

Consolidated Financial Results
for the Fiscal Year Ended 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/en/>
Representative: Kenji Hamashima, President and Chief Executive Officer
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Scheduled date of ordinary general meeting of shareholders: June 29, 2017
Scheduled date to commence dividend payments: June 30, 2017
Scheduled date to file Securities Report: June 29, 2017
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 fiscal year ended March 31, 2017
(from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2017	172,840	(3.5)	8,602	(34.5)	11,001	(24.8)	7,042	(36.6)
March 31, 2016	179,121	12.4	13,130	26.8	14,633	6.7	11,105	(1.5)

(Note) Comprehensive income (losses)
For the fiscal year ended March 31, 2017: ¥8,161 million [—%]
For the fiscal year ended March 31, 2016: ¥(394) million [—%]

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	55.06	—	3.3	3.6	5.0
March 31, 2016	85.83	—	5.2	5.0	7.3

(Reference) Equity in losses of affiliates
For the fiscal year ended March 31, 2017: ¥(8) million
For the fiscal year ended March 31, 2016: ¥(12) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2017	308,430	213,289	68.9	1,664.40
March 31, 2016	294,525	211,296	70.9	1,621.97

(Reference) Equity
As of March 31, 2017: ¥212,645 million
As of March 31, 2016: ¥208,705 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	12,624	(15,254)	6,864	50,974
March 31, 2016	12,031	(10,367)	(7,849)	47,813

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2016	–	–	–	26.00	26.00	3,353	30.3	1.6
Fiscal year ended March 31, 2017	–	–	–	26.00	26.00	3,329	47.2	1.6
Fiscal year ending March 31, 2018 (Forecast)	–	–	–	26.00	26.00		30.2	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending September 30, 2017	87,000	5.4	4,500	43.4	5,500	78.4	8,500	359.0	66.53
Fiscal year ending March 31, 2018	180,000	4.1	10,000	16.2	11,500	4.5	11,000	56.2	86.10

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

- Changes in accounting policies due to revisions to accounting standards: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatements: None

(3) Number of issued shares (common shares)

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

As of March 31, 2017	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 March 31, 2017	11,867,972 shares
As of March 31, 2016	10,954,280 shares

c. Average number of outstanding shares during the period

For the fiscal year ended March 31, 2017	127,913,124 shares
For the fiscal year ended March 31, 2016	129,390,561 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.

**Non-consolidated performance for the fiscal year ended March 31, 2017
(from April 1, 2016 to March 31, 2017)**

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	48,923	(4.1)	780	(76.8)	2,854	(27.5)	2,392	803.4
March 31, 2016	51,033	6.3	3,364	129.3	3,937	0.6	264	(92.5)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2017	18.71	—
March 31, 2016	2.04	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2017	158,550	121,568	76.7	951.53
March 31, 2016	164,334	124,156	75.6	964.89

(Reference) Equity

As of March 31, 2017: ¥121,568 million

As of March 31, 2016: ¥124,156 million

*This Consolidated Financial Review is outside the scope of the audit procedures under the Financial Instruments and Exchange Act.

* 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 Presentation

The Financial Presentation will be posted on the website of USHIO INC. on May 11, 2017.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	54,595	63,963
Notes and accounts receivable - trade	38,424	42,349
Securities	7,893	8,342
Merchandise and finished goods	30,705	28,369
Work in process	10,215	10,301
Raw materials and supplies	15,716	13,750
Deferred tax assets	5,070	4,789
Other	8,677	9,577
Allowance for doubtful accounts	△1,125	△1,110
Total current assets	170,173	180,334
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,115	43,515
Accumulated depreciation	△22,608	△23,742
Buildings and structures, net	17,507	19,773
Machinery, equipment and vehicles	23,541	22,935
Accumulated depreciation	△18,845	△18,110
Machinery, equipment and vehicles, net	4,696	4,824
Land	10,119	9,577
Construction in progress	3,118	2,753
Other	26,224	29,913
Accumulated depreciation	△19,356	△22,031
Other, net	6,868	7,881
Total property, plant and equipment	42,310	44,809
Intangible assets		
Goodwill	4,995	3,788
Other	5,790	5,434
Total intangible assets	10,786	9,223
Investments and other assets		
Investment securities	65,745	67,923
Long-term loans receivable	9	21
Deferred tax assets	1,116	1,033
Net defined benefit asset	23	30
Other	4,482	5,166
Allowance for doubtful accounts	△120	△112
Total investments and other assets	71,256	74,062
Total non-current assets	124,352	128,096
Total assets	294,525	308,430

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,797	16,859
Short-term loans payable	5,049	5,763
Current portion of long-term loans payable	3,066	4,701
Income taxes payable	382	1,163
Deferred tax liabilities	183	92
Provision for bonuses	2,472	2,050
Provision for product warranties	1,828	2,100
Provision for loss on order received	2	31
Provision for environmental measures	236	—
Other	18,443	21,830
Total current liabilities	49,463	54,592
Non-current liabilities		
Long-term loans payable	6,397	17,307
Deferred tax liabilities	4,325	6,459
Provision for directors' retirement benefits	756	553
Provision for directors' stock payment	102	123
Net defined benefit liability	14,946	9,960
Asset retirement obligations	203	229
Other	7,032	5,914
Total non-current liabilities	33,765	40,548
Total liabilities	83,228	95,141
Net assets		
Shareholders' equity		
Capital stock	19,556	19,556
Capital surplus	27,672	27,772
Retained earnings	151,856	155,545
Treasury shares	△16,027	△17,216
Total shareholders' equity	183,057	185,658
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,072	30,407
Deferred gains or losses on hedges	—	△26
Foreign currency translation adjustment	4,375	3,135
Remeasurements of defined benefit plans	△9,800	△6,529
Total accumulated other comprehensive income	25,647	26,987
Non-controlling interests	2,590	643
Total net assets	211,296	213,289
Total liabilities and net assets	294,525	308,430

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	179,121	172,840
Cost of sales	110,717	112,383
Gross profit	68,403	60,456
Selling, general and administrative expenses	55,273	51,854
Operating profit	13,130	8,602
Non-operating income		
Interest income	723	844
Dividend income	1,175	1,302
Realized and unrealized profit on trading securities, net	—	435
Foreign exchange gains	11	—
Gain on specified money in trust	—	371
Other	428	492
Total non-operating income	2,338	3,446
Non-operating expenses		
Interest expenses	250	308
Realized and unrealized loss on trading securities, net	341	—
Foreign exchange losses	—	649
Share of loss of entities accounted for using equity method	12	8
Other	231	80
Total non-operating expenses	836	1,046
Ordinary profit	14,633	11,001
Extraordinary income		
Gain on sales of non-current assets	1,151	455
Gain on sales of investment securities	283	2,769
Gain on bargain purchase	579	—
Gain on liquidation of subsidiaries and associates	37	—
Total extraordinary income	2,051	3,224
Extraordinary losses		
Loss on retirement of non-current assets	226	91
Loss on sales of non-current assets	75	21
Impairment loss	244	240
Loss on sales of investment securities	30	7
Loss on valuation of investment securities	—	10
Loss on valuation of membership	2	—
Special retirement expenses	50	10
Provision for environmental measures	236	—
Office transfer expenses	543	136
Business structure improvement expenses	—	2,089
Loss on liquidation of subsidiaries and associates	87	—
Total extraordinary losses	1,496	2,608
Profit before income taxes	15,187	11,617
Income taxes - current	3,003	3,459
Income taxes - deferred	998	1,284
Total income taxes	4,001	4,744
Profit	11,186	6,872
Profit (loss) attributable to non-controlling interests	80	△170
Profit attributable to owners of parent	11,105	7,042

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	11,186	6,872
Other comprehensive income		
Valuation difference on available-for-sale securities	1,179	△665
Deferred gains or losses on hedges	△0	△26
Foreign currency translation adjustment	△8,244	△1,270
Remeasurements of defined benefit plans, net of tax	△4,515	3,271
Share of other comprehensive income of entities accounted for using equity method	0	△20
Total other comprehensive income	△11,580	1,288
Comprehensive income	△394	8,161
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△279	8,382
Comprehensive income attributable to non-controlling interests	△114	△220

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,556	28,301	143,883	(12,850)	178,891
Changes of items during period					
Dividends of surplus			(3,133)		(3,133)
Profit attributable to owners of parent			11,105		11,105
Purchase of treasury shares				(3,177)	(3,177)
Purchase of shares of consolidated subsidiaries		(628)			(628)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(628)	7,972	(3,177)	4,166
Balance at end of current period	19,556	27,672	151,856	(16,027)	183,057

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	29,892	0	12,425	(5,285)	37,033	2,798	218,723
Changes of items during period							
Dividends of surplus							(3,133)
Profit attributable to owners of parent							11,105
Purchase of treasury shares							(3,177)
Purchase of shares of consolidated subsidiaries							(628)
Net changes of items other than shareholders' equity	1,179	(0)	(8,049)	(4,515)	(11,385)	(208)	(11,593)
Total changes of items during period	1,179	(0)	(8,049)	(4,515)	(11,385)	(208)	(7,427)
Balance at end of current period	31,072	—	4,375	(9,800)	25,647	2,590	211,296

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,556	27,672	151,856	△16,027	183,057
Changes of items during period					
Dividends of surplus			△3,353		△3,353
Profit attributable to owners of parent			7,042		7,042
Purchase of treasury shares				△1,189	△1,189
Purchase of shares of consolidated subsidiaries		100			100
Capital increase of consolidated subsidiaries		△0			△0
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	100	3,689	△1,189	2,600
Balance at end of current period	19,556	27,772	155,545	△17,216	185,658

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	31,072	—	4,375	△9,800	25,647	2,590	211,296
Changes of items during period							
Dividends of surplus							△3,353
Profit attributable to owners of parent							7,042
Purchase of treasury shares							△1,189
Purchase of shares of consolidated subsidiaries							100
Capital increase of consolidated subsidiaries							△0
Net changes of items other than shareholders' equity	△665	△26	△1,240	3,271	1,339	△1,946	△607
Total changes of items during period	△665	△26	△1,240	3,271	1,339	△1,946	1,993
Balance at end of current period	30,407	△26	3,135	△6,529	26,987	643	213,289

(4) Consolidated Statements of Cash Flows

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	15,187	11,617
Depreciation	6,495	6,587
Impairment loss	244	240
Increase (decrease) in net defined benefit liability	227	77
Amortization of goodwill	1,003	1,321
Gain on bargain purchase	Δ579	—
Increase (decrease) in provision for environmental measures	236	—
Business structure improvement expenses	—	2,089
Interest and dividend income	Δ1,899	Δ2,147
Interest expenses	250	308
Profit / Loss on sale / revaluation of available-for-sale securities	341	Δ435
Share of (profit) loss of entities accounted for using equity method	12	8
Loss (gain) on sales of non-current assets	Δ1,075	Δ433
Loss on retirement of non-current assets	226	91
Loss (gain) on sales of investment securities	Δ253	Δ2,761
Loss (gain) on valuation of investment securities	—	10
Decrease (increase) in notes and accounts receivable - trade	501	Δ3,850
Decrease (increase) in inventories	Δ8,108	2,733
Increase (decrease) in notes and accounts payable - trade	Δ34	Δ916
Other, net	1,871	Δ681
Subtotal	14,648	13,861
Interest and dividend income received	1,982	2,129
Interest expenses paid	Δ250	Δ301
Payments for business structure improvement expenses	—	Δ609
Income taxes (paid) refund	Δ4,349	Δ2,455
Net cash provided by (used in) operating activities	12,031	12,624
Cash flows from investing activities		
Payments into time deposits	Δ13,766	Δ15,090
Proceeds from withdrawal of time deposits	15,432	10,493
Payments of short-term loans receivable	Δ322	Δ455
Collection of short-term loans receivable	212	401
Purchase of securities	Δ3,940	Δ3,197
Proceeds from sales and redemption of securities	7,248	5,992
Purchase of property, plant and equipment	Δ7,903	Δ8,828
Proceeds from sales of property, plant and equipment	1,953	1,068
Purchase of intangible assets	Δ189	Δ825
Purchase of investment securities	Δ6,134	Δ10,467
Proceeds from sales and redemption of investment securities	671	6,164
Purchase of shares of subsidiaries resulting in change in scope of consolidation	Δ3,883	Δ490
Payments of long-term loans receivable	Δ13	Δ20
Collection of long-term loans receivable	221	0
Other, net	46	0
Net cash provided by (used in) investing activities	Δ10,367	Δ15,254

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	66	796
Proceeds from long-term loans payable	1,212	15,601
Repayments of long-term loans payable	Δ1,373	Δ3,376
Purchase of treasury shares	Δ3,177	Δ1,201
Cash dividends paid	Δ3,133	Δ3,347
Dividends paid to non-controlling interests	Δ28	Δ15
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	Δ1,415	Δ1,591
Net cash provided by (used in) financing activities	Δ7,849	6,864
Effect of exchange rate change on cash and cash equivalents	Δ2,991	Δ1,073
Net increase (decrease) in cash and cash equivalents	Δ9,176	3,161
Cash and cash equivalents at beginning of period	56,989	47,813
Cash and cash equivalents at end of period	47,813	50,974

(5) Notes regarding the consolidated financial statements

(Segment Information)

1. Overview of Reporting Segments

The Company's reporting segments reflect the basic business units that comprise the Company for which separate financial data are available, with businesses evaluated by the Board of Directors. To facilitate decisions regarding the distribution of management resources and the evaluation of business performance, reporting segments are subject to periodic review.

The Company has adopted a business division system based on similarities in product type, sales markets, and other relevant factors. Business activities are conducted on a global basis, guided by comprehensive domestic and overseas strategies established for businesses involving the development, manufacture and sale of Group products, along with related services.

Accordingly, the Company's segments are separated along product or market lines, with "Light Sources" and "Equipment" as the two reporting segments.

The "Light Sources" segment is involved in the production and sale primarily of halogen and discharge lamps.

The "Equipment" segment is involved in the production and sale primarily of optical and imaging equipment.

2. Methods for Calculation of Monetary Figures for Net Sales, Profit or Loss, Assets, Liabilities, and Other Line Items for Reporting Segments

Profit figures for reporting segments are based on operating income.

Inter-segment revenues or transfers are based on prevailing market prices.

3. Monetary Information Concerning Net Sales, Profit or Loss, Assets, Liabilities, and Other Line Items for Reporting Segments

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reporting Segment			Others (Note 1)	Total	Total Adjustment (Note 2)	Amount on Consolidated Financial Statements (Note 3)
	Light Sources	Equipment	Total				
Sales							
Sales to outside customers	77,231	98,724	175,956	3,164	179,121	—	179,121
Inter-segment sales or transfer among segments	1,343	103	1,447	53	1,500	(1,500)	—
Total	78,574	98,828	177,403	3,218	180,622	(1,500)	179,121
Segment profit (loss)	10,976	1,726	12,703	181	12,885	245	13,130
Segment assets	102,972	113,513	216,486	39,026	255,513	39,012	294,525
Other line items							
Depreciation and amortization	2,146	4,311	6,457	38	6,495	—	6,495
Amortization of goodwill	375	628	1,003	—	1,003	—	1,003
Investments in equity- method affiliates	21	2	23	—	23	—	23
Increase in property, plant and equipment and intangible fixed assets	5,870	6,871	12,742	481	13,224	—	13,224

(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 the following:
 - (1) The total adjustment in segment profit of ¥245 million includes ¥173 million in eliminations of inter-segment transactions.
 - (2) The total adjustment in segment assets of ¥39,012 million includes elimination of a loss of ¥16,297 million in inter-segment credits or debts and corporate assets of ¥55,370

million not affiliated with any reporting segment. Corporate assets consist primarily of surplus operating capital (cash and marketable securities) and funds for long-term investment (investment securities).

3. Segment profit is adjusted with operating income in the consolidated statements of income.
4. The increase in property, plant and equipment and intangible fixed assets includes an increase in long-term advanced payment expenses.

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reporting Segment			Others (Note 1)	Total	Total Adjustment (Note 2)	Amount on Consolidated Financial Statements (Note 3)
	Light Sources	Equipment	Total				
Sales							
Sales to outside customers	71,901	97,640	169,541	3,298	172,840	—	172,840
Inter-segment sales or transfer among segments	2,144	194	2,338	9	2,348	(2,348)	—
Total	74,046	97,834	171,880	3,307	175,188	(2,348)	172,840
Segment profit (loss)	8,119	74	8,193	41	8,235	366	8,602
Segment assets	104,983	121,348	226,331	43,565	269,897	38,533	308,430
Other line items							
Depreciation and amortization	2,498	4,045	6,544	43	6,587	—	6,587
Amortization of goodwill	527	793	1,321	—	1,321	—	1,321
Investments in equity- method affiliates	14	—	14	—	14	—	14
Increase in property, plant and equipment and intangible fixed assets	4,971	4,203	9,174	1,565	10,740	—	10,740

(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 the following:
 - (1) The total adjustment in segment profit of ¥366 million includes ¥161 million in eliminations of inter-segment transactions.
 - (2) The total adjustment in segment assets of ¥38,533 million includes elimination of a loss of ¥16,233 million in inter-segment credits or debts and corporate assets of ¥54,889 million not affiliated with any reporting segment. Corporate assets consist primarily of surplus operating capital (cash and marketable securities) and funds for long-term investment (investment securities).
3. Segment profit is adjusted with operating income in the consolidated statements of income.
4. The increase in property, plant and equipment and intangible fixed assets includes an increase in long-term advanced payment expenses.