

HOYA Corporate Governance Guidelines

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I. Purpose

Sound and effective corporate management entails a system of governance (corporate governance) that is appropriate to the present age and the environment. These Guidelines set forth the basic approach to corporate governance and the specific measures based thereon, which are believed to contribute to the long-term enhancement of corporate value at HOYA, as well as provide the guiding principles to be observed in its implementation. Through the relevant and timely revisions of these Guidelines, HOYA shall consistently aim to achieve higher standards in corporate governance.

II. Management structure

HOYA shall establish an efficient management structure of the utmost transparency on the basis of taking a fair approach to all stakeholders.

1. HOYA, while engaging in efficient business management, adopts a “company-with-nomination-committees etc.” management system that clearly distinguishes between the functions of business execution and supervision, in order to ensure the effectiveness and the validity of the supervisory function over the execution of operations.
2. The Articles of Incorporation set forth that 50% or more of the Board of Directors consist of outside directors so that the executive officers consistently execute their duties with a sense of vigilance, which, in turn, will contribute to the long-term enhancement of corporate value and ultimately to the enhancement of shareholder value. (Code 4-8)
3. In order to effectively supervise the executive officers, outside directors must be assured of his or her independence from the Company and the Company’s executive officers. The specific criteria for independence are as set forth by the Nomination Committee in the selection criteria of outside directors. (Code 4-9)

III. Respect for the rights of shareholders (Code 1)

Based on the recognition that the monitoring of corporate management by shareholders is crucial to the enhancement of corporate value and ultimately to shareholders value, HOYA shall respect the legitimate exercise of shareholder rights for the common interest of all shareholders.

1. HOYA provides an environment in which shareholders may properly exercise their voting rights based on the recognition that the right to exercise his or her voting right is an essential right of the shareholder.
2. HOYA ensures the right of the shareholder to receive profit sharing by making it its fundamental duty to generate profits that exceed capital costs, while deliberating and presenting to the shareholders a policy on the distribution of profits, including the payout of dividends from surplus that strikes balances between maintaining financial stability and making investments for growth.
3. HOYA does not hold shares of listed companies for which rational explanations for the enhancement of shareholder value based on its business strategies cannot be established. In addition, HOYA does not hold shares of listed companies for the purpose of stabilizing certain portions of voting rights of HOYA or such listed companies through cross-shareholdings or other means. If HOYA acquires shares of listed companies for the enhancement of shareholder value based on its business strategies, HOYA makes decisions

regarding the exercise of their voting rights from the standpoint of improving HOYA's corporate value. (Code 1-4)

IV. Dialogue with the shareholders

HOYA shall promote various opportunities for holding dialogues with shareholders in order to comprehend the shareholders' mindset amid an ever-changing management environment. (Code 5-1)

1. To a reasonable extent, direct dialogues with shareholders are held by HOYA's CEO, CFO, and other executive officers. Also to a reasonable extent, the lead independent director and other independent directors will have direct dialogues with shareholders regarding issues relating to monitoring board.
2. HOYA makes efforts to explain its policies, by establishing a special section for investor relations within its headquarters, and, in cooperation with various internal divisions, by holding regular briefings and IR meetings, in addition to disclosing information on the web site in both Japanese and English.
3. HOYA makes efforts to glean insights from one of the most important stakeholders, the shareholders, toward the enhancement of corporate value. The details of opinions expressed by shareholders are reported to executive officers as appropriate, and regular reports are submitted to the meetings of the Board of Directors.

V. Board of Directors

The Board of Directors shall determine basic management policies and supervises the executive officers' execution of operations, while at the same time provide advice, as necessary, to prevent possible damage to corporate value, as well as establish and monitor an efficient and effective system of management that will contribute to the long-term enhancement of corporate value.

1. The Articles of Incorporation set forth that in order to ensure lively deliberations the Board of Directors consist of not more than 10 directors and that more than half of such directors comprise outside directors with high level of independence. (Code 4-8)
2. The composition and the size of Board of Directors are discussed on a yearly basis by the Nomination Committee, in conjunction with their deliberation of the candidates for directors for the following fiscal year.
3. The steering methods and the leadership of the Board of Directors shall be subject to regular reviews by the Board of Directors. (Code 4-11-3)

4. Sufficient time shall be spent on the deliberation of proposals put before the Board of Directors, and each director will request the competent executive officer for additional information or access to employees, as necessary.
5. The Board of Directors shall regularly monitor and assess succession plans to enable the election of internal candidates for executive officers.
6. To ensure their monitoring functions, HOYA provides outside directors opportunities, other than the meeting of the Board of Directors, to congregate on their own and engage in exchanges of opinions. (Code 4-8-1)
7. The Board of Directors shall have opportunities to access reference documents, participate in external training programs, and bring up knowledge and information from internal and external experts about laws, accounting, tax, compliance, governance, etc. which contribute to maintenance and enhancement of corporate value of Hoya Group. (Code 4-14-2)
8. One Lead Independent Director shall be selected from among outside directors. Unless otherwise resolved at the board meeting, the Chairperson of the Nomination Committee will serve as the Lead Independent Director. The Lead Independent Director shall perform the following roles (Code 4-8-2):
 - (1) Serve as the chairperson of meetings attended only by outside directors (executive sessions)
 - (2) Serve as a liaison and coordinator between the CEO and outside directors

VI. Committees

HOYA shall establish three committees - the Audit, the Compensation and the Nomination Committees - each chaired by an Outside Director. As a general rule, each committee is composed exclusively of outside directors.

Each committee implements measures required for the execution of its specific duties (including investigations by professional agencies and the use of legal experts), the costs of which are borne by the Company. (Code 4-13-2)

VII. Election of candidates for Directors and Executive Officers

In addition to holding the authority to determine the proposals for election and/or dismissal of directors to be submitted to the general meeting of shareholders, the Nomination Committee shall submit proposals for the election and/or dismissal of Representative Executive Officers and Executive Officers to be resolved by the Board of Directors. The selection of candidates by independent committee members shall ensure the election of an appropriate management lineup and contribute to the enhancement of corporate value.

1. The Nomination Committee has established criteria for the election and/or dismissal of candidates for directors, and based thereon, determines the proposal for the election and /or dismissal of directors to be submitted to the general meeting of shareholders.
2. The Nomination Committee compiles a list of candidates for director based on the individual's suitability as a director of the Company, regardless of his or her gender, nationality or age.
3. The Nomination Committee determines criteria for the independence of outside directors in the criteria for the election and/or dismissal of candidates for directors, and ensures that the composition of Board of Directors allows for the supervisory functions required of the Board of Directors to function effectively. (Code 4-9)
4. The Nomination Committee determines the contents of the proposal for the election and/or dismissal of Chief Executive Officers and Executive Officers to be submitted to the Board of Directors.

VIII. Executive compensation

The Compensation Committee prepares a remuneration system in accordance with the duties proceeded by each director and executive officer that is designed to heighten each officer's incentive, and by conducting appropriate performance evaluations contributes to the enhancement of the Company's corporate value.

1. The Compensation Committee determines the remuneration policy for the directors and executive officers.
2. The Compensation Committee determines the details of the remuneration packages (fixed amounts, undetermined amounts and remunerations other monetary remunerations) received by each director and executive officer.
3. In order to enhance the transparency of executive compensation, the remuneration of the Chief Executive Officer, is disclosed in the convocation notice of the general meeting of shareholders as reference information, regardless of the amount.

IX. Audit

The Audit Committee shall conduct audits to ensure the lawful and efficient execution of operations by the HOYA Group and shall cooperate closely with Internal Audit Department in order to improve the effectiveness of audits.

1. The Audit Committee formulates the audit policy and audit plans for each fiscal year, and receives quarterly and final reports from certified public accountants to verify the financial statements.
2. The Audit Committee conducts hearings of the results of operational audits carried out by the Audit Department, verifying the soundness, lawfulness and efficiency of the Company's operations.
3. All items of significant matters are reported to the Board of Directors, and action is taken as needed.
4. The Audit Committee monitors and verifies the internal control system and confirms that status of HOYA's operations and assets.

X. Code of conduct

To assure that all of HOYA's executives and employees, including its directors and executive officers, maintain the highly ethical activities so that HOYA may continue the healthy business activities based on its management philosophy, HOYA shall establish the HOYA Code of Conduct and ensure its compliance.

XI. Internal reporting system (Code 2-5-1)

HOYA shall establish an internal reporting system to enable early identification and quick reporting to top management of acts that contravene law and regulations or inappropriate acts, while protecting the informer, and develop a corporate culture equipped with a self-corrective function.

1. HOYA has established a dedicated reporting system within the Group and outside of the Group at the attorney's offices, where employees may report acts that contravene laws and regulations or inappropriate acts without fear of retaliation by superiors and other persons. The person in charge assumes the obligation of confidentiality toward the informer and any acts of retaliation to the informer is strictly prohibited.
2. If an employee reports the act concerning an executive officer, the case is handled directly by the Audit Committee, without going through the executive divisions.

XII. Revision or abolition

The Guidelines shall be revised or abolished by resolution of the Board of Directors.