

Consolidated Financial Results for the First Three 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: August 8, 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 three months of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 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 three months ended June 30, 2023	39,281	(1.1)	2,055	(54.1)	2,825	(55.1)	1,794	(53.5)
June 30, 2022	39,728	13.6	4,477	73.9	6,293	90.2	3,858	14.2

(Note) Comprehensive income

For the first three months ended June 30, 2023: ¥ 16,024 million [20.8 %]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three months ended June 30, 2023	15.36	—
June 30, 2022	32.18	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	343,012	249,264	72.7
March 31, 2023	323,622	244,105	75.4

(Reference) Equity

As of June 30, 2023 : ¥ 249,253 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 June 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 June 30, 2023	8,428,541 shares
As of March 31, 2023	5,823,752 shares

c. Average number of shares during the period

As of June 30, 2023	116,841,430 shares
As of June 30, 2022	119,914,515 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 August 7, 2023.

[Attached document]

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1. Qualitative Information on Financial Results for the Term

(1) Business Performance

The business climate was again challenging for the Ushio Group in the first quarter of the fiscal year ending March 31, 2024. The world seemed to remain on the brink of a recession owing to several factors. One was escalating energy and raw materials prices amid an ongoing conflict between Russia and Ukraine. Another was that governments in the United States and Europe continued to hike policy interest rates to tackle inflationary trends there.

It was against that backdrop that the semiconductor, electronic devices, and printed circuit board markets continued to suffer from slower end-use demand for smartphones and other products worldwide. Related capital investments and operations were accordingly sluggish. Notwithstanding a temporary adjustment phase for advanced IC package substrates, demand should firm up in view of expanded 5G deployments and progress in using Internet of Things and artificial intelligence technologies. In the flat panel display market, demand related to people staying at home ran its course. The operations of LCD panel manufacturers were thus sluggish. In the imaging market, cinema operations worldwide gradually recovered from the impact of the COVID-19 pandemic. The general imaging market remained solid as events and other activities turned around.

The average exchange rate during the term was ¥136 to the dollar. The yen depreciated ¥9 from the previous corresponding period.

Consolidated net sales decreased 1.1% year on year, to ¥39,281 million. Operating profit fell 54.1%, to ¥2,055 million. Ordinary profit dropped 55.1%, to ¥2,825 million. Profit attributable to owners of parent was down 53.5%, to ¥1,794 million.

Segment results were as follows.

Ushio changed its reporting segments as 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 again 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

Sales were flat, as set makers progressed in resolving component and other issues, with demand remaining robust.

Optical Equipment Lamps

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

UV Equipment

Sales of projection exposure systems for related advanced 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 up owing to greater maintenance services revenues, primarily for EUV light sources for EUV lithography mask inspections. This was because operations were again high for EUV Light sources, including those installed in the previous year.

Profit margins were down because of greater strategic investments in R&D and other activities to drive future growth of EUV light sources and other products. Sales were down for such high-value-added offerings as lithography lamps and equipment.

Industrial Processes sales thus decreased 12.0% from the previous corresponding term, to ¥17,475 million. Operating profit dropped 42.9%, to ¥2,247 million.

Visual Imaging

Projector Lamps

While cinema lamp sales increased on a recovery in the Chinese market from the pandemic, revenues in this area were down from a transition to solid-state light sources, particularly for data projector lamps.

Cinema Projectors

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

General Imaging Projectors

Sales rose on solid demand for events and other activities, high-end offerings accounting for a greater proportion of revenues, and a weaker yen.

Profit margins were down for cinema projectors, however, owing to the ongoing impact of procurement price hikes and expanded strategic investments in human resources and other areas.

Visual Imaging sales therefore climbed 13.2% from a year earlier, to ¥17,645 million. Operating profit fell 48.4%, however, to ¥624 million.

Life Sciences

Revenues were again generally flat, owing mainly to robust sales of such offerings as ultraviolet treatment equipment. At the same time, Ushio constrained promotional and other spending, primarily for products for environmental hygiene solutions, which have experienced lackluster sales.

Life Sciences sales accordingly declined 4.1%, to ¥1,389 million. There was an operating loss of ¥454 million, lower than the ¥685 million operating loss posted a year earlier.

Photonics Solutions

Higher module revenues for R&D applications boosted sales. Profit margins deteriorated, however, amid an expansion in strategic investments in R&D and human resources.

Photonics Solutions sales rose 6.6%, to ¥2,504 million. There was an operating loss of ¥323 million, compared with an operating profit of ¥143 million in the previous corresponding period.

Others

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

Other business sales declined 43.8%, to ¥283 million. There was an operating loss of ¥64 million, lower than the ¥129 million operating loss posted a year earlier.

(2) Review of Financial Position

Assets

Total assets at the end of the first quarter were ¥343,012 million, up ¥19,390 million from a year earlier. The prime drivers were higher inventories owing to postponed sales of some optical equipment and a rise in investment securities because of an increase in unrealized gains on investment securities. At the same time, cash and deposits decreased from dividend and tax payments and treasury share purchases.

Liabilities

Total liabilities increased ¥14,231 million, to ¥93,748 million. The principal factors were an increase in short-term borrowings to cover such temporary capital needs as dividend payments and treasury share purchases, as well as higher deferred tax liabilities for unrealized gains on investment securities holdings.

Net Assets

Net assets rose ¥5,158 million, to ¥249,264 million. This was due largely to an increase in foreign currency translation adjustments from the yen's depreciation toward the close of the first quarter and a rise in net unrealized gains on available-for-sale securities because of an increase in unrealized gains on investment securities. These factors offset a decrease in retained earnings owing to dividend payments and an increase in treasury stock.

(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 that certain reasonable assumptions and results could differ owing to a range of factors.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	64,219	59,449
Notes and accounts receivable - trade, and contract assets	38,491	38,071
Securities	2,591	5,119
Merchandise and finished goods	31,481	34,904
Work in process	25,101	28,221
Raw materials and supplies	26,872	29,665
Other	11,787	13,035
Allowance for doubtful accounts	△2,025	△1,913
Total current assets	198,519	206,554
Non-current assets		
Property, plant and equipment		
Buildings and structures	48,513	50,265
Accumulated depreciation	△31,365	△32,721
Buildings and structures, net	17,147	17,543
Machinery, equipment and vehicles	28,146	29,515
Accumulated depreciation	△21,058	△22,223
Machinery, equipment and vehicles, net	7,087	7,292
Land	8,684	8,975
Right-of-use assets	3,589	4,455
Accumulated depreciation	△783	△1,078
Right-of-use assets, net	2,806	3,377
Construction in progress	3,363	4,723
Other	42,767	43,383
Accumulated depreciation	△31,377	△31,586
Other, net	11,389	11,797
Total property, plant and equipment	50,480	53,709
Intangible assets		
Goodwill	252	1,593
Other	2,782	3,490
Total intangible assets	3,034	5,083
Investments and other assets		
Investment securities	58,484	64,306
Long-term loans receivable	20	26
Deferred tax assets	4,333	4,470
Retirement benefit asset	6,647	6,696
Other	2,224	2,286
Allowance for doubtful accounts	△121	△122
Total investments and other assets	71,588	77,664
Total non-current assets	125,103	136,458
Total assets	323,622	343,012

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,205	24,809
Short-term borrowings	3,921	16,040
Lease liabilities	796	951
Income taxes payable	3,210	1,910
Contract liabilities	11,731	13,470
Provision for bonuses	2,530	1,412
Provision for bonuses for directors (and other officers)	—	18
Provision for product warranties	3,775	4,034
Provision for loss on orders received	0	—
Other	10,239	10,910
Total current liabilities	62,410	73,558
Non-current liabilities		
Long-term borrowings	1,410	1,410
Lease liabilities	2,189	2,745
Deferred tax liabilities	7,997	10,520
Provision for retirement benefits for directors (and other officers)	237	201
Provision for share awards for directors (and other officers)	193	216
Retirement benefit liability	3,839	3,882
Asset retirement obligations	318	321
Other	921	893
Total non-current liabilities	17,106	20,190
Total liabilities	79,517	93,748
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,767	27,767
Retained earnings	164,332	160,231
Treasury shares	△8,733	△13,703
Total shareholders' equity	202,922	193,852
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,869	24,714
Foreign currency translation adjustment	20,779	30,124
Remeasurements of defined benefit plans	520	562
Total accumulated other comprehensive income	41,170	55,401
Non-controlling interests	12	10
Total net assets	244,105	249,264
Total liabilities and net assets	323,622	343,012

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

(Consolidated Statements of Income)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	39,728	39,281
Cost of sales	24,252	24,792
Gross profit	15,475	14,488
Selling, general and administrative expenses	10,998	12,433
Operating profit	4,477	2,055
Non-operating income		
Interest income	457	339
Dividend income	507	542
Foreign exchange gains	1,050	—
Realized and unrealized profit on trading securities, net	18	—
Gain on investments in investment partnerships	27	—
Other	32	69
Total non-operating income	2,093	950
Non-operating expenses		
Interest expenses	82	64
Foreign exchange losses	—	46
Share of loss of entities accounted for using equity method	26	30
Loss on specified money in trust	48	—
Loss on valuation of securities	69	—
Other	48	39
Total non-operating expenses	277	180
Ordinary profit	6,293	2,825
Extraordinary income		
Gain on sale of non-current assets	194	7
Gain on sale of investment securities	—	300
Total extraordinary income	194	308
Extraordinary losses		
Loss on retirement of non-current assets	3	24
Loss on sale of non-current assets	7	0
Loss on valuation of investment securities	—	11
Loss on sale of shares of subsidiaries and associates	21	—
Total extraordinary losses	32	36
Profit before income taxes	6,455	3,097
Income taxes - current	2,294	811
Income taxes - deferred	304	493
Total income taxes	2,599	1,305
Profit	3,856	1,792
Loss attributable to non-controlling interests	△2	△2
Profit attributable to owners of parent	3,858	1,794

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	3,856	1,792
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,266	4,844
Foreign currency translation adjustment	10,544	9,306
Remeasurements of defined benefit plans, net of tax	73	41
Share of other comprehensive income of entities accounted for using equity method	58	39
Total other comprehensive income	9,409	14,231
Comprehensive income	13,266	16,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,259	16,026
Comprehensive income attributable to non-controlling interests	7	△2

(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)

(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 three months of the fiscal year ended March 31, 2023 (from April 1, 2022 to June 30, 2022)

Information concerning net sales and profit/loss by reporting segment

<Information for first 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	19,859	15,583	1,444	2,350	39,237	490	39,728	—	39,728
Inter-segment sales or transfer among segment	1	2	3	0	7	13	21	(21)	—
Total	19,861	15,585	1,448	2,350	39,245	503	39,749	(21)	39,728
Segment profit (loss)	3,938	1,210	(685)	143	4,606	(129)	4,476	0	4,477

(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 three months of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 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	17,465	17,642	1,387	2,504	38,999	281	39,281	—	39,281
Inter-segment sales or transfer among segment	10	3	1	—	15	1	17	(17)	—
Total	17,475	17,645	1,389	2,504	39,015	283	39,298	(17)	39,281
Segment profit (loss)	2,247	624	(454)	(323)	2,094	(64)	2,030	25	2,055

(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 first quarter of the previous term based on reporting segments for the first 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 first quarter of the previous term based on the method for calculations for the first quarter of the year under review.