

Corporate Governance Report

[TRANSLATION]

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Last Update: June 22, 2016

HOYA CORPORATION

Hiroshi Suzuki, President & CEO

Contact: 03-6911-4820

Securities Code: 7741

<http://www.hoya.co.jp/english/index.html>

The corporate governance of HOYA CORPORATION is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

HOYA promotes management with the aim of maximizing its corporate value based on the recognition that corporate governance is a matter of utmost importance for management.

As the basis of taking a fair approach to stakeholders, we have adopted a “company with nomination and other committees” structure simultaneously with the revision of the Companies Act, which enables us to better distinguish the execution and supervision of management to prevent management from being conducted based solely on in-house logic. We have also set forth in the Articles of Incorporation that the majority of Directors consist of Outside Directors, who actively supervise management by Executive Officers and provide advice in order to improve corporate value from an objective and broad perspective.

HOYA also gives Executive Officers the authority and responsibility for the execution of operations, in order to accelerate decision making and improve management efficiency.

HOYA has established HOYA Corporate Governance Guidelines at the meeting of the Board of Directors, and intends to enhance corporate governance structure and to introduce better governance systems by revising the guidelines.

The HOYA Corporate Governance Guidelines is attached at the end of this report.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

【Principle 1-4 Cross-Shareholdings】

It is HOYA's current policy not to cross-hold shares of other listed companies which is aimed for securing pro-management shareholders. We do not possess shares of listed companies when we cannot rationally explain that doing so helps increase the company's shareholder value. When exercising the voting rights on shares held by the company, we make decisions based on the viewpoint of improving corporate value.

(HOYA Corporate Governance Guidelines, III-3)

http://www.hoya.co.jp/english/csr/pdf/Governance_Guideline_E.pdf

【Principle 1-7 Related Party Transactions】

The Regulations of the Board of Directors stipulate that the Board of Directors should discuss transactions between the company and executives, directors, and major shareholders

http://www.hoya.co.jp/english/csr/pdf/BOD_rule_E.pdf

【Principle 3-1 Full Disclosure】

HOYA considers it important to disclose information that seems to be beneficial to stakeholders, and the company discloses such information actively.

(i) Management Mission and Principles

<http://www.hoya.co.jp/english/csr/philosophy.html>

(ii) HOYA Corporate Governance Guidelines

http://www.hoya.co.jp/english/csr/pdf/Governance_Guideline_E.pdf

(iii) The Compensation Committee, which consists only of Outside Directors, decides on a remuneration package for each Director or Executive Officer.

<http://www.hoya.co.jp/english/csr/governance.html>

(iv) The Nomination Committee, which consists only of Outside Directors, selects candidates for Directors and Executive Officers.

<http://www.hoya.co.jp/english/csr/governance.html>

(v) The reasons for the Nomination Committee's selection of candidates for Directors and candidates for Executive Officers serving also as Directors are explained in reference documents for the notice of a general meeting of shareholders.

<http://www.hoya.co.jp/english/investor/meeting.html>

【Supplementary Principle 4-1-1 Scope of delegation to management】

The Regulations of the Board of Directors stipulate that many responsibilities regarding the execution of business operations are transferred to Executive Officers. The Board of Directors discusses and makes decisions on important matters related to the direction of business management, the setting of goals and strategic direction and the rights of shareholders.

http://www.hoya.co.jp/english/csr/pdf/BOD_rule_E.pdf

【Principle 4-8 Effective Use of Independent Directors】

The Articles of Incorporate state that Outside Directors should account for equal to or more than 50% of the Board of Directors. (After the general meeting of shareholders held in June 2016, there are five Outside Directors and one internal Director.

http://www.hoya.co.jp/english/csr/pdf/AOI_E.pdf

(HOYA Corporate Governance Guidelines II-2 V-1)

【Principle 4-9 Independence Standards and Qualification for Independent Directors】

HOYA has established independence standards for the Nomination Committee's selection of Independent Directors.

<http://www.hoya.co.jp/english/csr/governance.html>
(HOYA Corporate Governance Guidelines II-3 VII-3)

【Supplementary Principle 4-11-1 Composition of Board】

The Criteria for the Selection of Directors, which are set by HOYA's Nomination Committee, stipulate that as for the overall framework of the Board of Directors, the appropriate balance among knowledge, experience, and skills, all of which are necessary to fulfill the role of the Board of Directors, and the concept of diversity are all taken into consideration. There are currently five Outside Directors, and they all have experiences as corporate managers in different industries. One of them is a female director.

【Supplementary Principle 4-11-2 Concurrent holdings of positions by directors】

The Criteria for the Selection of Directors do not limit the number of positions that can be served concurrently by a Director. But a precondition for selection or reappointment is that the percentage of attendance in meetings of the Board of Directors should be at least 75%. As for positions served concurrently by a Director, please refer to reference documents for the notice of a general meeting of shareholders and "Matters Related to Independent Directors" in this report.

<http://www.hoya.co.jp/english/csr/governance.html>

【Supplementary Principle 4-11-3 Board Evaluation】

As for the operation of the Board of Directors, a questionnaire survey is conducted once a year (in March), and the Board makes necessary improvements based on analysis and self-evaluation survey results.

(HOYA Corporate Governance Guidelines V-3)

Outline of the results of evaluation for fiscal 2015:

- Board of Directors meetings actively exchange opinions and indicate no issues. For the future, they are expected to further deepen their deliberations on medium and long-term strategies and on succession planning.

【Supplementary Principle 4-14-2 Training Policy】

New Outside Directors receive explanations regarding the company's business and structure before taking office and subsequently continue to receive explanations of the company's business at the Board of Directors meetings, facilities tours, briefings, etc.

When there is a law revision, etc., lectures by lawyers, etc. are arranged during the Board of Directors meeting and we strive to assist them to acquire knowledge required of Directors also through provision of publications and materials regarding governance and notifications of external workshops.

(HOYA Corporate Governance Guidelines V-7)

【Principle 5-1 Policy for Constructive Dialogue with Shareholders】

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

(HOYA Corporate Governance Guidelines IV)

Regarding the dialogue with shareholders, the company's CEO, CFO and other Executive Officers also engage in direct dialogue with shareholders

(HOYA Corporate Governance Guidelines IV-1)

Regarding investor relations, the company's CEO, CFO and Executive Officer in charge of the head office are involved in the decision-making of the system and policy.

IR staff belong to the same division as corporate planning, general affairs and legal affairs to strengthen cooperation. They cooperate with the financial division regarding account closing and have formed an organic collaboration.

(HOYA Corporate Governance Guidelines IV-2)

The company's CEO and CFO attend quarterly financial result briefings and explain the results. In addition, the company holds business briefing sessions and facility tours as a means to enhance shareholders' understanding of the company.

IR staff reports the opinions of shareholders they obtain from meetings, publications, etc. to the Executive Officers as appropriate and to the Board of Directors on a regular basis.

(HOYA Corporate Governance Guidelines IV-3)

The company requires those who directly engage in dialogue with shareholders to concentrate on acquiring knowledge of insider trading restrictions.
The company carries out surveys regarding practical shareholders on a regular basis and utilizes the result for confirming the shareholder ownership structure and examining the relationship with shareholders.

2. Capital Structure

Percentage of Foreign Shareholders	Equal to or More than 30%
------------------------------------	---------------------------

[Status of Major Shareholders]

Shareholders	Number of Shares Owned	Percentage (%)
State Street Bank and Trust Company	25,219,923	6.23
Japan Trustee Services Bank, Ltd. (Trust Account)	25,124,788	6.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,339,000	3.54
The Chase Manhattan Bank 385036	10,521,300	2.60
Mamoru Yamanaka	9,020,424	2.23
State Street Bank and Trust Company 505225	6,856,949	1.69
JP Morgan Chase Bank 385632	6,758,296	1.67
State Street Bank West Client – Treaty 505234	6,592,810	1.63
JPMC Oppenheimer JASDEC Lending Account	6,115,203	1.51
Japan Trustee Services Bank, Ltd. (Trust Account 7)	5,988,600	1.48

Controlling Shareholder (except for Parent Company)	—
Parent Company	Nil

Supplementary Explanation

—

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Precision Instruments
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Equal to or More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300
---	---------------------------

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which may have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with nomination and other committees (Nomination, Audit and Remuneration)
-------------------	---

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6

[Outside Directors]

Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)
--

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Itaru Koeda	From another company												
Yukako Uchinaga	From another company								○				
Mitsudo Urano	From another company												
Takeo Takasu	From another company												
Shuzo Kaihori	From another company								○				

- * Categories for “Relationship with the Company”
- * ”○” when the director presently falls or has recently fallen under the category;
“△” when the director fell under the category in the past
- * “●” when a close relative of the director presently falls or has recently fallen under the category;
“▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Itaru Koeda	○	○	○	○	Senior Advisor of Nissan Motor Co., Ltd.	(Reason for the Selection of Candidate for Director) Mr. Itaru Koeda has been engaged in the management of Nissan Motor Co., Ltd. for many years, during which period he had the valuable experience of promoting a joint venture with Renault S.A. He has also made substantial contributions to the Board of Directors of the Company with his deep knowledge of the management of the Company as a manufacturer, based on his management experience in the manufacturing division for many years. The Nomination Committee has nominated him as a candidate for Director again this year, since it believes that he will give advice and execute supervision with respect to

						<p>the management of the Company based on his achievements as Director and chairperson of the Nomination Committee to date, and his deep understanding of market demands considering his experience in dialogue with global stock markets over many years. Moreover, nothing between the HOYA Group and Nissan Motor Group, which the candidate comes from, exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.</p> <p>(Reason for designation as an Independent Director)</p> <p>This person was designated as an Independent Director because it was determined that there was no risk of conflict of interest between this person and general shareholders based on the independence requirements, which is one of the criteria of the basis for election of candidates for Outside Directors set forth by the Nomination Committee of the Company.</p>
Yukako Uchinaga	○	○	○	○	<p>President of J-WIN, Non-Profit Organization</p> <p>Outside Director of Aeon Co., Ltd.</p> <p>Outside Director of DIC Corporation</p> <p>Board Chair of Japan Diversity Network Association</p>	<p>(Reason for the Selection of Candidate for Director)</p> <p>Ms. Yukako Uchinaga is a pioneer of female executive officer as she was promoted to the first female director and later senior managing director of IBM Japan, Ltd. She then moved to CEO of Berlitz Corporation under Benesse Holdings, Inc., established a brand of a “global human resource development enterprise” and achieved superior results as the English language school at which Japanese management personnel are educated and trained so as to survive global economic competitions. In</p>

					<p>addition, for many years, she has devoted herself to activities for promoting the utilization of women by corporations, and the Company's Nomination Committee believes she will greatly contribute to the globalization of human resources and diversity management including women in the Company, so it has nominated her as a candidate for Director again this year. There were transactions in the fiscal year 2015 between the HOYA Group and both Benesse Group and IBM Japan, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party. Furthermore, there were transactions amounted to 5 hundred thousand yen between the HOYA Group and Globalization Research Institute Co., Ltd., for which the candidate serves as a representative, in the fiscal year 2015. For all the transactions, nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.</p> <p>(Reason for designation as an Independent Director) Same as above.</p>
--	--	--	--	--	--

Mitsudo Urano	○	○	○	○	Outside Director of Yokogawa Electric Corporation	(Reason for the Selection of Candidate for Director)
					Outside Director of Resona Holdings, Inc.	Mr. Mitsudo Urano focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food
					Outside Director of Hitachi Transport System, Ltd.	manufacturer, and developed efficient management through company split-ups and
					Advisor of Nichirei Corporation	informatization. He particularly has extensive experience and solid achievements on
					President of AgriFuture Japan, General Incorporated Foundation Chairman of Nippon Omni- Management Association, General Incorporated Foundation	management informatization. The Nomination Committee has nominated him as a candidate for Director again this year, since, in addition to the achievements in Nichirei Corporation, it believes that he will make a great contribution to enhance management efficiency and transparency through giving advice and proposals on overall company management with his deep insight and extensive experience as management having served as an outside director and outside corporate auditor in other companies listed on the First Section of the Tokyo Stock Exchange. Moreover, nothing between the HOYA Group and Nichirei Group, which the candidate comes from, exists that violates the independence

						<p>requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.</p> <p>(Reason for designation as an Independent Director) Same as above.</p>
Takeo Takasu	○	○	○	○	<p>Outside Director of Bell-Park Co., Ltd.</p> <p>Outside Director of KADOKAWA CORPORATION</p> <p>Outside Director of Cool Japan Fund Inc.</p>	<p>(Reason for the Selection of Candidate for Director)</p> <p>After first serving at the former Sanwa Bank, Ltd., Mr. Takeo Takasu accumulated experience in various industries including a Malaysian securities firm and DDI Corporation (Present KDDI Corporation) soon after its establishment. He then moved to Bandai Co., Ltd. (Present Bandai Namco Holdings Inc.) where he improved the company’s performance by heightening the unification of employees through his fast decision-making and strong explanatory capability as president. He also demonstrated management abilities in the successful business integration with Namco Limited. The Company’s Nomination Committee has judged that he will make proposals from different perspectives through</p>

						<p>insights developed in the banking industry and management experience in the toy industry with different characteristics from that of the Company, in addition to his achievements as an outside director of other companies, so it has nominated him as a candidate for Director again this year. Moreover, nothing between the HOYA Group and the Bandai Namco Holdings Group, which the candidate comes from, exists that violates the independence requirements for a Director candidate provided for in the “Basis for Election of Candidates for Directors” set forth by the Nomination Committee of the Company.</p> <p>(Reason for designation as an Independent Director) Same as above.</p>
Shuzo Kaihori	○	○	○	○	<p>Director, Chairman of Yokogawa Electric Corporation</p> <p>President of Business Ethics Research Center</p>	<p>(Reason for the Selection of Candidate for Director)</p> <p>Mr. Shuzo Kaihori assumed the presidency of Yokogawa Electric Corporation, which operates a test and measurement business and industrial automation and control business, in 2007 when the company faced difficult business conditions, then was committed to turning around the company and achieved a surplus by changing the business model from hardware to software and promoting the globalization. The Company’s Nomination Committee has decided that he will contribute</p>

						<p>greatly to the Company's management from his performance that he boldly responded to changes in the business environment and achieved results and by giving advice on strengthening of software business, which is a challenge for the Life Care Segment, an area expected to grow, based on his extensive experience, so it has nominated him as a candidate for Director again this year. There were transactions in the fiscal year 2015 between the HOYA Group and Yokogawa Electric Group, which the candidate comes from, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party, and nothing in connection with the candidate exists that violates the independence requirements for a Director candidate provided for in the "Basis for Election of Candidates for Directors" set forth by the Nomination Committee of the Company.</p> <p>a (Reason for designation as an Independent Director) Same as above.</p>
--	--	--	--	--	--	---

[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	0	5	Outside Director
Remuneration Committee	5	0	0	5	Outside Director
Audit Committee	5	0	0	5	Outside Director

[Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	5
---	---

Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Hiroshi Suzuki	Yes	Yes	No	No	No
Ryo Hirooka	Yes	No	No	No	No
Eiichiro Ikeda	No	No	No	No	No
Girts Cimermans	No	No	No	No	Yes
Augustine Yee	No	No	No	No	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
--	-----------

Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

It is stipulated that the right to appoint or dismiss staff members of the secretariat of the Audit Committee belongs to the Audit Committee.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

The Audit Department has a duty to examine, from an independent standpoint, whether internal control systems are functioning properly, whether any unlawful acts are occurring, and whether there are matters that need to be improved. The Audit Department performs operational audits of the business divisions and offices on a periodic basis. If problems are found through audits, the Audit Department makes improvement recommendations on the spot to the departments audited, and then reports to the Audit Committee and the Representative Executive Officer.

The Internal Control Department leads the assessment activities of the status of development and operation of internal control systems, based on the Basic Plan and Policy for the Assessment of Internal Controls over Financial Reporting, puts together assessment results, and reports to the Executive Officer and the Audit Committee.

The Audit Committee holds several meetings a year with the Accounting Auditor to receive detailed explanations regarding the Accounting Auditor's audit policies and audit plans and other explanations, such as those related to ensuring the proper execution of the Accounting Auditor's duties. At these meetings, the Audit Committee also actively exchanges opinions and information with the Accounting Auditor by, for example, notifying its requests regarding important audit items to the Accounting Auditor. The Audit Committee endeavors to ensure an appropriate and strict execution of accounting audits. In addition, the Audit Committee holds hearings to confirm the state of the audit company's review system and internal controls. Furthermore, the Audit Committee not only receives detailed audit reports regarding the Accounting Auditor's audit methods and audit results but also endeavors to grasp the status of the Accounting Auditor's execution of audits by obtaining audit execution reports on a regular basis. By also verifying with facts learned from reports, etc., provided by the Audit Department and the Internal Control Department, the Audit Committee comprehensively determines the appropriateness of the Accounting Auditor's audits, internal audits, and internal control assessments.

[Independent Directors]

Number of Independent Directors	5
---------------------------------	---

Matters relating to Independent Directors

At HOYA, all Outside Directors who satisfy qualifications to be Independent Directors are designated as Independent Directors.

[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Performance-linked Remuneration and Stock Options
---	---

Supplementary Explanation

Directors' remuneration consists of fixed remuneration and stock options.
Executive Officers' remuneration consists of fixed remuneration, performance-linked remuneration, and stock options.

Recipients of Stock Options	Inside Directors, Outside Directors, Executive Officers (Shikkoyaku), Employee, Subsidiaries' Directors, and Subsidiaries' Employee
-----------------------------	---

Supplementary Explanation

The purpose is to improve motivation and morale towards improving business results among Directors, Executive Officers, and employees at HOYA and directors and employees at HOYA's subsidiaries and to secure competent human resources.

[Remuneration for Directors and Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Remuneration	Selected Directors
Disclosure of Individual Executive Officers' (Shikkoyaku) Remuneration	Selected Directors

Supplementary Explanation

(Fiscal year ended March 2016)

(1) Total amount of remuneration by category of directors and executive officers; the total amount of remuneration by type of remuneration; and the number of relevant directors and executive officers

- Total amount of remuneration etc. paid to the Directors (eight Directors) based on the resolution passed by the Compensation Committee: 80 million yen;
- Of which, total amount of remuneration etc., paid to the Outside Directors (seven Outside Directors) based on resolutions passed by the Compensation Committee: 72 million yen
- Also of which, total amount of remuneration, etc. paid to the Internal Director (one Internal Director) based on the resolution passed by the Compensation Committee: 8 million yen
- Total amount of remuneration etc. paid to the Executive Officers (five Executive Officers) based on the resolution passed by the Compensation Committee: 539 million yen
- Total: 620 million yen

(Notes)

1. At the end of the fiscal year under review, there were six Directors and five Executive Officers. One of the five Executive Officers served concurrently as an Internal Director.
2. The total amount of remuneration includes remuneration paid to two Outside Directors who retired as of the conclusion of the 77th Ordinary General Meeting of Shareholders.
3. The fixed part of the remuneration for Executive Officers stationed overseas includes overseas assignment benefits of 93 million yen.
4. With regards to the stock options, fair values of the stock acquisition rights were calculated, and the table below indicates the amounts to be recorded as expenses for the fiscal year under review.
5. In addition to the above-said remunerations, employee salaries (including bonuses) of 63 million yen were paid to the executive concurrently having duties in an employee capacity (one executive).

(2) Total amount of remuneration, etc., for the CEO and Executive Officers whose total amount of remuneration, etc., exceeds 100 million yen

Name	Total amount	Fixed Salary	Performance-based remuneration	Stock Option
Hiroshi Suzuki, CEO	179 million yen	106 million yen	48 million yen	26 million yen
Eiichiro Ikeda, Executive Officer & COO, Information Technology, and CTO	105 million yen	52 million yen	26 million yen	27 million yen
Girts Cimermans, Executive Officer, President of VISION CARE COMPANY	41million yen	10million yen	3 million yen	28 million yen
Augustine Yee, Executive Officer, Chief Legal Officer and Head of Corporate Development and Affairs	128 million yen	55 million yen	24 million yen	49 million yen

(Notes)

1. In addition to the above-said remunerations, employee salaries (including bonuses) of 63 million yen were paid to Girts Cimermans, the executive concurrently having duties in an employee capacity.
2. With regards to the stock options, fair values of the stock acquisition rights were calculated, and the table above indicates the amounts to be recorded as expenses for the fiscal year under review.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(i) Basic policy

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

(ii) Policy concerning remuneration for Directors

The remuneration of Directors consists of a fixed salary and stock options.

The fixed salaries consist of a basic compensation and compensation for being a member or a chairman of the Nomination, Compensation or Audit Committee. The compensation levels are set appropriately by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

(iii) Policy concerning remuneration for Executive Officers

The remuneration of Executive Officers consists of a fixed salary, performance-based remuneration and stock options.

Fixed salaries are set appropriately according to the office and responsibility of each Executive Officer (President, CFO, etc.) and by taking into consideration such factors as the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

Performance-based remuneration is determined by both financial performance, measured as the percentage of targets met with respect to indicators corresponding to sales, operating profit, net profit and earnings per share according to Japanese GAAP, which is given an 80% weight, and the degree of achievement with respect to management measures set at the beginning of the fiscal year, which is given a 20% weight. Remuneration typically consists of 50% fixed salary and 50% performance-based pay. The performance-based portion, however, can fluctuate widely, depending on the Company's performance.

Benefits granted to expatriates (such as housing) are also set at appropriate levels in consideration of the Company's business environment and the levels set by other companies as determined by a survey conducted by an outside professional organization.

(iv) Stock options

In order for newly-appointed Directors and Executive Officers to share the same perspective as shareholders in regards to share price, and for re-appointed to share common interest with shareholders on long-term basis, commensurate stock options, which are a certain percentage of the granted shares when newly-appointed, are granted continuously every year in consideration of the exercise price at the time of granting (a market price one day prior to a Board of Directors resolution regarding stock option grants), fluctuations in the share price during the exercise period and fixed annual salaries.

Based on the above, fixed number of stock options are granted to Outside Directors each year, whereas the number of stock options granted to Executive Officers is based on Company performance and individuals' evaluations, subject to deliberation by the Compensation Committee and decided by the Board of Directors. After a waiting period of approximately one year, the exercisable portion of the stock options in each of the years following thereafter will be 25% of the total number granted. The period during which the stock options may be exercised is 10 years.

Retirement benefits for Directors were eliminated in 2003 as it was determined that these benefits were essentially a service pay for many years of service and had little to do with Company's performance or shareholder returns, and as such are not appropriate as a component of the Directors compensation scheme.

[Supporting System for Outside Directors]

To support the operations of the three committees, a secretariat is established for each committee.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Business Execution

Within the legal framework of a "company with nomination and other committees," HOYA delegates the authority of the Board of Directors to Executive Officers in order to swiftly execute business. At HOYA, the Nomination Committee has chosen and nominated five persons—the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Executive Officer and Chief Operating Officer (COO) Information Technology (CTO), the Executive Officer and President of Vision Care Company, and the Executive Officer, Chief Legal Officer (CLO), Head of Corporate Development and Affairs—as candidates for Executive Officers, and the Board of Directors has elected them as Executive Officers. (The CEO concurrently serves as an Internal Director.) They oversee the execution of business operations for their respective duties as determined by the Board of Directors, and execute swift decision-making. As for the day-to-day operations of each business, very wide authority has been transferred to the responsible person of each business division. Executive Officers instruct the responsible person of each business division to develop and implement specific measures, based on management policies determined by the Board of Directors.

(2) Roles and functions of Outside Directors

The important roles of Outside Directors at HOYA are to supervise management from a fair perspective and from the position of shareholders, and to actively discuss important management matters at the Board of Directors meetings in a capacity that has no conflict of interest with general shareholders. As for their functions, the Compensation Committee, the Nomination Committee, and the Audit Committee all are comprised of Outside Directors, and Outside Directors are expected to supervise and evaluate Executive Officers through these committees. Furthermore, as more than half of the members of the Board of Directors are Outside Directors, Outside Directors are expected to be able to, when necessary, vote down proposals made by Executive Officers.

(3) Audit and oversight

The details are as described above in "Auditing Structure."

For fiscal 2015, HOYA signed an auditing contract with Deloitte Touche Tohmatsu LLC for the Companies Act audit and Financial Instruments and Exchange Act audit of the HOYA Group. In the year ending March 2016, the following certified public accountants performed audit operations.

(Deloitte Touche Tohmatsu's certified public accountants who performed audit operations)

Designated Unlimited Liability Partner, Engagement Partner: Takashi Nagata

Designated Unlimited Liability Partner, Engagement Partner: Toshiharu Matsuura

Designated Unlimited Liability Partner, Engagement Partner: Koji Inoue

Deloitte Touche Tohmatsu has a mechanism to prevent any of its engagement partners from being involved in accounting audits of HOYA for more than a specified length of time.

In addition, a total of 24 partners and professional staff (ten certified public accountants, four persons who have passed the Certified Public Accountants Examination, etc., and ten others) are involved in audits of HOYA.

(4) Nomination

Based on the strictly formulated criteria "Basis for Election of Candidates for Directors," the Nomination Committee fairly and strictly selects and determinates candidates for Directors.

As a criteria for securing the independence of Outside Directors, it is stipulated that an Outside Director shall not fall into any of the following.

<Those who related to HOYA Group>

- Those who previously worked for HOYA Group

- Those who have a family member (spouse, child or relatives by blood or by affinity within the second degree) who have held the position of Director, Executive Officer, Corporate Auditor or top management in the past five years

<Major shareholders>

- Those who are major shareholders (10% or more) of HOYA Group, or those who are directors, executive officers, corporate auditors or employees of companies that are major shareholders of HOYA Group or those who have a family member who is a top management of such companies
- Those who executes operations of a company of which a major shareholder is HOYA Group
- <Those who related to big business partners>
- Those who are operating directors, executive officers or employees of any important business partner, either for HOYA Group or the corporate groups which the candidates come from, the sales to which business partner comprises 2% or more of the consolidated net sales of HOYA Group or the company groups for either of the past three years, or those who have a family member who is a top management of such business partner
- <Those who provide professional services (lawyers, certified public accountants, certified tax accountants, patent attorneys, judicial scriveners, etc.)>
- Those who have received remuneration of 5 million yen or more per year or those who have a family member who have received remuneration of 5 million yen or more per year, from HOYA Group in the past three years
- When the organization that the candidate belongs to, such as a company and association, has received cash, etc. from HOYA Group, the amount of which exceeds 100 million yen per year or 2% of consolidated net sales of the said organization, whichever is higher
- <Donation, etc.>
- When the association or organization which the candidate belongs to as director or operating officer has received donations or grants in the past three years, the amount of which exceeds 10 million yen per year or 30% of the said organization's average annual total costs, whichever is higher, or when the association or organization which the candidate's family member belongs to has received donations or grants equivalent to the aforementioned amount
- <Others>
- When directors are exchanged
- When the candidate has any other important interest in HOYA Group

HOYA's current Board of Directors consists of five male and one female Directors.

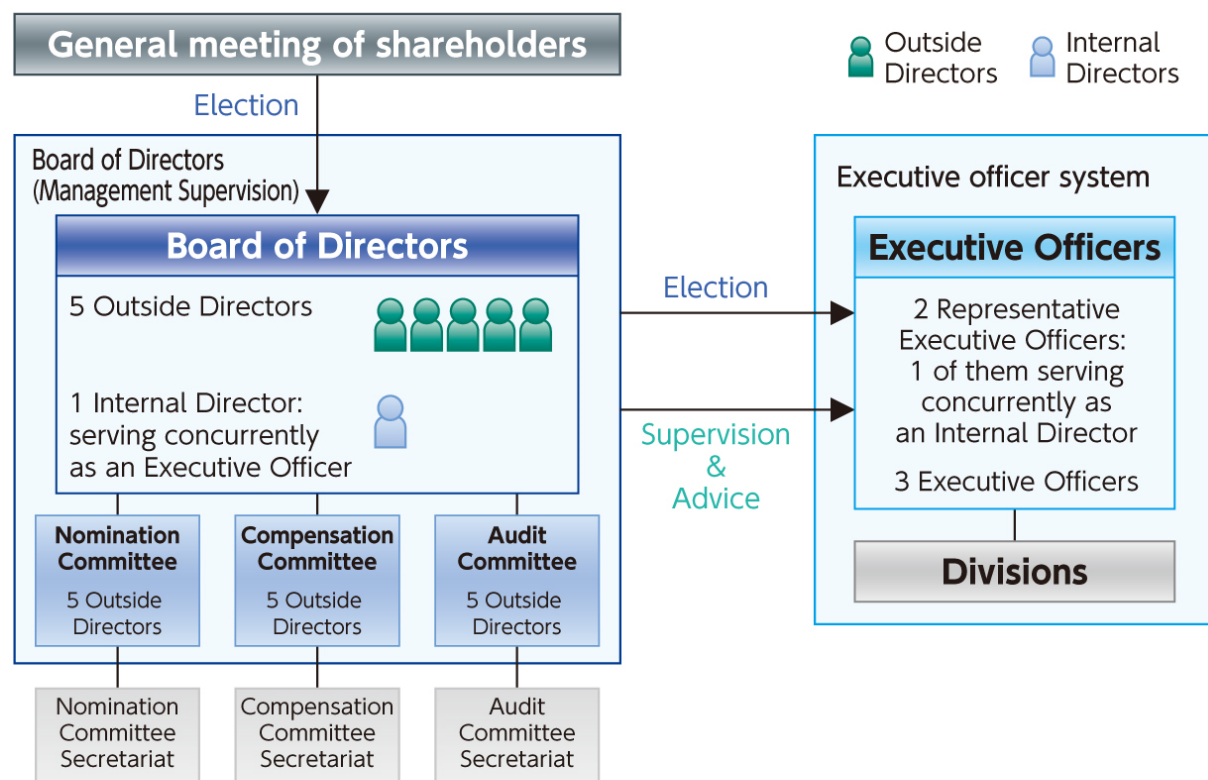
(5) Remuneration decisions

The details are as described above in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

3. Reasons for Adoption of Current Corporate Governance System

HOYA employs a "company with nomination and other committees" management system. Under the "company with nomination and other committees" management system, by giving Executive Officers authority to manage business, business decision makings are accelerated. At the same time, three committees - the Nomination Committee, the Compensation Committee and the Audit Committee - are established, with a majority of the members being Outside Directors (at HOYA, the committees are composed exclusively of Outside Directors), to ensure the effectiveness of management supervision by the Board of Directors. Adopting the "company with nomination and other committees" management system enables us to more clearly separate the execution and supervision of corporate management, whereas this was not possible with the previous "company with corporate auditors" system. Through this system, we aim to ensure efficient management and improve the overall soundness and transparency of management.

Corporate Governance Structure



As of June 21, 2016

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	For the convenience of shareholders, HOYA aims to send out the notice of a general shareholder meeting as early as possible, and prior to the statutory two-week period before the meeting. As to the 78th General Meeting of Shareholders, HOYA sent out the notice on May 31, 2016, and, prior to sending the notice, posted the notice on its website on May 23.
Scheduling AGMs Avoiding the Peak Day	To enable as many shareholders as possible to attend the meeting, HOYA avoids the peak day of annual general meetings and holds its meeting at an earlier date. HOYA held the 78th General Meeting of Shareholders on June 21, 2016.
Allowing Electronic Exercise of Voting Rights	Shareholders are able to exercise their voting rights over the Internet by accessing the voting website designated by HOYA via their computer, smartphone, or cell phone.
Participation in Electronic Voting Platform	HOYA is endeavoring to improve the convenience of shareholders by posting the Japanese and English versions of the notice of a general meeting of

	shareholders on the electronic voting platform operated by Investor Communications Japan (ICJ). Domestic and overseas institutional investors who have applied for the use of the platform in advance are able to directly read and examine the content of proposals etc. submitted to the general meeting.
Providing Convocation Notice in English	HOYA posts the English version of the notice of a general meeting of shareholders early on its website. In addition, HOYA posts the English version of the notice on the electronic voting platform.
Other	Hoya is making efforts to provide easy-to-understand information by using color, images and graphs in the shareholders-meeting notice. The notice also includes information on Independent Directors. In addition, HOYA has increased the transparency of executive remuneration by disclosing in the notice the individual amounts of remuneration paid to the CEO and Executive Officers whose remuneration exceeds 100 million yen.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	HOYA has created a disclosure policy and posted it on its website.
Regular Investor Briefings for Individual Investors	—
Regular Investor Briefings for Analysts and Institutional Investors	When quarterly financial results are announced, the CEO himself attends a briefing session and explains the details of business results.
Regular Investor Briefings for Overseas Investors	The Representative Executive Officer regularly holds meetings with overseas investors several times a year to explain the details of business results, etc.
Posting of IR Materials on Website	HOYA discloses investor relations-related information, including information on quarterly financial results, in a timely manner. HOYA does not post videos in which the Representative Executive Officer provides explanations, but the company posts text documents that show explanations provided by the Representative Executive Officer and questions and answers at briefing sessions.
Establishment of Department and/or Manager in Charge of IR	A position exclusively in charge of investor and public relations has been set up within the Corporate Planning Office.
Other	—

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Management Principles stipulates that stakeholders, including society, customers, shareholders, and individuals, should be respected. Specific conduct guidelines are stipulated in the HOYA Business Conduct Guidelines, which was formulated based on the Management Principles and which should be followed by the HOYA Group's employees.
Implementation of Environmental Activities, CSR Activities etc.	HOYA has employees who are exclusively in charge of environmental conservation activities. HOYA is promoting environmental conservation efforts as a good corporate citizen.
Development of Policies on Information Provision to Stakeholders	As a policy for information provision, HOYA has established the Information Disclosure Policy.

Other	<p>HOYA is promoting global management of business and endeavoring to build a system where employees can work with passion. Employees are not judged on the basis of nationality, gender, educational background, race, thought and beliefs, and other attributes. HOYA asks and evaluates employees based on what they are capable of doing in business. HOYA assigns employees to appropriate workplaces to ensure that they can play active roles.</p> <p>HOYA has one female Outside Director. Still, the number of female leaders (women who hold section manager or higher positions) in HOYA Group in Japan is still limited, with their ratio only 5.6% (as of March 2016). However, as the above-said policy describes, HOYA will continue to make efforts to create a worker-friendly environment, including a fair and clear performance-based evaluation system, aiming to enable employees to play active roles, whoever, regardless of their gender, demonstrate their competencies.</p>
-------	--

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

HOYA's Board of Directors has resolved to adopt the following internal control system.

1) System for Ensuring Adequacy of Operations

Contents of the resolutions the Board of Directors of the Company made with regard to internal control systems set out in (b) and (e) of first item, first paragraph, Article 416 of the Companies Act and Article 112 of the Ordinance for Enforcement of the Companies Act are as follows:

(1) Important matters in the execution of duties by the Audit Committee

(i) Matters concerning Directors and employees assisting the Audit Committee in its duties
The Audit Committee Office shall be established to assist the Audit Committee in its duties.

(ii) Matters concerning independence from the Executive Officers of Directors and employees stated in the above item and matters on securing effectiveness of instructions to Directors, etc. stated in the above item
The Audit Committee has the power to appoint and dismiss staff members of the Audit Committee Office. Executive Officers shall not give directions to staff of the Audit Committee secretariat.

(iii) Systems required for reports to the Audit Committee by Executive Officers and employees, systems required for reports to the Audit Committee by Executive Officers and employees, etc. of subsidiaries, and systems required to ensure a person who reports to the Audit Committee does not receive unfair treatment
The Board of Directors Regulations were amended to require reporting of all important matters to the Board of Directors, where Outside Directors comprise the majority of Board members. As a result, reports to the Board of Directors began to cover all important matters. For this reason, no special stipulations are established regarding matters that need to be reported to the Audit Committee.

The person responsible for the management of each respective business division shall swiftly report information being stored or managed in each organization inside the HOYA Group including subsidiaries operating within the business division as requested by the Audit Committee or the Internal Audit Department. A department for receiving internal reporting shall be established under the Audit Committee, and this department shall serve as a point to receive reporting of conduct, etc. that is in violation of laws and regulations, the Company's Articles of Incorporation, internal regulations or socially accepted conventions, or to provide advice thereof. Any unfair treatment of the person reporting or the person seeking advice (including any retaliatory measures such as dismissal, salary reduction, transfer, or harassment) is prohibited.

(iv) Matters regarding procedures for advanced payment or reimbursement of costs arising through execution of duties at Audit Committee, or other costs or obligations arising through execution of other duties for members of the Audit Committee

Concerning claims for costs arising through the execution of duties at the Audit Committee meeting for members of the Audit Committee, when there are claims from each member of the Audit Committee, appropriate processing of relevant costs or obligations will be performed expeditiously under deliberation by departments and divisions concerned, except in cases when the costs relating to the relevant claims were not necessary for the execution of the relevant duties.

(v) Other systems to ensure the effectiveness of audits by the Audit Committee

The Internal Audit Department shall conduct audits focusing on onsite audits of each place of business inside the HOYA Group, including subsidiaries, according to the audit policies and plans adopted by the Audit Committee, and shall report to the Audit Committee as the occasion demands.

The Audit Committee shall determine the rules of the Audit Committee, stipulate the details, and ensure the effectiveness thereof.

(2) Matters required for ensuring the adequacy of operations

(i) Systems concerning the storage and management of information about the execution of duties by Executive Officers

Efforts shall be made to adequately store and manage important matters, including documents, records and minutes relating to applications for approval within the HOYA Group, in accordance with laws, regulations and other standards.

(ii) Regulations and other systems concerning the management of the risk of loss of the HOYA Group
Each business division (including the subsidiaries operating inside the respective business division) and organ shall try to identify and manage risks, and shall aim for improvements as the occasion demands, taking into consideration the instructions of the Internal Audit Department, etc.

If a serious crisis occurs, a crisis management headquarters shall be swiftly established under the direct management of the CEO, and efforts shall be focused on response, and settlement of the situation.

(iii) Systems for ensuring the efficiency of duty performance by Executive Officers of the Company and each business division

Each division shall carry out its operations according to the annual plan and the quarterly budget adopted at meetings of the Board of Directors. The HOYA Group shall ensure the efficiency of Group management by evaluating the levels of target achievement every quarter and working to make improvements as the occasion demands.

Executive Officers shall be timely and precise in performing their duties based on the decision-making system for their execution of duties, which covers their standards for approving important matters.

Efficient procurement of funds shall be conducted in accordance with a common cash management system shared by the HOYA Group.

Efficient accounting management shall be carried out in accordance with a common accounting management system shared by the HOYA Group.

(iv) Systems for ensuring compliance with laws, ordinances and the Articles of Incorporation of the way duties are performed by Executive Officers of the Company, Directors etc. of subsidiaries, and employees of the HOYA Group

The HOYA Group shall observe across its organization the HOYA Business Conduct Guidelines established based on the Management Policy and Management Principles of the Group, and shall undertake educational activities as required. The HOYA Group will reinforce the effectiveness of such activities with the HOYA Help Line, an intra-Group system for reporting and counseling. The Group shall operate this system to ensure the soundness of Group activities

(v) Systems for reporting matters concerning performance of duties of employees of the HOYA Group and Directors, etc. of the Company's subsidiaries

The performance of duties for each business division shall be reported at the regularly held Business Report Meetings and Budgetary Meetings.

The occurrence of important matters as provided for by the internal rules of the HOYA Group shall be reported by each business division to the Group Headquarters and the Company's Executive Officers.

(3) System for ensuring reliability of financial reporting

The HOYA Group shall establish and manage a system of internal controls for financial reporting and build a system for evaluating its financial reporting to ensure the reliability of its financial reporting and valid, appropriate submission of internal control reports as prescribed in the Financial Instruments and Exchange Act.

2. Basic Views on Eliminating Anti-Social Forces

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System

The state of HOYA's in-house system regarding the timely disclosure of corporate information is as follows.

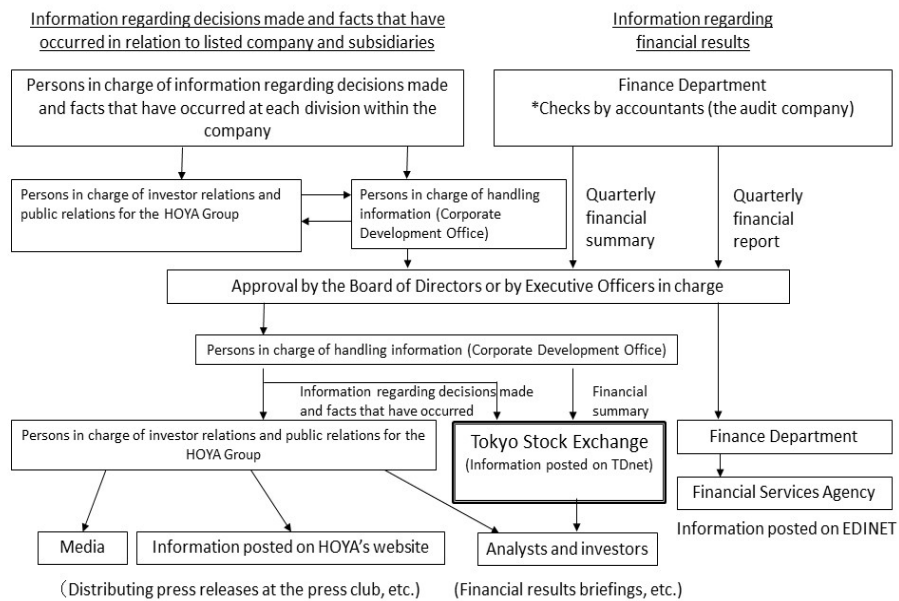
1. HOYA developed the Information Disclosure Policy in February 2008 which was approved by the Board of Directors. HOYA, as a company, is endeavoring to strengthen the in-house system by educating employees about the importance of the management and timely disclosure of information.

2. Regarding disclosure, the Corporate Development Office is in charge of information regarding decisions made and facts that have occurred, and the Finance Department handles information regarding financial results. These sections exhaustively collect information from each of the divisions within the Company, strictly manage such information complying with the timely disclosure rules and other relevant laws and regulations, and create materials containing information that is accurate and clear and sufficient as materials for investment decisions.

3. After officially approved by the Company the created materials are disclosed at an appropriate time, paying attention to fairness among investors.

4. In any of the above cases, the Corporate Development Office exclusively handles the disclosure of information to the Tokyo Stock Exchange. In addition, HOYA has set up a position in charge of investor relations and public relations for the HOYA Group within the Corporate Development Office, which handles inquiries from outside parties.

System Regarding Timely Disclosure of Corporate Information



HOYA Corporate Governance Guidelines

Table of contents

- I. Purpose
- II. Management structure
- III. Respect for the rights of shareholders
- IV. Dialogue with the shareholders
- V. Board of Directors
- VI. Committees
- VII. Election of candidates for Directors and Executive Officers
- VIII. Executive compensation
- IX. Audit
- X. Code of conduct
- XI. Internal reporting system
- XII. Revision and abolition

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.
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. 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
 - (3) Convene meetings of the Board of Directors and general meetings of shareholders and serve as the chairpersons of such meetings in case of emergencies when the CEO is not available

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.