

1st Quarter FY2018 Financial Results

The logo for USHIO, consisting of the word "USHIO" in a bold, white, sans-serif font, set against a solid teal background.

USHIO INC.

July 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.

*** 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** YoY For 1Q FY2018

Progressing against initial forecasts as planned, with an improving operating margin

- **No change** in full-year forecasts for FY2018

No major changes from the initially assumed market environment and other conditions

- Earnings structural reforms in Imaging Equipment (Christie) **are progressing as planned**

As of the end of 1Q: Partially completed the sorting out of unprofitable businesses, while the transfer of production to China is progressing as planned
=> Completed approx. 40% of the personnel reduction plan

From 2Q onward: Sort out and sell the remaining unprofitable businesses (planned for completion in December)
Transfer production to China (planned for completion in October)

*Earnings structural reforms are expected to make a gradually increasing contribution to business results from 2Q onward

- I. Financial Results for 1Q FY2018
- II. Future Prospects
- III. Supplementary Information

Highlights of Financial Results

Net Sales down 4.2% year on year to ¥39.9 billion
Operating Income down 9.7% year on year to ¥2.5 billion.

Progress against full-year forecasts : Net Sales 22.2%, Operating Income 20.3%

Net Sales : 39.9 billion yen (▲1.7 billion yen YoY, down 4.2%)

Net sales decreased due to the recording of sales from a specific project in the same period of FY2017, in addition to the forex impact due to the yen's appreciation, despite firm semiconductor-, electrical component-, and flat panel display (FPD)-related markets.

Operating Income : 2.5 billion yen (▲0.2 billion yen YoY, down 9.7%)

Operating income decreased due to the lower net sales, but profitability improved from the preceding quarter. (FY17_4Q : 3.6%→FY18_1Q : 6.4%)

Profit Attributable to Owners of Parent : 2.2 billion yen
(▲4.2 billion yen, down 65.6%)

A gain on return of the substitutional portion of the employees' pension fund (¥6.0 billion) was recorded under extraordinary income in the same period of FY2017.

*FOREX FY2018 : 1US\$ = 108 yen

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

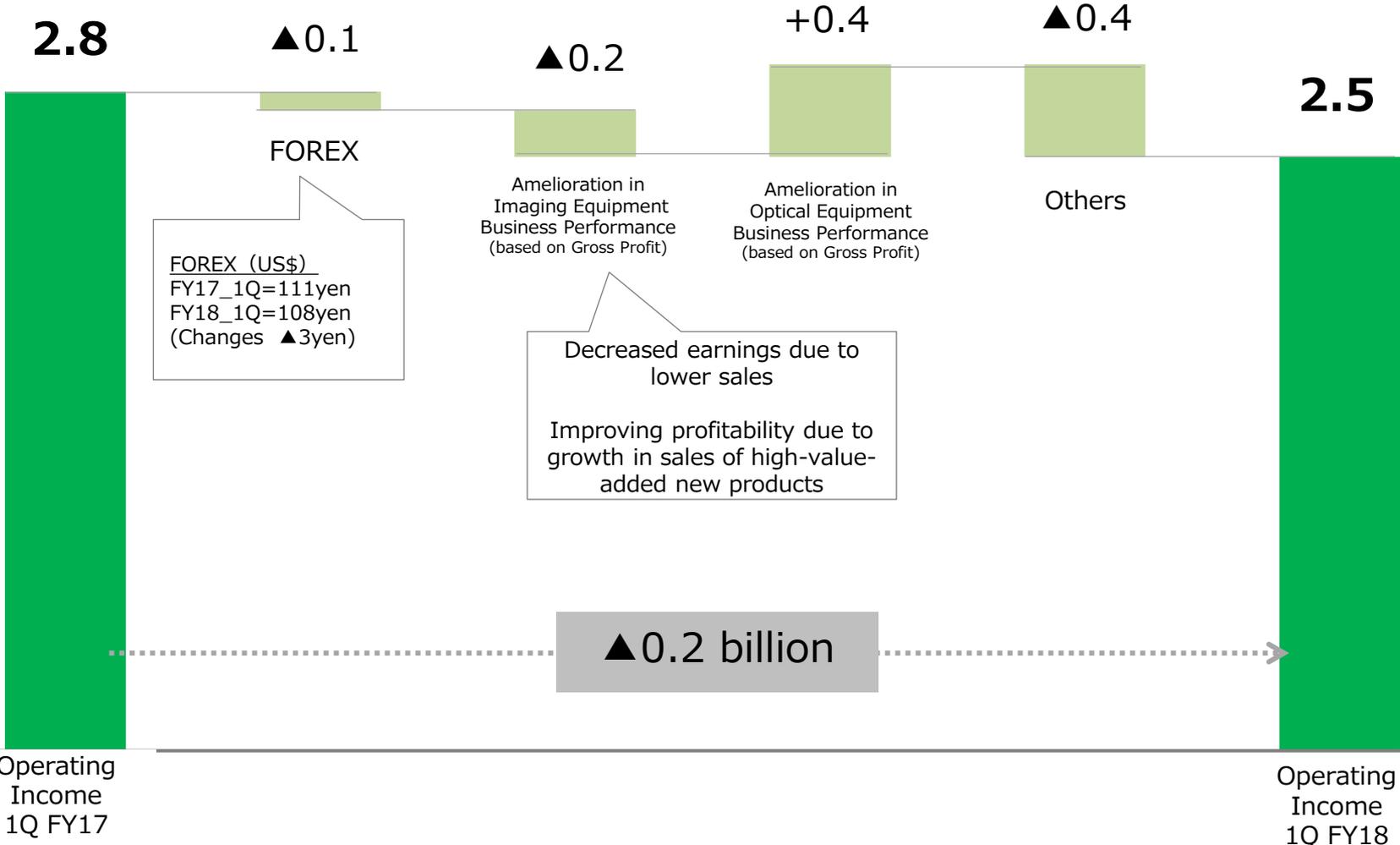
	Net Sales	Operating Income
against USD	Approx. ¥ 1.0 billion	Approx. ¥ 0.15 billion

Summary of Financial Results

(billion yen)		FY17 1Q	FY18 1Q	YoY	
				Changes	%
Net Sales		41.7	39.9	▲1.7	▲4.2
Operating Income		2.8	2.5	▲0.2	▲9.7
Operating Income (%)		6.7	6.4	▲0.4P	-
Ordinary Income		3.9	3.9	+0.0	+0.5
Profit Attributable to Owners of Parent		6.5	2.2	▲4.2	▲65.6
EPS (yen)		51.32	17.67	▲33.65	▲65.6
FOREX (yen)	USD	111	108	▲3	-
	EUR	122	130	+8	-

Variation Analysis of Operating Income YoY

(billion yen)



Note: Figures for “Amelioration in Optical Equipment Business Performance (based on Gross Profit)”, “Deterioration in Imaging Equipment Business Performance (based on Gross Profit)” and “Others” exclude the the forex impact.

Financial Results by Business Segments

(billion yen)		FY17 1Q	FY18 1Q	YoY	
				Changes	%
Equipment	Net Sales	22.5	21.8	▲0.7	▲3.2
	Operating Income	0.0	0.0	▲0.0	▲74.9
	Operating Income (%)	0.2	0.0	▲0.1P	-
Light Sources	Net Sales	18.2	17.3	▲0.9	▲5.3
	Operating Income	2.6	2.5	▲0.0	▲2.8
	Operating Income (%)	14.4	14.8	+0.4P	-
Others	Net Sales	0.8	0.7	▲0.0	▲8.1
	Operating Income	0.0	0.0	▲0.0	▲63.0
	Operating Income (%)	7.6	3.0	▲4.5P	-
Elimination and corporate	Operating Income	0.0	▲0.0	▲0.1	▲170.6

Note : Net Sales indicates sales to unaffiliated customers.

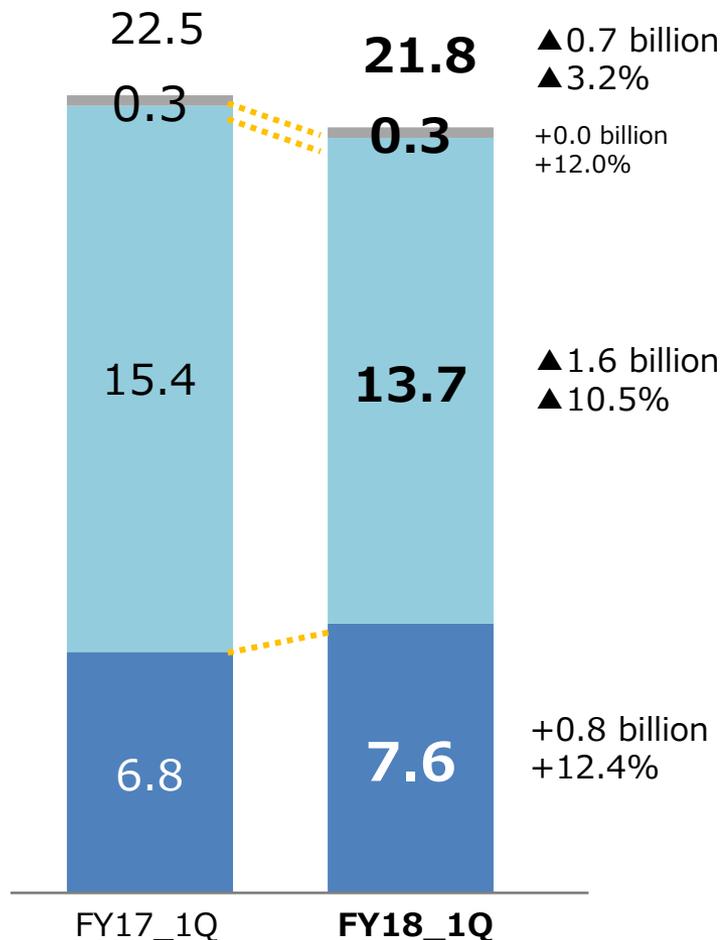
Operating income ratio indicates the ratio of operating income against sales to unaffiliated customers.

Business Segment Overview (1)

Equipment Business

Net Sales (billion yen)

YoY



Note : Net sales indicates sales to unaffiliated customers.

1Q Overview

Imaging Equipment

Cinema +0%

- Growth in newly launched RGB laser projectors, despite lower sales volume of lamp-based projectors in line with a decrease in the number of newly built movie theaters

General imaging ▲18%

- Forex impact due to the yen's appreciation
- Recorded sales from a solution project in the same period of FY2017

Optical Equipment

UV equipment +8%

- Sales of direct image exposure systems for printed circuit boards and M-SAP increased year on year, despite the impact of reduced production of certain smartphone models
- Firm performance of projection lithography equipment for electronic devices

Cure equipment +39%

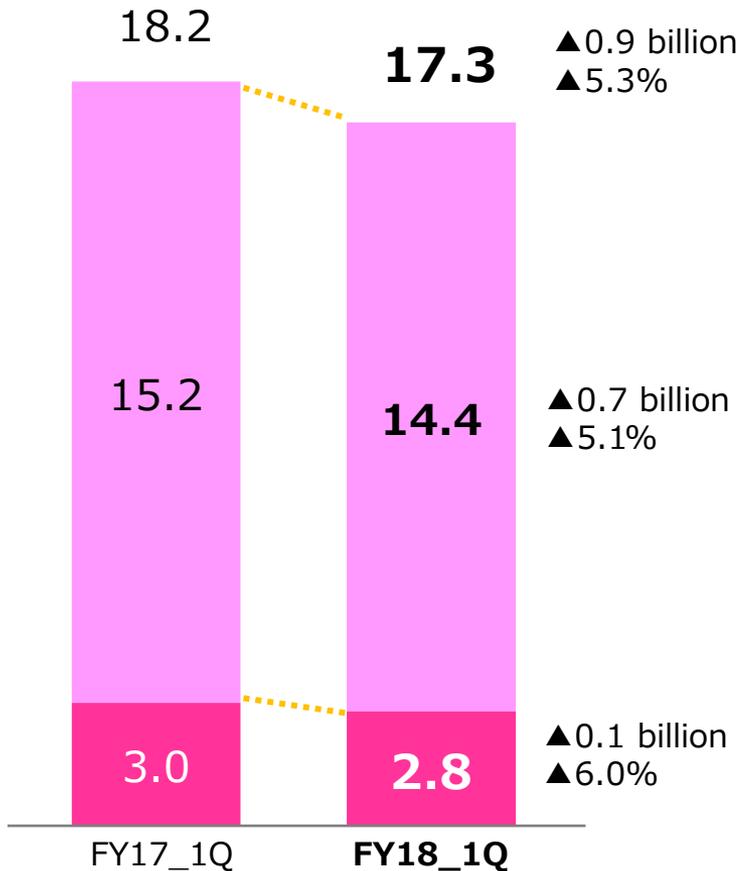
- Increased sales of LCD-related equipment due to the adoption of larger LCD panels

Business Segment Overview (2)

Light Sources Business

Net Sales (billion yen)

YoY



Note : Net sales indicates sales to unaffiliated customers.

1Q Overview

Discharge Lamp

UV lamps ▲ 1%

- The semiconductor-, electronic component- and FPD-related markets saw both capital investment and the capacity utilization rate remain at high levels, despite reduced production of certain OLED-equipped smartphone models and the forex impact due to the yen's appreciation

Lamps for cinema ▲5%

- Forex impact due to the yen's appreciation
- Demand for replacement lamps decreased in line with increased conversion to solid-state light sources in China

Lamps for data projectors ▲15%

- A drop from higher sales generated by the adoption of USHIO lamps in a new product of a specific user in the same period of FY2017

Halogen Lamp

Lamps for OA ▲6%

- A rising sales mix of high value-added, eco-friendly products, despite factors including the forex impact due to the yen's appreciation

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Full-Year Forecasts

No change in the full-year forecasts announced previously

Seek to achieve the full-year forecasts for operating income (current achievement rate: 20.3%) by implementing structural reforms in Imaging Equipment as planned.

(billion yen)	FY18 1Q	Full-Year Forecasts	Progress (%)
Net Sales	39.9	180.0	22.2
Operating Income	2.5	12.5	20.3
Operating Income (%)	6.4	6.9	-
Ordinary Income	3.9	14.0	28.3
Profit Attributable to Owners of Parent	2.2	11.5	19.6
EPS (yen)	17.67	90.01	19.6
Forex (yen)			
USD	108	105	-
EUR	130	125	-

Plan for FY2018 Net Sales by Sub-segments

No major changes in the initially assumed market environment

(billion yen)			FY18 Full-Year Plan	FY18 1Q	Progress (%)	From 2Q onward (remarks)
Net Sales	Equip- ment	Imaging- equipment	60.0	13.7	23.0	<ul style="list-style-type: none"> • Sales of DCP are expected to increase toward the year-end holiday shopping season. • Growth in new RGB laser projectors. • A greater contribution to business results from the execution of earnings structural reforms
		Optical- equipment	37.5	7.6	20.4	<ul style="list-style-type: none"> • Higher equipment sales volume expected based on a favorable market environment • Focus on sales of next-generation smartphones scheduled for launch in 2018
		Sub-total	99.0	21.8	22.1	
	Light Sources	Discharge- lamps	64.5	14.4	22.4	<ul style="list-style-type: none"> • UV lamps Market environment to remain favorable, despite concerns about the continuing impact of reduced OLED panel production. • Lamps for cinema Growth in the conversion to solid-state light sources to settle down, despite concerns about such conversions in China
		Halogen lamps	12.5	2.8	23.0	<ul style="list-style-type: none"> • Sales mix of high value-added products is forecast to increase
		Sub-total	77.0	17.3	22.5	
	Others	Machinery for industrial use and other	4.0	0.7	19.8	
	Total		180.0	39.9	22.2	

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Reference: Summary of Financial Results Quarterly

(billion yen)	FY17				FY18	FY18 1Q - FY17 1Q		FY18 1Q - FY17 4Q	
	1Q	2Q	3Q	4Q	1Q	Changes	%	Changes	%
Net Sales	41.7	43.4	44.5	43.6	39.9	▲1.7	▲4.2	▲3.7	▲8.6
Operating Income	2.8	2.8	2.9	1.5	2.5	▲0.2	▲9.7	+0.9	+62.3
Operating Income (%)	6.7	6.5	6.6	3.6	6.4	▲0.4P	-	+2.8P	-
Ordinary Income	3.9	3.0	3.7	1.2	3.9	+0.0	+0.5	+2.7	+221.6
Profit Attributable to Owners of Parent	6.5	1.7	0.2	2.4	2.2	▲4.2	▲65.6	▲0.2	▲9.6
EPS (yen)	51.32	13.62	1.63	19.55	17.67	▲33.65	▲65.6	▲1.88	▲9.6
Forex (yen)									
USD	111	111	113	110	108	▲3	-	▲2	-
EUR	122	130	132	134	130	+8	-	▲4	-

Reference: Summary of Financial Results Quarterly by business segments

(billion yen)	FY17				FY18	FY18 1Q - FY17 1Q		FY18 1Q - FY17 4Q	
	1Q	2Q	3Q	4Q	1Q	Changes	%	Changes	%
Equipment									
Net Sales	22.5	24.1	26.1	24.7	21.8	▲0.7	▲3.2	▲2.9	▲11.9
Operating Income	0.0	▲0.0	0.4	▲0.9	0.0	▲0.0	▲74.9	+0.9	+100.9
Operating Income Ratio (%)	0.2	▲0.1	1.6	▲3.7	0.0	▲0.1P	-	+3.8P	-
Light Sources									
Net Sales	18.2	18.6	17.8	17.6	17.3	▲0.9	▲5.3	▲0.3	▲1.8
Operating Income	2.6	2.8	2.4	2.4	2.5	▲0.0	▲2.8	+0.1	+5.6
Operating Income Ratio (%)	14.4	15.3	14.0	13.8	14.8	+0.4P	-	+1.0P	-
Others									
Net Sales	0.8	0.6	0.6	1.2	0.7	▲0.0	▲8.1	▲0.4	▲38.3
Operating Income	0.0	0.0	0.0	0.0	0.0	▲0.0	▲63.0	+0.0	+151.7
Operating Income Ratio (%)	7.6	3.2	5.4	0.7	3.0	▲4.5P	-	+2.3P	-

Reference: Other Income and Expenses 《Quarter》

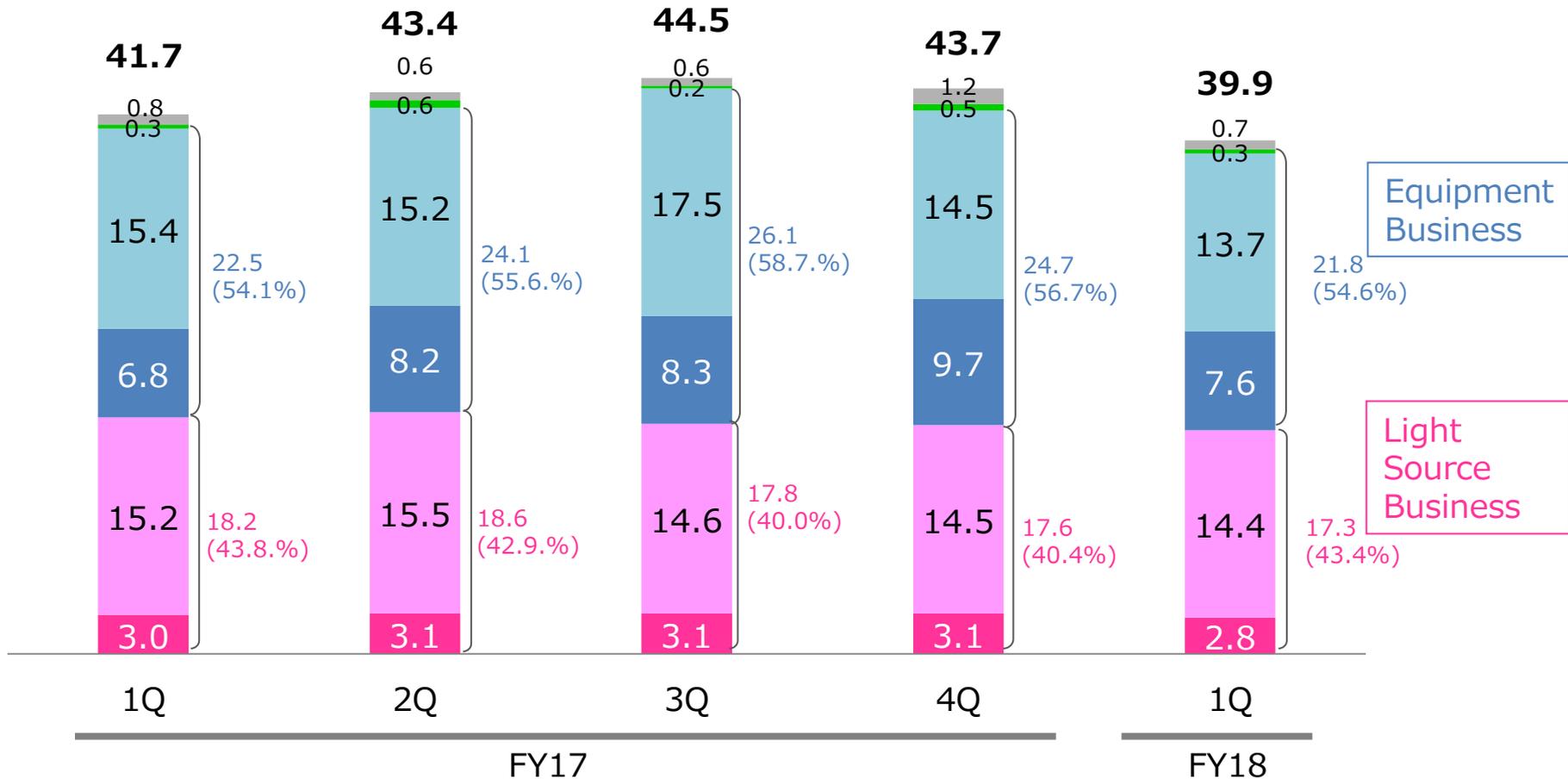
(billion yen)	FY17				FY18	FY18 1Q - FY17 1Q		FY18 1Q - FY17 4Q	
	1Q	2Q	3Q	4Q	1Q	Changes	%	Changes	%
Other Income	1.3	0.5	1.3	0.4	1.5	+0.2	+16.3	+1.0	+218.8
Interest income	0.2	0.3	0.2	0.4	0.4	+0.1	+37.6	▲0.0	▲2.2
Dividend income	0.6	0.0	0.6	0.0	0.6	▲0.0	▲1.2	+0.6	-
Realized and unrealized profit on trading securities, net	0.1	0.0	0.2	▲0.1	0.0	▲0.1	▲79.8	+0.1	+125.2
Gain on specified money in trust	0.0	0.0	0.0	▲0.0	0.0	▲0.0	▲83.1	+0.0	+125.8
Others	0.1	0.0	0.0	0.2	0.4	+0.2	+263.6	+0.1	+69.0
Other Expenses	0.1	0.2	0.4	0.8	0.1	▲0.0	▲40.3	▲0.6	▲85.7
Interest expenses	0.1	0.1	0.1	0.2	0.0	▲0.0	▲25.8	▲0.1	▲63.9
Exchange loss	0.0	0.1	0.2	0.4	-	▲0.0	-	▲0.4	-
Others	0.0	0.0	0.0	0.1	0.0	+0.0	+61.1	▲0.0	▲72.6
Other Income and Expenses	1.1	0.2	0.8	▲0.3	1.4	+0.2	+26.1	+1.7	+523.4

Reference: Extraordinary Income and Losses «Quarter»

(billion yen)	FY17				FY18	FY18 1Q - 1Q	FY17 1Q	FY18 1Q - 4Q	FY17 4Q
	1Q	2Q	3Q	4Q	1Q	Changes	%	Changes	%
Extraordinary Income	6.2	0.0	1.0	5.2	0.0	▲6.1	▲99.0	▲5.1	▲98.8
Gain on sales of non-current assets	0.1	0.0	0.0	0.2	0.0	▲0.0	▲60.5	▲0.1	▲72.5
Gain on sales of investment securities	0.0	▲0.0	0.9	4.9	-	▲0.0	-	▲4.9	-
Gain on return of the substitutional portion of the employees' pension fund	6.0	0.0	-	-	-	▲6.0	-	-	-
Extraordinary Losses	0.0	0.7	0.2	1.9	0.7	+0.7	-	▲1.2	▲62.1
Loss on disposal of property, plant and equipment	0.0	0.1	0.0	0.1	0.0	+0.0	+546.8	▲0.0	▲75.6
Special retirement expenses	0.0	0.2	0.1	0.0	-	▲0.0	-	▲0.0	-
Loss on revision of retirement benefit plan	-	-	-	-	0.0	+0.0	-	+0.0	-
Business structural reform expenses	-	-	-	-	0.6	+0.6	-	+0.6	-
Impairment loss	-	0.1	-	1.7	-	-	-	▲1.7	-
Loss on sales of shares of subsidiaries and associates	-	0.1	-	-	-	-	-	-	-
Others	0.0	0.0	0.0	0.0	0.0	+0.0	+56.8	▲0.0	▲88.9

Reference: Sales by Sub-segment «Quarter»

(billion yen)



Equipment

- Imaging
- Optical

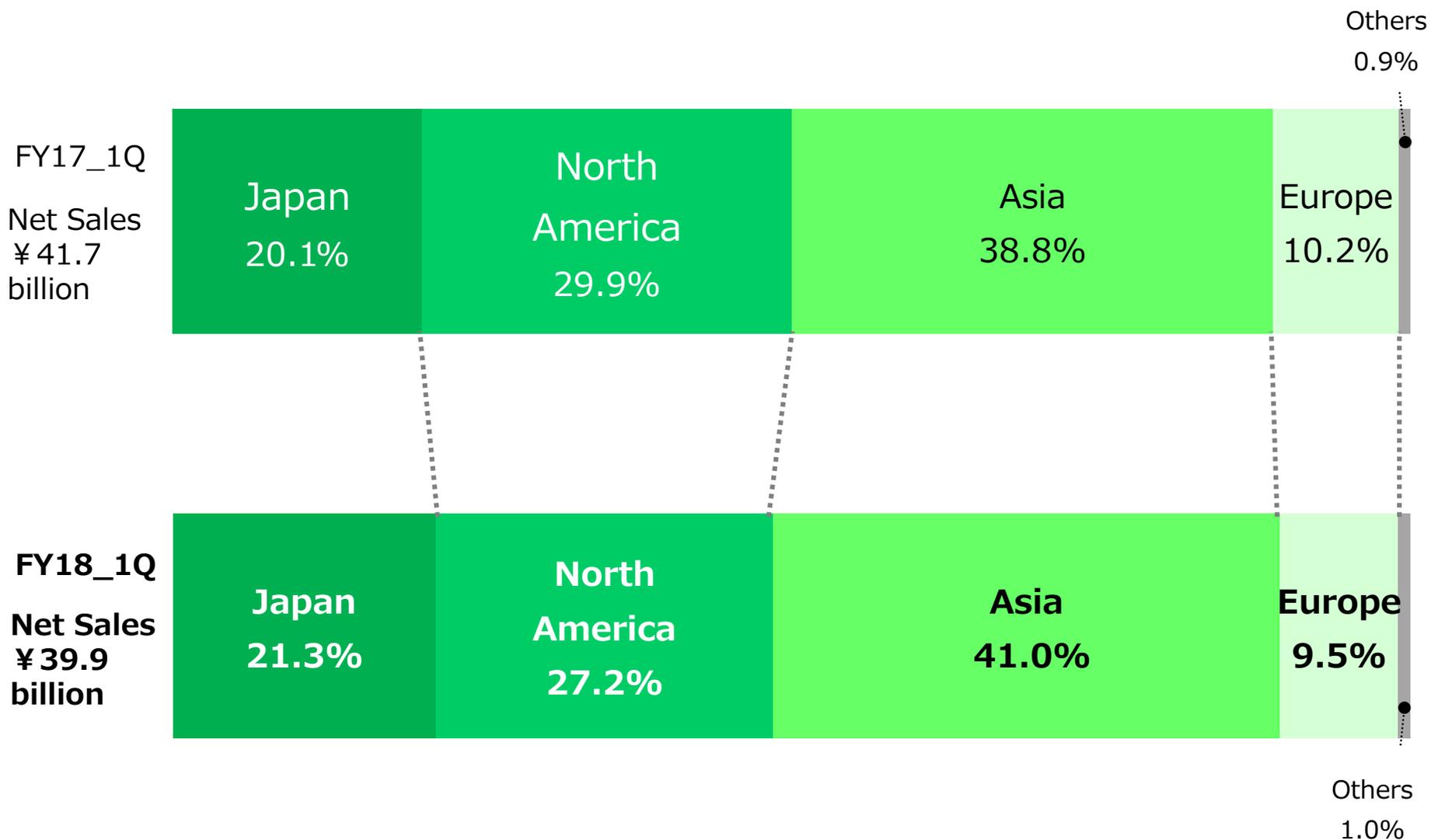
Light Sources

- Discharge lamp
- Halogen lamp

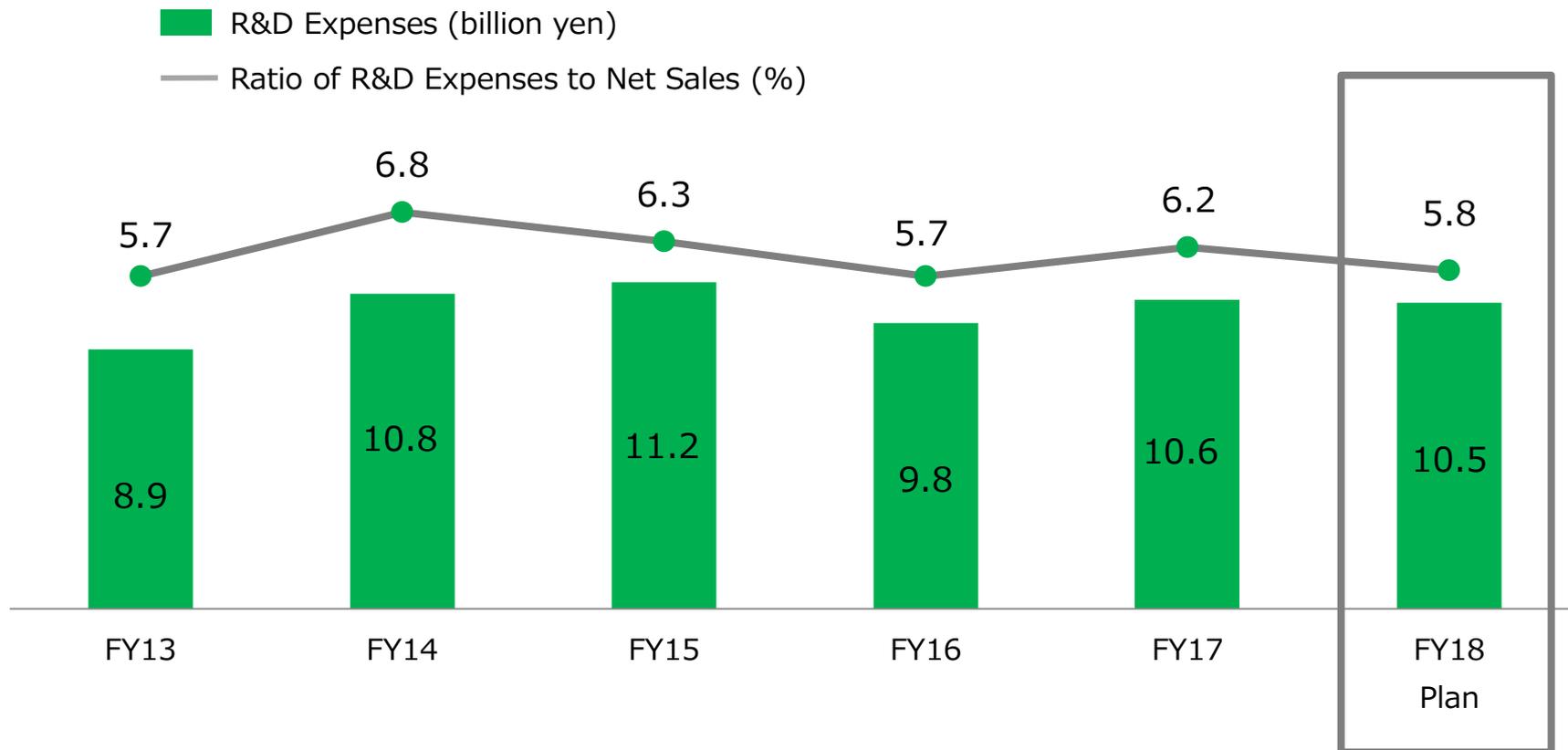
Others

- Machinery for industrial use and other

Reference: Sales Ratio



Reference : R&D Expenses

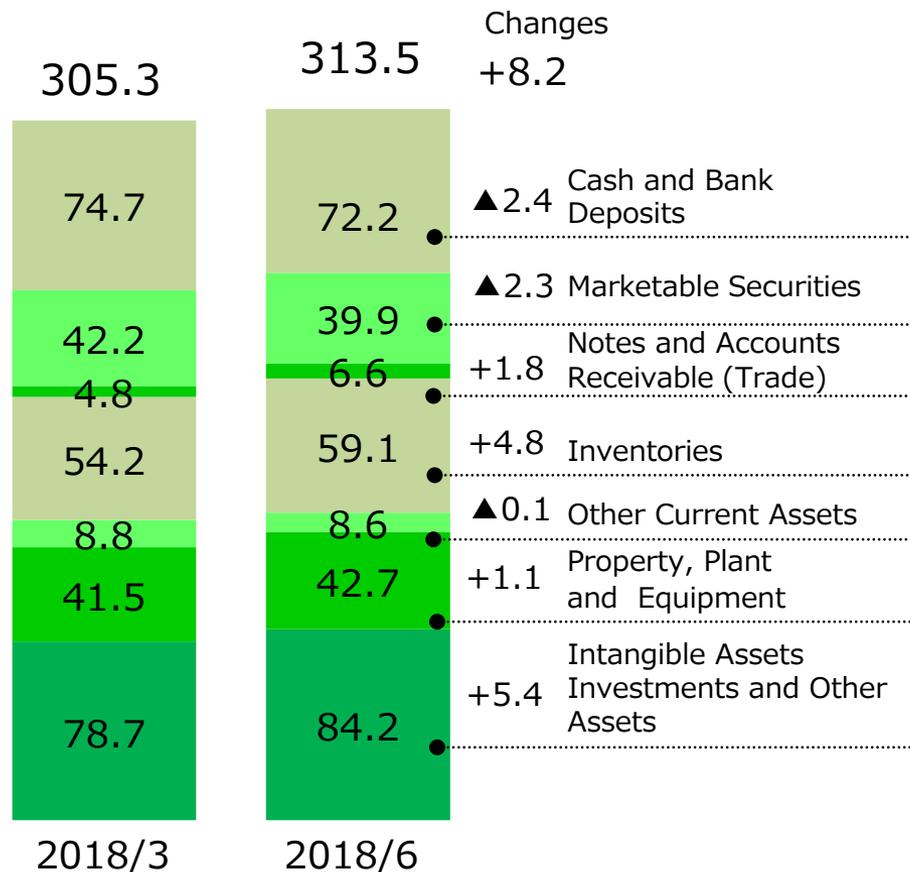


(billion yen)	FY17 1Q	FY18 1Q	YoY	
			Changes	%
R&D Expenses	2.3	2.5	+0.1	+6.8
Ratio of R&D Expenses to Net Sales(%)	5.7	6.4	+0.7P	-

Reference: Balance Sheet

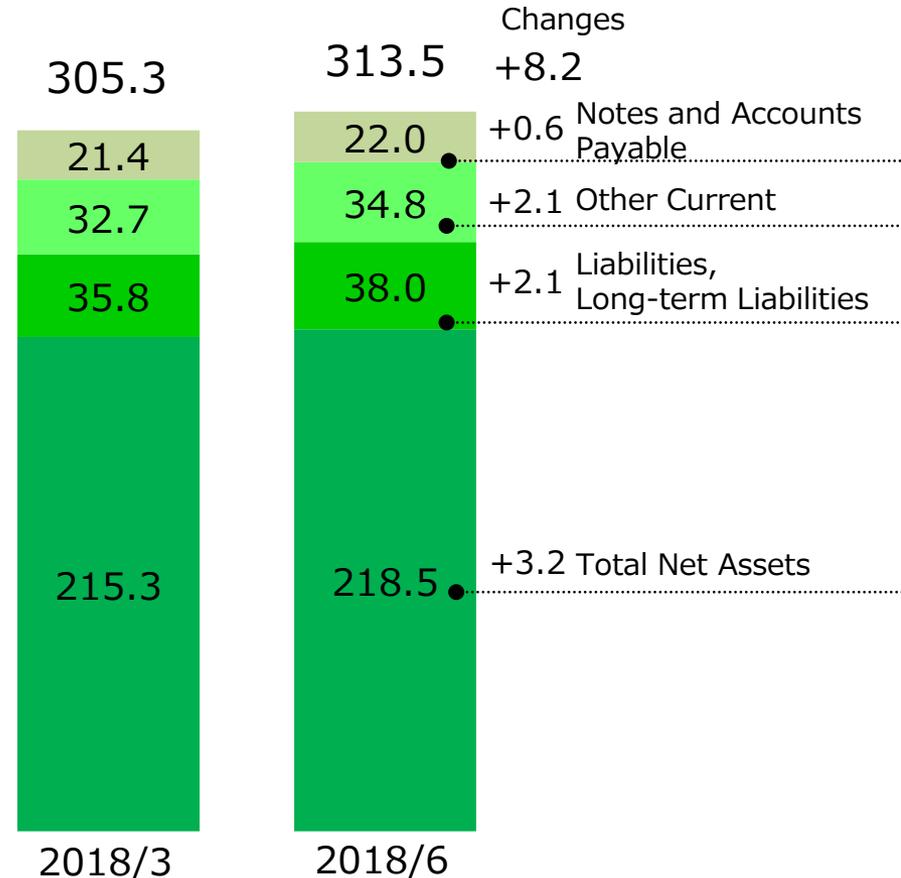
◆ Assets

(billion yen)



◆ Liabilities/Total Net Assets

(billion yen)



● Turnover (month)

2018/3 2018/6

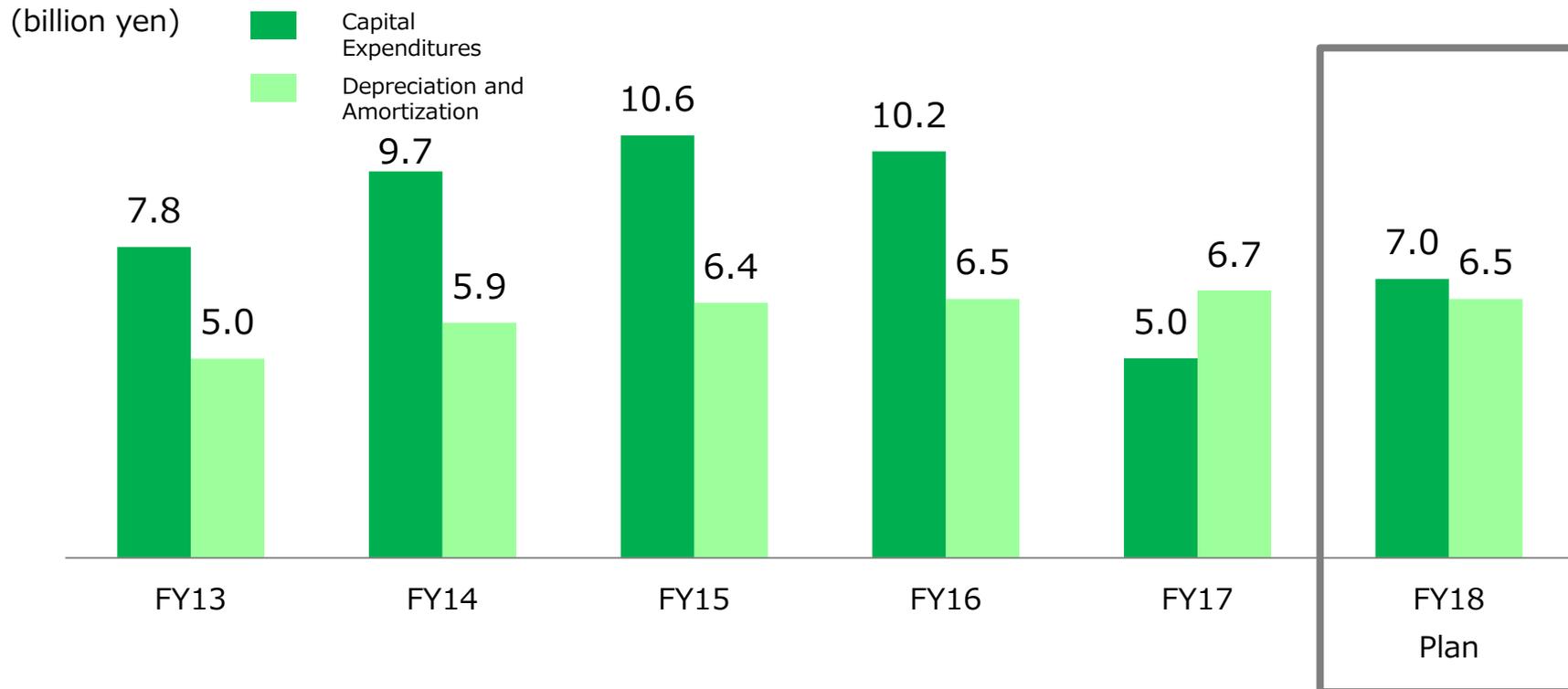
Receivable-trade	2.9	3.1
Inventories	3.7	4.3

● Equity Ratio (%)

2018/3 2018/6

70.4 69.7

Reference: Capital Expenditures, Depreciation and Amortization



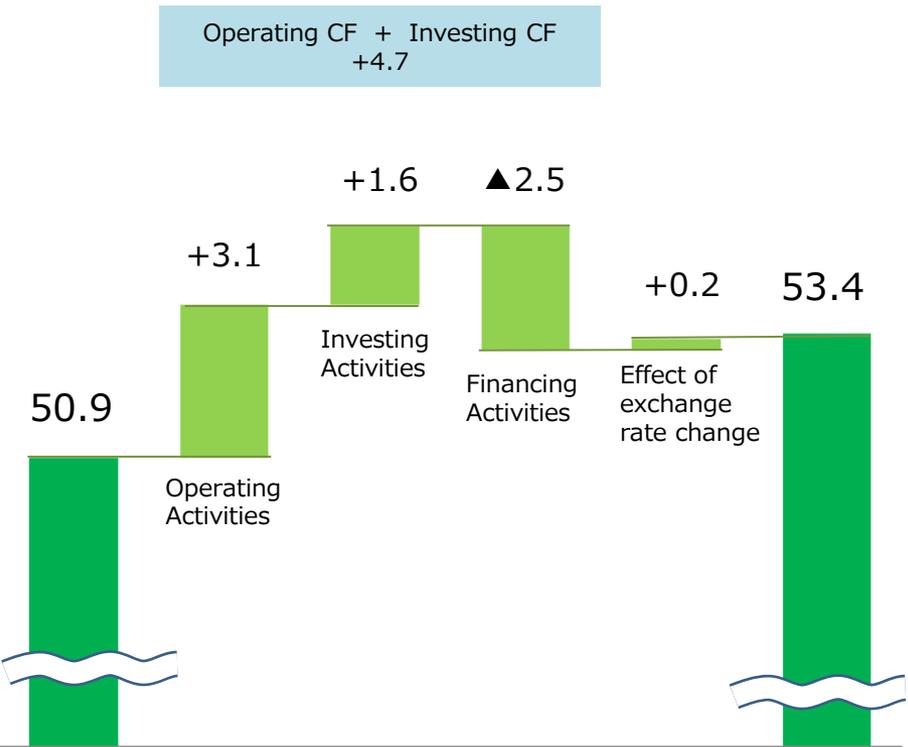
billion yen	FY17 1Q	FY18 1Q	YoY	
			Changes	%
Capital Expenditures	1.2	2.1	+0.8	+64.7
Depreciation and Amortization	1.8	1.6	▲0.2	▲11.9

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

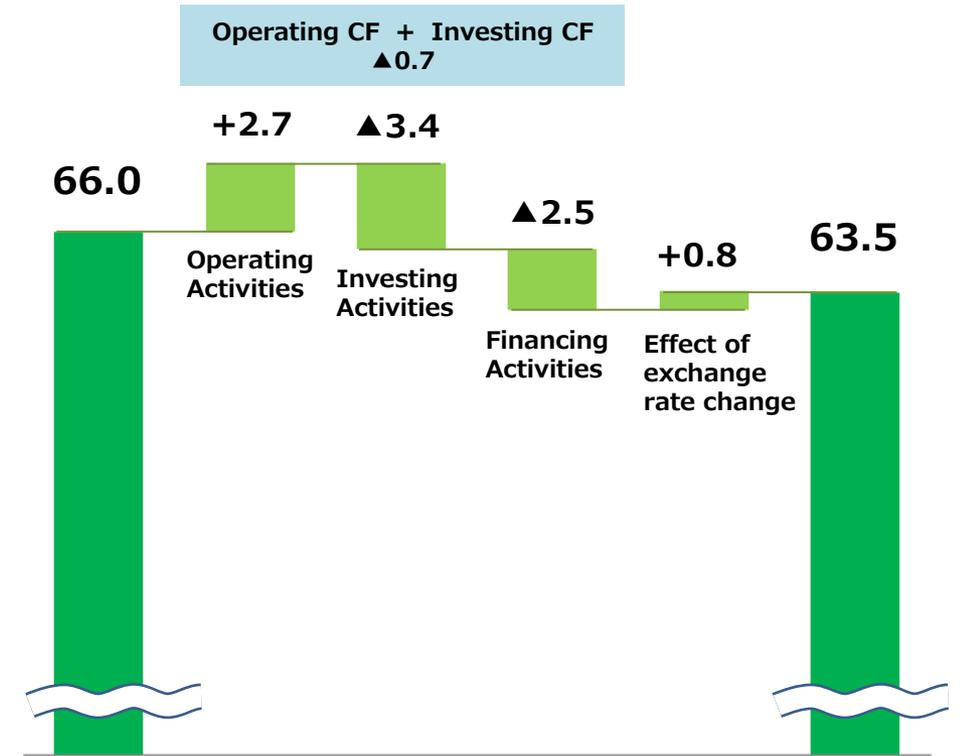
Note 2. Increase of Goodwill not included in Capital Expenditures: FY17_1Q: ¥ 0.2 billion, FY18_1Q: ¥ 0.4 billion

Reference : Cash Flow

(billion yen)



FY17_1Q



FY18_1Q

Reference: Features of USHIO Group's Light Sources

	Lamp Projector		Laser Projector		
Light Source	Super High-Pressure UV Lamp	Xenon Lamp	LaPh	RGB Laser (CP-RGB Series)	RGB Laser
Christie's Line up					
	Variety of Projectors (3LCD/1DLP/ 3 DLP)	CP Series Roadie and others	Crimson Series Apr. 2018 Release	CP4325-RGB * Mar. 2018 Release 1. CP2320-RGB 2. CP2315-RGB 3. CP4335-RGB The latter half of 2018 Release	Non Dolby Projector (CP42LH EWD/6P) Dolby Vision Projector (E3LH)
Lumen	<30,000	<45,000	<30,000	<23,000 <35,000	<60,000
Use	■ Gen. Proj. (Office, Home, Education, Hall, Event)	■ Cinema ■ Gen. Proj. (Hall & Event)	■ Non-Cinema ■ Gen. Proj. (Hall & Event)	■ Cinema	■ Laser Cinema (Dolby Cinema, etc.) ■ Gen. Proj. (Industrial VR, Theme park attraction)
Price	Low	Medium	Medium	Medium-High	High
Life	Medium**	Medium-Long**	Medium	Long	Long
Color	△○	○	△	◎	◎

* The industry's first – Lightest & Hi-Quality RGB Laser Projector

** Lamp replacement is necessary. Some lamp projectors. Mercury Lamp for general projection, Xenon Lamp for Cinema, may have longer life than LaPh projector.

Reference: Glossary

DCP	Digital Cinema Projector
FPD	Flat Panel Display
M-SAP	Modified Semi Additive Process
OA	Office Automation
OLED	Organic Light Emitting Diode
RGB	Red Green Blue
UV	Ultraviolet

USHIO

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