

Ushio Group Medium-Term Management Plan

1st year review and movement onward

Ushio Inc.

President and Chief Executive Officer

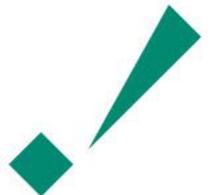
Koji Naito

May 11th, 2021

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未来は光でおもしろくなる

USHIO



Main Message

1. Review of 1st year of the Medium-Term Management Plan (FY2020)
2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment
3. Medium- to Long-Term outlook
 - 3-1. Imaging-related Business
 - 3-2. Semiconductor-related Business
 - 3-3. Environmental Hygiene-related Business
4. Progress in 「Unifying」 strategy

1. Review of 1st year of the Medium-Term Management Plan USHIO

In FY2020, net sales were lower than expected due to prolonged impact of COVID-19, but various measures were implemented and operating income was higher than initial plan

FY20 : Net Sales 118.5 billion yen (125.0~135.0 billion yen)
Operating Income 0.7 billion yen (▲5~0.5 billion yen)

*Figures in () represent initial plan

Review of 1 st year		Defensive strategy	Proactive Strategy
Better than expected	Business Environment	—	<ul style="list-style-type: none"> Care222: disinfection and virus inactivation demand increased UV lamps: Stay-at-home demand increased
	Measures	<ul style="list-style-type: none"> Fixed costs reduction by improved work methods, etc. <u>Structural reforms push ahead</u> 	<ul style="list-style-type: none"> Fixed costs reduction by improved work methods, etc.
Worse than expected	Business Environment	<div style="text-align: center;">↑</div> <ul style="list-style-type: none"> <u>Market recovery delayed</u> due to prolonged COVID-19 (Imaging-related business) 	—

2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment

Due to business environment change* by prolonged COVID-19, Net sales target is revised downward but,

maintain operating margin target and operating income target

*Second and third wave of COVID-19 were not taken into account when Medium-Term Management Plan was developed

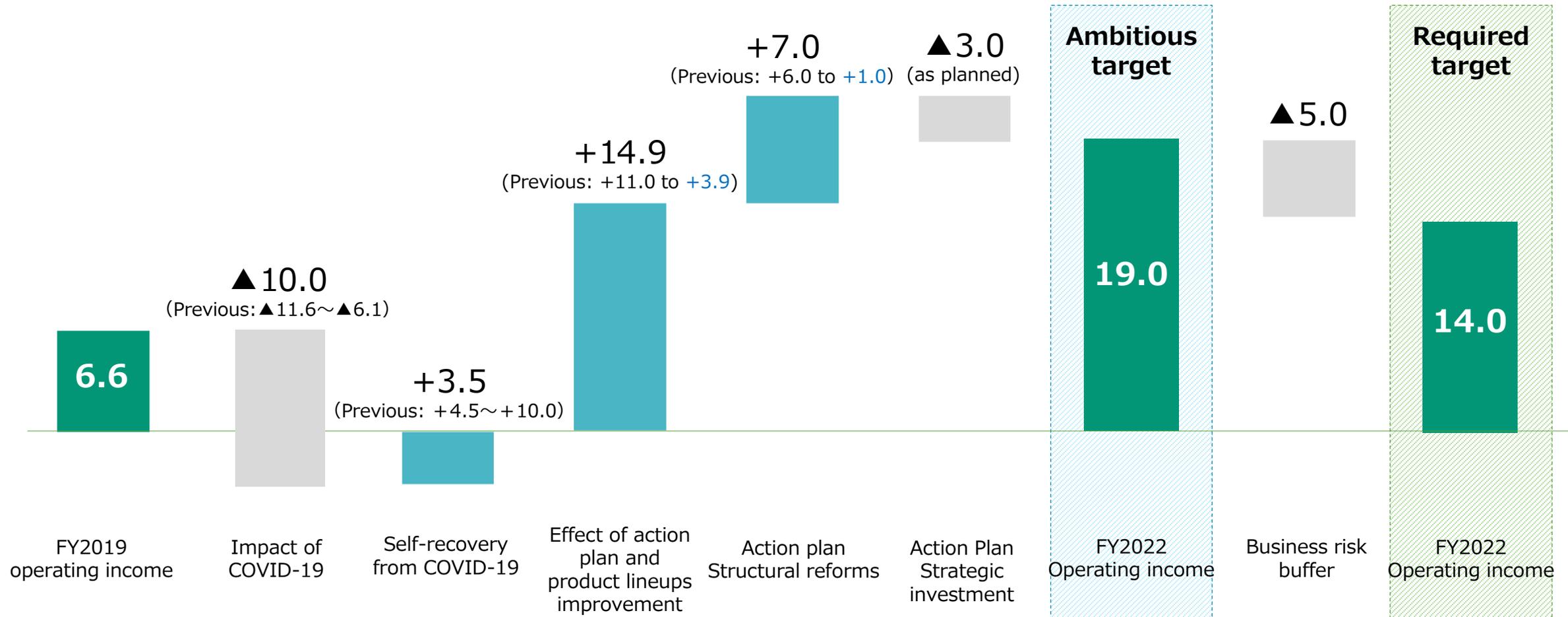
Goal of Medium-Term Management Plan (FY2022)

	Required target	Ambitious target	FY2019 actual results
Operating income	14.0 billion yen	19.0 billion yen	6.6 billion yen
Operating margin	8 %+	10 %+	4.2%
Net sales	170.0 billion yen → <u>150.0 billion yen+</u>	190.0 billion yen → <u>170.0 billion yen+</u>	159.0 billion yen

2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment

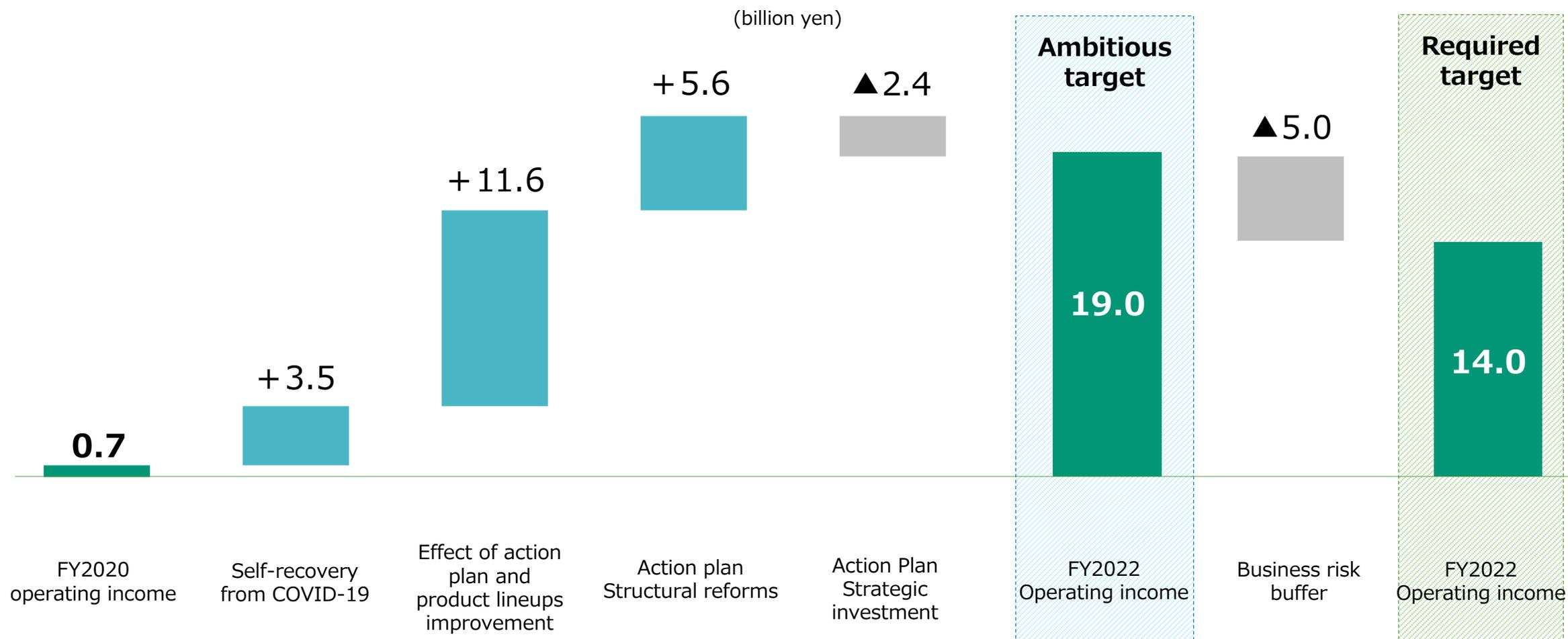
Expected operating income decrease/increase scenario (FY19→FY22)

(billion yen)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment

Reference: Expected operating income decrease/increase scenario (FY20→FY22)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Light source business)

Net sales target revised downward due to prolonged impact of COVID-19, but still aiming to secure high profitability by steadily progressing proactive and defense strategies

FY2022 target (operating income) revised upward due to changes to the internal indirect standard

Business Environment Forecast (FY2021 to FY2022)

Despite prolonged impact of COVID-19, demand will increase in semiconductor and environmental hygiene fields

- Lamps for cinema: Sluggish demand due to prolonged impact of COVID-19
- UV lamps : Solid demand for semiconductor due to transition to IoT
- Care222 : Demand increased for disinfection and virus inactivation

Priority measures and Future Development (FY2021 to FY2022)

Proactive strategy

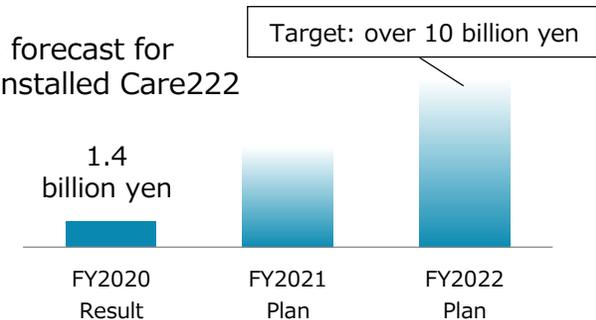
- **Accelerate business promotion on capturing disinfection and virus inactivation demand (Care222)**
→ Strengthen partner strategy and brand power

Sales and profit forecast

(billion yen)	FY2019 Result	FY2020 Result	FY2021 Forecast	FY2022 target	
				Required	Ambitious
Net Sales	58.5	45.9	48.0	56.0 →50.0	66.0 →60.0+
Operating income	6.0	3.2	3.8	7.2*	9.2*
Operating margin	10.3%	7.0%	7.9%	14.4%	15.3%

※After adjustment of internal indirect cost standard change

Sales forecast for products installed Care222

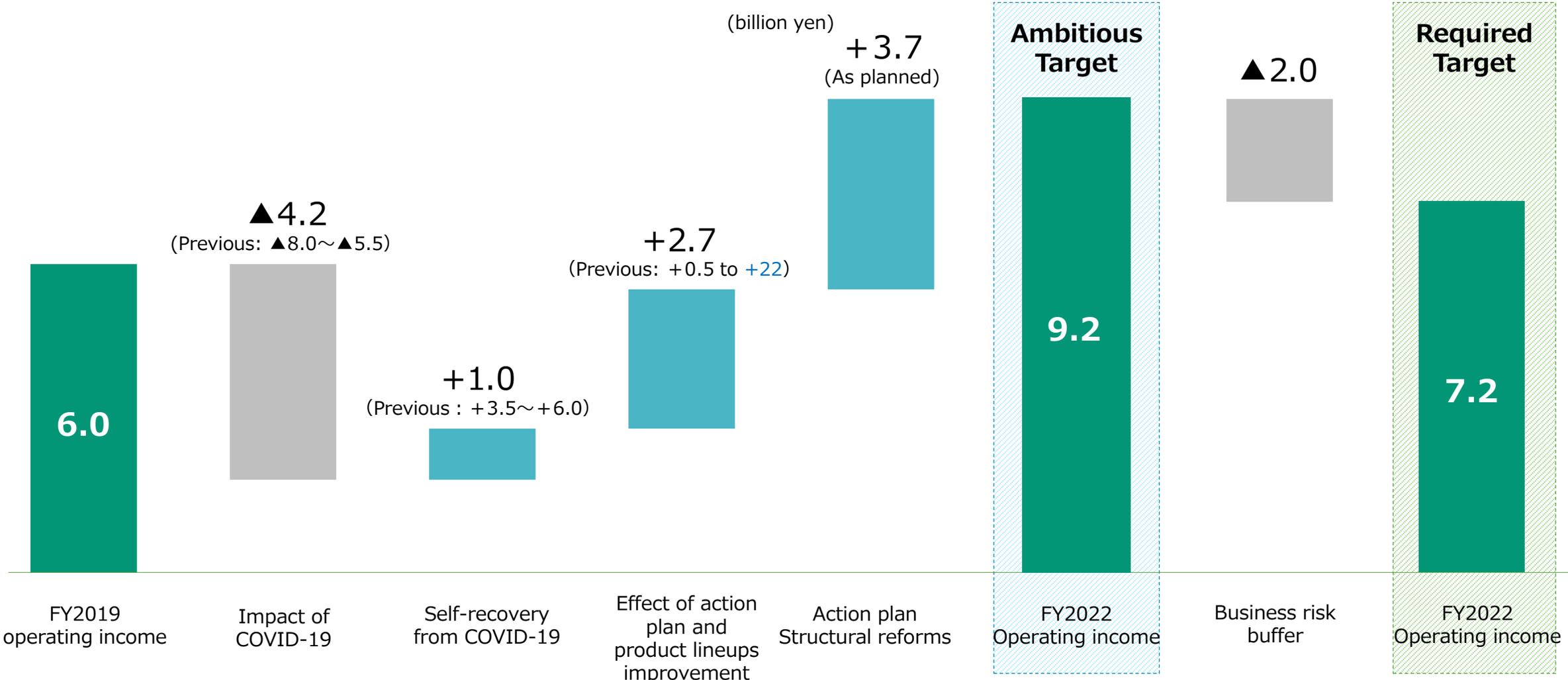


Defensive strategy

- **Contributed fixed cost reduction implemented in first year**
- **Steady implement of structural reform**
(implement in FY2021→ effects appear in FY2022)
→ Production transfer, consolidation of production bases, utilizing resource, etc.
- **Production Optimization** of lamps for cinema, which have been affected by prolonged impact of COVID-19

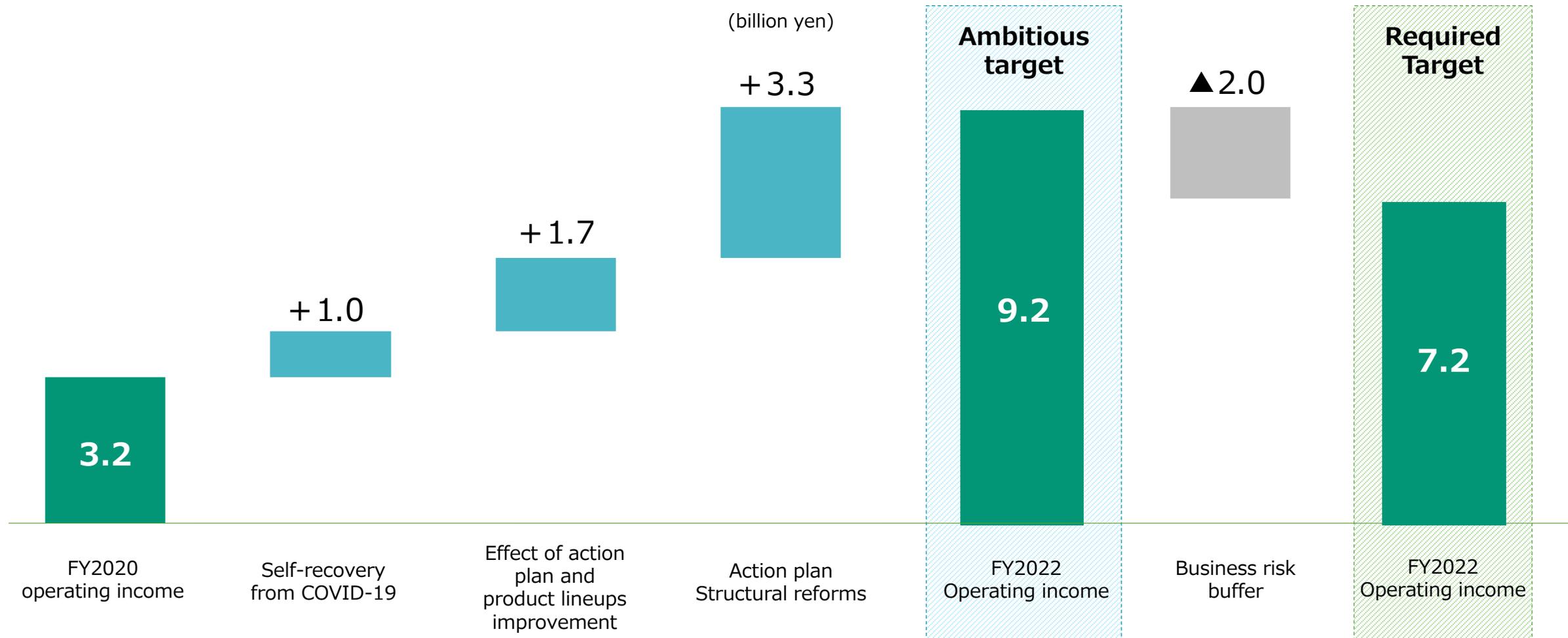
2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Light source business)

Expected operating income decrease/increase scenario (FY19→FY22)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Light source business)

Reference: Expected operating income decrease/increase scenario (FY20→FY22)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Optical equipment business)

Reap benefits of growth products and implement measures as planned, looking ahead of after the Medium-Term Management Plan

FY2022 target (operating income) revised downward due to the internal indirect cost standard change

Business Environment Forecast (FY2021 to FY2022)

Steady demand in every market as expected

- Increase demand in semiconductor due to transition to IoT
- Increase demand for package substrates and technological progress

Sales and profit forecast

(billion yen)	FY2019 Result	FY2020 Result	FY2021 Forecast	FY2022 target	
				Required	Ambitious
Net Sales	36.1	38.9	47.5	56.0	60.0
Operating income	▲0.5	0.8	1.2	3.8※	5.8※
Operating margin	▲1.6%	2.2%	2.5%	6.8%	9.7%

※After adjustment of internal indirect cost standard change

Priority measures and Future Development (FY2021 to FY2022)

- **Promising products maintain competitive advantages and grow as expected**

Expansion of production system, further productivity improvements and cost reduction

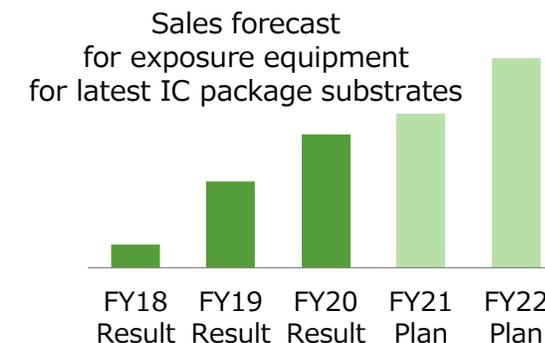
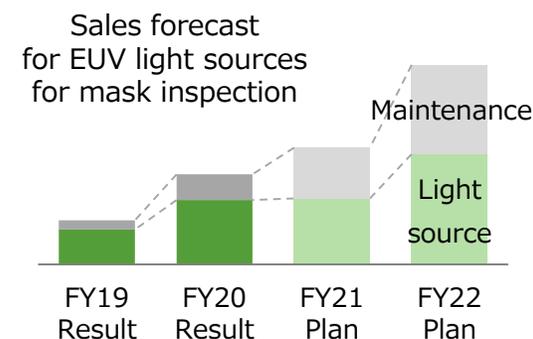
- **In FY2022, EUV maintenance business will grow**

Strengthen capabilities of global maintenance bases

- **Accelerate active investment with an eye to future demand and technology trends**

EUV: responses for performance improvements stable operations and cost reductions

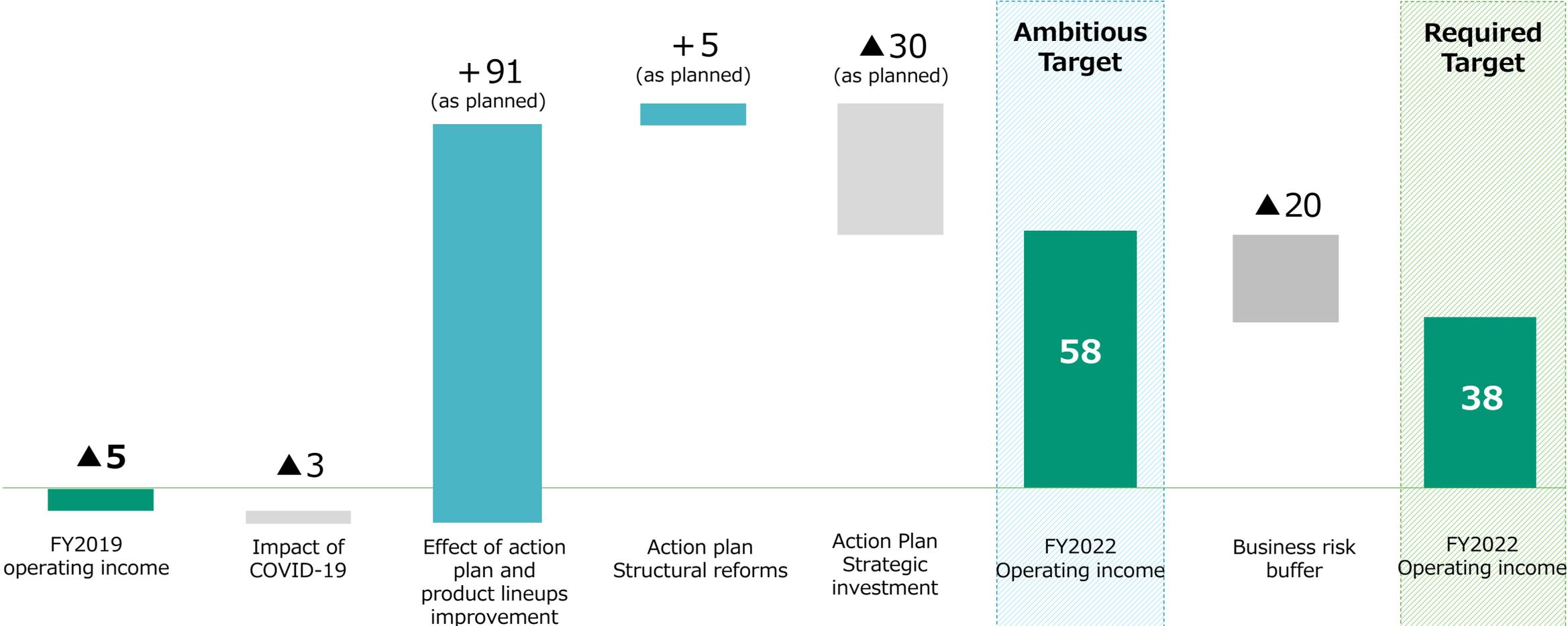
UV equipment: responses for miniaturization technologies and additional investment to increase production



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Optical equipment business)

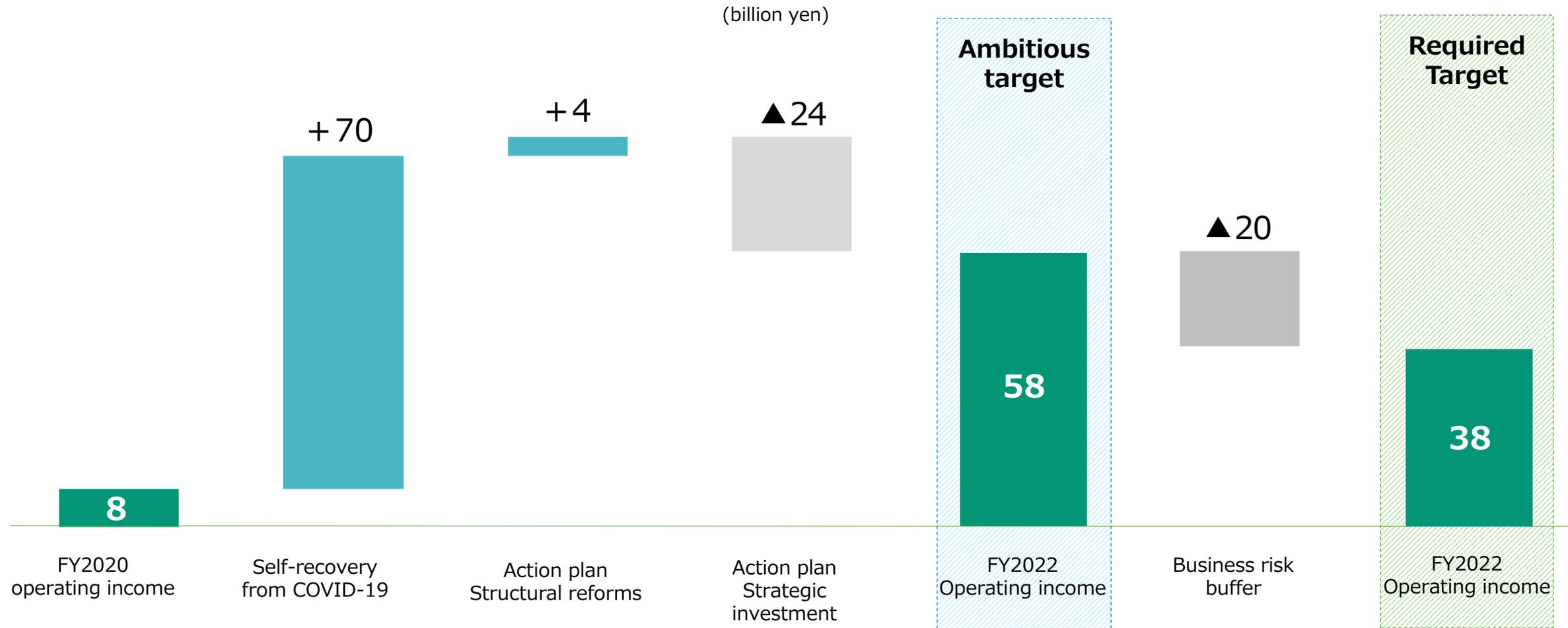
Expected operating income decrease/increase scenario (FY19→FY22)

(billion yen)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Optical equipment business)

Reference: Expected operating income decrease/increase scenario (FY20→FY22)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Imaging equipment business)

Weaker market recovery than expected in this Medium-Term Management Plan period, pushing forward to achieve initial profit plan

Business Environment Forecast (FY2021 to FY2022)

Despite slow recovery, profit forecast to be less than expected due to prolonged impact of COVID-19

【Cinema】

- Lockdowns continue in Europe and large-scale contents have been postponed
- Delay in replacement investment due to financial concerns of cinemas caused by prolonged COVID-19 (full-scale replacement demand starts from FY2023 onwards)

【General imaging】

- Moderate recovery, centered in Asia

Sales and profit forecast

(billion yen)	FY2019 Result	FY2020 Result	FY2021 Forecast	FY2022 target	
				Required	Ambitious
Net Sales	60.8	31.0	36.5	54.0 →40.0	60.0 →46.0
Operating income	0.9	▲3.4	0.0	3.0	4.0
Operating margin	1.5%	▲11.2%	0.0%	7.5%	8.7%

Priority measures and Future Development (FY2021 to FY2022)

• Progress selection and concentration of business scope

Cinema: development investment with eye to the post-COVID-19 period (PLF, etc.)

General imaging: specialize in high-end products and develop peripheral equipment and services
→ toward high-value-added product mix

• Improve management efficiency

In FY2020, implemented structural reforms push forward
→ steadily realizing effects on PL

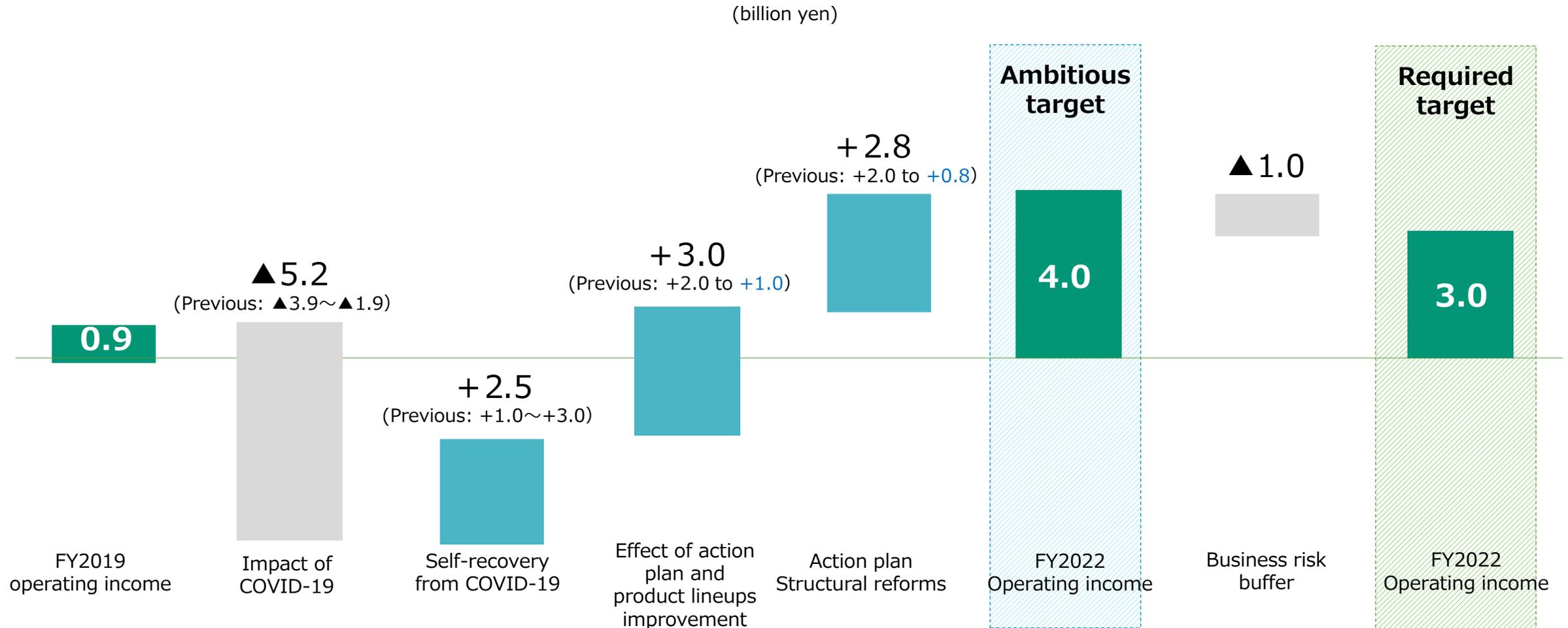
Continuously review bases

→ further productivity improvement

Optimize working capital, reduce product cost and loss lost

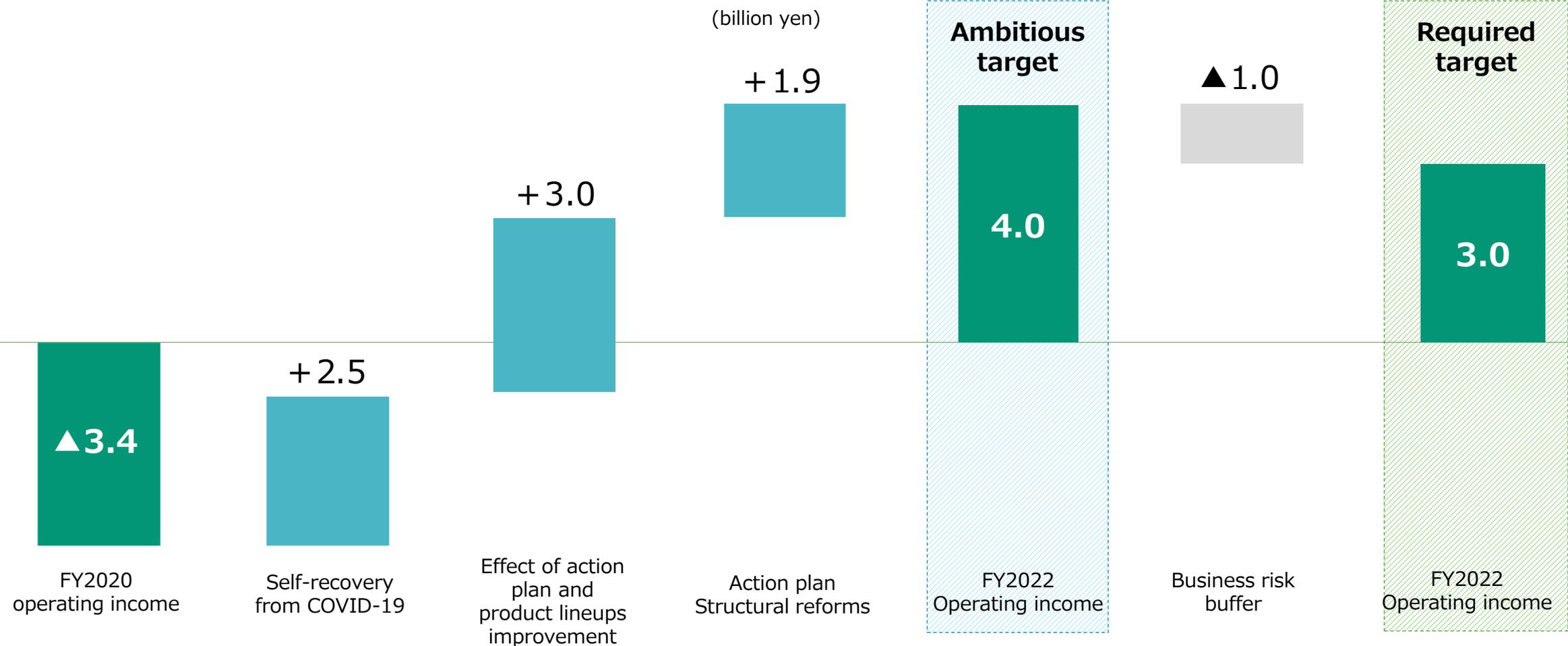
2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Imaging equipment business)

Expected operating income decrease/increase scenario (FY19→FY22)



2. Measures for 2nd year and onwards of the Medium-Term Management Plan and conditions in each segment (Imaging equipment business)

Reference: Expected operating income decrease/increase scenario (FY20→FY22)



3-1. Medium- to Long-Term outlook for Imaging-related market

Despite major changes in cinema industry due to COVID-19, people's desire for extraordinary sensations and exceptional experiences is sure to recover.

Establishing a strategy on

- ✓ Changes to industry ecosystem
- ✓ Customer needs

- **Even during COVID-19 pandemic, people seek out killer contents**
 - Lunar New Year's Chinese market was active
 - Local contents other than from Hollywood, have become global hits on the new axis of Chinese and Japanese anime
 - Hollywood content will also soon restart sequentially
- **People will return to movie theaters alongside reopening of economy, along with spread of vaccines**
- **Change of role as an image-experience space**
(screening of various contents, viewing of e-sports and live performances)

PROS

CONS

- **Rise of streaming delivery services, diversification of distribution methods**
(shortened period for movies to be screened exclusively at cinemas)
- **Psychological resistance to environments where people gather**

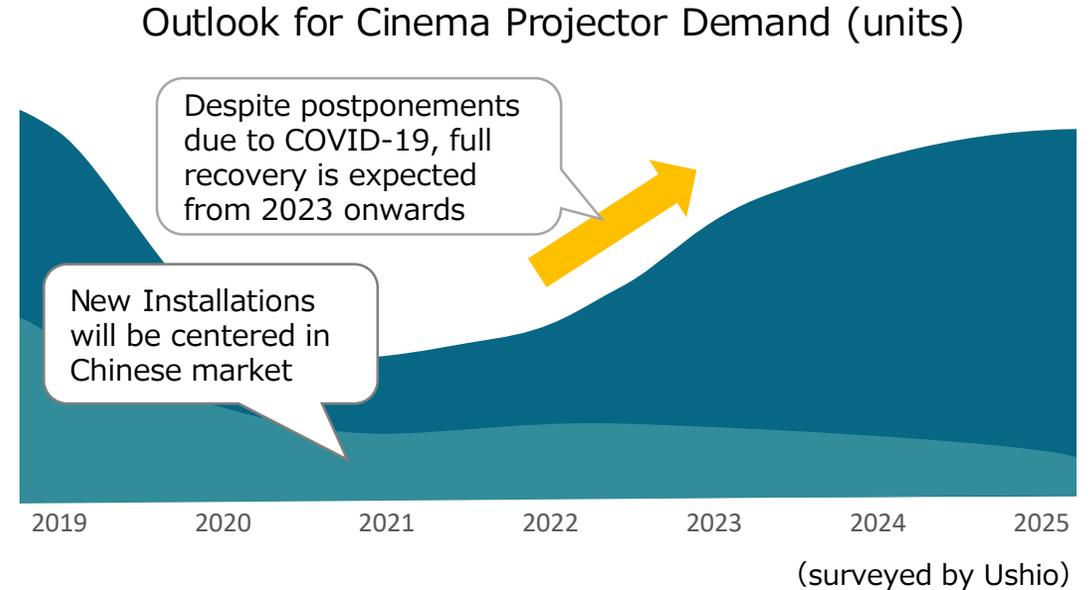
Value Ushio provides

Providing and sharing outstanding experiences and sensations

3-1. Medium- to Long-Term outlook for Imaging-related market

Cinema

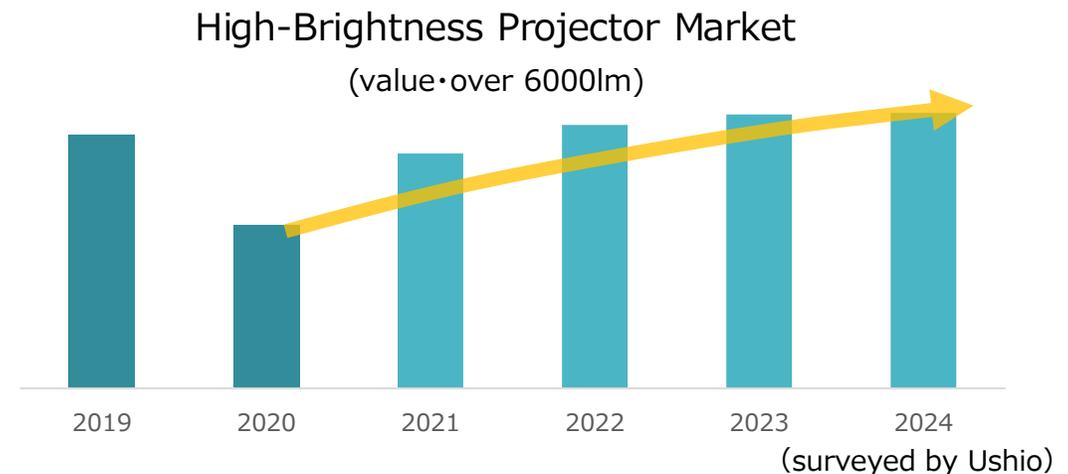
- **Despite environmental changes due to COVID-19, demand to go to movie theaters will continue**
 - **Full-fledged replacement demand from FY2023 onwards**
 - Replacement: From the spread of digital cinema, replacement upgrades after passage of 10 years
Despite postponements due to COVID-19, stable demand is expected from 2023 onwards
 - New Installations:
Expected to be centered in China and the Middle East
- ※Total number of screens worldwide will rise slightly (approximately 10,000 screens) from approximately 200,000 screens from 2021



General Imaging

Recovery expected as demand for entertainment and government projects

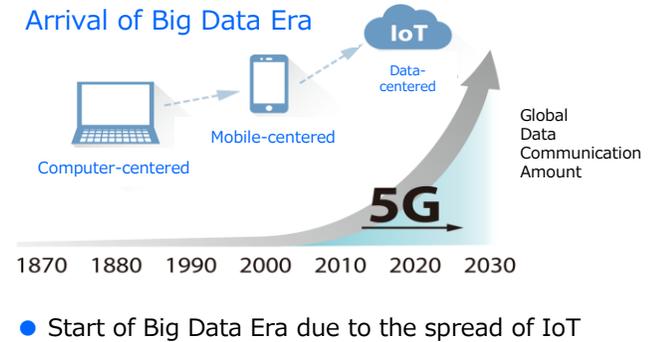
- Gradual recovery of demand for theme parks, international-scale events and government investments
→ Demand for high-brightness projectors to recover to pre-COVID-19 levels from FY2022 onwards
- Strong performance in peripheral delivery equipment market, which supports high-definition, large-capacity image delivery



3-2. Medium- to Long-Term outlook for Semiconductor-related market USHIO

Ushio's business opportunities are increasing due to the growth of semiconductor demand and evolution of technologies

- Dramatic increase in type and number of semiconductors, sensors and related equipment alongside **development of IoT society**
- Progress in technological innovations, such as, large storage capacity, accelerated communication speeds, high reliability and low power consumption

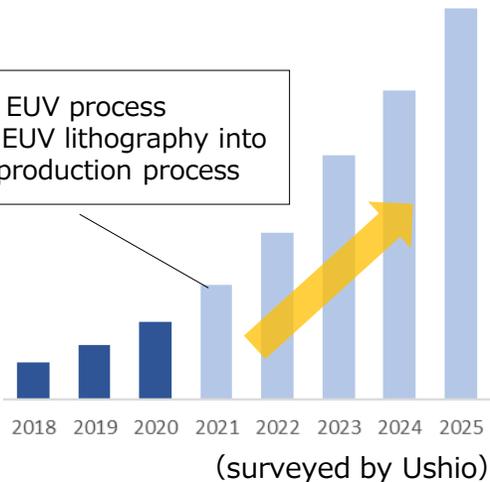


EUV light sources for mask inspection

EUV process market volume

Includes related equipment (exposure, inspection, etc.) + Maintenance + materials, etc.

Establish EUV process
→ adopt EUV lithography into mass production process



Future technology trends

- Further progress of miniaturization technologies
- Yield improvements by pellicle practical realization

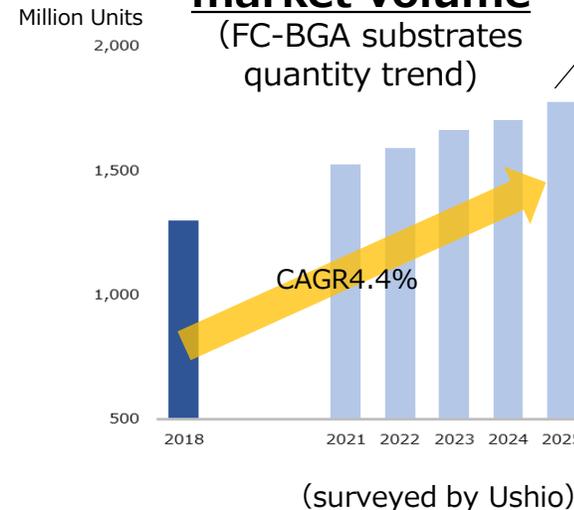
Towards a rise in inspection needs with fine EUV light

Ushio's strength

Business experience over many years
Compact/High-luminance
High-output technology
Stability·High reliability

Large Field Stepper for latest IC package substrates

Latest IC package market volume (FC-BGA substrates quantity trend)



(Background)
Limit of miniaturization semiconductor front-end process
↓
Supports evaluation of implementation technologies in post-process

Future technology trends

- Miniaturization of package substrates
- New technologies, including different mixed material packages

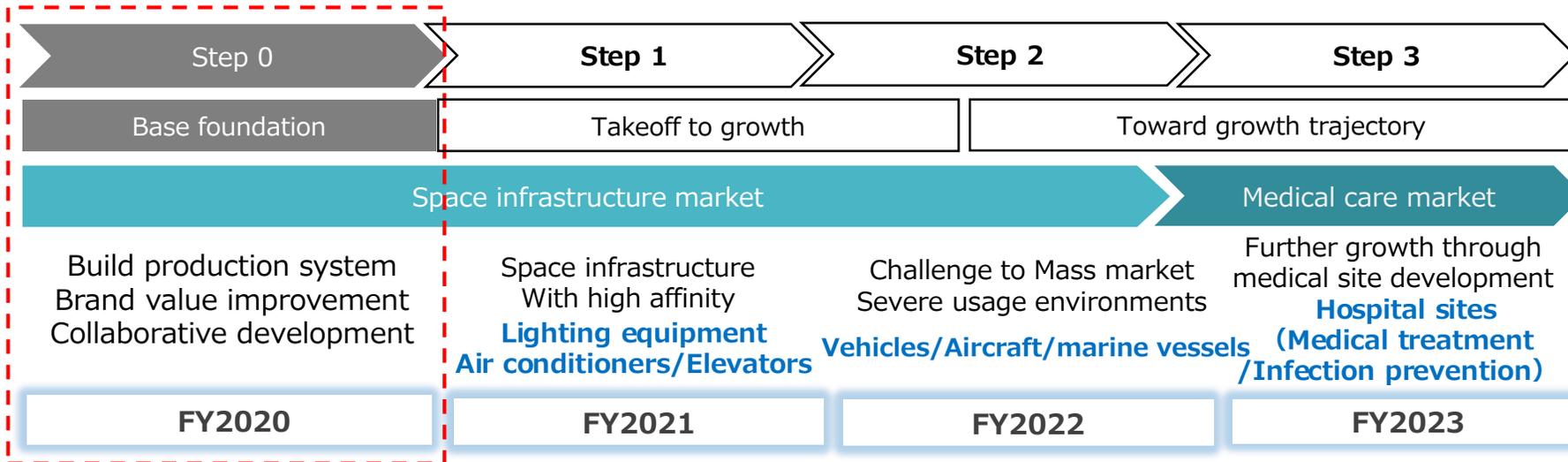
Increase in demand for high-resolution × high productivity exposure equipment

Ushio's strength

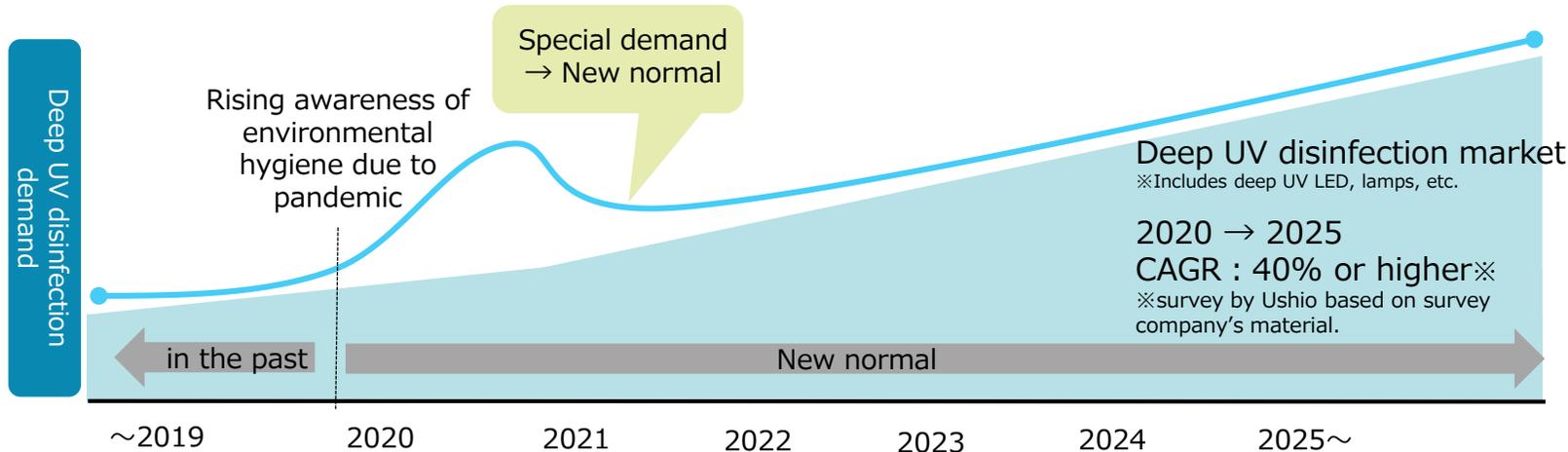
High resolution × Large field projection exposure × Deep focus depth

3-3. Medium- to Long-Term outlook for Environmental Hygiene-related Business

Create a new market centered on 「Care222」, UV technology for disinfection and virus inactivation, for use in manned environments, and make it De-facto Standard in new normal



Care
222



Ushio's target: Niche markets

Demand for **air and surface** disinfection and virus inactivation **under manned environments**
→ Provision of 「safety·security」

4. Status of Measures for Unifying strategy

Build in concept of shifting from 「Rempo “連峰” management」 ~ 『Independence』 to 『Solidarity』 and strengthen the system in the direction of overall optimization

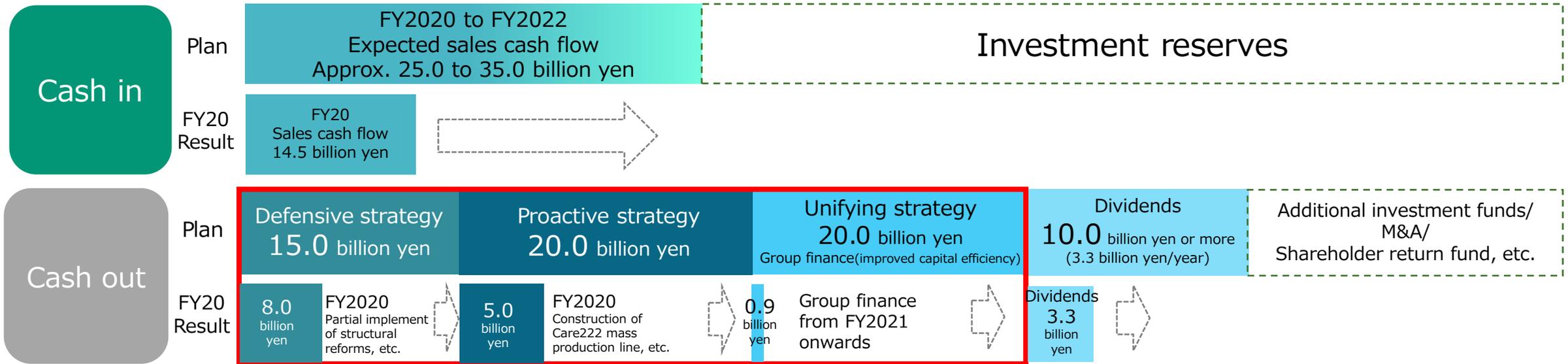
Main themes		1 st year of the Medium-Term Management Plan Results and progress	2 nd year and onwards of the Medium-Term Management Plan Planned measures
Corporate strategy meeting	Management to prepare for prolonged impact of COVID-19	<p>Continuously monitor and implement measures in response to the impact of COVID-19</p> <p>↓</p> <ul style="list-style-type: none"> • Progressed imaging equipment business structural reforms, investigated additional measures • Realized light source business structural reforms • Implemented strategic investment 	<ul style="list-style-type: none"> • Continuously monitor business environment and effects • Steadily implement structural reforms and monitor progress • Implement strategic investment and monitor progress
	Clarify course to take, looking ahead to after Medium-Term Management Plan	<ul style="list-style-type: none"> • Investigated ESG management promotion issues • Built framework to create businesses that will contribute to societal problems 	<ul style="list-style-type: none"> • Full-fledged launch management of ESG Management Objectives • Realize road map for Creation Business
Global consolidate management	Increase sophistication of management of Group's business objectives	<ul style="list-style-type: none"> • Increased sophistication of consolidated management accounting and maintained IT infrastructure • Updated Group Management Regulations 	<ul style="list-style-type: none"> • Strengthen Group collaboration target management • Investigate introductions of new management and administration indicators • Increase sophistication of business portfolio management • Promote automation of consolidation-related work
Global personnel strategy department	Develop global human resources toward 2030 vision	<ul style="list-style-type: none"> • Created Ushio College • Promoted sharing of Group personnel information • built new tools for communication between employees 	<ul style="list-style-type: none"> • Strengthen Group Human Resource Management • Investigate realization of global mobility

4. Status of Measures for Unifying strategy

Progress of cash allocation

In FY2020, prioritized cash-on-hand liquidity due to prolonged impact of COVID-19

→Progressed defense strategy, actively conducted proactive strategy, emphasized surplus financial capacity for unifying strategy



Shareholder return policy (this Medium-Term Management Plan period) **No change**

- Annual dividends** Maintain minimum dividends of 26 yen per share annually (minimum total dividends: 3.3 billion yen/year)
- Share buyback** Respond to changes in the business climate, and implement with agility Cancel 5% or more of total issued shares each year

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