

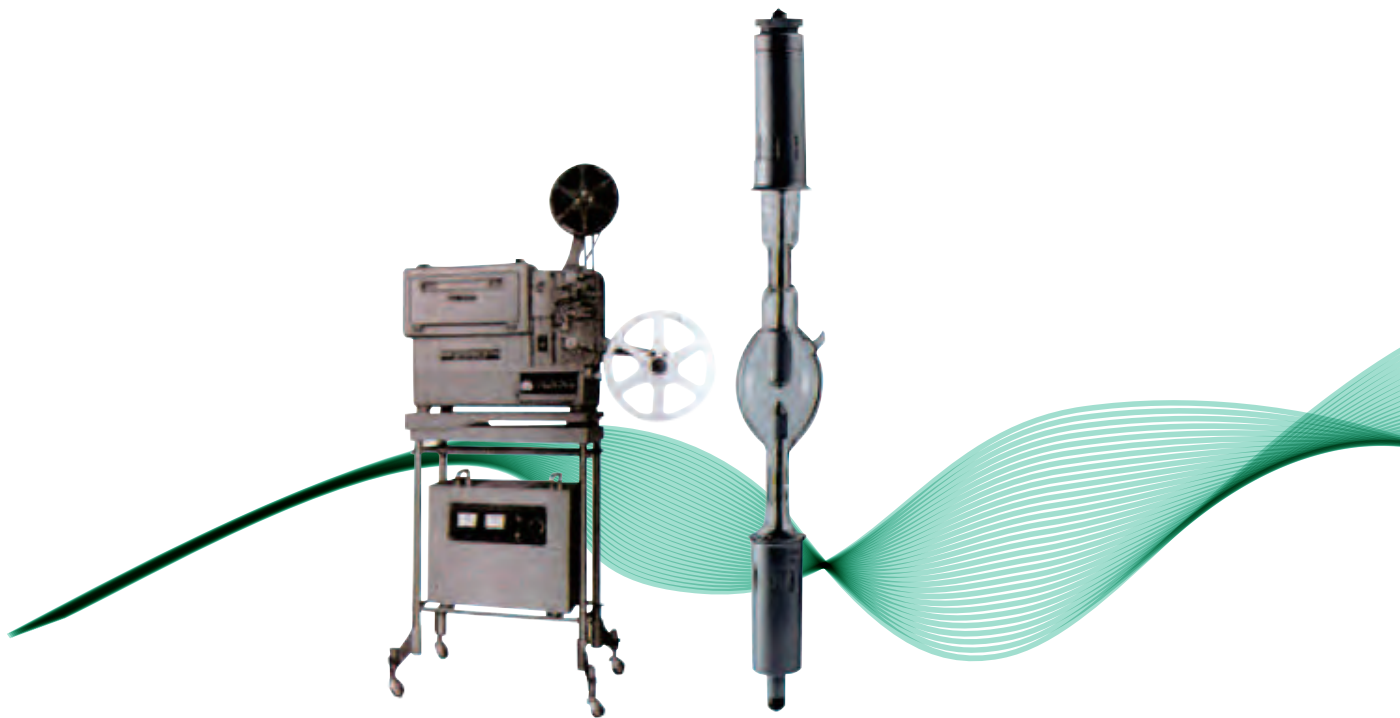
SUSTAINABILITY REPORT 2014

Year ended March 31, 2014



CREATING A BRIGHT FUTURE SINCE 1964

USHIO believes in the almost infinite possibilities that light can illuminate and accomplish. We are pioneering new markets that use light to not only illuminate but also to power modern life, using ultraviolet light to create photochemical energy and infrared light for thermal energy.



Xenon short arc lamp—a light that has been described as a “miniature sun.” A product that made xenon lamps the recognized standard for color movies.

(the left image is a xenon projector at the time)

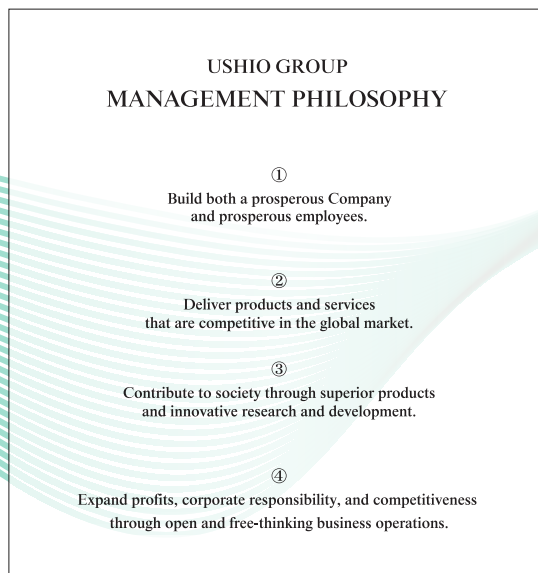
Editorial Policy

In choosing the material for this Sustainability Report 2014, we made an effort to report in greater depth on the correlation between management and corporate social responsibility (CSR) issues. We have also tried to create links so that the report will serve as a gateway to our CSR website and Online Annual Report. We have edited the report to make it easy to read for a wide stakeholder audience.

① CSR Report

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

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



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

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② Online Annual Report

For information about the USHIO Group's business activities, please see our Online Annual Report 2014, and our Group website.

Web <http://www.ushio.co.jp/en/ir/ar2014/>

Scope of Report

Time period: This report basically covers from April 1, 2013 to March 31, 2014, but also includes some continuing activities from fiscal 2012, and some activities in fiscal 2015.

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

FOR THE NEXT FIVE DECADES

On April 1, 2014, we marked the 50th anniversary of the establishment of USHIO INC. The tiny “light” that we created in 1964 has grown into a major source of energy, used across a wide range of fields from semiconductors and liquid crystal displays to visual and lighting equipment, medical and environmental applications. Now as a professional in the field of light, we will continue our journey to seek out its possibilities and to provide solutions that illuminate the future for the planet and the people who live on it.

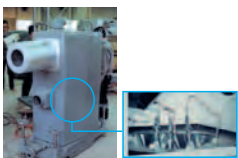
- Formulated the 10 Action Guidelines

- Acquired ISO 14001 (Harima)
- Acquired ISO 9001 (Gotemba)

- Acquired ISO 9001 (Harima)

1964

1990



(1965)
Solar simulator for the University of Tokyo
Solar Simulator 1 delivered to the University of Tokyo Institute of Space and Aeronautical Science



(1972)
Dirt incineration system / waste fluid and waste oil incinerating system
A foray into the field of pollution prevention



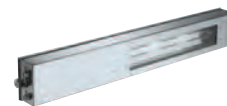
(1975)
Large-scale solar simulator for testing satellites
Delivered to the National Space Development Agency of Japan (currently the Japan Aerospace Exploration Agency)
Also participated in the Japanese government's Sunshine Plan



(1968)
IC exposure tool "Unimask"
The first commercial application of the projection method in the world and the origin of the current UX series



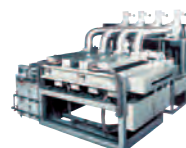
(1974)
UV water sterilization system
A UV water sterilization system using an inbuilt low-pressure UV lamp



(1982)
UNILIZER high-powered UV sterilization system
The world's first mass produced system with a ten-fold increase in sterilizing performance compared with conventional systems. Developed for sterilizing food packaging and containers, as well as water purification



(1971)
Standard halogen light bulb
USHIO's halogen light bulb is recognized by the International Commission on Illumination as the global standard



(1974)
UNICURE system UV curing and drying device
The UNICURE system cures using light. USHIO's best-selling product, it was initially developed for use with labels and stickers

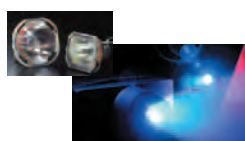


(1994)
Excimer VUV/03 Cleaning System
A fine cleaning system that uses light. Achieves more than 10-fold increase in cleaning speed and cleanliness over wet cleaning using water or chemicals, or dry cleaning uses ultrasonic waves or low-pressure UV lamps, and consumes only 1/3 of the electricity while enabling low-temperature processing

	PHASE 1	PHASE 2	PHASE 3
MEDIUM-TERM PLANNING FOR CSR	Form an infrastructure for CSR initiatives, gather information	Dig deeper into CSR issues	Complete integration of management strategy with CSR issues
	<ul style="list-style-type: none"> Formulated the USHIO Group Management Philosophy Started publishing the Sustainability Report (Changed from the Environmental Report) 	<ul style="list-style-type: none"> Start of a wide-area accredited collection business for semiconductors and LCD lamps Launched integrated ISO (quality and environment) Started collection and recycling of cinema projector lamps 	<ul style="list-style-type: none"> Integrated ISO renewal examination Announced a Basic Policy Statement for Conflict Minerals (conducted survey) Signed the United Nations Global Compact Changed the name of the Environmental Committee to the CSR Committee ISO integrated survey CSR Action Plan
	<ul style="list-style-type: none"> Established CSR Department 		

USHIO'S ENVIRONMENTAL INITIATIVES	PHASE 1	PHASE 2	PHASE 3	PHASE 4
	<ul style="list-style-type: none"> Acquired ISO 14001 (Companywide) Started publishing Environmental Report Started risk avoidance at business sites 	<ul style="list-style-type: none"> Environmental tasks incorporated at productivity improvement meeting Introduced material flow cost accounting Risk Management Guidelines established 	<ul style="list-style-type: none"> Introduced environmental management information system Established the USHIO Group Green Procurement Standards 	<ul style="list-style-type: none"> Transition from in-house company system to business division system
	<ul style="list-style-type: none"> Launched Environmental Committee 			
	<ul style="list-style-type: none"> Introduced electric power monitor system 			
	<ul style="list-style-type: none"> Introduced waste measurement system (Harima) 			

2000 2010 2014



(1998)
NSH lamp for LCD projector
These lamps can be used with DLP® (digital light processing)-type projectors to increase their screen size or picture quality. A high-luminosity light source developed based on super-high pressure UV lamps



(2008)
24 Mercury-free fluorescent lamp XEFL®
The world's first mercury-free light source able to select the required wavelengths of light from the UV spectrum



(2010)
UX-5 series modular steppers for semiconductor package substrates
The UX-5 developed in 1999 upgraded to meet the performance requirements of the current generation. In the future, it will be possible to upgrade and customize functions selectively as required



(2013)
37 Point Reader® blood analyzer
The first system in Japan to achieve quantitative measurements of serum ferritin using the immunochromatography method

Net sales
¥157.8 billion

Employees
5,470



(1999)
Digital Cinema Project
First used in the U.S. to screen Star Wars. Today, USHIO has a 40%* share of the market



(2008)
Energy-saving fish-luring light U-BEAM.eco
Winner of the Eco-Products Awards Minister of Agriculture, Forestry, and Fisheries Prize, and the Environment Minister's Award for Global Warming Prevention Activity.



(2011)
LED Modules for Office Automation Equipment for Reading Documents
Achieves the same level of brightness as conventional rare-gas fluorescent lamps using only 1 or 2 LED chips per unit, enabling a 75% saving in electricity



(2013)
Photo alignment system
Controls the direction of light in non-contact cleaning by light, greatly improving yield and product performance

(2008)
TheraBeam UV308® excimer UV phototherapy device
The TheraBeam® treats patients with skin diseases such as psoriasis, vitiligo, and atopic dermatitis by irradiating them with UV light in the 308 nm band from an excimer light, which offers improved therapeutic effects. It is the first UV phototherapy device with an excimer filter, which reduces the risk of damage to healthy skin to provide safe, effective irradiation therapy



(2009)
LED Spot UV Irradiation Unit "SPL-1"
First use of an LED light source in the SPOT CURE light-concentrating UV irradiation unit, which has been continued since 1972



(2012)
Min-Excimer excimer irradiation unit
An A5 paper sheet-sized excimer irradiation unit that enables table-top excimer light experiments. The unit enables excimer light experiments such as inducing hydrophilicity or form changing simply and flexibly



*Percentage is as of the end of March 2014. Based on USHIO data.

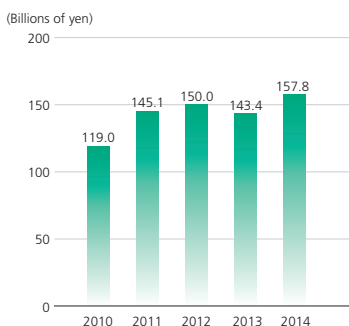
Top Message

USHIO PROMOTES LIGHT-RELATED BUSINESSES THAT SOLVE SOCIAL ISSUES WHILE GROWING TOGETHER WITH SOCIETY

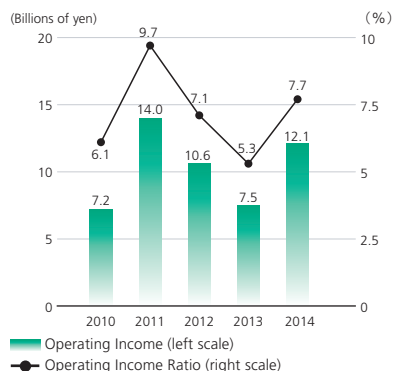


My name is Kenji Hamashima. On October 1, 2014, I was appointed President and Chief Executive Officer of USHIO, INC. In April 2014, USHIO celebrated the 50th anniversary of its founding. The small ray of light that USHIO brought into being in 1964 has grown into a source of both illumination and energy for a variety of industrial fields. As I assume leadership of the USHIO management team, rest assured and expect that we remain as committed as ever to contributing solutions to society's issues through a focus on cutting-edge technologies that push the possibilities of light, together with highly transparent management.

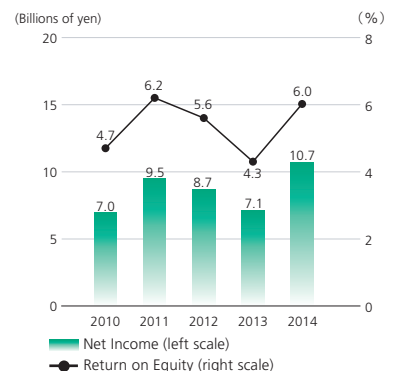
Net Sales



Operating Income / Operating Income Ratio



Net Income / Return on Equity (ROE)



Fiscal 2014 Performance

In the fiscal year ended March 31, 2014, sales and income increased year on year in both the light sources business and the equipment business segments. Net sales were ¥157.80 billion, ordinary income was ¥15.94 billion, operating income was ¥12.11 billion, and net income was ¥10.77 billion.

Medium-term Management Plan

In our three-year medium-term plan announced in April 2014, we set a net sales target for the fiscal year ending March 31, 2017 of ¥210.0 billion, an increase of approximately 30% compared with net sales in the fiscal year ended March 31, 2014.

To meet this target, we will position the fields described below in the electronics, imaging, and medical and life sciences markets as growth drivers, then move to further ramp up the pace at which we develop both new markets and our one-stop solution business. We also hope to earn trust as a company that contributes solidly to global society through high-quality products and services backed by superior technology. We will do this through innovation and a deep commitment to management that prioritizes speed not only in our products but also across all operations—from R&D through to sales and distribution.

In the drive to realize this goal, it is essential to put management systems and a working environment in place that can optimally draw upon the sensitivity, creativity, ideas and passion of all of our employees. This is the source of our innovation, and we will make every effort to address it as an urgent management issue.

New Cinema-Related Business and New Light Sources

In the imaging equipment sector USHIO will launch a new audio business offering high sound quality in cinemas to further build up a business offering a one-stop solution. Currently, we are also investing actively in development of laser diode-based laser projectors. Since these projectors offer numerous benefits to cinemas and their customers in terms of outstanding environmental performance and deliver extremely bright images, they are expected to gain popularity all over the world in the future.

High-Definition Displays Leading to Expansion in Optical Equipment

In the LCD panel market for smart phones and tablet PCs, USHIO has launched its photo-alignment system, which went on sale during the fiscal year ended March 2014. USHIO's photo-alignment technology uses the action of light on liquid crystal, a distinctive difference from conventional technologies. It produces an extremely high yield while enabling high-quality panel manufacture that conserves energy and achieves high precision. Meanwhile, we intend to invest actively in product development targeting the next generation in the semiconductor and electronic component fields. Specifically, we will invest in high-tech equipment, as well as automotive and medical equipment—all of which offer good prospects for future growth.

Promoting Early Commercialization of Solid-State Light Sources

In the light sources business, we are actively working in the environmental field such as using UV and VUV

MEDIUM-TERM MANAGEMENT PLAN

	2014 (actual)	2015 (plan)	2017 (plan)
Net Sales	¥157.8 billion	¥170.0 billion	¥210.0 billion
Operating Income	¥12.1 billion	¥14.0 billion	¥21.0 billion
Operating Income Ratio	7.7%	8%	10%
Return on Equity (ROE)(%)	6%	—	More than 8%

light for sterilization, disinfection, deodorization, and denitration. We also plan to offer a lineup of value-added LED light sources developed primarily through our partnership with an architectural design firm.

Moreover, we restructured our solid-state light sources business into a new, independent organization on April 1, 2014, in order to hasten its development into a commercially viable business. Looking ahead, we will make even greater investments in development to ensure that the business has products to market and starts commercial operation as soon as possible.

An Independent Business Unit for Biomedical Operations

We are taking a similar approach in our biomedical operations, where we aim to accelerate growth by making the relevant business unit into an independent organization. It takes time to obtain pharmaceutical licenses for medical products, and one current task is therefore to work on obtaining the necessary licenses in each country. At the same time, however, we are stepping up our efforts, including development of new reagents. To this end, we are strengthening our collaboration with academic and governmental organizations including university hospitals. In future, we intend our biomedical operations to rank alongside our visual imaging and electronics operations in terms of scale, and we are actively committing resources to achieve this.

USHIO as a Global Company and CSR

This year USHIO celebrated the 50th anniversary of its founding. Today, we have more than 50 Group companies in Japan and overseas, and almost 80% of our consolidated net sales are accounted for by sales to overseas customers. Of the Group's 5,470 employees, 3,089, or more than half, are employed by Group companies overseas, and our management itself is becoming more global.

From my stint as CFO at USHIO AMERICA in 1990 until my recent appointment as President and CEO, I have served for many years as part of the management team at USHIO AMERICA and CHRISTIE, both in the United States and Canada. Referencing that experience, allow me to introduce the Group governance approaches and mechanisms USHIO adopts as a global company with respect to diverse regions and people.

Organizational Governance Based on Renpo Keiei Group Management Philosophy

Roughly translated as "Mountain Peak Management," Renpo Keiei has been the USHIO Group management philosophy since day one. Rather than a group structure topped by USHIO INC., the image is one of a group comprised of all companies, each representing individual "peaks" that form an optimal group configuration. This promotes respect for the spirit of self-reliance, independence and the diversity of each company, while also sharing common values. Today, USHIO has developed under this philosophy the mechanism for organizational governance described below.

We have a system for sharing information such as our corporate ethics and basic approach to CSR. In this system, the top management of each Group company share information at a CSR-related session provided in the meeting of the Group Coordination Council, while the respective Group Communication Committee representatives share information at committee meetings. Finally, all employees share information through the Group in-house bulletin. In addition, each Group company we respect each Group company's policies based on individuality, independence, and autonomy to ensure that day-to-day operations are in keeping with local culture, history, and other background aspects.

Furthermore, to ensure that this system is effective, USHIO has established a CSR Committee, which I chair as the president, to decide on overall Company policy. We also established separate subcommittees for each initiative and issue that we are addressing, and these are linked with our business divisions and Group companies.

Group Companies Meet Diverse Social Needs

To improve the quality of life for employees, our Hong Kong subsidiary has reformed rooms in the singles dormitory, making them useable by many more employees now, including those with families. We have also been the first among other companies in our industrial park to create a staff cafeteria, which has helped to reduce absences from work. These examples show how much progress our Group companies have made in putting a working environment in place based on an understanding of local needs. The subsidiaries in North America where I spent many years engage in both social contribution, most notably cooperation with local volunteer organizations, and local communication activities. In addition to active participation in these programs by many employees each year, they also provide corporate support for various causes.

Meanwhile, in Japan, we are facing different issues. The direction of government action has shifted markedly from responding to a decline in the working population, to promoting greater participation by women in the workforce. At USHIO we have further advanced our existing measures, such as a system for supporting working while also raising children, a childcare leave system, and a policy of gender-blind appointments to management roles. By doing so, we are confident that we will see an increase in opportunities for women going forward.

Promoting Light-Related Businesses that Solve Social Issues

In the fiscal year ended March 31, 2014, USHIO made both its solid-state light sources business and biomedical businesses into a new independent organization in order to accelerate light-related businesses that can solve social issues. Currently, the organization is not very large, but in the future, we plan to develop it into a third main earnings source.

There are still many possibilities of light that have not yet been discovered, representing a vast, untapped potential. As a leading light technology company, we will combine the latest research results and previous knowledge with society's needs in order to pioneer new applications for light. We are already developing a series of products to solve pressing issues. One example appears in the feature section of this report, where we introduce a light device that enables mass volume exports of fresh, high-quality Japanese agricultural produce, and another that can breakdown atmospheric pollutants with extremely high efficiency. I hope you will take a look through this section.

At the juncture of our 50th anniversary, I would like to reaffirm our commitment to continue to contribute to society by providing "light" solutions as USHIO has done thus far. My aspiration for my appointment as president is to convey to all of you our desire to continue growing together with society. I hope you will continue to support our efforts even further.

October 2014



Kenji Hamashima
President and Chief Executive Officer



Amazing Invisible Light

Have you heard of vacuum ultraviolet (VUV) radiation? It is found in sunlight, but as it travels through air it is absorbed by the oxygen, so it doesn't reach the surface of the Earth. It was given its name because it can exist only in a vacuum. Of all types of light, VUV has the shortest wavelength, packing the greatest punch in terms of energy. It is known that it can trigger a variety of photochemical and biological reactions and it is used in a wide range of contexts, including semiconductor manufacturing and photo-cleaning of LCD panels. Now it is attracting attention as one way of tackling issues of global concern, including those relating to the environment, agriculture, and energy.

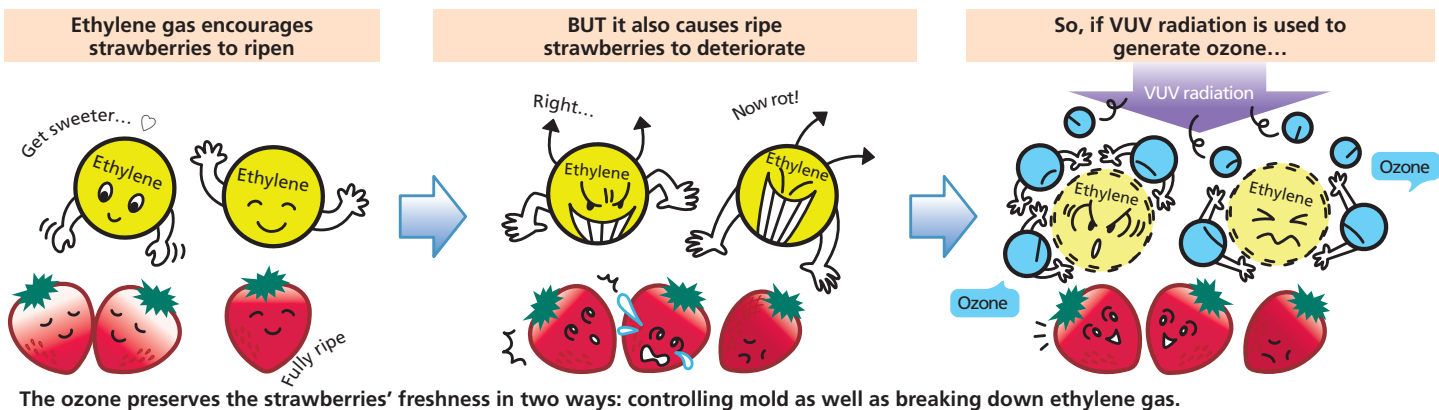
Invisible Light Makes Plants Grow?

Light plays a major role in the growth of plants, and its benefits differ according to the wavelength: Infrared light has the greatest effect on photosynthesis, while UV light is believed to be necessary for normal development of leaf shape. Recent research demonstrated that UV radiation with a wavelength of 320 nm (UVB radiation) increases the content of an antioxidant enzyme known as anthocyanin in leaf lettuce, enabling particularly nutritious lettuces to be grown. Remarkably, however, it also showed that UV radiation of the same wavelength can hinder growth, depending on the plant's stage of development.

So, what uses might there be for this VUV radiation of 200 nm or less that doesn't reach the Earth's surface?

Mass-Exporting Strawberries

Japanese strawberries are mouthwatering and are especially popular elsewhere in Asia, where they fetch high prices. But strawberries easily lose their freshness and go moldy, so they can be exported only by air. The problem is that air transport is costly, which limits the quantity of strawberries that can be exported.



That is why exporters are currently looking into ship-based transportation methods that could deliver greater quantities of strawberries to consumer locations overseas. The key issue is how to prevent the strawberries from after-ripening (ripening further once they are picked) and curb the growth of mold. This is where VUV radiation and ozone come into play.

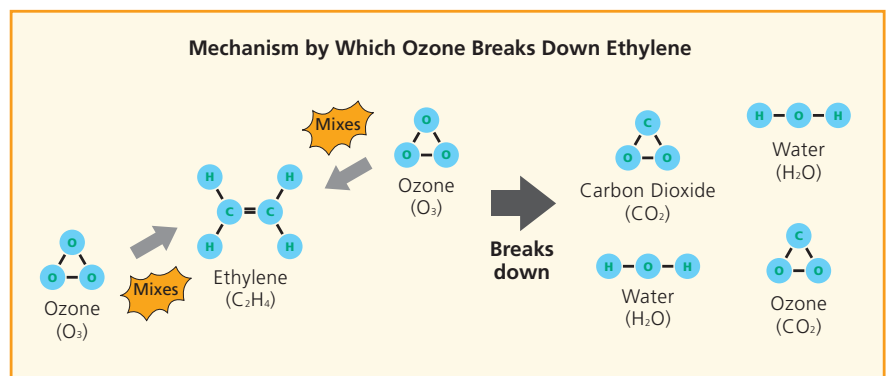
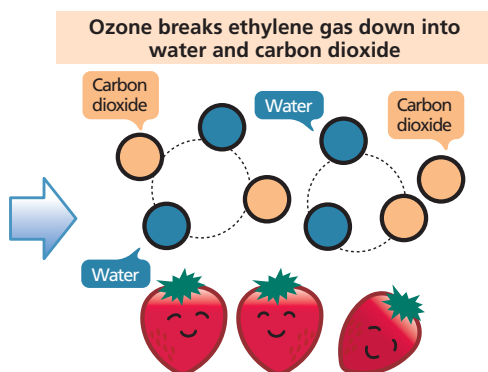
Ozone Prevents Deterioration?

The maturation hormone ethylene enables fruit to grow. Once the fruit is harvested, however, it will continue to after-ripen, releasing ethylene gas that then causes deterioration or rotting, and spoils the surrounding fruit as well.

Despite being essential for growth, therefore, ethylene gas also causes ripe fruit to deteriorate. However, the gas can be broken down, and its effects halted, using ozone, which breaks ethylene down into water and carbon dioxide (see figure below). If a shipping container holding fruit is filled with ozone, the ozone can prevent ethylene-induced deterioration of the fruit within the container and preserve the fruit's freshness. And it is VUV radiation that is necessary to produce ozone.

Generating Clean Ozone with VUV Radiation

There are several methods of producing ozone, and the one most commonly used these days employs electrical discharge. However, production of ozone using electrical discharge also generates nitrogen oxide (NOx), which is extremely harmful to human health. An alternative method, therefore, is to expose oxygen to UV radiation. This method can produce clean ozone, but UV light contains a mixture of wavelengths, some of which generate ozone, while others break the ozone down, making conventional UV lamps extremely inefficient. USHIO addressed this problem by developing a VUV lamp that can deliver precisely the 172 nm wavelength light that generates ozone, excluding all other wavelengths. USHIO is already collaborating with fruit producers and shipping operators to start developing and testing ozone generating devices incorporating this lamp for use in containers. Perhaps it won't be too long before USHIO'S light-based technology enables Japan's juicy strawberries to be mass-delivered to people all over the world.



VUV Radiation Also Offers Answers to Environmental Problems

Air, soil, and water pollution are now serious issues for countries all over the world. However, technologies to combat that pollution are steadily making headway, and this is another field in which USHIO's VUV technology is playing an active role.

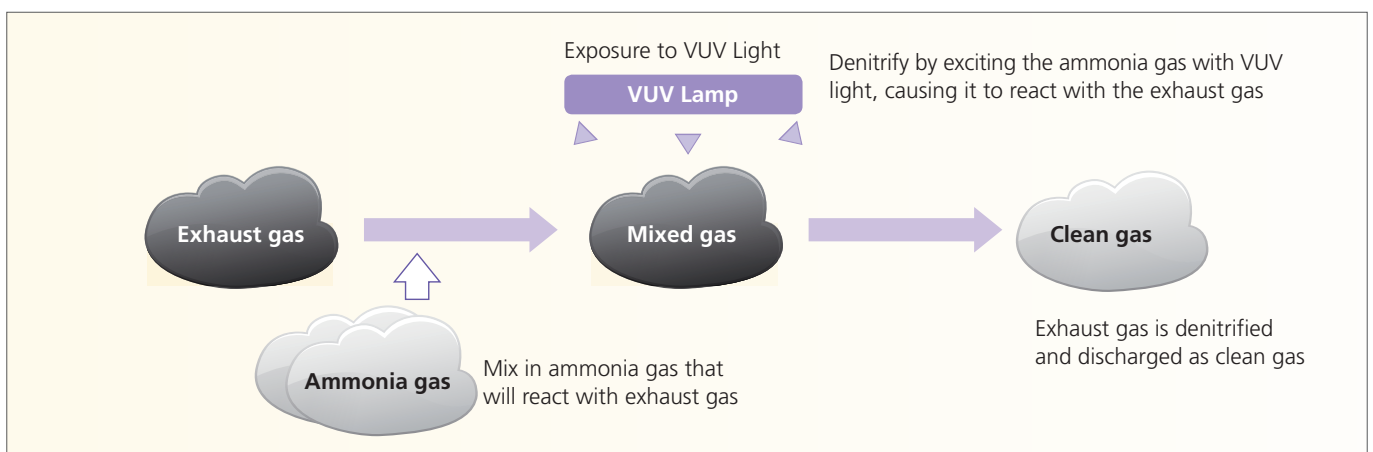
Breaking Down NOx, the Cause of Photochemical Smog

There are a whole range of substances that cause atmospheric pollution, but NOx is the one that causes photochemical smog and acid rain. It is emitted from the diesel engines of cars, ships, and other vehicles, as well as from thermal power stations and garbage incineration plants, among other sources. However, this harmful NOx can be broken down into harmless nitrogen and water vapor using a technology known as denitration. In the past, this meant using an expensive catalyst that had to be constantly replenished, or using ammonia to

treat exhaust gas at 900°C or higher. It is now possible, however, to directly expose exhaust gas containing a combination of NOx, ammonia, and oxygen to VUV radiation, thereby rendering the NOx harmless at an ambient temperature and without the need for an expensive catalyst. This new technology* offers potential for use with such pollution sources as diesel engines, which emit exhaust gas at a low temperature, making the use of previous denitration technologies difficult.

* Developed jointly by USHIO, Gifu University, and ACTREE Corporation
Denitration Using VUV Light

Denitration Using VUV Light





Is That Incinerator Ash Really Safe?

When garbage comprising a variety of materials is incinerated, the majority of the resulting ash (including fly ash) is disposed of via landfill. However, this ash contains traces of lead chloride and cyanide, which are easily soluble in rainwater and groundwater. Lead is known to cause poisoning, and ingestion of even a small amount can cause anemia or neurological disorders. In the past, therefore, soil and water pollution was prevented by mixing in chemicals that render metals less soluble, or covering the ash with a sheet to avoid scattering, then letting nature take its course for years, or even decades, until the lead oxidized. But operators of incineration plants are now seeking a more efficient, safe, and reliable disposal method.

Both Lead and Mercury Can Be Treated Using VUV Radiation

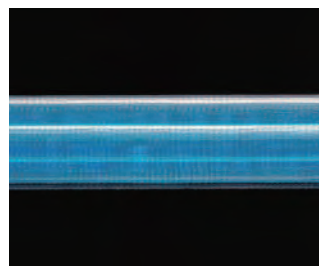
Research is currently being conducted into the efficacy of causing a chemical reaction between ozone and the lead in incinerator ash, turning the lead into lead oxide, which is not easily soluble in water. In addition, research has started on a new method for treating mercury, which is also harmful to human health. In both cases, generation of ozone using VUV radiation is regarded as the most promising method. It is considered to be the best way of resolving environmental issues because it can generate clean ozone without emitting any substances harmful to either humans or the natural environment.

VUV Radiation Can Also Reduce CO₂ Emissions?

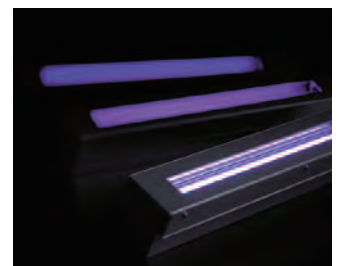
It is known that when the wavelength of VUV radiation is shorter than that at which ozone can be generated, it contains light with a distinctive ability to break down carbon dioxide. In fact, it has been suggested that we could use this particular light to break carbon dioxide down into oxygen and carbon, releasing the oxygen into the atmosphere and using the carbon for energy. This may sound like a pipe dream, but considering that coal is derived from plants that took in carbon dioxide, used photosynthesis to grow, and subsequently transformed themselves over time, maybe it is not so far-fetched after all.

At USHIO we believe that light offers limitless potential, and that it can provide the answers to several of the issues currently facing humankind. We will continue to rise to the challenge of unlocking that potential.

USHIO's VUV lamps

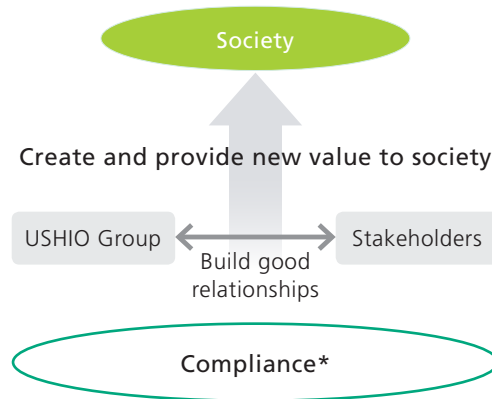


Excimer lamp



UV-XEFL lamps

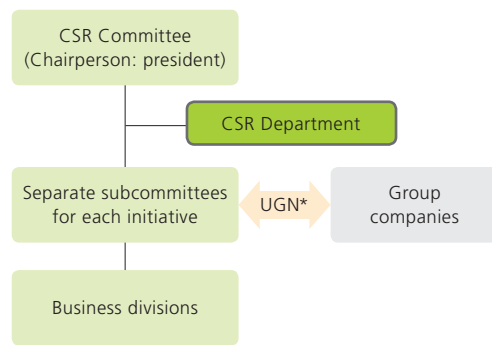
Approach to Corporate Social Responsibility (CSR*)



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

CSR Promotion Framework

CSR Promotion Framework



USHIO has established a CSR Committee, which is chaired by the president. The committee decides on policies for the whole Company relating to CSR initiatives. The CSR Committee establishes subcommittees as needed to oversee practical implementation of the policies it has decided, and discusses specific initiatives and ways to promote them. At the 21st CSR Committee meeting held in October 2013, the members confirmed current priorities to be addressed and initiatives to be taken going forward.

Furthermore, at the Group CSR Council held in March 2014, the top management of Group companies attended from bases around the world, reporting on diverse social needs and sharing their respective priorities with the entire Group. The attendees confirmed their commitment to carrying out specific activities under the Group CSR plan.

United Nations Global Compact's* Ten Principles



Network Japan
WE SUPPORT

USHIO has declared its support for the United Nations Global Compact of principles concerning human rights, labor standards, the environment and anti-corruption. We have joined the local UN network supporting the compact, Global Compact Japan Network, and have taken an active role in various sectional activities, including our involvement in co-sponsoring a proposal on supply chain management as one of the participating companies. We have joined the local UN network supporting the compact, Global Compact Japan Network, and are working to promote all facets of CSR among the many other participating companies. To this end, we have taken an active role in sectional activities for sharing information on necessary specific measures, and enhancing the activities of each company.

Please see the separate glossary for explanations of words marked with an asterisk (*).

[Web http://www.ushio.co.jp/en/csrprogram](http://www.ushio.co.jp/en/csrprogram) (Toward Realizing a Sustainable Society)

Medium-term Plan for CSR

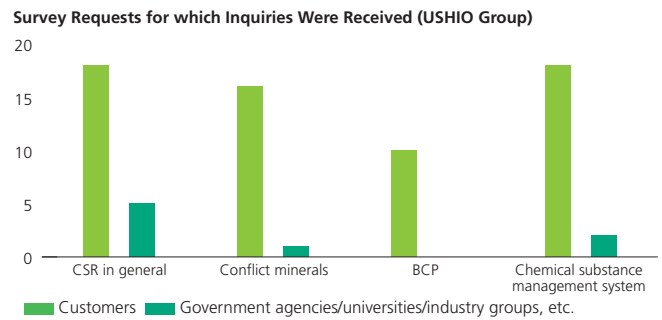
USHIO established the CSR Department in 2009, and formulated a medium-term CSR plan aimed at fusing the Company's management strategies through to 2016 with its CSR tasks. USHIO's medium-term CSR planning comprises three phases over a seven-year period. In phase-1 (2010 to 2012), we focused our efforts on "forming an infrastructure for CSR initiatives" and achieved our initial targets. We are currently in phase-2 (2013 to 2014) during which we are working to "dig deeper into CSR issues."

Phase-2

In phase-2, the current phase, we have started off a PDCA cycle for fusing the actual business operations of our business divisions and Group companies with CSR aspects, by ensuring that the activity infrastructure we built during phase-1 is functioning effectively. Specifically, under the direction of the president, who is the chairperson of the CSR Committee, in fiscal 2013 we strenuously promoted these respective CSR initiatives within our business confines, treating the CSR Action Plan as a guiding principle for fitting in our five CSR pillars harmoniously with the business plan and momentum of each division and department. Each department brought up a host of measures and plans relating to human resource development, customer satisfaction, diversity, environmentally responsible products, and so forth, which were discussed.

In the fiscal year ended March 31, 2014, we conducted a survey of all Group companies and business sites regarding CSR tasks in each Group company. We plan to use this survey as a starting point for stepping up our stakeholder engagement across the entire Group going forward.

The results of the survey were as follows:



CSR Action Plan

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

Formulation of a CSR Action Plan under the Five Pillars

Five Pillars	Issues	Fiscal 2015 Action Plans
Governance Establish a compliance system that encompasses international standards in global corporate activities, work to publicize CSR-related information and establish stakeholder communication, and strengthen and enhance the governance framework	<ul style="list-style-type: none"> Promulgation throughout the Company Internal control* Global measures Formulation of BCP* Compliance and ethics Strengthen information security Protecting property rights Fair and impartial business activities 	<ul style="list-style-type: none"> Promotion of risk management Take steps to promote observance of laws and regulations Strengthen information security Protect and make strategic use of intellectual property rights Formulate a business continuity plan
People Considering workplace environments, human rights, and diversity of values in hiring and using human resources	<ul style="list-style-type: none"> Human rights Promotion of diversity Promotion of work-life balance Health and safety Human resources 	<ul style="list-style-type: none"> Promote formulation and implementation of human resource development plans based on a long-term perspective Promote diversity (development and utilization of local human resources, development and utilization without regard to gender or race) Total work hour reduction to promote work-life balance Promote safety measures Conduct human rights education (avoid contributing to human rights issues, conduct due diligence)
Quality Initiatives to meet the needs of customers, shareholders, and business partners based on observance of market rules, and regulations	<ul style="list-style-type: none"> CSR procurement Quality Creation of solutions to meet new social needs* 	<ul style="list-style-type: none"> Increase customer satisfaction through quality improvement Strengthen supply chain (promote green procurement and CSR procurement) Promote business in emerging countries based on social priorities and needs, pioneer new applications and develop new products Product safety assessment
Environment Engage in corporate activities to protect the environment. Strive to meet both environmental and business needs, including addressing global environmental problems affecting biotopes	<ul style="list-style-type: none"> Expanding sales of environmentally conscious products Global warming countermeasures Chemical substance management Resource conservation — Biodiversity preservation 	<ul style="list-style-type: none"> Targets and Proposals Based on Phase Four of the Environmental Action Plan Implement initiatives to conserve energy and resources In product development, use substitute technologies and gather information in anticipation of environmental regulation trends In product development, use designs that reduce the number of components and the amount of labor in manufacturing Use environmentally responsible products when selecting components and materials Construct systems that support efficient operations Strengthen chemical substance management
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	<ul style="list-style-type: none"> Social contribution activities 	<ul style="list-style-type: none"> Increase corporate value by proactively contributing to society Implement community interaction and volunteer activities Promote business that contributes to social issues through links with NPOs and NGOs Promote business in emerging countries

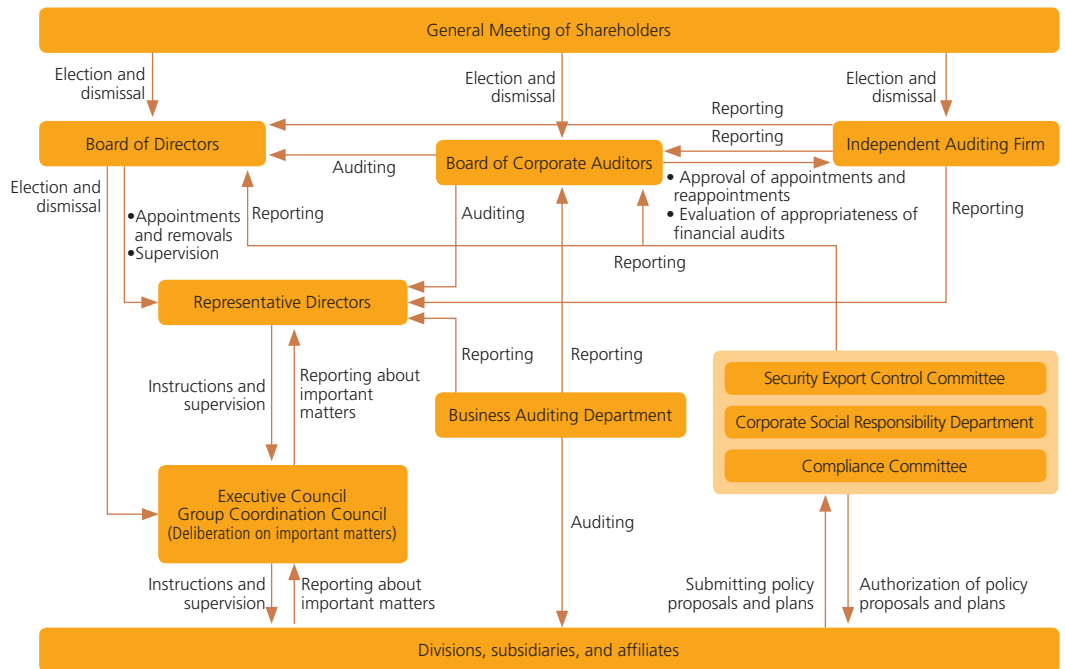
CORPORATE GOVERNANCE AND COMPLIANCE

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

Corporate Governance* Framework

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

USHIO's Internal Control Framework



Web <http://www.ushio.co.jp/en/governance> (Corporate Governance System)

Web <http://www.ushio.co.jp/en/compliance> (Compliance)

Board of Directors and Outside Directors

The Board of Directors comprises a total of 11 directors: 9 internal directors and 2 highly independent outside directors. Internal directors with complete knowledge of the Company's business details ensure prompt decision making, while the appointment of independent outside directors strengthen monitoring and help maintain the objectivity of management. Based on the Tokyo Stock Exchange's rules for protecting general shareholders, USHIO has filed a notice stating that its outside directors are independent directors who have no conflict of interest with general shareholders.

*Interviews with newly appointed an outside director can be viewed on our website.

Web <http://www.ushio.co.jp/en/ir/ar2014/governance/interview.html>

Audits by Corporate Auditors

USHIO has a Board of Corporate Auditors with five members that include three outside auditors who are independent of the USHIO Group. The outside corporate auditors are professionals in fields such as finance, accounting, and law. The inclusion of outside corporate auditors makes it possible to perform audits from an objective and neutral perspective. The board submits reports concerning legally required items and other matters to the Board of Corporate Auditors. Other matters include items that may have a significant impact on the entire Group, important items concerning monthly business operations, and other information that should be reported. The outside corporate auditors submit an annual auditing plan to the Board of Corporate Auditors and explain its specific auditing objectives to the corporate auditors. In addition, the outside corporate auditors provide 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 outside corporate auditors and Board of Corporate Auditors.

*Interviews with newly appointed an outside auditor can be viewed on our website.

Web <http://www.ushio.co.jp/en/ir/ar2014/governance/interview.html>

Business Audits

The importance of internal audits has increased along with the enactment of the Companies Act and Financial Instruments and Exchange Act of Japan, and in order to prevent corporate impropriety. Besides compliance audits of laws, regulations and so forth, and assessments of the design and operation of internal controls, internal audits must now also serve as a consulting function with a view to improving business processes and other aspects of the company. At USHIO, we conduct various audits, including compliance audits and audits of export controls, both internally and at our Group companies. To ensure the quality and raise the effectiveness of these audits, the corporate auditors coordinate with relevant departments at all times. The theme and inspection items in our internal audits are selected in accordance with the situation of the organization to be audited from the perspectives of the Company's business aims and minimizing management risks. We take care to ensure that the audits provide value by helping USHIO achieve its organizational objectives. Moreover, the indications and recommendations raised by the internal audits are followed through periodically until the required improvements have been made. We will continue to have audits conducted in close observation of actual frontline business conditions with a

view to issuing recommendations for streamlining management, improving business operations, safeguarding assets, and improving the management structure while minimizing risks.

Compliance

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

Information Security

USHIO often handles customers' private information or is entrusted with their important company information and other information assets in the course of its business activities. We consider it a top priority to safeguard such information from threats such as leaks and modification. Moreover, because we recognize that information is an asset that generates value, and is a source for increasing corporate value, we are taking measures such as raising awareness of information security among our employees and improving our risk management systems. This kind of management requires three interlocking initiatives: rules must be determined, a framework must be created for observing those rules, and awareness must be raised. We implement these based on our information security management rules. Our next step will be to make sure these rules are applied uniformly and consistently for the USHIO Group throughout the world.

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

It is also important to enhance information security awareness and skills for each individual employee in order to prevent information leaks. We have therefore taken steps to increase awareness among employees of the various threats and opportunities where leaks may occur, by implementing a companywide e-learning program, and conducting level-specific training for new recruits. In fiscal 2014, we will promote these initiatives by operating a PDCA cycle to ensure that this awareness penetrates our entire organization at every level.

Fair and Equitable Business Transactions

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

WORKING TOGETHER WITH EMPLOYEES

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

Respecting Human Rights

The USHIO Group respects the International Labor Organization's* Declaration on Fundamental Principles and Rights at Work. USHIO also declared its support for the ten principles of the United Nations Global Compact in October 2010. The principles relate to human rights, labor, the environment, and anti-corruption. USHIO is promoting initiatives to ensure adherence to them. In addition to this, CSR procurement, conflict minerals* survey, and diversity are also important themes related to human rights. Initiatives to promote diversity have been increasing in Japan guided by national policy, and USHIO is following a long-term plan to ensure that the Company does not discriminate based on nationality, gender, or any other such factor when offering employment or promotion opportunities.

In the fiscal year ended March 31, 2014, USHIO established the Basic Policy Statement for Conflict Minerals, recognizing its responsibility in using a large quantity of tungsten for lamp electrodes. The policy statement is designed to be considerate of the human rights issues in conflict regions. During the fiscal year, we actively promoted measures to realize a society where all human rights are observed, such as conducting human rights education aimed at achieving respect for human rights in our business activities and establishing a CSR Procurement Policy to ensure consideration of human rights in the supply chain.

Diversity* Utilizing Global Human Resources

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

Employment of People With Disabilities

In the fiscal year ended March 31, 2014, USHIO achieved a ratio of employees with disabilities of 1.96%, slightly below the legal requirement of 2.0%. We will continue taking steps to make our workplaces barrier free, including installing sliding doors in restrooms and handrails on stairways, and to promote employment of people with disabilities going forward.

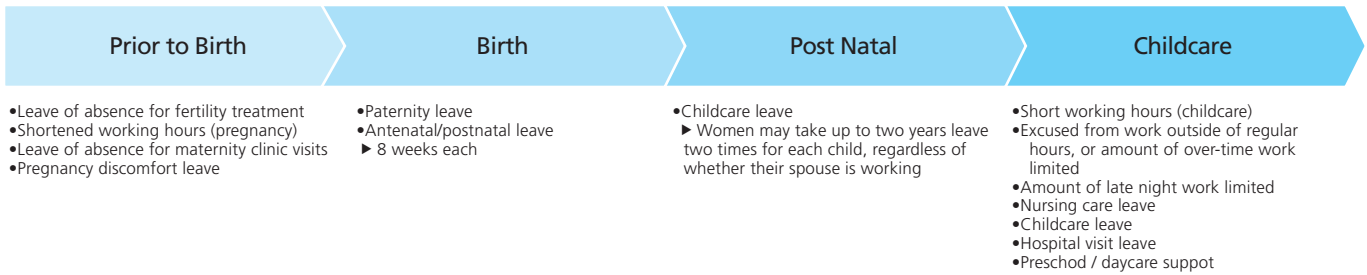
Re-Employment System

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

Support for Working Women

We believe that new talent pools are needed in order to generate new business amid the matured economies of the industrialized nations. Consequently, we have more than doubled the percentage of female employees in sales and technical positions since 2007 in our effort to recruit human resources without regard to gender, and in January and April 2013, we held talks between our Chairman and female employees to make sure that their voices are being heard by senior management. We have also taken steps to encourage and motivate employees on an individual level. For example, in December 2014, we invited a female sales manager from outside the Company to come and run a study and networking session for female sales staff. The average service period of USHIO employees continues to increase each year, and in the fiscal year ended March 31, 2014, the service period for female employees exceeded that of their male counterparts, reaching 16 years.

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



Work-Life Balance* Support Programs

USHIO aims to be able to flexibly accommodate diverse values and working styles regardless of employees' lifestyles and gender. As part of this, we have a support system for childcare leave that offers much more than the legally required level of support. In March 2009, we created the Work-Life Balance Handbook, which contains information on programs for balancing work. It also contains information on child-raising and maternal welfare, how managers should respond, and other tips for employees who would use the programs and for their managers. In July 2011, we revised our system for working shorter hours to extend the eligibility of choosing to work shorter hours until a child is six years old. Moreover, in an effort to build an environment conducive to supporting gender equality, we uploaded stories of male employees and their experience with childcare leave and interviews with female employees to view on our intranet portal. Consequently, in June 2012, for the third time we earned Kurumin* certification under the Act for Measures to Support the Development of the Next Generation. The ratio of women returning to work after taking maternity leave is virtually 100%, and several male employees also take childcare leave each year.

Employees Using Childcare Leave

	2012	2013	2014
Men	2	5	4
Women	27	32	29
Total	29	37	33

Paid Vacation and No-Overtime Days

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

Cafeteria Plan (Selective Benefit System)

As the social environment changes and lifestyles diversify, employees' needs are also diversifying. In response, in April 2014, we introduced U's Club, a system that allows employees to select a wide range of benefits that they wish to use from a menu.

By linking the Company's system with services provided by a benefit service provider company we have expanded the range of options beyond what the Company's system has provided (including childcare, nursing care, health, and self-development

options), so that each employee can enjoy a more fulfilling and meaningful life. The system is also intended to provide backup and support for employees so they can achieve even better focus in their jobs.

Education and Training for Human Resources Development

Various training programs have been established to facilitate the development of personnel capable of acting independently and to make it possible to align "Build both a prosperous Company and prosperous employees."

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

Regardless of the type of job, all employees are trained to develop their ability to maintain an awareness of the problem, a problem-solving approach that is not limited by past experience and the ability to independently develop and implement new proposals.

Support for Self-Development

Business English School: To help our human resources achieve results on a global stage, we support them in improving their English language capabilities—which is the common foundation underpinning such endeavors. Employees who wish to take classes can join in-house classes at each worksite. The classes are graded by proficiency and have between three and six students. External teachers (Japanese and native English speakers) are invited to teach the in-house classes, which are run once a week after work. The system was started in October 2013 and in six months 28 employees have taken the classes, which have been highly rated.

TOEIC testing: TOEIC tests are given to employees who want to gauge their English ability and further improve it. The Company pays a portion of the testing fees. A total of 125 employees took the test in the fiscal year ended March 2014.

Big Sister and Brother System

This system provides one-on-one support for new recruits' development, provided by senior colleagues acting as mentors to new recruits for one year after their initial assignment. The guidance covers day-to-day working, as well as issues that occur in company life and even personal issues. To help the senior colleagues approach their recruit guidance roles with enthusiasm, we conduct big sister and brother training. The system has helped new recruits to build trust with their senior colleagues, enabling them to work with confidence, and has helped to increase the rate of new graduate recruits who stay with us into their third year.

BUSINESS PARTNERS

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

Quality Policy

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

UPS (USHIO Production System)

Basic Philosophy

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

Action Guidelines

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

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

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

The main thrust of the UPS movement is ZD (zero-defects) activities, which seek to eliminate defective work by stimulating individual autonomy and enthusiasm among employees and fostering creative thinking. Traditionally, the movement consisted of three pillar groups. Namely, the Manufacturing Technology Group, the Quality Assurance System Reform Group and the Education and Enlightenment Group. However, we have now reformed the activities within our business sites, and from April 2014 we started a new initiative of small group activities within business sites to carry out specific

improvement activities by thoroughly promoting "full participation by all people at business sites" and "visualization." We have formed 91 groups within business sites and have also been proactive in appointing younger employees and female employees as activity leaders in order to develop human resources to promote autonomous management while conducting specific improvement activities. The activities have also contributed to reforming employee awareness of the front lines.

Through these activities we aim to establish a foundation for more visible, efficient manufacturing, to invigorate our workplaces, and continuously to maintain our activities.

Customer Service Center Initiatives

In our Customer Service Center we prioritize stable operation of customers' equipment and customer satisfaction. We work to provide them with confidence and safety, on time, while aiming to ensure that we retain their trust and reliance. Recently, more and more of the end users for our equipment products have tended to be overseas, so we are taking steps to enhance our local service systems through links with our bases in South Korea, Taiwan, and China. The need for this is being driven by an increase in the product groups that these bases can handle, for example medical equipment, as well as further development of proposal-based services. We will deepen the connection of customer service with product sales, while striving to increase customer satisfaction even further going forward.

Web <http://www.ushio.co.jp/en/supplier> (Working Together with Business Partners)

Web <http://www.ushio.co.jp/en/customer> (Working Together with Customers)

Launch of the Quality Assurance Center

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

Promoting Green Procurement and Compliance with International Environmental Laws and Regulations

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

In recent years, there has been a rising demand for compliance with RoHS regulations, and we are strengthening our initiatives in this regard.

Contributing to Society with USHIO Products

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

In the year ended March 2014, we focused on broadly extending the scope of our 'super green' products, which have environmental assessments from the product development stage, and have been strengthening our initiatives to renew the performance of our products. We will use the light technologies we have developed through the years, applying them and developing them to address problems that must be solved at the global level such as medicine, health, the environment, energy, water, security, and food. At the same time, we will provide products and services that offer high added value to meet our customers' needs.

Product Development Related to Biomedical QOL Improvement

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

With regard to the Point Reader® blood analyzer, in addition to the original blood serum ferritin measurement and applications such as countermeasures for endemic diseases in developing countries, we have also opened new frontiers for application, including blood test diagnoses for animals, and we continue to expand the scope of potential. Currently, we are moving ahead to create infrastructure to support medical equipment manufacture, sales, and repair, pharmaceutical manufacture and sales, and veterinary pharmaceutical manufacture, among others. We will continue to prepare a foundation for providing value through light in various ways that contribute to improving quality of life.

Promoting CSR Procurement

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

Checking for Conflict Minerals*

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

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

BCP* Initiatives

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

In April 2012, we established a dedicated, companywide committee to formulate a business continuity plan, mainly for the light source business, including building systems to enable minimization of damage and swifter recovery and enable coordination between each business site in the event of a major disaster. In April 2014, we formulated the USHIO INC. BCP (business continuity plan). With respect to information security, for example, we have made our business process systems more robust against disasters and faults, and have bolstered our network infrastructure and internal data assets as part of an ongoing effort to ensure stability across all aspects of our operations.

ENVIRONMENTAL ACTIVITIES

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

2020 Environmental Vision

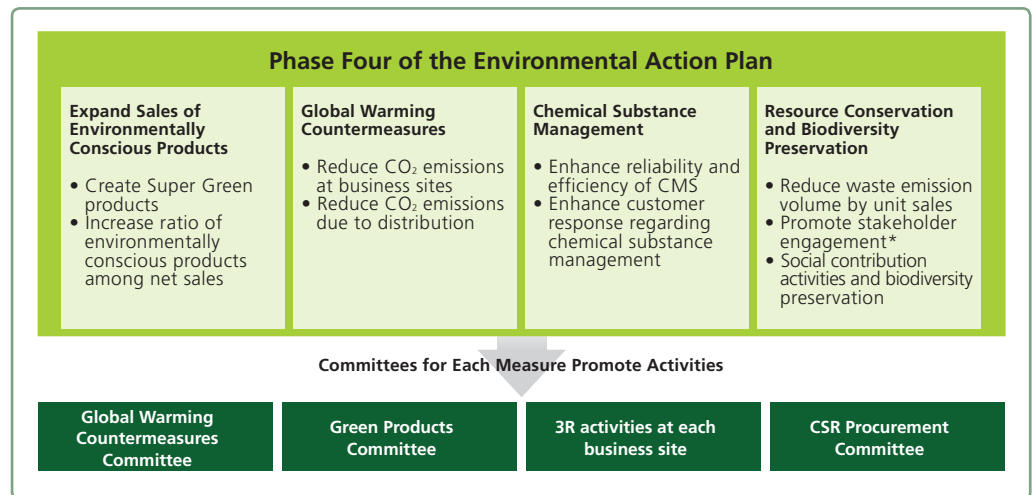
The USHIO Group formulated its 2020 Environmental Vision with the goal of becoming a company able to contribute through its business activities to the realization of a low-carbon*, recycling-oriented*, biodiversity-preserving* society by the year 2020.

Phase Four of the Environmental Action Plan

In setting our objectives for Phase Four of the Environmental Action Plan, we focused on production efficiency assuming power shortages in light of the power supply situation following the Great East Japan Earthquake, and set out the following four key themes. In particular, we focused on contributing to society by reducing CO₂ at business sites and through our electrical products, and peripherally to these, by developing a material database and Super Green products.

We will also enhance our activities to increase actual sales of the environmentally conscious products such as LEDs that we steadily developed during the Third Phase, while in chemical substance management, we are aiming to comply with international standards and remain firm in this approach. We will also take our coordination with Group companies a step further.

Further details of our activities and progress during the fiscal year ended March 31, 2014 are available on our website.



SCOPE 3* Initiatives

Up until now, companies have been required to accurately grasp the volume of CO₂ directly emitted by their business activities and the amount of energy generated indirectly from electricity usage and so forth, and to make an effort to reduce these. However, CDP and other social demands now call upon companies to correctly recognize factors that have an even greater impact, such as total energy consumption across the entire value chain, including environmental resources used by the products, and to strive to also improve these. In response to this situation, from fiscal 2013 we started keeping count of our energy consumption in line with SCOPE 3 requirements, and we will now widen our scope for data collection and improvement activities to include all Group companies. We have widened our view to include the entire value chain and taken our first step towards better environmental activities.

- Web** <http://www.ushio.co.jp/en/environmental> (Environmental Management System)
- Web** <http://www.ushio.co.jp/en/energy> (Global Warming Countermeasures)

Acquired Clean Producer Designation



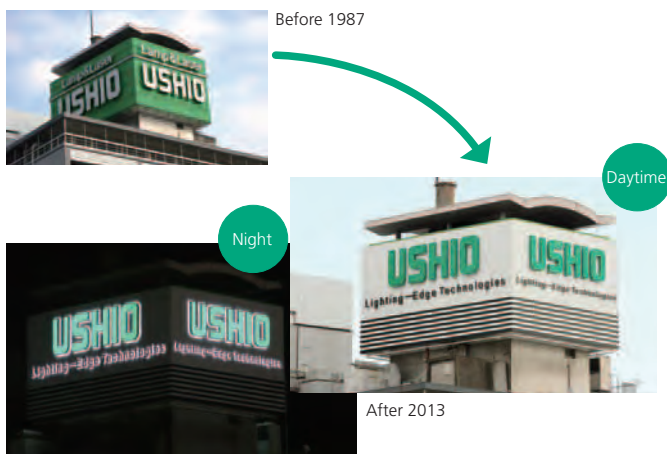
In September 2013, USHIO. (SUZHOU) CO., LTD. received the “Clean Producer” designation from the Suzhou Environmental Protection Office and the Suzhou New District Economic Development and Reform Office. The designation is awarded to companies in China, and was formally announced by the Chinese government. The company was highly evaluated for improving productivity by automating its onsite facilities, reducing its power consumption by replacing its lighting with fluorescent lights, and taking other autonomous actions to conserve energy.

USHIO INC. Business Sites Reduce CO₂ Emissions

One of the four themes of Phase Four of USHIO’s Environmental Action Plan is global warming countermeasures. During the fiscal year ended March 31, 2014, USHIO took steps to reduce CO₂ emissions at business sites and due to distribution seeking to achieve a 1% reduction in emissions per unit sale versus fiscal 2012. By continuing to replace the lighting at each business site with LEDs, USHIO achieved a 9.5% reduction in emissions per unit sale versus 2012.

Looking ahead past the 2020 Environmental Plan, USHIO will continue its current efforts to reduce CO₂ emissions, aiming to achieve a further 10% reduction over the next 10 years until 2025.

Replacing Lighting at Each Business Site with LEDs Upgrading USHIO’s rooftop sign with LEDs



Himeji City in Hyogo Prefecture is USHIO’s birthplace and the site of the Company’s largest business site, the Harima Division. To mark our 50th anniversary, we changed this rooftop sign in front of JR Himeji Station to an LED sign. We used waterproof LED modules from USHIO Lighting, using 615 high-power, wide-angle modules for the USHIO logo section, and 2,022 narrow, thin-profile LED

modules for the backlight. The new sign uses only about one third of the electricity of the old fluorescent lights, and the light sources will not need to be replaced for 10 years.

Yokohama Division

At the Yokohama Division, we have been upgrading our fluorescent lighting with LEDs in stages. Currently, we are replacing around 100 lamps every six months in planned stages, focusing mainly on the floors for business operations such as the reception room and conference room.

USHIO PHILIPPINES, INC. (UPI)

At UPI, around 10% of the company’s total electricity usage was related to lighting, so we began changing the conventional 72 W fluorescent lights to 20 W LED lights as part of our energy conservation activities. We expect to achieve a significant energy saving with our plan to successively change all of the approximately 1,800 fluorescent lamps in our factory to LEDs.

TAIWAN USHIO LIGHTING, INC. (TULI)

At TULI we completed changing over the lighting for our production lines, changing around 50% of the lines from the conventional 40 W fluorescent lamps to 26 W T5 fluorescent lamps, and changing the remaining 50% of the lines to even more efficient LED lamps. Even when the T5 lamps and LED lamps are used in combination, the visual brightness is undiminished, and they provide a uniform light throughout the factory.

USHIO ASIA PACIFIC PTE. LTD. (UAP)

At UAP we have also started changing our office lighting to LEDs. Once we have completed changing the 80 fluorescent lamps in the entire office, we plan to change the fluorescent lamps in the warehouse.

CHRISTIE DIGITAL SYSTEMS USA, INC. (CDSU) and USHIO AMERICA INC. (UAI) Introduce Solar Power Generation



CDSU and UAI have installed 2,190 solar panels on their three office roofs, and expect to generate 832,981 kW in their first fiscal year. A monitoring system has been installed to keep track of the power generation status, and the monitored items can be viewed over the Internet as well as on a micro-tile video wall that has been newly installed in the lobbies of both CDSU and UAI. Displaying the monitor output in the lobbies enables both visitors and employees to see at a glance the solar power generation status and CO₂ reduction volume, helping to raise awareness about energy conservation.

RELATIONSHIP WITH SOCIETY

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

The USHIO Foundation



The USHIO Foundation was established in 1994 to commemorate the 30th anniversary of the founding of USHIO, and in 2014 the foundation marked its 20th anniversary. As the globalization progresses, the foundation will contribute to society by assisting the development of the

next generation of human resources, including overseas students, who will be responsible for leading the world in the future by providing scholarships to assist with their studies, and promoting further interaction and mutual understanding between Japan and other countries.

In fiscal 2013, the foundation provided scholarships to 40 graduate students (including overseas students) and 11 students in specialized courses at colleges of technology. So far, 457 scholarship students have been accepted, and we continued to focus on calling for scholarship applicants from schools in areas affected by the Great East Japan Earthquake.

USHIO INC.

Family Day at Head Office and Tokyo Sales Headquarters

On August 7, 2014, we held our first family participation event, "Family Day 2014," at Head Office and Tokyo Sales Headquarters. Families who participated commented that it was a good opportunity to gain a deeper understanding of USHIO by listening to an explanation about the company's products and being able to encounter them up close.

Factory Tours at the Harima and Gotemba Divisions.



For children of employees we held the Summer Holiday Children's Open Day at Harima on August 9, 2013, and the Family Tour at Gotemba on August 30, 2013. The children all showed immense interest in the site with its many large machines, the office with its rows

of computers, and at the sight of their parents working. At Gotemba, the parents also participated, creating an excellent opportunity for communication.

Participation in Tsukuba Science Edge 2014



An experiment using a mini excimer device

On March 21, 2014, USHIO participated in Tsukuba Science Edge 2014, which was held at the International Congress Center. After the contest at which junior high school and high school students presented their ideas relating to science, there were workshops at which USHIO offered all participants a chance to experience "welding with light"

using a mini excimer device. By trying out the system, which welds different materials together without adhesive using only light, participants encountered some of the possibilities of light.

Web <http://www.ushio.co.jp/en/contribution> (Working Together with Local Communities)

Web <http://www.ushio.co.jp/en/society> (USHIO Group Support for Culture and Learning)

Market in Support of Areas Affected by the Great East Japan Earthquake



On March 14, 2014, an Earthquake Support Market was held in the buildings of the Head Office and the Tokyo Sales Headquarters. This year the event was again attended by many people. It was the third time we have held the market, and there were stalls selling products from Iwate, Fukushima, and Miyagi prefectures, as well as the Oraga Otsuchi Recovery Diner from the town of Otsuchi on the southern coast of Iwate Prefecture. It was a lively event, including sales of famous produce from the sea around Sanriku, and Sashiko embroidered T-shirts made by local women in the hope of supporting the region's recovery.

CHRISTIE DIGITAL SYSTEMS CANADA, INC. (CDSC) CHRISTIE Community Garden



In April 2013, CDSC invited all of its employees to a new project called "Health, Wellness, Green Initiative Participation Drive." At the CHRISTIE Community Garden, which has been created on the company site, approximately 30 volunteers brought in 55 cubic yards of new topsoil from a garden supplier, and a custom-made rainwater storage tank was supplied along with a storage area for the required tools. Many varieties of vegetables and flowers are now growing beautifully, and the garden has become a popular new spot at this business site.

Supporting an Electric Car Race at a Local High School and Bluebell College

In May 2014, the students of a local high school and students from Bluebell College formed the Bluebell CHRISTIE Team to enter a race at the National Electric Cart Association with an electric car they designed and assembled themselves. CDSC supported the team not only with funding, but also with a design and provision of production technology.

Second Round of the School Supply Backpack Campaign



In the summer of 2013, the employees of CDSC cooperated with the Global Interior Foundation to give backpacks filled with school supplies to children living in the town of Stanton (the neighboring town to Cypress, where CHRISTIE USA is headquartered). This time they were able to buy 45 backpacks.

CHRISTIE DIGITAL SYSTEMS USA, INC. (CDSU) Donation to California Cypress High School FBLA Program

The Future Business Leaders of America (FBLA) program is a non-profit educational organization comprising 250,000 students preparing for future careers in business or in fields related to business. The organization runs a contest where students can pit their business knowledge and skills against one another. This year, we supported the students of Cypress High School as they participated in the national FBLA contest.

Helping to Pack Food for Children Facing Starvation

This year, CDSU continued to support the humanitarian food aid organization Stop Hunger Now through volunteer activities, with around 80 employees managing to pack around 13,196 meals. These meals were sent to facilities and schools in Central Asia and Southeast Africa under the International School Feeding Program.

USHIO AMERICA, INC. (UAI) Relay for Life*



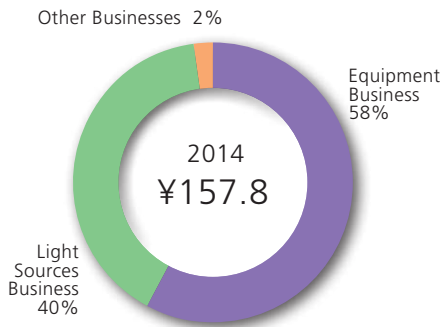
At the illumination event, each team lit their "dream lanterns" before releasing them into the sky.

This year again, the USHIO Angels* from the Oregon Division participated in the Relay for Life event run by the American Cancer Society in June. In one year, the Oregon Division managed to raise US\$2,045 (approximately ¥20,000) through their activities.

Business Overview

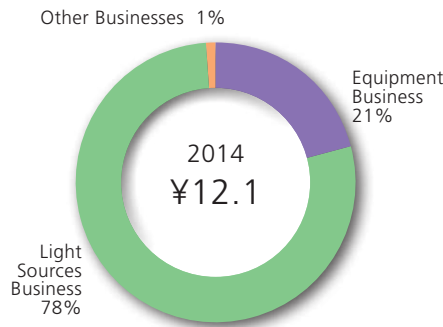
Breakdown of Sales

(Billions of yen)



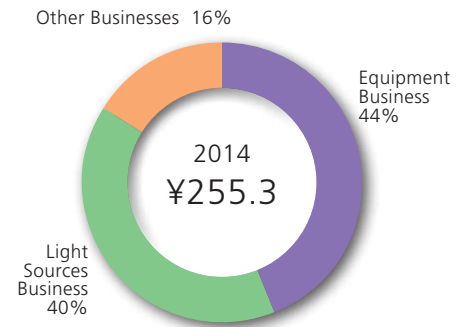
Breakdown of Operating Income

(Billions of yen)

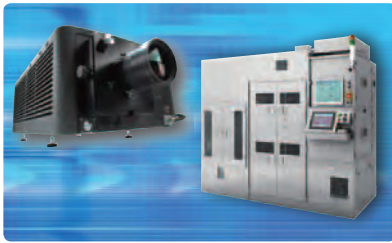


Breakdown of Assets

(Billions of yen)



Equipment Business



Imaging equipment

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

Optical equipment

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

Light Sources Business



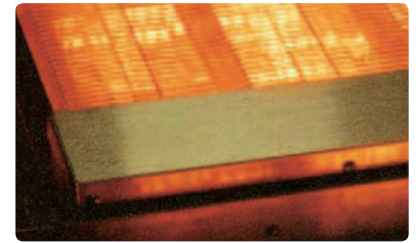
Discharge lamps

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

Halogen lamps

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

Other Businesses



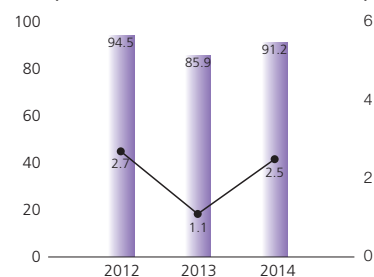
Machinery for industrial uses and others

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

Sales and Segment Income

(Billions of yen)

(Billions of yen)

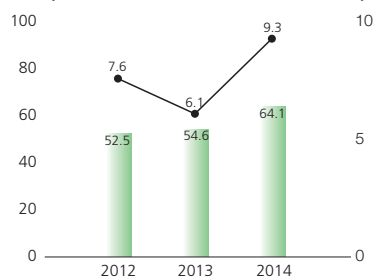


■ Sales (left scale)
● Segment Income (right scale)

Sales and Segment Income

(Billions of yen)

(Billions of yen)

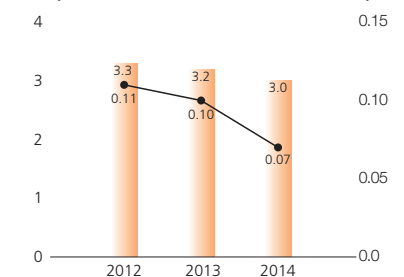


■ Sales (left scale)
● Segment Income (right scale)

Sales and Segment Income

(Billions of yen)

(Billions of yen)



■ Sales (left scale)
● Segment Income (right scale)

Corporate Data

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

Employees: 5,470 (as of March 31, 2014):

Parent company 1,793
 Subsidiaries
 • Japan 588
 • Overseas 3,089

Third-Party Opinion

In light of the senior management changes announced in October 2014, I read this report with a great deal of anticipation, curious about the ways in which USHIO's stance with respect to CSR and sustainability would continue and evolve. This time around, the report offered what I see as at least four major take-away points: (1) the development of a sustainable, top-led CSR promotion structure (incorporation of CSR issues as part of management strategy), (2) the promotion of supply chain management centered on CSR, and, after soliciting information from departments responsible for CSR (3) the inclusion of "human rights in global society" as a component of risk management training for internal, section and general managers, and finally (4) progress on preparations to create an integrated report for the disclosure of non-financial data. For the remainder of this opinion, I want to discuss the future outlook and issues, with emphasis on points (1) and (2).

Merger of Management Strategy and CSR Issues

As has been stated in past opinions, messages and leadership from top management are essential elements in the promotion of CSR and sustainability. Understanding and responding to new rules and standards in the global market is especially important given globalization in the entire integrated flow encompassing everything from funding procurement to manufacturing, distribution and sales, as well as the fact that some 80% of USHIO's consolidated net sales are from outside of Japan. In that sense, the message from top management has a clear global perspective, reflecting the new president's ample experience in the United States. As such, we can expect to see the promotion and evolution of CSR management going forward. From next year onward, it will be crucial that managers in each segment take the top message in this report to heart, and share their assessment of the situation and issues with respect to CSR in their own words. I say this because USHIO, as suggested on page 13 of the report, hopes to completely merge its management strategy with CSR issues by 2016 as part of its medium-term CSR plan now under way. At the same time, for a top-led medium-term CSR plan, it is important to tweak and clarify points based on feedback from the frontlines of operations by grasping the current situation on the ground in each segment and determining what kinds of issues to address next.

Promoting CSR-centered Supply Chain Management

As mentioned earlier, USHIO is making steady strides in measures regarding CSR procurement. More specifically, in November 2013, the

Company established its "Basic Policy Statement for Conflict Minerals" in relation to the use of substantial amounts of tungsten in the electrode components of its lamp products. On one level, this is a global trend in terms of what is expected for responsible raw material procurement. But looking ahead, together with the full-scale development of structures for examining the use of conflict minerals at production sites, USHIO is expected to show leadership by modeling and promoting CSR procurement not only for direct suppliers but also for secondary and tertiary levels across the entire supply chain. There is no question that from the beginning, guaranteeing transparency in the supply chain and ensuring traceability has been a daunting task for the electronics industry. In confronting these issues, engagement with diverse stakeholders, including NPOs/NGOs, government agencies, and university research institutes as specialist organizations, has proven effective; it is also likely necessary to have connections to and cross-cutting industry measures related to the social and environmental initiatives of existing mining companies. The diligent process of seriously garnering opinions from investors and a diverse range of other stakeholders, presenting those opinions to management as feedback, and disclosing the results is, I contend, the way to enhance the sustainability of USHIO and the key to winning the trust of its stakeholders.



Masaatsu Doi

Associate Professor
Graduate School of Social Well-being
Studies, Hosei University

Dr. Doi holds a PhD in commerce. In 2009, he became an associate professor at the Takasaki City University of Economics after graduating from the Hitotsubashi University Department of Economics and completing post-doctoral research at the Hitotsubashi University Graduate School of Commerce and Management. Dr. Doi has been in his current position since 2014. He has written several books, including *CSR Keiei—Kigyō no Shakai teki Sekinin to Stakeholders* (co-author, CHUOKEIZAI-SHA, INC.), and *Social Enterprise—Shakai teki Kigyō no Taitō* (co-author, CHUOKEIZAI-SHA, INC.).

Response to Third-Party Opinion

We appreciate receiving valuable feedback once again this year from Dr. Masaatsu Doi, Associate Professor of Hosei University, on our Sustainability Report 2014. Along with offering a highly favorable evaluation of USHIO initiatives and progress with respect to CSR and sustainability, Dr. Doi has provided us with concrete guidance and issues to consider regarding our efforts to merge management strategy with CSR issues, as well as supply chain management. In our CSR promotion activities, we will continue to execute said activities by

Atsuyuki Kobayashi

Director, Officer in Charge of CSR, USHIO INC.

breaking down CSR issues into our business planning, and to utilize the thinking and values of a variety of stakeholders connected to global procurement and markets as feedback that we combine into drivers of improvement in our corporate value and sustainable growth.

As stated at the outset of the feature section, USHIO will celebrate its 50th anniversary on April 1, 2015. By addressing CSR issues identified from the past 50 years, we hope to devise a policy that will usher in our next five decades in business.



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	<p>This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.</p> <p>We welcome feedback on its contents.</p>
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