Translation

October 31, 2012

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2013
<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: November 9, 2012
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly earnings: Yes
Holding of quarterly earnings performance review: Yes (for analysts)

(Millions of yen rounded down to the nearest million yen)

1. Consolidated performance for the first six months of the fiscal year ending March 31, 2013 (from April 1, 2012 to September 30, 2012)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
First six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2012	71,314	(5.0)	3,837	(41.0)	3,203	(53.2)	1,303	(71.5)
September 30, 2011	75,098	6.6	6,506	(17.0)	6,848	(18.7)	4,564	(20.9)

(Note) Comprehensive income (loss)
For the first six months ended September 30, 2012: ¥(3,736) million [–%]
For the first six months ended September 30, 2011: ¥(725) million [–%]

	Net income per share	Diluted net income per share
First six months ended	Yen	Yen
September 30, 2012	9.94	–
September 30, 2011	34.34	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2012	206,210	155,387	73.9
March 31, 2012	224,412	162,048	70.8

(Reference) Equity
As of September 30, 2012: ¥ 152,325 million
As of March 31, 2012: ¥158,865 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, 2012	–	–	–	22.00	22.00
Fiscal year ending March 31, 2013	–	–			
Fiscal year ending March 31, 2013 (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, 2013 (from April 1, 2012 to March 31, 2013)

(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, 2013	145,000	(3.4)	8,000	(25.2)	10,000	(23.7)	5,500	(37.1)	41.94

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a 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 restatement of prior period financial statements after error corrections

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: Yes
d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common stock)

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

As of September 30, 2012	139,628,721 shares
As of March 31, 2012	139,628,721 shares

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

As of September 30, 2012	8,500,787 shares
As of March 31, 2012	8,499,147 shares

c. Average number of shares during the period

For the first six months ended September 30, 2012	131,128,878 shares
For the first six months ended September 30, 2011	132,920,343 shares

* Indication regarding execution of audit procedures

This quarterly earnings report is not subject to 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 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 half of the fiscal year ending March 31, 2013, the global economy remained on a modest recovery track on the whole, despite stronger concerns about an economic slowdown in China in addition to the European debt crisis. The Japanese economy showed signs of strength, supported mainly by post-earthquake reconstruction demand. However, the outlook for the Japanese economy remains uncertain due mainly to widening concerns about a global economic slowdown, as well as the yen’s appreciation and power supply issues, among other factors.

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 half, consolidated net sales decreased by 5.0% year on year to ¥71,314 million and operating income decreased by 41.0% year on year to ¥3,837 million, while ordinary income declined by 53.2% year on year to ¥3,203 million. Net income was down by 71.5% year on year to ¥1,303 million.

Business results for each segment were as follows:

(Light Sources Business)

In the light sources business, sales of xenon lamps for cinema projectors increased steadily on the back of greater penetration of digital cinema projectors. On the other hand, sales of ultraviolet lamps for lithography were soft despite a gradual recovery trend in the capacity utilization rate for facilities of LCD panel and semiconductor manufacturers. Replacement demand for these lamps was also weak. Sales of halogen lamps increased year on year, centered on sales related to office appliances. The USHIO Group promoted product development in such areas as achieving longer replacement cycles, and 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 (LDs).

As a result, sales in the light sources business decreased by 0.2% year on year to ¥26,568 million. Segment profit was down by 24.1% year on year to ¥3,237 million.

(Equipment Business)

In the equipment business, the visual image equipment field saw a gradual decline in sales of digital cinema projectors, reflecting considerable progress with the penetration of these projectors in developed countries. However, in non-cinema fields, demand in various regions held firm. In the optical equipment field, the markets for smartphones and tablet PCs steadily expanded, but sales related to LCD panels and semiconductors, LEDs, and other electronic components remained weak. This weakness reflected continued market trends to curtail or postpone capital expenditures given the protracted sluggishness in demand for LCD TVs and PCs. In this business, the USHIO Group actively executed R&D investment directed at new technologies and products that will lead to business expansion and improvement in the future.

As a result, equipment business sales were ¥43,261 million, a decrease of 8.0% year on year. Segment profit decreased by 78.1% year on year to ¥478 million.

(Other Businesses)

In industrial machinery products categorized under other businesses, capital expenditure demand in the packaging machinery market and the injection molding market grew firmly.

As a result, although sales in other businesses declined by 0.9% year on year to ¥1,692 million, segment profit increased by 154.2% year on year to ¥56 million.

(2) Qualitative information on consolidated financial position

Total assets were ¥206,210 million as of September 30, 2012, a decrease of ¥18,202 million from the previous fiscal year-end. The main factors behind this decline were decreases in notes and accounts receivable-trade and in merchandise and finished goods accompanying lower business volume, and a decline in investment securities reflecting weakened stock prices.

Total liabilities were ¥50,822 million as of September 30, 2012, a decrease of ¥11,542 million from the previous fiscal year-end. The main factors behind this decrease were a decline in notes and accounts payable-trade accompanying lower business volume, decreases in short-term loans payable and long-term loans payable due to repayment of bank loans, and decreased deferred tax liabilities resulting from a reduction in the tax component of unrealized gains on investment securities due to weakened stock prices.

Net assets totaled ¥155,387 million as of September 30, 2012, a decrease of ¥6,660 million from the previous fiscal year-end. The main factors behind this decrease were a decrease in valuation difference on available-for-sale securities due to lower unrealized gains on investment securities held, a decline in foreign currency translation adjustment due to the yen's appreciation, and decreased retained earnings due to dividend payments.

Cash and cash equivalents as of September 30, 2012 totaled ¥33,465 million, down ¥8,119 million from the previous fiscal year-end. Cash flows are broken down as follows.

(Cash flows from operating activities)

Operating activities in the first half of the fiscal year ending March 31, 2013 provided net cash of ¥7,893 million (compared with net cash of ¥4,080 million provided in the same period of the previous year).

The main positive contributions to this result were ¥2,824 million in income before income taxes and minority interests, a ¥3,289 million adjustment for depreciation and amortization, a ¥3,691 million decrease in notes and accounts receivable-trade, and a decrease in inventories of ¥3,552 million. Meanwhile, factors reducing cash included a ¥2,530 million decrease in notes and accounts payable-trade and corporate income taxes paid of ¥2,990 million.

(Cash flows from investing activities)

Investing activities used net cash of ¥8,387 million (compared with net cash of ¥6,801 million provided in the same period of the previous fiscal year).

Cash was mainly provided by proceeds from the withdrawal of time deposits of ¥7,531 million and proceeds from sales of short-term investment securities of ¥2,117 million. Cash was mainly used by payments into time deposits of ¥9,508 million, as well as payments for purchase of short-term investment securities of ¥3,538 million, purchase of property, plant and equipment of ¥3,258 million and purchase of investment securities of ¥2,787 million.

(Cash flows from financing activities)

Financing activities used net cash of ¥6,540 million (compared with net cash of ¥5,262 million used in the same period of the previous year).

Cash was mainly used for repayment of long-term loans payable of ¥2,378 million and cash dividends paid of ¥2,883 million.

(3) Qualitative information on consolidated earnings forecasts

In the visual image equipment-related field, the USHIO Group's main business field, sales of xenon lamps for cinema projectors and non-cinema products have remained strong. However, in the LCD panel- and semiconductor-related fields, sales of optical equipment fell below forecasts due to the impact of moves to curtail or postpone capital expenditures. There has also been protracted sluggishness in demand for LCD TVs and PCs, resulting in weak replacement demand for ultraviolet lamps for lithography. Moreover, ordinary income and net income were much lower than the forecasts due to weakened stock prices and foreign exchange effects.

Looking ahead, the visual image equipment-related field is expected to see demand remain strong. However, amid concerns about a global contraction in aggregate demand, the USHIO Group believes that a full-fledged recovery in the capacity utilization for facilities and capital expenditures in the markets related to LCD panels and semiconductors, LEDs and other electronic components will take more time, despite factors driving expansion in demand, such as smartphones and tablet PCs. Accordingly, the USHIO Group has revised its full-year consolidated earnings forecasts for the fiscal year ending March 31, 2013 announced on May 9, 2012.

The USHIO Group is assuming foreign exchange rates of ¥79 to the U.S. dollar and ¥101 to the euro from the third quarter of the fiscal year ending March 31, 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 results may differ substantially due to various factors.

2. Matters concerning summary information (Notes)

(1) Changes in significant subsidiaries during the period

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 restatement of prior period financial statements after error corrections

In accordance with the revision of the Corporation Tax Act, from the first quarter, the Company and its domestic consolidated subsidiaries have adopted a new depreciation method for property, plant and equipment acquired on or after April 1, 2012 based on the revised Corporation Tax Act.

This had a negligible impact on operating income, ordinary income and income before income taxes and minority interests for the first half of the fiscal year ending March 31, 2013.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Assets		
Current assets		
Cash and deposits	41,692	38,597
Notes and accounts receivable-trade	37,582	32,866
Short-term investment securities	12,043	10,383
Merchandise and finished goods	22,207	19,073
Work in process	8,314	7,700
Raw materials and supplies	9,918	8,625
Deferred tax assets	5,065	4,678
Other	6,819	7,141
Allowance for doubtful accounts	(523)	(439)
Total current assets	143,120	128,626
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	34,968	35,098
Accumulated depreciation	(18,187)	(18,493)
Buildings and structures, net	16,780	16,604
Machinery, equipment and vehicles	23,450	23,111
Accumulated depreciation	(18,646)	(18,887)
Machinery, equipment and vehicles, net	4,803	4,223
Land	8,885	8,777
Construction in progress	941	1,054
Other	23,152	20,594
Accumulated depreciation	(16,736)	(15,215)
Other, net	6,415	5,378
Total property, plant and equipment	37,827	36,039
Intangible assets	3,900	3,536
Investments and other assets		
Investment securities	36,905	34,958
Long-term loans receivable	23	20
Deferred tax assets	541	714
Other	2,220	2,443
Allowance for doubtful accounts	(126)	(129)
Total investments and other assets	39,564	38,008
Total noncurrent assets	81,292	77,583
Total assets	224,412	206,210

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,477	15,584
Short-term loans payable	4,383	2,947
Current portion of long-term loans payable	1,042	1,257
Income taxes payable	3,049	1,443
Deferred tax liabilities	150	115
Provision for bonuses	2,662	2,425
Provision for product warranties	1,897	1,777
Provision for loss on order received	–	83
Other	8,971	8,733
Total current liabilities	40,634	34,367
Noncurrent liabilities		
Long-term loans payable	7,439	4,682
Deferred tax liabilities	5,954	4,589
Provision for retirement benefits	1,764	2,107
Provision for directors’ retirement benefits	379	164
Asset retirement obligations	206	208
Other	5,984	4,701
Total noncurrent liabilities	21,729	16,454
Total liabilities	62,364	50,822
Net assets		
Shareholders’ equity		
Capital stock	19,556	19,556
Capital surplus	28,371	28,371
Retained earnings	122,642	121,060
Treasury stock	(12,228)	(12,230)
Total shareholders’ equity	158,341	156,757
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,628	10,391
Foreign currency translation adjustment	(12,103)	(14,823)
Total accumulated other comprehensive income	524	(4,432)
Minority interests	3,183	3,062
Total net assets	162,048	155,387
Total liabilities and net assets	224,412	206,210

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

Consolidated statements of income (cumulative)

(Millions of yen)

	First six months ended September 30, 2011	First six months ended September 30, 2012
Net sales	75,098	71,314
Cost of sales	50,431	47,984
Gross profit	24,666	23,329
Selling, general and administrative expenses	18,160	19,492
Operating income	6,506	3,837
Non-operating income		
Interest income	143	185
Dividends income	500	491
Equity in earnings of affiliates	73	12
Gain on sales of investment securities	1,103	6
Other	209	166
Total non-operating income	2,029	861
Non-operating expenses		
Interest expenses	112	94
Foreign exchange losses	1,157	843
Realized and unrealized loss on trading securities, net	197	322
Other	219	234
Total non-operating expenses	1,687	1,494
Ordinary income	6,848	3,203
Extraordinary income		
Gain on sales of noncurrent assets	1	2
Gain on sales of investment securities	2,972	15
Total extraordinary income	2,973	17
Extraordinary loss		
Loss on retirement of noncurrent assets	27	7
Loss on sales of noncurrent assets	0	13
Impairment loss	437	–
Loss on valuation of investment securities	1,224	376
Loss on liquidation of business	314	–
Other	–	0
Total extraordinary losses	2,003	397
Income before income taxes and minority interests	7,818	2,824
Income taxes-current	4,271	1,655
Income taxes-deferred	(1,171)	(101)
Total income taxes	3,099	1,553
Income before minority interests	4,718	1,270
Minority interests in income	153	(32)
Net income	4,564	1,303

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	First six months ended September 30, 2011	First six months ended September 30, 2012
Income before minority interests	4,718	1,270
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,120)	(2,238)
Foreign currency translation adjustment	(4,335)	(2,769)
Share of other comprehensive income of associates accounted for using equity method	12	–
Total other comprehensive income	(5,443)	(5,007)
Comprehensive income	(725)	(3,736)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(732)	(3,653)
Comprehensive income attributable to minority interests	7	(83)

(3) Consolidated statements of cash flows

(Millions of yen)

	First six months ended September 30, 2011	First six months ended September 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,818	2,824
Depreciation and amortization	3,452	3,289
Impairment loss	437	–
Loss on business liquidation	314	–
Interest and dividends income	(643)	(676)
Interest expenses	112	94
Profit/loss on sale/revaluation of available-for-sale securities	197	322
Equity in (earnings) losses of affiliates	(73)	(12)
Loss (gain) on sales of noncurrent assets	(0)	10
Loss on retirement of noncurrent assets	27	7
Loss (gain) on sales of investment securities	(4,075)	(21)
Loss (gain) on valuation of investment securities	1,224	376
Decrease (increase) in notes and accounts receivable-trade	1,423	3,691
Decrease (increase) in inventories	(2,852)	3,552
Increase (decrease) in notes and accounts payable-trade	(2,940)	(2,530)
Other, net	1,904	(621)
Subtotal	6,326	10,306
Interest and dividends income received	623	652
Interest expenses paid	(111)	(74)
Income taxes (paid) refund	(2,758)	(2,990)
Net cash provided by (used in) operating activities	4,080	7,893
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,187)	(9,508)
Proceeds from withdrawal of time deposits	7,913	7,531
Payments of short-term loans receivable	(12)	(2)
Collection of short-term loans receivable	26	42
Purchase of short-term investment securities	(596)	(3,538)
Proceeds from sales and redemption of securities	202	2,117
Purchase of property, plant and equipment	(3,208)	(3,258)
Proceeds from sales of property, plant and equipment	4	1,031
Purchase of intangible assets	(1,435)	(87)
Purchase of investment securities	(249)	(2,787)
Proceeds from sales and redemption of investment securities	1,126	52
Purchase of investments in subsidiaries	(304)	–
Proceeds from sales of stocks of subsidiaries and affiliates	7,500	–
Payments of long-term loans receivable	(12)	(8)
Collection of long-term loans receivable	1	5
Other, net	34	23
Net cash provided by (used in) investing activities	6,801	(8,387)

(Millions of yen)

	First six months ended September 30, 2011	First six months ended September 30, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	402	(1,239)
Proceeds from long-term loans payable	1,187	–
Repayment of long-term loans payable	(807)	(2,378)
Purchase of treasury stock	(3,012)	(1)
Cash dividends paid	(2,937)	(2,883)
Cash dividends paid to minority shareholders	(95)	(37)
Net cash provided by (used in) financing activities	(5,262)	(6,540)
Effect of exchange rate change on cash and cash equivalents	(1,352)	(1,084)
Net increase (decrease) in cash and cash equivalents	4,266	(8,119)
Cash and cash equivalents at beginning of period	34,954	41,585
Cash and cash equivalents at end of period	39,221	33,465

(4) Notes on premise of going concern

None

(5) Notes on significant changes in shareholders' equity

None

(6) Segment information

(Segment information)

I First six months of the fiscal year ended March 31, 2012
(from April 1, 2011 to September 30, 2011)

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	26,532	46,921	73,454	1,644	75,098	–	75,098
Inter-segment sales or transfer among segments	77	111	189	64	253	(253)	–
Total	26,609	47,033	73,643	1,708	75,351	(253)	75,098
Segment profit	4,265	2,181	6,446	22	6,469	37	6,506

(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, 2013
(from April 1, 2012 to September 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	26,404	43,225	69,630	1,684	71,314	–	71,314
Inter-segment sales or transfer among segments	163	35	199	8	207	(207)	–
Total	26,568	43,261	69,829	1,692	71,522	(207)	71,314
Segment profit	3,237	478	3,716	56	3,773	64	3,837

(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.