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Editorial Policy

■ Editorial Policy

In choosing the material for USHIO's Sustainability Report 2017, 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 fiscal 2017, we are publishing an online version of our sustainability report. In the same manner as with other reports up to now, the reader is also able to download this report in PDF format.

We have also tried to create Internet links so that the report will serve as a gateway to our detailed and informative CSR website and online annual report. We have edited the report to make it easy to read for a wide range of stakeholders.

■ Scope of Report

All USHIO business sites and Group companies worldwide

■ Period of Report

This report basically covers from April 1, 2016 to March 31, 2017, 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

In May 2017, the USHIO Group announced a new, three-year medium-term management plan. In a departure from the rolling format that we have used for our medium-term management plans to date, this new plan is a fixed plan with new KPIs that we are committed to achieving for our stakeholders. The plan's theme is to solidify the foundation for taking the next leap forward. In executing the plan, we will strive to achieve management priorities based on our previous medium-term management plan and maintain momentum to see its initiatives through in order to ensure that we achieve our goals.

Our priority fields for pursuing new growth opportunities are imaging solutions, solid-state light sources, EUV*, development of new light-source markets, and medical. We will make a Company-wide effort in these priority fields, while maintaining and securing earnings in our existing businesses. In the new medium-term management plan, we will focus on increasing our fundamental stamina to drive our measures forward continuously and on expanding our ability to achieve these goals.

As globalization and market changes accelerate, we have entered an age where society makes strong demands of companies regarding corporate social responsibility (CSR). The USHIO Group will work to maintain its status as a good corporate citizen by sincerely addressing aspects such as environmental initiatives, compliance, and social contributions, while constantly innovating management by strengthening its corporate governance and working to increase its corporate value.

In particular, having examined the CSR-related aspects of our business activities from various perspectives, we have identified five main categories for issues that the Group needs to address: governance, people, quality, environment, and society, and incorporated specific measures to resolve these issues into the Group CSR Action Plan.

By fusing our business strategies and CSR objectives, we aim to develop further as a company while advancing social responsibility at the same time.

* Extreme Ultra-Violet: light with an extremely short wavelength of 13.5 nm. Lithography technology using EUV is capable of processing to finer dimensions that are difficult to handle with conventional technology.

A History of USHIO's CSR That Has Comprised 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 and our recent initiatives in IT and robotization have led to further 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 is aggressively pursuing 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 collaboration with human resources of different values and 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, proper, and highly transparent 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. A corporation should build good relationships with its various stakeholders and advance by creating and offering new value to contribute to society. USHIO will continue working to be such a corporation going forward.

President's Message

Towards Our Vision for USHIO for 2030

USHIO has established a 2020 Environmental Vision that aims to realize the creation of a low-carbon society, the conservation of resources, and the preservation of biodiversity. We have now taken the next step and started discussing our 2030 Vision, which will define the society that USHIO wants to realize from the broader perspective of CSR.

We are currently preparing to launch the Vision Formulation Working Group (provisional name), and aim to complete the formulation during 2018.

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. The 2030 Vision will be built in consideration of targets such as the SDGs and the Paris Agreement.

Broad Range of Initiatives Aiming for Sustainable Development

As part of strengthening our initiatives with regard to people, we have started a new diversity project aiming to realize the creation of values by diverse human resources. I am the owner of this project, which forms one of our management strategies. We have assembled a diverse team of employees from different business sites and departments, and together we will promote diversity through providing employment opportunities for people with disabilities, encouraging the participation of women, providing career support, and driving forward work style reforms.

We have also established a new Nomination and Education Advisory Committee to select and educate the management human resources who will lead the USHIO Group in the future. The committee was established to ensure transparency and accountability in this process, and is chaired by an outside director.

Furthermore, in our existing initiatives on Green products and Super Green products (green products that achieve especially high performance), we are rolling out Phase Five of the Environmental Action Plan. This involves incorporating a safety and security aspect to provide solutions that correspond to today's needs for environmental considerations and social contributions.

In our business activities, the fields that we should focus on are those where we can leverage our strengths in "light" to contribute to society. Examples include provision of industrial solid-state light sources (LEDs, LDs, etc.) that conserve energy and reduce waste, and the provision of light solutions that advance next-generation plant growing businesses. In the field of life science, especially, we aim to help raise the quality of life for people through "light," through the development of products such as blood analyzers and skin therapy devices that are getting regulatory approval in Asian countries. Going forward we will also strengthen our business activities as a solution provider supplying experiences and services.

Driving Forward as a Light Company

"Light" has great potential for providing solutions to common problems affecting people all over the world, such as environmental pollution, food shortages, high healthcare costs, and population aging. Light can create the sense of inspiration and value that people seek.

USHIO's traditional role as a "light company" is being transformed daily through its own efforts. We will work in harmony with society through the innovation of light, contributing to the realization of an abundant society as we ourselves continue to grow.

I hope you will continue to offer your understanding and support for efforts.

August 2017
Kenji Hamashima
President and Chief Executive Officer

CSR Management

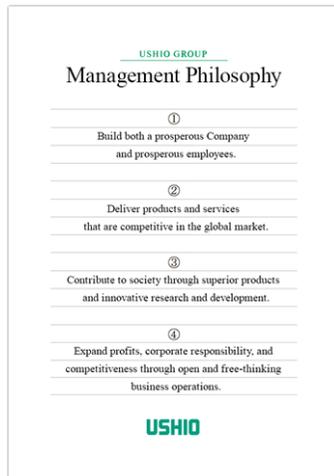


USHIO Group Management Philosophy and CSR Management

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.

Relationship with Sustainable Development Goals

The United Nations Sustainable Development Summit adopted the Sustainable Development Goals (SDGs) in September 2015. These SDGs describe goals for 2030 that aim to realize a sustainable world without poverty, inequality and economic disparity, and climate change. To realize a sustainable world, the SDGs comprise 17 Sustainable Development Goals and 169 targets, and embody a "pledge that no one will be left behind." SDGs are universal goals that all countries are working to achieve, irrespective of whether they are developed or emerging countries.



CSR Management

At USHIO, we are examining the following areas in which USHIO can contribute to achieving the 17 Goals. We are committed to contributing to the realization of the Sustainable Development Goals through the provision of products and services that use light technology.

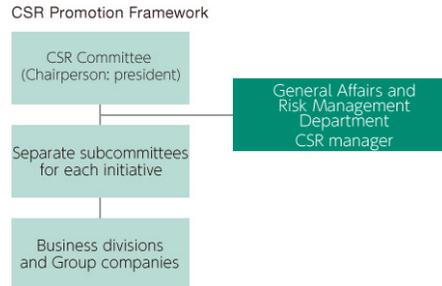


CSR Promotion Framework

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.



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.

CSR Management

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

Five issues	Guidelines for initiatives for related issues
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)	<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 • Strengthen initiatives regarding the Corporate Governance Code
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)	<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 • Promote innovation through respect for human rights, transformation of work styles, and raising awareness • Strengthen monitoring of worker health and safety
Quality (Realize attractive quality overall, not only in products, but also in concepts and service provision, and including observance of market rules and guidelines)	<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) • Improve quality (speed up, streamline) • 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
Society (Maintain relationships with local communities, involvement with international society, contribution to education, culture, etc., social contributions through business such as products and services)	<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 that contributes to global social issues such as business in emerging countries • Promote participation in volunteer activities
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.)	<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 • Strengthen management of waste and of recycling

* 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.

■ About the USHIO 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

○ CSR Procurement Plan, Achievements and Future Initiatives

Fiscal 2016 Plan	<ol style="list-style-type: none"> 1. Positively influence suppliers (awareness raising and guidance), and rigorously evaluate and select suppliers. 2. Collect information on laws and regulations, and build a framework for each Group company and division to independently obtain information on relevant laws and regulations, and address them. 3. Obtain full and complete information concerning laws and regulations, and build a framework for addressing, evaluating and monitoring this information.
Fiscal 2017 Achievements	<ol style="list-style-type: none"> 1. USHIO has educated and instructed suppliers to submit environmental data at the requested lead time. We conducted evaluations of suppliers based on new standards. 2. USHIO obtained information concerning laws and regulations from customers, industry bodies and suchlike, and communicated it to each Group company and division. Each Group company and division also obtained related laws and regulations. We ascertained the current status at each business site, and decided to build a system in fiscal 2018. We also shared information concerning laws and regulations about CSR procurement and green procurement at the Harima Division and the Gotemba Division (RoHS, REACH, conflict minerals).
Initiatives Ahead (Fiscal 2018 Plan)	<ol style="list-style-type: none"> 1. USHIO will manage the progress and provide guidance about the plans to raise the level of CSR procurement at each Group company and each business division, and work to achieve the goals at each Group company and each business division. 2. USHIO will evaluate and select suppliers, and provide suppliers with guidance and education about green procurement. 3. USHIO will ascertain information concerning chemical substances in products, and share information concerning laws and regulations with SCM.

CSR Management

○ 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 about our various initiatives at the Harima Division, Gotemba Division, and Yokohama Division, and explains the significance for each customer's business activities of the initiatives concerning respect for human rights (including the prevention of child labor and of forced or compulsory labor, the prohibition of discrimination and equal opportunity, the granting of the right to organize and the right to conduct collective bargaining, the elimination of excessive working hours, the maintenance of wage levels, and 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.

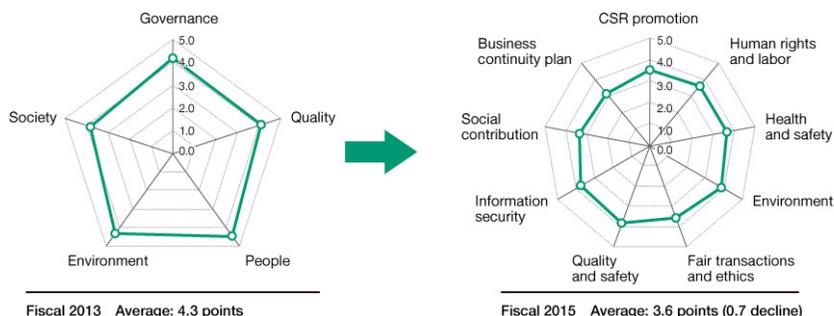
○ CSR Procurement Survey

In fiscal 2015, USHIO conducted a CSR procurement survey (questionnaires and interviews) among 613 supplier companies (90% response rate) at the Harima Division and the 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 the average points of the self-evaluation conducted by each company declined 0.7 of a point to 3.6 points from 4.3 points in the survey carried out in fiscal 2013.

In fiscal 2018, we plan to confirm the CSR procurement status of suppliers using the CSR Procurement and Self-assessment Questionnaire formulated by the Global Compact Network Japan (GC-NJ). Moreover, USHIO aims to continue striving to improve our mutual results by means of continuing conducting surveys and maintaining dialogues.

○ 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

○ Checking for Conflict Materials

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.

USHIO checks for the use of any conflict minerals by its suppliers at each company, and regularly updates information. Previously, we confirmed whether or not conflict minerals were used by the relevant suppliers. From fiscal 2016, we have expanded the scope of confirmation to cover identifying mines and refineries.

(Conflict Minerals)

Conflict minerals is the generic term for minerals that are produced in areas of conflict and are a source of funding for local armed groups when purchased. As a result, there are concerns about companies' complicity in the conflicts affecting the production areas of these 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 the 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 for Conflict Minerals

- Do not knowingly procure specified materials (tin, tantalum, tungsten, gold) from "Armed group in Conflict region" of Democratic Republic of Congo (DRC) and in surrounding countries.
- We also expect our partners to support this policy throughout the supply chain to ensure that only conflict free materials and components are used in the parts and components we procure. We also conduct the required investigation.
- If we discover the use of these materials that are considered to be non-conflict free, we will stop our procurement, and take appropriate actions to make our products conflict free.

October, 2014
Kenji Hamashima
President and Chief Executive Officer

CSR Management

Medium-Term CSR Plan

History of the CSR Medium-Term Plan

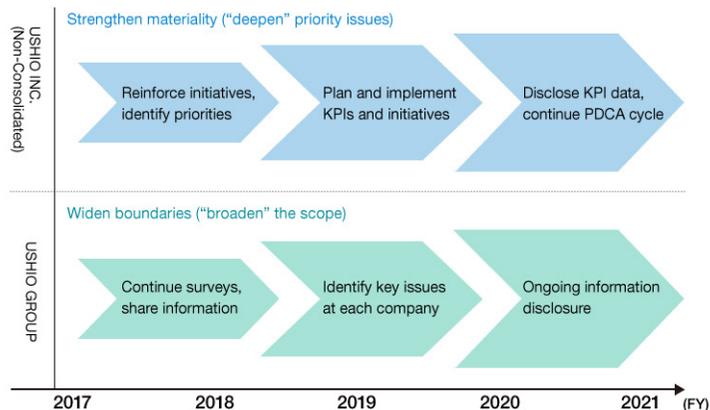
In 2009, the Company formulated a medium-term CSR plan for incorporating CSR issues in management strategies. In phase 1 (2010 to 2012), we focused our efforts on “forming an infrastructure for CSR initiatives.” In phase 2 (2013 to 2014), we worked to “dig deeper into CSR issues.” In fiscal 2016, we 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.”

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.

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.

We put these five key issues into practice in the manner that we have included them in the CSR Action Plan, which sets the KPIs for each fiscal year, and we are preparing to strengthen these initiatives.

CSR Management

○ 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 Implemented in fiscal 2017, we compiled data 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 about 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.

Feature



Feature

USHIO's Promotion of Diversity

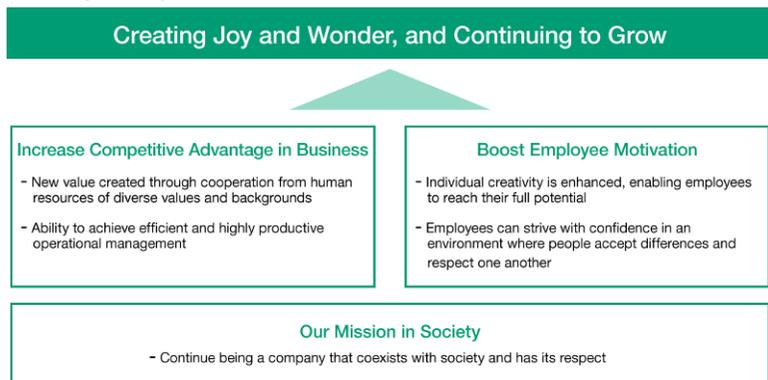
USHIO is focusing on the promotion of diversity to realize the creation of values by diverse human resources. Moreover, USHIO aims to Create Joy and Wonder and Continue to Grow by means of implementing a variety of initiatives, including promoting a good work-life balance, utilizing global human resources, employing people with disabilities, implementing a re-employment system, and encouraging the active participation of women.



The Meaning of Diversity

To Create Joy and Wonder and Continue to Grow through the three initiatives of Increase Competitive Advantage in Business, Boost Employee Motivation, and Our Mission in Society, USHIO understands that it must realize the creation of values by diverse human resources.

The Meaning of Diversity at USHIO



Basic Policy on Diversity

"Management focused on each individual employee (Diversity as a competitive strategy)"

(1) Construction of a corporate culture and structure that respects the values of diverse human resources

We will differentiate from the competition from a medium-term perspective by not only implementing diversification for such attributes as age, gender, and nationality, but also by utilizing the qualities of having diverse experiences, capabilities and values. To do this, each individual person should first of all express their thinking and beliefs.

Moreover, we, as the welcoming party, will facilitate the deepening of our mutual understanding by accepting and respecting each individual's thinking.

(2) "Customization that utilizes the power of the individual and the organization," instead of "Company-wide uniformity"

We recognize the limits of uniform rules, because business and workplace conditions, as well as the diversity of employees, are evolving.

Even while paying attention to the uniform rules, we respond flexibly to exceptional cases.

This is not special treatment, but rather reflects our primary consideration concerning what is ideal for the organization and our employees.

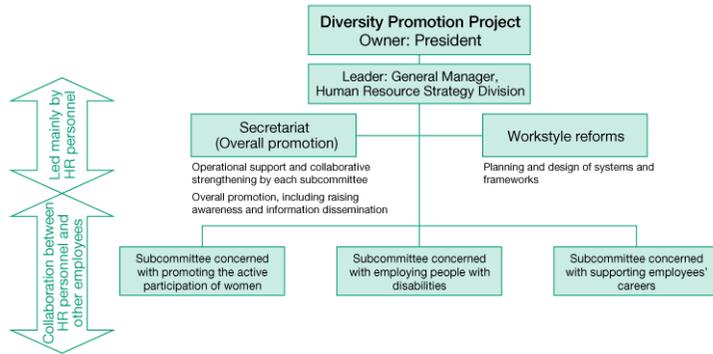
Establishment of the Diversity Promotion Project

In July 2017, we launched the Diversity Promotion Project with the aim of further promoting "management focused on each individual employee." The project members are not limited to HR personnel; we included employees who were interested in diversity in the Company, aiming to realize activities that would unify management, HR personnel, and other employees.

By engaging employees, other than HR personnel, in diversity, we think we can implement activities that incorporate the opinions of the relevant parties. This initiative also achieves the development of human resources who can promote diversity as a management strategy.

Feature

Diversity Promotion System



Firstly, we will proceed with activities focusing on promoting women's participation, employing people with disabilities, and providing career support for each employee.

In the future, we will widely promote diversity from a variety of viewpoints, aiming to be a company that enables every employee to be active.

For further details about other activity reports, please see the CSR webpage entitled "Diversity at USHIO."

CSR Action Plan

CSR Action Plan



Governance

USHIO recognizes that realizing the vision set forth in its Management Philosophy and promoting sustainable growth of USHIO and increasing corporate value over the medium to long term will bring satisfaction to all stakeholders. In order to achieve this goal, USHIO 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

For more information about corporate governance, including USHIO's Corporate Governance, its Internal Control Framework, and its transition to a Company with Audit and Supervisory Committee structure, please refer to the explanations in "Annual Report: ESG Information."

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.

Compliance with Laws and Regulations Related to the Security of Exports

USHIO carries out Company-wide management in relation to security export control under a systematic management framework. The security export control framework, with the president and CEO as the person in charge, appropriately reviews and approves export transactions submitted by each division and department on a daily basis to ensure that the Company complies with legal requirements.

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. In particular, USHIO believes that it is important to appropriately review the security rules in order to adapt them to changes in the business environment, and we will also promote the development of security policies for Group companies in the future.

Risk Management

Through its relevant departments, the Company has identified, evaluated, and specified respective risk categories related to business execution and management, including compliance, the environment, product quality, finances, legal matters, natural and other disasters, information management, and export controls.

To deal with natural disaster risk, we conducted a Company-wide project to formulate business continuity plans (BCPs). In addressing environment risks, we conduct periodic environment risk inspections and impact assessments to manage them. In IT information management, we have established an organization for persons responsible for management to prevent leakages of secret or personal information. With regard to export control risk, a dedicated department manages the risk by formulating rules and conducting specialized training, among other steps. For financial market risk relating to financial instruments such as marketable securities, we manage the risk by establishing rules. In the global supply chain, including international models, we manage the risks relating to corruption, human rights abuses, and environmental pollution as one aspect of CSR procurement.

With regard to the above risks, the Company has established the Compliance Committee, chaired by a director, and a framework for reporting to the CSR Committee.

CSR Action Plan

Protecting Intellectual Property Rights

USHIO INC. takes the following measures to protect its own intellectual property rights and ensure that it respects the rights of other companies.

1. We will observe laws and regulations pertaining to industrial property rights, copyrights and other intellectual property rights.
2. We will make efforts to manage risk in order to prevent other companies from infringing upon our intellectual property rights and to ensure that we do not infringe upon the rights of other parties.
3. We will strive to submit applications and obtain rights in a timely manner in line with business development, and thus to contribute to vigorous corporate activities.
4. We will consider the overseas countries and regions in which we submit applications as well as the content of overseas applications in an effort to enhance our overseas competitive strengths.
5. We will ensure that all employees understand management rules pertaining to employee inventions, and will observe these rules.

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.

People

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 and guidelines, 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), the Declaration on Fundamental Principles and Rights at Work outlined by the International Labor Organization (ILO), and ISO 26000.

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 as vulnerable members of society

○ 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.

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.

CSR Action Plan

○ 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 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
0.00	0.00	0.00	0.26	0.00

* 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, 2017, 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 2017
Three business sites (Harima, Gotemba, Yokohama)	251	14

Human Resources Development

○ Human Resource Development Based on USHIO's Human Resource Vision, Image of Human Resources Required by USHIO, and Requirements

USHIO's management philosophy is to "build both a prosperous company and prosperous employees." To realize this philosophy, USHIO has set out a Human Resources Vision explaining the desired characteristics for employees, and has clarified and documented the image of human resources required by USHIO and conditions for human resources in order to realize the vision. We have also established an education system designed to foster such human resources and accelerate the growth of each employee.

Human Resource Vision

Based on the corporate philosophy of "building both a prosperous company and prosperous employees," we aim to unite "business growth" and "fulfillment at work."

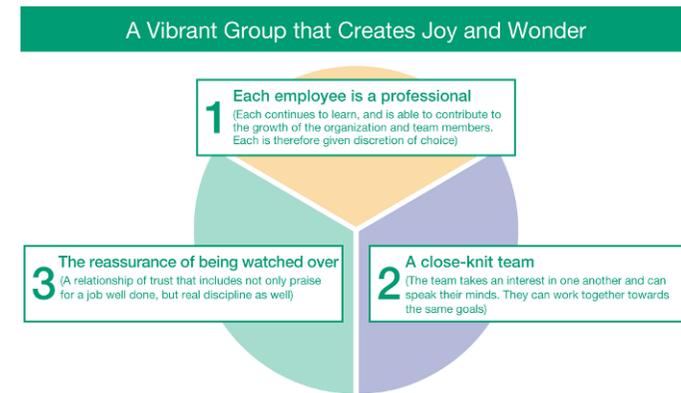


Image of Human Resources and Requirements

Professional personnel who have "will" and "passion," respect diverse values, and continue to collaborate and take on challenges

Requirements

Conduct (Competency)	Customer service	Issue identification	Target achievement	Active engagement	Learning
	Ability to provide real value that exceeds customers' needs	Ability to grasp situations correctly, identify essential tasks, and establish resolution strategies	Ability to organize and execute processes for realizing targets	Ability to engage other people and execute strategies with synergy and speed	Ability to drive own growth, support (nurture) others, and learn together
Good attitude	Tenacity	Flexible thinking	Ambition	Respect	
	Ready to take risks as necessary and to persist to the end without quitting	Able to question established ideas and accept change and diversity without being bound to conventional practice	Take on challenges with an awareness of the people involved, and without fearing failure	Has a spirit of altruism, considers others and builds relationships of trust	

CSR Action Plan

Education and Training Systems

		Essential training	Promotion requirement	Mandatory duties	Selection/selective			
	Succession	Transition	Management	Business	Global	Expand viewpoint	Career	By occupation
Managers			Existing line manager Newly appointed line manager training 360° survey	Strategy planning			CD 50 CD 40	(Sales) Training Committee (Technology) Training Center and USHIO Techno Fair (Manufacturing) Skills Training Dojo and UPS activities, etc.
	Executives	New appointment training	Leader communication	Business skills e-learning	TOEIC	Cross-industry training	Internal recruitment system	
Regular employees		Young Executives	New appointment training	Big Sister and Big Brother system	Solve problems	TOEIC	Trainees and study abroad	Self-development aid (point system)
		Third-year training		Discover problems				
		First-year training						
		Follow-up with new recruits						
		New recruit training		Manners				

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 (91.6% for new employees that joined out of college in fiscal 2015, as of March 2017).

Young Executives Group

This is one of our systems for nurturing future management personnel. 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, external executives, and experts, among others. Through this system, USHIO provides these highly motivated young employees with opportunities to develop their career paths.



Occupation-Based Training

As part of a commitment to support training closely aligned to worksites, each division conducts on-the-job and off-the-job training tied directly to specific occupations. In addition to enhancing specialized skills, this approach boosts motivation, promotes improvement efforts through small group activities, and encourages communication as well as information sharing.

Moreover, the Technical Training Committee and Sales Development Committee, applied horizontally across departments, support the mindset formation, knowledge acquisition, and skill enhancement needed by technological or marketing professionals.

Human Resource Strategy Division Training Center

The current Training Center formed as a result of a technician training course we started in 2012, and today its function is to nurture engineers. Originally expected to perform an internal function of enhancing and diversifying the basic skills of USHIO technicians who contribute to society through optical technology, the Training Center now endeavors to provide opportunities to acquire technical knowledge in a broad range of fields. These include technical courses such as technical drawing CAD, and programming, as well as quality control and PC skills such as use of MS Word and Excel. In fiscal 2017, the Center started providing education to Group companies in Japan as well, helping to raise the technical ability of the entire Group.

トレーニングセンターの概要

- ▶ 人材戦略部が全面運営する「社内教育の場(場)」で、業務のスキルアップや自己啓発に活用。
- ▶ 一般応募の講習会の他に、新任者・配属転換者を対象にPC業務やCAD業務をはじめとする「期間集中トレーニング」も実施。
- ▶ 各講習会の担当講師は人材戦略部以外の部署からも「専員講師」として派遣。

CSR Action Plan

○ Disclosure of Annual Employee Training Hours and Costs (USHIO INC.)

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 2016 and fiscal 2017.

	Fiscal 2016	Fiscal 2017
Total amount spent*1	¥88,630,000	¥80,680,000
Total time spent training*2	43,445 hours	34,840 hours
Total number of people who received training	1,834 people	2,144 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.

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 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Men	4	3	5	6
Women	29	25	22	22
Total persons	33	28	27	28

USHIO's Work-Life Balance Support System



○ Understanding Appropriate Working Hours Together with Measures and Responses to Working Long Hours

USHIO works to understand what appropriate working hours are and enacts measures and responses to working long hours with the aim of realizing its management philosophy of "building both a prosperous company and prosperous employees."

Examples of Specific Initiatives

- Visualization of the time employees spend in the workplace (combining the times employees arrive and leave as registered by card readers on the web system).
- Using the web system to make automatic comparisons of each employee's working hours and agreements made regarding overtime and working on holidays, and to strengthen each employee's and their departmental manager's control over long working hours.
- USHIO exercises thorough management, not only by implementing the proper operation of the Ministry of Health, Labour and Welfare's integrated measures for the prevention of health problems caused by overwork, but also by applying standards about working hours and health management that are even stricter than those set by the Ministry of Health, Labour and Welfare.

As a result of these initiatives, average monthly overtime per employee in fiscal 2017 amounted to 12 hours, a decrease of about 25% compared with fiscal 2016. Furthermore, from the second half of fiscal 2017, we have been promoting working outside and efficient work execution in a bid to reform work styles and increase productivity. The average number of statutory overtime hours worked per month during the second half of fiscal 2017 was 9.3, a significant decrease of around 40% (15.2 hours -> 9.3 hours) from the second half of fiscal 2016.

CSR Action Plan

Percentage of Paid Vacation Days Used

Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
68.5%	68.3%	72.8%	74.0%

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.



Marshmallow Building Event (Action 2020)

Launched in fiscal 2015, Action 2020 is an ongoing action plan to improve both the workplace corporate culture and the mutual communication between employees.

Marshmallow Building was one of our activities in fiscal 2017 that aimed to increase self-initiativeness through teamwork. The name of the new activity Marshmallow Building has been made from the name of the existing activity Marshmallow Challenge, which is a game held around the world to improve teamwork, and from the phrase Team Building. Company employees play fun games while learning about what a team is through the games, the necessity of teams, how to build effective teams, and the importance of each person's role in a team.

Marshmallow Challenge is a game that quickly caught on around the world after Tom Wujec talked about it at a TED Talks event. Teams work together toward the same goal, nurturing teamwork. The rules are simple. The participants use marshmallows, dried pasta, tape, string and scissors to create the tallest, self-standing tower they can. The team with the tallest tower wins.

At our Tokyo office, six teams with a total of 22 people participated in a game of Marshmallow Building (two people were absent), battling it out to build the tallest tower. At the Yokohama Division, one team managed to break the world record for the tallest tower, causing quite a stir.



CSR Action Plan

Quality

Quality Assurance Divisions

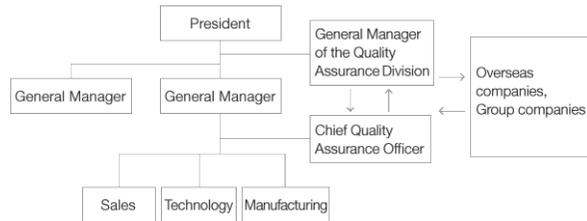
USHIO has a system for improving the efficiency and speed of its quality management system, and started new activities in fiscal 2016. We will maintain our mechanisms for swiftly responding to customer needs while meeting the requirements of ISO 9001. We will aim to achieve radical innovation not bound 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.

Quality Management System and Framework

Based on its management philosophy, USHIO has created quality policies. As the person in charge, the president and CEO designates the people in charge of quality at the various divisions and departments. USHIO also continually works to improve quality by applying standards such as ISO 9001 certification for quality management systems.



Using Manga to Raise Group-Wide Quality Awareness

Lamps, which are USHIO's main products and are widely used by customers in cinema equipment, projectors and lighting, are produced in a variety of different places, including at overseas bases. Great care needs to be taken to ensure that there are no defects in these products as it may have an incalculable impact on the lives of people.

Amid these conditions, USHIO's Light Sources Division issued an educational manga comic booklet called "Quality First" in fiscal 2015 to raise awareness. The manga uses a story envisaging a problem occurring in a cinema projector lamp to show how a production line employee's simple slipup can end up having a variety of effects on many people, including the ultimate end user. This is a tool that enlightens through prompting understanding the effects of actions, and it is already being used.



The manga has also been translated into English and Chinese and sent out so that all those involved in USHIO's product quality Group-wide, which includes overseas bases, can develop greater awareness. The manga aims to help maintain stable high quality in all USHIO products as well as to contribute to a higher level of customer satisfaction.

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 activities aimed at creating solutions to enhance productivity and quality for the IoT business, and for its customers that possess manufacturing sites.

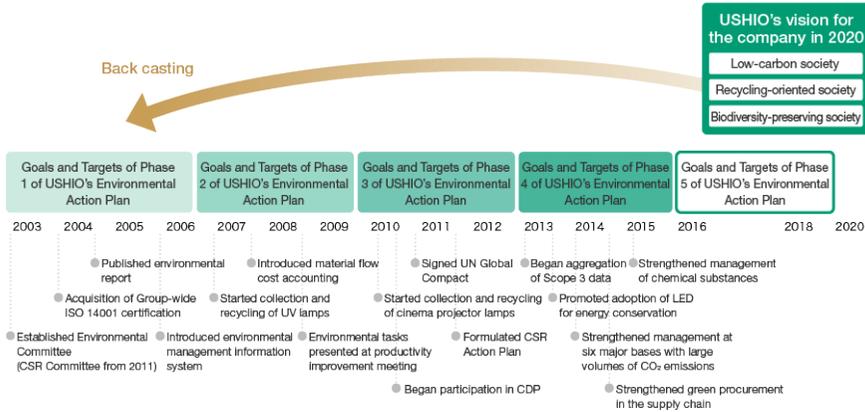
CSR Action Plan

Environment

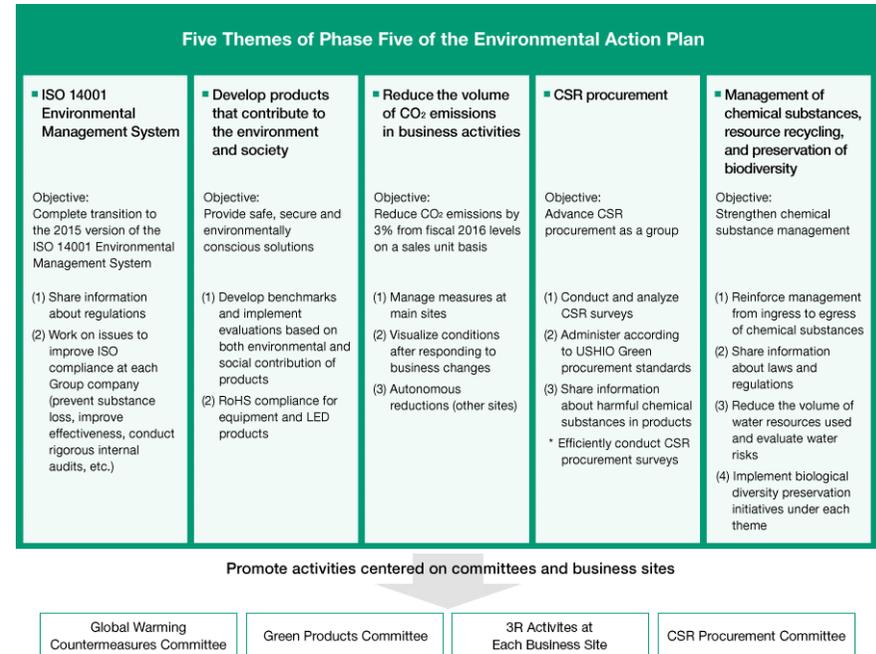
2020 Environmental Vision

The USHIO Group is working to realize a low-carbon, recycling-oriented, biodiversity-preserving society by the year 2020. We have set these three goals as our 2020 Environmental Vision, and we have formulated an Environmental Action Plan to achieve them through our business activities. In fiscal 2017, USHIO started implementing Phase Five of the Environmental Action Plan, which continues through to the final year of the 2020 Environmental Vision. USHIO has also begun considering its new vision for the year 2030.

2020 Environmental Vision Through Lighting-Edge Technologies, we will contribute to: creation of a low-carbon society, conservation of resources, and preservation of biodiversity.



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



Phase Five of the Environmental Action Plan

Phase Five of the Environmental Action Plan was drafted by back-casting from the 2020 Environmental Vision and considering the issues under Phase Four, data analysis, and many other elements. Fiscal 2017 is the first fiscal year of this three-year plan. Phase Five of the Environmental Action Plan will continue to focus on the key areas of green products, reducing CO₂ emissions at business sites, CSR procurement, and resource recycling. In addition, as an initiative to shift to the 2015 version of ISO 14001, the Company is adding initiatives to prevent these efforts from losing their significance and ensure they are implemented in an efficient and businesslike manner. In particular, with regard to green products, USHIO is planning to increase corporate value by adding social demand aspects such as safety and security in addition to environmental considerations.

CSR Action Plan

Implementation Status of Phase Five of the Environmental Action Plan

Environmental Themes and Activities			Fiscal 2017	Fiscal 2018	Fiscal 2019	
Develop products that contribute to both the environment and society	Objective: Provide safe, secure and environmentally conscious solutions	Percentages of green products (GP) and Super Green Products (SG) within new products	Targets	Six or more products	GP ratio: 75% or higher SG ratio: 10% or higher	GP ratio: 75% or higher SG ratio: 10% or higher
			Results	12 products		
		Promote the initiative within the Group	Targets	SG certification of one product or more	Green Product Committee activities at 2 Group companies	Start of GP and SG creation at initiative development points
			Results	SG certification of 2 products		
		Entrench and promote GP activities	Targets	Clarify definition of solutions and scope of application	<ul style="list-style-type: none"> Registration of assessment results: 100% Reformulate standard documentation: consider revising 2 or more environmental factor standards Conduct external PR Formulated Group implementation rules 	Formulate new standards on environmental factors
			Results	Number of standard document reformulations: 5 Discussed effective approaches to PR on GP activities		
Reduce CO2 emissions in business activities	Objective: Reduce CO2 emissions by 3% from fiscal 2016 on a sales unit basis	Manage measures at main sites	Targets	Reduce by 1% from fiscal 2016 on a sales unit basis Reduce CO2 emissions from distribution by 1% from fiscal 2016 per-unit of shipments	Reduce by 1% from fiscal 2017 on a sales unit basis	Reduce by 3% from fiscal 2016 on a sales unit basis
			Results	Proposed and managed energy conservation activities led by the six main sites. Increased by 7% on a sales unit basis		
		Visualize conditions according to business changes	Targets	Ascertain the status of two sites where business changes have occurred	Ascertain the status of business-as-usual, and set reduction targets and measures for the following year	Implement reduction measures
			Results	Ascertained the status of two sites that had merged or transferred facility management		
		Autonomous reductions	Targets	Autonomous target management at sales sites and small-scale sites	Autonomous target management at sales sites and small-scale sites	Autonomous target management at sales sites and small-scale sites
			Results	Implemented autonomous management		

Environmental Themes and Activities			Fiscal 2017	Fiscal 2018	Fiscal 2019	
CSR Procurement	Objective: Advance CSR procurement as a group	Conduct and analyze CSR surveys	Targets	Organize and evaluate functions and target levels at each site, agree on target levels and formulate plan for each site	<ul style="list-style-type: none"> Confirm and follow up on plan progress at each site Evaluate supply chains and provide guidance and education 	<ul style="list-style-type: none"> Confirm and follow up on plan progress at each site Evaluate supply chains and provide guidance and education
			Results	Self-evaluations conducted at Group sites, and activities implemented in line with levels		
		Administer according to the USHIO Group's Green Procurement Standards	Targets	Establish structures and systems for green procurement and management of chemical substances in products	<ul style="list-style-type: none"> Administer, maintain, and manage based on the system 	<ul style="list-style-type: none"> Administer, maintain, and manage based on the system
			Results	Improved systems for information about chemical substances and about laws and regulations, and promoted information sharing		
		Share information about harmful chemical substances in products	Targets	Ascertain and share information about laws and regulations with SCM	<ul style="list-style-type: none"> Ascertain and share information about laws and regulations with SCM 	<ul style="list-style-type: none"> Ascertain and share information about laws and regulations with SCM
			Results	Ascertained and shared information about laws and regulations		
Chemical substance management, resource recycling, and bio diversity preservation	Objective: Strengthen chemical substance management	1. Share information about laws and regulations	Targets	<ul style="list-style-type: none"> Share information about laws and regulations Ascertain status of ISO initiatives at each company and provide support 	<ul style="list-style-type: none"> Share information about laws and regulations Ascertain status of ISO initiatives at each company and provide support 	<ul style="list-style-type: none"> Share information about laws and regulations Ascertain status of ISO initiatives at each company and provide support
			Results	Completed transition at 4 of 19 target sites		
		2. Work on issues for ISO improvement at each company (loss of significance, effectiveness, and improvement of internal audits, etc.)	Targets	<ul style="list-style-type: none"> Conduct chemical risk assessment Ensure chemical information is obtained properly Reduce use of water resources 	<ul style="list-style-type: none"> Administer, maintain, and manage based on the system Continue chemical risk assessment Reduce use of water resources CDP water analysis 	<ul style="list-style-type: none"> Administer, maintain, and manage based on the system Continue chemical risk assessment Reduce use of water resources Conduct water risk self assessment
			Results	Conducted chemical risk assessment Revised and formulated rules for acquisition of chemical substances		

CSR Action Plan

Reducing the Amount of Harmful Chemical Substances Used

In fiscal 2011, our efforts to reduce the amount of harmful chemical substances used included conducting a survey of the status of usage at each business site. Based on the survey findings, 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.

Amounts of Chloroform Usage

Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
8.70 t	7.00 t	6.80 t	7.00 t

Environmental Performance Data Highlights

Each year we numerically determine the environmental load of the entire USHIO Group, and use these figures to reduce environmental load, and also check the effectiveness of environmental management. Load information for each site is constantly tabulated and monitored using ECO-SYS (Environmental Management Information System), and this aids reduction of loads through real-time collaboration with each site. Going forward, the Group is working to better understand environmental burden not only in terms of business activities, but also from a carbon management perspective.

		INPUT				
		Fiscal 2017	Fiscal 2016	Fiscal 2015		
Manufacturing	Energy	Energy (GJ)	772,013	749,047	656,772	
		Electric power (10,000 kWh)	7,135	3,538	5,811	
		Town gas (m³)	1,104,525	769,236	526,320	
		LPG (kg)	22,956	26,671	33,752	
		LNG (kg)	136,703	114,014	113,022	
	Water (m³)	372,806	321,126	236,000		
	Chemicals (t)	8.0	8.2	8		
Transportation	Fuel (L)	254,852	194,588	169,201		

		OUTPUT				
		Fiscal 2017	Fiscal 2016	Fiscal 2015		
Manufacturing	Atmospheric Emissions	CO2 (t-CO2)	38,993	37,618	26,136	
	Waste	Total output (t)	1,271	1,488	996	
		Total output (t)	214	268	196	
	Sewage	Sewage (m³)	351,756	305,086	251,728	
		BOD (kg)	7,900	6,062	8,285	
		COD (kg)	3,829	3,537	3,634	
	Chemicals (t)	7.0	7.0	7.0		
Transportation	Atmospheric emissions (t-CO2)	391	466			

- Period: April 1, 2016 – March 31, 2017
- Scope: Companies covered by consolidated environmental management
- Chemicals (PRTR): Total volume of chemicals emitted or moved

* Electric power to CO2 conversion factor: In Japan: Applied separately for each electricity provider by the Japanese Ministry of the Environment; Overseas: emissions factors supplied by the electricity provider for each site. (Factors as of April 2010 used for all fiscal years).

* No greenhouse gases other than CO2 were emitted.

* Fuel is used to transport products (by truck) and by people using commercial vehicles (company cars) etc.,

CSR Action Plan

Society

USHIO Group Support for Culture and Learning

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 2017, the foundation provided scholarships to 46 graduate students (including overseas students) and 13 students in specialized courses at colleges of technology. So far, 549 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. To date, a total of 230 students have benefited from the Suzhou University USHIO Scholarship Fund.

Accumulated Number of Students Awarded Scholarships

Fiscal year	Number of men	Number of women	Total
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
Fiscal 2017	7	18	25
Total	77	153	230



Meeting together with the scholarship students

CSR Action Plan

Relationship with Society

○ USHIO AMERICA INC.

Participation in Food Drive with Orange County Food Bank

Orange County in California, the location of UAI's head office and the Irvine Plant, is famous for its portrayal in movies and TV dramas of people living extravagant lifestyles, giving the county an image as a wealthy area. On the contrary, Orange County is one of the top ten counties in the U.S. in terms of children who do not have enough food, and one in four people are living in poverty according to Orange County Community Indicators 2015. It is also an area with high rents, as in Los Angeles County. Even after working every day, many families do not have enough money to put food on the table. With the aim of helping these people, we held a food drive at the UAI head office for a second year to coincide with the Earth Day events. In the food drive, companies, churches and other organizations collect canned goods and other preserved foods and donate them to the Food Bank, where people down on their luck can receive the food for free. UAI delivered three large boxes of canned food, pasta and pouched food donated by employees to the Orange County Food Bank. Food Banks receive funds from government organizations and donations from various organizations and individuals, and then engage in organizing volunteer activities.

We intend to make food drives like this an integral part of our CSR activities. Next year, we will make an extra effort to get as many employees as possible to participate in the food drive, such as by calling everyone out to the Earth Day event.

Toy Drive a Major Success for a Second Year!

UAI's Toy Drive, which was launched last year, asked for donations again this year for the Spark of Love Toy Drive organized by a local TV station and the fire department. Last year alone, this toy drive collected half a million donated toys. Although less effort was put into spreading word around the company this year about the toy drive, quite a large number of employees cooperated this year, perhaps because it was the second year we did it. The donation boxes in the front lobby were brimming with toys two days before the drive ended, so we quickly put out more more boxes, which also became full very quickly. A wide variety of items other than toys were also donated, including sports items, clothing and shoes. When we were loading the donated toys in our cars to take them to the fire station, we were warmly moved by the generosity of everyone for making the effort to buy the toys for children. In the U.S., year-end holidays are truly the season of giving.



Toys donated by UAI

In the U.S., there are many ways people can get involved in activities for the greater good, donating cash, goods and time as volunteers. At UAI, we encourage our employees to participate in the annual Food Drive and Toy Drive. Of course, employees willingly participate on their own volition, and they have different views and ways on how to donate. For now, we hope that our employees become more interested in giving back to their communities.

We plan to hold the Toy Drive every year as a part of our CSR activities at UAI.

○ CHRISTIE DIGITAL SYSTEMS USA, INC.

Sponsor of Student Film Festival at Local College

Christie USA helps as a sponsor for a student film festival held every year at the local college in Cypress City. Cypress College, a two-year community college, is located a few miles from Christie USA. The Media Arts Design Department offers 27 courses in the following five specializations in its digital cinema program.

- Digital Cinema Art & Industry
- Digital Cinema Production
- Digital Cinema Techniques & Technologies
- Cinema & Video Post-Production Basics
- Multimedia Production Basics

After taking these courses, students who graduate are qualified to try to enter a four-year university or art college, or start working with the cutting-edge skills they learned.

Christie USA provides the prize money for four awards among the many awards at the film festival, which include Best Script, Best Director, Best Cinematography, and Best Editing. A total of 52 films (including live action and animation) are nominated, and 24 films are shown to the public at the campus theater. Community college students and high school students in Orange Country, where Cypress City is located, can participate in the film festival. All of the awards are divided into college and high school divisions, and each one comes with a trophy and prize money. Voting on the best films is done by both graduates and faculty. Each movie is judged for its script, cinematography, direction, editing and acting. UAI's Senior Director of the Personnel Department, Anna Escudero, and EMS Manager Pamela Rossman attended the awards ceremony and presented the trophies to the recipients of the four aforementioned awards. The award-winning films were quite creative and wonderfully entertaining to watch. We are proud to help budding filmmakers in our community.



○ CHRISTIE DIGITAL SYSTEMS CANADA INC.

Amazing Race

In October 2017, Christie Canada held the Amazing Race Around the World Challenge as a part of a United Way campaign held every year. United Way is a non-profit organization that attracts a large amount of donations to fund volunteer and NPO activities.



Every year, Christie Canada holds enjoyable and entertaining events to collect donations for supporting United Way as a way of giving back to the community. United Way promotes the physical and mental health of everyone living in their communities by deepening understanding and mobilizing the caring power of communities to foster healthy families. United Way's three main objectives are to nurture strong communities, help children achieve their goals, and give people a chance to end poverty.

A total of about 40,000 Canadian dollars (about ¥3.44 million) was collected from employee donations via the campaign this year. It was promptly given to United Way.

CSR Action Plan

○ USHIO TAIWAN, INC. (UTI)

Donation of Used PCs to Indigenous People

Most companies dispose of their equipment and other assets when their useful lives have ended, but UTI takes a different approach. In October 2016, UTI donated around 30 used PCs to elementary schools for indigenous people, which have few resources to purchase new PCs. The elementary schools are located in an area called Taitung that is six hours by car from Taipei, the capital of Taiwan. This mountainous region is geographically difficult to develop and has relatively few natural resources. The schools there have not made much progress using PCs and other digital educational resources in the classroom. Once we researched the area and understood their needs, we launched the ECO Project. Before donating the PCs, we had PC experts reformat the hard drives to prevent any information from leaking, and then we gave the cleaned up PCs to the schools.

The school teachers were waiting for UTI staff to arrive with the PCs, and helped unload the boxes. Although a fair distance was traveled, we were moved by seeing the students happily looking at the sight of being surrounded by a mountain of PCs.

The school principal conveyed his appreciation for the donations, and send an official letter of thanks from the school to the president of UTI a month later. This successful project for giving back to the community carried a great significance for UTI.

The Ushio Group's policy of contributing to the development of regions was fulfilled by UTI.



Third-Party Opinion

Public Resources Foundation
Executive Director
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 as an Associate Member of the Council for Utilization of Dormant Deposits, she serves as director of several NPOs, including the Japan Fundraising Association and the Japan Association of Charitable Organizations.



Like last year, I have read USHIO's Sustainability Report 2017 with the intention of offering an opinion of the report.

The USHIO Group has launched a new CSR medium-term plan starting from fiscal 2017. In the CSR medium-term plan, USHIO has identified five key issues (materiality): green products and green factories, human resource management, supply chain management, the prevention of corruption, and corporate governance. Every year, the Company sets KPIs for these initiatives and reflects them in the CSR Action Plan. I continue to favorably assess how the Company has implemented the operation of PDCA cycles around material issues, and look forward to seeing progress reports issued in the future.

In 2010, the USHIO Group declared its support for the 10 Principles of the UN Global Compact, and has been working on compliance with the 10 Principles, including the elements of human rights and labor. I have high praise for the CSR medium-term plan, which clarifies initiatives in due diligence for human rights from both an internal human resource management perspective and an external supply chain management perspective, and I expect USHIO to disclose details about the progress made.

Regarding diversity in the feature section of this report, USHIO has focused on diversity as a competitive strategy. I appreciate that the Company aims not only to implement diversification for such attributes as age, gender, and nationality, but also to transform diversity into competitive strength. I believe that this human resources strategy of a global company will have much potential in the future. I have high praise for the increase in the percentage of female employees, and the introduction of the Job Return System for rehiring employees who had left work. At the same time, it is disappointing that the ratio of employees with disabilities has fallen slightly below the legally mandated ratio, and I expect USHIO to make further improvements.

In this report, the Company has introduced and once again clarified its Human Resources Vision, and the image and requirements of the human resources required by USHIO. The Company also describes the education system it has designed to foster such human resources. I can appreciate that USHIO has developed a variety of mechanisms to maximize the ambitions and motivations of each and every employee.

Regarding conflict minerals, USHIO has established its Basic Policy Statement for Conflict Minerals, under which the Company checks for the use of any conflict minerals in the USHIO Group and reports the results of its findings to customers. I have praise for the fact that USHIO not only confirms whether or not conflict minerals are used by each supplier, but has also expanded the scope of its confirmation survey to cover mines and refineries.

Regarding supply chain management, average self-evaluation scores by suppliers declined in the 2014 CSR procurement survey, so I had expected USHIO to strengthen its commitment to help its suppliers in this regard. In fiscal 2018, USHIO plans to confirm the CSR procurement status of each supplier by using the CSR Procurement and Self-Assessment Questionnaire formulated by Global Compact Network Japan (GC-NJ). In the future, I hope that USHIO will continue these actions with its suppliers, and follow up on the results.

Regarding governance, USHIO has transitioned from a company with an Audit & Supervisory Board structure to a company with an Audit and Supervisory Committee structure. The Company has strengthened its supervision function with a majority of the members on the Board of Directors now being independent outside directors. At the same time, the Company delegates business execution authority to executive officers. I favorably evaluate that the Company is making efforts to accelerate decision-making and strengthen corporate governance. In the future, I expect the Company to disclose its analysis and evaluation of the effectiveness of the Board of Directors.

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, 2017)

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, 2017)

Parent company	1,703
Japanese subsidiaries	869
Overseas Subsidiaries	3,391
Total	5,963

Group Companies (57 companies) (as of March 31, 2017)

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
Kawasaki Bio Lab	Kawasaki, Kanagawa Prefecture

Domestic Group Companies

USHIO LIGHTING, INC.
XEBEX INC.
CDS JAPAN
ADTEC Engineering Co., Ltd.
PROTOSERA INC.
USHIO OPTO SEMICONDUCTORS, INC.
MAXRAY INC.

6 other companies

Overseas Group Companies

North America

- USHIO AMERICA, INC.
- NECSEL INTELLECTUAL PROPERTY, INC.
- CHRISTIE DIGITAL SYSTEMS USA, INC.
- CHRISTIE DIGITAL SYSTEMS CANADA INC.
- CHRISTIE MEDICAL HOLDINGS, INC.
- EVENT AUDIO VISUAL GROUP, INC. d.b.a. NATIONWIDE WHOLESALE VIDEO INC.

Europe

- USHIO EUROPE B.V.
- BLV Licht - und VakuumtechnikGmbH
- USHIO POLAND Sp. zo. o.
- Dipl.-Ing.Reinhold Eggers GmbH

Asia

- USHIO ASIA PACIFIC PTE LTD.
- USHIO ASIA PACIFIC (THAILAND) LTD.
- USHIO TAIWAN, INC.
- USHIO KOREA, INC.
- USHIO HONG KONG LTD.
- USHIO SHANGHAI, INC.
- USHIO SHENZHEN, INC.
- USHIO (SUZHOU) CO., LTD.
- USHIO (SHAOGUAN) CO., LTD.
- USHIO PHILIPPINES, INC.
- CHRISTIE DIGITAL SYSTEMS USA, Ltd.

27 other companies

USHIO

Published by:

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