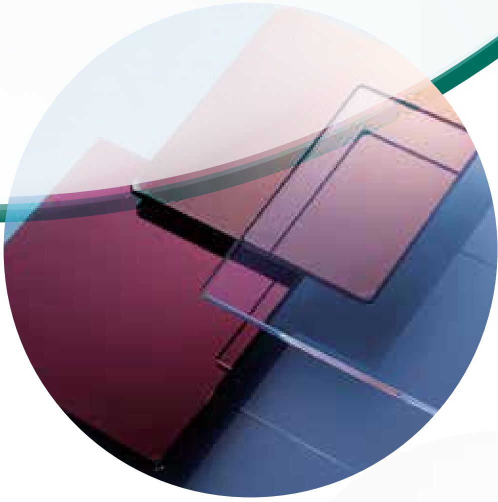
# Notice of the 81st Ordinary General Meeting of Shareholders




## Information for the meeting

- **Date and time of meeting:**
  June 26 (Wednesday), 2019
  Start accepting 9:00 a.m.
  Opening of the meeting 10:00 a.m.
- **Location:**
  5F Conference Center,
  Bellesalle Shinjuku Grand
  8-17-3, Nishi Shinjuku, Shinjuku-ku,
  Tokyo, Japan

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

HOYA CORPORATION

Security Code: 7741

# Message from President & CEO

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

I am delighted to present this convocation notice of the 81st Ordinary General Meeting of Shareholders of HOYA CORPORATION to be convened on Wednesday, June 26.

The HOYA Group operates the Life Care business and the Information Technology business based on the concept of "Business Portfolio Management."

With continued aging across the globe and improved opportunities to access health care accompanying economic growth in developing countries, we are focusing management resources on the Life Care business, where market growth is expected, and working for organic growth in existing businesses. At the same time, we are also striving to acquire new technologies and customers through M&A.
In the current fiscal year, we were able to tie prior investments, including previous M&A activities, into profit growth, and achieved performance gains.

Although conditions worsened for end products, such as semiconductor-related goods, in the Information Technology business, we saw steady profit growth due to the expansion of market share for glass disk substrates for data center HDDs, on top of timely responses to R&D demand for mask blanks for EUV (Extreme Ultraviolet) lithography, which is a next-generation semiconductor miniaturization technology.

Due to these results, we achieved record high sales and profits during the current fiscal year.

Going forward, we plan to pursue continued growth by expanding our share in the Life Care business and responding to demand in growth areas in the Information Technology business.

With regard to cash generated from business activities, allocation will prioritize growth investments such as M&A and capital expenditures.

In the Life Care business, M&A brought in new peripheral business for intraocular lenses, and we strived to strengthen our competitiveness, while construction of a new plant was decided to address growing demand for eyeglass lenses in the fiscal year. Furthermore, in the Information Technology business, we also decided to make large-scale investments in capacity for semiconductor and HDD-related products, which are forecast to see high growth.

As for excess cash, we offer returns to shareholders through dividends and share repurchases with due consideration for our future performance, capital demands, and capital structure. Following this policy, we raised the interim dividend in the current fiscal year from 30 to 45 yen per share. In addition, at the Board of Directors meeting held on May 7, 2019, we decided to repurchase the Company's own shares up to 60 billion yen.
Going forward, we will pursue capital efficiency in our management by proactively investing in growth areas and delivering returns to shareholders.

We will continue to 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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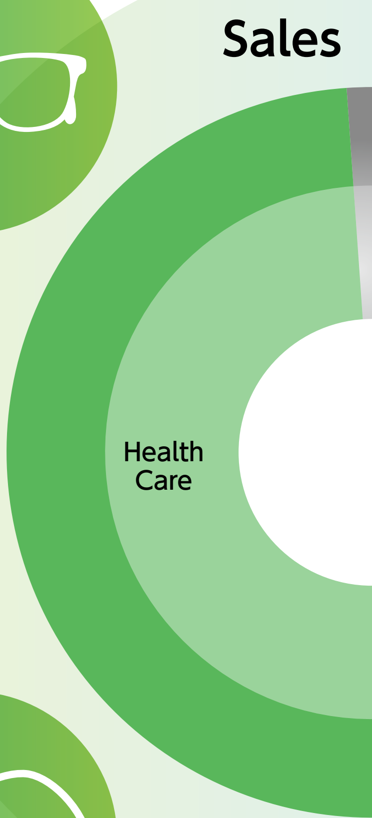
# HOYA Group’s Businesses

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.

## Life Care

The HOYA Group aims to improve QOL (quality of life) of people around the world with a focus on eye care.

66%




### Health Care

- Eyeglass lenses
- Contact lenses
- “Eyecity,” contact lens specialty retail stores

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

Eyeglass lenses


“Eyecity” store

### Medical

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

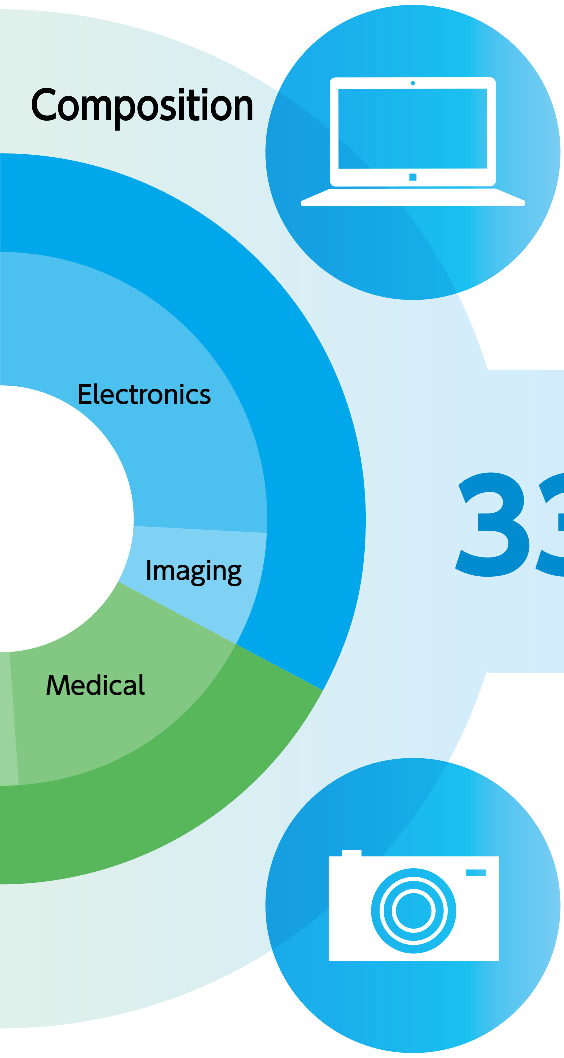
Main products are medical endoscopes, intraocular lenses for cataracts, apatite products that are prosthetic fillers for bone defects, etc.

Medical endoscope



Intraocular lenses for cataracts

The market for the Life Care segment is expected to expand on a long term basis due 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.

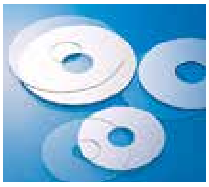



## Electronics

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

# 33%

# Information Technology

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

## Imaging

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

- Optical glass material
- Optical lenses
- Laser related equipment


Optical lenses


Optical glasses

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

Security Code: 7741
May 31, 2019

# Notice of the 81st Ordinary General Meeting of Shareholders

Dear Shareholders:

Notice is hereby given that the 81st Ordinary General Meeting of Shareholders of HOYA CORPORATION ("the Company") will be held as set forth below and you are cordially invited to be present at such meeting.

Since voting rights can be exercised in writing or via the Internet even if you are not present at the meeting, please go over the information set forth in the accompanying Reference Materials for the General Meeting of Shareholders and, following the "Information on exercising the voting rights" on pages 7–8, cast your vote, either by sending back the enclosed voting form indicating your approval or disapproval of the Proposal, or entering your approval or disapproval of the Proposal from the voting website designated by the Company (https://www.web54.net/) no later than 5:45 p.m. on Tuesday, June 25, 2019 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 26, 2019

**2. Location:** 5F Conference Center, Bellesalle Shinjuku Grand
8-17-3, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan
(Please note that there is another similar named hall in the neighborhood.)

**3. Agenda:**

**Matters to be reported:**

1) Reports on the Business Report and the Consolidated Financial Statements for the 81st fiscal year (from April 1, 2018 to March 31, 2019) and the Audit Reports of the Consolidated Financial Statements for the fiscal year by the Accounting Auditor and the Audit Committee

2) Reports on the Nonconsolidated Financial Statements for the 81st fiscal year (from April 1, 2018 to March 31, 2019)

**Matter to be resolved:**

**Proposal:** Election of Six (6) Directors

**[Matters published on the Internet]**

(1) Of the matters to be included in this notice pursuant to laws and regulations and provisions of Article 16 of the Articles of Incorporation of the Company, Notes to the Consolidated Financial Statements and Notes to the Nonconsolidated Financial Statements are disclosed on our website (http://www.hoya.com/) instead of being included in this Notice. Therefore, the documents attached to this Notice constitute a part of the Consolidated Financial Statements and the Nonconsolidated Financial Statements audited by the accounting auditor in preparing its Audit Report.

(2) If any revision takes places in the accompanying Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Nonconsolidated Financial Statements, it will be published at the Company's website on the Internet (http://www.hoya.com/).

**[Precautions for exercising the voting rights by proxy]**

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

## Information on exercising the voting rights

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

**1. If you attend the meeting**

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

**2. If you are exercising your voting rights in writing**

If you are exercising your voting rights in writing, please indicate your approval or disapproval of the proposal on the enclosed voting form and send us by post so that the Company can receive your form by **no later than 5:45 p.m. on Tuesday, June 25, 2019**. 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 25, 2019**, however, please exercise your rights at the earliest possible time, and if you have any questions concerning how to use the system please contact the Stock Transfer Agency Web Support Hotline below.

Contact information for inquiries about the operation of personal computers, etc.:
The Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Hotline
Tel: **0120-652-031** (toll free)
Office hours: (from 9:00 a.m. to 9:00 p.m. / excluding Saturdays, Sundays and national holidays)

**1) About the voting website**

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

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

**2) How to exercise the voting rights**

(1) Voting by computer (PC)
Please access the voting website (https://www.web54.net/), enter the "voting rights exercise code" and "password" which are stated on your enclosed voting form, and follow instructions on screen to enter your approval or disapproval.

(2) Voting by smartphone
Please scan the voting website QR code on your enclosed voting form and enter your approval or disapproval on the voting-by-smartphone website, which does not require entering a "voting rights exercise code" or "password."
Note that changing your vote once you have executed your voting rights requires re-scanning the QR code and entering the "voting rights exercise code" and "password" stated on your voting form.

**3) Costs incurred when accessing the voting website**

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

**[Handling of voting rights]**

- **If you indicate neither your approval nor disapproval of a proposal on the voting form, your answer will be deemed to be approval.**
- **If you exercise your voting rights redundantly via the Internet and by mail, the voting rights exercised via the Internet shall be treated as valid.**
- **If you exercise your voting rights more than once via the Internet, the Company will regard the content of the last exercise as valid. Similarly, when you exercise your voting rights redundantly via a personal computer and a smartphone, 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 seven Directors will expire at the close of this Ordinary General Meeting of Shareholders. As a result of deliberations on the number of members and composition of the Board of Directors held in consideration of the diversity, management experience, and expertise prior to the selection of candidates by the Nomination Committee, it is being proposed that six Directors be elected—five Independent Directors and one Inside Director—with one new Independent Director having been added last year in order to maintain the structure comprising a stable majority of Independent Directors, due to the retirement of one Independent Director who has reached the upper limit of re-election (nine times), determined by the Nomination Committee, an Independent Director can be reappointed. The reason for the selection of each candidate is stated individually in the following pages.

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

The candidates for Directors are as follows:

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

(Note) Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu, Mr. Shuzo Kaihori and Mr. Hiroaki Yoshihara are candidates for the posts of Independent Directors. The Company has provided notice to the Tokyo Stock Exchange of Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu, Mr. Shuzo Kaihori and Mr. Hiroaki Yoshihara 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><br>Yukako Uchinaga<br>(Born on Jul. 5, 1946)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company]<br>6 Years<br>[Number of shares of the Company held] 1,000 Shares<br>[Number of attendances to the board meetings] 10/10 times (100%)</td><td>Jul. 1971 Joined IBM Japan, Ltd.<br>Apr. 1995 Director in charge of Asia Pacific Products of IBM Japan, Ltd.<br>Apr. 2000 Managing Director and Head of Tokyo Software Development Laboratory of IBM Japan, Ltd.<br>Apr. 2004 Director and Senior Executive Officer in charge of Development & Manufacturing of IBM Japan, Ltd.<br>Apr. 2007 Technical Advisor of IBM Japan, Ltd. (retired in March 2008)<br>Apr. 2007 Board Chair of Japan Women's Innovative Network (J-WIN) (present post)<br>Jun. 2007 Director of Benesse Corporation<br>Apr. 2008 Director and Vice Chairman of Benesse Corporation<br>Apr. 2008 Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation<br>Oct. 2009 Director and Executive Vice President of Benesse Holdings, Inc. (retired in June 2013)<br>Apr. 2013 Honorary Chairman of Berlitz Corporation (retired in June 2013)<br>Jun. 2013 Director of the Company (present post)<br>Sep. 2013 President & CEO of Globalization Research Institute Co., Ltd. (present post)<br>Apr. 2014 Board Chair of Japan Diversity Network Association (retired in January 2019)<br><br>(Important positions of other companies concurrently held)<br>Board Chair of J-WIN, Non-Profit Organization<br>Outside Director of Aeon Co., Ltd.<br>Outside Director of Teijin Limited</td></tr>
<tr><td colspan="2">Reason for the Selection of Candidate for Director<br>The above candidate is a pioneer of female executive officer as she was promoted to the first female director of IBM Japan, Ltd. Then, as CEO of Berlitz Corporation under Benesse Holdings, Inc., she established a brand of a “global human resource development enterprise” and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competitions. In addition, for many years, she has devoted herself to activities for promoting the active participation of women by corporations and has also provided the Company with advice on promoting diversity. The Company's Nomination Committee believes she will even more greatly contribute to the globalization of human resources and diversity management in the Company, so it has nominated her as a candidate for Director again this year. There were transactions in the fiscal year 2018 between the HOYA Group and Benesse Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party. Payment of membership fees was made to J-WIN, Non-Profit Organization, which the candidate concurrently serves as Board Chair, but the amount involved was less than 0.6% of said organization's total costs. Also, a payment of about 290,000 yen was made to the Globalization Research Institute Co., Ltd., which the candidate serves as a representative. For all these transactions, nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.</td></tr>
<tr><td colspan="2">Message to Shareholders from Candidate<br>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.</td></tr>
</table>

| No. | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 2 | <br>**Mitsudo Urano**<br>(Born on Mar. 20, 1948)<br><br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company] 6 Years<br>[Number of shares of the Company held] 5,000 Shares<br>[Number of attendances to the board meetings] 10/10 times (100%) | Apr. 1971 Joined Nippon Reizo Kabushiki Kaisha (present Nichirei Corporation)<br>Jun. 1999 Director and General Manager, Strategic Planning Division of Nichirei Corporation<br>Jun. 2001 Representative Director and President of Nichirei Corporation<br>Jan. 2005 Representative Director and President of Nichirei Corporation, and Representative Director and President of Nichirei Foods Inc.<br>Apr. 2007 Representative Director and President of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.<br>Jun. 2007 Representative Director and Chairman of Nichirei Corporation, and Director and Chairman of Nichirei Foods Inc.<br>Jun. 2013 Advisor of Nichirei Corporation (retired in March 2018)<br>Jun. 2013 Director of the Company (present post)<br>**(Important positions of other companies concurrently held)**<br>Outside Director of Yokogawa Electric Corporation (scheduled to retire the position in June 2019)<br>Outside Director of Resona Holdings, Inc.<br>Outside Director of Hitachi Transport System, Ltd. |

**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, there were no transactions in the fiscal year 2018 between the HOYA Group and Nichirei Group, which the candidate comes from, that violate the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

**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. HOYA's strength is that it can continually challenge itself to take reasonable risks even in drastically changing business environments. 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.

<table>
<tr><th>No.</th><th>Name</th><th>Brief history, positions and assignments at the Company,<br>and important positions of other companies concurrently held</th></tr>
<tr><td rowspan="3">3</td><td><br>Takeo Takasu<br>(Born on Jun. 24, 1945)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company]<br>5 Years<br>[Number of shares of the Company held] 2,800 Shares<br>[Number of attendances to the board meetings] 10/10 times (100%)</td><td>Apr. 1968 Joined The Sanwa Bank, Ltd. (Present MUFG Bank, Ltd.)<br>Oct. 1993 Branch Manager, Los Angeles Branch of Sanwa Bank (retired in March 1996)<br>Apr. 1996 Member, Corporate Planning of Bandai Co., Ltd.<br>Jun. 1996 Representative Director of Bandai Holdings Corporation in U. S.<br>Mar. 1999 President and Representative Director of Bandai Co., Ltd.<br>Jun. 2005 Chairman and Representative Director of Bandai Co., Ltd.<br>Sep. 2005 President and Representative Director of Bandai Namco Holdings Inc.<br>Apr. 2009 Chairman and Representative Director of Bandai Namco Holdings Inc.<br>Feb. 2010 Chairman and Director of Bandai Namco Holdings Inc.<br>Jun. 2011 Advisor and Director of Bandai Namco Holdings Inc. (retired in June 2013)<br>Jun. 2014 Director of the Company (present post)<br>(Important positions of other companies concurrently held)<br>Outside Director of Bell-Park Co., Ltd.<br>Outside Director of KADOKAWA CORPORATION</td></tr>
<tr><td colspan="2">Reason for the Selection of Candidate for Director<br>After first serving at the former Sanwa Bank, Ltd., the candidate accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company’s performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company’s Nomination Committee has judged that he will make proposals from different perspectives through insights developed in the banking industry and management experience in the toy industry with different characteristics from that of the Company, in addition to his achievements as an outside director of other companies, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2018 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.</td></tr>
<tr><td colspan="2">Message to Shareholders from Candidate<br>HOYA has globally developed businesses focused on two segments, Life Care and Information Technology, utilizing optical and precision processing technologies it has nurtured to date. The Company’s social responsibility, and that of the management team, is very substantial. As an Independent Director, I will be committed to continually checking that the direction of management is on track.</td></tr>
</table>

| No. | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 4 | <br>**Shuzo Kaihori**<br>(Born on Jan. 31, 1948)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company] 4 Years<br>[Number of shares of the Company held] 1,000 Shares<br>[Number of attendances to the board meetings] 10/10 times (100%) | Apr. 1973 Joined Yokogawa Electric Works Ltd. (Present Yokogawa Electric Corporation)<br>Apr. 2005 Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation<br>Apr. 2006 Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation<br>Jun. 2006 Director and Senior Vice President, Head of IA Business Headquarters of Yokogawa Electric Corporation<br>Apr. 2007 Representative Director, President and Chief Executive Officer of Yokogawa Electric Corporation<br>Apr. 2013 Representative Director, Chairman and Chief Executive Officer of Yokogawa Electric Corporation<br>Apr. 2015 Director, Chairman of Yokogawa Electric Corporation<br>Jun. 2015 Director of the Company (present post)<br>Jun. 2016 Director and Chairman of the Board of Yokogawa Electric Corporation (retired in June 2018)<br>**(Important positions of other companies concurrently held)**<br>Outside Director of Eisai Co., Ltd. |

**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 2018 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 HOYA, each division creates business structures that optimally fit its business, and Corporate carries out extremely efficient operations by managing the business portfolio of the entire Group. As the digital revolution brings great changes to society and the economy, I am striving to support the executive team in terms of how to guide the business portfolio in the medium- to long-term, while maintaining operating efficiency, as well as how to recruit, train, and sustain the global human capital needed to achieve these portfolio goals. At the same time, I am committed to further enhance corporate value through supervision of the execution of operations.

| No. | Name | Brief history, positions and assignments at the Company, and important positions of other companies concurrently held |
|---|---|---|
| 5 | <br>**Hiroaki Yoshihara**<br>(Born on Feb. 9, 1957)<br>Candidate for Independent Director<br>[Number of years in office of the Director of the Company] 1 Year<br>[Number of shares of the Company held] 0 Shares<br>[Number of attendances to the board meetings]8/8 times (100%) | Nov. 1978 Joined Peat Marwick Mitchell & Co.<br>Jul. 1996 National Managing Partner, the Pacific Rim Practice of KPMG LLP<br>Oct. 1997 The Board Member of KPMG LLP<br>Oct. 2003 Vice Chairman and Global Managing Partner of KPMG International (retired in April 2007)<br>Jun. 2018 Director of the Company (present post)<br>(Important positions of other companies concurrently held)<br>Outside Director of Murata Manufacturing Co., Ltd.<br>Outside Director of Hitachi, Ltd. |

**Reason for the Selection of Candidate for Director**

The above candidate has long-term experience as an expert in finance and accounting as well as management experience gained as Global Managing Partner of an international accounting firm. He also has a track record of participating in the M&A of many companies from a professional standpoint. The Company's Nomination Committee has judged that he will contribute to the enhancing the supervisory function of the Board of Directors of the Company and at the same time provide plenty of advice in regard to M&A, an important measure in the Company's business strategy, so it has nominated him as a candidate for Director again this year. Nothing in connection with the candidate violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.

**Message to Shareholders from Candidate**

Amidst unstable international relations, the aging of society, income disparities, and other growing concerns, the economic environment is changing drastically as smart societies emerge with the acceleration of the digital transformation brought about by the 5G next-generation communications standard. HOYA is aiming for further growth and development by promoting creation and innovation in carefully selected business areas. In order to continue growing as a truly global, high-performing company, it is increasingly important that HOYA must keep pursuing and executing its business strategies speedily, by such means as fostering many diverse leaders able to be active on the global stage, reviewing and evolving our business portfolio, and raising the efficiency of global operations to a new level. As an Independent Director, I will sincerely strive to supervise the execution of duties by Executive Officers and others from an independent standpoint.

| 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] 26 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<br>Jun. 1993 Director of the Company<br>Jun. 1997 Managing Director of the Company<br>Apr. 1999 Managing Director of the Company, President of Electro Optics Company<br>Jun. 1999 Executive Managing Director of the Company<br>Jun. 2000 Representative Director, President & CEO of the Company<br>Jun. 2003 Director, Representative Executive Officer President & CEO of the Company (present post)<br>Dec. 2011 Chief Representative of Singapore Branch of the Company (present post)<br>**(Important positions of other companies concurrently held)**<br>Outside Director of Toshiba Memory Holdings Corporation |

**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**

HOYA is pursuing portfolio management that develops a number of business lines in the two areas of Information Technology and Life Care. As global conditions and the business environment undergo staggering changes, the executive team must clarify HOYA's strategic positioning in each field, verify the growth prospects, profitability, and competitive advantage of each business, and swiftly carry out our decision-making process. As CEO, I intend, now and in the future, to firmly take the wheel, to boost corporate value by leveraging the abilities of not only the management ranks, but also each and every employee, and to respond to the expectations and trust of shareholders and all other stakeholders.

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

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

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

<Those who provide professional services (lawyers, certified public accountants, certified tax accountants, patent attorneys, judicial scriveners, etc.)>
- Those who have received remuneration of 5 million yen or more per year or those who have a family member who has received remuneration of 5 million yen or more per year, from the HOYA Group in the past three years
- When the organization that the candidate belongs to, such as a company and association, has received cash, etc. from the HOYA Group, the amount of which exceeds 100 million yen per year or 2% of consolidated net sales of the said organization, whichever is higher

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

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

# Business Report An attachment to the Notice of the 81st Ordinary General Meeting of Shareholders (From April 1, 2018 to March 31, 2019)

## Matters Relating to the Present State of the HOYA Group

### Business Development and Results

**Progression and result of businesses**

**■ General Overview:**

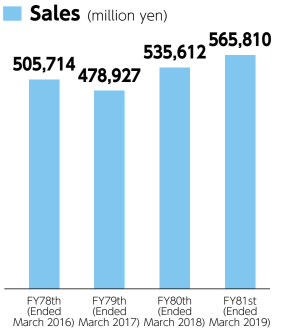
As of March 31, 2019, the HOYA Group consisted of the HOYA CORPORATION, 146 consolidated subsidiaries (11 of which are domestic and 135 overseas) and 10 affiliates (4 of which are domestic and the other 6 overseas).

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

<Adoption of the International Financial Reporting Standards>

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

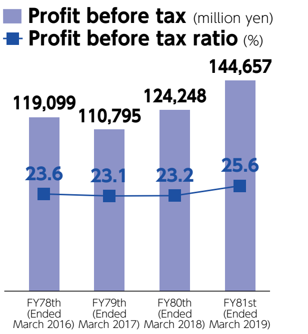
The Life Care segment deals in health care related products such as eyeglass lenses and contact lenses, as well as medical related products such as intraocular lenses and medical endoscopes. The Information Technology segment handles electronics related products used for the production of semiconductors,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




<Sales>

During the fiscal year ended March 31, 2019, the global economy saw solid performance in the U.S., slowing growth in China, and on-going, moderate growth in Europe. Meanwhile, a slow expansion of economic activity continued in Japan. The future course of the global economy remains difficult to foresee due to political risks such as trade friction between the U.S. and other countries as the U.S. ramps up protectionism, and confusion surrounding the U.K.'s withdrawal from the EU.

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

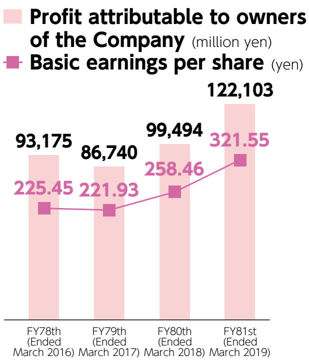



In the Information Technology business, sales of mask blanks for semiconductors and photomasks for liquid-crystal displays increased in electronics related products. As a result, overall sales in the Information Technology business increased compared to the preceding consolidated fiscal year.

As a result, sales for the consolidated fiscal year ended March 2019 amounted to 565,810 million yen, a 5.6% increase year on year.

<Profit>

Profit before income tax and profit for the year increased compared to the preceding consolidated fiscal year by 16.4% to 144,657 million yen and 23.0% to 122,072 million yen respectively.




The profit before tax ratio rose to 25.6%, an increase of 2.4 percentage points from 23.2% in the preceding consolidated fiscal year.

There were no discontinued operations in the consolidated fiscal year ended March 2019 and the preceding consolidated fiscal year. Therefore, all numerical values and percentage changes herein are based on continuing operations.

<Financial Position>

Total assets at March 31, 2019 increased by 113,270 million yen from the end of the preceding consolidated fiscal year to 763,915 million yen.

Non-current assets increased by 51,347 million yen to 255,802 million yen. This is primarily due to increases of 10,951 million yen in goodwill, 7,445 million yen in intangible assets, and 28,508 million yen in long-term financial assets.

Current assets increased by 61,924 million yen to reach 508,113 million yen. This is primarily due to an increase in cash and cash equivalents by 47,562 million yen.

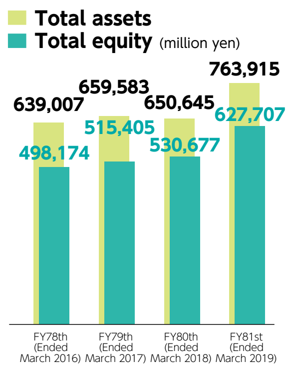
Total equity increased by 97,030 million yen to 627,707 million yen. This is primarily due to an increase in retained earnings by 87,641 million yen.

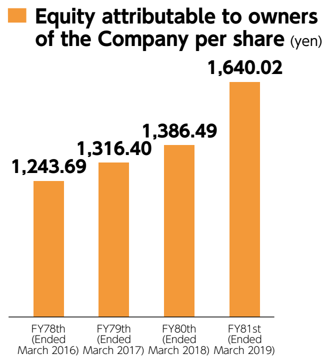
Equity attributable to owners of the Company increased by 96,962 million yen to 623,155 million yen.

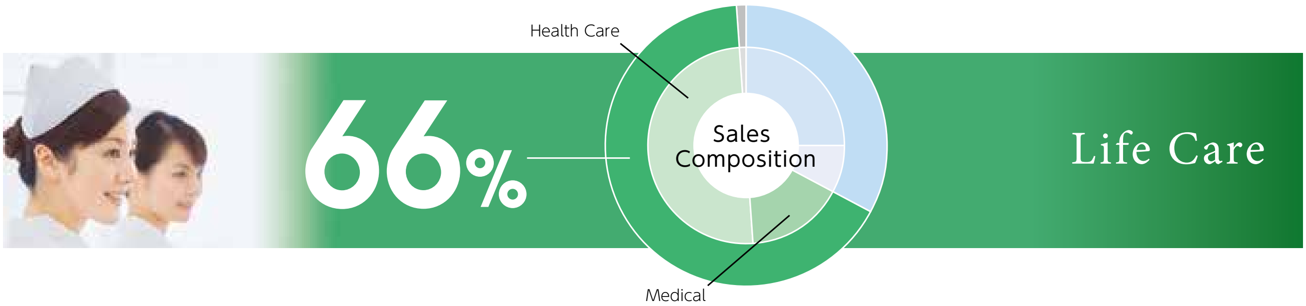
Liabilities increased by 16,241 million yen to 136,208 million yen.

The ratio of equity attributable to owners of the Company to total assets at March 31, 2019 increased by 0.7 percentage points from the end of the preceding consolidated fiscal year and reached to 81.6%, which was 80.9% in the preceding consolidated fiscal year.

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



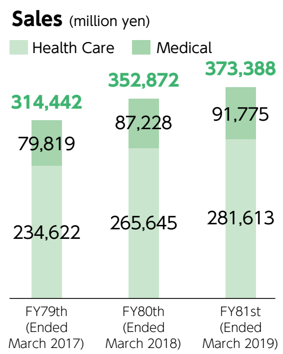



## Outline of consolidated results by business segment

### Health Care related products

Overall sales increased compared to the preceding consolidated fiscal year as eyeglass lenses saw growth in existing business in the overseas market of the Americas, and we saw growth from our acquisition of Performance Optics, LLC.

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

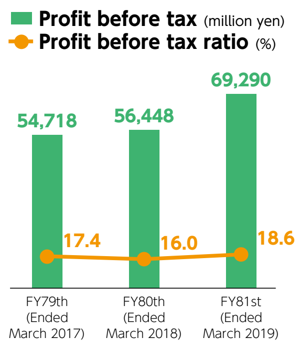



### Medical related products

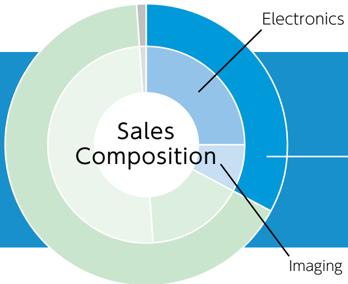
Medical endoscopes trended strongly in Europe and the U.S. due to the launch of new products and the strengthening of our sales framework, bringing overall sales higher than in the preceding consolidated fiscal year.

Intraocular lenses for cataracts trended well in Japan, while overseas, Vivinex—a product with considerable competitive strength—made a contribution, leading to sales coming in above the preceding consolidated fiscal year.

As a result, sales in the Life Care segment increased by 5.8% compared to the preceding consolidated fiscal year to 373,388 million yen. Segment profit increased by 22.8% to 69,290 million yen.



# Information Technology




33%

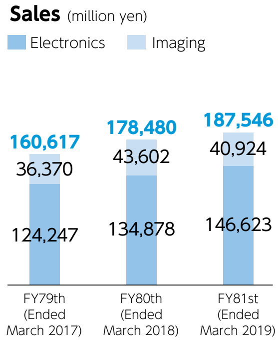
## Outline of consolidated results by business segment

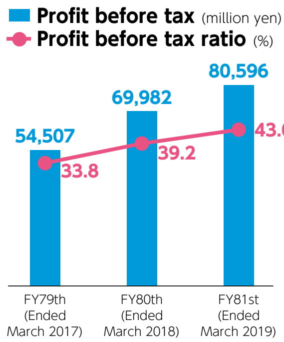
### Electronics related products

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

With regard to photomasks for liquid-crystal displays, recovery of research and development demand, mainly in displays for smartphones, and development of new customers in the still growing Chinese market, led to higher sales compared to the preceding consolidated fiscal year.

Regarding glass substrates for HDDs, 2.5-inch substrates, which make up the majority of sales, were benefiting from on-going high overall demand for HDDs due to the short supply of NAND flash memory since the latter half of fiscal 2016; however, because supply picked up in the fourth quarter of the preceding fiscal year, overall HDD demand contracted, and sales came in lower compared to the preceding consolidated fiscal year. Increasing use of 3.5-inch substrates by data center end users brought sales higher than the preceding consolidated fiscal year. This led to an increase in overall sales compared to the preceding consolidated fiscal year.




### Imaging related products

Market contraction in the digital camera market eased in the last fiscal year, but competition from smartphones took the market into a further downward trend and sales fell versus the preceding consolidated fiscal year.

As a result, sales in the Information Technology segment increased by 5.1% compared to the preceding consolidated fiscal year to 187,546 million yen, and segment profit increased by 15.2% to 80,596 million yen.

## View of Capital Expenditures

The total capital expenditures of all operations of the HOYA Group amounted to 29,204 million yen during the consolidated fiscal year ended March 2019, an increase of 9,915 million yen over the preceding consolidated fiscal year.

In the consolidated fiscal year ended March 2019, investment in the Life Care business amounted to 19,108 million yen and investment in the Information Technology business amounted to 9,933 million yen, which account for 65.4% and 34.0%, respectively, of the total capital expenditures by the Group.

The investment was covered by internally generated funds.
During the consolidated fiscal year ended March 2019, in the Life Care business, the HOYA Group invested in production facilities, primarily for eyeglass lenses, with the aim of increasing capacity, enhancing efficiency, optimization and others.

In the Information Technology business, we made investments mainly in production facilities for products offering new applications of glass substrates for HDDs.

| Category | 79th Fiscal Year (Ended March 2017) | 80th Fiscal Year (Ended March 2018) | 81st Fiscal Year (Ended March 2019) |
|---|---|---|---|
| Capital expenditures (million yen) | 22,863 | 19,289 | 29,204 |

## Financing

There are no relevant items.

## Important Corporate Reorganizations, etc.

There are no relevant items.

## Management Issues Requiring Actions

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

(1) Target management indicators

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

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

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

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

(ii) Creation of new business and technologies

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

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

(iii) Business expansion in the Life Care business

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

(iv) Securing stable earnings in the Information Technology business

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

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

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

(vi) Promoting diversity

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

## Changes in the State of Assets, Profits and Losses

Overview of Assets, Profits and Losses of the HOYA Group

| Classification | | 78th Fiscal Year (Ended March 2016) [IFRS] | 79th Fiscal Year (Ended March 2017) [IFRS] | 80th Fiscal Year (Ended March 2018) [IFRS] | 81st Fiscal Year (Current fiscal year) (Ended March 2019) [IFRS] |
|---|---|---|---|---|---|
| **Sales** | **(million yen)** | 505,714 | 478,927 | 535,612 | 565,810 |
| **Profit before tax** | **(million yen)** | 119,099 | 110,795 | 124,248 | 144,657 |
| **Profit for the year** | **(million yen)** | 93,317 | 86,852 | 99,222 | 122,072 |
| **Profit attributable to owners of the Company** | **(million yen)** | 93,175 | 86,740 | 99,494 | 122,103 |
| **Basic earnings per share** | **(yen)** | 225.45 | 221.93 | 258.46 | 321.55 |
| **Total assets** | **(million yen)** | 639,007 | 659,583 | 650,645 | 763,915 |
| **Total equity** | **(million yen)** | 498,174 | 515,405 | 530,677 | 627,707 |
| **Equity attributable to owners of the Company per share** | **(yen)** | 1,243.69 | 1,316.40 | 1,386.49 | 1,640.02 |

(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 81st fiscal year (consolidated fiscal year ended March 2019) 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) | 14,361 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, 2019)

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

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

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

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

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

## **Head Office, Principal Places of Business and Plants** (as of March 31, 2019)

(1) HOYA CORPORATION

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

(2) Subsidiaries

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

## **Employees** (as of March 31, 2019)

(1) By segment

| Segment | Number of employees | Year-on-year comparison at year end |
|---|---|---|
| **Life Care** | **19,675** | **up 365** |
| **Information Technology** | **17,523** | **down 724** |
| **Other** | **126** | **down 47** |
| **Corporate** | **88** | **up 6** |
| **Total** | **37,412** | **down 400** |

(2) Changes in the number of employees

| Category | 78th Fiscal Year (Ended March 2016) | 79th Fiscal Year (Ended March 2017) | 80th Fiscal Year (Ended March 2018) | 81st Fiscal Year (Ended March 2019) |
|---|---|---|---|---|
| **Overseas** | **30,591** | **32,057** | **34,138** | **33,759** |
| **Japan** | **3,771** | **3,695** | **3,674** | **3,653** |

(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 2,984 (up 34 YOY). Their ages and service periods averaged 45.3 and 18.9 years, respectively.

## **Major Lenders** (as of March 31, 2019)

| Lender | Loans payable |
|---|---|
| **Seiko Holdings Corporation** | **1,648 million yen** |

## **Other Important Matters concerning the HOYA Group**

There are no relevant items.

# Current State of the Company

## **State of Shares** (as of March 31, 2019)

(1) Total number of shares the Company authorized: Common share 1,250,519,400 shares

(2) Total number of issued shares: Common share 381,436,420 shares

(3) Number of shareholders: 25,278 (Down 4,312 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 | **The Master Trust Bank of Japan, Ltd. (Trust Account)** | **231,429** | **6.09** |
| 2 | **Japan Trustee Services Bank, Ltd. (Trust Account)** | **198,810** | **5.23** |
| 3 | **JP Morgan Chase Bank 380055** | **173,121** | **4.56** |
| 4 | **SSBTC Client Omnibus Account** | **149,865** | **3.94** |
| 5 | **Japan Trustee Services Bank, Ltd. (Trust Account 5)** | **79,010** | **2.08** |
| 6 | **The Chase Manhattan Bank 385036** | **61,840** | **1.63** |
| 7 | **State Street Bank West Client - Treaty 505234** | **61,696** | **1.62** |
| 8 | **JP Morgan Chase Bank 385632** | **60,178** | **1.58** |
| 9 | **JP Morgan Chase Bank 385151** | **57,012** | **1.50** |
| 10 | **Japan Trustee Services Bank, Ltd. (Trust Account 7)** | **54,622** | **1.44** |

(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 (1,468,817 shares).

A resolution was made at the Board of Directors meeting held on May 7, 2019, to repurchase the Company’s own shares as follows.

Total number of shares to be repurchased (maximum): 8.6 million shares
Total amount to be paid for repurchase (maximum): 60.0 billion yen
Period of share repurchase: May 8, 2019 to October 28, 2019

## State of Stock Acquisition Rights, etc.

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) | 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) | 18th issue of stock acquisition rights (January 30, 2018) | 19th issue of stock acquisition rights (September 18, 2018) |
|---|---|---|---|---|---|---|---|---|---|
| **Number of stock acquisition rights** | 20 | 20 | 20 | 300 | 91 | 182 | 154 | 48 | 309 |
| **Type and number of shares to be issued on exercise of stock acquisition rights** | 8,000 common share | 8,000 common share | 8,000 common share | 120,000 common share | 36,400 common share | 72,800 common share | 61,600 common share | 19,200 common share | 123,600 common share |
| **Exercise price per share** | 1,947 yen | 1,616 yen | 1,648 yen | 2,846 yen | 3,972.5 yen | 4,928 yen | 4,839 yen | 5,765 yen | 6,590 yen |
| **Contribution of stock acquisition right** | No contribution is required in exchange for a stock acquisition right. | | | | | | | | |
| **Exercise period** | October 1, 2011 – September 30, 2020 | October 1, 2012 – September 30, 2021 | October 1, 2013 – September 30, 2022 | October 1, 2014 – September 30, 2023 | October 1, 2015 – September 30, 2024 | October 1, 2016 – September 30, 2025 | October 1, 2017 – September 30, 2026 | October 1, 2018 – September 30, 2027 | October 1, 2019 – September 30, 2028 |
| **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.<br>-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 Independent Directors) and Executive Officers** | 1 [20] | 1 [20] | 1 [20] | 1 [250] | 2 [58] | 4 [141] | 4 [116] | 0 [0] | 4 [209] |
| **State of ownership** – **Independent Directors** | 0 [0] | 0 [0] | 0 [0] | 1 [50] | 3 [33] | 5 [41] | 5 [38] | 5 [48] | 6 [100] |

## Directors of the Company

(1) Directors and Executive Officers (as of March 31, 2019)

| Name | Position and role at the Company | Important positions of other organization concurrently held |
|---|---|---|
| **Itaru Koeda** | Director<br>Chairperson of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Chairman of Business Research Institute |
| **Yukako Uchinaga** | Director<br>Chairperson of the Audit Committee<br>Member of the Nomination Committee<br>Member of the Compensation Committee | Board Chair of J-WIN, Non-Profit organization<br>Outside Director of Aeon Co., Ltd.<br>Outside Director of Teijin Limited |
| **Mitsudo Urano** | Director<br>Chairperson of the Compensation Committee<br>Member of the Nomination Committee<br>Member of the Audit Committee | Outside Director of Yokogawa Electric Corporation<br>Outside Director of Resona Holdings, Inc.<br>Outside Director of Hitachi Transport System, Ltd. |
| **Takeo Takasu** | Director<br>Member of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Outside Director of Bell-Park Co., Ltd.<br>Outside Director of KADOKAWA CORPORATION |
| **Shuzo Kaihori** | Director<br>Member of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Outside Director of Eisai Co., Ltd. |
| **Hiroaki Yoshihara** | Director<br>Member of the Nomination Committee<br>Member of the Compensation Committee<br>Member of the Audit Committee | Outside Director of Murata Manufacturing Co., Ltd.<br>Outside Director of Hitachi, Ltd. |
| **Hiroshi Suzuki** | Director, Representative Executive Officer<br>President & CEO | Outside Director of Toshiba Memory Corporation (retired in May 2019)<br>Outside Director of Toshiba Memory Holdings Corporation |
| **Ryo Hirooka** | Representative Executive Officer & CFO | |
| **Eiichiro Ikeda** | Executive Officer & COO, Information Technology and Chief Technology Officer (CTO) | |
| **Augustine Yee** | Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs | |

(Notes)

1. Directors Mr. Itaru Koeda, Ms. Yukako Uchinaga, Mr. Mitsudo Urano, Mr. Takeo Takasu, Mr. Shuzo Kaihori and Mr. Hiroaki Yoshihara 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, and Director Mr. Yoshihara has long-term experience as an expert in finance and accounting at an international accounting firm.
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, Mr. Shuzo Kaihori and Mr. Hiroaki Yoshihara 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%) | 9/9 (100%) |
| **Yukako Uchinaga** | 10/10 (100%) | 8/8 (100%) | 8/8 (100%) | 9/9 (100%) |
| **Mitsudo Urano** | 10/10 (100%) | 8/8 (100%) | 8/8 (100%) | 9/9 (100%) |
| **Takeo Takasu** | 10/10 (100%) | 8/8 (100%) | 8/8 (100%) | 9/9 (100%) |
| **Shuzo Kaihori** | 10/10 (100%) | 8/8 (100%) | 8/8 (100%) | 9/9 (100%) |
| **Hiroaki Yoshihara** | 8/8 (100%) | 6/6 (100%) | 6/6 (100%) | 7/7 (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.<br>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. 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.<br>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.<br>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.<br>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 the roles of the Board of Directors and supervision of Executive Officers, while also bringing forward questions delving into the executive team's mid-term strategies. 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.<br>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. |
| **Hiroaki Yoshihara** | Mr. Yoshihara made useful contributions to the discussion of items on the agenda, based on his substantial knowledge and experience as a finance and accounting expert as well as management experience gained at an accounting firm. 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 provided considerable advice with regard to evaluating M&A targets and assessing market conditions, and proactively voiced his opinions addressing risk management. 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 and determination method

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 Compensation Committee is made up of all of 6 Independent Directors who are not Executive Officers of the Company. With due consideration of necessary information (including the levels set by other companies as determined by a survey conducted by an outside professional organization), the Compensation Committee discusses and finalizes policies for the remuneration of Directors and Executive Officers, and the particulars of remuneration received by Directors and Executive Officers.

Retirement benefits for Directors were eliminated in 2003.

(ii) Policy concerning remuneration for Directors

The remuneration of Directors consists of a fixed salary and a medium- and long-term incentive (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.

Furthermore, fixed numbers of stock options are granted to newly appointed and reappointed officers in order that they may hold a common viewpoint with shareholders regarding the share price and share interests with shareholders on a medium- to long-term basis.

[Composition ratio of remuneration]

Fixed salary: medium- and long-term incentive (stock options) = Approximately 1:0.3-0.6

(Note) The ratio of the above medium- and long-term incentive shall fluctuate with changes in the Company's share price and other factors.

(iii) Policy concerning remuneration for Executive Officers

The remuneration of Executive Officers consists of a fixed salary, an annual incentive (performance-based bonuses) and a medium- and long-term incentive (stock options).

For fixed salaries, basic compensation is set appropriately according to the office and responsibility of each Executive Officer (Representative Executive Officer, 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. Other than basic compensation described above, 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.

Performance-based bonuses shall be determined according to quantitative results and qualitative evaluations, and shall range roughly from 0 to 200%.

As indicators of quantitative results, sales, profit attributable to owners of the Company, and basic earnings per share (EPS) given on the Consolidated Financial Statements are selected.

Certain numbers of stock options shall be granted to newly appointed and reappointed officers in accord with the offices and responsibilities of them. Note that, from fiscal 2019, the Company will be using performance share unit (PSU) as a medium- to long-term incentive in place of stock options.

Details of performance-based remuneration for Executive Officers are given in the Reference section below.

[Composition ratio of remuneration]

Fixed salary: annual incentive: medium- and long-term incentive (stock options) = Approximately 1:1:0.3-0.5

(Note) The ratio of the above annual incentive shall fluctuate according to the Company's performance. Furthermore, the ratio of the above medium- and long-term incentive shall fluctuate with changes in the Company's share price and other factors.

The PSU, which has been newly adopted, is a system for granting shares at a number that is in proportion to the level of achievement of the predetermined performance conditions and the Company selected the indicators of sales, basic earnings per share (EPS) and ROE given on the Consolidated Financial Statements. The payment ratio that corresponds to the level of achievement of the performance targets will range from 0 to 200%, based on the performance over three-fiscal-year periods.

The Company's adoption of the PSU will strengthen our compensation system's high correlation with medium- and long-term performance and will boost the ratio of medium- and long-term incentives offered.

[Composition ratio of remuneration in the future]

| | |
|---|---|
| CEO | Fixed salary: annual incentive: medium- and long-term incentive (PSU) = Approximately 1:1:1 |
| Executive Officers excluding CEO | Fixed salary: annual incentive: medium- and long-term incentive (PSU) = Approximately 1:1:0.5 |

(Note) Subject to a 100% achievement rate for all targets and assuming a share price in three years roughly equivalent to the current share price.

[Reference] Outline of performance-based remuneration (performance-based bonuses, stock options and PSU) for Executive Officers

a. Performance-based bonuses

Performance-based bonuses shall be paid based on the following calculation.

Amount of performance-based bonus = base amount (according to the office of each officer) x performance-linked coefficient (linked to quantitative targets)* x 80% + base amount (according to the office of each officer) x performance-linked coefficient (linked to qualitative targets)* x 20%

* Performance-linked coefficient shall range from roughly 0 to 200%.

[Performance-linked coefficient (performance-based bonuses)]

| Indicators | Target (consolidated) | Actual (consolidated) | Reason for selection |
|---|---|---|---|
| Sales (Billions of yen) | 564.2 | 565.8 | Selected as an indicator for its measurement of the Group's degree of growth in domestic and overseas markets. |
| Profit attributable to owners of the Company (Billions of yen) | 111.1 | 122.1 | Selected as an indicator for its measurement of whether the Group's growth is accompanied by solid profits. |
| Basic earnings per share (Yen) | 292.53 | 321.55 | Selected as an indicator for its measurement of the Company's degree of growth from a shareholder's perspective. |

(Notes)

1. The qualitative assessment method relevant to performance-based bonuses involves assessments of items such as the degree of achievement of budget targets in the division under management, the results of which are deliberated on in the Compensation Committee before a decision is made.
2. The target values in the table above are set taking into consideration such as the Company's business environment, and market consensus, and as such may differ from performance forecasts.

b. Stock options

In order for Directors and Executive Officers to share the same perspective as shareholders in regard to share price, and to share common interests with shareholders on a medium- to long-term basis, stock options are granted as an incentive to increase corporate value in consideration of the exercise price at the time of granting (the market price one day prior to the resolution regarding the grant), fluctuations in the share price during the exercise period, and fixed annual salaries. 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.

For Executive Officers from fiscal 2019, the Company adopted performance share units (PSU) in place of stock options.

(Granting of stock options for Outside Directors will continue.)

c. Performance share unit (PSU; payment system effective fiscal 2019 to replace stock options)

Every year, the Company announces basic deliverable numbers of shares according to the office and responsibility of each Executive Officer and medium- to long-term performance targets for a three-year period from that year. After the end of the period in question, the Company determines, for each Executive Officer, a basic compensation amount which is the market value of the Company's shares for the basic deliverable number of shares multiplied by a coefficient representing the degree of achievement of medium- to long-term performance targets. The Company shall pay the Executive Officer 50% of the basic compensation amount as claims for monetary remuneration. Executive Officers shall invest the monetary claims in kind and shall be granted a number of Company shares, which is equal to the amount of monetary claim in question divided by paid-in amount per Company share. From the viewpoint of ensuring payment of tax, the Company shall pay the remainder of the basic compensation amount in cash.

However, Executive Officers not residing within Japan and the heirs of Executive Officers who died during their tenure shall receive the entire basic compensation amount in cash.

Also, the Company plans to issue PSU for periods of three fiscal years starting from the following fiscal year, and continuing thereafter. Below is a table illustrating this system.

| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| PSU (i) | | | Granting of shares, etc. | | |
| | PSU (ii) | | | Granting of shares, etc. | |
| | | PSU (iii) | | | Granting of shares, etc. |

(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 bonuses | Stock options |
| Directors | Independent | 6 persons | 93 million yen | 58 million yen | - | 35 million yen |
| | Internal | 1 person | 8 million yen | 8 million yen | - | - |
| | Total | 7 persons | 101 million yen | 66 million yen | - | 35 million yen |
| Executive Officers | | 5 persons | 517 million yen | 272 million yen | 182 million yen | 62 million yen |
| Total | | 11 persons | 618 million yen | 338 million yen | 182 million yen | 98 million yen |

(Notes)
1. At the end of the fiscal year, there were seven Directors and four Executive Officers. One of the four Executive Officers served concurrently as Internal Director. The reason for the discrepancy with the number of Executive Officers in the above table is because the above table includes one Executive Officer who retired at the closing of the 80th Ordinary General Meeting of Shareholders.
2. The total amount of remuneration includes remuneration paid to one Executive Officer who retired as of the conclusion of the 80th Ordinary General Meeting of Shareholders.
3. Fixed salary for Executive Officers includes oversea Executive Officer's benefit as expatriate of 103 million yen.
4. 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.
5. Stock options granted to Executive Officers are compensation reflecting performance that is linked to share price.

(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 81st fiscal year is as follows.

| Name | Executive classification | Total amount | Fixed salary | Performance-based bonuses | Stock options |
|---|---|---|---|---|---|
| Hiroshi Suzuki, Representative Executive Officer President & CEO | Director | 8 million yen | 8 million yen | - | - |
| | Representative Executive Officer | 192 million yen | 99 million yen | 70 million yen | 23 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 | Executive classification | Total amount | Fixed salary | Performance-based bonuses | Stock options |
|---|---|---|---|---|---|
| Ryo Hirooka, Representative Executive Officer & CFO | Representative Executive Officer | 111 million yen | 59 million yen | 41 million yen | 11 million yen |
| Eiichiro Ikeda, Executive Officer & COO, Information Technology and Chief Technology Officer (CTO) | Executive Officer | 102 million yen | 54 million yen | 36 million yen | 12 million yen |
| Augustine Yee, Executive Officer, Chief Legal Officer (CLO) and Head of Corporate Development and Affairs | Executive Officer | 107 million yen | 55 million yen | 36 million yen | 16 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** | 133 million yen |
| **Aggregate amount of monetary and other asset gains the Company and its subsidiaries owe to independent auditors** | 174 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 provide audit services to the Company's major subsidiaries overseas.
3. The Audit Committee gave consent on the remuneration, etc. for Accounting Auditors as a result of confirmation and consideration of matters including the audit planning by the Accounting Auditors, status of implementation of the audit and calculation basis for the estimate of the remuneration, in light of the "Guidelines for Cooperation with Accounting Auditors" issued by Japan Audit & Supervisory Board Members Association.

(3) Details of non-audit services

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

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

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

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

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[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 based on the cost budget to implement them, and shall report to the Audit Committee as the occasion demands.
The rules of the Audit Committee stipulate the details and ensure 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. Furthermore, regional versions of the HOYA Business Conduct Guidelines were prepared in conformity with laws and regulations and customs of various countries in their respective languages and distributed to overseas employees, who understand the Guidelines and act accordingly in everyday life.

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

The HOYA Help Line, which receives reports and consultation requests from employees of the HOYA Group, has been established since 2003. If there is any act that violates laws and regulations or the HOYA Business Conduct Guidelines, the HOYA Help Line, while protecting the informer, deals with it quickly and appropriately, recognizing the problem early and making the relevant organization to exert a self-corrective function, and responds to it to ensure the soundness of the Group as a whole. Up to the end of the consolidated fiscal year ended March 2019, 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 reinforces 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 45 yen per share already paid, the annual dividend will be 90 yen per share. The consolidated dividend payout ratio was 28%.

By the above policy, the Company's total shareholder return (TSR) was 240. As a comparative indicator, the Tokyo Stock Price Index's TSR (including dividends) was 145.

This indicates a principal amount invested on March 31, 2014, indexed at 100, with performance thereafter indicating share price changes plus dividends.

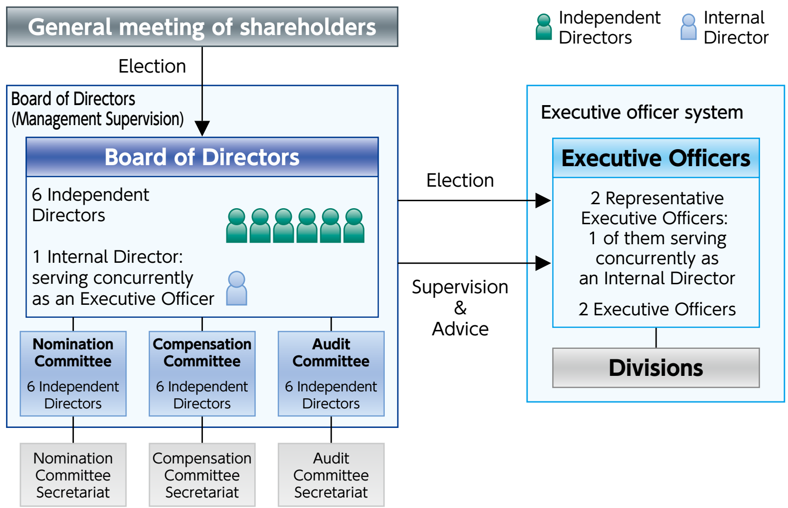
**4. Policy regarding cross-shareholding**

The HOYA Corporate Governance Guidelines stipulate that we will not practice cross-shareholding as a share stability measure. With regard to shares of other companies held for their usefulness from a business management standpoint, our policy is to appropriately sell off holdings that have become less meaningful. In fiscal 2018, the Company held shares of four public companies. The Company's Board of Directors decided to sell the shares of one of these because they judged it less significant to keep holding them.

## 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.

### Corporate Governance Structure




As of March 2019

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

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

The Company 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, 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 advice 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. In fiscal 2018, the Board of Directors was comprised of 6 six Independent Directors and 1 Internal Director, with one of the Independent Directors being a female. Board of Directors meetings were convened 10 times, with 100% attendance by all Directors. Based on the Board of Director Regulations, the Board of Directors addresses statutory matters, approves quarterly budgets, approves quarterly earnings reports, deliberates on M&A, deliberates on the executive organization, and receives reports on the current status and medium- to long-term plans of each business division. The Board of Directors also conducts self-assessment where a survey of the management and effectiveness by the Board of Directors and three committees is conducted once annually. The results of the self-assessment in fiscal 2018 are as follows. “It can be said that problematic issues related to the effectiveness of the supervisory function of the Board of Directors were not observed based on such findings as (1) the Independent Directors question and state their opinions on executive proposals from a variety of angles; (2) deliberations at Board of Directors meetings are lively and conducted in an open manner; (3) evaluations of each of the Executive Officers are carried out objectively at the Nomination and Compensation Committee meetings; and (4) the Audit Committee monitored for appropriate execution of business by cooperating with corporate auditing departments, and the internal audit section of business divisions. Also, a series of discussions was held in the Compensation Committee during the fiscal year in review regarding Executive Officer performance-based remuneration as an incentive to boost the Company’s share price and medium- to long-term profitability. Issues recognized going forward include a review of risk management, as well as the need to deepen discussions on medium- to long-term portfolio strategies, and measures for achieving those strategies, in addition to strengthening the promotion of plans related to successors in the Nomination Committee.”

## Executive Officers

Having the structure of a “company with Nomination Committees, etc.,” the authority of the HOYA Board of Directors is entrusted to Executive Officers, enabling swift execution of business. As of March 31, 2019, four 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, 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. Additionally, Budgetary Business Division Meetings are held every quarter in each business division, with attendance by all Executive Officers. At these meetings, each division’s progress is checked vis-a-vis the annual plan and deliberations are held on plans for the coming quarter. Business operations in each business division are largely delegated to the manager responsible for the business division, who carries out the action plan approved at the Budgetary Meeting. In addition to CEO who concurrently serves as Director, CFO and CLO also attend each meeting of the Board of Directors.

## Committees

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

### Nomination Committee

The Nomination Committee, on which all Independent Directors (6 Independent Directors in fiscal 2018) have a seat, fairly and rigorously selects candidates for Directors (ensuring said candidates possess knowledge, expertise, and capabilities suited to HOYA’s business environment), based on the “Standard for Election of Candidates for Directors,” and proposes the candidates to the General Meeting of Shareholders for voting. The Committee also fairly and rigorously selects candidates (with knowledge, expertise, and capabilities suited to HOYA’s business environment) for Executive Officers and the Representative Executive Officer, based on the “Standard for Election of Candidates for Executive Officer,” and proposes the candidates to the Board of Directors for voting. In cases that meet the criteria for dismissal, the Committee makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting. The Committee 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. Nomination Committee meetings were convened eight times in the fiscal year ended March 31, 2019, with 100% attendance by all committee members. The majority of deliberations during the fiscal year under review concerned the composition of the Board of Directors, the qualities and skills required of Independent Director candidates going forward, and the succession plans of Executive Officers.

### Compensation Committee

The Compensation Committee, on which all Independent Directors (6 Independent Directors in fiscal 2018) hold a seat, 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 33. Compensation Committee meetings were convened eight times in fiscal 2018, with 100% attendance by all committee members. Deliberations during the fiscal year under review paid particular attention to performance-based remuneration for Executive Officers.

### Audit Committee

The Audit Committee, on which all Independent Directors (6 Independent Directors in fiscal 2018) hold a seat, 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. Audit Committee meetings were convened nine times in fiscal 2018, with 100% attendance by all committee members. Deliberations during the fiscal year under review focused on reports from the Accounting Auditor and Internal Audit Department, while providing advice and suggestions to the executive team with regard to the issues that came to light.

## Consolidated Statement of Financial Position (As of March 31, 2019)

(Millions of yen)

| Item | Amount |
|---|---|
| <u>**ASSETS**</u> | |
| **Non-current assets:** | **255,802** |
| Property, plant and equipment–net | 111,077 |
| Goodwill | 42,843 |
| Intangible assets | 44,308 |
| Investments in associates | 349 |
| Long-term financial assets | 44,103 |
| Other non-current assets | 2,960 |
| Deferred tax assets | 10,162 |
| **Current assets:** | **508,113** |
| Inventories | 78,973 |
| Trade and other receivables | 110,847 |
| Other short-term financial assets | 3,131 |
| Income taxes receivable | 820 |
| Other current assets | 20,946 |
| Cash and cash equivalents | 293,397 |
| **Total assets** | **763,915** |

| Item | Amount |
|---|---|
| <u>**EQUITY AND LIABILITIES**</u> | |
| <u>**EQUITY**</u> | |
| **Equity attributable to owners of the Company:** | **623,155** |
| Share capital | 6,264 |
| Capital reserves | 15,899 |
| Treasury shares | (8,319) |
| Other capital reserves | (7,434) |
| Retained earnings | 617,459 |
| Accumulated other comprehensive income | (713) |
| **Non-controlling interests** | **4,552** |
| **Total equity** | **627,707** |
| <u>**LIABILITIES**</u> | |
| **Non-current liabilities:** | **24,436** |
| Interest-bearing long-term debt | 904 |
| Other long-term financial liabilities | 10,936 |
| Retirement benefit liabilities | 2,770 |
| Provisions | 2,607 |
| Other non-current liabilities | 2,303 |
| Deferred tax liabilities | 4,917 |
| **Current liabilities:** | **111,772** |
| Interest-bearing short-term debt | 1,934 |
| Trade and other payables | 54,887 |
| Other short-term financial liabilities | 646 |
| Income tax payables | 8,872 |
| Provisions | 1,261 |
| Other current liabilities | 44,171 |
| **Total liabilities** | **136,208** |
| **Total equity and liabilities** | **763,915** |

## Consolidated Statement of Comprehensive Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

| Item | Amount | |
|---|---|---|
| **Continuing operations** | | |
| **Revenue:** | | |
| Sales | 565,810 | |
| Finance income | 2,773 | |
| Other income | 3,775 | **572,359** |
| **Expenses:** | | |
| Changes in inventories of goods, products and work in progress | (2,763) | |
| Raw materials and consumables used | 86,977 | |
| Employee benefits expense | 132,006 | |
| Depreciation and amortization | 26,416 | |
| Subcontracting cost | 5,376 | |
| Advertising and promotion expense | 12,719 | |
| Commissions expense | 34,051 | |
| Impairment losses | 1,099 | |
| Finance costs | 391 | |
| Share of loss of associates | 1,113 | |
| Foreign exchange (gain)/loss | 2,307 | |
| Other expenses | 128,010 | **427,702** |
| **Profit before tax** | | **144,657** |
| Income tax expense | | 22,584 |
| **Profit for the year from continuing operations** | | **122,072** |
| **Profit for the year** | | **122,072** |
| **Other comprehensive income/(loss):** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Financial assets measured at fair value through other comprehensive income | 809 | |
| Remeasurements of the net defined benefit liability (asset) | (293) | |
| Income tax relating to components of other comprehensive income | (146) | **371** |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of foreign operations | 6,612 | |
| Share of other comprehensive income of associates | (16) | |
| Income tax relating to components of other comprehensive income | 124 | **6,720** |
| **Other comprehensive income/(loss)** | | **7,091** |
| **Total comprehensive income for the year** | | **129,164** |
| **Profit attributable to:** | | |
| Owners of the Company | 122,103 | |
| Non-controlling interests | (31) | **122,072** |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | 129,334 | |
| Non-controlling interests | (171) | **129,164** |

## Consolidated Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Share capital | Capital reserves | Treasury shares | Other capital reserves | Retained earnings |
|---|---|---|---|---|---|
| Balance at April 1, 2018 | 6,264 | 15,899 | (10,886) | (6,660) | 529,818 |
| Comprehensive income/(loss) for the year | | | | | |
| Profit for the year | | | | | 122,103 |
| Other comprehensive income/(loss) | | | | | |
| Total comprehensive income/(loss) for the year | | | | | 122,103 |
| Transactions with owners | | | | | |
| Contributions by and distributions to owners | | | | | |
| Acquisition of treasury shares | | | (2) | — | |
| Disposal of treasury shares | | | 2,569 | (969) | |
| Dividends, 90 yen per share | | | | | (34,164) |
| Change in non-controlling interests | | | | — | |
| Share-based payments (stock options) | | | | 195 | |
| Transfer to retained earnings | | | | | (297) |
| Total contributions by and distributions to owners | — | — | 2,567 | (774) | (34,462) |
| Total transactions with owners | — | — | 2,567 | (774) | (34,462) |
| Balance at March 31, 2019 | 6,264 | 15,899 | (8,319) | (7,434) | 617,459 |

| | Financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | Remeasurements of the net defined benefit liability (asset) | Share of other comprehensive income of associates | Accumulated other comprehensive income/(loss) | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance at April 1, 2018 | 378 | (6,652) | — | (1,969) | (8,242) | 526,193 | 4,484 | 530,677 |
| Comprehensive income/(loss) for the year | | | | | | | | |
| Profit for the year | | | | | | 122,103 | (31) | 122,072 |
| Other comprehensive income/(loss) | 697 | 6,853 | (303) | (16) | 7,231 | 7,231 | (140) | 7,091 |
| Total comprehensive income/(loss) for the year | 697 | 6,853 | (303) | (16) | 7,231 | 129,334 | (171) | 129,164 |
| Transactions with owners | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | |
| Acquisition of treasury shares | | | | | | (2) | | (2) |
| Disposal of treasury shares | | | | | | 1,600 | | 1,600 |
| Dividends, 90 yen per share | | | | | | (34,164) | (30) | (34,195) |
| Change in non-controlling interests | | | | | | — | 269 | 269 |
| Share-based payments (stock options) | | | | | | 195 | | 195 |
| Transfer to retained earnings | (6) | | 303 | | 297 | — | | — |
| Total contributions by and distributions to owners | (6) | — | 303 | — | 297 | (32,372) | 238 | (32,134) |
| Total transactions with owners | (6) | — | 303 | — | 297 | (32,372) | 238 | (32,134) |
| Balance at March 31, 2019 | 1,070 | 201 | — | (1,985) | (713) | 623,155 | 4,552 | 627,707 |

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 14, 2019

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

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

Toshiharu Matsuura

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

Koji Inoue

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

Takuya Sumita

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2019 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, 2018 to March 31, 2019, 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, 2019, 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, 2019)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|---|---|---|
| ASSETS | | LIABILITIES | |
| **Current assets** | **139,882** | **Current liabilities** | **109,084** |
| Cash and deposits | 48,841 | Notes payable − trade | 63 |
| Notes receivable − trade | 2,416 | Electronically recorded obligations − operating | 5,077 |
| Accounts receivable − trade | 30,665 | Accounts payable − trade | 18,804 |
| Merchandise and finished products | 9,709 | Short-term loans payable to subsidiaries and affiliates | 55,626 |
| Work in process | 2,723 | Accounts payable − other | 7,811 |
| Raw materials and supplies | 2,983 | Accrued expenses | 3,872 |
| Short-term loans receivable from subsidiaries and affiliates | 1,537 | Accrued income taxes | 2,391 |
| Accounts receivable from subsidiaries and affiliates – other | 38,914 | Advances received | 310 |
| Income taxes receivable | 10 | Deposits received | 7,097 |
| Others | 2,324 | Accrued bonuses to employees | 4,111 |
| Allowance for doubtful accounts | (240) | Warranties provision | 118 |
| **Non-current assets** | **206,118** | Others | 3,805 |
| **Property, plant and equipment-net** | **21,498** | **Long-term liabilities** | **9,020** |
| Buildings | 5,274 | Asset retirement obligations | 1,365 |
| Structures | 220 | Reserve for periodic repairs | 1,363 |
| Melting furnaces | 199 | Others | 6,292 |
| Machinery and equipment | 2,536 | **Total liabilities** | **118,105** |
| Vehicles | 4 | NET ASSETS | |
| Tools, equipment and fixtures | 7,699 | **Shareholders' equity:** | **226,151** |
| Land | 4,591 | **Share capital** | **6,264** |
| Construction in progress | 975 | **Capital reserve** | **15,899** |
| **Intangible assets** | **1,636** | Additional paid-in capital | 15,899 |
| Patents | 5 | **Retained earnings** | **212,307** |
| Software | 1,507 | Legal reserve | 1,566 |
| Others | 123 | Other retained earnings | 210,741 |
| **Investments and other assets** | **182,985** | Reserve for advanced depreciation of fixed assets | 120 |
| Investment securities | 28,957 | Unappropriated retained earnings | 210,621 |
| Equity securities of subsidiaries and affiliates | 129,598 | **Treasury shares − at cost** | **(8,319)** |
| Investments in capital | 2 | **Valuation and translation adjustments** | **683** |
| Investments in subsidiaries and affiliates | 6,518 | Unrealized gain on available-for-sale securities | 683 |
| Long-term loans receivable from subsidiaries and affiliates | 8,248 | **Stock acquisition rights** | **1,061** |
| Long-term prepaid expenses | 711 | | |
| Claims in bankruptcy | 216 | | |
| Deferred tax assets | 4,411 | | |
| Others | 4,527 | | |
| Allowance for doubtful accounts | (204) | **Total net assets** | **227,895** |
| **Total assets** | **346,000** | **Total liabilities and net assets** | **346,000** |

## Nonconsolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

| Item | Amount | |
|---|---|---|
| **Net sales** | | **191,861** |
| **Cost of sales** | | **99,180** |
| **Gross profit** | | **92,681** |
| **Selling, general and administrative expenses** | | **62,160** |
| **Operating income** | | **30,520** |
| **Non-operating income** | | |
| Interest income | 691 | |
| Dividend income | 39,048 | |
| Commissions received | 10,709 | |
| Others | 471 | **50,919** |
| **Non-operating expenses** | | |
| Interest expense | 345 | |
| Foreign exchange loss | 899 | |
| Others | 76 | **1,320** |
| **Ordinary income** | | **80,119** |
| **Extraordinary income** | | |
| Gain on sales of property, plant and equipment | 47 | |
| Gain on sales of investment securities | 4 | |
| Gain on sales of shares of subsidiaries and affiliates | 257 | |
| Gain on reversal of stock acquisition rights | 25 | |
| Others | 0 | **333** |
| **Extraordinary losses** | | |
| Loss on sales of fixed assets | 155 | |
| Loss on disposal of fixed assets | 172 | |
| Loss on liquidation of shares of subsidiaries and affiliates | 678 | |
| Loss on valuation of shares of subsidiaries and affiliates | 1,251 | |
| Severance payments | 967 | |
| Environmental expenses | 1,380 | |
| Impairment losses | 590 | |
| Others | 96 | **5,288** |
| **Profit before income taxes** | | **75,164** |
| Income taxes - current | 7,595 | |
| Income taxes - prior years | 5,174 | |
| Income taxes - deferred | (868) | **11,900** |
| **Profit for the year** | | **63,264** |

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Shareholders' equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | | Retained earnings | | | |
| | | Additional paid-in capital | Total capital surplus | Legal reserve | Other retained earnings | | Total retained earnings |
| | | | | | Reserve for advanced depreciation of fixed assets | Unappropriated retained earnings | |
| Balance at April 1, 2018 | 6,264 | 15,899 | 15,899 | 1,566 | 132 | 182,109 | 183,808 |
| Changes during the current fiscal year | | | | | | | |
| Reversal of reserve for advanced depreciation of fixed assets | | | | | (12) | 12 | — |
| Dividends from retained earnings | | | | | | (34,164) | (34,164) |
| Profit for the year | | | | | | 63,264 | 63,264 |
| Acquisition of treasury shares | | | | | | | |
| Disposal of treasury shares | | | | | | (600) | (600) |
| Changes in items other than shareholders' equity during the current fiscal year – net | | | | | | | |
| Total changes during the current fiscal year | — | — | — | — | (12) | 28,512 | 28,500 |
| Balance at March 31, 2019 | 6,264 | 15,899 | 15,899 | 1,566 | 120 | 210,612 | 212,307 |

| | 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, 2018 | (10,886) | 195,085 | 344 | 344 | 1,261 | 196,689 |
| Changes during the current fiscal year | | | | | | |
| Reversal of reserve for advanced depreciation of fixed assets | | — | | | | — |
| Dividends from retained earnings | | (34,164) | | | | (34,164) |
| Profit for the year | | 63,264 | | | | 63,264 |
| Acquisition of treasury shares | (2) | (2) | | | | (2) |
| Disposal of treasury shares | 2,569 | 1,969 | | | | 1,969 |
| Changes in items other than shareholders' equity during the current fiscal year – net | | | 339 | 339 | (199) | 139 |
| Total changes during the current fiscal year | 2,567 | 31,066 | 339 | 339 | (199) | 31,206 |
| Balance at March 31, 2019 | (8,319) | 226,151 | 683 | 683 | 1,061 | 227,895 |

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 14, 2019

To the Board of Directors of
HOYA CORPORATION:

Deloitte Touche Tohmatsu LLC

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

Toshiharu Matsuura

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

Koji Inoue

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

Takuya Sumita

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements, namely, the nonconsolidated balance sheet as of March 31, 2019 of HOYA CORPORATION (the "Company"), and the related nonconsolidated statements of income and changes in net assets for the 81th fiscal year from April 1, 2018 to March 31, 2019, 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, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Interest**

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

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

***********

# Audit Committee’s Audit Report

## AUDIT REPORT

The members of the Audit Committee of the Company audited the performance of the Directors and Executive Officers of their duties during the 81st fiscal year from April 1, 2018 to March 31, 2019. 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 23, 2019

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 |
| Hiroaki Yoshihara | Member of the Audit Committee |

Note: The Members of the Audit Committee, Yukako Uchinaga, Itaru Koeda, Mitsudo Urano, Takeo Takasu, Shuzo Kaihori and Hiroaki Yoshihara 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 2019) will be available at our website around September. We hope you will find the Report useful.

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

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

Shareholders' Memo

| | | |
|---|---|---|
| **Business year:** | From April 1 every year to March 31 of the following year | |
| **Date to determine shareholders who are entitled to receive year-end dividend payments:** | March 31 | |
| **Date to determine shareholders who are entitled to receive interim dividend payments:** | September 30 | |
| **Ordinary General Meetings of Shareholders:** | June every year | |
| **Transfer agent Account management institution for the special accounts:** | Sumitomo Mitsui Trust Bank, Limited | |
| **Contact:** | Stock Transfer Agency Business Planning Department<br>Sumitomo Mitsui Trust Bank, Limited<br>2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan<br>Toll free phone: 0120-782-031<br>Office hours: from 9:00 a.m. to 5:00 p.m., excluding Saturdays, Sundays and national holidays | |
| **Market:** | The Tokyo Stock Exchange | |
| **Method for public notice:** | Electronic Public Notice<br>URL for the notice: http://www.hoya.co.jp/<br>(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 81st 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, 2018 to March 31, 2019)

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

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Amount |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | 144,657 |
| Depreciation and amortization | 26,416 |
| Impairment losses | 1,099 |
| Finance income | (2,773) |
| Finance costs | 391 |
| Share of profit of associates | 1,113 |
| Gain on sales of property, plant and equipment | (492) |
| Loss on disposal of property, plant and equipment | 609 |
| Gain on business transfer | (3) |
| Foreign exchange (gain)/loss | 342 |
| Others | 7,936 |
| **Cash generated from operations (before movements in working capital)** | **179,294** |
| Movements in working capital | |
| Decrease in inventories | (6,128) |
| Decrease in trade and other receivables | (3,066) |
| Increase in trade and other payables | 4,985 |
| Increase in retirement benefit liabilities and provisions | 428 |
| Subtotal | 175,512 |
| Interest received | 2,435 |
| Dividends received | 5 |
| Interest paid | (261) |
| Income taxes paid | (31,637) |
| Income taxes refunded | 533 |
| **Net cash generated by operating activities** | **146,588** |
| **Cash flows from investing activities** | |
| Withdrawals of time deposits | 21,815 |
| Payments for time deposits | (18,223) |
| Proceeds from sales of property, plant and equipment | 2,340 |
| Payments for acquisition of property, plant and equipment | (26,672) |
| Proceeds from sales of investments | 10 |
| Payments for acquisition of investments | (27,777) |
| Proceeds from sales of subsidiaries | 260 |
| Payments for acquisition of subsidiaries | (19,742) |
| Proceeds from business transfer | 4 |
| Payments for business transfers | (421) |
| Other proceeds | 427 |
| Other payments | (2,164) |
| **Net cash used in investing activities** | **(70,144)** |
| **Cash flows from financing activities** | |
| Dividends paid to owners of the Company | (34,141) |
| Dividends paid to non-controlling interests | (30) |
| Repayments of long-term borrowings | (271) |
| Payments for redemption of bonds | (14) |
| Proceeds from disposal of treasury shares | 0 |
| Payments for purchase of treasury shares | (2) |
| Proceeds from exercise of stock options | 1,600 |
| Proceeds from share issuance to non-controlling shareholders | 67 |
| **Net cash used in financing activities** | **(32,792)** |
| **Net increase/(decrease) in cash and cash equivalents** | **43,652** |
| **Cash and cash equivalents at the beginning of the year** | **245,835** |
| **Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies** | **3,910** |
| **Cash and cash equivalents at the end of the year** | **293,397** |

(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 | 146 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 8 companies acquired, while 11 companies were merged and one company was sold.

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

**3. Application of the equity method**

| | |
|---|---|
| Number of associates accounted for by the equity method | 4 companies |
| Name of major associate | AvanStrate Inc. |

**4. Items related to accounting policies**

**(1) Basis and method of evaluation of financial assets**

Financial assets are classified as “financial assets measured at amortized cost,” “financial assets measured at fair value through other comprehensive income” (“FVTOCI”) or “financial assets measured at fair value through profit and loss” (“FVTPL”).

1) Financial assets measured at amortized cost

Such financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. It is measured at amortized cost by using the effective interest method.

2) FVTOCI

Such financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The change in fair value is recognized in other comprehensive income.

3) FVTPL

Any other securities not included in the classifications above is classified into financial assets measured at fair value through profit and loss. The change in fair value is recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost. The Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. For trade receivables, the Group always measures at an amount equal to the lifetime expected credit losses. The Group assesses the expected credit losses by using the change in the risk of a default or aging of trade receivables, etc. It is recognized in profit or loss.

**(2) Basis and method of evaluation of inventories**

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

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

1) Property, plant and equipment

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

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

When significant components of property, plant and equipment are required to be replaced periodically, the Group recognizes such parts as individual assets to be depreciated with specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

Property, plant and equipment other than land and construction in progress are depreciated mainly on a straight-line basis over the following estimated useful lives. The estimated useful lives, residual values, and depreciation method are reviewed at each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

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

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

2) Intangible assets

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

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

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

B. Internally generated intangible assets – research and development expenses

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

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

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

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

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and impairment losses.

Where no internally generated intangible asset can be recognized, development costs are recognized as an expense in the period in which they are incurred.

C. Amortization of intangible assets

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

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

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

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

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

**(4) Goodwill**

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

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

**(5) Method of accounting for significant provisions**

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

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

The types of provisions are as follows:

1) Asset retirement obligation

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

2) Warranties provision

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

3) Contingent liabilities assumed in a business combination

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

**(6) Method of accounting for retirement benefits**

For defined benefit plans, the cost of providing retirement benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.
Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable), and the return on plan assets (other than interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.
Past service cost is recognized in profit or loss in the period of a plan amendment.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:
Service cost, including current service cost, past service cost, as well as gains or losses on curtailments and settlements;
Net interest expense or income; and
Remeasurement.

The Group presents the first two components of defined benefit cost in profit or loss as “Employee benefits expense” or “Finance cost.”
The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.
Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service to the Group.

**(7) Revenue recognition**

The Group recognizes revenue based on the five-step approach below:
Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group sells health care related products, medical related products, electronics related products and imaging related products, etc. Revenue is recognized at the fair value of the consideration received or receivable less discount, rebate and consumption taxes on the shipping or delivery date, or upon the completion of inspection by customers when the control of products is transferred to the customer and the performance obligation is satisfied by the Group.

**(8) 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.

**(9) Method of accounting for national and local consumption tax**

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

**(10) Change in accounting policies**

The Group adopted the following IFRSs for the year ended March 31, 2019:
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
These standards were applied in accordance with their respective transition provisions and had no significant impact on the consolidated financial statements of the Group.

**Notes to the Consolidated Statement of Financial Position**

1. Allowance for doubtful accounts directly deducted from assets

| | |
|---|---|
| Trade and other receivables | ¥3,061 million |
| Long-term financial assets | ¥729 million |

2. Accumulated depreciation of property, plant and equipment

| | |
|---|---|
| Property, plant and equipment − net | ¥363,074 million |

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

3. Contingent liabilities

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

4. Other current assets

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

On March 29, 2018, the Company received a written verdict from the National Tax Tribunal (the "Tribunal"), which partially cancels the reassessments. The Company disagrees with the remaining findings of the Tribunal's verdict that maintains portions of the reassessment and the Company expects to appeal the findings in court to seek cancellation of all the reassessments by the tax authorities. Consequently, the paid amount of ¥7,916 million is included in "Other current assets" as a suspense payment.

On June 27, 2018, the Company received a reassessment notice from the Tokyo Regional Taxation Bureau ("TRTB") for additional taxes on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the three financial years ended March 31, 2012 to 2014. The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law. The additional tax assessment of ¥5,174 million is included in "Other current assets" as a suspense payment.

**Notes to the Consolidated Statement of Comprehensive Income**

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

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

| | |
|---|---|
| Gains/ (loss) arising during the year | ¥(293) million |
| Tax-effect adjustment | ¥10 million |
| Total | ¥(303) million |

(2) Assets measured at fair value through other comprehensive income

| | |
|---|---|
| Gains/ (loss) arising during the year | ¥809 million |
| Tax-effect adjustment | ¥(135)million |
| Total | ¥674 million |

(3) Exchange differences on translation of foreign operations

| | |
|---|---|
| Gains/ (loss) arising during the year | ¥7,059 million |
| Reclassification adjustments | ¥(447)million |
| Total amount before tax-effect adjustment | ¥6,612 million |
| Tax-effect adjustment | ¥124 million |
| Total | ¥6,736 million |

(4) Share of other comprehensive income of associates

| | |
|---|---|
| Gains/ (loss) arising during the year | ¥(17) million |
| Reclassification adjustments | ¥0 million |
| Total | ¥(16) million |
| Total other comprehensive income/ (loss) | ¥7,091 million |

**Notes to the Consolidated Statement of Changes in Equity**

1. Type and number of issued shares at March 31, 2019

| | |
|---|---|
| Ordinary shares | 381,436,420 shares |

2. Dividend-related items

(1) Dividends paid

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

| | |
|---|---|
| ・Total dividends | ¥17,078 million |
| ・Dividends per share | ¥45 |
| ・Record date | March 31, 2018 |
| ・Effective date | June 1, 2018 |

2) Dividends resolved by the Board of Directors on October 31, 2018

| | |
|---|---|
| ・Total dividends | ¥17,086 million |
| ・Dividends per share | ¥45 |
| ・Record date | September 30, 2018 |
| ・Effective date | November 30, 2018 |

(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, 2019

| | |
|---|---|
| ・Total dividends | ¥17,099 million |
| ・Source of payment | Retained earnings |
| ・Dividends per share | ¥45 |
| ・Record date | March 31, 2019 |
| ・Effective date | June 3, 2019 |

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 | 1,086,400 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, U.S. dollar, and Japanese yen) in settlements of receivables/payables resulting from operating activities. Specifically, the subsidiaries that continuously conduct import or export transactions retain foreign currencies obtained from exports of goods for payables on imported supplies. This enables the Group to mitigate foreign currency risk. On the other hand, the Company, having multiple SBUs that conduct finance and dividend transactions, and holding companies that receive dividends from their subsidiaries and distribute them to the Company and/or other Group companies, sometimes falls into a disparity of foreign currency debt-credit balances in receivables, liabilities, and/or bank deposits. This might cause significant gains or losses on foreign exchange differences when the Japanese yen appreciates or depreciates against the U.S. dollar or the Euro, or when the Euro appreciates or depreciates against the U.S. dollar.

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

2) Interest rate risk

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

3) Price risk in equity instruments

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

(2) Credit and liquidity risks

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

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

2. Notes concerning the fair value of financial instruments

As of March 31, 2019 (the end of the fiscal year), the carrying amount of financial instruments in the consolidated statement of financial position, the fair values of those instruments, and the differences between them were as follows:

(Millions of yen)

| | Carrying amount in the consolidated statement of financial position* | Fair value* | Difference |
|---|---|---|---|
| (1) Loans and receivables | | | |
| Trade and other receivables | 110,847 | 110,847 | − |
| Other financial assets | 17,370 | 17,798 | 428 |
| (2) Financial assets measured at fair value through other comprehensive income | | | |
| Other financial assets | 29,863 | 29,863 | − |
| (3) Cash and cash equivalents | 293,397 | 293,397 | − |
| Total assets | 451,477 | 451,905 | 428 |
| (4) Financial liabilities measured at fair value through profit or loss | | | |
| Trade and other payables | (1,186) | (1,186) | − |
| Other financial liabilities | (3,082) | (3,082) | − |
| (5) Financial liabilities measured at amortized cost | | | |
| Trade and other payables | (53,701) | (53,701) | − |
| Interest-bearing debt | (2,838) | (3,006) | (168) |
| Other financial liabilities | (8,500) | (8,311) | 189 |
| Total liabilities | (69,308) | (69,287) | 21 |

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

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

(1) Loans and receivables

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

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

(2) Financial Assets measured at fair value through other comprehensive income

The fair values of listed shares included in financial assets measured at fair value through other comprehensive income were determined based on quoted market prices at the end of each reporting period.

The fair values of unlisted shares included in financial assets measured at fair value through other comprehensive income were calculated by using a reasonable method.

(3) Cash and cash equivalents

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

(4) Financial liabilities measured at fair value through profit or loss

The fair values of contingent included in financial liabilities measured at fair value through profit and loss were calculated by using a reasonable method.

(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 approximate the carrying amount.

**Notes to per Share Information**

(1) Equity per share attributable to owners of the Company ¥1,640.02

(2) Basic earnings per share ¥321.55

**Notes to Business Combinations**

Business combination through acquisition

Overview of business combinations

(1) Overview of acquired companies

Name of acquires: Mid Labs Ltd., Medical Instrument Development laboratories, Inc. and 3 other companies ("Mid Labs")

Primary business: Development, manufacturing and sales of ophthalmic medical surgical devices

(2) Acquisition date

January 15, 2019

(3) Acquisition method

Acquisition of shares

(4) Percentage of voting equity interests acquired

100%

(5) Primary reasons for the business combination

The acquisition of Mid Labs will help to broaden our product portfolio and enable us to better serve our customers' broader needs for high – quality ophthalmic products, equipment and services. Through this, the Group aims to accelerate the growth of IOL sales and further solidify the acceleration of growth in IOL sales and further solidify its position as the fastest growing IOL company globally.

(6) Consideration for the acquisition

| | |
|---|---|
| Cash and cash equivalents | ¥20,651 million |
| Trade and other receivables | ¥ (541) million |
| Non-current liabilities | ¥102 million |
| Total liabilities | ¥20,204 million |

Trade and other receivables and Non-current liabilities are not settled as of March 31, 2019.

(7) Expenses related to acquisition

Expenses of ¥185 million related to the acquisition for the year ended March 31, 2019 is included in "Commission expense" in the consolidated statement of comprehensive income.

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

| | |
|---|---|
| Non-current assets | ¥11,025 million |
| Current assets | ¥4,189 million |
| Total assets | ¥15,214 million |
| Non-current liabilities | ¥3,410 million |
| Current liabilities | ¥903 million |
| Total liabilities | ¥4,313 million |

Intangible assets mainly consist of "Technology" and "Customer-related assets."

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

(9) Goodwill arising from the acquisition

| | |
|---|---|
| Consideration for acquisition | ¥20,204 million |
| Less: Fair value of identifiable acquired net assets | ¥ (10,900) million |
| Net goodwill arising from acquisition | ¥9,303 million |

Goodwill recognized consists of "control premium," "expected synergy," and "human resources."

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

(10) Net cash outflows for the acquisition of subsidiaries

| | |
|---|---|
| Consideration for acquisition paid in cash | ¥20,651 million |
| Less: Cash and cash equivalents owned by subsidiaries acquired | ¥ (1,427) million |
| Net cash outflows for the acquisitions of subsidiaries | ¥19,224 million |

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

The disclosures of revenue and profit included in the consolidated comprehensive income, and of the pro-forma revenue and profit as though the acquisition date for the business combination had been on April 1, 2018 are omitted due to immateriality.

**Notes Concerning Significant Subsequent Events**

The Board of Directors made a resolution to purchase the Company's treasury stock on May 7, 2019 based on Article 39 of the Articles of Incorporation pursuant to the first paragraph of Article 459 of the Companies Act.

1. Reason for purchase of treasury stock

The Company decided to acquire its own shares with the aim of shareholders benefit, improving capital efficiency and ensuring a flexible capital policy.

2. Outline of repurchase

(1) Class of shares: Common stock issued by Hoya Corporation

(2) Total number of shares: Up to 8.6 million shares (2.26% of total shares outstanding, excluding treasury stock)

(3) Total purchase cost: Up to ¥60 billion

(4) Period for purchase: May 8, 2019 to October 28, 2019

(5) Method of purchase: Purchase at the Tokyo Stock Exchange based on discretionary investment contract

(6) Others: Purchased stocks are planned to be cancelled with the aim of shareholders benefit

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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 from 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 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 changes in presentation of non-consolidated financial statements
   (Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting)
   "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBA Statement No. 28, February 16, 2018) and related guidance have been applied from the year beginning April 1, 2018. As a result, "Deferred tax assets" is presented in Investments and other assets.

   (Nonconsolidated balance sheet)
   Because the amounts have become material, "Accounts receivable – other from subsidiaries and affiliates" of ¥38,914 million in the year ended March 31, 2019, which was included in "Accounts receivable – other" of ¥ 5,799 million, is presented separately.
   "Accounts receivable – other" of ¥ 1,369 million, which was presented separately in the previous year, is included in "Others" in Current assets due to decreased materiality.

**Notes to Nonconsolidated Balance Sheet**

1. Accumulated depreciation of property, plant and equipment ¥107,212 million
   Accumulated depreciation includes accumulated impairment losses.
2. Monetary receivables from and payables to subsidiaries and affiliates (excluding classified items in the nonconsolidated balance sheet)
   (1) Short-term receivables ¥11,945 million
   (2) Short-term payables ¥16,486 million
3. Contingent liabilities
   The Company is now subject to tax examination by TRTB on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the three financial years ended March 31, 2012 to 2014. Depending on future examinations, there is a possibility that additional taxes will be incurred; however, it is not possible to make a reasonable estimate of this impact at present.

**Notes to Nonconsolidated Statement of Income**

1. Transactions with subsidiaries and affiliates
   (1) Sales ¥42,403 million
   (2) Purchases including commissions ¥40,981 million
   (3) Non-operating transactions ¥50,982 million
2. Income taxes – Prior years
   On June 27, 2018, the Company received a reassessment notice from the Tokyo Regional Taxation Bureau ("TRTB") for additional taxes on the transfer pricing taxation of transactions with overseas subsidiaries that develop and manufacture electronics-related products for the three financial years ended March 31, 2012 to 2014. Additional taxes of ¥5,174 million were recognized as "Income taxes – prior years" in accordance with the "Treatment of Accounting and Presentation of Taxes for the Purpose of Audits" (JICPA Audit and Assurance Practice Committee Report No.63). The Company has lodged an objection with TRTB seeking withdrawal of the assessment in accordance with the relevant law

**Notes to Nonconsolidated Statement of Changes in Net Assets**

Matters relating to the number of treasury shares

| Share class | Balance at April 1, 2018 | Increase | Decrease | Balance at March 31, 2019 |
|---|---|---|---|---|
| Ordinary shares | 1,922,074 shares | 347 shares | 453,604 shares | 1,468,817 shares |

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

| | |
|---|---|
| Increase due to repurchase of odd-lot shares: | 347 shares |
| Decrease due to disposal of odd-lot shares: | 4 shares |
| Decrease on exercise of stock options: | 453,600 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, 2019

| | | |
|---|---|---|
| Deferred tax assets | | |
| Valuation loss on shares of subsidiaries and affiliates | ¥5,806 | million |
| Accrued bonuses | 1,254 | |
| Valuation loss on investment securities | 753 | |
| Impairment losses | 691 | |
| Valuation loss on inventories | 447 | |
| Reserve for periodic repairs | 416 | |
| Asset retirement obligations | 332 | |
| Stock options | 324 | |
| Accrued Taxes | 200 | |
| Excess of allowance for doubtful accounts | 142 | |
| Severance payments | 101 | |
| Excess of depreciation | 77 | |
| Others | 2,170 | |
| Deferred tax assets – subtotal | 12,714 | |
| Valuation allowance | (7,855) | |
| Net amount of deferred tax assets – current | ¥4,859 | |
| Deferred tax liabilities | | |
| Unrealized gain on available-for-sale securities | ¥ (300) | million |
| Expenses related to disposal of asset retirement obligations | (96) | |
| Reserve for advanced depreciation of fixed assets | (52) | |
| Total amount of deferred tax liabilities – non-current | (448) | |
| Net amount of deferred tax assets – non-current | ¥4,411 | |

**Notes Concerning Transactions with Related Parties**

1. Subsidiaries and affiliates

<table>
<tr><th>Type</th><th>Name of related parties</th><th>Ratio of voting rights</th><th>Relationship with related parties</th><th>Transaction details (Note 4)</th><th>Transaction amount (Millions of yen) (Note 1)</th><th>Balance sheet item</th><th>Balances due to or from related parties (Millions of yen)</th></tr>
<tr><td>Subsidiary</td><td>HOYA ELECTRONICS SINGAPORE PTE. LTD.</td><td>Direct ownership of 100.00%</td><td>Supplier<br>Concurrent post of directors (Note 2)</td><td>Purchase of products</td><td>17,926</td><td>Accounts payable – trade</td><td>4,667</td></tr>
<tr><td>Subsidiary</td><td>HOYA LENS THAILAND LTD.</td><td>Indirect ownership of 100.00%</td><td>Research and development<br>Concurrent post of directors (Note 2)</td><td>Rendering of services</td><td>2,693</td><td>Accounts receivable – other from affiliates</td><td>4,315</td></tr>
<tr><td>Subsidiary</td><td>HOYA TECHNOSURGICAL CORPORATION</td><td>Direct ownership of 100.00%</td><td>Management of funds<br>Concurrent post of directors (Notes 2, 3)</td><td>Borrowings and loans of funds through cash pooling</td><td>2,801</td><td>Deposit</td><td>3,468</td></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">HOYA FINANCE B.V.</td><td rowspan="2">Indirect ownership of 100.00%</td><td rowspan="2">Borrowings of funds<br>Concurrent post of directors (Note 2)</td><td>Payment of interest</td><td>429</td><td>Short-term loan from affiliates</td><td>12,764</td></tr>
<tr><td></td><td></td><td>Accrued interest</td><td>69</td></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">HOYA FINANCE JPY B.V.</td><td rowspan="2">Indirect ownership of 100.00%</td><td rowspan="2">Borrowings of funds<br>Concurrent post of directors (Note 2)</td><td>Borrowings of funds</td><td>42,862</td><td>Short-term loan from affiliates</td><td>42,862</td></tr>
<tr><td></td><td></td><td>Accrued interest</td><td>5</td></tr>
<tr><td>Subsidiary</td><td>HOYA HOLDINGS, INC.</td><td>Direct ownership of 100.00%</td><td>Underwriting of capital increase<br>Concurrent post of directors (Notes 2, 3)</td><td>Underwriting of capital increase</td><td>42,167</td><td>–</td><td>–</td></tr>
<tr><td>Subsidiary</td><td>PERFORMANCE OPTICS, LLC</td><td>Direct ownership of 87.88%<br>Indirect ownership of 12.12%</td><td>Interim holding Company</td><td>Receipt of liquidation dividend</td><td>–<br>(Note 6)</td><td>Accounts receivable – other from affiliates</td><td>30,021</td></tr>
<tr><td rowspan="2">Affiliate</td><td rowspan="2">AvanStrate Inc.</td><td rowspan="2">Direct ownership of 46.57%</td><td rowspan="2">Loans of funds<br>Concurrent post of directors (Note 2)<br>Concurrent post of auditors (Note 4)</td><td>Partial repayment of loans</td><td>201</td><td>Long-term loans receivable from subsidiaries and affiliates</td><td>8,248</td></tr>
<tr><td>Interest received</td><td>214</td><td>Accrued revenue</td><td>56</td></tr>
</table>

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

1. Transaction amounts above do not include consumption tax and other taxes.
2. Employees of the Company concurrently serve as directors of the subsidiaries and affiliate.
3. Executive officers of the Company concurrently serve as directors of the affiliate.
4. Employees of the Company concurrently serve as corporate auditors of the affiliate.
5. Transaction price is determined by negotiation, considering market prices and other factors.
   Borrowings of funds is denominated in U.S. dollars by HOYA FINANCE BV., in Japanese yen by HOYA Finance JPY B.V.
   Interest rates on borrowings of funds are determined considering market rates.
   The acquisition cost of shares of subsidiaries is determined based on the value reasonably measured.
   Interest rates on loans are determined considering market rates.
   The deferred interest receivable, which is calculated on the unpaid principal based on deferred interest rates, is incorporated into principal.
   The due date of the AvanStrate loan is December 27, 2023. It will be repaid in six installments after a certain period of deferment, and deferred interests will be paid by batch payment on the due date.
   Platinum owned by a subsidiary of the affiliate is pledged as collateral.
   The Company temporarily pays certain expenses at cost on behalf of the affiliate.
6. Transaction amount is not described because the liquidation dividend was paid at the beginning of next fiscal year while liquidation was completed in the current fiscal year.

2. Directors, officers, and major individual shareholders

| Type | Name of related parties | Ratio of voting rights | Relationship with related parties | Transaction details (Note 2) | Transaction amount (Millions of yen) (Note 1) | Balance sheet item | Balances due to or from related parties (Millions of yen) |
|---|---|---|---|---|---|---|---|
| Directors and officers | Itaru Koeda | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 11 | – | – |
| Directors and officers | Mitsudo Urano | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 19 | – | – |
| Directors and officers | Takeo Takasu | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 33 | – | – |
| Directors and officers | Shuzo Kaihori | (Held) Direct ownership of 0.00% | Outside director of the Company | Exercises of stock options | 83 | – | – |
| Directors and officers | Ryo Hirooka | (Held) Direct ownership of 0.00% | Representative executive officer of the Company | Exercises of stock options | 18 | – | – |
| Directors and officers | Eiichiro Ikeda | (Held) Direct ownership of 0.00% | Executive officer of the Company | Exercises of stock options | 214 | – | – |
| Directors and officers | Augustine Yee | (Held) Direct ownership of 0.00% | Executive officer of the Company | Exercises of stock options | 188 | – | – |

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

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

**Notes to per Share Information**

(1) Net assets per share ¥596.98

(2) Basic earnings per share ¥166.60

**Notes Concerning Significant Subsequent Events**

The Board of Directors made a resolution to purchase the Company's treasury stock on May 7, 2019 based on the Article 39 of Articles of Incorporation pursuant to the first paragraph of Article 459 of the Companies Act.

1. Reason for purchase of treasury stock

The Company decided to acquire its own shares with the aim of shareholders benefit, improving capital efficiency and ensuring a flexible capital policy.

2. Outline of repurchase

(1) Class of shares: Common stock issued by Hoya Corporation

(2) Total number of shares: Up to 8.6 million shares (2.26% of total shares outstanding, excluding treasury stock)

(3) Total purchase cost: Up to ¥60 billion

(4) Period for purchase: May 8, 2019 to October 28, 2019

(5) Method of purchase: Purchase at the Tokyo Stock Exchange based on discretionary investment contract

(6) Others: Purchased stocks are planned to be cancelled with the aim of shareholders benefit

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