

Consolidated Financial Results
for the Fiscal Year Ended 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 of ordinary general meeting of shareholders: June 28, 2018
 Scheduled date to commence dividend payments: June 29, 2018
 Scheduled date to file Securities Report: June 28, 2018
 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, 2018
(from April 1, 2017 to March 31, 2018)

(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, 2018	173,497	0.4	10,151	18.0	12,050	9.5	11,001	56.2
March 31, 2017	172,840	(3.5)	8,602	(34.5)	11,001	(24.8)	7,042	(36.6)

(Note) Comprehensive income
 For the fiscal year ended March 31, 2018: ¥5,509 million [(32.5)%]
 For the fiscal year ended March 31, 2017: ¥8,161 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, 2018	86.11	—	5.1	3.9	5.9
March 31, 2017	55.06	—	3.3	3.6	5.0

(Reference) Equity in losses of affiliates
 For the fiscal year ended March 31, 2018: ¥(19) million
 For the fiscal year ended March 31, 2017: ¥(8) 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, 2018	307,265	215,306	70.0	1,683.42
March 31, 2017	308,430	213,289	68.9	1,664.40

(Reference) Equity
 As of March 31, 2018: ¥215,077 million
 As of March 31, 2017: ¥212,645 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, 2018	15,567	4,322	(3,613)	66,035
March 31, 2017	12,624	(15,254)	6,864	50,974

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, 2017	–	–	–	26.00	26.00	3,329	47.2	1.6
Fiscal year ended March 31, 2018	–	–	–	26.00	26.00	3,329	30.2	1.6
Fiscal year ending March 31, 2019 (Forecast)	–	–	–	30.0	30.0		33.3	

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		Net income		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	90.01

* 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

- 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

(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, 2018	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 March 31, 2018	11,866,293 shares
As of March 31, 2017	11,867,972 shares

c. Average number of outstanding shares during the period

For the fiscal year ended March 31, 2018	127,762,858 shares
For the fiscal year ended March 31, 2017	127,913,124 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, 2018
(from April 1, 2017 to March 31, 2018)**

(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, 2018	47,917	(2.1)	4,216	440.3	8,912	212.3	14,580	509.4
March 31, 2017	48,923	(4.1)	780	(76.8)	2,854	(27.5)	2,392	803.4

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2018	114.12	—
March 31, 2017	18.71	—

(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, 2018	162,789	126,976	78.0	993.85
March 31, 2017	158,550	121,568	76.7	951.53

(Reference) Equity

As of March 31, 2018: ¥126,976 million

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

*This Consolidated Financial Results 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 Presentation

The Financial Presentation will be posted on the website of USHIO INC. on May 10, 2018.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	63,963	74,725
Notes and accounts receivable - trade	42,349	42,255
Securities	8,342	4,851
Merchandise and finished goods	28,369	25,717
Work in process	10,301	13,624
Raw materials and supplies	13,750	14,920
Deferred tax assets	4,789	3,289
Other	9,577	10,436
Allowance for doubtful accounts	△1,110	△1,590
Total current assets	180,334	188,230
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,515	42,045
Accumulated depreciation	△23,742	△23,845
Buildings and structures, net	19,773	18,199
Machinery, equipment and vehicles	22,935	22,823
Accumulated depreciation	△18,110	△18,764
Machinery, equipment and vehicles, net	4,824	4,058
Land	9,577	8,534
Construction in progress	2,753	2,439
Other	29,913	31,869
Accumulated depreciation	△22,031	△23,524
Other, net	7,881	8,345
Total property, plant and equipment	44,809	41,578
Intangible assets		
Goodwill	3,788	2,358
Other	5,434	3,952
Total intangible assets	9,223	6,311
Investments and other assets		
Investment securities	67,923	63,819
Long-term loans receivable	21	170
Deferred tax assets	1,033	555
Net defined benefit asset	30	3,780
Other	5,166	2,922
Allowance for doubtful accounts	△112	△103
Total investments and other assets	74,062	71,144
Total non-current assets	128,096	119,034
Total assets	308,430	307,265

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,859	21,414
Short-term loans payable	5,763	6,950
Current portion of long-term loans payable	4,701	1,884
Income taxes payable	1,163	873
Deferred tax liabilities	92	618
Provision for bonuses	2,050	2,185
Provision for product warranties	2,100	2,194
Provision for loss on order received	31	48
Other	21,830	18,622
Total current liabilities	54,592	54,793
Non-current liabilities		
Long-term loans payable	17,307	17,989
Deferred tax liabilities	6,459	10,317
Provision for directors' retirement benefits	553	335
Provision for directors' stock payment	123	189
Net defined benefit liability	9,960	2,918
Asset retirement obligations	229	237
Other	5,914	5,176
Total non-current liabilities	40,548	37,165
Total liabilities	95,141	91,959
Net assets		
Shareholders' equity		
Capital stock	19,556	19,556
Capital surplus	27,772	27,771
Retained earnings	155,545	163,217
Treasury shares	△17,216	△17,212
Total shareholders' equity	185,658	193,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,407	24,247
Deferred gains or losses on hedges	△26	△15
Foreign currency translation adjustment	3,135	984
Remeasurements of defined benefit plans	△6,529	△3,471
Total accumulated other comprehensive income	26,987	21,744
Non-controlling interests	643	229
Total net assets	213,289	215,306
Total liabilities and net assets	308,430	307,265

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

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	172,840	173,497
Cost of sales	112,383	111,350
Gross profit	60,456	62,146
Selling, general and administrative expenses	51,854	51,995
Operating profit	8,602	10,151
Non-operating income		
Interest income	844	1,320
Dividend income	1,302	1,409
Realized and unrealized profit on trading securities, net	435	357
Gain on specified money in trust	371	104
Other	492	429
Total non-operating income	3,446	3,621
Non-operating expenses		
Interest expenses	308	608
Foreign exchange losses	649	926
Share of loss of entities accounted for using equity method	8	19
Other	80	167
Total non-operating expenses	1,046	1,722
Ordinary profit	11,001	12,050
Extraordinary income		
Gain on sales of non-current assets	455	395
Gain on sales of investment securities	2,769	5,991
Gain on transfer of benefit obligation relating to employees' pension fund	—	6,024
Gain on step acquisitions	—	30
Total extraordinary income	3,224	12,442
Extraordinary losses		
Loss on retirement of non-current assets	91	367
Loss on sales of non-current assets	21	8
Impairment loss	240	1,875
Loss on sales of investment securities	7	66
Loss on valuation of investment securities	10	181
Loss on sales of shares of subsidiaries and associates	—	176
Special retirement expenses	10	380
Office transfer expenses	136	—
Business structure improvement expenses	2,089	—
Total extraordinary losses	2,608	3,055
Profit before income taxes	11,617	21,437
Income taxes - current	3,459	2,917
Income taxes - deferred	1,284	7,731
Total income taxes	4,744	10,648
Profit	6,872	10,788
Loss attributable to non-controlling interests	△170	△213
Profit attributable to owners of parent	7,042	11,001

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	6,872	10,788
Other comprehensive income		
Valuation difference on available-for-sale securities	△665	△6,160
Deferred gains or losses on hedges	△26	11
Foreign currency translation adjustment	△1,270	△2,187
Remeasurements of defined benefit plans, net of tax	3,271	3,057
Share of other comprehensive income of entities accounted for using equity method	△20	△0
Total other comprehensive income	1,288	△5,279
Comprehensive income	8,161	5,509
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,382	5,759
Comprehensive income attributable to non-controlling interests	△220	△250

(3) Consolidated Statements of Changes in Net Assets

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				(1,201)	(1,201)
Disposal of treasury shares				12	12
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 or 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							(1,201)
Disposal of treasury shares							12
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

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,556	27,772	155,545	(17,216)	185,658
Changes of items during period					
Dividends of surplus			(3,329)		(3,329)
Profit attributable to owners of parent			11,001		11,001
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares				10	10
Purchase of shares of consolidated subsidiaries		(1)			(1)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(1)	7,672	3	7,674
Balance at end of current period	19,556	27,771	163,217	(17,212)	193,332

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	30,407	(26)	3,135	(6,529)	26,987	643	213,289
Changes of items during period							
Dividends of surplus							(3,329)
Profit attributable to owners of parent							11,001
Purchase of treasury shares							(7)
Disposal of treasury shares							10
Purchase of shares of consolidated subsidiaries							(1)
Net changes of items other than shareholders' equity	(6,160)	11	(2,151)	3,057	(5,242)	(414)	(5,657)
Total changes of items during period	(6,160)	11	(2,151)	3,057	(5,242)	(414)	2,016
Balance at end of current period	24,247	(15)	984	(3,471)	21,744	229	215,306

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	11,617	21,437
Depreciation	6,587	6,790
Impairment loss	240	1,875
Increase (decrease) in net defined benefit liability	77	△7,180
Amortization of goodwill	1,321	1,327
Increase (decrease) in allowance for doubtful accounts	15	543
Business structure improvement expenses	2,089	—
Interest and dividend income	△2,147	△2,729
Interest expenses	308	608
Profit / Loss on sale / revaluation of available-for-sale securities	△435	△357
Share of loss (profit) of entities accounted for using equity method	8	19
Loss (gain) on sales of non-current assets	△433	△387
Loss on retirement of non-current assets	91	367
Loss (gain) on sales of investment securities	△2,761	△5,924
Loss (gain) on valuation of investment securities	10	181
Decrease (increase) in notes and accounts receivable - trade	△3,850	△1,223
Decrease (increase) in inventories	2,733	△4,766
Increase (decrease) in notes and accounts payable - trade	△916	4,994
Other, net	△665	1,389
Subtotal	13,861	16,964
Interest and dividend income received	2,129	2,757
Interest expenses paid	△301	△586
Payments for business structure improvement expenses	△609	—
Income taxes (paid) refund	△2,455	△3,568
Net cash provided by (used in) operating activities	12,624	15,567
Cash flows from investing activities		
Payments into time deposits	△15,090	△10,126
Proceeds from withdrawal of time deposits	10,493	13,902
Payments of short-term loans receivable	△455	△324
Collection of short-term loans receivable	401	324
Purchase of securities	△3,197	△3,345
Proceeds from sales and redemption of securities	5,992	8,861
Purchase of property, plant and equipment	△8,828	△4,207
Proceeds from sales of property, plant and equipment	1,068	2,070
Purchase of intangible assets	△825	△642
Purchase of investment securities	△10,467	△12,226
Proceeds from sales and redemption of investment securities	6,164	10,597
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△490	△152
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	△93
Payments of long-term loans receivable	△20	△171
Collection of long-term loans receivable	0	3
Payments for transfer of business	—	△151
Other, net	0	5
Net cash provided by (used in) investing activities	△15,254	4,322

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	796	1,177
Proceeds from long-term loans payable	15,601	3,916
Repayments of long-term loans payable	△3,376	△5,358
Purchase of treasury shares	△1,201	△7
Cash dividends paid	△3,347	△3,329
Dividends paid to non-controlling interests	△15	△11
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△1,591	—
Net cash provided by (used in) financing activities	6,864	△3,613
Effect of exchange rate change on cash and cash equivalents	△1,073	△1,215
Net increase (decrease) in cash and cash equivalents	3,161	15,061
Cash and cash equivalents at beginning of period	47,813	50,974
Cash and cash equivalents at end of period	50,974	66,035

(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, 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	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.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(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	72,412	97,656	170,068	3,428	173,497	—	173,497
Inter-segment sales or transfer among segments	1,891	60	1,951	35	1,987	(1,987)	—
Total	74,303	97,716	172,020	3,464	175,485	(1,987)	173,497
Segment profit (loss)	10,402	(509)	9,893	129	10,022	129	10,151
Segment assets	110,645	112,207	222,853	46,953	269,806	37,458	307,265
Other line items							
Depreciation and amortization	3,128	3,613	6,741	48	6,790	—	6,790
Amortization of goodwill	540	787	1,327	—	1,327	—	1,327
Investments in equity- method affiliates	—	30	30	—	30	—	30
Increase in property, plant and equipment and intangible fixed assets	2,329	1,973	4,302	955	5,258	—	5,258

(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 (loss) of ¥129 million includes ¥163 million in eliminations of inter-segment transactions.
 - (2) The total adjustment in segment assets of ¥37,458 million includes elimination of a loss of ¥12,762 million in inter-segment credits or debts and corporate assets of ¥50,527 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 (loss) 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.