



Third Quarter FY2019 Financial Results

USHIO INC.
January 31, 2020

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.
- * FY2019 starts from April 1st, 2019 through March 31st, 2020.

■ YoY 3Q for FY2019 (Result):
Causal Analysis on **Net Sales and Earnings Decreased**
to 3Q FY2018

■ YoY for FY2019 (Full-year Forecast) :
Reasons on **Financial Result Forecast Remained**
Unchanged

I. Financial Results for 3Q FY2019

II. Forecasts for FY2019

III. Topics

IV. Supplementary Information

Net Sales : 120.0 billion yen (▲2.3 billion yen YoY, ▲1.9%)

Achievement Rate to Initial Plan 70.6%

Decline in sales	Light Source Business:	Slowdown in related markets and decreasing lamp demand due to conversion to solid-state light sources
Increase in sales	Imaging Equipment:	RGB projector sales increased

Operating Income : 6.3 billion yen (▲0.5 billion yen YoY, ▲8.1%)

Achievement Rate to Initial Plan 63.5%

Decline in profit	Light Source Business:	Profitability decrease
Increase in profit	Imaging Equipment:	Increase in sales and profit resulted from structural reform

Profit Attributable to Owner of Parent : 8.8 billion yen
(+3.1 billion yen YoY, +55.4%)

Achievement Rate to Initial Plan 76.7%

Extraordinary Income Sales gain of Investment Securities (FY19_3Q: 5.4 billion yen, FY18_3Q: 1.7 billion yen)

※FOREX (FY19_3Q) : 1US\$ = 109 yen

Summary of Financial Results

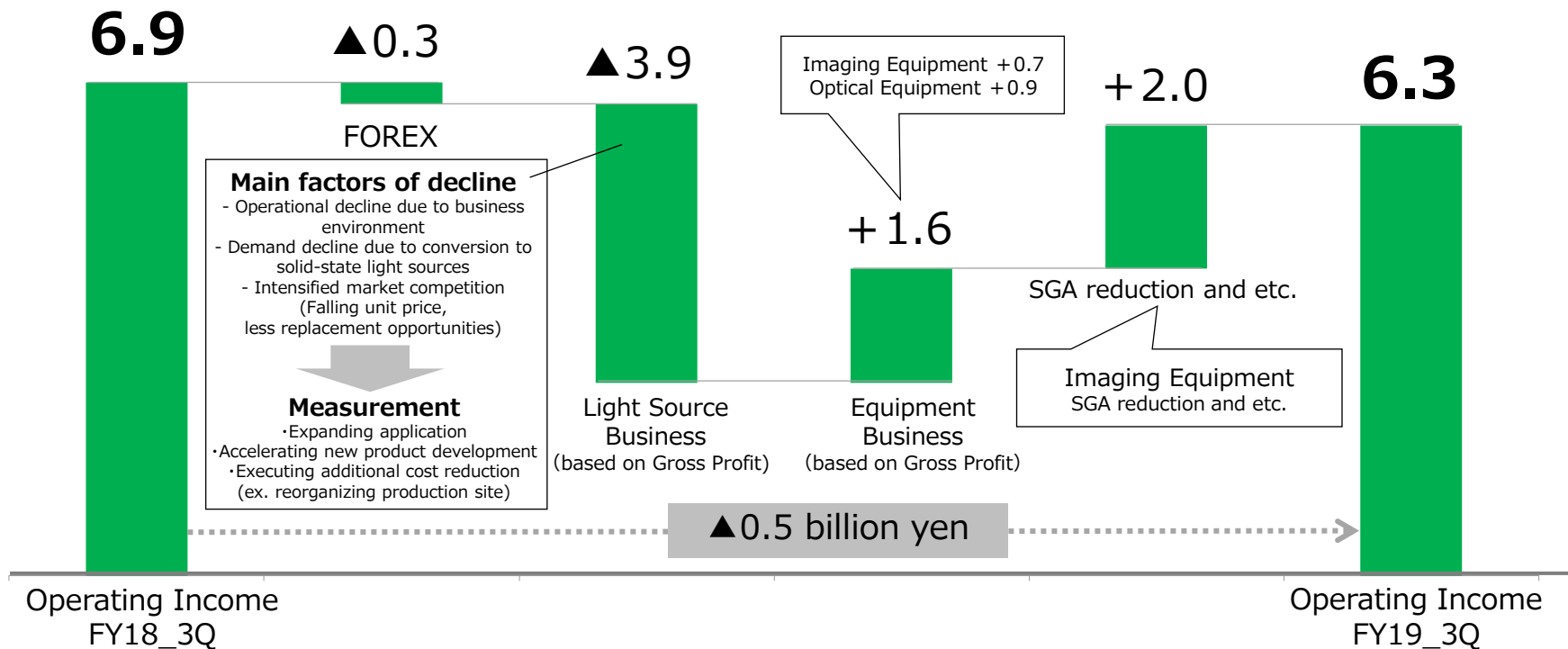
(billion yen)		FY18 3Q	FY19 3Q	YoY	
				Changes	%
Net Sales		122.3	120.0	▲2.3	▲1.9
Operating Income		6.9	6.3	▲0.5	▲8.1
Operating Income (%)		5.6	5.3	▲0.4P	—
Ordinary Income		9.4	8.4	▲1.0	▲11.4
Profit Attributable to Owners of Parent		5.6	8.8	+3.1	+55.4
EPS (yen)		44.43	71.71	+27.28	+61.4
FOREX (yen)	USD	111	109	▲2	-
	EUR	130	121	▲9	-

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

YoY Variation Analysis of Operating Income

(billion yen)

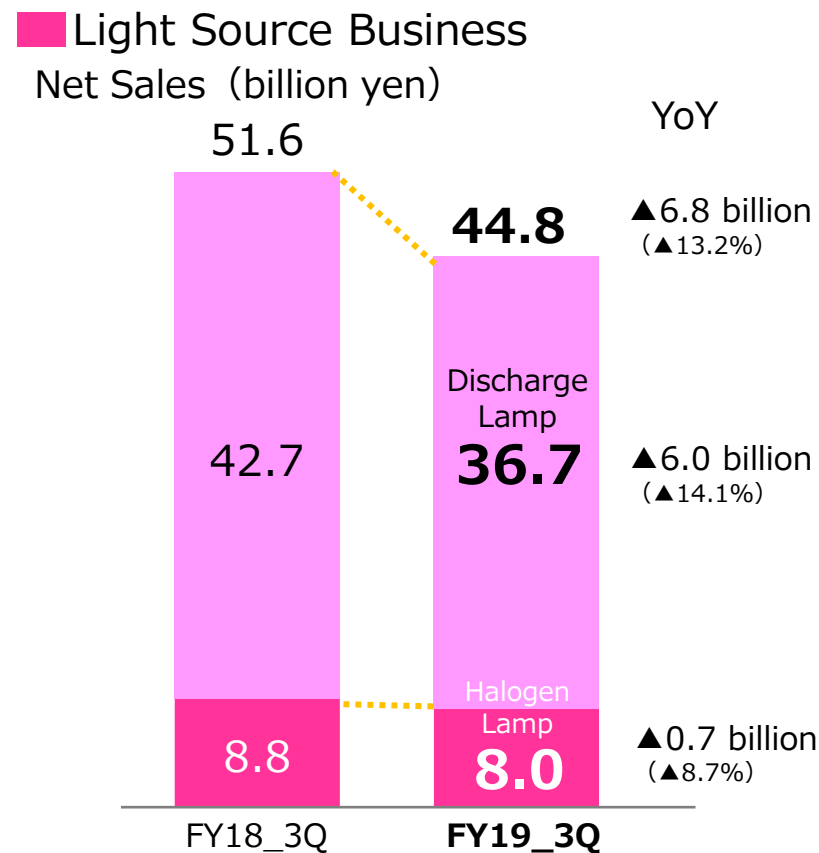
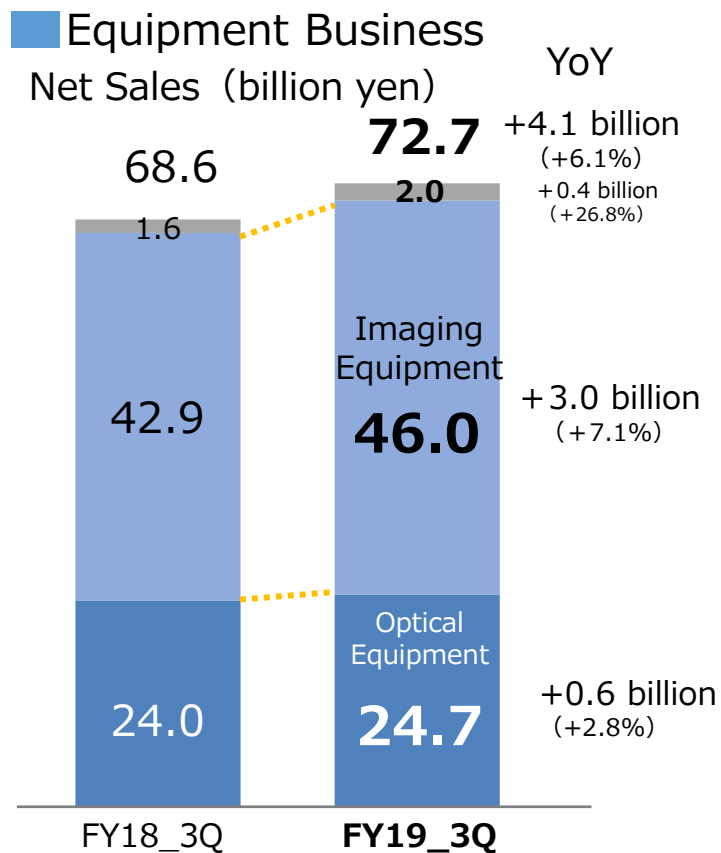


Note: Figures other than "FOREX" exclude forex impact.

Financial Results by Business Segments

		(billion yen)	FY18 3Q	FY19 3Q	YoY	
					Changes	%
Equipment	Net Sales		68.6	72.7	+4.1	+6.1
	Operating Income		▲0.2	1.4	+1.7	+618.9
	Operating Income (%)		▲0.4	2.0	+2.4P	–
Light Sources	Net Sales		51.6	44.8	▲6.8	▲13.2
	Operating Income		6.7	4.6	▲2.0	▲30.5
	Operating Income (%)		13.0	10.4	▲2.6P	–
Others	Net Sales		2.1	2.4	+0.3	+15.0
	Operating Income		0.0	0.0	▲0.0	▲39.0
	Operating Income (%)		3.4	1.8	▲1.6P	–
Elimination and corporate	Operating Income		0.4	0.1	▲0.2	▲51.6

Business Segment Overview



Note : Net sales indicates sales to unaffiliated customers.

Electronics Field

<p>Business Environment</p>	<p>Capital investment and operation is slowing down in semiconductor, FPD and PCB-related markets</p> <ul style="list-style-type: none"> – Continuous investments in large-size LCD market in China, and new investment is shifting to OLED from LCD-related market – LCD production slowed down due to oversupply of panels mainly in Korea – Smartphone-related market slowed down due to lower sales 	
<p>Equipment Business</p>	<p>UV Equipment ▲1.4 billion yen ▲10%</p>	<ul style="list-style-type: none"> •Sales declined for photo-alignment equipment due to slowdown of capital investment for SAW filters •Sales increased for COF due to expansion of narrow bezel frame displays
<p>Light Source Business</p>	<p>Cure Equipment + 1.9 billion yen + 46%</p>	<ul style="list-style-type: none"> •Sales increased for LCD-related equipment due to investment in large-size LCD panels in China
	<p>UV Lamps ▲2.2 billion yen ▲20%</p>	<ul style="list-style-type: none"> •Replacement demand declined due to LCD production adjustments mainly in Korea •Unit price fell as panel price declined due to oversupply

Note: Indicated value (income, %) represents YoY comparison.

Visual Imaging Field

Business Environment	<ul style="list-style-type: none"> • New installation of movie theaters is slowing down, while replacement demand at existing movie theaters is gradually emerging • Expansion of laser projectors in cinema field and general imaging field • Sustained demand of high-end video equipment mainly in entertainment market 	
Equipment Business	Cinema +3.6 billion yen +18%	<ul style="list-style-type: none"> • Sales expansion of RGB laser projectors • Profitability slightly below expectation
	General Imaging ▲0.6 billion yen ▲3%	<ul style="list-style-type: none"> • Sluggish sales of low-end models due to intensified market competition • Sales expansion of RGB laser projectors
Light Source Business	Lamps for cinema ▲1.9 billion yen ▲17%	<ul style="list-style-type: none"> • Lamp demand declined due to conversion to solid-state light sources • Price dropped due to intensified market competition and demand declined
	Lamps for data projectors ▲0.8 billion yen ▲16%	<ul style="list-style-type: none"> • Lamp demand declined due to acceleration to solid-state light sources
	Lamps for OA +0.0 billion yen +0%	<ul style="list-style-type: none"> • Sales increased for value added environment-friendly lamps

Note: Indicated Value (income, %) represents YoY comparison

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Full-year Forecasts

Remain unchanged

(billion yen)	FY19 3 Q	FY19 Initial Forecast	Achievement Rate (%)
Net Sales	120.0	170.0	70.6
Operating Income	6.3	10.0	63.5
Operating Income (%)	5.3	5.9	-
Ordinary Income	8.4	12.0	70.1
Profit Attributable to Owners of Parent	8.8	11.5	76.7
EPS (yen)	71.71	94.17	76.2
Dividend per share (yen)	-	50	-
Payout Ratio (%)	-	53.1	-
Forex (yen)	USD	109	-
	EUR	121	-

Net Sales by Sub-Segment / FY2020 4Q Business Trend

(billion yen)		FY19 Initial Plan	FY19 3Q	Achievement Rate (%)	4Q Business Trend (Arrow indicates 4Q trend compared to 3Q)	
Net Sales	Equipment	Imaging- equipment	59.0	46.0	78.0	Cinema: Solid sales for RGB laser projectors General Imaging: Contributed by amusement park demand
		Optical- equipment	40.0	24.7	61.8	Large Field Stepper for latest IC package: Sales Expansion DI exposure systems for printed circuit boards: Gradual increase due to 5G and other applications EUV light source for mask inspection: Sales Increasing
		Illumination and others	2.0	2.0	103.7	
		Sub-total	101.0	72.7	72.1	
	Light Sources	Discharge- lamps	54.0	36.7	68.0	Lamps for cinema: Deteriorating market environment UV lamps: Demand improving but actual recovery of related markets will be after FY20
		Halogen lamps	11.5	8.0	70.4	Lamps for OA: Demand slowdown in related markets but stable sales by environment-friendly lamps
		Sub-total	65.5	44.8	68.4	
	Others	Machinery for industrial use and other	3.5	2.4	69.7	
	Total		170.0	120.0	70.6	Concern: Continuous slowdown of Chinese economy

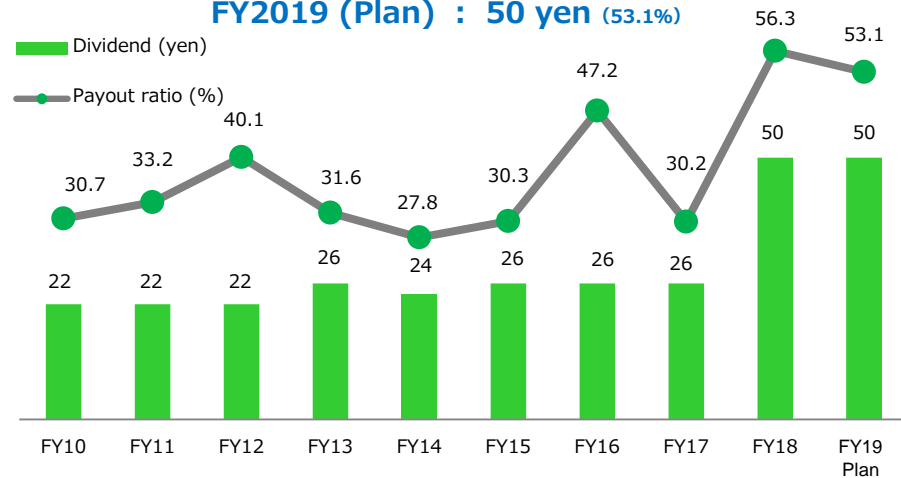
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Shareholders Return

Dividend per share and payout ratio

FY2018 (Result) : 50 yen (56.3%)

FY2019 (Plan) : 50 yen (53.1%)



Share Buyback

As per notice concerning status of purchase of treasury shares in December 2018

Max 10 billion yen

(Max 8 million shares)

From Dec. 21st, 2018 to Dec. 20th, 2019

Completion of Repurchase

(December 10th, 2019)

Total amount of shares purchased: 10 billion yen
Total number of shares purchased: 7.2 million shares

Retirement of treasury Shares

Retirement of 6.6 million shares will be resolved
as of February 21st, 2020

(retain % of total number of issued share after retirement : 4.8%)

Shareholders Return Policy

Ushio always recognized that profit return to shareholders is one the most important duties as a listed company. The basic policy is **to return profits to shareholders in a stable and consistent manner**. Ushio purchases own treasury shares, taking flexible approach. We **retain our treasury shares of approximately 5% of the total number of issued shares at maximum and cancel the excess portion of the treasury shares in each year**.

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Sales Expansion of Exposure Equipment for Latest IC Package Substrates

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Large Field Stepper (UX-5) Production and sales

(For wiring formation on latest IC package substrates)

Equipment
Sales

Cutting-edge & Next generation
package demand expansion

Package substrate manufacturer

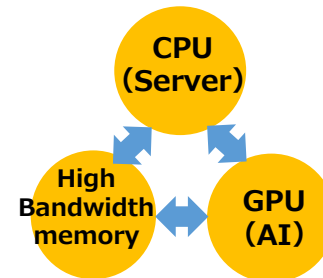
Chip Mounting
Server Installed

With IoT evolution, demand increased for servers for data centers processing high capacity and high speed data processing

Data center market

>20% growth per year (self-survey)

⇒ Expanding Adoption of next-generation package substrates



● World wide share 95%

High-end BGA substrate exposure market (self-survey)

● UX-5 Strength (Feature)

1. Large-area projection
→ High productivity & low CoO
2. Non-contact mask work
→ Yield enhancement
3. Deep focal depth
→ Process margin & substrate warping
4. High Resolution/alignment accuracy
→ Pitch miniaturization & process margin

● Increasing production capacity of lithography equipment (two times compared to conventional capacity)



Large Field Stepper (UX-5) Sales Trend

FY19

Contributing to sales from 2H

After FY20

Sales unit expanding

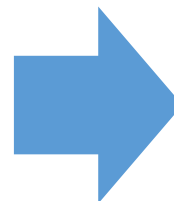


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EUV light source for next-generation semiconductor mass-production process
Development, Production, Sales



**Mask Inspection equipment manufacturer/
Research & development institution**



Semiconductor device manufacturers

Next-generation semiconductor mass-production needs with EUV lithography technology evolution

Increase EUV light source needs for inspection and development

Contribution of Ushio's EUV light source

Expect to expand business opportunities of EUV light source for mask inspection

● Ushio EUV Light Source Development History

- 2000 EUV light source development started
- 2001 Established EUVA*
*Extreme Ultraviolet Lithography System Development Association
- 2013 Withdrew from Lithography related development
- 2016 Delivered EUV light source to TNO
- 2018 Delivered first EUV light source for inspection (for test purpose)
- 2019 Delivered and received first acceptance for mass production process

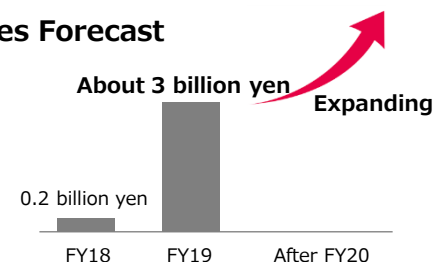
● Ushio Strength

Long business experience in semiconductor industry

+

Many years' experience in EUV technology (Compact/High-brightness/High Power)

● Sales Forecast



Projector Comparison

Light Source	Laser		Lamp	
	RGB Laser	LaPH	Xenon Lamp	Super High-Pressure UV Lamp
Cinema	 <p>CP4330-RGB CP2320-RGB CP2309-RGB</p> <p>Lumen (lm) <40,000</p>	<p>No Lineup</p>	 <p>CP2308</p> <p>Lumen (lm) <45,000</p>	<p>No lineup</p>
General Imaging	 <p>D4K40-RGB</p> <p>Lumen (lm) <40,000</p>	 <p>Crimson GS series</p> <p>Lumen (lm) <30,000</p>	 <p>Roadie</p> <p>Lumen (lm) <45,000</p>	 <p>Boxer</p> <p>Lumen (lm) <30,000</p>
Price	★★★★★	★★	★★	★
Life	★★★★★	★★★★	★★★★★ (Lamp replacement is necessary)	★★★★★ (Lamp replacement is necessary)
Color	★★★★★	★★	★★★	★★

Structural Reform

FY18

- Fixed Cost Reduction by production transfer to China
- Divestitures of unprofitable businesses

FY19 (~3Q)

- Reorganize business bases
- Productivity improvement
- Control SGA level

Measurement

Sales Increase by New Product

Cinema

- Improved product performance
- Launched a wide range of RGB projectors



RGB laser projector lineup to adjust to various screen size

General Imaging

- Lineup expansion of laser projectors (RGB, LaPH)



- Released Industry's first-lightest & high quality RGB laser projector
- Added high luminance LaPH model

Result

- Production transfer to China → Completed as planned
- Divestitures of unprofitable businesses → Completed
- Consolidation and closure of business bases → Completed

SGA (vs FY18_3Q) → ▲ >30%

Headcount (vs FY17 end) → ▲ >10%

• Major order

HuaxiaFilm : 200 units
Cineworld : 1,000 units
Cinema21 : 100 units etc.

• RGB ratio among all DCPs

FY19_3Q : about **40%**
(YoY: about 10%)

• Major order

Expo 2020 Dubai : 250 units etc.

• RGB + LaPH ratio among all projectors

FY19_3Q : about **90%**
(YoY: about 50%)

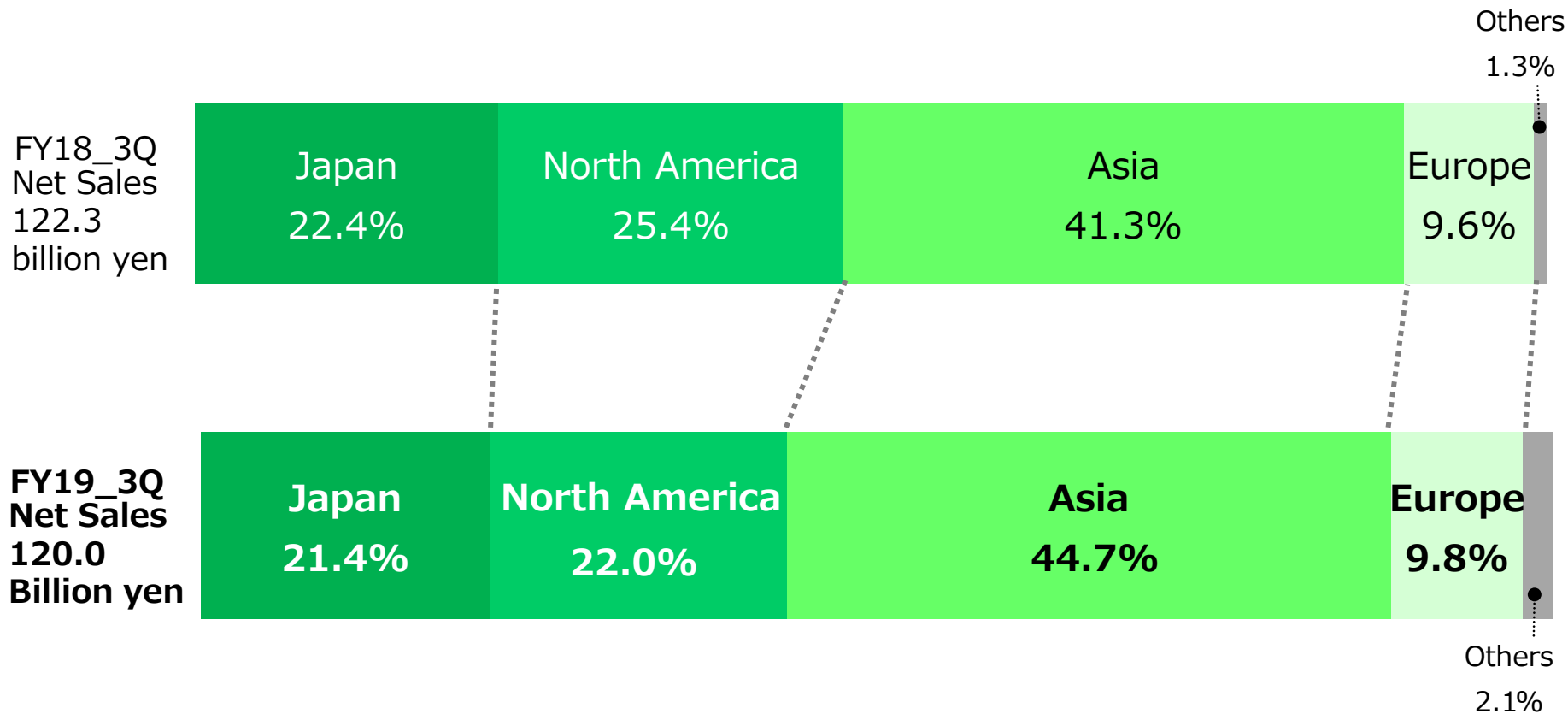
Reference: Summary of Quarterly Financial Results

(billion yen)		FY18				FY19			FY19 3Q - FY18 3Q	FY19 3Q - FY18 3Q	FY19 3Q - FY19 2Q	FY19 3Q - FY19 2Q
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	Changes	%	Changes	%
Net Sales		39.9	42.6	39.7	42.7	38.9	43.0	38.0	▲1.7	▲4.4	▲5.0	▲11.7
Operating Income		2.5	2.8	1.5	1.6	2.1	2.7	1.4	▲0.0	▲4.5	▲1.2	▲45.2
Operating Income Ratio (%)		6.4	6.6	3.9	3.8	5.5	6.3	3.9	▲0.0P	—	▲2.4P	—
Ordinary Income		3.9	3.2	2.2	1.9	2.9	2.8	2.5	+0.2	+12.9	▲0.3	▲12.0
Profit Attributable to Owners of Parent		2.2	1.2	2.1	5.6	1.2	1.7	5.7	+3.6	+167.4	+4.0	+227.1
EPS (Yen)		17.67	9.79	16.97	44.54	10.02	14.43	47.87	+30.90	+182.0	+33.44	+231.7
Forex (Yen)	USD	108	111	113	110	111	108	109	▲4	—	+1	—
	EUR	130	129	130	126	124	120	120	▲10	—	▲0	—

Reference: Summary of Quarterly Financial Results by Business Segments

(billion yen)	FY18				FY19			FY19	FY18	FY19	FY19
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	3Q -	3Q	3Q -	2Q
								Changes	%	Changes	%
Equipment Business											
Net Sales	21.8	24.8	21.9	26.0	22.7	27.1	22.9	+0.9	+4.3	▲4.2	▲15.6
Operating Income	0.0	0.1	▲0.4	▲0.0	0.0	0.9	0.4	+0.8	-	▲0.5	▲56.0
Operating Income Ratio (%)	0.0	0.7	▲2.1	▲0.1	0.4	3.5	1.8	+3.9P	-	▲1.7P	-
Light Source Business											
Net Sales	17.3	17.2	17.1	15.5	15.4	14.9	14.3	▲2.7	▲15.9	▲0.5	▲3.8
Operating Income	2.5	2.3	1.8	1.6	1.9	1.6	1.0	▲0.7	▲43.2	▲0.6	▲37.7
Operating Income Ratio (%)	14.8	13.4	10.8	10.6	12.5	11.2	7.3	▲3.5P	-	▲4.0P	-
Others											
Net Sales	0.7	0.6	0.7	1.1	0.7	0.9	0.7	+0.0	+5.0	▲0.2	▲25.2
Operating Income	0.0	0.0	0.0	0.0	0.0	▲0.0	0.0	+0.0	+2.9	+0.0	-
Operating Income Ratio (%)	3.0	3.6	3.6	2.4	2.5	▲0.0	3.5	▲0.1P	-	+3.5P	-

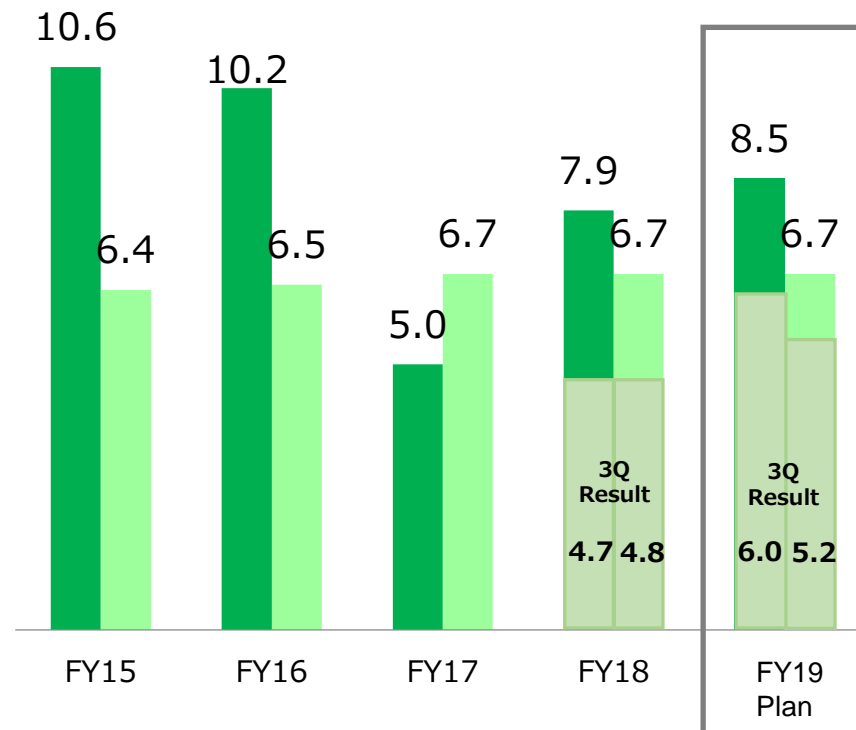
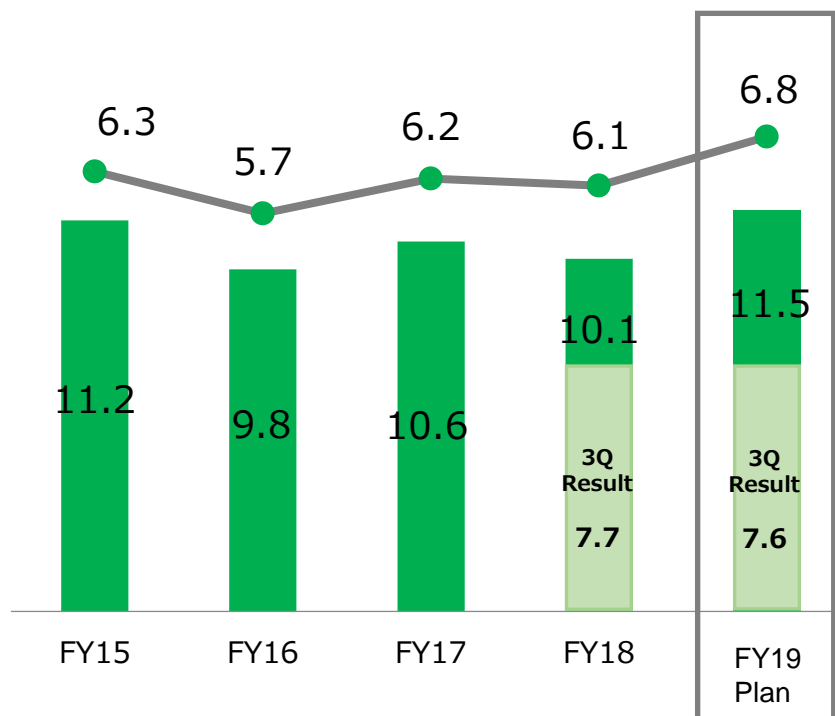
Reference: Sales Ratio by Region



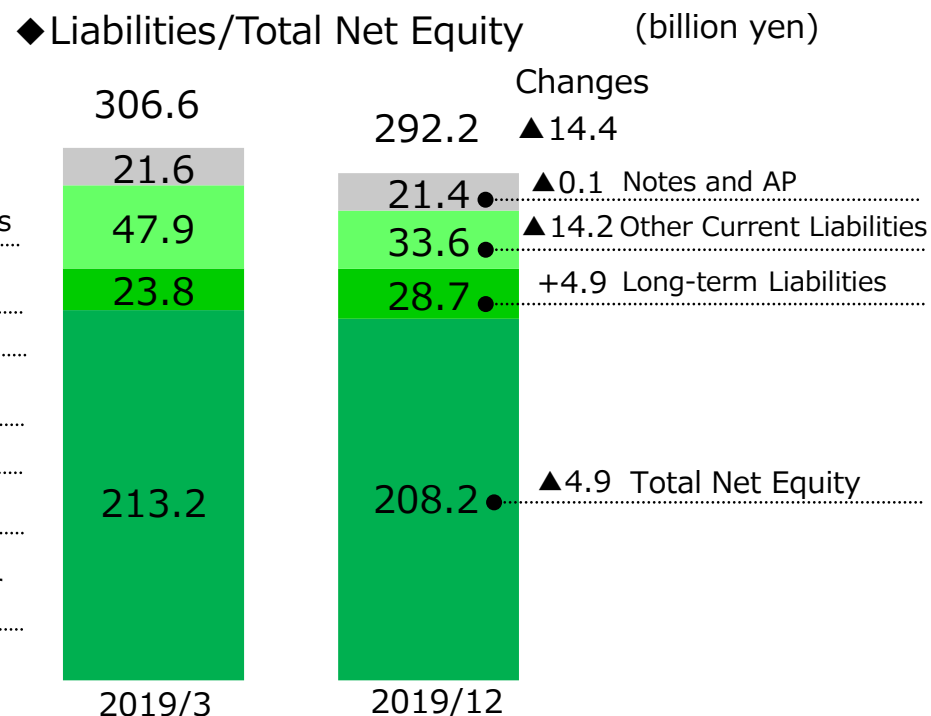
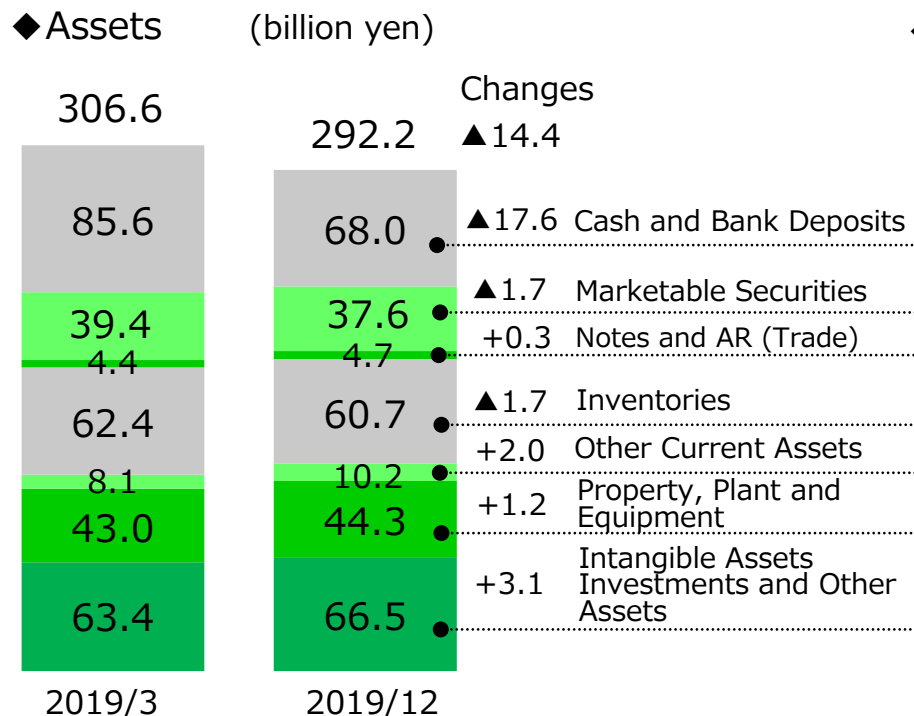
Reference : R&D Expenses/ Capital Expenditures and Depreciation

■ R&D Expenses (billion yen)
— Ratio of R&D Expenses to net sales (%)

■ Capital Expenditures (billion yen)
■ Depreciation (billion yen)



Reference: Balance Sheet

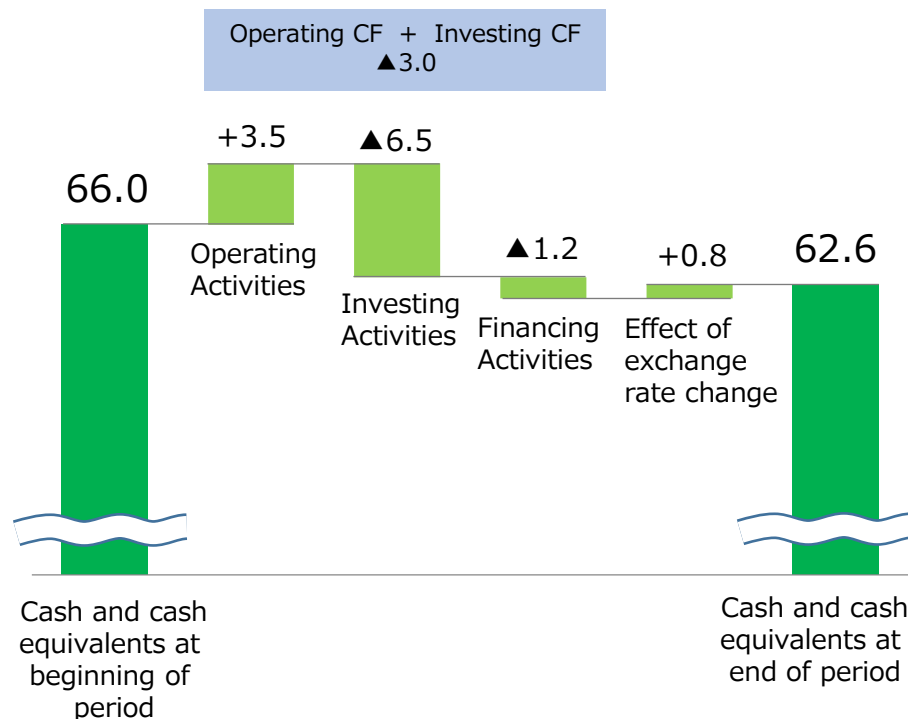


● Turnover (month)	2019/3	2019/12
Receivable-trade	3.0	2.9
Inventories	4.2	4.6

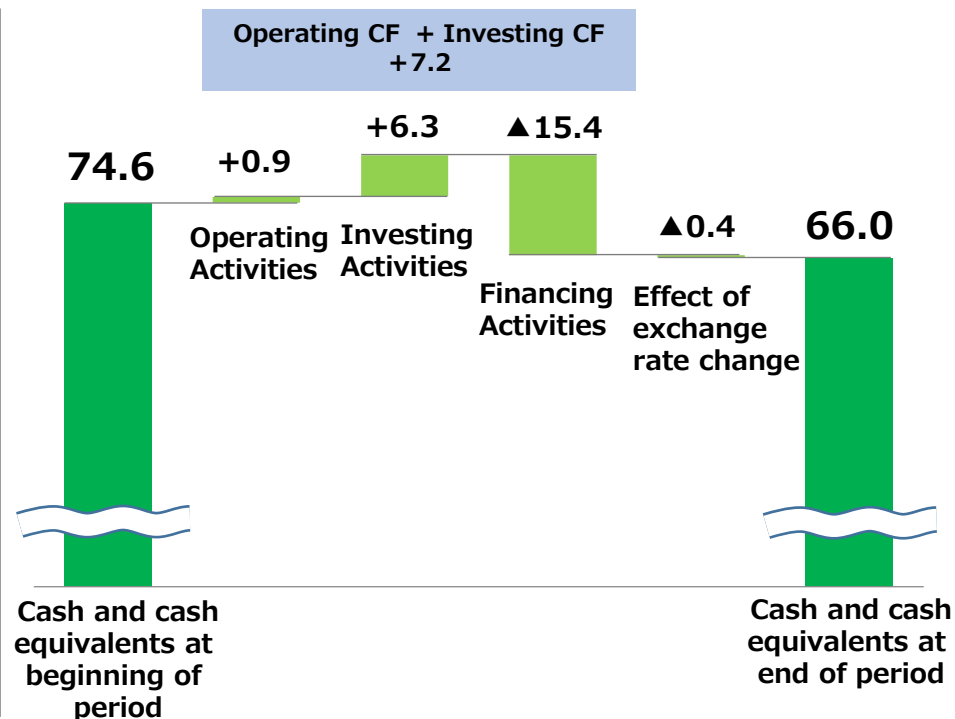
● Equity Ratio (%)	2019/3	2019/12
	69.5	71.2

Reference: Cash Flow

(billion yen)



FY18_3Q



FY19_3Q

AI	Artificial Intelligence
BGA	Ball Grid Array
COF	Chip on Film
CoO	Cost of Ownership
CPU	Central Processing Unit
DI	Direct Imaging
EUV	Extreme Ultraviolet Radiation
FPD	Flat Panel Display
GPU	Graphic Processing Unit
IoT	Internet of Things
LaPH	Laser Phosphor
OA	Office Automation
OLED	Organic Light Emitting Diode
RGB	Red Green Blue
SGA	Selling and General Administrative Expenses
TNO	The Netherlands Organization of Applied Scientific Research
UV	Ultraviolet
5G	5 th Generation

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Contact:
Corporate Planning Department, USHIO INC.
Email: ir@ushio.co.jp
<https://www.ushio.co.jp/en/>