Translation

July 31, 2013

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2014
<under Japanese GAAP>

Company name: **USHIO INC.**
Listing: First Section of the Tokyo Stock Exchange
Stock code: 6925
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Scheduled date to file Quarterly Securities Report: August 9, 2013
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 fiscal year ending March 31, 2014 (from April 1, 2013 to June 30, 2013)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
First three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2013	35,458	(1.5)	2,283	19.6	3,499	196.1	3,052	505.8
June 30, 2012	35,980	1.1	1,908	(30.2)	1,181	(68.8)	503	(85.3)

(Note) Comprehensive income (loss)
For the first three months ended June 30, 2013: ¥9,195 million [—%]
For the first three months ended June 30, 2012: ¥(4,318)million [—%]

	Net income per share	Diluted net income per share
First three months ended	Yen	Yen
June 30, 2013	23.28	–
June 30, 2012	3.84	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2013	236,250	183,119	76.2
March 31, 2013	228,657	176,784	75.9

(Reference) Equity
As of June 30, 2013 ¥ 179,952 million
As of March 31, 2013 ¥ 173,629 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, 2013	–	–	–	22.00	22.00
Fiscal year ending March 31, 2014	–				
Fiscal year ending March 31, 2014 (Forecast)		–	–	22.00	22.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2013	75,000	5.2	5,000	30.3	6,000	87.3	4,000	207.0	30.50
Fiscal year ending March 31, 2014	160,000	11.5	12,500	64.9	14,500	37.6	10,000	39.8	76.26

(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: Yes

c. Changes in accounting estimates: None

d. Restatements: None

(Note) These items are reported in accordance with Article 10-5 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, etc.
For details, please refer to "2. Matters concerning summary information (Notes), (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections" on page 3.

(4) Number of issued shares (common stock)

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

As of June 30, 2013	139,628,721 shares
As of March 31, 2013	139,628,721 shares

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

As of June 30, 2013	8,502,494 shares
As of March 31, 2013	8,501,642 shares

c. Average number of outstanding shares during the period

As of June 30, 2013	131,126,490 shares
As of March 31, 2013	131,129,456 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. Please refer to page 3 of Attached document for matters regarding earnings forecasts.

[Attached document]

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1. Qualitative information on the quarterly results

(1) Qualitative information on consolidated operating results

In the first three months of the fiscal year ending March 31, 2014, the global economy saw the continuation of weak economic performance in Europe coupled with a slowdown in economic expansion in China, while the U.S. economy remained on a modest recovery track. Similarly, the Japanese economy moved solidly toward a recovery of its own, led by a rebound in consumer spending and housing starts, as well as in exports, production and other sectors, spurred largely by government economic policies.

Under these economic conditions, the USHIO Group continued to actively execute R&D investments in new technologies and products for the future. At the same time, the USHIO Group remained focused on making Group-wide efforts to improve its business results by raising productivity, lowering manufacturing costs, reducing expenses, building and expanding global production and sales systems, and promoting production in optimal locations.

As a result, in the first three months, consolidated net sales declined by 1.5% year on year to ¥35,458 million. However, operating income increased by 19.6% year on year to ¥2,283 million, while ordinary income rose by 196.1% year on year to ¥3,499 million. Net income was up by 505.8% year on year to ¥3,052 million.

Business results for each segment were as follows:

(Light Sources Business)

In the light sources business, sales of xenon lamps for cinema projectors continued to increase steadily on the back of greater penetration of digital cinema projectors. Elsewhere, replacement demand for ultraviolet lamps for lithography was firm. This trend reflected a modest recovery in capacity utilization rates for facilities of LCD panel and semiconductor manufacturers amid continued expansion in demand for smartphones and tablet PCs. Sales of halogen lamps were also robust, centered on sales related to office automation. The USHIO Group promoted product development in such areas as achieving longer replacement cycles, high luminance and high efficiency for various lamps, while actively conducting R&D activities focused on solid-state light source products, namely light-emitting diodes (LEDs) and laser diodes.

As a result, sales in the light sources business increased by 13.3% year on year to ¥14,966 million. Segment profit was down by 23.0% year on year to ¥1,141 million.

(Equipment Business)

In the equipment business, the visual image equipment field saw a year-on-year decline in sales volume of digital cinema projectors. This trend partly reflected progress with the penetration of these projectors particularly in developed countries, owing to investment schemes aimed at digitizing cinema projectors, and a subsequent ongoing shift in the center of gravity of sales to emerging markets. In the general imaging equipment field, sales held firm atop steady growth in new orders. In the optical equipment field, there was a recovery in capacity utilization rates at facilities in the semiconductor and LCD panel markets, particularly among manufacturers of strong-selling smartphones and tablet PCs. This performance, however, failed to stimulate a full recovery in capital expenditures, as efforts to curtail or postpone investment continued. Consequently, sales related to LCD panels and semiconductors, LEDs, and other electronic components remained weak. Furthermore, while R&D investment will decline in step with the consolidation and continuation in Japan of the EUV light source business, the USHIO Group continued to actively execute R&D investment directed at new technologies and products that could lead to strong business results in the future.

As a result, equipment business sales were ¥20,115 million, a decrease of 8.2% year on year. Segment profit increased by 201.7% year on year to ¥1,121 million.

(Other Businesses)

In other businesses, while sales of mold protection devices to manufacturers of strong-selling smartphones and tablet PCs remained firm, this performance fell short of covering gaps in sales of packaging machinery, which had been robust in the previous fiscal year.

As a result, sales in other businesses decreased 49.4% year on year to ¥480 million, along with a segment loss of ¥2 million.

(2) Qualitative information on consolidated financial position

Total assets were ¥236,250 million as of June 30, 2013, an increase of ¥7,592 million from the previous fiscal year-end. The main factors behind this rise were increases in cash and deposits from the collection of accounts receivable-trade, and in work in process accompanying higher business volume, along with an increase investment securities held, reflecting an increase in unrealized gains on investment securities held.

Total liabilities were ¥53,130 million as of June 30, 2013, an increase of ¥1,257 million from the previous fiscal year-end. The main factor behind this growth was an increase in deferred tax liabilities resulting from a rise in the tax component of unrealized gains on investment securities held due to high stock prices.

Net assets totaled ¥183,119 million as of June 30, 2013, an increase of ¥6,334 million from the previous fiscal year-end. The main factors behind this increase were an increase in valuation difference on available-for-sale securities due to higher unrealized gains on investment securities held, and a rise in foreign currency translation adjustment due to the yen's depreciation.

(3) Qualitative information on consolidated earnings forecasts

The USHIO Group has made no changes to its first-half and full-year consolidated earnings forecasts for the fiscal year ending March 31, 2014 announced on May 9, 2013. Please be advised that these earnings forecasts represent forward-looking statements based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

2. Matters concerning summary information (Notes)

(1) Changes in significant subsidiaries during the first three months

None

(2) Adoption of a specific accounting procedure for the preparation of quarterly financial statements

None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

Changes in accounting policies

(Change in depreciation method for property, plant and equipment)

Previously, the Company and its domestic consolidated subsidiaries had primarily adopted the declining-balance method as the depreciation method for property, plant and equipment (however, the straight-line method was adopted for buildings and structures acquired after April 1, 1998 (excluding accompanying facilities)). However, from the first quarter of the fiscal year ending March 31, 2014, the depreciation method has been changed primarily to the straight-line method.

Each business term, the USHIO Group revises its medium-term vision. Nevertheless, in a bid to respond effectively to the business environment for the LCD and semiconductor markets, the digital cinema projector market, and others in which the Group is engaged, the USHIO Group in March, 2013 formulated its Medium-Term Vision. Based on a new management strategy, the Medium-Term Vision runs from the fiscal year ending March 31, 2014 to March 31, 2016.

As part of this Medium-Term Vision, the USHIO Group is developing plans to standardize and stabilize production volume in Japan by restructuring its production system and transferring production activities overseas. As a result, it is expected that property, plant and equipment in Japan will be stably operated over the long term. For this reason, the Company opted to change its depreciation method for property, plant and equipment over to the straight-line method.

As a consequence of this change, operating income, ordinary income and net income increased by ¥123 million, respectively, on a consolidated basis for the first three months of the current fiscal year.

The effect of this change on segment information is described in the relevant sections.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and deposits	42,136	44,059
Notes and accounts receivable-trade	34,565	33,755
Short-term investment securities	14,140	10,965
Merchandise and finished goods	21,757	22,877
Work in process	5,817	7,574
Raw materials and supplies	10,405	10,609
Deferred tax assets	5,042	4,910
Other	7,497	7,571
Allowance for doubtful accounts	(717)	(731)
Total current assets	140,646	141,591
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,546	38,424
Accumulated depreciation	(19,743)	(20,335)
Buildings and structures, net	17,802	18,088
Machinery, equipment and vehicles	22,521	22,715
Accumulated depreciation	(18,775)	(18,887)
Machinery, equipment and vehicles, net	3,745	3,827
Land	9,057	9,142
Construction in progress	1,220	1,275
Other	20,492	21,534
Accumulated depreciation	(15,542)	(16,123)
Other, net	4,949	5,411
Total property, plant and equipment	36,776	37,745
Intangible assets	2,863	3,342
Investments and other assets		
Investment securities	45,384	50,296
Long-term loans receivable	26	5
Deferred tax assets	636	908
Other	2,453	2,492
Allowance for doubtful accounts	(129)	(131)
Total investments and other assets	48,371	53,570
Total noncurrent assets	88,011	94,658
Total assets	228,657	236,250

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,610	16,217
Short-term loans payable	1,904	2,068
Current portion of long-term loans payable	4,732	5,566
Income taxes payable	1,927	487
Deferred tax liabilities	146	24
Provision for bonuses	2,581	1,459
Provision for product warranties	1,549	1,607
Provision for loss on order received	17	11
Other	8,481	9,980
Total current liabilities	37,950	37,423
Noncurrent liabilities		
Long-term loans payable	2,791	2,828
Deferred tax liabilities	1,089	3,205
Provision for retirement benefits	2,441	2,455
Provision for directors' retirement benefits	253	475
Asset retirement obligations	211	212
Other	7,136	6,529
Total noncurrent liabilities	13,922	15,707
Total liabilities	51,873	53,130
Net assets		
Shareholders' equity		
Capital stock	19,556	19,556
Capital surplus	28,371	28,371
Retained earnings	126,912	127,080
Treasury stock	(12,231)	(12,232)
Total shareholders' equity	162,609	162,776
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,666	18,134
Deferred gains (losses) on hedges	(23)	11
Foreign currency translation adjustment	(3,623)	(970)
Total accumulated other comprehensive income	11,019	17,176
Minority interests	3,155	3,167
Total net assets	176,784	183,119
Total liabilities and net assets	228,657	236,250

(2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income (cumulative)

(Millions of yen)

	First three months ended June 30, 2012	First three months ended June 30, 2013
Net sales	35,980	35,458
Cost of sales	24,222	23,021
Gross profit	11,758	12,436
Selling, general and administrative expenses	9,849	10,152
Operating income	1,908	2,283
Non-operating income		
Interest income	75	154
Dividends income	346	394
Foreign exchange gains	–	458
Realized and unrealized profit on trading securities, net	–	113
Equity in earnings of affiliates	1	–
Gain on sales of investment securities	6	7
Other	82	158
Total non-operating income	512	1,286
Non-operating expenses		
Interest expenses	52	46
Foreign exchange losses	870	–
Realized and unrealized loss on trading securities, net	179	–
Equity in losses of affiliates	–	4
Other	136	19
Total non-operating expenses	1,239	70
Ordinary income	1,181	3,499
Extraordinary income		
Gain on sales of noncurrent assets	1	1
Gain on sales of investment securities	–	287
Total extraordinary income	1	289
Extraordinary loss		
Loss on retirement of noncurrent assets	1	20
Impairment loss	–	0
Loss on valuation of investment securities	121	–
Loss on sales of stocks of subsidiaries and affiliates	–	4
Loss on step acquisitions	–	5
Loss on valuation of membership	–	2
Total extraordinary losses	122	32
Income before income taxes and minority interests	1,060	3,756
Income taxes-current	1,067	702
Income taxes-deferred	(454)	25
Total income taxes	612	727
Income before minority interests	447	3,029
Minority interests in loss	(56)	(23)
Net income	503	3,052

Consolidated statements of income (cumulative)

(Millions of yen)

	First three months ended June 30, 2012	First three months ended June 30, 2013
Income before minority interests	447	3,029
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(2,610)	3,466
Deferred gains on hedges	–	35
Foreign currency translation adjustment	(2,155)	2,660
Share of other comprehensive income of associates accounted for using equity method	–	4
Total other comprehensive income (loss)	(4,766)	6,166
Comprehensive income (loss)	(4,318)	9,195
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of the parent	(4,193)	9,209
Comprehensive loss attributable to minority interests	(124)	(13)

(3) Notes Regarding the Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in shareholders' equity)

No items to report

(Segment information)

I First three months of the fiscal year ended March 31, 2013 (from April 1, 2012 to June 30, 2012)

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	13,128	21,904	35,033	947	35,980	–	35,980
Inter-segment sales or transfer among segment	83	19	103	3	106	(106)	–
Total	13,212	21,923	35,136	951	36,087	(106)	35,980
Segment profit	1,481	371	1,853	26	1,879	28	1,908

(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 three months of the fiscal year ending March 31, 2014 (from April 1, 2013 to June 30, 2013)

1. 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	14,877	20,099	34,977	480	35,458	–	35,458
Inter-segment sales or transfer among segment	89	15	104	0	104	(104)	–
Total	14,966	20,115	35,081	480	35,562	(104)	35,458
Segment profit (loss)	1,141	1,121	2,262	(2)	2,260	23	2,283

(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.

2. Items Regarding Changes in Reporting Segments

(Change in depreciation method for property, plant and equipment)

Previously, the Company and its domestic consolidated subsidiaries had primarily adopted the declining-balance method as the depreciation method for property, plant and equipment (however, the straight-line method was adopted for buildings and structures acquired after April 1, 1998 (excluding accompanying facilities)). However, from the first quarter of the fiscal year ending March 31, 2014, the depreciation method has been changed primarily to the straight-line method.

Each business term, the USHIO Group revises its medium-term vision. Nevertheless, in a bid to respond effectively to the business environment for the LCD and semiconductor markets, the digital cinema projector market, and others in which the Group is engaged, the USHIO Group in March, 2013 formulated its Medium-Term Vision. Based on a new management strategy, the Medium-Term Vision runs from the fiscal year ending March 31, 2014 to March 31, 2016.

As part of this Medium-Term Vision, the USHIO Group is developing plans to standardize and stabilize production volume in Japan by restructuring its production system and transferring production activities overseas. As a result, it is expected that property, plant and equipment in Japan will be stably operated over the long term. For this reason, the Company opted to change its depreciation method for property, plant and equipment over to the straight-line method.

Accompanying this change, compared to the previous method used, segment profit for the light sources business and the equipment business for the first three months of the current fiscal year increased by ¥96 million and ¥25 million respectively, and the segment loss on others business decreased by ¥2 million.