

HOYA Corporate Governance Guidelines

Table of Contents

- I. Purpose
- II. Management Structure
- III. Respect for Shareholder Rights
- IV. Dialogue with Shareholders
- V. Collaboration with Stakeholders Other than Shareholders
- VI. Board of Directors
- VII. Committees
- VIII. Executive Officers
- IX. Selection of Candidates for Directors and Executive Officers
- X. Compensation of Directors and Executive Officers
- XI. Audit
- XII. Sustainability
- XIII. Appropriate Disclosure and Transparency
- XIV. Code of Conduct
- XV. Whistleblowing System
- XVI. Revision and Abolition

I. Purpose

Sound and effective corporate management requires a governance framework (corporate governance) appropriate to the times and the surrounding environment. These Guidelines set forth the basic approach to corporate governance that HOYA believes will contribute to the long-term enhancement of corporate value, together with specific measures based on that approach, and serve as guiding principles for their implementation. By reviewing these Guidelines as appropriate, HOYA aims to continually achieve better corporate governance.

II. Management Structure

HOYA shall establish an efficient and highly transparent management structure based on fairness to all stakeholders.

1. HOYA shall adopt the organizational form of a company with three committees, in which the functions of business execution and supervision are clearly separated, in order to conduct efficient management while ensuring the effectiveness of supervision over business execution.
2. The Articles of Incorporation shall provide that Outside Directors constitute at least half of the Board of Directors so that the Executive Officers perform their duties with an appropriate sense of accountability, thereby contributing to the long-term enhancement of corporate value and, ultimately, shareholder value. (Code Principle 4-10)
3. Outside Directors must maintain independence from the Company and its Executive Officers in order to effectively perform their supervisory function over the Executive Officers. Specific independence criteria shall be prescribed in the Nomination Committee's criteria for the selection of Outside Directors. (Code Principle 4-11)

III. Respect for Shareholder Rights

Recognizing that shareholder oversight of corporate management is important for enhancing corporate value and, ultimately, shareholder value, HOYA shall respect the legitimate exercise of shareholder rights for the common interests of shareholders. (Code General Principle 1)

1. HOYA shall recognize that voting at a general meeting of shareholders is an important shareholder right and shall develop an environment in which shareholders can appropriately exercise their voting rights. (Code Principle 1-2)
2. If institutional investors or other beneficial shareholders holding shares in the name of trust banks or other custodians express in advance their wish to exercise voting rights or other shareholder rights directly at a general meeting of shareholders in place of such trust banks or other custodians, HOYA shall discuss appropriate arrangements with the relevant trust banks or other custodians. (Code Principle 1-2)
3. HOYA shall respect shareholders' right to receive distributions of profits by making it a basic policy to generate returns exceeding the cost of capital, paying dividends from surplus while taking into account the balance between financial stability and investment for growth, considering other shareholder return measures, and explaining its policy. (Code Principle 4-1)
4. HOYA shall not hold shares of listed companies where no reasonable explanation can be provided as to how such holdings contribute to enhancing shareholder value under the Company's business strategy. HOYA shall not hold listed shares for the purpose of stabilizing any portion of the voting rights of the Company or the other company through cross-shareholdings or similar arrangements. If HOYA holds listed shares because such holdings are considered to contribute to enhancing shareholder value under the Company's business strategy, HOYA shall determine how to exercise the voting rights from the perspective of enhancing the Company's corporate value. (Code Principle 1-4)

IV. Dialogue with Shareholders

Amid changes in the business environment, HOYA shall promote dialogue with a broad range of shareholders in order to understand their views. (Code General Principle 1)

1. To a reasonable extent, the CEO, CFO, and other Executive Officers shall engage directly in dialogue with shareholders. With respect to the Board's role as a monitoring board, the Lead Independent Director and other Outside Directors shall also, to a reasonable extent, provide explanations to investors. (Principle 1-1(2))
2. HOYA shall establish an investor relations function at its headquarters and, in cooperation with relevant internal departments, endeavor to explain the Company's policies by holding briefings and IR meetings regularly and disseminating information in Japanese and English through the internet. (Principle 3-2)
3. HOYA shall endeavor to gather the views of shareholders, who are important stakeholders, with a view to enhancing corporate value. Such views shall be reported to the Executive Officers as appropriate and to the Board of Directors on a regular basis. (Principle 1-1(3))

V. Collaboration with Stakeholders Other than Shareholders

HOYA shall appropriately collaborate with employees, customers, business partners, creditors, local communities, and other stakeholders who support the Company's business activities. (General Principle 2)

1. HOYA shall endeavor to secure diverse talent and promote the active participation of each individual, irrespective of gender, nationality, career background, age, cultural background, or other attributes. In view of the importance of human capital strategy to the enhancement of corporate value over the medium to long term, HOYA shall also promote human resource development and improve the internal working environment. (Principle 2-2)
2. HOYA shall respect the positions and rights of stakeholders throughout the supply chain, including customers and business partners, and promote responsible business activities that take into account human rights, the environment, and other social issues.

VI. Board of Directors

The Board of Directors shall determine the basic management policies, supervise the execution of duties by the Executive Officers, and provide necessary advice, thereby preventing impairment of corporate value and establishing and monitoring a framework for efficient and effective management that contributes to the long-term enhancement of corporate value.

1. The Articles of Incorporation shall provide that the Board of Directors consists of no more than ten Directors to facilitate active deliberations and that at least half of the Directors are highly Independent Outside Directors. (Code Principle 4-10)
2. The Nomination Committee shall annually review the composition and size of the Board of Directors in conjunction with its deliberations on candidates for Directors for the following year. (Code Principle 4-13(1))
3. The Board of Directors shall periodically review its effectiveness, including its operation and leadership, using third-party evaluations and other methods. (Code Principle 4-13(3))

4. Sufficient time shall be allocated for deliberation by the Board of Directors according to the nature of each agenda item. When necessary, each Director may request additional information, access to employees, or other assistance from the Executive Officers, the Board Secretariat, or other appropriate persons within the Company. (Principle 4-14(2))
5. The Board of Directors shall obtain information in a timely manner through reports from the executive function and other means, and shall supervise the following matters from the perspective of enhancing corporate value over the medium to long term and provide advice as necessary:
 - (1) Management strategy
 - (2) Capital policy and allocation of management resources, including growth investments and review of the business portfolio
 - (3) Material enterprise-wide risks and the risk management framework
 - (4) Material sustainability policies and initiatives
6. To ensure the effectiveness of oversight by Outside Directors, HOYA shall provide opportunities, in addition to meetings of the Board of Directors, for Outside Directors to meet among themselves and exchange views. (Interpretive Guideline to Code Principle 4-12)
7. HOYA shall provide Directors with opportunities, as appropriate, to review reference materials, attend external training programs, and obtain information from internal and external experts for the purpose of acquiring knowledge and gathering information on laws, accounting, taxation, compliance, governance, sustainability, and other matters necessary to maintain and enhance the corporate value of the HOYA Group. (Code Principle 4-15)
8. One Lead Independent Director shall be selected from among the Outside Directors. The Lead Independent Director shall perform the following roles: (Code Principle 4-12)
 - (1) Chair meetings attended only by Outside Directors (executive sessions)
 - (2) Serve as liaison and coordinator between the CEO and the Outside Directors

VII. Committees

HOYA shall establish three statutory committees: the Audit Committee, the Compensation Committee, and the Nomination Committee. Each committee shall be chaired by an Outside Director and, in principle, composed solely of Outside Directors. Voluntary committees may also be established as necessary.

1. Each committee shall appoint a chairperson and establish a secretariat staffed by employees.
2. Each committee shall take measures necessary to perform its duties, including engaging specialized organizations to conduct investigations and retaining legal experts, and the Company shall bear the related costs.

VIII. Executive Officers

1. Executive Officers shall formulate management strategies aimed at enhancing corporate value over the medium to long term and present the capital policies necessary to implement those strategies. They shall also report regularly to the Board of Directors on the allocation of management resources, including growth investments and review of the business portfolio.
2. Executive Officers shall identify and assess business risks arising from changes in the business environment, financial risks, compliance risks, and other sustainability-related risks, and shall take necessary actions and make improvements.
3. Executive Officers shall establish the systems necessary for risk management and report regularly to the Board of Directors on the status of their implementation.

IX. Selection of Candidates for Directors and Executive Officers

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

1. The Nomination Committee shall establish criteria for the election and dismissal of candidates for Directors and, in accordance with those criteria, determine proposals for the election and dismissal of Directors to be submitted to the general meeting of shareholders.
2. The Nomination Committee shall prepare a list of candidates for Directors based on their suitability to serve as Directors of the Company, irrespective of gender, nationality, or age.
3. The Nomination Committee shall establish criteria for the independence of Outside Directors within its criteria for the selection of candidates for Directors and ensure a composition of the Board of Directors that enables the supervisory functions expected of the Board to operate effectively. (Code Principle 4-9)
4. The Nomination Committee shall periodically monitor and evaluate succession plans for developing candidates for Executive Officer positions. (Principle 4-3(1))
5. The Nomination Committee shall determine the content of proposals for the election and dismissal of Executive Officers and Representative Executive Officers to be submitted to the Board of Directors.

X. Compensation of Directors and Executive Officers

The Compensation Committee shall establish a compensation system that enhances incentives in accordance with the roles of Directors and Executive Officers and, through appropriate performance evaluation, contributes to the enhancement of the Company's corporate value.

1. The Compensation Committee shall determine the compensation policy for Directors and Executive Officers.
2. The Compensation Committee shall determine the individual compensation of each Director and Executive Officer, including fixed amounts, variable amounts, and non-monetary compensation.
3. To enhance the transparency of executive compensation, the compensation of the Chief Executive Officer, as defined in the Company's Articles of Incorporation, shall be disclosed as reference information in the materials for the general meeting of shareholders, regardless of the amount.

XI. Audit

The Audit Committee shall conduct audits to ensure that the operations of the HOYA Group are conducted lawfully and efficiently and shall work closely with the Internal Audit Department to enhance audit effectiveness.

1. The Audit Committee shall formulate an audit policy and audit plan for each fiscal year and, in accordance with them, receive reports from the accounting auditor on interim audit work, interim review results, and final audit results, and verify the financial statements and other relevant documents.

2. The Audit Committee shall receive reports from the Internal Audit Department on the results of operational audits and verify the soundness, lawfulness, and efficiency of management.
3. The Audit Committee shall report all material matters to the Board of Directors, and the Board of Directors shall take necessary measures as appropriate.
4. The Audit Committee shall monitor and verify the internal control system and review the status of operations and assets.

XII. Sustainability

HOYA shall seek to enhance corporate value over the medium to long term by meeting society's expectations through the creation of value needed by society, reducing the negative impacts of the Group's business activities on the global environment and other areas, and contributing to the realization of a sustainable society.

1. HOYA shall aim to contribute to solving global social issues through innovation in its businesses.
2. HOYA shall endeavor to improve business continuity, competitiveness, and growth potential by strengthening resilience so that it can respond flexibly to changes and crises in the business environment and mitigate their impacts.
3. Through initiatives relating to sustainability, including the prevention of global warming and the protection of human rights, HOYA shall endeavor to meet society's expectations and maintain and strengthen relationships of trust with stakeholders.

XIII. Appropriate Disclosure and Transparency

1. HOYA shall seek to enhance corporate value over the medium to long term by strengthening relationships of trust with shareholders and other stakeholders and promoting constructive dialogue through the timely disclosure of transparent information.
2. In engaging in dialogue with shareholders and investors, HOYA shall appropriately manage insider information and material information subject to the Fair Disclosure Rules. (Principle 1-1)

XIV. Code of Conduct

To continue sound business activities based on the Company's management philosophy, HOYA shall establish and comply with the HOYA Code of Conduct so that all officers and employees, including Directors and Executive Officers, maintain high ethical standards in their conduct.

XV. Whistleblowing System

HOYA shall establish a whistleblowing system that receives reports while protecting whistleblowers, in order to identify and address violations of laws and regulations and inappropriate conduct at an early stage, and shall foster an organizational culture capable of self-correction. (Code Principle 2-3)

1. HOYA shall establish a dedicated internal reporting channel within the Group so that employees can report violations of laws and regulations or inappropriate conduct without fear of retaliation by supervisors or others. The Compliance function shall oversee the reporting channel. Information relating to whistleblowers shall be kept strictly confidential, and any form of retaliation against whistleblowers is prohibited.

2. If a report concerns an Executive Officer, the Audit Committee shall handle the matter directly, without the involvement of the executive function.
3. To facilitate the early identification of and response to misconduct and human rights issues in the supply chain, the whistleblowing system shall also be made available to business partners.

XVI. Revision and Abolition

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

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