

Consolidated Financial Results
for the First Nine 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: February 10, 2023
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 nine months of the fiscal year ending March 31, 2023
(from April 1, 2022 to December 31, 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 nine months ended December 31, 2022	128,362	17.0	13,527	25.2	18,039	43.6	12,078	18.6
December 31, 2021	109,714	33.1	10,807	—	12,562	641.5	10,187	—

(Note) Comprehensive income

For the first nine months ended December 31, 2022: ¥ 14,764 million [(13.8%)]

For the first nine months ended December 31, 2021: ¥ 17,135 million [829.1%]

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2022	101.81	—
December 31, 2021	84.48	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	317,768	239,022	75.2
March 31, 2022	321,096	235,202	73.2

(Reference) Equity

As of December 31, 2022: ¥ 238,934 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	15,000	14.8	19,500	28.3	13,000	3.1	109.78

(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 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 December 31, 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 December 31, 2022	9,323,080 shares
As of March 31, 2022	6,409,833 shares

c. Average number of shares during the period

As of December 31, 2022	118,635,701 shares
As of December 31, 2021	120,585,588 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.

See page 3 of the appended materials regarding performance forecasts.

*To obtain Financial Presentation

The Financial Presentation will be posted on the website of USHIO INC. on February 3, 2023.

[Attached document]

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1. Qualitative Information on Financial Results for the Term

(1) Business Performance

The business climate was challenging for the Ushio Group in the third quarter of the fiscal year ending March 31, 2023. The economy slowed down owing to energy and raw materials price hikes attributable to war between Russia and Ukraine. Another key factor was that policy interest rates continued to rise amid accelerating inflation in Europe and the United States. The outlook remains uncertain owing to such factors as China's COVID-zero policy and intensifying trade conflict between that nation and the United States.

It was against that backdrop that production capacity utilization in the semiconductor, electronic devices, and printed circuit board markets remained high owing to 5G mobile communications technology deployments and progress in the use of Internet of Things and artificial intelligence technologies. Capital investment was accordingly robust. At the same time, demand for LCD panels for mobile devices and monitors ran its course in the flat panel display market, prompting LCD panel manufacturers to roll back operations to adjust inventories. Except in China, which implemented a COVID-zero policy, cinemas worldwide reopened and recovered screen operation rates.

The average exchange rate during the term was ¥136 to the U.S. dollar, down ¥25 from a year earlier.

Consolidated net sales in the third quarter accordingly increased 17.0% from the previous corresponding period, to ¥128,362 million. Operating profit climbed 25.2%, to ¥13,527 million. Ordinary profit jumped 43.6%, to ¥18,039 million. Profit attributable to owners of parent gained 18.6%, to ¥12,078 million.

Segment results were as follows.

Light Source Business

Discharge Lamps

Demand for UV lamps for lithography equipment was robust owing to a weaker yen, as well as solid demand for semiconductors and electronic devices amid high 5G technology uptakes and progress in the use of Internet of Things, artificial intelligence, and other technologies. Overall sales of UV lamps declined, however, as panel makers adjusted production in response to lower LCD panel display demand.

Sales of replacement xenon lamps for cinema projectors were up on cinemas worldwide reopenings and a recovery in screen operation rates. This improvement was despite the impact of ongoing movement restrictions in China owing to its COVID-zero policy. Overall sales of discharge lamps thus increased from a year earlier.

Halogen Lamps

Sales of halogen lamps for office automation equipment increased. This was because demand recovered for this equipment owing to a resolution of parts shortages among set manufacturers. Sales of heater lamps for semiconductor production processes were up in a robust semiconductor market. Sales of halogen lamps therefore rose for the term.

The Company posted an inventory write-down for sodium lamps for several applications in the European and U.S. markets. This was because lamp demand shrank amid a rapid transition to solid-state light sources.

Light Source business sales thus increased 9.9% from a year earlier, to ¥47,559 million. Operating profit rose 3.6%, to ¥7,247 million.

Optical Equipment Business

In the semiconductor, electronic device, and printed circuit board markets, sales increased for large field steppers for advanced IC package substrates and direct imaging lithography equipment for package and printed circuit boards. This was in line with ongoing demand gains for data center servers in view of the deployment of 5G technology and progress with the Internet of Things and artificial intelligence. 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 unit 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 accordingly increased 17.7%, to ¥41,639 million. Operating profit jumped 78.4%, to ¥6,285 million.

Imaging Equipment Business

Cinemas progressed with reopenings, regaining screen operation rates during the term, particularly in Europe and the United States. Capital investment demand was on a recovery track. While unit shipments of digital cinema projectors declined because of shortages of semiconductors and other materials, sales were up owing to a lower yen. In general imaging, sales of related products increased on demand recoveries, principally in North America, because of operational resumptons for events and other activities, as well as because of the yen's depreciation. At the same time, the imaging equipment business overall experienced higher parts and materials procurement costs stemming from chronic shortages of these inputs.

Segment sales increased 26.3%, to ¥36,289 million. The Company posted an operating loss of ¥239 million, compared with an operating profit of ¥96 million a year earlier.

Others

Sales increased on a recovery in investments, particularly for molding machines, which had been on the back burner because of rises in COVID-19 infections.

Other segment sales thus increased 18.1%, to ¥2,916 million. Operating profit rose 49.2%, to ¥138 million.

(2) Review of Financial Position

Assets

Total assets at the end of the third quarter were ¥317,768 million, down ¥3,327 million from the end of the previous fiscal year. This decline was due largely to a decrease in cash and deposits from repayments of borrowings, dividend and tax payments, and a purchase of treasury shares. The drop offset higher inventories from greater inventories from higher orders for optical equipment and other products.

Liabilities

End-term total liabilities were ¥78,746 million, down ¥7,147 million from the close of the previous fiscal year. The prime factor in this fall was a decrease in the current portion of long-term borrowings as a result of repayments. This factor offset an increase in notes and accounts payable - trade from higher materials and other purchases.

Net Assets

Net assets increased ¥3,819 million from the end of the previous fiscal year, to ¥239,022 million. Key upside factors were an increase in foreign currency translation adjustments from the yen's depreciation toward the close of the quarter and higher retained earnings from posting profit attributable to owners of parent. These factors offset the impacts of lower retained earnings owing to dividend payments and an increase in treasury shares.

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

Management has revised the consolidated forecast that it announced on May 11 for the fiscal year ending March 31, 2023, in view of the Company's performance since the start of the term and prevailing conditions. Details are in the Notice of Consolidated Forecast Revision, released today (February 3, 2023). The forecast is based on currently available information and certain reasonable assumptions and results that could differ owing to a range of factors.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	88,687	64,242
Notes and accounts receivable - trade, and contract assets	35,292	35,775
Securities	4,937	2,976
Merchandise and finished goods	26,169	32,479
Work in process	20,282	25,902
Raw materials and supplies	18,891	24,128
Other	10,134	13,184
Allowance for doubtful accounts	△2,686	△2,250
Total current assets	201,708	196,439
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,161	48,159
Accumulated depreciation	△29,767	△30,986
Buildings and structures, net	17,393	17,173
Machinery, equipment and vehicles	27,875	28,507
Accumulated depreciation	△20,212	△21,115
Machinery, equipment and vehicles, net	7,662	7,391
Land	8,630	8,704
Construction in progress	2,708	3,388
Other	41,498	43,687
Accumulated depreciation	△31,730	△32,492
Other, net	9,768	11,195
Total property, plant and equipment	46,162	47,854
Intangible assets		
Goodwill	235	286
Other	2,755	2,849
Total intangible assets	2,991	3,136
Investments and other assets		
Investment securities	59,146	59,102
Long-term loans receivable	15	19
Deferred tax assets	4,135	3,928
Retirement benefit asset	5,592	5,694
Other	1,924	2,212
Allowance for doubtful accounts	△580	△618
Total investments and other assets	70,234	70,338
Total non-current assets	119,388	121,329
Total assets	321,096	317,768

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,164	26,666
Short-term borrowings	2,185	5,289
Current portion of long-term borrowings	16,402	—
Income taxes payable	3,828	2,716
Contract liabilities	14,388	14,422
Provision for bonuses	2,699	1,294
Provision for product warranties	2,597	3,295
Provision for loss on orders received	—	1
Other	9,126	10,389
Total current liabilities	72,393	64,076
Non-current liabilities		
Long-term borrowings	—	1,410
Deferred tax liabilities	7,823	7,392
Provision for retirement benefits for directors (and other officers)	270	236
Provision for share awards for directors (and other officers)	146	191
Retirement benefit liability	4,054	4,141
Asset retirement obligations	302	316
Other	903	980
Total non-current liabilities	13,500	14,669
Total liabilities	85,893	78,746
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,727	27,727
Retained earnings	161,877	168,007
Treasury shares	△9,032	△14,029
Total shareholders' equity	200,129	201,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,399	18,937
Deferred gains or losses on hedges	—	△0
Foreign currency translation adjustment	14,186	19,084
Remeasurements of defined benefit plans	△598	△349
Total accumulated other comprehensive income	34,988	37,672
Non-controlling interests	84	88
Total net assets	235,202	239,022
Total liabilities and net assets	321,096	317,768

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	109,714	128,362
Cost of sales	69,099	80,307
Gross profit	40,615	48,055
Selling, general and administrative expenses	29,807	34,527
Operating profit	10,807	13,527
Non-operating income		
Interest income	471	1,219
Dividend income	913	1,029
Foreign exchange gains	82	2,572
Realized and unrealized profit on trading securities,net	119	—
Gain on investments in investment partnerships	—	10
Subsidies for employment adjustment	434	—
Other	298	247
Total non-operating income	2,320	5,079
Non-operating expenses		
Interest expenses	244	197
Share of loss of entities accounted for using equity method	76	57
Realized and unrealized loss on investments in securities,net	—	15
Loss On Specified Money In Trust	10	53
Loss on sale of securities	2	57
Loss on valuation of securities	—	96
Settlement payments	119	—
Other	111	90
Total non-operating expenses	565	568
Ordinary profit	12,562	18,039
Extraordinary income		
Gain on sale of non-current assets	1,142	198
Gain on sale of investment securities	17	135
Gain on sale of businesses	—	360
Total extraordinary income	1,160	694
Extraordinary losses		
Loss on retirement of non-current assets	49	53
Loss on sale of non-current assets	11	0
Impairment losses	91	59
Loss on sale of investment securities	15	2
Loss on valuation of investment securities	1	—
Loss on sale of shares of subsidiaries and associates	—	188
Business restructuring expenses	118	316
Loss on temporary closure	151	—
Total extraordinary losses	438	622
Profit before income taxes	13,284	18,111
Income taxes - current	3,353	5,669
Income taxes - deferred	△268	367
Total income taxes	3,085	6,036
Profit	10,199	12,074
Profit (loss) attributable to non-controlling interests	11	△3
Profit attributable to owners of parent	10,187	12,078

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	10,199	12,074
Other comprehensive income		
Valuation difference on available-for-sale securities	2,502	△2,462
Deferred gains or losses on hedges	3	△0
Foreign currency translation adjustment	3,928	4,866
Remeasurements of defined benefit plans, net of tax	522	248
Share of other comprehensive income of entities accounted for using equity method	△20	37
Total other comprehensive income	6,936	2,690
Comprehensive income	17,135	14,764
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,121	14,761
Comprehensive income attributable to non-controlling interests	13	3

(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 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 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 nine months of the fiscal year ended March 31, 2022 (from April 1, 2021 to December 31, 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	43,218	35,305	28,739	107,264	2,450	109,714	—	109,714
Inter-segment sales or transfer among segment	61	71	3	137	18	155	(155)	—
Total	43,280	35,377	28,743	107,401	2,468	109,869	(155)	109,714
Segment profit	6,999	3,523	96	10,619	93	10,712	95	10,807

(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.

II. First nine months of the fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 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	47,550	41,629	36,286	125,465	2,897	128,362	—	128,362
Inter-segment sales or transfer among segment	9	10	3	23	18	42	(42)	—
Total	47,559	41,639	36,289	125,488	2,916	128,404	(42)	128,362
Segment profit (loss)	7,247	6,285	(239)	13,294	138	13,433	94	13,527

(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.