

3rd Quarter FY2016 Financial Results

The logo for Ushio Inc., featuring the word "USHIO" in a bold, white, sans-serif font against a dark green background.

USHIO INC.

January 31, 2017

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.**

Main Points of Today's Presentation

- Net Sales and earnings decreased year on year (YoY) for the first nine months of the fiscal year ending March 31, 2017(FY2016)
- Made steady progress on performance enhancement measures in the imaging equipment business
- Maintained full-year forecasts

- I. Financial Results for the First Nine Months(1Q-3Q) FY2016**
- II. Progress on Performance Enhancement Measures in the Imaging Equipment Business
- III. Forecasts for FY2016
- IV. Supplementary Information

Highlights of Financial Results for the First Nine Months(1Q-3Q) FY2016

Consolidated Net Sales down 7.1% year on year to ¥124.9 billion
Consolidated Operating Income down 45.4% year on year to ¥5.7 billion
- Full-year forecasts unchanged -

Net Sales: 124.9 billion yen (▲9.5 billion yen YoY, down 7.1%)

- ✓ A negative impact of about ¥11.0 billion on Net Sales due to the yen's appreciation

Operating Income: 5.7 billion yen (▲4.7 billion yen YoY, down 45.4%)

- ✓ A negative impact of about ¥1.6 billion on earnings from the yen's appreciation.
Profitability of imaging equipment and mainstay discharge lamps decreased.

Profit Attributable to Owners of Parent: 6.0 billion yen

(▲3.4 billion yen YoY, down 36.2%)

- ✓ Business structural reform expenses of ¥0.5 billion under extraordinary losses, gain on sales of investment securities of ¥1.4 billion under extraordinary income

*FOREX 3Q FY2016 : 1 dollar = 107 yen

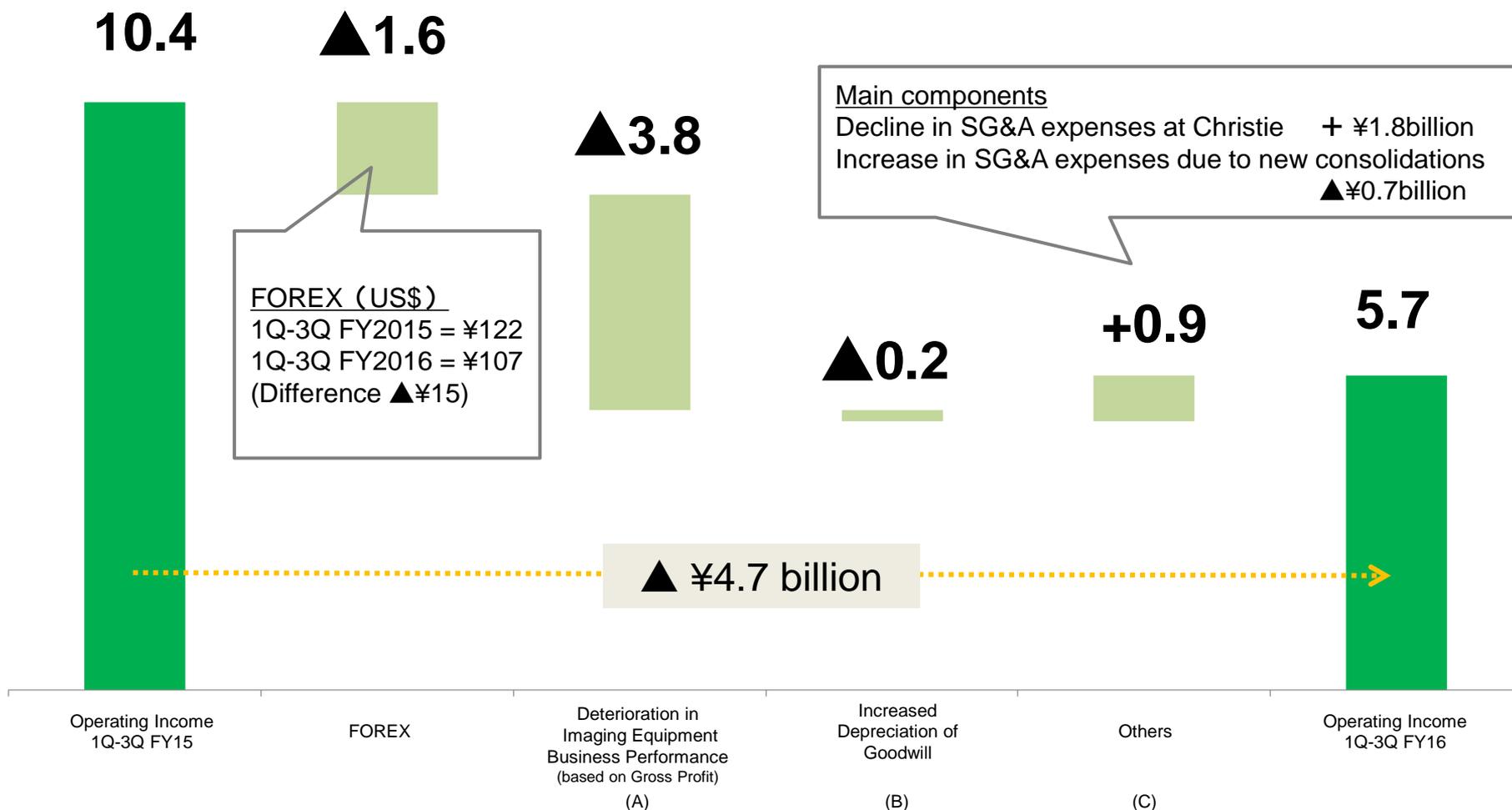
Net Sales and Profitability for the First Nine Months(1Q-3Q) FY2016

(billion yen)	FY2015 1Q-3Q	FY2016 1Q-3Q	YoY		
			Changes	%	
Net Sales	134.5	124.9	▲9.5	▲7.1	
Operating Income	*10.4	5.7	▲4.7	▲45.4	
Operating Income (%)	7.8	4.6	▲3.2P	-	
Ordinary Income	13.0	8.0	▲4.9	▲38.2	
Profit Attributable to Owners of Parent	9.5	6.0	▲3.4	▲36.2	
EPS (yen)	*73.70	47.58	▲26.12	▲35.4	
FOREX(yen)	USD	122	107	▲15	-
	EUR	134	119	▲15	-

*Provisional accounting treatment related to a business combination undertaken in the three months ended December 31, 2015 was determined at the end of FY2015. Key performance indicators and other metrics with respect to the nine months ended December 31, 2015 and the three months ended December 31, 2015 reflect important revisions to the initial allocations of acquisition cost, following the determination of the provisional accounting treatment.

Variation Analysis of Operating Income (1Q-3Q)

(billion yen)



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

Financial Results by Business Segments

(billion yen)		FY 2015 1Q-3Q	FY 2016 1Q-3Q	YoY	
				Changes	%
Equipment	Net Sales	74.1	68.9	▲5.2	▲7.1
	Operating Income	1.6	▲0.0	▲1.6	▲102.9
	Operating Income(%)	2.2	▲0.1	▲2.3P	-
Light Sources	Net Sales	58.2	53.5	▲4.6	▲8.0
	Operating Income	8.7	5.4	▲3.2	▲37.0
	Operating Income(%)	14.9	10.2	▲4.7P	-
Others	Net Sales	2.1	2.4	+0.3	+16.1
	Operating Income	0.0	0.0	▲0.0	▲97.4
	Operating Income(%)	2.4	0.1	▲2.3P	-

Note : Net Sales indicates sales to unaffiliated customers.

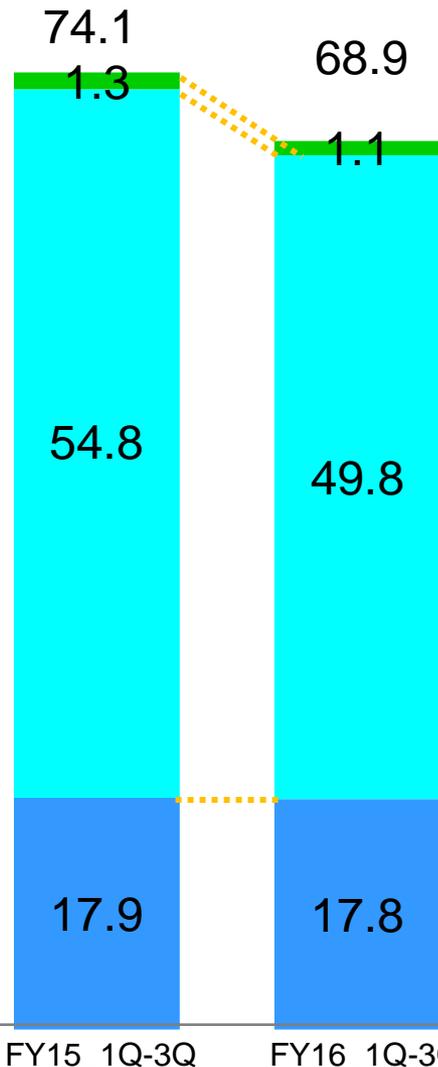
Operating Income ratio indicates the ratio of Operating Income against Net Sales to unaffiliated customers.

Equipment Business Segment 《Net Sales》

《1Q-3Q YoY》

Net Sales

(billion yen)



Equipment Business Total

Net Sales
¥68.9 billion
 YoY ▲¥5.2billion
 ▲7.1%

3Q Overview

Sales of imaging equipment decreased YoY due to the impact of the yen's appreciation and intensified competition. Sales of optical equipment declined YoY primarily due to lower sales of projection lithography equipment.

Illumination and Related Facilities

¥1.1 billion
 YoY ▲¥0.2 billion
 ▲14.6%

✓ Sales declined YoY due to a decrease in large projects

Imaging Equipment

¥49.8 billion
 YoY ▲¥5.0 billion
 ▲9.1%

✓ Cinema:+6%. Digital cinema projector (DCP) sales volume increased 20% YoY
 ✓ General Imaging:▲21%. Sales declined YoY, primarily for small and medium-sized projectors due to intensified competition

Optical Equipment

¥17.8 billion
 YoY ▲¥0.0 billion
 ▲0.1%

✓ UV equipment:▲3%. Sales of lithography equipment for electronic components declined YoY.
 ✓ Curing equipment:+13%. Sales of bonding equipment for manufacturing LCD panels increased YoY

Note : Net Sales indicates sales to unaffiliated customers

Light Sources Business Segment 《Net Sales》

《1Q-3Q YoY》

Net Sales

(billion yen)



Light Sources Total

Net Sales

¥53.5 billion

YoY ▲¥4.6 billion
▲8.0%

3Q Overview

Sales of mainstay discharge lamps declined YoY primarily due to the yen's appreciation, despite firm demand. Unit sales prices for halogen lamps declined YoY due to a further shift in demand to inexpensive models for emerging countries, in addition to the yen's appreciation.

Discharge Lamp

¥44.3 billion

YoY ▲¥3.4 billion ✓
▲7.3%

- ✓ UV lamps:▲4%. Sales decreased YoY due to the yen's appreciation despite an increase in the number of units sold for LCD and semiconductor use
- ✓ Lamps for cinema:▲15%. Sales decreased YoY due to the yen's appreciation, despite firm demand
- ✓ Lamps for data projector:▲7%. Sales decreased YoY due to the yen's appreciation, despite a steady number of units sold

Halogen Lamp

¥9.2 billion

YoY ▲¥1.2 billion ✓
▲11.5%

- ✓ Lamps for office automation (OA) equipment:▲13% Sales decreased YoY due to the yen's appreciation and a decline in unit sales prices

Note : Net Sales indicates sales to unaffiliated customers

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Progress on 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.)



**Completed headcount reduction largely as planned
(As of the end of 1H)**

- Reduce other operating expenses (reduce IT, advertising and other expenses)

As of December 31, 2016: Actual reduction in SG&A expenses: ¥1.8 billion
(annual reduction plan: ¥2.3 billion)

**Additional
measures**



Approved decision to downsize and integrate warehouses

Progress on Performance Enhancement Measures in the Imaging Equipment Business Announced at 2Q Earnings Presentation

■ Address changes in the market environment

Measures are being implemented, benefits will be realized from next fiscal year onward

1. Accelerate reduction in production costs by optimizing the production locations (reduce by more than 10% YoY)

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



Scheduled to achieve targets within next fiscal year

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



Already implemented in Australia and currently under consideration in Asia

3. Bolster high-end projectors, an area of strength for USHIO Group

- Bolster high-end projectors, an area of strength for USHIO Group, to maintain competitiveness in the cinema field
- Strengthen the lineup, after reviewing the inventory levels of low-end and middle-range projectors



- **Increase in the number of RGB laser projector installation sites :**
Dolby cinema: 23 (June 30, 2016) → 50 (as of early January 2017)
Non-Dolby Cinema such as the Christie brand: over 60
- **Scheduled to continuously launch new products**

4. Steadily push ahead with the expansion of the total solution business

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Forecasts for FY2016 Net Sales by Sub-segment

(billion yen)		1Q-3Q	% of achievement	Full-year plan (announced on July 29)	Full-year forecasts
Equipment Business	Imaging	49.8	76.7	65.0	✓ Digital cinema projector (DCP) shipments are projected to surpass initial plans. General imaging sales should be weak
	Optical	17.8	63.9	28.0	
	Illumination and related facilities	1.1	59.3	2.0	✓ Although shipments of photo-alignment equipment and lithography equipment (UX series) are expected to be concentrated in 4Q, there is a risk of postponement of acceptance inspections
	Sub-total	68.9	72.5	95.0	
Light Sources Business	Discharge lamp	44.3	72.7	61.0	✓ Demand for UV lamps, lamps for cinema, data projector lamps are projected to hold firm
	Halogen lamp	9.2	77.2	12.0	
	Sub-total	53.5	73.4	73.0	✓ Halogen lamps should remain mostly flat
Others	Machinery for industrial use and others	2.4	124.6	2.0	
Total		124.9	73.5	170.0	

FY2016 Forecasts

Maintained full-year forecasts

(billion yen)	1Q-3Q	% of achievement	Full-year plan (announced on July 29)
Net Sales	124.9	73.5%	170.0
Operating Income	5.7	63.7%	9.0
Operating Income (%)	4.6	-	5.3
Ordinary Income	8.0	80.7%	10.0
Profit Attributable to Owners of Parent	6.0	87.0%	7.0

FOREX(Full-year)

USD	105 yen
EUR	115 yen

FOREX sensitivity: Amount of impact from 1 yen fluctuations (full-year)

	Net Sales	Operating Income
against USD	Approx. 1.0 billion yen	Approx. 150 million yen

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Reference: Comparison to Previous Quarters 《QoQ》

(billion yen)	FY16	FY16	FY16	QoQ	
	1Q	2Q	3Q	Changes	%
Net Sales	39.9	42.5	42.4	▲0.0	▲0.1
Operating Income	0.9	2.1	2.5	+0.4	+20.1
Operating Income (%)	2.4	5.1	6.1	+1.0P	-
Ordinary Income	0.4	2.6	4.9	+2.3	+88.2
Profit Attributable to Owners of Parent	0.1	1.6	4.2	+2.5	+150.3
EPS (yen)	1.24	13.24	33.15	+18.66	+128.8
FOREX (yen)					
USD	111	104	106	+2	-
EUR	125	115	116	+1	-

Reference: Comparison to Previous Quarters by Business Segments 《QoQ》

(billion yen)	(A)		(B)	(B-A)	
	FY16	FY16	FY16	QoQ	
	1Q	2Q	3Q	Changes	%
Equipment Business					
Net Sales	21.2	24.0	23.6	▲0.4	▲2.0
Operating Income	▲0.7	▲0.3	1.0	+1.4	-
Operating Income(%)	▲3.6	▲1.5	4.6	+6.0P	-
Light Sources Business					
Net Sales	18.1	17.7	17.6	▲0.0	▲0.3
Operating Income	1.7	2.3	1.4	▲0.8	▲37.7
Operating Income(%)	9.6	13.0	8.1	▲4.9P	-
Others					
Net Sales	0.5	0.7	1.1	+0.4	+65.7
Operating Income	▲0.0	0.0	0.0	▲0.0	▲74.9
Operating Income(%)	▲3.3	2.3	0.4	▲2.0P	-

Reference: Comparison to 3Q last year 《QoQ》

《QoQ》

(billion yen)	FY15	FY16	QoQ	
	3Q	3Q	Changes	%
Net Sales	45.9	42.4	▲3.4	▲7.5
Operating Income	3.9	2.5	▲1.3	▲34.3
Operating Income (%)	8.6	6.1	▲2.5P	-
Ordinary Income	*5.4	4.9	▲0.5	▲9.1
Profit Attributable to Owners of Parent	4.0	4.2	+0.1	+3.8
EPS (yen)	*31.60	33.15	+1.55	+4.9
FOREX (yen)				
USD	121	106	▲15	
EUR	133	116	▲16	

《QoQ by business segment》

(billion yen)	FY15	FY16	QoQ	
	3Q	3Q	Changes	%
Equipment Business				
Net Sales	26.2	23.6	▲2.6	▲10.0
Operating Income	1.1	1.0	▲0.0	▲3.3
Operating Income(%)	*4.2	4.6	+0.3P	-
Light Sources Business				
Net Sales	19.0	17.6	▲1.4	▲7.5
Operating Income	2.7	1.4	▲1.2	▲47.4
Operating Income(%)	14.3	8.1	▲6.2P	-
Others				
Net Sales	0.6	1.1	+0.5	+91.7
Operating Income	0.0	0.0	▲0.0	▲82.1
Operating Income(%)	3.8	0.4	▲3.4P	-

*For details, please see page 5

Reference: Other Income and Expenses, Extraordinary Income and Losses

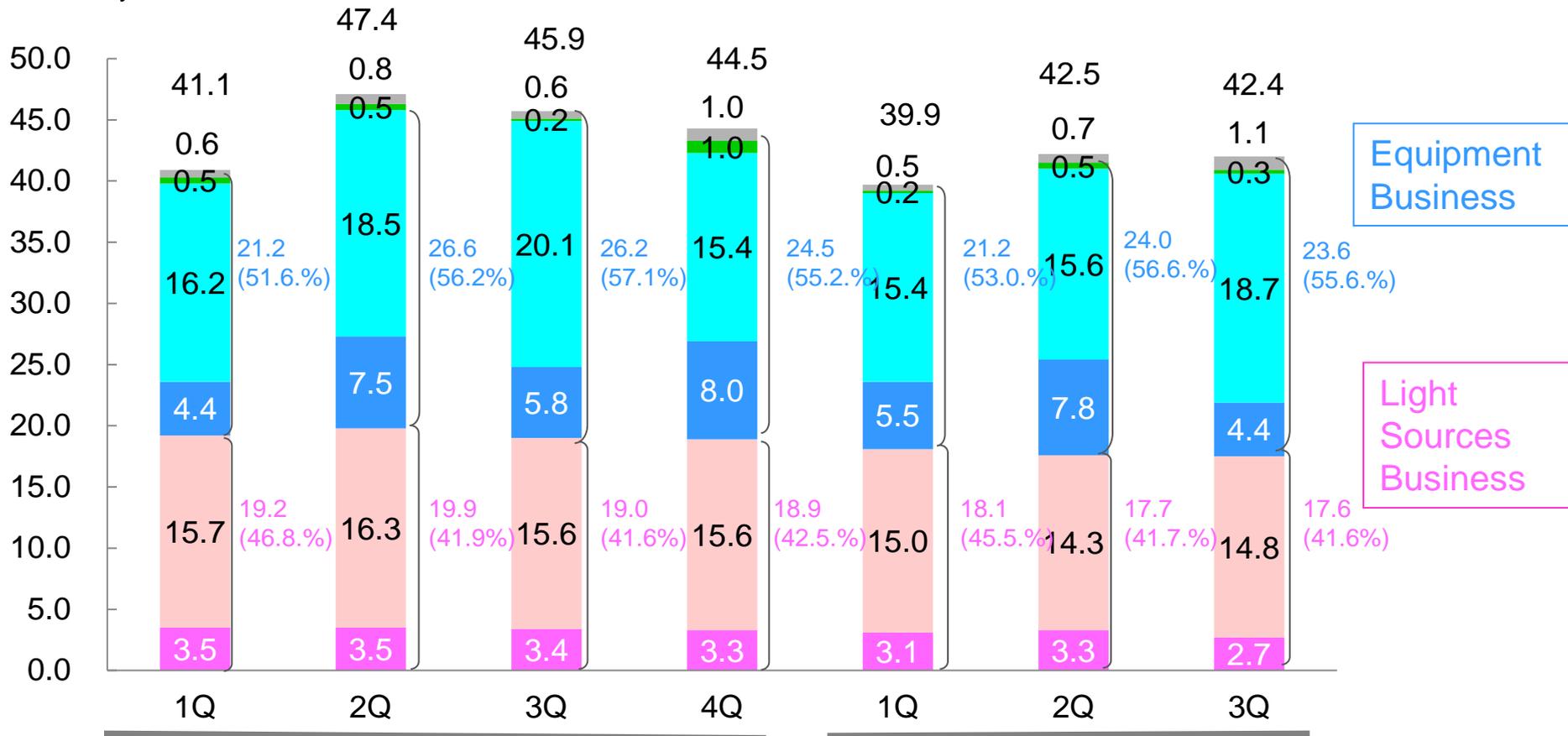
《1Q-3Q》

(billion yen)	FY15	FY16	YoY
Other Income	2.9	2.9	+0.0
Interest income	0.5	0.5	▲0.0
Dividend income	1.1	1.2	+0.1
Exchange gain	0.7	-	▲0.7
Realized and unrealized profit on trading securities	0.1	0.3	+0.2
Others	0.2	0.6	+0.4
Other Expenses	0.3	0.5	+0.2
Interest expenses	0.1	0.2	+0.0
Exchange loss	-	0.3	+0.3
Others	0.1	0.0	▲0.0
Other Income and Expenses	2.5	2.3	▲0.2

(billion yen)	FY15	FY16	YoY
Extraordinary Income	1.9	1.8	▲0.0
Gain on sales of non-current assets	1.0	0.4	▲0.6
Gain on sales of investment securities	0.2	1.4	+1.2
Gain on bargain purchase	0.5	-	▲0.5
Others	0.0	-	▲0.0
Extraordinary Losses	0.4	0.7	+0.3
Business structural reform expenses	-	0.5	+0.5
Others	0.4	0.2	▲0.1

Reference: Net Sales by Sub-segment 《Quarter》

(billion yen)



Equipment

- Imaging
- Optical

Light Sources

- Discharge lamp
- Halogen lamp

Others

- Illumination and related facilities
- Machinery for industrial use and others

Reference: Sales Ratio 《1Q-3Q》

[North America]

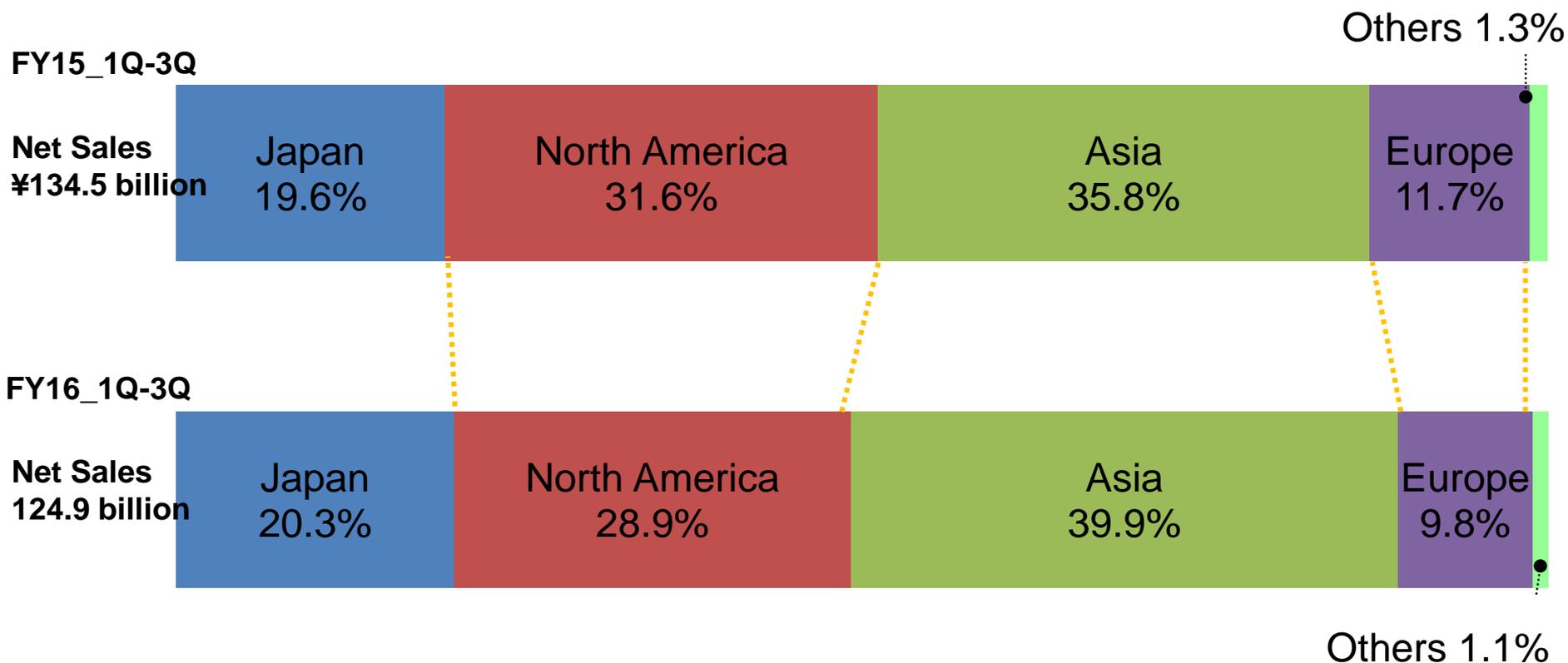
- Decline in sales of imaging equipment
- Yen's appreciation

[Asia]

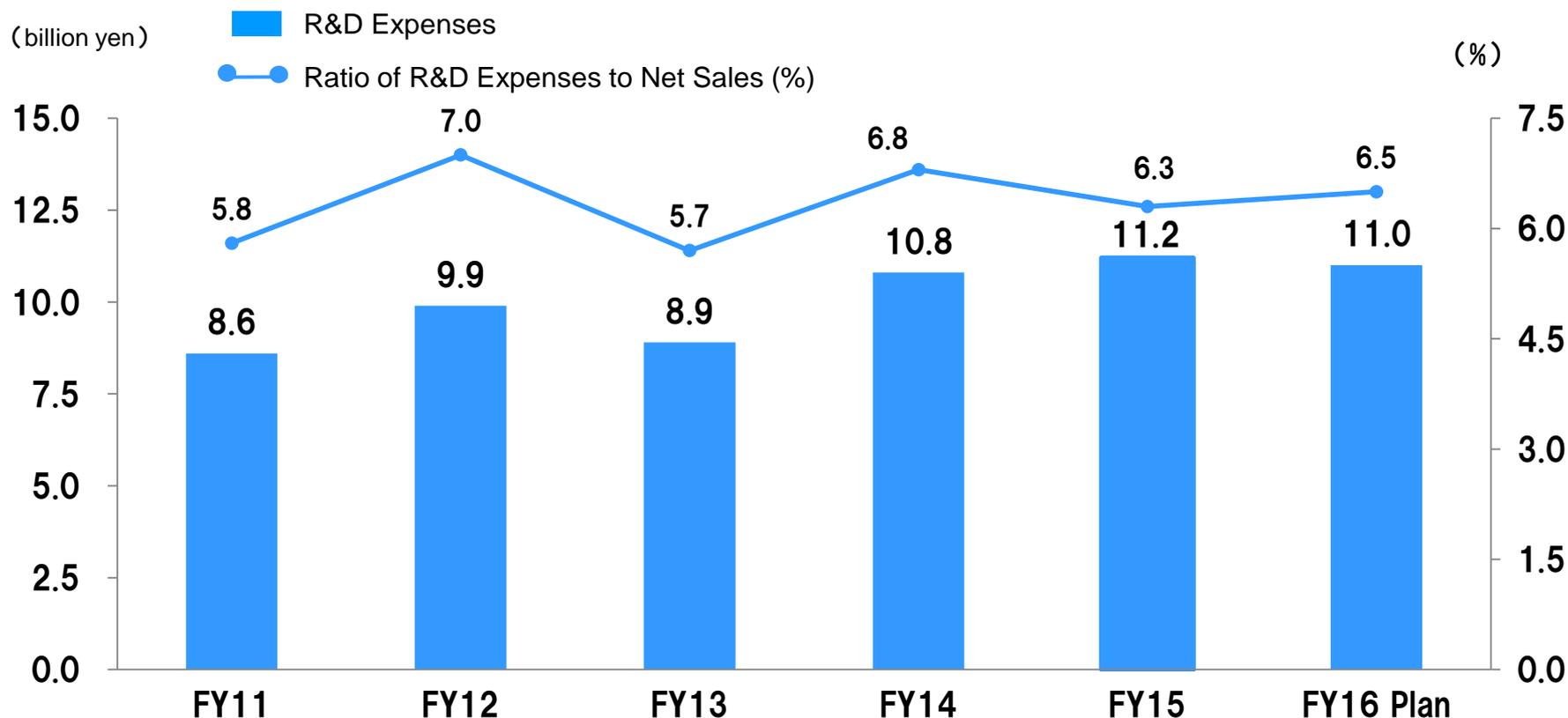
- Increase in DCP sales in China

[Europe]

- Decrease in DCP sales

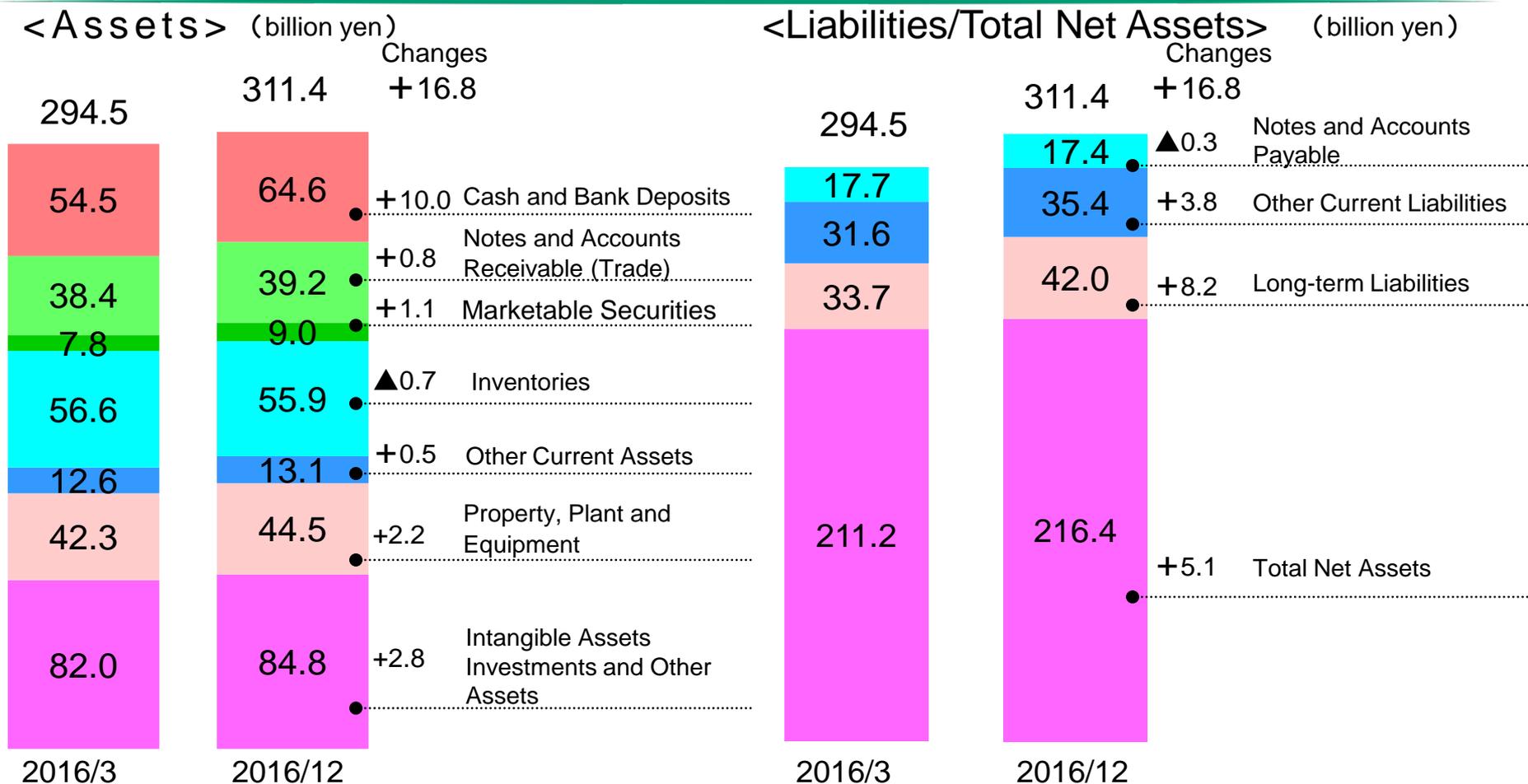


Reference : R&D Expenses



(billion yen)	FY2015 1Q-3Q	FY2016 1Q-3Q	YoY		Full-year plan	
			Changes	%	Announced on July 29	% of achievement
R&D Expenses	7.9	7.2	▲0.7	▲9.6	11.0	65.6
Ratio of R&D Expenses to Net Sales(%)	5.9	5.8	▲0.2P	-	6.5	-

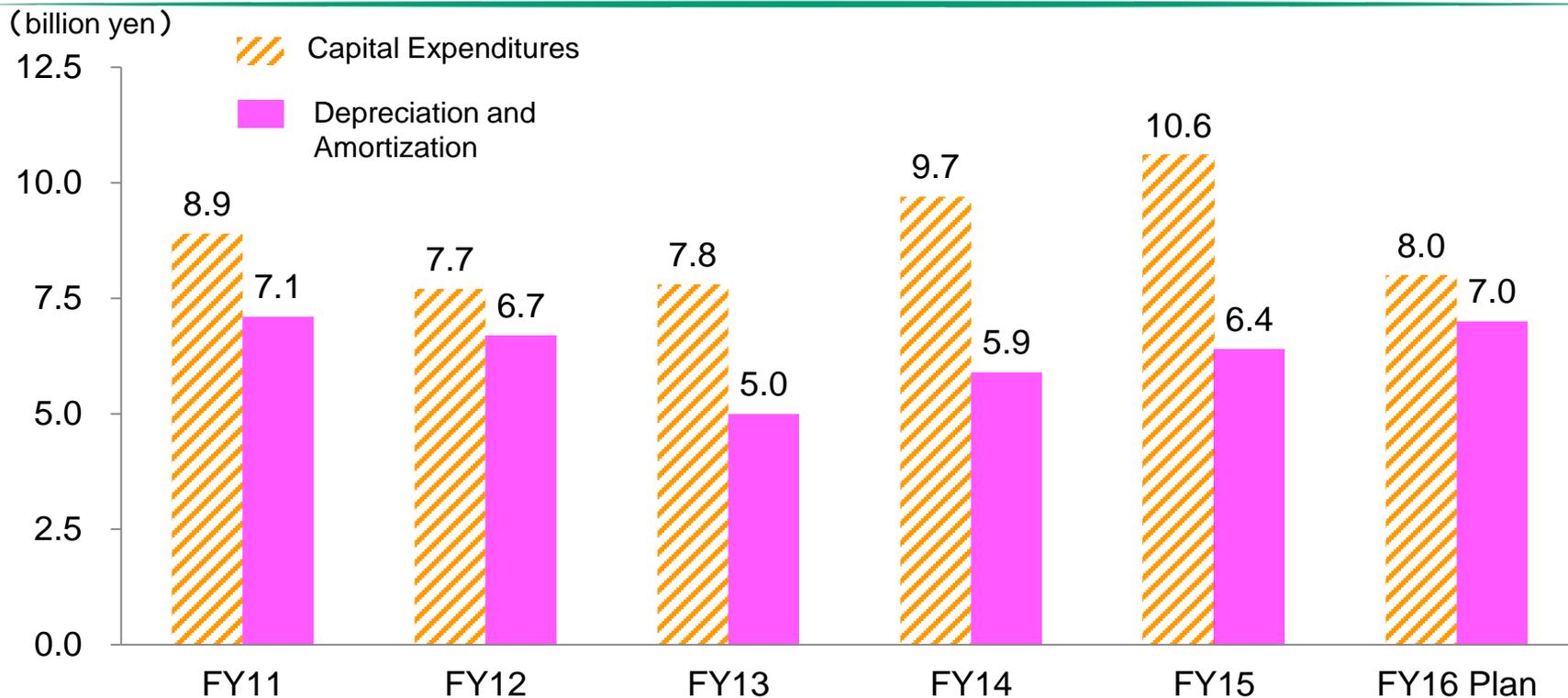
Reference: Balance Sheet



● Turnover (month)	2016/3	2016/12
Receivable-trade	2.6	2.8
Inventories	3.8	4.1

● Equity Ratio (%)	2016/3	2016/12
	70.9	68.7

Reference: Capital Expenditures, Depreciation and Amortization



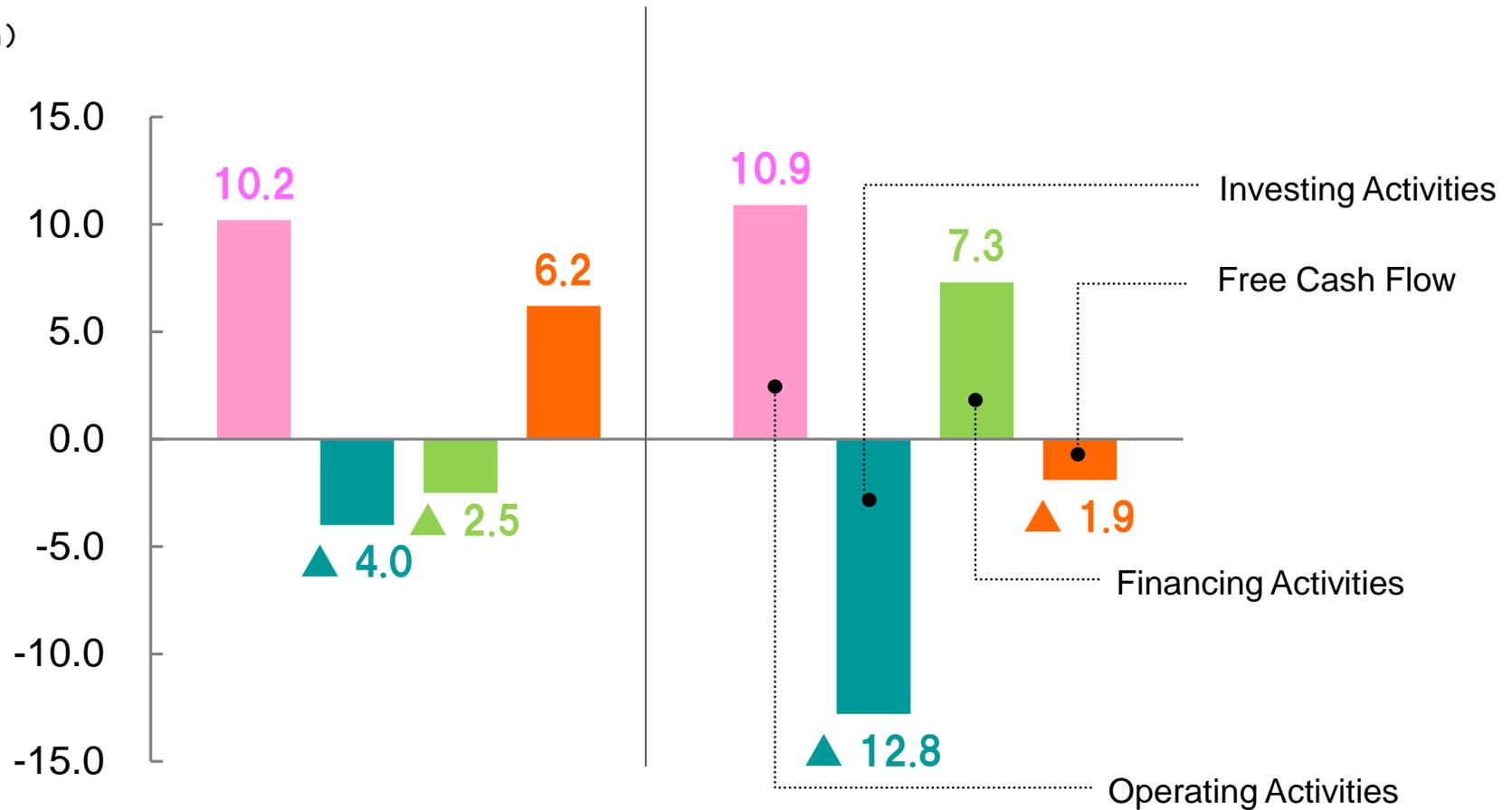
(billion yen)	FY2015 1Q-3Q	FY2016 1Q-3Q	YoY		Full-year plan	
			Changes	%	Announced on July 29	% of achievement
Capital Expenditures	7.6	6.9	▲0.7	▲10.1	8.0	86.5
Depreciation and Amortization	4.7	4.9	+0.1	+2.6	7.0	70.0

Note 1. Capital Expenditures = Property, Plant and Equipment + Intangible assets (excluding Goodwill)

Note 2. Increase of Goodwill not included in Capital Expenditures: FY15_3Q:¥2.2billion, FY16_3Q:None

Reference : Cash Flow 《1Q-3Q》

(billion yen)



FY15

Cash and Cash Equivalents at the Beginning of the FY	56.9
Cash and Cash Equivalents in the End of the FY	59.3

FY16

Cash and Cash Equivalents at the Beginning of the FY	47.8
Cash and Cash Equivalents in the End of the FY	52.8

Reference: Purchase of Treasury Stock

		Amount	Number of Shares	Period
FY 2015	Results	¥2.0 billion	1,138K shares	May 12, 2015 ~ June 11, 2015
	Results	¥0.96 billion	640K shares	February 1, 2016 ~ April 8, 2016
FY 2016	Results	¥0.86 billion	670K shares	May 12, 2016 ~ June 13, 2016
	Announced on July 29	¥2.0 billion	1,500K shares	August 1, 2016 ~ February 28, 2017

Acquired 40K shares as of December 31, 2016

Press release: USHIO Establishes New Medical/Biotechnology Company in China

Establishment of an R&D, manufacture and sales company for advanced medical and peripheral devices within China made possible via a joint venture between two of USHIO's wholly owned subsidiaries, USHIO (SUZHOU) CO., LTD. ("USHIO SUZHOU") and USHIO SHANGHAI, INC. ("USHIO SHANGHAI"), and Sun-Bio Medical Device Co., Ltd. ("Sun-Bio"), a Chinese medical device technology development and sales company

About USHIO and Sun-Bio in China:

USHIO already manufactures and sells ultraviolet phototherapy devices for skin, animal blood testing equipment, and other medical devices within China, while Sun-Bio owns a patent for precancerous lesion diagnosis in addition to holding stable distribution channels with the Chinese government and local medical facilities.

New company:

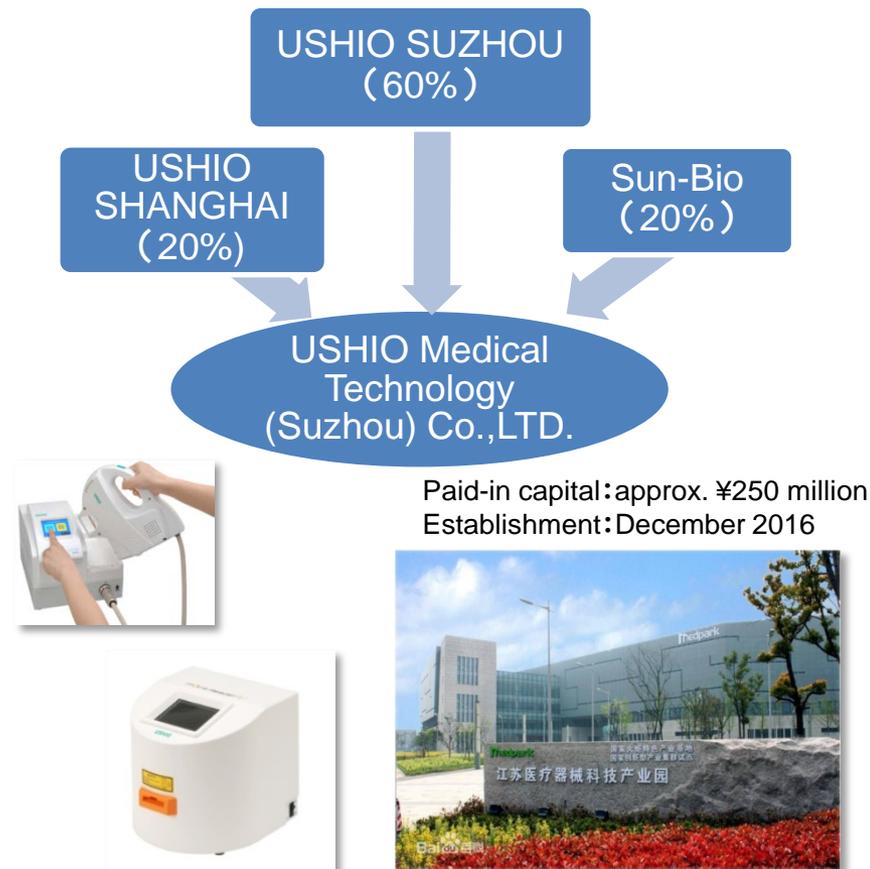
With the establishment of the new company, USHIO plans not only to build an R&D base and expand its market channels within China, but also to position the company as a primary base for the USHIO Group's medical and biotechnology ventures in Asia that can swiftly respond to the demands of its diverse markets.

Future Plans:

The newly-built offices and factory of the new company are located in the Suzhou New District where the Jiangsu Medtech Innovation Hub, a part of China's national industrial development, is also located. The new company is expected to handle operations for USHIO's ultraviolet phototherapy devices for skin, animal blood testing equipment, and other existing devices starting March 2017, while sales of new products are expected by July of the same year.

<http://www.ushio.co.jp/en/news/1001/2017-2017/500124.html>

(Announced on January 13, 2017)



Press release: Successful First Light of High-Intensity EUV Light Source by USHIO INC. and Netherlands Organisation for Applied Scientific Research

USHIO INC. announces that first light* of an extreme ultra-violet (EUV) light source was achieved at a facility for the Netherlands Organisation for Applied Scientific Research (hereinafter “TNO”) on December 7, 2016.

The achievement is the result of a strategic partnership established between USHIO INC. and TNO in February of 2016 for the purpose of EUV technology development and with the goal of delivery by November of that same year and first light within the same year. The light source employs laser-assisted discharge-produced plasma (Sn LDP) and will be used by TNO in research and development for EUV optical systems, masks, pellicles, etc. TNO will continue adjustments and tuning of the facility equipped with the light source with plans to start various research and evaluation services for companies and organizations around the world by April of 2017.

The practical application being advanced by USHIO INC. of light sources used to inspect high-precision masks is essential for establishing the EUV lithography process as a mass production technology, and the achievement made at this international research institute is an important milestone. USHIO INC. will continue to progress this recent technological advancement and to contribute to the advancement of the semiconductor manufacturing process.

※ The first light test is defined as: The first irradiation test conducted right after the light source part and the lithography part of the EUV system are connected.

<http://www.ushio.co.jp/en/news/1002/2017-2017/500126.html>
(Announced on January 16, 2017)



Reference: Glossary

DCP	Digital Cinema Projector
OA	Office Automation
OLED	Organic Light Emitting Diode
EUV	Extreme Ultra Violet

USHIO

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