

Consolidated Financial Results
for the First Nine 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: February 13, 2024
Scheduled date to commence dividend payments: —
Preparation of supplementary material on earnings: Yes
Holding of earnings performance review: Yes (for analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first nine months of the fiscal year ending March 31, 2024
(from April 1, 2023 to December 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	%
First nine months ended								
December 31, 2023	132,510	3.2	10,206	(24.5)	12,615	(30.1)	8,691	(28.0)
December 31, 2022	128,362	17.0	13,527	25.2	18,039	43.6	12,078	18.6

(Note) Comprehensive income

For the first nine months ended December 31, 2023: ¥ 20,527 million [39.0%]

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

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2023	76.84	—
December 31, 2022	101.81	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	341,894	237,816	69.6
March 31, 2023	323,622	244,105	75.4

(Reference) Equity

As of December 31, 2023: ¥ 237,805 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	178,000	1.7	12,500	(21.2)	14,000	(30.5)	10,000	(27.0)	90.58

(Note) Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

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

(2) Application of a specific accounting procedure for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

a. Changes in accounting policies due to revisions to accounting standards: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatements: None

(4) Number of issued shares (common stock)

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

As of December 31, 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 December 31, 2023	16,875,447 shares
As of March 31, 2023	5,823,752 shares

c. Average number of shares during the period

As of December 31, 2023	113,115,750 shares
As of December 31, 2022	118,635,701 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 February 9, 2024.

[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 third 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.

Under these circumstances, the semiconductor, electronic devices, and printed circuit board markets are showing signs of recovery from the slowdown in end-use demand for smartphones and other products worldwide. However, related capital investments are currently restrained and operations remain sluggish. Demand for related cutting-edge IC package substrates also continues to be sluggish for final products, resulting in temporary curtailment of capital investment, which is a situation that requires keeping close tabs on trends. On the other hand, 5G deployments and the utilization of Internet of Things and artificial intelligence technologies are progressing, and related demand is expected to grow over the medium to long term. In the flat panel display market, LCD panels manufacturers continue to operate at low levels because stay-at-home demand 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 ¥143 to the dollar. The yen depreciated ¥7 from a year earlier.

Consolidated net sales increased 3.2% year on year, to ¥132,510 million. Operating profit dropped 24.5%, to ¥10,206 million. Ordinary profit fell 30.1%, to ¥12,615 million. Profit attributable to owners of parent declined 28.0%, to ¥8,691 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

Operational adjustments continued for semiconductors and electronic devices along with a slowdown in final demand for PCs, smartphones and other products. In addition, production adjustments continued at panel manufacturers for LCD panels because stay-at-home demand had run its course. Accordingly, sales of UV lamps declined.

OA Lamps

Although demand was solid, sales of OA lamps declined as a reaction to increased demand in the previous term due to the easing of material shortages among set manufacturers.

Optical Equipment Lamps

Sales of light sources, primarily for LCD panels, declined due to ongoing production adjustments by LCD panel manufacturers.

UV Equipment

Although demand for data center servers and others continues to rise along with the progress of 5G deployments and the utilization of Internet of Things and artificial intelligence technologies, sales of the large field stepper for cutting-edge IC package substrates and direct imaging lithography equipment for package and printed circuit boards declined as a result of the curtailment of capital investment due to downturns in the market for servers and PCs.

Optical Equipment

Sales of optical equipment related to LCD panel declined mainly due to a slowdown in capital investments for LCD panels as stay-at-home demand had run its course, resulting in revenues to fall.

In addition to the decrease in 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 mainly for optical equipment.

Industrial Processes business sales thus dropped 9.5% from the previous corresponding term, to ¥60,365 million. Operating profit fell 46.6%, to ¥8,035 million.

Visual Imaging

Projector Lamps

Although there was an improvement in cinema operations following the recovery from the circumstances during the COVID-19 pandemic, sales of xenon lamps for cinema projectors declined due to the impact of deterioration in the Chinese economy. In addition, sales of lamps for projectors in general imaging field declined due to the shift toward solid-state light sources. Accordingly, sales of projector lamps declined.

Cinema Projectors

Sales of digital cinema projectors increased as a result of the progress in resolving the previous fiscal year's material shortages as well as our capturing demand for projector replacements in cinemas. The yen's depreciation also contributed to higher sales.

General Imaging Projectors

Sales increased due to solid demand for events and other activities and the acceptance inspection for a large deal in the second quarter of the current fiscal year. The yen's depreciation also contributed to higher sales.

In addition to the increase in sales, earnings increased despite strategic investments in human resources and other areas. Drivers included an improved cost of sales ratio in imaging equipment from an easing in the material cost hikes experienced in the previous fiscal year.

Visual Imaging sales therefore rose 19.4%, to ¥59,276 million. Operating profit increased 70.3%, to ¥4,597 million.

Life Sciences

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

Life Sciences sales accordingly declined 0.6%, to ¥4,017 million. An operating loss of ¥1,676 million was improved from the ¥3,983 million loss 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 18.0%, to ¥7,939 million. There was an operating loss of ¥845 million, however, from an operating loss of ¥112 million in the previous corresponding period.

Others

Sales of power supply decreased as capacity utilization declined at customer production lines.

Other business sales dropped 24.9%, to ¥967 million. The segment operating profit was ¥53 million, from an operating loss of ¥167 million a year earlier.

(2) Review of Financial Position

Assets

Total assets at the end of the third quarter were ¥341,894 million, up ¥18,272 million from a year earlier. The principal factors in this increase were greater inventories from postponed sales of some optical equipment and an increase in investment securities from greater unrealized gains on those holdings. These factors offset the impact of a decrease in cash and deposits owing mainly to dividend and tax payments and share repurchases.

Liabilities

Total liabilities rose ¥24,561 million, to ¥104,078 million. This largely reflected an increase in long-term borrowings to fund dividend payments and share repurchases, higher deferred tax liabilities for unrealized gains on investment securities holdings, and increased contract liabilities from optical equipment and other product sales.

Net Assets

Net assets were down ¥6,288 million, to ¥237,816 million. Upside factors were an increase in foreign currency translation adjustment from the yen's depreciation through the end of the third 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 an increase in treasury stock and a decrease in retained earnings owing to dividend payments.

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

Management has revised the consolidated forecast that it announced on May 11 for the fiscal year ending March 31, 2024, in view of the Company's performance since the start of the term and prevailing conditions. Details are in the Notice of Consolidated Forecast Revision, released today (February 9, 2024). The forecast is based on currently available information and certain reasonable assumptions and results that could differ owing to a range of factors.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	64,219	56,000
Notes and accounts receivable - trade, and contract assets	38,491	38,050
Securities	2,591	5,568
Merchandise and finished goods	31,481	39,245
Work in process	25,101	27,384
Raw materials and supplies	26,872	28,556
Other	11,787	13,708
Allowance for doubtful accounts	△2,025	△1,653
Total current assets	198,519	206,861
Non-current assets		
Property, plant and equipment		
Buildings and structures	48,513	50,353
Accumulated depreciation	△31,365	△33,223
Buildings and structures, net	17,147	17,130
Machinery, equipment and vehicles	28,146	29,901
Accumulated depreciation	△21,058	△22,512
Machinery, equipment and vehicles, net	7,087	7,388
Land	8,684	8,929
Right-of-use assets	3,589	4,621
Accumulated depreciation	△783	△1,147
Right-of-use assets, net	2,806	3,474
Construction in progress	3,363	1,876
Other	42,767	41,513
Accumulated depreciation	△31,377	△29,697
Other, net	11,389	11,816
Total property, plant and equipment	50,480	50,615
Intangible assets		
Goodwill	252	764
Other	2,782	7,623
Total intangible assets	3,034	8,388
Investments and other assets		
Investment securities	58,484	62,709
Long-term loans receivable	20	33
Deferred tax assets	4,333	4,056
Retirement benefit asset	6,647	6,800
Other	2,224	2,551
Allowance for doubtful accounts	△121	△122
Total investments and other assets	71,588	76,029
Total non-current assets	125,103	135,033
Total assets	323,622	341,894

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,205	24,318
Short-term borrowings	3,921	2,592
Lease liabilities	796	785
Income taxes payable	3,210	2,372
Contract liabilities	11,731	12,757
Provision for bonuses	2,530	1,405
Provision for bonuses for directors (and other officers)	—	54
Provision for product warranties	3,775	4,031
Provision for loss on orders received	0	—
Other	10,239	11,298
Total current liabilities	62,410	59,616
Non-current liabilities		
Long-term borrowings	1,410	26,410
Lease liabilities	2,189	3,006
Deferred tax liabilities	7,997	9,455
Provision for retirement benefits for directors (and other officers)	237	177
Provision for share awards for directors (and other officers)	193	273
Retirement benefit liability	3,839	3,947
Asset retirement obligations	318	324
Other	921	866
Total non-current liabilities	17,106	44,461
Total liabilities	79,517	104,078
Net assets		
Shareholders' equity		
Share capital	19,556	19,556
Capital surplus	27,767	27,890
Retained earnings	164,332	167,127
Treasury shares	△8,733	△29,777
Total shareholders' equity	202,922	184,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,869	24,374
Foreign currency translation adjustment	20,779	27,969
Remeasurements of defined benefit plans	520	663
Total accumulated other comprehensive income	41,170	53,008
Non-controlling interests	12	10
Total net assets	244,105	237,816
Total liabilities and net assets	323,622	341,894

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	128,362	132,510
Cost of sales	80,307	84,013
Gross profit	48,055	48,496
Selling, general and administrative expenses	34,527	38,289
Operating profit	13,527	10,206
Non-operating income		
Interest income	1,219	1,240
Dividend income	1,029	1,088
Foreign exchange gains	2,572	223
Gain on investments in investment partnerships	10	12
Other	247	349
Total non-operating income	5,079	2,915
Non-operating expenses		
Interest expenses	197	202
Share of loss of entities accounted for using equity method	57	134
Realized and unrealized loss on investments in securities, net	15	—
Loss On Specified Money In Trust	53	—
Loss on sale of securities	57	14
Loss on valuation of securities	96	—
Other	90	154
Total non-operating expenses	568	505
Ordinary profit	18,039	12,615
Extraordinary income		
Gain on sale of non-current assets	198	0
Gain on sale of investment securities	135	300
Gain on sale of businesses	360	—
Total extraordinary income	694	301
Extraordinary losses		
Loss on retirement of non-current assets	53	77
Loss on sale of non-current assets	0	0
Impairment losses	59	66
Loss on sale of investment securities	2	—
Loss on valuation of investment securities	—	26
Loss on sale of shares of subsidiaries and associates	188	—
Business restructuring expenses	316	—
Total extraordinary losses	622	171
Profit before income taxes	18,111	12,746
Income taxes - current	5,669	4,115
Income taxes - deferred	367	△58
Total income taxes	6,036	4,057
Profit	12,074	8,689
Loss attributable to non-controlling interests	△3	△2
Profit attributable to owners of parent	12,078	8,691

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	12,074	8,689
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,462	4,504
Deferred gains or losses on hedges	△0	—
Foreign currency translation adjustment	4,866	7,160
Remeasurements of defined benefit plans, net of tax	248	143
Share of other comprehensive income of entities accounted for using equity method	37	29
Total other comprehensive income	2,690	11,838
Comprehensive income	14,764	20,527
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,761	20,529
Comprehensive income attributable to non-controlling interests	3	△1

(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)

The Company repurchased 11,319,900 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 ¥21,044 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 nine months of the fiscal year ended March 31, 2023 (from April 1, 2022 to December 31, 2022)

Information concerning net sales and profit/loss by reporting segment

<Information for third 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	66,686	49,637	4,037	6,727	127,088	1,274	128,362	—	128,362
Inter-segment sales or transfer among segment	7	9	4	0	21	14	36	(36)	—
Total	66,694	49,647	4,041	6,727	127,110	1,288	128,398	(36)	128,362
Segment profit (loss)	15,054	2,699	(3,983)	(112)	13,657	(167)	13,490	37	13,527

(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 nine months of the fiscal year ending March 31, 2024 (from April 1, 2023 to December 31, 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	60,359	59,249	4,015	7,932	131,556	953	132,510	—	132,510
Inter-segment sales or transfer among segment	5	27	2	6	41	13	55	(55)	—
Total	60,365	59,276	4,017	7,939	131,598	967	132,565	(55)	132,510
Segment profit (loss)	8,035	4,597	(1,676)	(845)	10,111	53	10,164	42	10,206

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