

Bringing Dreams to Life with Light

SUSTAINABILITY REPORT 2013

Year ended March 31, 2013



AIM TO BECOME A “LIGHT INNOVATION COMPANY” WITH AND BRANDING IN LIGHT-RELATED BUSINESS, ABLE TO SATISFY CUSTOMERS’ NEEDS AT ALL TIMES.



Editorial Policy

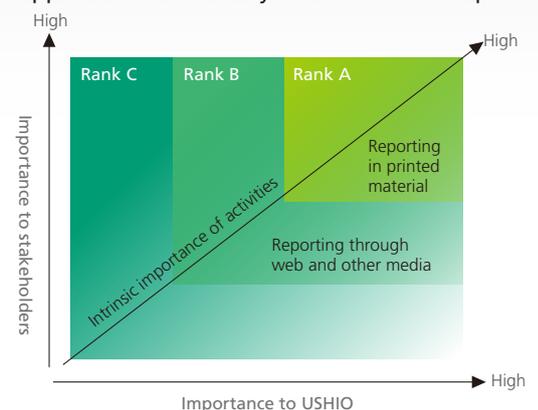
In choosing the material for this Sustainability Report 2013, we made an effort to report in greater depth on the correlation between management and corporate social responsibility (CSR) issues. The report was created mainly for the following stakeholder audience, while emphasizing links with our Annual Report and various other media for communicating our corporate activities.

1) Approach to Materiality*

Dialogue and the exchange of opinions with our stakeholders guided us in narrowing down the most important social issues confronting corporations and USHIO's numerous CSR initiatives. This booklet reports on issues and initiatives that were judged to be of high importance. Other initiatives too numerous to mention are introduced on the Group's website.

* Materiality: Priority of initiatives by comparison of corporate and societal issues.

Approach to Materiality at the USHIO Group

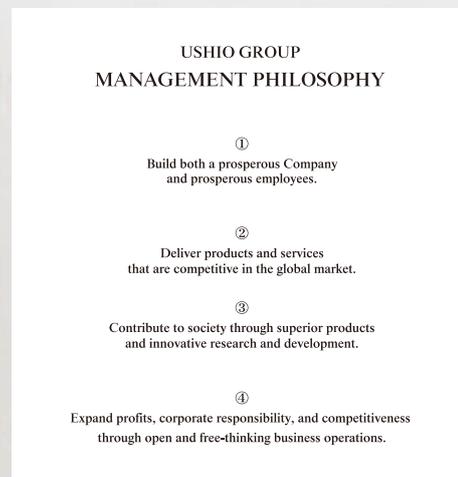


Today, the world faces global pressure relating to issues like the environment, the scale of the human population, and the need for energy. USHIO believes that the power of light is part of the solution. We are using the technology that the Company has acquired over decades of operation, and our skill at applying and developing that technology, to provide solutions, in the hope that USHIO, as well as human society, can continue to grow and prosper.

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THE WORLD'S NO. 1 TECHNOLOGY PROPOSE SOLUTIONS THAT FULLY



2) Annual Report

For information about the USHIO Group's business activities, please see our Annual Report 2013, and our Group website.



• Use of Website

We provide more comprehensive and detailed reporting on our corporate website. Please refer to the USHIO corporate website at the link shown below for more detail on items marked by the following symbol.

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

• Scope of Report

Time period: This report basically covers fiscal 2013 (April 1, 2012 to March 31, 2013), but also includes some continuing activities from before fiscal 2012, and some activities in fiscal 2014. Fiscal 2013 and fiscal 2014 are years ended March 31, 2013 and 2014.

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

• The Tri-colored Leaf—A Symbol of the USHIO Group's Activities

The Tri-colored Leaf that appears on the cover of this report is designed to symbolize the three primary colors of light in a budding leaf motif that symbolizes the natural environment. At the same time, the design represents three elements of sustainable management—financial viability (red), social responsibility (blue), and regard for the environment (green). Our goal is to grow each of these leaves through steady, daily activities, until they produce a powerful trunk.





USHIO aims to continue to grow and prosper together with its stakeholders. We have stated our vision as being to establish the USHIO Group as the “Light Innovation Company” with the world’s No. 1 technology and branding in light-related business, able to propose solutions that fully satisfy customers’ needs at all times.

Results of Operations and Future Outlook

First I’d like to report on the Company today in terms of our business performance for fiscal 2013. Net sales fell 4.4% year on year to ¥143.4 billion, operating income declined 29.1% to ¥7.5 billion, ordinary income was down 19.6% to ¥10.5 billion, and net income decreased 18.2% to ¥7.1 billion. A factor behind the decline in both sales and earnings was lackluster sales of optical equipment, while corporate customers in the electronics sector, our main market, experienced a decline in capacity utilization in their production lines, causing them to continue to restrain or delay capital expenditure. Another factor was a drop in sales of digital cinema projectors.

For the fiscal year ending March 31, 2014, we expect to see a recovery in capital expenditure and capacity utilization rates in the electronics field, driven by further expansion in the markets for smartphones and tablet PCs. In the visual imaging field, we expect to see growth in general imaging, as well as steady growth in demand for lamps in step with the penetration of digital cinema projectors. As a result, we are forecasting increases in both sales and income for the fiscal year ending March 31, 2014, with net sales of ¥160.0 billion, up 11.5% year on year, and operating income of ¥12.5 billion, up 64.9%.

Financial Performance

	(Millions of yen)				
	2009	2010	2011	2012	2013
Net Sales	120,846	119,079	145,125	150,087	143,461
Operating Income	8,963	7,262	14,034	10,696	7,582
Net Income	3,481	7,071	9,577	8,748	7,155
Return On Equity (ROE) (%)	2.3	4.7	6.2	5.6	4.3

Medium-term Vision and Medical and Science Business

USHIO has set out a medium-term vision as a three-year rolling plan. Our recently announced medium-term plan includes a clear vision for each segment of the Company, as well as quantitative targets. Our targets for the whole Group for the fiscal year ending March 31, 2016 are net sales of ¥190.0 billion, and operating income of ¥19.0 billion. We are making a concerted effort to achieve these targets.

We are also concentrating our efforts in the medical and biotechnology fields, with the intention of developing them as key areas for the USHIO Group in the long term. Our business scale in these new fields is still small compared with the electronics and imaging field, so we have not set numerical targets for them in our medium-term vision. Nevertheless, our goal is to be able to report their successful development as growth drivers around the end of March 2016. We have already made a start in this direction. Last year in the Sustainability Report we mentioned the excimer light therapy device TheraBeam® UV308, and in fiscal 2013 we made further progress including the launch of the Point Reader® blood analyzer. There is an enormous potential market for this device, and we believe it offers a ray of hope for the many people and healthcare workers who have difficulty carrying out treatment and testing due to poverty or other factors.

Progress in Medium-term Planning for CSR

Fiscal 2013 is the second year of phase-2 of our medium-term plan for CSR, which we formulated in 2009. During phase-1, we sought to examine the optimal form for USHIO's CSR activities, while making use of guidelines such as ISO 26000 and the United Nations Global Compact. These deliberations resulted in our formulation in 2012 of the CSR Action Plan, which comprises five pillars. This action plan forms the basis of USHIO's CSR activities.

Now, during phase-2 of our CSR planning, we are promoting operations to reflect the CSR Action Plan in the business plans throughout the Company. As president, I lead the CSR Committee in ensuring that every department has an action plan with detailed and specific numerical targets. Each department has already brought up a host of measures and plans relating to human resource development, customer satisfaction, diversity, environmentally responsible products, and so forth. Through these measures and plans, we will advance USHIO's CSR initiatives through our daily business activities themselves. Ultimately we seek to create a system for connecting our activities to the pursuit of the USHIO Group's vision.

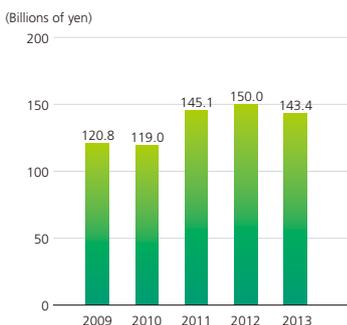
Fiscal 2014 is the 50th anniversary of USHIO's foundation. The USHIO Group is committed to using the manifold power of light to provide solutions for a global society as a truly global company. I hope you will continue to support us as we strive to meet your expectations.

September 2013

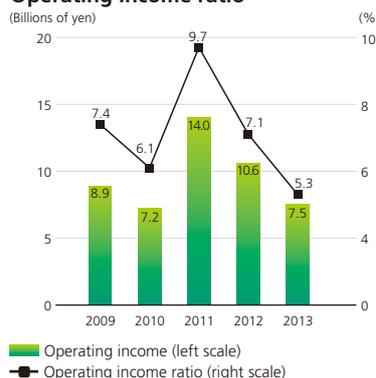


Shiro Sugata
President and Chief Executive Officer

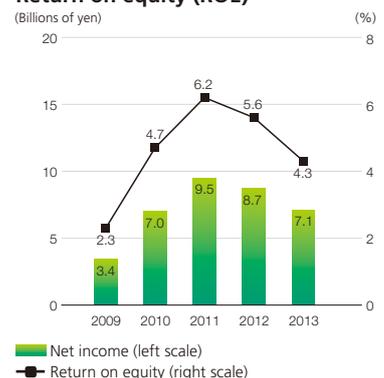
Net sales



Operating income/ Operating income ratio



Net income/ Return on equity (ROE)



Feature SHEDDING LIGHT



Photograph: Hirofumi Makino

Part 1: The POCT Concept

Point of Care Testing (POCT) refers to conducting medical tests quickly on site at the patient's location. To some, it might not sound so different from ordinary testing, but POCT offers a host of important advantages.

“Right There” and “Right Away”

These key concepts distinguish POCT from ordinary testing. Many people take the trouble to visit the hospital when they feel unwell, only to experience the disappointment of being asked to return at a later date to hear the results of their tests. With POCT, patients can hear the results of their blood tests or sample analysis right away. POCT is defined as testing conducted by the physician right beside the patient, using the advantages of shorter testing time and sense of closeness to the patient to contribute to swift and appropriate diagnosis, care, disease prevention, and health promotion, and ultimately to improving the quality of healthcare, and thereby the patient's quality of life (QOL).*1

In other words, POCT is a kind of patient-friendly testing that doesn't require returning to the clinic at a later date to hear results, or a lengthy wait in the waiting room. Common examples of POCT tests include the influenza tests conducted at hospitals and home pregnancy test kits.

Qualitative or Quantitative—that is the Question.

Both the influenza tests and pregnancy tests is “qualitative” tests—they are “yes or no” style tests where the result is expressed as either positive or negative. There are already a wide range of commonly used reagents and testing techniques for test such qualitative test subjects, and even at general hospitals, they can be handled with POCT-style tests.

However, to achieve increased QOL for patients and realize preventative therapies, there is a need for “quantitative” POCT that can accurately measure the concentration or amount of a certain substance and express it with high precision in numerical terms. Medical equipment manufacturers are competing to develop testing equipment and reagents to achieve this goal.



POCT Enables Patients to Start Therapy Right There, Right Away

Hepatitis B and C are said to be the largest epidemic in Japan today. Hepatitis C is particularly worrisome, since it often leads to sclerosis and then liver cancer when left untreated. Recently there has been a lot of interest in phlebotomy therapy*² in the treatment of hepatitis C. To determine whether this course of treatment is appropriate requires a quantitative test of the patient's serum ferritin level*³, as the indicator.

Serum ferritin is commonly excluded as a blood test item during an ordinary health check. As a result, patients who require testing usually have to visit a major hospital that has the large and expensive equipment able to conduct a quantitative test. This has become an indirect factor preventing this effective method of therapy from becoming properly adopted on a wide scale.

In other words, because only a limited number of hospitals can provide the testing and therapy, many who are known to need it find themselves unable to receive it. Such people may include the elderly, the self-employed, and mothers busy with childrearing.

Furthermore, serum ferritin is also used as a marker for malignant tumors, and is used for diagnosing various cancers, including of the liver, pancreas, lung, and uterus. If there were a device or reagent at local clinics that could give an immediate test result, more people could be tested, enabling early detection of cancers in some cases. There are high expectations of POCT to provide such a means of early detection and subsequent treatment of diseases such as those that have remained hidden until now.

POCT in Developing Countries

The power of POCT goes beyond simply contributing to better QOL in advanced countries; it is also inherently easy for anyone to use, and delivers stable results at a low price. In developing countries there is a lack of expensive testing equipment able to perform quantitative tests, making it difficult for ordinary people to access them. This situation has created a need for simple, low-cost testing with test items customized to the conditions of each country or region, such as hepatitis C, which is caused by low standards of hygiene and medical practices, or endemic diseases such as thalassemia.

In response to these challenges, Japan is currently examining options for introducing testing equipment for POCT to developing countries, such as those in Southeast Asia, as a form of medical overseas development aid. The spread of POCT equipment will enable treatment and prevention of diseases through early detection, and help to raise healthcare standards and alleviate the economic burden. USHIO is contributing to this effort with its proprietary optical and imaging technologies.

*1 From the POCT Guidelines of the Japan Society for Clinical Laboratory Automation (translated into English by the Company)

*2 Phlebotomy refers to drawing blood from the body. Generally, this treatment involves drawing out between 200—400 ml of blood every 1—2 weeks in order to lower the serum ferritin level. The treatment can control the advance of hepatitis caused by excess iron in the body.

*3 Ferritin is a protein that stores iron. Serum ferritin rises and falls reflecting the amount of iron stored in the body. Quantitative analysis of serum ferritin enables testing and diagnosis prior to phlebotomy therapy for anemia or hyperferremia, leukemia, and hepatitis C, and gives an insight into the state of the disease. Quantitative analysis is therefore generally in demand.



Part 2: What Only Light Can Do

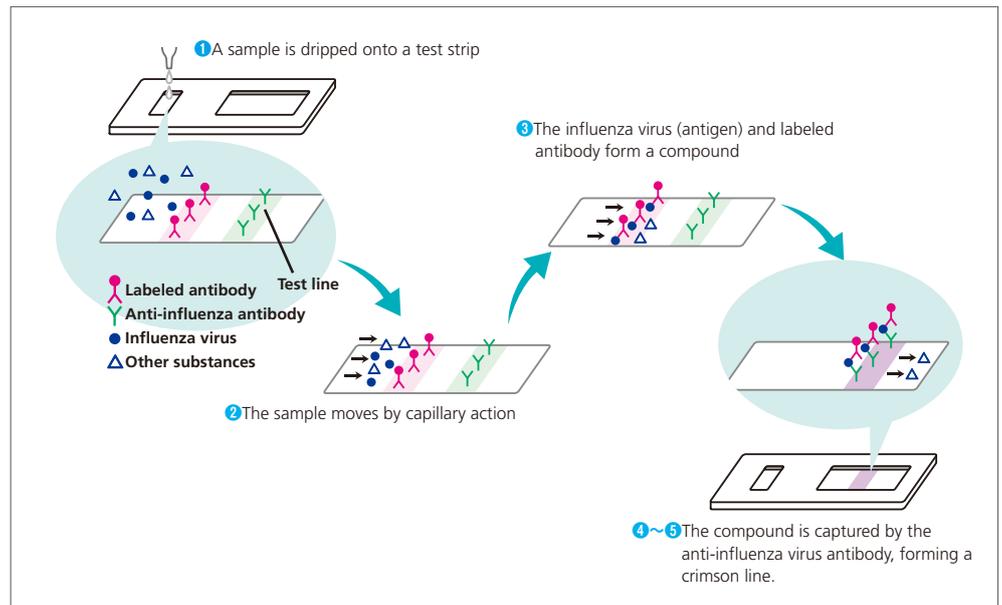
In April 2013, USHIO launched Japan's first* blood analysis device capable of quantitatively analyzing serum ferritin by immunochromatography, the Point Reader®, and a dedicated reagent. The device makes use of USHIO's optical and imaging analysis technologies, developed over many years.

*According to USHIO research as of March 31, 2013

What Is Immunochromatography?

Immunochromatography is a commonly used testing method, found in familiar simple (rapid diagnostic) test kits such as for influenza and pregnancy tests. The word is taken from "immuno," referring to the immune system, and "chromatography," which means to separate a substance out into components. For example, in the influenza test, a sample taken from the patient's nasal cavity is diluted and several drops of the solution dripped onto a strip ①. The sample then moves through the strip by capillary action ② and if the influenza virus (antigen) is present in the sample it forms a compound with a labeled antibody ③. That compound moves further along the strip and is captured by an anti-influenza virus antibody on the test line ④. The compounds emit a color that cannot be seen at the individual compound level, and as the number of captured compounds increases, the crimson (purplish-red) line acquires enough color to be seen by the human eye, allowing the tester to determine whether or not the virus is present ⑤.

Image of Measurement by Immunochromatography



The Point Reader® and Point Strip®

Japan's First System for Measuring Serum Ferritin by Immunochromatography

Traditionally, the downside to the easy-to-use immunochromatography method has been its low level of precision in making quantitative measurements such as the percentage of a substance within a blood sample. The method has therefore been limited to tests where it is sufficient simply to show the presence of infection, such as influenza tests, and other qualitative analysis such as pregnancy or allergy tests.

USHIO's Point Reader® together with its dedicated reagent, the Point Strip®, are the first system in Japan to achieve quantitative measurements of serum ferritin using the immunochromatography method. The system uses proprietary optical technologies and algorithms to analyze fine changes in color intensity that depend on the concentration of serum ferritin in a blood sample. This represents a dramatic leap forward in the analysis capabilities of immunochromatography. The system shows excellent correspondence in results with those of large-scale automated analysis equipment, and opens the way for quantitative analysis of serum ferritin in a clinical setting that has previously been impossible. This breakthrough will eliminate variation in test accuracy and significantly relieve the burden of testing on both patients and physicians.



USHIO's onsite microanalysis kit, currently being evaluated by the analysis division of Japan Customs

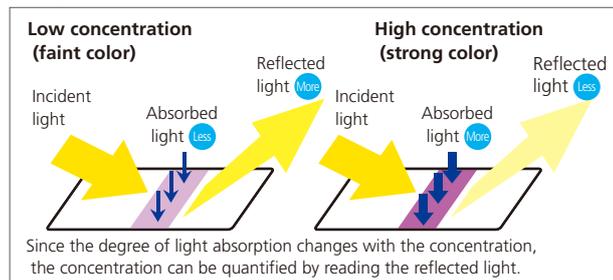
USHIO's Proprietary Measurement Method

The needs for this kind of accurate on-site testing are multitude, including detection tests for mold, toxins, or harmful additives in food, for virus and bacteria that cause infectious diseases, or for various biomarkers in the blood.

To meet these needs, USHIO is developing an on-site micro-analysis kit that uses a completely new proprietary measurement method called Q-body. A version of the device is currently being evaluated by the Japan Customs analysis division for use as a testing tool for import cargoes to crack down on drug smuggling.

USHIO will continue to work closely with people on various frontlines, applying its optical technologies to contribute to peace of mind, safety, and environmental protection for everyone.

Image of Optical Measurement



Column

Myanmar, also known as Burma, has a land area twice the size of Japan and a population of some 50 million people. It has become the focus of global attention in recent years as it continues to change rapidly into a democratic state. Despite these encouraging statistics, the per capital GDP in 2012 was only 1/60th of Japan's. The country is striving to develop various aspects of social infrastructure, and Japanese citizens have been providing medical support there for some time.

"Myanmar is home to an endemic disease called thalassemia, a congenital condition where the hemoglobin is short-lived."

Doctor Shigeru Okada, an honorary professor of Okayama University, explained about Myanmar in 1988, when he became involved with the work of The Japan International Cooperation Agency (JICA).

Thalassemia patients suffer from severe anemia, and so require blood transfusions. However, the transfusions cause excessive iron levels that resulted in a host of other issues for the patient. In 1988, there was no screening for blood transfusions so 90% of thalassemia patients carried hepatitis C. As a physician this was not something that could be overlooked.

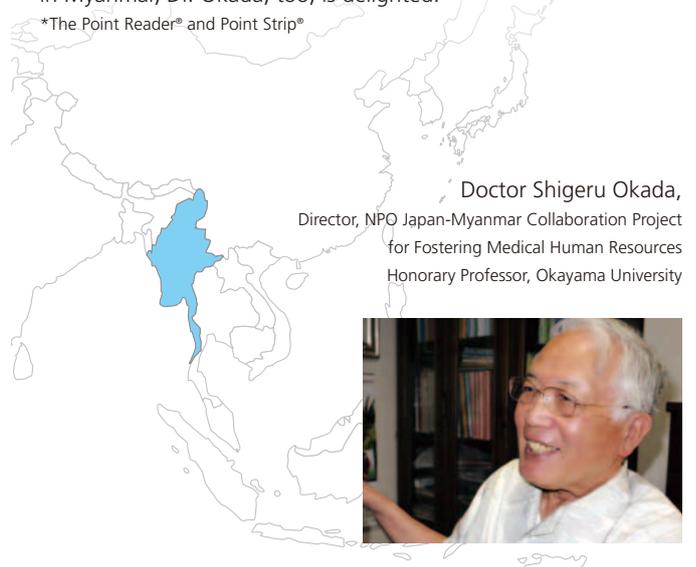
In addition, when hepatitis worsens, it progresses to untreatable sclerosis and liver cancer. It was therefore vital to treat hepatitis patients during the inflammation stage. The excessive iron level also made the hepatitis even worse.

In 2000, Dr. Okada brought together a group of peripheral researchers and JICA to encourage the Myanmar Ministry of Health to take action to make blood transfusions safer. These efforts bore fruit three years later, and today safe blood transfusions are being provided.

However, Myanmar continues to face the problems of thalassemia, excessive iron levels, and hepatitis. To treat these patients, it is necessary to ascertain the trends in their iron levels. Dr. Okada, who has long recognized the need for development of a device that can easily perform such tests in a clinical setting, first met with USHIO three years ago. And now, we have been able to deliver this newest product to Myanmar through the result of our joint development effort.

"It is vital to be able to measure the slightest change in concentration. This new testing device is going to make a lot of people very happy I think." After years of hard work in the medical field in Myanmar, Dr. Okada, too, is delighted.

*The Point Reader® and Point Strip®



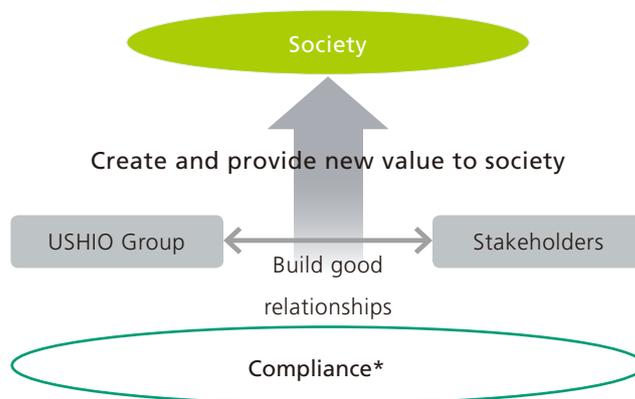
Doctor Shigeru Okada,
Director, NPO Japan-Myanmar Collaboration Project
for Fostering Medical Human Resources
Honorary Professor, Okayama University

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.



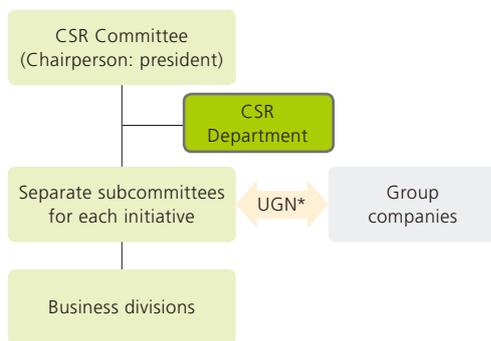
Glossary

- CSR (Corporate Social Responsibility):** The responsibility of a company as an entity in global society.
- Stakeholders:** People who are concerned or affected in some way by the decisions and actions of an organization. Generally described as people who have a stake in a company.
- Compliance:** Literally, compliance with laws and regulations. At one point this was all the word was taken to mean, but in recent years it has come to include observing the rules and norms of society, and contributing to society.

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. From 2012, the CSR Committee has increased the frequency of its meetings as part of our ongoing voluntary efforts to enhance our systems for promoting more timely CSR activities.

CSR Promotion Framework



United Nations Global Compact's* Ten Principles

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 Japan Network, 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 Japan Network, and are working to promote all facets of CSR among the many other participating companies. To this end, we have taken an active role in sectional activities for sharing information on necessary specific measures, and enhancing the activities of each company.



United Nations Global Compact's Ten Principles and Our Initiatives

United Nations Global Compact's Ten Principles			USHIO's Related Initiatives
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	The third section of USHIO's 10 Action Guidelines sets out clear requirements for respecting basic human rights for all people, and prohibits unfair discrimination, among other measures. ▶Pages 14, 15
	Principle 2	make sure that they are not complicit in human rights abuses.	
Labor Standards	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	The USHIO Group respects the International Labour Organization's* Declaration on Fundamental Principles and Rights at Work. Under the third section of USHIO's 10 Action Guidelines, the Company strives to promote good labor-management relations, abolish discrimination in the workplace, and create working environments that are cheerful, safe, and comfortable. ▶Pages 14, 15
	Principle 4	the elimination of all forms of forced and compulsory labor;	
	Principle 5	the effective abolition of child labor; and	
	Principle 6	the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;	Section 8 of USHIO's 10 Action Guidelines clearly states the Company's position on actively working to protect the environment. We also formulated our 2020 Environmental Vision and are now working to implement Phase Three of the Environmental Action Plan. ▶Pages 19, 20, 21
	Principle 8	undertake initiatives to promote greater environmental responsibility; and	
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Under section 6 of the 10 Action Guidelines, USHIO strives to prevent corruption and to conduct fair business activities. We have also set up a Compliance Committee and the USHIO Hotline (internal reporting system). ▶Pages 13

UGN: USHIO Green Network. An organization for promoting environmental action and information sharing at USHIO Group sites.

The United Nations Global Compact: This initiative was set up in 1999 by Kofi Annan, the United Nations secretary general at the time. The Global Compact calls for organizations to take practical steps to follow ten principles relating to human rights, labor standards, the environment and anti-corruption.

The International Labour Organization: Established by the 1919 Treaty of Versailles. As an international organization, the ILO works in all countries to improve labor conditions and realize social justice.

Medium-term Planning 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 2016 with its CSR tasks. USHIO's medium-term CSR planning comprises three phases over a seven-year period. In phase-1 (2010 to 2012), we focused our efforts on "forming an infrastructure for CSR initiatives" and achieved our initial targets. We are currently in phase-2 (2013 to 2014) during which we are working to "dig deeper into CSR issues."

Reflecting on Phase-1

During phase-1 of our medium-term CSR planning, we worked to collect information and form an infrastructure for CSR initiatives, while discovering our vision for CSR at USHIO. We identified the CSR issues USHIO should take up by conducting awareness surveys among the management tier and questionnaires with our employees at large and promoting dialogue with NGOs and knowledgeable experts. Through this process, we built an essential activity infrastructure for executing our CSR initiatives. Specifically, we established the CSR Committee, with the president as chairperson, set up a CSR promotion framework, declared our support for the 10 principles of the UN Global Compact, and announced a CSR Action Plan.

Phase-2

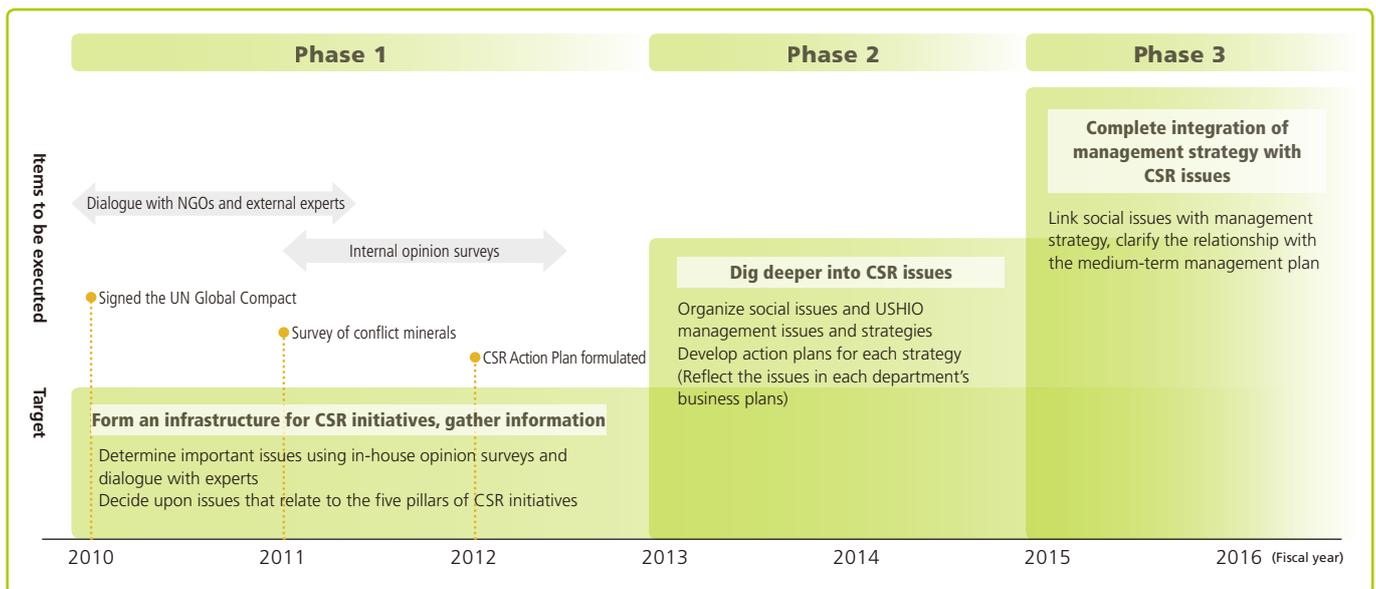
In phase-2, the current phase, we have started off a PDCA cycle for fusing the actual business operations of our business divisions and Group companies with CSR aspects, by ensuring that

the activity infrastructure we built during phase-1 is functioning effectively. Specifically, under the direction of the president, who is the chairperson of the CSR Committee, in fiscal 2013 we strenuously promoted these respective CSR initiatives within our business confines, treating the CSR Action Plan as a guiding principle for fitting in our five CSR pillars harmoniously with the business plan and momentum of each division and department. Each department has already brought up a host of measures and plans relating to human resource development, customer satisfaction, diversity, environmentally responsible products, and so forth. Looking ahead, we will continue our work by implementing this action plan at our Group companies.

CSR Action Plan

In formulating the CSR Action Plan, the CSR Committee and other related organizations investigated CSR factors of the USHIO's business activities from various angles, while giving consideration to the 7 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 environment. These items are then broken down further into action policies. Currently, this CSR Action Plan serves as USHIO's CSR framework, and is the basic foundation underpinning the thinking of each operating division and Group company as they create their business plans.

Medium-term Planning for CSR Goals and Roadmap



Glossary

ISO 26000: A global guideline for initiatives regarding organizational social responsibility published in October 2011 by the International Organization for Standardization (ISO). The guideline was drafted through discussions with representatives from government and industry, labor, consumer groups, NGOs and other organizations that began in the early 2000s. Unlike previous ISO programs, no certification is required.

Formulation of a CSR Action Plan under the Five Pillars



Governance

Establish a compliance system that encompasses international standards in global corporate activities, work to publicize CSR-related information and establish stakeholder communication, and strengthen and enhance the governance framework

Issues

- Promulgation throughout the Company
- Internal control*
- Global measures
- BCP*
- Compliance and ethics
- Strengthen information security
- Fair and impartial business activities
- Protecting property rights



Fiscal 2014 Action Policies

- Promotion of risk management
- Take steps to promote observance of laws and regulations
- Strengthen information security
- Protect and make strategic use of intellectual property
- Formulate a business continuity plan

People

Considering workplace environments, human rights, and diversity of values in hiring and using human resources

Issues

- Human rights
- Promotion of diversity
- Promotion of work-life balance
- Health and safety
- Human resources

Fiscal 2014 Action Policies

- Formulate a human resources plan looking three years into the future (Promote human resources, employee composition, and diversity to match future strategies)
- Promote work-life balance
- Reduce total work hours
- Promote health and safety measures

Quality

Initiatives to meet the needs of customers, shareholders, and business partners based on observance of market rules, and regulations

Issues

- CSR procurement
- Quality
- Creation of solutions to meet new social needs*



Fiscal 2014 Action Policies

- Promote initiatives to increase customer satisfaction and quality in addition to achieving sales and profit targets
- Strengthen supply chains (Promote CSR and green procurement)
- Formulate an approach for solving social issues through core business (product and service) capabilities, and a business promotion plan for Asia and other emerging markets
- Upgrade quality assurance system

Environment

Engage in corporate activities to protect the environment. Strive to meet both environmental and business needs, including addressing global environmental problems affecting biotopes

Issues

- Expanding sales of environmentally conscious products
- Global warming countermeasures
- Chemical substance management
- Resource conservation — Biodiversity preservation



Fiscal 2014 Action Policies

- Promote Phase Three of the Environmental Action Plan
- Contribute to the environment by reducing energy and resource costs
- Comply with environmental laws and regulations; develop products and markets ahead of regulatory trends

Society

Engage widely with society at all levels from local to international, cooperating and coordinating with other groups in contributing to education, culture, welfare, development and other aspects of society

Issues

- Social contribution activities



Fiscal 2014 Action Policies

- Promote social contribution activities (Communicate with local communities and explore ways to contribute to the world through our core businesses)

Internal control: The process of forming rules for conducting business appropriately within an organization such as a company, and ensuring business is conducted in accordance with these rules. In the wake of incidents of large-scale financial reporting and accounting fraud in the U.S., compliance has become an important issue worldwide.

BCP (Business Continuity Plan): An abbreviation for Business Continuity Plan, a set of policies and plans for continuing business operations and responding quickly and effectively in the event of a natural disaster or other unforeseen circumstances. The key is to create frameworks

for adapting to the unexpected, rather than attempting to respond to the unexpected in a predictable manner.

Social needs: Among the various needs in the world today, this refers to needs in public or social areas such as the environment, poverty, human rights, welfare and health.

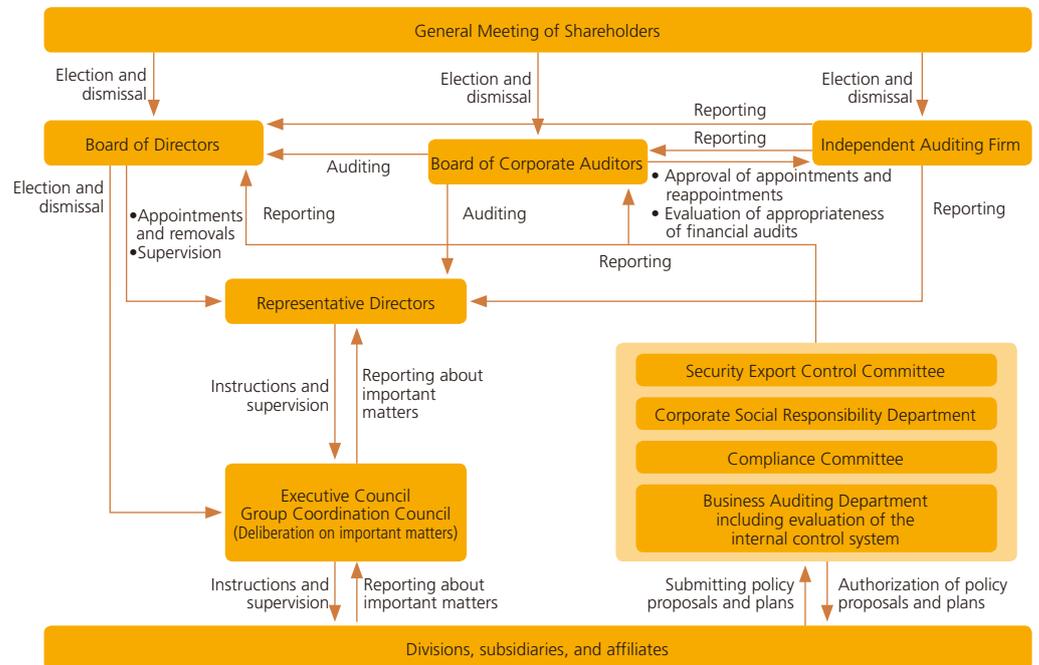
CORPORATE GOVERNANCE AND COMPLIANCE

The basic policy of the USHIO Group is to ensure the transparency and efficiency of the Group's management, and increase corporate value to meet the expectations of all of the Group's stakeholders. To this end, we place the establishment and maintenance of systems of internal control, incorporating compliance with laws, regulations, social norms, corporate ethics, and J-SOX regulations, as a top management priority and make every effort to promote these systems.

Corporate Governance* Framework

USHIO uses a management structure that includes a Board of Corporate Auditors. Management and administrative responsibilities are divided among three governance units. The first is the Board of Directors, which determines management policies and makes decisions about other matters of the highest importance. The directors also oversee the management of business operations. The second is the representative directors, who are responsible for conducting business operations. The third is the Board of Corporate Auditors, which is responsible for audits. To assist the Board of Directors in reaching decisions, the USHIO Group has three advisory units that examine and discuss management

USHIO's Internal Control Framework



Glossary

Corporate governance: This refers to a company's mechanisms for management and supervision. Supervision refers not to monitoring for suspicious activity in management, but rather setting targets for management and evaluating performance. In other words, a mechanism for ensuring that management is managing the company for the shareholders.

strategies and medium and long-term management policies with respect to the entire Group. The units are the Executive Council, Group Coordination Council and the Group's executive officers. 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.

Audits by Corporate Auditors

USHIO has a Board of Corporate Auditors with five members that include three outside auditors who are independent of the USHIO Group. The outside corporate auditors are professionals in fields such as finance, accounting, and law. The inclusion of outside corporate auditors makes it possible to perform audits from an objective and neutral perspective. The board submits reports concerning legally required items and other matters to the Board of Corporate Auditors. Other matters include items that may have a significant impact on the entire Group, important items concerning monthly business operations, and other information that should be reported. The independent auditor submits an annual auditing plan to the Board of Corporate Auditors and explains its specific auditing objectives to the corporate auditors. In addition, the independent auditor provides the corporate auditors with reviews of quarterly and year-end financial reports as well as reviews of the financial audits and summaries of audit results. This forms the basis for periodic meetings of the independent auditors and Board of Corporate Auditors.

Business Audits

The importance of internal audits has increased along with the enactment of the Companies Act and Financial Instruments and Exchange Act of Japan, and in order to prevent corporate impropriety. Besides compliance audits of laws, regulations and so forth, and assessments of the design and operation of internal controls, internal audits must now also serve as a consulting function with a view to improving business processes and other aspects of the company. 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 corporate auditors 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 to have audits conducted in close observation of actual frontline business conditions with a view to issuing recommendations for streamlining management, improving business operations, safeguarding assets, and improving the management structure while minimizing risks.

Compliance

It is widely recognized that breaches of compliance can undermine the very foundations of the public's trust in a company or government, and carry a risk of significant losses through claims for damages, and sharp declines in sales. At USHIO we have established a Compliance Committee to address compliance-related concerns, including potential risks, across the entire Group as early as possible. We have also established the USHIO Helpline as a point of contact for external consultation and reporting.

Information Security

USHIO often handles customers' private information or 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, including 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. In fiscal 2012, we conducted a revision of our information security management rules to ensure that they are appropriate and current. Our next step will be to make sure these rules are applied uniformly and consistently within 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 decryption for email attachments, and functions to prevent sending emails to the wrong recipient, strengthening systems for certification management and program asset management, and shoring up antivirus measures for portable storage media. It is also important to enhance information security awareness and skills for each individual employee in order to prevent information leaks. We have therefore taken steps to increase awareness among employees of the various threats and opportunities where leaks may occur, by implementing a company-wide e-learning program, and conducting level-specific training for new recruits. In fiscal 2013, we also started a PDCA cycle as an initiative to ensure that this awareness penetrates our entire organization at every level.

Fair and Equitable Business Transactions

The USHIO Group's 10 Action Guidelines expresses our commitment to always respecting the position and rights of the other party in business dealings, to conducting transactions fairly and equitably, and to not taking advantage of a dominant position to impose inappropriate terms or conditions. We also promise to work to prevent corruption and carry out appropriate business transactions in line with socially accepted practices.

WORKING TOGETHER WITH EMPLOYEES

By working to fulfill its responsibilities to society, the USHIO Group aims to create a company where employees can work with enthusiasm and a sense of purpose. As is clear from the first item in the Group's management philosophy: "Build both a prosperous Company and prosperous employees," this goal has remained the same since the Company's foundation.

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. In addition to this, CSR procurement, conflict minerals*, and diversity are also important themes related to human rights. Initiatives to promote diversity have been increasing in Japan guided by national policy, and USHIO is following a long-term plan to ensure that the Company does not discriminate based on nationality, gender, or any other such factor when offering employment or promotion opportunities.

Diversity*

Utilizing Global Human Resources

Overseas sales account for over 70% of the USHIO Group's total. 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, sending personnel from Group companies overseas to the parent company in Japan, and providing opportunities for interaction between Group companies.

Support for Working Women

We believe that new talent pools 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 since 2007 in our effort to recruit human resources without regard to gender. We have also taken steps to encourage and motivate employees on an individual level. For example, in December 2012 we invited a female sales manager from outside the Company to come and run a study and networking session for female sales staff, and in January and April 2013, we held talks between the chairman of USHIO and female employees to make sure that their voices are being heard by senior management.

Glossary

Conflict Minerals: The Dodd-Frank Wall Street Reform and Consumer Protection Act drafted by the U.S. Securities and Exchange Commission requires listed companies in the U.S. to report on the use of four substances (gold, tin, tantalum, and tungsten). There are concerns that, depending on where they have been mined, these substances could be used to provide funding for armed forces in the Democratic Republic of the DRC. To help resolve human rights issues, companies are required to manage these substances carefully, such as by specifying smelters and so forth.

Diversity: The principle of diversity calls for the creation of organizations that allow diverse people to achieve their full potential, regardless of race, gender, age, or beliefs.

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. In March 2009 we created the Work-Life Balance Handbook, which contains information on programs for balancing work. It also contains 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. In July 2011, we revised our system for working shorter hours to extend the eligibility of choosing to work shorter hours until a child is six years old. Moreover, in an effort to build an environment conducive to supporting gender equality, we uploaded stories of male employees and their experience with childcare leave for view on our intranet portal. Consequently, in June 2012, for the third time we earned Kurumin* certification under the Act for Measures to Support the Development of the Next Generation.

USHIO's Work-Life Balance Support Program (Balancing Work and Parenting)

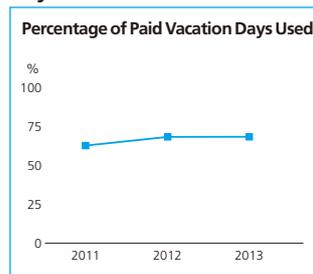
Prior to Birth	Birth	Post Natal	Childcare
<ul style="list-style-type: none"> • Leave of absence for fertility treatment • Shortened working hours (pregnancy) • Leave of absence for maternity clinic visits • Pregnancy discomfort leave 	<ul style="list-style-type: none"> • Paternity leave • Antenatal/postnatal leave ▶ 8 weeks each 	<ul style="list-style-type: none"> • Childcare leave ▶ Women may take up to two years leave two times for each child, regardless of whether their spouse is working 	<ul style="list-style-type: none"> • Short working hours (childcare) • Excused from work outside of regular hours, or amount of regular work limited • Amount of late night work limited • Nursing care leave • Childcare leave • Hospital visit leave

Employees Using Childcare

	2011	2012	2013
Men	2	2	5
Women	29	27	32
Total	31	29	37

Paid Vacation and No-Overtime Days

Based on a commitment to work-life balance, we designate certain days as no overtime days and prearrange paid vacation days to give employees time to spend with their friends and family or on their own pursuits and to help create a more dynamic working environment. We believe that performance improves when employees maintain their physical and mental health by taking time off to relax and rejuvenate.



Occupational Health and Safety

USHIO INC. engages in occupational health and safety initiatives to maintain a workplace that provides total peace of mind to employees. Various systems have been established to help employees

maintain their health. Health-related counseling is provided to employees with health or weight issues identified by a health check, and physicians consult with employees working long hours.

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 "the Company's prosperity with enriching the lives of individual employees."

In addition, revisions were made to the skills required for each division and type of job, and a system established at each office which 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.

Support for Self-Development

Correspondence courses: In fiscal 2013 we had a lineup of 290 courses on subjects ranging from management to computer skills, in addition to basic classes on foreign languages, technical topics and certification courses. When employees finish a course, they are paid a bonus as a way to support their motivation to learn. In fiscal 2013, a total of 356 courses were taken.

TOEIC testing: TOEIC tests are given to employees who want to gauge their English ability and further improve it. The Company pays a portion of the testing fees. A total of 75 employees took the test in fiscal 2013.

Tiered Employee Training

Training for young employees: Available for new recruits straight from university who have been with the Company for five years. This training focuses on developing the skills to guide and correct others when providing on-the-job training.

Training to prepare corporate officers for appointment: This training targets middle-management level employees who aim to become corporate officers. The course covers the fundamentals of management, and includes a diagnostic component to confirm whether participants have the required ability to be a corporate officer, and their capacity to know themselves and to raise their own awareness. The results of the diagnostic component are sent to the participant and their supervisor and used to develop the participant's abilities going forward.

Training for newly appointed line managers: Available for employees who have recently been promoted to a line manager (generally, a department manager) position. Training focuses on the ability to identify organizational objectives, then lead or manage the department or team to achieve these objectives, while addressing any obstacles or problems encountered along the way.

Division manager training: The training programs for business division managers and other section managers not only enhance organizational management skills but also ensure that managers can keep their eye on the medium- and long-term strategic goals of their business and resolve issues in order to meet those goals.

Work-life Balance: This refers to regulating the workplace and the social environment to allow people to enjoy full lives while working. The concept extends further than the simple reduction of overtime, calling for initiatives that improve the quality of both work and private life to achieve synergies.

Kurumin: The Kurumin symbol is used by companies who receive certification from Japan's Ministry of Health, Labour and Welfare after creating and implementing an action plan for supporting employees in childcare, and meeting certain standards.

Quality



RELATIONSHIPS WITH CUSTOMERS AND 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.

Quality Policy

USHIO has created unified quality policies for the entire Group and continued its efforts to improve quality.

UPS (USHIO Production System)

UPS (USHIO Production System) is the name of a new initiative aiming to establish a unique new production system 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.

Basic Philosophy

USHIO regards product quality as an overriding priority and will promptly provide global markets with high quality, safe products and services that are highly reliable and economical in order to fulfill the requirements of customers.

Action Guidelines

1. We will act rigorously in putting the customer first and putting quality first, and will develop appealing products with cutting-edge technology to fulfill the requirements of customers and earn their trust.
2. We will strive to further improve quality by developing entity-level quality management systems and continually working to improve their effectiveness in order to meet the needs of customers.
3. We will work to share information with customers, make cost improvements, develop new products, pioneer new markets, and promptly provide global markets with high quality, safe products that are highly reliable and economical.

April 1, 2010
Shiro Sugata
President and
Chief Executive Officer
USHIO INC.

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. It is a movement that consists of three pillar groups. Namely, the Manufacturing Technology Group, the Quality Assurance System Reform Group and the Education and Enlightenment Group.

In fiscal 2013, we started initiatives aimed at producing concrete results. Looking ahead, with an eye to measuring actual effectiveness, we will enhance our activities to improve customer satisfaction in the Manufacturing Technology Group, embed improved systems in the Quality Assurance System Reform Group, and firmly establish an ongoing education system in the Education and Enlightenment Group.

Glossary

Evaluation Criteria of Super Green Products: The certification standard for Super Green Products is comprised of the following three requirements:

- 1) Environmentally conscious product score of 80 or more (based on environmentally conscious product assessment standards)
- 2) Environmental factor of 1.5 or more (calculated in comparison to previous products, with fiscal 2000 as the baseline year)
- 3) Attainment of transparency

Environmental Factor: A comparison of the environmental efficiency of a newly developed product and past products can be expressed numerically as an environmental factor. Higher numbers represent greater improvements. The environmental factor is calculated by dividing the environmental efficiency of the target product by the environmental efficiency of the equivalent product in the baseline year. USHIO calculates a product's environmental efficiency by dividing product value (performance) by environmental impact. Product value is calculated by multiplying energy output by lifespan. Environmental impact is calculated with well-defined formula:

Contributing to Society with USHIO Products

Having started out as a manufacturer of light sources for industrial applications, USHIO has continued to develop products to meet the needs of the times. Recently an important theme for us in fulfilling our corporate social responsibility is contributing to society through our main business. In line with this, we have been aggressively launching products to solve issues in a variety of fields through the application of light.

In fiscal 2013, we focused on broadly extending the scope of our environmental assessments from the product development stage, and have been strengthening our initiatives to renew the performance of our products. We will use the light technologies we have developed through the years, applying them and developing them to address problems that must be solved at the global level such as medicine, health, the environment, energy, water, security, and food. At the same time, we will provide products and services that offer high added value to meet our customers' needs.

Development of Super Green Products

USHIO is working to create environmentally responsible products and has created its own proprietary certification standard, known as Super Green (SG) products, which are recognized as actively incorporating more environmental technologies than conventional products. SG products must be the best in their class, and offer superior environmental performance in terms of energy efficiency, extended lifetime, 3R design, materials used, applications and so forth. In addition, the product must satisfy the numerical standards of our USHIO environmental factor* requirement. Currently, the Group has certified 15 SG products.

New certified products in fiscal 2013 include special lamps for medical applications, LED light sources, and other high-value-added energy saving industrial process equipment. In this way we have sought to address environmental concerns in the product group where our proprietary strengths shine most brightly. The number and variety of certified Group company products has also expanded significantly, and we expect it to continue to do so going forward.

Launch of the Quality Assurance Center

From April 2013, the separate Quality Assurance Divisions that had been established at each business site were integrated to launch the Quality Assurance Center. With this move, USHIO will exploit the good aspects of quality control know-how developed at each business site, to achieve even more attractive quality and efficiency. This will enable us to meet the exacting demands for quality required by our lineup of medical equipment, which has continued to expand in recent years. Moreover, we will use our accumulated knowhow in making products for industry to strengthen our activities in line with ISO 13485 (an international standard for quality assurance of medical equipment. The content of the standard has been modified from the ISO 9001 standard, and additional requirements inherent to medical equipment have been added), in order to deepen our relationships with overseas manufacturing companies going forward and create an integrated Group-wide quality assurance system.

Promoting CSR Procurement

In line with the CSR Action Plan, from fiscal 2013 we have been surveying our suppliers' CSR actions. The surveys provide further opportunities to help suppliers' understand USHIO's stance, and we are beginning to see a virtuous cycle emerge, where we find opportunities to achieve mutual understanding on various aspects. As a result, we are beginning to see improvements in many of our suppliers' understanding and response to CSR.

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 value chain* designed in response to these requirements. We hold explanatory meetings with our suppliers to deepen mutual understanding and gain their cooperation in 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.

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, and has started surveys using the EICC/GeSI* Conflict Minerals Reporting ledger sheet.

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).

Since April 2012, we have had a dedicated, companywide committee that has been formulating an overall plan, including building systems for cross-divisional back-up between each business site, and to enable minimization of damage and swifter recovery in the event of a major earthquake or when other disasters occur. We have taken stock of our disaster damage risks, and started creating various specific action plans. With respect to information security, 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.

$\sqrt{[(\text{Energy input})2+(\text{3R volume})2+(\text{Chemical substances content})2]}$

Notes: 1. Energy output: For lamps, primarily lighting output and intensity in the necessary wavelength range

2. Energy input: Energy consumed in using the product

3. 3R volume: Product size and weight (quantity of resources used)

4. Chemical substances content: Quantity of substances with environmental risk contained in the product

Value chain: An approach in which the chain of value generated by buying and distribution, manufacturing, shipping, sales and marketing, and services, coupled with personnel and labor management, technology development and other efforts that support these processes, give rise to value in end products and services. The term was first coined in the book *Competitive Advantage* by American scholar Michael Porter.

EICC/GeSI Template: A common global template provided by the EICC (Electronics Industry Citizenship Coalition*) and the GeSI (Global e-Sustainability Initiative) for gathering procurement data related to conflict minerals.

Products That Solve Societal Issues

Medical

(treatment, diagnosis, sterilization and testing)

Light-based medical equipment is attracting great interest due to its ability to enhance the quality of life. USHIO employs the most advanced technology to develop new products used in medical treatment, diagnosis, testing and sterilization/hygiene.



UV phototherapy device for dermatological problems
TheraBeam® UV308



Point Reader® and Point Strip®

Energy

Light plays a central role in the development of many new energy sources including solar power. USHIO has taken a pioneering role in the development of new infrastructure and technology to promote a carbon-neutral society.



Solar simulator for testing solar batteries



Acceleration testing system

Agriculture

(cultivation and propagation)

Agriculture faces great challenges in our modern world to preserve the safety, quality and stability of our food supply. By developing and optimizing man-made light sources that can be used for cultivation, USHIO hopes to help solve global food supply issues.



Lighting system for plant cultivation



Light source unit for plant cultivation and control

Security

(hazardous chemicals, surveillance and information security)

USHIO provides products for a variety of purposes including the detection of pesticides and hazardous chemicals, nighttime surveillance and security. USHIO products are also used to prevent data theft and provide information security for computer systems.



Biotip for chemical detection system



Natural environment

(air and water quality)

USHIO has developed light-based products that help improve water quality in rivers, groundwater, water supply and sewerage systems, and preserve air quality by reducing gas and particle emissions.



UV germicidal lamp unit without mercury



Min-Excimer

USHIO Light Put to Work in Ballast Water Sterilization (USHIO EUROPE B.V.)

Ballast water is a problem because it impacts marine ecosystems. In order to eliminate this impact, the water must be sterilized, and one method for doing so uses light. This method has drawn attention for being compact, easy to handle and not producing chemical pollution. Water treatment using light is an important technology in all water-related fields. USHIO EUROPE currently supplies UV lamps and power sources for ballast water as well as control parts when they are needed. Going forward, the company intends to expand into a variety of applications, including industrial wastewater treatment, and supply them to the market as optical solutions to environmental problems.

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.



Tadashi Taki: Officer in Charge of CSR

Message from the Director Responsible for CSR

In the 10 years since we initiated Group environmental management activities, we have encouraged environmental initiatives throughout the entire Group, set key environmental tasks for each Group company, and carried out performance evaluations. Today, USHIO recognizes that environmental performance is itself an aspect of quality, and this concept inspires us to contribute to the environment through our products. We will continue to promote environmental management as one of the driving forces behind our Medium-Term Vision.

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. Under Phase Three of the Environmental Action Plan, which started in fiscal 2010, we extrapolated back in time from our vision for 2020, and broke down our vision into a set of specific goals through a process called “back casting.”

History of USHIO's Environmental Initiatives

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

Back casting*

USHIO's vision for the Company in 2020

- Low-carbon society
- Recycling-oriented society
- Biodiversity-preserving society



Glossary

- Low-carbon Society:** A society that reduces its CO₂ emissions to prevent global warming.
- Recycling-oriented Society:** A society that uses resources carefully, promoting sustainable recycling through reuse and other means.
- Biodiversity-preserving Society:** A society that supports a rich variety of life by protecting diversity in genes, living organisms, and biotopes.
- Back casting:** A technique for setting targets by working backward from a future vision to the present.

Reviewing Phase Three of the Environmental Action Plan

Although overall we achieved levels that were close to our goals, we did not achieve a reduction in CO₂ emissions, partly because we didn't consider changes due to fluctuations in production volume. On the other hand, we made good progress

on establishing the foundation for our environmental initiatives, and actively promoted environmentally conscious products and Super Green products based on our own quantitative standards. The results of our initiatives for environmental themes are as follows:

Web <http://www.ushio.co.jp/en/csr/eco/manage/plan.html>

Environmental Themes		Evaluation	
Environmental management	Strengthen environmental governance	Created three-year plan in accordance with phase-3 of the Environmental Action Plan at all Group production sites.	○
	Carbon management*	Published CO ₂ emissions in accordance with guidelines on web site and in Sustainability Report.	○
Promote environmentally conscious product performance	Expand lineup of environmentally conscious products	Certified a total of 15 environmentally conscious products (Super Green products).	○
Environmentally conscious business operations (improve environmental productivity)	Strengthening global warming countermeasures	Implemented measures to strengthen links within the Group in order to reduce CO ₂ emissions; however, the absolute value of CO ₂ emissions was 5% higher than the standard. Also carried out measures to reduce CO ₂ emissions from distribution operations.	×
	Conserve resources	Achieved 99.8% zero emissions on a Group basis. In efforts to use water resources efficiently, made progress in recycling industrial-use water, and achieved 45% reduction from standard value.	○
	Chemical substance management system (CMS)	Strengthened links between production sites in Asia on chemical substances management. Shared improved methods for managing chloroform throughout the Group, and in reduction of hazardous chemicals, achieved 20% reduction in emissions of top five ranking volatile organic compounds (VOC).	○
Activities to contribute to an environmentally friendly society	Biodiversity preservation	Conducted biodiversity evaluation	○

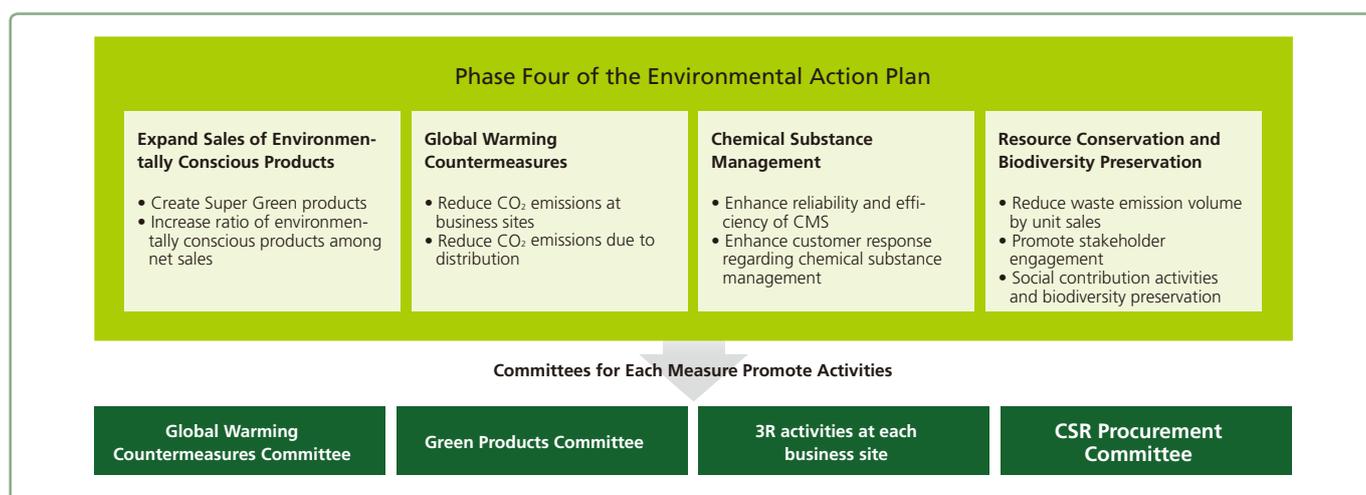
Phase Four of the Environmental Action Plan

In light of the power supply situation following the Great East Japan Earthquake, we set production efficiency assuming supply shortages as an important theme. All USHIO Group business sites are dedicated to contributing to a low-carbon society by setting accumulative targets. We will focus on contributing to society by reducing CO₂ at business sites and through our electrical products, and by developing a material database and Super Green products.

During the third phase, we produced steady results with innovate environmentally conscious products, by using LEDs and other means. We will now work even harder to parlay these innovations

into real increases in sales. In chemical substance management, such as compliance with the Mercury Pact and the new European RoHS2 standard, we will aim to comply with international standards and to remain firm in this approach. In our links with Group companies, we have taken concrete steps such as implementing a quantitative evaluation system and framework, and each site has started to show distinctive strengths. We aim to raise the bar even higher during phase four of the Environmental Action Plan by strengthening links within the Group, and other means.

We have also revised our targets for emissions per unit of net sales under our CO₂ reduction plan.



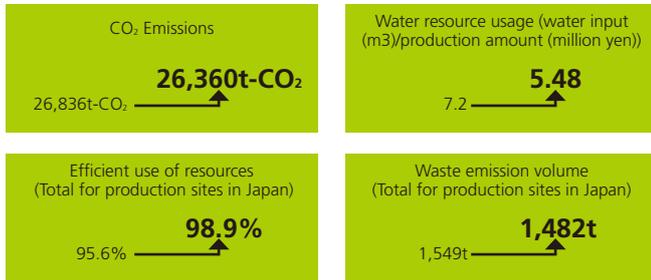
Glossary

Carbon Management: Management of CO₂ and other greenhouse gas emissions as a measure to counter global warming.

Zero Emissions: Activities aimed at reducing waste emissions from production, disposal and consumption to zero.

Stakeholder Engagement: Initiatives to promote understanding and discussion of stakeholders' views in company activities.

Phase Three of the Environmental Action Plan— Highlights (Fiscal 2011-2013)



Awards Received in Fiscal 2013

Chiyoda City Environmental Consideration Award for Global Warming Action Plan (USHIO INC.)

In February 2013, USHIO INC., the parent company of the Group, received an Environmental Consideration Award from Chiyoda



Mr. Omori, leader of the Head Office Environmental Promotion Committee (left), Masami Ishikawa, Mayor of Chiyoda City (center), and Mr. Ujii, general manager of the CSR Department (right)

City, a ward of Tokyo. The award is given to businesses in recognition of efforts to develop human resources who will act considerably for the environment as well as measures to improve buildings and equipment, thereby focusing on both the hard and soft aspects of their operations.

Top Award for Outstanding Energy Management (Gotemba Division)

The Gotemba Division received the Top Award for Outstanding Energy Management from the Kanto Area Electricity Use Rationalization Committee. The division received the award for successfully using an electric power monitoring system developed in-house by USIHO to achieve a substantial reduction in electricity consumption. Particular mention was made of efforts to reduce peak consumption following the 2011 earthquake by closing the administrative wing and shifting Life Test and production operations to other sites.

Canada's Greenest Employers Award (CHRISTIE DIGITAL SYSTEMS CANADA INC.)

Our Canadian subsidiary, CHRISTIE DIGITAL SYSTEMS CANADA INC. received the 2013 Canada's Greenest Employers award, making to receive this award, making it the third time the company has received the award. Reasons cited for the award included an environmentally conscious renovation of the business site that received a LEED* Gold Compliance Renovation evaluation, and other efforts to make improvements to reduce the impact on the environment.

Initiatives at TAIWAN USHIO LIGHTING INC. Ceased Using Urethane Packaging



Equipment for air pouch

TAIWAN USHIO LIGHTING INC. (TULI) has changed the material used as cushioning in its shopping containers from urethane chips to air pouches. The bags used for the air pouches are made from environmentally friendly biodegradable plastic that can be broken down by microbes into water and carbon dioxide.

Silica Glass Recycled as Heat-Resistant Blocks for Electric Furnaces



Heat-resistant blocks made from silica glass

In other initiatives, TULI found a way to use silica glass as a material for a new product, where previously it had been disposed of in landfill. The glass can now be made into blocks for constructing electric furnaces, helping to reduce landfill waste costs at the same time.

USHIO Harima Division Introduces Gas-Powered Electricity Generator



The Harima Division has introduced a small gas-powered electricity generator that has a minimal impact on the environment and low noise levels. To further ensure that people in the surrounding area are not bothered by noise, the

division has worked to achieve highly effective noise prevention in the facility, including construction of a 10-meter-high noise barrier. The generator can be used to provide emergency power for reducing demand on the grid during the summer peak, and to provide assistance during power cuts. This allows some equipment that cannot be easily shut down to continue ticking over, even during planned blackouts.

Changeover to Hybrid Vehicles (USHIO LIGHTING)

USHIO LIGHTING is taking steps to replace its company vehicle fleet with hybrid vehicles. The changeover is already under way at each business site, and with all 12 of the long-distance-running sales vehicles already hybrids, the company has reduced annual CO₂ emissions by approximately 420,000 tons (total annual travel distance of 12 vehicles is 304,315 km, representing a CO₂ emission volume of 700,000 tons for an ordinary gasoline vehicle and 280,000 tons for a hybrid vehicle).

LEED: Leadership in Energy & Environmental Design. A third-party rating system for environmentally conscious buildings, developed by the U.S. Green Building Council.



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. Its purpose is to contribute to the development of human resources, learning and culture. Its main projects include supporting the development of the next generation of human resources who will be responsible for leading the world in the future by providing scholarships to assist with their studies, and promoting further interaction and mutual understanding between Japan and other countries. In fiscal 2012, the foundation provided scholarships to 37 graduate students (including overseas students) and 15 students in specialized courses at colleges of technology. So far, 426 scholarship students have been accepted, and we plan to continue focusing on calling for scholarship applicants from schools in areas affected by the Great East Japan Earthquake going forward.

USHIO INC.

Assistance for Recovery from the Great East Japan Earthquake

In March 2014 it will be three years since the Great East Japan Earthquake, and the areas affected by the quake still require ongoing assistance. USHIO INC. head office, along with other companies in the same building in Chiyoda City in Tokyo, jointly sponsored a second local food market to support the Great East Japan Earthquake victims in Tohoku. This year the market's sales were up 1.5 times from the previous market, and the number of visitors doubled.

Parent and Child Factory Tour

In August 2012, the Gotemba Division held a Parent and Child Factory Tour event attended by 43 elementary school students and parents from local elementary schools. Gotemba City hosts parent and child factory tours every year during the summer holidays, and this year USHIO INC. participated as part of its efforts to maintain communication with the local community. Visitors enjoyed a tour of the factory, tried out the TV conferencing system, and had lunch with employees in the company cafeteria.



Children enjoyed getting close to the TV conferencing system

Students' Factory Tour

The Gotemba Division received requests from local schools to allow students to visit as part of their lessons to let them see what kind of products were being produced in the local USHIO factory, and how they were being produced. In response, the division has been receiving the students of Numazu National College of Technology and Gotemba High School for factory tours almost every year. The visits provide an excellent opportunity to introduce the Company's business operations and products to the students.

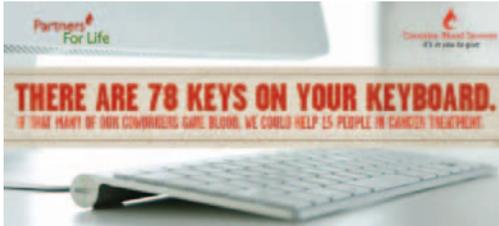
Glossary

United Way: A volunteer-led non-profit organization committed to dealing with fundamental problems that occur in local communities. United Way takes responsibility for resource management and long- and short-term results. The United Way Global Network achieves outstanding power by leveraging its combined capabilities at the global, regional, national and local levels, and their mutual cooperation, to provide a foundation for influencing local societies that is growing in every region throughout the world.

CHRISTIE DIGITAL SYSTEMS CANADA INC.

The Gift of Life—Blood Donation

CHRISTIE DIGITAL SYSTEMS CANADA INC. has been running a campaign to promote blood donation among employees since February 2012. The company held seminars and lectures about donating blood for all employees at the Canada Division, and 71 had donated blood by December 31, 2012. In 2013 the company participated in the Waterloo Region High-Tech Companies Blood Donation Race, organized by local companies, and as of July 2013, has set a target of 75 blood donors for the year.



A message from the Canada Blood Service: "There are 78 keys on your keyboard. If that many of your coworkers gave blood, we could help 15 people in cancer treatment."

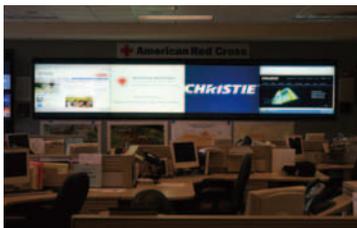
Continuing to Hold the United Way* Campaign



For five days beginning October 1, 2012, CHRISTIE DIGITAL SYSTEMS CANADA held a special event with support from local companies through United Way. The event was a contest to build a machine for hurling footballs, leveraging CHRISTIE's strengths in creativity and engineering. This year, CHRISTIE DIGITAL SYSTEMS CANADA raised around C\$90,000 (approximately ¥7.3 million), and has become a powerful supporter of United Way, which is dedicated to supporting better lives for people in the local community.

CHRISTIE DIGITAL SYSTEMS USA, INC.

Projectors Donated to American Red Cross



CHRISTIE DIGITAL SYSTEMS USA responded to a request for help from the American Red Cross to donate projectors by supplying four digital projectors to emergency centers operated by the U.S. government. The LWU420 3LCD projectors can show information in real time, helping emergency centers to minimize damage and help protect areas during a disaster or emergency situation. In the southern California emergency centers for Orange County, Riverside County and San Bernadino County, the projectors play a critical role in protecting people.

Helping Children Facing Starvation

CHRISTIE DIGITAL SYSTEMS USA donates both manpower and funds to support the humanitarian food aid organization Kids Against Hunger. Kids Against Hunger aims to help hungry children around the world and has provided over 200 million meals to children and their families in over 60 countries worldwide since it was established. All its activities are supported by several hundred thousand volunteers. CHRISTIE DIGITAL SYSTEMS USA packaged 11,664 meals for distribution to children in Africa, and people living in Orange County, California, who are suffering from hunger.



USHIO AMERICA INC.

USHIO Angels* Support the American Cancer Society



Employees from USHIO AMERICA INC. participated in the Relay for Life* charity event held by the American Cancer Society on June 22-23, 2012. This year they collected the highest amount of donations yet—US\$86,464 (¥6.9 million).

Later, in November, USHIO AMERICA held a Cup Cake War event to help raise contributions for the American Cancer Society. Participants in the event baked a huge quantity of cupcakes and raised money to donate to the American Cancer Society through sales to USHIO AMERICA employees.



Teresa Hernandez was the overall winner in the cup cake contest.

At the Oregon Division, USHIO Angels will continue to take the lead in collecting donations for the American Cancer Society through fun events.

USHIO Angels: This was originally the nickname given to the employees of USHIO America's Oregon Plant by people who knew of their charitable spirit and activities, which started in 2005 when one of their co-workers succumbed to cancer. It is now the name of a team made up of USHIO America employees who join in the Relay for Life event.

Relay for Life: This event is held in cities and towns around the country every year by the American Cancer Society. The Relay for Life involves continuous walking for 24 hours, on the grounds of local schools, through parks and on sidewalks, with teams taking part in a relay format. Walking for 24 hours without resting is meant as a way of signifying support for people battling cancer, which is a 24-hour-a-day battle that takes a toll on the body.

BUSINESS OVERVIEW

Breakdown of Sales

(Billions of yen)



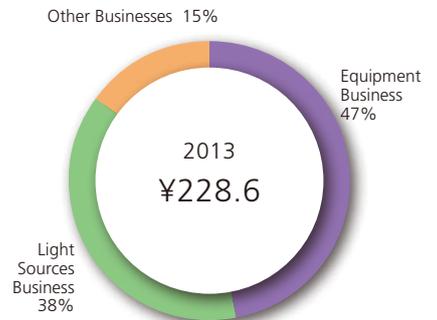
Breakdown of Operating Income

(Billions of yen)



Breakdown of Assets

(Billions of yen)



Equipment Business



Imaging equipment

- Digital projectors for cinemas
- Digital projectors for general imaging (control rooms, simulators, signage, virtual reality, and others)

Optical equipment

- Optical equipment for manufacturing semiconductors, flat panel displays and electronic components (exposure tools, photo-cleaning units, photocuring systems, and others)
- UV phototherapy devices, blood analyzers and other medical equipment
- EUV light sources for inspection and development applications

Light Sources Business



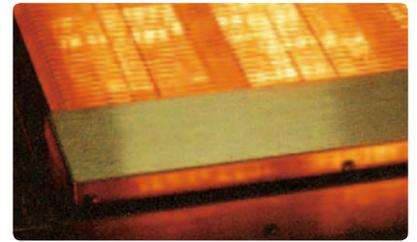
Discharge lamps

- UV lamps for manufacturing semiconductors, flat panel displays, and electronic components
- A range of lamps and industrial LEDs for use in cinema projectors, data projectors, office equipment, illumination, and other optical equipment

Halogen lamps

- For use in office equipment
- For illumination applications (commercial facilities, stage and studio lighting, specialized lighting, and others)
- Halogen heaters

Other Businesses

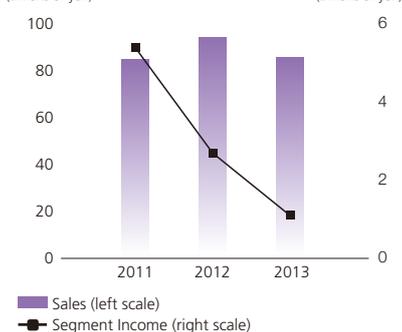


Machinery for industrial uses and others

- Plastic forming applications, peripheral machinery
- Factory automation systems
- Others

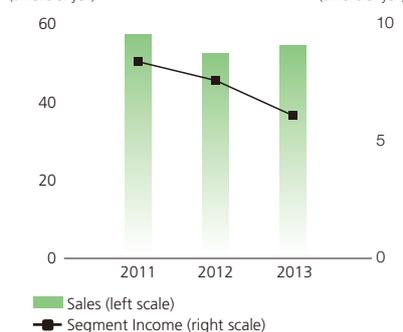
Sales and Segment Income

(Billions of yen)



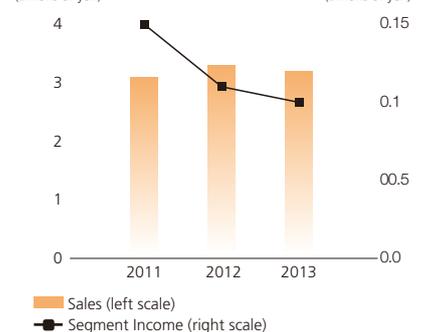
Sales and Segment Income

(Billions of yen)



Sales and Segment Income

(Billions of yen)



Corporate Data

Established March 1964
 Paid-in capital ¥19,556,326,316
 President and Chief Executive Officer Shiro Sugata

Employees: 5,616 (as of March 31, 2013):

Parent company 1,793

Subsidiaries

- Japan 574
- Overseas 3,249

THIRD-PARTY OPINION

USHIO's sustainability reports over the past few years have conveyed the Company's intention to incorporate the concepts of CSR, or sustainability, into business management, and in doing so, to produce new social and business innovations that will give the Company an even greater competitive advantage.

This year, the report has a feature (pages 4-7) about the Company's medical and science project for fiscal 2013. In this project, USHIO developed a blood analysis device using its optical and imaging analysis technologies, which are unique management resources, in a field that it has been focusing on recently. The device is significant in that it will enable simple and quick analysis of serum ferritin at local clinics and hospitals in Japan and overseas, making this important test accessible to everyone where previously it had been available only at certain institutions due to its high cost. USHIO's medical business is still only small in scale, but by working with medical institutions in Japan, and NPOs and NGOs in developing countries, it has tremendous potential as a social business that can contribute to higher standards of healthcare in local communities, and improved QOL for patients.

Moreover, the top management of the Company has got behind the CSR Action Plan, so that every department has produced measures and management priorities for a host of issues including human resource development, the environment, customers, and diversity. Specific issues to be addressed at the frontline in Japan are gradually being identified and organized. The CSR Action Plan discussed on page 11 reveals a gradual incorporation of CSR at the concrete level through dialogue with the departments responsible for each aspect. Indeed, while the society aspect requires further steps to be taken in effective use of foundations and contribution activities through core businesses, we can see gradual progress in the governance aspect, with the enhancement of information security, in the people aspect, with support for women and promotion of work-life balance, and in the quality aspect, with promotion of CSR procurement and checking up on conflict minerals.

Meanwhile, considering that around 70% of USHIO's net sales are generated overseas (in Asia and North America for example), and that the Asian region, such as the Philippines and China, is becoming an

important base of operations, the Company will need to take a more global perspective to CSR in terms of both activities and reporting. For example, as a global company USHIO will need to deal with supply chain issues including labor and human rights in the abovementioned Asian region, and this issue will become even more prominent going forward. In its evolution into a global company, USHIO has made use of ISO 260000 and conducted CSR officer-level research seminars on human rights and education; however, it needs to review once again what issues and stakeholders are relevant at each phase of its operations, from raw material procurement, through transport, production, distribution, and sales. Actively building relationships with stakeholders and recognizing the issues involved will become a source of value for USHIO, and give the Company a competitive edge. In that sense, I believe it would be beneficial for USHIO at this point to map out the "stakeholder landscape" (a diagram showing the status of relationships with stakeholders) on a global level, and to try engaging the stakeholders in a sincere dialogue. From there, we will see which stakeholders the Company will choose to engage, (local employees, suppliers, NPOs/NGOs, specialists, etc.) and what kind of frank opinions they can elicit, rather than simple lip-service. USHIO may already have implemented this approach to a certain extent, and I look forward to seeing the Company extend these measures outside of Japan, eliciting and organizing key issues and establishing PDCA cycles to build sustainable, responsible competitive capabilities.



Masaatsu Doi

Associate Professor,
Takasaki City University of Economics

Dr. Doi holds a PhD in commerce. He began his current job in 2009 after graduating from the Hitotsubashi University Department of Economics and completing post-doctoral research at the Hitotsubashi University Graduate School of Commerce and Management. He has written several books, including *CSR Keiei—Kigyō no Shakai teki Sekinin to Stakeholders* (co-author, CHUOKEIZAI-SHA, INC.) *Social Enterprize—Shakai teki Kigyō no Taitō* (co-author, CHUOKEIZAI-SHA, INC.)

Response to Third-Party Opinion

We appreciate receiving valuable feedback from Dr. Masaatsu Doi, Associate Professor of Takasaki City University of Economics, on our Sustainability Report 2013.

Dr. Doi has provided a third-party opinion on each of our sustainability reports from the 2010 edition, and has given us his views and evaluation of USHIO's CSR initiatives and progress. We have taken his observations as a guiding policy in our efforts to improve and promote our activities.

In March 2014, USHIO will celebrate its 50th anniversary. Looking

ahead, we will continue as a company to provide global society with solutions through the diverse potential of light. We recognize that in this role, it is vital to maintain and improve sound relationships with our stakeholders all over the world.

By creating new social businesses, promoting steady CSR activities, building relationships with stakeholders from a global perspective, and other initiatives, we aim to ensure that our CSR activities are valuable, and connected with our business management activities.

Tadashi Taki
Director, Officer in Charge of CSR



Environmental Consciousness of this Publication

This Sustainability Report 2013 is printed on paper approved by the Forest Stewardship Council® at a green printing certified plant using waterless printing, which is highly effective in reducing volatile organic compounds (VOC). In addition, the computer-to-plate (CTP) method of printing is used to eliminate the intermediary materials required for the plate-making process.



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