

*This represents a translation, for reference and convenience only, of the original notice issued in Japanese.
In the event of any discrepancies between the Japanese and English versions, the former should prevail.*

Securities Code: 7741

June 1, 2007

Notice of the 69th Ordinary General Meeting of Shareholders

Dear Shareholders:

Notice is hereby given that the 69th Ordinary General Meeting of Shareholders of 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 even if you are not present at the meeting, please go over the information set forth in the accompanying reference materials for the general shareholders meeting and send us by return mail the enclosed voting form indicating your approval or disapproval of the propositions, no later than June 18 (Monday), 2007.

Yours very truly,

HOYA CORPORATION
2-7-5, Naka-Ochiai, Shinjuku-ku,
Tokyo, Japan

Hiroshi Suzuki
President and Chief Executive Officer

Description

1. Date and time of meeting:

June 19th (Tuesday), 2007, at 10:00 a.m.

2. Location:

Orion, 5th floor, Chinzan-so

10-8, Sekiguchi 2-chome, Bunkyo-ku, Tokyo, Japan

(Please refer to the map at the end of this document for directions.)

3. Agenda:

Matters to be reported:

1. The business report and consolidated financial statements for the 69th fiscal year (from April 1, 2006 to March 31, 2007) and the audited reports of the consolidated financial statements for the fiscal year by the Independent Auditors and the Audit Committee.
2. Reports on financial statements for the 69th fiscal year (from April 1, 2006 to March 31, 2007).

Matters for resolution:

Proposition: Election of 8 Directors.

4. Matter decided before meeting

If you plan to exercise your voting rights in a non-uniform way, please inform the Company of this intention with the reason in writing at least three days prior to the date of the meeting.

- END -

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If attending the meeting, please present the enclosed voting form to the receptionist at the meeting. If attending the meeting by proxy, the proxy must present the enclosed voting form to the receptionist at the meeting, together with an instrument showing his/her authority to act as proxy. (The proxy must be another shareholder of the Company having voting rights as provided under the Articles of Incorporation of the Company.)

If any revision takes places in the accompanying reference materials for the general shareholders meeting, the business report, the financial statements or the consolidated financial statements, it will be published at the Company's website on the Internet (<http://www.hoya.co.jp/>).

(Attached documents)

## **BUSINESS REPORT**

For the period from April 1, 2006  
to March 31, 2007

### **I. Matters Relating to the Present State of the HOYA Group:**

#### **1. Business Development and Results:**

(1) General overview:

As of March 31, 2007, the HOYA Group consisted of the HOYA CORPORATION, 67 consolidated subsidiaries (five subsidiaries in Japan and 62 overseas) and four affiliates in Japan. Of the four affiliates, one company is accounted for by the equity method.

The Global Headquarters of the HOYA CORPORATION develop management strategies for the HOYA Group, and the independent management teams of each business segment and subsidiary is responsible for executing these strategies.

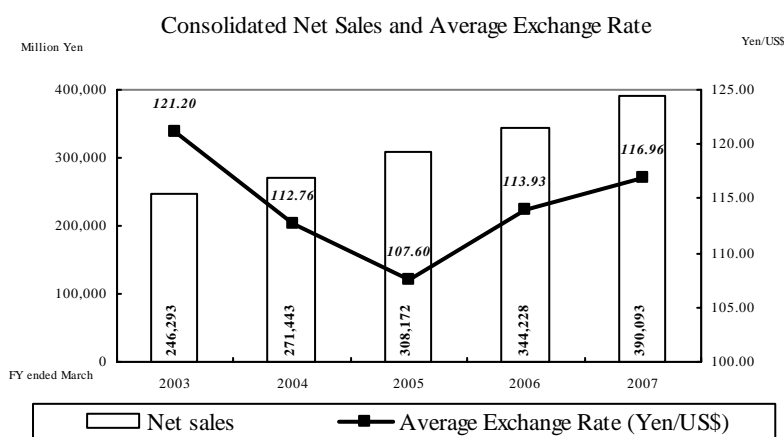
There are regional headquarters in Asia, North America and Europe, which support business operations by strengthening the relationships with countries and areas in the respective regions, offering legal support and internal auditing, etc. In particular, the HOYA Group has a treasury base in Europe.

*Net Sales:*

During the consolidated fiscal year under review, capital investment spread from large corporations and manufacturers to small and medium companies and to the non-manufacturing sector, and the economy showed steady growth. The depreciation of the yen against all other major currencies continued as an underlying foreign exchange trend and worked in favor of the Company. Improvement in corporate business performance led to employment growth, rising household income and increased consumption. These developments prompted the corporate sector to step up capital investment. This created a positive cycle which gathered strength over the time.

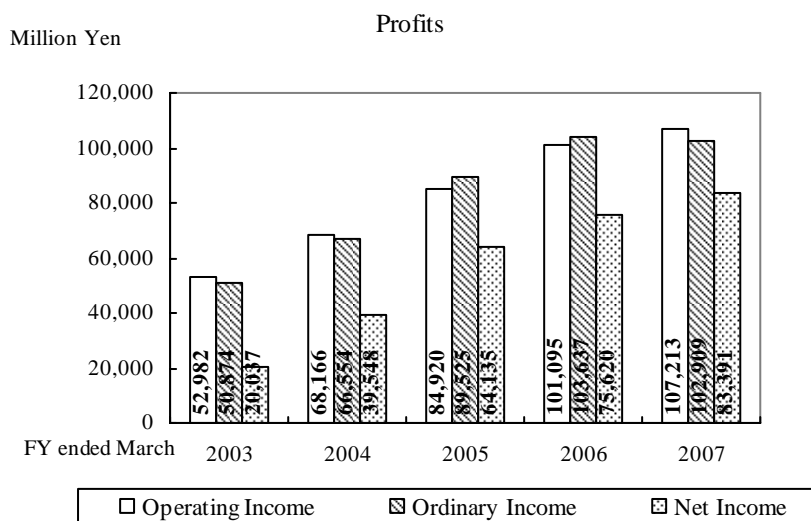
In the foreign exchange market, on average, the yen depreciated 2.7% against the US dollar, 9.3% against the euro, and 15.3% against the Thai baht during the consolidated fiscal year under review, compared with the previous term.

In this environment, the HOYA Group enjoyed steady demand growth overall, with revenue increasing in the Electro-Optics Division thanks to the general aggressive buildup of production capacity and the brisk development of new products by our customers. In the Vision Care Division, eyeglass lenses enjoyed steady growth overseas. The Health Care Division also experienced steady business growth. Revenue rose in both the Vision Care Division and the Health Care Division. As a result, sales during the consolidated fiscal year under review increased 13.3% year-on-year to 390,093 million yen.



**Profits:**

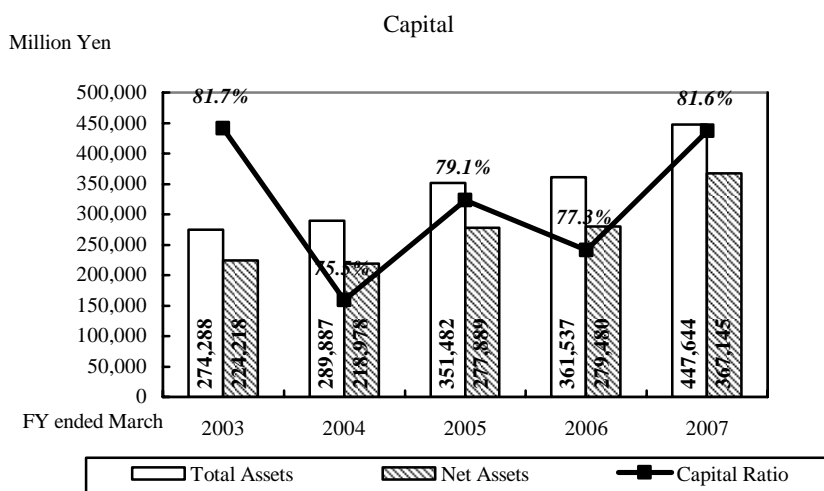
During the consolidated fiscal year under review, orders for high-precision products expanded in the Electro-Optics Division and profits increased. In Vision Care, the introduction of new eyeglass lens products to overseas markets and expansion of sales high value-added products continued. This resulted in higher profits. In the Health Care Division, sales of bifocal contact lenses and other advanced products remained brisk, and profits increased. As a result, the entire Group posted record sales and profits, with operating income rising 6.1% and net income jumping 10.3%. Meanwhile, ordinary income fell 0.7% resulting from exchange conversion relating to the transfer of funds from parent companies to subsidiaries. Net income per share increased 21.79 yen from the previous consolidated fiscal year, and reached 193.50 yen.



*Capital:*

Current assets and fixed assets at the end of the consolidated fiscal year under review increased 63,433 million yen and 22,785 million yen, respectively, from the end of the previous consolidated fiscal year. As a result, total assets grew 86,107 million yen year-on-year, to 447,644 million yen. Liabilities declined 638 million yen year-on-year to 80,499 million yen.

Net assets increased by 87,664 million yen, to 367,145 million yen from the end of the previous fiscal year, mainly because of the posting of current net income for the fiscal year under review. Capital ratio reached 81.6%. A breakdown of retained earnings can be found in "CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS on page 37.

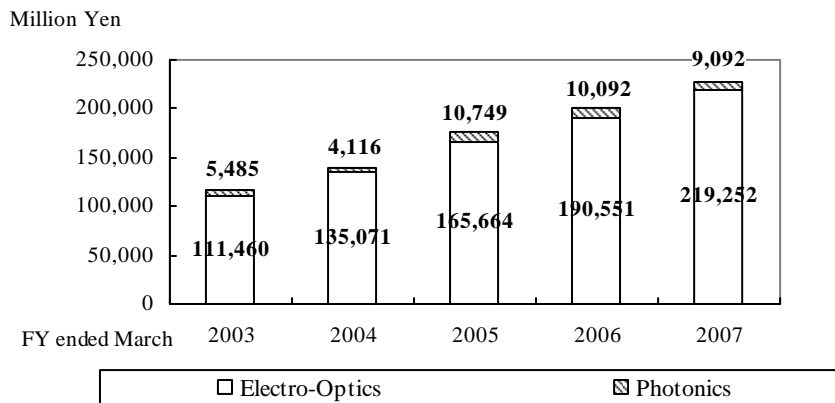


\* Following the previous practice, shareholders' equity and shareholders' equity ratio are stated in place of net assets and the capital ratio for fiscal years that ended on March 31, 2006 and earlier.

(2) Outline of consolidated results by business segment

Information Technology : consolidated net sales of 228,344 million yen (increased 13.8% YOY)

**Annual Net Sales - Information Technology**



Electro-Optics: consolidated net sales of 219,252 million yen (increased 15.1% YOY)

In mask blanks for semiconductor production, there was an increase in orders for phase shift mask blanks and other high-precision products, and revenue increased on a year-on-year basis.

In photo masks for manufacturing semiconductors, orders for high-precision and new next-generation products grew, and revenue increased from the previous consolidated fiscal year. Large LCD masks remained in a tough situation as liquid crystal panel manufacturers substantially reduced panel prices and competition among mask manufacturers intensified. Revenue from large LCD masks decreased year-on-year, reflecting particularly large demand for the start-up of new lines at the panel manufacturers last year.

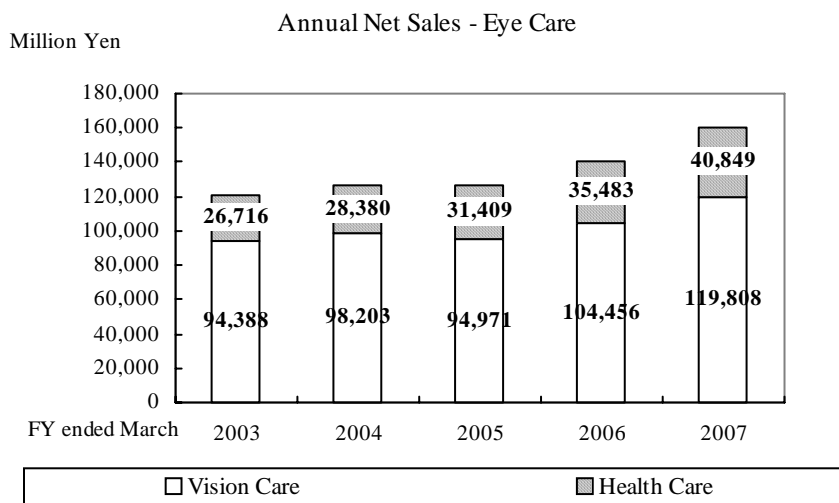
Demand for glass disks for hard disk drives (HDDs) remained steady, and revenue from products increased from the previous consolidated fiscal year, thanks to contributions made by rising shipments from the Company's new plant in Vietnam.

Growth in digital camera lenses supported overall performance of optical lenses. Assisted also by increased demands for lenses used in mobile phones, revenue from optical lenses increased year-on-year.

Photonics: consolidated net sales of 9,092 million yen (down 9.9% YOY)

Major products in this division are industrial and medical equipment using lasers. Customers for the Company's industrial equipment include semiconductors manufacturers, liquid crystal panel manufacturers and optical equipment manufacturers. There was intense competition and reorganization in this market. As a result, revenue fell from the previous consolidated fiscal year.

Eye Care: consolidated net sales of 160,658 million yen (increased 14.8% YOY)



Vision Care: consolidated net sales of 119,808 million yen (increased 14.7% YOY)

The domestic eyeglass lens market remained sluggish. At the Company, high-priced eyeglass lenses grew thanks to high-function coating and the added value of products such as newly-designed progressive lenses. But because of price competition in low-priced eyeglass lenses, total domestic sales remained at nearly the same level as the results of the previous consolidated fiscal year.

In overseas eyeglass lens markets, all regions saw steady growth thanks to expanded sales of products with high additional values such as newly-designed progressive lenses and highly refractive lenses. Pressure for price reduction was also strong in overseas markets for low-priced lenses, but total overseas sales increased from the previous year. Market conditions in Europe, particularly Germany, the largest market in the region, recovered and allowed growth to continue.

As a result, overall revenue of the Division increased on a year-on-year basis.

Health Care: consolidated net sales of 40,849 million yen (increased 15.1% YOY)

In the contact lens market, “Eye City,” a retail store chain directly managed by the HOYA Group, continued to open new outlets. The chain tried to distinguish itself from competitors by expanding sales of high added-value products such as bifocal lenses with a consultative sales approach that took advantage of specialized product knowledge, and business at existing outlets grew steadily. As a result, revenue from contact lenses increased from the previous consolidated fiscal year.

Revenue from intraocular lenses (IOL) rose year-on-year as soft IOL, particularly yellow lenses, showed steady growth in Japan and overseas.

Other businesses: consolidated net sales of 1,089 million yen (decreased 70.1% YOY)

Crystal and Services segments were previously indicated as independent segments. However, we chose to consolidate them under “Other businesses” as sales and operating profit in these segments decreased as a result of structural reforms and their categorized indication declined in importance.

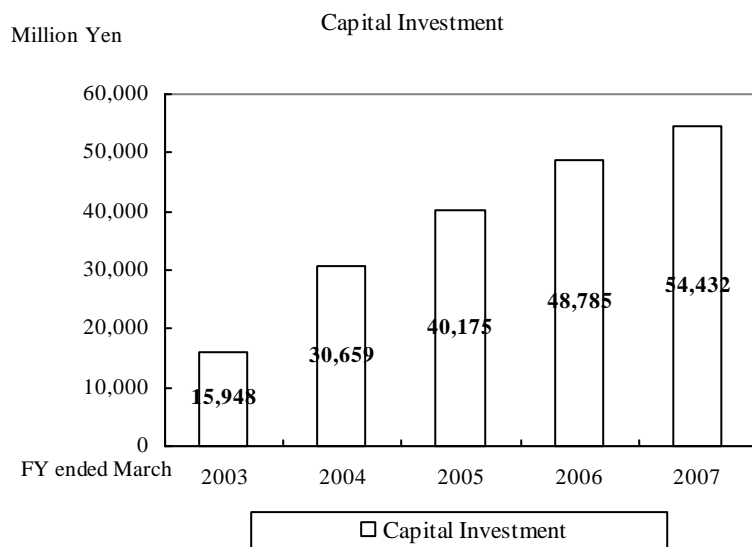
HOYA reduced the scale of its crystal business for restructuring. In services, it sold the personnel placement service on March 1, 2006. As a result, revenues from the two businesses decreased on a year-on-year basis.

## 2. Overview of Capital Investment and Financing

The total capital investment of the HOYA Group amounted to 54,432 million yen during the consolidated fiscal year under review, an increase of 5,647 million yen on a year-on-year basis.

During the consolidated fiscal year under review, approximately 73% of all investments were in the Electro-Optics Division, focusing on glass disks for HDDs, which are experiencing remarkable growth, with a view to the next generation.

The necessary funding for these investments was covered by internal funds.



## 3. Overview of Business Transfer, Absorption-Type Corporate Split or Incorporation-Type Corporate Split

Effective October 1, 2006, the Company split the contact lens manufacturing division from itself, and transferred the business to HOYA HEALTHCARE CORPORATION, a wholly owned subsidiary of the Company. The matter has no material effect on the consolidated financial statements.

#### **4. Overview of Succession of Rights and Obligations Relating to the Businesses of Other Corporations through Absorption-Type Corporate Split or Incorporation-Type Corporate Split**

Subsidiaries of the Company in the United States, HOYA CRYSTAL, INC. and HOYA CORPORATION USA, merged on December 31, 2006, with HOYA CORPORATION USA as the surviving company.

#### **5. Overview of Acquisition or Disposition of Stocks, Other Interest or Stock Acquisition Rights in Other Companies**

To expand and upgrade marketing networks for eyeglass lenses, on April 2, 2006, the Company acquired through HOYA HOLDINGS N.V. (The Netherlands), its regional headquarters in Europe, a 51.0 percent stocks of an eyeglass lens marketing company in South Africa, renamed it to HOYA HILL OPTICS SA (PTY) LTD. and placed it under the scope of consolidated financial statements.

#### **6. Management Issues Requiring Actions**

The principal policy of HOYA Group is to maximize corporate value and to manage the Group with a global perspective, with the aim of acquiring a leading share in the world market. We are endeavoring to improve results in our diverse range of business operations by finding the right combination of our management resources that brings out the full potential of our competitive edge.

Management issues at the HOYA Group are as follows:

##### **(1) Flexible Response to Changing Markets and Efficient Implementation of Management Resources**

In the manifold business areas of the HOYA Group, we will accurately identify the needs of our customers and devise strategies in advance of the competition to respond quickly and flexibly to 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.

##### **(2) Creation of New Business and Technologies**

We realize that, to secure corporate earnings and maintain our growth, building growth segments that differ from existing segments by developing technologies other companies cannot imitate and creating new businesses is critical, in addition to expanding our existing businesses.

We will devote greater resources to developing technologies that will have global applications 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.

## 7. Changes in the State of Assets, Profits and Losses:

### Overview of Assets, Profits and Losses of the HOYA Group

| Classification                | 66th fiscal                                | 67th fiscal                       | 68th fiscal                       | 69th fiscal                                                                        |
|-------------------------------|--------------------------------------------|-----------------------------------|-----------------------------------|------------------------------------------------------------------------------------|
|                               | year (ended<br>March 31,<br>2004)          | year (ended<br>March 31,<br>2005) | year (ended<br>March 31,<br>2006) | year<br>(consolidated<br>fiscal year<br>under review)<br>(ended March<br>31, 2007) |
|                               | (millions of yen, unless stated otherwise) |                                   |                                   |                                                                                    |
| Net sales                     | 271,443                                    | 308,172                           | 344,228                           | 390,093                                                                            |
| Net income                    | 39,548                                     | 64,135                            | 75,620                            | 83,391                                                                             |
| Net income<br>per share (yen) | 87.74                                      | 144.71                            | 171.71                            | 193.50                                                                             |
| Total assets                  | 289,887                                    | 351,482                           | 361,537                           | 447,644                                                                            |
| Net assets                    | 218,978                                    | 277,889                           | 279,480                           | 367,145                                                                            |
| Net assets per<br>share (yen) | 491.90                                     | 623.59                            | 648.87                            | 845.98                                                                             |

- (Notes)
1. Net income per share is calculated based on the average total number of shares issued during each fiscal year. Net assets per share are calculated based on the total number of shares issued at the end of each fiscal year. Total numbers of issued shares exclude treasury stocks.
  2. The Company conducted a 4-for-1 stock split of its common shares on November 15, 2005 during the 68<sup>th</sup> fiscal year. Retroactive adjustment is made for net income per share and net assets per share for previous fiscal years in the table above on the assumption that the stock split was conducted at the beginning of concerned fiscal year.
  3. Starting in the 69th fiscal year, the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Corporate Accounting Standard No. 5, December 9, 2005) and Implementation Guideline on the Accounting Standard for Net Assets in the Balance Sheet, etc. (Implementation Guideline on Corporate Accounting Standards No.8, December 9, 2005) are applied. Additionally, the Accounting Standard Concerning Net Income per Share (Amended Corporate Accounting Standard No. 2, January 31, 2006) and the Implementation Guideline on Accounting Standards Concerning Net Income per Share (Amended Application Guidance for Accounting Standards No.4, January 31, 2006) are applied to calculation of net income per share and net assets per share.
  4. Following the previous practice, shareholders' equity and shareholders' equity per share are stated in place of net assets and net assets per share for the 68th fiscal year and earlier fiscal years.

## 8. Important Subsidiaries

| Company name                                          | Capital stock                                 | Voting rights owned by the Company | Main business                                                                              |
|-------------------------------------------------------|-----------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------|
| HOYA HOLDINGS,INC.<br>(U.S.A.)                        | 5,488<br>thousand U.S.<br>dollars             | 100.0%                             | Regional headquarters in North America                                                     |
| HOYA HOLDINGS N.V.<br>(Netherlands)                   | 9,929<br>thousand Euros                       | 100.0%                             | Regional headquarters in Europe, controlling manufacture and sales of Vision Care products |
| HOYA HOLDINGS ASIA<br>PACIFIC PTE LTD.<br>(Singapore) | 114,664<br>thousand<br>Singaporean<br>dollars | 100.0%<br>(100.0%)                 | Regional headquarters in Asia and Oceania                                                  |
| HOYA HEALTHCARE<br>CORPORATION                        | 810<br>million yen                            | 100.0%                             | Sales and manufacturing of medical equipment including contact lenses                      |

(Note) "Voting rights owned by the Company" (appearing in the table) are those owned indirectly.

## 9. Major Businesses (as of March 31, 2007)

The businesses of the HOYA Group can be categorized into the Information Technology segment handling IT-related production goods such as semiconductors and liquid crystals, and the Eye Care segment handling consumer goods such as eyeglass lenses, contact lenses and intraocular lenses. Major products and services handled by respective divisions are shown below.

| Business Segment       | Division       | Major products and services                                                                                                                                                                                           |
|------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Information Technology | Electro-Optics | Photomasks and mask blanks for semiconductors; masks for LCDs, parts for glass panels of LCDs, glass disks for hard disk drives, optical lenses, optical glasses; electronic glasses, optical communications products |
|                        | Photonics      | Laser equipment, light sources for use in the electronics industry, special optical glass                                                                                                                             |
| Eye-Care               | Vision Care    | Eyeglass lenses, eyeglass frames                                                                                                                                                                                      |
|                        | Health Care    | Contact lenses and accessories, intraocular lenses                                                                                                                                                                    |
| Other businesses       |                | Crystal glass products<br>Construction of information systems                                                                                                                                                         |

(Note) Crystal and Services segments were previously indicated as independent segments. However, we chose to consolidate them under "Other businesses" as sales and operating profit in these segments decreased as a result of structural reforms and their categorized indication declined in importance.

**10. Head Office, Principal Places of Business, and Plants (as of March 31, 2007)**

(1) Global Headquarters, HOYA CORPORATION

2-7-5, Naka-Ochiai, Shinjuku-ku, Tokyo

(2) Principal business offices and plants:

| Division       | Region   | Name                                                                                                                                                                                                                       | Location                                                                                                                                                                                   |
|----------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Electro-Optics | Overseas | HOYA CORPORATION USA<br>HOYA MAGNETICS SINGAPORE PTE LTD.<br>HOYA GLASS DISK THAILAND LTD.<br>HOYA OPTICAL TECHNOLOGY (SUZHOU) LTD.                                                                                        | USA<br>Singapore<br>Thailand<br>China                                                                                                                                                      |
|                | Japan    | HOYA CORPORATION, Blanks Division and other Marketing Departments<br>Yokohama Marketing Center<br>Kansai Marketing Center<br>Nagasaka Office<br>Hachioji Factory<br>Kumamoto Factory<br>Akishima Factory<br>Nagano Factory | Shinjuku-ku, Tokyo, etc.<br>Yokohama-shi, Kanagawa<br>Kyoto-shi, Kyoto<br>Hokuto-shi, Yamanashi<br>Hachioji-shi, Tokyo<br>Ozu-cho, Kumamoto<br>Akishima-shi, Tokyo<br>Takamori-cho, Nagano |
| Photonics      | Overseas | HOYA PHOTONICS, INC.                                                                                                                                                                                                       | USA                                                                                                                                                                                        |
|                | Japan    | HOYA CANDEO OPTRONICS CORPORATION<br>HOYA PHOTONICS CORPORATION                                                                                                                                                            | Toda-shi, Saitama<br>Toda-shi, Saitama                                                                                                                                                     |
| Vision Care    | Overseas | HOYA CORPORATION VISION CARE COMPANY<br>Global Headquarters<br>HOYA LENS DEUTSCHLAND GMBH<br>HOYA LENS U.K.LTD.<br>HOYA LENS OF AMERICA, INC.                                                                              | The Netherlands<br>Germany<br>UK<br>USA                                                                                                                                                    |
|                | Japan    | HOYA LENS THAILAND LTD.<br>HOYA CORPORATION Vision Care Company, Japan HQ                                                                                                                                                  | Thailand<br>Shinjuku-ku, Tokyo                                                                                                                                                             |
| Health Care    | Overseas | HOYA MEDICAL SINGAPORE PTE, LTD.                                                                                                                                                                                           | Singapore                                                                                                                                                                                  |
|                | Japan    | HOYA CORPORATION Medical Division<br>HOYA HEALTHCARE CORPORATION                                                                                                                                                           | Shinjuku-ku, Tokyo<br>Shinjuku-ku, Tokyo                                                                                                                                                   |
| Others         | Japan    | HOYA CORPORATION Crystal Company                                                                                                                                                                                           | Shinjuku-ku, Tokyo                                                                                                                                                                         |
|                |          | HOYA SERVICE CORPORATION<br>WELFARE CORPORATION                                                                                                                                                                            | Shinjuku-ku, Tokyo<br>Shinjuku-ku, Tokyo                                                                                                                                                   |
| Corporate      | Overseas | HOYA CORPORATION, Netherlands Branch                                                                                                                                                                                       | The Netherlands                                                                                                                                                                            |
|                |          | HOYA HOLDINGS, INC.<br>HOYA HOLDINGS N.V.<br>HOYA HOLDINGS ASIA PACIFIC PTE LTD.                                                                                                                                           | USA<br>The Netherlands<br>Singapore                                                                                                                                                        |

## 11. Employees (as of March 31, 2007)

Employees of the HOYA Group

### (1) By Division

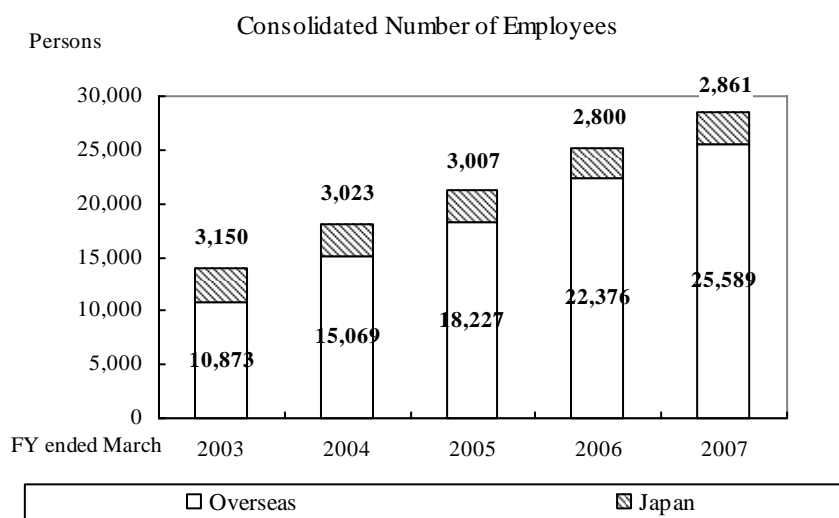
| Division       | Number of employees | Year-on-year comparison |
|----------------|---------------------|-------------------------|
| Electro-Optics | 19,570              | Up 2,437                |
| Photonics      | 199                 | Up 8                    |
| Vision Care    | 7,506               | Up 712                  |
| Health Care    | 910                 | Up 177                  |
| Others         | 198                 | Down 73                 |
| Corporate      | 67                  | Up 13                   |
| Total          | 28,450              | Up 3,274                |

- (Note)
1. The numbers of employees shown above refers to the number of working personnel. These numbers include official employees only. Part-time employees and employees on short-term contracts are not included.
  2. Corporate refers to the number of employees in the Global Headquarters and regional headquarters overseas.
  3. The increase of 3,274 employees from the end of the previous consolidated fiscal year was primarily a result of the expansion of manufacturing facilities in Vietnam, Thailand, etc. by the Electro-Optics Division and corporate acquisitions by the Vision Care Division.
  4. Employees at HOYA CORPORATION numbered 3,049 (down 171 year-on-year). Their ages and service periods averaged 41.6 and 13.2, respectively.

### (2) By Region

| Region        | Number of employees | Year-on-year comparison |
|---------------|---------------------|-------------------------|
| Japan         | 2,861               | Up 61                   |
| North America | 1,380               | Up 43                   |
| Europe        | 2,429               | Up 420                  |
| Asia          | 21,780              | Up 2,750                |
| Total         | 28,450              | Up 3,274                |

(3) Changes in the number of employees



**12. Other Important Matters Relating to the Present State of the HOYA Group (including post-balance sheet events)**

“Progress of Management Integration by the Company and PENTAX Corporation”

The Company and PENTAX Corporation (hereinafter referred to as “PENTAX”) on December 21, 2006 concluded a basic agreement for their merger effective October 1, 2007.

However, as discussions by the two companies progressed, management integration in the form of a merger became difficult practically. On April 7, 2007, based on the basic agreement, the Company approached PENTAX with a proposal to begin discussions of a takeover bid as an alternative integration method.

Following this, the Company’s Board of Directors passed a resolution that officially sets out the intention to abandon the merger at their meeting on April 23, 2007. At the same meeting, the Directors resolved to continue the takeover bid, continuing discussions until May 31, 2007, and to make preparations to commence the takeover starting June 2007 on the condition of PENTAX’s final consensus.

The ultimate objective of the Company is to increase its corporate value, and it will select the best method based on this objective.

## II. Current State of the Company

### 1. State of Shares (as of March 31, 2007):

(1) Total number of shares the Company can issue:

Common stock: 1,250,519,400 shares

(2) Total number of issued shares:

Common stock: 435,017,020 shares

(3) Number of shareholders: 93,566 persons

(An increase of 41,777 persons from the end of the previous fiscal year)

(4) Number of shares constituting one unit:

100 shares

(5) Principal shareholders:

|    |                                                         | Investment in the Company            |                                    |
|----|---------------------------------------------------------|--------------------------------------|------------------------------------|
|    |                                                         | Number of shares<br>(hundred shares) | Percentage of<br>investment<br>(%) |
| 1  | Japan Trustee Services Bank, Limited (Trust Account)    | 293,646                              | 6.80                               |
| 2  | The Master Trust Bank of Japan, Limited (Trust Account) | 235,087                              | 5.45                               |
| 3  | The Chase Manhattan Bank, N.A., London                  | 144,323                              | 3.34                               |
| 4  | State Street Bank and Trust Company 505103              | 119,103                              | 2.76                               |
| 5  | The Dai-Ichi Mutual Life Insurance Company              | 115,306                              | 2.67                               |
| 6  | State Street Bank and Trust Company                     | 105,043                              | 2.43                               |
| 7  | Nippon Life Insurance Company                           | 100,001                              | 2.32                               |
| 8  | Mamoru Yamanaka                                         | 90,197                               | 2.09                               |
| 9  | The Chase Manhattan Bank 385036                         | 88,677                               | 2.05                               |
| 10 | Deutsche Bank Trust Company Americas                    | 78,340                               | 1.82                               |

(Notes)

- As no shareholder owns one-tenth or more of the aggregate number of shares that are already issued, the top ten shareholders are listed.
- In consideration of the number of voting rights, the numbers of shares are stated in units of one hundred shares and the shares that do not constitute one trading unit are rounded down.
- The percentage of investment is calculated by deducting treasury stocks (3,447,681 stocks).

## 2. State of Stock Acquisition Rights, Etc.

(1) Stock acquisition rights owned by Directors of the Company that have been issued as compensation for their execution of duties (as of March 31, 2007):

(1) First issue of stock acquisition rights resolved at the meeting of the Board of Directors held on October 21, 2002

- Number of stock acquisition rights:  
550 rights
- Class and number of shares to be issued on exercise of stock acquisition rights:  
220,000 shares of common stock
- Exercise price per share  
1,918 yen per share
- Period during which stock acquisition rights can be exercised:  
From October 1, 2003 to September 30, 2007
- Terms and conditions for the exercise of stock acquisition rights:
  1. No stock acquisition right can be exercised partially.
  2. No stock acquisition right can be exercised by the owner's heir.
  3. No owner of stock acquisition rights can exercise the rights when any of the following applies to him/her:
    - 1) The owner of the stock acquisition rights leaves the post of Director or employee at the Company or its affiliates ("affiliates" defined in Paragraph 8, Article 8 of the "Regulations Concerning Terms, Forms and Production Methods in Financial Statements and Others," hereinafter referred to as "affiliates of the Company") before expiration of the term of office, or before the mandatory retirement age.
    - 2) The owner of the stock acquisition rights becomes a Director, an employee or a subcontractor of either of the following after leaving office as a Director or an employee of the Company or affiliates of the Company on expiration of the term of office or after reaching the mandatory retirement age.
      - (i) Any third party that professionally manufactures, sells, researches or develops commodities that compete in markets with products manufactured or sold by the Company or affiliates of the Company
      - (ii) Any third party that professionally provides, researches or develops services that complete in markets with services provided by the Company or affiliates of the Company
    - 3) The owner of the stock acquisition rights files a lawsuit against the Company or affiliates of the Company.
    - 4) The owner of the stock acquisition rights violates an internal regulation of the Company or affiliates of the Company (including working regulations, hereinafter referred to as "internal regulations and others") and is subject to disciplinary action decided by the Board of Directors of the Company, or he/she is dismissed in disgrace by the Company or affiliates of the Company.
- State of ownership by Directors of the Company:

| Classification                                                                                         | Number of stock acquisition rights | Number of shares to be issued on exercise of stock acquisition rights | Number of owners of stock acquisition rights |
|--------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------|----------------------------------------------|
| Directors (excluding Outside Directors and including those serving concurrently as Executive Officers) | 550 rights                         | 220,000 shares                                                        | 1 person                                     |
| Outside Directors                                                                                      | 0                                  | 0                                                                     | 0                                            |

(2) Second issue of stock acquisition rights resolved at the meeting of the Board of Directors held on May 23, 2003  
No stock acquisition right was granted to Directors of the Company in the second issue of stock acquisition rights.

(3) Third issue of stock acquisition rights resolved at the meeting of the Board of Directors held on November 27, 2003

- Number of stock acquisition rights:  
199 rights
- Class and number of shares to be issued on exercise of stock acquisition rights:  
79,600 shares of common stock
- Exercise price of stock acquisition rights:  
2,438 yen per share
- Period during which stock acquisition rights can be exercised:  
From October 1, 2004 to September 30, 2008
- Terms and conditions for the exercise of stock acquisition rights:  
Same as those in the first issue of stock acquisition rights

• Ownership by Directors of the Company:

| Classification                                                                                         | Number of stock acquisition rights | Number of shares to be issued on exercise of stock acquisition rights | Number of owners of stock acquisition rights |
|--------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------|----------------------------------------------|
| Directors (excluding Outside Directors and including those serving concurrently as Executive Officers) | 121 rights                         | 48,400 shares                                                         | 3 persons                                    |
| Outside Directors                                                                                      | 78 rights                          | 31,200 shares                                                         | 4 persons                                    |

(4) Fourth issue of stock acquisition rights resolved at the meeting of the Board of Directors held on November 25, 2004

• Number of stock acquisition rights:

213 rights

• Class and number of shares to be issued on exercise of stock acquisition rights:

85,200 shares of common stock

• Exercise price of stock acquisition rights:

2,713 yen per share

• Period during which stock acquisition rights can be exercised:

From October 1, 2005 to September 30, 2009

• Terms and conditions for the exercise of stock acquisition rights:

Same as those in the first issue of stock acquisition rights

• State of ownership by Directors of the Company:

| Classification                                                                                         | Number of stock acquisition rights | Number of shares to be issued on exercise of stock acquisition rights | Number of owners of stock acquisition rights |
|--------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------|----------------------------------------------|
| Directors (excluding Outside Directors and including those serving concurrently as Executive Officers) | 180 rights                         | 72,000 shares                                                         | 3 persons                                    |
| Outside Directors                                                                                      | 33 rights                          | 13,200 shares                                                         | 4 persons                                    |

(5) Fifth issue of stock acquisition rights resolved at the meeting of the Board of Directors held on December 22, 2005

• Number of stock acquisition rights:

193 rights

• Class and number of shares to be issued on exercise of stock acquisition rights:

77,200 shares of common stock

• Exercise price of stock acquisition rights:

4,150 yen per share

• Period during which stock acquisition rights can be exercised:

From October 1, 2006 to September 30, 2015

• Terms and conditions for the exercise of stock acquisition rights:

1. Any grantee of stock acquisition rights shall remain in office as Director, Executive Officer or employee of the Company or its subsidiaries when the grantee exercises the rights, unless the grantee leaves office on expiration of the term of office, because he/she has reached mandatory retirement age or for any other

legitimate reason.

2. No stock acquisition right so granted can be inherited.
  3. In a Stock Acquisition Right Allocation Contract, the Company shall have the right to fix the maximum number of stock acquisition rights that can be exercised, or the maximum aggregate issue price of shares to be issued on exercising of the stock acquisition rights, in each year (from January 1 to December 31) during the period in which the stock acquisition rights can be exercised.
  4. Based on a resolution for the issuing of stock acquisition rights adopted by the Board of Directors, other terms and conditions for the exercise of stock acquisition rights shall be as provided in the Stock Acquisition Right Allocation Contract.
- State of ownership by Directors of the Company:

| Classification                                                                                         | Number of stock acquisition rights | Number of shares to be issued on exercise of stock acquisition rights | Number of owners of stock acquisition rights |
|--------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------|----------------------------------------------|
| Directors (excluding Outside Directors and including those serving concurrently as Executive Officers) | 105 rights                         | 42,000 shares                                                         | 3 persons                                    |
| Outside Directors                                                                                      | 88 rights                          | 35,200 shares                                                         | 5 persons                                    |

(6) Sixth issue of stock acquisition rights resolved at the meeting of the Board of Directors held on October 19, 2006

- Number of stock acquisition rights:  
202 rights
- Class and number of shares to be issued on exercise of stock acquisition rights:  
80,800 shares of common stock

- Exercise price of stock acquisition rights:  
4,750 yen per share
- Period during which stock acquisition rights can be exercised:  
From October 1, 2007 to September 30, 2016
- Terms and conditions for the exercise of stock acquisition rights:
  1. Any grantee of stock acquisition rights shall remain in office as Director, Executive Officer or employee of the Company, or shall remain in office as Director or employee of affiliates of the Company when the grantee exercises the rights, unless the grantee leaves office on expiration of the term of office, because he/she has reached mandatory retirement age or for any other legitimate reason.
  2. No heir, assignee, pledgee or other successor to stock acquisition rights may exercise the rights under the provisions of a Stock Acquisition Right Allocation Contract.
  3. In the Stock Acquisition Right Allocation Contract, the Company shall have the right to fix the maximum number of stock acquisition rights that can be exercised, or the maximum aggregate issue price of shares to be issued on exercising the stock acquisition rights, in each year (from January 1 to December 31) during the period in which the stock acquisition rights can be exercised.
  4. Based on a resolution adopted by the Board of Directors, other terms and conditions for the exercise of stock acquisition rights shall be as provided in the Stock Acquisition Right Allocation Contract.
- State of ownership by Directors of the Company:

| Classification                                                                                         | Number of stock acquisition rights | Number of shares to be issued on exercise of stock acquisition rights | Number of owners of stock acquisition rights |
|--------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------|----------------------------------------------|
| Directors (excluding Outside Directors and including those serving concurrently as Executive Officers) | 152 rights                         | 60,800 shares                                                         | 3 persons                                    |
| Outside Directors                                                                                      | 50 rights                          | 20,000 shares                                                         | 5 persons                                    |

(Notes)

1. All stock acquisition rights were issued free of charge for the purpose of granting stock options.
2. The Company conducted a 4-for-1 stock split of its common shares on November 15, 2005. Before the stock split, the number of shares to be issued by the exercise of one stock acquisition right was 100 shares for the first through fourth issue of stock acquisition rights. After the stock split, the number increased to 400 shares for all issues including the fifth and sixth issues of stock acquisition rights.

(2) State of Stock Acquisition Rights the Company Issued to Employees and Others as Compensation for the Performance of Duties during the Fiscal Year under Review

Sixth issue of stock acquisition rights decided at the meeting of the Board of Directors held on October 19, 2006

- Number of stock acquisition rights  
1,750 rights (400 shares per stock acquisition right)
- Class and number of shares to be issued on exercise of stock acquisition rights  
700,000 shares of common stock
- Amount to be paid for stock acquisition rights  
Free of charge
- Amount of assets to be contributed at the time of the exercise of stock acquisition rights  
4,750 yen per share
- Period during which stock acquisition rights can be exercised  
October 1, 2007 to September 30, 2016
- Terms and conditions for the exercise of stock acquisition rights
  1. Any grantee of stock acquisition rights shall remain in office as employee of the Company, or as Director or employee of affiliates of the Company when he/she exercises the rights, unless he/she leaves office on expiration of the term of office, because he/she has reached mandatory retirement age or for any other legitimate reason.
  2. No heir, assignee, pledgee or other successor to stock acquisition rights may exercise the rights under the provisions of a Stock Acquisition Right Allocation Contract.
  3. In the Stock Acquisition Right Allocation Contract, the Company shall have the right to set the maximum number of stock acquisition rights that can be exercised, or the maximum aggregate issue price of shares to be issued on exercising of the stock acquisition rights, for each year (from January 1 to December 31) during the period in which the stock acquisition rights can be exercised.
  4. Other terms and conditions for the exercise of stock acquisition rights shall be as provided in the Stock Acquisition Right Allocation Contract.
- State of issue to employees of the Company, etc.

| Classification                          | Number of stock acquisition rights | Number of shares to be issued on exercise of stock acquisition rights | Aggregate number of grantees |
|-----------------------------------------|------------------------------------|-----------------------------------------------------------------------|------------------------------|
| Employees of the Company                | 810 rights                         | 324,000 shares                                                        | 73 persons                   |
| Directors and employees of subsidiaries | 940 rights                         | 376,000 shares                                                        | 100 persons                  |

### 3. Directors of the Company

#### (1) Directors and Executive Officers (as of March 31, 2007)

| Name             | Position and role at the Company                          | Representation at other corporations, etc.                          |
|------------------|-----------------------------------------------------------|---------------------------------------------------------------------|
| Takeo Shiina     | Director                                                  | Senior Advisor of IBM Japan, Ltd.                                   |
| Yuzaburo Mogi    | Director                                                  | Representative Director, Chairman and CEO of Kikkoman Corporation   |
| Yoshikazu Hanawa | Director                                                  | Honorary Chairman of Nissan Motor Co., Ltd.                         |
| Eiko Kono        | Director                                                  | Special Advisor, RECRUIT Co., Ltd.                                  |
| Yukiharu Kodama  | Director                                                  | Chairperson of Japan Information Processing Development Corporation |
| Hiroshi Suzuki   | Director<br>President & CEO                               |                                                                     |
| Kenji Ema        | Director<br>Executive Officer<br>Chief Financial Officer  |                                                                     |
| Hiroaki Tanji    | Director<br>Executive Officer<br>Chief Technology Officer |                                                                     |

(Notes) 1. Five directors, namely, Mr. Takeo Shiina, Mr. Yuzaburo Mogi, Mr. Yoshikazu Hanawa, Ms. Eiko Kono and Mr. Yukiharu Kodama are Outside Directors.

2. Each member of the committee was elected at the meeting of the Board of Directors held on June 16, 2006, and assumed their respective positions as shown below.

[Nomination Committee]: Messrs. Takeo Shiina (Chairman), Yuzaburo Mogi, Yoshikazu Hanawa, Ms. Eiko Kono and Mr. Yukiharu Kodama

[Audit Committee]: Messrs. Yukiharu Kodama (Chairman), Takeo Shiina, Yuzaburo Mogi, Yoshikazu Hanawa, and Ms Eiko Kono

[Remuneration Committee]: Messrs. Yuzaburo Mogi (Chairman), Takeo Shiina, Yoshikazu Hanawa, Ms. Eiko Kono and Mr. Yukiharu Kodama

3. Knowledge of Audit Committee members concerning finance and accounting

Each member of the Audit Committee of the Company has engaged in corporate management or has monitored the business community at government offices for many years. At the same time, they have served financial institutions as Outside Directors or advisors. They have reasonable levels of knowledge concerning finance and accounting. Mr. Yuzaburo Mogi, in particular, has direct, on-site finance and accounting experience as an accounting section member and as a director and chief controller.

4. Besides the duties stated above, important concurrent service by directors during the fiscal year under review is as follows.

| Name            | Companies, corporations, etc. under concurrent service                                                                                  | Contents of concurrent service                                                                 |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Takeo Shiina    | Yamato Scientific Co., Ltd.<br>The Tokyo Star Bank, Limited<br>Mercian Corporation<br>The Juroku Bank, Ltd.                             | Outside Director<br>Outside Director<br>Outside Director<br>Outside Auditor                    |
| Yuzaburo Mogi   | TOKYO GAS Co., Ltd.<br>TEIJIN LIMITED<br>Meiji Yasuda Life Insurance Company<br>TOBU RAILWAY CO., LTD.<br>Fuji Television Network, Inc. | Outside Director<br>Outside Director<br>Outside Director<br>Outside Auditor<br>Outside Auditor |
| Eiko Kono       | Mitsui Sumitomo Insurance Co., Ltd.                                                                                                     | Outside Director                                                                               |
| Yukiharu Kodama | Mitsui O.S.K. Lines                                                                                                                     | Outside Director                                                                               |

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

(i) Basic policy

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

(ii) Policy concerning remuneration for Directors

The remuneration consists of a fixed salary as a Director and remuneration as a member or as a chairman of a committee, and is determined at an appropriate level in consideration of factors such as the management environment of the Company and the level of such remuneration among other companies.

(iii) Policy concerning remuneration for Executive Officers

The remuneration is composed of a fixed salary as an Executive Officer and performance-based remuneration.

The fixed salary is set at an appropriate level according to the office and responsibility of each Executive Officer in consideration of the management environment and the results of the Company as well as the level of such remuneration at other companies, etc.

Performance-based remuneration is determined by performance (evaluated using such indices as net income) and achievement of the management measures set at the beginning of the fiscal year, and is set at an appropriate level in consideration of factors such as the management environment of the Company and the level of such remuneration among other companies.

Benefits for Executive Officers stationed overseas (such as housing and company-owned cars) are set at an appropriate level in consideration of such factors as the management environment of the Company and the level of such benefits among other companies.

(iv) Stock options

Deliberations on the granting of stock options to Directors and Executive Officers are held by the Remuneration Committee considering performance and individual evaluations, and decisions are made by the Board of Directors.

(3) Total remuneration and others paid to Directors and Executive Officers

(Period of application: from April 1, 2006 to March 31, 2007)

| Classification                | Number of payees | Amount of payments |
|-------------------------------|------------------|--------------------|
| Directors                     | 8 persons        | 78 million yen     |
| (of which, Outside Directors) | (5)              | (54)               |
| Executive Officers            | 3                | 298                |
| Total                         | 8                | 376                |

(Notes)

1. At the end of the fiscal year under review, there were eight Directors and three Executive Officers. All three Executive Officers served as Directors concurrently.
2. The amount of remuneration and others includes 218 million yen paid as bonuses for Executive Officers in the fiscal year under review.
3. The amount of remuneration and others includes 17 million yen paid as remuneration in the form of stock options (including the aggregate amount of 4 million yen paid to five Outside Directors).

(4) Outside Directors

- (i) Concurrent Service by Outside Directors (where they serve as operating officers or Outside Directors at other companies)

Concurrent service is as shown in the table for (1) State of Directors and Executive Officers on page 25 and the table for Note 4 on page 26. The Company has no material transactions with any of the other corporations where Outside Directors of the Company hold concurrent posts.

## (ii) Major Activities during the Fiscal Year under Review

| Name             | Major Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Takeo Shiina     | <p>Mr. Shiina attended nine of the ten meetings of the Board of Directors held during the fiscal year under review, and made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As for committees, Mr. Shiina attended ten of the 11 meetings of the Audit Committee, all meetings of the Remuneration Committee, and all meetings of the Nomination Committee held during the fiscal year under review. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision.</p> <p>As for specific services, Mr. Shiina led discussion on agenda items including the selection of candidates for Director posts and the appointment of candidates for Executive Officers as Chairman of the Nomination Committee, and made final decisions on these items.</p>                                                                                                                                                                                                                                                                              |
| Yuzaburo Mogi    | <p>Mr. Mogi attended nine of the ten meetings of the Board of Directors held during the fiscal year under review, and made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As for committees, Mr. Mogi attended nine of the 11 meetings of the Audit Committee, six of the seven meetings of the Remuneration Committee, and all meetings of the Nomination Committee held during the fiscal year under review. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision.</p> <p>As for specific services, Mr. Mogi led discussion on agenda items by constructing a remuneration system that gives greater incentives to Directors and Executive Officers and by conducting fair and adequate performance evaluations as the Chairman of the Remuneration Committee, and made final decisions concerning these items.</p>                                                                                                                                                                                                      |
| Yoshikazu Hanawa | <p>Mr. Hanawa attended eight of the ten meetings of the Board of Directors held during the fiscal year under review, and made useful contributions to the discussion of items on the agenda, based on his substantial management experience and expertise.</p> <p>As for committees, Mr. Hanawa attended nine of the 11 meetings of the Audit Committee, six of the seven meetings of the Remuneration Committee, and all meetings of the Nomination Committee held during the fiscal year under review. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Eiko Kono        | <p>Ms. Kono attended all meetings of the Board of Directors held during the fiscal year under review, and made useful contributions to the discussion of items on the agenda based on her abundant experience and knowledge as a corporate manager.</p> <p>As for committees, Ms. Kono attended all meetings of the Audit Committee, all meetings of the Remuneration Committee, and all meetings of the Nomination Committee held during the fiscal year under review. As an Outside Director, she made remarks from a fair and impartial position as the occasion required, and fulfilled her role in management supervision.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Yukiharu Kodama  | <p>Mr. Kodama attended all meetings of the Board of Directors held during the fiscal year under review, and made useful contributions to the discussion of items on the agenda based on his experience as the minister's aide and an impartial observer of the business community at the Ministry of International Trade and Industry (the predecessor of the Ministry of Economy, Trade and Industry), and based on the substantial abundant experience and expertise he has gained at financial institutions.</p> <p>As for committees, Mr. Kodama attended all meetings of the Audit Committee, all meetings of the Remuneration Committee, and two of the three meetings of the Nomination Committee held during the fiscal year under review. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision.</p> <p>As for specific services, Mr. Kodama led discussion on agenda items including verification of financial statements, monitoring of the internal control systems and audits of operations and assets as the Chairman of the Audit Committee, and made final decisions concerning these items.</p> |

(iii) Overview of Liability Limitation Contract

The Company and its Outside Directors have concluded an agreement that limits possible future liabilities of the latter prescribed in Paragraph 1, Article 423 of the Corporation Law to the higher of a prefixed amount exceeding 10 million yen or the amount prescribed by law.

#### 4. Accounting Auditors

(1) Name: KPMG AZSA & Co.

(2) Amount of remuneration, etc.

|                                                                                                                | Amount of payment |
|----------------------------------------------------------------------------------------------------------------|-------------------|
| Amount of remuneration, etc. paid to accounting auditors during the fiscal year under review                   | 48 million yen    |
| Aggregate amount of monetary and other asset gains the Company and its subsidiaries owe to accounting auditors | 152 million yen   |

(Note) 1. KPMG AZSA & Co. audits major subsidiaries of the Company located in Japan. KPMG International provides an audit service to the Company's major subsidiaries overseas.

2. The audit agreement between the Company and its accounting auditors makes no clear distinction between the amount of audit fees based on the Corporation Law and the audit remuneration, etc. based on the Securities and Exchange Law. Nor is any distinction made in practice. For these reasons, the total amount of remuneration for the accounting auditors is stated as the amount of remuneration, etc. for the fiscal year under review.

(3) Details of non-audit services

Counseling and guidance services relating to the conversion of the consolidated financial statements produced by the Company in compliance with International Financial Reporting Standards, and other services.

(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 Corporation Law exists, and dismissal is deemed to be reasonable, the Audit Committee shall dismiss the accounting auditors with the agreement of all Audit Committee members. In this case, an Audit Committee member 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 the General Meeting of Shareholders based on the regulations of the Audit Committee.

### **III. Systems and Policies of the Company**

#### **1. System for Ensuring Adequacy of Operations:**

Contents of the resolution of the Board of Directors concerning matters prescribed in Sub Items B and E, Item 1, Paragraph 1, Article 416 of the Corporation Law and Article 112 of the Enforcement Regulation of the Corporation Law 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**

- The regulations of the Company shall prescribe that the Audit Committee has the power to appoint and dismiss staff members of the Audit Committee Office.

###### **(iii) Systems required for reports to the Audit Committee, including reports by Executive Officers and employees**

- As the Board of Directors Regulations were amended to require reporting of all important matters at meetings of the Board of Directors, with Outside Directors comprising the majority of Board members, reports to the Board of Directors began to cover all important matters. For this reason, no provision is adopted for matters that should be reported to the Audit Committee.

###### **(iv) Other systems for ensuring the effectiveness of audits by the Audit Committee**

- The Company shall position the Internal Audit Division under the Audit Committee. The Internal Audit Division shall conduct audits focusing on onsite audits according to the audit policies and plans decided or approved by the Audit Committee, and shall report to the Audit Committee as the occasion demands.
- Each internal organ shall immediately report information it stores and manages at the request of the Audit Committee or the Internal Audit Division.

(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 internal approval, in accordance with laws, regulations and other standards.
- (ii) Regulations and other systems concerning the management of the risk of loss
  - Each organ and division shall try to identify and manage risks, and shall aim for improvements as the occasion demands, taking into consideration the instructions of the Internal Audit Division, etc.
- (iii) Systems for ensuring the efficiency of duty performance by Executive Officers
  - 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.
- (iv) Systems for ensuring compliance with laws, ordinances and the Articles of Incorporation of the way duties are performed by Executive Officers and employees
  - The HOYA Group shall secure systems relating to the HOYA Business Conduct Guidelines that need to be observed by Directors and employees of the HOYA Group.
- (v) Systems for ensuring the adequacy of Group operations, including a given company, its parent and its subsidiaries
  - 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 not only in Japan but also overseas to ensure the soundness of Group activities.

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

The Company has not adopted a policy on this matter. The Company's basic view regarding this point 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. No concrete threat regarding acquisition has emerged so far. 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 has been stressing consolidated results in Group management and the interest of shareholders in its own management policies, and to meet the expectations of shareholders, has been endeavoring to improve corporate value and increase shareholder value.

In the distribution of retained earnings, the Company intends to monitor cash demand and make decisions from medium- and long-term perspective, taking into consideration the balance of returns to shareholders, the welfare of employees and the strengthening of internal reserves for future business actions.

The Company will meanwhile appropriate internal reserves on a preferential basis to such operations as securing the production capabilities needed to fulfill the supply obligations of a company with the leading share in the market, capital investment in developing next-generation products, and investment in markets to establish the HOYA brand. Moreover, the Company plans to aggressively explore the potential for mergers and acquisitions (M&A), to increase corporate value, and to invest in such activities in a timely way.

In light of the balance between business performance and internal reserves required to prepare for future growth, the Company set year-end dividends for the consolidated fiscal year under review at 35 yen per share. Adding interim dividends of 30 yen per share that have already been paid, annual dividends are therefore 65 yen per share.

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[Notes]

1. Stated amounts do not include fractions below the indication unit.
2. Net sales and other amounts do not include consumption tax or local consumption tax.

## CONSOLIDATED BALANCE SHEETS

(as of March 31, 2007)

(Millions of yen)

### ASSETS

|                                       |                |
|---------------------------------------|----------------|
| <b>Current assets</b>                 | <b>275,706</b> |
| Cash and deposits                     | 120,621        |
| Notes and accounts receivable – trade | 94,296         |
| Inventories                           | 49,721         |
| Deferred tax assets                   | 7,067          |
| Other current assets                  | 5,309          |
| Allowance for doubtful receivables    | (1,311)        |
| <b>Fixed assets</b>                   | <b>171,937</b> |
| Tangible fixed assets                 | 143,218        |
| Buildings and structures              | 33,871         |
| Machinery and vehicles                | 75,961         |
| Tools, equipment and fixtures         | 12,311         |
| Land                                  | 9,154          |
| Construction in progress              | 11,918         |
| Intangible fixed assets               | 6,248          |
| Investments and other assets          | 22,470         |
| Investment securities                 | 14,575         |
| Deferred tax assets                   | 2,723          |
| Other assets                          | 5,493          |
| Allowance for doubtful receivables    | (322)          |
| <b>TOTAL ASSETS</b>                   | <b>447,644</b> |

### LIABILITIES

|                                    |               |
|------------------------------------|---------------|
| <b>Current liabilities</b>         | <b>78,181</b> |
| Notes and accounts payable – trade | 28,779        |
| Accrued income taxes               | 12,821        |
| Accrued bonus to employees         | 4,327         |
| Accrued bonus for Directors        | 67            |
| Other current liabilities          | 32,184        |
| <b>Long-term liabilities</b>       | <b>2,317</b>  |
| Reserve for periodic repairs       | 890           |
| Other long-term liabilities        | 1,427         |
| <b>TOTAL LIABILITIES</b>           | <b>80,499</b> |

### NET ASSETS

|                                                           |                |
|-----------------------------------------------------------|----------------|
| <b>Shareholders' equity</b>                               | <b>331,924</b> |
| Common stock                                              | 6,264          |
| Capital surplus                                           | 15,898         |
| Retained earnings                                         | 322,513        |
| Treasury stock – at cost                                  | (12,753)       |
| Advance payment of premium for treasury stocks            | 1              |
| Valuation and translation adjustments                     | 33,177         |
| Net unrealized gain (loss) on other marketable securities | (85)           |
| Foreign currency translation adjustments                  | 33,263         |
| <b>Stock acquisition rights</b>                           | <b>167</b>     |
| <b>Minority interests</b>                                 | <b>1,876</b>   |
| <b>TOTAL NET ASSETS</b>                                   | <b>367,145</b> |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                   | <b>447,644</b> |

## CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2006 to March 31, 2007)

(Millions of yen)

|                                                   |        |                |
|---------------------------------------------------|--------|----------------|
| <b>Net sales</b>                                  |        | <b>390,093</b> |
| Cost of sales                                     |        | 197,410        |
|                                                   |        | <hr/>          |
| Gross profit                                      |        | 192,682        |
| Selling, general and administrative expenses      |        | 85,469         |
|                                                   |        | <hr/>          |
| <b>Operating income</b>                           |        | <b>107,213</b> |
| <br>                                              |        |                |
| <b>Non-operating income</b>                       |        |                |
| Interest income                                   | 2,901  |                |
| Equity in earnings of associated companies        | 642    |                |
| Others                                            | 2,283  | 5,827          |
|                                                   |        | <hr/>          |
| <b>Non-operating expenses</b>                     |        |                |
| Interest expense                                  | 86     |                |
| Sales Discount                                    | 822    |                |
| Loss on foreign exchange                          | 6,711  |                |
| Others                                            | 2,510  | 10,131         |
|                                                   |        | <hr/>          |
| <b>Ordinary income</b>                            |        | <b>102,909</b> |
| <br>                                              |        |                |
| <b>Extraordinary income:</b>                      |        |                |
| Gain on sale of property, plant and equipment     | 9,629  |                |
| Others                                            | 884    | 10,513         |
|                                                   |        | <hr/>          |
| <b>Extraordinary losses:</b>                      |        |                |
| Loss on disposal of property, plant and equipment | 3,327  |                |
| Additional retirement benefits paid to employees  | 1,055  |                |
| Expenses for improvements on environment          | 767    |                |
| Impairment loss                                   | 87     |                |
| Others                                            | 1,053  | 6,290          |
|                                                   |        | <hr/>          |
| <b>Income before income taxes and other items</b> |        | <b>107,132</b> |
| <br>                                              |        |                |
| <b>Income taxes – Current</b>                     | 23,491 |                |
| <b>Income taxes – Deferred</b>                    | 70     | 23,562         |
|                                                   |        | <hr/>          |
| <b>Minority interests in net income</b>           |        | 178            |
|                                                   |        | <hr/>          |
| <b>NET INCOME</b>                                 |        | <b>83,391</b>  |

### Consolidated Statements of Changes in Net Assets

From April 1, 2006 to March 31, 2007

(unit: million yen)

|                                                                                                                         | Shareholders' equity |                 |                   |                 |                                                |                            |
|-------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|------------------------------------------------|----------------------------|
|                                                                                                                         | Capital stock        | Capital surplus | Retained earnings | Treasury stocks | Advance payment of premium for treasury stocks | Total shareholders' equity |
| Balance as of March, 31, 2006                                                                                           | 6,264                | 15,898          | 266,345           | (16,279)        | —                                              | 272,228                    |
| Changes during the consolidated current fiscal year under review                                                        |                      |                 |                   |                 |                                                |                            |
| Dividends from retained earnings                                                                                        |                      |                 | (25,843)          |                 |                                                | (25,843)                   |
| Bonuses for Directors                                                                                                   |                      |                 | (64)              |                 |                                                | (64)                       |
| Net income                                                                                                              |                      |                 | 83,391            |                 |                                                | 83,391                     |
| Acquisition of treasury stocks                                                                                          |                      |                 |                   | (12)            |                                                | (12)                       |
| Disposition of treasury stocks                                                                                          |                      |                 | (1,606)           | 3,539           |                                                | 1,932                      |
| Changes resulted from changes in the accounting standards of consolidated subsidiaries overseas                         |                      |                 | 290               |                 |                                                | 290                        |
| Others ( )                                                                                                              |                      |                 |                   |                 | 1                                              | 1                          |
| Changes (net amounts) in items other than shareholders' equity during the current consolidated fiscal year under review |                      |                 |                   |                 |                                                |                            |
| Total changes during the current consolidated fiscal year under review                                                  | —                    | —               | 56,167            | 3,526           | 1                                              | 59,695                     |
| Balance as of March 31, 2007                                                                                            | 6,264                | 15,898          | 322,513           | (12,753)        | 1                                              | 331,924                    |

|                                                                                                                         | Valuation and translation adjustments                 |                         |                                             | Stock acquisition rights | Minority interests | Total net assets |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------|---------------------------------------------|--------------------------|--------------------|------------------|
|                                                                                                                         | Net unrealized gains on available-for-sale securities | Translation adjustments | Total valuation and translation adjustments |                          |                    |                  |
| Balance as of March, 31, 2006                                                                                           | 110                                                   | 7,142                   | 7,252                                       | —                        | 919                | 280,400          |
| Changes during the current consolidated fiscal year under review                                                        |                                                       |                         |                                             |                          |                    |                  |
| Dividends from retained earnings                                                                                        |                                                       |                         |                                             |                          |                    | (25,843)         |
| Bonuses for Directors                                                                                                   |                                                       |                         |                                             |                          |                    | (64)             |
| Net income                                                                                                              |                                                       |                         |                                             |                          |                    | 83,391           |
| Acquisition of treasury stocks                                                                                          |                                                       |                         |                                             |                          |                    | (12)             |
| Disposition of treasury stocks                                                                                          |                                                       |                         |                                             |                          |                    | 1,932            |
| Changes resulted from changes in the accounting standards of consolidated subsidiaries overseas                         |                                                       |                         |                                             |                          |                    | 290              |
| Others (※) )                                                                                                            |                                                       |                         |                                             |                          |                    | 1                |
| Changes (net amounts) in items other than shareholders' equity during the current consolidated fiscal year under review | (195)                                                 | 26,121                  | 25,925                                      | 167                      | 956                | 27,049           |
| Total changes during the current consolidated fiscal year under review                                                  | (195)                                                 | 26,121                  | 25,925                                      | 167                      | 956                | 86,744           |
| Balance as of March 31, 2007                                                                                            | (85)                                                  | 33,263                  | 33,177                                      | 167                      | 1,876              | 367,145          |

\* These amounts correspond to consideration for the disposition of treasury stocks received the day before the due date for payment or earlier.

**Reference: CONSOLIDATED STATEMENTS OF CASH FLOWS**

(From April 1, 2006 to March 31,2007)

(Millions of yen)

|                                                                                                 |                 |
|-------------------------------------------------------------------------------------------------|-----------------|
| <b>I. <u>OPERATING ACTIVITIES:</u></b>                                                          |                 |
| Income before income taxes and other items                                                      | 107,132         |
| Depreciation and amortization                                                                   | 36,338          |
| Impairment loss                                                                                 | 87              |
| Decrease in allowance for doubtful receivables                                                  | (242)           |
| Increase in accrued bonus to employees                                                          | 154             |
| Increase in reserve for periodic repairs                                                        | 267             |
| Interest and dividend received                                                                  | (2,922)         |
| Interest paid                                                                                   | 86              |
| Gain on foreign exchange                                                                        | 4,782           |
| Equity in earnings of associated companies                                                      | (642)           |
| Gain on sale of property, plant and equipment                                                   | (9,629)         |
| Loss on disposal of property, plant and equipment                                               | 3,327           |
| Write-off and write-down of investment securities                                               | 7               |
| Bonus to directors                                                                              | (64)            |
| Others                                                                                          | (705)           |
| Increase in notes and accounts receivables                                                      | (13,800)        |
| Increase in inventories                                                                         | (4,798)         |
| Decrease in other current assets                                                                | 2,249           |
| Decrease in notes and accounts payables                                                         | (1,208)         |
| Decrease in unpaid consumption tax, etc.                                                        | (1,022)         |
| Increase in other current liabilities                                                           | 241             |
| Sub-total                                                                                       | <u>119,639</u>  |
| Interest and dividend received                                                                  | 2,556           |
| Interest paid                                                                                   | (40)            |
| Income and other taxes paid                                                                     | <u>(23,361)</u> |
| <b>Net cash provided by operating activities</b>                                                | <b>98,793</b>   |
| <b>II. <u>INVESTING ACTIVITIES:</u></b>                                                         |                 |
| Purchases of property, plant and equipment                                                      | (52,379)        |
| Proceeds from sales of property, plant and equipment                                            | 10,217          |
| Purchases of investment securities                                                              | (407)           |
| Proceeds from sales of investment securities                                                    | 30              |
| Acquisition of shares in subsidiaries that accompanied the change in the scope of consolidation | (908)           |
| Expenditure for loans                                                                           | (584)           |
| Income from collection of loans                                                                 | 77              |
| Expenditure for other investments                                                               | (3,274)         |
| Income from other investments                                                                   | 576             |
| <b>Net cash used in investing activities</b>                                                    | <b>(46,652)</b> |
| <b>III. <u>FINANCING ACTIVITIES:</u></b>                                                        |                 |
| Acquisition of treasury stock                                                                   | (12)            |
| Sale of treasury stock                                                                          | 1,934           |
| Dividends paid by the parent company                                                            | (25,810)        |
| Dividends paid to minority interests                                                            | (2)             |
| <b>Net cash used in financing activities</b>                                                    | <b>(23,891)</b> |
| <b>IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>                         | <b>8,798</b>    |
| <b>V. Net Decrease in Cash and Cash Equivalents</b>                                             | <b>37,047</b>   |
| <b>VI. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>                             | <b>83,574</b>   |
| <b>VII CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                   | <b>120,621</b>  |

(Note) Negative figures parenthesized in the consolidated statements of cash flows indicate net outflow of cash and cash equivalents.

## Notes to Consolidated Financial Statements

### **Basic Important Matters for the Preparation of Consolidated Financial Statements**

1. Scope of Consolidation

Number of consolidated subsidiaries: 67 companies

Major consolidated subsidiaries:

HOYA HOLDINGS, INC., HOYA HOLDINGS N.V., HOYA HOLDINGS ASIA PACIFIC PTE LTD, HOYA HEALTHCARE CORPORATION

2. Application of the equity method

(1) Affiliates accounted for by the equity method

Number of Affiliates subject to application of the equity method: 1 company

Name of the company: NH TECHNO GLASS CORPORATION

(2) Affiliates not accounted for by the equity method

Major affiliate: Two Coins Co., Ltd.

The company not accounted for by the equity method is a small company and has been excluded from application of the equity method because both the gain/loss in equity method and retained earnings have little impact on the consolidated financial statements.

3. Changes in the scope of consolidation

During the current consolidated fiscal year under review, the number of overseas consolidated subsidiaries increased by six, including five new companies and one acquisition. Meanwhile, one overseas consolidated subsidiary disappeared with the merger of two subsidiaries. As a result, the number of consolidated subsidiaries increased by five.

4. Fiscal years of consolidated subsidiaries

The fiscal years of the six consolidated subsidiaries located in the People's Republic of China end on December 31.

All 67 consolidated subsidiaries report quarterly results, and the financial documents based on the results current as of the 4th quarter (March 31) were used for the above six companies when preparing the consolidated financial statements.

5. Significant Accounting Policies

(1) Standards and methods for evaluation of marketable securities

Other marketable securities

Those quoted on exchanges:

The market value method based on the market price, etc. at the end of the consolidated fiscal year (All valuation gains and losses are processed through the method of direct entry in capital, and sale cost is calculated based on the moving average method)

Those not quoted on exchanges:

Cost determined by the moving-average method.

(2) Standards and methods for evaluation of inventories

Inventories are recorded at cost chiefly using the weighted average costing method.

(3) Methods of depreciation of fixed assets

Tangible fixed assets:

The Company and its consolidated subsidiaries based in Japan adopt the straight-line method for buildings (excluding building annexes) that have been acquired on April 1, 1998 and thereafter, and the declining-balance method for other tangible fixed assets. Some consolidated subsidiaries adopt the straight-line method, and items they depreciate using the straight-line method account for approximately 66.2% of the book value of tangible fixed assets. The useful life of buildings is 10 to 50 years and that of machinery and equipment is 3 to 10 years.

Intangible fixed assets:

The straight-line method is applied. The internally defined useful life of software is 5 years.

(4) Methods of providing important allowances

(i) Allowance for doubtful receivables:

To prepare against credit losses, an allowance for doubtful receivables is provided. For ordinary credits, an allowance is provided based on the historical loss ratios. For credits threatened with bankruptcy and for credits to borrowers under bankruptcy and reorganization, etc., allowance is provided based on an evaluation of the financial position of the borrowers.

(ii) Accrued bonus:

To prepare for bonus payments to employees, an accrued bonus is provided in accordance with the estimated amounts payable.

(iii) Accrued bonus for Directors:

To prepare for bonus payments to Directors, an accrued bonus is provided in accordance with the estimated amounts payable in the current consolidated fiscal year under review.

(iv) Reserve for periodic repairs:

To prepare for expenses for large-scale repairs to continuous smelters after a fixed period of time, an amount estimated based on the expenses of the previous large-scale repairs is provided.

(5) Standards for the conversion of significant foreign-denominated assets and liabilities into Japanese currency

Foreign-denominated credits and liabilities are converted into yen currency based on the spot exchange rate on the last day of the current consolidated fiscal year under review, and the exchange difference is treated as a gain or loss. Assets and liabilities of consolidated subsidiaries located overseas are converted into yen currency based on the spot exchange rate on the last day of the consolidated fiscal year under review, their revenue and expenses are converted into yen currency based on the average exchange rate for the consolidated fiscal year under review, and the exchange differences are included in minority interest and foreign currency translation adjustments in the Net Assets section.

(6) Treatment of significant leases

Finance leases other than those in which ownership of the leased property is deemed to have moved to the lessee are treated using the accounting procedure pursuant to the ordinary lease transaction method.

(7) Significant hedge accounting methods

(i) Hedge accounting methods

Deferral hedging is applied. Appropriation is adopted for hedging exchange risks when the criteria for appropriation are met.

(ii) Hedging methods, items covered by hedging and hedging strategy

Exchange risks are hedged based mainly on the company's "Internal Management Regulations", and the company has adopted a policy of not conducting any speculative derivative trading.

Hedging method: forward exchange contracts

Items hedged: foreign currency denominated loans

(iii) Methods for evaluating the validity of hedging

Fluctuations in the exchange rate and cumulative fluctuations in cash flow for the hedged items are compared with the exchange rate and cumulative fluctuations in cash flow for the hedging method to evaluate the validity based on the ratio of these fluctuations.

(8) Treatment of national and local consumption taxes

The tax excluded method is applied.

6. Method for evaluating the assets and liabilities of consolidated subsidiaries

The method used for evaluating the assets and liabilities of consolidated subsidiaries is the market value method.

7. Changes in accounting policies

(Accounting standards etc. relating to indications in the Net Assets section of the balance sheet)

(Partial amendments of accounting standards, etc. relating to decreases in treasury stocks and reserves, etc.)

Starting in the current consolidated fiscal year under review, the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standard No. 5, December 9, 2005) and the Application Guideline on the Accounting Standard for Net Assets in the Balance Sheet, etc. (Corporate Accounting Application Guideline No8, December 9, 2005, the amended Accounting Standard for Decreases in Treasury Stocks and Reserves (Accounting Standard No. 1, amended on August 11, 2006), and the amended Application Guideline for Accounting Standards for Decreases in Treasury Stocks and Reserves (Corporate Accounting Application Guideline No. 2, amended on August 11, 2006) are applied.

These changes have no impact on gains or losses.

The amount equivalent to the total amount for the equity section is 365,102 million yen.

(Accounting standards for business combinations, etc.)

Starting in the current consolidated fiscal year under review, the Accounting Standards for Business Combinations (Accounting Standards Board, October 31, 2003), Accounting Standards for Business Separations (Accounting Standard No. 7, December 27, 2005), and the Application Guidelines for Accounting Standards for Business Combinations and Business Separations, Etc. (Accounting Application Guideline No. 10, December 27, 2005) are applied.

These changes have no impact on gains or losses.

(Accounting standards concerning bonus for Directors)

Starting in the current consolidated fiscal year under review, the Accounting Standard for Directors' Bonuses (Accounting Standard No. 4, November 29, 2005) is applied.

The change caused operating income, ordinary income and net income before taxes and other adjustments to decrease by 67 million yen, respectively.

(Accounting standards concerning stock options, etc.)

Starting in the current consolidated fiscal year under review, the Accounting Standard for Stock Options (Accounting Standard No. 8, December 27, 2005) and the Application Guidelines for Accounting Standards Concerning Stock Options (Corporate Accounting Application Guideline No. 11, May 31, 2006) are applied.

These changes caused operating income, ordinary income and net income before taxes to decrease by 167 million yen, respectively.

#### **Notes to the Consolidated Balance Sheets**

1. The amounts shown are rounded down to the nearest million yen.

2. Accumulated depreciation of tangible fixed assets: 223,095 million yen

3. Liabilities for guarantee: 2,774 million yen

The Company guarantees transactions with its business customers and transactions employees of the Group have with financial institutions.

4. Notes matured on the closing date

Notes matured on the closing date are settled on the clearance dates.

As the last day of the current consolidated fiscal year under review was a bank holiday, bills that mature on the following closing date are included in the term-end balance.

Notes receivable: 1,907 million yen

## Notes to the Consolidated Statements of Income

1. The amounts shown are rounded down to the nearest million yen.

2. Impairment losses

The HOYA Group groups of its assets based on business units. The Group accounted for impairment for the following asset groups during the current consolidated fiscal year under review.

Tokyo Studio in the Crystal Division (located in Akishima Factory)

| Location             | Use                                       | Asset Class                                 |
|----------------------|-------------------------------------------|---------------------------------------------|
| Akishima City, Tokyo | Facilities for manufacturing crystal, etc | Buildings, tools, equipment, fixtures, etc. |

The Crystal Division experienced substantial declines in individual demands and corporate gift performances, reflecting a sluggish market. The Company reduced the book value of the asset group relating to this division to its recoverable amount, and posted the decrease as an impairment loss under extraordinary losses. The details are as follows.

|                               |                |
|-------------------------------|----------------|
| Tools, equipment and fixtures | 36 million yen |
| Buildings                     | 32             |
| Others                        | 19             |
| Total                         | 87             |

The recoverable amount of the asset group was measured in terms of its value in use while its future cash flows were computed by discounting them by 5%.

## Notes to the Consolidated Statements of Changes in Net Assets

1. The amounts shown are rounded down to the nearest million yen.

2. Matters relating to the aggregate number of shares that are already issued

| Share class  | Number of shares at the end of the previous consolidated fiscal year | Number of shares increased during the current consolidated fiscal year under review | Number of shares decreased during the current consolidated fiscal year under review | Number of shares at the end of the current consolidated fiscal year under review |
|--------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Common stock | 435,017,020 shares                                                   | —                                                                                   | —                                                                                   | 435,017,020 shares                                                               |

3. Matters relating to the numbers of treasury stocks

| Share class  | Number of shares at the end of the previous consolidated fiscal year | Number of shares increased during the current consolidated fiscal year under review | Number of shares decreased during the current consolidated fiscal year under review | Number of shares at the end of the current consolidated fiscal year under review |
|--------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Common stock | 4,401,607 shares                                                     | 2,861 shares                                                                        | 956,787 shares                                                                      | 3,447,681 shares                                                                 |

(Notes)

Details (causes) of the increase and decrease in the numbers of treasury stocks are as follows:

Increase due to repurchase of treasury stock less than one unit: 2,861 shares

Decrease due to sale of treasury stock less than one unit: 387 shares

Decrease due to the exercise of stock options: 956,400 shares

4. Matters relating to dividends

(1) Amounts of dividend payment and others

(i) Matters concerning dividends based on the resolution at the meeting of the Board of Directors held on May 25, 2006

- Total amount of dividends: 12,918 million yen
- Dividends per share: 30 yen
- Record date: March 31, 2006
- Effective date: May 26, 2006

(ii) Matters concerning dividends based on the resolution at the meeting of the Board of Directors held on October 19, 2006

- Total amount of dividends: 12,924 million yen
- Dividends per share: 30 yen
- Record date: September 30, 2006
- Effective date: November 21, 2006

(2) Dividends whose record dates fall within the current consolidated fiscal year under review and effective dates fall within the following consolidated fiscal year

Matters concerning dividends by resolution in the meeting of the Board of Directors to be held on May 31, 2007:

- Total amount of dividends: 15,104 million yen
- Dividend resource: retained earnings
- Dividends per share: 35 yen
- Record date: March 31, 2007
- Effective date: June 4, 2007

5. Class and number of shares to be issued based on stock acquisition rights at the end of the current consolidated fiscal year under review (excluding shares yet to reach the first day of the exercise period for the rights)

Common stock: 4,225,600 shares

**Notes to per-share information**

(1) Net assets per share: 845.98 yen

(2) Net income per share: 193.50 yen

**Independent Auditors' Audit Report Concerning Consolidated Financial Statements**

Independent Auditors' Audit Report

May 17, 2007

To the Board of Directors of HOYA CORPORATION

KPMG AZSA & Co.

Designated Employee  
Managing Partner      Certified Public Accountant  
Hiroto Kaneko                      (seal)

Designated Employee  
Managing Partner      Certified Public Accountant  
Teruo Suzuki                      (seal)

Designated Employee  
Managing Partner      Certified Public Accountant  
Tetsuaki Nomura                      (seal)

We, KPMG AZSA & Co., conducted an audit of HOYA CORPORATION on its consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to consolidated financial statements) for the 69th fiscal year from April 1, 2006 to March 31, 2007, based on the provision of Clause 4 of Article 444 of the Company Law. The management is responsible for the preparation of these consolidated financial statements, and we are responsible for expressing opinions on the consolidated financial statements from an independent position.

We conducted this audit based on the generally-accepted accounting standards in Japan. The audit criteria require us to obtain reasonable assurance as to whether the consolidated financial statements contain any important misstatements. The audit is performed on the basis of testing audit and consists of reviewing the representation of the consolidated financial statements as a whole including evaluation of the accounting policy adopted by the management, its application method, and the estimate conducted by the management. We consider ourselves to be provided with a reasonable basis for our opinions as a result of the audit.

We recognize that the above-mentioned consolidated financial statements represent the situation of assets and profit and loss in the period concerning the consolidated financial statements of the industrial group including HOYA CORPORATION and its consolidated subsidiaries appropriately in all important points, based on the generally-accepted accounting standards in Japan

There are no interests between HOYA CORPORATION and KPMG AZSA & Co. or the managing partners which must be documented according to the provisions of the Certified Public Accountant Law.

We continue to render the service as specified in Clause 2 of Article 2 of the Certified Public Accountant Law which is allowed to be provided to HOYA CORPORATION simultaneously with the audit certificate.

## Audit Committee's Audit Report Concerning Consolidated Financial Statements

### Audit Report Concerning Consolidated Financial Statements

The members of the Audit Committee of the Company conducted an audit on the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to consolidated financial statements) for the 69th fiscal year from April 1, 2006 to March 31, 2007. We hereby report the method and results thereof as follows:

#### 1. AUDIT METHOD AND ITS CONTENTS

In accordance with the audit policy, assignment of duties, etc. determined by the Audit Committee, we examined reports on the consolidated financial statements made by Executive Officers and others, and asked them for explanations whenever necessary. We also monitored and verified whether or not the Company's Independent Auditors maintained the position of independence and conducted adequate audit, received reports on the state of duty execution from the Independent Auditors, and asked them for explanations whenever necessary. Additionally, we received from the Independent Auditors the notice that they were making preparations for the System for Ensuring Adequate Execution of Duties (a matter stipulated in respective items of the Corporate Calculation Standard No. 159) in accordance with the Quality Control Standard Concerning Audit (Accounting Standards Board, October 28, 2005), and asked the Independent Auditors for explanations as necessary.

Based on the method described above, we examined the consolidated financial statements for the current consolidated fiscal year under review.

#### 2. AUDIT RESULTS

We are of the opinion that the method and results of the audit made by KPMG AZSA & Co., the Company's Independent Auditors, are in order.

May 22, 2007

Audit Committee  
HOYA CORPORATION

|                  |                               |
|------------------|-------------------------------|
| Yukiharu Kodama  | Member of the Audit Committee |
| Takeo Shiina     | Member of the Audit Committee |
| Yuzaburo Mogi    | Member of the Audit Committee |
| Yoshikazu Hanawa | Member of the Audit Committee |
| Eiko Kono        | Member of the Audit Committee |

Notes: The Members of the Audit Committee, Yukiharu Kodama, Takeo Shiina, Yuzaburo Mogi, Yoshikazu Hanawa and Eiko Kono, are outside directors as provided in Item 15, Article 2 and Paragraph 3, Article 400 of the Company Law.

**BALANCE SHEETS****(non-consolidated)**

(as of March 31,2007)

(Millions of yen)

**ASSETS**

|                                             |                |
|---------------------------------------------|----------------|
| <b>Current assets</b>                       | <b>121,794</b> |
| Cash and deposits                           | 18,090         |
| Notes receivable – trade                    | 7,296          |
| Accounts receivable – trade                 | 67,550         |
| Merchandise                                 | 3,254          |
| Finished goods                              | 6,534          |
| Semi-finished goods                         | 2,621          |
| Raw materials                               | 1,439          |
| Work in process                             | 2,520          |
| Supplies                                    | 2,071          |
| Accounts receivable - others                | 6,514          |
| Short-term loans to affiliates              | 837            |
| Deferred tax assets                         | 2,927          |
| Others                                      | 552            |
| Allowance for doubtful receivables          | (418)          |
| <b>Fixed assets</b>                         | <b>105,234</b> |
| Tangible fixed assets                       | 40,038         |
| Buildings                                   | 9,038          |
| Structures                                  | 498            |
| Smelters                                    | 699            |
| Machinery and equipment                     | 16,458         |
| Vehicles                                    | 26             |
| Implements, tools and furniture             | 6,957          |
| Land                                        | 5,443          |
| Construction in progress                    | 915            |
| Intangible fixed assets                     | 1,477          |
| Investments and other assets                | 63,719         |
| Investment securities                       | 1,925          |
| Investments in affiliates                   | 55,672         |
| Long-term loans to affiliates               | 3,008          |
| Long-term prepaid expenses                  | 275            |
| Bankruptcy, reorganization and other claims | 110            |
| Deferred tax assets                         | 2,413          |
| Other assets                                | 416            |
| Allowance for doubtful receivables          | (104)          |
| <b>TOTAL ASSETS</b>                         | <b>227,029</b> |

(Millions of yen)

**LIABILITIES**

|                                                     |                |
|-----------------------------------------------------|----------------|
| <b>Current liabilities</b>                          | <b>126,385</b> |
| Notes payable – trade                               | 643            |
| Accounts payable – trade                            | 20,921         |
| Short-term debt from affiliates                     | 61,203         |
| Accounts payable – others                           | 1,071          |
| Accrued expenses arising from outside manufacturing | 9,275          |
| Accrued income taxes                                | 9,241          |
| Accrued expenses                                    | 8,267          |
| Deposits received                                   | 7,002          |
| Bonus reserve                                       | 2,997          |
| Note payable for facilities and equipment           | 3              |
| Accrued equipment expenses                          | 5,134          |
| Others                                              | 622            |
| <b>Long-term liabilities</b>                        | <b>840</b>     |
| Reserve for periodic repairs                        | 793            |
| Other long-term liabilities                         | 47             |
| <b>TOTAL LIABILITIES</b>                            | <b>127,225</b> |

**NET ASSETS**

|                                                           |                |
|-----------------------------------------------------------|----------------|
| <b>Shareholders' equity</b>                               | <b>99,722</b>  |
| Common stock                                              | 6,264          |
| Capital surplus                                           | 15,898         |
| Capital reserve                                           | 15,898         |
| Retained earnings                                         | 90,311         |
| Earned reserve                                            | 1,566          |
| Other retained earnings                                   | 88,745         |
| Special depreciation reserve                              | 438            |
| Reserve for deferred income taxes on fixed assets         | 592            |
| Retained earnings brought forward                         | 87,714         |
| Treasury stock – at cost                                  | (12,753)       |
| Advance payment of premium for treasury stocks            | 1              |
| <b>Valuation and translation adjustments</b>              | <b>(86)</b>    |
| Net unrealized gain (loss) on other marketable securities | (86)           |
| <b>Stock acquisition rights</b>                           | <b>167</b>     |
| <b>TOTAL NET ASSETS</b>                                   | <b>99,803</b>  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                   | <b>227,029</b> |

**STATEMENTS OF INCOME****(non-consolidated)**

(From April 1, 2006 to March 31, 2007)

(Millions of yen)

|                                                     |        |                |
|-----------------------------------------------------|--------|----------------|
| <b>Net sales</b>                                    |        | <b>274,961</b> |
| <b>Cost of sales</b>                                |        | <b>205,675</b> |
|                                                     |        | <hr/>          |
| <b>Gross profit on sales</b>                        |        | <b>69,286</b>  |
| <b>Selling, general and administrative expenses</b> |        | <b>40,826</b>  |
|                                                     |        | <hr/>          |
| <b>Operating Income</b>                             |        | <b>28,459</b>  |
| <br>                                                |        |                |
| <b>Non-operating income</b>                         |        |                |
| Interest income                                     | 647    |                |
| Dividend income                                     | 3,884  |                |
| Fees and commissions received                       | 11,635 |                |
| Others                                              | 693    | 16,861         |
|                                                     | <hr/>  |                |
| <b>Non-operating expenses</b>                       |        |                |
| Interest expenses                                   | 2,214  |                |
| Loss on foreign exchange                            | 3,644  |                |
| Others                                              | 465    | 6,324          |
|                                                     | <hr/>  |                |
| <b>Ordinary Income</b>                              |        | <b>38,996</b>  |
| <br>                                                |        |                |
| <b>Extraordinary income:</b>                        |        |                |
| Gain on sale of property, plant and equipment       | 9,595  |                |
| Gain on sales of shares in affiliates               | 772    |                |
| Reversal of allowance for doubtful receivables      | 283    |                |
| Gain on reversal from special repair reserve        | 13     |                |
| Others                                              | 239    | 10,903         |
|                                                     | <hr/>  |                |
| <b>Extraordinary losses:</b>                        |        |                |
| Loss on disposal of property, plant and equipment   | 2,498  |                |
| Expenses for improvements on environment            | 767    |                |
| Additional retirement benefits paid to employees    | 732    |                |
| Impairment loss                                     | 87     |                |
| Write-down of marketable securities                 | 7      |                |
| Others                                              | 725    | 4,818          |
|                                                     | <hr/>  |                |
| <b>Income before income taxes</b>                   |        | <b>45,081</b>  |
| Income taxes – current                              | 14,041 |                |
| Income taxes – deferred                             | 1,290  | 15,331         |
|                                                     | <hr/>  |                |
| <b>Net income</b>                                   |        | <b>29,750</b>  |
|                                                     |        | <hr/> <hr/>    |

**Statements of Changes in Net Assets**

(non-consolidated)

From April 1, 2006 to March 31, 2007

(unit: million yen)

|                                                                                                            | Shareholders' equity |                                |                             |                                     |                                                            |                    |           |                                            |                               |
|------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------|-----------------------------|-------------------------------------|------------------------------------------------------------|--------------------|-----------|--------------------------------------------|-------------------------------|
|                                                                                                            | Capital stock        | C a p i t a l<br>s u r p l u s |                             | Earne<br>d<br>reserv<br>e           | Retained earnings                                          |                    |           |                                            | Total<br>retained<br>earnings |
|                                                                                                            |                      | Capit<br>al<br>reserv<br>e     | Total<br>capital<br>surplus |                                     | Other retained earnings                                    |                    |           | Retained<br>earnings<br>brought<br>forward |                               |
|                                                                                                            |                      |                                |                             | Special<br>depreciatio<br>n reserve | Reserve for<br>deferred<br>income taxes on<br>fixed assets | Special<br>reserve |           |                                            |                               |
| Balance as of March, 31, 2006                                                                              | 6,264                | 15,898                         | 15,898                      | 1,566                               | 392                                                        | 640                | 123,341   | (36,334)                                   | 89,606                        |
| Changes during the current fiscal year under review                                                        |                      |                                |                             |                                     |                                                            |                    |           |                                            |                               |
| Reversal of special depreciation reserve                                                                   |                      |                                |                             |                                     | (133)                                                      |                    |           | 133                                        | —                             |
| Transfer to special depreciation reserve                                                                   |                      |                                |                             |                                     | 180                                                        |                    |           | (180)                                      | —                             |
| Reversal of reserve for deferred income taxes on fixed assets                                              |                      |                                |                             |                                     |                                                            | (48)               |           | 48                                         | —                             |
| Reversal of special reserve                                                                                |                      |                                |                             |                                     |                                                            |                    | (123,341) | 123,341                                    | —                             |
| Dividends from retained earnings                                                                           |                      |                                |                             |                                     |                                                            |                    |           | (25,843)                                   | (25,843)                      |
| Net income                                                                                                 |                      |                                |                             |                                     |                                                            |                    |           | 29,750                                     | 29,750                        |
| Acquisition of treasury stocks                                                                             |                      |                                |                             |                                     |                                                            |                    |           |                                            |                               |
| Disposition of treasury stocks                                                                             |                      |                                |                             |                                     |                                                            |                    |           | (1,606)                                    | (1,606)                       |
| Decrease from split-off                                                                                    |                      |                                |                             |                                     |                                                            |                    |           | (1,596)                                    | (1,596)                       |
| Others (*)                                                                                                 |                      |                                |                             |                                     |                                                            |                    |           |                                            |                               |
| Changes (net amounts) in items other than shareholders' equity during the current fiscal year under review |                      |                                |                             |                                     |                                                            |                    |           |                                            |                               |
| Total changes during the current fiscal year under review                                                  | —                    | —                              | —                           | —                                   | 46                                                         | (48)               | (123,341) | 124,047                                    | 704                           |
| Balance as of March 31, 2007                                                                               | 6,264                | 15,898                         | 15,898                      | 1,566                               | 438                                                        | 592                | —         | 87,714                                     | 90,311                        |

|                                                                                                            | Shareholders' equity     |                                                |                            | Valuation and translation adjustments                     |                                             | S stock acquisition rights | Total net assets |
|------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------|----------------------------|-----------------------------------------------------------|---------------------------------------------|----------------------------|------------------|
|                                                                                                            | Treasury stock – at cost | Advance payment of premium for treasury stocks | Total shareholders' equity | Net unrealized gain (loss) on other marketable securities | Total valuation and translation adjustments |                            |                  |
| Balance as of March, 31, 2006                                                                              | (16,279)                 | —                                              | 95,489                     | 109                                                       | 109                                         | -                          | 95,598           |
| Changes during the current fiscal year under review                                                        |                          |                                                |                            |                                                           |                                             |                            |                  |
| Reversal of special depreciation reserve                                                                   |                          |                                                | -                          |                                                           |                                             |                            | —                |
| Transfer to special depreciation reserve                                                                   |                          |                                                | -                          |                                                           |                                             |                            | —                |
| Reversal of reserve for deferred income taxes on fixed assets                                              |                          |                                                | -                          |                                                           |                                             |                            | —                |
| Reversal of special reserve                                                                                |                          |                                                | -                          |                                                           |                                             |                            | —                |
| Dividends from retained earnings                                                                           |                          |                                                | (25,843)                   |                                                           |                                             |                            | (25,843)         |
| Net income                                                                                                 |                          |                                                | 29,750                     |                                                           |                                             |                            | 29,750           |
| Acquisition of treasury stocks                                                                             | (12)                     |                                                | (12)                       |                                                           |                                             |                            | (12)             |
| Disposition of treasury stocks                                                                             | 3,539                    |                                                | 1,933                      |                                                           |                                             |                            | 1,933            |
| Decrease from split-off                                                                                    |                          |                                                | (1,596)                    |                                                           |                                             |                            | (1,596)          |
| Others (*)                                                                                                 |                          | 1                                              | 1                          |                                                           |                                             |                            | 1                |
| Changes (net amounts) in items other than shareholders' equity during the current fiscal year under review |                          |                                                |                            | (195)                                                     | (195)                                       | 167                        | (28)             |
| Total changes during the current fiscal year under review                                                  | 3,526                    | 1                                              | 4,232                      | (195)                                                     | (195)                                       | 167                        | 4,204            |
| Balance as of March 31, 2007                                                                               | (12,753)                 | 1                                              | 99,722                     | (86)                                                      | (86)                                        | 167                        | 99,803           |

\* These amounts correspond to consideration for the disposition of treasury stocks received the day before the due date for payment or earlier.

## Notes to Non-consolidated Financial Statements

### Significant Accounting Policies

#### 1. Standards and methods for evaluation of marketable securities

Investments in subsidiaries and affiliates:

Cost determined by the moving-average method

Other marketable securities:

Those quoted on exchanges:

The market value method based on the market price, etc. at the end of the current fiscal year

(All valuation gains and losses are processed through the method of direct entry in capital, and sale cost is calculated based on the moving average method)

Those not quoted on exchanges:

Cost determined by the moving-average method

#### 2. Standards and methods for evaluation of inventories

Merchandise, finished goods, half-finished goods and work in process:

Cost determined by the periodic average method

Raw materials : Cost determined by the periodic average method

Supplies : Cost determined by the periodic average method and cost determined by the last invoice cost method

#### 3. Methods of depreciation of fixed assets

Tangible fixed assets:

Straight-line method is applied for buildings (except for building annexes) that have been acquired on April 1, 1998 and thereafter, and declining-balance method is applied for other tangible fixed assets. The useful life of buildings is ten to 50 years and that of machinery and equipment is four to ten years.

Intangible fixed assets:

The straight-line method is applied. The internally defined useful life of software is five years.

#### 4. Methods of providing important allowances

(i) Allowance for doubtful receivables:

To prepare against credit losses, an allowance for doubtful receivables is provided. For ordinary credits, an allowance is provided based on the historical loss ratios. For credits threatened with bankruptcy and for credits to borrowers under bankruptcy and reorganization, etc., allowance is provided based on an evaluation of the financial position of the borrowers.

(ii) Accrued bonus:

To prepare for bonus payments to employees, an accrued bonus is provided in accordance with the estimated amounts payable.

(iii) Reserve for periodic repairs:

To prepare for expenses for large-scale repairs to continuous smelters after a fixed period of time, an amount estimated based on the expenses of the previous large-scale repairs is provided.

#### 5. Standards for the conversion of foreign-denominated assets and liabilities into Japanese currency

Foreign-denominated credits and liabilities are converted into yen currency based on the spot exchange rate on the last day of the current consolidated fiscal year under review, and exchange difference is treated as a gain or loss.

#### 6. Treatment of leases

Finance leases other than those in which ownership of the leased property is deemed to have moved to the lessee are treated in the accounting treatment method pursuant to the ordinary lease transaction method.

#### 7. Hedge accounting methods

(i) Hedge accounting methods

Deferral hedging is applied. Appropriation is adopted for hedging exchange risks when the criteria for appropriation are met.

(ii) Hedging methods, items covered by hedging and hedging strategy

Exchange risks are hedged based mainly on the company's "Internal Management Regulations," and the Company has adopted a policy of not conducting any speculative derivative trading.

The Company did not engage in derivative trading during the current fiscal year under review.

(iii) Methods for evaluating the validity of hedging

The validity of hedging is not evaluated as the Company did not engage in derivative trading during the current fiscal year under review.

8. Treatment of national and local consumption taxes

The tax excluded method is applied.

9. Starting in the current fiscal year under review, financial statements are produced based on the Company Law (legislation No. 86, enacted on July 26, 2005) and the Corporate Accounting Regulations (Ministry of Justice ordinance No. 13, February 7, 2006).

**Changes in accounting treatment**

(Accounting standards etc. relating to indication in the Net Assets section of the balance sheet)

(Partial amendments of accounting standards, etc. relating to decreases in treasury stocks and reserves, etc.)

Starting in the current fiscal year under review, the Accounting Standard for Presentation of Net Assets on the Balance Sheet (Accounting Standards Board Accounting Standard No. 5, December 9, 2005), the Guidance on Accounting Standard for Presentation of Net Assets on the Balance (Accounting Standards Board Guidance No. 8, December 9, 2005), the amended Accounting Standard for Treasury Stock and Reduction of Legal Reserves (Financial Accounting Standard No.1, amended on August 11, 2006) and the amended "Implementation Guidance for Accounting Standard for Treasury Stock and Reduction of Legal Reserves (Financial Accounting Standards Implementation Guidance No.2, amended on August 11, 2006) are applied.

These changes have no impact on gains or losses.

The amount equivalent to the total amount for the previous Shareholders' Equity section is 99,636 million yen.

(Accounting standards concerning business combination, etc.)

Starting in the current fiscal year under review, the Business Accounting Council Statement of Opinion, Accounting for Business Combinations on October 31, 2003), the Accounting Standard for Separation of Business (Accounting Standards Board Accounting Standard No.7, December 27, 2005) and the Guidance on Accounting Standard for Business Combinations and Separation of Business (Accounting Standards Board Guidance No.10, December 27, 2005) are applied. These changes have no impact on gains or losses.

(Accounting standards concerning stock options, etc.)

Starting in the current fiscal year under review, the Accounting Standard for Stock Options (Accounting Standards Board Accounting Standard No. 8, December 27, 2005) and the Guidance on Accounting Standard for Stock Options (Accounting Standards Board Guidance No. 11, May 31, 2006) are applied.

These changes caused operating income, ordinary income and net income before taxes to decrease by 167 million yen, respectively.

**Notes to Balance Sheets (non-consolidated)**

1. The amounts shown are rounded down to the nearest million yen.

2. Accumulated depreciation of tangible fixed assets: 101,017 million yen

3. Liabilities for guarantee: 3 million yen

The Company guarantees transactions employees of the Company have with financial institutions.

4. Pecuniary claims to and from affiliates (excluding classified items)

(1) Short-term receivables from (pecuniary claims to) affiliates: 12,283 million yen

(2) Short-term payables to (pecuniary claims from) affiliates: 27,072 million yen

5. Receivables (pecuniary claims) to Executive Officers: 218 million yen

6. Notes maturing on the closing date

Notes maturing on the closing date are settled on the clearance dates.

As the last day of the current consolidated fiscal year under review was a bank holiday, the following notes that matured on the closing date are included in the term-end balance.

Notes receivable: 690 million yen

**Notes to Statements of Income (non-consolidated)**

1. The amounts shown are rounded down to the nearest million yen.

2. Transactions with affiliates:

|                                                                   |                     |
|-------------------------------------------------------------------|---------------------|
| (1) Sales:                                                        | 27,903 million yen  |
| (2) Purchases:                                                    | 118,120 million yen |
| (3) Payments of outside manufacturing fees and commissions, etc.: | 18,744 million yen  |
| (4) Transactions other than operating transactions:               | 30,325 million yen  |

3. Impairment losses

The HOYA Group groups its assets based on business units. The Group accounted for impairment for the following asset group during the current fiscal year under review.

Tokyo Studio in the Crystal Division (located in Akishima Factory)

| Location             | Use                                       | Asset Class                                 |
|----------------------|-------------------------------------------|---------------------------------------------|
| Akishima City, Tokyo | Facilities for manufacturing crystal, etc | Buildings, tools, equipment, fixtures, etc. |

The Crystal Division experienced substantial declines in individual demand and corporate gift performances due to the sluggish market. The Company reduced the book value of the asset group relating to this division to its recoverable amount, and posted the decrease as impairment loss under extraordinary losses. The details are as follows.

|                               |                |
|-------------------------------|----------------|
| Tools, equipment and fixtures | 36 million yen |
| Buildings                     | 32             |
| Others                        | 19             |
| Total                         | 87             |

The recoverable amount of the asset group was measured in terms of its value in use while its future cash flows were computed by discounting them by 5%.

**Notes to Statements of Changes in Net Assets (non-consolidated)**

1. The amounts shown are rounded down to the nearest million yen.

2. Matters relating to the numbers of treasury stocks

| Share class  | Number of shares at the end of the previous fiscal year | Number of shares increased during the current fiscal year under review | Number of shares decreased during the current fiscal year under review | Number of shares at the end of the current fiscal year under review |
|--------------|---------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------|
| Common stock | 4,401,607 shares                                        | 2,861 shares                                                           | 956,787 shares                                                         | 3,447,681 shares                                                    |

(Notes)

Details (causes) of the increase and decrease are as follows:

|                                                                  |                |
|------------------------------------------------------------------|----------------|
| Increase due to repurchase of treasury stock less than one unit: | 2,861 shares   |
| Decrease due to sale of treasury stock less than one unit:       | 387 shares     |
| Decrease due to the exercise of stock options:                   | 956,400 shares |

## Notes Relating to Tax Effect Accounting

### 1. Breakdown of deferred tax assets and deferred tax liabilities by major cause of accrual (as of March 31, 2007)

#### (1) Current deferred tax assets and liabilities

##### *Deferred tax assets*

|                                                    |                  |
|----------------------------------------------------|------------------|
| Non-tax deductible amount of bonus reserve         | 1,210million yen |
| Non-tax deductible amount of unpaid enterprise tax | 777              |
| Additional retirement payments                     | 207              |
| Other deferred tax assets                          | 731              |
| Total amount of deferred tax assets – current      | <u>2,927</u>     |

#### (2) Non-current deferred tax assets and liabilities

##### *Deferred tax assets*

|                                                               |                  |
|---------------------------------------------------------------|------------------|
| Amount exceeding the limit of tax-deductible depreciation     | 1,549million yen |
| Non-tax deductible amount of asset impairment loss            | 622              |
| Non-tax deductible amount of fixed asset disposition loss     | 518              |
| Amount exceeding the limit of tax-deductible bad debt reserve | 33               |
| Other deferred tax assets                                     | 229              |
| Total amount of deferred tax assets – non-current             | <u>2,953</u>     |

##### *Deferred tax liabilities*

|                                                        |              |
|--------------------------------------------------------|--------------|
| Reserve for deferred income taxes on fixed assets      | (307)        |
| Special depreciation reserve                           | (232)        |
| Total amount of deferred tax liabilities – non-current | <u>(539)</u> |
| Net amount of deferred tax assets – non-current        | <u>2,413</u> |

### 2. Breakdown by major item which caused a difference between statutory effective tax rate and the rate of corporation tax, etc. after the application of tax effect accounting (from April 1, 2006 to March 31, 2007):

|                                                                          |             |
|--------------------------------------------------------------------------|-------------|
| Statutory tax rate of the Company                                        | 40.4 %      |
| (Adjustments)                                                            |             |
| Non-deductible expenses such as entertainment expenses                   | 0.6         |
| Per capita levy of inhabitants tax and others                            | 0.1         |
| Non-taxable income such as dividend received                             | (3.5)       |
| Refund of income taxes for prior periods                                 | (3.1)       |
| Extra tax deduction on expenses for research, etc.                       | (0.8)       |
| Other adjustments                                                        | 0.3         |
| Rate of corporation tax, etc. after application of tax effect accounting | <u>34.0</u> |

### Notes relating to fixed assets used under lease

| Asset class                   | Contents and volumes of assets, etc                                                                                |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Machinery                     | Part of Electro-Optics products manufacturing facilities and part of Vision Care products manufacturing facilities |
| Tools, equipment and fixtures | Part of computers and their peripherals, and other office equipment, etc.                                          |

Notes concerning related parties

(unit: million yen)

| Attribute  | Name of the company, etc.         | Address               | Capital stock or investments        | Business contents or trade                                                                    | Rate of voting rights ownerships (%) | Contents of relationships              |                        | Contents of transactions <sup>1</sup>                                                           | Transaction amount             | Item                                                                    | Term-end balance          |
|------------|-----------------------------------|-----------------------|-------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|------------------------|-------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------|---------------------------|
|            |                                   |                       |                                     |                                                                                               |                                      | Concurrent services by Directors, etc. | Business relationships |                                                                                                 |                                |                                                                         |                           |
| Affiliates | HOYA HOLDING S.N.V.               | Uithoorn, NETHERLANDS | 9,929 thousand Euro                 | Overseeing of manufacture and sale of products of local head office in Europe and Vision Care | 100.0                                | —                                      | Borrowing of funds     | Borrowing of working capital (1)<br>Payment of interest (2)<br>Sale price<br>Sale of securities | 4,929<br>2,195<br>5,043<br>772 | Short-term loans to affiliates<br>Accrued interest                      | 61,203<br>1,009<br>—<br>— |
|            | HOYA MAGNETICS SINGAPORE PTE LTD. | Tuas Link, SINGAPORE  | 34,050 thousand Singaporean dollars | Manufacture of glass disks of the Company                                                     | 100.0                                | —                                      | Supplier               | Processing (3)<br>Receipt of development commission (4)                                         | 41,054<br>1,972                | Accrued processing fees to affiliates                                   | 2,333<br>—                |
|            | HOYA LENS THAILAND LTD.           | Patumthani, THAILAND  | 1,110,000 thousand Thai Baht        | Manufacture of Vision Care products of the Company                                            | 100.0                                | —                                      | Supplier               | Receipt of technical support fees (5)                                                           | 2,673                          | —                                                                       | —                         |
|            | HOYA OPTICS (THAILAND) LTD.       | Lumphun, THAILAND     | 357,000 thousand Thai Baht          | Manufacture of Optics products of the Company                                                 | 100.0                                | —                                      | Supplier               | Processing <sup>3</sup>                                                                         | 21,660                         | Accounts payable to affiliates<br>Accrued processing fees to affiliates | 2,828<br>3,091            |
|            | HOYA HEALTHCARE CORPORATION       | Shinjuku, Tokyo       | 810 million yen                     | Manufacture and sale of Health Care products                                                  | 100.0                                | 1 Director                             | Deposit of funds       | Cash pooling                                                                                    | 1,600                          | Deposits received                                                       | 5,665                     |

Terms and conditions of transactions and the policy for determining them, etc.

Notes

1. Interest rates on borrowed funds are determined reasonably in consideration of market interest rates. Collateral is not provided.
2. Sale prices of investments in affiliates are determined in reference to the values appraised by the external evaluation organization.
3. Terms and conditions of processing are determined in consideration of market prices in the same way as those for general transactions.
4. Receipt of development commission is determined reasonably by periodical negotiation based on the contract detail.
5. Receipt of technical support fees is determined reasonably by periodical negotiation based on the contract detail.

**Notes to per-share information**

- (1) Net assets per share: 230.87 yen  
(2) Net income per share: 69.03 yen

**Notes concerning stock options**

Amounts of expenses appropriated for stock options in the current fiscal year under review and their titles

- (1) Cost of sales: 43 million yen  
(2) Selling, general and administrative expenses: 123 million yen

**Notes relating to business combination and business separation**

- (1) Overview and purposes of transactions

Based on the decision made by the Chief Executive Officer on July 28, 2006, the Company spun off the contact lens manufacturing division and transferred the division to HOYA HEALTHCARE CORPORATION on October 1, 2006.

HOYA HEALTHCARE CORPORATION has been involved with the contact lens retailing business. By transferring the contact lens manufacturing division to this company, the HOYA Group aims to speedily and efficiently reflect market demands in the manufacture and development of products, and is taking steps to develop a more efficient organization for the administration of Group businesses.

- (2) Allotment of shares

A wholly owned subsidiary of the Company has taken over the division separated from the Company. No shares are issued in connection with this business separation.

- (3) Handling of stock acquisition rights of the Company

No stock acquisition rights for shares in the company taking over the business are issued to grantees of stock acquisition rights of the Company as substitutes for their rights.

- (4) Overview of accounting treatment

The business separation is classified under transactions under common control, a category found in accounting standards relating to business combinations. For this reason, the Company does not recognize gains or losses on the transfer of assigned assets and liabilities. Meanwhile, the business succeeding company records the transferred assets and liabilities using adequate book values quoted before their transfer.

- (5) Amounts of assets and liabilities transferred on the business combination date and their breakdown by major item

|                      |                   |
|----------------------|-------------------|
| Current assets       | 1,075 million yen |
| Fixed assets:        | 589 million yen   |
| Total assets:        | 1,664 million yen |
| Current liabilities: | 68 million yen    |
| Total liabilities:   | 68 million yen    |

**Independent Auditors' Audit Report**

Independent Auditors' Audit Report

May 17, 2007

To the Board of Directors of HOYA CORPORATION

KPMG AZSA & Co.

Designated Employee  
Managing Partner      Certified Public Accountant  
Hiroto Kaneko      (seal)

Designated Employee  
Managing Partner      Certified Public Accountant  
Teruo Suzuki      (seal)

Designated Employee  
Managing Partner      Certified Public Accountant  
Tetsuaki Nomura      (seal)

We, KPMG AZSA & Co., conducted an audit of HOYA CORPORATION on its financial statements (balance sheets, statements of income, statements of changes in net assets, notes to financial statements and their supplementary schedules) for the 69th fiscal year from April 1, 2006 to March 31, 2007, based on the provision of (1) of Clause 2 of Article 436 of the Company Law. The management is responsible for the preparation of these financial statements and their supplementary schedules, and we are responsible for expressing opinions on the financial statements and their supplementary schedules from an independent position.

We conducted this audit based on the generally-accepted accounting standards in Japan. The audit criteria require us to obtain reasonable assurance as to whether the financial statements and their supplementary schedules contain any important misstatements. The audit is performed on the basis of testing audit and consists of reviewing the representation of the financial statements and their supplementary schedules as a whole including evaluation of the accounting policy adopted by the management, its application method, and the estimate conducted by the management. We consider ourselves to be provided with a reasonable basis for our opinions as a result of the audit.

We recognize that the above-mentioned financial statements and their supplementary schedules represent the situation of assets and profit and loss in the period concerning the financial statements and their supplementary schedules appropriately in all important points, based on the generally-accepted accounting standards in Japan

There are no interests between HOYA CORPORATION and KPMG AZSA & Co. or the managing partners which must be documented according to the provisions of the Certified Public Accountant Law.

We continue to render the service as specified in Clause 2 of Article 2 of the Certified Public Accountant Law which is allowed to be provided to HOYA CORPORATION simultaneously with the audit certificate.

## Audit Committee's Audit Report

### AUDIT REPORT

We, members of the Audit Committee of the Company, audited the performance by the Directors and Executive Officers of their duties during the 69th fiscal year from April 1, 2006 to March 31, 2007. We hereby report the method and results thereof as follows:

#### 1. AUDIT METHOD AND ITS CONTENTS

We monitored and verified the contents of resolutions of the Board of Directors concerning matters provided in items 2 and 5, Paragraph 1, Article 416 of the Company Law and the state of the system (internal control system) established on the basis thereof. At the same time, in accordance with the audit policy, assignment of duties, etc. determined by the Audit Committee and in collaboration with the audit section of the Company, we attended important meetings, received reports or heard from Directors, Executive Officers, etc. on matters concerning the performance of their duties, requested explanations whenever necessary, inspected important documents of settlement, etc. and made investigation into the state of activities and assets at the head office and principal business offices of the Company. As for subsidiaries, we tried to communicate and exchange information with directors and auditors thereof, and received business reports from the subsidiaries whenever necessary. We also monitored and verified whether or not the Company's Independent Auditors maintained a position of independence and conducted an adequate audit, received reports on the state of duty execution from the Independent Auditors, and asked them for explanations whenever necessary. Additionally, we received from the Independent Auditors the notice that they were making preparations for the System for Ensuring Adequate Execution of Duties (a matter stipulated in the items of the Corporate Calculation Standard No. 159) 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 (balance sheets, statements of income, statements of changes in net assets, and notes to financial statements), and their supplementary schedules for the current fiscal year under review.

#### 2. AUDIT RESULTS

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

- (i) 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.
- (ii) 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.
- (iii) We are of the opinion that the resolution of the Board of Directors concerning the internal control system was reasonable. We are also of the opinion that, in connection with 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 KPMG AZSA & Co., the Company's Independent Auditors, are in order.

May 22, 2007

Audit Committee

HOYA CORPORATION

|                  |                               |
|------------------|-------------------------------|
| Yukiharu Kodama  | Member of the Audit Committee |
| Takeo Shiina     | Member of the Audit Committee |
| Yuzaburo Mogi    | Member of the Audit Committee |
| Yoshikazu Hanawa | Member of the Audit Committee |
| Eiko Kono        | Member of the Audit Committee |

Notes: The Members of the Audit Committee, Yukiharu Kodama, Takeo Shiina, Yuzaburo Mogi, Yoshikazu Hanawa and Eiko Kono, are Outside Directors as provided in Item 15, Article 2 and Paragraph 3, Article 400 of the Company Law.

## Information for the General Meeting of Shareholders

### Propositions and information

#### Proposition Election of eight Directors

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

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

| Name<br>(Date of<br>birth)                      | Brief history, positions and assignments at the Company, and representation at<br>other corporations, etc. | Number of shares of the<br>Company held by<br>Candidate                         |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 1.<br>Takeo Shiina<br>(May 11,<br>1929)         | Jun. 1953                                                                                                  | Joined IBM Japan, Ltd.                                                          |
|                                                 | May 1962                                                                                                   | Director of IBM Japan, Ltd.                                                     |
|                                                 | Feb. 1975                                                                                                  | President and Representative Director of IBM Japan, Ltd.                        |
|                                                 | Jan. 1993                                                                                                  | Chairman of IBM Japan, Ltd.                                                     |
|                                                 | Jun. 1995                                                                                                  | Director of the Company (present post)                                          |
|                                                 | Dec. 1999                                                                                                  | Senior Adviser to IBM Japan, Ltd.                                               |
|                                                 | May 2007                                                                                                   | Adviser of IBM Japan, Ltd. (present post)                                       |
| 2.<br>Yuzaburo<br>Mogi<br>(Feb. 13,<br>1935)    | Apr. 1958                                                                                                  | Joined Noda Shoyu Co., Ltd. (present Kikkoman Corporation)                      |
|                                                 | Mar. 1979                                                                                                  | Director of Kikkoman Corporation                                                |
|                                                 | Mar. 1982                                                                                                  | Managing Director of Kikkoman Corporation                                       |
|                                                 | Oct. 1985                                                                                                  | Managing Director and Representative Director of Kikkoman Corporation           |
|                                                 | Mar. 1989                                                                                                  | Executive Managing Director and Representative Director of Kikkoman Corporation |
|                                                 | Mar. 1994                                                                                                  | Executive Vice President and Representative Director of Kikkoman Corporation    |
|                                                 | Feb. 1995                                                                                                  | President and Representative Director of Kikkoman Corporation                   |
|                                                 | Jun. 2001                                                                                                  | Director of the Company (present post)                                          |
| Jun. 2004                                       | Representative Director, Chairman and CEO of Kikkoman Corporation (present post)                           |                                                                                 |
| 3.<br>Yoshikazu<br>Hanawa<br>(Mar. 16,<br>1934) | Apr. 1957                                                                                                  | Joined Nissan Motor Co., Ltd.                                                   |
|                                                 | Jun. 1985                                                                                                  | Director of Nissan Motor Co., Ltd.                                              |
|                                                 | Jan. 1988                                                                                                  | Managing Director of Nissan Motor Co., Ltd.                                     |
|                                                 | Jun. 1990                                                                                                  | Executive Managing Director of Nissan Motor Co., Ltd.                           |
|                                                 | Jun. 1991                                                                                                  | Executive Vice President and Representative Director of Nissan Motor Co., Ltd.  |
|                                                 | Jun. 1996                                                                                                  | President and Representative Director of Nissan Motor Co., Ltd.                 |
|                                                 | Jun. 1999                                                                                                  | Chairman, President, Representative Director and CEO of Nissan Motor Co., Ltd.  |
|                                                 | Jun. 2000                                                                                                  | Chairman, Representative Director and CEO of Nissan Motor Co., Ltd.             |
|                                                 | Jun. 2001                                                                                                  | Chairman and Representative Director of Nissan Motor Co., Ltd.                  |
|                                                 | Jun. 2003                                                                                                  | Advisor and Honorary Chairman of Nissan Motor Co., Ltd.                         |
|                                                 | Jun. 2003                                                                                                  | Director of the Company (present post)                                          |
| Jun. 2005                                       | Honorary Chairman of Nissan Motor Co., Ltd. (present post)                                                 |                                                                                 |

|           |                                                                                             |           |                                                                                                                         |                   |
|-----------|---------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------|-------------------|
| 4.        | Eiko Kono<br>(Jan. 1, 1946)                                                                 | Dec. 1969 | Joined RECRUIT Co., Ltd.                                                                                                |                   |
|           |                                                                                             | Apr. 1984 | Director of RECRUIT Co., Ltd.                                                                                           |                   |
|           |                                                                                             | Aug. 1985 | Managing Director of RECRUIT Co., Ltd.                                                                                  |                   |
|           |                                                                                             | Nov. 1986 | Senior Managing Director of RECRUIT Co., Ltd.                                                                           |                   |
|           |                                                                                             | Jul. 1994 | Executive Vice President of RECRUIT Co., Ltd.                                                                           | —                 |
|           |                                                                                             | Jun. 1997 | President and Representative Director of RECRUIT Co., Ltd.                                                              | shares            |
|           |                                                                                             | Jun. 2003 | Director of the Company (present post)                                                                                  |                   |
|           |                                                                                             | Jun. 2003 | Chairperson and CEO of RECRUIT Co., Ltd.                                                                                |                   |
|           |                                                                                             | Apr. 2004 | Chairperson and Chairperson of the Board of Directors of RECRUIT Co., Ltd.                                              |                   |
|           |                                                                                             | Jun. 2005 | Special Advisor of RECRUIT Co., Ltd. (present post)                                                                     |                   |
| 5.        | Yukiharu<br>Kodama<br>(May 9,<br>1934)                                                      | Apr. 1957 | Joined the Ministry of International Trade and Industry (MITI) (now the Ministry of Economy, Trade and Industry (METI)) |                   |
|           |                                                                                             | Jun. 1985 | Director General of the Minister's Secretariat MITI                                                                     |                   |
|           |                                                                                             | Jun. 1988 | Director General of Industrial Policy Bureau MITI                                                                       |                   |
|           |                                                                                             | Jun. 1989 | Administrative Vice-Minister of MITI.                                                                                   |                   |
|           |                                                                                             | Jun. 1991 | Retired from MITI                                                                                                       | —                 |
|           |                                                                                             | Jun. 1991 | Advisor to Japan Industrial Policy Research Institute (JIPRI)                                                           | shares            |
|           |                                                                                             | Feb. 1992 | Advisor to the Industrial Bank of Japan (IBJ)                                                                           |                   |
|           |                                                                                             | Jun. 1993 | President of The Shoko Chukin Bank                                                                                      |                   |
|           |                                                                                             | Jun. 2001 | Director of Mitsui OSK Lines (present post)                                                                             |                   |
|           |                                                                                             | Jul. 2001 | Chairman of the Japan Information Processing Development Corporation (present post)                                     |                   |
| Jun. 2005 | Director of the Company (present post)                                                      |           |                                                                                                                         |                   |
| 6.        | Hiroshi<br>Suzuki<br>(Aug. 31,<br>1958)                                                     | Apr. 1985 | Joined the Company                                                                                                      |                   |
|           |                                                                                             | Jun. 1993 | Director of the Company                                                                                                 |                   |
|           |                                                                                             | Jun. 1997 | Managing Director of the Company                                                                                        |                   |
|           |                                                                                             | Apr. 1999 | Managing Director of the Company,<br>President, Electro Optics Company                                                  | 722,080<br>shares |
|           |                                                                                             | Jun. 1999 | Executive Managing Director of the Company                                                                              |                   |
|           |                                                                                             | Jun. 2000 | President and Representative Director of the Company                                                                    |                   |
| Jun. 2003 | Director, President, Representative Executive Officer and CEO of the Company (present post) |           |                                                                                                                         |                   |
| 7.        | Kenji Ema<br>(Nov. 8,<br>1947)                                                              | Mar. 1970 | Joined the Company                                                                                                      |                   |
|           |                                                                                             | Jun. 1993 | Director of the Company, in charge of Administration Planning, Accounting and Purchase                                  |                   |
|           |                                                                                             | Jun. 1997 | Managing Director of the Company, in charge of Strategy, Planning and Treasury                                          |                   |
|           |                                                                                             | Jun. 2000 | Executive Managing Director of the Company, in charge of Corporate Finance                                              | 44,800<br>shares  |
|           |                                                                                             | Jun. 2001 | Executive Managing Director and CFO of the Company                                                                      |                   |
|           |                                                                                             | Jun. 2003 | Director, Executive Officer and CFO of the Company (present post)                                                       |                   |
|           |                                                                                             | Jul. 2003 | President of HOYA HOLDINGS N.V.                                                                                         |                   |
|           |                                                                                             | Jan. 2007 | Executive Officer Chief Financial of HOYA CORPORATION, Netherlands Branch (present posts)                               |                   |
| 8.        | Hiroaki Tanji<br>(Jul. 31,<br>1952)                                                         | Apr. 1992 | Joined the Company                                                                                                      |                   |
|           |                                                                                             | Apr. 1997 | General Manager, Institute of Advanced Technology, R&D Center of the Company                                            |                   |
|           |                                                                                             | Jul. 1999 | Senior Vice President of HOYA HOLDINGS, INC.                                                                            |                   |
|           |                                                                                             | Jun. 2000 | Director of the Company                                                                                                 |                   |
|           |                                                                                             | Nov. 2001 | Director and Head of Business Development Division of the Company                                                       | 8,000<br>shares   |
|           |                                                                                             | Jun. 2003 | Director, Executive Officer and Head of Business Development Division of the Company                                    |                   |
|           |                                                                                             | Jun. 2006 | Director, Executive Officer, CTO and Head of Business Development Division of the Company                               |                   |
| Jul. 2006 | Director Executive Officer and CTO of the Company (present posts)                           |           |                                                                                                                         |                   |

(Notes)

1. No candidate has any relationship of special interest with the Company.
2. Messrs. Takeo Shiina, Yuzaburo Mogi, Yoshikazu Hanawa, Yukiharu Kodama and Ms. Eiko Kono are candidates for the posts of Outside Directors.
3. Matters for special mention concerning the candidates for the posts of Outside Directors are as follows:

(1) Reasons for selection as the candidates for the posts of Outside Directors and independence

- 1) The Company added Outside Directors to the Board of Directors in 1995 to ensure that speech thereat is not constrained by rank or interpersonal relationships within the Company. This step enabled the Company to receive supervision and suggestions from the Outside Directors who share perspectives with shareholders and having third-party perspectives.

Following this, in 2003, the Company adopted a committee structure itself (as a “company with committees” following the enforcement of the Corporation Law). The Company set up three committees, namely the Nomination Committee, Remuneration Committee and Audit Committee, with the aim of securing management transparency and fairness and reinforcing supervisory functions. At the same time, the Company carried out a substantial transfer of authority from the Board of Directors to Executive Officers to put in place a system that enables speedy and efficient management by Executive Officers.

Outside Directors must comprise a majority at the three committees. For this reason, the Company needs to appoint two or more Outside Directors. The Articles of Incorporation of the Company prescribe that half or more of its Directors must be Outside Directors, for the purpose of ensuring fairness. At present, five of the eight Directors of the Company are Outside Directors. They contribute to building a solid system of governance.

With this background, the Company hereby requests appointment of the five candidates to the posts of Outside Directors.

Four of the five candidates have engaged in corporate management for many years, with Mr. Takeo Shiina serving at IBM Japan, Ltd. in the information and telecommunications industry, Mr. Yuzaburo Mogi at Kikkoman Corporation in the food industry in the consumer goods field, Mr. Yoshikazu Hanawa at Nissan Motor Co., Ltd. in the automobile industry, and Ms. Eiko Kono at RECRUIT Co., Ltd. in the new personnel service industry. Meanwhile, Mr. Yukiharu Kodama has surveyed the business community from a fair and impartial viewpoint for many years, assisting ministers at the Ministry of International Trade and Industry (presently known as the Ministry of Economy, Trade and Industry), and has accumulated very substantial knowledge and experience at financial institutions.

The Company nominated these candidates for the posts of Outside Directors in the hope that they would provide management supervision and advice to the Company from a broad perspective not constrained by the industry to which the Company belongs, based on their abundant knowledge and experience, and the wealth of information they have cultivated through their careers. Each of the candidates has a sufficient background to provide management supervision and advice to the Company. They also possess abundant international experience and extensive networks of contacts in their fields. These are people who, instead of providing names only, can actually attend meetings of the Board of Directors of the Company, take an active part in discussions at the meetings, and express opinions as persons who care about the Company.

All of the candidates described above serve as Outside Directors of the Company at present. The remaining term of office as of the close of this general meeting of shareholders is 12 years for Mr. Takeo Shiina, six years for Mr. Yuzaburo Mogi, four years for Mr. Yoshikazu Hanawa and Ms. Eiko Kono, and two years for Mr. Yukiharu Kodama.

- 2) None of the candidates for the posts of Outside Directors has acted in an executive capacity at specific business operators related to the Company in the last five years. None of the candidates has acted in an executive capacity at corporations whose rights and obligations were assumed by the Company through acquisition, merger, consolidation or assignment of business, immediately before such event,
  - 3) None of the candidates for the posts of Outside Directors is scheduled to receive large amounts of money or other assets from the Company or from specific business operators related to the Company. None of them has received said amounts from said parties in the last two years.
  - 4) None of the candidates for the posts of Outside Directors is a spouse, a blood relative within the third degree or an equivalent to executor of the operations at the Company or specific business operators related to the Company.
- (2) Improper execution of operations at a corporation where a candidate for the post of Outside Director concurrently served as outside director in the last five years, and actions the candidate took to prevent a recurrence and deal with the situation after the improper execution

At Mitsui Sumitomo Insurance Co., Ltd., where Ms. Eiko Kono concurrently serves as an outside director, facts emerged showing the improper non-payment of benefits for whole-life medical insurance and other third-category products and incomplete payment of extra expense claims and other incidental benefits. For this reason, the Financial Services Agency on June 21, 2006 issued to the company an order for operational improvement in accordance with Paragraph, 1, Article 132 of

the Insurance Business Law, and an order for partial operational suspension in accordance with Article 133 of said law. Subsequently, partial calculation errors in fire and other insurance premiums came to light at the company.

Ms. Eiko Kono has regularly spoken about the importance of legal compliance and customer protection at the meetings of the Board of Directors of the company, etc. Following the incidents, Ms. Kono discharged her responsibility by making proposals to prevent a recurrence of the errors as the company undertook a fundamental review of the administration of its operations.

(3) Liability limitation contract with candidates for the posts of Outside Directors

The Company and its Outside Directors have concluded an agreement that limits liabilities for damages prescribed in Paragraph 1, Article 423 of the Corporation Law to the higher of a prefixed amount exceeding 10 million yen or the amount set by law.

**MAP**  
**to**  
**The Meeting Place**

Venue.....Orion, 5<sup>th</sup> floor, Chinzan-so  
10-8, Sekiguchi 2-chome, Bunkyo-ku, Tokyo, Japan  
Tel: 03-3943-1111 (switchboard)

Access.....Subway: Ten minutes walk from 1a exit of Edogawabashi Station  
on the Tokyo Metro Yurakucho Line

JR / Bus: Cross the crosswalk in front of Mejiro Station, and take the Toei  
bus bound for Shinjuku West Exit from the Mejiro-eki-mae stop on your  
left, or the bus bound for Chinzan-so or for Shinjuku West Exit from  
the Kawamura-Gakuen-mae stop on your right. Get off at the Chinzanso-  
mae stop. (10 minutes)

\* The public transportation above is recommended as roads around the venue and parking  
lots will be crowded.