

2nd Quarter FY2018 Financial Results

The logo for Ushio, consisting of the word "USHIO" in a bold, white, sans-serif font, positioned on a dark green background.

USHIO INC.

October 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.**

2Q FY2018 Overview

- **Net sales and earnings decreased** YoY For 2Q FY2018
- **No change** in full-year forecasts for FY2018
- Earnings structural reforms in Imaging Equipment **are progressing as planned**

- I. Financial Results for 2Q FY2018
- II. Future Prospects
- III. Supplementary Information

Highlights of Financial Results

Net Sales down 3.1% year on year to ¥82.6 billion
Operating Income down 5.0% year on year to ¥5.3 billion.

Progress against full-year forecasts : Net Sales 45.9%, Operating Income 42.9%

Net Sales : 82.6 billion yen (▲2.6 billion yen YoY, ▲3.1%)

- Equipment Business:
- Sales of optical equipment increased YoY on strong sales of lithography equipment related to electronic devices.
 - Sales of imaging equipment decreased YoY due to a smaller number of specific projects compared to the same period of FY2017.
- Light Sources Business:
- Sales decreased due to a smaller number of specific projects compared to the same period of FY2017 and due to ongoing conversion to solid-state light sources (LDs and LEDs)

Operating Income : 5.3 billion yen (▲0.2 billion yen YoY, ▲5.0%)

Operating income decreased due to the lower net sales; Implemented cost reductions centered on imaging equipment

Profit Attributable to Owners of Parent : 3.5 billion yen
(▲4.7 billion yen, ▲57.7%)

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\$ = 109 yen

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

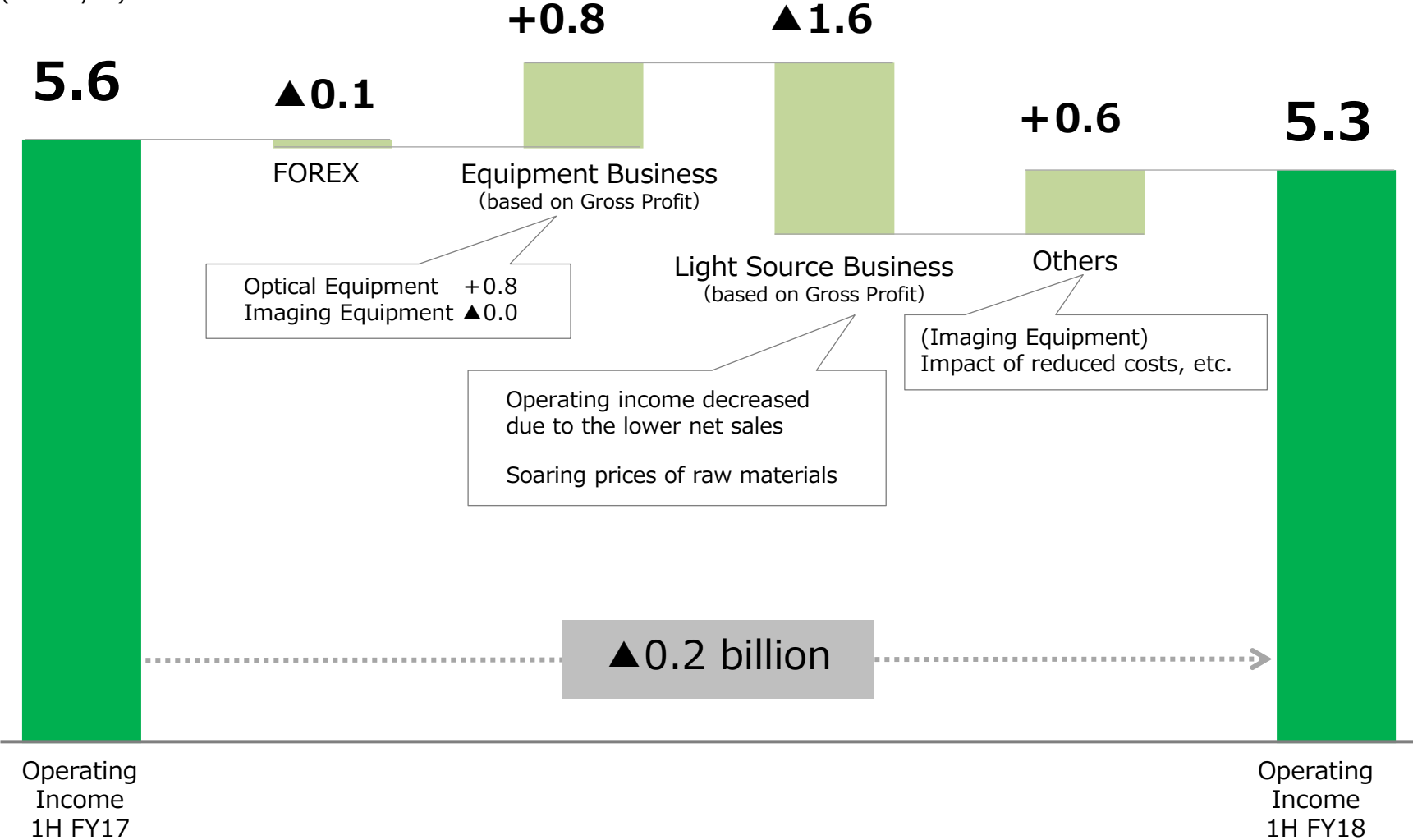
	Net Sales	Operating Income
against USD	Approx. ¥ 1.0 billion	Approx. ¥ 0.15 billion

Summary of Financial Results

(billion yen)		FY17 1H	FY18 1H	YoY	
				Changes	%
Net Sales		85.2	82.6	▲2.6	▲3.1
Operating Income		5.6	5.3	▲0.2	▲5.0
Operating Income (%)		6.6	6.5	▲0.1P	-
Ordinary Income		7.0	7.2	+0.2	+3.1
Profit Attributable to Owners of Parent		8.2	3.5	▲4.7	▲57.7
EPS (yen)		64.94	27.46	▲37.47	▲57.7
FOREX (yen)	USD	111	109	▲2	-
	EUR	126	130	+4	-

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 forex impact.

Financial Results by Business Segments

(billion yen)		FY17 1H	FY18 1H	YoY	
				Changes	%
Equipment	Net Sales	46.7	46.6	▲0.0	▲0.2
	Operating Income	0.0	0.1	+0.1	-
	Operating Income (%)	0.0	0.4	+0.4P	-
Light Sources	Net Sales	36.9	34.5	▲2.4	▲6.6
	Operating Income	5.4	4.8	▲0.6	▲11.2
	Operating Income (%)	14.9	14.1	▲0.7P	-
Others	Net Sales	1.5	1.4	▲0.1	▲7.2
	Operating Income	0.0	0.0	▲0.0	▲45.9
	Operating Income (%)	5.6	3.3	▲2.4P	-
Elimination and corporate	Operating Income	0.0	0.2	+0.1	+327.2

Note : Net Sales indicates sales to unaffiliated customers.

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

Business Environment

Electronics Field

Semiconductors- and electrical components-related markets

- Solid demand for various electronic devices due to advances in IoT, 5G, and automotive applications
- Solid demand for electronic devices for smaller and more sophisticated smartphones
- Demand related to M-SAP settled down

FPD-related markets

- Middle-small panel: settled down after transferred from LCD to OLED
- Large-size panel: Equipment investment demand increased mainly in LCD market

Visual Imaging Field

Cinema field

- Continuous increase installations of new movie theaters in China, however, settled down of new movie theaters in other countries
- More than half of new movie theaters in China install solid-state type light source projectors
- Continuous replacement of light source part (Xenon lamp to solid-state light)

General Imaging field

- Trend of increasing visual imaging needs in the entertainment field

Data Projector field

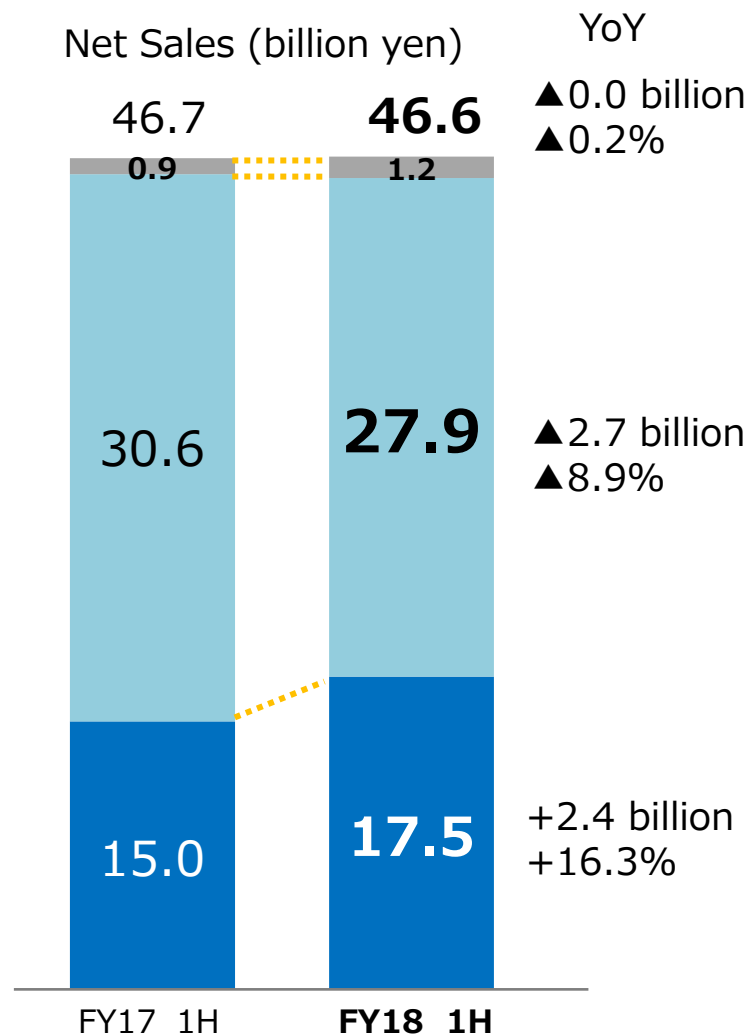
- Continuous increase of the rate of solid-state light sources employed in high-illuminate projectors

Overall

Impact of U.S.-China trade friction was insignificant and Ushio will pay close attention to the future risks

Business Segment Overview (1)

Equipment Business



Note : Net sales indicates sales to unaffiliated customers.

Business Overview (1 H)

Imaging Equipment

Cinema : ▲8%

- Digital cinema projector (DCP) Sales volume decreased YoY
- Rate increased of high value-added RGB later projectors

General Imaging : ▲9%

- Decreased in solutions-based projects YoY

Optical Equipment

UV equipment : +18%

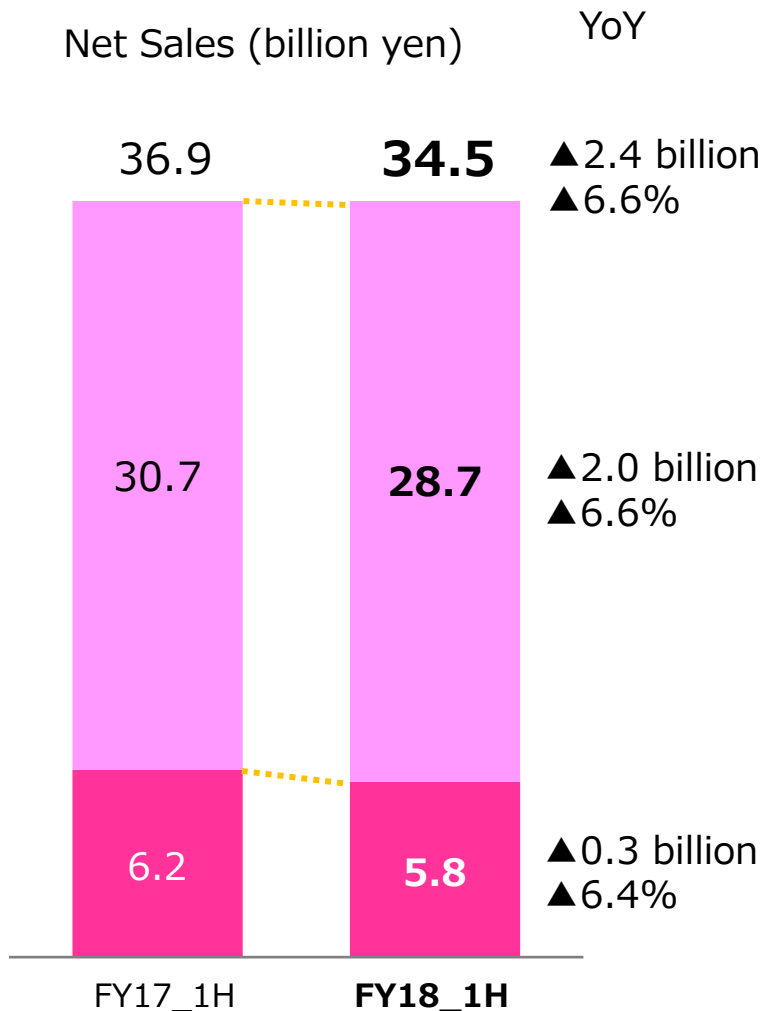
- Demand settled down for direct imaging exposure systems for M-SAP, which had expanded in the previous fiscal year
- Sales increased of projection lithography equipment for electronic devices centered on smartphones

Cure equipment : +24%

- Sales volume of photo-alignment equipment decreased
- Sales increased of LCD-related equipment

Business Segment Overview (2)

Light Sources Business



Business Overview (1 H)

Discharge Lamp

UV lamps : +0%

- Sales decreased for OLED-related lamps, which had expanded in the previous fiscal year, due to the impact of investment restraint
- Demand increased for large LCD panels

Lamps for cinema : ▲6%

- Demand for lamps decreased due to conversion to solid-state light sources in Chinese market

Lamps for data projectors : ▲20%

- Sales decreased for a specific user which had expanded in the previous FY
- Demand for lamp decreased due to conversion to solid-state light sources in the market

Halogen Lamp

Lamps for OA : ▲6%

- Sales decreased for shipment delay for a specific user

Note : Net sales indicates sales to unaffiliated customers.

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Full-Year Forecasts

No change in the full-year forecasts announced previously

despite of uncertain business environment in second half

(billion yen)	FY18 1H	Full-Year Forecasts	Progress (%)
Net Sales	82.6	180.0	45.9
Operating Income	5.3	12.5	42.9
Operating Income (%)	6.5	6.9	-
Ordinary Income	7.2	14.0	51.7
Profit Attributable to Owners of Parent	3.5	11.5	30.5
EPS (yen)	27.46	90.04	30.5
Forex (yen) USD	109	105	-
EUR	130	125	-

Net Sales by Sub-segments

(billion yen)

		FY18 Full-Year Plan	FY18 1H	Progress (%)	2H Forecasts	
Net Sales	Equipment	Imaging- equipment	60.0	27.9	46.6	<ul style="list-style-type: none"> • Sales increase of DCP is expected for Year-end sales • Sales of RGB laser projectors are expected to expand • Execution of earnings structural reforms will continue
		Optical- equipment	37.5	17.5	46.7	<ul style="list-style-type: none"> • Investment recovery related to M-SAP is forecast to be delayed • Possibilities of delivery shifts to next FY • Stable demand growth of electronic devices • EUV-related sales are forecast to be recorded as planned in 2H
		Illumination and others	1.5	1.2	80.2	
		Sub-total	99.0	46.6	47.1	
	Light Sources	Discharge- lamps	64.5	28.7	44.5	UV lamps <ul style="list-style-type: none"> • Continued solid demand for large LCD panels • Concerns that OLED-related demand will be weak Lamps for cinema <ul style="list-style-type: none"> • Concerns that the conversion to solid-state light sources will have a long impact
		Halogen lamps	12.5	5.8	46.5	Lamps for OA <ul style="list-style-type: none"> • Sales mix of high value-added products that fit to the market needs is forecast to increase
		Sub-total	77.0	34.5	44.8	
	Others	Machinery for industrial use and other	4.0	1.4	35.5	
	Total		180.0	82.6	45.9	

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Reference: Summary of Quarterly Financial Results

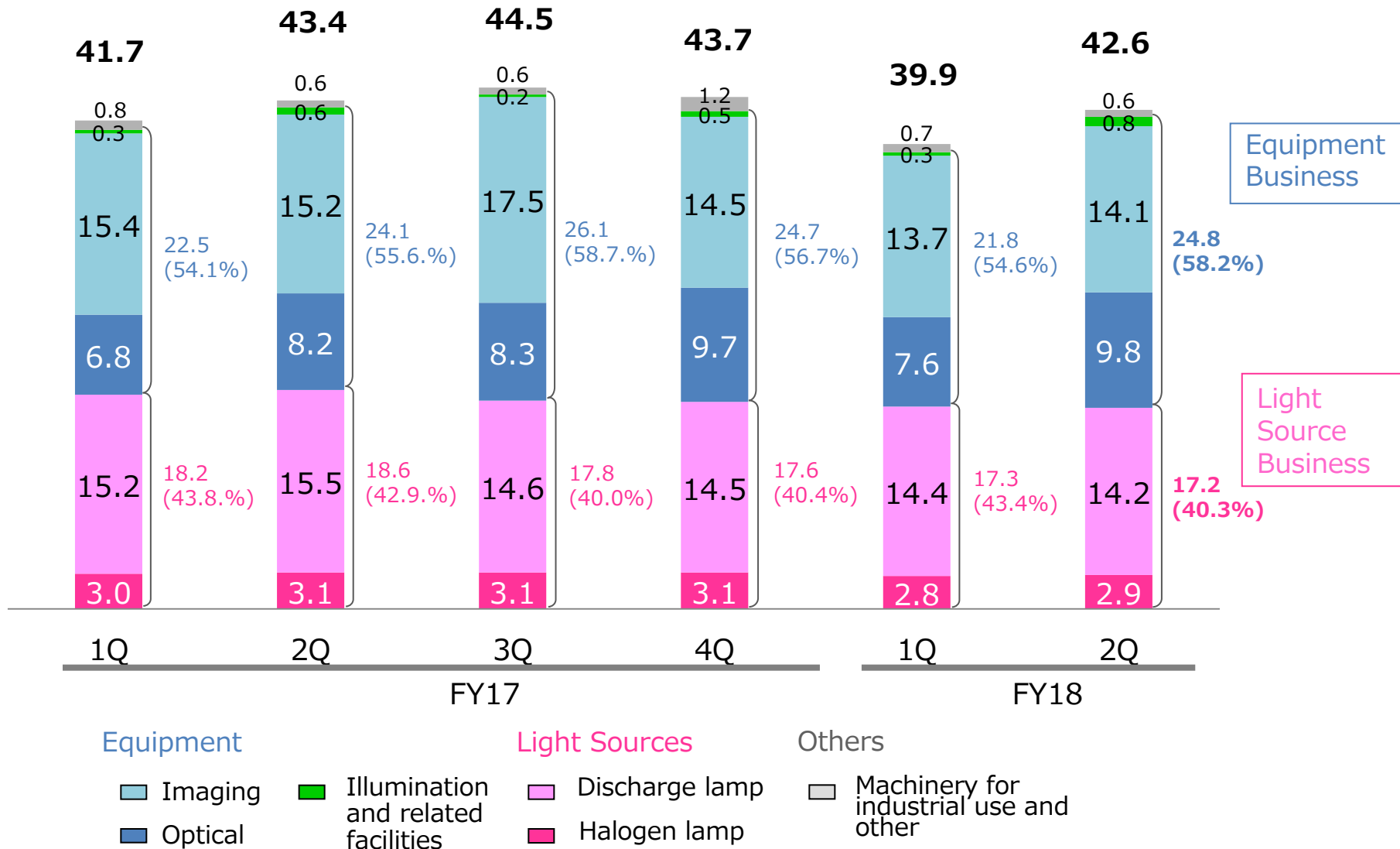
(billion yen)	FY17				FY18		FY18 2Q	-	FY17 2Q	FY18 2Q	-	FY18 1Q
	1Q	2Q	3Q	4Q	1Q	2Q	Changes	%	Changes	%		
Net Sales	41.7	43.4	44.5	43.6	39.9	42.6	▲0.8	▲1.9	+2.7	+6.8		
Operating Income	2.8	2.8	2.9	1.5	2.5	2.8	▲0.0	▲0.4	+0.2	+10.9		
Operating Income (%)	6.7	6.5	6.6	3.6	6.4	6.6	+0.1P	-	+0.2P	-		
Ordinary Income	3.9	3.0	3.7	1.2	3.9	3.2	+0.1	+6.3	▲0.6	▲17.0		
Profit Attributable to Owners of Parent	6.5	1.7	0.2	2.4	2.2	1.2	▲0.4	▲28.1	▲1.0	▲44.6		
EPS (yen)	51.32	13.62	1.63	19.55	17.67	9.79	▲3.83	▲28.1	▲7.88	▲44.6		
Forex (yen)												
USD	111	111	113	110	108	111	-	-	+3	-		
EUR	122	130	132	134	130	129	▲1	-	▲1	-		

Reference: Summary of Quarterly Financial Results by business segments

(billion yen)	FY17				FY18		FY18 2Q	FY17 2Q	FY18 2Q	FY18 1Q
	1Q	2Q	3Q	4Q	1Q	2Q	Changes	%	Changes	%
Equipment										
Net Sales	22.5	24.1	26.1	24.7	21.8	24.8	+0.6	+2.7	+2.9	+13.7
Operating Income	0.0	▲0.0	0.4	▲0.9	0.0	0.1	+0.2	+811.6	+0.1	-
Operating Income Ratio (%)	0.2	▲0.1	1.6	▲3.7	0.0	0.7	+0.8P	-	+0.7P	-
Light Sources										
Net Sales	18.2	18.6	17.8	17.6	17.3	17.2	▲1.4	▲7.8	▲0.1	▲0.7
Operating Income	2.6	2.8	2.4	2.4	2.5	2.3	▲0.5	▲18.9	▲0.2	▲9.8
Operating Income Ratio (%)	14.4	15.3	14.0	13.8	14.8	13.4	▲1.8P	-	▲1.4P	-
Others										
Net Sales	0.8	0.6	0.6	1.2	0.7	0.6	▲0.0	▲6.0	▲0.1	▲20.9
Operating Income	0.0	0.0	0.0	0.0	0.0	0.0	+0.0	+7.0	▲0.0	▲6.1
Operating Income Ratio (%)	7.6	3.2	5.4	0.7	3.0	3.6	+0.4P	-	+0.6P	-

Reference: Quarterly Sales by Sub-segment

(billion yen)



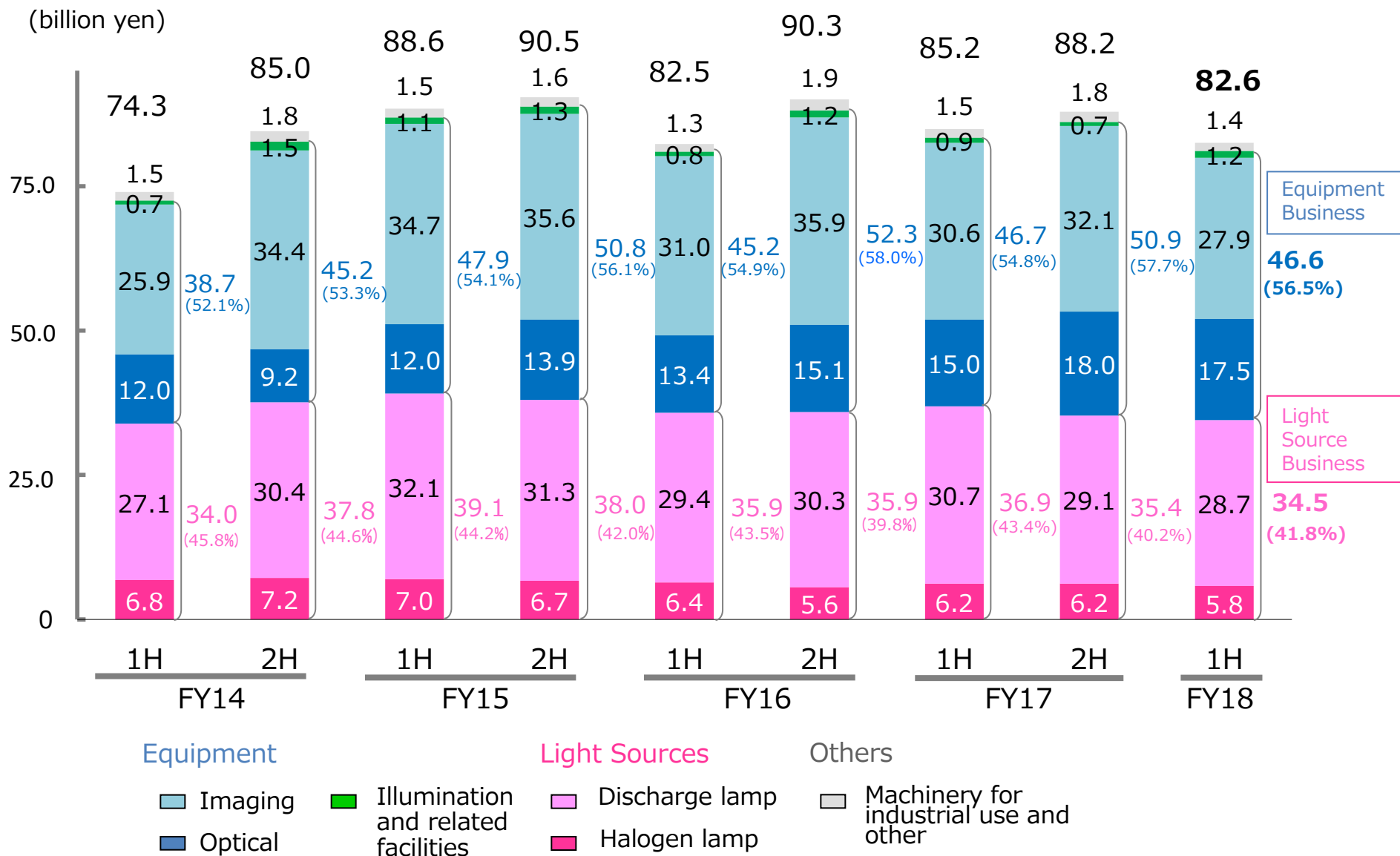
Reference: Quarterly Other Income and Expenses

(billion yen)	FY17				FY18		FY18 2Q	-	FY17 2Q	FY18 2Q	-	FY18 1Q
	1Q	2Q	3Q	4Q	1Q	2Q	Changes	%	Changes	%		
Other Income	1.3	0.5	1.3	0.4	1.5	0.6	+0.1	+24.2	▲0.8	▲58.3		
Interest income	0.2	0.3	0.2	0.4	0.4	0.4	+0.0	+29.0	+0.0	+8.1		
Dividend income	0.6	0.0	0.6	0.0	0.6	0.0	+0.0	+91.5	▲0.6	▲96.2		
Realized and unrealized profit on trading securities, net	0.1	0.0	0.2	▲0.1	0.0	0.0	▲0.0	▲15.5	+0.0	+95.3		
Gain on specified money in trust	0.0	0.0	0.0	▲0.0	0.0	0.0	▲0.0	▲29.4	+0.0	+240.7		
Others	0.1	0.0	0.0	0.2	0.4	0.0	+0.0	+88.3	▲0.3	▲79.4		
Other Expenses	0.1	0.2	0.4	0.8	0.1	0.1	▲0.0	▲31.8	+0.0	+47.9		
Interest expenses	0.1	0.1	0.1	0.2	0.0	0.1	+0.0	+14.9	+0.0	+51.1		
Exchange loss	0.0	0.1	0.2	0.4	-	-	▲0.1	▲100.0	-	-		
Others	0.0	0.0	0.0	0.1	0.0	0.0	+0.0	+236.4	+0.0	+38.3		
Other Income and Expenses	1.1	0.2	0.8	▲0.3	1.4	0.4	+0.2	+78.6	▲0.9	▲67.1		

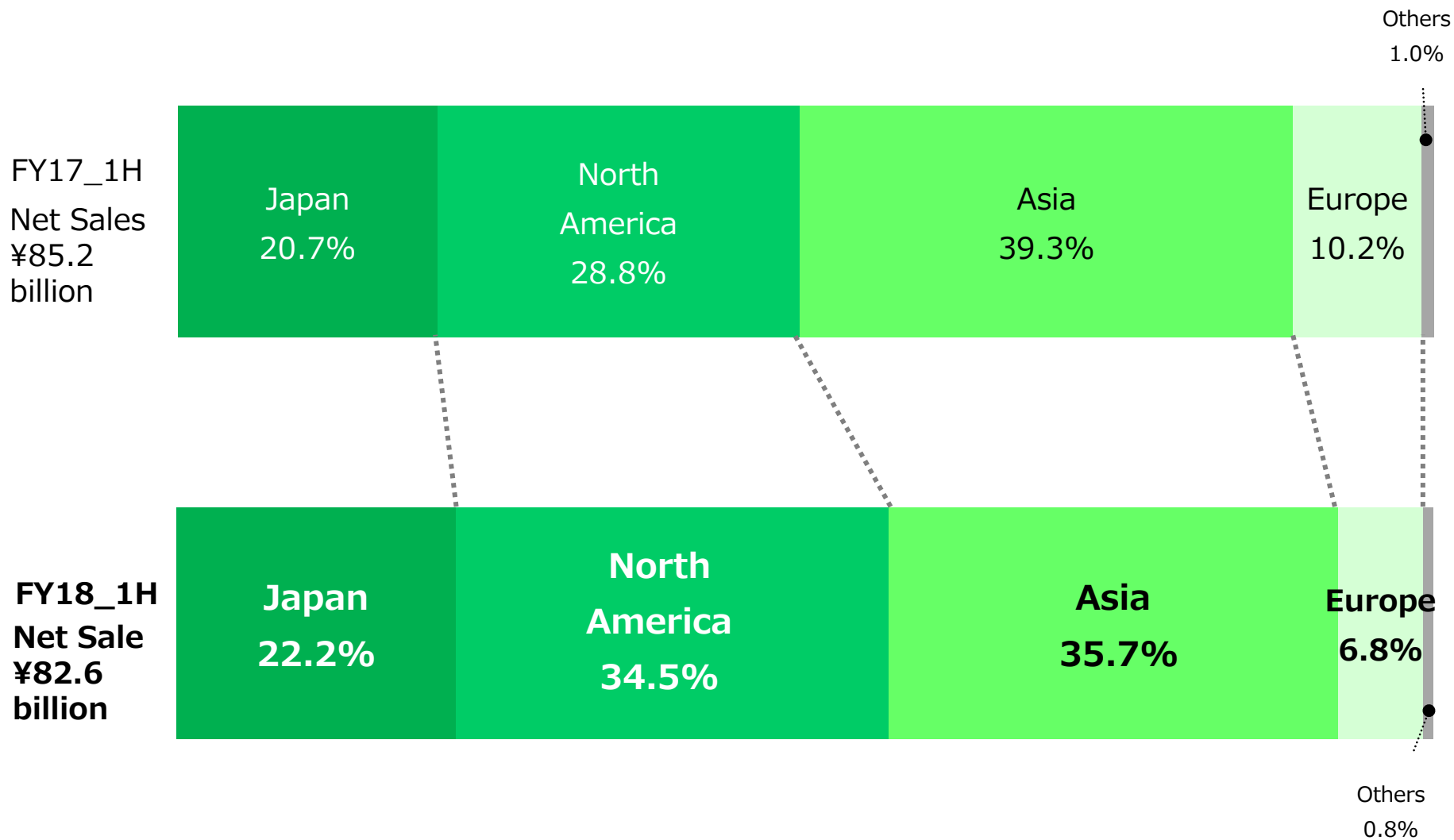
Reference: Quarterly Extraordinary Income and Losses

(billion yen)	FY17				FY18		FY18 2Q -	FY17 2Q	FY18 2Q -	FY18 1Q
	1Q	2Q	3Q	4Q	1Q	2Q	Changes	%	Changes	%
Extraordinary Income	6.2	0.0	1.0	5.2	0.0	0.0	+0.0	-	▲0.0	▲95.1
Gain on sales of non-current assets	0.1	0.0	0.0	0.2	0.0	0.0	▲0.0	▲61.0	▲0.0	▲95.1
Gain on sales of investment securities	0.0	▲0.0	0.9	4.9	-	-	+0.0	+100.0	-	-
Gain on return of the substitutional portion of the employees' pension fund	6.0	0.0	-	-	-	-	▲0.0	▲100.0	-	-
Extraordinary Losses	0.0	0.7	0.2	1.9	0.7	0.9	+0.1	+23.4	+0.1	+23.9
Loss on disposal of property, plant and equipment	0.0	0.1	0.0	0.1	0.0	0.0	▲0.1	▲93.0	▲0.0	▲57.6
Special retirement expenses	0.0	0.2	0.1	0.0	-	-	▲0.2	▲100.0	-	-
Loss on revision of retirement benefit plan	-	-	-	-	-	0.0	-	-	▲0.0	▲100.0
Business structural reform expenses	-	-	-	-	0.6	0.6	+0.6	-	▲0.0	▲3.5
Impairment loss	-	0.1	-	1.7	-	-	▲0.1	▲100.0	-	-
Loss on sales of shares of subsidiaries and associates	-	0.1	-	-	-	-	▲0.1	▲100.0	-	-
Others	0.0	0.0	0.0	0.0	0.0	0.2	+0.2	+506.5	+0.2	-

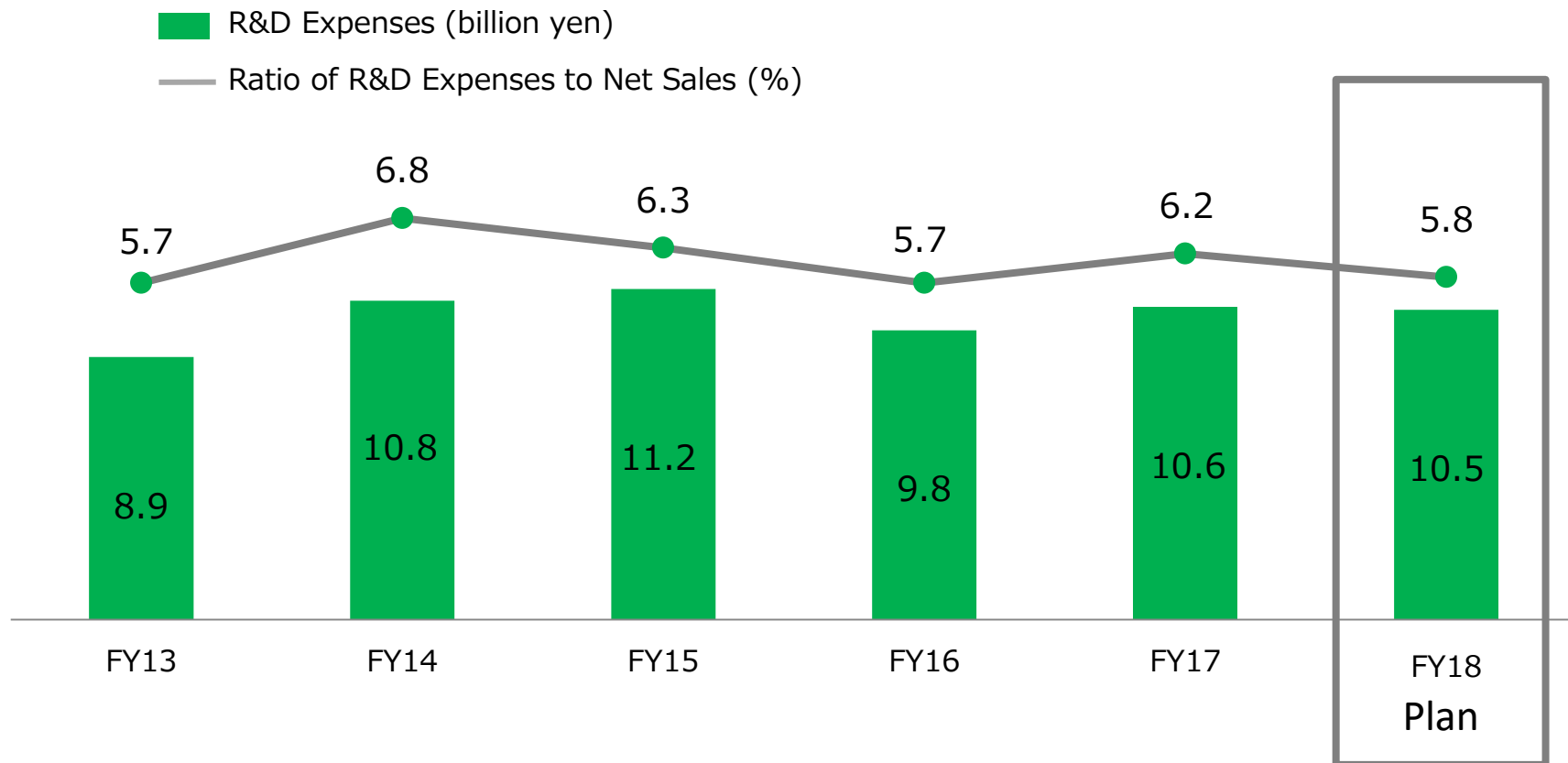
Reference: Half Year Transition 《Sales by Sub-segment》



Reference: Sales Ratio by region



Reference: R&D Expenses



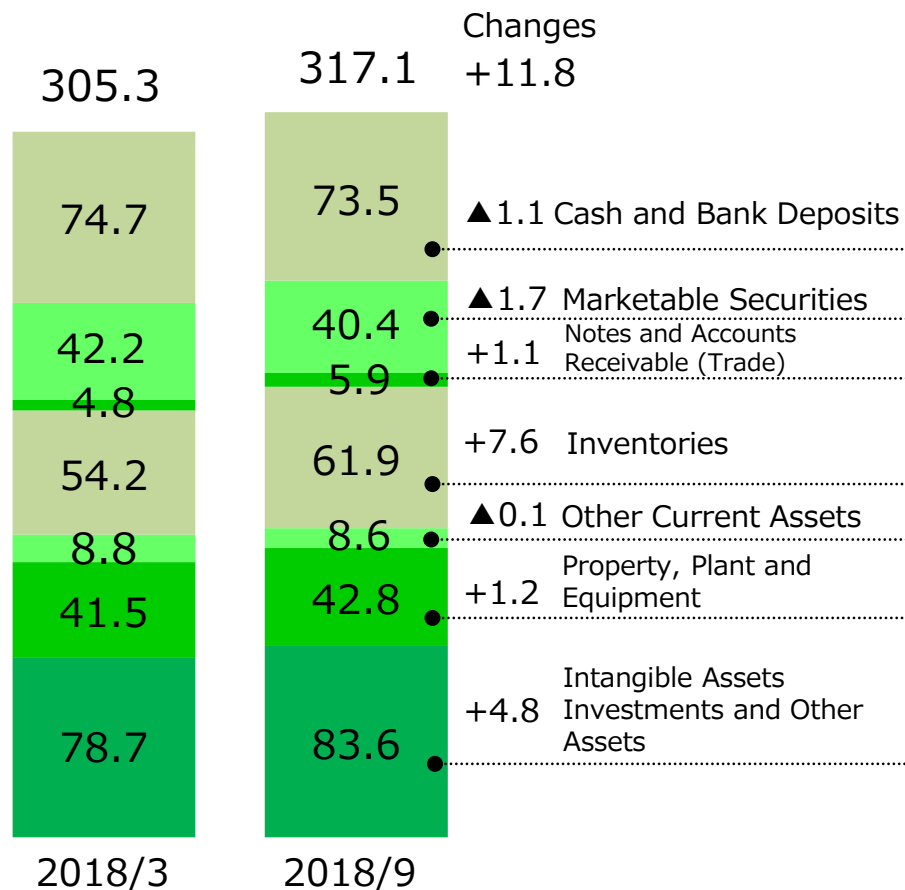
(billion yen)	FY17 1H	FY18 1H	YoY	
			Changes	%
R&D Expenses	5.0	5.1	+0.0	+1.9
Ratio of R&D Expenses to Net Sales (%)	5.9	6.2	+0.3P	-

Reference: Half Year Transition 《Other Income and Expenses ・ Extraordinary Income and Losses》

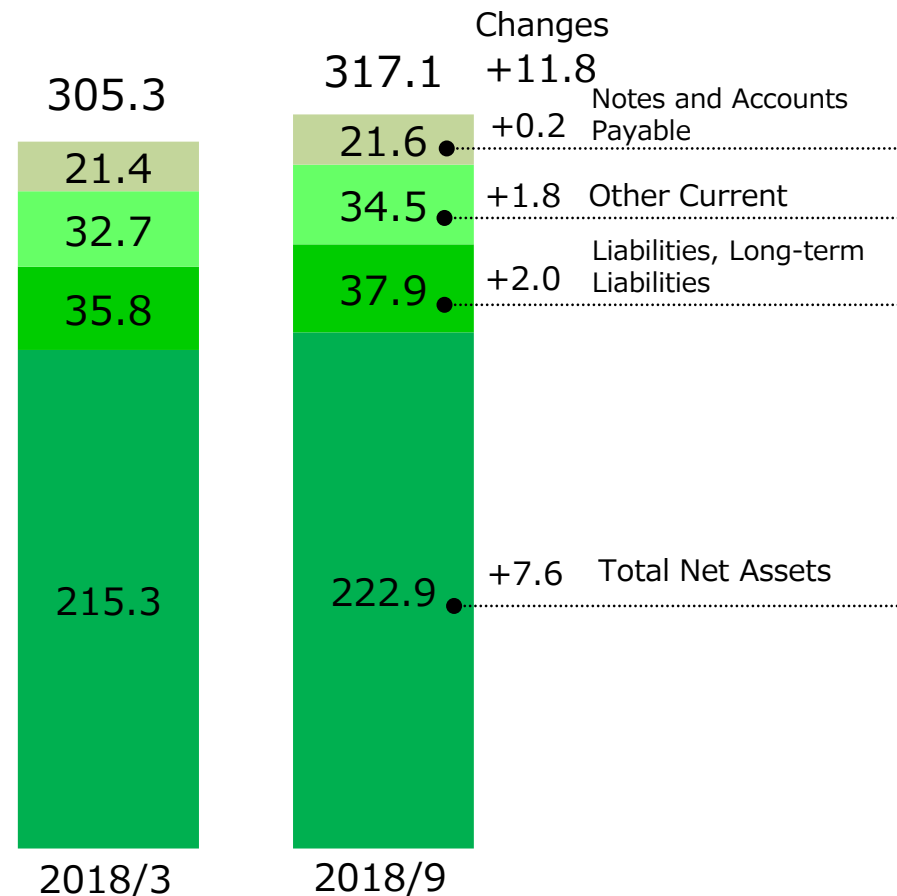
(billion yen)	FY17 1H	FY18 1H	FY18 1H - FY17 1H		(billion yen)	FY17 1H	FY18 1H	FY18 1H - FY17 1H	
			Changes	%				Changes	%
Other Income	1.8	2.1	+0.3	+18.5	Extraordinary Income	6.2	0.0	▲6.1	▲98.9
Interest income	0.6	0.8	+0.2	+33.0	Gain on sales of non-current assets	0.1	0.0	▲0.1	▲60.5
Dividend income	0.7	0.7	+0.0	+0.6	Gain on sales of investment securities	0.0	-	▲0.0	▲100.0
Realized and unrealized profit on trading securities, net	0.2	0.1	▲0.1	▲59.4	Gain on return of the substitutional portion of the employees' pension fund	6.0	-	▲6.0	▲100.0
Gain on specified money in trust	0.0	0.0	▲0.0	▲58.9	Extraordinary Losses	0.7	1.6	+0.8	+110.7
Others	0.1	0.4	+0.3	+213.7	Loss on disposal of property, plant and equipment	0.1	0.0	▲0.1	▲77.0
Other Expenses	0.4	0.2	▲0.1	▲35.5	Special retirement expenses	0.2	-	▲0.2	▲100.0
Interest expenses	0.2	0.2	▲0.0	▲5.7	Loss on revision of retirement benefit plan	-	0.0	+0.0	-
Exchange loss	0.1	-	▲0.1	▲100.0	Business structural reform expenses	-	1.3	+1.3	-
Others	0.0	0.0	+0.0	+130.9	Impairment loss	0.1	-	▲0.1	▲100.0
Other Income and Expenses	1.3	1.8	+0.4	+36.0	Loss on sales of shares of subsidiaries and associates	0.1	-	▲0.1	▲100.0
					Others	0.0	0.2	+0.2	+456.6

Reference: Balance Sheet

◆ Assets (billion yen)



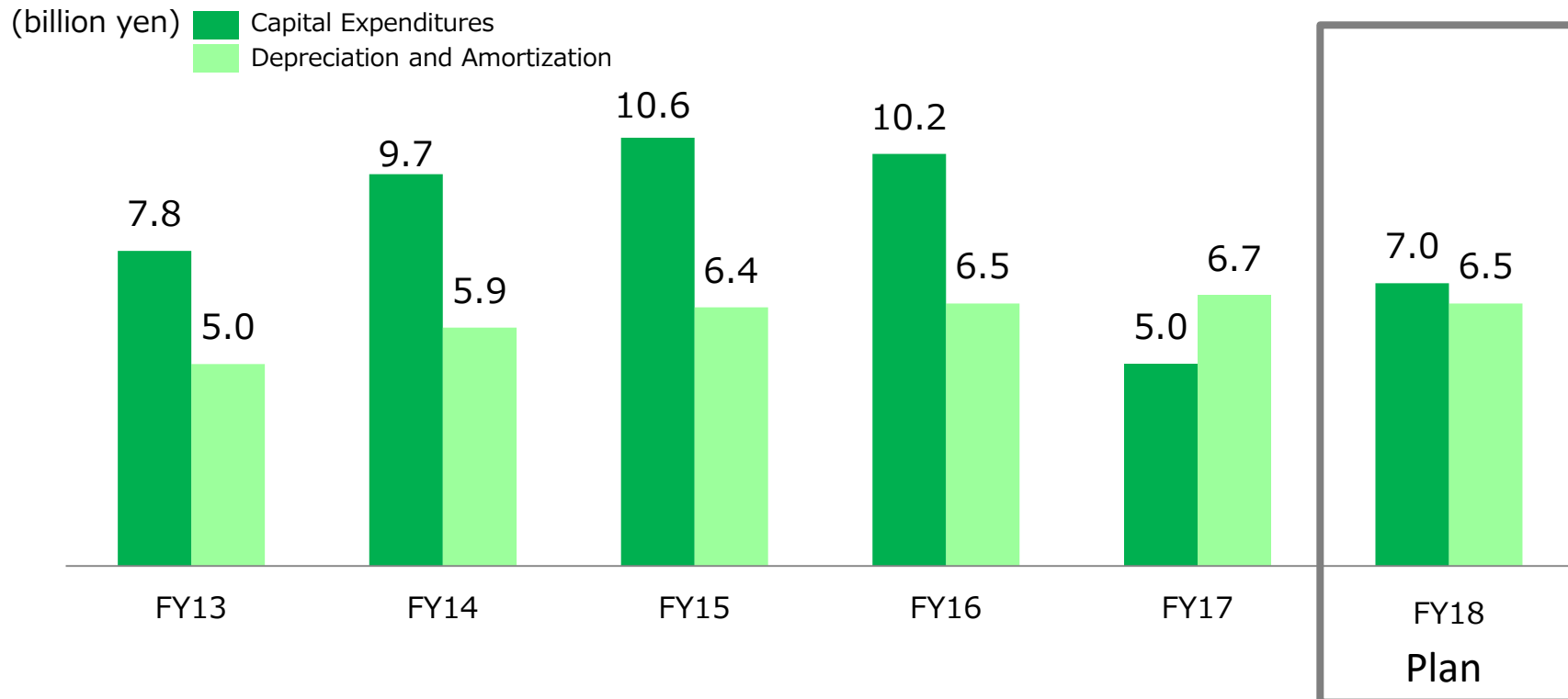
◆ Liabilities/Total Net Assets (billion yen)



● Turnover (month)	2018/3	2018/9
Receivable-trade	2.9	3.0
Inventories	3.7	4.2

● Equity Ratio (%)	2018/3	2018/9
	70.4	70.3

Reference: Capital Expenditures, Depreciation and Amortization.



(billion yen)

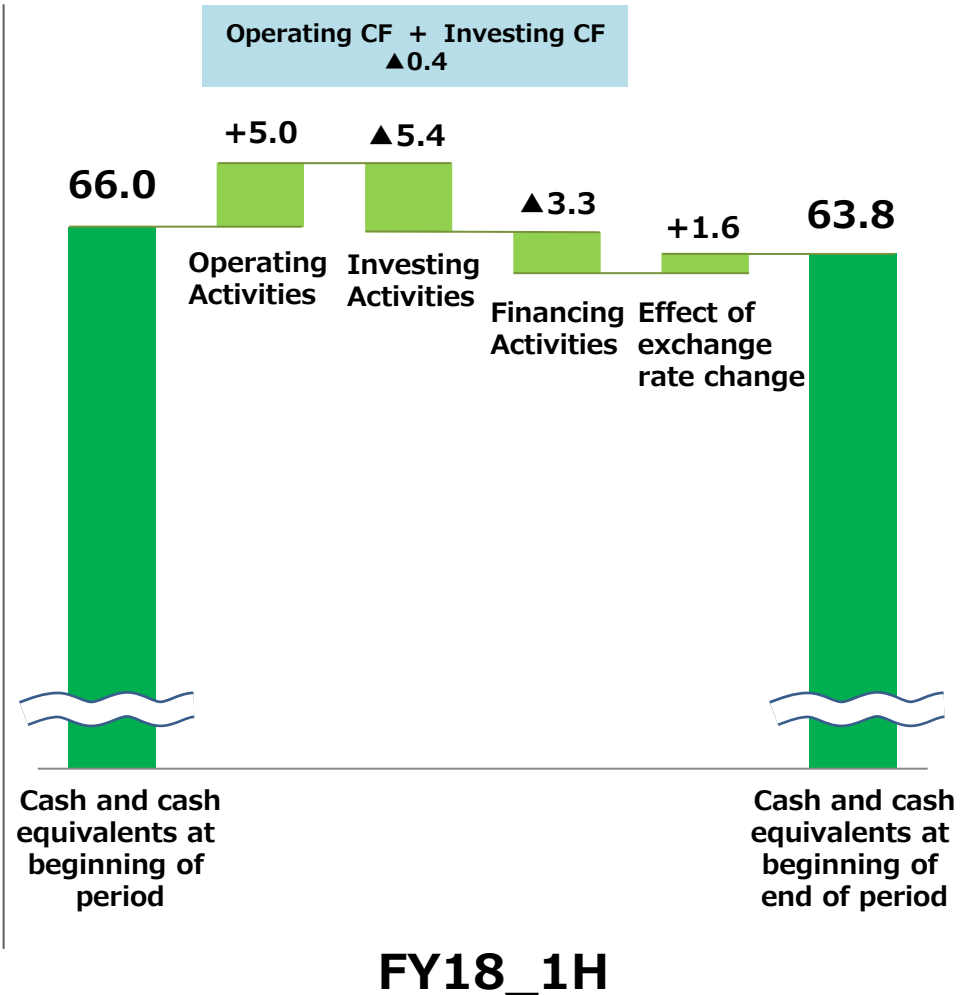
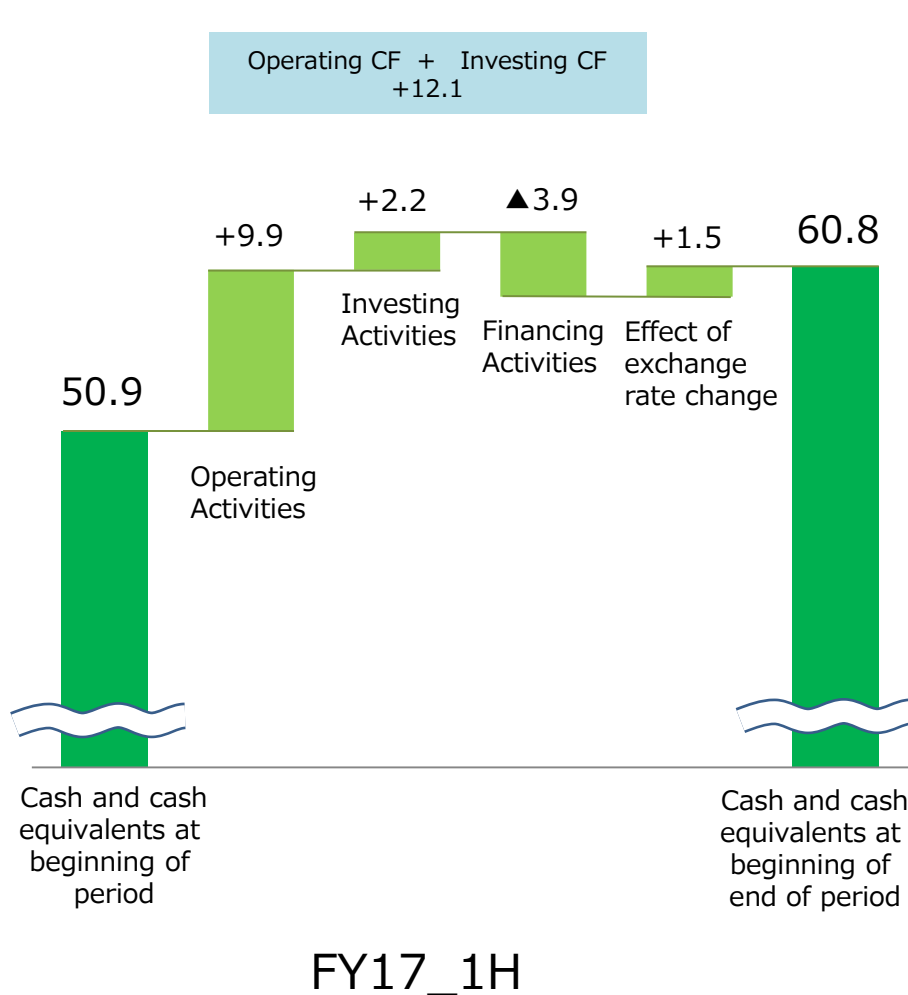
	FY17 1H	FY18 1H	YoY	
			Changes	%
Capital Expenditures	2.3	3.3	+1.0	+45.3
Depreciation and Amortization	3.3	3.3	▲0.0	▲0.8

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

Note 2. Increase of Goodwill not included in Capital Expenditures: FY17_1H: ¥0.2 billion, FY18_1H: ¥0.5 billion

Reference: Cash Flow

(billion yen)



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	CP4325-RGB*, CP2320-RGB , CP2315-RGB * On Sale CP4335-RGB To be Released by the end of 2018	Non Dolby Projector (CP42LH EWD /6P) Dolby Vision Projector (E3LH)
Lumen	<30,000	<45,000	<30,000	<23,000 <35,000	<60,000
Use	<ul style="list-style-type: none"> General Projection (Office, Home, Education, Hall, Event) 	<ul style="list-style-type: none"> Cinema General Projection (Hall & Event) 	<ul style="list-style-type: none"> Non-Cinema General Projection (Hall & Event) 	<ul style="list-style-type: none"> Cinema 	<ul style="list-style-type: none"> Laser Cinema (Dolby Cinema, etc.) General Projection (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.

「USHIO Report 2018」 Publication Announcement

USHIO INC. hereby announces that, our first integrated report “USHIO Report 2018” has published on October 5, 2018.

The USHIO report has been produced with an emphasis on what the Company considers to be “importance,” “conciseness” and “sustainability” to enable it to become a new communication tool for the wide of stakeholders the USHIO Group encompasses. Since its founding in 1964, USHIO has been focusing on the key concept of Lighting Edge Technologies and on the characteristics of “light.” We use light not only as illumination but also as energy through ultraviolet rays and infrared rays, contributing to innovative technologies being used widely throughout society. We hope that you can feel the attractiveness of USHIO which has achieved growth through its unique value creation model, the source of USHIO’s innovative technologies. Moreover, we would be delighted to raise further expectations of USHIO going forward.



Glossary

DCP	Digital Cinema Projector
EUV	Extreme Ultraviolet Radiation
FPD	Flat Panel Display
IoT	Internet of Things
M-SAP	Modified Semi Additive Process
OA	Office Automation
OLED	Organic Light Emitting Diode
RGB	Red Green Blue
UV	Ultraviolet
5G	5 th Generation

USHIO

Contact:

Corporate Planning Dept., USHIO INC.

Email: ir@ushio.co.jp

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