

# 3rd Quarter FY2017 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.

January 31, 2018

**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.**

## Main Points of Today's Presentation

---

- **Net sales and earnings increased YoY For 3Q FY2017**
- **Maintained full-year forecasts**

**I. Financial Results for 3Q FY2017**

II. Future Prospects

III. Supplementary Information

# Highlights of Financial Results for 3Q FY2017

Consolidated Net Sales up 3.8% year on year to ¥129.7 billion  
Consolidated Operating Income up 49.8% year on year to ¥8.5 billion.  
Higher sales and earnings overall.

**Net Sales : ¥ 129.7 billion** (+ ¥ 4.8 billion YoY, up 3.8%)

- Higher sales of UV lamps and optical equipment due to strong semiconductor-, electrical component-, and flat panel display (FPD)-related markets

**Operating Income : ¥ 8.5 billion** (+ ¥ 2.8billion YoY, up 49.8%)

- Operating income increased due to improved profitability in optical equipment and the voluntary early retirement program undertaken in the previous fiscal year

**Profit Attributable to Owners of Parent : ¥ 8.5 billion**

(+ ¥ 2.4billion YoY, UP 39.7%)

- Reported gain on return of the substitutional portion of the employees' pension fund (1Q: ¥6.0 billion)
- Recorded income taxes- deferred (3Q) due to a decrease in deferred tax assets with the enactment of the Tax Cuts and Jobs Act in the U.S.

\*FOREX 3Q FY2017 : 1US\$ = 112 yen

# Summary of Financial Results 3Q FY2017

(billion yen)	FY16 1Q-3Q	FY17 1Q-3Q	YoY		
			Changes	%	
Net Sales	124.9	<b>129.7</b>	+4.8	+3.8	
Operating Income	5.7	<b>8.5</b>	+2.8	+49.8	
Operating Income (%)	4.6	<b>6.6</b>	+2.0P	-	
Ordinary Income	8.0	<b>10.8</b>	+2.7	+34.1	
Profit Attributable to Owners of Parent	6.0	<b>8.5</b>	+2.4	+39.7	
EPS (yen)	47.58	<b>66.56</b>	+18.99	+39.9	
FOREX (yen)	USD	107	112	+5	-
	EUR	119	128	+9	-

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

against USD

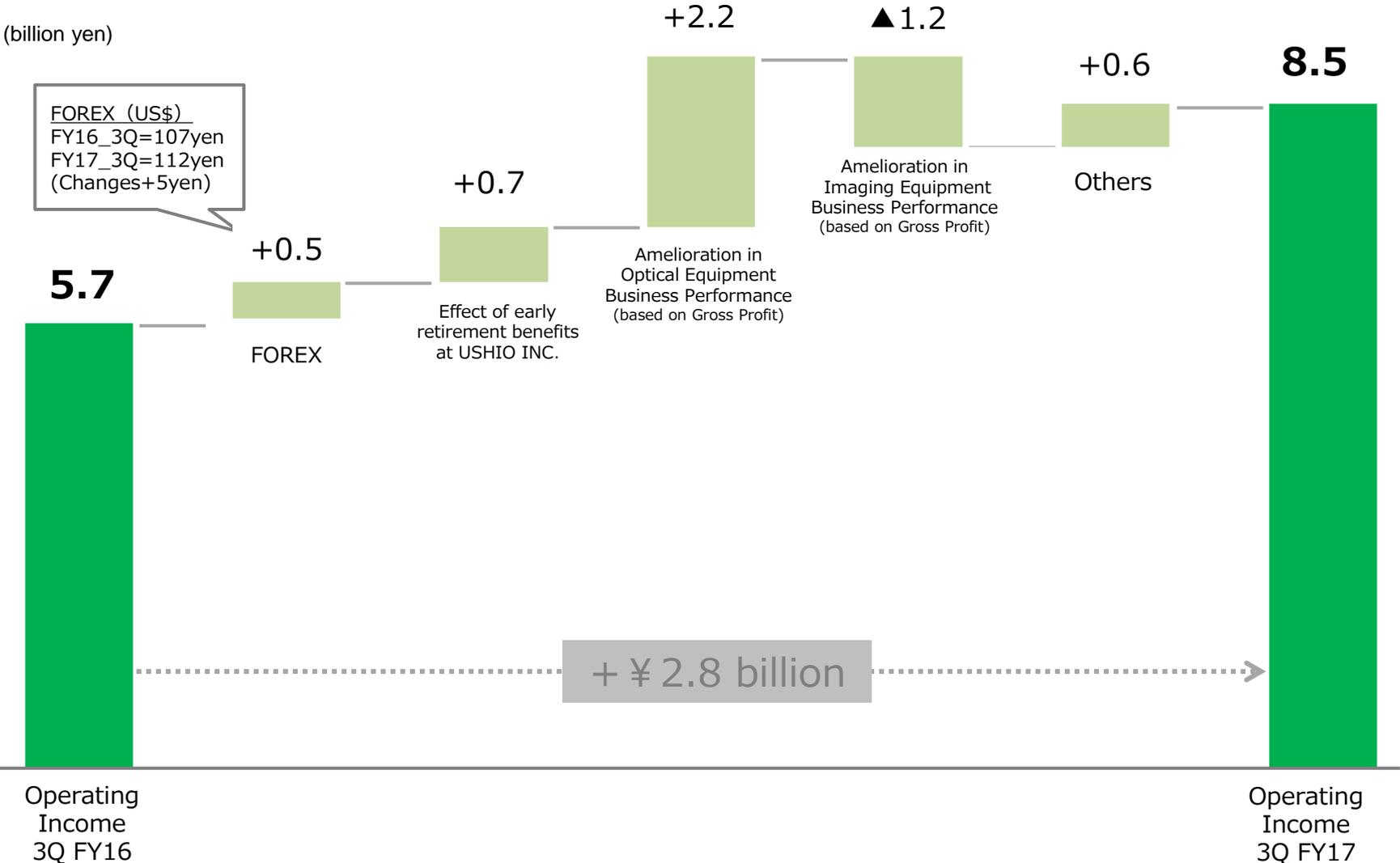
Net Sales

Approx. ¥1.0 billion

Operating Income

Approx. ¥0.15billion

# Variation Analysis of Operating Income of 1Q-3Q



Note: Figures for the factors from “Amelioration in Optical Equipment Business Performance (based on Gross Profit)” to “Others” exclude the forex impact.

Note: Figures for “Amelioration in Optical Equipment Business Performance (based on Gross Profit)” and “Deterioration in Imaging Equipment Business Performance (based on Gross Profit)” exclude the “Effect of early retirement benefits at USHIO INC.”

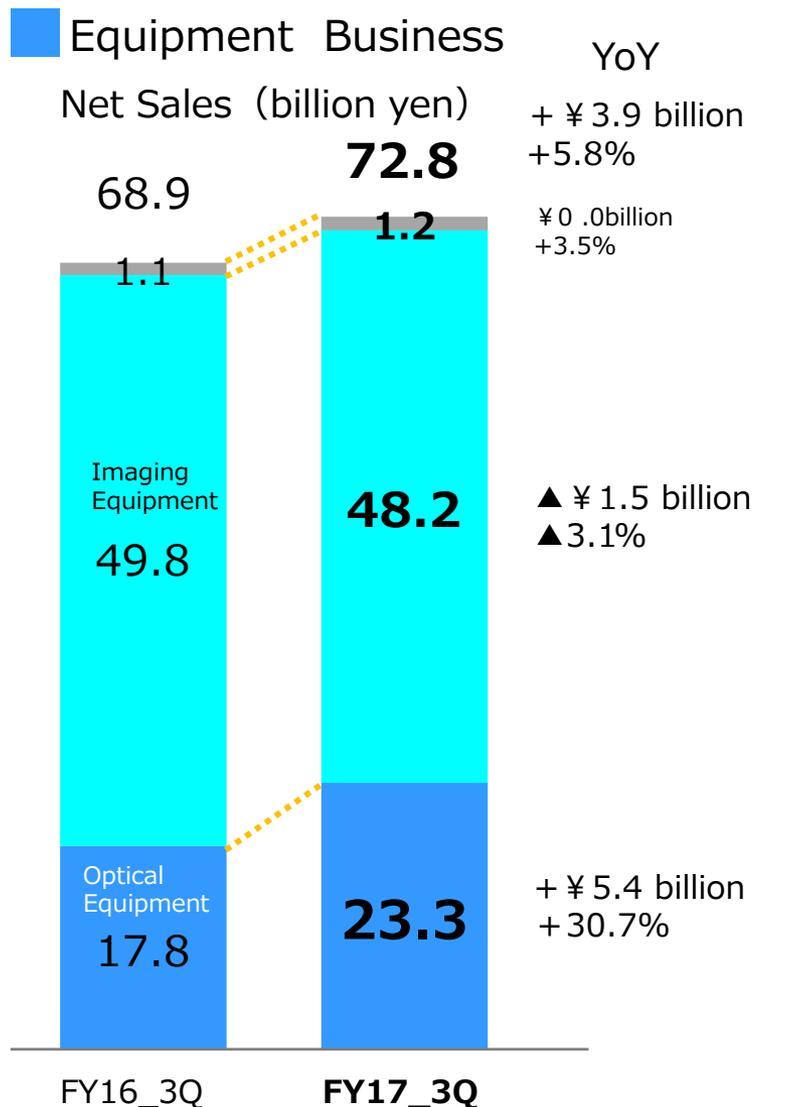
# Financial Results by Business Segments

(billion yen)		FY16 1Q-3Q	FY17 1Q-3Q	YoY	
				Changes	%
Equipment	Net Sales	68.9	<b>72.8</b>	+3.9	+5.8
	Operating Income	▲0.0	<b>0.4</b>	+0.4	-
	Operating Income (%)	▲0.1	<b>0.6</b>	+0.6P	-
Light Sources	Sales	53.5	<b>54.7</b>	+1.1	+2.2
	Operating Income	5.4	<b>7.9</b>	+2.4	+45.4
	Operating Income (%)	10.2	<b>14.6</b>	+4.3P	-
Others	Sales	2.4	<b>2.1</b>	▲0.3	▲14.0
	Operating Income	0.0	<b>0.1</b>	+0.1	-
	Operating Income (%)	0.1	<b>5.6</b>	+5.5P	-
Elimination and corporate	Operating Income	0.2	<b>0.0</b>	▲0.2	-

Note : Net Sales indicates sales to unaffiliated customers.

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

# Business Segment Overview (1)



Note : Net sales indicates sales to unaffiliated customers

## 3Q Overview

### Imaging Equipment

#### Cinema : ▲8%

- Digital cinema projector (DCP) sales volumes decreased nearly 20%, mainly in China

#### General imaging : +2%

- Increase in solutions-based projects

### Optical Equipment

#### UV equipment : +47%

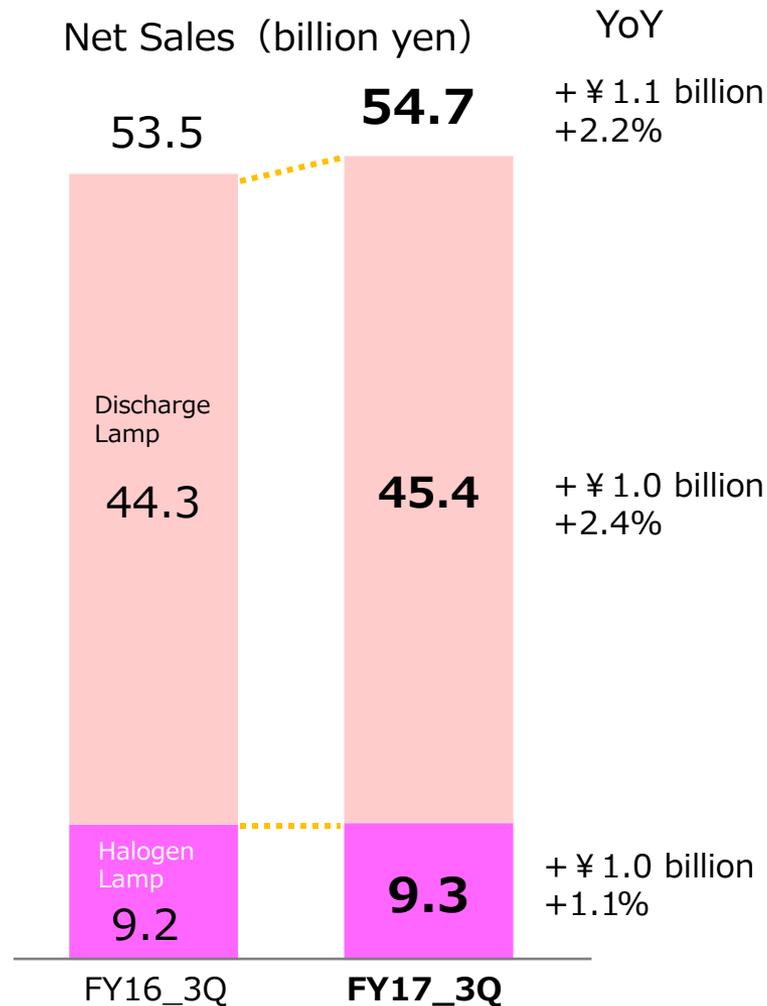
- Continued strong sales of direct image exposure systems for main substrates of next-generation smartphones
- Strong demand for projection lithography equipment for electronic devices

#### Cure equipment : +14%

- Continued investment in higher resolution small-/medium-sized LCD panels

# Business Segment Overview ( 2 )

## Light Sources Business



Note : Net sales indicates sales to unaffiliated customers.

## 3Q Overview

### Discharge Lamp

**UV lamps** : +11%

- Increased demand for lamps due to growth in capital investment for semiconductors and FPDs

**Lamps for cinema** : ▲4%

- Demand for lamps decreased in line with increased conversion to solid-state light sources in the Chinese market

**Lamps for data projectors** : +7%

- Favorable sales of new products by users who adopted USHIO lamps

### Halogen Lamp

**Lamps for OA** : +3%

- Contribution from sales of high value-added, eco- friendly products

**Lamps for lighting** : ▲9%

- Demand for lamps declined in line with increased conversion to solid-state light sources

- 
- I. Financial Results for 3Q FY2017
  - II. Future Prospects**
  - III. Supplementary Information

## Forecasts for Full-year FY2017

There have been **no changes** in the full-year forecasts announced previously

(billion yen)		<b>FY17 1Q-3Q</b>	<b>Full-year forecast (Announced on May 11)</b>	<b>achievement (%)</b>
<b>Net Sales</b>		<b>129.7</b>	<b>180.0</b>	<b>72.1</b>
<b>Operating Income</b>		<b>8.5</b>	<b>10.0</b>	<b>85.9</b>
<b>Operating Income(%)</b>		6.6	5.6	–
<b>Ordinary Income</b>		<b>10.8</b>	<b>11.5</b>	<b>94.1</b>
Profit Attributable to Owners of Parent		<b>8.5</b>	<b>11.0</b>	<b>77.3</b>
<b>FOREX (yen)</b>	<b>USD</b>	<b>112</b>	<b>110</b>	<b>–</b>
	<b>EUR</b>	<b>128</b>	<b>115</b>	<b>–</b>

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

against USD

Net Sales

Approx.1.0 billion yen

Operating Income

Approx.0.15 billion yen

# Forecast by Business Segment

(billion yen)			<b>FY17 1Q-3Q</b>	The latest forecasts (Announced on Oct. 30)	<b>Achieve -ment (%)</b>	4Q Forecasts	
<b>Net Sales</b>	Equipment Business	Imaging Equipment	<b>48.2</b>	67.5	<b>71.5</b>	<b>Imaging Equipment</b> DCPs expected to flag in 4Q due to seasonal factors and the conversion to solid-state light sources in China <b>Optical Equipment</b> Strong demand for exposure systems expected to maintain strong performance	
		Optical Equipment	<b>23.3</b>	32.5	<b>71.9</b>		
		Illumination and others	<b>1.2</b>	2.5	<b>49.1</b>		
		Sub-total	<b>72.8</b>	102.5	<b>71.1</b>		
	Light Sources Business	Discharge lamps	<b>45.4</b>	62.5	<b>72.7</b>	<b>Discharge lamps</b> ■ Brisk demand for UV lamps to continue atop vigorous capital investment in semiconductors and FPDs ■ Cinema lamps expected to continue weak trend due to conversion to solid-state light sources in China	
		Halogen lamps	<b>9.3</b>	12.0	<b>78.0</b>		
		Sub-total	<b>54.7</b>	74.5	<b>73.5</b>		
	Others	Machinery for industrial use and other	<b>2.1</b>	3.0	<b>71.5</b>		
	<b>Total</b>			<b>129.7</b>	180.0	<b>72.1</b>	

- I. Financial Results for 3Q FY2017
- II. Future Prospects
- III. Supplementary Information**

## Reference : Quarterly Trends (Profit and Loss)

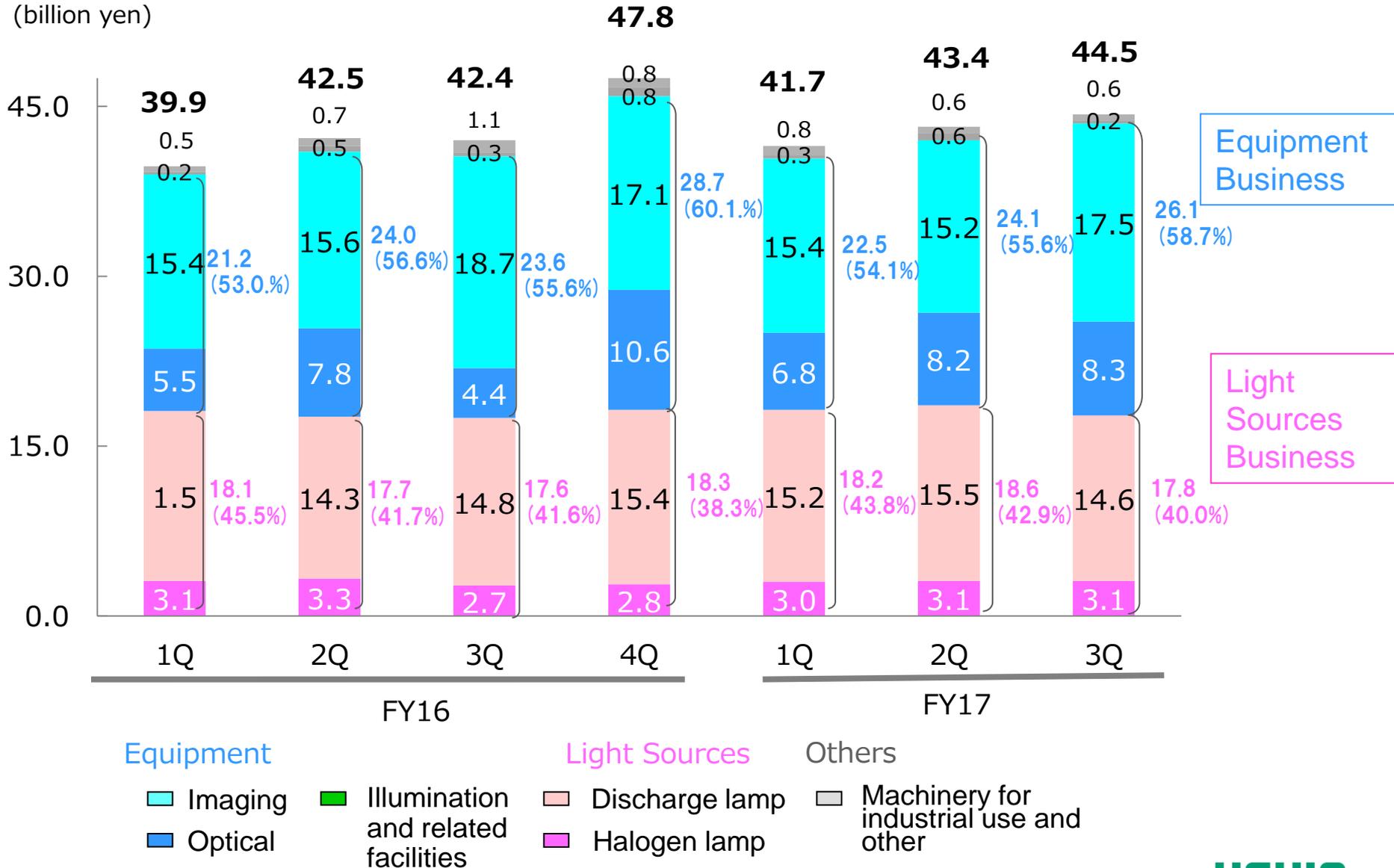
(billion yen)	FY17			Variances (3Q-2Q)	
	1Q	2Q	3Q	Changes	%
<b>Net Sales</b>	41.7	43.4	<b>44.5</b>	+1.0	+2.5
<b>Operating Income</b>	2.8	2.8	<b>2.9</b>	+0.1	+4.2
<b>Operating Income(%)</b>	6.7	6.5	<b>6.6</b>	0.1P	-
<b>Ordinary Income</b>	3.9	3.0	<b>3.7</b>	+0.7	+22.8
Profit Attributable to Owners of Parent	6.5	1.7	<b>0.2</b>	▲1.5	▲88.1
EPS (yen)	51.32	13.62	<b>1.63</b>	▲11.99	▲88.1
FOREX (yen)	-	-	-	-	-
USD	111	111	<b>113</b>	+2	-
EUR	122	130	<b>132</b>	+3	-

## Reference: Comparison to Previous Quarters by Business Segments

(billion yen)	FY17			Variances (3Q-2Q)	
	1Q	2Q	3Q	Changes	%
<b>Equipment</b>					
Net Sales	22.5	24.1	<b>26.1</b>	+1.9	+8.2
Operating Income	0.0	▲0.0	<b>0.4</b>	+0.4	-
Operating Income(%)	0.2	▲0.1	<b>1.6</b>	+1.7P	-
<b>Light Sources</b>					
Net Sales	18.2	18.6	<b>17.8</b>	▲0.8	▲4.5
Operating Income	2.6	2.8	<b>2.4</b>	▲0.3	▲12.7
Operating Income(%)	14.4	15.3	<b>14.0</b>	▲1.3P	-
<b>Others</b>					
Net Sales	0.8	0.6	<b>0.6</b>	▲0.0	▲8.2
Operating Income	0.0	0.0	<b>0.0</b>	+0.0	+56.1
Operating Income(%)	7.6	3.2	<b>5.4</b>	+2.2P	-

# Reference: Sales by Sub-segment «Quarter»

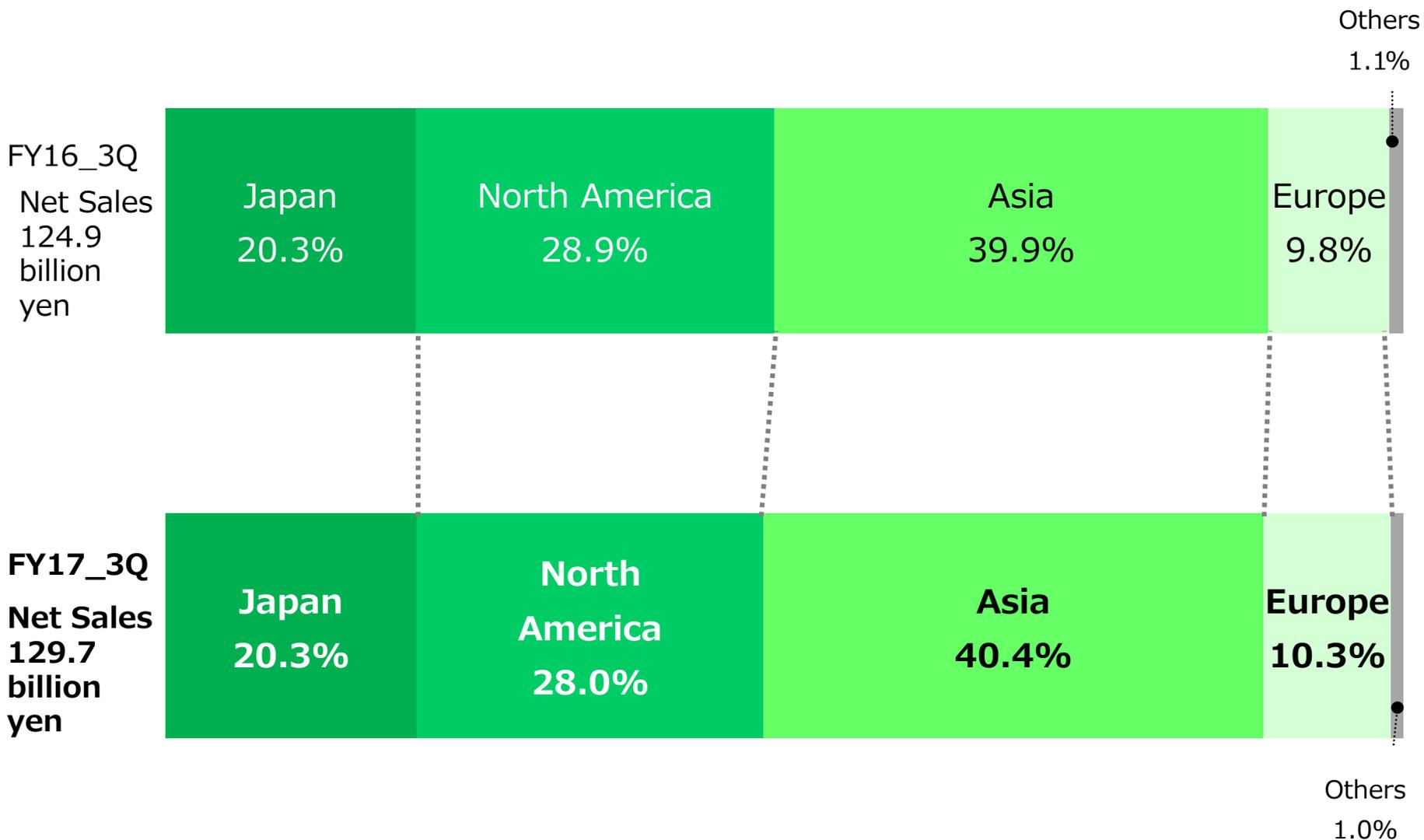
(billion yen)



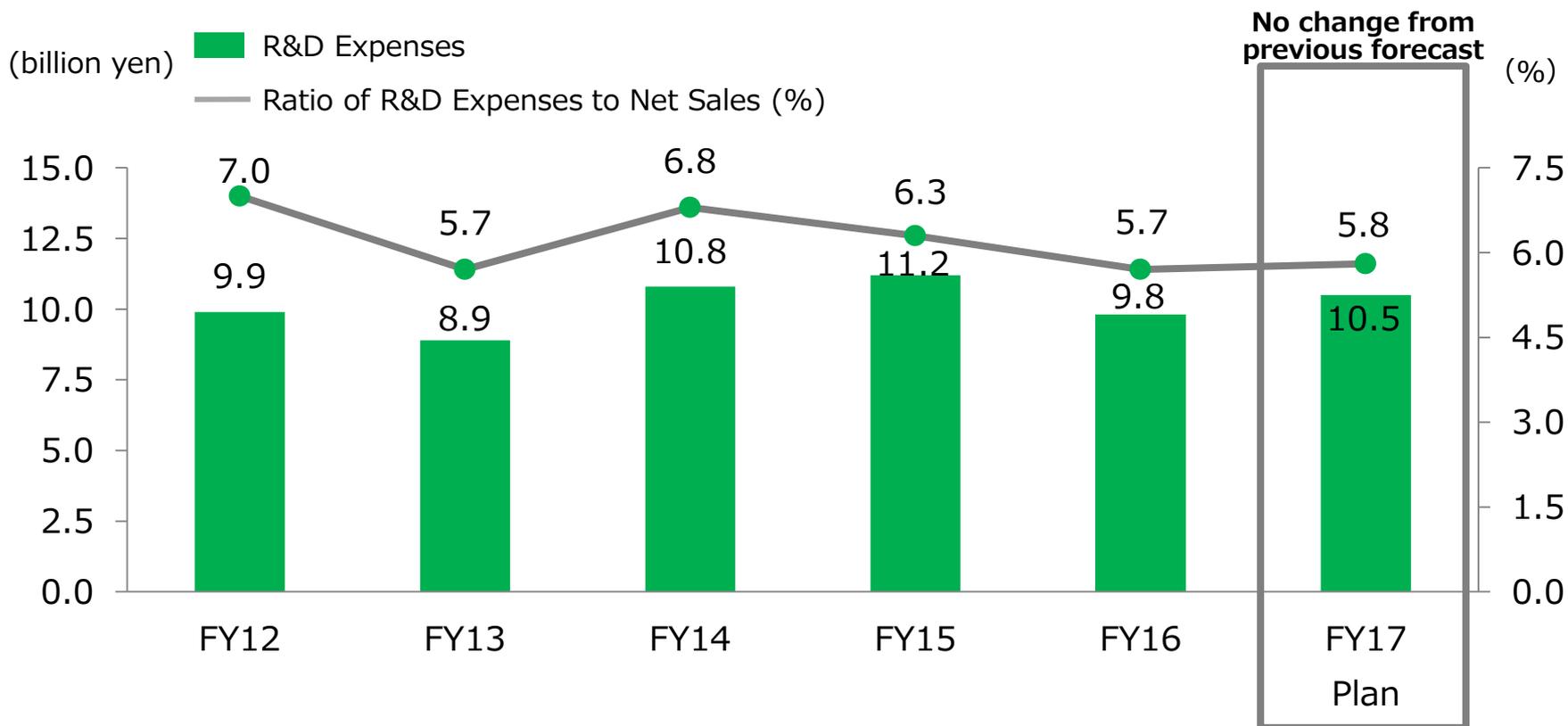
Reference: Other Income and Expenses, Extraordinary Income and Losses 《1Q-3Q》

(billion yen)	FY16 3Q	FY17 3Q	YoY	(billion yen)	FY16 3Q	FY17 3Q	YoY
<b>Other Income</b>	2.9	<b>3.1</b>	+0.2	<b>Extraordinary Income</b>	1.8	<b>7.2</b>	+5.3
Interest income	0.5	<b>0.9</b>	+0.3	Gain on sales of non-current assets	0.4	<b>0.1</b>	▲0.2
Dividend income	1.2	<b>1.4</b>	+0.1	Gain on sales of investment securities	1.4	<b>1.0</b>	▲0.4
Gain on trading securities	0.3	<b>0.4</b>	+0.0	Gain on return of the substitutional portion of the employees' pension fund	-	<b>6.0</b>	+6.0
others	0.6	<b>0.3</b>	▲0.3	others	-	<b>0.0</b>	+0.0
<b>Other Expenses</b>	0.5	<b>0.9</b>	+0.3	<b>Extraordinary Losses</b>	0.7	<b>1.0</b>	+0.2
Interest expenses	0.2	<b>0.3</b>	+0.1	Loss on disposal of property, plant and equipment	0.0	<b>0.2</b>	+0.1
Exchange Loss	0.3	<b>0.4</b>	+0.1	Special retirement expenses	0.0	<b>0.3</b>	+0.3
others	0.0	<b>0.0</b>	+0.0	others	0.7	<b>0.4</b>	▲0.2
<b>Other Income and Expenses</b>	2.3	<b>2.2</b>	▲0.1				

# Reference: Sales Ratio



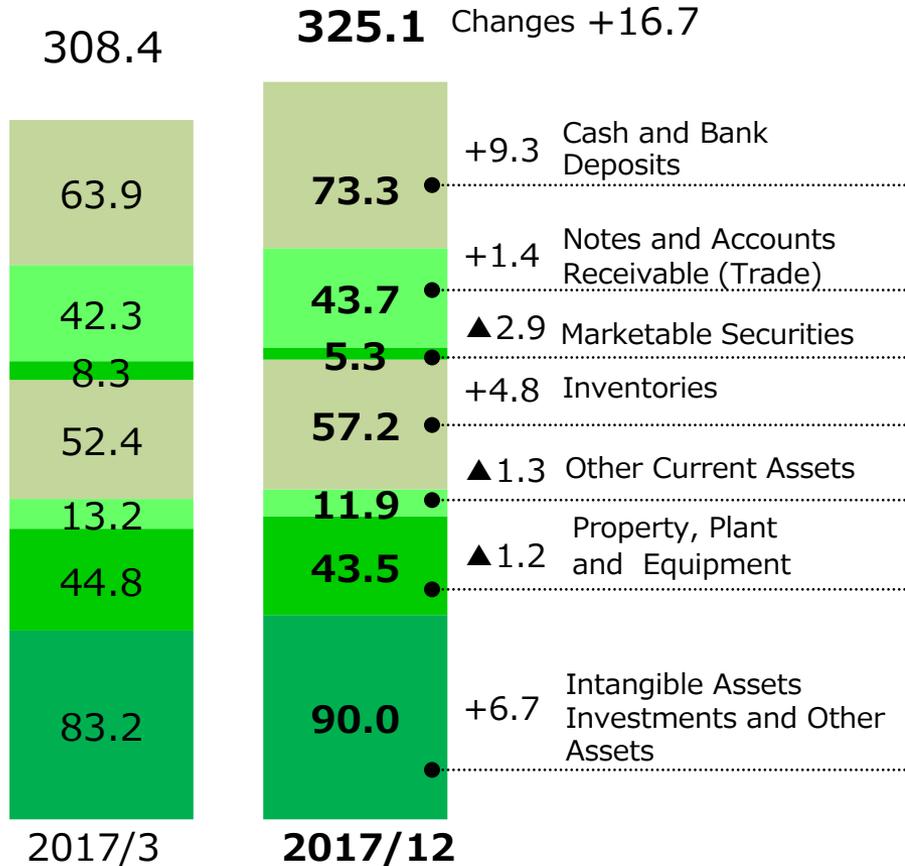
# Reference : R&D Expenses



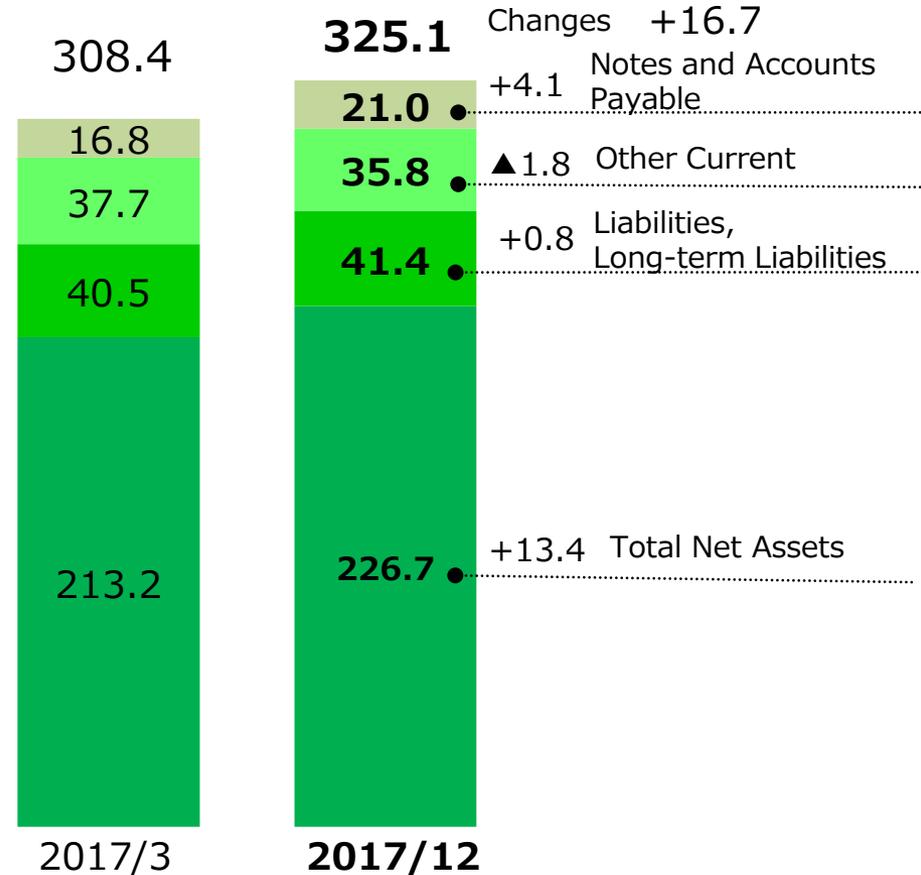
(billion yen)	FY16 3Q	FY17 3Q	YoY	
			Changes	%
R&D Expenses	7.2	<b>7.7</b>	+0.5	+7.5
Ratio of R&D Expenses to Net Sales(%)	5.8	<b>6.0</b>	+0.2P	-

# Reference: Balance Sheet

## ◆ Assets (billion yen)



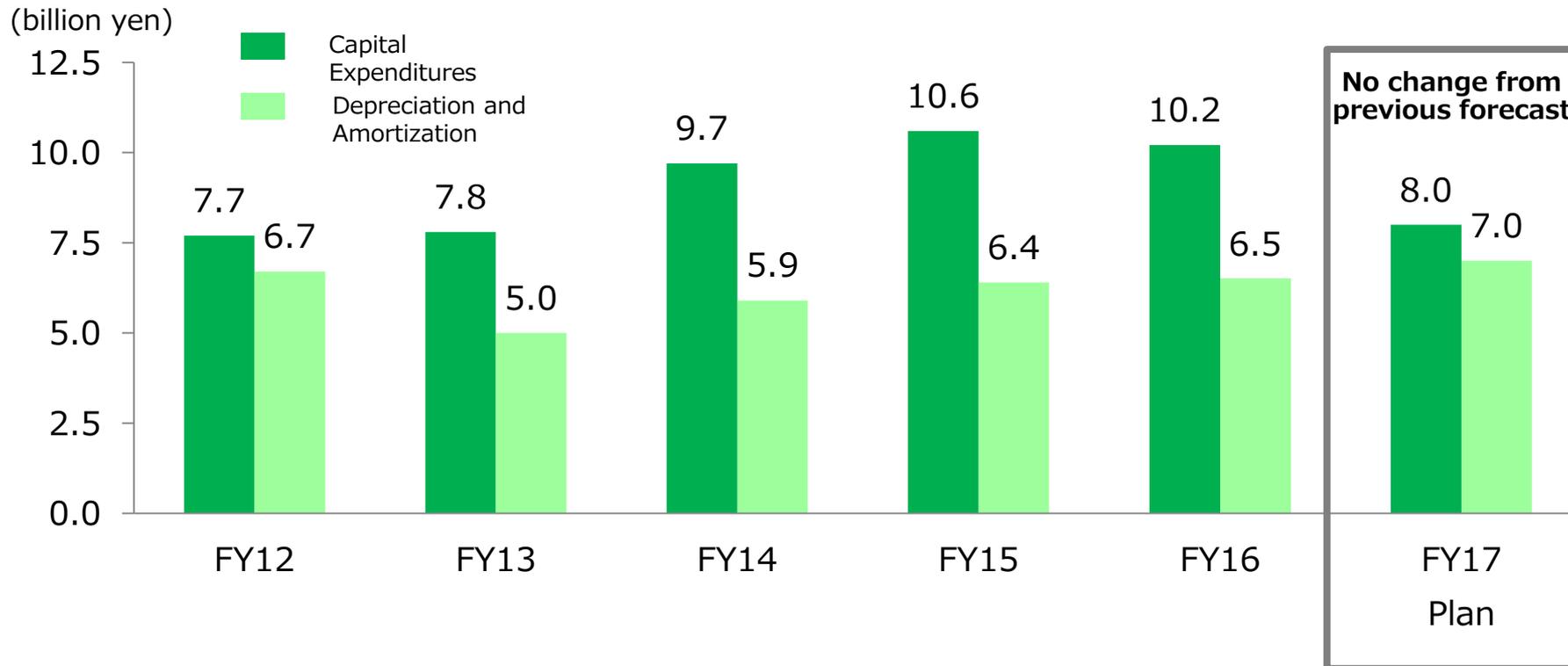
## ◆ <Liabilities/Total Net Assets> (billion yen)



● Turnover (month)	2017/3	2017/12
Receivable-trade	2.8	3.0
Inventories	3.8	3.8

● Equity Ratio (%)	2017/3	2017/12
	68.9	69.6

# Reference: Capital Expenditures, Depreciation and Amortization



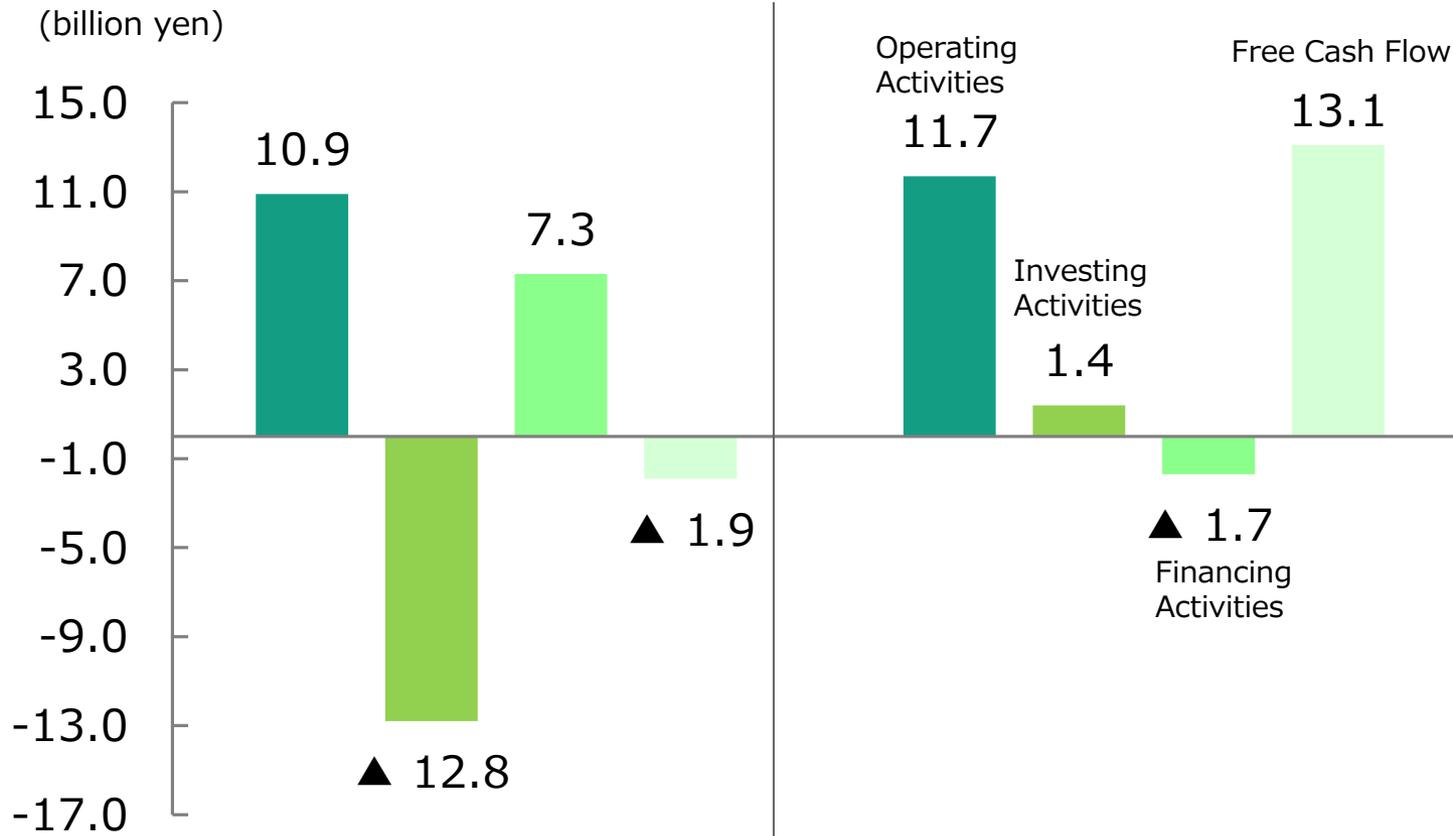
(billion yen)

	FY16 3Q	FY17 3Q	YoY	
			Changes	%
Capital Expenditures	6.9	<b>3.3</b>	▲3.6	▲52.1
Depreciation and Amortization	4.9	<b>5.0</b>	+0.1	+3.4

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

Note 2. Increase of Goodwill not included in Capital Expenditures: FY16\_3Q:-, FY17\_3Q:0.3 billion yen

# Reference : Cash Flow



FY16\_3Q

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

FY17\_3Q

Cash and Cash Equivalents at the Beginning of the FY	50.9
Cash and Cash Equivalents in the End of the FY	63.3

# Press release : In the world's first, Ushio Inc. and the National University Hospital of Singapore have succeeded in bacterial disinfection of pressure ulcer injuries using 222 nm ultraviolet light that is harmless to the human body

Ushio Inc. and the plastic surgery group led by Professor T.C. Lim, Head & Senior Consultant, Division of Plastic, Reconstructive & Aesthetic Surgery of the National University Hospital of Singapore, which is part of the National University Health System (Location: Singapore, hereafter NUH) succeeded in disinfecting the world's first\*1 the wounds of patients suffering from pressure ulcers using a 222 nm ultraviolet irradiation device made by USHIO that has no adverse effects on the human body.

USHIO developed a device equipped with an ultraviolet sterilization system\*2 that uses a "narrow band-spectrum ultraviolet technology" based on excimer lamps to selectively kill bacteria and viruses without harming human cells or tissue, and the NUH used this device on pressure ulcer patients in a clinical research study\*3. As a result, it was confirmed that 222 nm ultraviolet irradiation produced a reduction in seven types of multidrug-resistant bacteria without infliction of acute (such as erythema) or chronic illness.

USHIO regards the creation of new business at the fields of medicine and hygiene as a top management priority, and as it aims for further clinical advancements and acquisition of approval of this unit as a medical device, it will continue developing applications such as prevention of infection during surgery and hand disinfection using ultraviolet sterilization technology.



Outward appearance of a 222 nm ultraviolet irradiation device made by USHIO

\*1) As of November 1, 2017; research by USHIO

\*2) A method of disinfection by ultraviolet light discovered by a team led by Professor Brenner of the Center for Radiological Research of Columbia University. A sterilization system that selectively kills bacteria and viruses without damaging human cells or tissue through use of narrow band-spectrum ultraviolet technology based on a specific UV wavelength band output by an excimer lamp. USHIO acquired exclusive implementation for the entire world in March 2015.

\*3) Disinfecting efficacy was confirmed for multidrug-resistant bacteria through a clinical study in which affected areas on pressure ulcer patients were irradiated with 222 nm ultraviolet for two weeks, with the type and number of infectious bacteria measured both before and after irradiation.

# Examples of Ushio Entertainment Holdings, Inc.\* Products in Use 「Bringing Mythology to Life with a Feast of Light and Sound」

The Amanohashidate Machiakari illumination event is held each year to herald the start of summer at Amanohashidate, one of Japan's three scenic views alongside Matsushima (Miyagi Pref.) and Miyajima (Hiroshima Pref.)

This year, Ushio Entertainment Holdings (UEH) provided high output, powerful LED color lighting and control equipment to create a brighter and more vivid world of illumination than ever before. The sandy beaches popular for bathing during the day were themselves bathed in full color, and the lights were synchronized with music to create a modulated effect that delighted visitors. UEH's total solutions for illumination, images, and sound led visitors into a dream-like space with colors changing over time.

An actual photo of the illumination



\*As for Ushio Entertainment Holdings, Excerpt from the press release on March 10, 2017

Established holding company for strengthening  
entertainment business  
in Japan

– Maximize Group resources in lighting, imaging and sound,  
with the aim of providing total solutions –

In order to strengthen the entertainment business centered on lighting, imaging, and sound in Japan, Ushio Entertainment Holdings was established on April 3, 2017, as a holding company for three Group companies: Ushio Lighting, Maxray and Xebex

# Reference: Features of USHIO Group's Light Sources

	Lamp projectors		Laser projectors	
Light Sources	Super-high pressure mercury lamp	Xenon lamp	Laser phosphor	RGB laser
				
Lumen	2,000~5,000 (Multi-bulb models~30,000)	8,000~35,000	5,000~30,000	20,000~60,000
Application	<ul style="list-style-type: none"> <li>• General imaging (Data projectors for use in office, home, and for education)</li> <li>• Cinema (Multi-bulb)</li> </ul>	<ul style="list-style-type: none"> <li>• Cinema</li> <li>• General imaging</li> </ul>	<ul style="list-style-type: none"> <li>• Cinema(China, etc.)</li> <li>• General imaging (halls, events, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Laser cinema (Dolby Cinema, etc.)</li> <li>• General imaging (industrial VR, theme park attractions, etc.)</li> </ul>
Price	Low range	Low to mid range	Mid range	Mid to high range
Life of light sources	Mid range*	Mid to long range*	Mid to long range	Long range
Color	△○	○	△	◎

\* In lamp projectors, high-pressure mercury lamps and xenon lamps can sometimes have longer lifetimes for general imaging and cinema use, respectively

## Reference: Glossary

---

DCP	Digital Cinema Projector
OA	Office Automation
OLED	Organic Light Emitting Diode
RGB	Red Green Blue
UV	Ultraviolet
FPD	Flat Panel Display
COF	Chip On Film

# USHIO

Contact:

Corporate Planning Dept., USHIO INC.

Email: [ir@ushio.co.jp](mailto:ir@ushio.co.jp)

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