



Innovating for a Better Tomorrow

HOYA

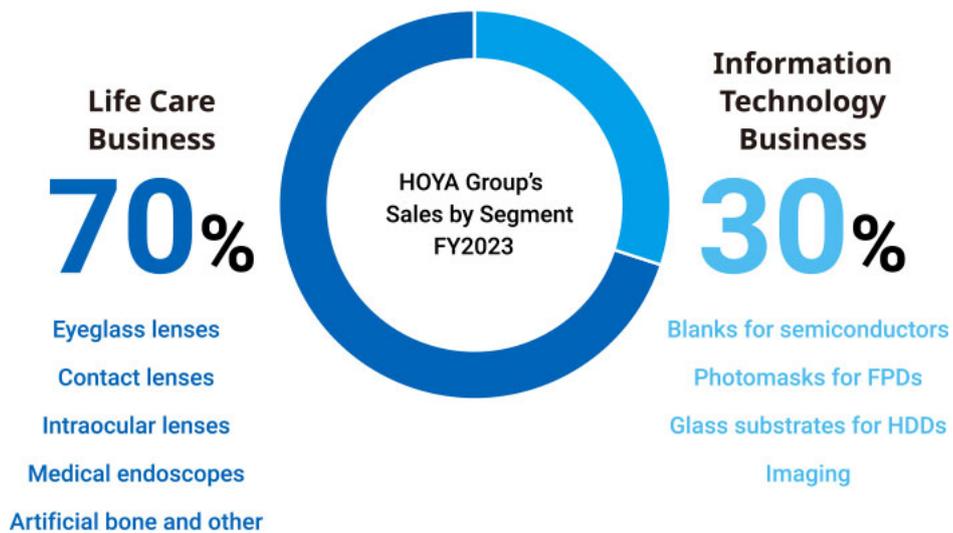
INTEGRATED REPORT 2024





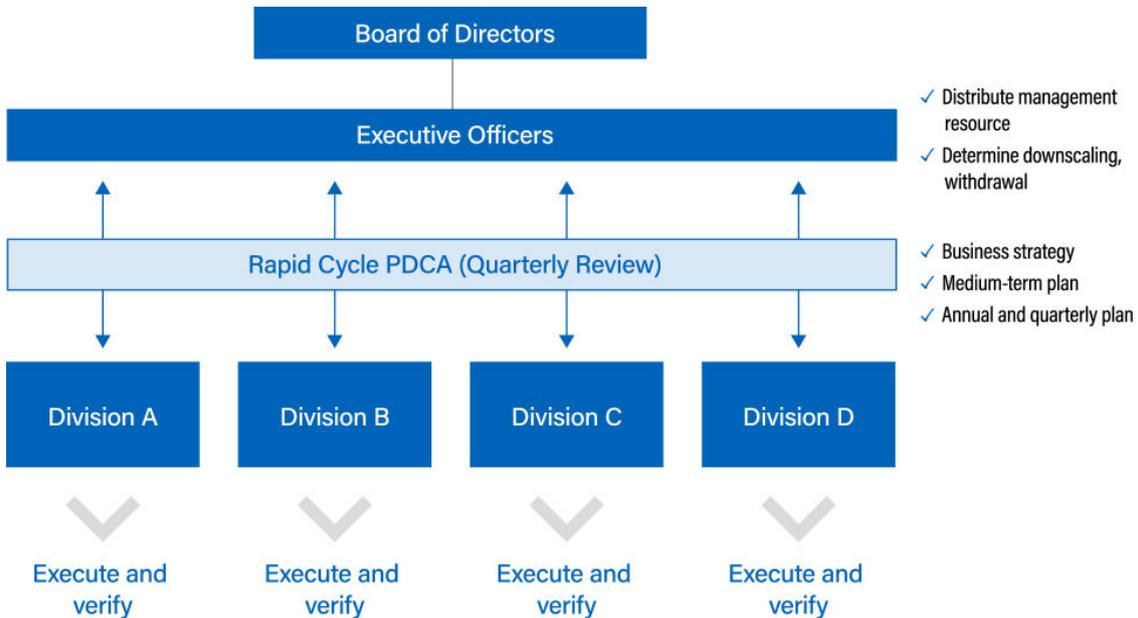
Source of Our Strengths: Business Portfolio Management

HOYA's portfolio management aims to secure profitability, stability, and growth potential of the Group as a whole by operating multiple businesses with different characteristics in terms of business model, sensitivity to economic cycles, etc., to diversify risk. We examine each business to determine its stage in the lifecycle and allocate more management resources to areas with higher growth potential. We construct our business portfolio based on the survival of the fittest principle by, for example, withdrawing from a business that has lost its competitive edge. The present two business areas for portfolio management are Life Care and Information Technology.



The HOYA Management System

Based on the idea that “the accumulation of short-term results will produce long-term growth,” we conduct rapid-cycle reviews and improvement activities on a quarterly basis. After receiving explanations on growth strategy and operating results from each business division, executive officers make decisions on the allocation of management resources to each business as well as any business downscaling or withdrawal decisions, which is the foundation of our business portfolio management.



Areas of Focus over the Next 10 Years

► Refinement of Business Portfolio Strategy

The Life Care business is expected to enjoy continuing stable growth over the long term, amid global population aging and increasing demand for higher quality of life (QOL) as economic growth advances in emerging countries. The Information Technology business, which has been regarded as a cash cow, not only because HOYA has already acquired a high market share but also because there was a period of stagnation in the growth potential of related markets, is also expected to grow due to such factors as the breakthrough in semiconductor miniaturization technology in recent years and the acceleration of the data-driven trend in all industries. Against this background, we are establishing a framework to focus on growth potential business-by-business and product-by-product, irrespective of whether the segment is in the Life Care business or the Information Technology business.

We also recognize that the development/acquisition of new businesses that serve as the driving force for perpetual corporate growth is the most significant management challenge, so we will work on this by taking a two-pronged approach, i.e., in-house development and M&A. While there have not been many instances of collaboration between business divisions in the past, we are currently initiating cross-divisional research and development on a project-by-project basis, aiming to create new markets and products. Looking ahead, we will also consider M&A which has been executed mainly in the Life Care business to date by expanding the scope to include the Information Technology business domain as well, not just Life Care business-related opportunities. Market domains that are presumed to be selected are fields adjacent to existing domains that are consistent with HOYA’s vision and mission; we will seek to enter domains that look promising for HOYA to establish its position as a leader in niche markets and attain high profitability.

Please also refer to the messages by [Eiichiro Ikeda, CEO](#); and [Ryo Hirooka, CFO](#).

▶ **Enhancement of ESG**

Ahead of other Japanese companies, HOYA's Board of Directors has consisted of independent directors accounting for the majority of its members, and its corporate governance (G) has been enhanced with high objectivity and transparency based on a framework in the form of a system of committees. Going forward, HOYA will accelerate environmental (E) and social (S) initiatives as well.

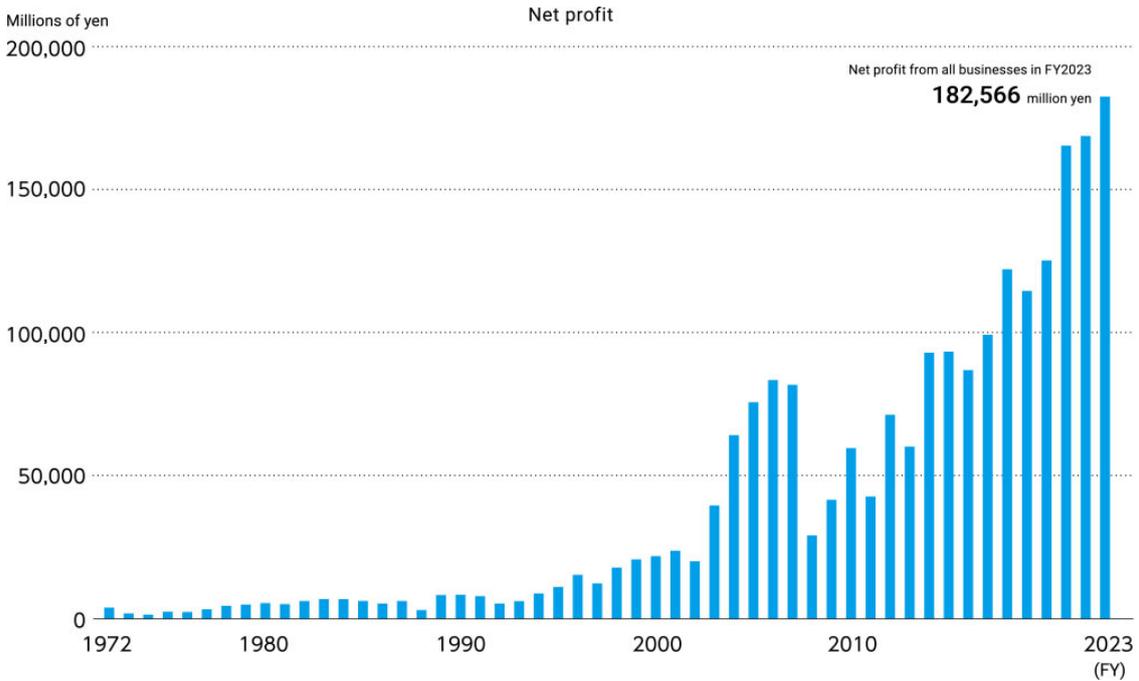
[Please also refer to the message by Ms. Tomoko Nakagawa, Chief Sustainability \(ESG\) Officer.](#)



Persisting in profitability

We have steadily increased profits through business portfolio management, in which we optimize the allocation of investments to meet the needs of the times and change the nature of our business quickly, and through a system of reviewing and improving our business on a short-term (quarterly) basis. We also note that HOYA has never reported a loss since its listing on the First Section of the Tokyo Stock Exchange.

HOYA's continued net profit since the TSE listing in 1973

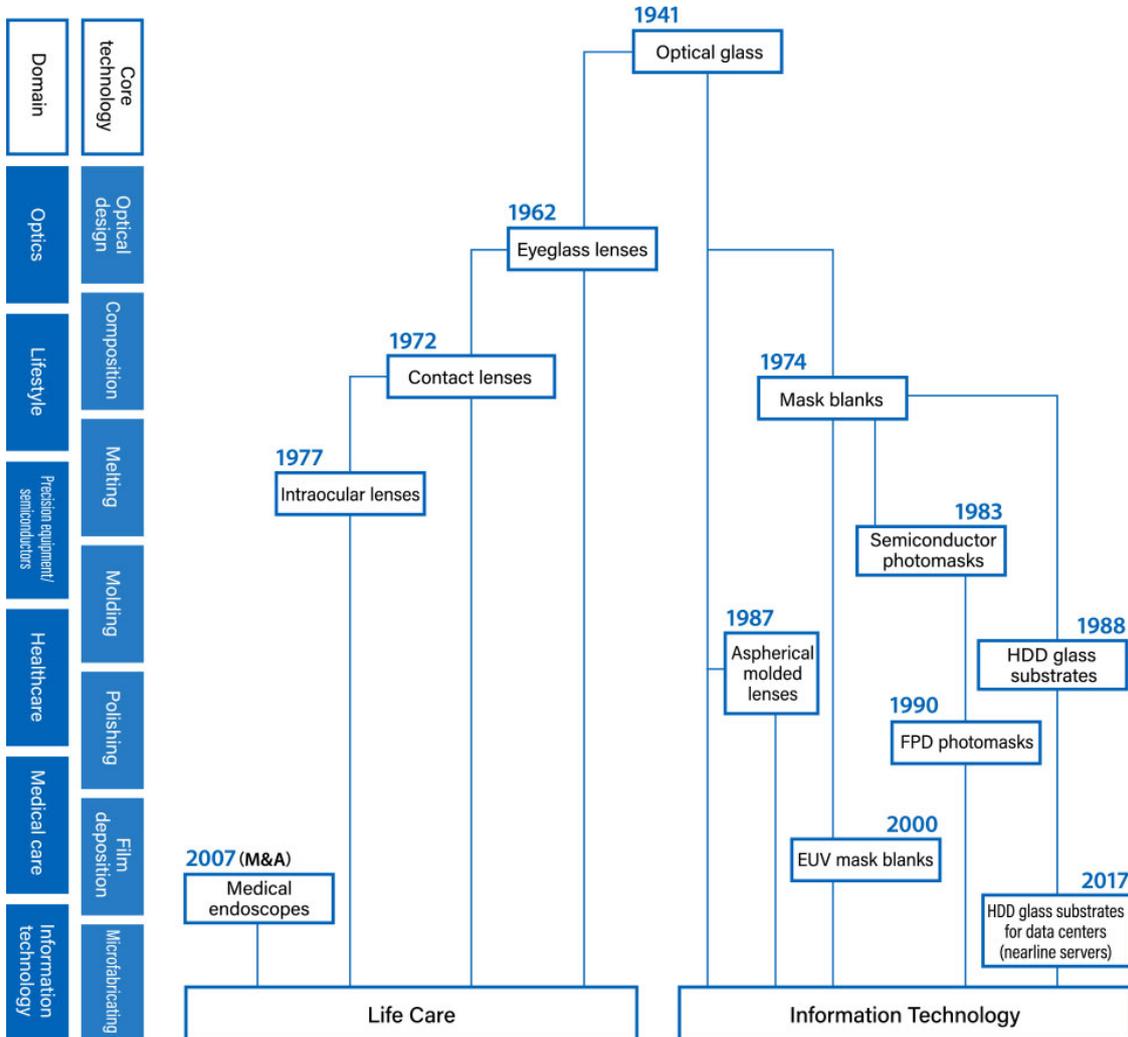


Note: HOYA has prepared its consolidated financial statements in accordance with IFRS since the fiscal year ended March 31, 2011, in lieu of the Japanese standard.

Change and Expansion of Business Domains

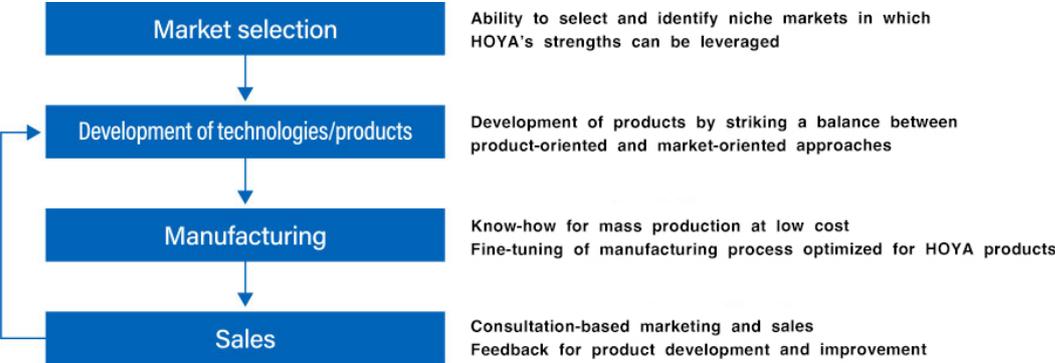
HOYA launched its business from the field of optical glass in 1941. For 80 years since its foundation, HOYA has demonstrated the strengths of business portfolio management by expanding the domains of its products and services in accordance with its corporate mission, which is to “contribute to the creation of a truly prosperous society in harmony with people, society, and nature, through the creation and innovation of businesses.”

HOYA's 80-year History



Growth Engine

Business scale expansion is currently driven by “awareness of differentiation” in each stage of the value chain, i.e., market selection, development of technologies/products, manufacturing and sales.





Market Growth and HOYA's Potentials

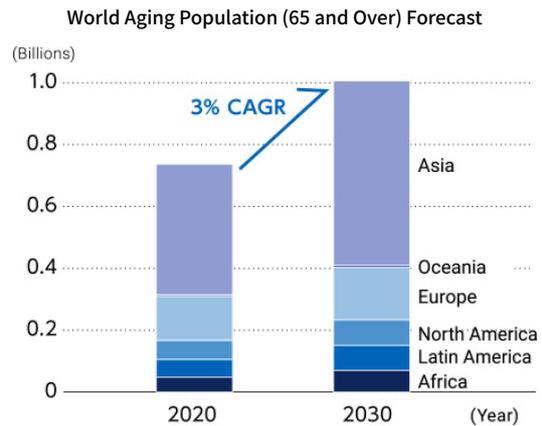
The Life Care business is expected to enjoy long-term structural expansion against a background of global population aging and improving living standards in emerging countries. In the Information Technology business, the market is expected to grow due to factors such as progress in the miniaturization of semiconductors and increasing data-center demand. We will invest to achieve performance that outstrips the market growth potential of each business.

Life Care

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

▶ Market growth driven by global aging population

As global population aging advances, growing numbers of people are forecast to need products for orthoptics, such as eyeglasses, contact lenses and intraocular lenses, due to deterioration of vision with age. Demand for flexible endoscopes is also anticipated to rise as governments promote preventive screening to restrain growth in medical expenditures.

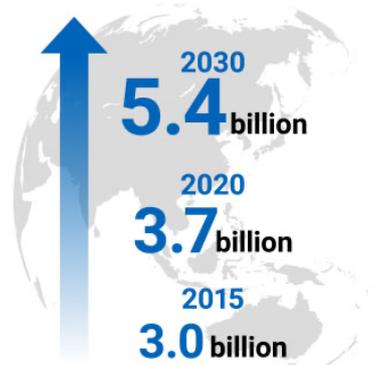


Source: United Nations, The 2024 Revision of World Population Prospects

▶ Emerging countries' improving living standards expands the market

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

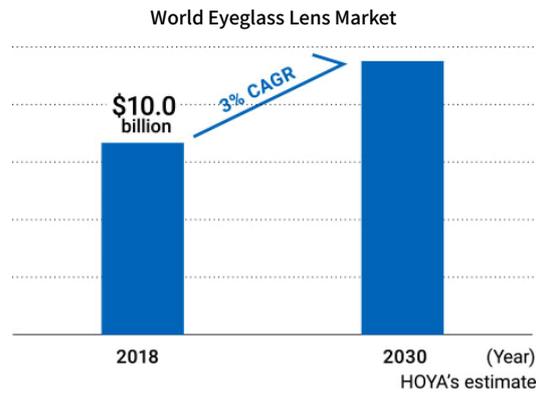
World Aging Population (65 and Over) Forecast



Source: Kharas, H. (2017). The unprecedented expansion of the global middle class: An update. Global Economy & Development Working Paper 100. Brookings Institution.

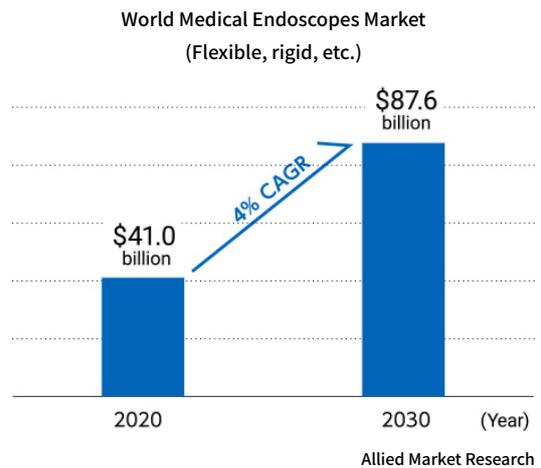
▶ **Increase in the elderly and middle-class population expands the market**

Demand for eyeglass lenses is increasing worldwide, due to aging of populations, higher purchasing power supported by emerging countries' economic growth, rising health consciousness, and deterioration of vision caused by longer screen times.



▶ **More demand for minimally invasive medical treatment drives growth in the endoscope market**

Medical expenses are increasing worldwide, along with aging of populations. To restrain medical costs, governments are recommending early detection of diseases and minimally invasive medical treatment. Need for the latter in particular is expanding, to minimize the physical toll on patients taken by invasive medical treatment. Flexible endoscopes, which allow physicians to diagnose and treat the patient without damaging the body, are strongly expected to fulfill such needs.



Market Growth Drivers

- Aging population
- Initiatives for disease prevention
- Improved medical infrastructure in emerging countries
- Increase in cancer rate
- Desire for improvement of QOL and minimally invasive diagnosis and treatment devices
- Decreasing age of onset of vision deterioration due to increased screen time

Information Technology

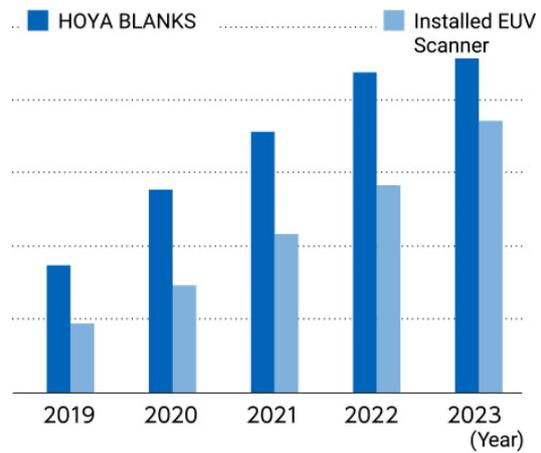
Market growth, driven by technological advancement and expansion of application areas

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

▶ **Mask blanks for EUV lithography**

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

Sales of HOYA Mask Blanks for EUV Lithography and Number of EUV Scanners Installed (Volume)

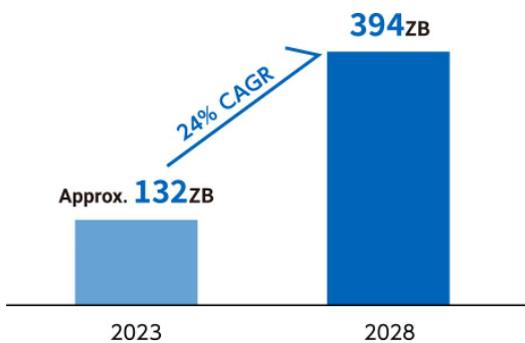


▶ **Nearline server application of glass disks for HDDs**

Nearline storage is used for backup and archiving purposes. The market for nearline storage is projected to continue growing over the long term to accommodate the global surge in data volume. Memory capacity per storage unit needs to be increased to improve the efficiency of server space in data centers. To achieve this, the next-generation high-capacity recording technology HAMR (heat-assisted magnetic recording) and increase in the number of disks mounted per HDD on thinner disks will be necessary. Both of these are expected to require HOYA glass disks.

Trends in Data Traffic Volume

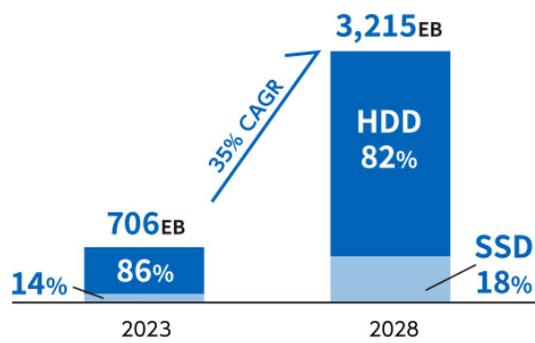
Data growth is accelerating on a global scale due to the progress of 5G, artificial intelligence (AI) and other technologies.



Source: HOYA's data

Enterprise Exabyte Shipment Volume

HDDs will continue to play a central role in nearline storage in the future.



Source: HOYA's data

▶ **In-vehicle camera lenses**

The market for in-vehicle camera lenses is expected to grow, as they are expected to be used in sensors required for automated driving technology. We will absorb market growth by leveraging high-value-added glass materials and aspherical glass lenses, in which our strength lies.



Maximizing Shareholder Value

Advanced corporate governance structure

To ensure the effective functioning and objectivity of the management supervisory function, five out of seven directors are independent outside directors. As a monitoring board, outside directors enhance the quality of corporate governance by applying their wealth of management experience, insight and leadership ability to HOYA's management.

	<p>Independent Director</p> <p>Hiroaki Yoshihara</p>
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	<p>Independent Director</p> <p>Yasuyuki Abe</p>
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	<p>Independent Director</p> <p>Takayo Hasegawa</p>
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	<p>Independent Director</p> <p>Mika Nishimura</p>
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	<p>Independent Director</p> <p>Mototsugu Sato</p>
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	<p>Eiichiro Ikeda</p>
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	<p>Ryo Hirooka</p>
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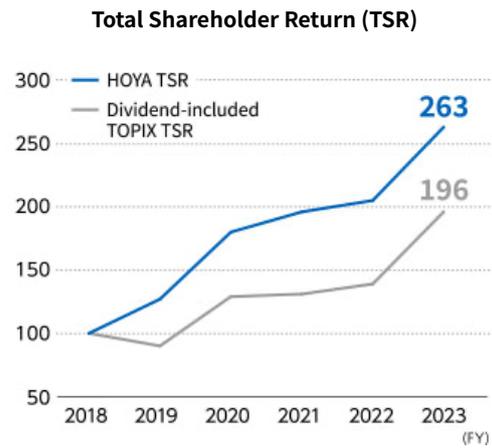
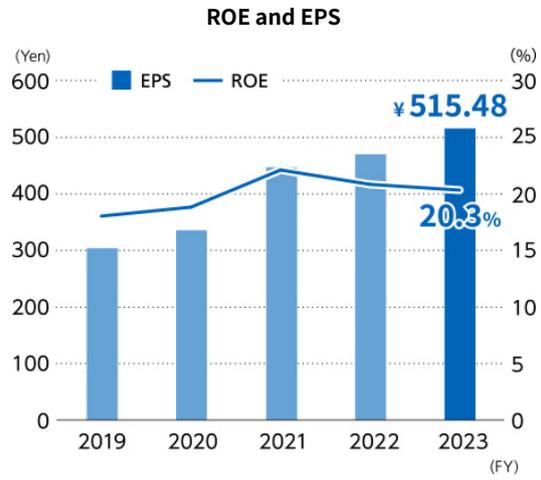
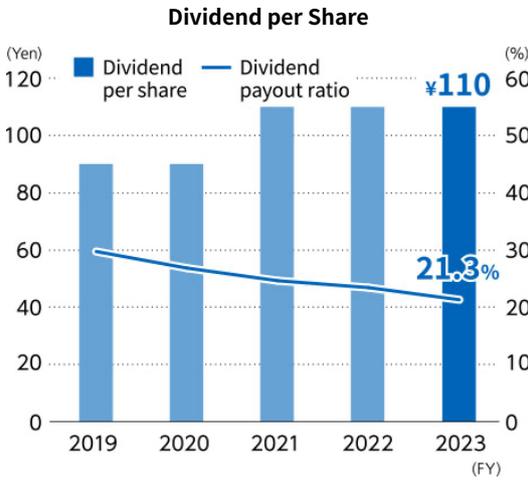
[Please refer to the website for their biographies and other details.](#)

Skill items	Definition	Reason for selection	Yoshihara	Abe	Hasegawa	Nishimura	Sato
Corporate management	Knowledge and experience regarding company management and corresponding corporate governance	To sustain improvement in business performance and growth, and thereby enhance the corporate value	●	●	●		●
Global business	Knowledge and experience necessary for global management and relevant business development	To promote management respecting diverse cultures and customs in each region	●	●	●	●	●
Finance/accounting	Knowledge and experience in the finance/accounting domain	To achieve financial targets and increase transparency to stakeholders	●				●
Related industries/businesses	Knowledge and experience regarding industries and businesses associated with the Company's businesses	To promote management based on an understanding of industry trends, regulations, and technologies	●	●	●	●	
M&A	Knowledge and experience in M&A in general, such as due diligence and formulation of integration plans	To promote the Group's growth strategy through the implementation of strategic M&A	●	●		●	●
Sustainability/ESG	Knowledge and understanding of trends in the sustainability/ESG area, and relevant experience	To promote sustainable management to realize a sustainable society, and thereby enhance the corporate value in the medium to long term	●	●	●	●	●
Risk management	Knowledge and experience in the risk management domain, including legal compliance, and supply chain/quality control/IT security	To continue to provide products and services stably and steadily to the society	●	●	●	●	●
Human resource development	Knowledge and experience regarding the human resources domain, such as cultivation of human resources and leadership development	To promote management focusing on human capital	●		●	●	●

Pursuing capital efficiency

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

Major management indicators and return to shareholders



This indicates the investment performance by taking share price changes and dividends into consideration, assuming that an index of 100 equals the amount of investment on March 31, 2019.

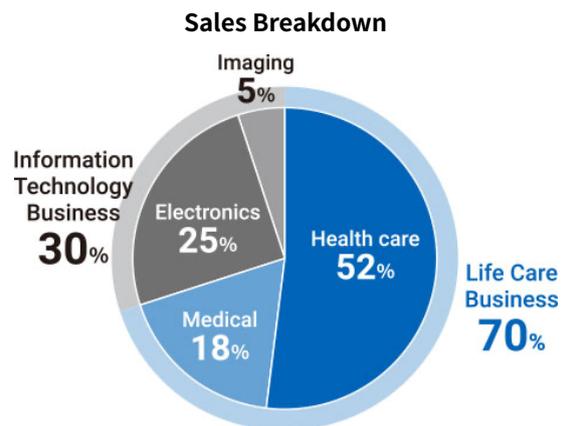
Highlights of Fiscal 2023



Financial

Sales

+5.4%
762.6 billion yen



Sales revenue once again reached its highest level ever for HOYA. Although glass substrates for HDDs and mask blanks for semiconductors were affected by customers' inventory adjustments, business results in the Life Care business were firm and the Company benefited from exchange rates. Growth rate was 5.4%. Growth rate net of exchange-rate effects was 0.8%.

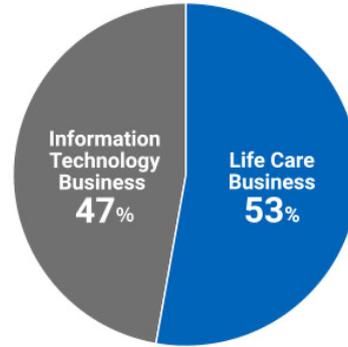
Profit from Ordinary Operating Activities

-0.4%

209.8 billion yen

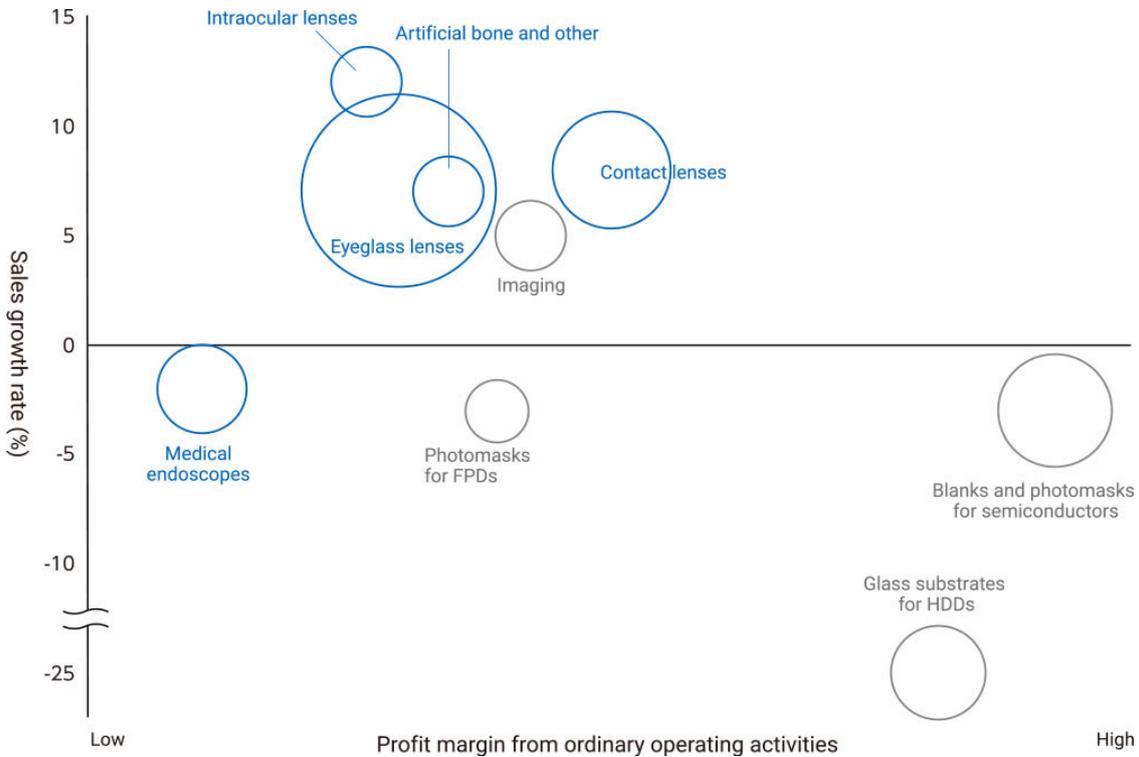
Profit margin from ordinary operating activities:
27.5% (-1.6%pts)

Pretax Profit Breakdown by Segment



In profit from ordinary operating activities, profit margin declined as the Information Technology business, whose profit margin is relatively high, accounted for a lower percentage of sales revenue. Growth rate was -0.4%. Growth rate net of exchange-rate effects was -3.7%.

Product Sales/Profit Margins/Sales Growth Rate



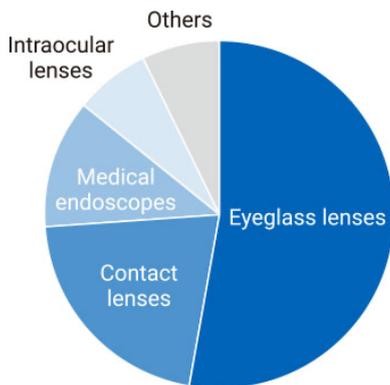
* Sales growth rate excluding FX impact.

Sales in the Life Care Business

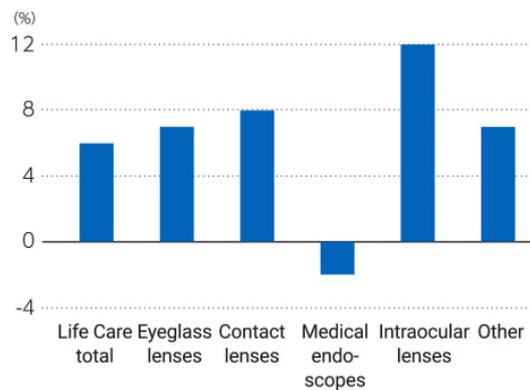
+11.7%
530.0 billion yen

Sales revenue in the Life Care business expanded by double digits, thanks to strong sales of high-value-added products and favorable exchange rates. Growth rate of sales revenue was 11.7%. Growth rate net of exchange-rate effects was 6.1%.

Life Care Sales Breakdown



Sales Growth Rate of Products in the Life Care Business*



* Sales growth rate excluding FX impact.

Profit from Ordinary Operating Activities in the Life Care Business

+10.3%
106.7 billion yen

Profit margin from ordinary operating activities: 20.1% (-0.3%pts)

Profit from ordinary operating activities in the Life Care business increased, as virtually all businesses in this segment saw increased profits.

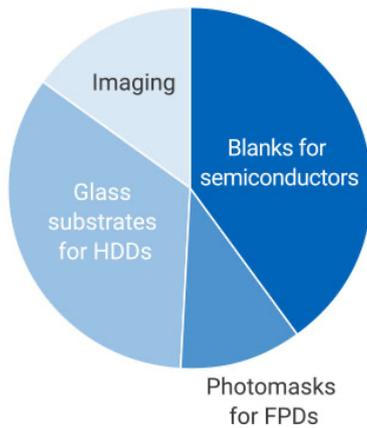
Growth rate was 10.3%. Growth rate net of exchange-rate effects was 5.9%.

Sales in the Information Technology Business

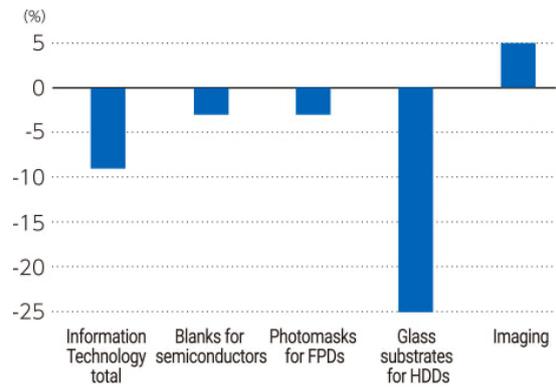
-6.6%
228.3 billion yen

Sales in the Information Technology business declined from the previous fiscal year. Although sales of camera lenses were strong, demand declined for mask blanks for extreme ultraviolet (EUV) lithography and glass substrates for HDDs due to inventory adjustments in these products. Growth rate was -6.6%. Growth rate net of exchange-rate effects was -9.3%.

Information Technology Sales Breakdown



Sales Growth Rate of Products in the Information Technology Business*



*Sales growth rate excluding FX impact.

Profit from Ordinary Operating Activities in the Information Technology Business

-8.4%
108.3 billion yen

Profit margin from ordinary operating activities: 47.3% (-1.1%pts)

In profit from ordinary operating activities in the Information Technology business, the Company supported a profit margin roughly equal to that of the previous fiscal year. Although revenue dropped sharply in the relatively high-margin business of glass substrates for HDDs, HOYA was able to implement thoroughgoing cost management in this business.

The growth rate was -8.4%. Growth rate net of exchange-rate effects was -10.6%.

Financial data is available at [the IR Library on HOYA's website](#).



ESG

Measures Related to Climate Change

Enhanced scenario analysis based on the TCFD¹ recommendations

In fiscal 2022, the Company began conducting scenario analysis based on TCFD recommendations, and in the first year, in view of their importance, we conducted such analysis for two business divisions: the Vision Care Division (eyeglass lenses) and the MD Division (glass substrates for hard disk drives). In fiscal 2023, the scope of analysis was widened to include the Optics Division (optical lenses), and measures were formulated and implemented based on these analyses. We note that the combined CO₂ emissions of these three business divisions account for 88% of the HOYA Group's total CO₂ emissions. The Company publishes [a report entitled TCFD Disclosure](#), which describes this scenario analysis in detail.

Introduction of renewable energy and promotion of CO₂ reduction

HOYA joined the RE100² initiative in February 2023 and has set a target to achieve a 100% renewable-energy usage rate by fiscal 2040. As an intermediate target, the Company aims to achieve a renewable-energy usage rate of 60% by fiscal 2030, and the entire HOYA Group is working to transition to renewable energy.

In fiscal 2023, four production sites installed solar panels (compared to one in fiscal 2022), and the switch to green power plans and purchase of non-fossil certificates resulted in a 14% renewable-energy usage rate, compared to 2% in the previous fiscal year.

In fiscal 2023, Scope 1 and 2 emissions were reduced by 23% from the base year due to the impact of ongoing energy conservation activities and the adoption of renewable energy as well as changes in production volume associated with a temporary decrease in customer demand in some businesses. HOYA will continue to promote CO₂ reduction activities by reviewing production processes, energy saving activities by improving the efficiency of production facilities, and the use of renewable energy for electric power.

Introduction of Group water targets and promotion of activities to reduce water usage

The HOYA Group has been working to reduce water usage by setting reduction targets in each business division. In order to further accelerate these initiatives, we have now set water usage reduction targets for the entire Group.

Water usage reduction target: 16% reduction per production volume by fiscal 2030 compared to base year (fiscal 2021) (total volume will not exceed base year level)

We will continue our endeavors to reduce water usage by reviewing production processes and improving the water reuse ratio.

Calculation of Scope 3 emissions

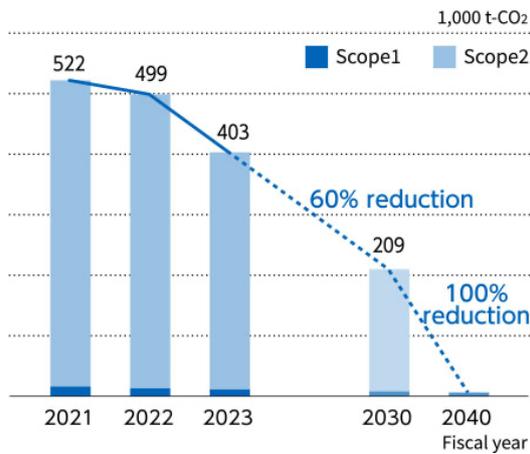
First, we calculated all relevant categories based on fiscal 2022 data in a pilot project. Next, we identified the categories that were the major sources of emissions and conducted Company-wide calculations for the major categories.

[For a detailed discussion, please read "Environmental."](#)

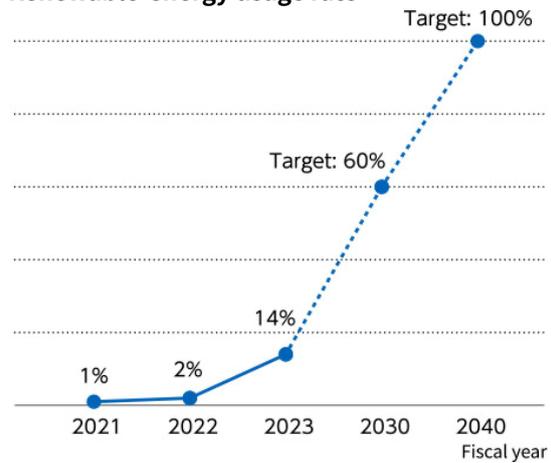
*1 Task Force on Climate-related Financial Disclosures

*2 "RE100" refers to "100% renewable electricity." This international initiative commits influential companies worldwide to converting the energy they use in business activities to 100% renewable energy.

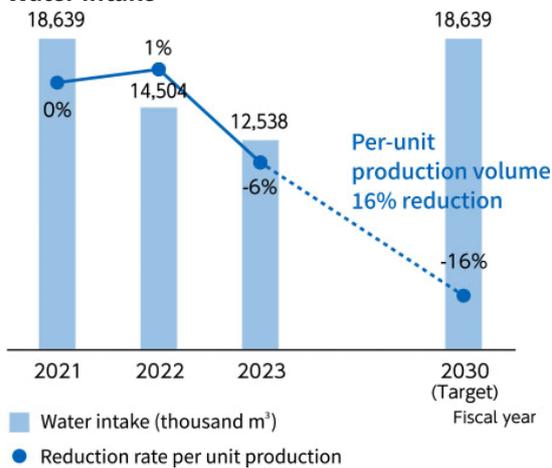
CO2 Emissions



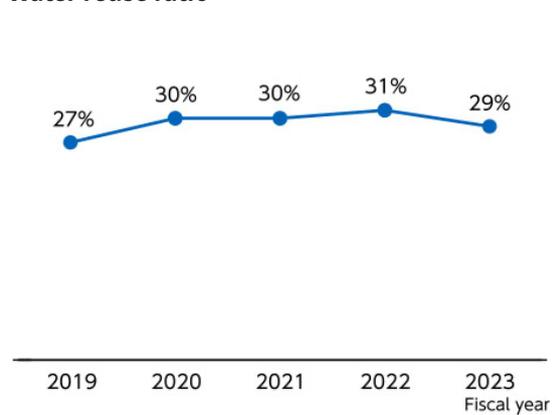
Renewable-energy usage rate



Water intake



Water reuse ratio



Human Capital and Diversity & Inclusion

Employee engagement surveys

In September 2022, the HOYA Group conducted its third employee engagement survey targeting all HOYA Group employees worldwide. Based on the results, discussions at each workplace identified areas for improvement to create an even better work environment and implemented the results into an action plan. Furthermore, a fourth engagement survey will be conducted in fiscal 2024, and a series of measures will be continued after analyzing the results obtained.

Management framework (performance evaluation system)

We believe it is essential to have a system that enables fair and objective evaluation of performance in order to motivate employees in expressing their abilities to the fullest. In fiscal 2022, the Group began operating a new, common global framework for performance evaluation, which was developed based on the previously used framework. In addition to reflecting the results of performance evaluations in compensation, we also provide regular and effective feedback for the purpose of personnel development.

Introduction of career development programs

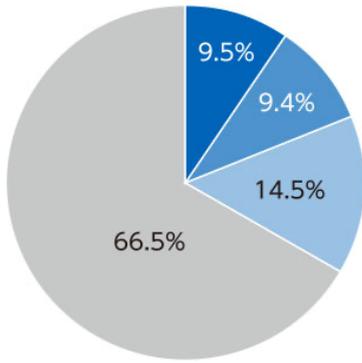
Providing employees with ample opportunities to update their knowledge continuously and pursue reskilling is vital in supporting enterprise competitiveness. To this end, the HOYA Group has introduced an on-demand online learning platform (LinkedIn Learning) to support the career development needs of the employees who support HOYA's growth strategy.

Promotion of diversity & inclusion

The HOYA Group believes that respecting and embracing diversity and proactively leveraging "differences" among its people will enable it to respond flexibly to the ever-changing business environment and diversifying customer needs, which in turn will lead to the creation of corporate value. The Group has been hiring based on the abilities of each individual without regard to nationality, gender, or other attributes. More than 90% of the Group's employees are based outside of Japan. As such, we are promoting the globalization of the entire Group by actively recruiting talented local personnel and increasing opportunities for them to play active roles. As a result, approximately 90% of our overseas subsidiaries are led by non-Japanese executives.

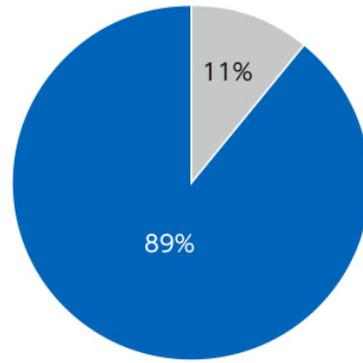
In terms of gender diversity, the percentage of female officers and executive officers (total of directors and executive officers) is high at 37.5%, and the ratio of female employees and managers in Japan, which has been an issue, is also improving.

Ratio of Employees



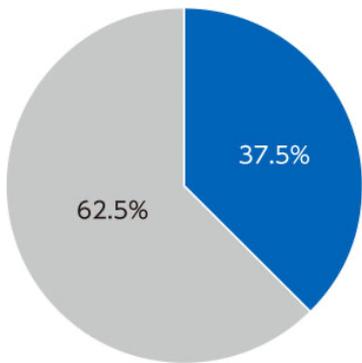
■ Japan ■ Americas ■ Europe
■ Asia & Oceania

Executive ratio at overseas subsidiaries



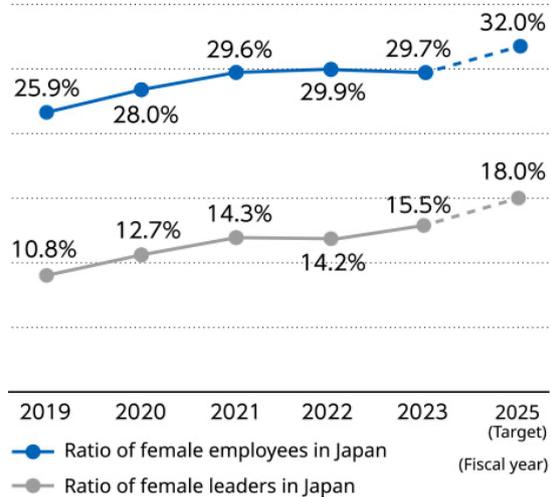
■ Japanese ■ Non-Japanese

Ratio of female officers



■ Female ■ Male

Ratio of female employees and leaders in Japan



Strengthening ESG Governance

Board of Directors' monitoring function

The HOYA Group's outside directors have sufficient management experience and international perspectives. Furthermore, its outside directors have knowledge and experience in the sustainability/ESG field, including climate change, human capital development, and leadership development. The Board of Directors receives regular reports from the Chief Sustainability Officer (CSO) on sustainability-related issues and initiatives at the Group level (twice a year during the current fiscal year) and monitors progress. In addition, during business reviews of each business division by the Board of Directors, reports are received on the climate change response of the relevant business and advice provided from a multifaceted perspective. Furthermore, the Group Chief Human Resources Officer (CHRO) reports regularly to the Board of Directors on human resources policies for the entire HOYA Group, while the Group Chief Compliance Officer (CCO) reports regularly to the Board of Directors on matters related to compliance (once a year in the current fiscal year, respectively).

Incorporating ESG indicators into incentives

In fiscal 2022, the HOYA Group introduced ESG indicators in the Performance Share Unit (PSU), which is a medium- to long-term incentive for Executive Officers' compensation, and set targets based on evaluations by external organizations and the status of initiatives on priority ESG themes (including climate change and human capital). In fiscal 2023, the HOYA Group increased the allocation of ESG targets to 25% from 10% to further clarify its commitment to ESG.

Furthermore, from fiscal 2023, the annual incentives for division presidents of each business division will be made more effective by incorporating important KPIs among the ESG-related targets set by each business division into the evaluation items (e.g., renewable-energy usage rate).

Expansion of Disclosure and External Evaluation

Status of Adoption by GPIF ESG Indexes

HOYA has been selected as a constituent of the following ESG indexes adopted by the Government Pension Investment Fund (GPIF) of Japan.

- FTSE Blossom Japan Sector Relative Index (General index)



FTSE Blossom
Japan Sector
Relative Index

- 2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX (General index)

2024 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

- 2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) (Thematic index: social initiatives)

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

- Morningstar Japan ex-REIT Gender Diversity Tilt Index (Thematic index: social initiatives)

HOYA is rated Group 1, the highest of the five levels.



Japan ex-REIT Gender Diversity
Tilt Index

TOP CONSTITUENT 2024

- S&P/JPX Carbon Efficient Index (Thematic index: environmental protection)



HOYA has also been selected for inclusion in the following

- MSCI ESG Leaders Indexes
- 2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX
- MSCI Japan Climate Change Index



Main ESG Rating Status

- MSCI ESG rating: AAA (highest of seven ratings, achieved for two consecutive years)
- Sustainalytics ESG risk rating: Low Risk
- CDP Climate Change: B Score (Up 2 notches from C score in previous fiscal year)

Other External Evaluations

- Selected by GPIF’s external asset managers for “most-improved integrated reports”
- Certified by the Ministry of Economy, Trade and Industry (METI) as an outstanding health and productivity management organization for eight consecutive years
- R&I rating: AA

As of June 30, 2024

*1 FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that HOYA has qualified for inclusion in the FTSE Blossom Japan Sector Relative Index as a result of independent research. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.

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Interview with the CEO

We will continue to build a more resilient business portfolio that responds to the rapidly changing external environment and contributes to sustainable growth for the HOYA Group.

Eiichiro Ikeda

Director, Representative Executive Officer, President & CEO



Fiscal 2023 saw a mix of various positives and negatives, including the impact of the weak yen. Could you share your thoughts on the year from a management perspective? Were there any particular challenges you perceived throughout the year?

During the fiscal year ended March 31, 2024 (fiscal 2023), the Information Technology business saw sluggish performance in glass substrates for hard disk drives (HDDs) and mask blanks for semiconductors as a result of inventory adjustments in the supply chain. However, the Life Care business remained robust, offsetting the decline in the Information Technology business. The weakening yen also provided a positive exchange rate effect, leading to record-high sales revenue and profits. This demonstrates the value of business portfolio management, which aims to stabilize overall performance by balancing weaker areas with stronger ones. In the Information Technology business, which experienced a revenue decline, we managed to maintain profit margins by controlling costs flexibly and promptly. We believe this achievement underscores our focus on both profitability and efficiency.

On the other hand, the system disruption caused by the cyberattack on March 30, 2024, highlighted challenges in our cybersecurity. The incident caused temporary shutdowns in a wide range of systems, including manufacturing and order processing systems, across multiple business units. We sincerely apologize for the significant inconvenience this incident caused our customers and business partners, as well as the concern it raised among our shareholders and other stakeholders. This system disruption occurred at the end of the fiscal year and did not affect our performance for fiscal 2023, but is impacting sales revenue, primarily in the Life Care business, in fiscal 2024. While systems have since been restored and normal business activities resumed, we've undertaken a comprehensive review of our cybersecurity measures in response to the incident. Based on the outcomes of this review, we are completely revamping not only our firewalls and other similar tools but our entire IT security infrastructure. While it's not possible to achieve "100% IT security" due to the constantly evolving nature of cyberattack methods, we are committed to preventing future incidents by staying abreast of new security technologies and continuously investing in IT.

It seems that despite the varying market trends across different businesses and products, the Group has managed to maintain overall profitability, largely thanks to its business portfolio management. Could you elaborate on the features of the business portfolio management approach and the systems that support it? Additionally, considering future changes in the external environment, do you foresee any challenges in the current business portfolio or areas that may need strengthening going forward?

As I mentioned earlier, during fiscal 2023, the robust performance of the Life Care business offset the downturn in the Information Technology business, enabling the Group to achieve solid overall growth. On the other hand, during the COVID-19 pandemic, it was the exact opposite scenario—the Life Care business was hit hard by lockdowns and other restrictions, but strong demand in the Information Technology business driven by remote work and other factors stabilized things for the Group as a whole.

The macro environment is always changing, and with the recent rise in geopolitical risks, it has become even more important to diversify the regions, markets, and customers we engage with. This diversification, which takes account of both risks and opportunities, is crucial for stabilizing our business performance.

We have always adapted our business portfolio flexibly to changes in the external environment through the acquisition of new businesses and the sale of others. This survival-of-the-fittest management approach has allowed us to build a robust portfolio by retaining our strongest businesses. However, because markets and businesses go through life cycles from growth to maturity and eventually decline, it's crucial to identify which stage each business or product in our portfolio is at and allocate management resources accordingly. To continuously develop our business portfolio, we prioritize acquiring businesses with medium- to long-term growth potential as a key task for the CEO. We actively pursue both internal development and M&A opportunities to this end.

Our business portfolio comprises more than 10 divisions that, in principle, operate independently. However, in October 2022 we reorganized these divisions into three internal companies under the themes of Eye Health, MedTech, and IT. When I was a division head, I observed that there was little collaboration between the divisions, and I felt that combining our individual expertise could lead to new business opportunities. Based on this idea, we are now promoting business development beyond existing frameworks under the unified themes of these internal companies.

With this system in place, we are focusing our attention on eye health and high-tech as areas with significant potential for structural growth. In eye health, the global rise in myopia and the increasing number of cataract patients due to aging populations are becoming major social issues. We aim to actively identify growth opportunities, including in areas not covered by our existing product range. In high-tech, advanced computing and data analytics technologies underpin modern society. We are continuously exploring innovative business opportunities, particularly around the materials and components that support these technologies behind the scenes.

Last, could you share your thoughts on any other future prospects, key initiatives, points to note, or messages you'd like to convey?

To reiterate, in the two years following the COVID-19 pandemic, the Life Care business compensated for a downturn in the Information Technology business. However, as of September 2024, the situation has shifted significantly. Due to the system disruption and an economic slowdown in the Chinese market, growth in the Life Care business is expected to slow slightly in fiscal 2024. Conversely, the Information Technology business is anticipated to experience robust growth, driven by the recovery of inventory levels for extreme ultraviolet (EUV) mask blanks and glass substrates for HDDs.

Demand for EUV mask blanks has significantly increased, fueled by the development of next-generation nodes. While we expect heightened competition in the medium term, we aim to maintain our leading position and high market share in next-generation products. Regarding glass substrates for HDDs, the exponential increase in data generation, particularly that related to generative AI, underscores the growing importance of cost-competitive HDDs. With the normalization of supply chain inventory levels that occurred by the end of 2023, demand for glass substrates for HDDs in fiscal 2024 is expected to match the peak levels seen in fiscal 2021. In response to these developments, we are enhancing capacity in both businesses.

As demonstrated, while the performance of individual businesses may fluctuate, our business portfolio management is enabling continued, stable growth for the Group as a whole. We will continue to optimize our business portfolio to respond flexibly to the rapidly changing external environment and ensure sustainable growth for the Company. We sincerely appreciate the continued support and encouragement of all our shareholders, investors, and other stakeholders.

Interview with the CFO

When making various management decisions, I always try to think in numerical terms and strive to enhance corporate value.

Ryo Hirooka

Director, Representative Executive Officer & CFO



2024 marks your 12th year as CFO of the HOYA Group. What have you valued most in your role?

I make a wide variety of decisions in our daily business operations, and I try to think of everything in terms of numbers. I think it's essential for a CFO to look at things from the perspective of "What does this initiative mean for us in terms of numbers? Is it really going to contribute to enhancing our corporate value?" For instance, when I hear abstract terms like "strategic investment" used in management meetings, I see that as my cue to exercise caution and to further quantify exactly how this investment is going to increase corporate value for us.

Following the March 2023 recommendations by the Tokyo Stock Exchange, there has been a surge in activities aimed at improving capital efficiency among listed companies in Japan. This Company has prioritized capital efficiency in our management for over 20 years. What are we doing to improve it even further? Which key metrics are we focusing on?

Long before I became CFO, the Company already had a solid foundation, including a quarterly budget management system established by my predecessors. This has allowed us to improve capital efficiency in our daily operations in an organic way, without the need for any special measures. Rather than specific initiatives, I think it's more important to use rigorous financial metrics when making important decisions, for example. Our metrics are multifaceted, but the payback period for cash-based investments is one that we prioritize. Profitability is the cornerstone of our cash generation, making profit margin an essential metric. It does vary by business, but in our Life Care business, for instance, we use a profit margin of 20% as an implicit benchmark. Based on this benchmark, we consider the payback period on a cash flow basis, taking into account tax rates and other factors. Of course, some investments, like updating existing facilities, can be recouped quickly, while others, like M&A investments, may take longer. In any case, it's essential to make decisions

on the premise of recovering the invested capital on each and every project. Maintaining cost awareness in our everyday business activities also aids in improving capital efficiency.

In addition to pursuing profitability and payback periods for each project, do you also consider methods such as increasing financial leverage to improve capital efficiency?

To be frank, I find little value in such technical maneuvers. While we are not averse to taking on debt, and borrowing to fund acquisitions that exceed our equity is certainly possible, such options should only be considered when there is a genuine opportunity for growth. In my view, altering our capital structure through financial leverage without a specific purpose is putting the cart before the horse. I intend to remain steadfast on this point going forward.

You mentioned capital structure. Our Company currently holds over 520 billion yen in cash and deposits. What do you see as being an appropriate level for our cash reserves, and how do you envision allocating future cash flows?

More than 80% of our cash and deposits are held in foreign currencies such as US dollars and euros. Due to yen's recent depreciation, these amounts seem very large when converted back into yen. That said, we recognize that our current level of cash and deposits is quite substantial relative to our operational requirements, and we aim to prevent excessive accumulation. Regarding allocation, with our operating cash flow consistently exceeding 200 billion yen annually, we plan to allocate 50 to 60 billion yen for capital expenditure and about 40 billion yen for dividends, with the exact amounts depending on currency exchange trends. In the absence of M&As, our standard policy is to return the remaining funds to our shareholders through share buybacks.

From a CFO's perspective, what do you consider to be the main management challenges facing the Company?

Acquiring businesses with medium to long-term growth potential is a recognized challenge among our management team. There has been an increase in discussions about expanding our business domains, especially through M&As. Our existing businesses are highly profitable, and it's exceedingly rare to find M&A opportunities that meet the payback period criteria for internal investments I mentioned earlier. Viewed in isolation, M&As can be seen as fundamentally diluting corporate value. These are complex issues with no clear-cut answers, but our approach is to seek out assets that can offer synergies with our existing operations, and where any negative impacts can be absorbed by the Group as a whole.

Last, could you describe the kind of CFO you aspire to be?

As a corporate executive, I value integrity. While it's perhaps human nature for self-interest to occasionally influence our thoughts, I always try to go back to the question "Will this benefit the Company?" when making decisions. I also try to avoid confining myself to traditional CFO responsibilities, but instead consider issues from a broader management perspective.

Interview with the CSO

Driving ESG initiatives forward to enhance corporate value



Tomoko Nakagawa

Executive Officer, Chief Sustainability (ESG) Officer (CSO)

Fiscal 2022 saw significant progress made, including our first TCFD (Task Force on Climate-Related Financial Disclosures) disclosure. In fiscal 2023, your second year as CSO, what were the key activities you focused on?

In my first year as CSO in fiscal 2022, we laid the groundwork for our ESG efforts by establishing an internal framework and implementing a system for Group-level environmental data collection.

In fiscal 2023, we focused on actually collecting environmental data, expanding the number of businesses covered by TCFD, calculating Scope 3 data, and preparing for the European CSRD (Corporate Sustainability Reporting Directive).

Due to the diversity of our products and services and the differing environments in which our businesses operate, our ESG challenges and priorities vary by division. To enrich ESG activities within each division, discussions were needed to identify their specific ESG issues and put in place relevant targets and effective measures. Consequently, fiscal 2023 was a year of building collaborative relationships with each division.

Additionally, to promote knowledge sharing across the HOYA Group and raise awareness of cross-divisional cooperation and Group-wide ESG activities, we launched the “ESG Awards.” These awards recognize ESG initiatives that contribute to enhancing corporate value for the entire Group. We received approximately 50 submissions showcasing various global initiatives. It was a source of immense pride to see how proactively involved our employees are in ESG activities, and it provided a wonderful opportunity for sharing best practices across the Group. It reaffirmed just how important ESG activities are to enhancing our resilience to the environmental changes affecting our businesses, and to improving the competitiveness of our Group companies. We plan to continue with these internal activities going forward.

For Scope 1 and Scope 2 CO₂ emission reductions, we are steadily pursuing strategies to achieve our interim targets of 60% renewable energy use and a 60% reduction in CO₂ emissions (compared to fiscal 2021) by fiscal 2030. Initiatives include installing solar panels on company buildings, reviewing our energy contracts, and procuring non-fossil certificates. As a result, our renewable energy ratio improved from 2% in fiscal 2022 to 14% in a single year. We will continue to advance our renewable energy adoption by exploring procurement methods in various countries and gathering the latest information.

On the other hand, Scope 3 remains a significant challenge. In fiscal 2023, we began calculating Scope 3 emissions company-wide, starting with the disclosure of major emission sources. Since the value chain varies by business, the trends, challenges, and countermeasures for Scope 3 emissions also differ. Moving forward, we need to address each business individually while also tackling issues common to all of them—specifically, expanding the calculation categories and engaging with suppliers to collect primary data and implement emission reduction activities, particularly for Category 1 (Purchased Goods and Services). Our goal is to advance our Scope 3 initiatives and aim for SBT (Science Based Target) certification, which targets a 1.5°C limit for global warming based on scientific evidence.

ESG covers a very broad range of areas. Among those, what particular challenges do you see at this current time?

As mentioned, understanding, disclosing, and setting reduction targets for Scope 3 emissions, along with obtaining SBT certification, is a major challenge in the Environmental agenda.

In the Social agenda, we introduced a global employee evaluation system in fiscal 2022, creating a common standard across the Group. After a year, we feel that the qualities and competencies we expect from employees are becoming well understood internally. Additionally, HR conducts ongoing employee engagement surveys, using the results to engage in dialogue with employees in each business unit and implement improvement measures to create a better workplace environment.

Diversity & Inclusion (D&I) is also crucial in enhancing corporate value. In particular, we recognize the need to increase the presence of women, including female engineers, in the Information Technology sector. We are considering initiatives such as talks by our female external directors with engineering experience to share their insights within the Company.

Promoting ESG requires considering not only this Company but the entire value chain, and that presents a major but vital challenge. Reducing Scope 3 emissions is part of that challenge, and we must also update our supply chain management to include human rights due diligence, given the global nature of our supply chain. We recently revised our Supplier Code of Conduct and must now implement initiatives to enhance its effectiveness. We need to move forward in a manner compliant with the European Corporate Sustainability Due Diligence Directive (CSDDD) as we evolve our current efforts.

Finally, could you sum up fiscal 2023 and share your outlook for the future?

Fiscal 2023 was a year where various disclosure frameworks for non-financial information were further developed and clarified. Moving forward, it will be essential to comply with international non-financial disclosure frameworks such as those from the ISSB (International Sustainability Standards Board) and the European CSRD. In preparation, we are currently reviewing and improving our internal information collection processes, controls, and IT systems. While building these processes is a significant challenge, enhancing our disclosures will provide an opportunity to increase transparency regarding our business activities, achievements, and initiatives, fostering better dialogue with our stakeholders. To underscore our Group's commitment to implementing this effectively, our Compensation Committee has increased the weighting of ESG targets from 10% to 25% within our long-term incentive evaluation criteria for executive officers. We have also incorporated non-financial KPIs into the compensation structure for business unit leaders responsible for implementing these initiatives. This will ensure ESG activities are integrated across management and operations to enhance corporate value. We sincerely appreciate the continued support of our stakeholders throughout this process.

[Special Feature] Interviews with Independent Directors:

Perspectives

Lead Independent Director

Chairperson of the Audit Committee, Member of the Nomination Committee, Member of the Compensation Committee, Member of the Healthcare Compliance Committee

Insights from Hiroaki Yoshihara

Q In last year's Integrated Report, you commented that "it is most urgent for HOYA to create the businesses that will drive clear growth for the future." From your perspective as the lead independent director, how do you view the progress HOYA has made in creating and acquiring new businesses?

The Company's strategy for the growth of each of its businesses in the near future is very clear. Meanwhile, a roadmap for medium- to long-term growth strategies is being drawn up under the in-house-company structure introduced in October 2022. The Board of Directors are engaged in ongoing discussions and are verifying a strategy that balances profitability and growth over the medium to long term. This review is founded on a firm awareness of HOYA's management resources, such as its technological and production capabilities, human capital, and its positioning with the customers and markets it serves.



Independent Director

Chairperson of the Nomination Committee, Member of the Compensation Committee, Member of the Audit Committee, Member of the Healthcare Compliance Committee

Insights from Yasuyuki Abe

Q I believe succession planning for the CEO and other key positions within the Company is an important point. From your perspective as Chairperson of the Nomination Committee, are there any issues you are aware of, including from the perspective of leadership development?

In my view, it is critical for the key members who will lead the future of HOYA to understand the history of the Company from its establishment in 1941 to today, as well as the current strengths of HOYA. On top of that, the Nomination Committee will provide advice on the development of human resources who can lead the company's growth in the future.



Independent Director

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

Insights from Takayo Hasegawa

Q I have heard that since you took office as CEO of SWCC Corporation, you have been promoting internal reforms using ROIC (return on invested capital) as a yardstick. How do you rate HOYA's management from the standpoint of efficiency?

I think it is very commendable that HOYA has a well-functioning business division system in terms of securing profits, and that it conducts business activities with a strong awareness of year-on-year growth by setting high profit margin targets. ROIC is also exceptionally high, and since most of the businesses are generating returns well above WACC (weighted average cost of capital), this metric does not appear to be suitable for HOYA. Although the Tokyo Stock Exchange has raised ROIC as a major indicator, I think it is critical to consider KPIs that match the characteristics of a company and its growth. As such, I believe that HOYA's method of adopting a hurdle rate is reasonable in light of its current business situation.



Independent Director

Chairperson of the Healthcare Compliance Committee, Member of the Nomination Committee, Member of the Compensation Committee, Member of the Audit Committee

Insights from Mika Nishimura

Q Technological innovations in the field of health care, such as the deployment of robotics and AI, are underway. Given your extensive experience in the life science field, what are your expectations for the growth potential of HOYA's Life Care business?

In life sciences, medical devices are increasingly married to AI-based predictive or personalized algorithms to help clinicians optimize patient management. For HOYA, many of our life care devices are based on our unique optical technology. With such rich imaging data coupled with patient information, I can see a future where AI-based models will help identify who is at risk for further disease progression and create tailored solutions for each individual.



Independent Director

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

Insights from Mototsugu Sato



It has been a year since you were appointed as an Independent Director of the Company. How would you evaluate HOYA's global business development reflecting back on your own global management experience?

The HOYA Group's business portfolio strategy is exhaustive, and its global businesses are optimally rolled out locally based on market needs. Also, decisions are made quickly and appropriately with sound delegation of authority. On the other hand, I would like to see the Company expand and develop management talent who can lead businesses and cross-functional functions from a Group perspective across business domains.

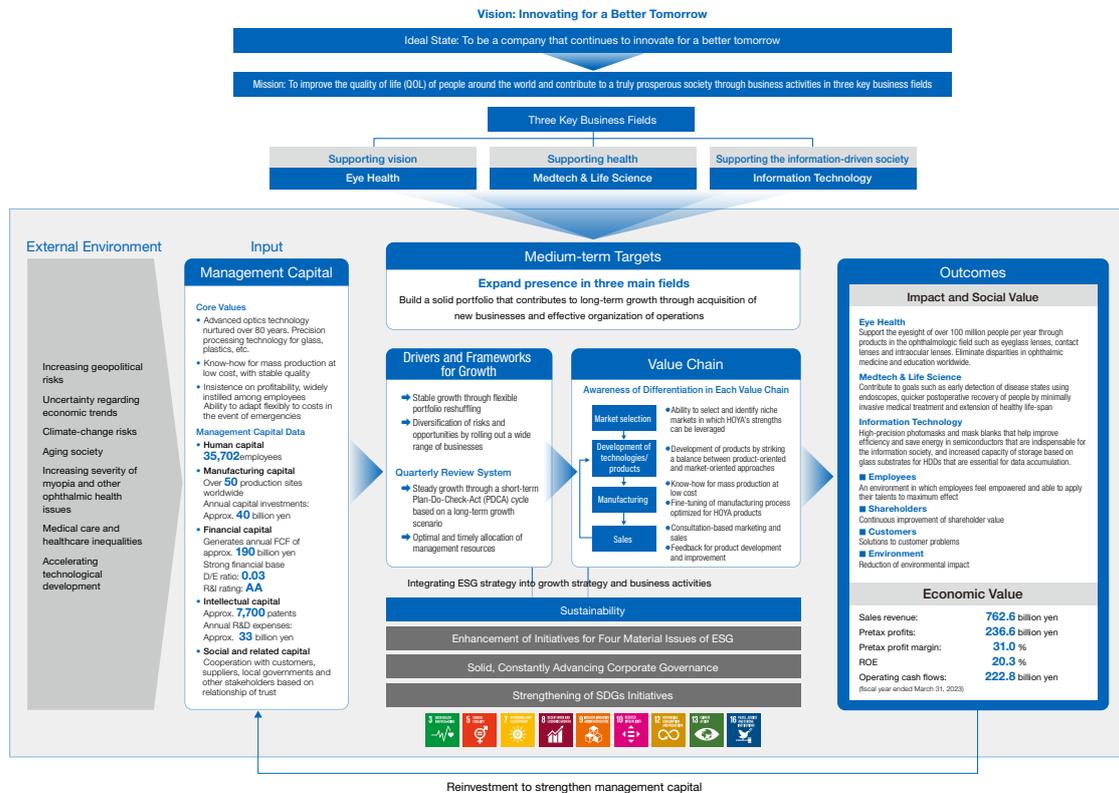


HOYA Value Creation

HOYA's Value Creation Model

Since our founding more than 80 years ago, we have been expanding our business to include a wide variety of products with optical technologies at their core. When selecting a business, we have been placing emphasis on resolving social issues through our products and services, while also making it a prerequisite to choose a market in which there is not too much competition and where we can leverage our core competencies in optical know-how. Based on those core competencies, we aim to create integrated value for business growth and sustainability by focusing on three social issues: (1) vision-related issues, such as the growing number of people with myopia; (2) medical-related issues, against the backdrop of factors that include the aging society; and (3) the challenges involved in the technological response to the information society that is continuing its remarkable development.

Sustainability is built on a stable business and financial foundation. Including the rise of geopolitical risks, in recent years the macro environment has been changing rapidly, and companies are being required to demonstrate their competitiveness by transforming their business structure more quickly and more flexibly. Rather than simply sticking to our decisions, we have been enhancing our corporate value by flexibly changing our business strategies and cost execution on a quarterly basis in keeping with changes in the external environment. Diverse external factors are expected to affect business activities in the years to come, and we will work to create stable outcomes through flexible business strategies and the transformation of our business portfolio.



[Download \(PDF: 148KB\)](#)

HOYA's ESG Approach

ESG and Sustainability Governance Framework

Governance

HOYA is organized as a company with Nomination Committee, etc. As such, the Board of Directors functions as a monitoring board, supervising the executive side and deliberating and deciding on materialities in management policy Group-wide. To secure management supervisory functions and ensure their objectivity, in fiscal 2023 the Company established a framework in which five of seven directors are outside directors. In addition to individuals with a global mindset and a wealth of management experience, the outside directors are made up of individuals with backgrounds in personnel development and diversity from a sustainability and ESG standpoints, and with management experience of important decision making in climate change.

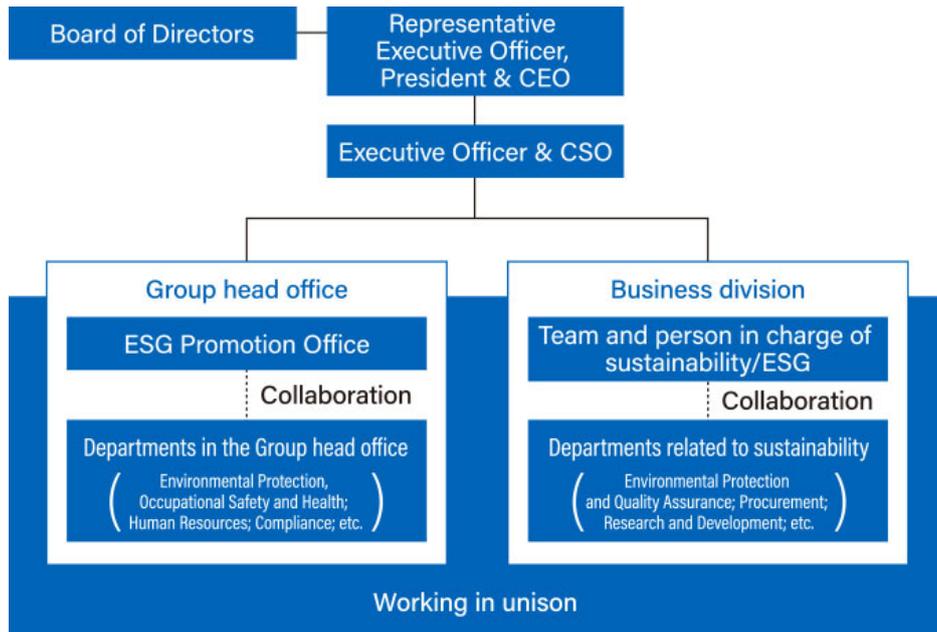
The Group's basic sustainability policies, including climate change countermeasures, materiality, and important measures such as TCFD and RE100 are disclosed through deliberation and decision-making procedures by the Board of Directors. In addition, the Board of Directors receives regular reports on issues related to sustainability, including responses to climate change, from the Chief Sustainability Officer (twice a year in fiscal 2023), and monitors progress. The Board of Directors receives reports on climate change responses in each business division during business reviews at Board of Directors meetings and provides advice from multiple perspectives. Similarly, the Group CHRO reports regularly to the Board of Directors regarding personnel measures across the HOYA Group, and the Group CCO reports regularly to the Board of Directors on compliance (once a year in fiscal 2023).

At HOYA, we conduct business operations through a divisional management approach facilitated by portfolio management. As such, each business division's specific policies on responding to sustainability-related issues, including climate change and human capital, are reflected in the management strategy, management plan and annual budget of each business, to be approved and decided by the Board of Directors. Additionally, each business division's head (division president) appoints a sustainability/ESG team within their division. Under the direction of the division head, the division's KPIs, aligned with the Group's goals, are set in consultation with the CSO. The division then implements measures to achieve these established KPIs.

In fiscal 2022, ESG indicators were incorporated into the Performance Share Unit (PSU), serving as a medium- to long-term incentive in executive officers' remuneration. Targets are set according to evaluations by outside organizations and the status of efforts on key ESG themes, including climate change and human capital. In fiscal 2023, to enhance the effectiveness of these indicators, important KPIs among the key ESG-related targets set by each business division, such as renewable-energy usage rate, were added to the criteria for annual incentives of the presidents of each business division.

Risk management

The HOYA Group's head office appoints persons responsible for functions considered a significant risk to the Company, including compliance, response to pharmaceutical regulations, cybersecurity, and safety/hygiene. The responsible persons in the head office regularly monitor the activities of the business divisions concerning their respective duties and report to the executive officers on the recognition and response status of significant risks. Based on these reports, the risks faced by our Group are presented to and deliberated by the Board of Directors.



Sustainability Policy

For the purpose of clearly stipulating the HOYA Group’s basic stance and policy on sustainability and further promoting sustainability activities, we established the HOYA Group’s Sustainability Policy in May 2022.

HOYA Group is committed to contribute towards building a sustainable society and aims to enhance our long-term corporate value by implementing our management principles based on our corporate mission in our day-to-day work.

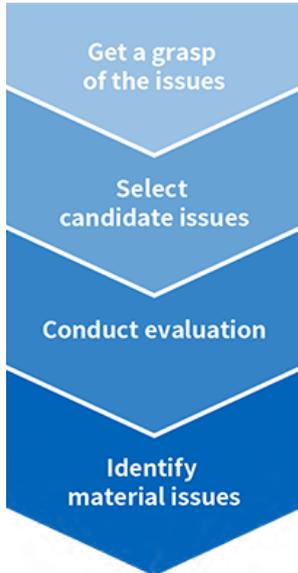
- We will aim to help resolve global social issues through innovation in our businesses.
- We will realize fair and highly transparent corporate management by building a relationship based on trust through consistent dialogue with key stakeholders.
- We will aim to minimize environmental externalities in our business activities to ensure our future generations inherit a healthy global environment in future.
- We respect the human rights of all people involved in our business activities, including those in our supply chain and will strive to prevent any abuse on human rights.
- We will create a work environment to promote diversity and inclusion with an emphasis on the wellbeing of our employees in the aim of keeping high motivation and moral to create new value.

For HOYA’s Corporate Mission, Management Principles and Vision, [click here](#).

Material Issues

Having internally discussed and examined matters that contribute to the HOYA Group’s medium- to long-term growth (i.e., material issues), we identified four material issues with the approval of the Board of Directors in September 2021.

Process of Identifying Material Issues



- Get a grasp of changes in society and issues related to HOYA’s businesses.
- Analyze ESG rating agencies’ evaluation of HOYA and refer to international guidelines^{*1}.
- Interview the management of business divisions.
- Use the industry-by-industry Materiality Map^{*2} by SASB^{*3} that matches HOYA’s businesses and select the candidate issues based on evaluation on two axes, i.e., by mapping stakeholders’ interest on the vertical axis and the impact on HOYA’s businesses on the horizontal axis.
- Conduct an evaluation comprehensively by deepening internal discussions while referring to opinions and feedback obtained from investors in and outside Japan who are key stakeholders.
- Obtain approval for the identified four material issues at the Board of Directors’ meeting.

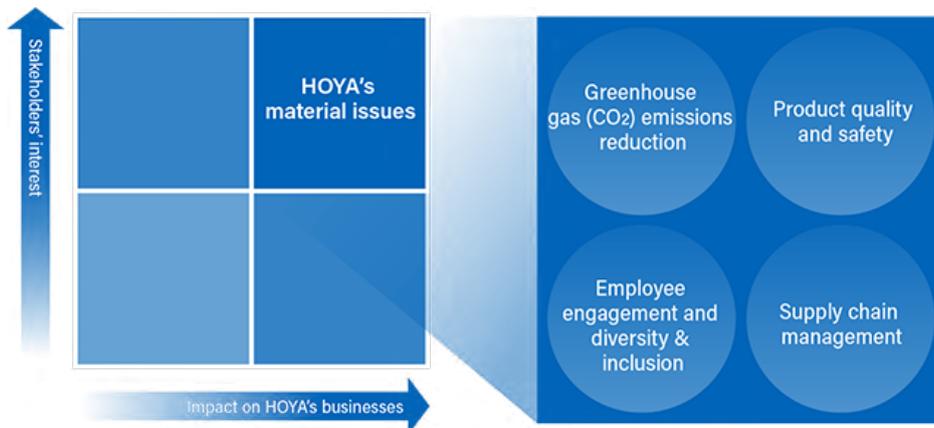
*1. SASB, GRI, IIRC, ISO26000, TCFD, RBA, CDP

*2. Industries: Medical Equipment & Supplies, Hardware, Semiconductors

*3. Sustainability Accounting Standards Board

Identified Material Issues

Four material issues have been identified in HOYA as a result of the above process.



Risks and Opportunities of Material Issues

In consideration of the social issues worldwide and HOYA's business environment, we examined and discussed the following risks and opportunities in the process of selecting material issues.

Material issue	Risk	Opportunity
<u>Greenhouse gas (CO₂) emissions reduction</u>	<ul style="list-style-type: none"> ● Laws, regulations and industry rules and/or demands from customers might become tougher, and if they are not addressed, it might diminish the competitiveness of HOYA's products/services and/or HOYA's social credibility ● Carbon tax and/or carbon pricing (e.g., emissions trading scheme) might be introduced more widely 	<ul style="list-style-type: none"> ● Electricity-saving production processes lead to cost reduction
<u>Product quality and safety</u>	<ul style="list-style-type: none"> ● If any inadequacy/defect in a product occurs, or if an incident involving noncompliance with laws, regulations or standards arises, it might give rise to costs of recall and/or diminish HOYA's social credibility ● Laws, regulations, standards, etc. related to product quality and safety might become tougher 	<ul style="list-style-type: none"> ● Thorough compliance with laws, regulations, industry rules, etc. and execution of business activities in a sound manner help enhance corporate value
<u>Employee engagement and diversity & inclusion</u>	<ul style="list-style-type: none"> ● Competition to secure highly talented human resources might intensify on a global scale 	<ul style="list-style-type: none"> ● Increase in opportunities for value creation and innovation brought about by securing and developing diverse human resources
<u>Supply chain management</u>	<ul style="list-style-type: none"> ● HOYA might be suspended from trading or its social credibility might be diminished by the impact of violation of laws and regulations and/or infringement of human rights, etc. in the supply chain 	<ul style="list-style-type: none"> ● A stable supply of components being secured and a sustainable production system being established by building a relationship based on trust with suppliers

Approach to and Measures for Material Issues

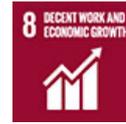
Material issue	Approach	Measures	Relevant SDGs
<p>Greenhouse gas (CO₂) emissions reduction</p> <p>Scope 1+2 reduction targets: 60% reduction by fiscal year 2030 100% reduction by fiscal year 2040 (compared to the base year of fiscal 2021)</p>	<p>Set a medium- and long-term target for CO₂ emissions reduction and create a roadmap to achieve it</p> <p>Set measures and KPIs to achieve the target and steadily implement the measures and monitor KPIs</p>	<ul style="list-style-type: none"> ● Replace production equipment with units that have high energy efficiency ● Consider and promote the introduction of renewable energy ● Switch lighting to LEDs, promote eco-cars for company vehicles, etc. ● Promote disclosures based on TCFD recommendations 	  
<p>Product quality and safety</p> <p>Main future initiatives: In particular, the Life Care business will continue to strive to improve its management and in-house education systems as well as implement thorough quality control through product risk management, such as compliance with ISO 14971.</p>	<p>Review and improve the product safety and quality management system and operations on an ongoing basis—especially in the Life Care business, which deals in medical products—so that customers can use products more effectively and safely</p>	<ul style="list-style-type: none"> ● Enhance the quality management system on an ongoing basis in response to changes in regulations ● Maintain ISO9001/13485 certification by enhancing internal QMS audit 	
<p>Employee engagement and diversity & inclusion</p> <p>Targets: Domestic ratio of female employees—Achieve 32% by fiscal 2025 Domestic ratio of female managers—Achieve 18% by fiscal 2025</p>	<p>Aim at creating a workplace environment in which diverse employees can fully demonstrate their capabilities with a sense of fulfillment from work so that employees' growth also translates into HOYA's growth</p>	<ul style="list-style-type: none"> ● Conduct employee engagement surveys and implement measures in response to analyses of survey results ● Promote the “Minkatsu” diversity project to create a work environment in which everyone can play an active role (mainly targeted at workplaces in Japan) 	  

Supply chain management

Major future initiatives: Update the HOYA Supplier Code of Conduct in fiscal 2024. Going forward, establish a due diligence policy and survey/encourage suppliers from the perspectives of human rights and the environment.

Properly manage the supply chain based on the HOYA Supplier Code of Conduct, from the viewpoint of complying with laws and regulations and protecting human rights not only internally but also in the supply chain

- Encourage suppliers to abide by the HOYA Supplier Code of Conduct and obtain their signatures
- Conflict minerals survey



- Measures and targets/indexes for material issues will be additionally set and reviewed in the process of holding discussions and carrying out initiatives in-house.
- As HOYA's businesses are wide-ranging, we will also set targets and implement measures for individual sustainability/ESG issues in each business division on top of the common material issues.

Corporate Governance

Basic views

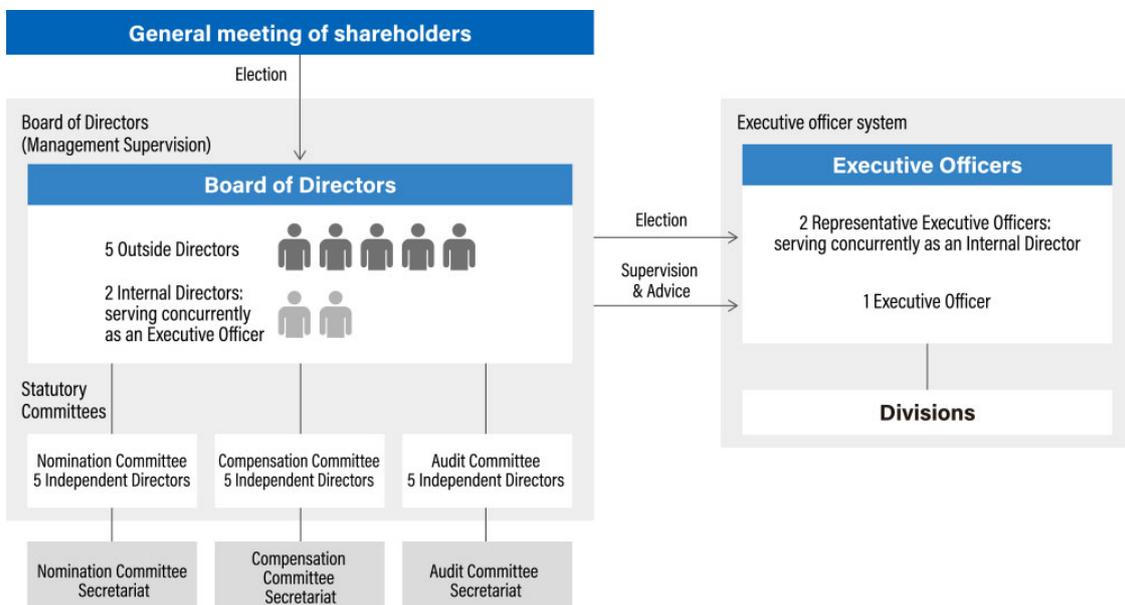
HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management. As the basis of taking a fair approach to stakeholders, to prevent management from being conducted based solely on in-house logic, we have set forth in the Articles of Incorporation that a majority of directors consist of outside directors, who actively supervise management by executive officers and provide advice in order to improve corporate value from an objective and broad perspective. HOYA also gives executive officers the authority and responsibility for the execution of operations, in order to accelerate decision-making and improve management efficiency.

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

Structure

HOYA employs a company with Nomination Committee, etc. management system. Under a company with Nomination Committee, etc. management system, by giving executive officers authority to manage business, business decision-making is accelerated. At the same time, three statutory committees—the Nomination Committee, the Compensation Committee, and the Audit Committee—were established, with a majority of the members being outside directors (at HOYA, the committees are composed exclusively of outside directors), to ensure the effectiveness of management supervision by the Board of Directors. Adopting a company with Nomination Committee, etc. management system enables us to clearly separate the execution and supervision of corporate management, whereas this was not possible with the previous company with Auditors system. Through this system, we aim to ensure efficient management and improve the overall soundness and transparency of management. Also, because HOYA has businesses that handle medical equipment, a voluntary Healthcare Compliance Committee is established consisting of three outside directors with knowledge of medical fields to monitor these businesses’ regulatory compliance.

Corporate Governance Structure (As of June 27, 2024)



Board of Directors

Board of Directors

Our Board of Directors comprises five outside directors and two internal directors, totaling seven directors (as of June 30, 2024). In principle, the Board holds 10 regular Board meetings per year. Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, where globally-minded outside directors with a wealth of management experience ask questions and give advice on the execution of operations by executive officers from various angles. The Board of Directors also works to obtain necessary information as appropriate on the developments in significant legal revisions and trends in corporate governance through lectures given by outside experts and other means.

In fiscal 2023, the Board of Directors was comprised of five independent directors, including two female independent directors, and two internal directors. Board of Directors' meetings were convened 10 times, with 100% attendance by all directors.

Based on the Board of Directors Regulations, the Board of Directors not only addresses statutory matters but also reviews the medium- to long-term business portfolio, approves quarterly budgets and quarterly earnings reports, deliberates on M&A projects and the executive organization, and receives reports on the activity status and medium- to long-term plans of each business division. Once a year, the members of the Board of Directors and the three committees are asked to evaluate themselves through a survey on their operations and effectiveness. A summary of the results of the evaluations for fiscal 2023 is as follows:

Based on a common understanding of the importance of the Board of Directors being composed of appropriate members and to fulfil its function of monitoring and supervising execution, the Board of Directors is highly regarded as having improved its operational aspects, with open and active discussions under appropriate agenda setting by the chairperson. The Nomination Committee, Compensation Committee, and Audit Committee are also highly regarded as having adequate discussions with appropriate numbers and compositions of members. With regard to the matters identified as key issues in the evaluations of the effectiveness of the Board of Directors in fiscal 2022, (namely(1) more detailed discussion of key management issues, including discussion on medium- to long-term strategy, (2) more detailed discussion of formation of a CEO succession plan, and (3) more detailed discussion of risks associated with issues of sustainability), it is assessed that certain measures have been taken but that further efforts are needed. Particularly with regard to (1), the Board of Directors is expected to have more detailed discussion on the medium- to long-term growth strategy and the direction of the Company's overall portfolio."

In order to discuss each issue, the Company will continue to examine and improve the operation of the Board of Directors, communication among directors and between directors and executive officers, and the composition of the Board of Directors. It will thus aim to further improve the effectiveness of the Board of Directors.

Board Member Profiles



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

Hiroaki Yoshihara

(Born on Feb. 9, 1957)

[Number of years in office of the Director of the Company]

6 years

[Number of shares of the Company held]

0 Share

[Number of attendances to the board meetings]

10/10 times (100%)



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

Yasuyuki Abe

(Born on Apr. 17, 1952)

[Number of years in office of the Director of the Company]

3 years

[Number of shares of the Company held]

0 share

[Number of attendances to the board meetings]

10/10 times (100%)



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

Takayo Hasegawa

(Born on Oct. 15, 1959)

[Number of years in office of the Director of the Company]

2 years

[Number of shares of the Company held]

0 share

[Number of attendances to the board meetings]

10/10 times (100%)



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

Mika Nishimura

(Born on Aug. 14, 1963)

[Number of years in office of the Director of the Company]

2 years

[Number of shares of the Company held]

0 share

[Number of attendances to the board meetings]

10/10 times (100%)



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

Mototsugu Sato

(Born on Oct. 17, 1956)

[Number of years in office of the Director of the Company]

1 year

[Number of shares of the Company held]

0 share

[Number of attendances to the board meetings]

10/10 times (100%)



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

Eiichiro Ikeda

(Born on Mar. 17, 1970)

[Number of years in office of the Director of the Company]

2 years

[Number of shares of the Company held]

2,900 shares

[Number of attendances to the board meetings]

10/10 times (100%)



Director, Representative Executive Officer & CFO

Ryo Hirooka

(Born on Jan. 14, 1974)

[Number of years in office of the Director of the Company]

2 years

[Number of shares of the Company held]

9,700 shares

[Number of attendances to the board meetings]

10/10 times (100%)

Please see [the website](#) for further details.

Independent Directors' Skills Matrix

Skill items	Definition	Reason for selection	Yoshihara	Abe	Hasegawa	Nishimura	Sato
Corporate management	Knowledge and experience regarding company management and corresponding corporate governance	To sustain improvement in business performance and growth, and thereby enhance the corporate value	●	●	●		●
Global business	Knowledge and experience necessary for global management and relevant business development	To promote management respecting diverse cultures and customs in each region	●	●	●	●	●
Finance/ accounting	Knowledge and experience in the finance/accounting domain	To achieve financial targets and increase transparency to stakeholders	●				●
Related industries/ businesses	Knowledge and experience regarding industries and businesses associated with the Company's businesses	To promote management based on an understanding of industry trends, regulations, and technologies	●	●	●	●	
M&A	Knowledge and experience in M&A in general, such as due diligence and formulation of integration plans	To promote the Group's growth strategy through the implementation of strategic M&A	●	●		●	●
Sustainability/ ESG	Knowledge and understanding of trends in the sustainability/ESG area, and relevant experience	To promote sustainable management to realize a sustainable society, and thereby enhance the corporate value in the medium to long term	●	●	●	●	●
Risk management	Knowledge and experience in the risk management domain, including legal compliance, and supply chain/quality control/IT security	To continue to provide products and services stably and steadily to the society	●	●	●	●	●
Human resource development	Knowledge and experience regarding the human resources domain, such as cultivation of human resources and leadership development	To promote management focusing on human capital	●		●	●	●

Executive Officers

At HOYA, swift execution of operations is conducted by entrusting the authority of the Board of Directors to executive officers within the framework of a “company with Nomination Committee, etc.” Three persons—namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Sustainability (ESG) Officer—have been nominated by the Nomination Committee as candidates for executive officers and elected at the Board of Directors’ meetings. 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 head office divisions and the respective persons responsible for the business divisions to formulate and implement specific measures based on the management policy determined by the Board of Directors. With respect to all business divisions, Budgetary Business Division Meetings are held every quarter in each business division, with the attendance of all executive officers, where the status of progress relative to the annual plan is checked and deliberations are held on plans for the coming quarter. Authority over day-to-day business operations in each business is largely delegated to the respective persons responsible for the business divisions, who execute the plan approved at the Budgetary Meeting. The CEO, CFO and CSO all attend each meeting of the Board of Directors.



Representative Executive Officer
President & CEO

Eiichiro Ikeda



Representative Executive Officer & CFO

Ryo Hirooka



Executive Officer
Chief Sustainability (ESG) Officer (CSO)

Tomoko Nakagawa

Please see [the website](#) for further details.

Committees

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

Nomination Committee

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

The Committee has set out independence criteria for director candidates that are stricter than the rules of the Tokyo Stock Exchange to ensure the effective functioning of outside directors' overseeing executive officers. The outline of the Standard for Election of Candidates for Director is as follows:

[For both internal and outside director candidates]

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

[For internal director candidates]

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

[For outside director candidates]

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



■ Independence criteria for outside director candidates

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

<Those who are related to the HOYA Group>

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

<Major shareholder>

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

<Those who are related to major business partners>

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

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

- Those who have received remuneration of 5 million yen or more per year or those who have a family member who 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

The Nomination Committee held six meetings during fiscal 2023, in which the attendance ratio of all members was 100%. At these meetings, the Committee deliberated in particular on executive succession plans.

Compensation Committee

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

The Compensation Committee held eight meetings during fiscal 2023, in which the attendance ratio of all members was 100%. During these meetings, the Committee held in-depth deliberations, particularly on the composition and level of compensation for directors and executives and linking incentives to targets.

■ **Policy concerning remuneration for directors**

The remuneration of directors consists of a fixed salary and a medium- to long-term incentive. 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, the levels set by other companies as determined by a survey conducted by an outside professional organization, and the positions and responsibilities of each director. As a medium- to long-term incentive, the Company has introduced the Restricted Stock Unit (RSU), which delivers shares prescribed in accordance with the period employed as an outside director of the Company. The RSU will be granted annually in order for directors to share a common viewpoint with shareholders regarding the share price and to share interests with shareholders on a medium- to long-term basis. Every year, the Company announces a basic deliverable number of shares equivalent to fixed remuneration to outside directors for a three-year period from that year. After the end of the period in question, the Company determines, for each outside director, a basic compensation amount which is the market value of the Company's shares for the basic deliverable number of shares. The Company will pay to the outside directors 50% of the basic compensation amount as claims for monetary remuneration. Independent directors shall invest the monetary claims in kind and shall be granted a number of Company shares, which is equal to the amount of monetary claims in question divided by paid-in amount per Company share. From the viewpoint of ensuring payment of tax, the Company shall pay the remainder of the basic compensation amount in cash. However, the heirs of outside directors who died during their tenure and outside directors who retire due to injury or illness shall receive the entire basic compensation amount in cash. Also, the Company plans to issue RSU for periods of three years starting from the following fiscal year, and continuing thereafter.

[Composition ratio of compensation for directors]

Fixed salary : Medium- to long-term incentive (RSU) = Approximately 1:1

Notes: 1. A rough guide assuming that the share price in three years' time is about the same as the share price when the RSU was granted.

2. Clawback and malus clauses:

In the following cases, clawback and malus clauses shall be set forth, whereby the unpaid portion of the compensation under the RSU shall be reduced or disallowed, and a claim for return of all or part of such paid portion shall be made.

- (1) The case in which the recipient resigns for personal reasons, for whatever reason
- (2) The case in which the recipient is dismissed as a director of the Company
- (3) The case in which Board of Directors resolves to revise the financial statements as a result of material accounting error or fraud
- (4) The case in which an unlawful act, such as significant negligence of duties or violation of laws and regulations, a breach of the internal rules of HOYA Group, or a significant breach of contract, during the director's term of office, is revealed.

In fiscal 2023, the Compensation Committee deliberated on appropriate composition and levels of remuneration, taking into consideration basic policies, the Company's business environment, and levels, positions and responsibilities at other companies as discovered in surveys by outside specialist organizations. The Compensation Committee determined the remuneration for each director, based on the judgement that remuneration levels were composed in accordance with Company policy and appropriate for directors' positions and responsibilities. As such, the Compensation Committee further judged that the details of remuneration of individual directors in the fiscal year under review were in accordance with Company policy.

■ **Policy concerning remuneration for executive officers**

The remuneration of executive officers consists of a fixed salary, an annual incentive (performance-based bonuses), and a medium- and long-term incentive (Performance Share Unit (PSU)). For fixed salaries, basic compensation is set appropriately according to the office and responsibility of each Executive Officer (Representative Executive Officer, CFO, etc.) and benefits granted to expatriates in connection to their overseas postings (such as housing) are 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. Since 2003, the Company has abolished retirement benefits for executive officers, but in exceptional cases, severance pay may be paid as a condition at the time of retirement, as determined by the Compensation Committee. The amount of severance pay and other details will be determined on a holistic basis by the Compensation Committee on a case-by-case basis,

taking into consideration the position, reason for leaving the position, and other factors.

The performance-based bonus is determined according to quantitative results and qualitative evaluations and varies within the range roughly from 0% to 200%. As indicators of quantitative results, net sales, profit attributable to owners of the Company, and basic earnings per share (EPS) stated in the Consolidated Financial Statements of the Company are selected.

[Composition ratio of executive officers' compensation]

CEO

Fixed salary : Annual incentive (performance-based bonus) : Medium- and long-term incentive (PSU) =
Approximately 1:1:1.25

Other executive officers'

Fixed salary : Annual incentive (performance-based bonus) : Medium- and long-term incentive (PSU) =
Approximately 1:1:1

Notes:1. A rough guide assuming all targets are met 100% and that the share price in three years' time is about the same as the share price when the PSU was granted.

2. Clawback and malus clauses:

In the following cases, clawback and malus clauses shall be set forth, whereby the unpaid portion of the compensation under the PSU shall be reduced or disallowed, and a claim for return of all or part of such paid portion shall be made.

- (1) The case in which the recipient resigns for personal reasons, for whatever reason
- (2) The case in which the recipient is dismissed as an executive officer of the Company
- (3) The case in which Board of Directors resolves to revise the financial statements as a result of material accounting error or fraud
- (4) The case in which an unlawful act, such as significant negligence of duties or violation of laws and regulations, a breach of the internal rules of HOYA Group, or a significant breach of contract, during the Executive Officer's term of office, is revealed.

■ Performance share unit

The Company has introduced the Performance Share Unit (PSU) in place of the existing stock option plan since fiscal 2019. The PSU is a system for granting shares at a number that is in proportion to the level of achievement of the predetermined performance conditions. The payment ratio that corresponds to the level of achievement of the performance targets will range from 0% to 200%, based on performance during three fiscal years. Of note, as indicators of performance during three fiscal years, HOYA has selected net sales, earnings per share (EPS) and return on equity (ROE) in the Consolidated Financial Statements. Furthermore, in fiscal 2022, an ESG indicator was newly introduced as a non-financial indicator. The objective of the PSU is to boost the motivation and morale of HOYA's executive officers with respect to medium- to long-term business performance and higher corporate value, and secure highly talented human resources by setting a competitive compensation level.

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

Basic deliverable number of shares

Position/ responsibilities	Basic deliverable number of shares
CEO	7,300
CFO	3,400
CSO	2,500



Medium- to long-term performance targets

Indicator	Target (consolidated)	Weight	Reason for the selection of the indicator	
Financial Indicators ¹	Net sales	830 billion yen	25%	Selected as an indicator to measure growth potential of the HOYA Group in the domestic and overseas markets
	Earnings per share (EPS)	570 yen	25%	Selected as an indicator to measure growth of the Company from the same perspective as shareholders
	ROE	20.0%	25%	Selected as an indicator to measure whether the Company has generated return on shareholders' investment effectively
ESG indicator	IT governance (50%), promotion of diversity in management (30%), and expansion of learning opportunities for employees (20%) were selected as individual indicators ²		25%	Selected as indicators to measure the initiatives relating to sustainability from an ESG standpoint

*1 The targets above are set in consideration of, among others, the Company's business environment and market consensus and do not constitute the Company's financial forecasts.

*2 The above are target figures for the three fiscal years from fiscal 2024 to fiscal 2026.

Total amount of remuneration, etc. of Directors and Executive Officers for the fiscal year under review

Classification	Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type					
			Fixed salary	Performance-based bonuses	Stock options	PSU	RSU	
Directors	Independent	7 persons	115 million yen	77 million yen	—	(3) million yen	—	41 million yen
	Internal	2 persons	10 million yen	10 million yen	—	—	—	—
	Total	9 persons	125 million yen	87 million yen	—	(3) million yen	—	41 million yen
Executive Officers	4 persons	613 million yen	242 million yen	212 million yen	—	159 million yen	—	
Total	13 persons	738 million yen	328 million yen	212 million yen	(3) million yen	159 million yen	41 million yen	

Notes:1. At the end of the fiscal year under review, there were seven directors (five independent directors and two internal directors) and three executive officers (two are concurrently directors). These are different from the figures presented in the table above because one internal director and two independent directors who retired at the conclusion of the 85th Ordinary General Meeting of Shareholders are included.

2. Fixed salary for executive officers includes overseas executive officers' benefit as expatriate of 47 million yen.

3. For stock options, the fair value of stock acquisition rights was calculated and amounts to be recorded as expenses for the fiscal year under review are shown in the table above. For executive officers, no stock options were newly granted in the fiscal year under review due to the introduction of PSU in place of stock options from fiscal 2019. Also, for independent directors, from fiscal 2022 RSU is introduced in place of stock options. Although no stock options were granted in fiscal 2023, the table above shows stock options granted in past fiscal years in amounts to be recorded as expenses for the fiscal year under review. Also, share remuneration expenses for internal directors are reversed.

4. For PSU, the table above shows amounts to be recorded as expenses for the fiscal year under review. Share remuneration expenses for internal directors are reversed.

Amount of consolidated remuneration for each Director

Chief Executive Officer (CEO)

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options	PSU
Eiichiro Ikeda	Director	5 million yen	5 million yen	—	—	—
Representative Executive Officer President & CEO	Representative Executive Officer	322 million yen	120 million yen	99 million yen	—	102 million yen

Executive Officers (whose consolidated remuneration, etc. totaled 100 million yen or more during the consolidated fiscal year)

Name	Executive classification	Total amount	Fixed salary	Performance-based bonuses	Stock options	PSU
Ryo Hirooka	Director	5 million yen	5 million yen	—	—	—
Representative Executive Officer & CFO	Representative Executive Officer	199 million yen	66 million yen	64 million yen	—	69 million yen
Tomoko Nakagawa	Executive Officer	124 million yen	40 million yen	49 million yen	—	35 million yen
Executive Officer, Chief Sustainability (ESG) Officer (CSO)						

Audit Committee

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

Audit Committee meetings were convened nine times in fiscal 2023. The attendance ratio for all members was 100%.

The Committee discussed mainly the following agenda items:

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

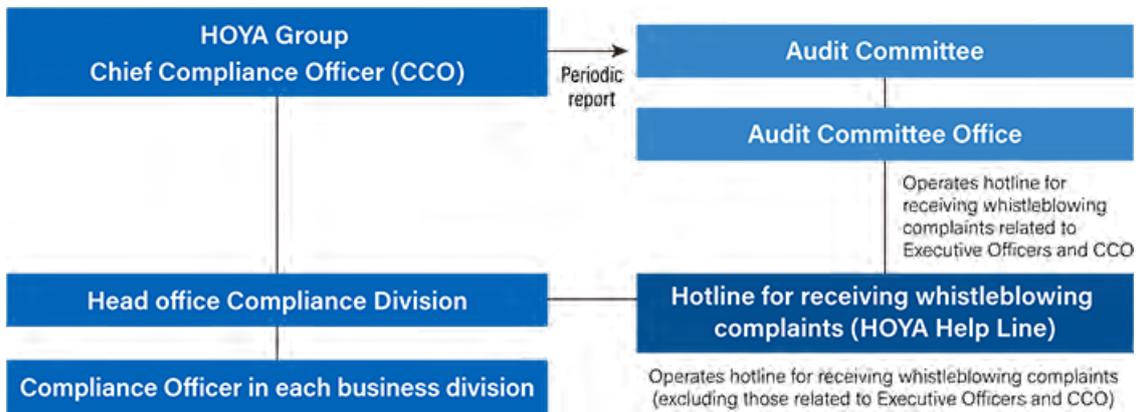
Deliberations during the fiscal year under review also focused on reports from the accounting auditor and the Audit Department, while providing advice and suggestions to the executive team with regard to any issues that came to light. In addition, independent directors, who are members of the Audit Committee, were presented with opportunities to visit production plants and inspect the front lines to exchange opinions, make recommendations, and offer advice.

Healthcare Compliance Committee

The HOYA Group established the Healthcare Compliance Committee with the objective of obtaining thorough compliance with laws, ordinances, standards and norms, both in Japan and overseas, required of healthcare products. Composed of three outside directors who are knowledgeable about the healthcare field, the Healthcare Compliance Committee conducts monitoring of the status of the relevant business divisions' responses to regulations and other matters. The Healthcare Compliance Committee met nine times in fiscal 2023. The Committee received reports from each business division in charge of regulatory affairs and offered proposals and advice while obtaining advice as necessary from specialists with expert knowledge of the laws and ordinances in each country with respect to healthcare products.

HOYA Group Compliance Organization

The HOYA Group has established the Head Office Compliance Division under the HOYA Group Chief Compliance Officer (CCO), and appointed a Compliance Officer in each business division. In addition, the Head Office Compliance Division operates a hotline for receiving whistleblowing complaints (HOYA Help Line). However, the Audit Committee is directly in charge of whistleblowing complaints related to Executive Officers and the CCO, who constitute the upper organization of the Compliance Division, and the Audit Committee Office serves as the point of contact for receiving such complaints. The content of and responses to whistleblowing complaints made to the HOYA Help Line are reported by the CCO to the Audit Committee on a regular basis. Of note, any unfair treatment of whistleblowers and persons seeking advice (including any retaliatory measures such as dismissal, salary reduction, personnel transfer and harassment) is prohibited.



HOYA Help Line: Employee whistleblowing and consultation system

As part of its compliance system, the HOYA Group established the HOYA Help Line in 2003 as a service for receiving Group-internal and external whistleblowing reports and requests for advice. This is a framework to accept whistleblowing reports from inside and outside the Group, including the employees of business partners for early identification of problems when there have been violations of laws, regulations, or the HOYA Global Code of Conduct and smooth communication to top management while protecting whistleblowers. The aim is to ensure the soundness of the entire Group through quick and appropriate responses to such issues. In addition, information on whistleblowing complaints is also reported by the CCO to the Audit Committee on a quarterly basis.

We are creating an environment in which advice can be sought easily, including accepting whistleblowing complaints and consultation requests 24 hours a day on the Web in multiple languages, making consultation available in the local language, and allowing anonymity of whistleblowers. Having established rules on the operation of the HOYA Help Line in compliance with laws and regulations, we protect whistleblowers by prohibiting any acts that constitute the unfair treatment of whistleblowers and respond to escalations by giving consideration to the confidentiality of information to ensure whistleblowers’ anonymity.

In fiscal 2023, there were 280 whistleblowing complaints made to the Global HOYA Help Line, of which 67% were related to the workplace environment and 12% were related to HOYA’s system.

In addition, since fiscal 2023, cases of harassment received by Human Resources Division have also been shared with the Compliance Division to strengthen measures and training.

In fiscal 2023, there were no whistleblowing incidents inflicting a serious impact on HOYA’s businesses.

Number of Whistleblowing Incidents (Global)

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of whistleblowing incidents	146	135	180	170	280
Percentage of employees*	0.38%	0.35%	0.49%	0.39%	0.66%

* Ratio of whistleblowers to the total number of employees in the country where the whistleblowing and consultation system has been introduced

In addition, a separate contact point has been set up for whistleblowing on the HOYA Supplier Code of Conduct. We also investigate and respond to incidents in an appropriate manner in consideration of the protection of the informer and the confidentiality of information.

Point of contact for inquiries and reports related to the HOYA Supplier Code of Conduct:

supplierconduct@hoya.com

HOYA Code of Conduct

HOYA believes that if each and every employee acts fairly with high ethical standards in good faith, not to mention complying with laws and regulations, it will translate into “stakeholders’ trust.” Based on such a view, in 1997 we established the [HOYA Code of Conduct](#), which clearly defines the standards of conduct for each and every employee. We have since repeatedly revised the Code while reflecting the enactment of new laws and regulations and the amendment and abolition of existing ones, as well as changes in society. Also, we check the behavioral guidelines in workplace activities and utilize the Code to raise employees’ awareness as our basic policy for compliance.

Having translated the Code into 27 languages in consideration of the circumstances of HOYA, which operates businesses on a global scale, we are making the Code thoroughly known within the Group by such means as making employees do a read through in the group to which they belong once a year and conducting online education and verification tests. In fiscal 2023, the participation rate in online education and verification tests targeted at all employees in the HOYA Group was 98%.



Prevention of Harassment

We have established the HOYA Group Policies and Guidelines for Measures to Prevent Harassment, which set forth measures and guidelines to prevent harassment, protect the dignity of employees as an individual and prevent workplace disorder and any obstacles to work. Based on the Guidelines as well as laws and regulations in each country, we conduct education and training on harassment prevention measures targeting all employees of the HOYA Group. For managers in Japan, we conduct training on manager-oriented harassment prevention measures.

Furthermore, we conduct initiatives to instill and ingrain compliance on an ongoing basis, such as posting information via the intranet and on bulletin boards, etc., and creating awareness-raising pamphlets and posters. From time to time, we post self-check tests (Q&A) on noncompliance incidents that are likely to occur in familiar situations as well as contents for understanding the essence of compliance through in-house case studies via the intranet and on bulletin boards, etc., so that employees can check compliance again when given the opportunity to do so and thereby gain a higher level of awareness.

Environmental

HOYA Group Environmental Philosophy and Fundamental Environmental Policies



HOYA is engaged in environmental protection activities as part of its ESG promotion efforts, in order to protect the global environment to be inherited by the next generation.

The HOYA Group established its “Environmental Philosophy” and “Fundamental Environmental Policies” in 1993, and has since been promoting environmental protection activities targeting all of its business facilities inside and outside Japan.

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

In 2022, we updated the “Environmental Philosophy” and “Fundamental Environmental Policies” to proactively address issues surrounding the global environment.

HOYA Group Environmental Philosophy

The HOYA Group pushes forward with its corporate activities focusing on sustainability to preserve the global environment for future generations.

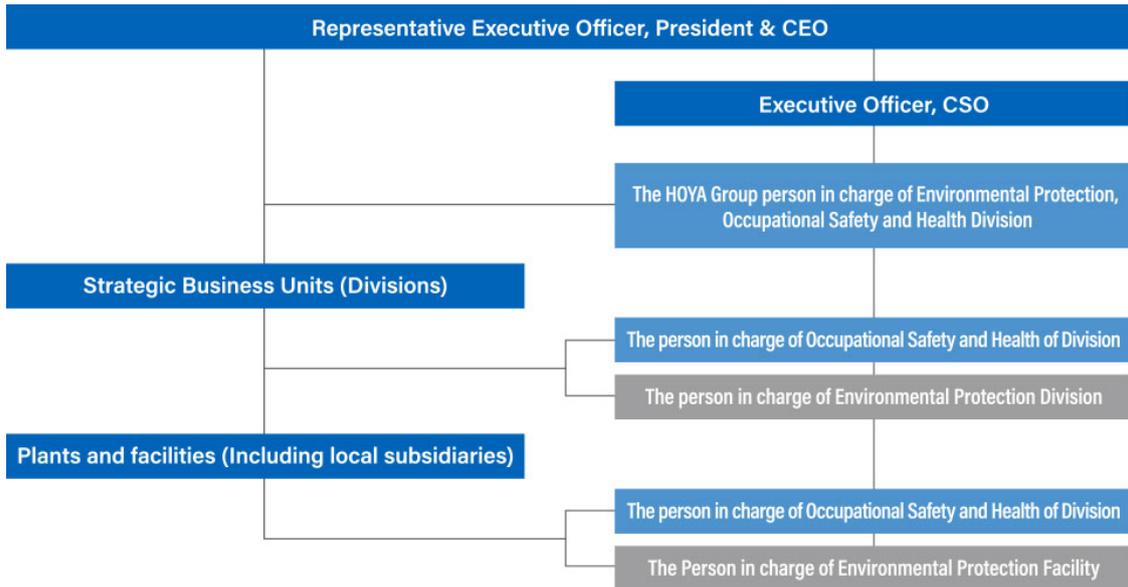
Fundamental Environmental Policies

1. We carry on our corporate activities in harmony between people, society, and nature by recognizing the importance of environmental protection in all our operations.
2. We keep reducing environmental burdens in our corporate activities of product development, manufacture, and sale by complying with the applicable environmental laws and regulations of each country and locality.
3. We set up our structures and targets and carry out our measures and policies systematically in advancing our global environmental protection activities.
4. We pursue our activities designed for prevention of global warming and creation of recycling society by training our consciousness and responsibility on the preservation of the environment.

HOYA Group Environmental Protection and Occupational Safety and Health Organization

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

HOYA Group Environmental Protection and Occupational Safety and Health Organization



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

The HOYA Group has been building a global management system based on ISO (International Organization for Standardization) 14001 and 45001 for the purpose of promoting environmental protection activities by employees and ensuring the safety and health of employees. In February 2013, the HOYA Group acquired global multisite certification. As of March 31, 2024, 47 sites in 18 countries were certified. Certification has been acquired at 100% of our major production/research and development bases, and certification is also being obtained for newly organized bases one by one.

[Go to the current status of ISO qualification](#)

Environmental



Climate Change

Response to Climate Change

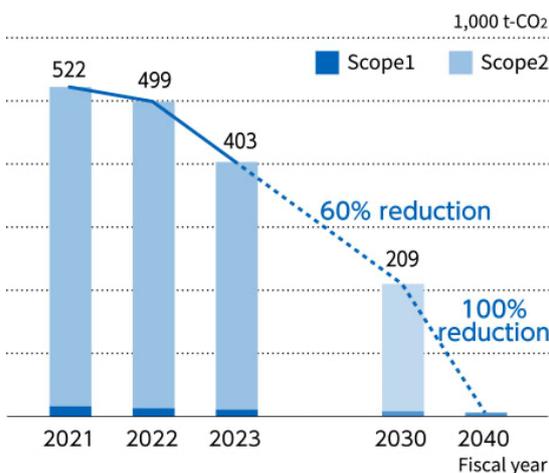
In 2021, the HOYA Group identified four material issues. Among these, the entire Group is tackling “reduction of greenhouse gases” as a top-priority issue. In December 2021, the Group endorsed the Task Force on Climate-related Financial Disclosures (TCFD). Pursuant to this announcement, in April 2023, the Group began disclosing information based on the TCFD Declaration, strengthening its response to risks associated with climate change. In February 2023, the Group joined RE100, an international environmental initiative aimed at achieving 100% sourcing of renewable energy for all energy consumed in business activities. The HOYA Group aims to reach this milestone by fiscal 2040 and is accelerating its efforts toward that end.



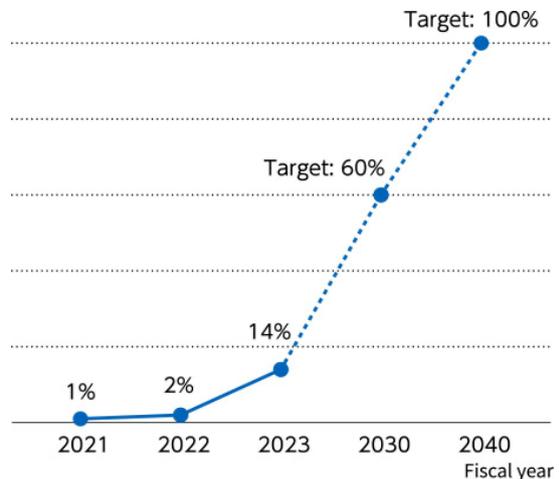
Medium- to long-term Targets and Results

Over 90% of the HOYA Group’s greenhouse-gas emissions (total of Scope 1 and Scope 2) are in Scope 2; the majority of these are indirect emissions arising from purchased electrical power. By aggressively advancing the transition to electricity from renewable sources that do not emit greenhouse gases, the Group is effectively slashing CO2 emissions. The Group is targeting complete transition to renewables (renewable-energy usage rate of 100%) by fiscal 2040, with an interim target of 60% renewable-energy usage rate by fiscal 2030. In line with the Company’s goals, each business division is developing and implementing medium- to long-term roadmaps for the introduction of renewable energy and CO2 reduction measures. The entire Group is working together to achieve these objectives.

CO2 Emissions



Renewable-energy usage rate



*1 Since fiscal 2021, greenhouse gas emissions (Scope 1 and Scope 2, energy consumption) have been verified by a third party through limited-assurance operations. In the course of the verification process, the method of calculation and coefficient used to calculate CO₂ were revised, resulting in correction of the figures disclosed in February 2023. The Group expects to receive third-party verification of the fiscal 2023 results within the current year.

*2 From fiscal 2023, estimates for smaller sites for which actual data have not been collected are included in the total (about 4% of the total).

*3 The Group is considering offsets using carbon credits for the residual emissions after maximum reduction efforts are made for Scope 1.

For data on Scope 1 and Scope 2 results, please refer to the Environment page of the [ESG Databook](#).

Introduction of Renewable Energy

The HOYA Group is moving forward with switching to renewable energy at each production and sales site. In fiscal 2023, the number of production sites with solar panels increased to four from one, and the Group is also accelerating conversion to purchase of renewable energy by reviewing electrical-power agreements and using energy attribute certificates, focusing on countries in which renewables are readily available. The Vision Care Division has achieved virtually 100% renewable energy use at the Matsushima Plant and all other domestic production sites in Japan and several production sites in Europe (Hungary, Germany, and Italy). In addition, all Eye City contact lens stores (including offices) and HOYA Global head office (Japan) have already achieved 100% renewable-energy usage, by means of non-fossil-fuel certificates from FIT. We will place more importance on the perspective of introducing renewable energy power with additionality and will actively promote initiatives to achieve the goal.



Solar panels installed at HOYA Optical Technology (Weihai) Co., Ltd. (annual generating capacity: 1,300 MWh; reduction in annual CO₂ emissions: about 800 t-CO₂)



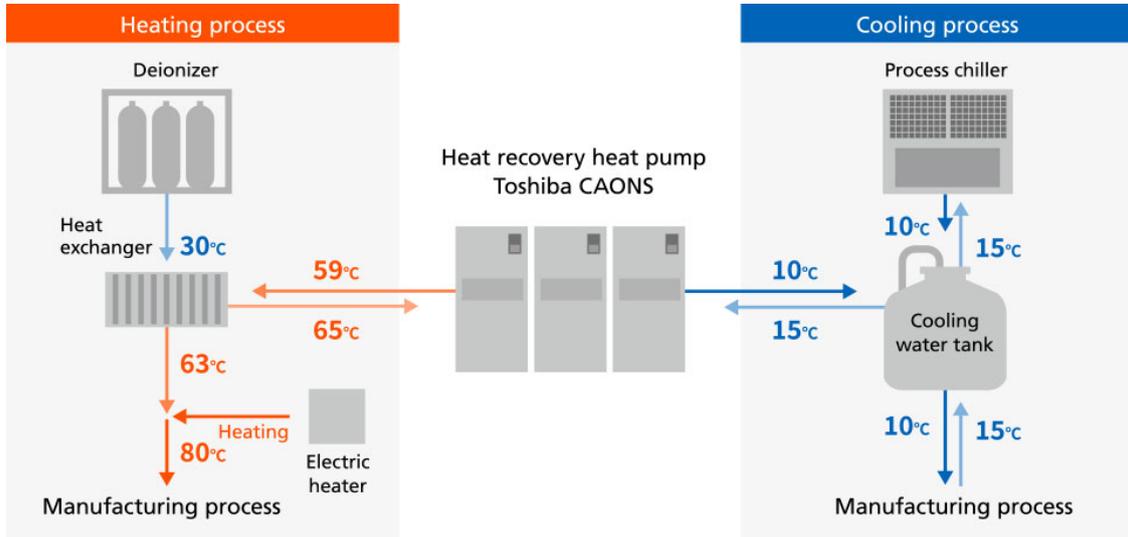
Solar panels installed at HOYA LAMPUN LTD. (Annual generating capacity: about 2,200 MWh; Annual CO₂ reduction volume: about 1,000 t-CO₂)

Energy saving and power saving activities

At production bases, we are replacing facilities with energy-saving types (such as adopting ice thermal storage systems and high-efficiency transformers), conducting energy-saving activities (such as optimizing the operating hours of boilers and air-conditioning equipment) and promoting roof-greening, etc. We are also endeavoring to suppress CO₂ emissions from non-production bases by such means as introducing casual wear, adjusting the indoor temperature appropriately and implementing efficient lighting in offices.

Examples of energy/power saving initiatives

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



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

Scope 3

The HOYA Group started to calculate Scope 3 emissions in fiscal 2023 as a first step to reduce CO2 emissions in the entire supply chain. First, all relevant categories were calculated for the first two business divisions based on fiscal 2022 data, then categories that were major sources of emissions were identified and company-wide calculations were performed for the major categories.

In the future, we will expand the scope of data collection to include calculation of all relevant categories, improve the efficiency of data collection work and measurement accuracy, and promote engagement with related companies in the supply chain to contribute to a sustainable society and reduce emissions. We also aim to obtain SBT (Science Based Target) certification as we move forward with Scope 3 reduction initiatives.

Scope 3 Category		1,000t-CO ₂
C1	Purchased goods and services	567
C2	Capital goods	18
C3	Fuel and energy related activities (not included in scope 1 or 2)	67
C4	Upstream transportation	49
C5	Waste generated in operations	13

Scope of calculation

- Businesses in scope: Global data for 12 major businesses and the head office
- Only mass-production plants are in scope for the Vision Care Division (eyeglass lenses)
- Upstream transportation of C4 is calculated for procurement logistics regardless of whether the HOYA Group is the consigner.

Scenario Analysis Based on the TCFD Declaration

From fiscal 2022, the HOYA Group began scenario analysis based on the TCFD recommendations. In the first year, the Group focused on plants in Thailand and Vietnam that are its main production sites for two business divisions, eyeglass lenses and glass substrates for HDDs, as these operations have high CO₂ emissions (high power consumption). Two scenarios were drawn up with fiscal 2030 as the middle of the timeline: one in which global temperatures increase by 4°C, another in which they increase by 1.5°C. In fiscal 2023, the scope of analysis was widened to include the Optics Division (optical lenses). The combined CO₂ emissions of these three business divisions account for 88% of the HOYA Group's total CO₂ emissions. We also conducted a risk assessment of all our production sites with respect to physical risk (flooding), which we consider to be a key climate change risk. The HOYA Group will continue to conduct regular reviews in response to changes in the external environment, reflecting the results of scenario analysis in its business activities and advancing responses to risks and opportunity. In this way the Group will enhance its resilience to climate change. For details, please refer to [“TCFD Disclosure.”](#)

Examples of risks and opportunities in the eyeglass lenses business division (excerpt from moderate or higher risks)

	Description	Response
Transition risks	<ul style="list-style-type: none"> • Delays in responding to consumers' heightened awareness of climate change results in lost market share and/or declining sales. • Action on climate change and climate-related disclosure have been added to factors customers use to select suppliers. Delay in responding results in lost customers and/or declining sales. • Inadequate response to environmental issues such as reduction of CO2 emissions and water recycling causes loss of reputation and/or declining sales. 	<ul style="list-style-type: none"> • Consideration of listing CO2 emissions on product packaging • Revision of marketing strategy: Reduction of impact from climate change through product innovation; enhanced dissemination of information • Regular reporting to customers and other external stakeholders regarding progress on ESG • Expansion of disclosure related to climate change, such as TCFD or the Carbon Disclosure Project (CDP)
Physical risks	Infectious-disease outbreaks made possible by unusual weather disrupt production activities and supply chains or trigger lockdowns and other restrictions on activity, causing the optometrist shops that are the Group's customers to restrict hours of operation, thereby reducing demand.	<ul style="list-style-type: none"> • Drafting and updating of BCPs for Group plants • Geographical diversification of production sites
	Unusual weather causes stagnation in production or sales activities; flooding causes inundation or destruction of production sites.	<ul style="list-style-type: none"> • Geographical diversification of production sites and advancement of measures against water damage • Drafting of BCPs to secure/safeguard materials, inventories, etc.
Opportunities	As demand for low-carbon products grows, early success in product development leads to increased sales.	<ul style="list-style-type: none"> • Listing of carbon footprints • Incorporation of determination to reduce environmental impact into product development strategy • Coordination with material producers
	As demand grows for products that are easy to recycle/reuse, early success in product development leads to increased sales.	<ul style="list-style-type: none"> • Formation of a product strategy focused on a recycling-oriented society through collaboration with suppliers and customers
	The Group streamlines production processes using DX, etc.	<ul style="list-style-type: none"> • Reduction of CO2 emissions and related costs by improving production efficiency • Investment in DX and DX training
	Drafting of BCPs, use of in-house production sites and diversification of suppliers	<ul style="list-style-type: none"> • Introduction of and training in BCPs • Refurbishment of each plant, geographical diversification of production sites, etc.

Examples of risks and opportunities in the Optical Glass Business Division (excerpt from moderate or higher risks)

	Description	Response
Physical risks	Delays in deliveries and reduced production volume due to stoppages of operations at raw material suppliers caused by extreme weather and natural disasters	Securing inventory (especially for critical materials for which procurement sources are limited)
		Securing multiple suppliers for critical materials
	Production activities and supply chain disruptions caused by outbreaks of infectious diseases triggered by extreme weather conditions, and a decline in demand due to a downturn in the operation of factories by customers	Formulation/update of BCP for our factories
		Establishment of production backup systems at other sites
	Stagnation of production and sales activities due to extreme weather conditions, and the submersion or destruction of production sites due to flooding	Promote production backup systems at other sites and measures against flood at each site
Formulate BCP including securing materials and inventory		

Risk Management

The HOYA Group continually monitors conditions related to climate change. If conditions change significantly, the head office TCFD Project, which includes members of the ESG Promotion Office, the Corporate Communication Department and the Environmental Safety and Hygiene Department, works with business divisions to review risks. Under the general supervision of the persons responsible for each business, the appropriate segments of each business division (Production Division, Retail Development Department, Purchasing Department, etc.) coordinate and conduct their responses.

With respect to risk related to changes in the operating environment due to climate change (transition risks), based on scenario analysis, the sustainability/ESG teams and persons responsible in the business divisions in each country work with segments related to sustainability, such as environmental, quality-assurance, purchasing and other segments, to draft and implement responses appropriate to their respective business divisions.

Flooding risk assessment

Increased and severe natural disasters, outbreaks of infectious diseases, and water shortages due to climate change may affect not only our own operations but also those of our supply chain, including raw material procurement and the production and sales activities of our customers. The HOYA Group assesses flood risk and water stress risk at production sites by using the Aqueduct Water Risk Atlas tool developed by the World Resources Institute (WRI), an international environmental NGO, and by conducting interviews at production sites. In order to conduct efficient corporate operations from a global perspective, the Group promotes management decision-making, R&D, production, and sales in optimal locations, and in particular, its production sites are located mainly in Southeast Asia. The results of the risk assessment showed that the flood risk was relatively high for production sites in Southeast Asia, including Vietnam, Thailand, and Indonesia. Sites identified as high risk collaborate with the Environment, Health and Safety Department at the head office to formulate countermeasures and implement them as priorities.

Countermeasures against flooding

Based on the experience of flood damage at the Vision Care Thailand production site in 2011, we are promoting the establishment and periodic review of flood countermeasures and business continuity plans (BCP) at each production site, as well as the development and training of systems to ensure the safety of employees.

We are also working to reduce risk by decentralizing our production sites to areas with relatively low risk of flooding and securing appropriate inventories in case of supply chain disruptions.

Infection control measures

Since before the COVID-19 pandemic, HOYA had been proactively working on measures to address the risks of emerging infectious diseases, following the formulation of its “Guidelines on Countermeasures Against New Strains of Influenza and Other Infectious Diseases” based on a scenario of pandemics of new strains of influenza and other emerging infectious diseases. Under the Guidelines, we have established the HOYA Group Influenza/Epidemic Risk Management Team, formulated a BCP, and organized channels for collecting, conveying and sharing information; in addition, we have put in place a framework to enable the stable supply of products, etc. while minimizing health hazards by giving top priority to ensuring the safety of employees, their families, relevant parties and others.

Indicators and Targets

Indicators used to evaluate climate-related risks and opportunities include Scope 1 and Scope 2 greenhouse gas emissions and share of renewables in energy used in business activities.

Targets for introduction of renewable energy

- Transition to 60% of electricity used in business activities to renewable energy sources by fiscal 2030
- Transition to 100% of electricity used in business activities to renewable energy sources by fiscal 2040

CO₂emission reduction targets (Scope 1 and Scope 2)

- 60% reduction of CO₂ emissions by fiscal 2030 (compared with fiscal 2021)
- 100% elimination of CO₂ emissions by fiscal 2040 (compared with fiscal 2021)

Biodiversity

The HOYA Group works actively to support and protect biodiversity. Based on its Environmental Philosophy and Fundamental Environmental Policies, the Group scrupulously conducts appropriate management of water use, wastewater, waste materials and chemical substances, as well as cleanup activities in the regions in which its production sites are located, in Japan and overseas. In August 2022, the HOYA Group began participating in the JAL Carbon Offset Program*. Through this program, the Group offsets the CO₂ it emits on business flights to or from Japan on JAL with carbon credits purchased from the Southern



Afforestation area in Vietnam

Cardamom and Amazon Rainforest Conservation Projects. Preserving the rainforest provides vital regional protection, as it not only preserves a “carbon sink” that absorbs CO₂ but also protects wildlife, supports biodiversity, and supports the livelihoods of local residents. By purchasing these carbon credits, the HOYA Group supports this project. In fiscal 2023, the Group purchased credits equivalent to some 152 tons of CO₂. In addition, linking efforts to protect biodiversity with employee health promotion programs, we are planting trees in Southeast Asia in a program where the number of trees planted matches the total number of steps taken by all participants. In partnership with the Japan International Forestry Promotion and Cooperation Center, the HOYA Group has been planting and caring for trees in planting areas in Vietnam as well as providing technical education on afforestation to local residents. In fiscal 2023, Group employees contributed to the planting of 1.4 ha of trees (approximately 9,000 trees).

*This carbon project is verified through the Verified Carbon Standard (VCS).

Environmental



Water

Initiatives to effectively utilize water resources

The HOYA Group endeavors to effectively utilize water resources by reusing water and reducing water usage on a global scale, in accordance with its Fundamental Environmental Policies.

Water usage reduction targets

The HOYA Group is working to reduce water consumption by setting targets for each business division, taking into consideration the water consumption status of each business unit. In order to further accelerate these efforts, the HOYA Group has set water targets for the Group. We are working to review production processes and improve the water reuse rate by setting individual targets and creating roadmaps, focusing on sites with large water intake volumes and sites with high water stress risk.

HOYA Group water consumption (water intake volume) per-unit target:	16% reduction in water intake per number of products produced* by fiscal 2030 (versus the base year of fiscal 2021). However, we will endeavor to keep total water intake volume below the base year level.
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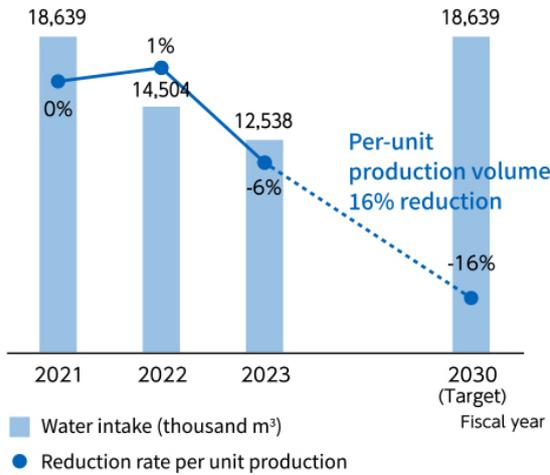
* Number of products produced based on an internally established conversion method to combine operations manufacturing different products

Water stress assessment

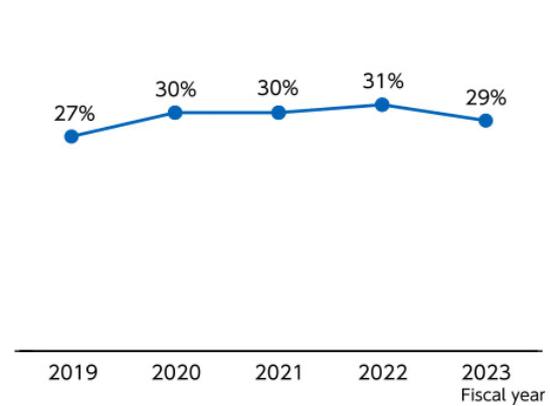
Water is one of the important resources in the production activities of the HOYA Group, and in particular, the MD Division (HDD glass substrates) and VC Division (eyeglass lenses) use a large amount of water in their production processes. Based on our basic environmental policy, the HOYA Group is striving to make effective use of water resources by promoting the reuse of water and reduction of water usage on a global basis. Water stress risk was assessed for each production site using the Aqueduct Water Risk Atlas. Sites identified as high risk collaborate with the Environment, Health and Safety Department at the head office to formulate countermeasures such as reducing water consumption and focus on implementing these measures.

Water intake

Water intake



Water reuse ratio



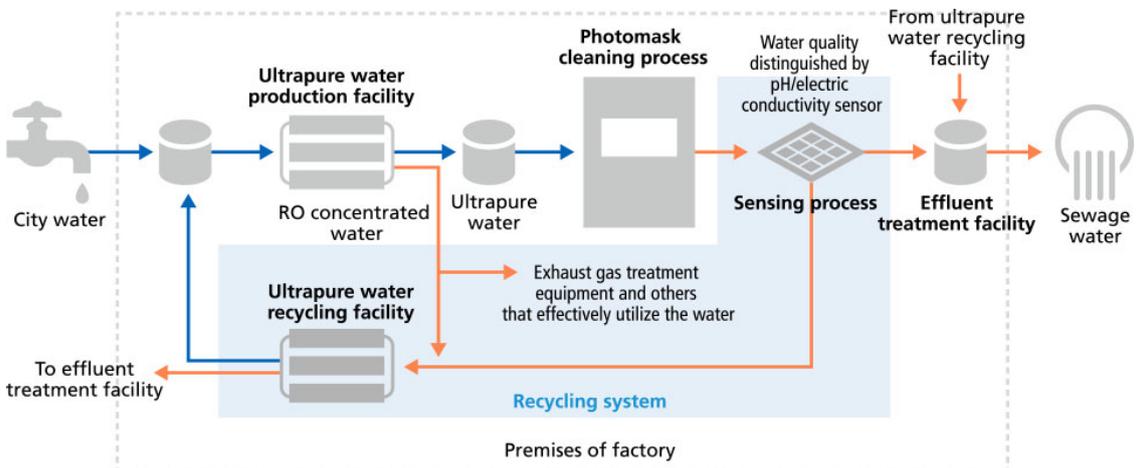
Water intake volume is calculated based on the amount of municipal water, industrial water, and groundwater used at production sites using the HOYA Group's common compilation form.

Water intake volume in fiscal 2022 and fiscal 2023 have been reduced due to production adjustments in some operations in response to a temporary decrease in customer demand. We assume that total water intake volume will trend upward in the future. The Group will continue its initiatives to achieve the target of water intake per unit of production, while keeping the total volume of water intake below the base year level.

Initiatives to reuse water

Initiatives to effectively utilize water resources are being carried out in each business segment. In the photomask manufacturing process, cleaning is performed by using ultrapure water to remove various chemicals and foreign matter. The used water undergoes a process at an effluent treatment facility to be rendered harmless, some of which is subsequently collected and reused. The ultrapure water recycling facility, which consists of adsorbents and reverse osmosis (RO) membranes, makes it possible to reuse water by removing impurities.

Recycling of ultrapure water in photomask manufacturing process



Environmental

Pollution Control Measures and Waste, etc.



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

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

Waste reduction and reuse initiatives

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

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



Collection of paper cartons to be recycled into roofing materials

In order to realize a sustainable, recycling-oriented society, we are recycling wood waste and waste plastics, promoting the reuse of packaging materials, and recycling paper, among others. Our major factories in Japan have achieved zero emissions in terms of industrial waste.

Also, our factories outside Japan are holding in-house competitions regarding ideas for recycling waste plastics, using recycled paper of beverage packaging to repair roofs damaged by disasters in cooperation with local volunteer groups and thereby contributing to society and engaging in other initiatives in the form of in-house recycling activities, in addition to turning polluted sludge into valuable substances and reusing photomask cases, among others.

Waste emissions in the HOYA Group (t)

		FY2019	FY2020	FY2021	FY2022	FY2023
Japan	Total emissions (t)	2,099	2,229	2,295	2,250	1,712
	Recycling rate	76.0%	91.0%	90.5%	79.9%	96.7%
Overseas	Total emissions (t)	56,289	54,281	64,185	46,977	38,851
	Recycling rate	76.2%	72.0%	69.9%	70.3%	79.3%
Global	Total emissions (t)	58,388	56,509	66,480	49,228	40,563
	Recycling rate	76.2%	72.8%	70.6%	70.7%	80.1%

Chemical substances

Based on the HOYA Group Chemical Substances Management Standard, the HOYA Group as a whole complies with laws and regulations in accordance with the Standard with respect to chemical substances used in business activities, takes countermeasures against their leakage and manages such substances by utilizing Safety Data Sheets (SDSs).

Animal experimentation

There are some cases in which animal experiments need to be conducted to develop some medical products. The HOYA Group has established regulations in each business in consideration of various laws and regulations as well as guidelines established by relevant organizations, and conducts internal screening from the viewpoint of the 3Rs principle on animal experimentation, i.e., Replacement (utilization of alternative methods of experimentation that do not involve the use of animals), Reduction (reduction of the number of animals used) and Refinement (alleviation of pain and suffering caused to animals).

Social

Human Capital



Respecting Human rights

Respecting human rights

Basic approach

The HOYA Group respects the human rights of all officers and employees of the HOYA Group and all stakeholders involved in the business activities of the Group. The Group advances efforts on human rights in accordance with the UN Guiding Principles on Business and Human Rights.

HOYA Global Code of Conduct

The [HOYA Global Code of Conduct](#) stipulates the basic guidelines to be complied with when performing operations based on the Corporate Mission and values of the HOYA Group. The Code of Conduct clarifies that basic human rights are to be respected and that all forms of discrimination and harassment in connection to race, nationality, gender, religion, belief, birthplace, age, or disabilities are to be eliminated in all corporate activities, and that child labor, forced labor and human trafficking are prohibited. We aim to create a safe and healthy workplace that allows employees to feel secure while they work. The Company will provide equipment, systems, and working conditions so that each and every employee respects and cooperates with each other as the Company strives to create a workplace that is easy to work in.

The HOYA Group takes rigorous measures to ensure Group-wide understanding of its stance on human rights. The Group translates the Code into 27 languages in view of the status of its global operations, conducts e-learning once a year for all Group employees and tests participants to ensure that they understand the content. We also conduct internal audits to confirm that the procedures described above are followed. Confirmation notices regarding strict compliance with the Code of Conduct for all Group employees were submitted with a 98% submission rate in fiscal 2023.

HOYA Group Human Rights Policy

In October 2022, with the approval of the Board of Directors, the HOYA Group established the [HOYA Group Human Rights Policy](#) spelling out the Group's stance on respect for human rights in accordance with the Group's Corporate Mission and Management Principles. The policy includes in its scope all of its partnerships with stakeholders and commits the HOYA Group to complying with a number of international principles and guidelines, including the UN International Bill of Human Rights, the International Labour Organization (ILO)'s ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business & Human Rights (UNGPs), and the 10 Principles of the UN Global Compact.

Based on the Human Rights Policy, the Group puts its respect for human rights into practice by five means:

- Conducting due diligence on human rights
- Relief measures
- Dialogue with stakeholders
- Awareness-raising activities and education
- Disclosure

The Policy on Human Rights is published on the HOYA Group website in Japanese and English and all stakeholders are made aware of it.

Framework for Promoting Response on Human Rights

Under the authority of the Chief Sustainability (ESG) Officer (CSO), the ESG Promotion Office at Group head office coordinates with the Compliance Department, Legal Department, Personnel Department, and other related departments in the head office, proposing policies and plans for the entire Group on human rights and confirming progress in a timely manner. In addition, the Chief Compliance Officer (CCO) oversees an organizational framework for managing compliance risk globally. The CCO responds to the full range of compliance issues, including labor-related compliance, human rights-related issues such as consumers' (patients') rights to be safe and informed, protection of privacy and management of personal information, and corruption and bribery. On a regular basis, the CCO reports its activities and progress to the Board of Directors and reflects feedback from the Board of Directors in activities.

Due Diligence on Human Rights

Identifying Human Rights Issues (Negative Impacts)

To assess human rights risks in its value chain, the HOYA Group selected four divisions and obtained professional opinions from outside experts on each of them. Selected for the details of their operations in fiscal 2022 and other factors, the four divisions are the Eyeglass Lens Division, the Medical Endoscope Division, Semiconductor Mask Blank Division, and the HDD Glass Substrate Division. The Group also referred to outside data on international compacts and guidelines¹ related to human rights, industry attributes, country risks and so forth, as well as results of hearings with business divisions and other related departments in Group head office. Through these efforts, the Group discovered and categorized potential issues and risks on human rights for each stakeholder.

¹ These include the UN International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the 10 Principles of the UN Global Compact, and OECD Guidelines for Multinational Enterprises.

Identification of Human Rights Issues for Each Stakeholder

As a result of the human rights risk assessment, the Group identified potential human rights issues related to each stakeholder in our value chain. In addition to continuing efforts to enhance understanding of the Codes of Conduct and educational and training measures to prevent harassment, in fiscal 2023 the Group began formulating a due diligence policy that will establish basic concepts and frameworks for identifying and assessing negative impacts on human rights, as well as mechanisms to prevent, mitigate, halt, or minimize such negative impacts. Under this policy, we plan to transition the supplier management responses that each business division has been undertaking independently to a group-wide initiative. In addition to human rights, we will conduct due diligence related to the environment. As part of this process, we plan to implement questionnaire surveys on potential human rights issues relevant to each of the identified stakeholders.

Potential Human Rights Issues Identified for Each Stakeholder

Rights area/issue		Stakeholder				
		HOYA employees (Manufacturing)	HOYA employees (Non-manufacturing)	Suppliers	Consumers/patients	Regional communities
Labor compliance	Elimination of discrimination	✓	✓	✓		
	Harassment	✓	✓	✓		
	Gender	✓	✓	✓		
	Occupational health and safety	✓		✓		
	Excessive or unreasonable work hours			✓		
	Insufficient or unpaid wages	✓		✓		
	Child labor			✓		
	Forced labor	✓		✓		
	Rights of migrant and foreign laborers			✓		
	Access to legal relief	✓	✓	✓	✓	
Consumer safety and right to know				✓		
Protection of privacy and management of personal information	✓	✓		✓		
Human rights issues related to the environment and climate change					✓	
Bribery and corruption	✓	✓	✓		✓	

Corrective and Complaint Processing Mechanisms

As part of its compliance system, in 2003, the HOYA Group launched the HOYA Help Line, a service for receiving Group-internal and external whistleblowing reports and requests for advice. This is a framework to accept whistleblowing reports from inside and outside the Group, including the employees of business partners for early identification of problems when there have been violations of laws, regulations, or the HOYA Global Code of Conduct and smooth communication to top management while protecting whistleblowers. The aim is to ensure the soundness of the global Group through quick and appropriate responses to such issues. In addition, information on whistleblowing complaints is also reported by the CCO to the Audit Committee on a quarterly basis.

We are creating an environment in which advice can be sought easily, including accepting whistleblowing complaints and consultation requests 24 hours a day on the Web in multiple languages, making consultation available in the local language, and allowing anonymity of whistleblowers. Having established rules on the operation of the HOYA Help Line in compliance with laws and regulations, we protect whistleblowers by prohibiting any acts that constitute the unfair treatment of whistleblowers and respond to escalations by giving consideration to the confidentiality of information to ensure whistleblowers' anonymity.

In fiscal 2023, there were 280 whistleblowing complaints made to the HOYA Help Line, of which 67% were related to the workplace environment and 12% were queries related to HOYA's rules and the like.

In addition, since fiscal 2023, cases of harassment received by Human Resources Division have also been shared with the Compliance Division to strengthen measures and training.

In fiscal 2023, there were no whistleblowing incidents inflicting a serious impact on HOYA's businesses.

In addition, a separate contact point has been set up for whistleblowing on the HOYA Supplier Code of Conduct. We also investigate and respond to incidents in an appropriate manner in consideration of the protection of the informer and the confidentiality of information.

For details please see ["Compliance."](#)

Employee Education and Training

Once a year, the HOYA Group conducts e-learning and tests all Group employees on their knowledge of the HOYA Global Code of Conduct, ensuring thorough circulation of information within the Group. On harassment, the Group has formulated the HOYA Group Policy and Guidelines on Measures to Prevent Harassment. This document discloses measures and policies to prevent harassment, protect respect for each employee as an individual, and prevent disruptions to workplace discipline and barriers to work. Based on these Guidelines and the laws and ordinances of each country, the Group provides all Group employees with education and training on measures to prevent harassment; in Japan, this training is tailored to each level of management. In fiscal 2023, 89% of employees in Japan underwent training on measures to prevent harassment and were tested on their knowledge of the subject.

Supply Chain Measures

The HOYA Group asks all of the business partners who supply it with products and services to maintain the same level of compliance and ethical conduct that the Group does. With this aim in mind, the Group prepared the HOYA Supplier Code of Conduct. All suppliers are required to accept, sign and comply with this Code of Conduct. The HOYA Supplier Code of Conduct calls on all suppliers to prohibit forced labor, child labor, discrimination, harassment, corruption and bribery, and to uphold the principles of freedom of association and right to collective bargaining and secure occupational health and safety. To ensure responsible mineral procurement, the Group conducts surveys on conflict minerals and sets targets for suppliers' rate of response to the survey and the number and percentage of smelters that are compliant with the Responsible Minerals Assurance Process (RMAP). On the basis of these targets, the Group monitors results and promotes efforts to reduce risk associated with conflict minerals.

For details please see [“Supply Chain Management.”](#)

Measures to Ensure the Safety of Consumers (Including Patients)

To strengthen its product safety management system, the HOYA Group must ensure rigorous compliance with the standards required of healthcare products in Japan and overseas, laws and ordinances governing product quality and safety, and other norms. For this purpose, in fiscal 2022, the Group launched the Healthcare Compliance Committee, composed of independent directors. The Group obtains objective advice from these independent directors and, when needed, from experts versed in the laws and ordinances of particular countries, as it carries out activities to secure product safety, led by an officer responsible for regulatory compliance.

For details please see [“Product Safety Assurance Policy and Structure.”](#)

Protecting Privacy and Managing Personal Information

The HOYA Global Code of Conduct declares the Group's respect for individuals' right to protection of privacy and stipulates prudent management of personal information. To prevent information leaks by improving HOYA Group employees' security mindset, the Group provides cybersecurity training on a regular basis, using e-learning. In 2022 the Group adopted a basic policy for the handling of personal numbers and specified personal information and made clear its stance of strict compliance with related laws and guidelines. In these ways the HOYA Group is working to prevent problems related to the handling of personal information.

Grappling with Bribery and Corruption

Based on the HOYA Global Code of Conduct, in 2021, the HOYA Group moved to strengthen measures to prevent bribery and corruption by instituting the [Anti-Bribery and Anti-Corruption Policy](#). This policy establishes rules for preventing bribery and corruption and stipulates measures such as formation of an internal management framework and provision of training. The Group is also continuing to provide employees with education on these issues.

Modern Slavery Statement

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

[Modern Slavery Statement \(1,435KB\)](#)

Social



Strategy for Human Resource Development

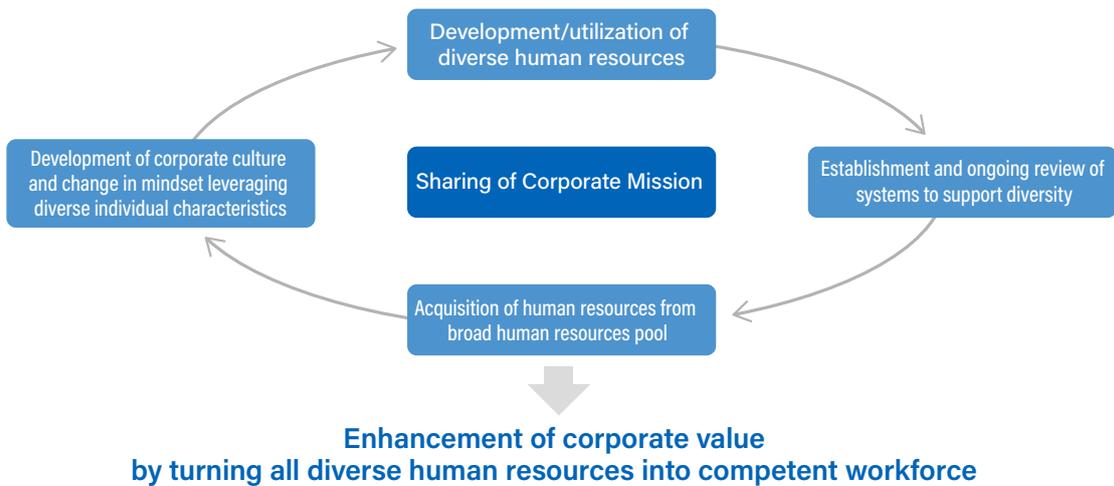
Human Capital Strategy

The HOYA Group recognizes that its people are an asset of the highest priority. Its personnel strategy is to prevail over its competition by continuously investing in personnel.

With its diverse operations worldwide, the HOYA Group advances by producing in the best locations for production and selling in the best locations for sales. The Group also recognizes that the diversity of its people is its strength and the wellspring of its continuous creation of value. Based on this understanding, and in accordance with its basic philosophy and values, the Group has translated the HOYA Global Code of Conduct into 27 languages, circulating it thoroughly throughout the Group, to set forth the fundamental policies with which Group employees must strictly comply in the course of their operations. This unified understanding of HOYA values is the bond that unites the HOYA Group’s diverse personnel.

Respect for individuals is one of the Group’s basic principles of management. The HOYA Group is expending maximum efforts to support employees in achieving freedom and fulfillment, by expanding opportunities to pursue maximum autonomy and creativity and securing a safe and supportive work environment.

One of the HOYA Group’s key policies for sustainability is that it strives to foster an environment in which diverse personnel can play active roles in creating new value, with emphasis on employees’ wellbeing. While intensifying competition for talented personnel is a risk factor for the Group, the Group believes that securing and developing a diverse workforce increases opportunities for value-creating innovation. For this reason, the HOYA Group ranks “employee engagement, diversity and inclusion” as one of its vital issues.



Diversity

Utilizing Global Human Resources

With its diverse operations worldwide, the HOYA Group advances globally by producing in the best locations for production and selling in the best locations for sales. Recognizing that the diversity of its people is a strength for this strategy, the HOYA Group hires on the basis of individual capability, not nationality, gender, or similar distinctions.

Over 90% of Group employees are assigned to posts outside Japan. By actively promoting outstanding local personnel and increasing opportunities for them to excel, the Group is driving its globalization forward. As a result, approximately 90% of overseas Group companies are headed by non-Japanese persons. Moreover as of June 30, 2024, approximately half of the Group’s main business divisions entrust the management of global operations to non-Japanese division presidents. HOYA will continue to provide many talented individuals with opportunities to shine.

“Minkatsu” Diversity Project

In 2014, we launched the “Minkatsu” diversity project for the purpose of creating a work environment in which each and every employee can feel a sense of fulfillment from work and play an active role by fully demonstrating his/her ability. As part of the “Minkatsu” diversity project, we are working to increase the proportion of female employees and female leaders*.

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

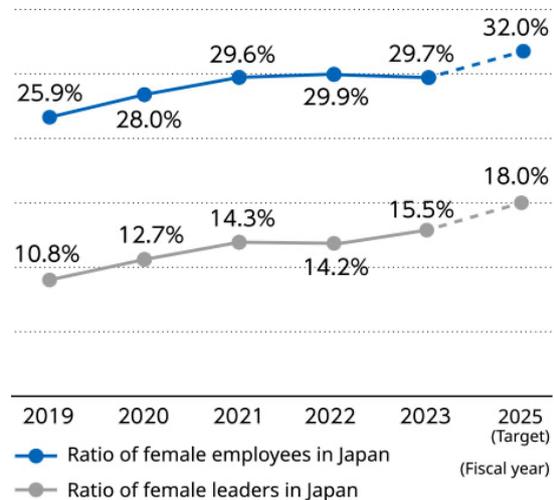
Proportion of Female Employees and of Female Leaders

Proportion of Female Employees	FY2021	FY2022	FY2023
Japan	29.6%	29.9%	29.7%
Overseas	—	54.6%	51.1%
Group-wide	—	52.0%	48.9%

Proportion of Female Leaders	FY2021	FY2022	FY2023
Japan	14.3%	14.2%	15.5%
Overseas	—	41.6%	41.0%
Group-wide	—	35.9%	35.7%

Note: Calculations for Japan are based on data from a March 2024 survey on “Minkatsu.” Calculations for other countries are based on data from a March 2024 engagement survey.

Proportion of Female Employees and Proportion of Female Leaders in Japan



We do not discriminate based on gender in hiring, promotions, or pay increases, and instead focus on actively employing human resources with highly specialized capabilities and morals. In addition, at HOYA Corporation, two of its seven directors are women (28.6%), and three of its officers including executive officers are women (37.5%).

Our “Minkatsu” activities set targets to have female leaders and female employees in Japan account for at least 18% and 32%, respectively, by the end of fiscal 2025. To achieve these goals, we continue to engage proactively in initiatives to eliminate the mindset of assigning duties based on gender, create well-planned educational programs and provide opportunities for women in management roles, and recruit female managers from outside.

Creating Supportive Workplace Environments and Cultures

Business divisions are making efforts to develop the necessary environment and systems, and create culture tailored to their respective businesses. By developing an environment in which diverse personnel can play an active role by demonstrating their capabilities and systems that enable workstyles with higher productivity and efficiency, we will strive to strike a balance between realizing the sense of fulfillment from work as well as personal life and enhancing corporate value.

<p>Those related to childcare/nursing care support</p> <ul style="list-style-type: none"> • Childcare/nursing care support system (leave of absence, shortened working hours) • Staggered working hours • Leave to provide care for children • Encouraging male employees to take childcare leave, etc. 	<p>Those related to workstyle in general</p> <ul style="list-style-type: none"> • Flextime system • Shortened working hours, reduced number of working days • Challenge leave* • Second job • Work from home • Encouraging employees to proactively take annual leave by setting recommended days for taking annual leave, etc.
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* HOYA Corporation has established the challenge leave system for employees that have worked for a set number of consecutive years. A challenge leave of 20 days each is granted when the number of consecutive years worked by employees that work five days a week reached 10 years, 20 years, and 30 years.

Utilizing people with disabilities

The HOYA Group actively utilizes people with disabilities, for example in the operation of its Ichikawa Challenge Office that supports eco projects. (Proportion of disabled persons employed in Japan: 2.31% as of March 31, 2024)

Employee Engagement Survey

Based on the belief that “people are our great asset,” we are seeking to create a workplace environment in which diverse employees can demonstrate their respective abilities, take on new challenges and realize their potential. HOYA periodically conducts an employee engagement survey targeted at all employees in the Group. Through the survey, we listen to employees’ opinions and utilize them to create a better workplace environment. The survey has been implemented three times since 2020, and the next survey is scheduled during fiscal 2024. After analyzing the results of this and previous surveys, the Group implemented a series of measures, focusing on the fields of talent management and career development. The survey results were also discussed at the individual-workplace level, to identify points for improvement leading to meaningful plans of action.

1. Performance Management (Performance Evaluation System)

To encourage employees to make the most of their abilities, it is essential that the HOYA Group build a framework for fair and objective evaluation of their results. For this purpose, we have revamped the HOYA Group’s framework of performance management (performance evaluation system) and started implementing it as a global common framework in fiscal 2022. The system introduces 360° evaluation to ensure that results of performance evaluation are reflected in remuneration and provides an environment for regular and effective feedback on personnel training.

Gist of new performance management:

- Determine clearly-defined figures that are expected for performance targets and actions
- Conduct evaluation in a fair and objective manner
- Give periodic and effective feedback for human resource development
- Pay-for-performance

2. Career Development

Providing employees with ample opportunities to update their knowledge continuously and pursue reskilling is vital in supporting enterprise competitiveness. To ensure employees of these opportunities, the HOYA Group is introducing an on-demand learning platform, supporting the career development needs of the employees who support HOYA's growth strategy.

Gist of career development program (online learning platform):

- Re-train employees who support HOYA's growth strategy
- Spur employees to engage in life-long learning
- Upskill employees by providing on-demand learning content

Going forward, we will continue to listen to employees' opinions through employee engagement surveys on an ongoing basis and develop an environment in which each and every employee can grow together with HOYA with a sense of fulfillment from work.

Enhancement and development of human resources

Basic approach

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

Human resource development

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

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

For example, for the Eye Care Company's human resource development and HOYA Electronics Singapore's participation in the Electronic Industry Citizenship Coalition (EICC) Code of Conduct seminar, please refer to [our website](#).

HOYA Prize

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



“ESG Award” Program to recognize ESG activities

The HOYA Group has established the “ESG Award,” an internal award program to recognize ESG activities, with the aim of sharing knowledge across business boundaries and further advancing ESG activities within the Group. The award recognizes ESG initiatives that contribute to sustainable growth over the medium to long term, such as those to reduce environmental impact, promote diversity, and instill ESG awareness within the Group, as well as contributions toward solving environmental and social issues through HOYA’s products and services. We will continue to increase employee motivation and engagement through award programs that encourage involvement in ESG activities, thereby leading to enhanced corporate value.

Social

Human Capital



Occupational Safety and Health

HOYA Group's occupational safety and health activities

The HOYA Group is pushing for the creation of a pleasant workplace environment where every one of the employees can work in good health and safely. For the HOYA Group's philosophy, basic policies and organizational structure related to occupational safety and health, please refer to [HOYA's website](#).

Status of Occupational Accidents

The HOYA Group engages in day-to-day safety and health activities aimed at preventing serious occupational accidents from occurring. We are striving to reduce the risks of occupational accidents occurring by sharing information within the Group and conducting in-house training, internal audits, etc., in addition to assessing risks based on the HOYA Group Risk Management Guidelines for Occupational Safety and Health and engaging in various initiatives for managing chemical substances and assuring the safety of machines and equipment.

	Scope	FY2020	FY2021	FY2022	FY2023 ^{*1}
Number of occupational accidents	Japan	9	11	14	18
	Overseas	181	208	180	157
	Group-wide	190	219	194	175
Lost time injury (LTI) frequency rate ^{*2}	Japan	0.37	0.38	0.37	0.47
Lost time injury (LTI) intensity rate ^{*2}	Japan	0.008	0.003	0.001	0.001

*1 Survey period: 2023 calendar year

*2 Reference data: Lost time injury (LTI) frequency rate: 1.29, Lost time injury (LTI) intensity rate: 0.08 in the manufacturing industry according to Ministry of Health, Labour and Welfare's fiscal 2023 data

Reduction of risks using risk assessment

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

Strengthening of chemical substances management

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

Assurance of Safety of machines and equipment

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

OSH Audit (Occupational safety and health)

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



Training in HOYA Group safety and health

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



Social

Human Capital



Health Management

HOYA Group's Health Measures

- | | |
|--|--|
| 1. Certification for health and productivity management organizations | 2. Countermeasures against infectious diseases |
| 3. Measures to prevent lifestyle diseases and prevent them from increasing in severity | 4. Mental health measures |
| 5. Return-to-work support and assistance for work-treatment balance | 6. Promotion of women's health |
| 7. Smoking control | 8. Overwork prevention and improvement of work-life balance |
| 9. Management of health of Japanese expatriates | 10. Improving emergency medical care and first aid responses |

For the details of each measure, please refer to [HOYA's website](#).

Certification for health and productivity management organizations

Based on the recognition that “health promotion efforts are business investments,” we are committed to health management with the support of the companies and the cooperation of all employees.

Please refer to [this link](#) for the CEO's Health Management Declaration and the seven articles that HOYA Group employees are required to follow (in Japanese only).

The HOYA Group has been certified for seven consecutive years under the Ministry of Economy, Trade and Industry (METI)'s certification program for outstanding health and productivity management organizations since the start of the program in 2017 (as of April 1, 2024).



Improvement of labor productivity

The HOYA Group aims to improve each and every employee's well-being, develop a pleasant workplace environment in which he/she can demonstrate his/her capabilities, and implement health measures tailored to health issues, to ultimately eliminate presenteeism^{*1} and absenteeism^{*2}. In an internal survey begun in fiscal 2021, neck problems, stiff shoulders, insomnia and lower back pain were identified as health issues that heavily affect presenteeism, so we are working to rectify these issues as a matter of priority. We are also striving to reduce absenteeism by working on the prevention of cerebral cardiovascular diseases and mental health problems, as well as providing return-to-work support and assisting employees in striking a balance between work and treatment.

*1 Presenteeism: Deterioration in productivity while being present at work due to health problems

*2 Absenteeism: Absence from work due to health problems

Overwork prevention

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

Countermeasures against infectious diseases

Since before the COVID-19 pandemic, HOYA had been proactively working on measures to address the risks of emerging infectious diseases, following the formulation of its "Guidelines on Countermeasures Against New Strains of Influenza and Other Infectious Diseases" based on a scenario of pandemics of new strains of influenza and other emerging infectious diseases. Under the Guidelines, we have established the HOYA Group Influenza/Epidemic Risk Management Team, formulated a BCP, and organized channels for collecting, conveying and sharing information; in addition, we have put in place a framework to enable the stable supply of products, etc. while minimizing health hazards by giving top priority to ensuring the safety of employees, their families, relevant parties and others.

During the COVID-19 pandemic, we created an infection control handbook in 21 languages, conducted e-learning programs, and conducted internal audits of the adaptation of and compliance with the information in the handbook. We endeavor to ensure stable business continuity by thoroughly implementing infection control measures.

Supporting Mental Health

The Group has established the HOYA Group Mental Healthcare Guidelines, which specify in-house counseling services, support for return to the workplace, and educational programs. Informed by these Guidelines, the Group works hard to prevent damage to health from stress-related illness and to detect and respond to such issues at an early stage. The Group is making special efforts to provide instruction on mental health management, led by industrial physicians, and to deepen employees' understanding of mental healthcare. A framework has been set in place to ensure sufficient care of each line by managers and to clarify the roles of managers, persons responsible for personnel matters, and industrial physicians, ensuring effective liaison among them. In annual stress checks, the HOYA Group is actively providing one-on-one guidance for high-stress sufferers by industrial physicians, feedback of results from organizational analysis, and activities to improve the organizational environment.

Measures to prevent lifestyle diseases and prevent them from increasing in severity

HOYA is stringently enforcing steps to be taken after medical checkups by industrial physicians and health nurses and striving to make more employees undergo detailed medical examinations and boost the effects of medical treatment. As a health program in collaboration with HOYA's corporate health insurance association, we are working on implementing specific health checkups and specific health guidance in an efficient and effective manner. Furthermore, we are taking measures to promote fitness habits, through health programs and using a smartphone app that ranks users on number of steps taken. Our aim is not only to prevent lifestyle diseases but also to alleviate stiff shoulders/lower back pain and improve the quality of sleep of employees. This measure is intended not only for health promotion, but also as a social contribution activity, in which we are planting trees in Southeast Asia in a program where the number of trees planted is linked to the total number of steps taken by all participants. In addition to raising employees' health awareness, the program is also helping to foster their awareness of ESG.

みんなで歩いて社会貢献！

社員の総歩数に連動して、植林活動などの社会貢献活動を実施します。



Forestation area in Vietnam

Social

Product Safety and Quality



Product Safety Assurance Policy and Structure

Product safety assurance policy

■ Legal compliance

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

■ Collecting and responding to product incident information

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

■ Ensuring product safety

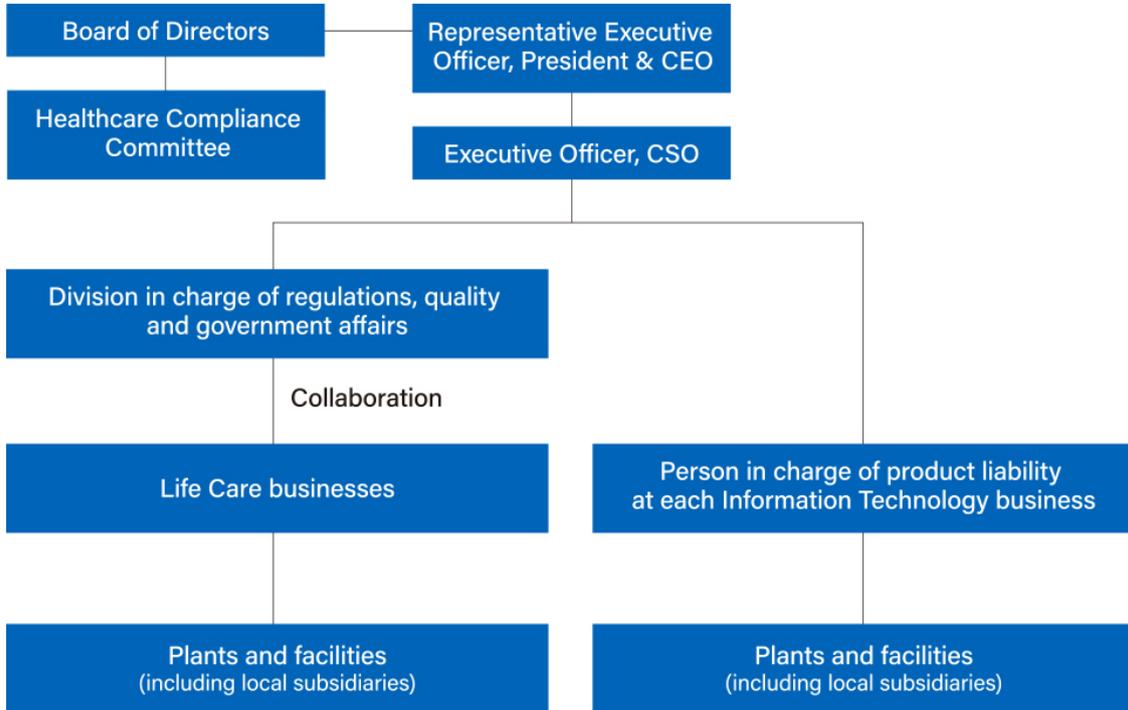
Each company in the HOYA Group provides, where appropriate, user training, up-to-date user guides and documents, product warning labels, and other information for the effective, safe use of our products. We continue to seek opinions from users of our products and reflect this feedback in future products.

■ Training and educational systems to improve product safety and quality

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

Product safety assurance structure

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



Quality management system for healthcare and medical products

In the operation of our divisions that manufacture and sell healthcare and medical products, we implement a quality management system based on ISO 13485 to ensure quality control. Additionally, the Division in charge of regulations, quality and government affairs oversees the appropriateness and effectiveness of the quality and safety of healthcare and medical products in each division, in accordance with the Japanese Pharmaceutical Affairs Law, European and U.S. laws and regulations, and risk management systems. The HOYA Group continuously reviews and improves its management systems, monitoring organizations, and internal training programs as needed.

Healthcare Compliance Committee

The HOYA Group established the Healthcare Compliance Committee with the objective of obtaining the thorough compliance with laws, ordinances, standards and norms, both in Japan and overseas, required of healthcare products. Composed of three independent directors who are knowledgeable about the healthcare field, the Healthcare Compliance Committee conducts monitoring of the status of the relevant business divisions' responses to regulations and other matters. Obtaining advice as necessary from specialists with expert knowledge of the laws and ordinances in each country with respect to healthcare products, each member of the Healthcare Compliance Committee offers proposals and advice to each business division for whose regulatory response he or she is responsible.

Quality Management System

The HOYA Group has acquired international quality management system ISO9001 (mainly for the Information Technology business) or ISO13485 (mainly for the Life Care business) focusing on major production bases in each business and is making efforts to improve the safety and quality of its products.

	ISO9001	ISO14001	ISO45001	ISO13485
Number of ISO certified sites	34	47	44	53
Uptake rate*	100%	90%	86%	–

*Refers to the percentage of production sites eligible for certification that have completed certification. For information on our acquisition status of ISO certification, please refer to [this page](#).

Social

Supply Chain Management



Basic Policy

The HOYA Group has global manufacturing bases in locations suitable for each of its businesses and sells products to customers around the world by processing and assembling raw materials and components efficiently procured at the facilities in each country.

In order to boost corporate value in a sustainable manner, it is important to maintain product safety and quality at a high level, comply with laws and regulations and protect human rights not only within the Company but also throughout its supply chains. For this purpose, it is imperative to manage supply chains in an appropriate manner. Accordingly, major suppliers are required to sign and comply with the HOYA Supplier Code of Conduct; additionally, key suppliers are visited and examined periodically, and as necessary, provided with assistance to make improvements.

HOYA Supplier Code of Conduct

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

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

Going forward, we will continue to work on suppliers so that we can obtain signatures from all of them. (Signature rate as at time of fiscal 2020 survey: Approx. 90%)

Supplier Audits

Key suppliers are audited, either periodically or as necessary, in accordance with the quality assurance system in each business segment.

Responsible Mineral Procurement

Conflict Minerals Survey

With the cooperation of its suppliers, the HOYA Group does not use any minerals sourced from the Democratic Republic of the Congo or its neighboring countries that are defined as conflict minerals in Section 1502 of the U.S. Dodd-Frank Act.

We request suppliers to comply with the HOYA Supplier Code of Conduct that sets out the above policy, and key suppliers to periodically cooperate in our conflict minerals survey* using the Conflict Minerals Reporting Template (CMRT), which is a template provided by the Responsible Minerals Initiative (RMI). Since fiscal 2020, we have been conducting the conflict minerals survey on a Company-wide scale by expanding its scope to include the Life Care business as well, not just the Information Technology business.

We will continue to engage in initiatives with the cooperation of suppliers, including initiatives to identify smelters so that the procurement source of minerals will be limited to smelters that are compliant with the Responsible Minerals Assurance Program (RMAP).

Furthermore, in response to growing global concern about human rights and other issues, we have also begun to conduct a survey on cobalt and mica, which are minerals from conflict and high-risk areas. As a first step, we are confirming whether cobalt and mica are used in products within the HOYA Group, and we plan to conduct a more detailed survey in the future. We will continue to collaborate with our suppliers to improve the accuracy of our surveys and promote initiatives to reduce risks associated with conflict minerals.

* Minerals subject to the survey: tantalum, tin, gold, tungsten

Conflict Minerals Survey Results and Targets

In fiscal 2023, based on the results of the previous fiscal year's conflict minerals survey, we proceeded with follow-up surveys on suppliers that had not yet responded to the survey on 3TG¹ and on smelters that could not be confirmed as RMAP-compliant. As a result, the number of RMAP-compliant smelters increased, bringing the ratio to almost 100%.

Note: The survey is conducted after selecting key suppliers subject to the survey according to the characteristics of each business.

	FY2021	FY2022	Target
Survey response collection rate ²	99.6%	99.0%	100%
Identified smelters ³	160	150	—
Number of RMAP-compliant smelters ³	140	147	—
Percentage of RMAP-compliant smelters	88%	98%	Ongoing improvement

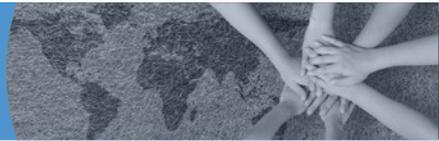
¹ Tantalum, tin, gold, tungsten

² The survey is conducted after selecting key suppliers subject to the survey according to the characteristics of each business.

³ Some smelters are also included in the fiscal 2021 survey.

Social

Corporate Citizenship



HOYA's mission is to contribute to improving the quality of life (QOL) of people around the world through its own products and services. We are working to contribute to the resolution of social issues regarding eye care, in which many of our businesses are engaged, from the perspective of supporting "seeing" around the world.

Contributing to Improving Ophthalmic Medical Access in Developing Countries

Aiming to improve ophthalmic medical access in developing countries and to avoid illness and ophthalmic diseases by conducting appropriate testing, diagnostics, and treatment, we have formed partnerships with international and local organizations to promote literacy in ophthalmic treatment and support activities in order to educate eye care professionals and improve their skills.



HOYA Vision Care Company (eyeglass lens business) has partnered with Orbis International, a global nonprofit and nongovernmental organization dedicated to saving eyesight worldwide. Together, HOYA and Orbis support work in communities to help bridge the vision care gap. Through their network, HOYA has supported Orbis in mentoring, training, and inspiring local vision care teams in underserved and rural areas, enabling the fight against preventable blindness in their own communities. Working together to develop the Cybersight digital education platform, which connects vision professionals to training materials from across the world, HOYA and Orbis have a shared vision to prevent avoidable blindness.



In April 2023, the Orbis Flying Eye Hospital visited Japan for the first time for a joint event held with HOYA at Kansai International Airport. The participants included the CSO of HOYA, people involved in eye-related Life Care businesses such as the HOYA Vision Care Company, Eye Care Division (contact lenses), and IOL Division (intraocular lenses), as well as ophthalmology store owners invited by HOYA. The event provided an opportunity for participants to deepen their understanding of Orbis' worldwide activities to support ophthalmic treatment using an airplane. Click [here](#) for a video of the event.

Contribution to Ophthalmic Medical Research and Education

The rapid pace of myopia has become a global health issue, and it is said that by 2050 approximately five billion people, roughly half of the world's population, may be affected by nearsightedness.^{*1}

HOYA Vision Care Company entered into a partnership with the International Myopia Institute^{*2} in March 2022 to promote the prevention, treatment, and management of shortsightedness.

In addition, HOYA Surgical Optics (intraocular lens business) has entered into partnerships with the European School for Advanced Studies in Ophthalmology (ESASO)^{*3}, which supports the education of ophthalmologists around the world. HOYA Surgical Optics has donated surgical devices (equipment and intraocular lenses) to ESASO's facilities in Lugano and Lublin and their clinical application specialists support ESASO's training teams in wet labs with surgeons.



*1 Source: Holden B. A., et al. Global Prevalence of Myopia and High Myopia and Temporal Trends from 2000 through 2050. *Ophthalmology*. 2016 May; 123(5): 1036-1042

*2 International Myopia Institute: A nonprofit organization of experts from around the world, established in 2015, following the WHO-BHVI meeting amid the growing need to take measures against myopia on a global scale.

*3 ESASO: A nonprofit organization supporting education aimed at improving the expertise and skills of ophthalmologists around the world.

Click [here](#) for the website of HOYA Vision Care Company.

Click [here](#) for the website of HOYA Surgical Optics.

Donations

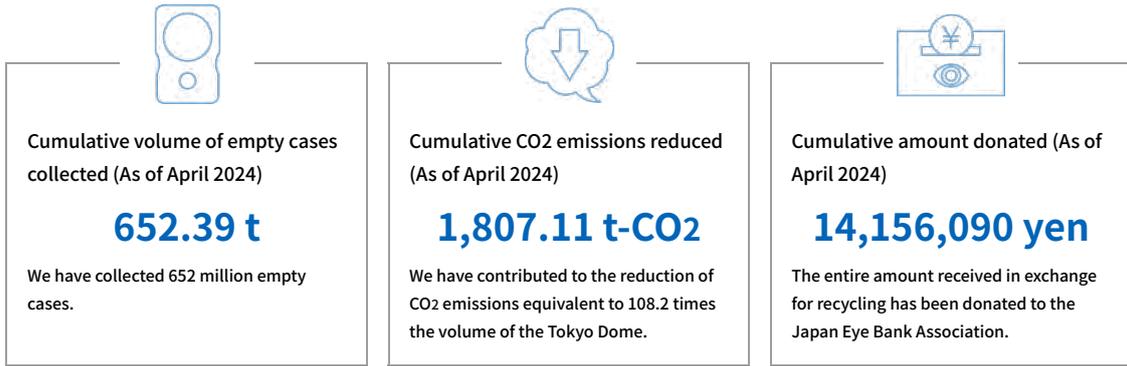
HOYA Surgical Optics, headquartered in Singapore, has concluded a corporate giving partnership with the Singapore Association of the Visually Handicapped (SAVH), a group that supports people with visual disabilities, and conducts support activities such as donations to this organization. Donations are used for rehabilitation and after-sales care programs for people with visual disabilities.

The "Eyecity Eco Project" executed by Eyecity

The "Eyecity Eco Project" executed by Eyecity—our chain of contact lens specialty stores—runs a campaign that involves collecting and recycling empty disposable contact lens cases and donating all proceeds from the sale of the empty cases to recycling contractors. We have been carrying out this industry-first initiative on an ongoing basis since 2010, with the aim of contributing to society in three ways: 1) Protecting the environment by recycling empty cases into resources, 2) Providing self-reliance/employment support to disabled persons, and 3) Making donations to the Japan Eye Bank Association. This year marks the 14th year of this project.



Volume Collected and Amount Donated to Date



A portion of the collected used contact lens cases are recycled as part of the materials used in the Jetstream Ocean Plastic ballpoint pen developed and sold by Mitsubishi Pencil Company, Ltd. This pen uses post-consumer* plastic recycled from ocean plastic waste collected in Japan and used disposable contact lens cases for its barrel. This eco-friendly ballpoint pen is the first product in the stationery industry to have obtained Eco Mark certification in Eco Mark Product Category No. 164: Products made from recycled ocean plastic waste. It embodies the hope that those who use it will be inspired to take a greater interest in environmental consciousness.



*Post-consumer refers to material or product that has been used as a product and then discarded.

Life Care Business

Health Care

Eyeglass Lenses

Market Environment

Myopia, also known as short-sightedness, is a common eye condition whereby objects far away appear out of focus, it is a rapidly growing health concern globally. By 2050, an estimated 5 billion people could be affected by myopia and annual myopia progression rate is most rapid under 10 years of age. Childhood myopia is a growing global problem^{*1} due to factors such as increased near-work activities including the usage of digital devices and spending less time outdoors, but there is a lack of awareness^{**2} of this condition and impact amongst patients and the parents of children living with myopia.

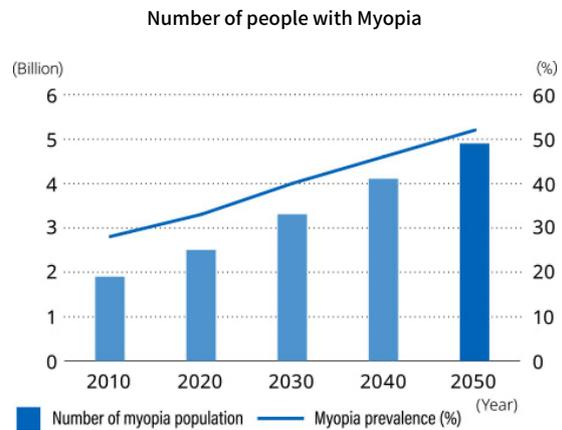
We are committed to closing the vision health gap and continue our call on governments and public health bodies, as well as the entire healthcare ecosystem to improve eye care health policies globally, allowing children to lead fuller, more inclusive lives.

Concurrently, there is a heightened global awareness of health and well-being. Economic growth in emerging markets has also led to increased purchasing power and a greater emphasis on eye health, thanks to aging population and wider level of awareness (organic growth of presbyopes). Consequently, the demand for eyeglass lenses is projected to experience stable growth.

Despite uncertainties in the global economic environment, the eyeglass lens market remains relatively resilient. This resilience is attributed to the necessity of eyeglasses and the coverage provided by private and public health insurance in many Western countries.

*1 Holden BA, Fricke TR, Wilson DA, Jong M, Naidoo KS, Sankaridurg P, Wong TY, Naduvilath TJ, Resnikoff S, Global Prevalence of Myopia and High Myopia and Temporal Trends from 2000 through 2050, Ophthalmology, May 2016 Volume 123, Issue 5, Pages 1036-1042

**2 World Economic Forum. Global rates of short-sightedness are rising rapidly, study shows. Accessed April 2024. [Myopia: What causes short-sightedness and why is it rising? | World Economic Forum \(weforum.org\)](https://www.weforum.org)



Source: Holden BA, Fricke TR, Wilson DA, Jong M, Naidoo KS, Sankaridurg P, Wong TY, Naduvilath TJ, Resnikoff S, Global Prevalence of Myopia and High Myopia and Temporal Trends from 2000 through 2050, Ophthalmology, May 2016 Volume 123, Issue 5, Pages 1036-1042

Status of Our Business

▶ **Business Overview**

Our mission is to provide lifelong eyecare solutions, and guided by this purpose, we offer a diverse array of lenses for all stages of life, ranging from general single-vision lenses to progressive (varifocal) lenses for the elderly and myopia control lenses for young children. To ensure we provide the best possible products, we invest heavily in continuous research and development, focusing on improvements in optical design, lens coating, and photochromic lenses*

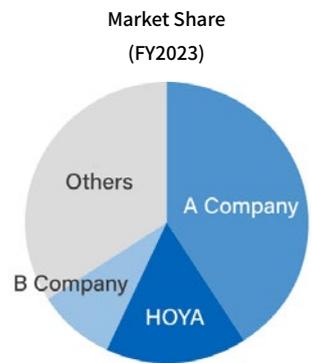
Internationally, overseas net sales constitute 90% of our total revenue, with the highest sales in Europe, followed by the Americas. We operate production facilities worldwide, with significant production volumes in Thailand, Vietnam, Hungary and local manufacturing operations to reinforce our sustainability agenda and provide the best possible service to our customers and their consumers.

* Photochromic lenses are those that darken when exposed to UV light.

▶ **Market Position**

HOYA proudly holds the position of the world's second-largest eyeglass lens manufacturer. Our growth strategy includes not only organic expansion but also an increase in market share through strategic mergers and acquisitions.

More than 30% of the market is occupied by numerous small to medium-sized lens manufacturers. By targeting and acquiring these smaller players, HOYA is committed to continuously increasing its market share and solidifying its leadership in the industry. We would also like to strengthen our position by becoming trusted partners, delivering the best and most innovative portfolio of products and solutions, providing great service, and being relevant to customer needs.

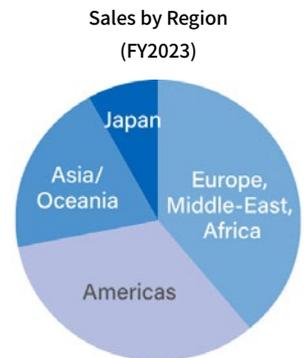


[HOYA estimate on a value basis]

▶ **Conditions by Region**

The market is a mature one, with North America and Europe constituting our most important regions, accounting for approximately 70% of our divisional sales. However, the HOYA Group sees significant growth potential in the United States, where we are actively working to strengthen our local organization and sales capabilities.

In Asia, excluding Japan, our growth in China has been remarkable. We are significantly expanding our sales in China, particularly through our innovative MiYOSMART product (details to follow).



▶ **Outlook**

The eyeglass lens business is HOYA Group's largest source of sales, driving the overall expansion of the Life Care business.

We are dedicated to partner with optometrist shops and Eye Care Professionals worldwide to support their growth. To achieve this, we continuously drive innovation in products, practices, and processes; enhance services to our customers with a global presence of manufacturing capability and digitalization of customer interactions; solidify our support to customers and become a relevant partner to their business. Organization sustainability will be the backbone of these initiatives, including digital infrastructure, corporate governance, sustainability and talent management.

Among our notable advancements is MiYOSMART, a lens designed to slow the progression of myopia in younger children. Launched in 2018 ahead of our competitors, MiYOSMART has seen significant growth, particularly in the Chinese market. The product lineup has been expanded to include sunglasses and photochromatic lenses and is now available in more than 30 countries^{*3}.

Beyond China, HOYA plans to intensify promotional activities in Europe thanks to change in the insurance policies. In March 2022, MiYOSMART was recognized as being of public utility by the French Ministry of Health, raising government awareness which should lead to an increase in myopia treatment reimbursement. Since July 1st 2024 in Switzerland, the government has begun to reimburse myopia management solutions for children. This proves the impact we can make by raising awareness, educating, and ensuring governments understand the importance of prioritizing myopia.

Regionally, we are strengthening our sales efforts in high-growth emerging markets, especially in China, to expand our market share. In the United States, where a significant portion of sales is to independent optometrist shops, we are enhancing our presence with business targeting optometrist chains. Additionally, we are exploring mergers and acquisitions to extend our reach to customers, to deliver better consumer satisfaction and contribute to the category growth. Through these initiatives, we aim to achieve higher growth than in the past, targeting mid single-digit growth rates.



^{*3} MiYOSMART has not been approved for myopia management in all countries, including the United States, and is not currently available for sale in all countries, including the United States.

As of August 2024, MiYOSMART has not received approval in Japan. For more information, please visit the official [MiYOSMART website](#).

Contact Lenses

Market Environment

The retail market for contact lenses in Japan is growing at a gradual 2% or so annually. We estimate that the demand for contact lenses will continue to grow even against a background of declining birthrate and population aging, due to rising myopia among the young combined with increasing adoption of bifocal contact lenses among the elderly. In addition, an increase in average unit price per sale due to increased sales of high-value-added lenses is also expected to lead to market growth.

Status of Our Business

▶ **Business Overview**

Eyecity is HOYA’s contact lens specialty retail store chain, comprising 370 outlets across Japan. Eyecity offers consulting sales, proposing products optimally tailored to each individual customer, backed by a comprehensive lineup of products from major producers worldwide. Outlets are typically situated in convenient locations, such as near train stations and in shopping malls. To cater to today’s growing online shopping needs, HOYA also offers Hoshii Toki Bin (on-demand delivery) and Otoku Teiki Bin (money-saving regular delivery), to enthusiastic customer reception.



In March 2022 HOYA began manufacturing and selling the hoyaNONE series of private-brand contact lenses. It currently offers six products in the series.

▶ **Market Position**

HOYA holds more than 50% of the market share in the largest category of contact lens sales channels, contact lens specialty stores. HOYA expects contact lens specialty stores to continue taking market share from ophthalmological channels, owing to their comprehensive lineups and superior prices.

On the other hand, online shopping has been expanding its market share in recent years. HOYA believes that responding to this channel will be vital in assuring the Company’s market position.

▶ **Outlook**

The Company has been pursuing a strategy of raising its profile by opening 15 to 20 stores a year. HOYA will continue to open new stores and strengthen marketing to attract new customers.

At the same time, we will aim for continuous growth by further expanding our product lineup, including our private-brand series, strengthening our recommendations of high-value-added products such as lenses for astigmatism and bifocal lenses, and enhancing in-store services to increase customer repeat rates and average spending per customer.

Sales Composition Ratio by Sales Channel (FY2023)



HOYA Market Share at Contact Lens Specialty Stores [HOYA estimate on a value basis]



Medical

Medical Endoscopes

Market Environment

Medical expenses are increasing worldwide in line with the aging of society. To keep medical expenses in check, governments in countries across the globe are promoting the early detection of disease and minimally invasive medical procedures. Minimally invasive medical treatment does not involve the use of a scalpel on the patient’s body and thus minimizes the physical burden on the patient. Due to this demand, endoscopes are attracting a great deal of attention.

The growth of the endoscope market is modest in developed countries. In Asia ex-Japan, however, growth rates remain high, as these countries are still in the early adoption phase. China especially is expected to lead growth in the global market.

Status of Our Business

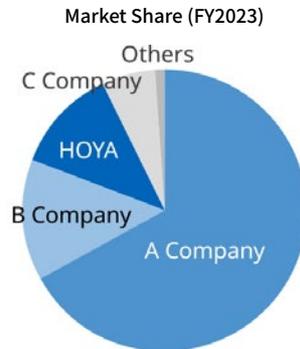
Business Overview

HOYA conducts research & development, manufacturing, and sales of medical flexible endoscopes used in the examination and treatment of digestive system, ear, nose & throat (ENT), respiratory organs, etc. Medical flexible endoscopes are composed of a scope that is inserted into the patient’s body and a video processor. The Company sells these products to healthcare institutions, organizations that purchase jointly with healthcare institutions, and sales agencies.



Market Position

HOYA is the third largest group in the industry globally. The Group’s strengths lie in the state of the art endoscopes for gastrointestinal endoscopy (GI); small-diameter endoscopes for pulmonology; market leading Ear-Nose-Throat systems composed of endoscopes, processors and stroboscopy systems.



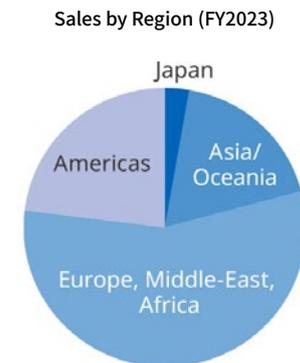
[HOYA estimate on a value basis]

Conditions by Region

Most of the Company’s sales are in Europe and other overseas regions.

Outlook

The demographic profiles of many countries are aging. Also, demand is growing for minimally invasive medical procedures. As a result of these factors, the market for medical endoscopes is forecast to grow in the mid-to-high single digits.



In the near term, the structural reforms implemented in fiscal 2022 in the Americas are steadily bearing fruit and the business there is showing signs of an upturn.

Against the background described above, we will continue to actively pursue continuous technological innovation in both reusable and single-use endoscopes, offer products and solutions that take cleaning and disinfection into consideration, strengthen our sales capabilities, and leverage AI.



PENTAX Medical ONE Pulmo
(Single-use bronchoscope)



PENTAX Medical INSPIRA™ Video Processor EPK-i8020c, i20c series scope
(High-end video processor and video gastroenteroscope)



AquaTYPHOON™
(Automated brushless endoscope channels pre-cleaning system)



PENTAX Medical Discovery™
(AI-equipped endoscopic image diagnosis support software)

Intraocular Lenses

Market Environment

As populations age around the world, medical infrastructure spreads in emerging countries and access to advanced medical technology improves, demand for intraocular lenses for cataracts is rising. Cataracts are a disease in which a cloudy white area forms in the crystalline lens of the eye, causing vision to deteriorate. Probability of suffering cataracts increases with age and is the greatest cause of eyesight loss in the world today. In cataract surgery, the natural lens that has developed the cataract is replaced with a new, clear IOL. In addition to conventional unifocal lenses, in recent years high-end products such as trifocal lenses and lenses with deep focal depth have entered the market, resulting in mid-single digit market growth.

Status of Our Business

► Business Overview

In this field, we perform research and development, manufacturing, and sales of intraocular lenses (IOLs) for cataract surgeries. Drawing on over 30 years of experience and expertise in the IOL business, HOYA has contributed to improving the vision and quality of life of millions of cataract sufferers.

HOYA pre-loaded IOLs* combine HOYA's strengths in optical technology with the Group's experience and expertise in developing injectors for intraocular lenses. These advantages have earned admiration on the global market, propelling the HOYA Group to top market share in this category.

* In a pre-loaded injector, the intraocular lens is pre-installed in the injector, supporting safer and more reliable surgeries.



Vivinex™

▶ Market Position

HOYA is steadily increasing its market share and currently holds the global No. 3 position.

Driven by the flagship brand, Vivinex™ (launched in 2015), sales continue to grow at a pace that is above the market. Vivinex™ combines an IOL material that offers unprecedented clarity of vision with multiSert™, our proprietary 4-in-1 injector, which is designed to provide outstanding IOL delivery consistency.

▶ Status by Region

In a breakdown of net sales by region, Japan accounts for about 40% of HOYA's worldwide net sales.

HOYA is continually expanding the roster of countries in which it sells. As a result, our overseas sales ratio is expected to rise.

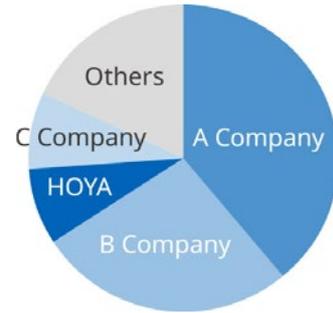
▶ Outlook

By bolstering sales of Vivinex Gemetric trifocal IOLs, a high-value-added product, HOYA is meeting the needs and expectations of a wider range of customers.

In addition to bolstering our sales workforce in regions in which we already have sales bases, we are establishing sales companies and reaching out to sales agencies in regions in which we do not yet have a presence. In this way we are widening our total addressable market. In January 2023 the HOYA Group established a sales company in South Korea, a country where demand for IOLs is rising.

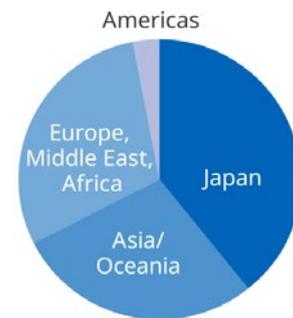
Although the sales growth rate is expected to slow temporarily in fiscal 2024 due to the cyber attack at the beginning of the fiscal year, we intend to outpace the market growth rate (mid-single digits) for IOLs.

Market Share (FY2023)



[HOYA estimate on a value basis]

Sales Composition of HOYA Surgical Optics by Region (FY2023)



Ceramic Artificial Bones, Metal Orthopedic Implants

Market Environment

As Japan's demographic profile ages, bone fractures and disease are on the rise. The market for orthopedic and neurosurgical implants effective in their treatment is expected to continue to grow.

Status of Our Business

▶ Business Overview

HOYA develops and manufactures ceramic artificial bones and metal implants, which are used to compensate for bone loss and repair bone fractures. The Company mainly supplies these products to healthcare facilities in Japan, where they contribute to the treatment of numerous patients.

▶ Market Position

In the ceramics market, HOYA was the first company in Japan to manufacture and sell a hydroxyapatite product with more or less the same constituents as a human bone and has led the Japanese market ever since. HOYA entered the market of metal implants in 2012, through management integration with Japan Universal Technologies, Inc. We manufacture and sell implants that are optimized to the skeletal structure of Japanese people in terms of shape and size. In metal orthopedic implants for distal radius fractures, HOYA offers an extensive product lineup that has captured the top market share in Japan (HOYA survey, case basis).

▶ Outlook

By maintaining its share of the ceramic artificial bone market and developing new applications, the Company expects to expand its market. HOYA will respond to patient and healthcare-facility needs by extending its lineup of metal implant products and bolstering its sales capabilities. Leveraging its strength as both a manufacturer and vendor of both ceramic artificial bone and metal implants, HOYA aims to combine products of both materials to propose new surgical procedures, thereby differentiating itself from the competitors.



Bioactive ceramic implant BIOPEX



Metal orthopedic implant HTS Stellar D for distal radius fractures

Chromatography Media

Market Environment

The market of separation/purification media (chromatography media) used in the development and production of biopharmaceutical products is expected to grow at a rate above mid-single digits globally in the years ahead, due to the expansion of the biopharmaceuticals market.

Status of Our Business

▶ Business Overview

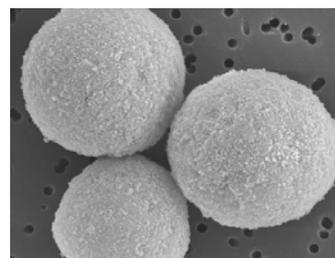
The Company manufactures bioceramic chromatography media and sells them through distributors. The products are adopted by pharmaceutical companies and research facilities worldwide.

▶ Market Position

A wide range of methods are used to separate and refine biopharmaceuticals. HOYA's spherical ceramic hydroxyapatite media possess high capacity for absorption of various proteins, enabling efficient removal and powerful separation of impurities in the purification process. As such, these unique products enjoy strong market favor.

▶ Outlook

Market needs for biopharmaceuticals are many and diverse, extending to antibody preparations, vaccines, gene therapies and more. To cater to these needs and secure further growth, the HOYA Group is working with customers and research institutes to accelerate the development of products and refining processes and is expanding production capacity to respond to growing demand.



Chromatography media
(enlarged image)

Information Technology Business

Electronics

Mask Blanks for Semiconductors

Market Environment

Although prone to business cycles, the semiconductor market is forecast to continue growing for the long term, in tandem with the continuing development of technologies such as cloud computing, AI, IoT and automated driving. To fabricate ever more high-density, high-performance semiconductors, miniaturization of circuit patterns is progressing. For example, the introduction of lithography technologies using extreme ultraviolet (EUV) light is expanding.

In fiscal 2023, the semiconductor market experienced negative growth due to a downturn in the memory market, but a gradual recovery has continued since the first half of 2024 due to increased demand for semiconductors for generative AI. Although the recovery remains mixed, GPUs and ASICs for generative AI and high-bandwidth memory (HBM) are expected to continue to drive growth.

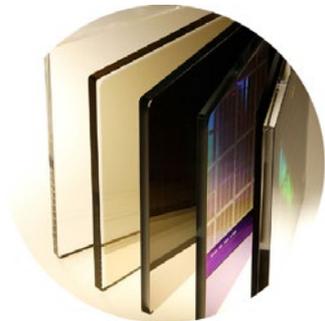
Status of Our Business

▶ Business Overview

In this business, we perform research, development, and manufacturing of mask blanks for semiconductors and sell these products to semiconductor manufacturers and foundries as well as mask shops.

Mask blanks are the base components of photomasks, which are the master plates used to transfer a semiconductor's intricate and complex circuit pattern onto a semiconductor wafer and are literally blank (i.e. before the circuit patterns are transferred).

The nature of mask blanks is such that demand is stimulated by the broadening range of applications, such as for smartphones, PCs, and generative AI. As such, the current situation where end customers prefer their own semiconductor designs is considered advantageous for HOYA's products.



▶ **Market Position**

In close collaboration with its customers, HOYA has long contributed to the miniaturization and improvement of performance of semiconductors. This track record has enabled the Company to maintain an exceptionally large share of the market for mask blanks for many years.

Competition in the field of EUV mask blanks is expected to intensify over the medium to long term. HOYA expects to continue to lead the field, leveraging its preeminence in low-defect products and next-generation products such as phase-shifting masks.

HOYA consistently maintains a strong presence in optical deep-ultraviolet (DUV) lithography, a conventional lithographic technology.

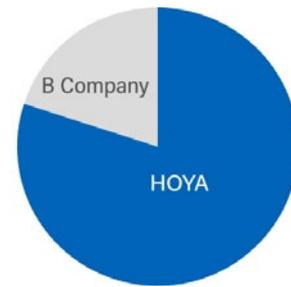
▶ **Outlook**

Demand for EUV mask blanks, an advanced technology, is expected to continue to grow along with the ongoing miniaturization of circuit channels as semiconductors for improved performance and energy efficiency.

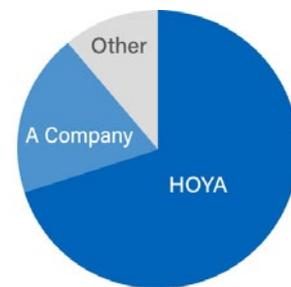
Mask blanks are used in R&D activities in significant quantities, but they are not consumables, so demand for them related to the mass production phase is comparatively light. For this reason, demand for mask blanks is only weakly correlated with demand for final products in the semiconductor market. As such, growth for these products derives from the continuing miniaturization of circuit channels and the number of designs for final products.

As of 2024, mass production of semiconductors of the 3 nm generation using EUV lithography has taken off in earnest. Nodes will continue to shrink every few years, to 2 nm, then 1.4 nm and so on. In tandem with this miniaturization, customer demands for quality (fewer defects, etc.) will become increasingly challenging. In addition, the introduction of mask blanks suited to phase shift masks and high-numerical-aperture (high-NA) EUV lithography (next-generation EUV lithography technology with higher numerical aperture) are expected in the future, and mask blanks compatible with these lithography technologies are in demand. Under these conditions, the Company is introducing leading-edge equipment and continuously strengthening production capacity to maintain a competitive advantage in advanced fields.

Market Share (EUV)
(FY2023)



Market Share (Optical)
(FY2023)



[HOYA estimate on a value basis]

Photomasks for FPDs

Market Environment

Flat panel displays (FPDs) are used in a wide array of products, including TVs, PCs, smartphones, and automobiles.

For many years, liquid crystal displays (LCDs) were the focus of display technology. In recent years, adoption of organic electroluminescence (OLED) displays has advanced, principally in smartphones and high-end TVs.

Under the environment described above, photomasks for FPDs have continued to enjoy solid demand, as LCDs have given way to OLEDs and new functions and designs, taking advantage of OLED's unique characteristics, such as foldable screens, have been developed. In regional terms, manufacturers in China have set the pace on growth in this segment.

Status of Our Business

Business Overview

When manufacturing FPDs for TVs, smartphones, laptop computers, and other devices, photomasks for FPD manufacturing are important components used as the master plates to transfer the circuit pattern onto the substrate.

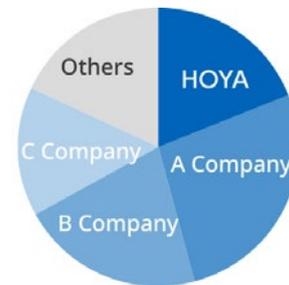
HOYA sources the substrate from raw materials manufacturers and creates blanks from that substrate by performing polishing, deposition, and resist application. When the manufacture of the blanks is completed, HOYA conducts circuit pattern drawing, developing, etching, and resist stripping and cleaning, and sells them to panel manufacturers as photomasks.



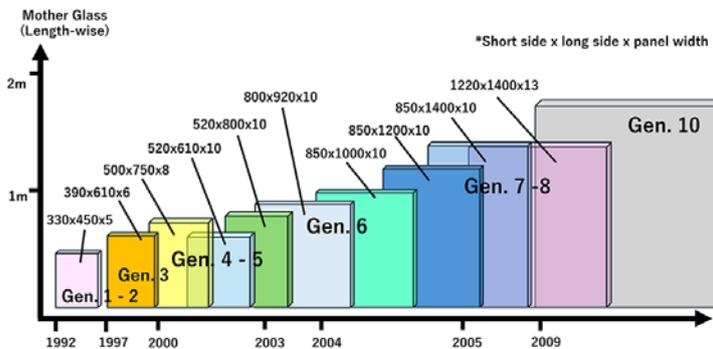
HOYA Position and Market Share

HOYA possesses expertise in high-precision products such as high-resolution masks and phase-shifting masks and holds the top-class market share.

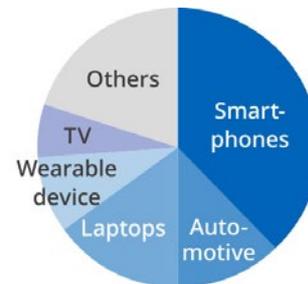
Market Share (FY2023)



FPDs are categorized by generation, which corresponds to mother glass size. Our business focuses on medium-sized mother glass of generations 6 to 8.6.



Sales Composition by Application (FY2023)



Sales Composition by Application

The ratio of sales by application is shown in the pie graph on the right. Smartphones account for the largest share. However, sales for new applications, such as car-mounted and wearable devices, are growing.

▶ Outlook

Although sales will be affected in the short term by the earthquake that struck Taiwan in April 2024 and other factors, HOYA aims to achieve steady business growth by focusing on high-precision products of medium size (generations 6 to 8.6), which are expected to continue to grow.

Additionally, to capture demand from panel manufacturers in China, which are enjoying blistering growth, in September 2022, HOYA established a joint-venture company, Chongqing MasTek Electronics Co., Ltd., with BOE Technology Group Co., Ltd., one of the world's largest panel manufacturers. This joint-venture company is scheduled to start operation of a new FPD photomask plant in Chongqing in the second half of 2024.



Chongqing MasTek Electronics Co., Ltd. (Chongqing, China)

Glass Substrates for HDDs

Market Environment

The market for hard disk drives (HDDs) is expected to enjoy stable demand over the medium to long term as demand for data storage consistently grows. Fields such as cloud services and data centers depend critically on large-volume, low-cost data storage. HDDs provide high capacity and can store large volumes of data at relatively low cost, so they are widely used for nearline* applications. As data generation volume grows, demand for HDDs is expected to grow continuously over the long term.

In consumer products such as laptop PCs and game devices, however, solid state drives (SSDs) are steadily replacing HDDs, owing to their superiority in high-speed data access, impact-resistance, and low power consumption.

The nearline HDD market continued to experience major adjustments from 2022 to 2023 associated with the special demand for cloud businesses driven by teleworking and remote schooling during the COVID-19 pandemic as well as the subsequent intensive investment in AI. Demand is expected to recover, however, in 2024 against a backdrop of inventory optimization by hyperscalers.

* Nearline data storage is not as fast as online storage, but it can be accessed over a network if necessary, unlike magnetic tape and other offline storage approaches, so it is a data storage solution capable of high-speed data communication.

Status of Our Business

▶ **Business Overview**

In this area, HOYA conducts research and development, manufacturing, and sales of glass substrates for HDDs. HDDs incorporate disc-shaped magnetic disks to which data is written, and the component that serves as the base of the magnetic disk is called the HDD substrate. There are two types of substrates: glass and aluminum, of which HOYA manufactures glass ones.

From raw material manufacturers, HOYA sources substrate raw materials, which the Company processes into disc shapes, strengthens and polishes. After processing, we sell this substrate to HDD manufacturers and to media manufacturers who turn it into magnetic media. HOYA manufactures 3.5-inch-standard products for nearline servers and 2.5-inch-standard products for laptop PCs and other consumer products. Today the majority of sales are in 3.5-inch-standard products.



3.5-inch HDD for nearline applications
(Source: Toshiba Electronic Devices & Storage Corporation)

▶ **HOYA Position and Market Share**

HOYA is the world's only glass HDD substrate manufacturer, commanding 100% market share.

The market for substrates for consumer products (2.5 inches) consists entirely of glass products, which is one reason HOYA holds 100% share of this market.

The market for substrates for nearline applications (3.5 inches) includes both aluminum and glass products. We estimate that HOYA's share of this market is about 40%. As ballooning data generation volumes stoke demand for high-capacity HDDs, next-generation technologies such as heat-assisted magnetic recording (HAMR) are expected to be introduced and increasing number of disks (11 or more) are expected to be mounted in some products. Each of these methods require glass substrates, so HOYA expects to extend its share of the data-center market.

3.5-Inch Substrate Used for Near Line Servers Market Share (FY2023)



[HOYA estimate on a value basis]

▶ **Outlook**

In 3.5-inch products for nearline applications, inventory adjustments by hyperscalers have ended. In addition to the normal increase in data distribution, an increase in AI-related data volume is also expected in the medium to long term, so sustainable sales growth is foreseen. The superiority of glass substrates over aluminum substrates in handling even high-capacity data-storage applications is expected to boost HOYA's market share long term. We note that HDDs, which are competitive with SSDs in terms of cost per terabyte, are expected to remain the primary nearline storage solution for a long time to come.

2.5-inch products for consumer products are expected to be gradually replaced by SSDs. However, sales volume on these products is already small, so HOYA believes their impact on the glass substrate business as a whole is projected to be limited.

Imaging

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

Market Environment

The digital camera market is trending favorably, lifted by the reopening of economies after COVID-19 and active development by camera manufacturers of mirrorless cameras and their interchangeable lenses and other factors. The market for cameras used in automotive systems such as driver-assist systems, collision-avoidance systems, and parking-assist systems is continuing to grow, and further growth is forecast in fields related to automated driving systems.

Status of Our Business

▶ Business Overview

In this area, we conduct research and development, manufacturing, and sales of optical lenses for digital cameras and a variety of other cameras, as well as for optical glass materials. These products are used in a wide variety of applications, including automotive cameras and interchangeable lenses for mirrorless cameras. HOYA sources materials from optical glass material manufacturers, conducts compound and solution treatments, manufactures lens materials and lens products, and sells to lens and camera manufacturers.



▶ Market Position

HOYA is engaged in the entire sequence of operations from R&D on optical glass composition to manufacturing of finished products of lenses. We have built out a system fully capable of multi-model, large-volume production.

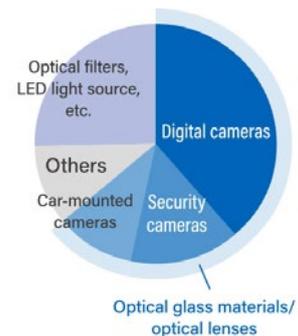
HOYA boasts strengths in aspherical glass molded lenses (GMOs), supporting high market share.

GMOs are optical lens products that are molded by direct pressing of optical glass that has been rendered flexible in high heat, without polishing. Because they deliver excellent aberration correction, GMOs enable the number of lenses used in optical systems to be reduced, contributing to smaller size, lower weight and more advanced function of the cameras that are the final products.

▶ Sales Composition by Application

Interchangeable lenses for mirrorless cameras and lenses for digital cameras such as compact digital cameras account for some 40% of HOYA's sales in this field. Relatively new applications such as security cameras and automotive cameras are growing as a percentage of sales.

Sales Composition by Application (FY2023)



▶ Outlook

While sales of products for digital cameras are currently firm, the market is expected to dwindle gradually over the medium to long term as the features and resolution of smartphone cameras expand and improve. In automotive camera products, applications for advanced driver-assistance systems (ADAS) are expected to broaden. Meanwhile the discovery of new applications, such as optical products for augmented reality*, is continuously advancing.

*AR (Augmented Reality): Technology that superimposes maps and other digital information on the real world by wearing eyeglasses or goggle-type devices.