

**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, makes decisions about other matters of the highest importance, and oversees 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.

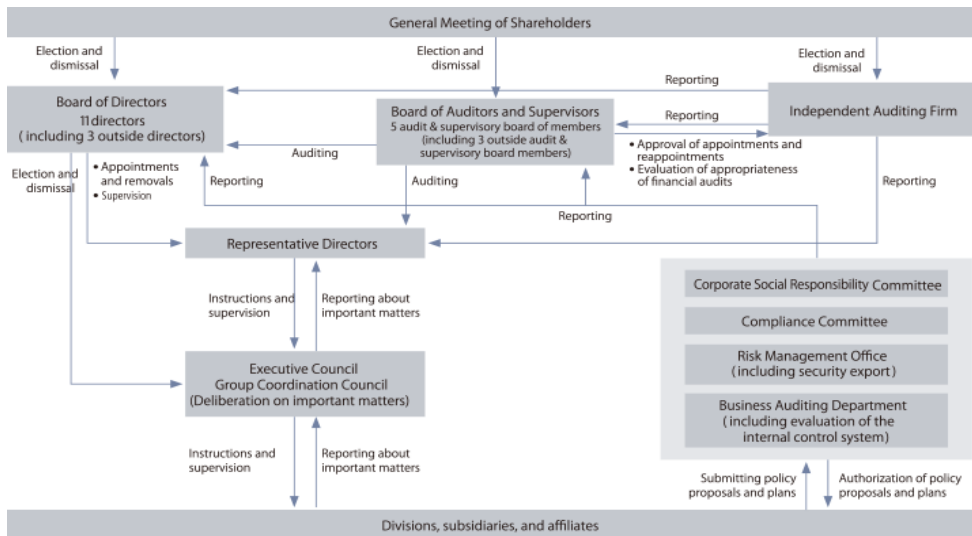
To assist the Board of Directors in reaching decisions, the USHIO Group has three advisory units that examine and discuss management strategies and medium and long-term management policies with respect to the entire Group. The units are the Executive Council, and Group Coordination Council. In addition, 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.

The company's Board of Directors comprises a total of 11 directors: 8 internal directors and 3 independent outside directors. Internal directors familiar with the company's businesses enable decisions to be made swiftly, while outside directors not involved in the day-to-day running of the company enable USHIO to ensure that its management is robustly supervised and maintains objectivity.

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

The independent auditor submits an annual auditing plan to the Board of Corporate Auditors and Supervisors 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 and Supervisors.

USHIO's Internal Control Framework



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 Supervisors and explains its specific auditing objectives to the corporate auditors and supervisors. The department also submits reports to the Board of Corporate Auditors and Supervisors about the results of internal audits. As required, members of the Business Auditing Department hold meetings with the corporate auditors and supervisors and cooperate in other ways as necessary.

Compliance

USHIO has established "10 Action Guidelines" in order to define standards for behavior that require everyone at the Group to comply with laws, regulations, the Articles of Incorporation, and management philosophy. 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 and Supervisors. Furthermore, the directors and corporate auditors and supervisors can view information involving the performance of the directors at any time which allows them 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 the Group companies.

Risk Management

In its risk management regulations, the Company has specified departments responsible for respective risk categories, including compliance, the environment, product quality, finances, legal matters, natural and other disasters, information management, and export controls. Each responsible department is to establish rules and guidelines, conduct training, and produce and distribute manuals and so forth. When a new risk emerges, a director or an executive officer is to be promptly appointed to take responsibility for handling it. Furthermore, if a risk materializes and is expected to incur significant damage, the responsible director or executive officer is to report it promptly to the Board of Directors.

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, and 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, which 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, which upgrades 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 and 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 AUDIT AND SUPERVISORY BOARD MEMBERS



Directors (As of June 26, 2015)



Jiro Ushio

Chairman and USHIO Group Representative



Kenji Hamashima

President and Chief Executive Officer



Keizo Tokuhira

Director
Chairman, ADTEC Engineering Co., Ltd.



Shiro Ushio

Director
Chairman, USHIO LIGHTING, INC.



Hiroaki Banno

Director
General Manager, Solid-State Light Sources Division



Yoneta Tanaka

Director
General Manager, System Solution Division



Nobuyuki Kobayashi

Director
General Manager, Corporate Management Division



Shiro Sugata

Director and Corporate Advisor



Tadashi Nakamae

Outside Director



Yoshinari Hara

Outside Director



Yasufumi Kanemaru

Outside Director

Audit and Supervisory Board Members (As of June 26, 2015)



Tadashi Taki

Full-Time Audit & Supervisory Board Member



Seiji Oshima

Full-Time Audit & Supervisory Board Member



Shuichi Hattori

Outside Audit & Supervisory Board Member



Masanori Yoneda

Outside Audit & Supervisory Board Member



Shojiro Nozaki

Outside Audit & Supervisory Board Member

GOVERNANCE [NEWLY-APPOINTED CORPORATE OFFICERS]



Yasufumi Kanemaru, Outside Director



For 25 years, I have managed a consultant service company that promotes management reform and operational reform with effective use of IT. Based on that experience, I can sense that in the global society of the future, innovation responding to the needs for diversity and speed is going to become more important than ever before.

The USHIO Group is a global company with highly dependable leadership and has created a number of either world-first or top-share products in a number of different fields. The Company must build further on this tradition and create new high value added products to continue to grow.

As an outside director for the USHIO Group, I want to utilize my management and IT expertise and use these standpoints in the pursuit of the ideal to contribute to the growth of the USHIO Group and its corporate governance.

Shojiro Nozaki, Outside Audit & Supervisory Board Member



I have worked for financial institutions or in related operations for 35 years. In that time, I have seen many transaction partners grow, develop and sometimes struggle, and have witnessed the vicissitudes of corporate life. At the same time, I twice personally experienced mergers, which reinforced the extreme importance of corporate governance for me. On the other hand, there are limits to legal coverage of systems and frameworks, and for companies to grow in a sustainable manner, I always believe that an important element is improvement in the essence of the people who contribute to the company.

We live in rapidly changing times and I will do my utmost from a medium- to long-term outlook and broad perspective to contribute to the increase in corporate value of the highly active USHIO Group.