

2nd Quarter FY2018 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.

October 30, 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 increased YoY For 1H FY2017**
- **Operating income and ordinary income outperformed 1H forecasts.**
- **Maintained full-year forecasts**

I. Financial Results for 2Q FY2018

II. Future Prospects

III. Supplementary Information

Highlights of Financial Results for 2Q FY2018

Consolidated Net Sales up 3.3% year on year to ¥85.2 billion
Consolidated Operating Income up 79.7% year on year to ¥5.6 billion.
Higher sales and earnings overall.

- Outperformed 1H forecasts announced on May 11 -

Net Sales : ¥ 85.2 billion (+ ¥ 2.6 billion YoY, up 3.3%)

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

Operating Income : ¥ 5.6 billion (+ ¥ 2.5billion YoY, up 79.7%)

■ 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 : ¥ 8.2 billion

(+ ¥ 6.4billion YoY, UP 348.0%)

■ Profit attributable to owners of parent increased due to lower foreign exchange losses and gain on return of the substitutional portion of the employees' pension fund (1Q: ¥6.0 billion)

*FOREX 2Q FY2017 : 1 dollar = 111 yen

Summary of Financial Results 2Q FY2018

(billion yen)	FY16 1H	FY17 1H	YoY		1H Forecasts (Announced on May 11)	Achievement Rate(%)	
			Changes	%			
Sales	82.5	85.2	+2.6	+3.3	87.0	97.9	
Operating Income	3.1	5.6	+2.5	+79.7	4.5	125.4	
Operating Income (%)	3.8	6.6	+2.8P	-	5.2	-	
Ordinary Income	3.0	7.0	+3.9	+128.0	5.5	127.7	
Profit Attributable to Owners of Parent	1.8	8.2	+6.4	+348.0	8.5	97.6	
EPS (yen)	14.46	64.94	+50.47	+349.0	66.53	-	
FOREX (yen)	USD	107	111	+4	-	110	-
	EUR	120	126	+6	-	115	-

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

against USD

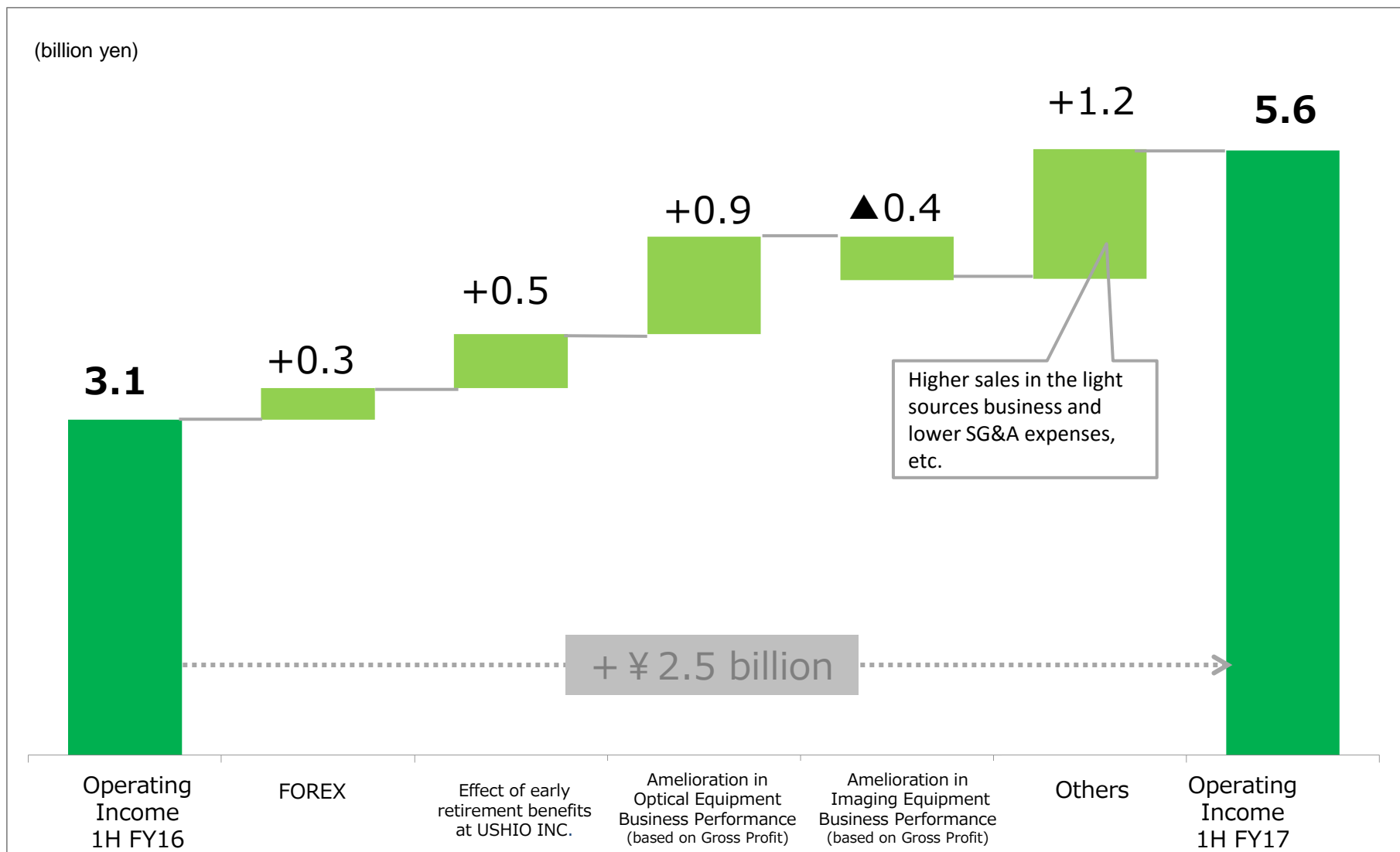
Sales

Approx. ¥ 1.0 billion

Operating Income

Approx. ¥ 0.15billion

Variation Analysis of Operating Income of 1H



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."

Major reasons for the shortfall in net sales

▲ ¥1.7 billion, Achievement rate of 98%

- Soft sales of imaging equipment and lamps for cinema in the imaging-related business
- Certain inspections of optical equipment were postponed to 2H

Major reasons for achieving the operating income

+ ¥1.1 billion, Achievement rate of 125%

- Improved profitability due to a better product mix for optical equipment
- Growth in sales of UV lamps, driven by strong semiconductor- and FPD-related markets

Financial Results by Business Segments

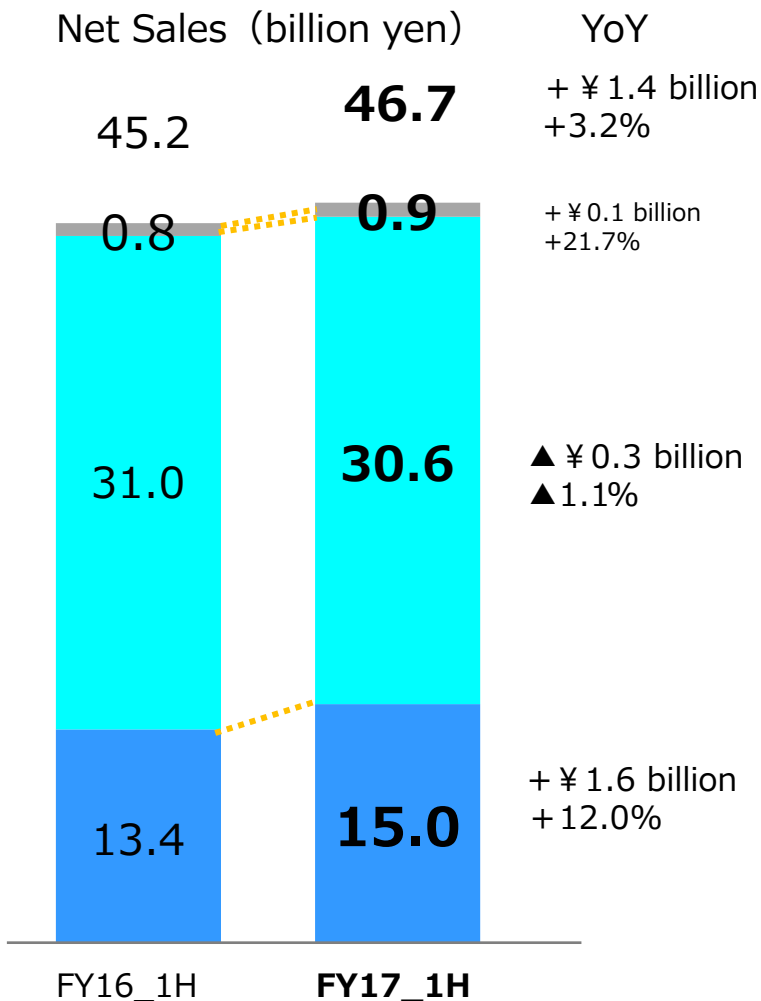
(billion yen)		FY16 1H	FY17 1H	YoY		FY17 Forecast (Announced on May 11)	% of achievement
				Changes	%		
Equipment	Sales	45.2	46.7	+1.4	+3.2	102.5	45.6
	Operating Income	▲1.1	0.0	+1.1	-	-	-
	Operating Income (%)	▲2.5	0.0	+2.5P	-	-	-
Light Sources	Sales	35.9	36.9	+1.0	+2.9	74.5	49.6
	Operating Income	4.0	5.4	+1.4	+35.5	-	-
	Operating Income (%)	11.3	14.8	+3.6P	-	-	-
Others	Sales	1.3	1.5	+0.2	+17.5	3.0	51.0
	Operating Income	▲0.0	0.0	+0.0	-	-	-
	Operating Income (%)	▲0.2	5.6%	+5.9P	-	-	-
Elimination and corporate	Operating Income	0.2	0.0	▲0.1	-	-	-

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



1H Overview

Imaging Equipment

Cinema : ▲3%

- Digital cinema projector (DCP) shipments decreased by over 10%

General imaging : +1%

- Increase in solutions-based projects

Optical Equipment

UV equipment : +35%

- Strong sales of direct image exposure systems for main substrates of next generation smartphones. Sales were also strong for excimer cleaning units for OLED manufacturing lines

Cure equipment : ▲32%

- Investment projects are concentrated in 2H

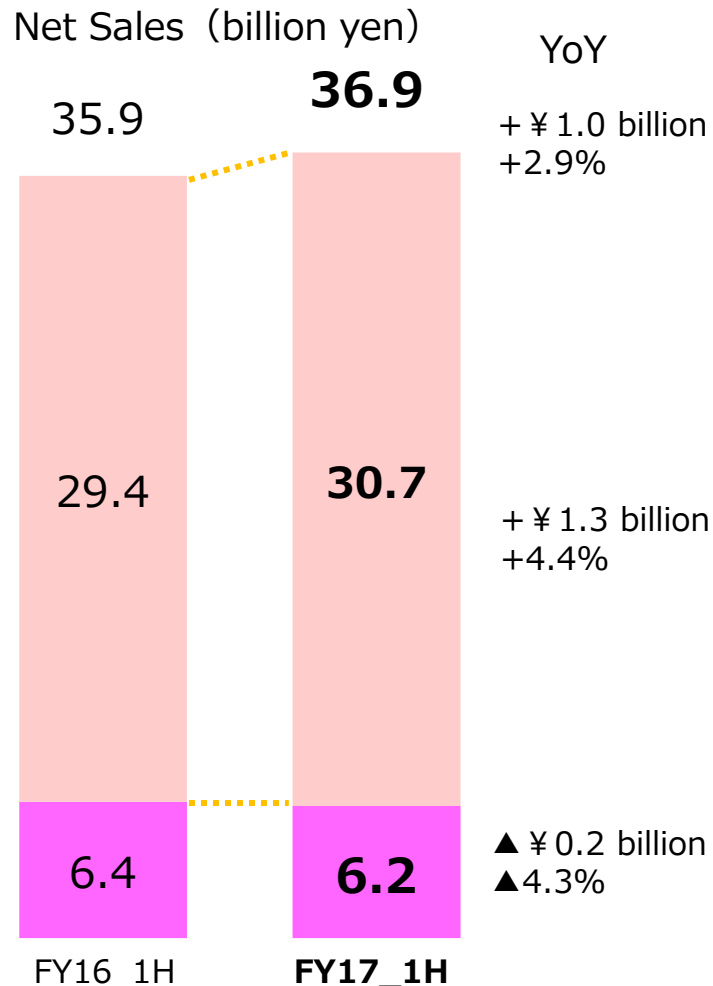
Illumination and others

- Decrease in large-scale projects

Note : Net sales indicates sales to unaffiliated customers

Business Segment Overview (2)

Light Sources Business



Note : Net sales indicates sales to unaffiliated customers.

1H Overview

Discharge Lamp

UV lamps : +10%

- Reflected growth in capital investment related to semiconductors and flat panel displays. Maintained high capacity utilization rates.

Lamps for cinema : ▲5%

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

Lamps for data projectors : +17%

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

Halogen Lamp

Lamps for OA : +2%

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

Lamps for lighting : ▲27%

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

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Forecasts for Full-year FY2017

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

(billion yen)	1 H Results	Full-year forecast (Announced on May 11)	% of achievement (Full FY17)
Net Sales	85.2	180.0	47.3
Operating Income	5.6	10.0	56.4
Operating Income(%)	6.6	5.6	—
Ordinary Income	7.0	11.5	61.1
Profit Attributable to Owners of Parent	8.2	11.0	75.4
FOREX (yen) USD	111	110	—
 EUR	126	115	—

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

Certain parts of previous forecasts have been revised

(billion yen)		(A) Previous Forecasts (Announced on May. 11)	(B) The latest forecasts (Announced on Oct. 30)	(B)-(A)	Major reasons for the change	
Net Sales	Equipment Business	Imaging Equipment	72.5	67.5	▲5.0	■ Imaging Equipment ▲5billion Postponement of a laser cinema projector project
		Optical Equipment	27.5	32.5	+5.0	
		Illumination and others	2.5	2.5	—	■ Optical Equipment +5billion Increase in investment projects, including stronger demand for direct image exposure systems for main substrates of next-generation smartphones
		Sub-total	102.5	102.5	—	
	Light Sources Business	Discharge lamps	62.5	62.5	—	No Changes Demand for UV lamps continues to trend firmly, as it did in 1H. Meanwhile, lamps for cinema are expected to be impacted even more by the conversion to solid-state light sources in China
		Halogen lamps	12.0	12.0	—	
		Sub-total	74.5	74.5	—	
	others	Machinery for industrial use and other	3.0	3.0	—	
	Total		180.0	180.0	—	

Forecast by Business Segment

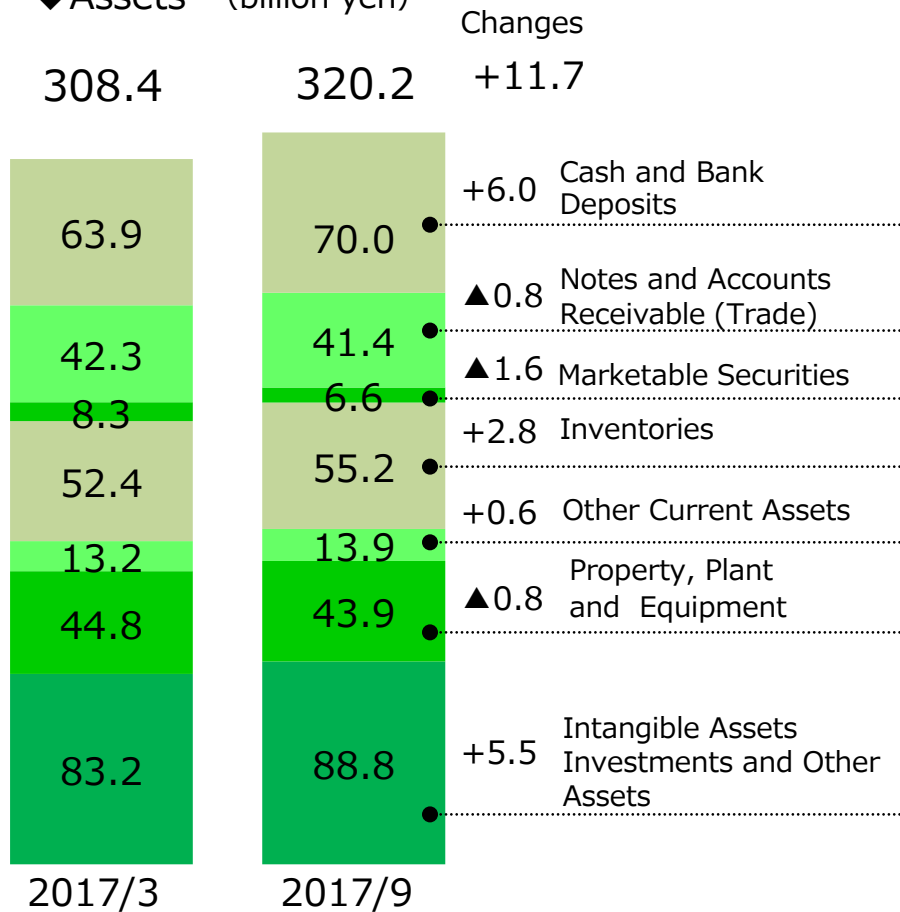
(billion yen)

		(A) Full-year plan <small>(announced on Oct. 30)</small>	(B) 1 H Results	(C) 2H Forecast (A)-(B)	(C)-(B)	2H Forecasts	
Net Sales	Equipment Business	Imaging Equipment	67.5	30.6	36.8	+6.1	<p>■ Imaging Equipment DCP shipments are projected to exceed shipments in 1H</p> <p>■ Optical Equipment Demand for exposure systems for OLED is projected to increase. Demand for exposure systems for electronic components is also expected to remain firm</p>
		Optical Equipment	32.5	15.0	17.4	+2.3	
		Illumination and others	2.5	0.9	1.5	+0.5	
		Sub-total	102.5	46.7	55.7	+8.9	
	Light Sources Business	Discharge lamps	62.5	30.7	31.7	+1.0	<p>■ Discharge lamps Favorable market conditions are expected to remain in place for UV lamps. Cinema lamps will continue to be affected by increased conversion to solid-state light sources in China</p> <p>■ Halogen lamps Demand for office automation (OA) lamps is projected to edge</p>
		Halogen lamps	12.0	6.2	5.7	▲0.4	
		Sub-total	74.5	36.9	37.5	+0.5	
	Others	Machinery for industrial use and other	3.0	1.5	1.4	▲0.0	
	Total		180.0	85.2	94.7	+9.5	

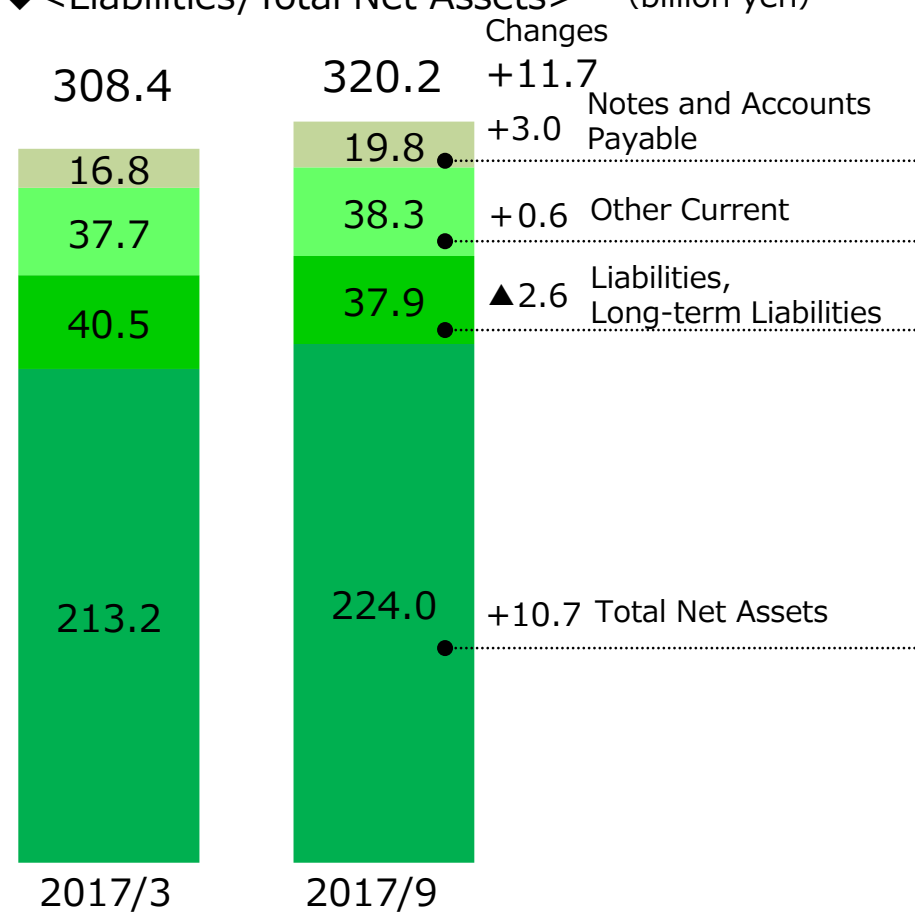
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Reference: Balance Sheet

◆ Assets (billion yen)



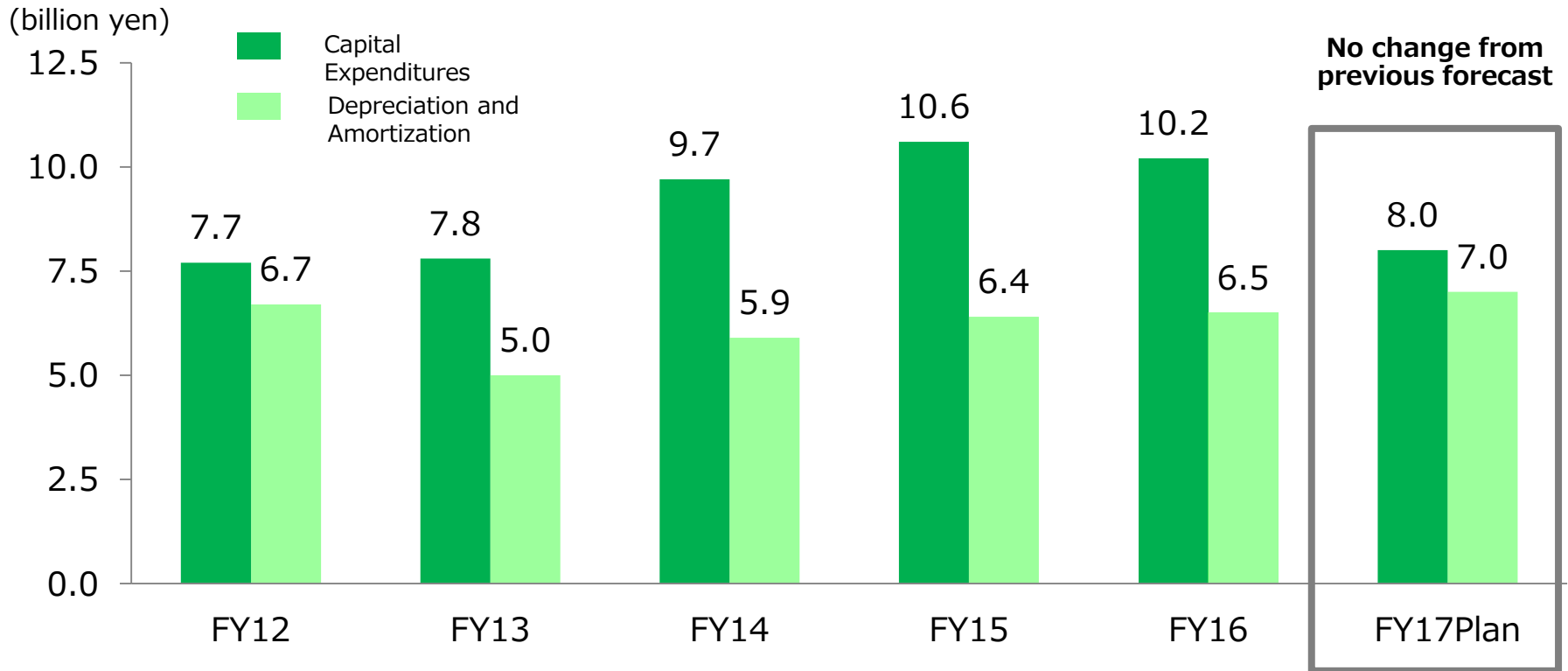
◆ <Liabilities/Total Net Assets> (billion yen)



● Turnover (month)	2017/3	2017/9
Receivable-trade	2.8	2.8
Inventories	3.8	3.9

● Equity Ratio (%)	2017/3	2017/9
	68.9	69.8

Reference: Capital Expenditures, Depreciation and Amortization



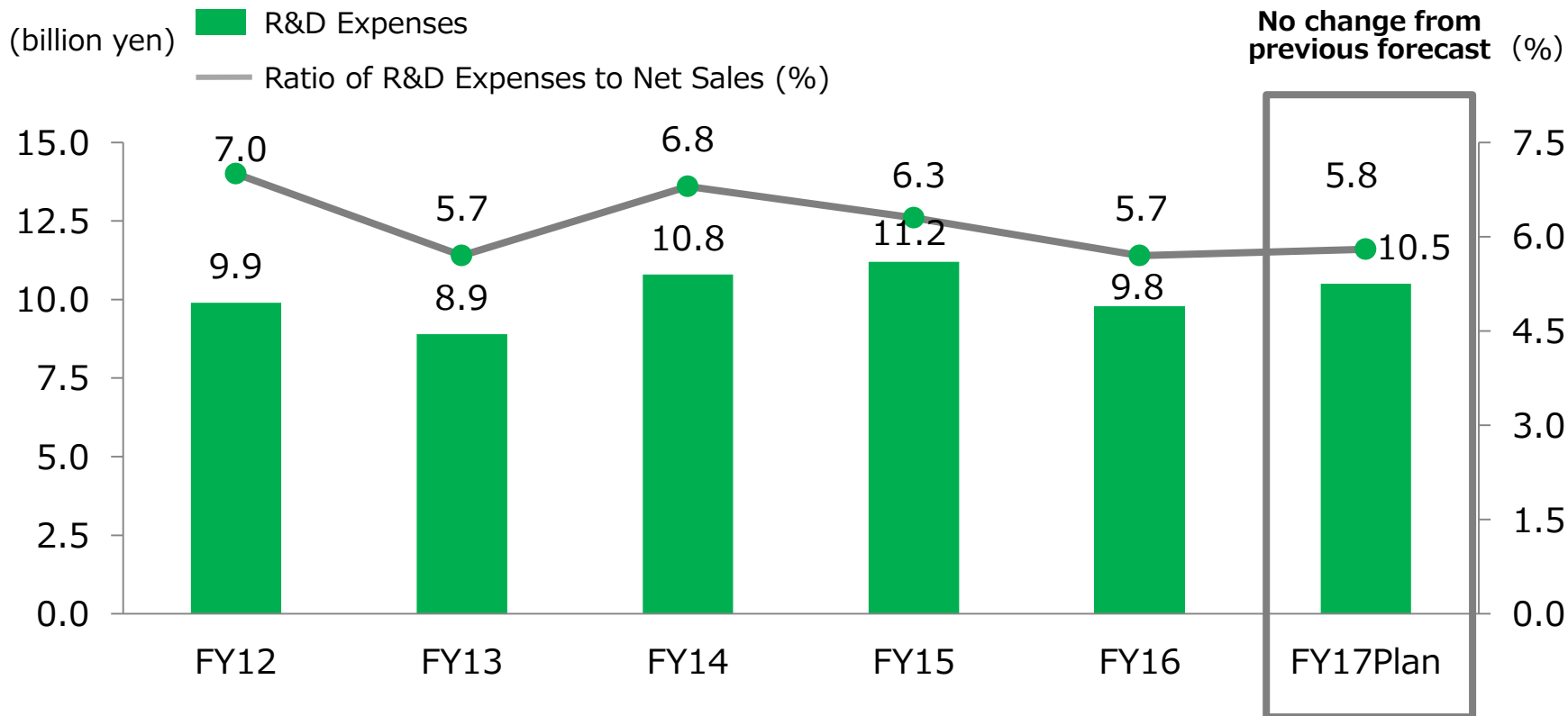
(billion yen)

	FY16 1H	FY17 1H	YoY	
			Changes	%
Capital Expenditures	4.4	2.3	▲2.0	▲47.3
Depreciation and Amortization	3.2	3.3	+0.0	3.0

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

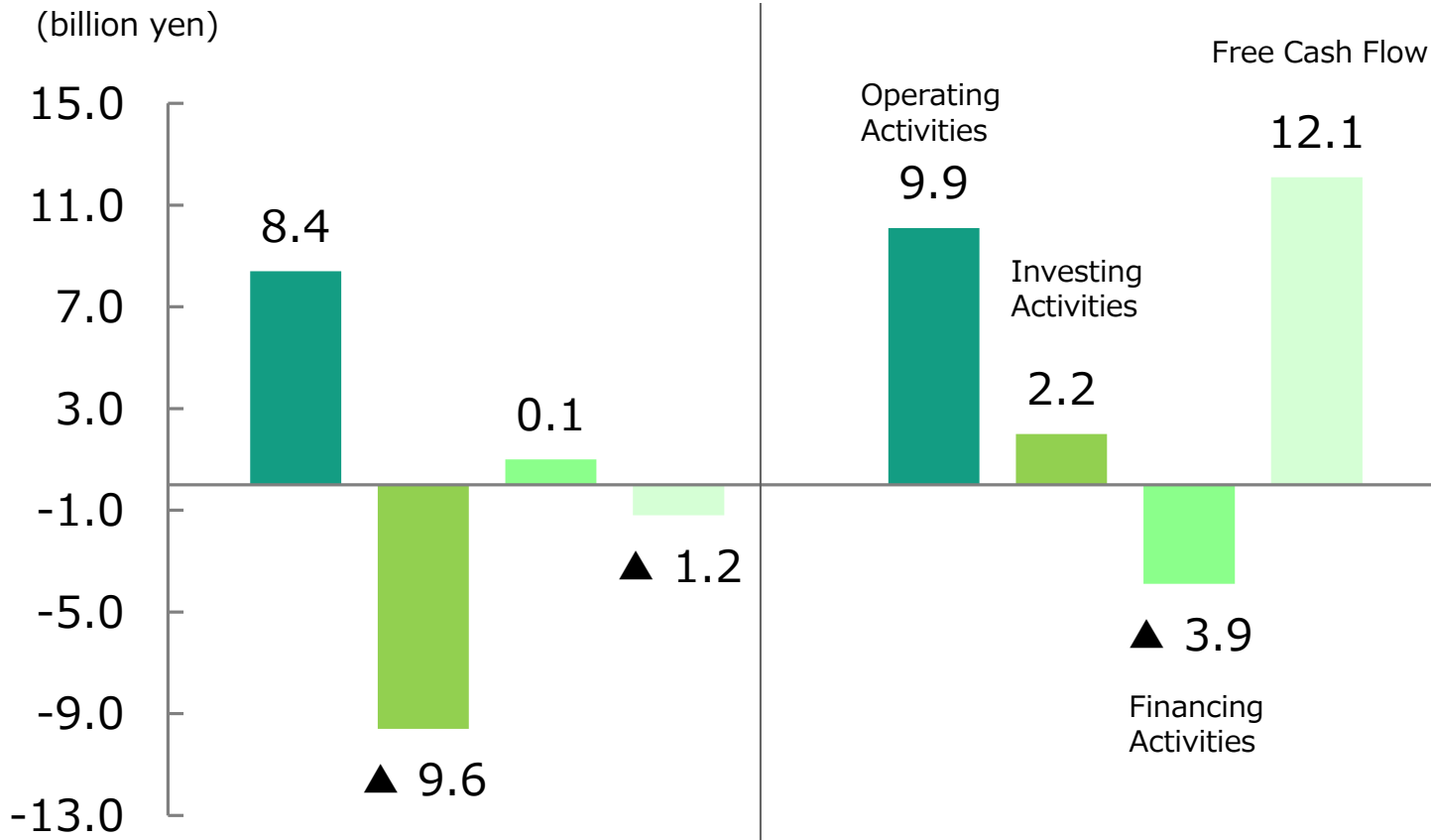
Note 2. Increase of Goodwill not included in Capital Expenditures: FY16_1H:-, FY17_1H:0.2

Reference : R&D Expenses



(billion yen)	FY16	FY17	YoY	
	1 H	1 H	Changes	%
R&D Expenses	5.0	5.0	▲0.0	▲0.5
Ratio of R&D Expenses to Net Sales(%)	6.1	5.9	▲0.2P	-

Reference : Cash Flow



FY16_1 H

Cash and Cash Equivalents at the Beginning of the FY	47.8
Cash and Cash Equivalents in the End of the FY	43.0

FY17_1 H

Cash and Cash Equivalents at the Beginning of the FY	50.9
Cash and Cash Equivalents in the End of the FY	60.8

Reference: Other Income and Expenses, Extraordinary Income and Losses «1H»

(billion yen)	FY16 1H	FY17 1H	YoY	(billion yen)	FY16 1H	FY17 1H	YoY
Other Income	1.2	1.8	+0.5	Extraordinary Income	0.8	6.2	+5.4
Dividend income	0.6	0.7	+0.0	Gain on sales of non-current assets	0.0	0.1	+0.1
others	0.6	1.1	+0.4	Gain on sales of investment securities	0.7	0.0	▲0.7
Other Expenses	1.3	0.4	▲0.9	Gain on return of the substitutional portion of the employees' pension fund	-	6.0	+6.0
Interest expenses	1.0	0.1	▲0.8	Extraordinary Losses	0.7	0.7	+0.0
others	0.3	0.2	▲0.0	others	0.7	0.7	+0.0
Other Income and Expenses	▲0.0	1.3	+1.4				

Reference: Comparison to Previous Quarter «QoQ»

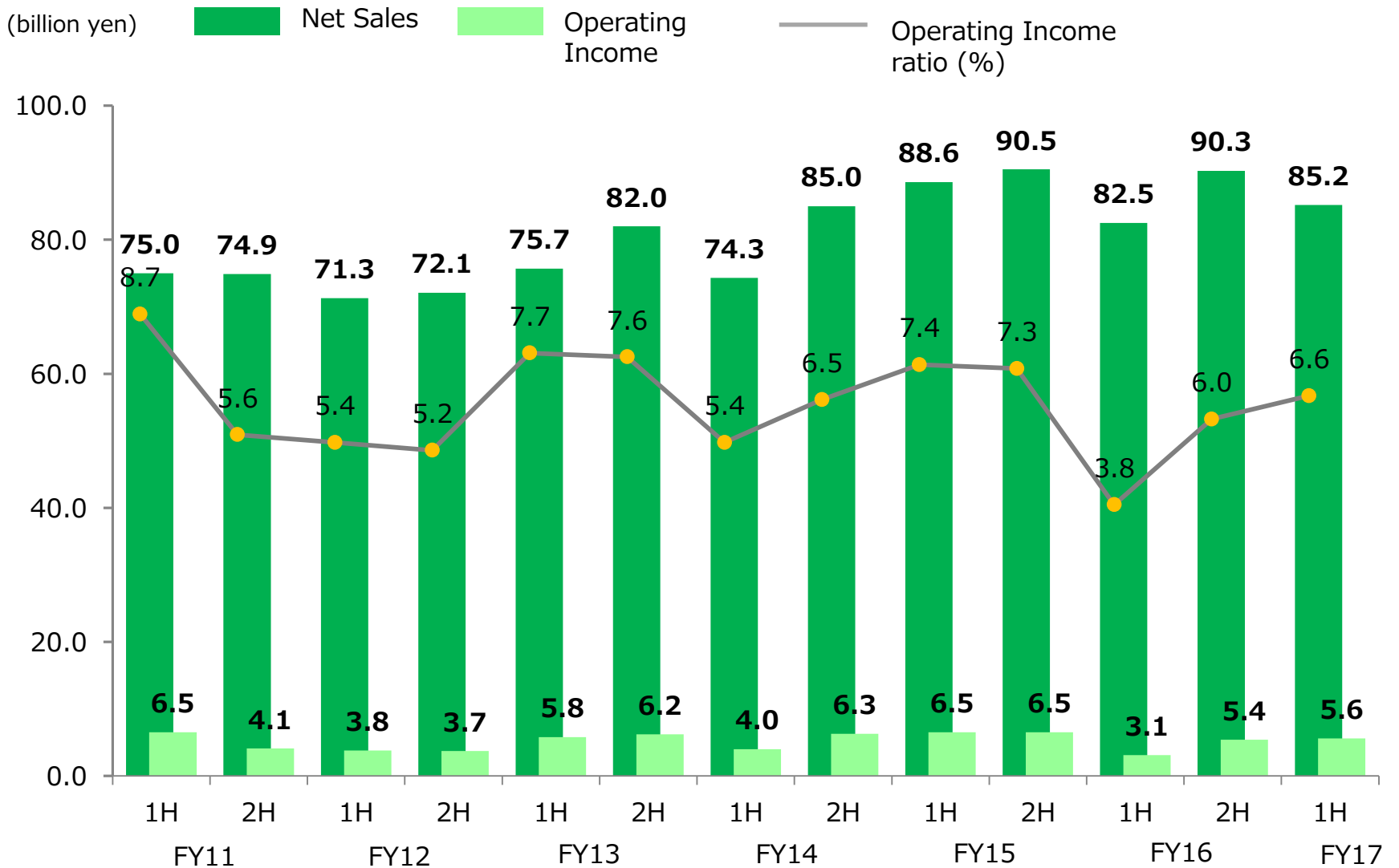
QoQ

(billion yen)	FY17	FY17	QoQ	
	1Q	2Q	Changes	%
Net Sales	41.7	43.4	+1.7	+4.2
Operating Income	2.8	2.8	+0.0	+0.5
Operating Income (%)	6.7	6.5	▲0.2P	-
Ordinary Income	3.9	3.0	▲0.8	▲21.5
Profit Attributable to Owners of Parent	6.5	1.7	▲4.8	▲73.5
EPS(yen)	51.32	13.62	▲37.70	▲73.5
FOREX (yen)				
USD	111	111	▲1	
EUR	122	130	+8	

QoQ by business segment

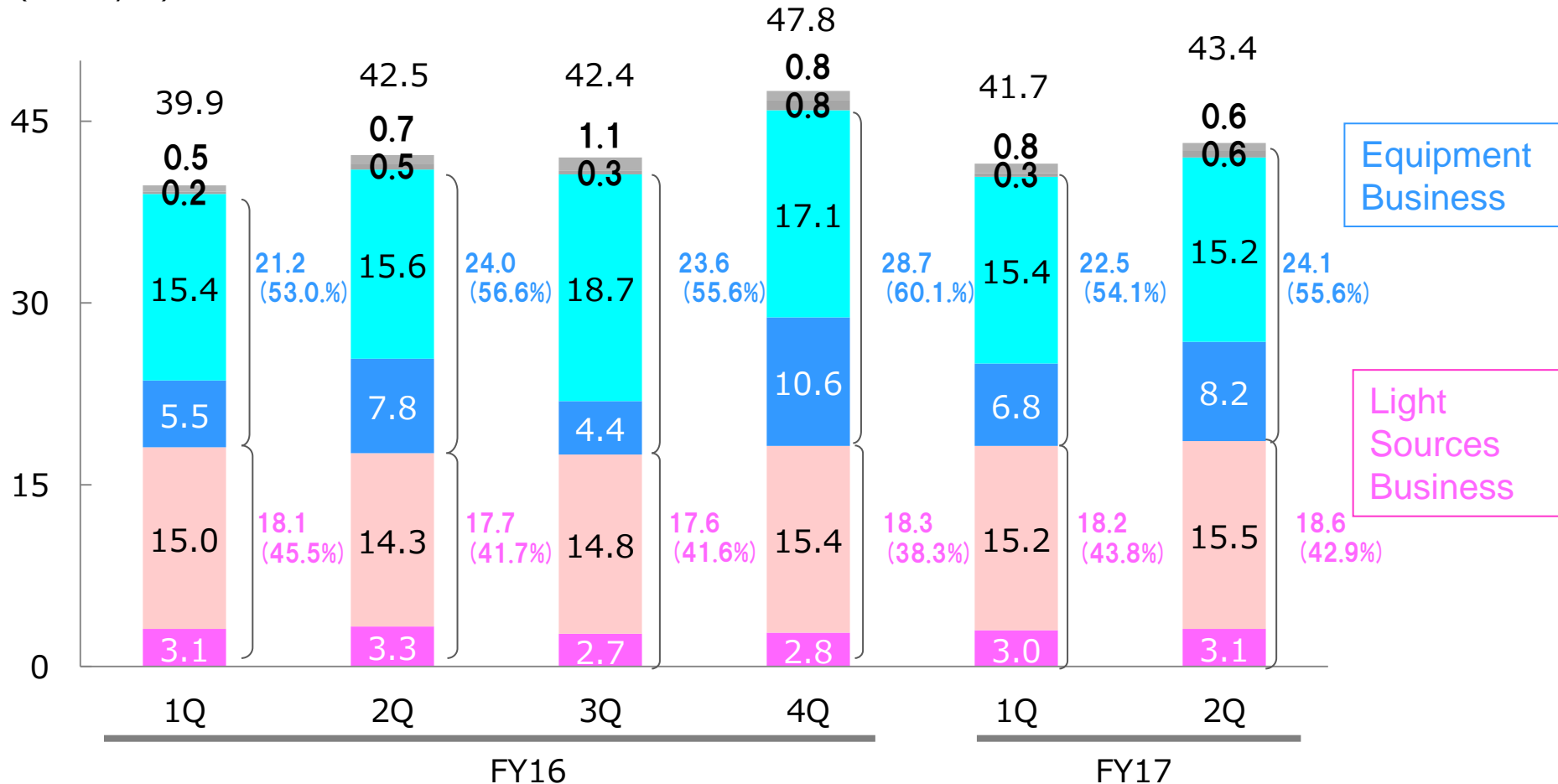
(billion yen)	FY17	FY17	QoQ	
	1Q	2Q	Changes	%
Equipment				
Net Sales	22.5	24.1	+1.6	+7.1
Operating Income	0.0	▲0.0	▲0.0	▲173.8
Operating Income(%)	0.2	0.0	▲0.2P	-
Light Sources				
Net Sales	18.2	18.6	+0.3	+2.0
Operating Income	2.6	2.8	+0.2	+8.1
Operating Income(%)	14.4	15.3	+0.9P	-
Others				
Net Sales	0.8	0.6	▲0.1	▲22.6
Operating Income	0.0	0.0	▲0.0	▲67.6
Operating Income(%)	7.6	3.2	▲4.4P	-

Reference: Transition of Net Sales and Operating Income



Reference: Sales by Sub-segment «Quarter»

(billion yen)



Equipment

- Imaging
- Optical

Light Sources

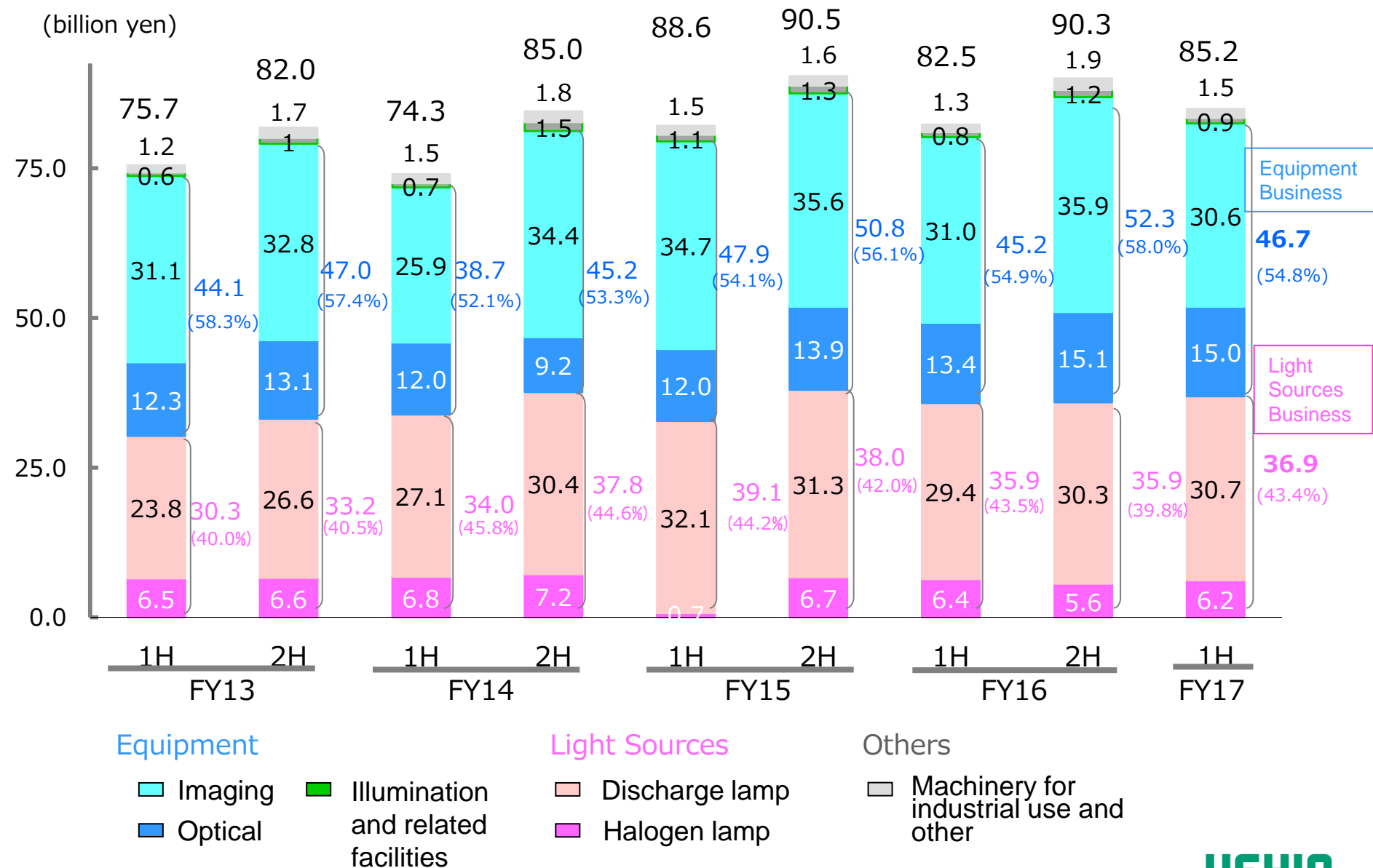
- Illumination and related facilities
- Discharge lamp
- Halogen lamp

Others

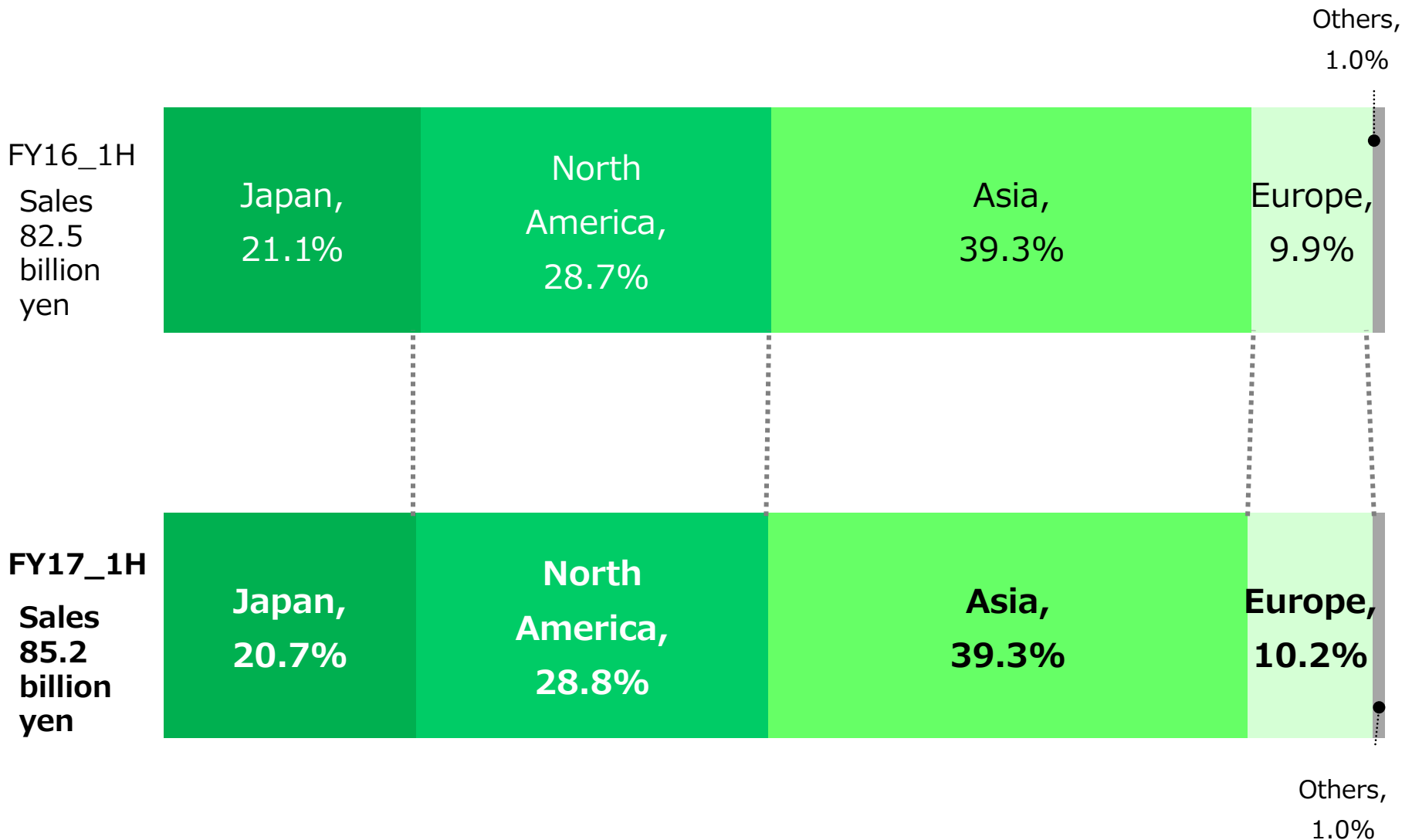
- Machinery for industrial use and other

Reference: Sales by Sub-segment «Half-year»





(billion yen)



Reference: Sales Ratio



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"> • General imaging (Data projectors for use in office, home, and for education) • Cinema (Multi-bulb) 	<ul style="list-style-type: none"> • Cinema • General imaging 	<ul style="list-style-type: none"> • Cinema(China, etc.) • General imaging (halls, events, etc.) 	<ul style="list-style-type: none"> • Laser cinema (Dolby Cinema, etc.) • General imaging (industrial VR, theme park attractions, etc.)
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
VR	Virtual Reality
FPD	Flat Panel Display

USHIO

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