



## The 70th Business Report

For the period from April 1, 2007 to March 31, 2008

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(Attached documents)

## **BUSINESS REPORT**

For the period from April 1, 2007  
to March 31, 2008

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

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

##### (1) General overview:

As of March 31, 2008, the HOYA Group consisted of the HOYA CORPORATION, 100 consolidated subsidiaries (seven subsidiaries in Japan and 93 overseas) and eleven affiliates (five affiliates in Japan and six overseas). Of the eleven affiliates, eight companies (two affiliates in Japan and six overseas) are 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, etc. In particular, the Hoya Group has the Netherlands Branch as its treasury base in Europe.

##### <Management Integration by the Company and PENTAX Corporation >

The Company made PENTAX Corporation a consolidated subsidiary, and then absorbed PENTAX Corporation during the consolidated fiscal year under review.

##### (Background for PENTAX Corporation's conversion into a subsidiary)

The Company and PENTAX Corporation on December 21, 2006 concluded a basic agreement for their merger, effective October 1, 2007. However, circumstances that developed in the course of the consolidated fiscal year under review made the merger on the scheduled date difficult in practical terms. The Company and PENTAX Corporation discussed the matter on May 31, 2007 and, as a result of their discussion, agreed to execute a management integration with the Company making a tender offer to PENTAX Corporation, and subsequently making PENTAX Corporation its wholly owned subsidiary using an appropriate method, including a share exchange.

Based on this agreement, the Company made a tender offer to PENTAX Corporation from July 3, 2007 to August 6, 2007. Through the operation, the Company acquired more than 90% of the total number of outstanding PENTAX Corporation shares. PENTAX Corporation and its 33 consolidated subsidiaries joined the list of the Company's consolidated subsidiaries on August 14, 2007.

##### (Merger of subsidiary)

After achieving management integration by making PENTAX Corporation a consolidated subsidiary, the Company carried out a further examination. The result was an awareness that management mobility and flexibility were essential for strengthening PENTAX Corporation's core businesses, and that integration in the form of a merger, which the Company had planned initially, was the best choice, as the integration would enable PENTAX Corporation business segments to make business judgments and operate as speedily as the Company's other business segments, and would optimize the distribution of management resources within the integral framework of the Hoya Group, instead of smaller subsidiary frameworks.

Consequently, the Company and PENTAX Corporation concluded a merger agreement with resolutions adopted at their respective Board of Directors meetings held on October 29, 2007. The Company merged PENTAX Corporation by absorption effective March 31, 2008.

The Company intends to maintain the "PENTAX" brand following the merger, in view of the significance and economic value of the brand.

For reference, statements of income of PENTAX Corporation and its consolidated subsidiaries are consolidated from the third quarter of the consolidated fiscal year under review (the three-month period starting on October 1, 2007). PENTAX Corporation's operating results for only six months from October 1, 2007 to March 31, 2008 are added to consolidated operating results for the consolidated fiscal year under review.

##### *Net Sales:*

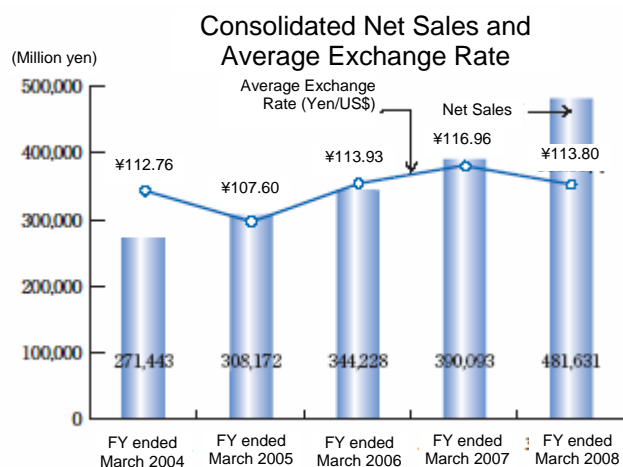
During the consolidated fiscal year under review, the Japanese economy remained generally firm. Capital investment grew and employment conditions improved, aided by strong corporate results. However, financial instability that stemmed from the U.S. subprime loan issue had adverse effects on not only the United States but also Europe and Japan. The appreciation of crude oil and raw material prices added to the instability and made the future of the economy more uncertain.

In the foreign exchange market, on average, the yen appreciated 2.7% against the U.S. dollar, and depreciated 7.5% against the euro and 12.7% against the Thai baht during the consolidated fiscal year under review, compared with the previous term.

In this environment, the Hoya Group experienced declining revenues in the Electro-Optics (EO) Division, a result of lower sales attributable to factors such as price cuts for certain major products and delayed responses to new products, despite the strong performance of other products centering on high-precision products. 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. In addition to these divisions, as stated earlier,

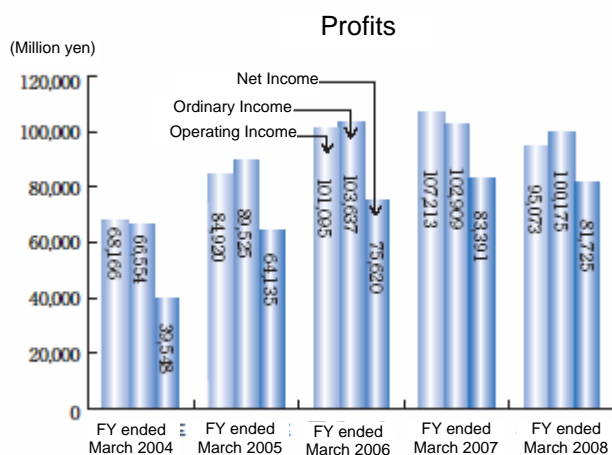
PENTAX and its subsidiaries contributed to consolidated results for six months of the consolidated fiscal year under review from October 1, 2007.

As a result of the developments described above and management integration with PENTAX, net sales increased 23.5% year-on-year to 481,631 million yen, the highest level ever.



*Profits:*

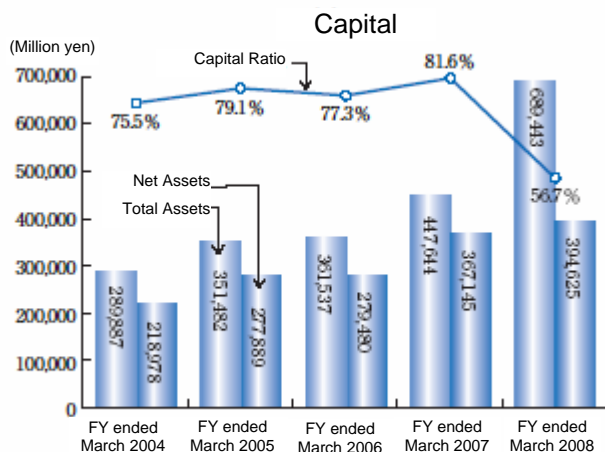
Operating income for the consolidated fiscal year under review declined 11.3% from the level of the previous year, primarily because of a profit decline caused by factors such as lower production yield ratios and higher manufacturing costs for certain high-difficulty products, in addition to the main cause of a revenue decline for the EO Division. The amortization of goodwill in connection with the PENTAX acquisition arose in the third quarter of the consolidated fiscal year under review. Digital cameras made no income contribution during the consolidated fiscal year under review, given the effects of inventory clearance carried out for old models and the like. As a result, ordinary income dropped 2.7% year-on-year, despite revenue improvement recorded by equity method affiliates. Net income declined 2.0% year-on-year, influenced by gains on the sale of land that had been recorded in the previous consolidated fiscal year. Net income per share was 189.01 yen, down 4.49 yen from the previous consolidated fiscal year.



*Capital:*

Current assets and fixed assets at the end of the consolidated fiscal year under review increased 134,566 million yen and 107,233 million yen, respectively, from the end of the previous consolidated fiscal year. As a result, total assets grew 241,799 million yen year-on-year, to 689,443 million yen. Liabilities increased 214,319 million yen year-on-year, to 294,818 million yen.

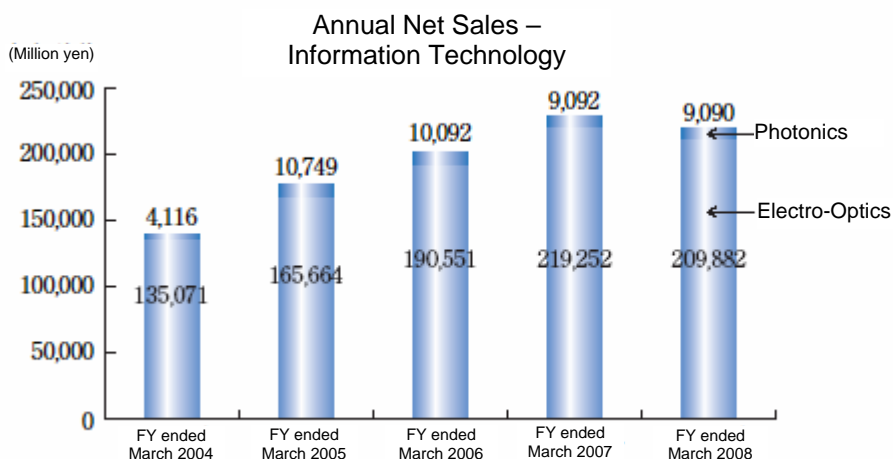
Net assets rose 27,480 million yen from the end of the previous consolidated fiscal year to 394,625 million yen. Capital ratio reached 56.7%. A breakdown of retained earnings can be found in "Consolidated Statements of Changes in Net Assets" on page 23.



\* 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 218,972 million yen (decreased 4.1% YOY)



Electro-Optics: consolidated net sales of 209,882 million yen (decreased 4.3% 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 rose across the market for high-precision and new next-generation products. However, orders for products in middle and lower grades slumped in Japan and other markets in both quantity and unit prices. The fourth quarter of the previous consolidated fiscal year was a period in which demands grew explosively for masks developed for digital consumer electronics. Revenue from these masks fell year-on-year because of this factor. Demand for large LCD masks grew at a sluggish pace, as liquid crystal panel manufacturers prioritized mass production over product development to respond to robust panel demands. Competition among mask manufacturers remained fierce and prices continue to slide. As a result, revenue from photo masks decreased year-on-year.

Revenue from glass disks for hard disk drives (HDDs) fell year-on-year, influenced by the delayed in-house launch of the vertical magnetic recording system in the first quarter. Decreased glass media production caused by the switch to the system was a key factor behind the decrease.

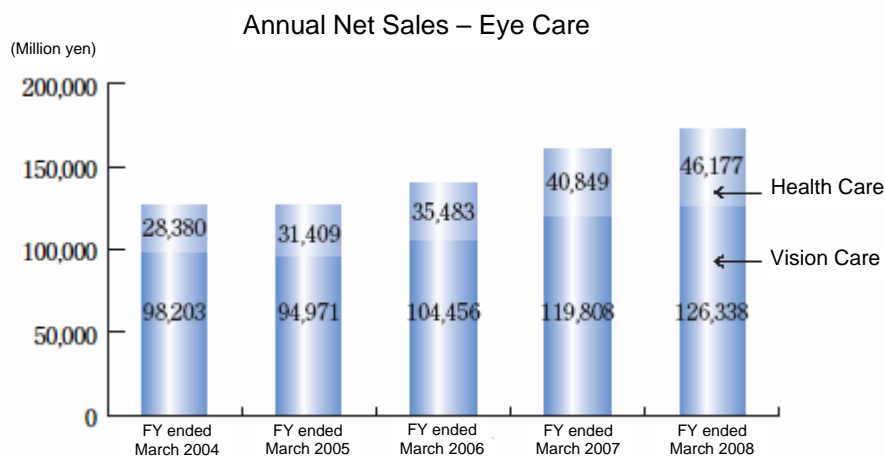
In optical lenses, markets for digital cameras and video cassette recorders continued to expand worldwide. The Company's aspheric molded lenses and polished lenses also performed well. Thanks to these factors, revenue from optical lenses grew year-on-year, despite rapid adjustment in the fourth quarter and a decline in orders for lenses used in mobile phones.

Photonics: consolidated net sales of 9,090 million yen (down 0.0% 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. Fierce competition continued in markets for these products. Nevertheless, net sales for this division finished almost on a par with the results of the previous consolidated fiscal year.

Eye Care: consolidated net sales of 172,515 million yen (increased 7.4% YOY)



Vision Care: consolidated net sales of 126,338 million yen (increased 5.5% 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. However, consolidated revenue in the domestic market decreased year-on-year, owing to stiff price competition in the low price range.

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.

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

Health Care: consolidated net sales of 46,177 million yen (increased 13.0% YOY)

Revenue from contact lens increased from the previous consolidated fiscal year, as a result of efforts made to distinguish outlets under the direct management of the Group from competitors through a consultative sales approach that took advantage of specialized product knowledge, as well as strong sales for high added-value products such as bifocal lenses.

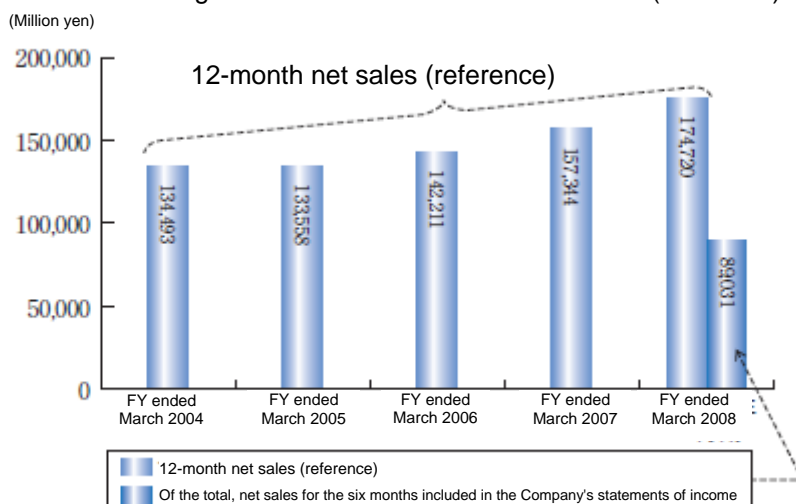
Revenue from intraocular lenses (IOL) used after cataract surgeries rose year-on-year, as soft IOL achieved strong results and new products sold steadily.

PENTAX: net sales of 89,031 million yen (increased -% YOY)

(Net sales for the six-month period consolidated in the Company's statements of income (from October 1, 2007 to March 31, 2008))

(Reference) net sales for the concerned 12-month period: 174,720 million yen (increased 11.0% YOY)

### Changes in 12-month net sales of PENTAX (reference)



The Company acquired a majority of the total number of outstanding PENTAX shares through a tender offer made in the consolidated interim period of the consolidated fiscal year under review. For this reason, PENTAX is included in the scope of consolidation starting in the concerned consolidated interim period. However, statements of income are consolidated from the third quarter of the consolidated fiscal year under review (the three-month period from October 1, 2007 to December 31, 2007). Consequently, the statements for the consolidated fiscal year under review include net sales for PENTAX for six months only.

For reference, this Report presents the sum of PENTAX results for the first six months of the consolidated fiscal year under review prior to their consolidation to the HOYA Group results and PENTAX results for the consolidated six months against PENTAX results for the previous consolidated fiscal year (from April 1, 2006 to March 31, 2007).

In the Life Care Division, PENTAX pursued regionally-based sales strategies geared to market demand for medical endoscopes, with initiatives such as the sale of models offering superior cost performance in the European market. During the consolidated fiscal year under review, PENTAX also commenced sales of the “i” series of new endoscope systems compatible with megapixel images in the United States in May, and earned high marks. As a result of these activities, revenue for the division increased year-on-year.

In the Imaging Systems Division, K10D, a middle-class digital SLR model marketed in November 2006, won camera awards and other plaudits in Japan and other countries, and contributed to digital SLR camera sales. During the consolidated fiscal year under review, PENTAX aggressively expanded its products by releasing K100D Super, a standard-class model, launching the new K20D and K200D models, and simultaneously introducing other new products equipped with interchangeable lenses. Meanwhile, prices of digital compact cameras continued to fall in step with their sales decline. As a result of these developments, sales for the division increased slightly from the previous consolidated fiscal year.

In the Optical Components Division, PENTAX substantially increased net sales of digital camera modules by developing and marketing new products, including thin, high-function models, which took advantage of the characteristics of sliding lens systems, and wide-use models, and by striving to acquire new customers. Sales decreased for micro lenses, influenced by factors such as reduced retail unit prices and the withdrawal from the HD DVD market. This decline notwithstanding, revenue for the division increased year-on-year.

Other businesses: consolidated net sales of 1,111 million yen (increased 2.0% YOY)

Other businesses consist of the Crystal Segment and Services Segment (covering businesses including system construction and outsourcing within the Group).

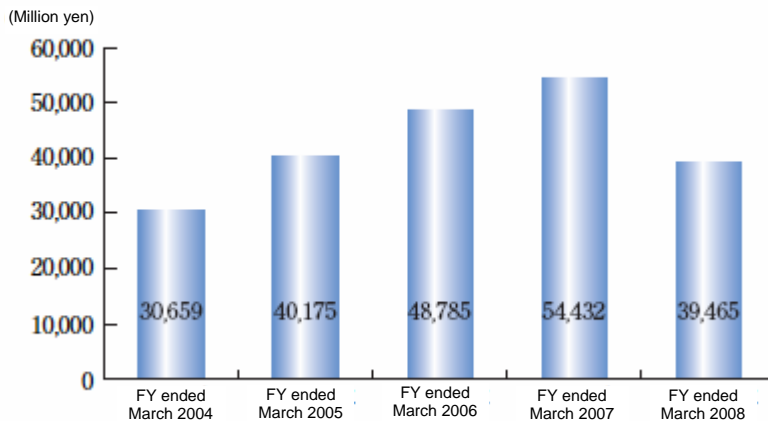
## 2. Overview of Capital Investment

The total capital investment of the HOYA Group amounted to 39,465 million yen during the consolidated fiscal year under review, a decrease of 14,967 million yen on a year-on-year basis.

Investment in the Electro-Optics Division with a view to the next generation, focusing on facility expansion for miniaturizing semiconductors-related products and glass disks for HDDs, which are enjoying robust demand, accounted for approximately 62% of the total investment by the Group.

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

## Capital Investment



### 3. Financing

The Company obtained loans from financial institutions to finance its tender offer to PENTAX. To repay the loans, the Company carried out the first issue of unsecured corporate bonds (five-year bonds worth 39,980 million yen), the second issue of unsecured corporate bonds (seven-year bonds worth 24,990 million yen) and the third issue of unsecured corporate bonds (10-year bonds worth 34,993 million yen) on September 5, 2007.

### 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

With PENTAX as the surviving company, our consolidated subsidiary PENTAX absorbed its five consolidated subsidiaries in Japan, including PENTAX Optotech Co., Ltd., effective March 30, 2008.

With the Company as the surviving company, the Company absorbed PENTAX, effective March 31, 2008.

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

The Company made a tender offer to PENTAX during the period from July 3, 2007 to August 6, 2007, acquired 90.58% of the total number of outstanding PENTAX shares, and transformed PENTAX and its 33 consolidated subsidiaries into its own consolidated subsidiaries effective August 14, 2007.

To expand and improve the marketing network for its eyeglass lenses, the Company purchased all shares in MORGAN OPTICAL, INC. in the United States on April 2, 2007 and all shares in FOCUS PREFERENCE SDN BHD in Malaysia on January 31, 2008, and placed these two companies under its scope of consolidation with such operations.

### 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.

(3) Management integration with PENTAX

The Company and PENTAX will establish strong operating foundations by taking advantage of the management resources they respectively and originally own in a manner complementary to each other. At the same time, the Company and PENTAX aim to create corporate value by developing attractive products with optical and precision processing technologies at which both companies excel, and by offering such products to a broader range of customers.

The Company and PENTAX will maintain the two brands of HOYA and PENTAX as their respective brands after their management integration, and will continue their efforts to improve their corporate images and raise their visibility, respectively.

**7. Changes in the State of Assets, Profits and Losses:  
Overview of Assets, Profits and Losses of the HOYA Group**

Classification	Term	67th fiscal year	68th fiscal year	69th fiscal year	70th fiscal year
		(ended March 31, 2005)	(ended March 31, 2006)	(ended March 31, 2007)	(consolidated fiscal year under review) (ended March 31, 2008)
Net sales	(million yen)	308,172	344,228	390,093	481,631
Net income	(million yen)	64,135	75,620	83,391	81,725
Net income per share	(yen)	144.71	171.71	193.50	189.01
Total assets	(million yen)	351,482	361,537	447,644	689,443
Net assets	(million yen)	277,889	279,480	367,145	394,625
Net assets per share	(yen)	623.59	648.87	845.98	903.49

- (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. Assets and net sales jumped in the 70th fiscal year, reflecting the inclusion of PENTAX in the scope of consolidation starting in the consolidated interim period, following the acquisition of a majority of the total number of outstanding PENTAX shares through a tender offer made to PENTAX. However, profits or losses for PENTAX recorded in the statements of income for the consolidated fiscal year under review are limited to the results for six months, as the consolidation of PENTAX results began in the third quarter of the concerned fiscal year (the three-month period from October 1, 2007 to December 31, 2007).
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 No8, 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. 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.
5. 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 (as of March 31, 2008)

Company name	Capital stock	Voting rights owned by the Company	Main business
HOYA HOLDINGS, INC. (U.S.A.)	5,488 thousand U.S. dollars	100.0%	Regional headquarters in North America
HOYA HOLDINGS N.V. (Netherlands)	9,929 thousand Euros	100.0%	Regional headquarters in Europe, controlling manufacture and sales of Vision Care products
HOYA HOLDINGS ASIA PACIFIC PTE LTD. (Singapore)	80,793 thousand Singaporean dollars	100.0% (100.0%)	Regional headquarters in Asia and Oceania
HOYA HEALTHCARE CORPORATION	810 million yen	100.0%	Sales and manufacturing of medical equipment including contact lenses

(Notes) 1. "Voting rights owned by the Company" (appearing in the table) are those owned indirectly.

2. As stated earlier, PENTAX and its subsidiaries are included in the scope of consolidation starting in the consolidated interim period in the consolidated fiscal year under review. Their inclusion caused the Company's subsidiaries to grow substantially in number. The above table shows headquarters for three overseas regions and consolidated subsidiaries in Japan set out in Item A, Subparagraph 6, Paragraph 1, Article 2 of the Corporation Law. The Company absorbed PENTAX effective March 31, 2008.

## 9. Major Businesses (as of March 31, 2008)

The businesses of the HOYA Group can be categorized into the Information Technology segment handling IT-related production goods, including semiconductors and liquid crystals, the Eye Care segment handling consumer goods, including eyeglass lenses, contact lenses and intraocular lenses, and the PENTAX segment handling medical equipment such as endoscopes and other products, including digital cameras and lens units. The major products and services handled by each division are shown below.

Business Category	Division	Products and services
Information Technology	Electro-Optics	Photomasks and Maskblanks for semiconductors, Masks for Devices for liquid-crystal displays (LCDs), Glass disks for hard disk drives (HDDs), Optical lenses, optical glasses, electronic glasses, Optical communication related devices, etc.
	Photonics	Laser equipments for industrial, dental, and medical purposes, Light sources for electronics industry, special optical glasses, etc.
Eye Care	Vision Care	Eyeglass lenses, eyeglass frames, etc.
	Health Care	Contact lenses and accessories, intraocular lenses, etc.
PENTAX		(Life care) Endoscopes, Medical Accessories, APACERAM bone prostheses, CHT Ceramic Hydroxyapatite, etc.
		(Imaging system) Digital cameras, interchangeable lenses, CCTV lenses, etc.
		(Optical components) Digital camera modules, Micro lenses, etc.
Others		Crystal glass products; Design of information systems, etc.

(Note) PENTAX is undertaking three core businesses. This Report shows segment information by field and by business category under the heading "PENTAX."

**10. Head Office, Principal Places of Business, and Plants (as of March 31, 2008)**

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

## 11. Employees (as of March 31, 2008)

Employees of the HOYA Group

### (1) By Division

Division	Number of employees	Year-on-year comparison
Electro-Optics	20,682	Up 1,112
Photonics	185	Down 14
Vision Care	7,547	Up 41
Health Care	970	Up 60
Pentax	5,885	Up 5,885
Others	215	Up 17
Corporate	61	Down 6
Total	35,545	Up 7,095

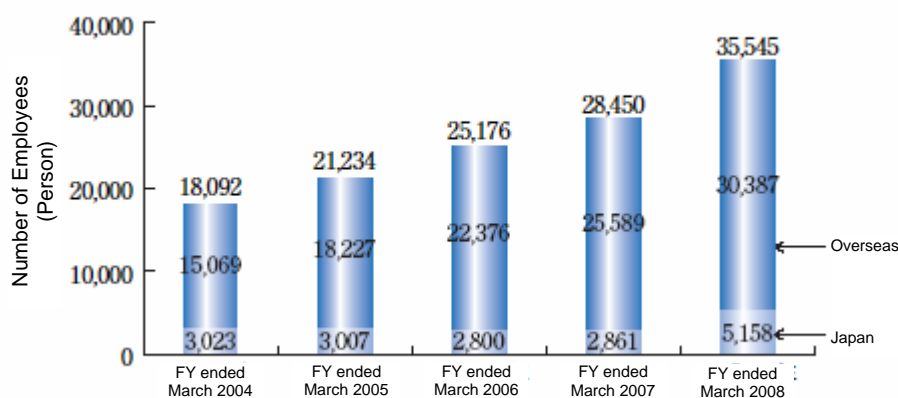
- (Notes) 1. The numbers of employees shown above refers to the number of working personnel. These numbers include official employees only. Part-time employees and employees on short-term contracts are not included.  
 2. Corporate refers to the number of employees in the Global Headquarters and regional headquarters overseas.  
 3. The number of employees increased markedly, rising 7,095 persons from the end of the previous consolidated fiscal year, owing primarily to the inclusion of the PENTAX workforce.  
 4. Employees at HOYA CORPORATION numbered 5,205 (up 2,156 year-on-year). Their ages and service periods averaged 42.5 and 16.5, respectively.

### (2) By Region

Region	Number of employees	Year-on-year comparison
Japan	5,158	Up 2,297
North America	2,010	Up 630
Europe	2,862	Up 433
Asia	25,515	Up 3,735
Total	35,545	Up 7,095

### (3) Changes in the number of employees

Consolidated Number of Employees



## 12. Major Lenders (as of March 31, 2008)

Lenders	Loans payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,603 million yen
Mizuho Corporate Bank, Ltd.	4,054 million yen
Syndicated loans	14,125 million yen

- (Note) Syndicated loans resulted from joint financing by 34 financial institutions and joint financing by seven financial institutions arranged by Mizuho Corporate Bank, Ltd., joint financing by seven financial institutions arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and joint financing by ten financial institutions arranged by Resona Bank, Limited.

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

The Company decided to sell a 21.5% of its shareholding in NH TECHNO GLASS CORPORATION, its equity method affiliate with a 50% equity holding, to the Carlyle Group, and concluded a share transfer agreement with the Group on May 9, 2008. Details of the agreement are stated in “**Important Post-Balance Sheet Events**” on page 30 and 41.

## II. Current State of the Company

### 1. State of Shares (as of March 31, 2008):

- (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: 82,383 persons  
(A decrease of 11,183 persons from the end of the previous fiscal year)
- (4) Number of shares constituting one unit: 100 shares
- (5) Principal shareholders:

Rank	Name	Investment in the Company	
		Number of shares (Hundred shares)	Percentage of investment %
1	JPMorgan Chase Bank 380055	283,363	6.55
2	Japan Trustee Services Bank, Limited (Trust Account)	255,679	5.91
3	The Master Trust Bank of Japan, Limited (Trust Account)	201,351	4.65
4	State Street Bank and Trust Company	145,279	3.36
5	The Dai-Ichi Mutual Life Insurance Company	115,306	2.66
6	State Street Bank and Trust Company 505103	112,313	2.59
7	Deutsche Bank Trust Company Americas	106,418	2.46
8	Mamoru Yamanaka	90,197	2.08
9	Nippon Life Insurance Company	74,426	1.72
10	The Chase Manhattan Bank N.A., London S.L. Omnibus Account	73,929	1.71

- (Notes) 1. None of the shareholders in the list of shareholders (and the list of beneficiary shareholders) owns one-tenth or more of the aggregate number of outstanding shares. The Company, however, received a substantial shareholding report (its copy) dated November 20, 2007 (date on which the reporting obligation arose: November 13, 2007) from the Capital Research and Management Company. According to the report, five companies, including the Capital Research and Management Company, own a combined total of 58,673,030 shares (13.6% of capital contribution). The Company, however, listed the top ten shareholders in the list of shareholders (and the list of beneficiary shareholders) in this Report, as verifying them with shareholders in the list shareholders (and the list of beneficiary shareholders) was impossible in practical terms.
2. 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.
3. The percentage of investment is calculated by deducting treasury stocks (2,158,291 stocks).

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

Stock acquisition rights owned by Directors of the Company that have been issued as compensation for their execution of duties (as of March 31, 2008):

- (1) First issue of stock acquisition rights resolved at the meeting of the Board of Directors held on October 21, 2002  
The first issue of stock acquisition rights ceased to exist, as the period for their exercise had elapsed.
- (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:
    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)	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 third 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

(7) Seventh issue of stock acquisition rights resolved at the meeting of the Board of Directors held on October 29, 2007

- Number of stock acquisition rights:  
194 rights
- Class and number of shares to be issued on exercise of stock acquisition rights:  
77,600 shares of common stock
- Exercise price of stock acquisition rights:  
4,230 yen per share
- Period during which stock acquisition rights can be exercised:  
From October 1, 2008 to September 30, 2017
- 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 as Director or employee of its affiliates when the grantee exercises the rights. Provided, however, grantees may, with certain exceptions, exercise the number of granted rights exercisable at the time of their departure from office on the expiration of the term of office or at the time of their retirement at the mandatory age limit (hereinafter referred to as the maximum number of stock acquisition rights that can be exercised) when the grantee leaves office for such reasons. Grantees may not exercise rights in excess of the maximum number of stock acquisition rights that can be exercised at their departure from office on expiration of the term of office or at their retirement under the mandatory age limit.
  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 October 1 each year to September 30 of the following

- year) 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.
  5. No stock acquisition right can be exercised partially.
- 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)	144 rights	57,600 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 the fifth through seventh issue of stock acquisition rights.

### 3. Directors of the Company

#### (1) Directors and Executive Officers (as of March 31, 2008)

Name	Position and role at the Company	Representation at other corporations, etc.
Takeo Shiina	Director Chairman, Nomination Committee Audit Committee member Remuneration Committee member	Advisor of IBM Japan, Ltd.
Yuzaburo Mogi	Director Chairman, Remuneration Committee Nomination Committee member Audit Committee member	Representative Director, Chairman and CEO of Kikkoman Corporation
Yoshikazu Hanawa	Director Nomination Committee member Audit Committee member Remuneration Committee member	Honorary Chairman of Nissan Motor Co., Ltd.
Eiko Kono	Director Nomination Committee member Audit Committee member Remuneration Committee member	Special Advisor, RECRUIT Co., Ltd.
Yukiharu Kodama	Director Chairman, Audit Committee Nomination Committee member Remuneration Committee member	Chairman of the Mechanical Social Systems Foundation
Hiroshi Suzuki	Director President & CEO	
Kenji Ema	Director Executive Officer Chief Financial Officer	
Hiroaki Tanji	Director Executive Officer 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 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.
3. Based on the decision of the Nomination Committee, the Company appointed Mr. Hiroshi Hamada as its chief operating officer (COO) and executive officer at the Board of Directors meeting held on March 28, 2008. Hamada assumed the positions on April 10, 2008.

Name	Position and role at the Company	Representation at other corporations, etc.
Hiroshi Hamada	Executive officer Chief operating officer	

(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, 2007 to March 31, 2008)

Classification	Number of payees	Amount of payments
Directors (of which, Outside Directors)	8 persons (5)	77 million yen (53)
Executive Officers	3	296
Total	8	374

(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 174 million yen paid as bonuses for Executive Officers in the fiscal year under review.

3. The amount of remuneration and others includes 14 million yen paid as remuneration in the form of stock options (including the aggregate amount of 3 million yen paid to five Outside Directors).

(4) Outside Directors

(i) Status of Outside Directors' concurrent service as executive officers and outside directors of other companies (as of March 31, 2008)

Name	Companies, corporations, etc. under concurrent service	Contents of concurrent service
Takeo Shiina	Mercian Corporation The Juroku Bank, Ltd.	Outside Director Outside Auditor
Yuzaburo Mogi	Kikkoman Corporation Meiji Yasuda Life Insurance Company TOBU RAILWAY CO., LTD. Fuji Television Network, Inc.	Representative Director, Chairman and CEO Outside Director Outside Auditor Outside Auditor
Eiko Kono	Mitsui Sumitomo Insurance Co., Ltd.	Outside Director
Yukiharu Kodama	Mitsui O.S.K. Lines Asahi Kasei Corporation	Outside Director Outside Director

(Note) Director Yuzaburo Mogi occupies the positions of chairman and chief executive officer (CEO) at Kikkoman Corporation. However, the Company has no important business relationship with Kikkoman.

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

Name	Major Activities
Takeo Shiina	<p>Mr. Shiina attended ten of the 11 meetings of the Board of Directors and all meetings of the Audit Committee 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 other committees, Mr. Shiina attended all meetings of the Remuneration Committee and all meetings of the Nomination Committee. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision. As for specific services, Mr. Shiina led discussion toward Committee decisions 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.</p>
Yuzaburo Mogi	<p>Mr. Mogi attended ten of the 11 meetings of the Board of Directors and six of the eight meetings of the Audit Committee 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 other committees, Mr. Mogi attended six of the seven meetings of the Remuneration Committee and all meetings of the Nomination Committee. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision. As for specific services, Mr. Mogi led discussion of agenda items toward Committee decisions 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.</p>
Yoshikazu Hanawa	<p>Mr. Hanawa attended all meetings of the Board of Directors and all meetings of the Audit Committee 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 other committees, Mr. Hanawa attended all meetings of the Remuneration Committee and all meetings of the Nomination Committee. 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 ten of the 11 meetings of the Board of Directors and seven of the eight meetings of the Audit Committee held during the fiscal year under review, and made useful contributions to the discussion of items on the agenda, based on her substantial management experience and expertise.</p> <p>As for other committees, Ms. Kono attended six of the seven meetings of the Remuneration Committee and all meetings of the Nomination Committee. 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 and all meetings of the Audit Committee 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 substantial experience and expertise he has gained at financial institutions.</p> <p>As for other committees, Mr. Kodama attended all meetings of the Remuneration Committee and all meetings of the Nomination Committee. As an Outside Director, he made remarks from a fair and impartial position as the occasion required, and fulfilled his role in management supervision. As for specific services, Mr. Kodama led discussion toward Committee decisions of 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.</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	141 million yen
Aggregate amount of monetary and other asset gains the Company and its subsidiaries owe to accounting auditors	198 million yen

- (Notes) 1. The audit agreement between the Company and its accounting auditors makes no clear distinction between the amount of audit fees based on the Corporation Law and the audit remuneration, etc. based on the Financial Instruments Exchange Law. For this reason, the total amount of remuneration, etc. for the accounting auditors is stated as the amount of remuneration, etc. for the fiscal year under review.
2. The Company compensates its accounting auditors for their counsel on the internal control establishment, etc. as a service other than operations prescribed in Paragraph 1, Article 2 of the Certified Public Accountants Law (non-audit operations).
3. 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.
4. PENTAX subsidiaries have been audited by Ernst & Young and other parties.

(3) 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. Frameworks and Policies of the Company**

#### **1. Frameworks and Policies Concerning Internal Control Systems**

##### 1) System for Ensuring Adequacy of Operations:

Contents of the resolutions the Board of Directors of the Company made with regard to internal control systems set out in items B and E., Subparagraph 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 for Eliminating Antisocial Forces

A meeting of the Board of Directors resolved to adopt the following basic policy for the elimination of antisocial forces.

We shall have no association whatsoever with antisocial forces, and deal with undue claims made by such forces resolutely as an organization in cooperation with specialized external agencies.

## **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.

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. In addition, the Company plans to invest in timely mergers and acquisitions to bolster corporate value by aggressively pursuing possibilities, in addition to funding research and development to improve its competitiveness.

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.

[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, 2008

Item	Amount	Item	Amount
<b>(Assets)</b>	Million yen	<b>(Liabilities)</b>	Million yen
<b>Current assets</b>	<b>410,272</b>	<b>Current liabilities</b>	<b>168,855</b>
Cash and deposits	181,467	Notes and accounts payable – trade	55,539
Notes and accounts receivable – trade	120,521	Short-term debt	6,465
Inventories	82,822	Long-term loans scheduled for repayment	8,749
Deferred tax assets	10,867	Commercial papers	6,191
Other current assets	16,982	Accrued income taxes	30,793
Allowance for doubtful receivables	-2,388	Accrued expenses	22,514
		Accrued bonus to employees	7,452
<b>Fixed assets</b>	<b>279,170</b>	Accrued bonus for Directors	68
<b>Tangible fixed assets</b>	<b>152,202</b>	Accrued warranty cost	977
Buildings and structures	40,636	Other current liabilities	30,103
Machinery and vehicles	67,264	<b>Long-term liabilities</b>	<b>125,962</b>
Tools, equipment and fixtures	17,202	Corporate bonds	99,966
Land	16,887	Long-term loans payable	13,268
Construction in progress	10,211	Allowance for retirement benefits for employees	10,210
		Reserve for periodic repairs	1,017
<b>Intangible fixed assets</b>	<b>56,304</b>	Deferred tax liabilities	185
Goodwill	32,680	Other long-term liabilities	1,314
Other intangible fixed assets	23,624		
		<b>Total liabilities</b>	<b>294,818</b>
<b>Investments and other assets</b>	<b>70,663</b>	<b>(Net assets)</b>	
Investment securities	22,202	<b>Shareholders' equity</b>	<b>388,066</b>
Deferred tax assets	41,159	Common stock	6,264
Other assets	7,626	Capital surplus	15,898
Allowance for doubtful receivables	-325	Retained earnings	373,887
		Treasury stock – at cost	-7,984
		<b>Valuation and translation adjustments</b>	<b>3,016</b>
		Net unrealized gain (loss) on other non-current investments	-834
		Foreign currency translation adjustments	3,851
		<b>Stock acquisition rights</b>	<b>632</b>
		<b>Minority interests</b>	<b>2,909</b>
		<b>Total net assets</b>	<b>394,625</b>
<b>Total assets</b>	<b>689,443</b>	<b>Total liabilities and net assets</b>	<b>689,443</b>

## Consolidated Statements of Income

From April 1, 2007

to March 31, 2008

Item	Amount	
		Million yen
<b>Net sales</b>		<b>481,631</b>
<b>Cost of sales</b>		<b>262,944</b>
<b>Gross profit</b>		<b>218,686</b>
<b>Selling, general and administrative expenses</b>		<b>123,612</b>
<b>Operating income</b>		<b>95,073</b>
<b>Non-operating income</b>		
Interest income	4,566	
Equity in earnings of associated companies	5,925	
Others	6,075	<b>16,567</b>
<b>Non-operating expenses</b>		
Interest expense	1,451	
Sales Discount	943	
Loss on foreign exchange	5,446	
Others	3,624	<b>11,466</b>
<b>Ordinary income</b>		<b>100,175</b>
<b>Extraordinary income</b>		
Gain on sale of property, plant and equipment	519	
Reversal of allowance for doubtful receivables	168	
Others	138	<b>825</b>
<b>Extraordinary losses</b>		
Additional retirement benefits paid to employees	1,920	
Expenses for improvements on environment	1,612	
Loss on disposal of fixed assets	1,125	
Write-down of investment securities	908	
Impairment loss	581	
Others	299	<b>6,448</b>
<b>Income before income taxes and other items</b>		<b>94,552</b>
Income taxes – Current	34,549	
Income taxes – Deferred	-20,082	14,467
<b>Minority interests in net loss</b>		<b>1,639</b>
<b>Net income</b>		<b>81,725</b>

## Consolidated Statements of Changes in Net Assets

**From April 1, 2007  
to March 31, 2008**

(Million yen)

	Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock – at cost	Advance payment of premium for treasury stocks	Total shareholders' equity
Balance as of March, 31, 2007	6,264	15,898	322,513	-12,753	1	331,924
Changes during the consolidated current fiscal year under review						
Dividends from retained earnings			-28,089			-28,089
Net income			81,725			81,725
Acquisition of treasury stocks				-12		-12
Disposition of treasury stocks			-2,261	4,782	-1	2,519
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	-	-	51,374	4,769	-1	56,142
Balance as of March 31, 2008	6,264	15,898	373,887	-7,984	-	388,066

	Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gain (loss) on other marketable securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of March, 31, 2007	-85	33,263	33,177	167	1,876	367,145
Changes during the consolidated current fiscal year under review						
Dividends from retained earnings						-28,089
Net income						81,725
Acquisition of treasury stocks						-12
Disposition of treasury stocks						2,519
Changes (net amounts) in items other than shareholders' equity during the current consolidated fiscal year under review	-749	-29,411	-30,161	465	1,033	-28,662
Total changes during the current consolidated fiscal year under review	-749	-29,411	-30,161	465	1,033	27,479
Balance as of March 31, 2008	-834	3,851	3,016	632	2,909	394,625

## (Reference) Consolidated Statements of Cash Flows

**From April 1, 2007  
to March 31, 2008**

Item	Amount
<b>I. Operating activities</b>	Million yen
Income before income taxes and other items	94,552
Depreciation and amortization	44,876
Impairment loss	581
Increase in allowance for doubtful receivables	557
Increase in accrued bonus to employees	1,132
Increase in reserve for periodic repairs	125
Interest and dividend received	-4,595
Interest paid	1,451
Gain on foreign exchange	-2,121
Equity in earnings of associated companies	-5,925
Gain on sale of property, plant and equipment	-519
Loss on disposal of property, plant and equipment	1,125
Write-off and write-down of investment securities	871
Others	12,078
Decrease in notes and accounts receivables	6,254
Increase in inventories	-7,163
Decrease in other current assets	1,039
Decrease in notes and accounts payables	-3,169
Increase in unpaid consumption tax, etc.	42
Increase in other current liabilities	874
<b>Sub-total</b>	<b>142,068</b>
Interest and dividend received	4,419
Interest paid	-1,397
Legal settlement paid	-321
Income and other taxes paid	-24,960
<b>Net cash provided by operating activities</b>	<b>119,809</b>
<b>II. Investing activities</b>	
Purchases of property, plant and equipment	-38,888
Proceeds from sales of property, plant and equipment	1,215
Proceeds from sales of investment securities	26
Acquisition of shares in subsidiaries that accompanied the change in the scope of consolidation	-72,462
Expenditure for loans	-181
Income from collection of loans	101
Expenditure for other investments	-3,225
Income from other investments	376
<b>Net cash used in investing activities</b>	<b>-113,036</b>
<b>III. Financing activities</b>	
Net short-term borrowings and expenditure for short-term loan repayment	-3,881
Long-term borrowings and income from corporate bond issuance	99,803
Expenditure for long-term loan repayment	-1,866
Acquisition of treasury stock	-29
Sale of treasury stock	2,518
Dividends paid by the parent company	-28,075
Dividends paid to minority interests	-215
<b>Net cash used in financing activities</b>	<b>68,252</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>-14,311</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>60,713</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>120,621</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>181,335</b>

(Note) Cash flow figures bearing – denote outflows 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: 100 companies

Major consolidated subsidiaries: HOYA HOLDINGS, INC., HOYA HOLDINGS N.V.,  
HOYA HOLDINGS ASIA PACIFIC PTE LTD.,  
PENTAX OF AMERICA, INC.,  
PENTAX EUROPE GMBH,  
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: 8 companies

Name of major affiliates: NH TECHNO GLASS CORPORATION,  
PrimeOptics., Co., Ltd.

##### (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 41, including five new companies and 36 acquisition. Meanwhile, mergers among subsidiaries reduced the number of consolidated subsidiaries by five. Another subsidiary disappeared with its merger into the holding company, and two more subsidiaries ceased to exist due to liquidation. As a result, the number of consolidated subsidiaries increased by 33.

#### 4. Fiscal years of consolidated subsidiaries

The fiscal years of the 11 consolidated subsidiaries located in the People's Republic of China and one consolidated subsidiary located in the United States end on December 31.

All 100 consolidated subsidiaries report quarterly results. Financial documents based on the results current as of the 4th quarter (March 31) are used for the 11 consolidated subsidiaries located in the People's Republic of China and one consolidated subsidiary located in the United States when preparing the consolidated financial documents. Financial documents based on the results current as of March 20 are used for one consolidated subsidiary located in Japan.

#### 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 derivatives

Market value method

##### (3) Standards and methods for evaluation of inventories

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

##### (4) 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. The useful life of buildings is 10 to 50 years and that of machinery and equipment is 3 to 12 years.

(Changes in accounting policies)

In accordance with the revision of the Corporation Tax Law, starting in the consolidated fiscal year under review, a depreciation method based on the revised Corporation Tax Law is used for tangible fixed assets acquired on or after April 1, 2007. The change caused operating income, ordinary income and income before taxes and other items to decrease by 425 million yen, respectively.

(Additional information)

Following the revision of the Corporation Tax Law, assets acquired on and prior to March 31, 2007 are depreciated by writing off the difference between an amount equivalent to 5% of the acquisition value and the memorandum value in a straight line, starting in the fiscal year following the fiscal year during which depreciation through the application of the depreciation method based on the pre-revision Corporation Tax Law reaches 5% of the acquisition value. The change has minor impact on income before income taxes.

Intangible fixed assets:

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

Goodwill is amortized in a straight line in 20 or less years by estimating the period in which investment in respective subsidiaries shows effects. Insignificant assets are depreciated in a lump sum.

##### (5) 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) Allowance for product warranties, etc.:
- To prepare for after-sales service expenses for sold products that are anticipated to arise within their warranty periods, an allowance is provided on the basis of results for past fiscal years and forecasts for future warranty expenses. Some of the overseas subsidiaries primarily record estimates based on their net sales and the like.
- (v) Allowance for retirement benefits:
- To prepare for retirement benefits payment to employees, an amount deemed to have accrued at the end of the consolidated fiscal year under review is provided as an allowance in certain divisions and overseas subsidiaries, based on estimated amounts of retirement benefit obligations and pension assets at the end of the year.
- With respect to past service liabilities, an amount proportionally distributed using the straight-line method based on fixed years (10 years) within the average remaining employment period of employees at the point of their accrual is accounted for.
- With regard to actuarial differences, an amount proportionally distributed in the straight-line method based on fixed years (10 years) within the average remaining employment period of employees at the point of their accrual in each consolidated fiscal year is accounted for, starting in the following consolidated fiscal year.
- (vi) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.

#### Notes to the Consolidated Balance Sheets

- The amounts shown are rounded down to the nearest million yen.
  - Accumulated depreciation of tangible fixed assets: 238,399 million yen
  - Liabilities for guarantee: 2,072 million yen
- The Company guarantees transactions with its business customers and transactions employees of the Group have with financial institutions.
- Discounts on notes receivable 1,551 million yen

#### Notes to the Consolidated Statements of Income

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

(1) 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.

Buildings and structures	56 million yen
Tools, equipment and fixtures	30
Others	42
Total	129

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%.

(2) Rights in the Health Care Division (the United States)

Location	Use	Asset Class
San Diego (the United States)	Health care product research	Intangible fixed assets

In the consolidated fiscal year under review, the book value of the rights that had been recorded as intangible fixed assets was reduced to their recoverable value, and the reduced value was accounted for as an impairment loss under extraordinary losses, in view of the possibility of the cancellation of the noncompetitive provision assumed as the grounds for such rights.

Intangible fixed assets	211 million yen
Total	211

The recoverable value of the asset group was measured on the basis of its utility value. The recoverable value was calculated by reducing future cash flow at the rate of 5%.

(3) Assets for the surveying instrument business in the PENTAX Division

Location	Use	Asset Class
Ogawa-machi, Saitama	Assets for the surveying instrument business	Buildings and structures

The PENTAX Division reduced the book value of the asset group associated with the surveying instrument business to the recoverable value, and recorded the reduced value as an impairment loss under extraordinary losses, in view of a sharp decline of the business. The details are as follows.

Buildings and structures	73 million yen
Tools, equipment and fixtures	64
Others	11
Total	149

The recoverable value of the concerned asset group was measured on the basis of its utility value. The recoverable value was calculated by reducing future cash flow at the rate of 5%.

(4) Idle assets

Location	Use	Asset Class
Müllheim (Germany)	Idle assets	Buildings
Itabashi-ku, Tokyo	Idle assets	Machinery

The book value of idle assets stated above was reduced to their recoverable value, and the reduced value was accounted for as impairment loss under extraordinary loss, in view of the absence of the plan for their future use and a marked decline in their market value compared with their book value. The details are as follows.

Buildings and structures	61 million yen
Machinery and vehicles	29
Total	91

The recoverable value of the assets was measured on the basis of their net sale price.

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

- The amounts shown are rounded down to the nearest million yen.
- 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	3,447,681 shares	3,407 shares	1,292,797 shares	2,158,291 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:	3,407 shares
Decrease due to sale of treasury stock less than one unit:	397 shares
Decrease due to the exercise of stock options:	1,292,400 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 31, 2007:

• Total amount of dividends:	15,104 million yen
• Dividends per share:	35 yen
• Record date:	March 31, 2007
• Effective date:	June 4, 2007

(ii) Matters concerning dividends based on the resolution at the meeting of the Board of Directors held on October 29, 2007:

• Total amount of dividends:	12,984 million yen
• Dividends per share:	30 yen
• Record date:	September 30, 2007

- Effective date: November 26, 2007
- (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 22, 2008:
    - Total amount of dividends: 15,150 million yen
    - Dividend resource: Retained earnings
    - Dividends per share: 35 yen
    - Record date: March 31, 2008
    - Effective date: June 2, 2008
- 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: 2,718,800 shares

**Notes to per-share information**

- (1) Net assets per share: 903.49 yen
- (2) Net income per share: 189.01 yen

**Matters relating to business combination, and application of the purchase method**

1. Name of the acquired company, description of its businesses, major reasons for business combination, business combination date, legal form for business combination, name of the concerned company after business combination and ratio of acquired voting rights

- (1) Name of the acquired company and description of its businesses

Acquired company: PENTAX Corporation

Business description: Manufacture, sale, etc of life care products, imaging systems and optical components

- (2) Reasons for business combination

The Company and PENTAX Corporation aim to establish strong operating foundations by using management resources they respectively own in a manner supplementary to each other. The two companies also seek to create corporate value by developing attractive products with optical and precision processing technologies at which they excel and offering the products to a broader range of customers.

Following the management integration, the Company and PENTAX Corporation are working to optimize their business portfolios, and aim at further bolstering their competitiveness.

- (3) Business combination date

August 14, 2007

- (4) Legal form for business combination

Share acquisition

- (5) Name of the concerned company after business combination

PENTAX Corporation

- (6) Ratio of acquired voting rights

90.58% (Note: The Company and PENTAX Corporation merged in March 2008. Details of their merger are stated in "business relations under common control.")

2. Period of the acquired company's results included in consolidated financial statements for the consolidated fiscal year under review
  - The acquired company's results during the period from October 1, 2007 to March 31, 2008 are consolidated.

3. Cost of acquiring the company and its breakdown

Share acquisition expenses 94,482 million yen

Direct expenditure on share acquisition 296 million yen

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Acquisition cost 94,778 million yen

4. Accrued amount of goodwill or negative goodwill, causes for its accrual, amortization method and amortization period

- (1) Amount of goodwill

27,225 million yen

- (2) Cause for its accrual

The market value of net assets at the time of business combination fell short of the acquisition cost. For this reason, the difference is recognized as goodwill.

- (3) Amortization method and amortization period

Straight-line amortization in 10 years

5. Assets received and liabilities succeeded on the business combination date, and their major constituents

Current assets 100,132 million yen

Fixed assets 74,056 million yen

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Total assets 174,188 million yen

Current liabilities 67,822 million yen

Long-term liabilities 30,375 million yen

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Total liabilities 98,197 million yen

6. Estimated effects on consolidated statements of income for the consolidated fiscal year under review in case business combination is presumed to have been completed on the first day of the fiscal year

Net sales	85,689 million yen
Operating income	956 million yen
Ordinary income	-169 million yen
Income before income taxes and other items	-1,725 million yen
Net income	-1,195 million yen
Net income per share	-2.76 yen

(Method for calculating estimated amounts and important premises)

Estimated amounts were calculated retroactive to the first day of the consolidated fiscal year under review, based on figures presented in statements of income for the period from April 1, 2007 to September 30, 2007. Estimated net sales and losses stated above were calculated by assuming that the business combination had been completed on the first day of the consolidated fiscal year, and that the acquired company's voting rights had been owned at the rate of 100% from the first day.

The amounts stated above include adjustments for goodwill amortization and interest cost, etc. These amounts have not been verified through audit.

#### **Matters relating to business combination, and business relations, etc. under common control**

(Summary of transaction)

The Company merged its five consolidated subsidiaries, namely PENTAX Optotech Co., Ltd., PENTAX Tohoku Co., Ltd., PENTAX Fukushima Co., Ltd., PENTAX Service Co., Ltd. and PENTAX Incubation Co., Ltd., into PENTAX Corporation effective March 30, 2008. The Company merged PENTAX Corporation by absorption on March 31, 2008.

(Major reason for business combination)

The Company and PENTAX Corporation reached an agreement for integrating their management for the purposes of establishing strong operating foundations by using management resources in their possession in a manner supplementary to each other, generating synergies, and accelerating new growth for the future. Based on this agreement, the Company made a tender offer to PENTAX Corporation and, as a result of the offer, made PENTAX Corporation a consolidated subsidiary.

The Company reached the conclusion that management mobility and flexibility were essential for strengthening PENTAX Corporation's core businesses and that integration in the form of a merger, as it had originally planned, was the best way that allows PENTAX Corporation divisions to make business judgment and take business actions as speedily as the Company's divisions, and optimizes the distribution of management resources in the integral framework of the Hoya Group, instead of small subsidiary frameworks. The Company firmly believes that the merger and integration of PENTAX Corporation divisions into itself make the Group organization flatter, compared with the maintenance of PENTAX Corporation as its subsidiary, and permit the Hoya Group to make business judgments flexibly and speedily, and to achieve further growth in new fields with appropriate resource distribution.

1. Merger involving six consolidated subsidiaries, namely, PENTAX Corporation, PENTAX Optotech Co., Ltd., PENTAX Tohoku Co., Ltd., PENTAX Fukushima Co., Ltd., PENTAX Service Co., Ltd. and PENTAX Incubation Co., Ltd.

(1) Names of companies involved in business combination, description of their businesses, business combination date, legal form for business combination, and name of the company formed through business combination

① Names of companies involved in business combination and description of their businesses

Combining company: PENTAX Corporation

Business description: Manufacture and sale, etc. of life care products, imaging systems and optical components

Combined company: PENTAX Optotech Co., Ltd.

Business description: Manufacture and sale of optical components, precision components, machinery and tools

Combined company: PENTAX Tohoku Co., Ltd.

Business description: Manufacture of medical equipment

Combined company: PENTAX Fukushima Co., Ltd.

Business description: Manufacture of optical components

Combined company: PENTAX Service Co., Ltd.

Business description: Repair of optical components

Combined company: PENTAX Incubation Co., Ltd.

Business description: Research and development of medical equipment

② Business combination date

March 30, 2008

③ Legal form for business combination and name of the company formed through business combination

The legal form for this business combination is merger by absorption with PENTAX Corporation as the surviving company. The name of the company formed through business combination is PENTAX Corporation. No share issuance or capital increase resulted from the merger.

(2) Summary of accounting procedures

The merger stated above is eliminated in its entirety as internal transaction, as it corresponds to a transaction, etc. under common control. For this reason, the concerned accounting treatment has no impact on consolidated financial documents.

2. Merger of the Company and PENTAX Corporation

(1) Names of companies involved in business combination, description of their businesses, business combination date, legal form for business combination, and name of the company formed through business combination

① Names of companies involved in business combination and description of their businesses

Combining company: HOYA CORPORATION (the Company)  
 Business description: Manufacture and sale, etc. of electro-optics, vision care and healthcare products  
 Combined company: PENTAX Corporation  
 Business description: Manufacture and sale, etc. of life care products, imaging systems and optical components

- ② Business combination date  
 March 31, 2008
- ③ Legal form for business combination and name of the company formed through business combination  
 The legal form for this business combination is merger by absorption with the Company as the surviving company and PENTAX Corporation as the company ceasing to exist. The name of the company formed through business combination is HOYA CORPORATION. No share issue or capital increase resulted from the merger.

- (2) Summary of accounting procedures  
 The merger stated above was processed as a transaction, etc. under common control in accordance with the Accounting Standard for Business Combinations (issued by the Business Accounting Council on October 31, 2003) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Separation of Businesses and the Like (Implementation Guidance on Accounting Standards No. 10 issued on December 27, 2005). Assets and liabilities the Company took over from the expired company are based on their accurate book values recorded on the day before the merger date. Their corrected book values are recorded when the book values of the expired company's net assets and the like are corrected in consolidated financial documents.

- (3) Items relating to cash payment on merger to minority shareholders

① Acquisition cost and its breakdown

Share acquisition expenses	9,756 million yen
<u>Direct expenditure on share acquisition</u>	<u>— million yen</u>
Acquisition cost	9,756 million yen

- ② Money paid for acquisition and its calculation method  
 (A) Consideration for acquired shares  
 770 yen was paid for each share acquired  
 (B) Method for calculating per-share payment  
 The amount of per-share payment was calculated comprehensively in view of amounts calculated by third-party organizations.  
 (C) Number of acquired shares and their valuation  
 Common stock 12,671,186 shares  
 Valuation 9,756 million yen
- ③ Accrued amount of goodwill or negative goodwill, cause of its accrual, amortization method and amortization period  
 (A) Amount of goodwill 4,506 million yen  
 (B) Cause of its accrual  
 The goodwill resulted as the acquisition value of additionally obtained PENTAX shares exceeded the value of net assets received for the additionally interest acquisition.  
 (C) Amortization method and amortization period Straight-line amortization in 10 years

### Important Post-Balance Sheet Events

Matters relating to partial transfer of shareholding in NH TECHNO GLASS

The Company decided to sell 21.5% of its shareholding in NH TECHNO GLASS CORPORATION (hereinafter referred to as "NH TECHNO GLASS"), its equity method affiliate with a 50% equity holding, to the Carlyle Group (hereinafter referred to as "Carlyle"), and concluded a share transfer agreement with the Group as of today.

#### 1. Reasons for share disposal

The Company agreed to accept Carlyle as its investment partner in NH TECHNO GLASS, following the decision to sell the entire shareholding (50%) in NH TECHNO GLASS made by joint investment partner Nippon Sheet Glass Co., Ltd. In a parallel development, the Company decided to transfer 21.5% of its shareholding in NH TECHNO GLASS, in which it held a 50% stake, to Carlyle. Nonetheless, the Company will ultimately own 47.4% of NH TECHNO GLASS shares, following changes to its capital structure and organizational restructuring. As a major shareholder in NH TECHNO GLASS, the Company will continue to work in concert with Carlyle.

Taking advantage of the share transfer agreement, NH TECHNO GLASS will develop its businesses more aggressively under President Makino's leadership. Specifically, NH TECHNO GLASS will engage in aggressive capital investment focusing on its production facilities overseas, to respond to the requests for increases in LCD glass substrate output being made by customers. Moreover, the Company will strengthen the business infrastructure of NH TECHNO GLASS further in concert with Carlyle, with a view to enhancing its corporate value and listing its shares on a stock exchange in the future.

#### 2. Profile of the acquiring party

- (1) Business name  
 Carlyle Group
- (2) Representative  
 Louis Gerstner (co-representatives for Japan: Tamotsu Adachi and Masao Hirano)
- (3) Head office address  
 Washington, D.C., the United States (1001 Pennsylvania Ave., N.W. Suite 220 South, Washington, D. C.)
- (4) Description of major businesses  
 Investment operations (private equity fund)
- (5) Relationship with the Company  
 None

3. Period of share disposal  
Early June 2008 (plan)
4. Name of the affiliate, description of its businesses, and details of its transactions with the Company
- (1) Business name  
NH TECHNO GLASS CORPORATION
  - (2) Representative  
Jun Makino, president
  - (3) Address  
Yokohama City, Kanagawa Prefecture
  - (4) Date of establishment  
May 21, 1991
  - (5) Business description  
Manufacture and sale of TFT LCD glass substrates
  - (6) Accounting period  
End of March
  - (7) Number of employees  
1,147 persons on a consolidated basis, including 184 persons in Japan
  - (8) Major offices  
Yokohama, Yokkaichi and overseas subsidiaries (in Taiwan, Singapore and South Korea)
  - (9) Capital sum  
3,000 million yen
  - (10) Aggregate number of outstanding shares  
60,000 shares
  - (11) Shareholders  
The Company (shareholding ratio at 50%) and Nippon Sheet Glass Co., Ltd. (shareholding ratio at 50%)
  - (12) Contents of transactions with the Company  
Purchase and receipt of royalties
5. Number of shares to be sold, sale value, gain or loss on sale, and equity ratio after disposal
- (1) Number of owned shares before transfer  
30,000 shares (ownership ratio: 50%) (number of voting rights: 30,000 rights)
  - (2) Number of shares to be transferred  
12,921 shares (sale value: 17,400 million yen)
  - (3) Gain on sale  
10.4 billion yen will be recorded as extraordinary income.
  - (4) Number of owned shares after transfer  
17,079 shares (ownership ratio: 28.5%) (number of voting rights: 17,079 rights)
6. Other important special agreements and the like  
Execution of the share disposal stated above (delivery of share certificates) is subject to the fulfillment of prescribed closing conditions. Closing is assumed to be executed four to five weeks after the conclusion of the share transfer agreement.

# Independent Auditors' Audit Report Concerning Consolidated Financial Statements

## Independent Auditors' Audit Report

May 16, 2008

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 70th fiscal year from April 1, 2007 to March 31, 2008, 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

Additional information

As stated in important post-balance sheet events in the notes to consolidated financial statements, HOYA CORPORATION on May 9, 2008 concluded an agreement to transfer part of its shareholding in NH TECHNO GLASS CORPORATION, its equity method affiliate, to the Carlyle Group.

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.



## For the 70th Fiscal Year of HOYA CORPORATION

### Statements of Income (non-consolidated)

(From April 1, 2007 to March 31, 2008)

Item	Amount	
		Million yen
<b>Net sales</b>		<b>258,008</b>
<b>Cost of sales</b>		<b>197,043</b>
<b>Gross profit on sales</b>		<b>60,965</b>
<b>Selling, general and administrat</b>		<b>41,675</b>
<b>Operating income</b>		<b>19,289</b>
<b>Non-operating income</b>		
Interest income	555	
Dividend income	6,903	
Fees and commissions received	11,810	
Gain on foreign exchange	650	
Others	671	
	<u>        </u>	<b>20,591</b>
<b>Non-operating expenses</b>		
Interest expenses	2,979	
Bond interest	917	
Others	544	
	<u>        </u>	<b>4,441</b>
<b>Ordinary income</b>		<b>35,439</b>
<b>Extraordinary income</b>		
Gain on sale of property, plant and	406	
Gain on reversal from special repa	50	
	<u>        </u>	<b>456</b>
<b>Extraordinary losses</b>		
Loss on extinguishment of tie-in st	18,199	
Expenses for improvements on env	1,612	
Additional retirement benefits paic	366	
Loss on disposal of property, plant	329	
Impairment loss	129	
Write-down of marketable securitie	7	
Others	17	
	<u>        </u>	<b>20,661</b>
<b>Income before income taxes</b>		<b>15,234</b>
Income taxes – current	3	
Income taxes - refunded	-1,290	
Income taxes – deferred	-15,024	
	<u>        </u>	<b>-16,312</b>
<b>Net income</b>		<b>31,546</b>

## For the 70th Fiscal Year of HOYA CORPORATION

### Statements of Changes in Net Assets (non-consolidated)

(From April 1, 2007 to March 31, 2008)

(Unit: million yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Earned reserve	Retained earnings			Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings reserve for			
				Special depreciation reserve	deferred income taxes on fixed assets	Retained earnings brought forward		
Balance as of March, 31, 2007	6,264	15,898	15,898	1,566	438	592	87,714	90,311
Changes during the current fiscal year under review								
Reversal of special depreciation reserve					-288		288	-
Transfer to special depreciation reserve					149		-149	-
Reversal of reserve for deferred income taxes on fixed assets						-177	177	-
Dividends from retained earnings							-28,089	-28,089
Net income							31,546	31,546
Acquisition of treasury stocks								
Disposition of treasury stocks							-2,261	-2,261
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	-	-	-	-	-138	-177	1,512	1,195
Balance as of March 31, 2008	6,264	15,898	15,898	1,566	299	414	89,227	91,507

	Shareholders' equity			Valuation and translation adjustments		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, 2007	-12,753	1	99,722	-86	-86	167	99,803
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			-				-
Dividends from retained			-28,089				-28,089
Net income			31,546				31,546
Acquisition of treasury stocks	-12		-12				-12
Disposition of treasury stocks	4,782	-1	2,519				2,519
Changes (net amounts) in items other than shareholders' equity during the current fiscal year under review				-749	-749	465	-284
Total changes during the current fiscal year under review	4,769	-1	5,963	-749	-749	465	5,679
Balance as of March 31, 2008	-7,984	-	105,685	-836	-836	632	105,482

## 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 derivatives: Market value method
3. Standards and methods for evaluation of inventories: Primarily the cost determined by the periodic average method
4. Methods of depreciation of fixed assets
  - Tangible fixed assets  

The straight-line method is applied for buildings (except for building annexes) that have been acquired on April 1, 1998 and thereafter, and the declining-balance method is applied for other tangible fixed assets. The useful life is ten to 50 years for buildings, four to 12 years for machinery and equipment, two to 20 years for tools and fixtures.

(Changes in accounting policies) Following the revision of the Corporation Tax Law, the depreciation method for tangible fixed assets acquired on April 1, 2007 and thereafter is changed to the method based on the revised Corporation Tax Law, starting in the fiscal year under review.

(Additional information) Following the revision of the Corporation Tax Law, assets acquired on and prior to March 31, 2007 are depreciated by writing off the difference between an amount equivalent to 5% of the acquisition value and the memorandum value in a straight line, starting in the fiscal year following the fiscal year during which depreciation through the application of the depreciation method based on the pre-revision Corporation Tax Law reaches 5% of the acquisition value. The change has minor impact on income before income taxes.

Intangible fixed assets The straight-line method is applied. The internally defined useful life of software is five years. The period in which investment shows effects is estimated, and goodwill is amortized in a straight line in the period of 20 or less years .
5. 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.
  - (iv) Accrued warranty cost To prepare for after-sale service expenses anticipated to result within the Company's warranty period, an amount estimated on the basis of results in past fiscal years and warranty cost forecasts is provided.
  - (v) Allowance for retirement benefits for employees To prepare for retirement benefits payment to employees, an allowance is provided at some of the divisions based on estimated retirement benefit obligations and pension assets at the end of the fiscal year under review.  

Past service liabilities are accounted for using an amount calculated by proportionally dividing them in a straight line in fixed years (10 years) within the average remaining period of employment of employees at the point of their accrual.

Actuarial differences are accounted for in fiscal years following the fiscal years of their accrual using an amount calculated by proportionally dividing them in a straight line in fixed years (10 years) within the average remaining employment period of employees at the point of their accrual in each fiscal year.
6. 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.
7. 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.
8. 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.
  - (iii) Methods for evaluating the validity of hedging  
No derivative transaction subject to hedge accounting was carried out in the fiscal year under review. For this reason, the validity of hedging is not evaluated.
9. Treatment of national and local consumption taxes  
The tax excluded method is applied.

**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 103,441 million yen
3. Liabilities for guarantee 6,156 million yen  
 The Company guarantees debts other companies in the HOYA Group owe to financial institutions.  
 PENTAX EUROPE GMBH 4,619 million yen  
 PENTAX OF AMERICA, INC. 651 million yen  
 PENTAX UK LTD. 884 million yen  
 Total 6,154 million yen  
 The Company guarantees transactions employees of the Company have with financial institutions. 2 million yen
4. Pecuniary claims to and from affiliates (excluding classified items)
  - (1) Short-term receivables from (pecuniary claims to) affiliates 34,027 million yen
  - (2) Short-term payables to (pecuniary claims from) affiliates 32,455 million yen
5. Receivables (pecuniary claims) to Executive Officers 174 million yen
6. Discounts on export bills of exchange 1,551 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 23,675 million yen
  - (2) Purchases 102,512 million yen
  - (3) Payments of outside manufacturing fees and commissions, etc. 21,338 million yen
  - (4) Transactions other than operating transactions 21,495 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.

Buildings	52 million yen
Tools, equipment and fixtures	30
Others	47
Total	129

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	3,447,681 shares	3,407 shares	1,292,797 shares	2,158,291 shares

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

Increase due to repurchase of treasury stock less than one unit:	3,407 shares
Decrease due to sale of treasury stock less than one unit:	397 shares
Decrease due to the exercise of stock options:	1,292,400 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, 2008)

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

Deferred tax assets	
Non-tax deductible amount of bonus reserve	2,293 million yen
Loss carried forward	2,255
Amount of inventory write-down denied	2,234
Non-tax deductible amount of unpaid enterprise tax	1,412
Amount of environmental improvement expenses denied	601
Amount exceeding the limit of tax-deductible bad debt reserve	326
Other deferred tax assets	740
Deferred tax assets – sub total	<u>9,864</u>
Valuation reserve	<u>-5</u>
Total amount of deferred tax assets – current	<u><u>9,858</u></u>

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

Deferred tax assets	
Asset adjustment account	20,012 million yen
Loss carried forward	19,046
Investment in affiliates	1,162
Shares of affiliates	1,069
Amount exceeding the limit of tax-deductible depreciation	977
Non-tax deductible amount of fixed asset disposition loss	518
Non-tax deductible amount of asset impairment loss	438
Amount exceeding the limit of tax-deductible bad debt reserve	46
Other deferred tax assets	1,342
Deferred tax assets – sub total	<u>44,613</u>
Valuation reserve	<u>-3,286</u>
Total amount of deferred tax assets – current	<u><u>41,326</u></u>
Deferred tax liabilities	
Reserve for deferred income taxes on fixed assets	-289
Special depreciation reserve	-197
Other deferred tax liabilities	-20
Total amount of deferred tax liabilities – non-current	<u>-507</u>
Net amount of deferred tax assets – non-current	<u><u>40,819</u></u>

### 2. Breakdown of causes of the difference between the legal effective tax rate and the burden rate for income taxes after application of tax effect accounting by n

(From April 1, 2007 to March 31, 2008)

Legal effective tax rate	40.4 %
(Adjustment)	
Loss on extinguishment of tie-in shares	48.3
Valuation reserve	3.8
Items permanently excluded from losses, including entertainment expenses	1.6
Loss on share transfer	-182.7
Items permanently excluded from gains, including dividends earned	-10.0
Per capita corporate inhabitant tax	0.0
	-8.5
Other items	0.0
Income tax burdens after application of tax effect accounting	<u><u>-107.1 %</u></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 Part of Vision Care products manufacturing facilities Part of PENTAX products manufacturing facilities
Tools, equipment and fixtures	Part of computers and their peripherals 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	Transaction amount	Item	Term-end balance
						Concurrent services by Directors, etc.	Business relationships				
Affiliates	HOYA HOLDINGS 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 (Note 1)	-	Short-term loans to affiliates	58,242
								Payment of interest	2,895	Accrued interest	1,250
	HOYA MAGNETICS SINGAPORE PTE LTD.	Tuas Link, SINGAPORE	34,000 thousand Singaporean dollars	Manufacture of glass disks of the Company	100.0	-	Supplier	Processing (Note 2)	30,140	Accrued processing fees to affiliates	2,505
								Receipt of development commission (Note 3)	2,255	-	-
	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 (Note 4)	2,478	-	-
	HOYA OPTICS(THAILAND)LTD.	Lamphun, THAILAND	357,000 thousand Thai Baht	Manufacture of Optics products of the Company	100.0	-	Supplier	Processing (Note 2)	35,223	Accounts payable to affiliates	2,064
										Accrued processing fees to affiliates	3,288
	HOYA HEALTHCARE CORPORATION	Shinjuku,ku, Tokyo	810 million yen	Manufacture and sale of Health Care products	100.0	1 Director	Deposit of funds	Cash pooling	1,633	Deposits received	7,299
	PENTAX OF AMERICA, INC.	New Jersey, U.S.A.	37,001 thousand US dollars	Sale of life care products, etc. of the Company	100.0	-	Customer	Sale of products (Note 5)	-	Accounts payable – trade	5,159
	PENTAX EUROPE GMBH	Hamburg, GERMANY	10,000 thousand Euro	Sale of life care products, etc. of the Company	100.0	-	Customer	Sale of products (Note 5)	-	Accounts payable – trade	11,763
								Debt guarantee (Note 6)	4,619	-	-

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

- Notes
- Interest rates on borrowed funds are determined reasonably in consideration of market interest rates. Collateral is not provided.
  - Terms and conditions of processing are determined in consideration of market prices in the same way as those for general transactions.
  - Receipt of development commission is determined reasonably by periodical negotiation based on the contract detail.
  - Receipt of technical support fees is determined reasonably by periodical negotiation based on the contract detail.
  - The sale of products is outsourced. Retail prices for the Company are contractually determined in light of the cost to the Company and market prices.
  - The Company guarantees debts PENTAX EUROPE GMBH owes to banks.
  - The amount in question was succeeded when HOYA CORPORATION and PENTAX Corporation merged, with HOYA CORPORATION as the surviving company, on March 31, 2008. No net sales are recorded, as PENTAX Corporation closed its business temporarily on the merger date.

Notes to per-share information

(1) Net assets per share:	242.23 yen
(2) Net income per share:	72.96 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:	105 million yen
(2) Selling, general and administrative expenses:	311 million yen

### Matters relating to business combination, and business relations, etc. under common control

1. Names of companies involved in business combination, description of their businesses, major reasons for business combination, business combination date, legal form for business combination, and name of the company formed through business combination
  - (1) Names of companies involved in business combination and description of their businesses

Combining company	HOYA CORPORATION (the Company)
Business description	Manufacture and sale, etc. of electro-optics, vision care and health care products
Combined company	PENTAX Corporation
Business description	Manufacture and sale, etc. of life care products, imaging systems and optical components
  - (2) Reason for business combination

The Company and PENTAX Corporation reached an agreement to integrate their management for the purposes of establishing strong operating foundations by using their resources in a manner supplementary to each other, generating synergies, and accelerating new growth for the future. Based on this agreement, the Company made a tender offer to PENTAX Corporation and, as a result of the offer, made PENTAX Corporation a consolidated subsidiary.

The Company reached the conclusion that management mobility and flexibility were essential for strengthening PENTAX Corporation's core businesses and that integration in the form of a merger, as it had originally planned, was the best way to enable PENTAX Corporation divisions to make business judgments and take business actions as speedily as the Company's divisions could, and to optimize the distribution of management resources in the integral framework of the HOYA Group, instead of small subsidiary frameworks. The Company firmly believes that the merger and integration of PENTAX Corporation divisions into itself make the Group organization flatter, compared with the maintenance of PENTAX Corporation as a subsidiary, and permit the Hoya Group to make aggressive and speedy business judgments, and to achieve further growth in new fields with appropriate resource distribution.
  - (3) Business combination date  
March 31, 2008
  - (4) Legal form for business combination and name of the company formed through business combination  
The legal form for this business combination is merger by absorption with the Company as the surviving company and PENTAX Corporation as the company ceasing to exist. The name of the company formed through business combination is HOYA CORPORATION. No share issue or capital increase resulted from the merger.
2. Summary of executed accounting treatment

The merger stated above was processed as a transaction, etc. under common control in accordance with the Accounting Standard for Business Combinations (issued by the Business Accounting Council on October 31, 2003) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Separation of Businesses and the Like (Implementation Guidance on Accounting Standards No. 10 issued on December 27, 2005).

Assets and liabilities the Company took over from the expired company are based on their accurate book values recorded on the day before the merger date. Their corrected book values are recorded when the book values of the expired company's net assets and the like are corrected in consolidated financial documents.

"Loss on extinguishment of tie-in shares," being the difference between the book value of shares of the subsidiary and the value of net assets the Company received in proportion to the shareholding ratio in the expired company immediately before the merger and totaling 18,199 million yen, is recorded as an extraordinary loss in the Company's statements of income.
3. Items relating to cash payment on merger to minority shareholders
  - (1) Acquisition cost and its breakdown

Share acquisition expenses	9,756 million yen
Direct expenditure on share acquisition	- million yen
Acquisition cost	9,756 million yen
  - (2) Money paid for acquisition and its calculation method
    - 1) Consideration for acquired shares  
770 yen was paid for each share acquired
    - 2) Method for calculating per-share payment  
The amount of per-share payment was calculated comprehensively in view of amounts calculated by third-party organizations.
    - 3) Number of acquired shares and their valuation

Common stock	12,671,186 shares
Valuation	9,756 million yen
  - (3) Accrued amount of goodwill or negative goodwill, cause of its accrual, amortization method and amortization period
    - 1) Amount of goodwill  
4,506 million yen
    - 2) Cause of its accrual  
The goodwill resulted as the acquisition value of additionally obtained PENTAX shares exceeded the value of net assets received for the additionally interest acquisition.
    - 3) Amortization method and amortization period  
Straight-line amortization in 10 years

### Important Post-Balance Sheet Events

#### Matters relating to partial transfer of shareholding in NH TECHNO GLASS

The Company decided to sell 21.5% of its shareholding in NH TECHNO GLASS CORPORATION (hereinafter referred to as "NH TECHNO GLASS"), its equity method affiliate with a 50% holding, to the Carlyle Group (hereinafter referred to as "Carlyle"), and concluded a share transfer agreement with Carlyle on May 9, 2008.

#### 1. Reasons for share disposal

The Company agreed to accept Carlyle as its investment partner in NH TECHNO GLASS, following the decision to sell the entire shareholding (50%) in NH TECHNO GLASS made by joint investment partner Nippon Sheet Glass Co., Ltd. In a parallel development, the Company decided to transfer 21.5% of its shareholding in NH TECHNO GLASS, in which it held a 50% stake, to Carlyle. Nonetheless, the Company will ultimately own 47.4% of NH TECHNO GLASS shares, following changes to its capital structure and organizational restructuring. As a major shareholder in NH TECHNO GLASS, the Company will continue to work in concert with Carlyle. Taking advantage of the share transfer agreement, NH TECHNO GLASS will develop its businesses more aggressively under President Makino's leadership. Specifically, NH TECHNO GLASS will engage in aggressive capital investment focusing on its production facilities overseas, to respond to the requests for increases in LCD glass substrate output being made by customers. Moreover, the Company will strengthen the business infrastructure of NH TECHNO GLASS further in concert with Carlyle, with a view to enhancing its corporate value and listing its shares on a stock exchange in the future.

#### 2. Profile of the acquiring party

(1) Business name	Carlyle Group
(2) Representative	Louis Gerstner (co-representatives for Japan: Tamotsu Adachi and Masao Hirano)
(3) Head office address	Washington, D.C., the United States (1001 Pennsylvania Ave., N.W. Suite 220 South, Washington, D. C.)
(4) Description of major businesses	Investment operations (private equity fund)
(5) Relationship with the Company	None

#### 3. Period of share disposal

Early June 2008 (plan)

#### 4. Name of the affiliate, description of its businesses, and details of its transactions with the Company

(1) Business name	NH TECHNO GLASS CORPORATION
(2) Representative	Jun Makino, president and representative director
(3) Address	Yokohama City, Kanagawa Prefecture
(4) Date of establishment	May 21, 1991
(5) Business description	Manufacture and sale of TFT LCD glass substrates
(6) Accounting period	End of March
(7) Number of employees	1,147 persons on a consolidated basis, including 184 persons in Japan
(8) Major offices	Yokohama, Yokkaichi and overseas subsidiaries (in Taiwan, Singapore and South Korea)
(9) Capital sum	3,000 million yen
(10) Aggregate number of outstanding shares	60,000 shares
(11) Shareholders	The Company (shareholding ratio at 50%) and Nippon Sheet Glass Co., Ltd. (shareholding ratio at 50%)
(12) Contents of transactions with the Company	Purchase and receipt of royalties

#### 5. Number of shares to be sold, sale value, gain or loss on sale, and equity ratio after disposal

(1) Number of owned shares before transfer	30,000 shares (ownership ratio: 50%) (number of voting rights: 30,000 rights)
(2) Number of shares to be transferred	12,921 shares (sale value: 17,400 million yen)
(3) Gain on sale	16.8 billion yen will be recorded as extraordinary income.
(4) Number of owned shares after transfer	17,079 shares (ownership ratio: 28.5%) (number of voting rights: 17,079 rights)

#### 6. Other important special agreements and the like

Execution of the share disposal stated above (delivery of share certificates) is subject to the fulfillment of prescribed closing conditions. Closing is assumed to be executed four to five weeks after the conclusion of the share transfer agreement.

# Independent Auditors' Audit Report Concerning Financial Statements

## Independent Auditors' Audit Report

May 16, 2008

To the Board of Directors of HOYA CORPORATION

### **KPMG AZSA & Co.**

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

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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 fiscal year from April 1, 2007 to March 31, 2008, 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  
Additional information

As stated in important post-balance sheet events in the notes to non-consolidated financial statements, HOYA CORPORATION on May 9, 2008 concluded an agreement to transfer part of its shareholding in NH TECHNO GLASS CORPORATION, its equity method affiliate, to the Carlyle Group.

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.

## Audit Committee's Audit Report

### AUDIT REPORT

The members of the Audit Committee of the Company audited the performance of the Directors and Executive Officers of their duties during the 70th fiscal year from April 1, 2007 to March 31, 2008. We hereby report the method and results thereof:

#### 1. AUDIT METHOD AND ITS CONTENTS

We monitored and verified the resolutions of the Board of Directors concerning matters provided in items 2 and 5, Paragraph 1, Article 416 of the Companies Act 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 investigated the state of activities and assets at the head office and principal business offices of the Company. With respect to subsidiaries, we communicated and exchanged information with directors and auditors thereof, and received business reports from the subsidiaries whenever necessary. We also monitored 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 a notice that they were making preparations for the System for Ensuring Adequate Execution of Duties (a matter set out 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), their supplementary schedules, and 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 current fiscal year under review.

#### 2. AUDIT RESULTS

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

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

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

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

May 16, 2008

#### 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.

## **Notice: Announcement of Electronic Management of Share Certificates**

### ■ **What is the system for electronic management of share certificates?**

Electronic (paperless) management of share certificates of listed companies is expected to be introduced in January 2009 to facilitate safer stock transactions. When the electronic management system begins, the rights of shareholders will be electronically managed through accounts with financial institutions, and all (paper) share certificates of the listed companies will be abolished.

After the introduction of this electronic management system, if the name on a share certificates is that of a person other than the shareholder, the rights of shareholders may be lost. As shareholders are required to take the necessary procedures to ensure that their shares are safely managed during this change of systems, please confirm the following items in advance.

### **Are the share certificates held under the name of the shareholder?**

<b>When share certificates are held with the Japan Securities Depository Center under the name of a shareholder</b>	<b>When share certificates are not held with the Japan Securities Depository Center under the name of the shareholder</b>	<b>If the name on the share certificates has not been transferred to the shareholder</b>
<p>If share certificates are held with the Japan Securities Depository Center through securities companies, no procedures are required when electronic management of share certificates begins. Shareholders of these share certificates will be able to sell the share certificates as freely as they do so now.</p>	<p>Even if (paper) share certificates are held at the residences of shareholders or at other locations, as the registration will be made automatically in the special account (*) after the commencement of electric management of share certificates, no procedures are required to be taken. In this case, however, although the rights of shareholders are ensured, shareholders are not allowed to sell the shares through the special account. Consequently, when selling the shares, <u>shareholders are required to open a new account with a securities company to enable transfer procedures.</u></p>	<p>If a shareholder holds share certificates the name on which has not been transferred to the shareholder, the <u>rights of shareholders may be transferred to nominees of the relevant share certificates,</u> as the share certificates will be registered under the nominees' names in the special account (*) after the commencement of the electronic management system of share certificates. If the name transfer is processed after the commencement of the system, procedures will be very complicated, as shareholders are required to present certificates of inheritance, or transfer, or other documents. <u>Shareholders are requested to undertake transfer procedures immediately.</u></p>

(\*) Special account: An account with trust banks or other financial institutions opened by listed companies to ensure the rights of shareholders

### ■ **Methods and procedures for the transfer of share certificates**

Please contact the company's transfer agent. The address of the transfer agent is presented in Shareholders' Information on page 45.

## Shareholders' Memo

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Business year:	From April 1 every year to March 31 of the following year
Ordinary General Meetings of Shareholders:	June every year
Base dates:	Date to determine shareholders who are entitled to exercise voting rights at the Ordinary General Meetings of Shareholders --- March 31 of every year Date to determine shareholders who are entitled to receive year-end dividend payments --- March 31 of every year Date to determine shareholders who are entitled to receive interim dividend payments --- September 30 of every year (In addition to the above dates, other dates predetermined when necessary, by resolution of the Board of Directors)
Market:	The Tokyo Stock Exchange
Trading unit:	100 shares
Transfer agent and address for administrative operations:	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Mailing address:	Mitsubishi UFJ Trust and Banking Corporation Corporate Agency Department 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan Free phone: 0120-232-711(9.00 a.m. to 5.00 p.m., excluding weekends and holidays)
Offices:	Nationwide branches of Mitsubishi UFJ Trust and Banking Corporation

\* Requests for forms for notices of changes (including addresses and names), account designation for dividend payments, sales and additional purchases of fractional shares, and the transfer of share certificates are also accepted via telephone (through the recorded instruction) and the website of the transfer agent.

Telephone: 0120-244-479 (Free phone; 24-hour audio assistance)

Website: <http://www.tr.mufg.jp/daikou/>

(Shareholders who use the securities custody and transfer system are requested to contact the securities companies at which they hold trading accounts.)

## HOYA CORPORATION

Head office

2-7-5 Naka-Ochiai, Shinjuku-ku, Tokyo 161-8525 Japan

Telephone: 03-3952-1151 (Switchboard)