



USHIO

Ushio Report

2024

Year ended March 31, 2024

USHIO INC.

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USHIO

Applying Light to Life

What is light?

Ever since its foundation, Ushio has continued to search for the answer.
Because we know that light has the power to change the future.

A future where development is sustainable and safe for our planet.
A high-tech future like we've only seen in movies.
A future where lives we couldn't have saved, can be saved.

With light, the future can go beyond our imagination.
So today, we continue to believe and challenge the
endless possibilities of light.

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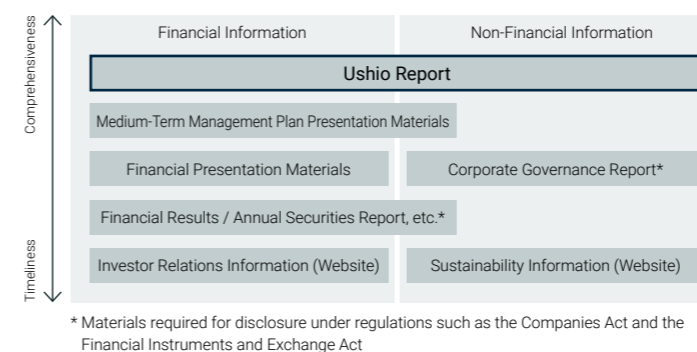
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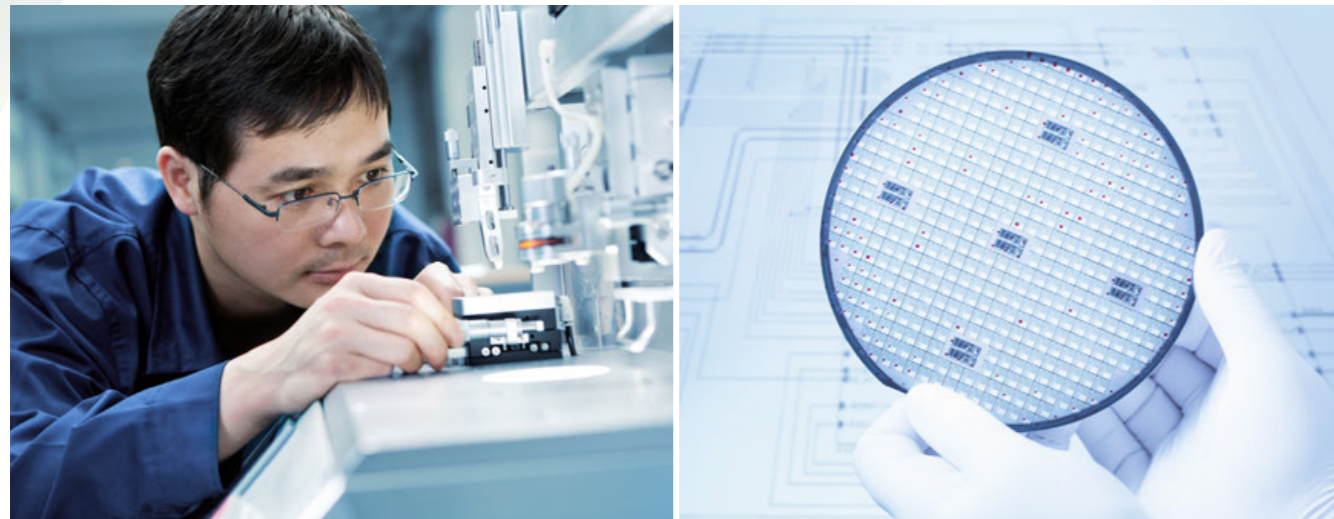
Editorial Policy

The Ushio Report describes the unique business development model of Ushio, which has grown by discovering the functions of light and giving them form. Presented as an engaging story, the report summarizes the information needed for understanding the possibilities of improving the long-term and sustainable corporate value of the Company. We hope that this report will enable all of our many stakeholders to understand the appeal of Ushio.

In this report, all of the information presented refers to the fiscal year ended March 31, 2024, unless another time period is specifically mentioned. In addition, when the name "Ushio" appears in the report, it refers to the entire Ushio Group, whereas the name "Ushio Inc." refers to the non-consolidated company Ushio Inc.

About Ushio

Ushio contributes to society in the four business fields of Industrial Processes, Visual Imaging, Life Sciences, and Photonics Solutions.



Industrial Processes

Comfort and Convenience

Our daily lives are becoming more convenient and comfortable thanks to advances in technology such as computers, smartphones, and LCD TVs. Advances in semiconductors and displays will be essential for advances in IoT and AI that will give even greater convenience and comfort in future.

Ushio's light technologies are being leveraged in areas such as the manufacturing processes of the semiconductors and flat panel displays that are essential for these technological advancements. To create products that meet global needs, we will use light to support technological advancement in manufacturing with the aim of realizing more comfortable and convenient lifestyles for people.



Visual Imaging

Excitement and Sharing

Ushio's light technologies are actively being put to use in various settings in the entertainment industry, including digital cinema, virtual reality, projection mapping at amusement parks, and stage lighting and production. To realize more fulfilling and abundant lifestyles for people, we will continue to leverage these technologies to deliver extraordinary experiences that inspire audiences and communicate to them the feelings of artists and creators.

Life Sciences

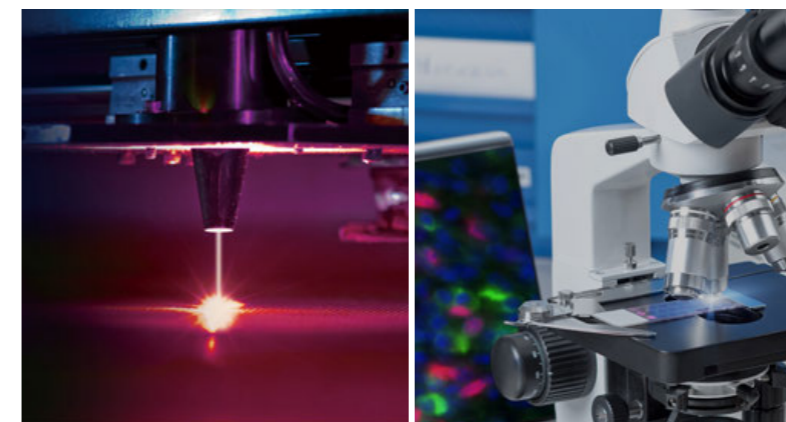
Safety and Reassurance

Ushio is promoting technological innovation through the utilization and application of light in such fields as environmental hygiene, medical care, agriculture, security, climate change countermeasures, and space exploration. By doing so, we will strive to realize a sustainable society that offers safety and peace of mind.



Photonics Solutions

Ushio is providing new value to a wide range of fields from electronics fields such as semiconductors to entertainment, medicine, and various industrial applications through our photonics technology. By doing so, we will contribute to the development of society.



Ushio at a Glance

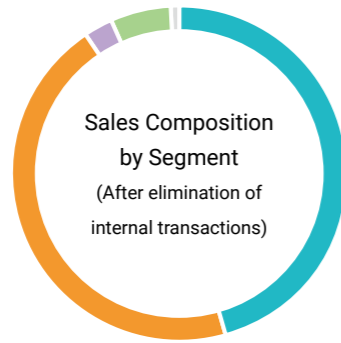
Ushio by the Numbers

FY2023 (Consolidated)

Net Sales **¥179.4 billion**

Operating Profit **¥12.9 billion**

Number of Employees **5,439**



Industrial Processes	45.8%	¥82.1 billion	Life Sciences	2.9%	¥5.2 billion
Visual Imaging	44.9%	¥80.5 billion	Photonics Solutions	5.7%	¥10.2 billion
Other Businesses	0.7%	¥1.3 billion			

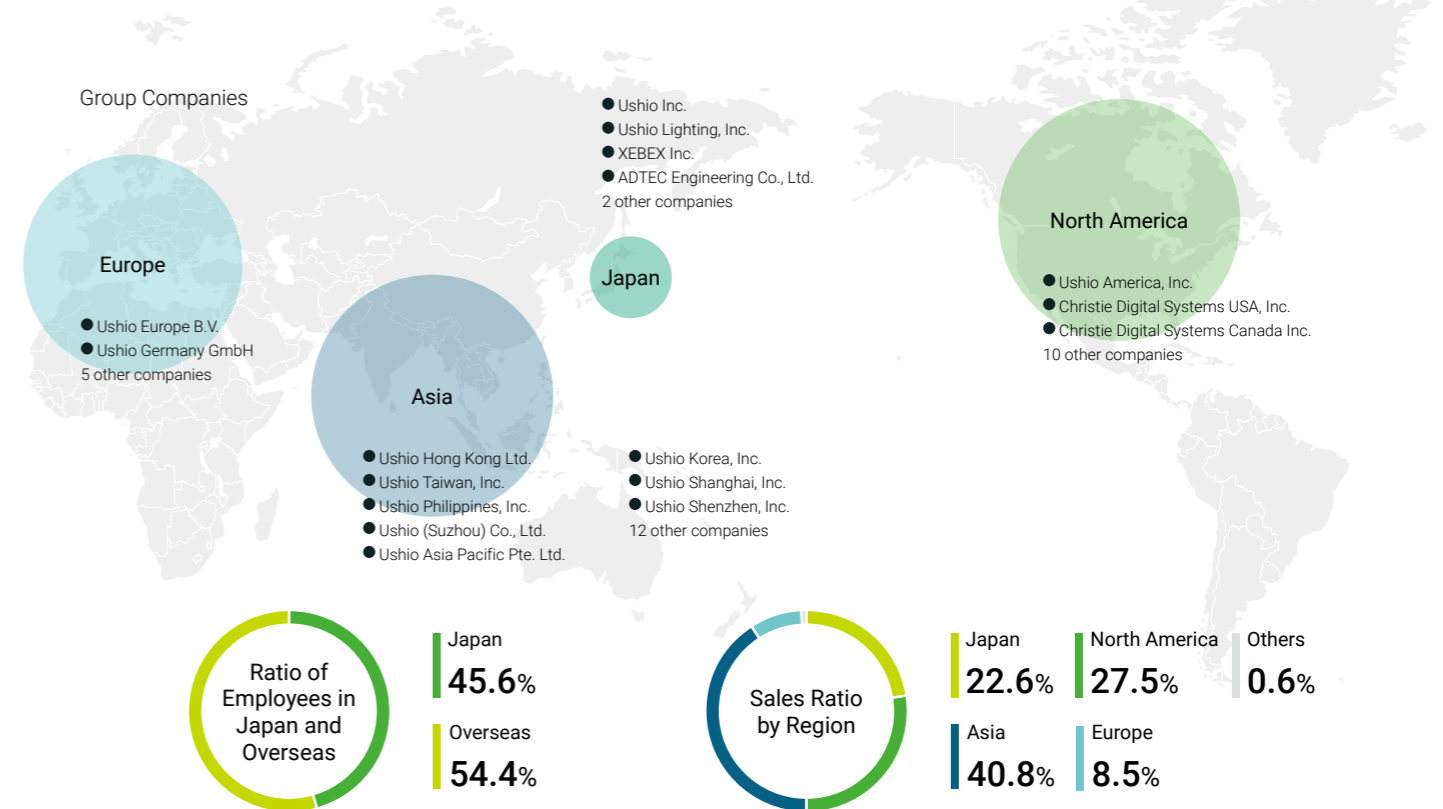
Our Four Business Segments

Ushio's four business segments of Industrial Processes, Visual Imaging, Life Sciences, and Photonics Solutions cover everything from the semiconductor manufacturing process to movie theaters, medicine and environmental health, all over the world. In these three business segments, we will continue to pursue the new potential of light in order to support human well-being and societal growth.

<p>Industrial Processes</p> <ul style="list-style-type: none"> Manufacturing processes for semiconductors, electronic devices, EVs, building materials, printing, etc. 	<p>Visual Imaging</p> <ul style="list-style-type: none"> Large-scale video projection and operation of equipment for entertainment spaces (theme parks, movie theaters, events, etc.) Public facilities, corporate control rooms, and video systems 	<p>Life Sciences</p> <ul style="list-style-type: none"> Extending healthy life expectancy (environmental sanitation, health-care, pharmaceuticals, and drug discovery) Helping to improve and maintain conditions for people Eliminating conditions that cause disease and helping to maintain health 	<p>Photonics Solutions</p> <ul style="list-style-type: none"> For semiconductor manufacturing equipment Integration with laser cinemas and AR / VR Gene sequencing and medical examinations / testing in ophthalmology and internal medicine
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Global Business Foundation

In the same manner as light, our business fields transcend national borders and span across the world. Our mission is to provide the necessary types of light sources to each country and region at the necessary times. Our global business foundation enables us to fulfill this mission.



Market Share of Major Products

UV Lamps for Semiconductor Lithography

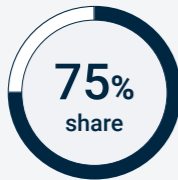
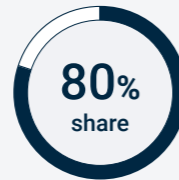
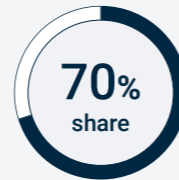
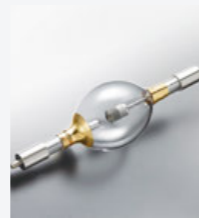


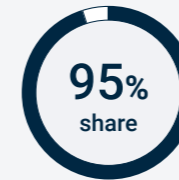
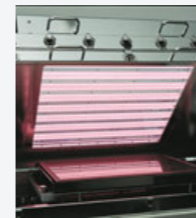
Photo-Alignment Equipment



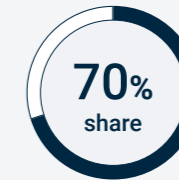
UV Lamps for LCD Lithography



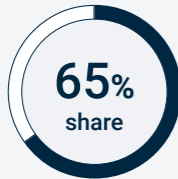
Excimer Irradiation Units for Cleaning Panels



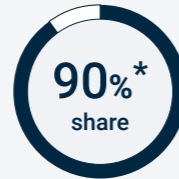
UV Curing Equipment for Bonding LCD Panels



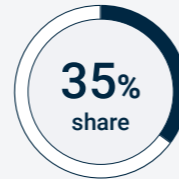
Lamps for Cinema Projectors



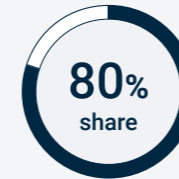
Large Field Steppers for Cutting-Edge IC Package Substrates



Digital Cinema Projectors



Halogen Lamps for OA Equipment



Direct Imaging (DI) Lithography Equipment for IC Package Substrates



* Cutting-edge IC package substrate market (stepper market)

* IC package substrate market (DI lithography equipment market)

Please refer to the following website for more details.
<https://www.ushio.co.jp/en/products/>



Top Message

Decisively executing long-term growth strategies with firm conviction to return Ushio to a growth trajectory

The Management Philosophy We Must Continue to Uphold

First, allow me to introduce myself. My name is Takabumi Asahi and I was appointed as President and Chief Executive Officer in April 2024. I worked for an information and telecommunication technology company for around 28 years, mainly in the semiconductor division. During my career, I have assumed management roles, such as serving as the CEO of overseas subsidiaries in countries such as the USA, and have also worked in marketing. After joining Ushio Inc. in April 2017, I worked in a number of roles such as manager of corporate planning before recently being appointed as CFO.

Being a CFO is typically considered to be totally different from working in marketing. But having experienced both, I feel that there are similarities between the two. In marketing, we analyze markets and assess the company to create frameworks to accurately “allocate” and efficiently deliver products and technical resources to markets where the company is most likely to succeed and can efficiently generate profit. Likewise, if you take an in-depth look at a CFO’s role, the CFO must divide businesses and resources into the optimal segments and appropriately “allocate” the limited funds that have been procured to perpetually increase the company’s value. As CEO, too, I will work on the optimal allocation of resources according to strategies based on accurate analysis of market trends. In the course of our management cycles, I will pay attention to whether our daily

business activities are in line with our strategies and whether the assumptions made in the development of our strategies have changed, and make fine amendments where necessary, taking a site-oriented view. Our Vice President, Tetsuo Nakano, will serve as COO and CSuO, overseeing operations for all of our businesses and the sustainability initiatives we will roll out in all of our operations so that our strategies can be carried out more effectively.

Ushio has a Management Philosophy that has been passed down through each generation since we were established in 1964. Even though it was created 60 years ago, the gist of it is needed in order to develop Ushio continuously. It is summed up in four brief, easy points. By continuing this Management Philosophy that our forerunners practiced, we have developed a culture where we are able to develop the innovations needed to respond to the changing demands of society and conduct our business in good faith to meet our customers’ needs. I believe that this has laid the foundations to earn the trust of customers around the world and position us as a leading niche company. There is no doubt that our Management Philosophy needs to be upheld for generations to come so that Ushio can continue to develop. With that said, there are some things we must change with firm conviction.

“If You Know the Enemy and Know Yourself, You Need Not Fear the Result of a Hundred Battles”

Sun-Tzu, a famous military philosopher from China’s Spring and Autumn Period and Warring States Period, wrote in one of his military strategy books, “If you know the enemy and

know yourself, you need not fear the result of a hundred battles.” I’m sure the meaning of this needs no explanation, but it perfectly encapsulates what has been lacking at Ushio.



Profile

Takabumi Asahi

President and Chief Executive Officer

- Apr. 1987 Joined Oki Electric Industry Co., Ltd.
- Apr. 2007 President and CEO, Oki Semiconductor Americas Company
- Aug. 2009 President and CEO, Oki Data Americas Inc.
- Aug. 2013 GM, Overseas Sales and Marketing Center, Marketing Dept., Oki Data Inc.
- Apr. 2017 Joined Ushio Inc. Deputy General Manager, Corporate Headquarters
- Apr. 2018 Executive Officer Deputy General Manager, Corporate Headquarters and General Manager, Corporate Strategy Division, Corporate Headquarters
- Apr. 2022 Director, Managing Executive Officer and Chief Financial Officer
- Apr. 2024 President and Chief Executive Officer (incumbent)

Top Message

Under Ushio's 2nd Medium-Term Management Plan from fiscal 2023 to fiscal 2025 (our previous Medium-Term Management Plan), the forecast for fiscal 2024 turned out to be much lower than the planned figures, and it is forecast that we will fail to achieve the management targets that were planned for the final fiscal year too. A major factor in this was the impact on our Industrial Processes Business from the rapid deceleration of the conventional PC and smartphone market, which had been recovering from the COVID-19 pandemic, and the resultant decline in the back-end process market for semiconductor manufacturing equipment. As market conditions changed rapidly, Ushio's reliance on our key customers became our downfall. Our business for light sources for EUV mask inspection also suffered from the emergence of other companies' light sources. Another factor was a delay in improving the profitability of unprofitable businesses.

When we look for the cause of these situations, we can see that our marketing was weak. This is a downside of being a strong performer in a niche area. Having a large share of a limited area is good while it lasts, but once a paradigm shift occurs, we can no longer operate with our primarily reactive business model that relies on specific customers, and we end up with the collapse we are seeing right now. The fact that we have not taken a broad view of our market environment limits our ability to become more versatile and adapt our products flexibly to suit customers' needs as we explore new markets; in fact, it has led to us fumbling our way through markets where we are not strong performers. The reason why we are not getting results no matter how earnestly Ushio employees try is because we are not fighting

on the "right grounds." And this is why I say "If you know the enemy and know yourself, you need not fear the result of a hundred battles." I believe that the most critical move Ushio needs to make is to strengthen our marketing capabilities to glean accurate information with a broad perspective, correctly assess our strengths, and take the right approach in areas where we have a high chance of success. From the moment I was appointed as President, I have been establishing systems to accomplish this.

One move I have made to that end was to assemble experts on technical marketing in an organization reporting directly to me. This organization is cross-functional with a high level of authority; it assesses market viability from a technical perspective and determines priorities for allocating resources. To a certain degree, I transfer authority to this organization. Strategies that require a large investment or are particularly critical will be assessed by our Global Strategy Executive Team (GSET), which comprises executives.

I believe that my mission is to bring Ushio "back to life" by thoroughly eliminating vague judgments and making all judgments logically based on the correct data, and by increasing Ushio's resilience to changes in our market environment and fighting on the "right grounds." It is with this firm conviction that I formulated our New Growth Strategy, Revive Vision 2030. The mission is "Utilizing 'light' as a means to provide not only 'illumination' but also 'energy' to contribute to the resolution of social issues and to technological innovation across the globe." The vision is "Becoming a 'light' innovation company: Growing together with our customers mainly in the Industrial Processes area."

Emphasis on Selection and Concentration in New Growth Strategy: Revive Vision 2030

The key of our New Growth Strategy, Revive Vision 2030 (fiscal 2024 to fiscal 2030) is to fully emphasize management efficiency (for more details, please refer to [P.15: Formulation of New Growth Strategy](#)). Increasing our long-stagnating ROE will not only improve shareholder returns but also create a positive cycle where we reinvest in our businesses and people, which generates more profits. This, in turn, will enable us to achieve the first point of our Management Philosophy: "Build both a prosperous Company and prosperous employees." The plan period is divided into two phases. For Phase I, which runs from fiscal 2024 to fiscal 2026, we have set a target of 8% ROE or more. I want to achieve this quickly to achieve PBR greater than 1. In Phase II, from fiscal 2027 to fiscal 2030, the ROE target will be increased further, to 12% or more. We will continue to enhance efficiency, or the profit margin, instead of seeking to expand the scale, as we work to achieve these targets.

Our policy for Phase I is, put simply, "selection and concentration." We will strengthen our marketing functions to redefine strategic areas and concentrate our management resources in strong businesses and areas, and will identify unprofitable businesses and revamp our business portfolio. We will continuously evaluate our businesses using hurdle rates such as WACC and flexibly review our investment plans to build a highly profitable business portfolio. Industrial Processes is our priority business where we will concentrate our resources. Particular focus will be placed on the semiconductor manufacturing equipment market, where there is a noticeable increase in demand for purposes such as AI technology, IoT, 5G, and in-vehicle applications with a view to 2030. There is intense competition between various players in this market, but we do not intend to directly take on the strongest players. We will break down the production process into fine categories and aim for low-competition areas where we can use Ushio's light technology to gain a competitive advantage. The semiconductor manufacturing process has a growing number of areas where we can utilize the light technology that Ushio is strong in, such as the lithography, heating and cleaning processes. We expect the lithography equipment business to be a particular growth driver for us, and the advanced semiconductor packaging market will be a particularly key target. I will explain the specifics of our strategy for this business later.

We will also carry out our strategy of "selection and concentration" in business units for other businesses. Our Visual Imaging business is one where profitability needs to be improved. Expansion of investment will be limited to businesses with a high degree of added value, while other areas will be judged selectively. The focus will be on improving profit margin rather than increasing the scale. Our Life Sciences business will remain an incubation business, but we will choose projects carefully and control investment, investing resources only in areas we judge to be reliable investments. With regard to our Photonics Solutions business, where we are building a business for our solid-state light sources, we aim to improve profitability to develop this business into a steady cash generator. If we judge that profitability cannot be improved, we will choose which areas to continue and which areas to withdraw from in this business as well. Additionally, we will pursue efficiency and certainty in all of our business activities. This will also include development investment. We plan to primarily invest in our Industrial Processes business with a view to contributing to profits in Phase II. This will be stringently monitored and reviewed annually to increase the certainty of returns. The same approach will be taken with Group management; we will respect the autonomy of our entities in each region while carrying out Group-wide optimization of operations that should be standardized from the perspective of overall optimization and enforcing global governance to ensure efficient use of management resources.

We must also consider the fact that the downside of "selection and concentration" is an increase in the volatility of our business results. We will be conscious of the balance between businesses and their customers and the diversification of our business model through the introduction of recurring businesses, so that we can build a resilient business structure that can continue to earn revenue in the event of rapid changes in our market environment. With regard to our heavy dependence on our key customers, an issue that we think needs to be solved particularly quickly, we are already establishing targets for improvement in the Industrial Processes business, our priority business.



Wielding a Competitive Advantage in the Advanced Packaging Market

As AI becomes more widely used and more advanced, the processing load is increasing, requiring greater performance from semiconductors. However, it will soon be physically impossible to achieve further miniaturization in conventional front-end processing, which has thus far followed Moore's law: the number of transistors in semiconductors' integrated circuits doubles about every two years. The technology being used to overcome this issue is advanced packaging, which contains a three-dimensional combination of multiple chips that each handle a specific function (chiplets) in an advanced package. Many of the world's major semiconductor manufacturers are rapidly expanding their use of this technology with a focus on back-end processing, and the market for associated equipment is expected to grow. We have designated Ushio's business for lithography equipment for advanced packaging as a growth driver for our Industrial Processes business, and we are concentrating resources here to increase our presence and profitability.

Our strategic partnership with Applied Materials, Inc., announced in December 2023, is significantly important to our strategy. By combining the cutting-edge technology of

Applied Materials, the leader in materials engineering solutions, with our management resources, we plan to introduce equipment with innovative Digital Lithography Technology for the advanced packaging market in fiscal 2025. Currently, it is the only product in the industry that can achieve the lithography performance level required for next-generation advanced packaging applications while delivering the throughput levels required for high-volume production.

Ushio already possessed an extensive range of products for this market, particularly steppers and direct imaging lithography equipment, but by adding products through our partnership with Applied Materials, we are now able to not only keep up with advances in semiconductor packaging but also provide one-stop solutions for all of customers' needs. This will also provide greater coverage for new semiconductor manufacturers, which we expect to alleviate our heavy dependence on key customers, which has been an issue. This market is expected to triple between 2025 and 2030. I want Ushio to gain a share of at least 50% and grow our business by 15% each year between now and fiscal 2030 to increase the profitability of our entire business portfolio.

Targeted Investment in Strategic Areas While Pursuing Capital Efficiency

As we work to achieve ROE of 8% or more in Phase I, we will optimize our balance sheet while revamping our business portfolio, as I just mentioned, to improve profitability.

At the end of fiscal 2023, our shareholders' equity was ¥236.9 billion with an equity ratio of 70.2%. We aim to reduce that to ¥180.0-190.0 billion by the end of fiscal 2026 and keep it below ¥200.0 billion thereafter. We will accelerate our sale of around ¥35.0 billion in securities (including the reduction of our cross-shareholdings policy, at a market value of around ¥19.0 billion) and shift funds from financial assets into business assets and shareholder returns. By utilizing these cash sources and interest-bearing debt, we will balance investing in growth and strengthening shareholder returns, and improve capital efficiency. We will spend ¥40.0 billion or more on growth investments throughout the three-year period, centering on digital lithography systems for advanced packaging in our Industrial Processes business. We will also consider M&A as an option, but we will be

highly selective, choosing targets only after careful marketing in areas that align with our growth strategies and where we have the know-how. We are not interested in M&A simply for the purpose of breaking into new businesses if we cannot demonstrate Ushio's strengths, even in areas we would typically consider promising.

To achieve the improvement of management efficiency outlined in Ushio's growth strategy, our shareholder return policy in Phase I stipulates a minimum dividend of ¥70 per share, and we will consider the business results for each period when deciding on our dividends. We also intend to repurchase ¥50.0-60.0 billion in treasury shares over the three-year period.

In Phase II, we will expand growth investments using free cash flow created during the period and manage our balance sheet to improve asset efficiency while working to achieve ROE of 12% or more.

Shifting Human Capital to Strategic Areas

In addition to balancing growth investments with improvement of asset efficiency, we will carry out strategies for the human capital who will be essential in order to properly carry out our growth strategies. Ushio is also continuing to promote the management of both business operations and sustainability efforts in our New Growth Strategy. This will go beyond formal initiatives to a policy that focuses on effectiveness for reliable creation of corporate value. A central initiative in Phase I is internal engagement, such as employees' understanding of our growth strategies, and external engagement, centering on external assessments. Tetsuo Nakano, our Vice President and CSuO, will cover this in his message (P.12). Here I will explain our policy for our human capital portfolio.

In order to properly revamp our business portfolio through "selection and concentration," centering on our Industrial Processes business, our personnel also need to be concentrated in that business. In particular, it will be

Innovation, Resilience, and Integrity

Based on past experience, where we repeatedly failed to achieve our targets, I understand that it will not be easy to gain everyone's trust no matter how extensively we explain our New Growth Strategy: Revive Vision 2030. First, I want to gain trust by properly executing each of the policies outlined in the strategy and demonstrating actual results through stringent monitoring of metrics. Obviously, I will endeavor to conduct plenty of dialogue and listen to everyone's views in good faith.

In order to turn our strategies into actual results, the most important thing is for our employees to understand the direction Ushio must take and apply that to their daily actions with a healthy sense of urgency shared by the entire Company. I sum up our growth strategy in three words. Innovation: we must bring back our spirit of innovation and foster a company culture of being open to change. Resilience: we must strive to be a highly durable company that acts quickly and responds flexibly to changes in our business environment. And integrity: we must maintain discipline, a strong sense of ethics, and sincerity. I am also prepared for the fact that it will take time and effort to

extremely important to increase human capital in technical sales, customer support, manufacturing engineering, production lines, and quality assurance, which are critical elements of the semiconductor manufacturing process, including in the area of advanced packaging. We will transfer personnel from other businesses while revising the staff composition of Ushio as a whole. Reskilling for the semiconductor manufacturing equipment area will be an important measure in order to accomplish this, but we will recruit highly specialized human resources globally if necessary. We will also simultaneously employ a policy of slimming down organizations and controlling total labor costs. I am aware that since we have built our business in a niche area, we have many personnel who are experts in their respective areas, so transferring staff will not be easy, but I plan to act uncompromisingly with a strong conviction in order to achieve this aim.

instill these in our employees. It is likely that this will not be received well by some of our employees. However, I am confident that if we pursue innovation, resilience, and integrity, Ushio will succeed in its revamps and return to a growth trajectory. I want to lead these revamps with conviction and show everyone the new Ushio.

I appreciate your ongoing support.



President and Chief Executive Officer,
Ushio Inc.

Message from the COO and CSuO

I dedicate myself to achieving our goals by closely supporting those on our frontlines and implementing highly effective activities through the management of both business operations and sustainability efforts

Profile

Tetsuo Nakano

Director, Senior Executive Vice President,
Chief Operating Officer, and
Chief Sustainability Officer



My Duty as COO and CSuO

I began working for Ushio Inc. in 1988. Several years later, I spent 12 years posted at Ushio Shanghai, Inc. and was involved in establishing sales and customer service bases throughout China before returning to Japan in 2019 to lead the Light Source business and serve as General Manager of the ESG Promotion Headquarters. The Chinese make decisions much more quickly than the Japanese: they will take on endeavors despite uncertainty if they have reason to believe that there is a chance of success, and will stop immediately if it proves fruitless. The mindset of judging quickly and acting quickly that I learned in China is something I still value today.

After serving as General Manager of the ESG Promotion Headquarters, I was appointed as COO and CSuO in fiscal 2024. This may be an unusual pairing, but business and sustainability are inextricably connected, and ultimately companies that create both economic and social value are the ones that are chosen. My duty is to carry out both of them together.

Our New Growth Strategy, Revive Vision 2030, which we announced in May 2024, was formulated with a strong resolve to put Ushio back on a growth trajectory through major reforms. In order to “Revive” Ushio as the name suggests, I am prepared to fulfill my duty to withstand opposition in the Company, explain this plan thoroughly until every employee accepts it, and steadily carry out our strategies.

On the business side, as COO, I want to clarify each department’s role so that we can carry out streamlined business activities.

When it comes to strategies and measures to achieve Phase I of Revive Vision 2030 (ROE of 8% or more), I will break them down and

translate them to make them easy for our employees to understand and internalize, enabling each individual to take ownership.

I also established a Business Expert Center in fiscal 2024, which reports directly to the COO.

This organization contains personnel from various departments and levels of command. Each member utilizes their own knowledge and experience to autonomously identify what is lacking in our business operations and take a central role in supporting divisions and subsidiaries. Particularly important KPIs of theirs at present are improving our marketing capabilities, developing talent, and building an effective company culture. I want to expand that job-based system throughout the whole Company in future.

Now, my other duty, the management of sustainability efforts. I often hear about companies pulling employees from existing CSR-related departments to create a new department dedicated to promoting sustainability. That department implements sustainability-related measures for the frontline employees who handle the company’s business operations, which are opposed by the employees, who are concerned with their immediate work, on the grounds that the department is not aware of the reality of that work and the measures are not possible. As a result, the measures are not implemented as smoothly as the department expected. For this reason, our Sustainability Promotion Division mainly comprises personnel who are experienced in business matters such as sales, marketing and development, with the aim of alleviating issues like that. I will employ the following policy to promote sustainability and carry out reforms with a team that is unique to Ushio.

My Basic Policy for Revive Vision 2030 as CSuO

Our Sustainability Promotion Division (formerly ESG Promotion Headquarters), which reports directly to me, will implement our Five Management Focuses, carry out measures to enhance internal and external engagement, and clarify targets for non-financial KPIs, taking a two-pronged approach of business and sustainability to achieve Revive Vision 2030. Our KPIs for enhancing internal and external engagement were mostly achieved in fiscal 2023. From fiscal 2024, we will continue to focus on enhancing both of these, and we expect this to contribute to our business results. We will employ three specific policies to this end. The first is activities to increase awareness of sustainability from a global perspective, since more than half of our employees are overseas employees. The second is to understand our front lines well and explore Ushio’s unique raison d’être to increase our own unique value instead of imitating other companies. The third is to deliver real ESG value that is supported, shared and understood.

By “supported, shared and understood” in our third policy, I do not only mean that we should gain a good reputation by enhancing our disclosures in response to requests from outside parties, nor do I mean that we can simply make a booklet to raise awareness about ESG, distribute it, and consider our job done. We will use wording that frontline employees can relate to as we share management’s views and get employees invested in this work, in a framework that enables that series of activities to be carried out effectively. We will carry out global activities in which we will utilize quantitatively analyzed data to identify each department’s strengths and weaknesses and provide feedback based on clear evidence about what each department needs to do to incorporate ESG into its operations. The purpose of these activities is to get the whole Group moving in the same direction to improve our corporate value.

Persistence Is the Key to Enhancing Internal Engagement

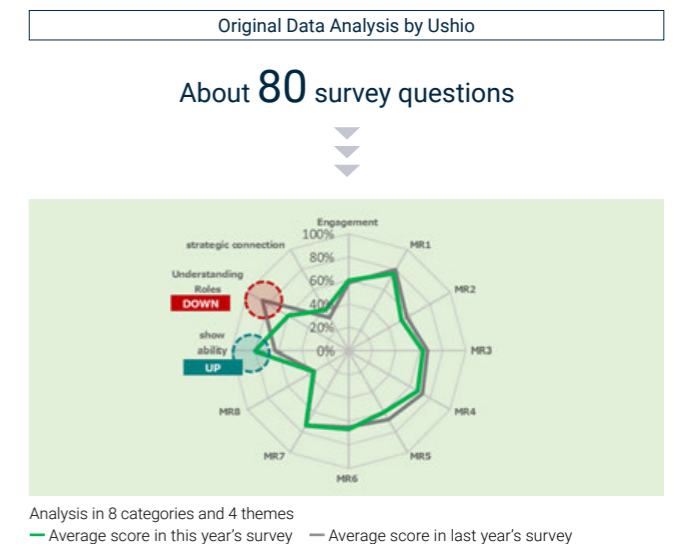
For internal engagement, we began successively conducting engagement surveys from 2021. This has been a series of trial and error. We conduct a proprietary analysis of about 80 questions, grouped into eight categories and four discrete themes. We also held 52 town hall meetings (fiscal 2023) to provide employees with an in-depth understanding of Ushio, including our management philosophy, management policies, and Medium-Term Management Plan, which were attended by around 1,400 employees. From the results of subsequent surveys, we saw a correlation between a site’s rate of attendance at the town hall meetings and its understanding of our management philosophy. We also hold workshops in each site and department to break down and explain our materiality. This fosters mutual understanding between department members and helps them to understand how our materiality is related to their work.

With that said, a major issue that we have noticed is that engagement tends to be low among employees in their late 20s to early 30s, who have worked for Ushio for several years and have come to understand the big picture of Ushio. These results make me ashamed as an executive, but I will take that feedback on the chin and continue with my trial and error in activities to make improvements. In fiscal 2024, we will conduct a survey for all of Ushio’s Group companies, including those overseas.

I always say that ESG is about persistence. When we provided e-learning for section managers and upward in the past to provide them with a more in-depth understanding of ESG management, we

sent follow-up notices to employees who had not completed the course, and if they still did not complete it, we eventually involved senior management. As a result, everyone completed the course. It takes time and perseverance to entrench ESG principles among all of a company’s employees. I will strive to continuously communicate the importance of ESG and get our employees to understand how serious I am on this matter.

Image of data analyzed in the internal engagement survey



Message from the COO and CSuO

Working to Enhance External Engagement

When it comes to enhancing external engagement (external evaluation), as with internal engagement, we are not simply leaving the work up to our sites. We are carrying out various initiatives, assigning the priority order of the tasks that are required and deciding matters such as who needs to do them and who the leader should be. I will outline three specific initiatives we are carrying out.

The first is methodology analysis. We are using data to quantitatively assess Ushio's strengths and weaknesses with regard to sustainability, sharing this information with the relevant departments, and discussing measures that need to be taken. From fiscal 2022, we have focused on FTSE as this is a useful index from a global perspective. We have identified Ushio's current score and the position we are in when it comes to environmental, social and governance matters. We will continue to conduct this analysis to quantitatively and qualitatively improve our communication of non-financial information.

The second initiative is involving relevant parties. Collaboration with various departments within Ushio is essential in order to enhance external engagement. This requires more than simply asking relevant parties for their cooperation. We provide feedback to the relevant parties on the evaluation results about information disclosed to external parties, along with details such as changes in our external engagement results for ESG from 2014 and how Ushio compares with the top performers for ESG.

The third initiative is the redesign of our sustainability website. Our website is an important point of contact between Ushio and our

many stakeholders. We have made our website clearer, and to earn a suitable grade from external evaluation bodies, we have enhanced our non-financial information, including updating our GRI Standards Comparison Table and UN Global Compact Comparison Table.

Please refer to the following URL to visit Ushio's sustainability website.
<https://www.ushio.co.jp/en/sustainability/>


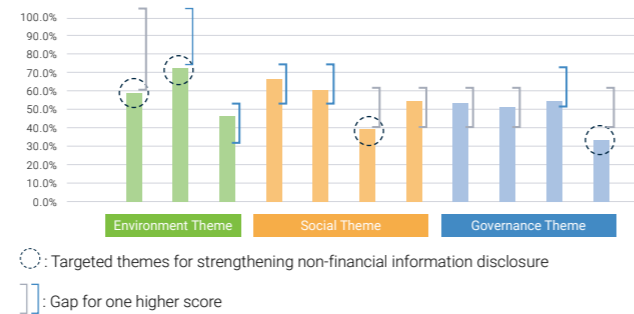


Image of data analyzed in the external engagement survey

ESG Management Unique to Ushio

Evaluate Strengths and Weaknesses of Ushio's Sustainability Performance
 Enhance Quantity and Quality of relevant non-financial information disclosures

Gap Analysis of External Evaluation Result



Compliance with Regulations

The significance of our Sustainability Promotion Division's activities is the maximization of our corporate value. In order to accomplish this, we need to comply with new regulations requiring the

disclosure of non-financial information. We are constantly attuned to the latest trends and respond fully, quickly, and accurately.

Striving to Be a Company Our Employees Can Be Proud Of

Each time I returned to Japan during my time in China, I met with Mr. Jiro Ushio, who was Founder and Chairman at that time, and the first thing he always asked me was how my family was. It really impressed upon me that Ushio is a company that embodies the management philosophy of "Build both a prosperous Company and prosperous employees." President Asahi's message also espouses that management philosophy. In order to continue to create that value in future, we must continue to uphold that excellent

management philosophy and carry out reforms with firm conviction, with all of our employees working together toward a common goal.

My vision for Ushio mirrors my duties as COO and CSuO. Our young employees are the ones who will be running this company in five to ten years, so I want them to like this company and be proud of being part of it. For this reason, I will trust our employees and work closely with them, giving my best effort to increase Ushio's value internally and externally.

Formulation of New Growth Strategy

: For More Effective Strategies

Following various changes in our business environment, we reverified the Medium-Term Management Plan and formulated New Growth Strategy: Revive Vision 2030. On the next pages, we will explain the specifics of Ushio's New Growth Strategy.

Guiding Principles for 2030

Ushio formulated a mission and vision for 2030 to be implemented throughout the three Medium-Term Management Plan periods from fiscal 2020, and has been implementing these thus far, but due to significant changes in our business environment, we now expect it to be difficult to achieve the 2nd Medium-Term Management Plan (fiscal 2023 to fiscal 2025) announced in May 2023.

On the other hand, new possibilities for growth have also surfaced. With this in mind, we reviewed our Medium-Term Management Plan and formulated a new growth strategy with fiscal 2030 as the final year, as well as stipulating our Guiding Principles for 2030 (new Mission and Vision), which we announced in May 2024.

Under our New Growth Strategy, we aim to become a "light" innovation company and grow together with our customers mainly in the Industrial Processes area.

Mission

Utilizing "light" as a means to provide not only "illumination" but also "energy" to contribute to the resolution of social issues and to technological innovation across the globe

Vision

Becoming a "light" innovation company

Growing together with our customers mainly in the Industrial Processes area

Industrial Processes (IP)

Helping to create convenient and comfortable social infrastructure through optical processing technologies

- Manufacturing processes for semiconductors, electronic devices, EVs, building materials, printing, etc.

Visual Imaging (VI)

Delighting people and delivering shared experiences to people through imaging and lighting technologies

- Large-scale video projection and operation of equipment for entertainment spaces (theme parks, movie theaters, events, etc.)
- Public facilities, corporate control rooms, and video systems

Life Sciences (LS)

Providing the world and its people with peace of mind and safety through the use of optical technologies

- Extending healthy life expectancy (environmental sanitation, healthcare, pharmaceuticals, and drug discovery)
- Helping to improve and maintain conditions for people
- Eliminating conditions that cause disease and helping to maintain health

Photonics Solutions (PHS)

Creating and providing value with customers in order to contribute to society's advancement through photonics technology

- For semiconductor manufacturing equipment
- Integration with laser cinemas and AR / VR
- Gene sequencing and medical examinations / testing in ophthalmology and internal medicine

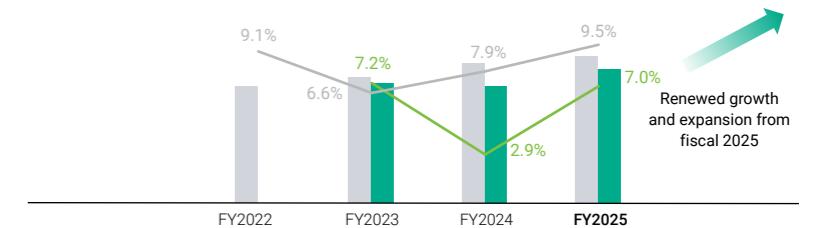
Backdrop to Review of Medium-Term Management Plan

Review of the 2nd Medium-Term Management Plan

Progress Under Previous Medium-Term Management Plan and Latest Forecasts

In fiscal 2023, the first year of our 2nd Medium-Term Management Plan, the conditions of the semiconductor and flat panel display markets worsened and the state of competition changed, drastically changing Ushio's business environment. In fiscal 2023, sales fell short of the initial plan but we were able to achieve our operating income target. However, conditions in fiscal 2024 are difficult, with both sales and profit forecast to decrease year-on-year. Upon reviewing our Medium-Term Management Plan in response to these conditions, while our performance is expected to improve by fiscal 2025, the final year, it is forecast that we will not meet our sales or operating income targets.

Progress under previous medium-term management plan and latest forecasts



■ Net sales (previous medium-term management plan) ■ Net sales (latest forecast)*
 — Operating margin (previous medium-term management plan) — Operating margin (latest forecast)*

	FY2022	FY2023	FY2024	FY2025
Net sales (previous medium-term management plan)	¥175.0 billion	¥188.0 billion	¥210.0 billion	¥220.0 billion
Net sales (latest forecast)*	-	¥179.4 billion	¥175.0 billion	¥200.0 billion
Operating margin (previous medium-term management plan)	9.1%	6.6%	7.9%	9.5%
Operating margin (latest forecast)*	-	7.2%	2.9%	7.0%

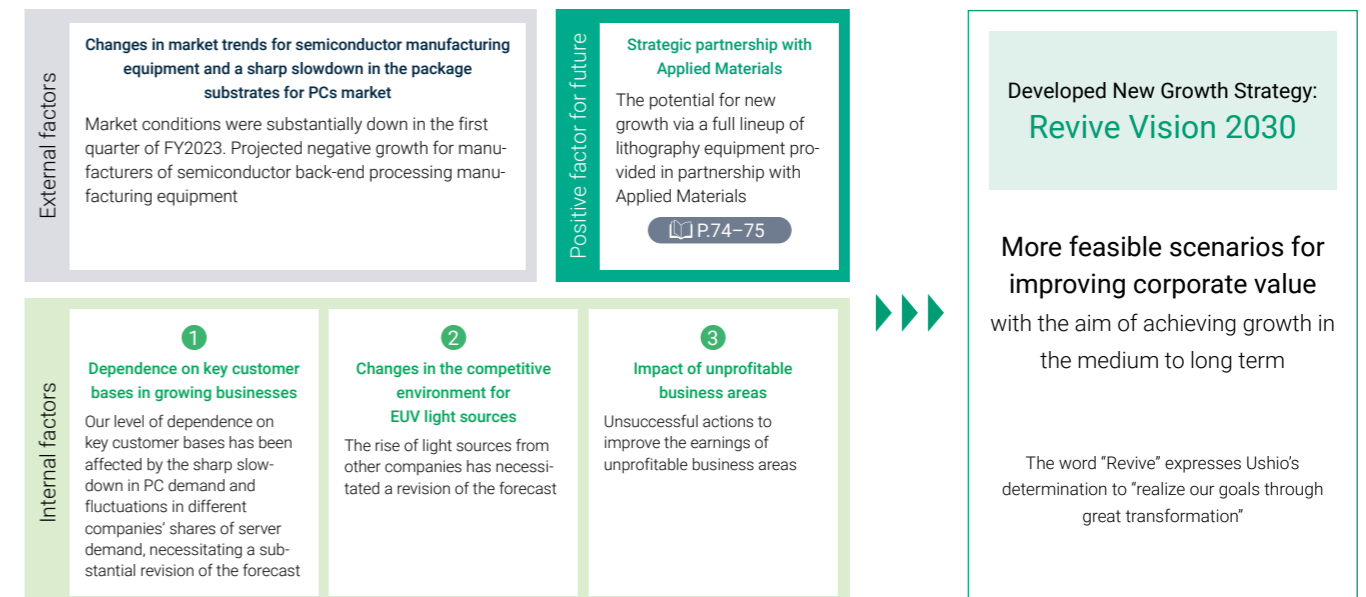
* Figures for FY2023 are actual results; figures for FY2024 have been announced as forecasts for the full year

Factor Analysis and Formulation of New Growth Strategy

Upon conducting an analysis of the factors necessitating a revision of our forecast, we recognized a positive factor for the future in addition to external and internal factors.

To further strengthen strategic focus areas we identified based on these factors, we formulated New Growth Strategy, Revive Vision 2030, as a strategy with more feasible scenarios for improving our corporate value.

Factors for the revised forecast

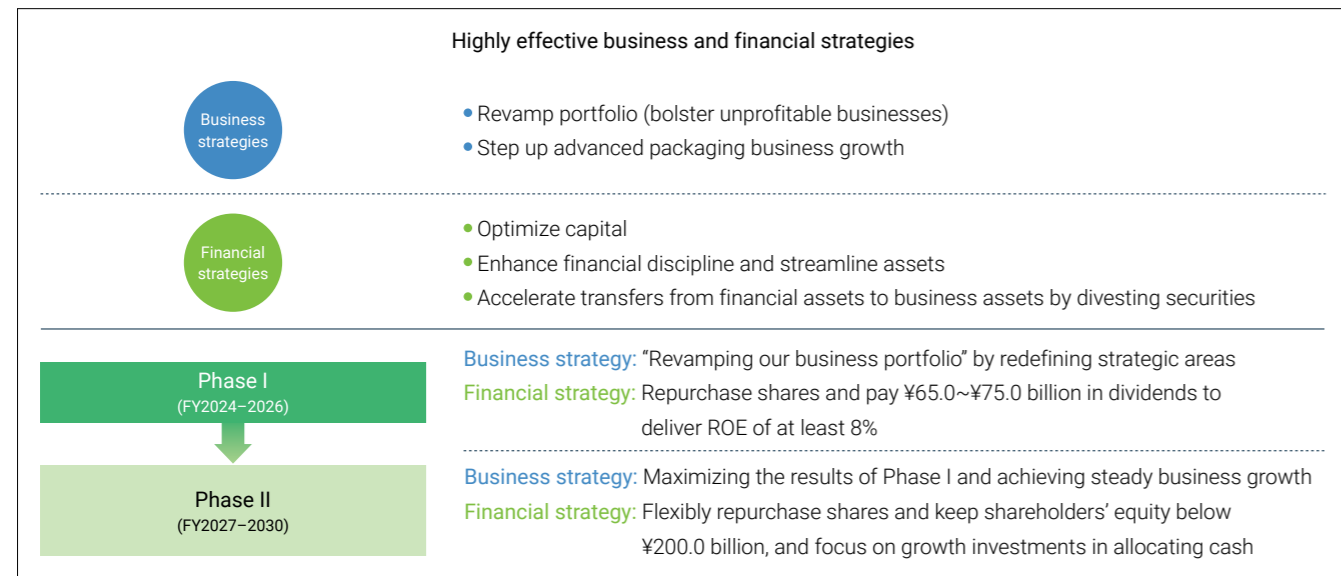


New Growth Strategy: Revive Vision 2030

The policy of our new growth strategy is "A growth strategy emphasizing management efficiency." Specific policies are to concentrate resources on our Industrial Processes Business, which has high potential for growth, to drive expansion; implement measures with a focus on profitability to enhance "efficiency"; and balance growth investments and capital efficiency. The period until fiscal 2030 has been divided into Phase I (fiscal 2024-2026) and Phase II (fiscal 2027-2030) for the formulation of our business strategies and financial strategies. The plan will be stringently monitored to increase feasibility.



* Ushio could experience unexpected temporary performance impacts from engaging in selection and concentration initiatives (business acquisitions, divestitures, and withdrawals) in revamping its business portfolio to enhance corporate value. It will promptly disclose any such developments.



Basic Policy of Phase I

The basic policy of Phase I is to redefine strategic areas while further enhancing areas of strategic priority through selection and concentration.

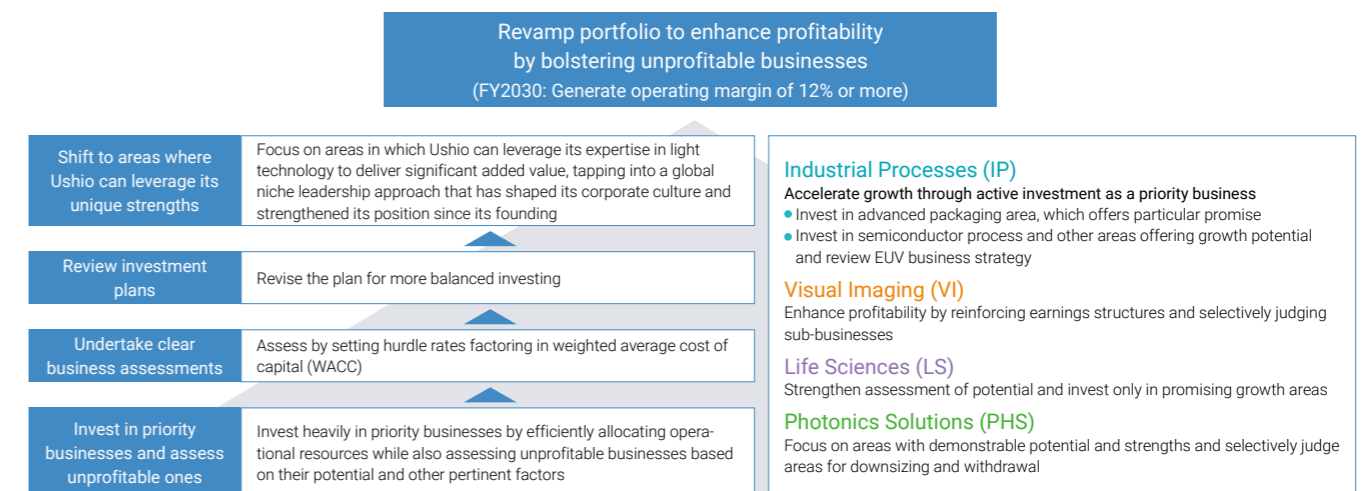
	Strategy	Goals of Phase I (FY2024-2026)
Business strategy	Bolstering unprofitable businesses and revamping our business portfolio	<ul style="list-style-type: none"> • Proactively investing in priority businesses (areas) such as the IP business by optimizing the allocation of management resources while distinguishing unprofitable businesses in light of their future potential
	Expanding a promising IP business P.72-73	<ul style="list-style-type: none"> • IP business: Net sales for FY2023: ¥82.1 billion → FY2026: ¥110.0 billion → FY2030: ¥140.0-150.0 billion Operating margin for FY2023: 13.2% → FY2026: 14% or more → FY2030: 18-20%
	Accelerating growth in the advanced packaging market P.74-75	<ul style="list-style-type: none"> • Expanding the growth of lithography equipment in the IP business, a growth area, at a compound annual growth rate (CAGR) of 15% or more from FY2023 to FY2030
	Policy on investing in development	<ul style="list-style-type: none"> • Revising the plan for more balanced investing • Prioritizing and expanding investment in the area of IPs, which is expected to grow and expand • In PHS business and LS business (including new businesses), focusing on areas offering better growth prospects
Financial strategy	Reviewing capital efficiency and the balance sheet	<ul style="list-style-type: none"> • Seeking to achieve an ROE of 8% or more in FY2026 and achieving a PBR greater than 1 early on • Plans to use ¥65.0-75.0 billion yen to repurchase shares and pay dividends, stipulating a minimum dividend of ¥70 per share • Reducing securities holdings by at least ¥35.0 billion (plans are to reduce securities holdings by at least ¥15.0 billion in Phase II) • Shareholders' equity shall be ¥200.0 billion or less.

Business Strategy Bolstering Unprofitable Businesses and Revamping our Business Portfolio

In the revamping our business portfolio, we will bolster unprofitable businesses and revamp our business portfolio to center our Industrial Processes business, which is our priority business, in order to enhance profitability (achieve operating margin of 12% or more* by fiscal 2030). We will also undertake clear business assessments and revise the plan for more balanced investing to facilitate a shift to areas where Ushio can leverage its unique strengths.

* Operating margin is a reference figure

Approach to Revamp of Portfolio

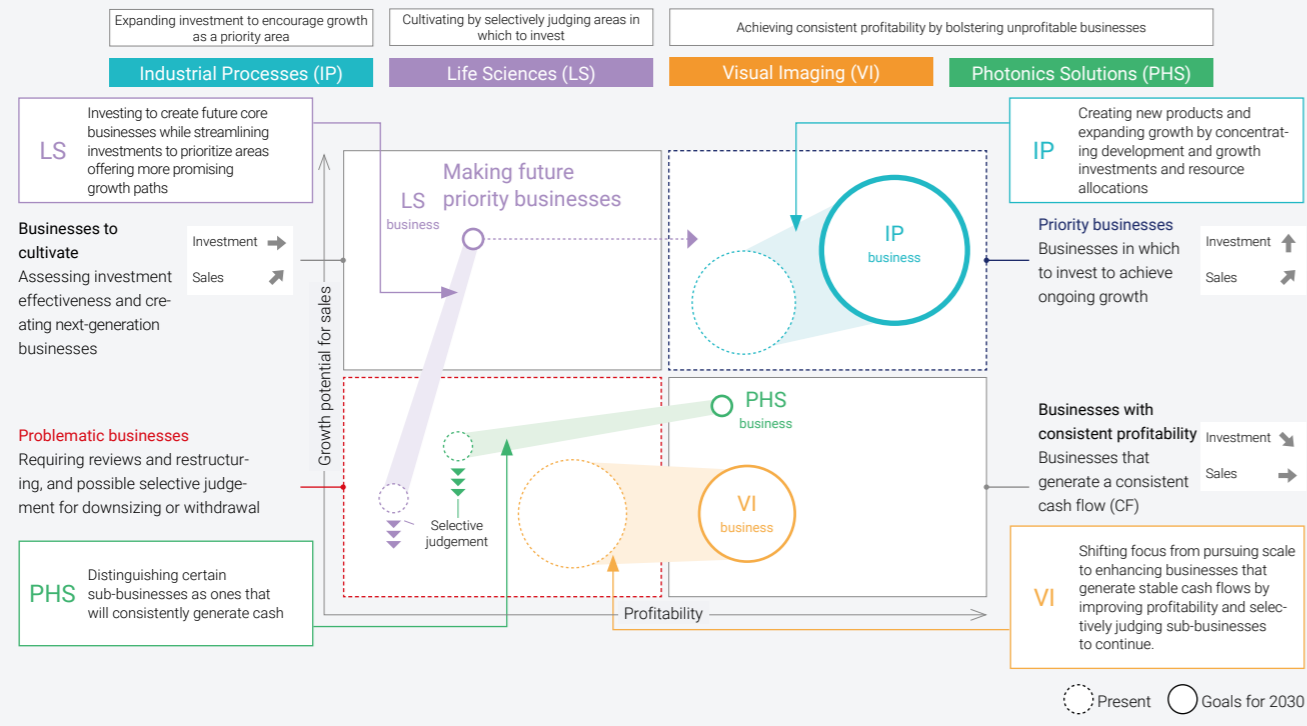


Note: Constantly reassess VI and PHS businesses with a view to generating anticipated profit margins

New Growth Strategy: Revive Vision 2030

▶ Revamp of Business Portfolio for All Segments

In all of our businesses, we will focus our investments on priority areas, narrow down projects, particularly in unprofitable businesses, and selectively judge businesses to determine the directions we should take.

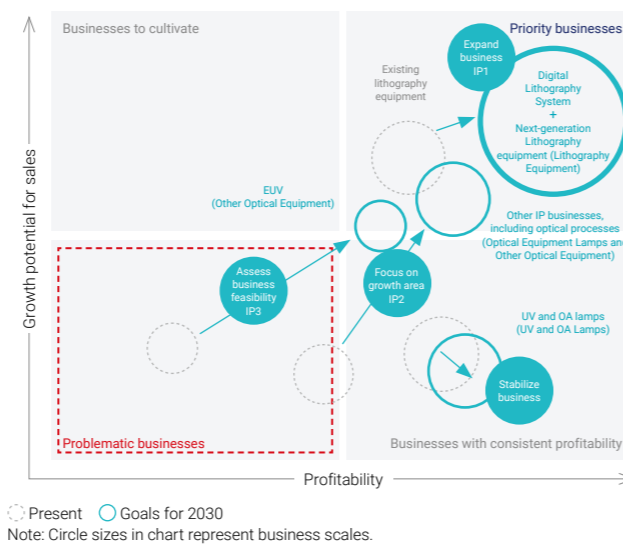


Envisaged Industrial Processes business portfolio

Positioning as a priority business, aiming for continuous growth expansion through concentration of development and growth investments and allocation of resources

- **Area for growth by increasing and sustaining investments**
Lithography Equipment Business: Create a full product lineup to achieve growth in advanced packaging market
Other IP businesses, including Optical Processes: Expand business by bolstering product competitiveness
EUV Business: Enter areas such as High-NA lithography. However, look to downsize or withdraw from the market if business is no longer feasible.

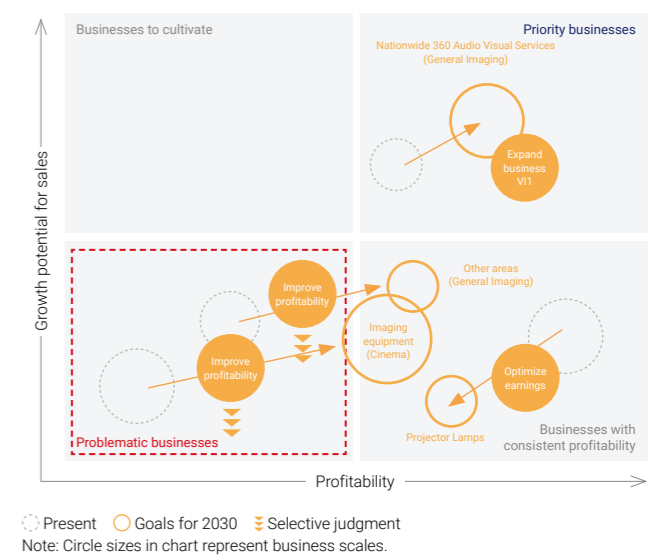
- **Area for stabilization**
UV and OA Lamps Business: Maintain as stable cash-generating business through ongoing investments to boost competitiveness
- As a promising business that could become a future growth driver, we will simultaneously pursue new potential in the market for inspection and analysis equipment, where Ushio's unique light source technologies can be leveraged



Envisaged Visual Imaging business portfolio

Positioning as a profit improvement business, aiming to make it a stable cash-generating business by improving profitability without pursuing business scale

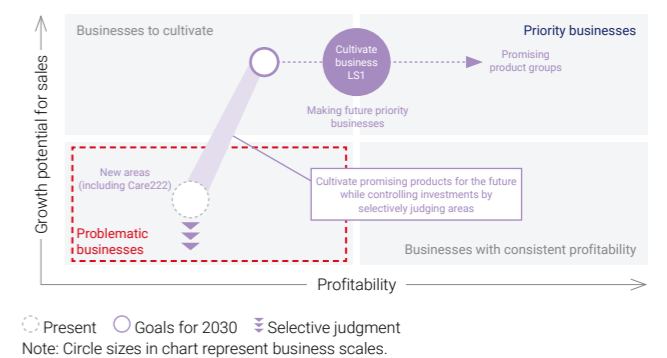
- **Area for growth by increasing investments**
Nationwide 360 Audio Visual Services Business: A high value-added business. Consolidate resources to scale up operations and drive revenue growth.
- **Area for controlling investments and generating consistent profitability**
Other Areas of General Imaging and Imaging Equipment Business for Cinema: With market growth limited, focus on improving and enhancing profitability through selection and concentration rather than pursuing business scale
- **Area expecting shrinkage**
Projector Lamps Business: As the market is forecast to shrink due to the shift to solid-state light sources, optimize earnings by prioritizing cost reductions while maintaining and expanding market share



Envisaged Life Sciences business portfolio

Positioning as a cultivating business, we will cultivate sub-businesses by selectively judging projects more than ever

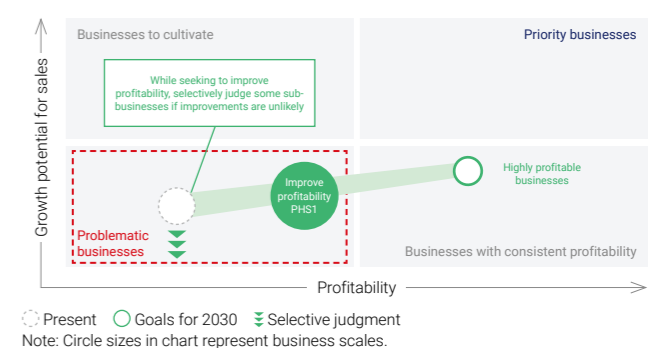
- **Area for cultivation of new businesses**
New Areas (including Care222) and Promising Product Groups: Control investments and selectively judge projects, and then invest in those judged to have a high certainty of business growth and cultivate them as promising product groups
- **Area for stabilization**
Medical Devices and Healthcare Business: Keep refreshing product lineup and secure stable earnings as this business generates stable earnings



Envisaged Photonics Solutions business portfolio

Positioning as a growth and review business, we will make it a stable cash-generating business by selectively judging areas to invest in and to be reviewed

- **Sub-businesses that are not expected to become more profitable after considering competitiveness and growth potential will be selectively judged based on assessment.**



For details on our strategies for each business, please refer to P.70-83: Creating New Markets with "Light"

New Growth Strategy: Revive Vision 2030

Business Strategy Policy on investing in development

Our policy is to invest to achieve contributions to earnings in Phase II towards our goals for 2030.

By more closely monitoring investment periods and profit contribution and reviewing investment area allocations annually, we will achieve more certain investment and growth.

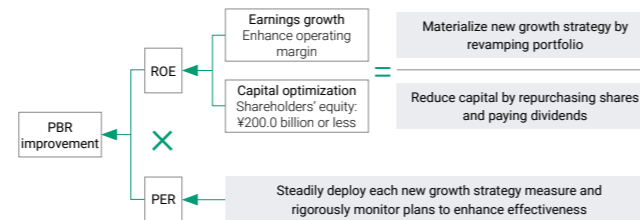
	Cumulative development investment (FY2024–2026)	Development investment details		Icons are linked with those in the envisaged portfolios on P20–21	
IP Industrial Processes	¥28.0 billion	Lithography equipment	Approximately ¥15.0 billion	<ul style="list-style-type: none"> Develop and launch Digital Lithography System with Applied Materials Develop next-generation lithography equipment 	IP1
		EUV	Approximately ¥6.0 billion	<ul style="list-style-type: none"> Develop to enhance brightness and stability and reduce costs to enter High-NA area 	IP3
		Others	Approximately ¥7.0 billion	<ul style="list-style-type: none"> UV Lamp: Enhance illumination and service lives, develop new lamps for emerging fields Semiconductor thermal processes: Innovate LED heating sources, etc. 	IP2
VI Visual Imaging	¥7.5 billion	Imaging equipment	Approximately ¥7.5 billion	<ul style="list-style-type: none"> Develop new products to provide high added value, etc. 	VI1
LS Life Sciences	¥8.5 billion	-	Approximately ¥8.5 billion	<ul style="list-style-type: none"> Invest in and cultivate products for promising areas Undertake initiatives to create promising businesses 	LS1
PHS Photonics Solutions	¥3.5 billion	-	Approximately ¥3.5 billion	<ul style="list-style-type: none"> Develop to expand product lineup and become more competitive 	PHS1
Total	¥47.5 billion				

Financial Strategy Reviewing capital efficiency and the balance sheet

Initiatives to Boost PBR

One of our challenges is to boost PBR. We will achieve our ROE target exceeding the cost of shareholders' equity* through enhancement of our operating margin by steadily deploying our New Growth Strategy and optimizing capital by increasing shareholder returns.

We will steadily execute our plans and rigorously monitor them to enhance effectiveness in order to increase PER and achieve a PBR greater than 1 early on.



* Cost of shareholders' equity: Approximately 7%
Estimated weighted average cost of capital (WACC): Approximately 6%

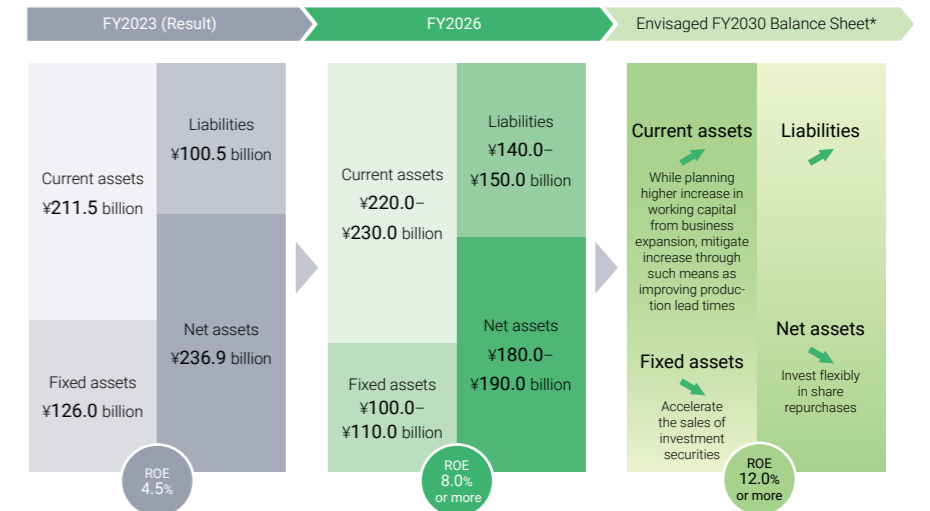
Stance and Specific Measures to Improve ROE

	FY2023 (Result)	FY2026	Measures to improve ROE
ROE	4.5%	8% or more	FY2030: 12% or more
Net profit margin Net profit / Sales	6.0%	Around 8%	<ul style="list-style-type: none"> Improve net profit margin by deploying all new growth strategy measures in line with portfolio revamping
Assets turnover Sales / Total assets	0.53 times	Around 0.6 times	<ul style="list-style-type: none"> While planning higher working capital from expansion of business for advanced packaging, reduce asset levels by improving production lead times, particularly for lithography equipment Accelerate the sales of securities to shift funds from financial assets into business assets and shareholder returns
Financial leverage Total assets / Shareholders' equity	1.42 -fold	Around 1.7 -fold	<ul style="list-style-type: none"> In Phase I: Increase shareholder returns by lifting share repurchases and stipulating minimum dividend levels to optimize capital*. (*Keep shareholders' equity below ¥200.0 billion) In Phase II: Flexibly repurchase shares Use interest-bearing debt to enhance financial leverage

Balance Sheet Management Policies

With regard to our balance sheet, we will expand growth investments but also maintain financial discipline and improve asset efficiency. Our main objective is to keep shareholders' equity below ¥200.0 billion. Through sales of securities, we will accelerate the shift of funds from financial assets to business assets and shareholder returns. Additionally, we are planning to expand working capital through business expansions, but balance sheet management such as more closely monitoring of asset turnover ratio will also be employed.

- Keep shareholders' equity below ¥200.0 billion by controlling capital through increased shareholder returns
- Accelerate the sales of securities to shift funds from financial assets into business assets and shareholder returns
- While planning working capital expansions in Phase II through growth investments and business growth, more closely monitor asset turnover ratio
- Use interest-bearing debt to enhance financial leverage



Note: Arrows show changes from FY2026

Cash Allocation and Growth Investments

In Phase I, in order to achieve an ROE of 8% or more while balancing growth investment and shareholder returns, we will utilize interest-bearing debt in addition to divesting securities. For growth investments, we plan to allocate ¥40.0 billion or more in total over three years, focusing on our Industrial Processes business. In Phase II, we will allocate cash primarily for growth investments from the free cash flow generated during the period, aiming for an ROE of 12% or more.



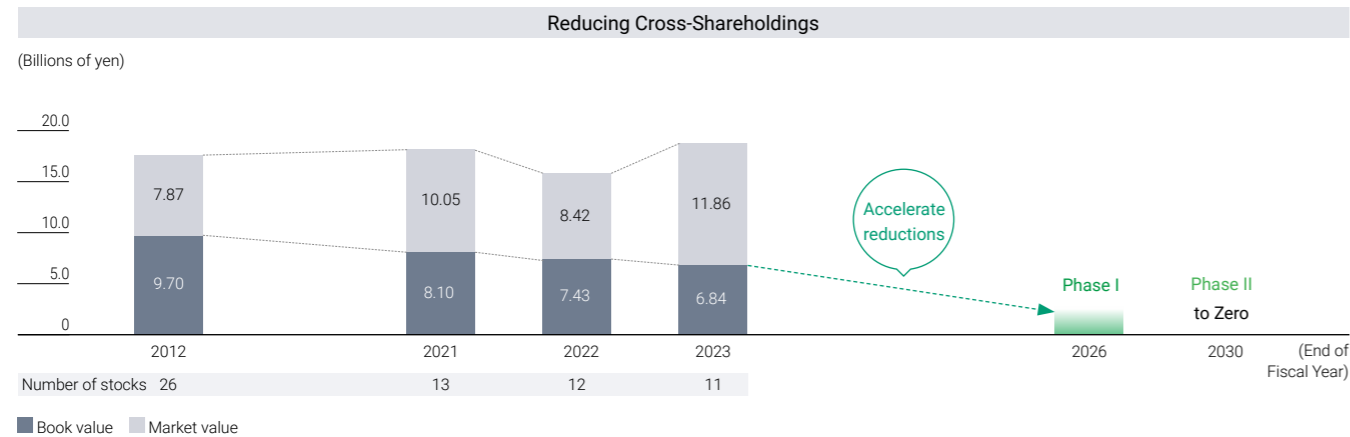
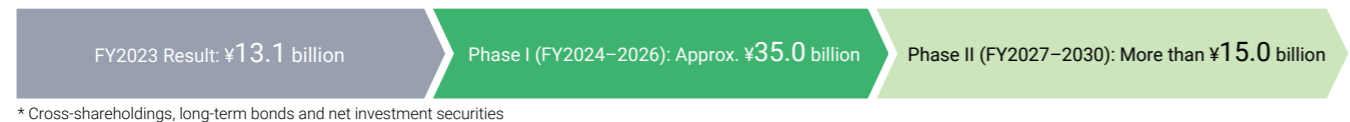
New Growth Strategy: Revive Vision 2030

Securities Divestment Schedule and Reduction of Cross-Shareholdings

We will divest around ¥35.0 billion in securities, including cross-shareholdings, in Phase I, and more than ¥15.0 billion in Phase II. Reduction of cross-shareholdings will be accelerated in line with our policy.

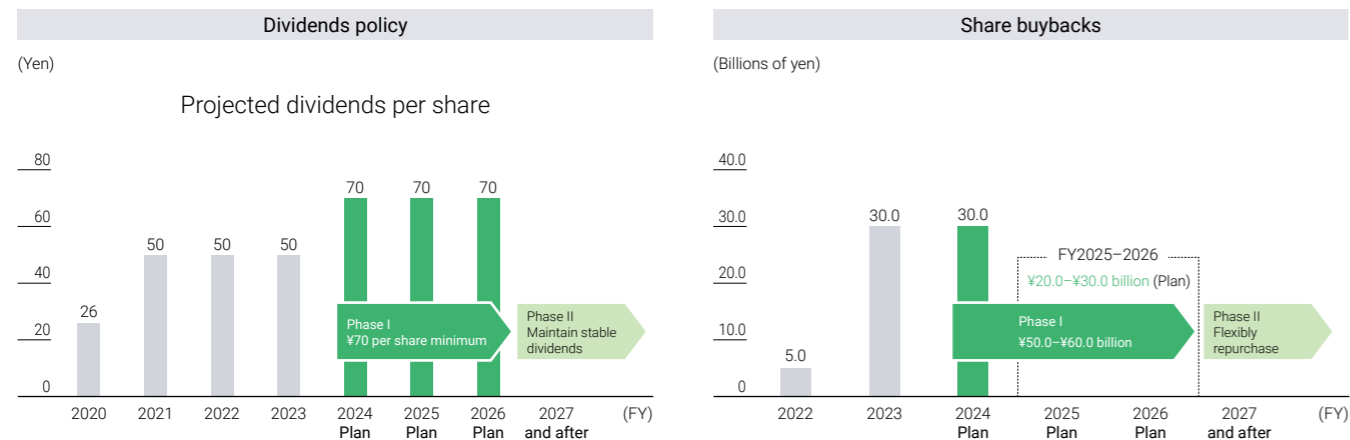
For details on our policy, please refer to [P.90: Cross-Shareholdings](#).

Securities* Divestment Schedule (on cash flow basis)



Shareholder Return Policies

¥70 has been stipulated as the minimum dividend per share for Phase I. As with fiscal 2023, we will repurchase ¥30.0 billion of shares in fiscal 2024, and plan for a total of ¥50.0 to 60.0 billion over the three-year period from fiscal 2024 to fiscal 2026.



ESG Efforts

Full-fledged Promotion of ESG Management

Under the New Growth Strategy, in order to manage both business and sustainability, we aim to further enhance our corporate value by strengthening our ESG management initiatives. We will clarify non-financial key performance indicator goals and undertake full-fledged activities in order to pursue the “five management focuses” that are the material issues for achieving our goals for 2030. In addition, we will increase the contribution of engagement to our results by strengthening our activities aimed to enhance engagement both internally and externally.

For details on our five management focuses and nonfinancial key performance indicator goals, refer to

[P.44-45: List of Five Management Focuses, Key Challenges, and Goals](#).



Human Capital Strategies

Under our New Growth Strategy, we have clarified our basic policies for human capital investment based on our strategies. We have established three policies for achieving our goals for 2030. With regard to our personnel configuration by segment, we will increase the ratio of personnel in our Industrial Processes business, as this is our priority business. To accomplish this, we will strengthen measures such as human capital investment, reskilling and training, amendments of our remuneration structure, and hiring of advanced personnel.

For details on our human capital strategies, please refer to

[P.56-61: Human Capital Strategy Under Revive Vision 2030 and Initiatives to Create Working Environments Where It is Easy to Produce Results](#).

Governance Structure

Thus far, we have strengthened and implemented governance. Through further strengthening and implementation, we will work to achieve our goals for 2030 under our New Growth Strategy.

For details, please refer to [P.84-99: Enhancing Our Management Base](#).

Dialogue with Investors and Shareholders

Policy for Dialogue with Investors and Shareholders

Under our Policy on Constructive Dialogue with Shareholders, we endeavor to actively disclose information, and promote constructive dialogue in venues such as our general shareholders' meeting, financial results briefing, individual meetings, and site tours.

Feedback gained from investors and shareholders through dialogue is reported regularly in a timely and appropriate manner to the Board of Directors and Executive Council and applied in improvements to our management and IR activities.

Framework for Dialogue with Investors and Shareholders

Dialogue with investors and shareholders is conducted by the President and Chief Executive Officer, the director in charge of investor relations, and the department in charge of investor relations, taking into account factors such as the importance of the topics. Additionally, to enhance dialogue with investors and shareholders, the department in charge of investor relations collaborates with other relevant departments on efforts to gather information and regularly provides feedback to the President and Chief Executive Officer and other executives and reports to the Board of Directors about details of dialogue with investors and shareholders.

In the previous fiscal year, we held meetings and conferences throughout the year, mainly with domestic and overseas institutional investors and sell-side analysts at securities companies.

Activities in fiscal 2023

Dialogue with investors and shareholders	Times	Details of activities
Financial results briefing	4	The President and Chief Executive Officer or Managing Executive Officer and Chief Financial Officer attended and presented the financial results for the quarter
Medium- to long-term management strategies briefing	1	The President and Chief Executive Officer attended, gave a presentation, and answered questions
Attendance at conferences held by securities companies	3	The President and Chief Executive Officer, the Managing Executive Officer and Chief Financial Officer, and the investor relations department attended and conducted dialogue with parties such as overseas institutional investors
Individual meetings (including small meetings)	233*	The director in charge of investor relations (the Managing Executive Officer and Chief Financial Officer) and investor relations department led dialogue
Company briefing for individual investors	2	The President and Chief Executive Officer attended, gave a presentation, and answered questions
Individual dialogue with institutional investors responsible for the exercise of voting rights	9	The investor relations department and relevant departments led dialogue
Plant tours	0	The investor relations department and managers of the relevant business divisions lead these tours. However, no tours of this nature were held in fiscal 2023.

* 180 for institutional investors and 53 for sell-side analysts



Information on financial results briefings, a briefing for our New Growth Strategy, and company briefings for individual investors (available only in Japanese) can be found on the Investor Relations Information page of the Ushio website. <https://www.ushio.co.jp/en/ir/>



Feedback to Managements

Item	Times	Details
Analyst reports	4	Quarterly analyst reports were submitted to our managements and internal managers
Status reports on individual dialogues with investors, etc.	4	The status of dialogues with investors and shareholders was reported quarterly
Status reports on dialogue with institutional investors responsible for the exercise of voting rights	1	The status of dialogue with parties responsible for the execution of voting rights (feedback, requests, etc.) was reported
Status reports on financial result briefings	4	Details on the quarterly financial presentation briefings (attendees, questions and answers, etc.) were reported
Reporting to Board of Directors, Executive Council, etc.	2	The status of dialogues with investors and shareholders was reported to the Board of Directors, Executive Council, etc.
Other	As necessary	The results of checks of shareholder configuration and the shareholding status of institutional investors that were conducted as necessary were reported

Recent Key Requests and Concerns, and Ushio's Responses

Request, concern, etc.	Response
Initiatives to improve return on equity (ROE) and achieve PBR greater than 1	Based on discussions by the Board of Directors, it was stated that Ushio will aim to achieve a PBR greater than 1 early on in our New Growth Strategy, Revive Vision 2030, which we announced in May 2024. In order to achieve this, improving ROE will be essential and we will need to formulate more effective business strategies and strengthen initiatives to improve capital efficiency through closer balance sheet management. We explained our thought process, and are currently working on various measures. For details on specific capital policy initiatives, please refer to P.22
More specific medium- to long-term growth strategies	Due to the increased likelihood that we will be unable to achieve the targets in our 2nd Medium-Term Management Plan, which we announced in May 2023, due to worsening conditions in the semiconductor market, our Board of Directors held a series of discussions to set more feasible scenarios, and we announced our New Growth Strategy, Revive Vision 2030, in May 2024. We formulated and explained more effective business strategies and financial strategies and are currently working on various measures. Please refer to P.18-25 for details on new growth strategy, which outlines our medium- to long-term growth strategies.
Handling of unprofitable and underperforming businesses	Revamping our business portfolio is a major pillar of our business strategies in our New Growth Strategy, Revive Vision 2030. Under our New Growth Strategy, we have clarified the role and direction of each business and formulated business strategies for each business. In particular, we state that we will work to bolster unprofitable and underperforming businesses, including considering withdrawal. For details on our initiatives to reorganize our business portfolio, please refer to P.19-21
Potential for growth of businesses centering on semiconductors	Our New Growth Strategy, Revive Vision 2030, which we announced in May 2024, explains that we have designated our Industrial Processes business as a priority business and are concentrating investments and resources in this business. In particular, we show a policy to strengthen connections to the semiconductor area, where major market growth can be expected. It also explains that, in the packaging area of semiconductor back-end processing where technological trends are changing drastically and where investment is expected to be concentrated by adding new products to our existing products through a strategic partnership with Applied Materials (announced December 2023), we will build a more robust product lineup aiming to become a leading company in the advanced packaging market. Additionally, it explains that we will focus our efforts not only in this area but in other areas where Ushio's products will be useful, such as thermal processes for semiconductors. For details on our strategies related to semiconductors, please refer to P.72-77
Progress on new advanced packaging products (digital lithography system)	Since we entered into a strategic partnership with Applied Materials, we have set up an internal cross-functional project team and are accelerating activities. We are currently working on development and business talks to contribute to results from fiscal 2025, and will disclose as much information as possible about the latest progress to our investors and shareholders based on the factors such as the characteristics of the business. Please refer to P.74-75 for details on our advanced packaging initiatives.
Future direction of EUV business	Our EUV business is grappling with the issue of the rise of light sources from other companies, and we were forced to drastically revise our strategies. We have done so and are currently working on initiatives to enter the High-NA area of EUV lithography from fiscal 2027. Our New Growth Strategy also makes reference to the potential to find a direction for our business according to future movements in markets and development based on the current state of competition and market trends. For details on our latest strategies for our EUV business, please refer to P.77
Feasibility and timing of returns on development costs in business results in future	We are increasing our investment in development in order to achieve ongoing growth in future. However, we indicate that in line with the policies of our New Growth Strategy, we will concentrate our development investments on our Industrial Processes business, particularly businesses related to semiconductors which are expected to see increased growth, along with revising investment plans for more balanced investing. We also indicate that investment periods and returns on investments are being monitored more closely with the purpose of revising the areas where investments are allocated each year, and explain that investment strategies may be revised in future based on the direction our businesses take, especially businesses where issues are being addressed. The timing at which returns on these investments will be seen varies; the earliest returns will be seen in fiscal 2025, while some investments are for the purpose of ongoing growth from fiscal 2030 onward. When necessary, we revise investment plans for more balanced investing to increase feasibility, and disclose to investors and shareholders about the changes through channels such as our financial results briefings and integrated reports. For details on our investments in development under our new growth strategy, please refer to P.22
Cutting of financial assets (including cross-shareholding)	We explain that while we have been cutting our financial assets (including cross-shareholding) in line with our policy, this will be accelerated under our New Growth Strategy. Specifically, we indicate that we aim to reduce our cross-shareholding to zero by fiscal 2030 and that for other securities including financial assets, we aim to divest around ¥35.0 billion* during Phase I of our New Growth Strategy (fiscal 2024 to 2026) and more than ¥15.0 billion* during Phase II (fiscal 2027 to 2030). * Amounts are based on cash flow For details on our policy for cutting financial assets, please refer to P.24
Introduction of ROIC management	The policy of our New Growth Strategy, Revive Vision 2030, is "A growth strategy emphasizing management efficiency." We are already beginning to make a selective judgement on whether to keep each business based on various metrics including hurdle rates such as WACC and the ROE and operating margin we need to aim for, and are redoubling our initiatives to increase the efficiency of our management. Going forward, we want to continue deliberating on whether management decisions based on ROIC are appropriate in pursuing management efficiency in a more effective form, as well as issues in introducing this practice (establishing a unified Group administrative accounting system, raising understanding within the Group, etc.)
Human capital strategies for New Growth Strategy	Our New Growth Strategy indicates that we will focus on our Industrial Processes business and strengthen the resources of this business. It is important to secure competitive human capital, especially in semiconductor-related industries. In line with this policy, we plan to increase the ratio of personnel in our Industrial Processes business to more than half by fiscal 2030 (it is currently less than half). To accomplish this, we will need to concentrate human capital investment in growth businesses and carry out reskilling, hiring, and training to this end. We are informing investors and shareholders about the status of these initiatives through channels such as our integrated reports. For details on our human capital strategies under our New Growth Strategy, please refer to P.56-58
Effectiveness evaluation of Board of Directors	With a highly opaque environment expected in future, we are conscious that facilitating more ongoing growth and medium- to long-term improvement of our corporate value is our biggest management issue at present. Under these conditions, there is a need to formulate more effective medium- to long-term strategies and execute each measure more decisively, and doing this requires stronger, more functional corporate governance. We are working on strengthening our corporate governance to this end, and we consider it important to share details on our evaluations of the effectiveness of our governance with our investors and shareholders. We are currently increasing our disclosures on evaluations of the effectiveness of our Board of Directors, primarily through our integrated reports. Please refer to P.28-30 for messages from our Outside Directors and P.87 for details on our effectiveness evaluations of our Board of Directors.

Messages from Outside Directors

As Chair of the Board of Directors, I Am Working to Increase the Board's Effectiveness



Profile

Masatoshi Matsuzaki

Outside Director

Since I was appointed as Chair of the Board of Directors in June 2023, my focus in the Board's operations has been "a transparent, fair, timely and decisive decision-making process," particularly rationality in the decision-making process. The impression I received while attending Board meetings as an outside director was that there was some laxity in the decision-making process. As the Board moves to make more important decisions in future, I felt that this needed to be fixed at an early stage. In the prior consultation stage with the secretariat of the Board of Directors, I have verified that the preparations are in place for rational decision-making about the matters at hand and requested additions if that was not the case. Likewise, as discussions proceeded at Board meetings, I have not asked for opinions until I have determined through documents, explanations and questioning that we are in a place to make a rational decision. I think that I have made this process standard practice throughout this year.

With regard to deciding on topics for discussion, from the perspective of my supervisory role as an outside director serving as Chair of the Board, there have been several points I wanted to discuss regarding the direction of Ushio. I communicated these to the executive side (the internal directors), asked them to deliberate, and then brought their conclusions to Board meetings and Discussion Meetings on Management Issues (meetings separate from Board meetings in which all Directors discuss important matters) to determine the direction to be taken. As discussions proceeded, I placed emphasis on the opinions of outside directors, who are here to be voices of caution in management decisions based on the internal logic of the Company, and was conscious about seeking multifaceted deliberation when deciding on the direction to be taken.

In the formulation of our New Growth Strategy, Revive Vision 2030, which we announced in May 2024, I asked the executive

side to sum up our medium- to long-term plans to increase our corporate value with phrasing and logic that are easy for our shareholders and investors to understand, as required by Principle 5.2 of Section 5 "Dialogue with Shareholders" of the Corporate Governance Code, "Establishing and Disclosing Business Strategies and Business Plans," so that we can facilitate constructive dialogue with our shareholders and investors. With regard to business strategies in particular, after announcing our 2nd Medium-Term Management Plan in 2023, the executive side and I agreed that there was a need for ongoing discussion of business strategies, so I asked them to prepare to clearly explain the businesses that will be targets for strategic priority allocation of resources and the form our business portfolio will take in 2030. We discussed the original proposal of the New Growth Strategy from the executive side and then revised it and submitted it for further discussion, after which the Board issued its approval.

In the approval of our new growth strategy, I have confirmed that our initiatives to address sustainability issues (ESG) have been our focus in improving our corporate value, and that the Company has set non-financial KPIs and is working to achieve them. I have also confirmed our basic policies for human capital investment and human capital management based on our new growth strategy. Throughout the process from the original proposal of our new growth strategy to its approval by the Board, I have made sure to facilitate constructive, candid discussion on the matters at hand. I believe that the executive side also found it beneficial to receive feedback and critiques from the outside directors from various angles that differed from the Company's perspective during the creation of documents for disclosure.

It goes without saying that my first order of business for the Board of Directors in fiscal 2024 is to verify the status of the Company's execution of the new growth strategy. One of the

strategies is to selectively judge businesses and themes. I discussed this with the secretariat of the Board of Directors to include it in discussion topics at Board meetings during fiscal 2024 to confirm matters such as the progress of this strategy, the status of initiatives to grow our Industrial Processes business, which we have designated as a driver of growth until 2030, and the status of strategies that other businesses need to execute in the next three years. I am aware that many of our shareholders and investors want to know whether our management are capable of achieving the growth strategies (medium- to long-term management plans) we have announced. With this in mind, I aim to confirm the execution status of these strategies with an awareness of risks and our capabilities.

I am conscious that the effectiveness of the Board of Directors is ultimately defined by the effectiveness of its configuration and operations in improving medium- to long-term corporate value, and it is with this in mind that I aim to work to improve the Board's effectiveness as its Chair.

Messages from Outside Directors

Message from Chairperson of the Nomination and Remuneration Advisory Committee



Profile

Toyonari Sasaki

Outside Director

I was appointed as the Chair of the Nomination and Remuneration Advisory Committee in June 2024, following Ms. Sakie Tachibana Fukushima. Ms. Fukushima was the Chairperson of the Nomination and Remuneration Advisory Committee from 2021, and made major contributions to measures such as restructuring our remuneration structure for Directors and Executive Officers, reporting on our governance system and the recent succession of our CEO. As her successor, I will work to produce results of her caliber, further improve our corporate value, and ensure fairness and appropriateness in decisions about nomination and remuneration, the roles that this committee is intended for.

► **Activities of the Nomination and Remuneration Advisory Committee in Fiscal 2023**

In fiscal 2023, the Nomination and Remuneration Advisory Committee comprised six members; five outside directors and one internal director. 11 meetings were held during the fiscal year, and every member attended at least 90% of them.

► **Reporting on the Succession of the CEO**

The Company established a Remuneration Advisory Committee in 2015. In 2019, the committee was renamed as the Nomination and Remuneration Advisory Committee and the scope of its reporting expanded to include the nomination of Directors and Executive Officers in addition to their remuneration. Since 2021, the following process has been carried out for succession of the CEO.

1. Specific discussion and commencement of planning decisions for succession of CEO (fiscal 2021)

In addition to planning decisions for the succession of the CEO, the Nomination and Remuneration Advisory Committee performed supervisory functions and made recommendations in the selection and development of candidates for the next generation of management (Executive Officers) as part of deliberations on our internal executive structure and its medium- to long-term succession plan.

Activities of the Nomination and Remuneration Advisory Committee

Applicable to:	1. All executive officers, including the CEO 2. Candidates for the next generation of Ushio's management (executive officers) based on the recommendations of the CEO
Assessment	Interviews held by all of the outside directors
Recommendation content	As outside directors, we collected opinions on ways to cultivate individual candidates in the future, and made recommendations to the CEO accordingly.

2. Ongoing interviews (fiscal 2022)

In addition to ongoing supervision and recommendations for all Executive Officers and the candidates for the next generation of management (Executive Officers), we carried out 360-degree evaluations of the then-current CEO and representative directors.

3. Shortlisting of candidates for the new CEO (fiscal 2023)

We carried out 360-degree evaluations of candidates for the new CEO and continuously discussed the succession plan in executive sessions comprising only outside directors.

4. Decision of matters to be reported regarding the succession of the CEO (fiscal 2023)

In December 2023, the Nomination and Remuneration Advisory Committee decided on matters to be reported regarding the transition to a new management framework with Takabumi Asahi as the CEO to facilitate stronger action on the Company's issues and the medium- to long-term growth of the Ushio Group and further improve the Company's corporate value.

5. Decision on the next CEO by the Board of Directors (fiscal 2023)

The appointment of Takabumi Asahi as the next CEO was decided at the Board meeting in January 2024.

► **Reporting on the Composition of the Board of Directors in the Next Fiscal Year**

With regard to the selection of director candidates for fiscal 2024, we held examinations on the number of directors (both outside and inside) appropriate for enhancing the effectiveness of the Board of Directors.

At the same time, we determined the number of new candidates for outside and inside directors based on the number and skills of directors scheduled to retire in accordance with Ushio's criteria for years in service and other standards.

In the case of selection of outside directors, we established a process for tapping candidates for appointment as an outside director after making a list of candidates and narrowing them down not only to ensure compliance with the Company's standards of appointment and independence but also to gain optimal skill matrix coverage in terms of corporate strategy.

Based on this process, we selected Ms. Mika Masuyama as the new candidate for director and made a recommendation for her appointment to the Board of Directors. She was subsequently appointed in June 2024.

Mika Masuyama	Ms. Masuyama has a wealth of consulting experience and knowledge in areas such as corporate governance, human capital and organizations, and M&A, and has global expertise of management and economics. With these strengths, we have judged that she can appropriately perform managerial roles, which include advising the management of the Company and supervising the execution of business.
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► **Policy for Future Activities**

In the evaluation of the effectiveness of the Nomination and Remuneration Advisory Committee in May 2024, much of the feedback we received was that the creation of a succession framework remains an issue. We have designated the building of a long-term CEO succession plan as a priority issue for fiscal 2024 too. In addition, we will contribute to the development of managers by continuing initiatives such as making recommendations on support for the growth of the next generation of management and the generation after them, and the development of managers who will serve as CEO in future.

Messages from New Directors

I was approached by an investor I happened to meet at a presentation recently, who expressed higher hopes for Ushio's optical technology.

Ushio is reaching a major turning point: the 60th anniversary of its founding (and the 72nd anniversary of the establishment of its predecessor, Ushio Kogyo). It all comes down to whether we can accomplish the aim of our New Growth Strategy, Revive Vision 2030: to be a "light" innovation company that brings a spark to our shareholders, customers, employees, and the whole of society. Having been selected as an outside director at this point in time, I am excited about the challenge and feel a great sense of responsibility.

After graduating from university, I began working for the Bank of Japan. I then earned an MBA from a graduate school in Europe and worked in the French headquarters of Europe's largest IT company, where I was the first Japanese person to serve as its international marketing director. After returning to Japan, I worked for a multinational corporation where I worked in consulting, primarily on areas of leadership and corporate governance including development of managers, organizational reforms, head-hunting external candidates, utilization of human capital after M&A, DE&I, Board effectiveness evaluations, and strengthening of functions. At present, I am running a company I established myself and serving as an outside director for multiple companies including Ushio while teaching disciplines such as corporate governance and human capital at business schools and universities.

I want to utilize my experience, which centers on personnel and management but encompasses challenges I have taken on in various environments, to contribute to ongoing, medium- to long-term improvement of Ushio's corporate value and bolstering trust.



Profile

Mika Masuyama

Outside Director

In my previous role at a financial institution, I spent 17 years posted in five countries overseas, where I gained experience in areas such as managing subsidiaries and implementing regional strategies. After joining Ushio Inc. in 2020, I have been involved in work such as establishing Group-wide governance rules and acted as a Group-wide leader of human resources, general affairs, and risk management.

From fiscal 2024, I am playing a central role in Group governance as a full-time Audit & Supervisory Committee member. My way of thinking about governance is that its purpose is not only to prevent damage to corporate value but to lay the foundations to increase it. With this in mind, I am dedicating myself to my role according to the following principles.

- (1) With full awareness of separation between management oversight and execution, and with a mindset of personal investment, I will think and act with the aim of working together with all of our stakeholders to find the best possible answer.
- (2) To achieve this, I ensure that I thoroughly understand the situation on the ground and emphasize communication within the Audit & Supervisory Committee, promoting frank exchanges of opinion. Additionally, I provide feedback from the Audit & Supervisory Committee to the Board of Directors and am actively involved in making appropriate management decisions.
- (3) The concept surrounding governance is constantly evolving. While valuing the uniqueness of the Ushio Group, I continue to maintain an objective perspective and a commitment to finding optimal solutions. This includes gathering information from external sources and ensuring that I stay updated.

In addition to the above points, I believe my experience in overseas business operations can help promote further globalization of the Ushio Group. Establishing a governance framework within efficient operations and fostering a strong organizational culture will, in my view, lay the foundation for further corporate development.



Profile

Makoto Kinoshita

Director (Full-time Audit & Supervisory Committee Member)

Our Value Creation Story

Since its founding, Ushio has contributed to societal growth by fully leveraging the power of light.

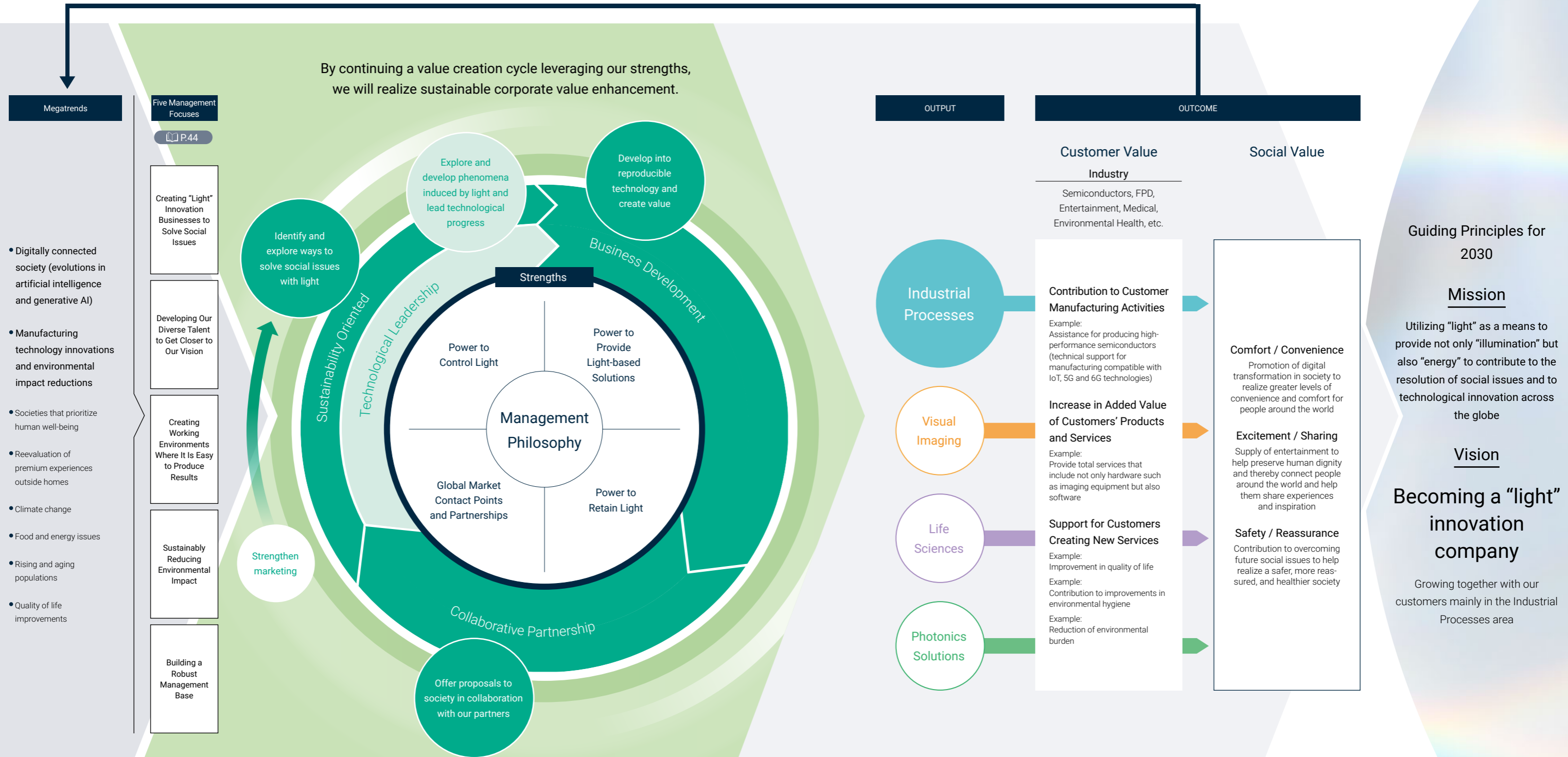
Going forward into the future, Ushio will create social value and achieve sustainable enhancement of its corporate value as a "light" innovation company.



Ushio's Value Creation Process

We aim to be a "light" innovation company that continues to create both social and economic value by resolving social issues through our unique light technologies.

Understanding of Issues That Serves as the Starting Point for Capital Circulation and Value Creation



The DNA of Ushio: Guiding Us Into the Future

Since its founding, Ushio has believed in the potential of “light.” Guided by this belief, Ushio has contributed to the resolution of social issues and to technological innovation across the globe by utilizing light as a means to provide not only illumination but also energy.

1964

Ushio Inc. was established in 1964. In the following year, Ushio established four basic principles based on the desire to create an indispensable company for all by drawing on the wisdom of employees in order to grow. After their establishment, these four principles continued to be passed down as the guideposts determining the direction in which the Company should head. With the addition of certain wording to illustrate Ushio’s corporate social responsibility, these four basic principles were enshrined in the Ushio Group Management Philosophy, which serves as the foundation for all of Ushio’s corporate activities.



Founder
Jiro Ushio

Four Basic Principles at the Time of Our Founding

1. Build both a prosperous Company and prosperous employees.
2. Deliver products and services that are competitive in the global market.
3. Contribute to society through superior products and innovative research and development.
4. Show the world the true value of a medium-sized enterprise and, in doing so, secure stable profits.

Culture and Strengths That Have Guided Us Since Our Founding

Conviction to Build Both a Prosperous Company and Prosperous Employees

Soon after our founding, we began to pursue various initiatives to build both a prosperous company and prosperous employees, including formulating long-term plans that adopted policies to raise employee salaries and increase their number of holidays. This management approach of valuing employees remains at the core of the Company to this day.

Leading Niche Position in Global Markets

In accordance with our basic policy, we began to build a business foundation in global markets directly after our establishment, upon which we built a global network. With a particular focus on specialized light sources, we fortified our brand power and carved out a unique position as a leading niche company that can compete on equal ground with the world’s best-known companies. We also placed our focus on markets in which we could draw on the technological strengths of light based on an awareness of ourselves as a “global medium-sized enterprise” that emphasizes uniqueness over business scale. By doing so, we provided the world with numerous one-of-a-kind products with high added value.

Decision-Making Criteria That Emphasize Social Contribution

Facing the impact of the rapid decline in overall demand that directly followed the 1973 oil crisis, we were forced to respond in ways such as narrowing the types of products we offered. Meanwhile, we prioritized our responsibility of supply to our customers over Company sales by providing customers with replacement products made by other companies. In this way, we adopted social contribution as the basis of our decision-making. This approach has served as the foundation of the Ushio brand and our sustainability initiatives.

Present

The corporate activities that we have consistently promoted in accordance with the four basic principles that reflect Ushio’s views when we were first founded have helped us form our corporate culture and accumulate various strengths. These corporate activities are also embedded in our current philosophical framework as DNA that we must continue to pass on, while adding the perspective of “what needs to change” in order to realize sustainable corporate value enhancement into the future.

Our Promise

“Applying Light to Life” is our promise to our customers, to our community, and to ourselves. To fulfill this promise, it is essential for each Ushio Group employee to believe in the possibilities of light, dream about the future, and live each day with excitement. We believe that our passion to pursue our dreams is the power that will enable us to create a future that goes beyond our imagination.

Through the cycle of the Ushio Value Model, we will deliver innovation and fulfill our promise, working together with partners that share the same dream.

Our Vision

The Light Innovation Company

We hope to resolve problems faced by our partners and society through light innovation to fulfill our promise of “Applying Light to Life.” As light professionals, we will support human well-being and societal growth by creating new light markets through further expansion of the functionality and application of light, including ultraviolet rays, visible light, infrared rays, and the surrounding wavelength range.

Our Value

Ushio Value Model

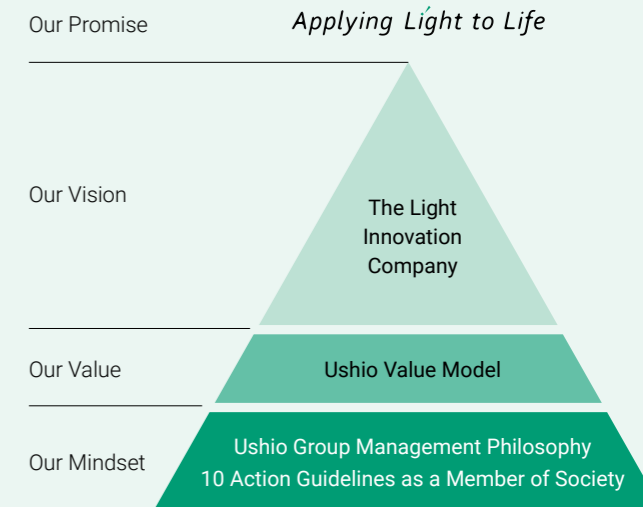
In order to resolve social issues (Sustainability Oriented), Ushio takes fundamental elements of cutting-edge light technology developed through R&D (Technological Leadership) and turns them into reproducible technology, creating value for society and its customers (Business Development), while also offering proposals to society with our partner companies (Collaborative Partnership). These are our values.

Our Mindset

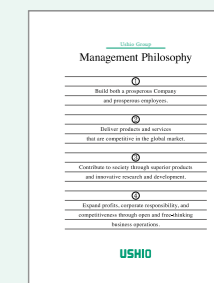
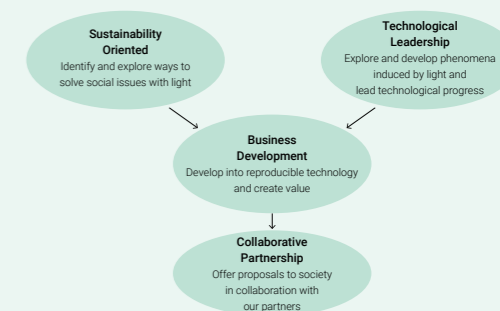
Ushio Group Management Philosophy

The Ushio Group Management Philosophy represents the foundation for all of our activities as a company. We established four basic principles in 1965, the year after our founding, based on the desire to create an indispensable company for all by drawing on the wisdom of employees to grow. Our current Management Philosophy centers on these four basic policies and has had certain wording added to it that illustrates Ushio’s corporate social responsibility.

Philosophical Framework



Please refer to the following website for more details.
<https://www.ushio.co.jp/en/company/outline.html>



Value Creation through Implementation of Our Management Philosophy (History)

Using light as illumination and energy:

As light professionals, Ushio has utilized light to resolve issues with technological innovation around the world.

Note: Non-consolidated sales are shown for the period between fiscal 1965 and fiscal 1980, with consolidated sales shown from fiscal 1981 onward.

Net Sales
¥179.4
Billion



Background of Each Era

- Contributed to the transition from black and white to color
- Office automation trend

- Osaka Expo
- Japan's national space development plan

- Increasing popularization of laptop computers (1980s)
- Increasing popularization of LCD TVs (1990s)

- Development of digitization in movies

- Increasing popularization of new electronic devices, including smartphones

- Advancements in IoT and AI

1960

1970

1980

1990

2000

2010

2020-

► Development of First Halogen Lamps in Japan

Brightening lamps means that they don't last long. Extending their lifespan makes them dimmer. Halogen lamps, which were considered to be the most advanced incandescent electric lamps at that time, had overcome these contradictory conditions. The inception of this halogen lamp development began by acquiring the license for using iodine lamps, which are the technological base for halogen lamps, from a U.S. corporation. Following this, Ushio commenced development of lamps unrestricted by royalties and was successful in 1966, the second year after the Company's establishment. This was the beginning of Ushio's history as a pioneer of domestically-produced halogen lamps.



Halogen lamps

► Development of UV Lamps for Use in Semiconductor Lithography

After the oil crisis in 1973, energy conservation became extremely valuable and a trend emerged in a shift from a structure emphasizing sheer scale, to one that emphasizes compactness and flexibility. Japan as a nation promoted the development of semiconductor lithography technology. Amid these changes, Ushio developed deep-UV lamps for semiconductor lithography in the face of increasing needs for lamps that use shorter wavelengths and have a higher output than previous ones in light sources used for exposure of very large scale integrated circuits (LCl). The technology for increasing output has become the base for increasing the illumination of super-high-pressure UV lamps in the future.



Deep-UV lamps

► Development of the World's First Excimer Lamp

In 1993, Ushio developed the world's first excimer lamp. Excimer lamps emit high-energy, short-wavelength vacuum UV (VUV) light through intense plasma discharge, based on newly conceived light emission principles not found in traditional discharge lamps. Ozone cleaning equipment equipped with these excimer lamps was introduced mainly for cleaning liquid crystal display (LCD) panels and today it has taken hold as standard processing equipment in the manufacturing process of LCD panels.



Excimer irradiation units for cleaning panels

► Development of Digital Cinema Projectors

Christie Digital Systems (CDS), a leading film-based cinema projector company, became one of the first companies to market digital cinema projectors before the major technological shift from film to digital cinema. Additionally, by developing, manufacturing, and marketing light sources for digital cinema projectors in Ushio Inc., Ushio has become the only manufacturer with the vital light sources and projectors for digital cinema.



Digital cinema projector

► Development of Photo-Alignment Equipment

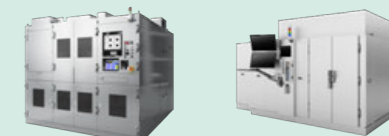
Smart devices, such as smartphones, are required to be even higher resolution, even slimmer, even more energy saving, and have even faster responses than LCD TVs. Liquid crystals can be displayed by aligning liquid crystal molecules in the same direction, however there were numerous issues with conventional alignment, in terms of not only environmental and cost aspects but also key image quality aspects. These issues have been addressed through Ushio's optical alignment technology. By aligning liquid crystals in a non-contact state with special light, Ushio has prevented a reduction in yield rate due to contaminants or static electricity. At the same time, Ushio has reduced costs, improved contrast, enhanced the response speed of liquid crystal molecules, and significantly reduced electricity consumption as a result of reducing man-hours.



Photo-alignment equipment

► Expanding Development and Sales of Next-Generation Lithography Equipment

With recent advancements in IoT technology, 5G, and mobility, the quantity of information processed has increased sharply. As a result, further evolutions in semiconductor technology are essential, an issue that requires next-generation semiconductor package substrates to resolve. As more multilayered, larger, and finer package substrates are developed, high resolution, productivity, and yields are required. Our lithography equipment for cutting-edge IC package substrates rises to this challenge. Even with recent surges in demand, we aim to become a leading company in the ever-evolving advanced packaging area by accelerating and expanding development and introduction of next-generation equipment.



Stepper

Direct imaging lithography equipment

► Promotion of OA Trends

At first, halogen lamps were not used in general lighting and we targeted and rolled out products into professional markets, including plain paper copiers, vehicles, and studio lights. Among these markets, there was progress with the technological innovations in the photocopying machine domain, such as the shift from wet printing (blue-printing photocopiers and blue copies) to dry printing through UV light, and from photosensitive paper to plain paper. Ushio's halogen lamps have contributed to the spread of plain paper copiers as a light source for original exposure and a heat source for fixing toner. While competitors have adopted a standard strategy, Ushio's customizable strategy has produced results and has been adopted by various photocopying machine manufacturers. Accordingly, this became a foothold for promoting the shift to office automation (OA).

► Significant Contribution to the Technological Innovation of Semiconductors

Printing substrates, which previously took several minutes, has been shortened to only a few seconds due to Ushio's deep-UV lamps for semiconductor lithography. This has greatly increased productivity. Shortening the wavelength of light sources and increasing input contributes to increased intensity and innovation of production technology, and has become the cornerstone of today's development in the electronics market.

► Contribution to the Spread of LCD Displays

Compared to conventional cleaning methods, excimer irradiation units for cleaning panels provide higher cleaning capability, higher speed cleaning, lower power consumption, and lower temperature treatment which reduces damage to substrates. Through this technology, Ushio has addressed serious LCD panel manufacturing issues. In addition to excimer irradiation units, development of UV lamps for use in LCD color filters that expose large substrates in line with the increase in size of LCD panel substrates and development of curing equipment for bonding large LCD panels has led to enhanced productivity and lower costs for LCD panels. Ushio has greatly contributed to the spread of LCD displays.

► Contribution to the Spread of Cinema Complexes and Expansion of Market Scope

In 1999, Star Wars: Episode I – The Phantom Menace, which was at the forefront of digital cinema, was first released in the U.S. through CDS cinema projectors. The end of 2009 also saw a sudden acceleration to the digitalization of cinema projectors due to the massive hit 3D movie Avatar. Following this, there has been an increase in popularity for cinema complexes and today they have spread around the world as new entertainment bases where customers can enjoy watching not only movies but also sports and concerts in real time.

► Acceleration of Spread of Smart Devices

Ushio's light, such as photo-alignment equipment, touch panel bonding equipment, and lithography equipment for package substrates, supports the production of smart devices, including smartphones. As a result, Ushio has enhanced the productivity of smart device production and the performance of panels, meeting global demand for smart devices and contributing to the increased resolution and functionality of panels.

► Acceleration of IoT Through 5G and Contribution to Advancement in AI

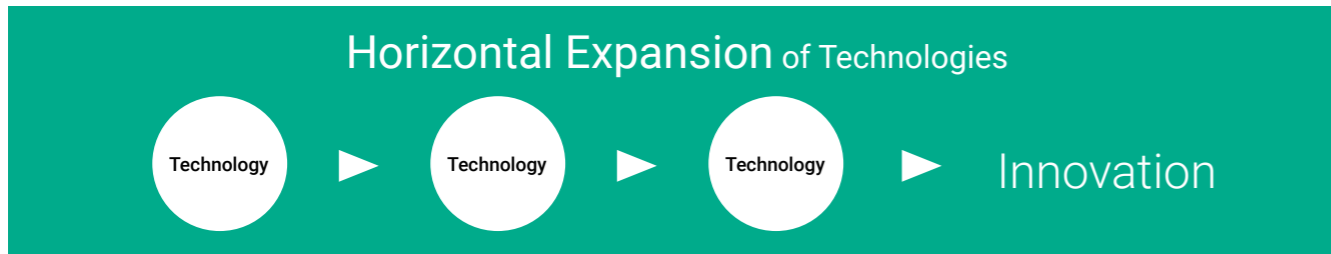
Advances in both miniaturization technology, which is primarily involved in front-end semiconductor processes, and packaging technology in back-end processes enable high-speed processing and management of large amounts of data relating to servers and electronic devices. This is supported by Ushio's lithography equipment. Through this, we hope to contribute to accelerating progress towards an IoT society and advancements in areas such as AI.

Ushio's Accomplishments

Impact on Society

Ushio's Constant Pursuit of the Potential of Light

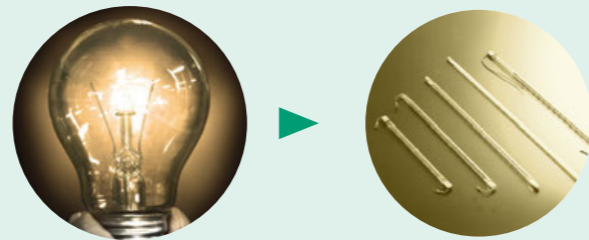
Seeking the power to control light as light professionals, Ushio develops light sources and their peripheral technologies. In addition, Ushio continues to create new technologies and products by combining these technologies and developing new applications for them.



CASE 1

Using Lamps as a Source for Energy

After becoming the first company in Japan to successfully develop halogen lamps, Ushio was referred to as the "trailblazer of domestic halogen lamps." At the time, rather than use halogen lamps as general lighting, we aimed to use them as a light source for scanning documents and a heat source for affixing toner within photocopying machines, which were becoming more technologically advanced. This expanded application of halogen lamps marked the first step toward realizing our mission of creating new markets by utilizing light not just as a source of illumination but also of energy, which we adopted at the time of our founding.



CASE 2



In 1993, we developed the world's first excimer lamp, which enabled the emission of high-energy vacuum UV light by applying the light emission principle to plasma discharge. These lamps realized the non-contact removal of organic substances that became attached to LCD panels and semiconductors during the manufacturing process, which had previously been an extremely difficult task. Compared with conventional wet cleaning using water or chemicals, this non-contact removal via excimer lamp enabled cleaning that was over 10 times faster and more thorough while only requiring one-third of the power consumption.

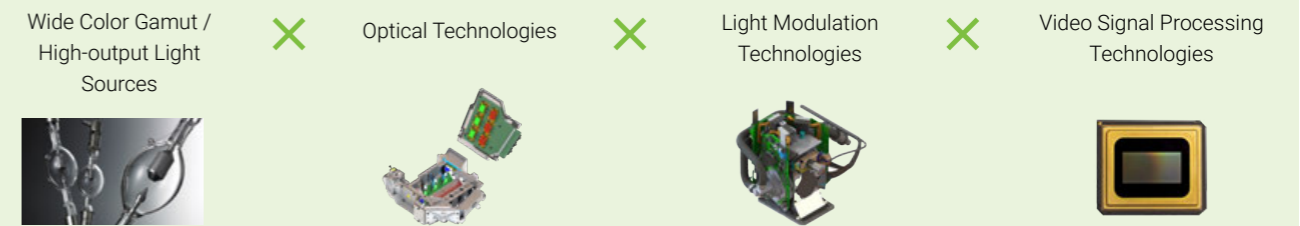
Putting this excimer lamp to use, we went on to develop excimer lamps with peak wavelengths of 308nm in the UV range. We also internally developed excimer filters that removed wavelengths in which erythema (redness of the skin) can easily occur. By applying this filter to these

308nm excimer lamps, we were able to develop the TheraBeam UV308® Series, UV phototherapy devices that enable effective treatment of autoimmune disorders in the dermatology domain, such as vitiligo and psoriasis. In these ways, we promoted the utilization of light in the Life Sciences domain. After the development of the TheraBeam UV308® Series, we pursued the combination of unique optical filters with excimer lamps that have peak wavelengths of 222nm. By doing so, we were able to develop Care222, a Far UV-C disinfection technology using 222nm excimer lamps combined with an optical filter, which blocks wavelengths above 230nm that can be potentially harmful to human skin and eyes.

Through Care222, we aim to create a world without infectious diseases by enabling the use of UV rays, which are highly effective at reducing bacteria, in environments occupied by people.



CASE 1



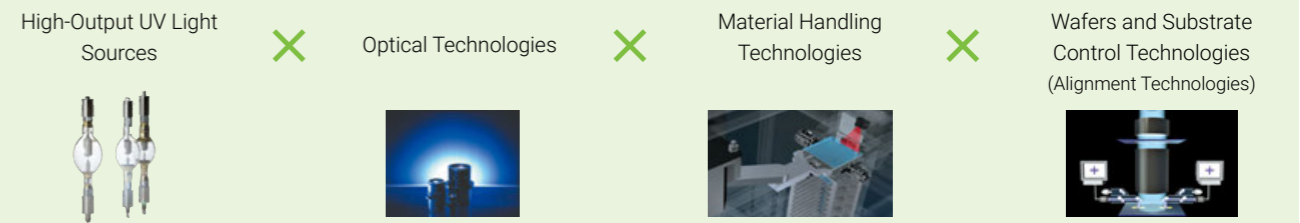
Digital Cinema Projectors



Digital cinema projectors require the widest possible color gamut and high-output light sources. As a specialist light manufacturer, Ushio boasts the highest worldwide share in the xenon lamp market and has been an industry leader in the adoption of RGB lasers that can efficiently extract only the required wavelengths. In addition to continuous enhancements to energy saving and light utilization efficiency, we are working to

further improve the lifespan of our products. Our RGB laser projectors also efficiently concentrate light from the light source and use a proprietary drive method starting from the video signal to enable smooth projection with depth. In addition, in order to prevent theft of video signal data through means such as copying, our systems protect the video signal data with encryption that requires a screening permission key to decrypt.

CASE 2



Lithography Equipment



The lithography process, which involves the etching of circuit patterns, is an essential part of manufacturing the substrates and electrical components that are found in all kinds of electrical devices today. Our lithography equipment is actively being utilized in this process.

Our lithography equipment makes use of the solar simulator technologies that we first developed shortly after our founding. Specifically, this equipment is realized through the combination of technologies such as "high-output UV light sources," which we develop and manufacture

in-house; "optical technologies," which comprise mirrors and lenses that effectively concentrate light emitted from light sources and irradiate it in a highly uniform and parallel manner; "material handling equipment," which responds to irradiated materials (substrates); and "wafer and substrate control technologies," which align the light irradiation position to within an accuracy of several micrometers (roughly one-fiftieth the size of a strand of hair).

Our Long-Cultivated Strengths

As light professionals, we will continue to draw on the major strengths we have cultivated since our founding in order to enhance corporate value in a sustainable manner. By doing so, we will contribute to the growth of the society of the future.

Power to Control Light

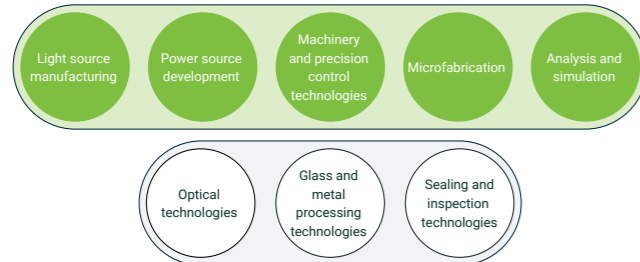
At the time of Ushio's founding, light was primarily only used as a source of illumination and the Company made it its mission to create new markets by utilizing light not just in this way but also as a source of energy. Based on this mission, we have harnessed the power of light to realize products such as light sources and optical and imaging equipment, and also peripheral services in accordance with the needs of our customers at the time. These products and services enabled us to resolve various issues impeding the progress of technological innovation. By working to leverage our long-cultivated light technologies and also discover new uses for them, we are further pursuing the potential of light and creating new technologies and products.

For more details on these initiatives, please refer to the following pages:

[P.38-39 Value Creation through Implementation of Our Management Philosophy \(History\)](#)

[P.40-41 Ushio's Constant Pursuit of the Potential of Light](#)

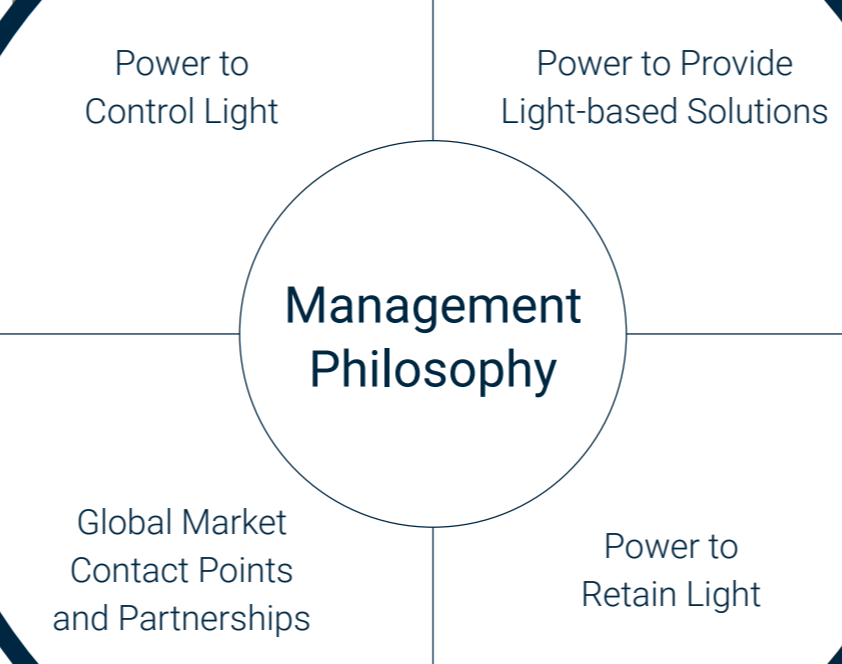
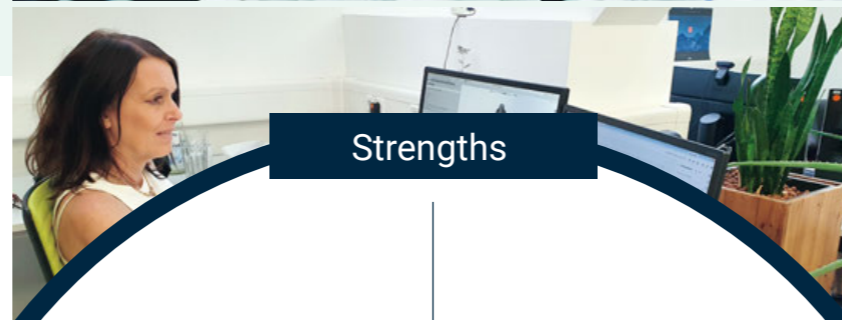
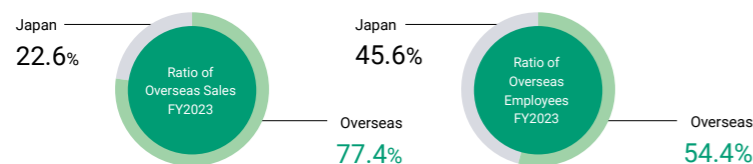
Core Technologies That Unlock the New Potential of Light



Global Market Contact Points and Partnerships

With the aim of becoming a global medium-sized company, we have promoted global business development from a very early stage for a company within the manufacturing industry. Our overseas net sales account for 70%-80% of total net sales, with overseas employees making up roughly 60% of our total employee base. By establishing this kind of global business foundation, we have been able to swiftly and accurately grasp the needs of customers and markets across the globe and, in turn, propose high-value-added solutions to meet these needs.

Our global foundation has also helped us to retain market contact points around the world and join forces with various business partners and, in doing so, not only support ongoing growth of Ushio's businesses but also mitigate the risk of supply chain disruptions.



Power to Provide Light-based Solutions

In addition to the light sources themselves, we develop and manufacture equipment that incorporates them. Our ability to internally manufacture light sources, a key component of such equipment, provides us with a major source for differentiation. Also, engaging in the development, manufacture, and sale of equipment brings us closer to end users, which in turn helps us acquire useful information on future trends. As a result, we are able to resolve the issues facing our customers, as well as those impeding the progress of technological innovation.

Furthermore, by focusing our efforts on core technologies related to light as well as on securing and cultivating human capital with experience in a vast array of academic fields, we are enhancing our ability to foresee issues that may affect our customers in the future. Going forward, we will draw on this ability to comprehensively resolve social issues through both the provision of products and peripheral services.

For more details on these initiatives, please refer to the following pages:

[P.48-55 Business Creation and Intellectual Property Strategies to Create Social Value Through Light](#)

Power to Retain Light

Through our unique light technologies, we have helped resolve issues impeding the progress of technological innovation. In addition, we have been providing not only light sources but also equipment and after-sales services on a global basis. This has enabled us to work with a diverse range of customers within the value chain of each market while exploring solutions to various social issues through our customer contacts. We are also reinforcing our after-sales support in order to ensure that the light we provide continues to operate optimally for our customers in a stable, and sustainable manner. This approach enables us to offer highly trusted products in each of our business domains over long periods of time, and this is one of our strengths.

In this way, supported by our trust-based relationships with our customers, we strive to identify customer issues even more promptly and accurately, thereby developing new technologies and enhancing our awareness of social issues.

List of Five Management Focuses, Key Challenges, and Goals

Ushio has established Five Management Focuses. These represent important issues for the Company to address on a daily basis in order to improve its value as a corporation by working to resolve social issues over the long term. We determined KPIs for each phase with the aim of achieving our New Growth Strategy, Revive Vision 2030, and are steadily promoting initiatives toward achieving it.

Five Management Focuses	Vision for FY2030	Economic Value Connection	Key Performance Indices for FY2026	Initiatives for FY2024 to FY2026
<p>1</p> <p>Creating "Light" Innovation Businesses to Solve Social Issues</p> <p>We believe our mission is to put the light technologies we have cultivated as a "light innovation company" to use to contribute to resolving the issues facing society in the future.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● New businesses and markets are continuously being created in foundational and new business areas through advances in Ushio's core technologies, incorporating them into our business model, etc. ● We are contributing to solving global social issues by creating new value and developing and providing competitive products leveraging our light source technology 	<ul style="list-style-type: none"> ● Expand revenue and earnings by creating new businesses 	<ul style="list-style-type: none"> ● Establishment of processes for R&D and new business creation which sustainably create new value and implementation across the Group ● Supporting miniaturization in the semiconductor industry through packaging, EUVs, optical thermal technology, etc. 	<ul style="list-style-type: none"> ● Establishment and implementation of business creation road map ● Establishment of business creation process ● Steady deployment of lithography equipment business strategies across the Group ● Development of next-generation EUV light sources and performance improvement of optical thermal products for semiconductors
<p>2</p> <p>Developing Our Diverse Talent to Get Closer to Our Vision</p> <p>We establish and provide enhanced human capital development programs in order to support the individual growth of our employees. By doing so, we aim to develop our talent on a Group-wide basis with the goal of getting closer to our Vision.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Practice Group management with diverse personnel who can contribute to the achievement of Revive Vision 2030 and provide systematic training opportunities for further development ● Achieve vision by evolving to a human capital management style that gets the most from employees' capabilities and skills and encourages further growth, along with ensuring that all employees, regardless of nationality, gender, and work style, can thrive 	<ul style="list-style-type: none"> ● Bolster talent to create new value that generates profits and accelerates growth strategies 	<ul style="list-style-type: none"> ● Human capital visualized through talent maps aligned with business needs, with rational management system in place ● Human capital who have undergone basic and specialized education on digital technology assigned to departments where they are needed 	<ul style="list-style-type: none"> ● Selective human capital development through the Global Human Capital Committee (GHCC) and Human Capital Development Committee ● Promotion of personnel exchanges within the Group ● Visualization of Group executives ● Promotion of digital education and sharing of success stories
<p>3</p> <p>Creating Working Environments Where It Is Easy to Produce Results</p> <p>To realize our Management Philosophy and achieve Revive Vision 2030, we aim to be a highly engaged organization that embraces contributions from and the development of both the Company and its employees.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Build a corporate culture of mutual respect that embraces diversity ● Implement health and productivity management that enables employees to be physically and mentally healthy and enjoy their work ● Achieve high engagement levels that enable the Company and employees to grow together and contribute to each other 	<ul style="list-style-type: none"> ● Provide attractive workplaces and work practices for diverse personnel to boost engagement and productivity 	<ul style="list-style-type: none"> ● Proportion of women in managerial positions: at least 15% and at least 10% on consolidated and non-consolidated bases, respectively ● Employee engagement score at least 62% 	<ul style="list-style-type: none"> ● More active participation by female employees and employees with disabilities ● Continuous initiatives for wide-ranging workplace environment improvements ● Consideration and provision of attractive working conditions ● Promotion of occupational health and safety activities to achieve zero work-related accidents
<p>4</p> <p>Sustainably Reducing Environmental Impact</p> <p>From a long-term perspective, we will pursue efforts to reduce our environmental burden, including within the supply chain.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Establish a resource circulation model and a model for coexistence with nature by promoting biodiversity conservation activities ● Resolve social issues by cutting greenhouse gas (GHG) emissions across the value chain ● Offer products and services that lower environmental impact 	<ul style="list-style-type: none"> ● Create businesses through green products ● Maintain and expand corporate value through fulfillment of corporate social responsibilities 	<ul style="list-style-type: none"> ● Reductions of in-house GHG (Scope 1 and 2) emissions: At least 38% from FY2017 level ● Reductions of GHG emissions (Scope 3 Category 11) from company's products: At least 23% from FY2017 levels ● Measuring and conveying benefits of products helping shrink customers' environmental footprints 	<ul style="list-style-type: none"> ● Systematic introduction of renewable energy (Scope 1 and 2) ● Effective utilization of water resources ● Development of products that contribute to reducing environmental impact in society (reducing GHG emissions, reuse / recycling, effective utilization of water resources, reducing use of chemical substances, etc.) ● Promotion of efforts for lifespan extension, efficiency improvement, and power consumption reduction of products
<p>5</p> <p>Building a Robust Management Base</p> <p>We will work to establish a robust management foundation, which will in turn underpin the four other focus points of our management.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Visualize and achieve management, business, and employee goals ● Manage business portfolio through timely efforts to identify management resources ● Clarify business risks and execute risk responses throughout the Group ● Create a corporate culture and framework for respecting human rights across the value chain ● Reinforce and deepen governance 	<ul style="list-style-type: none"> ● Visualize and accomplish management targets and each business's and employee's goals ● Ascertain management resources when necessary to manage business portfolio ● Clarify business risks and deploy risk responses throughout the Group ● Establish a culture and framework for upholding human rights throughout our value chain ● Strengthen and deepen governance 	<ul style="list-style-type: none"> ● Starting Group-wide activities to respond to social demands and earning recognition from external evaluation organizations and stakeholders through appropriate disclosure of information 	<ul style="list-style-type: none"> ● Establishment of KPI management ● Construction of global risk management system and strengthening of management ● Enhancement of measures to prevent bribery and corruption

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

Management Focus

1



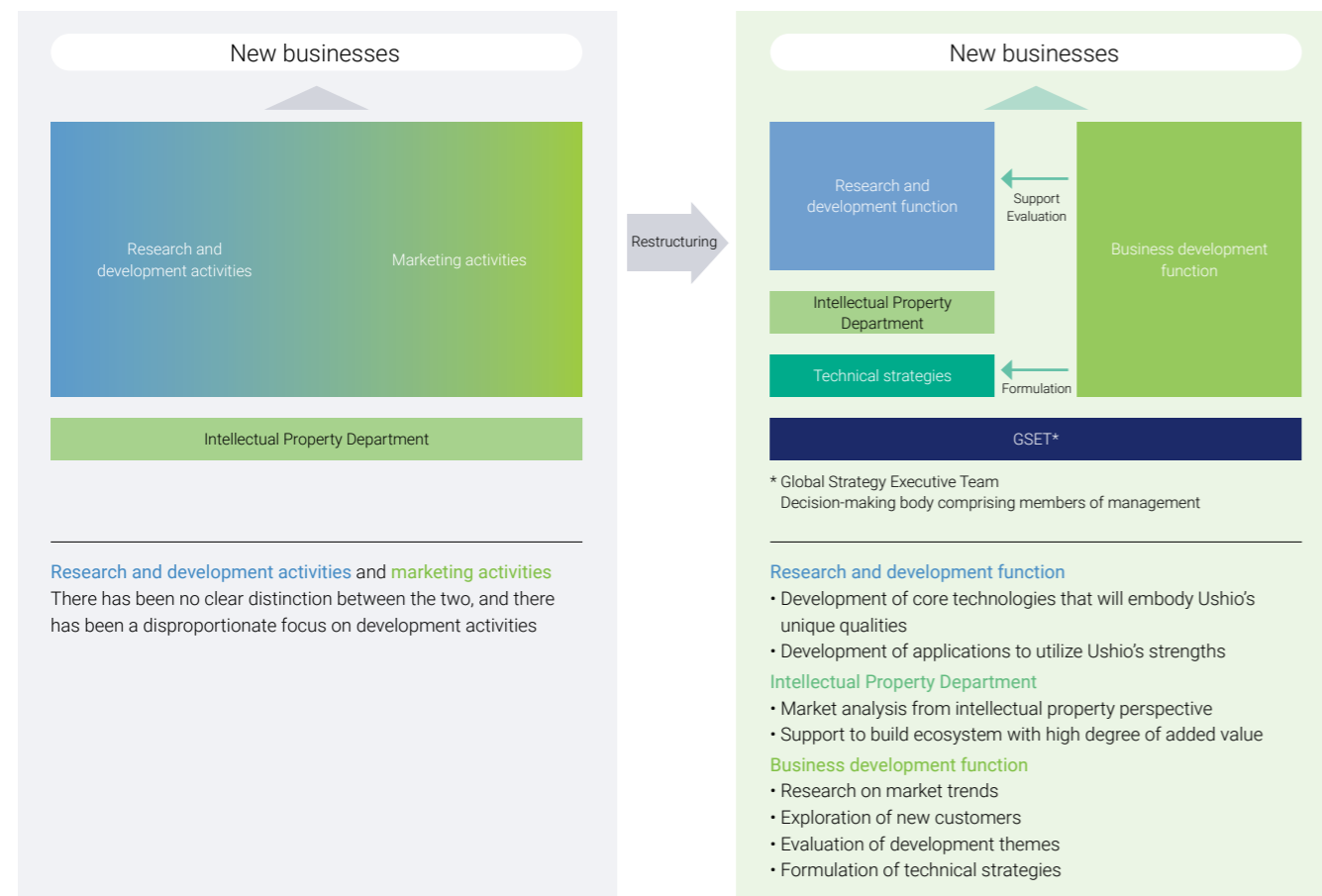
▶ Building a Framework for More Reliable Creation of New Businesses

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



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/>



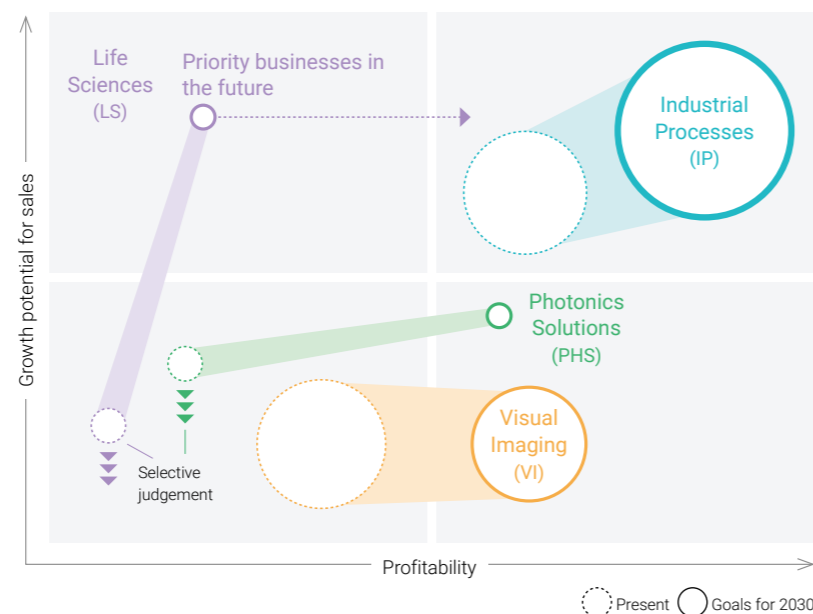
▶ Technical Strategies with a Clear Connection to Our Growth Strategy:
Working to Revamp Our Business Portfolio

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.

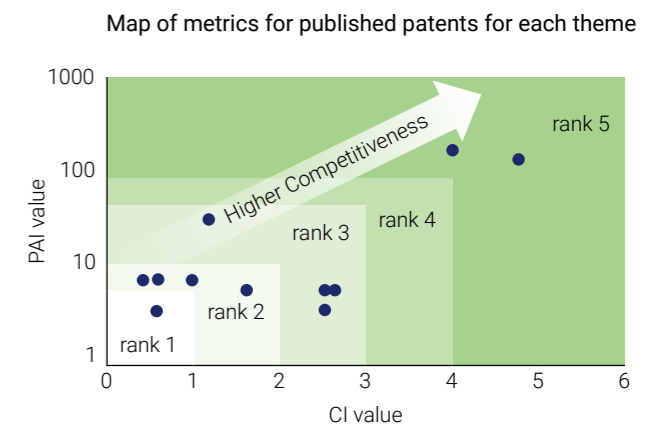
Going forward, we will choose which themes to work on based on the technical strategies we formulated for the creation of new themes so that we can carry out more initiatives that better embody Ushio’s unique qualities.

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

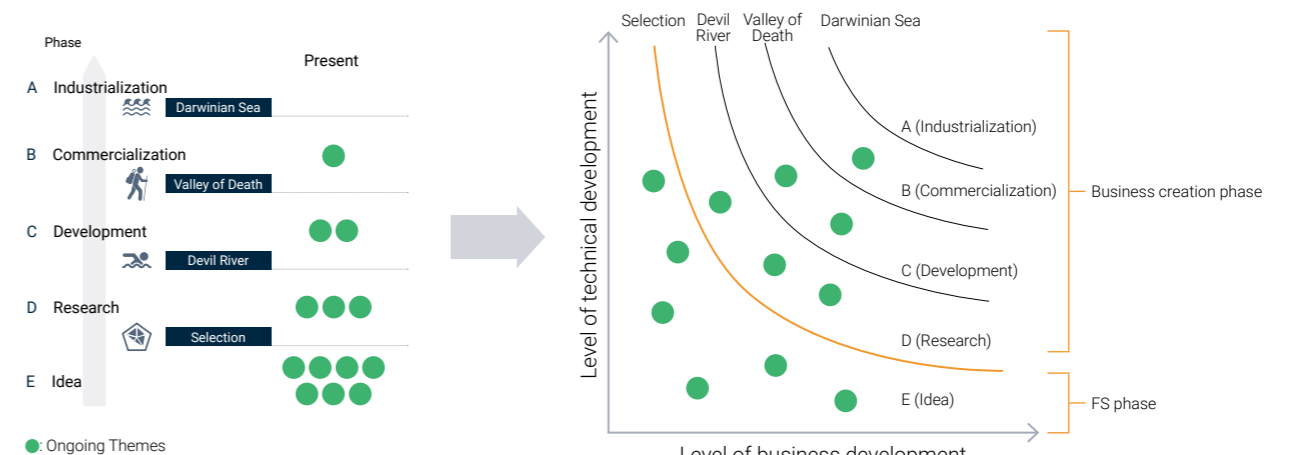


Visualization of Business Creation Phases

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

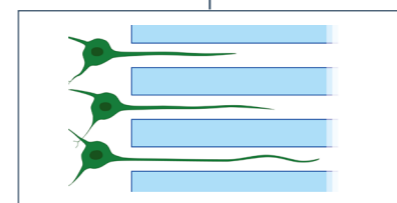
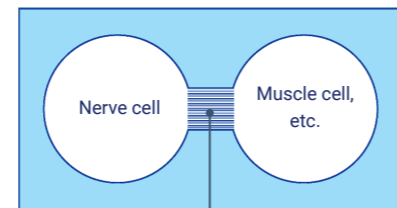
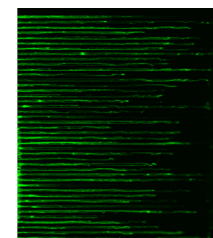


Illustration of nerve cell chip and microchannels



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

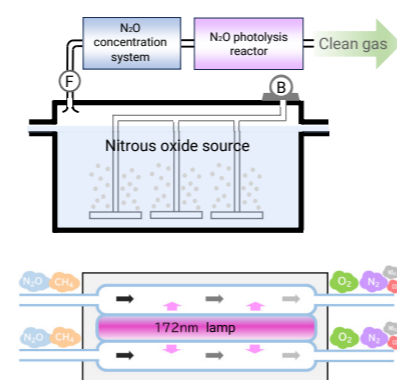


Image of gas decomposition using excimer lamp photochemical reactions

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

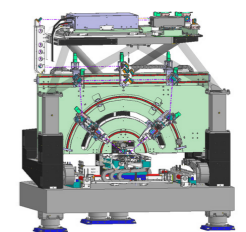
XR systems have become a focus as the new smartphones, and the world is looking to opto-electronic fusion devices as volumes of information increase. To create the light systems required for the development and popularization of these technologies, high-performance light sources and optical components 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

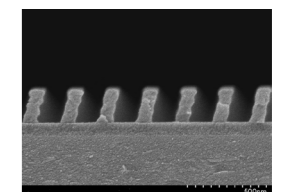
Ushio is proposing completely new interference lithography equipment. Building on the extensive lithography equipment we have developed for semiconductor production, we are introducing innovative interference lithography technology to propose lithography solutions that are unaffected by environmental 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	Avoiding risks relating to patents held by other companies
Tips for reading patents quickly	Utilization of rights (in order to make successful legal arguments)
How to derive technical information from patents	Case studies (examples of the Company's successes and failures)
Introduction to and use of invention and idea creation methods	Applications and fees outside of Japan
Summarizing inventions from developed products	
Tips for presenting arguments to examiners	
Case studies of items that can be patented	

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.

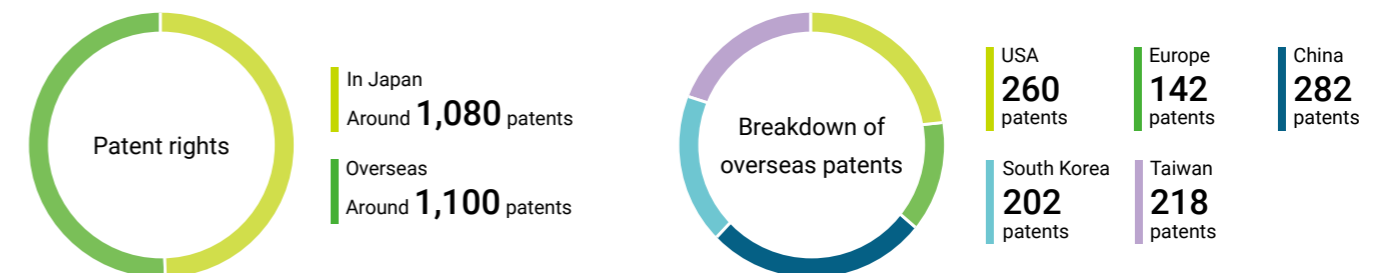
Below, we have provided a patent portfolio for our Industrial Processes business, a priority area of ours. We are strengthening our patent clusters for our digital lithography system, lithography equipment (stepper and DI), and lithography light sources. We will continue working on improving the effectiveness 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



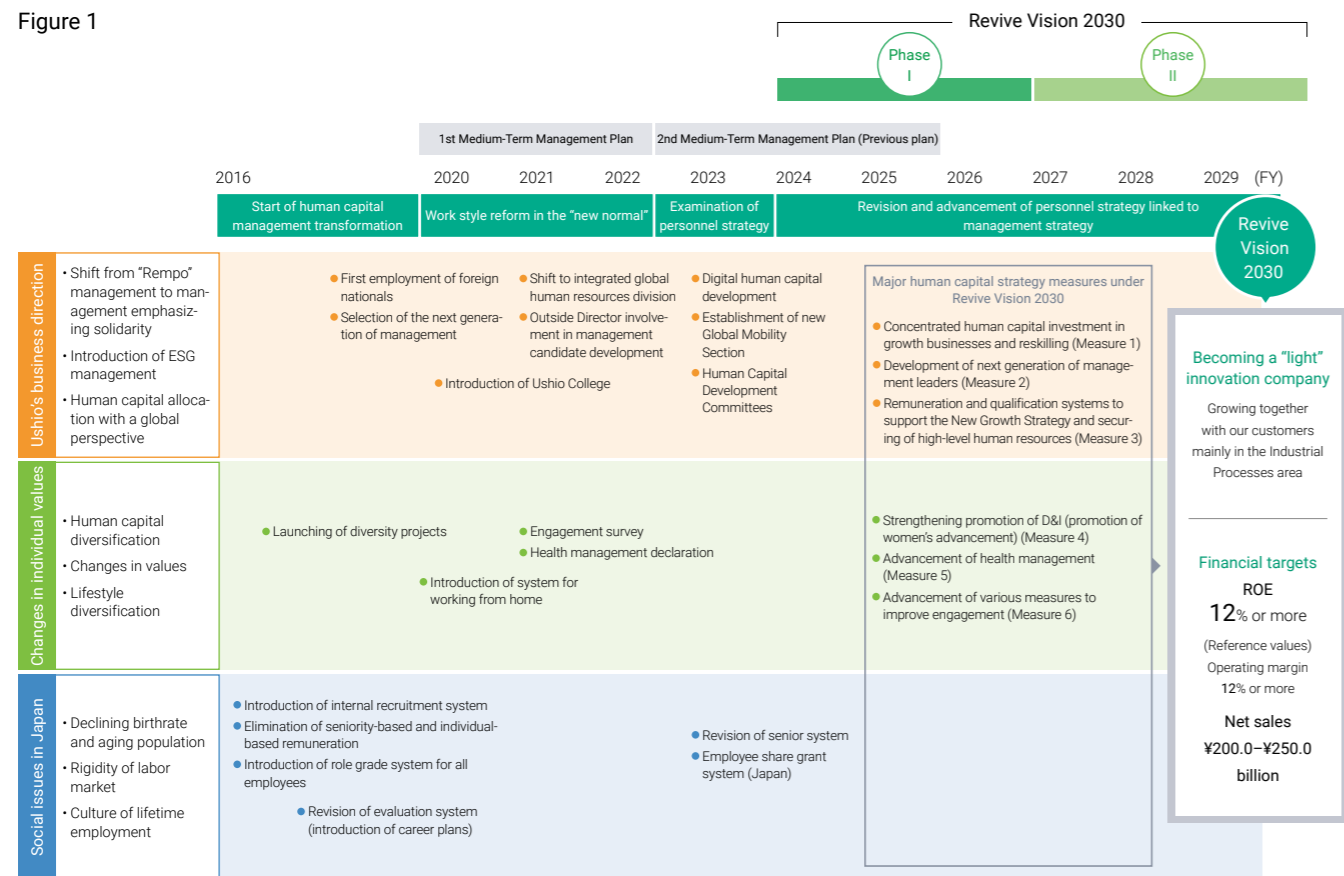
Human Capital Strategy Under Revive Vision 2030

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.

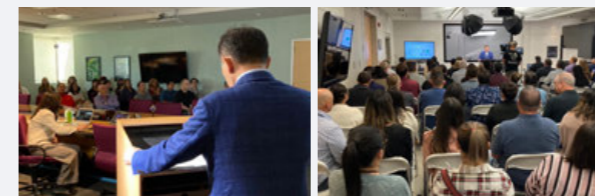
Measures to Enhance Engagement

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)

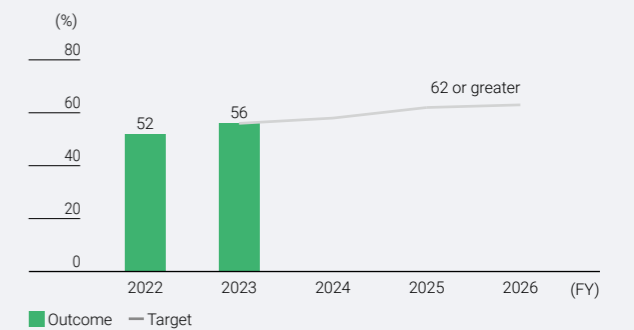


Activity (2): Workbooks and workshops to make employees aware of how their work is connected to our strategies



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.

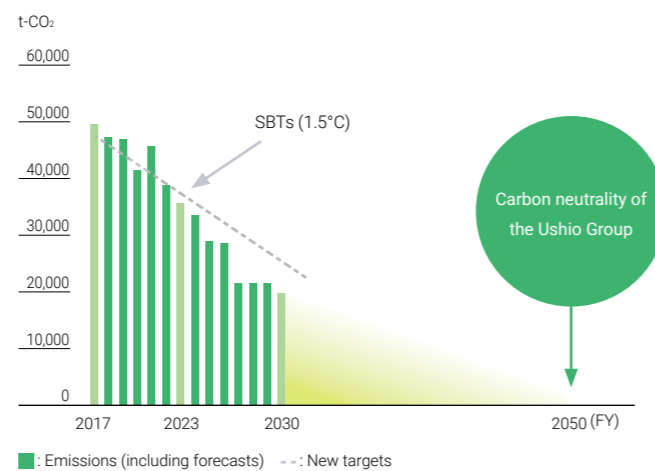
Efforts to Realize a Carbon-Free Society

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)

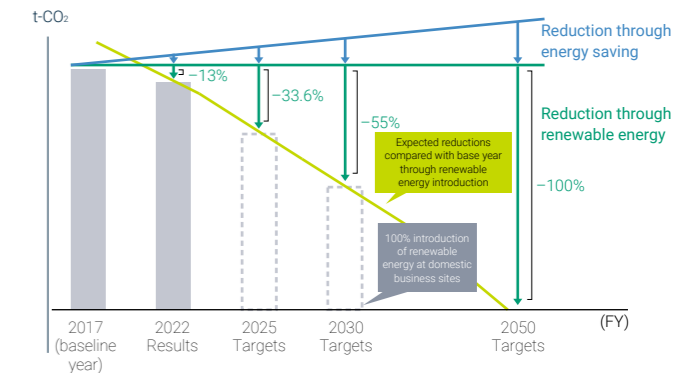


Establishment of Targets for Renewable Energy Introduction

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

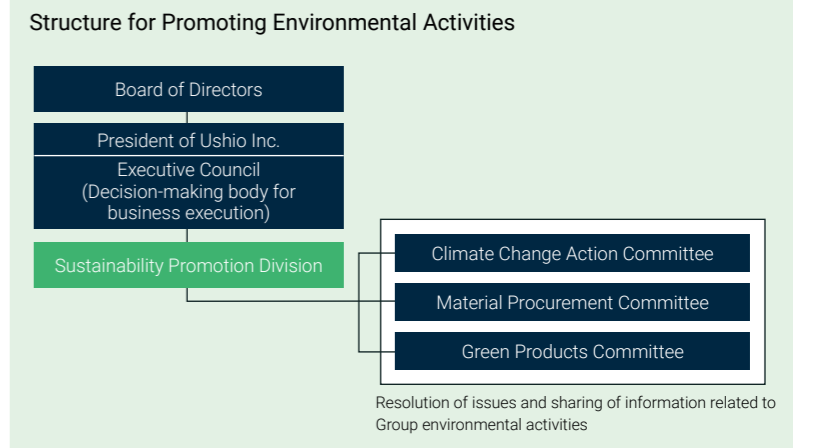
Ushio declared its support for the aims of the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations in 2021 and recognizes that climate change will impact sustainable growth of the Company. Moving forward, we will continue to use the TCFD recommendations as a basis for analyzing 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.
	Increased insurance rates	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

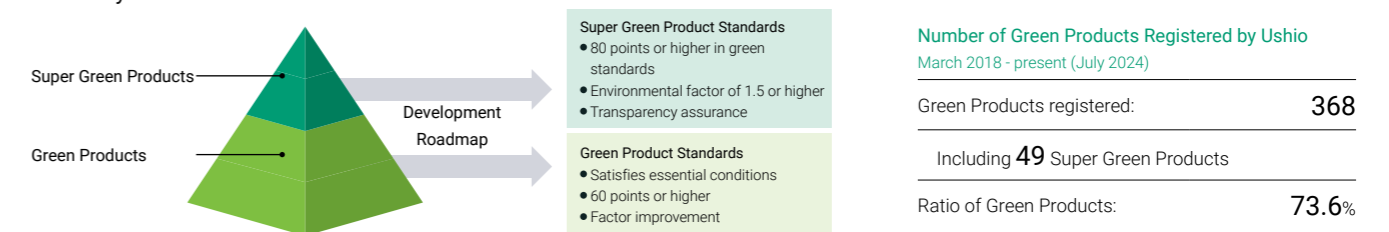
In consideration of recent global trends related to climate change, we set targets in 2018 that were approved by the SBT. Since then, we have made several revisions to these targets, and we currently aim to achieve a 55% reduction in Scope 1 + Scope 2 emissions by fiscal 2030, compared with fiscal 2017, 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

Our Business Strategies

Creating New Markets with “Light” (Ushio’s Business Strategies)

Under Revive Vision 2030, tapping into a globally niche leadership approach that has shaped Ushio’s corporate culture and strengthening our position since its founding, we will shift to areas where we can leverage Ushio’s unique strengths—the power to control light, the power to provide light-based solutions, and the power to retain light—to put forward solutions based on social value with even greater speed.



Industrial Processes

Strategic Policy for Industrial Processes Business

Helping to create convenient and comfortable social infrastructure through optical processing technologies

Manufacturing processes

for semiconductors, electronic devices, EVs, building materials, printing, etc.



Business Strategy

This is our primary business, where we will concentrate development, investment, and resources to enhance growth.

In particular, we will focus on areas such as advanced packaging and semiconductor processes, where increased growth is expected, and will revise our strategies for the EUV business.

Review of Fiscal 2023

In the flat panel display market, while demand caused by people staying at home receded and operations slowed down at liquid crystal panel manufacturers, operations were solid in the semiconductor and electronic device markets. On the other hand, major changes that occurred in our business environment were the rise of other companies' light sources for EUV mask inspections in the semiconductor market and a sharp slowdown the cutting-edge IC package market, which resulted in us drastically changing our strategies.

There are signs that demand in the semiconductor market will recover in fiscal 2024. As needs grow with advances in AI, we will increase the presence of the Ushio Group's lithography equipment (stepper, direct imaging lithography equipment, digital lithography system), particularly in the advanced packaging market. At the same time, we will revise our initiatives within the Group, selecting and concentrating on priority areas to achieve high profits in the Industrial Processes area.

Related products



UV lamps for lithography



Projection lithography equipment



Direct Imaging Lithography Equipment

Strategic policies (vision)

Expand presence in growing advanced packaging market and achieve high profitability by strategically selecting and focusing on priority areas

Focus investments on priority areas

- Concentrate resources and investments in semiconductor fields* offering growth potential

* Advanced packaging area and thermal processes that offer market growth potential

Strengthen product lineup

- Strengthen product lineup through strategic partnership with Advanced Materials to expand presence in evolving advanced packaging area
- Introducing new LED light sources for thermal processes, cultivating semiconductor thermal solutions area with three light sources
- Strengthen product lineup of UV lamps to expand into new business fields

Improve profitability

- Strategically enhance product mix in line with business climate changes
- Create business structure covering sales through aftersales service, primarily for lithography equipment
- Look to assess areas with little business potential

Human resources strategy

- Expand human resources in Industrial Processes business by reskilling from other businesses

Business climate

Semiconductor market

Signs of demand recovery emerging, anticipating market expansion across medium through long term, primarily for AI development demand

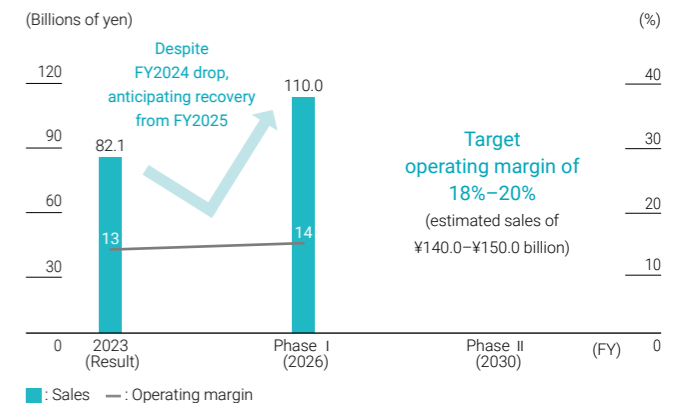
Advanced packaging market

Server and PC markets deteriorating, lowering related capital investments, but AI related investments expanding on broad adoption of generative AI, which should drive transition to larger package substrates and chiplets, thus increasing demand for advanced packaging substrates

Flat panel display market

While the rebound from stay-at-home demand that spiked during the COVID-19 pandemic has bottomed out, market needs should remain stagnant for the foreseeable future

Coefficient targets



Specific measures

	Priority areas (sub-segment)	Measures
Grow by increasing and sustaining investments	Digital Lithography System* + Next-generation lithography equipment (Lithography Equipment)	Concentrate development investments and resources on projects related to strategic partnership with Applied Materials to create full product lineup to become leading company in advanced packaging area
	Other IP businesses, including optical processes (Optical Equipment Lamps and Other Optical Equipment)	Focus on promising semiconductor-related field to pursue business expansion while investing to bolster product competitiveness
	EUV (Other Optical Equipment)	Continue product development with view to entering the market with High-NA lithography, etc. while looking to downsize or withdraw from market if business is no longer feasible
Stabilize	UV and OA lamps (UV and OA Lamps)	Maintain as stable cash-generating business through ongoing investments to boost competitiveness based on stable market trends

* Direct Imaging lithography equipment using digital lithography technology through partnership with Applied Materials

Leading Prospective Growth Driver Businesses

Pursuing new potential in market for inspection and analysis equipment, particularly in increasingly sophisticated semiconductor area, by leveraging our unique light source technologies

Expand Presence in Advanced Packaging Market Strategic partnership with Applied Materials

Become leading company in advanced packaging market by building full product lineup and expanding customer coverage

Strategic policies (Vision)

Become leading company in advanced packaging market

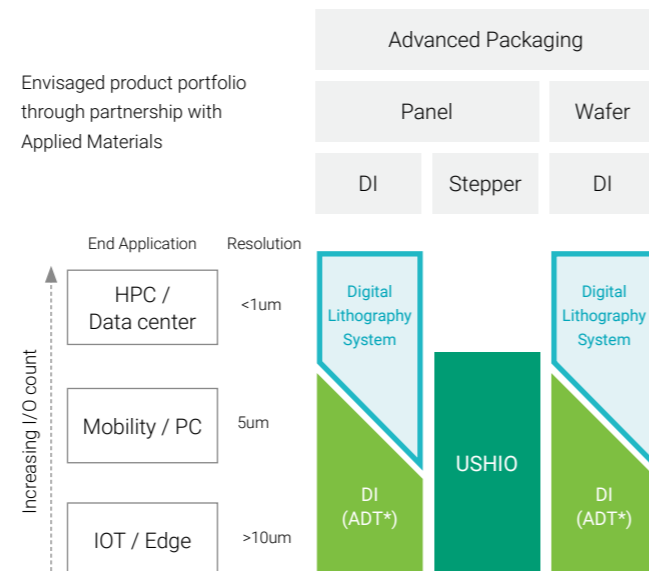
1 Building full lineup

Partnership with Applied Materials adds Digital Lithography System and builds full product lineup, including existing steppers and direct imaging lithography equipment, to cater to diverse applications and customer needs in ever-evolving packaging substrate market

2 Strengthen sales by growing customer base

Incorporating newly added Digital Lithography System should reduce dependence on current key customers, diversifying customer base and ensuring sales stability

* ADT= ADTEC Engineering, our group company



Advanced packaging market to cater to with Digital Lithography System

SAM to expand from \$250 million in FY2025 to \$800 million in FY2030

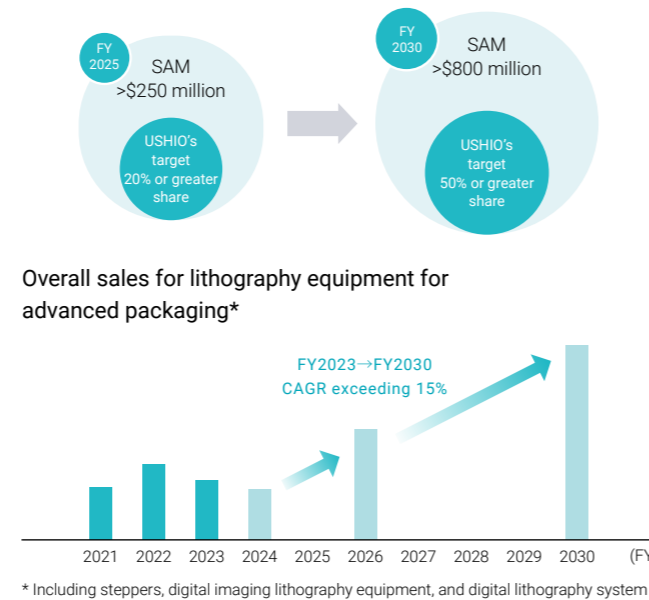
Cutting-edge IC package substrates should evolve significantly with AI advances, which drives:

- Rising demand for chiplets and larger package substrates
- More sophisticated package substrates to cater to semiconductor performance and power efficiency improvements (greater requirements for sub-2 μm to sub-micron)

Why we foresee adoption of our Digital Lithography System adoption in the market

Incorporating the digital lithography technology (DLT) into conventional DI lithography equipment enables:

- For larger package substrates
 - Handling larger substrates without compromising productivity or conventional tact times
- For more sophisticated package substrates
 - Accurate response to distortion and die placement errors arising from chipletization
 - Adaptability to changes in interposer substrates, including panelization, bridge structures (silicon + resin), and redistribution layers



▶ Cooperation with Applied Materials

Ushio and Applied Materials, Inc. have formed a strategic partnership and are bringing to market the first digital lithography system specifically designed for patterning the advanced substrates needed in the Artificial Intelligence (AI) era of computing. This new digital lithography system is the lithography equipment that can achieve the resolution necessary for advanced substrate applications (less than 2-micron line widths) while delivering throughput levels required for high-volume production.

Message

It has been six months since Ushio and Applied Materials, Inc. entered into a strategic partnership. To recap, Applied Materials is the leader in materials engineering solutions used to produce virtually every new chip and advanced display in the world. Founded in 1967 and headquartered in Santa Clara, California, Applied is renowned for its leadership in process equipment that enables innovations in the semiconductor industry. Applied developed a new type of Digital Lithography equipment (DLT™ - Digital Lithography Technology) designed for next-generation advanced packaging. Ushio is a global leader in semiconductor back-end processing with steppers and direct imaging lithography equipment. By combining Ushio Group's expertise in sales, marketing, engineering, and manufacturing with groundbreaking hardware and software technology from Applied, we can accelerate innovation in advanced packaging. It is an ideal partnership.

Since the announcement of the strategic partnership, significant progress has been made under the "One Team AUCC*" initiative, led by me as the executive owner and the extensive experience of Ushio's strong sales, marketing, manufacturing, and R&D teams. We have completed installation of a DLT tool at Ushio's facility for training purposes and customer demonstrations. We are also preparing for lithography tool production to meet strong interest from customers.

The three main features of particular interest to customers are:

1. Maskless printing which enables large AI/HPC packages without stitching boundaries.
2. Package density scaling with improved overlay performance and built-in digital compensation of substrate warpage and deformation, which enhances yield.
3. Digital Dynamic Connection™ (DDC) that compensates for die shift and rotation, enabling high power-performance scaling and yield for multi-chiplet packages.

The need for continued innovation in advanced packaging and the rapid growth of generative artificial intelligence represent a unique opportunity for Digital Lithography Technology, which combines Ushio's strengths with Applied's leadership in semiconductor equipment.

Supported by a strong sales force, engineering expertise, deep customer relationships, and strong partnership between Ushio and Applied, we are well-positioned for success. We are excited to capitalize on this "perfect partnership."

* AUCC: AMAT Ushio Collaboration & Cooperation

Profile

William F. Mackenzie
Ushio Inc.
Executive Owner of AUCC Project



Specific Measures for Selection and Concentration of Priority Areas

Shift Resources to Growth Businesses

► Thermal Solution Area

Focus on semiconductor thermal processes, a growth market, and help the semiconductor sector develop.

Strategic policies (Vision)

Leverage flash Lamps (FLP), halogen lamps (HL), and newly added LEDs to contribute to semiconductor sector development through optical thermal solutions

Be trusted partner of semiconductor equipment manufacturers

Business climate

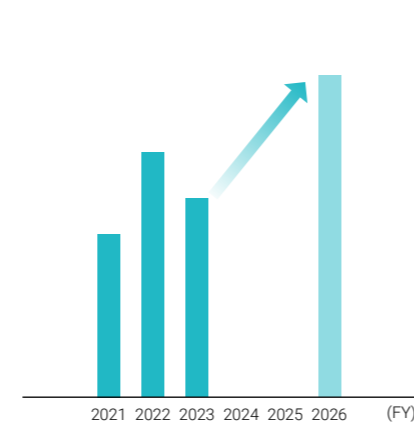
- Increasing need for thermal processing technology with high temperature and thickness control due to advances in semiconductor miniaturization, leading to thinner films and three-dimensional structures
- Growth in epitaxial deposition processes for advanced logic and DRAM devices, driving demand for epitaxial growth equipment
- Expansion of the semiconductor market is expected to significantly advance the semiconductor front-end manufacturing equipment and silicon wafer markets

- Rising use of radiant heating in numerous heating processes

Business strategies

- Boost built-in adoption rate by major customers (HL)
- Strengthen relationships with partner companies (FLP)
- Enter new areas by introducing LED light sources (LEDs)
- Offer three distinct light sources enabling more controllable heat treatment technology

Estimated thermal solution area sales



► Excimer Area

Shift focus areas, such as development investments in semiconductors, printed circuit boards, and packaging, and maintain stable business operations, reducing dependence on flat panel display market.

Strategic policies (Vision)

Reduce dependence on flat panel displays and concentrate on new priority areas

- Curb additional investments in flat panel display market, where market implementations are deteriorating
- Conduct R&D in line with product roadmap for customers in semiconductor, printed circuit board, and packaging fields

Business climate

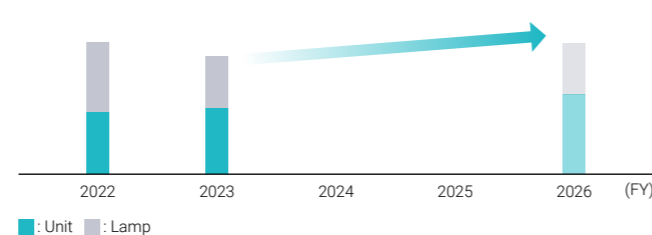
- Flat panel display market overstocked in reaction to pandemic demand hike, with postponements of new factory construction and capital investment
- Semiconductor market and other markets should grow

Business strategies

- Maintain 95%* global share in flat panel display market while shifting resources to semiconductors, printed circuit board, and packaging in view of slower market growth
- Expand business by targeting such new markets as construction materials and vehicles/batteries markets

* Market share in excimer irradiation units for cleaning panels (Ushio research, as of 31 March 2024)

Estimated excimer area sales



Excimer-related markets	Flat panel display market (including for OLED)	Semiconductor market (including printed circuit boards and packaging)	Other priority markets (Construction materials and vehicles/batteries)
Key applications	Panel cleaning, etc.	Film removal from wafers etc. Surface preparation before plating/SR application	Building materials matting Improving battery performance

Ongoing Efforts to Enter the High-NA area and Assess Business Feasibility (EUV)

Review business strategy and intensify efforts with new customers to enter the High-NA area in view of the rise of other companies' light sources. However, may be possible to assess business direction based on future market and development trends.

Strategic policies (Vision)

Aim to enter the High-NA area

- Continue developing products meeting performance (high brightness and stability) and cost requirements in High-NA area
- Adapt strategy in response to changes in business and technological trends, potentially downsizing or exiting business

Business climate

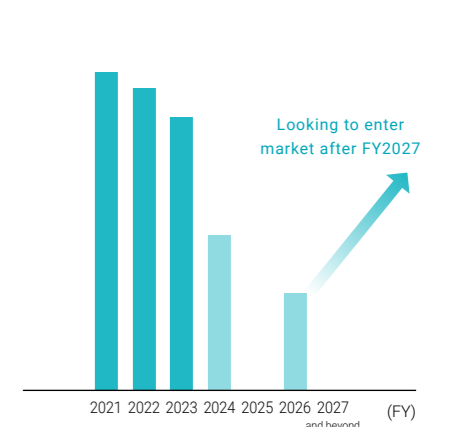
- The rise of other companies' light sources making it hard for some time to secure new offers
- Shift to High-NA progressing in APMI* market, with market requiring greater brightness and stability

* APMI: Actinic Patterned Mask Defect Inspection (mask defect inspection equipment using EUV light)

Business strategies

- Minimize decline in profitability through total cost of ownership reduction initiatives in response to revenue downturn from lower use
- Accelerate development with new customers, targeting further High-NA in development and commercialization for future adoption (evaluations underway for securing new offers after FY2027)
- Also consider downsizing or exiting business should operating and development environments differ from projections

EUV business sales forecasts



Stabilize Earnings and Build Robust Earnings Base (UV Lamps)

Further expand market share in semiconductor sector and break into new areas by strengthening relationships with semiconductor inspection equipment manufacturers, and maintain dominant position and continue generating stable and fundamental earnings.

Strategic policies (vision)

Keep contributing to Ushio's revenue base

- Further increase market share in semiconductor area
- Expand business by strengthening ties with semiconductor inspection equipment manufacturers

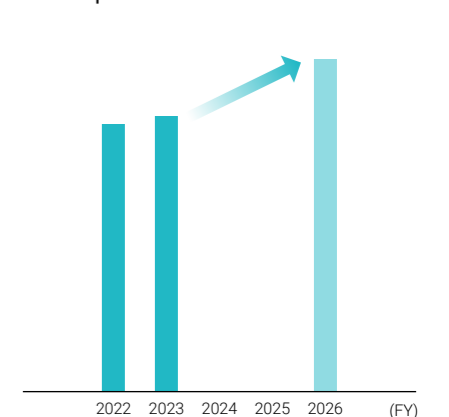
Business climate

- Semiconductor demand recovering, with expected increases in demand for i-line lithography equipment driven by growing needs for cutting-edge IC package substrates for logic and memory devices
- Demand for flat panel display should remain subdued due to reduced investments in new installations post-pandemic
- Demand for defect inspection systems likely to rise on semiconductor miniaturization

Business strategies

- Capture 80% or greater market share through strategic initiatives and alliances (currently at 70%–75%)
- Launch new models to penetrate new fields by meeting inspection needs from semiconductor miniaturization
- Develop new offerings providing higher illumination and longer lifespans, as well as products tailored for new fields
- Remain core earnings generator for Group by securing stable margins

UV lamps sales forecast



Visual Imaging

Strategic Policy for Visual Imaging Business

Delight people and deliver shared experiences to people through imaging and lighting technologies

Large-scale video production and operation of entertainment spaces (theme parks, movie theaters, events, etc.)

Public facilities, corporate control rooms, and video systems



Business Strategy

Positioning this business as a profit improvement business, we aim to make it a stable cash-generating business by improving profitability without pursuing business scale. We will carry out structural reform and selective judgement of sub-businesses to improve profitability, while also concentrating investments in areas that are highly profitable or have high potential for growth to enhance profitability.

Review of Fiscal 2023

In the cinema industry, demand for installation of new projectors and replacement of xenon lamps recovered in fiscal 2023 due to an uptick in cinema operations. On the other hand, the Hollywood strikes led to a shortage of content that saw cinema management change their approach as they braced for a decline in box office revenue, with many asking for greater operational efficiency and lower costs for their projectors. This created sales opportunities for Ushio's laser projectors, which can be used for long periods of time and are energy efficient.

Additionally, while fears of recession in the USA and China had a damping effect on sales, the entertainment market as a whole saw theme park operations and concert numbers return to their pre-COVID-19 levels, with thriving markets including in the rental and BtoB markets. These conditions sparked high hopes for high-luminance, high-precision projectors and direct viewing (LED), along with solutions for lighting and acoustic equipment.

Related products



Lamps for cinemas



Digital cinema projectors



Projectors for general imaging

Strategic policies (vision)

Intensify efforts to improve and enhance profitability

Control costs and optimize resources

- Lower management costs by optimally allocating resources and cutting SG&A expenses through business structure reviews and selective judgment
- For projector lamps where expect to see decreased demand, reallocate resources to areas with growing demand

Optimize product lineup

- Optimize product lineups and minimize fixed costs by leveraging original equipment and design manufacturing

Expand recurring businesses

- Maintain and optimize stable earnings from maintenance contract services
Recurring business sales ratio:
15% in FY2023 → Target 20% in FY2026

Expand customer transactions

- In high-value-added sectors, intensify localized engagement in Nationwide 360 Audio Visual Services and grow operations in theme parks

Selectively judge sub-businesses

- Undertake selective judgment for sub-businesses, markets, and product development based on comprehensive factors such as growth potential, market position, capability to increase market share, and profit structure

Business climate

Cinema market

Recovery from the impact of COVID-19 underway, with strong replacement demand for digital cinema projectors. We expect stable demand in the medium to long term, though new installations may be limited due to factors like China's economic downturn

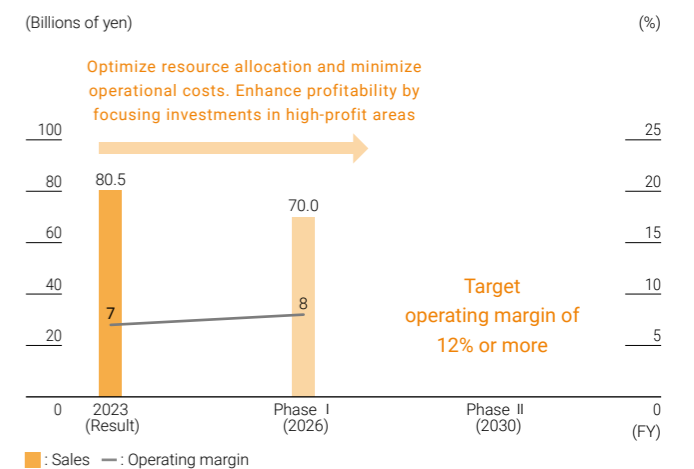
General imaging market

Capital investment in global events and theme parks should remain robust over medium to long term, although current economic downturn in China may reduce investment appetites

Common factors

Demand for projector lamps should gradually decline as the market shifts toward laser projector light sources

Coefficient targets



Specific measures

	Priority areas (sub-segment)	Measures
Grow by increasing investments	Nationwide 360 Audio Visual Services (General Imaging)	Prioritize in Nationwide 360 Audio Visual Services, a high value-added business • Consolidate resources to scale up operations and drive revenue growth
Control investments and generate stable earnings	Other areas (General Imaging)	With market growth limited, focus on improving and enhancing profitability rather than pursuing business scale while considering for selectively judging sub-businesses • Improve profitability through selection and concentration while considering for selective judgment
	Imaging equipment (Cinema)	• Increase proportion of recurring businesses and product services earnings • Efficiently optimize product lineup to remain competitive by strengthening cooperation in production outsourcing and other areas
Shrink	Projector lamps (Projector Lamps)	Downsize business due to shifting to solid-state light sources • Maintain and expand market share, and optimize earnings by prioritizing cost reductions through consolidation of sites and improvement of commercial channels

Life Sciences

Strategic Policy for Life Sciences Business

Providing the world and its people with peace of mind and safety through the use of optical technologies

- Extending healthy life expectancy (environmental sanitation, healthcare, pharmaceuticals, and drug discovery)
- Helping to improve and maintain conditions for people
- Eliminating conditions that cause disease and helping to maintain health



Business Strategy

Positioning this business as a cultivating business, we will cultivate sub-businesses by selectively judging projects more than ever. Initiatives to create new businesses for the future will continue at a certain scale, but we will narrow down investments to promising businesses with a clearer path to growth.

Review of Fiscal 2023

In May 2023, COVID-19 was downgraded to Class 5 in Japan, which led to a downturn in disinfection needs in general markets. The same change in business environment happened overseas too, and this lull in general markets' antivirus-related needs has continued. On the other hand, hospital-acquired infections from causes such as drug-resistant bacteria are emerging as a major social issue both inside and outside Japan, and there are high hopes for the use of Care 222, which is likely to be effective against such resistant bacteria. With these changes in our market environment, we are implementing activities to actively gather evidence of this technology's effect in real hospital environments. Additionally, in the North American market, the relaxing of ACGIH guidelines in 2022 and revision of instrument certification standards have led to an environment where this technology's disinfecting effects can be clearly demonstrated. We will build a framework to strengthen collaborations within the Group so that we can identify the views and needs of the market in a timely manner and promptly incorporate the functions and characteristics the market is looking for in our product development.

Related products



Devices using "Care222," for UV-C disinfection technology



TheraBeam Series of UV Phototherapy Devices

Strategic policies (vision)

Reassess demand, focus on development and expenses commensurate with demand, and minimize expenses while cultivating sub-businesses

Address plunging demand

- Reduce expenses and inventory for Care222, which has underperformed, to appropriate levels

Cut development and other expenses

- Reevaluate path to commercialization and pare development investments
- Closely manage milestones
- Identify and decide swiftly on unprofitable areas

Cultivate sub-businesses

- Concentrate investments to sub-businesses with growth potential

Business climate

Care222

Demand weak since pandemic; potential to strengthen customer appeal through revisions to regulations, standards, and evidence acquisition

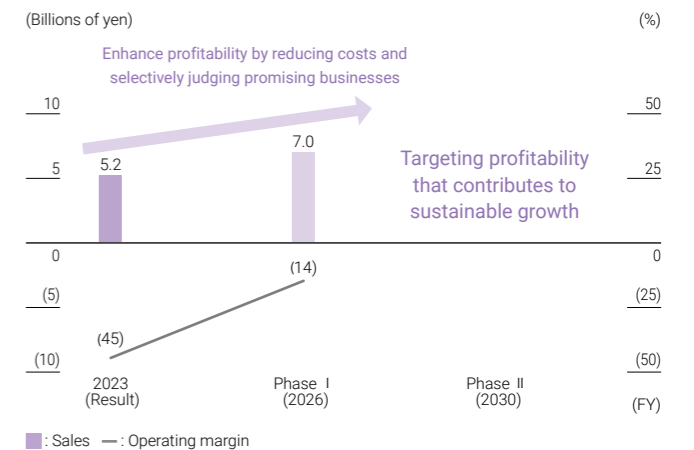
Medical devices

Steady demand for new installations and replacements in domestic market; differentiation through product downsizing and usability enhancements

Healthcare

Increase repeat and new customers by developing unique offerings in response to moderate market growth

Coefficient targets



Specific measures

	Priority areas	Measures
Cultivate new businesses	New areas (including Care222)	Develop promising product categories for tomorrow while managing investments by selectively judging focus areas
	Promising product groups	Expand business while controlling investments and monitoring business progress
Stabilize	Medical devices and Healthcare business	Keep refreshing product lineup and secure stable earnings in areas with consistent demand and proven revenue streams

Promising product groups

- Pioneer progress in bio-functional chips through surface modification technology employing specific wavelengths to address drug discovery challenges
- New pulsed light spectroscopy technology contributing to quality inspections

Phase I: Joint development with promising partners

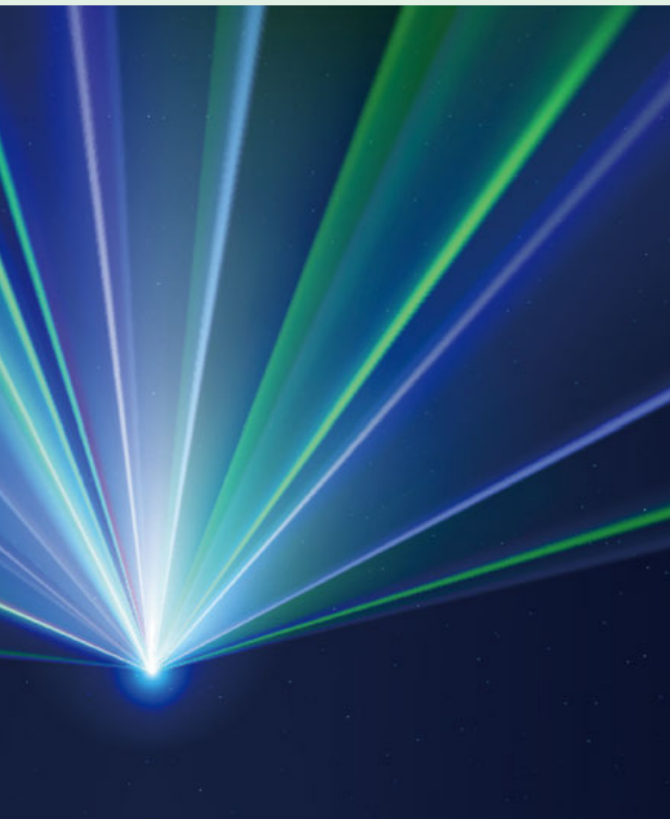
Phase II: Start production and sales

Photonics Solutions

Strategic Policy for Photonics Solutions Business

Creating and providing value with customers in order to contribute to society's advancement through photonics technology

For semiconductor manufacturing equipment
Integration with laser cinemas and AR/VR
Gene sequencing and medical examinations/
testing in ophthalmology and internal medicine



Business Strategy

Positioning this business as a growth and review business, we will make it a stable cash-generating business by selectively judging areas to invest in and to be reviewed. We will selectively judge sub-businesses that are uncompetitive and unlikely to grow, while actively investing in growth areas, including replacing lamps with solid-state light sources and growing the business through ongoing M&A and collaborations.

Review of Fiscal 2023

With the turmoil of COVID-19, the market over-ordered parts in expectation of an increase in demand. Afterwards, however, a slowdown in growth in China and Europe, along with geopolitical risks, has seen demand stagnate. As a result, sales and profits for LD and LED devices were below our targets. In our laser solutions business, which combines lasers and module systems, sales surpassed the target but operating profit fell short. One reason for this was our acquisition of a small company specializing in high-efficiency laser fiber couplings, strengthening our capabilities.

We are reallocating development resources from projectors and show lasers, our current key areas, to next-generation areas such as AR/VR, onboard technology for automobiles, and laser direct imaging. We are preparing for mass production in such areas with a view to future demand.

Ushio is continuing to collaborate with promising customers to develop innovative customized lasers and photonics-based solutions. Mass production of these solutions is expected to commence within the next few years.

Related products



Solid-state light sources (LD/LED)



Laser modules

Strategic policies (Vision)

Maintain business structure centered on highly profitable module businesses and grow business through M&A and partnerships

Selectively judge sub-businesses

- Undertake selective judgment for low-growth and underperforming sub-businesses

Enhance profitability

- Create synergies and rationalize operations
- Shift resources from mature and declining markets to growth markets
- Constantly build and strengthen relationships with key customers

Expand investments in growth areas

- Maintain and expand extensive investments in megatrends offering significant growth potential
- Collaborate with key players leading growth areas

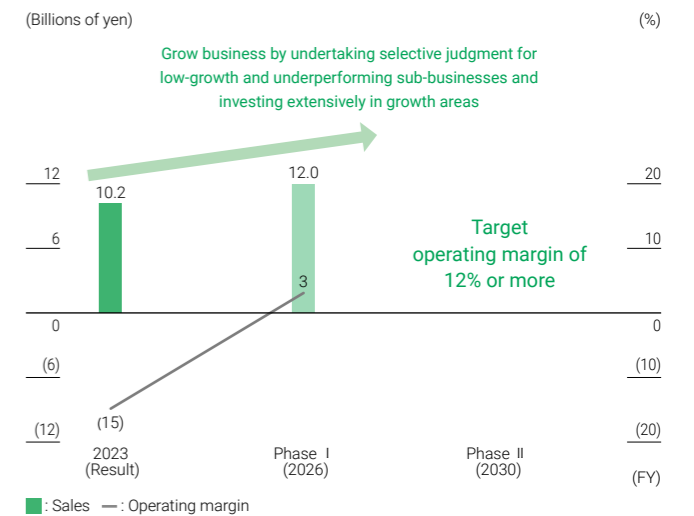
M&A and alliances

- Seek business growth through M&A and partnerships

Business climate

- Steady growth amid shift to solid-state light sources and improved energy efficiency
- Expansion and emergence of life sciences, AR/VR, and heterogenous integration markets

Coefficient targets



Specific measures

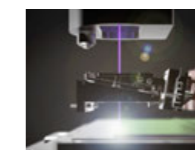
	Priority areas	Measures
Selectively judge	Selectively judge sub-businesses	Selectively judge sub-businesses that are uncompetitive and have few prospects for growth and earnings improvement
Stabilize	Highly profitable businesses	For businesses offering high profitability, develop them to generate stable cash flows through appropriate investments

Highly profitable businesses

- Expand businesses, focusing on module business in response to megatrends offering growth potential
- Collaborate (through M&A and alliances) with key growth area leaders

Priority megatrends

Including semiconductors, medical care, and AR/VR



Our Corporate Governance System

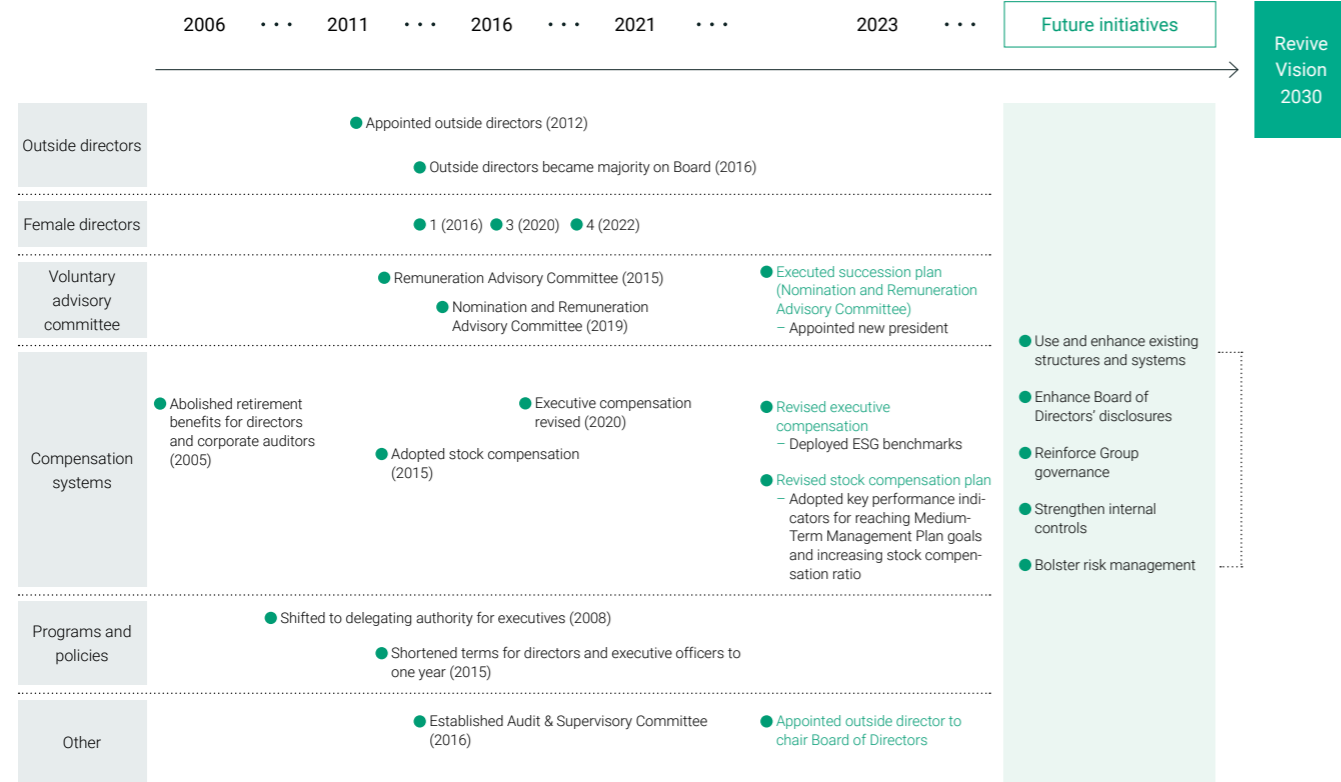
Enhancing Our Management Base

On our path to becoming a “light” innovation company, we lay an even stronger foundation, supporting astute resource allocation and agile decision-making.

Corporate Governance

Ushio recognizes that realizing its Management Philosophy, as well as promoting the sustainable growth of Ushio and increasing corporate value over the medium-to long-term, will bring satisfaction to all stakeholders. To achieve this goal, Ushio strives to ensure the transparency and efficiency of corporate management and to reinforce corporate governance in order to realize speedy and resolute decision-making.

► Initiatives Relating to Governance at Ushio



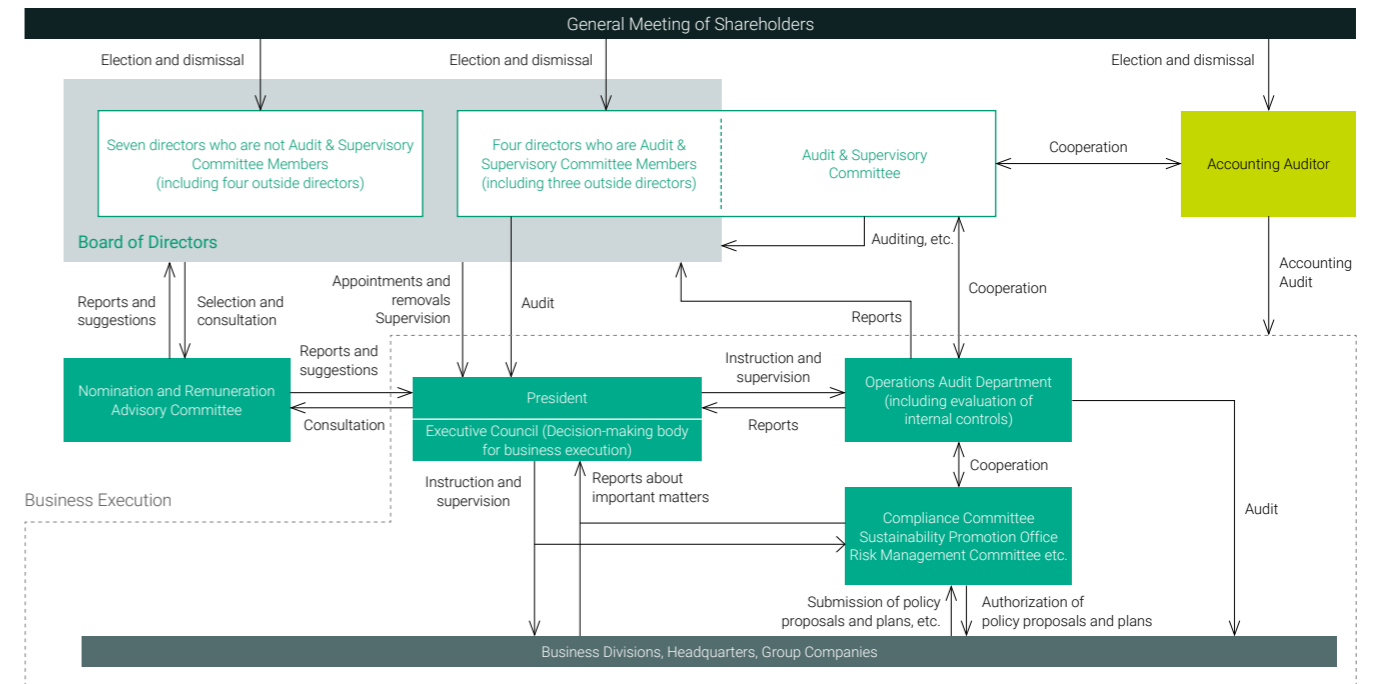
Corporate Governance System (As of June 27, 2024)

Ushio Inc. uses an Audit & Supervisory Committee system, which fosters prompt decision-making by delegating decisions for certain important business matters from the Board of Directors to the executive directors. It has also strengthened the supervisory function of the Board of Directors by ensuring that the majority of its members are outside directors. The system has also been reinforcing audit and supervisory functions through the establishment of an Audit & Supervisory Committee with the authority to assess the legality and validity of board members' actions in performing their duties.

In addition to establishing a system for more accurate and prompt business execution through the executive officer system, Ushio Inc. has established an Executive Council to discuss and report on important matters.

Furthermore, there is a Nomination and Remuneration Advisory Committee for the purpose of ensuring the fairness and appropriateness of the nomination and remuneration of directors. The Nomination and Remuneration Advisory Committee is chaired by and comprises a majority of outside directors. It is chaired by Toyonari Sasaki, an independent outside director, and its responsibilities as advisors to the Board of Directors and the representative directors consist of advice and recommendations concerning the structure and level of remuneration for directors, evaluations of the contributions of individual directors to business performance, and the nomination of director candidates.

► Outline of Governance



Activities of the Board of Directors

Ushio Inc.'s Board of Directors met 12 times in fiscal 2023. The main items for examination by the Board of Directors are the status of implementation of the 2nd Medium-Term Management Plan, which commenced in April 2023, and related measures; the status of implementation of business strategies; the formulation of New Growth Strategy commencing in April 2024; the formulation of financial capital strategies; progress on the implementation of various human resources strategies including personnel development and hiring; the status of

promotion of ESG management; the status of establishment of risk management systems; the status of dialog with institutional investors; and examination of the propriety of Cross-Shareholdings.

In addition, meetings attended only by outside directors, known as executive sessions, are held on a regular basis to ensure a forum for information exchange and to establish common understanding based on independent, objective perspectives. A total of five executive sessions were held in fiscal 2023.

Evaluation of the Effectiveness of the Board of Directors

Each year, Ushio Inc. conducts questionnaires with Directors concerning the evaluation of the effectiveness of the Board of Directors and the Nomination and Remuneration Advisory Committee, analyzes and evaluates their effectiveness, and shares the results with the Board of Directors to confirm the details and future actions. This year's questionnaire has been conducted in the form of a self-assessment of the discussions of the Board of Directors and the Nomination and Remuneration Advisory Committee, the composition of the Board of Directors, and the effectiveness of the Board of Directors (the fulfillment of the respective roles and responsibilities of the Board of Directors, Nomination and Remuneration Advisory Committee, Internal Directors, and Outside Directors). As a result of the analysis and evaluation of such questionnaires conducted this year, it has been confirmed that the effectiveness of the Board of Directors and the Nomination and Remuneration Advisory Committee has been appropriately secured in each Directors' assessment.

At the Board of Directors held in fiscal 2023, the formulation of the New Growth Strategy became an important agenda item, as the Medium-Term Management Plan needed to be revised due to significant changes in the business environment surrounding Ushio. The discussion at the Board of Directors proceeded with the enhancement of the contents of the documents (the enhancement of information and data necessary to understand the background), which was raised last year as an issue to improve the quality of the discussion, and as a result, it was confirmed that our New Growth Strategy, Revive Vision 2030, was formulated after high quality discussions on business strategy and capital policy, etc.

On the other hand, the lack of discussion on human resource strategy and R&D strategy has been identified as issues, and it has been confirmed that the Board of Directors to be held in fiscal 2024 will enhance and deepen the discussion on these issues. It has been also confirmed that monitoring the progress of the business portfolio strategy is

Corporate Governance

important to ensure the achievement of the New Growth Strategy. In addition, it has been confirmed that the appropriate composition of the Board of Directors from a medium- to long-term perspective will continue to be a matter of ongoing discussion by the Nomination and Remuneration Advisory Committee.

Ushio Inc. will continuously make improvements to further enhance the effectiveness of the Board of Directors.

Audit & Supervisory Committee

The Audit & Supervisory Committee comprises four members, including one full-time Audit & Supervisory Committee Member, and has been established to oversee the Directors' execution of their duties. The Audit & Supervisory Committee has also appointed a full-time Audit & Supervisory Committee member to enhance the efficacy of audits by collecting information from directors (excluding those who are also Audit & Supervisory Committee members) and employees, and coordinating smoothly with the internal audit department and Accounting Auditor.

The full-time member Makoto Kinoshita has many years of domestic and international experience at financial institutions and also possesses a high level of expertise regarding finance and accounting. The member Akemi Sunaga is a certified public accountant and certified public tax accountant and also possesses a high level of expertise pertaining to finance and accounting. The member Chiaki Ariizumi has experience working in public financial institutions over many years and also possesses a high level of expertise regarding finance and accounting.

The Audit & Supervisory Committee meets once a month, in principle, to supervise the management of Ushio Inc. and conduct audits on the

appropriateness of business execution by the Directors. In fiscal 2023, the committee met 13 times, and the attendance rate of each individual member is as listed in the table below.

The main items for examination by the Audit & Supervisory Committee are formulation of annual audit plans, which include key audit matters and the division of roles between each member of the Audit & Supervisory Committee; the status of Directors' performance of duties through regular interviews with the Representative Directors; the status and appropriateness of the implementation of the Medium-Term Management Plan and related measures; the status and appropriateness of accounting audits and internal control audits in accordance with audit plans by the Accounting Auditor; the establishment and operational status of Group internal control systems; the monitoring of the management status of Group companies; the status of compliance, risk management, and audit activities of full-time Audit & Supervisory Board members; and other key audit matters (KAM). Auditing and supervision of these various factors are carried out from the perspectives of legality and validity.

Policy on Determining Officer Remuneration Amounts or the Calculation Methods from Fiscal 2024

In response to significant changes in the business environment surrounding the Company, Ushio reviewed the 2nd Medium Term Management Plan, and set forth and disclosed a New Growth Strategy (Revive Vision 2030) for fiscal 2030. Accordingly, in order to link the remuneration system to the New Growth Strategy, the Company has revised details of its policy for determining individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members; the same shall apply hereinafter) and Executive Officers who have entered into a delegation agreement with the Company (the Directors and Executive Officers are collectively referred to as "Directors etc." hereinafter) for fiscal 2024 onward as follows.

When making this decision, the Nomination and Remuneration Advisory Committee was consulted in advance, and the Board of Directors received the report before making a resolution at the meeting held on May 14, 2024.

Additionally, remuneration for Directors who are Audit & Supervisory Committee Members has been determined through discussions among the Directors.

1. Basic Policy on Remuneration

The Company's basic policy for remuneration of directors is as follows.

- Remuneration shall be sufficient to motivate directors to achieve management targets
- Remuneration should lead to continuous improvement of business performance and corporate value over the medium- to long-term.

- Remuneration should be closely linked with the Company's performance / Company values, and also be highly transparent and objective.
- Remuneration should be at a level that enables recruitment and retention of diverse and talented personnel, considering the level of companies listed on the Tokyo Stock Exchange Prime Market and companies of the same size in the same industry.
- Remuneration should be determined through a transparent process to ensure the trust and support of stakeholders.

2. Policies on the Composition and Composition Ratio of Remuneration

Remuneration for Directors etc. of the Company consists of fixed monetary remuneration, short-term performance-linked monetary remuneration, and medium- to long-term performance-linked stock remuneration.

Remuneration for Outside Directors of the Company only consists of fixed monetary remuneration. Remuneration levels and remuneration ratios for Directors, etc. are determined through deliberations by the Nomination and Remuneration Advisory Committee following an objective comparative verification using executive remuneration data from an external research organization in accordance with the basic policy. The percentages of fixed monetary remuneration, short-term performance linked monetary remuneration, and medium- to long-term performance-linked stock remuneration, which are each set for Directors, etc., excluding Outside Directors, according to their position, are set approximately at the levels shown in the table below for when a target standard is achieved.

Post	Fixed Monetary Remuneration	Short-term Performance-linked Monetary Remuneration	Medium- to Long-term Performance-linked Stock Remuneration
Representative Director	50%	25%	25%
Directors	55%	25%	20%
Executive Officers	60%	25%	15%

3. Policies on Short-Term Performance-Linked Monetary Remuneration

The Company will decide on short-term performance-linked monetary remuneration in accordance with one's position and degree of achievement of the performance targets (evaluation of consolidated performance and the performance of the unit that each Director, etc. is in charge of) for a given fiscal year in order to further increase the motivation of Directors, etc. to contribute to the enhancement of the Company's corporate value and to encourage them to implement the New Growth Strategy (Revive Vision 2030) steadily under the basic policy. Evaluation indicators are linked to key indicators of the New Growth Strategy, and the relevant indicators, ratios and target values during the period covered by Phase I of the New Growth Strategy have been set as shown in the table below.

This type of remuneration is paid in a lump sum after the end of a fiscal year in an amount determined by multiplying the base amount set for each position by a factor set in accordance with the degree of achievement of each evaluation indicator. Short-term performance-linked monetary remuneration varies in value in a range between 0% and 200%.

	Director Portion	Executive Officer Portion	
Indicator	ROE*	Consolidated operating margin*	Target achievement rate for the unit the Director is in charge of
Percentage	100%	50%	50%
Target	Linked to fiscal year consolidated performance targets	Linked to fiscal year consolidated performance targets of the unit the Director is in charge of	

* Unplanned, temporary performance impacts may occur in ROE and consolidated operating margin when making selections and concentrations (business acquisitions, divestments and exits) through a portfolio revamp that will contribute to future corporate value enhancement. If this is the case, numbers excluding such impacts are used.

4. Policies on Medium- to Long-term Performance-Linked Stock Remuneration

The Company will decide on medium- to long-term performance-linked stock remuneration in accordance with one's position and degree of achievement of the performance targets and ESG targets for a given fiscal year in order to further increase the motivation of Directors, etc. (excluding non-residents of Japan) toward the remuneration to contribute to the enhancement of the Company's corporate value and to encourage them to implement the New Growth Strategy (Revive Vision 2030) steadily under our Basic Policy. Evaluation indicators are linked to key indicators of the New Growth Strategy, and the relevant indicators, ratios and target values for Phase I of the New Growth Strategy have been set as shown in the table below.

The stock points for medium- to long-term performance-linked stock remuneration, which are granted to Directors, etc. (excluding non-residents of Japan) at certain times each year*1, are calculated by multiplying the base stock points set for each position*2 by a factor set in accordance with the degree of achievement of each evaluation indicator and vary within a range between 0% and 200%. When a director, etc. resigns, the

Company shares will be given to him/her in a number determined by multiplying the cumulative number of stock points granted to him/her during his/her tenure by one share per point.

	Director Portion	Executive Officer Portion		
Indicator	ROE*1	Consolidated operating margin*2	Engagement Score*4	ESG Evaluation Score*5
Percentage	100%	70%	18%	12%
Target	Linked to fiscal year consolidated performance targets		Linked to the ESG targets	

*1 In order to encourage steady execution of the New Growth Strategy, the base number of stock points set for different positions is weighted toward the final year of Phase I of the New Growth Strategy period. Accordingly, the maximum limit on the total number of stock points that can be granted to Directors, etc. per year is 165,000 points for the final fiscal year of an evaluation period and 127,500 points for the other fiscal years subject to evaluation

*2 The base stock remuneration points linked to medium- to long-term performance were calculated by dividing the preset amount of medium- to long-term performance-linked stock remuneration for each position by the average closing price of the Company's stock during the period from January 4, 2023 to March 31, 2023.

*3 Unplanned, temporary performance impacts may occur in ROE and consolidated operating margin when making selections and concentrations (business acquisitions, divestments and exits) through a portfolio revamp that will contribute to future corporate value enhancement. If this is the case, numbers excluding such impacts are used.

*4 The Company defines engagement as "a state in which executives and officers find value in their relationships with their colleagues in the company and office and want to contribute actively," and uses as an engagement score the percentage of employees who have given an affirmative answer to a question indicating such a state

*5 FTSE Russell ESG Ratings are used as an indicator.

5. Policies on the Period and Conditions for Granting Remuneration

Fixed monetary remuneration is paid as a fixed monthly remuneration.

Short-term performance-linked monetary remuneration is paid in a lump sum after the end of each fiscal year.

As for medium- to long-term performance-linked stock remuneration, Company shares corresponding to the accumulated stock points granted individually are delivered, and the cash equivalent of the conversion value of the said shares is paid if Directors, etc., fulfill the beneficiary requirements, in principle after retiring their positions, in accordance with the Rules on Share Delivery for Directors, etc. prescribed by resolution of the Board of Director.

In the event of a serious violation of duties by a director, etc., the Company may forfeit the right to receive shares or demand the return of the amount equivalent to the stock remuneration already delivered.

6. Items Pertaining to Delegating Authority for Decision-Making on Remuneration

The Nomination and Remuneration Advisory Committee, where the chairperson and the majority of the members are Outside Directors, deliberates and determines the system and level of remuneration for Directors, etc. and the evaluation of their contribution to the Company's performance in accordance with the delegation by the Board of Directors, in order to ensure fairness and appropriateness in determining specific remuneration amounts for individual Directors.

Corporate Governance

► Total Remuneration for Director Categories, Total Amount by Type of Remuneration, and Number of Eligible Directors in fiscal 2023

Director Category	Total Amount of Remuneration (millions of yen)	Total Amount by Type of Remuneration (millions of yen)			Number of Eligible Directors
		Fixed Compensation (monetary compensation)	Performance-linked Compensation (monetary compensation)	Performance-linked Compensation (stock)	
Directors (excluding directors who are Audit & Supervisory Committee members or outside directors)	330	146	105	78	5
Directors who are Audit & Supervisory Committee members (excluding outside directors)	24	24	—	—	1
Outside directors	83	83	—	—	8

- (Note 1) Performance-linked compensation (stock) is the amount recorded as expenses in fiscal 2023 according to Japanese GAAP.
- (Note 2) The remuneration for directors (excluding directors who are outside directors or Audit & Supervisory Committee members) comprises fixed monetary compensation, performance-linked monetary compensation, and performance-linked stock compensation. The remuneration for outside directors and directors who are Audit & Supervisory Committee members is solely fixed monetary compensation.
- (Note 3) At the Annual General Meeting of Shareholders held on June 29, 2016, shareholders approved a resolution to limit the remuneration for directors (excluding directors who are Audit & Supervisory Committee members) to ¥540 million per year (of which the portion for outside directors is up to ¥84 million). In addition, the Articles of Incorporation limit the number of directors (excluding directors who are Audit & Supervisory Committee members) to 12.
- (Note 4) At the Annual General Meeting of Shareholders held on June 29, 2016, shareholders approved a resolution to limit the remunerations for directors who are Audit & Supervisory Committee members to ¥84 million per year. In addition, the Articles of Incorporation limit the number of directors who are Audit & Supervisory Committee members to 5.
- (Note 5) The stock compensation system for directors (excluding directors who are Audit & Supervisory Committee members and outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding non-residents of Japan) was established by resolutions passed at the Annual General Meeting of Shareholders held on June 26, 2015 and the Annual General Meeting of Shareholders held on June 29, 2016. Furthermore, as stated in the Policy on Determining Officer Remuneration Amounts and Remuneration Calculation Method from Fiscal 2024 established by a resolution at the Annual General Meeting of Shareholders held on June 27, 2024, the system shall be partially revised from fiscal 2024 onwards.
- (Note 6) The specific amount of monetary compensation paid to individual directors (excluding directors who are Audit & Supervisory Committee members) in fiscal 2023 was determined by the Nomination and Remuneration Advisory Committee, which is chaired by and comprises a majority of outside directors, based on the authority delegated to them by the Board of Directors, with the purpose of ensuring the fairness and validity of this decision.
- (Note 7) Remuneration for directors who are Audit & Supervisory Committee members for fiscal 2023 was determined through discussions among such members.

Cross-Shareholdings

Ushio Inc. maintains cross-shareholdings with important business partners with the aim of enhancing the medium- to long-term corporate value of Ushio by maintaining and strengthening our relationships with such business partners. The cross-shareholdings are regularly examined by the Board of Directors by comprehensively judging the medium- to long-term economic rationality of each shareholding with regard to the dividends and transaction amounts, and whether it contributes to enhancing medium- to long-term corporate value in view of the business strategies etc. of Ushio. Any cross-shareholdings whose significance has waned will be sold after considering the status, etc. of the business partner with whom Ushio maintains cross-shareholdings. Voting rights of

cross-shareholdings will be exercised after closely examining all bills from the viewpoint of enhancing the medium- to long-term corporate value of Ushio and the business partner with whom the Company maintains the cross-shareholding and properly judging our opinion regarding each bill. We will oppose a bill if it would significantly damage value for shareholders or if serious concerns about corporate governance such as social misconduct surface. If a shareholder of the cross-shareholdings states the intention to sell shares of Ushio Inc., we will never attempt to impede the transaction by, for example, suggesting they reduce the transaction amount, and will properly respond to such sales.

Risk Management

In light of growing uncertainty in our business environment, the Ushio Group has established risk management policies and a Risk Management Committee, and is building a global risk management framework for the purpose of reforming its frameworks and rebuilding and strengthening Company-wide risk management frameworks. The Risk Management Committee identifies important risks, takes measures against them, and carries out risk management PDCA cycles to earn greater trust from all of our stakeholders, achieve the Ushio Group's management targets, and facilitate sustainable growth.

► Overview of Material Risks and Countermeasures

Material Risks	Risk Scenarios	Responses to risk
Supply chain	<ul style="list-style-type: none"> • Suspension of operations due to delays or interruptions in the supply of raw materials, parts, and/or purchased products due to the closure of suppliers and the tightening of laws and regulations in the country of origin. • Rising costs caused by the depletion of resources and tight supply and demand, etc. 	<ul style="list-style-type: none"> • Analyze the current situation for each part and clarify alternative and backup plans for the risks visualized. • Formulate a procurement policy that includes centralized purchasing and distributed purchasing within the Group. • In response to price hikes, create a system that allows us to assess appropriate prices and pass on costs to prices as appropriate.
Business continuity	<ul style="list-style-type: none"> • Sharp decline in sales due to restrictions on local business activities, etc. resulting from political confrontations with specific countries. • Earthquakes, tsunamis, and volcanic eruptions resulting in human casualties and damage to factories, warehouses, offices, equipment, and systems, which also interrupts business operations. 	<ul style="list-style-type: none"> • Promote the strengthening of business continuity initiatives from the perspective of geographically-optimized production and sales by cooperation between bases that leverage the strengths of each based on business direction information from each business department. • Hold regular disaster prevention and initial response drills, BCP drills based on manuals, and regular company fire brigade drills, and renew stockpiles and disaster prevention equipment.
Overseas crisis management	<ul style="list-style-type: none"> • Wars, conflicts, or political unrest may occur, adversely impacting the Company's business. 	<ul style="list-style-type: none"> • Start cooperation with overseas bases and build a system that can collect information on a regular basis. • Organize matters that need to be addressed and determined, and establish reporting rules and information sharing lines.
Global personnel strategy	<ul style="list-style-type: none"> • There is a concern that we will not be able to hire personnel with specific expertise and skills, which will lead to stagnation of business growth and a decline in competitiveness as a company. • Skills and know-how that employees have cultivated through their work are not passed down, causing a loss of productivity and competitiveness. 	<ul style="list-style-type: none"> • Strengthen communication with HR departments and business departments at overseas bases to understand the current situation and identify problems. • With the cooperation of business departments and specialists in technical fields, establish a global human resources strategy and personnel system, and implement measures.
Information security management	<ul style="list-style-type: none"> • Malicious attacks on IT systems such as internal fraud, unauthorized external access, exploitation of vulnerabilities, and malware infections may cause information leakage, modification or loss, or IT system outages, resulting in business losses, liability, and interruption of business activities. 	<ul style="list-style-type: none"> • To disseminate the Ushio Group Information Security Policy, we will promote education and raise awareness according to the security level of each Group company. • We will strengthen information security across the entire Group by introducing high detection rate tools and monitoring services to combat ransomware, such as endpoint detection and response (EDR) tools. • We will conduct regular information security assessments to check the status of compliance with the Ushio Group Information Security Policy and identify issues.
Climate change measures	<ul style="list-style-type: none"> • Delays in disclosing information on climate change-related risks and Specific Activities in accordance with the TCFD. • Failure to respond to requests from business partners and others to reduce CO₂ emissions, resulting in the cancellation of transactions and weakening of the company's image. 	<ul style="list-style-type: none"> • Expand the content of information disclosure on climate change, which is an important item related to sustainability. • Review the SBT target based on the 1.5°C scenario.

Material risks are as of June 27, 2024. Please refer to the following page on our website for details on our risk management, such as our basic policy. https://www.ushio.co.jp/en/sustainability/esg/governance/risk_management/



Please refer to the following page on our website for information regarding risks in each of our business segments. <https://www.ushio.co.jp/en/ir/management/risk.html>



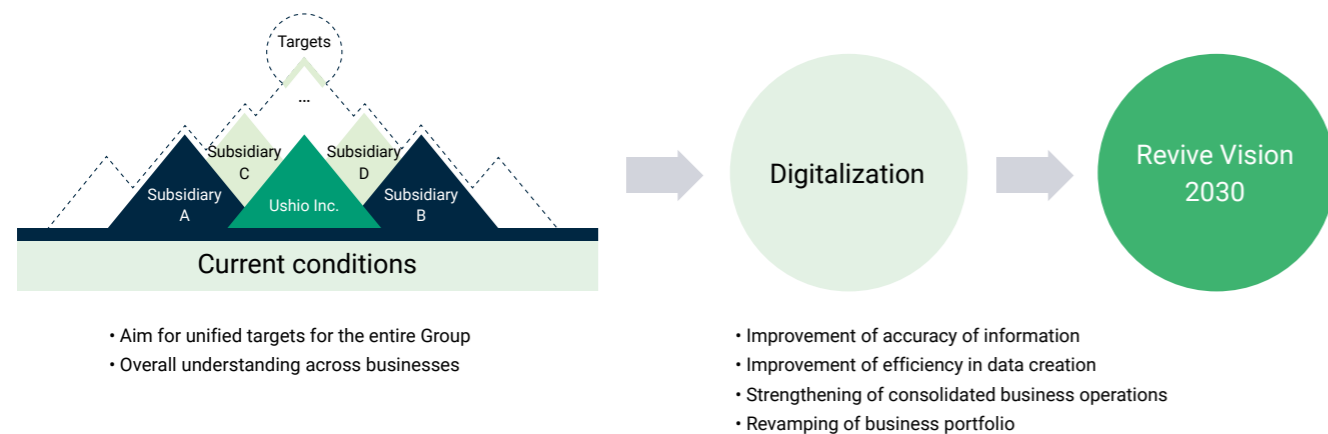
Corporate Governance

Group Governance

Until fiscal 2023, we built infrastructure and implemented operations that enable us to allocate resources and ascertain cost structures on a consolidated basis, and carried out activities to create the optimal connections between all of these components.

Now that we have environmental infrastructure that enables a cross-sectional view of our businesses, we have begun setting unified targets and managing progress on a Group-wide basis, and aim to continuously optimize the Group as a whole.

Going forward, we will further implement operational improvements and DX within the Group, pursue efficiency, and improve the accuracy of our information to ensure prompt, appropriate decision-making about matters such as our revamp of our business portfolio and business risk management on a consolidated basis, with the aim of further enhancing our operations and achieving Revive Vision 2030.



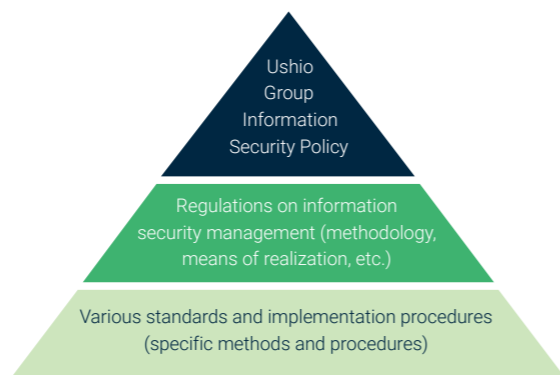
Information Security

Ushio Group understands that information assets are extremely valuable business assets that help us maintain and enhance our competitiveness as a corporate group. To build strong trust-based relationships with all of our stakeholders, we aim to utilize and manage information assets in a safe and appropriate manner. Accordingly, we have formulated an integrated Ushio Group Information Security Policy and are working to establish and reinforce information security governance based on a system of Group-wide monitoring and management. In particular, we consider improving our employees' information security literacy to be an important element. We create educational materials in Japanese, English, and Chinese, and are actively carrying out unified training and awareness-raising activities throughout the Group.

As cyber attacks become more sophisticated and complex worldwide, companies and organizations of a growing range of sizes and industries are becoming victims. Accordingly, we are introducing EDR as a ransomware countermeasure and MDR as a monitoring and analysis service across the Group to ensure a prompt response to any attack, no matter what time or day.

Upon assessing issues throughout the Group and at each specific company, we are working to strengthen information security by conducting regular information security assessments and taking organizational, technical, human, and physical security measures.

With threats to information security intensifying, we have built a framework for activities throughout the Group to ensure smooth execution of operations such as collecting and analyzing information such as details on vulnerabilities, responding in the event of an incident, and sharing information and cooperating throughout the Group. Ushio Group will continue working to strengthen information security throughout the Group.



Tax Governance

As tax-related duties are significantly impacted by the tax regulations of each country, individual Group companies perform operations such as gathering information on amendments to their countries' respective tax systems and identifying tax risks, with Ushio Inc. working to ascertain Group-wide tax costs and establish tax management systems. We position global tax governance as a key issue for enhancing our corporate governance and are working to enhance Group-wide tax transparency.

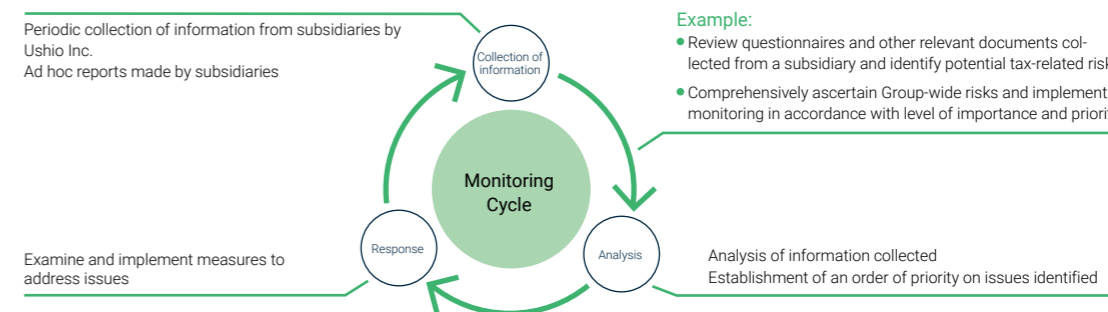
In fiscal 2023, Group-wide tax management regulations were enforced to confirm the tax declaration status of each Group company, trends in tax investigations, and response to amendments of tax systems.

Additionally, transfer price documents for each country are managed by Ushio Inc. to reduce tax risks.

In fiscal 2024, we will strengthen cooperation with Group companies, appropriately manage tax risks through the execution of management cycles, and take measures to optimize tax costs by reducing tax risks associated with the transfer pricing tax systems of each country and making effective use of preferential taxation systems and other systems in each country. We will also ensure that we respond in a timely and appropriate manner to changes in rules on international tax.

Monitoring Cycle of Tax Status Management

► Importance placed on establishing and operating a monitoring cycle that analyzes and responds to collected information to ensure sustainable management of tax status



Compliance

Ushio Inc. has established the 10 Action Guidelines as a Member of Society as a set of action guidelines for all employees to act in compliance with laws, regulations, the Articles of Incorporation, and the Management Philosophy. We have also established a Compliance Committee to ensure that the guidelines are thoroughly implemented, and are striving to foster compliance awareness through various education and training for all employees.

Basic Policy on Compliance

(1) The Group has established a corporate philosophy common to the Group and has set forth "10 Action Guidelines as a Member of Society" as an action guideline that each and every member of the Group should follow on a daily basis in conducting fair business activities based on the corporate philosophy and with high corporate ethics that are always globally accepted.

(2) In order to promote the penetration and thorough implementation of our corporate philosophy and the Action Guidelines, as well as to strengthen our compliance framework, the Company shall establish a department in charge of compliance, and promote compliance within the Group, conduct preventions, investigations and responses to compliance violations and provide education and awareness programs.

(3) The Company shall establish an internal audit department under the direct control of the President, which shall, in accordance with the internal audit regulations, audit and evaluate whether operations are being conducted in accordance with the management control system, standards, laws and regulations, and other generally fair and appropriate standards, and report to the President and the Board of Directors.



(4) The Company shall establish internal and external contact points for whistle-blowing and establish a proper handling system thereof to ensure the early detection and correction of compliance violations and other misconduct.




(5) Each subsidiary of the Group, depending on its size and nature of business, shall allocate compliance and internal audit personnel to work in coordination with the Company's compliance department and internal audit department.

(6) The Company shall appoint responsible person, composed of mainly Executive Officers, in charge of each subsidiary of the Group, and, for major subsidiaries, shall dispatch its Executive Officers or employees to serve as Directors or Audit & Supervisory Board Members.



For details such as specific initiatives, refer to "Compliance" on the "Sustainability" page of our website.
<https://www.ushio.co.jp/en/sustainability/esg/governance/compliance/>

Directors (as of June 27, 2024)

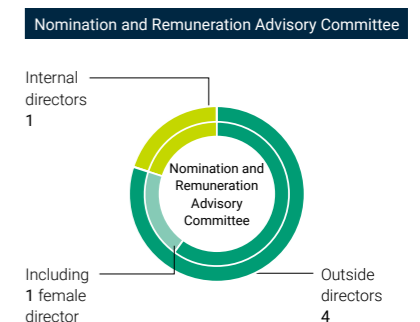
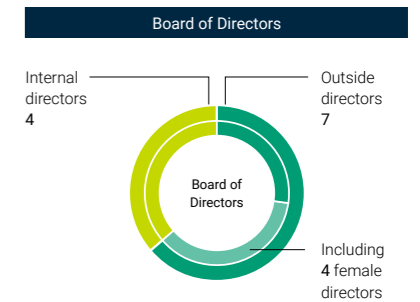
		
Name and Position	Takabumi Asahi President and Chief Executive Officer	Tetsuo Nakano Director, Senior Executive Vice President, Chief Operating Officer, and Chief Sustainability Officer
Brief profile	<p>Apr. 1987 Oki Electric Industry Co., Ltd.</p> <p>Apr. 1998 GM, Oki Semiconductor Taiwan Branch</p> <p>Apr. 1999 President, Oki Taiwan Inc.</p> <p>Apr. 2004 GM, North America, Sales and Marketing Dept., Silicon Solutions Company, Oki Electric Industry Co., Ltd.</p> <p>Apr. 2007 President and CEO, Oki Semiconductor Americas Company</p> <p>Aug. 2009 President and CEO, Oki Data Americas Inc.</p> <p>Aug. 2013 GM, Overseas Sales and Marketing Center, Marketing Dept., Oki Data Inc. (currently Oki Electric Industry Co., Ltd.)</p> <p>Oct. 2015 Deputy GM, Marketing Dept., Oki Data Inc.</p> <p>Apr. 2017 Joined Ushio Inc.</p> <p>Apr. 2018 Deputy General Manager, Corporate Headquarters</p> <p>Apr. 2019 Senior Executive Officer</p> <p>Jun. 2021 Director and Senior Executive Officer</p> <p>Apr. 2022 Director, Managing Executive Officer and Chief Financial Officer</p> <p>Apr. 2024 President and Chief Executive Officer (incumbent)</p>	<p>Apr. 1988 Joined Ushio Inc.</p> <p>Apr. 2016 Group Executive Officer</p> <p>Chairman, Ushio Shanghai, Inc.</p> <p>Apr. 2017 Group Senior Executive Officer</p> <p>Apr. 2018 Group Managing Executive Officer</p> <p>Apr. 2019 Managing Executive Officer</p> <p>Deputy General Manager, Business Management Headquarters and General Manager, Light Source Business Division, Business Management Headquarters</p> <p>Apr. 2022 General Manager, ESG Promotion Headquarters</p> <p>Jun. 2023 Director and Managing Executive Officer</p> <p>Apr. 2024 Director, Senior Executive Vice President, Chief Operating Officer and Chief Sustainability Officer (incumbent)</p>
Term of office	3 years	1 year
Independent Outside Director		
Attendance at Board of Directors' meetings	100% (12/12)	100% (9/9)
Attendance at the Audit & Supervisory Committee		
Attendance at the Nomination and Remuneration Advisory Committee	● (—/—)	
Skill Matrix	Corporate management	●
	Global business	●
	Finance, accounting, M&A	●
	Knowledge in priority businesses and related industries	●
	IT, digital transformation	
	Risk management, compliance	●
	Human capital strategy	●
Sustainability, ESG		

		
Kazuhisa Kamiyama Director and Managing Executive Officer	Toyonari Sasaki Outside Director	Masatoshi Matsuzaki Outside Director
<p>Sep. 1995 Joined Ushio Inc.</p> <p>Apr. 2016 Executive Officer</p> <p>Apr. 2018 General Manager, Corporate Headquarters</p> <p>Jul. 2018 Group Executive Officer</p> <p>Chief Financial Officer, CHRISTIE DIGITAL SYSTEMS INC.</p> <p>Apr. 2019 Group Senior Executive Officer</p> <p>President, CHRISTIE DIGITAL SYSTEMS INC.</p> <p>Chairman and Chief Executive Officer, CHRISTIE DIGITAL SYSTEMS USA, INC.</p> <p>Chairman and Chief Executive Officer, CHRISTIE DIGITAL SYSTEMS CANADA INC.</p> <p>Jun. 2019 Director and Group Senior Executive Officer</p> <p>Apr. 2022 Director and Managing Executive Officer (incumbent)</p> <p>Deputy General Manager, Business Management Headquarters and General Manager, Light Source Business Division, Business Management Headquarters</p> <p>Apr. 2023 Deputy General Manager, Business Management Headquarters and General Manager, Life Science Division, Business Management Headquarters</p> <p>Apr. 2024 General Manager, Photolithography Division (incumbent)</p>	<p>Apr. 1976 Joined the Ministry of Finance</p> <p>Jul. 2003 Deputy Director, General of the Budget Bureau</p> <p>Jul. 2007 First Deputy Commissioner, National Tax Agency</p> <p>Jul. 2008 Director, General of the Financial Bureau</p> <p>Jan. 2010 Assistant Chief Cabinet Secretary, Cabinet Secretariat</p> <p>Apr. 2013 Chief Domestic Coordinator, Governmental Headquarters for the Trans-Pacific Strategic Economic Partnership Agreement (TPP), Cabinet Secretariat</p> <p>Jul. 2016 Vice Chairman, the Life Insurance Association of Japan (incumbent)</p> <p>Jun. 2019 Outside Director (incumbent)</p>	<p>Apr. 1976 Joined Konishiroku Photo Industry, Inc. (currently Konica Minolta, Inc.)</p> <p>Oct. 2003 Director, Konica Minolta Business Technologies Inc.</p> <p>Apr. 2005 Executive Officer, Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.)</p> <p>President and Chief Executive Officer, Konica Minolta Technology Center, Inc.</p> <p>Apr. 2006 Senior Executive Officer, Konica Minolta Holdings, Inc.</p> <p>Jun. 2006 Director and Senior Executive Officer, Konica Minolta Holdings, Inc.</p> <p>Apr. 2009 Director, President, Chief Executive Officer and Representative Executive Officer, Konica Minolta Holdings, Inc.</p> <p>Apr. 2014 Director and Chair of the Board of Directors, Konica Minolta, Inc.</p> <p>Aug. 2021 Outside Director, SmarTHR, Inc.</p> <p>Apr. 2022 Outside Director and Chair of the Board of Directors, SmarTHR, Inc. (incumbent)</p> <p>Jun. 2022 Outside Director</p> <p>Special Advisor, Konica Minolta, Inc.</p> <p>Mar. 2023 Outside Audit & Supervisory Board Member, Lion Corporation (incumbent)</p> <p>Jun. 2023 Outside Director and Chair of the Board of Directors (incumbent)</p>
5 years	5 years	2 years
	●	●
100% (12/12)	100% (12/12)	100% (12/12)
	● (11/11)	● (11/11)
●		●
●	●	●
		●
●	●	
		●


Directors (as of June 27, 2024)

		
Name and Position	Naoaki Mashita Outside Director	Mika Masuyama Outside Director
Brief profile	<p>Oct. 1998 Established V-cube Internet (currently V-cube, Inc.) and served as President and CEO</p> <p>Jan. 2004 President and CEO, V-cube Broad Communications, Inc. (currently V-cube, Inc.)</p> <p>Oct. 2015 Director, V-cube Robotics Japan, Inc. (currently SENSYN ROBOTICS, Inc.)</p> <p>Director, Wizlearn Technologies Pte. Ltd. (incumbent)</p> <p>Nov. 2018 President and CEO, SENSYN ROBOTICS, Inc.</p> <p>Aug. 2019 Chairman and Representative Director, SENSYN ROBOTICS, Inc.</p> <p>Jun. 2021 Director, SENSYN ROBOTICS, Inc. (incumbent)</p> <p>Director, Xyvid, Inc. (Incumbent)</p> <p>Mar. 2022 Representative Director, Chairman & Group CEO, V-cube, Inc. (incumbent)</p> <p>Sep. 2022 Outside Director, MICIN, Inc. (incumbent)</p> <p>Jun. 2023 Outside Director (incumbent)</p> <p>Outside Director, Sumitomo Mitsui Trust Bank, Limited (incumbent)</p>	<p>Apr. 1985 Joined the Bank of Japan</p> <p>Sep. 1991 International Marketing Director, Cap Gemini Sogeti</p> <p>Nov. 1992 Senior Consultant, Gemini Consulting Japan</p> <p>Jun. 1997 Joined Egon Zehnder</p> <p>Jan. 2004 Partner, Egon Zehnder</p> <p>Oct. 2016 President and Representative Partner, Masuyama & Company LLC. (incumbent)</p> <p>Mar. 2017 Outside Director (an Audit & Supervisory Committee Member), Suntory Beverage & Food Limited (incumbent)</p> <p>Mar. 2019 Outside Director, KOKUYO Co., Ltd. (incumbent)</p> <p>Jun. 2019 Outside Director, Konoike Transport Co., Ltd. (incumbent)</p> <p>May 2020 Outside Director, MetLife Insurance K.K. (incumbent)</p> <p>Jun. 2024 Outside Director (incumbent)</p>
Term of office	1 year	—
Independent Outside Director	●	●
Attendance at Board of Directors' meetings	100% (9/9)	—
Attendance at the Audit & Supervisory Committee		
Attendance at the Nomination and Remuneration Advisory Committee	● (—/—)	
Skill Matrix		
Corporate management	●	
Global business	●	●
Finance, accounting, M&A		
Knowledge in priority businesses and related industries		
IT, digital transformation	●	
Risk management, compliance		
Human capital strategy		●
Sustainability, ESG		●



		
Name and Position	Makoto Kinoshita Director (Full-time Audit & Supervisory Committee Member)	Rei Sugihara Outside Director (Audit & Supervisory Committee Member)
Brief profile	<p>Apr. 1990 Joined the Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Nov. 2016 President, Banco de Tokyo-Mitsubishi UFJ Brasil S/A (currently Banco MUFG Brasil S.A.)</p> <p>Apr. 2018 President, Banco MUFG Brasil S.A.</p> <p>Deputy General Manager, Latin America Region and General Manager, Americas Corporate Administration Division, MUFG Bank, Ltd.</p> <p>Apr. 2020 Joined Ushio Inc.</p> <p>Sep. 2020 General Manager, Global HR Strategy Department, Human Resource & General Affairs Division, Corporate Headquarters</p> <p>Apr. 2022 Executive Officer</p> <p>General Manager, Global Human Resources & General Affairs Division, Corporate Headquarters</p> <p>Apr. 2023 General Manager, Group Human Resources & General Affairs Division, Corporate Headquarters</p> <p>Apr. 2024 In Charge of HR & General Affairs Division</p> <p>Jun. 2024 Director (a Full-time Audit & Supervisory Committee Member) (incumbent)</p>	<p>Apr. 1986 Judge (Assistant Judge, Tokyo District Court)</p> <p>Apr. 1995 Attorney-at-law (incumbent)</p> <p>Jan. 1996 Joined Koga Law Office (currently Kasumi Sogo Law Office)</p> <p>Jun. 2020 Outside Director (an Audit & Supervisory Committee Member) (incumbent)</p> <p>Jan. 2023 Outside Director (an Audit & Supervisory Committee Member), TOMOE Engineering Co., Ltd. (incumbent)</p>
Term of office	—	4 years
Independent Outside Director		●
Attendance at Board of Directors' meetings	—	100% (12/12)
Attendance at the Audit & Supervisory Committee	● (—/—)	● (13/13)
Attendance at the Nomination and Remuneration Advisory Committee		● (11/11)
Skill Matrix		
Corporate management		
Global business	●	
Finance, accounting, M&A	●	
Knowledge in priority businesses and related industries		
IT, digital transformation		
Risk management, compliance	●	●
Human capital strategy		
Sustainability, ESG		



Please refer to the following website for a list of executive officers.
<https://www.ushio.co.jp/en/company/officer.html>



Directors (as of June 27, 2024)

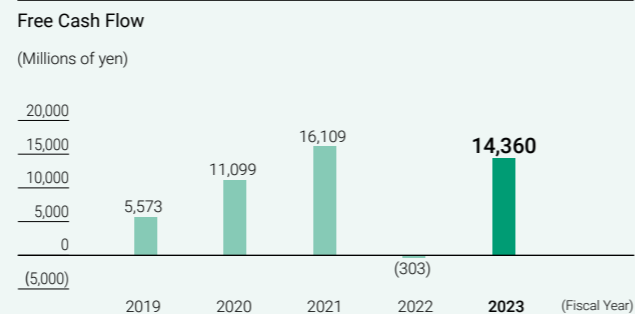
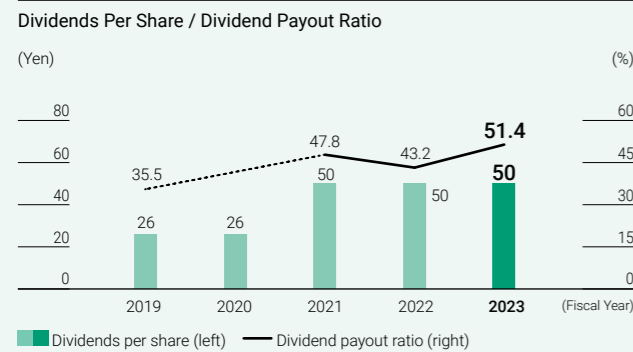
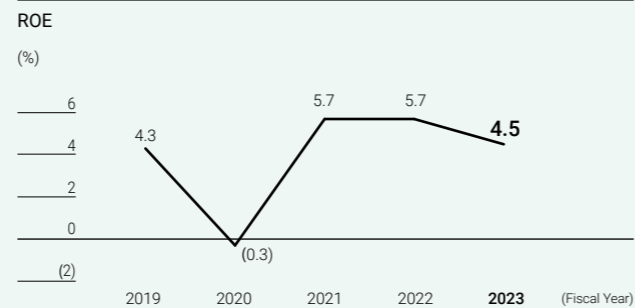
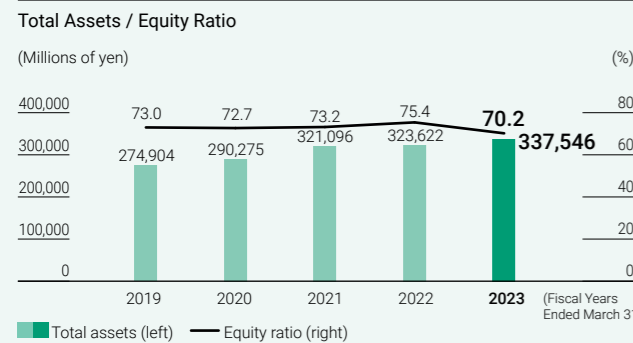
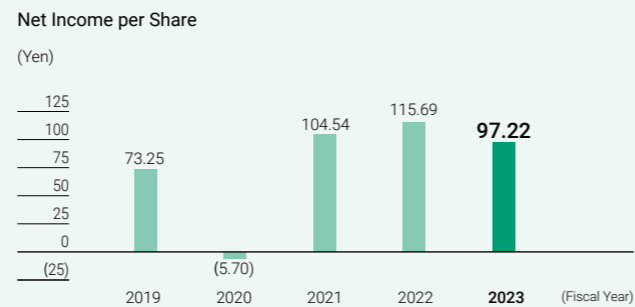
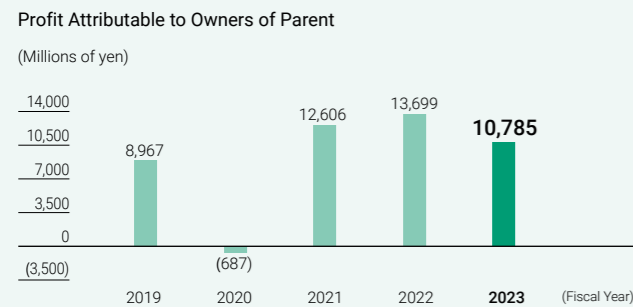
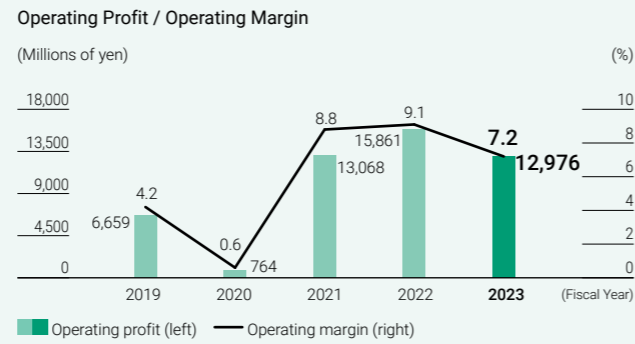
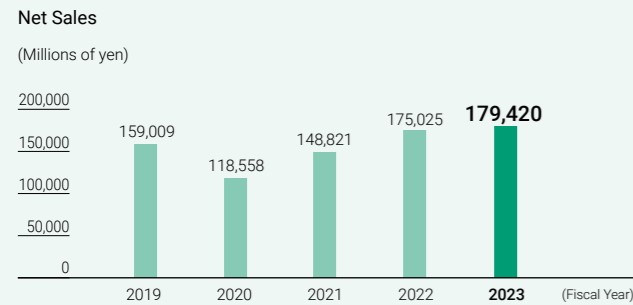
		
Name and Position	Akemi Sunaga Outside Director (Audit & Supervisory Committee Member)	Chiaki Ariizumi Outside Director (Audit & Supervisory Committee Member)
Brief profile	<p>Oct. 1989 Joined Auditing Department of Aoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)</p> <p>Feb. 1991 Joined Auditing Department of Chuo Audit Corporation</p> <p>Aug. 1993 Certified public accountant (incumbent)</p> <p>Oct. 1994 Certified public tax accountant (incumbent)</p> <p>Nov. 1994 Established Sunaga CPA Firm and serves as Representative (incumbent)</p> <p>Nov. 1996 Established Marunouchi Business Consulting Ltd. and serves as Representative Director (incumbent)</p> <p>Jan. 2012 Established Marunouchi Business Consulting Tax Co. and serves as Senior Partner (incumbent)</p> <p>Jun. 2017 Established Marunouchi Audit Corporation and serves as Senior Partner (incumbent)</p> <p>Jun. 2020 Outside Director (an Audit & Supervisory Committee Member) (incumbent) Outside Director (an Audit & Supervisory Committee Member), YOMEISHU SEIZO CO., LTD. (incumbent)</p> <p>Jun. 2021 Outside Audit & Supervisory Board Member, Prima Meat Packers, Ltd. (incumbent)</p> <p>Jun. 2022 Outside Director, KYB Corporation (incumbent)</p> <p>Mar. 2023 Outside Audit & Supervisory Board Member, Lion Corporation (incumbent)</p>	<p>Apr. 1987 Joined Bank of Japan</p> <p>May 1998 Deputy Manager, International Department (Head of Europe and the Americas Group), Bank of Japan</p> <p>Jul. 2002 Manager, Nagoya Branch, Bank of Japan</p> <p>Jul. 2005 Director, Public Relations Department, Bank of Japan</p> <p>Jul. 2009 Director, Secretariat of the Policy Board (Head of Business Liaison Group), Bank of Japan</p> <p>Jun. 2019 Director, Public Relations Department, Bank of Japan</p> <p>Jan. 2020 Personnel and Corporate Affairs Department, Bank of Japan</p> <p>Mar. 2020 Retired from Bank of Japan Outside Audit & Supervisory Board Member, Kobayashi Pharmaceutical Co., Ltd.</p> <p>Jun. 2021 Outside Audit & Supervisory Board Member, Kiraboshi Bank, Ltd. (incumbent)</p> <p>Mar. 2022 Outside Director, Kobayashi Pharmaceutical Co., Ltd. (incumbent)</p> <p>Jun. 2022 Outside Director (an Audit & Supervisory Committee Member) (incumbent)</p>
Term of office	4 years	2 years
Independent Outside Director	●	●
Attendance at Board of Directors' meetings	100% (12/12)	100% (12/12)
Attendance at the Audit & Supervisory Committee	● (13/13)	● (13/13)
Attendance at the Nomination and Remuneration Advisory Committee		
Skill Matrix		
Corporate management		
Global business		
Finance, accounting, M&A	●	●
Knowledge in priority businesses and related industries		
IT, digital transformation		
Risk management, compliance	●	●
Human capital strategy		
Sustainability, ESG		

The reasons for the selection of the skill items the Company expects the directors to possess are as follows:

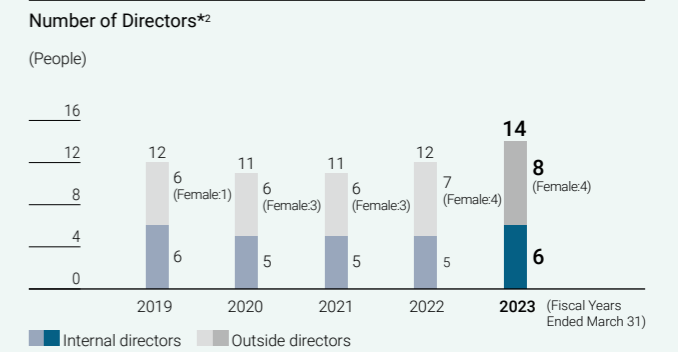
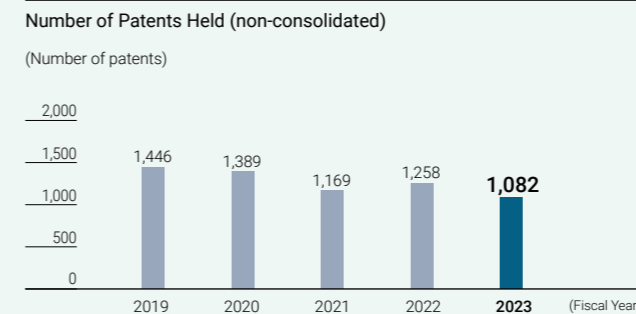
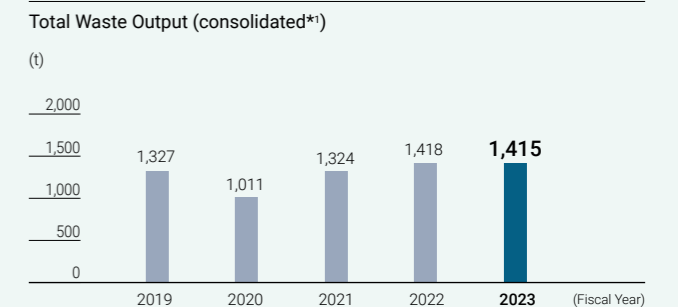
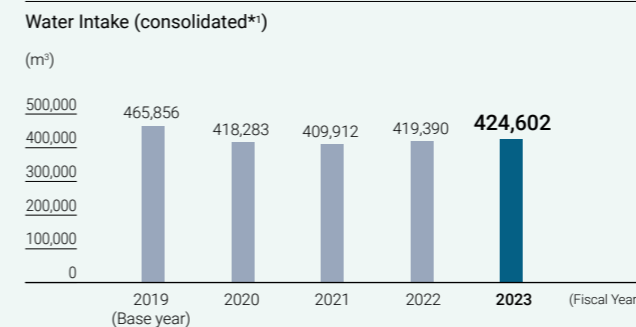
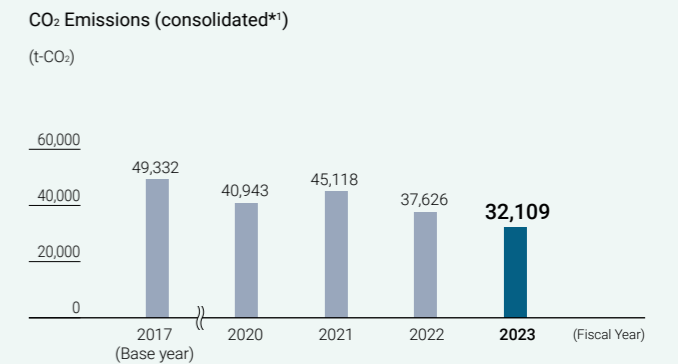
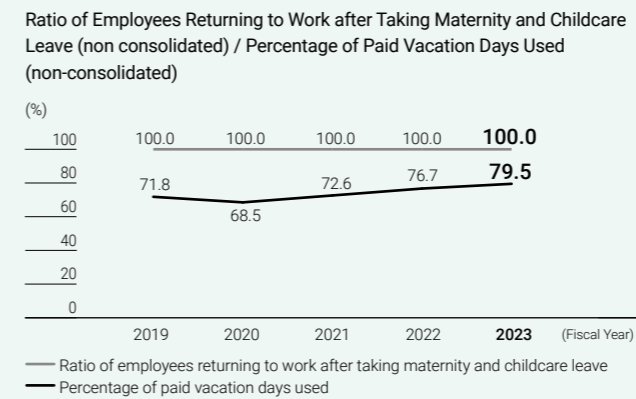
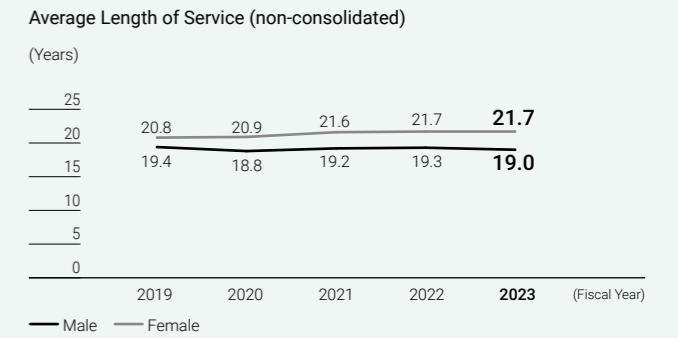
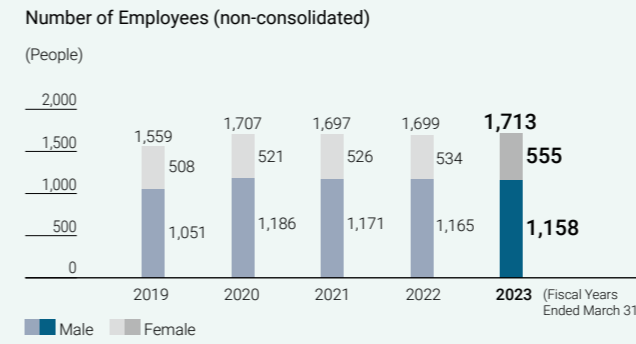
Skill items	Reason for selection
Corporate management	The Company is listed on the Tokyo Stock Exchange Prime Market and aims to be an innovation company in the field of light growing together with its customers. In order to achieve sustainable growth, the Company believes that it is essential to have directors with solid experience and knowledge in corporate management (equivalent to the Prime Market).
Global business	The Company is expanding its business in global markets, and its overseas sales have been consistently high. In order to further enhance its global business expansion, the Company believes that it is essential to have directors with solid experience and knowledge in global business.
Finance, accounting, M&A	In the Company's new growth strategy (Revive Vision 2030), the Company has identified ROE as a KPI. In order to execute business review and portfolio revamp initiatives to improve profitability, and to successfully balance its growth strategy and capital policy, the Company believes that it is essential to have directors with solid experience and knowledge in finance, accounting, and M&A.
Knowledge in priority businesses and related industries	In the Company's new growth strategy (Revive Vision 2030), the Company has redefined its strategic areas, and stated its intent to execute business review and portfolio revamp initiatives to achieve steady business growth. To meet this objective, the Company believes that it is essential to have directors with solid experience and knowledge on the needs of diverse customer and stakeholders, manufacturing, technology, research and development, within the Company's priority businesses as well as related industries.
IT, digital transformation	Amid significant changes in the business environment, the Company recognizes the increasing need for utilizing IT to improve management efficiency and productivity, as well as the need to develop from the perspective of digital transformation (DX) in order to create business ventures with significant social value. To ensure the validity of each initiative and drive the Company's sustainable growth, the Company believes that it is essential to have directors with solid experience and knowledge in IT and digital transformation.
Risk management, compliance	To establish structures for the Company's sustainable growth and long-term enhancement of corporate value, the Company believes that it is essential to have directors with solid experience and knowledge in risk management and compliance across all aspects of the corporate management, including the establishment and operation of internal control systems and the management of significant business risks.
Human capital strategy	The Company stated its Conviction to Build Both a Prosperous Company and Prosperous Employees in its Management Philosophy, aiming for simultaneous growth of the Company and its employees. To meet this objective, the Company believes that it is essential to have directors with solid experience and knowledge in human capital strategy, including the validation of measures to strengthen the foundation of human capital, such as the development of management talent to contribute to the sustainable growth and development of the Company, promotion of diversity and inclusion, and improvement of employee engagement.
Sustainability, ESG	To achieve the Company's sustainable growth and enhancement of corporate value, it is necessary to implement measures that focus on both business growth and ESG management, aiming for the enhancement of corporate value. In order to ensure the validity of these initiatives, including verifying the alignment of the direction of ESG management and various initiatives, not only in terms of environmental issues but also in terms of external evaluations, with the trends in society and the long-term value that society demands, the Company believes that it is essential to have directors with solid experience and knowledge in sustainability, ESG.

Financial and Non-Financial Highlights

Financial Highlights



Non-Financial Highlights



*1 CO₂ emissions, water intake, and total waste output correspond to consolidated environmental management range established by the Company

*2 For details about the latest status of the number of directors, please refer to [P.94-98](#)

Financial Data

	FY2013	FY2014	FY2015		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Earnings Data												
Net sales (millions of yen)	157,800	159,365	179,121		172,840	173,497	165,138	159,009	118,558	148,821	175,025	179,420
Cost of sales (millions of yen)	101,809	98,030	110,717		112,383	111,350	106,611	105,580	78,719	94,792	111,809	114,504
Gross profit (millions of yen)	55,991	61,335	68,403		60,456	62,146	58,526	53,428	39,839	54,029	63,215	64,916
Selling, general and administrative expenses (millions of yen)	43,881	50,977	55,273		51,854	51,995	50,008	46,769	39,074	40,960	47,353	51,939
Operating profit (millions of yen)	12,110	10,357	13,130		8,602	10,151	8,517	6,659	764	13,068	15,861	12,976
Ordinary income (millions of yen)	15,904	13,708	14,633		11,001	12,050	11,439	8,738	3,407	15,195	20,144	16,088
Profit attributable to owners of parent (millions of yen)	10,770	11,279	11,105		7,042	11,001	11,326	8,967	(687)	12,606	13,699	10,785
Operating margin (%)	7.7	6.5	7.3		5.0	5.9	5.2	4.2	0.6	8.8	9.1	7.2
Ordinary margin (%)	10.1	8.6	8.2		6.4	6.9	6.9	5.5	2.9	10.2	11.5	9.0
Net margin (%)	6.8	7.1	6.2		4.1	6.3	6.9	5.6	(0.6)	8.5	7.8	6.0
Dividends / Per Share Data												
Net income per share (yen)	82.19	86.40	85.83		55.06	86.11	88.85	73.25	(5.70)	104.54	115.69	97.22
Net assets per share (yen)	1,441	1,654	1,622		1,664	1,683	1,691	1,664	1,750	1,949	2,074	2,313
Total dividends (millions of yen)	3,388	3,139	3,353		3,329	3,329	6,316	3,141	3,141	6,041	5,895	5,145
Dividends per share (yen)	26.0	24.0	26.0		26.0	26.0	50.0	26.0	26.0	50.0	50.0	50.0
Payout ratio (%)	31.6	27.8	30.3		47.2	30.2	56.3	35.5	—	47.8	43.2	51.4
Ratio of dividends to net asset (%)	1.9	1.5	1.6		1.6	1.6	3.0	1.5	1.5	2.7	2.5	2.3
Balance Sheet Data												
Total assets (millions of yen)	255,338	294,542	294,525		308,430	305,303	306,628	274,904	290,275	321,096	323,622	337,546
Current assets (millions of yen)	153,004	178,774	170,173		180,334	184,940	200,119	170,835	176,359	201,708	198,519	211,501
Property, plant and equipment, net (millions of yen)	39,126	40,014	42,310		44,809	41,578	43,050	44,242	44,822	46,162	50,480	45,854
Investments and other assets (millions of yen)	59,048	68,655	71,256		74,062	72,473	58,815	56,079	65,682	70,234	71,588	71,593
Current liabilities (millions of yen)	39,957	44,886	49,463		54,592	54,174	69,572	47,729	48,007	72,393	62,410	59,252
Interest-bearing debt (millions of yen)	8,259	14,064	14,514		27,772	26,824	28,939	22,256	24,634	18,587	5,331	28,865
Net assets (millions of yen)	191,246	218,723	211,296		213,289	215,306	213,254	200,705	211,180	235,202	244,105	236,975
Shareholders' equity (millions of yen)	169,482	178,891	183,057		185,658	193,332	199,408	194,218	190,676	200,129	202,922	178,331
Total assets turnover ratio (times)	0.65	0.58	0.61		0.57	0.56	0.54	0.55	0.42	0.49	0.54	0.54
Current ratio (%)	382.9	398.3	344.0		330.3	341.4	287.6	357.9	367.4	278.6	318.1	356.9
Equity ratio (%)	73.5	73.3	70.9		68.9	70.4	69.5	73.0	72.7	73.2	75.4	70.2
ROE (%)	6.0	5.6	5.2		3.3	5.1	5.3	4.3	(0.3)	5.7	5.7	4.5
ROA (%)	4.4	4.0	3.8		2.3	3.6	3.7	3.0	1.2	5.0	6.2	4.9
Interest coverage ratio (times)	48.7	51.0	48.1		41.9	26.5	15.1	1.8	33.2	64.9	4.1	34.6
D/E ratio (%)	0.04	0.07	0.07		0.13	0.12	0.14	0.11	0.12	0.08	0.02	0.12
Fixed assets to long-term capital ratio (%)	48.0	46.9	51.3		50.6	48.0	45.0	45.8	47.0	48.0	47.9	45.3
Cash Flow Data												
Cash flows from operating activities (millions of yen)	10,622	9,876	12,031		12,624	15,567	8,853	1,179	14,517	21,628	871	8,966
Depreciation and amortization (millions of yen)	5,021	5,919	6,495		6,587	6,790	6,775	7,182	6,988	6,939	7,615	8,325
Cash flows from investing activities (millions of yen)	(4,476)	(3,710)	(10,367)		(15,254)	4,322	2,719	4,394	(3,418)	(5,519)	(1,175)	5,394
Cash flows from financing activities (millions of yen)	(6,670)	1,210	(7,849)		6,864	(3,613)	(3,916)	(20,363)	(784)	(10,625)	(26,811)	(13,489)
Free cash flow (millions of yen)	6,146	6,166	1,664		(2,630)	19,889	11,573	5,573	11,099	16,109	(303)	14,360
Net increase (decrease) in cash and cash equivalents (millions of yen)	2,080	11,646	(9,176)		3,161	15,061	8,586	(15,576)	11,890	11,200	(24,103)	4,982
Cash and cash equivalents at end of year (millions of yen)	45,342	56,989	47,813		50,974	66,035	74,622	59,046	70,418	81,619	57,516	62,498
Cash flow to interest-bearing debt ratio (years)	0.8	1.4	1.2		2.2	1.7	3.3	18.9	1.7	0.9	6.1	3.2
Depreciation to sales ratio (%)	3.2	3.7	3.6		3.8	3.9	4.1	4.5	5.9	4.7	4.4	4.6

Non-Financial Data







ESG	Item	Scope	FY2019	FY2020	FY2021	FY2022	FY2023	
E	Energy (GJ)	Japan	507,142	516,995	561,326	562,673	557,255	
		Asia (excluding Japan)	282,424	193,244	265,567	253,235	243,055	
		North America	105,556	85,092	80,694	86,876	97,077	
		Europe	42,338	43,227	46,607	38,311	31,231	
E	Water Intake (m³)	Japan	228,977	222,829	208,807	228,083	248,843	
		Asia (excluding Japan)	211,920	172,104	180,391	174,775	160,218	
		North America	19,995	17,536	14,673	14,542	14,055	
		Europe	4,964	5,815	6,041	1,990	1,486	
E	Total waste output (t)	Japan	754	712	749	725	708	
		Asia (excluding Japan)	239	85	260	259	214	
		North America	304	173	254	389	424	
		Europe	31	42	62	45	70	
S	GHG (CO ₂) emissions (t-CO ₂)	Scope 1	Japan	2,588	2,529	3,001	2,812	2,515
		Asia (excluding Japan)	448	296	321	319	315	
		North America	568	450	493	528	485	
		Europe	402	398	444	322	224	
	Scope 2	Japan	19,679	19,860	21,199	14,515	12,819	
	Asia (excluding Japan)	18,345	13,460	16,852	16,317	12,888		
	North America	2,641	2,047	1,308	1,626	1,758		
	Europe	1,779	1,902	1,500	1,186	1,105		
	Scope 3	Consolidated	7,412,989	8,917,092	6,657,109	5,859,898	5,055,343	
	S	Number of employees	Japan	2,466	2,446	2,387	2,396	2,482
			Asia (excluding Japan)	1,388	1,251	1,637	1,449	1,353
			North America	1,500	1,107	1,077	1,300	1,406
Europe			236	249	241	218	198	
S	Three-year retention rate for new graduate recruits (%)	Non-consolidated	Male	86	100	100	82	91
		Female	100	100	100	100	100	
S	Average length of service (years)	Non-consolidated	Male	19.4	18.8	19.2	19.3	19.0
		Female	20.8	20.9	21.6	21.7	21.7	
S	Statutory monthly overtime hours (hours/employee)	Non-consolidated	9.4	10.4	14.5	11.6	8.9	
		Non-consolidated	71.8	68.5	72.6	76.7	79.5	
S	Percentage of paid vacation days used (%)	Non-consolidated	21	18	21	14	10	
		Non-consolidated	Male	8	8	8	9	19
S	Number of people who took childcare leave	Female	21	18	20	10	10	
		Non-consolidated	0	0	1	0	0	
S	Ratio of employees returning to work after taking maternity and childcare leave (%)	Non-consolidated	100	100	100	100	100	
		Non-consolidated	0.61	0.00	0.00	0.27	0.28	
S	Frequency of work-related accidents (%) (Number of work-related injuries or deaths ÷ Total number of work hours x 1 million)	Non-consolidated	0.02	0.00	0.00	0.02	0.00	
		Non-consolidated	1,446	1,389	1,169	1,258	1,082	
S	Severity of work-related accidents (%) (Number of lost work days ÷ Total number of work hours x 1,000)	Non-consolidated	1,446	1,389	1,169	1,258	1,082	
		Non-consolidated	1,446	1,389	1,169	1,258	1,082	
S	Number of patents held	Non-consolidated	1,446	1,389	1,169	1,258	1,082	
		Non-consolidated	1,446	1,389	1,169	1,258	1,082	

- (Notes)
- Greenhouse gases (GHGs) other than CO₂ are not emitted.
 - For environmental data, previous years' figures have also been recalculated to include our consolidated scope and the scope of Panyu Jiu Shui Keng Ushio Electric Machinery Factory, a production site that Ushio (Guangzhou) Co., Ltd. began operating in 2024.
 - For total waste output in North America, estimated figures have been used for some sites.
 - For Scope 3, the scopes of Categories 11 and 12 have been expanded from major products to all products. Values for previous fiscal years have been recalculated accordingly.
 - The emission factor of purchased electricity has been used. Where the purchased electricity emission factor is not known, the Emission Factors by Electric Utility Operator published by the Japanese Ministry of the Environment for each fiscal year are used for cases in Japan. For overseas cases, the CO₂ EMISSIONS FROM FUEL COMBUSTION 2013 published by the International Energy Agency (IEA) are used for fiscal 2019 to 2020, Emissions Factors 2021 published by the IEA are used for fiscal 2021 to 2022, and Emissions Factors 2023 published by the IEA are used for fiscal 2023.
 - The three-year retention rate for new graduate recruits represents the number of employees who reach their third year with the Company in April of the relevant fiscal year. (Example: Data in the column for fiscal 2023 is based on the number of employees as of April 2024 who had joined the Company in 2021.)

External Evaluation


Ushio has been selected for inclusion in all of the ESG indices for Japanese stocks that are operated by the Government Pension Investment Fund of Japan, the world's largest pension fund. These indices include the MSCI Japan Empowering Women Index (WIN), the FTSE Blossom Japan Index, the FTSE Blossom Japan Sector Relative Index, the S&P/JPX Carbon Efficient Index and the Morningstar Japan ex-REIT Gender Diversity Tilt Index.

The contribution of ESG investments to increasing risk-adjusted returns is believed to increase as the holding period of investments becomes longer. Ushio's inclusion in these indices demonstrates the widespread recognition of its commitment to its environmental, social, and governance activities. Ushio will continue to actively promote these initiatives to enhance corporate value while contributing to the realization of a sustainable society.

External Evaluation of ESG Management	
	<p>Ushio has been selected for 21 consecutive years for inclusion in the FTSE-Russell's FTSE4Good Index Series of socially responsible companies worldwide. Furthermore, Ushio has been selected for the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index of Japanese companies with outstanding ESG programs.</p> <p>Note: FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) has certified that Ushio meets the requirements of the FTSE Blossom Japan Index based on a third-party assessment. Produced by the global index firm FTSE Russell, this index is designed to measure the performance of Japanese companies with outstanding ESG programs. The index is used as a benchmark for the establishment and evaluation of investment funds and other financial products focused on sustainable investment.</p>
	<p>The MSCI Japan Empowering Women Index (WIN) consists of companies in the MSCI Japan IMI top 700 index that have excellent gender diversity within their respective industries in accordance with a gender diversity score developed by MSCI.</p> <p>Note: THE INCLUSION OF USHIO INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF USHIO INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.</p>
	<p>Morningstar Japan ex-REIT Gender Diversity Tilt Index is an ESG index created by Morningstar that evaluates companies' efforts regarding gender diversity. Under this system, Ushio has been ranked as Group 1, the highest of the five groups under the system. Please refer to the link below for details and the applicable disclaimer.</p> <p>Please refer to the website below for details and the applicable disclaimer. https://www.ushio.co.jp/en/sustainability/data/initiative/</p> 
	<p>The S&P/JPX Carbon Efficient Index is designed to measure the performance of companies in TOPIX, an index calculated and provided by the Tokyo Stock Exchange. Ushio is included in this global environmental stock index that evaluates carbon emissions in relation to each company's sales.</p>
	<p>Ushio has been selected for inclusion in the SOMPO Sustainability Index, which was created by Sompo Japan Asset Management Co., Ltd. This index is used for SOMPO Sustainable Investments, an asset management product for pension funds and institutional investors that targets about 300 companies with superior ESG performance. Ushio has been included in this index for 13 consecutive years beginning in 2012.</p>

Consistency with International Initiatives

Please refer to the website below for more information on consistency with international initiatives.
<https://www.ushio.co.jp/en/sustainability/data/initiative/>



Stock Information (As of March 31, 2024)

Total number of shares issued	107,500,000
Number of shareholders	15,220

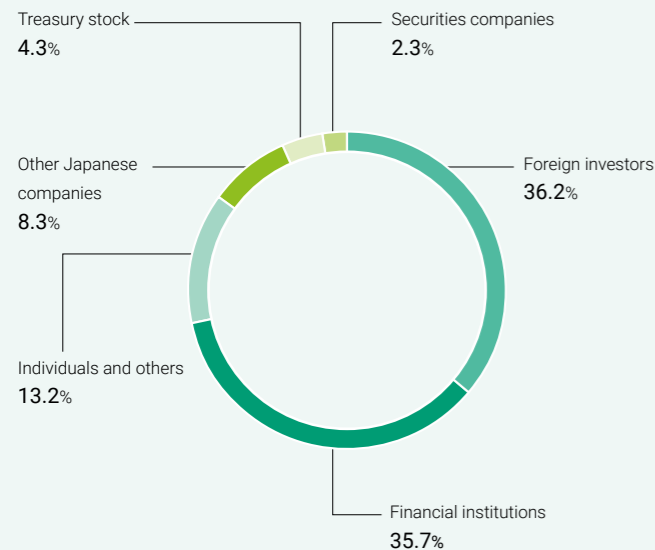
Top Ten Shareholders

Name	Number of shares (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,032	16.55
BBH (LUX) FOR FIDELITY FUNDS-GLOBAL TECHNOLOGY POO	5,202	5.05
Resona Bank, Limited	4,906	4.76
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	4,897	4.75
Custody Bank of Japan, Ltd. (Trust Account)	4,283	4.16
Aioi Nissay Dowa Insurance Co., Ltd.	2,850	2.77
Jiro Ushio	2,665	2.59
MUFG Bank, Ltd.	2,548	2.47
Asahi Mutual Life Insurance Co.	2,450	2.38
THE USHIO FOUNDATION	2,400	2.33

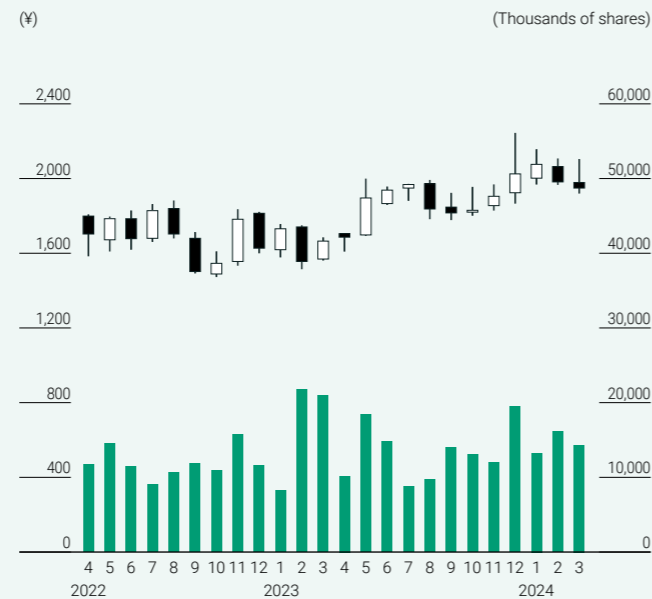
(Notes)

- In addition to the above, the Company owns 4,596,000 shares of treasury stock. 475,000 shares of Company's shares held in the trust introduced with respect to its stock remuneration plan for directors are not included in this 4,596,000 shares of treasury stock.
- Shareholding ratio is calculated after deducting 4,596,000 shares of treasury stock (as of March 31, 2024).
- Jiro Ushio, who is listed as Ushio's largest shareholder, passed away on June 13, 2023, but his name remains in the shareholder list as of March 31, 2024 as the process to remove his name has not yet been completed.

Composition of Shareholders



Stock Price and Trading Volume



Corporate Data

Established	March 1964
Capital	¥19,556,326,316
Listed	Tokyo Stock Exchange Prime Market
Fiscal year	From April 1 to March 31
Ordinary general shareholders' meeting	June
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

Divisions and Major Group Companies

Category	Head Office	Other Offices	
Parent company	Head Office	Chiyoda, Tokyo	
	Harima Division	Himeji, Hyogo Prefecture	
	Gotemba Division	Gotemba, Shizuoka Prefecture	
	Yokohama Division	Yokohama, Kanagawa Prefecture	
	Osaka Branch	Osaka, Osaka Prefecture	
Japanese subsidiaries	Ushio Lighting, Inc.		
	XEBEX Inc.		
	ADTEC Engineering Co., Ltd.	2 other companies	
Overseas subsidiaries	North America	Ushio America, Inc. Christie Digital Systems USA, Inc. Christie Digital Systems Canada Inc. 10 other companies	
	Europe	Ushio Europe B.V. Ushio Germany GmbH 5 other companies	
	Asia	Ushio Hong Kong Ltd.	
		Ushio Taiwan, Inc.	
		Ushio Philippines, Inc.	
		Ushio (Suzhou) Co., Ltd.	
		Ushio Asia Pacific Pte. Ltd.	
		Ushio Korea, Inc.	
		Ushio Shanghai, Inc.	
	Ushio Shenzhen, Inc.	12 other companies	

Disclaimer

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