

May 11, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 <under Japanese GAAP>

Company name: **USHIO INC.**
 Listing: Prime Market of the Tokyo Stock Exchange
 Stock code: 6925
 URL: <https://www.ushio.co.jp/en/>
 Representative: Koji Naito, President and Chief Executive Officer
 Inquiries: Hideaki Takizawa, General Manager, Accounting & Finance Department
 TEL: +81-3-5657-1000 (from overseas)

Scheduled date of ordinary general meeting of shareholders: June 29, 2023
 Scheduled date to commence dividend payments: June 30, 2023
 Scheduled date to file Securities Report: June 29, 2023
 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 ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	%
Fiscal year ended								
March 31, 2023	175,025	17.6	15,861	21.4	20,144	32.6	13,699	8.7
March 31, 2022	148,821	25.5	13,068	—	15,195	346.0	12,606	—

(Note) Comprehensive income

For the fiscal year ended March 31, 2023: ¥19,881 million [(26.9%)]

For the fiscal year ended March 31, 2022: ¥27,188 million [103.8%]

	Net income per share	Diluted net income per share	Net income/Equity	Ordinary income/total assets	Operating income/net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	115.69	—	5.7	6.2	9.1
March 31, 2022	104.54	—	5.7	5.0	8.8

(Reference) Equity in losses of affiliates

For the fiscal year ended March 31, 2023: ¥(115) million

For the fiscal year ended March 31, 2022: ¥(86) million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	323,622	244,105	75.4	2,074.27
March 31, 2022	321,096	235,202	73.2	1,949.73

(Reference) Equity

As of March 31, 2023: ¥244,092 million

As of March 31, 2022: ¥235,118 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	871	(1,175)	(26,811)	57,516
March 31, 2022	21,628	(5,519)	(10,625)	81,619

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	–	–	50.00	50.00	6,041	47.8	2.7
Fiscal year ended March 31, 2023	–	–	–	50.00	50.00	5,895	43.2	2.5
Fiscal year ending March 31, 2024 (Forecast)	–	–	–	50.00	50.00		55.2	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Fiscal year ending March 31, 2024	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	188,000	7.4	12,500	(21.2)	14,000	(30.5)	10,000	(27.0)	90.58

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

(2) 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

(3) Number of issued shares (common stock)

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

As of March 31, 2023	123,500,000 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 March 31, 2023	5,823,752 shares
As of March 31, 2022	6,409,833 shares

c. Average number of shares during the period

For the fiscal year ended March 31, 2023	118,414,343 shares
For the fiscal year ended March 31, 2022	120,586,712 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.

**Non-consolidated performance for the fiscal year ended March 31, 2023
(from April 1, 2022 to March 31, 2023)**

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	69,421	15.6	7,427	32.7	13,683	51.1	13,928	84.6
March 31, 2022	60,061	36.0	5,596	983.3	9,055	137.3	7,546	40.8

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2023	117.63	—
March 31, 2022	62.58	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	170,907	131,097	76.7	1,114.05
March 31, 2022	165,251	128,910	78.0	1,069.00

(Reference) Equity

As of March 31, 2023: ¥131,097 million

As of March 31, 2022: ¥128,910 million

* This Consolidated Financial Results 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 6 of the appended materials regarding performance forecasts.

*To obtain Financial Presentation

The financial results presentation for securities analysts and institutional investors is planned on May 12, 2023.

The Financial Presentation will be posted on the website of USHIO INC. on May 11, 2023

Contents

1. Summary of Financial Results for Term	2
(1) Business Performance	2
(2) Review of Financial Position	4
(3) Overview of Cash Flows	4
(4) Outlook	6
(5) Basic Policy on Profit Distribution and Dividends for Current and Next Fiscal Years	7
2. Basic Approach to Choosing Accounting Standards	7
3. Consolidated Financial Statements and Notes	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	10
Consolidated Statements of Income	10
Consolidated Statements of Comprehensive Income	11
(3) Consolidated Statements of Changes in Net Assets	12
(4) Consolidated Statements of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
(Notes on Premise of Going Concern)	16
(Change in Accounting Policy)	16
(Segment Information)	16
(Per Share Information)	19
(Significant Subsequent Events)	19
4. Other	20
(1) Changes in Directors and Officers (on June 29, 2023)	20
(2) Other	20

1. Summary of Financial Results for Term

(1) Business Performance

The business climate remained challenging for the Ushio Group in the fiscal year ended March 31, 2023. The economy slowed down amid energy and raw materials price hikes attributable to war between Russia and Ukraine. Policy interest rates continued to rise amid accelerating inflation in Europe and the United States. One positive change regionally was that China experienced a gradual economic recovery after rolling back its zero-COVID-19 policy. The world nonetheless seemed on the brink of recession, with uncertainty persisting amid intensifying U.S.-China trade friction.

It was under these circumstances that capital investment in the semiconductor, electronic device, and printed circuit board markets remained robust owing to 5G deployments and progress in using Internet of Things and artificial intelligence technologies. Demand nevertheless decelerated owing to a global economic slowdown from the second half of the year, leading to some operational reductions.

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 experienced a delayed turnaround because it maintained a zero-COVID-19 policy, cinemas worldwide reopened and recovered screen operation rates.

The average exchange rate during the period under review was ¥135 to the dollar, with the yen depreciating ¥23 from the previous year.

Consolidated net sales rose 17.6% year on year, to ¥175,025 million. Operating profit climbed 21.4%, to ¥15,861 million. Ordinary profit advanced 32.6%, to ¥20,144 million. Profit attributable to owners of parent increased 8.7%, to ¥13,699 million.

Segment results were as follows.

Light Source Business

Discharge Lamps

Sales of UV lamps for lithography equipment were robust in the first half of the year owing to solid demand for semiconductors and electronic devices amid 5G technology uptakes and progress in the use of Internet of Things, artificial intelligence, and other technologies. Sales were weak in the second half, however, owing to slower final demand, which led to operating adjustments. Sales of UV lamps for LCD panel displays decreased because work-from-home demand ran its course, prompting panel manufacturers to adjust production. Overall sales of UV lamps were thus down. Sales of replacement xenon lamps for cinema projectors were up on cinemas worldwide reopenings and a recovery in screen operation rates. Discharge lamp sales accordingly increased year-on-year.

Halogen Lamps

Sales of halogen lamps for office automation equipment increased because demand for this equipment recovered on a resolution of parts shortages throughout the year among set manufacturers. This factor offset weak sales later in the term from inventory adjustments. Also, sales of heater lamps for semiconductor production processes increased in a robust active semiconductor market. Sales of halogen lamps accordingly rose for the year.

Ushio posted an inventory write-down for sodium lamps for several applications, primarily 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 therefore increased 6.9% from a year earlier, to ¥61,825 million. Operating profit advanced 8.8%, to ¥9,020 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 packages 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.

Optical Equipment business sales therefore increased 19.4% from a year earlier, to ¥57,805 million. Operating profit advanced 55.0%, to ¥7,160 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 and higher parts and materials procurement costs, 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 resumptions for events and other activities, as well as because of the yen's depreciation. At the same time, the period saw alleviations in parts and materials shortages and materials procurement costs hikes affecting the imaging equipment business overall.

Segment sales increased 31.0%, to ¥51,333 million. The Company posted an operating loss of ¥642 million, compared with an operating loss of ¥53 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 18.0%, to ¥4,113 million. Operating profit jumped 70.3%, to ¥191 million.

(2) Review of Financial Position

Assets

Total assets at the end of the term were ¥323,622 million, up ¥2,526 million from a year earlier. The main reasons for this increase were greater inventories from higher orders for optical equipment and other products and a rise in right-of-use assets from adopting Financial Accounting Standard Board Accounting Standards Update No. 2016-02, Leases (Topic 842). This rise offset a decrease in cash and deposits from repayments of borrowings, dividend and tax payments, and treasury share purchases.

Liabilities

Total liabilities declined ¥6,376 million, to ¥79,517 million. The prime factors in this decline were a decrease in the current portion of long-term borrowings as a result of repayments and a drop in contract liabilities from posting sales. This factor offset a rise in notes and accounts payable - trade from higher materials and other purchases and an increase in lease liabilities from adopting Topic 842.

Net Assets

Net assets rose ¥8,902 million, to ¥244,105 million. Key upside factors were an increase in foreign currency translation adjustments from the yen's depreciation toward the close of the year 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 a treasury stock retirement.

(3) Overview of Cash Flows

Cash and cash equivalents at the close of the term were down ¥24,103 million from a year earlier, to ¥57,516 million. Cash flows were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥871 million, from ¥21,628 million in the previous corresponding period. This was despite ¥20,220 million in profit before income taxes, ¥7,615 million in depreciation, and a ¥4,356 million increase in trade payables, and reflected a ¥16,549 million increase in inventories, a ¥3,369 million decrease in contract liabilities, and ¥7,346 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥1,175 million, down from ¥5,519 million. Prime factors were ¥31,074 million in proceeds from withdrawal of time deposits, ¥3,887 million in proceeds from sale and redemption of securities, ¥28,066 million in payments into time deposits, and ¥7,767 million in purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥26,811 million, down from ¥10,625 million. Key factors were ¥18,770 million in repayments of long-term borrowings, a ¥5,004 million purchase of treasury shares, and ¥6,037 million in dividends paid.

Group cash flow indicator trends are below.

	Years ended March 31				
	2019	2020	2021	2022	2023
Equity ratio (%)	69.5	73.0	72.7	73.2	75.4
Market value-based equity ratio (%)	53.1	45.3	60.6	68.6	60.5
Cash flow to interest-bearing debt ratio (years)	3.3	18.9	1.7	0.9	6.1
Interest coverage ratio (times)	15.1	1.8	33.2	64.9	4.1

Equity ratio: Shareholders' equity ÷ Total assets

Market value-based equity ratio: Market capitalization ÷ Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt ÷ Operating cash flows

Interest coverage ratio: Operating cash flows ÷ Interest payments

Notes

1. All figures based on consolidated financial figures.
2. Market capitalization is based on the number of issued and outstanding shares and excludes treasury stock.
3. Cash flow is based on operating cash flows.
4. Interest-bearing debt includes all liabilities on the consolidated balance sheets for which interest is paid.

(4) Outlook

The global economy will probably continue to experience uncertainty despite progress toward resolving worldwide shortages of semiconductors and other materials and supply chain disruptions. That is because of the war between Russia and Ukraine, the impact of this and other factors on energy and raw material prices, and intensifying Sino-American trade friction.

For the next fiscal year, Ushio accordingly forecasts net sales of ¥188 billion, up 7.4% year-on-year, although operating profit should decline 21.2%, to ¥12.5 billion, with ordinary profit falling 30.5%, to ¥14 billion. Profit attributable to owners of parent should decline 27.0%, to ¥10 billion.

The exchange rate assumptions for these forecasts are ¥135 to the U.S. dollar and ¥145 to the euro.

Ushio changed its segmentation from the fiscal year ending March 31, 2024. See Significant Subsequent Events in Notes to Consolidated Financial Statements for details.

Industrial Processes Business

In UV lamps for lithography equipment, final demand for semiconductors, electronic devices, and printed circuit boards will probably remain sluggish. Production adjustments should continue owing to global recession concerns. Sales of UV lamps for LCD panel displays will likely stay lackluster despite panel maker production adjustments bottoming out. Overall sales of UV lamps for lithography equipment should therefore decline.

At the same time, sales of lithography equipment for cutting-edge IC package substrates and direct-write exposure systems for package substrates should rise only slightly despite demand growth assumptions remaining unchanged for the medium through long terms. This is because of near-term postponements of some investment plans. For EUV lithography mask inspection light sources, maintenance service revenues should increase from operations of installed light sources remaining steady. Light source sales will probably decline, however, as cost and other issues will probably prolong an installations adjustment phase.

Ushio will expand investments in development and in reinforcing its support structure for lithography equipment and EUV, primarily for the semiconductor area.

Management accordingly expects Industrial Processes business revenues and earnings to decline in the year ahead.

Visual Imaging Business

Sales of digital cinema projectors should increase as replacement demand recuperates from a low ebb as capital investment turns around in line with an economic recovery from the pandemic. At the same time, management anticipates resolutions from the first through second halves of the year in projector component shortages and in component procurement cost hikes that affected performance in the previous term.

In general imaging, sales of projectors and related imaging equipment should rise increase on greater demand for commercial facilities and events. Sales of replacement xenon lamps for cinema projectors should increase slightly. That is because Chinese market demand should at last recover gradually from the pandemic.

Visual Imaging business revenues and earnings should thereby increase in the coming year.

Life Sciences Business

Demand for light-based equipment in the medical industry is growing moderately. Sales of dermatological equipment should increase from gaining market share with new offerings. In addition, sales of lamp light sources for medical applications should rise with demand. Sales of sodium lamps for a range of uses in the European and U.S. markets should decline, however, as demand is shrinking for such offerings amid a fast shift to solid-state light sources.

Life Sciences business revenues should accordingly decrease in the next fiscal year.

Photonics Solutions Business

Demand for light-based applications in the medical, healthcare, and industrial sensor markets remains firm. Sales of devices and modules for these markets should increase.

Photonics Solutions business revenues should thus rise in the next fiscal year.

Management based these forecasts on currently available information and certain reasonable assumptions. Results may differ owing to various factors.

(5) Basic Policy on Profit Distribution and Dividends for Current and Next Fiscal Years

Delivering shareholder returns remains a top priority for the Group. Its basic policy is to provide stable returns while strengthening its financial position and business foundations. In view of that stance and its operating results and business development in the year ahead, Ushio plans to pay an annual dividend of ¥50 per share for the year ended March 31, 2023. This is unchanged from the preceding term. The consolidated ratio of dividends to net assets would therefore be 2.5%.

Management seeks to pay an annual an annual dividend of ¥50 per share for the year ending March 31, 2024.

Ushio will allocate retained earnings for R&D investments in new products and technologies from long-term perspectives, in capital expenditure to enhance productivity, and in investments in growth businesses to bolster corporate value.

2. Basic Approach to Choosing Accounting Standards

The Group's policy for the foreseeable future is to prepare its consolidated financial statements in accordance with Generally Accepted Accounting Principles in Japan, factoring in the comparability of consolidated financial statements from period to period and comparability among companies.

Ushio applies International Financial Reporting Standards in light of a range of domestic and international circumstances.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	88,687	64,219
Notes and accounts receivable - trade, and contract assets	35,292	38,491
Securities	4,937	2,591
Merchandise and finished goods	26,169	31,481
Work in process	20,282	25,101
Raw materials and supplies	18,891	26,872
Other	10,134	11,787
Allowance for doubtful accounts	△2,686	△2,025
Total current assets	201,708	198,519
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,161	48,513
Accumulated depreciation	△29,767	△31,365
Buildings and structures, net	17,393	17,147
Machinery, equipment and vehicles	27,875	28,146
Accumulated depreciation	△20,212	△21,058
Machinery, equipment and vehicles, net	7,662	7,087
Land	8,630	8,684
Right-of-use assets	—	2,806
Accumulated depreciation	—	—
Right-of-use assets, net	—	2,806
Construction in progress	2,708	3,363
Other	41,498	42,767
Accumulated depreciation	△31,730	△31,377
Other, net	9,768	11,389
Total property, plant and equipment	46,162	50,480
Intangible assets		
Goodwill	235	252
Other	2,755	2,782
Total intangible assets	2,991	3,034
Investments and other assets		
Investment securities	59,146	58,484
Long-term loans receivable	15	20
Deferred tax assets	4,135	4,333
Retirement benefit asset	5,592	6,647
Other	1,924	2,224
Allowance for doubtful accounts	△580	△121
Total investments and other assets	70,234	71,588
Total non-current assets	119,388	125,103
Total assets	321,096	323,622

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,164	26,205
Short-term borrowings	2,185	3,921
Current portion of long-term borrowings	16,402	—
Lease liabilities	12	796
Income taxes payable	3,828	3,210
Contract liabilities	14,388	11,731
Provision for bonuses	2,699	2,530
Provision for product warranties	2,597	3,775
Provision for loss on orders received	—	0
Other	9,113	10,239
Total current liabilities	72,393	62,410
Non-current liabilities		
Long-term borrowings	—	1,410
Lease liabilities	61	2,189
Deferred tax liabilities	7,823	7,997
Provision for retirement benefits for directors (and other officers)	270	237
Provision for share awards for directors (and other officers)	146	193
Retirement benefit liability	4,054	3,839
Asset retirement obligations	302	318
Other	842	921
Total non-current liabilities	13,500	17,106
Total liabilities	85,893	79,517
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,727	27,767
Retained earnings	161,877	164,332
Treasury shares	△9,032	△8,733
Total shareholders' equity	200,129	202,922
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,399	19,869
Foreign currency translation adjustment	14,186	20,779
Remeasurements of defined benefit plans	△598	520
Total accumulated other comprehensive income	34,988	41,170
Non-controlling interests	84	12
Total net assets	235,202	244,105
Total liabilities and net assets	321,096	323,622

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	148,821	175,025
Cost of sales	94,792	111,809
Gross profit	54,029	63,215
Selling, general and administrative expenses	40,960	47,353
Operating profit	13,068	15,861
Non-operating income		
Interest income	670	1,602
Dividend income	914	1,051
Foreign exchange gains	377	1,909
Realized and unrealized profit on trading securities, net	207	10
Gain on investments in investment partnerships	26	24
Subsidies for employment adjustment	468	—
Other	338	353
Total non-operating income	3,004	4,951
Non-operating expenses		
Interest expenses	329	218
Share of loss of entities accounted for using equity method	86	115
Loss on specified money in trust	101	87
Loss on sale of securities	—	57
Loss on valuation of securities	28	80
Settlement payments	119	—
Other	211	109
Total non-operating expenses	877	668
Ordinary profit	15,195	20,144
Extraordinary income		
Gain on sale of non-current assets	1,153	216
Gain on sale of investment securities	17	963
Gain on sale of businesses	—	360
Total extraordinary income	1,171	1,539
Extraordinary losses		
Loss on retirement of non-current assets	98	81
Loss on sale of non-current assets	11	9
Impairment losses	164	588
Loss on sale of investment securities	15	35
Loss on valuation of investment securities	1	212
Loss on sale of shares of subsidiaries and associates	—	188
Business restructuring expenses	161	348
Loss on temporary closure	151	—
Total extraordinary losses	603	1,463
Profit before income taxes	15,762	20,220
Income taxes - current	5,470	6,432
Income taxes - deferred	△2,327	93
Total income taxes	3,143	6,526
Profit	12,619	13,693
Profit (loss) attributable to non-controlling interests	13	△6
Profit attributable to owners of parent	12,606	13,699

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	12,619	13,693
Other comprehensive income		
Valuation difference on available-for-sale securities	3,119	△1,529
Deferred gains or losses on hedges	3	—
Foreign currency translation adjustment	10,553	6,558
Remeasurements of defined benefit plans, net of tax	835	1,118
Share of other comprehensive income of entities accounted for using equity method	56	41
Total other comprehensive income	14,569	6,188
Comprehensive income	27,188	19,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,169	19,880
Comprehensive income attributable to non-controlling interests	19	1

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	19,556	27,727	152,448	△9,055	190,676
Cumulative effects of changes in accounting policies			△35		△35
Restated balance	19,556	27,727	152,412	△9,055	190,641
Changes during period					
Dividends of surplus			△3,141		△3,141
Profit attributable to owners of parent			12,606		12,606
Purchase of treasury shares				△5	△5
Disposal of treasury shares				28	28
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	9,465	22	9,487
Balance at end of period	19,556	27,727	161,877	△9,032	200,129

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation Difference On available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	18,280	△3	3,582	△1,433	20,426	77	211,180
Cumulative effects of changes in accounting policies							△35
Restated balance	18,280	△3	3,582	△1,433	20,426	77	211,145
Changes during period							
Dividends of surplus							△3,141
Profit attributable to owners of parent							12,606
Purchase of treasury shares							△5
Disposal of treasury shares							28
Net changes in items other than shareholders' equity	3,119	3	10,603	835	14,562	6	14,569
Total changes during period	3,119	3	10,603	835	14,562	6	24,057
Balance at end of period	21,399	—	14,186	△598	34,988	84	235,202

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	19,556	27,727	161,877	△9,032	200,129
Changes during period					
Dividends of surplus			△6,041		△6,041
Profit (loss) attributable to owners of parent			13,699		13,699
Purchase of treasury shares				△5,004	△5,004
Disposal of treasury shares				6	6
Cancellation of treasury shares			△5,296	5,296	—
Purchase of shares of consolidated subsidiaries		40			40
Change in scope of consolidation			92		92
Net changes in items other than shareholders' equity					—
Total changes during period	—	40	2,454	299	2,793
Balance at end of period	19,556	27,767	164,332	△8,733	202,922

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	21,399	—	14,186	△598	34,988	84	235,202
Changes during period							
Dividends of surplus							△6,041
Profit (loss) attributable to owners of parent							13,699
Purchase of treasury shares							△5,004
Disposal of treasury shares							6
Cancellation of treasury shares							—
Purchase of shares of consolidated subsidiaries						△73	△33
Change in scope of consolidation							92
Net changes in items other than shareholders' equity	△1,529	—	6,592	1,118	6,181	1	6,182
Total changes during period	△1,529	—	6,592	1,118	6,181	△72	8,902
Balance at end of period	19,869	—	20,779	520	41,170	12	244,105

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	15,762	20,220
Depreciation	6,939	7,615
Impairment losses	164	588
Increase (decrease) in retirement benefit liability	△55	△141
Amortization of goodwill	163	169
Increase (decrease) in allowance for doubtful accounts	△360	△58
Business restructuring expenses	161	348
Interest and dividend income	△1,585	△2,653
Subsidies for employment adjustment	△468	—
Interest expenses	329	218
Profit / Loss on sale / revaluation of available-for-sale securities	△207	△10
Share of loss (profit) of entities accounted for using equity method	86	115
Settlement payments	119	—
Loss (gain) on sale of non-current assets	△1,142	△206
Loss on retirement of non-current assets	98	81
Loss (gain) on sale of investment securities	△2	△927
Loss (gain) on valuation of investment securities	1	212
Loss (gain) on sale of shares of subsidiaries and associates	—	188
Loss (gain) on sale of businesses	—	△360
Decrease (increase) in trade receivables	474	△2,696
Decrease (increase) in inventories	△4,329	△16,549
Increase (decrease) in trade payables	4,142	4,356
Increase Decrease In Contract Liabilities	673	△3,369
Other, net	641	△1,070
Subtotal	21,607	6,069
Interest and dividends received	1,641	2,662
Interest paid	△333	△210
Subsidy income for employment adjustment	688	—
Payments for business structure improvement expenses	△495	△170
Income taxes paid	△1,479	△7,346
Settlement paid	—	△131
Net cash provided by (used in) operating activities	21,628	871
Cash flows from investing activities		
Payments into time deposits	△10,449	△28,066
Proceeds from withdrawal of time deposits	7,329	31,074
Short-term loan advances	△38	△37
Proceeds from collection of short-term loans receivable	326	50
Purchase of securities	△89	—
Proceeds from sale and redemption of securities	1,472	3,887
Purchase of property, plant and equipment	△5,958	△7,767
Proceeds from sale of property, plant and equipment	1,545	423
Purchase of intangible assets	△235	△348
Purchase of investment securities	△3,652	△3,207
Proceeds from sale and redemption of investment securities	3,903	2,733
Payments for acquisition of businesses	△52	△210
Proceeds from sale of businesses	—	360
Long-term loan advances	△10	△23
Proceeds from collection of long-term loans receivable	370	2
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	△47
Other, net	18	0
Net cash provided by (used in) investing activities	△5,519	△1,175

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△3,960	1,591
Proceeds from long-term borrowings	—	1,410
Repayments of long-term borrowings	△3,520	△18,770
Purchase of treasury shares	△5	△5,004
Dividends paid	△3,139	△6,037
Net cash provided by (used in) financing activities	△10,625	△26,811
Effect of exchange rate change on cash and cash equivalents	5,717	3,011
Net increase (decrease) in cash and cash equivalents	11,200	△24,103
Cash and cash equivalents at beginning of period	70,418	81,619
Cash and cash equivalents at end of period	81,619	57,516

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Change in Accounting Policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

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 start 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 consolidated financial statements.

(Application of Financial Accounting Standard Board Accounting Standards Update No. 2016-02, Leases (Topic 842))

Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied Financial Accounting Standard Board Accounting Standards Update No. 2016-02, Leases (Topic 842) in the year under review. In principle, lessees accordingly record all leases as assets and liabilities on their balance sheets. The cumulative effect of applying this standard, granted as a transitional measure, is recognized at the adoption date.

As a result of applying Topic 842, right-of-use assets under non-current assets increased ¥2,806 million, lease liabilities under current liabilities were up ¥788 million, and lease liabilities under non-current liabilities rose ¥2,074 million in the consolidated balance sheets for the year under review.

The impact of this application on the profit or loss in the current fiscal year is immaterial.

(Segment Information)

1. Overview of Reporting Segments

Ushio's reporting segments are business units for which separate financial data are available. These segments are subject to periodic Board of Directors reviews to assess businesses and decide how to allocate operating resources and evaluate results.

The Company has adopted a divisional structure based on similarities in product type, sales markets, and other relevant factors. It formulates comprehensive domestic and overseas strategies to develop, manufacture, sell, and service Group products and do business worldwide.

Ushio accordingly organizes segments by product and sales market. Its three reportable segments are the Light Source, Optical Equipment, and Imaging Equipment businesses.

The Light Source business produces and sells halogen, discharge lamps, and other offerings.

The Optical Equipment business produces and sells optical equipment and other products.

The Imaging Equipment segment produces and sells imaging equipment and other products.

2. Methods for Calculating Net Sales, Earnings, Assets, Liabilities, and Other Line Items by Reporting Segments

Ushio accounts for reportable business segments in line with the accounting principles and procedures used to prepare its consolidated financial statements. Earnings for these segments are based on operating profit. Inter-segment revenues and transfers are based on prevailing market prices.

3. Monetary Information Concerning Net Sales, Profit or Loss, Assets, Liabilities, and Other Line Items for Reporting Segments

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting Segment				Others (Note 1)	Total	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	57,811	48,386	39,173	145,371	3,450	148,821	—	148,821
Inter-segment sales or transfer among segments	9	24	7	41	36	77	(77)	—
Total	57,820	48,410	39,180	145,412	3,486	148,899	(77)	148,821
Segment profit (loss)	8,288	4,620	(53)	12,855	112	12,968	100	13,068
Segment assets	101,016	84,888	51,325	237,230	67,260	304,490	16,605	321,096
Other line items								
Depreciation and amortization	3,025	2,206	1,671	6,903	36	6,939	—	6,939
Amortization of goodwill	52	110	—	163	—	163	—	163
Investments in equity- method affiliates	—	191	—	191	—	191	—	191
Increase in property, plant and equipment and intangible fixed assets (Notes 4)	1,831	3,600	1,673	7,104	274	7,378	—	7,378

(Notes)

- Others includes business segments not included in reportable segments and other revenue-producing operations, such as industrial machinery and fund management.
- Adjustments are as follows
 - Total adjustment of ¥100 million for segment profit (loss) includes ¥107 million in eliminations of inter-segment transactions.
 - The total adjustment in segment assets of ¥16,605 million includes elimination of a ¥9,597 million loss in inter-segment receivables and payables and corporate assets of ¥26,321 million that are not included in reportable segments. Corporate assets consist primarily of surplus operating capital (cash and marketable securities) and funds for long-term investment (investment securities).
- Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.
- The increase in property, plant and equipment and intangible fixed assets includes an increase in long-term advanced payment expenses.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reporting Segment				Others (Note 1)	Total	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	61,813	57,794	51,328	170,937	4,087	175,025	—	175,025
Inter-segment sales or transfer among segments	11	10	4	27	26	53	(53)	—
Total	61,825	57,805	51,333	170,964	4,113	175,078	(53)	175,025
Segment profit (loss)	9,020	7,160	(642)	15,539	191	15,730	130	15,861
Segment assets	101,373	91,922	67,544	260,839	80,422	341,262	(17,640)	323,622
Other line items								
Depreciation and amortization	3,069	2,446	2,081	7,598	16	7,615	—	7,615
Amortization of goodwill	57	96	15	169	—	169	—	169
Investments in equity-method affiliates	—	117	—	117	—	117	—	117
Increase in property, plant and equipment and intangible fixed assets (Notes 4)	2,237	3,058	3,038	8,334	773	9,107	—	9,107

(Notes)

1. Others includes business segments not included in reportable segments and other revenue-producing operations, such as industrial machinery and fund management.
2. Adjustments are as follows
 - (1) Total adjustment of ¥130 million for segment profit (loss) includes ¥129 million in eliminations of inter-segment transactions.
 - (2) The total adjustment in segment assets of ¥17,640 million includes elimination of a ¥43,826 million loss in inter-segment receivables and payables and corporate assets of ¥26,183 million that are not included in reportable segments. Corporate assets consist primarily of surplus operating capital (cash and marketable securities) and funds for long-term investment (investment securities).
3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of income.
4. The increase in property, plant and equipment and intangible fixed assets includes an increase in long-term advanced payment expenses.

(Per Share Information)

Year ended March 31, 2022		Year ended March 31, 2023	
Net assets per share	¥1,949.73	Net assets per share	¥2,074.27
Basic earnings per share	¥104.54	Basic earnings per share	¥115.69
Ushio does not present diluted basic earnings per share because there are no dilutive shares.		Ushio does not present diluted basic earnings per share because there are no dilutive shares.	

Note 1. The basis for calculating basic earnings per share is as follows.

	Year ended March 31, 2022	Year ended March 31, 2023
Profit attributable to owners of parent (millions of yen)	12,606	13,699
Amount not attributable to common shareholders (millions of yen)	—	—
Profit related to common stock attributable to owners of parent (millions of yen)	12,606	13,699
Average number of shares of common stock during period	120,586,712	118,414,343

Note 2: In calculating net assets per share, Ushio shares held in trust for the directors' stock compensation plan, recorded as treasury stock in shareholders' equity, are included in treasury stock and deducted from the total number of shares issued and outstanding at the ends of terms (234,000 in the year ended March 31, 2022, and 230,100 in the year ended March 31, 2023).

In calculating basic earnings per share, Ushio shares held in trust for the directors' stock compensation plan, recorded as treasury stock in shareholders' equity, are included in treasury stock and deducted from the average number of shares issued and outstanding during terms (238,895 in the year ended March 31, 2022, and 230,700 in the year ended March 31, 2023).

(Significant Subsequent Events)**Segment Classification Change**

Management concluded that it would be vital to shift from a product-centric approach to a market-centric one to accelerate efforts to provide solutions as a Light Solutions Company under Vision 2030. It accordingly resolved to change reportable segments from the year ending March 31, 2024, in line with an organizational change implemented on April 1, 2023.

Ushio accordingly replaced its Light Source, Optical Equipment, and Imaging Equipment business segments with the Industrial Processes, Visual Imaging, Life Sciences, and Photonics Solutions business segments.

Below is a summary of reportable segment classifications.

Reportable segment	Key products
Industrial Processes	Light sources: UV lamps, OA lamps, and optical equipment lamps Equipment: UV equipment, curing equipment, EUV mask inspection light sources, and maintenance services
Visual Imaging	Light sources: Cinema lamps and data projector lamps Equipment: Digital cinema projectors, general imaging, video-related equipment, and maintenance services
Life Sciences	Light sources: Products incorporating Care222 Equipment: UV treatment equipment
Photonics Solutions	Light sources: Solid state light sources

The Company is calculating net sales, earnings, assets, liabilities, and other amounts for the new segments for the current fiscal year.

4. Other

(1) Changes in Directors and Officers (on June 29, 2023)

(1) New director candidate (not Audit and Supervisory Committee member)

Tetsuo Nakano, Director and Managing Executive Officer (currently Managing Executive Officer and General Manager of ESG Promotion Headquarters)

(2) New director candidate (not Audit and Supervisory Committee member)

Naoaki Mashita, Outside Director

(3) Candidate for Chairman of Board of Directors

Masatoshi Matsuzaki, Chairman of Board of Directors

(2) Other

None.