

## Corporate Governance Report

### [TRANSLATION]

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**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 Committees, etc.” 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 policy not to cross-hold shares of other listed companies which is aimed for securing pro-management shareholders and this policy is stated in "HOYA Corporate Governance Guidelines". According to the policy, we do not have such shares. We dispose shares of listed or non-listed companies if meaning of holding those shares become diluted. When exercising the voting rights on shares, we will vote against to proposals which will adversely affect rational for holding the shares and/or to proposal which will adversely affect corporate value.

(HOYA Corporate Governance Guidelines, III-3)

[http://www.hoya.co.jp/english/csr/pdf/Governance\\_Guideline\\_E.pdf](http://www.hoya.co.jp/english/csr/pdf/Governance_Guideline_E.pdf)

Once a year, the board of directors review each listed share and those non-listed shares with book value of more than 25 mil. yen. The board assess rational and benefit of having these shares compared to disposing those shares. As a result of 2018 assessment, it was decided to dispose 1 out of 4 listed companies' shares and to keep 2 non-listed companies' shares which were subject to the assessment.

### **【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](http://www.hoya.co.jp/english/csr/pdf/BOD_rule_E.pdf)

### **【Principle 2-6 Roles of Corporate Pension Funds as Asset Owners】**

Hoya Group adopts defined-contribution plans for the employees respecting their autonomous decision-making in asset building. Hoya corporation provide e-learning and other education opportunities to these employees.

### **【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. Annual activities are described in Annual Report on the web site.

<http://www.hoya.co.jp/english/ar2018/index.html>

#### **(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](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](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 2018, there are six Outside Directors and one internal Director (83.3% of the Board of Directors are outside Directors).

[http://www.hoya.co.jp/english/csr/pdf/AOI\\_E.pdf](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 six Outside Directors, and five out of six people have experiences as corporate managers in different industries. One of them is a female director. Also, the other director is an expert on accounting and finance.

**【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 2017:

- Board of Directors meetings actively exchanged opinions, and indicated no issues in the effectiveness of its supervisory functions, which was confirmed by, for example, questions and opinions expressed from various angles about executive officers' proposals as well as the objective evaluation of each executive officer made by the nomination and compensation committees. During the fiscal year ended March 2018, a series of discussions regarding the composition of the Board of Directors in terms of ensuring diversity was held and a decision was made to propose a new candidate with different skill sets. Also, implementation of advancement of a structure that strengthens internal functions have been discussed. Future issues to be addressed have been confirmed as considering more specific measures in relation to succession planning, holding deeper deliberations on medium- to long-term portfolio strategy, and deepening deliberations on policy related to society and the environment.

**【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, CFO and COO 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%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,142,900	6.09
Japan Trustee Services Bank, Ltd. (Trust Account)	19,881,000	5.23
JP Morgan Chase Bank 380055	17,312,157	4.56
SSBTC Client Omnibus Account	14,986,595	3.94
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,901,000	2.08
The Chase Manhattan Bank 385036	6,184,000	1.63
State Street Bank West Client-Treaty 505234	6,169,678	1.62
JP Morgan Chase Bank 385632	6,017,841	1.58
JP Morgan Chase Bank 385151	5,701,260	1.50
Japan Trustee Services Bank, Ltd. (Trust Account 7)	5,462,200	1.44

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

### Supplementary Explanation

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### 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

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

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## 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 Committees, etc.
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#### [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*
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		a	b	c	d	e	f	g	h	i	j	k
Yukako Uchinaga	From another company								○			
Mitsudo Urano	From another company											
Takeo Takasu	From another company								△			
Shuzo Kaihori	From another company								△			
Hiroaki Yoshihara	Others											

\* 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			
Yukako Uchinaga	○	○	○	○	There were transactions in the fiscal year 2018 between the HOYA Group and Benesse Group, which Ms. Uchinaga used to work, but the amount involved in the transactions represents less than 0.1% of the consolidated net sales of each party. Payment of membership fees was made to J-WIN, Non-Profit Organization, which Ms. Uchinaga concurrently serves as Board Chair, but the amount involved was	(Reason for the Selection of Candidate for Director)  Ms. Yukako Uchinaga is a pioneer of female executive officer as she was promoted to the first female director of IBM Japan, Ltd. Then, as CEO of Berlitz Corporation under Benesse Holdings, Inc., she 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 addition, for many

					<p>less than 0.6% of said organization's total costs. Also, a payment of about 290,000 yen was made to the Globalization Research Institute Co., Ltd., which she serves as a representative. For all these transactions, nothing in connection with her 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>years, she has devoted herself to activities for promoting the active participation of women by corporations and has also provided the Company with advice on promoting diversity. The Company's Nomination Committee believes she will even more greatly contribute to the globalization of human resources and diversity management in the Company, so it has nominated her as a candidate for Director again this year.</p> <p>(Reason for designation as an Independent Director) Ms. Uchinaga satisfies the standard of independence set forth by Nomination Committee and expected to perform the duty as independent director.</p>
Mitsudo Urano	○	○	○	○		<p>(Reason for the Selection of Candidate for Director)</p> <p>Mr. Mitsudo Urano focused on capital efficiency from the early stage in Nichirei Corporation, a leading Japanese frozen food manufacturer, and developed efficient management through company split-ups and informatization. He particularly has extensive experience and solid achievements on 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.</p> <p>(Reason for designation as an Independent Director) Same as above.</p>
Takeo Takasu	○	○	○	○	<p>There were transactions in the fiscal year 2018 between the HOYA Group and Bandai Namco Group, which Mr. Takasu used to work but the amount involved in the transactions</p>	<p>(Reason for the Selection of Candidate for Director)</p> <p>After first serving at the former Sanwa Bank, Ltd., the candidate accumulated experience in various industries including a Malaysian securities firm</p>

					<p>represents less than 0.1% of the consolidated net sales of each party and, with regard to him, nothing 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>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 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.</p> <p>(Reason for designation as an Independent Director) Same as above.</p>
Shuzo Kaihori	○	○	○	○	<p>There were transactions in the fiscal year 2018 between the HOYA Group and Yokogawa Electric Group, which Mr. Kaihori used to work, 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 him 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 the Selection of Candidate for Director)</p> <p>Mr. 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 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.</p> <p>(Reason for designation as an Independent Director) Same as above.</p>



Hiroaki Yoshihara	○	○	○	○	.	Mr. Yoshihara has long-term experience as an expert in finance and accounting as well as management experience gained as Global Managing Partner of an international accounting firm. He also has a track record of participating in the M&A of many companies from a professional standpoint. The Company's Nomination Committee has judged that he will contribute to the enhancing the supervisory function of the Board of Directors of the Company and at the same time provide plenty of advice in regard to M&A, an important measure in the Company's business strategy, so it has nominated him as a candidate for Director again this year.

### [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)	4
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#### 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

Augustine Yee	No	No	No	No	No
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#### [Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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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
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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
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Supplementary Explanation
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<p>Directors' remuneration consists of fixed remuneration and stock options. Executive Officers' remuneration consists of fixed remuneration, performance-linked remuneration, and stock options until FY 2018. From FY2019, performance share unit (PSU) has been introduced instead of Stock Options.</p>
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Recipients of Stock Options	Outside Directors
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Supplementary Explanation
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When stock options are exercised, we use treasury shares.
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**[Remuneration for Directors and Executive Officers (Shikkoyaku)]**

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

Supplementary Explanation
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<p>CEO's remuneration is disclosed individually regardless of amount. For other directors and officers, individual remuneration is disclosed in accordance with the ordinance.</p>
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Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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**(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.

In order for newly-appointed Directors 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, fixed number of stock options are granted to Outside Directors each year,  
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.

[Composition ratio of remuneration]

Fixed salary: medium- and long-term incentive (stock options) = Approximately 1:0.3-0.6

(Note) The ratio of the above medium- and long-term incentive shall fluctuate with changes in the Company's share price and other factors.

**(iii) Policy concerning remuneration for Executive Officers**

The remuneration of Executive Officers consists of a fixed salary, an annual incentive (performance-based bonuses) and a medium- and long-term incentive (PSU).

For fixed salaries, basic compensation is set appropriately according to the office and responsibility of each Executive Officer (Representative Executive Officer, 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. Other than basic compensation described above, 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.

Performance-based bonuses shall be determined according to quantitative results and qualitative evaluations, and shall range roughly from 0 to 200%.

As indicators of quantitative results, sales, profit attributable to owners of the Company, and basic earnings per share (EPS) given on the Consolidated Financial Statements are selected.

The PSU is a system for granting shares at a number that is in proportion to the level of achievement of the predetermined performance conditions and the Company selected the indicators of sales, basic earnings per share (EPS) and ROE given on the Consolidated Financial Statements. The payment ratio that corresponds to the level of achievement of the performance targets will range from 0 to 200%, based on the performance over three-fiscal-year periods.

[Composition ratio of remuneration]

CEO	Fixed salary: annual incentive: medium- and long-term incentive (PSU) = Approximately 1:1:1
Executive Officers excluding CEO	Fixed salary: annual incentive: medium- and long-term incentive (PSU) = Approximately 1:1:0.5

(Note) Subject to a 100% achievement rate for all targets and assuming a share price in three years roughly equivalent to the current share price.

**[Reference] Outline of performance-based remuneration (performance-based bonuses and PSU) for Executive Officers**

**a. Performance-based bonuses**

Performance-based bonuses shall be paid based on the following calculation.

Amount of performance-based bonus = base amount (according to the office of each officer) x performance-linked coefficient (linked to quantitative targets)\* x 80% + base amount (according to the office of each officer) x performance-linked coefficient (linked to qualitative targets)\* x 20%

\* Performance-linked coefficient shall range from roughly 0 to 200%.

[Performance-linked coefficient (performance-based bonuses)]

Indicators	Target (consolidated)	Actual (consolidated)	Reason for selection
Sales (Billions of yen)	564.2	565.8	Selected as an indicator for its measurement of the Group's degree of growth in domestic and overseas markets.
Profit attributable to owners of the Company (Billions of yen)	111.1	122.1	Selected as an indicator for its measurement of whether the Group's growth is accompanied by solid profits.
Basic earnings per share (Yen)	292.53	321.55	Selected as an indicator for its measurement of the Company's degree of growth from a shareholder's perspective.

(Notes)

1. The qualitative assessment method relevant to performance-based bonuses involves assessments of items such as the degree of achievement of budget targets in the division under management, the results of which are deliberated on in the Compensation Committee before a decision is made.
2. The target values in the table above are set taking into consideration such as the Company's business environment, and market consensus, and as such may differ from performance forecasts.

#### b. Performance share unit (PSU)

Every year, the Company announces basic deliverable numbers of shares according to the office and responsibility of each Executive Officer and medium- to long-term performance targets for a three-year period from that year. After the end of the period in question, the Company determines, for each Executive Officer, a basic compensation amount which is the market value of the Company's shares for the basic deliverable number of shares multiplied by a coefficient representing the degree of achievement of medium- to long-term performance targets. The Company shall pay the Executive Officer 50% of the basic compensation amount as claims for monetary remuneration. Executive Officers shall invest the monetary claims in kind and shall be granted a number of Company shares, which is equal to the amount of monetary claim in question divided by paid-in amount per Company share. From the viewpoint of ensuring payment of tax, the Company shall pay the remainder of the basic compensation amount in cash.

However, Executive Officers not residing within Japan and the heirs of Executive Officers who died during their tenure shall receive the entire basic compensation amount in cash.

Also, the Company plans to issue PSU for periods of three fiscal years starting from the following fiscal year, and continuing thereafter. Below is a table illustrating this system.

2019	2020	2021	2022	2023	2024
PSU (i)			Granting of shares, etc.		
— — — —	— — — —	— — — —	— — — — ▶		

	PSU (ii)			Granting of shares, etc.	
	.....			.....▶	
		PSU (iii)			Granting of shares, etc.
		.....		.....▶	

◎ Mid-to long-term performance targets

The three year performance target (performance average) from FY2019 to FY2021 shall be as bellow.

Indicator	Target (Consolidated)	Reason for selection
Sales Revenue	630 Billion YEN	To measure the potential for the Group growth in domestic and overseas markets.
EPS (earnings per share)	390 YEN	To measure the growth of the Company from the same perspective as shareholders.
ROE	20.00 %	To measure whether profits were efficiently obtained relative to the amount of investment by the shareholders.

※The targets shown above is set by taking into account the Company's business environment and market consensus and so on and differs from the market forecast.

◎ Calculation Methods

The standard compensation amount is calculated as shown below. In principle, 50% of the compensation amount is paid as a monetary compensation receivable. The Recipients will execute a contribution in kind of such monetary compensation receivables and receive an allotment of shares equivalent to such monetary compensation receivables divided by the paid-in amount of the Company's Shares. Further, in order for the Recipients to ensure funds for tax payment, the monetary amount equivalent to the remaining standard compensation amount will be paid in cash.

(1) Calculations for standard compensation amount

Standard compensation amount = number of shares allocated × Company's share price (※)

※Upon resignation at term end the Company share's closing price at Tokyo Stock Exchange on the previous day of the resolution of the Board of Directors (at which the number of shares to be allocated to the Recipient to resign, and whether issuance will be by issuance of new shares or disposal of treasury shares is decided) will be used. This Board of Directors meeting is held within two months from the ordinary general meeting of shareholders held right before the term ends as Executive Officer. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.) However, in case when only monetary payment is to be made to all Recipients resigning at term end on the same occasion, the Company share's closing price at Tokyo Stock Exchange on the last business day of the month the Board of Directors meeting held (at which resolution is made not to reappoint) shall be used. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.)

However, in case when only monetary payment is to be made to all Recipients, the Company share's closing price at Tokyo Stock Exchange on the last business day of June, 2022 shall be used. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.)

Number of shares allocated will be calculated as following.

Number of allocated shares

$$\begin{aligned} &= \text{base number of shares per position} \times \text{Pay-out rate (sales revenue)} \times 1/3 \\ &+ \text{base number of shares per position} \times \text{Pay-out rate (EPS)} \times 1/3 \\ &+ \text{base number of shares per position} \times \text{Pay-out rate (ROE)} \times 1/3 \end{aligned}$$

① Pay-out Rate

Based on the business performance results of three fiscal years (initially from FY 2019 to FY 2021), the pay-out rate will be determined using the following performance-linked coefficient formula. (The first decimal place or less will be rounded off at each calculation stage.)

Pay-out Rate (※) = (achievement rate for each indicator − 80%) × 5

※ Pay-out rate is calculated separately based on sales revenue, EPS (earnings per share) and ROE of the consolidated financial statement.

※ The achievement rate for each indicator will be determined based on the average of three fiscal years. The calculation will be made against the performance target.

※ If the target achievement rate is less than 80%, the pay-out rate for that indicator will be 0.

※ If the target achievement rate is more than 120%, the pay-out rate for that indicator will be 2 (double).

※ In case of resignation upon term end or by death, which comes before the end of three-year target period, the pay-out rate for each indicator will be 1 regardless of the actual achievement rate.

② Handling upon resignation at term end or resignation due to death during the three-year target period. (Excluding dismissals and resignation due to personal reasons.)

In cases where one resigns at the end of term (including when not reappointed) or dies during the target period (from July 2019 to June 2022,) the number of shares to be allocated will be pro-rated according to number of months in office as below.

However, in case of resignation for personal reasons during term or dismissal, the base number of shares will be 0 and no PSU will be granted.

Standard compensation amount = Number of allocated shares × Market value of shares (※)

※ Upon resignation at term end the Company share's closing price at Tokyo Stock Exchange on the previous day of the resolution of the Board of Directors (at which the number of shares to be allocated to the Recipient to resign, and whether issuance will be by issuance of new shares or disposal of treasury shares is decided) will be used. This Board of Directors meeting is held within two months from the ordinary general meeting of shareholders held right before the term ends as Executive Officer. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.) However, in case when only monetary payment is to be made to all Recipients resigning at term end on the same occasion, the Company share's closing price at Tokyo Stock Exchange on the last business day of the month the Board of Directors meeting held (at which resolution is made not to reappoint) shall be used. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.)

※ In case of death, the closing price of the Company's shares on the Tokyo Stock Exchange, on the last business day of the previous month which death occurred will be used. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.)

The allocated number of shares will be calculated as below.

Number of allocated shares (※1) = Base number of shares × Number of months in office during the three year target period (※2) / 36 months × Pay-out rate (1.00)

※ Months in office will be months counted between the period from July 2019 to June 2022. If one is in office on the first day of the month, it will be counted as one month.

(2) Calculation of number of shares to be allocated and monetary amount paid.

In principle, 50% of the standard compensation amount will be paid out as monetary compensation receivable, and the Recipient will invest this in kind and the shares will be granted. The monetary

amount equivalent to the remaining standard compensation amount will be paid in cash. The calculation method of the number of shares to be granted and the amount of money paid is as follows.

① Allocated number of shares

Allocated number of shares = Amount allocated for Shares ÷ Market value of shares(※1)  
Amount allocated for Shares = Standard compensation amount × 50% (※2)

※1 Share's closing price at Tokyo Stock Exchange on the previous day of the resolution of the Board of Directors within two months from the first ordinary general meeting of shareholders held following immediately after the three-year target period will be used. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply. However, in case where one is to resign at term end before the three-year target period ends, the Company share's closing price at Tokyo Stock Exchange on the previous day of the resolution of the Board of Directors (at which the number of shares to be allocated and whether issuance will be by issuance of new shares or disposal of treasury shares is decided.) will be used. This Board of Directors meeting is held within two months from the ordinary general meeting of shareholders right before the term as Executive Officer ends. (In the event that there is no closing price on such date, the closing price of the closest preceding day will apply.)

※2 No actual shares will be granted for non-residents of Japan and those who resigned due to death.

② Monetary Pay-out

Amount of monetary Pay-out  
= Standard compensation amount — Allocated number of shares x Market value of shares(※)  
※ Same as ① above.

(3) Maximum number of shares to be allocated and amount of monetary pay-out

The total amount of the standard compensation amount to be allocated to the Recipients shall be limited to up to 372 million yen per year.

The upper limit of the number of shares to be allocated to the Recipient by the Company and the amount of money paid according to position is as shown below. However, if the total number of issued shares of the Company increases or decreases due to stock consolidation, stock split, stock allotment, etc., the upper limit and the number of shares granted to the Recipient shall be rationally adjusted according to the ratio.

Position	Maximum shares granted	Maximum monetary pay-out
CEO	17,200 Shares	207.0 million YEN
CFO	5,000 Shares	60.0 million YEN
Other Executive Officers	4,400 Shares	52.5 million YEN

If there is a possibility of exceeding the total upper limit of the above compensation standard amount or the upper limit of the total number of shares granted by position or the upper limit of the amount of monetary pay-out by position from carrying out the allocation of shares or monetary pay-out, by delivering the shares of the Company or making monetary benefits, the number of shares or monetary payments to be allocated to each Recipient shall be reduced by a reasonable method such as proportional distribution to the extent that the upper limit is not exceeded.

**[Supporting System for Outside Directors]**

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



**[Other matters]**

We abolished the adviser (SODANYAKU) system as of the end of March 2018.

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

**(1) Business Execution**

Having the structure of a “company with Nomination Committees, etc.,” the authority of the HOYA Board of Directors is entrusted to Executive Officers, enabling swift execution of business. As of June 26, 2019, four persons - namely, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) in charge of Information Technology and Chief Technology Officer (CTO) in charge of Technology, and Chief Legal Officer (CLO) and Head of Corporate Development and Affairs were nominated by the Nomination Committee as candidates for Executive Officers and elected at the meeting of the Board of Directors (CEO concurrently serves as Internal Director). Each of them oversees the execution of operations in their respective jurisdictions determined by the Board of Directors, and carries out decision-making in a speedy fashion. The Executive Officers instruct the Group Headquarters and the person responsible for the business divisions to establish and carry out specific measures based on the management policy determined by the Board of Directors. The Executive Officer responsible for the business segments receives progress reports from the person responsible for each business division at Business Reporting Meetings held roughly on a monthly basis. The Executive Officer then gives reports and makes proposals on the segments he oversees at a meeting of the Board of Directors based on the progress reports he received. Additionally, Budgetary Business Division Meetings are held every quarter in each business division, with attendance by all Executive Officers. At these meetings, each division’s progress is checked vis-a-vis the annual plan and deliberations are held on plans for the coming quarter. Business operations in each business division are largely delegated to the manager responsible for the business division, who carries out the action plan approved at the Budgetary Meeting. In addition to CEO who concurrently serves as Director, CFO and CLO also attend each meeting of 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) Board of Directors**

The Company’s Board of Directors, in which Independent Directors comprise the majority of Board members, convene regular Board meetings 10 times a year as a general rule.

Each meeting of the Board of Directors involves lively discussions and deliberations in a solemn atmosphere, with globally-minded Independent Directors with a wealth of management experience supervising the execution of operations by Executive Officers and providing them with inquiries and advice from various angles. The Board of Directors also works to obtain information as necessary on trends in legal changes and corporate governance by holding lectures by outside experts and through other means. In fiscal 2018, the Board of Directors was comprised of 6 six Independent Directors and 1 Internal Director, with one of the Independent Directors being a female. Board of Directors meetings were convened 10 times, with 100% attendance by all Directors. Based on the Board of Director Regulations, the Board of Directors addresses statutory matters, approves quarterly budgets, approves quarterly earnings reports, deliberates on M&A, deliberates on the executive organization, and receives reports on the current status and medium- to long-term plans of each business division.

#### (4) Audit and Oversight

The Audit Committee, on which all Independent Directors (6 Independent Directors in fiscal 2018) hold a seat, formulates the audit policies and audit plans for each fiscal year, and verifies financial statements, etc. based on the quarterly reports and year-end reports received from the Accounting Auditor according to such policies and plans. It also interviews the Internal Audit Department to obtain the results of operational audits, and verifies the soundness, legality, efficiency, etc. of management. All important matters are reported to the Board of Directors, and countermeasures are taken as necessary. Audit Committee meetings were convened nine times in fiscal 2018, with 100% attendance by all committee members. Deliberations during the fiscal year under review focused on reports from the Accounting Auditor and Internal Audit Department, while providing advice and suggestions to the executive team with regard to the issues that came to light

The details are as described above in “Auditing Structure.”

For fiscal 2018, 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 2019, 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: Toshiharu Matsuura

Designated Unlimited Liability Partner, Engagement Partner: Koji Inoue

Designated Unlimited Liability Partner, Engagement Partner: Takuya Sumida

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 32 partners and professional staff (12 certified public accountants, 5 persons who have passed the Certified Public Accountants Examination, etc., and 15 others) are involved in audits of HOYA.

#### (5) Nomination of Director and Executive Officer Candidates

The Nomination Committee, on which all Independent Directors (6 Independent Directors in fiscal 2018) have a seat, fairly and rigorously selects candidates for Directors (ensuring said candidates possess knowledge, expertise, and capabilities suited to HOYA’s business environment), based on the “Basis for Election of Candidates for Directors,” and proposes the candidates to the General Meeting of Shareholders for voting. The Committee also fairly and rigorously selects candidates (with knowledge, expertise, and capabilities suited to HOYA’s business environment) for Executive Officers and the Representative Executive Officer, based on the “Standard for Election of Candidates for Executive Officer,” and proposes the candidates to the Board of Directors for voting. In cases that meet the criteria for dismissal, the Committee makes decisions to propose the dismissal of Directors to the General Meeting of Shareholders and the dismissal of Executive Officers to the Board of Directors for voting. The Committee sets out the criteria for independence of candidates for Directors, which is stricter than the rules by Tokyo Stock Exchange so that a function of overseeing Executive Officers required to Independent Directors is secured.

#### Disqualification Condition of Independent Directorship

<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

Nomination Committee meetings were convened eight times in the fiscal year ended March 31, 2019, with 100% attendance by all committee members. The majority of deliberations during the fiscal year under review concerned the composition of the Board of Directors, the qualities and skills required of Independent Director candidates going forward, and the succession plans of Executive Officers.

#### (6) Remuneration decisions

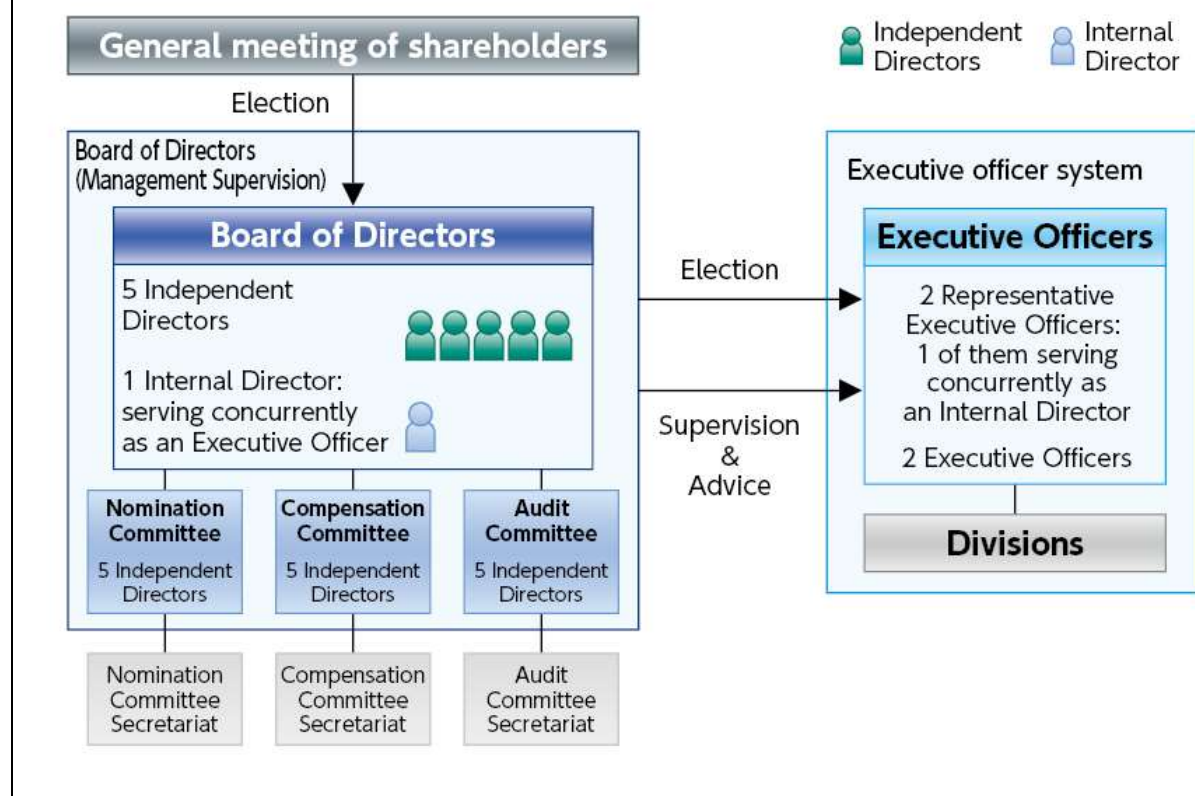
The details are as described above in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods."

Compensation Committee meetings were convened eight times in fiscal 2018, with 100% attendance by all committee members. Deliberations during the fiscal year under review paid particular attention to performance-based remuneration for Executive Officers.

### 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 26, 2019)



### 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 81 <sup>th</sup> General Meeting of Shareholders, HOYA sent out the notice on May 31, 2019, 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 81 <sup>th</sup> General Meeting of Shareholders on June 26, 2019.
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 or smartphone.
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. To help shareholders understand more about the company, HOYA has introduced a system that enables shareholders to view the shareholders-meeting notice on their smartphone and tablet.

## 2. IR Activities

	Supplementary Explanations	Explanation by Representative Officer
Preparation and Publication of Disclosure Policy	HOYA has created a disclosure policy and posted it on its website.	
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.	Yes
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.	Yes
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	HOYA has a position exclusively in charge of investor relations within the Corporate Development Office.	

## 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	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,

	<p>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 9.3% (as of March 2019). However, as the above-said policy describes, HOYA will continue to make efforts to create a flexible work environment, and 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>
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## 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
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Supplementary Explanation
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### 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

