

FY2015 Financial Results

The logo for USHIO, consisting of the word "USHIO" in a bold, white, sans-serif font, set against a solid green rectangular background.

USHIO INC.

May 11, 2016

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.**

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- I. Financial Results for FY2015**
 - II. Forecasts for FY2016
 - III. Medium-Term Management Plan

Highlights of Financial Results for FY2015

Consolidated net sales up 12.4% year on year to ¥179.1 billion
Consolidated operating income up 26.8% year on year to ¥13.1 billion

Equipment	Imaging	Sales increased 16.5% YoY, reflecting solid sales of new DCP products in the Chinese market
	Optical	Sales increased 21.9% YoY, due to higher shipments of lithography equipment for electronic components and photo alignment equipment driven by demand for electronic components for high-end smartphones and small- to medium-sized LCD panels
	Operating Income	Operating income rose ¥1.7 billion YoY
Light Sources	Discharge	Sales increased 10.0% YoY with contributions from xenon lamps for cinema projectors and expansion in the solid state light source business
	Halogen	Sales decreased 3.5% YoY, partly due to the impact of the economic slowdown in emerging economies on OA equipment applications
	Operating Income	Operating income rose 9% (¥0.9 billion) YoY

Comparison of Full-year Forecasts with Actual Results

(Billions of Yen)	FY15 (Forecast)	FY15 (Actual Results)	Changes	Achievement Rate(%)
Net Sales	180.0	179.1	▲0.8	99.5%
Operating Income	13.0	13.1	+0.1	101.0%
Operating Income (%)	7.2	7.3	+0.1P	101.8%
Ordinary Income	15.0	14.6	▲0.3	97.6%
Profit Attributable to Owners of Parent	12.0	11.1	▲0.8	92.5%
EPS (Yen)	91.91	85.83	▲6.08	93.4%
ROE (%)	5.7	5.2	▲0.5P	91.6%
Dividend (Yen)	26	26	+0	100.0%
Payout Ratio (%)	28.3	30.3	+2.0P	107.1%
Capital Expenditures	9.6	13.2	+3.6	137.8%
Depreciation and Amortization	7.2	6.4	▲0.7	90.2%
R&D Expenses	11.0	11.2	+0.2	102.1%
Forex (Yen)				
USD	120	121	-	-
EUR	138	133	-	-

Summary of Financial Results 4Q FY2015

(Billions of yen)	FY14	FY15	YoY		FY14	FY15	YoY	
	1-4Q	1-4Q	Changes	%	4Q	4Q	Changes	%
Net Sales	159.3	179.1	+19.7	+12.4	44.5	44.5	+0.0	+0.0
Operating Income	10.3	13.1	+2.7	+26.8	3.9	2.6	▲1.3	▲34.1
Operating Income Ratio (%)	6.5	7.3	+0.8P	-	8.9	5.9	▲3.0P	-
Ordinary Income	13.7	14.6	+0.9	+6.7	4.5	1.5	▲2.9	▲65.7
Profit Attributable to Owners of Parent	11.2	11.1	▲0.1	▲1.5	3.1	1.5	▲1.5	▲50.5
EPS (Yen)	86.40	85.83	▲0.57	▲0.7	23.92	11.98	▲11.94	▲49.9
Forex (Yen)								
USD	109	121			119	118		
EUR	139	133			138	129		

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	3Q	4Q	QoQ	
					Changes	%
Net Sales	41.1	47.4	45.9	44.5	▲1.3	▲3.0
Operating Income	2.3	4.2	3.9	2.6	▲1.3	▲34.1
Operating Income Ratio (%)	5.7	8.8	8.6	5.9	▲2.8 P	-
Ordinary Income	3.3	4.2	5.5	1.5	▲3.9	▲71.8
Profit Attributable to Owners of Parent	2.6	2.8	4.0	1.5	▲2.5	▲62.3
EPS (Yen)	20.18	21.98	31.71	11.98	▲19.73	▲62.2
Forex (Yen)						
USD	121	123	121	118		
EUR	133	136	133	129		

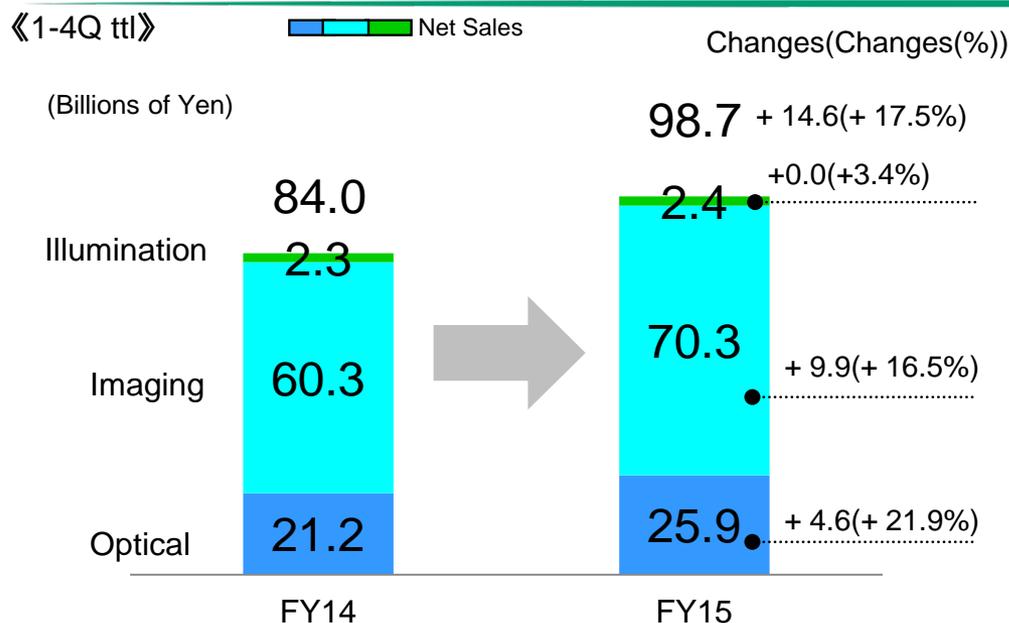
Financial Results by Business Segments

(Billions of Yen)		FY14	FY15	YoY		FY14	FY15	YoY	
Business Segments		1-4Q	1-4Q	Changes	%	4Q	4Q	Changes	%
Equipment	Net Sales	84.0	98.7	+14.6	+17.5	24.0	24.5	+0.5	+2.1
	Operating Income	▲0.0	1.7	+1.7	-	0.3	0.0	▲0.2	▲75.3
	Operating Income(%)	▲0.0	1.7	+1.8P	-	1.4	0.3	▲1.1P	-
Light Sources	Net Sales	71.9	77.2	+5.2	+7.3	19.4	18.9	▲0.4	▲2.4
	Operating Income	10.0	10.9	+0.9	+9.0	3.4	2.2	▲1.1	▲34.1
	Operating Income(%)	14.0	14.2	+0.2P	-	17.7	12.0	▲5.8P	-
Others	Net Sales	3.3	3.1	▲0.2	▲6.4	1.0	1.0	▲0.0	▲3.3
	Operating Income	0.1	0.1	+0.0	+3.5	0.1	0.1	+0.0	+29.5
	Operating Income(%)	5.2	5.7	+0.6P	-	9.6	12.8	+3.2P	-

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 《Net Sales》



Imaging

Sales in the cinema field rose by 40% YoY after capturing DCP demand from emerging countries, while general imaging sales were held to a 3% increase

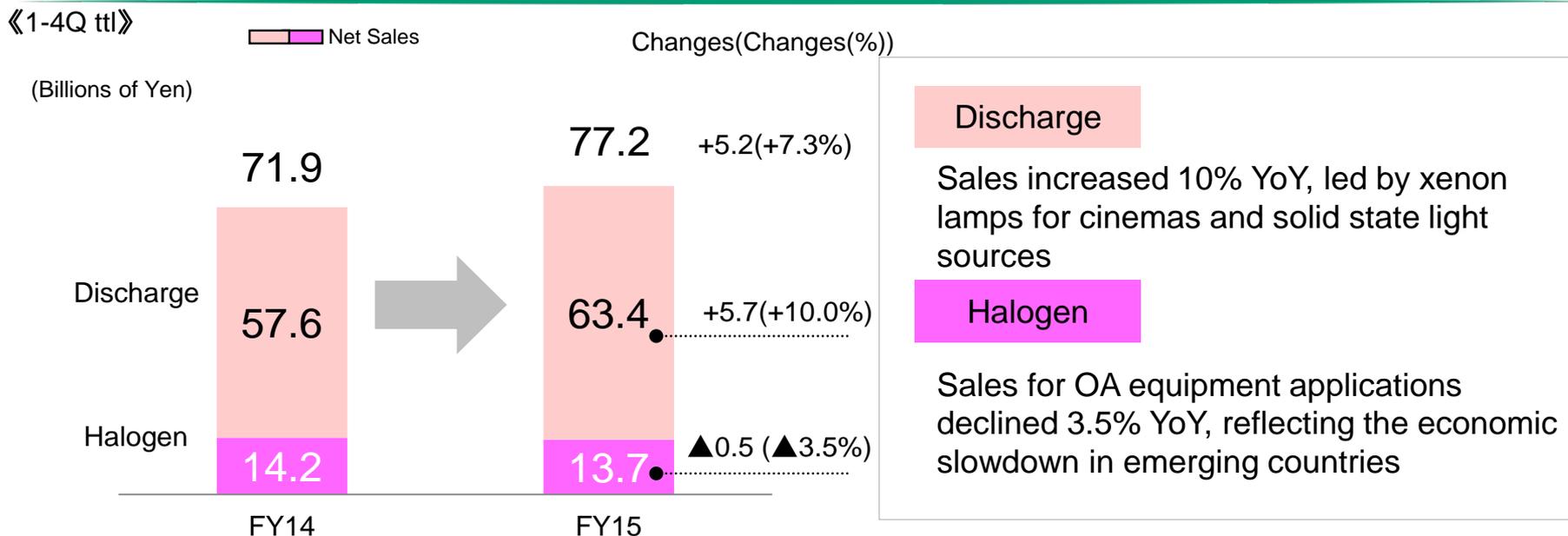
Optical

Sales of UV equipment increased by 20% YoY and sales of cure equipment increased by 40%, boosted by sales of photo alignment equipment

《YoY》 (Billions of Yen)		FY14	FY15	YoY	《QoQ》 (Billions of Yen)		3Q	4Q	QoQ
		1-4Q	1-4Q				4Q	4Q	
Net Sales	Imaging	60.3	70.3	+9.9	Net Sales	Imaging	20.1	15.4	▲4.6
	Optical	21.2	25.9	+4.6	Optical	Optical	5.8	8.0	+2.2
	Illumination	2.3	2.4	+0.0	Illumination	Illumination	0.2	1.0	+0.7
Total		84.0	98.7	+14.6	Total		26.2	24.5	▲1.6

Note : Net Sales indicates sales to unaffiliated customers.

Light Sources Business Segment 《Net Sales》



《YoY》 (Billions of Yen)		FY14 1-4Q	FY15 1-4Q	YoY	《QoQ》 (Billions of Yen)		3Q	4Q	QoQ
Net Sales	Discharge	57.6	63.4	+5.7	Net Sales	Discharge	15.6	15.6	▲0.0
	Halogen	14.2	13.7	▲0.5		Halogen	3.4	3.3	▲0.1
Total		71.9	77.2	+5.2	Total		19.0	18.9	▲0.1

Note : Net Sales indicates sales to unaffiliated customers.

Capital Expenditures, Depreciation and Amortization, R&D Expenses

◆ Capital Expenditures, Depreciation and Amortization



(Billions of Yen)

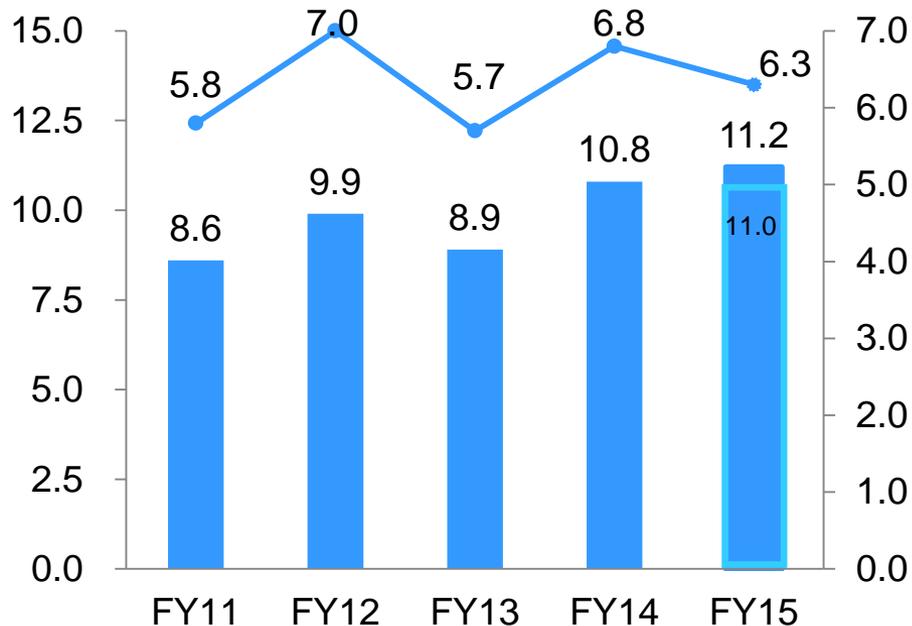


◆ R&D Expenses



(Billions of Yen)

(%)



Amount of goodwill from M&A included in capital expenditures

FY14(1-4Q) . . . 3.6 billion yen

FY15(1-4Q) . . . 4.7 billion yen

	1Q	2Q	3Q	4Q
Capital Expenditures	1.9	1.0	4.6	5.5
Depreciation and Amortization	1.5	1.5	1.6	1.7

	1Q	2Q	3Q	4Q
R&D Expenses	2.5	2.7	2.6	3.2

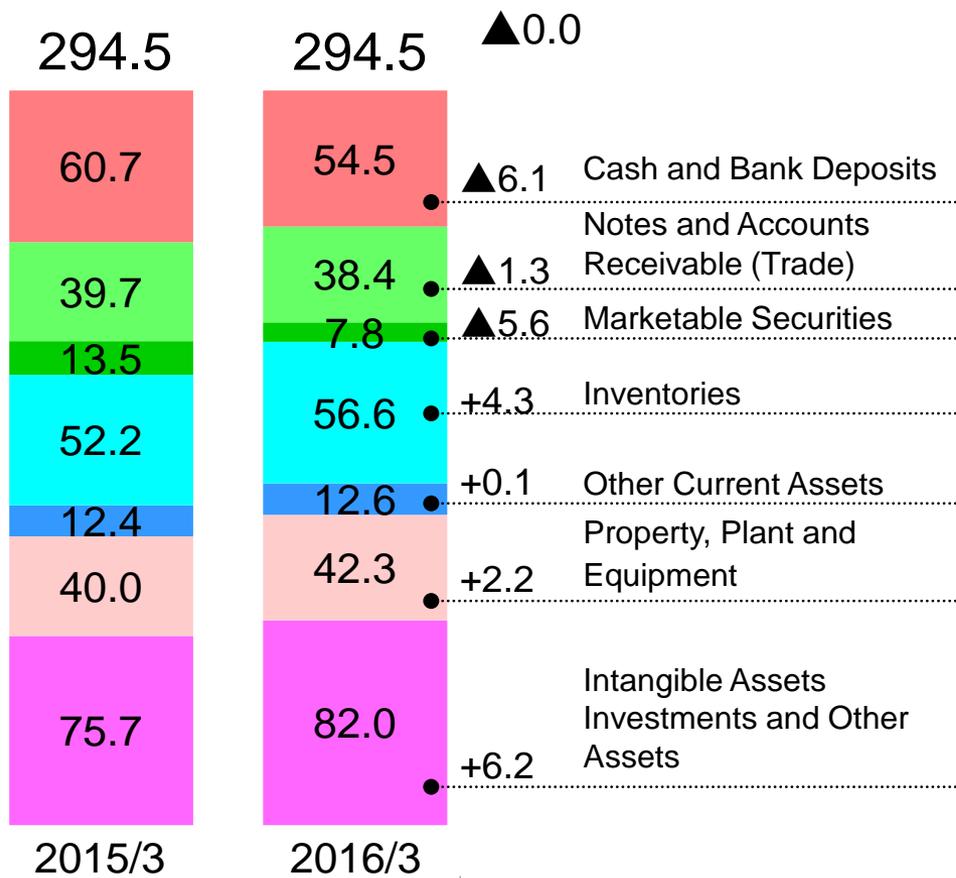
Other Income and Expenses 《1-4Q》

(Billions of Yen)	FY14	FY15	YoY
Other Income	3.7	2.3	▲1.4
Interest income	0.8	0.7	▲0.0
Dividend	1.0	1.1	+0.1
Foreign exchange gains	0.7	0.0	▲0.7
Gain on trading securities	0.4	-	▲0.4
Others	0.7	0.4	▲0.2
Other Expenses	0.3	0.8	+0.4
Interest expenses	0.1	0.2	+0.0
Share of loss of entities accounted for using equity method	0.0	0.0	▲0.0
Loss on trading securities	-	0.3	+0.3
Others	0.1	0.2	+0.0
Other Income and Expenses	3.3	1.5	▲1.8

Balance Sheet

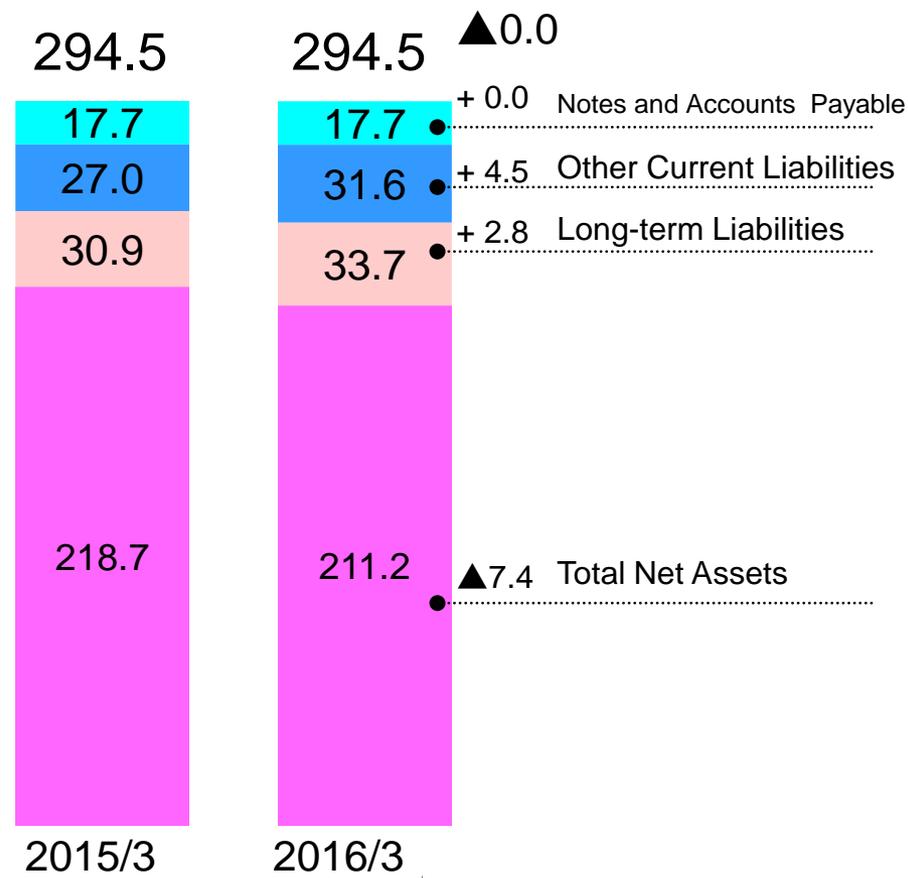
◆ Assets

(Billions of Yen)



◆ Liabilities • Total Net Assets

(Billions of Yen)



● Turnover (month)

2015/3 2016/3

Receivable-trade	3.0	2.6
Inventories	3.5	3.8

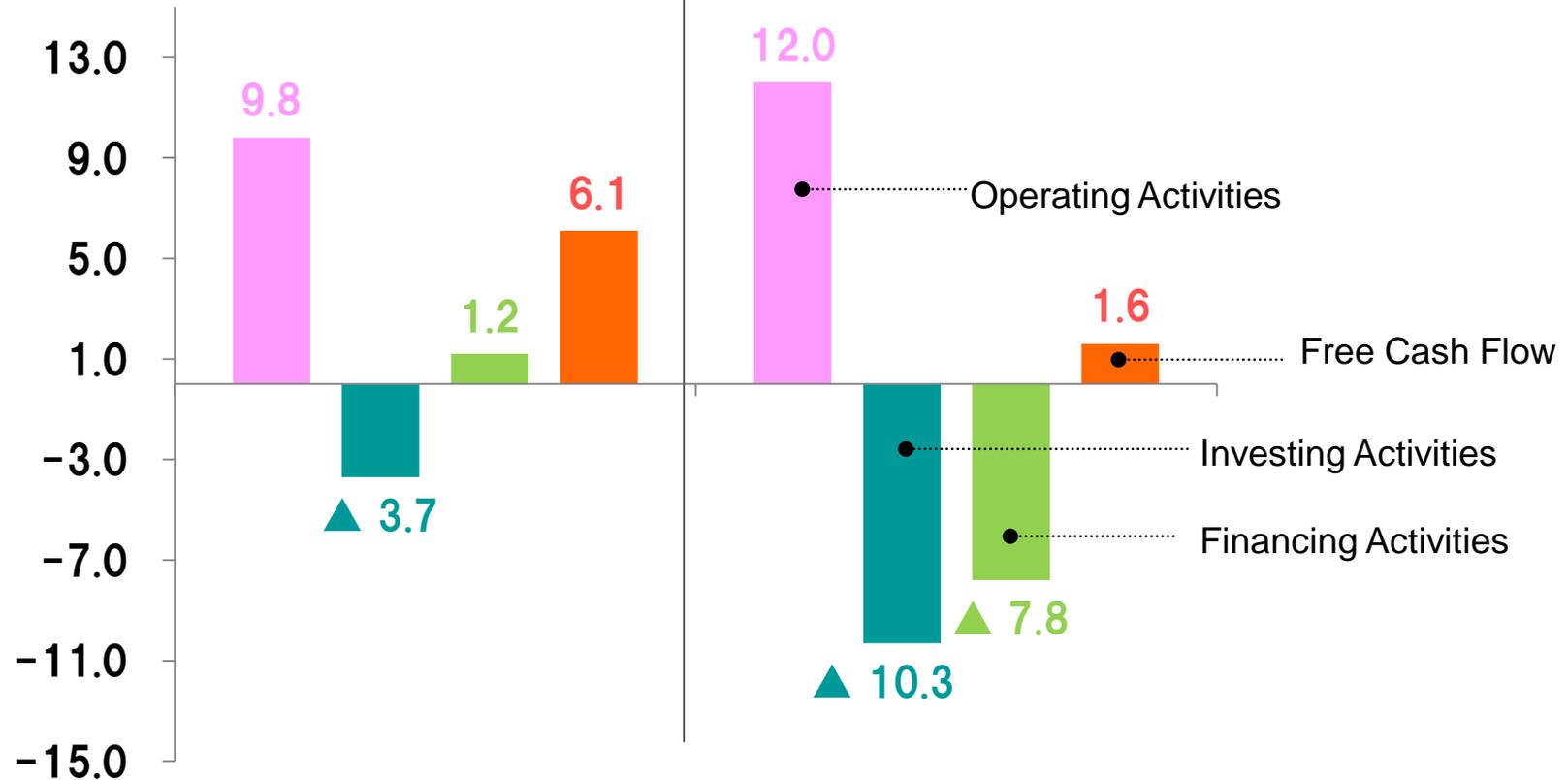
● Equity Ratio (%)

2015/3 2016/3

Equity Ratio (%)	73.3	70.9
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Cash Flow

(Billions of yen)



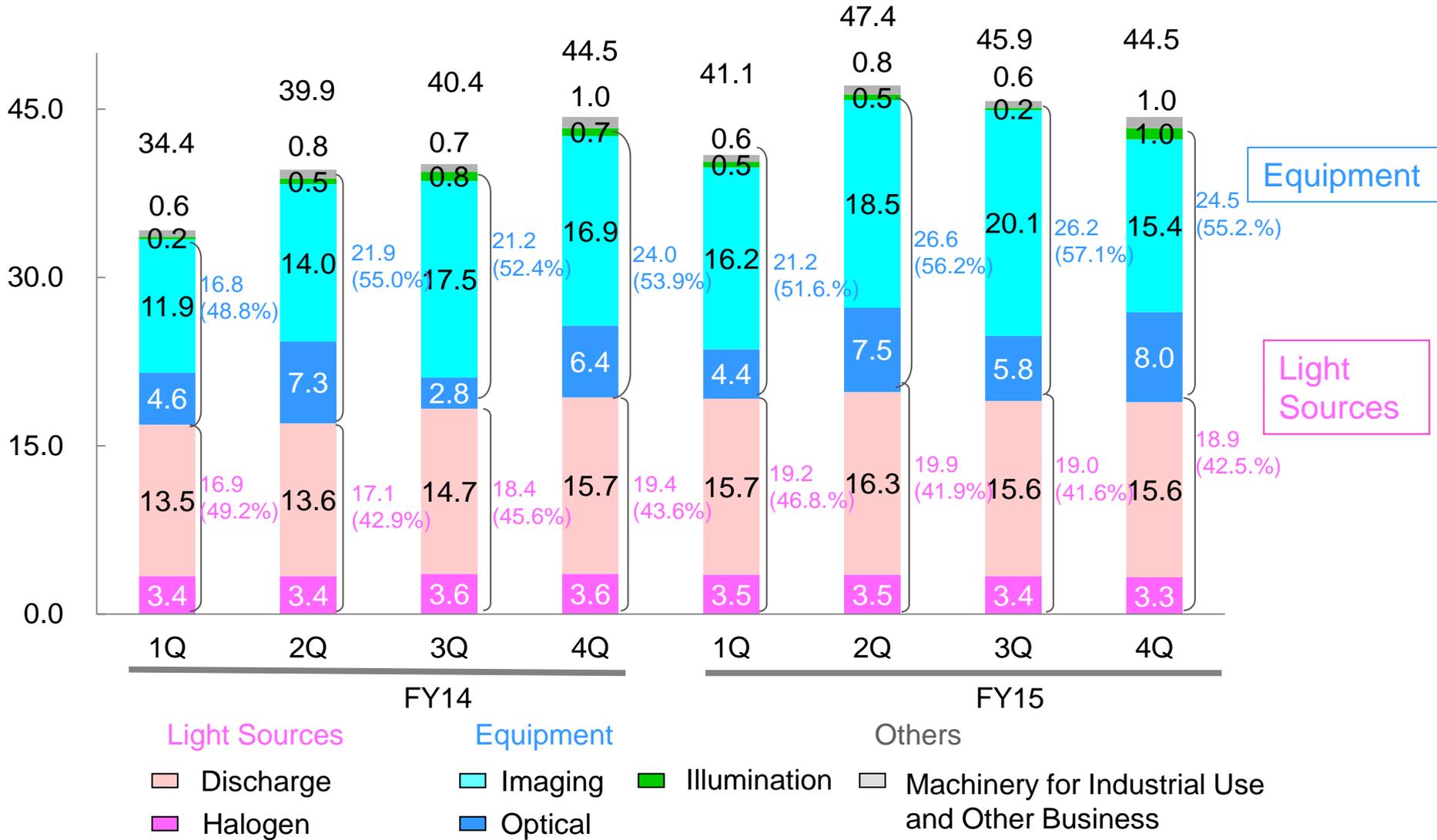
FY14

Cash and Cash Equivalents at the Beginning of the FY	45.3
Cash and Cash Equivalents in the End of the FY	56.9

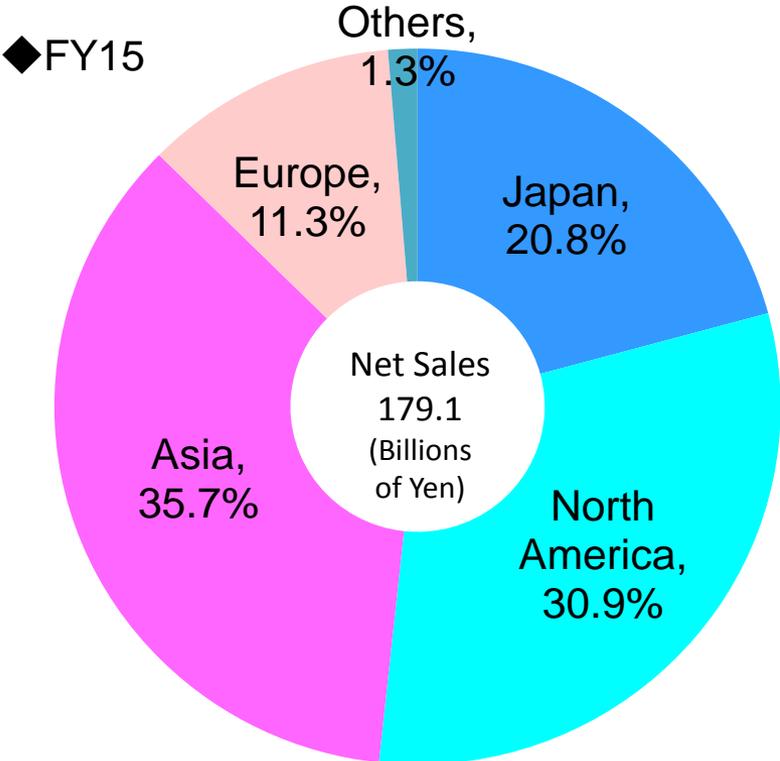
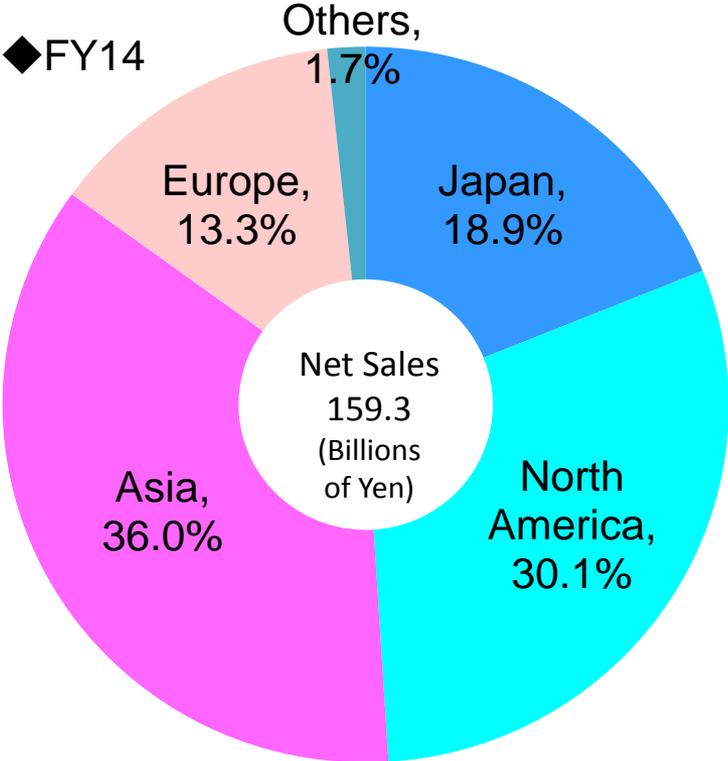
FY15

Cash and Cash Equivalents at the Beginning of the FY	56.9
Cash and Cash Equivalents in the End of the FY	47.8

Sales Trend by Product Groups



Foreign Sales Ratio 《1-4Q》



Reference: Press Release 4Q F2015 (Overview)

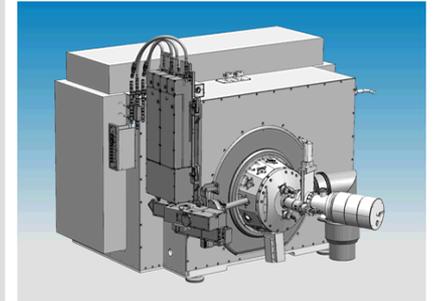
First Delivery of High-Intensity EUV Light Source Unit to Research Institute in Netherlands
–New Entry to Market of Mask Inspection System Light Sources for Next-Generation Lithography Process–

Press Release
Feb. 15, 2016

Overview:

USHIO will ship an Sn LDP EUV light source used for inspections to TNO (The Hague, Netherlands), an independent innovation organization focusing on contamination control in semiconductor processing. USHIO will provide support to the mask inspection process at device manufacturers as well as mask makers by delivering its inspection light sources to mask inspection equipment manufacturers.

Light source characteristics:
The Sn light source can achieve intensity and output of the source approximately 5 to 10 times higher than that of Xenon. It enhances the throughput of EUV mask inspection associated with EUV lithography.



Acquisition of the Medical Skin Care Brand “Sunsorit”
–Expansion of the skin care business–

Press Release
March 16, 2016

Overview:

Through its acquisition of Sunsortit, USHIO will enter the field of cosmetic medicine, combining beauty and healthcare, using Sunsortit’s strong channels with clinics and expand its skin care business. Sunsortit will expand its business by developing the Sunsortit brand in overseas markets, primarily in Asia, through USHIO’s local subsidiaries overseas.

Sunsorit, Inc.:

Established in 1999. Sells chemical peeling products to approximately 2,500 dermatology clinics, cosmetic dermatology clinics, and cosmetic surgery clinics.



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Forecasts for FY2016

(Billions of Yen)	FY15	FY16 (Forecast)	YoY		2Q/FY16 (Forecast)
			Changes	%	
Net Sales	179.1	190.0	+10.8	+6.1	90.0
Operating Income	13.1	13.5	+0.3	+2.8	6.0
Operating Income (%)	7.3	7.1	▲0.2P	-	6.7
Ordinary Income	14.6	14.5	▲0.1	▲0.9	6.5
Profit Attributable to Owners of Parent	11.1	11.5	+0.3	+3.5	4.7
EPS (Yen)	85.83	89.37	+3.54	+4.1	36.53
ROE (%)	5.2	5.4	+0.2P	-	-
Dividend (Yen)	26	26	+0	-	-
Payout Ratio (%)	30.3	29.1	▲1.2P	-	-
Capital Expenditures	13.2	8.0	▲5.2	▲39.5	-
Depreciation and Amortization	6.4	7.0	+0.5	+7.8	-
R&D Expenses	11.2	12.0	+0.7	+6.9	-
Forex (Yen) USD	121	115	-	-	115
EUR	133	125	-	-	125

Forecasts for FY2016 《Net Sales》

(Billions of Yen)		FY15	FY16 (Forecast)	YoY	
				Changes	%
Equipment	Imaging equipment	70.3	81.0	+10.6	+15.2
	Optical equipment	25.9	28.0	+2.0	+7.9
	Illumination and others	2.4	2.5	+0.0	+2.5
	Sub-total	98.7	111.5	+12.7	+12.9
Light Sources	Discharge lamps	63.4	63.5	+0.0	+0.1
	Halogen lamps	13.7	13.0	▲0.7	▲5.6
	Sub-total	77.2	76.5	▲0.7	▲0.9
Other	Machinery for industrial use and other	3.1	2.0	▲1.1	▲36.8
Total		179.1	190.0	+10.8	+6.1

Note : Net Sales indicates sales to unaffiliated customers.

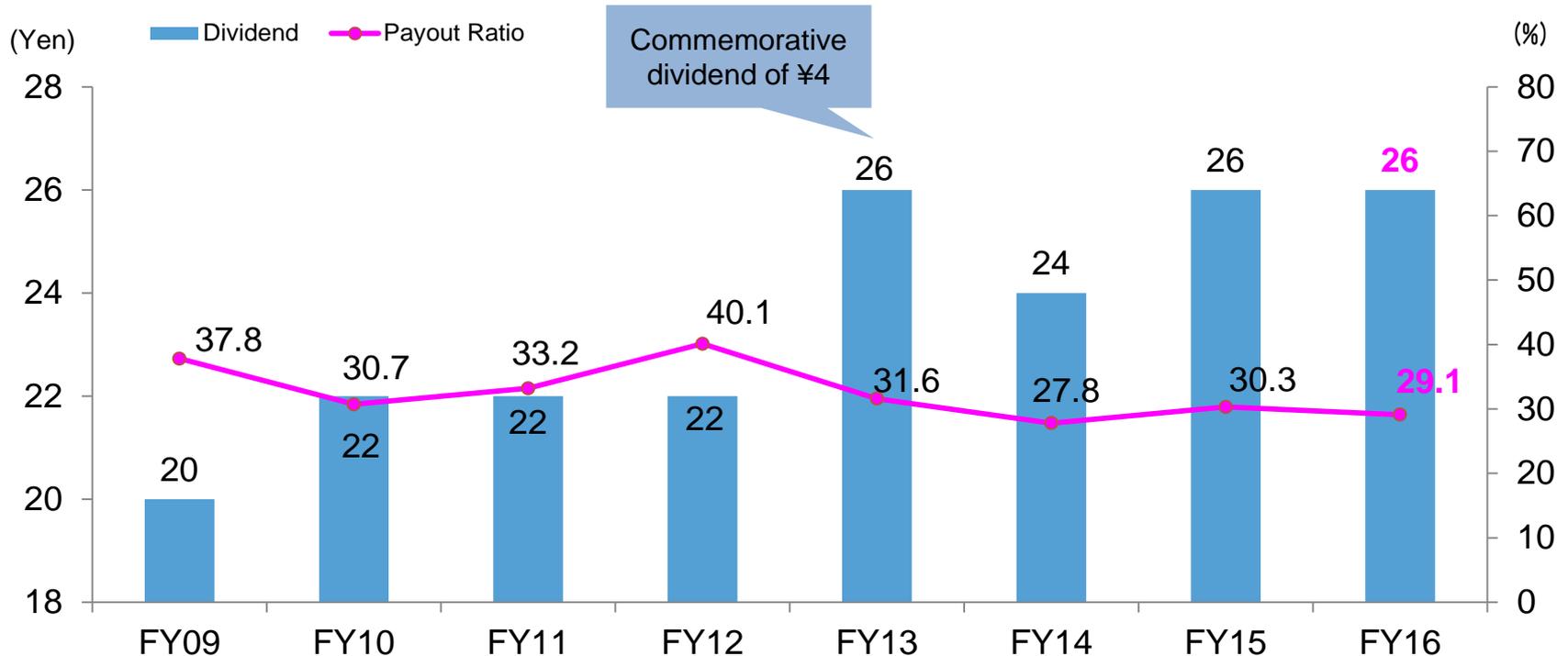
Forecasts for FY2016 by Business Segments



※Increase rate is against FY15

Return of Profits to Shareholders

◆Cash Dividends for Fiscal 2015 (26yen)



◆Plan to Purchase Treasury Stock

From May 12 to Nov. 11, 2016, the Company will purchase 670,000 shares of treasury stock, valued at ¥1.0 billion. Similar steps will be taken as necessary in the future.

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- I. Financial Results for FY2015
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Reference: Transition to a Company with Audit and Supervisory Committee

1. Reason for transition

In order to further strengthen the supervisory function of the Board of Directors and promote speedy decision making by delegating decisions on certain important business matters to Executive Directors and Executive Officers.

A majority of the Board of Directors will be Outside Directors at the time of the transition.

2. Timing of the transition

USHIO plans to transition to a Company with Audit and Supervisory Committee on condition that the necessary amendments to its Articles of Incorporation are approved at the 53rd Annual General Meeting of Shareholders to be held on June 29, 2016.

For further details, please see the press release dated March 28, 2016 that has been provided.

Agenda

1. Targets to be Achieved under the Current Medium-term Management Plan
2. Review of Previous Medium-term Management Plan
3. Key Strategies under the Current Medium-term Management Plan
4. Increasing USHIO's Corporate Value
5. Medium-term Management Plan by Business Segment
 - a. Sales by Business Sub-Segments
 - b. Equipment Business (b-1.Imaging b-2.Optical)
 - c. Light Sources Business

1. Targets to be Achieved under the Current Medium-term Management Plan

Targets for FY2018 (ending March 2019)

Operating Income 20 billion yen

Sales 230 billion yen Operating Income (%) 8.7%

Transformation into a Highly
Profitable Company

2. Review of Previous Medium-term Management Plan

Strategies

1. Expand business earnings

- (1) Reassess and reallocate resource distribution
- (2) Transition to solutions business
- (3) Enter new markets
- (4) Expand M&A investment

2. Enhance capital efficiency

Convert financial assets to business assets

3. Bolster shareholder returns

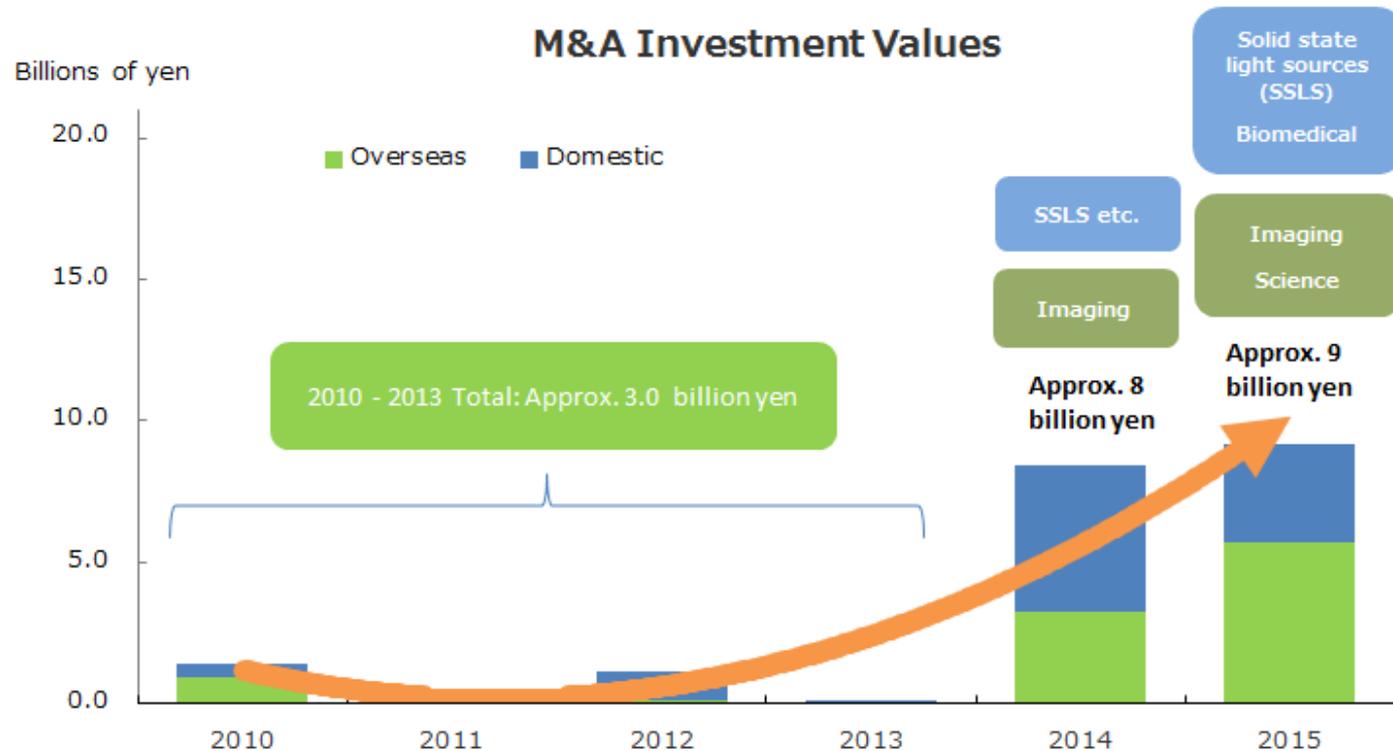
Implemented(FY2015)

- Accelerated management by delegation of authority
- Made efforts to improve R&D investment efficiency
- Made M&A investments (Approx. ¥9 billion)
- Expanded solutions in imaging equipment business
- Strengthened monitoring of investments
- Strengthened Group synergies
(Established strategic joint operation teams in businesses and regions)

- Purchased treasury shares (FY2015)
1st time: 2.0 billion yen
2nd time: 960 million yen

(completed on April 8, 2016)

Reference: M&A Strategy - Transition of Investment Values



Goal

- Contribution to increased corporate value
- Emphasis on synergy effects

Direction

- Related to the field of “light”
- Increase monetary amounts and number of M&As

Reference: M&A in FY2015 (Including Partial Investments)

Existing Business

Imaging Business



【Expected synergies】
Expand total solution development in the growth field of digital signage

New Business

Solid State Light Sources Business



【Expected synergies】
• Strengthen product lineup
• Reinforce Group strength



MAXRAY
A Harmony of Light and Space

Science Business



【Expected synergies】
Accelerate entry into new fields through light sources



Biomedical Business



【Expected synergies】
• Stable revenue through expansion of consumables business
• Sales channel expansion for existing products



3. Key Strategies under the Current Medium-term Management Plan

Maintain and Improve Earning Capability in Existing Businesses

- Move to second stage of structural reform in the optical equipment business
- Increase cost competitiveness in Light Sources and Equipment businesses

Pursue New Growth Opportunities

- Expand existing products in new fields
- Full-scale expansion of the solutions businesses
 - Establish solution-type business model in the imaging field
 - Expand solution-type business into other business fields
- Expand M&A investment focused on synergies



Transform into a Highly Profitable Company

4. Increasing USHIO's Corporate Value

Policy : Achieve ROE 8% or Above

Expand business earnings
(Top Priority)

FY2018 (in 3 years)

Achieve operating income
of 20 billion yen

【Existing business】

- Maintain and Improve Earning Capability

【New business】

- Expand existing products in new fields
- Full-scale expansion of the solutions businesses
- Expand M&A investment focused on synergies

Enhance earning capability

Enhance capital efficiency

【Convert financial assets to business assets】

- Revise cross-shareholdings
- Shift to growth investments such as M&As

Bolster shareholder returns

- Implement continued treasury share purchases
- Stable dividends

Downsize net assets

5. Medium-term Management Plan by Business Segment

a. Sales by Business Segments

Segment	Sub-segment	Last year	This year	1 st year*	3 rd year*	Changes in 3 years (FY18-FY15)		CAGR
		FY14	FY15	FY16	FY18	(billion yen)	(%)	(%)
		(Results)	(Results)	(Plan)	(Plan)			
Equipment	Imaging	60.3	70.3	81.0	97.0	26.7	38	11
	Optical	21.2	25.9	28.0	35.0	9.1	35	11
	Illumination	2.3	2.4	2.5	3.0	0.6	25	8
	Sub-total	84.0	98.7	111.5	135.0	36.3	37	11
Light Source	Discharge (incl. SSLs)	57.6	63.4	63.5	79.0	15.6	25	8
	Halogen	14.2	13.7	13.0	13.0	▲0.7	▲5	▲2
	Sub-total	71.9	77.2	76.5	92.0	14.8	19	6
Other	Machinery for industrial use and other	3.3	3.1	2.0	3.0	▲0.1	▲3	▲1
Total		159.3	179.1	190.0	230.0	50.9	28	9
Company- wide basis	Operating income(billion yen)	10.3	13.1	13.5	20.0	6.9	53	15
	Operating income (%)	6.5	7.3	7.1	8.7	1.4p	-	6

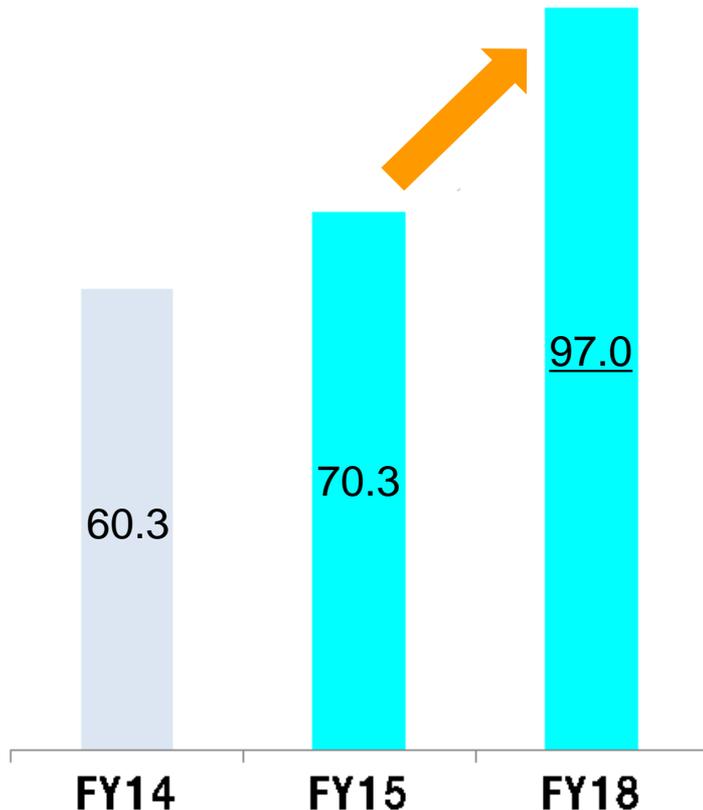
*Under prerequisite of foreign exchange rate of the Mid-term management plan:1US\$=115yen 1EURO=125yen

5. Medium-term Management Plan by Business Segment

b. Equipment Business b-1. Imaging

Target Sales (FY2018)

97.0 billion yen
(Against FY15 : +26.7billion yen,
increase by 38%)



Business environment & Strategy

Cinema ↗

- (+) Continued expansion of demands in emerging countries and demands for premium cinema screens
- (+) Increase provision of high-end cinema (Laser projector + Audio system, etc.)

General imaging ↗

- (+) Expand the digital signage business—a growth field

Measures

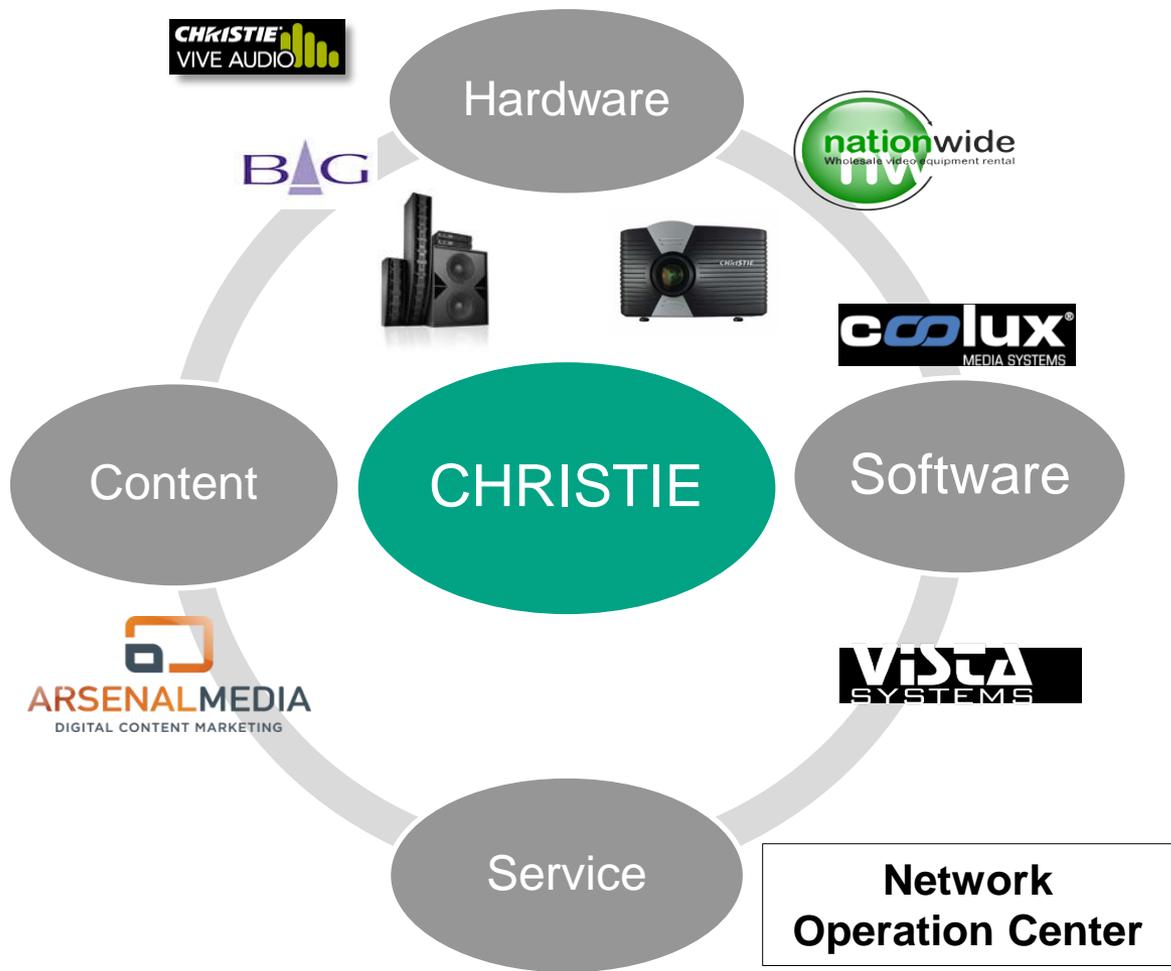
Expand the total solution business

- Establish solution provision-type business model
- Establish stable revenue model

5. Medium-term Management Plan by Business Segment

b. Equipment Business b-1. Imaging

Expand Total Solutions for Imaging



Cinema



Projection Mapping



Digital signage & Lobby advertisement

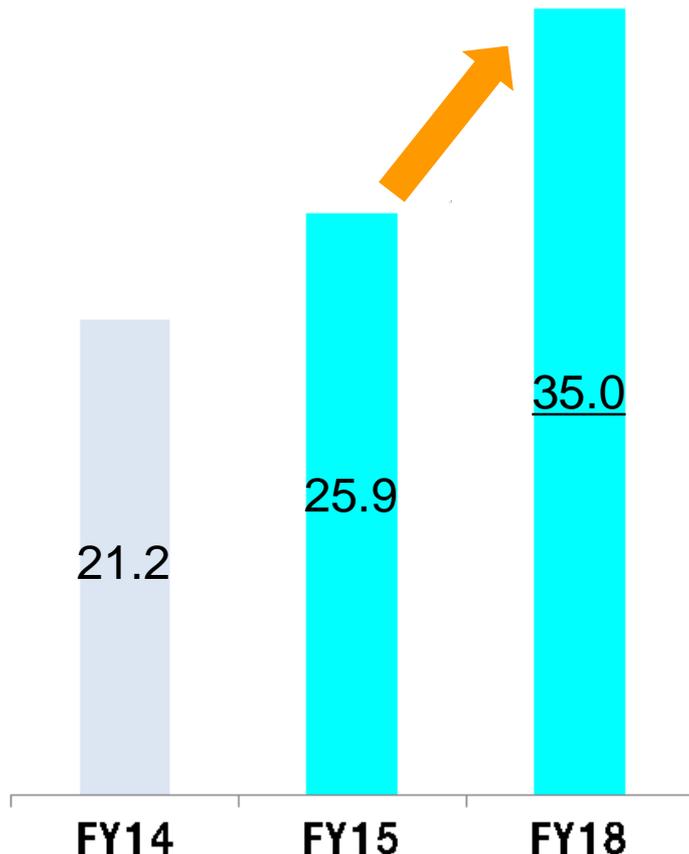


5. Medium-term Management Plan by Business Segment

b. Equipment Business b-2. Optical

Target Sales (FY2018)

35.0 billion yen
(Against FY15 : +9.1 billion yen,
increase by 35%)



Business environment & Strategy

UV equipment ↗

- (+) Innovate semiconductor packaging technology
- (+) Invest in automotive and infrastructure, expand data center
- (+) Investment opportunities through introduction of OLED
- (-) Slowdown in smartphone growth

Cure equipment →

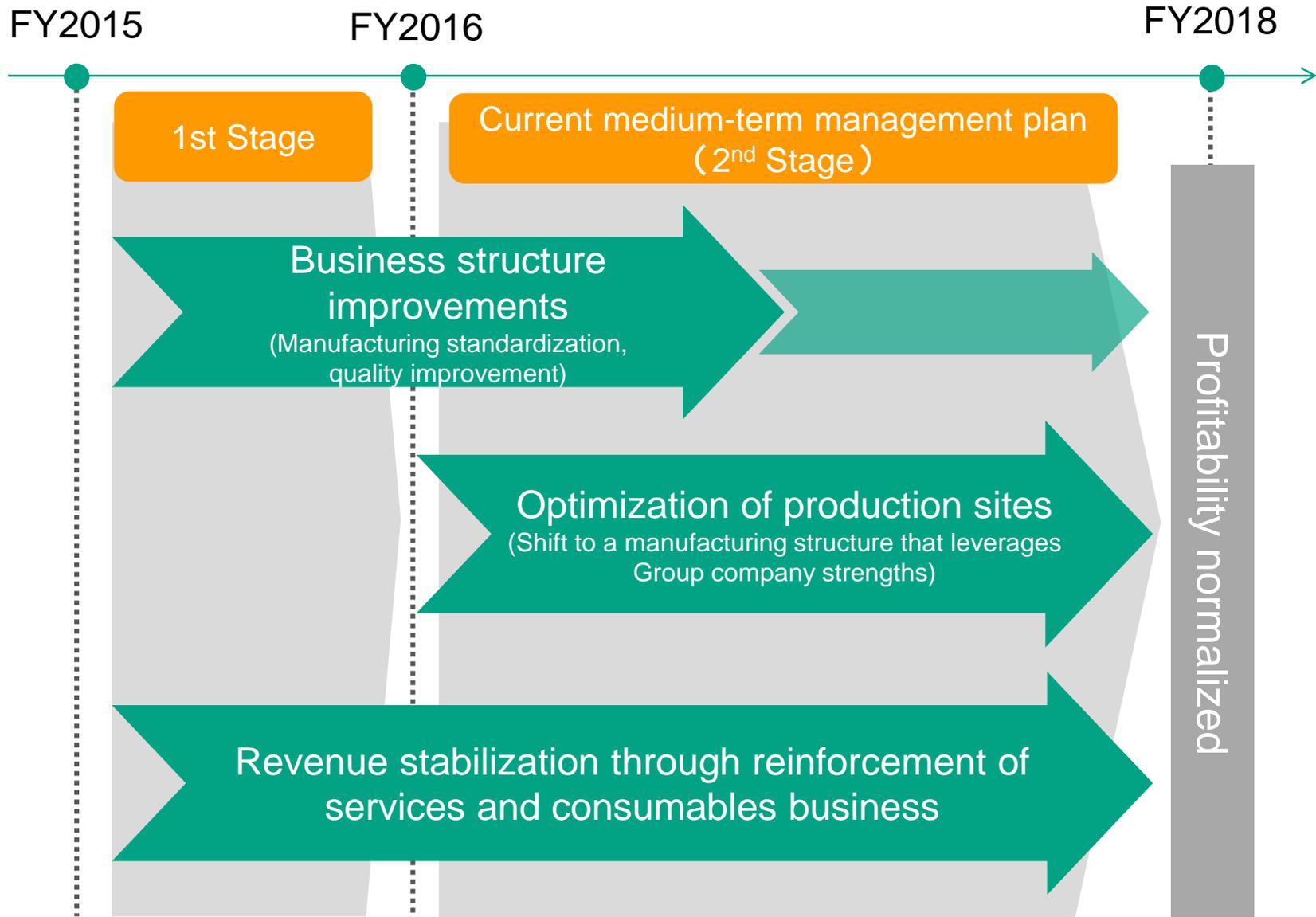
- (+) Continued LCD investment in China
- (+) Continued needs for higher resolution in small-/medium-sized LCDs
- (-) Decline in demand as OLED replaces LCD

Measures

Structural reform aimed at normalizing profitability

- Revise Group strategy

Reference: Structural Reform in the Optical Equipment Business



Policy

Continued Necessary Investment to Groom into Third Core Business

Business Strategy

- Concentrate on four businesses

- (1) Skin care business
- (2) Biotesting and diagnostics business
- (3) Biomarker business
- (4) Vein access equipment business

- Expand Group earnings by strengthening Group cooperation

(Chinese market as a strategic region)

- Aggressively use M&As

(1) Skin care business



(2) Biotesting and diagnostics business



(3) Biomarker business



(4) Vein access equipment business



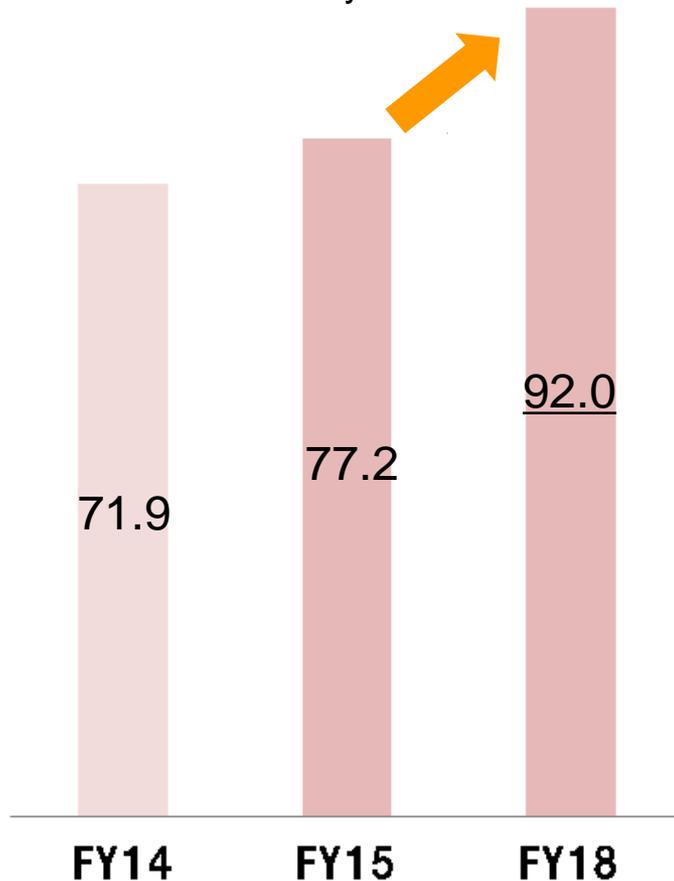
Progress to independent business stage

5. Medium-term Management Plan by Business Segment

c. Light Source Business

Target Sales (FY2018)

92.0 billion yen
(Against FY15 : +14.8billion yen,
increase by 19%)



Business environment & Strategy

UV lamp →

- (-) Mature market
- (+) Promote differentiation (high efficiency, long-life)

Lamps for cinema →

- (+) Increased demand in emerging countries
- (-) Tougher price competition

Lamps for data projectors ↗

- (-) Low market growth
- (+) Increase share by strengthening low-end position

New business field ↗

- (+) Participate in growth fields such as environment, hygiene, automotive

Solid state light sources ↗

- (+) Strengthen lineup to expand into new fields

Measures

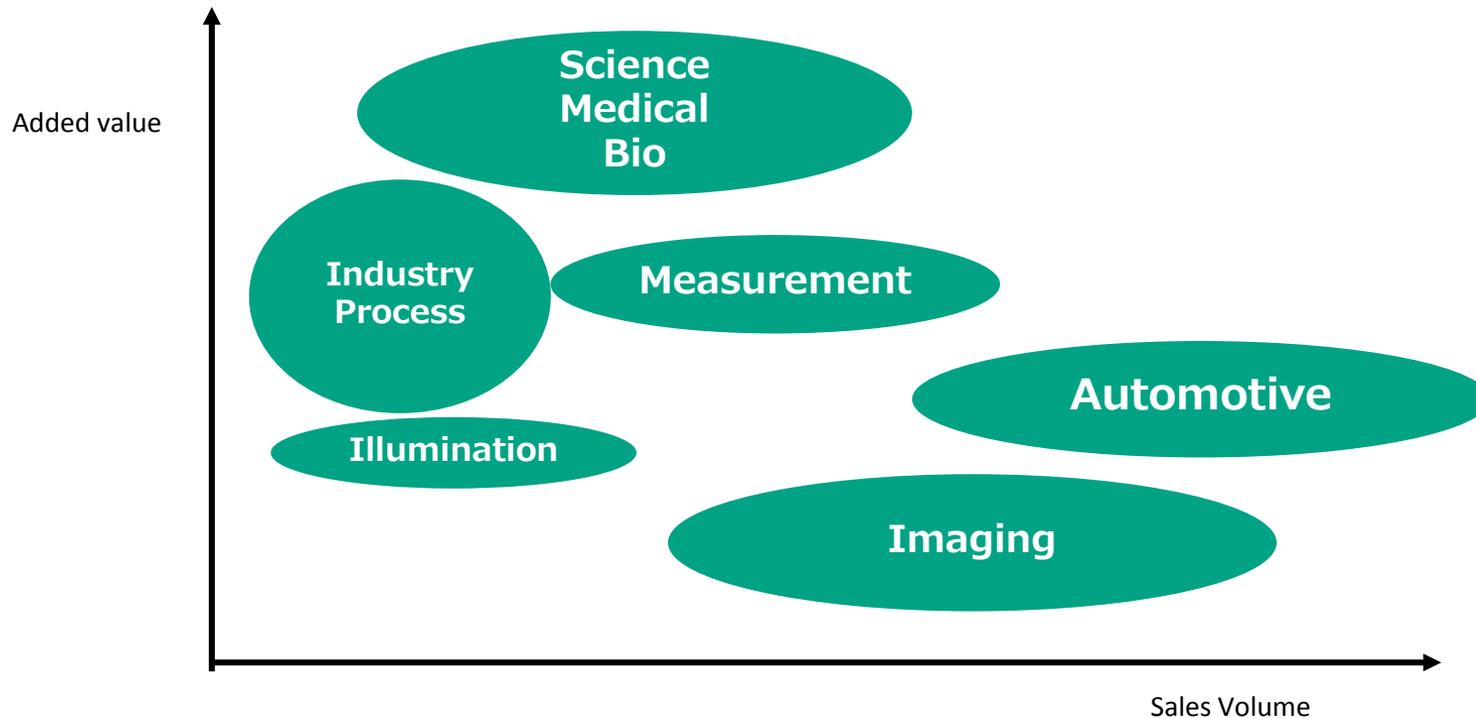
Maintain profitability and grow sustainably

Existing business: Maintain share and improve manufacturing costs

New business: Aggressively enter into growth markets

Reference: Solid State Light Sources Business

- Establish an independent position in the solid-state light source market
- Specialize in six business domains centered on the industrial field



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