

October 31, 2019

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2020
<under Japanese GAAP>

Company name: **USHIO INC.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6925
 URL: <https://www.ushio.co.jp/en>
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Scheduled date to file Quarterly Securities Report: November 8, 2019
 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, 2020
(from April 1, 2019 to September 30, 2019)

(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, 2019	82,005	(0.7)	4,863	(9.2)	5,870	(18.9)	3,025	(13.8)
September 30, 2018	82,603	(3.1)	5,356	(5.0)	7,240	3.1	3,508	(57.7)

(Note) Comprehensive income
 For the first six months ended September 30, 2019: ¥1,833 million [(83.5)%]
 For the first six months ended September 30, 2018: ¥11,103 million [(22.1)%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
First six months ended				
September 30, 2019	24.41		–	
September 30, 2018	27.46		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen			%
As of						
September 30, 2019	285,568		203,045		71.1	
March 31, 2019	306,628		213,254		69.5	

(Reference) Equity
 As of September 30, 2019: ¥ 202,940 million
 As of March 31, 2019 : ¥ 213,101 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, 2019	—	—	—	50.00	50.00
Fiscal year ending March 31, 2020	—	—			
Fiscal year ending March 31, 2020 (Forecast)			—	50.00	50.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020	170,000	2.9	10,000	17.4	12,000	4.9	11,500	1.5	94.17

(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: Yes
 - 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, 2019	133,628,721 shares
As of March 31, 2019	133,628,721 shares

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

As of September 30, 2019	11,846,904 shares
As of March 31, 2019	7,641,087 shares

c. Average number of outstanding shares during the period

As of September 30, 2019	123,929,255 shares
As of September 30, 2018	127,745,985 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, 2019.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	85,655	63,586
Notes and accounts receivable - trade	39,456	38,722
Securities	4,405	4,081
Merchandise and finished goods	27,915	24,923
Work in process	17,362	16,668
Raw materials and supplies	17,163	17,189
Other	9,770	9,930
Allowance for doubtful accounts	△1,610	△1,399
Total current assets	200,119	173,703
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,334	44,290
Accumulated depreciation	△25,225	△25,528
Buildings and structures, net	19,109	18,761
Machinery, equipment and vehicles	23,326	23,714
Accumulated depreciation	△18,617	△18,376
Machinery, equipment and vehicles, net	4,709	5,337
Land	8,572	8,408
Construction in progress	1,481	2,243
Other	34,198	35,015
Accumulated depreciation	△25,019	△25,727
Other, net	9,178	9,287
Total property, plant and equipment	43,050	44,038
Intangible assets		
Goodwill	1,370	931
Other	3,271	3,123
Total intangible assets	4,642	4,055
Investments and other assets		
Investment securities	51,005	56,497
Long-term loans receivable	347	27
Deferred tax assets	2,104	2,018
Retirement benefit asset	3,391	3,419
Other	2,505	2,402
Allowance for doubtful accounts	△538	△594
Total investments and other assets	58,815	63,771
Total non-current assets	106,509	111,864
Total assets	306,628	285,568

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,665	19,387
Short-term borrowings	10,008	9,914
Current portion of long-term borrowings	8,520	9,778
Income taxes payable	7,021	1,585
Provision for bonuses	2,047	2,075
Provision for product warranties	2,192	1,899
Provision for loss on order received	11	18
Other	18,105	13,875
Total current liabilities	69,572	58,533
Non-current liabilities		
Long-term borrowings	10,410	8,466
Deferred tax liabilities	4,592	6,220
Provision for retirement benefits for directors (and other officers)	329	269
Provision for directors' stock payment	221	185
Retirement benefit liability	3,186	3,827
Asset retirement obligations	244	240
Other	4,816	4,778
Total non-current liabilities	23,800	23,988
Total liabilities	93,373	82,522
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,727	27,727
Retained earnings	162,936	159,579
Treasury shares	△10,811	△16,531
Total shareholders' equity	199,408	190,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,445	16,643
Deferred gains or losses on hedges	△17	△17
Foreign currency translation adjustment	2,761	△732
Remeasurements of defined benefit plans	△3,496	△3,286
Total accumulated other comprehensive income	13,693	12,608
Non-controlling interests	152	104
Total net assets	213,254	203,045
Total liabilities and net assets	306,628	285,568

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	82,603	82,005
Cost of sales	52,316	53,258
Gross profit	30,286	28,747
Selling, general and administrative expenses	24,929	23,883
Operating profit	5,356	4,863
Non-operating income		
Interest income	836	874
Dividend income	711	585
Foreign exchange gains	368	—
Realized and unrealized profit on trading securities, net	104	51
Gain on investments in investment partnerships	45	329
Gain on specified money in trust	35	54
Other	72	167
Total non-operating income	2,173	2,062
Non-operating expenses		
Interest expenses	220	349
Foreign exchange losses	—	539
Share of loss of entities accounted for using equity method	18	15
Other	50	151
Total non-operating expenses	289	1,055
Ordinary profit	7,240	5,870
Extraordinary income		
Gain on sales of non-current assets	65	1
Gain on sales of investment securities	—	10
Total extraordinary income	65	12
Extraordinary losses		
Loss on retirement of non-current assets	44	15
Loss on sales of non-current assets	8	17
Loss on disaster	111	—
Loss on revision of retirement benefit plan	40	—
Retirement benefit expenses	—	543
Business restructuring expenses	1,317	358
Other	159	—
Total extraordinary losses	1,683	934
Profit before income taxes	5,623	4,948
Income taxes - current	2,373	1,184
Income taxes - deferred	Δ246	754
Total income taxes	2,126	1,939
Profit	3,496	3,009
Loss attributable to non-controlling interests	Δ11	Δ15
Profit attributable to owners of parent	3,508	3,025

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	3,496	3,009
Other comprehensive income		
Valuation difference on available-for-sale securities	2,519	2,110
Deferred gains or losses on hedges	4	0
Foreign currency translation adjustment	4,881	Δ3,497
Remeasurements of defined benefit plans, net of tax	199	210
Share of other comprehensive income of entities accounted for using equity method	1	0
Total other comprehensive income	7,607	Δ1,175
Comprehensive income	11,103	1,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,120	1,852
Comprehensive income attributable to non-controlling interests	Δ16	Δ19

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	5,623	4,948
Depreciation	3,355	3,441
Loss on disaster	111	—
Increase (decrease) in retirement benefit liability	11	379
Amortization of goodwill	658	398
Increase (decrease) in allowance for doubtful accounts	Δ279	Δ96
Retirement benefit expenses	—	543
Business restructuring expenses	1,317	358
Interest and dividend income	Δ1,547	Δ1,459
Interest expenses	220	349
Profit / Loss on sale / revaluation of available-for-sale securities	Δ104	Δ51
Share of loss (profit) of entities accounted for using equity method	18	15
Loss (gain) on sales of non-current assets	Δ56	15
Loss on retirement of non-current assets	44	15
Loss (gain) on sales of investment securities	—	Δ10
Decrease (increase) in trade receivables	3,187	208
Decrease (increase) in inventories	Δ6,076	938
Increase (decrease) in trade payables	Δ299	Δ1,987
Increase (decrease) in advances received	626	Δ2,917
Other, net	Δ1,179	Δ1,034
Subtotal	5,631	4,054
Interest and dividends received	1,629	1,518
Interest paid	Δ248	Δ354
Payments for business structure improvement expenses	Δ573	Δ475
Income taxes (paid) refund	Δ1,433	Δ6,868
Net cash provided by (used in) operating activities	5,005	Δ2,125
Cash flows from investing activities		
Payments into time deposits	Δ5,652	Δ2,097
Proceeds from withdrawal of time deposits	5,103	8,253
Short-term loan advances	Δ3	Δ6
Collection of short-term loans receivable	13	10
Purchase of securities	Δ637	Δ125
Proceeds from sales and redemption of securities	791	1,305
Purchase of property, plant and equipment	Δ2,665	Δ4,209
Proceeds from sales of property, plant and equipment	299	206
Purchase of intangible assets	Δ275	Δ205
Purchase of investment securities	Δ1,531	Δ3,776
Proceeds from sales and redemption of investment securities	6	499
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	65
Long-term loan advances	Δ8	Δ24
Collection of long-term loans receivable	0	—
Payments for acquisition of businesses	Δ935	—
Other, net	0	—
Net cash provided by (used in) investing activities	Δ5,495	Δ102

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	Δ33	269
Proceeds from long-term borrowings	521	—
Repayments of long-term borrowings	Δ452	Δ364
Purchase of treasury shares	Δ94	Δ5,783
Dividends paid	Δ3,328	Δ6,308
Dividends paid to non-controlling interests	Δ0	—
Net cash provided by (used in) financing activities	Δ3,388	Δ12,187
Effect of exchange rate change on cash and cash equivalents	1,662	Δ1,178
Net increase (decrease) in cash and cash equivalents	Δ2,214	Δ15,594
Cash and cash equivalents at beginning of period	66,035	74,622
Cash and cash equivalents at end of period	63,820	59,027

(4) Notes regarding the consolidated financial statements

(Segment information)

I. First six months of the fiscal year ended 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.

II. First six months of the fiscal year ending March 31, 2020 (from April 1, 2019 to September 30, 2019)

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	30,439	49,861	80,301	1,704	82,005	—	82,005
Inter-segment sales or transfer among segment	54	52	106	2	108	(108)	—
Total	30,493	49,913	80,407	1,706	82,114	(108)	82,005
Segment profit	3,621	1,029	4,650	18	4,669	194	4,863

(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.