

2nd Quarter FY2014 Financial Results

USHIO INC.

Oct. 31, 2014

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 FY2014**
- II. Forecasts for FY2014
- III. Supplementary Information

Highlights of Financial Results for 2Q FY2014

Consolidated net sales down 1.8% year on year to ¥74.3 billion
Consolidated operating income down 31.4% year on year to ¥4.0 billion,
for lower revenue and profits

- Downward revision of full-year targets of ¥160 billion in net sales and ¥11.0 billion in operating income -

| | | |
|---------------|------------------|---|
| Equipment | Imaging | The decline in digital cinema projector (DCP) sales volume was not covered by general imaging equipment, leading to a year-on-year drop in sales of 16.6%. |
| | Optical | While shipments of optical aligner doubled, because sales from the EUV lithography business were included in the same period of the previous year, sales declined by 2.5% year on year. |
| | Operating Income | Profits declined by ¥2.5 billion, mainly reflecting lower DCP sales and EUV lithography business contraction. |
| Light Sources | Discharge | While sales of UV lamps for lithography were largely flat, overall sales increased by 14.1% year on year, led by imaging lamps for cinema use, data projectors and other applications. |
| | Halogen | Sales of halogen lamps for office automation (OA) grew briskly, increasing 5.9% year on year. |
| | Operating Income | Operating income increased 18.4% year on year, tracking quantitative effects accompanying sales growth. |

Summary of Financial Results 2Q FY2014



| (Billions of yen) | FY13 | FY14 | YoY | | FY14/1H | FY14/1H | HoH | |
|----------------------------|-------|-------|---------|-------|----------|----------------|---------|---------------------|
| | 1H | 1H | Changes | % | Forecast | Actual Results | Changes | Achievement Rate(%) |
| Net Sales | 75.7 | 74.3 | ▲1.3 | ▲1.8 | 78.0 | 74.3 | ▲3.6 | 95.3 |
| Operating Income | 5.8 | 4.0 | ▲1.8 | ▲31.4 | 5.5 | 4.0 | ▲1.5 | 72.9 |
| Operating Income Ratio (%) | 7.7 | 5.4 | ▲2.3P | - | 7.1 | 5.4 | ▲1.7P | - |
| Ordinary Income | 7.7 | 5.1 | ▲2.6 | ▲33.7 | 6.6 | 5.1 | ▲1.5 | 78.0 |
| Net Income | 5.1 | 4.4 | ▲0.6 | ▲12.9 | 5.0 | 4.4 | ▲0.5 | 89.8 |
| EPS (Yen) | 39.34 | 34.48 | - | - | 38.20 | 34.48 | - | - |
| Forex (Yen) | | | | | | | | |
| USD | 99 | 103 | | | 100 | 103 | | |
| EUR | 130 | 139 | | | 130 | 139 | | |

| Annual Forex Sensitivity (Billions of Yen) | Net Sales | Operating Income | Ordinary Income |
|--|-----------|------------------|-----------------|
| USD | 1.0 | 0.1 | 0.1 |

Financial Results Trend 《Quarterly Comparison》

| (Billions of Yen) | 1Q | 2Q | QoQ | |
|----------------------------|-------|-------|---------|--------|
| | | | Changes | % |
| Net Sales | 34.4 | 39.9 | +5.4 | +15.8 |
| Operating Income | 1.4 | 2.5 | +1.1 | +77.5 |
| Operating Income Ratio (%) | 4.2 | 6.4 | +2.2P | - |
| Ordinary Income | 1.7 | 3.3 | +1.5 | +89.4 |
| Net Income | 1.3 | 3.1 | +1.7 | +123.5 |
| EPS (Yen) | 10.66 | 23.82 | - | - |
| Forex (Yen) | | | | |
| USD | 102 | 103 | | |
| EUR | 141 | 138 | | |

Financial Results by Business Segments



| (Billions of Yen) | | FY13 | FY14 | YoY | | FY13 | FY14 | HoH | |
|-------------------|----------------------------|------|------|---------|-------|------|------|---------|-------|
| | | 1H | 1H | Changes | % | 2H | 1H | Changes | % |
| Equipment | Net Sales | 44.1 | 38.7 | ▲5.3 | ▲12.2 | 47.0 | 38.7 | ▲8.3 | ▲17.7 |
| | Operating Income | 2.0 | ▲0.4 | ▲2.5 | - | 0.4 | ▲0.4 | ▲0.9 | - |
| | Operating Income Ratio (%) | 4.6 | ▲1.2 | ▲5.8P | - | 1.0 | ▲1.2 | ▲2.2P | - |
| Light Sources | Net Sales | 30.3 | 34.0 | +3.7 | +12.3 | 33.2 | 34.0 | +0.8 | +2.5 |
| | Operating Income | 3.6 | 4.3 | +0.6 | +18.4 | 5.7 | 4.3 | ▲1.3 | ▲23.5 |
| | Operating Income Ratio (%) | 12.1 | 12.8 | +0.7P | - | 17.2 | 12.8 | ▲4.3P | - |
| Others | Net Sales | 1.2 | 1.5 | +0.2 | +18.5 | 1.7 | 1.5 | ▲0.1 | ▲11.4 |
| | Operating Income | 0.0 | 0.0 | ▲0.0 | - | 0.0 | 0.0 | +0.0 | - |
| | Operating Income Ratio (%) | 3.5 | 2.6 | ▲0.8P | - | 1.9 | 2.6 | +0.7P | - |

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 《Net Sales》



Imaging

Despite lower sales of cinema equipment year on year, sales rose on a quarter-on-quarter positive turnaround in DCP shipments. Sales of general imaging equipment were higher both YoY and QoQ.

Optical

Contraction in the EUV lithography business was one factor in the YoY decline in sales. QoQ, sales were higher in optical equipment overall, reflecting growth in sales of UV equipment, including lithography equipment, and optical aligner.

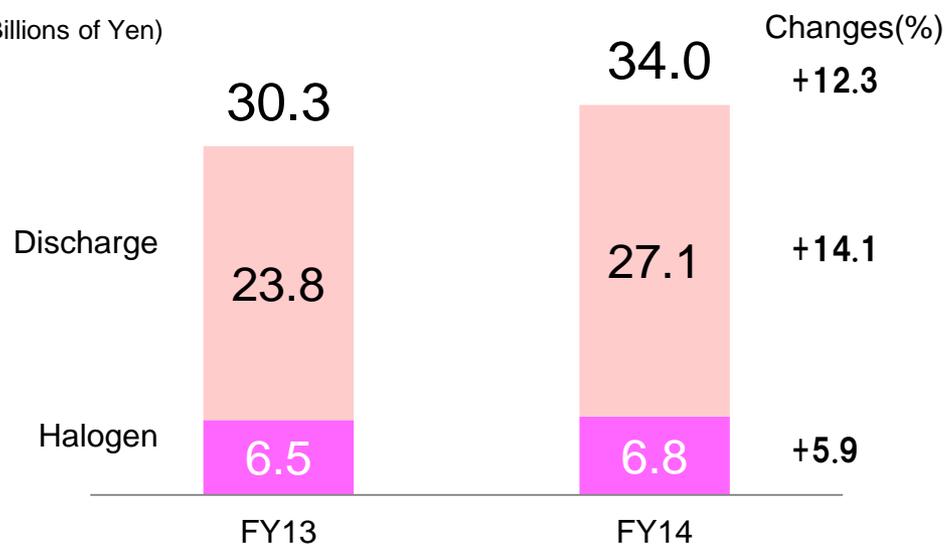
| 《YoY》 (Billions of Yen) | | FY13 | FY14 | YoY | 《QoQ》 (Billions of Yen) | | 1Q | 2Q | QoQ |
|----------------------------|--------------|------|------|------|----------------------------|--------------|------|------|------|
| | | 1H | 1H | | | | 1Q | 2Q | |
| Net Sales | Imaging | 31.1 | 25.9 | ▲5.1 | Net Sales | Imaging | 11.9 | 14.0 | +2.1 |
| | Optical | 12.3 | 12.0 | ▲0.3 | | Optical | 4.6 | 7.3 | +2.7 |
| | Illumination | 0.6 | 0.7 | +0.1 | | Illumination | 0.2 | 0.5 | +0.2 |
| Total | | 44.1 | 38.7 | ▲5.3 | Total | | 16.8 | 21.9 | +5.1 |

Light Sources Business Segment 《Net Sales》

《1H》

Net Sales

(Billions of Yen)



Discharge

YoY, while sales of UV lamps for lithography remained largely flat, sales rose by 14.1%, led by lamps for various imaging applications. QoQ, sales increased slightly, maintaining sales momentum from the first quarter.

Halogen

Sales mainly for OA applications rose by 5.9% year on year.

| 《YoY》 | | FY13 | FY14 | YoY | 《QoQ》 | | 1Q | 2Q | QoQ |
|-------------------|-----------|------|------|------|-------------------|-----------|------|------|------|
| (Billions of Yen) | | 1H | 1H | | (Billions of Yen) | | | | |
| Net Sales | Discharge | 23.8 | 27.1 | +3.3 | Net Sales | Discharge | 13.5 | 13.6 | +0.0 |
| | Halogen | 6.5 | 6.8 | +0.3 | Halogen | Halogen | 3.4 | 3.4 | +0.0 |
| Total | | 30.3 | 34.0 | +3.7 | Total | | 16.9 | 17.1 | +0.1 |

Note : Net Sales indicates sales to unaffiliated customers.

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New Full Year Forecasts

| (Billions of Yen) | FY14 (Forecast) | New Full Year Forecasts | 1H (Actual) | Achievement Rate (%) |
|----------------------|--------------------|----------------------------|----------------|-------------------------|
| Net Sales | 170.0 | 160.0 | 74.3 | 46.5 |
| Operating Income | 14.0 | 11.0 | 4.0 | 36.5 |
| Operating Income (%) | 8.2 | 6.9 | 5.4 | - |
| Ordinary Income | 16.0 | 13.0 | 5.1 | 39.6 |
| Net Income | 11.0 | 10.0 | 4.4 | 44.9 |
| EPS (Yen) | 84.03 | 76.68 | 34.48 | - |
| ROE (%) | 5.7 | 5.2 | - | - |
| Dividend (Yen) | 24 | 24 | - | - |
| Payout Ratio (%) | 28.6 | 31.3 | - | - |
| Forex (Yen) | | | | |
| | USD | 100 | 105 | 103 |
| | EUR | 130 | 139 | 139 |

Future Prospects in 2nd Half

| | |
|-----------|---------|
| Equipment | Imaging |
| | Optical |

For the full year, while DCP sales volume is set to decline year on year, shipments to emerging markets in the second half of the year are expected to surpass those of the first half. Growth in general imaging equipment is likely to remain firm, with sales in new businesses and the laser projector business projected to rise. Overall sales of imaging equipment are expected to increase by 20% compared to the first half of the year.

In lithography equipment (UX series), shipments of existing products are anticipated, including equipment for MEMS applications and TAB lithography equipment. Shipments of optical aligner, in line with initial forecast, are also expected to surpass the first half, resulting in a 30% increase in optical equipment sales overall compared to the first half of the year.

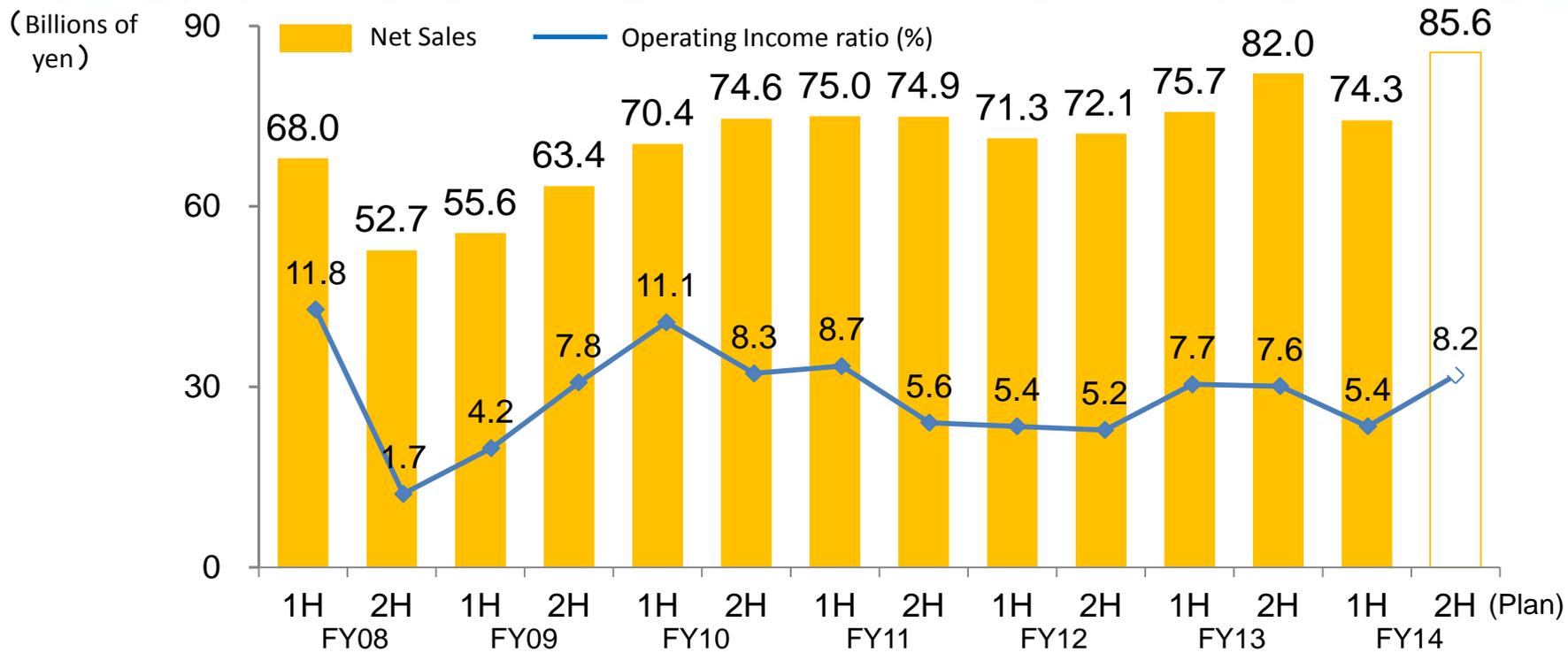
| | |
|---------------|-----------|
| Light Sources | Discharge |
| | Halogen |

Sales will increase slightly, maintaining momentum from the first half. Sales of UV lamps will likely be flat, maintaining a high market share. Efforts in cinema lamps will shift from share expansion to an emphasis on profitability.

Although growth for OA applications will slow, sales will likely remain strong and increase modestly.

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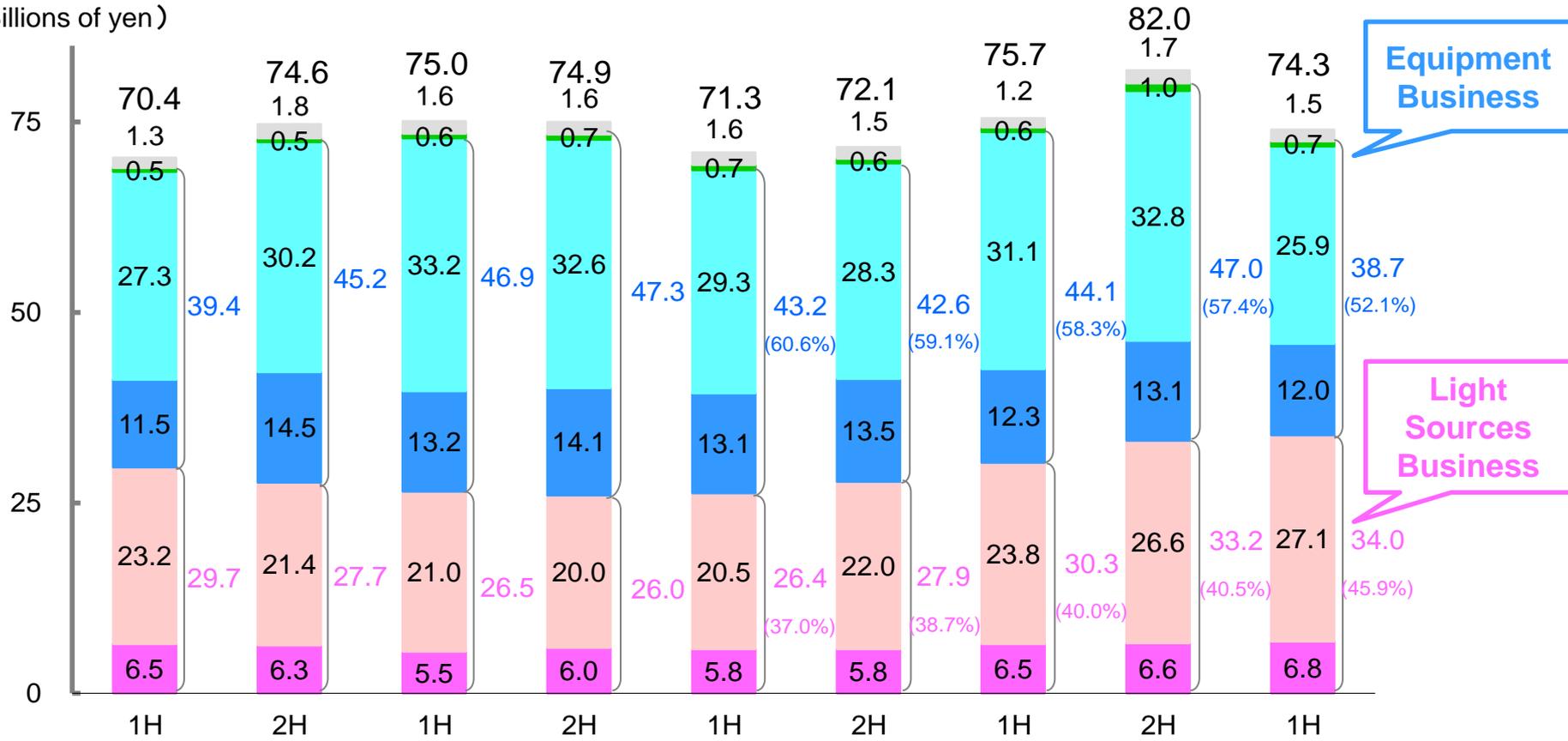
Transition of Net Sales and Operating Income



| | FY08 | | FY09 | | FY10 | | FY11 | | FY12 | | FY13 | | FY14 | |
|----------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|-----------|
| | 1H | 2H | 1H | 2H (Plan) |
| Net Sales | 68.0 | 52.7 | 55.6 | 63.4 | 70.4 | 74.6 | 75.0 | 74.9 | 71.3 | 72.1 | 75.7 | 82.0 | 74.3 | 85.6 |
| Operating Income | 8.0 | 0.9 | 2.3 | 4.9 | 7.8 | 6.1 | 6.5 | 4.1 | 3.8 | 3.7 | 5.8 | 6.2 | 4.0 | 6.9 |
| Operating Income Ratio (%) | 11.8 | 1.7 | 4.3 | 7.8 | 11.1 | 8.3 | 8.7 | 5.6 | 5.4 | 5.2 | 7.7 | 7.6 | 5.4 | 8.2 |

Net Sales by Product Groups 《Semi Annual Transition》

(Billions of yen)



FY10
Equipment Business

Light Sources Business

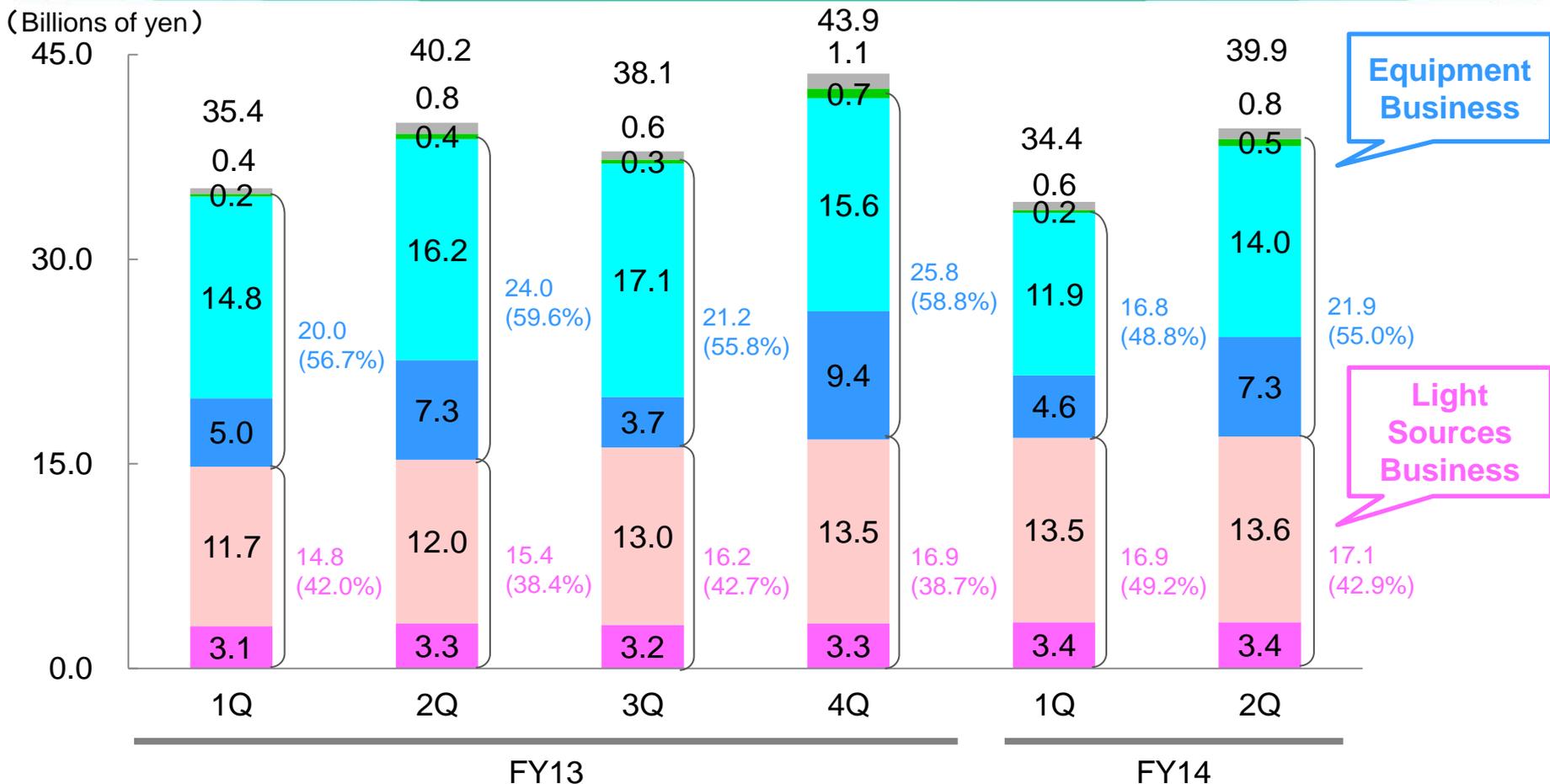
FY13
Other Business

- Illumination and Related Facilities
- Imaging Equipment
- Optical Equipment

- Discharge Lamps
- Halogen Lamps

- Machinery for Industrial Use and Other Business

Sales Trend by Product Groups



Equipment Business

- Illumination and Related Facilities
- Imaging Equipment
- Optical Equipment

Light Sources Business

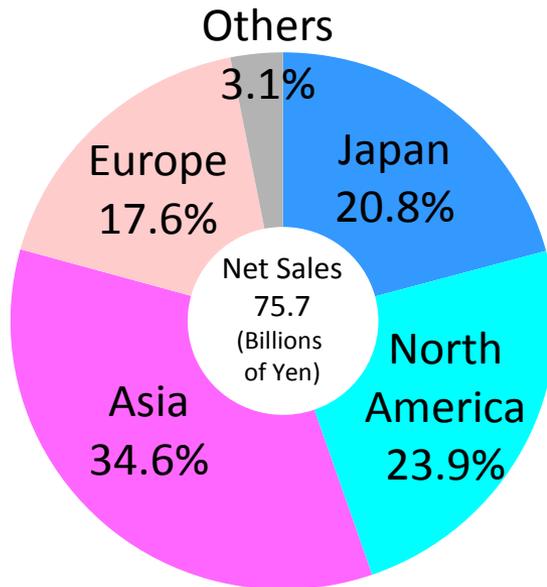
- Discharge Lamps
- Halogen Lamps

Other Business

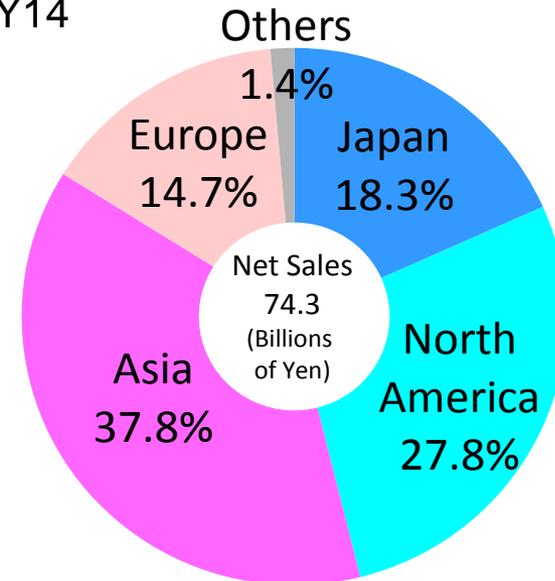
- Machinery for Industrial Use and Other Business

Foreign Sales Ratio 《1H》

◆FY13



◆FY14



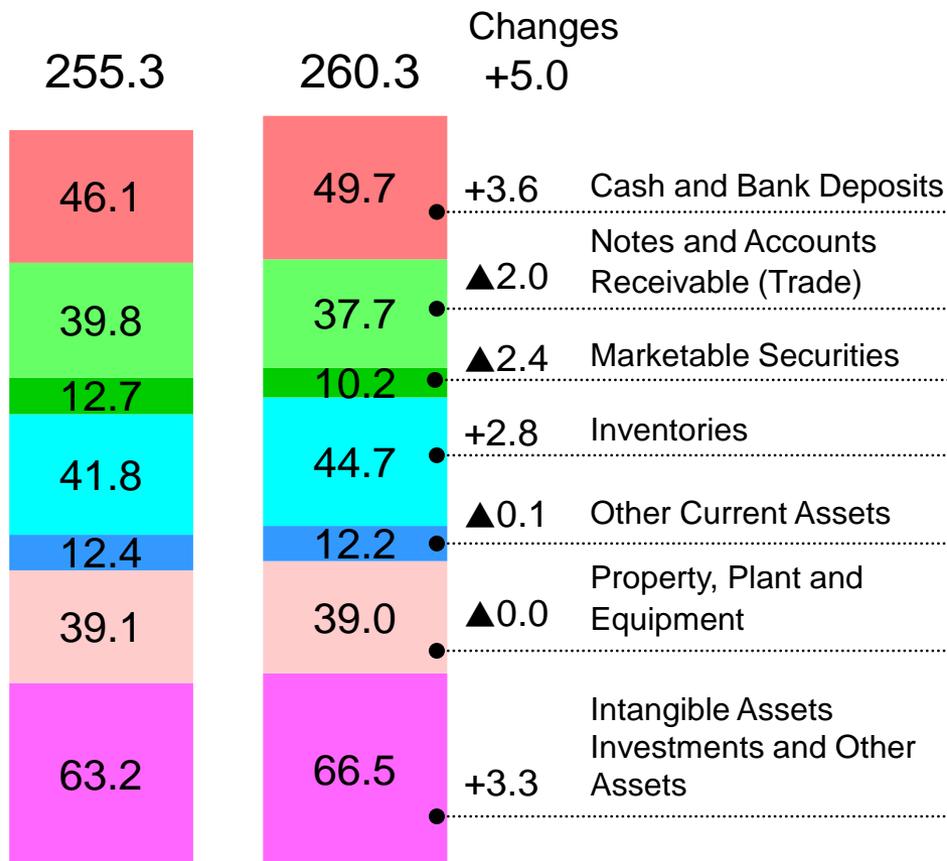
Non-Operating Income and Expenses 《1H》

| (Billions of Yen) | FY13 | FY14 | YoY |
|---|------|------|------|
| Non-Operating Income | 2.1 | 1.4 | ▲0.7 |
| Interest income | 0.2 | 0.3 | +0.0 |
| Dividend income | 0.5 | 0.5 | +0.0 |
| Foreign exchange gains | 0.5 | - | ▲0.5 |
| Realized and unrealized profit on trading securities, net | 0.1 | 0.2 | +0.1 |
| Gain on sales of investment securities | 0.1 | - | ▲0.1 |
| Other | 0.4 | 0.2 | ▲0.1 |
| Non-Operating Expenses | 0.2 | 0.2 | +0.0 |
| Interest expenses | 0.1 | 0.0 | ▲0.0 |
| Foreign exchange losses | - | 0.0 | +0.0 |
| Share of loss of entities accounted for using equity method | 0.0 | 0.0 | +0.0 |
| Other | 0.0 | 0.1 | +0.0 |
| Non-Operating Income and Expenses | 1.9 | 1.1 | ▲0.7 |

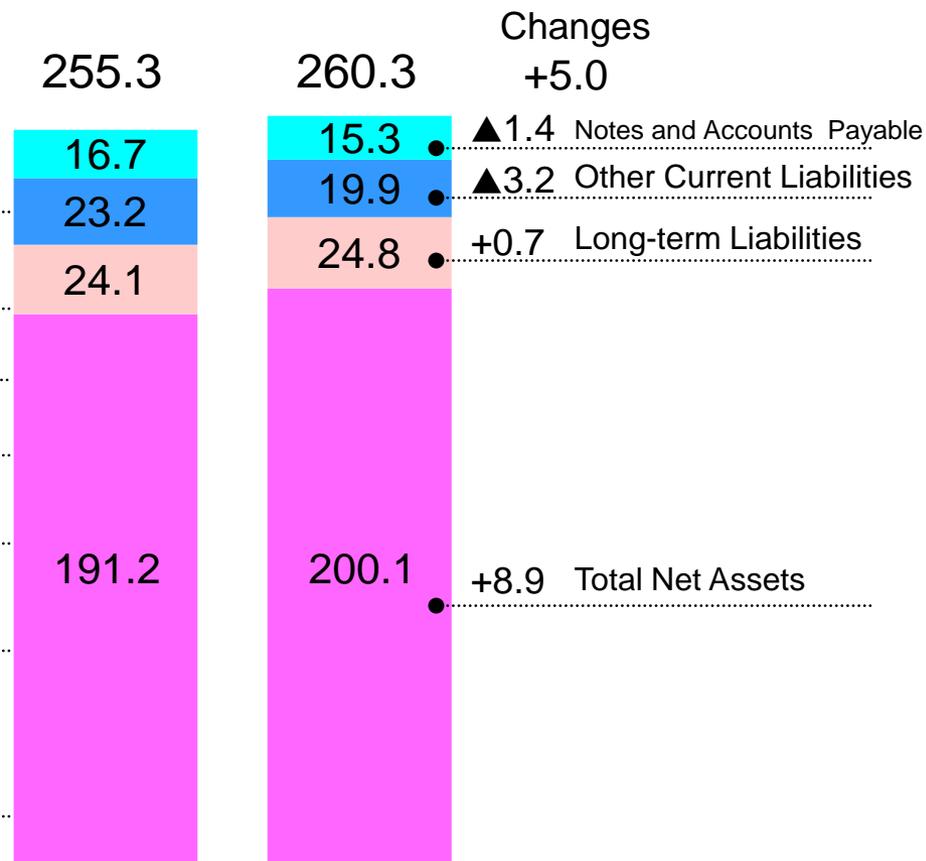
Balance Sheet



◆ Assets (Billions of Yen)



◆ Liabilities • Total Net Assets (Billions of Yen)



● Turnover (month)

2014/3 2014/9

Receivable-trade 2.8 3.1

Inventories 3.0 3.5

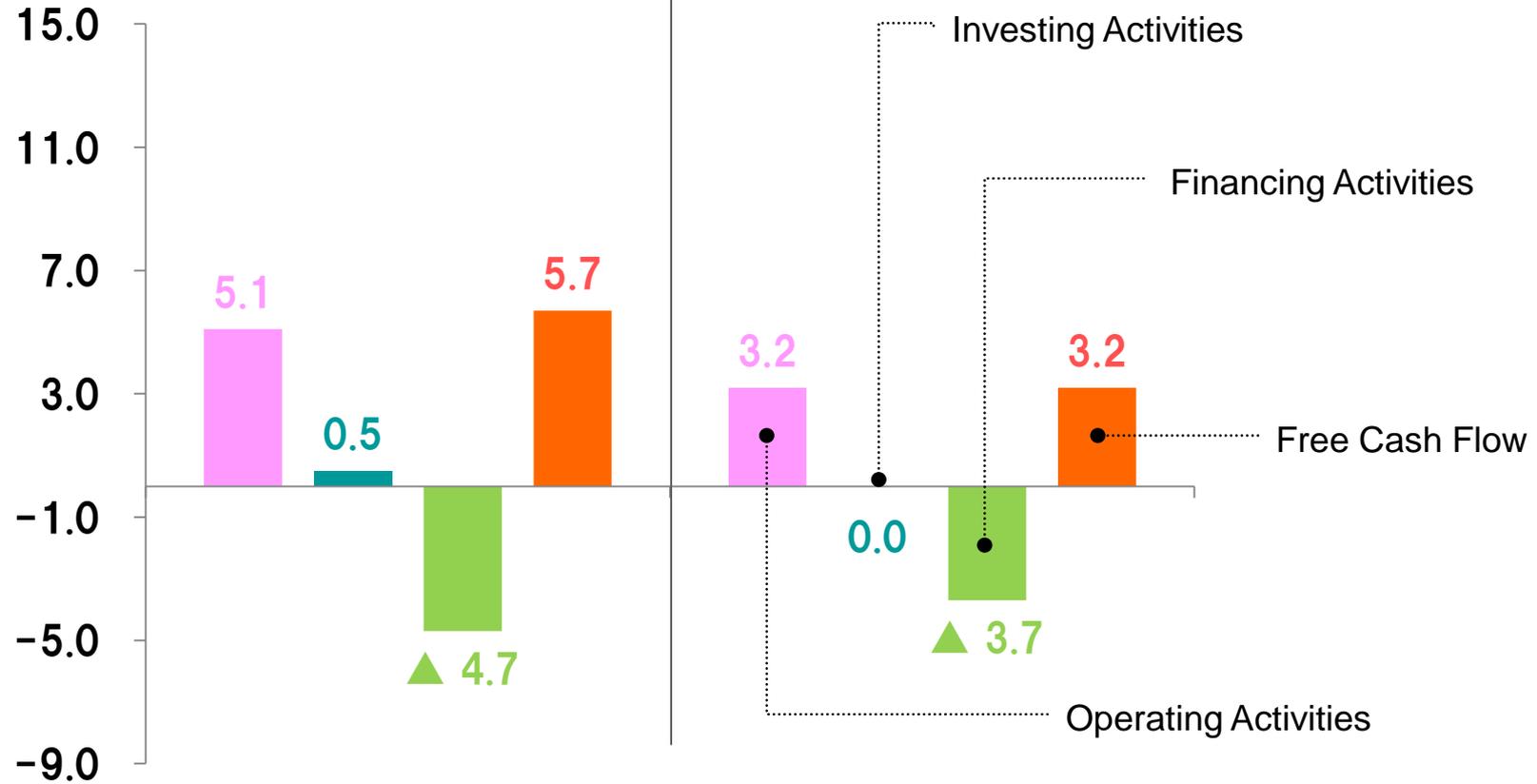
● Equity Ratio (%)

2014/3 2014/6

73.5 75.9

Cash Flow

(Billions of yen)



FY13

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

FY14

| | |
|--|------|
| Cash and Cash Equivalents at the Beginning of the FY | 45.3 |
| Cash and Cash Equivalents in the End of the FY | 45.9 |

Capital Expenditures, Depreciation and Amortization, R&D Expenses



◆ Capital Expenditures, Depreciation and Amortization

◆ R&D Expenses

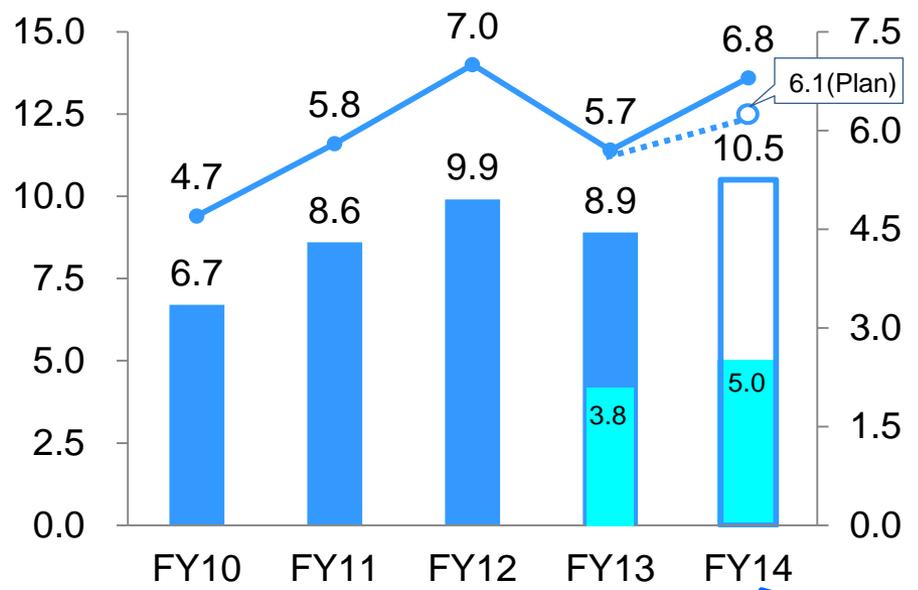
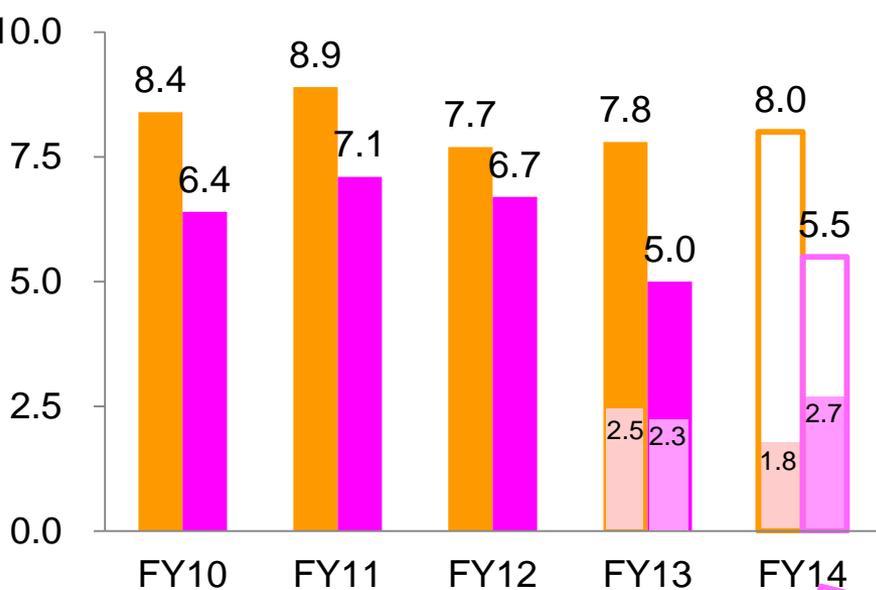
■ Capital Expenditures
 ■ Depreciation and Amortization

■ R&D Expenses
 ● Ratio of R&D Expenses to Net Sales (%)

(Billions of Yen)

(Billions of Yen)

(%)



| | 1Q | 2Q |
|-------------------------------|-----|-----|
| Capital Expenditures | 0.9 | 0.8 |
| Depreciation and Amortization | 1.3 | 1.3 |

| | 1Q | 2Q |
|--|-----------|-----------|
| R&D Expenses | 2.4 | 2.6 |
| Ratio of R&D Expenses to Net Sales (%) | 6.1(Plan) | 6.1(Plan) |

T O P I C S

Ushio Acquires Industrial and Consumer Semiconductor Laser Diode and LED Business of Oclaro Japan



— USHIO Aims at Expanding Its Solid State Light Source Business with This Acquisition —

TOKYO, August 6, 2014 — USHIO INC. announced today that its wholly owned subsidiary USHIO OPTO SEMICONDUCTORS, INC. has signed a demerger agreement with Oclaro Japan, Inc. a wholly owned subsidiary of Oclaro, Inc.. Through this agreement, USHIO OPTO SEMICONDUCTORS will acquire the LED, red, violet and part of the infrared laser diode business from Oclaro Japan. The acquired activity is primarily located in Komoro, Japan and includes approximately 80 employees.

Since it was founded five decades ago, USHIO has developed, manufactured, and marketed a variety of successful and highly popular lamps and solid-state light sources. USHIO has long been one of the world's leading manufacturers of industrial light sources. By this transfer, USHIO is aiming at further expansion of its solid-state light sources business. USHIO will receive transfer of the business related to the development, manufacture, and sales of semiconductor lasers and LEDs (other than Oclaro Japan's optical communication business) from Oclaro Japan.

※From press release dated August 6, 2014

※As of closing on October 27, 2014

■ Location

Chiyoda Ward, Tokyo (Head office and sales division)
Komoro, Nagano Prefecture (Komoro Office)

■ Business Scale

Annual net sales estimated at ¥3 billion to ¥4 billion

■ Principal Products

CAN-type red lasers, infrared lasers, violet lasers, high luminosity infrared LEDs



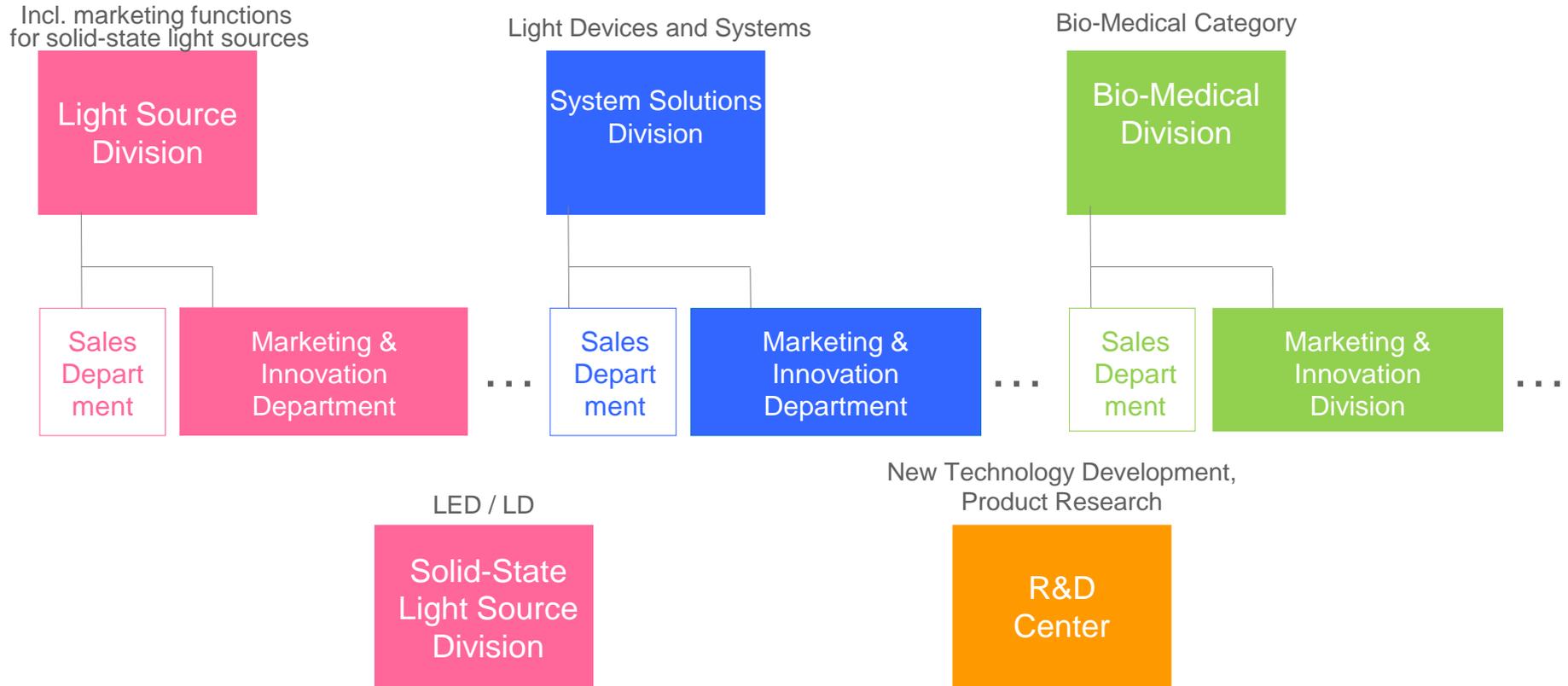
■ Principal Applications



Organizational Reconfiguration – Establishment of the Marketing & Innovation Department



As part of organizational reforms enacted on October 1, the Company's internal organization was reconfigured into four business divisions and an R&D division. This resulted in establishment of a Marketing & Innovation Department within the Light Sources Division (including marketing functions for solid-state light sources), the System Solutions Division (optical equipment), and the Bio-Medical Division, charged with cultivating new business and accelerating product development that will lead to commercialization.





Thank you
50th Anniversary

USHIO

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