

Transparent Governance

Hoya separates management execution and oversight functions with a view to increasing management efficiency. Furthermore, in order to ensure that management is not based upon internal corporate logic alone, the Company has also put in place a highly transparent corporate governance system with active participation by outside directors who perform a supervisory role from the shareholders' perspective.

CORPORATE GOVERNANCE FRAMEWORK

In June 2003, Hoya moved to a "company-with-committees" management system as defined under the Companies Act of Japan, establishing three committees—the Nomination Committee, the Compensation Committee and the Audit Committee—each distinct from the Board of Directors. The Companies Act of Japan stipulates that a majority of the members of these committees be outside directors; at Hoya, the committees are composed exclusively of outside directors. Within the company-with-committees framework, this system enables delegation of decision-making authority from the Board of Directors to the executive officers so that they can focus on speedy and efficient management toward realizing improved business performance. At the same time, the three committees composed of outside directors provide enhanced powers of supervision and oversight over the executive officers to ensure overall soundness and transparency of management.

Board of Directors

The Board of Directors comprises five outside directors and three internal directors, for a total of eight directors. The Board meets every month, excluding February and August. At meetings, outside directors draw on their ample management experience and international perspectives to supervise and offer advice to the executive officers in the execution of their duties from a wide range of viewpoints.

Internal directors serve concurrently as executive officers. Authority has been further devolved from the executive officers to the heads of each business division, who are responsible for day-to-day business operations in their respective areas of activity. These division heads make detailed reports on each division's status to the executive officers at monthly business reporting meetings, at which strategies for responding to each issue are discussed. Important matters are all reported to meetings of the Board of Directors in order to ensure soundness of management.

The Three Committees

The Nomination Committee, Compensation Committee and Audit Committee are composed exclusively of outside directors, who are assured independence from the executive officers, and oversee their execution of duties from an impartial and fair standpoint taking the shareholders' perspective into account.

Directors

Takeo Shiina*	Executive Advisor of IBM Japan, Ltd.
Yuzaburo Mogi*	Representative Director, Chairman & CEO of Kikkoman Corporation
Eiko Kono*	Former Special Advisor of Recruit Co., Ltd.
Yukiharu Kodama*	President of the Mechanical Social Systems Foundation
Itaru Koeda*	Executive Advisor, Honorary Chairman of Nissan Motor Co., Ltd.
Hiroshi Suzuki	
Hiroshi Hamada	
Kenji Ema	

Executive Officers

Hiroshi Suzuki	President & CEO
Hiroshi Hamada	Executive Officer & COO
Kenji Ema	Executive Officer & CFO
Hiroaki Tanji	Executive Officer, Planning
Taro Hagiwara	Executive Officer, Technology

*Outside directors
(As of June 16, 2009)

- **Nomination Committee**

The Nomination Committee decides on the selection of candidates for appointment as directors and executive officers in accordance with selection standards, and submits nominations to the Board of Directors for approval. The committee also creates standards, based on which it evaluates the execution of duties by executive officers and reports the results to the Compensation Committee. When necessary, the Nomination Committee refers proposals to relieve directors of their posts to the General Meeting of Shareholders, and refers proposals to relieve executive officers of their posts to the Board of Directors.

- **Compensation Committee**

The Compensation Committee prepares the remuneration system that incentivizes directors and executive officers. It was established with the objective of contributing to improved financial performance for Hoya, by undertaking fair and accurate evaluations of results. The remuneration package for each

director includes a fixed salary, results-based remuneration and stock options. Each package is decided based on consideration of such factors as prevailing business conditions, financial results and standards adopted by other companies.

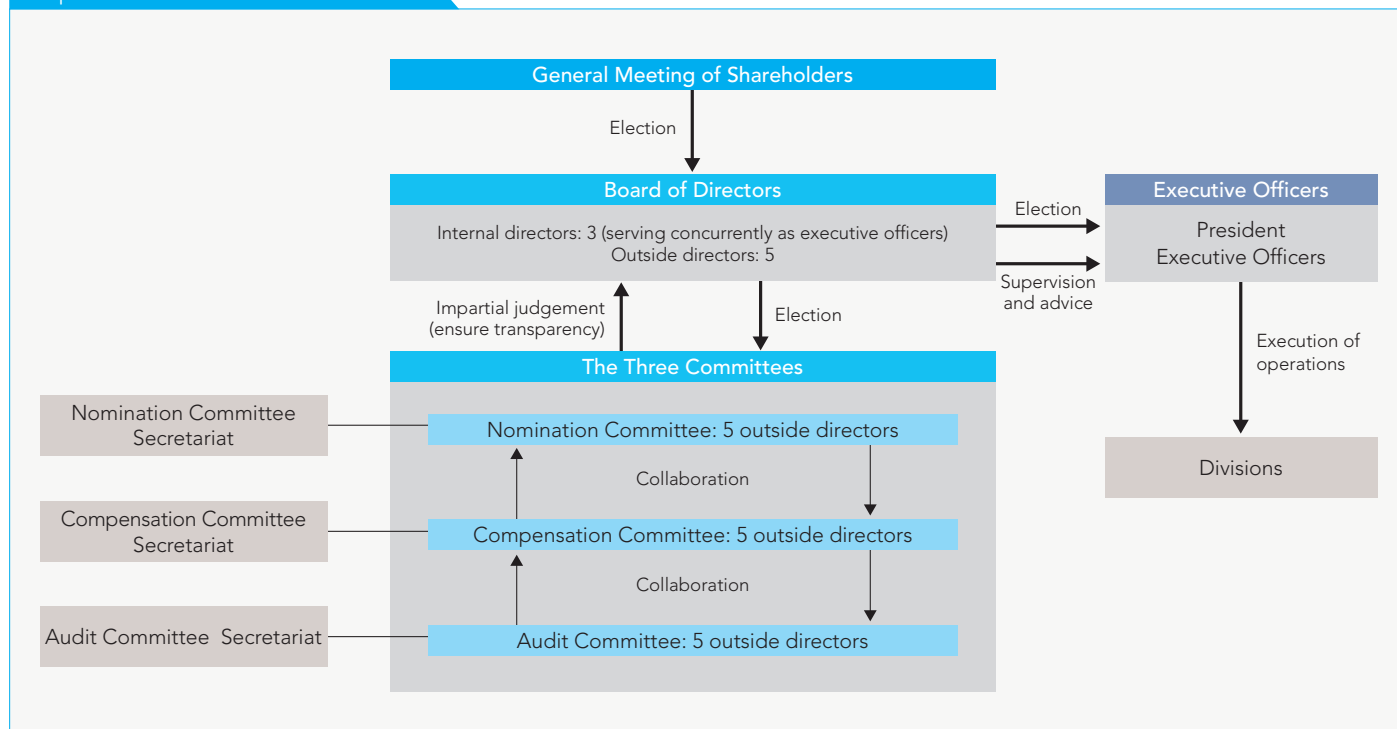
- **Audit Committee**

The Audit Committee formulates the audit policy and audit plans for each fiscal year, and receives the interim and final reports from the certified public accountants to verify the financial statements. In addition, it 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. All items of significant interest are reported to the Board of Directors, and action is taken as needed.

INTERNAL CONTROL SYSTEM

In addition to striving to further strengthen corporate governance, the Hoya Group also works toward the development of

Corporate Governance Structure



Transparent Governance

sound internal control systems with the objective of ensuring appropriate and efficient business management.

Each business division and facility develops and improves the control environment, evaluates and responds to risk, and verifies and improves control processes to ensure that the control systems that operate within each division and facility are the most appropriate for their operating environment.

The head of each business division has managerial authority and is responsible for improving business results. Each head is also obligated to seek to further improve internal control systems, with the objectives of maintaining compliance, the effectiveness and efficiency of work practices, the reliability of financial reporting and the integrity of management assets.

The Audit Department at Hoya Group Headquarters is responsible for the regular auditing and verification of administrative processes for each division and business office from an independent standpoint. It conducts operational audits, checks that internal control systems are functioning as they should, ensures that there is no dishonesty, and checks for areas for potential improvement. Problems that come to light as a result of audit procedures become the subject of a recommendation for improvement. Particularly important matters are reported to the Audit Committee and the Board of Directors, as well as to the executive officers. The executive officers decide upon and issue directives for speedy, appropriate responses.

• Hoya Business Conduct Guidelines

To achieve the best results from internal control systems, it is essential that all employees performing duties for an organization work to foster greater awareness. The Hoya Group has established a set of Business Conduct Guidelines that clarify the guiding principles under which each employee should perform his or her duties, with resolute adherence to professional ethics. The Group also conducts a wide range of employee education activities to foster awareness of regulations and rules.

• Hoya Help Line

In 2003 the Company implemented another initiative, the Hoya Help Line (HHL), as an internal reporting and consultative

system for the Group. If there is an act that contravenes the law or the Hoya Business Conduct Guidelines, the Hoya Help Line is intended to enable early discovery of the contravention and quick reporting to top management, enabling timely and appropriate action to be taken on the issue. This structure helps to preserve the integrity of the Hoya Group as a whole. The Hoya Help Line is a dedicated system located within the Company's headquarters for internal use, and it can also be used as a point of contact with external legal counsel who is available to listen to employees. This separation preserves anonymity and works to maintain the system's functional effectiveness. As of the end of March 2009, the system had been introduced at Group companies in Japan, North America (the United States and Canada), Thailand and Europe. It is scheduled to be introduced in the Philippines in June 2009. The intention is to continue to expand the number of countries covered, giving the Hoya Help Line worldwide coverage.

• Internal Control Reporting System

Hoya has completed the creation of a system for visualizing the status of internal controls over financial reporting for the Group's key operating divisions. The Group has also created a framework for evaluation of these controls. In the fiscal year under review, the Group will begin conducting verifications of the effectiveness of internal controls. Items that do not conform or for which internal controls are found to be inappropriate or insufficient will be improved, and Hoya will continue its efforts to ensure the reliability of financial reporting.

Full Disclosure and Investor Relations Activities

Hoya considers fair and prompt disclosure of information and other investor relations activities to be a fundamental duty of management. The Company also values communication with shareholders, and it continues to clearly reflect their views in its management practices.

In 1998, Hoya began the disclosure of quarterly financial statements, ahead of many other Japanese firms. Since then the Company has sought to increase the timeliness and broaden the scope of disclosure by shortening the period between the

account settlement at the end of each quarter and the disclosure, and ensuring that the volume of information in the quarterly reports is equivalent to that in the year-end financial reports.

Moreover, top management is actively involved in investor relations activities. For example, the CEO attends quarterly investor meetings to explain results and field questions for securities analysts and institutional investors.

Furthermore, to enrich interaction with individual shareholders and investors, Hoya has held seminars across Japan for

individual investors since 2006. The seminars were well-attended by shareholders and investors in the fiscal year under review, offering a chance for the attendees to not only learn more about Hoya, but also renew their awareness of the Company as it changes, while providing the Company with valuable feedback. Going forward, Hoya will strive to further improve its investor relations activities, aiming to achieve even better dialogue with shareholders and investors.

Comment From an Outside Director



Takeo Shiina
Outside Director, Chairperson of the Nomination Committee
Executive Advisor, IBM Japan, Ltd.

In 1995, when I was appointed an outside director at Hoya, it was still rare in Japan for someone from outside a company to be offered a directorship. I was invited to become the only outside director among Hoya's eight directors at the time, no doubt in part because I already had experience as an outside corporate officer at a U.S. company. Roughly 14 years have passed since that time, and over that period Hoya has made dramatic progress in developing its corporate governance systems. I consider the Company's system to be highly reliable, and I am very glad to have had the opportunity to be part of Hoya's history as an outside director.

Today, five of Hoya's eight directors are outside directors, and under their supervision and oversight I believe the Company is conducting highly transparent and efficient management.

As outside directors, we recognize the importance of our role in overseeing the work of executive officers. Each year we hold discussions to define the duties of each officer, set goals, evaluate results, and determine compensation based on actual performance through the three committees of the "company-with-committees" system as defined under the Companies Act

of Japan: the Nomination Committee, the Compensation Committee, and the Audit Committee. The role of an outside director is not, I believe, to ascertain the minute details of each business; rather, we draw on our rich experience as managers and knowledge of different fields to ask executives to explain their actions from a variety of perspectives and to offer our opinions, creating a strong Board of Directors and a highly transparent system of corporate governance.

Hoya is currently at a turning point. Its operations are growing and becoming increasingly global, while it expands its business domains through the merger with Pentax. As the chairperson of the Nomination Committee, I am making every effort to enhance the management team so that it can respond to the major changes in the Group's environment, while at the same time helping to develop the next generation of executives.

As outside directors, we pose difficult questions to management at Board of Directors' meetings, standing in the shareholders' shoes. I hope that our shareholders will also attend the General Meeting of Shareholders to ask questions about management, and participate as full stakeholders in Hoya.