

FY2014 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, 2015

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 FY2014**
 - II. Forecasts for FY2015
 - III. Medium-Term Management Plan
 - ❖ Supplementary Information

Highlights of Financial Results for FY2014

Consolidated net sales up 1.0% YoY to ¥159.3 billion and consolidated operating income down 14.5% YoY to ¥10.3 billion

Equipment	Imaging	While general imaging equipment sales rose, earnings fell due to a slump in cinema equipment.
	Optical	In addition to a business contraction in EUV lithography, lithography equipment for electronic components was weak, and earnings of optical alignment equipment fell due to a greater-than-expected cut-off error of sales posted in the second half of the term, even though the equipment was shipped as scheduled.
Light Sources	Discharge	In addition to growth in sales of xenon lamps for cinema projectors and data projector imaging lamps, sales growth was led strongly by solid-state light sources.
	Halogen	Sales of halogen lamps for office automation (OA) continued to expand.

Comparison of Full-year Forecasts with Actual Results

(Billions of Yen)	FY14 (Forecast)	FY14 (Actual Results)	Actual Results /Forecast (%)	
Net Sales	160.0	159.3	▲0.7	99.6
Operating Income	11.0	10.3	▲0.7	93.6
Operating Income (%)	6.9	6.5	▲0.4P	-
Ordinary Income	13.0	13.7	+0.7	105.4
Net Income	10.0	11.2	+1.2	112.0
EPS (Yen)	76.68	86.40	+9.72	112.7
ROE (%)	5.2	5.6	+0.4P	-
Dividend (Yen)	24	24	+0	-
Payout Ratio (%)	31.3	27.8	▲3.5P	-
Capital Expenditures	8.0	10.8	+2.8	135.0
Depreciation and Amortization	5.5	5.9	+0.4	107.3
R&D Expenses	10.5	10.8	+0.3	102.9
Forex (Yen)				
USD	105	109	-	-
EUR	139	139	-	-

Summary of Financial Results 4Q FY2014

(Billions of yen)	FY13	FY14	YoY		FY13	FY14	YoY	
	1-4Q	1-4Q	Changes	%	4Q	4Q	Changes	%
Net Sales	157.8	159.3	+1.5	+1.0	43.9	44.5	+0.6	+1.5
Operating Income	12.1	10.3	▲1.7	▲14.5	3.6	3.9	+0.3	+9.5
Operating Income Ratio (%)	7.7	6.5	▲1.2P	-	8.3	8.9	+0.7P	-
Ordinary Income	15.9	13.7	▲2.1	▲13.8	3.7	4.5	+0.8	+21.7
Net Income	10.7	11.2	+0.5	+4.7	1.5	3.1	+1.5	+100.7
EPS (Yen)	82.19	86.40	+4.21	+5.1	11.89	23.92	+12.03	+101.2
Forex (Yen)								
USD	100	109			103	119		
EUR	135	139			140	138		

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	34.4	39.9	40.4	44.5	+4.1	+10.2
Operating Income	1.4	2.5	2.3	3.9	+1.6	+67.6
Operating Income Ratio (%)	4.2	6.4	5.9	8.9	+3.1P	-
Ordinary Income	1.7	3.3	4.0	4.5	+0.4	+11.9
Net Income	1.3	3.1	3.6	3.1	▲0.5	▲14.8
EPS (Yen)	10.66	23.82	28.06	23.92	▲4.14	▲14.8
Forex (Yen)						
USD	102	103	112	119		
EUR	141	138	141	138		

Financial Results by Business Segments

(Billions of Yen)		FY13	FY14	YoY		FY13	FY14	YoY	
Business Segments		1-4Q	1-4Q	Changes	%	4Q	4Q	Changes	%
Equipment	Net Sales	91.1	84.0	▲7.1	▲7.9	25.8	24.0	▲1.7	▲6.7
	Operating Income	2.5	▲0.0	▲2.5	-	▲0.1	0.3	+0.5	-
	Operating Income(%)	2.8	▲0.0	▲2.8P	-	▲0.7	1.4	+2.2P	-
Light Sources	Net Sales	63.5	71.9	+8.3	+13.2	16.9	19.4	+2.4	+14.4
	Operating Income	9.3	10.0	+0.6	+7.3	3.8	3.4	▲0.3	▲9.4
	Operating Income(%)	14.8	14.0	▲0.8P	-	22.4	17.7	▲4.7P	-
Others	Net Sales	3.0	3.3	+0.3	+12.0	1.1	1.0	▲0.0	▲6.0
	Operating Income	0.0	0.1	+0.0	+126.1	0.0	0.1	+0.0	+557.6
	Operating Income(%)	2.6	5.2	+2.6P	-	1.4	9.6	+8.2P	-

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

YoY, DCP shipments fell 50% despite sales growth in general imaging equipment.

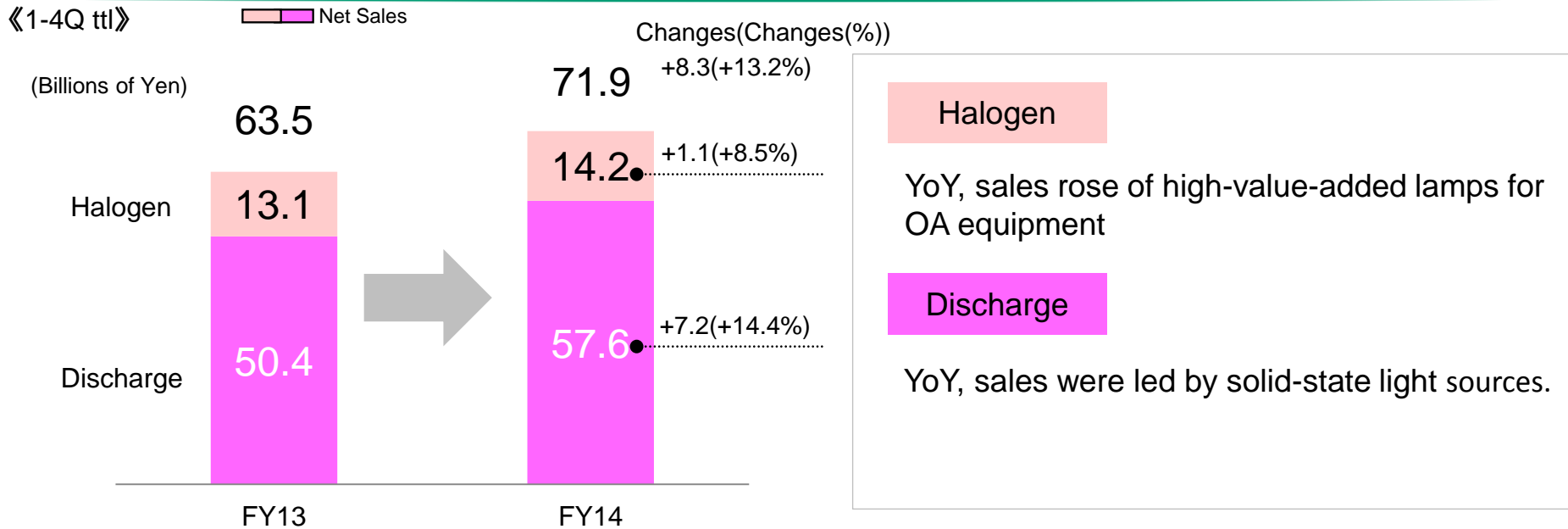
Optical

YoY, earnings declined on a slump in lithography equipment and delays in optical alignment equipment inspection.

《YoY》 (Billions of Yen)		FY13	FY14	YoY	《QoQ》 (Billions of Yen)		3Q	4Q	QoQ
		1-4Q	1-4Q				4Q		
Net Sales	Imaging	63.9	60.3	▲3.5	Net Sales	Imaging	17.5	16.9	▲0.6
	Optical	25.5	21.2	▲4.2		Optical	2.8	6.4	+3.5
	Illumination	1.6	2.3	+0.6		Illumination	0.8	0.7	▲0.1
Total		91.1	84.0	▲7.1	Total		21.2	24.0	+2.8

Note : Net Sales indicates sales to unaffiliated customers.

Light Sources Business Segment 《Net Sales》

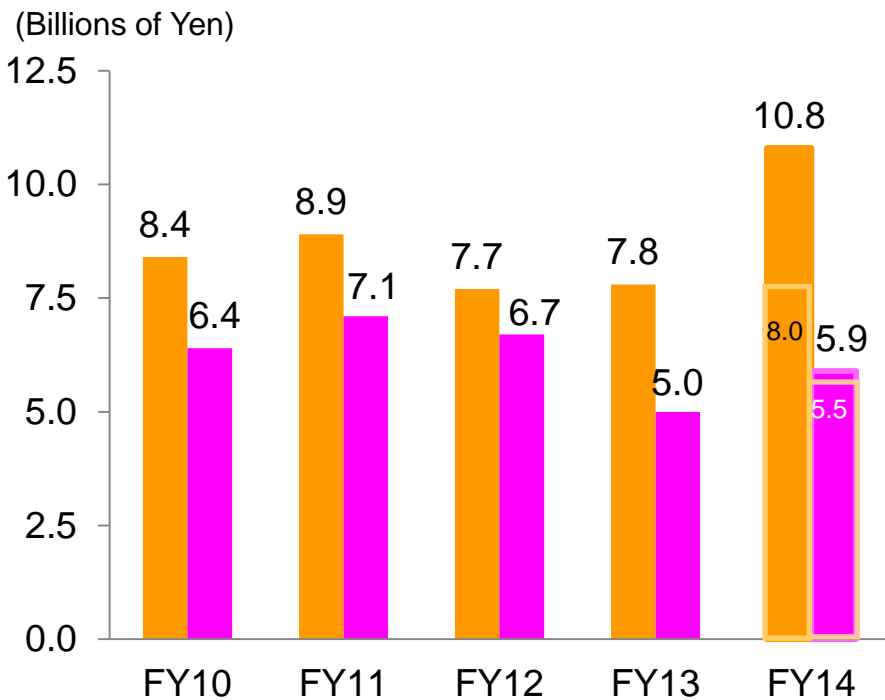


《YoY》		FY13	FY14	YoY	《QoQ》		3Q	4Q	QoQ
(Billions of Yen)		1-4Q	1-4Q		(Billions of Yen)				
Net Sales	Discharge	50.4	57.6	+7.2	Net Sales	Discharge	14.7	15.7	+0.9
	Halogen	13.1	14.2	+1.1	Net Sales	Halogen	3.6	3.6	+0.0
Total		63.5	71.9	+8.3	Total		18.4	19.4	+0.9

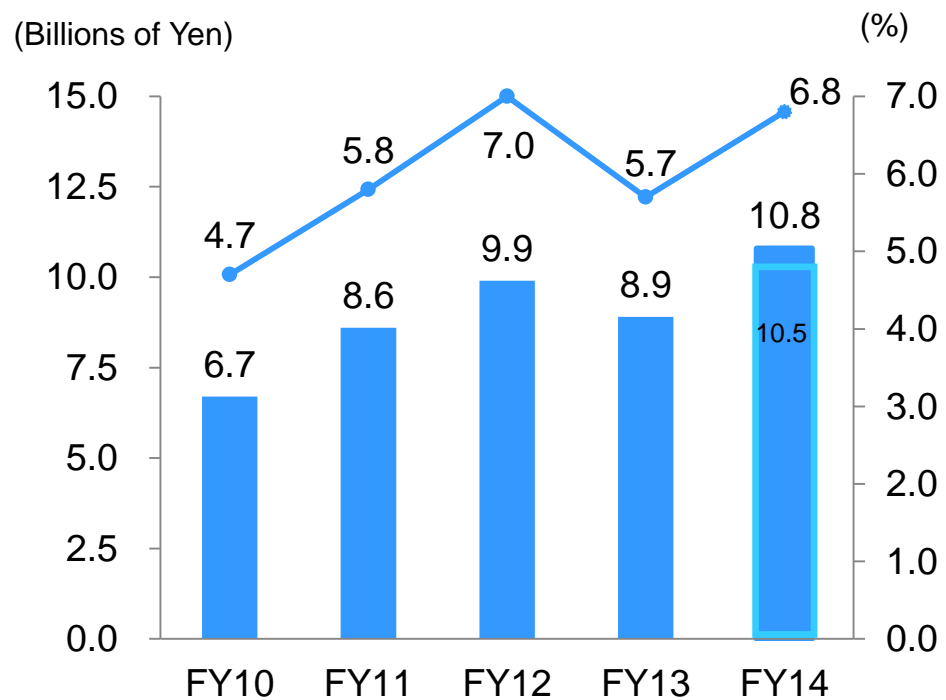
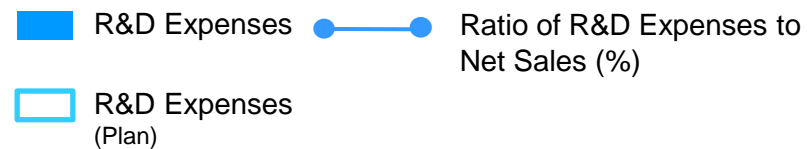
Note : Net Sales indicates sales to unaffiliated customers.

Capital Expenditures, Depreciation and Amortization, R&D Expenses

◆ Capital Expenditures, Depreciation and Amortization



◆ R&D Expenses



Additional Capital Expenditures due to M&A (amortization included)

FY13 ADTEC +1.4 billion

FY14 Ushio Opto Semiconductors +1.0 billion
Christie +3.1 billion

	1Q	2Q	3Q	4Q
Capital Expenditures	0.9	0.8	5.0	3.9
Depreciation and Amortization	1.3	1.3	1.5	1.6

	1Q	2Q	3Q	4Q
R&D Expenses	2.4	2.6	2.5	3.2

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Forecast for FY2015

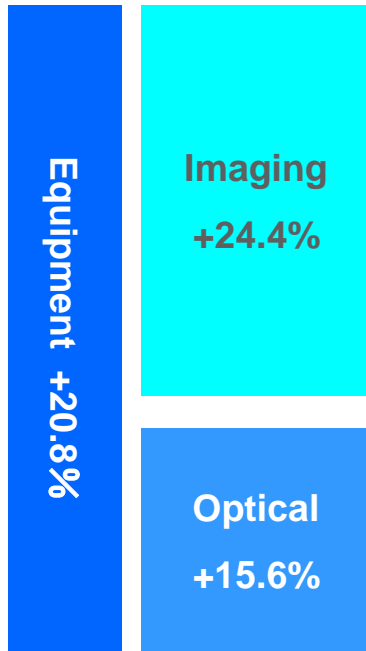
(Billions of Yen)	FY14	FY15 (Forecast)	YoY		2Q/FY15 (Forecast)
			Changes	%	
Net Sales	159.3	180.0	+20.7	+12.9	85.0
Operating Income	10.3	13.0	+2.7	+25.5	6.0
Operating Income (%)	6.5	7.2	+0.7P	-	7.1
Ordinary Income	13.7	15.0	+1.3	+9.4	7.0
Net Income	11.2	12.0	+0.7	+6.4	6.0
EPS (Yen)	86.40	91.91	+5.51	+6.4	45.96
ROE (%)	5.6	5.7	+0.1P	-	-
Dividend (Yen)	24	26	+2	-	-
Payout Ratio (%)	27.8	28.3	+0.5P	-	-
Capital Expenditures	*10.8	9.6	▲1.2	▲11.1	-
Depreciation and Amortization	5.9	7.2	+1.3	+22.0	-
R&D Expenses	10.8	11.0	+0.2	+1.9	-
Forex (Yen)					
USD	109	120	-	-	120
EUR	139	138	-	-	138

*Include 4.1 billion yen of additional Capital Expenditures due to M&A (amortization included)

Forecasts of Net Sales for FY2015 (by Business Segments)

(Billions of Yen)		FY14	FY15 (Forecast)	YoY	
				Changes	%
Equipment	Imaging	60.3	75.0	+14.7	+24.4
	Optical	21.2	24.5	+3.3	+15.6
	Illumination	2.3	2.0	▲0.3	▲13.0
	Total	84.0	101.5	+17.5	+20.8
Light Sources	Discharge	57.6	62.0	+4.4	+7.6
	Halogen	14.2	14.0	▲0.2	▲1.4
	Total	71.9	76.0	+4.1	+5.7
Others	Machinery for Industrial Use and Other Business	3.3	2.5	▲0.8	▲24.2
Total		159.3	180.0	+20.7	+13.0

Business Outlook for Key Sub-segments

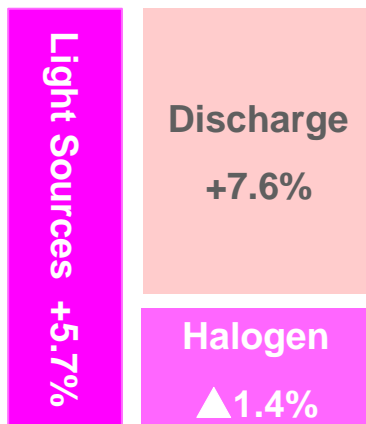


- DCP sales volume predicted to grow around 15%.
- Developing a total solutions business for cinema encompassing laser projectors and audio systems to build a business model not reliant on DCP.
- Sales in general imaging will grow on the launch of new projectors and managed services.



Christie Boxer 4k30

- In lithography equipment, smartphone and tablet demand is expected to boost sales of USHIO- and ADTEC-made products. UX7 will stay at the trial adoption stage for now.
- Sales of optical alignment equipment expected to increase slightly.



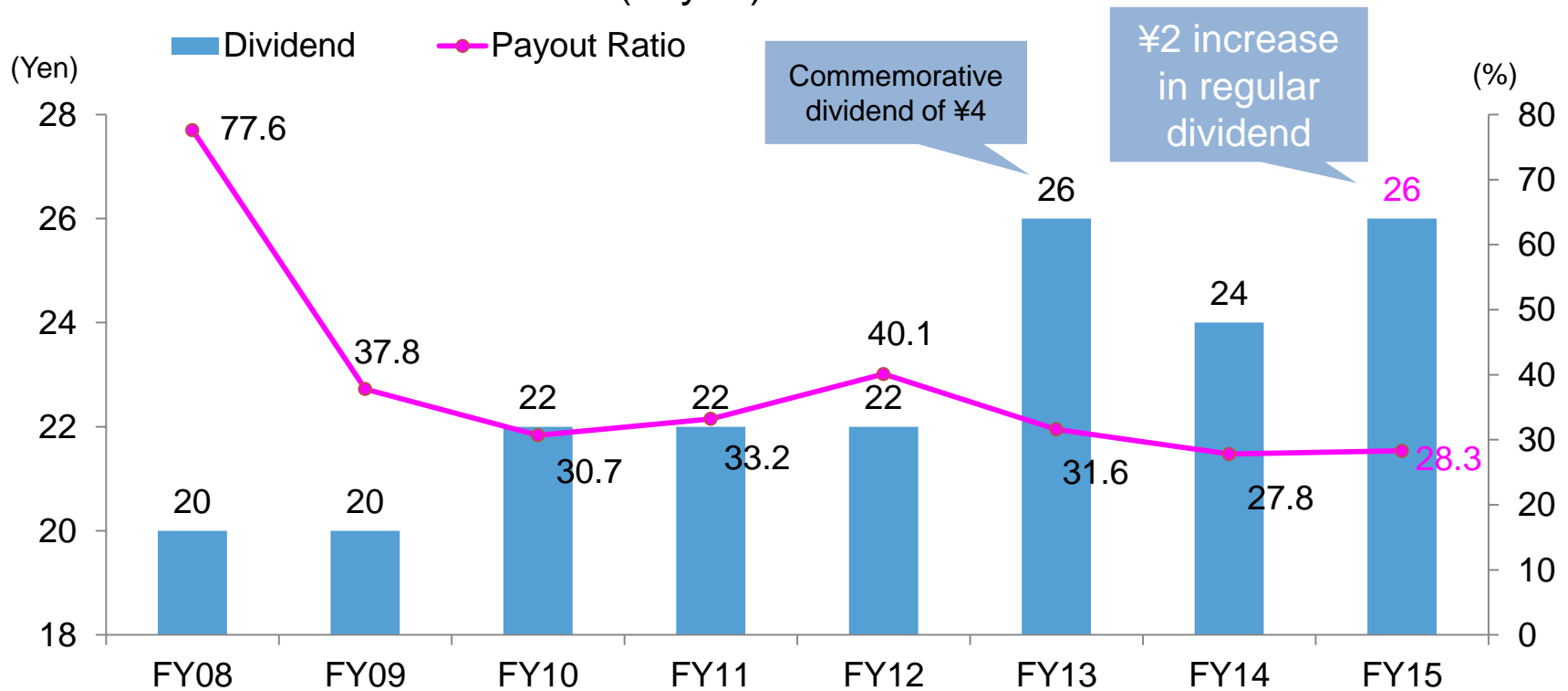
- Solid-state light sources will likely see sales mainly of laser diodes for laser projectors and printer heads roughly double.
- Sales of UV lamps will be flat, with imaging lamps for cinema equipment and data projectors declining.

- Earnings set to decline slightly on weakness in illumination applications despite robust sales of OA equipment products.

*Rate of increase versus FY14

Return of Profits to Shareholders

◆ Cash Dividends for Fiscal 2014 (26yen)



◆ Plan to Purchase Treasury Stock

From May 12th to June 23rd, 2015, the Company will purchase 1,200,000 shares of treasury stock, valued at ¥2.0 billion. Similar steps will be taken as necessary in the future.

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Targets for FY2017 (ending March 2018)

ROE Above 8%

Net Sales ¥220 billion

Operating Income ¥18 billion

Operating Income Ratio 8.2%

(FY2019 Target: ROE of 10%)

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(Companywide operating income/operating income ratio/ROE)
 - b. Equipment (b-1. Imaging equipment b-2. Optical equipment)
 - c. Light Sources
 - d. Biomedical

1. Background to Medium-term Management Plan

Issues

- (1) Declining return on development investment
- (2) Lack of new growth drivers



Current Status

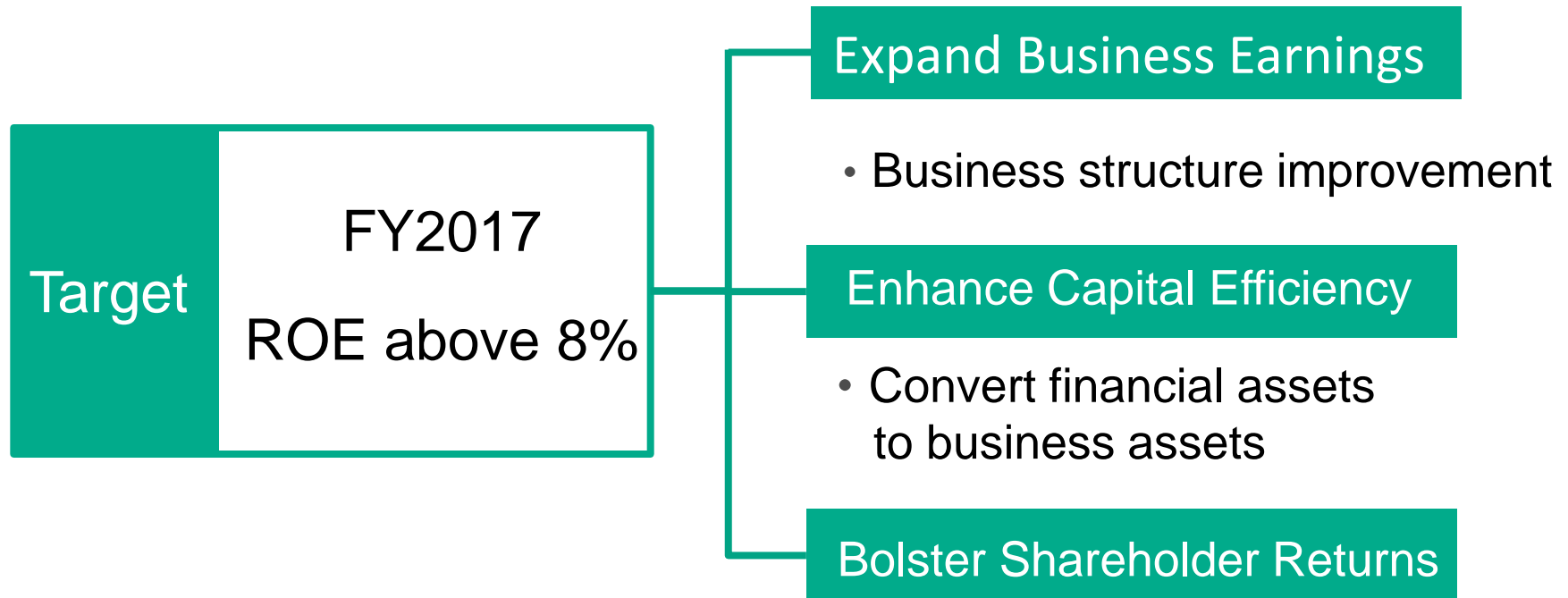
Declining profitability
(ROE < market expectations, PBR below 1)



Plan

ROE-focused management
(Target: ROE above 8% in FY2017)

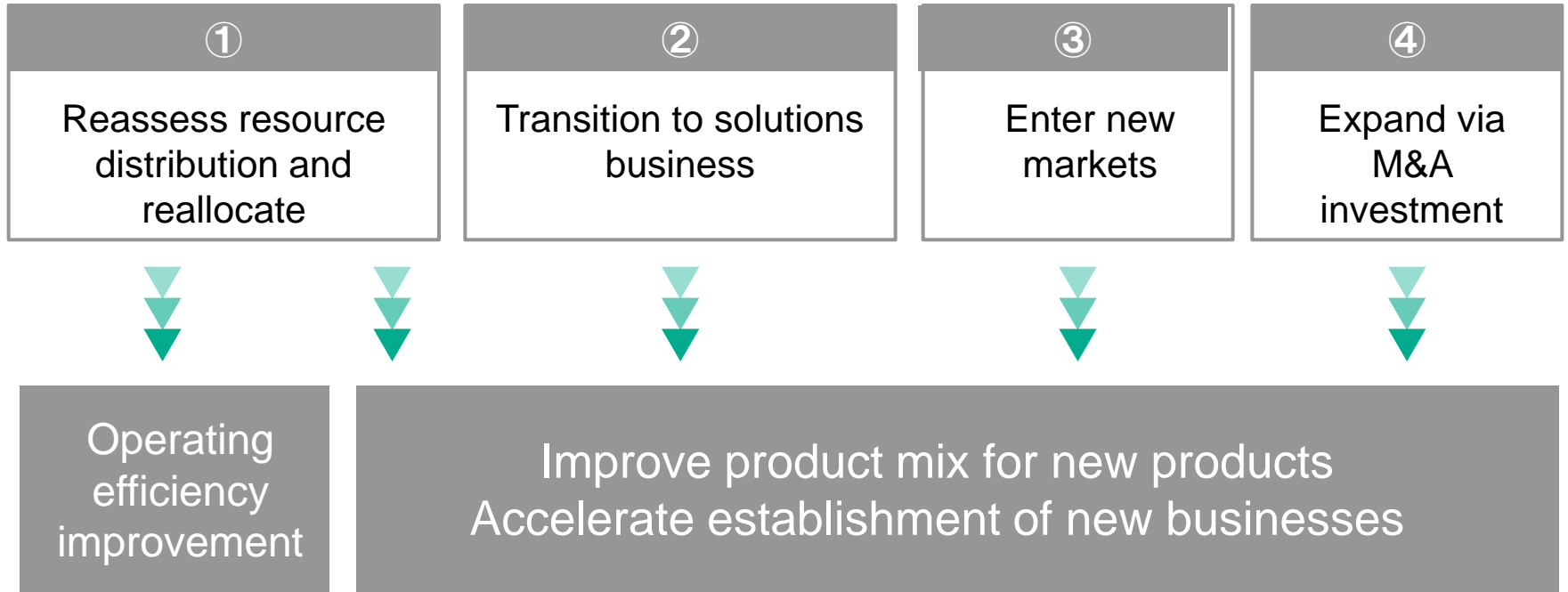
2. Overview of Medium-term Management Plan



2. Overview of Medium-term Management Plan

a. Business Structure Improvement

Business Structure Improvement



Expand Business Earnings

2. Overview of Medium-term Management Plan

b. Convert Financial Assets to Business Assets

Issue

Growth in financial assets to account for roughly half of total assets is one factor in worsening capital efficiency and weak ROE



Accelerate Conversion of
Financial Assets to Business Assets



Enhance Capital Efficiency

Future

Make a break from reliance on revenue from financial assets, maintaining stable ROE through true business profit.

2. Overview of Medium-term Management Plan

c. Bolster Shareholder Returns

Bolster Shareholder Return

①

Continue
stable dividend
payout policy

②

Buy Own Shares
Buy more proactively,
flexibly

5/11
Announcement of
purchase of treasury
shares
¥2 billion, 1.2 million
shares

5/11
Introduction of stock-
based compensation
system for directors

3. Medium-term Management Plan by Business Segment

a. Net sales by sub-segment (Companywide operating income/operating income ratio/ROE)

Segment	Sub-segment	Current FY	Year 1	Year 3	3-Year Change (FY17-FY14)		CAGR
		FY14	FY15	FY17	(¥ billion)	(%)	(%)
		(Actual)	(Plan)	(Plan)			
Equipment	Imaging equipment	60.3	75.0	93.0	32.7	54	16
	Optical equipment	21.2	24.5	36.0	14.8	70	19
	Illumination and related facilities	2.3	2.0	3.0	0.7	30	9
	Sub-total	84.0	101.5	132.0	48.0	57	16
Light Sources	Discharge lamps (incl. solid-state light sources)	57.6	62.0	70.0	12.4	22	7
	Halogen lamps	14.2	14.0	15.0	0.8	6	2
	Sub-total	71.9	76.0	85.0	13.1	18	6
Other	Machinery for industrial use and other	3.3	2.5	3.0	▲0.3	▲9	-
Total		159.3	180.0	220.0	60.7	38	11
Corporate	Operating income (¥ billion)	10.3	13.0	18.0	7.6	74	20
	Operating income ratio (%)	6.5	7.2	8.2	1.7p	-	-
	ROE (%)	5.6	5.7	Above 8%	2.4p	-	-

Assumed exchange rate: US \$1=¥120 1 EURO=¥138

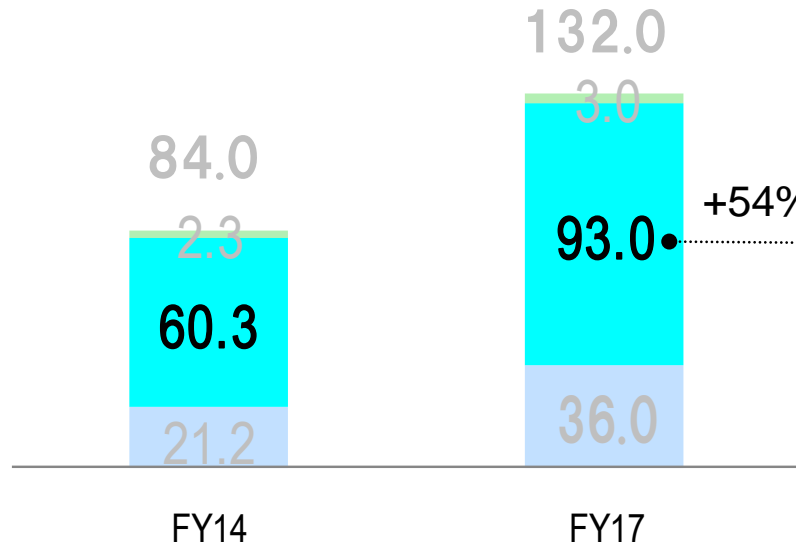
3. Medium-term Management Plan by Business Segment

b. Equipment b-1. Imaging Equipment

Expansion of Total Solutions Business

Targets

FY2017



Net Sales

¥93.0 billion (+54%)

Operating Income Ratio

Above 5%
(Equipment Business Overall)

General Imaging

Aim for 10% annual growth rate

Increase investment opportunities in growth fields
Further global business development

Cinema

From maintain profitability to new growth leap

Expand solutions business
Firmly capture new demand

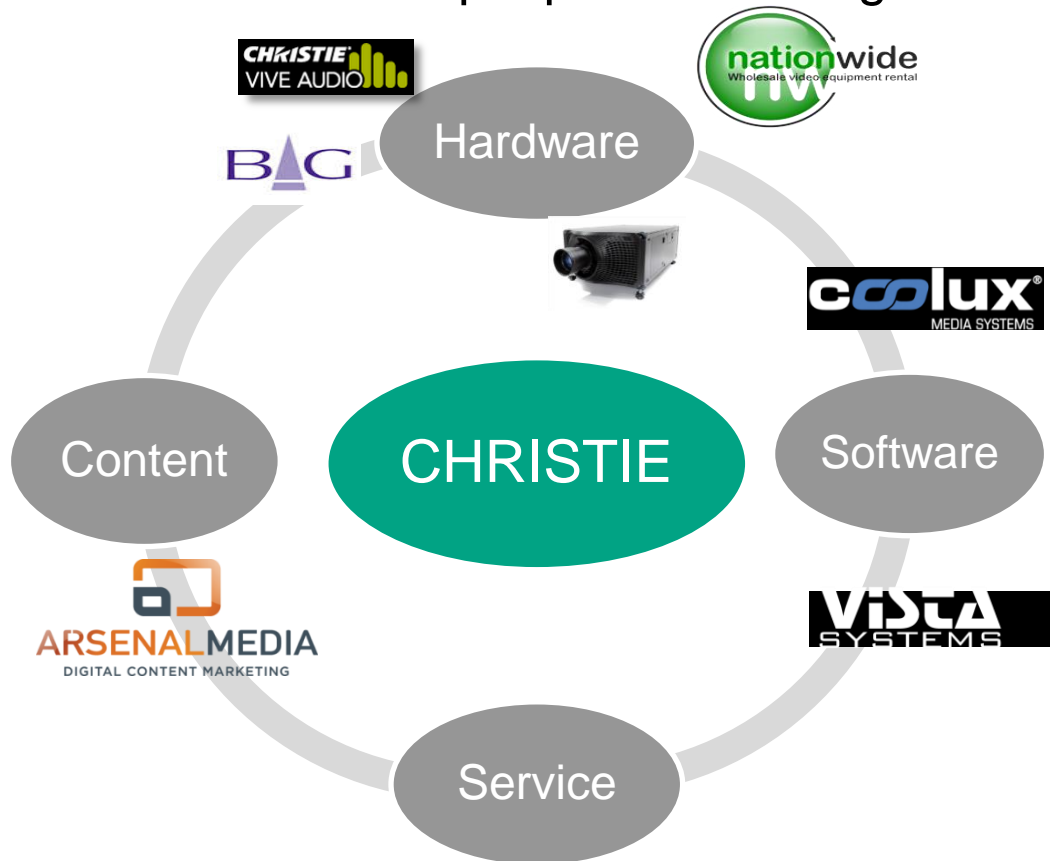
Measures

3. Medium-term Management Plan by Business Segment

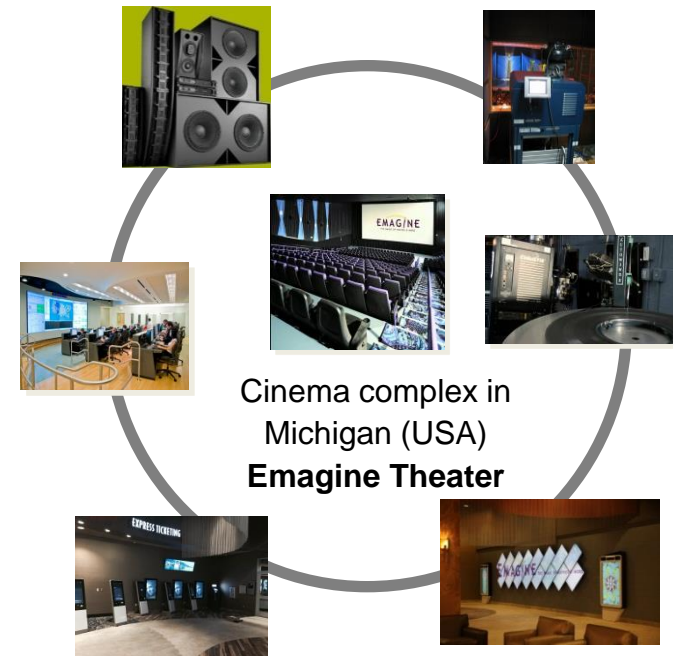
b. Equipment b-1. Imaging Equipment

Total Solutions Encompassing the Imaging Business

Christie Group Operations Diagram



Examples



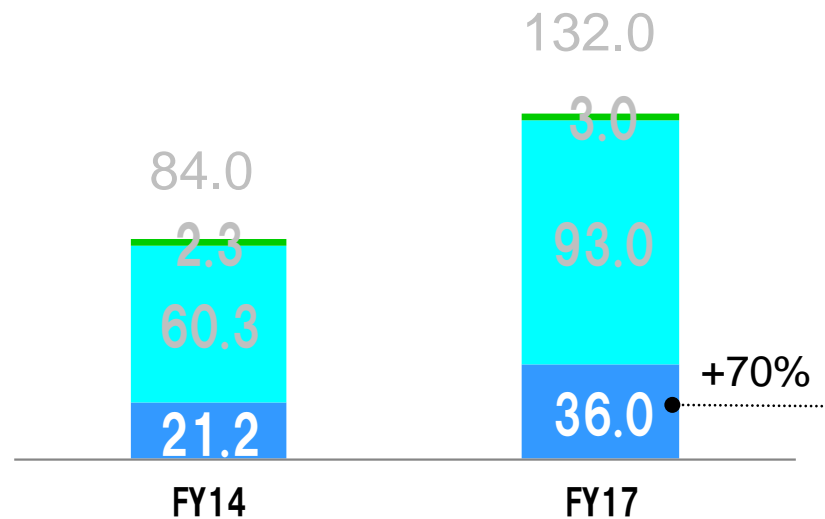
3. Medium-term Management Plan by Business Segment

b. Equipment b-2. Optical Equipment

Target

FY2017

Structural Reform Aimed at Normalizing Profitability



Net Sales

¥36.0 billion (+70%)

Operating Income Ratio

Above 5%
(Equipment Business Overall)

Measures

Revise Group Strategy
(Strengthen relationship with ADTEC Engineering)

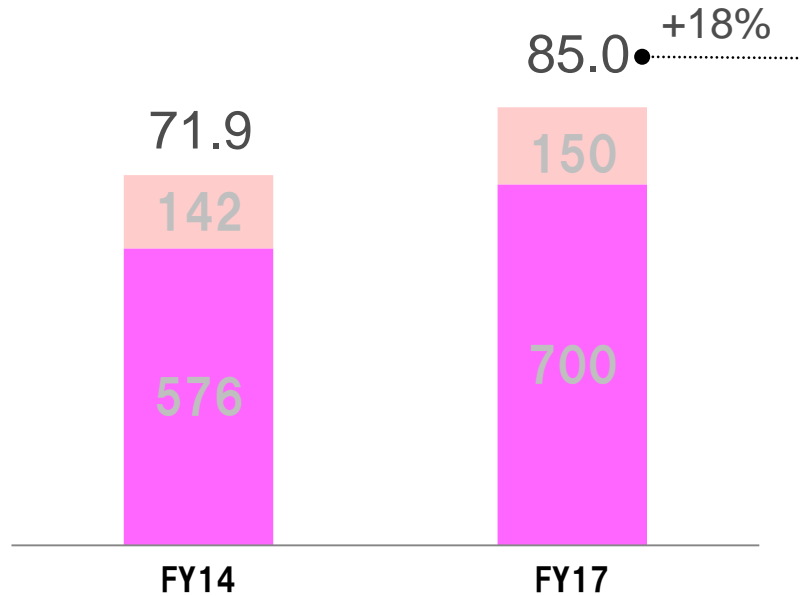
3. Medium-term Management Plan by Business Segment

c. Light Sources

Targets

FY2017

Sustainable Growth and Staying Profitable



Net Sales

¥85.0 billion (18%)

Operating Income Ratio

Keep above 15%

Measures

Develop Solutions Business

- ▶ New fields...Aggressively enter growth markets
- ▶ Existing fields...Maintain share

3. Medium-term Management Plan by Business Segment

c. Light Sources

Key “Growth Markets” for Light Sources Business

Life Sciences Field

Environment, healthcare, energy, others
(Measurement and analysis, plant cultivation, water treatment, space treatment, etc.)

Example 1 Water Treatment



Aim: Eliminate waterborne microorganisms and pathogens using UV light, purifying of pollutants

Effect: Water reuse, maintain environment

Water sterilization at beverage plants

Example 3 Sensor light absorbency

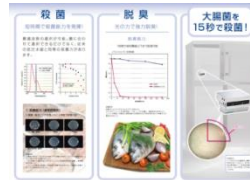


Aim: Measure pathogens and pollutants in or on specified items

Effect: Verify sanitation and safety

Light absorption sensor (PAS)/Laser-based light induced fluorescence (LIF) sensor

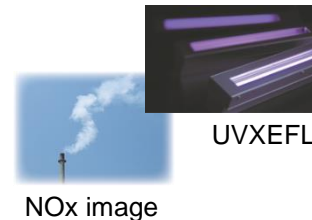
Example 2 Food Sterilization



Aim: Eliminate microorganisms and pathogens in food using UV light

Effect: Maintain food safety

Example 4 NOx and Odor Removal



Aim: Remove NOx and odors from spaces

Effect: NOx and odor elimination

Automotive Field

Head-up displays, heating applications, others



Head-up display

3. Medium-term Management Plan by Business Segment

d. Biomedical

Policy

Continued Needed Investment to Groom into Third Core Business

- Expand sales of existing products
- Promote M&A
- Improve development investment efficiency
- Revise Group strategy

Measures



TheraBeam UV308



Point Reader



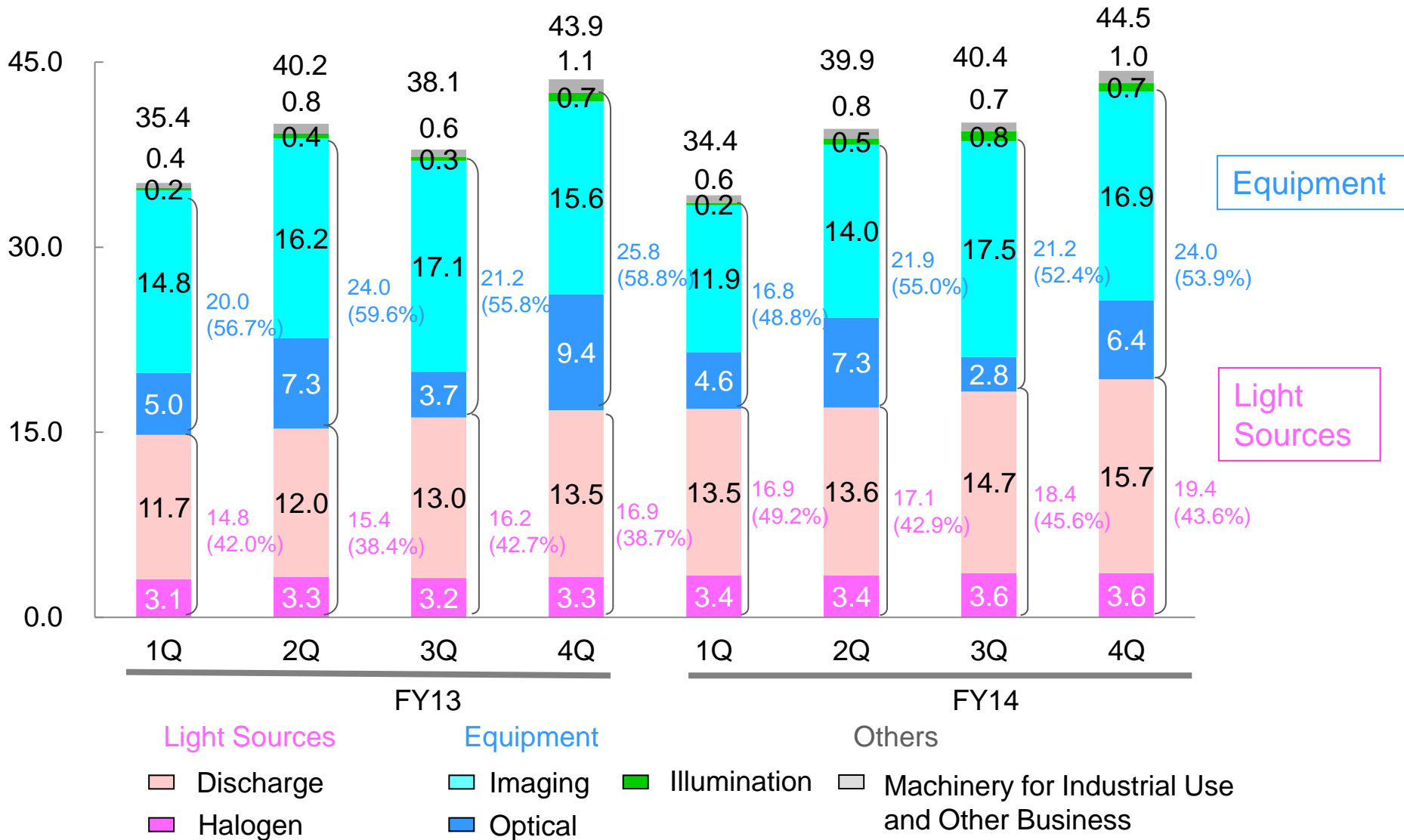
TheraBeam® SuperOsseo



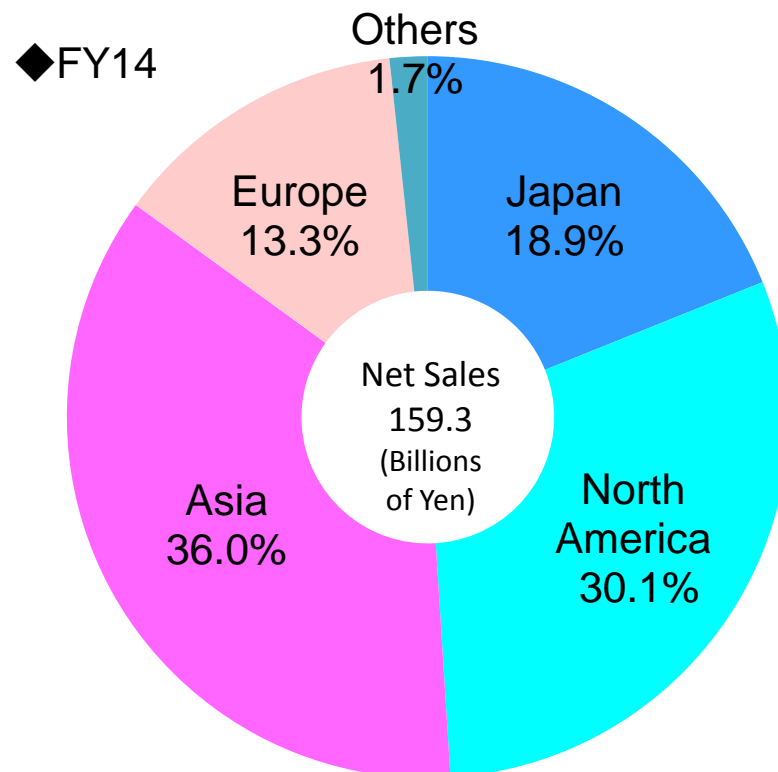
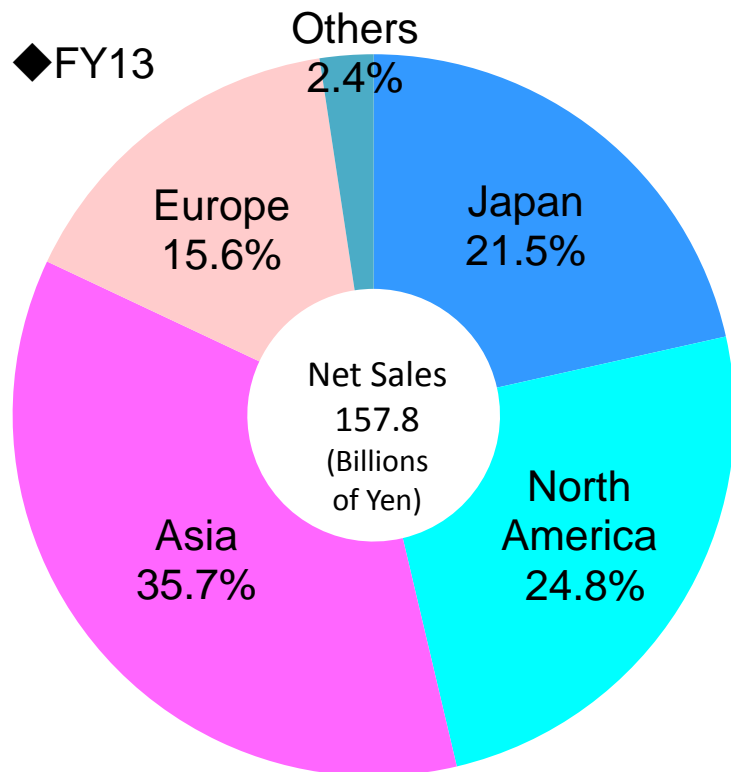
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Sales Trend by Product Groups



Foreign Sales Ratio 《1-4Q》



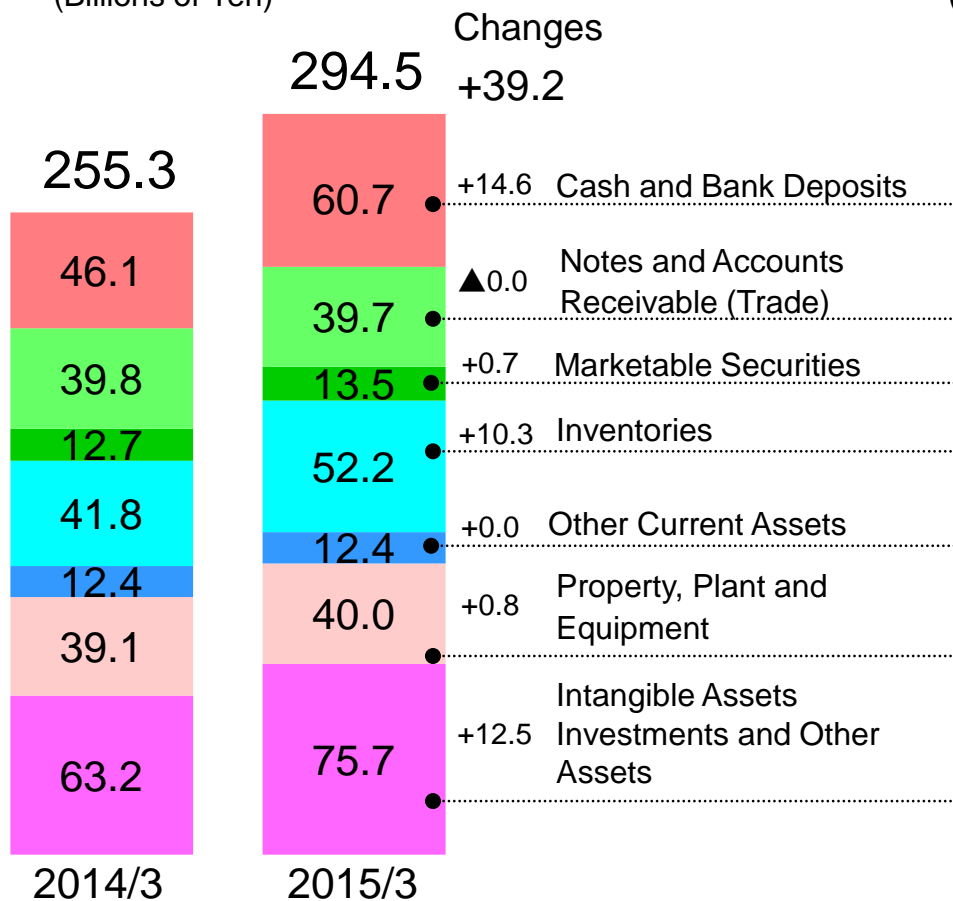
Other Income and Expenses 《1-4Q》

(Billions of Yen)	FY13	FY14	YoY
Other Income	4.3	3.7	▲0.6
Interest income	0.6	0.8	+0.2
Dividend	0.9	1.0	+0.0
Gain on sales of investment securities	0.1	-	▲0.1
Exchange Gain	1.6	0.7	▲0.9
Gain on trading securities	0.2	0.4	+0.1
Others	0.6	0.7	+0.0
Other Expenses	0.5	0.3	▲0.1
Interest expenses	0.2	0.1	▲0.0
Provision of allowance for doubtful accounts	-	-	-
Others	0.3	0.1	▲0.0
Other Income and Expenses	3.7	3.3	▲0.4

Balance Sheet

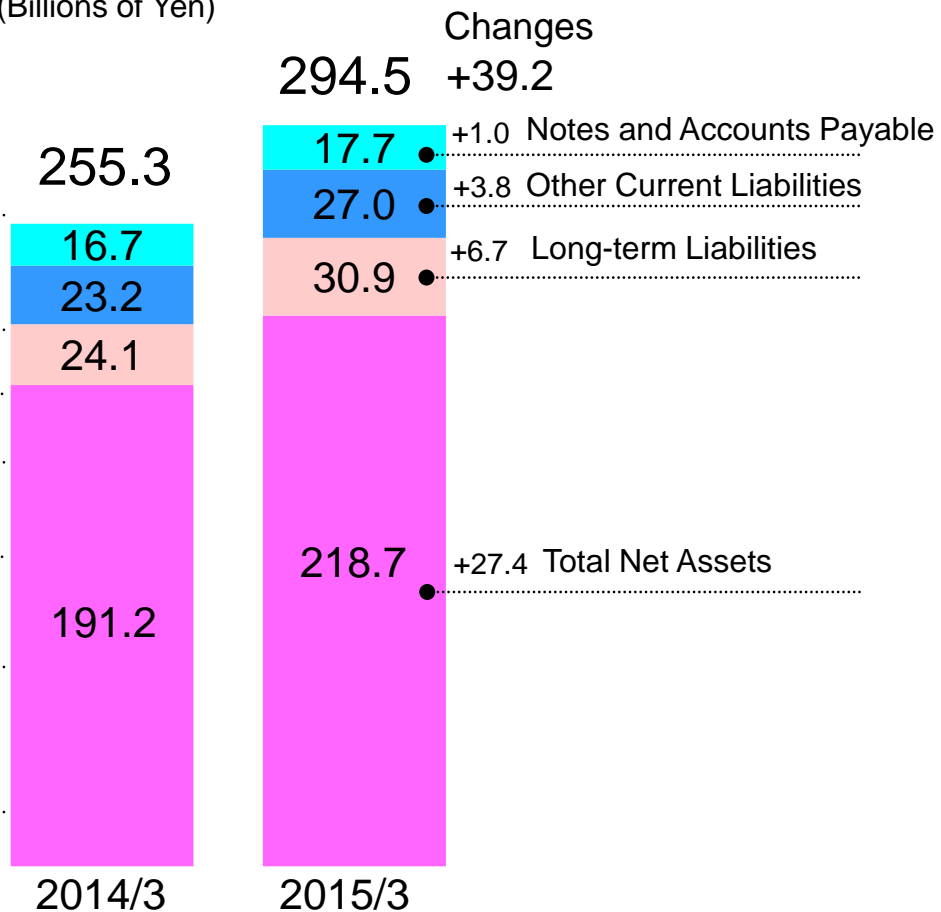
◆ Assets

(Billions of Yen)



◆ Liabilities • Total Net Assets

(Billions of Yen)



● Turnover (month)

2014/3 2015/3

Receivable-trade 2.8 3.0

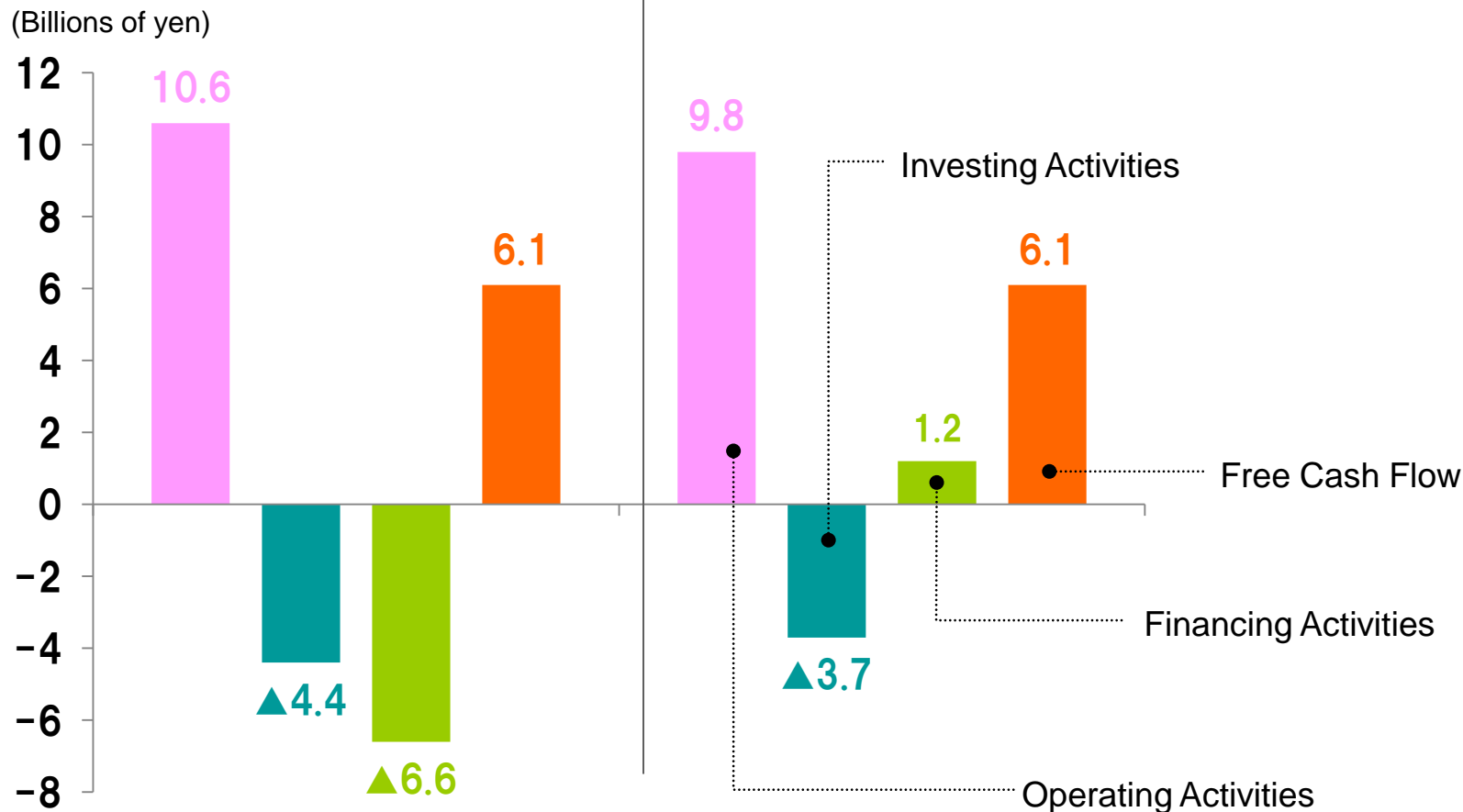
Inventories 3.0 3.5

● Equity Ratio (%)

2014/3 2015/3

73.5 73.3

Cash Flow



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	56.9

For Reference: Adoption of Christie Virtual Reality System by US Automaker (Press release in US dated 4/28/2015)

- GM Power wall
(Two Christie Mirage 4k units)



System enables capture and review of photos and video (120Hz) of vehicle exterior on a large screen (2D, 3D compatible)

Christie Mirage 4k 25 3DLP®



World's first 4k (120Hz) DLP® projector (25,000 lumens)

- GM CAVE
(Six Christie Mirage HD6K-M units, one Mirage WU14K-M unit)



Enables design review even within vehicle via capture of true 3D images on four screens

Christie Mirage HD6K-M 3DLP®



Christie Mirage WU14-M



USHIO

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<http://www.ushio.co.jp/global/>