

October 31, 2016

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2017
<under Japanese GAAP>

Company name: **USHIO INC.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6925
 URL: <http://www.ushio.co.jp>
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Scheduled date to file Quarterly Securities Report: November 9, 2016
 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, 2017
(from April 1, 2016 to September 30, 2016)

(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, 2016	82,520	(6.9)	3,139	(52.0)	3,082	(59.3)	1,851	(66.1)
September 30, 2015	88,616	19.2	6,540	63.1	7,572	47.1	5,466	21.7

(Note) Comprehensive income

For the first six months ended September 30, 2016: ¥(7,524) million [(-)%]

For the first six months ended September 30, 2015: ¥2,675 million [(77.5)%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
First six months ended				
September 30, 2016	14.46		–	
September 30, 2015	42.14		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen			%
As of						
September 30, 2016	281,536		199,130			69.9
March 31, 2016	294,525		211,296			70.9

(Reference) Equity

As of September 30, 2016: ¥196,877 million

As of March 31, 2016: ¥208,705 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, 2016	–	–	–	26.00	26.00
Fiscal year ending March 31, 2017	–	–			
Fiscal year ending March 31, 2017 (Forecast)			–	26.00	26.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	170,000	(5.1)	9,000	(31.5)	10,000	(31.7)	7,000	(37.0)	54.72	

(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, 2016	139,628,721 shares
As of March 31, 2016	139,628,721 shares

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

As of September 30, 2016	11,866,336 shares
As of March 31, 2016	10,954,280 shares

c. Average number of outstanding shares during the period

As of September 30, 2016	128,043,148 shares
As of September 30, 2015	129,725,112 shares

* Indication regarding execution of the quarterly review procedures

This quarterly earnings report is exempted from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the quarterly review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

* 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, 2016.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	54,595	52,395
Notes and accounts receivable - trade	38,424	35,088
Securities	7,893	7,873
Merchandise and finished goods	30,705	27,660
Work in process	10,215	11,015
Raw materials and supplies	15,716	13,113
Deferred tax assets	5,070	4,364
Other	8,677	8,289
Allowance for doubtful accounts	Δ1,125	Δ938
Total current assets	170,173	158,863
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,115	41,439
Accumulated depreciation	Δ22,608	Δ22,632
Buildings and structures, net	17,507	18,806
Machinery, equipment and vehicles	23,541	22,754
Accumulated depreciation	Δ18,845	Δ18,402
Machinery, equipment and vehicles, net	4,696	4,351
Land	10,119	9,848
Construction in progress	3,118	2,645
Other	26,224	25,793
Accumulated depreciation	Δ19,356	Δ18,941
Other, net	6,868	6,852
Total property, plant and equipment	42,310	42,504
Intangible assets		
Goodwill	4,995	4,208
Other	5,790	4,948
Total intangible assets	10,786	9,156
Investments and other assets		
Investment securities	65,745	65,428
Long-term loans receivable	9	9
Deferred tax assets	1,116	1,325
Net defined benefit asset	23	21
Other	4,482	4,341
Allowance for doubtful accounts	Δ120	Δ115
Total investments and other assets	71,526	71,011
Total non-current assets	124,352	122,673
Total assets	294,525	281,536

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,797	15,540
Short-term loans payable	5,049	4,533
Current portion of long-term loans payable	3,066	4,475
Income taxes payable	382	550
Deferred tax liabilities	183	43
Provision for bonuses	2,472	2,213
Provision for product warranties	1,828	2,052
Provision for loss on order received	2	63
Provision for environmental measures	236	—
Other	18,443	18,636
Total current liabilities	49,463	48,108
Non-Current liabilities		
Long-term loans payable	6,397	9,331
Deferred tax liabilities	4,325	5,178
Provision for directors' retirement benefits	756	741
Provision for directors' stock payment	102	93
Net defined benefit liability	14,946	12,367
Asset retirement obligations	203	205
Other	7,032	6,380
Total non-current liabilities	33,765	34,296
Total liabilities	83,228	82,405
Net assets		
Shareholders' equity		
Capital stock	19,556	19,556
Capital surplus	27,672	27,670
Retained earnings	151,856	150,354
Treasury shares	△16,027	△17,214
Total shareholders' equity	183,057	180,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,072	30,757
Deferred gains or losses on hedges	—	△48
Foreign currency translation adjustment	4,375	△6,268
Remeasurements of defined benefit plans	△9,800	△7,929
Total accumulated other comprehensive income	25,647	16,510
Non-controlling interests	2,590	2,253
Total net assets	211,296	199,130
Total liabilities and net assets	294,525	281,536

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

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Net sales	88,616	82,520
Cost of sales	54,366	53,211
Gross profit	34,249	29,309
Selling, general and administrative expenses	27,709	26,169
Operating income	6,540	3,139
Non-operating income		
Interest income	372	309
Dividend income	589	621
Foreign exchange gains	318	—
Other	213	365
Total non-operating income	1,494	1,296
Non-operating expenses		
Interest expenses	125	136
Foreign exchange losses	—	1,030
Share of loss of entities accounted for using equity method	9	4
Realized and unrealized loss on trading securities, net	202	160
Other	125	21
Total non-operating expenses	462	1,353
Ordinary income	7,572	3,082
Extraordinary income		
Gain on sales of non-current assets	1,077	10
Gain on sales of investment securities	—	791
Gain on liquidation of subsidiaries and associates	37	—
Gain on bargain purchase	579	—
Total extraordinary income	1,694	802
Extraordinary losses		
Loss on retirement of non-current assets	57	43
Loss on sales of non-current assets	0	17
Special retirement expenses	—	10
Office transfer expenses	40	114
Business structure improvement expenses	—	529
Total extraordinary losses	98	715
Profit before income taxes	9,168	3,168
Income taxes - current	1,715	823
Income taxes - deferred	1,916	558
Total income taxes	3,631	1,381
Profit	5,536	1,786
Profit attributable to non-controlling interests	69	△65
Profit attributable to owners of parent	5,466	1,851

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Profit	5,536	1,786
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ948	Δ315
Deferred gains or losses on hedges	Δ0	Δ48
Foreign currency translation adjustment	Δ2,226	Δ10,818
Remeasurements of defined benefit plans, net of tax	315	1,870
Share of other comprehensive income of entities accounted for using equity method	0	Δ0
Total other comprehensive income	Δ2,860	Δ9,311
Comprehensive income	2,675	Δ7,524
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,739	Δ7,285
Comprehensive income attributable to non- controlling interests	Δ63	Δ238

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	9,168	3,168
Depreciation	3,147	3,266
Increase (decrease) in net defined benefit liability	104	126
Amortization of goodwill	460	646
Interest and dividend income	△962	△930
Interest expenses	125	136
Profit / Loss on sale / revaluation of available-for-sale securities	202	160
Share of (profit) loss of entities accounted for using equity method	9	4
Loss (gain) on sales of non-current assets	△1,077	6
Loss on retirement of non-current assets	57	43
Loss (gain) on sales of investment securities	—	△791
Decrease (increase) in notes and accounts receivable - trade	2,260	1,412
Decrease (increase) in inventories	△3,882	843
Increase (decrease) in notes and accounts payable - trade	△1,040	△1,631
Other, net	△971	1,643
Subtotal	7,602	8,105
Interest and dividend income received	1,015	955
Interest expenses paid	△132	△136
Income taxes (paid) refund	△2,586	△518
Net cash provided by (used in) operating activities	5,898	8,405
Cash flows from investing activities		
Payments into time deposits	△7,354	△10,335
Proceeds from withdrawal of time deposits	8,764	7,936
Payments of short-term loans receivable	△112	△204
Collection of short-term loans receivable	92	181
Purchase of securities	△2,194	△1,786
Proceeds from sales and redemption of securities	2,858	2,547
Purchase of property, plant and equipment	△2,982	△4,628
Proceeds from sales of property, plant and equipment	1,388	61
Purchase of intangible assets	△130	△255
Purchase of investment securities	△1,197	△4,442
Proceeds from sales and redemption of investment securities	76	1,726
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△375	△490
Payments of long-term loans receivable	△5	△5
Collection of long-term loans receivable	218	0
Other, net	149	0
Net cash provided by (used in) investing activities	△806	△9,694

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,706	△124
Proceeds from long-term loans payable	—	5,700
Repayments of long-term loans payable	△1,007	△835
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△415	—
Purchase of treasury shares	△2,511	△1,199
Cash dividends paid	△3,132	△3,346
Dividends paid to non-controlling interests	△28	△15
Net cash provided by (used in) financing activities	△5,388	179
Effect of exchange rate change on cash and cash equivalents	△679	△3,680
Net increase (decrease) in cash and cash equivalents	△975	△4,789
Cash and cash equivalents at beginning of period	56,989	47,813
Cash and cash equivalents at end of period	56,013	43,023

(4) Notes regarding the consolidated financial statements

(Segment information)

I. First six months of the fiscal year ended March 31, 2016 (from April 1, 2015 to September 30, 2015)

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	39,175	47,915	87,090	1,525	88,616	-	88,616
Inter-segment sales or transfer among segment	543	27	570	11	581	(581)	-
Total	39,719	47,942	87,661	1,536	89,197	(581)	88,616
Segment profit	5,978	508	6,486	27	6,514	25	6,540

(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 (loss) is adjusted with operating income in the quarterly consolidated statements of income.

II. First six months of the fiscal year ending March 31, 2017 (from April 1, 2016 to September 30, 2016)

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	35,925	45,292	81,217	1,303	82,520	-	82,520
Inter-segment sales or transfer among segment	917	71	999	3	992	(992)	-
Total	36,843	45,363	82,206	1,306	83,513	(992)	82,520
Segment profit (loss)	4,050	(1,123)	2,927	(2)	2,924	214	3,139

(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.