

October 30, 2017

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2018
<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 to file Quarterly Securities Report: November 10, 2017
 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, 2018
(from April 1, 2017 to September 30, 2017)

(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, 2017 | 85,212 | 3.3 | 5,641 | 79.7 | 7,026 | 128.0 | 8,296 | 348.0 |
| September 30, 2016 | 82,520 | (6.9) | 3,139 | (52.0) | 3,082 | (59.3) | 1,851 | (66.1) |

(Note) Comprehensive income

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

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

| | Net income per share | | Diluted net income per share | |
|------------------------|----------------------|--|------------------------------|--|
| | Yen | | Yen | |
| First six months ended | | | | |
| September 30, 2017 | 64.94 | | – | |
| September 30, 2016 | 14.46 | | – | |

(2) Consolidated financial position

| | Total assets | | Net assets | | Equity ratio | |
|--------------------|-----------------|--|-----------------|--|--------------|------|
| | Millions of yen | | Millions of yen | | | % |
| As of | | | | | | |
| September 30, 2017 | 320,215 | | 224,055 | | | 69.8 |
| March 31, 2017 | 308,430 | | 213,289 | | | 68.9 |

(Reference) Equity

As of September 30, 2017: ¥223,662 million

As of March 31, 2017: ¥212,645 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, 2017 | – | – | – | 26.00 | 26.00 |
| Fiscal year ending March 31, 2018 | – | – | | | |
| Fiscal year ending March 31, 2018 (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, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018 | 180,000 | 4.1 | 10,000 | 16.2 | 11,500 | 4.5 | 11,000 | 56.2 | 86.10 |

(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, 2017 | 139,628,721 shares |
| As of March 31, 2017 | 139,628,721 shares |

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

| | |
|--------------------------|-------------------|
| As of September 30, 2017 | 11,864,597 shares |
| As of March 31, 2017 | 11,867,972 shares |

c. Average number of outstanding shares during the period

| | |
|--------------------------|--------------------|
| As of September 30, 2017 | 127,762,731 shares |
| As of September 30, 2016 | 128,043,148 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 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 Highlights

The Financial Highlights will be posted on the website of USHIO INC. on October 30, 2017.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 63,963 | 70,060 |
| Notes and accounts receivable - trade | 42,349 | 41,491 |
| Securities | 8,342 | 6,675 |
| Merchandise and finished goods | 28,369 | 27,858 |
| Work in process | 10,301 | 12,670 |
| Raw materials and supplies | 13,750 | 14,722 |
| Deferred tax assets | 4,789 | 4,175 |
| Other | 9,577 | 10,871 |
| Allowance for doubtful accounts | △1,110 | △1,124 |
| Total current assets | 180,334 | 187,401 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 43,515 | 43,257 |
| Accumulated depreciation | △23,742 | △23,941 |
| Buildings and structures, net | 19,773 | 19,315 |
| Machinery, equipment and vehicles | 22,935 | 23,833 |
| Accumulated depreciation | △18,110 | △19,024 |
| Machinery, equipment and vehicles, net | 4,824 | 4,808 |
| Land | 9,577 | 9,398 |
| Construction in progress | 2,753 | 2,255 |
| Other | 29,913 | 31,797 |
| Accumulated depreciation | △22,031 | △23,576 |
| Other, net | 7,881 | 8,220 |
| Total property, plant and equipment | 44,809 | 43,998 |
| Intangible assets | | |
| Goodwill | 3,788 | 3,276 |
| Other | 5,434 | 5,367 |
| Total intangible assets | 9,223 | 8,644 |
| Investments and other assets | | |
| Investment securities | 67,923 | 70,219 |
| Long-term loans receivable | 21 | 17 |
| Deferred tax assets | 1,033 | 1,050 |
| Net defined benefit asset | 30 | 3,866 |
| Other | 5,166 | 5,123 |
| Allowance for doubtful accounts | △112 | △107 |
| Total investments and other assets | 74,062 | 80,170 |
| Total non-current assets | 128,096 | 132,814 |
| Total assets | 308,430 | 320,215 |

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 16,859 | 19,879 |
| Short-term loans payable | 5,763 | 5,758 |
| Current portion of long-term loans payable | 4,701 | 3,086 |
| Income taxes payable | 1,163 | 1,467 |
| Deferred tax liabilities | 92 | 95 |
| Provision for bonuses | 2,050 | 2,069 |
| Provision for product warranties | 2,100 | 2,285 |
| Provision for loss on order received | 31 | 0 |
| Other | 21,830 | 23,588 |
| Total current liabilities | 54,592 | 58,231 |
| Non-current liabilities | | |
| Long-term loans payable | 17,307 | 18,695 |
| Deferred tax liabilities | 6,459 | 9,893 |
| Provision for directors' retirement benefits | 553 | 559 |
| Provision for directors' stock payment | 123 | 157 |
| Net defined benefit liability | 9,960 | 2,981 |
| Asset retirement obligations | 229 | 232 |
| Other | 5,914 | 5,408 |
| Total non-current liabilities | 40,548 | 37,928 |
| Total liabilities | 95,141 | 96,159 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 19,556 | 19,556 |
| Capital surplus | 27,772 | 27,772 |
| Retained earnings | 155,545 | 160,512 |
| Treasury shares | △17,216 | △17,210 |
| Total shareholders' equity | 185,658 | 190,631 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 30,407 | 30,906 |
| Deferred gains or losses on hedges | △26 | △27 |
| Foreign currency translation adjustment | 3,135 | 5,745 |
| Remeasurements of defined benefit plans | △6,529 | △3,593 |
| Total accumulated other comprehensive income | 26,987 | 33,031 |
| Non-controlling interests | 643 | 393 |
| Total net assets | 213,289 | 224,055 |
| Total liabilities and net assets | 308,430 | 320,215 |

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

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Net sales | 82,520 | 85,212 |
| Cost of sales | 53,211 | 54,196 |
| Gross profit | 29,309 | 31,016 |
| Selling, general and administrative expenses | 26,169 | 25,375 |
| Operating profit | 3,139 | 5,641 |
| Non-operating income | | |
| Interest income | 309 | 628 |
| Dividend income | 621 | 707 |
| Realized and unrealized profit on trading securities, net | — | 256 |
| Gain on specified money in trust | 61 | 87 |
| Other | 304 | 154 |
| Total non-operating income | 1,296 | 1,834 |
| Non-operating expenses | | |
| Interest expenses | 136 | 233 |
| Foreign exchange losses | 1,030 | 185 |
| Share of loss of entities accounted for using equity method | 4 | 4 |
| Realized and unrealized loss on trading securities, net | 160 | — |
| Other | 21 | 26 |
| Total non-operating expenses | 1,353 | 449 |
| Ordinary profit | 3,082 | 7,026 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 10 | 166 |
| Gain on sales of investment securities | 791 | 11 |
| Gain on transfer of benefit obligation relating to employees' pension fund | — | 6,024 |
| Total extraordinary income | 802 | 6,202 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 43 | 195 |
| Loss on sales of non-current assets | 17 | 0 |
| Impairment loss | — | 135 |
| Loss on sales of investment securities | — | 49 |
| Loss on sales of shares of subsidiaries and associates | — | 176 |
| Special retirement expenses | 10 | 241 |
| Office transfer expenses | 114 | — |
| Business structure improvement expenses | 529 | — |
| Total extraordinary losses | 715 | 798 |
| Profit before income taxes | 3,168 | 12,430 |
| Income taxes - current | 823 | 1,683 |
| Income taxes - deferred | 558 | 2,550 |
| Total income taxes | 1,381 | 4,233 |
| Profit | 1,786 | 8,196 |
| Loss attributable to non-controlling interests | △65 | △99 |
| Profit attributable to owners of parent | 1,851 | 8,296 |

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Profit | 1,786 | 8,196 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △315 | 499 |
| Deferred gains or losses on hedges | △48 | △1 |
| Foreign currency translation adjustment | △10,818 | 2,621 |
| Remeasurements of defined benefit plans, net of tax | 1,870 | 2,935 |
| Share of other comprehensive income of entities accounted for using equity method | △0 | 2 |
| Total other comprehensive income | △9,311 | 6,057 |
| Comprehensive income | △7,524 | 14,254 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | △7,285 | 14,340 |
| Comprehensive income attributable to non- controlling interests | △238 | △86 |

(3) Consolidated Statement of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,168 | 12,430 |
| Depreciation | 3,266 | 3,363 |
| Impairment loss | — | 135 |
| Increase (decrease) in net defined benefit liability | 126 | △6,912 |
| Amortization of goodwill | 646 | 659 |
| Interest and dividend income | △930 | △1,336 |
| Interest expenses | 136 | 233 |
| Profit / Loss on sale / revaluation of available-for-sale securities | 160 | △256 |
| Share of (profit) loss of entities accounted for using equity method | 4 | 4 |
| Loss (gain) on sales of non-current assets | 6 | △165 |
| Loss on retirement of non-current assets | 43 | 195 |
| Loss (gain) on sales of investment securities | △791 | 37 |
| Decrease (increase) in notes and accounts receivable - trade | 1,412 | 1,074 |
| Decrease (increase) in inventories | 843 | △3,135 |
| Increase (decrease) in notes and accounts payable - trade | △1,631 | 2,952 |
| Other, net | 1,643 | 1,076 |
| Subtotal | 8,105 | 10,357 |
| Interest and dividend income received | 955 | 1,319 |
| Interest expenses paid | △136 | △240 |
| Income taxes (paid) refund | △518 | △1,474 |
| Net cash provided by (used in) operating activities | 8,405 | 9,961 |
| Cash flows from investing activities | | |
| Payments into time deposits | △10,335 | △4,412 |
| Proceeds from withdrawal of time deposits | 7,936 | 8,146 |
| Payments of short-term loans receivable | △204 | △273 |
| Collection of short-term loans receivable | 181 | 257 |
| Purchase of securities | △1,786 | △2,471 |
| Proceeds from sales and redemption of securities | 2,547 | 4,748 |
| Purchase of property, plant and equipment | △4,628 | △1,803 |
| Proceeds from sales of property, plant and equipment | 61 | 558 |
| Purchase of intangible assets | △255 | △305 |
| Purchase of investment securities | △4,442 | △4,123 |
| Proceeds from sales and redemption of investment securities | 1,726 | 2,143 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | △490 | — |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | — | △93 |
| Payments of long-term loans receivable | △5 | △4 |
| Collection of long-term loans receivable | 0 | 0 |
| Payments for transfer of business | — | △151 |
| Other, net | 0 | 3 |
| Net cash provided by (used in) investing activities | △9,694 | 2,220 |

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|---|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | Δ124 | Δ280 |
| Proceeds from long-term loans payable | 5,700 | 1,663 |
| Repayments of long-term loans payable | Δ835 | Δ1,953 |
| Purchase of treasury shares | Δ1,199 | Δ4 |
| Cash dividends paid | Δ3,346 | Δ3,328 |
| Dividends paid to non-controlling interests | Δ15 | Δ11 |
| Net cash provided by (used in) financing activities | 179 | Δ3,914 |
| Effect of exchange rate change on cash and cash equivalents | Δ3,680 | 1,599 |
| Net increase (decrease) in cash and cash equivalents | Δ4,789 | 9,866 |
| Cash and cash equivalents at beginning of period | 47,813 | 50,974 |
| Cash and cash equivalents at end of period | 43,023 | 60,841 |

(4) Notes regarding the consolidated financial statements

(Segment information)

I. First six months of the fiscal year ended 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 | 989 | 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 (loss) is adjusted with operating income in the quarterly consolidated statements of income.

II. First six months of the fiscal year ending 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.