

Consolidated Financial Results

for the First Three Months of the Fiscal Year Ending March 31, 2023

<under Japanese GAAP>

Company name: **USHIO INC.**
 Listing: Prime Market of the Tokyo Stock Exchange
 Stock code: 6925
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Scheduled date to file Securities Report: August 5, 2022
 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 three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months ended June 30, 2022	39,728	13.6	4,477	73.9	6,293	90.2	3,858	14.2
June 30, 2021	34,981	47.7	2,574	—	3,308	915.1	3,378	—

(Note) Comprehensive income

For the first three months ended June 30, 2022: ¥ 13,266 million [128.2 %]

For the first three months ended June 30, 2021: ¥ 5,812 million [319.4%]

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
June 30, 2022	32.18	—
June 30, 2021	28.02	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	330,965	239,355	72.3
March 31, 2022	321,096	235,202	73.2

(Reference) Equity

As of June 30, 2022 : ¥ 239,263 million

As of March 31, 2022: ¥ 235,118 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, 2022	—	—	—	50.00	50.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (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, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	170,000	14.2	17,000	30.1	18,500	21.7	14,000	11.1	117.79

(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 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 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 stock)

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

As of June 30, 2022	127,000,000 shares
As of March 31, 2022	127,000,000 shares

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

As of June 30, 2022	8,271,465 shares
As of March 31, 2022	6,409,833 shares

c. Average number of shares during the period

As of June 30, 2022	119,914,515 shares
As of June 30, 2021	120,576,880 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 Presentation

The Financial Presentation will be posted on the website of USHIO INC. on August 2, 2022.

[Attached document]

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1. Qualitative Information on Financial Results for the Term

(1) Business Performance

The Ushio Group experienced another uncertain business climate in the first quarter of the fiscal year ending March 31, 2023. Economic activity picked up despite new waves of COVID-19 infections. At the same time, a range of factors slowed down an economy recovery. These included shortages of semiconductors and other parts, raw materials price hikes, supply chain disruptions, and further energy and raw materials price rises following Russia's invasion of Ukraine.

It was against that backdrop that cinemas worldwide reopened and improved screen operation rates despite the impact of infections with new COVID-19 strains. The semiconductor, electronic device, and printed circuit board markets enjoyed robust demand from 5G technology uptakes and progress in employing the Internet of Things and artificial intelligence. The flat panel display market benefited from production capacity utilization remaining high for mobile devices and monitors.

The average exchange rate during the term was ¥126 to the U.S. dollar, from ¥110 a year earlier.

Consolidated first-quarter net sales accordingly increased 13.6% from the previous corresponding period, to ¥39.7 billion yen. Operating profit jumped 73.9%, to ¥4.4 billion. Ordinary profit surged 90.2%, to ¥6.2 billion. Profit attributable to owners of parent rose 14.2%, to ¥3.8 billion.

Segment results were as follows.

Light Source Business

Discharge Lamps

Production of UV lamps for lithography equipment remained high, with replacement lamp sales rising. This growth was due to higher demand for semiconductors and electronic devices from 5G technology uptakes and against the backdrop of Internet of Things and artificial intelligence progress. Another contributor was stay-at-home-driven demand growth for LCD panels for mobile devices and monitors.

Sales of lamps for related optical equipment increased on high operating levels for Ushio-made optical equipment employed in LCD panel-related manufacturing processes. Sales of replacement xenon lamps for cinema projectors were up on cinemas reopening and recovering screen operation rates as economic activities resumed despite new COVID-19 infection waves in many countries. Discharge lamp sales were thus up from a year earlier.

Halogen Lamps

Sales of halogen lamps for office automation equipment were basically unchanged. One key performance factor for the term was that demand for this equipment recovered from the impact of the pandemic during the term. Another was parts shortages among set manufacturers. Sales of heater lamps for semiconductor production processes rose in a robust semiconductor market. Sales of halogen lamps accordingly increased in the period under review.

Light Source business sales thus climbed 17.2% from a year earlier, to ¥16.0 billion. Segment operating profit was up 58.6%, to ¥3.1 billion.

Optical Equipment Business

In the semiconductor, electronic device, and printed circuit board markets, demand continued to rise for data center servers in view of the 5G, Internet of Things, and artificial intelligence factors mentioned earlier. Sales of large field steppers for advanced IC package substrates were thus basically unchanged. Sales of direct imaging lithography equipment for package and printed circuit boards increased. In contrast, demand for LCD panels ran its course, driving related capital investments and equipment sales down.

In EUV light sources for EUV lithography mask inspections, light source sales decreased owing to temporary demand adjustments, offsetting the impact of higher maintenance services on solid operating levels for light sources sold before the period under review.

Segment sales therefore decreased 7.0%, to ¥11.5 billion, with operating profit rising 0.4%, to ¥1.0 billion.

Imaging Equipment Business

Cinemas progressed with reopening and regaining screen operation rates during the term, particularly in Europe and the United States. Capital investment demand was on a recovery track, with digital cinema projector sales rising. In general imaging, sales of related products increased on gradual demand recoveries, particularly in North America. This reflected operational resumptions for commercial facilities, amusement parks, and events.

Segment sales jumped 38.5%, to ¥11.3 billion. Segment operating profit was ¥246 million, from an operating loss of ¥477 million a year earlier.

Others

Despite rises in COVID-19 infections keeping investments on the back burner, particularly for molding machines, related markets gradually recovered.

Other segment sales accordingly increased 14.6%, to ¥752 million. Operating profit was ¥10 million, compared with an operating loss of ¥1.0 million a year earlier.

(2) Review of Financial Position

Assets

Total assets increased by ¥9,869 million as compared to the end of the previous fiscal year, to ¥330,965 million. The main factors behind this increase was an increase in inventories due to an increase in orders for optical equipment and other products, while the decrease in cash and deposits due to dividend, tax payments and the purchase of treasury shares.

Liabilities

Total liabilities increase by ¥5,716 million as compared to the end of the previous fiscal year, to ¥91,610 million. The main factors behind this increase were increase in notes and accounts payable - trade due to an increase in material purchase, while the decrease in income taxes payable and provision for bonuses due to tax and bonus payments.

Net Assets

Net assets increase by ¥4,152 million as compared to the end of the previous fiscal year, to ¥239,355 million. The main factors behind this increase were an increase in foreign currency translation adjustments from the yen depreciating toward the end of the first quarter, and retained earnings from posting profit attributable to owners of parent.

(3) Explanation of Consolidated Forecast and Other Forward-looking statements

There are no revisions to the full-year consolidated forecast for the fiscal year ending March 2023 announced on May 11, 2022. The forecast is based on currently available information, and that certain reasonable assumptions and results could differ owing to a range of factors.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	88,687	80,760
Notes and accounts receivable - trade, and contract assets	35,292	37,577
Securities	4,937	4,921
Merchandise and finished goods	26,169	28,781
Work in process	20,282	23,028
Raw materials and supplies	18,891	22,211
Other	10,134	13,507
Allowance for doubtful accounts	△2,686	△3,102
Total current assets	201,708	207,685
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,161	48,103
Accumulated depreciation	△29,767	△30,846
Buildings and structures, net	17,393	17,257
Machinery, equipment and vehicles	27,875	28,603
Accumulated depreciation	△20,212	△21,056
Machinery, equipment and vehicles, net	7,662	7,546
Land	8,630	8,793
Construction in progress	2,708	3,075
Other	41,498	45,636
Accumulated depreciation	△31,730	△34,373
Other, net	9,768	11,263
Total property, plant and equipment	46,162	47,936
Intangible assets		
Goodwill	235	396
Other	2,755	3,157
Total intangible assets	2,991	3,553
Investments and other assets		
Investment securities	59,146	60,052
Long-term loans receivable	15	18
Deferred tax assets	4,135	4,578
Retirement benefit asset	5,592	5,631
Other	1,924	2,145
Allowance for doubtful accounts	△580	△635
Total investments and other assets	70,234	71,789
Total non-current assets	119,388	123,280
Total assets	321,096	330,965

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,164	24,408
Short-term borrowings	2,185	2,610
Current portion of long-term borrowings	16,402	18,044
Income taxes payable	3,828	2,357
Contract liabilities	14,388	14,841
Provision for bonuses	2,699	1,287
Provision for product warranties	2,597	2,906
Other	9,126	10,838
Total current liabilities	72,393	77,294
Non-current liabilities		
Deferred tax liabilities	7,823	8,354
Provision for retirement benefits for directors (and other officers)	270	305
Provision for share awards for directors (and other officers)	146	157
Retirement benefit liability	4,054	4,100
Asset retirement obligations	302	304
Other	903	1,092
Total non-current liabilities	13,500	14,316
Total liabilities	85,893	91,610
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,727	27,727
Retained earnings	161,877	159,788
Treasury shares	△9,032	△12,197
Total shareholders' equity	200,129	194,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,399	20,133
Foreign currency translation adjustment	14,186	24,780
Remeasurements of defined benefit plans	△598	△524
Total accumulated other comprehensive income	34,988	44,389
Non-controlling interests	84	92
Total net assets	235,202	239,355
Total liabilities and net assets	321,096	330,965

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	34,981	39,728
Cost of sales	22,733	24,252
Gross profit	12,247	15,475
Selling, general and administrative expenses	9,673	10,998
Operating profit	2,574	4,477
Non-operating income		
Interest income	146	457
Dividend income	453	507
Foreign exchange gains	—	1,050
Gain on investments in investment partnerships	—	27
Realized and unrealized profit on trading securities, net	—	18
Gain on specified money in trust	12	—
Subsidies for employment adjustment	330	—
Other	77	32
Total non-operating income	1,021	2,093
Non-operating expenses		
Interest expenses	89	82
Foreign exchange losses	138	—
Share of loss of entities accounted for using equity method	21	26
Realized and unrealized loss on investments in securities, net	0	—
Loss on specified money in trust	—	48
Loss on valuation of securities	—	69
Other	37	48
Total non-operating expenses	286	277
Ordinary profit	3,308	6,293
Extraordinary income		
Gain on sale of non-current assets	1,136	194
Gain on sale of investment securities	16	—
Total extraordinary income	1,153	194
Extraordinary losses		
Loss on retirement of non-current assets	13	3
Loss on sale of non-current assets	8	7
Loss on sale of investment securities	7	—
Loss on sale of shares of subsidiaries and associates	—	21
Loss on valuation of investment securities	16	—
Business restructuring expenses	50	—
Loss on temporary closure	151	—
Total extraordinary losses	247	32
Profit before income taxes	4,214	6,455
Income taxes - current	635	2,294
Income taxes - deferred	202	304
Total income taxes	837	2,599
Profit	3,377	3,856
Loss attributable to non-controlling interests	△0	△2
Profit attributable to owners of parent	3,378	3,858

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	3,377	3,856
Other comprehensive income		
Valuation difference on available-for-sale securities	1,583	△1,266
Deferred gains or losses on hedges	2	—
Foreign currency translation adjustment	678	10,544
Remeasurements of defined benefit plans, net of tax	175	73
Share of other comprehensive income of entities accounted for using equity method	△3	58
Total other comprehensive income	2,435	9,409
Comprehensive income	5,812	13,266
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,814	13,259
Comprehensive income attributable to non- controlling interests	△1	7

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Change in Accounting Policy)

Ushio has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Guidance No. 31, issued on June 17, 2021) from the first quarter of the year under review. The Company is prospectively applying the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement in line accordance with the transitional provisions of Paragraph 27-2 of the Accounting Standard for Fair Value Measurement. This change does not affect quarterly consolidated financial statements.

(Segment information)

I. First three months of the fiscal year ended March 31, 2022 (from April 1, 2021 to June 30, 2021)

1. Information concerning net sales and profit/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 business	Optical equipment business	Imaging equipment business	Total				
Sales								
Sales to outside customers	13,664	12,452	8,212	34,330	651	34,981	—	34,981
Inter-segment sales or transfer among segment	20	8	0	28	4	33	(33)	—
Total	13,685	12,461	8,212	34,359	656	35,015	(33)	34,981
Segment profit (loss)	1,958	1,081	(477)	2,562	(1)	2,561	12	2,574

(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 profit in the quarterly consolidated statements of income.

II. First three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

1. Information concerning net sales and profit/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 business	Optical equipment business	Imaging equipment business	Total				
Sales								
Sales to outside customers	16,030	11,583	11,374	38,988	739	39,728	—	39,728
Inter-segment sales or transfer among segment	3	4	0	8	13	21	(21)	—
Total	16,033	11,588	11,374	38,997	752	39,749	(21)	39,728
Segment profit	3,107	1,085	246	4,439	10	4,450	26	4,477

(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 profit in the quarterly consolidated statements of income.