Bringing Dreams to Life with Light

ANNUAL REPORT 2013

Year ended March 31, 2013

USHIO Lighting—Edge Technologies

LIGHT CREATOR

USHIO INC. began operations as a manufacturer of industrial light sources in 1964. The company has since evolved into a "light creator" that provides light units, equipment, and systems as well as "light solutions" through developing new light sources and engineering and applying proprietary optical technology.

Contents

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

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

Forward-looking Statements

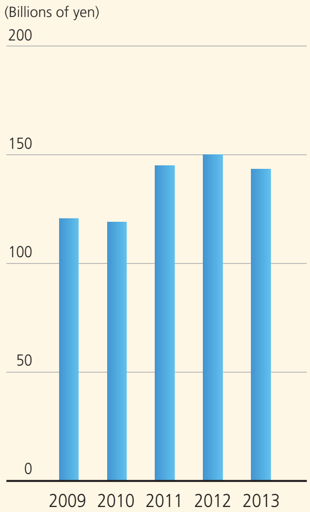
The plans, strategies, and other statements related to the outlook for future results in this annual report reflect the assumptions and beliefs of management based on currently available information. However, it should be noted that there is a possibility for actual results to differ significantly owing to such factors as changing social and economic conditions.

Financial Highlights

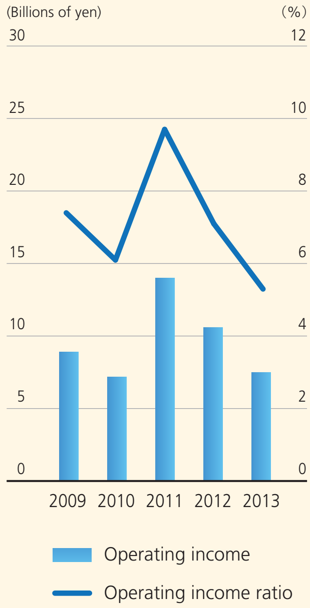
(Millions of yen)

Years ended March 31	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
Free cash flows	8,678	6,284	6,711	14,293	5,793
Total assets	184,401	202,119	217,292	224,412	228,657
Net assets	145,774	156,685	157,867	162,048	176,784
Operating income ratio (%)	7.4	6.1	9.7	7.1	5.3
Return on equity (ROE) (%)	2.3	4.7	6.2	5.6	4.3
Equity ratio (%)	78.5	76.8	71.9	70.8	75.9

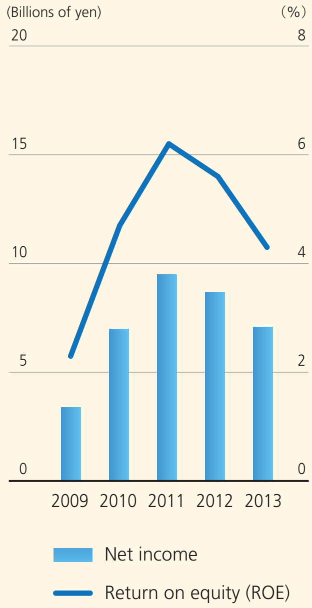
Net sales



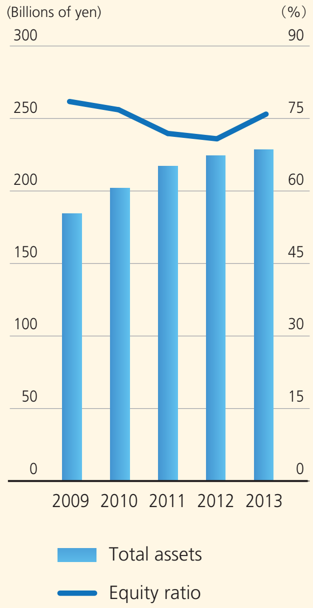
Operating income and Operating income ratio



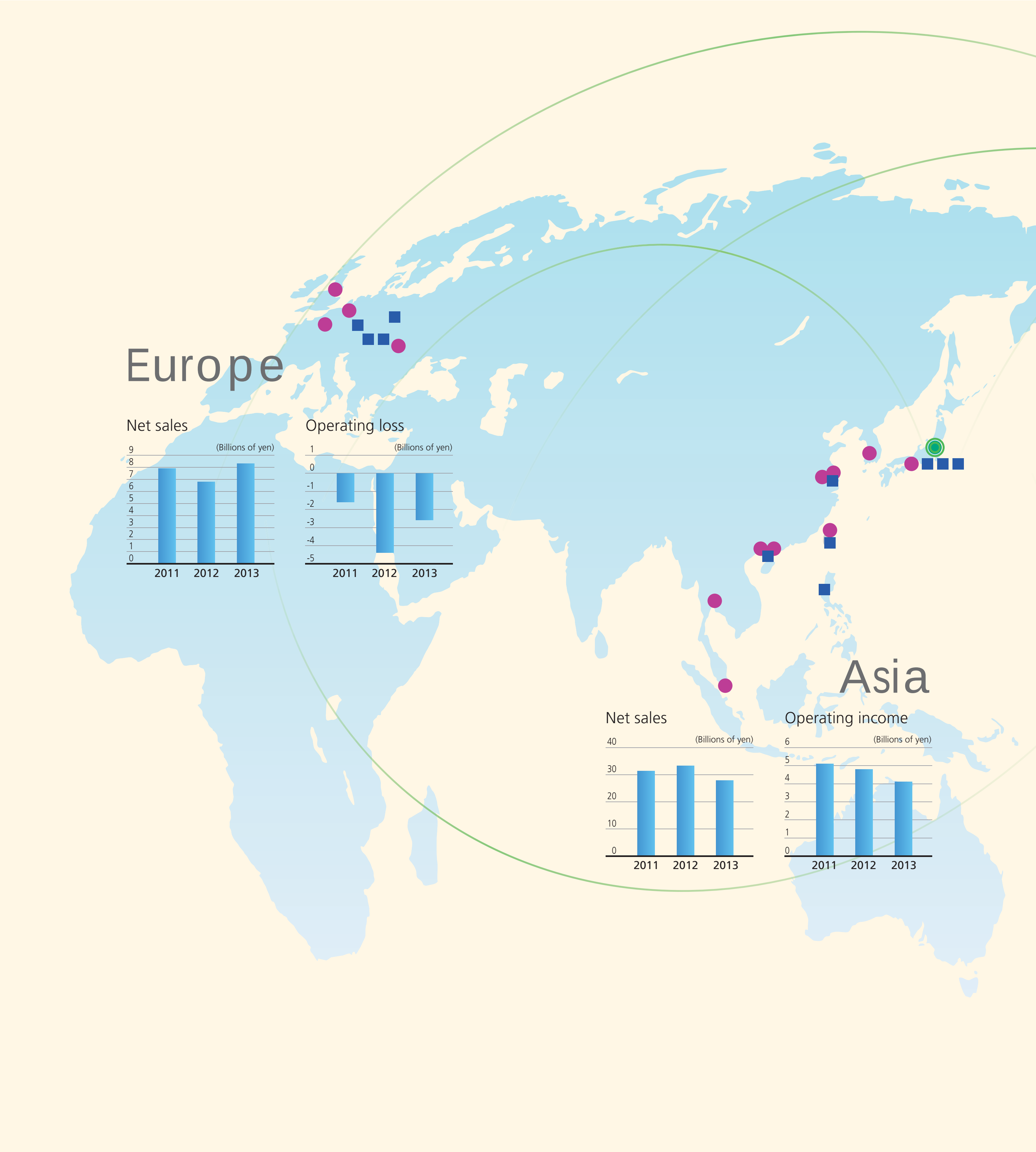
Net income and Return on equity (ROE)

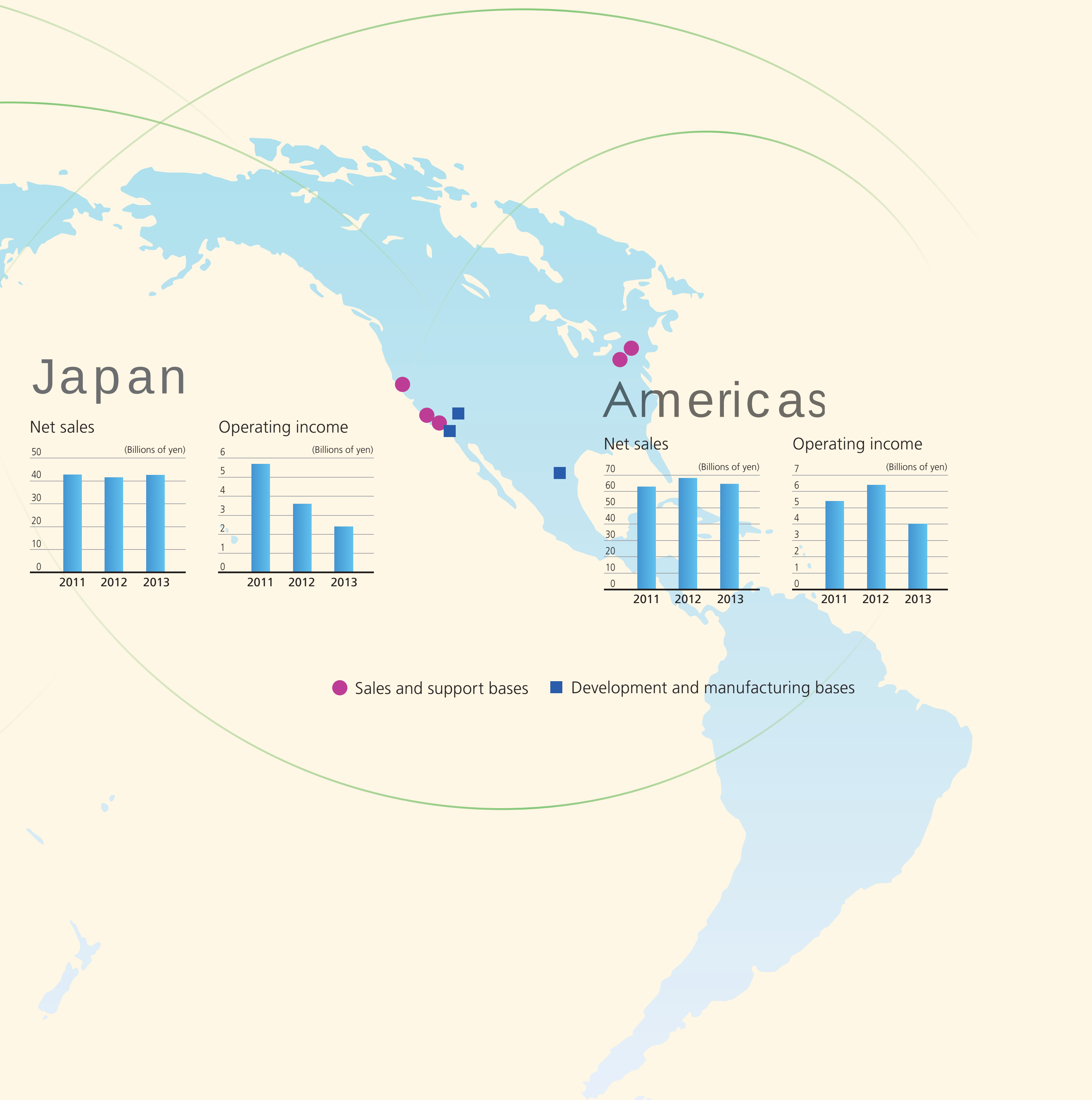


Total assets and Equity ratio



Global Presentation





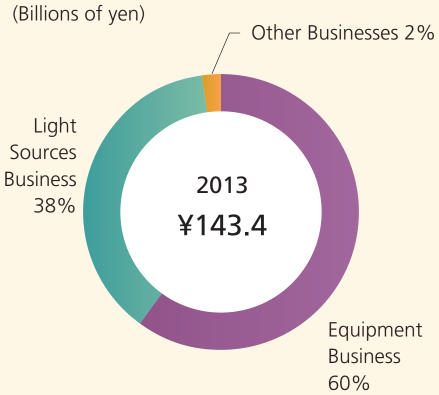
The figures show net sales and operating income in areas in which the group companies have established footholds.

Business Overview

Years ended March 31

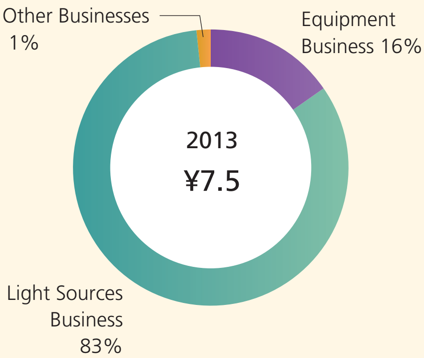
Breakdown of Sales

(Billions of yen)



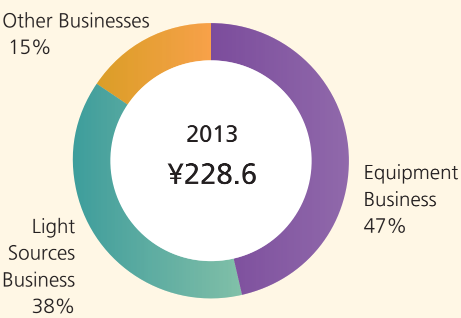
Breakdown of Operating Income

(Billions of yen)



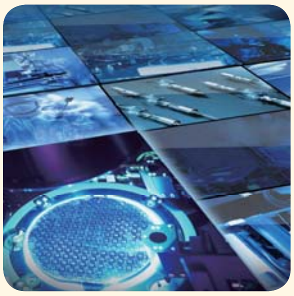
Breakdown of Total Assets

(Billions of yen)



Segments	Sub-segments and Main Products

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

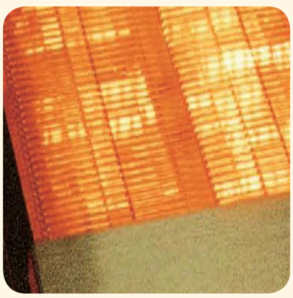
Discharge lamps

- 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 Business

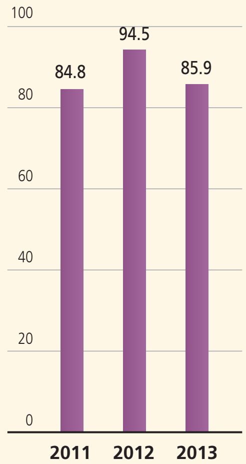


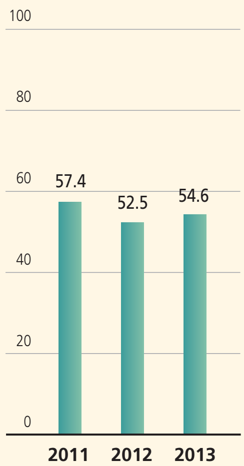
Machinery for industrial uses and others

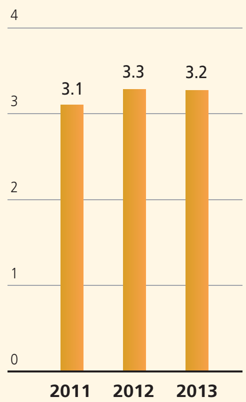
- Plastic forming applications, peripheral machinery
- Factory automation systems
- Others

Sales*

Billions of yen

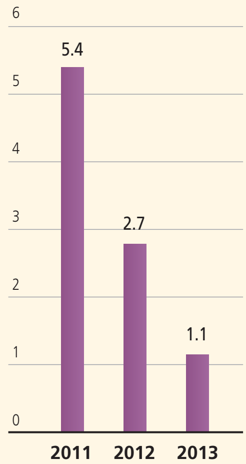


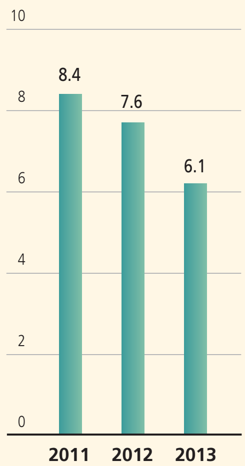


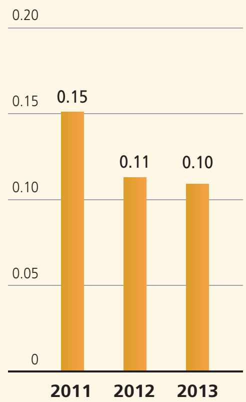


Segment Income

Billions of yen

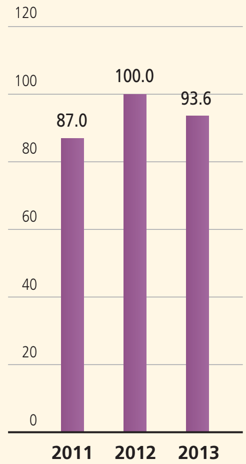


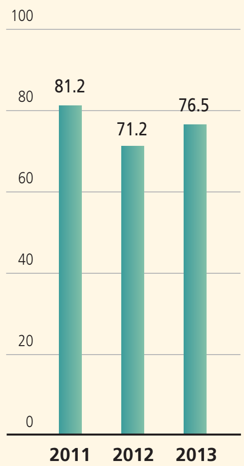


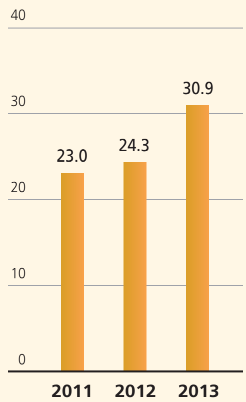


Segment Assets

Billions of yen







Key Strengths

Imaging equipment

· Global market share for digital cinema projectors: 40%

Optical equipment

· Global market share for UV curing equipment for bonding LCD panels: 70%

· Global market share for step & repeat projection lithography tools for flip chip substrate: 95%

· Global market share for excimer irradiation unit for photo-cleaning LCD panels: 85%

Discharge lamps

· Global market share for UV lamps for lithography: 75%

· Global market share for lamps for digital cinema projectors: 65%

· Global market share for LED modules for document scanners: 20%

Halogen lamps

· Global market share for halogen heaters for fixing toners: 80%

*Sales figures include intersegment sales and transfers


Aim to become a “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.

Fiscal 2012 Results

In the fiscal year ended March 31, 2013 (fiscal 2012), net sales declined 4.4% year on year to ¥143.4 billion. Operating income fell 29.1% to ¥7.5 billion, and net income declined 18.2% to ¥7.1 billion.

A key contributor to the decline in both sales and income was the fact that, contrary to early expectations, low rates of capacity utilization in client companies' production lines and curbs on new capital expenditures both persisted throughout the year. As a result, sales of optical equipment were weak in USHIO's key electronics industry market, and this was compounded by developments we had anticipated, such as a decline in sales of digital cinema projectors.

USHIO's policy with regard to dividends is to maintain a steady dividend over the long term. For fiscal 2012 we set an annual cash dividend of ¥22 per share, as in the previous fiscal year.

Outlook for Fiscal 2013

In the electronics sector, we expect smartphones and tablet PCs to continue to perform well in fiscal 2013, leading to a recovery in capital expenditures and capacity utilization rates. In the visual imaging sector, we anticipate expansion in general (non-cinema) imaging, as well as strong demand for lamps used in digital cinema projectors, as the projectors' market penetration increases. USHIO will continue its efforts to further bolster the entire Group's operating base by rigorously reducing manufacturing and administration costs, developing new products and applications in new fields, and creating new businesses.

Through measures such as these, we aim to improve both sales and income in fiscal 2013, targeting net sales of ¥160.0 billion, up 11.5% year on year, and operating income of ¥12.5 billion, up 64.9%.

Electronics-Related Business Continues to Drive Growth

The operating environment for electronics-related markets during fiscal 2012 was extremely challenging. For some years now, the electronics industry has witnessed persistently sluggish markets for most products other than smartphones and tablet PCs, and this has been compounded by signs of slowing growth in China and other emerging markets.

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

However, demand for mobile devices such as smartphones and tablet PCs is currently forecast to expand still further, and manufacturers are now engaged actively in preparatory capital expenditures. USHIO is therefore focusing on capturing demand for equipment to manufacture LCD panels and organic EL (electroluminescent) displays for mobile devices.

Most recently, the demand for smartphones and tablets has been supplemented by a globally increasing demand for high-performance PCs and TVs. In the near future, therefore, the current excess production capacity is likely to resolve itself.

Digital Cinema Projectors: Shift from High-Performance to Low-End

High-end Christie-brand models have achieved almost total penetration of digital cinema projector markets in developed markets such as Japan and the U.S. Consequently, USHIO now plans to invest its efforts in promoting the penetration of middle- to low-end models, with a focus on emerging markets where cinemas and cinema complexes are continuing to proliferate. USHIO subsidiary Christie launched the new Solaria® series, designed to be smaller and more affordable specifically for the Chinese and Indian markets, and it is stepping up related marketing efforts.

General Imaging Holds Strong

Within the imaging equipment sector, general imaging equipment (i.e., for non-cinema uses) continued to perform well in fiscal 2012. Highly sophisticated virtual reality systems capable of visualizing supercomputer calculations are just one example of the products that generated sales growth during the year. Currently, sales are being led by regions where imaging use is already well-established, such as North America and Europe, but we believe that there will also be significant market growth in Asia.

In another non-cinema use of imaging, fiscal 2012 could be referred to as the year that Japan joined the projection mapping era. Although projection mapping already had a track record in the U.S. and Europe, it was only in 2012 that the first large-scale projects were

In May 2012, USHIO subsidiary Christie provided full technical assistance to enable 27 high-luminance 20,000 lumens-class Christie projectors to be used for a projection mapping project broadcast live by NHK, Japan's national broadcaster.

implemented in Japan. During the year, Christie projectors were used at Tokyo Skytree, as well as for events to commemorate the preservation and restoration of the Tokyo Station Marunouchi Building and the opening of the Grand Front Osaka commercial complex.

Higher Sales, Lower Income in Light Sources Segment

Xenon lamps for cinema projector-use extended their market share still further, with sales also increasing. The lamps have been a flagship product for 50 years since USHIO's founding. Their strong performance reflected the fact that Christie's digital cinema projectors have now achieved substantial market penetration, particularly in developed markets. However, the price competition that affects all light source products intensified, leading to lower unit prices and a decline in profits. In response, USHIO took action to boost profitability during fiscal 2012, implementing measures targeting production cost reductions, and we believe that the results of those efforts will emerge during fiscal 2013 and beyond.

Medical and Life Sciences: A Third Core Business

USHIO is currently focusing its attention on the medical and life science fields with a view to cultivating them as mainstays for the Group over the long term. In these fields we are still operating on a small scale compared with our operations in the fields of electronics and visual imaging. However, we intend to focus on the two core areas of treatment, and testing and diagnosis, to expand the light-related businesses in which we excel. We have already launched the TheraBeam™ UV308 excimer light phototherapy device and the Point Reader™ blood analyzer, among other products, and we believe that the potential market for these devices is huge.

Point Reader™ Blood Analyzer

Point Reader™ and its accompanying Point Strip™ series of reagents are the first products in the Japanese market that can quantify serum ferittin using immunochromatography. Quantitative analysis of serum ferittin could not previously be performed in a clinical setting, and by making it possible, the product has eliminated inconsistency in terms of testing accuracy, as well as improving convenience for both patients and health-care practitioners.

On-site Q-body™ Analyzer

Market needs with regard to accurate onsite testing are diverse. Demand exists for tests targeting everything from mycotoxins or harmful substances in foodstuffs to viruses and bacteria, biomarkers in the blood, and more. This On-site trace analysis kit employing USHIO's proprietary Q-body™ measuring method is currently being evaluated in the Japanese customs authority's laboratory for possible use to test inward cargo as a means of combating drug smuggling.

Synergies With ADTEC Engineering

Approximately a year has passed since ADTEC Engineering Co., Ltd. joined the USHIO Group in March 2012, and during that time we have made good progress in a range of joint endeavors. Specific successes include the productive complementary relationships our respective Asian sales networks are forging. As might be expected, these relationships are yielding benefits in terms of coordination among production sites and collaboration on purchasing. Moreover, we are also seeing benefits on the design and development fronts: we now have product development being completed in timescales that would previously have been unthinkable.

German Wholly Owned Subsidiary XTREME technologies Dissolved

XTREME technologies GmbH, located in Germany, conducted the USHIO Group's R&D into extreme ultraviolet EUV as a light source for next-generation semiconductor lithography. However, having come to the conclusion that the barriers to completing development of light sources for mass production remain too high, USHIO recently decided to dissolve XTREME technologies. Going forward, we plan to cut our EUV operations back to the inspection and development applications in which USHIO already has a track record within Japan, and divert part of the substantial saving in development costs to the medical and life science fields, among other areas.

Medium-Term Vision

At USHIO we draw up a three-year Medium-Term Vision every year on a rolling basis, and in our most recent Medium-Term Vision we also set out distinct goals and quantitative targets for each segment. For the Group as a whole, we set targets of ¥190.0 billion in net sales and ¥19.0 billion in operating income for the fiscal year ending March 31, 2016. Please refer to the right-hand pages in the Overview of Operations by Segment for details of the segment-based targets under the Medium-Term Vision.

We look forward to your continued support as we strive to achieve our targets.

July 2013

Shiro Sugata
President and Chief Executive Officer

Medium-Term Vision (Targets for the Year Ending March 2016)

What the USHIO Group Should Aim For

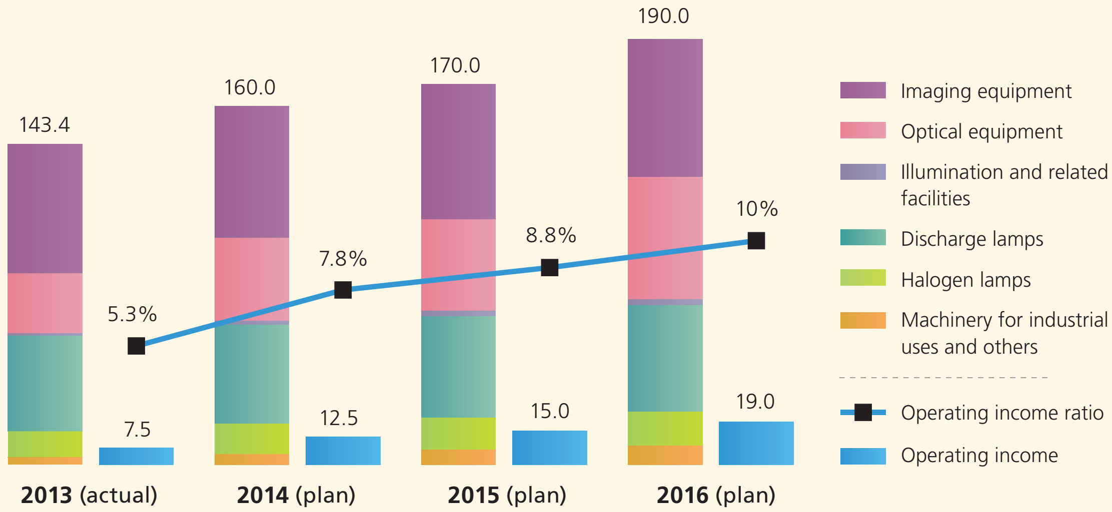
Aim to become a "Light Innovation Company" with the world's No. 1 technology and branding in light-related business able to propose solutions that fully satisfy customers' needs at all times.

Quantitative Target

	2013 (actual)	2014 (plan)	2015 (plan)	2016 (plan)
Net Sales	¥143.4 billion	¥160 billion	¥170 billion	¥190 billion
Operating Income	¥7.5 billion	¥12.5 billion	¥15.0 billion	¥19.0 billion
Operating Income Ratio	5.3%	7.8%	8.8%	10%
Return on Equity (ROE)	4.3%	—	—	More than 8%

Segments	Sub-segments	2016 net sales (plan)	Amount of increase for the next three years	Growth rates for the next three years
Equipment Business	Imaging equipment	¥61.5 billion	+ ¥3.8 billion	6.6%
	Optical equipment	¥54.8 billion	+ ¥28.1 billion	105.2%
	Illumination and related facilities	¥2.7 billion	+ ¥1.4 billion	107.7%
Light Sources Business	Discharge lamps	¥47.5 billion	+ ¥5.0 billion	11.8%
	Halogen lamps	¥15.1 billion	+ ¥3.4 billion	29.1%
Other Business	Machinery for industrial uses and others	¥8.4 billion	+ ¥5.2 billion	162.8%
Total		¥190 billion	+ ¥46.6 billion	32.5%

Sales (by sub-segments) and operating income plan (Billions of yen)



Overview of Operations by Segment

Equipment Business

Main Products

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

Results of Operations

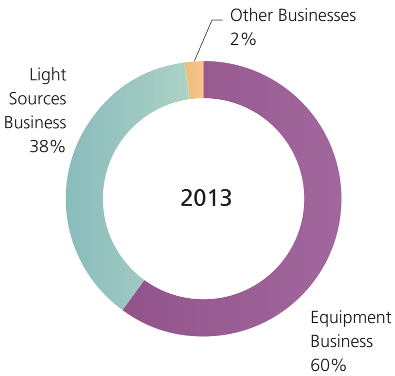
In the imaging equipment sector, digital cinema projectors had already substantially penetrated the developed markets, leading to reduced sales. Meanwhile, the optical equipment business achieved robust sales in the smartphone and tablet PC markets, but sales related to LCD panels and semiconductors, LEDs and other electronic components remained weak. This reflected the protracted slump in demand for LCD TVs and PCs, which caused manufacturers to continue curtailing or delaying capital expenditures. The USHIO Group countered these developments by actively investing in R&D directed at new technologies and products that will lead to business expansion and improved performance in the future.

Equipment Business sales were ¥85,927 million, a decrease of 9.1% year on year. Segment profit decreased by 58.6% year on year to ¥1,158 million.

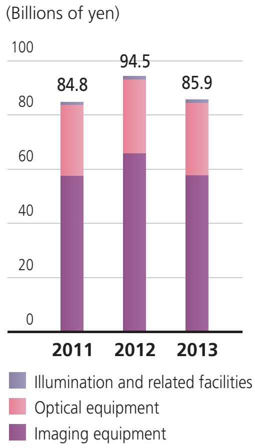
Outlook for Fiscal 2013

In the imaging equipment-related market, just under 100,000 of the 130,000 screens worldwide have now been digitalized, so demand for conversion to digital cinema projectors has virtually run its course. However, the number of new screen installations is expected to continue increasing in emerging markets such as Asia, Latin America, Eastern Europe, the Middle East, and Africa. USHIO will therefore continue to promote models best suited to these regions to maintain its market share. In the LCD panel- and semiconductor-related markets, as well as other electronic component-related markets, demand for PCs is expected to remain weak. However, a recovery in capital expenditures and capacity utilization rates for facilities in each of these markets is anticipated as sales of smartphones and tablet PCs continue to grow further.

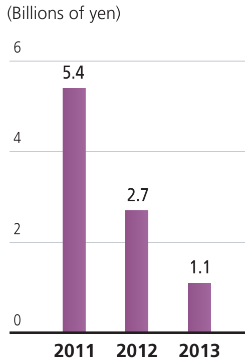
Breakdown of Sales



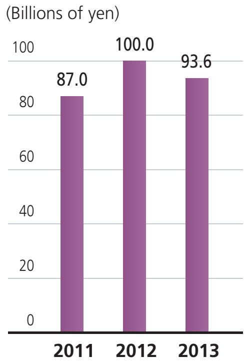
Sales



Segment Income



Segment Assets



Sales figures include intersegment sales and transfers

Medium-Term Vision in Equipment Business

Quantitative Target (Net Sales)

	2013 (actual)	2014 (plan)	2015 (plan)	2016 (plan)
Imaging equipment	¥57.7 billion	¥58.9 billion	¥60.5 billion	¥61.5 billion
Optical equipment	¥26.7 billion	¥37.0 billion	¥40.8 billion	¥54.8 billion

Business Strategies

Imaging Equipment

1. Cinema Related

Use of digital projectors in developed markets is now well established, so USHIO's strategy going forward will be to maintain its market share by selling new lower-priced products in developing markets, and using the equipment sales to drive sales of consumables in the form of lamps.

USHIO will also continue to invest in developing new products, such as high-end projectors using laser diodes.

2. Non Cinema Related General Imaging

USHIO will expand its high-added-value Visual Environment business, which uses the immersive experience afforded by technologies such as simulation and virtual reality to evaluate design and development proposals.

The company will also target continued stable growth in sales of business products—imaging equipment used for applications such as control rooms and events.

Optical Equipment

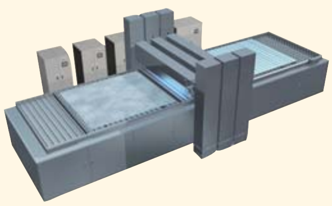
1. Flat Panel Display Related

Manufacturers are currently investing in small and medium-sized LCD panels to meet the strong demand for smartphones and tablets, while demand for LCD TVs in China has gained momentum, spurring investment in large panels as well. USHIO will target these investments by promoting sales of products such as its photo-alignment system based on a new process.

2. Electronic Component Related

Alongside promoting sales of existing lithography tools, USHIO will also develop more new products for the electronic component-related market, where ever-increasing miniaturization is the key factor.

A Solaria® series digital cinema projector for developing markets



Exterior of photo-alignment system

UX7-3Di LIS 350 Large-Field Interposer Stepper System for 2.5D/3D Packaging Applications

Light Sources Business

Main Products

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

Results of Operations

In the light sources business, sales of xenon lamps for cinema projectors continued to grow steadily as digital cinema projectors extended their market penetration. As a result, USHIO was able to achieve a market share of over 65%*.

Replacement demand for UV lamps used in lithography was weak, despite modest signs of recovery in LCD panel and semiconductor manufacturers' capacity utilization rates. However, sales of halogen lamps for office automation and lighting applications held firm. USHIO conducted further product development to achieve longer replacement cycles for lamps and to enhance their luminance and efficiency, among other aims, while actively pursuing R&D on solid-state light source products (light-emitting diodes [LEDs] and laser diodes [LDs]).

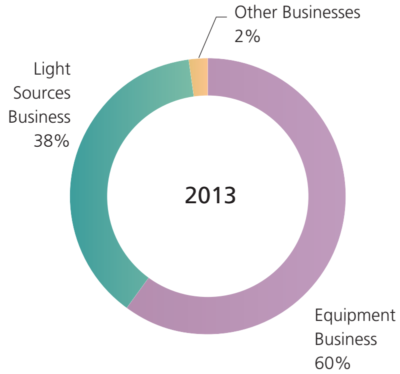
Sales in the light sources business increased by 4.0% year on year to ¥54,652 million. Segment profit was down by 19.5% year on year to ¥6,197 million.

Outlook for Fiscal 2013

Whilst demand for installation of digital cinema projectors is likely to peak and then level out, demand for lamps is expected to continue expanding in step with penetration of digital cinema projectors. In addition, in the LCD panel- and semiconductor-related markets, as well as other electronic component-related markets, higher sales of both halogen lamps and discharge lamps are expected on the back of continued sales growth in the markets for smartphones and tablet PCs.

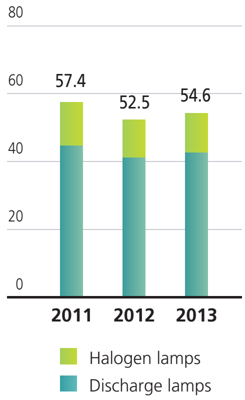
* According to USHIO's own research as of April 30, 2013

Breakdown of Sales



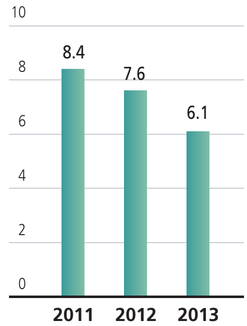
Sales

(Billions of yen)



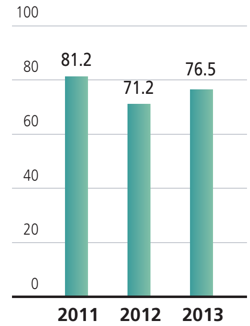
Segment Income

(Billions of yen)



Segment Assets

(Billions of yen)



Sales figures include intersegment sales and transfers

Medium-Term Vision in Light Sources Business

Quantitative Target (Net Sales)

	2013 (actual)	2014 (plan)	2015 (plan)	2016 (plan)
Discharge lamps	¥42.5 billion	¥44.1 billion	¥45.1 billion	¥47.5 billion
Halogen lamps	¥11.7 billion	¥13.6 billion	¥14.5 billion	¥15.1 billion

Business Strategies

Discharge Lamps and Halogen Lamps

1. Existing Products

Maintain product reliability to retain or expand market shares.

Global Market Share for main products

UV lamps: 75%

Lamps for digital cinema projectors: 70%

Halogen heaters for fixing toners: 80%

2. New Products

USHIO will develop new products employing solid-state light sources to supplement its existing lamps.

An LED module for document scanners (left), and the same module when lit (right). The modules cut electricity consumption by approximately 75% with no loss of brightness compared to USHIO's previous products.

Sustainability

Fundamental Concept

USHIO Group Management Philosophy

The USHIO Group's management philosophy, which underpins all its employees' activities, was revised in fiscal 2004. Following its revision, the philosophy retained the spirit of the Basic Policy formulated when the company was first founded, whilst also reflecting the new social concerns that had emerged with a new era. Thus, the requirement to fulfill our corporate social responsibility became a core tenet.

USHIO GROUP
MANAGEMENT PHILOSOPHY

①
Build both a prosperous Company
and prosperous employees.

②
Deliver products and services
that are competitive in the global market.

③
Contribute to society through superior products
and innovative research and development.

④
Expand profits, corporate responsibility, and competitiveness
through open and free-thinking business operations.

10 Action Guidelines

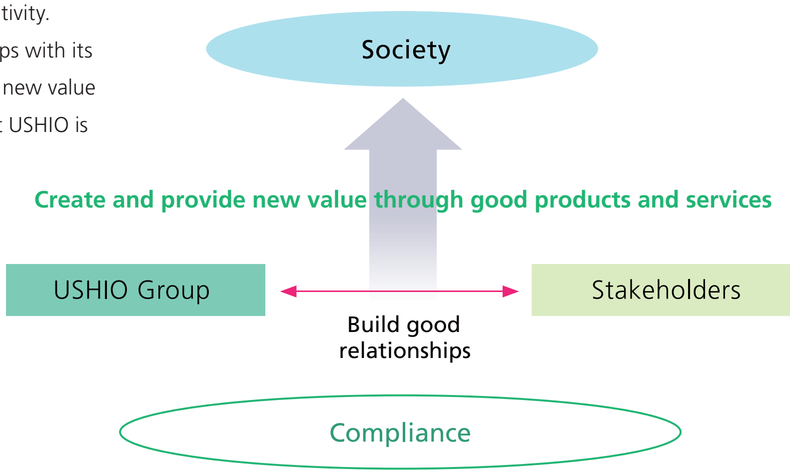
To translate our management philosophy into concrete action, we abide by the 10 Action Guidelines listed below. These guidelines shape the goals and behavior of every USHIO employee.

1. We shall aim to be a company that accepts diverse individual qualities and values and where people work together and pursue self-learning and self-improvement.
2. We shall strive for the company's sustainable growth through our innovative, proactive and prompt management.
3. We shall respect the basic human rights of all individuals and endeavor to create bright, safe and pleasant working environment.
4. We shall provide high-quality, safe products and services at appropriate prices and carry out fair and equitable business transactions.
5. We shall work to earn the understanding and trust of society.
6. We shall comply with laws and regulations and carry out fair business activities in accordance with socially accepted practices.
7. We shall fulfill our duties to the best of our abilities in conformity with internal regulations and standards.
8. We shall promote environmental protection and the efficient use of resources.
9. We shall carry out proactive public relations activities while respecting the value of information and intellectual property rights of third parties.
10. We shall contribute to the development of respective regions where we conduct business as a member of the international community.

Approach to Corporate Social Responsibility (CSR)

We consider it natural that a corporate citizen should observe compliance practices, 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.



Major Activities

Formulation of a CSR Action Plan

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

USHIO CSR Action Plan (Policy)

Five pillars		Issues
Governance	Establish compliance activities that encompass international standards in global corporate activities, work to publicize CSR-related information and establish stakeholder communication, and strengthen and enhance the governance framework.	· Promotion of risk management · Take steps to promote observance of laws and regulations · Build information security systems · Protect and make strategic use of intellectual property · Formulate a business continuity plan
People	Consider workplace environments, human rights, and diversity of values in hiring and using human resources.	· 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. Creation of a social business.	· Promote initiatives to increase customer satisfaction and quality in addition to achieving sales and profit targets · Strengthen supply chains (Promote CSR and green procurement) · View social issues as needs and formulate business targets and strategies for Asia and other emerging markets (include solutions to social issues such as employment creation and sales strategies)
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.	· Promote social contribution activities (Communicate with local communities and explore ways to contribute to the world through our core businesses)
Environment	Engage in corporate activities to protect the environment. Strive to meet both environmental and business needs, including addressing global environmental problems affecting biotopes.	· Promote Phase Four 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

Supporting the United Nations Global Compact's Ten Principles

USHIO formally declared its support for the United Nations Global Compact of principles concerning human rights, labor, the environment and anti-corruption in October 2010. We also joined Global Compact Japan Network, the local UN Network supporting the compact. Through this organization, we are sharing information with numerous other member companies on specific measures necessary to address the principles' various CSR-related requirements. We are also taking an active role in sectional activities aimed at helping member companies to meet the compact's goals.

THE GLOBAL COMPACT
WE SUPPORT

United Nations Global Compact's Ten Principles

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 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; 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.

Details of the USHIO Group's CSR initiatives can be found in its sustainability reports (published separately from the company's annual reports), or on the company's website at:
http://www.ushio.co.jp/en/csr/

Sustainability report publication schedule:
Japanese version End of September
English version End of October

Corporate Governance and Ethics

There are two central objectives for corporate governance at the USHIO Group. One is ensuring the transparency and efficiency of the Group's management. The other is increasing corporate value to meet the expectations of all of the Group's stakeholders. These objectives rank among the Group's highest priorities.

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 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 and auditing. The inclusion of outside corporate auditors makes it possible to perform audits from an objective and neutral perspective.

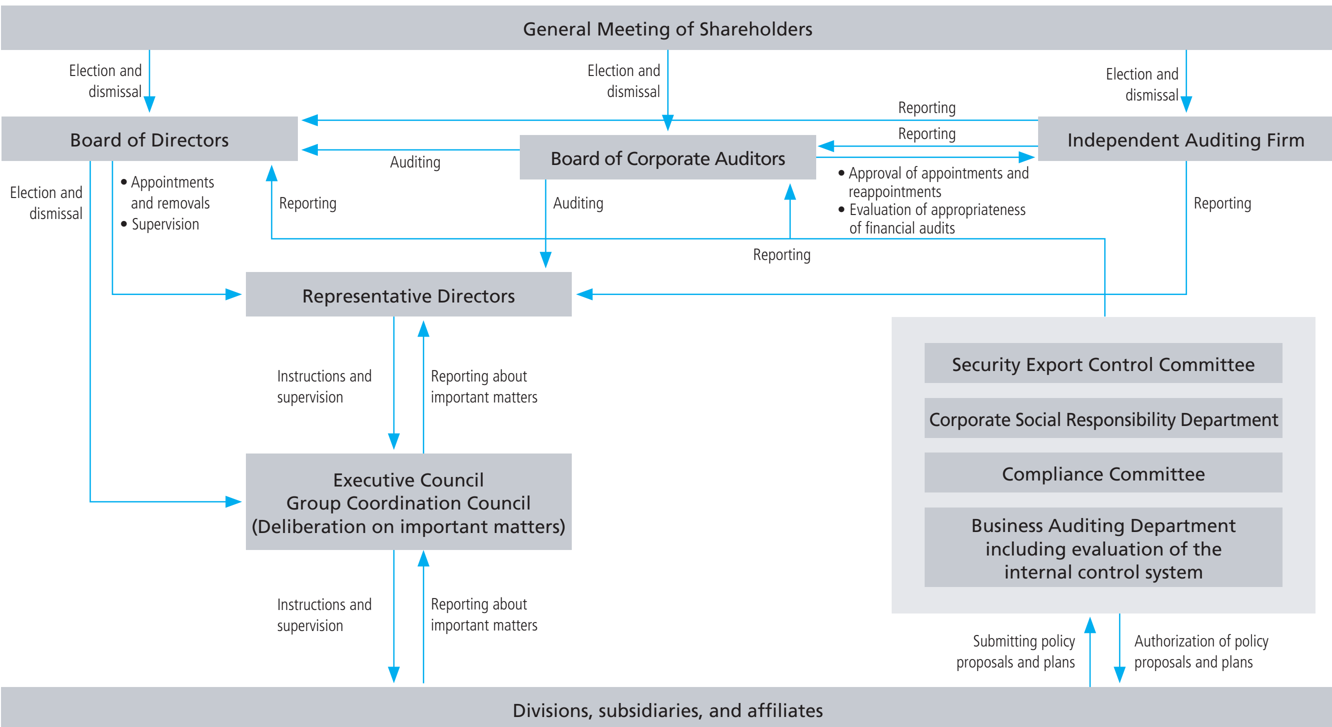
The company's Board of Directors comprises a total of 11 directors: 10 internal directors and 1 independent outside director. Internal directors familiar with the company's businesses enable decisions to be made swiftly, while an outside director not involved in the day-to-day running of the company enables USHIO to ensure that its management is robustly monitored and maintains objectivity.

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.

Internal Audits

USHIO's Business Auditing Department functions as an internal auditing unit independent of departments engaged in business operations. The Business Auditing Department submits an annual auditing plan to the Board of Corporate Auditors and explains its specific auditing objectives to the corporate auditors. The department also submits reports to the Board of Corporate Auditors about the results of internal audits. As required, members of the Business Auditing Department hold meetings with the corporate auditors and cooperate in other ways as necessary.

USHIO's Internal Control Framework



Compliance

USHIO has established 10 Action Guidelines in order to define standards for conduct that require everyone at the Group to comply with laws, regulations, the Articles of Incorporation and ethical standards. The Compliance Committee is responsible for ensuring that employees observe these guidelines. The Business Auditing Department and Compliance Committee jointly perform audits to monitor the status of compliance and submit audit reports as necessary to the Board of Directors and Board of Corporate Auditors. Furthermore, the directors and corporate auditors can view information involving the performance of the directors at any time. Providing this access allows these individuals to take timely and appropriate actions as required.

To reinforce awareness of the importance of compliance, all Group companies use USHIO's standards for behavior and other guidelines and the Business Auditing Department performs audits of Group companies.

Risk Management

The USHIO Group must deal with risks associated with compliance, the environment, product quality, finances, legal matters, natural and other disasters, information management, export controls and other aspects of business operations. We prepare rules and guidelines, give employees specialized training, distribute manuals and take other actions. Directors and executive officers are given responsibility for responding immediately to any newly emerging risks. When a problem occurs that is likely to result in significant losses, a report must be submitted immediately to the Board of Directors by the director or executive officer with responsibility for the problem.

The risk management structures include establishment of regulations to counter export-related risk and a Security Export Control Committee to enforce them. For environmental regulation risk, the Company has established a CSR department to conduct risk management. For market risk associated with securities and other financial instruments, we manage risk by establishing and enforcing market risk management regulations.

Information Security and Protection of Personal Information

USHIO acquires and holds a variety of information in the course of conducting its business operations. We are well aware of the importance of safeguarding information about customers and suppliers, personal information, confidential business information and other important information. We have established rules for the proper handling of this information. There are stringent requirements concerning the protection of confidential information, whether the information is internal or about a customer or business partner. Another priority is compliance with Japan's Personal Information Protection Law. To reinforce everyone's commitment to complying with this law and ensure its effective enforcement, all USHIO departments use a cycle of self-assessments to determine the status of compliance and carry out continuous improvements based on these assessments.

IC cards are one way that the USHIO Group protects information. We use these cards to keep track of when employees enter and leave particular rooms and record their working hours. IC cards restrict access to sensitive areas and keep records of when employees enter these areas. This system helps prevent unauthorized access to important information. Using servers for the centralized oversight of computer software assets and computer virus protection is another measure that protects information. Collectively, these steps upgrade our ability to manage information while reducing the amount of time and resources needed. For confidential information received from customers and business partners, we have regulations covering every step from the receipt and storage of information to its ultimate disposal. We perform periodic checks of the system. Customers and business partners perform on-site confirmations of our information security measures. We study the results of these confirmations to re-examine and reinforce information security measures and how they are used.

Message from an Outside Auditor

I am an attorney-at-law specializing in the Companies Act and other aspects of corporate law.
I also teach courses on the Financial Instruments and Exchange Act at Keio University Law School. In my current role as outside auditor I believe that it is important for USHIO not only to build a structure that can generate earnings within a globally competitive environment, but also to expand its overseas operations as a strategy for growth and to ensure compliance in new businesses such as those in the biomedical field. From the perspective of an independent corporate officer, I believe that, as a company listed on the First Section of the Tokyo Stock Exchange, it is also incumbent upon USHIO to give due consideration to the interests of its investors, including its shareholders.

I intend to do all I can to serve USHIO's stakeholders by enhancing the company's corporate value.

Shuichi Hattori
Outside Corporate Auditor
Appointed June 2004

Board of Directors and Corporate Auditors

As of June 27, 2013

Directors

Jiro Ushio
Chairman and USHIO Group Representative

Shiro Sugata
President and Chief Executive Officer

Tadashi Taki
Director

Kenji Hamashima
Director

Keizo Tokuhiro
Director

Shiro Ushio
Director

Ryutaro Tada
Director

Hiroaki Banno
Director

Yoneta Tanaka
Director

Nobuyuki Kobayashi
Director

Tadashi Nakamae
Outside Director

Corporate Auditors

Shinichiro Kanzaki
Full-time Corporate Auditor

Seiji Oshima
Full-time Corporate Auditor

Shuichi Hattori
Outside Corporate Auditor

Yasusuke Miyazaki
Outside Corporate Auditor

Kazuo Shiohata
Outside Corporate Auditor

Financial Section

Contents

11-Year Summary of Consolidated Financial Data

USHIO INC. and Consolidated Subsidiaries
Years ended March 31

	2003	2004	2005	2006
FOR THE YEAR:				
Net sales	91,937	99,081	119,159	129,284
Overseas sales	45,347	48,855	62,176	72,688
North America	19,980	19,514	20,634	29,874
Europe	7,583	7,633	8,420	10,295
Asia	16,495	20,517	31,859	31,860
Other areas	1,289	1,189	1,260	656
Operating Income	12,190	15,006	20,189	18,501
Net income	4,651	9,346	13,634	14,895
Capital expenditures	2,693	5,376	12,837	6,810
Depreciation and amortization	2,889	2,748	3,014	4,763
R&D expenses	3,355	3,358	4,174	4,645
AT YEAR-END:				
Total assets	149,390	169,771	187,251	213,027
Net assets	105,582	117,726	129,302	150,533
CASH FLOWS:				
Net cash provided by operating activities	13,394	7,969	12,408	9,397
Net cash (used in) provided by investing activities	(6,523)	(9,490)	(6,473)	(9,762)
Net cash (used in) provided by financing activities	(4,117)	(1,592)	(1,758)	(3,324)
Free cash flows	6,871	(1,520)	5,934	(365)
PER SHARE OF COMMON STOCK (Yen):				
Net income	33.14	67.36	98.89	107.81
Cash dividends	13.00	20.00	20.00	20.00
Net assets	764.94	853.40	935.80	1,089.67
KEY FINANCIAL RATIOS:				
Return on equity (ROE) (%)	4.4	8.4	11.0	10.7
Return on assets (%)	3.1	5.9	7.6	7.4
Asset turnover (times)	0.61	0.62	0.67	0.65
Operating income ratio (%)	13.3	15.1	16.9	14.3
Return on sales (%)	5.1	9.4	11.4	11.5
Equity ratio (%)	70.7	69.3	69.1	70.7
Employees (number)	3,889	3,971	4,755	4,390
Net sales per employee	23.6	25.0	25.1	29.4

(Millions of yen)

2007	2008	2009	2010	2011	2012	**2013**
151,495	148,148	120,846	119,079	145,125	150,087	**143,461**
93,847	96,449	78,168	83,240	105,703	110,292	**107,804**
44,135	39,271	27,652	27,513	35,226	40,144	**35,851**
13,187	14,731	14,209	15,945	21,248	21,612	**20,161**
35,754	41,329	34,517	37,809	47,148	47,206	**50,522**
769	1,117	1,789	1,972	2,079	1,329	**1,269**
19,727	20,050	8,963	7,262	14,034	10,696	**7,582**
16,553	15,486	3,481	7,071	9,577	8,748	**7,155**
6,748	7,608	5,415	4,874	8,416	8,947	**7,776**
5,179	5,834	6,280	6,219	6,476	7,139	**6,741**
4,884	5,193	5,877	5,523	6,787	8,665	**9,985**
237,520	216,659	184,401	202,119	217,292	224,412	**228,657**
170,738	162,092	145,774	156,685	157,867	162,048	**176,784**
20,071	15,237	11,873	18,999	8,390	12,382	**14,443**
(7,227)	(10,041)	(3,194)	(12,714)	(1,679)	1,911	**(8,649)**
(10,625)	(85)	(7,588)	(4,760)	1,081	(7,615)	**(7,092)**
12,844	5,196	8,678	6,284	6,711	14,293	**5,793**
120.16	112.96	25.76	52.95	71.72	66.26	**54.57**
24.00	24.00	20.00	20.00	22.00	22.00	**22.00**
1,233.65	1,177.77	1,083.63	1,162.26	1,169.42	1,211.51	**1,324.13**
10.3	9.4	2.3	4.7	6.2	5.6	**4.3**
7.3	6.8	1.7	3.7	4.6	4.0	**3.2**
0.67	0.65	0.60	0.62	0.69	0.68	**0.63**
13.0	13.5	7.4	6.1	9.7	7.1	**5.3**
10.9	10.5	2.9	5.9	6.6	5.8	**5.0**
71.5	74.3	78.5	76.8	71.9	70.8	**75.9**
4,782	4,681	4,620	4,732	5,269	5,731	**5,616**
31.7	31.6	26.2	25.2	27.5	26.1	**25.5**

Financial Review

USHIO INC. and Consolidated Subsidiaries
Years ended March 31

The USHIO Group—comprising the parent company and its 48 consolidated subsidiaries and 2 equity-method affiliates—engages mainly in manufacturing and marketing light sources, equipment, and machinery for industrial uses. The Group also engages in research and development and provides other services related to its businesses.

Economic Trends and USHIO's Response

In the fiscal year ended March 31, 2013, the global economy remained on a modest recovery track overall, despite the economic slowdown in China and the lingering European debt crisis. The Japanese economy held firm, supported mainly by post-earthquake reconstruction demand, despite persistent concerns about a global economic downturn. Japan started to see positive signs such as improving stock prices, as well as a correction of the yen's appreciation, mainly due to fiscal and monetary policies.

Under these economic conditions, manufacturers in LCD panel- and semiconductor-related markets continued to curtail or delay capital expenditures and capacity utilization rates remained weak. As a result, replacement demand for UV lamps was sluggish, while capital expenditures in markets related to LEDs and electronic components also stalled. In the imaging equipment-related market, demand for digital cinema projectors tailed off in developed markets where projectors had already achieved a substantial degree of market penetration.

The USHIO Group responded to these trends by developing new products and increasing and upgrading its sales bases to target demand for digital cinema projectors in developing markets, where future expansion is expected. Moreover, the Group invested actively in R&D targeting new technologies and products for the future in such fields as solid-state light sources and the biomedical field. At the same time, the USHIO Group remained focused on Group-wide efforts to enhance its business performance by raising productivity, lowering manufacturing costs, reducing expenses, and shifting production to optimal locations.

During the fiscal year under review, USHIO decided to dissolve XTREME technologies GmbH in order to restructure its operations in line with changes in the business environment for its EUV (extreme ultraviolet) business. In its consolidated financial statements for fiscal 2012 USHIO therefore booked the estimated costs of business liquidation until completion and provision of allowance for doubtful accounts.

Earnings

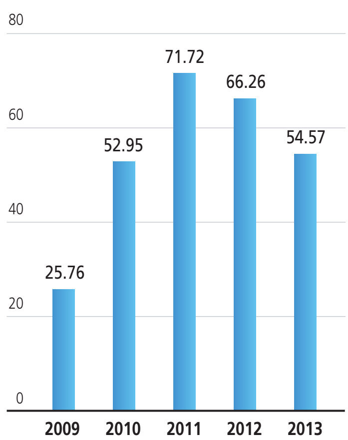
Consolidated net sales for the fiscal year ended March 31, 2013 declined 4.4% year on year to ¥143,461 million. Within LCD panel- and semiconductor-related markets, key factors in this decline were the facts that manufacturers continued to curtail or delay capital expenditures and capacity utilization rates remained weak. In the imaging equipment-related market, meanwhile, demand for digital cinema projectors tailed off in developed markets, where projectors had already penetrated to a considerable degree.

Operating income decreased 29.1% year on year to ¥7,582 million. This reflected active investment in R&D for new technologies and products, alongside efforts to enhance productivity and cut manufacturing costs, to build and extend sales networks to support greater overseas expansion, and to shift production to optimal locations.

Net income declined 18.2% year on year to ¥7,155 million. The main factors in the decline were the drop in earnings, combined with a significant increase in extraordinary loss due to the loss on liquidation of business booked as a result of the decision to dissolve XTREME technologies GmbH.

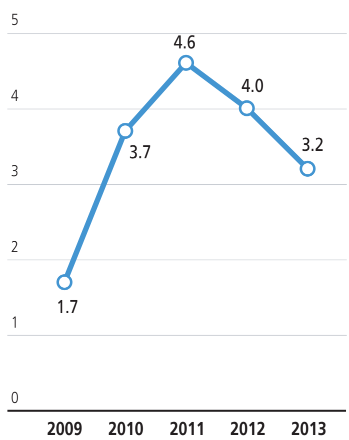
Net Income per Share

(Yen)



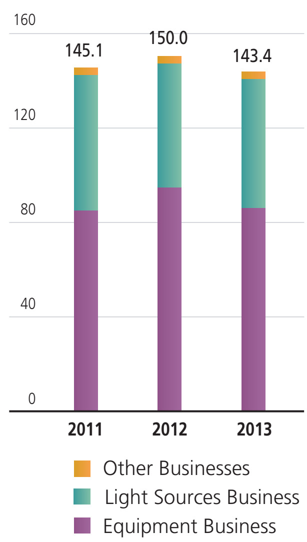
Return on Assets (ROA)

(%)



Net Sales

(Billions of yen)



Results by Business Segment

Including internal sales and transfers between segments

Equipment Business

In the equipment business sales decreased 9.1% year on year to ¥85,927 million, while segment profit fell 58.6% year on year to ¥1,158 million. The imaging equipment category saw digital cinema projectors achieve substantial penetration in developed markets, resulting in reduced sales. Meanwhile, the optical equipment business achieved robust sales growth in the smartphone- and tablet PC-related markets, but sales related to LCD panels and semiconductors, LEDs and other electronic components remained weak. This reflected the protracted slump in demand for LCD TVs and PCs, which caused manufacturers to continue curtailing or delaying capital expenditures. The USHIO Group strove to counter these trends by actively investing in R&D directed at new technologies and products that will lead to business expansion and improved performance in the future.

Light Sources Business

In the light sources business, sales increased by 4.0% year on year to ¥54,652 million. Segment profit was down by 19.5% year on year to ¥6,197 million. Sales of xenon lamps for cinema projectors continued to grow steadily as digital cinema projectors extended their market penetration. Meanwhile, replacement demand for UV lamps used in lithography was weak, despite some signs of a recovery—which failed to take hold—in LCD and semiconductor manufacturers' capacity utilization rates. Sales of halogen lamps for office automation and lighting applications held firm. During the year USHIO advanced its product development to achieve longer replacement cycles for lamps and to enhance their luminance and efficiency, among other aims, while driving forward its R&D on solid-state light source products (light-emitting diodes [LEDs] and laser diodes).

Other Businesses

Other businesses saw sales decrease by 1.9% year on year to ¥3,299 million and segment profit decline by 3.4% year on year to ¥109 million. In the industrial machinery products category, demand due to capital expenditures in the packaging machinery and injection molding markets grew firmly overall, but there was a slowdown in electronic component-related demand.

Sources of Funds and Liquidity

Cash flows

Cash and cash equivalents on March 31, 2013 totaled ¥43,261 million, up ¥1,676 million from the previous fiscal year-end. Cash flows are broken down as follows.

Cash flows from operating activities

Operating activities in the fiscal year ended March 31, 2013 provided net cash of ¥14,443 million (compared with net cash of ¥12,382 million provided in the previous year). Cash was mainly provided by ¥6,050 million in income before income taxes and minority interests, a ¥6,741 million adjustment for depreciation and amortization, a ¥5,282 million decrease in notes and accounts receivable—trade and a ¥5,067 million decrease in inventories. Meanwhile, factors reducing cash included a ¥2,705 million decrease in notes and accounts payable–trade, and corporate income taxes paid of ¥5,702 million.

Cash flows from investing activities

Investing activities used net cash of ¥8,649 million (compared with net cash of ¥1,911 million provided in the previous year). Cash was mainly provided by proceeds from withdrawal of time deposits of ¥16,529 million, proceeds from sales and redemption of short-term investment securities of ¥7,345 million, and proceeds from sales and redemption of investment securities of ¥2,719 million. Cash was mainly used for deposit into time deposits of ¥17,915 million, purchase of short-term investment securities of ¥4,768 million, investment in property, plant and equipment of ¥6,435 million, and purchase of investment securities of ¥6,850 million.

Cash flows from financing activities

Financing activities used net cash of ¥7,092 million (compared with net cash of ¥7,615 million used in the previous year). Cash was mainly used for a decrease in short-term loans payable of ¥2,729 million, repayment of long-term loans payable of ¥1,432 million, and payment of dividend of ¥2,885 million.

Financial Position

Current assets

At the fiscal year-end, total current assets were ¥140,646 million, a decrease of ¥2,474 million year on year. The main factors behind this decline were decreases in notes and accounts receivable–trade and work in process. Meanwhile, short-term investment securities increased, reflecting the investment of surplus funds.

Non-current assets

Total non-current assets amounted to ¥88,011 million, an increase of ¥6,719 million year on year. The main contributor was an increase in investment securities supported by purchases of bonds and a recovery in stock prices.

Current liabilities and long-term liabilities

Total liabilities at the end of the fiscal year were ¥51,873 million, a decrease of ¥10,490 million year on year. The main factors behind this decrease were a decline in notes and accounts payable–trade accompanying lower business volume, and decreases in short-term loans payable due to repayment of bank loans.

Net assets

At the fiscal year end, total net assets were ¥176,784 million, an increase of ¥14,736 million from the previous fiscal year-end. The main factors behind this rise were an increase in foreign currency translation adjustment due to the yen's depreciation toward the fiscal year-end, and an increase in valuation difference on available-for-sale securities in line with higher unrealized gains on securities held.

Capital Expenditures

The USHIO Group's capital expenditures for the fiscal year ended March 31, 2013 were ¥7,776 million. The bulk of this expenditure was for capital investment in the light sources and equipment businesses. Investments focused on bolstering existing facilities, businesses with growth potential, and research and development.

A breakdown of capital expenditures for the fiscal year follows. (Figures are calculated on an acceptance basis for property, plant and equipment, intangible fixed assets, and long-term prepaid expenses. Amounts do not include consumption tax or other levies).

	FY2012	Y-o-Y Change
Light sources business	¥3,140 million	91.7%
Equipment business	¥4,455 million	83.0%
Other businesses	¥180 million	114.7%
Total capital expenditures	¥7,776 million	86.9%

Capital expenditures decreased in fiscal 2012. The decrease was due to the fact that in every segment the Group continued to select investments rigorously and to focus on capital efficiency, while making key investments aimed at strengthening the Group's operational competitiveness in potential growth fields.

The Group's investments focused mainly on the light sources and equipment businesses. In the equipment business, the Group invested in EUVL light source operations, targeting EUV light sources for inspection and development leveraging the special features of the DPP method. The Group has experience in these EUV light sources, and they offer strong market potential going forward. In the imaging business, the Group invested in digital cinema and general imaging operations, with an emphasis on profitability. In the light sources business, the Group focused on investing in the key solid-state light sources (LEDs and laser diodes) business, where it is maintaining its high share based on high quality and technological advantages. USHIO funded its capital expenditures with a combination of internally generated funds and borrowings.

Loss on disposal of fixed assets was ¥86 million, due to the disposal of plant facilities such as buildings and machinery in the light sources and equipment businesses.

Research and Development

Currently, the main target of the Group's R&D is the development and manufacturing of light sources for industrial applications, although the Group is steering the business more toward the incorporation of light sources into units, devices and systems. That entails driving forward the development of a variety of ancillary technologies essential for making practical use of light, including optical technologies, electronics and mechatronics. To this end, the Group keeps abreast of the latest developments in markets and technology and conducts strategic R&D activities. It also promotes interaction among the R&D teams in its different product groups with an eye to developing new kinds of light sources and equipment.

Group-wide R&D expenses totaled ¥9,985 million. Most of this was spent in the light sources and equipment businesses. The Group's key achievements during fiscal 2012 were as follows:

Light Sources Business

(1) Developed lighting systems employing LED modules

(2) Developed the LEDIU LED lamp multicore type dichroic mirror ϕ 50 (65-watt equivalent), which is suitable for use as a replacement bulb in JDRϕ50 65W halogen-type lamps used for general home and commercial building lights

Equipment Business

(1) Developed the Christie Duo to deliver the highest possible levels of luminance and quality when projecting 3D images onto giant screens

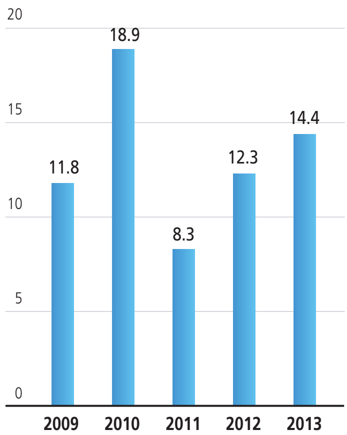
(2) Pursued further research into quantitative analysis systems using immunochromatography to perform POCT (point-of-care testing) for in vitro diagnosis

(3) Developed the UX7-3Di LFS 200 Large-Field Stepper System for 2.5D/3D Packaging Applications

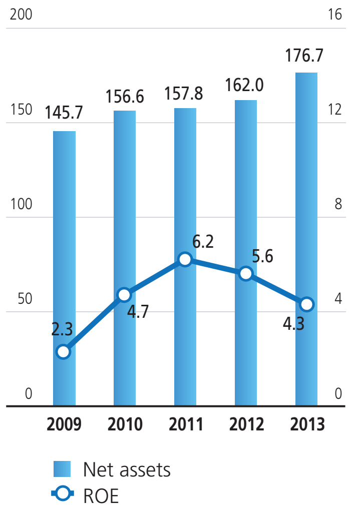
(4) Developed the SUPERSOL®3001LSR/e and SUPERSOL®3003SR/e xenon long throw follow spots. The spotlights can illuminate specific individuals or points on the stage during events or shows, whether in theatres, halls or other performance venues

(5) Developed a digital cinema projector delivering the world's highest luminance, and in September 2012 conducted a screening demonstration at the IBC (International Broadcasting Convention), Europe's largest international exhibition of broadcasting equipment, held in Amsterdam, the Netherlands

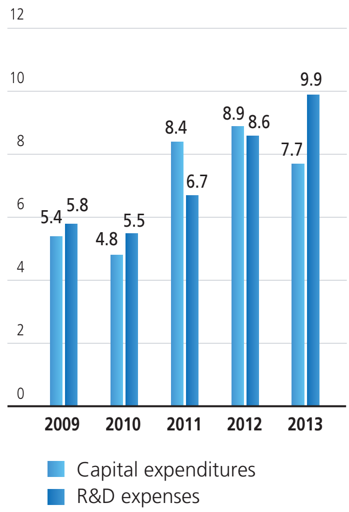
Net Cash Provided by Operating Activities
(Billions of yen)



Net Assets and Return on Equity (ROE)
(Billions of yen) (%)



Capital Expenditures and R&D Expenses
(Billions of yen)



(6) Developed an onsite trace analysis kit comprising a fluorescent labeling reagent and a fluorescence measuring device that can provide on-the-spot detection of illegal drugs and other substances quickly, easily and with a high degree of sensitivity
(7) Developed the Min-Excimer, a simple excimer irradiation unit for experimental use incorporating an excimer lamp in a unit the size of a sheet of A5 paper
(8) Developed a method of measuring flow velocity distribution in collaboration with the Fujii T. Lab. at the University of Tokyo's Institute of Industrial Science. Combining a proprietary particle tracking algorithm (patent pending) with a digital holographic microscope manufactured in-house, the method enables highly accurate 3D measurements of fluid movements on a microscopic scale (i.e., flows within microchannels).
(9) Conducted a 3D imaging demonstration using an RGB laser

Risks

Below is a summary of risks that could affect the Company's business performance, financial position, and cash flow adversely and materially. These are the risks cited by management in the Company's Yukashoken Hokokusho (Annual Securities Report) to the Japanese government, filed on June 27, 2013. This is only a partial listing, and the Company faces risks other than those cited here that could also affect its business performance, financial position, and cash flow materially.

(1) Market fluctuations in semiconductors and LCDs

The Group's business performance is sensitive to fluctuations in the semiconductor and LED industries. USHIO's principal products for those industries are replacement exposure lamps for manufacturing equipment. Demand for the Company's replacement exposure lamps is generally steady while customer plants are operating, but demand for the Company's manufacturing equipment is subject to medium and long-term changes in demand and developments in technological progress in semiconductors and LCDs. Unexpected developments in technological progress could affect the company's business performance and financial position materially.

(2) Market fluctuations in light sources for illumination and irradiation

Outside of the semiconductor and LED panel fields, the Group supplies on-board light sources for data projectors, illumination and radiation light sources and for digital cinema projectors, and visual image equipment and light sources. Trends in technology and fluctuations in prices and demand in those product sectors could affect the Group's business performance and financial position materially.

(3) Access to raw materials

The Group relies on externally sourced raw materials in its manufacturing operations, and it does business with a broad range of suppliers to ensure steady supplies of high-quality raw materials at competitive prices. Risk is especially a concern in regard to the rare metals tungsten and molybdenum, which are crucial raw materials for manufacturing lamps. Supply shortages or price increases of those materials could increase the cost of manufacturing and affect the Group's business performance and financial position materially.

(4) Developing exposure technology for semiconductor manufacturing

The Group commands a large market share in discharge lamps used in semiconductor manufacturing equipment to expose increasingly miniaturized microcircuitry patterns. However, semiconductor manufacturing is beginning to shift to other exposure technologies. One new exposure technology is EUV exposure, and USHIO is developing that technology through its subsidiary XTREME technologies GmbH. Developments in the progress of exposure technology for manufacturing semiconductors, including technology developed by XTREME technologies, could affect the Group's business performance and financial position materially.

(5) Cross-border activities and entry into overseas markets

The Group conducts manufacturing and sales activities in regions outside Japan, specifically North America, Europe, and other Asian nations. Entry into these overseas markets is associated with the risk of changes in various rules and regulations, etc., instability in securing human resources, underdeveloped infrastructure and the possible occurrence of social unrest in each country, among other factors. The materialization of these risks could affect the Group's business performance and financial position materially.

(6) Intellectual property

The Group operates in business sectors characterized by frequent technological advances. Protecting, maintaining, and managing patents, trademarks, and other intellectual property are influential factors in competitiveness and market share in those business sectors. Litigation could arise if a third party were to infringe on the Group's intellectual property rights or if the Group were to infringe on a third party's intellectual property rights, and the results of any such litigation are impossible to predict reliably. In addition, the patent authorities could refuse patent applications submitted by the Group after it had allocated extensive resources to research and development. Any event that resulted in USHIO's losing or failing to gain ownership of important patent protection could affect the Group's business performance and financial position materially.

(7) Currency exchange rates

The Group conducts its commercial operations and its financial operations in yen and in other currencies. Returns on those operations are therefore subject to the influence of fluctuations in currency exchange rates. The Group uses forward exchange contracts to moderate currency exchange risk, but it cannot negate that risk completely. Large and unexpected developments in the foreign exchange markets could affect the Group's business performance and financial position materially.

(8) Fluctuations in prices of marketable securities

The Group holds marketable securities as financial assets. Depending on stock market and other conditions, the fair value of these securities could decline. Therefore, the Group is exposed to the risk of fluctuations in the prices of marketable securities, which could affect the Group's business performance and financial position materially.

Important management contracts

There are no important contracts to report.

Consolidated Balance Sheets

USHIO INC. and Consolidated Subsidiaries
As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and bank deposits (Notes 3, 9 and 16)	**¥ 42,136**	¥ 41,692	**$ 448,022**
Notes and accounts receivable (Note 9)	**34,565**	37,582	**367,523**
Short-term investments (Notes 9 and 10)	**14,140**	12,043	**150,351**
Merchandise and finished goods	**21,757**	22,207	**231,339**
Work in process	**5,817**	8,314	**61,861**
Raw materials and supplies	**10,405**	9,918	**110,641**
Deferred tax assets (Note 4)	**5,042**	5,065	**53,620**
Prepaid expenses and other current assets	**7,497**	6,819	**79,717**
Less: Allowance for doubtful accounts (Note 9)	**(717)**	(523)	**(7,629)**
Total current assets	**140,646**	143,120	**1,495,443**
Property, plant and equipment, at cost:			
Buildings and structures	**37,546**	34,968	**399,218**
Machinery, equipment and other (Notes 3 and 8)	**43,013**	46,602	**457,345**
Land	**9,057**	8,885	**96,307**
Construction in progress	**1,220**	941	**12,978**
	90,837	91,398	**965,848**
Less: Accumulated depreciation	**(54,061)**	(53,571)	**(574,817)**
Property, plant and equipment, net	**36,776**	37,827	**391,031**
Intangible fixed assets (Note 8)	**2,863**	3,900	**30,449**
Investments and other assets:			
Investment securities (Notes 9 and 10)	**45,327**	36,773	**481,955**
Investments in and advances to affiliates	**56**	132	**605**
Deferred tax assets (Note 4)	**636**	541	**6,764**
Other assets	**2,350**	2,117	**24,992**
Total investments and other assets	**48,371**	39,564	**514,316**
Total assets	**¥228,657**	¥224,412	**$2,431,238**

LIABILITIES AND NET ASSETS	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 2) 2013
Current liabilities:			
Notes and accounts payable (Note 9)	**¥ 16,610**	¥ 18,477	**$ 176,615**
Short-term debt (Notes 3 and 9)	**1,904**	4,383	**20,249**
Current portion of long-term debt (Notes 3 and 9)	**4,732**	1,042	**50,320**
Income taxes payable	**1,927**	3,049	**20,490**
Deferred tax liabilities (Note 4)	**146**	150	**1,561**
Allowance for employees' bonuses	**2,581**	2,662	**27,447**
Warranty reserve	**1,549**	1,897	**16,473**
Other current liabilities	**8,498**	8,971	**90,362**
Total current liabilities	**37,950**	40,634	**403,517**
Long-term liabilities:			
Long-term debt (Notes 3 and 9)	**2,791**	7,439	**29,676**
Deferred tax liabilities (Note 4)	**1,089**	5,954	**11,580**
Retirement benefits (Note 12)	**2,694**	2,143	**28,648**
Other long-term liabilities	**7,348**	6,191	**78,129**
Total long-term liabilities	**13,922**	21,729	**148,033**
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized —300,000,000 shares			
Issued —139,628,721 shares	**19,556**	19,556	**207,935**
Additional paid-in capital	**28,371**	28,371	**301,662**
Retained earnings	**126,912**	122,642	**1,349,418**
Treasury stock, at cost	**(12,231)**	(12,228)	**(130,049)**
Total shareholders' equity	**162,609**	158,341	**1,728,967**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	**14,666**	12,628	**155,940**
Deferred losses on hedges	**(23)**	–	**(248)**
Translation adjustments	**(3,623)**	(12,103)	**(38,524)**
Total accumulated other comprehensive income	**11,019**	524	**117,168**
Minority interests	**3,155**	3,183	**33,553**
Total net assets (Note 15)	**176,784**	162,048	**1,879,688**
Total liabilities and net assets	**¥228,657**	¥224,412	**$2,431,238**

See notes to consolidated financial statements.

Consolidated Statements of Income

USHIO INC. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Net sales	**¥143,461**	¥150,087	**$1,525,377**
Cost of sales	**95,196**	101,635	**1,012,194**
Gross profit	**48,264**	48,451	**513,184**
Selling, general and administrative expenses (Note 5)	**40,682**	37,755	**432,564**
Operating income	**7,582**	10,696	**80,620**
Other income (expenses):			
Interest and dividends income	**1,417**	1,234	**15,074**
Interest expenses	**(211)**	(202)	**(2,245)**
Foreign exchange loss, net	**255**	(428)	**2,714**
Gains (losses) on trading securities	**405**	53	**4,307**
Equity in gains of affiliates	**(16)**	107	**(172)**
Gains on sales of investment securities, net	**952**	1,016	**10,124**
Losses on impairment of investment securities (Note 10)	**(243)**	(1,150)	**(2,592)**
Gains on sales of subsidiaries' and affiliates' stocks	**–**	2,972	**–**
Provision of allowance for doubtful accounts	**(119)**	–	**(1,273)**
Impairment losses (Note 6)	**(69)**	(651)	**(742)**
Gains on negative goodwill	**–**	896	**–**
Losses on liquidation of business (Note 7)	**(4,042)**	(378)	**(42,979)**
Losses on step acquisitions	**–**	(375)	**–**
Other, net	**141**	(26)	**1,500**
	(1,531)	3,066	**(16,284)**
Income before income taxes and minority interests	**6,050**	13,762	**64,336**
Income taxes (Note 4):			
Current	**4,591**	6,286	**48,817**
Deferred	**(5,516)**	(1,558)	**(58,651)**
	(924)	4,728	**(9,834)**
Income before minority interests	**6,975**	9,034	**74,170**
Minority interests	**(179)**	286	**(1,912)**
Net income (Note 15)	**¥ 7,155**	¥ 8,748	**$ 76,082**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

USHIO INC. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Income before minority interests	**¥ 6,975**	¥9,034	**$ 74,170**
Other comprehensive income (Note 13)			
Unrealized gains (losses) on available-for-sale securities	**2,040**	383	**21,694**
Deferred losses on hedges	**(23)**	–	**(248)**
Translation adjustments	**8,662**	(535)	**92,108**
Share of other comprehensive income of affiliates accounted for by the equity method	**10**	12	**107**
Total other comprehensive income	**10,689**	(139)	**113,661**
Comprehensive income	**¥17,665**	¥8,895	**$187,830**
Comprehensive income attributable to shareholders of the parent	**¥17,650**	¥8,649	**$187,676**
Comprehensive income attributable to minority interests	**14**	245	**154**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

USHIO INC. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Shareholders' equity			
Common stock			
Balance at beginning of year (2013—139,628,721 shares 2012—139,628,721 shares)	**¥ 19,556**	¥ 19,556	**$ 207,935**
Balance at end of year (2013—139,628,721 shares 2012—139,628,721 shares)	**¥ 19,556**	¥ 19,556	**$ 207,935**
Additional paid-in capital			
Balance at beginning of year	**¥ 28,371**	¥ 28,371	**$ 301,662**
Balance at end of year	**¥ 28,371**	¥ 28,371	**$ 301,662**
Retained earnings			
Balance at beginning of year	**¥122,642**	¥116,831	**$1,304,010**
Dividends from surplus	**(2,884)**	(2,937)	**(30,674)**
Net income	**7,155**	8,748	**76,082**
Balance at end of year	**¥126,912**	¥122,642	**$1,349,418**
Treasury stock, at cost			
Balance at beginning of year	**¥ (12,228)**	¥ (9,215)	**$ (130,024)**
Purchase of treasury stock	**(2)**	(3,013)	**(25)**
Balance at end of year	**¥ (12,231)**	¥ (12,228)	**$ (130,049)**
Total shareholders' equity			
Balance at beginning of year	**¥158,341**	¥155,544	**$1,683,584**
Dividends from surplus	**(2,884)**	(2,937)	**(30,674)**
Net income	**7,155**	8,748	**76,082**
Purchase of treasury stock	**(2)**	(3,013)	**(25)**
Balance at end of year	**¥162,609**	¥158,341	**$1,728,967**
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities			
Balance at beginning of year	**¥ 12,628**	¥ 12,245	**$ 134,270**
Net changes of items other than shareholders' equity	**2,038**	382	**21,670**
Balance at end of year	**¥ 14,666**	¥ 12,628	**$ 155,940**
Deferred losses on hedges			
Balance at beginning of year	**¥ –**	¥ –	**$ –**
Net changes of items other than shareholders' equity	**(23)**	–	**(248)**
Balance at end of year	**¥ (23)**	¥ –	**$ (248)**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (12,103)**	¥ (11,622)	**$ (128,696)**
Net changes of items other than shareholders' equity	**8,480**	(481)	**90,172**
Balance at end of year	**¥ (3,623)**	¥ (12,103)	**$ (38,524)**
Total accumulated other comprehensive income			
Balance at beginning of year	**¥ 524**	¥ 622	**$ 5,574**
Net changes of items other than shareholders' equity	**10,495**	(98)	**111,594**
Balance at end of year	**¥ 11,019**	¥ 524	**$ 117,168**
Minority interests			
Balance at beginning of year	**¥ 3,183**	¥ 1,700	**$ 33,845**
Net changes of items other than shareholders' equity	**(27)**	1,482	**(292)**
Balance at end of year	**¥ 3,155**	¥ 3,183	**$ 33,553**
Total net assets			
Balance at beginning of year	**¥162,048**	¥157,867	**$1,723,003**
Dividends from surplus	**(2,884)**	(2,937)	**(30,674)**
Net income	**7,155**	8,748	**76,082**
Purchase of treasury stock	**(2)**	(3,013)	**(25)**
Net changes of items other than shareholders' equity	**10,467**	1,383	**111,302**
Balance at end of year	**¥176,784**	¥162,048	**$1,879,688**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

USHIO INC. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	**2013**
Operating activities			
Income before income taxes and minority interests	**¥ 6,050**	¥ 13,762	**$ 64,336**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**6,741**	7,139	**71,684**
Impairment losses	**69**	651	**742**
Losses on liquidation of business	**4,042**	378	**42,979**
Interest and dividends income	**(1,417)**	(1,234)	**(15,074)**
Interest expenses	**211**	202	**2,245**
(Gains) losses on trading securities	**(405)**	(53)	**(4,307)**
Equity in gains of affiliates	**16**	(107)	**172**
Gains on sales of investment securities, net	**(952)**	(1,016)	**(10,124)**
Losses on impairment of investment securities	**243**	1,150	**2,592**
Gains on sales of subsidiaries' and affiliates' stocks	**–**	(2,972)	**–**
Increase in notes and accounts receivable	**5,282**	(684)	**56,165**
Decrease (increase) in inventories	**5,067**	384	**53,879**
(Decrease) increase in notes and accounts payable	**(2,705)**	(2,695)	**(28,769)**
Other	**(3,272)**	3,256	**(34,793)**
Subtotal	**18,972**	18,161	**201,728**
Interest and dividends received	**1,384**	1,212	**14,716**
Interest paid	**(210)**	(202)	**(2,241)**
Income taxes paid	**(5,702)**	(6,789)	**(60,635)**
Net cash provided by operating activities	**14,443**	12,382	**153,568**
Investing activities			
Increase in time deposits	**(17,915)**	(10,934)	**(190,493)**
Proceeds from withdrawal of time deposits	**16,529**	13,630	**175,747**
Increase in short-term loans receivable	**(14)**	(28)	**(157)**
Proceeds from collection of short-term loans receivable	**75**	40	**801**
Purchase of short-term investments	**(4,768)**	(2,301)	**(50,701)**
Proceeds from redemption and sales of short-term investments	**7,345**	1,275	**78,105**
Purchase of property, plant and equipment	**(6,435)**	(6,588)	**(68,432)**
Proceeds from sales of property, plant and equipment	**1,383**	94	**14,713**
Purchase of intangible fixed assets	**(709)**	(1,699)	**(7,547)**
Purchase of investment securities	**(6,850)**	(2,275)	**(72,840)**
Proceeds from redemption and sales of investment securities	**2,719**	2,366	**28,915**
Additional purchase of investments in subsidiaries	**–**	(304)	**–**
Payments for investments in capital of subsidiaries and affiliates	**–**	(78)	**–**
Purchase of investments in subsidiaries resulting in a change in scope of consolidation	**(54)**	–	**(579)**
Proceeds from purchase of investments in subsidiaries resulting in a change in scope of consolidation	**–**	1,117	**–**
Proceeds from sales of stocks of subsidiaries and affiliates	**–**	7,500	**–**
Increase in long-term loans receivable	**(16)**	(27)	**(173)**
Proceeds from collection of long-term loans receivable	**11**	14	**123**
Other	**51**	112	**550**
Net cash provided by (used in) investing activities	**(8,649)**	1,911	**(91,968)**
Financing activities			
Net (decrease) increase in short-term debt	**(2,729)**	(1,931)	**(29,023)**
Proceeds from long-term debt	**–**	1,184	**–**
Repayment of long-term debt	**(1,432)**	(807)	**(15,237)**
Purchase of treasury stock	**(2)**	(3,013)	**(25)**
Cash dividends paid	**(2,885)**	(2,940)	**(30,678)**
Cash dividends paid to minority interests	**(41)**	(108)	**(445)**
Net cash (used in) provided by financing activities	**(7,092)**	(7,615)	**(75,407)**
Effect of exchange rate changes on cash and cash equivalents	**2,975**	(47)	**31,634**
Net increase in cash and cash equivalents	**1,676**	6,630	**17,826**
Cash and cash equivalents at beginning of year	**41,585**	34,954	**442,162**
Cash and cash equivalents at end of year (Note 16)	**¥ 43,261**	¥ 41,585	**$ 459,988**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

USHIO INC. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1. Summary of Significant Accounting Policies

(a) Basis for presentation

USHIO INC. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those in their respective countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (collectively, the "Group") are prepared using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in Japan or either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items.

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects with regard to the application and disclosure requirements from IFRS, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. In addition, certain reclassifications have been made to the prior year's consolidated financial statements to bring them into conformity with the current year's presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (in both yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or other means. As of March 31, 2013, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 48 and 2 (47 and 2 in 2012), respectively.

The changes in the scope of consolidation for the year ended March 31, 2013 are as follows:

Due to new establishment, USHIO AMERICA HOLDINGS, INC., USHIO (SHAOGUAN) CO., LTD. and USHIO ASIA PACIFIC (THAILAND) LTD. were included in the consolidation scope.

Due to acquisition of shares, CHRISTIE DIGITAL SYSTEMS AUSTRALIA PTY. LTD. and CHRISTIE DIGITAL SYSTEMS (INDIA) PVT. LTD. were included in the consolidation scope.

Due to liquidation, TSUKUBA USHIO ELECTRIC, INC., HYOGO USHIO LIGHTING, INC., U-SOLUTIONS INC. and U-SOLUTIONS TOSHIJIGYO-KUMIAI were excluded from the consolidation scope.

There were no changes in the scope of application of the equity method for the year ended March 31, 2013.

The closing date of a consolidated subsidiary, USHIO (SUZHOU) CO., LTD., and 6 other consolidated subsidiaries (5 in 2012) is December 31. The closing date of a consolidated subsidiary, ADTEC Engineering Co., Ltd. is September 30. Their financial accounts are consolidated using their financial statements as of the parent's fiscal year-end, which are prepared solely for consolidation purposes. All significant intercompany balances and transactions have been eliminated in the consolidation.

Additionally, XTREME technologies GmbH, which closes its books on September 30, is consolidated by using its financial statements which are prepared solely for consolidation purposes as of December 31. Material differences in intercompany transactions and accounts arising from the use of different fiscal year-ends are appropriately adjusted for through consolidation procedures.

Investments in affiliates (companies over which the Company exercises significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company's equity in the current net income or losses of such companies after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries and affiliates are revalued on acquisition, if applicable. Goodwill or negative goodwill incurred on or before March 31, 2010 is amortized in equal portions over the period in which it is deemed to be valuable. Negative goodwill incurred on or after April 1, 2010 is credited to income when incurred.

(c) Foreign currency translation

Revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of net assets excluding minority interests, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. The differences arising from translation when more than two exchange rates have been used are presented as foreign currency translation adjustments on the accompanying consolidated balance sheet.

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. Gains or losses resulting from the settlement of these items are credited or charged to income.

(d) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(e) Short-term investments and investment securities

Trading securities are carried at fair value, and held-to-maturity securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost. The cost of securities sold is determined by the moving-average method. In cases where available-for-sale securities have declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(f) Inventories

Merchandise and finished goods, and work in process are stated principally at the lower of cost or market, cost being determined by the average method for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

Raw materials are principally stated at the lower of cost or market, cost being determined by the moving-average method for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

(g) Depreciation and amortization (excluding leased assets)

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives of the respective assets. However, buildings (excluding attachments to the buildings) acquired on or after April 1, 1998 by the Company or its domestic consolidated subsidiaries are depreciated by the straight-line method.

The depreciation period ranges from 7 years to 60 years for buildings and structures and 3 years to 12 years for machinery and equipment, and vehicles. The others are generally depreciated from 2 years to 15 years.

Property, plant and equipment of the overseas consolidated subsidiaries are depreciated principally by the straight-line method over the estimated useful lives of the respective assets.

The period of this depreciation extends from 10 years to 39 years for buildings and structures and 5 years to 10 years for machinery and equipment, and vehicles. The others are generally depreciated from 2 years to 10 years.

Intangible fixed assets are amortized by the straight-line method.

In addition, software for internal use is applied 5years amortization as estimated useful period.

(h) Leased assets

Leased assets related to finance lease transactions that transfer ownership mainly consist of software of the Company's consolidated subsidiaries and are depreciated by the same approach as the depreciation method applied to non-current assets.

Leased assets related to finance lease transactions that do not transfer ownership mainly consist of production facilities (machinery) and inspection instruments (tools and equipment) of the Company's consolidated subsidiaries and are depreciated by the straight-line method over the lease period which is deemed as the useful life, assuming no residual value.

All finance lease transactions are to be capitalized, except for the finance lease transactions executed on or before March 31, 2008 that do not transfer ownership, which are accounted for as operating leases.

(i) Research and development expenses

Research and development expenses are charged to income when incurred.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables, and has been determined based on historical experience with write-offs plus an estimated amount for probable specific doubtful accounts after a review of the collectibility of individual receivables.

(k) Allowance for employees' bonuses

The allowance for employees' bonuses represents a provision for future payments of employees' bonuses. The allowance is provided in the amount which is expected to be paid.

(l) Retirement benefits

The Company and certain of its consolidated subsidiaries have defined benefit pension plans, which entitle employees of the Company and its consolidated subsidiaries upon retirement to either a lump-sum payment or pension annuity payments for life, or a combination of both, based on their length of service, basic salary at retirement, and number of years of participation in the plan. In addition, additional retirement payments which are not included in the plan may be made when employees retire.

Accrued retirement benefits for employees have been provided mainly in an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at year-end. Actuarial gains or losses are amortized from the year following the year in which the gain or loss is recognized by the straight-line method over a certain period (15 years) which is within the average remaining years of service of the eligible employees when the gain or loss occurs. Prior service costs are amortized as incurred by the straight-line method over a certain period (15 years) which is the average remaining years of service of the eligible employees when the costs occur.

Some of the consolidated subsidiaries provide for retirement allowances for directors, corporate auditors and others in the full amount which would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(m) Warranty reserve

A warranty reserve is provided for expenses for after-sales service and free repairs for products sold by the Company and its consolidated subsidiaries in the estimated amount to be incurred in the future.

(n) Allowance for losses on orders

To provide for future losses on contracted orders, the Company provides an allowance for losses on orders equal to the amount of losses it anticipates after the year-end. Such an allowance is provided when losses on orders are probable and reasonably estimated.

(o) Derivatives and hedge accounting

The Company and certain consolidated subsidiaries have entered into currency derivative transactions and interest rate swap transactions primarily in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates.

In accordance with the accounting standard for financial instruments, derivative financial instruments are carried at fair value with any changes in unrealized gains or losses charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gains or losses are deferred as assets or liabilities. Certain domestic consolidated subsidiaries apply the assignment for the currency derivative transactions that qualify for the method to the hedges of foreign currency risk and use the exceptional treatment for interest rate swaps that is qualified for the treatment.

Hedging instruments and hedged items used by the Company and certain consolidated subsidiaries are as follows:

(a) Hedging instruments: forward foreign exchange contracts
Hedged items: monetary receivables and payables denominated in foreign currencies, and short-term investments and investment securities denominated in a foreign currency

(b) Hedging instruments: interest rate swaps
Hedged items: debt

The Company and its consolidated subsidiaries hedge the fluctuation risk for foreign currencies and interest rates in accordance with internal rules for market risk management and for derivative transactions.

The Company and its consolidated subsidiaries compare the cumulative changes in fair value or cash flow of the hedged items and those of the hedging instruments during the period from the inception of the hedge to the time of determining the effectiveness and assess the hedge effectiveness based on the changes.

(p) Deferred income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(q) Change in accounting policy

(Change in depreciation method)

Effective for the year ended March 31, 2013, due to the revision of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries changed their depreciation method into the method based on the revised Corporation Tax Act for the property, plant and equipment acquired on or after April 1, 2012.

This change has little effect on operating income and income before income taxes and minority interests for the year ended March 31, 2013.

(r) Standards issued but not yet effective

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) (the "Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) (the "Guidance")

(1) Overview

Under the Accounting Standard, actuarial gains and losses and prior service costs would be recognized within the net asset section of the consolidated balance sheet, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or an asset. Furthermore, as a method of attributing expected retirement benefit to periods, the benefit formula basis would be allowed to be applied in addition to the straight-line basis, and the method to determine the discount rate would be amended.

(2) Date of application

The Group will adopt the Accounting Standard and Guidance from the fiscal year ending March 31, 2014 except for the amendment relating to the method of attributing expected retirement benefit to periods that will be applied from the beginning of the fiscal year ending March 31, 2015. The Accounting Standard and Guidance will not be applied retrospectively to financial statements in prior periods as there are transitional provisions in the Accounting Standard and Guidance.

(3) Effect of application

Mainly, the net assets will be changed since the actuarial gains and losses are recognized within the net assets when they arise, and the effects are currently under evaluation.

2. U.S. Dollar Amounts

For the readers' convenience, the accompanying consolidated financial statements with respect to the year ended March 31, 2013 have been presented in U.S. dollars by translating all yen amounts at ¥94.05 = U.S.$1.00, the exchange rate prevailing on March 31, 2013. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

3. Short-Term Debt and Long-Term Debt

Short-term debt consisted mainly of unsecured and secured loans payable to banks at interest rates ranging from 1.95% to 2.80% and from 0.56% to 5.02% per annum at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
The Company:			
Loans from banks, due through 2013 at a rate of 0.84%	**¥2,840**	¥2,840	**$ 30,197**
Consolidated subsidiaries:			
Loans from banks, due through 2016 at rates ranging from 0.01% to 6.79%	**4,683**	5,641	**49,799**
Total long-term debt	**7,523**	8,481	**79,996**
Less: Current portion	**4,732**	1,042	**50,320**
	¥2,791	¥7,439	**$ 29,676**

The assets pledged as collateral for debt and transaction guarantees at March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and bank deposits	**¥57**	**$612**
Machinery, equipment and other	**5**	**58**
	¥62	**$670**

The related debt for which the above assets were pledged as collateral at March 31, 2013 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Current portion of long-term debt	**¥1**	**$12**
Long-term debt	**0**	**6**
	¥1	**$18**

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥4,732	$50,320
2015	1,911	20,329
2016	879	9,347
2017	–	–
2018 and thereafter	–	–
Total	¥7,523	$79,996

4. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation taxes, inhabitants' taxes and enterprise taxes, which resulted in an aggregate statutory tax rate of approximately 38.0% for the year ended March 31, 2013 and that of approximately 40.7% for the last year ended March 31, 2012. Income taxes of the overseas consolidated subsidiaries are based, in general, on the tax rates applicable in their respective countries of incorporation.

The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 173**	¥ 170	**$ 1,850**
Allowance for employees' bonuses	**698**	817	**7,427**
Warranty reserve	**392**	499	**4,176**
Retirement benefit expenses	**2,126**	1,878	**22,609**
Retirement allowance and accrual for directors, corporate auditors and others	**458**	570	**4,875**
Write-downs of inventories	**957**	1,329	**10,178**
Impairment losses	**262**	279	**2,795**
Losses on liquidation of business	**5,369**	–	**57,087**
Net losses carried forward	**2,897**	1,944	**30,807**
Unrealized losses on available-for-sale securities	**0**	14	**2**
Other	**3,778**	2,796	**40,181**
Total gross deferred tax assets	**17,115**	10,300	**181,987**
Valuation allowance	**(3,183)**	(2,793)	**(33,844)**
Total deferred tax assets	**13,932**	7,506	**148,142**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(8,026)**	(6,628)	**(85,348)**
Gains on contribution of securities to employees' retirement benefit trust	**(671)**	(671)	**(7,143)**
Depreciation	**(393)**	(336)	**(4,180)**
Retained earnings of subsidiaries and affiliates	**(140)**	(144)	**(1,493)**
Other	**(257)**	(223)	**(2,737)**
Total deferred tax liabilities	**(9,489)**	(8,005)	**(100,900)**
Net deferred tax assets (liabilities)	**¥ 4,443**	¥ (498)	**$ 47,242**

A reconciliation between the statutory tax rate and the effective tax rates as a percentage of income before income taxes and minority interests for the years ended March 31, 2013 and 2012 is summarized as follows:

	2013	2012
Statutory tax rate	**38.0%**	40.7%
Reconciliation:		
Decrease (increase) in valuation allowance for deferred tax assets	**(57.0)**	0.6
Non-taxable income for income tax purposes	**(3.1)**	(1.7)
Non-deductible expenses for income tax purposes	**1.1**	0.3
Tax deductions related to R&D activities	**(6.8)**	(3.7)
Different tax rates applied to overseas subsidiaries	**4.4**	(4.9)
Equity in net income of affiliated companies	**0.1**	(0.4)
Retained earnings of subsidiaries and affiliates	**(0.1)**	0.2
Adjustment to deferred tax assets due to change in the tax rate	**–**	2.7
Special corporate tax for reconstruction	**4.7**	–
Other	**3.3**	0.5
Effective tax rates	**(15.3)%**	34.4%

5. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Salaries and wages	**¥9,740**	¥9,134	**$103,572**
Provision of allowance for employees' bonuses	**948**	831	**10,084**
Retirement benefit expenses	**791**	581	**8,416**
Research and development expenses	**9,985**	8,665	**106,171**
Provision of allowance for doubtful accounts	**34**	126	**363**

6. Impairment Losses

For the year ended March 31, 2013, the Group recognized impairment losses on the following asset groups:

Location	Classification by use	Type of assets	Millions of yen	Thousands of U.S. dollars
Takasago and Himeji, Hyogo	Idle assets	Machinery and vehicles, and other	¥ 23	$ 250
Aachen, Germany	Business assets	Machinery and vehicles, other, and software (intangible fixed assets)	1,362	14,485

For the year ended March 31, 2012, the Group recognized impairment losses on the following asset groups:

Location	Classification by use	Type of assets	Millions of yen
Tatebayashi and Oura, Gunma	Idle assets	Buildings and structures, and land	¥252
Nagaizumi, Shizuoka	Idle assets	Buildings and structures, land and other	185
Takasago and Himeji, Hyogo	Idle assets	Machinery, equipment and other	1
Kowloon, Hong Kong	Idle assets	Machinery, equipment	42
Tsukuba, Ibaraki	Business assets	Buildings and structures, and land	177
Tennessee, U.S.A.	Business assets	Goodwill (intangible fixed assets)	170

In principle, the Group's business assets are grouped according to division or to whom assets are lent, and the Group's idle assets are grouped on an individual asset basis.

For idle assets that are not expected to be used in the future, the book values of the group assets are written down to zero. For idle assets that are not used for business, the book values of the group assets whose market values fall significantly are written down to their recoverable amounts. These write-downs are recorded as impairment losses.

The book values of business assets that are not expected to be used in the future due to resolution for dissolution of XTREME technologies GmbH are written down to zero, and such write-downs are recorded as losses on liquidation of business.

The book values of business assets that are not expected to be used in the future due to resolution for dissolution of TSUKUBA USHIO ELECTRIC, INC. are written down to their recoverable amounts, and such write-downs are recorded as losses on liquidation of business.

Goodwill is written down to its recoverable amount since initially anticipated revenue is not expected to be generated, and such write-down is recorded as impairment losses.

The recoverable amounts of the related asset groups are measured by net sales value, and buildings and land are determined by appraisal value.

7. Losses on Liquidation of Business

For the year ended March 31, 2013, as losses on liquidation of business, the Group mainly recorded (i) ¥3,393 million ($36,080 thousand) of expected expenses for business liquidation of XTREME technologies GmbH until the completion thereof, which includes ¥1,362 million ($14,485 thousand) of impairment losses and ¥343 million ($3,654 thousand) of valuation losses on inventories, based on the related resolution and (ii) ¥648 million ($6,898 thousand) as liquidation losses in ADTEC Engineering Co., Ltd. due to closing of a projection exposure equipment business, which includes ¥634 million ($6,750 thousand) of valuation losses on inventories.

Losses on liquidation of business for the year ended March 31, 2012 resulted from the resolution for dissolution of TSUKUBA USHIO ELECTRIC, INC. and HYOGO USHIO LIGHTING, INC. and comprised impairment losses of ¥177 million.

8. Leases

Finance lease transactions that do not transfer ownership executed on or before March 31, 2008 are accounted for as operating leases. The following pro forma amounts represent the acquisition costs, accumulated depreciation and amortization, and net book value of the leased assets as of March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheet if finance lease accounting had been applied to the finance leases accounted for as operating leases:

	Millions of yen	
	2013	
	Intangible fixed assets (software)	Total
Acquisition costs	**¥3**	**¥3**
Accumulated depreciation and amortization	**3**	**3**
Net book value	**¥0**	**¥0**

	Millions of yen			
	2012			
	Machinery and vehicles	Other (tools and equipment)	Intangible fixed assets (software)	Total
Acquisition costs	¥13	¥73	¥20	¥107
Accumulated depreciation and amortization	12	68	16	96
Net book value	¥ 1	¥ 5	¥ 3	¥ 10

	Thousands of U.S. dollars	
	2013	
	Intangible fixed assets (software)	Total
Acquisition costs	**$41**	**$41**
Accumulated depreciation and amortization	**40**	**40**
Net book value	**$ 1**	**$ 1**

Lease expenses related to finance leases accounted for as operating leases for the years ended March 31, 2013 and 2012 totaled ¥10 million ($108 thousand) and ¥15 million, respectively. The following *pro forma* amounts represent depreciation and amortization for the years ended March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated statement of income if finance lease accounting had been applied to the finance leases accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Depreciation and amortization	**¥10**	¥15	**$108**

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2013 for finance leases accounted for as operating leases, except for lease agreements which stipulate the transfer of ownership of the leased property to the Company and its consolidated subsidiaries, are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥0**	**$1**
Due after one year	**–**	**–**
Total	**¥0**	**$1**

The amount of future minimum lease payments was less than the threshold indicated by the ASBJ. Accordingly, the acquisition costs of the leased assets and future minimum lease payments include the related interest. The amount of interest included was deemed insignificant.

Future minimum lease payments under operating leases, which are lease transactions other than finance leases for the year ended March 31, 2013, are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥317**	**$3,380**
Due after one year	**585**	**6,231**
Total	**¥903**	**$9,611**

9. Financial Instruments

(1) The Group's policy to manage financial instruments

a. Basic policy on treating financial instruments

The Group invests floating money and funds reserved for future business expansion mainly in highly safe financial assets, according to the Group's cash management plan. Financing instruments are determined based upon the use of funds and financing environment. The Group utilizes derivative transactions only to avoid foreign exchange rate fluctuation risk, and does not use them for trading or speculative purposes.

b. The nature and risk of financial instruments

Notes and accounts receivable, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies are also exposed to foreign exchange risk which is hedged by using forward foreign exchange contracts.

Short-term investments and investment securities consist mainly of equity securities issued by companies with a business relationship and marketable equity or bond securities held for the purpose of short-term investment of floating money and reserved funds. Specified money in trust is also held for the purpose of investment of reserved funds.

These investments are exposed to market risk. A part of short-term investments, investment securities, and specified money in trust are denominated in foreign currency, and they are exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Notes and accounts payable, which are operating payables, are mostly due within one year. Some of them are denominated in foreign currencies and exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Short-term and long-term debts which are made to obtain working capital are mostly due within three years after the end of the current fiscal year. Floating-rate debts are exposed to interest rate risk. For certain long-term floating-rate debts, derivative transactions (interest rate swaps) are used as the hedging instrument on an individual contract basis to avoid risks of fluctuations in interest rates and to fix the interest payable.

As for derivative transactions, forward foreign exchange contracts are entered into for the purpose of hedging foreign exchange risk deriving from operating receivables and payables denominated in foreign currencies, and an interest rate swap is entered into for the purpose of hedging interest rate fluctuation risk associated with interest payable on long-term debt.

c. Risk management structure regarding financial instruments

Credit risk — The Company and its consolidated subsidiaries manage the customer credit risk for operating receivables in accordance with the internal regulations for credit exposure management as follows: the creditability of each customer is reviewed by monitoring the status of each customer on a daily and continuous basis; the due dates and balances are managed for each customer; and the credit line is periodically examined and reviewed.

The credit risk associated with bond securities is immaterial since the Group invests in bond securities with high credit ratings.

Derivative transactions are entered into only with highly rated financial institutions in order to mitigate counterparty risk.

As of the fiscal year-end, the maximum credit risk amount is presented as the consolidated balance sheet amounts of financial assets which are exposed to credit risk.

Market risk — The Company and some consolidated subsidiaries utilize forward foreign exchange contracts for foreign exchange risk identified by currency and by month in relation to operating receivables and payables denominated in foreign currencies in accordance with the internal rules for market risk management.

For short-term investments and investment securities, market prices and the financial position of the issuers are periodically monitored and reported to directors in charge in accordance with the internal rules for market risk management. In addition, the holding status of stocks issued by companies with business relationships is continuously reviewed in consideration of the relationships with those companies.

Derivative transactions are reported to directors in charge on a daily basis as well as to the Board of Directors in accordance with the internal rules for derivative transactions which define the authorization policy and limits of transactions.

Liquidity risk — Liquidity risk of the Company and its consolidated subsidiaries is managed by the Finance and Treasury Departments, preparing and updating the cash management plan based upon reports from each department as well as by maintaining certain liquidity.

(2) Fair value of financial instruments

The table below presents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values as of March 31, 2013 and 2012, as well as their differences. Financial instruments whose fair values cannot be reliably determined are not included.

	Millions of yen		
As of March 31, 2013	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and bank deposits	**¥ 42,136**	**¥ 42,136**	**¥ –**
(2) Notes and accounts receivable	**34,565**		
Allowance for doubtful accounts (*1)	**(717)**		
	33,848	**33,848**	**–**
(3) Short-term investments and investment securities			
Trading securities	**1,724**	**1,724**	**–**
Available-for-sale securities	**54,946**	**54,946**	**–**
(4) Specified money in trust	**1,999**	**1,999**	**–**
Assets, total	**¥134,655**	**¥134,655**	**¥ –**
(1) Notes and accounts payable	**¥ 16,610**	**¥ 16,610**	**–**
(2) Short-term debt	**1,904**	**1,904**	**–**
(3) Current portion of long-term debt	**4,732**	**4,751**	**18**
(4) Long-term debt	**2,791**	**2,827**	**36**
Liabilities, total	**¥ 26,038**	**¥ 26,094**	**¥55**
Derivative transactions (*2)			
for which hedge accounting is not applied	**¥ 12**	**¥ 12**	**¥ –**
for which hedge accounting is applied	**(37)**	**(37)**	**–**

(*1): Notes and accounts receivable are stated net of corresponding general and specific allowance for doubtful accounts.

(*2): Assets and liabilities from derivative transactions are stated in the net amount. The figures in parenthesis indicate net liabilities.

	Millions of yen		
As of March 31, 2012	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and bank deposits	¥ 41,692	¥ 41,692	¥ –
(2) Notes and accounts receivable	37,582		
Allowance for doubtful accounts (*1)	(510)		
	37,072	37,072	–
(3) Short-term investments and investment securities			
Trading securities	1,762	1,762	–
Available-for-sale securities	45,018	45,018	–
(4) Specified money in trust	2,010	2,010	–
Assets, total	¥127,556	¥127,556	¥ –
(1) Notes and accounts payable	18,477	18,477	–
(2) Short-term debt	4,383	4,383	–
(3) Current portion of long-term debt	1,042	1,045	3
(4) Long-term debt	7,439	7,538	99
Liabilities, total	¥ 31,343	¥ 31,445	¥102
Derivative transactions (*2)			
for which hedge accounting is not applied	(117)	(117)	–
for which hedge accounting is applied	–	–	–

(*1): Notes and accounts receivable are stated net of corresponding general and specific allowance for doubtful accounts.

(*2): Assets and liabilities from derivative transactions are stated in the net amount. The figures in parenthesis indicate net liabilities.

As of March 31, 2013	Thousands of U.S. dollars Consolidated balance sheet amount	Fair value	Difference
(1) Cash and bank deposits	**$ 448,022**	**$ 448,022**	**$ –**
(2) Notes and accounts receivable	**367,523**	**367,523**	
Allowance for doubtful accounts (*1)	**(7,627)**	**(7,627)**	
	359,896	**359,896**	**–**
(3) Short-term investments and investment securities			
Trading securities	**18,333**	**18,333**	**–**
Available-for-sale securities	**584,229**	**584,229**	**–**
(4) Specified money in trust	**21,263**	**21,263**	**–**
Assets, total	**$1,431,742**	**$1,431,742**	**$ –**
(1) Notes and accounts payable	**$ 176,615**	**$ 176,615**	**$ –**
(2) Short-term debt	**20,249**	**20,249**	**–**
(3) Current portion of long-term debt	**50,320**	**50,520**	**201**
(4) Long-term debt	**29,676**	**30,065**	**389**
Liabilities, total	**$ 276,860**	**$ 277,449**	**$589**
Derivative transactions (*2)			
for which hedge accounting is not applied	**$ 135**	**$ 135**	**$ –**
for which hedge accounting is applied	**(400)**	**(400)**	**–**

(*1): Notes and accounts receivable are stated net of corresponding general and specific allowance for doubtful accounts.
(*2): Assets and liabilities from derivative transactions are stated in the net amount. The figures in parenthesis indicate net liabilities.

The method of fair value measurement is described as follows:

Assets

(1) Cash and bank deposits and (2) Notes and accounts receivable
The fair value of these accounts approximates their book value because they are settled in a short period of time. Thus, the book value is presented as their fair value.

(3) Short-term investments and investment securities
The fair value of equity securities is based on market prices at the stock exchange, and that of bond securities is obtained from financial institutions.

(4) Specified money in trust
The fair value is based upon the price obtained from financial institutions.

Liabilities

(1) Notes and accounts payable and (2) Short-term debt
The fair value of these accounts approximates their book value because they are settled in a short period of time. Thus, the book value is presented as their fair value.

(3) Current portion of long-term debt and (4) Long-term debt
The fair value of long-term debt is measured by discounting the total of principal and interest at an assumed rate for similar new borrowings. Certain floating-rate long-term debts qualify for exceptional treatment for interest rate swaps. The fair value of these debts is measured based on the present value of the total of the principal and interest which are treated together with the relevant interest rate swap, discounted by a reasonably estimated rate of interest that is applied to similar borrowings.

Derivative transactions

The fair value is measured based upon the prices obtained from financial institutions. The fair value of interest rate swaps for which exceptional treatment is applied is included in the estimated fair value of long-term debt, since the interest swap is processed together with long-term debt subject to hedging.

As of March 31, 2013 and 2012, the consolidated balance sheet include the following financial instruments whose fair values cannot be reliably determined:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted stocks and investments in business partnerships with limited liability	**¥2,797**	¥2,036	**$29,745**

(3) Redemption schedule

The redemption schedule for securities with maturity dates classified as available-for-sale securities as of March 31, 2013 and 2012 is summarized as follows:

As of March 31, 2013	Millions of yen Due within one year	Due after one year and up to five years	Due after five years and up to ten years	Thousands of U.S. dollars Due within one year	Due after one year and up to five years	Due after five years and up to ten years
Bonds:						
Corporate bonds	**¥2,352**	**¥8,747**	**¥ –**	**$25,010**	**$93,006**	**$ –**
Total	**¥2,352**	**¥8,747**	**¥ –**	**$25,010**	**$93,006**	**$ –**

As of March 31, 2012	Millions of yen Due within one year	Due after one year and up to five years	Due after five years and up to ten years
Bonds:			
Corporate bonds	¥2,749	¥2,061	¥ –
Total	¥2,749	¥2,061	¥ –

All monetary receivables are due within one year. The redemption schedule for long-term debt is stated in Note 3.

10. Short-Term Investments and Investment Securities

(1) Trading securities

Trading securities as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
As of March 31, 2013	Carrying value	Gain	Carrying value	Gain
	¥1,724	**¥385**	**$18,333**	**$4,096**

	Millions of yen	
As of March 31, 2012	Carrying value	Loss
	¥1,762	¥(39)

(2) Marketable available-for-sale securities

Marketable available-for-sale securities as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2013	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
(1) Stock	**¥31,503**	**¥ 9,112**	**¥22,390**	**$334,964**	**$ 96,891**	**$238,073**
(2) Bonds:						
Corporate bonds	**8,678**	**8,279**	**398**	**92,271**	**88,033**	**4,237**
(3) Other	**363**	**209**	**153**	**3,867**	**2,231**	**1,635**
Subtotal	**40,545**	**17,602**	**22,943**	**431,101**	**187,156**	**243,945**
Securities whose carrying value does not exceed their acquisition costs:						
(1) Stock	**1,553**	**1,840**	**(286)**	**16,515**	**19,567**	**(3,051)**
(2) Bonds:						
Corporate bonds	**2,594**	**2,610**	**(15)**	**27,592**	**27,757**	**(166)**
(3) Other	**10,253**	**10,253**	**(0)**	**109,020**	**109,022**	**(2)**
Subtotal	**14,401**	**14,704**	**(302)**	**153,127**	**156,346**	**(3,218)**
Total	**¥54,946**	**¥32,306**	**¥22,640**	**$584,229**	**$343,502**	**$240,727**

	Millions of yen		
As of March 31, 2012	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
(1) Stock	¥26,885	¥ 6,615	¥20,270
(2) Bonds:			
Corporate bonds	2,217	2,149	67
(3) Other	169	140	28
Subtotal	29,272	8,905	20,366
Securities whose carrying value does not exceed their acquisition costs:			
(1) Stock	5,278	5,779	(500)
(2) Bonds:			
Corporate bonds	2,640	2,747	(107)
(3) Other	7,827	7,916	(88)
Subtotal	15,746	16,443	(696)
Total	¥45,018	¥25,348	¥19,670

Note 1: Available-for-sale securities sold

Available-for-sale securities sold during the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Sales of securities			
(1) Stock	**¥2,678**	¥2,334	**$28,484**
(2) Other	**3,000**	2,366	**31,898**
Aggregate gains on sales			
Stock	**952**	1,407	**10,124**
Aggregate losses on sales			
Stock	**–**	392	**–**

Note 2: Impairment losses recognized on securities

The Group recognized impairment losses of ¥45 million ($489 thousand) and ¥1,147 million on stocks classified as marketable available-for-sale securities for the years ended March 31, 2013 and 2012, respectively. Impairment losses are recognized when the average market value for the month ended on the balance sheet date falls to less than half of the carrying amounts at the end of the fiscal year. Except in cases in which the market value is recoverable, losses are also recorded when the decline in value is between 30% and 50% of the carrying amounts considering the recoverability.

11. Derivative Transactions

The notional amounts and the estimated fair value of the derivative positions outstanding at March 31, 2013 and 2012 are summarized below.

(1) Derivative transactions for which hedge accounting is not applied

Currency-related transactions:

	Millions of yen				Thousands of U.S. dollars			
As of March 31, 2013	Notional amounts	Maturing after one year	Estimated fair value	Unrealized gain (loss)	Notional amounts	Maturing after one year	Estimated fair value	Unrealized gain (loss)
Bilateral transactions:								
Forward foreign exchange contracts:								
Sell:								
USD	**¥1,254**	**¥ –**	**¥(108)**	**¥(108)**	**$13,339**	**$ –**	**$(1,156)**	**$(1,156)**
Euro	**3,089**	**–**	**101**	**101**	**32,848**	**–**	**1,074**	**1,074**
Buy:								
USD	**285**	**–**	**52**	**52**	**3,039**	**–**	**558**	**558**
Euro	**240**	**–**	**1**	**1**	**2,554**	**–**	**14**	**14**
JPY	**1,398**	**–**	**(33)**	**(33)**	**14,875**	**–**	**(356)**	**(356)**
Total	**¥6,268**	**¥ –**	**¥ 12**	**¥ 12**	**$66,654**	**$ –**	**$ 135**	**$ 135**

	Millions of yen			
As of March 31, 2012	Notional amounts	Maturing after one year	Estimated fair value	Unrealized gain (loss)
Bilateral transactions:				
Forward foreign exchange contracts:				
Sell:				
USD	¥1,664	¥ –	¥ (60)	¥ (60)
Euro	438	–	(0)	(0)
Buy:				
USD	579	327	11	11
JPY	1,748	–	(71)	(71)
KRW	50	–	4	4
Total	¥4,480	¥327	¥(117)	¥(117)

(2) Derivative transactions for which hedge accounting is applied

Currency-related transactions:

		Millions of yen			Thousands of U.S. dollars		
As of March 31, 2013	Hedged item	Notional amounts	Maturing after one year	Estimated fair value	Notional amounts	Maturing after one year	Estimated fair value
Derivative transactions for which the deferral accounting is applied:							
Forward foreign exchange contracts:							
Sell:							
AUD	Investment securities	**¥922**	**¥272**	**¥(37)**	**$9,807**	**$2,892**	**$(400)**
Total		**¥922**	**¥272**	**¥(37)**	**$9,807**	**$2,892**	**$(400)**

Interest rate-related transactions:

As of March 31, 2013	Hedged item	Millions of yen Notional amounts	Maturing after one year	Estimated fair value	Thousands of U.S. dollars Notional amounts	Maturing after one year	Estimated fair value
Derivative transactions for which the exceptional treatment is applied:							
Interest rate swap							
Receive floating / Pay fixed	Long-term debt	**¥223**	**¥ –**	(*1)	**$2,376**	**$ –**	(*1)
Total		**¥223**	**¥ –**	–	**$2,376**	**$ –**	–

As of March 31, 2012	Hedged item	Millions of yen Notional amounts	Maturing after one year	Estimated fair value
Derivative transactions for which the exceptional treatment is applied:				
Interest rate swap				
Receive floating / Pay fixed	Long-term debt	¥497	¥273	(*1)
Total		¥497	¥273	–

(*1) Interest rate swap for which the exceptional treatment is applied is processed together with long-term debt subject to hedging. Accordingly, its fair value is included in the fair value of the long-term debt.

12. Retirement Benefit Plans

The Company and certain of its consolidated subsidiaries have defined benefit pension plans, such as Welfare Pension Fund plans and lump-sum payment plans, covering substantially all employees who are entitled, upon retirement, to annuity or lump-sum payments, the amounts of which are determined with reference to their basic rates of pay and length of service and the conditions under which the termination occurs. The Company has established an employees' retirement benefit trust.

Certain domestic consolidated subsidiaries participate in the Kanto IT Software Pension Fund, a welfare pension fund system of multi-employer plans, and the amount of plan assets proportionate to their contributions cannot be calculated in a reasonable manner. Therefore, the required contributions to the pension fund system are accounted for as retirement benefit expenses in accordance with the Accounting Standard for Retirement Benefits.

The most recent information about the multi-employer plan for which the required contributions to the pension fund system are accounted for as retirement benefit expenses is as follows:

(1) Funded status of the plan

	Millions of yen **2013 (As of March 31, 2012)**	2012 (As of March 31, 2011)	Thousands of U.S. dollars **2013 (As of March 31, 2012)**
Plan assets	**¥186,189**	¥171,944	**$1,979,688**
Benefit obligations under pension funding calculation	**186,648**	172,108	**1,984,569**
Difference	**¥ (458)**	¥ (163)	**$ (4,880)**

(2) Ratio of Group's contributions to total contributions to the plan

	2013 (For the year ended March 31, 2012)	2012 (For the year ended March 31, 2011)
Ratio of Group's contributions	**0.25%**	0.24%

(3) Supplemental information

The main factors for the difference in (1) above are as follows:

	Millions of yen **2013 (As of March 31, 2012)**	2012 (As of March 31, 2011)	Thousands of U.S. dollars **2013 (As of March 31, 2012)**
Addition due to appraisal of assets	**¥ 9,623**	¥ (3,493)	**$102,321**
Voluntary reserve	**3,329**	14,983	**35,405**
Deficit for the year	**(13,412)**	(11,653)	**(142,606)**

The following table presents the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheet at March 31, 2013 and 2012 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
(1) Retirement benefit obligations	**¥(29,875)**	¥(27,595)	**$(317,658)**
(2) Plan assets at fair value (including the trust fund for retirement benefits)	**18,416**	16,062	**195,821**
(3) Unfunded net retirement benefit obligations (1) + (2)	**(11,458)**	(11,533)	**(121,837)**
(4) Unrecognized actuarial gains or losses	**9,291**	9,698	**98,795**
(5) Unrecognized prior service costs	**(258)**	70	**(2,747)**
(6) Net liability for retirement benefits (3) + (4) + (5)	**(2,425)**	(1,764)	**(25,789)**
(7) Prepaid pension expenses	**15**	–	**168**
(8) Accrued retirement benefits (6) – (7)	**(2,441)**	(1,764)	**(25,957)**
(9) Retirement benefit for directors, corporate auditors, and others	**(253)**	(379)	**(2,691)**
(10) Total (8) + (9)	**¥ (2,694)**	¥ (2,143)	**$ (28,648)**

Notes: 1. The substitutional portion of the Welfare Pension Fund is included in the amounts presented in the above table.
2. Certain consolidated subsidiaries have applied a simplified method for computing their retirement benefit obligations.

The components of the retirement benefit expenses for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
(1) Service costs (*1 and *2)	**¥1,248**	¥1,065	**$13,270**
(2) Interest costs	**538**	575	**5,727**
(3) Expected return on plan assets	**(572)**	(591)	**(6,092)**
(4) Amortization of actuarial gains or losses	**889**	662	**9,461**
(5) Amortization of prior service costs	**(26)**	(14)	**(279)**
Total retirement benefit expenses (*3)	**¥2,077**	¥1,696	**$22,088**

Notes: *1 The employees' portion of the contributions to the Welfare Pension Fund is excluded.
*2 The retirement benefit expenses of the consolidated subsidiaries applying the simplified method are included in (1) Service costs.
*3 Besides the amount stated, several consolidated subsidiaries have recognized a total of ¥523 million ($5,570 thousand) and ¥408 million as retirement expenses for defined contribution pension plans for the years ended March 31, 2013 and 2012, respectively.

The assumptions used in accounting for the above plans are as follows:

	2013	2012
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**4.0%**	4.5%
Method of attributing expected benefit to periods	Straight-line basis	
Amortization period of prior service costs	15 years (straight-line method)	
Amortization period of actuarial gains or losses	15 years (straight-line method)	

13. Other Comprehensive Income

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Unrealized gains on available-for-sale securities:			
Amount arising during the year	**¥ 3,812**	¥(1,209)	**$ 40,534**
Reclassification adjustments	**(692)**	156	**(7,368)**
Amount before income tax effect	**3,119**	(1,053)	**33,166**
Income tax effect	**(1,078)**	1,436	**(11,472)**
Unrealized gains on available-for-sale securities	**2,040**	383	**21,694**
Deferred losses on hedges:			
Amount arising during the year	**(37)**	–	**(400)**
Amount before income tax effect	**(37)**	–	**(400)**
Income tax effect	**14**	–	**152**
Deferred losses on hedges	**(23)**	–	**(248)**
Foreign currency translation adjustments:			
Amount arising during the year	**8,507**	(535)	**90,457**
Amount before income tax effect	**8,507**	(535)	**90,457**
Income tax effect	**155**	–	**1,650**
Foreign currency translation adjustments	**8,662**	(535)	**92,108**
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	**10**	13	**107**
Reclassification adjustments	**–**	(0)	**–**
Share of other comprehensive income of affiliates accounted for by the equity method:	**10**	12	**107**
Total other comprehensive income	**¥10,689**	¥ (139)	**$113,661**

14. Net Assets

(1) Information regarding changes in net assets for the years ended March 31, 2013 and 2012 is as follows:

a. Shares issued and outstanding / Treasury stock

For the year ended March 31, 2013

Types of shares	Shares: Number of shares at April 1, 2012	Increase	Decrease	Number of shares at March 31, 2013
Shares issued:				
Common stock………………………	139,628,721	–	–	139,628,721
Treasury stock:				
Common stock (Note 1)…………..	8,499,147	2,495	–	8,501,642

	(Shares)
Note: 1. Details of increase are as follows	
Increase due to purchase of shares of less than standard unit	2,495

For the year ended March 31, 2012

Types of shares	Shares: Number of shares at April 1, 2011	Increase	Decrease	Number of shares at March 31, 2012
Shares issued:				
Common stock………………………	139,628,721	—	–	139,628,721
Treasury stock:				
Common stock (Notes 1)………….	6,086,575	2,412,572	–	8,499,147

	(Shares)
Notes: 1. Details of increase are as follows	
Increase due to purchase of shares	2,410,600
Increase due to purchase of shares of less than standard unit	1,972

b. Dividends

1) Dividends paid

For the year ended March 31, 2013

Resolution	Type of shares	Millions of yen Total dividends	Thousands of U.S. dollars Total dividends	Yen Dividends per share	U.S. dollars Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2012	Common stock	¥2,884	$30,674	¥22	$0.23	March 31, 2012	June 29, 2012

For the year ended March 31, 2012

Resolution	Type of shares	Millions of yen Total dividends	Yen Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2011	Common stock	¥2,937	¥22	March 31, 2011	June 30, 2011

2) Dividends with the cut-off date in the year ended March 31, 2013 and the effective date in the year ending March 31, 2014

Resolution	Type of shares	Millions of yen Total dividends	Thousands of U.S. dollars Total dividends	Source of dividends	Yen Dividends per share	U.S. dollars Dividends per share	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2013	Common stock	¥2,884	$30,674	Retained earnings	¥22	$0.23	March 31, 2013	June 28, 2013

15. Amounts per Share

The amounts per share of basic net income and net assets, presented below, are based on the weighted-average number of shares of common stock outstanding during each year and the number of shares of common stock outstanding at each balance sheet date, respectively.

	Yen		U.S. dollars
	2013	2012	**2013**
Basic net income	**¥ 54.57**	¥ 66.26	**$ 0.58**
Net assets	**1,324.13**	1,211.51	**14.08**

Per share amounts assuming full dilution have not been presented because no potential dilutive shares were outstanding at March 31, 2013 or 2012.

16. Supplementary Cash Flow Information

The following table presents a reconciliation of cash and bank deposits with cash and cash equivalents at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and bank deposits	**¥42,136**	¥41,692	**$448,022**
Time deposits with a maturity of more than three months	**(9,688)**	(7,633)	**(103,012)**
Money management funds and others included in short-term investments	**10,813**	7,525	**114,978**
Cash and cash equivalents	**¥43,261**	¥41,585	**$459,988**

17. Segment Information

(1) Summary of reportable segments

The Company defines a reportable segment as a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess its business performance and make decisions about resources to be allocated to the segment.

The Company has a division system based on product type and similarity in sales market, etc., and each division develops and implements comprehensive domestic and overseas strategies for its development, manufacturing and sales of products and service, and engages in its business activities globally.

Thus, reportable segments of the Company are divided into two categories based on product type and sales market.

"Light sources business" conducts manufacturing and sales of halogen lamps and discharge lamps, etc.

"Equipment business" conducts manufacturing and sales of visual image equipment and optical equipment, etc.

(2) The basis of measurement of net sales, income or loss, assets, liabilities, and other items by the reportable segment is generally consistent with the significant accounting policies of the Group. Segment income presents operating income of the segment. Intersegment sales and transfers are recognized based on the market price.

(3) Information about net sales, segment income or loss, assets, liabilities and other items by reportable segment

Millions of yen

Year ended March 31, 2013	Reportable segment: Light sources business	Reportable segment: Equipment business	Reportable segment: Total	Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales							
Sales to external customers	**¥54,332**	**¥85,859**	**¥140,192**	**¥ 3,269**	**¥143,461**	**¥ –**	**¥143,461**
Intersegment sales or transfers	**319**	**67**	**387**	**29**	**417**	**(417)**	**–**
Total	**¥54,652**	**¥85,927**	**¥140,579**	**¥ 3,299**	**¥143,879**	**¥ (417)**	**¥143,461**
Segment income	**¥ 6,197**	**¥ 1,158**	**¥ 7,356**	**¥ 109**	**¥ 7,465**	**¥ 116**	**¥ 7,582**
Segment assets	**76,515**	**93,693**	**170,208**	**30,993**	**201,202**	**27,455**	**228,657**
Other items:							
Depreciation	**2,509**	**4,197**	**6,707**	**34**	**6,741**	**–**	**6,741**
Amortization of goodwill	**24**	**176**	**200**	**0**	**201**	**–**	**201**
Investment in affiliates under equity method	**–**	**125**	**125**	**–**	**125**	**–**	**125**
Increase in property, plant and equipment and intangible fixed assets	**3,140**	**4,455**	**7,595**	**180**	**7,776**	**–**	**7,776**

Notes 1. "Other businesses" represents business segments including industrial machinery and others, which are not classified in either reportable segment.

2. Eliminations or unallocated amounts of segment income, amounting to ¥116 million, include elimination of intersegment transactions totaling ¥120 million. Eliminations or unallocated amounts of segment assets, amounting to ¥27,455 million, include elimination of intersegment receivables and payables totaling ¥(15,441) million and unallocated corporate assets totaling ¥42,933 million which consists primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities), etc.

3. Segment income is adjusted to operating income on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible fixed assets.

Millions of yen

Year ended March 31, 2012	Reportable segment: Light sources business	Reportable segment: Equipment business	Reportable segment: Total	Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales							
Sales to external customers	¥52,436	¥ 94,365	¥146,802	¥ 3,284	¥150,087	¥ –	¥150,087
Intersegment sales or transfers	98	146	244	79	324	(324)	–
Total	¥52,535	¥ 94,511	¥147,047	¥ 3,364	¥150,411	¥ (324)	¥150,087
Segment income	¥ 7,699	¥ 2,795	¥ 10,495	¥ 113	¥ 10,608	¥ 87	¥ 10,696
Segment assets	¥71,289	¥100,015	¥171,304	¥24,327	¥195,632	¥28,780	¥224,412
Other items:							
Depreciation	¥ 2,839	¥ 4,045	¥ 6,885	¥ 253	¥ 7,139	¥ –	¥ 7,139
Amortization of goodwill	21	294	316	5	321	–	321
Investment in affiliates under equity method	–	132	132	–	132	–	132
Increase in property, plant and equipment and intangible assets	3,423	5,366	8,789	157	8,947	–	8,947

Notes 1. "Other businesses" represents business segments including industrial machinery and others, which are not classified in either reportable segment.

2. Eliminations or unallocated amounts of segment income, amounting to ¥87 million, include elimination of intersegment transactions totaling ¥115 million. Eliminations or unallocated amounts of segment assets, amounting to ¥28,780 million, include elimination of intersegment receivables and payables totaling ¥(7,767) million and unallocated corporate assets totaling ¥36,563 million which consists primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities), etc.

3. Segment income is adjusted to operating income on the consolidated statements of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Year ended March 31, 2013	Thousands of U.S. dollars: Reportable segment: Light sources business	Equipment business	Total	Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales							
Sales to external customers	**$577,698**	**$912,914**	**$1,490,612**	**$ 34,766**	**$1,525,377**	**$ –**	**$1,525,377**
Intersegment sales or transfers	**3,402**	**721**	**4,123**	**318**	**4,441**	**(4,441)**	**–**
Total	**$581,100**	**$913,635**	**$1,494,735**	**$ 35,084**	**$1,529,819**	**$ (4,441)**	**$1,525,377**
Segment income	**$ 65,899**	**$ 12,318**	**$ 78,217**	**$ 1,165**	**$ 79,382**	**$ 1,238**	**$ 80,620**
Segment assets	**813,559**	**996,209**	**1,809,768**	**329,542**	**2,139,310**	**291,929**	**2,431,238**
Other items:							
Depreciation	**26,685**	**44,636**	**71,321**	**363**	**71,684**	**–**	**71,684**
Amortization of goodwill	**261**	**1,876**	**2,137**	**10**	**2,147**	**–**	**2,147**
Investment in affiliates under equity method	**–**	**1,339**	**1,339**	**–**	**1,339**	**–**	**1,339**
Increase in property, plant and equipment and intangible fixed assets	**33,390**	**47,375**	**80,765**	**1,922**	**82,687**	**–**	**82,687**

Notes 1. "Other businesses" represents business segments including industrial machinery and others, which are not classified in either reportable segment.
2. Eliminations or unallocated amounts of segment income, amounting to $1,238 thousand, include elimination of intersegment transactions totaling $1,276 thousand. Eliminations or unallocated amounts of segment assets, amounting to $291,929 thousand, include elimination of intersegment receivables and payables totaling $(164,183) thousand and unallocated corporate assets totaling $456,498 thousand which consists primarily of surplus funds (cash and short-term investments) and long-term investments (investment securities), etc.
3. Segment income is adjusted to operating income on the consolidated statement of income.
4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible fixed assets.

(4) Other segment information

Year ended March 31, 2013	Millions of yen: Reportable segment: Light sources business	Equipment business	Total	Other businesses	Total	Eliminations or unallocated amounts	Amounts on consolidated financial statements
Impairment losses	**¥68**	**¥1,363**	**¥1,432**	**¥ –**	**¥1,432**	**¥ –**	**¥1,432**
Goodwill:							
Amortized for the year	**24**	**176**	**200**	**0**	**201**	**–**	**201**
Balance	**79**	**603**	**683**	**–**	**683**	**–**	**683**

Notes 1. Of impairment losses of the light sources business, ¥1,362 million is included in losses on liquidation of business on the consolidated statement of income.
2. Elimination or unallocated amounts are impairment losses on idle assets and real estate which are not allocated to any reportable segment.

Year ended March 31, 2012	Millions of yen: Reportable segment: Light sources business	Equipment business	Total	Other businesses	Total	Eliminations or unallocated amounts	Amounts on consolidated financial statements
Impairment losses	¥221	¥355	¥577	¥–	¥577	¥252	¥829
Goodwill:							
Amortized for the year	21	294	316	5	321	–	321
Balance	104	379	483	–	483	–	483

Notes 1. Of impairment losses on the light sources business, ¥177 million is included in losses on liquidation of business on the consolidated statements of income.
2. Elimination or unallocated amounts are impairment losses on idle assets and real estate which are not allocated to any reportable segment.
3. In the equipment business, the Company converted ADTEC Engineering Co., Ltd. into a consolidated subsidiary by acquiring shares through tender offer. Along with this acquisition, gains on negative goodwill of ¥896 million were recorded in the fiscal year ended March 31, 2012.

Year ended March 31, 2013	Reportable segment: Light sources business	Reportable segment: Equipment business	Reportable segment: Total	Other businesses	Total	Eliminations or unallocated amounts	Amounts on consolidated financial statements
	Thousands of U.S. dollars						
Impairment losses	**$724**	**$14,503**	**$15,227**	**$ –**	**$15,227**	**$ –**	**$15,227**
Goodwill:							
Amortized for the year	**261**	**1,876**	**2,137**	**10**	**2,147**	**–**	**2,147**
Balance	**849**	**6,420**	**7,269**	**–**	**7,269**	**–**	**7,269**

Notes 1. Of impairment losses of the light sources business, $14,485 thousand is included in losses on liquidation of business on the consolidated statement of income.

2. Elimination or unallocated amounts are impairment losses on idle assets and real estate which are not allocated to any reportable segment.

(5) Related information

Information about net sales and property, plant and equipment by geographical area

Millions of yen / Thousands of U.S. dollars

Year ended March 31, 2013	Japan	North America: U.S.A.	North America: Other	Europe	Asia: China	Asia: Other	Other areas	Total
Net sales	**¥ 35,657**	**¥ 32,899**	**¥ 2,951**	**¥ 20,161**	**¥ 23,726**	**¥ 26,796**	**¥ 1,269**	**¥ 143,461**
	$379,133	**$349,812**	**$31,382**	**$214,370**	**$252,273**	**$284,913**	**$13,494**	**$1,525,377**

Millions of yen

Year ended March 31, 2012	Japan	North America: U.S.A.	North America: Other	Europe	Asia: China	Asia: Other	Other areas	Total
Net sales	¥ 39,794	¥ 32,830	¥ 7,313	¥ 21,612	¥ 19,951	¥ 27,255	¥ 1,329	¥ 150,087

Millions of yen / Thousands of U.S. dollars

Year ended March 31, 2013	Japan	North America: U.S.A.	North America: Canada	Europe	Asia	Other areas	Total
Property, plant and equipment	**¥ 23,421**	**¥ 4,893**	**¥ 4,462**	**¥ 755**	**¥ 3,221**	**¥ 23**	**¥ 36,776**
	$249,027	**$52,028**	**$47,445**	**$8,032**	**$34,248**	**$251**	**$391,031**

Millions of yen

Year ended March 31, 2012	Japan	North America: U.S.A.	North America: Canada	Europe	Asia	Other areas	Total
Property, plant and equipment	¥ 23,884	¥ 3,925	¥ 3,696	¥ 2,471	¥ 3,848	–	¥ 37,827

Information by product and service is omitted since the same information is already disclosed in (3) above.

Information about transactions with major customers is omitted since there is no external customer with a sales amount of 10% or more of the Group’s net sales.

18. Related Party Information

For the years ended March 31, 2013 and 2012, there are no relevant items on related party transactions and notes relating to significant affiliates.

19. Subsequent Events

There are no significant subsequent events.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
USHIO INC.

We have audited the accompanying consolidated financial statements of USHIO INC. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USHIO INC. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 27, 2013
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Investor Information

As of March 31, 2013

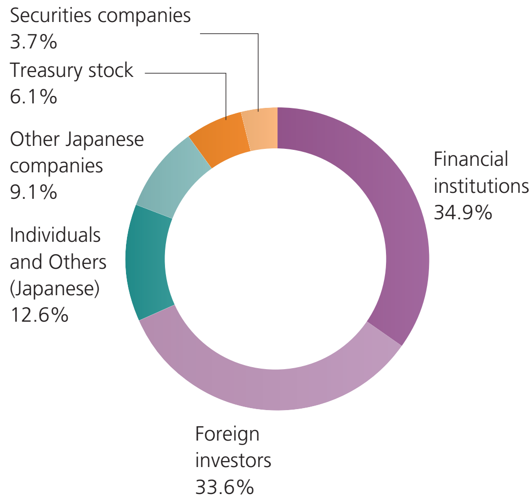
Total Number of Shares Issued	139,628,721
Number of Shareholders	15,240

Major Shareholders (holding 2 million shares or more)

Name	Number of shares (1,000 shares)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,249	5.90%
Japan Trustee Services Bank, Ltd. (Trust Account)	4,487	3.21%
Asahi Mutual Life Insurance Co.	4,477	3.20%
STATE STREET BANK CLIENT OMNIBUS OM04	4,385	3.14%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,248	3.04%
Aioi Nissay Dowa Insurance Co., Ltd.	3,964	2.83%
Resona Bank, Limited.	3,616	2.58%
JP MORGAN CHASE BANK 385174	3,577	2.56%
Mizuho Securities Co., Ltd.	3,468	2.48%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	3,372	2.41%
Jiro Ushio	3,201	2.29%
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited retrust portion/Resona Bank, Limited. Retirement Allowance Trust Account)	2,924	2.09%
STATE STREET BANK AND TRUST COMPANY	2,437	1.74%
THE USHIO FOUNDATION	2,400	1.71%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,274	1.62%
The Nomura Trust and Banking Co., Ltd. (Trust Account)	2,161	1.54%

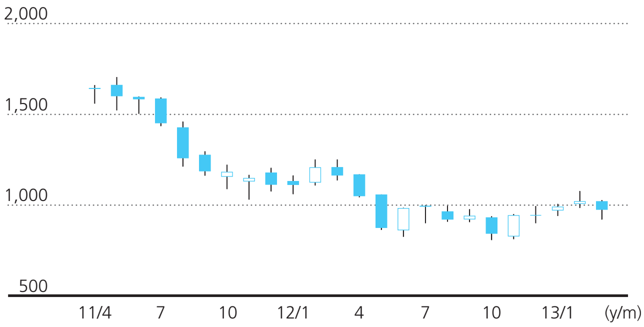
* In addition to the above, the Company owns 8,501 thousand shares of treasury stock.
* Each of the investment banks listed in the upper portion of the major shareholders table manages securities held by primarily Japanese institutional investors and is also the nominee for these investors. Trust accounts denote accounts that receive trusts such as pension trusts, investment trusts, and designated moneys in trust from the institutional investors concerned.

Composition of Shareholders



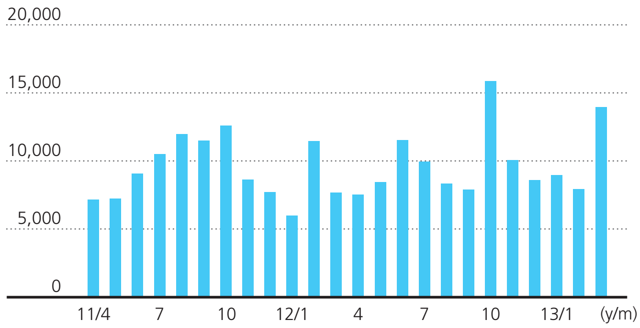
Stock Price Movement

(yen)



Stock Turnover

(thousands of shares)



Corporate Data

Established	March 1964
Paid-in capital	¥19,556,326,316

Employees: (as of March 31, 2013):	5,616
Parent company	1,793
Subsidiaries	
• Japan	574
• Overseas	3,249

Principal Business Units (as of March 31, 2013)

Parent company

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

Japanese subsidiaries

USHIO LIGHTING, INC.

XEBEX INC.

NIHON DENSHI GIJUTSU CO., LTD.

EPITEX INC.

ADTEC Engineering Co., Ltd.

5 other companies

Overseas subsidiaries

North America	USHIO AMERICA, INC.
	USHIO CANADA, INC.
	CHRISTIE DIGITAL SYSTEMS USA, INC.
	CHRISTIE DIGITAL SYSTEMS CANADA INC.
	CHRISTIE MEDICAL HOLDINGS, INC.
	NECSEL INTELLECTUAL PROPERTY, INC.
	VISTA CONTROL SYSTEMS, Corp.
Europe	USHIO EUROPE B.V.
	USHIO FRANCE S.A.R.L.
	USHIO DEUTSCHLAND GmbH
	USHIO U.K., LTD.
	BLV Licht- und Vakuumtechnik GmbH
	NATRIUM Sp. zo.o.
Asia	USHIO HONG KONG LTD.
	USHIO TAIWAN, INC.
	USHIO PHILIPPINES, INC.
	USHIO (SUZHOU) CO., LTD.
	USHIO ASIA PACIFIC PTE. LTD.
	USHIO KOREA, INC.
	USHIO SHANGHAI, INC.
	USHIO SHENZHEN, INC.

19 other companies

Environmental Consciousness of this Publication

This publication 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.

IR & Public Relations

USHIO INC.

2-6-1, Otemachi, Chiyoda-ku, Tokyo 100-8150, Japan

TEL: +81 3-3242-1815 FAX: +81 3-3245-0589

www.ushio.co.jp/global/

1308S①-500E①

Printed in Japan