

1st Quarter FY2016 Financial Results

The logo for Ushio Inc., consisting of the word "USHIO" in a bold, white, sans-serif font, positioned on a solid green rectangular background.

USHIO INC.

July 29, 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.**

- I. Financial Results for 1Q FY2016**
- II. Future Prospects
- III. Supplementary Information

Highlights of Financial Results for 1Q FY2016

Consolidated Net Sales down 2.8% year on year to ¥39.9 billion
Consolidated Operating Income down 58.1% year on year to ¥0.9 billion

- Although urgent measures were taken to address a sharp deterioration in the business performance of imaging equipment, USHIO has judged that it will now be difficult to regain lost ground and achieve its earnings forecasts on a half-year and full-year basis. Accordingly, USHIO has revised down its earnings forecasts and will resolutely set out to achieve the revised earnings forecasts -

Sales: 39.9 billion yen (▲1.1 billion yen YoY)

- ✓ Main reason: a negative impact of ¥3.1 billion on net sales due to the yen's appreciation

Operating Income: 0.9 billion yen (▲1.3 billion yen YoY)

- ✓ Deteriorating profitability of imaging equipment, in addition to a negative impact of ¥0.4 billion on earnings from the yen's appreciation

Profit Attributable to Owners of Parent: 0.1 billion yen

(▲2.4 billion yen YoY)

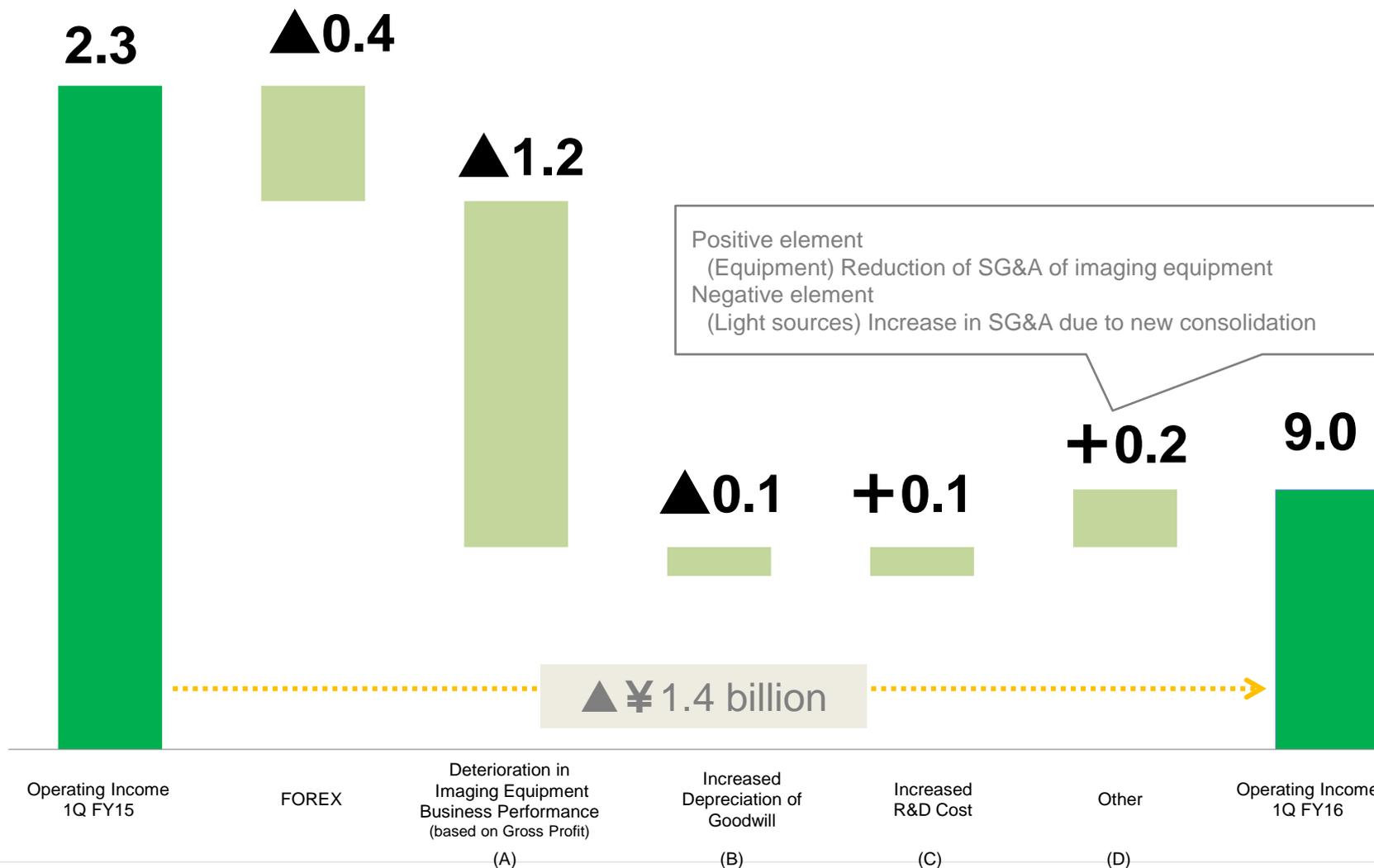
- ✓ Foreign exchange losses and the recording of gain on sales of non-current assets and gain on bargain purchase as extraordinary income

Summary of Financial Results 1Q FY2016

(billion yen)	FY2015 1Q	FY2016 1Q	YoY		1H Forecast	% of achievement (1H FY2016)
			Changes	%		
Sales	41.1	39.9	▲1.1	▲2.8	90.0	44.3
Operating Income	2.3	0.9	▲1.3	▲58.1	6.0	15.0
Operating Income (%)	5.7	2.4	▲3.2P	-	6.7	-
Ordinary Income	3.3	0.4	▲2.8	▲87.0	6.5	6.2
Profit Attributable to Owners of Parent	2.6	0.1	▲2.4	▲93.9	4.7	2.1
EPS (yen)	20.18	1.24	▲18.94	▲93.8	36.53	-
FOREX (yen)						
USD	121	111	▲10	-	115	-
EUR	133	125	▲8	-	125	-

Variation Analysis of Operating Income of 1Q

(Billion yen)



Note: Values of (A), (B), (C), and (D) exclude FOREX impact.

Imaging Equipment Business

Main Reasons for Deterioration in Business Performance

Reason (1) Profitability deteriorated mainly due to products sold at low prices, following a drop in unit prices and a review of inventory levels reflecting changes in the market environment and intensified competition.

Main reason		Response and impact on performance
Cinema	Intensified competition due to increased sales of low-priced projectors by competitors in the Chinese market, where small and medium-sized projector units are mainstream.	(Response) Maintained market share by reducing sales prices (Impact on performance) Profitability deteriorated, despite increase in sales volume
General imaging	Sluggish sales of low-end and middle-range projectors due to increased market penetration of alternative products such as flat panel displays in the projection field	(Response) Adjusted inventory levels of products with low prospects for future demand based on changes in the market environment (through selling at low prices and other means) (Impact on performance) Profitability deteriorated mainly due to products sold at low prices

Reason (2) Higher purchasing costs (impact of forex movements and other factors at the time of purchase)

Performance Enhancement Measures in the Imaging Equipment Business

◆ Performance enhancement measures

Reduce fixed costs by implementing restructuring

- Reduce personnel costs (freeze new recruitment, reduce headcount, reduce bonuses, etc.)
- Reduce other operating expenses (reduce IT, advertising and other expenses)

◆ Address changes in the market environment

(1) Accelerate reduction in production costs by reshaping the production system (reduce by more than 10% YoY)

- Revise the production ratio between Canada and China from 6:4 to 5:5.

(2) Strengthen earnings power by revising the business model by product, region and field

- Reduce administrative costs and make other improvements by introducing a distributor model in regions with low profitability

(3) Bolster high-end projectors, an area of strength for USHIO

- Bolster high-end projectors, an area of strength for USHIO, to maintain competitiveness in the cinema field

- Strengthen the lineup, after reviewing the inventory levels of low-end and middle-range projectors

(4) Steadily push ahead with the expansion of the total solution business

Financial Results by Business Segments

		FY 2015 1Q	FY 2016 1Q	YoY		FY2016 Forecast	% of achievement (FY2016)
				Changes	%		
Equipment	Sales	21.2	21.2	▲0.0	▲0.1	111.5	19.0
	Operating Income	▲0.1	▲0.7	▲0.5	-	-	-
	Operating Income(%)	▲0.9	▲3.6	▲2.7P	-	-	-
Light Sources	Sales	19.2	18.1	▲1.0	▲5.6	76.5	23.8
	Operating Income	2.5	1.7	▲0.8	▲31.4	-	-
	Operating Income(%)	13.2	9.6	▲3.6P	-	-	-
Others	Sales	0.6	0.5	▲0.0	▲9.8	2.0	29.3
	Operating Income	▲0.0	▲0.0	+0.0	▲21.3	-	-
	Operating Income(%)	▲3.8	▲3.3	+0.5P	-	-	-

Note : Net sales indicates sales to unaffiliated customers.

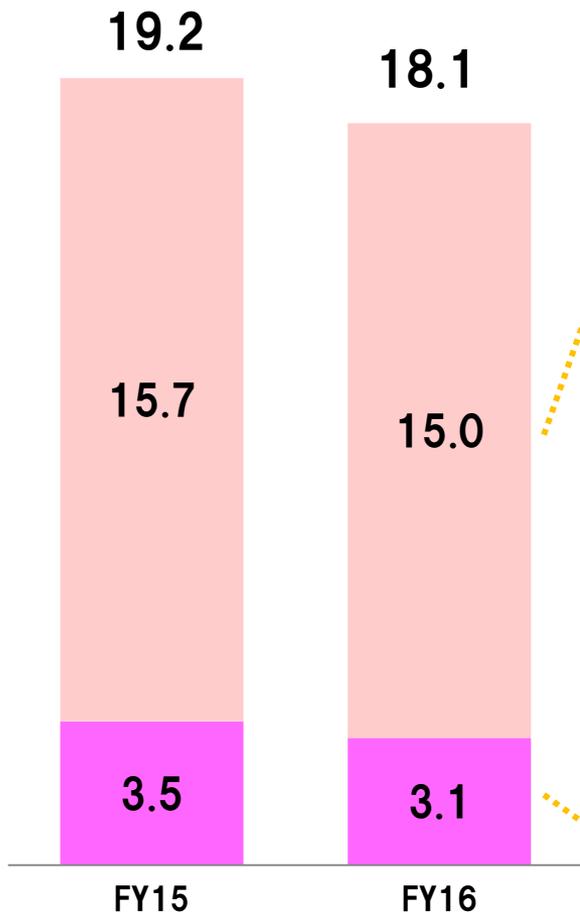
Operating income ratio indicates the ratio of operating income against sales to unaffiliated customers.

Light Sources Business Segment 《Net Sales》

《1Q YoY》

Net Sales

(billion yen)



Light Sources Total

Sales
¥18.1 billion
 YoY ▲¥1.0billion ▲5.6%

1Q Overview
 Sales declined YoY for almost all products, except for solid state light sources in discharge lamps. The decline reflected the impact of the yen's appreciation and intensified competition

Discharge Lamp

¥15.0 billion
 YoY ▲0.7billion ▲4.5%

- ✓ UV Lamps: ▲5%. Sales of UV lamps for manufacturing semiconductors and electronic components were mostly soft YoY due to a fiercely competitive environment, despite fast replacement turnover at certain LCD panel fabrication plants
- ✓ Lamps for cinema: ▲9%. Continuing decrease YoY reflecting rebound from last year
- ✓ Lamps for data projector: Largely flat YoY

Halogen Lamp

¥3.1 billion
 YoY ▲0.3billion ▲10.5%

✓ OA: ▲10%. Sales declined due to economic deceleration in Europe and North America

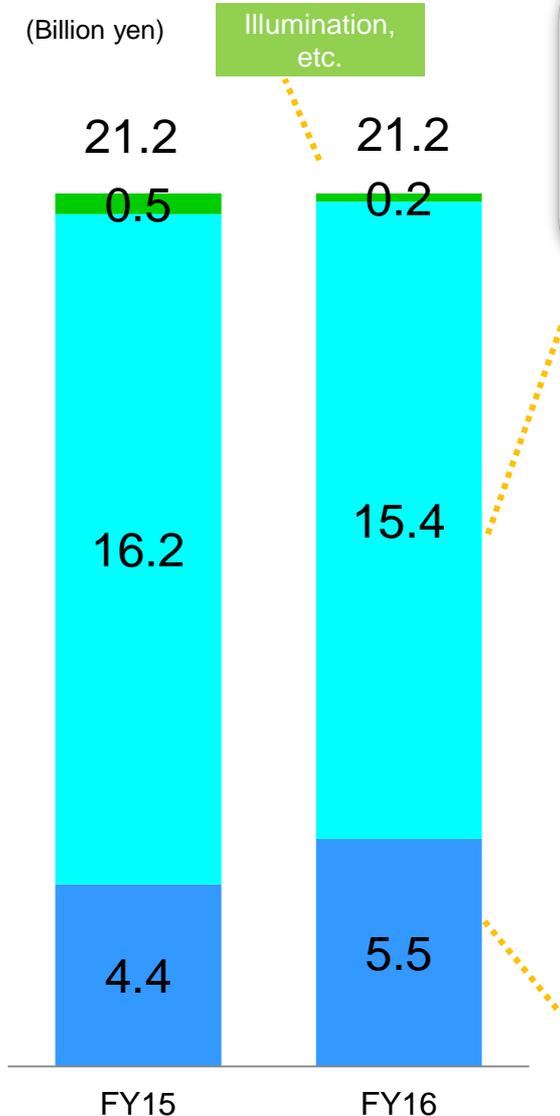
Note : Net sales indicates sales to unaffiliated customers.

Equipment Business Segment 《Net Sales》

《1Q YoY》

Net Sales

(Billion yen)



Equipment Business Total

Sales
¥21.2billion
 YoY ▲0.0 billion
 ▲0.1%

1Q Overview

Sales of optical equipment rose 25% YoY, offsetting declines in sales of imaging equipment and illumination

Imaging Equipment

¥15.4 billion
 YoY ▲¥0.8 billion
 ▲5.0%

- ✓ Cinema: Sales in the cinema field rose YoY, supported by the roll-out of Dolby Cinema, while digital cinema projector (DCP) sales remained firm primarily in China
- ✓ General Imaging: General imaging sales declined YoY due to the impact of flat panel displays and laser phosphor-type projectors

Optical Equipment

¥5.5 billion
 YoY +¥1.1 billion
 +25.2%

- ✓ UV equipment: Increased sales of surface cleaning equipment for OLED panels
- ✓ Curing equipment: Higher sales of optical-alignment equipment and UV curing equipment for bonding LCD panels

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Forecasts for 1H and Full-year FY2016

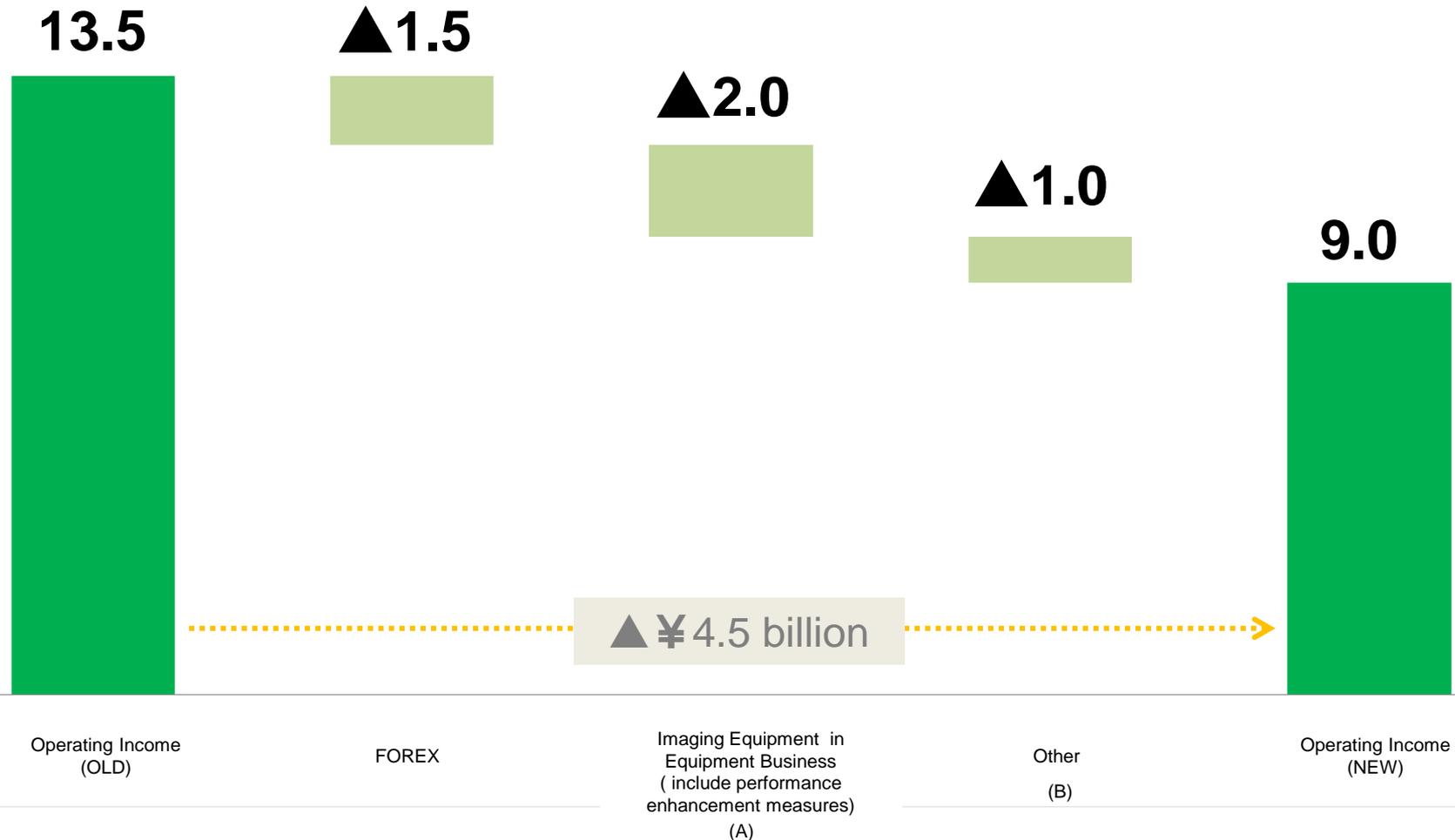
Half-year and full-year earnings forecasts announced on May 11, 2016 were revised as follows based on the forex impact and deteriorating performance in the imaging equipment business. The dividend forecast has not been revised.

(billion yen)	OLD	NEW	Changes	%	(billion yen)	OLD	NEW	Changes	%
	1H	1H				FY2016	FY2016		
Net Sales	90.0	80.0	▲10.0	▲11.1	Net Sales	190.0	170.0	▲20.0	▲10.5
Operating Income	6.0	2.5	▲3.5	▲58.3	Operating Income	13.5	9.0	▲4.5	▲33.3
Operating Income(%)	6.7	3.1	▲3.6P	-	Operating Income(%)	7.1	5.3	▲1.8P	-
Ordinary Income	6.5	2.5	▲4.0	▲61.5	Ordinary Income	14.5	10.0	▲4.5	▲31.0
Profit Attributable to Owners of Parent	4.7	1.5	▲3.2	▲68.1	Profit Attributable to Owners of Parent	11.5	7.0	▲4.5	▲39.1
EPS (yen)	36.53	11.72	▲24.81	-	EPS (yen)	89.37	54.72	▲34.65	-

FOREX (yen)	OLD	NEW	Changes	FOREX sensitivity: Amount of Impact from 1 yen fluctuations (full year)		
USD	115	105	▲10		Net Sales	Operating Income
EUR	125	115	▲10	against USD	Approx. 1.0 billion yen	Approx. 150 million yen

1H FY2016/Full-year Forecast – Reasons for Operating Income Warning

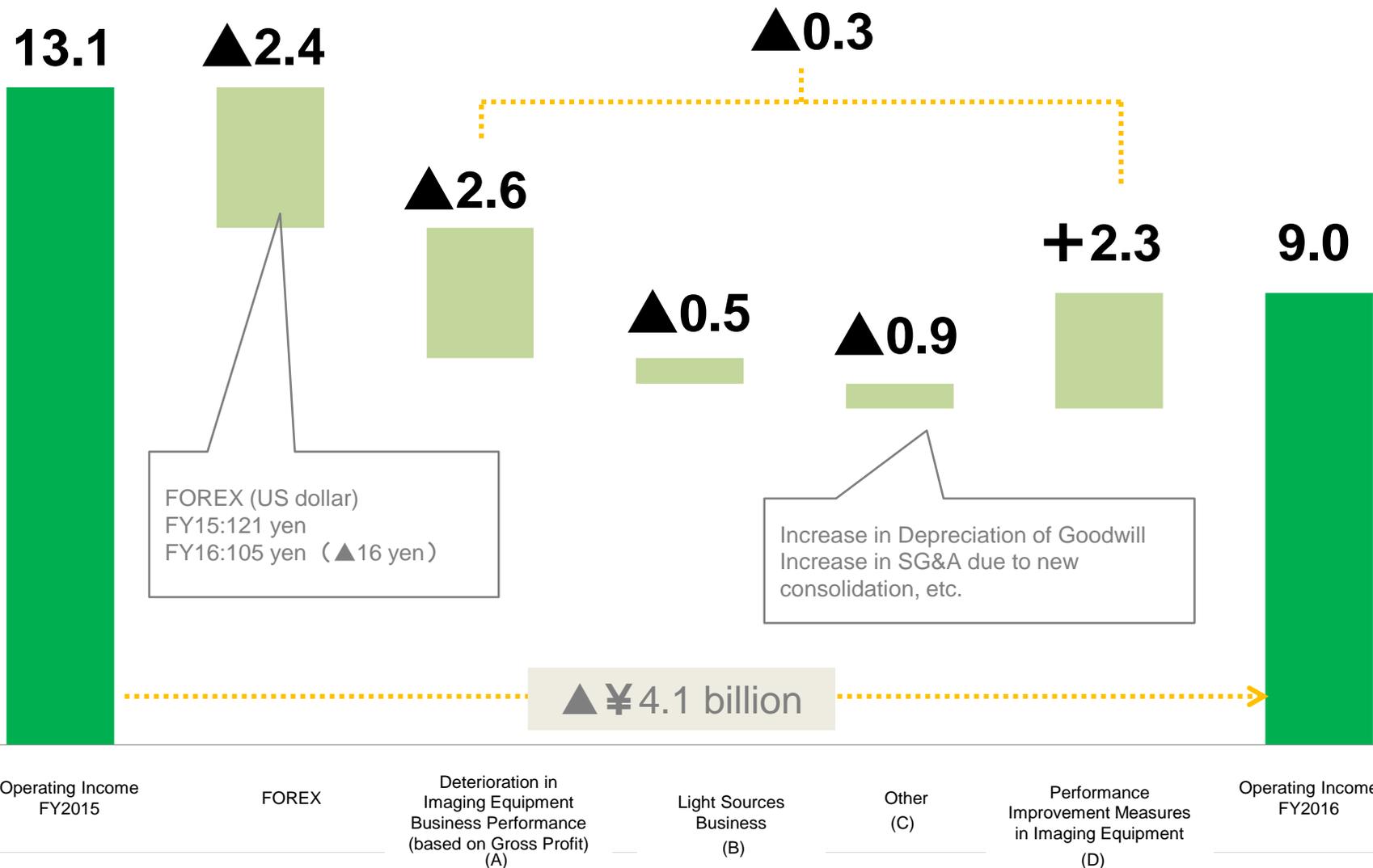
(Billion yen)



Note: Values of (A) and (B) exclude FOREX impact.

1H FY2016/Full-year Forecast - Operating Income 《YoY》

(Billion yen)



Note: Values of (A), (B), (C), and (D) exclude FOREX impact.

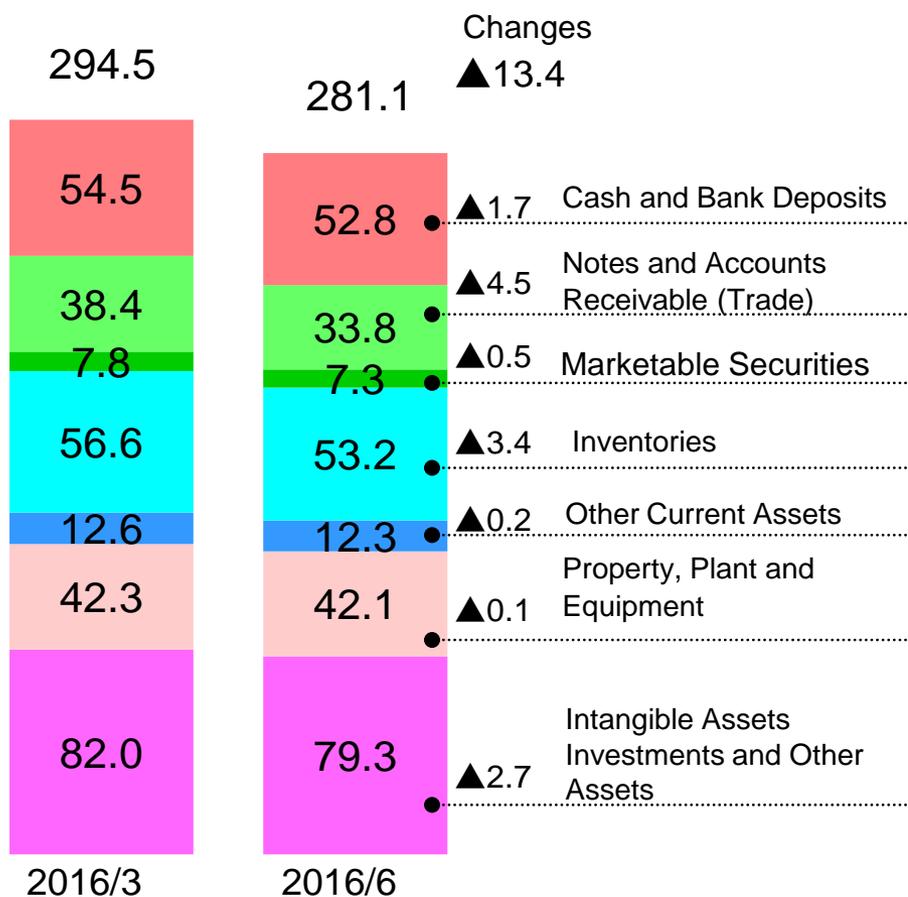
Forecasts for FY2016 by Sub-segment

(billion yen)		FY2016 OLD	FY2016 NEW	Changes	Reasons for Revision	
Net Sales	Equipment Business	Imaging	81.0	65.0	▲16.0	✓ Imaging equipment reflects the impact of intensified competition, in addition to the forex impact of the stronger yen ✓ Optical equipment should remain in line with forecast, underpinned by demand for OLED, etc.
		Optical	28.0	28.0	-	
		Illumination and related facilities	2.5	2.0	▲0.5	
		Sub-total	111.5	95.0	▲16.5	
	Light Sources Business	Discharge lamp	63.5	61.0	▲2.5	✓ Forex impact of the stronger yen
		Halogen lamp	13.0	12.0	▲1.0	✓ Falling market prices driven by an increasingly fierce competitive landscape in each market
		Sub-total	76.5	73.0	▲3.5	
	Other	Machinery for industrial use and other	2.0	2.0	-	
	Total		190.0	170.0	▲20.0	
	Operating Income		13.5	9.0	▲4.5	

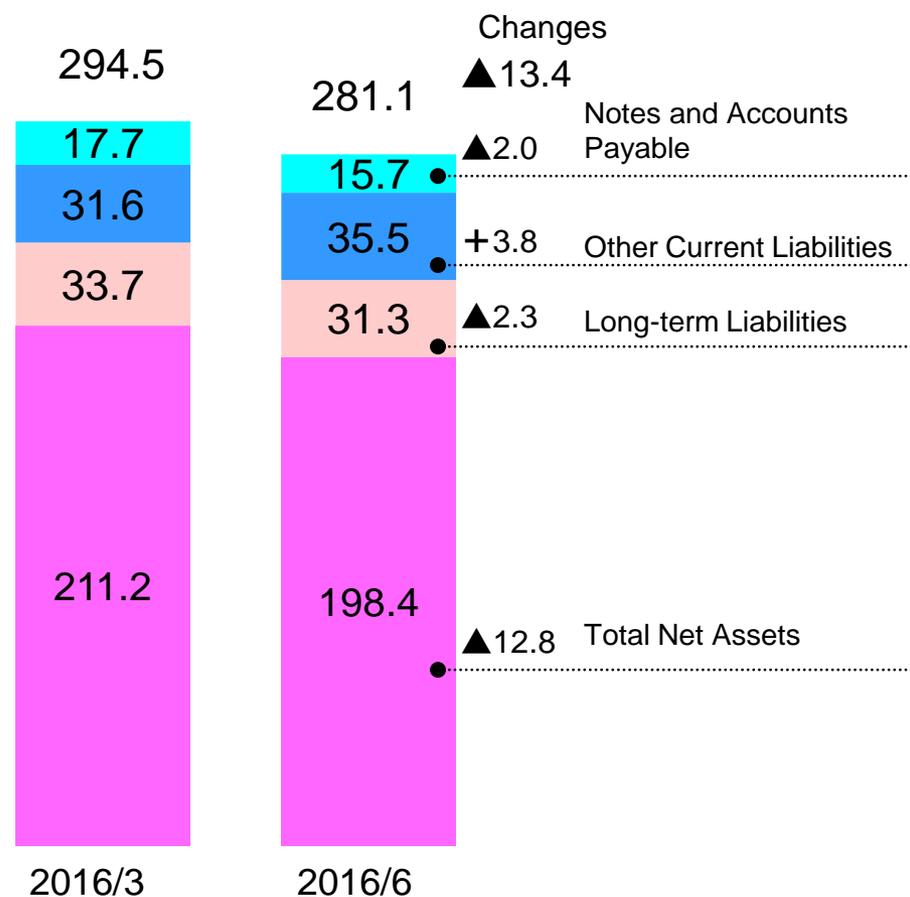
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Reference: Balance Sheet

<Assets> (billion yen)



<Liabilities/Total Net Assets> (billion yen)

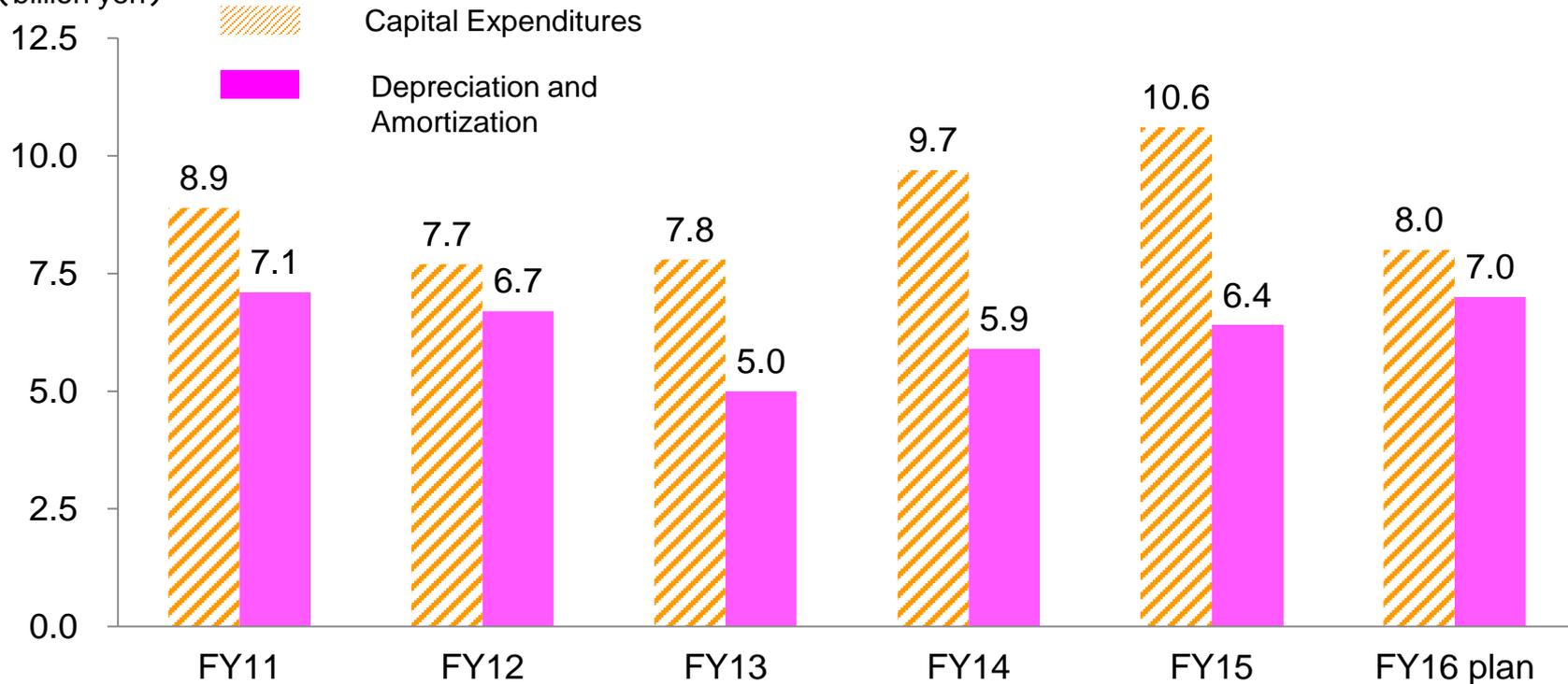


● Turnover (month)	2016/3	2016/6
Receivable-trade	2.6	2.7
Inventories	3.8	4.1

● Equity Ratio (%)	2016/3	2016/6
	70.9	69.8

Reference: Capital Expenditures, Depreciation and Amortization

(billion yen)

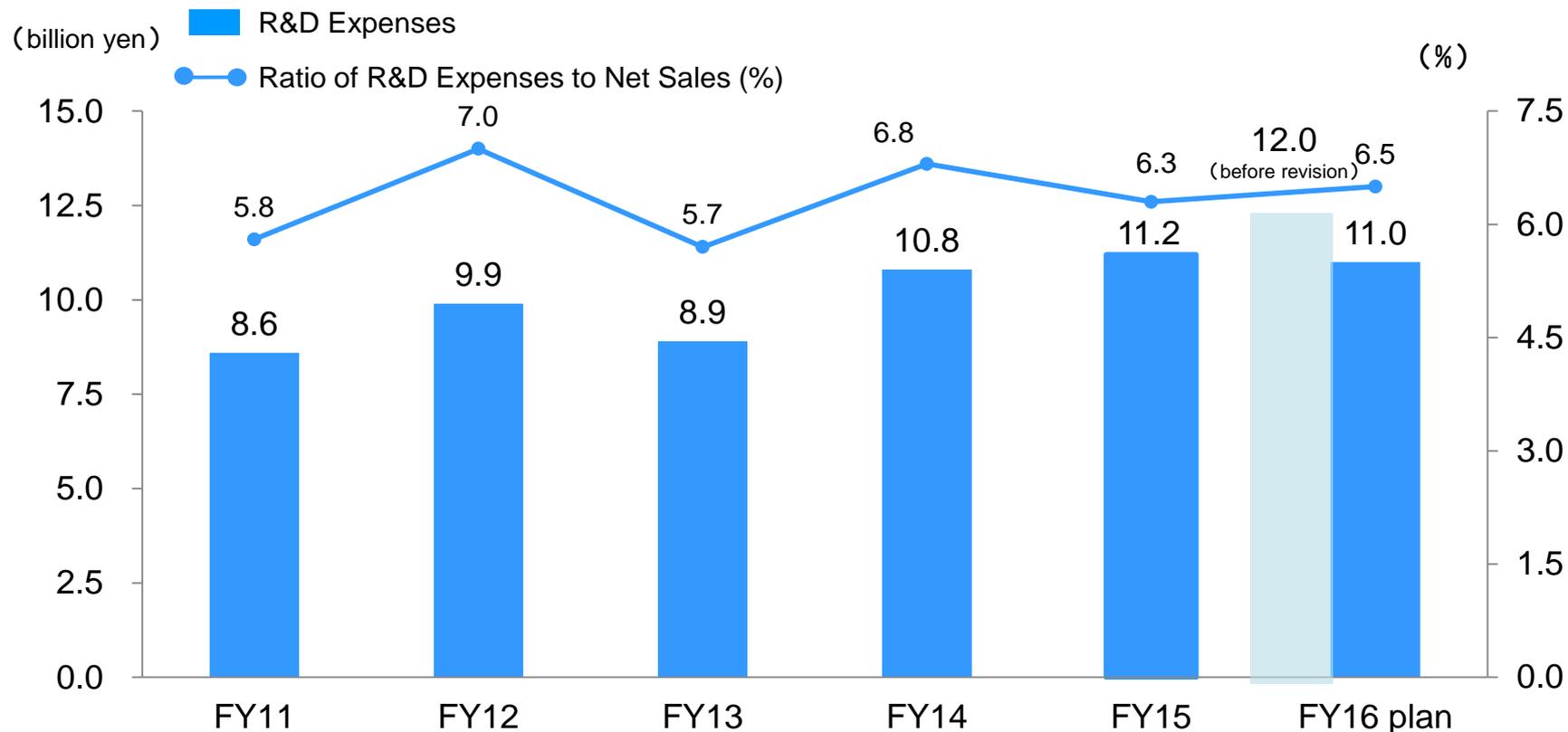


(billion yen)	FY2015	FY2016	YoY	
	1Q	1Q	Changes	%
Capital Expenditures	1.9	2.4	+0.4	+22.7
Depreciation and Amortization	1.5	1.6	+0.0	+4.3

Note 1. Capital Expenditures = Property, plant and equipment + Intangible assets (excluding goodwill)

Note 2. Increase of goodwill is not included in Capital Expenditures in both FY15_1Q and FY16_1Q

Reference : R&D Expenses



(billion yen)	FY2015 1Q	FY2016 1Q	YoY	
			Changes	%
R&D Expenses	2.5	2.3	▲0.2	▲9.3
Ratio of R&D Expenses to Net Sales(%)	6.3	5.9	▲0.4P	-

Reference: Other Income and Expenses, Extraordinary Income and Losses 《1Q》

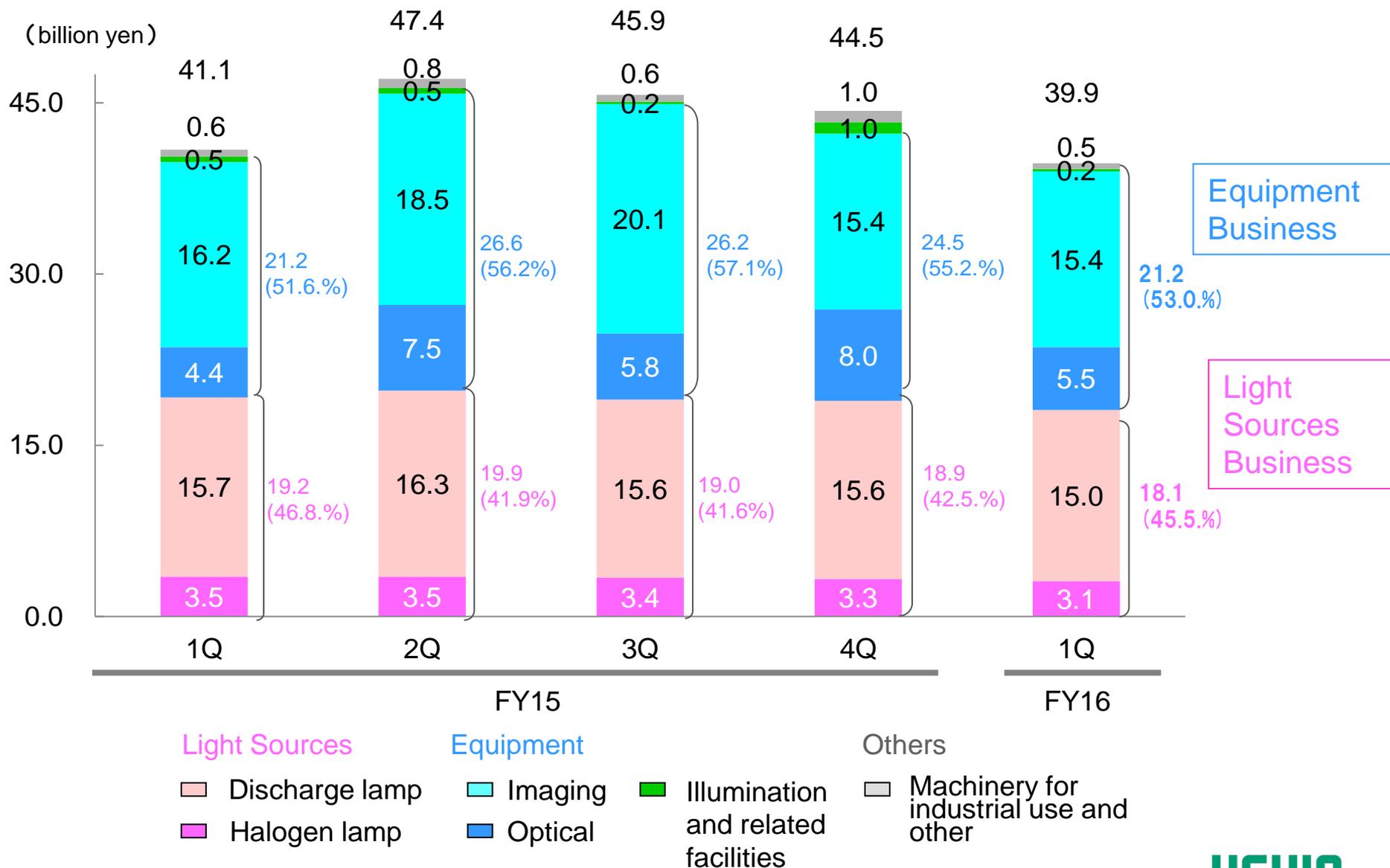
(billion yen)	FY15	FY16	YoY
Other Income	1.0	0.8	▲0.2
Dividend	0.5	0.6	+0.0
Exchange Gain	0.1	0.0	▲0.1
Other	0.4	0.2	▲0.1
Other Expenses	0.1	1.4	+1.2
Exchange Loss	-	0.9	+0.9
Other	0.1	0.4	+0.3
Other Income and Expenses	0.9	▲0.5	▲1.5

(billion yen)	FY15	FY16	YoY
Extraordinary Income	1.6	0.1	▲1.5
Gain on sales of non-current assets	1.0	0.0	▲1.0
Gain on liquidation of subsidiaries and associates	0.0	0.1	+0.1
Gain on bargain purchase	0.5	0.0	▲0.5
Other	0.0	0.0	▲0.0
Extraordinary Losses	▲0.0	▲0.1	▲0.1
Relocation expenses	-	▲0.1	▲0.1
Other	▲0.0	▲0.0	▲0.0

Reference: Comparison to Previous Quarter 《QoQ》

《QoQ》					《QoQ by business segment》				
(billion yen)	FY15	FY16	QoQ		(billion yen)	FY15	FY16	QoQ	
	4Q	1Q	Changes	%	Segment	4Q	1Q	Changes	%
Net Sales	44.5	39.9	▲4.5	▲10.3	Equipment Business				
Operating Income	2.6	0.9	▲1.6	▲62.6	Net Sales	24.5	21.2	▲3.3	▲13.8
Operating Income (%)	5.9	2.4	▲3.4P	-	Operating Income	0.0	▲0.7	▲0.8	-
Ordinary Income	1.5	0.4	▲1.1	▲72.2	Operating Income(%)	0.3	▲3.6	▲3.9P	-
Profit Attributable to Owners of Parent	1.5	0.1	▲1.3	▲89.7	Light Sources Business				
EPS (yen)	11.98	1.24	▲10.7	▲89.6	Net Sales	18.9	18.1	▲0.7	▲4.0
FOREX (yen)					Operating Income	2.2	1.7	▲0.5	▲23.0
	USD	118	111	▲7	Operating Income(%)	12.0	9.6	▲2.4P	-
	EUR	129	125	▲4	Others				
					Net Sales	1.0	0.5	▲0.4	▲42.5
					Operating Income	0.1	0.0	▲0.1	-
					Operating Income(%)	12.8	▲3.3	▲16.1P	-

Reference: Sales by Sub-segment



Reference: Sales Ratio 《1Q》

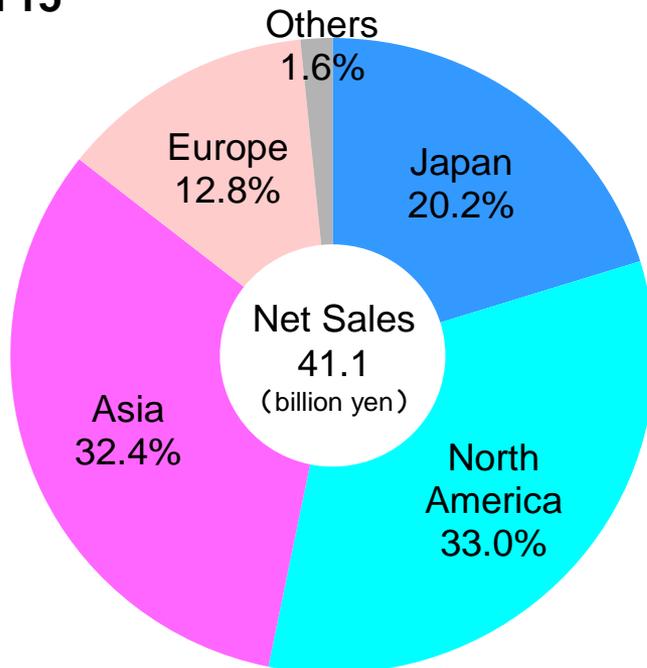
[North America, Europe]

Declined due to lower imaging equipment sales and the impact of the stronger yen

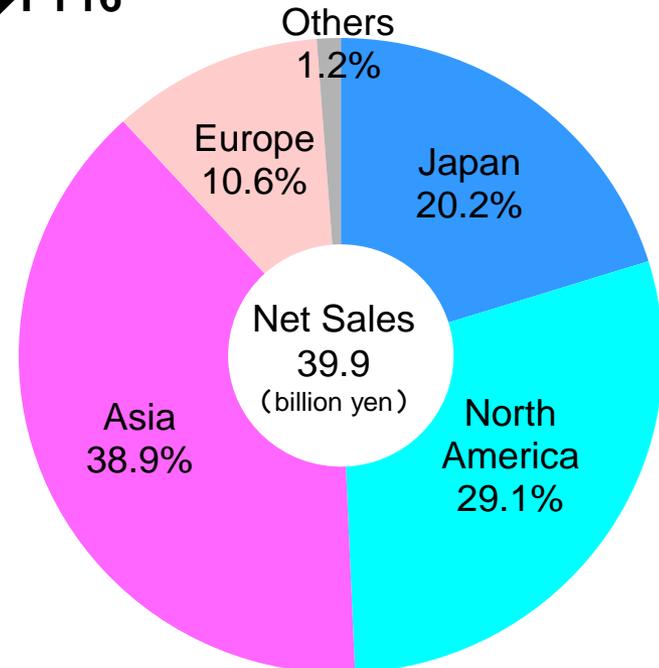
[Asia]

Rose due to an increase in cinema-related sales primarily in China and higher sales of LCD-related equipment

◆FY15



◆FY16



Reference: Purchase of Treasury Stock

		Amount	Number of Shares	Period
FY 2015	Results	2.0 billion yen	1,138K shares	May 12, 2015 ~ June 10, 2015
	Results	0.96 billion yen	640K shares	Feb. 1, 2016 ~ April 8, 2016
FY 2016	Results	0.86 billion yen	670K shares	May 12, 2016 ~ June 13, 2016
	Announced	2.0 billion yen	1,500K shares	August 1, 2016 ~ February 28, 2017

USHIO

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