

SUSTAINABILITY REPORT 2015

Year ended March 31, 2015



The USHIO Group will harness the unlimited by solving society's problems and improving

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.

North America

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

Europe

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

USHIO GROUP MANAGEMENT PHILOSOPHY

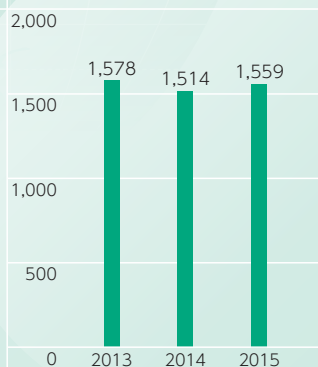
1. Build both a prosperous Company and prosperous employees.
2. Deliver products and services that are competitive in the global market.
3. Contribute to society through superior products and innovative research and development.
4. Expand profits, corporate responsibility, and competitiveness through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

Corporate Data

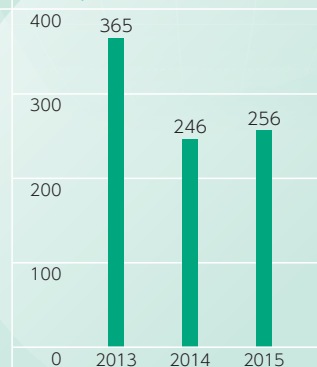
Established	March 1964
Paid-in capital	¥19,556,326,316
President and Chief Executive Officer	Kenji Hamashima
Head office	2-6-1 Otemachi, Chiyoda-ku, Tokyo 100-8150
Employees (as of March 31, 2015)	
Parent company	1,755
Japan	705
Overseas	3,080
Total	5,540

Number of Employees

North America



Europe



Editorial Policy

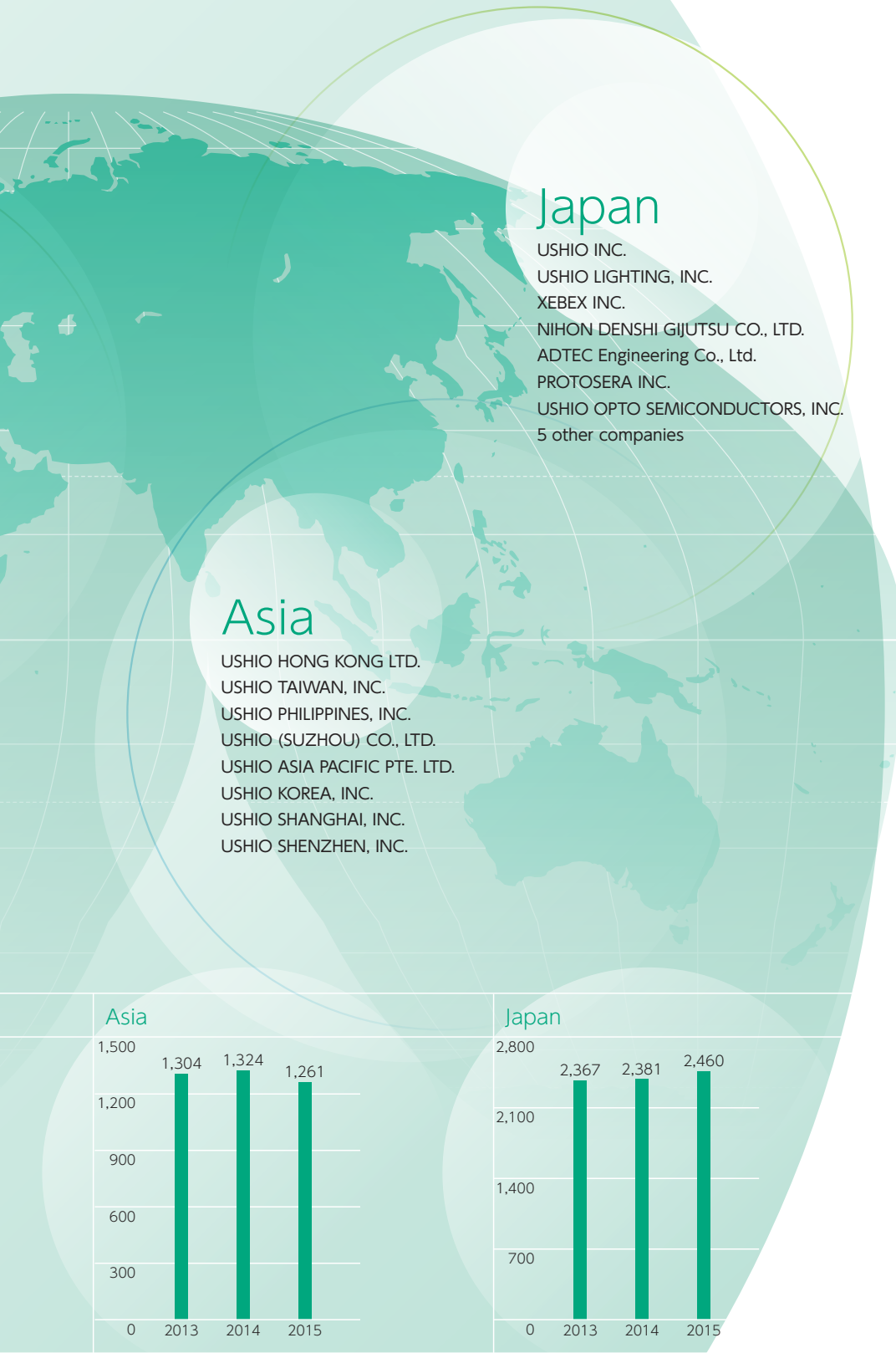
In choosing the material for this Sustainability Report 2015, we made an effort to report in greater depth on the correlation between management and corporate social responsibility (CSR) issues. We have also tried to create links so that the report will serve as a gateway to our CSR website and Online Annual Report. We have edited the report to make it easy to read for a wide stakeholder audience.

1 CSR Report

For the USHIO Group's detailed CSR report, please see the section of our website entitled CSR/Society & the Environment.

 <http://www.ushio.co.jp/en/csr/>

potential of light to create new value quality of life for people.



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2 Online Annual Report

For information about the USHIO Group's business activities, please see our Online Annual Report 2015, and our Group website.

Web <http://www.ushio.co.jp/en/ir/ar2015/>

Scope of Report

Time period: This report basically covers from April 1, 2014 to March 31, 2015, but also includes some activities prior to this scope, and some activities in fiscal 2015.

Organizations: All USHIO INC. business sites and Group companies worldwide

PRESIDENT'S MESSAGE

USHIO is promoting a medium-term management plan that seeks to fuse the sustainable growth of global society with USHIO's growth strategies.

I am proud to present the second sustainability report since my appointment as president. In May 2015, we announced a new medium-term management plan. This plan takes a long-term view on the future of our business, and aims to achieve a dramatic increase in earnings.

USHIO's long-term strategy is to develop business that promotes the creation of a sustainable society.

I hope that our report on the first step in this strategy will help to give everyone a better understanding of where we are heading.



Medium-term Management Plan and CSR

In the medium-term management plan announced in May 2015, we laid out three key measures: "expand business earnings," "enhance capital efficiency," and "bolster shareholder return."

We believe that by continuing to apply USHIO's "light technology" to the problems faced by our customers and society, we can contribute to solving social issues and realizing a sustainable society.

To achieve our goals, we must start innovation to stimulate the creation of new value, not only in the R&D

and product development divisions, but in every part of the USHIO Group, from sales through to management divisions. Therefore, in tandem with our medium-term plan strategy, we have also been working to strengthen our management foundation, which is the main body through which we create new value.

Specifically, we are looking at the following Group issues and wide-ranging corporate trends to strengthen our management foundation.

- Management transparency
- Communication with stakeholders
- Human rights and diversity

FINANCIAL RESULTS

	2013	2014	2015
Net sales	¥143.4 billion	¥157.8 billion	¥159.3 billion
Operating income	¥7.5 billion	¥12.1 billion	¥10.3 billion
Net income	¥7.1 billion	¥10.7 billion	¥11.2 billion
Return on Equity (ROE) (%)	4.3%	6.0%	5.6%

* All numbers are rounded down to the figures shown.

MEDIUM-TERM MANAGEMENT PLAN NUMERICAL TARGETS

	2015 (Actual)	2016 (Plan)	2018 (Plan)
Net sales	¥159.3 billion	¥180.0 billion	¥220.0 billion
Operating income	¥10.3 billion	¥13.0 billion	¥18.0 billion
Operating Income Ratio	6.5%	7.2%	8.2%
Return on Equity (ROE) (%)	5.6%	5.7%	above 8.0%

Target
2020

ROE
10%

MEDIUM-TERM MANAGEMENT PLAN



- Human resource development
- Supply chain and CSR procurement
- Customer satisfaction
- Improving the ISO management system

These are the preeminent CSR factors of our time, and all of them are building blocks for the business foundation that will play an essential role in USHIO's growth. Here we will start by giving an overview of the medium-term management plan, which will lead into our CSR Action Plan (details on P. 13), and we will also highlight several measures that are already in place.

Fiscal 2015 Performance and Overview of Medium-term Management Plan

In the fiscal year ended March 31, 2015, net sales were up 1.0% year on year to ¥159.3 billion; however, operating income decreased 14.5% to ¥10.3 billion. By segment, the equipment business was down in sales and income, but in the light sources business, both sales and income increased.

The Group is aware that its results have not obtained a standard the market expects over the past few years, especially in the aftermath of the collapse of Lehman Brothers. We see the need to enhance profitability by improving investment efficiency through development investment and with the early creation of future growth drivers such as solid-state light sources and medical products. We also believe it is necessary to strengthen our management foundation in order to ensure the effectiveness of these measures.

Against this background, we set targets for the end of the fiscal year ending March 31, 2018, three years away, of ROE of at least 8.0%, net sales of ¥220.0 billion and operating income of ¥18.0 billion (with an operating income ratio of 8.2%), while also aiming for ROE of 10% by the year ending March 31, 2020.

Online Annual Report 2015 STRATEGY

 <http://www.ushio.co.jp/en/ir/ar2015/strategy/index.html>

Medium-Term Management Plan (PDF)

 http://www.ushio.co.jp/en/ir/library/management_plan/index.html

Communication with Stakeholders

We value communication with stakeholders as an important aspect of our efforts to improve our management foundation, which will support the progress of our medium-term management plan. USHIO seeks to incorporate diverse values into its management, and is therefore powerfully promoting communication with customers, investors, business partners, Group employees, NPOs and others. By picking up on the expectations of diverse stakeholders for the Company and deepening our awareness of internal and external issues, we expect to take up completely new technologies and approaches, and provide strong impetus for innovation that will produce new value.

To stimulate communication with USHIO's employees and other groups, we promote human resource exchanges through proactive redeployments not only of the human resources in operating divisions, but also with other Groups. We have provided various forums for exchanges, such as lunch meetings for executive officers and employees, and the world café for communication between employees.

Shifting to a Structure with Three Outside Directors

In Japan, the Corporate Governance Code was introduced in June 2015 amid increasing worldwide recognition that dialogue with stakeholders such as investors and non-financial value are extremely important in corporate activities.

In line with this code, USHIO has added another outside director and another outside audit and supervisory board member from the fiscal year ending March 31, 2015. The resulting new structure has a board of directors with eleven directors, of whom three are outside directors. USHIO's Board of Directors and Board of Auditors and Supervisors is therefore incorporating people with diverse backgrounds and experience who we expect to provide new and different perspectives as well as useful knowledge. At the same time, the boards will receive new perspectives on supervision and monitoring of management and governance. We therefore believe that they can increase the transparency of the Company's management.

Newly Appointed Corporate Officers (Online Annual Report 2015)

 <http://www.ushio.co.jp/en/ir/ar2015/governance/interview.html>

Human Rights, Human Resource Development, and Diversity

One of the five pillars of USHIO's CSR Action Plan is "People." We believe that it is essential to give consideration to human rights in relation to business activities.

Roughly translated as "Mountain Peak Management," Renpo Keiei has been the USHIO Group management philosophy since day one. We have established a structure for sharing information such as business strategies, corporate ethics, and basic approaches to CSR. We also respect each Group company's policies based on individuality, independence, and autonomy to ensure that day-to-day operations are in keeping with local culture, history, and other background aspects. We aggressively promote locally hired employees into positions of middle and senior management.

We have always focused on human resource development as one of our most important priorities; however, under the current medium-term management plan, our policy is to advance these measures even further.

We have introduced a "Young Executives Scheme," for equipping young employees with the global awareness of CEOs. In long-term human resource development, we have also further enhanced our level-specific training system, which is designed to foster self-awareness of employees for each of their own particular roles within the employment system. Another goal is to improve employees' English language abilities. We provide spaces for everyday English conversation and take other steps to improve their communication skills.

Furthermore, we are promoting diversity through equal opportunities for human resource development and activity regardless of gender or ethnicity, and we also have plans to increase our hiring of people with disabilities.

Supply Chain Management

Developing a global business means we need to consider environmental protection at every stage in the series of processes from raw material procurement through to product disposal by customers. In addition, we must also consider the CSR activities and respect for human rights among our suppliers. USHIO is already practicing green procurement activities and taking initiatives on CSR issues as stipulated by our CSR Procurement Policy throughout its supply chain.

Contributing through Business and Creating Employment

As a leading light technology company, in addition to conventional fields such as electronics and imaging, USHIO is able to contribute in new areas such as biomedical and life sciences. For example, the biomedical field has been positioned as a third pillar of USHIO's business. Here, our blood analyzers and phototherapy devices have received regulatory approval in a string of countries throughout Asia, and are contributing to a higher quality of life. In the area of industrial solid-state light sources (LEDs, LDs, etc.) which are expected to contribute to a low-carbon society, we have seen major advances for application in cinemas and automobiles. Under the medium-term management plan, we will continue with this kind of new value creation to develop products and services that contribute to society, and to drive USHIO's Growth.

Currently, the USHIO Group's net sales are 80% overseas, and more than half of the Group's employees are affiliated to overseas Group companies. Looking ahead, we believe our global development will contribute to community development by creating significant employment opportunities at our worldwide network of bases.

In October 2010, USHIO declared its support for the 10 principles of the United Nations Global Compact. This year, the United Nations adopted the Post-2015 Development Agenda. We will also contribute to solving social issues such as these through our business activities.

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

And I hope that you will share your feedback and opinions about this report with us.

October 2015



KENJI HAMASHIMA
President and Chief Executive Officer

FEATURE

Creating New Value in the LED and

LEDs help to conserve energy and resources. They have become widespread among households and people have recently become familiar with them. They are also gradually being introduced, along with LDs (laser diodes), in the industrial sector, where they can hold their own in performance against conventional lamps in conditions that require extremely high specifications.

Uses for LEDs beyond Illumination

USHIO LIGHTING, INC. supplies a diverse array of illumination equipment in places such as hotels, offices, and hospitals, where LEDs can provide unique added value. But LEDs are capable of providing more than just illumination in these fields. As a leading company in light, USHIO is using the light technology it has developed over many years to provide a wide range of LEDs and LDs, from ultraviolet through to infrared, for various applications including semiconductor manufacturing processes and medical uses.

Promoting Strategic M&As

USHIO is aggressively promoting M&As with the goals of accelerating development and increasing its product line-up. In October 2014, USHIO acquired the industrial and consumer semiconductor laser diode and LED business of Oclaro Japan, Inc., and made a fresh start with the business as USHIO OPTO SEMICONDUCTORS, INC. In 2008 USHIO acquired Epitex Inc. (currently

USHIO EPITEX INC.) and in 2010, Necsel Intellectual Property, Inc. With the recent addition of USHIO OPTO SEMICONDUCTORS, the USHIO Group has now prepared a framework to provide a strong line-up of LEDs and LDs to meet customers' diverse needs.

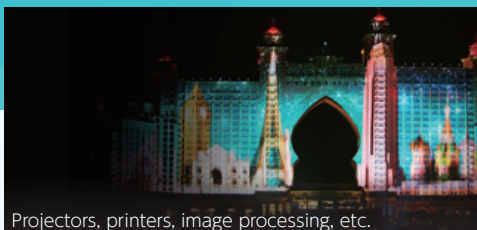
USHIO Pioneers a New Era for LEDs and LDs

Conventional lamps emit a wide range of wavelengths, but LEDs and LDs have a special characteristic in that they can be made to emit only certain required wavelengths depending on the material used to make them. This means that they can use light more efficiently for each application than an ordinary lamp.

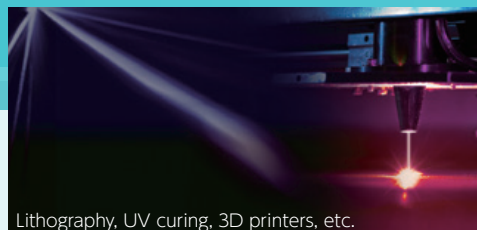
LEDs and LDs are relatively young products, and they are considered to hold tremendous potential for providing solutions in the future to problems facing global society. USHIO is conducting research and development in pursuit of even higher quality LEDs and LDs.

Main Markets for USHIO's LEDs and LDs

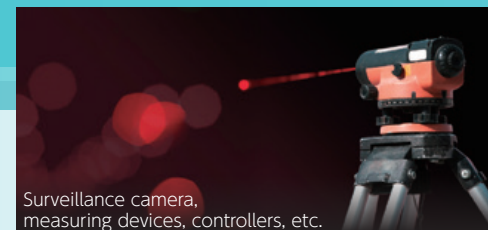
Visual Imaging



Process



Measurement



LD Business

Group Companies Driving the Solid-State Light Sources Business

Lasers for industrial use

USHIO OPTO SEMICONDUCTORS

USHIO OPTO SEMICONDUCTORS utilizes unique laser technologies and manufacturing expertise with a focus mainly on laser diodes for industrial and consumer use. The company supplies high power red multi-beam laser diodes for high-end multi-function office printers, red laser diodes for medical and measurement applications, violet laser diodes for exposure equipment, high power red laser diodes for displays, and infrared emitting diodes for optical encoders.



LED Lighting Total Solutions

USHIO LIGHTING

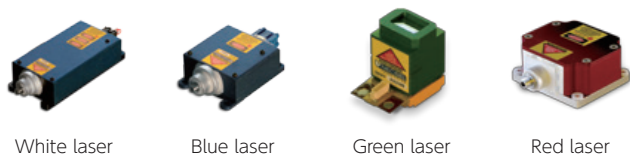
USHIO LIGHTING provides total solutions to meet customers' needs, such as comfortable lighting that also saves on energy and costs for hospitals, hotels, and other facilities, stage lighting equipment and optimal lighting controls for use in diverse productions, and unique equipment tailored to specific usage environments and purposes, such as plant factory lighting or fish-luring lights.



High Powered Visible Lasers

Necsel Intellectual Property

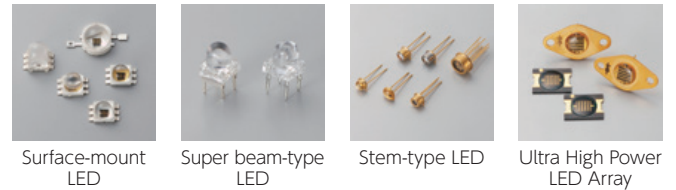
Necsel Intellectual Property provides laser light that offers brightness, a wide color gamut and saturated colors, and lower operating costs with a longer lifetime. These attributes are used in products for digital cinemas and planetariums. The products include an academic association award-winning green laser and other light sources for the new market of premium theater, which are providing powerful impetus for the creation of new markets.



Supplying High-Power LEDs from Infrared to Ultraviolet

USHIO EPITEX

USHIO EPITEX supplies high-power LED modules for use in the intelligent transport system (ITS) field, such as devices for surveillance, traffic surveillance and car-park surveillance, as well as in biometric authentication, medical and biological devices, and industrial-use light sensors.



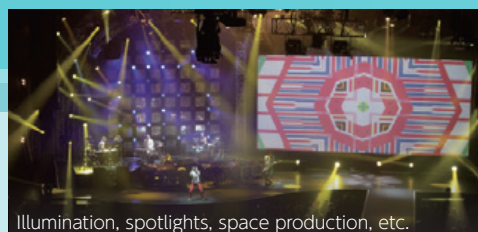
Automotive/ITS

Illumination

Science/Medical/Bio



Headlights, head-up displays, ETC (electronic toll collection)



Illumination, spotlights, space production, etc.



Treatment, testing equipment, plant factories, water and air sterilization, etc.

USHIO's Challenge in Next-Generation S



Realizing a sustainable society requires saving energy and reducing waste. From this perspective, ordinary LED lighting offers outstanding performance over conventional incandescent lamps, using around 1/8 of the power and lasting around 10 times longer. On the other hand, to develop solid state light sources (LEDs and LDs) that are able to replace the specialized light sources for industrial use provided by the USHIO Group, there are several hurdles that must be overcome. In particular, in fields that require high power and high luminescence, we have only just begun development work that will lead to mass production. Here, Hiroaki Banno, General Manager of the Solid-State Light Sources Division, explains the latest developments and vision for the future in USHIO's solid-state light sources business.

HIROAKI BANNO
Director, General Manager, Solid-State Light Sources Division

USHIO's Target Areas and Applications

We are currently working on solid-state light sources in six areas, all of them for industrial purposes. The six areas are 1) Visual Imaging for video and images, 2) Processes utilizing UV light reaction effects and heating from visible through to infrared light, 3) Science/Medical/Bio, utilizing the characteristics of light wavelengths and materials, 4) Measurement, using the properties of light waves, 5) Automotive/ITS (intelligent transport systems), and 6) Illumination. In each of these

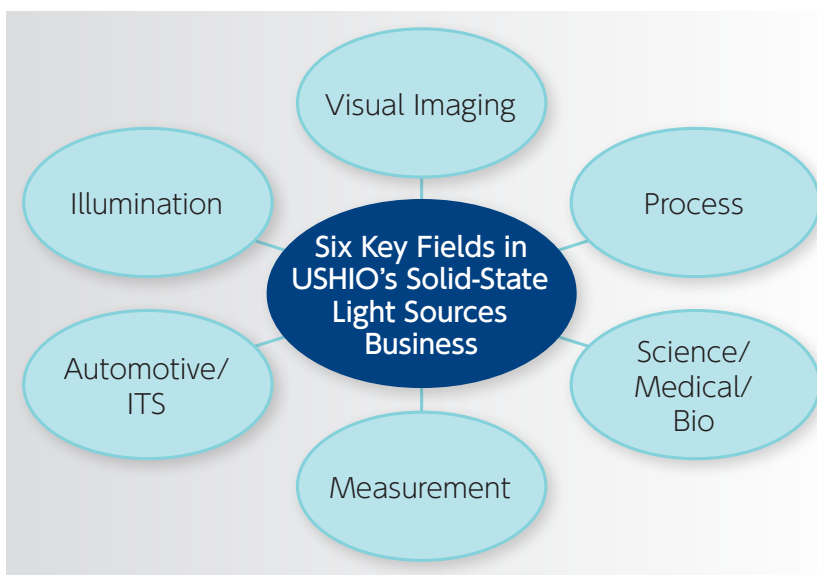
fields, we must provide a wide range of light wavelengths depending on their application, from ultraviolet through to visible light and infrared.

Accelerating Development of Powerful Light Products

The industrial applications of solid-state light sources include areas where weak light is sufficient, such as measuring equipment, and areas where powerful light is required, such as semiconductor manufacturing

processes. In the case of the former, it is actually easier to make solid-state light sources than the conventionally used discharge lamps and halogen lamps, which have now been largely replaced in mainstream use by LEDs and LDs.

On the other hand, in fields where powerful light is required, there are many technical hurdles to be overcome. For example, we have only just started work on developing solid-state light-source products that can operate on par with the high power,



Solid-State Light Sources

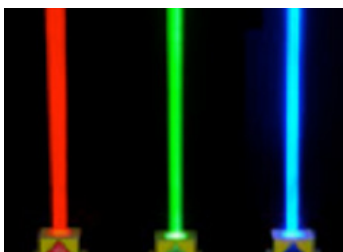
high luminescence discharge lamps used in the semiconductor manufacturing process. USHIO is currently rapidly to promote technological innovation with the goal of developing new products to help realize a sustainable society with its customers. We expect solid-state light sources to replace conventional ones in these fields, too, in the not-too-distant future.

Digitalization of Cinemas and Laser Diodes (LDs)

Over the past few years, the field of cinema has seen a massive shift from film projectors to digital cinema projectors. This has contributed greatly to reducing the use of oil resources to produce massive quantities of film that were previously distributed to cinemas. Today, the shift to digital projectors is all but complete in advanced countries, and the USHIO Group's Christie® products represent about a 40% share of these. As digital cinema projector demand is being maintained in Asia, particularly in China, we believe the projectors will continue to drive further resource savings. In addition, since the adoption of digital technology enables central control of the image from the control room, it is likely that movies will be distributed online for screening in the future, adding potential for reducing distribution-related costs.

In addition to these trends, USHIO has started selling LDs for use in digital cinema projectors. This year, we began full-scale shipments of LD products for premium theater projectors that cannot be made with xenon lamps. The LDs not only help to save energy and resources, they also produce far higher power and luminescence than conventional discharge lamps. They also utilize the single-color of the wavelength to recreate a high color gamut that was previously unachievable. This enables them to project images that are exceptionally clear and beautiful.

These projectors will herald a new era in cinema for people working in movie production as well as movie-goers.



A Safe and Comfortable Automotive Society

The Automotive/ITS-related market is the subject of increasing attention. USHIO is also at work here, developing lasers for use in head-up displays.

Head-up displays project all kinds of information on the windscreen of a car, ultimately replacing all driver-seat instrumentation such as meters and car navigation, while staying in constant communication with electronic toll charging (ETC) and cloud networks. Meanwhile, ITS will achieve a constant bird's-eye view of the entire road transport network, detecting and responding to abnormalities, and contributing not only to individual vehicles, but to the construction of a safe and comfortable automotive society. Head-up displays using high performance lasers developed by USHIO are expected to be used in general passenger cars marketed in a few years from now. Furthermore, there are still many fields in peripheral supporting technology for ITS where solid-state light sources are expected to play a role. We are actively developing products for these.

Medium-Term Vision for Several Years into the Future

USHIO established the Solid-State Light Source Promotion Office in 2008. Seven years later, in the fiscal year ending March 31, 2016, we are expecting to record net sales of almost ¥10.0 billion, and in the fiscal year ending March 31, 2018, we plan to achieve net sales of around ¥16.0 billion. Apart from the LDs for the cinema field that started full-fledged shipments from the fiscal year ended March 31, 2015, we also have a large number of products under development that we expect to release soon.

Society has high expectations of LEDs and LDs right now. Our customers are asking for products that will help them to develop products that can contribute to realizing a sustainable society. As a leader in the field of light, USHIO is using its strength in the form of the trust relationships it has built with customers to identify social needs. Through this characteristic approach, we will create new value and grow the solid-state light sources business.

BIOMEDICAL OPERATIONS

In 2014, USHIO launched the Biomedical Business Division as a third business pillar. As with the solid-state light sources business, we are creating new value that solves social issues by aggressively pursuing M&As and joint development with research institutions, with the goal of creating products that will drive USHIO's next generation of growth.

TheraBeam® UV308 Excimer Light Phototherapy Device

The TheraBeam UV308 provides therapy for patients using beams of light. It was created by USHIO with the goal of providing therapy to those in need.

Over 350 units have been produced in total to date, and they are currently being used to treat skin disorders in countries around the world. The device has successfully improved the quality of life for numerous patients suffering from conditions such as vitiligo, psoriasis, palmoplantar pustulosis, and atopic dermatitis.

Recently, universities and others have made advances in research on atopic dermatitis and its associated itchiness, which is expected to verify the effectiveness of TheraBeam UV308 in this area. Our goal is to provide USHIO's light to as many patients as possible.



Point Reader V® Blood Analyzer Enabling Quantitative Analysis for Animals

USHIO has launched Point Reader V, a blood analyzer enabling quantitative analysis for animals using immunochromatography, along with the dedicated reagent Point Strip®. The immunochromatography method has low quantitative accuracy, and has therefore been used only as a qualitative method until now. With the Point Reader V and the Point Strip reagent, USHIO has succeeded in dramatically improving the analysis capability of this method. We are currently developing the Point Strip Canine-CRP—a reagent for measuring inflammation in dogs, and plan to add various other measurement targets in the future, including cats. Today, animal companions have become members of the modern family. Pets cannot explain their own symptoms, but we hope that the Point Reader V, with its ability to quickly measure blood levels on the spot in clinics, will be able to help with diagnosis.

* We have now started sales in China, and plan to launch the product in other countries, too.



Point Reader V and Point Strip

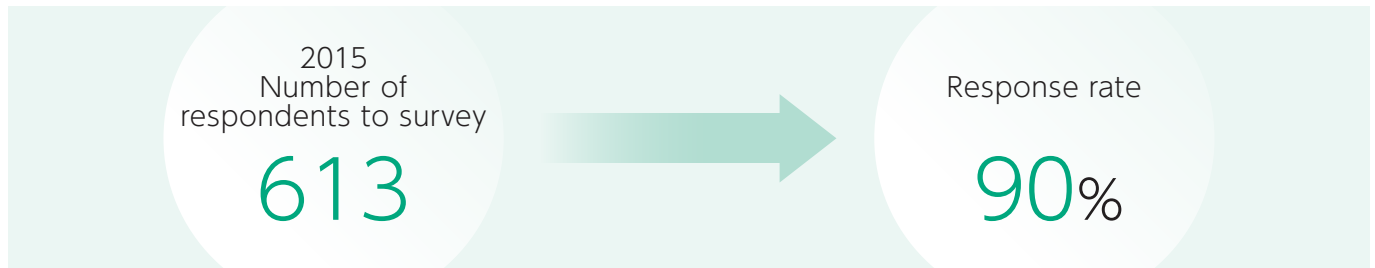
CEALA-Cosmetics for Medical Institutions

Photodynamic Therapy is the latest therapy and diagnosis technique that combines light and pharmaceuticals. USHIO has been focusing on this technology for some time, and in the process of research and development has searched constantly for a method to help those who have skin problems. Recently, we have been working on the moisturizing ingredient ALA (Aminolevulinic acid phosphate), and have decided to sell cosmetics made using ALA. These cosmetics are medical cosmetics for people with skin problems. They provide moisture to dry skin, keeping it healthy.



CSR PROCUREMENT

A company's social responsibility is one of the conditions for the survival of its business. Moreover, an accurate response to this will help a company to demonstrate excellence and form a competitive advantage. However, social responsibility cannot easily be tackled by a single company alone, and requires the action of the entire supply chain. USHIO is continuously expanding the scope and survey items of its initiatives, and working together with its suppliers to increase their CSR response capabilities'.

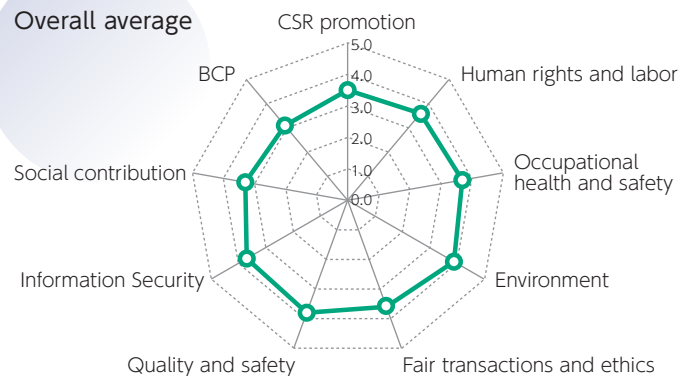


CSR Procurement Questionnaire Survey

In the fiscal year ended March 31, 2015, USHIO significantly expanded the number of suppliers of main production sites covered by its survey, sending the survey to nearly our entire supplier network 613 companies. Of these, 90% responded, and the overall average values for the responses of the companies is shown in the diagram to the right.

Based on these results, we provided individual feedback to each supplier, and used a dialogue process to identify issues and consult on measures for improvement.

Overall average



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, in the spirit of encouraging coexistence and co-prosperity, 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 (Information Security)

CSR Procurement Policy

Web <http://www.ushio.co.jp/en/csr/csr-procure.html>

Overseas Procurement

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

USHIO also procures items from overseas suppliers, and from the fiscal year ended March 31, 2015 also started a survey of domestic business partners, targeting high volume transactions and items that are often used in general merchandise. Since the situation differs in each region and country, we seek to create a road map through discussion, and continue to conduct surveys.

USHIO'S CSR

Approach to Corporate Social Responsibility (CSR)

We consider it natural that a corporate citizen should observe laws and regulations, contribute to society, and take steps to protect the environment. These are the foundations of all corporate activity. In addition, a corporation should build good relationships with its various stakeholders and advance by creating and offering new value to contribute to society. This is the kind of corporation that USHIO is working to become.

CSR Promotion Framework

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 24th CSR Committee meeting held in May 2014, the members confirmed current priorities to be addressed and initiatives to be taken going forward. Furthermore, at the Group CSR Council held in April 2015, the top management of Group companies attended from bases around the world. They completed a survey relating to CSR and shared information and discussion on supply chain CSR management, BCPs, and other issues.

United Nations Global Compact's Ten Principles



Network Japan
WE SUPPORT

USHIO has declared its support for the United Nations Global Compact of principles concerning human rights, labor standards, the environment and anti-corruption. 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 co-sponsoring a proposal on supply chain management as one of the participating companies. We have joined the local UN network supporting the compact, Global Compact Network Japan, and 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.

Medium-term Plan for CSR

USHIO established the CSR Department in 2009, and formulated a medium-term CSR plan aimed at fusing the Company's management strategies through to fiscal year ended March 31, 2015 with its CSR tasks. USHIO's medium-term CSR planning comprises three phases. 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" and achieved our initial targets. Since fiscal 2014, we have been working on phase-3 (2015-2016).

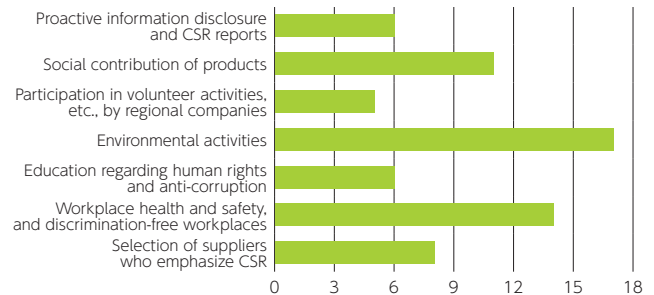
Phase-3 Initiatives

In phase-3, we will integrate our initiatives throughout the entire Company as we move from the conventional stage of reflecting CSR issues in the annual business plans of each business division to the final stage under the Medium-term Plan for CSR, which is "complete integration of management strategy with CSR issues."

We made our first attempt to integrate CSR issues in our medium-term management plan, announced in fiscal 2014. The plan brings together the discussions of the CSR Committee and all the other kinds of committees, as well as the Group CSR Council, as well as plan proposals covering every aspect, including compatibility of CSR issues in each of the business divisions.

In phase-3, where we seek to establish our activity foundation, as well as our initiatives for achieving the final targets of the CSR medium-term plan, we are also conducting a Group-wide survey with an eye towards our next step. Currently, we are enhancing the survey content by giving greater consideration to the situations in each region of the world. We are also engaged in active communication between Group companies in order to further consolidate the basis of our CSR activities as a Group.

Key Issues in Group Companies (From Questionnaire Survey)



CSR Action Plan

The Group's issues were classified under the five pillars of governance, people, quality, society, and environment. These items are then broken down further into action policies. Currently, the CSR Action Plan shows USHIO's CSR framework while forming the underlying philosophy for business planning at each business division and Group company.

Formulation of a CSR Action Plan under the Five Pillars

Five Pillars	Fiscal 2015 Action Plans
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 <ul style="list-style-type: none"> Strengthen Group CSR activities (share information, common targets, grasp needs, etc.) Enhance disclosure of non-financial information Initiatives to maintain transparency on tax issues
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"> Create human rights policy 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) <ul style="list-style-type: none"> Implement human resource development to contribute to maintaining and improving business activities over the long term Promote work-life balance Conduct human rights education Formulate a diversity policy 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 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) <ul style="list-style-type: none"> Strengthen global quality assurance system Product safety assessment Enhance supplier CSR monitoring Improve ISO (speed up, streamline)
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 Four of the Environmental Action Plan <ul style="list-style-type: none"> Reduce environmental impact by developing environmentally conscious products In business activities and product development, anticipate environmental regulation trends Reduce business site costs along with energy and resource savings, and take aggressive initiatives on distribution Step up environmental activities within the Group and with business partners <ul style="list-style-type: none"> Strengthen chemical substance management Evaluate Group progress on Environmental Action Plan, establish next Environmental Action Plan Register chemical substance control, observe thoroughly, and enhance risk management Set new targets under the 5th Environmental Action Plan (medium-term target for CO₂ emission reduction)
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 in emerging countries Promote participation in volunteer activities

CORPORATE GOVERNANCE

Corporate Governance and Transparency

The basic approach to corporate governance at the USHIO Group is ensuring the transparency and efficiency of the Group's management, while also increasing corporate value to meet the expectations of the Group's diverse stakeholders. This approach is one of the Group's highest priorities.

Corporate Governance Framework

USHIO uses a management structure that includes a Board of Auditors and Supervisors. The Company has the Board of Directors, which determines management policies and makes decisions about other matters of the highest importance. The directors also oversee the management of business operations. It also has representative directors, who are responsible for conducting business operations. And it has the Board of Auditors and Supervisors, which is responsible for audits. To assist the Board of Directors in reaching decisions, the USHIO Group has three advisory units that examine and discuss management strategies and medium and long-term management policies with respect to USHIO and the entire Group. The units are the Executive Council and Group Coordination Council. In addition, the USHIO Group has a business unit structure and an executive officer system for the purposes of strengthening and speeding up the execution of business operations by the representative directors.

Board of Directors, Board of Auditors and Supervisors, Compensation Advisory Board

After electing a further outside director at the General Shareholders' Meeting held in June 2015, the Board of Directors comprises a total of 11 directors: 8 internal directors and 3 independent outside directors. Internal directors familiar with the company's businesses enable decisions to be made swiftly, while outside directors not involved in the day-to-day running of the company enable USHIO to bolster its management and supervision functions and increase management transparency.

The three outside directors have submitted notification as independent executive officers as stipulated by the Tokyo Stock Exchange. They receive explanations from relevant divisions prior to board meetings so that they can participate fully in discussion of matters for resolution. They also exchange information and opinions with other directors and audit and supervisory board members on an individual basis.

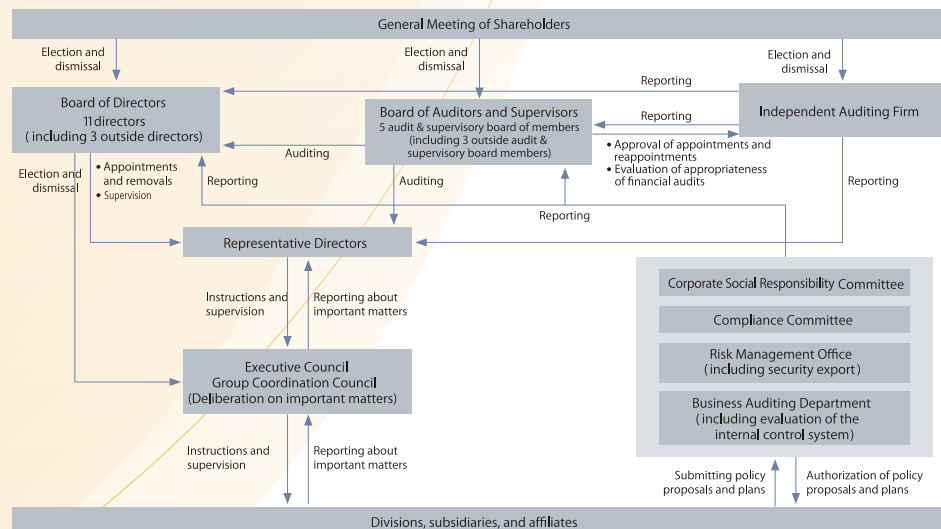
With regard to audit and supervisory board members, with the election of a further member at the same shareholders' meeting, the Board of Auditors and Supervisors has five members, including three outside audit and supervisory board members who are independent of the USHIO Group.

Furthermore, USHIO has a Compensation Advisory Committee to ensure that executive officer compensation is fair and justified. The committee chair and a majority of the members comprise outside directors.

An interview with newly appointed corporate officer can be read on the Company's website.

Web <http://www.ushio.co.jp/en/ir/ar2015/governance/interview.html>

USHIO's Internal Control Framework



Business Audits

At USHIO, we conduct various audits, including compliance audits and audits of export controls, both internally and at our Group companies. To ensure the quality and raise the effectiveness of these audits, the audit and supervisory board members coordinate with relevant departments at all times. The theme and inspection items in our internal audits are selected in accordance with the situation of the organization to be audited from the perspectives of the Company's business aims and minimizing management risks. We take care to ensure that the audits provide value by helping USHIO achieve its organizational objectives. Moreover, the indications and recommendations raised by the internal audits are followed through periodically until the required improvements have been made. We will continue the audits, aiming to streamline management, improve business operations, safeguard assets, minimize risks and improve the management structure.

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 undertake CSR procurement to manage the risks relating to corruption, human rights abuses, and environmental pollution.

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

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. In fiscal 2014, we conducted a survey and used the company newsletter to ensure awareness of compliance issues, as well as publishing a new compliance handbook. Through these multiple approaches to the theme of compliance, we strived to raise employee awareness.

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

Initiatives to Prevent Corruption

USHIO has stipulated Fair and Equitable Business Transactions in its action guidelines and has always taken vigorous action to prevent corruption.

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

We have also expressed our support for the United Nations Global Compact's Ten Principles, as part of which, we have strengthened our initiatives to prevent corruption.

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.

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

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

In our ISO improvement activities, which started from fiscal 2015, we will support efforts to lighten workloads, and to streamline operations and speed them up.

Respecting Human Rights

The USHIO Group respects the International Labor Organization's* Declaration on Fundamental Principles and Rights at Work. USHIO also declared its support for the ten principles of the United Nations Global Compact in October 2010. The principles relate to human rights, labor, the environment, and anti-corruption. USHIO is promoting initiatives to ensure adherence to them.

Supply Chain Management

USHIO treats human rights issues in the supply chain as an important CSR theme, and is actively striving to realize a society where all human rights are respected.

In November 2013, USHIO established the Basic Policy Statement for Conflict Minerals, which is designed to be considerate of the human rights issues in conflict regions. We also announced our CSR Procurement Policy in October 2014, which takes into consideration human rights in the supply chain.

CSR Procurement Policy

[Web http://www.ushio.co.jp/en/csr/csr-procure.html](http://www.ushio.co.jp/en/csr/csr-procure.html)

Diversity

Diversity is gradually advancing in Japan under the guidance of government policies. USHIO is promoting equal employment opportunities for people regardless of gender or ethnicity.

Utilizing Global Human Resources

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

Employment of People With Disabilities

In the fiscal year ended March 31, 2015, USHIO achieved a ratio of employees with disabilities of 1.89%, slightly below the legal requirement of 2.0%. We will continue taking steps to make our workplaces barrier free, including installing sliding doors in restrooms and handrails on stairways, and to promote employment of people with disabilities going forward.

Support for Working Women

We believe that diverse sensitivities, approaches, and abilities are needed in order to generate new business amid the matured economies of the industrialized nations. Consequently, we have more than doubled the percentage of female employees in sales and technical positions over the past five years. Furthermore, we aim to appoint people in management positions without concern for their gender, and by 2020 we aim to have tripled the ratio of female managers from the current level.

Furthermore, in January and April 2013, we held talks between our chairman and female employees to make sure that their voices are being heard by senior management. We have also taken steps to encourage and motivate employees on an individual level. For example, in February 2014, we invited a female sales manager from outside the Company to come and run a study and networking session for female sales staff. The average service period of USHIO employees continues to increase each year, and in the fiscal year ended March 31, 2015, the service period for female employees exceeded that of their male counterparts, reaching 17 years.

Work-Life Balance

Support Programs

USHIO aims to be able to flexibly accommodate diverse values and working 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 child-raising 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 posted interviews with female employees in our internal magazine, 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, in March 2015, for the fourth time we earned Kurumin* certification under the Act for Measures to Support the Development of the Next Generation.

Employees Using Childcare Leave

	2013	2014	2015
Men	5	4	3
Women	32	29	25
Total	37	33	28

Taking Childcare Leave

After the birth of our third child, I took two months' childcare leave to help my wife as it would have been a struggle for her to cope with childcare and looking after our home affairs. I was very happy to be able to sense the daily growth of our baby and our other children during my time off. I was also able to see how hard my wife is working every day, which made me feel even more grateful to her. The two months passed very quickly, but I feel it was a very important time for us as a family.



YOHEI YAMADA
Harima Division, USHIO Inc.

Education and Training for Human Resources Development

Various training programs have been established to facilitate the development of personnel capable of acting independently and to make it possible to align “Build both a prosperous Company and prosperous employees.” In addition, revisions were made to the skills required for each division and type of job, and a system was established at each office that will facilitate training and evaluation of employees. Regardless of the type of job, all employees are trained to develop their ability to maintain an awareness of the problem, a problem-solving approach that is not limited by past experience, and the ability to independently develop and implement new proposals.

Young Executives Group

In 2015, we started a new program for training young employees, called the Young Executive Group. The program is designed to nurture management personnel with both theoretical and practical capabilities over the medium- to long-term.

The participants are chosen from among young employees through an open call for applications. There are five target criteria: a dream, strategy construction ability, ability to act, collaboration, and ability to work in a global setting. The participants acquire theoretical knowledge and tackle specific initiatives relating to actual management tasks. This is the first year of the program, with 21 participants including Group company employees. They undertake various activities while exchanging opinions with management personnel and external experts, among others. In this way, USHIO is preparing a new generation of leaders to drive its development in the future.

Communication

Communication with Lunch

USHIO has a longstanding practice of holding lunch meetings where the president and employees can communicate while enjoying lunch together. In fiscal 2015, we expanded the scope of “Communication with Lunch” activities to include lunches with division leaders and others to encourage even greater dialogue between employees and management. 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 the 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 working style, and ways to learn English.

World Cafe

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 people who do not know each other well come together in a relaxed atmosphere, engage in dialogue about certain topics, and talk openly with one another.

In fiscal 2015, around 20% of all USHIO employees participated in the program. In their feedback, participants said they enjoyed having dialogue with other employees whom they did not usually encounter, and that the experience helped them to notice new things. The program is helping to foster a corporate culture of smooth internal communication and mutual respect.



Business Partners

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

UPS (USHIO Production System)

UPS (USHIO Production System) is the name of an initiative aiming to establish a unique new production system that started at USHIO's Harima Division from fiscal 2011. Amid a rapidly changing business environment, it is important to be able to efficiently supply high-quality products in any environment. To achieve this, we saw the need to think outside of the box and promote improvements from a broad-ranging perspective by integrating our ongoing UPS, TPM and TQC improvement activities, rather than repeatedly going over the same ground.

The main thrust of the UPS movement is ZD (zero-defects) activities, which seek to eliminate defective work by stimulating individual autonomy and enthusiasm among employees and fostering creative thinking. Traditionally, the movement consisted of three pillar groups. Namely, the Manufacturing Technology Group, the Quality Assurance System Reform Group and the Education and Enlightenment Group. However, we have now reformed the activities within our business sites, and in April 2014, we started a new initiative of small group activities within business sites to carry out specific improvement activities by thoroughly promoting "full participation by all people at business sites" and "visualization." We have formed 91 groups within business sites and have been conducting specific improvement activities. The activities have also contributed to developing human resources by encouraging autonomous management and reforming employee awareness of the front lines.

In fiscal 2015, we took further steps to invigorate small group activities, and encouraged female and younger employees to take leadership roles in around 100 small groups. For this fiscal year, we focused especially on uncovering workplace issues and using them as starting points to develop improvements. This has led to actual gains in operational efficiency.

We have been focusing on human resource development since fiscal 2015. We believe that "in order to produce good products, it is first necessary to produce good workers" and have therefore been using a PDCA cycle to develop instructors, resolve various themes, and develop training programs to ensure that fundamentals are in place.

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

Customer Service Center Initiatives

In our Customer Service Center we 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 U.S., 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 increase customer satisfaction even further.

Quality Assurance Divisions

Quality Assurance Divisions established at each business site maintain links with one another to exploit the good aspects of quality control knowhow developed at each business site. This enables us to meet the exacting demands for quality required by our lineup of medical equipment while achieving even more attractive quality and efficiency. Currently, our chief focus is on deepening our relationships with overseas manufacturing companies even further, as we work to contribute to even higher levels of customer satisfaction through stable Group-wide quality assurance.

Furthermore, USHIO organized an in-house system for its initiatives for improving the efficiency and speed of its ISO management system, and started new activities in fiscal 2014. We will maintain our mechanisms for swiftly responding to customer needs while meeting the requirements of ISO. 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.

Promoting Green Procurement and Compliance with International Environmental Laws and Regulations

To ensure the smooth, stable supply of its products in the face of a diversifying body of overseas laws and regulations, USHIO is focusing on timely collection of information, and building a supply chain designed in response to these requirements. We hold explanatory meetings responding to purchasing policy, green procurement standards, RoHS, and REACH regulations. We also conduct continuous activities based on dialogue with suppliers to avoid problems arising with delivery schedules and product quality. Through these activities we aim to raise overall customer satisfaction.

Furthermore, through production base Environmental Management Systems (EMSs) at overseas Group companies, we have strengthened our Group-wide management framework for responding to customers' requirements for environmental preservation. Today, we are working to respond accurately to the varieties of target substances subject to chemical substance regulations and the applicable product categories by using the AIS format to create systems for our equipment products, which have many components, in order to promote greater efficiencies in our management system.

Promoting CSR Procurement

From the fiscal year ended March 31, 2013, the Green Procurement Committee was renamed the CSR Procurement Committee, as we implemented green procurement as part of our CSR Action Plan. In the fiscal year ended March 31, 2014, we analyzed our customers' expectations of us in terms of CSR initiatives. For the fiscal year ended March 31, 2015, we established a CSR Procurement Policy to further ensure that we conduct CSR procurement.

In December 2014, we held explanatory meetings for suppliers at the Yokohama Division, Head Office, and the Harima Division regarding revisions to our green procurement standards and CSR procurement. For revisions to the USHIO green procurement standards, we explained the need for a fresh review of these standards due to legal and regulatory changes, as well as additional chemical substances that suppliers must verify. In terms of CSR procurement, we

offered explanations of the USHIO CSR procurement policy and conducted a survey of CSR initiatives.



Harima Division

Product Development Related to Biomedical QOL Improvement

In fiscal 2013, we established an independent business unit for biomedical operations. We began development of medical equipment starting with the TheraBeam 308® excimer light photo-therapy device, and since obtaining various medical approvals, we have been developing a range of business infrastructure.

With regard to the Point Reader® blood analyzer, in addition to the original blood serum ferritin measurement, we have also opened new frontiers for application, including blood test diagnoses for animals, and we continue to expand the scope of potential.

Currently, we are moving ahead to create infrastructure to support manufacture, sales, and repair of medical equipment and external diagnostic reagents for both human and animal care. We will continue to prepare a foundation for providing value through light in various ways that contribute to improving quality of life.

Checking for Conflict Minerals

In accordance with the clause on conflict minerals in the U.S. Securities and Exchange Commission's Dodd-Frank Wall Street Reform and Consumer Protection Act, in August 2012, a final rule was adopted requiring companies listed on securities exchanges in the U.S. to disclose and report on their use of conflict minerals in their products. Conflict minerals include tantalum, tin, gold, and tungsten, produced in the Democratic Republic of the Congo or adjacent countries. The law has been enforced since January 2013. USHIO uses significant quantities of tungsten in its electrodes, and has therefore responded by strengthening its surveys on suppliers' use of materials in these and other components. We have been reporting the survey results using the EICC/GeSI* Conflict Minerals Reporting ledger sheet.

In November 2013, we formulated our Basic Policy Statement for Conflict Minerals, and we have been promoting coordination on this policy within the Group, including with Group company USHIO Lighting.

BCP Initiatives

The Great East Japan Earthquake of March 2011 taught us a powerful lesson on how entire industries can be impacted by the inability to supply just one component. USHIO INC. commands extraordinarily large market shares for many of its light source products used in various industries. Recognizing our important responsibility to ensure stable supplies of these products, we have been actively promoting business continuity plans (BCP).

In April 2012, we established a dedicated, companywide committee to formulate a business continuity plan, mainly for the light source business, including building systems to enable minimization of damage and swifter recovery and enable coordination between each business site in the event of a major disaster. In April 2014, we formulated the USHIO INC. BCP (business continuity plan), with a primary focus on our main offices. The BCP stipulates organizational structures for each kind of role, including labor, fund procurement, and public relations, and we continue to revise the structure and our responses through regular drills. Our next step is to look at our response to other kinds of risk (natural disasters and human-related incidents), and how to implement it throughout the Group. With respect to information security, for example, we have made our business process systems more robust against disasters and faults, and have bolstered our network infrastructure and internal data assets as part of an ongoing effort to ensure stability across all aspects of our operations.

ENVIRONMENT

ENVIRONMENTAL ACTIVITIES

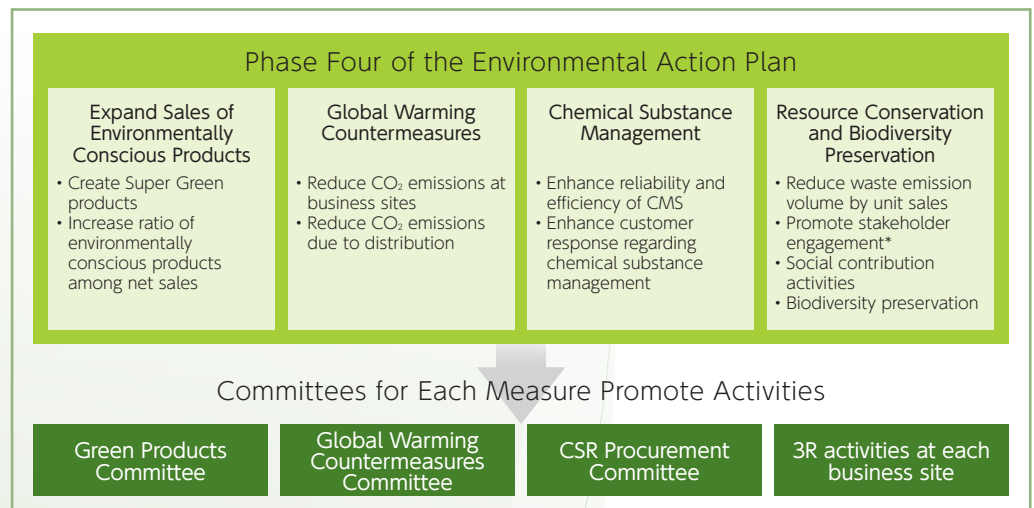
The USHIO Group has defined a vision of where it wants to be in 2020, and is strengthening its initiatives to contribute to the realization of a sustainable society through its core operations.

2020 Environmental Vision

The USHIO Group formulated its 2020 Environmental Vision with the goal of becoming a company able to contribute through its business activities to the realization of a low-carbon, recycling-oriented, biodiversity-preserving society by the year 2020. USHIO has been promoting Phase Four of the Environmental Action Plan since April 2013.

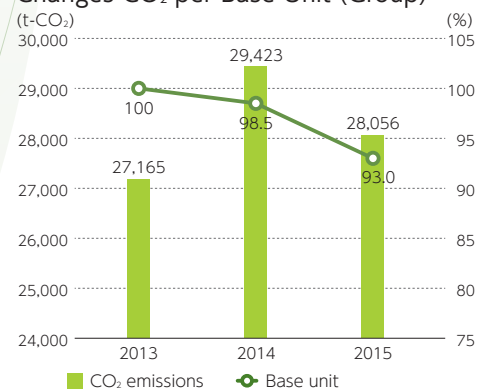
Phase Four of the Environmental Action Plan

In setting our objectives for Phase Four of the Environmental Action Plan, we focused on production efficiency, assuming power shortages in light of the power supply situation following the Great East Japan Earthquake, and set out the following four key themes.



Fiscal 2015 was the second year of the plan. Among other achievements, compared to fiscal 2013 we achieved a 7% reduction in CO₂ emissions (per unit sale) through efforts at our main production sites, continued to create Super Green products, and reduced waste emissions by 7% (per unit sale). Further information on our activities and progress through fiscal 2014 are reported on our website. From 2016 onward, we will continue to explore our four themes, and after ascertaining the status of our Group companies in each region, we will start on Phase Five of the Environmental Action Plan, with new targets.

Changes CO₂ per Base Unit (Group)



SCOPE 3 Initiatives

USHIO is working to reduce CO₂ emissions at its business sites through energy-saving activities. Recently, in addition to this, there has been a call to grasp indirect CO₂ emissions that occur throughout the product lifecycle, for example, when it is being used. This change will affect corporations by widening the scope of data collection from energy used at business sites to include all phases from component procurement to product distribution, use, and disposal. In addition to the previous aspects for management, Scope 3 includes GHG emissions management relating to aspects such as use of products and materials, transportation and movement of people.

SCOPE 1, 2, and 3 (Main Group Companies in the fiscal year ended March 31, 2015)

Category	SCOPE 1	SCOPE 2	SCOPE 3								
			Purchased goods and services	Capital goods	Fuel and energy-related activities not included in Scopes 1 and 2	Upstream transportation and distribution	Waste generated in operations	Business travel	Employee commuting	Use of sold products	End-of-life treatment of sold products
t-CO2	2,497	25,742	368,156	14,519	6,502	427	492	720	2,153	601,639	9
Percentage	0.24%	2.52%	35.99%	1.42%	0.64%	0.04%	0.05%	0.07%	0.21%	58.82%	0.00%

Up until now, under Phase Four of the Environmental Action Plan, we have focused on reducing CO₂ emissions from distribution. We recognized the importance of ascertaining the Scope 3 CO₂ emissions, and started survey and analysis of these in fiscal 2012. In fiscal 2014, we ascertained the Scope 3 CO₂ emissions for the USHIO Group (above table). Under the new Phase Five of the Environmental Action Plan, we will work to increase the accuracy of this information and examine measures for also reducing our indirect CO₂ emissions.

Currently, solar power generation is occurring at two locations. We will continue steps to introduce renewable energy measures, including increasing the number of sites that use renewables.

ECO-SYS – USHIO’s Environmental Management Information System

USHIO is the subject of numerous surveys regarding its environmental impact, from corporate evaluation organizations, and also as part of our customers supply chains. We also conduct information disclosure for the entire USHIO Group, and manage progress on targets for environmental performance and environmental management indicators in line with the Environmental Action Plan. To meet these requirements, we introduced the ECO-SYS environmental management information system in 2006. This system not only enables central management of the USHIO Group’s environmental information, but also acts as a tool to support progress management on environmental targets at Group companies and business sites, such as energy saving and waste reduction. The reported results have helped to

evaluate changes in water usage at our production sites and CO₂ emissions analysis at production site offices, which we have used to develop energy saving measures and so forth.

We conduct continuous data collection and monitoring of CO₂ emissions in water usage, and waste emissions at each business site. These data are used to share issues at each site and discover best practices, helping to improve environmental operation efficiency. These activities form the foundation of environmental management at USHIO.

CHRISTIE DIGITAL SYSTEMS, INC. (CDSU)

Wireless Thermostat for Air Conditioning System

CHRISTIE USA has installed a new air conditioning system that can appropriately monitor the temperature and air conditioning levels for the entire head office building and warehouse to reduce energy consumption. The system uses a wireless thermostat that can track, monitor, and report on energy use in the air conditioning system 24 hours a day so that problems can be resolved immediately, even from a remote location, thereby increasing energy efficiency.

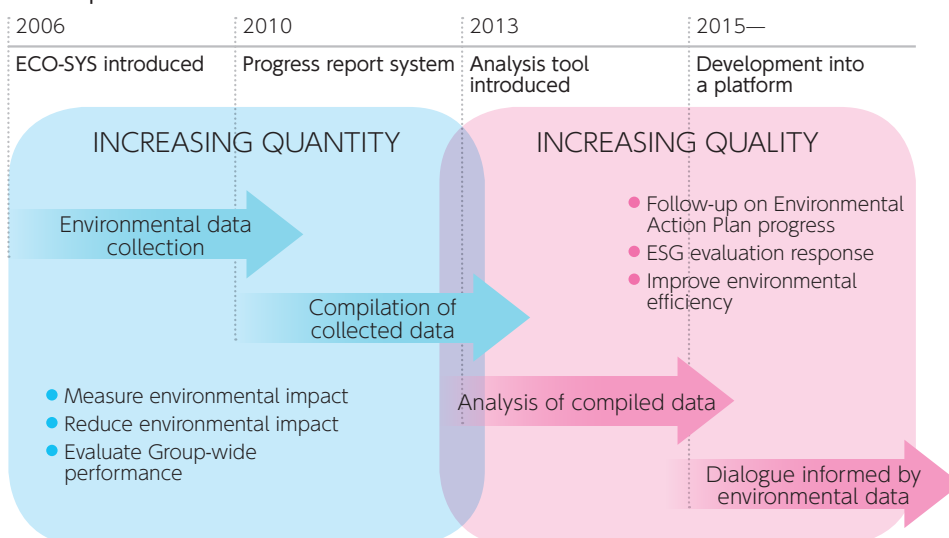
LED Lighting in the Employee Car Park and Other Areas

CHRISTIE USA has replaced the lights in the employee car park and wall lighting in company buildings with LEDs. This has improved the appearance of the company buildings and made the car park lighter and safer to use. The head office No. 1 Building car park has achieved a 64% reduction in electricity use following the changeover to LEDs, and the No. 2 Building has achieved a reduction of 87%.

At the same time, LED lighting has also been used in a project to extend the offices of the Legal Division. In the working areas, the LED lighting has incorporated sensors to detect sunlight, enabling the same level of brightness as usual but with lower power consumption during fine weather.

CHRISTIE USA aims to achieve the energy saving targets of Phase Four of the Environmental Action Plan through these initiatives.

Development of ECO-SYS Use



Relationship with Society

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

The USHIO Foundation

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

In fiscal 2015, the foundation provided scholarships to 46 graduate students (including overseas students) and 11 students in specialized courses at colleges of technology. So far, 488 scholarship students have been accepted, and we continued to focus on calling for scholarship applicants from schools in areas affected by the Great East Japan Earthquake.



USHIO INC.

Holding a Workshop at Tsukuba Science Edge 2015

On March 24, 2015, USHIO participated in Tsukuba Science Edge, an annual event for junior high school and high school students studying sciences. At the event, our New Technology Development Department ran a workshop on “welding with light.” All participants had the opportunity to use one of USHIO’s excimer lamps to conduct an experiment where the UV light caused two different substances to bond at the molecular level. Great cheers went up at the moment when the two substances fused together. In a feedback questionnaire, 94% of the students said they found the workshop to be “extremely worthwhile” or “worthwhile.” We believe it provided a valuable learning experience that opened students’ eyes to the potential of light.



Receiving Students for Factory Tours

On February 5, 2015, 40 first-year students from the Information Systems class at Shizuoka Prefectural Gotemba High School visited our Gotemba Division. On their tour, the visitors saw a factory where large-scale equipment is manufactured and learned about the manufacture of ultra-high-voltage mercury lamps, which are a type of discharge lamp, among other things.

Summer Holiday Children’s Tours

On August 8, we held the Summer Holiday Children’s Open Day at Harima Division—a workplace tour for children of employees. In addition to the factory and office tour, children and their parents had lunch together in the staff cafeteria and tried observing the spectra of different light sources by making a simply prism out of a CD. It was a good opportunity for the children of the employees to learn about their parents’ workplace.



NIHON DENSHI GIJUTSU CO., LTD. (NDG) Bamboo Grove Maintenance Volunteers

At NDG, employees each year gather to participate in volunteer activities for maintaining a bamboo grove. The initiative to maintain the bamboo grove in Nakai Chuo Park in Kanagawa Prefecture started in 2007, and this year was conducted for the 11th time. The number of volunteers grows each year, and NDG plans to continue contributing to maintenance of wooded areas, which make up 40% of the area of Kanagawa Prefecture.



CDS also conducted a Children's Art Gallery featuring posters created by employees' families and children, held a lottery to raise donations, and produced a video about United Way's future initiatives.



Charity Barbecue

The CDS-UK office held a charity barbecue at its workplace on August 15, 2015 to raise funds for the supporting people entering the London Marathon (a charity marathon). With support from many employees, including a charity group, the event managed to raise one quarter of the target amount. CDS-UK plans to continue these kinds of activities in future.

USHIO HONG KONG LTD. (UHK) Tree-Planting Activities on Lantau Island, Hong Kong

UHK members participated in a volunteer tree-planting activity on Lantau Island, the site of Hong Kong International Airport. Around 40% or 440 km² of Hong Kong is designated as a national nature park, and nature in the park is managed strictly by the government. However, frequent forest fires have prompted private organizations to conduct tree-planting activities with special permission from the government. UHK members helped with the planting of around 50 saplings.



USHIO ASIA PACIFIC (THAILAND) LTD. Completing a Charity Marathon

On February 8, 2015, UAPT participated in a charity marathon held in Lumpini Park in Bangkok. The event was organized by Thailand's largest cinema chain, Major Cineplex Group Plc., which put out a call on its website for participants from movie theaters and related equipment companies. Almost all of the participation fees were donated to buy wheelchairs for children in need through an NPO.



CHRISTIE DIGITAL SYSTEMS, INC. (CDS) CHRISTIE Community Garden

At a community garden started by CHRISTIE Canada's Facility Department in April 2013, staff cooperate with one another under a "Health, Wellness, Green Initiative Participation Drive" to plant various vegetable and flower seeds in unused spaces. The program continues to expand, with a dedicated wiki website for participants, featuring photographs of vegetable and flower growth and a guide to harvesting, as well as recipes using the harvested vegetables.



USHIO PHILLIPINES, INC. (UPI)

In the Philippines, many companies take part in various activities during July, which is volunteering month. UPI has won the Best of SCR (Social Company Responsibility) award at its industrial park each year. This year, UPS volunteered in a blood donation drive, a prison visit, and soup kitchen program.



USHIO KOREA, INC. (UKI) Welfare Facility Visits

UKI visited the Young Deung Po Welfare Facility in Seoul again in 2015. This time, UKI brought boxed lunches to elderly people living alone who tend to skip meals. It was a good opportunity to consider that elderly people nearby are facing poverty and loneliness, and that there is something that everyone could do to help. UKI plans to continue this activity.



Annual United Way Campaign

CHRISTIE Canada continued again this year to provide outstanding community support through the United Way Campaign. CHRISTIE's initiative sought to address the following issues under the 2014 theme of "Healthy Kids."

- Bullying in schools
- Addressing the decline in education (literacy)
- Child poverty

RESEARCH AND DEVELOPMENT / INTELLECTUAL PROPERTY

Research and Development

The main targets of the Group's R&D are light sources for industrial applications for development and production, which include work use and application of optical applications in electronic and electromechanical equipment, moving ahead with development of indispensable peripheral technologies and development for commercialization of optical units, optical equipment and systemization. We keep abreast of the latest developments in markets and technology and conduct strategic R&D activities. We have an organization that enables interaction among the R&D teams from different product groups to encourage development of new kinds of light sources and equipment.

Achievements in Fiscal 2015

LED bar unit for crop raising

In recent years, due to "unseasonable weather resulting from global warming" and "growing awareness of food safety," a plant factory that makes it possible to farm plants and vegetables in a planned manner without agrochemical use by artificially controlling the cultivation environment, is attracting attention. USHIO LIGHTING has been researching LED light sources for use in plant factories, and has developed the world's first LED unit for cultivating grain such as rice, fruits, vegetables, corn, and pulses with high-luminous-energy, a PPF_D (photosynthetic photon flux density) of over 1,000 μmol/m²/s*.



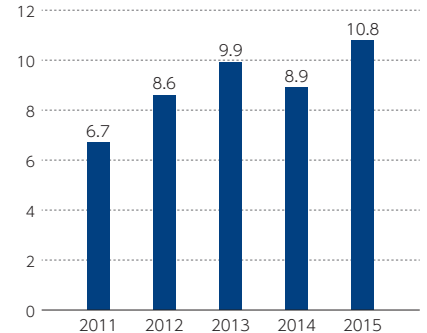
*At an irradiation distance of 200 mm

Temperature measurement module for halogen heaters measuring accurately while adjusting for ambient light

The USHIO Group has developed the world's first temperature measurement module for halogen heaters that measures the temperature of heated objects while correcting for the impact of ambient light to provide accurate, non-contact measurements. This not only enhances the quality of temperature control, but opens the way for use of halogen heaters in applications that had not been possible with conventional radiation thermometers because of inaccurate measurements.



R&D expenses (billions of yen)



High luminescence, lightweight 4K30 projector developed for rental staging

CHRISTIE DIGITAL SYSTEMS CANADA INC., a wholly owned subsidiary, developed the Christie® Boxer 4K30 with high luminescence, 3DLP picture quality in a compact, lightweight yet robustly housed design. This projector for rental stages, such as those used at concerts, theme parks and projection mapping, uses NFC tracking to enable users to monitor the use time and serial numbers of individual lamps, making it possible to rapidly exchange lamps on-site without having to stop shows.



Intellectual Property

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

1. Contribution to earnings

Give strategic advice and proposals autonomously to contribute to the Company's earnings.

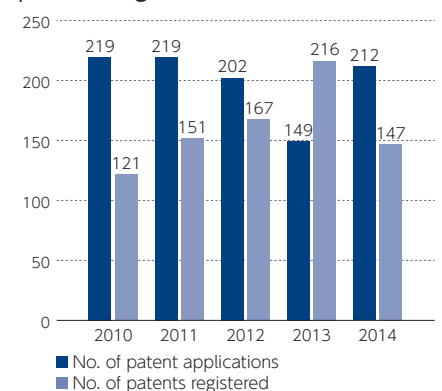
2. Acquire effective patent rights

Conduct patent right acquisition activities with an eye to utilization, acquiring and maintaining intellectual property that can contribute to activities in M&As, new businesses, and existing businesses for the entire Group.

3. Rigorous intellectual property compliance

Conduct survey and analysis of other companies' intellectual property to visualize intellectual property risk and ensure rigorous intellectual property compliance.

No. of patent applications/ patents registered



THIRD-PARTY OPINION



SACHIKO KISHIMOTO

Executive Director
and Chief Secretary,
Public Resources Foundation

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 United States. Her present work involves, among other areas, the development of socially minded capital flow, including donations, NPO funding and social investment, as well as corporate social responsibility. In addition to membership in the Cabinet Office of the Government of Japan's Joint Societal Development Advisory Committee, she serves as director of several non-profit organizations, including the Japan Fundraising Association and the Japan Association of Charitable Organizations.

This year marks the first time I've been asked to offer the third-party opinion for USHIO. Allow me to offer my opinion on the content of the Sustainability Report 2015 as an outside citizen from an NPO/NGO perspective.

First, in the Top Message, USHIO shows that it recognizes the importance of a management base for the promotion of CSR in the drive to realize its medium-term management plan announced in May 2015, and reveals how enthusiastic top management is about it. I agree with USHIO's recognition of efforts to safeguard management transparency, concern for human rights and diversity, and supply chain management as vital issues, particularly given its desire to develop activities going forward as a global company.

Second, while the feature articles focus in on the centerpieces of the medium-term management plan—the Solid State Lighting and Biomedical businesses—when discussing the social value and high future potential of USHIO's pioneering businesses, it is probably a good idea to also discuss the social costs associated with development of these businesses. For example, since USHIO will promote M&A to expand its LED and LD product lineup, I would also like to hear about employment and customs in this expanded business base network, and about initiatives for strengthening supply chain management globally. Regarding growth divisions set for development in the coming years, beyond simply offering new value to customers, I think it is essential for

the integration of management and CSR to discuss policies regarding the possible social impact on other stakeholders as well, detailing what USHIO has construed the probable effects to be and the extent to which it has targeted measures for addressing them.

Third, under the section "USHIO's CSR," USHIO has clearly listed an overview of its CSR Medium-Term Plan and key points for initiatives under its CSR Action Plan, launched from the fiscal year ending March 2016. Why were these points deemed important? How do they link to the direction of management plans, priority business and the promotion of new businesses? In light of the direction stated in the Top Message, I found myself wanting a more concrete explanation. Also, in this Sustainability Report, with the exception of a few areas, such as employment rates for persons with disabilities and work-life balance, the reporting of numerical targets and results for individual USHIO CSR initiatives is fairly abstract. Accordingly, from a stakeholder's standpoint, it is hard to determine whether or not USHIO made steady progress on its CSR initiatives for the fiscal year ended March 2015. In the future, when it comes to CSR issues deemed material* in nature by USHIO, I look forward to a clear detailing of why these issues are material in how they connect to management strategy, along with specifics concerning plans, targets, and progress status for the reporting year.

*Material: Initiatives that match the degree of importance for stakeholders and companies to level of priority.

Response to Third-Party Opinion

This year, Public Resources Foundation Executive Director and Chief Secretary Sachiko Kishimoto for the first time offered USHIO her opinion of our Sustainability Report 2015, for which we are extremely grateful. Since 2010, USHIO has strengthened efforts designed to merge management strategy with CSR issues. Ms. Kishimoto has offered guidance on rating the importance of CSR topics and the establishment of specific targets.

NOBUYUKI KOBAYASHI

Director, Officer in Charge of CSR

Based on this guidance, we will take steps to clarify targets that tie directly to social contributions that highlight the unique character of our businesses, and strive for robust dissemination of more specific information. With respect to global supply chain management, together with further strengthening initiatives, we will strive to create Win-Win relationships in this area.

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