

October 31, 2018

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2019
<under Japanese GAAP>

Company name: **USHIO INC.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6925
 URL: <http://www.ushio.co.jp/en>
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Scheduled date to file Quarterly Securities Report: November 9, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on earnings: Yes
 Holding of earnings performance review: Yes (for analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first six months of the fiscal year ending March 31, 2019
(from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ended								
September 30, 2018	82,603	(3.1)	5,356	(5.0)	7,240	3.1	3,508	(57.7)
September 30, 2017	85,212	3.3	5,641	79.7	7,026	128.0	8,296	348.0

(Note) Comprehensive income

For the first six months ended September 30, 2018: ¥11,103 million [(22.1)%]

For the first six months ended September 30, 2017: ¥14,254 million [–%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
First six months ended				
September 30, 2018	27.46		–	
September 30, 2017	64.94		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2018	317,120	222,989	70.3
March 31, 2018	305,303	215,306	70.4

(Reference) Equity

As of September 30, 2018: ¥222,777 million

As of March 31, 2018 : ¥215,077 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	–	–	–	26.00	26.00
Fiscal year ending March 31, 2019	–	–			
Fiscal year ending March 31, 2019 (Forecast)			–	30.00	30.00

(Note) Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2019	180,000	3.7	12,500	23.1	14,000	16.2	11,500	4.5	90.04

(Note) Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in the scope of consolidation): None
- (2) Application of a specific accounting procedure for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - a. Changes in accounting policies due to revisions to accounting standards: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatements: None
- (4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2018	139,628,721 shares
As of March 31, 2018	139,628,721 shares

b. Number of shares of treasury shares at the end of the period

As of September 30, 2018	11,927,310 shares
As of March 31, 2018	11,866,293 shares

c. Average number of outstanding shares during the period

As of September 30, 2018	127,745,985 shares
As of September 30, 2017	127,762,731 shares

(Note) The Company's shares held in trust introduced with respect to its stock remuneration plan for directors as treasury shares within shareholders' equity are included in the number of treasury shares.

*This Consolidated Financial Review is not subject to audit procedures by Certified Public Accountants or audit firm.

* Notes on the proper use of earnings forecasts and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

* To obtain Financial Highlights

The Financial Highlights will be posted on the website of USHIO INC. on October 31, 2018.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	74,725	73,558
Notes and accounts receivable - trade	42,255	40,459
Securities	4,851	5,961
Merchandise and finished goods	25,717	27,847
Work in process	13,624	16,470
Raw materials and supplies	14,920	17,587
Other	10,436	10,095
Allowance for doubtful accounts	△1,590	△1,402
Total current assets	184,940	190,575
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,045	44,648
Accumulated depreciation	△23,845	△24,797
Buildings and structures, net	18,199	19,850
Machinery, equipment and vehicles	22,823	24,130
Accumulated depreciation	△18,764	△19,569
Machinery, equipment and vehicles, net	4,058	4,560
Land	8,534	8,649
Construction in progress	2,439	1,064
Other	31,869	33,961
Accumulated depreciation	△23,524	△25,223
Other, net	8,345	8,738
Total property, plant and equipment	41,578	42,863
Intangible assets		
Goodwill	2,358	1,872
Other	3,952	3,727
Total intangible assets	6,311	5,600
Investments and other assets		
Investment securities	63,819	69,328
Long-term loans receivable	170	182
Deferred tax assets	1,883	2,061
Net defined benefit asset	3,780	3,818
Other	2,922	2,794
Allowance for doubtful accounts	△103	△104
Total investments and other assets	72,473	78,080
Total non-current assets	120,362	126,544
Total assets	305,303	317,120

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,414	21,654
Short-term loans payable	6,950	6,651
Current portion of long-term loans payable	1,884	1,951
Income taxes payable	873	1,815
Provision for bonuses	2,185	2,230
Provision for product warranties	2,194	2,279
Provision for loss on order received	48	15
Other	18,622	19,622
Total current liabilities	54,174	56,221
Non-current liabilities		
Long-term loans payable	17,989	18,845
Deferred tax liabilities	8,975	10,230
Provision for directors' retirement benefits	335	360
Provision for directors' stock payment	189	198
Net defined benefit liability	2,918	3,051
Asset retirement obligations	237	239
Other	5,176	4,983
Total non-current liabilities	35,822	37,908
Total liabilities	89,997	94,130
Net assets		
Shareholders' equity		
Capital stock	19,556	19,556
Capital surplus	27,771	27,771
Retained earnings	163,217	163,396
Treasury shares	△17,212	△17,303
Total shareholders' equity	193,332	193,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,247	26,766
Deferred gains or losses on hedges	△15	△10
Foreign currency translation adjustment	984	5,873
Remeasurements of defined benefit plans	△3,471	△3,272
Total accumulated other comprehensive income	21,744	29,356
Non-controlling interests	229	211
Total net assets	215,306	222,989
Total liabilities and net assets	305,303	317,120

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	85,212	82,603
Cost of sales	54,196	52,316
Gross profit	31,016	30,286
Selling, general and administrative expenses	25,375	24,929
Operating profit	5,641	5,356
Non-operating income		
Interest income	628	836
Dividend income	707	711
Foreign exchange gains	—	368
Realized and unrealized profit on trading securities, net	256	104
Gain on specified money in trust	87	35
Other	154	118
Total non-operating income	1,834	2,173
Non-operating expenses		
Interest expenses	233	220
Foreign exchange losses	185	—
Share of loss of entities accounted for using equity method	4	18
Other	26	50
Total non-operating expenses	449	289
Ordinary profit	7,026	7,240
Extraordinary income		
Gain on sales of non-current assets	166	65
Gain on sales of investment securities	11	—
Gain on transfer of benefit obligation relating to employees' pension fund	6,024	—
Total extraordinary income	6,202	65
Extraordinary losses		
Loss on retirement of non-current assets	195	44
Loss on sales of non-current assets	0	8
Impairment loss	135	—
Loss on disaster	—	111
Loss on sales of investment securities	49	—
Loss on sales of shares of subsidiaries and associates	176	—
Special retirement expenses	241	—
Loss on revision of retirement benefit plan	—	40
Business structure improvement expenses	—	1,317
Other	—	159
Total extraordinary losses	798	1,683
Profit before income taxes	12,430	5,623
Income taxes - current	1,683	2,373
Income taxes - deferred	2,550	△246
Total income taxes	4,233	2,126
Profit	8,196	3,496
Loss attributable to non-controlling interests	△99	△11
Profit attributable to owners of parent	8,296	3,508

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	8,196	3,496
Other comprehensive income		
Valuation difference on available-for-sale securities	499	2,519
Deferred gains or losses on hedges	△1	4
Foreign currency translation adjustment	2,621	4,881
Remeasurements of defined benefit plans, net of tax	2,935	199
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	6,057	7,607
Comprehensive income	14,254	11,103
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,340	11,120
Comprehensive income attributable to non-controlling interests	△86	△16

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	12,430	5,623
Depreciation	3,363	3,355
Impairment loss	135	—
Loss on disaster	—	111
Increase (decrease) in net defined benefit liability	Δ6,912	11
Amortization of goodwill	659	658
Increase (decrease) in allowance for doubtful accounts	0	Δ279
Business structure improvement expenses	—	1,317
Interest and dividend income	Δ1,336	Δ1,547
Interest expenses	233	220
Profit / Loss on sale / revaluation of available-for-sale securities	Δ256	Δ104
Share of loss (profit) of entities accounted for using equity method	4	18
Loss (gain) on sales of non-current assets	Δ165	Δ56
Loss on retirement of non-current assets	195	44
Loss (gain) on sales of investment securities	37	—
Decrease (increase) in notes and accounts receivable - trade	1,074	3,187
Decrease (increase) in inventories	Δ3,135	Δ6,076
Increase (decrease) in notes and accounts payable - trade	2,952	Δ299
Other, net	2,555	Δ552
Subtotal	11,837	5,631
Interest and dividend income received	1,319	1,629
Interest expenses paid	Δ240	Δ248
Payments for business structure improvement expenses	Δ1,479	Δ573
Income taxes (paid) refund	Δ1,474	Δ1,433
Net cash provided by (used in) operating activities	9,961	5,005
Cash flows from investing activities		
Payments into time deposits	Δ4,412	Δ5,652
Proceeds from withdrawal of time deposits	8,146	5,103
Payments of short-term loans receivable	Δ273	Δ3
Collection of short-term loans receivable	257	13
Purchase of securities	Δ2,471	Δ637
Proceeds from sales and redemption of securities	4,748	791
Purchase of property, plant and equipment	Δ1,803	Δ2,665
Proceeds from sales of property, plant and equipment	558	299
Purchase of intangible assets	Δ305	Δ275
Purchase of investment securities	Δ4,123	Δ1,531
Proceeds from sales and redemption of investment securities	2,143	6
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	Δ93	—
Payments of long-term loans receivable	Δ4	Δ8
Collection of long-term loans receivable	0	0
Payments for transfer of business	Δ151	Δ935
Other, net	3	0
Net cash provided by (used in) investing activities	2,220	Δ5,495

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	Δ280	Δ33
Proceeds from long-term loans payable	1,663	521
Repayments of long-term loans payable	Δ1,953	Δ452
Purchase of treasury shares	Δ4	Δ94
Cash dividends paid	Δ3,328	Δ3,328
Dividends paid to non-controlling interests	Δ11	Δ0
Net cash provided by (used in) financing activities	Δ3,914	Δ3,388
Effect of exchange rate change on cash and cash equivalents	1,599	1,662
Net increase (decrease) in cash and cash equivalents	9,866	Δ2,214
Cash and cash equivalents at beginning of period	50,974	66,035
Cash and cash equivalents at end of period	60,841	63,820

(4) Notes regarding the consolidated financial statements

(Segment information)

I. First six months of the fiscal year ended March 31, 2018 (from April 1, 2017 to September 30, 2017)

Information concerning net sales and income/loss by reporting segment

(Millions of yen)

	Reporting Segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statements (Note 3)
	Light Sources	Equipment	Total				
Sales							
Sales to outside customers	36,951	46,730	83,682	1,530	85,212	—	85,212
Inter-segment sales or transfer among segment	941	66	1,008	14	1,023	(1,023)	—
Total	37,893	46,796	84,690	1,545	86,236	(1,023)	85,212
Segment profit	5,487	8	5,496	86	5,582	58	5,641

(Notes) 1. The “Others” classification refers to business segments not included in reporting segments, such as machinery for industrial uses and other businesses.

2. “Adjustment” refers to eliminations of inter-segment transactions.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

II. First six months of the fiscal year ending March 31, 2019 (from April 1, 2018 to September 30, 2018)

Information concerning net sales and income/loss by reporting segment

(Millions of yen)

	Reporting Segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statements (Note 3)
	Light Sources	Equipment	Total				
Sales							
Sales to outside customers	34,529	46,653	81,182	1,420	82,603	—	82,603
Inter-segment sales or transfer among segment	224	29	254	18	272	(272)	—
Total	34,753	46,682	81,436	1,438	82,875	(272)	82,603
Segment profit	4,873	186	5,060	46	5,106	249	5,356

(Notes) 1. The “Others” classification refers to business segments not included in reporting segments, such as machinery for industrial uses and other businesses.

2. “Adjustment” refers to eliminations of inter-segment transactions.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.