employees. Based on the Hoya Group Mental Health Measures Guidelines, the Company has also established a system to ensure thorough care by managers and supervisors with the support of staff in charge of personnel and occupational physicians.

Measures to Prevent Excessive Work

In compliance with a 2000 Administrative Guideline of the Ministry of Health, Labour and Welfare and the Industrial Safety and Health Law of 2006, Hoya has created and implemented excessive working hours standards. Employees who exceed these standards meet with physicians (occupational physicians) and address the problem through work management (overseen by a personnel officer and a supervisory officer) and healthcare management (occupational physicians) programs.

Special Health Checkups and Healthcare Instruction

Since 2002, Hoya has run a lifestyle habits improvement program for employees designed to prevent metabolic syndrome. In the fiscal year under review, the Company held special health educational seminars and lifestyle habits improvement programs to prevent and alleviate metabolic syndrome and lifestyle diseases for approximately 600 employees.

Health Consultation for Employees Assigned Overseas

To provide health consultation for employees assigned overseas, occupational physicians meet with employees and their families to provide hygiene education, conduct a health check-up and discuss health consultation before they leave Japan or while they are overseas. In addition, occupational physicians pay periodic visits to facilities and to discuss health condition and other issues as necessary with employees located overseas.

Hoya Obtains Occupational Health Certification

Hoya applied for Occupational Health Certification with the University of Occupational and Environmental Health, Japan and was approved this certification on November 15, 2010. The certification program objectively evaluates health and hygiene management initiatives companies with comprehensive industrial health programs implement. The certification indicates the Hoya Group scored well in an objective evaluation of its health and hygiene management initiatives.



Occupational Health Certification HOYA Annual Report 2011

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