

OHARA Report 2016



Creating the Future for People and Society

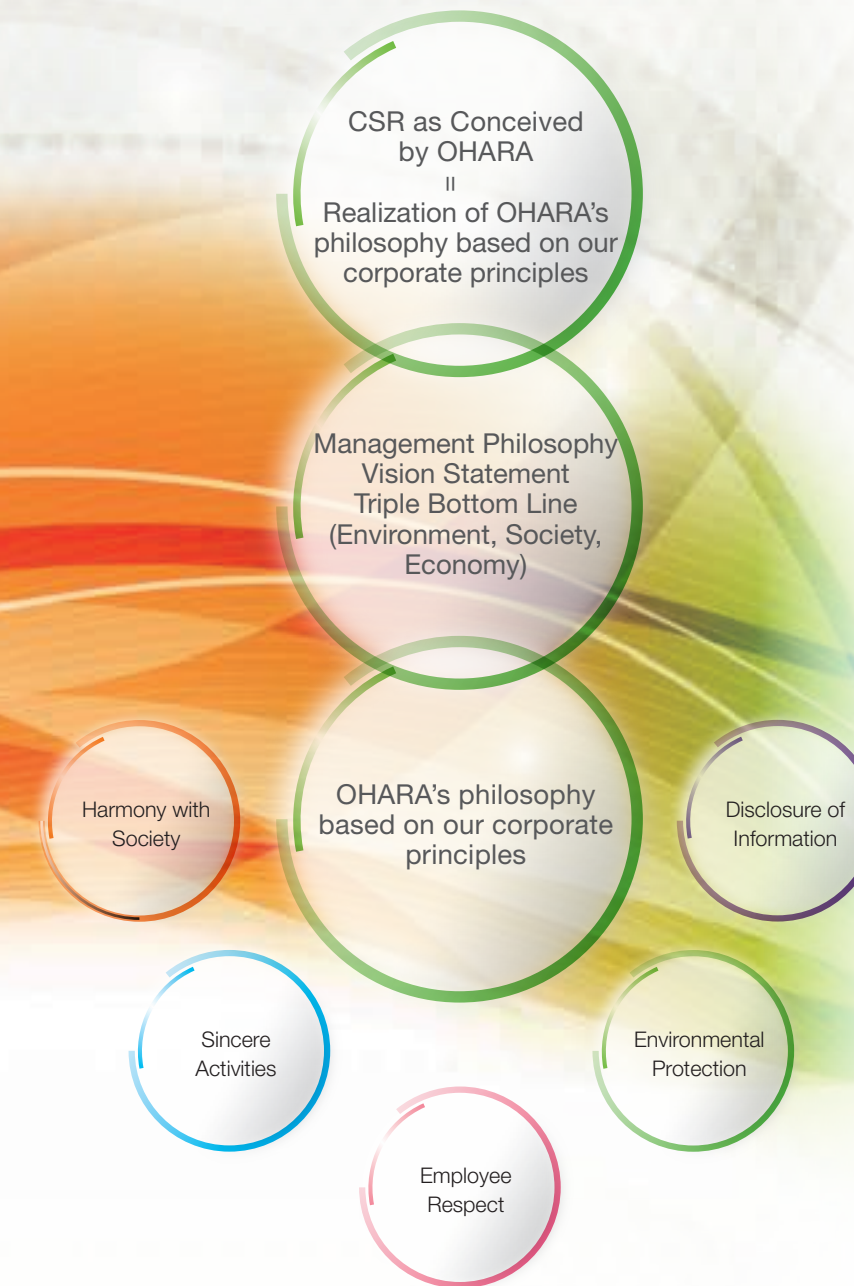
We value trust and by using our proprietary high technology and advanced materials of the best quality, we are achieving innovation for the next generation and striving for further development.

Management Philosophy

The OHARA Group is honored to keep on creating unique and new values in order to establish a strong company structure for its employees' happiness and for the prosperity of the society.

Vision Statement

With high aspirations for contributing to the improvement of mankind through technological advances, we will provide high quality, cutting-edge materials for use in the optical, electronics, and environmental / energy fields worldwide. Working closely with our customers, we will constantly pursue innovation and become the "Dream Fulfillment Company".



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Editorial Policy

The OHARA Report informs people of OHARA INC.'s initiatives regarding CSR in an effort to present a more easily accessible format to our stakeholders.

In our special features, we will take a look back our history of 80 years since founding, and we will also introduce the "One OHARA Declaration", a mission given to every employee in order to create even better companies within the Group. Moreover, operating results for FY 2015 are explained in "Message from Top Management" and "Consolidated Financial Highlights", while reports on our continuous efforts toward CSR are provided, organized in accordance with philosophy based on corporate principles. It is our pleasure if readers can become more familiar with OHARA through this Report.

Scope of report

This report mainly covers the activities of non-consolidated OHARA INC.

* The figures in the financial reports (See p.26), however, denote numbers that include the results of the Group companies.

Reporting period

FY 2015
From November 1, 2014 to October 31, 2015

* There are, however, some references to activities for FY 2016.

Date of issue

January 2016
Previous issue: January 2015
Next issue: Scheduled for January 2017

Reference Guidelines

GRI, *Sustainability Reporting Guidelines 4 Edition (G4)*
Ministry of the Environment, *Environmental Reporting Guidelines 2012*

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“DNA of Innovation” that should be taken over from our 80 years of history

OHARA celebrated 80th anniversary since founding in 1935 in Kamata, Tokyo. In this period, OHARA has contributed to the development of Japanese optical instruments and precision equipment industries by developing and supplying glass materials that conform to the needs of the times. At present, OHARA products support technological innovations worldwide—from lenses for microscopes of several millimeters in size to large items such as segmented mirrors with a diameter of 30 meters for giant telescopes—in a broad domain that ranges from the microscopic world to space observation to reach the furthest corners of universe.

The past 80 years represent a history of technical innovations for manufacturing optical lenses and also our revolution.

- 1946: Changed business lines to adapt postwar conversion to private-sector demands; moved headquarters to Sagami City
- 1951: Established optical pressing technology during the first camera boom to respond to the demand for mass production
- 1965: Entered the eye-glass business to cope with a depression in the photographic equipment industry in the depression of 1965
- 1970: As a response to the pollution issue in Japan, started the development of products free from cadmium and thorium while promoting the purification of drainage and exhaust gases discharged/emitted from production plants
- 1995: Created a foundation for the Electronics business with aggressive restructuring during the Heisei era great depression, thereby bringing the production and sales of glass-ceramics for HD using crystallized glass into full swing

The celebration of OHARA's 80th anniversary, overcoming various difficulties and environmental changes, owes entirely to the support of our stakeholders in Japan and overseas who appreciate our reason for existence as a company.

Our ultra low expansion glass-ceramics are now used for the TMT (Thirty Meter Telescope), the world's largest astronomical telescope, of which construction started in October 2014 atop Mauna Kea in Hawaii. These ceramics are based on the technology of zero-expansion glass called OHARAX, of which development began in 1970 but had been temporarily suspended. Today's OHARA is sustained by a continuous chain of innovative technologies and/or results that derive from the previous eras of reform. OHARA therefore has a mission of continuously providing high-quality materials to support worldwide technological innovations.

Operating Conditions for FY 2015

In the Optical business, to cope with the contraction of the digital camera market that continued from FY 2014, we have promoted the proposals of cost-effective new materials and increased added value products by focusing on the downstream (lens processing) of the manufacturing process. Meanwhile, production adjustment at our customers had run course and the decrease in demand was halted to a certain extent, thereby resulting in slightly higher sales. In the Electronics business, sales of ultra low expansion glass-ceramics, i line high homogeneity glass and quartz glass increased firmly against the backdrop of robust market conditions for both semiconductor exposure devices and liquid crystal exposure devices.

Concerning profit/loss, we made cost-reduction efforts such as the review of material procurement routes and search for alternative materials as well as improved utilization rates of melting furnaces leading to enhanced profits.

As a result, consolidated operating results for FY 2015 were net sales of 22,820 million yen (up 3.3% year on year), operating income of 538 million yen (versus an operating loss of 321 million yen for FY 2014), ordinary profit of 1,316 million yen and net income of 545 million yen. In an effort to increase management efficiency, beginning in FY 2014, the OHARA Group changed the fiscal year end of consolidated subsidiaries from August 31 (September 30 at one subsidiary) to October 31, the consolidated fiscal year end of OHARA. In line with this change, FY 2014 performance reflects business results from two months of September and October 2013 of such subsidiaries. For comparison purposes, FY 2014 results for twelve months excluding the effects of these two months are used. (For details on consolidated operating results, see p. 26.)

Initiatives to Be Taken in FY 2016

In the Optical business, given the uncertainty regarding the recovery in demand for lens materials for digital cameras, we intend to increase profitability by enhancing the product lineup of glass mold lenses, especially that of high-value-added lenses of medium to large diameter and polished lenses, thereby focusing on the downstream of the manufacturing process.

In the Electronics business, we intend to seize the opportunity of sales expansion in the fields of space and astronomical observation and exposure devices through stable production and reliable deliveries,

supported by reinforced production facilities for ultra low expansion glass-ceramics. We also intend to increase profits by promoting sales expansion of shock resistant and high hardness clear glass-ceramics in multiple applications such as mobile and car-mounted devices, as well as by tapping new applications for existing materials.

Progress of the Medium-term Management Plan

The OHARA Group is promoting the medium-term management plan with the first year set in FY 2015, and accelerating the shift of the production base for mass-produced optical glass products to Taiwan plant as a production strategy under the basic policy of “conversion of the business structure” and “building a new driver for growth”. Meanwhile, at our domestic plants, we are addressing small lot, multi-product production and reinforcing the production and sales of electronics products. As a product strategy, following our policy of focusing on the downstream of the manufacturing process of optical glass products, we are striving to increase the product variations of glass mold lenses. In the electronics product field, we are actively expanding sales of shock resistant and high hardness clear glass-ceramics and started the supply of materials used for lens protectors for cameras from December 2015.

The numerical targets for FY 2017, the third year of our medium-term management plan, were initially 28.0 billion yen in net sales and 1.6 billion yen or more in operating income. However, these targets have been revised to 24.0 billion yen in net sales and 1.0 billion yen in operating income in light of the uncertainty with regard to the recovery in demand for interchangeable lens for digital cameras, the mainstay market for optical lens materials, and the unexpected delay in the contribution of our new products to increasing sales.

Strengthening Corporate Governance

OHARA's Management Philosophy is that “The OHARA Group is honored to keep on creating unique and new values in order to establish a strong company structure for employees' happiness and for the prosperity of the society”, and we conduct our business activities in accordance therewith.

To improve the “transparency, fairness and speed of corporate management,” which are required to realize the above Management Philosophy, we endeavor to strengthen our corporate governance.

To this end, OHARA has formulated the Basic Policies on Corporate Governance to revamp and enhance governance structure with the aim of improving the transparency and effectiveness of corporate management in the pursuit of sustainable growth and the medium- to long-term improvement of corporate value.

Based on these Basic Policies, we have appointed two independent outside directors, who have no conflicts of interest with general shareholders, to enhance the supervisory function over business execution. In addition, we have newly introduced the executive officer system to ensure swift decision-making in business activities.

We will strengthen our corporate governance with these measures and address the managerial themes of “conversion of the business structure” and “building a new driver for growth” while taking over with the DNA of innovation that has been nurtured over our 80-year history.



President and CEO **Hirokazu Saito**

We will improve the management foundation and promote fair business activities in compliance with rules of the countries and regions where we conduct business.

Initiatives for Corporate Governance

Basic views on corporate governance

1. OHARA's Management Philosophy is that "The OHARA Group is honored to keep on creating unique and new values in order to establish a strong company structure for employees' happiness and for the prosperity of the society", and we conduct our business activities in accordance therewith.

OHARA endeavors to streamline internal organizational structure and administrative schemes and take necessary measures to realize above Management Philosophy. Moreover, toward our various stakeholders

including shareholders, customers, employees and local communities, OHARA strongly believes that fulfilling responsibility as a public instrument of society will maximize our corporate value, and management with transparency and soundness in line with our corporate philosophy is the best approach to corporate governance.

2. OHARA addresses the improvement and enhancement of corporate governance in line with following viewpoints.

- (i) OHARA respects shareholders' rights and ensures equality among shareholders.
- (ii) OHARA considers the interests of stakeholders including shareholders and cooperates appropriately with such stakeholders.
- (iii) OHARA appropriately discloses corporate information and ensures transparency.
- (iv) The Board of Directors of OHARA conducts highly effective supervision of directors and management team from an independent and objective standpoint.
- (v) OHARA strives to enhance interactive communications to realize purposeful and constructive dialogues with shareholders.

OHARA has formulated the Basic Policies on Corporate Governance based on the aforementioned viewpoints.

* For details of the Basic Policies on Corporate Governance, see our website.

Reforms of the Board of Directors

The Board of Directors makes decisions on important managerial matters and supervises business execution. Simultaneously with the implementation of the executive officer system, OHARA newly appointed two independent outside directors for the purpose of further enhancing supervisory and checking function over corporate management from independent, objective and multifaceted viewpoints while decreasing the number of directors by five. Consequently, the number of directors is now eight, of which four are outside directors, making the number of outside directors and inside directors the same. With these measures, OHARA intends to establish a more effective corporate governance structure by further enhancing the monitoring and supervisory function.

Reviewing the compensation system for directors

OHARA has reviewed and established a new compensation system (excluding the directors who do not engage in business execution). It consists of three compensation categories: "basic compensation", which takes into account the duties of the respective senior executives; "variable

compensation", which is granted for personal performance and contributions of each executive to business results linked to the annual targets for each fiscal year; and "medium- to long-term incentive compensation (stock compensation)", as motivators for the achievement of medium- to long-term targets and enhancing shareholder interest.

Implementation of the executive officer system

As of January 28, 2016, OHARA implemented the executive officer system for the purpose of realizing speedier and more efficient business execution, in addition to clarifying executive responsibility, by separating managerial decision-making and supervisory functions from business execution function.

Ensuring reliability of financial reports based on internal control audit

The Internal Control Committee (consisting of standing directors, chiefs of divisions, general managers and locally responsible persons of Group companies) was established to strengthen the OHARA Group's internal controls. The committee primarily serves to create and maintain a structure that can ensure the reliability of financial reports, and the plans and activity results of internal control and internal control evaluation results are reported to the Committee every year.

Ensuring adequacy and efficiency of operations based on internal audit

To secure the adequacy and efficiency of operational procedures, Business Audit Section has been established, and internal audits based on auditing plans for each division and subsidiary of the OHARA Group are implemented continuously and on a regular basis. Checks are in place for criteria such as whether or not operational execution for each division and subsidiary of the OHARA Group is properly in compliance with the internal regulations, and operations are checked for appropriateness, legality and rationality.

Initiatives to Reinforce Compliance

Compliance promotion system

OHARA has established the "Guidelines of Conduct" in accordance with OHARA's philosophy based on our corporate principles. The Ethics and Compliance Committee holds a variety of in-house seminars in accordance with such Guidelines on a continuous basis in order to ensure that every employee of OHARA complies with laws and regulations and executes business activities with a high sense of ethics and in a fair and proper manner.

Guidelines of Conduct

1. Not to be involved with any act or activity that is problematic in light of ethics or compliance.
2. Honestly admit a violation, deviation or error and promptly take corrective and preventive measures.
3. Sufficient education shall be offered to every officer and employee of the OHARA Group on a continuous basis, and the results of such education shall be likewise confirmed.
4. An appropriate self-audit shall be made every fiscal year in all organizations within the OHARA Group in accordance with the Internal Audit Policy.
5. Proactive approaches to strengthen compliance are taken as a priority issue in management.

Codes of Conduct: Guidelines

Based on OHARA's philosophy given our corporate principles and the Guidelines of Conduct, OHARA has stipulated the Codes of Conduct: Guidelines, which specify major points of laws and regulations, response policies and matters of caution to be complied with in conducting business activities and has been providing educational activities for all employees using the intranet.

Initiatives for Risk Management

Risk Management System

OHARA promotes risk management, led by the Risk Management Committee, in accordance with the OHARA Group's risk management policy.

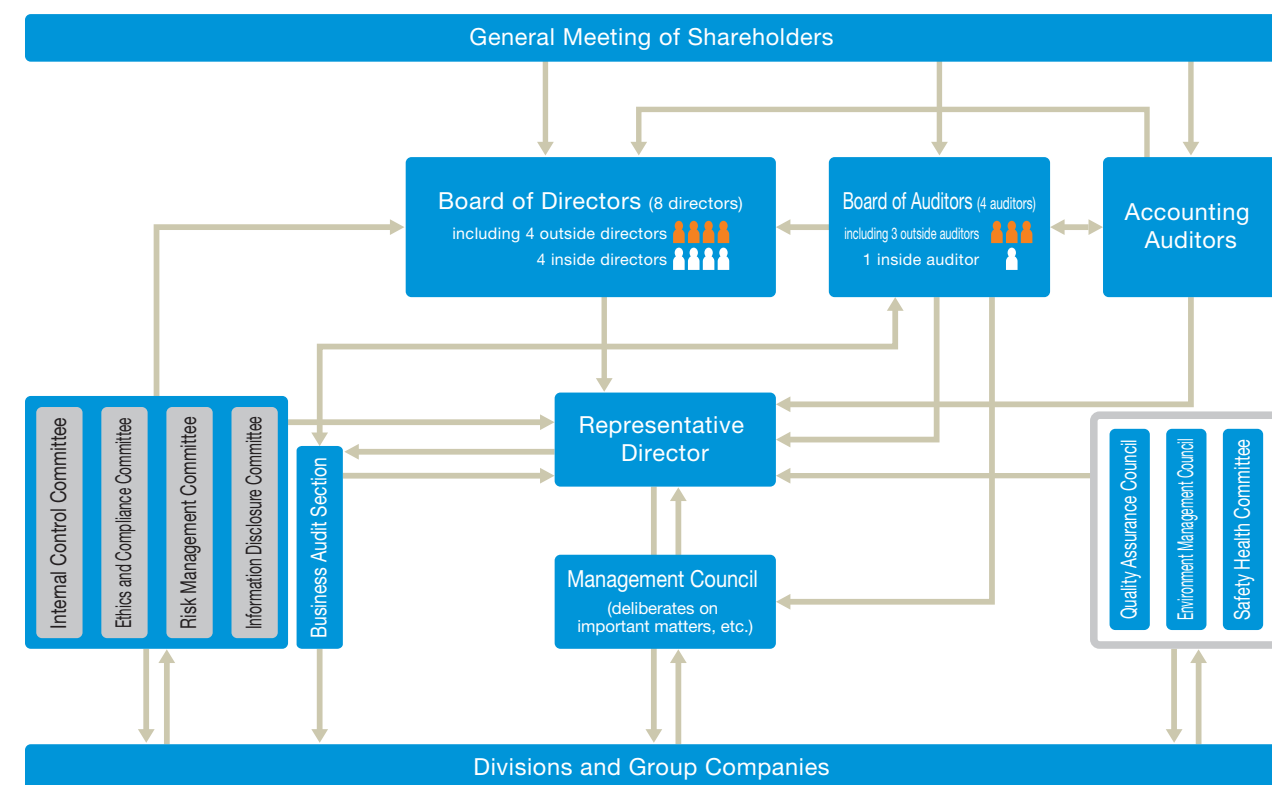
Continuous Improvement of the Business Continuity Plan

In preparation for emergency events, including natural disasters that may hinder smooth business activities and achievement of management targets, OHARA has formulated Business Continuity Plan (BCP), which is reviewed each year, in principle.

Response to Business Risks

In recent years, the environment surrounding companies has drastically changed and risks which have effects on corporate management have increased. Thus, appropriate risk management systems are required. In FY 2012, we expanded the scope of risk management to include all Group companies, and in FY 2015 we continued to improve our risk management by reviewing the assessment of risks and relevant measures. In particular, the explosion in Tianjin, China, which occurred in August 2015, led not only to a review of our safety management structure but also the addition of countermeasures against stagnation in logistics to our procedures. Furthermore, through the commencement of operations in June 2013 of Taiwan Ohara Optical Material Co., Ltd., the third optical glass production base for OHARA Group following Japan and China, we have been able to develop a more stable system for supplying optical glass, also from BCP perspective.

Corporate Governance System Diagram



Owing to your support, OHARA is celebrating the 80th anniversary of founding. Our corporate history is as follows.

80th anniversary OHARA History

1935
October : Established OHARA Optical Glass Mfg. Co. Ltd. in Kamata, Tokyo by Jinpachi Ohara.



1936
November : Started Optical Glass Melting.



1944
February : Reorganized as a Joint-Stock Company. Build Sagami-hara factory.

1954
May : Started Platinum Pot Melting.

1958
April : Started Production of "Lanthanum Glass".

1961
January : Started Production of "Strip Glass by Continuous Melting Method".

1965
October : Started Continuous Melting and Direct Pressing Production Method.

1969
July : Installed OHARA Glass in Apollo 11.



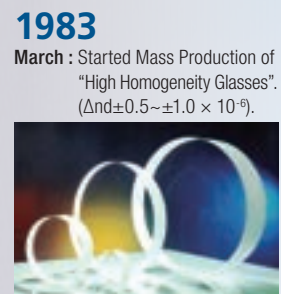
1975
August : Started Production of "Low Refractive Index Low Dispersion Glass (S-FPL51)".

1976
May : Started Production of "Glass Beads".

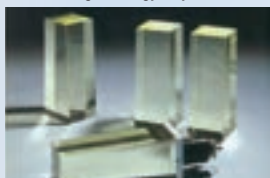
1979
February : Started "Direct Press Formed Product with Lanthanum Glasses".

1982
March : Installed OHARA Glass in Space-Shuttle "Columbia".

1983
March : Started Mass Production of "High Homogeneity Glasses". ($\Delta nd \pm 0.5 \sim \pm 1.0 \times 10^{-6}$)



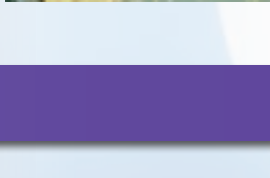
1984
March : Began Supplying "Cherenkov glass" to National Laboratory for High-Energy Physics.



1985
May : Introduced New Company Name "OHARA INC.".

1987
March : Started Production of "High UV (365nm) Transmittance Glass".

1988
June : Began sales of glass for art.



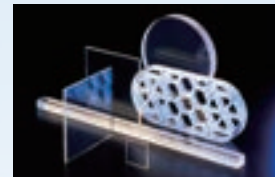
1988
June : Started Volume Production of "Aspherical Molded Lens Blanks".

1991
September : Started Production of "Eco-Optical Glass".



1992
March : Started OHARA Measurement Service.

1993
March : Started Production of "Ultra Low Expansion Glass-ceramics".



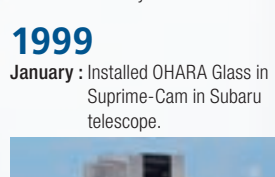
1994
November : Started Production of "Glass Ceramics for HD".

1996
October : OHARA Hard Disk Division obtained ISO9002 certification.

1997
March : Switched All 112 Recommended Glass Types at that time to Eco-Glasses.

1998
April : All OHARA Products acquired ISO9001 certification.

1999
January : Installed OHARA Glass in Suprime-Cam in Subaru telescope.



2000
January : Started Production of "Low Photoelastic Glass".

2002
June : Started Large-scale Continuous Melting.

2005
October : Listed on First Section of Tokyo Stock Exchange.



2007
January : Completed Headquarters building.

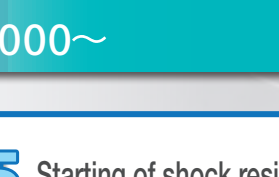
2008
April : OHARA acquired ISO14001 certification.

2010
October : Started Measurement service for refractive indices at Vacuum UV region.

2012
August : Installed OHARA Glass in Hyper Suprime-Cam in Subaru telescope.



2014
March : "Ultra Low Expansion Glass-ceramics" was Adopted as the TMT astronomical telescope.

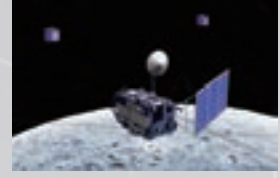


2015
October : 80th anniversary of OHARA's foundation.

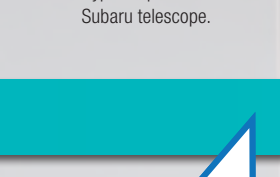


2015
February : Started Production of "Low fluorescence Glasses (for microscope)".

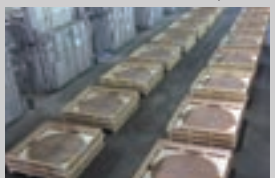
2015
September : Installed OHARA Glass in the Lunar Orbiter "KAGUYA (SELENE)".



2015
October : 80th anniversary of OHARA's foundation.



2015
October : 80th anniversary of OHARA's foundation.



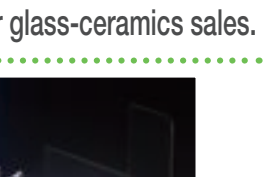
2015
October : 80th anniversary of OHARA's foundation.



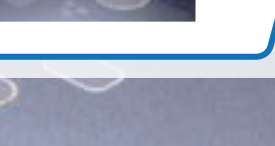
2015
October : 80th anniversary of OHARA's foundation.



2015
October : 80th anniversary of OHARA's foundation.



2015
October : 80th anniversary of OHARA's foundation.



Envisaging One Hundred Years and Beyond.

For a great leap forward, the OHARA Group will contribute to the "Future for People and Society", leveraging long-nurtured technologies and quality with concerted efforts as One OHARA.

1935~

1950~

1975~

2000~

2015

Topics on Our Products

① 2013 Starting of LICGC™ sales.

In May 2013, OHARA began selling lithium-ion conductive glass-ceramic substrates (LICGC™). The LICGC™, a safe material with consistent quality that conducts only lithium ions, is a key material for next-generation batteries, contributing to their safety and high performance. By launching products that address future high performance and diversified technologies for storage of electricity in the market, OHARA will contribute to the development of a highly energy-efficient society.



② 2015 Adopted as low-dispersion medium- to large-diameter aspherical lens for interchangeable lenses.

Our low-dispersion medium- to large-diameter aspherical lens was adopted as a key component of interchangeable lenses and projectors, contributing to the enhancement of their performance. Our lens helps improve the quality of color reproduction of lenses, realize increasingly compact size and lightweight, and address 4K and 8K image taking and projection. Leveraging the linkage with the strength of a glass material manufacturer, which can develop glass materials for new fields, OHARA intends to contribute to the lens market including car-mounted cameras and security cameras by proposing innovative aspherical lenses.



③ 2015 Starting of shock resistant and high hardness clear glass-ceramics sales.

In December 2015, OHARA began selling shock resistant and high hardness clear glass-ceramics. Utilizing nanocrystallization technology, OHARA achieved a high transmittance that overturns the concept of glass-ceramics and shock resistance beyond existing chemically strengthened glass and sapphire glass. Even a scratch does not easily lead to a crack that could destroy or break the glass. This product already has been adopted by a domestic camera manufacturer as a protector for camera lenses. Going forward, we plan to expand sales of this product for diverse applications such as mobile devices and car-mounted equipment. OHARA will continue to offer products on the cutting edge of technological innovation.



One OHARA Declaration

The OHARA Group aims to create an even better company. Presented herein are the mission statements of individual employees working at Group companies.



OHARA OPTICAL (ZHONGSHAN) LTD.

Yang Yong Qin
Quality Assurance Section

My mission I strive to deliver a sense of security to customers through meticulous, sincere and cautious quality management.



OHARA OPTICAL (ZHONGSHAN) LTD.
Ren Li Xiang
Production Control Section

My mission Keeping in mind production and delivery, I strive to answer customers' questions in a speedy manner.



Taiwan Ohara Optical Material Co., Ltd.
Hsiu Ling Pan
Sales Department Quality Assurance Division

My mission When there are things that are too difficult for me to do, I try my best, never giving up, and strive to study and learn.



Taiwan Ohara Optical Material Co., Ltd.
Yuan Hsun Hsiao
Second Production Section,
Second Production Departments

My mission I am making constant and conscious efforts to reflect on myself, checking whether I am continually improving.



TAIWAN-OHARA OPTICAL CO., LTD.
Hsinping Wu (Andrew)
Sales Department

My mission In my business activities, I ensure good relationships with other departments, making conscious efforts to satisfy customer demand.



TAIWAN-OHARA OPTICAL CO., LTD.
Chen Hui Chun (Waisy)
Sales Department

My mission In addition to fulfilling my own duties, I strive to cooperate with the General Affairs Section under the Company's multi-skill policy.



OPC Corporation
Fumihiko Kubo
Manufacturing site Manufacturing group #3

My mission I make constant efforts to help us achieve the world's No. 1 *monozukuri* with the awareness of being a member of the OHARA Group.



OPC Corporation
Jia Wang
Management site Sales group

My mission Valuing teamwork with other members of the OHARA Group, I strive to provide speedy customer service.



OHARA QUARTZ CO., LTD.
Daisuke Yamanami
Production Department, Wakayama Plant

My mission I work speaking right words in a polite manner and paying nice attention to other people.



OHARA INC.
Yuki Kawada
Material Production Control Section
Optical Material Business Unit
Optical Product Division

My mission To solve various issues, I strive to initiate positive actions, involving others where possible.



OHARA INC.
Akitomo Kujiraoka
Optical Product Sales Section
Optical Product Business Unit
Optical Product Division

My mission To address customer needs and realize OHARA's development, I always conduct business activities with a positive mind-set.



OHARA OPTICAL(M)SDN.BHD.
Ng Keng Chong
Quality Assurance Section

My mission I aim to improve our quality assurance structure through interaction with the Group companies and by adopting the S.M.A.R.T. goal concept.



NHG-OHARA OPTICS (XIANGYANG) CO., LTD.
Han Huarui
Quality Assurance Section

My mission Valuing our corporate culture, which emphasizes teamwork, I always tell myself not to lose my modest attitude so as to maintain a cooperative relationship with coworkers.



NHG-OHARA OPTICS (XIANGYANG) CO., LTD.
Meng Qian
Technology Section

My mission Being on the technology staff that builds up OHARA's quality, I make concerted efforts with our team to always deliver products that satisfy our customers.



OHARA OPTICAL(M)SDN.BHD.
Jamilah Hussen
Human Resource & Administration Section

My mission Drawing on the merit of a multi-ethnic work environment, I strive to strengthen teamwork, contributing to One OHARA.



OHARA OPTICAL (HONG KONG) LTD.
Yung Chung Tseng
Sales Division

My mission Customers are the priority in my business activities. I always strive to do the best for our customers.



OHARA OPTICAL (HONG KONG) LTD.
Kwok Nga Wun
Sales Division

My mission I try to answer the phone immediately so as not to make callers wait, and I address customers politely.



Ohara Corporation
Chris Ghio
Sales Department

My mission OC shares latest market information within Ohara group to work together as One Ohara and provide best service to customers and create new business.



Ohara Corporation
Janet Knilans
Sales Department

My mission We focus on customer service and competitive pricing to ensure repeat business for One Ohara.



ASHIGARA OPTICAL INC.
Shinji Ishida
Production Department

My mission I make constant efforts to comply with customer requests/demands and handle any type of materials, striving to improve the quality.



OHARA GmbH
Olga Henriques
Accounting Department

My mission I am responding constructively to others with a smile and proud of working for an international business.



Projector



High-powered telescope



Security camera



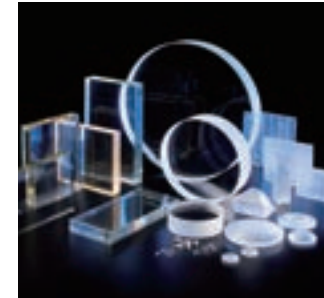
Digital camera



LCD television

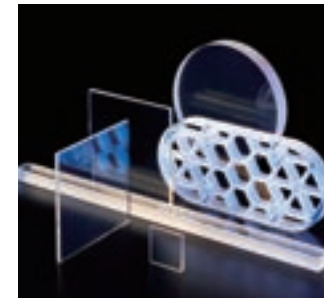
Optical Business

Optical glass is used in various optical devices such as digital cameras, projectors, television cameras, car-mounted cameras and security cameras. OHARA was one of the first companies to improve optical glass by eliminating harmful substances and rare elements. In addition, to reduce energy consumption and carbon dioxide gas emissions, OHARA has promoted the development of low Tg optical glasses for glass molds, which can be formed at low temperatures, contributing to environmental protection. The cutting-edge glass materials of the highest quality that OHARA provides promote smiles and a sense of wonder in people around the world.



Electronics Business

OHARA's special glass, developed using technology acquired from optical glass, is used in a wide range of applications such as semiconductor exposure device and liquid crystal exposure device components, optical communications filter substrates, precision measuring substrates and glass for art. In addition, OHARA provides high-quality synthetic quartz utilizing the vapor-phase axial deposition (VAD) method for quartz glass and sells lithium-ion conductive glass-ceramics that have applications as various solid electrolyte materials. OHARA will continue to develop new products and improve the quality of products for use in cutting-edge areas.



TOPICS OPIE '15 OPTICS & PHOTONICS International Exhibition April 22-24, 2015

OPIE '15 OPTICS & PHOTONICS International Exhibition, which was held at PACIFICO Yokohama in 2015, is Japan's only exhibition related to space and astronomy where professional engineers gather on an annual basis. OHARA joined the event for the third time in 2015 by exhibiting i line high homogeneity glass and ultra low expansion glass-ceramics as main attractions, as well as large-diameter glass mold lenses and non browning optical glass. As the Thirty Meter Telescope (TMT), which is the world's largest telescope, has attracted growing attention, the OHARA booth enjoyed many visitors.



At the OPIE '15 OPTICS & PHOTONICS International Exhibition



OHARA's business activities are supported by coexistence with local and international societies. Maintaining harmony with society, OHARA will, proactively take initiatives to perform activities that contribute to society as a "good corporate citizen".

Participation in local environmental activities

Major FY 2015 initiatives

	May	June	June	October	December
Event	Environmental Fair 2015 at the Sagamihara Wakaba Festival (Sagamihara City Environmental Information Center)	Sagami River Clean-up Campaign (Takada Bridge)	Sagamihara Environmental Festival (Mori-no-Hall Hashimoto)	Sagami River Clean-up Campaign (Takada Bridge)	Nature observation tour (Environmental photography class) (Sagamihara Asamizo Park)
Activity	Participated in operations	Participated in cleaning activities sponsored by the Sagami River Lovers' Association	Participated in sponsorship and operations	Participated in cleaning activities sponsored by the Sagami River Lovers' Association	Participated in operations

Social Contribution Activities

Accepting Factory Tours and Allowing Experience of Working

As part of the local social contribution activities, OHARA accepts activities such as factory tours by students, mainly from nearby schools. In FY 2015, 105 third-grade elementary school students participated in the factory tours, and set their shining eyes on production processes one by one that are normally not shown to the public. Further, seven first-grade junior high school students visited the Company, and there they were able to deepen their understanding of the manufacturing industry by coming into contact with those who work in it, while also being given a good opportunity to think about how comfortable societies can be created through craftsmanship.



Factory tour (elementary school students)

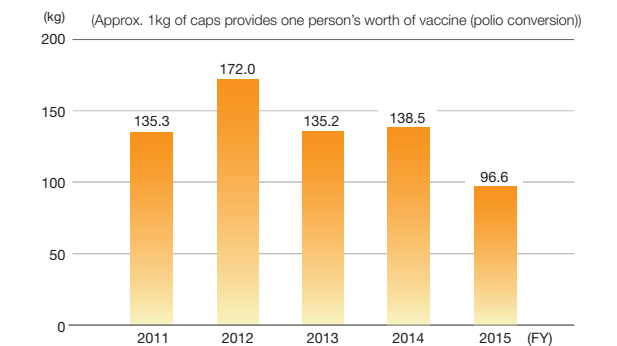


Factory tour (junior high school students)

Cooperation with NPO and NGOs

OHARA gathers used plastic bottle caps, aluminum can pull tops, and used stamps, and donates these items to organizations such as NPOs. We will continue with activities that all employees can contribute to through their good will.

Plastic Bottle Cap Donation Performance



Sincere Activities

We focus on providing the highest possible quality as we provide consumers with satisfying products.

Improving Customer Satisfaction through Quality Control

To provide products that satisfy our customers, OHARA has been operating a quality assurance system based on a quality management system since we acquired ISO9000 series certification in 1996.

Quality policy

OHARA has established a quality policy as shown below, and conducts quality management activities based on these principles.

Quality policy

OHARA INC. pursues the highest quality, and everyone involved in its business activities always “provide customer satisfaction” in accordance with the following guidelines so as to contribute to “creating the future for people and society” with unflagging technological innovation.

Guidelines (excerpts)

- Earn Customer's trust and satisfaction.
- Confirm customer's request.
- Establish and continuously improve a product management system.
- Elaborate quality.
- Thoroughly disseminate the quality policy to all employees.

Quality Management System

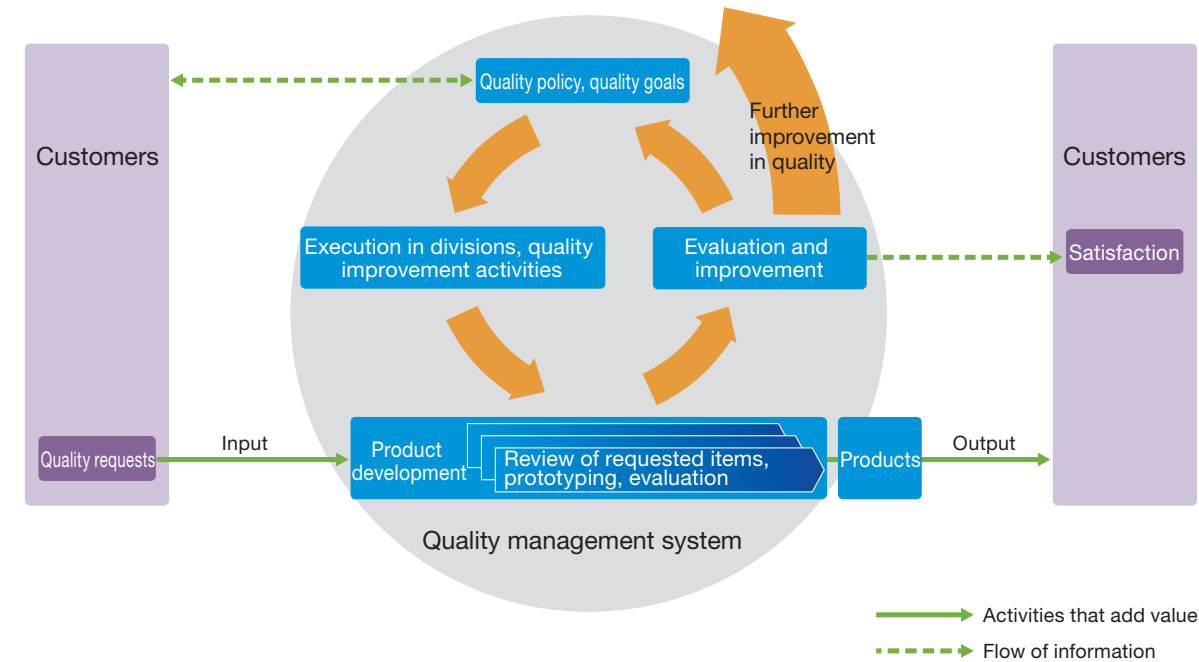
To realize a quality policy, quality goals are established for all divisions, and all employees work together to meet these goals. While periodically checking results of these activities, top management reviews activity results at a “Quality Assurance Meeting” with the aim of making even further progress.

System to Reflect Customer's Voice

In order to capture the quality required by customers as soon as possible, OHARA has discussions with customers regarding quality and conducts exchanges of information from the product design stage to the trial production stage on a regular basis. Further, evaluation data relating to OHARA's quality received from customers are analyzed, mainly by the

quality assurance division, and serve as a valuable information source for improving quality. Aiming at further improvement in quality, such information is promptly communicated from the quality assurance division to the production division and reflected in the actual products, while also being utilized in the improvement of our quality management system.

Quality Management System (QMS) Diagram



Fostering human assets who support good quality

As quality required by customers has become higher and diverse, cooperation not only with the quality assurance division, but also among all divisions of OHARA will become necessary to provide good products and services. Furthermore, awareness and abilities relating to quality control of all employees working at such divisions will become important. In addition, knowledge regarding quality control is the most basic knowledge that is required to exercise the ability to control and improve quality.

At OHARA, in-company training was held in FY 2015 regarding basic technologies such as catalogs and measuring technology, which 192 employees in departments involved in improving quality of products and services attended, and their knowledge is being utilized for quality management everyday.

Domestic and Overseas Management Activities

As customers expand their activities overseas, it has become necessary to expand the scope of guarding quality assurance not only within Japan but also to overseas. In order to win the trust of customers in OHARA's products, we have been conducting quality improvement activities for domestic and Group companies, as well as at subcontracted companies.

Specifically, we have built quality control systems for Group companies and subcontracted companies through exchanging QC charts and quality assurance agreements. While at the same time, we have been conducting activities to improve the level of quality management through periodic audits of each companies' processes. In FY 2015, 23 Group companies and subcontracted companies were audited.

Cooperation with Suppliers

The OHARA Group procures raw materials and other materials of a superior quality and a reasonable price.

OHARA's Procurement Policy

We conduct procurement by adhering to the procurement policy established below.

1. **Sincere corporate activities:** OHARA engages in sincere corporate activities that comply with laws and social norms. Similarly, we also require our suppliers to comply with laws and social norms.
2. **Open door procurement:** OHARA undertakes wide-open procurement activities in Japan and overseas based on a long-term international perspective.
3. **Promote fair transactions:** Based on the principles of free competition, OHARA prioritizes excellent suppliers on the basis of quality, economy, delivery, and the reliability of the corporation, etc.
4. **Procurement based on partnerships:** OHARA strives to maintain and deepen mutual understanding with suppliers, and to build relationships of trust.
5. **Green procurement:** For reasons of global environmental protection, OHARA prioritizes products whose impact on the environment during use and at disposal is considered. We also prioritize suppliers who engage actively with environmental protection in the supply manufacturing process.
6. **Prohibition against personal gain:** OHARA does not accept offers of entertainment or gifts with the aim of obtaining inappropriate personal gain.

Request for Suppliers

We ask all suppliers to pay attention to the following points to fulfill their social responsibility and pursue customer satisfaction based on partnerships with suppliers.

1. **Comply with laws and regulations, and social norms:** Please comply with national and regional laws and regulations, and social norms when conducting business.
2. **Promote social contribution:** Please engage proactively with social contribution as “good corporate citizens” to be able to contribute to the development of international and regional society.
3. **Care for the environment:** Please understand the environmental policy at OHARA, and consider environmental protection in business and procurement activities.
4. **Maintain information security:** Please manage information carefully to avoid leaking information obtained in transactions with OHARA.
5. **Ensure product quality:** Please provide materials and raw materials that meet the specifications and product quality required by OHARA.
6. **Fair prices:** Please provide materials and raw materials at a price that is competitive on the market, and continually promote efforts to lower prices.
7. **Ensure reliable delivery and stable supplies:** Please maintain stable and flexible supply structures for materials and raw materials, and ensure guaranteed deliveries to provide a continuous supply of products and to satisfy requests that involve sudden supply and demand fluctuations.
8. **Stable business management:** Please implement stable business management to ensure continuous and stable supplies of materials.

Approach to Conflict Minerals

Minerals mined in “dispute regions”, including the Democratic Republic of the Congo and neighboring countries (tantalum, tungsten, gold and tin) are called “conflict minerals”. There is a concern that conflict minerals would serve as direct or indirect sources of funding for the local armed forces. With respect to this issue, companies are being strongly required to take responsible initiatives in regards to their global supply chains. In order to

fulfill social responsibility in procurement activities, OHARA has been advancing initiatives towards the non-use of “conflict minerals” by, for example, conducting surveys on the circumstances of use of minerals in products, declaring approach to domestic and overseas customers on website, and responding with sincerity to customers' requests to answer surveys.

Disclosure of Information

To gain the correct understanding of and support from society, we will make efforts for sincere and highly transparent communication through timely and appropriate disclosure of our company information.

Information Disclosure Initiatives

OHARA provides for fundamental policies regarding information disclosure based on OHARA's philosophy based on our corporate principle.

Fundamental Principles of Information Disclosure

- | | |
|--------------------------------------------------------------|--------------------|
| 1. Transparency | 4. Fairness |
| 2. Compliance with related laws and regulations | 5. Continuity |
| 3. Guarantee of Confidentiality and Timeliness of Disclosure | 6. Confidentiality |

Initiatives concerning the Protection of Personal Information

In order to protect information assets and establish a strict management system, OHARA has prescribed the "Personal Information Protection Rules" and presented "Policy for the Protection of the Personal Information" on website.

In addition, OHARA sets forth the protection of personal information in Codes of Conduct: Guidelines to thoroughly make such information known within the Company.

Policy for the Protection of the Personal Information

1. Statement of principles

OHARA INC. (hereinafter, the "Company") agrees to protect the personal information which we have received from our customers and complies with the relevant statutes associated with this.

2. Handling of personal information

As measures to prevent a leakage, loss, etc. of personal information, the Company has instituted the rules for in-house handling of personal information and implemented countermeasures against unauthorized access from outside, etc. We will strive to improve, not to mention maintain, such rules and countermeasures continuously for stronger protection, without being content with the status quo. In principle, we do not disclose or provide the personal information that we have received to any third parties. When we receive personal information, we will clarify the purpose for which it is to be used. In case we intend to use such information for any other purpose than the one for which it was originally intended, we

Communication with Stakeholders

Communication with Shareholders and Investors

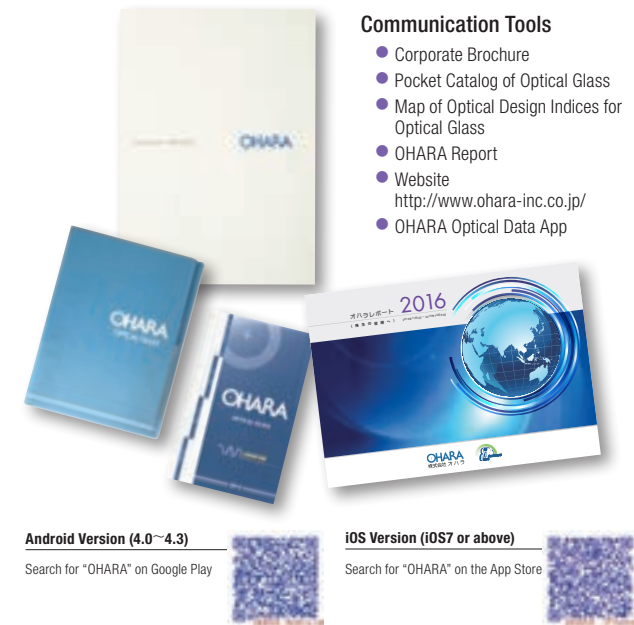
OHARA makes efforts for prompt disclosure of information and communication through the annual general meetings of shareholders held at headquarters in late January each year, the "OHARA Report", which contains information regarding management performance and other topics and are sent to shareholders once a year, financial report briefing sessions for institutional investors and the IR department's response to individual interviews.



Financial report briefing sessions

Communication with Customers

As tools for communication with customers, OHARA releases the Pocket Catalog of Optical Glass, Maps of Optical Design Indices for Optical Glass, OHARA Optical Data App, and Corporate Brochures, etc.



Communication Tools

- Corporate Brochure
- Pocket Catalog of Optical Glass
- Map of Optical Design Indices for Optical Glass
- OHARA Report
- Website
<http://www.ohara-inc.co.jp/>
- OHARA Optical Data App

Android Version (4.0~4.3)

Search for "OHARA" on Google Play

iOS Version (iOS7 or above)

Search for "OHARA" on the App Store

Communication with Current and Retired Employees

OHARA published OPTPIA, which is a company newsletter, four times a year in order to communicate management policies to employees, have such employees understand such policies and vitalize the Company. Additionally, the "Kojukai" alumni association for employees who have retired upon reaching retirement age was founded in October 2010, and it holds social gatherings.

Environmental Protection

Taking care of our one precious earth, OHARA takes initiatives to proactively protect the environment in all aspects of corporate activities.

Environmental Management

OHARA is promoting a variety of activities with the philosophy and policies for environmental management, aiming at harmony between corporate activities and the global environment.

Philosophy and Policies for Environmental Management

Philosophy

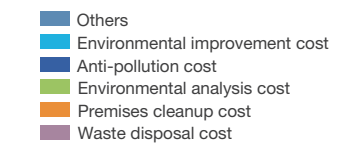
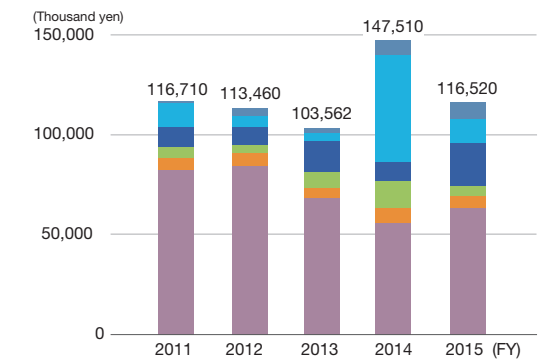
Under the internationally accepted philosophy of sustainable development, OHARA recognizes that achieving compatibility between corporate activities and the environment is one of the most critical issues in running a business. The entire Company will continue to refine its environmental management systems so that they comply with international standards, and operate in the areas of light, electronics, the environment and energy, effectively harnessing the technologies we have developed. In this way, we will actively pursue environmental management and contribute to society.

Policies

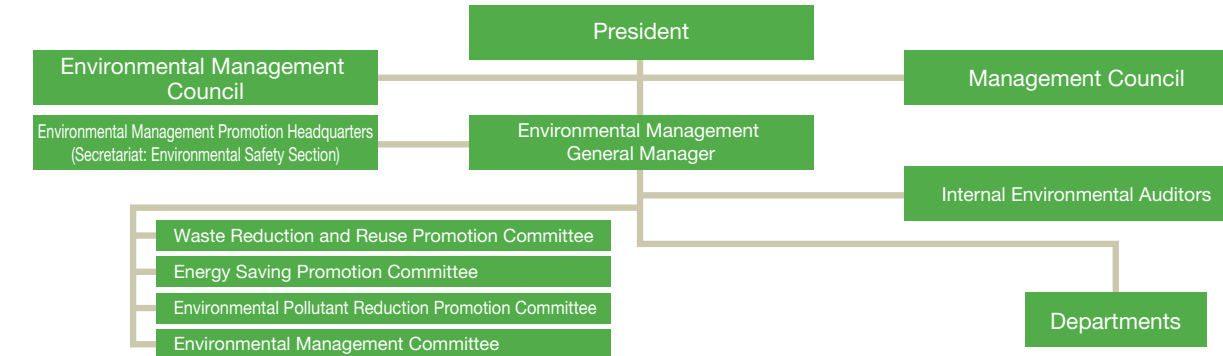
- We will comply with laws and regulations related to the environment of the countries and local jurisdictions in which we operate, as well as the rules of conduct of industry. At the same time, we will establish independent standards for environmental management and improve the environment.
 - We will reduce environmental burdens and prevent damage to the environment across the entire OHARA Group.
 - We will promote waste reduction and encourage reuse, energy conservation and resource conservation.
 - We will utilize environmentally friendly alternatives to hazardous substances, and promote measures that reduce environmental burdens.
 - We will develop and supply products that benefit the global environment.
 - We will follow international rules and regulations, as well as customer requirements that we have accepted, while strengthening systems for controlling the chemical substances contained in our products.
 - We will seek to work in harmony with regional communities, business partners and related organizations.
 - We will utilize an environmental management system to establish environmental objectives and targets, which will be revised periodically, while we implement and maintain our environmental policy and will make them known to all workers in our facilities.
- We will make these policies publicly available.

Environment Protection Cost

Waste disposal costs make up over half of environment protection costs. However, compared to a number of years ago, this proportion is clearly decreasing. While a decrease in production volume is thought to be a major cause of this, we believe this also reflects the results of various activities such as the reuse of glass, which was previously disposed of.



System for Promoting Environmental Activities





FY 2015 environmental targets/details of activities and FY 2016 environmental objectives/targets

While objectives and targets of environmental activities until now were ones whose results were widely affected by productivity, targets whose status can easily be evaluated within individual workplaces have been set for FY 2015. While the business environment was a difficult one this year, the Group as a whole was able to achieve positive results in decreasing environmental burden.

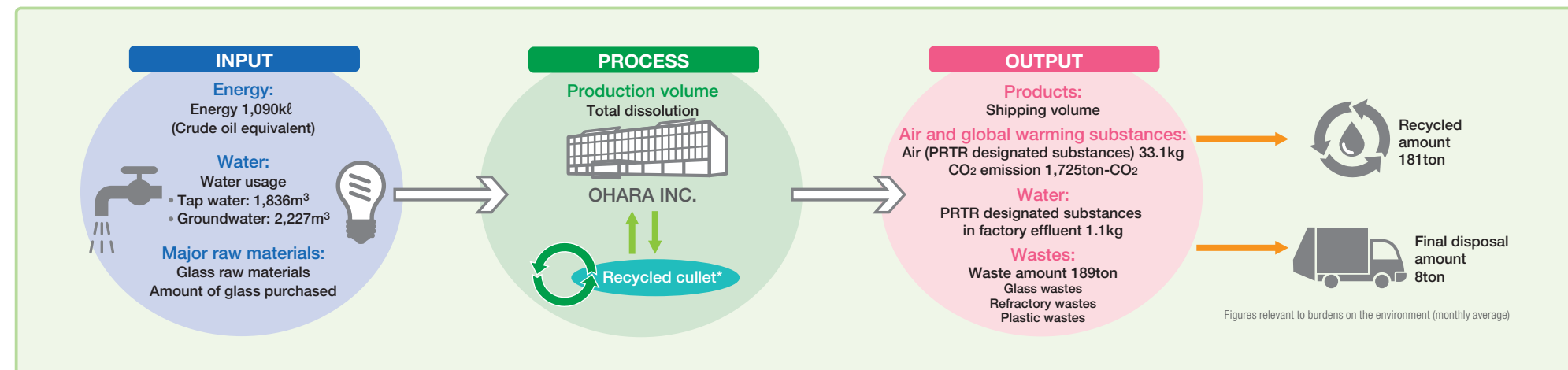
In FY 2016, all companies in the Group will work as one to aim to further decrease environmental burden.

Degree of target achievement: = 100% or more, = 75 - 99%, = 74% or less

Items	FY 2015 Environmental Targets	Activity Results	Target Achievements	FY 2016 Environmental Objectives and Targets
Reducing and recycling waste	<ul style="list-style-type: none"> The target will be to reduce unit consumption of glass wastes by 1% (compared to FY 2014), and we will continue to promote initiatives such as efficiently change the types of products and improve product yield, etc., in order to prevent the generation of glass wastes. We will also promote other activities that reduce waste and promote recycling. 	<ul style="list-style-type: none"> Despite a roughly 15% increase in productivity (compared to FY 2014), glass wastes were reduced by roughly 5%. We believe this is due to product yield improvement. Initiatives including those from overseas were collected and shared. 		<ul style="list-style-type: none"> The target will be to reduce unit consumption of glass wastes by 1% (compared to FY 2015), and we will continue to promote initiatives, such as efficiently change the types of products and improve product yield, etc., in order to prevent the generation of glass wastes. We will also promote other activities that reduce waste and promote recycling.
Energy conservation	<ul style="list-style-type: none"> We will aim to reduce unit consumption of energy by 1% (compared to FY 2014). We will also promote other energy conservation activities. 	<ul style="list-style-type: none"> Target output level was met as a result of aggregating glass melting furnaces, changes in manufacturing systems, and remodeling melting facilities into low-power-consumption ones. Initiatives including those from overseas were collected and shared. 		<ul style="list-style-type: none"> We will aim to reduce unit consumption of energy by 1% (compared to FY 2015). We will also promote other energy conservation activities.
Harmony with Environment in Local Communities	<ul style="list-style-type: none"> Participate in the Sagami River Clean-up Campaign Participation of 13% or greater of the entire personnel (excluding temporary workers) Participate in other environmental protection activities (The Association to Improve Sagami-hara's Environment, etc.) Participation in environmental seminars 	<ul style="list-style-type: none"> Cleanup work along the riverbed of Sagami river is performed every year in spring and fall. At OHARA, 119 employees and their family members (16.9%) participated in these activities this year. In addition, OHARA takes part in social contribution programs hosted by other companies, environmental related seminars, etc. 		<ul style="list-style-type: none"> Participate in the Sagami River Clean-up Campaign Participation of 13% or greater of the entire personnel (excluding temporary workers) Participate in other environmental protection activities (The Association to Improve Sagami-hara's Environment, etc.) Participation in environmental seminars
	<ul style="list-style-type: none"> Maintain clean Company premises (landscape / aesthetics) and make further improvement Increase participation in litter collection around factories by 20% (compared to FY 2014) Monthly or more inspections of inside and outside of premises. 	<ul style="list-style-type: none"> By holding continuous educational activities, participation in litter collection around factories increased by 22.5%, achieving target. However, goals for inspections of inside and outside of premises were not reached. 		<ul style="list-style-type: none"> Maintain clean Company premises (landscape/aesthetics) and make further improvement Increase participation in litter collection around factories by 20% (compared to FY 2015) Monthly or more inspections of inside and outside of premises.
	<ul style="list-style-type: none"> We will conduct a "No Car Day" campaign to reduce CO₂ emissions by 15ton annually. 	<ul style="list-style-type: none"> The target was not achieved even with a reduction of 13.3ton in CO₂ for the year. New goals will be set for FY 2016 taking into account the reduction of numbers of those driving to work. 		<ul style="list-style-type: none"> Conduct a "No Car Day" campaign to reduce CO₂ emissions by 13.5ton annually.
Contribution to Improving the Global Environment	<ul style="list-style-type: none"> Promote the creation of products and businesses that contribute to environmental improvement. 	<ul style="list-style-type: none"> We conducted progress management of new product development, which was a pressing matter. Plans and progress set forth for FY 2015 went as planned. 		<ul style="list-style-type: none"> Promote the creation of products and businesses that contribute to environmental improvement.
	<ul style="list-style-type: none"> Provide feedback inside the Company regarding customers' environmental burden reduction needs. 	<ul style="list-style-type: none"> In order to promote products with a low environmental burden, proposal-based sales were promoted and feedback in the form of new information was given inside the Company through customer visit exhibitions and technology assemblies. 		<ul style="list-style-type: none"> Provide feedback inside the Company regarding customers' environmental burden reduction needs.
Enhancing Awareness of Environmental Protection	<ul style="list-style-type: none"> Carry out campaigns for separate disposal, reduction and recycling of plastic wastes (including weighing of plastic wastes) to achieve an eco-plastic rate of 75% or greater 	<ul style="list-style-type: none"> The goals were not met in reduction in waste volume for plastics as a whole or with eco-plastics (material- and heat-recycled products) rate at 74.2%. 		<ul style="list-style-type: none"> Carry out campaigns for separate disposal, reduction and recycling of plastic wastes (including weighing of plastic wastes) to achieve an eco-plastic rate of 75% or greater
	<ul style="list-style-type: none"> Carry out campaigns for separate disposal, reduction and recycling of paper wastes (including weighing thereof) to achieve a recycling rate of 95% or greater. 	<ul style="list-style-type: none"> Although we promoted the separate disposal, reduction and recycling of paper wastes, we failed to reach our target with a recycling rate of 93.6%. 		<ul style="list-style-type: none"> Carry out campaigns for separate disposal, reduction and recycling of paper wastes (including weighing thereof) to achieve a recycling rate of 95% or greater.
	<ul style="list-style-type: none"> Continue to promote newly-developed and improved products free from lead and/or arsenic Hold environmental system surveys and evaluations of business partners. 	<ul style="list-style-type: none"> Newly-developed and improved products free from lead and/or arsenic as planned. Reviewed the survey list, and requests of surveys and evaluations of business partners were completed as planned. 		<ul style="list-style-type: none"> Continue to promote newly-developed and improved products to be free from lead and/or arsenic Hold environmental system surveys and evaluations of business partners.

Material Balance

OHARA develops environmental protection activities by quantitatively understanding the amount of energy and resources used in OHARA's business activities (INPUT) and products or substances that burden the environment generated from such activities (OUTPUT).



Environment Management

Reduction and Recycling of Wastes

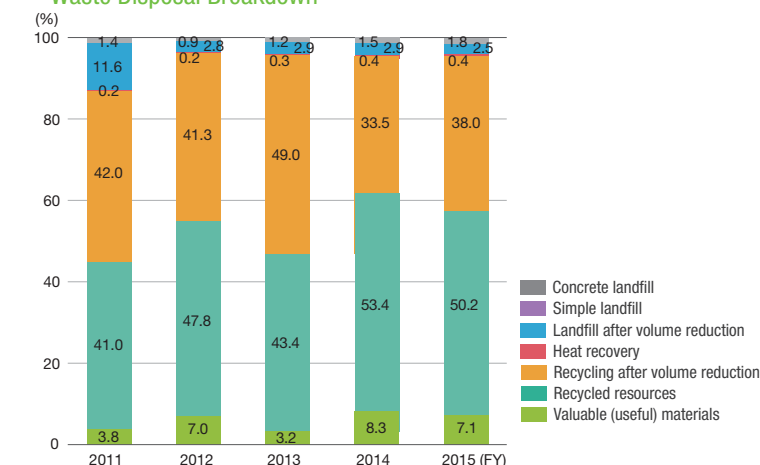
Over 30% of waste volume consists of glass wastes. For this reason, OHARA is engaged in measures to improve productivity when melting glass in manufacturing departments, efforts to increase the reuse of glass wastes, and the finely-sorted disposal of glass when disposal is the only option, enabling some waste to become valuable. Such activities continue to be part of OHARA's objectives/targets in order to use limited resources effectively without wasting.



Recycled glass waste



Waste Disposal Breakdown



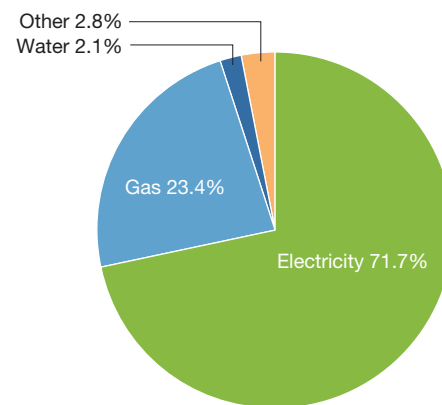
Energy Conservation

Energy and resource conservation initiatives

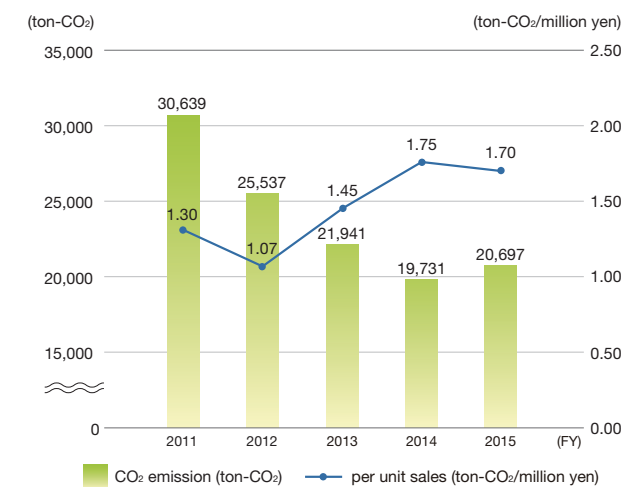
Glass manufacturing consumes much energy (in the form of electricity and city gas). We have been making efforts to curb energy use through various improvements to the facilities, and taking measures to improve efficiency in production. Nevertheless, from FY 2013 onward, weakening market conditions made it difficult for us to maintain efficient production, and per unit sales in FY 2015 saw only a slight improvement both in energy use and CO₂ emissions, compared to the previous fiscal year.

As part of environmental program, OHARA takes initiatives by setting challenging targets annually to reduce energy consumption and CO₂ emissions. In addition, each employee is highly conscientious regarding energy conservation, and the entire company takes initiatives in unity. Furthermore, OHARA promotes the three Rs (i.e., Reduce, Reuse, and Recycle) through various committees and Company-wide campaigns, and will continue to strive to make efficient use of limited resources.

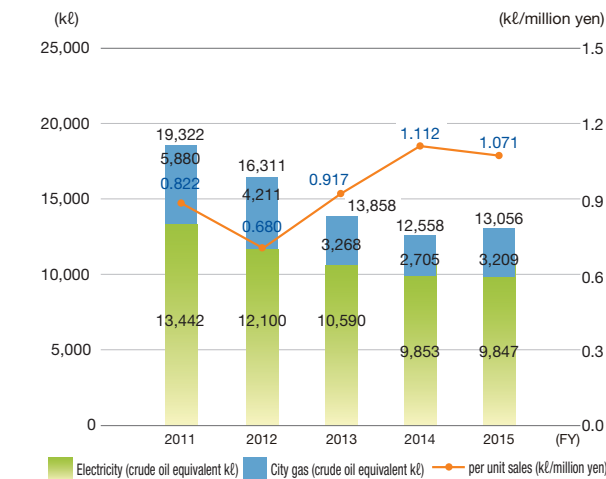
Breakdown of energy use (based on price)



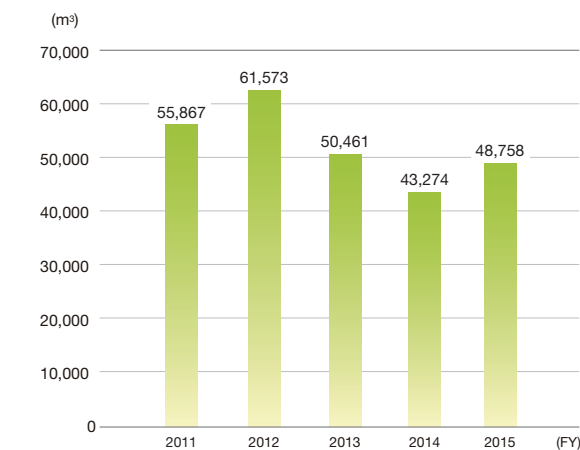
CO₂ emissions



Electricity and gas use (crude oil equivalent)



Water resource use



Harmony with Environment in Local Communities

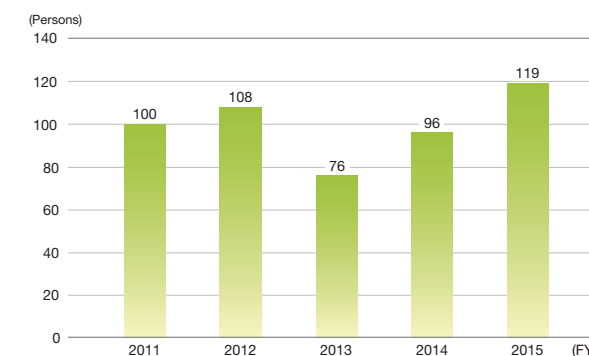
Sagami River Clean-up Campaign

With Lake Yamanaka as source, the Sagami River, which flows into the Sagami Bay, runs through Sagami City, where the headquarters of OHARA is located. The area has a valuable natural environment and serves as oases for the local citizens enjoying sports and the changing seasons. In order to conserve the rich environment, a "Sagami River Clean-up Campaign" is conducted semi-annually by the Sagami River Lovers' Association. Local organizations and individuals in the city come together to clean up the riverbed, and OHARA has supported such activity, and employees and their families participate there in to conserve the environment of Sagami City. We will continue to conduct environmental activities that connect to the future.



Cleaning up the riverbed

Number of participants in Sagami River Clean-up Campaign



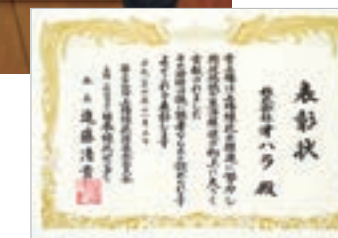
*OHARA participated only once for FY 2013.

Awarded at the National Convention on Factory Greening Promotion

OHARA received a recommendation as an excellent green factory from Sagami City, and was awarded the Chairman Award by Japan Greenery Research and Development Center at the 34th National Convention on Factory Greening Promotion held on November 2, 2015. While harmonizing with the factory neighborhood, OHARA will continuously contribute to the local communities as a mean to bond people to nature, in pursuit of becoming "a verdant, park-like factory".



Award ceremony



"No Car Day" Campaign

OHARA promotes a "No Car Day" campaign, which recommends commuting by public transportation, bicycle or on foot in an effort to reduce CO₂ emissions. The number of employees who has changed from commuting by car to commuting on foot or by bicycle increased since OHARA established fixed dates of "No Car Days" and proactively called for such change through e-mails, bulletins, etc.

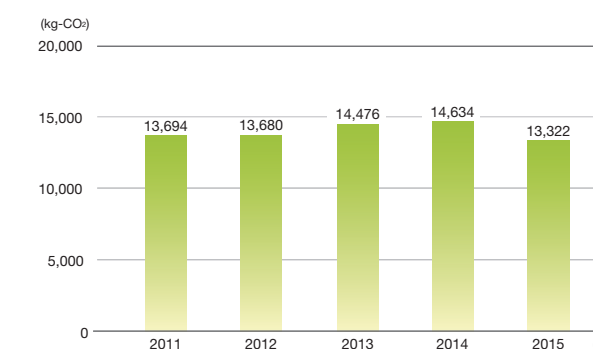
Cleanup Activities in the Morning

Since 2004, with the intent of cleaning up the surrounding regions, OHARA has been cleaning the periphery areas of the Company's premises on Friday mornings every other week, together with nearby companies.



Cleaning up in the morning cleaning activities

CO₂ reduction pertaining to commuting by car

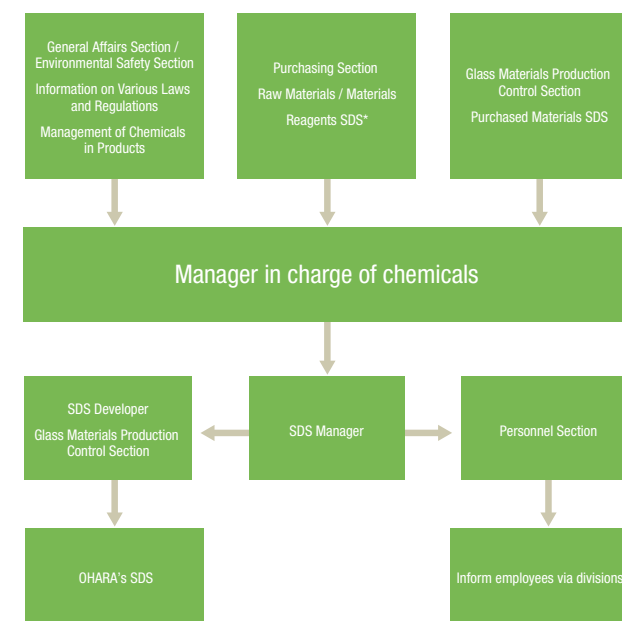


Education on Environmental Conservation

■ Importance of Chemicals Management

OHARA makes continuous efforts to obtain the latest information on international environmental laws and regulations that are constantly changing, and distributes such information to the related divisions in the Company. In addition, the systems are in place to quickly respond to the inquiries from customers on chemicals.

Stipulating the management of chemicals contained in products under environmental policies, OHARA takes initiatives to, among others, provide company-wide education, cause products to be free from lead and arsenic at the designing/developmental stages, analyze impure substances in purchased raw materials for glass and thoroughly prevent contamination by impure substances in each process. OHARA will further enhance the management of chemicals in supply chains in the future.



* SDS: information regarding the properties and handling of chemicals and products containing them

■ Separate disposal, reduction and recycling of plastic wastes

Plastic wastes incurred at the workplace are categorized into those that can be recycled into RPF materials* (eco-plastics) and those that cannot (miscellaneous plastics), and are recorded and managed.

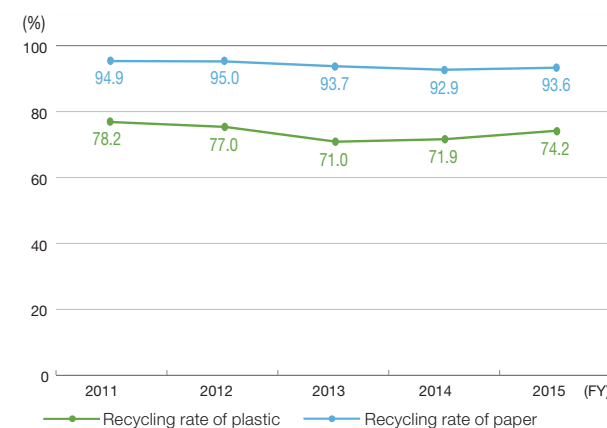
In FY 2015, although target was achieved for normal production, the final recycling rate of eco-plastics went no further than 74.2%, due to the generation of a large amount of irregular waste that cannot be recycled as eco-plastics. We will continue to promote the classification into eco-plastics. Also, this year marks the eighth year of the donation activity of PET bottle caps. We have achieved an accumulated result to date that is equivalent to the amount of vaccine for 1,000 persons. The Company will also continue to take initiatives to turn PET bottles into valuable materials.

* RPF: Acronym for Refuse Paper & Plastic Fuel, and is a high calorie, solid fuel made from waste paper and plastics that are difficult to recycle mainly among industrial waste.

■ Separate disposal, reduction and recycling of paper wastes

Patrols on the separation of paper wastes were conducted at all workplaces by related parties, with supervision on methods of separating wastes appropriate to each workplace. OHARA's recycling rate for FY 2015 was 93.6% and saw an improvement compared to the previous fiscal year, which also came very close to the target value of 95%. We will continue our efforts to achieve the target.

Recycling rate of plastic and paper wastes



■ Survey and management of the devices containing polychlorinated biphenyl (PCB)

At present, OHARA owns devices containing PCB (transformers, condensers and fluorescent light stabilizers), which should be disposed in an appropriate manner by March 31, 2027. As some of the devices are currently in use, we will systematically conduct a survey on the devices containing PCB, and take appropriate measures in accordance with laws and regulations.

OHARA respects the human rights and individual personalities of employees. In addition to cultivating the spirit of the corporate principles, OHARA will build a free and open-minded corporate culture in which safe and comfortable work environment is secured.

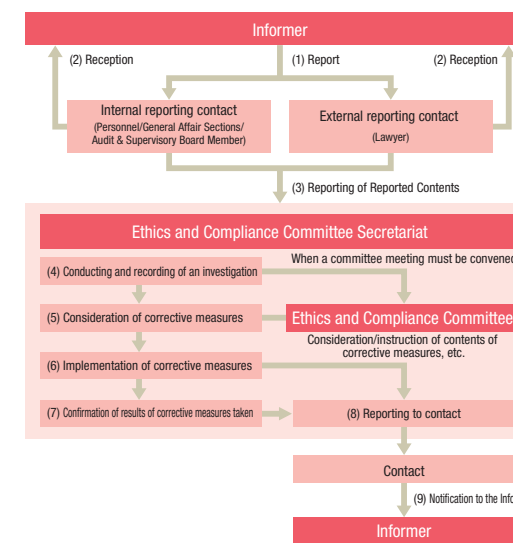
Human Rights Initiatives

■ Conception regarding Human Rights

OHARA's Codes of Conduct: Guidelines provide as follows: "No person shall discriminate others on the grounds of race, nationality, color of skin, language, sex, religion, faith, age, origin, physical disability or any other reason unrelated to the performance of duties. Slander, libel, harassment, stalking, intimidation, rude behaviors or any other speech or conduct that disregards human rights or the dignity of an individual shall be strictly prohibited as humiliating another person must be prevented", and we will see that all employees are aware of human rights issues.

■ Internal Reporting System (Helpline)

OHARA has established an internal reporting system (Helpline) in which a person seeking advice (or informer) can report directly to the Ethics and Compliance Committee. From April 2013, OHARA added a standing corporate auditor as a contact for internal reporting and put a lawyer in charge (Ms. Yukako Makino) as an external contact. In such ways, OHARA has been making efforts to create a user-friendly environment.



OHARA's Human Resources Development

■ Concept of Human Resources Development

In order for a company to grow and continuously develop, it is necessary to continue to reform businesses and organizations by forecasting and promptly responding to changes in external environments. Such reform, however, cannot be attained only by changing businesses and organizations. In order to achieve such reform, it is important for each employee to grow and become the core of such reform. In addition to providing training on an

incremental age basis starting from new employees' training (young employees training, training for employees reaching the ages of thirty, forty or fifty years old), OHARA has in place an educational system incorporating specialized programs related to each employee (management training), with the goal of fostering independent human resources.

Outline of Employee Education

(1) Advanced Management Training

Every year, education and training is held outside the Company for employees who have been newly appointed as general manager or deputy general manager of a division and those who have been newly promoted to any other position of the same rank.

(2) Intermediate Management Training

Every year, in-house education and training, to which lecturers are invited, is held for employees who have been newly appointed as manager or assistant manager (including a manager-equivalent position) of a section and those who have been newly promoted to any other position of the same rank.

(3) Introductory Management Training

Every year, in-house education and training, to which lecturers are invited, is held for employees who have been newly appointed as sub-manager or assistant sub-manager and those who have been newly promoted to any other position of the same rank.

(4) Young Employees Training

In principle, such training is held for employees who joined OHARA as new graduates and have worked for OHARA for three years thereafter. At a period when such employees become aware of being a member of the workforce and may become complacent, such training is designed to motivate such employees and have them acquire basic skills for their job. Such training is administered in-house by inviting lecturers.

(5) Training to Improve Communication Ability

Such training is held in-house, to which lecturers are invited, after the Young Employees Training but before the Introductory Management Training. Participants learn how to communicate at the workplace and how to treat younger employees when advising them.

(6) Incremental Training based on Age (Career Training)

Regardless of job title, in-house training, to which lecturers are invited, is offered to employees who reach the age of thirty, forty or fifty years old. Such training provides participants an occasion to look back on his/her life and think about what he/she should do in the future, with an eye to promoting their independence and awareness.

Creating a Comfortable Work Environment

■ Concept of Work/life Balance

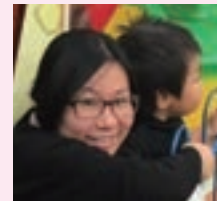
OHARA started company-wide campaigns for “Zero Overtime” and “100% Leaving Work on Time” from 2006 as initiatives to create a comfortable work environment. One of the objectives of such campaigns is to “realize a work/life balance”. Work supports our livelihood and gives us joy and something to live for, but, at the same time, house duties, child-rearing, caretaking and socializing with our neighbors are indispensable parts of our lives. The building of “ties” is what doubles our motivation and delight in life.

In actuality, however, we often become overburdened with work, and the resulting mental and physical fatigue affects our health. Some of us may be having issues between balancing work and personal life, including the balancing of work and childrearing or caregiving. To prevent our employees from falling into such situations, OHARA has been taking initiatives towards realizing a “fulfilling life” in which there is a work/life balance.

VOICE

Kanako Uchida

Advanced Material Product Sales Section
Advanced Material Product Business Unit
Advanced Material Product Division



○ Utilizing the Childrearing Support System

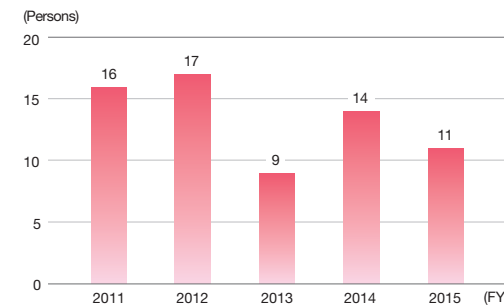
The childrearing support system of OHARA is really well developed. At my previous job, I saw a number of women who were engaged in their duties under severe conditions. At that time, I never imagined that I would be able to strike a balance between my career and childrearing. I owe living my life today as an employee and as a mother to OHARA's ideal childrearing support system.

Returning to work helped me establish my position as an individual in society, which had also a good effect in raising a child. I will strive to take balance of work and childrearing while appreciating OHARA that has prepared such a good environment, as well as the kind understanding and support from the colleagues at the workplace.

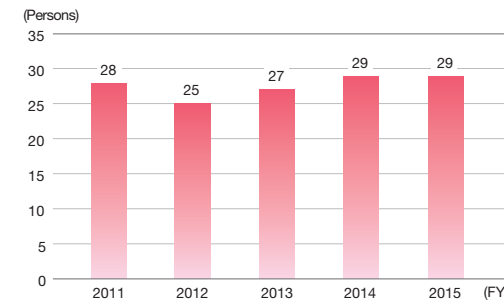
■ Childrearing Support System

OHARA supports employees who are working while raising their children by improving the schemes for childcare leave and shorter work hours for childcare (until their children enter an elementary school). In order to enable as many employees as possible to use the Childrearing Support System, OHARA has been paying wages for reduced work hours (on an hourly basis) since the scheme for shorter working hours was introduced. Such was a significant decision for OHARA at the time because many companies were not paying wages for reduced hours. In 2011, Sagami City praised OHARA for efforts made ahead of other companies and honored OHARA as a “company that supports and promotes a work/life balance”.

Number of employees taking childcare leave



Number of employees using the scheme for shorter work hours for childcare



■ Activities for Improving Work Efficiency

The source of competitiveness in the manufacturing industry is productivity, which is driven by the performance of each employee. Therefore, all departments of OHARA are taking initiatives towards increasing efficiency, and the entire Company is striving to improve productivity. To grow into a strong company that will not lose out in competition with other companies, it is necessary to continuously pursue the “creation of greater value added with less human resource input”. Recently, work/life balance has become a hot topic in outside seminars and symposiums, and the work efficiency that OHARA seeks will directly result in a better work/life balance.

Making work more efficient has contributed to not only “cost-cutting”, but also to “growing a strong company which does not lose out to competitors”, “keeping a work/life balance” and other various aspects. Accordingly, OHARA will continue such efforts as one of the important activities for OHARA's survival in Japan.

■ Reemployment Scheme

OHARA has a scheme for reemploying individuals who have mandatorily retired. Many of the mandatory retirees are “mentally and physically healthy” and have high “work performance ability”, even after leaving the Company at age 60. Through such reemployment scheme, expertise and skills would be passed onto the younger employees. Among 37 individuals who mandatorily retired in the last five years, 22 individuals (59.5%) requested to be reemployed. Presently, all of them are actively working at the Company.

VOICE

Akira Kubota

Material Production Section 1
Optical Material Business Unit
Optical Product Division



○ Utilizing the Reemployment Scheme

This year will be the second year since I started working under the reemployment scheme, after having reached the mandatory retirement age in March 2015. I continue the work related to cullet manufacturing, in which I was involved before my retirement. Transferring my experiences and knowledge gained through my career to the younger employees helps me keep the motivation for work.

While paying attention to my health, and enjoying hobbies and volunteer activities, I hope to contribute to OHARA during my time here.

Occupational Safety and Health Initiatives

■ Implementation of Disaster Drill

Natural disasters are quite difficult to predict. OHARA holds a disaster drill every year so that employees can take prompt action in case of a disaster. In FY 2015, OHARA conducted first response training, firefighting training, cardiopulmonary resuscitation training using AED, and a water spraying drill by the on-site volunteer fire department during the evacuation drill. OHARA will continue efforts to strengthen emergency management.



A disaster drill

■ Support towards Activities to Maintain Health

OHARA is taking initiatives mainly as below to maintain the health of employees:

- Hold seminars relating to health
- Issue Health Newspaper
- Take measures to prevent lifestyle diseases (hold interviews with the employees with clinical findings at health checks, provide medical follow ups and specific health guidance)
- Collaborate with industrial doctors (hold interviews with employees who are unwell, and those with clinical findings at health checks)
- Prevent in-house prevalence of infectious diseases (deliver information on, grasp the prevalence status of, and take preventive measures for infectious diseases)
- Take measures for heatstroke

Through these measures to maintain health, OHARA works to create a workplace where employees can work in good health over a long term.



At the health exercise seminar

■ Promoting Activities of Female Employees

Amid an aging society and concerns about the decrease of workforce, OHARA believes that it will become increasingly important for female employees to take an active role.

To this end, in order to create an environment that is comfortable for female employees, OHARA provides support to childrearing mothers, and is attempting to create new areas in which women can excel. Although sex is not a consideration when assigning roles, only 5% of managerial roles (10% of managerial and direction roles) are currently occupied by women, and we aim to increase this number in the future.

VOICE

TAIWAN-OHARA OPTICAL CO., LTD.

Lili Lin

General Affairs Department



○ This year marks the 29th year since I joined OHARA.

As assistant general manager (corresponds to general manager) of General Affairs Department, I am engaging in corporate operation, investigating things from various angles and promoting studies, together with other members in managerial positions. We strive to maintain and improve the quality in operations, while at the same time, work to secure stable Group earnings by introducing various systems, based on a belief that compliance-oriented management is essential to prevent corporate scandals and to improve employees' satisfaction.

I am working to encourage employees' health, enhancement of corporate systems to realize the balancing of family life and work, and creation of a work environment that is fun and comfortable to work in. I also aim to achieve the improvement in productivity.

Corporate Profile

Corporate Profile (As of October 31, 2015)

Company Name: OHARA INC.
 Address: 15-30, Oyama 1-chome, Chuo-ku, Sagami-hara-shi, Kanagawa, Japan 252-5286
 TEL: (81)42-772-2101 (Reception) FAX: (81)42-774-1071
 Established: October 1, 1935
 Capital: 5,855 million yen
 Business contents: Manufacture and sale of glass materials for optical and electronics applications
 Number of Employees: 409 (1,657 for the entire Group)

Products

- Optical products
 - Optical Glass
 - Low Tg Optical Glass for Glass Mold Lens
 - Reheat Pressed Blank for Spherical Lens
 - Spherical Lens
 - Polished Preform for Glass Mold Lens
 - Aspherical Glass Mold Lens
- Electronics Products
 - Ultra Low Expansion Glass-ceramics (CLEARCERAM™-Z)
 - Shock Resistance and High Hardness Clear Glass-ceramics
 - Non-Browning Optical Glass
 - High Expansion Glass-ceramics (WMS™-15)
 - Glass Disk For Magnetic Head Flying Height Tester (GD-FHT™)
 - Lithium-ion Conductive Glass-ceramics (LICGC™)
 - High Transparent Glass
 - i line High Homogeneity Glass
 - Glass for Art
 - Quartz Glass
 - Measurement Service on Glasses / Ceramics

Status of Shares (As of October 31, 2015)

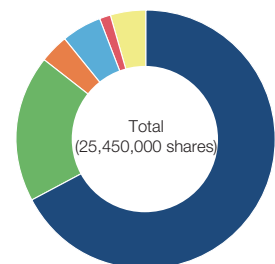
Total number of authorized shares: 76,000,000
 Total number of issued shares: 25,450,000
 Number of shareholders: 4,641

Major shareholders

Name	Number of shares held	Investment ratio (%)
Seiko Holdings Corporation	4,702,722	19.3
Canon Inc.	4,694,380	19.3
Kyobashi Kigyo Kabushiki Kaisha	4,688,400	19.3
Sanko Kigyo Kabushiki Kaisha	1,638,300	6.7
TOPCON CORPORATION	673,600	2.8
Seiko Instruments Inc.	610,000	2.5
Mizuho Bank, Ltd.	400,000	1.6
Japan Trustee Services Bank, Ltd. (trust account)	204,500	0.8
The Master Trust Bank of Japan, Ltd. (trust account)	180,300	0.7
MSIP CLIENT SECURITIES	143,600	0.6

(Note) Treasury stock (1,124,538 shares) is deducted in calculating investment ratio.

Shareholding Composition



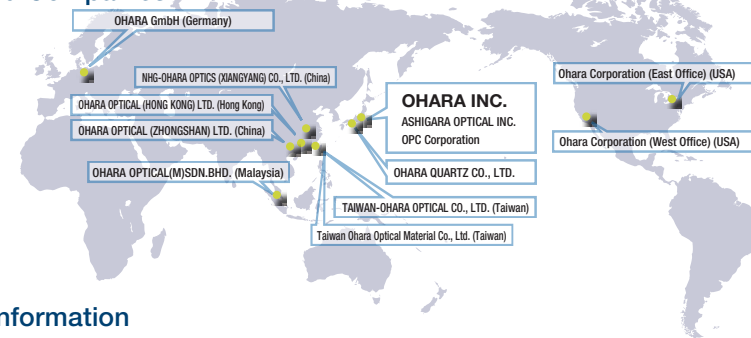
- Other domestic corporations **67.2%** (17,109,102 shares)
- Individuals, etc. **18.6%** (4,733,731 shares)
- Foreign companies **3.4%** (874,440 shares)
- Financial institutions **5.2%** (1,318,600 shares)
- Securities companies **1.2%** (289,589 shares)
- Treasury stock **4.4%** (1,124,538 shares)

Member of the Board

President Chief Executive Officer	Hirokazu Saito	Outside Director	Tatsuya Koizumi*
Director Senior Managing Executive Officer	Hitoshi Sekido	Outside Director	Seiju Uchida*
Director Managing Executive Officer	Takashi Nakajima	Audit & Supervisory Board Member	Keishi Kubota
Director Managing Executive Officer	Tetsuya Aoki	Outside Company Auditor	Seiichi Mikami
Outside Director	Akio Naito	Outside Company Auditor	Aitake Wakiya
Outside Director	Masaya Maeda	Outside Company Auditor	Mitsuyoshi Sugita*

Note*: Outside Directors, namely, Messrs. Tatsuya Koizumi and Seiju Uchida, and Outside Company Auditor Mitsuyoshi Sugita are independent officers.

Affiliated Companies



Stock Information

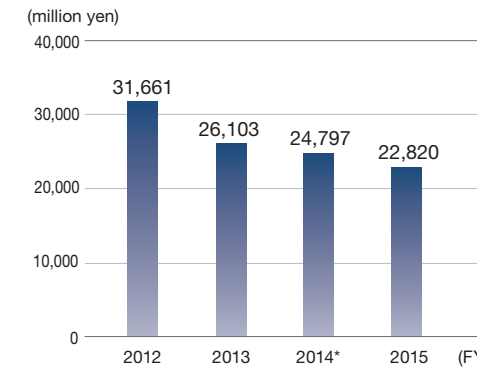
Fiscal year: November 1 through October 31 of the following year
 Record date for dividends: October 31 (April 30, in case of interim dividend)
 General Shareholders meeting: End of January of each year
 Number of shares per unit: 100
 Business Handling Office of shareholder registry:
 Stock Transfer Agency Department of head office of Mizuho Trust & Banking Co., Ltd.
 1-2-1, Yaesu, Chuo-ku, Tokyo

Method of public notice: Electronic public notice. (<http://www.ohara-inc.co.jp/>)
 If an electronic public notice is impracticable due to unavoidable circumstances, a public notice will be posted in the Nikkei.

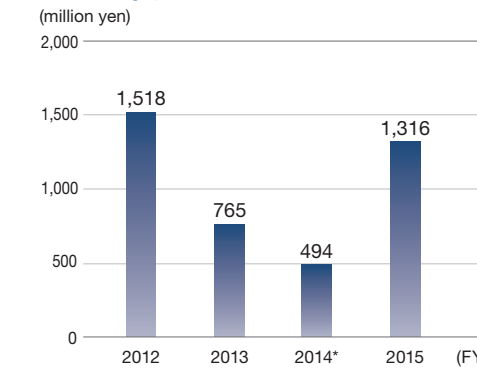
	For shareholders with accounts at securities companies	For shareholders without accounts at securities companies (in the case of specified accounts)
Mailing address	Securities company at which you have your account	Stock Transfer Agency Dept. Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo, 168-8507
TEL inquiries		Toll-free: (81)120-288-324 (9:00-17:00, excluding Saturdays, Sundays and holidays)
Handling office		Mizuho Securities Co., Ltd. Inquiries will be handled at the head office, branches and the Planet Booth (consultation counter within the Branch) nationwide Mizuho Trust & Banking Co., Ltd. Inquiries will be handled at the head office and branches nationwide * Please note that inquiries cannot be handled at the Trust Lounge.
Payment of accrued dividends	Payment of accrued dividends will be handled at the head office and branches nationwide of Mizuho Trust & Banking Co., Ltd. and Mizuho Bank Ltd. (However, Mizuho Securities Co., Ltd. only acts as the agent).	
Please note:	To request the issue of statements, please apply to the "Mailing address", "Phone inquiries" or "Handling office" stated on the right (in the case of specified accounts).	Specified accounts only handle the purchase or additional purchase of shares of less than one unit. Shareholders will need to open an account at a securities company and take stock transfer procedures.

Consolidated Financial Highlights

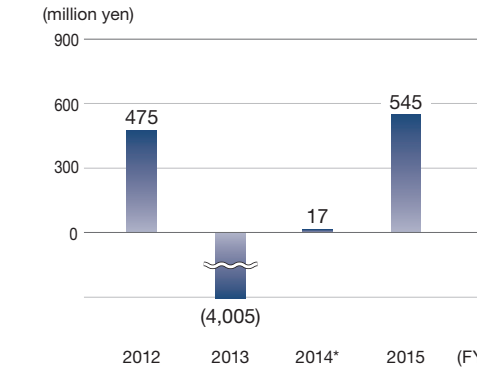
Net sales



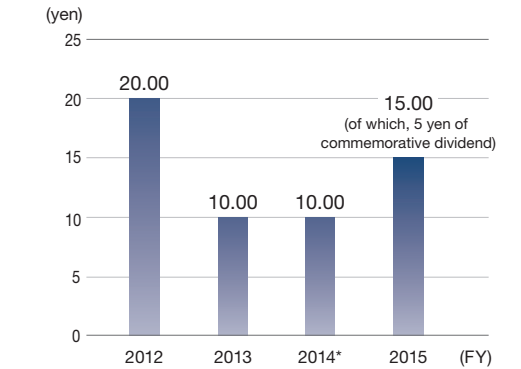
Ordinary profit



Net income



Transition of dividend per share



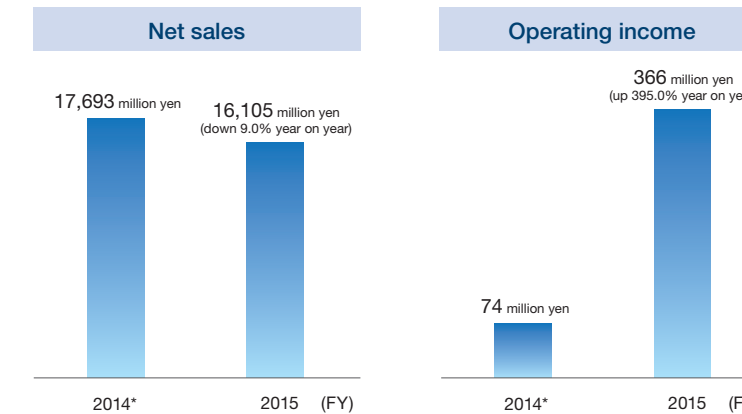
* Beginning FY 2014, with the aim of establishing an efficient management structure, the OHARA Group changed the closing dates of consolidated subsidiaries to match that of OHARA. As a result of this change, in FY 2014, consolidated subsidiaries with an August 31 closing date have an irregular financial year of 14 months, from September 1, 2013 to October 31, 2014, and for consolidated subsidiaries with a September 30 closing date, these will have an irregular financial year of 13 months, from October 1, 2013 to October 31, 2014.

Segment Overview

Optical Business 70.6%

Overview of FY 2015

The Optical business reported net sales of 16,105 million yen (down 9.0% year on year) and operating income of 366 million yen (up 395.0% year on year). The business results of the previous fiscal year that exclude the performance for the two months period of September and October 2013 (one month period of October 2013 for certain subsidiaries) of the consolidated subsidiaries that changed their respective accounting periods were net sales of 15,673 million yen and operating loss of 234 million yen. Compared to these figures, net sales saw only a slight increase of 2.8% year on year, as the digital camera market did not recover and demand remained stagnant. However, owing to the improvement in raw material procurement and other factors, the Optical business reported operating income.

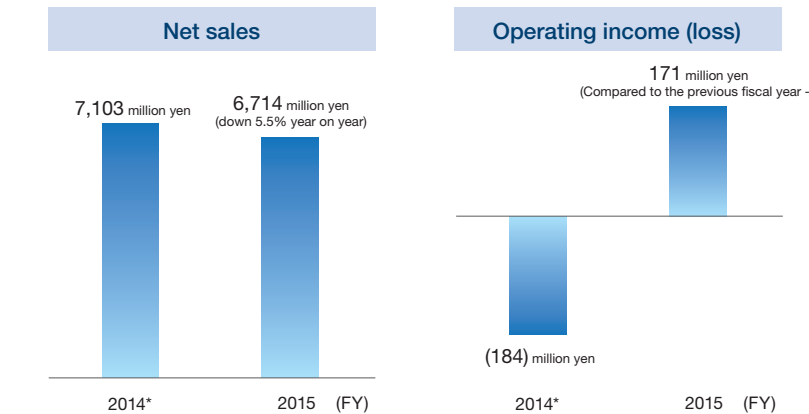


* Beginning FY 2014, with the aim of establishing an efficient management structure, the OHARA Group changed the closing dates of consolidated subsidiaries to match that of OHARA. As a result of this change, in FY 2014, consolidated subsidiaries with an August 31 closing date have an irregular financial year of 14 months, from September 1, 2013 to October 31, 2014, and for consolidated subsidiaries with a September 30 closing date, these will have an irregular financial year of 13 months, from October 1, 2013 to October 31, 2014.

Electronics Business 29.4%

Overview of FY 2015

The Electronics business reported net sales of 6,714 million yen (down 5.5% year on year) and operating income of 171 million yen (an operating loss of 184 million yen in the previous fiscal year). The business results of the previous fiscal year that exclude the performance for the two months period of September and October 2013 (one month period of October 2013 for certain subsidiaries) of the consolidated subsidiaries that changed their respective accounting periods were net sales of 6,422 million yen and operating loss of 86 million yen. Compared to these figures, owing to the increased sales in ultra low expansion glass-ceramics for space and astronomy fields and for exposure devices, and high homogeneity glass for semiconductor exposure devices, net sales were up 4.5% year on year. In addition, mainly due to improvement in production efficiency for these products, the Electronics business posted operating income.





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