

Notice of the 80th Ordinary General Meeting of Shareholders

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Information for the meeting

■ **Date and time of meeting:**

June 21 (Thursday), 2018

Start accepting 9:00 a.m.

Opening of the meeting 10:00 a.m.

■ **Location**

5F Conference Center,
Bellesalle Shinjuku Grand
8-17-3, Nishi Shinjuku, Shinjuku-ku,
Tokyo, Japan

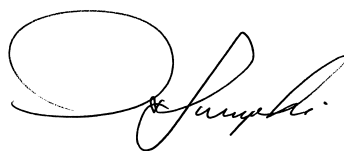


Please note that no gift will be provided for attendees at the General Meeting of Shareholders. We would like to sincerely ask the shareholders' understanding.

HOYA CORPORATION

Security Code: 7741

Message from President & CEO



Hiroshi Suzuki
President & CEO

I would like to express my thanks for your continued patronage.

I am delighted to present this convocation notice of the 80th Ordinary General Meeting of Shareholders of HOYA CORPORATION to be convened on Thursday, June 21.

The HOYA Group operates the Life Care business globally and the Information Technology business centered on the technology developed in optical products and based on the concept of "Portfolio Management."

HOYA sees the Life Care business as a growth area, with the market expected to expand due to the progress in aging across the globe and improved opportunities to access health care accompanying economic growth in developing countries. As a result, we are focusing management resources in this area. We intend to strengthen the structure of this business and acquire new technologies and customers through M&A, thereby expanding our market share and leading to growth for each product in the business. Based on this policy, in the 80th fiscal year we acquired an eyeglass lenses manufacturer in the United States through M&A, gaining a new customer network as well as product technology not previously owned by HOYA. We have also newly established and started operating a factory for intraocular lenses products in Thailand to meet the booming demand for HOYA products.

Even though the Information Technology business has many products that have a large market share, we expect the finished product market to reach maturity. However, there are growth areas, and we plan to stabilize the entire business by focusing on these areas. Based on this policy, in the 80th fiscal year we started selling glass disk substrates for the HDDs used in data center servers. We also significantly increased sales of mask blanks products for EUV (extreme ultraviolet) lithography used for the next generation of manufacturing technology for semiconductors, as well as lens products for security cameras.

Due to the circumstances described above, we achieved record high overall sales during the current fiscal year.

Going forward, we plan to achieve growth for the entire HOYA Group by quickly accomplishing synergies with acquired companies and realizing growth in accordance with profits made from contributions by the new factory and other sources in the Life Care business, and focusing on the growth areas in the Information Technology business.

We will continue to do our utmost to improve corporate value. We sincerely ask for your continued support.



Corporate Mission

“Dedicated to innovation in
information technology,
lifestyles and culture,
HOYA envisions a world
where all can enjoy the good life,
living in harmony with nature.”



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HOYA Group's Businesses

Based on the concept of "Portfolio Management," HOYA has developed businesses focused on two segments, Information Technology and Life Care, utilizing optical and precision processing technologies it has nurtured.

Life Care

The HOYA Group aims to improve QOL (quality of life) of people around the world.

66%

Health Care

Engages in manufacturing and sales of eyeglass lenses and operation of "Eyecity," contact lens specialty retail stores.

- Eyeglass lenses
- Contact lenses
- "Eyecity," contact lens specialty retail stores



Eyeglass lenses



"Eyecity" store

Medical

Main products are medical endoscopes, intraocular lenses for cataracts, apatite products that are prosthetic fillers for bone defects, etc.

- Medical endoscopes
- Intraocular lenses for cataracts
- Artificial bones/metallic orthopedic implants

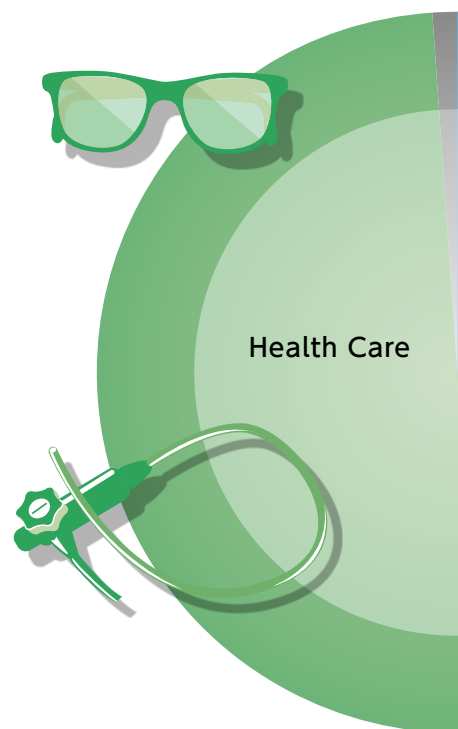


Medical endoscope



Intraocular lenses for cataracts

Sales



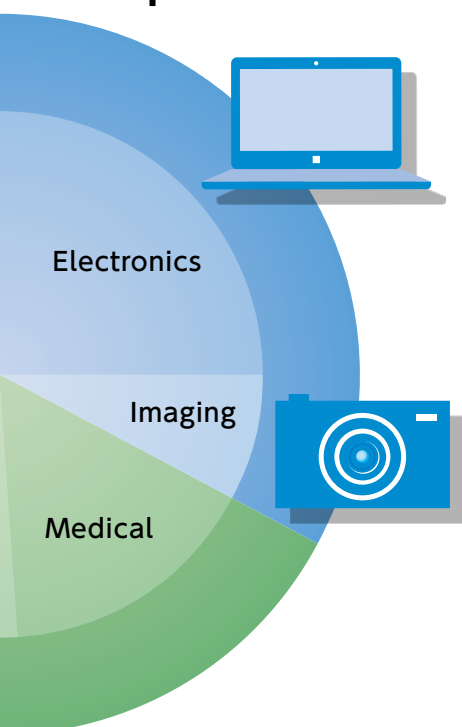
The market for the Life Care segment is expected to expand on a long term basis thanks to the aging of the world population and improvement in living standards in emerging markets, and the Information Technology segment has overwhelming technological capabilities and competitiveness. Positioning the Life Care segment as a growing business and the Information Technology segment as a business with stable earnings, the HOYA Group will continue striving to achieve sustainable corporate growth and maximize its corporate value by efficiently investing in both segments.

33%

Information Technology

The HOYA Group contributes to the realization of an affluent society with its overwhelming technological capabilities.

Composition



Electronics

Deals in glass-made components and materials essential for manufacturing semiconductors, LCD panels and HDDs.

- Mask blanks for semiconductor manufacturing
- Photomasks for semiconductor manufacturing
- Photomasks for LCD panel manufacturing
- Glass disks for HDDs



Mask blanks for semiconductor manufacturing



Glass disks for HDDs

Imaging

Deals in optical lenses, optical glass material and lens modules for cameras, etc.

- Optical glass material
- Optical lenses
- Lens modules
- Laser related equipment



Optical lenses



Lens modules for compact cameras

Note: The term "HOYA" herein refers to "HOYA Group" in reference to its history, activities, operating results, etc. In particular, statements concerning HOYA on a nonconsolidated basis are written in the form of "HOYA Corporation" or "HOYA Corp."

Security Code: 7741
May 31, 2018

Notice of the 80th Ordinary General Meeting of Shareholders

Dear Shareholders:

Notice is hereby given that the 80th Ordinary General Meeting of Shareholders of HOYA CORPORATION (“the Company”) will be held as set forth below and you are cordially invited to be present at such meeting.

Since voting rights can be exercised in writing or via the Internet even if you are not present at the meeting, please go over the information set forth in the accompanying Reference Materials for the General Meeting of Shareholders and, following the “Information on exercising the voting rights” on pages 7–8, cast your vote, either by sending back the enclosed voting form indicating your approval or disapproval of the Proposal, or entering your approval or disapproval of the Proposal from the voting website designated by the Company (<https://www.web54.net/>) no later than 5:45 p.m. on Wednesday, June 20, 2018 to exercise your voting rights.

Yours very truly,

HOYA CORPORATION

6-10-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan

Hiroshi Suzuki

Director, President & CEO

Description

- 1. Date and time of meeting:** 10:00 a.m., Thursday, June 21, 2018
- 2. Location:** 5F Conference Center, Bellesalle Shinjuku Grand
8-17-3, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
(Please note that the meeting place has changed from the previous meeting held last year. There is also a venue with a similar name nearby.)

3. Agenda:

Matters to be reported:

- 1) Reports on the Business Report and the Consolidated Financial Statements for the 80th fiscal year (from April 1, 2017 to March 31, 2018) and the Audit Reports of the Consolidated Financial Statements for the fiscal year by the Accounting Auditor and the Audit Committee
- 2) Reports on the Nonconsolidated Financial Statements for the 80th fiscal year (from April 1, 2017 to March 31, 2018)

Matter to be resolved:

Proposal: Election of Seven (7) Directors

For an outline of the proposal, please refer to the accompanying Reference Material for the General Meeting of Shareholders.

[Matters published on the Internet]

- (1) Of the matters to be included in this notice pursuant to laws and regulations and provisions of Article 16 of the Articles of Incorporation of the Company, Notes to the Consolidated Financial Statements and Notes to the Nonconsolidated Financial Statements are disclosed on our website (<http://www.hoya.com/>) instead of being included in this Notice. Therefore, the documents attached to this Notice constitute a part of the Consolidated Financial Statements and the Nonconsolidated Financial Statements audited by the accounting auditor in preparing its Audit Report.
- (2) If any revision takes places in the accompanying Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Nonconsolidated Financial Statements, it will be published at the Company's website on the Internet (<http://www.hoya.com/>).

[Precautions for exercising the voting rights by proxy]

If attending the meeting by proxy, the proxy must present to the receptionist at the meeting an item showing authority to act as proxy, with a signature or name and seal of the shareholder who entrusted the service as proxy, together with the voting form of the said shareholder or a copy of a form of ID (seal registration certificate, driver's license, etc.). The proxy must be another shareholder of the Company having voting rights as provided under the Articles of Incorporation of the Company.

Information on exercising the voting rights

As the exercise of voting rights in the Ordinary General Meeting of Shareholders is the important right of all shareholders with votes, please go over the information set forth in the accompanying Reference Materials for the General Meeting of Shareholders and exercise your voting rights.

The exercise of voting rights is subject to the following three ways:

1. If you attend the meeting

If you are attending the meeting, please present the enclosed voting form to the receptionist at the meeting.

2. If you are exercising your voting rights in writing

If you are exercising your voting rights in writing, please indicate your approval or disapproval of the proposal on the enclosed voting form and send us by post so that the Company can receive your form by **no later than 5:45 p.m. on Wednesday, June 20, 2018**. Please refer to **[Handling of voting rights]** when indicating your approval or disapproval of the Proposal on the voting form.

3. If you are exercising your voting rights via the Internet

If you are exercising your voting rights via the Internet, please confirm the following precautions before exercising the rights.

Exercising of the voting rights via the Internet is accepted **until 5:45 p.m. on Wednesday, June 20, 2018**, however, please exercise your rights at the earliest possible time, and if you have any questions concerning how to use the system please contact the Stock Transfer Agency Web Support Hotline below.

Contact information for inquiries about the operation of personal computers, etc.:

The Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Hotline

Tel: **0120-652-031** (Office hours: from 9:00 a.m. to 9:00 p.m., toll free)

1) About the voting website

The voting rights can be exercised via the Internet using only the voting website designated by the Company below.

Voting website address: <https://www.web54.net/>

2) How to exercise the voting rights

Please access the voting website (<https://www.web54.net/>), enter the “voting rights exercise code” and “password” which are stated on your enclosed voting form, and follow instructions on screen to enter your approval or disapproval.

3) Costs incurred when accessing the voting website

All fees payable to Internet service providers and telecommunication carriers (such as connection fees) in accessing the voting website are to be borne by the shareholders.

[Handling of voting rights]

- **If you indicate neither your approval nor disapproval of a proposal on the voting form, your answer will be deemed to be approval.**
- **If you exercise your voting rights redundantly via the Internet and by mail, the voting rights exercised via the Internet shall be treated as valid.**
- **If you exercise your voting rights more than once via the Internet, the Company will regard the content of the last exercise as valid. Similarly, when you exercise your voting rights redundantly via a personal computer and a smart phone, the Company will regard the content of the last exercise as valid.**

- End -

Reference Material for the General Meeting of Shareholders

Proposal

Election of Seven (7) Directors

The term of office of all of the six Directors will expire at the close of this Ordinary General Meeting of Shareholders. As a result of deliberations on the number of members and composition of the Board of Directors held in consideration of the diversity, management experience, and expertise prior to the selection of candidates by the Nomination Committee, it is being proposed that seven Directors be elected, with one new Independent Director being added to the current six Directors. Increasing the number of members of the Board of Directors this fiscal year by one will enable the present structure comprising a majority of Independent Directors to be maintained into the following fiscal year and beyond in accordance with the number of times an Independent Director can be reappointed (nine times), as determined by the Nomination Committee. Also, by increasing the number of candidates with expert knowledge of finance and accounting, we aim to reinforce supervisory functions. The reason for the selection of each candidate is stated individually in the following pages.


The Nomination Committee has reported that according to the “Basis for Election of Candidates for Directors” established by the committee, each candidate for Director does not fall under any reason for disqualification and all candidates for both Inside Director and Independent Directors meet the requirements for such candidates.


All Independent Directors are to serve on the following three committees: the Nomination Committee, the Compensation Committee, and the Audit Committee.


The candidates for Directors are as follows:

No	Name	Current positions and assignments at the Company	
1	Itaru Koeda	Director, Chairperson of the Nomination Committee Member of the Compensation Committee Member of the Audit Committee	Independent
2	Yukako Uchinaga	Director, Chairperson of the Audit Committee Member of the Nomination Committee Member of the Compensation Committee	Independent
3	Mitsudo Urano	Director, Chairperson of the Compensation Committee Member of the Nomination Committee Member of the Audit Committee	Independent
4	Takeo Takasu	Director, Member of the Nomination Committee Member of the Compensation Committee Member of the Audit Committee	Independent
5	Shuzo Kaihori	Director, Member of the Nomination Committee Member of the Compensation Committee Member of the Audit Committee	Independent
6	Hiroaki Yoshihara		Independent New
7	Hiroshi Suzuki	Director, Representative Executive Officer President & CEO	


(Note) Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu, Mr. Shuzo Kaihori and Mr. Hiroaki Yoshihara are candidates for the posts of Independent Directors. The Company has provided notice to the Tokyo Stock Exchange of Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu and Mr. Shuzo Kaihori as being Independent Directors appointed by the Company, in accordance with the Tokyo Stock Exchange's rules and regulations. Mr. Hiroaki Yoshihara also meets the requirements of an Independent Director in accordance with the Tokyo Stock Exchange's rule and regulations. Therefore, the Company plans to provide notice to the Tokyo Stock Exchange of him as being Independent Director appointed by the Company.

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
	 <p>Itaru Koeda (Born on Aug. 25, 1941) Candidate for Independent Director [Number of years in office of the Director of the Company] 9 Years [Number of shares of the Company held] 5,000 Shares [Number of attendances to the board meetings] 10/10 times (100%)</p>	<p>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 Executive 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 the Board of Calsonic Kansei Corporation Jul. 2003 Director of Renault S.A. Mar. 2005 Chairman of JATCO Ltd. Jun. 2008 Executive Advisor and Honorary Chairman of Nissan Motor Co., Ltd. Jun. 2009 Director of the Company (present post) Apr. 2015 Senior Advisor of Nissan Motor Co., Ltd. (present post)</p> <p>(Important positions of other companies concurrently held) Senior Advisor of Nissan Motor Co., Ltd. Chairman of Business Research Institute</p>
1	<p>Reason for the Selection of Candidate for Director</p> <p>The above candidate has been engaged in the management of Nissan Motor Co., Ltd. for many years, during which period he had the valuable experience of promoting a joint venture with Renault S.A. He has also made substantial contributions to the Board of Directors of the Company with his deep knowledge of the management of the Company as a manufacturer, based on his management experience in the manufacturing division for many years. The Nomination Committee has nominated him as a candidate for Director again this year, since it believes that he will give advice and execute supervision with respect to the management of the Company based on his achievements as Director and Chairperson of the Nomination Committee to date, his track record as chairperson at meetings attended only by Independent Directors as the Lead Independent Director, and his deep understanding of market demands considering his experience in dialogue with global stock markets over many years. Moreover, between the HOYA Group and Nissan Motor Group, which the candidate comes from, there were transactions in the fiscal year 2017, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party and, with regard to the candidate, nothing exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.</p> <p>Message to Shareholders from Candidate</p> <p>There have been great political and economic changes across the world, and developing countries, including India and African nations, have begun to exert a significant economic influence. To continue to develop the Company in such an environment, each business division must anticipate and respond swiftly to the changing demands of customers, regulatory trends in each country, and other factors. As an Independent Director, making efforts to strengthen corporate governance on a global basis, I sincerely intend to fulfill my duties so that the management of the Company by Executive Officers can utilize the abilities of employees around the world, stay ahead of the changes in the world and the Company can continue to grow in the medium- to long-term.</p>	

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
2		Jul. 1971 Joined IBM Japan, Ltd. Apr. 1995 Director in charge of Asia Pacific Products of IBM Japan, Ltd. Apr. 2000 Managing Director and Head of Tokyo Software Development Laboratory of IBM Japan, Ltd. Apr. 2004 Director and Senior Executive Officer in charge of Development & Manufacturing of IBM Japan, Ltd. Apr. 2007 Technical Advisor of IBM Japan, Ltd. (retired in March 2008) Apr. 2007 President of Japan Women's Innovative Network (J-WIN) (present post) Jun. 2007 Director of Benesse Corporation Apr. 2008 Director and Vice Chairman of Benesse Corporation Apr. 2008 Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation Oct. 2009 Director and Executive Vice President of Benesse Holdings, Inc. (retired in June 2013) Apr. 2013 Honorary Chairman of Berlitz Corporation (retired in June 2013) Jun. 2013 Director of the Company (present post) Sep. 2013 President & CEO of Globalization Research Institute Co., Ltd. (present post) Apr. 2014 Board Chair of Japan Diversity Network Association (present post)
	Yukako Uchinaga (Born on Jul. 5, 1946) Candidate for Independent Director [Number of years in office of the Director of the Company] 5 Years [Number of shares of the Company held] 1,000 Shares [Number of attendances to the board meetings] 10/10 times (100%)	(Important positions of other companies concurrently held) Board Chair of J-WIN, Non-Profit Organization Outside Director of Aeon Co., Ltd. Outside Director of DIC Corporation Outside Director of Teijin Limited (scheduled to assume the position in June 2018) Board Chair of Japan Diversity Network Association
	Reason for the Selection of Candidate for Director The above candidate is a pioneer of female executive officer as she was promoted to the first female director of IBM Japan, Ltd. Then, as CEO of Berlitz Corporation under Benesse Holdings, Inc., she established a brand of a "global human resource development enterprise" and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competitions. In addition, for many years, she has devoted herself to activities for promoting the active participation of women by corporations and has also provided the Company with advice on promoting diversity. The Company's Nomination Committee believes she will even more greatly contribute to the globalization of human resources and diversity management in the Company, so it has nominated her as a candidate for Director again this year. There were transactions in the fiscal year 2017 between the HOYA Group and Benesse Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party. Payment of membership fees was made to J-WIN, Non-Profit Organization, which the candidate concurrently serves as Board Chair, but the amount involved was less than 0.7% of said organization's total costs. Also, a payment of 150,000 yen was made to the Globalization Research Institute Co., Ltd., which the candidate serves as a representative. For all these transactions, nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.	
	Message to Shareholders from Candidate I believe that the Company's strength is, while timely restructuring its business amidst global expansion, to powerfully exercise its market leadership with its competitive edge. I intend to contribute to the Company in areas of clarification of strategies to further promote innovation, and utilization of global personnel in company operations. I would like to further contribute to the Company particularly in areas of strategic utilization of IT, which supports the basis of the global company, and promotion of diversity as a first step to utilize the talent of female employees in terms of human resources.	

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
3	 <p>Mitsudo Urano (Born on Mar. 20, 1948)</p> <p>Candidate for Independent Director</p> <p>[Number of years in office of the Director of the Company] 5 Years</p> <p>[Number of shares of the Company held] 5,000 Shares</p> <p>[Number of attendances to the board meetings] 10/10 times (100%)</p>	<p>Apr. 1971 Joined Nippon Reizo Kabushiki Kaisha (present Nichirei Corporation)</p> <p>Jun. 1999 Director and General Manager, Strategic Planning Division of Nichirei Corporation</p> <p>Jun. 2001 Representative Director and President of Nichirei Corporation</p> <p>Jan. 2005 Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc.</p> <p>Apr. 2007 Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.</p> <p>Jun. 2007 Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.</p> <p>Jun. 2013 Advisor of Nichirei Corporation (retired in March 2018)</p> <p>Jun. 2013 Director of the Company (present post)</p> <p>(Important positions of other companies concurrently held)</p> <p>Outside Director of Yokogawa Electric Corporation</p> <p>Outside Director of Resona Holdings, Inc.</p> <p>Outside Director of Hitachi Transport System, Ltd.</p>
	<p>Reason for the Selection of Candidate for Director</p> <p>The above candidate focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food manufacturer, and developed efficient management through company split-ups and informatization. He particularly has extensive experience and solid achievements on management informatization. The Nomination Committee has nominated him as a candidate for Director again this year, since, in addition to the achievements in Nichirei Corporation, it believes that he will make a great contribution to enhance management efficiency and transparency through giving advice and proposals on overall company management with his deep insight and extensive experience as management having served as an outside director and outside corporate auditor in other companies listed on the First Section of the Tokyo Stock Exchange. Moreover, there were no transactions in the fiscal year 2017 between the HOYA Group and Nichirei Group, which the candidate comes from, that violate the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.</p>	
	<p>Message to Shareholders from Candidate</p> <p>I am proud to be one of the members of the Board of Directors of the Company since, at the meetings of the Board of Directors, there are lively discussions in a positive mood, problems are pointed out and proposals are made from a variety of perspectives, and the PDCA cycle is extremely quick. The Company's strength is that it can adequately respond to drastically changing business environments by making decisions quickly. I believe that the role of an Independent Director is to provide general and objective support and supervision for corporate management by Executive Officers from the perspective of improving corporate value. I will strive to contribute to the management in a way that enhances the brand power of the Company.</p>	

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
4	 <p>Takeo Takasu (Born on Jun. 24, 1945)</p> <p>Candidate for Independent Director</p> <p>[Number of years in office of the Director of the Company] 4 Years</p> <p>[Number of shares of the Company held] 2,800 Share</p> <p>[Number of attendances to the board meetings] 10/10 times (100%)</p>	<p>Apr. 1968 Joined The Sanwa Bank, Ltd. (Present MUFG Bank, Ltd.)</p> <p>Oct. 1993 Branch Manager, Los Angeles Branch of Sanwa Bank (retired in March 1996)</p> <p>Apr. 1996 Member, Corporate Planning of Bandai Co., Ltd.</p> <p>Jun. 1996 Representative Director of Bandai Holdings Corporation in U. S.</p> <p>Mar. 1999 President and Representative Director of Bandai Co., Ltd.</p> <p>Jun. 2005 Chairman and Representative Director of Bandai Co., Ltd.</p> <p>Sep. 2005 President and Representative Director of Bandai Namco Holdings Inc.</p> <p>Apr. 2009 Chairman and Representative Director of Bandai Namco Holdings Inc.</p> <p>Feb. 2010 Chairman and Director of Bandai Namco Holdings Inc.</p> <p>Jun. 2011 Advisor and Director of Bandai Namco Holdings Inc. (retired in June 2013)</p> <p>Jun. 2014 Director of the Company (present post)</p> <p>(Important positions of other companies concurrently held)</p> <p>Outside Director of Bell-Park Co., Ltd.</p> <p>Outside Director of KADOKAWA CORPORATION</p>
<p>Reason for the Selection of Candidate for Director</p> <p>After first serving at the former Sanwa Bank, Ltd., the candidate accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company's performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company's Nomination Committee has judged that he will make proposals from different perspectives through insights developed in the banking industry and management experience in the toy industry with different characteristics from that of the Company, in addition to his achievements as an outside director of other companies, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2017 between the HOYA Group and Bandai Namco Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party and, with regard to the candidate, nothing exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.</p>		
<p>Message to Shareholders from Candidate</p> <p>The company has responsibility to serves as a model of corporate governance. Within this, the role of an Independent Director is to recommend strategy aimed at the medium- to long-term growth of the Company and supervise Executive Officers. I will make the utmost effort to serve in this way.</p>		

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
	 <p>Shuzo Kaihori (Born on Jan. 31, 1948)</p> <p>Candidate for Independent Director</p> <p>[Number of years in office of the Director of the Company] 3 Years</p> <p>[Number of shares of the Company held] 1,000 Shares</p> <p>[Number of attendances to the board meetings] 10/10 times (100%)</p>	<p>Apr. 1973 Joined Yokogawa Electric Works Ltd. (Present Yokogawa Electric Corporation)</p> <p>Apr. 2005 Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation</p> <p>Apr. 2006 Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation</p> <p>Jun. 2006 Director and Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation</p> <p>Apr. 2007 Representative Director, President and Chief Executive Officer of Yokogawa Electric Corporation</p> <p>Apr. 2013 Representative Director, Chairman and Chief Executive Officer of Yokogawa Electric Corporation</p> <p>Apr. 2015 Director, Chairman of Yokogawa Electric Corporation</p> <p>Jun. 2015 Director of the Company (present post)</p> <p>Jun. 2016 Director and Chairman of the Board of Yokogawa Electric Corporation (scheduled to retire the position in June 2018)</p> <p>(Important positions of other companies concurrently held)</p> <p>Outside Director of Eisai Co., Ltd. (scheduled to assume the position in June 2018)</p>

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Reason for the Selection of Candidate for Director


The above candidate assumed the presidency of Yokogawa Electric Corporation, which operates a test and measurement business and industrial automation and control business, in 2007 when the company faced difficult business conditions, then was committed to turning around the company and achieved a surplus by changing the business model from hardware to software and promoting the globalization. The Company's Nomination Committee has decided that he will contribute greatly to the Company's management from his performance that he boldly responded to changes in the business environment and achieved results and by giving advice on strengthening of software business, which is a challenge for the Life Care Segment, an area expected to grow, based on his extensive experience, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2017 between the HOYA Group and Yokogawa Electric Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

Message to Shareholders from Candidate

Amid great changes in the world, including digital revolution, a growing gap between rich and poor, aging populations in developed countries, and population growth in developing countries, I think that HOYA's policy of "becoming the leading company in niche markets with creativity and innovation," which requires managing risk while enhancing corporate value, is impressive.

I believe advancing management with a global perspective that is respectful of the culture and customs of different regions and that aims to continuously increase revenues by strengthening the Company's business portfolio will realize the enhancement of corporate value in the medium- to long-term. As an Independent Director, I want to meet the expectations of shareholders by enhancing HOYA's corporate value.

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
	 <p>Hiroaki Yoshihara (Born on Feb. 9, 1957) Candidate for Independent Director [Number of shares of the Company held] 0 Shares</p> <p>New</p>	<p>Nov. 1978 Joined Peat Marwick Mitchell & Co. Jul. 1996 National Managing Partner, the Pacific Rim Practice of KPMG LLP Oct. 1997 The Board Member of KPMG LLP Oct. 2003 Vice Chairman and Global Managing Partner of KPMG International (retired in April 2007) Jun. 2008 Outside Director of Murata Manufacturing Co., Ltd. (present post) Jun. 2014 Outside Director of Hitachi, Ltd. (present post)</p> <p>(Important positions of other companies concurrently held) Outside Director of Murata Manufacturing Co., Ltd. Outside Director of Hitachi, Ltd.</p>
6	<p>Reason for the Selection of Candidate for Director</p> <p>The above candidate has long-term experience as an expert in finance and accounting as well as management experience gained as Global Managing Partner of an international accounting firm. He also has a track record of participating in the M&A of many companies from a professional standpoint. The Company's Nomination Committee has judged that he will contribute to the enhancing the supervisory function of the Board of Directors of the Company and at the same time provide plenty of advice in regard to M&A, an important measure in the Company's business strategy, so it has nominated him as a new candidate for Director. Nothing in connection with the candidate violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.</p> <p>Message to Shareholders from Candidate</p> <p>In the current uncertain economic environment, beset by geopolitical risk, environmental problems, unstable international relations, and other issues, thorough global risk management and the true globalization of management are becoming increasingly important to a company's success. In order to fulfill the mandate given by the shareholders and continuously enhance corporate value, and with the aim of cultivating and utilizing global, diverse human resources to further strengthen the Company's competitive advantage while continually reviewing its product and service portfolio with a real sense of speed, I will sincerely strive to supervise the execution of duties by Executive Officers and others from an independent standpoint as an Independent Director.</p>	

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held	
7	<div></div> <div>Hiroshi Suzuki (Born on Aug. 31, 1958)</div> <div>[Number of years in office of the Director of the Company] 25 Years</div> <div>[Number of shares of the Company held] 942,080 Shares</div> <div>[Number of attendances to the board meetings] 10/10 times (100%)</div>	Apr. 1985	Joined the Company
		Jun. 1993	Director of the Company
		Jun. 1997	Managing Director of the Company
		Apr. 1999	Managing Director of the Company, President of Electro Optics Company
		Jun. 1999	Executive Managing Director of the Company
		Jun. 2000	Representative Director, President & CEO of the Company
		Jun. 2003	Director, Representative Executive Officer President & CEO of the Company (present post)
		Dec. 2011	Chief Representative of Singapore Branch of the Company (present post)
Reason for the Selection of Candidate for Director			
The above candidate serves as the driving force of the management of the HOYA Group as Director and Representative Executive Officer President & CEO, and gives appropriate explanations and reports on strategies based on portfolio management at the meetings of the Board of Directors. He also supervises the execution of operations by other Executive Officers and adequately fulfills his role as Executive Officer and Director. The Nomination Committee has nominated him as a candidate for Director again this year, in consideration of his achievements as Director to date.			
Message to Shareholders from Candidate			
The Company is managed based on a mechanism in which each Strategic Business Unit (SBU) formulates and executes its own business strategies. Accordingly, it is my understanding that the role of CEO is to execute portfolio management of the HOYA Group as a whole in view of the continuity of the company as a matter of top priority. Continuing to position the Life Care segment, which has accounted for approximately two-thirds of consolidated sales, as a growth segment, I strive to promote growth in this field as well as to maintain revenues in the Information Technology segment through the development of new applications, and I am committed to steering the Company with a sense of speed to attain long-term growth amid the dramatic changes in the global situation by creating an execution structure that can withstand the changes.			

(Notes) 1. No candidate has any special interest in the Company.

2. Reasons for the selection of candidates for Independent Director

In 2003, the Company became a company-with-nomination committee, etc. The Company set up three committees, namely the Nomination Committee, Compensation Committee and Audit Committee, with the aim of securing management transparency and fairness and reinforcing supervisory functions. At the same time, the Company established a system that enables speedy and efficient management by Executive Officers by a substantial transfer of authority from the Board of Directors to Executive Officers. Independent Directors must comprise a majority at each of the three committees. The Articles of Incorporation of the Company prescribe that half or more of its Directors must be Independent Directors, for the purpose of ensuring fairness. At present, five of the six Directors of the Company are Independent Directors. The reason for the selection of a candidate for Independent Director is described separately for each candidate.

3. The number of years in office of Independent Director (up to the close of this General Meeting of Shareholders) is described separately for each candidate.

4. The Company and each of the five candidates for reappointment as Independent Director have concluded an agreement that limits liabilities for damages in Paragraph (1), Article 423 of the Companies Act to the higher of 10 million yen or the amount provided by Paragraph (1), Article 425 of the Companies Act. When the reappointment of each person is approved and passed, the above liability limitation agreement will be continued. In cases where a new Independent Director candidate is selected, the same liability limitation agreement will be concluded.

5. The candidates for Independent Director not only meet the requirements for outside directors stipulated by the Companies Act but also meet the "Basis for Election of Candidates for Directors" that the Nomination Committee has set out as requirements to ensure the independence of candidates for Independent Director. Therefore, the Nomination Committee has determined that the candidates sufficiently secure independence as Independent Directors.

(Reference)

Outline of matters that violate requirements for independence of candidates for Independent Director

<Those who related to the HOYA Group>

- Those who previously worked for the HOYA Group
- Those who have a family member (spouse, child or relatives by blood or by affinity within the second degree) who have held the position of Director, Executive Officer, Corporate Auditor or top management in the past five years

<Major shareholders>

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

<Those who related to big business partners>

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

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

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

<Donation, etc.>

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

<Others>

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

Business Report

An attachment to the Notice of the 80th Ordinary General Meeting of Shareholders (From April 1, 2017 to March 31, 2018)

Matters Relating to the Present State of the HOYA Group

Business Development and Results

Progression and result of businesses

■ General Overview:

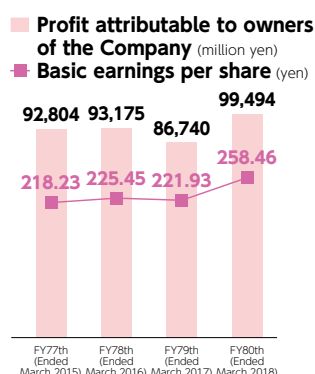
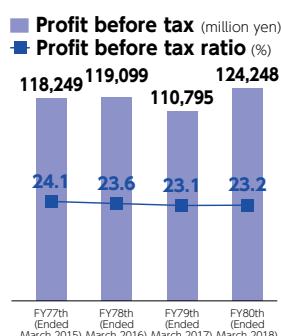
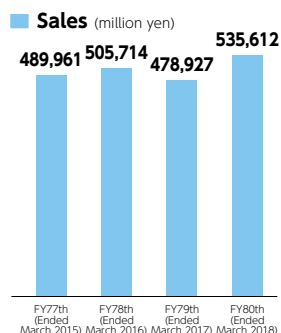
As of March 31, 2018, the HOYA Group consisted of the HOYA CORPORATION, 148 consolidated subsidiaries (11 of which are domestic and 137 overseas) and 9 affiliates (4 of which are domestic and the other 5 overseas).

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

<Adoption of the International Financial Reporting Standards>

Beginning with the 73rd fiscal year, the HOYA Group prepares its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRS) pursuant to the paragraph (1), Article 120 of the Ordinance on Company Accounting. With respect to reportable segments presented in the overview of operation by business category, the HOYA Group divides its business into three reportable segments, based on IFRS. These segments are Life Care, Information Technology, and Other Businesses.

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



<Sales>

During the consolidated fiscal year ended March 2018, the global economy witnessed a firm trend overall. In the U.S., the economy continued to recover steadily. Europe also saw mild economic expansion while the economy in China stabilized. The Japanese economy also continued its moderate recovery.

Under these circumstances, in the Life Care business of the HOYA Group (“the Company”), sales of eyeglass lenses and contact lenses increased in health care related products while sales of intraocular lenses and the like increased in medical related products. As a result, overall sales in the Life Care business increased compared to the preceding consolidated fiscal year.

In the Information Technology business, sales of mask blanks for semiconductors, photomasks for liquid-crystal displays, and glass substrates for hard disk drives increased in electronics related products while sales of imaging related products also increased. As a result, overall sales in the Information Technology business increased compared to the preceding consolidated fiscal year.

As a result, sales of continuing operations for the consolidated fiscal year ended March 2018 amounted to 535,612 million yen, an 11.8% increase year on year.

<Profit>

Despite impairment losses of 5,798 million yen, profit increased due to increases in sales, so profit before income tax and profit for the year increased compared to the preceding consolidated fiscal year by 12.1% to 124,248 million yen and 14.2% to 99,222 million yen respectively.

The profit before tax ratio was 23.2%, on par with the preceding consolidated fiscal year.

There were no discontinued operations in the consolidated fiscal year ended March 2018 and the preceding consolidated fiscal year. Therefore, all numerical values and percentage changes herein are based on continuing operations.

<Financial Position>

Total assets at March 31, 2018 decreased by 8,939 million yen from the end of the preceding consolidated fiscal year to 650,645 million yen.

Non-current assets increased by 40,192 million yen to 204,455 million yen. This is primarily due to increases of 17,302 million yen in goodwill, 10,451 million yen in intangible assets, and 8,238 million yen in long-term financial assets. The increase in long-term financial assets is primarily due to extension of loan terms.

Current assets decreased by 49,131 million yen to reach 446,190 million yen. This is primarily due to decreases in cash and cash equivalents by 51,016 million yen and other short-term financial assets by 12,833 million yen.

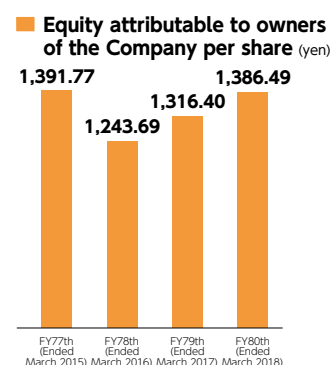
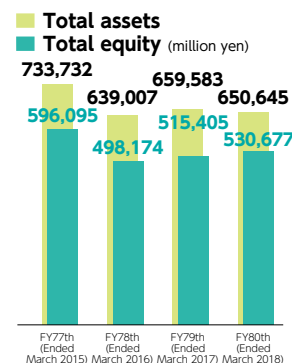
Total equity increased by 15,272 million yen to 530,677 million yen. This is primarily due to an increase in retained earnings by 23,451 million yen.

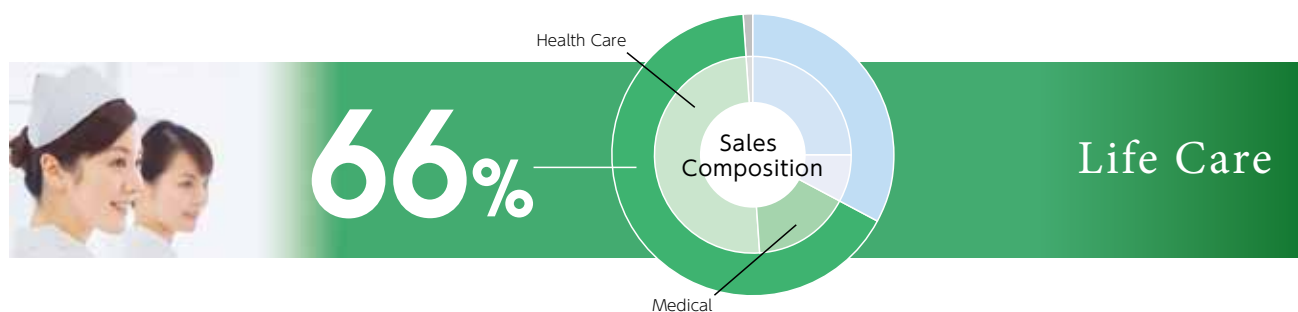
Equity attributable to owners of the Company increased by 15,306 million yen to 526,193 million yen.

Liabilities decreased by 24,211 million yen to 119,967 million yen. This is primarily due to a decrease in interest-bearing short-term debt by 35,012 million yen.

The ratio of equity attributable to owners of the Company to total assets at March 31, 2018 increased by 3.4 percentage points from the end of the preceding consolidated fiscal year and reached to 80.9%, which was 77.5% in the preceding consolidated fiscal year.

The breakdown of changes in retained earnings is as presented later in this report in the section for Consolidated Statement of Changes in Equity.



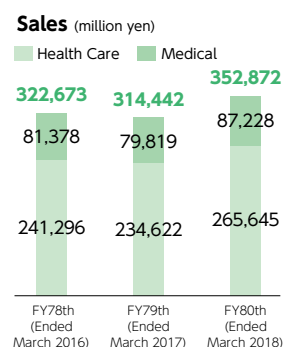


■ Outline of consolidated results by business segment

Health Care related products

The retail market for eyeglass lenses in Japan continued its shrinking trend but sales remained on par with the preceding consolidated fiscal year due to an increase in market share. Overall sales in overseas markets increased compared to the preceding consolidated fiscal year due to the firm capture of market growth in Asia, as well as significant growth in the Americas as a result of the firm growth of existing businesses and the acquisition of 3M's prescription safety eyewear business and Performance Optics, LLC.

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

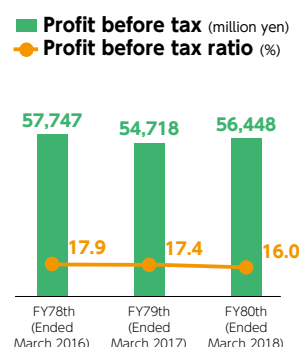


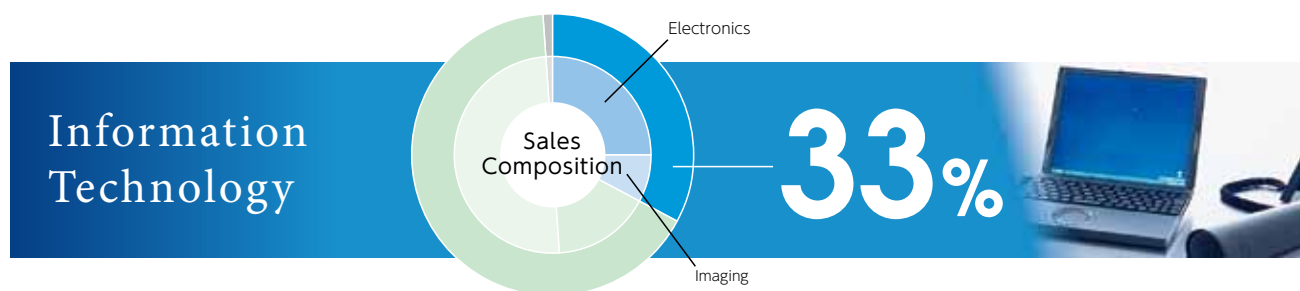
Medical related products

Overall sales of medical endoscopes increased compared to the preceding consolidated fiscal year due to strengthening sales capabilities in overseas markets, especially in Asia.

Sales of intraocular lenses for cataracts increased compared to the preceding consolidated fiscal year due to continued strong sales of new products launched in the Japanese market in 2015 and firm growth of both direct sales and sales to dealers overseas.

As a result, sales in the Life Care segment increased by 12.2% compared to the preceding consolidated fiscal year to 352,872 million yen. Segment profit increased by 3.2% to 56,448 million yen despite amortization of intangible assets obtained through acquisitions, impairment of non-current assets, and other factors.





■ Outline of consolidated results by business segment

Electronics related products

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

Despite decreased production capacity of the Company in the first half of the year due to the Kumamoto earthquakes, sales of photomasks for liquid-crystal displays increased compared to the preceding consolidated fiscal year due to progress in the restoration of production capacity of the Company in the second half of the year and recovery in research and development demand from overseas panel manufacturers.

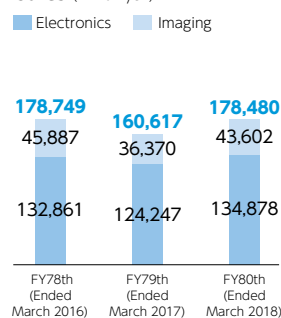
Sales of glass substrates for hard disk drives increased compared to the preceding consolidated fiscal year due to an increase in the Company's market share in addition to an improvement in overall demand for hard disk drives caused by a NAND (Not AND) flash memories supply shortage.

Imaging related products

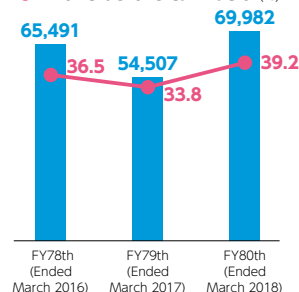
In addition to the further easing of shrinkage in the digital camera market, which mainly covers finished products, an expansion in sales of products for new applications such as for security cameras and car-mounted cameras contributed to an overall increase in sales.

As a result, sales in the Information Technology segment increased by 11.1% compared to the preceding consolidated fiscal year to 178,480 million yen, and segment profit increased by 28.4% to 69,982 million yen.

Sales (million yen)



Profit before tax (million yen)
Profit before tax ratio (%)



View of Capital Expenditures

The total capital expenditures of all operations of the HOYA Group amounted to 19,289 million yen during the consolidated fiscal year ended March 2018, a decrease of 3,574 million yen over the preceding consolidated fiscal year.

In the consolidated fiscal year ended March 2018, investment in the Life Care business amounted to 10,727 million yen and investment in the Information Technology business amounted to 8,413 million yen, which account for 55.6% and 43.6%, respectively, of the total capital expenditures by the Group.

The investment was covered by internally generated funds.

During the consolidated fiscal year ended March 2018, in the Life Care business, the HOYA Group invested in production facilities, primarily for eyeglass lenses, with the aim of increasing capacity of production plants and optimization. For intraocular lenses for cataracts, the HOYA Group invested in production facilities with the aim of increasing production capacity to meet growing demand for its products.

In the Information Technology business, the HOYA Group invested in production facilities, primarily for high-value added products of semiconductor and liquid-crystal display-related products, and optimization of production facilities of imaging related products.

Category	78th Fiscal Year (Ended March 2016)	79th Fiscal Year (Ended March 2017)	80th Fiscal Year (Ended March 2018)
Capital expenditures (million yen)	20,328	22,863	19,289

Financing

There are no relevant items.

Important Corporate Reorganizations, etc.

There are no relevant items.

Management Issues Requiring Actions

The HOYA Group globally promotes the operation of a number of businesses in “Life Care” and “Information Technology” in order to achieve sustainable growth and maximize its corporate value. While operating diverse range of businesses, the HOYA Group maximizes its competitiveness by optimally allocating management resources and endeavors to improve results.

(1) Target management indicators

The HOYA Group believes that corporate value will increase and stakeholders will be satisfied when profit exceeds the cost of capital. In order to achieve this, we have introduced Shareholders Value Added (SVA) as a management indicator, and we strive for efficient management.

(2) Medium-to-long term corporate management strategy and issues requiring actions

(i) Speedy and flexible response to changes in the market and efficient utilization of management resources

In the manifold business areas of the HOYA Group, we will accurately identify customers’ needs in the market and devise strategies ahead of the competition to respond quickly and flexibly to each of the market trends. We will allocate management resources of the Group appropriately and will make timely decisions regarding plant and equipment investment, business alliances, mergers and acquisitions, withdrawal from or reduction in business operations, etc.

(ii) Creation of new business and technologies

To secure corporate earnings and continue to grow, we realize that it is critical to develop our own technologies and create new businesses in growth areas different from the existing ones, in addition to expanding our existing businesses.

We will devote even greater resources to developing world-class technologies and products that have a significant competitive advantage; to exploring and creating new businesses; and to acquiring and training personnel able to support our next generation business. At the same time, we think it is also important to actively incorporate external resources, so we will pursue all possibilities including business partnerships and M&A.

(iii) Business expansion in the Life Care business

The reduction of fatigue and shortening of time for medical treatment are the demands of both physicians and patients, and minimally invasive treatment has been spreading at an accelerated pace. The HOYA Group will position the Life Care business fields, where knowledge and experience in optics are applied, as a strategic growth area. We will invest management resources aggressively into this area and work toward expanding our global business by increasing our shares in developed countries and expanding into emerging countries.

(iv) Securing stable earnings in the Information Technology business

We will develop technologies by strengthening collaboration with customers, expand the product line of high-value added products and develop new uses of our products so that the business can maintain and improve profitability. At the same time, we will endeavor to reduce costs by streamlining production facilities and by innovating production technologies.

(v) Energy conservation measures, risk dispersion and emergency preparedness

The HOYA Group has worked on environmental conservation including energy conservation and worked toward diversifying manufacturing bases including overseas transfer from the perspective of risk management. As a member of society as well as in terms of responsibilities of a supplier, the HOYA Group proactively continues to work on energy conservation measures, risk diversification and risk management.

(vi) Promoting diversity

There are many female managers playing an active role in the HOYA Group as a whole, but the proportion of female managers is significantly lower when limited to the HOYA Group in Japan only. We will strive to ensure diversity of values and work patterns to secure excellent human resources and contribute to enhancing corporate value from more effective and multidimensional perspectives.

Changes in the State of Assets, Profits and Losses

Overview of Assets, Profits and Losses of the HOYA Group

Classification		77 th Fiscal Year (Ended March 2015) [IFRS]	78 th Fiscal Year (Ended March 2016) [IFRS]	79 th Fiscal Year (Ended March 2017) [IFRS]	80 th Fiscal Year (Current fiscal year) (Ended March 2018) [IFRS]
Sales	(million yen)	489,961	505,714	478,927	535,612
Profit before tax	(million yen)	118,249	119,099	110,795	124,248
Profit for the year	(million yen)	92,941	93,317	86,852	99,222
Profit attributable to owners of the Company	(million yen)	92,804	93,175	86,740	99,494
Basic earnings per share	(yen)	218.23	225.45	221.93	258.46
Total assets	(million yen)	733,732	639,007	659,583	650,645
Total equity	(million yen)	596,095	498,174	515,405	530,677
Equity attributable to owners of the Company per share	(yen)	1,391.77	1,243.69	1,316.40	1,386.49

(Notes)

1. Starting with the 73rd fiscal year, the HOYA Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards pursuant to the paragraph (1), Article 120 of the Ordinance on Company Accounting.
2. The amounts of sales and profit before tax present only the amounts for continuing operations. The amount of profit for the year presents the amount of all operations including discontinued operations.
3. Basic earnings per share is computed, based on the average of the total number of the outstanding shares during the consolidated fiscal year. Equity attributable to owners of the Company per share is computed, based on the total number of shares outstanding as of the end of consolidated fiscal year. The figures for the total number of outstanding shares exclude treasury shares.
4. The overview of the 80th fiscal year (consolidated fiscal year ended March 2018) is provided in the above section of this report titled “Business Development and Results.”

Important Subsidiaries

Company name	Capital stock	Voting rights owned by the Company	Main business
HOYA HOLDINGS, INC. (USA)	5,493 thousands of U.S. dollar	100.0%	Regional headquarters in America
HOYA HOLDINGS N.V. (The Netherlands)	9,930 thousands of euro	100.0%	Holding company in Europe, controlling the distribution and sale of eyeglass lenses in Europe
HOYA HOLDINGS (ASIA) B.V. (The Netherlands)	19 thousands of euro	100.0%	Holding company for the region of Asia
HOYA HOLDINGS ASIA PACIFIC PTE LTD (Singapore)	54,326 thousands of U.S. dollar	100.0% (100.0%)	Regional headquarters in Asia and Oceania

(Note) The figure appearing in a bracket in the column entitled “Voting rights owned by the Company” represents indirect ownership.

Major Businesses (as of March 31, 2018)

The HOYA Group has established two business domains in its management principle. They are “Life and Culture” and “Information Technology.” In order to realize a continuous increase in the corporate value in each of the business domains, the Group makes decisions on management resource allocations and carries out businesses. The major businesses of the HOYA Group can thus be broken down roughly to Life Care business and Information Technology business.

The Life Care segment manufactures and sells health care related products that are used routinely in medical treatment and health maintenance fields, and medical related products that include medical equipment and medical supplies used in medical treatment. Some unique features of this business segment are that government approvals and permits are required pursuant to the Pharmaceutical Affairs Law and that advanced technological strength and reliable quality control systems are the key requirements.

Diverse and varied application product groups that evolved as the result of the digitalization of information and emergence of Internet are the areas in which the Information Technology segment conducts business. The Group manufactures and sells a wide range of input/output (I/O) related devices, in the Information Technology field. Included are electronics related products that are indispensable for today’s digital information and communication technology, and imaging related products that use optics technology and are necessary to capture images as digital data.

The major products and services handled by each division are as follows:

Business segment	Business category	Major products and services
Life Care	Health care related products	Eyeglass lenses, Contact lenses
	Medical related products	Medical endoscopes, Medical accessories, Intraocular lenses, Artificial bone, Metallic implant for orthopedics
Information Technology	Electronics related products	Photomasks and Maskblanks for semiconductors, Masks and Devices for liquid-crystal displays (LCDs) Glass disk for hard disk drives (HDDs)
	Imaging related products	Optical lenses, Optical glass material, Lens modules, Laser equipment
Other		Design of information systems, outsourced works, speech synthesis software

Head Office, Principal Places of Business and Plants (as of March 31, 2018)

(1) HOYA CORPORATION

Division	Name	Location
Corporate	Group Headquarters	Shinjuku-ku, Tokyo
	Netherlands Branch	The Netherlands
	Singapore Branch	Singapore
Life Care	Vision Care Company, Japan Headquarters	Nakano-ku, Tokyo
	Eye Care Company	Nakano-ku, Tokyo
	Medical Division, Japan Headquarters	Nakano-ku, Tokyo
	Showa-no-mori Office	Akishima-shi, Tokyo
Information Technology	Blanks Division and other Divisions' Sales Departments	Shinjuku-ku, Tokyo
	Nagasaka Office	Hokuto-shi, Yamanashi
	Hachioji Factory	Hachioji-shi, Tokyo
	Akishima Factory	Akishima-shi, Tokyo

(2) Subsidiaries

Segment	Name	Location
Life Care	HOYA LENS DEUTSCHLAND GMBH	Germany
	HOYA OPTICAL LABS OF AMERICA, INC.	USA
	HOYA LENS THAILAND LTD.	Thailand
	HOYA MEDICAL SINGAPORE PTE. LTD.	Singapore
	PENTAX OF AMERICA, INC.	USA
	PENTAX EUROPE GMBH	Germany
Information Technology	HOYA CORPORATION USA	USA
	HOYA ELECTRONICS SINGAPORE PTE. LTD.	Singapore
	HOYA GLASS DISK VIETNAM LTD.	Vietnam
	HOYA OPTICAL TECHNOLOGY (WEIHAI) CO., LTD.	China
	HOYA CANDEO OPTRONICS CORPORATION	Toda-shi, Saitama, Japan
Other	HOYA SERVICE CORPORATION	Nakano-ku, Tokyo, Japan
Corporate	HOYA HOLDINGS, INC.	USA
	HOYA HOLDINGS N. V.	The Netherlands
	HOYA HOLDINGS (ASIA) B. V.	The Netherlands
	HOYA HOLDINGS ASIA PACIFIC PTE LTD	Singapore

Employees (as of March 31, 2018)

(1) By segment

Segment	Number of employees	Year-on-year comparison at year end
Life Care	19,310	up 2,166
Information Technology	18,247	up 20
Other	173	down 125
Corporate	82	down 1
Total	37,812	up 2,060

(2) Changes in the number of employees

Category	77 th Fiscal Year (Ended March 2015)	78 th Fiscal Year (Ended March 2016)	79 th Fiscal Year (Ended March 2017)	80 th Fiscal Year (Ended March 2018)
Overseas	30,904	30,591	32,057	34,138
Japan	3,731	3,771	3,695	3,674

(Notes)

1. The number of employees represents regular employees of all operations. Temporary and contract workers are excluded.
2. The Corporate figure represents the number of employees in the Group Headquarters and overseas regional headquarters and branches.
3. Employees at HOYA CORPORATION numbered 2,950 (up 32 YOY). Their ages and service periods averaged 45.9 and 20.1 years, respectively.

Major Lenders (as of March 31, 2018)

Lender	Loans payable
Seiko Holdings Corporation	1,658 million yen

Other Important Matters concerning the HOYA Group

There are no relevant items.

Current State of the Company

State of Shares (as of March 31, 2018)

- (1) Total number of shares the Company authorized: Common share 1,250,519,400 shares
 (2) Total number of issued shares: Common share 381,436,420 shares
 (3) Number of shareholders: 29,590 (Down 2,037 YOY)
 (4) Number of shares constituting one unit: 100 shares
 (5) Principal shareholders: (Top 10 shareholders)

Rank	Name	Number of shares	Percentage of investment
		(Hundred shares)	%
1	Japan Trustee Services Bank, Ltd. (Trust Account)	209,479	5.52
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	178,264	4.70
3	JP Morgan Chase Bank 380055	174,296	4.59
4	JP Morgan Chase Bank 380072	131,631	3.47
5	State Street Bank and Trust Company 505001	100,841	2.66
6	State Street Bank and Trust Company	93,106	2.45
7	Mamoru Yamanaka	90,204	2.38
8	Japan Trustee Services Bank, Ltd. (Trust Account 5)	77,396	2.04
9	State Street Bank West Client - Treaty 505234	73,412	1.93
10	JP Morgan Chase Bank 385632	68,294	1.80

(Notes)

- In consideration of the number of voting rights, the numbers of shares are stated in units of one hundred shares and the shares that do not constitute one trading unit are rounded down.
- The percentage of investment is calculated by excluding treasury shares (1,922,074 shares).
- The total number of issued shares decreased by 8,343,500 shares due to the cancellation of treasury shares.

State of Stock Acquisition Rights, etc.

(1) Stock acquisition rights owned by Directors and Executive Officers of the Company that have been issued as compensation for their execution of duties as of the end of the fiscal year

Issue (Date of resolution)		10 th issue of stock acquisition rights (November 19, 2009)	11 th issue of stock acquisition rights (November 18, 2010)	12 th issue of stock acquisition rights (December 22, 2011)	13 th issue of stock acquisition rights (December 20, 2012)	14 th issue of stock acquisition rights (December 19, 2013)	15 th issue of stock acquisition rights (December 18, 2014)	16 th issue of stock acquisition rights (December 17, 2015)	17 th issue of stock acquisition rights (December 22, 2016)	18 th issue of stock acquisition rights (January 30, 2018)
Number of stock acquisition rights		20	20	20	20	504	265	267	206	50
Type and number of shares to be issued on exercise of stock acquisition rights		8,000 common share	8,000 common share	8,000 common share	8,000 common share	201,600 common share	106,000 common share	106,800 common share	82,400 common share	20,000 common share
Exercise price per share		2,215 yen	1,947 yen	1,616 yen	1,648 yen	2,846 yen	3,972.5 yen	4,928 yen	4,839 yen	5,765 yen
Contribution of stock acquisition right		No contribution is required in exchange for a stock acquisition right.								
Exercise period		October 1, 2010 – September 30, 2019	October 1, 2011 – September 30, 2020	October 1, 2012 – September 30, 2021	October 1, 2013 – September 30, 2022	October 1, 2014 – September 30, 2023	October 1, 2015 – September 30, 2024	October 1, 2016 – September 30, 2025	October 1, 2017 – September 30, 2026	October 1, 2018 – September 30, 2027
Outline of terms and conditions for the exercise of stock acquisition rights		-Exercise of stock acquisition rights is permitted under certain conditions even after retiring from the post due to the expiration of term of office or mandatory retirement age. -Inheritance or transfer of the stock acquisition rights, creation of a pledge concerning the rights, etc. are not permitted.								
		Number of owners/[Number of stock acquisition rights]								
State of owner ship	Directors (excluding In-dependent Directors) and Executive Officers	1 [20]	1 [20]	1 [20]	1 [20]	3 [444]	5 [217]	5 [182]	5 [158]	0 [0]
	In-dependent Directors	0 [0]	0 [0]	0 [0]	0 [0]	2 [60]	4 [48]	5 [85]	5 [48]	5 [50]

(2) Conditions of stock acquisition rights granted to employees, etc. as compensation for the fulfillment of duties during the fiscal year

Issue (Date of the resolution)		18th issue of stock acquisition rights (January 30, 2018)
Number of stock acquisition rights		51 rights
Type and number of shares to be issued on exercise of stock acquisition rights		20,400 common shares
Exercise price per share		5,765 yen
Contribution of stock acquisition right		No contribution is required in exchange for stock acquisition right.
Exercise period		October 1, 2018 – September 30, 2027
Outline of terms and conditions for the exercise of stock acquisition rights		-Exercise of stock acquisition rights is permitted under certain conditions even after retiring from the post due to the expiration of term of office or mandatory retirement age. -Inheritance or transfer of the stock acquisition rights, creation of a pledge concerning the rights, etc. are not permitted.
State of grant	Directors of subsidiaries of the Company	Number of owners: 1 Number of stock acquisition rights: 51

Directors of the Company

(1) Directors and Executive Officers (as of March 31, 2018)

Name	Position and role at the Company	Important positions of other organization concurrently held
Itaru Koeda	Director Chairperson of the Nomination Committee Member of the Compensation Committee Member of the Audit Committee	Senior Advisor of Nissan Motor Co., Ltd. Chairman of Business Research Institute
Yukako Uchinaga	Director Chairperson of the Audit Committee Member of the Nomination Committee Member of the Compensation Committee	President of J-WIN, Non-Profit organization Outside Director of Aeon Co., Ltd. Outside Director of DIC Corporation Board Chair of Japan Diversity Network Association
Mitsudo Urano	Director Chairperson of the Compensation Committee Member of the Nomination Committee Member of the Audit Committee	Outside Director of Yokogawa Electric Corporation Outside Director of Resona Holdings, Inc. Outside Director of Hitachi Transport System, Ltd. Advisor of Nichirei Corporation
Takeo Takasu	Director Member of the Nomination Committee Member of the Compensation Committee Member of the Audit Committee	Outside Director of Bell-Park Co., Ltd. Outside Director of KADOKAWA CORPORATION
Shuzo Kaihori	Director Member of the Nomination Committee Member of the Compensation Committee Member of the Audit Committee	Director and Chairman of the Board of Yokogawa Electric Corporation
Hiroshi Suzuki	Director, Representative Executive Officer President & CEO	
Ryo Hirooka	Representative Executive Officer & CFO	
Eiichiro Ikeda	Executive Officer & COO, Information Technology and Chief Technology Officer (CTO)	
Girts Cimermans	Executive Officer, Vision Care Company President	
Augustine Yee	Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs	

(Notes)

1. Directors Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu and Mr. Shuzo Kaihori are all outside directors as designated in item (15), Article 2 of the Companies Act.
2. Members of the Audit Committee have more than sufficient experience in either finance or accounting having served for several years as company leaders. In particular, Director Mr. Takasu possesses long-standing experience working in a bank.
3. At the Company, the Audit Committee Office, which supports the Audit Committee, was established; under that the Internal Audit Department was established, and staff is assigned to both. Because the Company believes that the Audit Committee adequately fulfills its responsibilities by receiving regular reports from the Internal Audit Department, through the Audit Committee Office, putting effort into information gathering, and so forth, we do not have a full-time Audit Committee.

(2) Independent Directors as stipulated at Tokyo Stock Exchange

The Company provided notice on Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu and Mr. Shuzo Kaihori to the Tokyo Stock Exchange as being independent directors appointed by the Company, in accordance with the Tokyo Stock Exchanges rules and regulations.

(3) Independent Directors

- (i) Important positions and roles concurrently held by the Company's Independent Directors at other organization and their relationship with the Company is shown in “(1) Directors and Executive Officers” above. There is no important business transactions relationship between the Company and each of any other organization.
- (ii) Attendance at Board of Directors Meetings and other Committee Meetings (Number of meetings attended/Number of meetings held)

Name	Board of Directors Meeting	Nomination Committee	Compensation Committee	Audit Committee
Itaru Koeda	10/10 (100%)	8/8 (100%)	6/6 (100%)	9/9 (100%)
Yukako Uchinaga	10/10 (100%)	8/8 (100%)	6/6 (100%)	9/9 (100%)
Mitsudo Urano	10/10 (100%)	8/8 (100%)	6/6 (100%)	9/9 (100%)
Takeo Takasu	10/10 (100%)	8/8 (100%)	6/6 (100%)	9/9 (100%)
Shuzo Kaihori	10/10 (100%)	8/8 (100%)	6/6 (100%)	9/9 (100%)

(iii) Major activities at the Board of Directors Meetings and other Committee Meetings during the Fiscal Year

Name	Major activities
Itaru Koeda	<p>Mr. Koeda made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As an Independent Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, Mr. Koeda provided advice on the competitive environment facing the HOYA Group, and as the Chairperson of the Nomination Committee, led the discussion of propositions for decisions by the Committee concerning the appointment of Directors and Executive Officers, etc. Furthermore, he led discussions at meetings attended only by Independent Outside Directors (executive sessions), serving as the Lead Independent Director.</p>
Yukako Uchinaga	<p>Ms. Uchinaga made useful contributions to the discussion of items on the agenda, based on her substantial management experience and expertise.</p> <p>As an Independent Director, she made remarks from an objective and impartial position as the occasion required, and fulfilled her role in terms of management supervision. In particular, she proactively provided advice on securing diversity in the Company and supported education thereon for employees, and actively expressed her opinions concerning improvement of the Company's IT environment based on her experience in the IT field. Furthermore, as the Chairperson of the Audit Committee, she led discussions of propositions to make decisions of the Committee concerning verification of financial statements, monitoring of internal control systems, and auditing of operations and assets.</p>
Mitsudo Urano	<p>Mr. Urano made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As an Independent Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, Mr. Urano has provided advice in terms of corporate governance and proactively expressed opinions on new product development and business models of new businesses. Furthermore, as the Chairperson of the Compensation Committee, he led discussions of propositions to make decisions of the Committee concerning the remuneration system for Directors, construction of a remuneration system that raises Executive Officers' incentives and fair and appropriate performance evaluation.</p>
Takeo Takasu	<p>Mr. Takasu made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As an Independent Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, he actively expressed his opinions about roles of the Board of Directors and supervision of Executive Officers. Furthermore, he actively stated his opinions at the Nomination Committee, the Compensation Committee, and the Audit Committee, deepening the deliberations at each of the committees.</p>
Shuzo Kaihori	<p>Mr. Kaihori made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As an Independent Director, he made remarks from an objective and impartial position as the occasion required, and fulfilled his role in terms of management supervision. In particular, he actively asked questions in terms of positioning of the Company's businesses in industries and provided many advices from the standpoint of compliance. Furthermore, he actively stated his opinions at the Nomination Committee, the Compensation Committee, and the Audit Committee, contributing to the lively deliberations at the committees.</p>

(iv) Overview of liability limitation contract

The Company and its Independent Directors have concluded an agreement that limits possible future liabilities of the latter prescribed in paragraph (1), Article 423 of the Companies Act to the higher of 10 million yen or the amount prescribed by the paragraph (1) of Article 425 of the Act.

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

(1) Policy of the Compensation Committee for determining the amount of remuneration and other benefits received by Directors and Executive Officers and details of the policy

(i) Basic policy

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

(ii) Policy concerning remuneration for Directors

The remuneration of Directors consists of a fixed salary and stock options.

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

(iii) Policy concerning remuneration for Executive Officers

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

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

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

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

(iv) Stock options

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

Based on the above, fixed number of stock options are granted to Independent Directors each year, whereas the number of stock options granted to Executive Officers is based on Company performance and individuals’ evaluations, subject to deliberation by the Compensation Committee and decided by the Board of Directors. After a waiting period of approximately one year, the exercisable portion of the stock options in each of the years following thereafter will be 25% of the total number granted. The period during which the stock options may be exercised is 10 years.

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

(2) Total amount of remuneration, etc. of Directors and Executive Officers for the fiscal year

Classification		Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type		
				Fixed salary	Performance-based remuneration	Stock options
Directors	Independent	5 persons	73 million yen	51 million yen	-	23 million yen
	Internal	1 person	8 million yen	8 million yen	-	-
	Total	6 persons	82 million yen	59 million yen	-	23 million yen
Executive Officers		5 persons	556 million yen	268 million yen	210 million yen	79 million yen
Total		10 persons	638 million yen	326 million yen	210 million yen	102 million yen

(Notes)

1. At the end of the fiscal year, there were six Directors and five Executive Officers. One of the five Executive Officers served concurrently as Internal Director.
2. Fixed salary for Executive Officers includes oversea Executive Officer's benefit as expatriate of 104 million yen.
3. For the stock options, fair values of stock acquisition rights were calculated and the table above shows amounts to be recorded as expenses for the fiscal year.
4. Separate from the above, the Company paid 77 million yen as remuneration for one officer as director of a subsidiary.

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

(i) The remuneration of the Chief Executive Officer (CEO) for the 80th fiscal year is as follows.

Name	Total amount	Fixed salary	Performance-based remuneration	Stock options
Hiroshi Suzuki, Representative Executive Officer President & CEO	208 million yen	109 million yen	79 million yen	21 million yen

(ii) Other Director/Executive Officer other than the above whose consolidated remuneration totaled 100 million yen or more during the consolidated fiscal year are as follows.

Name	Total amount	Fixed salary	Performance-based remuneration	Stock options
Eiichiro Ikeda, Executive Officer & COO, Information Technology and Chief Technology Officer (CTO)	106 million yen	54 million yen	40 million yen	12 million yen
Augustine Yee, Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs	117 million yen	56 million yen	40 million yen	21 million yen

Accounting Auditors

(1) Name Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration, etc.

Classification	Amount of payment
Amount of remuneration, etc. paid to accounting auditors regarding the fiscal year	168 million yen
Aggregate amount of monetary and other asset gains the Company and its subsidiaries owe to independent auditors	211 million yen

(Notes)

1. The audit agreement between the Company and its accounting auditors makes no clear distinction between the amount of audit fees based on the Companies Act and the audit fee based on the Financial Instruments and Exchange Act. For this reason, the total amount of remuneration, etc. paid to the accounting auditors is stated as the amount of remuneration, etc. for the fiscal year.
2. The member firms of Deloitte Touche Tohmatsu Limited and Ernst & Young Global Limited provide audit services to the Company's major subsidiaries overseas.
3. The Audit Committee gave consent on the remuneration, etc. for Accounting Auditors as a result of confirmation and consideration of matters including the audit planning by the Accounting Auditors, status of implementation of the audit and calculation basis for the estimate of the remuneration, in light of the "Guidelines for Cooperation with Accounting Auditors" issued by Japan Audit & Supervisory Board Members Association.

(3) Details of non-audit services

The company commissions and pays compensation for advice and guidance relating to accounting matters and disclosure of information to Deloitte Touche Tohmatsu LLC.

(4) Policy on dismissal of accounting auditors or decision against reappointment

When a condition that corresponds to any of the reasons for dismissal prescribed in the items of paragraph (1), Article 340 of the Companies Act exists, and dismissal is deemed to be reasonable, the Audit Committee shall dismiss the accounting auditors with the agreement of all members of the Audit Committee. In this case, a member of the Audit Committee appointed by the Audit Committee shall report the dismissal of the accounting auditors and the reason for the dismissal at the first General Meeting of Shareholders following the dismissal.

The Audit Committee shall also examine the potential for reappointment by taking into consideration the term of office of accounting auditors, the status of prior audit execution, the presence or absence of any serious reason that causes accounting auditors to lose credibility, and other circumstances, and, when reappointment is not considered reasonable, shall place "no reappointment of accounting auditors" on the agenda for discussion at a General Meeting of Shareholders on the regulations of the Audit Committee.

[Notes]

1. Yen amounts shown were obtained by rounding fractions to the closest stated units. Percentage figures shown were also obtained by rounding fractions to the lowest place shown. Numbers of shares shown were obtained by rounding down fractions less than the stated units.
2. Sales and other figures do not include consumption tax or local consumption tax.

Frameworks and Policies of the Company

1. Frameworks and Policies Concerning Internal Control Systems

The HOYA Group shall operate businesses of different products and markets based on a business division system. Each division shall carry out business in Japan and overseas under the management of the person responsible for that business using an appropriately assigned group of human resources, and possess the responsibility for management and profitable operations of the business including the subsidiaries belonging to that division. Group Headquarters shall be structured to cooperate with the functional departments of each business, specifically with respect to the functions of strategy, legal affairs, finance, and human resources, and assist and promote the business execution at each business division based on the HOYA Group's management policies.

1) Matters Decided on Systems to Ensure Adequacy of Operations and Operation Status Thereof

Contents of the resolutions the Board of Directors of the Company made with regard to internal control systems set out in (b) and (e) of item (i), paragraph (1), Article 416 of the Companies Act and Article 112 of the Ordinance for Enforcement of the Companies Act and a summary of the operation status thereof are as follows:

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

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

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

(ii) Matters concerning independence from the Executive Officers of Directors and employees stated in the above item and matters on securing effectiveness of instructions to Directors, etc. stated in the above item

The Audit Committee has the power to appoint and dismiss staff members of the Audit Committee Office.

Executive Officers shall not give directions to staff members of the Audit Committee Office.

(iii) Systems required for reports to the Audit Committee by Executive Officers and employees of the Company, systems required for reports to the Audit Committee by Executive Officers and employees, etc. of subsidiaries, and systems required to ensure a person who reports to the Audit Committee does not receive unfair treatment.

The Board of Directors Regulations was amended to require reporting of all important matters to the Board of Directors, where Independent Directors comprise the majority of Board members. As a result, reports to the Board of Directors began to cover all important matters. For this reason, no special stipulations are established regarding matters that need to be reported to the Audit Committee.

The person responsible for the management of each respective business division shall swiftly report information being stored or managed in each organization inside the HOYA Group including subsidiaries operating within the business division as requested by the Audit Committee or the Internal Audit Department.

A department for receiving internal reporting shall be established under the Audit Committee, and this department shall serve as a point to receive reporting of conduct, etc. that is in violation of laws and regulations, the Company's Articles of Incorporation, internal regulations or socially accepted conventions, or to provide advice thereof. Any unfair treatment of the person reporting or the person seeking advice (including any retaliatory measures such as dismissal, salary reduction, transfer, or harassment) is prohibited.

(iv) Matters regarding procedures for advanced payment or reimbursement of costs arising through execution of duties at Audit Committee, or other costs or obligations arising through execution of other duties for members of the Audit Committee

Concerning claims for costs arising through execution of duties at the Audit Committee for members of the Audit Committee, when there are claims from each member of the Audit Committee, appropriate processing of relevant costs or obligations will be performed expeditiously under deliberation by departments and divisions concerned, except in cases when the costs relating to the relevant claims were not necessary for the execution of the relevant duties.

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

The Internal Audit Department shall conduct audits focusing on onsite audits of each place of business inside the HOYA Group, including subsidiaries, according to the audit policies and plans adopted by the Audit Committee, and shall report to the Audit Committee as the occasion demands.

The rules of the Audit Committee stipulates the details and ensures the effectiveness thereof.

[Operation Status]

The Audit Committee Office has been established to assist the Audit Committee in its duties.

The Internal Audit Department and department for receiving internal reporting have been established under the Audit Committee Office, and staff members have been assigned thereto. The Audit Committee Office, and Internal Audit Department and department for receiving internal reporting are organizations fully independent from executive departments.

The Internal Audit Department conducted audits of each business place of the HOYA Group, including overseas subsidiaries, according to the audit policies and plans adopted by the Audit Committee and based on the cost budget to implement them.

The department for receiving internal reporting received reports and consultation requests from employees of the HOYA Group, and dealt with them and took corrective measures. In addition, the department for receiving internal reporting strictly observed the prohibition of unfair treatment to the person reporting or the person seeking advice as well as continued to communicate use rules of the internal reporting system, including the prohibition of unfair treatment to the person reporting or the person seeking advice, throughout the HOYA Group.

The Audit Committee periodically received reports on the statuses of implementation of internal audits and of response to internal reporting and consultation requests and provided advice when needed.

(2) Matters required for ensuring the adequacy of operations

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

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

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

Each business division (including the subsidiaries operating inside the respective business division) and organization shall try to identify and manage risks, and shall aim for improvements as the occasion demands, taking into consideration the instructions, etc. of the Internal Audit Department.

If a serious crisis occurs, a crisis management headquarters shall be swiftly established under the direct management of the CEO, and efforts shall be focused on response, and settlement of the situation.

(iii) Systems for ensuring the efficiency of duty performance by Executive Officers of the Company and each business division

Each division shall carry out its operations according to the annual plan and the quarterly budget adopted at meetings of the Board of Directors. The HOYA Group shall ensure the efficiency of Group management by evaluating the levels of target achievement every quarter and working to make improvements as the occasion demands.

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

Efficient procurement of funds shall be conducted in accordance with a common cash management system shared by the HOYA Group.

Efficient accounting management shall be carried out in accordance with a common accounting management system shared by the HOYA Group.

(iv) Systems for ensuring compliance with laws, regulations and the Articles of Incorporation of the way duties are performed by Executive Officers of the Company, Directors etc. of subsidiaries, and employees of the HOYA Group

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

(v) Systems for reporting matters concerning performance of duties of employees of the HOYA Group and Directors, etc. of the Company's subsidiaries

The performance of duties for each business division shall be reported at the regularly held Business Report Meetings and Budgetary Meetings.

The occurrence of important matters as provided for by the internal rules of the HOYA Group shall be reported by each business division (including the subsidiaries operating inside the respective business division) to the Group Headquarters and the Company's Executive Officers.

[Operation Status]

In the fiscal year, decisions were made on important matters in businesses and Group Headquarters in accordance with the Rule of HOYA Group headquarters approval process based on the above policies from perspectives of improving efficiency and value of the entire HOYA Group.

At the Budgetary Meetings held quarterly, risks and opportunities in each business environment were discussed, policies and measures were developed and results thereof were verified, and these were reported to the Board of Directors.

The HOYA Business Conduct Guidelines, which is a code of ethics based on HOYA's Management Policy and Principle, were distributed to all employees of the HOYA Group for them to understand the Group's mission and compliance policies and to act accordingly in everyday life. In Japan, employees annually reread the HOYA Business Conduct Guidelines at their respective workplaces to increase understanding thereof, and sign and submit a confirmation document, by which they express their intention to act accordingly, to their respective companies. In response to amendments to laws and regulations and changes in the social circumstances, copies of the Japanese version of the HOYA Business Conduct Guidelines have been revised and distributed to all employees of group companies in Japan. From the fiscal year ended March 2018 onwards, employees have been rereading the revised version. Furthermore, regional versions of the HOYA Business Conduct Guidelines were prepared in conformity with laws and regulations and customs of various countries in their respective languages and distributed to overseas employees, who understand the Guidelines and act accordingly in everyday life.

Executive Officers signed and submitted a confirmation document to the Chairperson of the Audit Committee after confirming the Guidelines.

The HOYA Help Line, which receives reports and consultation requests from employees of the HOYA Group, has

been established since 2003. If there is any act that violates laws and regulations or the HOYA Business Conduct Guidelines, the HOYA Help Line, while protecting the informer, deals with it quickly and appropriately, recognizing the problem early and making the relevant organization to exert a self-corrective function, and responds to it to ensure the soundness of the Group as a whole. Up to the end of the consolidated fiscal year ended March 2018, the system was introduced into Japan, North America (U.S. and Canada), Thailand, the European region, Philippines, Singapore, Australia, Malaysia, Korea, Vietnam, Brazil, Taiwan and South Africa and is operated in conformity with business customs and laws and regulations of the country or region.

(3) System for ensuring reliability of financial reporting

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

[Operation Status]

The department in charge of internal controls placed in the Group Headquarters conducted hearing of reports from each business division's manager responsible for supervising the establishment and operation of the respective division's internal control system. These were conducted on a regular basis on matters concerning confirmation of the PDCA cycle of the respective system, and on an as-needed basis on matters concerning any change in systems or environments, understanding of any problem or issue, or occurrence of any event that may cast doubt on effectiveness of any internal control system. The results of the aforementioned were reported to the CFO, who is responsible for supervising internal controls, and the CEO, who is ultimately responsible for the Audit Committee and internal controls.

2) Basic Policy for Eliminating Antisocial Forces

A meeting of the Board of Directors resolved to adopt the following basic policy for the elimination of antisocial forces. We shall have no association whatsoever with antisocial forces, and deal with undue claims made by such forces resolutely as an organization in cooperation with specialized external agencies.

[Operation Status]

Preventive measures, including a credit investigation at the time of conclusion of a transaction agreement and steps taken in the agreement, have been taken. The Company has assigned persons in charge to the Group Headquarters and made them known as the point of contact in case of any problem throughout the Company and established a system through which it can respond as an organization, strengthening linkage with the police and lawyers.

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

The Company does not have a specific basic policy in this regard. However, the Company's basic view is as follows:

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

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

3. Policy Concerning Decisions on Appropriation of Retained Earnings, etc.

The Company aims to maximize the HOYA Group's corporate value by developing businesses globally and changing the business portfolio to conform to the changing times and environments.

With respect to capital policy, the Company's basic policy is to adopt decisions that strike the optimum balance between ensuring internal reserves for the future growth of the HOYA Group and returning profits to shareholders, while pursuing the optimum capital structure for the Company that includes financial soundness and capital efficiency.

In addition, by promoting management that gives priority to capital efficiency by realizing maximum profitability from the assets entrusted to the Company by the shareholders, and taking further steps toward management that gives priority to SVA (Shareholder Value Added), which is measured as the profit generated by the Company's operating activities minus the cost of capital, i.e. the profit expected by shareholders, the Company aim for "Maximization of Corporate Value."

With respect to internal reserves for future growth, resources will be preferentially appropriated to investment in the growing businesses for market share expansion, entry into untapped markets, and nurturing and obtaining new technologies. In addition to growth of existing businesses, the Company will also proactively pursue possibilities including mergers and acquisitions to further enrich our business portfolio. As for the Information Technology segment, which has been positioned as a steady earnings business, we will continue to make capital investment that further reinforce the technological abilities that become the source of competitiveness, and development investment that will contribute to developing next-generation technologies and new products.

With respect to returning profit to shareholders, the Company's policy is to proactively return profit to shareholders through using surplus funds for dividends and the share repurchases while giving comprehensive consideration to the operating performance of the current term, level of internal reserves, and the medium to long term capital demands and capital structure, among other factors.

Coupled with the interim dividend of 30 yen per share already paid, the annual dividend will be 75 yen per share. The consolidated dividend payout ratio was 29.0%.

Based on the aforementioned policy, the Company resolved to repurchase its shares at the price equal to 55,000 million yen in this consolidated fiscal year.

Corporate Governance

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

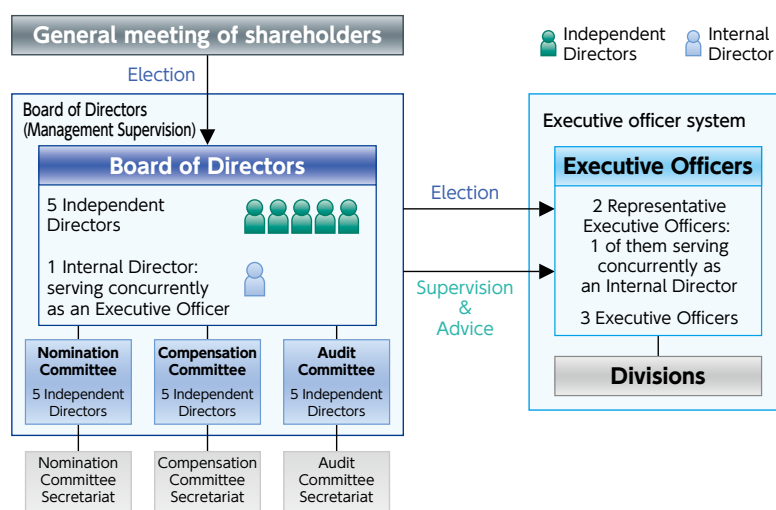
As the basis of taking a fair approach to stakeholders, we have adopted a “company with Nomination Committees, etc.” structure simultaneously with the revision of the Companies Act in 2003, which enables us to better distinguish the execution and supervision of management to prevent management from being conducted based solely on in-house logic. We have also set forth in the Articles of Incorporation that the majority of Directors consist of Independent Directors, who actively supervise management by Executive Officers and provide advice in order to improve corporate value from an objective and broad perspective.

The Company also gives Executive Officers the authority and responsibility for the execution of operations, in order to accelerate decision making and improve management efficiency.

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

Please see the HOYA Corporate Governance Guidelines at <http://www.hoya.com/csr/governance.html>

Corporate Governance Structure



As of March 31, 2018

Board of Directors

The Company's Board of Directors, in which Independent Directors comprise the majority of Board members (6 Directors, consisting of 5 Independent Directors and 1 Internal Director as of March 31, 2018), convene regular Board meetings 10 times a year as a general rule.

Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, with globally-minded Independent Directors with a wealth of management experience supervising the execution of operations by Executive Officers and providing them with inquiries and advices from various angles. The Board of Directors also works to obtain information as necessary on trends in legal changes and corporate governance by holding lectures by outside experts and through other means. The Board of Directors also conducts self-assessment where a survey of the management and effectiveness by the Board of Directors and three committees is conducted once annually. The results of the self-assessment in fiscal 2017 are as follows. “Problematic issues related to the effectiveness of the supervisory function were not observed. Deliberations at the Board of Directors are lively, the Independent Directors question and state their opinions on executive proposals from a variety of angles, and carry out objective evaluations of each of the Executive Officers at the Nomination and Compensation Committees. During the fiscal year ended March 2018, a series of discussions regarding the composition of the Board of Directors in terms of ensuring diversity was held and a decision was made to propose a new candidates with different skill

sets. Also, implementation of advancement of a structure that strengthens internal functions have been discussed. Future issues to be addressed have been confirmed as considering more specific measures in relation to succession planning, holding deeper deliberations on medium- to long-term portfolio strategy, and deepening deliberations on policy related to society and the environment.

Executive Officers

At the Company, as of March 31, 2018, five persons - namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) in charge of Information Technology and Chief Technology Officer (CTO) in charge of Technology, Executive Officer and President of Vision Care Company, and Chief Legal Officer (CLO) and Head of Corporate Development and Affairs were nominated by the Nomination Committee as candidates for Executive Officers and elected at the meeting of the Board of Directors (CEO concurrently serves as Internal Director). Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carries out decision-making in a speedy fashion. The Executive Officers instruct the Group Headquarters and the person responsible for the business divisions to establish and carry out specific measures based on the management policy determined by the Board of Directors. The Executive Officer responsible for the business segments receives progress reports from the person responsible for each business division at Business Review Meetings held roughly on a monthly basis. The Executive Officer then gives reports and makes proposals on the segments he oversees at a meeting of the Board of Directors based on the progress reports he received. In addition to CEO who concurrently serves as Director, CFO and CLO also attend each meeting of the Board of Directors.

Committees

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

Nomination Committee

The Nomination Committee, which is comprised of 5 Independent Directors, selects candidates for Directors based on the "Basis for Election of Candidates for Directors" and proposes the candidates to the General Meeting of Shareholders for voting. It also selects candidates for Executive Officers and the Representative Executive Officer, and proposes the candidates to the Board of Directors for voting. As necessary, it makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting. The Committee sets out the criteria for independence of candidates for Directors, which is stricter than the rules by Tokyo Stock Exchange so that a function of overseeing Executive Officers required to Independent Directors is secured. The requirements for the independence of candidates for Independent Directors are described on the page 17 of the Reference Material.

Compensation Committee

The Compensation Committee, which is comprised of 5 Independent Directors, builds a remuneration structure that gives more incentives to Directors and Executive Officers and assesses their work in an appropriate manner, with the aim to help improve the Company's business performance. The Compensation Committee determines the remuneration of Directors and Executive Officers on an individual basis. The policy of Compensation Committee is shown on the page 35.

Audit Committee

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

Consolidated Statement of Financial Position (As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
<u>ASSETS</u>		<u>EQUITY AND LIABILITIES</u>	
Non-current assets:	204,455	<u>EQUITY</u>	
Property, plant and equipment–net	105,493	Equity attributable to owners of the Company:	526,193
Goodwill	31,892	Share capital	6,264
Intangible assets	36,863	Capital reserves	15,899
Investments in associates	1,476	Treasury shares	(10,886)
Long-term financial assets	15,595	Other capital reserves	(6,660)
Other non-current assets	2,302	Retained earnings	529,818
Deferred tax assets	10,834	Accumulated other comprehensive income	(8,242)
Current assets:	446,190	Non-controlling interests	4,484
Inventories	71,341	Total equity	530,677
Trade and other receivables	107,632	<u>LIABILITIES</u>	
Other short-term financial assets	4,955	Non-current liabilities:	15,690
Income taxes receivable	1,228	Interest-bearing long-term debt	451
Other current assets	15,198	Other long-term financial liabilities	6,983
Cash and cash equivalents	245,835	Retirement benefit liabilities	2,127
		Provisions	2,398
		Other non-current liabilities	956
		Deferred tax liabilities	2,774
		Current liabilities:	104,277
		Interest-bearing short-term debt	1,901
		Trade and other payables	46,555
		Other short-term financial liabilities	643
		Income tax payables	12,355
		Provisions	1,280
		Other current liabilities	41,542
		Total liabilities	119,967
Total assets	650,645	Total equity and liabilities	650,645

Consolidated Statement of Comprehensive Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Continuing operations		
Revenue:		
Sales	535,612	
Finance income	1,562	
Other income	3,999	541,173
Expenses:		
Changes in inventories of goods, products and work in progress	534	
Raw materials and consumables used	83,924	
Employee benefits expense	127,820	
Depreciation and amortization	28,711	
Subcontracting cost	4,919	
Advertising and promotion expense	13,085	
Commissions expense	32,506	
Impairment losses	5,798	
Finance costs	771	
Share of loss of associates	44	
Foreign exchange (gain)/loss	268	
Other expenses	118,543	416,925
Profit before tax		124,248
Income tax expense		25,026
Profit for the year from continuing operations		99,222
Profit for the year		99,222
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurements of the net defined benefit liability (asset)	88	
Income tax relating to components of other comprehensive income	10	98
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net gain/(loss) on revaluation of available-for-sale financial assets	423	
Exchange differences on translation of foreign operations	(2,712)	
Share of other comprehensive income of associates	(9)	
Income tax relating to components of other comprehensive income	(112)	(2,410)
Other comprehensive income/(loss)		(2,312)
Total comprehensive income for the year		96,910
Profit attributable to:		
Owners of the Company	99,494	
Non-controlling interests	(272)	99,222
Total comprehensive income attributable to:		
Owners of the Company	96,833	
Non-controlling interests	77	96,910

Consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at April 1, 2017	6,264	15,899	(6,816)	(5,345)	506,367
Comprehensive income/(loss) for the year					
Profit for the year					99,494
Other comprehensive income/(loss)					
Total comprehensive income/(loss) for the year					99,494
Transactions with owners					
Contributions by and distributions to owners					
Acquisition of treasury shares			(55,007)	(27)	
Disposal of treasury shares			3,819	(1,579)	
Cancellation of treasury shares			47,118		(47,118)
Dividends, 75 yen per share					(29,024)
Change in non-controlling interests				(26)	
Share-based payments (stock options)				317	
Transfer to retained earnings					98
Total contributions by and distributions to owners	—	—	(4,070)	(1,315)	(76,043)
Total transactions with owners	—	—	(4,070)	(1,315)	(76,043)
Balance at March 31, 2018	6,264	15,899	(10,886)	(6,660)	529,818

	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operations	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at April 1, 2017	106	(3,629)	—	(1,960)	(5,482)	510,887	4,518	515,405
Comprehensive income/(loss) for the year								
Profit for the year						99,494	(272)	99,222
Other comprehensive income/(loss)	272	(3,023)	98	(9)	(2,661)	(2,661)	349	(2,312)
Total comprehensive income/(loss) for the year	272	(3,023)	98	(9)	(2,661)	96,833	77	96,910
Transactions with owners								
Contributions by and distributions to owners								
Acquisition of treasury shares						(55,034)		(55,034)
Disposal of treasury shares						2,240		2,240
Cancellation of treasury shares						—		—
Dividends, 75 yen per share						(29,024)	(34)	(29,058)
Change in non-controlling interests						(26)	(77)	(103)
Share-based payments (stock options)						317		317
Transfer to retained earnings			(98)		(98)	—		—
Total contributions by and distributions to owners	—	—	(98)	—	(98)	(81,526)	(111)	(81,638)
Total transactions with owners	—	—	(98)	—	(98)	(81,526)	(111)	(81,638)
Balance at March 31, 2018	378	(6,652)	—	(1,969)	(8,242)	526,193	4,484	530,677

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 11, 2018

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Toshiharu Matsuura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koji Inoue

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takuya Sumita

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2018 of HOYA CORPORATION (the "Company") and its consolidated subsidiaries, and the related consolidated statements of comprehensive income and changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of HOYA CORPORATION and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Nonconsolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	121,163	Current liabilities	65,335
Cash and deposits	60,389	Notes payable - trade	32
Notes receivable – trade	2,345	Electronically recorded obligations - operating	4,996
Accounts receivable – trade	30,112	Accounts payable – trade	17,162
Merchandise and finished products	9,753	Short-term loans payable to subsidiaries and affiliates	12,218
Work in process	2,294	Accounts payable – other	5,543
Raw materials and supplies	2,609	Accrued expenses	3,933
Deferred tax assets	3,267	Accrued income taxes	7,420
Short-term loans receivable from subsidiaries and affiliates	1,967	Advances received	407
Accounts receivable – other	7,302	Deposits received	5,417
Income taxes receivable	503	Accrued bonuses to employees	3,921
Others	856	Warranties provision	120
Allowance for doubtful accounts	(233)	Others	4,166
Non-current assets	145,426	Long-term liabilities	4,566
Property, plant and equipment-net	23,427	Asset retirement obligations	1,308
Buildings	5,503	Reserve for periodic repairs	1,315
Structures	247	Others	1,943
Melting furnaces	228	Total liabilities	69,900
Machinery and equipment	3,633	NET ASSETS	
Vehicles	3	Shareholders' equity:	195,085
Tools, equipment and fixtures	7,737	Share capital	6,264
Land	5,005	Capital reserve	15,899
Construction in progress	1,070	Additional paid-in capital	15,899
Intangible assets	1,819	Retained earnings	183,808
Patents	7	Legal reserve	1,566
Software	1,662	Other retained earnings	182,242
Others	150	Reserve for advanced depreciation of fixed assets	132
Investments and other assets	120,180	Unappropriated retained earnings	182,109
Investment securities	1,253	Treasury shares – at cost	(10,886)
Equity securities of subsidiaries and affiliates	99,292	Valuation and translation adjustments	344
Investments in capital	2	Unrealized gain on available-for-sale securities	344
Investments in subsidiaries and affiliates	6,518	Stock acquisition rights	1,261
Long-term loans receivable from subsidiaries and affiliates	8,047		
Long-term prepaid expenses	150		
Claims in bankruptcy	301		
Deferred tax assets	424		
Others	4,440		
Allowance for doubtful accounts	(246)		
Total assets	266,590	Total net assets	196,689
		Total liabilities and net assets	266,590

Nonconsolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		182,385
Cost of sales		96,835
Gross profit		85,551
Selling, general and administrative expenses		61,604
Operating income		23,947
Non-operating income		
Interest income	346	
Dividend income	113,308	
Commissions received	10,191	
Others	383	
		124,228
Non-operating expenses		
Interest expense	192	
Interest on bonds	318	
Foreign exchange loss	564	
Others	113	
		1,188
Ordinary income		146,987
Extraordinary income		
Gain on sales of property, plant and equipment	270	
Gain on reversal of stock acquisition rights	52	
Others	82	
		404
Extraordinary losses		
Loss on sales of fixed assets	0	
Loss on disposal of fixed assets	264	
Loss on valuation of shares of subsidiaries and affiliates	6,878	
Severance payments	509	
Impairment losses	148	
Others	167	
		7,966
Profit before income taxes		139,425
Income taxes - current	11,615	
Income taxes - deferred	74	
		11,689
Profit for the year		127,735

Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital reserve		Legal reserve	Retained earnings		
		Additional paid-in capital	Total capital surplus		Other retained earnings	Unappropriated retained earnings	Total retained earnings
					Reserve for advanced depreciation of fixed assets		
Balance at April 1, 2017	6,264	15,899	15,899	1,566	143	131,575	133,284
Changes during the current fiscal year							
Reversal of reserve for advanced depreciation of fixed assets					(11)	11	—
Dividends from retained earnings						(29,024)	(29,024)
Profit for the year						127,735	127,735
Acquisition of treasury shares							
Disposal of treasury shares						(1,069)	(1,069)
Cancellation of treasury shares						(47,118)	(47,118)
Changes in items other than shareholders' equity during the current fiscal year - net							
Total changes during the current fiscal year	—	—	—	—	(11)	50,535	50,524
Balance at March 31, 2018	6,264	15,899	15,899	1,566	132	182,109	183,808

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares - at cost	Total shareholders' equity	Unrealized gain/(loss) on available-for-sale securities	Total valuation and translation adjustments		
Balance at April 1, 2017	(6,816)	148,630	113	113	1,505	150,249
Changes during the current fiscal year						
Reversal of reserve for advanced depreciation of fixed assets		—				—
Dividends from retained earnings		(29,024)				(29,024)
Profit for the year		127,735				127,735
Acquisition of treasury shares	(55,007)	(55,007)				(55,007)
Disposal of treasury shares	3,819	2,749				2,749
Cancellation of treasury shares	47,118	—				—
Changes in items other than shareholders' equity during the current fiscal year - net			231	231	(245)	(14)
Total changes during the current fiscal year	(4,070)	46,454	231	231	(245)	46,440
Balance at March 31, 2018	(10,886)	195,085	344	344	1,261	196,689

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 11, 2018

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Toshiharu Matsuura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koji Inoue

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takuya Sumita

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements, namely, the nonconsolidated balance sheet as of March 31, 2018 of HOYA CORPORATION (the “Company”), and the related nonconsolidated statements of income and changes in net assets for the 80th fiscal year from April 1, 2017 to March 31, 2018, and the related notes and the accompanying supplemental schedules.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements and the accompanying supplemental schedules. The

procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the nonconsolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of HOYA CORPORATION as of March 31, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

Audit Committee's Audit Report

AUDIT REPORT

The members of the Audit Committee of the Company audited the performance of the Directors and Executive Officers of their duties during the 80th fiscal year from April 1, 2017 to March 31, 2018. We hereby report the method and results thereof:

1. AUDIT METHOD AND ITS CONTENTS

We received periodic reports from the Directors, Executive Officers and others concerning the state of construction and management of the system (internal control system) established in accordance with the resolutions of the Board of Directors concerning matters provided for in (b) and (e) of item (1), paragraph (1), Article 416 of the Companies Act, requested explanations and expressed its opinions as necessary. In addition, we attended important meetings, received reports from Directors, Executive Officers and others on matters concerning the performance of their duties, requested explanations whenever necessary, inspected documentation of important decisions, etc. and investigated the state of activities and assets at the head office and major business offices of the Company in accordance with the audit policy and the assignment of duties, etc. established by the Audit Committee and in collaboration with the audit department of the Company.

Regarding internal controls over financial reports, we received reports on the evaluation of the internal controls and the state of audits from Executive Officers and others, as well as Deloitte Touche Tohmatsu LLC, and requested explanations as necessary.

With respect to subsidiaries, we communicated and exchanged information with directors and auditors thereof, and received business reports from the subsidiaries whenever necessary.

We also monitored the Company's Independent Auditors to verify that they maintained a position of independence and conducted proper audits. We received reports from the Independent Auditors on the state of execution of their duties, and asked them for explanations whenever necessary. Additionally, we received from the Independent Auditors a letter that they were taking steps to build the System for Ensuring Adequate Execution of Duties (pursuant to the items of Article 131 of the Ordinance on Company Accounting) in accordance with the Standards for Quality Control of Audit (Business Accounting Council, October 28, 2005), and asked the Independent Auditors for explanations whenever necessary.

Based on the method described above, we examined the business report, financial statements (consisting of the nonconsolidated balance sheet, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, and notes to the nonconsolidated financial statements), their supplementary schedules, and consolidated financial statements (consisting of the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, and notes to the consolidated financial statements, prepared by omitting certain items required to be disclosed by the International Financial Reporting Standards and pursuant to the provisions of the latter part of paragraph (1), Article 120 of the Ordinance on Company Accounting) for the current fiscal year.

2. AUDIT RESULTS

(1) Results of the audit of the business report, etc.

- A. We are of the opinion that the business report and its supplementary schedules fairly present the state of the Company in accordance with laws, ordinances and the Articles of Incorporation
- B. We are of the opinion that, in connection with the performance by the Directors or Executive Officers of their duties, no dishonest act or material fact of violation of laws, ordinances or the Articles of Incorporation exists.
- C. We are of the opinion that the resolution of the Board of Directors concerning the internal control system was reasonable. We are of the opinion that, in connection with the descriptions in the Business Report or the performance by the Directors or Executive Officers of their duties concerning said internal control system, no matter that needs to be pointed out exists.

(2) Results of the audit of the financial statements and their supplementary schedules

We are of the opinion that the method and results of the audit made by Deloitte Touche Tohmatsu LLC, the Company's Independent Auditors, are in order.

(3) Results of the audit of the consolidated financial statements

We are of the opinion that the method and results of the audit made by Deloitte Touche Tohmatsu LLC, the Company's Independent Auditors, are in order.

May 21, 2018

Audit Committee HOYA CORPORATION

Yukako Uchinaga	Member of the Audit Committee
Itaru Koeda	Member of the Audit Committee
Mitsudo Urano	Member of the Audit Committee
Takeo Takasu	Member of the Audit Committee
Shuzo Kaihori	Member of the Audit Committee

Note: The Members of the Audit Committee, Yukako Uchinaga, Itaru Koeda, Mitsudo Urano, Takeo Takasu and Shuzo Kaihori are outside directors as provided in the item (15), Article 2 and paragraph (3), Article 400 of the Companies Act.

Notice

Notice concerning online disclosure of HOYA Report

In order for shareholders to better understand our business activities, HOYA CORPORATION discloses the HOYA Report online. The HOYA Report (Business Review 2018) will be available at our website around September. We hope you will find the Report useful.

Notice concerning report of resolutions and results of exercise of voting rights at the Ordinary General Meeting of Shareholders

The Company will disclose the resolutions along with the results of exercise of voting rights on our website.

Our Website: <http://www.hoya.co.jp/english/>

Shareholders' Memo

Business year:	From April 1 every year to March 31 of the following year	
Date to determine shareholders who are entitled to receive year-end dividend payments:	March 31	
Date to determine shareholders who are entitled to receive interim dividend payments:	September 30	
Ordinary General Meetings of Shareholders:	June every year	
Transfer agent Account management institution for the special accounts:	Sumitomo Mitsui Trust Bank, Limited	
Contact:	Stock Transfer Agency Business Planning Department Sumitomo Mitsui Trust Bank, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan Toll free phone: 0120-782-031	
Market:	The Tokyo Stock Exchange	
Method for public notice:	Electronic Public Notice URL for the notice: http://www.hoya.co.jp/ (However, if the Company is unable to publish public notices by electronic means because of an accident or any other unavoidable event, public notices shall be published in the <i>Nihon Keizai Shimbun</i> .)	

Internet Disclosure Accompanying the Notice of the 80th Ordinary General
Meeting of Shareholders

Consolidated Statement of Cash Flows (Reference Information, Unaudited)

Notes to the Consolidated Financial Statements

Notes to the Nonconsolidated Financial Statements

(From April 1, 2017 to March 31, 2018)

(Reference Information) **Consolidated Statement of Cash Flows**
(Unaudited)

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Amount
Cash flows from operating activities	
Profit before tax	124,248
Depreciation and amortization	28,711
Impairment losses	5,798
Finance income	(1,562)
Finance costs	771
Share of profit of associates	44
Gain on sales of property, plant and equipment	(438)
Loss on disposal of property, plant and equipment	432
Foreign exchange (gain)/loss	(1,447)
Others	4,631
Cash generated from operations (before movements in working capital)	161,189
Movements in working capital	
Decrease in inventories	1,763
Increase in trade and other receivables	(6,562)
Increase in trade and other payables	4,052
Decrease in retirement benefit liabilities and provisions	(234)
Subtotal	160,209
Interest received	1,499
Dividends received	8
Interest paid	(456)
Income taxes paid	(26,425)
Income taxes refunded	664
Net cash generated by operating activities	135,499
Cash flows from investing activities	
Withdrawals of time deposits	11,025
Payments for time deposits	(6,186)
Proceeds from sales of property, plant and equipment	559
Payments for acquisition of property, plant and equipment	(17,974)
Proceeds from sales of investments	959
Payments for acquisition of investments	(1,333)
Proceeds from sales of subsidiaries	5
Payments for acquisition of subsidiaries	(54,018)
Payments to non-controlling interests upon merger	(2)
Payments for business transfers	(251)
Other proceeds	759
Other payments	(2,076)
Net cash used in investing activities	(68,533)
Cash flows from financing activities	
Dividends paid to owners of the Company	(29,042)
Dividends paid to non-controlling interests	(34)
Repayments of long-term borrowings	(339)
Payments for redemption of bonds	(35,021)
Payments for purchase of treasury shares	(55,034)
Proceeds from exercise of stock options	2,240
Proceeds from share issuance to non-controlling shareholders	45
Payments for acquisition of non-controlling interests	(148)
Net cash used in financing activities	(117,333)
Net increase/(decrease) in cash and cash equivalents	(50,367)
Cash and cash equivalents at the beginning of the year	296,851
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies	(649)
Cash and cash equivalents at the end of the year	245,835

(Notes)

1. Numbers in parentheses () in the consolidated statement of cash flows are outflows of cash and cash equivalents.
2. Figures presented above are rounded to the nearest unit.

Notes to the Consolidated Financial Statements

Important items for the preparation of the consolidated financial statements

1. Preparation of consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards with some omissions of a part of disclosures pursuant to the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting.

2. Basis of consolidation

Number of consolidated subsidiaries 148 companies

Names of major consolidated subsidiaries HOYA HOLDINGS, INC.

HOYA HOLDINGS N.V.

HOYA HOLDINGS (ASIA) B.V.

HOYA HOLDINGS ASIA PACIFIC PTE LTD

During the fiscal year, two companies were newly established and 29 companies acquired, while four companies were merged and one company was sold.

Consequently, the number of consolidated companies increased by 26 during the fiscal year.

3. Application of the equity method

Number of associates accounted for by the equity method 4 companies

Name of major associate AvanStrate Inc.

During the fiscal year, the number of associates accounted for by the equity method increased by one due to the acquisition of its stock.

4. Items related to accounting policies

(1) Basis and method of evaluation of financial assets

Financial assets are classified into “financial assets at fair value through profit or loss (“FVTPL”), “held-to-maturity investments,” “loans and receivables,” or “available-for-sale financial assets.” However, HOYA Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) do not hold financial assets classified as “held-to-maturity investments.”

1) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The Group uses forward exchange contracts to manage the foreign exchange exposure of recognized financial assets or liabilities, or future firm transactions. Hedge accounting does not apply to these derivative transactions. Accordingly, derivative financial instruments are classified as FVTPL.

2) Financial assets other than derivative financial instruments

A. Loans and receivables

Trade receivables, loans, and other receivables that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized principally by applying the effective interest rate.

B. Available-for-sale financial assets

Financial assets other than derivatives, either designated as available-for-sale financial assets or not classified as at FVTPL, held-to-maturity investments, or loans and receivables, are classified as available-for-sale financial assets. Listed available-for-sale equity investments that are traded on an active market are classified as available-for-sale financial assets and are stated at fair value. The Group also has investments in unlisted equity investments that are not traded on an active market but are also classified as available-for-sale financial assets and stated at fair value using valuation techniques. Gains and losses arising from changes in fair value are recognized in other comprehensive income, with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss.

3) Impairment of financial assets

Financial assets, other than at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as available-for-sale financial assets and finance lease receivables, objective evidence of impairment could include:

- (a) significant financial difficulties of the debtor;
- (b) default or delinquency in interest or principal payments; or
- (c) a high probability that the borrower will go into bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable, including past-due receivables, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of available-for-sale financial assets (equity instruments), if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment, after the impairment is reversed, does not exceed the amount the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale financial assets (equity instruments), impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

(2) Basis and method of evaluation of inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for the inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs, including purchase costs, process costs, storage costs, and all other costs incurred in bringing the inventories to present location and condition, are assigned to inventories mainly by the average method. The production costs include an appropriate portion of fixed and variable overhead expenses.

(3) Basis and method of evaluation, depreciation and amortization of property, plant and equipment and intangible assets (other than goodwill)

1) Property, plant and equipment

The Group applies the cost model for measuring property, plant and equipment.

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Properties in the course of construction for production, supply, or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment losses. Cost

includes the expenses directly attributable to the assets, the initial estimated costs relating to scrap, removal and retirement, and, for qualifying assets, the borrowing cost for long-term projects. Depreciation of these assets commences when the assets are available for their intended use. When significant components of property, plant and equipment are required to be replaced periodically, the Group recognizes such parts as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred. Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values, and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Buildings and structures	3 - 50 years
Machinery and carriers	2 - 10 years
Tools, equipment and fixtures	2 - 10 years

Leased assets are depreciated over their estimated useful lives where the transfer of the title of the assets is certain by the end of the lease term.

Leased assets where the transfer of the title of the assets is not certain by the end of the lease term are depreciated over the shorter of their estimated useful lives or their lease terms.

2) Intangible assets

The Group uses the cost model for measuring intangible assets. Intangible assets are carried at cost, less accumulated amortization and impairment losses.

A. Intangible assets acquired separately and/or acquired in a business combination

Intangible assets acquired separately are carried at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the acquisition date when they satisfy the definition of intangible assets, are identifiable, and their fair value is reasonably measured.

B. Internally generated intangible assets – research and development expenses

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet all of the recognition criteria listed above. The assets are amortized over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and impairment losses. Where no internally generated intangible asset can be recognized, development costs are recognized as an expense in the period in which they are incurred.

C. Amortization of intangible assets

Amortization is recognized on a straight-line basis over the estimated useful lives below. The Group does not have any intangible assets with indefinite useful lives.

Technology	5-20 years
Customer-related assets	5-16 years
Software	3-5 years

3) Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered impairment losses. If any indications exist, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

(4) Goodwill

Goodwill arising from the acquisition of a business is recognized as an asset at the date that control is acquired (i.e., the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the acquisition-date amounts of the net fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is reviewed for impairment at least annually. Goodwill is recorded at cost, less accumulated impairment losses in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in subsequent periods. Upon disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss upon disposal.

(5) Method of accounting for significant provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation by outflow of resources embodying economic benefits, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period (i.e., future cash outflow), taking into account the risks and uncertainties surrounding the obligation.

Where the time value of money is material, a provision is measured by its present value to which estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation. Interest cost associated with the passage of time is recognized as finance cost.

The types of provisions are as follows:

1) Asset retirement obligation

The Group recognizes provisions for an asset retirement obligation reserve for estimated costs arising from a contractual obligation to a landlord to dismantle and remove leasehold improvements from a leased office at the end of the lease contract, and estimated costs to decontaminate certain fixed assets. An asset retirement obligation is provided based on past experience of actual cost and each asset is considered individually. The discount rate depends on the useful life of the corresponding assets and the country in which such assets are located. Future expected timing of outflow of economic benefits is mainly more than one year from each reporting period.

2) Warranties provision

Warranties provision is estimated and recognized based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period. Expected outflow of economic benefits in the future is within one year from each reporting period.

3) Contingent liabilities assumed in a business combination

Contingent liabilities resulting from a business combination are initially measured at fair value at the date of acquisition. Subsequent to initial recognition, such contingent liabilities are remeasured considering expected future payments, possible occurrence, and timing of payments at each reporting period.

(6) Method of accounting for retirement benefits

For defined benefit plans, the cost of providing retirement benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable), and the return on plan assets (other than interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

Service cost, including current service cost, past service cost, as well as gains or losses on curtailments and settlements;

Net interest expense or income; and

Remeasurement.

The Group presents the first two components of defined benefit cost in profit or loss as "Employee benefits expense" or "Finance cost."

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service to the Group.

(7) Basis for translation of assets and liabilities denominated in foreign currencies

1) Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (i.e., its functional currency). For the purpose of the consolidated financial statements, the financial results, financial position, and cash flows of each group entity are presented in Japanese yen, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognized in profit or loss during the period.

2) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen at the foreign exchange rates prevailing at the end of the reporting period. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange for the year. Where there are material fluctuations in exchange rates, the exchange rate at the transaction date is used. Foreign exchange differences arising from translation are initially recognized as exchange differences on translation of foreign operations in other comprehensive income and accumulated in "accumulated other comprehensive income," which are reclassified from equity to profit or loss on disposal of the net investment and included in "other expenses" in the consolidated statement of comprehensive income.

(8) Method of accounting for national and local consumption tax

The tax-exclusion method is applied, and non-deductible tax is recognized as an expense.

Notes to the Consolidated Statement of Financial Position

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥2,970 million
Long-term financial assets	¥574 million

2. Accumulated depreciation of property, plant and equipment

Property, plant and equipment – net	¥360,474 million
Accumulated depreciation includes impairment losses of property, plant and equipment.	

3. Contingent liabilities

In April 2015, the U.S. Department of Justice issued a subpoena to Pentax of America, Inc. (“Pentax”), a U.S. subsidiary of the Company. The subpoena seeks information with respect to duodenoscopes that Pentax and its affiliated companies manufactured and sold. The Company and Pentax are cooperating with the U.S. Department of Justice and responding to its requests. Depending on future developments, there is a possibility that this may impact on the consolidated financial results, however, it is not possible to make a reasonable estimate of this impact at present.

4. Other current assets

On June 26, 2013, the Company received a reassessment notice from the Tokyo Regional Taxation Bureau (“TRTB”) for additional tax on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the five financial years ended March 31, 2007 to 2011. The additional tax assessment was ¥8,419 million. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law.

On March 29, 2018, the Company received a written verdict from the National Tax Tribunal (the “Tribunal”), which partially cancels the reassessments. It is expected that ¥503 million will be refunded to the Company as corporate tax, local taxes, and others. The Company disagrees with the remaining findings of the Tribunal’s verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities.

Consequently, ¥503 million to be refunded is included in “Income taxes receivable” and the remaining amount of ¥7,916 million is included in “Other current assets” as a suspense payment.

Notes to the Consolidated Statement of Comprehensive Income

1. Impairment losses

The Group recognized impairment losses on groups of assets as follows:

Use	Location	Item	Impairment losses
-	Brazil and others	Goodwill	¥5,434 million
Idle assets and others	Japan, Thailand, and others	Buildings and structures and others	¥364 million

The Group identifies each strategic business unit (“SBU”) as a cash-generating unit for impairment testing purposes. Each business unit has been set based on the production and sale of product lines. For any asset expected to be sold or disposed of, or any idle asset, the asset is individually tested for impairment.

The Group performed an impairment test for goodwill in Life Care during the year ended March 31, 2018 based on the latest business plan, and the impairment losses above were recognized.

Recoverable amount was measured at the value in use and determined using cash flow projections based on the financial budgets for a maximum of five years approved by the Group’s management, and a discount rate of 19.8% to 20.9% per annum, which is the SBU’s pre-tax weighted-average cost of capital (“WACC”).

In addition, the carrying amount of the related assets, which were not expected to be used in the future due to business restructuring, was written down to the recoverable amount, which was measured at fair value less related selling costs, and the corresponding impairment loss was recognized.

2. Reclassification adjustments and tax effects related to other comprehensive income/ (loss)

(1) Remeasurements of net defined benefit liability (asset)

Gains/ (loss) arising during the year	¥88 million
Tax-effect adjustment	¥10 million
<u>Total</u>	<u>¥98 million</u>

(2) Net gains or losses on revaluation of available-for-sale financial assets

Gains/ (loss) arising during the year	¥350 million
Reclassification adjustments	¥73 million
Total amount before tax-effect adjustment	¥423 million
Tax-effect adjustment	¥(115) million
<u>Total</u>	<u>¥308 million</u>

(3) Exchange differences on translation of foreign operations

Gains/ (loss) arising during the year	¥(2,680) million
Reclassification adjustments	¥(32) million
Total amount before tax-effect adjustment	¥(2,712) million
Tax-effect adjustment	¥3 million
<u>Total</u>	<u>¥(2,709) million</u>

(4) Share of other comprehensive income of associates

Gains/ (loss) arising during the year	¥(9) million
Reclassification adjustments	¥0 million
<u>Total</u>	<u>¥(9) million</u>

<u>Total other comprehensive income/ (loss)</u>	<u>¥(2,312) million</u>
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Notes to the Consolidated Statement of Changes in Equity

1. Type and number of issued shares at March 31, 2018

Ordinary shares	381,436,420 shares
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2. Dividend-related items

(1) Dividends paid

1) Dividends resolved by the Board of Directors on May 23, 2017

• Total dividends	¥17,464 million
• Dividends per share	¥45
• Record date	March 31, 2017
• Effective date	June 1, 2017

2) Dividends resolved by the Board of Directors on October 27, 2017

• Total dividends	¥11,559 million
• Dividends per share	¥30
• Record date	September 30, 2017
• Effective date	November 30, 2017

(2) Dividends whose record date falls within this fiscal year but the effective date falls within the next fiscal year

Dividends resolved by the Board of Directors on May 24, 2018

• Total dividends	¥17,078 million
• Source of payment	Retained earnings
• Dividends per share	¥45
• Record date	March 31, 2018
• Effective date	June 1, 2018

3. Type and equivalent number of shares resulting from the potential exercise of stock acquisition rights outstanding at the end of the fiscal year (excluding the rights whose exercise period has not yet commenced)

Ordinary shares	1,260,900 shares
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Notes Concerning Financial Instruments

1. Items concerning financial instruments

(1) Market risks

1) Foreign currency risk

The Group intends to carry major currencies the Group uses (Euro, U.S. dollar, and Japanese yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, the Company, having multiple SBUs that conduct finance and dividend transactions, and holding companies that receive dividends from their subsidiaries and distribute them to the Company and/or other Group companies, sometimes falls into a disparity of foreign currency debt-credit balances in receivables, liabilities, and/or bank deposits. This might cause significant gains or losses on foreign exchange differences when the Japanese yen appreciates or depreciates against the U.S. dollar or the Euro, or when the Euro appreciates or depreciates against the U.S. dollar.

The Group's policy generally does not permit the use of derivative instruments such as forward foreign exchange contracts. However, in certain circumstances in which the use of such derivatives is determined to be beneficial, the Group can enter into contracts upon obtaining formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its Group headquarters approval process. For instance, in order to hedge foreign currency exposures on intercompany receivables, payables, and dividends, the Company occasionally enters into forward foreign exchange contracts.

2) Interest rate risk

The portion of the interest-bearing debt in financing is small. Therefore, the interest rate risk is insignificant.

3) Price risk in equity instruments

The Group is exposed to equity price risks arising from equity instruments (i.e., listed shares). These investments are held as part of business strategy, not for short-term trading purposes. The Group does not sell these investments frequently and periodically reviews the fair value of these instruments as well as the financial condition of investees.

(2) Credit and liquidity risks

The Group manages its credit risk by setting credit limits that are approved by the authorized personnel of each SBU.

Ultimate responsibility for liquidity risk management rests with the CFO of the Group, who is appointed by the Board of Directors. Based on the instructions from the CFO, the financial headquarters of the Group mainly manages the Group's liquidity risk by maintaining an appropriate level of retained earnings and credit facilities, and monitors the actual cash flows and forecasted cash flows. Temporary cash shortages due to dividends or bonus payments are funded through the issuance of commercial paper, etc.

2. Notes concerning the fair value of financial instruments

As of March 31, 2018 (the end of the fiscal year), the carrying amount of financial instruments in the consolidated statement of financial position, the fair values of those instruments, and the differences between them were as follows:

(Millions of yen)

	Carrying amount in the consolidated statement of financial position*	Fair value*	Difference
(1) Loans and receivables			
Trade and other receivables	107,632	107,632	—
Other financial assets	18,861	18,999	138
(2) Available-for-sale financial assets			
Other financial assets	1,689	1,689	—
(3) Cash and cash equivalents	245,835	245,835	—
Total assets	374,017	374,156	138
(4) Financial liabilities measured at amortized cost			
Trade and other payables	(46,555)	(46,555)	—
Interest-bearing debt	(2,353)	(2,453)	(101)
Other financial liabilities	(7,626)	(7,626)	—
Total liabilities	(56,533)	(56,634)	(101)

* The balances of liabilities are presented as the numbers in parentheses.

(Note) Calculation methods for the fair value of financial instruments, together with securities and derivative transactions, are as follows:

(1) Loans and receivables

The fair values of loans and receivables were determined by discounting future net cash flows using rates taking into account the estimated timing of payments and credit risk.

Because trade and other receivables have short settlement periods and estimated fair values approximate the carrying value, the carrying amount has been used as fair value.

(2) Available-for-sale financial assets

The fair values of listed shares included in available-for-sale financial assets were determined based on quoted market prices at the end of each reporting period. The fair values of unlisted shares included in available-for-sale financial assets were calculated by using a reasonable method.

(3) Cash and cash equivalents

Cash and cash equivalents have short settlement periods and estimated fair values approximate the carrying amount.

(4) Financial liabilities measured at amortized cost

The fair values of long-term loans, bonds, and finance lease obligations were determined by discounting future cash flows using rates taking into account the estimated timing of payments and credit risk.

Trade and other payables and interest-bearing short-term debt have short settlement periods and estimated fair values approximate the carrying amount.

Notes to per Share Information

(1) Equity per share attributable to owners of the Company	¥1,386.49
(2) Basic earnings per share	¥258.46

Notes to Business Combinations

Business combination through acquisition

Overview of business combinations

(1) Overview of acquired companies

Name of acquirees: Performance Optics, LLC; Vision Ease, LP; and 16 other companies ("Performance Optics")

Primary business: Manufacturing and sales of ophthalmic lenses

(2) Acquisition date

August 1, 2018

(3) Acquisition method

Acquisition of shares

(4) Percentage of voting equity interests acquired

100%

(5) Primary reasons for the business combination

The acquisition of Performance Optics, which has the leading technologies in polycarbonate, photochromic, polarized, and high index eyeglass lenses, strengthens the Group's ability to provide customers with a broader portfolio of leading products.

(6) Consideration for the acquisition

Cash and cash equivalents: ¥30,145 million

The Group financed ¥24,471 million as funds for repayment of loans of Performance Optics in addition to the consideration for the acquisition.

(7) Expenses related to acquisition

Expenses of ¥554 million related to the acquisition for the year ended March 31, 2017 and ¥203 million for the year ended March 31, 2018 are included in "Commission expense" in the consolidated statement of comprehensive income.

(8) The amounts of assets acquired and liabilities assumed at the acquisition date

Non-current assets	¥20,624 million
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Current assets	¥13,449 million
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Total assets	¥34,073 million
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Non-current liabilities	¥25,945 million
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Current liabilities	¥1,816 million
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Total liabilities	¥27,760 million
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Intangible assets mainly consist of "Technology" and "Customer-related assets."

Deferred tax liabilities are mainly recognized on temporary differences arising from recognition of identifiable intangible assets.

(9) Goodwill arising from the acquisition

Consideration for acquisition	¥30,145 million
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Less: Fair value of identifiable acquired net assets	¥ (6,312) million
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Net goodwill arising from acquisition	¥23,833 million
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Goodwill recognized consists of "control premium," "expected synergy," and "human resources."

Goodwill arising from the acquisition is non-deductible in tax calculation.

(10) Net cash outflows for the acquisition of subsidiaries

Consideration for acquisition paid in cash	¥54,617 million
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Less: Cash and cash equivalents owned by subsidiaries acquired	¥ (2,487) million
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Net cash outflows for the acquisitions of subsidiaries	¥52,129 million
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Consideration for acquisition paid in cash includes the loans paid in cash to Performance Optics in the amount of ¥24,471 million.

(11) Impact of the business combination on the Group's financial results

The disclosures of revenue and profit included in the consolidated comprehensive income, and of the pro-forma revenue and profit as though the acquisition date for the business combination had been on April 1, 2017 are omitted due to immateriality.

Notes Concerning Significant Subsequent Events

There are no relevant items.

(Note) Figures in the consolidated financial statements and related notes are rounded to the nearest unit.

Notes to the Nonconsolidated Financial Statements

Significant Accounting Policies

1. Basis and methods for evaluation of marketable and investment securities

Investment securities in subsidiaries and affiliates: Cost determined by the moving-average method

Available-for-sale securities:

Marketable securities: Fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity

Non-marketable securities: Cost determined by the moving-average method

2. Basis and methods for evaluation of derivatives: Fair value

3. Basis and methods for evaluation of inventories: Primarily the lower of cost, determined by the average method, and net realizable value

4. Methods of depreciation of fixed assets:

Property, plant and equipment
(excluding leased assets)

Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.

The range of useful lives is principally from 15 to 50 years for buildings, from 4 to 15 years for machinery and equipment, and from 2 to 15 years for tools, equipment and fixtures.

The straight-line method is applied. The period of amortization is 8 years for patents and 5 years for software.

Intangible fixed assets
(excluding leased assets)

Leased assets

The straight-line method over the lease terms with no residual value is applied for leases that do not transfer ownership of the leased assets to the lessee.

5. Basis for the conversion of foreign currency assets and liabilities

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the nonconsolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the nonconsolidated statement of income.

6. Allowance, reserves, and provisions

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the Company's past experience of credit loss and an evaluation of the financial position of borrowers.

(ii) Accrued bonuses to employees

Accrued bonuses are provided at the year-end to which such bonuses are attributable in the current year.

(iii) Warranty provisions

Accrued warranty cost is estimated and recognized based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period.

(iv) Reserve for periodic repairs

Reserve for periodic repairs is provided based on the actual expenses for the latest repairs for melting furnaces.

7. Method of accounting for national and local consumption taxes

The tax-exclusion method is applied, and non-deductible tax is recognized as an expense.

Notes to Nonconsolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment ¥109,427 million

Accumulated depreciation includes accumulated impairment losses.

2. Monetary receivables from and payables to subsidiaries and affiliates (excluding classified items in the nonconsolidated balance sheet)

(1) Short-term receivables

¥17,552 million

(2) Short-term payables

¥14,658 million

3. Contingent liabilities

The Company is now subject to tax examination by TRTB on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the three financial years ended March 31, 2012 to 2014. Depending on future examinations, there is a possibility that additional taxes will be incurred; however, it is not possible to make a reasonable estimate of this impact at present.

Notes to Nonconsolidated Statement of Income

Transactions with subsidiaries and affiliates

(1) Sales

¥44,016 million

(2) Purchases including commissions

¥40,890 million

(3) Non-operating transactions

¥123,678 million

Notes to Nonconsolidated Statement of Changes in Net Assets

Matters relating to the number of treasury shares

Share class	Balance at April 1, 2017	Increase	Decrease	Balance at March 31, 2018
Ordinary shares	1,686,149 shares	9,335,825 shares	9,099,900 shares	1,922,074 shares

(Note)

Details of the increase and decrease in the number of treasury shares are as follows:

Increase due to repurchase of treasury shares: 9,934,600 shares

Increase due to repurchase of odd-lot shares: 1,225 shares

Decrease on cancellation of treasury shares: 8,343,500 shares

Decrease on exercise of stock options: 756,400 shares

Notes Relating to Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by major cause of accrual as of March 31, 2018

(1) Current

Deferred tax assets	
Accrued bonuses	¥1,196 million
Enterprise tax payable	446
Valuation loss on inventories	331
Excess of allowance for doubtful accounts	71
Warranty reserve	36
Others	1,287
Deferred tax assets – subtotal	3,367
Valuation allowance	(101)
Net amount of deferred tax assets – current	¥3,267

(2) Non-current

Deferred tax assets	
Write down of investment in subsidiaries and affiliates	¥5,391 million
Write down of investment securities	648
Impairment losses	497
Reserve for periodic repairs	401
Stock options	385
Asset retirement obligation	318
Excess of allowance for doubtful accounts	82
Excess of depreciation	40
Others	306
Deferred tax assets – subtotal	8,069
Valuation allowance	(7,498)
Total amount of deferred tax assets – non-current	570
Deferred tax liabilities	
Expenses related to disposal of asset retirement obligations	(88)
Reserve for advanced depreciation of fixed assets	(58)
Total amount of deferred tax liabilities – non-current	(146)
Net amount of deferred tax assets – non-current	¥424

Notes Concerning Transactions with Related Parties

1. Subsidiaries and affiliates

Type	Name of related parties	Ratio of voting rights	Relationship with related parties	Transaction details (Note 4)	Transaction amount (Millions of yen) (Note 1)	Balance sheet item	Balances due to or from related parties (Millions of yen)
Subsidiary	HOYA ELECTRONICS SINGAPORE PTE. LTD.	Direct ownership of 100.00%	Supplier Concurrent post of directors (Note 2)	Purchase of products	15,358	Accounts payable-trade	3,948
				Partial redemption of preferred shares	1,650	—	—
Subsidiary	HOYA OPTICS (THAILAND) LTD.	Indirect ownership of 100.00%	Supplier Research and development Concurrent post of directors (Note 2)	Sale of products	6,457	Accounts receivable-trade	1,726
				Rendering of services	716	Accounts receivable-other	1,343
Subsidiary	HOYA FINANCE B.V.	Indirect ownership of 100.00%	Borrowings of funds Concurrent post of directors (Note 2)	Borrowings of funds	12,880	Short-term loan from affiliates	12,218
				Payment of interest	172	Accrued interest	164
Subsidiary	VISION EASE, LP	Indirect ownership of 100.00%	—	Acquisition of shares of subsidiaries	5,381	Equity securities of subsidiaries and affiliates	5,381
Affiliate	AvanStrate Inc.	Direct ownership of 46.57%	Loans of funds Concurrent post of directors (Note 2) Concurrent post of auditors (Note 3)	Incorporation of deferred interests receivable into principal	55	Long-term loans receivable from subsidiaries and affiliates Accrued revenue	8,047
				Partial repayment of loans	173		
				Interest received	264		
				Advance paid	196		

(Note) Terms and conditions of transactions and the policies for determining them:

1. Transaction amounts above do not include consumption tax and other taxes.
2. Employees of the Company concurrently serve as directors of the subsidiaries and affiliate.
3. Employees of the Company concurrently serve as corporate auditors of the affiliate.
4. Transaction price is determined by negotiation, considering market prices and other factors.

Borrowings of funds is denominated in U.S. dollars.

Interest rates on borrowings of funds are determined considering market rates.

The acquisition cost of shares of subsidiaries is determined based on the value reasonably measured.

Interest rates on loans are determined considering market rates.

The deferred interest receivable, which is calculated on the unpaid principal based on deferred interest rates, is incorporated into principal.

The due date of the AvanStrate loan is December 27, 2023. It will be repaid in six installments after a certain period of deferment, and deferred interests will be paid by batch payment on the due date.

Platinum owned by a subsidiary of the affiliate is pledged as collateral.

The Company temporarily pays certain expenses at cost on behalf of the affiliate.

2. Directors, officers, and major individual shareholders

Type	Name of related parties	Ratio of voting rights	Relationship with related parties	Transaction details (Note 2)	Transaction amount (Millions of yen) (Note 1)	Balance sheet item	Balances due to or from related parties (Millions of yen)
Directors and officers	Itaru Koeda	(Held) Direct ownership of 0.00%	Outside director of the Company	Exercises of stock options	13	—	—
Directors and officers	Mitsudo Urano	(Held) Direct ownership of 0.00%	Outside director of the Company	Exercises of stock options	32	—	—
Directors and officers	Takeo Takasu	(Held) Direct ownership of 0.00%	Outside director of the Company	Exercises of stock options	29	—	—
Directors and officers	Hiroshi Suzuki	(Held) Direct ownership of 0.25%	Director and representative executive officer of the Company	Exercises of stock options	570	—	—
Directors and officers	Ryo Hirooka	(Held) Direct ownership of 0.00%	Representative executive officer of the Company	Exercises of stock options	6	—	—
Directors and officers	Eiichi Ikeda	(Held) Direct ownership of 0.00%	Executive officer of the Company	Exercises of stock options	114	—	—
Directors and officers	Girts Cimermans	(Held) Direct ownership of 0.00%	Executive officer of the Company	Exercises of stock options	193	—	—
Directors and officers	Augustine Yee	(Held) Direct ownership of 0.00%	Executive officer of the Company	Exercises of stock options	318	—	—

(Note) Terms and conditions of transactions and the policies for determining them:

1. Stock options were exercised in accordance with the contracts at the date of options granted.
2. Transaction amounts listed above are amounts paid upon exercise of stock options in the current fiscal year.

Notes to per Share Information

- (1) Net assets per share ¥514.94
- (2) Basic earnings per share ¥331.83

Notes Concerning Significant Subsequent Events

There are no relevant items.

(Note) Figures in the nonconsolidated financial statements and related notes are rounded to the nearest unit.