

3rd Quarter 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.

Jan. 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.**

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- I. Financial Results for 3Q FY2015**
 - II. Forecasts for FY2015
 - III. Supplementary Information

Highlights of Financial Results for 3Q FY2015

Consolidated net sales up 17.2% year on year to ¥134.5 billion
Consolidated operating income up 64.7% year on year to ¥10.5 billion
- Full-year targets unchanged: ¥180.0 billion in net sales and ¥13.0 billion in operating income -

Equipment

+23.6% YoY

Imaging

Sales increased 26.2% YoY, reflecting solid digital cinema projector (DCP) shipments.

Optical

Sales increased 20.4% YoY, driven by large-area lithography tools for electronic components.

Operating Income

Operating income rose ¥2.0 billion YoY. The operating margin improved by 2.8 percentage points. Higher DCP sales contributed positively to these results.

Light Sources

+11.0% YoY

Discharge

Sales increased 14.0% YoY, underpinned by higher sales of cinema lamps and solid state light sources, as well as the impact of foreign exchange rates.

Halogen

Sales decreased 1.0% YoY. Demand for OA equipment applications declined for both copy machines and printers due to the impact of the decelerating Chinese economy.

Operating Income

Operating income rose ¥2.0 billion, or 31.4%, YoY. The operating margin improved 2.3 percentage points.

Summary of Financial Results 3Q FY2015

(Billions of yen)	FY14	FY15	YoY		FY14	FY15	YoY	
	1-3Q	1-3Q	Changes	%	3Q	3Q	Changes	%
Net Sales	114.8	134.5	+19.7	+17.2	40.4	45.9	+5.4	+13.6
Operating Income	6.3	10.5	+4.1	+64.7	2.3	3.9	+1.6	+67.5
Operating Income Ratio (%)	5.6	7.8	+2.3P	-	5.9	8.6	+2.8P	-
Ordinary Income	9.1	13.0	+3.8	+42.4	4.0	5.5	+1.4	+36.4
Profit Attributable to Owners of Parent	8.1	9.5	+1.4	+17.2	3.6	4.0	+0.4	+11.7
EPS (Yen)	62.49	73.81	+11.3	+18.1	28.06	31.71	+3.7	+13.0
Forex (Yen)								
USD	106	122	+15	+14.9	112	121	+8	+7.9
EUR	140	134	▲5	▲4.3	141	133	▲8	▲6.2

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	QoQ	
				Changes	%
Net Sales	41.1	47.4	45.9	▲1.5	▲3.3
Operating Income	2.3	4.2	3.9	▲0.2	▲5.4
Operating Income Ratio (%)	5.7	8.8	8.6	▲0.2P	-
Ordinary Income	3.3	4.2	5.5	+1.2	+29.4
Profit Attributable to Owners of Parent	2.6	2.8	4.0	+1.2	+44.1
EPS (Yen)	20.18	21.98	31.71	-	-
Forex (Yen)					
USD	121	123	121	▲1	▲1.1
EUR	133	136	133	▲3	▲2.8

Financial Results by Business Segments

(Billions of Yen)		FY14	FY15	YoY		FY14	FY15	YoY	
Business Segments		1-3Q	1-3Q	Changes	%	3Q	3Q	Changes	%
Equipment	Net Sales	59.9	74.1	+14.1	+23.6	21.2	26.2	+5.0	+23.6
	Operating Income	▲0.3	1.6	+2.0	-	0.0	1.1	+1.0	+1196.6
	Operating Income Ratio (%)	▲0.6	2.2	+2.8P	-	0.4	4.3	+3.9P	-
Light Sources	Net Sales	52.5	58.2	+5.7	+11.0	18.4	19.0	+0.6	+3.6
	Operating Income	6.6	8.7	+2.0	+31.4	2.2	2.7	+0.4	+20.5
	Operating Income Ratio (%)	12.6	14.9	+2.3P	-	12.3	14.3	+2.0P	-
Other	Net Sales	2.3	2.1	▲0.1	▲7.9	0.7	0.6	▲0.1	▲22.2
	Operating Income	0.0	0.0	▲0.0	▲31.6	0.0	0.0	▲0.0	▲32.0
	Operating Income Ratio (%)	3.2	2.4	▲0.8P	-	4.3	3.8	▲0.5P	-

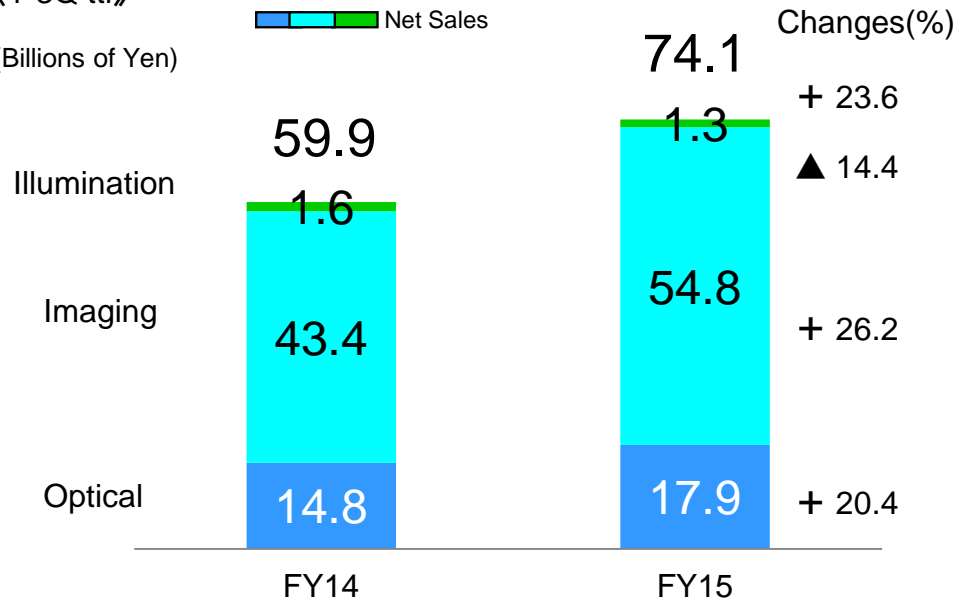
Note : Net Sales indicates sales to unaffiliated customers.

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

Equipment Business Segment 《Net Sales》

《1-3Q ttl》

(Billions of Yen)



Imaging

On a YoY basis, sales in the cinema field rose by nearly 50%, while sales in the general imaging field were held to a 14% increase. On a QoQ basis, sales in the cinema field rose 30%, but sales in the general imaging field declined slightly.

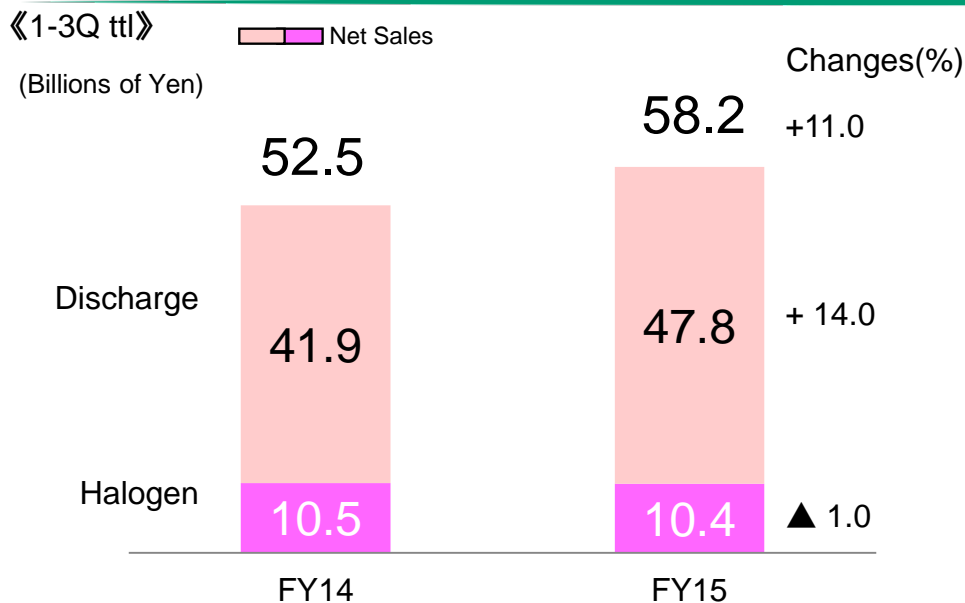
Optical

On a YoY basis, sales of UV equipment rose 30%, but sales of cure equipment declined slightly. On a QoQ basis, sales of UV equipment and cure equipment both decreased, partly due to seasonal factors.

《YoY》		FY14	FY15	YoY	《QoQ》		2Q	3Q	QoQ
(Billions of Yen)		1-3Q	1-3Q		(Billions of Yen)				
Net Sales	Imaging	43.4	54.8	+11.3	Net Sales	Imaging	18.5	20.1	+1.6
	Optical	14.8	17.9	+3.0	Optical	Optical	7.5	5.8	▲1.7
	Illumination and others	1.6	1.3	▲0.2	Illumination and others	Illumination and others	0.5	0.2	▲0.3
Total		59.9	74.1	+14.1	Total	Total	26.6	26.2	▲0.4

Note : Net Sales indicates sales to unaffiliated customers.

Light Sources Business Segment 《Net Sales》



Discharge

On a YoY basis, sales of cinema lamps rose 10%, while sales of solid state light sources doubled, reflecting the positive impact of an acquisition. Sales of both these products were mostly flat QoQ.

Halogen

Sales for OA applications were flat both YoY and QoQ.

《YoY》 (Billions of Yen)		FY14 1-3Q	FY15 1-3Q	YoY	《QoQ》 (Billions of Yen)		2Q	3Q	QoQ
Net Sales	Discharge	41.9	47.8	+5.8	Net Sales	Discharge	16.3	15.6	▲0.7
	Halogen	10.5	10.4	▲0.1		Halogen	3.5	3.4	▲0.1
Total		52.5	58.2	+5.7	Total		19.9	19.0	▲0.8

Note : Net Sales indicates sales to unaffiliated customers.

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FY2015 Progress Rate

(Billions of Yen)	1-3Q	Progress Rate (against FY15 Forecast)	FY15 (Forecast)
Net Sales	134.5	74.8	180.0
Operating Income	10.5	80.9	13.0
Operating Income (%)	7.8	-	7.2
Ordinary Income	13.0	87.2	15.0
Profit Attributable to Owners of Parent	9.5	81.0	12.0
EPS (Yen)	73.81	-	91.91
ROE (%)	-	-	5.7
Dividend (Yen)	-	-	26
Payout Ratio (%)	-	-	28.3
Capital Expenditures	7.6	80.1	9.6
Depreciation and Amortization	4.7	66.0	7.2
R&D Expenses	7.9	70.3	11.0
Forex (Yen)	USD	122	-
	EUR	134	-
			120
			138

Forecasts for FY2015 《Net Sales》

(Billions of Yen)		FY15 (Forecast)	1-3Q	Progress Rate (against FY15 Forecast)	FY2015 Forecast
Equipment	Imaging equipment	75.0	54.8	73.1	DCP shipments are expected to be slightly above the initial forecast of 4,000 units.
	Optical equipment	24.5	17.9	73.1	Shipments of lithography tools for electronic components, and photo-alignment equipment should be largely in line with initial forecasts, despite the risk of these shipments being postponed to future periods.
	Illumination and others	2.0	1.3	69.5	
	Sub-total	101.5	74.1	73.0	
Light Sources	Discharge lamps	62.0	47.8	77.1	Sales of cinema lamps are forecast to decline when shipments brought forward to 3Q are evened out over the full year.
	Halogen lamps	14.0	10.4	74.7	Sales are forecast to remain mainly flat or decrease slightly YoY.
	Sub-total	76.0	58.2	76.7	
Other	Machinery for industrial use and other	2.5	2.1	85.8	
Total		180.0	134.5	74.8	

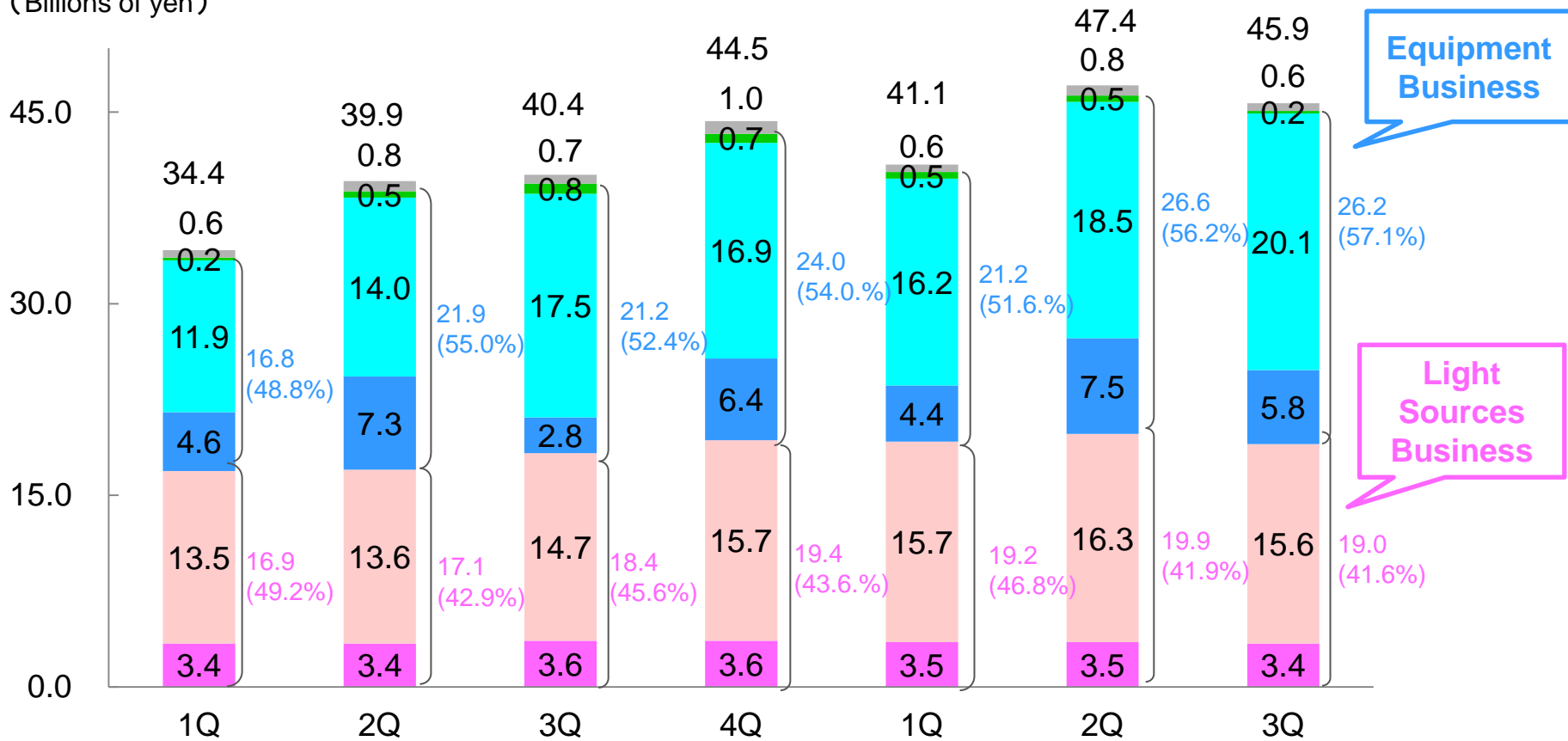
Reference: Main Upside and Downside Factors by Product for FY2016 Onward

	Main Upside Factors	Main Downside Factors
UV lamps	Increase in the number of lithography runs in the OLED lithography process Increase in demand for semiconductors driven by the Internet of Things (IoT)	Oversupply, falling prices, and extended use of LCD panels
Cinema lamps	Increase in the number of cinema screens in emerging markets such as China Release of blockbuster films	Decline in investment in cinema complex construction Widespread adoption of laser projectors
Lamps for data projector	Increase in demand for high-end models and the launch of new low-end model products, which is running behind schedule	Decline in demand for educational projects due to the decelerating Chinese economy
Solid state light sources	Launch of new applications, such as head-up displays	Delays in development
Halogen (OA)	Increase in unit prices via high-performance products (premium products)	Decline in demand, particularly for printers, due to the decelerating Chinese economy
Digital cinema projector	Increase in installation of cinema screens in emerging markets such as China	Cooling of the Chinese market
General imaging	Sale of military and aviation simulator business Widespread adoption of laser projectors	Sales of the Boxer progressing slowly
Lithography equipment	Increased demand for UFX2 in the OLED market Launch of UX7 in the fan-out market	Decline in sales of UX4 due to the decelerating electronic components market
Optical equipment for LCD	Continuing investment in China Adoption for use in OLED process	Decline in investment in China Decrease in demand for photo-alignment equipment due to a sharp increase in demand for OLEDs
Medical products	Start of sales of new products such as risk markers	Delays in commercialization and sales channel expansion

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Sales Trend by Product Groups 《Quarterly Transition》

(Billions of yen)



Light Sources Business

- Discharge Lamps
- Halogen Lamps

Equipment Business

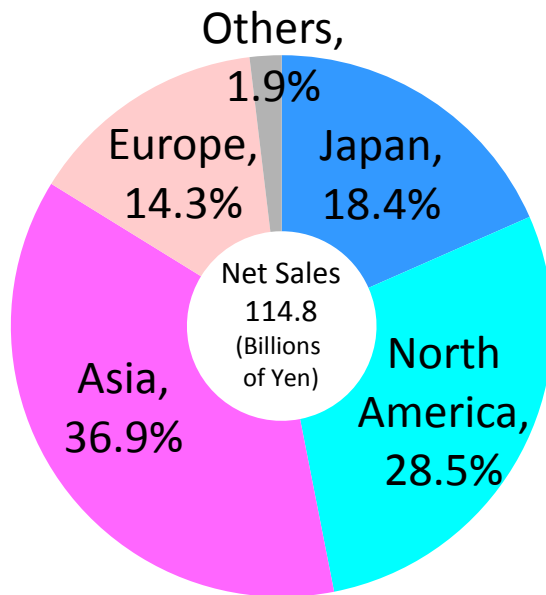
- Illumination and Related Facilities
- Imaging Equipment
- Optical Equipment

Other Business

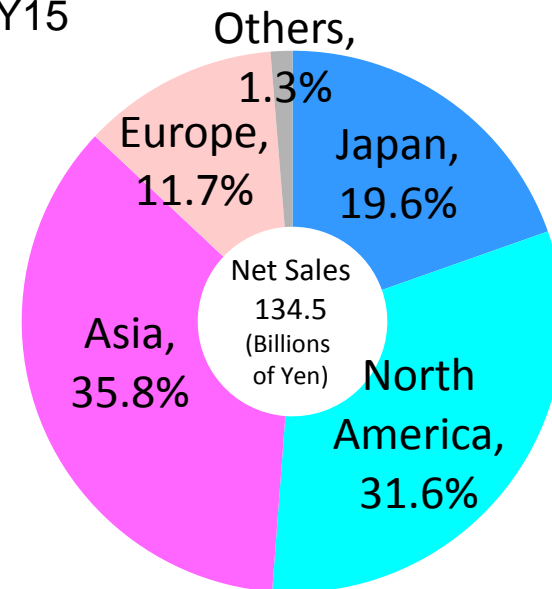
- Machinery for Industrial Use and Other Business

Foreign Sales Ratio 《1-3Q》

◆FY14



◆FY15



Non-Operating Income and Expenses 《1-3Q》

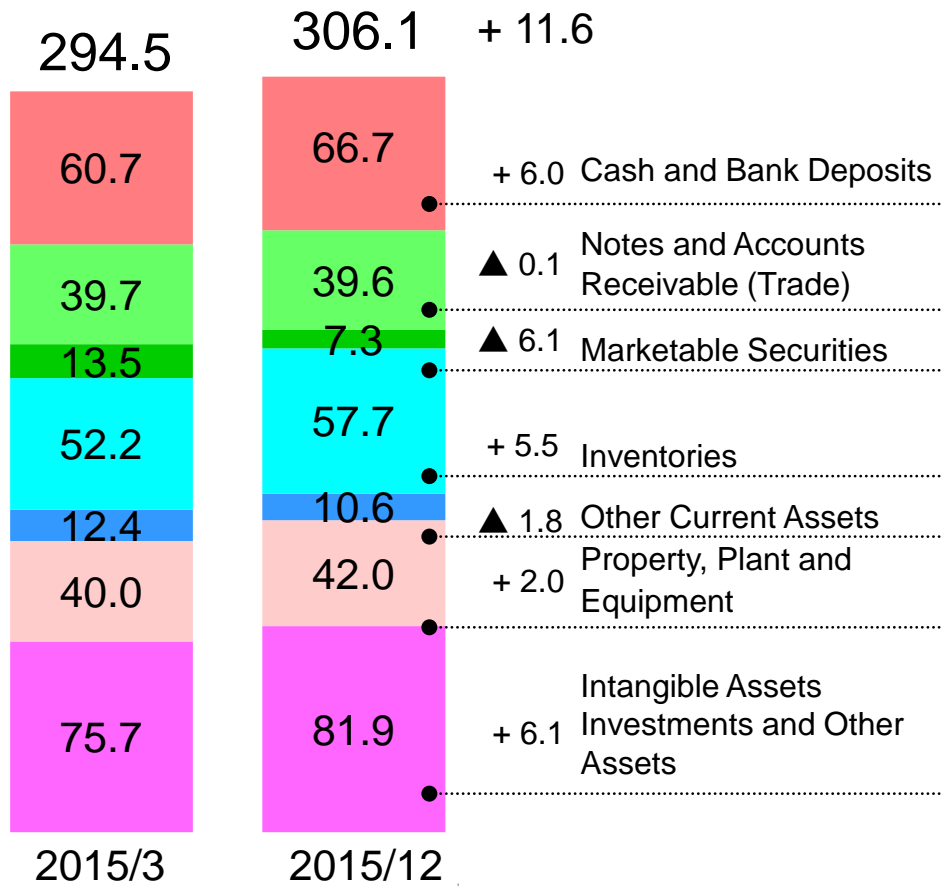
(Billions of Yen)	FY14	FY15	YoY
Non-Operating Income	3.1	2.9	▲0.2
Interest income	0.5	0.5	+0.0
Dividend income	1.0	1.1	+0.1
Foreign exchange gains	0.7	0.7	+0.0
Realized and unrealized profit on trading securities, net	0.4	0.1	▲0.2
Gain on sales of investment securities	-	-	-
Other	0.4	0.2	▲0.1
Non-Operating Expenses	0.3	0.3	▲0.0
Interest expenses	0.1	0.1	+0.0
Foreign exchange losses	-	-	-
Share of loss of entities accounted for using equity method	0.0	0.0	▲0.0
Other	0.1	0.1	▲0.0
Non-Operating Income and Expenses	2.8	2.5	▲0.2

Balance Sheet

◆ Assets

(Billions of Yen)

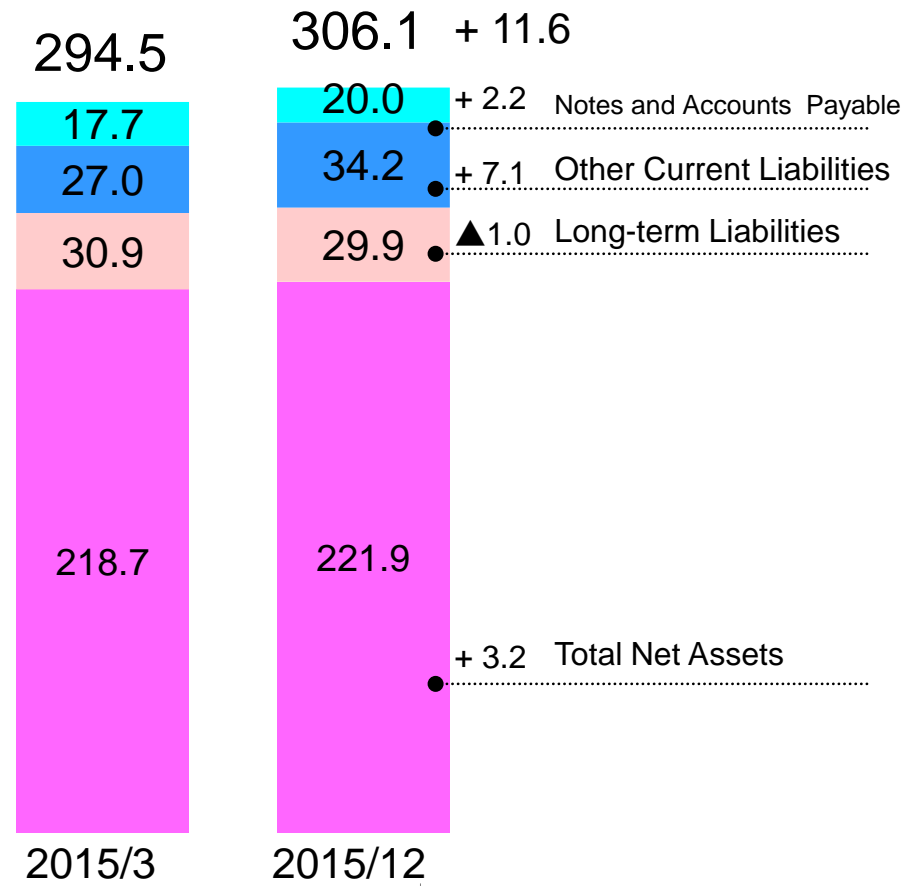
Changes



◆ Liabilities • Total Net Assets

(Billions of Yen)

Changes



● Turnover (month)

2015/3 2015/12

Receivable-trade 3.0 2.7

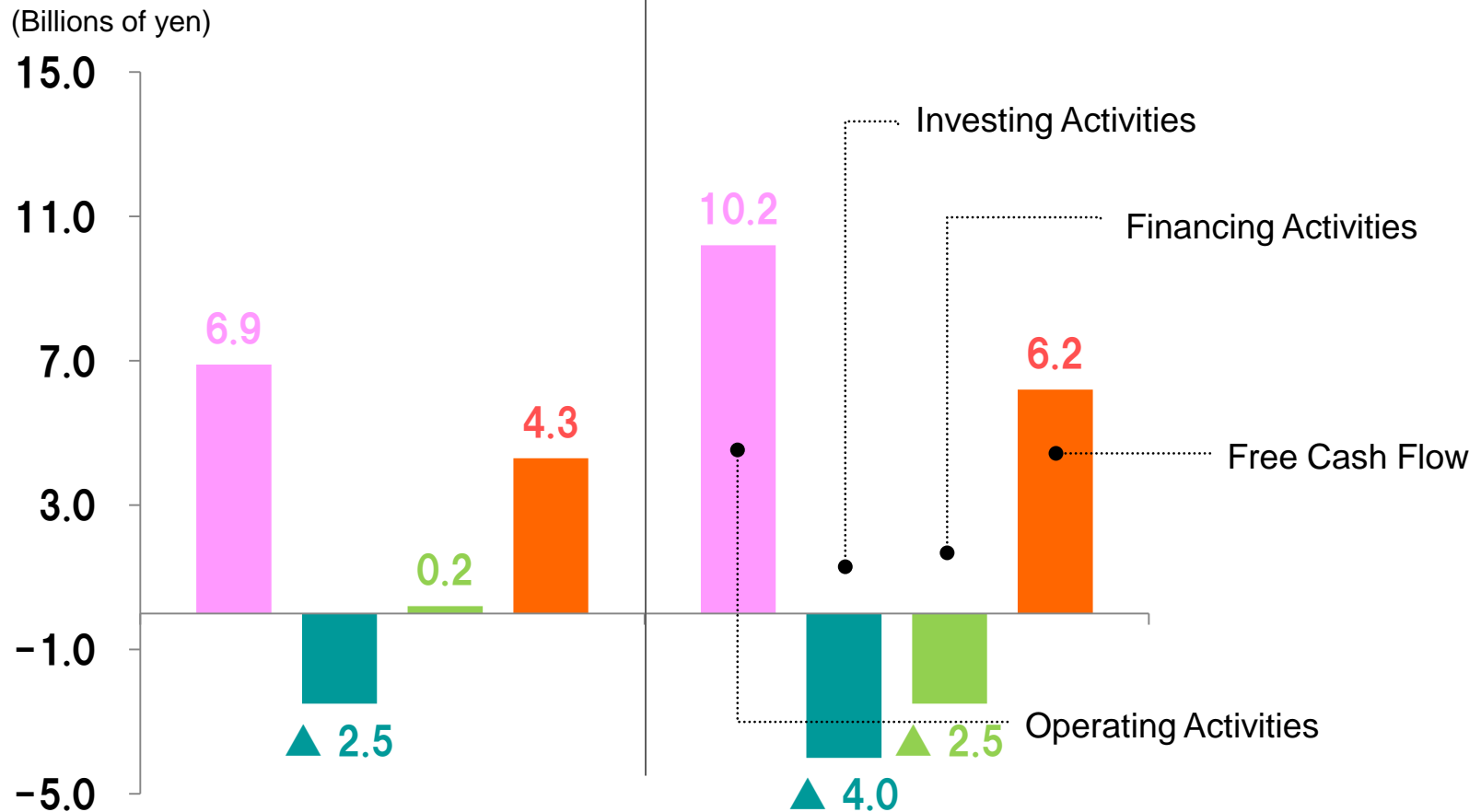
Inventories 3.5 3.7

● Equity Ratio (%)

2015/3 2015/12

73.3 71.7

Cash Flow



FY14

Cash and Cash Equivalents at the Beginning of the FY	45.3
Cash and Cash Equivalents in the End of the FY	54.7

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

Capital Expenditures, Depreciation and Amortization, R&D Expenses

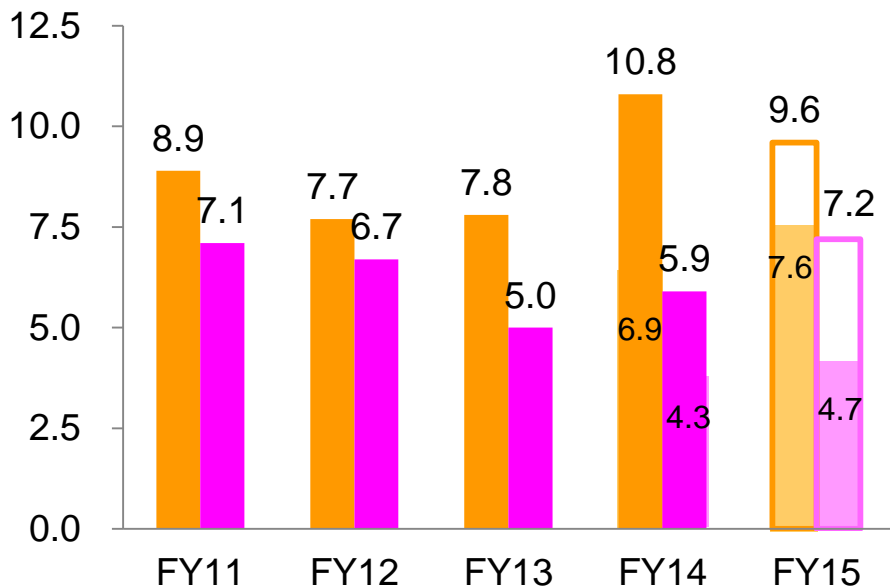
◆ Capital Expenditures, Depreciation and Amortization

Capital Expenditures Depreciation and Amortization

Actual
1-3Q
Plan

Actual
1-3Q
Plan

(Billions of Yen)

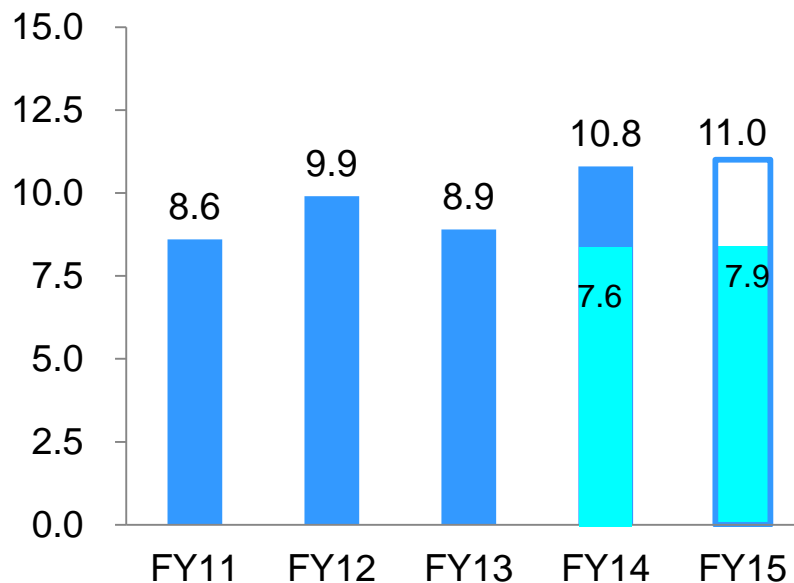


◆ R&D Expenses

R&D Expenses

Actual
1-3Q
Plan

(Billions of Yen)



Amount of goodwill included in capital expenditures

FY14(1-4Q) • • • 2.4 billion yen
FY15(1-3Q) • • • 2.2 billion yen

	1Q	2Q	3Q
Actual	1.9	1.0	4.6
Plan	1.5	1.5	1.6

	1Q	2Q	3Q
Actual	2.5	2.7	2.6

T O P I C S

Start of Risk Testing Service Business

Announced on Jan 14, 2016



Ushio Inc., Biomarker Science Co., Ltd. and Protosera Inc. joined hands to start testing services on February 1, 2016 to detect colorectal cancer and diabetes risks early.

Ushio sells to Biomarker Science two types of research reagents, “Protokey® Colorectal Cancer Risk Testing Kit” and “Protokey® Diabetes Risk Testing Kit,” manufactured by Protosera, and Biomarker Science provides the colorectal cancer and diabetes risk testing services for clinical testing providers and medical institutions such as hospitals and medical checkup providers.



Launch of Handheld Version of Ultraviolet Phototherapy Device

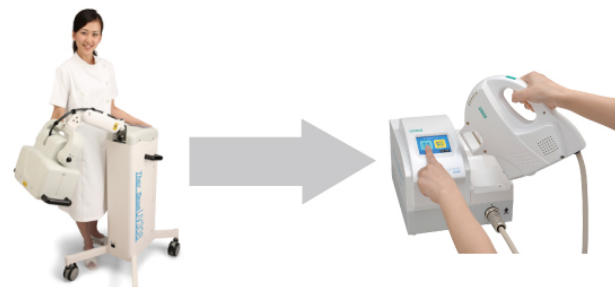
Announced on Jan 20, 2016



On February 1, 2016, Ushio launched “TheraBeam® UV308 mini” nationwide, a handheld version of the “TheraBeam® UV308” (launched in 2008) ultraviolet phototherapy device commercialized jointly with Nagoya City University.

Features: By using ultraviolet radiation near 308 nm while controlling the risk-prone short wavelength radiation using an Excimer Filter, the device irradiates the affected area effectively and safely.

Medical conditions covered by insurance: psoriasis, vitiligo, atopic dermatitis, pustulosis palmoplantritis, parapsoriasis, mycosis fungoides, malignant lymphoma, and pityriasis lichenoides chronica.



TheraBeam® UV308 mini

(高さ × 幅 × 奥行)

(高さ × 幅 × 奥行)

Christie to Sell Matrix Product Lines to Rockwell Collins

Announced on Jan 26, 2016

- Christie Digital Systems (hereinafter CDS), 100% subsidiary of Ushio Inc., had entered into an agreement to sell the assets of the Matrix series for military simulation to Rockwell Collins (hereinafter RC) to focus on the core business: the projector business for enterprise environments, cinema and location-based entertainment.
- RC will acquire Matrix StIM, Matrix SIM WU, WQ product lines and provide system engineering, integration, service and support, while CDS will continue to manufacture the product lines.
- RC will gain exclusive rights to sell any Christie products for training and simulation solutions to military and aviation customers.
- CDS will continue to develop and manufacture the product lines and related hardware and software for military and defense customers being built to Rockwell Collins' specifications.
- CDS and its partners will continue to sell into non-military and non-aviation simulation and training markets.
- The agreement holds good for 20 years.
- The transaction is anticipated to close by the end of March, 2016.

**Rockwell
Collins**

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USHIO

Contact:

Corporate Communication Department, USHIO INC.

Email: contact@ushio.co.jp

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