

Strategic Focus

Connecting Social Value to Economic Value

To create both social and economic value, we have continuously developed outstanding technology, built positive relationships with our stakeholders, and acted with consideration for the environment. We will continue working to improve our corporate value with a view to our goals for 2030.

Business Creation and Intellectual Property Strategies to Create Social Value Through Light



Column ▶ Message from the General Manager of the Business Creation Division



Profile

Hiroki Kodaka

Senior Executive Officer
General Manager,
Business Creation Division,
Ushio Inc.

Our Business Creation Division was first established in fiscal 2022, and aims to create businesses that can provide a high degree of social value by solving social issues. Research and development, marketing, and intellectual property are the three pillars of our work, and we have produced a number of results including solvent-free biochips called OoC (Organs on Chip).

We have maintained our style of creating businesses with longevity based on a strong technical foundation, but it has become apparent that improvements like the following need to be made in order to implement this policy.

- Cohesion between business strategies needs to be strengthened so that the results of technical development can be more clearly tied to businesses
- The perspectives of past technical know-how and utilization of assets needs to be strengthened in order to fully leverage Ushio's strengths and utilize resources efficiently to gain the expected returns
- "High birth, high death" processes need to be promoted when creating new businesses to find more new possibilities

We are revising our new businesses creation process to resolve these issues. Specifically, we have divided the process into a feasibility study (FS) phase centering on "high birth, high death", followed by a phase where we invest resources with the aim of turning it into a full-scale business. The perspective and management method is changed according to the development stage so that appropriate evaluation can be conducted to determine the right time to stop. (Refer to the bottom right graph on P.51)

During the FS stage, we select themes that embody Ushio's unique qualities or that enable us to popularize or expand our technology. The status of the themes is monitored accordingly on the axes of marketing (level of business development) and feasibility verification (level of technical development) to ensure a good balance between R&D and business development. Employing a time limit during this phase enables "high birth, high death" business creation.

After a business clears the FS phase and enters the business creation phase, it is important to carry out development decisively. In this phase, we continue visualizing businesses and determining their viability on the same two axes as the FS phase, but now things get more multilateral. Other departments become involved, monitoring progress and providing support with a focus on risks involved until the business is fully realized.

As I mentioned above, we are revising the business creation process, but I believe that what is materially important is technical strategies linked to management policies and business strategies. Unfortunately, Ushio has not had any distinctive technical strategies until now. I think that this has led to individual-dependent selection of themes and weakened relationships between business divisions and the Research and Development Division, and as a result, our research and development has not been able to reach a clear end goal.

In fiscal 2024, our management framework was updated and our management policies and business strategies changed. A new department was established to formulate technical strategies with a big-picture view of the Group based on the new framework. This department is not only involved in strategy formulation but also accompanies the team of each development project, evaluating the current state from an objective perspective and course-correcting to guide the business along a decisive trajectory to an end goal.

Please refer to our website for details on our OoC technology.
<https://www.ushio.co.jp/en/feature/organs-on-chip/>



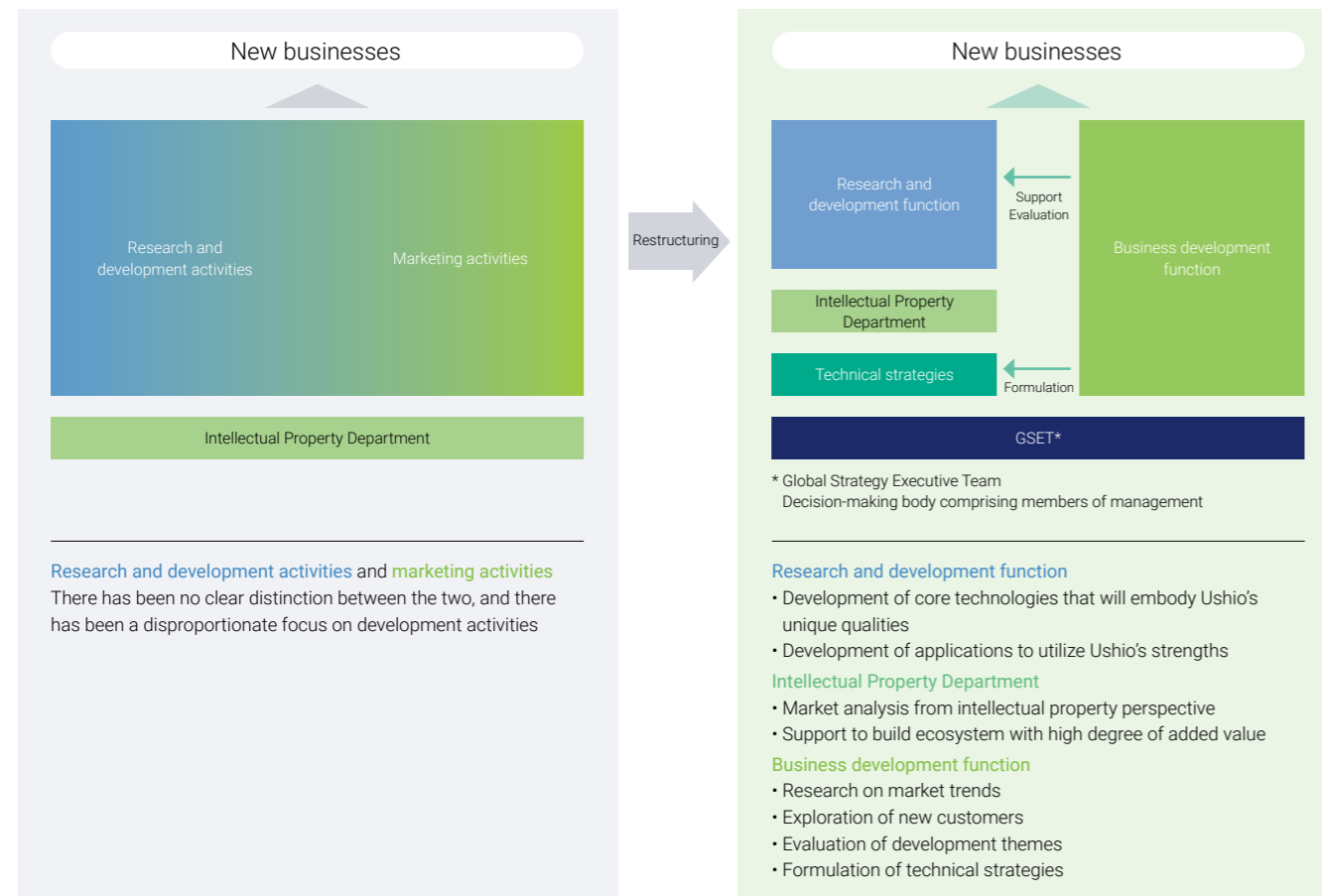
▶ Building a Framework for More Reliable Creation of New Businesses

To provide society with innovation using light, we will centralize our resources on areas where Ushio's strengths can be fully utilized and build a framework to shorten the time required to launch businesses and increase their chances of success.

Specifically, in addition to research and development functions to handle development for the purpose of creating core Ushio technology and utilizing our strengths, we will strengthen our business development functions to connect the products and services we have developed with the optimal customers and markets.

We will continue our efforts in the previous fiscal year to select themes and centralize resources even more ruthlessly, with measures including ongoing evaluation of development themes on the two axes of "research and development" and "business development" and stopping endeavors where it is difficult to utilize Ushio's strengths.

Issues thus far and how they will be alleviated through restructuring



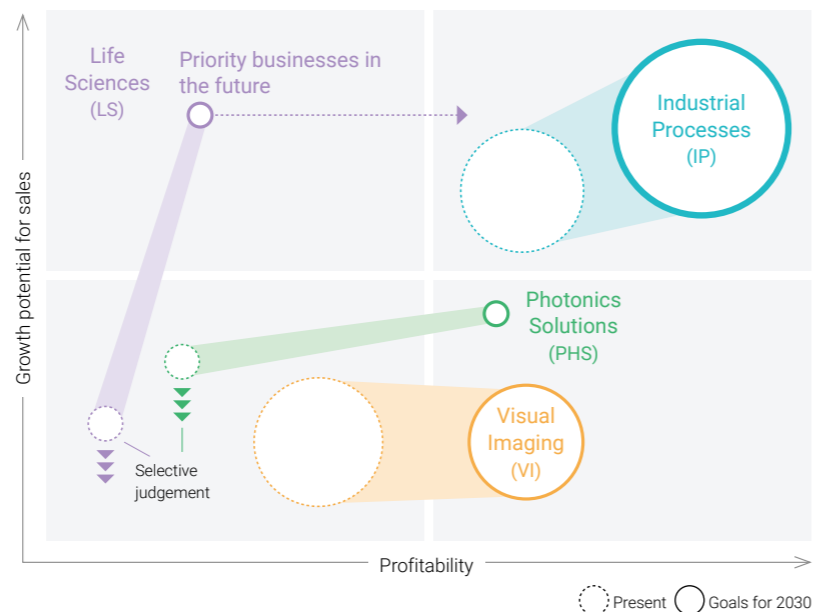
▶ Technical Strategies with a Clear Connection to Our Growth Strategy: Working to Revamp Our Business Portfolio

In fiscal 2023, our Business Creation Division dedicated itself to building a framework for selection and concentration of businesses to enable effective use of resources as we work towards our mission to “resolve social issues through the creation and provision of new value.” As a result, through our regular quantification of the status of each development theme, we are now able to visualize progress with objective data instead of relying solely on the perception of the developers.

In fiscal 2024, Ushio revised its strategies in response to changes in the business environment of Industrial Processes, Ushio’s key business, and formulated Revive Vision 2030. Like other departments, the Business Creation Division has been working to revamp our business portfolio.

A clear link to our management strategies

Under our new management team, “Revamp our business portfolio” has been designated as a major pillar of our business strategies in our New Growth Strategy, Revive Vision 2023, announced in May 2024. This portfolio revamping will also extend to our new business creation, where we have set a clear policy of “While investing to create future core businesses, streamline investments to prioritize areas offering more promising growth paths.” Under this policy, this has been designated as a management issue to be addressed both by the relevant departments and by our management, and initiatives to this end are being strengthened. This will enable us to better narrow down our development resources to those that are more feasible and, in doing so, contribute more effectively to our business results in future.



Selection of Themes and Creation of New Themes

We will formulate a technical strategy and select development themes from the many themes that exist at present in order to concentrate our resources among the themes that best embody Ushio’s unique qualities (technology that will enable us to gain an edge through Ushio’s light and light technology, can be utilized continuously, and will establish the Ushio brand).

We will create a business evaluation framework, which encompasses the profitability of the business, in order to assess each development theme from the perspective of investment and returns, level of technical development, level of business development, and the degree to which Ushio’s unique qualities are embodied. Of these, embodiment of Ushio’s unique qualities will be the greatest focus. The key point when selecting themes will be whether each theme utilizes Ushio’s light technology in a way that will give Ushio a greater edge.

Going forward, we will choose which themes to work on based on the technical strategies we formulated for the creation of new themes so that we can carry out more initiatives that better embody Ushio’s unique qualities.

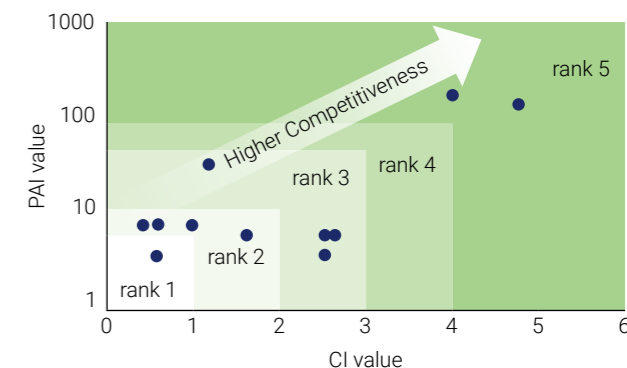
Evaluation of Technical Edge

In our current theme evaluation, we are evaluating the technical edge of each theme by evaluating its intellectual property value in terms of all associated patents, including unpublished patents. In particular, to ensure greater objectivity with regard to published patents, we use competitive impact (CI)*, which is calculated according to details such as the number of patents cited in relation to the theme, the countries where patent applications have been submitted, and the status of screening, as well as patent asset index (PAI)*, which is a sum of all of these values (refer to the graph on the right). For unpublished patents, we set internal metrics that better express the level of each theme’s contribution to business creation and calculate these as technical evaluation values for each theme.

These evaluation values are used to rank the competitiveness of each theme in five levels based on patent information.

* Evaluation metrics created by PatentSight* from LexisNexis

Map of metrics for published patents for each theme

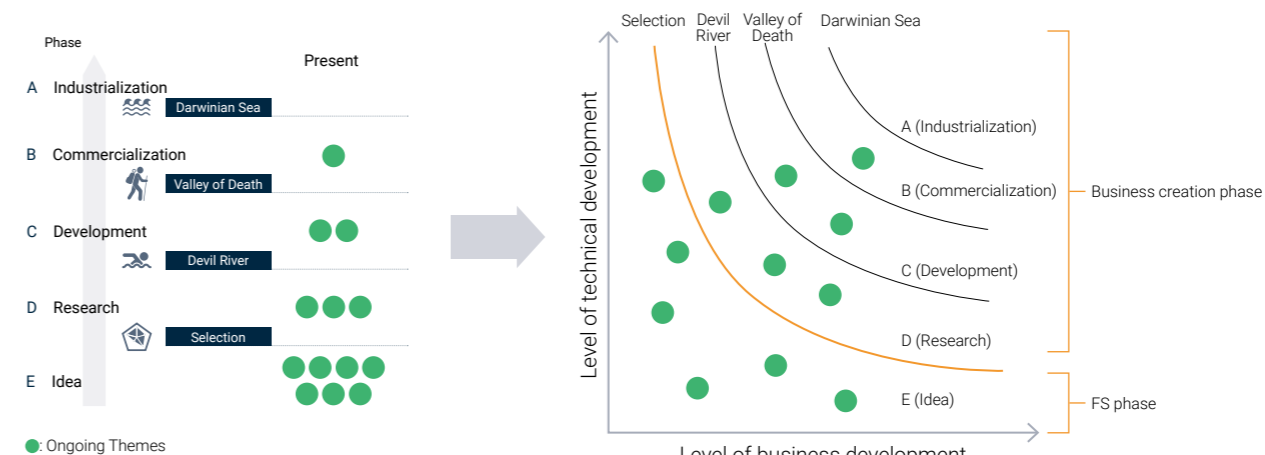


Visualization of Business Creation Phases

Until last year, the business creation phases of each development theme were categorized as shown in the graph on the left. Going forward, we will visualize the phases on two axes as shown in the graph on the right to ensure greater awareness of the level of business development. Risk will also be taken into account for business creation past a certain phase.

Refer to the next page for specific development themes in each phase.

Changes in Number of Themes by Commercialization Phase (illustration)



Examples of Business Creation

► OoC

OoC (Organs on Chip): Providing a platform to speed up drug development

When drugs are developed, they are tested on animals prior to clinical trials to evaluate the effectiveness and safety, but there are still cases where side effects occur during the clinical trial and development needs to be canceled. There are also ethical issues surrounding animal testing. As an alternative, development is taking place worldwide for biomimetic systems where human cells are used to closely recreate the functions of human organs on a chip (OoC).

Ushio's OoC technology utilizes the surface modification effect of 172nm vacuum UV light, enabling direct bonding without an adhesive agent. This enables the production of cleaner chips without chemical extractables apart from those produced by other adhesive-free bonding OoC technology, which uses agents such as solvents. Additionally, microchannels are created on the resin surface with microfabrication technology we have perfected through our development of optical components.

This OoC technology is already being used in commercially available chips for nerve cells. Neurites growing from nerve cells grow along the microchannels of the chips, allowing the neurites to form uniformly. Imaging data for the neurites can be analyzed using AI, enabling researchers to compare the characteristics with those of harmful effects of drugs that the AI has already learned and quantitatively assess the risk of harmful effects on the nerves.

We are currently working together with several major pharmaceutical companies to develop this business with the aim of creating a full-scale business. In Japan, we are involved in AMED's*1 project for commercialization of OoC, and are currently carrying out initiatives with the aim of commercialization of OoC and promotion of its use in society.

Ushio will use this OoC technology to contribute to solutions to issues in the development of new drugs.

* Japan Agency for Medical Research and Development

Phase B

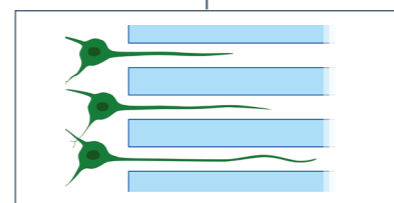
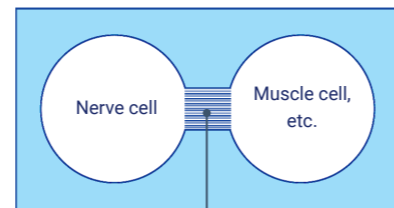
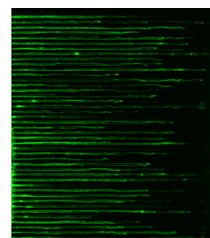


Illustration of nerve cell chip and microchannels



Neurites growing through the microchannels

► N₂O decomposition

Technology to reduce greenhouse gas (N₂O)

The main causes of greenhouse gases are carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). Ushio is working on research and development for technology to reduce N₂O, which has a particularly severe greenhouse effect.

Ushio has been working on N₂O decomposition using light from excimer lamps emitting UV light at a 172nm wavelength. However, a large amount of electricity is consumed in order to light the lamps. A large volume of CO₂ emissions occurs in the production of that electricity, making this technology a net negative for the environment. We therefore redesigned the lamps to improve their N₂O decomposition efficiency under normal temperature and pressure. This has also reduced costs to the user, as expensive materials such as catalysts are not used.

Phase C

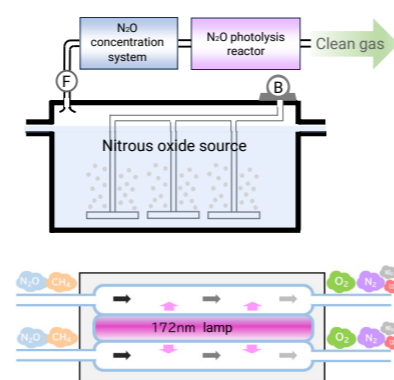


Image of gas decomposition using excimer lamp photochemical reactions

Additionally, since the source of N₂O emissions often occurs in trace concentrations, concentrating the N₂O allows fewer lamps to be used. Thus far, concentrating N₂O has been considered difficult, but through cooperation with R&D partners, Ushio has succeeded in inventing N₂O concentration technology that can achieve a high concentration. We are exploring the economic gains and costs of the system as a whole with a view to registering for N₂O emission trading.

Use in Sewers Application Research by the Ministry of Land, Infrastructure, Transport and Tourism

We are now in the second year of research with the aim of implementing this technology in sewage systems. From 2023, our work on N₂O decomposition is being used in Sewers Application Research by the Ministry of Land, Infrastructure, Transport and Tourism, and has received a positive response. Going forward, we will carry out research and business development with the aim of scaling up and an eventual view to implementation in various areas of society, including sewage systems.

Ushio will use its technology to contribute to halting global warming with the aim of achieving a world where a global carbon net zero and the wellbeing of people are in harmony with each other.

► Interference lithography

Ultrahigh-precision lithography equipment to support the light systems of the future

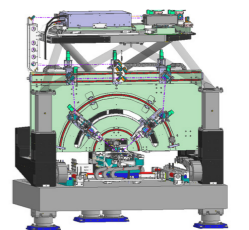
XR systems have become a focus as the new smartphones, and the world is looking to optoelectronic fusion devices as volumes of information increase. To create the light systems required for the development and popularization of these technologies, high-performance light sources and optical components with fine precision structures are essential. Ushio is developing ultrahigh-precision lithography equipment to meet these needs.

Seamless patterning on all surfaces regardless of contours

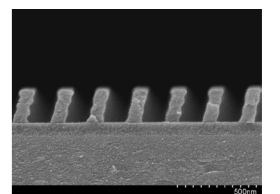
Ushio is proposing completely new interference lithography equipment. Building on the extensive lithography equipment we have developed for semiconductor production, we are introducing innovative interference lithography technology to propose lithography solutions that are unaffected by environmental conditions and vibration and are highly automated for superior performance in mass production.

The equipment has two optical path arms that move in circular arcs and a high-precision wafer stage with a resolution of 2nm on the lithography surface. AI is used for advanced automation of the units. Through this completely new, revolutionary equipment concept, we have enabled full, seamless formation of high-quality patterns across the entire wafer surface.

Phase D / E



New interference lithography equipment



New diffraction grating
Cross-section of diffraction grating created by the new interference lithography equipment

Business Creation and Intellectual Property Strategies to Create Social Value Through Light

Intellectual Property Strategies for Business Creation

IP Strategies

Revive Vision 2030 is a new growth strategy formulated by revising Vision 2030, which we established in 2020, to make the strategies more effective. Ushio considers this a key element of our intellectual property strategies. By selecting the right intellectual property strategies for each stage of our businesses (refer to the chart below), we aim to facilitate ongoing growth of the Company and further improve corporate value.



● Business strategies ● Intellectual property strategies

Intellectual Property Training Within the Ushio Group

We believe the inspiration behind the strength of our IP rights, which ensure a competitive edge over our rivals, is the method in which we resolve technical issues, which has been shaped through the process of hardships we have endured in pursuit of their resolution. Continuing to improve the intellectual property capabilities of all technical staff is essential in order to transform problem-solving methods created by development staff into impactful patents. Based on this idea, Ushio has established the following intellectual property training courses, and has provided training to approximately 400 technical employees in the last three years. In fiscal 2024, we will provide intellectual property training to technical staff at key affiliate companies of the Ushio Group to strengthen our Industrial Processes business.

Employee Training Sessions

Executive Training Sessions

- Why companies file patents
- Tips for reading patents quickly
- How to derive technical information from patents
- Introduction to and use of invention and idea creation methods
- Summarizing inventions from developed products
- Tips for presenting arguments to examiners
- Case studies of items that can be patented

- Avoiding risks relating to patents held by other companies
- Utilization of rights (in order to make successful legal arguments)
- Case studies (examples of the Company's successes and failures)
- Applications and fees outside of Japan

The Ushio Group's Intellectual Capital

The number of patents that Ushio holds in the business areas of Industrial Processes, Visual Imaging, Life Sciences and Photonics Solutions is shown in the table below. Core patents are selected ruthlessly with a focus on whether each patent will function as a barrier to entry for each product. Future initiatives for our Industrial Processes business, a priority area of ours, will consist of strengthening our personnel framework for patent creation to improve the effect of our patents. In the Visual Imaging, Life Sciences and Photonics Solutions businesses, we will use selection and concentration to narrow down our patents to fields with a clear path to growth of our businesses.

Business domain	All patents*1	Core patents*2	Core patent ratio*3
Industrial Processes	707	82	16.0%
Visual Imaging	192	11	8.7%
Life Sciences	223	37	18.0%
Photonics Solutions	183	17	9.8%

*1 All patents are calculated according to patents held by Ushio

*2,3 Number and ratio of core patents are calculated according to patents held by Ushio Inc.

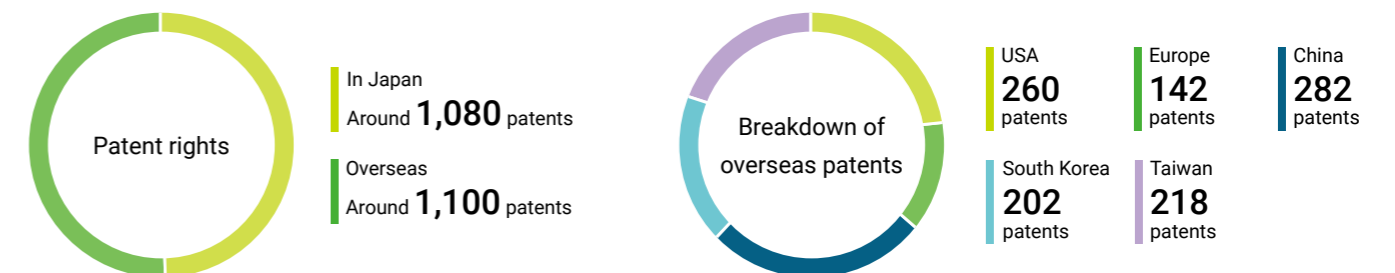
Below, we have provided a patent portfolio for our Industrial Processes business, a priority area of ours. We are strengthening our patent clusters for our digital lithography system, lithography equipment (stepper and DI), and lithography light sources. We will continue working on improving the effectiveness of our patents, centering on markets that are expected to expand as the semiconductor market grows in future.

Breakdown of Products in Industrial Processes Business	All patents*1
Lithography light sources	154
Lithography equipment	49
Digital lithography system	180
EUV	63
Excimer irradiation equipment	124
Thermal processes	75
Photo-alignment	47
Other	15

Global Intellectual Property Rights Management

Ushio Inc. focuses on global acquisition of rights with an awareness of supply chains. We are acquiring rights in competing manufacturers' countries of production and in the production and sales bases of key customers, with a focus on core patents that will be useful in protecting our business. We are working to expand our markets and protect our businesses by acquiring

rights for a combination of patents intended to expand sales and patents intended to block imitations. To respect the rights of other companies, we conduct a clearance process for patents held by other companies throughout our supply chain at each stage from conceptualization to design to release of the product to minimize intellectual property risks.



Human Capital Strategy Under Revive Vision 2030 and Initiatives to Create Working Environments Where It Is Easy to Produce Results



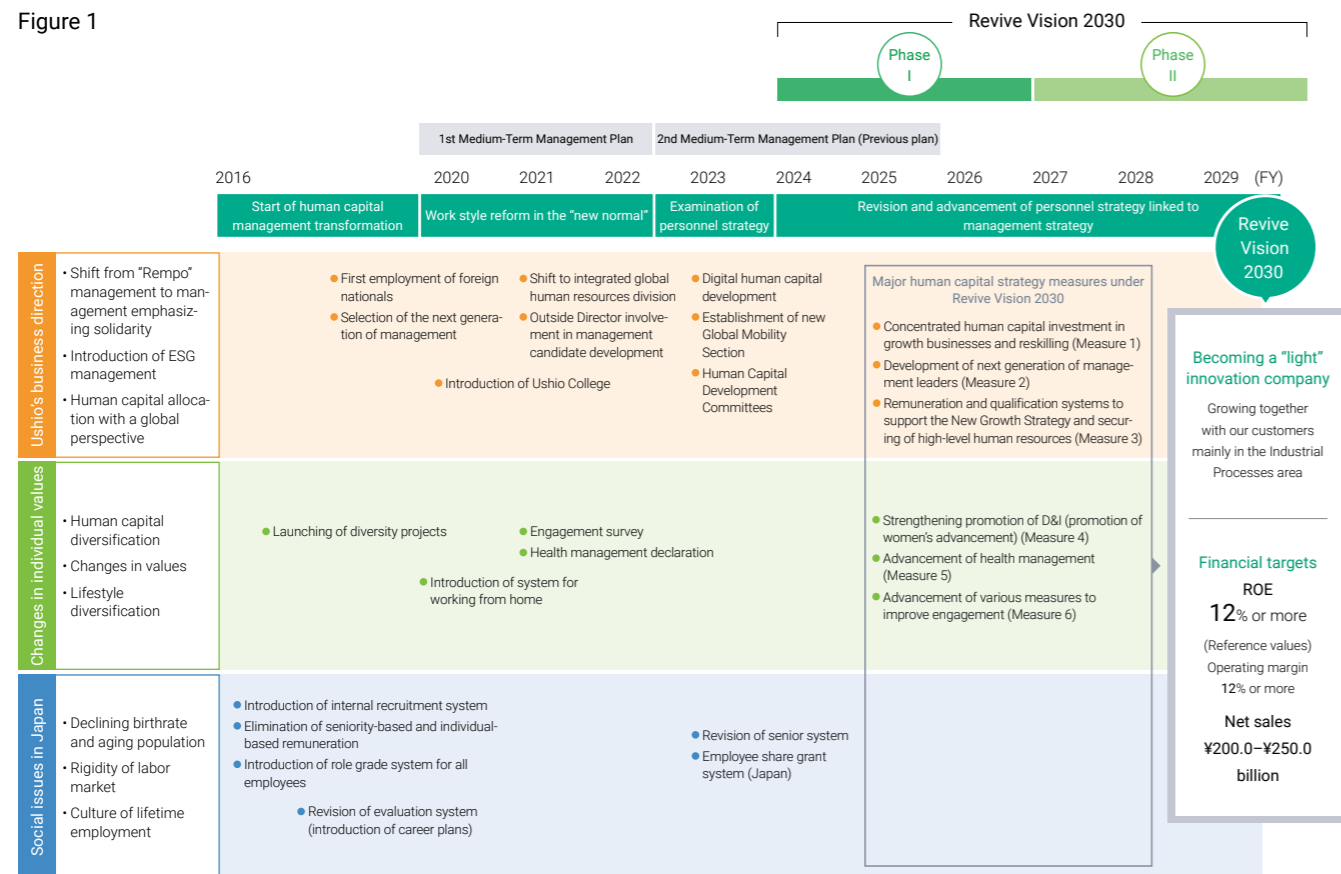
Human Capital Strategy Under Revive Vision 2030

Ushio's Management Philosophy is rooted in the four basic principles set out by our founder, Jiro Ushio, who passed away on June 13, 2023. He formulated these principles the year after he established Ushio in 1964, and their essential form has been carried on to this day, with only minor changes made in the intervening years. Consequently, our ultimate goal has always been to "build both a prosperous Company and prosperous employees," as stated in the first of the four Basic Principles. To that end, we have implemented human capital management linked to changes in the business environment over time and our management strategy.

2016. This major transformation included the elimination of the seniority-based remuneration and qualification system that had been in place since our founding and the discontinuation of all personal allowances, including dependent allowances. Since then, we have advanced initiatives to support fundamental human capital strategies. This year, we have formulated a new growth strategy. Through our upcoming business portfolio revamp and the implementation of various measures linked to our human capital strategy (Figure 1), we will strive to realize Revive Vision 2030 and "build both a prosperous Company and prosperous employees."

Ushio Inc. introduced a role grade system for all employees in

Figure 1



Measure 1: Concentrated Human Capital Investment in Growth Businesses and Reskilling

Concentrated Human Capital Investment in Growth Businesses	Reskilling
<p>The new growth strategy announced in May 2024 establishes a growth groundwork based on actively investing in priority businesses (areas), particularly Industrial Processes, and assessing unprofitable businesses based on factors such as their future potential. The Industrial Processes business and the Visual Imaging business currently have similar numbers of employees, and personnel distribution must be restructured to increase the number of employees working in Industrial Processes. This is particularly important in technical sales, customer support, manufacturing engineering, production lines, and quality assurance. To achieve this, we are restructuring our recruitment strategy to actively attract key talent, particularly in semiconductor manufacturing technology and marketing, while also reviewing our personnel system and remuneration structures in order to promote retention through appealing working conditions.</p>	<p>Focusing on personnel in unprofitable businesses and sites to be consolidated, we will implement reskilling and support the redeployment of reskilled people, mainly to customer support, manufacturing engineering, production lines, and quality assurance under the Industrial Processes business. This approach aims to prevent unchecked increases in total labor costs. Developing management personnel is another important theme and we coordinate with the Board of Directors and the Nomination and Remuneration Advisory Committee to foster the next generation of leaders to unite the global Ushio Group. Refer to Figure 2 for details.</p>

Figure 2



Human Capital Strategy Under Revive Vision 2030 and Initiatives to Create Working Environments Where It Is Easy to Produce Results

▶ Measure 2: Development of Next Generation of Management Leaders

Ushio has been promoting selective human capital development since fiscal 2016.

We define requirements that talent should meet, select the next generation of management personnel based on these criteria, then provide leadership development programs. We created Ushio College in fiscal 2020 and provide training to enhance the skills that global talent requires, including diversity management, management literacy, and global communication capabilities.

CEO succession is currently carried out through a system deliberated on and supervised by the Remuneration and Nomination Advisory Committee. Developing candidates for the next generation of management as Executive Officer candidates is an important management issue, and will be implemented through a system advanced by the Global Human Capital Committee (GHCC), in which the President of the Company takes part. The selective human capital development for which each business and division is responsible will be carried out under a system

advanced by the Human Capital Development Committees established within our headquarters and business divisions, leading to the sustainable production of management talent.



Visualization of Global Human Capital

Collaboration between Group employees in Japan and overseas is crucial for Ushio to create businesses that lead to the resolution of social issues and to achieve further growth. To further this aim, we established the Global Mobility Section within the HR Department of Ushio Inc. in fiscal 2023 and promote networking with human resource personnel at Group companies. To advance the visualization of our human resource management system in line with global business needs, we have started

collating information regarding the talent (personnel with established track records and potential) at each Group company. We are at the stage of visualizing the talent currently present in each region and business. To enhance precision, respond to accelerating global business expansion and support business portfolio linking, we will continue to work with human resources at each Group company and develop talent to lead our global businesses.

▶ Measure 3: Remuneration and Qualification Systems to Support the New Growth Strategy and Securing of High-level Human Resources

Ushio Inc. introduced a role grade system for all employees in 2016. This system sets out the ideal human capital being sought and reflects the roles needed by the organization and the achievement of significant results in employees' evaluation and remuneration.

In 2018, the objective of target management shifted to cultivation and the link between business management and target management was strengthened to achieve simultaneous growth of the company and employees. We also introduced career sheets as part of our efforts to enable each employee to consider a vision for their own career and receive support from their manager and the Company to make it a reality.

To achieve the goals of the new growth strategy, we work to secure talent such as high-level specialist personnel by clearly defining the talent we require based on our business strategies and exploring more clearly delineated remuneration structures. In addition, we will build a system that fairly evaluates contributions to the organization in order to ensure the appropriateness of evaluations and control total labor costs.

Through these initiatives, we are progressing towards a transformed personnel system that supports ongoing growth.

Stock Compensation System Through Employee Stock Ownership Plan

With the aim of achieving high engagement levels that enable the Company and employees to grow together in line with our goals for 2030, in fiscal 2023 we introduced a stock compensation system through an employee stock ownership plan covering employees at Group companies in Japan. Under this system, employees receive shares in the Company as compensation linked to our medium-term management plan with the aim of integrating employees with target achievement-oriented management.

With the introduction of this system, the rate of participation in the employee stock ownership plan has risen significantly, from a previous rate of 20% to over 70%. Further increasing employees' investment in business performance and enhancing motivation to improve medium- to long-term corporate value can contribute to the achievement of our goals under New Growth Strategy.

▶ Measure 4: Strengthening Promotion of D&I (Promotion of Women's Advancement)

Ushio has engaged in initiatives to advance diversity and inclusion (D&I) since July 2017. While the proportion of women in managerial positions in fiscal 2023 was 17.1% for the Ushio Group as a whole, the proportion at Ushio Inc. was just 5.4%. Improving the proportion of women in managerial positions is a major issue to be addressed, especially for Group companies in Japan.

Through previous D&I projects, we have implemented wide-ranging initiatives such as revising the Work and Childcare Balance Support Handbook and holding career seminars. However, promoting D&I with an even greater sense of speed is an important part of a management strategy that realizes our Management Philosophy, and so we established the new D&I Promotion Section within the HR Department of Ushio Inc. in April 2024.

We will continue to establish a global culture in which diverse attributes and a diverse range of backgrounds and values are acknowledged and met with mutual respect, leading to the creation of working environments where it is easy to produce results.



Members of the D&I Promotion Section

Please refer to our website for details. https://www.ushio.co.jp/en/sustainability/esg/social/diversity_and_inclusion/



Interview ▶ Implementing Management to Support Balancing Childcare with Work



Profile

Takako Okada

Analysis Group, Fundamental Technology Department, Research and Development Division, Business Creation Division

I work in the Analysis Group, which uses analysis equipment to provide analysis for various projects, and was appointed as a Manager in October 2023. I also have two children at home, which is why I am using Ushio's reduced working hours system. When I started as a Manager, I was initially worried about whether I could follow the work of my group members after leaving for the day. However, my manager follows up during times when I cannot be there, and the group members plan their duties to fit the times when I am at work. With everyone's support, the group is running smoothly.

I am also unable to go on frequent business trips, so ensuring adequate communication with group members at other business sites is another concern. To address this, I do not hesitate to make an active effort to speak to people directly, including through online tools and by telephone.

Ushio has various support systems to help balance childcare with work. This makes it easier to maintain a good work-life balance, even for people with time constraints, which in turn increases job satisfaction. Moving forward, I will continue to make use of this system and work hard to provide even better management.

▶ Measure 5: Advancement of Health Management

Ushio Inc. set out its Health Declaration in 2021 and we continue to promote health management today.

We believe that employees are the most important management resource that supports Ushio's sustainable growth and our efforts in health management also lead to the realization of our Management Philosophy of "Build both a prosperous Company and prosperous employees." Our initiatives in this area have been well received, and we have been certified as a Health & Productivity Management Outstanding Organization (Large Enterprise Category) for three consecutive years. We have received particularly high praise for initiatives such as the involvement of management, optimization of working hours, improving systems to support work-life balance, and verifying the effects of implementing measures to address issues.

Moving forward, we will clearly set out management and health

issues to be resolved and the initiatives required to resolve them in our Health and Productivity Management Strategy Chart. To realize working environments where it is easy for every employee to produce results, we have set specific numerical indicators for the three health goals of "improving lifestyles (physical health)," "improving mental health," and "increasing productivity (work-related health)" and will continue to promote activities in these areas.



Please refer to our website for details.
https://www.ushio.co.jp/en/sustainability/esg/social/health_and_productivity/

Employee Health and Safety Measures

At Ushio, we aim to create safe, comfortable working environments where every employee is healthy, both physically and mentally, and can enjoy their work. To this end, we devote significant effort to occupational health and safety initiatives. We implement health and safety management systems at each business site. In addition to measures such as assigning expert staff including industrial physicians and fire prevention managers as required by law and establishing occupational health and

safety committees, we actively implement measures to address operational risks, such as efforts to maintain a common understanding across the Group when responding to revisions to laws and regulations. We are committed to reducing work-related accidents across the Group to zero by 2030 and implement coordination within the Group centered on our production bases. Throughout our operations, Ushio has maintained a record of no fatalities or serious accidents impacting human life.

▶ Measure 6: Advancement of Various Measures to Improve Engagement

Survey Implementation and Taking Results On Board

After starting our engagement surveys in fiscal 2021, the scope was expanded to cover Japanese and overseas Group companies in fiscal 2022. These surveys are a way to visualize employee engagement.

We define engagement as "a state of feeling valued through relationships with the Company and co-workers and feeling motivated to make an active contribution." The engagement score indicates the percentage of employees who answered affirmatively to questions indicating that this statement applies to them.

Analysis of the fiscal 2022 survey results showed that evaluation of Directors' decision-making and feeling the connection between strategy and one's own work are important factors relating to questions for improving engagement.

Based on this, in fiscal 2023, we established regular general morning meetings at domestic Group companies. We also expanded town hall meetings with the President, e-learning, and our workbook, which had been implemented at Group companies in Japan in fiscal 2022, to include overseas Group companies. As a result, Ushio's engagement score for fiscal 2023 was 56%, achieving a four-point year on year increase.

We will continue our activities to achieve high engagement that enables the company and employees to grow together, working towards a target engagement score of 62% or greater by fiscal 2026.

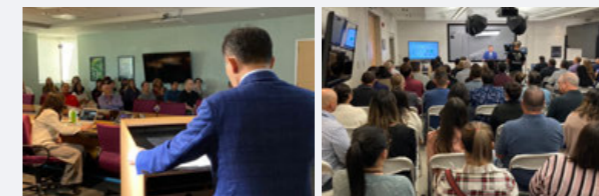
Measures to Enhance Engagement

Results of activities in fiscal 2023

Main activities to solve issues identified in analysis of FY2022 survey results

Issues: "Continue communication by executives and increase frequency" and "Awareness by employees of how strategies apply to their work"

Activity (1): Town hall meetings by management to raise awareness about strategies (held more than 50 times in 22 locations, expanded town hall meetings to overseas locations in FY2023)

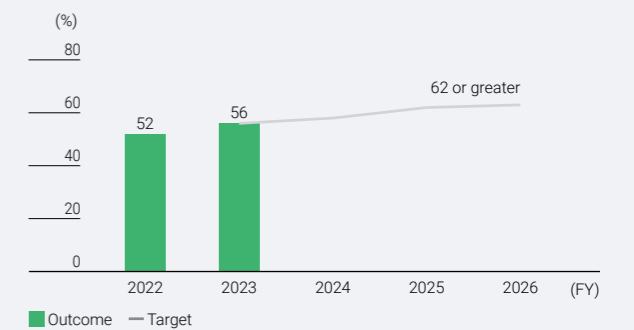


Activity (2): Workbooks and workshops to make employees aware of how their work is connected to our strategies



Issues identified in FY2023 survey results

Engagement Score Outcomes and Targets



① Score for production employees

- Engagement score around 10 points below Company average → need to strengthen initiatives to show employees how our products contribute to society

② Praise; understanding and awareness of level of contribution

- Praise is effective in increasing engagement (according to results of Company analysis)
- Production employees' score below Company average → need to create environment of mutual praise and increase understanding of how much our products contribute to society

Plan for activities in FY2024

Plan for main activities to resolve issues identified in analysis of FY2023 survey results

Activity (1): Analysis and feedback of FY2023 survey results by each department to verify effects of various measures and make further improvements

Activity (2): Promote understanding of new growth strategy; release various videos and carry out measures to foster understanding of how our products contribute to society

Activity (3): Continuously conduct engagement survey (U-Voice)

Realizing a Sustainable Society by Reducing Environmental Impact

Management Focus

4



Environmental Policy

Basic Philosophy

We at Ushio recognize symbiosis with the global environment to be one of today's most important challenges for enterprises. We pledge to contribute to the creation of a sustainable society by incorporating measures for environmental protection into every aspect of our business activities.

At Ushio, we have promoted initiatives to reduce our environmental impact and periodically review our efforts in consideration of the global situation and business environment based on the aforementioned basic philosophy. Reducing our environmental impact is one of the important issues covered by Ushio's Five Management Focuses. We have established goals for 2030 and work to achieve them by setting short- and medium-term goals through backcasting.

In our activities at the business location level, we are carrying out initiatives based on trends in each region in line with global

efforts to reduce environmental impact. One initiative is our efforts to expand our use of renewable energy.

We have expanded our theme of creating safe, secure, and green solutions to cover all business areas, including products, development, and services. To promote green design and development that contributes to energy saving, we have established energy saving as one of the certification criteria for our proprietary energy saving products. We will continue to contribute to energy conservation in society by promoting the sale of these products.

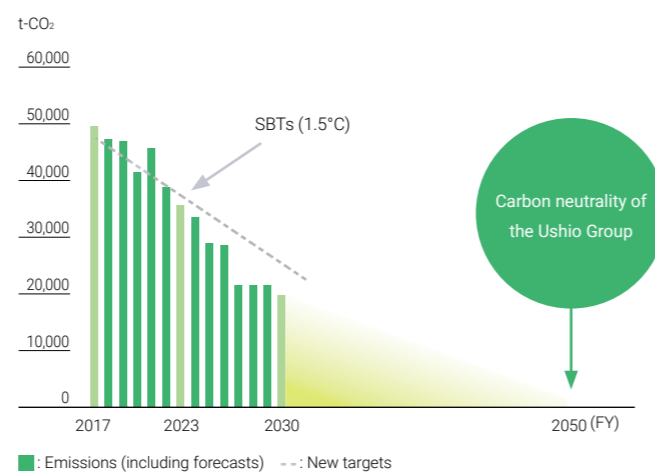
Efforts to Realize a Carbon-Free Society

As an initiative to address climate change, we have set targets for reducing CO₂ emissions from our business sites (Scope 1 and Scope 2) that have been certified by the Science Based Targets (SBT) and regularly review them while carrying out PCDA cycles.

In response to ongoing environmental changes and in consideration of the Special Report on Climate Change of 1.5°C, issued by the Intergovernmental Panel on Climate Change (IPCC) in 2018, the discussions held at the 2021 United Nations Climate Change Conference (COP26) in 2021, the revisions to SBT certification standards, and the Net-Zero Standard of the SBT, we have raised our Scope 1 and Scope 2 targets to a 55% reduction by fiscal 2030, compared with fiscal 2017, with the overall goal of becoming carbon neutral by 2050.

To achieve this target, we have been steadily implementing initiatives to reduce GHG emissions throughout the Group, aiming to realize a carbon-free society.

Results and Forecasts for SBTs (1.5°C)

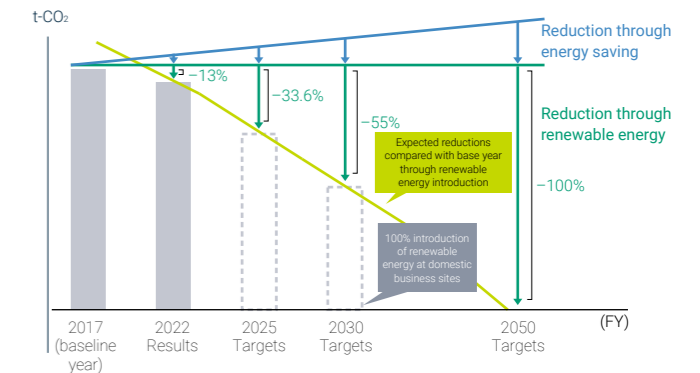


Establishment of Targets for Renewable Energy Introduction

One extremely important initiative in order to become carbon neutral by 2050 with the aim of realizing a carbon-free society is the introduction of renewable energy. Our target for 2030 is 100% introduction of renewable energy at all domestic business sites, and we are examining the formulation of similar targets at our overseas business sites.

Specifically, we are introducing and installing solar power generation equipment on the roofs of buildings at our Harima and Gotemba divisions. In future, along with introduction of solar power generation equipment at other sites, we will successively switch our existing purchased electricity to renewable energy.

Expected Emissions Reductions through the Introduction of Renewable Energy



Please refer to our website for details. <https://www.ushio.co.jp/en/sustainability/esg/environmental/ghg/>



Principles for Water Use Reduction and Waste Reduction

Ushio's Environmental Policy requires that we make efforts to conserve resources. We are now reducing the amount of resources that we use following this policy.

The attitude of taking good care of water resources is required not only for individuals but also for companies. The countries and regions where the Ushio Group is based, both in Japan and overseas, include areas where droughts affect water intake. We therefore recognize the need to properly confront, understand, and manage water, and have set KPIs in order to manage our efforts.

With regard to waste, Ushio aims to realize a recycling-oriented society by 2030, and has set policies and targets on resource

conservation and pollution prevention tied to the actual situation of divisions and Group companies, under which each division and Group company is working to carefully sort waste and increase the effective utilization of resources. Examples include lamp collection and recycling, primarily in Japan, and measures to conserve water in the United States.

Please refer to the following page on our website for details on Ushio's initiatives, including reduction of water resources and collection and recycling of lamps to conserve resources. <https://www.ushio.co.jp/en/sustainability/esg/environmental/resource/>



Independent Assurance of GHG Emissions

Ushio has undergone independent assurance by Bureau Veritas Japan to increase the reliability of GHG emission figures published in Ushio Report 2023 and on the Company's website. We will continue making improvements, including expanding the scope of assurance.

Please refer to our website for details. https://www.ushio.co.jp/en/sustainability/data/esg_data/



Items Covered by the Assurance

- GHG emissions (CO₂ emitted through energy generation within Scope 1 and Scope 2)
- GHG emissions within Scope 3 (categories 1 and 11). Please note that the scope of calculations for each category was based on decisions by Ushio.

* The assurance results posted on our website are for our GHG emissions in fiscal 2022. We plan to continuously undergo independent assurance of GHG emissions in future.

Realizing a Sustainable Society by Reducing Environmental Impact

Plan for Reducing CO₂ Emissions and Actual Results

	Plans	Status of achievement*	Actual results
FY2023	Reduce Scope 1 and Scope 2 CO ₂ emissions from divisions by 20.8% in terms compared to FY2017	✓	Reduced Scope 1 and Scope 2 CO ₂ emissions from divisions by 34.9% compared to FY2017
	Expand solar power generation at Gotemba Division and install new solar power at Ushio Lighting, Inc.	✓	Implemented expansion of solar power generation at Gotemba Division and new solar power installation at Ushio Lighting, Inc.
	Raise CO ₂ target to 1.5°C target	✓	Completed raising of CO ₂ target to 1.5°C target
FY2024	Reduce Scope 1 and Scope 2 CO ₂ emissions from divisions by 29.4% in terms compared to FY2017		
	Install renewable energy to ADTEC Engineering Co., Ltd.		
Medium-to long-term targets	FY2050 target: Achieve carbon neutrality in terms of Scope 1 and Scope 2 emissions		
	FY2030 target: Reduce Scope 1 and Scope 2 CO ₂ emissions of Ushio Group by 55% compared to FY2017		
	Reduce Scope 3 (Category 11) CO ₂ emissions by 33% compared with FY2017		
	Install renewable energy at 100% of divisions in Japan		
	FY2025 target: Reduce Scope 1 and Scope 2 CO ₂ emissions from divisions by 33.6% compared to FY2017		

* ✓: achieved — : not achieved

Topic: Results of Main Initiatives and Plans for Fiscal 2024 Onward

Ushio Harima Division

Harima Division accounts for about one-third of the Ushio Group's total CO₂ emissions, with most of these attributed to its electricity use. Therefore, from fiscal 2022, we switched all electricity at the division to electricity derived from renewable energy. As a result, its CO₂ emissions have been reduced to zero. From May 2023, we have been working to reduce our use of utility gas by upgrading equipment that runs on utility gas, such as air conditioners and absorption type cold and hot water generators, to energy-saving models.

Ushio Gotemba Division

The expansion of the division's solar power generation equipment (carport in the employee parking area) was completed, and power generation commenced in January 2024. Through this initiative, the division's electricity usage is expected to be reduced by 15%. We are also aiming to achieve zero CO₂ emissions by switching purchased electricity to renewable energy.

ADTEC Engineering Co., Ltd. Nagaoka Division

ADTEC Engineering Co., Ltd.'s Nagaoka Division accounts for about 17% of the Ushio Group's total CO₂ emissions, with over 90% of these attributed to its electricity use. In fiscal 2024, we are aiming to achieve zero CO₂ emissions by switching purchased electricity to renewable energy.

Ushio Philippines, Inc.

There is a difference in the amount of electricity generated during the rainy season and the dry season, but continuous solar power generation covers 5% to 8% of the total power generation for Ushio Philippines.

For electricity, which accounts for over 90% of the factory's total CO₂ emissions, we have begun purchasing electricity with a low CO₂ emission factor. This contributed significantly to the Group's overall reduction of CO₂ emissions (5%) in fiscal 2023.

▶ Information Disclosure in Accordance with the TCFD Recommendations

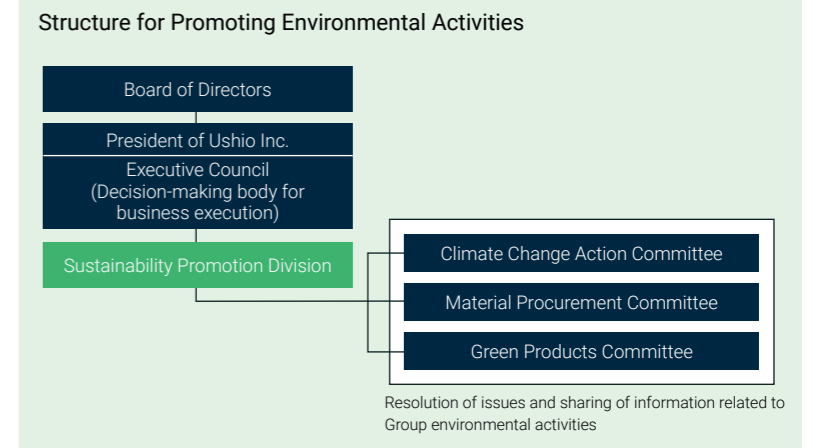
Ushio declared its support for the aims of the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations in 2021 and recognizes that climate change will impact sustainable growth of the Company. Moving forward, we will continue to use the TCFD recommendations as a basis for analyzing the risks and opportunities that climate change poses to our business and reflect this in management strategies while continuing to disclose relevant financial and management information.



Governance

With regard to the climate-related issues examined by the Sustainability Promotion Division (formerly ESG Promotion Headquarters, renamed in April 2024) and relevant committees, Executive Council meetings, chaired by the President and Chief Executive Officer, are held once or more each year to discuss such issues. The results of these discussions are reported to the Board of Directors.

The Board of Directors monitors targets for climate-related issues and the progress the Company is making toward achieving those targets.



Strategies

Selection of Climate Change Scenarios

We have selected the 1.5°C to 2°C scenarios and the 4°C scenario from among the climate change scenarios disclosed by the International Energy Agency (IEA) and other organizations. Based on these scenarios, we analyzed the impact of climate change on our business up through 2050.

Analysis Process

We organized the major climate change-related risks and opportunities that impact our businesses based on external information, and collected data on future forecasts pertaining to each of these risks and opportunities. In accordance with this, we estimated the business impacts of transition risks and opportunities associated with the shift toward a carbon-free society, and physical risks stemming from climate change. We then identified important risks and opportunities that could impact our business up through 2050.



Realizing a Sustainable Society by Reducing Environmental Impact

Results of Scenario Analysis

As a result of analyzing the financial impacts of risks and opportunities of high importance, we identified that flooding and other natural disasters would have a significant impact on our production bases, especially under the 4°C scenario. Meanwhile, we confirmed that we could mitigate the impact of climate change-related risks by making appropriate insurance arrangements at the applicable production bases.

Main Risks in the Area of Climate Change

Major Climate Change-Related Risks and Opportunities		Time Frame	Financial Impact of Climate Change-Related Risks and Opportunities
Transition risks	Carbon pricing, carbon emission reduction targets, and policies in each country	Medium-term	Enactment of a carbon tax on GHG emissions would increase operating costs by ¥200 million under the 1.5°C scenario and by ¥160 million under the 2°C scenario.*
	Rise in cost of raw materials	Long-term	Demand for minerals could become more pressing following the increased demand for low-carbon technologies (solar power, EV batteries, etc.). As a result, mineral prices and raw materials prices could rise.
Physical risks	Water shortages	Medium-term	Product production could be delayed or suspended due to restrictions on water intake in the wake of water shortages, and profit losses could occur as a result.
	Intensification of abnormal weather	Short-term	Product production could be delayed or suspended due to damage to our production bases caused by floods. The related property damage costs and profit losses would total ¥6.68 billion under the 4°C scenario. However, ¥6.67 billion of this amount could be covered by insurance.
		Short-term	Insurance rates and costs could increase due to greater risk of damages at production bases resulting from the intensification of floods and typhoons.

* Estimation based on forecasts for carbon pricing by the IEA and the amount of GHG emissions in each country

Main Opportunities in the Area of Climate Change

Type	Nature and impact of opportunity	Time frame	Measures to realize opportunity
Products and services	Business Creation Division	Short- to medium-term	<ul style="list-style-type: none"> Development of N₂O gas decomposition system Development of DAC equipment to separate and collect CO₂ Development of methane gas processing technology Development of cylindrical solar batteries for a fossil fuel-free society
	Industrial Processes Business	Short-term	<ul style="list-style-type: none"> Development and supply of semiconductor-related products (lithography equipment for packaging, EUV light sources, ultra-high-pressure UV lamps, etc.) Development and supply of products to be adopted in the manufacturing process of onboard batteries for vehicles
	Visual Imaging Business	Short-term	Improvement and development of products for greater electrical efficiency
	Life Sciences Business	Short-term	Supply of solution suited to changes in global environment regarding infectious diseases (Care222)
	All	Short- to medium-term	Development, manufacture, and sale of products that contribute to CO ₂ emission reduction and energy saving at customer sites
Increase in resource efficiency	Reduction of energy costs through streamlining of manufacturing and distribution processes	Short- to medium-term	<ul style="list-style-type: none"> Achieving energy targets Transition to and new introduction of high-efficiency facilities and delivery methods
Energy sources	Decrease in costs of renewable energy and increase in opportunities for usage due to promotion of energy saving	Short- to medium-term	<ul style="list-style-type: none"> Transition to renewable energy Installation of solar power equipment at Company factories
Other	Increase in business opportunities due to growing approval from society as a company working on decarbonization	Short-term	<ul style="list-style-type: none"> Disclosure of GHG emission reductions Response to trends in regulations and related bodies

Risk Management

In terms of risk management, the Company appoints a responsible division as well as a responsible director or executive officer to manage individual risks. Climate-related risks are identified, evaluated, and monitored on a regular basis under a Company-wide risk management structure. Risks deemed to be significant under quarterly Company-wide risk assessments are reported to the Board of Directors.

Indicators and Targets

Indicators

We have established the following two indicators and are monitoring our progress on climate change-related initiatives accordingly.

- GHG emissions (Scope 1, 2, and 3)*1
- Net sales of green products and super green products*2

*1 The Company's GHG emissions are displayed on its corporate website on a consolidated basis and by region and scope. Amounts have been calculated based on the GHG Protocol.

*2 We certify products with enhanced environmental performance as "green products" and "super green products" according to proprietary assessment standards. (Refer to "Development of Environmentally Conscious Products" below for details.)

Targets

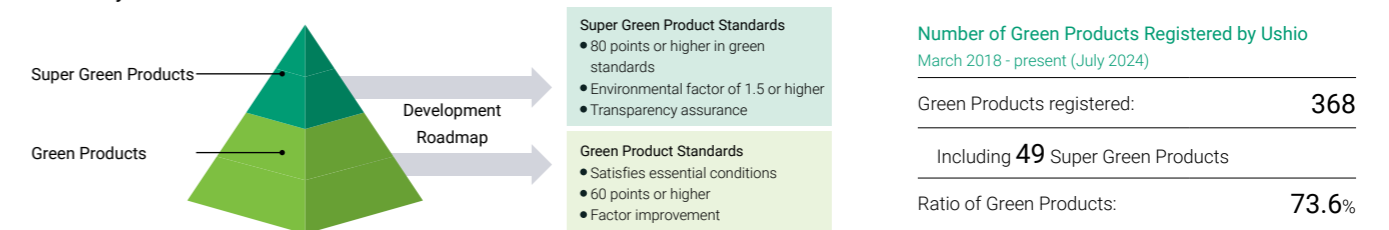
In consideration of recent global trends related to climate change, we set targets in 2018 that were approved by the SBT. Since then, we have made several revisions to these targets, and we currently aim to achieve a 55% reduction in Scope 1 + Scope 2 emissions by fiscal 2030, compared with fiscal 2017, and a 33% reduction in Scope 3 emissions. Additionally, we are examining specific issues we need to tackle in order to reach our target to become carbon neutral by 2050. In order to achieve these targets going forward, we will not only reduce CO₂ emissions from the activities at our business sites but also pursue the development of green products. By doing so, we will actively reduce Scope 3 emissions during the product use stage.



Development of Green Products

At Ushio, we incorporate our Green Product Assessment Manual into our Design Standards so we can pre-evaluate the environmental impact of our products starting in the design stage. When the environmental performance of a product has been improved based on this evaluation, it is certified as a "Green Product." If a product is outstanding even among green products, and uses innovative environmental technology on a completely different level from existing products, it is certified as a Super Green Product.

Ushio's System of Green Products



Specifically, when designing products, we conduct a Green Product Assessment. Products that clear more than 60 points in this assessment and satisfy necessary benchmarks, including improvement of environmental factors, are certified as Green Products, and products that actively utilize environmentally friendly technology according to our proprietary certification standards are certified as Super Green Products.

Super Green Products are top products that have outstanding environmental performance in areas such as energy saving, long life, 3R design*, material usage, and application, and meet the quantitative standards of Ushio Environmental Factor. 90 products have been certified as Super Green Products thus far.

* Designs encompassing the principles of Reduce (reduction of resource use and waste), Reuse (using materials multiple times), and Recycle (effective use of waste materials, etc.)

Principles on Human Rights to Earn the Trust of International Society

Management Focus

5



Basic Approach and Policy

At the Ushio Group, we believe respect for human rights is a fundamental underpinning of our efforts to build trust as a corporation that fulfills its responsibilities to the international community.

In this regard, the Ushio Group respects international norms and guidelines, such as the Universal Declaration of Human Rights, the UN's Guiding Principles on Business and Human Rights, the 10 Principles of the UN Global Compact (human rights and labor), the Declaration on Fundamental Principles and Rights at Work outlined by the International Labor Organization (ILO), and ISO 26000.

- We shall respect all the internationally recognized basic human rights relating to our business activities, and endeavor to create bright, safe and pleasant working environments. (10 Action Guidelines as a Member of Society, Chapter 3)

We will engage in no unreasonable discrimination in the hiring or treatment of staff members on the basis of race, gender, religion, faith, nationality, place of origin, physical characteristics, sexual orientation or any other factor not related to capabilities or the performance of duties and we will respect all diversity and free thinking.

- We shall work to earn the understanding and trust of society. (10 Action Guidelines as a Member of Society, Chapter 5)

We are aware of the roles and responsibility that we have as a member of society and are committed to the development of local economy and

communities and to harmony and mutual prosperity with society through job creation and maintenance and through procurement and other activities.

- We shall contribute to the development of respective regions where we conduct business as a member of the international community. (10 Action Guidelines as a Member of Society, Chapter 10)

We understand that overseas companies must be run with respect for the religions, cultures, customs, languages, values and other aspects peculiar to their respective countries and regions.

We believe the following descriptions exemplify the human rights that we must protect in our business activities and our relationship with society.

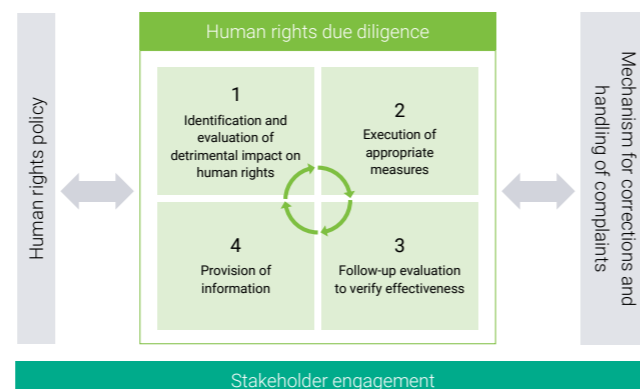
- Maintain working environments that facilitate work, prevent accidents at work, and prevent work-related injuries or diseases
- Prevent child labor, forced labor, slave labor, and discrimination
- Restrict excessive work hours
- Preserve equality and non-discriminatory practices, respect diversity and eliminate harassment
- Respect freedom of association and the right to collective bargaining and ensure a minimum wage and a livable wage
- Respect fundamental human rights as defined by the Universal Declaration of Human Rights, such as the right to life and liberty
- Protect the rights of children as vulnerable members of society

Human Rights Due Diligence

Ushio considers the abovementioned work important both within the Company and in its supply chain, and takes measures such as conducting investigations to ensure that there are no issues.

In addition to promoting Diversity & Inclusion within the Company, we support reforms in work practices throughout our supply chain under our Partnership Building Declaration, and conduct CSR investigations to verify the status of relevant initiatives, including human rights measures.

If our CSR investigation reveals that a business partner is failing to meet our standards, dialogue is conducted to verify the situation and provide guidance. In some cases, we may discontinue our business with the partner if we do not see any improvements.



Human Rights Due Diligence Framework

As a point of contact for our business partners, we endeavor to have a framework in place to answer questions and provide training whenever our business partners need us to, as well as providing a venue for regular exchanges of opinion so that all matters can be resolved appropriately.

Supply Chain Management

As stated in our Management Philosophy, Ushio has been implementing initiatives from an ESG management perspective. In addition to environmental measures, the Ushio Group's business partners are promoting CSR procurement throughout the supply chain, such as consideration for human rights, which has become increasingly important in recent years. In the past Environmental Action Plan, we established a system that enables us to conduct CSR procurement surveys on a regular basis. We have improved our CSR response capabilities through dialogue, including explanations to business partners, implementation of surveys, feedback on evaluation results, audits based on evaluations, and education and guidance. In collaboration with our Group companies and business divisions, we are

developing activities to promote understanding and dissemination of CSR procurement policies throughout the supply chain.

We are addressing the periodic implementation of CSR procurement surveys and dialogue as priority issues. We are reviewing the evaluation standards of the CSR Procurement Survey as necessary, establishing KPIs for recovery rates and risks, and expanding them to all of our Group companies. In addition, as an environmental initiative related to our procurement, we will focus on calculating Scope 3 Category 1 (CO₂ emissions from purchased products / services) and other topics to make CSR-oriented procurement efforts.

Plan for CSR Procurement and Actual Results

	Plans	Status of achievement*	Actual Results
FY2023	Maintain ratio of D and E ratings of less than 5% in CSR procurement survey at Ushio's domestic production sites	✓	Continuing from the previous fiscal year, continued to visit D- and E-rated suppliers to interview them about their CSR procurement status and provide guidance, resulting in a reduction of the ratio of D and E ratings to 1.2% in the FY2023 survey results
	Follow-up review of suppliers rated D and E		Confirmed with suppliers rated D and E in FY2000 survey, as well as new suppliers acquired after 2000
FY2024	Prepare for CSR Procurement Survey Discussion of implementation methods for the next CSR Procurement Survey		The Global Compact Network Japan format will continue to be used for the upcoming CSR procurement survey
	Maintain ratio of D and E ratings of less than 5% in CSR procurement survey at Ushio's domestic production sites		
Medium- to long-term targets	Provide guidance to improve performance level of suppliers rated D and E in FY2023 survey		Examine of methods for improving performance level
	Achieve a supply chain with minimal environmental impacts		
	Reduce CO ₂ emissions of parts and materials		
	Engage in CSR procurement with suppliers (including logistics) mindful of the SDGs		

* ✓: achieved