HOYA

Notice of the 79th Ordinary General Meeting of Shareholders

Information for the meeting

■ Date and time of meeting:

June 21 (Wednesday), 2017

Start accepting 9:00 a.m.

Opening of the meeting 10:00 a.m.

■ Location

Bellesalle Shinjuku Grand (Event Hall)

8-17-3 Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan

Since last year, we have no longer been distributing any gifts which were customarily distributed on the day of the General Meeting of Shareholders.

HOYA CORPORATION

Security Code: 7741

Message from President & CEO

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

I am delighted to present this convocation notice of the 79th Ordinary General Meeting of Shareholders of HOYA CORPORATION to be convened on Wednesday, June 21.

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

The Information Technology business consists of materials for manufacturing semiconductors, glass disks for HDDs, optical lenses, and other products, and HOYA is striving to maintain and improve high profitability leveraging its strong competitiveness on the technology and sales fronts in global markets.

The Life Care business consists of eyeglass lenses, contact lens specialty retail stores, medical endoscopes, intraocular lenses and other products, and HOYA is promoting business growth by expanding its market share in developed countries and strengthening its presence in developing countries.

We aim to bring about sustainable growth for the entire HOYA Group by proactively investing the cash obtained in the Information Technology business into the Life Care business.

In the 79th fiscal year, despite a challenging business environment affected by factors such as stronger yen and the damage caused by the Kumamoto Earthquake to our Kumamoto Factory, we steadily expanded our products for cutting-edge technologies in the Information Technology business. In Life Care business, we are firmly expanding into overseas markets with our major products with the aim of making growth in the next fiscal year and beyond more certain.

Going forward, we will do our utmost to improve corporate value. We sincerely ask for your continued support.

Hiroshi Suzuki
President & CEO

Corporate Mission

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

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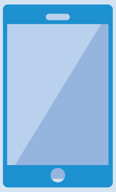
HOYA Group's Businesses

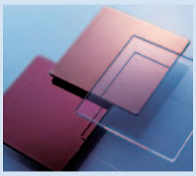
Based on the concept of "Portfolio Management," HOYA has developed businesses focused on two segments, Information Technology and Life Care, utilizing optical and precision processing technologies it has nurtured.

Electronics

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

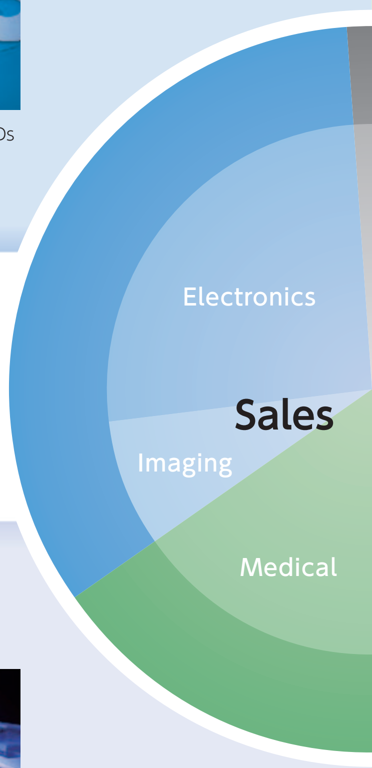


- Mask blanks for semiconductor manufacturing
- Photomasks for semiconductor manufacturing
- Photomasks for LCD panel manufacturing
- Glass disks for HDDs



Mask blanks for semiconductor manufacturing

Glass disks for HDDs



Information Technology

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

34%

Imaging

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

- Optical glasses
- Optical lenses
- Lens modules
- Laser related equipment

Optical lenses

Lens modules for compact cameras

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

Health Care

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

Eyeglass lenses

"Eyecity" store

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

66%

Life Care

Focusing on eye care, the HOYA Group aims to improve QOL (quality of life) of people around the world.

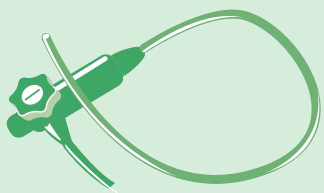
Medical

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

Medical endoscopes

Intraocular lenses for cataracts

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



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

Security Code: 7741
May 31, 2017

Notice of the 79th Ordinary General Meeting of Shareholders

Dear Shareholders:

Notice is hereby given that the 79th Ordinary General Meeting of Shareholders of HOYA CORPORATION (“the Company”) will be held as set forth below and you are cordially invited to be present at such meeting.

Since voting rights can be exercised in writing or via the Internet even if you are not present at the meeting, please go over the information set forth in the accompanying Reference Materials for the General Meeting of Shareholders and, following the “Information on exercising the voting rights” on pages 7–8, cast your vote, either by sending back the enclosed voting form indicating your approval or disapproval of the Proposals, or entering your approval or disapproval of the Proposals from the voting site designated by the Company (http://www.evote.jp/) no later than 5:45 p.m. on Tuesday, June 20, 2017 to exercise your voting rights.

Yours very truly,

HOYA CORPORATION
6-10-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
Hiroshi Suzuki
Director, President & CEO

Description

1. Date and time of meeting: 10:00 a.m., Wednesday, June 21, 2017

2. Location: Event Hall, Bellesalle Shinjuku Grand
8-17-3, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
(Please note that the meeting place has changed from the previous meeting held last year. There is also a venue with a similar name nearby.)

3. Agenda:

Matters to be reported:

1) Reports on the Business Report and the Consolidated Financial Statements for the 79th fiscal year (from April 1, 2016 to March 31, 2017) and the Audit Reports of the Consolidated Financial Statements for the fiscal year by the Accounting Auditor and the Audit Committee

2) Reports on the Non-consolidated Financial Statements for the 79th fiscal year (from April 1, 2016 to March 31, 2017)

Matter to be resolved:

Proposal: Election of Six (6) Directors

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

[Matters published on the Internet]

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

[Precautions for exercising the voting rights by proxy]

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

Information on exercising the voting rights

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

1. If you attend the meeting

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

2. If you are exercising your voting rights in writing

If you are exercising your voting rights in writing, please indicate your approval or disapproval of the proposals on the enclosed voting form and send us by post so that the Company can receive your form by **no later than 5:45 p.m. on Tuesday, June 20, 2017**. Please refer to **[Handling of voting rights]** when indicating your approval or disapproval of the Proposal on the voting form.

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

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

Exercising of the voting rights via the Internet is accepted **until 5:45 p.m. on Tuesday, June 20, 2017**, however, please exercise your rights at the earliest possible time, and if you have any questions concerning how to use the system please contact the help desk below.

Contact Information:
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division (Help Desk)
Tel: **0120-173-027** (Office hours: from 9:00 a.m. to 9:00 p.m., toll free)

1) About the voting rights exercising site

- The voting rights can be exercised via the Internet by a personal computer, a smart phone or a mobile phone (i-mode, EZweb, Yahoo!Keitai) (Note) only by accessing the voting rights exercising site designated by the Company (http://www.evote.jp/). (However, the service is suspended from 2:00 a.m. to 5:00 a.m. every day.)
  (Note) "i-mode," "EZweb" and "Yahoo!" are trademarks or registered trademarks of NTT DOCOMO, Inc., KDDI Corporation and Yahoo! Inc. in the United States, respectively.
- It may not be possible to exercise the voting rights from a personal computer or a smart phone depending on the Internet environment of the shareholder in case firewalls or anti-virus software are set up on the personal computer, or a proxy server is used, or not designating a TLS encrypted communications, etc.
- When you exercise your voting rights from a mobile phone, please use one of the following mobile phone services: i-mode, EZweb or Yahoo!Keitai. For security purposes, mobile phones that are not able to handle TLS encrypted communications and to transmit terminal ID information are not supported.

2) How to exercise the voting rights via the Internet

- On the voting website (http://www.evote.jp/), please enter the "Login ID" and "temporary password" which are stated on your voting form, and follow instructions on screen to enter your approval or disapproval.
- In order to prevent unauthorized access by third parties other than shareholders (so-called "spoofing") and to prevent tampering with the content of the voting, please note that shareholders who use this function will be asked to change the "temporary password" on the voting website.

3) Costs incurred when accessing the voting website

Costs incurred when accessing the voting website (such as Internet connection charges and phone charges) are to be borne by the shareholders. When a smart phone or a mobile phone is used, packet communication fees and other smart phone or mobile phone usage fees are incurred, and these are also to be borne by the shareholders.

[Handling of voting rights]

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

- End -

Reference Material for the General Meeting of Shareholders

Proposal Election of Six (6) Directors

The term of office of all of the six Directors will expire at the close of this Ordinary General Meeting of Shareholders. It is therefore proposed that six Directors be elected in accordance with the decision made by the Nomination Committee.

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

The candidates for Directors are as follows:

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

(Note) Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu and Mr. Shuzo Kaihori are candidates for the posts of Independent Directors. The Company has provided notice to the Tokyo Stock Exchange of Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu and Mr. Shuzo Kaihori as being Independent Directors appointed by the Company, in accordance with the Tokyo Stock Exchange's rules and regulations.

<table>
<tr><th>No</th><th>Name</th><th>Brief history, positions and assignments at the Company,
and important positions of other companies concurrently held</th></tr>
<tr><td rowspan="3">1</td><td>
Itaru Koeda
(Born on Aug. 25, 1941)
Candidate for Independent Director
[Number of years in office of the Director of the Company] 8 Years
[Number of shares of the Company held] 5,000 Shares
[Number of attendances to the board meetings] 10/10 times (100%)</td><td>Apr. 1965 Joined Nissan Motor Co., Ltd.
Jun. 1993 Director of Nissan Motor Co., Ltd.
May 1998 Managing Director of Nissan Motor Co., Ltd.
May 1999 Executive Vice President of Nissan Motor Co., Ltd.
Apr. 2003 Representative Director of Nissan Motor Co., Ltd.
Jun. 2003 Co-Chairman of Nissan Motor Co., Ltd.
Jun. 2003 Chairman of the Board of Calsonic Kansei Corporation
Jul. 2003 Director of Renault S.A.
Mar. 2005 Chairman of JATCO Ltd.
Jun. 2008 Executive Advisor and Honorary Chairman of Nissan Motor Co., Ltd.
Jun. 2009 Director of the Company (present post)
Apr. 2015 Senior Advisor of Nissan Motor Co., Ltd. (present post)
(Important positions of other companies concurrently held)
Senior Advisor of Nissan Motor Co., Ltd.</td></tr>
<tr><td colspan="2">Reason for the Selection of Candidate for Director
The above candidate has been engaged in the management of Nissan Motor Co., Ltd. for many years, during which period he had the valuable experience of promoting a joint venture with Renault S.A. He has also made substantial contributions to the Board of Directors of the Company with his deep knowledge of the management of the Company as a manufacturer, based on his management experience in the manufacturing division for many years. The Nomination Committee has nominated him as a candidate for Director again this year, since it believes that he will give advice and execute supervision with respect to the management of the Company based on his achievements as Director and chairperson of the Nomination Committee to date, his track record as chairperson at meetings attended only by Independent Directors as the Lead Independent Director, and his deep understanding of market demands considering his experience in dialogue with global stock markets over many years. Moreover, between the HOYA Group and Nissan Motor Group, which the candidate comes from, there were transactions in the fiscal year 2016, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party and, with regard to the candidate, nothing exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.</td></tr>
<tr><td colspan="2">Message to Shareholders from Candidate
Major political changes are taking place in the United States, Europe, and Asia, and “home country first” policies are being implemented. As a result, the degree of diversification between regions and countries will increase further, not only in economies and technologies, but also in customer requirement. In order for the Company to move forward in this environment, it is necessary to refine the superiority of each business unit to further reinforce the Company’s strengths enabling it to respond even more swiftly to the changes in each region while harmonizing on a company-wide basis. As an Independent Director, making efforts to strength corporate governance, I sincerely intend to fulfill my duties so that the management of the Company by Executive Officers can stay ahead of the changes in the world and the Company can enhance its corporate value and continue to grow in the mid- and long-term.</td></tr>
</table>

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
2	 **Yukako Uchinaga** (Born on Jul. 5, 1946) Candidate for Independent Director [Number of years in office of the Director of the Company] 4 Years [Number of shares of the Company held] 1,000 Shares [Number of attendances to the board meetings] 10/10 times (100%)	Jul. 1971 Joined IBM Japan, Ltd. Apr. 1995 Director in charge of Asia Pacific Products of IBM Japan, Ltd. Apr. 2000 Managing Director and Head of Tokyo Software Development Laboratory of IBM Japan, Ltd. Apr. 2004 Director and Senior Executive Officer in charge of Development & Manufacturing of IBM Japan, Ltd. Apr. 2007 Technical Advisor of IBM Japan, Ltd. Apr. 2007 President of Japan Women's Innovative Network (J-WIN) (present post) Jun. 2007 Director of Benesse Corporation Apr. 2008 Director and Vice Chairman of Benesse Corporation Apr. 2008 Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation Oct. 2009 Director and Executive Vice President of Benesse Holdings, Inc. Apr. 2013 Honorary Chairman of Berlitz Corporation Jun. 2013 Director of the Company (present post) Sep. 2013 President & CEO of Globalization Research Institute Co., Ltd. (present post) Apr. 2014 Board Chair of Japan Diversity Network Association (present post) **(Important positions of other companies concurrently held)** Board Chair of J-WIN, Non-Profit Organization Outside Director of Aeon Co., Ltd. Outside Director of DIC Corporation Board Chair of Japan Diversity Network Association

Reason for the Selection of Candidate for Director

The above candidate is a pioneer of female executive officer as she was promoted to the first female director of IBM Japan, Ltd. Then, as CEO of Berlitz Corporation under Benesse Holdings, Inc., she established a brand of a "global human resource development enterprise" and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competitions. In addition, for many years, she has devoted herself to activities for promoting the utilization of women by corporations and has also provided the Company with advice on promoting diversity. The Company's Nomination Committee believes she will even more greatly contribute to the globalization of human resources and diversity management in the Company, so it has nominated her as a candidate for Director again this year. There were transactions in the fiscal year 2016 between the HOYA Group and both Benesse Group and IBM Japan, which the candidate comes from and payment of membership fees to J-WIN, Non-Profit Organization, which the candidate concurrently serves as Board Chair, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party. For all the transactions, nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

Message to Shareholders from Candidate

I believe that the Company's strength is, while timely restructuring its business amidst global expansion, to powerfully exercise its market leadership with its competitive edge. I intend to contribute to the Company in areas of clarification of strategies to further promote innovation, and utilization of global personnel in company operations. I would like to further contribute to the Company particularly in areas of strategic utilization of IT, which supports the basis of the global company, and promotion of diversity as a first step to utilize the talent of female employees in terms of human resources.

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
3	 **Mitsudo Urano** (Born on Mar. 20, 1948) Candidate for Independent Director [Number of years in office of the Director of the Company] 4 Years [Number of shares of the Company held] 5,000 Shares [Number of attendances to the board meetings] 10/10 times (100%)	Apr. 1971 Joined Nippon Reizo Kabushiki Kaisha (present Nichirei Corporation) Jun. 1999 Director and General Manager, Strategic Planning Division of Nichirei Corporation Jun. 2001 Representative Director and President of Nichirei Corporation Jan. 2005 Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc. Apr. 2007 Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc. Jun. 2007 Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc. Jun. 2013 Advisor of Nichirei Corporation (present post) Jun. 2013 Director of the Company (present post) **(Important positions of other companies concurrently held)** Outside Director of Yokogawa Electric Corporation Outside Director of Resona Holdings, Inc. Outside Director of Hitachi Transport System, Ltd. Advisor of Nichirei Corporation

Reason for the Selection of Candidate for Director

The above candidate focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food manufacturer, and developed efficient management through company split-ups and informatization. He particularly has extensive experience and solid achievements on management informatization. The Nomination Committee has nominated him as a candidate for Director again this year, since, in addition to the achievements in Nichirei Corporation, it believes that he will make a great contribution to enhance management efficiency and transparency through giving advice and proposals on overall company management with his deep insight and extensive experience as management having served as an outside director and outside corporate auditor in other companies listed on the First Section of the Tokyo Stock Exchange. Moreover, nothing between the HOYA Group and Nichirei Group, which the candidate comes from, exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

Message to Shareholders from Candidate

I am proud to be one of the members of the Board of Directors of the Company since, at the meetings of the Board of Directors, there are lively discussions in a positive mood, problems are pointed out and proposals are made from a variety of perspectives, and the PDCA cycle is extremely quick. The Company's strength is that it can adequately respond to drastically changing business environments by making decisions quickly. I believe that the role of an Independent Director is to provide general and objective support and supervision for corporate management by Executive Officers from the perspective of improving corporate value. I will strive to contribute to the management in a way that enhances the brand power of the Company.

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
4	 **Takeo Takasu** (Born on Jun. 24, 1945) Candidate for Independent Director [Number of years in office of the Director of the Company] 3 Years [Number of shares of the Company held] 2,800 Share [Number of attendances to the board meetings] 10/10 times (100%)	Apr. 1968 Joined The Sanwa Bank, Ltd. (Present The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Oct. 1993 Branch Manager, Los Angeles Branch of Sanwa Bank Apr. 1996 Member, Management Planning Department of Bandai Co., Ltd. Jun. 1996 Representative Director of Bandai Holdings Corporation in U. S. Mar. 1999 President and Representative Director of Bandai Co., Ltd. Jun. 2005 Chairman and Representative Director of Bandai Co., Ltd. Sep. 2005 President and Representative Director of Bandai Namco Holdings Inc. Apr. 2009 Chairman and Representative Director of Bandai Namco Holdings Inc. Feb. 2010 Chairman and Director of Bandai Namco Holdings Inc. Jun. 2011 Advisor and Director of Bandai Namco Holdings Inc. Jun. 2014 Director of the Company (present post) (Important positions of other companies concurrently held) Outside Director of Bell-Park Co., Ltd. Outside Director of KADOKAWA CORPORATION Outside Director of Cool Japan Fund Inc.

Reason for the Selection of Candidate for Director

After first serving at the former The Sanwa Bank, Ltd., the candidate accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company's performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company's Nomination Committee has judged that he will make proposals from different perspectives through insights developed in the banking industry and management experience in the toy industry with different characteristics from that of the Company, in addition to his achievements as an outside director of other companies, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2016 between the HOYA Group and Bandai Namco Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party and, with regard to the candidate, nothing exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

Message to Shareholders from Candidate

This February, the Company was awarded as a Corporate Governance of the Year 2016 Grand Prize Company by the Japan Association of Corporate Directors. As a Director, I consider this to be a great honor. I hope to continue being fully helpful to the corporate management by expressing objective and fair opinions at the Board of Directors as an Independent Director.

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
5	 **Shuzo Kaihori** (Born on Jan. 31, 1948) Candidate for Independent Director [Number of years in office of the Director of the Company] 2 Year [Number of shares of the Company held] 1,000 Shares [Number of attendances to the board meetings] 10/10 times (100%)	Apr. 1973 Joined Yokogawa Electric Works Ltd. (Present Yokogawa Electric Corporation) Apr. 2005 Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation Apr. 2006 Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation Jun. 2006 Director and Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation Apr. 2007 Representative Director, President and Chief Executive Officer of Yokogawa Electric Corporation Apr. 2013 Representative Director, Chairman and Chief Executive Officer of Yokogawa Electric Corporation Apr. 2015 Director, Chairman of Yokogawa Electric Corporation Jun. 2015 President of Business Ethics Research Center (present post) Jun. 2015 Director of the Company (present post) Jun. 2016 Director and Chairman of the Board of Yokogawa Electric Corporation (present post) **(Important positions of other companies concurrently held)** Director and Chairman of the Board of Yokogawa Electric Corporation

Reason for the Selection of Candidate for Director

The above candidate assumed the presidency of Yokogawa Electric Corporation, which operates a test and measurement business and industrial automation and control business, in 2007 when the company faced difficult business conditions, then was committed to turning around the company and achieved a surplus by changing the business model from hardware to software and promoting the globalization. The Company's Nomination Committee has decided that he will contribute greatly to the Company's management from his performance that he boldly responded to changes in the business environment and achieved results and by giving advice on strengthening of software business, which is a challenge for the Life Care Segment, an area expected to grow, based on his extensive experience, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2016 between the HOYA Group and Yokogawa Electric Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

Message to Shareholders from Candidate

In the Health Care business segment, which continues to expand worldwide, the Company is operating a global business. The Company is also promoting investment in new business fields that are expected to produce synergies with its current businesses in order to further improve corporate value. I intend to contribute through activities at the Board of Directors to improving the corporate value of the Company over the medium term by providing appropriate support for the further development of this globalization and expansion of business fields in addition to strengthening global risk management.

No	Name	Brief history, positions and assignments at the Company, and important positions of other companies concurrently held
6	 **Hiroshi Suzuki** (Born on Aug. 31, 1958) [Number of years in office of the Director of the Company] 24 Years [Number of shares of the Company held] 942,080 Shares [Number of attendances to the board meetings] 10/10 times (100%)	Apr. 1985 Joined the Company Jun. 1993 Director of the Company Jun. 1997 Managing Director of the Company Apr. 1999 Managing Director of the Company, President of Electro Optics Company Jun. 1999 Executive Managing Director of the Company Jun. 2000 Representative Director, President & CEO of the Company Jun. 2003 Director, Representative Executive Officer President & CEO of the Company (present post) Dec. 2011 Chief Representative of Singapore Branch of the Company (present post)

Reason for the Selection of Candidate for Director

The above candidate serves as the driving force of the management of the HOYA Group as Director and Representative Executive Officer President & CEO, and gives appropriate explanations and reports on strategies based on portfolio management at the meetings of the Board of Directors. He also supervises the execution of operations by other Executive Officers and adequately fulfills his role as Executive Officer and Director. The Nomination Committee has nominated him as a candidate for Director again this year, in consideration of his achievements as Director to date.

Message to Shareholders from Candidate

The Company is managed based on a mechanism in which each Strategic Business Unit (SBU) formulates and executes its own business strategies. Accordingly, it is my understanding that the role of CEO is to execute portfolio management of the HOYA Group as a whole in view of the continuity of the company as a matter of top priority. Continuing to position the Life Care segment, which has accounted for approximately two-thirds of consolidated sales, as a growth segment, I strive to promote growth in this field as well as to maintain revenues in the Information Technology segment, and I am committed to steering the Company with a sense of speed to attain long-term growth amid the dramatic changes in the global situation by creating an execution structure that can withstand the changes.

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

2. Reasons for the selection of candidates for Independent Director

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

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

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

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

(Reference)

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

<Those who related to the HOYA Group>

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

<Major shareholders>

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

<Those who related to big business partners>

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

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

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

<Donation, etc.>

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

<Others>

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

Business Report An attachment to the Notice of the 79th Ordinary General Meeting of Shareholders (From April 1, 2016 to March 31, 2017)

Matters Relating to the Present State of the HOYA Group

Business Development and Results

Progression and result of businesses

■ General Overview:

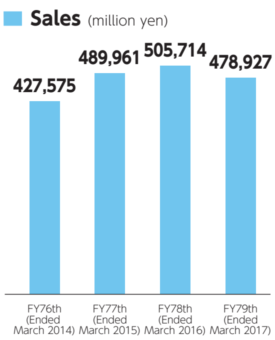
As of March 31, 2017, the HOYA Group consisted of the HOYA CORPORATION, 122 consolidated subsidiaries (11 of which are domestic and 111 overseas) and 8 affiliates (4 of which are domestic and the other 4 overseas).

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

<Adoption of the International Financial Reporting Standards>

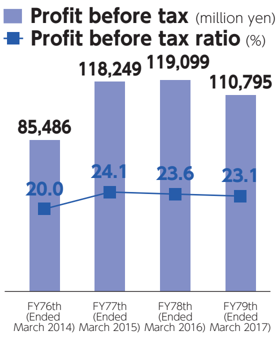
Beginning with the 73rd fiscal year, the HOYA Group prepares its consolidated financial statements and other documents in compliance with the International Financial Reporting Standards (IFRS) pursuant to the paragraph (1), Article 120 of the Ordinance on Company Accounting. With respect to reportable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

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



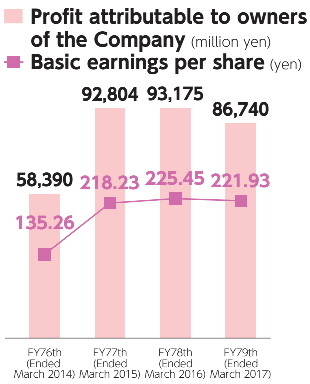
<Sales>
During the consolidated fiscal year ended March 2017, the global economy witnessed the following. In Japan, there were signs of economic recovery, but there continued to be a lack of stability in exchange rate trends. In the U.S., expectations surrounding the financial policies of the new administration are rising amidst a firm economy, but in the current situation it is difficult to predict the impacts of trade policies, etc. In Europe as well, while mild economic growth is continuing overall, the future uncertainty stemming from the UK's decision to secede from the EU has been noted. In Asia, while China is maintaining a high growth rate, there is increasing geopolitical risk.

Under these circumstances, in the Information Technology business of the HOYA Group, sales increased for Maskblanks for semiconductors due to firm demand for leading-edge products. Sales decreased for Photomasks for semiconductors and Photomasks for liquid-crystal displays after the decision was made to close the Kumamoto Factory due to damage from the Kumamoto Earthquake, which decreased production capacity. Although sales of glass substrates for hard disk drives increased on a local currency basis due to the recovery of overall demand and expansion of the market share, sales decreased due to the impact of yen appreciation. Sales of imaging related products decreased following the decrease in demand for digital cameras and the impact of yen appreciation. As a result of the above, sales overall decreased in the Information Technology business compared to the preceding consolidated fiscal year.



In the Life Care business, sales of contact lenses and intraocular lenses remained robust. Although sales increased on a local currency basis for eyeglass lenses and endoscopes in each of the overseas markets in the Americas, Europe and Asia, sales decreased overall due to the impact of yen appreciation. Accordingly, sales in the Life Care business as a whole decreased compared to the preceding consolidated fiscal year.

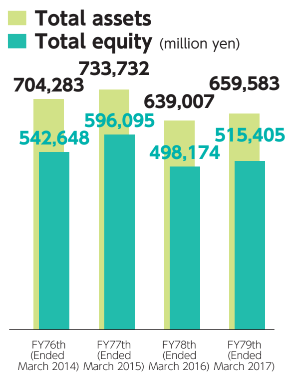
As a result, sales of continuing operations for the consolidated fiscal year ended March 2017 amounted to 478,927 million yen, a 5.3% decrease year on year.



<Profit>
In addition to loss on disaster by the Kumamoto Earthquake, gain on sales of property, plant and equipment amounted to 4,270 million yen was recorded for the preceding consolidated fiscal year, so profit before income tax and profit for the year decreased, compared to the preceding consolidated fiscal year, by 7.0% to 110,795 million yen and 6.9% to 86,852 million yen, respectively.

The profit before tax ratio for the consolidated fiscal year ended March 2017 was 23.1%, a 0.5 percentage points decrease from 23.6% in the preceding consolidated fiscal year.

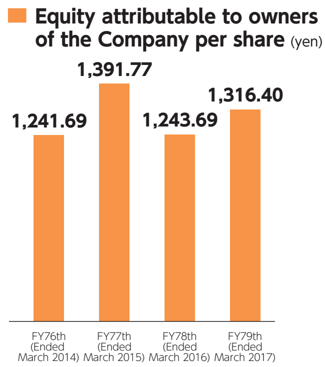
There were no discontinued operations in the consolidated fiscal year ended March 2017 and the preceding consolidated fiscal year. Therefore, all numerical values and percentage changes herein are based on the continuing operations.



<Financial Position>

Total assets at March 31, 2017 increased by 20,576 million yen from the end of the preceding consolidated fiscal year to 659,583 million yen.

Non-current assets decreased by 823 million yen to 164,263 million yen. This is primarily due to increases of 5,088 million yen in goodwill and 10,095 million yen in intangible assets despite decreases of 5,022 million yen in property, plant and equipment – net, 8,463 million yen in long-term financial assets, and 1,831 million yen in deferred tax assets. The decrease in long-term financial assets is primarily due to transfers to current assets.



Current assets increased by 21,399 million yen to reach 495,321 million yen. This is primarily due to increases in trade and other receivables by 5,428 million yen, other short-term financial assets by 6,804 million yen, and cash and cash equivalents by 10,559 million yen. The increase in other short-term financial assets is primarily due to transfers from non-current assets.

Total equity increased by 17,231 million yen to 515,405 million yen. This is primarily due to a decrease in treasury shares, a deduction item from equity, by 27,817 million yen.

Equity attributable to owners of the Company increased by 17,622 million yen to 510,887 million yen.

Liabilities increased by 3,345 million yen to 144,178 million yen.

The ratio of equity attributable to owners of the Company to total assets at March 31, 2017 increased by 0.3 percentage points from the end of the preceding consolidated fiscal year and reached to 77.5%, which was 77.2% in the preceding consolidated fiscal year.

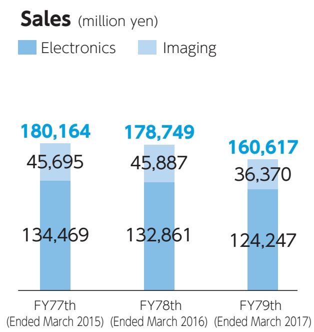
The breakdown of changes in retained earnings is as presented later in this report in the section for Consolidated Statement of Changes in Equity.

Information Technology 34%

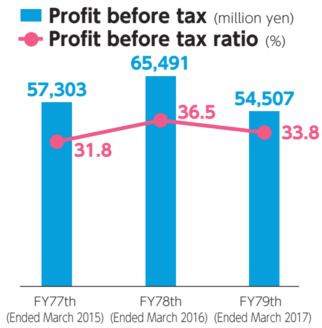
Outline of consolidated results by business segment

Electronics related products

Amid continuous shrinking of markets for finished products such as personal computers and tablets, the smartphone market continues to grow. Sales of Maskblanks for semiconductors of the Company increased compared to the preceding consolidated fiscal year as the adverse effect of yen appreciation was absorbed by taking in a robust research and development demand related to leading-edge products. Sales of Photomasks for semiconductors decreased compared to the preceding consolidated fiscal year after the decision was made to shut down the Kumamoto Factory due to damage from the Kumamoto Earthquake of April 2016, which decreased production capacity.



Sales for Photomasks for liquid-crystal displays decreased compared to the preceding consolidated fiscal year due to slowing down of research and development demand for higher precision and higher resolution and for larger and 4K screens for large masks for TV panels and to continued effects of decreased capacity caused by the closure of the Kumamoto Factory.

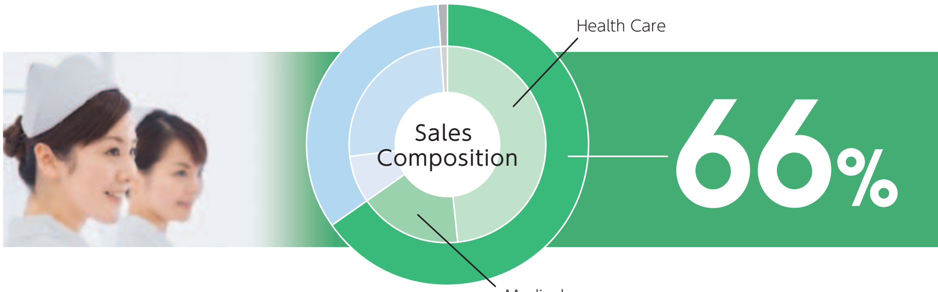


As for glass substrates for hard disk drives, sales decreased compared to the preceding consolidated fiscal year due to the impact of yen appreciation, despite a sales increase on a local currency basis thanks to a slowdown of the trend of decrease in overall demand and an expansion of market share of the Company.

Imaging related products

The digital camera market continued to shrink. Under such conditions, although the Company continued its efforts to expand sales of products for new applications such as for security cameras and car mounted cameras, they were not sufficient to make up the decrease in sales of digital cameras, and due to the impact of yen appreciation, overall sales decreased compared to the preceding consolidated fiscal year.

As a result, sales of the Information Technology segment decreased by 10.1% from the preceding consolidated fiscal year to 160,617 million yen, and segment profit decreased by 16.8% from the preceding consolidated fiscal year to 54,507 million yen due to loss related to disaster by Kumamoto Earthquake as well as the gain on sales of property, plant and equipment for the preceding consolidated fiscal year.



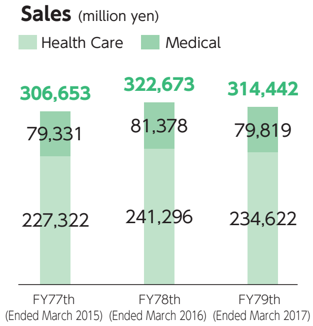
Life Care

Outline of consolidated results by business segment

Health Care related products

The Company's sales of eyeglass lenses continued to grow sluggishly due to the shrinking retail market in Japan. In overseas markets, although sales on a local currency basis increased steadily in the Americas thanks to the continued robust growth, as well as in Europe and Asia, overall sales decreased compared to the preceding consolidated fiscal year due to the heavy impact of yen appreciation.

As to contact lenses, the HOYA Group continued to work on opening new retail stores of "Eyecity," and enhancing promotion in existing stores, so sales of contact lenses increased compared to the preceding consolidated fiscal year.

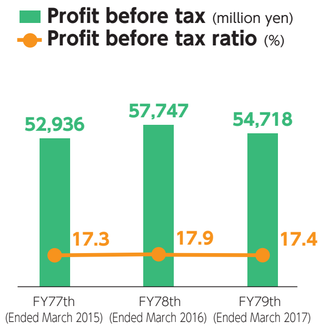


Medical related products

Sales of medical endoscopes in the Americas shifted to increase on a local currency basis over the preceding consolidated fiscal year. In Europe and Asia, meanwhile, sales grew as a result of the contribution of new products and strengthening sales capabilities. However, overall sales of medical endoscopes decreased compared to the preceding consolidated fiscal year due to the impact of yen appreciation.

Overall sales of intraocular lenses for cataracts grew and significantly increased over the preceding consolidated fiscal year as a result of strong sales of new products in Japanese market as well as firm growth of both direct sales and sales for dealers in overseas.

In consequence, sales of the Life Care segment decreased by 2.6% from the preceding consolidated fiscal year to 314,442 million yen, and segment profit decreased by 5.2% from the preceding consolidated fiscal year to 54,718 million yen due to the impact of yen appreciation.



View of Capital Expenditures

The total capital expenditures of all operations of the HOYA Group amounted to 22,863 million yen during the consolidated fiscal year ended March 2017, an increase of 2,535 million yen over the preceding consolidated fiscal year.

In the consolidated fiscal year ended March 2017, investment in the Information Technology business amounted to 10,202 million yen and investment in the Life Care business amounted to 12,512 million yen, which account for 44.6% and 54.7%, respectively, of the total capital expenditures by the Group.

The investment was covered by internally generated funds.

During the consolidated fiscal year ended March 2017, in the Information Technology business, the HOYA Group invested mainly in production facilities for high-value added products of semiconductor and liquid-crystal display-related products.

In the Life Care business, for mainly eyeglass lenses, the HOYA Group invested in increasing capacity in production plants and optimizing. For intraocular lenses for cataracts, since sales of products, which had been placed on markets at the beginning of the consolidated fiscal year ended March 2016, increased, the HOYA Group invested in increasing production capacity to meet the growing demand.

Category	77th Fiscal Year (Ended March 2015)	78th Fiscal Year (Ended March 2016)	79th Fiscal Year (Ended March 2017)
Capital expenditures (million yen)	20,184	20,328	22,863

Financing

There are no relevant items.

Important Corporate Reorganizations, etc.

There are no relevant items.

Management Issues Requiring Actions

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

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

(2) Medium-to-long term corporate management strategy and issues requiring actions
(i) Speedy and flexible response to changes in the market and efficient utilization of management resources
In the manifold business areas of the HOYA Group, we will accurately identify customers' needs in the market and devise strategies ahead of the competition to respond quickly and flexibly to each of the market trends. We will allocate management resources of the Group appropriately and will make timely decisions regarding plant and equipment investment, business alliances, mergers and acquisitions, withdrawal from or reduction in business operations, etc.

(ii) Creation of new business and technologies
To secure corporate earnings and continue to grow, we realize that it is critical to develop our own technologies and create new businesses in growth areas different from the existing ones, in addition to expanding our existing businesses.
We will devote even greater resources to developing world-class technologies and products that have a significant competitive advantage; to exploring and creating new businesses; and to acquiring and training personnel able to support our next generation business. At the same time, we think it is also important to actively incorporate external resources, so we will pursue all possibilities including business partnerships and M&A.

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

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

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

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

Changes in the State of Assets, Profits and Losses

Overview of Assets, Profits and Losses of the HOYA Group

Classification		76th Fiscal Year (Ended March 2014) [IFRS]	77th Fiscal Year (Ended March 2015) [IFRS]	78th Fiscal Year (Ended March 2016) [IFRS]	79th Fiscal Year (Current fiscal year) (Ended March 2017) [IFRS]
Sales	**(million yen)**	427,575	489,961	505,714	478,927
Profit before tax	**(million yen)**	85,486	118,249	119,099	110,795
Profit for the year	**(million yen)**	60,140	92,941	93,317	86,852
Profit attributable to owners of the Company	**(million yen)**	58,390	92,804	93,175	86,740
Basic earnings per share	**(yen)**	135.26	218.23	225.45	221.93
Total assets	**(million yen)**	704,283	733,732	639,007	659,583
Total equity	**(million yen)**	542,648	596,095	498,174	515,405
Equity attributable to owners of the Company per share	**(yen)**	1,241.69	1,391.77	1,243.69	1,316.40

(Notes)
1. Starting with the 73rd fiscal year, the HOYA Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards pursuant to the paragraph (1), Article 120 of the Ordinance on Company Accounting.
2. The amounts of sales and profit before tax present only the amounts for continuing operations. The amount of profit for the year presents the amount of all operations including discontinued operations.
3. Basic earnings per share is computed, based on the average of the total number of the outstanding shares during the consolidated fiscal year. Equity attributable to owners of the Company per share is computed, based on the total number of shares outstanding as of the end of consolidated fiscal year. The figures for the total number of outstanding shares exclude treasury shares.
4. The overview of the 79th fiscal year (consolidated fiscal year ended March 2017) is provided in the above section of this report titled "Business Development and Results."

Important Subsidiaries

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

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

Major Businesses (as of March 31, 2017)

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

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

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

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

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

Head Office, Principal Places of Business and Plants (as of March 31, 2017)

(1) HOYA CORPORATION

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

(2) Subsidiaries

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

Employees (as of March 31, 2017)

(1) By segment

Segment	Number of employees	Year-on-year comparison at year end
Information Technology	**18,227**	**down 88**
Life Care	**17,144**	**up 1,474**
Other	**298**	**up 6**
Corporate	**83**	**down 2**
Total	**35,752**	**up 1,390**

(2) Changes in the number of employees

Category	76th Fiscal Year (Ended March 2014)	77th Fiscal Year (Ended March 2015)	78th Fiscal Year (Ended March 2016)	79th Fiscal Year (Ended March 2017)
Overseas	**32,728**	**30,904**	**30,591**	**32,057**
Japan	**3,877**	**3,731**	**3,771**	**3,695**

(Notes)

1. The number of employees represents regular employees of all operations. Temporary and contract workers are excluded.
2. The Corporate figure represents the number of employees in the Group Headquarters and overseas regional headquarters and branches.
3. Employees at HOYA CORPORATION numbered 2,918 (down 34 YOY). Their ages and service periods averaged 44.2 and 18.4 years, respectively.

Major Lenders (as of March 31, 2017)

Lender	Loans payable
Seiko Holdings Corporation	**1,640 million yen**

Other Important Matters concerning the HOYA Group

The Company, on October 12, 2016, made the decision to and executed the definitive agreement to acquire Performance Optics, LLC, a company based in the U.S. involved in the manufacture and sales of eyeglass lenses, including its subsidiaries VISION EASE, based in the U.S., and Daemyung Optical, based in Korea. This transaction is currently being examined by Korean authorities in charge of antitrust laws.

Current State of the Company

State of Shares (as of March 31, 2017)

(1) Total number of shares the Company authorized:	Common share 1,250,519,400 shares	
(2) Total number of issued shares:	Common share 389,779,920 shares	
(3) Number of shareholders:	31,627	(Down 5,863 YOY)
(4) Number of shares constituting one unit:	100 shares	

(5) Principal shareholders: (Top 10 shareholders)

Rank	Name	Number of shares	Percentage of investment
		(Hundred shares)	%
1	State Street Bank and Trust Company	282,124	7.27
2	Japan Trustee Services Bank, Ltd. (Trust Account)	222,691	5.74
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	151,206	3.90
4	State Street Bank and Trust Company 505001	105,224	2.71
5	Mamoru Yamanaka	90,204	2.32
6	The Chase Manhattan Bank 385036	88,165	2.27
7	JP Morgan Chase Bank 385632	78,925	2.03
8	Japan Trustee Services Bank, Ltd. (Trust Account 5)	75,589	1.95
9	State Street Bank West Client - Treaty 505234	61,372	1.58
10	Japan Trustee Services Bank, Ltd. (Trust Account 7)	56,927	1.47

(Notes)
1. In consideration of the number of voting rights, the numbers of shares are stated in units of one hundred shares and the shares that do not constitute one trading unit are rounded down.
2. The percentage of investment is calculated by excluding treasury shares (1,686,149 shares).

State of Stock Acquisition Rights, etc.

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

Issue (Date of resolution)	7th issue of stock acquisition rights (October 29, 2007)	8th issue of stock acquisition rights (November 10, 2008)	10th issue of stock acquisition rights (November 19, 2009)	11th issue of stock acquisition rights (November 18, 2010)	12th issue of stock acquisition rights (December 22, 2011)	13th issue of stock acquisition rights (December 20, 2012)	14th issue of stock acquisition rights (December 19, 2013)	15th issue of stock acquisition rights (December 18, 2014)	16th issue of stock acquisition rights (December 17, 2015)	17th issue of stock acquisition rights (December 22, 2016)
Number of stock acquisition rights	82	92	92	86	120	127	837	559	313	221
Type and number of shares to be issued on exercise of stock acquisition rights	32,800 common share	36,800 common share	36,800 common share	34,400 common share	48,000 common share	50,800 common share	334,800 common share	223,600 common share	125,200 common share	88,400 common share
Exercise price per share	4,230 yen	1,556 yen	2,215 yen	1,947 yen	1,616 yen	1,648 yen	2,846 yen	3,972.5 yen	4,928 yen	4,839 yen
Contribution of stock acquisition right	No contribution is required in exchange for a stock acquisition right.									
Exercise period	October 1, 2008 – September 30, 2017	October 1, 2009 – September 30, 2018	October 1, 2010 – September 30, 2019	October 1, 2011 – September 30, 2020	October 1, 2012 – September 30, 2021	October 1, 2013 – September 30, 2022	October 1, 2014 – September 30, 2023	October 1, 2015 – September 30, 2024	October 1, 2016 – September 30, 2025	October 1, 2017 – September 30, 2026
Outline of terms and conditions for the exercise of stock acquisition rights	-Exercise of stock acquisition rights is permitted under certain conditions even after retiring from the post due to the expiration of term of office or mandatory retirement age. -Inheritance or transfer of the stock acquisition rights, creation of a pledge concerning the rights, etc. are not permitted.									
	Number of owners/[Number of stock acquisition rights]									
State of ownership – Directors (excluding In-dependent Directors) and Executive Officers	1 [82]	2 [92]	2 [92]	2 [86]	3 [110]	3 [117]	4 [764]	5 [491]	5 [223]	5 [171]
State of ownership – In-dependent Directors	0 [0]	0 [0]	0 [0]	0 [0]	1 [10]	1 [10]	3 [73]	4 [68]	5 [90]	5 [50]

(Note) No stock acquisition rights were granted to Directors and Executive Officers of the Company in the ninth issue of stock acquisition rights resolved at the meeting of the Board of Directors held on February 5, 2009.

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

Issue (Date of the resolution)		17th issue of stock acquisition rights (December 22, 2016)
Number of stock acquisition rights		746 rights
Type and number of shares to be issued on exercise of stock acquisition rights		298,400 common shares
Exercise price per share		4,839 yen
Contribution of stock acquisition right		No contribution is required in exchange for stock acquisition right.
Exercise period		October 1, 2017 – September 30, 2026
Outline of terms and conditions for the exercise of stock acquisition rights		-Exercise of stock acquisition rights is permitted under certain conditions even after retiring from the post due to the expiration of term of office or mandatory retirement age. -Inheritance or transfer of the stock acquisition rights, creation of a pledge concerning the rights, etc. are not permitted.
State of grant	**Employees of the Company**	Number of owners: 27 Number of stock acquisition rights: 190
	Directors and employees of subsidiaries of the Company	Number of owners: 54 Number of stock acquisition rights: 556

Directors of the Company

(1) Directors and Executive Officers

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

(Notes)

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

(2) Independent Directors as stipulated at Tokyo Stock Exchange

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

(3) Independent Directors

(i) Important positions and roles concurrently held by the Company's Independent Directors at other organization and their relationship with the Company is shown in "(1) Directors and Executive Officers" above. There is no important business transactions relationship between the Company and each of any other organization.

(ii) Attendance at Board of Directors Meetings and other Committee Meetings (Number of meetings attended/Number of meetings held)

Name	Board of Directors Meeting	Nomination Committee	Compensation Committee	Audit Committee
Itaru Koeda	10/10 (100%)	8/8 (100%)	8/8 (100%)	12/12 (100%)
Yukako Uchinaga	10/10 (100%)	8/8 (100%)	8/8 (100%)	12/12 (100%)
Mitsudo Urano	10/10 (100%)	8/8 (100%)	8/8 (100%)	12/12 (100%)
Takeo Takasu	10/10 (100%)	8/8 (100%)	8/8 (100%)	12/12 (100%)
Shuzo Kaihori	10/10 (100%)	8/8 (100%)	8/8 (100%)	12/12 (100%)

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

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

(iv) Overview of liability limitation contract

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

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

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

(i) Basic policy

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

(ii) Policy concerning remuneration for Directors

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

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

(iii) Policy concerning remuneration for Executive Officers

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

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

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

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

(iv) Stock options

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

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

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

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

Classification		Number of payees	Total amount of remuneration, etc.	Total amount of remuneration by type		
				Fixed salary	Performance-based remuneration	Stock options
Directors	**Independent**	5 persons	79 million yen	51 million yen	-	28 million yen
	Internal	1 person	8 million yen	8 million yen	-	-
	Total	6 persons	87 million yen	59 million yen	-	28 million yen
Executive Officers		5 persons	487 million yen	237 million yen	132 million yen	119 million yen
Total		10 persons	574 million yen	295 million yen	132 million yen	147 million yen

(Notes)
1. At the end of the fiscal year, there were six Directors and five Executive Officers. One of the five Executive Officers served concurrently as Internal Director.
2. Fixed salary for Executive Officers includes oversea Executive Officer's benefit as expatriate of 70 million yen.
3. For the stock options, fair values of stock acquisition rights were calculated and the table above shows amounts to be recorded as expenses for the fiscal year.
4. Separate from the above, the Company is paying 58 million yen in employee salaries (including bonuses) for one Executive Officer serving as an employee.

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

(i) The remuneration of the Chief Executive Officer (CEO) for the 79th fiscal year is as follows.

Name	Total amount	Fixed salary	Performance-based remuneration	Stock options
Hiroshi Suzuki, Representative Executive Officer President & CEO	171 million yen	96 million yen	49 million yen	27 million yen

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

Name	Total amount	Fixed salary	Performance-based remuneration	Stock options
Augustine Yee, Executive Officer, Chief Legal Officer and Head of Corporate Development and Affairs	108 million yen	50 million yen	25 million yen	32 million yen

Accounting Auditors

(1) Name Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration, etc.

Classification	Amount of payment
Amount of remuneration, etc. paid to accounting auditors regarding the fiscal year	187 million yen
Aggregate amount of monetary and other asset gains the Company and its subsidiaries owe to independent auditors	200 million yen

(Notes)

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

(3) Details of non-audit services

The company commissions and pays compensation for advice and guidance relating to reform of the Group's audit functions to Deloitte Touche Tohmatsu LLC.

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

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

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

[Notes]

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

Frameworks and Policies of the Company

1. Frameworks and Policies Concerning Internal Control Systems

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

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

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

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

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

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

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

The Audit Committee has the power to appoint and dismiss staff members of the Audit Committee Office. Executive Officers shall not give directions to staff members of the Audit Committee Office.

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

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

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

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

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

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

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

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

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

[Operation Status]

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

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

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

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

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

(2) Matters required for ensuring the adequacy of operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Operation Status]

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

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

The HOYA Business Conduct Guidelines, which is a code of ethics based on HOYA’s Management Policy and Principle, were distributed to all employees of the HOYA Group for them to understand the Group’s mission and compliance policies and to act accordingly in everyday life. In Japan, employees annually reread the HOYA Business Conduct Guidelines at their respective workplaces to increase understanding thereof, and sign and submit a confirmation document, by which they express their intension to act accordingly, to their respective companies. Regional versions of the HOYA Business Conduct Guidelines were prepared in conformity with laws and regulations and customs of various countries in their respective languages and distributed to overseas employees, who understand the Guidelines and act accordingly in everyday life.

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

The HOYA Help Line, which receives reports and consultation requests from employees of the HOYA Group, has been established since 2003. If there is any act that violates laws and regulations or the HOYA Business Conduct Guidelines, the HOYA Help Line, while protecting the informer, deals with it quickly and appropriately, recognizing the problem early and making the relevant organization to exert a self-corrective function, and responds to it to ensure the soundness of the Group as a whole. Up to the end of the consolidated fiscal year ended March 2016, the system was introduced into Japan, North America (U.S. and Canada), Thailand, the European region, Philippines, Singapore, Australia, Malaysia, Korea, Vietnam, Brazil, Taiwan and South Africa and is operated in conformity with business customs and laws and regulations of the country or region.

(3) System for ensuring reliability of financial reporting

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

[Operation Status]

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

2) Basic Policy for Eliminating Antisocial Forces

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

[Operation Status]

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

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

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

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

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

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

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

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

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

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

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

Coupled with the interim dividend of 30 yen per share already paid, the annual dividend will be 75 yen per share. The consolidated dividend payout ratio was 33.8%.

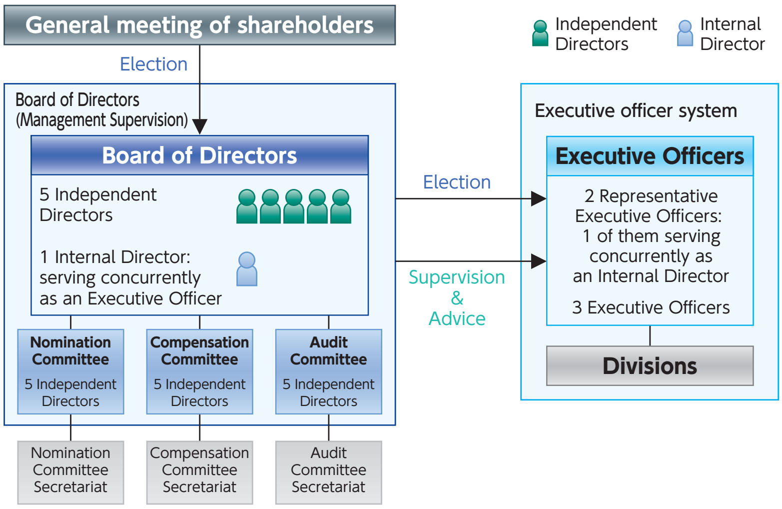
Based on the aforementioned policy, the Company resolved to repurchase its shares at the price equal to 30,000 million yen in this consolidated fiscal year.

Corporate Governance

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

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

Corporate Governance Structure



As of March 31,2017

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

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

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

Board of Directors

The Company's Board of Directors, in which Independent Directors comprise the majority of Board members (6 Directors, consisting of 5 Independent Directors and 1 Internal Director as of March 31, 2017), convene regular Board meetings 10 times a year as a general rule.

Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, with globally-minded Independent Directors with a wealth of management experience supervising the execution of operations by Executive Officers and providing them with inquiries and advices from various angles. The Board of Directors also works to obtain information as necessary on trends in legal changes and corporate governance by holding lectures by outside experts and through other means. The Board of Directors also conducts self-assessment where a survey of the management by the Board of Directors is conducted once annually. The results of the self-assessment in fiscal 2016 are as follows. "Problematic issues related to the effectiveness of the supervisory function were not observed as deliberations at the Board of Directors are lively, the Directors question and state their opinions on executive proposals from a variety of angles, and carry out objective evaluations of each of the executive officers at the Nomination and Compensation Committees. The Board of Directors will continue to further deepen its deliberations concerning medium-to-long term strategy and the development of its successors as it did last year in addition to future deliberations on responding to risks which will have a major impact on the HOYA Group with the changing global situation."

Executive Officers

At the Company, as of March 31, 2017, five persons - namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) in charge of Information Technology and Chief Technology Officer (CTO) in charge of Technology, Executive Officer and President of Vision Care Company, and Chief Legal Officer (CLO) and Head of Corporate Development and Affairs were nominated by the Nomination Committee as candidates for Executive Officers and elected at the meeting of the Board of Directors (CEO concurrently serves as Internal Director). Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carries out decision-making in a speedy fashion. The Executive Officers instruct the Group Headquarters and the person responsible for the business divisions to establish and carry out specific measures based on the management policy determined by the Board of Directors. The Executive Officer responsible for the business segments receives progress reports from the person responsible for each business division at Business Reporting Meetings held roughly on a monthly basis. The Executive Officer then gives reports and makes proposals on the segments he oversees at a meeting of the Board of Directors based on the progress reports he received. In addition to CEO who concurrently serves as Director, CFO and CLO attend each meeting of the Board of Directors.

Committees

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

Nomination Committee

The Nomination Committee, which is comprised of 5 Independent Directors, selects candidates for Directors based on the "Basis for Election of Candidates for Directors" and proposes the candidates to the General Meeting of Shareholders for voting. It also selects candidates for Executive Officers and the Representative Executive Officer, and proposes the candidates to the Board of Directors for voting. As necessary, it makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting. The Committee sets out the criteria for independence of candidates for Directors, which is stricter than the rules by Tokyo Stock Exchange so that a function of overseeing Executive Officers required to Independent Directors is secured. The requirements for the independence of candidates for Independent Directors are described on the page 16 of the Reference Material.

Compensation Committee

The Compensation Committee, which is comprised of 5 Independent Directors, builds a remuneration structure that gives more incentives to Directors and Executive Officers and assesses their work in an appropriate manner, with the aim to help improve the Company's business performance. The Compensation Committee determines the remuneration of Directors and Executive Officers on an individual basis. The policy of Compensation Committee is shown on the page 34.

Audit Committee

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

Consolidated Statement of Financial Position

(As of March 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**EQUITY AND LIABILITIES**	
Non-current assets:	**164,263**	**EQUITY**	
Property, plant and equipment–net	103,729	**Equity attributable to owners of the Company:**	**510,887**
Goodwill	14,590	Share capital	6,264
Intangible assets	26,412	Capital reserves	15,899
Investments in associates	196	Treasury shares	(6,816)
Long-term financial assets	7,357	Other capital reserves	(5,345)
Other non-current assets	2,578	Retained earnings	506,367
Deferred tax assets	9,399	Accumulated other comprehensive income	(5,482)
Current assets:	**495,321**	**Non-controlling interests**	**4,518**
Inventories	65,501	**Total equity**	**515,405**
Trade and other receivables	98,315	**LIABILITIES**	
Other short-term financial assets	17,788	**Non-current liabilities:**	**13,438**
Income taxes receivable	389	Interest-bearing long-term debt	504
Other current assets	16,477	Other long-term financial liabilities	4,843
Cash and cash equivalents	296,851	Retirement benefit liabilities	2,001
		Provisions	2,419
		Other non-current liabilities	813
		Deferred tax liabilities	2,857
		Current liabilities:	**130,740**
		Interest-bearing short-term debt	36,913
		Trade and other payables	41,371
		Other short-term financial liabilities	652
		Income tax payables	11,649
		Provisions	1,333
		Other current liabilities	38,822
		Total liabilities	**144,178**
Total assets	**659,583**	**Total equity and liabilities**	**659,583**

Consolidated Statement of Comprehensive Income

(From April 1, 2016, to March 31, 2017)

(Millions of yen)

Item	Amount	
Continuing operations		
Revenue:		
Sales	478,927	
Finance income	8,022	
Share of profit of associates	16	
Other income	2,764	**489,729**
Expenses:		
Changes in inventories of goods, products and work in progress	3,132	
Raw materials and consumables used	74,304	
Employee benefits expense	114,504	
Depreciation and amortization	29,777	
Subcontracting cost	4,783	
Advertising and promotion expense	12,912	
Commissions expense	28,523	
Impairment losses	334	
Finance costs	1,130	
Foreign exchange (gain)/loss	2,389	
Other expenses	107,147	**378,935**
Profit before tax		**110,795**
Income tax expense		23,943
Profit for the year from continuing operations		**86,852**
Profit for the year		**86,852**
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit liability (asset)	(281)	
Income tax relating to components of other comprehensive income	(4)	**(285)**
Items that may be reclassified subsequently to profit or loss:		
Net gain/(loss) on revaluation of available-for-sale financial assets	180	
Exchange differences on translation of foreign operations	(5,808)	
Share of other comprehensive income of associates	(1)	
Income tax relating to components of other comprehensive income	(58)	**(5,687)**
Other comprehensive income/(loss)		**(5,972)**
Total comprehensive income for the year		**80,879**
Profit attributable to:		
Owners of the Company	86,740	
Non-controlling interests	112	**86,852**
Total comprehensive income attributable to:		
Owners of the Company	81,069	
Non-controlling interests	(189)	**80,879**

Consolidated Statement of Changes in Equity

(From April 1, 2016, to March 31, 2017)

(Millions of yen)

	Share capital	Capital reserves	Treasury shares	Other capital reserves	Retained earnings
Balance at April 1, 2016	6,264	15,899	(34,633)	(4,956)	510,787
Comprehensive income/(loss) for the year					
Profit for the year					86,740
Other comprehensive income/(loss)					
Total comprehensive income/(loss) for the year					86,740
Transactions with owners					
Contributions by and distributions to owners					
Acquisition of treasury shares			(34,987)	(20)	
Disposal of treasury shares			1,412	(662)	
Cancellation of treasury shares			61,392		(61,392)
Dividends, 75 yen per share					(29,482)
Change in non-controlling interests				(115)	
Share-based payments (stock options)				408	
Transfer to retained earnings					(285)
Total contributions by and distributions to owners	—	—	27,817	(389)	(91,160)
Total transactions with owners	—	—	27,817	(389)	(91,160)
Balance at March 31, 2017	6,264	15,899	(6,816)	(5,345)	506,367

	Net gain/(loss) on revaluation of available-for-sale financial assets	Exchange differences on translation of foreign operation	Remeasurements of the net defined benefit liability (asset)	Share of other comprehensive income of associates	Accumulated other comprehensive income/(loss)	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at April 1, 2016	(20)	1,882	—	(1,958)	(96)	493,265	4,909	498,174
Comprehensive income/(loss) for the year								
Profit for the year						86,740	112	86,852
Other comprehensive income/(loss)	126	(5,511)	(285)	(1)	(5,671)	(5,671)	(301)	(5,972)
Total comprehensive income/(loss) for the year	126	(5,511)	(285)	(1)	(5,671)	81,069	(189)	80,879
Transactions with owners								
Contributions by and distributions to owners								
Acquisition of treasury shares						(35,007)		(35,007)
Disposal of treasury shares						749		749
Cancellation of treasury shares						—		—
Dividends, 75 yen per share						(29,482)	—	(29,482)
Change in non-controlling interests						(115)	(202)	(316)
Share-based payments (stock options)						408		408
Transfer to retained earnings			285		285	—		—
Total contributions by and distributions to owners	—	—	285	—	285	(63,446)	(202)	(63,648)
Total transactions with owners	—	—	285	—	285	(63,446)	(202)	(63,648)
Balance at March 31, 2017	106	(3,629)	—	(1,960)	(5,482)	510,887	4,518	515,405

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 11, 2017

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

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

Takashi Nagata

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

Toshiharu Matsuura

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

Koji Inoue

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2017 of HOYA CORPORATION (the "Company") and its consolidated subsidiaries, and the related consolidated statements of comprehensive income and changes in equity for the fiscal year from April 1, 2016 to March 31, 2017, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of HOYA CORPORATION and its consolidated subsidiaries as of March 31, 2017, and the results of their operations for the year then ended.

Interest

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

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

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Nonconsolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	**125,386**	**Current liabilities**	**81,806**
Cash and deposits	63,116	Notes payable - trade	42
Notes receivable - trade	2,335	Electronically recorded obligations - operating	4,525
Accounts receivable - trade	24,793	Accounts payable - trade	12,478
Merchandise and finished products	9,071	Current portion of bonds	35,000
Work in process	2,290	Accounts payable - other	7,000
Raw materials and supplies	3,142	Accrued expenses	4,214
Deferred tax assets	3,228	Accrued income taxes	5,885
Short-term loans to subsidiaries and affiliates	1,895	Advances received	300
Current portion of long-term loans to subsidiaries and affiliates	8,563	Deposits received	5,771
Accounts receivable - other	5,788	Accrued bonuses to employees	3,630
Others	1,388	Warranties provision	119
Allowance for doubtful accounts	(222)	Others	2,843
Non-current assets	**111,631**	**Long-term liabilities**	**4,961**
Property, plant and equipment	**24,840**	Asset retirement obligations	1,301
Buildings	5,880	Reserve for periodic repairs	1,187
Structures	279	Others	2,473
Melting furnaces	271	**Total liabilities**	**86,767**
Machinery and equipment	4,498	NET ASSETS	
Vehicles	4	**Shareholders' equity:**	**148,630**
Tools, equipment and fixtures	8,429	**Share capital**	**6,264**
Land	5,098	**Capital reserve**	**15,899**
Construction in progress	382	Additional paid-in capital	15,899
Intangible assets	**1,979**	**Retained earnings**	**133,284**
Patents	9	Legal reserve	1,566
Software	1,561	Other retained earnings	131,718
Technology	245	Reserve for advanced depreciation of fixed assets	143
Others	164	Unappropriated retained earnings	131,575
Investments and other assets	**84,811**	**Treasury shares - at cost**	**(6,816)**
Investment securities	994	**Valuation and translation adjustments**	**113**
Equity securities of subsidiaries and affiliates	72,069	Unrealized gain on available-for-sale securities	113
Investments in capital	2	**Stock acquisition rights**	**1,505**
Investments in subsidiaries and affiliates	6,546		
Long-term prepaid expenses	205		
Claims in bankruptcy	207		
Deferred tax assets	639		
Others	4,339		
Allowance for doubtful accounts	(190)	**Total net assets**	**150,249**
Total assets	**237,016**	**Total liabilities and net assets**	**237,016**

Nonconsolidated Statement of income

(From April 1, 2016, to March 31, 2017)

(Millions of yen)

Item	Amount	
Net sales		**169,887**
Cost of sales		**92,092**
Gross profit		**77,795**
Selling, general and administrative expenses		**61,149**
Operating income		**16,645**
Non-operating income		
Interest income	308	
Dividend income	65,965	
Commissions received	10,036	
Others	446	**76,754**
Non-operating expenses		
Interest expense	16	
Interest on bonds	676	
Foreign exchange loss	408	
Others	73	**1,174**
Ordinary income		**92,226**
Extraordinary income		
Gain on sales of property, plant and equipment	10	
Gain on sales of investment securities	6,215	
Gain on reversal of stock acquisition rights	615	
Others	142	**6,982**
Extraordinary losses		
Loss on sales of fixed assets	3	
Loss on disposal of fixed assets	82	
Loss on disaster	2,002	
Severance payments	1,538	
Impairment losses	216	
Others	127	**3,967**
Profit before income taxes		**95,241**
Income taxes - current	9,740	
Income taxes - deferred	388	**10,128**
Profit for the year		**85,113**

Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2016, to March 31, 2017)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital reserve		Retained earnings			
		Additional paid-in capital	Total capital surplus	Legal reserve	Other retained earnings: Reserve for advanced depreciation of fixed assets	Other retained earnings: Unappropriated retained earnings	Total retained earnings
Balance at April 1, 2016	6,264	15,899	15,899	1,566	154	137,799	139,519
Changes during the current fiscal year							
Reversal of reserve for advanced depreciation of fixed assets					(11)	11	—
Dividends from retained earnings						(29,482)	(29,482)
Profit for the year						85,113	85,113
Acquisition of treasury shares							
Disposal of treasury shares						(474)	(474)
Cancellation of treasury shares						(61,392)	(61,392)
Changes in items other than shareholders' equity during the current fiscal year - net							
Total changes during the current fiscal year	—	—	—	—	(11)	(6,224)	(6,236)
Balance at March 31, 2017	6,264	15,899	15,899	1,566	143	131,575	133,284

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares - at cost	Total shareholders' equity	Unrealized gain/(loss) on available-for-sale securities	Total valuation and translation adjustments		
Balance at April 1, 2016	(34,633)	127,049	(17)	(17)	1,901	128,933
Changes during the current fiscal year						
Reversal of reserve for advanced depreciation of fixed assets		—				—
Dividends from retained earnings		(29,482)				(29,482)
Profit for the year		85,113				85,113
Acquisition of treasury shares	(34,987)	(34,987)				(34,987)
Disposal of treasury shares	1,412	938				938
Cancellation of treasury shares	61,392	—				—
Changes in items other than shareholders' equity during the current fiscal year - net			130	130	(396)	(266)
Total changes during the current fiscal year	27,817	21,581	130	130	(396)	21,316
Balance at March 31, 2017	(6,816)	148,630	113	113	1,505	150,249

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 11, 2017

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

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

Takashi Nagata

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

Toshiharu Matsuura

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

Koji Inoue

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements, namely, the nonconsolidated balance sheet as of March 31, 2017 of HOYA CORPORATION (the "Company"), and the related nonconsolidated statements of income and changes in net assets for the 79th fiscal year from April 1, 2016 to March 31, 2017, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the nonconsolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of HOYA CORPORATION as of March 31, 2017, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

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Audit Committee's Audit Report

AUDIT REPORT

The members of the Audit Committee of the Company audited the performance of the Directors and Executive Officers of their duties during the 79th fiscal year from April 1, 2016 to March 31, 2017. We hereby report the method and results thereof:

1. AUDIT METHOD AND ITS CONTENTS

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

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

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

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

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

2. AUDIT RESULTS

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

A. We are of the opinion that the business report and its supplementary schedules fairly present the state of the Company in accordance with laws, ordinances and the Articles of Incorporation

B. We are of the opinion that, in connection with the performance by the Directors or Executive Officers of their duties, no dishonest act or material fact of violation of laws, ordinances or the Articles of Incorporation exists.

C. We are of the opinion that the resolution of the Board of Directors concerning the internal control system was reasonable. We are of the opinion that, in connection with the descriptions in the Business Report or the performance by the Directors or Executive Officers of their duties concerning said internal control system, no matter that needs to be pointed out exists.

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

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

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

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

May 18, 2017

Audit Committee
HOYA CORPORATION

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

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

Notice

Notice concerning online disclosure of HOYA Report

In order for shareholders to better understand our business activities, HOYA CORPORATION discloses the HOYA Report online.
The HOYA Report (Business Review 2017) will be available at our website around September. We hope you will find the Report useful.

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

The Company will disclose the resolutions along with the results of exercise of voting rights on our website.
Our Website: http://www.hoya.co.jp/english/

Shareholders' Memo

Business year:	From April 1 every year to March 31 of the following year	
Date to determine shareholders who are entitled to receive year-end dividend payments:	March 31	
Date to determine shareholders who are entitled to receive interim dividend payments:	September 30	
Ordinary General Meetings of Shareholders:	June every year	
Transfer agent Account management institution for the special accounts:	Mitsubishi UFJ Trust and Banking Corporation	
Contact:	Corporate Agency Division Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan Toll free phone: 0120-232-711	
Market:	The Tokyo Stock Exchange	
Method for public notice:	Electronic Public Notice URL for the notice: http://www.hoya.co.jp/ (However, if the Company is unable to publish public notices by electronic means because of an accident or any other unavoidable event, public notices shall be published in the *Nihon Keizai Shimbun*.)	

Internet Disclosure Accompanying the Notice of the 79th Ordinary General Meeting of Shareholders

Consolidated Statement of Cash Flows (Reference information, Unaudited)

Notes to the Consolidated Financial Statements

Notes to the Nonconsolidated Financial Statements

(From April 1, 2016 to March 31, 2017)

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

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Amount
Cash flows from operating activities	
Profit before tax	110,795
Depreciation and amortization	29,777
Impairment losses	334
Finance income	(8,022)
Finance costs	1,130
Share of profit of associates	(16)
Gain on sales of property, plant and equipment	(720)
Loss on disposal of property, plant and equipment	226
Foreign exchange loss	1,269
Others	3,589
Cash generated from operations (before movements in working capital)	**138,360**
Movements in working capital	
Decrease in inventories	729
Increase in trade and other receivables	(5,528)
Decrease in trade and other payables	(859)
Increase in retirement benefit liabilities and provisions	16
Subtotal	132,718
Interest received	1,813
Dividends received	50
Interest paid	(858)
Income taxes paid	(26,614)
Income taxes refunded	553
Net cash generated by operating activities	**107,662**
Cash flows from investing activities	
Withdrawals of time deposit	10,149
Payments for time deposit	(8,898)
Proceeds from sales of property, plant and equipment	1,060
Payments for acquisition of property, plant and equipment	(21,528)
Proceeds from sales of investment	5,818
Payments for acquisition of subsidiaries	(6,360)
Payments to non-controlling interests upon merger	(19)
Payments for business transfer	(6,193)
Other proceeds	597
Other payments	(2,134)
Net cash used in investing activities	**(27,507)**
Cash flows from financing activities	
Dividends paid to owners of the Company	(29,447)
Decrease in short-term debt	(4)
Repayments of long-term borrowings	(258)
Payments for redemption of bonds	(21)
Proceeds from disposal of treasury shares	0
Payments for purchase of treasury shares	(35,007)
Proceeds from exercise of stock options	749
Payments for acquisition of non-controlling interests	(301)
Net cash used in financing activities	**(64,289)**
Net increase/(decrease) in cash and cash equivalents	**15,866**
Cash and cash equivalents at the beginning of the year	**286,292**
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies	**(5,307)**
Cash and cash equivalents at the end of the year	**296,851**

(Notes)

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

Notes to the Consolidated Financial Statements

Important items for the preparation of the consolidated financial statements

1. Preparation of consolidated financial statements

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

2. Basis of consolidation

Number of consolidated subsidiaries	122 companies
Names of major consolidated subsidiaries	HOYA HOLDINGS, INC.
	HOYA HOLDINGS N.V.
	HOYA HOLDINGS (ASIA) B.V.
	HOYA HOLDINGS ASIA PACIFIC PTE LTD
	During the fiscal year, two companies were newly established and one company was acquired. As a consequence, the number of consolidated companies increased by three during the fiscal year.

3. Application of the equity method

Number of associates accounted for by the equity method	3 companies
Name of major associates	AvanStrate Inc.

4. Items related to accounting policies

(1) Basis and method of evaluation of financial assets

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

1) Derivative financial instruments

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

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

2) Financial assets other than derivative financial instruments

A. Loans and receivables

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

B. Available-for-sale financial assets

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

3) Impairment of financial assets

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

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

(a) significant financial difficulties of the debtor;

(b) default or delinquency in interest or principal payments; or

(c) a high probability that the borrower will go into bankruptcy or financial re-organization.

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

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

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

(2) Basis and method of evaluation of inventories

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

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

1) Property, plant and equipment

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

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment losses. Cost includes the expenses directly attributable to the assets, the initial estimated costs relating to scrap, removal and retirement, and, for qualifying assets, the borrowing cost for long-term project. Depreciation of these assets commences when the assets are available for their intended use.

When significant components of property, plant and equipment are required to be replaced periodically, the Group recognizes such parts as individual

assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.
Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

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

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

2) Intangible assets

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

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

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

B. Internally-generated intangible assets - research and development expenses

Expenditures on research activities are recognized as expense in the period in which they are incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

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

The amount initially recognized for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet all of the recognition criteria listed above. The assets are amortized over the estimated period in which the development costs are expected to be recovered. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and impairment losses.
Where no internally-generated intangible asset can be recognized, development costs are recognized as an expense in the period in which they are incurred.

C. Amortization of intangible assets

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

Patents	7-13 years
Technology	10-20 years
Customer related assets	5-15 years
Software	3-5 years

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

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

(4) Goodwill

Goodwill arising in an acquisition of business is recognized as an asset at the date that control is acquired (i.e., the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the acquisition-date amounts of the net fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is reviewed for impairment at least annually. Goodwill is recorded at cost, less accumulated impairment losses in the consolidated statement of financial position.
For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in subsequent periods. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(5) Method of accounting for significant provisions

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

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

The types of provisions are as follows:

1) Asset retirement obligation

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

2) Warranties provision

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

3) Contingent liabilities assumed in a business combination

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

(6) Method of accounting for retirement benefit

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

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

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

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

Defined benefit costs are categorized as follows:

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

Net interest expense or income; and

Remeasurement.

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

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

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

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

1) Foreign currency transactions

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

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

2) Financial statements of foreign operations

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

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

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

Notes to the Consolidated Statement of Financial Position

1. Assets provided as collateral and related liabilities

Assets provided as collateral	
Machinery and carriers	¥3 million
Related liabilities	
Interest-bearing long-term debt	¥15 million

In addition to the above, buildings in the amount of ¥16 million and land in the amount of ¥1 million were provided as collateral for the conditional obligation in the amount of ¥81 million associated with the government grant.

2. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥2,499 million
Long-term financial assets	¥559 million

3. Accumulated depreciation of property, plant and equipment

Property, plant and equipment - net	¥344,326 million

Accumulated depreciation includes impairment losses of property, plant and equipment.

4. Contingent liabilities

The Group provides guarantees on borrowings of business partners from financial institutions.

Guarantee liabilities	¥11 million

5. Other current assets

On June 26, 2013, the Company received a reassessment notice for additional tax on the transfer pricing taxation in transactions with overseas subsidiaries that develop and manufacture electronics related products, for the five financial years ended March 31, 2007 to March 31, 2011 from the Tokyo Regional Taxation Bureau ("TRTB"). The additional tax assessment was ¥8,419 million. The Company was required to pay ¥3,309 million due to the existence of net operating losses carried forward with respect to the indicated financial years and paid it in the year ended March 31, 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. Consequently, ¥8,419 million is included in "Other current assets" as suspense payment.

Notes to the Consolidated Statement of Comprehensive Income

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

(1) Remeasurements of the net defined benefit liability (asset)	
Gains/ (loss) arising during the year	¥ (281) million
Tax-effect adjustment	¥ (4) million
Total	¥ (285) million
(2) Net gains or losses on revaluation of available-for-sale financial assets	
Gains/ (loss) arising during the year	¥ 174 million
Reclassification adjustments	¥ 6 million
Total amount before tax-effect adjustment	¥ 180 million
Tax-effect adjustment	¥ (58) million
Total	¥ 122million
(3) Exchange differences on translation of foreign operations	
Gains/ (loss) arising during the year	¥ (5,808) million
Total	¥ (5,808) million
(4) Share of other comprehensive income of associates	
Gains/ (loss) arising during the year	¥ (1) million
Reclassification adjustments	¥ 0 million
Total	¥ (1) million
Total other comprehensive income/ (loss)	¥ (5,972) million

Notes to the Consolidated Statement of Changes in Equity

1. Type and number of issued shares as at March 31, 2017

Ordinary shares	389,779,920 shares

2. Dividend-related items

(1) Dividends paid

1) Dividends resolved by the Board of Directors on May 20, 2016

・Total dividends	¥17,848 million
・Dividends per share	¥45
・Record date	March 31, 2016
・Effective date	June 1, 2016

2) Dividends resolved by the Board of Directors on October 28, 2016

・Total dividends	¥11,634 million
・Dividends per share	¥30
・Record date	September 30, 2016
・Effective date	November 30, 2016

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

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

・Total dividends	¥17,464 million
・Source of payment	Retained earnings
・Dividends per share	¥45
・Record date	March 31, 2017
・Effective date	June 1, 2017

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

Ordinary shares	1,582,700 shares

Notes concerning financial instruments

1. Items concerning financial instruments

(1) Market risks

1) Foreign currency risk

The Group intends to marry major currencies the Group uses (Euro, US dollar and Japanese yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, the Company, having multiple strategic business units ("SBUs") and conducting finance and dividend transactions, and holding companies that receive dividends from their subsidiaries and distributing them to the Company and/or other group companies, sometimes fall into a disparity of foreign currency debt-credit balances in receivables, liabilities and/or bank deposits. This might cause significant gains or losses on foreign exchange differences when the Japanese yen appreciates or depreciates against the US dollar or the Euro, or when the Euro appreciates or depreciates against the US dollar. The Group's policy generally does not permit the use of derivative instruments such as forward foreign exchange contracts. However, in certain circumstances in which the use of such derivatives is determined to be beneficial, the Group can enter into contracts upon obtaining a formal approval from the Chief Financial Officer ("CFO") of the Group in accordance with its group headquarters approval process. For instance, in order to hedge foreign currency exposures on intercompany receivables, payables and dividends, the Company occasionally enters into forward foreign exchange contracts.

2) Interest rate risk

The majority of the interest-bearing debt consists of bonds with fixed interest rates.

3) Price risk in equity instruments

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

(2) Credit and liquidity risks

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

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

2. Notes concerning the fair value of financial instruments

As of March 31, 2017 (the end of the fiscal year), the carrying amount of financial instruments in the consolidated statement of financial position, the fair values of those instruments, and the differences were as follows.

(Millions of yen)

	Carrying amount in the consolidated statement of financial position*	Fair value*	Difference
(1) Loans and receivables			
Trade and other receivables	98,315	98,315	–
Other financial assets	23,800	23,803	3
(2) Available-for-sale financial assets			
Other financial assets	1,345	1,345	–
(3) Cash and cash equivalents	296,851	296,851	–
Total assets	420,310	420,313	3
(4) FVTPL financial liabilities (derivative instruments)			
Other financial liabilities	(492)	(492)	–
(5) Financial liabilities measured at amortized cost			
Trade and other payables	(41,371)	(41,371)	–
Interest-bearing debt	(37,418)	(37,862)	(445)
Other financial liabilities	(5,003)	(5,003)	–
Total liabilities	(84,283)	(84,728)	(445)

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

(Note) Items related to the methods of calculating the fair value of financial instruments, together with securities and derivative transactions

(1) Loans and receivables

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

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

(2) Available-for-sale financial assets

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

The fair values of unlisted shares included in available-for-sale financial assets were calculated by using a reasonable method.

(3) Cash and cash equivalents

Cash and cash equivalents have short settlement periods and estimated fair values that are virtually the same as the carrying amount.

(4) FVTPL financial assets and liabilities (derivative instruments)

The fair values of forward foreign exchange contracts at the end of each reporting period were determined based on the forward exchange rate at market.

(5) Financial liabilities measured at amortized cost

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

Trade and other payables and interest-bearing short-term debt have short settlement periods and estimated fair values that are virtually the same as the carrying amount.

Notes to per share information

(1) Equity per share attributable to owners of the Company ¥1,316.40

(2) Basic earnings per share ¥221.93

Notes concerning significant subsequent events

There are no relevant items.

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

Significant accounting policies

1. Basis and methods for evaluation of marketable and investment securities
   - Investment securities in subsidiaries and affiliates: Cost determined by the moving-average method
   - Available-for-sale securities:
     - Marketable securities: Fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity
     - Non-marketable securities: Cost determined by the moving-average method

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

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

4. Methods of depreciation of fixed assets:

Property, plant and equipment (excluding leased assets)	Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016. The range of useful lives is principally from 15 to 50 years for buildings, from 4 to 15 years for machinery and equipment, and 2 to 15 years for tools, equipment and fixtures.
Intangible fixed assets (excluding leased assets)	The straight-line method is applied. The period of amortization is 8 years for patents, 10 years for technology and 5 years for software.
Leased assets	The straight-line method over the lease terms with no residual value is applied for leases that do not transfer ownership of the leased assets to the lessee.

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

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

6. Allowance, reserves and provisions

(i) Allowance for doubtful accounts	The allowance for doubtful accounts is provided based on the Company's past experience of credit loss and an evaluation of the financial position of borrowers.
(ii) Accrued bonuses to employees	Accrued bonuses are provided at the year-end to which such bonuses are attributable in the current year.
(iii) Warranty provisions	Accrued warranty cost is estimated and recognized based on past experience of the occurrence of defective goods and the expected after service costs in the warranty period.
(iv) Reserve for periodic repairs	Reserve for periodic repairs is provided based on the actual expenses for the latest repairs for melting furnaces.

7. Method of accounting for national and local consumption taxes

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

8. Notes to the changes in accounting policies

   (Adoption of Accounting Standards Board of Japan Practical Issues Task Force No. 32, 'Practical Solution on a change in depreciation method due to Tax Reform 2016')

   Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan Practical Issues Task Force No. 32, 'Practical Solution on a change in depreciation method due to Tax Reform 2016', and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. As a result, the effect of this change on operating income, ordinary income and profit before income taxes for the year ended March 31, 2017, is not material.

9. Notes to changes in presentation of nonconsolidated financial statements

   (Nonconsolidated statement of income)

   Because the amounts have been material, gain on sales of investment securities of ¥1 million in the year ended March 31, 2016, which was included in "Others", is presented separately in extraordinary income.

Notes to Nonconsolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment	¥111,988 million
The accumulated depreciation includes the accumulated impairment losses.	
2. Contingent liabilities	¥74 million
Guarantees for lease payments of the following company	
PENTAX U.K. LTD.	¥74 million
3. Monetary receivables from and payables to subsidiaries and affiliates (excluding classified items in the nonconsolidated balance sheet)	
(1) Short-term receivables	¥12,521 million
(2) Short-term payables	¥12,680 million

Notes to Nonconsolidated Statement of Income

Transactions with subsidiaries and affiliates	
(1) Sales	¥40,954 million
(2) Purchases including commissions	¥38,395 million
(3) Non-operating transactions	¥76,085 million

Notes to Nonconsolidated Statement of Changes in Net Assets

Matters relating to the number of treasury shares

Share class	Balance at April 1, 2016	Increase	Decrease	Balance at March 31, 2017
Ordinary shares	7,992,337 shares	8,867,492 shares	15,173,680 shares	1,686,149 shares

(Note)

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

Increase due to repurchase of treasury shares:	8,866,700 shares
Increase due to repurchase of odd-lot shares:	792 shares
Decrease on cancellation of treasury shares:	14,827,600 shares
Decrease on exercise of stock options:	346,000 shares
Decrease due to disposal of odd-lot shares:	80 shares

Notes relating to tax effect accounting

Breakdown of deferred tax assets and deferred tax liabilities by major cause of accrual (As of March 31, 2017）

(1) Current

Deferred tax assets	
Accrued bonuses	¥1,107 million
Enterprise tax payable	358
Valuation loss on inventories	408
Excess of allowance for doubtful accounts	68
Severance payments	33
Others	1,441
Deferred tax assets – subtotal	3,415
Valuation allowance	(188)
Net amount of deferred tax assets – current	¥3,228

(2) Non-current

Deferred tax assets	
Write down of investment in subsidiaries and affiliates	¥3,198 million
Write down of investment securities	567
Impairment losses	552
Stock options	459
Reserve for periodic repairs	362
Asset retirement obligation	315
Excess of depreciation	172
Excess of allowance for doubtful accounts	65
Others	225
Deferred tax assets – subtotal	5,914
Valuation allowance	(5,123)
Total amount of deferred tax assets – non-current	792
Deferred tax liabilities	
Expenses related to disposal of asset retirement obligations	(90)
Reserve for advanced depreciation of fixed assets	(63)
Total amount of deferred tax liabilities – non-current	(153)
Net amount of deferred tax assets – non-current	¥639

Notes concerning transactions with related parties

1. Subsidiaries and affiliates

Type	Name of the related parties	Ratio of the voting rights	Relationship with related parties	Transaction details (Note 5)	Transaction amount (Millions of yen) (Note 1)	Balance sheet item	Balances due to or from the related parties (Millions of yen)
Subsidiary	HOYA ELECTRONICS SINGAPORE PTE. LTD.	Direct ownership of 100.00%	Supplier Concurrent post of directors (Note 2)	Purchase of products	13,855	Accounts payable-trade	3,408
				Partial redemption of preferred shares	2,500	–	–
Subsidiary	HOYA TECHNOSURGICAL CORPORATION	Direct ownership of 100.00%	Entrustment of cash management Concurrent post of directors (Note 3)	Loan or borrowing of funds through cash pooling	2,706	Deposit	3,086
Affiliate	AvanStrate, Inc.	Direct ownership of 46.57%	Loans of funds Concurrent post of auditors (Note 4)	Repayment of loans Interest received Advance paid	59 219 5	Current portion of long-term loans to subsidiaries and affiliates Accrued revenue –	8,166 35 –

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

1. Transaction amounts above do not include consumption tax and other taxes.
   Transaction amount of loans or borrowing of funds through cash pooling is stated at the average amount for the term.
2. Employees of the Company concurrently serve as directors of the subsidiaries.
3. Representative executive officers of the Company concurrently serve as directors of the subsidiaries.
4. Employees of the Company concurrently serve as corporate auditors of the affiliate.
5. Purchase price is determined by negotiation, considering market prices and other factors.
   Sales price is determined by contracts considering the costs incurred by the Company and market prices.
   Interest rates on deposits or borrowing of funds through cash pooling are determined considering market rates.
   Interest rates on loans are determined considering market rates.
   The repayment amounts during the year based on the free cash flow are stated in the loan agreement. The remaining amount will be repaid on October 31, 2017, by batch payment.
   Platinum owned by a subsidiary of the affiliate is pledged as collateral.
   The Company temporarily pays certain expenses at cost on behalf of the affiliate.

2. Directors, officers and major individual shareholders

Type	Name of the related parties	Ratio of the voting rights	Relationship with related parties	Transaction details (Note 2)	Transaction amount (Millions of yen) (Note 1)	Balance sheet item	Balances due to or from the related parties (Millions of yen)
Directors and officers	Mitsudo Urano	(Held) Direct ownership of 0.00%	Outside director of the Company	Exercises of stock options	36	–	–
Directors and officers	Takeo Takasu	(Held) Direct ownership of 0.00%	Outside director of the Company	Exercises of stock options	11	–	–
Directors and officers	Eiichiro Ikeda	(Held) Direct ownership of 0.00%	Executive officer of the Company	Exercises of stock options	13	–	–

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

1. Transaction amounts above do not include consumption tax and other taxes.
2. Stock options were exercised in accordance with the contracts at the date of options granted.

Notes to per share information

(1) Net assets per share ¥383.27
(2) Basic earnings per share ¥217.77

Notes concerning significant subsequent events

There are no relevant items.

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