



Financial and Corporate Data

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Eleven-Year Summary of Consolidated Financial Data

(Fiscal Years Ended March 31)

		1999	2000	2001	2002
Net sales (Millions of yen)	Hoya	201,290	201,110	236,802	235,265
	Pentax	128,080	113,554	103,526	105,165
Operating income (Millions of yen)	Hoya	31,726	34,688	45,128	43,898
	Pentax	9,897	736	(512)	1,481
Ordinary income (Millions of yen)	Hoya	33,612	35,484	48,184	45,774
	Pentax	8,316	(3,203)	(626)	682
Net income (Millions of yen)	Hoya	17,837	20,716	21,860	23,741
	Pentax	6,410	(12,144)	(1,241)	(5,034)
Return on assets (ROA) (%)		7.8	8.9	8.6	8.7
Return on owners' equity (ROE) (%)		11.6	12.4	11.8	11.5
Owners' equity ratio (%)		71.7	73.2	73.0	78.8
Inventory turnover (Months)		3.2	3.3	3.1	3.2
Capital expenditures (Millions of yen)		13,654	17,770	39,673	19,585
Depreciation, amortization and other (Millions of yen)* ¹		18,234	16,051	32,138	20,105
Research and development expenses (Billions of yen)		7.8	7.7	7.3	7.3
Per share data (after adjustment for stock split) (Yen) * ²					
Net income		37.77	44.06	46.65	50.78
Cash dividends		7.50	8.75	12.50	12.50
Cash flow* ³		77.65	79.15	116.24	88.31
Owners' equity* ⁴		340.56	376.55	420.11	471.55
Price earnings ratio (PER) (Times)		44.5	55.0	43.7	44.5
Price cash flow ratio (PCFR) (Times)		21.6	30.6	17.6	25.6
Price book value ratio (PBR) (Times)		4.9	6.4	4.9	4.8
Stock price at year-end (Yen) (after adjustment for stock split)		1,680	2,425	2,040	2,260
Employees		9,414	10,651	12,966	13,311

Notes: 1. Effective April 1, 2002, the Company adopted "Accounting Standard for Earnings per Share" (Statement No. 2 issued by the Accounting Standards Board of Japan on September 25, 2002) and "Guidance on Accounting Standard for Earnings per Share" (Guidance No. 4 issued by the Accounting Standards Board of Japan on September 25, 2002). Net income per share and related data prior to that date are also calculated according to the standard for purposes of comparison.

2. On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of equity, which is effective from the fiscal year ended March 31, 2007. Under this accounting standard, certain items which were previously presented as liabilities or assets are now presented as components of equity. Such items include stock subscription rights, minority interests and any deferred gain on derivative instruments. The Company now uses "Owners' equity" to replace the former "Shareholders' equity," which excludes such items as stock subscription rights and minority interests from Total equity.

3. Owing to the inclusion in the scope of consolidation of Pentax Corporation and its subsidiaries on August 14, 2007, consolidated operating results for the fiscal year ended March 31, 2008, include the operating results of Pentax Corporation and its subsidiaries for the second half of the fiscal year (from October 1, 2007, to March 31, 2008). For reference, only the most important components of operating results during previous fiscal periods (through the first half of the fiscal year ended March 31, 2008) are shown individually for Pentax Corporation and its subsidiaries. Pentax Corporation was merged by absorption into Hoya Corporation on March 31, 2008.

2003	2004	2005	2006	2007	2008	2009
					First Half	Fiscal Year
246,293	271,444	308,172	344,228	390,093		481,631
<i>108,189</i>	<i>134,493</i>	<i>133,558</i>	<i>142,211</i>	<i>157,344</i>	<i>85,689</i>	—
52,983	68,167	84,920	101,096	107,213		95,074
<i>3,970</i>	<i>6,937</i>	<i>3,586</i>	<i>2,985</i>	<i>5,653</i>	<i>3,337</i>	—
50,874	66,554	89,525	103,638	102,909		100,175
<i>3,639</i>	<i>5,375</i>	<i>3,396</i>	<i>3,260</i>	<i>5,067</i>	<i>2,820</i>	—
20,038	39,549	64,135	75,620	83,391		81,725
<i>687</i>	<i>3,089</i>	<i>3,526</i>	<i>805</i>	<i>3,570</i>	<i>586</i>	—
7.3	14.0	20.0	21.2	20.6		14.4
9.0	17.8	25.8	27.1	25.9		21.6
81.7	75.5	79.1	77.3	81.6		56.7
2.9	2.8	2.7	2.7	2.8		3.0
15,948	30,659	40,175	48,786	54,432		39,465
19,792	25,328	22,520	27,485	36,427		45,457
8.7	9.8	10.9	14.1	14.9		17.4
42.77	87.74	144.71	171.71	193.50		189.01
12.50	25.00	37.50	60.00	65.00		65.00
82.72	174.91	171.65	240.57	229.23		277.09
486.29	491.90	623.59	648.87	845.98		903.49
41.8	28.9	20.4	27.7	20.2		12.4
21.6	14.5	17.2	19.7	17.1		8.4
3.7	5.2	4.7	7.3	4.6		2.6
1,787	2,537	2,950	4,750	3,910		2,340
14,023	18,092	21,234	25,176	28,450		35,545

*1 Depreciation, amortization and other: Includes the loss on impairment of long-lived assets and amortization of goodwill.

*2 Per share data: Per share data has been retroactively adjusted to reflect a four-for-one split of common shares implemented on November 15, 2005.

*3 Cash flow per share: From fiscal 2002 and after, figures for cash flow per share are shown as cash flow from operating activities divided by the average number of issued shares for the fiscal period. Figures prior to 2002 are calculated using simple cash flow calculated by adding depreciation and other factors to net income.

*4 The figures presented for "owners' equity per share" for fiscal 2006 and earlier correspond to the figures previously presented as "shareholders' equity per share."

Hoya Group and Scope of Consolidation

The Hoya Group (the "Group") consists of Hoya Corporation (the "Company"), 102 consolidated subsidiaries (6 in Japan and 96 overseas) and 10 affiliates (5 in Japan and 5 overseas). Of the affiliates, 4 (2 in Japan and 2 overseas) are accounted for by the equity method.

The Hoya Group is managed on a global, consolidated basis. Each of the Group's business divisions and subsidiaries carries out their business strategies as formulated by the global headquarters at Hoya Corporation, yet with their own management responsibility. Each region—North America, Europe and Asia,—has its own headquarters, which focuses on enhancing relations with countries or regions of its operations, as well as supporting business promotion activities. Hoya's branch in the Netherlands is the financial headquarters for the Group.

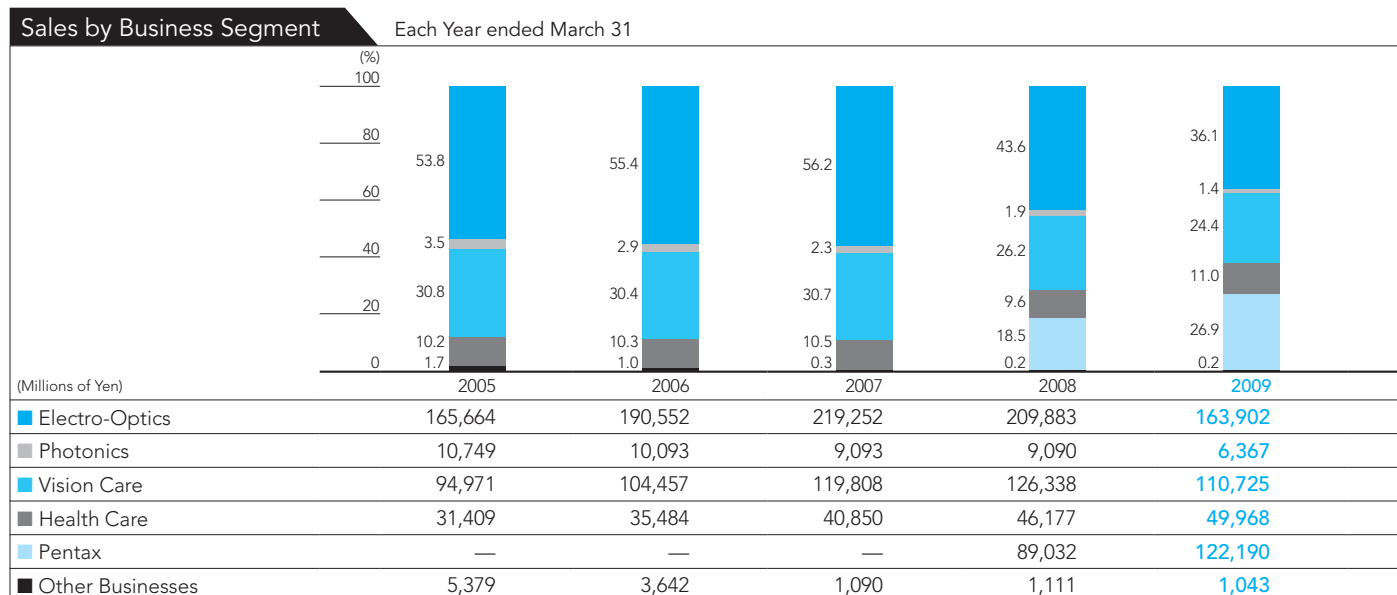
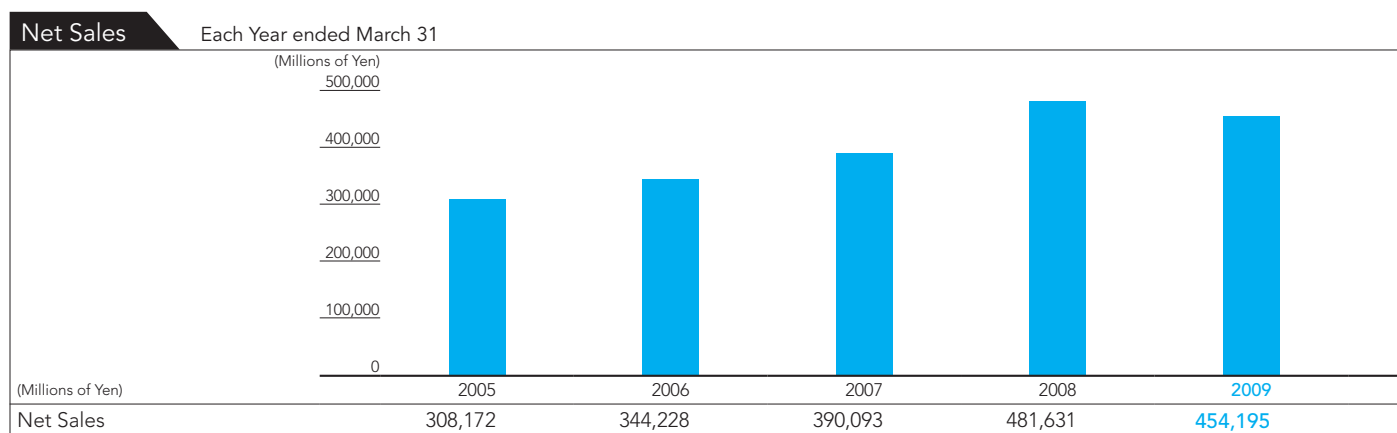
Business Integration with Pentax

In the first half of the previous fiscal year (fiscal year ended March 31, 2008), Hoya made a tender offer for the shares of Pentax Corporation, and as a result became the owner of a majority of Pentax's shares, thereby bringing the company and its subsidiaries (hereafter "Pentax" collectively) under the scope of consolidation from August 14, 2007.

The income statement of Pentax was consolidated into Hoya's income statement from the second half of the previous fiscal year (the six-month period from October 1, 2007 to March 31, 2008). Subsequently, Hoya merged with Pentax on March 31, 2008.

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2009, amounted to ¥454,195 million, declining 5.7% year on year. By principal business segment, net sales in the Electro-Optics Division of the



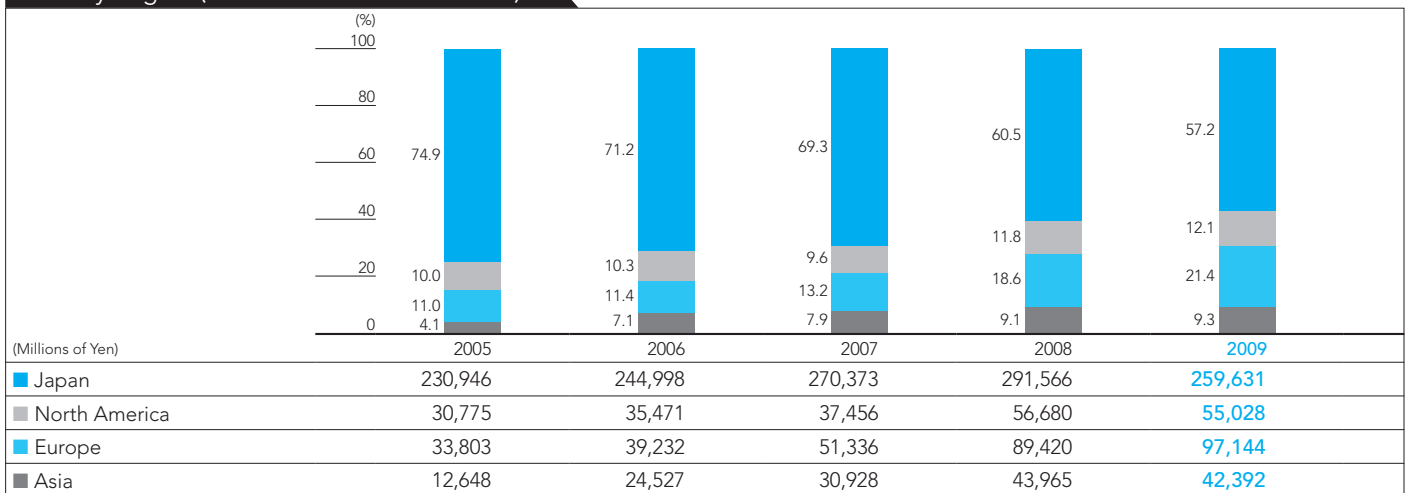
Information Technology business declined 21.9% year on year. Within the Eye Care business, net sales in the Vision Care Division were down 12.4% year on year, while in the Health Care Division net sales rose 8.2% year on year. For the Pentax divisions, net sales dropped 30.1%, compared with the previous fiscal year, including first-half results prior to consolidation.

By customer region, net sales to customers in Japan decreased 9.6%, to ¥170,363 million, while net sales to overseas customers declined 3.2%, to ¥283,832 million. As a result, the composition of net sales was 37.5% domestic and 62.5% overseas, meaning that overseas net sales accounted for an even higher proportion of total net sales than in the previous fiscal year.

Hoya calculated the effect of exchange rates on operating results during the fiscal year under review by comparing the foreign currency-denominated financial statements of its overseas subsidiaries when converted into yen at the average exchange rates during the fiscal year with the same statements when converted into yen at the average exchange rates during the previous fiscal year. In currency markets during the fiscal year under review, the yen rose 11.6% against the U.S. dollar, to ¥100.66, 11.7% against the euro, to ¥143.28, and 19.5% against the Thai baht, to ¥2.94 compared with the previous year. As a result of the yen's appreciation against these currencies, the operating results of Group companies in major overseas regions were lower than they would have been if converted using the previous fiscal year's rates. For the Group overall, exchange rates reduced net sales by ¥30,100 million and net income by ¥8,143 million.

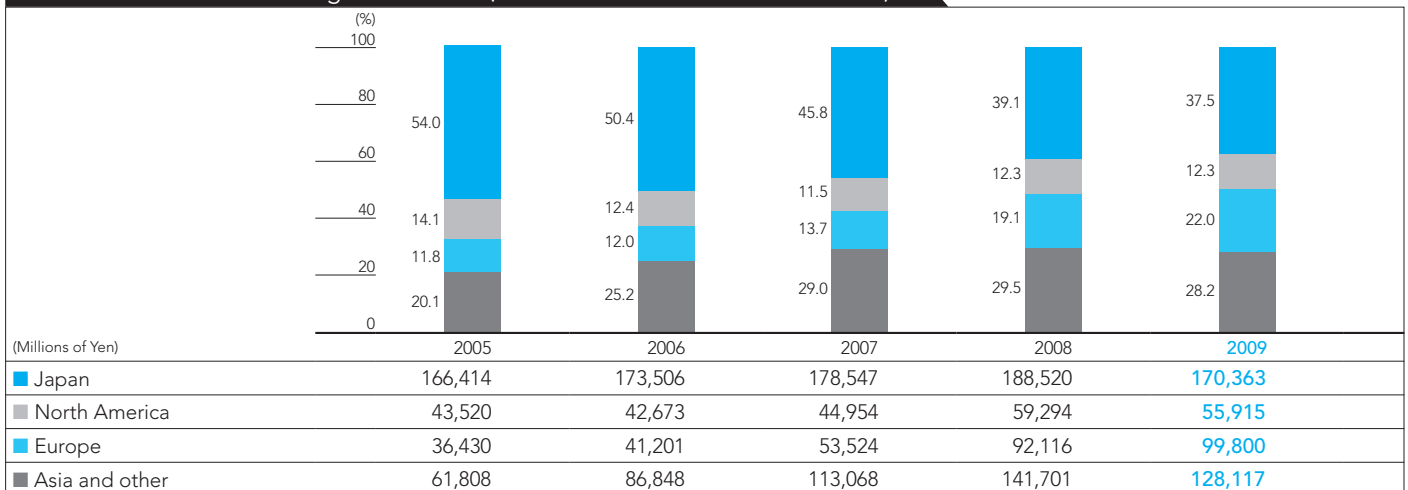
Sales by Region (Based on the office location)

Each Year ended March 31



Sales to Domestic and Foreign Customers (Based on the location of customers)

Each Year ended March 31



Net Income

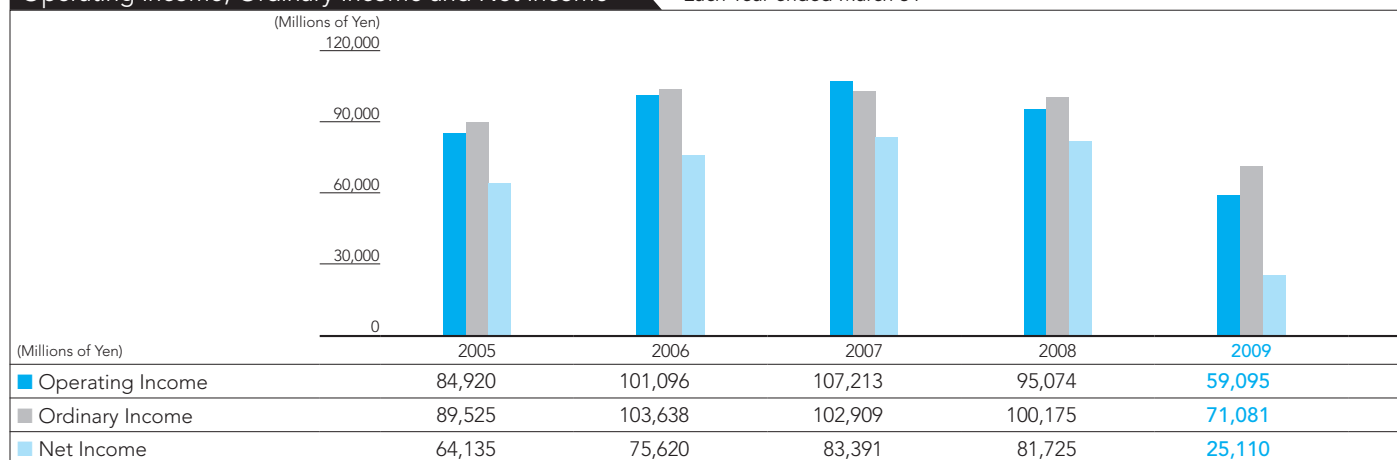
The cost of sales ratio rose in the fiscal year under review as sales prices declined, resulting in the gross profit margin falling 3.6 percentage points, from 45.4% in the previous fiscal year, to 41.8%. Selling, general and administrative expenses rose 5.8% to ¥130,811 million, with the ratio of SG&A expenses to net sales rising 3.1 percentage points, from 25.7% to 28.8%. As a result, operating income fell 37.8%, to ¥59,095 million, and the operating margin fell 6.7 percentage points, to 13.0%.

Major factors behind this decrease included lower profitability due to lower sales from major divisions. In addition, the Pentax digital camera business recorded an operating loss due to lower product prices caused by a sudden and sharp drop in market demand and escalating competition, resulting in operating costs that could not be absorbed and the amortization of goodwill associated with the management integration.

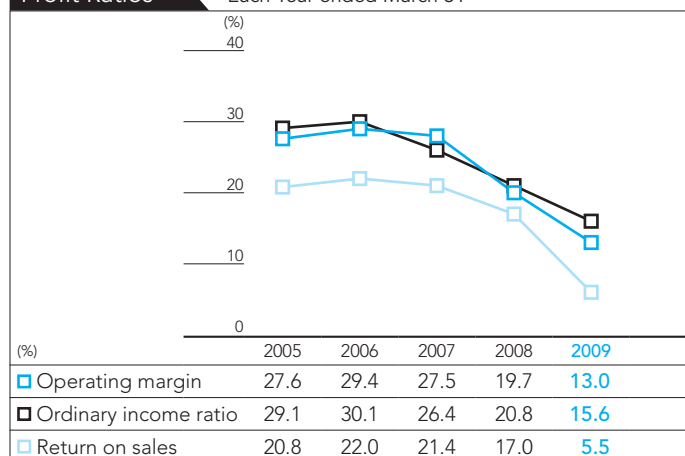
Ordinary income fell 29.0% year on year, to ¥71,081 million, due in part to a loss on equity-method investment of ¥315 million with regard to AvanStrate Inc. (formerly NH Techno Glass Corporation) as a result of sluggish demand in the LCD panel industry. This was despite foreign exchange gains of ¥7,152 million, despite the strong yen, thanks to Hoya's efforts to efficiently manage funds globally through multiple foreign-currency denominations.

Net income was 69.3% lower year on year, at ¥25,110 million. Positive contributing factors were a ¥9,705 million gain on sales of investment securities from the partial transfer of part of Hoya's equity interest in an equity-method affiliate and an extraordinary gain of ¥3,200 million representing commission fees received for prior years as a result of a review of a licensing contract. On the other hand, Hoya recorded a ¥30,459 million asset impairment loss in each of the Pentax divisions and others, a ¥6,743 million charge for additional retirement benefits paid to employees in connection with business restructuring,

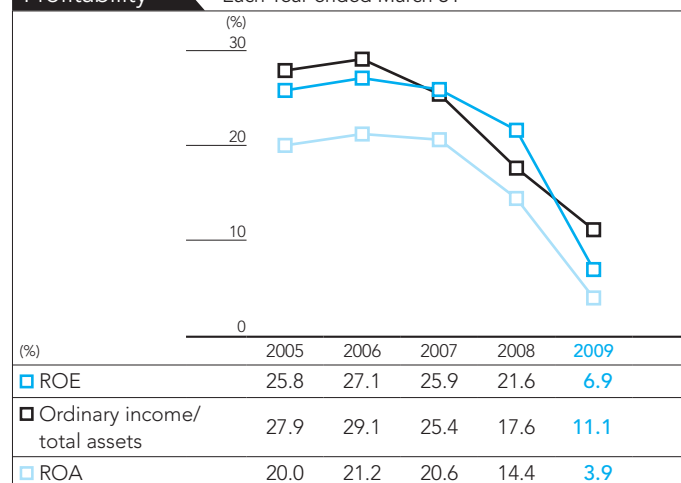
Operating Income, Ordinary Income and Net Income



Profit Ratios



Profitability



and a total of ¥2,328 million for the write-down of investment securities due to share price declines.

Return on assets (ROA) was 3.9%, and return on owners' equity (ROE) was 6.9%.

Dividends

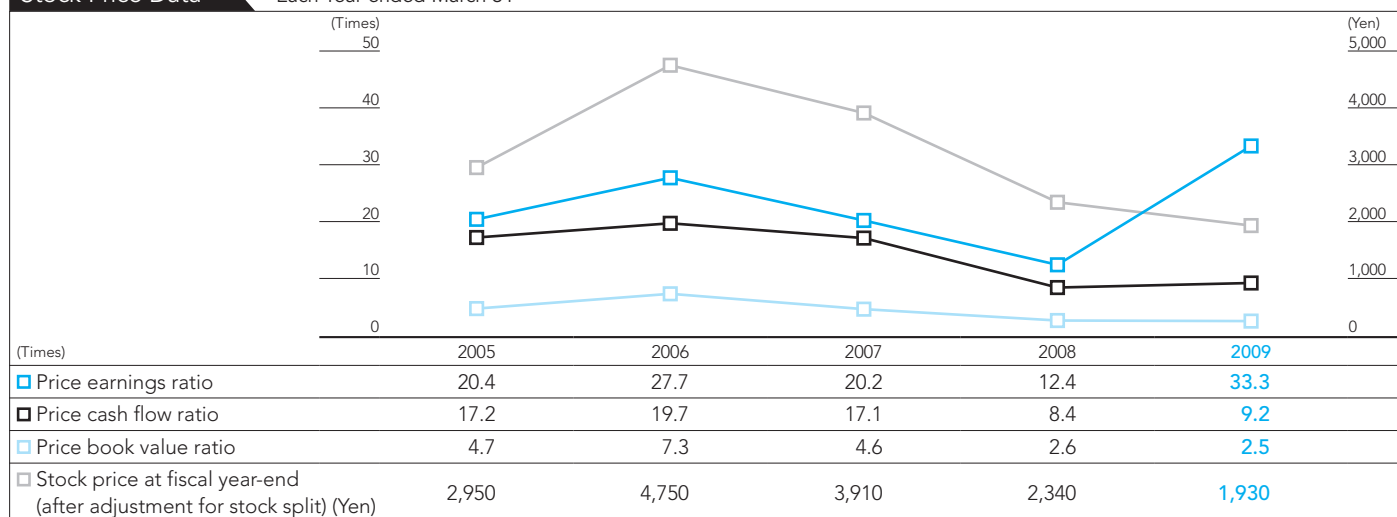
Hoya determines dividends for each fiscal year by taking into account the Company's performance and medium- and long-term capital requirements. It also tries to strike a balance between returning profits to shareholders, employee welfare benefits, and supplementing internal reserves to fund future growth. Hoya's policy regarding

internal reserves is to continue to actively appropriate resources for marketing for consumer products, primarily in the medical field, while also making timely investments in corporate mergers and acquisitions and R&D for future growth, as well as investing to ensure sufficient production capacity and to develop next-generation technologies and new products.

Although business conditions in the fiscal year under review were severe, after balancing the need for internal reserves for future growth, Hoya paid an interim dividend of ¥30 per share and a year-end dividend of ¥35 per share, for an aggregate dividend of ¥65 per share for the full year, on a par with the previous fiscal year.

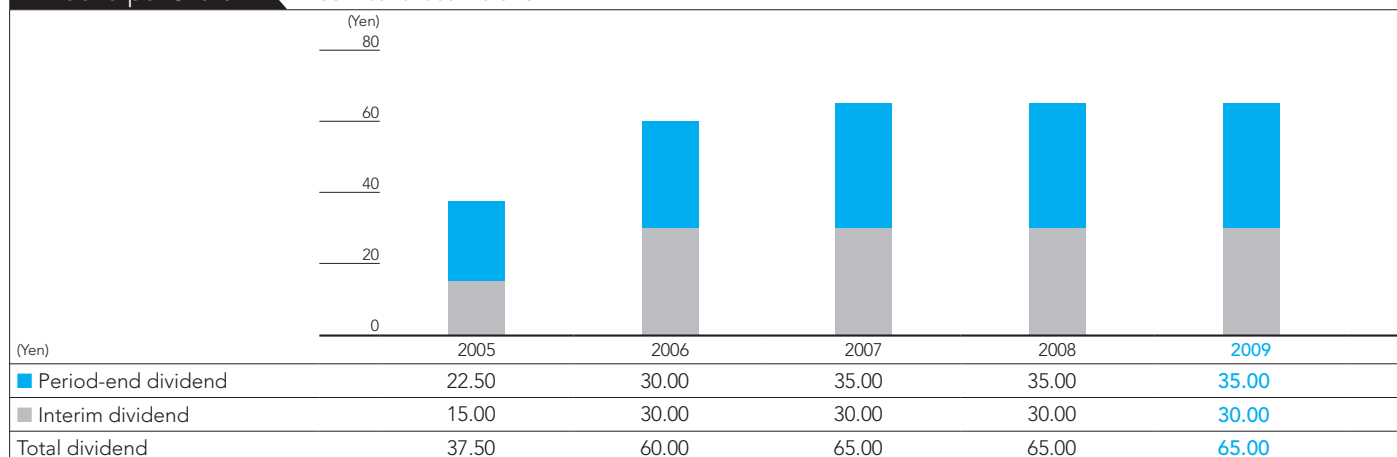
Stock Price Data

Each Year ended March 31



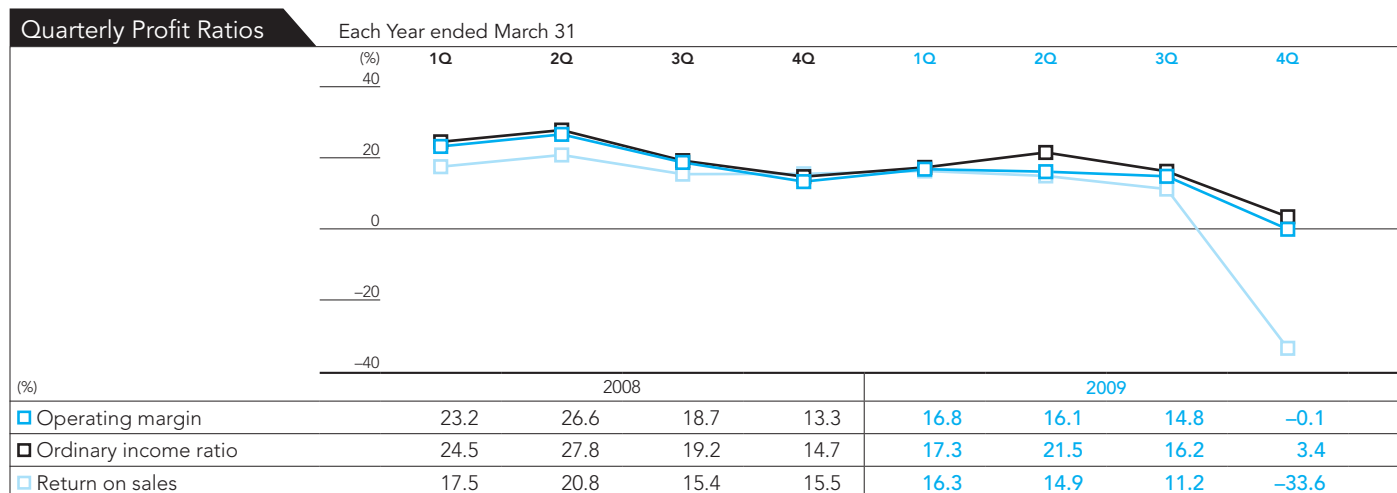
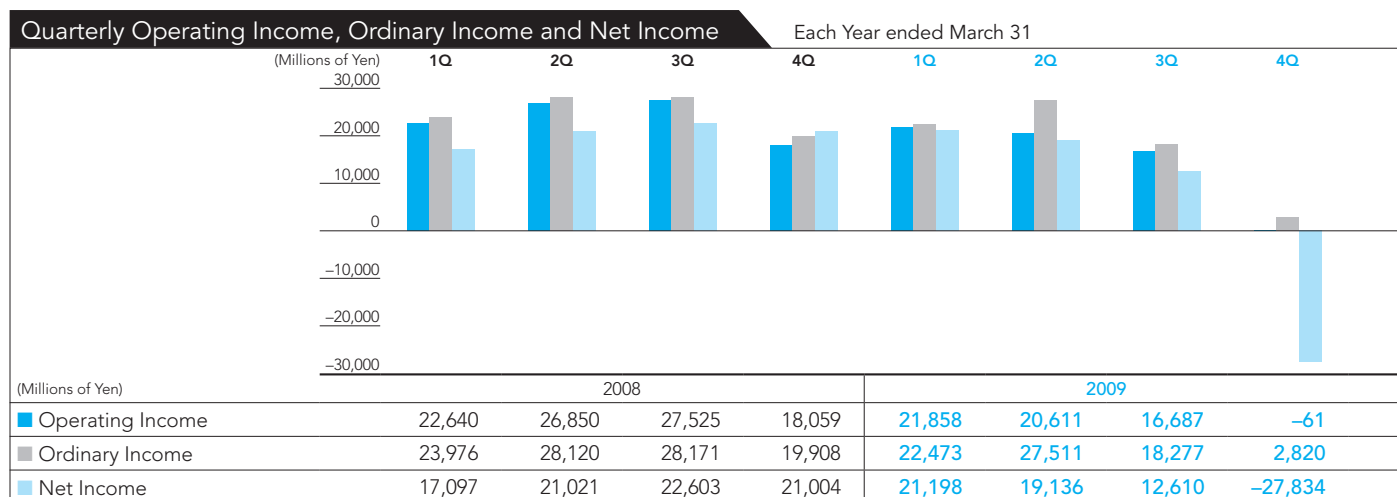
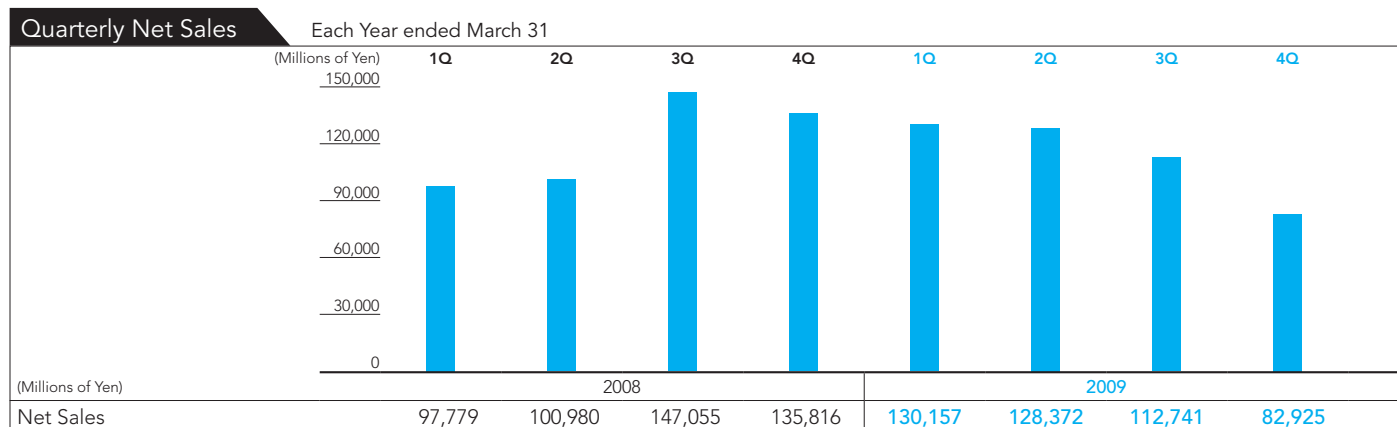
Dividend per Share

Each Year ended March 31



Note: Dividends per share for the fiscal year ended March 31, 2006 and earlier have been retroactively adjusted to reflect a four-for-one split of common shares implemented on November 15, 2005.

Quarterly Financial Data



Segment Information

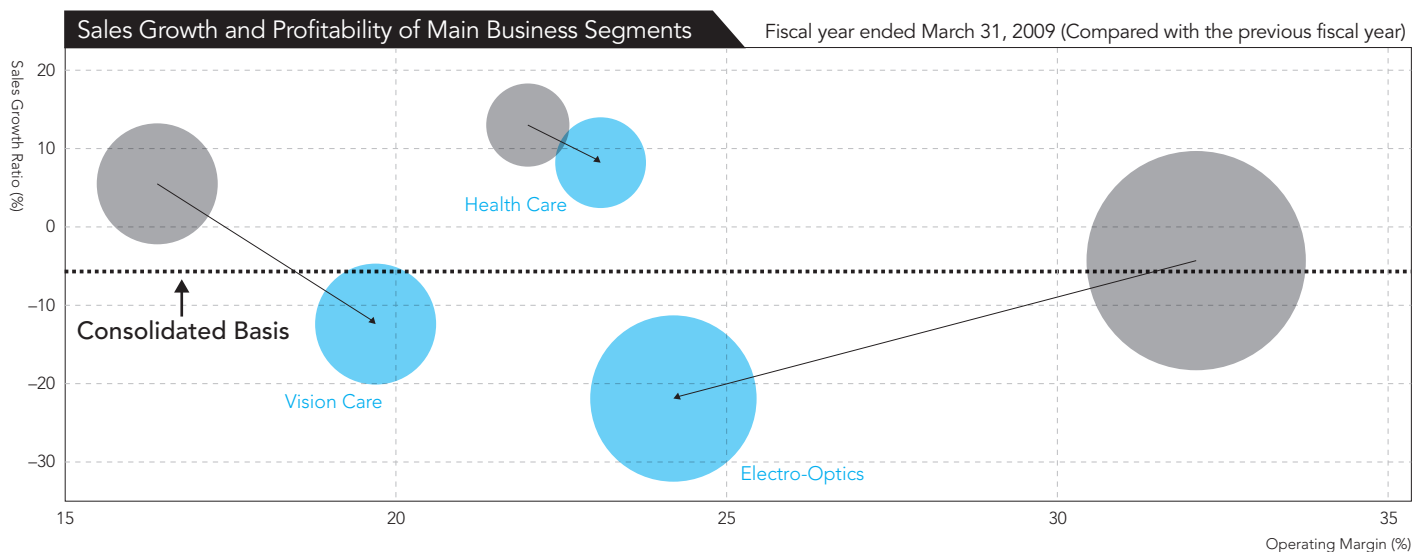
Details of each segment and growth rate and profitability by business segment are as follows.

Business Categories for the Year Ended March 31, 2009

Business Category	Division	Products and Services
Information Technology	Electro-Optics	Photomasks and mask blanks for semiconductors, masks and devices for liquid-crystal displays (LCDs), glass disks for hard disk drives (HDDs), optical lenses, optical glasses, electronic glasses, optical communication products, etc.
	Photonics	Laser equipment, light sources for electronics industry, special optical glasses
Eye Care	Vision Care	Eyeglass lenses, eyeglass frames
	Health Care	Contact lenses and accessories, intraocular lenses
Pentax		Endoscopes, medical accessories, bone prosthesis, CHT Ceramic Hydroxyapatite, digital cameras, interchangeable lenses, digital camera accessories and modules, micro lenses, CCTV lenses
Others		Crystal glass products; design of information systems, outsourcing, etc.

Sales and Operating Income by Segment

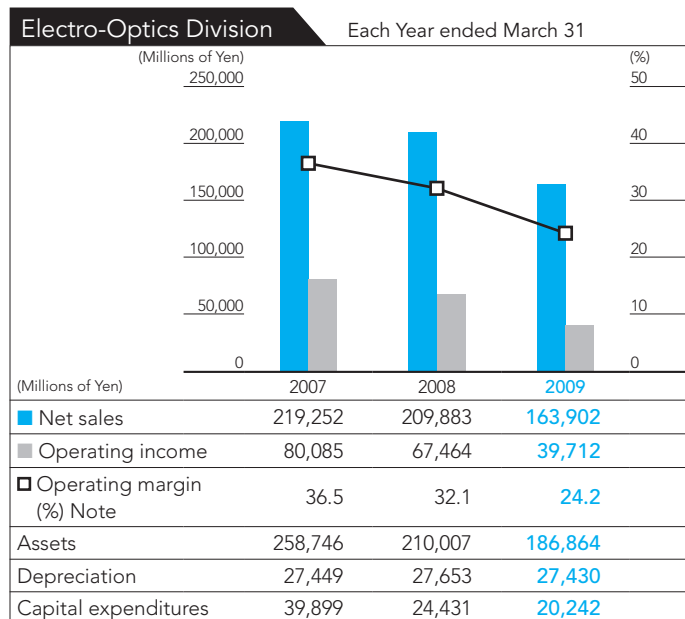
The Year Ended March 31, 2009 (Millions of Yen)	Information Technology		Eye Care		Pentax	Others	Total	Eliminations or Consolidated	
	Electro-Optics	Photonics	Vision Care	Health Care				Corporate	
Sales to customers	163,902	6,367	110,725	49,968	122,190	1,043	454,195	—	454,195
Intersegment sales	274	583	11	—	13	4,073	4,954	(4,954)	—
Total sales	164,176	6,950	110,736	49,968	122,203	5,116	459,149	(4,954)	454,195
Operating income (loss)	39,712	297	21,807	11,544	(11,572)	235	62,023	(2,928)	59,095



Notes:

- 1: The size of the circle represents the amount of operating income. Grey circles represent the previous fiscal year; blue circles represent the fiscal year under review.
- 2: Pentax has been omitted from this visual representation.

Information Technology (Electro-Optics Division)



In the Electro-Optics Division, net sales decreased 21.9%, to ¥163,902 million. In mask blanks for semiconductor production, sales fell amid worsening business conditions in the semiconductor industry caused by the economic slump, with demand dropping precipitously as companies reduced development budgets and curbed capital expenditures. In photomasks for semiconductors, although Hoya worked to provide high-quality, state-of-the-art mask products, sales fell year on year on account of deteriorating market conditions in the fourth quarter. Downward price pressure on large-sized photomasks for LCDs remained intense. In the first half of the year panel manufacturers, Hoya's customers, relaxed their focus on volume production from the previous year and introduced new products and products for development, resulting in firm sales. From the second half of the year, however, demand contracted suddenly as a result of increases in panel inventories, and sales fell year on year accordingly. Sales of glass memory disks for HDDs were affected significantly by the strong yen and lower prices due to falling prices for HDDs, and in the fourth quarter major inventory adjustments were seen in the market, leading to a decline in sales. Sales of optical lenses also fell, as a worldwide drop in demand for digital cameras during the second half of the fiscal year caused a significant fall in orders for compact digital camera lenses and lower market prices.

Segment operating income fell 41.1%, to ¥39,712 million. The principal factors behind this decrease were a decline in orders amid a rising sense that the world economy was slowing, coupled with the impact of the strong yen and ongoing price declines.

Capital expenditures in this division came to ¥20,242 million, down 17.2% from the preceding term. These expenditures went toward up-front production-related investment involving next-generation semiconductor-related miniaturization projects and investment in boosting production of the Company's HDD glass disk plant in Vietnam.

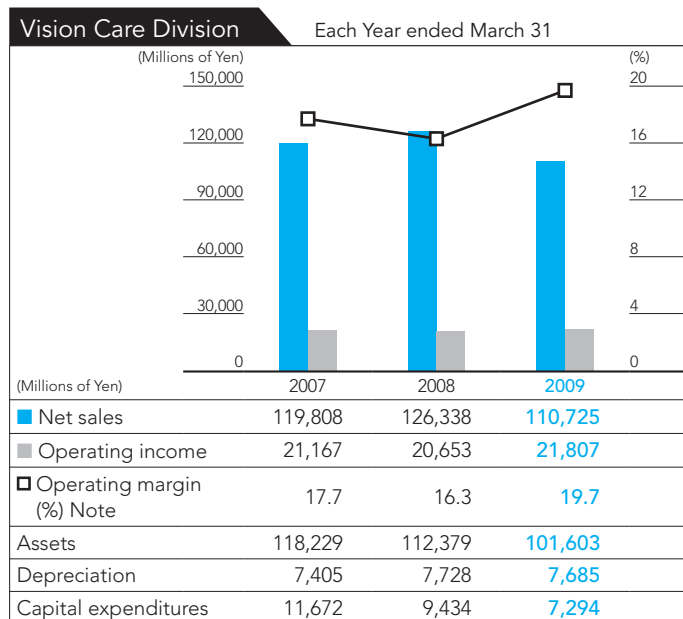
Information Technology (Photonics Division)

The Photonics Division manufactures and sells defect correction equipment and laser oscillators used in highly precise processing, which are used by manufacturers of semiconductors, LCD panels, and optical devices for producing flat panels and semiconductors. It also manufactures and sells UV light source devices used to cure UV resins in the bonding of optical parts, such as optical pickups and camera modules. In addition, the division provides a wide range of specialty glasses, including color filters for optical devices and electronic glass for medical applications. During the fiscal year under review, a glass polarizer was transferred from the R&D Center for the purpose of full-fledged commercialization. Going forward, there are high expectations for growth in the optical communications field.

During the fiscal year under review, sales of laser devices were strong in the first half due to active capital expenditure by LCD panel manufacturers. In the second half of the fiscal year, however, the economic downturn led to a slowdown in customers' capital expenditures, resulting in significantly lower orders for Hoya's products. Although specialty glass materials propped up results, net sales declined 30.0% to ¥6,367 million. Operating income dropped 64.0% to ¥297 million.

Note: The operating margin above is calculated using sales to customers plus intersegment sales. Please refer to details on page 45, Sales and Operating Income by Segment.

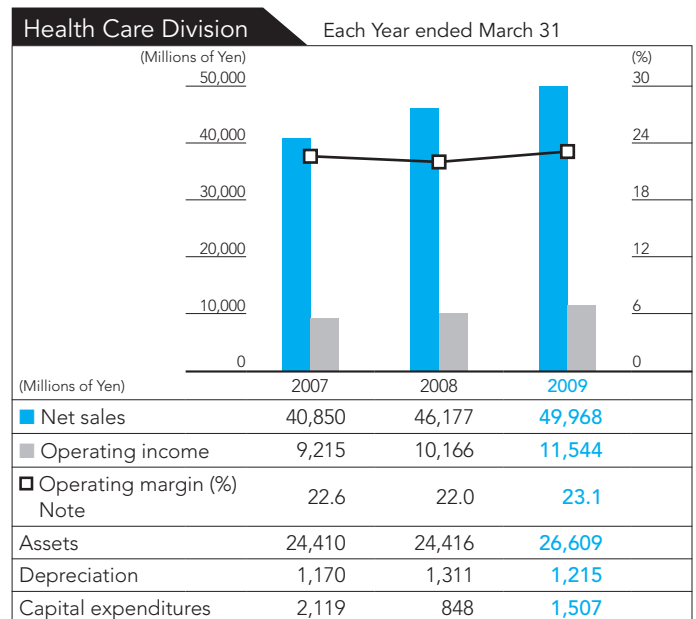
Eye Care (Vision Care Division)



Sales in the Vision Care Division declined 12.4% year on year to ¥110,725 million, mainly due to the strong yen. As the Japanese market continued to contract due to falling prices, Hoya focused on expanding sales across its broad product lineup, ranging from progressive lenses to single-focus lenses and special coatings. Notwithstanding these efforts, sales declined 11.7% year on year. In the North American market, financial uncertainty depressed consumer sentiment, resulting in a 12.3% sales decline. In the European market, competition from low-priced lenses grew more intense. In response, Hoya worked to expand sales of high-value-added lenses, primarily in Western European countries, but sales nevertheless fell 6.5%. In Asia and Oceania, although sales of single-focus and photochromic lenses rose, slowing consumption resulted in a 12.3% decrease in sales.

Operating income for the Vision Care Division rose 5.6% over the previous fiscal year, to ¥21,807 million, resulting in an operating margin of 19.7%. The division promoted sales of high-value-added lenses and introduced new products in Japan and overseas, while working to enhance efficient production frameworks in Asia. As a result of these efforts, profitability rose year on year. Capital expenditure for this division totaled ¥7,294 million, 22.7% lower than in the previous fiscal year.

Eye Care (Health Care Division)

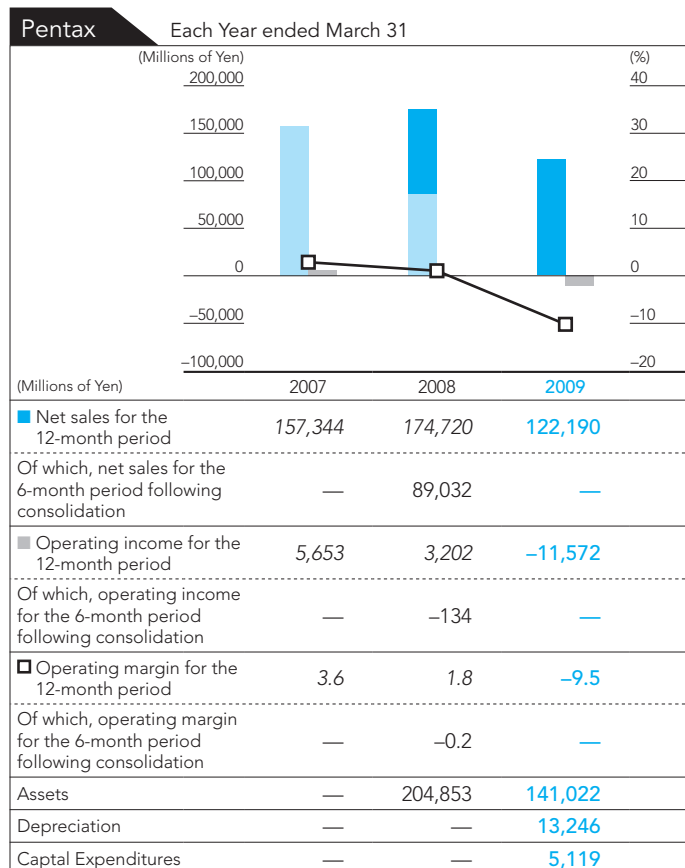


In the Health Care Division, sales rose 8.2% year on year, to ¥49,968 million. Eye City, our chain of directly managed contact lens specialty stores, drew more customers through consulting-based sales, and expanded sales of high-value-added products. As a result, although the total number of stores in Japan did not increase, existing stores won more new and repeat customers, leading to higher sales.

In intraocular lenses for use after cataract surgery, a new aspherical product was introduced in Japan. In the European market, the division worked hard at selling ultra small incision-type products, resulting in a year-on-year rise in sales. In September 2008, yellow lenses received U.S. Food and Drug Administration (FDA) approval, opening the door to entry into the U.S. market.

Operating income in the Health Care Division climbed 13.6% to ¥11,544 million. The operating margin rose to 23.1%. The division actively invested in marketing for further growth, as well as new product development, while continuing to reduce costs. These efforts paid off in higher profitability.

Pentax



Note:
Pentax was added to the scope of consolidation as of August 14, 2007. Performance for the 12 months prior to consolidation are shown in *italic type* for reference in comparing against past performance. Figures for the 12-month period ended March 31, 2008 comprise the total of the six months prior to consolidation and the six months following consolidation.

Sales in the Pentax divisions totaled ¥122,190 million. Pentax's results have been included in Hoya's consolidated results since the second half of the previous fiscal year (the six-month period from October 1, 2007 to March 31, 2008). For reference, sales decreased 30.1% compared with the whole of the previous fiscal year, including the six months prior to consolidation.

In the Lifecare business, the "i" series of megapixel-image-capable endoscopes continued to enjoy strong sales growth in North America and Europe. In Japan, the series was launched in May 2008, and transnasal endoscope sales were strong. However, overseas sales, which account for the majority of all sales, were affected by the yen's appreciation, resulting in a decrease in sales year on year.

In the Imaging Systems business, the entry-level digital SLR PENTAX K-m was launched in October 2008, and the compact, water-proof digital camera PENTAX Optio W60 was brought to market in June 2008. Despite promoting these unique products incorporating Pentax's technologies, stiff price-based competition from other manufacturers and the strong value of the yen, as well as lower demand caused by the economic downturn, led to a year-on-year decline in sales.

The Lifecare business contributed to profit; however, due to a slump in the Imaging Systems business and amortization of goodwill recognized from the management integration, the Pentax division recorded an operating loss of ¥11,572 million.

Other

The Crystal Glass business was one of the Hoya Group's major sales growth drivers after 1945. However, this business peaked after the collapse of the bubble economy in 1991, and sales have decreased since. In order to deal with slow corporate demand and low-priced competing products, Hoya implemented structural reforms. Notwithstanding these reforms, with worldwide consumption slowing as a result of the economic crisis, further deterioration of results was expected. Therefore, as part of measures to strengthen the Group's operations and improve profitability, Hoya discontinued this business on March 31, 2009.

Hoya's Service business involves the construction and operation of IT systems for companies throughout the Hoya Group, as well as outsourcing.

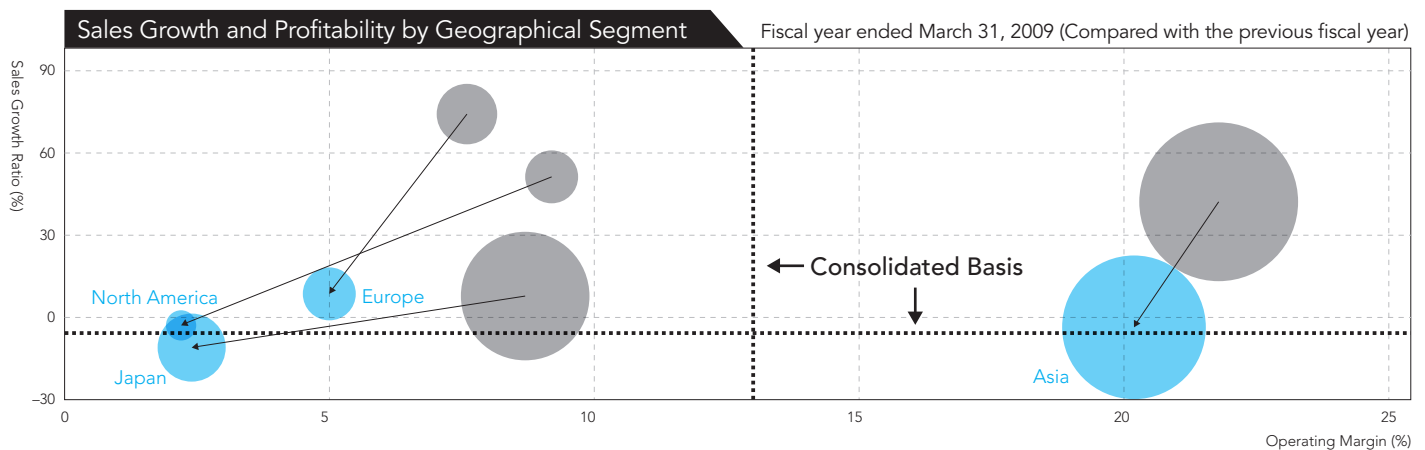
Results by Region

In Japan, sales fell in the Vision Care Division due to the market slow-down, but thanks to cost-reduction efforts the division saw higher earnings. The Electro-Optics Division, however, recorded decreases in both sales and earnings because of falling unit prices for products and declining orders. As a result, net sales in Japan totaled ¥259,631 million and operating income came to ¥7,371 million, representing a decrease in both sales and earnings year on year.

In North America, consumer sentiment cooled amid rising uncertainty about the future of the economy due to financial uncertainty. The Vision Care Division saw lower sales as a result of the appreciation of the yen, but recorded higher earnings due to the benefits of cost reductions. In the Pentax digital camera business, however, lackluster performance resulted in a major drop in earnings. As a result, net sales in North America totaled ¥55,028 million and operating income came to ¥1,225 million, representing both lower sales and lower earnings year on year.

In Europe, there was a visible slowdown in growth in the retail market, with contraction evident in certain countries. The Vision Care Division recorded declines in both sales and earnings amid the poor economic conditions and the strong yen, as did the Pentax Division, which was severely struck by exchange rates. Net sales in Europe totaled ¥97,144 million and operating income came to ¥4,943 million, representing higher revenues but lower earnings year on year.

In Asia, the Electro-Optics Division recorded higher sales due to the relocation of manufacturing bases and other factors, but declining product prices led to lower earnings. Meanwhile the Vision Care Division saw both sales and earnings fall against the backdrop of the strong yen and economic slowdown, despite a strong effort in emerging economies such as China and India. As a result, net sales in Asia totaled ¥42,392 million and operating income came to ¥35,772 million, both lower year on year.

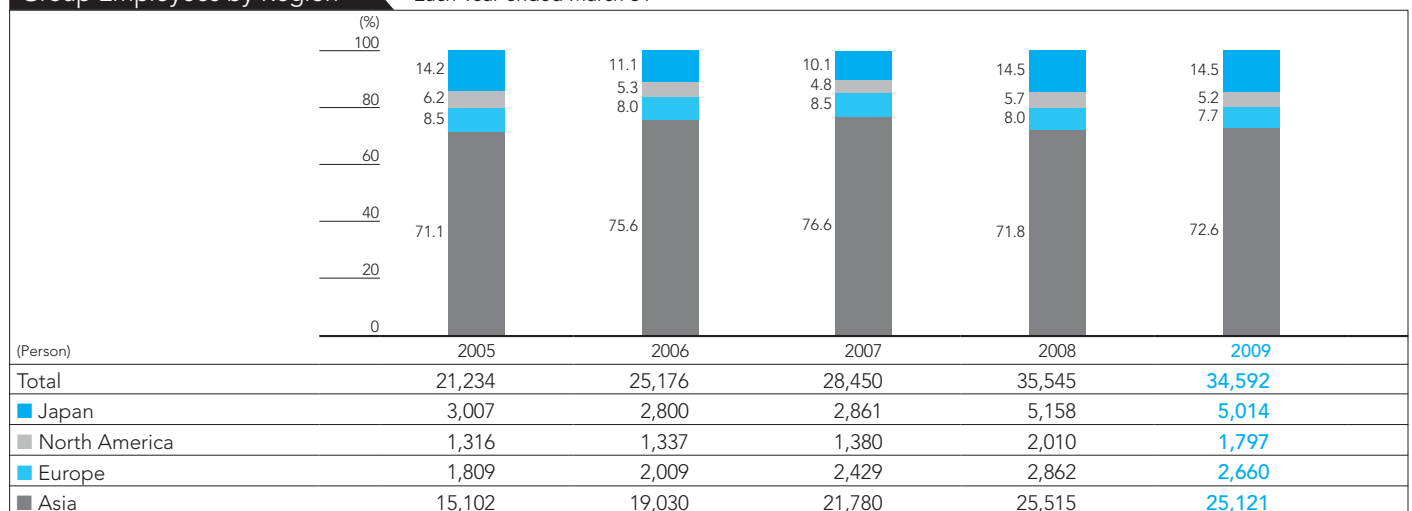


Note:

- The size of the circle represents the amount of operating income. Grey circles represent the previous fiscal year; blue circles represent the fiscal year under review.
- Pre-consolidation data (six months ended September 30, 2007) on sales growth and profitability by geographical segment is not available for Pentax and is therefore not included in the calculations for this visual representation.

Group Employees by Region

Each Year ended March 31



Financial Position

Total assets as of March 31, 2009 stood at ¥591,096 million, a ¥98,347 million decrease compared with a year earlier.

Current assets declined 6.3% year on year, to ¥384,466 million.

Cash and cash equivalents rose 14.7% from a year earlier, to ¥207,928 million, while notes and accounts receivable—trade decreased 31.2% to ¥82,875 million and inventories decreased 14.0%, to ¥71,258 million.

Non-current assets decreased ¥72,541 million from the previous fiscal year-end to ¥206,630 million. This reflected a decrease due to impairment losses on non-current assets of Pentax, as well as a decrease in the property, plant and equipment of subsidiaries outside of Japan due to the yen's appreciation, and a decline in investment securities as a result of the partial sale of part of the Company's equity interest in equity-method affiliate AvanStrate Inc. (formerly NH Techno Glass Corporation)

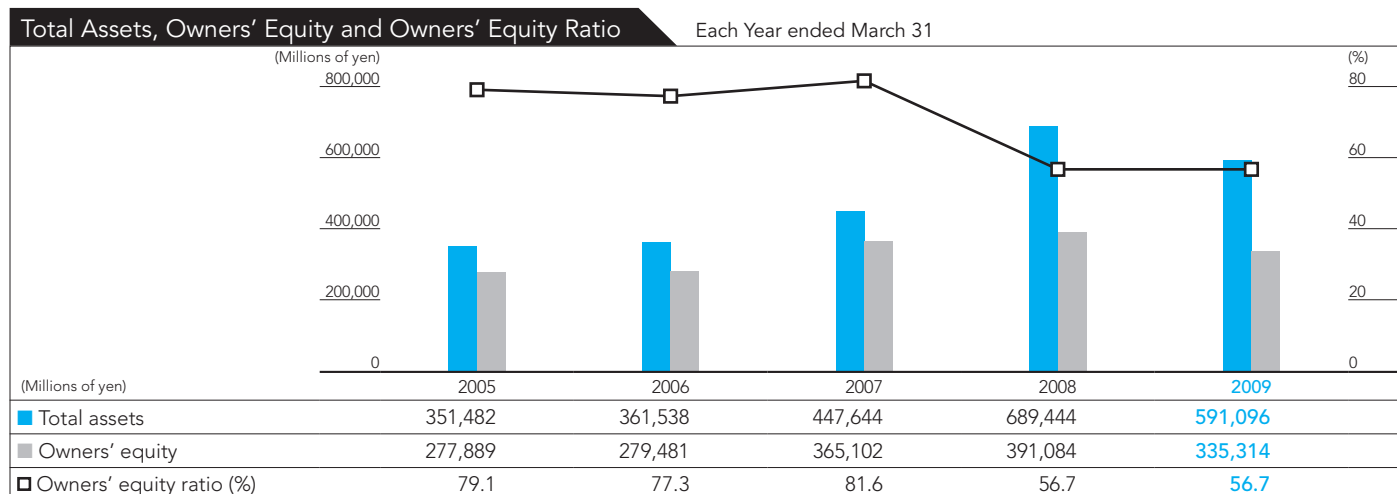
Total liabilities were down ¥41,732 million from the previous fiscal year-end, to ¥253,086 million. Although short-term loans payable increased ¥31,534 million, notes and accounts payable—trade decreased by ¥25,981 million, and income taxes payable decreased by ¥23,520 million.

Total interest-bearing debt, including short-term loans, long-term debt with current maturities, commercial paper, other long-term debt, and corporate bonds and other, amounted to ¥159,714 million, resulting in a 27.0% rate of leverage.

Total equity declined ¥56,616 million year on year, to ¥338,010 million due to declines of ¥5,779 million in retained earnings and ¥50,521 million in foreign currency translation adjustments. Owners' equity, total equity less stock subscription rights and minority interests, amounted to ¥335,314 million, for an owners' equity ratio of 56.7%.

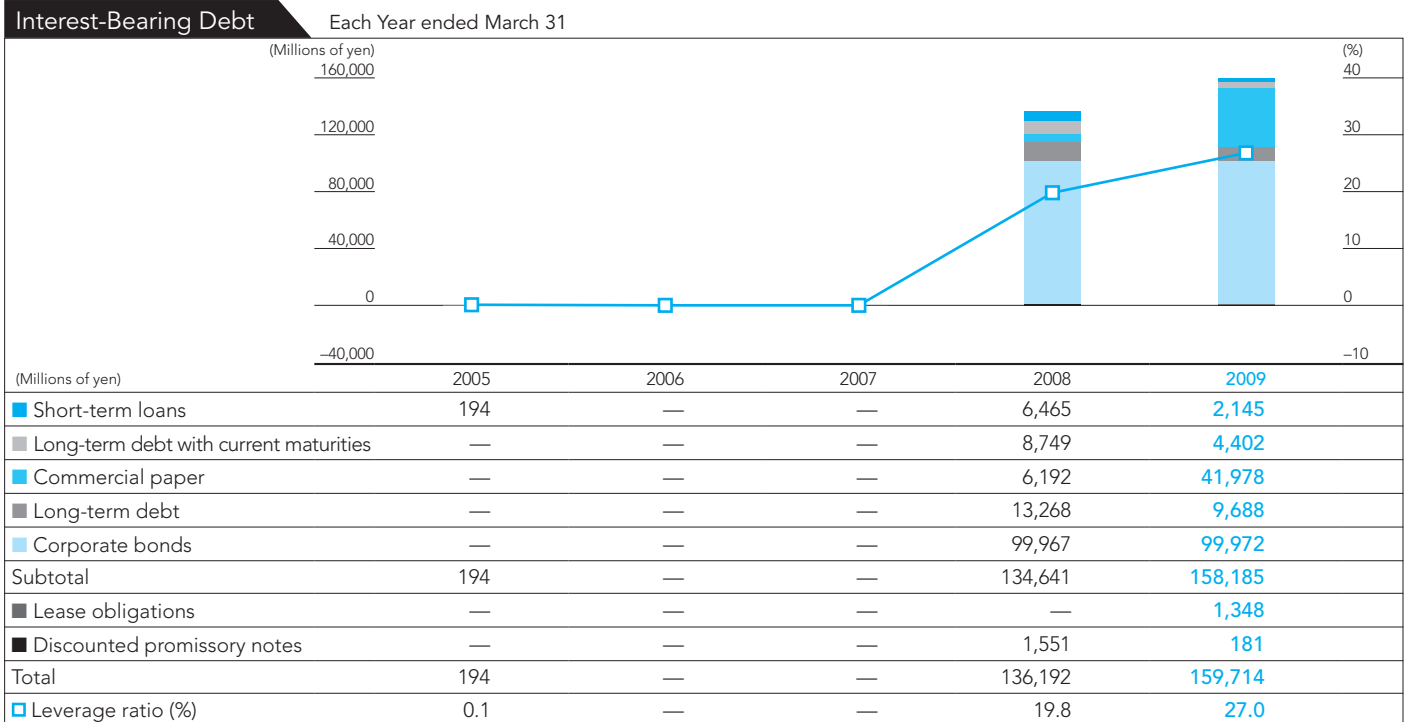
Capital Expenditures/ Depreciation and Amortization

Capital expenditures during the fiscal year under review totaled ¥34,839 million, 11.7% less than in the previous fiscal year. Investment in the Electro-Optics Division accounted for approximately 60% of the total, with a focus on expanding and strengthening facilities for semiconductor-related miniaturization projects and glass disks for HDDs, which are seeing rapid gains in recording capacity.

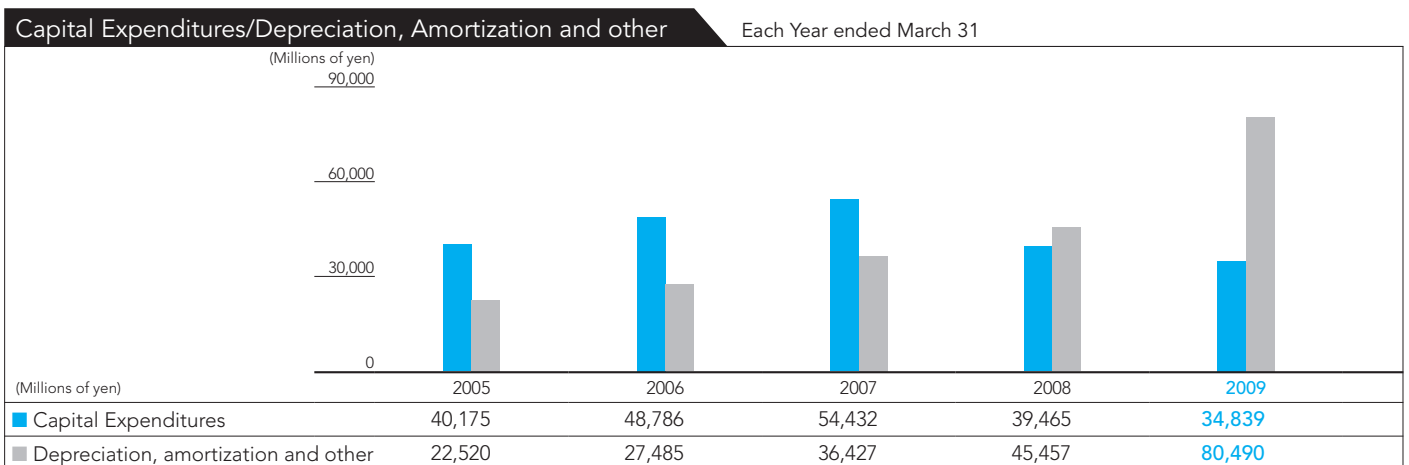


Depreciation and amortization costs for the fiscal year under review increased 11.5%, to ¥50,031 million. The Electro-Optics Division accounted for just over 50% of this, at ¥27,430 million. In addition, the Pentax Division incurred depreciation of property, plant and equipment, as well as amortization of goodwill that arose as a result of the merger.

Moreover, as shown in the lower graph, amortization of goodwill and impairment losses are included in addition to the depreciation costs. For the fiscal year under review, each of the Pentax business divisions and others applied impairment accounting, resulting in an impairment loss of ¥30,459 million.



Note: Corporate bonds were issued to fund a public tender offer to acquire Pentax Corporation. The balance as of March 31, 2009 is: Five-year bonds: ¥39,986 million Seven-year bonds: ¥24,992 million Ten-year bonds: ¥34,994 million



Note: Depreciation, amortization and other includes the loss on impairment of long-lived assets and amortization of goodwill.

Cash Flows

Net cash provided by operating activities amounted to ¥90,977 million, a decrease of ¥28,832 million from the previous fiscal year. The main positive factors were income before income taxes and minority interests of ¥44,059 million (down ¥50,494 million year on year), depreciation and amortization of ¥50,031 million (up ¥5,155 million), impairment loss of ¥30,459 million (up ¥29,877 million) and a decrease in notes and accounts receivable of ¥30,543 million (up ¥24,289 million). The main negative factors were a decrease in notes and accounts payable of ¥23,466 million (up ¥20,296 million) and ¥34,990 million in income taxes paid (up ¥10,030 million).

Net cash used in investing activities amounted to ¥34,330 million, a decrease of ¥78,707 million compared with the previous fiscal year. This was primarily attributable to payments of ¥34,174 million (down

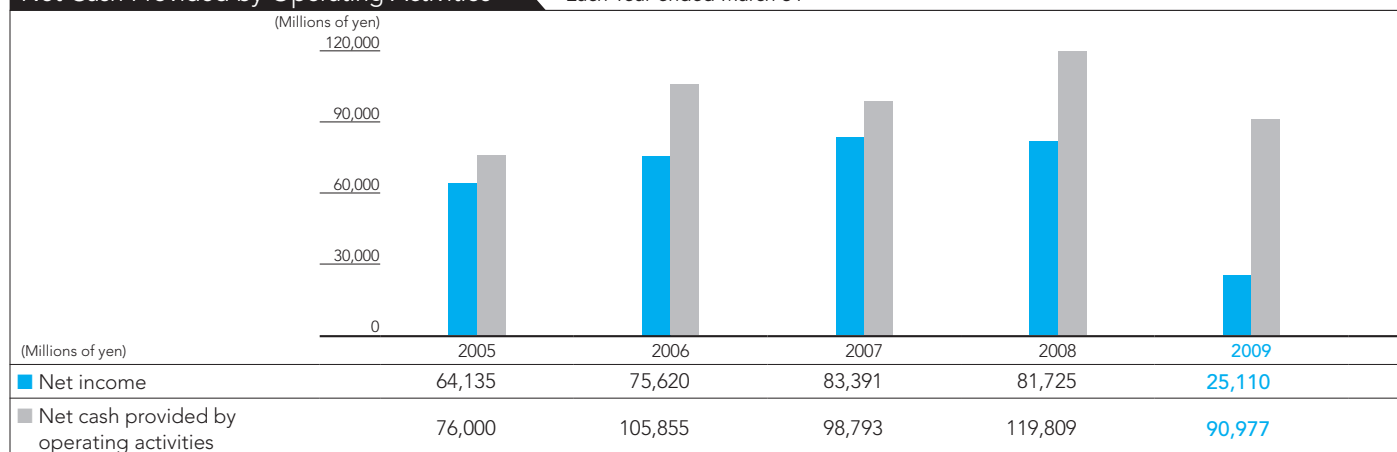
¥4,715 million) for property, plant and equipment, centered on investments related to next-generation products in the Electro-Optics Division, as well as the absence of the ¥72,463 million used in the previous fiscal year to acquire Pentax's shares.

Net cash used in financing activities amounted to ¥5,801 million, a difference of ¥74,054 million from the net cash provided by in the previous fiscal year. This was mainly due to a net increase of ¥31,466 million in short-term loans, and a total of ¥28,115 million in dividends paid (an increase of ¥39 million year on year), as well as the absence of ¥99,804 million from long-term bank loans and issuance of corporate bonds for the tender offer for Pentax's shares in the previous fiscal year.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2009, was ¥207,928 million, an increase of ¥26,592 million.

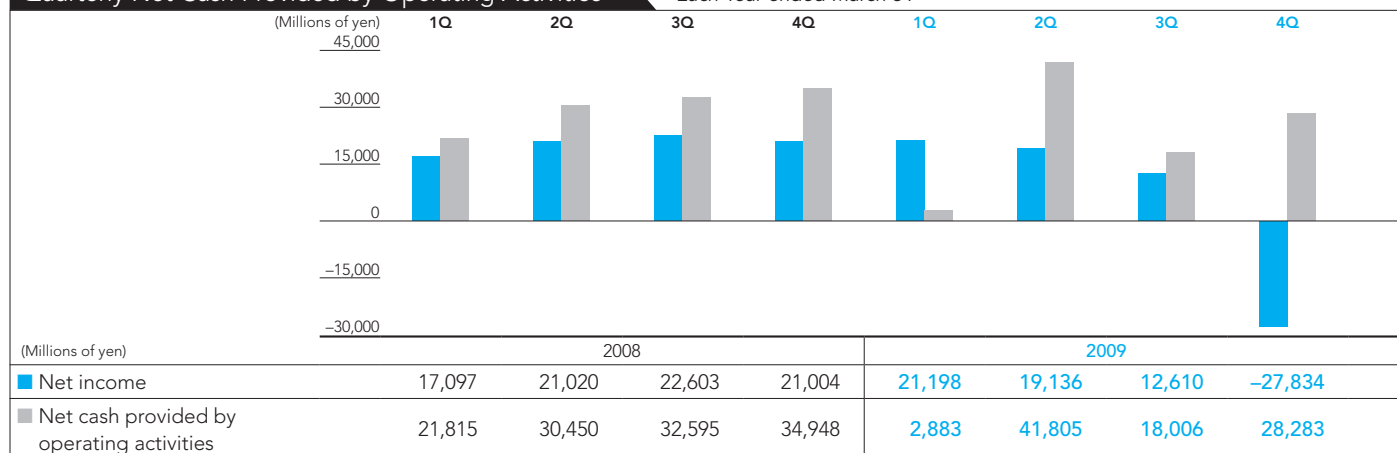
Net Cash Provided by Operating Activities

Each Year ended March 31



Quarterly Net Cash Provided by Operating Activities

Each Year ended March 31



Business Risks

The main items believed to be potential risk factors for development of the businesses of the Hoya Group are described below. Matters concerning forward-looking activities included in these statements are based on information evaluated by Hoya's management as of the date these materials were prepared.

1. Fluctuation of Exchange Rates

As the Hoya Group develops its business on a global scale, if the currencies of those countries in which the Hoya Group has major manufacturing operations appreciate, export prices of its products would rise, which would incur an increase in costs on a consolidated basis. If the currencies of those countries in which the Hoya Group has major sales operations depreciate, it would bring about a decrease in sales.

2. Influence of International Situations

In the event that the future movement of people, goods or money were to be extraordinarily restrained in certain regions, or if certain unexpected events took place in those countries in which the Hoya Group has business operations—including changes in the political, economic or legal environments, labor shortages, strikes, accidents or natural calamities, etc.—certain problems may arise in the execution of business operations.

3. Business in Production Goods

Every part of the Electro-Optics product range, which constitutes a major portion of Hoya Group revenue, involves intermediate production goods, components or materials. Therefore, growth of the business thereof is affected substantially by the market conditions of such end-consumer products such as personal computers and digital home appliances that are manufactured utilizing the resultant products.

4. Emergence of Discounters and Lowering of Prices in the Consumer Goods Sector

In recent years, discount shops of an unprecedented type have emerged and brought about a lowering of prices. If the influence of such discount shops swells to an extent that cannot be absorbed by the Hoya Group's cost reduction efforts and strategies for adding high value both in Japan and abroad, the business results and financial condition of the Hoya Group might be adversely affected.

5. Competence for Developing New Products

The Hoya Group strives at all times to develop state-of-the-art technologies. However, if the Hoya Group fails to sufficiently predict changes in the sector and markets or to develop new products that meet customer needs in time, the business results and financial condition of Hoya Group might be adversely affected.

6. Competition

The Hoya Group, which has the top market share for its many products in their respective sectors, is constantly exposed to relentless competition. There is no guarantee that the Hoya Group can maintain its overwhelming market share and compete efficiently in future. If customers shift allegiance due to cost pressures or inefficiency of Hoya's competitiveness, the business results and financial condition of Hoya Group might be adversely affected.

7. Production Capacity

At present, the Hoya Group reinforces its production capacity so as to meet orders that exceed existing production capacity in multiple business areas. However, if the setting up of such capacity were delayed for any reason, it would affect not only the Hoya Group's results but also the production and sales plans of its customers, which might bring about increased market share for its competitors, etc., and adversely affect the business results and financial condition of the Hoya Group.

8. New Business

New business is important for future growth. In the event that no promising new business is developed, the growth of the Hoya Group might not be achieved as planned. In addition, the Hoya Group may carry out mergers and acquisitions as a part of its business strategy. If unexpected obstacles emerge after such acquisition and unscheduled time and costs are required, the business results and financial condition of the Hoya Group might be adversely affected.

9. Risk of Information Leakage

In the course of its operations, the Hoya Group retains a substantial amount of personal and confidential information, and the Group has numerous measures in place to manage this information. Nevertheless, in the unlikely event that an outflow of information were to occur, the Hoya Group could experience a loss of trust from society and face significant liability for damages.

10. Intellectual Property Risk

In its new product development and manufacturing, as well as its sales activities, the Hoya Group conducts thorough advance research to avoid infringing upon other companies' intellectual property rights. Nevertheless, these efforts cannot eliminate the risk of a third party asserting infringement of their intellectual property rights. In such an event, in addition to legal costs and depending on the outcome of litigation, the Hoya Group might be unable to take advantage of said technology and could become liable for substantial damage compensation payments.

11. Product Quality Risk

The Hoya Group manufactures a wide variety of products according to stringent quality standards. However, if a quality issue were to arise, necessitating a recall or resulting in product liability, in addition to the cost of collecting such products the Group could incur significant damage to its reputation with customers. Also, depending on the product the Group could be liable for substantial damage compensation payments.

12. Risk Related to Human Resource Retention and Training

The ongoing growth of the Hoya Group is largely dependent on its ability to retain and train superior personnel in a wide range of fields. However, the Hoya Group's growth and operating performance could be negatively affected if the swiftly diversifying employment environment resulted in a situation that halted the flow of capable human resources or impeded the recruiting and training of new personnel.

13. Risk Related to Procuring Raw Materials and Other Items

Some of the raw materials and parts the Hoya Group uses in its manufacturing activities are of a specialty nature, such that suppliers are limited, so the selection of alternative suppliers would be problematic. Therefore, a natural calamity or accident on the part of a supplier could result in a sudden rise in purchase costs or the inability to secure a stable supply of parts from suppliers. This situation could cause the Hoya Group to delay product shipments or result in lost opportunities, thereby having a negative effect on the Group's operating performance and financial position.

14. Risk of Loss in Corporate Value from Hostile Takeover

The Hoya Group believes that management's responsibility is not to create measures defending it against corporate acquirers. However, as the people entrusted by shareholders management believes that it is important to achieve future corporate growth, enhancing corporate value by raising the Group's operating performance and financial soundness. If a hostile takeover were to occur nevertheless, the Hoya Group's operating performance and financial condition could be negatively affected.

Consolidated Balance Sheets

HOYA Corporation and Subsidiaries
March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
CURRENT ASSETS			
Cash and cash equivalents	¥ 207,928	¥ 181,336	\$ 2,116,748
Notes and accounts receivable			
Trade (Note 12)	82,875	120,522	843,681
Other	1,971	2,726	20,069
Allowance for doubtful receivables	(2,683)	(2,388)	(27,315)
Inventories (Note 4)	71,258	82,822	725,415
Deferred tax assets (Note 9)	6,369	10,868	64,835
Other current assets (Note 13)	16,748	14,387	170,499
Total current assets	384,466	410,273	3,913,932
PROPERTY, PLANT AND EQUIPMENT (Note 5)			
Land	15,756	16,888	160,395
Buildings and structures	79,814	77,598	812,523
Machinery and vehicles	240,695	250,705	2,450,321
Furniture and equipment	42,292	35,302	430,544
Construction in progress	12,959	10,212	131,930
Total	391,516	390,705	3,985,713
Less—accumulated depreciation	(262,199)	(238,502)	(2,669,238)
Net property, plant and equipment	129,317	152,203	1,316,475
INVESTMENTS AND OTHER ASSETS			
Investment securities (Note 3)	3,550	4,924	36,143
Investments in non-consolidated subsidiaries and affiliated companies	7,778	17,279	79,179
Intangible (Note 5)	22,150	56,305	225,492
Lease deposits	3,664	3,718	37,301
Deferred tax assets (Note 9)	36,643	41,159	373,033
Other assets (Notes 5 and 13)	4,076	3,908	41,502
Allowance for doubtful receivables	(548)	(325)	(5,583)
Total investments and other assets	77,313	126,968	787,067
TOTAL ASSETS	¥ 591,096	¥ 689,444	\$ 6,017,474

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
CURRENT LIABILITIES			
Notes and accounts payable			
Trade	¥ 29,558	¥ 55,539	\$ 300,900
Construction and other	17,146	25,135	174,553
Short-term loans payable (Note 8)	44,191	12,657	449,871
Current portion of long-term debt (Note 8)	4,402	8,749	44,814
Income taxes payable (Note 9)	7,273	30,793	74,041
Accrued bonuses to employees	4,754	7,453	48,399
Accrued expenses	17,884	22,515	182,066
Other current liabilities (Note 13)	5,781	6,015	58,849
Total current liabilities	130,989	168,856	1,333,493
LONG-TERM LIABILITIES			
Bonds (Note 8)	99,972	99,967	1,017,740
Long-term debt (Note 8)	10,968	13,268	111,653
Employees' pension and retirement benefits (Note 6)	8,489	10,210	86,417
Allowance for periodic repairs	999	1,017	10,169
Other long-term liabilities	1,669	1,500	16,997
Total long-term liabilities	122,097	125,962	1,242,976
TOTAL LIABILITIES	253,086	294,818	2,576,469
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 12)			
EQUITY (Note 7)			
Common stock—authorized, 1,250,519,400 shares issued, 435,017,020 shares in 2009 and 2008	6,264	6,264	63,771
Capital surplus	15,899	15,899	161,851
Stock subscription rights (Note 14)	938	633	9,555
Retained earnings	368,109	373,888	3,747,416
Net unrealized loss on available-for-sale securities, net of tax	(304)	(835)	(3,096)
Foreign currency translation adjustments	(46,669)	3,852	(475,103)
Treasury stock, at cost—2,160,060 shares in 2009 and 2,158,291 shares in 2008	(7,985)	(7,984)	(81,288)
Total	336,252	391,717	3,423,106
MINORITY INTERESTS	1,758	2,909	17,899
TOTAL EQUITY	338,010	394,626	3,441,005
TOTAL LIABILITIES AND EQUITY	¥591,096	¥689,444	\$6,017,474

Consolidated Statements of Income

HOYA Corporation and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
NET SALES	¥454,195	¥481,631	¥390,093	\$4,623,790
COST OF SALES (Notes 6, 10, 11 and 14)	264,289	262,944	197,410	2,690,515
Gross profit	189,906	218,687	192,683	1,933,275
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6, 10, 11 and 14)	130,811	123,613	85,470	1,331,677
Operating income	59,095	95,074	107,213	601,598
OTHER INCOME (EXPENSES):				
Interest and dividend income	4,081	4,596	2,922	41,543
Interest expense	(2,348)	(1,451)	(87)	(23,901)
Foreign exchange gains (losses)—net	7,152	(5,447)	(6,711)	72,805
Equity in earnings (losses) of associated companies	(315)	5,926	642	(3,207)
Loss on remediation of soil pollution and others	(65)	(1,612)	(767)	(658)
Loss on sales and disposal of property, plant and equipment	(1,148)	(1,125)	(3,327)	(11,684)
Loss on impairment of long-lived assets (Note 5)	(30,459)	(581)	(88)	(310,075)
Additional retirement benefits paid to employees (Note 6)	(6,743)	(1,921)	(1,055)	(68,645)
Gain on sales of property, plant and equipment	366	520	9,629	3,720
Gain on transfer of business	886	—	—	9,021
Loss on write-down of investment securities	(2,328)	(909)	—	(23,697)
Gain on sales of investment securities	9,705	—	—	98,795
Received commission for prior years	3,200	—	—	32,577
Other income (expense)—net	2,980	1,483	(1,239)	30,335
Other expenses—net	(15,036)	(521)	(81)	(153,071)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	44,059	94,553	107,132	448,527
INCOME TAXES (Note 9)				
Current	9,845	34,550	23,492	100,228
Deferred	9,408	(20,083)	71	95,775
Total income taxes	19,253	14,467	23,563	196,003
MINORITY INTERESTS IN NET INCOME (LOSS) OF CONSOLIDATED SUBSIDIARIES	304	1,639	(178)	3,100
NET INCOME	¥25,110	¥81,725	¥83,391	\$ 255,624
		Yen		U.S. Dollars
	2009	2008	2007	2009
PER SHARE OF COMMON STOCK (Notes 2.q and 15)				
Basic net income	¥58.01	¥189.01	¥193.50	\$0.59
Diluted net income	58.00	188.78	192.78	0.59
Cash dividends applicable to the year	65.00	65.00	65.00	0.66

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

HOYA Corporation and Subsidiaries

Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gain (Loss) on Available for Sale Securities, Net of Tax	Foreign Currency Translation Adjustments	Stock Subscription Rights	Minority Interests
BALANCE, MARCH 31, 2006	430,615,413	¥6,264	¥15,899	¥266,346	¥(16,280)	¥ 110	¥ 7,142	¥ —	¥ 920
Net income				83,391					
Cash dividends, ¥60 per share				(25,843)					
Bonuses to directors				(64)					
Repurchase of treasury stock	(2,861)				(13)				
Disposal of treasury stock	956,787			(1,607)	3,539				
Changes attributed to accounting changes in overseas consolidated subsidiaries				290					
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities						(196)			
Net increase in foreign currency translation adjustments							26,122		
Net increase in subscription rights								167	
Net increase in minority interests									956
Other increases					2				
BALANCE, MARCH 31, 2007	431,569,339	6,264	15,899	322,513	(12,752)	(86)	33,264	167	1,876
Net income				81,725					
Cash dividends, ¥65 per share				(28,089)					
Repurchase of treasury stock	(3,407)				(13)				
Disposal of treasury stock	1,292,797			(2,261)	4,781				
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities						(749)			
Net decrease in foreign currency translation adjustments							(29,412)		
Net increase in subscription rights								466	
Net increase in minority interests									1,033
BALANCE, MARCH 31, 2008	432,858,729	6,264	15,899	373,888	(7,984)	(835)	3,852	633	2,909
Adjustment of retained earnings due to adoption of PITF No. 18				(2,750)					
Net income				25,110					
Cash dividends, ¥65 per share				(28,136)					
Repurchase of treasury stock	(3,141)				(6)				
Disposal of treasury stock	1,372			(3)	5				
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities						531			
Net decrease in foreign currency translation adjustments							(50,521)		
Net increase in subscription rights								305	
Net decrease in minority interests									(1,151)
BALANCE, MARCH 31, 2009	432,856,960	¥6,264	¥15,899	¥368,109	¥ (7,985)	¥(304)	¥(46,669)	¥938	¥ 1,758

See notes to consolidated financial statements.

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gain (Loss) on Available for Sale Securities, Net of Tax	Foreign Currency Translation Adjustments	Stock Subscription Rights	Minority Interests
BALANCE, MARCH 31, 2008	\$63,771	\$161,851	\$3,806,249	\$(81,279)	\$(8,499)	\$ 39,211	\$6,440	\$ 29,615
Adjustment of retained earnings due to adoption of PITF No. 18			(27,996)					
Net income			255,624					
Cash dividends, \$0.66 per share			(286,428)					
Repurchase of treasury stock				(61)				
Disposal of treasury stock			(33)	52				
Net increase (decrease) in unrealized gain (loss) on available-for-sale securities					5,403			
Net increase in foreign currency translation adjustments						(514,314)		
Net increase in subscription rights							3,115	
Net decrease in minority interests								(11,716)
BALANCE, MARCH 31, 2009	\$63,771	\$161,851	\$3,747,416	\$(81,288)	\$(3,096)	\$(475,103)	\$9,555	\$ 17,899

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

HOYA Corporation and Subsidiaries

Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
OPERATING ACTIVITIES				
Income before income taxes and minority interests	¥ 44,059	¥ 94,553	¥107,132	\$ 448,527
Adjustment for:				
Depreciation and amortization	50,031	44,876	36,339	509,324
Loss on impairment of long-lived assets	30,459	582	88	310,075
Provision for (reversal of) allowance for doubtful receivables	587	557	(243)	5,975
Provision for (reversal of) accrued bonuses to employees	(2,716)	1,132	155	(27,653)
Provision for (reversal of) reserve for periodic repairs	(18)	126	268	(187)
Reversal of reserve for retirement benefit	(1,722)	—	—	(17,527)
Interest and dividend income	(4,081)	(4,595)	(2,922)	(41,543)
Interest expense	2,348	1,451	87	23,901
Foreign exchange loss (gain)	(8,032)	(2,121)	4,783	(81,768)
Equity in (earnings) losses of associated companies	315	(5,926)	(642)	3,207
Loss (gain) on sales of property, plant and equipment—net	180	(519)	(9,629)	1,829
Loss on disposal of property, plant and equipment	603	1,125	3,327	6,135
Gain on sales of Investment securities	(9,675)	—	—	(98,497)
Loss on write down of investment securities	2,328	872	7	23,697
Received commission for previous years	(3,200)	—	—	(32,577)
Gain on transfer business	(886)	—	—	(9,021)
Additional retirement benefits paid to employees	6,743	1,921	1,055	68,645
Loss on remediation of soil pollution and others	65	1,612	767	658
Other—net	(423)	11,568	1,962	(4,291)
Changes in assets and liabilities				
Decrease (increase) in notes and accounts receivable	30,543	6,254	(13,801)	310,937
Decrease (increase) in inventories	6,240	(7,163)	(4,799)	63,527
Decrease (increase) in other current assets	(2,284)	1,039	2,250	(23,256)
Decrease in notes and accounts payable	(23,466)	(3,170)	(1,208)	(238,888)
Decrease in other current liabilities	(1,020)	917	(781)	(10,383)
Interest and dividends—received	3,476	4,419	2,557	35,381
Interest—paid	(1,897)	(1,397)	(41)	(19,314)
Received commission for previous years—received	3,200	—	—	32,577
Additional retirement benefits paid to employees—paid	(3,112)	(2,797)	(558)	(31,679)
Loss on remediation of soil pollution and others—paid	(65)	(547)	(3,998)	(658)
Income taxes—paid	(34,990)	(24,960)	(23,362)	(356,207)
Refund of income taxes	7,387	—	—	75,204
Total adjustments	46,918	25,256	(8,339)	477,623
Net cash provided by operating activities	90,977	119,809	98,793	926,150
FORWARD	¥ 90,977	¥ 119,809	¥ 98,793	\$ 926,150

(Continued)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
FORWARD	¥ 90,977	¥ 119,809	¥ 98,793	\$ 926,150
INVESTING ACTIVITIES				
Payments for time deposit	¥ (7,108)	¥ —	¥ —	\$ (72,364)
Proceeds from refund of time deposit	590	—	—	6,009
Payments for property, plant and equipment	(34,174)	(38,889)	(52,379)	(347,895)
Proceeds from sales of property, plant and equipment	1,170	1,216	10,218	11,912
Payments for investment securities	(748)	—	(408)	(7,615)
Proceeds from sales of investment securities	17,876	27	30	181,979
Payment for acquisition of shares of newly consolidated subsidiaries	(1,154)	(72,463)	(908)	(11,745)
Payments on merger to minority shareholders	(9,398)	—	—	(95,670)
Payments for loans	(158)	(182)	(585)	(1,606)
Proceeds from collection of loans	236	102	78	2,404
Payments for purchases of other assets	(3,641)	(3,225)	(3,274)	(37,067)
Proceeds from other assets	859	377	576	8,748
Proceeds from transfer of business	1,320	—	—	13,438
Net cash used in investing activities	(34,330)	(113,037)	(46,652)	(349,472)
FINANCING ACTIVITIES				
Net increase (decrease) in short-term loans	31,466	(3,882)	—	320,328
Proceeds from long-term bank loans and issuance of corporate bonds	135	99,804	—	1,375
Repayments of long-term debt	(8,979)	(1,866)	—	(91,404)
Payments for purchases of treasury stock	(6)	(30)	(13)	(61)
Proceeds from sales of treasury stock	3	2,518	1,934	29
Dividends paid	(28,115)	(28,076)	(25,810)	(286,218)
Other	(305)	(215)	(2)	(3,102)
Net cash provided by (used in) financing activities	(5,801)	68,253	(23,891)	(59,053)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS				
	(24,254)	(14,311)	8,798	(246,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,592	60,714	37,048	270,716
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	181,336	120,622	83,574	1,846,032
CASH AND CASH EQUIVALENTS, END OF YEAR	¥207,928	¥ 181,336	¥120,622	\$2,116,748

See notes to consolidated financial statements.

NO. 1

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 and 2007 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Hoya Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to \$1, the rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

NO. 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 102 (100 in 2008 and 67 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 4 (8 in 2008 and 1 in 2007) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting was applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 20 years or less.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was not significant to decrease operating income, income before income taxes and minority interests. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash, and are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds. Cash equivalents mature or become due within three months of the date of acquisition.

d. Inventories—Prior to April 1, 2008, inventories were stated at cost, determined by the average method. In July 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The Company applied the new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change in accounting methods on profit or loss and on business segment information was minimal.

e. Investment Securities—All investment securities are classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired on or after April 1, 1998 by the Company and its consolidated domestic subsidiaries, and to almost all property, plant and equipment

of consolidated foreign subsidiaries. The ranges of useful lives are from 10 to 50 years for buildings and structures and from 3 to 12 years for machinery and vehicles.

g. Impairment of Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Intangible Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method. Amortization of software is calculated over 5 years. Amortization of patent is calculated over 8 years. Amortization of technological assets is calculated over 10 years. Goodwill is amortized on a straight-line basis over its estimated useful life determined for each investment, which does not exceed 20 years. However, insignificant goodwill is charged to income when incurred.

i. Accounting for Significant Allowances and Reserves—

- i) Allowance for doubtful receivables: Allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts for receivables from companies in financial difficulty.
- ii) Accrued bonuses to employees: Accrued bonuses to employees are provided based on the estimated amount to be paid.
- iii) Employees' pension and 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. Past service costs are amortized

on a straight-line basis over 10 years, which is less than the expected average remaining working lives of the employees. Actuarial gains and losses are also amortized on a straight-line basis over 10 years, which is less than the expected average remaining working lives of the employees, commencing with the following fiscal year.

(Changes in accounting policies)

In July 2008, The Accounting Standards Board of Japan (ASBJ) issued an Accounting Standard—ASBJ Statement No.19 “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)”. The above accounting standards were therefore applied from the fiscal year under review.

This had no effect on income before adjustment of income taxes and other items for the fiscal year under review, because its impact, including actuarial differences that accrued during the fiscal year under review, will be treated as costs in and after the following fiscal year.

- iv) Reserve for periodic repairs: Reserve for periodic repairs is provided at amount estimated based on the expenses of the latest extensive repairs for continuous melting furnaces.
- v) Allowance for product warranties: To prepare for after-sales service expenses that are anticipated to arise within product 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.

j. Research and Development Expenses—Research and development expenses are charged to income when incurred.

k. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee’s financial statements. The revised accounting standard

requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change in accounting methods on profit or loss and business segment information was minimal.

l. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Foreign Currency Translations—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated overseas subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of consolidated overseas subsidiaries are translated into Japanese yen at the monthly average exchange rates.

p. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

There were no hedging instruments and hedged items as of March 31, 2009. Hedging instruments and hedged items as of March 31, 2008 were as follows:

Hedging instruments: Forward exchange contracts

Hedged items: Loans payable denominated in foreign currency

q. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share reflects the potential dilution that could occur if the outstanding stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant). Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. Stock Option—In December 2005, the ASBJ issued ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock subscription right as a separate

component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

s. New Accounting Pronouncements

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows;

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

—The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows for applying the equity method to the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

No. 3 INVESTMENT SECURITIES

Investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Marketable equity securities	¥2,050	¥3,616	\$20,865
Non-marketable equity securities	1,500	1,308	15,278
Total	¥3,550	¥4,924	\$36,143

The carrying amounts and aggregate fair values of marketable equity securities and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2009				
Available-for-sale—Equity securities	¥2,304	—	¥ 254	¥2,050
March 31, 2008				
Available-for-sale—Equity securities	4,677	—	1,061	3,616

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2009				
Available-for-sale—Equity securities	\$23,451	—	\$2,586	\$20,865

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Equity securities	¥1,343	¥1,060	\$13,676
Investment to limited partnership and others	157	248	1,602
Total	¥1,500	¥1,308	\$15,278

These were no sales of available-for-sale securities for the years ended March 31, 2009 and 2008.

No. 4 INVENTORIES

Inventories as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products and merchandise	¥35,367	¥39,080	\$360,037
Work in process	11,435	18,737	116,407
Raw materials and supplies	24,456	25,005	248,971
Total	¥71,258	¥82,822	\$725,415

No. 5

IMPAIRMENT OF LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the years ended March 31, 2009, 2008 and 2007 as follows:

Use	Location	Type of assets	2009	
			Millions of Yen	Thousands of U.S. Dollars
Goodwill and other fixed assets for the PENTAX Division	Itabashi-ku, Tokyo, etc.	Goodwill, etc.	¥27,436	\$279,304
Trademark rights of the PENTAX Division	Boston (U.S.A.)	Trademark	213	2,172
Tokyo Studio in the Crystal Division	Akishima-shi, Tokyo	Machinery and vehicles, etc.	68	683
Assets to be sold, disposed and idle assets, etc.	Mashiko-machi, Tochigi, etc.	Buildings and structures, etc.	2,742	27,916
Total			¥30,459	\$310,075

The carrying amount of the goodwill and other fixed assets for the PENTAX Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 10%.

The carrying amount of the trademark rights of the PENTAX Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 16%.

The carrying amount of Tokyo Studio in the Crystal Division was measured in terms of its value in use, which is considered to be zero.

The carrying amount of the assets to be sold, disposed and idle assets was measured on the basis of their net sale price.

Use	Location	Type of assets	2008	
			Millions of Yen	
Tokyo Studio in the Crystal Division	Akishima-shi, Tokyo	Buildings and structures, etc.	¥129	
Rights in the Health Care Division	San Diego (U.S.A.)	Intangible assets	212	
Assets for the surveying instrument business in the PENTAX Division	Ogawa-machi, Saitama	Buildings and structures, etc.	149	
Idle assets, etc.	Mulleheimm (Germany), etc.	Buildings and structures, etc.	91	
Total			¥581	

The carrying amount of Tokyo Studio in the Crystal Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

The carrying amounts of the Rights in the Health Care Division were written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

The carrying amount of Assets for the surveying instrument business in the PENTAX Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

The book value of idle assets was reduced to their estimated recoverable amount, which was measured on the basis of their net sale price.

Use	Location	Type of assets	2007	
			Millions of Yen	
Tokyo Studio in the Crystal Division	Akishima-shi, Tokyo	Buildings and structures, etc.	¥88	
Total			¥88	

The carrying amount of Tokyo Studio in the Crystal Division was written down to the estimated recoverable amount, which was measured at its value in use. The discount rate used for computation of the present value of future cash flows was 5%.

No. 6

EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Company and certain consolidated domestic subsidiaries have defined contribution benefit plan. Regarding the PENTAX division, which merged in 2008, it operated a fund-type corporate pension plan, an agreement type corporate pension plan and a termination allowance plan as defined-benefit pension plan.

Certain overseas subsidiaries operate defined-benefit pension plan or defined contribution benefit plan.

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥19,687	¥20,899	\$200,414
Less fair value of plan assets	(6,741)	(8,848)	(68,622)
Unrecognized actuarial differences	(4,478)	(1,865)	(45,589)
Prepaid pension cost	21	24	214
Employees' severance and retirement benefits	¥ 8,489	¥10,210	\$ 86,417

Included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Service costs-benefits earned during the year	¥ 975	¥1,007	—	\$ 9,922
Interest cost on projected benefit obligation	367	192	—	3,739
Expected return on plan assets	(171)	(182)	—	(1,745)
Recognized actuarial loss	158	—	—	1,611
Additional retirement benefits	6,743	1,921	1,055	68,645
Others	1,581	1,805	—	16,097
Severance and retirement benefit expenses	¥9,653	¥4,743	1,055	\$98,269

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	Mainly 1.3%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 3.5%
Amortization period of prior service cost (Straight-line method)	Mainly 10 years	Mainly 10 years
Recognition period of actuarial gain (loss) (Straight-line method from the year ended March 31, 2009)	Mainly 10 years	Mainly 10 years

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total remaining service years.

No. 7 EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Board of Directors of companies with board committees (The Nomination committee, Compensation committee and Audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Company is organized as a company with board committees.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

On May 28, 2009, the Board of directors resolved cash dividends amounting to ¥15,150 million (\$154,230 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized when the Board of directors resolves them.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock subscription rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock subscription rights, are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock subscription rights and treasury stock. Such treasury stock subscription rights are presented as a separate component of equity or deducted directly from stock subscription rights.

No. 8

SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Short-term loans and overdrafts, principally from banks, with interest rates ranging from 1.88% to 7.00% (2009) and from 0.00% to 5.23% (2008)	¥ 2,145	¥ 6,465	\$ 21,834
Commercial paper with interest rates ranging from 0.20% to 0.25% (2009) and from 0.78% to 0.82% (2008)	41,978	6,192	427,346
Lease debt—current	68	—	691
Total	¥44,191	¥12,657	\$449,871

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Bonds			
1.42%, unsecured straight bonds, payable in yen, due September 2012	¥ 39,986	¥ 39,982	\$ 407,067
1.62%, unsecured straight bonds, payable in yen, due September 2014	24,992	24,991	254,426
1.93%, unsecured straight bonds, payable in yen, due September 2017	34,994	34,994	356,247
	99,972	99,967	1,017,740
Loans			
Long-term loans and overdrafts, principally from banks, with interest rates ranging from 0.00% to 7.00% (2009) and 0.00% to 5.23% (2008)	14,090	22,017	143,446
	14,090	22,017	143,446
Lease debt			
Lease debt—non-current	1,280	—	13,021
	1,280	—	13,021
Total	115,342	121,984	1,174,207
Less current portion included in current liabilities	(4,402)	(8,749)	(44,814)
	¥110,940	¥113,235	\$1,129,393

Annual maturities of long-term bank loans as of March 31, 2009 and 2008 were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
2010	¥ 4,402	¥ 8,749	\$ 44,814
2011	4,213	4,607	42,895
2012	4,358	4,038	44,367
2013	166	44,128	1,692
2014	160	6	1,630
Thereafter	791	60,456	8,048
Total	¥14,090	¥121,984	\$143,446

No. 9 INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2009, 2008 and 2007.

Significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Deferred tax assets:			
Inventories—loss on write-down	¥ 5,734	¥ 5,120	\$ 58,370
Accrued bonuses to employees	1,833	2,835	18,656
Additional retirement benefits paid to employees	1,310	—	13,339
Loss carry forwards	1,039	—	10,575
Inventories—intercompany unrealized profits	507	2,002	5,162
Accrued enterprise taxes	284	1,592	2,886
Accrued loss on remediation of soil pollution and others	—	601	—
Other	2,281	4,553	23,225
Less valuation allowance	(1,864)	(1,590)	(18,971)
Total	11,124	15,113	113,242
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliated companies	(2,482)	(2,600)	(25,267)
Other	(2,273)	(1,749)	(23,140)
Total	(4,755)	(4,349)	(48,407)
Net deferred tax assets	¥ 6,369	¥10,764	\$ 64,835
Non-Current:			
Deferred tax assets:			
Loss carry forwards	¥18,051	¥20,161	\$183,767
Asset adjustment account	13,699	20,012	139,459
Loss on impairment of long-lived assets	3,707	531	37,738
Unrealized gain on investment securities	3,607	2,569	36,720
Amortization of goodwill and property, plant and equipment	1,851	1,017	18,842
Allowance for doubtful receivables	548	131	5,581
Other	2,317	2,302	23,586
Less valuation allowance	(6,345)	(4,804)	(64,597)
Total	37,435	41,919	381,096
Deferred tax liabilities:			
Depreciation expense	(222)	(292)	(2,259)
Reserves for deferred income taxes on fixed assets	(171)	(198)	(1,746)
Reserves for special depreciation and other	(154)	(289)	(1,565)
Other	(245)	(166)	(2,493)
Total	(792)	(945)	(8,063)
Net deferred tax assets	¥36,643	¥40,974	\$373,033

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 was as follows:

	2009	2008	2007
Normal effective statutory tax rate	40.4%	40.4%	40.4%
Loss on impairment and depreciation of goodwill	21.5	—	—
Adjustment of deferred tax assets	6.8	—	—
The amount influence of merging	—	(9.0)	—
Undistributed earnings of overseas subsidiaries	5.8	—	—
Change in valuation allowance	4.5	0.6	—
Lower or exemption income tax rates applicable to income in certain foreign countries	(32.8)	(20.1)	(17.1)
Consolidated adjustment on unrealized gain in inventories	(1.8)	1.2	—
Other—net	(0.7)	2.2	(1.3)
Actual effective tax rate	43.7%	15.3%	22.0%

No. 10 LEASES

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses including lease payments for the years ended March 31, 2009, 2008 and 2007 were ¥8,210 million (\$83,576 thousand), ¥7,482 million and ¥3,909 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense of finance lease that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			2009		
	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total	Machinery and Vehicles	Furniture and Equipment	Total
Acquisition cost	¥3,150	¥434	¥3,584	¥5,282	¥5,637	¥10,919	\$32,064	\$4,422	\$36,486
Accumulated depreciation	1,973	266	2,239	3,156	4,048	7,204	20,084	2,706	22,790
Accumulated impairment loss	—	24	24	3	25	28	0	250	250
Net leased property	¥1,177	¥144	¥1,321	¥2,123	¥1,564	¥ 3,687	\$11,980	\$1,466	\$13,446

The imputed interest expense portion as lessee is included in the above acquisition cost.

Obligation under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 552	¥2,039	\$ 5,615
Due after one year	778	1,662	7,922
Total	¥1,330	¥3,701	\$13,537

Allowance for impairment loss on leased property of ¥9 million (\$90 thousand) and ¥14 million as of March 31, 2009 and 2008 is not included in obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Depreciation expense	¥600	¥2,347	¥718	\$6,109
Lease payments	606	2,355	727	6,165
Reversal of allowance for impairment loss on leased property	6	8	9	56
Impairment loss	—	4	6	—

The imputed expense portion as lessee is included in the above obligation under finance leases.

Obligation under operating leases

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 860	¥ 85	\$ 8,758
Due after one year	1,747	84	17,783
Total	¥2,607	¥169	\$26,541

No. 11

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2009, 2008 and 2007 were ¥17,630 million (\$179,478 thousand), ¥17,413 million, ¥14,920 million, respectively.

No. 12

COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2009 and 2008 the Group had the following contingent liabilities.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Guarantees of borrowings and lease obligations for customers	¥1,720	¥2,070	\$17,516
Guarantees of borrowings for the Group's employees	2	2	19
Trade notes discounted	181	1,551	1,842
Total	¥1,903	¥3,623	\$19,377

HOYA LENS DEUTSCHLAND GMBH (Germany), which is a subsidiary of the Company, received a statement of objections (the "statement") from the Federal Cartel office of the Federal Republic of Germany in December 2008. The Company and HOYA LENS DEUTSCHLAND GMBH are currently investigating the facts of this matter, and will deal with it appropriately.

There is a possibility that losses will be incurred in the future related to the statement. However, it is difficult to reasonably estimate the impact when this report was prepared, so the effect on the consolidated financial statements is not clear.

No. 13

DERIVATIVES AND HEDGING ACTIVITIES

Derivatives and hedging activities as of March 31, 2009 and 2008 consisted of the following:

1. Conditions of transactions

The Group enters into derivative financial instruments ("derivatives"), including forward foreign exchange contracts and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures on certain assets and liabilities.

Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trade or speculative purposes.

(1) Hedge accounting methods

Deferral hedging is applied. Loans payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

(2) Hedging methods and hedged items

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

Item hedged: Loans payable denominated in foreign currencies

There were no hedging instruments and hedged items as of March 31, 2009.

2. Fair value of transactions

Fair value of transactions as of March 31, 2009 was as follows:

Currency-related transactions:

Items	Millions of Yen			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts				
Buy—USD	¥ 197	¥ —	¥ 231	¥ 34
EURO	12,383	2,426	12,034	(349)
Total	¥12,580	¥2,426	¥12,265	¥(315)

Notes: 1. Market value:

Forward foreign exchange contract: Translated by forward exchange rates

2. Transactions which are translated at the contracted forward rates are excluded.

Interest rate swap:

Items	Millions of Yen			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Interest rate swap				
Receive floating pay fixed	¥4,342	¥4,342	¥(43)	¥(43)
Total	¥4,342	¥4,342	¥(43)	¥(43)

Notes: 1. The principal amount regarding the interest rate swap is notional. The figures do not indicate market risks relating to the derivative transactions

2. Calculation of market value is based on the prices provided by the financial institutions the Company entered into the interest rate swap contracts with.

Currency-related transactions:

Items	Thousands of U.S. Dollars			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts				
Buy—USD	\$ 2,000	\$ —	\$ 2,351	\$ 351
EURO	126,066	24,695	122,510	(3,556)
Total	\$128,066	\$24,695	\$124,861	\$(3,205)

Interest rate swap:

Items	Thousands of U.S. Dollars			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Interest rate swap				
Receive floating pay fixed	\$44,197	\$44,197	\$(442)	\$(442)
Total	\$44,197	\$44,197	\$(442)	\$(442)

Fair value of transactions as of March 31, 2008 was as follows:

Currency-related transactions:

Items	Millions of Yen			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Forward foreign exchange contracts				
Sell—USD	¥ 7,626	—	¥587	¥587
EURO	10,140	—	111	111
Buy—USD	100	—	5	5
EURO	1,777	—	104	104
Option				
Buy-Call—USD	321	—	15	15
Total	¥19,964	—	¥822	¥822

Notes: 1. Market value:

- (1) Forward foreign exchange contract: Translated by forward exchange rates
 - (2) Currency option contract: Calculation of market is based on the prices provided by the financial institutions the Company has business connection with.
2. Transactions which are translated at the contracted forward rates are excluded.

Interest rate swap:

Items	Millions of Yen			
	Contract value	Contract over one year	Market value	Unrealized gain (loss)
Interest rate swap				
Receive floating pay fixed	¥11,011	¥8,711	¥(82)	¥(22)
Total	¥11,011	¥8,711	¥(82)	¥(22)

Notes: 1. The principal amount regarding the interest rate swap is notional. The figures do not indicate market risks relating to the derivative transactions

2. Calculation of market value is based on the prices provided by the financial institutions the Company entered into the interest rate swap contracts with.

No. 14

STOCK OPTION PLANS

1. Description of Stock Option

(1) Description of Stock Option Plans

	3rd stock subscription rights		4th stock subscription rights		5th stock subscription rights	
Type and number of recipients (Note 1)	Directors of the Company	8	Directors of the Company	8	Directors of the Company	8
	Directors of subsidiaries	14	Directors of subsidiaries	5	Directors of subsidiaries	13
	Employees of the Company	60	Employees of the Company	54	Employees of the Company	85
	Employees of subsidiaries	35	Employees of subsidiaries	43	Employees of subsidiaries	77
Number of stock options by type of stock to be issued	Common stock	700,000	Common stock	635,600	Common stock	890,000
Grant date	December 12, 2003		December 13, 2004		January 1, 2006	
Vesting requirements	Remain employed from the grant date (December 12, 2003) to the end of the vesting period.		Remain employed from the grant date (December 13, 2004) to the end of the vesting period.		Remain employed from the grant date (January 1, 2006) to the end of the vesting period.	
Service period	From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.	
Exercise period (Note 2)	From October 1, 2004 to September 30, 2008		From October 1, 2005 to September 30, 2009		From October 1, 2006 to September 30, 2015	

	6th stock subscription rights		7th stock subscription rights		8th stock subscription rights		9th stock subscription rights	
Type and number of recipients	Directors of the Company	8	Directors of the Company	8	Directors of the Company	9		
	Directors of subsidiaries	73			Directors of subsidiaries	28	Directors of subsidiaries	1
	Employees of the Company	12			Employees of the Company	86		
	Employees of subsidiaries	88			Employees of subsidiaries	10		
Number of stock options by type of stock to be issued	Common stock	780,800	Common stock	77,600	Common stock	1,036,000	Common stock	60,000
Grant date	November 7, 2006		November 14, 2007		November 28, 2008		February 24, 2009	
Vesting requirements	Remain employed from the grant date (November 7, 2006) to the end of the vesting period.		Remain employed from the grant date (November 14, 2007) to the end of the vesting period.		Remain employed from the grant date (November 28, 2008) to the end of the vesting period.		Remain employed from the grant date (February 24, 2009) to the end of the vesting period.	
Service period	From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.		From the grant date to the end of the vesting period.	
Exercise period	From October 1, 2007 to September 30, 2016		From October 1, 2008 to September 30, 2017		From October 1, 2009 to September 30, 2018		From October 1, 2009 to September 30, 2018	

Notes: 1. Number of stock options is expressed in number of shares to be issued upon exercise. The number of shares to be issued has been adjusted taking into account a four-for-one stock split for common stock as of November 15, 2005.

2. Exercise of stock options during the exercise period is subject to terms and conditions stipulated in the agreement of allotment of stock subscription rights entered into with respective recipients.

(2) Number of Stock Options and Changes in Number of Stock Options

The following tables are based on the stock options which exist as of March 31, 2009. Number of stock options is expressed in number of shares to be issued upon exercise.

a. Number of stock options ^(Note)

	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights	8th stock subscription rights	9th stock subscription rights
Unvested							
As of March 31, 2008	—	—	—	—	77,600	—	—
Granted	—	—	—	—	—	1,036,000	60,000
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	77,600	—	—
Unvested							
As of March 31, 2009	—	—	—	—	—	1,036,000	60,000
Vested							
As of March 31, 2008	467,600	503,600	889,200	780,800	—	—	—
Vested	—	—	—	—	77,600	—	—
Exercised	400	—	—	—	—	—	—
Forfeited	467,200	—	—	—	—	—	—
Vested							
As of March 31, 2009	—	503,600	889,200	780,800	77,600	—	—

Note: Number of shares in the above table is adjusted taking into account a four-for-one stock split for common stock as of November 15, 2005

b. Per unit information

	3rd stock subscription rights	4th stock subscription rights	5th stock subscription rights	6th stock subscription rights	7th stock subscription rights	8th stock subscription rights	9th stock subscription rights
Exercise price (yen) ^(Note 1)	2,438	2,713	4,150	4,750	4,230	1,556	1,704
Average stock price on exercise (yen) ^(Note 1)	2,802	—	—	—	—	—	—
Fair value per unit (as of grant date) (yen) ^(Note 2)	—	—	—	(a) 1,113	(a) 745	(a) 233	(a) 372
				(b) 1,224	(b) 786	(b) 235	(b) 378
				(c) 1,289	(c) 800	(c) 241	(c) 381
				(d) 1,448	(d) 946	(d) 243	(d) 390

Notes: 1. Exercise price and average stock price on exercise in the above table is adjusted taking into account a four-for-one stock split for common stock as of November 15, 2005.

2. As the 1st stock subscription rights through 5th stock subscription rights were granted before the Corporate Act of Japan became effective, fair value per unit was not calculated.

2. Valuation Method for Fair Value of Stock Options

The 8th and 9th stock subscription rights granted for the year ended March 31, 2009 are valued as follows:

Fair value of stock subscription rights is valued for each of the following exercise periods.

- (a) From October 1, 2009 to September 30, 2018
- (b) From October 1, 2010 to September 30, 2018
- (c) From October 1, 2011 to September 30, 2018
- (d) From October 1, 2012 to September 30, 2018

a. Option-pricing model used: Black-Scholes model

b. Major assumptions used:

8th stock subscription rights

	(a)	(b)	(c)	(d)
Stock price to volatility ^(Note 1)	36.12%	35.73%	35.90%	35.73%
Estimated time to exercise ^(Note 2)	5.34 years	5.84 years	6.34 years	6.84 years
Estimated dividends ^(Note 3)	¥65	¥65	¥65	¥65
Risk free rate ^(Note 4)	0.90%	0.95%	1.00%	1.05%

9th stock subscription rights

	(a)	(b)	(c)	(d)
Stock price to volatility ^(Note 1)	36.95%	36.74%	36.33%	36.55%
Estimated time to exercise ^(Note 2)	5.10 years	5.60 years	6.10 years	6.60 years
Estimated dividends ^(Note 3)	¥65	¥65	¥65	¥65
Risk free rate ^(Note 4)	0.70%	0.76%	0.82%	0.88%

Notes: 1. It is based on historical volatility of stock price for the period, corresponding to the estimated time to exercise, prior to the grant date.

2. It is assumed to be exercised in the middle of the exercise period due to the lack of enough data for other reasonable estimation.

3. It is based on the actual dividends for the year ended March 31, 2008.

4. It is based on interest rates on national government bonds with maturity corresponding to the estimated time to exercise.

3. Estimation Methods for Number of Vested Stock Options

Only the actual number of stock options is reflected due to difficulty in estimating the number of stock options to be forfeited in the future.

4. Stock-based compensation expense is recorded on the consolidated statement of income for the year ended March 31, 2009 as follows:

Cost of sales	¥ 63 million
Selling, general and administrative expenses	¥243 million

No. 15

NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	EPS
For the year ended March 31, 2009				
Basic EPS—Net income available to common shareholders	¥25,110	432,858	¥ 58.01	\$0.59
Effect of dilutive securities—Stock options	—	67		
Diluted EPS—Net income for computation	¥25,110	432,925	¥ 58.00	\$0.59
For the year ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥ 81,725	432,383	¥189.01	
Effect of dilutive securities—Stock options	—	522		
Diluted EPS—Net income for computation	¥ 81,725	432,905	¥188.78	
For the year ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥ 83,391	430,968	¥193.50	
Effect of dilutive securities—Stock options	—	1,615		
Diluted EPS—Net income for computation	¥ 83,391	432,583	¥192.78	

No. 16

SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009, 2008 and 2007 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen								
	2009								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Sales to customers	¥163,902	¥6,367	¥110,725	¥49,968	¥122,190	¥1,043	¥454,195	¥ —	¥454,195
Intersegment sales	274	583	11	—	13	4,073	4,954	(4,954)	—
Total sales	164,176	6,950	110,736	49,968	122,203	5,116	459,149	(4,954)	454,195
Operating expenses	124,464	6,653	88,929	38,424	133,775	4,881	397,126	(2,026)	395,100
Operating income (loss)	¥ 39,712	¥ 297	¥ 21,807	¥11,544	¥ (11,572)	¥ 235	¥ 62,023	¥(2,928)	¥ 59,095

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Millions of Yen								
	2009								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Assets	¥186,864	¥6,810	¥101,603	¥26,609	¥141,022	¥3,034	¥465,942	¥125,154	¥591,096
Depreciation	27,430	183	7,685	1,215	13,246	67	49,826	205	50,031
Impairment loss	758	—	87	—	29,547	67	30,459	—	30,459
Capital expenditures	20,242	131	7,294	1,507	5,119	195	34,488	351	34,839

a. Sales and Operating Income

	Thousands of U.S. Dollars								
	2009								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Sales to customers	\$1,668,550	\$64,813	\$1,127,206	\$508,681	\$1,243,922	\$10,618	\$4,623,790	\$ —	\$4,623,790
Intersegment sales	2,791	5,941	112	—	131	41,464	50,439	(50,439)	—
Total sales	1,671,341	70,754	1,127,318	508,681	1,244,053	52,082	4,674,229	(50,439)	4,623,790
Operating expenses	1,267,062	67,729	905,318	391,159	1,361,857	49,695	4,042,820	(20,628)	4,022,192
Operating income (loss)	\$ 404,279	\$ 3,025	\$ 222,000	\$117,522	\$ (117,804)	\$ 2,387	\$ 631,409	\$(29,811)	\$ 601,598

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Thousands of U.S. Dollars								
	2009								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Assets	\$1,902,308	\$69,328	\$1,034,336	\$270,888	\$1,435,631	\$30,893	\$4,743,384	\$1,274,090	\$6,017,474
Depreciation	279,238	1,862	78,238	12,365	134,844	686	507,233	2,091	509,324
Impairment loss	7,718	—	881	—	300,793	683	310,075	—	310,075
Capital expenditures	206,068	1,331	74,258	15,339	52,108	1,987	351,091	3,572	354,663

a. Sales and Operating Income

	Millions of Yen								
	2008								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Sales to customers	¥209,883	¥9,090	¥126,338	¥46,177	¥89,032	¥1,111	¥481,631	¥ —	¥481,631
Intersegment sales	383	246	(2)	—	2	2,761	3,390	(3,390)	—
Total sales	210,266	9,336	126,336	46,177	89,034	3,872	485,021	(3,390)	481,631
Operating expenses	142,802	8,512	105,683	36,011	89,168	4,227	386,403	154	386,557
Operating income (loss)	¥ 67,464	¥ 824	¥ 20,653	¥10,166	¥ (134)	¥ (355)	¥ 98,618	¥(3,544)	¥ 95,074

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Millions of Yen								
	2008								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Assets	¥210,007	¥8,037	¥112,379	¥24,416	¥204,853	¥2,818	¥562,510	¥126,934	¥689,444
Depreciation	27,653	138	7,728	1,311	7,856	47	44,733	143	44,876
Impairment loss	—	—	61	212	179	129	581	—	581
Capital expenditures	24,431	141	9,434	848	4,455	146	39,455	10	39,465

a. Sales and Operating Income

	Millions of Yen								
	2007								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Sales to customers	¥219,252	¥9,093	¥119,808	¥40,850	¥1,090	¥390,093	¥ —	¥390,093	
Intersegment sales	414	248	0	0	2,766	3,428	(3,428)	—	
Total sales	219,666	9,341	119,808	40,850	3,856	393,521	(3,428)	390,093	
Operating expenses	139,581	8,851	98,641	31,635	4,206	282,914	(34)	282,880	
Operating income (loss)	¥ 80,085	¥ 490	¥ 21,167	¥ 9,215	¥ (350)	¥110,607	¥(3,394)	¥107,213	

b. Assets, Depreciation, Loss on Impairment of Long-Lived Assets and Capital Expenditures

	Millions of Yen								
	2007								
	Information Technology		Eye Care		Pentax	Other Businesses	Total	Eliminations and Corporate	Consolidated
Electro-Optics	Photonics	Vision Care	Health Care						
Assets	¥258,746	¥7,761	¥118,229	¥24,410	¥2,518	¥411,664	¥35,980	¥447,644	
Depreciation	27,449	125	7,405	1,170	45	36,194	145	36,339	
Impairment loss	—	—	—	—	88	88	—	88	
Capital expenditures	39,899	155	11,672	2,119	90	53,935	497	54,432	

Notes: 1. The Company and subsidiaries primarily engage in the manufacture and sale of products in six major segments grouped on the basis of similarities in the types, nature and market of the products. The six segments, namely, Electro-Optics, Photonics, Vision Care, Health Care, Pentax, and Other Businesses, consist primarily of the following products:

Electro-Optics: Photomasks and mask blanks for semiconductors, masks for liquid-crystal display (LCD), parts for glass panels of LCDs, glass disks for hard disk drives (HDDs), optical lenses, optical glasses, electronic glasses, optical communication products, etc.

Photonics: Laser equipment, light sources for use in the electronics industry, special optical glass, etc.

Vision Care: Eyeglasses, eyeglass frames, etc.

Health Care: Contact lenses and related accessories, intraocular lenses, etc.

Pentax: Endoscopes, medical accessories, bone prosthesis, CHT Ceramic Hydroxapatite, etc.

Digital cameras, interchangeable lenses, accessories for cameras, etc.

Digital camera modules, micro lenses, CCTV lenses, etc.

Other Businesses: Crystal glass products, construction of information systems, outsourcing, etc.

2. Corporate operating expenses consist primarily of the administration expenses of the Company and foreign holding companies, which are not allocated to industry segments. Corporate operating expenses for the years ended March 31, 2009, 2008 and 2007 were ¥3,917 million (\$39,875 thousand), ¥6,289 million and ¥3,370 million, respectively.

3. Corporate assets consist primarily of cash, time deposits, investment securities and administrative assets of the Company and the foreign holding companies. Corporate assets as of March 31, 2009, 2008 and 2007 were ¥ 154,404 million (\$1,571,863 thousand), ¥153,256 million and ¥61,381, respectively.

4. Consolidated operating expenses are equal to the total of cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements of income.

(2) Geographical Segments

The geographical segments of the Company and subsidiaries for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of Yen						
	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥259,631	¥55,028	¥97,144	¥ 42,392	¥454,195	¥ —	¥454,195
Intersegment sales	52,496	707	889	135,030	189,122	(189,122)	—
Total sales	312,127	55,735	98,033	177,422	643,317	(189,122)	454,195
Operating expenses	304,756	54,510	93,090	141,650	594,006	(198,906)	395,100
Operating income (loss)	7,371	1,225	4,943	35,772	49,311	9,784	59,095
Assets	¥249,701	¥33,681	¥64,607	¥217,187	¥565,176	¥ 25,920	¥591,096

	Thousands of U.S. Dollars						
	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	\$2,643,090	\$560,196	\$988,946	\$ 431,558	\$4,623,790	\$ —	\$4,623,790
Intersegment sales	534,421	7,199	9,053	1,374,628	1,925,301	(1,925,301)	—
Total sales	3,177,511	567,395	997,999	1,806,186	6,549,091	(1,925,301)	4,623,790
Operating expenses	3,102,470	554,922	947,680	1,442,019	6,047,091	(2,024,899)	4,022,192
Operating income (loss)	75,041	12,473	50,319	364,167	502,000	99,598	601,598
Assets	\$2,542,006	\$342,878	\$657,710	\$2,211,004	\$5,753,598	\$ 263,876	\$6,017,474

	Millions of Yen						
	2008						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥291,566	¥56,680	¥89,420	¥ 43,965	¥481,631	¥ —	¥481,631
Intersegment sales	54,012	374	757	157,230	212,373	(212,373)	—
Total sales	345,578	57,054	90,177	201,195	694,004	(212,373)	481,631
Operating expenses	315,421	51,788	83,359	157,360	607,928	(221,371)	386,557
Operating income (loss)	30,157	5,266	6,818	43,835	86,076	8,998	95,074
Assets	¥333,040	¥37,722	¥66,642	¥228,174	¥665,578	¥ 23,866	¥689,444

	Millions of Yen						Eliminations and Corporate	Consolidated
	Japan	North America	Europe	Asia	Total	2007		
Sales to customers	¥270,373	¥37,456	¥ 51,336	¥ 30,928	¥390,093	¥ —	¥390,093	
Intersegment sales	26,847	305	813	159,124	187,089	(187,089)	—	
Total sales	297,220	37,761	52,149	190,052	577,182	(187,089)	390,093	
Operating expenses	257,021	36,916	44,663	135,227	473,827	(190,947)	282,880	
Operating income (loss)	40,199	845	7,486	54,825	103,355	3,858	107,213	
Assets	¥193,390	¥13,507	¥107,564	¥207,158	¥521,619	¥ (73,975)	¥447,644	

- Notes: 1. The Company and subsidiaries are summarized in four segments by geographic area based on the countries where the Group is located. The segments consist of the following countries:
North America: United States of America, Canada, etc.
Europe: Netherlands, Germany, United Kingdom, etc. (including South Africa)
Asia: Singapore, Thailand, China, Republic of Korea, Taiwan, etc. (including Australia)
2. Corporate operating expenses consist primarily of the administration expenses of the Company, which are not allocated to segments by geographic area. Corporate operating expenses for the years ended March 31, 2009, 2008 and 2007 were ¥3,807 million (\$38,753 thousand), ¥4,142 million and ¥2,993 million, respectively.
3. Corporate assets consist primarily of cash, time deposits, investment securities and administrative assets of the Company. Corporate assets as of March 31, 2009, 2008 and 2007 were ¥109,897 million (\$1,118,773 thousand), ¥115,499 million and ¥59,047 million, respectively.
4. Consolidated operating expenses are equal to the total of cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements of income.

(3) Sales to Foreign Customers

The sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of Yen				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥55,915	¥99,800	¥126,716	¥1,401	¥283,832
Consolidated sales (B)					454,195
(A)/(B)	12.3%	22.0%	27.9%	0.3%	62.5%

	Thousands of U.S. Dollars				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	\$569,225	\$1,015,984	\$1,289,996	\$14,261	\$2,889,466
Consolidated sales (B)					4,623,790
(A)/(B)	12.3%	22.0%	27.9%	0.3%	62.5%

	Millions of Yen				
	2008				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥59,294	¥92,116	¥140,433	¥1,268	¥293,111
Consolidated sales (B)					481,631
(A)/(B)	12.3%	19.1%	29.2%	0.3%	60.9%

	Millions of Yen				
	2007				
	North America	Europe	Asia	Other	Total
Overseas sales (A)	¥44,954	¥53,524	¥113,060	¥8	¥211,546
Consolidated sales (B)					390,093
(A)/(B)	11.5%	13.7%	29.0%	0.0%	54.2%

Note: The Company and subsidiaries are summarized in four segments by geographic area based on the countries where the customers are located. The segments consist of the following countries:

North America: United States of America, Canada, etc.

Europe: Netherlands, Germany, United Kingdom, etc. (including South Africa)

Asia: Singapore, Thailand, Republic of Korea, Taiwan, etc. (including Australia)

Other: Saudi Arabia and Brazil, etc.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
HOYA CORPORATION:

We have audited the accompanying consolidated balance sheet of HOYA CORPORATION and consolidated subsidiaries (the "Company") as of March 31, 2009, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company for the year ended March 31, 2008 were audited by other auditors whose report, dated June 18, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HOYA CORPORATION and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu
June 16, 2009