



USHIO

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Editorial Policy

■ Editorial Policy

In choosing the material for Sustainability Report 2016, we continued on from fiscal 2016 in making an effort to report in greater depth on the correlation between management and CSR issues.

In addition, we have taken into account the ease of reading reports on PCs, and from this fiscal year, we will publish an online version of our sustainability report. In the same manner as with other reports hitherto, the reader is also able to download this report in PDF format.

We have also tried to create links so that the report will serve as a gateway to our CSR website and online annual report. We have edited the report to make it easy to read for a wide stakeholder audience.

■ Scope of Report

All USHIO business sites and Group companies worldwide

■ Period of Report

This report basically covers from April 1, 2015 to March 31, 2016, but also includes some activities prior to this period and some activities in fiscal 2017.

President's Message

President's Message

USHIO aims for sustainable development in harmony with society, with the intention of solving social issues through the provision of solutions that use light.

Kenji Hamashima

President and Chief Executive Officer



Working to Solve Social Issues with Light Technology

Since its founding in 1964, USHIO has based its business aims on creating new markets that use light, and has continued to offer products and technologies to cutting-edge industries that support the development of society. Today, USHIO is pursuing new possibilities with light in the three business fields of electronics, visual imaging and life sciences.

USHIO believes in contributing to society while growing its businesses. Contributing to society through superior products and innovative research and development is a part of our management philosophy. This principle embodies our intentions toward society and forms the basis of our CSR activities.

USHIO aims to help realize a sustainable society by working to solve various social issues through the provision of products and services that use light technology. We believe this is our mission at USHIO.

CSR Activities Form the Basis of Management for Supporting Business Growth

Without a stable business foundation and growth, it would be near impossible to consistently provide value through the development of superior products. Under its medium-term management plan (through the fiscal year ending March 31, 2019), USHIO aims to transform into a highly profitable company and has set targets for ¥20 billion in operating income on net sales of ¥230 billion, for an operating income ratio of 8.7% by fiscal 2019. USHIO is pursuing new growth opportunities while maintaining and improving earnings capabilities in existing businesses.

The USHIO Group's CSR activities are the basis of management and the foundation for business growth in line with the objectives of the medium-term management plan. Starting in fiscal 2016, USHIO formulated the CSR Action Plan based on the five pillars of governance, people, quality, society, and the environment, and clearly positioned this plan as the basis of management for supporting business growth.

Based on its medium-term management plan, a fusion of business strategies and CSR objectives, USHIO aims to develop further as a company while advancing social responsibility at the same time.

A History of Business Growth Consistent with Changes in Society

Looking back at USHIO's CSR activities, it is evident that they are rooted in the spirit of manufacturing. Our activities aimed at providing superior products have led to improvements in quality that fulfill our responsibilities to our customers as a manufacturer. At the same time, we have aggressively pursued environmental initiatives with the aim of reducing our burden on nature.

Moreover, USHIO has expanded the scope of its initiatives to encompass governance, society and people in order to grow as a company, meet the expectations of stakeholders, and fulfill its increasing social responsibilities by strengthening corporate governance through better transparency regarding the Board of Directors and greater dialogue with shareholders, by encouraging Group companies to give back to their local communities, and by maintaining a positive work environment and offering training to employees.

As a Group, we are advancing the globalization of management, promoting diversity through personnel exchanges among employees of different backgrounds, formulating green procurement standards to minimize our environmental impact based on the laws and regulations of each country, and strengthening CSR procurement based on fair and proper transactions on international markets.

To remain a truly global company, USHIO partially amended its 10 Action Guidelines in December 2015 to reflect support for the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights, based on the understanding that all people must respect each other's rights and to align awareness of human rights with international norms. In addition to setting guidelines for respecting the rights of employees, suppliers and all other stakeholders, we aim to foster a corporate culture that respects diversity and its role in promoting innovation.

USHIO has engaged in CSR activities in tandem with its growth as a Group and changes in society. We believe it is important to continue advancing CSR activities as a fundamental tenet of management and business and as a primary driver of our growth as a company.

President's Message

Deeper and Broader: Stepping Up Group Activities Based on the New Medium-Term CSR Plan

USHIO launched a new medium-term CSR plan in fiscal 2017. To take CSR one step further at USHIO, the Company aims to **"dig deeper"** by redoubling efforts to address key matters that have been screened again as priorities from among initiatives to strengthen the management foundation, including the seven topics it introduced in 2015 (management transparency, communication with stakeholders, human rights and diversity, human resource development, supply chain and CSR procurement, customer satisfaction, and improving the ISO management system). In addition, the Company is **"broadening"** its scope of CSR activities while sharing more information among USHIO Group companies scattered around the world.

In going **"deeper,"** USHIO has re-examined the importance and priorities of its initiatives by interviewing members of committees who are involved in CSR procurement and efforts to combat global warming, gathered internal information via surveys of Group companies, and discussed issues with stakeholders outside the Company. Through this process, USHIO has selected five key issues to address: green products, human resource management, supply chain management, prevention of corruption, and corporate governance.

While following through on ongoing initiatives, USHIO will dig **"deeper"** into the aforementioned initiatives. The Company will constantly reinforce these initiatives through the PDCA cycle, setting key performance indicators (KPIs) for each initiative, drawing up and implementing plans, and then disclosing the outcomes.

Meanwhile, **"broadening"** the scope of our CSR activities is a bottom-up trial for the entire Group. USHIO engages in *Renpo Keiei* Management (roughly translated as Mountain Peak Management) where everyone learns from each other, instead of trying to normalize all aspects of operations at Group companies. Our CSR activities take a similar approach.

With the assumption that Group companies will respect diversity in their initiatives, we aim to create a common framework for approaching CSR activities, including the sharing of more information among Group companies while conducting surveys, taking a more methodical approach to our initiatives, and promoting the PDCA cycle. By spreading awareness of the CSR Action Plan across the Group, USHIO shares its vision of CSR activities.

Broad Range of Initiatives Aiming for Sustainable Development

As a specific initiative for CSR activities and as a part of our efforts to strengthen corporate governance, we have transitioned to a company with audit and supervisory committee structure from fiscal 2017. We did this in order to accelerate decision-making by reinforcing the oversight functions of the Board of Directors and delegating decisions on certain important business matters to directors and executive officers in charge of business execution. A majority of the members on the Board of Directors are now independent outside directors.

One of the most important issues we have focused our efforts on is human resource development. With the aim of being a group of people with strong aspirations that make dreams a reality, we have put in place the "Young Executives Scheme" to equip young employees with the global awareness of CEOs.

In fiscal 2017, USHIO made major changes to its personnel system. The Company changed its seniority-based pay system into a system that seeks to maximize the capabilities and ambitions of each and every employee within a framework that recognizes high-performing employees.

Moreover, USHIO promotes diversity through equal opportunities for human resource development and activity regardless of gender or ethnicity. The Company also encourages the hiring of people with disabilities, offers an updated re-employment system, and focuses on promoting women in the workplace. While emphasizing measures based on promoting the individuality, independence and autonomy of each Group company, USHIO proactively promotes locally hired employees into management and upper management (i.e., executive officer) positions.

USHIO made an effort to improve work styles accompanying our head office relocation in March 2016. As a result, we are increasing the efficiency of business operations, and are moving quickly to create a framework for further growth.

In our business activities, we aim to contribute to society through the development of products that help raise the quality of life for people, such as blood analyzers and skin therapy devices that are getting regulatory approval in Asian countries. We also do this by providing industrial solid-state light sources (LEDs, LDs, etc.) that conserve energy and reduce waste, and by providing light solutions that advance next-generation plant growing businesses.

Helping Solve Social Issues through Business Activities

In September 2015, the United Nations adopted the Sustainable Development Goals (SDGs) while calling for companies to take action and help solve these priority issues affecting the world.

USHIO has declared its stance on corporate social responsibility, signing in October 2010 the UN Global Compact in agreement with its 10 Principles. Looking ahead, USHIO will continue contributing to the resolution of social issues through its business activities.

As a light innovation company, USHIO aims to achieve sustainable development in harmony with society. We ask for your understanding and cooperation as we continue to engage in business activities.

October 2016
Kenji Hamashima
President and Chief Executive Officer

CSR Management

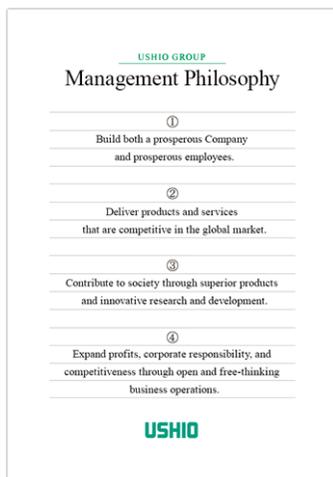


USHIO Group Management Philosophy and CSR Management

USHIO Group Management Philosophy

The USHIO Group's approach to CSR can be seen in the management philosophy underpinning all activities of USHIO and USHIO Group members. In 1965, the year after the Company was founded, four key emphases were created based on the desire to make USHIO an indispensable company for everyone by drawing on the wisdom of employees to grow. The wording of these four key emphases has been revised over the years to reflect the changing times.

1. Build both a prosperous Company and prosperous employees.
2. Deliver products and services that are competitive in the global market.
3. Contribute to society through superior products and innovative research and development.
4. Expand profits, corporate responsibility, and competitiveness through open and free-thinking business operations.



10 Action Guidelines as Members of Society

These guidelines set out an envisaged ideal that the USHIO Group should strive for, and directions for individual employees' daily behavior toward achieving this ideal.

1. We shall aim to be a company that accepts diverse individual qualities and values and where people work together and pursue self-learning and self-improvement.
2. We shall aim to strive for the company's sustainable growth through our innovative, proactive and prompt management.
3. We shall respect all the internationally recognized basic human rights relating to our business activities, and endeavor to create bright, safe and pleasant working environments.
4. We shall provide high-quality, safe products and services at appropriate prices and carry out fair and equitable business transactions.
5. We shall work to earn the understanding and trust of society.

6. We shall comply with laws and regulations and carry out fair business activities in accordance with socially accepted practices.
7. We shall fulfill our duties to the best of our abilities in conformity with internal regulations and standards.
8. We shall promote environmental protection and the efficient use of resources.
9. We shall carry out proactive public relations activities while respecting the value of information and intellectual property rights of third parties.
10. We shall contribute to the development of respective regions where we conduct business as a member of the international community.

Approach to CSR

USHIO aims to solve social issues and realize a sustainable society through products and services that use its light technology. CSR activities are the management foundation of our business activities to achieve this mission, and are a primary driver of our growth as a company.

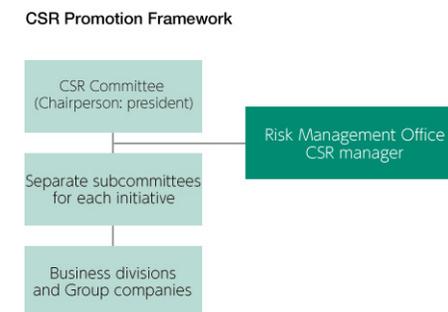
USHIO builds good relationships with its various stakeholders through communication, and aims to develop sustainable businesses as the USHIO Group together with local communities and society at large.

CSR Promotion Framework

USHIO has established a CSR Committee, which is chaired by the president. The committee decides on policies for the whole Company relating to CSR initiatives. The CSR Committee establishes subcommittees as needed to oversee practical implementation of the policies it has decided, and discusses specific initiatives and ways to promote them.

At the 26th CSR Committee meeting held in May 2016, the members reached an agreement on a new medium-term CSR plan following a discussion about the next initiatives to take after the previous medium-term CSR plan ended on March 31, 2016, deciding to redouble efforts on matters that take precedence (materiality) and to broaden the scope of Group efforts (boundaries).

USHIO intends to enhance corporate value from a long-term perspective through measures to strengthen its presence in fields where it aims to advance as a corporation while enhancing social contributions, and to come together as a group determined to improve corporate value.



CSR Management

United Nations Global Compact's 10 Principles

USHIO has declared its support for the United Nations Global Compact of principles concerning human rights, labor standards, the environment and anticorruption. We have joined the local UN network supporting the compact, Global Compact Network Japan, and have taken an active role in various sectional activities, including our involvement in cosponsoring a proposal on supply chain management as one of the participating companies. In September 2015, the UN adopted the Sustainable Development Goals (SDGs), and amid rising interest in social issues, we are working to promote all facets of CSR among the many other participating companies and NGOs. To this end, we are continuing to play an active role in sectional activities for sharing information on necessary specific measures and enhancing the activities of each company.



CSR Action Plan (Policy)

USHIO has created a CSR Action Plan (Policy) and taken steps to reinforce its CSR initiatives. Through dialogue with stakeholders, we have identified relationships between various social issues and our core businesses. To emphasize carrying out initiatives in line with our business strategy, we have set out basic principles in our action plan, which we incorporate into the strategies of each division and department.

In formulating the CSR Action Plan (Policy), the CSR Committee and other related organizations investigated CSR-related elements of USHIO's business activities from various angles, while giving consideration to the seven core subjects of ISO 26000 and many other sources of guidance and guidelines. As a result, the Group's issues were classified under the five pillars of governance, people, quality, society, and the environment. These items are then broken down further into action policies. Currently, the CSR Action Plan (Policy) shows USHIO's CSR framework while forming the underlying philosophy for business planning at each business division and Group company. The action plan is modified each year to reflect the results of surveys.

USHIO's CSR Action Plan for the Fiscal Year Ending March 31, 2017 (Policy)

| Five issues | Guidelines for initiatives for related issues |
|--|--|
| <p>Governance (Ensure transparency in sequences of business activities, information disclosure, compliance with laws and regulations and international rules, prevention of corruption, risk management, and others)</p> | <ul style="list-style-type: none"> • Strengthen information security • Promote business continuity management • Strengthen measures to prevent corruption • Provide information to shareholders on CSR activities • Strengthen Group CSR activities (share information, common targets, grasp needs, etc.) • Enhance disclosure of non-financial information • Initiatives to maintain transparency on tax issues |
| <p>People (Eradicate discrimination, respect diversity, respect the rights of all people related to operations to survive and live, eliminate harassment, worker health and safety, prevention of child labor, forced labor, and slave labor, avoid complicity in human rights infringements)</p> | <ul style="list-style-type: none"> • Eradicate discrimination, respect diversity to promote roles for human resources in the company • Maintain a comfortable work environment (eliminate harassment, ensure appropriate worker health and safety) • Implement human resource development to contribute to maintaining and improving business activities over the long term • Promote work-life balance • Conduct human rights education • Strengthen monitoring of worker health and safety |
| <p>Quality (Realize attractive quality overall, not only in products, but also in concepts and service provision, and including observance of market rules and guidelines)</p> | <ul style="list-style-type: none"> • Pure customer satisfaction improvement, with the greatest emphasis on the customers' perspective • Quality target and plan development • ISO 9001 certification for quality management systems: transition to 2015 version and make improvements (faster speed, slimmer organization) • Matters related to strengthening the supply chain (Promote green procurement and CSR procurement, promote activities with an awareness of the basic policy on conflict minerals, practice due diligence* on human rights) • Strengthen global quality assurance system • Product safety assessment • Enhance supplier CSR monitoring |
| <p>Society (Maintain relationships with local communities, involvement with international society, contribution to education, culture, etc., social contributions through business such as products and services)</p> | <ul style="list-style-type: none"> • Foster social awareness by encouraging active participation in social contribution activities, community exchanges, volunteer and pro bono activities • Promote business in emerging countries • Promote participation in volunteer activities |
| <p>Environment (Disclose information on greenhouse gas and other emissions affected by corporate activities, impacts on climate change and ecosystems, consideration for resource limitations, management of dangerous waste and hazardous chemicals, etc.)</p> | <ul style="list-style-type: none"> • Targets and initiatives based on Phase Five of the Environmental Action Plan • ISO 14001 certification for environmental management systems: transition to 2015 version • Provide safe, secure and environmentally friendly solutions through product development • Reduce CO₂ emissions in business activities: reduce CO₂ by 3% from fiscal 2016 levels on a sales unit basis • Advance CSR procurement as a group • Strengthen chemical substance management • Evaluate Group progress on Environmental Action Plan |

* Due diligence: Means paying appropriate attention, which in this case means conducting a survey and assessment of suppliers based on the CSR procurement policy and connecting that to purchasing activities.

CSR Management

CSR Procurement Initiatives

Awareness-Raising Activities for Our Suppliers Regarding All Human Rights Associated with Business Activities across the Entire Supply Chain

USHIO holds various CSR briefings for our suppliers at the Harima Division, Gotemba Division, and Yokohama Division, and explains the current situation about CSR together with its significance regarding initiatives concerning respect for human rights in the activities of each company (including the prevention of child labor, the elimination of forced or compulsory labor, non-discrimination and equal opportunity, the right to organize, the right to conduct collective bargaining, the elimination of excessive working hours, the maintenance of a living wage, the maintenance of health and safety).

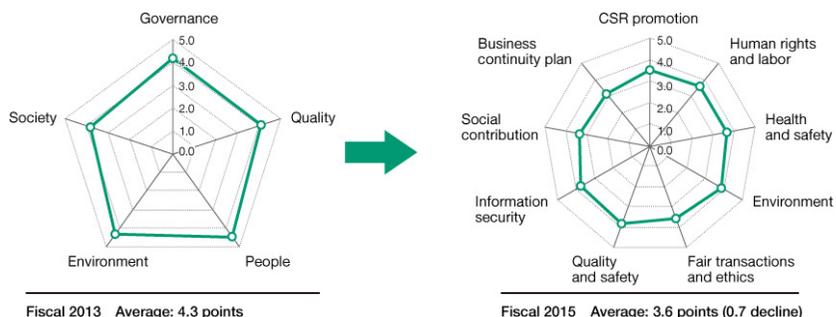
In addition, USHIO carries out awareness-raising activities about eight categories, including human rights problems, in such ways as through the implementation of questionnaires and interviews for suppliers to conduct self-assessment about the current situation and system at each company, future action plans and so forth. The results of the questionnaires and their own investigation are then reflected in the CSR awareness-raising activities. Moreover, we hold these workshops and suchlike for our suppliers that have started new transactions.

CSR Procurement Survey

In fiscal 2015, USHIO conducted a CSR procurement survey (questionnaires and interviews) among 613 supplier companies (90% response rate) at the Harima Division and Gotemba Division, and we conducted an evaluation of the responses of each company in fiscal 2016.

In the fiscal 2015 survey, the evaluation criteria were expanded to include the business continuity plan, conflict minerals (as human rights and labor), and information security. The requirements for each evaluation item were also increased, and we ascertained that the average points of the self-evaluation conducted by each company declined 0.7 of a point to 3.6 from 4.3 in the survey carried out in fiscal 2013. USHIO aims to continue striving to improve our mutual results by means of maintaining dialogue.

Results of Self-Evaluation Conducted by Each Supplier about CSR Procurement



Reason for the Decline

- Increase in evaluation items and subdivisions (From 5 in fiscal 2013 to 9 in fiscal 2015)
- Increase in requirements for each evaluation item

New Medium-Term CSR Plan

History of the CSR Medium-Term Plan

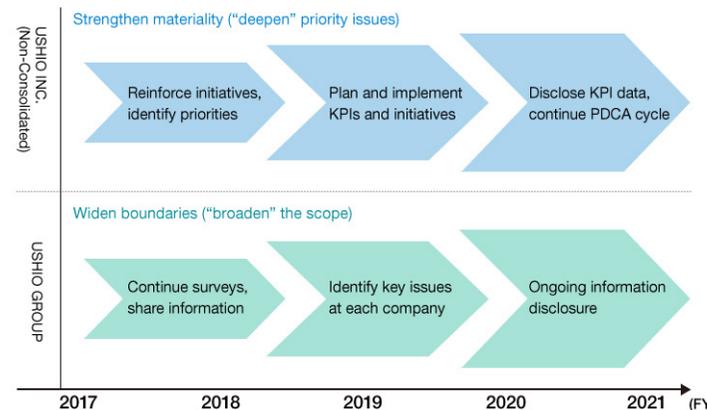
In 2009, the Company formulated a medium-term CSR plan for incorporating CSR issues in management strategies. In phase 1 (2010 to 2012), we focused our efforts on "forming an infrastructure for CSR initiatives." In phase 2 (2013 to 2014), we worked to "dig deeper into CSR issues." In fiscal 2016, we achieved the targets we initially set out in 2009 during phase 3 (2015 to 2016), which focuses on the "complete integration of management strategies with CSR issues."

New Medium-Term CSR Plan

For fiscal 2016 onward, we have created a framework for the new medium-term CSR plan in order to advance our CSR activities one step further while aiming to develop as a company and improve the social aspects of our business at the same time.

Targeting 2020, our new medium-term CSR plan seeks to "deepen" our stance by focusing on priority matters for both business and social contributions, as well as "broaden" our CSR activity framework to the Group as a whole, instead of focusing mostly on the parent company.

Roadmap of the New Medium-Term CSR Plan



As the foundation that supports our business activities, we have taken a balanced approach to enhancing our CSR activities based on the five pillars of governance, people, quality, society, and the environment. While continuing to strengthen the initiatives we have implemented to date, we will focus more on activities that contribute to society in addition to our own development. We believe sustainable development would not be possible without CSR management that suits the USHIO Group amid globalization.

CSR Management

○ Deepening: Selection of Materiality

In our aim to “deepen” CSR activities, we have screened for initiatives of high importance and priority by gathering information inside the Group, such as by interviewing members of committees involved in CSR procurement and measures to counter global warming as well as by conducting surveys of Group companies, while building on interactions with external stakeholders. We took care in ranking our priorities based on an analysis of key initiatives from both internal and external perspectives, in addition to balancing business growth and social contributions. As a result, we have selected the following five initiatives as key issues to address.

| Key issue | Specific developments | Example of progress |
|--------------------------------------|--|--|
| Green products, green factory | Launch green products that are developed through safe, secure and environmentally friendly solutions | Identify relevant products and manage performance indicators such as sales promotions |
| | Chemical substance and waste management | Reduce volume and manage volume used |
| Human resource management | Employee skill development program | Enhanced training programs, performance-related management |
| | In-house due diligence for human rights | Establish in-house due diligence for human rights methods and manage annual performance data |
| Supply chain management | External due diligence for human rights (mainly supply chains) | Establish due diligence for human rights methods for supply chains and manage annual performance data |
| | Promote CSR procurement | Expand the scope, encouraged suppliers, provide guidance, and evaluate and select suppliers |
| Prevent corruption | Update policies and guidebook for preventing corruption | Create official policy, provide guidance, and raise awareness |
| Corporate governance | Respond to Corporate Governance Code | Evaluate effectiveness of the Board of Directors, check for conflicts of interest, review compensation, etc. |

For these five key issues, we have set KPIs for our initiatives after clarifying responsibilities in each division, and are preparing to strengthen these initiatives in fiscal 2017.

○ Expansion: Share Information within the Group and Improve Performance

Based on these five pillars, our CSR Action Plan provides a framework for CSR at USHIO and a conceptual foundation for creating business plans for each business division and Group company.

Examining the specifics of each initiative, however, there are differences in how each Group company ranks the importance of these initiatives due to the characteristics and scale of their operations. In line with *Renpo Keiei* Management, the USHIO Group aims to improve the quality of its efforts and raise mutual awareness through the sharing of information about initiatives at each Group company, while respecting their decisions about the importance of the initiatives.

Importance of Our Measures at Group Companies (From Our CSR Action Plan Survey^{*1})

| Measures | Importance score ^{*2} | Implementation rate of measures |
|--|--------------------------------|---------------------------------|
| Strengthen information security | 100 | 95% |
| Implement human resource development to contribute to maintaining and improving business activities over the long term | 89 | 95% |
| Pure customer satisfaction improvement, with the greatest emphasis on the customers' perspective | 89 | 89% |
| Maintain a comfortable work environment (eliminate harassment and ensure appropriate worker health and safety) | 85 | 95% |
| Strengthen monitoring of worker health and safety | 85 | 89% |
| Promote business continuity management | 83 | 74% |
| Strengthen measures to prevent corruption | 83 | 74% |
| Initiatives to maintain transparency on tax issues | 83 | 89% |
| Eradicate discrimination and respect diversity to promote roles for human resources in the Company | 83 | 89% |
| Promote work-life balance | 80 | 95% |

*1 Data compiled from 18 Group companies inside and outside Japan. The survey asked about the status and details of initiatives based on the CSR Action Plan, as well as perceptions of their importance.

*2 Answers about importance were scored (“extremely important” = 3 points, “important” = 2 points, “normal” = 1 point), with 100 as the relative figure in the case that all 18 Group companies answered “extremely important” with 54 points being the highest score.

Looking at a survey of the CSR Action Plan conducted as a part of information sharing about initiatives at each Group company, we understand that a high percentage of Group companies have implemented initiatives that we regard as important. USHIO aims to raise overall CSR activities a notch while continuing to implement highly important initiatives.

USHIO is also committed to externally disseminating accurate information about its CSR initiatives.

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USHIO's People Initiatives

People are one of the pillars of our CSR Action Plan. The USHIO Group has focused on initiatives to eradicate discrimination and respect diversity and the rights of all people. Amid the globalization of the USHIO Group, our approach to human rights must be in accordance with international norms. At the same time, we believe it is vital that we create a positive corporate culture that advances innovation through the implementation of initiatives that support the livelihoods of our employees.

Respect for Human Rights

Basic Approach

At the USHIO Group, we believe respect for human rights is a fundamental underpinning of our efforts to build trust as a corporation that fulfills its responsibilities to international society.

In this regard, the USHIO Group respects international norms, such as the Universal Declaration of Human Rights, the UN's Guiding Principles on Business and Human Rights, the 10 Principles of the UN Global Compact (human rights and labor), and the Declaration on Fundamental Principles and Rights at Work outlined by the International Labor Organization (ILO).

We believe the following descriptions exemplify the human rights that we must protect in our business activities and our relationship with society.

- Maintain a work environment that facilitates work, prevent accidents at work, and prevent work-related injuries or diseases
- Prevent child labor, forced labor, slave labor and discrimination
- Restrict excessive work hours
- Preserve equality and non-discriminatory practices, respect diversity and eliminate harassment
- Respect for freedom of association and the right to collective bargaining and ensure a minimum wage and a livable wage
- Respect for fundamental human rights as defined by the Universal Declaration of Human Rights, such as the right to life and liberty
- Protect the rights of children and vulnerable members of society

Revisions to Our Guidelines as a Member of Society

In December 2015, we revised section three of our 10 Action Guidelines to clarify in writing our stance on human rights, raise awareness of human rights among employees of the USHIO Group and disclose our stance to the public.

10 Action Guidelines as a Member of Society

3. We shall respect all the internationally recognized basic human rights relating to our business activities, and endeavor to create bright, safe and pleasant working environments.

The USHIO Group has put in place policies for respecting human rights to ensure will not directly or indirectly violate human rights as defined by the Universal Declaration of Human Rights.

Conducting Surveys about CSR Procurement and Conflict Minerals

As a specific example of our respect for human rights, we conduct the CSR Procurement Survey to investigate human rights and conflict mineral issues in our supply chains.

Since its lamp electrodes use a large volume of tungsten, in 2013, USHIO created its Basic Policy Statement for Conflict Minerals to address human rights violations in areas of armed conflict. In 2014, USHIO formulated the USHIO CSR Procurement Policy to raise awareness of human rights issues in procurement activities. We also engage in dialogue with suppliers via the CSR Procurement Survey with the goals of advancing occupational health and safety at suppliers, preventing child and forced labor, eliminating discrimination, allowing freedom of assembly and respecting the right to life and liberty.

Practicing Due Diligence for Human Rights

In our business activities, it is necessary to keep a watchful eye on human rights issues in various processes, from product development and material procurement to product disposal. USHIO engages in business activities that strictly follow international norms for corporations with regard to protecting, respecting, and redressing the Guiding Principles on Business and Human Rights of the UN that were endorsed in 2011.

The new medium-term CSR plan clarifies initiatives for conducting due diligence for human rights internally within the context of human resource management, as well as externally with respect to supply chain management.

More specifically, USHIO ascertains the status of occupational safety in the course of normal business activities at business sites, as well as the status of human rights when evaluating business mergers and acquisitions. Based on the results of the CSR Procurement Survey, USHIO's procurement and CSR divisions are constantly monitoring for human rights violations at its suppliers.

USHIO will continue to conduct due diligence with respect to human rights issues in the future.

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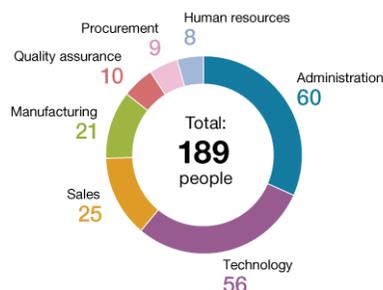
○ Conducting Human Rights Education

Respect for the human rights of stakeholders both inside and outside the Company begins with the actions taken by our employees. In order to instill a corporate culture that respects human rights, USHIO conducts human rights training that raises awareness of human rights among its employees.

In March 2013, we provided human rights training to newly appointed managers to improve their awareness of human rights issues, including indirect issues related to conflict minerals, within the scope of our business activities.

In February 2016, we invited experienced experts to discuss ways of dealing with global human rights issues, and brought together managers from domestic Group companies for training. Based on the actual experience of the instructor, the training addressed approaches for dealing with human rights issues that must be monitored around the world. The lecturers also briefed attendees on new trends, discussing patterns of behavior taken to address human rights in business activities and methods for conducting due diligence for human rights. The training session was attended by 189 employees, mostly managers. After the session, participants exchanged their thoughts and posed questions in a Q&A, reinforcing what they learned in the session.

Number of Participants by Type of Job in the February 2016 Management Training Session for Domestic Group Companies



○ Third-Party Opinion

We asked a representative from an NGO involved in international human rights issues for their opinion about USHIO's human rights initiatives.

Progress on Initiatives, But More Information Should Be Disclosed about Issues

As companies increasingly engage in business across borders, their value chains become more complex, from product development to procurement, final disposal and recycling. In areas of low visibility in this process, companies are prone to encountering human rights issues. In 2011, the UN formulated its Guiding Principles on Business and Human Rights, clarifying the responsibilities of corporations to uphold human rights. These guiding principles have been reflected in a variety of international standards for businesses. Companies have garnered attention for their initiatives to respect human rights.



Amnesty International Japan
Ms. Yoko Doi
Fundraising and
External Affairs Unit Chief

USHIO has revised its 10 Action Guidelines to incorporate human rights issues, and taken the big step forward of declaring that its initiatives will be based on international standards. The Company has also published its own thoughts on respect for human rights on its website. Accordingly, USHIO has fully disclosed its proactive stance on initiatives for human rights both internally and externally. I look forward to seeing USHIO advance these initiatives while engaging in dialog with stakeholders whose human rights may be affected by its operation, while integrating its thoughts on upholding human rights in management and throughout its business activities.

USHIO's initiatives to conduct due diligence for human rights issues in line with the UN's guiding principles are not new initiatives. USHIO has considered human rights issues for its employees and the local communities around its business sites, and these considerations should permeate throughout its value chain so that suppliers inside and outside Japan (and their employees) also respect human rights. Revising its Code of Conduct was the first step, and I believe USHIO has been a model for other companies beginning to take similar initiatives for human rights.

USHIO has envisioned scenarios where human rights could be negatively impacted. USHIO must revise its internal rules with respect to existing human rights, update areas in need of improvement, and strengthen its internal systems. This must be done to prevent these scenarios from happening. If any of these scenarios actually occur, USHIO should quickly address the issues.

To ensure the smooth functioning of its due diligence for human rights, it is important for USHIO that its employees, as well as its suppliers and other parties involved in related business activities, have a sound understanding of human rights. For this reason, human rights training should be enriched further.

Initiatives to conduct due diligence for human rights are ongoing initiatives, similar to other risk management systems. In this regard, I would like to see USHIO explain in more detail its commitment to human rights, evaluate progress on its initiatives, and disseminate more information on not just achievements, but also challenges, to interested parties.

Feature

Together with Our Employees

○ Basic Approach

We would not be able to mark progress as a company without our employees. Our corporate philosophy that dictates us to “build both a prosperous company and prosperous employees” aligns with the idea of being a group of highly motivated people working to realize their dreams. Amid rapid changes in the business environment, we believe sustainable corporate development depends on having respect for employees who have various value systems and come from diverse backgrounds, as well as the creation of a culture that encourages the free-spirited exchange of opinions. With 5,886 employees as of March 31, 2016, the USHIO Group respects the diversity of its employees and aims to create workplaces where they can leverage their abilities to the fullest extent.

○ Reforms to the Personnel System

USHIO is reforming its personnel system in a bid to maintain and enhance business competitiveness while boosting the ambitions of its employees to achieve more. The revised system will take effect from the fiscal year ending March 31, 2017.

Our personnel system has changed to emphasizing “roles” more in evaluation criteria, and now uses specific progress targets as benchmarks. We expect these changes to help maximize our performance as an organization, and believe the evaluation of progress toward targets will lead to continued human resource development.

USHIO has strengthened its management foundation and taken various initiatives to prosper amid competition inside and outside Japan. By emphasizing performance more in its personnel system, USHIO aims to maintain and improve the competitiveness of its businesses by motivating each and every employee to perform at the top of their abilities.

To become a group of highly motivated people working to realize their dreams in line with our philosophy to “build both a prosperous company and prosperous employees,” we have revamped our entire personnel system to concentrate more on the training and effective deployment of human resources.

To create a system that motivates and brings out the best in each and every employee, we clarified an image of our ideal employee, and came up with a personnel system that places greater emphasis on employees who produce the strongest results and play significant roles within the organization.

○ Integrated Talent Management System

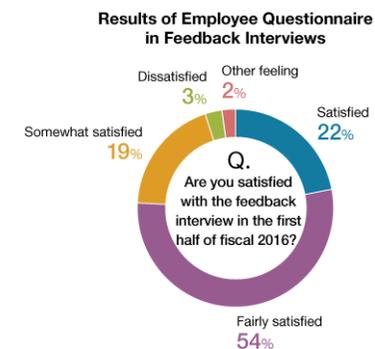
Managing personnel is an essential aspect of maintaining employee effectiveness, including assigning the right people to the job and training successors. Since 2015, USHIO has had an integrated talent management system that visualizes “talent” data for each employee along a timeline. The system is used to enhance flexibility in organizational management with consideration also made to changes in society.

Access to this data is restricted based on the user's work rank, and due attention is paid to protecting information unrelated to employee work and training. By improving the human resource management process, we are creating a foundation for business development that addresses changes in the business environment while enhancing workplace productivity, motivating employees to acquire needed skills and supporting their endeavors.

○ Promoting Proper Conversations about Evaluations between Employees and Their Managers

In line with guidance from the Workplace Culture and Communication Improvement Organization, which consists of members from across the Company, after employees complete the personnel evaluation process, they are given questionnaires about their evaluator in a feedback interview.

By effectively taking advantage of the opportunities presented by these feedback interviews, we expect to see an improvement in relationships and communication between employees and their managers.



More than half of all employees responded to the employee questionnaire. Based on an analysis of the results, some problems were identified with the evaluation process. The results of the analysis were used to improve the personnel system and refine the training and guidance provided to performance evaluators for fiscal 2017 onward.

Through these feedback interviews, in addition to providing feedback on evaluation results, we aim to enhance the motivation of and growth opportunities for both employees and their managers by using the results to improve communication and trust between employees and managers.

Feature

Contributing to the Environment through Products and Services

USHIO recognizes that maintaining harmony with the global natural environment is one of its top priorities as a company. Accordingly, we aim to achieve a sustainable society by incorporating environmental preservation activities into every aspect of our business activities. Besides working to reduce the environmental impact of our business activities as a matter of course, we are focusing on developing and supplying environmentally beneficial products and services. Looking ahead, as one of our initiatives to help solve social issues through light solutions, we will continue to actively contribute to the environment through our products and services.

Phase Five of the Environmental Action Plan

The USHIO Group formulated its 2020 Environmental Vision with the goal of becoming a company able to contribute through its business activities to the realization of a low-carbon, recycling-oriented, biodiversity-preserving society by the year 2020.

Our Environmental Action Plan establishes goals and targets for each theme by extrapolating back from our aspirations for the ideal society we wish to realize. Guided by Phase Five of the Environmental Action Plan, we have been undertaking specific activities from fiscal 2017.

Environment (CSR Action Plan)

Under the Environmental Action Plan, we have set the development of environmentally and socially beneficial products as one of the plan's themes, with the aim of providing safe, reliable and environmentally conscious solutions.

Specific examples of our initiatives to contribute to the environment through our products and services are presented below.

Investments in Tomatoh Farm Co., Ltd. and Hokkaido Saladpaprika Co., Ltd. Expanding Light Solutions for Agriculture

In fiscal 2016, USHIO invested in Tomatoh Farm Co., Ltd. and Hokkaido Saladpaprika Co., Ltd., both of which are conducting next-generation plant growing businesses. Against the backdrop of stronger calls for safe and reliable foods produced in Japan, these two companies offer compelling prospects for growth.

Hokkaido Saladpaprika is an operating company engaged in a paprika cultivation business in Kushiro City, Hokkaido. The company cultivates paprika year round in a 23,000 m² plant factory that uses natural sunlight.

USHIO delivers light source equipment that utilizes sodium lamps from BLV Licht-und Vakuumtechni, which is a Group company. Through these products, USHIO is boosting the cultivation of paprika seedlings and promoting photosynthesis, together with contributing to increased efficiency.

With almost all paprika consumed in Japan imported from abroad, there are high hopes for increasing the distribution volume of safe, reliable paprika cultivated in Japan. We intend to take full advantage of USHIO's light technologies to assist with the spread of domestically cultivated paprika.



An example of using sodium lamps to cultivate paprika seedlings

Leveraging this opportunity to provide solutions, we also aim to gain expertise on the plant growing business, in conjunction with driving the growth of our light solutions business for agriculture.

For Tomatoh Farm, the USHIO Group delivers LED light sources made by USHIO LIGHTING to the company's plant factory for strawberry cultivation, which uses artificial light sources in combination with natural sunlight. By promoting photosynthesis using LED light after sunset and in cloudy and other weather conditions, we are contributing to the stable cultivation of strawberries. In addition, we are gathering expertise on matters including the selection of appropriate wavelengths and intensity of light, as well as irradiation techniques.

In addition to sodium lamps and LEDs, USHIO has amassed a large store of fundamental light technologies that can contribute to the development of agricultural businesses. As with the investments in the aforementioned two companies, in the course of providing these ongoing solutions, we seek to further enhance our fundamental technologies by continuing to gather expertise on factors such as freshness, sterilization, and the control of crop growth and composition. Furthermore, we will lay a solid foundation for broadening our ability to provide a wide range of solutions beyond plant growing, with a view to expanding our business in the years to come.

USHIO EUROPE B.V. and USHIO KOREA INC. Sterilization of Ballast Water for Ships and Providing Solutions for Public Water Supply Systems

Ballast equipment is used to maintain the stability of merchant ships plying the world's oceans. Although this equipment is essential to safely operating ships at sea, it has been noted that ballast water causes environmental problems by transporting foreign marine microorganisms that possess varying degrees of toxicity across different oceans. When the ballast water is released into the sea, the foreign microorganisms can destroy the local food chain and thereby disrupt marine ecosystems. According to data from the International Maritime Organization (IMO), more than 5.0 billion tons of ballast water are transported across the world's oceans every year.

In response, USHIO supplies ship equipment manufacturers with a sterilization unit for ballast tanks that utilizes UV lamps and compact power supplies, which are among the Group's fundamental technologies. We have amassed an extensive track record, with products supplied primarily to customers in South Korea and Europe. These sterilization units are superior to those based on electrolysis and ozone methodologies, because they can sterilize not only seawater but river water as well.

Leveraging this fundamental technology, USHIO KOREA INC. is working to propose a UV reactor for use in public water supply systems in urban areas.

Government research institutions are facing issues surrounding advanced water treatment as they seek to address various environmental problems. In the course of examining improvements to the water treatment process in recent years, it has become clear that adopting UV reactors in the existing water treatment process will offer both safety and cost advantages. This discovery has paved the way for USHIO KOREA's latest proposal. Going forward, the USHIO Group will continue seeking to expand applications further.



UV reactor delivered to a research institution

Feature

WACOM ELECTRIC CO., LTD.

Developing and Promoting Solar Power Generation and Clean Energy

The Earth is blessed with an abundant supply of solar energy from the Sun. Research is currently being vigorously pursued around the world to make effective use of this energy. Notably, solar power generation has become synonymous with clean energy and is being utilized worldwide.

Working closely with certification institutions, research institutions, major solar cell manufacturers and materials manufacturers, WACOM ELECTRIC CO., LTD. has been developing expertise on providing high-quality solar simulators for testing solar cells for quite some time. Today, the company boasts a strong track record of product deliveries to a broad range of customers and a high market share. The company has been continuously contributing to the development of the solar power generation market, with a particular focus on expanding the high-end market.

In the past few years, the USHIO Group has proposed a solar simulator using LED light sources that will help to conserve energy and resources. Although these efforts are still at the R&D stage, LED light sources offer advantages in terms of flexibility, including the ability to adjust the wavelength of light. Accordingly, we are focused on bringing a commercial version of this product to market.

The need for solar simulators is increasing in fields where high-quality solar simulations are required, such as testing the impact of solar light on living bodies, in addition to the testing of solar cells. Moreover, the USHIO Group continues to cooperate with the industry to address the standardization of quality, which is essential to utilizing solar simulators on a global scale.

Looking ahead, we will continue to make a long-term contribution to the realization of a sustainable society.



Solar simulator
Standard model with an irradiance
area of 156 mm x 156 mm
WXS-156S-10, AM1.5G

CSR Action Plan

Governance

The USHIO Group recognizes that promoting the sustainable growth of the Company and increasing corporate value over the medium to long term, as heralded in our management philosophy, will bring satisfaction to all stakeholders. To this end, the Company strives to ensure the transparency and efficiency of corporate management and to reinforce corporate governance for realizing speedy and resolute decision-making.

Corporate Governance Framework

At the Annual General Meeting of Shareholders on June 29, 2016, USHIO transitioned from a company with audit & supervisory board structure to a company with audit and supervisory committee structure. The aim was to further strengthen the supervision function of the Board of Directors as part of a drive to reinforce corporate governance in order to ensure transparent and efficient corporate management and speedy and resolute decision-making.

This transition will foster speedy decision-making by delegating decisions for certain important business matters from the Board of Directors to executive directors. It will also strengthen the supervision function of the Board of Directors by ensuring that most of its members are outside directors. The new setup will also reinforce audit and supervision functions by establishing an audit and supervisory committee with the authority to assess the legality and validity of board members in performing their duties.

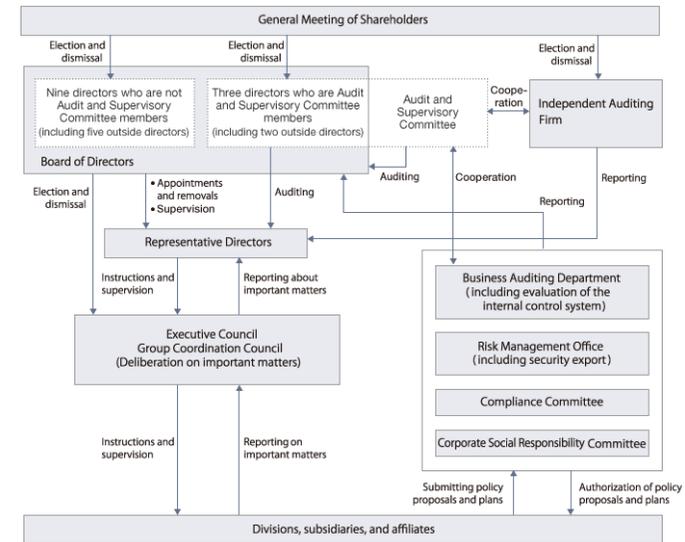
The Board of Directors comprises 12 directors. Nine are not Audit and Supervisory Committee members (including five outside directors) and three are Audit and Supervisory Committee members (including two outside directors). The Board of Directors oversees decision-making and business execution for top priority issues, including basic management policies.

Delegating decisions on certain important business execution to overseeing directors has accelerated decision-making. At the same time, the executive officer system has led to more accurate and speedier business execution. USHIO established the Executive Council and Group Coordination Council to discuss and report on priorities in business execution.

The Audit and Supervisory Committee, which comprises three directors (including two outside directors), audits and oversees directors' performance of duties in line with its own audit and supervising standards. USHIO appointed a full-time Audit and Supervisory Committee member to enhance the efficacy of audits by collecting information from directors (excluding those who are also Audit and Supervisory Committee members) and employees and coordinating smoothly with the Internal Audit Department and independent auditing firm.

CSR Action Plan

USHIO's Internal Control Framework



CSR Action Plan

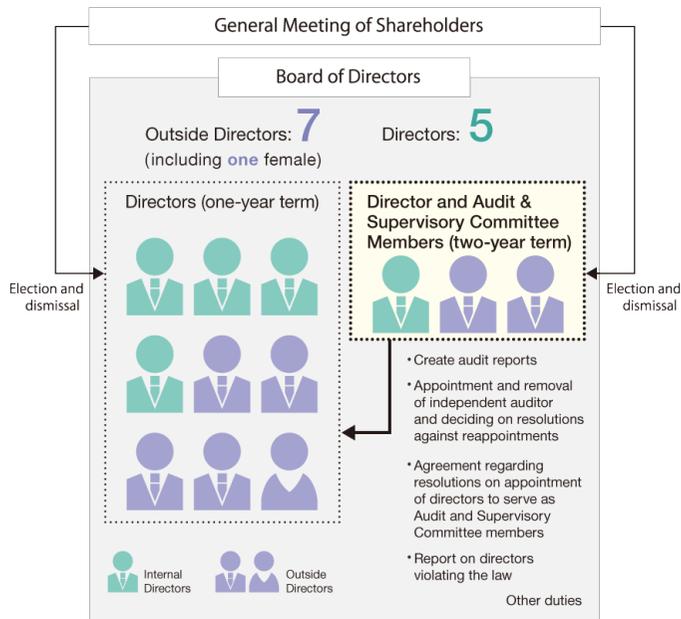
○ Transition to a Company with Audit and Supervisory Committee Structure

USHIO added three independent outside directors and three independent outside Audit and Supervisory Board members, and put in place a Remuneration Advisory Committee which consists of a chairperson and members with outside director comprising the majority in keeping with efforts to reinforce corporate governance.

USHIO has transitioned to a Company with Audit and Supervisory Committee structure to strengthen the supervision function of the Board of Directors and foster speedy decision-making by delegating judgments on certain important business matters to executive directors and executive officers.

After the transition, the Company has an Audit and Supervisory Committee comprising at least three directors of whom a majority are outside directors.

USHIO appointed a full-time Audit and Supervisory Committee member to enhance the efficacy of audits by collecting information from directors (excluding those who are also Audit and Supervisory Committee members) and employees and coordinating smoothly with the Internal Audit Department and independent Auditing Firm.



Compliance

At USHIO, we have established a Compliance Committee, and we work to foster a corporate culture that observes laws and regulations, practices corporate ethics, and respects Company rules.

The Compliance Committee promotes education and training to enhance compliance and prevent violations before they occur. USHIO aims to spread awareness of compliance through questionnaires and internal newsletters, implementing a compliance awareness month, and holding a training conference once a year with lectures given by experts on a variety of compliance topics.

Furthermore, we have been promoting a Company-wide drive to deal with compliance concerns, including potential risks. To achieve early-stage solutions, we have established an internal consultation desk as well as an external consultation and reporting desk, known as the USHIO Helpline.

○ USHIO Helpline

The USHIO Helpline has been in operation in the USHIO Group since October 2006. When any Group employee in Japan is subject to or knows about improper behavior, such as workplace violations of laws and regulations, internal rules, ethics or other standards for behavior, he or she can use this helpline for direct communication with individuals outside the Group to consult or report on this improper behavior. The helpline allows for quick discovery and correction of improper behavior together with measures to prevent recurrence. It provides access to consultations while protecting individuals who use the helpline from any negative consequences.

All whistle-blowing statements received via an external channel are immediately reported to the chair of the Compliance Committee, who is a managing director appointed by the president. Under the direction of the chair of the Compliance Committee, USHIO aims to quickly resolve issues by conducting audits, responding to incidents, and putting in place measures to prevent a reoccurrence. To prevent this system from losing effectiveness, USHIO takes action to raise awareness of compliance through internal newsletters, training sessions and a compliance awareness month.

Information Security

USHIO handles private information of frequent customers and is entrusted with their important Company information and other information assets in the course of its business activities. We consider it a top priority to safeguard such information from threats such as leaks and modification. Moreover, because we recognize that information is an asset that generates value and is a source for increasing corporate value, we are taking measures such as raising awareness of information security among our employees and improving our risk management systems.

This kind of management requires three interlocking initiatives: rules must be determined, a framework must be created for observing those rules, and awareness must be raised. We implement these based on our information security management rules and make sure they are applied uniformly and consistently for the USHIO Group throughout the world.

CSR Action Plan

Specific examples include the promotion of countermeasures, such as having a certain secure area at each business site where access is controlled with IC-embedded ID cards, antivirus measures for PCs, encryption of hard drives, authorization management of operation systems, and strengthening the capacity to respond to disasters and faults. Other measures include setting up automatic encryption for external email attachments, functions to prevent sending emails to the wrong recipient, replacing PCs in conjunction with the end of support for Windows XP, enhancing security control by replacing our PC asset management tool, strengthening Internet access control, and bolstering data access privileges by integrating our file services.

Moreover, USHIO supports those of its employees that seek freedom of movement by letting them work outside the office with tablets and other mobile devices. USHIO is working to ensure and strengthen the security of these devices on par with the security of PCs, including by introducing management systems that enable employees to work outside the office, such as video conferencing via smartphones and tablets.

It is also important to enhance information security awareness and skills for each individual employee in order to prevent information leaks. We have therefore taken steps to increase awareness among employees of the various threats and opportunities where leaks may occur by implementing a Company-wide e-learning program and conducting training for new recruits together with level-specific training. We promote these initiatives by operating a PDCA cycle to ensure that this awareness penetrates our entire organization at every level.

In our ISO improvement activities, which started from fiscal 2016, we are supporting efforts to lighten workloads and streamline and accelerate operations. From fiscal 2017 onward, USHIO is launching a project to advance reforms to the way employees work with Groupware, while focusing efforts on advancing innovation through changes in work styles and seamless communication internally and externally.

Initiatives to Prevent Corruption

USHIO's 10 Action Guidelines for business activities commit us to conducting fair and equitable business transactions, and we have always taken vigorous action to prevent corruption. In 2010, USHIO became a signatory of the United Nations Global Compact's 10 Principles, which include provisions for preventing corruption, and we support the prevention of corruption and bribery in a variety of business activities.

In our operations, we are concerned about the risk of bribery to promote sales of laboratory instruments, light source products and medical equipment to universities and government agencies. In sales of medical equipment in particular, we stress the importance of maintaining proper relationships with our customers, namely medical practitioners. USHIO regularly trains its sales staff on transparency guidelines with the aim of preventing corruption.

Newly appointed procurement managers rigorously further greater understanding of the Company's procurement practices and work to prevent inappropriate relationships with suppliers. In operations related to the sale of our wide range of products and the procurement of materials, there are concerns that efforts to prevent corruption and bribery will become increasingly complex as the Company's scope of operations expands overseas, owing to the possibility that overseas laws and regulations pertaining to the prevention of corruption (especially FCPA in the US and UKBA in the UK) will apply to other regions.

We conduct individual training on corruption prevention relating to each person's duties, and for manager-class employees, we also conduct training based on the strengthening of anticorruption laws globally that focuses on the aforementioned concerns. In this way, we ensure that everyone throughout the Company is aware of corruption prevention.

People

At the USHIO Group, people are one of the pillars of our CSR Action Plan. We are working to eradicate discrimination; respect diversity and the rights of all people; eliminate harassment; promote worker health and safety; prevent child labor, forced labor and slave labor; and avoid complicity in human rights infringements.

Occupational Health and Safety

USHIO makes concerted efforts to ensure workplace safety and health with the aim of providing a safe and comfortable work environment for its employees. USHIO has implemented systems for the management of safety and health that are optimized for the conditions of each business site. At each business site, USHIO has assigned expert staff as required by law, such as industrial physicians and fire prevention managers, established occupational health and safety committees, set up subcommittees consisting of specialists, and taken initiatives to address work-related risks. USHIO's Business Auditing Department conducts assessments of occupational health and safety. A system has been put in place so that matters of concern that arise from these assessments are reported to top management through the Compliance Committee, which is chaired by a member of the Board of Directors.

Preventing Work-Related Accidents

Safety patrols are conducted at each office and worksite, and we take preventive countermeasures in sequence after identifying potential risks that result in serious injuries. We are also switching to alternatives to organic solvents that have been implicated in health problems.

Frequency of Work-Related Accidents*

| Fiscal 2012 | Fiscal 2013 | Fiscal 2014 | Fiscal 2015 | Fiscal 2016 |
|-------------|-------------|-------------|-------------|-------------|
| 0.55 | 0.00 | 0.00 | 0.00 | 0.26 |

* The rate of lost-time injuries indicates the frequency of occupational injuries, based on the number of injuries or fatalities caused by work accidents per one million work hours. The number of injuries and fatalities caused by work accidents during a certain period is divided by the total number of hours worked over the same period, and multiplied by one million to derive the rate. (At USHIO, hitherto there have been no occurrences of major accidents related to fatalities or threatening human lives during work operations.)

$$\text{Frequency of Work-Related Accidents} = \frac{\text{Number of injuries and fatalities caused by work accidents}}{\text{Total number of hours worked}} \times 1,000,000$$

Information about the total number of occupational safety training sessions (foreman training) conducted at each business site, as well as the implementation status as of the fiscal year ended March 31, 2016, is shown below. (Currently, about 12 hours of training is given to each person.)

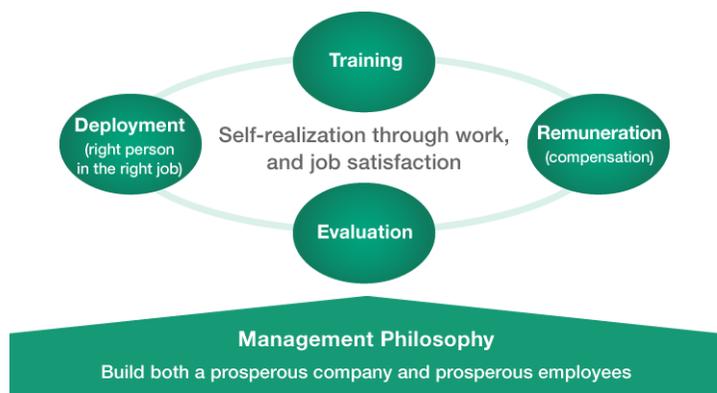
Occupational Safety Training Sessions (Foreperson Training)

| | Total number of participants | Number of participants in fiscal 2016 |
|--|------------------------------|---------------------------------------|
| Three business sites (Harima, Gotemba, Yokohama) | 337 | 10 |

CSR Action Plan

Human Resource Development

In line with our management philosophy to "build both a prosperous company and prosperous employees," USHIO aims to develop independent, self-directed human resources through level-specific employee training programs that include, career development training, selective training, several optional self-development education programs, and a diverse range of other training programs.



Education and Training for Human Resource Development

| | Level-specific employee training (qualification positions) | Career development training | Selective training | Training for specific positions | Common training |
|-------------------------------|---|--|---|--|--|
| Line managers | Top-level executive training Line manager training + follow-up training | Career design training • 50s • 40s • 30s • New employees in their third year | Young Executives Scheme Study abroad system Overseas training | Manufacturing skills training, self-maintenance training, occupational safety and health training, small-group activities Technical skills training (Training Center classes, techno fair) Manager training (for CSR, legal, accounting, etc.) | Language education (assistance for taking TOEIC exams, foreign language education for overseas assignments) Self-development education (correspondence courses, schools, etc. [joint system]) |
| Executives | Pre-appointment training Newly appointed executive training + follow-up training | | | | |
| Mid-career to young employees | Pre-appointment training Third-year training | | | | |
| | New recruit training | | | | |
| | | | | | |

Young Executives Group

This system aims to nurture management personnel for the future. Members of the group are chosen from an openly canvassed pool of applicants, typically young employees around 30 years of age from Group companies. There are five target criteria: a dream, strategy construction ability, ability to act, collaboration, and ability to work in a global setting. The participants learn theoretical knowledge, such as management strategy, and tackle specific initiatives relating to actual management issues. They undertake these activities while exchanging opinions with upper management and external experts, among others. Through this system, USHIO provides these highly motivated young employees with opportunities to develop their career paths.

Big Sister and Big Brother System

The Big Sister and Big Brother System is a long-running training system that has existed for more than 30 years at USHIO for training new recruits. During the first year of employment, veteran employees act as one-on-one guidance counselors for new recruits to back them up. Female mentors are called Big Sisters and male mentors are referred to as Big Brothers. In addition to providing guidance about daily work activities, they support the growth of new recruits by helping them solve issues related to their corporate work lives and any personal struggles. The employees selected to be Big Sisters and Big Brothers also undergo training. The Big Sister and Big Brother System, in combination with other initial training for new recruits, has led to high retention rates of new employees in their third year (100% for new employees that joined out of college in fiscal 2014).

Career Design Training

USHIO believes each employee can lead fulfilling lives while growing through their work, and that this begins with their own aspirations. For this reason, we offer career design training to employees by age group as a venue for them to think about their medium- and long-term careers and life plans, from the perspectives of "Skill" (training to acquire the ability to perform work), "Can" (exploring one's own possibilities), "Will" (deciding what to do), and "Must" (confirming what they should do).

In fiscal 2016, young employees in their first, second or third year at the Company were paired with line managers aged 50 and up.

Disclosure of Annual Employee Training Hours and Costs

The number of hours spent training employees at the Company, centered on training to improve their skills, and the amount spent on this training is detailed below for fiscal 2015 and fiscal 2016.

| | Fiscal 2015 | Fiscal 2016 |
|--|--------------|--------------|
| Total amount spent ^{*1} | ¥70,675,000 | ¥96,995,000 |
| Total time spent training ^{*2} | 13,586 hours | 43,445 hours |
| Total number of people who received training | 1,333 people | 1,834 people |

*1 The total amount of education outsourcing costs, venue costs, and other expenses paid externally.

*2 Total time spent for skill improvement training, which includes the aforementioned support for self-development, the Young Executives System, level-specific training, occupation-based training, and training programs for new recruits. The total time excludes training for individual purposes, such as training for occupational safety and health, training in compliance, and various training programs according to work role.

CSR Action Plan

Diversity at USHIO

Utilizing Global Human Resources

Overseas sales account for approximately 80% of the USHIO Group's total sales. Human resources capable of blending in to communicate and understand local needs are indispensable in promoting business overseas. We are therefore working to develop and utilize global human resources by conducting international study programs and hiring international students, as well as by providing opportunities for interaction between Group companies.

Employment of People with Disabilities

In the fiscal year ended March 31, 2016, USHIO achieved a ratio of employees with disabilities of 1.92%, slightly below the legal requirement of 2.0%. We will continue taking steps to make our workplaces barrier-free, including installing sliding doors in restrooms and handrails on stairways, and to promote employment of people with disabilities going forward.

Re-Employment Systems

USHIO actively supports employment for seniors. We have established extended employment programs (Senior Partner Program and Senior Expert Program) that are conducted through our re-employment system. These popular programs allow employees to work up to the age of 65.

In November 2015, USHIO newly established the Job Return System for rehiring employees who had to leave work to attend to family matters. This system aims to rehire employees and redeploy the skills and abilities that they developed while working at the Company, enabling them to once again play an active role.

Support for Working Women

We believe that diverse sensitivities, approaches, and abilities are needed in order to generate new business amid the matured economies of the industrialized nations. Consequently, we have more than doubled the percentage of female employees in sales and technical positions over the past five years.

On April 1, 2016, USHIO adopted a personnel system that does not take gender into account while eliminating the distinction between main career track positions and general staff positions. USHIO promotes personnel into management career track positions without regard to gender, and aims to triple the number of women in management positions by 2020.

At USHIO, the average length of service for its employees has increased every year, reaching an average of 18 years in fiscal 2016, with female employees working more years on average than their male counterparts.

Work-Life Balance

Support Programs

USHIO aims to be able to flexibly accommodate diverse values and work styles regardless of employees' lifestyles and gender. As part of this, we have a support system for childcare leave that offers much more than the legally required level of support.

As an additional support for employees balancing parenting with work, we uploaded the Work-Life Balance Handbook on our intranet portal for employees. The handbook contains information on programs for balancing work, as well as information on childrearing and maternal welfare, how managers should respond, and other tips for employees who would use the programs and for their managers.

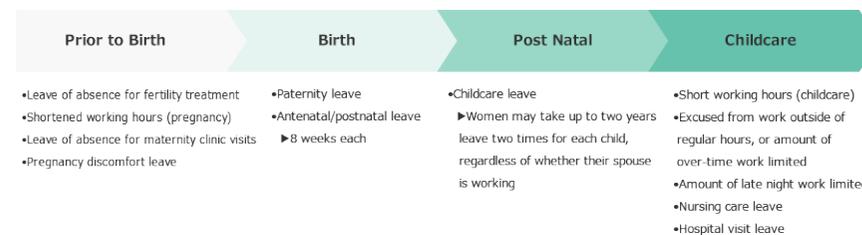
We have also enhanced the work environment to enable people to balance work and parenting while encouraging them to review their way of working in order to achieve a good work-life balance. For example, we conducted "no overtime" days and put up posters to promote them, and organized visiting days for children and family day events. The ratio of women returning to work after taking maternity leave is virtually 100%, and several male employees also take childcare leave each year.

Consequently, for the fourth time we earned the Kurumin certification as a company that supports the raising of children under the Act for Measures to Support the Development of the Next Generation.

People Taking Childcare Leave

| | Fiscal 2013 | Fiscal 2014 | Fiscal 2015 | Fiscal 2016 |
|---------------|-------------|-------------|-------------|-------------|
| Men | 5 | 4 | 3 | 5 |
| Women | 32 | 29 | 25 | 22 |
| Total persons | 37 | 33 | 28 | 27 |

USHIO's Work-Life Balance Support System



CSR Action Plan

Communication

○ Communication with Lunch

At USHIO, the president has lunch meetings with employees in a bid to facilitate communication in a casual setting. Under an initiative started in fiscal 2015, USHIO holds “Communication with Lunch” meetings to expand the scope of the original lunch meetings to include business managers and facilitate communication between as many employees and managers as possible.

This initiative provides the president and other members of the management team with an opportunity to communicate directly about the Company, the direction of business, and their thoughts and ideas about them. At the same time, it allows employees to get to know management. The lunches are a valuable time, where participants can hear about things that they usually don't hear, from difficult topics regarding the organization and management to more private themes such as personal approaches to work and work styles and ways to learn English.

“Communication with Lunch” Meetings Held and Number of Participants

| Lunch host | Number of lunches held | Number of participants |
|------------------------|------------------------|------------------------|
| President | 10 | 47 |
| General managers, etc. | 31 | 147 |
| Total | 41 | 194 |

○ World Café

In fiscal 2015, employees conceived and led the World Café project, which aims to achieve a “vibrant workplace with a healthy corporate culture.” The goal of the World Café is to draw attention to the importance of communication by having fellow participants who do not know each other well come together in a relaxed atmosphere, engage in dialogue about specific topics, and talk openly with one another.

Quality

To accurately grasp the needs of our customers, we think from their perspective, then work as one with our business partners to improve our product development and quality. In this way, we provide products and services with appealing quality that goes above and beyond the run-of-the-mill.

Quality Assurance Divisions

USHIO has a system for improving the efficiency and speed of its quality management system, and started new activities in fiscal 2016. We will maintain our mechanisms for swiftly responding to customer needs while meeting the requirements of ISO 9001. We will aim to achieve radical innovation not bound needlessly to rules and firmly anchored in front-line realities, as we strive to achieve even higher levels of customer satisfaction.

We adopt best practices for ensuring quality from the accumulated expertise of each business division through collaboration between the Quality Assurance Division of each business division. We have also established quality management systems based on legal standards in the medical equipment business.

By strengthening our ties with overseas production affiliates and Group companies, we aim to improve the level of quality assurance throughout the entire USHIO Group.

UPS (USHIO Production System)

UPS (USHIO Production System) is an initiative aiming to establish a unique new production system that started at USHIO's Harima Division in fiscal 2012. Amid a rapidly changing business environment, it is important to be able to efficiently supply high-quality products in any environment. To achieve this, we saw the need to think outside the box and promote improvements from a broad-ranging perspective by integrating our ongoing UPS, TPM and TQC improvement activities, rather than repeatedly going over the same ground.

○ Activities Until Now

The main thrust of the UPS movement is ZD (zero-defects) activities, which seek to eliminate defective work by stimulating individual autonomy and enthusiasm among employees and fostering creative thinking. Traditionally, the movement consisted of three pillar groups, the Manufacturing Technology Group, Quality Assurance System Reform Group and Education and Enlightenment Group.

USHIO has been conducting small-group activities at our business sites since April 2014 to engage all employees at each business site in activities to improve quality assurance and visualization. This initiative began with 91 groups which implemented specific measures to improve quality, trained personnel able to autonomously manage quality, and helped raise awareness of quality at sites.

In fiscal 2016, we created new supporter positions within departments to provide assistance to the 90 small groups, with women and young employees taking the lead. These supporters provide follow-up assistance instead of secretariats. For the organization, this became an opportunity to switch to our current system, integrating efforts to improve quality with actual work processes, thereby creating a structure for the homogenization of mindsets and support for independent action on quality assurance.

In fiscal 2017, 88 small groups will continue to work with supporters with the aim of reducing the ratio of follow-up assistance from the quality promotion secretariat to zero, thereby entrenching initiatives to further improve quality.

CSR Action Plan

○ Improving and Embedding Value in Human Resource Development

We believe that "in order to produce good products, it is first necessary to produce good workers." We are training supporters to encourage autonomous activities at business sites. From fiscal 2017, we aim to improve and embed the value of human resource development by enhancing our training curriculum into one that offers more practical lessons and techniques.

From now on, too, through the continuous, steady accumulation of activities, we will establish platforms for manufacturing that can be visualized and build up expertise. At the same time, we will continue activities to enhance the efficiency and vitality of our workplaces.

Product Development Related to Biomedical QOL Improvement

The TheraBeam® UV308 excimer light phototherapy device, which uses ultraviolet light to treat skin disorders, was the Biomedical Business Division's first product. Since then, USHIO has obtained the legally required permits and expanded into other business fields, ranging from medical equipment to external diagnostic reagents.

Moreover, together with a Group company and a clinical diagnosis company, USHIO has launched a blood analyzer business for the early detection of risks for contracting colorectal cancer and diabetes, diseases that are afflicting an increasing number of people. These risk analysis operations can lead to the preventative treatment of diseases by halting their progress, thereby improving quality of life and reducing medical expenditures.

Customer Service Center Initiatives

At our Customer Service Center, we take the customer's viewpoint and prioritize stable operation of customers' equipment and customer satisfaction. We work to provide them with confidence and safety, on time, while continuing to take various measures to ensure that we retain their trust and reliance.

Recently, more and more of the end users for our equipment products are spread throughout the world, so we are taking steps to enhance our local service systems through links with our bases in the US, China, Taiwan, and South Korea. While strengthening our local service systems, we will seek to provide enhanced proposal-based services. We will continue striving to enhance service products and provide the value that customers require to increase customer satisfaction even further.

Creation of Business Models with IT

In fiscal 2017, USHIO reorganized its IT division. In the fields of the administration of internal IT systems, security and education, USHIO has reorganized and further strengthened its organization, including by updating platforms that contribute to business, adding roles for adapting to new business models and promoting innovation through internal business process reforms.

As new added value for existing business models, USHIO has become aware of automation with IT solutions, and started to examine the creation of solutions to enhance productivity and quality for the IoT business and for its customers that possess manufacturing sites.

BCP Initiatives

USHIO commands extraordinarily large market shares for many of its light source products used in various industries. Recognizing our important responsibility to ensure stable supplies of these products, we have been actively promoting business continuity plans (BCPs).

In April 2012, USHIO established the BCP Committee as an entity for the entire Company and formulated a business continuity plan for its key bases in the light source business, while starting to build a framework for mitigating damage and quickly recovering from a natural disaster and collaborating with other bases.

In April 2014, we created the USHIO BCP, an integrated business continuity plan for the entire Company that covers all of its bases. This BCP defines the organizational entities that oversee labor, capital procurement and public relations, and calls for periodic drills and training for these entities in a constant review of the structure and its responsiveness. Through training sessions, we spread awareness of our BCP activities to other layers of the organization. Looking ahead, we will address issues related to our response to additional risks, such as damage from natural disasters and incidents caused by people, as well as the proliferation of BCPs throughout the Group.

About the CSR Procurement Policy

USHIO is meeting its social responsibilities as a corporate citizen by supplying superior products and services to the global market through free and open corporate activities. For its procurement activities and in the spirit of encouraging coexistence and prosperity for all, USHIO has defined the five points below as the USHIO CSR Procurement Policy, encapsulating its respect for laws, social norms and environmental protection.

1. Human Rights Alongside Occupational Health and Safety
2. Environmental Consideration, Green Procurement
3. Ensure Product Safety
4. BCP (Business Continuity Planning)
5. Fair and Equal Transactions, Legal Compliance

○ CSR Procurement Policy

○ Promoting CSR Procurement with Our Suppliers

The USHIO Group's Green Procurement Standards encourage its suppliers to improve their environmental responsiveness by requiring them to establish environmental management systems based on ISO 14001 or Eco Action 21.

USHIO periodically conducts CSR response status surveys (questionnaires, etc.) of its suppliers. We ask our suppliers to evaluate their own environmental management systems and CSR response status, and use the results of these surveys to promote better CSR responsiveness at our suppliers.

CSR Action Plan

○ Advancing CSR Procurement

While aiming to improve the CSR responsiveness of its suppliers, the USHIO Group gives preference in its transactions to suppliers that have demonstrated excellent CSR responsiveness. As a result, CSR procurement is advanced throughout our supply chains.

In its environmental activities, the USHIO Group has been strengthening the environmental responsiveness of Group companies, centered on USHIO. The USHIO Group Procurement Conference is periodically held with procurement managers from each base in attendance. During the conference, we reiterate procurement policies to promote specific courses of action in management. This conference also allows us to address customer requests on a worldwide basis.

○ Overseas Procurement

As companies continue to globalize, the social responsibility required of them has increased, and the scope of that responsibility has widened. Issues with human rights relating to overseas labor conditions, water and environmental pollution due to resource development, or issues relating to mined resources in war-torn areas are among the responsibilities—and risks—that we bear both directly and indirectly through our supply chain.

○ Group Development

Group company supply chains extend throughout Japan and the world. The Group Coordination Council sets CSR procurement policies and ascertains conditions, and the USHIO Group Procurement Conference debates specific initiatives for CSR procurement.

Checking for Conflict Minerals

The USHIO Group uses tungsten, tantalum and other minerals to make the electrodes and filaments in its lamps. To do this, and based on our Basic Policy Statement for Conflict Minerals, Group companies and our suppliers are prohibited from using conflict minerals. USHIO checks for the use of any conflict minerals and reports the results of its findings to customers using the EICC/GeSI Conflict Minerals Reporting ledger sheet.

(Conflict Minerals)

In accordance with the clause on conflict minerals in the US Securities and Exchange Commission's Dodd-Frank Wall Street Reform and Consumer Protection Act, companies listed on US stock exchanges are legally obligated to disclose and report on their use of conflict minerals in their products. Conflict minerals include tantalum, tin, gold, and tungsten, produced in the Democratic Republic of the Congo or adjacent countries.

Basic Policy Statement on Conflict Minerals

- We shall not use conflict minerals (tantalum, tin, gold, and tungsten) produced and sold by armed forces in the Democratic Republic of the Congo or adjacent countries.
- We shall convey USHIO's policies on conflict minerals to our suppliers, and conduct necessary surveys.
- We shall stop purchasing materials if it becomes evident they are made with conflict minerals.

Kenji Hamashima
President and Chief Executive Officer USHIO INC.
October 1, 2014

Environment

We at the USHIO Group recognize symbiosis with the global environment to be one of today's most important challenges for enterprises. We pledge to contribute to the creation of a sustainable society by incorporating measures for environmental protection into every aspect of our business activities.

2020 Environmental Vision

The USHIO Group formulated its 2020 Environmental Vision with the goal of becoming a company able to contribute through its business activities to the realization of a low-carbon, recycling-oriented, biodiversity-preserving society by the year 2020. USHIO has been promoting Phase Five of its Environmental Action Plan since fiscal 2017.

Review of Phase Four of the Environmental Action Plan

Under Phase Four of the Environmental Action Plan (fiscal 2014 to fiscal 2016), USHIO had worked toward achieving its objectives to expand sales of environmentally conscious products, implement global warming countermeasures, manage chemical substances, conserve natural resources, and preserve biodiversity.

As a result, USHIO achieved its targets for reducing the volume of CO₂ emissions at its business sites and in distribution, improving the reliability and efficiency of CMS, and reducing waste volume. However, we have some issues left to address, and need to revise our standards for creating Super Green Products and expanding sales of environmentally conscious products.

CSR Action Plan

○ Results of Phase Four of the Environmental Action Plan

| Environmental themes | | Initiatives | Phase Four target | Phase Four results | Evaluation |
|---|--|--|--|--|------------|
| Design of environmentally conscious products | Expand sales of environmentally conscious products | Creation of Super Green Products | Creation of Super Green Products: Accumulated total of 20 | Creation of Super Green Products: Accumulated total of 3 | × |
| | | Sales ratio of environmentally conscious products | Increase sales ratio of environmentally conscious products by 50% | Increased sales ratio of environmentally conscious products by 25% | × |
| Promote environmentally conscious operations (enhance environmental productivity) | Global warming countermeasures | Reduce CO ₂ emissions at business sites | Reduce CO ₂ emissions by 3% from fiscal 2013 levels on a sales unit basis | Reduced CO ₂ emissions by 6% from fiscal 2013 levels on a sales unit basis* | × |
| | | Reduce CO ₂ emissions in distribution | Reduce CO ₂ emissions per unit of shipments (down 1% year on year) | Harima Division: Down 17% compared with fiscal 2014 Gotemba Division: Up 7% compared with fiscal 2014 | ○ |
| | Management of chemical substances | Improve reliability and efficiency of CMS | Improve and integrate CMS framework for more efficient and reliable management | USHIO improved the framework to apply to equipment products, new products and procuring parts and materials overseas, extending it to each bases. Gotemba began to effectively manage CMS, and some overseas bases began to independently conduct surveys and answer customer questions. | ○ |
| | | Enhance customer responsiveness | Put in place a structure that facilitates a precise and rapid response to customer demands | USHIO has introduced a system able to respond to customer requests about environmental surveys, and improved efficiency by using the web to share information between business sites and answer questions from suppliers. | ○ |
| | | | | USHIO reduced parts that contain prohibited substances from the design stage by exerting control through a system that determines legal regulations. | |
| | | | | USHIO automated the management of acquired environmental data and reduced parts that do not have environmental data. | |
| Resource conservation | Resource conservation | Reduce waste by 3% from fiscal 2013 levels on a sales unit basis | Reduced waste by 20% from fiscal 2013 levels on a sales unit basis | ○ | |
| Biodiversity preservation | Biodiversity preservation | Disclose environmental information | Preserve biodiversity around business sites | Monitored trends (prepared to deploy industry guidelines) | △ |

○ = Achieved △ = Partially achieved × = Not achieved

* From fiscal 2016, there was an increase on a unit basis as a result of an increase in the number of sites subject to data collection alongside an increase in Group companies. Based on levels prior to the increase in sites, USHIO achieved its targets.

○ Future Issues in Light of Outcomes of Phase Four of the Environmental Action Plan

| Environmental themes | Issues |
|--|---|
| Expand sales of environmentally conscious products | <ul style="list-style-type: none"> Review and manage framework for certification system Examine specific measures for improving corporate image Stay ahead of environmental regulations and other trends, focus on development and sales promotions to create new products, applications and markets Assess related Group companies (create guidelines and frameworks) |
| Global warming countermeasures | <ul style="list-style-type: none"> Broad disparities at each business site in activities to reduce the volume of CO₂ emissions. Need to more tightly manage activities to reduce the volume of CO₂ emissions at major sites. Worked to increase transportation efficiency in distribution, but looking ahead, we will continue examining the selection of transportation vehicles for larger products. |
| Management of chemical substances | <p>1. Improve customer responsiveness in green procurement and deploy across the Group</p> <ul style="list-style-type: none"> A structure was put in place for equipment products and new products, but looking ahead, we will continue to unify information across business sites and promote the automation of survey work. Effectiveness differs according to the site. We will improve weak sites. <p>2. Promoting CSR procurement</p> <ul style="list-style-type: none"> Created the CSR Procurement Policy and commenced activities, but activities have only spread to some sites. We will proceed with their deployment to other business sites. Not enough specifics for each CSR procurement activity item. Because internal and external disclosure can be improved, we will pass on the relevant information. |
| Resource conservation | <ul style="list-style-type: none"> Need to try and increase the effective resource usage ratio, which has been on the decline. |
| Biodiversity preservation | <ul style="list-style-type: none"> Distribute industry guidelines and other information Need to spread awareness of principles |

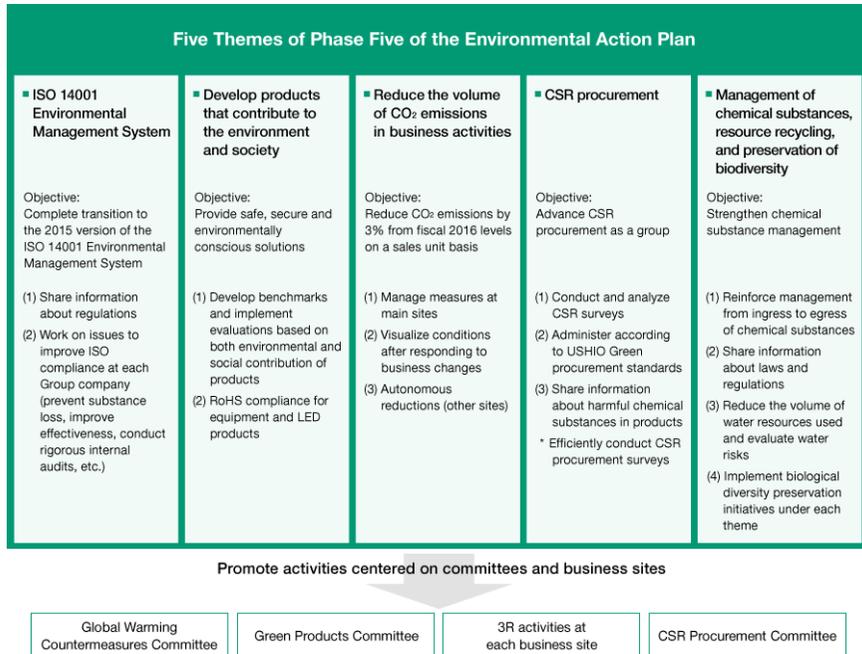
Phase Five of the Environmental Action Plan

In April 2016, USHIO launched Phase Five of the Environmental Action Plan, which had been formulated based on an analysis of the results of and data obtained from Phase Four of the Environmental Action Plan, and it also reflects the concerns of stakeholders and discussions with Group companies. In drawing up this plan, USHIO placed an emphasis on proactively addressing environmental regulations for products, developing products from the perspective of social contributions in addition to the environment, managing chemical substances at business sites, reducing the volume of water resources used, and promoting environmental conservation based on environmental risk factors. Among future issues, USHIO will address such issues as how to effectively raise Group-wide environmental performance and how to advance compliance with the 2015 version of the ISO 14001 Environmental Management System.

Phase Five of the Environmental Action Plan was designed to bring USHIO closer to achieving its vision for 2020. The following initiatives are specific measures under the plan.

CSR Action Plan

○ Phase Five of the Environmental Action Plan (Fiscal 2017 to Fiscal 2019)



**ISO 14001 Environmental Management System
Transition to the 2015 Version of ISO 14001 Environmental Management System**

Viewing the 2015 revision of ISO standards as an opportunity, our work group for the ISO committee began advancing initiatives in fiscal 2017 to comply with and transition to the new standards while slimming down and speeding up internal compliance. Our key focus is tying ISO into core business functions while emphasizing effectiveness by reinforcing the management system and legal compliance.

**Develop Products That Contribute to the Environment and Society
Development of Super Green Products**

In line with its efforts to create environmentally conscious products and based on its own certification standards, USHIO designates products that proactively use environmental technologies as Super Green Products. Super Green Products are flagship products that demonstrate excellent environmental qualities, such as energy efficiency, extended lifetimes, 3R design, materials used, and applications. USHIO has certified 19 Super Green Products that have cleared numerical benchmarks based on the USHIO environmental factor.

In fiscal 2013, USHIO proactively improved the environmental performance of product lines that take advantage of its unique strengths in light, certifying products such as special lamps and LED light sources for medical equipment, and high-value-added industrial process equipment that conserves energy. Certifications of products made by Group companies steadily increased since the fiscal 2012.

Three products were newly certified in fiscal 2014 as a result of USHIO enhancing the environmental performance of product lines that take advantage of its unique strengths in light sources, including LED light sources and other high-value-added industrial process equipment that conserve energy. Looking ahead, USHIO expects to proactively develop certification initiatives, including reviews of certification standards.

Correction

There was an error in the number of certified Super Green Products that we reported for fiscal 2015. The correct number was an accumulated total of three certifications for the three-year period of Phase Four of the Environmental Action Plan (fiscal 2014–fiscal 2016). We apologize for this mistake.

**Reduce Volume of CO₂ Emissions in Business Activities
Initiatives at Main Business Sites**

○ Harima Division

The Harima Division accounts for about 27% of the USHIO Group's total CO₂ emissions. The Harima Division reduced its electric power consumption by 1.92 MWh (86.4 t-CO₂ equivalent) in fiscal 2016 as a result of autonomous efforts to evaluate and reduce standby power consumption in all buildings and life tests of lamps, as well as activities to conserve energy in clean rooms.

Every summer and winter, USHIO cooperates with energy conservation initiatives in the Kansai region by reducing electricity usage during peak demand periods based on demand projections for production facilities and the power usage of life tests of lamps.

USHIO has also made considerable improvements over the past few years on a per-unit basis. Since measures to conserve energy have become more complex, looking ahead, USHIO aims to further advance measures to conserve energy from a medium- to long-term perspective while reducing costs by proactively incorporating external information on energy conservation.

CSR Action Plan

○ Gotemba Division

The CO₂ emissions of the Gotemba Division account for around 8% of the USHIO Group's total. Since most of the products manufactured at the Gotemba Division are assembly-type products, the power used for air conditioning accounts for a relatively high proportion of the division's overall power consumption. The division has worked to reduce the energy used by installing solar power generation equipment and promoting improved operation of air conditioners, upgrading and refurbishing them to power-saving models, and installing LED lighting and human-sensor lighting switches. Moreover, the division has carried out emergency electricity-saving measures as requested by the Japanese government, along with electricity-saving measures for the summer season. The division implemented electricity-saving efforts by using an electricity monitoring system and by reviewing floor layouts, resulting in sustained energy conservation activities. In recent years, the optimal amount of watering for the roof and air-conditioning outdoor unit is being automated by taking advantage of sensors, and further reductions of the air-conditioning load are being promoted. As a result, the effect on the volume of CO₂ emissions is projected to be a reduction of 12.8 kl per year.



CSR Procurement

Overseas Procurement and Group-Wide Implementation

USHIO also procures items from overseas suppliers, and from fiscal 2016, started a survey of overseas suppliers close to the level of the survey conducted on domestic suppliers, targeting high-volume transactions and items that are often used in general merchandise. Since the situation differs in each region and country, we seek to create a road map through discussion, and continue to conduct surveys.

In particular, USHIO has been emphasizing dialogue with its suppliers and focusing efforts on holding explanatory briefings and disclosing information on its website. USHIO holds explanatory briefings for its suppliers in a timely fashion, following revisions to laws, regulations and standards, and other factors.

On revising the USHIO green procurement standards, we reviewed all the standards in line with amendments to laws and regulations, added chemical substances for our suppliers to check, and explained the revisions. With regard to CSR procurement, we promoted CSR procurement throughout the supply chain after explaining the USHIO CSR Procurement Policy and conducting the CSR Procurement Survey.

We create opportunities for our suppliers to learn more about the meaning behind CSR procurement at USHIO and the benefits of working together through questionnaires and explanatory briefings about our procurement activities. Moreover, USHIO raises awareness of its vision for CSR with suppliers by explaining its evaluation system based on human rights and labor, occupational health and safety, the environment, fair and ethical trade, quality and safety, information security, social contributions and business continuity planning (BCP).

When necessary, USHIO interviews and audits suppliers that have room for improvement in their CSR initiatives, and provides guidance for areas in need of improvement. We aim to improve CSR by helping our suppliers in these ways.

In order to more effectively and efficiently advance these activities, USHIO evaluates its suppliers, sets priorities, and carries out CSR activities in its daily operations.

Management of Chemical Substances, Resource Recycling, and Preservation of Biodiversity
Reducing Harmful Chemical Substances

In fiscal 2011, our efforts to reduce harmful chemical substances included gathering information about their status at each business site and selection of the chemical substances to be reduced. As a result, we decided to reduce our use of volatile organic chemicals (VOCs) in line with the recommendation of four electrical machinery and electronics associations in Japan. Since fiscal 2012, we have been reducing the consumption of VOCs by means of reviewing our production facilities.

○ Initiatives at the Harima Division

At the Harima Division, USHIO has been reducing the amount of chloroform used in the lamp manufacturing process because of concerns that the chloroform produced is an air pollutant. We plan to methodically reduce by half the amount of chloroform used, which has been roughly approximately 10 t annually, by fiscal 2017. More specifically, USHIO had deployed sealed automated equipment, and has methodically applied measures to reduce the size of openings when equipment is used on each of its production lines. Chloroform usage has been trending as shown below. In addition to helping conserve the environment, the installation of the new equipment has also proved to be an effective method in terms of safety by eliminating any contact of chloroform with workers' skin by avoiding the risk of an exposure aperture.

In September 2016, USHIO installed its second unit, following the installation of the first one in 2015. The amount that chloroform usage is reduced depends on the volume of lamps that we produce. Like the first unit, USHIO expects the second unit to reduce chloroform usage further by reliably lowering the evaporation amount through sealing the unit, automation, and shrinking the size of apertures.

Amounts of chloroform usage

| Fiscal 2013 | Fiscal 2014 | Fiscal 2015 | Fiscal 2016 |
|-------------|-------------|-------------|-------------|
| 8.15 t | 8.70 t | 7.00 t | 6.80 t |

In addition, USHIO makes a concerted effort to act appropriately, including by using alternatives to other chemical substances.

○ Business Site Chemical Substance Registration System

As a new initiative beginning in fiscal 2017, USHIO launched a system that requires business sites to submit an application to use a new chemical substance if they need to use the substance. The chemical substance is evaluated prior to its use, and only approved chemical substances can be used in products. This system is also used as a tool in pollution risk assessments and occupational safety evaluations.

CSR Action Plan

Society

As a member of the international community, USHIO will contribute to the development of respective regions where it conducts business. The Group has a growing body of contribution examples following its expansion in Japan and overseas, and in addition to the initiatives reported here, is engaged in various activities in the fields of education, culture, disaster support, and exchanges with local society. These areas are vital aspects of sustainability.

The USHIO Foundation

The USHIO Foundation was established in 1994 to commemorate the 30th anniversary of the founding of USHIO. As globalization progresses, the foundation will contribute to society by assisting the development of the next generation of human resources, including overseas students, who will be responsible for leading the world in the future, and promote further interaction and mutual understanding between Japan and other countries.

In fiscal 2016, the foundation provided scholarships to 43 graduate students (including overseas students) and 12 students in specialized courses at colleges of technology. So far, 518 scholarship students have been supported, and we continued to focus on calling for scholarship applicants from schools in areas affected by the Kumamoto Earthquakes.



Successful scholarship recipients at a certificate bestowal ceremony

Establishment of a Scholarship Fund at Suzhou University in China

USHIO (SUZHOU) CO., LTD. signed an agreement in January 2009 with China's Suzhou University to establish the Suzhou University USHIO Scholarship Fund. Every year, a number of students are awarded scholarships. Over the seven-year period up to 2015, a total of 205 male and female students have benefited from the Suzhou University USHIO Scholarship Fund.

Accumulated Number of Students Awarded Scholarships

| Fiscal year | Number of men | Number of women | Subtotal |
|-------------|---------------|-----------------|----------|
| Fiscal 2010 | 15 | 20 | 35 |
| Fiscal 2011 | 12 | 23 | 35 |
| Fiscal 2012 | 12 | 23 | 35 |
| Fiscal 2013 | 11 | 24 | 35 |
| Fiscal 2014 | 5 | 15 | 20 |
| Fiscal 2015 | 8 | 12 | 20 |
| Fiscal 2016 | 7 | 18 | 25 |
| Total | 70 | 135 | 205 |



At the fiscal 2014 commendation conference

CSR Action Plan

Contributions to the Local Communities of USHIO (UI)

○ Holding USHIO DAY 2016 in Himeji, the City in which USHIO Was Born



Making ecobags

On March 26, 2016, USHIO DAY 2016 was held at the Earth Cinemas Himeji, a cinema complex equipped with the latest USHIO Premium Theater System. This event was held to convey our gratitude to local residents, particularly as USHIO had commemorated its 50th anniversary in 2014. The event was designed to showcase the wonder of movies to a large number of local guests.

On the day of the event, local children and their guardians were invited to attend for free. Several children excitedly said that it was their first movie at a movie theater and enjoyed the impressive sounds and visuals. During the event, in addition to offering tickets for special movies at a discount, we held sessions for making traffic-safety keyholders shaped like a projection lamp and ecobags. We also showcased the MicroTiles Wall Display System manufactured by CHRISTIE DIGITAL SYSTEMS.

○ Holding Workshops at Tsukuba Science Edge 2016

On March 26, 2016, USHIO exhibited at Tsukuba Science Edge, an annual event held for junior high school and high school students studying sciences. This was the third year that we participated.

This year, our New Technology Development Department ran a workshop on "welding with light." The event this time had a fair number of female student participants, and many students proactively participated in a quiz-format Q&A session.

We surveyed the students (the second time so far) who participated, and more students than on the previous occasion said that the workshop increased their interest in or understanding of science. We believe it provided a valuable learning experience that opened students' eyes to the potential of light.

In the future, we will continue to talk about the fascinating aspects of light, the core of USHIO's business, while stimulating the intellectual curiosity and spirit of inquiry of as many students as possible.

○ Participation as Volunteers and Runners in the World Heritage Himeji Castle Marathon 2016

On February 28, 2016, USHIO employees once again participated as runners and volunteers in the World Heritage Himeji Castle Marathon 2016, which is held in Himeji. A total of 10 employees participated as volunteers, helping to keep spectators from entering the course and preventing people from throwing objects.

Contributions to the Local Communities of USHIO LIGHTING (ULI)

○ Supporting the "Pink Ribbon Illumination" through Dynamic Lighting at the JR Himeji Station Building

The Pink Ribbon Movement* has gained recognition around the world as an educational campaign. As a part of this movement, the Pink Ribbon Illumination event was held in Himeji on Oct. 1 to 3 in 2016. USHIO LIGHTING, INC. (ULI) supported part of this event as lighting provider. ULI graphically illuminated the JR "piole HIMEJI" Building at Himeji Station on Oct. 3.

Piole HIMEJI's wall has approximately 1,560 full-color LED light bars and 45 LED floodlights. Normally, the wall is filled with multi-colored illuminations of dancing white-necked herons (symbols of Himeji) or rippling water, which lights up the street brilliantly. The event held on Oct. 3 was a special program depicting pink ribbons. This pink illumination serves to raise everyone's awareness of breast cancer and aims to increase the rate of breast cancer screening.

* This movement aims to spread correct information about breast cancer and encourage women to have breast cancer screening at an early stage. The ribbon movement differs by country in terms of what each color theme means, but the pink ribbon has become universally known to represent breast cancer awareness.

Contributions to the Local Communities of USHIO KOREA (UKI)

○ Paying Respects to Local Elderly People

In fiscal 2016, USHIO KOREA decided to hold a CSR Day (volunteer day) on September 11. Volunteers delivered rice, fruit, canned goods and other daily necessities to local elderly people living around the facility.

Among the elderly we visited, some were unable to walk freely or go shopping, so we hope our help had a positive impact on their lives.

Looking ahead, we will continue to give back to local communities with the aim of contributing even a little to the development of society.

○ Offering Work Experience Targeting Junior High School Students

As a part of its contributions to local communities, on November 20, 2015, UKI once again offered junior high school students an opportunity to experience working at a company.

The participating students learnt about actual work situations, including by watching a video introducing the Company, exchanging business cards with the president, participating in a video conference, and sending emails. Although shy at first, the students were eager to take advantage of this experience, describing in the end how they felt glad to have had a fruitful day in which they engaged in actual work while learning more about UKI.

Moreover, this work experience program also served as an opportunity for us employees to reaffirm the new value that we create through our work. We hope that this experience will give the students a better understanding of the importance of work.

CSR Action Plan

Contributions to the Local Communities of USHIO PHILIPPINES (UPI)

Donation of School Uniforms to Elementary School Children

On June 26, 2015, USHIO PHILIPPINES collaborated with other companies in the industrial park to give donations to elementary schools nearby. These elementary schools have many children who come from economically disadvantaged homes, so UPI gave them new school uniforms.

The children who received new school uniforms said "malaming salamat po" (thank you) with smiles on their faces. Seeing children smile is wonderfully rewarding, no matter which country it is.

Contributions to the Local Communities of CHRISTIE DIGITAL SYSTEMS

Donation of Electronic Parts Waste Materials

CHRISTIE DIGITAL SYSTEMS salesforce member Christie Arizona donated electronic parts waste materials to a local non-profit organization called AZStRUT (Arizona Strut), a student group in Arizona that has formed partnerships with local schools and companies.

The donated electronic parts waste materials are repaired or remodeled by AZStRUT and given to high schools and universities in Arizona, thereby enabling students learning about computers to have the opportunity to work with actual electronic parts. Equipment that cannot be remodeled is recycled.

We contribute to society by recycling monitors, PCs and video processors that had originally been designated for waste landfills.

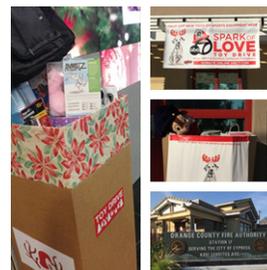
Participation in the United Way Campaign

Approximately 300 employees at Christie Canada, a business site of CHRISTIE DIGITAL SYSTEMS, participated in a kick-off event for the United Way campaign. The theme of this year's campaign was "healthy people, strong communities." Aiming to support a variety of programs and services in local communities, United Way provides assistance to local residents for improving their physical and mental health to support healthy family lifestyles.

Christie Canada helped to promote the annual United Way campaign through the kick-off event and by offering employees the opportunity to participate via a payroll deduction system. The campaign raised a total of 47,062 Canadian dollars (about ¥4.33 million) in donations.

Contributions to the Local Communities of USHIO AMERICA (UAI)

Donation of Toys to the "Spark of Love Toy Drive"



Toys that were donated by UAI

In the US, the holiday season starts around Thanksgiving in November and runs through Christmas in December, with a variety of events held around town as people go shopping for food and gifts. However, some families do not have enough money to pay for holiday dinners and Christmas presents for their children, so this period is also a time for charity work. Toy drives collect unwrapped toys, sporting goods and other presents, and are then delivered to local children (who want them) for Christmas.

UAI and the Irvine Plant called upon its employees to give donations for Christmas presents. The boxes full of gifts were handed over to the "Spark of Love Toy Drive," a program that has been run for more than 20 years by the local TV station and fire department.

UAI plans to participate in toy drives every year as a part of its CSR activities.

Third-Party Opinion

Public Resources Foundation
Executive Director and Chief Secretary,
Sachiko Kishimoto

Profile

A graduate of the School of Education, University of Tokyo, Ms. Kishimoto founded the forerunner to the foundation, NPO Public Resources Center, in 2000. She assumed her current position in 2013, following work at a private-sector think tank and studies in the US. Her present work involves, among other areas, the development of socially minded capital flow, including donations, NPO funding and social investment, as well as CSR. In addition to membership in the Cabinet Office of the Government of Japan's Joint Societal Development Advisory Committee, she serves as director of several non-profit organizations, including the Japan Fundraising Association and the Japan Association of Charitable Organizations.



Like last year, I have read USHIO's Sustainability Report 2016 with the intention of offering an opinion of the report.

The USHIO Group launched a new medium-term CSR plan in fiscal 2017 that seeks to "deepen" its stance by focusing more on priority matters, as well as "broaden" its CSR activity framework to the Group as a whole, as a result of discussing issues with stakeholders both inside and outside the Company. I believe the five key issues highlighted in this report are appropriate CSR priorities for the USHIO Group. I also highly approve of the Company having clarified its commitment to setting KPIs and going through the PDCA cycle for each issue.

The USHIO Group has amended its 10 Action Guidelines to more closely follow international norms, such as the 10 Principles of the UN Global Compact, and declared their adoption internally and externally. I have high praise for the new medium-term CSR plan, which clarifies initiatives in due diligence for human rights from both an internal human resource management and external supply chain management perspective, in addition to conducting surveys about conflict minerals and addressing CSR procurement. In the CSR procurement survey of 613 suppliers, however, the self-evaluation scores of each supplier have declined, underscoring a need for USHIO to more aggressively help its suppliers improve in this regard. CSR procurement surveys are only conducted at major business sites and should be expanded to more business sites. Conducting due diligence for human rights across a broad spectrum internally and externally requires tight-knit collaboration between the CSR divisions and relevant departments inside the Company. I expect USHIO to continue working to improve information sharing and collaboration among departments on matters concerning human rights violations.

USHIO made major changes to its personnel system in fiscal 2017 with the aim of maximizing the ambitions and motivations of each and every employee. I approve of the Company's efforts to foster diverse human resources through individual talent management and the nurturing of personnel able to work in a global setting. USHIO has more than doubled the percentage of female employees in sales and technical positions over the past five years, and the ratio of women returning to work after taking maternity leave is virtually 100%. I believe this is a result of the Company's efforts to proactively support women in the workplace. In addition to childrearing, I hope that USHIO will clarify policies for issues that arise in different life stages, such as nursing care for elderly parents and health issues among older employees, including menopause. I believe this would lead to improved productivity for employees. It is disappointing that the ratio of employees with disabilities has fallen slightly below the legally mandated ratio, and expect USHIO to put more effort into remedying this.

I highly approve of Phase Five of the Environmental Action Plan, which was launched in May 2016, for emphasizing the development of products from an environmental and social contribution perspective, as well as its focus on reducing CO₂ emissions and strengthening management of chemical substances. This report provided some examples of the Company's safe, secure and environmentally friendly solutions, including light sources for agriculture, sterilization of ballast water for ships, and solar simulators. I expect USHIO to promote these products and services while measuring their impact on stakeholders in terms of providing value to society and the environment.

Third-Party Opinion/
Research and Development and
Intellectual Property/Corporate Data

Research and Development and Intellectual Property

Under our new medium-term CSR plan that started in fiscal 2017, the USHIO Group has launched the concept of further developing Green Products based on the idea of providing safe, secure and environmentally friendly solutions through the detailed development of strategically important items. USHIO continues to leverage its accumulated core technologies, while pushing ahead with developing businesses that are kind to the environment and society.

Research and Development

The main targets of the Group's R&D are light sources for industrial applications for development and production, which include work use and application of optical applications in electronic and electromechanical equipment, moving ahead with development of indispensable peripheral technologies and development for commercialization of optical units, optical equipment and systemization.

We keep abreast of the latest developments in markets and technology and conduct strategic R&D activities. We have an organization that enables interaction among the R&D teams from different product groups to encourage development of new kinds of light sources, related equipment and solutions.

Results for the Fiscal Year Ended March 31, 2016

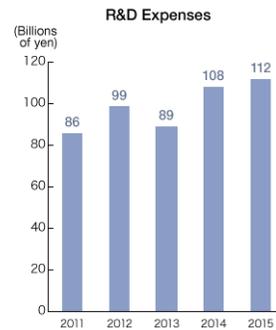
Red Laser Diode

USHIO OPTO SEMICONDUCTORS, INC. has developed a red laser diode for use in the industrial measurement field and head-mounted displays in automobiles where future growth is anticipated. This product is world-class among single transverse mode laser diodes in this wavelength range. Further, USHIO OPTO SEMICONDUCTORS is working to develop a red laser diode with a high power output, a product promising future growth, for use as a solid state light source in cinema and industrial projectors.



Direct Imaging Exposure System for Solder Resist

ADTEC Engineering Co., Ltd. has fully leveraged its technology in direct imaging exposure systems for patterning to develop a direct imaging exposure system for solder resist. The system uses semiconductor laser diodes of two wavelengths (375 nm and 405 nm) for a light source, enabling the wavelength ratio to be changed. This allows for the light source to be matched to the best spectral sensitivity for resist, giving each user the ability to optimally adjust solder resist qualities (resolution, cross-section shape, rigidity, etc.) to differing processes.



High Dynamic Range Projectors

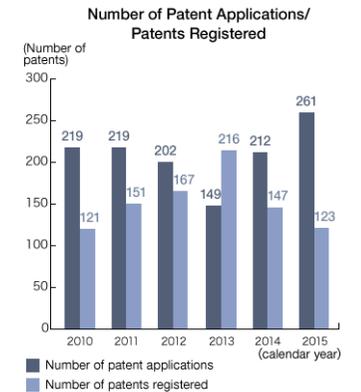
CHRISTIE DIGITAL SYSTEMS CANADA INC. has developed the world's first digital light processing (DLP) projector to achieve a stunning contrast ratio of 1,000,000:1. That is a huge advancement over the 2,500:1 contrast ratio for the latest conventional digital cinema projector models. DLP projectors made it possible to multiply the normally attainable contrast ratios of about several thousand to one due to the optical characteristics of imaging devices by putting one more imaging device into the optical system to be used as a backup for modulation.



Intellectual Property

The USHIO Group's policy on intellectual property is as follows:

1. Contribution to earnings
Give strategic advice and proposals autonomously to contribute to the Company's earnings.
2. Acquire effective patent rights
Conduct patent right acquisition activities with an eye to utilizing, acquiring and maintaining intellectual property that can contribute to activities in M&As, new businesses, and existing businesses for the entire Group.
3. Rigorous intellectual property compliance
Conduct surveys and analysis of other companies' intellectual property to visualize intellectual property risk and ensure rigorous intellectual property compliance.



Corporate Data

The USHIO Group is a leading light technology company. Every day, we provide light-related products and services to customers all over the world from our global network of 57 sites.

Established

March 1964

Paid-in Capital

¥19,556,326,316

Directors (As of June 29, 2016)

| | | | |
|---|--------------------|---|---------------------|
| Chairman and USHIO Group Representative | Jiro Ushio | Director (Audit & Supervisory Committee Member (Full-time)) | Nobuyuki Kobayashi |
| President and Chief Executive Officer | Kenji Hamashima | Outside Director (Audit & Supervisory Committee Member) | Masanori Yoneda |
| Director | Shiro Ushio | Outside Director (Audit & Supervisory Committee Member) | Nobuyoshi Yamaguchi |
| Director | Hiroaki Banno | | |
| Outside Director | Tadashi Nakamae | | |
| Outside Director | Yoshinari Hara | | |
| Outside Director | Yasufumi Kanemaru | | |
| Outside Director | Shuichi Hattori | | |
| Outside Director | Sakie T. Fukushima | | |

Employees (as of March 31, 2016)

| | |
|-----------------------|--------------|
| Parent company | 1,744 |
| Japanese subsidiaries | 852 |
| Overseas Subsidiaries | 3,290 |
| Total | 5,886 |

Group Companies (57 companies) (as of March 31, 2016)

Parent Company

| | |
|-------------------|-------------------------------|
| Head Office | Chiyoda, Tokyo |
| Harima Division | Himeji, Hyogo Prefecture |
| Gotemba Division | Gotemba, Shizuoka Prefecture |
| Yokohama Division | Yokohama, Kanagawa Prefecture |
| Osaka Branch | Osaka, Osaka Prefecture |

Japanese Subsidiaries (11 companies)

| |
|---------------------------------|
| USHIO LIGHTING, INC. |
| XEBEX INC. |
| ADTEC Engineering Co., Ltd. |
| PROTOSERA INC. |
| USHIO OPTO SEMICONDUCTORS, INC. |

6 other companies

Overseas Subsidiaries (46 companies)

North America

- USHIO AMERICA, INC.
- CHRISTIE DIGITAL SYSTEMS USA, INC.
- CHRISTIE DIGITAL SYSTEMS CANADA INC.
- CHRISTIE MEDICAL HOLDINGS, INC.
- NECSEL INTELLECTUAL PROPERTY, INC.

Europe

- USHIO EUROPE B.V.
- USHIO FRANCE S.A.R.L.
- USHIO DEUTSCHLAND GmbH
- USHIO U.K., LTD.
- BLV Licht-und Vakuumtechnik GmbH
- NATRIUM Sp. zo.o.

Asia

- USHIO HONG KONG LTD.
- USHIO TAIWAN, INC.
- USHIO PHILIPPINES, INC.
- USHIO (SUZHOU) CO., LTD.
- USHIO ASIA PACIFIC PTE. LTD.
- USHIO KOREA, INC.
- USHIO SHANGHAI, INC.
- USHIO SHENZHEN, INC.

27 other companies

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