

## PRESIDENT'S MESSAGE

On April 1, 2014, USHIO celebrated the 50th anniversary of its founding. This would not have been possible without the support of all our stakeholders, and for that I am sincerely grateful. The small ray of light that we brought into being in 1964 has grown into a source of both illumination and energy for a variety of industrial fields. As "light professionals," we at USHIO will continue striving to deliver the performance our stakeholders expect by rising to the challenge of unlocking the potential of light.

June 2014  
Shiro Sugata



President and Chief Executive Officer



### Both Sales and Income Up in the Fiscal Year Ended March 31, 2014

In the fiscal year ended March 31, 2014, both sales and income increased year on year. Net sales were up 10.0% to ¥157.8 billion, operating income surged 59.7% to ¥12.11 billion, and net income jumped 50.5% to ¥10.77 billion.

The higher sales and income were achieved in both the light sources business and the equipment business, supported by the yen's depreciation and the economic recoveries in the U.S. and Europe, as well as in Japan.

Within the equipment business, the imaging equipment sector had already seen digital cinema projectors penetrate markets in the major industrialized nations to a considerable degree, leading to lower sales. However, sales were higher for general imaging equipment and equipment for other non-cinema uses, which experienced expansion in demand. In the optical equipment sector, meanwhile, top line performance was down slightly as a result of sluggish sales of exposure tools for electronic component manufacturing combining with other factors to outweigh increased momentum in sales of USHIO's photo-alignment system for LCD panel manufacturing.

In the light sources business, UV lamps used in photolithography achieved the strongest sales among USHIO's discharge lamps. Meanwhile, xenon lamps for cinema projectors—in which USHIO commands the top market share—continued to perform well, as did halogen lamps for office equipment applications.

To express appreciation to our shareholders for enabling USHIO to successfully reach its 50th anniversary, we added a commemorative dividend of ¥4 to the regular dividend for the year under review. For the fiscal year ended March 2014, we therefore set an annual cash dividend of ¥26 per share.

### USHIO's Medium-Term Plan

In our recently announced three-year medium-term plan, 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. We also set a target of 10% for the operating income ratio. We intend to focus on the following businesses as growth drivers to achieve these targets.

#### Medium-Term Plan Targets for the Fiscal Year Ending March 31, 2017

	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%
ROE	6.0%	—	More than 8%

## New Cinema-Related Business and New Light Sources

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In the imaging equipment sector USHIO will launch a new audio business offering high sound quality in cinemas. We will augment Christie's high-quality imaging with an equally high-quality sound system to build up a business offering a one-stop solution that leverages the power of the Christie brand within the imaging market. We also anticipate potential expansion in demand for laser diode-based laser projectors for use in large premium theaters. Laser projectors deliver extremely bright images, which makes them ideal for projecting 3D movies and enables projection onto big screens. For cinema operators this offers numerous benefits, not only in terms of enhancing customer satisfaction, but also by allowing increased seating capacity, among other advantages. We intend to start installing laser projectors in North American cinemas in the near future. We expect these laser projectors will eventually penetrate markets worldwide like our digital cinema projectors, and we are planning to continue investing actively in their development.

## High-Definition Displays Leading to Expansion in Optical Equipment

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The markets for smartphones and tablet PCs are still expanding, and USHIO will address the associated increase in demand within the LCD panel market by further expanding sales of its photo-alignment system, which went on sale during the fiscal year ended March 2014. Meanwhile, USHIO is aiming to expand its operations in the semiconductor and electronic component fields. To this end, we plan to sell more exposure tools for manufacturing high-tech equipment, as well as automotive and medical equipment—all of which offer good prospects for future growth. We are also continuing to invest actively in future-focused product development.

## Enhancing Early Commercialization of Solid-State Light Sources

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In the light sources business, we anticipate continued sales growth in our existing xenon lamps for cinema projectors, and we are also seeking to further expand and make new inroads into cutting-edge applications for UV light, such as sterilization, disinfection, deodorization, and denitration.

In solid-state light sources for illumination purposes, we plan to offer a lineup of value-added LED lights developed primarily through our partnership with an architectural design firm. Some of the lights thus developed are already in use in luxury hotels, airports, shopping malls, and other buildings in both Tokyo and South Korea, and 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

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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. USHIO currently sells a number of products in the biomedical field, and we believe that there is substantial latent demand for such products worldwide. However, 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 striving to augment our product lineup by stepping up our efforts in R&D, including development of new reagents. To this end, we are strengthening our three-way 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, with potential also for mergers and acquisitions.

## Outlook for the Fiscal Year Ending March 31, 2015

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Looking ahead at the business climate the USHIO Group will face, we expect the global economy to continue its modest recovery and expansion overall. In Japan, meanwhile, the potential effects of the sales tax increase from 5% to 8% in April 2014 give cause for concern, but we expect that the economy will gradually return to a moderate recovery track.

For the fiscal year ending March 31, 2015, we forecast net sales of ¥170.0 billion, up 7.7% year on year, operating income of ¥14.0 billion, up 15.6%, and net income of ¥11.0 billion, up 2.1%.

This year USHIO celebrated the 50th anniversary of its founding, and it is now a truly global corporation. It has more than 50 Group companies in Japan and overseas, and almost 80% of 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.

Having reached this 50-year milestone, we are more committed than ever to continuing to serve society and grow our business by providing light-based solutions as we have always done. Your continued support will be extremely valuable to us as we embark on our next half-century.