

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2024
<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: November 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 six months of the fiscal year ending March 31, 2024
(from April 1, 2023 to September 30, 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	%
First six months ended September 30, 2023	85,003	(3.4)	4,969	(50.9)	6,288	(53.9)	4,259	(55.2)
September 30, 2022	87,955	22.9	10,111	54.0	13,642	77.6	9,512	46.2

(Note) Comprehensive income

For the first six months ended September 30, 2023: ¥ 21,571 million [(1.6%)]

For the first six months ended September 30, 2022: ¥ 21,913 million [94.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months ended September 30, 2023	36.92	—
September 30, 2022	79.91	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	360,463	248,595	69.0
March 31, 2023	323,622	244,105	75.4

(Reference) Equity

As of September 30, 2023: ¥ 248,584 million

As of March 31, 2023 : ¥ 244,092 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, 2023	—	—	—	50.00	50.00
Fiscal year ending March 31, 2024	—	—			
Fiscal year ending March 31, 2024 (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, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	188,000	7.4	12,500	(21.2)	14,000	(30.5)	10,000	(27.0)	90.58

(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 September 30, 2023	123,500,000 shares
As of March 31, 2023	123,500,000 shares

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

As of September 30, 2023	11,747,310 shares
As of March 31, 2023	5,823,752 shares

c. Average number of shares during the period

As of September 30, 2023	115,370,026 shares
As of September 30, 2022	119,046,515 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 4 of the appended materials regarding performance forecasts.

*To obtain Financial Presentation

The Financial Presentation will be posted on the website of USHIO INC. on November 6, 2023.

[Attached document]

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1. Qualitative Information on Financial Results for the Term

(1) Business Performance

The global business climate remained uncertain for the Ushio Group in the second quarter of the fiscal year ending March 31, 2024. Downside factors included an ongoing worldwide recession, rising energy and raw materials prices owing to an ongoing war between Russia and Ukraine and further hikes in policy interest rates amid continued inflation in Europe and the United States. On top of that, the world economy slowed down amid sluggish domestic and external demand, one negative factor being a downturn in real estate development investments in China.

The semiconductor, electronic devices, and printed circuit board markets thus continued to experience slow end-use demand for smartphones and other products worldwide, with related capital investments and operations remaining sluggish.

Also, for the demand for related cutting-edge IC package substrates, although it is in a temporary adjustment phase and trends need to be watched closely, it is expected to expand in the medium to long term due to 5G deployments and progress in the use of IoT and AI. In the flat panel display market, the operations of LCD manufacturers were sluggish because demand related to people staying at home had run its course. In the visual imaging market, cinema operations worldwide recovered as normal economic activity resumed after the COVID-19 pandemic. The general imaging market environment remained solid as events and other activities continued to turn around.

The average exchange rate during the term was ¥140 to the dollar. The yen depreciated ¥8 from a year earlier.

Consolidated net sales decreased 3.4% year on year, to ¥85,003 million. Operating profit dropped 50.9%, to ¥4,969 million. Ordinary profit fell 53.9%, to ¥6,288 million. Profit attributable to owners of parent declined 55.2%, to ¥4,259 million.

Segment results were as follows.

Ushio changed its reporting segments as of the first quarter of the fiscal year ending March 31, 2024. It presents year-on-year comparisons and analyses based on the new segmentation.

Industrial Processes

UV Lamps

Sales were sluggish because of ongoing operational adjustments for semiconductors and electronic devices in response to slowing end-use demand for smartphones and other products. Sales for LCD panels were down as panel makers continued to adjust production because stay-at-home demand ran its course, causing revenues to fall.

OA Lamps

Revenues dropped amid lamp sales decreased from an economic slowdown in China.

Optical Equipment Lamps

Sales of light sources, primarily for LCD panels, were down, owing largely to lower revenues from ongoing production adjustments among panel makers.

UV Equipment

Sales of large field steppers for cutting-edge IC package substrates and direct imaging lithography equipment for package and printed circuit boards should stay strong as demand rises for data center servers amid 5G commercialization and progress with the Internet of Things, artificial intelligence and other areas. Sales for the term decreased, however, because revenues will be heavier in the second half of the year.

Optical Equipment

Sales were down, mainly for EUV light sources for EUV lithography mask inspection. This owed to lower sales of light sources that offset higher maintenance services sales.

Earnings declined from greater strategic investments in R&D and other activities to drive future growth, primarily for optical equipment, and shrinking profit margins from lower sales of such high-value-added offerings as UV lamps and equipment.

Industrial Processes sales thus dropped 20.3% from the previous corresponding term, to ¥37,788 million. Operating profit fell 63.8%, to ¥3,947 million.

Visual Imaging

Projector Lamps

Sales of projector lamps were down owing to the impact of a shift of data projector lamps to the solid-state light sources, and it offset higher sales of xenon lamps for cinema projectors in the Chinese market from a recovery in cinema operating rates.

Cinema Projectors

Sales of digital cinema projectors rose on progress in resolving the previous fiscal year's parts shortages, enabling the company to capture the replacement demand for digital cinema projector at cinemas. The yen's depreciation also contributed to higher sales.

General Imaging Projectors

Sales from rose on solid demand for events and other activities and from revenues for major deals. A weaker yen also contributed to sales gains. Earnings increased despite strategic investments in human resources and other areas. Drivers included improved margins in imaging equipment from an easing in the material cost hikes experienced in the previous fiscal year and higher sales of digital cinema projectors and imaging equipment.

Visual Imaging sales therefore rose 20.6%, to ¥38,859 million. Operating profit increased 45.3%, to ¥3,003 million.

Life Sciences

Sales were down primarily because of lower revenues for light source for environmental hygiene solutions. Earnings were up, however, due to the inventory write-downs recorded in the previous term and constrained investments stemming from a strategic review of environmental hygiene business.

Life Sciences sales accordingly declined 4.0%, to ¥2,690 million. An operating loss of ¥1,196 million was lower than the ¥2,826 million posted a year earlier.

Photonics Solutions

Sales increased on higher revenues for laser modules for R&D microscopes. Earnings were off, however, amid higher strategic investments in R&D and other areas.

Photonics Solutions sales advanced 8.6%, to ¥5,066 million. There was an operating loss of ¥703 million, however, from an operating profit of ¥74 million in the previous corresponding period.

Others

Power supply sales decreased as capacity utilization of customer production lines declined.

Other business sales dropped 31.4%, to ¥630 million. The segment operating loss was ¥120 million, from ¥144 million a year earlier.

(2) Review of Financial Position

Assets

Total assets at the end of the second quarter were ¥360,463 million, up ¥36,840 million from a year earlier. The principal factors in this increase were greater inventories from postponed sales of some optical equipment, a rise in cash and deposits owing to borrowings, and an increase in investment securities from greater unrealized gains on those holdings.

Liabilities

Total liabilities rose ¥32,350 million, to ¥111,867 million. This largely reflected an increase in long-term borrowings to fund dividend payments and share repurchases, higher contract liabilities from optical equipment sales, and higher deferred tax liabilities for unrealized gains on investment securities holdings.

Net Assets

Net assets were up ¥4,489 million, to ¥248,595 million. This reflected an increase in foreign currency translation adjustment from the yen's depreciation toward the end of the second quarter, a rise in net unrealized gains on available-for-sale securities because of greater unrealized gains on investment securities, and an increase in retained earnings from profit attributable to owners of parent for the term. These factors offset a decrease in retained earnings owing to dividend payments and an increase in treasury stock.

Cash Flows from Operating Activities

Cash and cash equivalents at the end of the term increased ¥10,056 million from a year earlier, to ¥67,572 million yen. Cash flows were as follows.

Net cash provided by operating activities in the first half of the year was ¥1,271 million, from ¥659 million in the previous corresponding period. This was despite an increase in inventories of ¥8,236 million and income taxes paid of ¥2,714 million, and reflected ¥6,476 million in profit before income taxes, ¥3,905 million in depreciation, and a ¥1,788 million increase in contract liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥2,460 million, down from ¥17,385 million. Principal factors were ¥8,372 million in proceeds from withdrawal of time deposits, and ¥5,202 million in payments into time deposits, ¥3,309 million in purchase of property, plant and equipment, ¥1,234 million in purchase of intangible assets, and ¥1,286 million for business acquisitions.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥7,623 million, compared with ¥12,381 million used in these activities a year earlier. Key factors were ¥25,000 million in proceeds from long-term borrowings, a ¥12,188 million purchase of treasury shares, and ¥5,888 million in dividends paid.

(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 2024 announced on May 11, 2023. The forecast is based on currently available information and certain reasonable assumptions, and results 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	64,219	71,796
Notes and accounts receivable - trade, and contract assets	38,491	39,764
Securities	2,591	5,264
Merchandise and finished goods	31,481	38,207
Work in process	25,101	29,317
Raw materials and supplies	26,872	29,104
Other	11,787	11,156
Allowance for doubtful accounts	△2,025	△2,075
Total current assets	198,519	222,536
Non-current assets		
Property, plant and equipment		
Buildings and structures	48,513	50,674
Accumulated depreciation	△31,365	△33,326
Buildings and structures, net	17,147	17,348
Machinery, equipment and vehicles	28,146	29,847
Accumulated depreciation	△21,058	△22,569
Machinery, equipment and vehicles, net	7,087	7,278
Land	8,684	9,032
Right-of-use assets	3,589	4,617
Accumulated depreciation	△783	△1,359
Right-of-use assets, net	2,806	3,257
Construction in progress	3,363	1,501
Other	42,767	43,085
Accumulated depreciation	△31,377	△30,882
Other, net	11,389	12,202
Total property, plant and equipment	50,480	50,620
Intangible assets		
Goodwill	252	1,588
Other	2,782	7,067
Total intangible assets	3,034	8,655
Investments and other assets		
Investment securities	58,484	64,500
Long-term loans receivable	20	22
Deferred tax assets	4,333	4,890
Retirement benefit asset	6,647	6,749
Other	2,224	2,610
Allowance for doubtful accounts	△121	△123
Total investments and other assets	71,588	78,650
Total non-current assets	125,103	137,926
Total assets	323,622	360,463

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,205	26,413
Short-term borrowings	3,921	5,016
Lease liabilities	796	942
Income taxes payable	3,210	2,895
Contract liabilities	11,731	14,656
Provision for bonuses	2,530	2,833
Provision for bonuses for directors (and other officers)	—	39
Provision for product warranties	3,775	4,424
Provision for loss on orders received	0	0
Other	10,239	10,302
Total current liabilities	62,410	67,524
Non-current liabilities		
Long-term borrowings	1,410	26,410
Lease liabilities	2,189	2,636
Deferred tax liabilities	7,997	9,725
Provision for retirement benefits for directors (and other officers)	237	223
Provision for share awards for directors (and other officers)	193	249
Retirement benefit liability	3,839	3,898
Asset retirement obligations	318	323
Other	921	876
Total non-current liabilities	17,106	44,342
Total liabilities	79,517	111,867
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,767	27,890
Retained earnings	164,332	162,695
Treasury shares	△8,733	△20,042
Total shareholders' equity	202,922	190,100
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,869	24,394
Foreign currency translation adjustment	20,779	33,480
Remeasurements of defined benefit plans	520	608
Total accumulated other comprehensive income	41,170	58,483
Non-controlling interests	12	11
Total net assets	244,105	248,595
Total liabilities and net assets	323,622	360,463

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

(Consolidated Statements of Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	87,955	85,003
Cost of sales	54,957	54,544
Gross profit	32,997	30,458
Selling, general and administrative expenses	22,886	25,489
Operating profit	10,111	4,969
Non-operating income		
Interest income	828	767
Dividend income	527	565
Foreign exchange gains	2,522	147
Realized and unrealized profit on trading securities, net	47	—
Gain on investments in investment partnerships	20	23
Other	92	158
Total non-operating income	4,038	1,662
Non-operating expenses		
Interest expenses	179	114
Share of loss of entities accounted for using equity method	40	85
Loss On Specified Money In Trust	65	—
Loss on sale of securities	48	14
Loss on valuation of securities	90	—
Other	83	128
Total non-operating expenses	507	343
Ordinary profit	13,642	6,288
Extraordinary income		
Gain on sale of non-current assets	191	0
Gain on sale of investment securities	—	300
Gain on sale of businesses	360	—
Total extraordinary income	551	301
Extraordinary losses		
Loss on retirement of non-current assets	11	55
Loss on sale of non-current assets	0	0
Impairment losses	—	30
Loss on valuation of investment securities	—	26
Loss on sale of shares of subsidiaries and associates	188	—
Total extraordinary losses	201	112
Profit before income taxes	13,993	6,476
Income taxes - current	4,501	2,744
Income taxes - deferred	△19	△524
Total income taxes	4,481	2,220
Profit	9,511	4,256
Loss attributable to non-controlling interests	△1	△2
Profit attributable to owners of parent	9,512	4,259

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	9,511	4,256
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,233	4,524
Foreign currency translation adjustment	14,396	12,648
Remeasurements of defined benefit plans, net of tax	152	87
Share of other comprehensive income of entities accounted for using equity method	85	53
Total other comprehensive income	12,401	17,314
Comprehensive income	21,913	21,571
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,899	21,573
Comprehensive income attributable to non-controlling interests	13	△1

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	13,993	6,476
Depreciation	3,737	3,905
Impairment losses	—	30
Increase (decrease) in retirement benefit liability	△44	△28
Amortization of goodwill	86	93
Increase (decrease) in allowance for doubtful accounts	63	98
Interest and dividend income	△1,356	△1,332
Interest expenses	179	114
Profit / Loss on sale / revaluation of available-for-sale securities	△47	—
Loss (gain) on valuation of investment securities	—	26
Share of loss (profit) of entities accounted for using equity method	40	85
Loss (gain) on sale of non-current assets	△190	0
Loss on retirement of non-current assets	11	55
Loss (gain) on sale of investment securities	—	△300
Loss (gain) on sale of shares of subsidiaries and associates	188	—
Loss (gain) on sale of businesses	△360	—
Decrease (increase) in trade receivables	△1,182	1,057
Decrease (increase) in inventories	△7,061	△8,236
Increase (decrease) in trade payables	1,121	△886
Increase Decrease In Contract Liabilities	△3,604	1,788
Increase (decrease) in advances received	0	—
Other, net	△1,513	5
Subtotal	4,061	2,953
Interest and dividends received	1,221	1,355
Interest paid	△197	△58
Payments for business structure improvement expenses	△94	△265
Income taxes paid	△4,200	△2,714
Settlement paid	△131	—
Net cash provided by (used in) operating activities	659	1,271
Cash flows from investing activities		
Payments into time deposits	△20,931	△5,202
Proceeds from withdrawal of time deposits	6,460	8,372
Short-term loan advances	△22	△11
Proceeds from collection of short-term loans receivable	17	22
Proceeds from sale and redemption of securities	2,212	271
Purchase of property, plant and equipment	△3,482	△3,309
Proceeds from sale of property, plant and equipment	494	151
Purchase of intangible assets	△226	△1,234
Purchase of investment securities	△2,386	△529
Proceeds from sale and redemption of investment securities	382	830
Proceeds from sale of businesses	360	—
Payments for acquisition of businesses	△210	△1,286
Long-term loan advances	△2	△9
Proceeds from collection of long-term loans receivable	2	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	△526
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	△54	—
Other, net	0	—
Net cash provided by (used in) investing activities	△17,385	△2,460

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	705	734
Proceeds from long-term borrowings	—	25,000
Repayments of long-term borrowings	△2,049	—
Purchase of treasury shares	△5,001	△12,188
Dividends paid	△6,034	△5,888
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	△33
Net cash provided by (used in) financing activities	△12,381	7,623
Effect of exchange rate change on cash and cash equivalents	5,766	3,621
Net increase (decrease) in cash and cash equivalents	△23,340	10,056
Cash and cash equivalents at beginning of period	81,619	57,516
Cash and cash equivalents at end of period	58,278	67,572

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

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

The Company repurchased 6,196,500 shares of treasury stock in accordance with a resolution of the Board of Directors at a meeting on May 11, 2023. As a result of this and other repurchases and disposals of treasury stock, treasury shares at the end of the period under review were up ¥11,309 million from a year earlier.

(Change in Accounting Policy)

(Application of Financial Accounting Standards Board Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326))

Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied Financial Accounting Standards Board Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326) at the start of the year under review. Ushio accordingly reviewed its classification and measurement approaches for financial instruments, and uses the expected credit loss model to recognize impairment losses for financial assets. In line with the application of this standard, Ushio recognizes as of the adoption date the cumulative impact of the change in accounting policy recognized as a transitional treatment. The impact of this application on the quarterly consolidated financial statements is immaterial.

(Segment information)

I. First six months of the fiscal year ended March 31, 2023 (from April 1, 2022 to September 30, 2022)

Information concerning net sales and profit/loss by reporting segment

<Information for second quarter of previous fiscal year based on new reporting segments>

(Millions of yen)

	Reporting Segment					Others (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Sales									
Sales to outside customers	47,383	32,203	2,797	4,663	87,049	905	87,955	—	87,955
Inter-segment sales or transfer among segment	4	6	3	0	15	13	28	(28)	—
Total	47,388	32,210	2,801	4,664	87,064	919	87,983	(28)	87,955
Segment profit (loss)	10,918	2,067	(2,826)	74	10,234	(144)	10,089	21	10,111

(Notes) 1. The “Others” represents business segments that are not included in other reportable segments and other revenue-generating business activities.

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 six months of the fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

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)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Sales									
Sales to outside customers	37,782	38,854	2,688	5,060	84,385	617	85,003	—	85,003
Inter-segment sales or transfer among segment	5	5	1	6	19	13	32	(32)	—
Total	37,788	38,859	2,690	5,066	84,405	630	85,035	(32)	85,003
Segment profit (loss)	3,947	3,003	(1,196)	(703)	5,051	(120)	4,930	38	4,969

(Notes) 1. The “Others” represents business segments that are not included in other reportable segments and other revenue-generating business activities.

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.

2. Matters Relating to Change in Reporting Segments
(Changes to Reporting Segments)

As of the first quarter of the year under review, Ushio changed its reporting segments in after reorganizing to shift from a product-centric to market-centric approach to accelerate efforts to evolve into a “light” solutions company by 2030. The previous segments were Light Source, Optical Equipment, and Imaging Equipment. The new segments are Industrial Processes, Visual Imaging, Life Sciences, and Photonics Solutions. The company has disclosed segment information for the second quarter of the previous term based on reporting segments for the second quarter of the year under review.

(Change in Method for Calculating Earnings by Reporting Segments)

From the first quarter of the year under review, Ushio reviewed methods for allocating some selling, general and administrative expenses to better reflect the performances of reporting segments, changing the method for calculating earnings by reporting segments. The company has disclosed segment information for the second quarter of the previous term based on the method for calculations for the second quarter of the year under review.