

Ushio Group Medium-Term Management Plan

2nd year review and 3rd year (final year) latest status

Ushio Inc.

President and Chief Executive Officer

Koji Naito

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1. 2nd year (FY2021) review of Medium-Term Management Plan
2. 3rd year (final year) latest status
 - 2-1. Light Source Business
 - 2-2. Optical Equipment Business
 - 2-3. Imaging Equipment Business
3. Progress in “Unifying” strategy

1. 2nd year (FY2021) review of Medium-Term Management Plan

Although net sales fell below our plan, operating income and operating margin beat our plan

2nd year (FY2021) result

	Result	Initial Plan	Difference	FY19	Difference
Operating Income	13.0 billion yen	5.0 billion yen	+8.0	6.6 billion yen	+6.4
Operating Margin	8.8%	3.7%	+5.1p	4.2%	+4.6p
Net sales	148.8 billion yen	135.0 billion yen	-13.8	159.0 billion yen	-10.2

1. 2nd year review of Medium-Term Management Plan

Improved steadily on recovery from pandemic, growth with promising products, and structural reforms

Defensive strategy

Proactive strategy

Exceeding targets	Business environment	—	<ul style="list-style-type: none"> • UV lamps: Stay-at-home demand continuing in LCD-related market • Cinema lamps: Market recovery from pandemic • Optical equipment: Increased maintenance services for semiconductors and other offerings
	Measures	<ul style="list-style-type: none"> • Reduce fixed costs through structural reforms, such as to streamline operations 	<ul style="list-style-type: none"> • Optical equipment: Generating growth in promising products • Reducing fixed costs by streamlining operations
Below targets	Business environment	<ul style="list-style-type: none"> • Impact of semiconductor-related component shortages and supply chain disorders 	<ul style="list-style-type: none"> • Care222: Not resolving issues such as lack of recognition • Impacts of semiconductor-related component shortages and supply chain disorders

2. 3rd year (final year) latest forecast

Steadily proceeding to hit operating margin, the most important KPI in the ambitious target

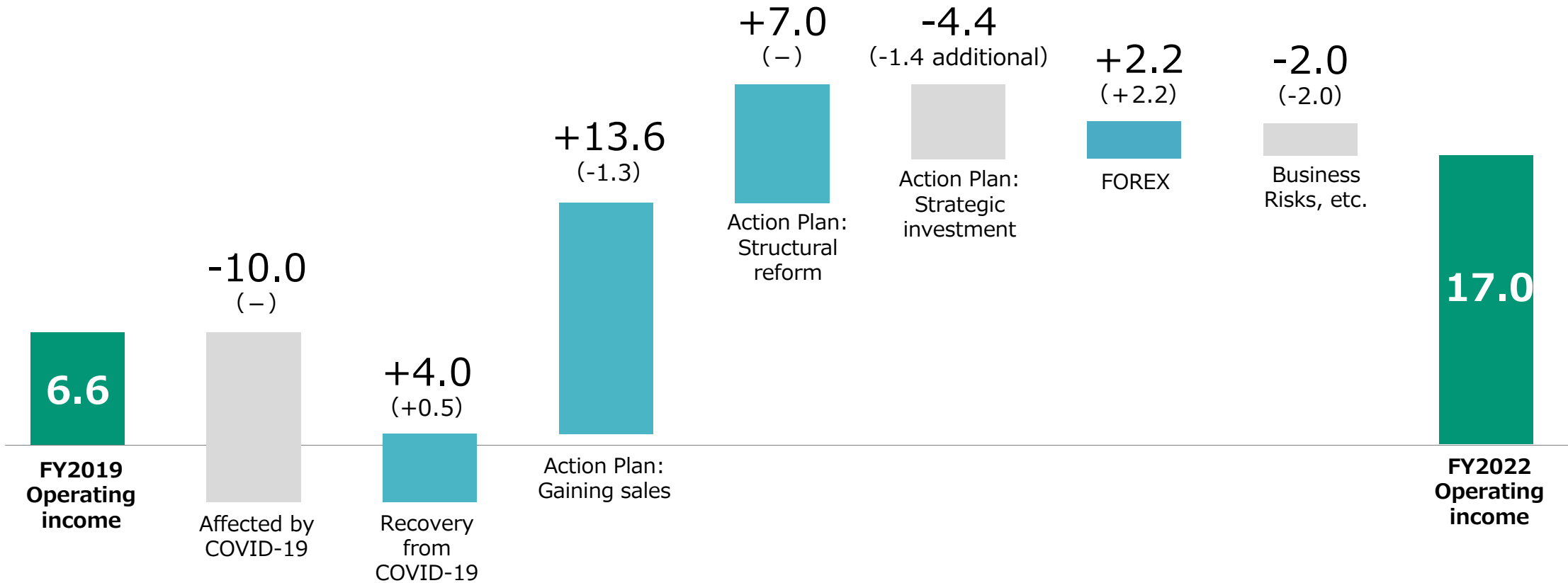
3rd year (FY2022) forecast

		Latest Forecast	Required Target	Ambitious Target
Operating Income		17.0 billion yen	14.0 billion yen	19.0 billion yen
Operating Margin		10.0%	Over 8 %	Over 10%
Net sales		170.0 billion yen	Over 150.0 billion yen	Over 170.0 billion yen
FOREX (yen)	USD	120		105
	EUR	130		125

2. 3rd year (final year) latest forecast

Operating income; Assumed increase/decrease scenario (FY2019→FY2022)
 (billions of yen)

() Change from previous announcement in May 2021



2-1. Light Source Business

Although Care222 environmental hygiene business performed below expectations, profitability surged on consistent progress in proactive/defensive strategies

1. Business environment forecast (FY2022)

- LCD panel market: To enter adjustment phase even with high operating rates
- Semiconductor-related market: High operating rates
- Cinema market: Operations recovering from pandemic
- Care222: Sales to increase after missing FY2021 target

2. Major initiatives (after FY2022)

- Care222: Step up sales promotion
 - Resolve key issues and strengthen initiatives to expand sales
- Defensive strategy: Complete structural reforms and reinforce cost controls
 - Implemented 80% of structural reforms in FY2021, maintaining highly profitable setup

Net sales and operating income progress

(Billions of yen)	FY2019	FY20-22 Medium-Term Management Plan (Latest)			Previous Plan	
		FY2020	FY2021	FY2022 Forecast	FY2022 Targets	
					Required	Ambitious
Net Sales	58.5	45.7	57.8	63.0	50.0	60.0
Operating income	6.0	3.2	8.2	9.8	7.2	9.2
Operating margin (%)	10.3%	7.1%	14.3%	15.6%	14.4%	15.3%

3. Direction from FY2023

Maintain high profitability despite impact of shift to solid-state light sources

Extend existing technologies and products to new markets to resolve social issues

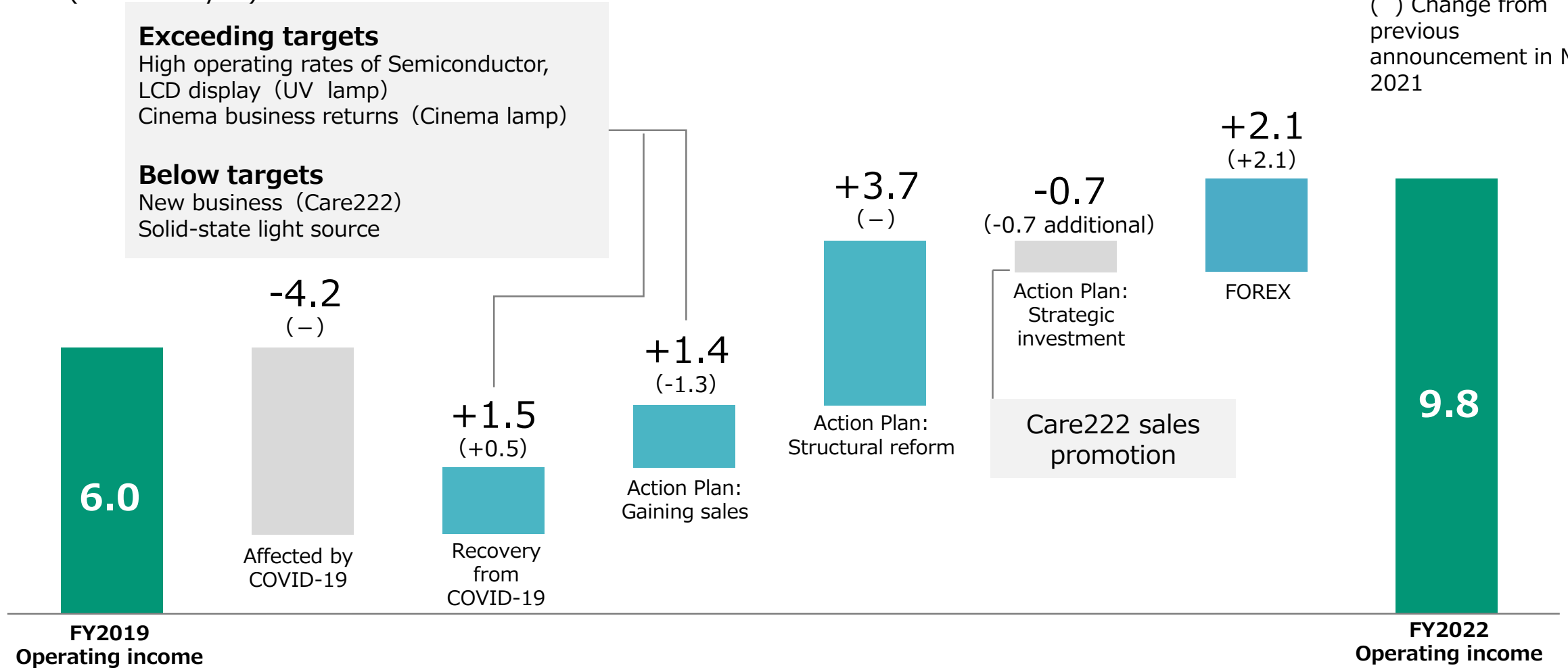
2-1. Light Source Business

Operating income; Assumed increase/decrease scenario (FY2019→FY2022)
(billions of yen)

Exceeding targets
High operating rates of Semiconductor,
LCD display (UV lamp)
Cinema business returns (Cinema lamp)

Below targets
New business (Care222)
Solid-state light source

() Change from previous announcement in May 2021



2-1. Light Source Business: Environmental Hygiene (Care222[®])

Steadily address issues and accelerate installation in spatial infrastructure, and aim for medium- to long-term expansion

1. Medium- to long-term vision

Goal: Help free the world from infectious diseases by meeting space and surface sanitation demand

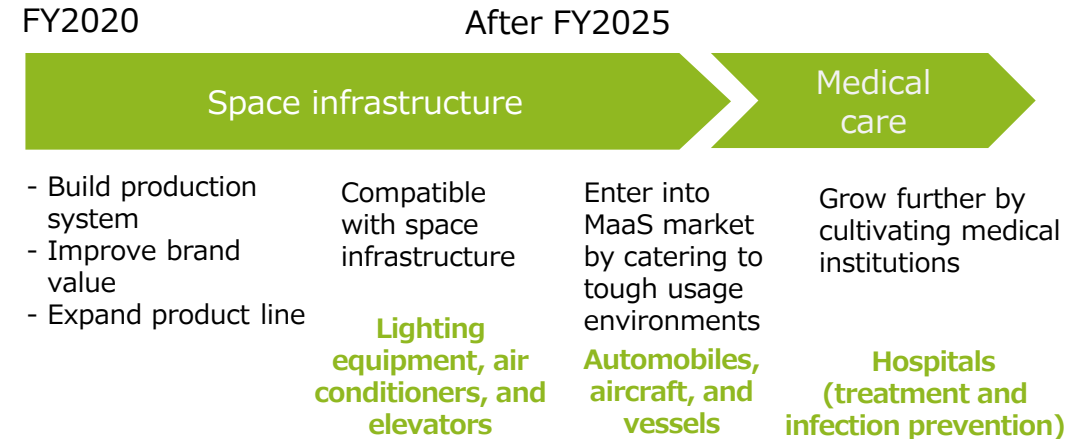
2. Current issues and initiatives

Why expectations missed	Initiatives
1. UL certification delayed	Certified in August 2021
2. Quality issues	Resolved
3. Lack of awareness	<ul style="list-style-type: none"> Improved awareness improvement through advertising and promotions
4. Delays in educating about UV rays	<ul style="list-style-type: none"> Educate about UV ray safety Conducted conference presentations and clinical research ACGIH* revised UV-C (222nm) threshold limit values, and IEC* regulations being adopted worldwide

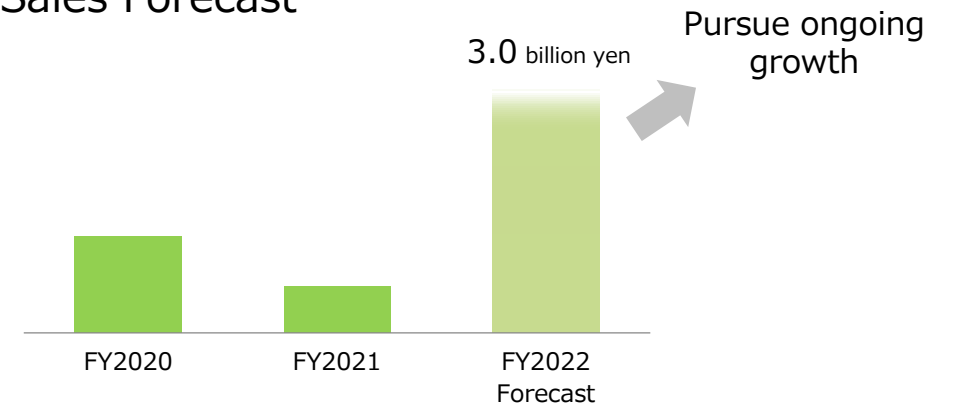
*ACGIH: American Conference of Governmental Industrial Hygienists

*IEC: International Electrotechnical Commission

Prospective Markets



Sales Forecast



2-2. Optical Equipment Business

Although our EUV performance will be below expectations in FY2022, large field stepper for advanced IC package substrates and direct imaging exposure systems should exceed goals, greatly improving profitability

1. Business environment forecast (FY2022)

- Semiconductor packaging market to keep expanding (for advanced IC package substrates and direct imaging)
- Likely to experience temporary demand adjustments, although launches for EUV light source have gone well

Net sales and operating income progress

(Billions of yen)	FY2019	FY20-22 Medium-Term Management Plan (Latest)			Previous Plan	
		FY2020	FY2021	FY2022 Forecast	FY2022 Target	
					Required	Ambitious
Net Sales	36.1	38.9	48.3	51.0	56.0	60.0
Operating income (loss)	(0.5)	0.8	4.6	5.7	3.8	5.8
Operating margin (%)	-1.6%	2.2%	9.5%	11.2%	6.8%	9.7%

2. Major initiatives (after FY2022)

- Capture robust advanced packaging market demand
Stabilize production structure and avoid component procurement risks
→ Double large field stepper production capacity for advanced IC packaging substrates
- Keep investing in next-generation product development (maintain competitive edge)
 - Advanced IC packages: Maintain high productivity and resolution
 - DI: Enhance miniaturization, alignment precision, and productivity
- In EUV, step up preparations for expanded APMI* implementation
 - Bolster production capacity
 - Maintain competitive edge

3. Direction from FY2023

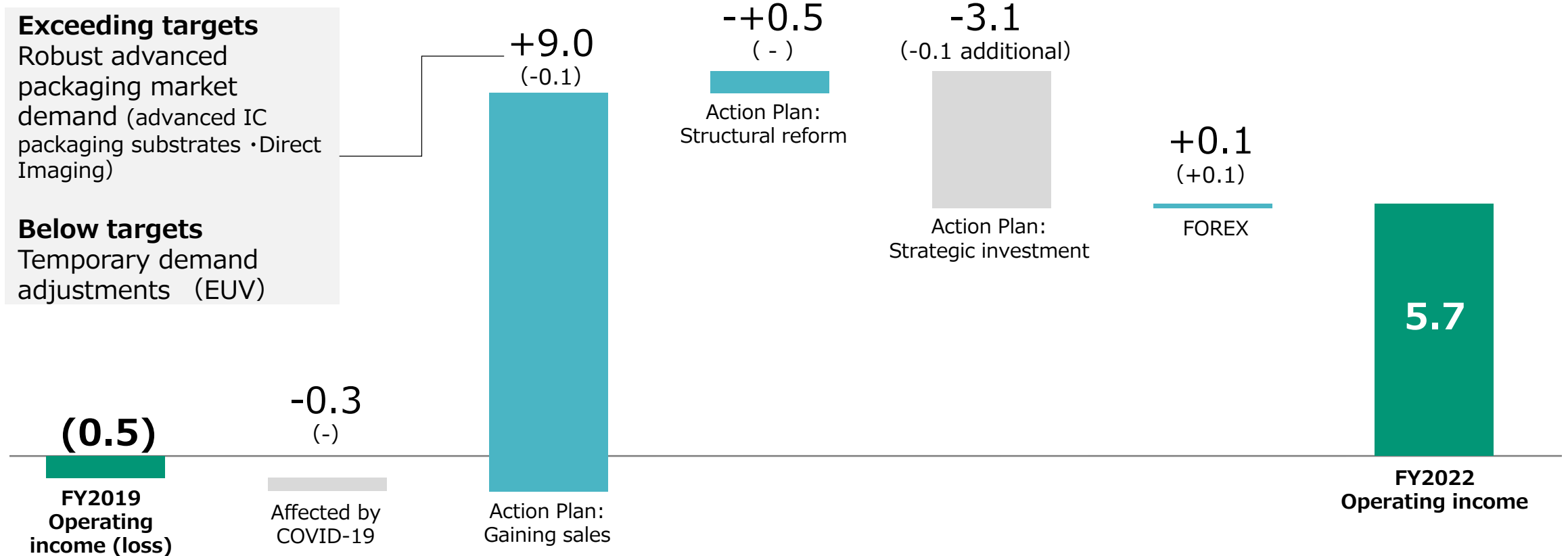
Generate stable earnings by expanding promising product and maintenance businesses

*APMI: Actinic patterned mask defect inspection

2-2. Optical Equipment Business

Operating income; Assumed increase/decrease scenario (FY2019→FY2022)
 (billions of yen)

() Change from previous announcement in May 2021



2-2. Optical Equipment Business: Promising Products (1)

Investing extensively in development to maintain competitive edge in line with expanding semiconductor demand and technological innovations

Business environment assumptions

- Lift investment due to semiconductor supply shortage
- Shortage of advanced IC package substrates
- Evolution of packaging technology (with semiconductor packaging evolution, maintaining Moore's Law)
→ Package diversification, enlargement, and miniaturization needs

Large field stepper for advanced IC package substrates



■ Strengths

- High resolution = Miniaturization
- Large-area projection = High productivity
- Deep focus depth = Substrate warping adjustment

Maintain high productivity and miniaturization

→ **Maintain competitive advantage in FC-BGA market**

Development trends

Direct imaging exposure system

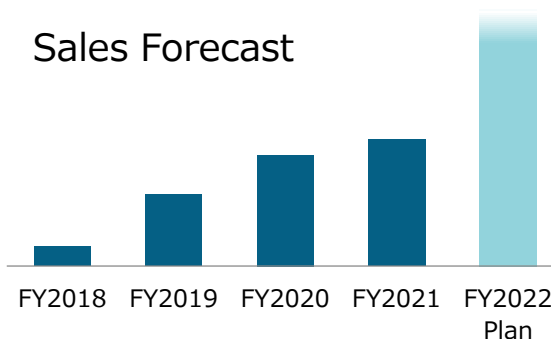


■ Strengths

- Industry's best resolution and alignment precision

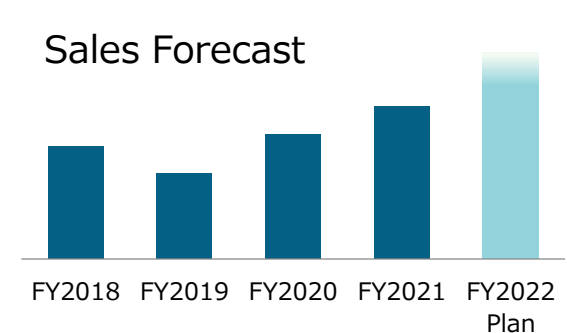
**Miniaturization (2μmL/S)
Improved alignment precision and productivity**
→ **Expanding sales in advanced packaging market**

Sales Forecast



Ongoing market expansion **from FY2023**

Sales Forecast



Ongoing market expansion **from FY2023**

2-2. Optical Equipment Business: Promising Products (2)

Although EUV mask inspection market is steadily growing, major high-brightness APMI uptakes will be from FY2024-2025, with adjustments occurring in FY2022

Business environment assumptions (partially revised)

- Major APMI uptakes from FY2024-2025, reflecting rising demand for total costs of ownership reductions ahead of uptakes
- Longer procurement lead times for key semiconductor-related components → Prolonged production lead times
- Delivered light sources operating very well



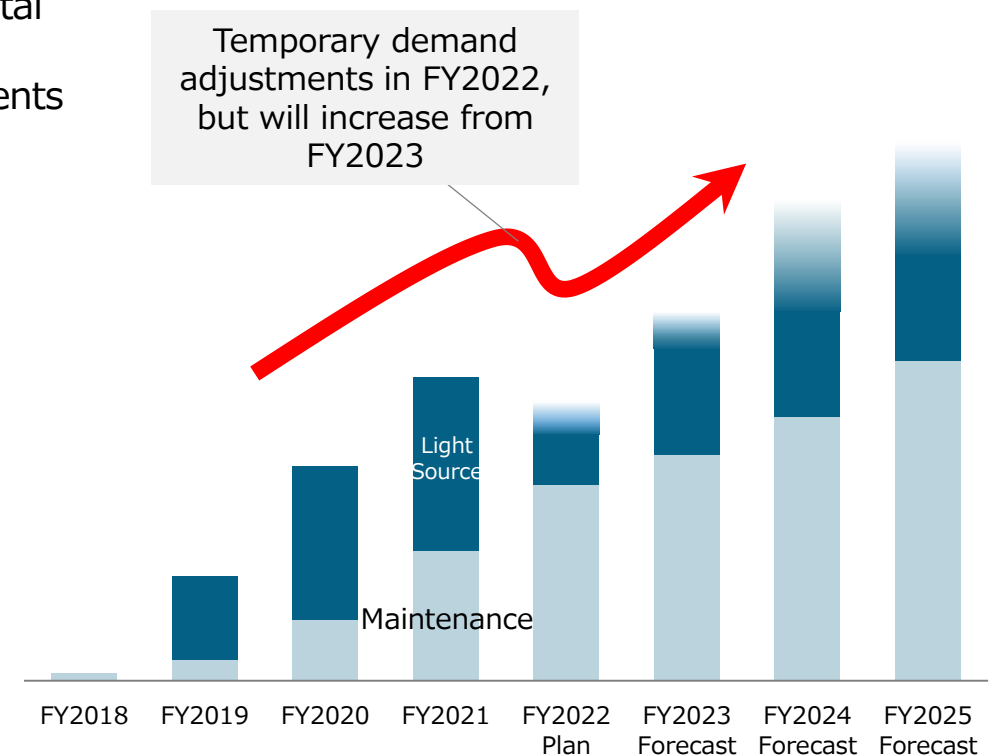
FY22 Forecast (partially revised)

- Pushing back light source sales to FY2023 and beyond
- Maintenance business to remain steady

Future Major Initiatives

- Strengthen production capacity and maintenance systems to meet growing demand
- Maintain competitive edge
 - (1) Maintain and improve high stability (so operating rates exceed 90%, operating hours reached to 650 hours)
 - (2) Cut costs further to help customers reduce total costs of ownership
 - (3) Invest in development for High-NA and other next-generation EUV processes

Sales Forecasts



2-3. Imaging Equipment Business

Despite recovery from COVID-19, component shortage issues prevented from hitting the target. Conducted development investment for future demand.

1. Business environment forecast (FY2022)

- Cinema and General Imaging: Although markets recovering from pandemic, full-fledged investments will not be until from FY2023
- Parts and materials shortages to increasingly affect production and sales

2. Major initiatives (after FY2022)

- Address component shortages
Implement impact mitigation measures, such as early procurement and purchase from multiple providers
- Keep bolstering profitability and pursue business selection and concentration
 - Cinema: Invest in development to strengthen post-pandemic competitiveness
 - General Imaging: Invest strategically to deliver solutions
- Continue streamlining operations
Reduction product and loss costs

Net sales and operating income progress

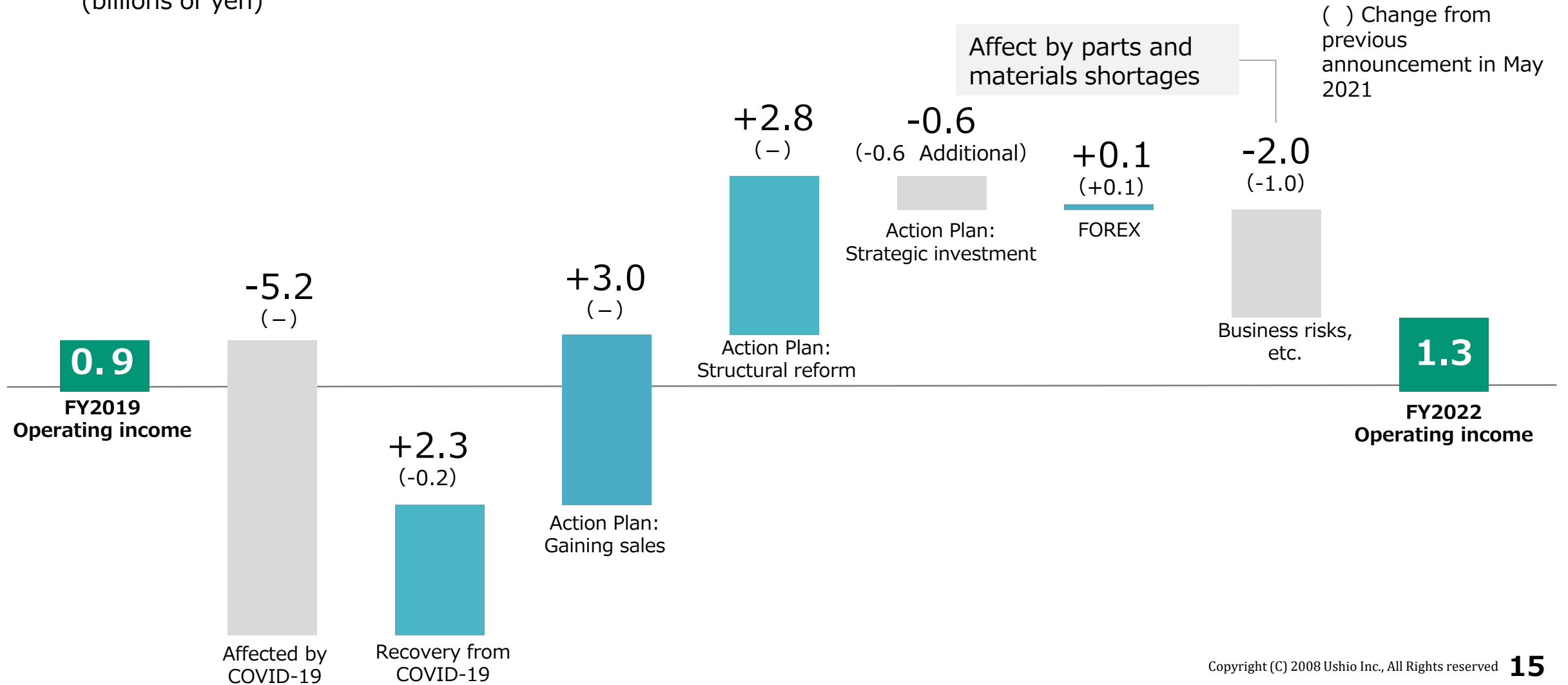
(Billions of yen)	FY2019	FY20-22 Medium-Term Management Plan (Latest)			Previous Plan	
		FY2020	FY2021	FY2022 Forecast	FY2022 Target	
					Required	Ambitious
Net Sales	60.8	31.0	39.1	52.0	40.0	46.0
Operating income (loss)	0.9	(3.4)	(0.0)	1.3	3.0	4.0
Operating margin (%)	1.5%	-11.2%	-0.1%	2.5%	7.5%	8.7%

3. Direction from FY2023

- Capture post-pandemic demand in markets
- Simultaneously improve profitability

2-3. Imaging Equipment Business

Operating income; Assumed increase/decrease scenario (FY2019→FY2022)
 (billions of yen)



2-3. Imaging Equipment Business – Cinema/General Imaging

Cinema: Full-fledged replacement demand from FY2023, reinforcing solutions according to audiovisual contents and theater situations

General Imaging: Rebuild demand after pandemic, capture growth markets with high-value-added solutions, and lift competitiveness

■ Cinema

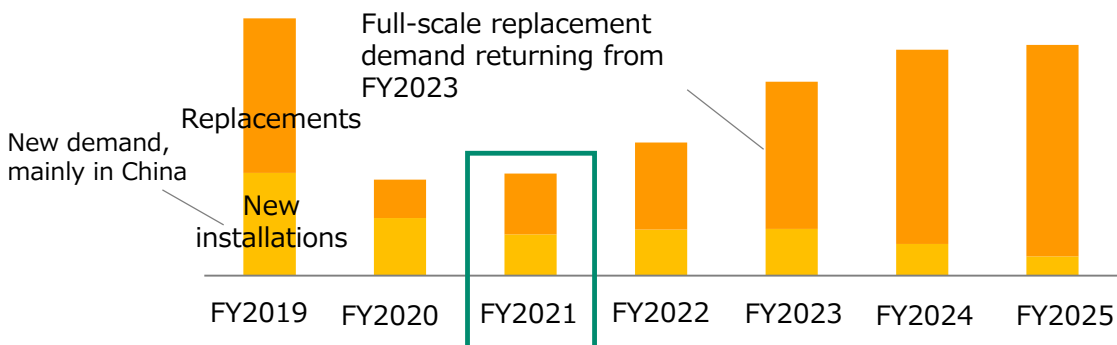
Business environment assumptions

Replacements: Despite pandemic delays, stable demand from FY2023

New installations: Primarily in China and Middle East

- Customer needs: Automation, labor savings, and minimal assets
- Increase market share by matching total solutions to theater situations, notably by managing contents and leveraging IoT networks to reinforce maintenance services

Cinema projector demand forecast (# of projectors)



Source: Ushio

■ General Imaging

Business environment assumptions

Entertainment Market

Audiovisual demand for amusement parks and public events recovering and set to grow

Enterprise/Government Market

Steady demand, primarily from government and public sector bodies

- Undertake business selection and concentration and transform to solutions provider approach to add high value

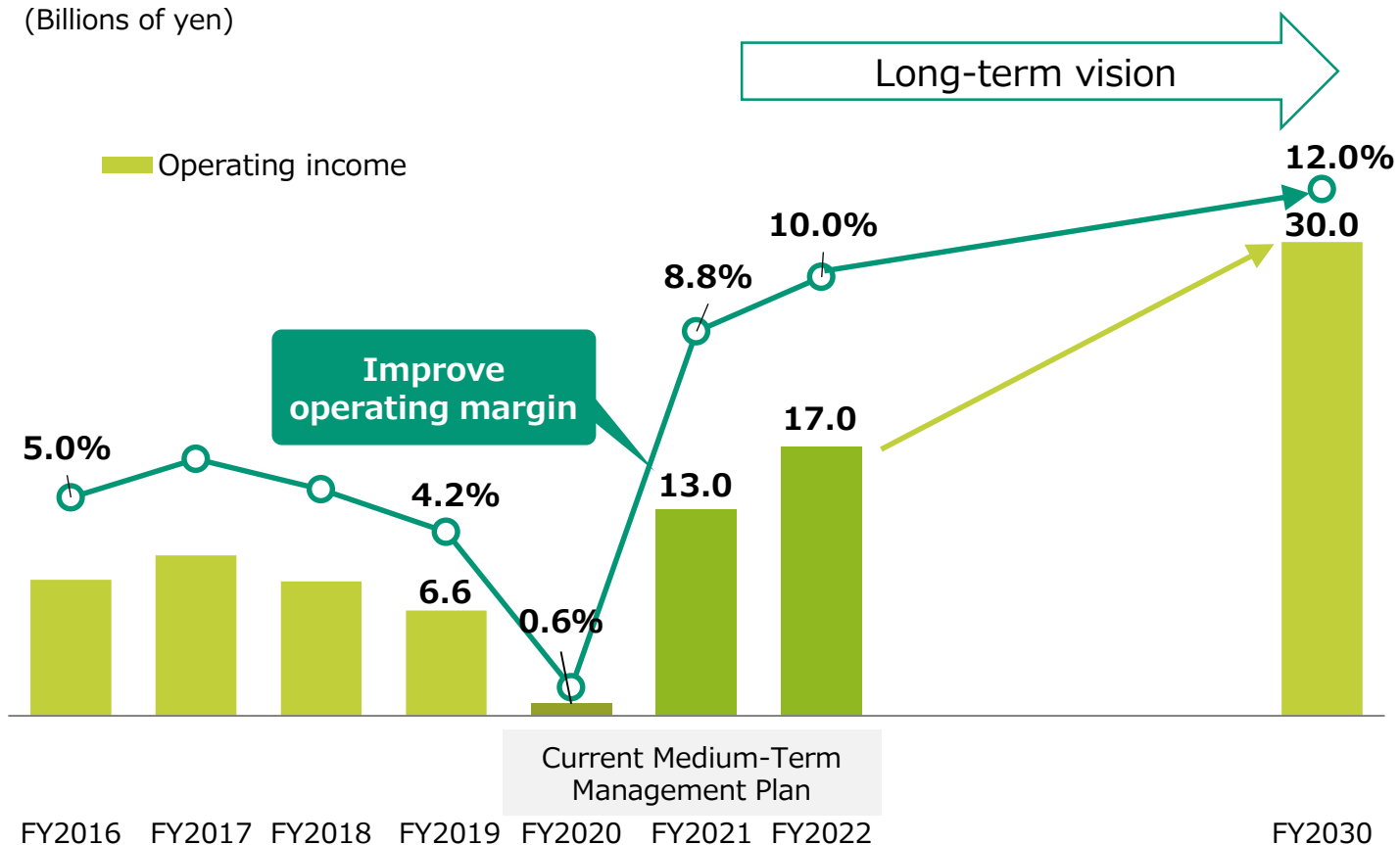
While maintaining competitiveness in high illuminance projectors, leverage IoT networks to strengthen after-sales services and make software more compatible with peripheral equipment and applications

2. Summary

Medium-Term Management Plan progressing steadily toward goal of rebuilding platform to transform profit structure

Long-term financial results

(Billions of yen)



Progress through FY2021

Gross profit margin: vs FY2019 ↗
SG&A ratio: vs FY2019 ↘

Future Initiatives

■ Short term (FY2022)

- Ongoing growth of promising products
- Resolve Care222 challenges
- Mitigate component shortage impacts

■ Middle-to-Long term (from FY2023)

Achieve 2030 mission and vision by:

- Creating new businesses that focus on resolving social issues
- Strengthening ESG management
- Maintaining and improving high profitability by controlling costs
- Enhancing capital efficiency

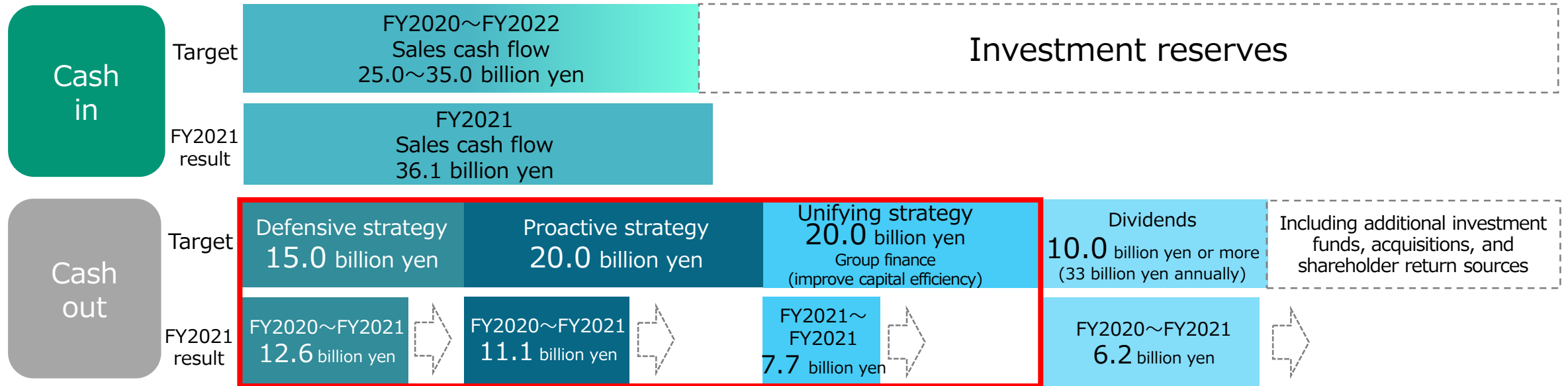
3. Progress in “Unifying” Strategy

In FY2021, focused on swift recovery from pandemic, structural reforms, and ESG management, and will formulate next Medium-Term Management Plan in FY2022

Key priorities		1 st year progress	2 nd year progress	3 rd year plans
Corporate strategy meeting	Tackle ongoing impact of pandemic	<p>Continuously monitored pandemic impact and implemented countermeasures</p> <p>↓</p> <ul style="list-style-type: none"> • Undertook additional structural reforms for imaging equipment business • Reformed light source business structure • Undertook strategic investments 	<ul style="list-style-type: none"> • Swiftly recovered from pandemic • Minimized supply chain disruption impacts • Structural reforms progressed as planned • Evaluated and undertook additional strategic investments 	<ul style="list-style-type: none"> • Business units to monitor pandemic impact • Complete structural reforms
	Clarify post-Medium-Term Management Plan roadmap	<ul style="list-style-type: none"> • Assessed ESG management issues • Built new business creation framework 	<ul style="list-style-type: none"> • Adopted Five Management Focuses and key performance indicators as ESG management challenges 	<ul style="list-style-type: none"> • Establish ESG Headquarters • Assess roadmap for next Medium-Term Management Plan
Global consolidated management	Enhance Group business objective management	<ul style="list-style-type: none"> • Explored consolidated management accounting system • Updated Group Management Regulations 	<ul style="list-style-type: none"> • Implemented Group management accounting system • Strengthened Group finance liaison system 	<ul style="list-style-type: none"> • Group business segments to start managing targets, exploring advanced investment returns management
Global human resources development	Develop global human resources in line with 2030 vision	<ul style="list-style-type: none"> • Established Ushio College • Shared Group personnel information • Built new employee communication tools 	<ul style="list-style-type: none"> • Deployed employee communication tools • Surveyed engagement 	<ul style="list-style-type: none"> • Begin gathering Group human resources information

3. Progress in “Unifying” Strategy: Cash Allocations

In FY2021, invested strategically amid steady results recovery, and will endeavor to boost shareholder returns in FY2022



Shareholder return policy under Medium-Term Management Plan

Annual dividends

Maintain minimum of 26 yen in annual dividends per share (minimum total: 3.3 billion yen annually)
 → In FY2021 and FY2022, looking to lift to 50 yen annually (increased from 26 yen)

Share buybacks

Respond to changes in business climate by retiring at least 5% of issued and outstanding shares
 → In FY2022, planning to launch 5.0 billion yen share buyback program

USHIO

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