

1st Half FY2013 Financial Results

USHIO INC.

Oct. 31, 2013

This report contains forward-looking statements, including earnings forecasts, which are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Please be advised that actual results may differ substantially from those forward-looking statements due to various factors.

* All figures in the material have been rounded down to the nearest billion yen.

USHIO

Lighting—Edge Technologies



Thank you
50th Anniversary

- I. Financial Results for 2Q FY2013**
- II. Forecasts for FY2013
- III. Supplementary Information

Highlights of Financial Results for 2Q FY2013

For the 1st half , consolidated net sales increased by 6.2% YoY to ¥75.7billion, and consolidated operating income increased by 52.3% YoY to ¥5.8 billion.

➤ Market Trend as a Background Factor

Electronics Market : In the markets for flat-panel displays (FPDs), semiconductors and electronic components, user facilities show a modest recovery trend in capacity utilization rates except Plasma. There are indications that manufacturers in Japan extensively invest in equipment for small/mid-sized LCD panels, followed by capital expenditures in China in this fiscal year. As for the electronic component market, capital expenditures related to PCs still remained at a low level.

Visual Imaging Market : The center of gravity of sales has been shifted to emerging countries as the penetration of Digital Cinema Projectors (DCPs) in developed countries has grown considerably. The general imaging equipment field for non- cinema has been growing continuously.

➤ Key Points of Business Conditions by Segment

Equipment Business : Sales of imaging equipments rose both YoY and QoQ due to the yen's depreciation and firm sales of general imaging equipments even though sales of DCPs decreased. Sales of optical equipments greatly increased QoQ owing to the sales expansion of optical aligner for FPD market though it declined YoY due to the low level of capital expenditures in the electronic component market reflecting the weak demand of PCs.

Light Sources Business : Sales of discharge lamps increased both YoY and QoQ. Especially, sales of xenon lamps for cinema projectors reached the highest-ever level. Sales of UV lamps for lithography remained firm because of a modest recovery trend in capacity utilization rates for user facilities. Sales of halogen lamps remained firm, especially in the office automation (OA) field.

R&D expenses decreased YoY due to the consolidation of EUV business in Japan. There is no change to the full-year consolidated earnings forecasts. Exchange rates for the 2nd half have been changed from ¥90 to ¥95(US dollar/yen) and from ¥120 to ¥125 (EUR/yen) respectively.

Summary of Financial Results 1H FY2013

(Billions of Yen)	FY12	FY13	YoY		1H / FY13	1H / FY13	HoH	
	1H	1H	Changes	%	(Forecast)	(Actual Results)	Changes	%
Net Sales	71.3	75.7	+4.4	+6.2	75.0	75.7	+0.7	+1.0
Operating Income	3.8	5.8	+2.0	+52.3	5.0	5.8	+0.8	+16.9
Operating Income Ratio (%)	5.4	7.7	+2.3P	-	6.7	7.7	+1.1P	-
Ordinary Income	3.2	7.7	+4.5	+142.3	6.0	7.7	+1.7	+29.4
Net Income	1.3	5.1	+3.8	+295.9	4.0	5.1	+1.1	+29.0
EPS (Yen)	9.94	39.34			30.5	39.34		
Forex (Yen)								
USD	79	99			90	99		
EUR	100	130			120	130		

Annual Forex Sensitivity (Billions of Yen)	Net Sales	Operating Income	Ordinary Income
USD	1.1	0.2	0.2

Financial Results Trend 《Quarterly Comparison》

(Billions of Yen)		1Q	2Q	Q o Q	
				Changes	%
Net Sales		35.4	40.2	+4.8	13.6
Operating Income		2.2	3.5	+1.2	56.0
Operating Income Ratio (%)		6.4	8.8	+2.4P	-
Ordinary Income		3.4	4.2	+0.7	21.8
Net Income		3.0	2.1	▲0.9	▲31.0
EPS (Yen)		23.28	16.06		
Forex (Yen)	USD	99	98		
	EUR	130	131		

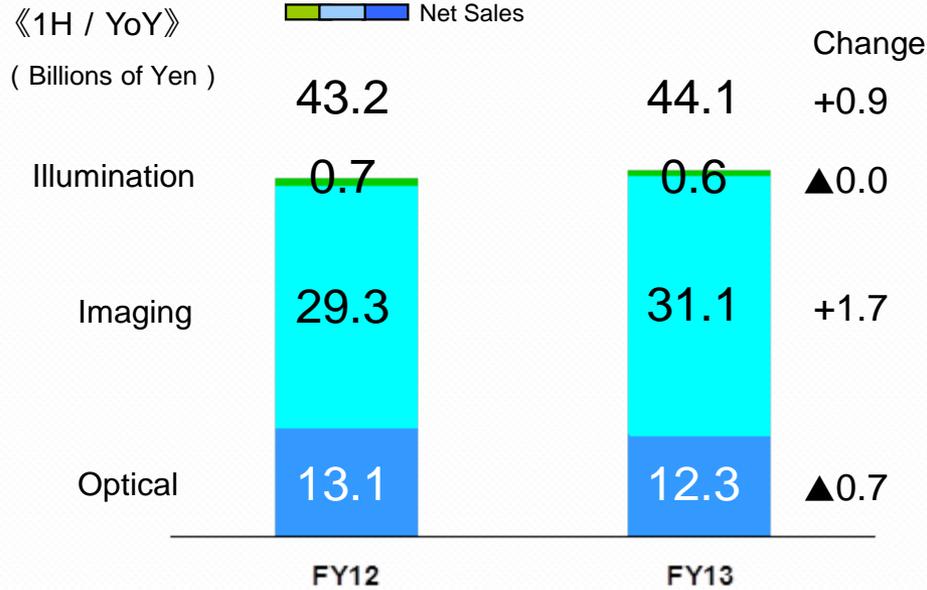
Financial Results by Business Segments

(Billions of Yen)	FY12	FY13	YoY		FY12	FY13	HoH	
Business Segments	1H	1H	Changes	%	2H	1H	Changes	%
<u>Equipment</u>								
Net Sales	43.2	44.1	+0.9	+2.1	42.6	44.1	+1.4	+3.5
Operating Income	0.4	2.0	+1.5	+328.6	0.6	2.0	+1.3	+201.6
Operating Income Ratio(%)	1.1	4.6	+3.5P	-	1.6	4.6	+3.1P	-
<u>Light Sources</u>								
Net Sales	26.4	30.3	+3.9	+14.9	27.9	30.3	+2.4	+8.6
Operating Income	3.2	3.6	+0.4	+13.8	2.9	3.6	+0.7	+24.5
Operating Income Ratio(%)	12.3	12.1	▲0.1P	-	10.6	12.1	+1.6P	-
<u>Others</u>								
Net Sales	1.6	1.2	▲0.3	▲23.2	1.5	1.2	▲0.2	▲18.4
Operating Income	+0.0	+0.0	▲0.0	▲20.9	+0.0	+0.0	▲0.0	▲14.7
Operating Income Ratio(%)	3.4	3.5	0.1P	-	3.3	3.5	+0.2P	-

Note : Net Sales indicates sales to unaffiliated customers.

Operating income ratio indicates the ratio of operating income against sales to unaffiliated customers.

Equipment Business Segment



◆ **Imaging Equipment :**

In the general imaging equipment field, sales held firm both YoY and QoQ. As for DCPs, sales slightly decreased both YoY and QoQ since sales volume of low-priced projectors for emerging countries increased more than expected.

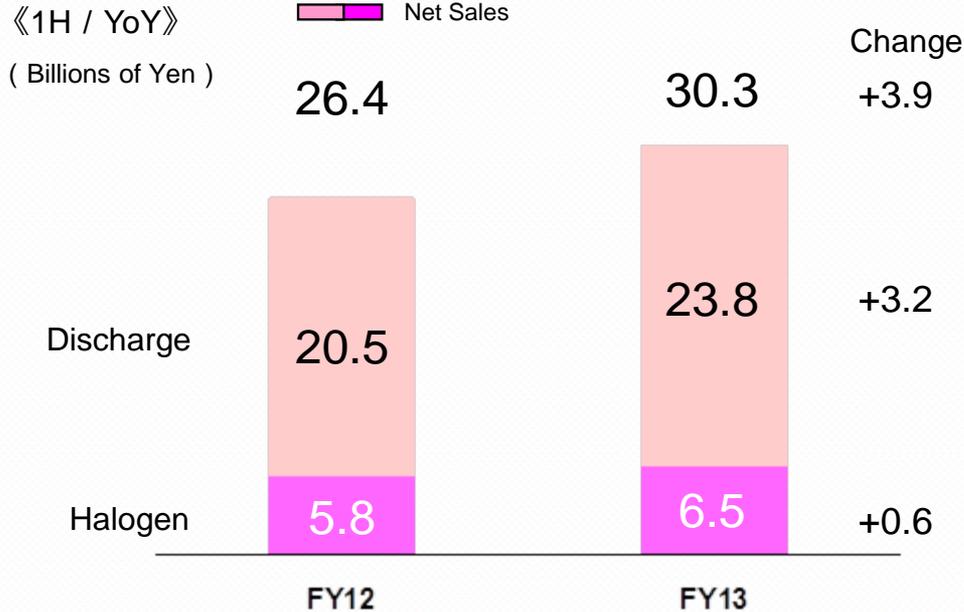
◆ **Optical Equipment :**

Sales decreased YoY reflecting the low capital expenditures in the PC packaging market. Sales for 2Q increased due to the sales expansion of equipments related to FPDs, such as optical aligner.

《YoY》 (Billions of Yen)		FY12	FY13	YoY	《QoQ》 (Billions of Yen)		1Q	2Q	QoQ
		1H	1H				1Q	2Q	
Net Sales	Imaging	29.3	31.1	+1.7	Net Sales	Imaging	14.8	16.2	+1.3
	Optical	13.1	12.3	▲0.7		Optical	5.0	7.3	+2.3
	Illumination	0.7	0.6	▲0.0		Illumination	0.2	0.4	+0.2
Total		43.2	44.1	+0.9	Total		20.0	24.0	+3.9

Note : Net Sales indicates sales to unaffiliated customers.

Light Sources Business Segment



◆ **Discharge Lamp :**

Sales increased both YoY and QoQ. Sales of xenon lamps for cinema projectors reached the highest-ever level. Sales of UV lamps for lithography remained firm as capacity utilization rates for user facilities recovered.

◆ **Halogen Lamp :**

Sales related to OA field increased both YoY and QoQ as set makers finished inventory adjustment.

《YoY》 (Billions of Yen)		FY12 1H	FY13 1H	YoY	《QoQ》 (Billions of Yen)			QoQ
					1Q	2Q		
Net Sales	Discharge	20.5	23.8	+3.2	Net Sales Discharge	11.7	12.0	+0.3
	Halogen	5.8	6.5	+0.6	Halogen	3.1	3.3	+0.2
Total		26.4	30.3	+3.9	Total	14.8	15.4	+0.5

Note : Net Sales indicates sales to unaffiliated customers.

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Forecast for FY2013

(Billions of Yen)	FY13 (Forecast)	1H	Achievement Rate(%)	2H (Forecast)
Net Sales	160.0	75.7	47.3	84.2
Operating Income	12.5	5.8	46.8	6.6
Operating Income Ratio(%)	7.8	7.7	-	7.9
Ordinary Income	14.5	7.7	53.5	6.7
Net Income	10.0	5.1	51.6	4.8
EPS (Yen)	76.26	39.34	-	-
ROE (%)	5.6	2.89	-	-
Dividend (Yen)	22	22	-	-
Payout Ratio (%)	28.8	55.9	-	-
Forex (Yen) USD	97	99	-	95
EUR	128	130	-	125

*No changes to consolidated earnings forecasts of the full fiscal year

Sales Achievement Status for the 1st Year Forecast of Mid-term Vision by Business Segments



(Billions of Yen)	1st Year Forecast of Mid-term Vision	1H	Achievement Rate(%)	
<u>Equipment</u>				<ul style="list-style-type: none"> • DCP shipment volume is expected to show slight decrease compared to 1H. In the general imaging field, sales will remain stable. • Sales volume of optical aligner and UX series will expand in 4Q. • Sales are expected to edge up in 2H
Imaging Equipment	58.9	31.1	52.8	
Optical Equipment	37.0	12.3	33.4	
Illumination and Related Facilities	1.7	0.6	38.4	
Total	97.6	44.1	45.2	
<u>Light Sources</u>				<ul style="list-style-type: none"> • Sales of xenon lamps for cinema projectors will remain brisk. As for UV lamp sales, there is a concern of downturn due to excessive inventory of LCD panels for TV in China. • Halogen lamp sales are forecast to remain firm at the same level as in 1H
Discharge Lamps	44.1	23.8	54.0	
Halogen Lamps	13.6	6.5	47.9	
Total	57.7	30.3	52.6	
<u>Others</u>				<ul style="list-style-type: none"> • Sales of FA equipment are expected to increase.
Machinery for Industrial Use and Other Business	4.7	1.2	27.5	
Total	160.0	75.7	47.3	

➤ Equipment Business

Imaging Equipment Field :

As for DCP sales, Ushio expects stable shipments of “Solaria” series, a smaller type of DCP aimed at emerging markets. Despite an ongoing price decline, we expect stable DCP shipments will continue in the 2nd half, outpacing our forecast as in 1st half. Total number of DCP shipments for this fiscal year may reach the same level as in the previous fiscal year. We aim to secure stable revenue and market share of DCP, and expand xenon lamp sales. In the meantime, the general imaging market for non-cinema has shown a steady expansion, and is expected to grow continuously.

Optical Equipment Field :

In the 2nd half, we will surely make shipments of photo-alignment equipments for LCD panels and exposure equipments like UX series, and further strengthen the efforts to receive orders contributing to sales in the next fiscal year onward.

➤ Light Source Business

Discharge Lamps :

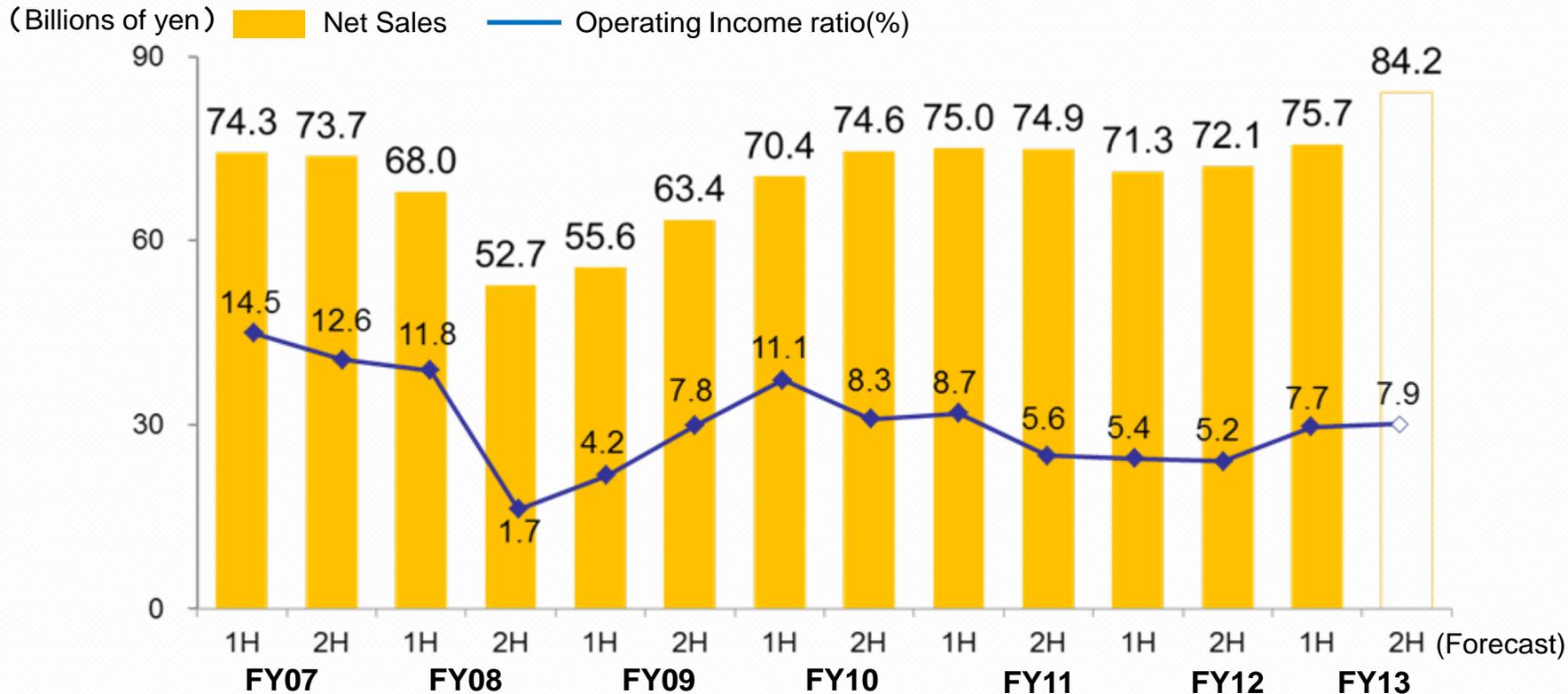
While replacement demand for UV lamps for lithography is projected to remain firm, there is a concern of decreasing capacity utilization rates due to excessive inventory of LCD panels for TV in China. Under the condition, we aim to surely expand sales by increasing the market share among existing users. As for xenon lamps for cinema projectors, we plan to maintain and expand the market share leveraging the high reliability of the products. For data projector lamps, we aim to increase the market share and improve profitability of both high- and low-end products.

Halogen lamps :

Sales of halogen lamps for the OA field are expected to remain firm on the back of the high market share.

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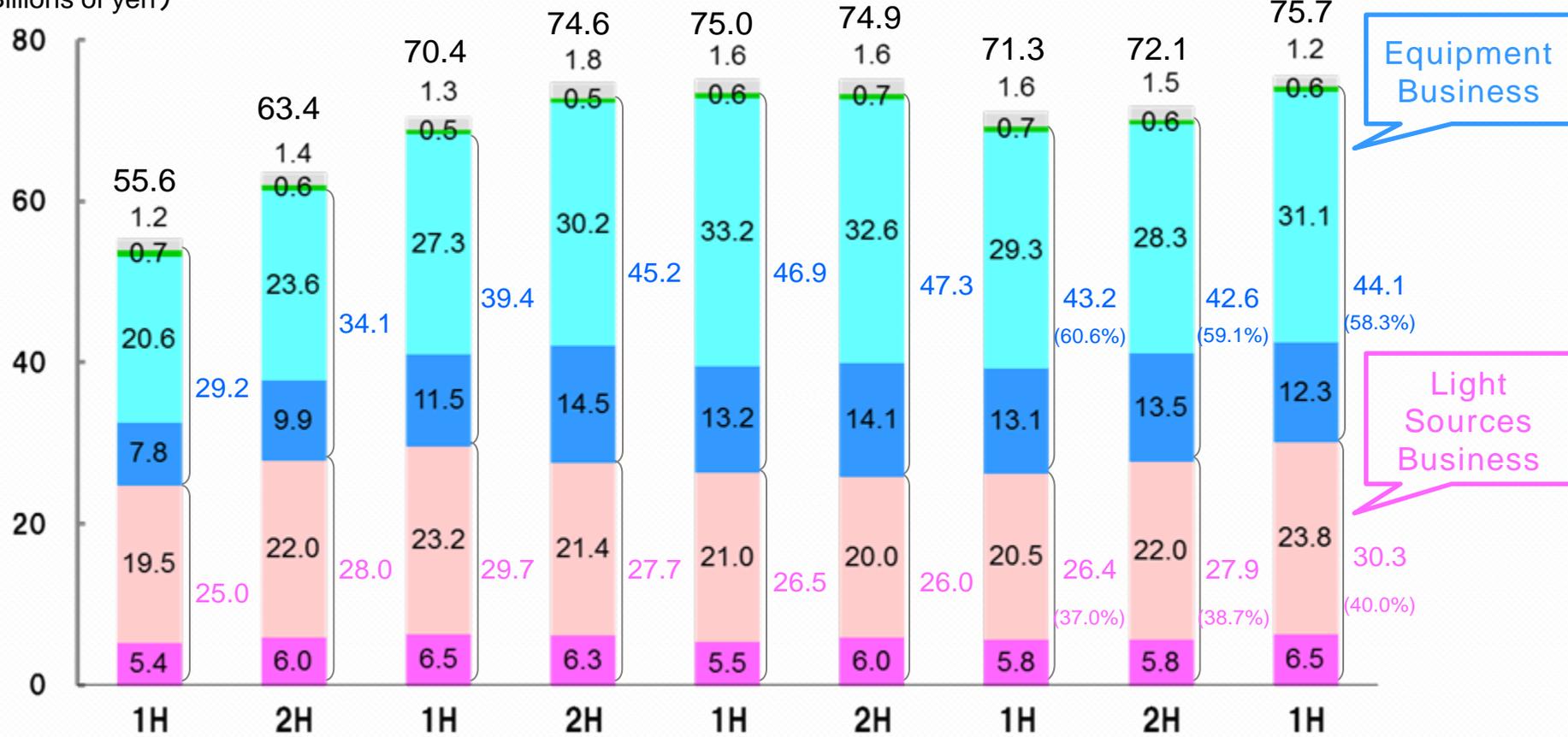
Transition of Net Sales and Operating Incomes



	FY07		FY08		FY09		FY10		FY11		FY12		FY13	
	1H	2H	1H	2H (Forecast)										
Net Sales	74.3	73.7	68.0	52.7	55.6	63.4	70.4	74.6	75.0	74.9	71.3	72.1	75.7	84.2
Operating Income	10.7	9.2	8.0	0.9	2.3	4.9	7.8	6.1	6.5	4.1	3.8	3.7	5.8	6.6
Operating Income ratio(%)	14.5	12.6	11.8	1.7	4.2	7.8	11.1	8.3	8.7	5.6	5.4	5.2	7.7	7.9

Net Sales by Product Groups 《Semi Annual Transition》

(Billions of yen)



FY09

FY10

FY11

FY12

FY13

Equipment Business

-  Illumination and Related Facilities
-  Imaging Equipment
-  Optical Equipment

Light Sources Business

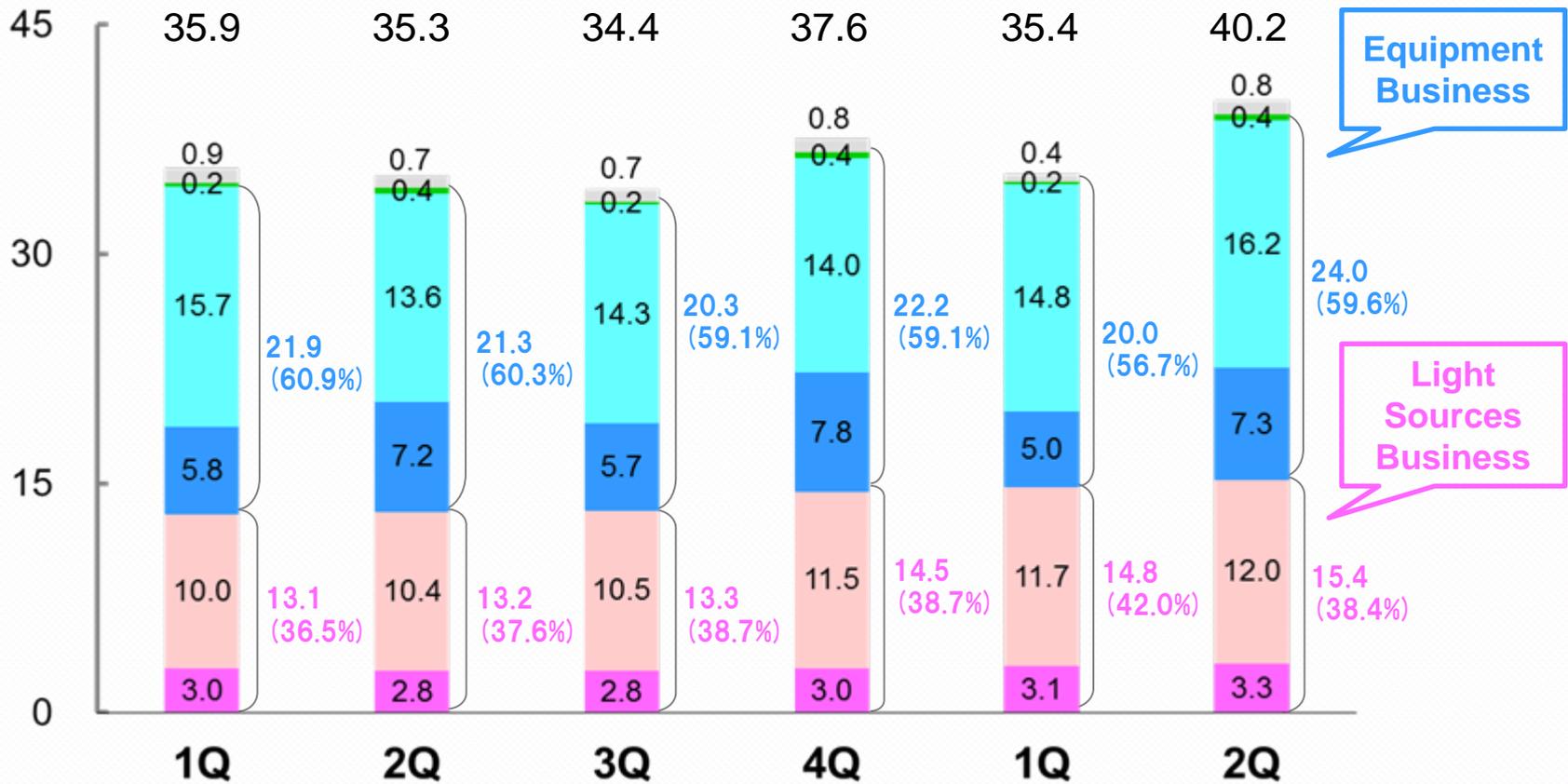
-  Discharge Lamps
-  Halogen Lamps

Other Business

-  Machinery for Industrial Use and Other Business

Sales Trend by Product Groups

(Billions of yen)



Equipment Business

-  Illumination and Related Facilities
-  Imaging Equipment
-  Optical Equipment

Light Sources Business

-  Discharge Lamps
-  Halogen Lamps

Other Business

-  Machinery for Industrial Use and Other Business

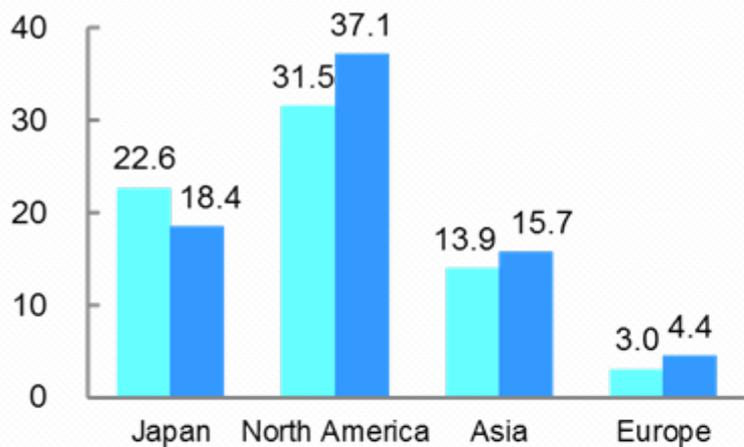
Net Sales and Operating Income by Geographic Segments(1H)

Foreign Sales Ratio (1H)



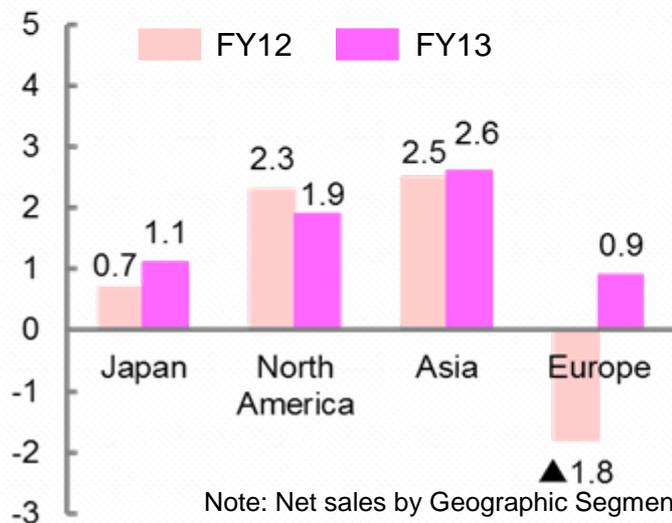
◆ Net Sales

(Billions of Yen)



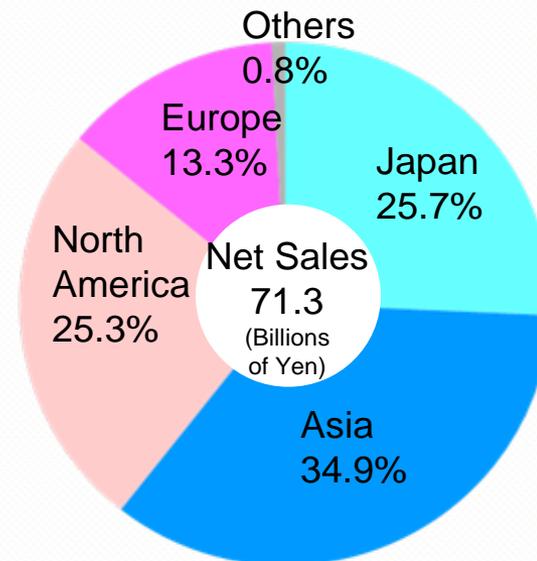
◆ Operating Income

(Billions of Yen)

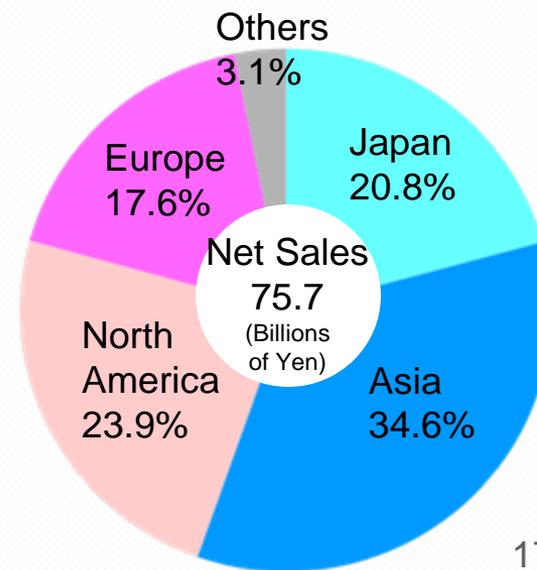


Note: Net sales by Geographic Segments indicates sales to unaffiliated customers.

◆ FY12



◆ FY13



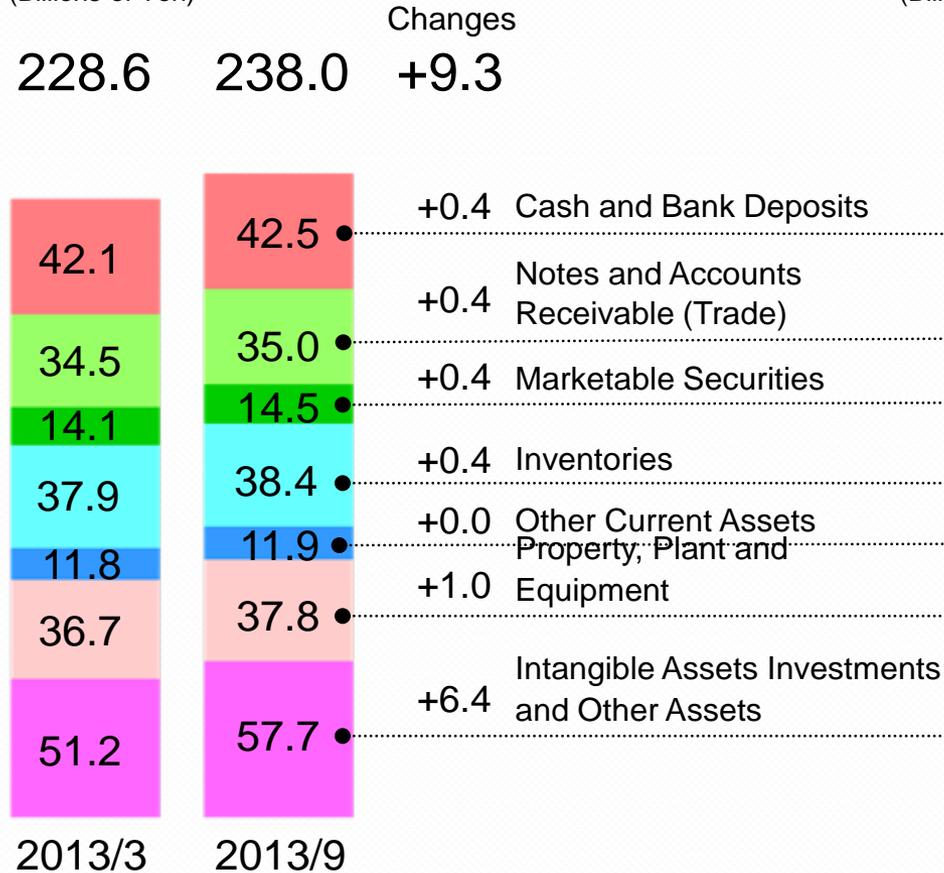
Other Income and Expenses(1H)

(Billions of Yen)	FY12	FY13	YoY
Other Income	0.8	2.1	+1.2
Dividend	0.4	0.5	+0.0
Exchange Gain	-	0.5	+0.5
Others	0.3	1.0	+0.6
Other Expenses	1.4	0.2	▲1.2
Exchange Loss	0.8	-	▲0.8
Realized and unrealized profit on trading securities, net	0.3	-	▲0.3
Others	0.3	0.2	▲0.1
Other Income and Expenses	▲0.6	1.9	+2.5

Balance Sheet

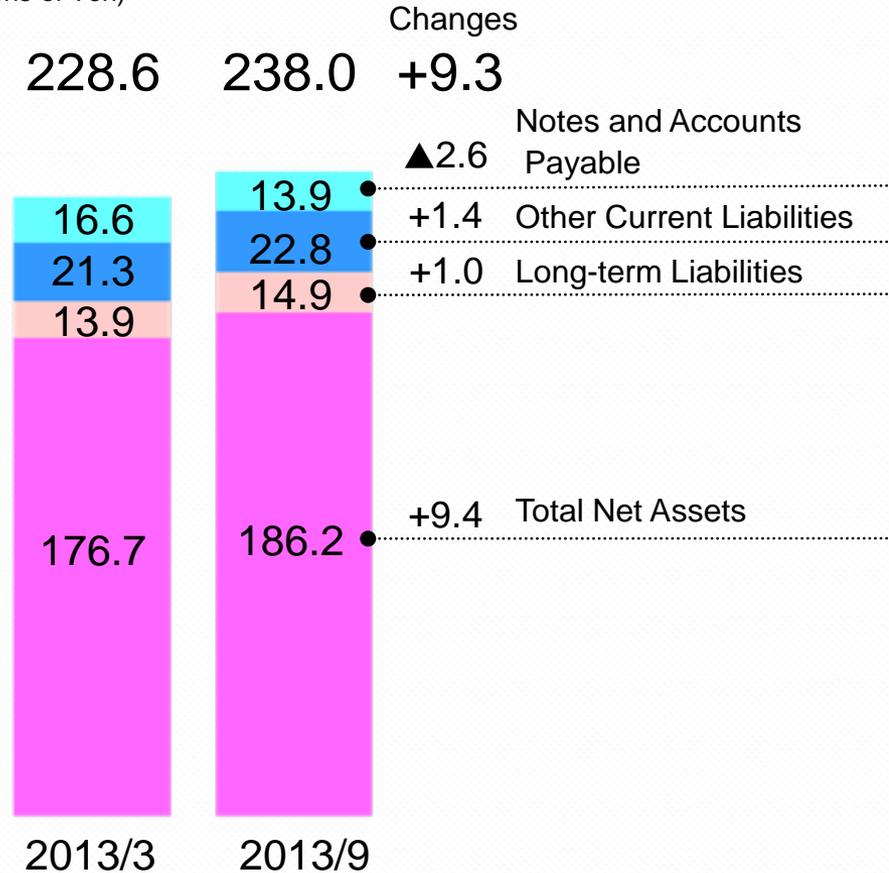
◆Assets

(Billions of Yen)



◆Liabilities · Total Net Assets

(Billions of Yen)

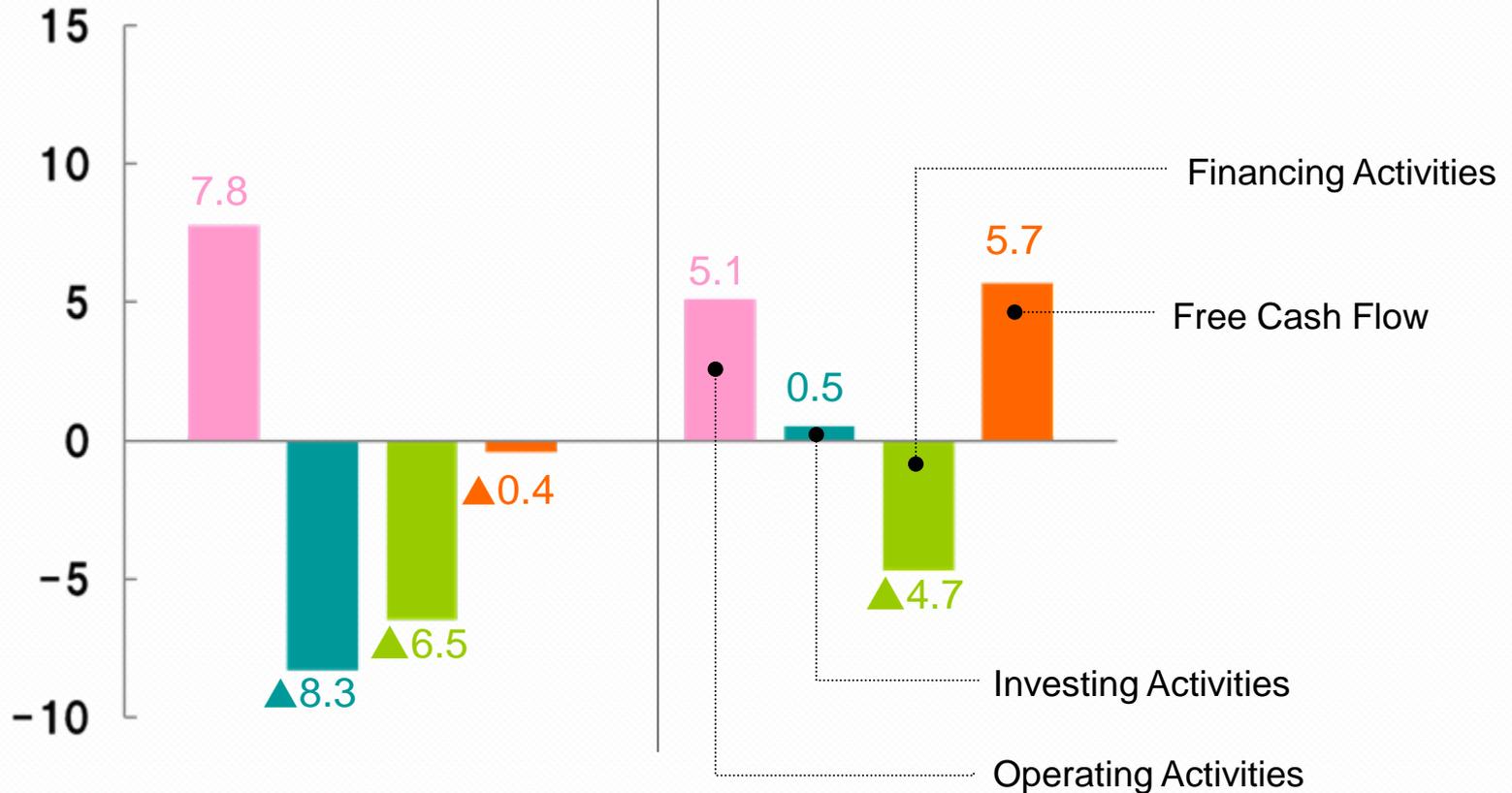


●Turnover (month)	2013/3	2013/9
Receivable-trade	3.0	2.8
Inventories	3.3	3.0

●Equity Ratio	2013/3	2013/9
	75.9%	76.9%

Cash Flow(1H)

(Billions of Yen)



FY11

Cash and Cash Equivalents at the Beginning of the FY	41.5
Cash and Cash Equivalents in the End of the FY	33.4

FY12

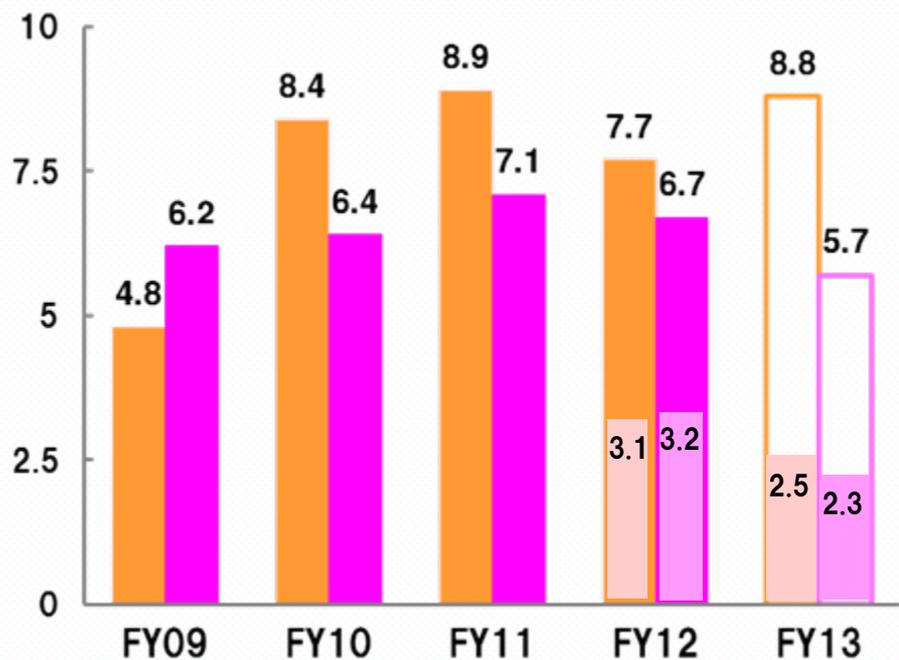
Cash and Cash Equivalents at the Beginning of the FY	43.2
Cash and Cash Equivalents in the End of the FY	45.3

Capital Expenditures, Depreciation and Amortization, R&D Expenses

◆ Capital Expenditures, Depreciation and Amortization

■ Capital Expenditures ■ Depreciation and Amortization

(Billions of Yen)

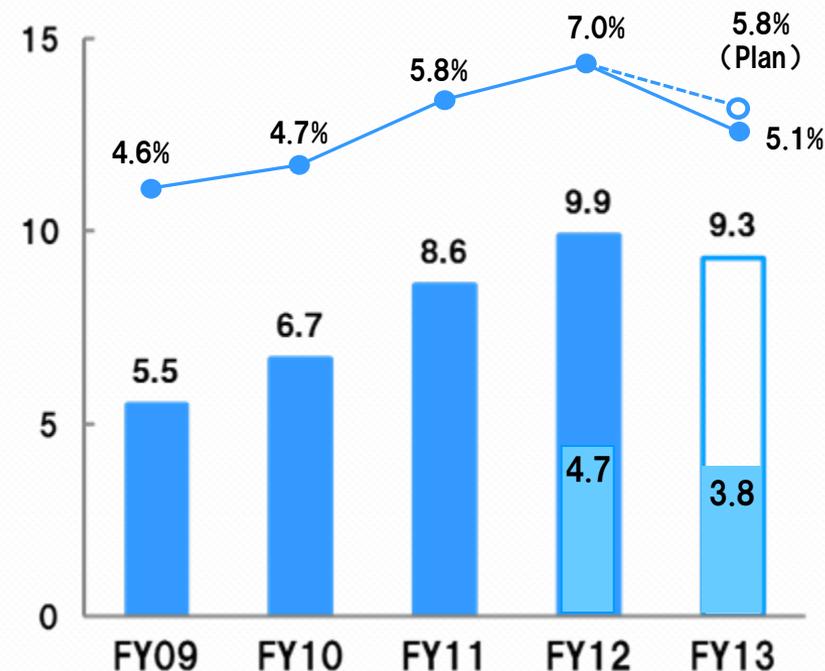


	1Q	2Q
Capital Expenditures	1.4	1.1
Depreciation and Amortization	1.1	1.2

◆ R&D Expenses

■ R&D Expenses ● Ratio of R&D Expenses to Net Sales

(Billions of Yen)



	1Q	2Q
R&D Expenses	1.7	2.0

T O P I C S

Point Reader Launched (April, 2013)



A compact blood analyzer for quantitative analysis of serum ferritin

- Allows local clinics to conduct quick and accurate quantitative analysis of serum ferritin effective in the detection of the level of iron in blood.
- Suitable for diagnosis and medical follow-up of hepatitis-C and other diseases.

Newly Developed “UDI Series” (May, 2013)



A direct imaging system for printed-circuit boards

A direct imaging photolithography system best suited for manufacturing not only FC-CSP packages but FC-BGA as well.

ADTEC Engineering commences negotiations with FUJIFILM (September 30, 2013)



- Acquisition of business regarding design, sales and maintenance of fully-automatic digital exposure systems for printed-wiring boards from FUJIFILM
- Termination of the previous business alliance with FUJIFILM, considering the possible acquisition described above.

USHIO

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