



GOVERNANCE [CORPORATE GOVERNANCE AND ETHICS]

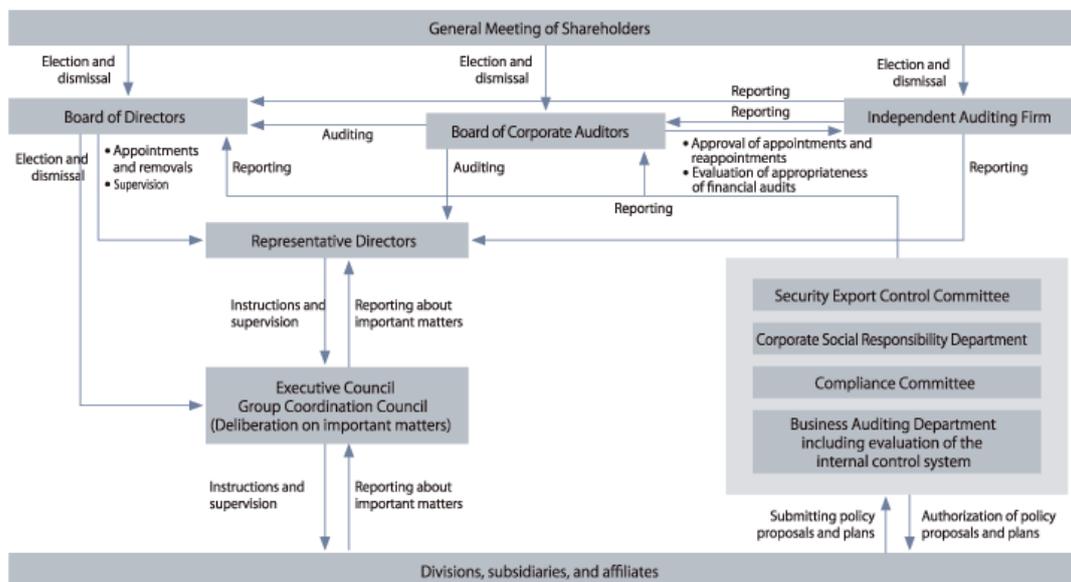
There are two central objectives for corporate governance at the USHIO Group. One is ensuring the transparency and efficiency of the Group's management. The other is increasing corporate value to meet the expectations of all of the Group's stakeholders. These objectives rank among the Group's highest priorities.

Corporate Governance Framework

USHIO uses a management structure that includes a Board of Corporate Auditors. Management and administrative responsibilities are divided among three governance units. The first is the Board of Directors, which determines management policies and makes decisions about other matters of the highest importance. The directors also oversee the management of business operations. The second is the representative directors, who are responsible for conducting business operations. The third is the Board of Corporate Auditors, which is responsible for audits.

To assist the Board of Directors in reaching decisions, the USHIO Group has three advisory units that examine and discuss management strategies and medium and long-term management policies with respect to the entire Group. The units are the Executive Council, Group Coordination Council and the Group's executive officers. In addition, the USHIO Group has a business unit structure and an executive officer system for the purposes of strengthening and speeding up the execution of business operations by the representative directors.

USHIO's Internal Control Framework



Audits by Corporate Auditors

USHIO has a Board of Corporate Auditors with five members that include three outside auditors who are independent of the USHIO Group. The outside corporate auditors are professionals in fields such as finance and auditing. The inclusion of outside corporate auditors makes it possible to perform audits from an objective and neutral perspective.

The company's Board of Directors comprises a total of 11 directors: 9 internal directors and 2 independent outside directors. Internal directors familiar with the company's businesses enable decisions to be made swiftly, while an outside director not involved in the day-to-day running of the company enables USHIO to ensure that its management is robustly monitored and maintains objectivity.

The independent auditor submits an annual auditing plan to the Board of Corporate Auditors and explains its specific auditing objectives to the corporate auditors. In addition, the independent auditor provides the corporate auditors with reviews of quarterly and year-end financial reports as well as reviews of the financial audits and summaries of audit results. This forms the basis for periodic meetings of the independent auditors and Board of Corporate Auditors.

Internal Audits

USHIO's Business Auditing Department functions as an internal auditing unit independent of departments engaged in business operations. The Business Auditing Department submits an annual auditing plan to the Board of Corporate Auditors and explains its specific auditing objectives to the corporate auditors. The department also submits reports to the Board of Corporate Auditors about the results of internal audits. As required, members of the Business Auditing Department hold meetings with the corporate auditors and cooperate in other ways as necessary.

Compliance

USHIO has established 10 Action Guidelines in order to define standards for conduct that require everyone at the Group to comply with laws, regulations, the Articles of Incorporation and ethical standards. The Compliance Committee is responsible for ensuring that employees observe these guidelines. The Business Auditing Department and Compliance Committee jointly perform audits to monitor the status of compliance and submit audit reports as necessary to the Board of Directors and Board of Corporate Auditors. Furthermore, the directors and corporate auditors can view information involving the performance of the directors at any time. Providing this access allows these individuals to take timely and appropriate actions as required.

To reinforce awareness of the importance of compliance, all Group companies use USHIO's standards for behavior and other guidelines and the Business Auditing Department performs audits of Group companies.

Risk Management

The USHIO Group must deal with risks associated with compliance, the environment, product quality, finances, legal matters, natural and other disasters, information management, export controls and other aspects of business operations. We prepare rules and guidelines, give employees specialized training, distribute manuals and take other actions. Directors and executive officers are given responsibility for responding immediately to any newly emerging risks. When a problem occurs that is likely to result in significant losses, a report must be submitted immediately to the Board of Directors by the director or executive officer with responsibility for the problem.

The risk management structures include establishment of regulations to counter export-related risk and a Security Export Control Committee to enforce them. For environmental regulation risk, the Company has established a CSR department to conduct risk management. For market risk associated with securities and other financial instruments, we manage risk by establishing and enforcing market risk management regulations.

Information Security and Protection of Personal Information

USHIO acquires and holds a variety of information in the course of conducting its business operations. We are well aware of the importance of safeguarding information about customers and suppliers, personal information, confidential business information and other important information. We have established rules for the proper handling of this information. There are stringent requirements concerning the protection of confidential information, whether the information is internal or about a customer or business partner. Another priority is compliance with Japan's Personal Information Protection Law. To reinforce everyone's commitment to complying with this law and ensure its effective enforcement, all USHIO departments use a cycle of self-assessments to determine the status of compliance and carry out continuous improvements based on these assessments.

IC cards are one way that the USHIO Group protects information. We use these cards to keep track of when employees enter and leave particular rooms and record their working hours. IC cards restrict access to sensitive areas and keep records of when employees enter these areas. This system helps prevent unauthorized access to important information. Using servers for the centralized oversight of computer software assets and computer virus protection is another measure that protects information. Collectively, these steps upgrade our ability to manage information while reducing the amount of time and resources needed. For confidential information received from customers and business partners, we have regulations covering every step from the receipt and storage of information to its ultimate disposal. We perform periodic checks of the system. Customers and business partners perform on-site confirmations of our information security measures. We study the results of these confirmations to reexamine and reinforce information security measures and how they are used.



GOVERNANCE [BOARD OF DIRECTORS AND CORPORATE AUDITORS]

Directors (As of June 26, 2014)



Jiro Ushio
Chairman and USHIO Group Representative



Shiro Sugata
President and Chief Executive Officer



Kenji Hamashima
Senior Executive Vice President, USHIO AMERICA, INC.
President, CHRISTIE DIGITAL SYSTEMS, INC.



Tadashi Taki
Director (Human Resources Department)



Keizo Tokuhira
Director (Business Division I)
Chairman, ADTEC Engineering Co., Ltd.



Shiro Ushio
Director
Chairman, USHIO LIGHTING, INC.



Hiroaki Banno
Director (Business Division III)
General Manager, SSLS Division



Yoneta Tanaka
Director (Production Division II)
General Manager, Business Division I



Nobuyuki Kobayashi
Director
General Manager, Corporate Management Division



Tadashi Nakamae
Outside Director



Yoshinari Hara
Outside Director

Auditors (As of June 26, 2014)



Shinichiro Kanzaki
Corporate Auditor



Seiji Oshima
Corporate Auditor



Shuichi Hattori
Outside Corporate Auditor



Kazuo Shiohata
Outside Corporate Auditor



Masanori Yoneda
Outside Corporate Auditor

GOVERNANCE

NEWLY-APPOINTED CORPORATE OFFICERS



Outside Director Yoshinari Hara



A strong command of information is an essential corporate resource now that globalization is proceeding apace and companies face an increasingly volatile business climate. In terms of corporate governance, meanwhile, the key task is to ensure innovative management that generates sustainable growth and development by responding to any changes in a company's business environment or markets. This is achieved through transparent management, an open approach to governance, and an ability to communicate with outside interests.

For many years I was involved in the capital markets—the “mirror” that reflects corporate performance—and when I myself ran a business I had to deal with the financial reforms known as the Big Bang. In my new role as an independent outside director, I believe I have an important responsibility to offer an external perspective and draw on the experience and information I have accumulated over the years to contribute to ensuring sound corporate governance and sustainability at USHIO.

Outside Corporate Auditor Masanori Yoneda



For 40 years I was employed in a property and casualty insurance company, and experienced two major mergers, one as the chief manager of the planning department, and another as the director in charge of the second merger. I also served as the director in charge of other departments, including compliance, internal auditing, general affairs, and HR.

I intend to use this experience to contribute to the operation of USHIO's businesses by providing appropriate advice from a new perspective. In my role as outside corporate auditor I will also take a rigorous approach to overseeing the company's management. USHIO has established itself on a firm footing as a manufacturer, practicing sound business management, and working hard to enhance value for its shareholders. My role is to provide a watchful eye as the company continues on this course, and I take that responsibility seriously.