

USHIO

Ushio Report 2022
Year ended March 31, 2022

USHIO INC.

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Cover Story

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.

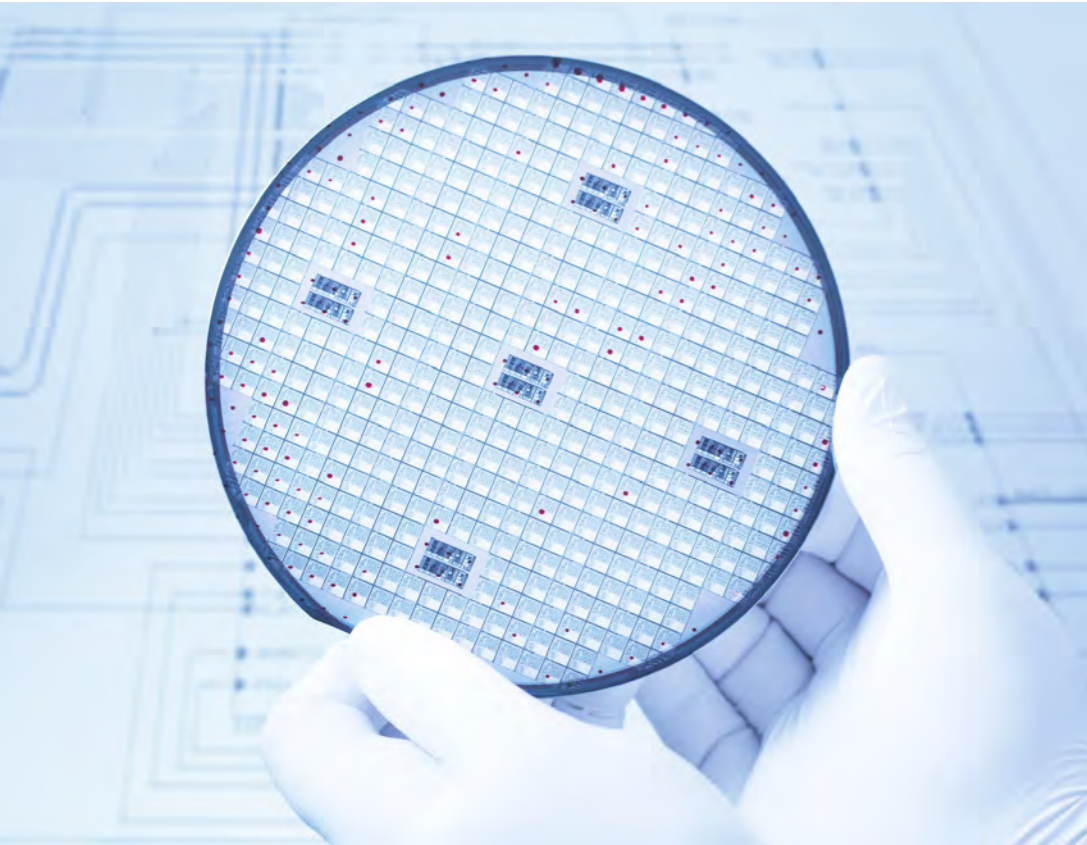
A future where lives we couldn't have saved, can be saved.

With light, the future can go beyond our imagination.

So today, we continue to believe and challenge the
endless possibilities of light.

About Ushio

Since its founding, Ushio has been leveraging light as not only illumination but also as energy in order to create new markets for light. Today, Ushio is drawing on the potential of light to contribute to society in the three business fields of Industrial Process, Visual Imaging, and Life Science.



Industrial Process

Comfort and Convenience

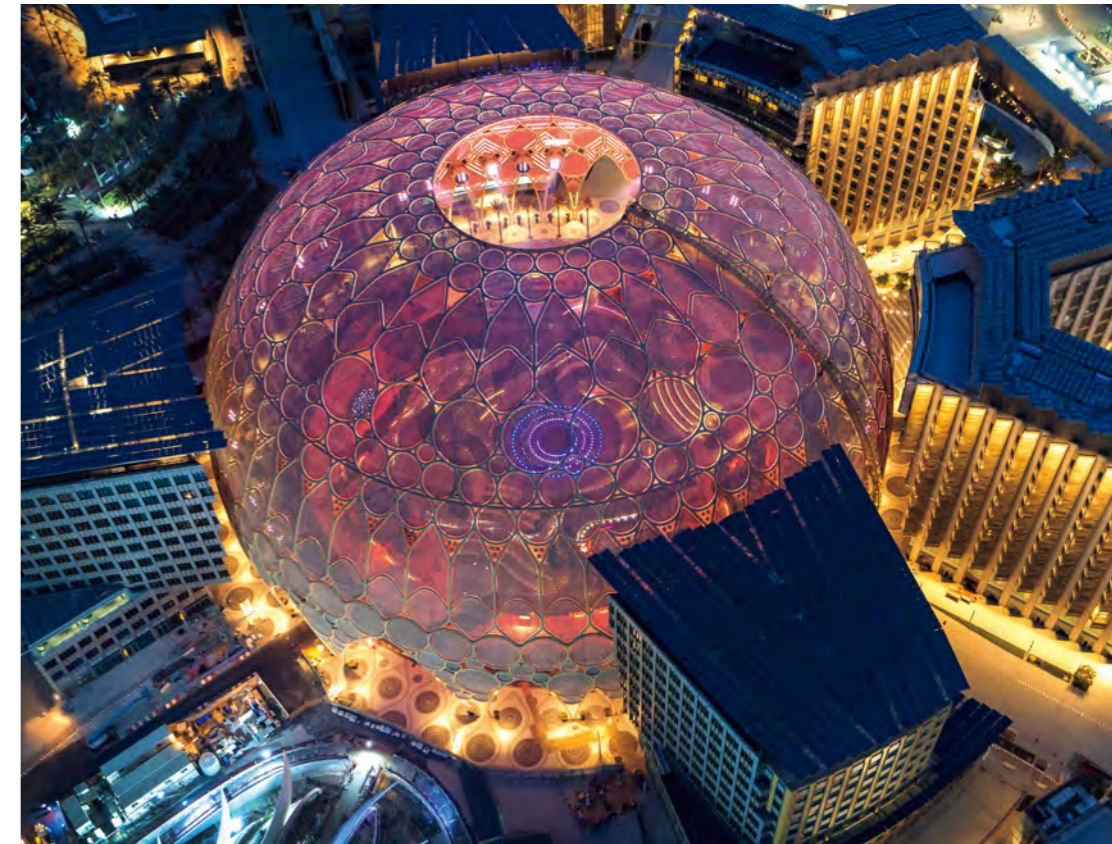
Ushio's technologies are being leveraged in such areas as the manufacturing process of semiconductors and liquid-crystal-display (LCD) panels. To create products that meet global needs, we will use light to support technological innovation in manufacturing with the aim of realizing more comfortable and 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 Science

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.



Ushio Report 2022

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Position of "Ushio Report" within All of Ushio's Disclosed Materials



Note: "Disclosed materials" refers to materials required for disclosure under regulations such as the Companies Act and the Financial Instruments and Exchange Act

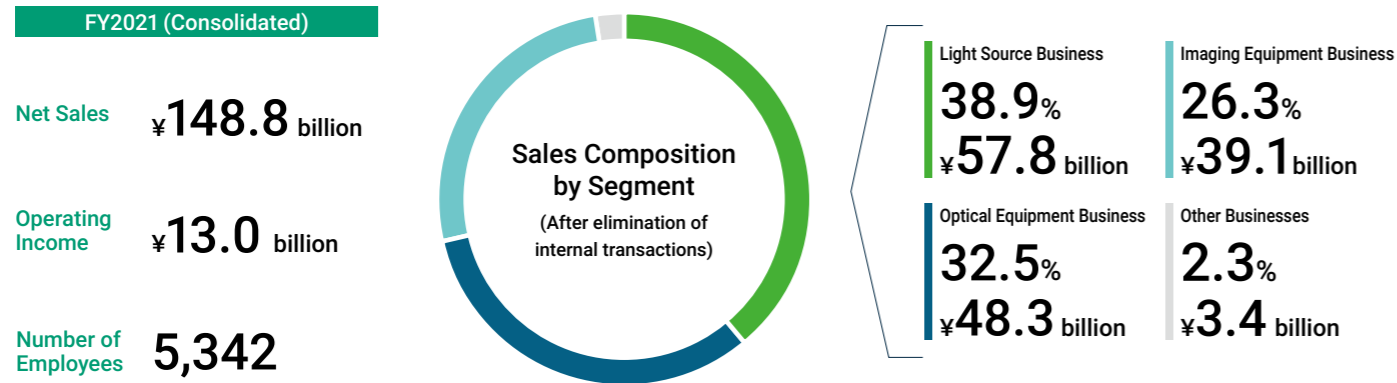
Editorial Policy

The Ushio Report describes the unique business development model of Ushio that 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, 2022, when no other 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.

Ushio at a Glance

Ushio by the Numbers

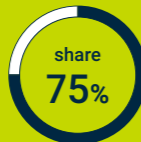


Market Share of Major Products

UV Lamps for Semiconductor Lithography



The exposure process is critical to enhancing the performance of semiconductors and electrical components that are installed in a wide variety of products, from digital devices such as PCs and smartphones, to household appliances and automobiles. Our ultra-high-pressure UV lamps play a major role in this exposure process.



UV Lamps for LCD Lithography



Our UV lamps for LCD lithography are used in the exposure process for various LCD displays, including those of televisions, laptops, and smartphones. Through their large size and power, these lamps help increase the size of panels and enhance their resolution.



Step & Repeat Projection Lithography Tool for High Resolution PCB



Equipped with ultra-high-pressure UV lamps, our step & repeat projection lithography tool for high resolution PCB is a tool used to create circuits such as semiconductor package substrates and printed circuit boards (PCB). In addition to lamps, we develop all the main technologies used in this tool in-house, including optical components such as lenses and mirrors, as well as material handling, power sources, and software.



Excimer Irradiation Units for Cleaning Panels



Our excimer irradiation units for cleaning panels are a tool that uses ultraviolet rays to clean LCD panels by removing the organic compounds that become attached to them during the manufacturing process. These excimer irradiation units are equipped with excimer lamps, which Ushio was the first company in the world to develop.



UV Curing Equipment for Bonding LCD Panels



Our UV curing equipment for bonding LCD panels enables the batch irradiation of ultraviolet rays used in the curing of large-scale LCD panels. Through the introduction of Ushio's unique new technologies, this equipment provides significant benefits to the LCD manufacturing line, including significantly reducing the time required for the curing process—which previously took several hours—to a period of only several minutes.



Photo-Alignment Equipment



Our photo-alignment equipment is used to arrange the liquid crystal molecules within LCD panels. The image quality of LCD panels truly depends on the extent to which the liquid crystal molecules are arranged in an orderly fashion. By arranging these molecules in such a fashion, our photo-alignment equipment helps make LCD displays more energy efficient, enhances their resolution, and reduces their cost.



Lamps for Cinema Projectors



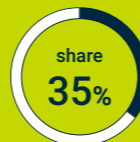
We develop and produce lamps used in cinema projectors at movie theaters. On the set of movies, video is shot using lighting that is similar to sunlight. Our lamps for cinema projectors, sometimes referred to as "artificial suns," provide lighting that is as similar to sunlight as possible in order to project images naturally.



Digital Cinema Projectors



Our digital cinema projectors are large-scale projectors for movie theaters equipped with xenon short arc lamps. We also develop large-scale visual systems and virtual reality systems that primarily make use of these projectors and are used in not only movie theaters but also at amusement parks and for large-scale live events.



Lamps for Data Projectors



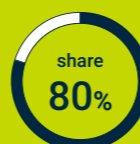
We develop and produce lamps installed in data projectors used at locations such as conferences, live events, and schools. Based on super high-pressure UV lamps, these compact, high-intensity, flicker-free lamps achieve high reliability and are used in a wide range of applications, from business to professional use.



Halogen Lamps for OA Equipment



Our halogen lamps for OA equipment are used to affix toner to paper by utilizing heat to melt pulverized toner. These lamps are used in such devices as printers and copy machines when drawing text or images on paper.



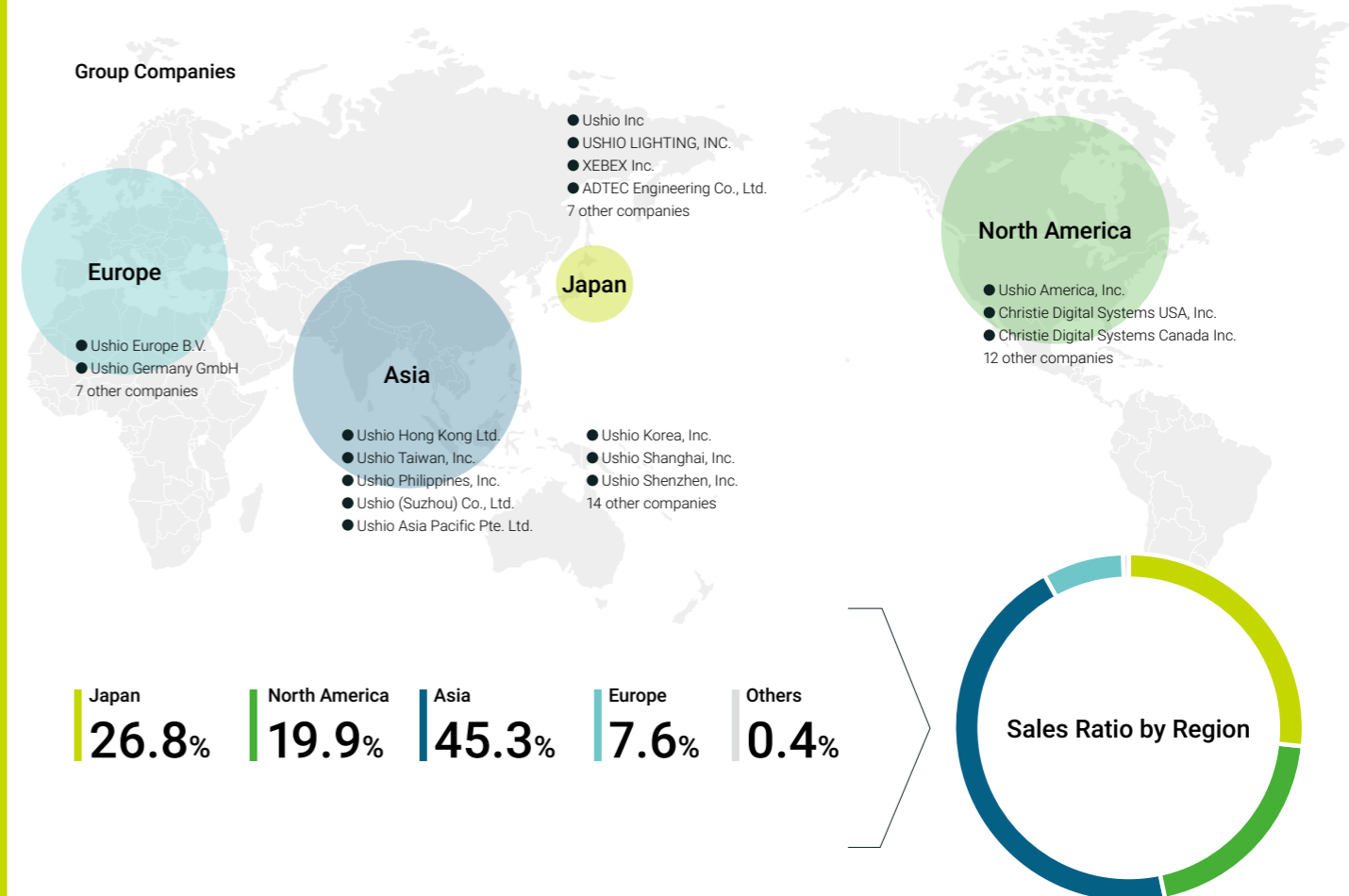
Three Business Fields

Ushio's three business fields of Industrial Process, Visual Imaging, and Life Science cover everything from the global semiconductor manufacturing process to movie theaters and biotechnologies. In these three business fields, we will continue to pursue the new potential of light in order to support human well-being and societal growth.

Industrial Process	Visual Imaging	Life Science
Semiconductors, FPD, precision equipment, electronic components, photochemistry, printing, industrial equipment etc.	Projector light sources, general and commercial lighting, landscape lighting and production, stage and studio lighting, light source for office and document products etc.	Healthcare, natural environment, security, marine and fishery industry, security, energy, space development etc.

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 type of light source to each country and region at the necessary times. Our global business foundation enables us to fulfill this mission.



President's Message

Without losing our focus, we will remain committed to successfully completing the initiatives we are promoting in order to become a “light” solutions company.

Koji Naito

President and Chief Executive Officer

Establishing Clear Targets and Pushing Forward with Efforts toward Achieving Them

I joined Ushio Inc. in 1986 and, since then, I have built up experience working for extended periods of time overseas, including in Europe. As a young employee, I constantly asked my supervisor about the purpose of our work. This came from my belief that if you have a clear purpose for your work, then you can think about what you need to accomplish and take action accordingly in a highly independent manner. In addition, if you ever face difficulties in your work, you can reflect on that purpose to consider how best to move forward. Conversely, if the purpose of work is vague, and the instructions provided by supervisors constantly change, this will lead to an unproductive environment for both employees and the organization. Personally, I could not accept working in such an environment. For that reason, when I eventually reached a position where I had people working under me, I placed emphasis on establishing a clear purpose for our work and engage in efforts to fulfill that purpose without losing focus.

At the moment, the over 5,000 employees of the Ushio Group are working in unison to pursue a genuine transformation. While we naturally need the ability to flexibly respond to changes in the operating environment, my approach to core areas as the CEO needs to remain focused and clear. These core areas are encapsulated in our Mission statement of “Promote the use of light as illumination and energy to support human well-being and societal growth,” which clearly lays out the reasons for why we do the work we do. These core areas are also reflected in our Vision for 2030 of “Becoming a ‘light’ solutions company.” To accomplish our Mission and Vision, we need to fundamentally abandon the approach of being a manufacturer that responds to issues purely through the quality and performance of its products.

Pursuing Our Vision of Becoming a “Light” Solutions Company

Becoming a “light” solutions company means that we go beyond addressing only the issues of our customers to addressing also the issues facing future society. In other words, it means that we must shift the focus of our business and actions to center on our Mission of “Promote the use of light as illumination and energy to support human well-being and societal growth,” so that we can continue to simultaneously create both social and economic value. To that end, it is imperative we transition to a value creation process that starts with the discovery of social issues, followed by the exploration of technologies to resolve such issues. We also need to transform our business model from one that only involves the sale of hardware to one that comprehensively contributes to the business success of our customers through process support and after-sale services.

To establish the resolution of a wide range of social issues as our purpose, we will develop applications through open collaboration with various business partners who understand this purpose, while keeping our core competency of “the power to control light” as a

closed domain exclusive to the Company. As this means we will abandon the approach of simply selling products, it is quite possible we may form partnerships with competitor companies. In addition, it will take a fair amount of time before we can contribute to the resolution of social issues to an even greater extent. We will therefore transition to a longer time frame by which we view our business, starting with the time it takes to realize a return on an investment. For example, with our Care222, our filtered Far UV technology for disinfection and virus inactivation, we aim to realize a world without infectious diseases. Going forward, we will strive to create solutions with a variety of business partners who share in our purpose, without being overly committed to manufacturing and selling products on our own.

We have operated as a manufacturer for nearly 60 years, so to realize this kind of genuine transformation throughout our broad range of businesses will be no easy task. To that extent, we have established our Five Management Focuses to ensure that management and employees alike



can work together to ascertain social megatrends and issues, then incorporate them into management strategies and day-to-day work. We have also incorporated these Five Management Focuses into the ESG management that we are promoting. One of the five focuses is "Creating Businesses with Greater Social Value,"—under this focus we have established Industrial Process, Visual Imaging, and Life Science as the three business domains through which we will aim to offer social value.

Transitioning to Solidarity-Based Rempo* Management, or "Multiplicative Management"

Since its founding in 1964, Ushio has been dedicated to promoting "light" technologies, starting with commercializing halogen lamps for the first time ever in Japan. What has guided us throughout this time has been the Management Philosophy, comprising four basic principles that we formulated shortly after our establishment as a company. Through corporate activities that have consistently adhered to the Management Philosophy, we have accumulated a wide variety of strengths.

During the 1960s, we entered into overseas markets, establishing overseas bases across the globe. In addition, we thoroughly committed ourselves to pursuing quality over quantity and worked to enhance the added value of our products, expanding from light sources to components and modules, and eventually optical equipment. As a result of these efforts, we delivered numerous one-of-a-kind products to society at large.

By fully leveraging our power to control light, we worked to resolve customer-specific issues and, guided by our Rempo Management policy, pursued individualized optimization efforts at each company in each region of operation, allowing us to carve out a leading niche position in the market. For some time, this scheme helped us

To promote our efforts toward transformation under the Medium-Term Management Plan (from fiscal 2020 through fiscal 2022), we have positioned the transformation of profit structure, which has been on a long-term trend of gradual decline, as a pressing issue, and are pursuing a once-in-several-decade major shift in our management approach to address this issue.

achieved various business successes. However, entering into the 2000s, the effectiveness of this type of management structure began to decline, leading to management inefficiencies. To address this issue, we commenced efforts to promote standardization, control costs, and streamline manufacturing processes as we entered into the 2010s. We also began to pursue an optimized balance of key products that enabled us to pursue differentiation in domains where we could draw on our technological superiority. Nevertheless, our profitability continued on a downward trend. To achieve dramatic improvements to our profit structure, we established the unified target of becoming a "light" solutions company by transitioning from an independent Rempo management style—a so-called "additive management" style that had led to various insufficiencies due to its focus on individualized optimization—to a solidarity-based Rempo management style, or "multiplicative management," which focuses on realizing overall optimization. This "multiplicative management" is now our current management style, which we are making concerted efforts to promote.

* Rempo: The Japanese word for "mountain chain." Ushio adopts "Rempo" management as its management approach based on the idea of uniting all Group companies as one "mountain chain," aiming for a unified vision as an entire group.

Making Great Strides with the Establishment of a Robust Profit Structure

Under the Medium-Term Management Plan, we have analyzed the gap between the time in which we will achieve our unified target of becoming a "light" solutions company and our current situation. Based on this analysis, we formulated policies for addressing the issues we need to tackle over the plan's three-year period, and began to reattempt our goal of solidifying our foundation for profit structure transformation. We also established operating income of ¥19.0 billion and operating margin of 10% or more as ambitious targets for fiscal 2022, and operating income of ¥14.0 billion and operating margin of over 8% as required targets that we must achieve by fiscal 2022. Additionally, we positioned operating margin as our most important KPI. Guided by this KPI, we will seek to accomplish our management targets through three types of strategies: defensive strategies, which focus on transforming our profit structure; proactive strategies, which involve developing new markets and cultivating new businesses; and unifying strategies, which help promote the previous two strategies from the perspective of Companywide optimization.

In fiscal 2021, the second year of the plan, certain businesses were impacted by semiconductor and other material shortages and global supply chain issues caused by logistics disruptions. As a

result, consolidated net sales in fiscal 2021 only amounted to ¥148.8 billion, which was less than consolidated net sales of ¥159.0 billion recorded in fiscal 2019, the year before the current Medium-Term Management Plan commenced. Meanwhile, operating margin saw significant improvement, reaching our required target of over 8%, which was one year ahead of schedule. The background to this improvement was the steady promotion of our defensive strategies. Under these strategies, we focused our attention on the Light Source Business, where profits have been trending downward due to the shift to solid-state light sources, promoting in haste such efforts as consolidating our production bases, transferring production, exiting from unprofitable projects, and optimizing the allocation of personnel. As a result, we were able to achieve roughly 80% of our initial plans for structural reforms up through fiscal 2021. In the Imaging Equipment Business, where low profitability has unfortunately become commonplace, we moved forward with structural reform efforts at a pace that exceeded the initial plans formulated in fiscal 2020. These included not only the revision of our production bases but also efforts to reduce manufacturing costs and costs associated with quality loss. In these ways, we concentrated our

efforts on executing investment in anticipation of a market recovery and expanding sales. As a result of these efforts, we made great strides in fiscal 2021 with the establishment of a robust profit structure, including an increase in our gross profit margin, as well as an improvement in our SG&A expenses to sales ratio due to the impact of fixed cost reductions resulting from the promotion of Companywide workstyle reforms.

Under our proactive strategies, we were able to cultivate pillars for profits through the success of various initiatives. These included the expansion of UV lamp sales due to the ongoing high production rate of liquid-crystal display (LCD) panels, concentrated investment in

promising products such as lithography equipment for cutting-edge IC package substrates and EUV (extreme ultraviolet) light sources for EUV photomask inspection, the vertical launch of new products, and the bolstering of our production capacity.

Although several issues still remain, such as the stagnating sales growth of Care222, we achieved a solid business performance during the fiscal year under review thanks to the crystallization of all our global employees' efforts to accomplish the strategies we have adopted under the Medium-Term Management Plan. After disclosing our financial results for fiscal 2021, I expressed my sincere gratitude to all executive officers and employees.

Becoming an Even Better Company by Accomplishing Our Medium-Term Management Plan

Unfortunately, I feel that Ushio has reverted back to just being an "average company," and that is why in fiscal 2022 we will aim to successfully complete the initiatives of the current Medium-Term Management Plan, so that we can once again be evaluated as an "outstanding company." Continuing on from fiscal 2021, we intend to increase sales and profits with the aim of achieving our ambitious target for the plan's final year of an operating margin of 10.0%, which is now within our reach. Specifically, we aim to achieve higher sales and profits in all segments through an increase in Companywide sales, which will follow an autonomous recovery in performance from the COVID-19 pandemic, the impacts of further structural reforms, and the steady realization of returns on our growth investments.

With regard to lithography equipment for cutting-edge IC package substrates and direct imaging (DI) lithography equipment, which we position as part of our lineup of promising products, we expect that robust demand will continue for such products due to increased investment following the shortage in semiconductor supply. We will seek to steadily capture this demand by leveraging strengths such as our highly productive technologies that can achieve large field projection, our ability to realize high precision through deep depth of focus, and our ability to respond to miniaturization through high resolution. Additionally, with the high certainty of expansion in the cutting-edge IC package substrate market through fiscal 2025, we

will not only increase our production capacity of lithography equipment for these package substrates but also continue to invest in the development of next-generation products. By doing so, we will work to maintain and enhance our competitive edge.

In only four years since we entered the market in fiscal 2018, we have achieved tremendous growth for our EUV light sources used in EUV photomask inspection. On the other hand, the market for these light sources in fiscal 2022 is expected to see a temporary adjustment phase to the supply and demand situation. Through analysis, we have determined that this adjustment will be the result of higher expectations for reduced total cost of ownership (TCO) for high-brightness APMI (Actinic Patterned Mask Defect Inspection) due to the high performance recorded by APMI making use of Ushio's light sources. However, from fiscal 2023 onward, the market is expected to once again expand, and, from fiscal 2025, we expect to see major uptakes in APMI. With this in mind, we will continue to actively invest in the development of EUV light sources for photomask inspection.

In addition, we expect to see steady growth of Care222, which we also position as a promising product. This growth will be the result of the product's clear purpose of creating a world without infectious diseases and our understanding of the technological challenges we need to address to realize this purpose in response to the social issue of infectious disease outbreaks, which are occurring due to the megatrend of climate change.

Creating a New Horizon for Life Science

We view Life Science as a domain with major potential for growth over the medium-to long-term. To that end, in addition to Care222, we are pursuing the development of a vast array of products, including systems that use light to break down and separate greenhouse gases captured through direct air capture (DAC)—which is garnering attention as a key technology for realizing decarbonization—and recycling systems (solar power sharing) that combine cylindrical solar batteries, which can be installed in any location, with electricity storage systems. Furthermore, to address the issue of guaranteeing food safety, we are striving to develop light sources that significantly improve plant production by enhancing the efficiency of

photosynthesis, seed growth, cultivation, and harvesting. We are also developing vision care devices, technologies that extend healthy life expectancy through comprehensive inspection of food and pharmaceuticals, and organs-on-chip (OoC), which help facilitate drug development without the need for animal testing. In these ways, we are promoting an extensive range of development in the Life Science domain.

Our unifying strategies will provide the framework for aligning the direction of all employees and the Group as a whole while we work to steadily create these kinds of social value and push forward toward our goal of becoming a "light" solutions company.



Further Promoting Our Unifying Strategies

In fiscal 2021, we moved forward with our unifying strategies, under which managers of each business and division came together to promote such efforts as minimizing the impact of supply chain disruptions, steadily executing structural reforms, and examining the implementation of additional strategic investments. In these ways, our unifying strategies played a major role in improving our performance during the period under review. In fiscal 2022, we will continue to monitor the status of initiatives aimed at strengthening the supply chain and complete our structural reforms via committees that are under my direct control. At the same time, we will promote business creation and growth, and selection and concentration through the optimized allocation of management resources. In addition, from a financial perspective, we have established a foundation for promoting global consolidated management through the introduction of global consolidated accounting systems. Through these systems, we commenced an approach that manages targets specific to each consolidated Group business in fiscal 2022. This in turn will help us manage investment gains and losses in a more advanced manner.

Moreover, to further enhance the efficiency of our Groupwide management and maximize profitability, we rearranged our organization to integrate various operational functions. For example, we established the new Production Division by integrating the production control, material procurement, manufacturing, and quality assurance functions of each individual production base. Through the Production Division, we aim to significantly enhance productivity while leveraging digital technologies. Also, in fiscal 2021, we merged

several organizations that have promoted activities geared toward new business creation in order to establish the Business Creation Division, which comprehensively engages in the creation process of businesses offering significant social value, covering everything from marketing to development and commercialization. Additionally, we introduced the Global Business Unit with the aim of further strengthening solidarity-based Rempo management aimed at integrating our management targets across regions and on a Groupwide basis.

From the perspective of human resources, we have made significant progress with the establishment of HR infrastructure—including remuneration, recruitment, cultivation, and benefit systems—with the aim of enhancing the future mobility of our personnel on a global scale and appointing diverse personnel to the positions and locations that suit them best. These efforts have been led by the Global Human Resources & General Affairs Division. In fiscal 2022, we have commenced efforts to collect and integrate information on our global human resources, and by doing so we will promote the reskilling of our personnel through the redevelopment and reinforcement of skills related to their individual positions. We have already begun implementing reskilling efforts at the executive level, and we intend to promote transfers of managerial personnel across businesses and divisions going forward. If we can break free from the conventional frameworks of our work and bolster our organization by accumulating experience and insight from a diverse array of areas, I am confident it will provide the impetus to our dynamic transformation as a company.

In addition to these efforts, we established the new ESG Promotion Headquarters to further strengthen our ESG management through the full-scale promotion of our Five Management Focuses. Guided by the leadership of this headquarters, we will establish a clear path forward toward achieving our ESG goals over the medium-to long-term by conducting a “backcasting” analysis in which we analyze the gap between the time we can achieve these goals and our current situation, and then think in reverse regarding

what we need to do to address said gap. We will also take steps to link financial targets and non-financial targets related to our Five Management Focuses with director remuneration and evaluation. To date, we have steadily received high praise from external institutions regarding the proactive nature of our ESG activities. However, in terms of internal evaluations, I have been made aware of several important management issues that I need to seriously reflect upon as the CEO.

Building Both a Prosperous Company and Prosperous Employees

In fiscal 2021, we carried out our first-ever engagement survey. Based on the results of this survey, it became clear that our engagement score was lower than the average score of other companies in the Japanese manufacturing industry. This result was in direct opposition to one of the basic principles of our Management Philosophy, “Build both a prosperous company and prosperous employees,” and we are therefore taking this situation extremely seriously.

I promised our employees that I would take action to address the issues that came to light through the engagement survey. Based on the two Management Focuses of “Increasing the Quality of Our Human Resources to Move Closer to Our Vision” and “Creating Working Environments where It Is Easy to Produce Results,” we will

strive to create work environments in which employees can work with enthusiasm and leverage their capabilities to their fullest. However, on reflection of the fact that the ideas of management have not resonated enough with our employees, I intend to actively engage in direct dialogue with employees going forward. By communicating my ideas to employees face-to-face and, in turn, listening to their true feelings, I am confident that our employees will fully understand Our Vision and ensure they can take pride in the fact that they work for a truly good company and share that pride with their friends and family. By doing so, I hope to create a virtuous cycle in which more employees can experience prosperity through their work and demonstrate their abilities to the fullest, which will in turn further enhance our corporate value.

Remaining Committed to Our Goals No Matter What Hardships We Face

Fiscal 2022 represents an extremely important year in which we will not only aim to successfully complete the initiatives of the current Medium-Term Management Plan but also proceed with efforts to design the next one. Under the upcoming Medium-Term Management Plan, we will seek to make major progress toward our goal of becoming a “light” solutions company. Since its establishment, Ushio has had an underlying corporate culture of accomplishing what it sets out to do, and the financial performance we achieved in fiscal 2021 was a testament to the value of that culture. However, as we intend to expand net sales from the current level of ¥150.0 billion to ¥250.0 billion by 2030, there is no way we can accomplish our goals if we simply continue to engage in business as usual. I personally am preparing for a period of what I believe will be the second founding of the Company, and we must change the mindset of all our employees so that they can take on the challenges we will face in this period in a highly autonomous manner. In addition to not losing our focus, it is also crucial that we maintain our commitments. We may not always achieve success, and, going forward, we will likely face hardships that may make us want to

hesitate in our actions toward honoring our commitments. During such times, we in management have the obligation to our employees and all of our stakeholders to ignite a sense of passion across the Company that will allow us to tackle hardships head on.

Light has unlimited potential, and I believe at the moment we are only making use of a small percentage of that potential. In order to unlock these uncharted areas of light’s potential as a “light” solutions company, I will never lose focus in the pursuit of Our Mission and Vision, and will strive to address the issues in front of us while remaining committed to successfully completing our initiatives.

I would like to ask all of our stakeholders for their continued support and guidance as we pursue these endeavors going forward.

President and Chief Executive Officer
Ushio Inc.

Ushio's Value Creation Story

Since its founding, Ushio has contributed to societal growth by fully leveraging its long-cultivated strengths. Going forward into the future, Ushio will continue to pursue both the resolution of social issues and the enhancement of corporate value as a "light" solutions company



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 created four basic principles based on the desire to create an indispensable company for all by drawing on the wisdom of employees to grow. After the 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.

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

▶ Leading Niche Position in Global Markets

In accordance with the basic policy to “Deliver products and services that are competitive in the global market,” 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 lamps, 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. Also, in line with the basic principles to “Show the world the true value of a medium-sized enterprise and, in doing so, secure stable profits,” we 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 Necessity More than Profitability

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 necessity more so than profitability as the basis of our decision-making. This approach has been passed down throughout the years, as reflected by our efforts to fully leverage our global supply network to maintain a stable supply amid the spread of COVID-19 since 2020. In addition, this approach has underpinned the Ushio brand and served as the foundation of our sustainability initiatives. Our Management Focus of “Creating businesses with greater social value” represents the natural extension of this decision-making approach.

▶ 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 and has led to the formulation of two of the Five Management Focuses that pertain to human resources.

2022

The corporate activities that we have consistently promoted in accordance with the four basic principles and centered on “light” 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.

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

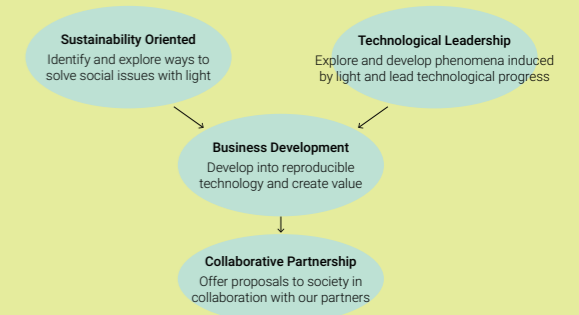
The Light Innovation Company

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.



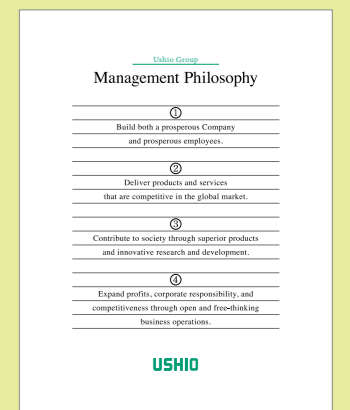
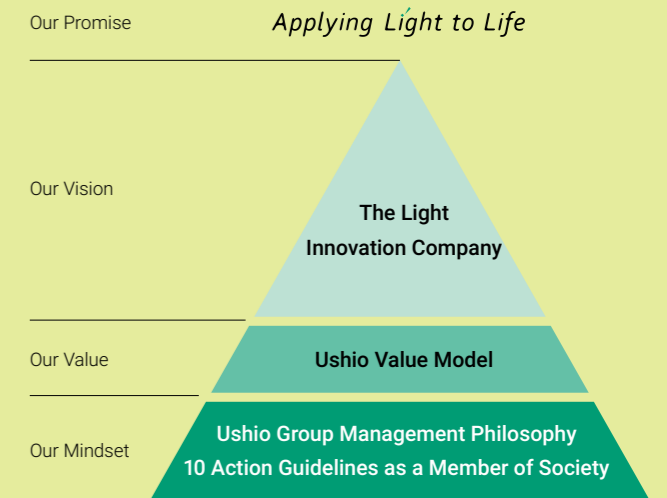
Our Mindset

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



Value Creation through Implementation of Our Management Philosophy (History)

Net Sales
¥148.8
Billion

Using light as illumination and energy
As light professionals, Ushio will utilize 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.

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

1960

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 are considered to be the most advanced incandescent electric lamps, have 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 of the Company's establishment. This was the beginning of Ushio's history as a pioneer of domestically-produced halogen lamps.



Halogen lamps

1970

Development of Deep-UV Lamps for Use in Semiconductor Lithography
After the oil crises in 1973, energy conservation became extremely valuable and a trend emerged in a shift from a structure emphasizing sheer scale, to one which 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 amid increasing needs for lamps that use shorter wavelengths and have a higher output than previous ones in the light sources for exposure of very large scale integrated circuits. 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 for semiconductor lithography

1980

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 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

1990

2000

Development of Digital Cinema Projectors
Christie Digital Systems, Inc. (CDS), a leading manufacturer of film-based cinema projectors, 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 xenon lamps, which are the light sources for digital cinema projectors, Ushio has become the only manufacturer with the vital light sources and projectors for digital cinema.



Digital cinema projectors

2010

2020

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, from 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

Future Possibilities > P.38-39

Ushio's Accomplishments

Impact on Society

Promotion of Office Automation 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, Ushio has made 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 ultraviolet (UV) light, and from photo-sensitive paper to plain paper. At the same time, 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 each photocopying machine manufacturer. 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 wet cleaning with chemicals or dry cleaning with plasma or conventional UV light, excimer equipment units for cleaning panels reduces damage to substrates through higher cleaning capability, higher speed cleaning, lower power consumption, and lower temperature treatment. By removing organic contaminants, Ushio has contributed to addressing 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, 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
While more than half of the global population now own a smartphone based on the number of units, Ushio's light, such as photo-alignment equipment, touch panel lamination equipment, and lithography tools for package substrates, supports the production of smart devices, including smartphones. As a result, Ushio has enhanced the productivity of smartphone production and performance of panels, meeting the global demand for smartphones and contributing to the increased resolution and functionality of smartphone panels.



Our Long-Cultivated Strengths

As light professionals, we will continue to draw on the five 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.

▶ The Power to Control Light

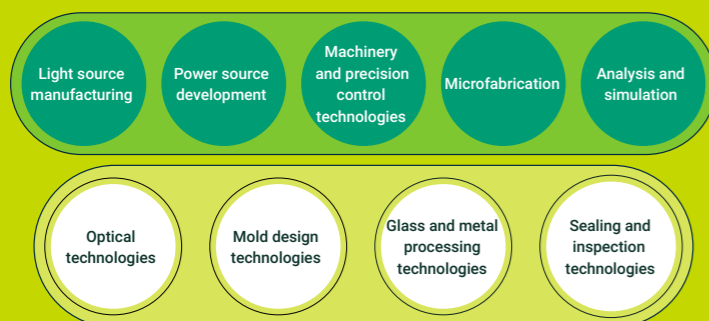
At the time of Ushio's founding, light was primarily only used as a source of illumination and the Company made it its mission to create new markets by utilizing light not just in this way but also as a source of energy. Based on this mission, we have harnessed the power of light to realize products 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 services.

For more details on these initiatives, please see page

> P.18-19 Value Creation through Implementation of Our Management Philosophy (History)

> P.22-23 Ushio's Constant Pursuit of the Potential of Light

Core Technologies That Unlock the New Potential of Light



▶ The Power to Resolve Issues through Light

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, not only are we able to resolve the issues facing our customers, we are also able to provide them with high-value-added solutions.

Furthermore, by focusing our efforts on core technologies related to light as well as on securing and cultivating personnel 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 see page

> P.38-39 Creating Business with Greater Social Value



Five Strengths



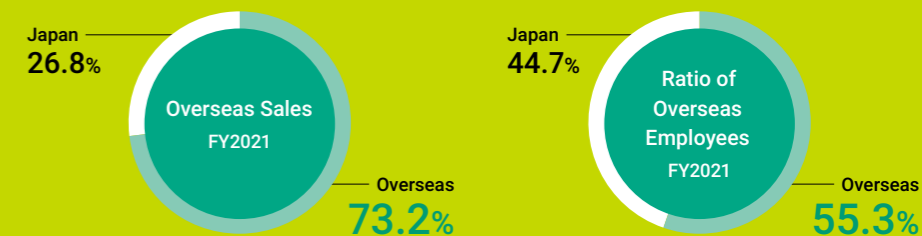
▶ Robust Financial Base

It is imperative that we expand resources, which we may lack at times, if we are going to be able to continue to draw on the power to control light and the power to resolve issues through light. For example, there are times where we need to leverage external resources, in addition to enhancing internal ones, in order to achieve differentiation not just in terms of hardware but also the settings in which our light sources and equipment are utilized. Our robust financial base provides us with the strength to procure the necessary external resources to do so through such means as M&A, collaboration with business partners, and the promotion of mid-career hires.



▶ Global Customer Contact Points and Foundation for Value Provision

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 already 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, develop high-value-added solutions to meet these needs. Our global foundation has also helped us join forces with various business partners and mitigate the risk of supply chain disruptions.



▶ Customer Base (Ushio Brand)

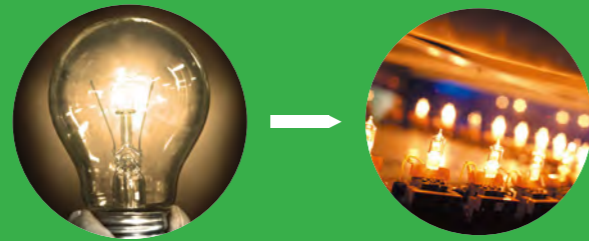
Through our unique light technologies, we have helped resolve issues impeding the progress of technological innovation. In addition, we have been providing not only light sources but also equipment and after-sales services on a global basis. This has enabled us to work with a diverse range of customers within the value chain of each market while exploring solutions to various social issues through our customer contacts. This approach has made it possible for us to offer highly trusted products in each of our business domains over long periods of time, leading to the establishment of a robust customer base. Supported by the trust-based relationships with our customers, we will strive to identify customer issues even more promptly and accurately, thereby developing new technologies and enhancing our awareness of social issues.

Ushio's Constant Pursuit of the Potential of Light

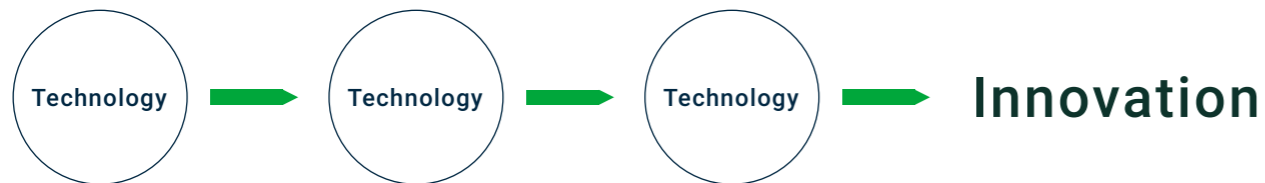
Seeking the power to control light as light professionals, Ushio develops light sources and their peripheral technologies. In addition, Ushio continues to create new technologies and products by combining these technologies and developing new applications for them.

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 as general lighting, we aimed to use halogen lamps 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.



Horizontal Expansion of Technologies



In 1993, we developed the world's first excimer lamp, which enabled the emission of high-energy vacuum ultraviolet 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, a UV medical treatment device that enables 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 Science 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 removing bacteria, in environments occupied by people.

High-Output UV Light Sources × Optical Technologies (Polarization Technologies) × Process Technologies

Photo-Alignment Equipment

Our photo-alignment equipment plays a major role in realizing the high resolution of LCD panels. In the manufacturing process for LCD panels, a process called "alignment treatment" involves systematically aligning the liquid crystal molecules. Conventional methods for this process caused various issues in terms of yields and achieving higher resolution. Our photo-alignment equipment has been able to resolve such issues. This equipment combines the unique Ushio technologies of "high-output UV light sources," which enable a high level of energy use on large substrates via shortwave UV rays; "polarizing plate technologies" such as optical filters and deflection plates; and "process technologies." The introduction of our photo-alignment equipment helped greatly enhance LCD panel performance (higher resolution and better energy efficiency) and productivity, and today this equipment has become the standard in the alignment process of LCD manufacturing.

Technological Combinations



High-Output UV Light Sources × Optical Technologies × Material Handling Technologies × Wafers and Substrate Control Technologies (Alignment Technologies)

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 completely in-house; "optical technologies," which comprise mirrors and lenses that effectively concentrate light emitted from light sources and irradiates 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 strand of hair).

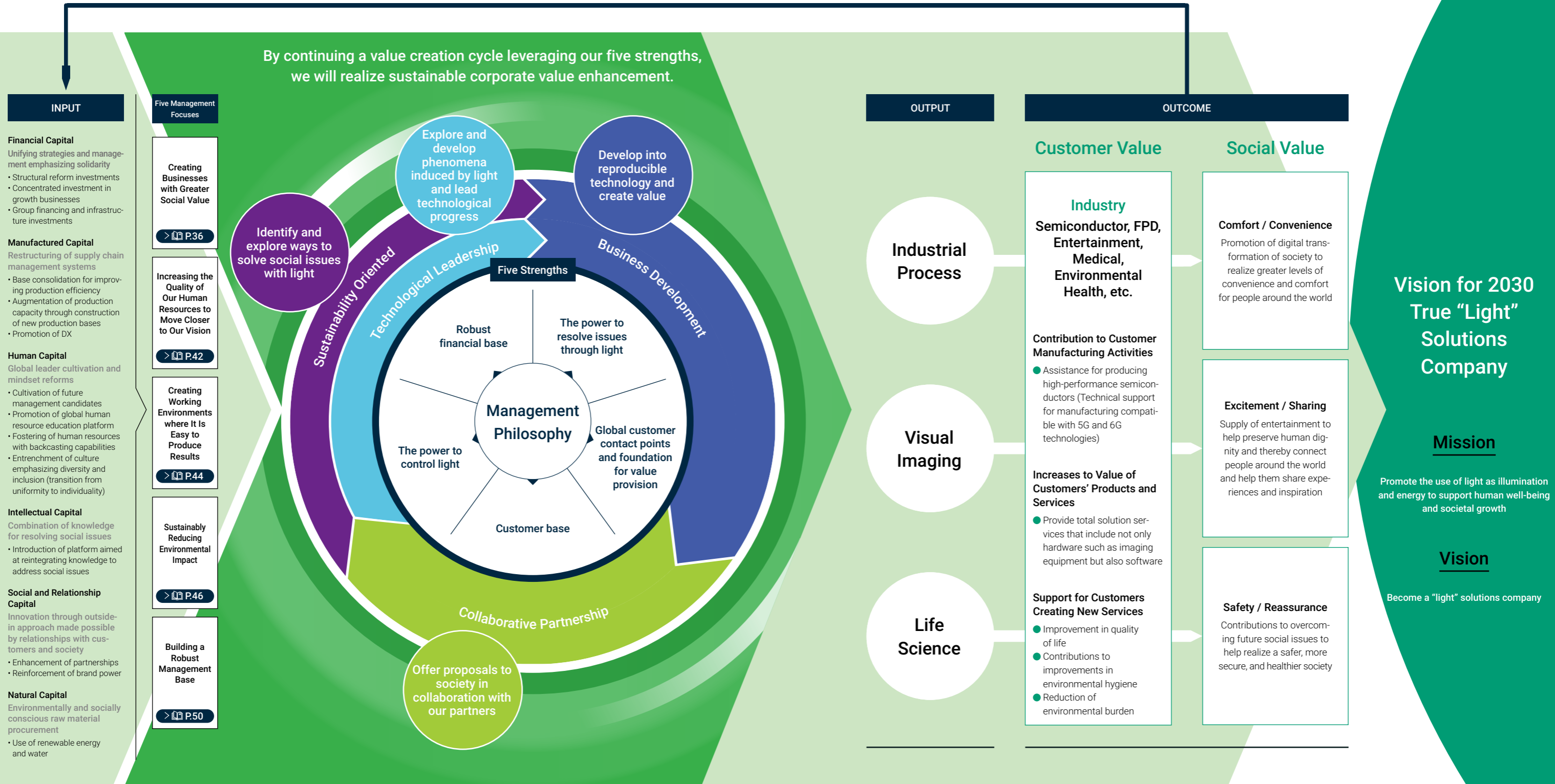
Ushio's Value Creation Process

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

What Is a "Light" Solutions Company?

<p>Shared Targets</p> <p>"Promote the use of light as illumination and energy to support human well-being and societal growth" established as Our Vision</p>	<p>Concept</p> <p>Provide light solutions focused on addressing social issues</p>	<p>Business Model</p> <p>Resolving the issues facing customers and society at large by providing comprehensive solutions, including not only hardware but also processes and services.</p>
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Understanding of Issues That Serves as the Starting Point for Capital Circulation and Value Creation



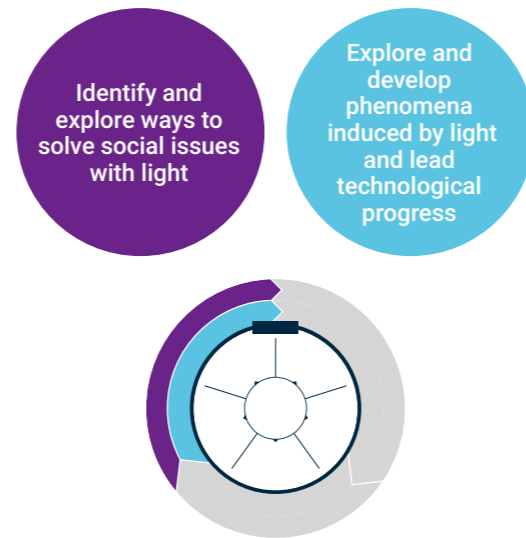
Issues to Be Addressed to Drive Our Value Creation Process

To continue to create value, we need to establish a framework under which we can demonstrate our specific strengths on an ongoing basis. We also need to recognize issues that impact each of these strengths and respond to them in an appropriate fashion.

1 Enhancing Human Resources from a Wide Range of Academic Fields

With the emergence of new value systems in recent years, needs have become more diversified. As a result, we are no longer able to respond to customer issues only through light sources and related equipment, as we have done in the past. To continue to provide high-value-added solutions to our customers, we must enhance our competitiveness and refine our ability to consider social issues at a greater level than our customers. To that end, we need to secure outstanding intellectual capital and human resources in not only conventional academic fields but also fields that are more specialized to our customers, such as medicine, biology, and chemistry. Without such resources, we will no longer be able to continue to draw on our strength of "controlling the power of light" to offer our customers high-value-added solutions. We therefore are strengthening initiatives to enhance our human resources from a wide range of academic fields.

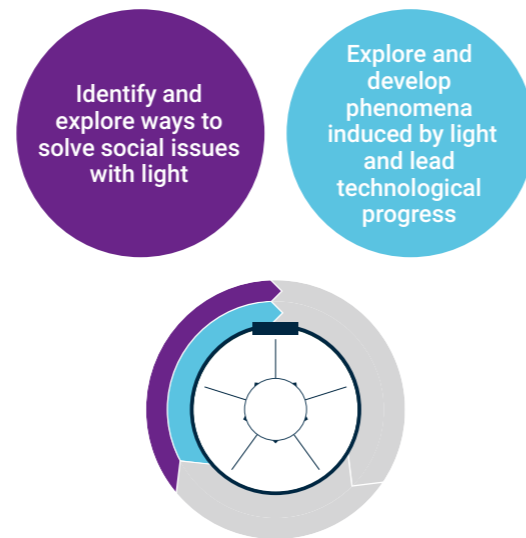
For more details on these initiatives, please see page [P.43](#)



2 Strengthening Our Ability to Discover Social Issues

Although our light technologies have helped resolve a large number of social issues over the years, there are still many other ways we can use these technologies to tackle such issues. To that end, we must better analyze potential social issues and make connections as to how we can leverage our long-cultivated technologies to address them. Furthermore, the speed at which we accomplish everything from building a road map for addressing social issues to developing business that can actually do so will be crucial. We have thus established a structure for developing business aimed at resolving an even greater number of social issues.

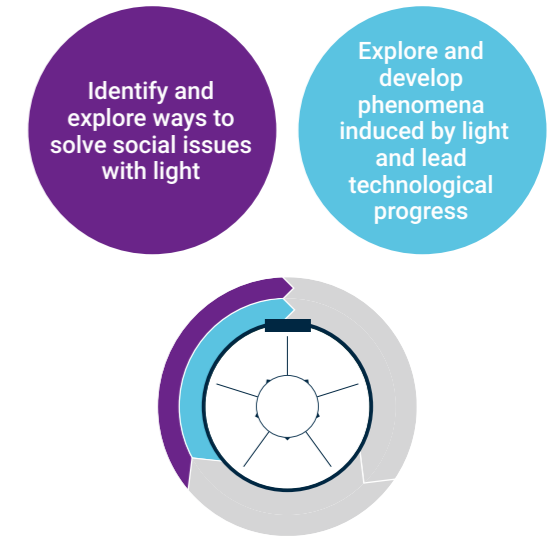
For more details on these initiatives, please see page [P.36-41](#)



3 Promoting Intellectual Property Strategies

Since our establishment, we have made optimal use of "offensive" and "defensive" intellectual properties (IP) in the growth stage of our businesses based on the various "light"-related technologies that we have accumulated. By doing so, we have been able to realize sustainable growth and business expansion. We will continue to protect "defensive" IP related to our ability to control light through patents. Meanwhile, when appropriate, we will make separate use of "offensive" IP that can create new value through the combination and expanded application of technologies. This kind of approach will be crucial to our ability to continue to realize sustainable growth going forward.

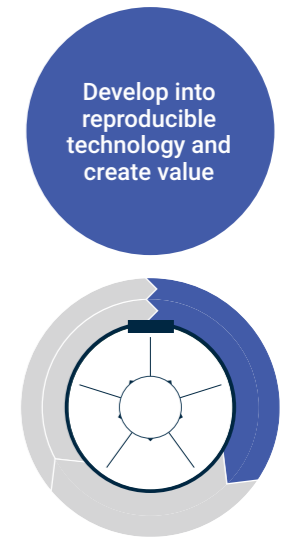
For more details on these initiatives, please see page [P.61](#)



4 Addressing Shortages of Personnel Savvy in Software and Effectively Utilizing Funds

To resolve social issues using "light" amid the dramatic changes occurring in social needs and technology, we must not only provide conventional hardware (light sources and equipment) to our customers but also adapt this hardware to cater to their individual needs. To that end, it is imperative that we leverage software, which is essentially the mechanism that makes the equipment we provide work. Under these circumstances, increasing the number of "digital transformation" (DX) personnel with a focus on software has become an important management issue. Going forward, we will strengthen the cultivation of digital-savvy personnel internally while also securing resources externally by leveraging our robust financial base.

For more details on these initiatives, please see page [P.43](#)



5 Pursuing Strategic Partnerships and Abandoning the Approach of Doing Everything In-House

To resolve various social issues in the future, we will need to provide solutions to a greater extent than ever before. Accordingly, we can no longer consider our structure for direct sales as a strength. Collaboration with partners is needed to provide solutions, and we thus must consider an approach where, when necessary, we will collaborate even with our competitors. As it is critical to respond to the social issues that are progressing around the world, we will promote initiatives that focus on proactive strategic partnerships going forward.



Long-Term Vision

Vision For 2030

We formulated a new Medium-Term Management Plan to serve as a road map toward accomplishing our long-term Vision for 2030. This plan comprises three pillars—basic policies, shifts in approach, and changes in mindsets. Also, for the purpose of guiding us toward our long-term Vision, we have defined priority issues related to ESG management; Five Management Focuses and KPI targets in relation to these objectives.

Mission and Vision for 2030

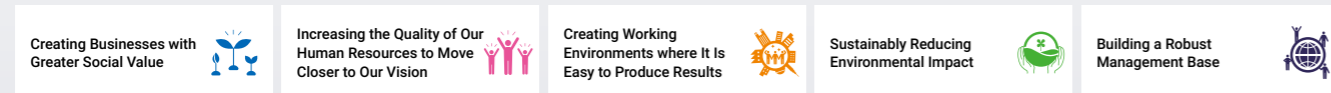


Management Policies

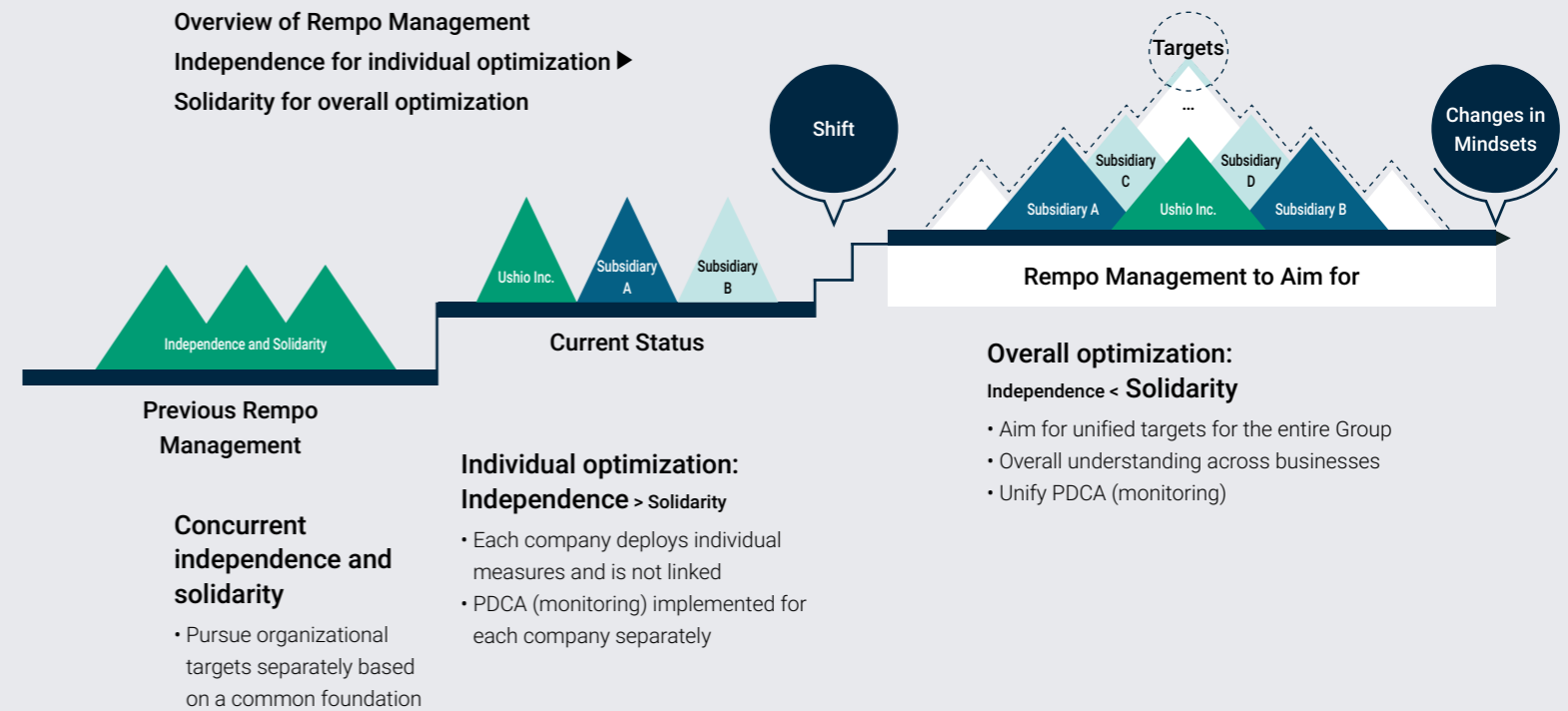
Shifts in approach	Solidarity-based Rempo management (pursuit of common goals)	Overview of the Medium-Term Management Plan	Strategy		
			Defensive Strategy	Proactive Strategy	
Solidarity-based Rempo management (pursuit of common goals)	Solidarity-based Rempo management (pursuit of common goals)	Overview of the Medium-Term Management Plan	Strategy for the Light Source Business	Dramatic structural reform	Post-COVID-19 market development
			Strategy for the Equipment Business	Imaging Equipment Continue / enhance structural reforms	Optical Equipment Cultivate / focus investment on growth businesses
			Strategy for the Creation Business		Visualize / launch new businesses
Unifying Strategy			Promote optimization of overall performance		

Changes in mindsets	Long-term perspective	Backcasting	Social impact projection	Outside-in approach	Positioning of ESG as an opportunity
Changes in mindsets	Long-term perspective	Backcasting	Social impact projection	Outside-in approach	Positioning of ESG as an opportunity

Five Management Focuses



Transition to Solidarity-Based Rempo Management



Shifts in Approach

Past to Present

Amid the rapidly growing and changing operating environment that began in the 1990s, Ushio achieved massive improvements in its profit margins by practicing Rempo management designed to facilitate flexible action by subsidiaries. However, the Company's profit margins took a downturn after the 2008 financial crisis, and our profit margins today are lower than those seen prior to the start of Rempo management. We proceeded to conduct M&A activities in the 2000s while steadily globalizing our operations and entering new markets. However, these efforts failed to halt the decline in profit margins, and M&A activities have yet to catalyze a change in the overall trends affecting the Company.

Present to Future

We will adopt a strategic perspective in efforts to optimize Groupwide performance. We have thus decided that our new approach toward Rempo management should focus on multiplicative management to strengthen solidarity and spur our rapid evolution.

New Rempo Management ≡ multiplicative management
Enhance solidarity for non-linear evolution

Changes in Mindsets

Past to Present

Short-term perspective, forecasting, customer-oriented perspective, inside-out approach, positioning of CSR as a cost

Present to Future

Five Mindsets Changes and Concrete Measures

- Long-term perspective**
Identify future risks and opportunities from management perspective
- Backcasting**
Formulation of new value-creation narrative based on Sustainable Development Goals (SDGs)
- Social impact projection**
Identification of material issues with consideration of outside perspectives and discussions with experts
- Outside-in approach**
Establishment of strategies and revision of portfolios with eye to 2030
- Positioning of ESG as an opportunity**
Establishment of new value creation narrative and ESG plan

Long-Term Vision

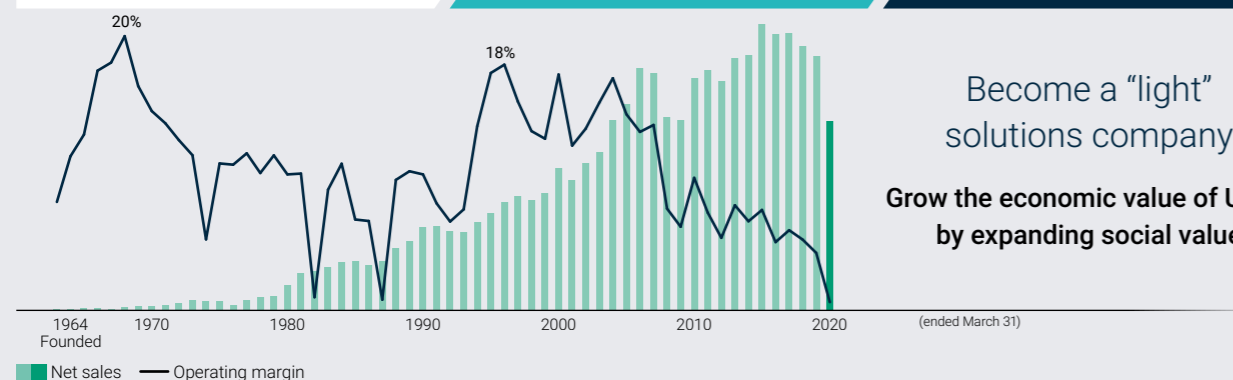
Ushio's History to Date

Positioned as a once-in-30-year major shift

1960 to 1990
Niche top management

1990 to 2020
Rempo Management
Independence and solidarity

From 2020
Rempo Management
Enhanced solidarity

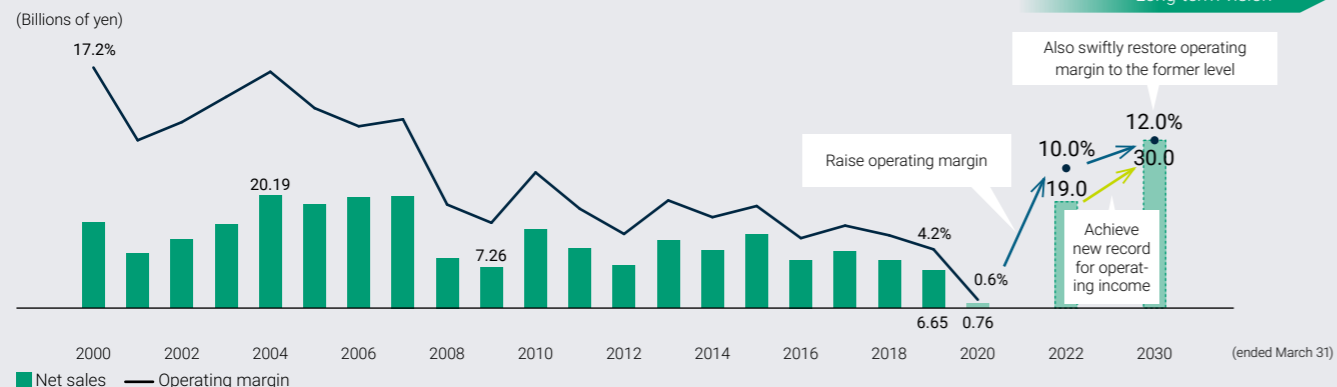


Become a “light” solutions company

Grow the economic value of Ushio by expanding social value

Operating Margin as a KPI

Long-Term Financial Results



Reattempt to Solidify the Foundation (Fiscal 2020 to Fiscal 2022)

Since the 2008 financial crisis, Ushio has been dealing with the major issue of a continued downturn in profitability amid a dramatically changing market. To correct this downturn and once again realize sustainable growth, a bold change in approach is necessary. To that end, we have been reattempting to solidify the foundation for profit structure transformation under the First Medium-Term Management Plan, which involves defensive, proactive, and unifying strategies. Under our defensive strategies, we are pursuing structural reforms. Through our proactive strategies, we are mainly working to cultivate and concentrate investment in growth businesses. For our unifying strategies, we are establishing a structure for promoting both defensive and proactive strategies from the perspective of Groupwide optimization. Through the steady undertaking of such efforts, we have now reached a point where the achievement of the Medium-Term Management Plan's targets is in sight.

> P.52

Second Medium-Term Management Plan (Fiscal 2023 to Fiscal 2025)

After successfully completing our profit structure transformation under the first plan, the Second Medium-Term Management Plan will involve strengthening efforts focused on the medium-to long-term. Specifically, we will steadily grow the businesses that we concentrated investment in and worked to cultivate during the period of the first plan, thereby establishing ourselves as a business entity that can sustainably generate profits. In addition, to become a true “light” solutions company with a view to 2030 and beyond, we will invest in and develop new businesses that leverage our light technologies to resolve more future-oriented social issues.

Third Medium-Term Management Plan (Fiscal 2026 to Fiscal 2028)

For the Third Medium-Term Management Plan, we will acquire steady profit from the businesses that have expanded through our investment and cultivation activities under the previous two plans. At the same time, the third plan will involve efforts to commercialize the products and services we have invested in and developed up to that point. The overall aim of this plan will be to realize a position in which we are steadily creating new businesses that can generate stable profits by contributing to the resolution of social issues through our light technologies.

Long-Term Growth Drivers

Helping Resolve More Future-Oriented Social Issues through Our Light Technologies

In conjunction with growth in electronics-related markets, we aim to build a business profit foundation that is even more stable by establishing not just hardware businesses but also service and maintenance ones. In addition, we will set our sights on social issues shared throughout the globe, such as climate change countermeasures, food initiatives, and healthy life expectancy, in a bid to establish new businesses that use our light technologies to resolve more future-oriented social issues. We will then work to leverage such businesses as new growth drivers. > P.38-39



Prototype reactor that uses light to instantaneously decompose low-concentration N₂O and CH₄



Plant cultivation using 100% artificial light and liquid fertilizer

Medium-Term Growth Drivers

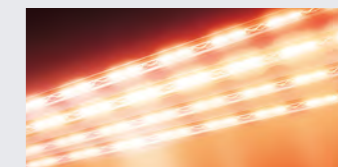
Developing New Applications for Light Alongside the Continuous Growth in Demand for Semiconductors and Other Equipment

We believe that demand for semiconductors and other electronics will continue to grow going forward, and, as such, we will strive to grow semiconductor-related businesses in a sustainable manner. At the same time, in terms of a new growth driver, we aim to expand the thermal processing business. > P.70 This business offers us a new opportunity to leverage our light technologies, with a focus on the heating process within semiconductor manufacturing.

In addition, we will strive to expand the application of products equipped with Care222, a technology that realizes disinfection and virus inactivation in environments occupied by people, from their existing application in building infrastructure to application as a medical device. In this manner, we will promote these products as a new growth driver over the medium-to long-term.



EUV light source Source: TNO



Halogen heater

Near- to Medium-Term Growth Drivers

Expanding Demand for Semiconductors and Other Equipment and Contributing to Technological Advancements

With the advent of the big data era, which has come alongside the progression of innovations such as AI, 5G, and IoT, demand for data center servers and other technologies is rising, and progress is being made with new technological development in the semiconductor package substrate market. Against this backdrop, our large field steppers for cutting-edge IC packaging substrates and direct imaging lithography equipment, which contribute to this kind of technological development, have seen steady sales growth. In addition, the application of our EUV lithography process, a type of next-generation semiconductor technology, is increasing, and, as a result, we have been able to launch a business that provides EUV light source for photomask inspection and related maintenance services that make use of this process. Going forward, we will continue to contribute to the advancement of cutting-edge semiconductor technologies. In addition, our UV lamps for lithography, which are used in the manufacturing process of semiconductors and other equipment, have achieved robust sales due to the increase in semiconductor demand.

In imaging-related fields, our business performance has been recovering due to the declining impact of the COVID-19 pandemic. Going forward, we expect to see expanded sales of imaging-related equipment due to growing demand for projector replacement at movie theaters and applications at live events, amusement parks, and other commercial facilities.



Step & repeat projection lithography tool for high resolution printed circuit boards



Digital cinema projector

“Five Management Focuses” – Important Issues for ESG Management

Ushio promotes ESG management in order to realize its management policy alongside the aim of achieving the shared goal to “support human well-being and societal growth.”

In order to realize our Vision to Become a “light” solutions company that resolves the issues facing society, Ushio has been implementing its Five Management Focuses, centered on ESG management, and has been promoting a balanced management approach that address each of these focuses.

Identification Process of Five Management Focuses

STEP 1 Identifying candidate themes for key issues

- We investigated media, publicly disclosed sustainability information, and expert reports. At the same time, we examined the medium- to long-term direction of our management.



STEP 2 Evaluating and mapping out level of importance (order of priority)

We evaluated the importance level of items pertaining to our businesses and mapped these items out based on business and social relevance.



STEP 3 Evaluating appropriateness

- We held meetings with external experts to verify our management direction and identified focus points that matched with the expectations of our external stakeholders.








STEP 4 Promoting internal approval procedures

The Corporate Strategy Meeting and Board of Directors held discussions on the Five Management Focuses and relevant KPIs and approved them accordingly.

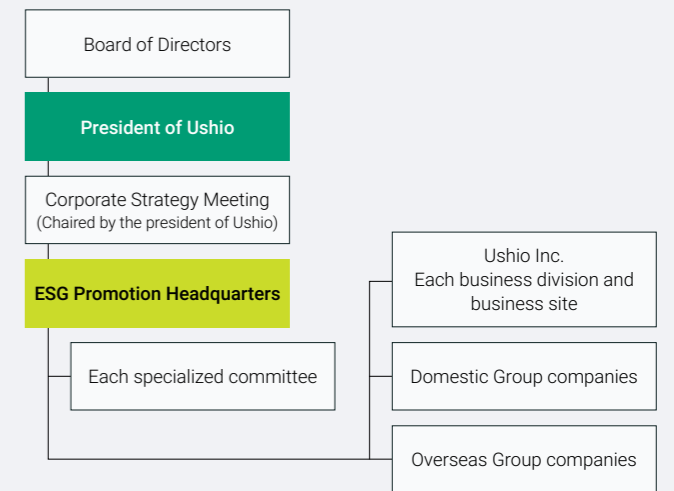
Five Management Focuses

E: Environmental **S**: Social **G**: Governance

<p>1 </p> <p>Creating Businesses with Greater Social Value</p> <p>E S G P.36</p>	<p>4 </p> <p>Sustainably Reducing Environmental Impact</p> <p>E S G P.46</p>
<p>2 </p> <p>Increasing the Quality of Our Human Resources to Move Closer to Our Vision</p> <p>E S G P.42</p>	<p>5 </p> <p>Building a Robust Management Base</p> <p>E S G P.50</p>
<p>3 </p> <p>Creating Working Environments where It Is Easy to Produce Results</p> <p>E S G P.44</p>	

Promotion Structure for the Five Management Focuses

We have established the Corporate Strategy Meeting, chaired by Ushio’s representative director and president, comprising not only directors, executive officers, and other members of management but also personnel responsible for promoting the Five Management Focuses. The Corporate Strategy Meeting determines the details and direction of initiatives toward ESG management. In accordance with said determined direction, the ESG Promotion Headquarters, which fulfils an alignment function between management and the front lines, develops relevant plans and measures in collaboration with each business division, business site, and Group company. In addition, we disseminate and share relevant information internally through individual committees, which share the sustainability initiatives of each specialized committee and business site. Also, major ESG-related issues are reported to the Board of Directors.



Column



PROFILE

Managing Executive Officer
General Manager
ESG Promotion
Headquarters

Tetsuo Nakano



Establishment of the ESG Promotion Headquarters

Under a highly uncertain business environment, corporations are now required to generate both economic and social value by transitioning from a conventional management approach, which solely emphasizes profits, to one that focuses on resolving social issues through their business activities. Such issues include those highlighted by the Sustainable Development Goals (SDGs). Referred to as ESG management, this approach aligns perfectly with our Management Philosophy, which we have valued since our establishment. In particular, we believe that promoting initiatives toward the achievement of the SDGs and the disclosure of ESG and other non-financial information has latent economic value and can lead to future corporate value enhancement for the Company.

Ushio has written a value creation story that enables both sustainable growth and the resolution of social issues through its business. Guided by this story, we aim to become a company that is chosen by institution investors who have a high level of interest in ESG investment and other initiatives that lead to sustainable corporate value enhancement.

To that end, we have commenced full-scale ESG activities at the ESG Promotion Headquarters (comprising of primarily full-time members) established in fiscal 2022, gathering together personnel from other major divisions. In addition to serving as a body that aligns management with our front-line operations, the ESG Promotion Headquarters primarily serves as a coordinator, facilitating collaboration between general managers of businesses and each division with a view toward achieving the Five Management Focuses.

Under our medium- to long-term ESG plan geared toward 2030, we have positioned fiscal 2022 as the period for instilling ESG management across the Company. During the period of fiscal 2023 to fiscal 2025, the second phase of the plan, we will reinforce the foundation of our ESG Management. During the third phase of the plan, from fiscal 2026 to fiscal 2030, we will commence full-scale autonomous ESG initiatives. To instill and strengthen the promotion of ESG management, the ESG Promotion Headquarters will engage in activities that form connections between the managerial ranks and all of Ushio’s various stakeholders based on the keywords of “closeness, empathy, sharing, and cooperation.” We will also spearhead the Company’s ESG information disclosure initiatives.

List of Five Management Focuses, Key Challenges, and Goals

Ushio has established its 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. Using a backcasting method, which involves establishing a future vision and thinking in reverse on how to achieve that vision, we determined KPIs with a focus on 2030 and are steadily promoting initiatives toward their achievement.

Five Management Focuses	Initiatives	By 2030, We Will Aim to Have:	Fiscal 2022 Targets
<p>1</p> <p>Creating Businesses with Greater Social Value</p> <p>We believe our mission is to put the light technologies we have cultivated as a "light innovation company" to use in resolving the issues facing society in the future.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Creation of and regular revisions to road map for achieving our Vision ● Secure and develop human resources who can devise business models ● Establish partnerships ● Secure and develop human resources as technical experts ● Develop necessary technologies over the medium-to long-term 	<p>Identified light-oriented solutions to priority social issues and established a road map for realizing these solutions. In addition, implemented business activities in line with the road map we established</p> <p>In accordance with the road map, set up a business structure bringing together the leading members of each business and corporate planning personnel who revise the road map based on the market trends they investigate. Furthermore, build strong relationships with partners who help promote our business, thereby establishing a structure where we can promote our business activities on an ongoing basis</p> <p>In line with the road map, identified necessary elemental technologies and formulated and implemented plans to develop such technologies over the medium-to long-term. Moreover, in collaboration with corporate planning teams, established independent technologies essential for fulfilling the goals of our road map with a focus on advanced technologies while conducting periodic reviews of these technological development plans</p>	<ul style="list-style-type: none"> ● Based on analysis of social initiatives toward which we have worked to resolve, select focus areas and themes and complete a road map accordingly ● Create order of priority for themes to be pursued and approve specific activities to be implemented under the second Medium-Term Management Plan commencing in fiscal 2023 ● Secure the bare minimum number of needed experts to promote the above activities. Establish theme promotion structure and draft business development plans ● Compile lists of necessary partners for promoting efforts toward selected themes and establish collaborative relationships or joint plans ● Compile lists of necessary medium- to long-term technologies for implementing the above activities and future initiatives ● Formulate technological development plans in accordance with order of priority for themes to be pursued. Also, secure necessary experts for theme promotion and complete development plans
<p>2</p> <p>Increasing the Quality of Our Human Resources to Move Closer to Our Vision</p> <p>We establish and provide enhanced human resource development programs in order to support the individual growth of our employees. By doing so, we aim to enhance the quality of our human resources on a Groupwide basis with the goal of moving closer to our Vision.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Human resource development ● Human resource management 	<p>Expanded the scope of programs to develop the next generation of Ushio's management across the entire Group, including overseas subsidiaries. Also, executed periodic investments to cultivate a pool of diverse human resources who can be expected to contribute to the achievement of our Vision for 2030</p> <p>Realized global personnel mobility based on a corporate culture that respects individual attributes and values and encourages the active role of a diverse group of human resources. Also, made progress through global personnel mobility with putting the best person in the best place on a Groupwide basis</p>	<ul style="list-style-type: none"> ● Cultivate next-generation managerial personnel and engineers. Also, establish development systems that enable the full participation of all employees, regardless of position ● Establish global talent management system and determine direction of process development ● Operate and establish management processes for strategic positions and global talent ● Establish global talent management system and determine direction of process development
<p>3</p> <p>Creating Working Environments where It Is Easy to Produce Results</p> <p>To realize our Management Philosophy and achieve our Vision for 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"> ● Diversity and inclusion ● Workstyle reforms ● Health and safety of employees 	<p>Created a global workplace culture in which a diverse range of background and values in addition to diverse attributes, are acknowledged and respected</p> <p>Created a rewarding workplace environment designed to enhance the motivation of each employee while ensuring their health and well-being. Become a highly engaged organization that embraces contributions from and the development of both the Company and its employees</p>	<ul style="list-style-type: none"> ● Promote awareness-raising activities based on an understanding of the importance of diversity and inclusion ● Provide support to women employees who are candidates for managerial positions ● Foster corporate culture that encourages childcare leave, regardless of gender ● Introduce paid leave that can be taken in hourly increments ● Introduce flextime without core working hours ● Explore workstyles for the "post-COVID-19" era ● Roll out engagement survey on a global basis ● Formulate strategic map for health management and implement various initiatives based on this map
<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"> ● Climate change ● Energy-related issues ● Water resources and water risks ● Supply chain management 	<p>Successfully avoided the anticipated risks related to climate change and entered into businesses that present significant opportunities. Reached our targets for reducing CO₂ emissions in accordance with the Science Based Targets, reduced CO₂ emissions from our business sites, and established a structure for developing eco-friendly products with reduced CO₂ emissions and providing them to customers—all of which help to reduce the environmental burden of our business activities</p> <p>Reduced amount of energy used and controlled amount of resources used</p> <p>Utilized water and resources in a highly effective manner and secured circumstances for sustainable management. At the same time, reduced water intake volume</p> <p>Realized a supply chain that has a reduced impact on the environment</p>	<ul style="list-style-type: none"> ● Disclose information in accordance with TCFD, including scenario analysis and financial impact of climate change-related risks and opportunities ● Reduce our CO₂ emissions in Scope 1 and Scope 2 by 13% compared with fiscal 2017 ● In regard to product lineups with high CO₂ emissions, reduce emissions in Scope 3, Category 11 by 10% compared with fiscal 2017 ● Reduce per unit energy consumption (domestic business sites) by 1% each year compared with previous fiscal year ● Reduce water use volume by 1% compared with fiscal 2019 ● Collect information on CO₂ reductions throughout the supply chain
<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 management.</p> <p>E S G</p>	<ul style="list-style-type: none"> ● Group governance ● Establishment and operation of Group management foundation 	<p>Established framework that sustainably realizes highly independent corporate governance. Also, established a rigorously operated framework for internal control</p> <p>Formed linkages between Group management targets and the targets of each Group company. Implemented efforts to develop businesses, rebuild, and reshuffle portfolios at Group companies with the aim of accomplishing Group management targets. Through these efforts, set up infrastructure that supports Group management</p>	<ul style="list-style-type: none"> ● Enhance transparency of the nomination process and remuneration through the Nomination and Remuneration Advisory Committee ● Strengthen management cycle in accordance with the Ushio Group Tax Policy and operate and expand scope of Ushio Group Transfer Price Policy ● Examine the expanded data collection aimed at enhancing the sophistication of our YoY analysis of consolidated monthly profit/loss by product, which we commenced in fiscal 2021, as well as relevant business management ● Enact Group Information Security Policy and commence management in accordance with this policy ● Examine policy for automated consolidated closing process and policy for the standardization of accounting standards

1

Creating Businesses with Greater Social Value

Vision for 2030

By 2030, we will aim to have:

- Identified light-oriented solutions to priority social issues and established a road map for realizing these solutions. In addition, implemented business activities in line with the road map we established.
- In accordance with the road map, set up a business structure bringing together the leading members of each business and corporate planning personnel who revise the road map based on the market trends they investigate. Furthermore, build strong relationships with partners who help promote our business, thereby establishing a structure where we can promote our business activities on an ongoing basis.
- In line with the road map, identified necessary elemental technologies and formulated and implemented plans to develop such technologies over Medium-to long-term. Moreover, in collaboration with corporate planning teams, established independent technologies essential for fulfilling the goals of our road map with a focus on advanced technologies while conducting periodic reviews of these technological development plans.

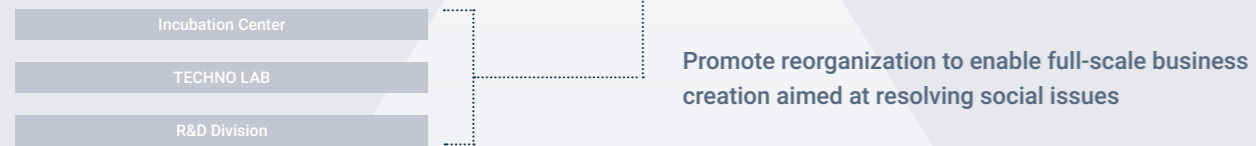
Three-Pronged Structure for New Business Creation

We have established the Business Creation Headquarters, which integrates R&D, marketing, and intellectual property functions, with a view to creating and providing new value. Through this headquarters, we will accelerate new business creation aimed at resolving social issues.

Process for Creating New Businesses Geared toward Resolving Social Issues

By 2030, we will aim to have:

Business Creation Division		
Marketing Section	Research & Development Section	Intellectual Property Section
Assess Social Trends and Social Issues on a global basis ● Assess global market trends and needs through Groupwide collaboration ● Create future-oriented products and services that can help resolve social issues	Discover and Develop Technologies That Can Pave the Way for the Future ● Fully leverage cutting-edge technologies by promoting partnerships with external researchers ● Engage in future-oriented technological planning and theory verification	Support Provision of New Value to the Market ● Analyze markets from the perspective of IP assets ● Support the realization of Build high-value-added ecosystems



Core technologies cultivated over the 60 years since our founding

Ushio's Strengths

Diverse technologies and product lineups

Light Source Business	Optical Equipment Business	Imaging Equipment Business
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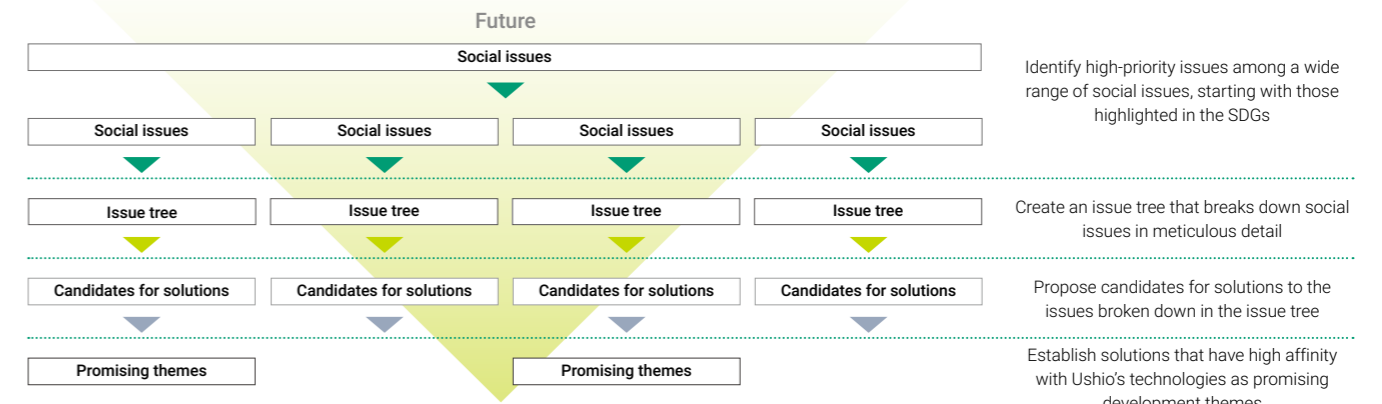
Stakeholders

Customers	Shareholders and other investors	Employees	Suppliers	Local communities and society at large
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Social issues

Climate change / global environment crises / worsening food issues / changing lifestyles / labor shortages / deepening health issues / advent of a smart society

New Business Creation Projects Aimed at Resolving Social Issues 10 to 30 Years in the Future



To address social issues likely to occur over the next 10 to 30 years, we have established themes for new business creation in accordance with the process outlined in the chart above. The Life Science and Industrial Process domains are areas that relate closely to the promising development themes we have determined through the above process. In the Life Science domain, we have determined the focus areas of "climate change countermeasures," which aim to achieve carbon neutrality; "food initiatives," which aim to eliminate

food shortages and starvation across the world; and "healthy life expectancy extension," which includes efforts to control pandemics. We are creating themes for each of these focus areas on an ongoing basis. In the Industrial Process domain, we have determined the focus areas of "semiconductor thermal processing," "semiconductor packaging processes," and "battery manufacturing processes," and are currently pursuing technological development to realize a digital transformation (DX).

Column

Message from the General Manager of the Business Creation Division

The Business Creation Headquarters was established through the integration of the former R&D Division, TECHNO LAB, and Incubation Center. Our mission is to design new business scenarios that clarify the significance, purpose, and time frame of new businesses and then turn these scenarios into reality. To fulfill this mission, we have established and are working toward the basic policy on the right. Our universal goal is to move "beyond time." In other words, while we will contribute to the success of the Company's medium- to long-term business plans through new business creation, our most important duty is to build an environment where we can make such contribution on a continuous basis. To that extent, we will increase the number of personnel who understand and have experienced the necessary process for business creation (see Vision (1)-(4) on the right) and establish a cycle in which they pass such knowledge and experience on to members who will lead the next generation of the Company. By doing so, I am confident we can contribute to society through new value creation and, in this way, generate profit in a manner that goes "beyond time."

PROFILE

Nobuhiro Inosako

Senior Executive Officer
General Manager, Business Creation Division

Basic Policy

The Business Creation Headquarters has established the following as its universal Mission, Vision, and Goal, through which we will contribute to the realization of Ushio's quantitative targets for fiscal 2030, which are net sales of ¥250.0 billion and operating income of ¥30.0 billion (operating margin of 12%).

- Mission** : Resolve social issues through the creation and provision of new value
- Vision** : (1) Assess social trends and social issues on a global basis
(2) Discover and develop technologies that can pave the way for the future
(3) Advance into reproducible technologies that serve as assets for the Company
(4) Promote business in collaboration with partners
- Goal** : Move "beyond time" by cultivating human resources and creating frameworks enabling the sustainable achievement of Vision (1)-(4)

Strengthening the Promotion of ESG Management and Leveraging DX

We will further enhance the promotion of ESG management going forward. To move closer to realizing our Vision for 2030, we will strive to resolve issues in collaboration with the ESG Promotion Headquarters by establishing relationships between the Five Management Focuses and the work of individual employees. In addition, through the promotion of new workstyles that leverage DX, we will seek to realize more effective interactions between internal and external organizations.

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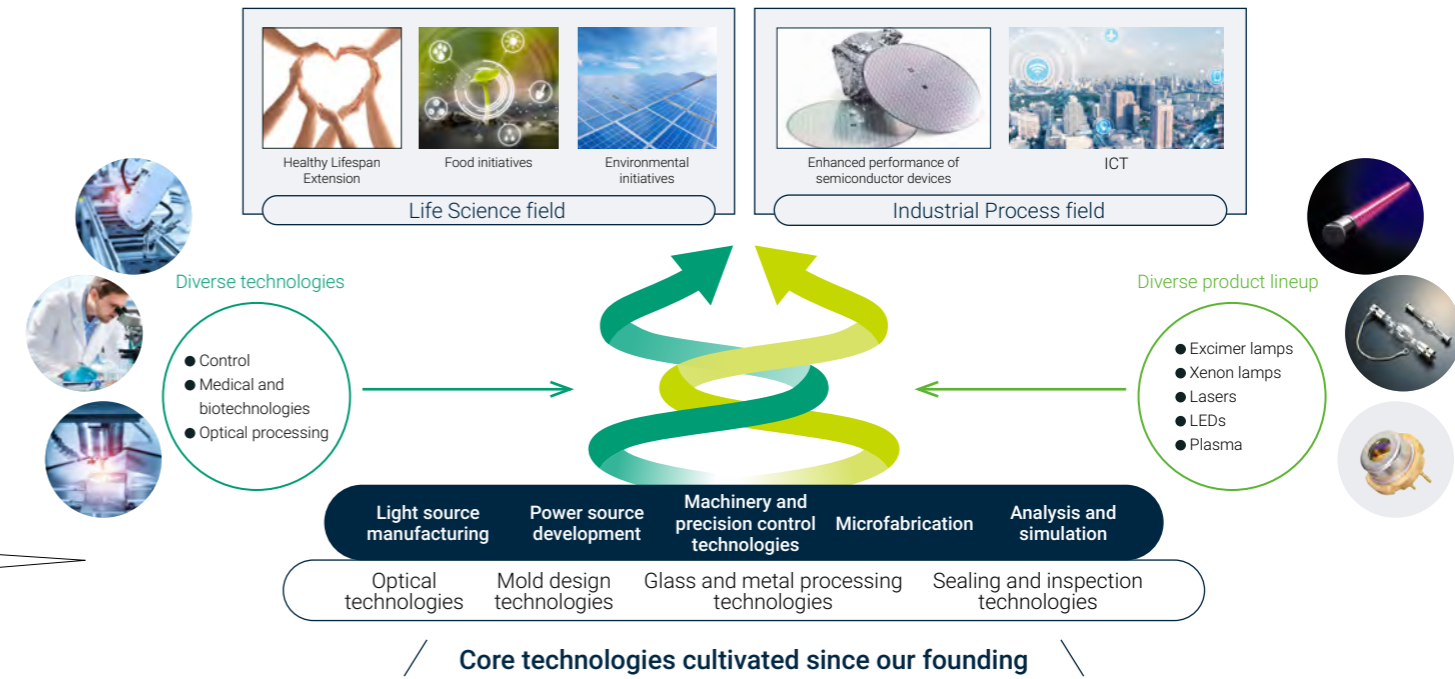
Creating Business with Greater Social Value

Ushio has created a vast array of products by leveraging the technologies it has cultivated since its founding.

This product creation has been strongly supported by our core technologies for controlling light, and our keen ability to perceive social issues. Going forward, we will continue to utilize our core technologies to provide solutions that resolve social issues, thereby supporting human well-being and societal growth.

Through the Business Creation Headquarters, we are drawing on our long-cultivated technologies and our various light sources (lamps, LEDs, lasers) and optical design capabilities to establish a future business pillar through efforts to address issues in the Life Science domain, such as food initiatives, environmental issues, and healthy life expectancy extension.

We are also currently focusing on the Industrial Process domain, specifically fields such as semiconductors and LCDs, which are our major businesses. We will contribute to this domain by leveraging our light source technologies, including LEDs, various kinds of lasers, and excimer lamps, thereby establishing it as a foundation for the manufacturing process of new products aimed at the future.



Importance of issues

	Social Issues	Solutions and Products
Life Science	Healthy Life Expectancy Extension	<ul style="list-style-type: none"> ● Environmental hygiene ● Care222
		<ul style="list-style-type: none"> ● Organs on Chip ● PDT (Photo Dynamic Therapy) ● Vision care ● Component inspection (pulse spectroscopy)
		<ul style="list-style-type: none"> ● Increased production of plant proteins ● Sensors
Industrial Process	Realizing DX	<ul style="list-style-type: none"> ● Reduction of GHG emissions ● Energy storage ● AR / VR ● Automated driving / EVs ● LCDs ● OLED ● Enhanced performance of semiconductor devices
		<ul style="list-style-type: none"> ● Direct air capture / N₂O decomposition / Methane conversion ● Perovskite solar cells ● LD / LED ● Battery manufacturing process ● Excimer lamps ● Photo-alignment equipment ● EUV light sources for EUV photomask inspection ● Package processing ● Thermal processing ● Light sources for lithography
		<ul style="list-style-type: none"> ● P.67 ● P.70 ● P.70

To date, Ushio has expanded its business domains from Visual Imaging to Industrial Process through the use of light as energy. Going forward, we will strive to combine our core technologies—light sources and analytical and optical technologies—with new ones

Core technologies → New technologies

Core technologies	Owned Technologies						New technologies
	Light source manufacturing / Power source development	Analysis and simulation	Optical technology	Equipment technologies	Optical processing technologies	Microfabrication technologies	
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in an effort to create businesses with greater social value centered on the Life Science domain.

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Creating Businesses with Greater Social Value

Climate change is an urgent social issue. Starting with the Sixth Assessment Report published by the Intergovernmental Panel on Climate Change (IPCC), countries around the world have been adopting ambitious targets that aim for net-zero greenhouse gas (GHG) emissions, and are promoting global efforts to reach these targets. Under these circumstances, Ushio is promoting technological development focused on addressing energy-related issues and reducing CO₂, methane gas, and N₂O (gases that have a high climate change potential) emissions.

For methane gas, we are pursuing industry-academic collaboration with the aim of developing technologies that can use light to convert high-concentrated methane from waste into recyclable liquid. N₂O is constantly being emitted from sewage and biomass waste, albeit in low concentrations. Recently, we have discovered

a technology that, through a single process, can decompose and detoxify both methane and N₂O, even at low concentrations, by using light technologies. In addition, we are continuing efforts to expand the application of light to separate and capture CO₂ in the atmosphere.

In the energy field, we are pursuing R&D activities on deposition technologies for perovskite solar cells and on the social application of cylindrical solar batteries. For energy storage, we have commenced verification tests for battery systems at the Ushio Gotemba Division and are working to develop technologies that make use of electrical circuits to facilitate battery recycling.

Through the social application of such technologies, we will help create a world that realizes net-zero GHG emissions while maintaining people's happiness.

By 2030, the aging of populations around the globe is expected to have progressed even further, and in Japan, in particular, one-third of the population is expected to be age 65 or older. As the average lifespan increases, social issues related to long periods of unhealthy life, including becoming bedridden or needing nursing care, have been emerging. To that end, Ushio aims to extend healthy life expectancy by offering solutions that help shorten periods of bad health and improve the quality of life.

Specifically, through the creation of an "issue tree," we have recognized that environmental hygiene and medical care (diagnosis and treatment) will become important issues for shortening periods of bad health, and that nursing care, social welfare, disease prevention, and anti-aging will be crucial themes in terms of improving the quality of life.

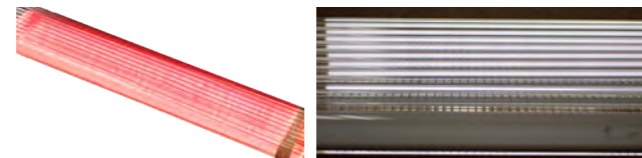
Ushio already offers a wide lineup of products in these areas. For example, we offer light disinfecting technologies such as Care222 in the environmental hygiene field, UV medical devices and various medical-use light sources in the medical care field, and medical cosmetics and other products in the anti-aging field. With regard to Care222, we have been promoting its rollout in space infrastructure, and, going forward, will reinforce efforts to roll the technology out in medical fields. To that end, we will continue to ensure Care222 compliance with various regulations and compile evidence on its efficacy and safety. Also, in the field of social welfare, we will develop devices that use light to help support people with disabilities.

Healthy Lifespan Extension
Developing technologies that help improve the quality of life



Climate Change Countermeasures

Promoting technological development aimed at reducing greenhouse gases



Prototype reactor that can instantaneously decompose N₂O and CH₄ (methane) using light

Food Initiatives
Promoting technological development to guarantee food security

Raising livestock requires massive amounts of water and feed and a wide area of land, and, as such, overdependence on the livestock industry to supply protein has become a significant issue. Meanwhile, growing agricultural produce also requires a vast area of land, and the excessive use of chemical fertilizers emits GHG. For these reasons, there is a need to secure new sources of protein and develop new agricultural systems. To that end, Ushio is focusing its attention on soya beans, which are rich in protein, and aims to establish technologies that can produce soya beans in a stable manner year-round, worldwide.

There are high expectations that vertical farming, which is used in plant factories, can be adopted as an effective method to grow crops because it requires only a small amount of water and very little space. In addition, vertical farming enables the control of environmental conditions, such as the light intensity needed for photosynthesis, temperature, level of humidity, concentration of CO₂, and wind speeds. It also allows for the control of various parameters, such as fertilizer components. In these ways, vertical farming can reduce GHG emissions by enhancing the efficiency of fertilizer use while also realizing significant improvements in productivity that enable year-round production. However, there are issues with the heat and power costs of artificial light used in vertical farming, and therefore this method has yet to be adopted on a large scale. To resolve these issues, we will fully leverage our light technologies to maximize the efficiency of photoconversion and photosynthesis, thereby establishing technologies to increase the production of protein sources from soya beans. At the same time, we will contribute to the widespread adoption of recycling-based agricultural systems that are secure, safe, and environmentally friendly.



Plant cultivation using 100% artificial light and liquid fertilizer management.



Three Focus Areas for Realizing DX

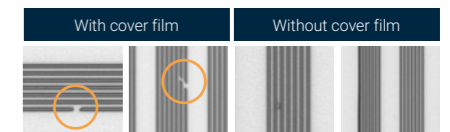
Due to continued global shortages, the importance of semiconductors is becoming increasingly more evident. Semiconductors are a crucial element in realizing DX and the Metaverse, and it would therefore be no exaggeration to say that semiconductors are a strategic resource. Through its technologies, Ushio contributes to the manufacturing process of advanced semiconductor devices. We also contribute to the manufacturing process of electric vehicles (EVs), which are seeing a growing interest day by day despite not yet being popularized on a large scale. Batteries are the key to realizing the widespread adoption of EVs, and we are providing solutions on enhancing battery performance, which is an absolute necessity in order to realize EV-based mobility.

Semiconductor Thermal Processing Optimizing the Heating Process in the Manufacture of Semiconductor Devices

To enhance the performance of semiconductor devices, optimizing the heating methods during the manufacturing process has become an important issue, amid the progression of miniaturization, layering, and changes to materials used. In fiscal 2022, we commenced full-scale joint research with universities to collect data that can verify the effectiveness of using light as a heating method. At the same time, by ascertaining the impact of light on semiconductor devices, we will propose solutions for using light as a heat source.

Semiconductor Packaging Processes Identifying the True Issues Facing Customers through Comprehensive Examinations That Include Processes

The pictures on the right are an example of a yield improvement process we examined together with a components manufacturer. With the miniaturization of wiring, aspects that we could ignore before, such as dust, waste, foreign materials, and scratches, now have a direct impact on quality levels. In addition to developing lithography equipment to support better wiring miniaturization, we will strive to resolve issues by holding thorough examinations of materials and processes.



By adopting a process in which we remove the protective film (cover film) on the photosensitive resist surface directly before exposure, we are able to conduct exposure on a clean surface without scratches or waste, thanks to the film's protection. As a result, we verified that this process was able to curtail particle-induced pattern chipping and improve yield by 60%.

Battery Manufacturing Processes Promoting Development That Ascertains the Future Manufacturing Process for Batteries through Backcasting

Optimizing interfaces that exist between different materials is one issue faced when enhancing the capacity and lowering the costs of batteries, which are needed to popularize EVs. To address this issue, we are proposing light-based solutions, including in the battery manufacturing process, while pursuing collaborative research with universities. Furthermore, we are striving to put our light technologies to use to address the issue of battery disposal, which is expected to become more severe in the near future.

2

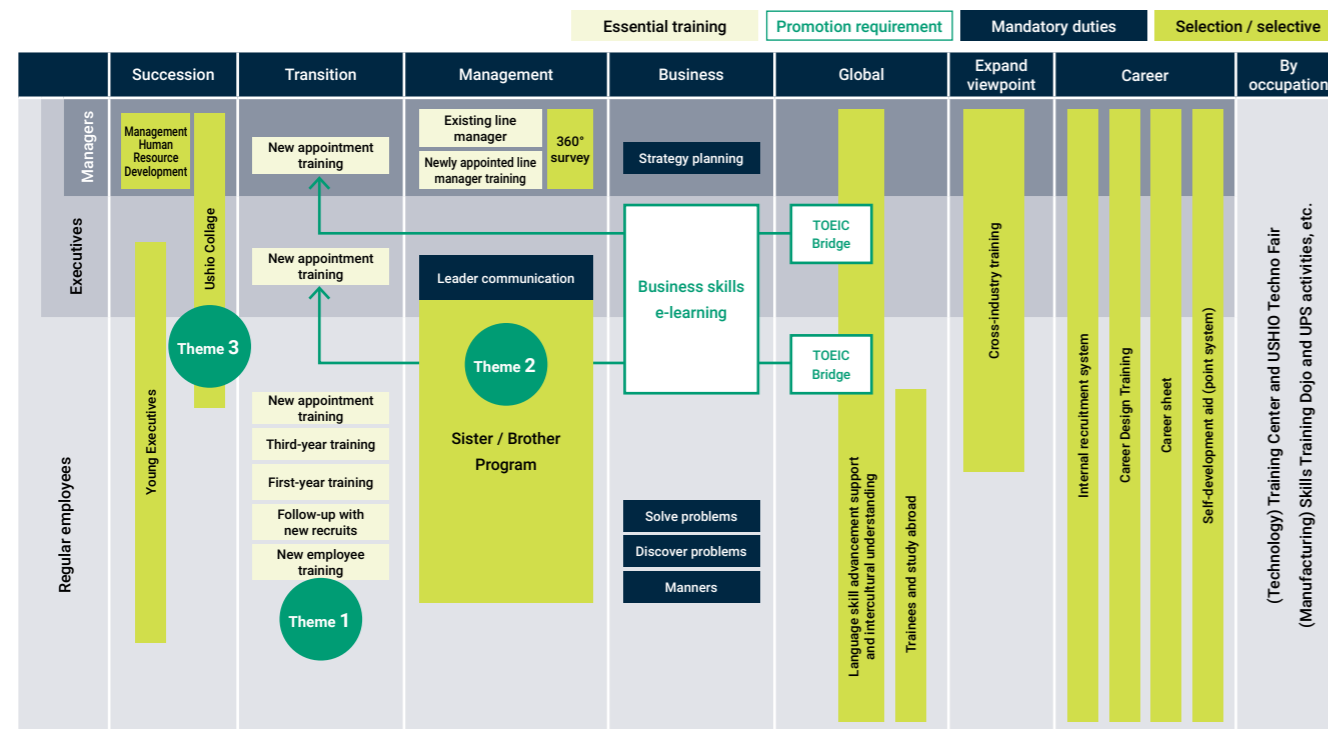
Increasing the Quality of Our Human Resources to Move Closer to Our Vision

Vision for 2030

By 2030, we will aim to have:

- Achieved a diverse pool of human resources across the Group comprising employees who have grown through educational programs provided by the Company, such as Ushio College and the Young Executives program, and their own personal experiences, and can also be expected to contribute to the achievement of the 2030 vision. Furthermore, provided more effective human resource development initiatives through education programs that align with the times.
- Realized global mobility of personnel based on a corporate culture that respects individual attributes and values and encourages a diverse group of employees to take an active role. Proceeded with optimized Groupwide personnel allocation regardless of place of residence, nationality, or other factors.

Education and Training System



Other Human Resource Development Programs

Program Name	Details
Young Executives	The Young Executives program is a development program that targets young employees in their 20s and 30s (recruitment and selection through recommendation) with the aim of cultivating future managerial personnel. Over the course of a year and a half, all participants take part in multiple programs, which aim to foster a sense of ambition and passion among these participants and improve their strategy creation and execution capabilities as well as their global response capabilities.
UCAP (Ushio Career Progression)	UCAP is a program that we intend to introduce with the aim of supporting the careers of employees age 50 and above. Through initiatives such as the "skill acquisition support system," which provides financial support to employees who wish to independently build their career and invest their own money into acquiring new skills, and the "in-house interdivisional system," which allows employees to work in multiple divisions, the UCAP program allows us to provide employees with the opportunity to play an active role with the Company throughout their lifetimes.
Overseas Study and Trainee Program	The Overseas Study and Trainee program aims to develop employees who can contribute to the Company's business. To that end, the program helps employees obtain the necessary technical knowledge and skills for their work and broadens their international perspectives by having them absorb both Japanese and overseas culture and expertise. The period of the Overseas Study and Trainee program differs from person to person.
Rank-Based Training	Rank-based training is offered to employees in their third and fourth year of employment. It is also offered when employees are promoted or appointed as line chiefs. This training seeks to have employees acquire the necessary knowledge and deepen their understanding at respective milestones in their career.

Theme 1 New Employee Training
 In our new employee training, Ushio Inc. provides appropriate support to new employees in stages over the course of their first year. These include before and after they are assigned to their official position, and after they have completed their first year with the Company, implementing development initiatives aimed at helping new employees to become self-reliant.

In the new employee training implemented in fiscal 2022, we aimed "to have new employees develop an awareness and sense of pride as a member of Ushio, and acquire an attitude of thinking and acting independently." Guided by this aim, we provided new employees with extensive on-site training that we were unable to implement in the previous fiscal year due to the impacts of the COVID-19 pandemic. After joining the Company, new employees spent approximately one month training on the manufacturing front lines, during which they gained an understanding of Ushio's products and learned the importance of quality and time management. In addition, by having employees present what they learned in their training at debriefing sessions, we sought to firmly entrench the knowledge they gained during the training through a cycle of study and hands-on experience.

After completing their frontline training, new employees spent roughly three weeks training in various offices and divisions related to their main position (training in different occupations). In these ways, the new employee training aimed to provide participants with a cross-organizational understanding of the Company by having them train in the various divisions in which they will be involved after being appointed to their main position and interact with a large number of different employees.

Theme 2 Sister / Brother Program (Mentorship Program)
 The Sister / Brother program provides close support to new employees every year by assigning one senior employee (sister / brother) as their mentor. Over the course of a year, these mentors provide guidance and training to new employees regarding ways to approach and consider their work.

Working together with their sister/brother, new employees gain valuable experience while acquiring the necessary skills and mindset to be a working adult. In addition to work-related guidance and training, the sisters and brothers provide follow-up support to new employees as their mentor regarding any uneasiness or concerns they may have with life in general.

Also, we offer training to employees who serve as sisters or brothers to deepen their understanding of important points in terms of providing guidance and training.

In these ways, this program not only enhances new employees' level of maturity in their work but also leads to improved employee engagement.

Theme 3 Ushio College—Selective Human Resource Development
 Over 70% of the Ushio Group's overall net sales comes from overseas. The nature of business and social issues differ between countries and regions, and in order to maintain and expand the Group's overall net sales amid the global changes occurring on a daily basis, it is imperative that we discover and develop global human resources rich in diversity.

As the first step in our global human resource development plans, we have established "diversity management," "management literacy," and "global communication" as essential skills that our personnel must possess.

We established Ushio College as a platform for offering employees the knowledge, experience, and literacy need to fulfill these essential skills. Through Ushio College, we provide personalized training programs to help employees grow in areas they need to further excel in, while augmenting individual areas in which they may be lacking. In addition, we have added courses on digital transformation (DX) as part of the "management literacy" program with the aim of promoting new business development and fostering digital-savvy human resources.

Through these kinds of initiatives, we will continue to provide support to the employees who will lead Ushio into the future with a focus on 2030 and beyond.

Expanding Human Resources in a Wide Range of Academic Fields

To make a major leap toward becoming a "light" solutions company, we aim to not only further develop businesses in the three main domains of Industrial Process, Visual Imaging, and Life Science but also create promising new businesses with the goal of expanding our social value. To achieve this kind of expansion, we are working to recruit professionals from a wide range of academic fields.

Specifically, in addition to conventional science and engineering fields, we have been working since 2020 to strengthen recruitment of new graduates and mid-career hires in fields such as chemistry, biology, medicine, and agriculture through direct recruitment and other measures.

We have also been offering opportunities for employees to expand their knowledge by inviting external technical advisors to the Company to conduct seminars. Finally, we have offered learning opportunities through internal training programs. In these ways, we aim to become a group of diverse professionals possessing various skills and knowledge that can lead Ushio into the future.

3

Creating Working Environments Where It Is Easy to Produce Results

Vision for 2030

By 2030, we will aim to have:

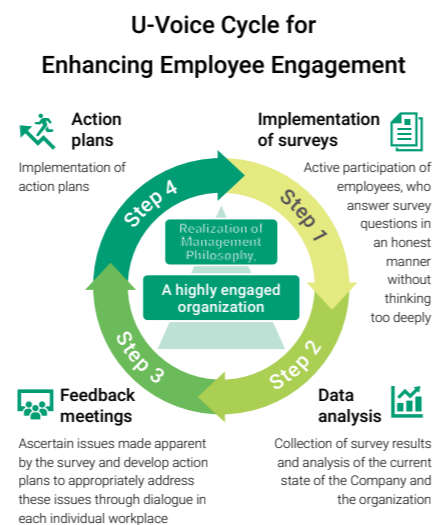
- Created a global workplace culture in which a diverse range of background, and values, in addition to diverse attributes, are acknowledged and respected.
- Created a rewarding workplace environment designed to enhance the motivation of each employee while ensuring their health and well-being. Become a highly engaged organization that embraces contributions from and the development of both the Company and its employees.

Initiatives to Enhance Employee Fulfillment

To realize the Ushio Group Management Philosophy and our long-term Vision for 2030, we aim to become a "highly engaged organization" that embraces contributions from and the development of both the Company and its employees. The first step in becoming such an organization is visualizing our current circumstances. To that end, we commenced an employee engagement survey (U-Voice) in fiscal 2021 in order to collect employee opinions regarding the ease and fulfillment of working at Ushio. We then developed a framework for visualizing the results of this survey as a score (indicator).

The survey results are being utilized as materials to promote dialogue and discussions that can help address the gap between actual management issues and organizational issues in each work place, along with the current level of employee awareness of such issues. In addition, we are reflecting the survey results and points of improvement that emerged via dialogue into various measures. In these ways, we are striving to realizing sustainable growth by setting into motion a PCDA cycle (U-Voice cycle) that aims to enhance employee engagement.

Based on the survey results in fiscal 2021, we have come to understand that "understanding of strategies," "provision of growth opportunities," and "embracement of diversity" are three key themes that have a strong correlation with employee engagement. Based on this understanding, we are implementing Companywide measures to address these themes and providing all employees with feedback via in-house publications. By doing so, we are striving to transform our organizational culture with a focus on enhancing employee engagement in each individual workplace.



Initiative 1: Dialogue between Employees and Management

Based on the results of the survey, it became clear that the direction of the Company has not been sufficiently communicated to our employees, and the reason for this is that our efforts to communicate such information to them have not been carried out from the perspective of employees. To that end, the president has been holding dialogue with employees since June 2022 for the purpose of facilitating mutual understanding and strengthening

communication between employees and management. The president has been visiting all workplaces to provide employees with an opportunity for dialogue.

Going forward, we will create even more opportunities for communication between employees and not only the president but other members of management based on various themes.

Initiative 2: Introduction of the New Communication Tool "U-spot"

In August 2021, we introduced the new communication tool "U-spot" on a Companywide basis. This tool allows employees to send messages of appreciation, praise, and encouragement to each other for their business contributions. In addition to direct contributions to performance, "U-spot" highlights the small contributions employees make on a daily basis with the aim of enhancing employee motivation. Going forward, we are planning to introduce "U-spot" in all

Group companies both in Japan and overseas. Through "U-spot," we will foster a corporate culture that encourages mutual acknowledgement, learning, and enhancement through the sending of messages of appreciation, thereby building an organization in which employees can continue to take on challenges.



Initiative 3: Management Transformation Aimed at Realizing the Ushio Group Management Philosophy

We have been working to enhance the operation of the U&I Growth (UIG) Cycle,* an evaluation system introduced in fiscal 2018 designed to nurture and help develop the careers of employees. Going beyond using the UIG Cycle simply as a tool for evaluation, as we have done to date, we are taking steps to redefine this system into "an overall process for realizing the synchronous growth of employees and the Company," and entrench it as a vision for the "relationships between people" and the organization and "as a set of

values and mindset."

In fiscal 2022, we rebranded the UIG Cycle as "Re!UIG," under which we have been working to reestablish the skills of all line chiefs based on the trend of management transformation. At the same time, we have been establishing a framework for the continuous development of the UIG Cycle.

* The "U" and "I" in "U&I" derive from the first letter "U" in "Ushio" and "I" as in myself, and the "&" connects the two together to realize both the growth of the Company and employees.

Diversity and Inclusion

In April 2022, we made efforts to align the direction of our Diversity Project with that of our management policies. Under this project, we are promoting activities to "become a company that embraces diversity and in which all employees can play an active role regardless of attributes" by 2030, which we view as an important management issue in order to achieve our Management Focus of "Creating Working Environments Where it is Easy to Produce Results."

Additionally, we changed the name of the project to the D&I Project to clearly convey our approach of creating new value

through the collaboration of diverse human resources with different values and backgrounds, amid a corporate culture that not only "acknowledges differences" but "respects and embraces them."

In fiscal 2021, we proposed and promoted the following activities via three D&I subcommittees and a secretariat.



Kumiko Sakaguchi

D&I Project
Project Leader

- Held career design seminars and seminars for supporting a work-life balance
- Introduced devices and established environments that help improve working conditions for people with disabilities

- Released a simplified handbook to help employees balance work with raising children
- Carried out a survey regarding teleworking



Please see the following URL for more details.
<https://www.ushio.co.jp/en/sustainability/society/employee/diversity.html>



Health and Productivity Management

We believe that human resources are the most important asset underpinning the sustainable growth of the Company. To that end, we are striving to create safe, secure, and employee-friendly work environments through such means as adjusting work hours, promoting a work-life balance, supporting employees returning from childcare leave, and promoting measures for balancing work with medical treatment.

We were certified as a 2022 Health & Productivity Management Outstanding Organization (Large Enterprise Category) in recognition of such efforts.

Going forward, we will continue to promote health and productivity management in such ways as implementing efforts to maintain and improve the physical and mental health of all employees, and further developing work environments that allow employees to continue to take on challenges with a sense of fulfillment and feeling of growth.

Specifically, we are leveraging our strategic map for health and productivity management, focusing our attention on the four issues

of "improving lifestyles," "improving mental health," "increasing productivity," and "enhancing engagement." We have established specific measures and indicators for these issues and are working to address each one on an ongoing basis while setting into motion a PDCA cycle.



Yuriko Araki

Human Resources Planning
Section
Human Resources Department
Global Human Resources &
General Affairs Strategy Division



Please see the following URL for more details.
https://www.ushio.co.jp/en/sustainability/society/employee/health_and_productivity.html



4

Sustainably Reducing Environmental Impact

Vision for 2030

By 2030, we will aim to have:

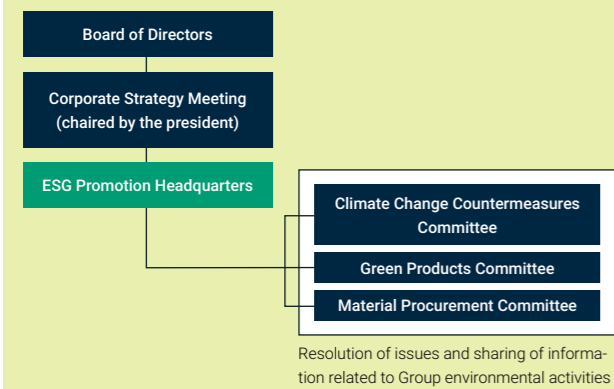
- Successfully avoided the anticipated risks related to climate change and entered into businesses that present significant opportunities. Reached our targets for reducing CO₂ emissions in accordance with the Science Based Targets, reduced CO₂ emissions from our business sites, and established a structure for developing eco-friendly products with reduced CO₂ emissions and providing them to customers—all of which help to reduce the environmental burden of our business activities.
- Reduced amount of energy used and controlled amount of resources used.
- Utilized water and resources in a highly effective manner and secured circumstances for sustainable management. At the same time, reduced water intake volume.
- Realized a supply chain that has a reduced impact on the environment.

Information Disclosure in Accordance with the TCFD Recommendations



Governance and Risk Management

Structure for Promoting Environmental Activities



With regard to the climate-related issues examined by the ESG Promotion Headquarters and relevant committees, the Corporate Strategy Meeting, chaired by the president, meets more than four times a year to discuss such issues. It reports the results of these discussions to the Board of Directors at least once a year. In addition, the Board of Directors establishes targets for climate-related issues and monitors the progress the Company is making toward achieving those targets.

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 Companywide risk management structure. Risks deemed to be significant under quarterly Companywide risk assessments are reported to the Board of Directors.

Strategies

Selection of Climate Change Scenarios

We have selected the 1.5°C and 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 Light Source, Optical Equipment, and Imaging Equipment businesses based on external information, and collected data on future forecasts pertaining to each of these risks and opportunities. In accordance with this organization, we estimated the business impacts of transition risk 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.



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.

Major Climate Change-Related Risks and Opportunities		Time Frame	Financial Impact of Climate Change-Related Risks and Opportunities	
Transition risks and opportunities	Carbon pricing, carbon emission reduction targets, and policies in each country	Carbon tax	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.*1
	Rise in cost of raw materials	Copper price	Long-term	Demand for minerals could tighten following the increased demand for low-carbon technologies (solar power, EV batteries, etc.). As a result, mineral prices and raw materials prices could rise.
		Zinc price		
	Molybdenum price			
Physical risks	Water shortages	Profit losses due to drought	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	Property damage and profit losses caused by floods	Near-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	Near-term	Insurance rates and costs could increase due to greater risk of damages at production bases resulting from the intensification of floods and typhoons.

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

Indicators and Targets

Results

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 eco-friendly products and super green products*2

*1 The Company's GHG emissions from 2016 to 2020 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 "eco-friendly products." Among these products, we certify those that make use of innovative environmentally friendly technologies that sets them apart from existing products as "super green products."



Certified as a "super green product," our HL63520HD high-output red laser diode has received encouragement awards from the Laser Society of Japan.

Targets

In consideration of recent global trends related to climate change, we set targets in 2018 that were approved by the Science Based Targets initiative (SBTi). Since then, we have made several revisions to these targets, and we currently aim to achieve a 45% 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. Going forward, we will proceed with the SBTi certification procedure for these targets. At the same time, to realize these targets, we will not only reduce CO₂ emissions from the activities at our business sites but also pursue the development of eco-friendly products. By doing so, we will actively reduce Scope 3 emissions during the product use stage.



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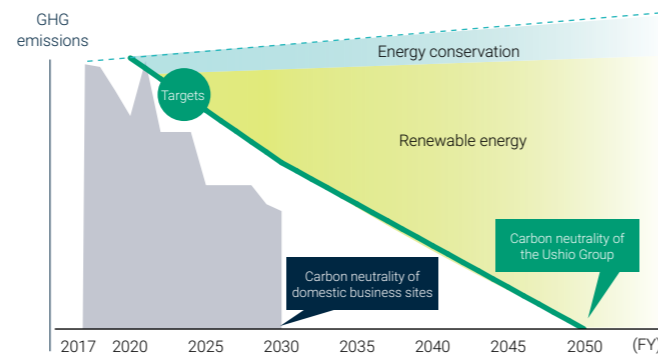
Sustainably Reducing Environmental Impact

Efforts to Realize a Carbon-Free Society

Efforts to address climate change are an important aspect of achieving our Five Management Focuses. To that end, we have created a vision to work toward with a view to 2030 and have established targets accordingly. However, revisions to these targets have become necessary due to the constantly changing global environment. 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 initiative (SBTi) and have formulated long-term plans to realize these reductions. In 2018, we set a target of a 21% reduction in Scope 1 and Scope 2 emissions by 2030, compared with fiscal 2017, in accordance with the SBTi guidelines, which subsequently received SBTi certification. In November 2020, we revised this target to a 33% reduction by 2030, compared with fiscal 2017. This is a target that aims to keep global temperature increases well below the 2°C level. However, giving consideration to 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 November 2021, the revisions to SBTi certification standards, and the Net-Zero Standard of the SBTi, we raised

this target to a 45% reduction by 2030, compared with fiscal 2017, with the overall goal of becoming carbon neutral by 2050. With the establishment of this target, we have been steadily implementing initiatives to reduce GHG emissions on a Groupwide, aiming to realizing a carbon-free society.

Path to Becoming Carbon Neutral by 2050



Introduction of Internal Carbon Pricing

In 2022, with regard to reducing CO₂ emissions from business sites (Scope 1 and Scope 2), we declared our intention to become carbon neutral by 2050. To achieve this target, there is only so much we can do if we simply engage in efforts to conserve energy, as we have thus far. Although we have introduced solar power generation and energy-efficient equipment, there is a need to accelerate such efforts if we are going to achieve the targets we have recently raised. To promote investment in such efforts, we have introduced an Internal Carbon Pricing (ICP) scheme*. By setting a carbon price of ¥5,000 per t-CO₂, this scheme will be utilized in investment decision-making in areas such as solar power generation and energy-efficient equipment. In this way, we will proceed with the installation of solar power generation facilities. At the same time, not only will we continue to purchase green power certificates, we will also purchase and transition to electricity from renewable energy sources. We will also revise this ICP scheme in conjunction with the revisions we make to our emissions reduction targets, while considering our GHG emissions and the status of target achievement.

* Internal Carbon Pricing (ICP) is a scheme in which corporations set their own independent carbon price that is utilized in organizational strategies and decision-making. In this way, ICP serves as a method for visualizing costs and incentives of green initiatives and helps facilitate low-carbon business operations.



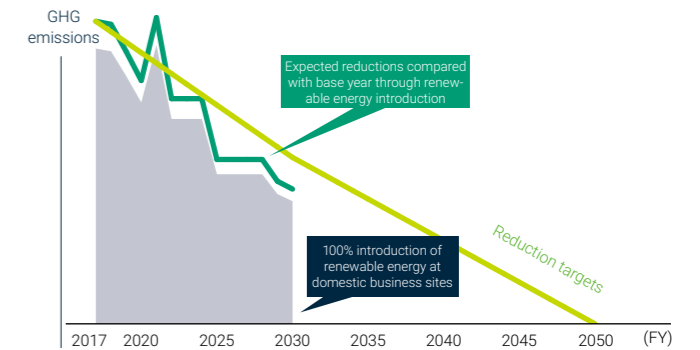
Gotemba Division, which decided to increase the number of solar power generation facilities using the ICP scheme.

Establishment of Targets for Renewable Energy Introduction

One extremely important initiative in order to become carbon neutral by 2050 is the introduction of renewable energy. To that end, we have established targets for renewable energy introduction and are working to accomplish these targets in tandem with our other environmental initiatives. As one of these targets, we aim to realize the 100% introduction of renewable energy at all domestic business sites by 2030, and we are examining the formulation of similar targets at our overseas business sites.

Specifically, we will gradually proceed with the introduction of solar power generation and will transition to renewable energy sources for our existing purchased electricity. In April 2022, we completed the transition to renewable energy sources for all purchased electricity at the Harima Division. Serving as one of our major divisions, the Harima Division accounts for nearly 20% of our overall CO₂ emissions from business sites. With a focus on our Groupwide targets for GHG emissions reductions, we will strive to effectively lower the amount of emissions from our business sites through the combination of various measures, including introducing ICP, monitoring renewable energy price trends, and increasing funds for solar power installation.

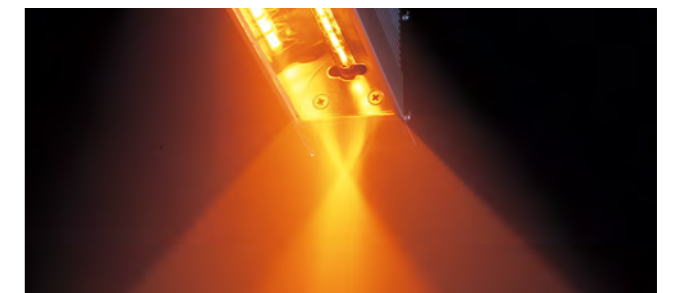
Expected Emissions Reductions through the Introduction of Renewable Energy



Reduction of GHG Emissions through the Development of Eco-Friendly Products

We have been promoting the life cycle assessment (LCA) of our products since 1998 as a system for evaluating green products. We have also introduced eco-friendly product standards and are promoting product development, design, and commercialization in accordance with ISO 9001 and ISO 14001.

Although almost all of our product lineups make use of energy, we are working on a Groupwide basis to further promote LCA and eco-friendly product development. We are focusing our attention more on solidarity and overall optimization rather than independent and individual optimization, to ensure that our customers continue to choose Ushio Group products as they increasingly make use of renewable energy. To that end, we will work to reduce CO₂ throughout the entire supply chain by quantifying and disclosing to the SBTi our Scope 3 GHG emissions.



Our halogen heaters convert over 80% of electrical energy into infrared rays in a highly efficient manner, and, as such, they are used in a wide variety of industrial fields that make use of infrared rays.

5

Building a Robust Management Base

Vision for 2030

By 2030, we will aim to have:

- Established framework that sustainably realizes highly independent corporate governance. Also, established a rigorously operated framework for internal control.
- Formed linkages between Group management targets and the targets of each Group company. Implemented efforts to develop businesses, rebuild, and reshuffle portfolios at Group companies with the aim of accomplishing Group management targets. Through these efforts, set up infrastructure that supports Group management.

Strengthening Solidarity-Based Rempo Management

To date, we have adopted an independent-oriented Rempo management style under which each Group company managed their own business portfolio and then the head office combined them together. However, we are now shifting to a solidarity-based Rempo management style under which each business is bundled together in a cross-organizational manner and overseen by the head office so that their business portfolios can be optimized from a Groupwide perspective. This new style enables us to allocate resources and ascertain cost structures on a consolidated basis and helps us promote Groupwide optimized management decision-making, including on the matter of generating synergies between Group companies.

In fiscal 2021, we introduced a system that allows for Groupwide consolidated accounting. In the first year of putting this system into operation, we focused our attention on accumulating data and establishing a means to integrate the information that was managed differently by each Group company. By doing so, we have been able to collect and visualize the data of each Group company. Through the use of this system, it is now possible to extract

accounting information from multiple perspectives (such as product-based or business-based) both globally and on an individual company-basis under set conditions. This helps us understand differences that occurred between the assumptions we made when formulating budgets and the actual situation at each Group company, and allows us to view net sales and operating income forecasts on a global basis, rather than on an individual company-basis.

In fiscal 2022, we will continue to collect data and implement year-on-year analyses using data collected in fiscal 2021. We will also work to enhance the accuracy of the data we collect based on lessons we have learned in the system's first year of operation. In addition, to further enhance the sophistication of our business accounting, we will examine ways to expand data collection in an effort to make this system more reliable so that it can help us formulate management strategies and engage in optimized decision-making on a Groupwide basis. In these ways, consolidated Group accounting will help us become more unified and provide a foundation for improving profitability and management efficiency, thereby leading to the realization of our long-term Vision for 2030.

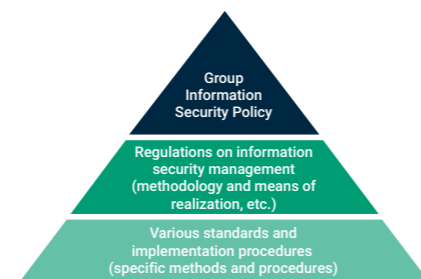
Bolstering Group Information Security Governance

We understand that information assets are extremely valuable business assets that help us maintain and enhance our competitiveness as a company. 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 been working to formulate an integrated Group information security policy and establish and reinforce information security governance based on a system of Groupwide monitoring and management.

In fiscal 2021, we implemented a security assessment of each Group company so that we could properly assess and objectively evaluate the current status of information security governance at each Group company as well as identify issues.

In fiscal 2022, we are proceeding with preparations to enact an integrated Groupwide security policy. In addition, based on the

results of the aforementioned security assessment of each Group company, we will closely examine Groupwide security-related issues and issues pertaining to each Group company and implement organizational, technical, and physical security-related initiatives.



Strengthening Compliance

Enhancing Tax Transparency

As tax-related duties are significantly impacted by the tax regulations of each country, these duties are primarily handled on an individual Group company-basis, with the head office working to ascertain Groupwide tax costs.

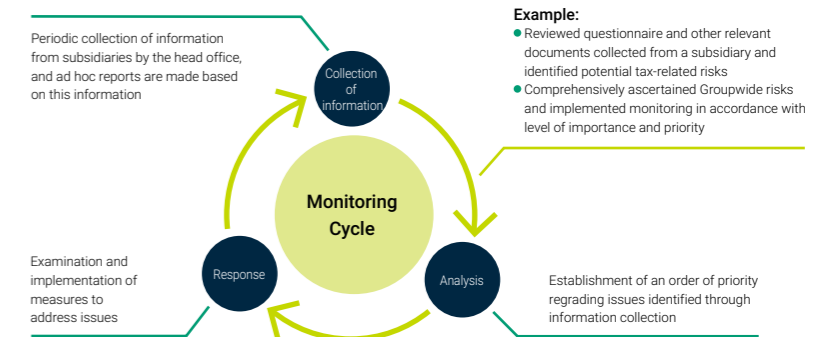
We position global tax governance as a key issue for enhancing our corporate governance and are working to enhance Groupwide tax transparency.

In fiscal 2021, we formulated Groupwide tax management regulations to ensure that we are properly utilizing the tax policy that we established in fiscal 2020. In addition, we established a system for collecting information on the status of tax returns, trends in tax audits, and responses to tax system revisions at all Group companies, and for reporting said information to the management at the head office. Also, with regard to ascertaining tax costs and disclosing information accordingly, our tax policy ensures that we disclose these tax costs.

In fiscal 2022, we will continue to appropriately manage tax-related risks by strengthening collaboration and establishing tax management cycles at each Group company. In addition, we will

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



manage transfer pricing documentation of each Group company at the head office and strive to optimize tax costs through appropriate compliance with the preferential tax systems of each country.

Compliance Structure

Fostering an awareness of compliance in each employee is a fundamental part of ensuring sound business management. However, it is also important to ensure that employees understand and adhere to compliance in their day-to-day actions. We have established January as a "compliance-strengthening month" during which we provide employees with an opportunity to once again reflect on the importance of compliance. In 2022, we provided explanations on the background of the "10 Action Guidelines," which we distribute to all employees, as well as the meaning of each action, the reason for why each action was selected for the guidelines, and the thought process of the people who formulated the actions. Although the "10 Action Guidelines" were formulated 25 years ago, they are still very much relevant in today's world and thus are passed down from generation to generation as our basic approach to compliance. In addition, the "compliance-strengthening month" in 2022 offered theme-based training focusing on compliance education related to the Anti-monopoly law and compliance training specific to each level of management.

Outline of Compliance Structure



Medium-Term Management Plan

Medium-Term Management Plan;
Reattempt to Solidify the Foundation
(Fiscal 2021–2023)

Positioning of First Medium-Term Management Plan

The period of the First Medium-Term Management Plan has been defined as a time for solidifying the foundations we will use to evolve into a light solutions company. Under this plan, we will transition from an independent Rempo management style to a solidarity-based Rempo management style as we advance defensive strategies, proactive strategies, and unifying strategies on a Groupwide basis to achieve the plan's targets and chart a clear course to be taken toward fiscal 2030.

Toward 2030

Aim of the New
Medium-Term
Management Plan

While looking ahead to the next **30** years, **reattempt to solidify the foundation** for profit structure transformation in order to achieve sustainable growth for net sales of **¥250 billion** and an operating margin of **12% or more** in fiscal 2030

Goal of the First Medium Term Management Plan (FY2022)

	Required Target	Ambitious Target	FY2019 Actual Results
Operating income	¥14 billion	¥19 billion	¥6.6 billion
Operating margin	8%+	10%+	4.2%
Net sales	¥170 billion ▶ More than ¥150 billion	¥190 billion ▶ More than ¥170 billion	¥159 billion

Note: The sales forecast was revised downward in the first year review and movement onward announced on May 11, 2021.



Focus on Clarifying Route to FY2030

Basic Policy

	Defensive Strategy	Proactive Strategy
Strategy for the Light Source Business	• Dramatic structural reform	• Post-COVID-19 market development
Strategy for the Equipment Business	<Imaging Equipment> • Continue / enhance structural reforms	<Optical Equipment> • Cultivate / focus investment on growth businesses
Strategy for the Creation Business		• Visualize / launch new businesses
Unifying Strategy	• Promote optimization of overall performance Effective allocation of funds for overall optimization	

Highlight | Initiatives to Improve Profit Structure



Lithography Equipment, Optical Equipment Business

Enhancing profitability by shifting from full customization to standardization and achieving differentiation in key areas

The Optical Equipment Business has been seeing a significant improvement in operating margin. This improvement has been supported by the efforts we have been steadily promoting in this business since even before the period of the current Medium-Term Management Plan. Specifically, efforts to improve efficiency through the standardization and integration of specifications and efforts to maintain competitiveness through early development of key parts have had a major impact.

Customers in the electronic components and semiconductor package industries, where Ushio's lithography equipment is used, offer a wide variety of applications and achieve advancements in their technologies very quickly. Accordingly, we had grown sales by responding to the detailed needs of these customers. Meanwhile, customized specifications for individual customers began to increase, and, as a result, we had to increase the number of new designs and customize various components. This led to instability in the procurement, manufacturing, and quality of the lithography equipment, which in turn had a negative impact on profitability.

Significant improvement in operating margin following a recovery in demand (Optical Equipment Business)



1 Improving Efficiency through Standardization

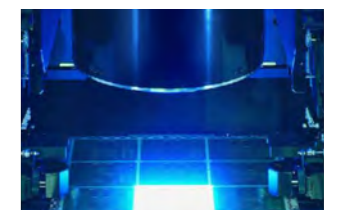
In the previous Medium-Term Management Plan (fiscal 2017 to fiscal 2019), we worked to comprehensively resolve this profitability issue through the standardization of specifications. Specifically, we made forecasts of technological trends in the industry and analyzed needs accordingly before customizing specifications for specific clients. Based on that analysis, we determined core specifications and promoted standardization on a module basis. We then set up a framework under which we prepared many sets of options tailored to individual client needs so that we could respond to such needs without lowering the level of customer satisfaction. After doing so, employees from sales, technology, production management, procurement, manufacturing, quality assurance, customer service, and business planning divisions came together to discuss the best way to promote this framework.

As a result of this framework, we significantly improved our standardization rate under the previous plan. This allowed us to flexibly respond to the subsequent massive uptick in orders received, which followed an increase in semiconductor demand, by substantially improving production efficiency and bolstering production capacity. We also achieved improvements in various other areas, including the stable procurement and reduced cost of components, and a decrease in after-the-fact responses to quality issues. These improvements have led to the enhanced profitability of the Optical Equipment Business during the current Medium-Term Management Plan.

We review and update our standardized specifications on a regular basis with the aim of further enhancing profitability going forward.

2 Maintaining Competitive Edge in Key Areas

While promoting the standardization of specifications, we actively developed large-surface projection lenses, a key component of our lithography equipment, in order to maintain our competitiveness. We also further increased the surface area of these lenses and enhanced their resolution performance and alignment accuracy in order to respond to the need for miniaturization and high productivity.



Through these efforts, we have been improving and enhancing profitability under the current Medium-Term Management Plan while maintaining and increasing our level of customer satisfaction.

Report on Progress of Medium-Term Management Plan

Clarification of the Path toward 2030

Results and Review of the Second Year of the Medium-Term Management Plan

In fiscal 2021, the second year of the Medium-Term Management Plan, we made significant progress on improving our corporate structure due to such factors as the recovery from the impacts of the COVID-19 pandemic, the growth of promising products, and the promotion of structural reforms. As a result, both net sales and operating income significantly exceeded our targets.



Progress of Defensive Strategies and Proactive Strategies under the Medium-Term Management Plan

	Defensive strategies	Proactive strategies
Exceeding plans	<ul style="list-style-type: none"> Reduced fixed costs through improvement in workstyles and structural reforms 	<ul style="list-style-type: none"> Increased sales due to ongoing stay-at-home demand (UV lamps) Recovery in cinema market from the impacts of the COVID-19 pandemic (cinema lamps) Increase in maintenance services (optical equipment) Growth of promising products (optical equipment) Reduced fixed costs through improvement in workstyles
Below expectations / plans	<ul style="list-style-type: none"> Impacted by component shortages, such as semiconductors, and logistics disruptions 	<ul style="list-style-type: none"> Unable to resolve issues via Care222 as much as expected due to the product's insufficient level of recognition Impacted by component shortages, such as semiconductors, and logistics disruptions

Forecast for the Final Year of the Medium-Term Management Plan

In fiscal 2022, the final year of the plan, the path toward achieving our Vision for 2030 and moving beyond has become clear, and we are moving forward as planned with various initiatives to solidify our foundation. In this way, we are working on a Groupwide basis to achieve the goals of the plan. For more details, please refer to the "Ushio Group Medium-Term Management Plan: 2nd year review and 3rd year (final year) latest status" presentation on our corporate website.



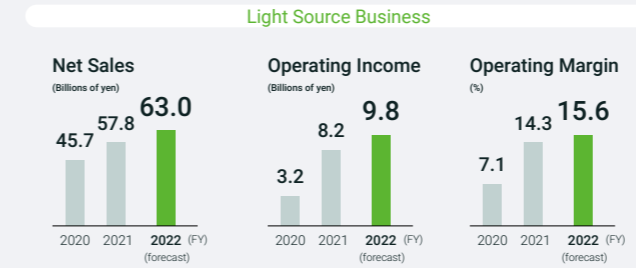
Please see the following URL for more details.
https://www.ushio.co.jp/documents/ir/library/plan/ushio_plan2022_e.pdf



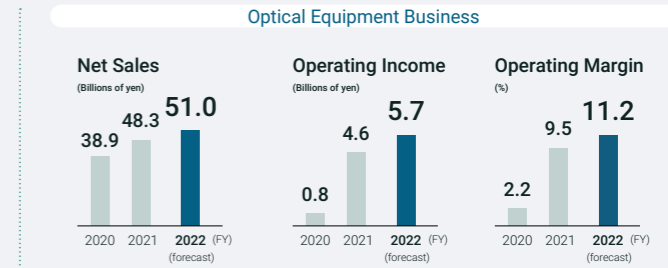
Third Year (FY2022) Latest Forecast

Steadily proceeding to reach our ambitious target for operating margin, which we position as our most important KPI

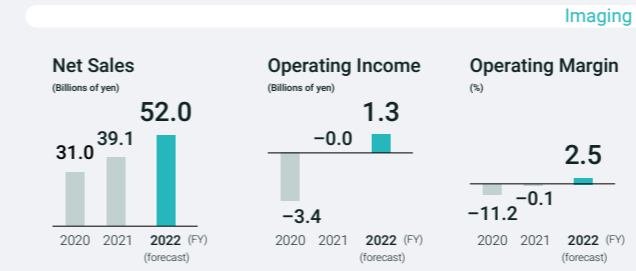
	Latest Forecast	Required target	Ambitious target
Operating income	¥17.0 billion	¥14.0 billion	¥19.0 billion
Operating margin	10.0%	8%+	10%+
Net sales	¥170 billion	More than ¥150 billion	More than ¥170 billion
FOREX (yen)	USD	120	105
	EUR	130	125



- Defensive strategies**
Complete structural reforms and reinforce cost controls
Implemented 80% of planned structural reforms in fiscal 2021, maintaining highly profitable structure
- Care222: Step up sales promotion**
Enhance level of recognition in an effort to address current issues
Strengthen advertising and promotional activities, facilitate understanding of the safety of UV rays, continue presentations at various academic conferences and clinical research, encourage easing of restrictions in each country, etc.



- Capture robust advanced packaging market demand**
Stabilize production structure and avoid component procurement risks, double production capacity for projection lithography for cutting-edge IC package substrates
- Continue investing in next-generation product development (maintain competitive edge)**
Cutting-edge IC packages: Maintain high productivity and resolution; DI: Enhance miniaturization, alignment precision, and productivity
- Strengthen initiatives toward EUV light sources to prepare for expanded APMI implementation**
Bolster production system, maintain competitive edge



- Address component shortages**
Implement impact mitigation measures, such as early procurement and purchase from multiple providers
- Continue bolstering profitability**
Pursue business selection and concentration
Cinema: Invest in development to strengthen post-pandemic competitiveness (in terms of the expected business environment, steadily capture demand to replace cinema projectors, which will pick up from fiscal 2023 onward. In terms of new facilities, provide comprehensive solutions in accordance with theater conditions, primarily in China and the Middle East)
General Imaging: Invest strategically to deliver solutions
- Continue streamlining operations**
Reduce product and loss costs

Initiatives for Proceeding on Our Expected Path toward 2030

Under the current Medium-Term Management Plan, we promoted workstyle and structural reforms and transitioned to solidarity-based Rempo management as part of our unifying strategies. In this manner, we proceeded with our reattempt to solidify our foundation for 2030.

At the moment, we are formulating the Second Medium-Term Management Plan (fiscal 2023 to fiscal 2025) to serve as a milestone on our path toward realizing our Vision for 2030.

A basic policy of the next plan is to aim at expanding value while maintaining the new corporate structure we built under the First Medium-Term Management Plan.

Initiatives and Direction

Review and Reestablish Business Strategies

- Commence full-scale efforts to commercialize our response to the new social issues that we have ascertained
- Redefine our approach to solutions and core competencies based on our Vision for 2030. In accordance with this redefinition, reestablish and optimize business portfolio through financial simulations
- Actively utilize financial assets to accelerate the achievement of our Vision
 - Draft and implement inorganic growth strategies, including M&A
 - Execute business investment to sharpen our competitive edge, including in R&D, the supply chain, and customer support

Integration of ESG Management

Centered on our ESG Promotion Headquarters, which was established in fiscal 2022, we are strengthening collaboration between general managers and employees in each division to ascertain the status of progress, identify relevant issues, and overcome hardships in terms of the medium- to long-term goals of our Five Management Focuses, which we formulated in fiscal 2021 with a view to achieving our Vision for 2030.

CFO Message

By successfully completing the initiatives of the Medium-Term Management Plans and steadily preparing for the next stage, we will further strengthen our foundation for sustainable corporate value enhancement.

Takabumi Asahi

Director
Managing Executive Officer
General Manager, Corporate Headquarters



The Second Year of the Medium-Term Management Plan— A Year When We Saw the Results of Our Reattempt to Solidify Our Foundation for Profit Structure Transformation

Under the First Medium-Term Management Plan (fiscal 2020 to fiscal 2022), the Ushio Group has been reattempting to solidify its foundation for profit structure transformation through its defensive, proactive, and unifying strategies.

In fiscal 2021, the second year of the Medium-Term Management Plan, we recorded consolidated net sales largely in line with our initial forecasts due to several factors, including a recovery from the impacts of the COVID-19 pandemic and the steady growth of promising products resulting from the promotion of measures under our proactive strategies. In addition, operating income and operating margin greatly exceeded the targets of our initial forecasts owing to the steady progress we made with our defensive and unifying strategies.

Operating margin, on which we place particular importance, improved to 8.8%, exceeding our required target of over 8% for the final year of the plan, one year ahead of schedule. As a result, we are now in a position to aim to achieve our ambitious target for operating income of 10%.

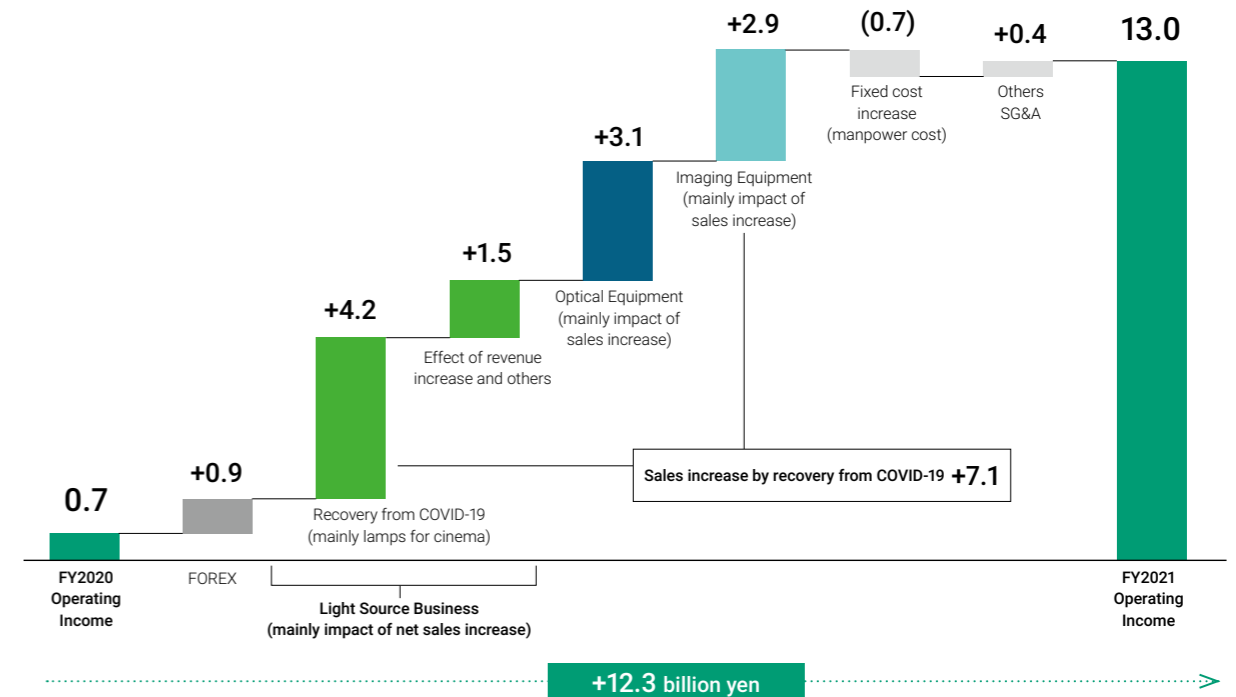
Under our defensive strategies, we aim to achieve cost benefits of ¥7.0 billion on a Groupwide basis, through structural reforms, by the final year of the plan. To that end, we have carried out dramatic cost-cutting measures via the structural reforms we have promoted in each business to date and through efforts to reform workstyles across the Group. This has helped us improve our business structure by reducing costs and controlling operating expenses. As of fiscal 2021, we have implemented approximately 80% of the structural reforms we are promoting under the Medium-Term Management Plan.

As a result of strengthening our corporate structure with the aim of Companywide optimization under the unifying strategies, we have been able to minimize the impact of supply chain disruptions, make progress with cost reductions, and support efforts to promptly recover from the adverse impacts of the COVID-19 pandemic.

(Billions of yen)	Achievements and Forecasts of the Medium-Term Management Plan				Targets of the Medium-Term Management Plan	
	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Forecast	Required Target	Ambitious Target
Operating Income	6.6	0.7	13.0	17.0	14.0	19.0
Operating Margin	4.2%	0.6%	8.8%	10.0%	Over 8%	Over 10%
Net Sales	159.0	118.5	148.8	170.0	Over 150.0	Over 170.0

Analysis of Change in Operating Income from the Previous Fiscal Year

(Billions of yen)



Note: "Light Source Business (mainly impact of net sales up/down)"—"Others including SG&A" exclude "FOREX"



Reaping the Benefits of a Corporate Structure in Which Increased Demand Leads to Profits

Profitability has been gradually improving in each business. Thanks to its high market share and the efforts we have thus far made to enhance productivity, the Light Source Business has a structure in place under which increased demand leads directly to profits. In fiscal 2021, we moved forward with a wide range of efforts in this business, including promoting cost-cutting measures by reducing fixed costs, introducing highly competitive products and products with long lifespans, and establishing a global sales structure that leads to increased sales by accurately assessing market and customer conditions. Through these efforts, we were able to take advantage of the recovery in the discharge lamp market and expand sales with great efficiency. As a result of the rise in sales, we successfully enhanced profitability, including recording operating margin of 14.3%, largely in line with our forecasts.

We have built up a similarly robust structure in the Optical Equipment Business through efforts to promote standardization. In particular, the increased sales volume of promising products, such as semiconductors, electrical components, and lithography equipment for cutting-edge IC package substrates, has been a

major driver behind profit expansion in the business. In fiscal 2021, we established a global service, production, and sales structure, which enabled us to steadily reap the benefits of the market growth phase for these promising products. Despite the lower-than-expected business performance of EUV light source for photomask inspection, we achieved net sales largely in line with our initial forecasts due to the increased sales volume of lithography equipment, one of our promising products, which greatly exceeded our expectations. Furthermore, due to the impact of the efforts we have been undertaking to improve our cost structure, operating margin was up 2.7 points year-on-year, to 9.5%.

In the Imaging Equipment Business, we did not reach our targets for improving profitability due to the impact of component shortages and other factors. However, we realized a significant increase in sales on the back of a recovery from the impacts of the COVID-19 pandemic. We also achieved success with measures toward cost structural reform, including optimizing our production structure and reducing product costs. As a result, we were able to eliminate the operating deficit in the Imaging Equipment Business.



Striving to Successfully Complete the Initiatives of the Medium-Term Management Plan



In fiscal 2022, the final year of the Medium-Term Management Plan, we forecast a year-on-year increase in operating income of 30%, to ¥17.0 billion, and a two-point improvement in operating margin, to 10%. Although the outlook for the operating environment remains unclear, and we must continue to carefully monitor risk, we are on track to achieve our “required targets.”

There are various factors that we expect will have an adverse effect on our business, including the challenge of restarting economic activities in the “with-COVID-19” era, the impact of the new conflict between Russia and Ukraine, and trade friction between the United States and China, and global supply chain issues such as material shortages and soaring logistics costs. On the other hand, there are other factors that will help benefit our performance such as the rapid depreciation of the yen, which is occurring at a level that has far exceeded our initial assumptions

under the Medium-Term Management Plan. As we are becoming more integrated on a Groupwide basis under our unifying strategies, we will strengthen efforts to monitor these types of diversifying risks and promote Groupwide collaboration. By doing so, we will minimize the adverse impact of these risks on our business performance to the greatest extent possible. In addition, looking from a medium- to long-term perspective, going forward supply will potentially exceed demand in the semiconductor and electrical components markets, which are currently seeing continuous increases in demand. Accordingly, we will actively push forward with our Groupwide initiatives while constantly assessing the impact of risks associated with changes in the global economy and product cycles. We will also accelerate strategic decision-making on a Groupwide level about what to push forward with aggressively and what to undertake with caution.



Realizing Further Enhancements to Capital Efficiency through Our Unifying Strategies



We initially expected to achieve between ¥25.0 billion and ¥35.0 billion in operating cash flow over the three-year period of the Medium-Term Management Plan. However, we have already generated ¥36.1 billion in sales cash flow in the first two years of the plan due to the recovery in our business performance as well as improvement in our overall cash flows. Under our defensive, proactive, and unifying strategies, we plan to generate cash outflows totaling ¥55.0 billion, and we are steadily promoting these strategies accordingly.

With the defensive strategies, we have allocated roughly ¥12.6 billion in the first two years of the plan, mainly toward investments and related expenses that have followed the promotion of structural reforms in the Light Source Business and Imaging Equipment Business. As I mentioned earlier, this activity has led the improvements we have seen in profitability. During fiscal 2022, we plan to invest in development activities that will help us maintain the competitive edge of our existing businesses.

Under our proactive strategies, we have invested approximately ¥11.1 billion in development to improve the competitiveness of promising products such as lithography equipment and EUV light sources for photomask inspection that will help us enhance our competitiveness, as well as in facility expansion to increase our production capacity.

Meanwhile, our profit growth to date has been driven primarily by

existing products and businesses that already have a strong competitive advantage, and I feel that we are still pressed with the task of establishing new profit pillars for the future. With a focus on the next Medium-Term Management Plan and our Vision for 2030, we will continue to execute investments geared toward new business creation, such as the acquisition of the necessary personnel, technologies, and application know-how.

As part of our unifying strategies, we have been implementing ongoing investment in infrastructure to strengthen solidarity and form deeper connections across the global Group. Furthermore, in an effort to prepare financial and capital strategies focused on the next Medium-Term Management Plan, we are promoting Group financing activities aimed at effectively utilizing Group funds. We expect to use a total of roughly ¥20.0 billion in Group financing, in line with our plans. By comprehensively managing surplus funds at the Group level, we will further enhance fund utilization efficiency while building a framework for executing the necessary investments in the necessary areas and at the appropriate time.

With regard to shareholder returns, we maintained a minimum annual dividend of ¥26 per share in the first year of the plan, since this was a period in which we were working on our own initiative to recover from the impacts of the COVID-19 pandemic. However, against the backdrop of the steady progress we are making with our initiatives and the recovery in our performance, we issued an annual

Cash Allocation Policy (Current Medium-Term-Management Plan)

In FY2021, invested strategically amid steady results recovery, and will endeavor to boost strategic investment and 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, completed 5.0 billion yen share buyback program

dividend payment of ¥50 per share in the second year of the plan, representing a ¥24 increase compared with the previous fiscal year. Also, we expect to issue an annual dividend of ¥50 per share again in fiscal 2022, the last year of the plan. Furthermore, we have been

flexibly carrying out share buybacks to respond to the changes in the business environment. In May 2022, we announced that we would conduct share buybacks of up to ¥5.0 billion, or three million shares, and this purchase was completed at the end of August 2022.



Extending Our Focus Further into the Future



While we do not intend to drastically change course in the third and final year of the plan, we are currently facing challenges that have exceeded our initial expectations at the time of the plan’s formulation, including component shortages and the soaring price of materials and logistics. To reduce the negative impact of these factors, we will take steps to bolster raw materials procurement, respond to supply chain management, and enhance our global sales capabilities through Groupwide collaboration.

From the perspective of production, we have established the new Production Division with the aim of enhancing production efficiency across the Group. Through this division, we will also strive to further enhance production and procurement efficiency, promote production activities in optimized locations, and reorganize our production structure.

In an effort to maintain operating margin at 10% and further improve it over the medium-to long-term, we will strengthen business-specific monitoring activities by pursuing more advanced business portfolio management. To that end, we will promote

Groupwide enhancements to the management of consolidated business-specific targets and the management of investment gains and losses. We will also incorporate business-specific ROIC as an important indicator. In these ways, we will aim to carry out business portfolio management for the Group as a whole in a more sophisticated manner.

Additionally, by strengthening the promotion of ESG management in accordance with our Five Management Focuses and with a view toward our Vision for 2030, we will establish a more robust management base that can underpin sustainable growth. In these ways, we will set our sights toward our ambitious targets and to the period beyond our current Medium-Term Management Plan as we proceed with preparations for the new plan.

As CFO, I will promote management strategies and finance and capital strategies in an integrated manner and engage in active dialogue with our shareholders and other investors, thereby fulfilling the responsibilities of my role. I would like to ask our stakeholders for their continued support going forward.

Research and Development

We will help address the issues of society by continuing to create and provide new value.



Nobuhiro Inosako
Senior Executive Officer
General Manager
Business Creation
Division

Research & Development System

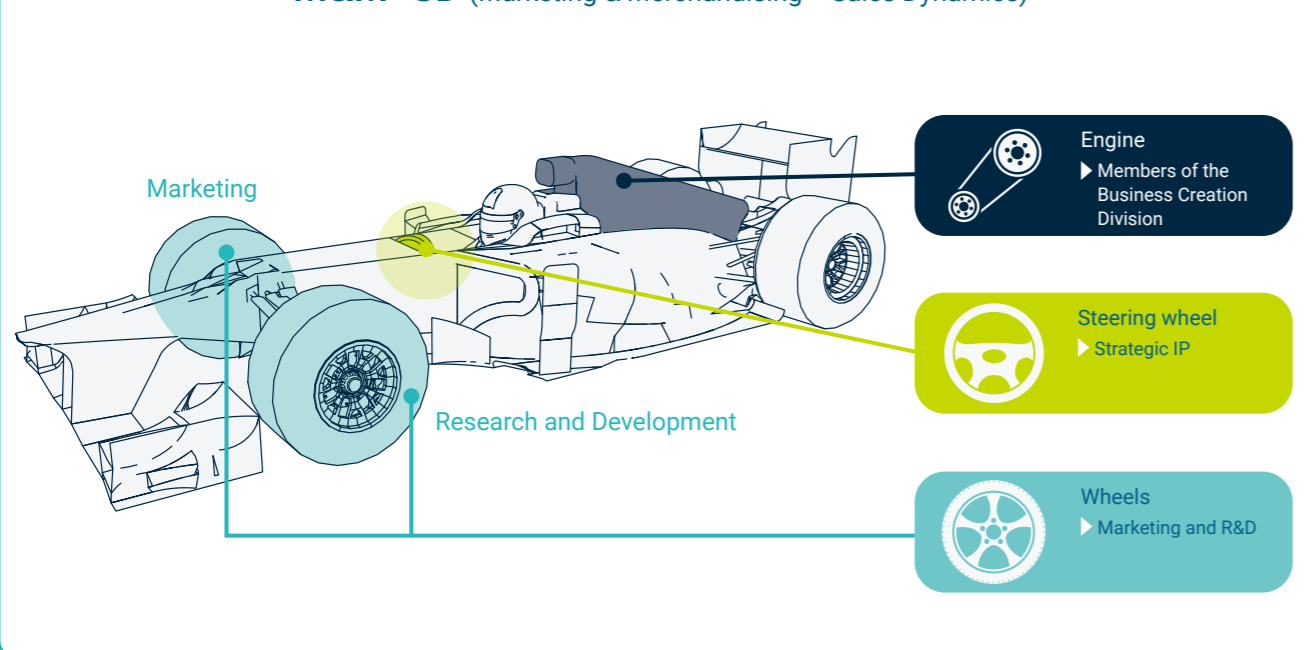
The development of new business entails closely linking the marketing capabilities (the ability to identify social issues) and the technological capabilities (the ability to conduct R&D and manufacture products) necessary for creating new value. In order to establish a business based on the provision of this new value, we must focus on developing a sales mechanism based on sales dynamics, and ensure the management of intellectual property (IP).

Marketing and R&D are often compared to the wheels of a car while IP management is considered the steering wheel. Without strategic IP management, providing the market with the type of value expected would be extremely difficult, and the potential for developing new businesses is at its highest when these three essential elements are provided to the market in a timely manner.

The Business Creation Division converges these essential basic functions (marketing, R&D, and strategic IP) and, based on Marketing & Merchandising + Sales Dynamics (M&M+SD) as the action guideline, each member spurs the creation of new businesses by teaming up with Group affiliates and business partners.

Generally speaking, the creation of new businesses is not an endeavor with a high probability of success. However, through the self-help efforts of each team based on M&M+SD, we are working to steadily create even stronger businesses by refining our ability to capture the essence of issues, to uncover new technologies that contribute to resolving issues, and to quantitatively assess and ascertain the target market, with a focus on our core areas.

M&M+SD (Marketing & Merchandising + Sales Dynamics)



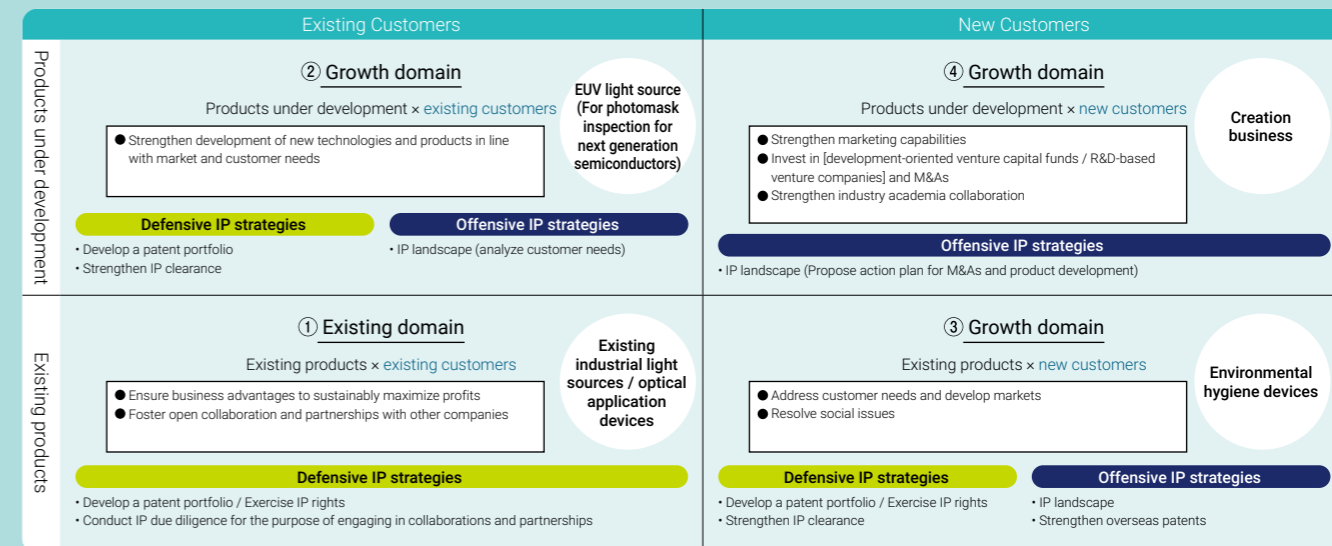
Intellectual Property Strategy

01

Intellectual Property Strategy

At Ushio, we are proceeding with IP strategies that are linked to the business strategies of each of our four regions, as described below, toward realizing our 2030 vision.

By making optimal use of both offensive and defensive IP strategies according to the growth stage of each business, we help our customers realize sustainable growth and expand their business.



■ Intellectual Property strategies □ Business strategies

02

Respecting Intellectual Property Rights

Ushio respects the IP rights of other companies and conducts a thorough investigation of their patents at each stage of the lifecycle, from the initial phase of development to the product delivery phase, and takes measures to ensure that its products do not infringe upon the IP rights of other companies. At the same time, we thoroughly engage in legal action and other appropriate measures against counterfeit products and infringements of IP rights.

03

In-House Courses on Intellectual Property

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.

Ushio provides IP education to all engineers, offering 13 courses that are tailored to their respective levels and cover all facets of IP skills, including proposal writing, invention creation methods, patent search methods, and use of IP rights.

04

The Ushio Group's Intellectual Capital

	Japan	Overseas
Number of applications	164	239
Number of licensed items	1,169	1,415

Note: Number of applications is based on fiscal 2021 results while the number of patents held is as of March 31, 2022.

Research and Development

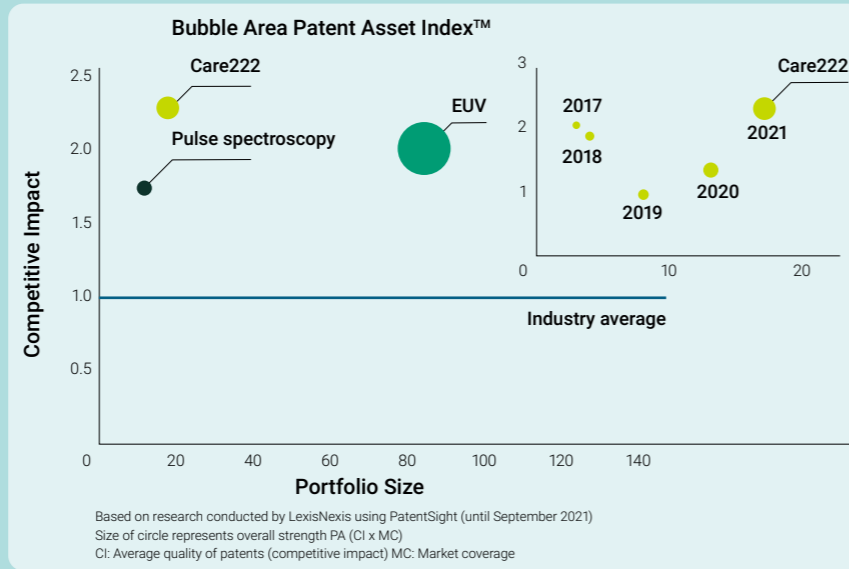
Intellectual Capital of Creation Business

Patent Map

The graph on the right shows the average value evaluated in terms of quality on the vertical axis and the number of families expressed in terms of quantity on the horizontal axis for the three patent themes that Ushio is particularly focusing on in the Creation Business. The size of the circle represents the overall strength PAI (CI x MC).

The Company owns approximately 20 patents for Care222, over 80 patents for EUV, and nearly 20 patents for pulsed spectroscopy. The CI value, which indicates the level of quality of patents, for all of these patents far exceeds the industry average of 1. With the Care222 field in particular, the CI value was 1 in 2019 but has more than doubled to 2.3 in 2021. With over 30 new patent applications filed since September 2021, expectations for patents will continue to grow in the future.

At Ushio, our patent portfolio is the source of our competitive edge in the Creation Business.



Research and Development Initiatives

Resolve social issues

Expand strengths

- Our long-cultivated...
 - special light source technology
 - precision machinery technology
 - microfabrication technology

Develop new optical processing technologies that utilize these long-cultivated technologies

Acquire new competencies

- Actively make use of external resources in addition to development of products in-house

Provide light solutions that ensure safety and reassurance

Fundamental technologies that will prove necessary in the future

- Analysis technologies and simulation technologies
- Use of computation science and data science

Deepen understanding of phenomena induced by light and streamline R&D

Ushio's mission is to develop a "strong technological foundation" that will be essential in the future for creating and providing new value aimed at resolving the issues of society. Based on this mission, we are advancing our R&D in pursuit of two aims: "expand our strengths" to widen the scope of our existing competencies and "acquire new competencies" to develop seeds that we currently do not have at our disposal.

Over the years, the Company has developed a wide range of optical processing devices that include photo cleaning, photo alignment, photoheating, and lithography equipment. Leveraging the strengths of these technologies, we are focusing on the development of new optical processing technologies that are based on the special light source, precision machinery, and microfabrication technologies that we have cultivated through our development of optical processing devices. Moving ahead, the Company will look to develop inspection and measurement technologies, preventive and diagnostic technologies, and treatment technologies with a view to helping realize a safer and more secure society. To this end, in addition to developing our own technologies, such as for new light sources, and collaborating with industry and academia in the medical and biotechnological fields, we will make the necessary proposals for M&As and engage in other measures to acquire new competencies.

Ushio will advance these R&D activities in cooperation with our marketing activities, while promoting discussions on the matching of seeds and needs and undergoing hypothesis testing in pursuit of commercialization. In so doing, we will develop an even more valuable technological foundation.

Moreover, in order to widely deploy the technologies we have developed, it is imperative that we understand the science underlying them. In view of this, the Company will develop new analytical technologies that will prove necessary in the years ahead.

Research and Development Themes

01

Improve the Quality of Life (QOL) of Patients—Photodynamic Therapy (PDT)

Ushio has adopted the theme of extending healthy life expectancy through optical technology. Amid these circumstances, we are promoting the research and development (R&D) of PDT for dermatologists from the perspective of improving the QOL of patients in the dermatological field. PDT is a treatment in which the drug (radiosensitizers) prescribed to patients is specifically taken up by sebaceous glands or cancer cells and then irradiated with light of a wavelength that eases absorption of the drug, enabling it to be selectively applied to the disease-causing target tissue.



Hiroshi Shibata

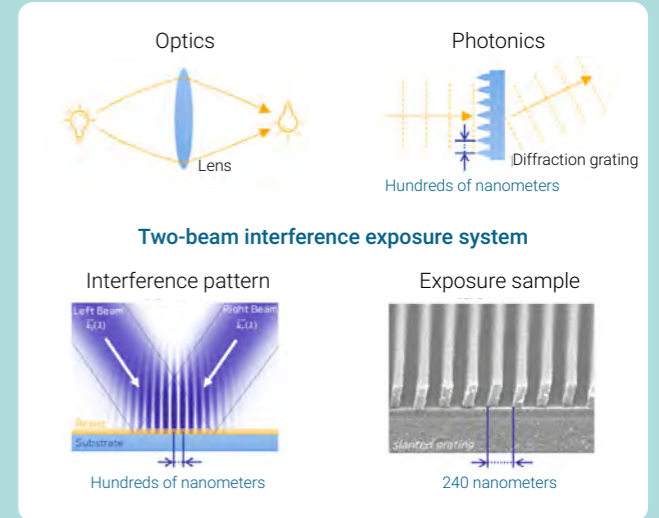
Life Science Group
 New Technology Development Department, Research and Development Division
 Business Creation Division

Extensive R&D has been carried out for PDT as a treatment for cancer and it has been partially applied in real world clinical practice. PDT has also been reported to be highly effective at the research level in treating other diseases. In particular, we believe that severe acne is a major issue in terms of significantly reducing patients QOL. Additionally, a clinical issue exists in that there is currently no effective treatment. As such, PDT is expected to be developed to resolve this issue.

In 2020, we launched the development of treatment for severe acne together with domestic pharmaceutical manufacturers. Meanwhile, in 2021, we studied the specifications of a device based on the characteristics of the disease and the operation method assuming actual use in clinical settings. In addition, to speed up the development process and enhance the efficiency of testing, the Company began developing biological / simulation technology, or so-called in silico testing.*

We also expanded our PDT portfolio and began conducting R&D with academia and drug development ventures on potential treatments for Alzheimer's disease. By establishing new treatments for unmet medical needs and delivering effective treatments to patients in need as quickly as possible, we aim to improve their quality of life and shorten the length of time in which they are unhealthy, thereby extending their healthy life expectancy.

* In silico testing: Simulation calculations and other methods of predicting results by calculating without actually handling the object. The third method of experimental testing alongside in vitro and in vivo testing.



02

Realizing 3D Displays for Telemedicine—Interference Exposure System for Manufacturing Optical Components

Components

With the widening use of 5G communications and online conferencing, we are seeing the arrival of an era in which telemedicine will become mainstream. The advancement of telemedicine will entail a variety of information being shared in real time in an easy-to-understand manner. 3D displays are expected to be one of the most effective ways to communicate information that has not been conveyed in the past. For 3D displays to be widely accepted, they must be able to provide a large depth range and natural-looking images.

In order to realize the kind of 3D displays that are unlike anything else we have ever seen, we must develop practical applications not only for optics that control light using a structure that is larger than the wavelength, but also for photonics technology that controls light with a microstructure as large as the wavelength. Ushio is working to develop practical applications for interference exposure systems. Interference exposure is the process of drawing patterns using interference fringes formed through the interference of light. An interference exposure system and a new manufacturing process are currently being developed in a bid to realize new photonics components. Through the development of photonics components and optical devices for manufacturing that control polarization and optical phases, Ushio will strive to play a key role in the realization of telemedicine.



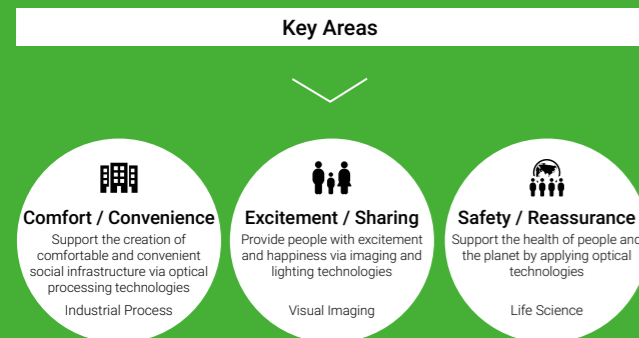
Yohei Nawaki

Photonics Group
 New Technology Development Department, Research and Development Division
 Business Creation Division

Segment

Light Source Business

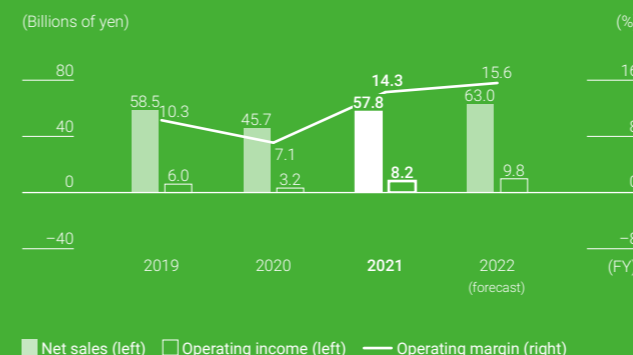
To grow sustainably, we will evolve into a "light" solutions company



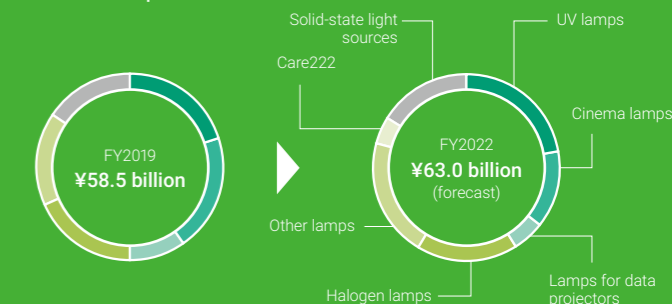
Kazuhiro Kamiyama
 General Manager
 Light Source Business Division
 Ushio Inc.



Net Sales, Operating Income / Operating Margin



Sales Composition



Review of Fiscal 2021 (the Second Year of the Current Medium-Term Management Plan)

In the second year of the current Medium-Term Management Plan, net sales were ¥57.8 billion, up 26.3% compared to the previous fiscal year, operating income was up 156.4% to ¥8.2 billion, and there was a significant increase in both sales and earnings as a result of economic activities restarting due to the spread of vaccinations in developed countries, despite the global reemergence of COVID-19. The market has remained strong for semiconductors and electronic devices, particularly for UV lamps for lithography, against a backdrop of 5G implementation and progress in the development of IoT and AI. Additionally, sales increased for heat treatment lamps that are used in the manufacturing

process following brisk activity in the semiconductor market. In the visual market, sales increased for xenon short arc lamps due to the reopening of cinemas and easing of restrictions around the world under "Living with COVID-19" policies. Regarding Care222, Filtered Far UV Technology for disinfection and virus inactivation in the environmental hygiene field, we have accelerated the recognition of brands and products equipped with the technology and have been eliminating the worries of end users regarding the use of UV light by gathering evidence of safety and acquiring safety standards.

Key Measures and Progress toward Achieving the First Medium-Term Management Plan

In the final year of the Medium-Term Management Plan, we will have an even stronger awareness of our commitment to stakeholders for achieving quantitative and qualitative targets and will promote the reinforcement of solidarity-oriented management, not only between business divisions and but also between Group Companies. Specifically, we will continue striving to complete structural reforms and reinforce cost control as part of our defensive strategy, and streamline our profit structure through the appropriate deployment of management resources, including human resources both within and outside of Japan. Additionally, as part of our proactive strategy, we will continue additional investment and development in growth businesses in which we have continued to invest, to ensure that they become the next pillar of the solutions business.

First, in thermal processing*, reorganization of Group businesses implemented at the end of fiscal 2021 in the area of heat sources (halogen, flash lamp, and LED), in which Ushio excels, will bring together

business operations that were previously carried out on an individual company basis. These operations will focus on technology to enhance the value of solutions provided and take on the challenge of not only contributing to the semiconductor manufacturing process but also providing solutions in the synchrotron radiation heat source market. Additionally, we will continue to promote awareness of our products and solutions to customers in order to provide safety and peace of mind in the future, based on the mindset that Ushio is a solution provider in the environmental hygiene field, such as Care222 and other technologies. Specifically, we will focus on expanding the safety evidence and strengthening the level of awareness of our products to eliminate worries over UV light, which is currently the most serious issue.

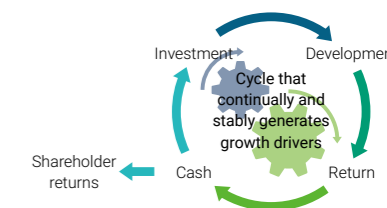
* Thermal processing is a heat treatment process. In the manufacturing process for semiconductors, by heating the wafer, silicon oxide on the surface forms a membrane, which reinforces its quality.

Vision for 2030 and Value Provision

The shift to becoming a "light" solutions company is vital for continued growth in the future. To realize this growth, we will leverage Ushio's core competence to provide optimal solutions for issues faced by society

and end users. While there are many possible challenges in this process, it is vital to invest in development that fills any insufficiencies in our knowledge. Investment comes with risks and the greater the issues

faced by customers and society are, the bigger the risk. However, by managing risk taking rather than not taking action just because it is risky, we will create a sound cycle of operations (investment and development → recovery → returns → reinvestment) to take on the challenge of addressing even bigger social issues.



Current Measures and Action Plans for Five Management Focuses

- 1. Creating Businesses with Greater Social Value**
We will focus on activities that enable us to resolve the true issues faced by society and our customers by not only resolving customer issues or immediate issues but also predicting what kind of challenges will occur in the future.
- 2. Increasing the Quality of Our Human Resources to Move Closer to Our Vision**
We will promote the development and utilization of human resources. While responding to immediate issues is important, we try to create a working environment that promotes the transfer of authority in the workplace and the allocation of resources for the future, as well as encourages the growth of younger employees.
- 3. Creating Working Environments Where It Is Easy to Produce Results**
We will create an open working environment that encourages the active exchange of opinions and sharing of values. Additionally, we will

accelerate diversity by flexibly assigning human resources as necessary with the aim of maximizing the utilization of wisdom across the entire Group, alongside efforts for the advancement of female employees.

4. Sustainably Reducing Environmental Impact
We will continue to adopt eco-friendly development targets, such as developing long-life lamps, products that are even more energy efficient, and solid-state light sources with high light intensity and a long service life.

5. Building a Robust Management Base
It is vital that we invest in development of solutions that support the future to achieve our aim of becoming a "light" solutions company. Accordingly, we will reaffirm our vision for 2030, identify issues that need to be addressed, actively invest in development necessary to resolve these issues, and optimize our business portfolio to achieve this.

Awareness of Opportunities and Risks

We face various risks, such as the recent global COVID-19 pandemic, geopolitical risks, the occurrence of natural disasters, and disruption in the supply chain (buying up raw materials and stable supply) following increasing demand for semiconductors. We hedge production risks that occur at numerous bases in Japan and overseas in response to this disruption, and hedge risks that suddenly occur for key components by promoting a certain level of risk purchasing based on policies to prioritize supply to customers. Furthermore, from fiscal 2022, we have established

a new production headquarters with the aim of enhancing manufacturing capabilities and optimizing supply chains in order to flexibly respond to market needs, which will continue to change in the future, without immobilizing the relationship between manufacturing bases and products as we have in the past. Finally, we will support the creation of a sustainable society by promoting ESG activities and, at the same time, promote a response to the global environment and social issues by understanding the opportunities of any solution activities.

Light Source Business

To grow sustainably, we will evolve into a "light" solutions company

Growth Business Care222



Shinji Kameda
Chief Operating Officer
Ushio America, Inc.

Environmental Hygiene Solution That Utilizes Light with a 222nm Wavelength

We developed the Care222 technology for disinfection and virus inactivation in occupied environments, which removes wavelengths that are harmful to the human body by combining excimer lamps with a main wavelength of 222nm and special optical filters. In the new normal era, Ushio is focusing on developing environmental hygiene solutions through light to realize safe and secure environments.



1 Business Environment and Recent Circumstances Surrounding Ushio

Humanity has been using UV light for disinfection for approximately 80 years. However, the scope of use has been limited, since the disinfection uses harmful UV rays that are absorbed by people's skin and eyes. Accordingly, Care222 is innovative UV light technology that is not harmful to the human body, and media have reported the sensation of Care222 to the world. How to communicate the safety aspects to users of Care222 and whether they understand the technology are serious issues, so we are actively promoting activities such as gathering data on its safety and holding exhibitions and academic conferences.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

Recently, there has been an increasing number of in-hospital infections, including from drug-resistant bacteria, which may result in ten million people dying globally from infections due to drug-resistant bacteria in

2050*1. Additionally, the need for virus countermeasures in closed-off spaces, such as airplanes, is still strong, and the demand for Care222 has increased dramatically. Since COVID-19 infections spread via aerosol transmission, the Centers for Disease Control and Prevention (CDC) of the United States communicated that, in addition to washing hands and wearing masks, there is an urgent need to significantly increase the level of ventilation in a room*2. However, the energy cost needed to increase the number of times air from the entire room is replaced while maintaining the effect of air conditioners is enormous. In response, the use of Care222 is currently attracting attention following the publication of a paper showing that virus-free air, which is equivalent to significantly ventilated air, can be achieved safely and at a low cost. This will hopefully lead to future developments, such as a combination of Care222 with air conditioning systems.

*1 https://www.almediaweb.jp/news/ac20200204_01.html (Japanese only)

*2 <https://www.cdc.gov/infectioncontrol/guidelines/environmental/appendix/air.html>

Examples of Application

Contribute to society by deploying Care222 technology to society



Ako Shimada
Vice President, General Counsel and Corporate Secretary
Ushio America, Inc.

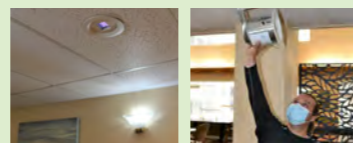


Ryan G. Olsen
Regional Director of Sales Specialty Lighting
Ushio America, Inc.

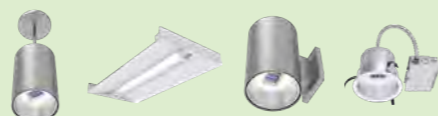


Ryan Guidry
OEM Account Manager
Ushio America, Inc.

In 2022, lighting products (right) equipped with Care222 technology (manufactured by UVC Cleaning Systems Inc.) were introduced to and installed at paid senior care homes in the American state of Oregon. 29 units have been installed in shared and high-traffic areas, including the lobby, dining room, kitchen, bathrooms, and corridors. In addition, due to proactive recommendations by specialists, we have commenced introduction into public buildings, including defense facilities and commercial facilities.



Acuity Brands Lighting, Inc., a major U.S. light manufacturer, which supplies the Care222 module from Ushio America, Inc., has acquired the world's first UL Certification*3 for products equipped with Care222 technology and has begun taking orders in the North American market.



Acuity luminaires with Care222

*3 A safety certification institution (Underwriters Laboratories Inc.) UL certification marks can be displayed on a variety of raw materials and products that have been tested and evaluated in accordance with more than 1000 safety standards and have been found to comply.

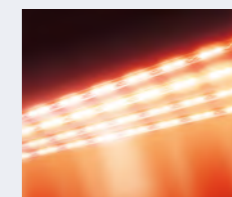
Growth Business Heaters



Tadayoshi Tanigawa
Manager, Section Two
Technology & Engineering Department
Thermal Process GBU
Ushio Inc.

Actively Utilizing as a Heat Source in the Semiconductor Manufacturing Process

Halogen lamps are an industry standard as a heat source for heating the silicon wafers, chemicals, and gas necessary for the semiconductor manufacturing process. Ushio will propose heating processes that meet the needs of our customers, since temperature control is becoming more and more important in the production process due to changes in structure and raw materials following the miniaturization of semiconductor devices.



1 Business Environment and Recent Circumstances Surrounding Ushio

The digitalization of society is progressing due to the popularization of technologies, such as IoT, 5G, and AI, and semiconductors are at the center of this progress. The miniaturization and stratification of these semiconductor devices has increased the manufacturing time per single device, which has invited the current semiconductor shortage. Under these circumstances, we are currently seeing positive conditions for investment in the installation of semiconductor manufacturing equipment. New installations of the semiconductor manufacturing equipment used in Ushio's synchrotron radiation heat sources (flash lamp units, halogen lamps, and lamp units) are at an all-time high.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

Temperature control is becoming more and more important in the production process due to changes in structure and raw materials following the miniaturization of semiconductor devices. In April 2022, we integrated the businesses within the Group to accelerate the development of this semiconductor market. We will refine the temperature-raising functions and local functions while leveraging the strengths of each company. Additionally, we have promoted the development of LEDs as radiation heat sources. We will increase the number of processes where thermal processing through light radiation is adopted as a standard by proposing solutions that can resolve customers' manufacturing process issues by utilizing the three radiation heat sources of flash lamps, halogen lamps, and LEDs.

Growth Business Solid-State Light Sources



Robert Taro Uchida
Section One, Sales Department
Solid-State Light Source GBU
Ushio Inc.

Providing a Wide Added-Value Range of Wavelengths, from Blue-Violet to Infra-Red

Recently, lamp cores are being gradually replaced with solid-state light sources (LD and LED) in light sources for industrial application, producing new added value, such as improved lifespan, expansion of color gamut, and enhanced light utilization efficiency, that exceeds the existing lamps. By leveraging advanced optical technology, our core competence as a specialist light manufacturer, and strength in handling everything from products from devices to systems, we will introduce high-value-added products with a focus on the sensing and measurement domain and light sources for lithography.

1 Business Environment and Recent Circumstances Surrounding Ushio

During the COVID-19 pandemic, the expansion of the market for LD and LED solid-state light sources has accelerated. There has been a strong demand for industrial application red LDs, represented by industrial photoelectric sensors (machinery that recognizes objects with light), and existing markets, such as projectors, laser printers, leveler, etc., have begun to recover. Demand has also been strong for blue-violet LDs as light sources for lithography. Regarding the LED business, we are utilizing a wide range of wavelengths and expanding sales in various fields, including solar simulator, optical sorting, and medical.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

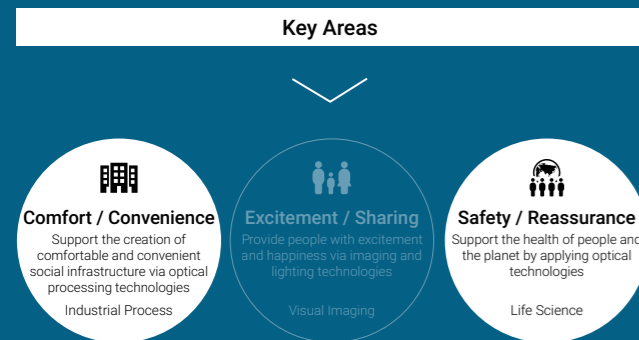
We will continue development of red LDs in the LD business as light sources

for AR devices, such as smart glass, and introduce new products to the high-value-added market, such as medical examination and treatment equipment. For blue-violet LDs, we will promote the development and expansion of sales of high-power products for use in direct imaging (DI) lithography equipment in anticipation of continuing expansion for the semiconductor and electronics market. In the LED business, we will develop into the mobile and in-vehicle markets in anticipation of further market expansion for shortwave infrared (SWIR) wavelength products due to popularization of technology, including the InGaAs camera. We will also expand sales of our lineup of multiple-wavelength products and multi-chip products that utilize customization capabilities, Ushio's conventional strengths, into the medical devices and vital sign sensor markets.

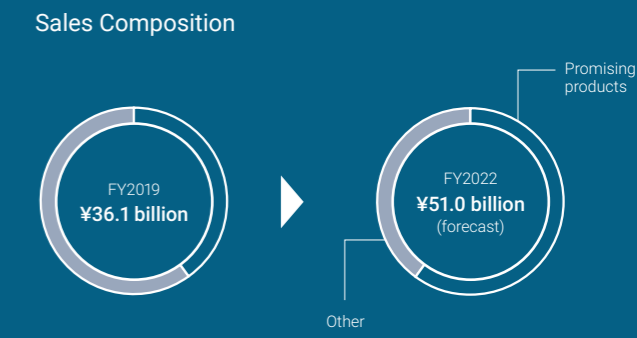
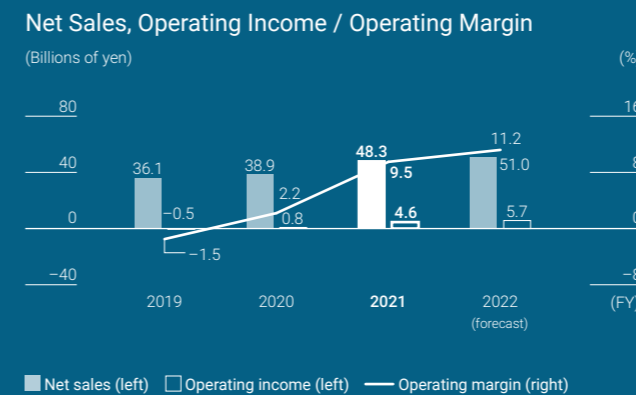
Segment

Optical Equipment Business

We will develop a supply chain and service structure that focuses on employee training programs and technology development through a backcasting approach.



Naoki Kawamura
General Manager
System Solution Division
Ushio Inc.



Review of Fiscal 2021 (the Second Year of the Current Medium-Term Management Plan)

The Optical Equipment Business has experienced a favorable market environment. The improvement of quality and productivity that we engaged in since fiscal 2020 has also paid off with increased sales and earnings. As a result, net sales increased ¥9.3 billion year-on-year to ¥48.3 billion, and operating income increased ¥3.8 billion to ¥4.6 billion. Specifically, there have been increased sales of lithography tools for cutting-edge IC package substrates and direct imaging (DI) lithography equipment for PCB as a result of an increase in capital investment due to the implementation of 5G and developments in IoT and other technologies. Furthermore, due to progress in EUV lithography technology, sales

have grown for Ushio's EUV light sources for photomask inspection. In addition to these, FPD-related equipment, such as excimer irradiation units and photo-alignment equipment, exceeded expectations due to the increased demand for PCs and tablets. This was caused by the increase in online meetings and stay-at-home lifestyles due to the COVID-19 pandemic. Furthermore, we have exceeded expectations for the maintenance business through a successful increase in equipment in operation, and reinforcement of our field service system.

Key Measures and Progress toward Achieving the First Medium-Term Management Plan

The first area is to maintain the top position in EUV light source for photomask inspection. Going forward, the manufacturing process with EUV will further expand. To maintain a global top position, we will enhance quality and stability, establish a supply chain, and reduce costs. Regarding the establishment of a supply chain, the Group will work as one to promote projects, such as component manufacturing at Ushio's Harima Division and ADTEC Engineering (ADT), unit processes at Ushio America's Oregon factory and Ushio's Harima Division, and field services at overseas Group companies.

The second area involves increasing production of lithography equipment, ensuring quality, and developing the next generation of such equipment. Demand has been strong for the "UX-5 Series" large field stepper for cutting-edge IC package substrates. The number of inquiries has exceeded production capabilities, so we have decided to increase our production capabilities by more than two times in May 2022. Going forward, we will create a system for increasing production at not only Ushio's Gotemba Division but also by collaborating with the Ushio Group companies and its business partners. We will also develop the next generations of products to meet miniaturization needs. Additionally, demand is strong for our main product of DI lithography equipment at ADT, and we will not only establish a system for increasing production at the Nagaoka factory but also promote miniaturization development.

The third area is the revival of the STC (Surface Treatment & Curing) business. We have also been investigating the use of plasma and lasers in addition to UV-LED, UV lamps, and excimer lamps. We will promote cross organizational activities and contribute to technological innovation in the global manufacturing of products such as semiconductors, vehicles, batteries, PCB, optical film, and building materials. Recently, the need to replace WET processing, which utilizes high-power-consumption heat treatment furnaces and chemicals that are a huge burden on the environment, has been particularly strong. These are needs that significantly contribute to environmental issues and are the core of Ushio's light solutions business promotion.

The fourth area is reinforcement of a production system for optical equipment. The entire Production Division will strive to stably procure parts and materials, enhance productivity, shift to DX, and reduce environmental impact. Recently, the most significant risk is procuring parts and materials and we are working together with each company in the Ushio Group to secure these.

The fifth area is the creation of a global customer support system. Going forward, we will further expand the global roll out of optical equipment. We will create a structure to increase customer satisfaction through smooth startups and maintenance services in local areas, which leads to increased customer satisfaction and earnings.

Vision for 2030 and Value Provision

Going forward, it will become even more important to address SDGs and other social issues, such as global environmental and poverty issues. In this context, we wish to support the technological innovation of our customers' manufacturing through light and peripheral technology, which contributes to society. For example, we contribute to the convenience and comfort of society by supporting device manufacturers in their

realization of high performance, low energy consumption semiconductors and electronic components through our light technology. To achieve this, looking ahead to 2030 we will develop a supply chain and service structure, while focusing on employee training programs and technology development through a backcasting approach.

Current Measures and Action Plans for Five Management Focuses

1. Creating Businesses with Greater Social Value

Our focus is not just on developing devices but on solving our customers' issues based on a thorough understanding of light. To achieve this, we will focus on activities that enable us to deeply understand our customers' manufacturing and propose solutions to their issues.

2. Increasing the Quality of Our Human Resources to Move Closer to Our Vision

In addition to globalization, we are systematically recruiting and developing interdisciplinary human resources. Specifically, this means recruiting and training people in the fields of optics, machines, electricity, and software & electronic design, as well as training people in chemistry and material science who understand our customers manufacturing processes, and field service engineers for maintenance.

We are also systematically and continually carrying out the investment and job rotation that are vital for human resource development.

3. Creating Working Environments where It Is Easy to Produce Results

The Optical Equipment Business is one that is subject to extreme economic fluctuations. Under these circumstances, we are implementing labor management with a focus on work-life balance. Specifically, we are equalizing

production by promoting standardized designs and multifunctional manufacturing, as well as implementing measures that enable our employees to understand the social value of and feel satisfied with their work.

4. Sustainably Reducing Environmental Impact

We are working to reduce the environmental impact of our manufacturing process and logistics (such as enhancing productivity, adopting solar power, optimizing the size of delivery trucks, and making delivery routes more efficient), reduce the power consumption of optical equipment (such as developing energy-efficient optical devices and actively adopting solid-state light sources), and develop products that contribute to reducing the environmental impact (such as lithography equipment and EUV light source for photomask inspection with high performance and low power consumption).

5. Building a Robust Management Base

We are always aiming to optimize our product portfolio. In addition to the development of sustainable products with an eye on social issues, we focus on a balance between equipment sales and maintenance services, so that our portfolio can grow and develop sustainably while achieving customer satisfaction.

Awareness of Opportunities and Risks

Semiconductors, similar to energy and food, are strategic national commodities and are subject to political influence. While this presents a growth opportunity for the semiconductor industry, even today there are also risks, such as that some exports to China will face restrictions. There are also currently pronounced procurement risks regarding

semiconductors and related components. These risks are not simply shortages in components but a steep rise in prices across the board. We will strive to mitigate these risks by diversifying our procurement sources and adopting alternative products through design changes.



Optical Equipment Business

We will develop a supply chain and service structure that focuses on employee training programs and technology development through a backcasting approach.

Growth Business EUV Light Sources



Kazuya Aoki
General Manager
Business Management Department
EUV GBU, System Solution Division
Ushio Inc.

Provision of Optimal Light for Semiconductor Minimization Needs

The EUV lithography process is expected to be the technology for manufacturing next-generation semiconductors that help to realize new infrastructure, such as AI, IoT, and autonomous driving. Ushio specializes in using this process to produce light sources for mask inspections.

This has contributed to the minimization of the width of circuit wiring, which is the key to enhancing the functionality of semiconductors. We provide everything from development to manufacture, operation, and aftersales service.



1 Business Environment and Recent Circumstances Surrounding Ushio

Semiconductors first appeared approximately half a century ago and are now an integral part of our daily lives. Due to the recent COVID-19 pandemic, there has been increasing demand for advanced semiconductors that are required for the AI and high-performance servers used in home offices and online meetings. EUV lithography technology is contributing to the production of these cutting-edge semiconductors. Ushio's EUV light sources have contributed to the establishment of mass production for this EUV lithography as an essential light source used in photomask inspection equipment. Following further spread of semiconductor manufacturing processes used in EUV lithography, we expect the field of activity for Ushio's EUV light sources to continue expanding.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

Ushio's EUV light source is the only one used in photomask inspections that has achieved a high capacity of mass production for EUV lithography. Building on this result, we aim to gain even greater market confidence by achieving further operational stability and contributing to a reduction in total cost of ownership (TCO) in the mass production process. Additionally, we have continued to develop and improve our EUV light source with advanced and high-precision inspections. Through these activities, we will contribute to the entire ecosystem of EUV lithography as a light source manufacturer.

Growth Strategy STC (Surface Treatment & Curing)

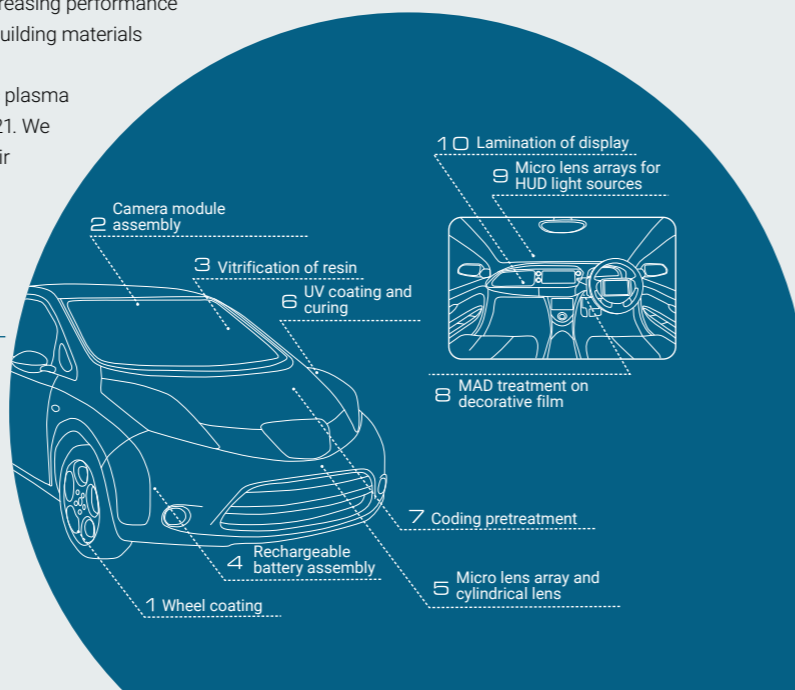
We want to use Ushio's "light" to resolve customers' issues in surface treatment, bonding, and joining processes.

We have dealt with these issues in the FPD market and have built up a lot of experience, but we have been trying to expand into other markets for many years and are starting to see results. For example, in the battery market, by carrying out surface treatment of components with light we improve the safety of our customers' products, and by shifting from thermal bonding to optical bonding of components, we contribute to increasing our customers' productivity. In addition to this, we are increasing performance and demand in the semiconductors, PCB, vehicles, optical components, and building materials industries. New possibilities have also emerged in the printing market.

In order to meet the needs of these markets, we added a new atmospheric plasma irradiation unit to our lineup in the field of surface treatment in December 2021. We are committed to helping our customers improve their productivity, make their products more stable, safer, more efficient, and lighter, and reduce their environmental impact through their production and the products themselves.



Yuma Yamaguchi
Manager, Section Two
Sales Department
Photon Process GBU
System Solution Division
USHIO Inc.



Growth Business Lithography

Cutting-Edge IC Package Substrates



Nozomu Matsumoto
Section One, Sales Department
Photon Process GBU
System Solution Division
Ushio Inc.

High-Resolution and High-Productivity Projection Large Field Stepper

Lithography tools that respond to advanced IC package substrate technology, such as high-resolution capable of responding to miniaturization, large-field lithography that realizes high productivity, and high focal depth that is capable of responding to warped IC substrate. In-house, we develop not only light sources but also main technologies, such as optical components, material handling, power supply, and software.



1 Business Environment and Recent Circumstances Surrounding Ushio

Due to the advancement of technologies including AI, 5G, and IoT, there is increasing demand for data center servers for high-capacity and high-speed data processing. For many years, we have received numerous orders for UX-5 series lithography equipment following the increasing demand, which has gained further momentum during the pandemic. While we have already carried out capital investment that reinforces production capability twice since fiscal 2019, we plan to further double these capabilities by fiscal 2024.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

The UX-5 series is differentiated from its competitors by its large exposure field and high productivity, and we have delivered numerous units for the mass production of cutting-edge package substrates in the back-end process. Recently, demand has been increasing for not only the miniaturization of IC chips in the front-end process but also micro-wiring technology in package substrates in the back-end process. We have already begun development of next-generation equipment and will invest in the market to ensure that there are no delays in customer requirements.

Printed Circuit Boards (PCB) and Package Substrates



Masaru Kaneko
Senior Executive Officer
General Manager
Manufacturing Division and
Administrative Division
ADTEC Engineering Co., Ltd.

Balance Between High-Definition Images and High-Speed Lithography

Fully automated DI lithography equipment that enable the balance between high-resolution capability and the world's fastest high-productivity. We have realized the world's best system balance with quality, speed, and stability, and have a proven track record in the mass production lines of the world's leading circuit board manufacturers.



1 Business Environment and Recent Circumstances Surrounding Ushio

Due to the increasing global demand for semiconductors, sales of direct imaging lithography equipment for package substrates have maintained a high level. However, since component shortages have impacted production activities, we have been taking measures to minimize these impacts, such as adoption of alternative products and design changes. Additionally, there has been an impact from the steep rise in material costs but, from 2021, we began the full-scale launch of the use of components procured overseas in high-end machines with the aim of restricting the rising production costs and further reducing costs. In 2021, we increase production space by 1.4 times and created a production system. With higher production volume than last year predicted,

there are various risks, such as lockdowns within China, but we are taking the utmost care when dealing with shipping and start-ups.

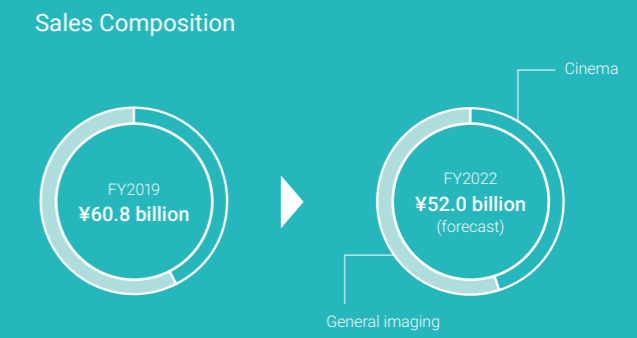
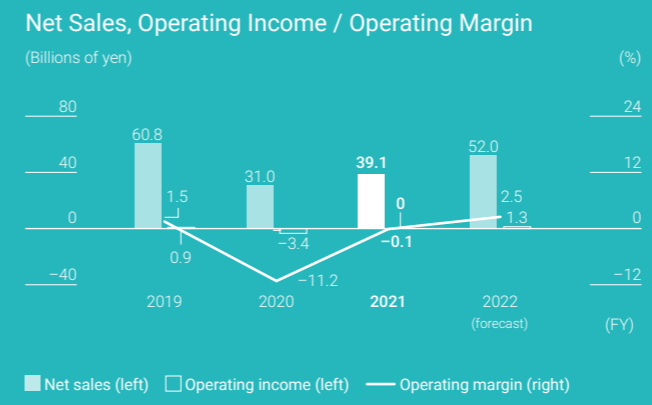
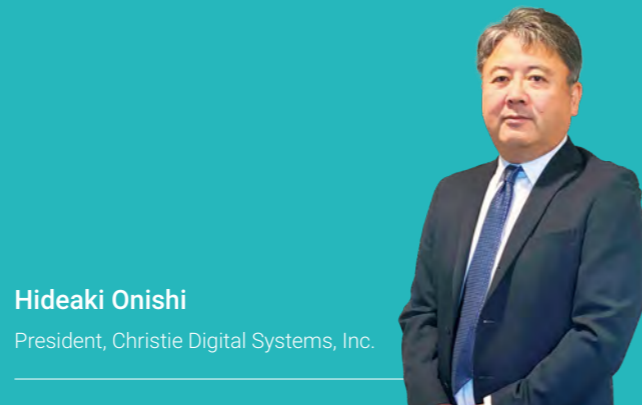
2 Future Initiatives and Outlook for Maintaining Competitive Advantage

The technology mounted with multiple semiconductor chips in a single package has progressed and we are moving toward the high-resolution and high-performance functions required for DI lithography equipment. We make decisions based on an analysis of market demands, competitive advantage over other companies, and awareness of our position, and then we accumulate the necessary budget for developing new functions. Furthermore, we aim to enhance the level of satisfaction in customer service by striving to swiftly pinpoint the root cause based on the concept of *Sangen Shugi* (actual place, actual part, and actual situation).

Segment

Imaging Equipment Business

We will create social value by providing solutions that contribute to the excitement and happiness of society.



Review of Fiscal 2021 (the Second Year of the Current Medium-Term Management Plan)

In fiscal 2021, issues in the supply chain increased following the continued impact of COVID-19 and the global shortage of semiconductors. These have had a significant impact on the business activities of Christie Digital Systems, Inc. (CDS), the main company in the Imaging Equipment Business. We have seen signs of an overall recovery, such as the restarting of events, reopening of amusement parks, and continuous release of contents that will bring customers back to cinemas, in the business environment. Amid this rise in demand, there have been severe difficulties in the procurement of raw materials to create products that meet the demands of the market due to issues in the supply chain. However, initiatives for management streamlining during the first year of the Medium-Term Management Plan, namely selection and

concentration of businesses and optimization of working capital, have been successful, and we have been able to achieve a significant improvement of earnings compared to the previous fiscal year despite the harshness of this business environment. These initiatives are gradually increasing in importance to meet the needs of customers amid labor shortages and ever-changing restrictions to supply. Additionally, we have promoted the development of cutting-edge technology that enables us to provide the solutions truly needed by our customers during the third year of the Medium-Term Management Plan and beyond.

Key Measures and Progress toward Achieving the First Medium-Term Management Plan

In addition to overcoming these severe supply chain issues, CDS will focus on the following points in the third year of the Medium-Term Management Plan.

1. Enhancing Operational Efficiency
CDS will create social value by providing solutions that contribute to the excitement and happiness of society. We must strive to ensure that our world top-class solutions are easy to use and attractive to our customers. Accordingly, human resources with expert knowledge and efficient business processes and systems have become the foundation of these solutions. Investment in the continual training and development of employees will lead to their respective professional growth, engagement, and retention. We will also thoroughly review customer services and internal IT systems to enhance operational efficiency.

2. Diversification of Our Businesses
The need to diversify businesses beyond visual displays is increasing due to the pandemic. We will generate new solutions by strategically carrying out technological investment in the fields of expertise at the core of CDS.

3. Continuing Optimization of Working Capital for Technological Development Activities
We will continue to focus on making inventory more efficient in the third year of the Medium-Term Management Plan to optimize working capital. An indicator of particular importance is inventory level. Amid the current restrictions to supply, we will enable the proper purchase of key components with a long lead time, but also continually promote the reduction of long-term inventory and surplus inventory. These continuous initiatives to improve efficiency of working capital ensure investment capacity in response to the uncertain market environment, which experiences harsh changes, while laying the foundation to enhance our risk tolerance.

Vision for 2030 and Value Provision

Ushio's imaging equipment business has been creating and sharing great experiences for audiences, from places of worship to Hollywood, control rooms to classrooms, and supporting numerous business partners since CDS began production of their film projector. CDS will continue to support business partners by understanding the needs of the end user and continue to provide the new and exciting images and experiences people want. As CDS continues to evolve as a solution business, the Company is promoting initiatives to diversify the business into peripheral technologies and markets

where we have the knowledge to create added value, in addition to existing core competence businesses. This diversity reduces market risks and ensures sustainable and highly profitable growth by reducing geopolitical and economic risks and shortening the supply chain. As such, it essential to engage in initiatives to achieve the ESG targets of Ushio.

Current Measures and Action Plans for Five Management Focuses

During the third year of the Medium-Term Management Plan, fiscal 2022, CDS will concentrate on the third of Ushio's Five Management Focuses—"Creating Working Environments Where It Is Easy to Produce Results." We recognize that it is essential to create a work environment that motivates employees, who are the foundation for developing first-class solutions and providing services to the market. We aim to review, streamline, and improve our systems and processes to simplify employee workstyles and ultimately enhance customer experience. In addition to processes, we are endeavoring to create a working environment that ensures that employees feel satisfied and valued. Accordingly, we have continued the One Christie initiative, which improves

communication across the whole organization, ensures everyone is working toward the same direction, and realizes a shared culture, through periodic communication between management and opportunities for employee feedback. The Company acts on this feedback with a focus on developing employees through training, improving the aforementioned systems and processes, and introducing new workstyles, aiming to become as hybrid as possible. This stance of placing importance on human resources leads to securing employees in a highly competitive labor market.

Awareness of Opportunities and Risks

Opportunities: The continued spread of LEDs in the imaging business will lead to the opportunity to leverage the investments made to reinforce CDS's provision of LED solutions.

Risks: There are significant medium- to long-term risks, including supply chain shortages, inflationary pressure, recession concerns, and geopolitical tensions. CDS will earnestly and flexibly respond to these threats.



Imaging Equipment Business

We will create social value by providing solutions that contribute to the excitement and happiness of society.

Cinema Business



Brian Claypool

Executive Vice President of Cinema
Christie Digital Systems, Inc.

Providing Surprising and Exciting Experiences through Total Solutions

Methods for delivering content are diversifying and people's desire to experience together the richness offered by the presentation of compelling stories will not change. In recent years, movie theaters have been developing into spaces to enjoy other forms of entertainment aside from films, such as e sports and live performances. Ushio supports such movie theaters around the world through solutions including the provision of high-brightness and high-resolution digital cinema projectors, the xenon lamps and lasers inside these projectors, and managed services that support the operation of movie theaters and provide surprising and exciting experiences.

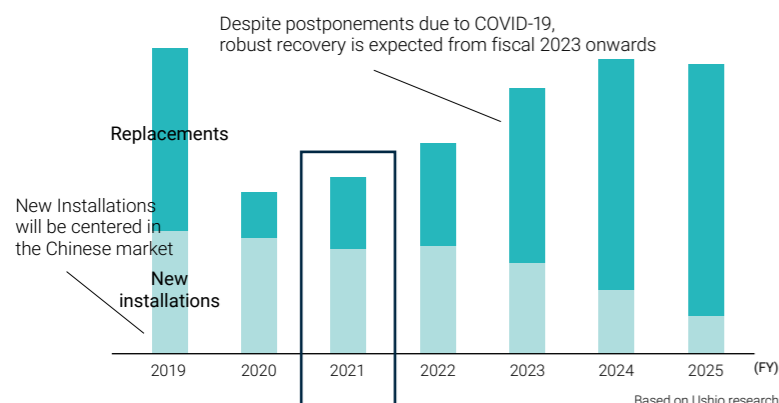
1 Business Environment and Recent Circumstances Surrounding Ushio

The cinema box office market has been seeing continued steady recovery. The cash flow of the box office business has improved beyond expectations, boosted by the release of prominent content such as Spider-Man: No Way Home, which was released in December 2021, The Batman, Doctor Strange, and Top Gun: Maverick. Box office revenues are expected to grow further, regardless of inflationary pressures, particularly during the key release period between May and August. People continue to want shared experiences at their local cinemas. The continuous release of appealing content and the roles cinemas play as a point of contact for customers' shared experiences strongly boost our capability to develop technology capable of providing even more exciting experiences to our customers. Additionally, Avatar: The Way of Water, set for release in December 2022, is expected to trigger examination of further investment in strategies that differentiate us from competitors in cinema from 2023. Furthermore, projectors are essential not only in cinemas but also in content creation to check the finished product. Since the creation of episodic films and feature films has been increasing globally, demand will also continue to increase.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

While the pandemic has dealt a serious blow to the cinema industry, CDS will continue to provide innovative display products and related solutions that push the boundaries of what is possible, by meeting the demands of the market and cooperating with first-class movie producers and exhibition partners. We must discover the appropriate balance between innovation and economy. Additionally, we hope to understand the technological requirements of customers and product acquisition needs through this innovation, and capture the demand for replacing approximately 200,000 projectors around the world, which is expected over the next ten years.

Outlook for Cinema Projector Demand (units)



RGB laser projector for cinemas CP4435-RGB



General Imaging Business



Michael Bosworth

Executive Vice President of
Enterprise
Christie Digital Systems, Inc.

Sharing Excitement and Experiences through Imaging Solutions

Ushio fascinates people with light in various gathering spaces, including amusement parks, commercial facilities, meeting rooms, and public facilities. In other words, we provide social value by sharing excitement and experiences with others. In recent years, the demand for projection mapping in large spaces has been increasing and solutions from Ushio are being utilized in numerous places in order to produce dynamic visual experiences and excitement.

1 Business Environment and Recent Circumstances Surrounding Ushio

While governments around the world continue to respond to the spread of COVID-19 and global businesses return to a "new normal," many key markets in the Enterprise Division are reopening, starting with travel and tourism markets, including amusement parks, live events, and art galleries. The conference industry is also seeing a sound recovery and numerous meeting facilities and conference centers are booked up to the end of fiscal 2023. These key market domains represent a major business opportunity for CDS's three-chip and high-brightness one-chip products. Furthermore, in the first six months of 2022, there has been a significant increase in inquiries about LED video wall solutions and sales have grown for MicroTiles LEDs and core LEDs.

2 Future Initiatives and Outlook for Maintaining Competitive Advantage

CDS has promoted the technological development of LEDs and RGB pure laser products and provided products with distinctive visual impact compared to other competitors. In an aim to provide turnkey solutions, the CDS design team places importance on the backwards compatibility of new products with existing accessories and infrastructure requirements. This new technology with compatibility has become an important point of differentiation for customers who decide to renew existing equipment. In this way, CDS will increase competitiveness by preventing infrastructure obsolescence and contribute to ESG targets by reducing waste.

Example of Solution

AI Wasl Dome at Expo 2020 Dubai

CDS was an official partner of the Expo 2020 Dubai. 252 CDS projectors were installed around the As Wasl Dome for the opening ceremony of the Expo, which was held on September 30, 2021. We were able to remotely supervise all performances and provide captivating projection through software. Utilizing CDS technology at various venues around the Expo enhances our reputation on the global stage and collaboration with key organizations creates new opportunities to provide CDS technology at mega events in the future.



RGB laser projector
D4K40-RGB

Planetarium Market and Giant Screen Market

CDS is providing solutions in the giant screen market, planetarium market, and other similar markets, including the flying attraction market, which is currently popular around the world. These markets have very similar technological requirements in terms of complex and close connections between unique and diverse peripheral equipment. Ensuring clear solutions for these markets is a factor that strongly differentiates us from other companies. Additionally, we are utilizing partnerships to expand business into areas in which we do not have our own sales channels.



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Directors (as of June 29, 2022)



Koji Naito
President and Chief Executive Officer

Apr. 1986 Joined Ushio Inc.
Oct. 2014 Executive Officer
Apr. 2015 Senior Executive Officer General Manager, Light Source Business Division
Apr. 2016 Managing Executive Officer
Apr. 2019 Chief Executive Officer
Jun. 2019 President and Chief Executive Officer (incumbent)



Naoki Kawamura
Representative Director and Senior Executive Vice President

Apr. 1986 Joined Ushio Inc.
Apr. 2015 Executive Officer General Manager, Biomedical Division
Nov. 2016 General Manager, System Solution Division
Apr. 2017 Senior Executive Officer
Apr. 2018 Managing Executive Officer
Apr. 2019 Senior Managing Executive Officer General Manager, Business Management Headquarters and General Manager, System Solution Division, Business Management Headquarters
May 2019 General Manager, Business Management Headquarters and General Manager, System Solution Division, Business Management Headquarters and General Manager, Business Development Division, Business Management Headquarters
Jun. 2019 Director and Senior Managing Executive Officer
Apr. 2020 General Manager, Business Management Headquarters and General Manager, System Solution Division, Business Management Headquarters and General Manager, Incubation Center, Business Management Headquarters
May 2020 Representative Director and Senior Managing Executive Officer
Apr. 2022 Representative Director, Senior Managing Executive Officer and Chief Operating Officer (incumbent)
General Manager, Business Management Headquarters and General Manager, System Solution Division, Business Management Headquarters (incumbent)



Kazuhisa Kamiyama
Director and Managing Executive Officer

Sep. 1995 Joined Ushio Inc.
Apr. 2016 Executive Officer General Manager, Corporate Headquarters and General Manager, Corporate Strategy Division, Corporate Headquarters
Apr. 2018 General Manager, Corporate Headquarters
Jul. 2018 Group Executive Officer Chief Financial Officer, Christie Digital Systems, Inc.
Apr. 2019 Group Senior Executive Officer President, Christie Digital Systems, Inc. Chairman and Chief Executive Officer, Christie Digital Systems USA, Inc. Chairman and Chief Executive Officer, Christie Digital Systems CANADA, Inc. (incumbent)
Jun. 2019 Director and Group Senior Executive Officer
Apr. 2022 Director and Managing Executive Officer (incumbent)
Deputy General Manager, Business Management Headquarters and General Manager, Light Source Business Division, Business Management Headquarters (incumbent)



Toyonari Sasaki
Outside Director

Apr. 1976 Joined the Ministry of Finance
Jul. 2003 Deputy Director, General of the Budget Bureau
Jul. 2007 First Deputy Commissioner, National Tax Agency
Jul. 2008 Director, General of the Financial Bureau
Jan. 2010 Assistant Chief Cabinet Secretary, Cabinet Secretariat
Apr. 2013 Chief Domestic Coordinator, Governmental Headquarters for the Trans-Pacific Strategic Economic Partnership Agreement (TPP), Cabinet Secretariat
Jul. 2016 Vice Chairman, the Life Insurance Association of Japan (incumbent)
Jun. 2019 Outside Director (incumbent)



Masatoshi Matsuzaki
Outside Director

Apr. 1976 Joined Konishiroku Photo Industry, Inc. (currently Konica Minolta, Inc.)
Oct. 2003 Director, Konica Minolta Business Technologies Inc.
Apr. 2005 Executive Officer, Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.) President and Chief Executive Officer, Konica Minolta Technology Center, Inc.
Apr. 2006 Senior Executive Officer, Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.)
Jun. 2006 Director and Senior Executive Officer, Konica Minolta Holdings, Inc.
Apr. 2009 Director, President, Chief Executive Officer, and Representative Executive Officer, Konica Minolta Holdings, Inc.
Apr. 2014 Director and Chair of the Board of Directors, Konica Minolta, Inc.
May 2016 Outside Director, Ichigo Inc. (incumbent)
Jun. 2019 Outside Director and Chair of the Board of Directors, LIXIL Group Corporation (currently LIXIL Corporation) (incumbent)
Aug. 2021 Outside Director, SmartHR, Inc.
Apr. 2022 Outside Director and Chair of the Board of Directors, SmartHR, Inc. (incumbent)
Jun. 2022 Outside Director (incumbent)



Nobuyuki Kobayashi
Director (Full-time Audit & Supervisory Committee Member)

Apr. 1982 Joined Ushio Inc.
Apr. 2007 Executive Officer
Jul. 2011 Senior Executive Officer
Jun. 2013 Director and Managing Executive Officer
Apr. 2014 General Manager, Corporate Management Division
Apr. 2016 In charge of Corporate Headquarter
Jun. 2016 Director (a Full-time Audit & Supervisory Committee Member) (incumbent)



Takabumi Asahi
Director and Managing Executive Officer

Apr. 2017 Joined Ushio Inc.
Jul. 2017 Deputy General Manager, Corporate Headquarters
Oct. 2017 Deputy General Manager, Corporate Headquarters and General Manager, Corporate Planning Department, Corporate Strategy Division, Corporate Headquarters
Apr. 2018 Executive Officer Deputy General Manager, Corporate Headquarters and General Manager, Corporate Strategy Division, Corporate Headquarters and General Manager, Corporate Planning Department, Corporate Strategy Division, Corporate Headquarters
Jul. 2018 General Manager, Corporate Strategy Division and General Manager, Corporate Planning Department, Corporate Strategy Division
Apr. 2019 Senior Executive Officer General Manager, Corporate Headquarters and General Manager, Corporate Strategy Division, Corporate Headquarters and General Manager, Corporate Planning Department, Corporate Strategy Division, Corporate Headquarters
Jul. 2019 General Manager, Corporate Headquarters (incumbent)
Jun. 2021 Director and Senior Executive Officer
Apr. 2022 Director, Managing Executive Officer and Chief Financial Officer (incumbent)



Yasufumi Kanemaru
Outside Director

Apr. 1979 Joined TKC Corporation
Apr. 1982 Joined Logic Systems International, Inc.
Sep. 1985 Director, NTT PC Communications Incorporated
Nov. 1989 Established Future System Consulting Corp. (currently Future Corporation) and served as President and Chief Executive Officer
Mar. 2006 Chairman, President and Chief Executive Officer, Future System Consulting Corp.
Jan. 2007 Chairman and Chief Executive Officer, Future Architect, Inc. (currently Future Corporation)
Mar. 2011 Chairman, President and Chief Executive Officer, Future Architect, Inc.
Jun. 2015 Outside Director (incumbent)
Jul. 2015 Chairman, Future Architect, Inc.
Apr. 2016 Chairman and President, Group CEO, Future Corporation (incumbent), Chairman and Representative Director, Future Architect, Inc. Chairman
Mar. 2022 Chairman, Future Architect, Inc. (incumbent)



Sakie Tachibana Fukushima
Outside Director

Jun. 1980 Joined Braxton International
Sep. 1987 Joined Bain & Company, Inc.
Aug. 1991 Joined Korn / Ferry International-Japan
May 1995 Director, Korn / Ferry International
Sep. 2000 Regional Managing Director, Korn / Ferry International-Japan
Jul. 2001 President and Representative Director, Korn / Ferry International-Japan
May 2009 Chairman & Representative Director, Korn / Ferry International-Japan
Jul. 2010 President & Representative Director, G&S Global Advisors Inc. (incumbent)
Jun. 2016 Outside Director (incumbent)
Jun. 2019 Outside Director, Konica Minolta, Inc. (incumbent)
Jun. 2020 Outside Director, Kyushu Electric Power Company, Incorporated (incumbent)
Jun. 2022 Outside Director, Aozora Bank, Ltd. (incumbent)



Rei Sugihara
Outside Director
(Audit & Supervisory Committee Member)

Apr. 1986 Judge
Apr. 1995 Attorney-at-law (incumbent)
Jan. 1996 Joined Koga Sogo Law Office (currently Kasumi Sogo Law Office) (incumbent)
Oct. 2004 Partner Lawyer, Kasumi Sogo Law Office (incumbent)
Mar. 2015 Outside Audit & Supervisory Board Member, TACHIKAWA CORPORATION (incumbent)
Jun. 2020 Outside Director (an Audit & Supervisory Committee Member) (incumbent)



Akemi Sunaga
Outside Director
(Audit & Supervisory Committee Member)

Oct. 1989 Joined Auditing Department of Aoyama Audit Corporation (currently PricewaterhouseCoopers Aarata LLC)
Feb. 1991 Joined Auditing Department of Chuo Audit Corporation
Aug. 1993 Certified Public Accountant (incumbent)
Oct. 1994 Certified Public Tax Accountant (incumbent)
Nov. 1994 Established Sunaga CPA Firm and served as Representative Director (incumbent)
Nov. 1996 Established Marunouchi Business Consulting Ltd. and served as Representative Director (incumbent)
Jan. 2012 Established Marunouchi Business Consulting Tax Co. and served as Senior Partner (incumbent)
Jun. 2017 Established Marunouchi Audit Corporation and served as Senior Partner (incumbent)
Jun. 2020 Outside Director (an Audit & Supervisory Committee Member) (incumbent)
Outside Director (an Audit & Supervisory Committee Member), YOMEISHU SEIZO CO., LTD. (incumbent)
Jun. 2021 Outside Audit & Supervisory Board Member, Prima Meat Packers, Ltd. (incumbent)
Outside Director, KYB Corporation (incumbent)



Chiaki Ariizumi
Outside Director
(Audit & Supervisory Committee Member)

Apr. 1987 Joined the Bank of Japan
May 1998 Deputy Manager, International Department (Head of Europe and the Americas Group), Bank of Japan
Jul. 2002 Manager, Nagoya Branch, the Bank of Japan
Jul. 2005 Director, Information Service Department, the Bank of Japan
Jul. 2009 Director, Secretariat of the Policy Board (Head of Economic Organization Negotiations Group), Bank of Japan
Jun. 2019 Director, Information Service Department, the Bank of Japan
Jan. 2020 Personnel and Corporate Affairs Department, the Bank of Japan
Mar. 2020 Retired from Bank of Japan
Outside Audit & Supervisory Board Member, KOBAYASHI PHARMACEUTICAL CO., LTD.
Outside Audit & Supervisory Board Member, IDEA Consultants, Inc. (incumbent)
Jun. 2021 Outside Audit & Supervisory Board Member, Kiraboshi Bank, Ltd. (incumbent)
Mar. 2022 Outside Director, KOBAYASHI PHARMACEUTICAL CO., LTD. (incumbent)
Jun. 2022 Outside Director (Audit & Supervisory Board Member) (incumbent)

Ushio recognizes that realizing the Vision set forth in 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 to realize speedy and resolute decision-making.

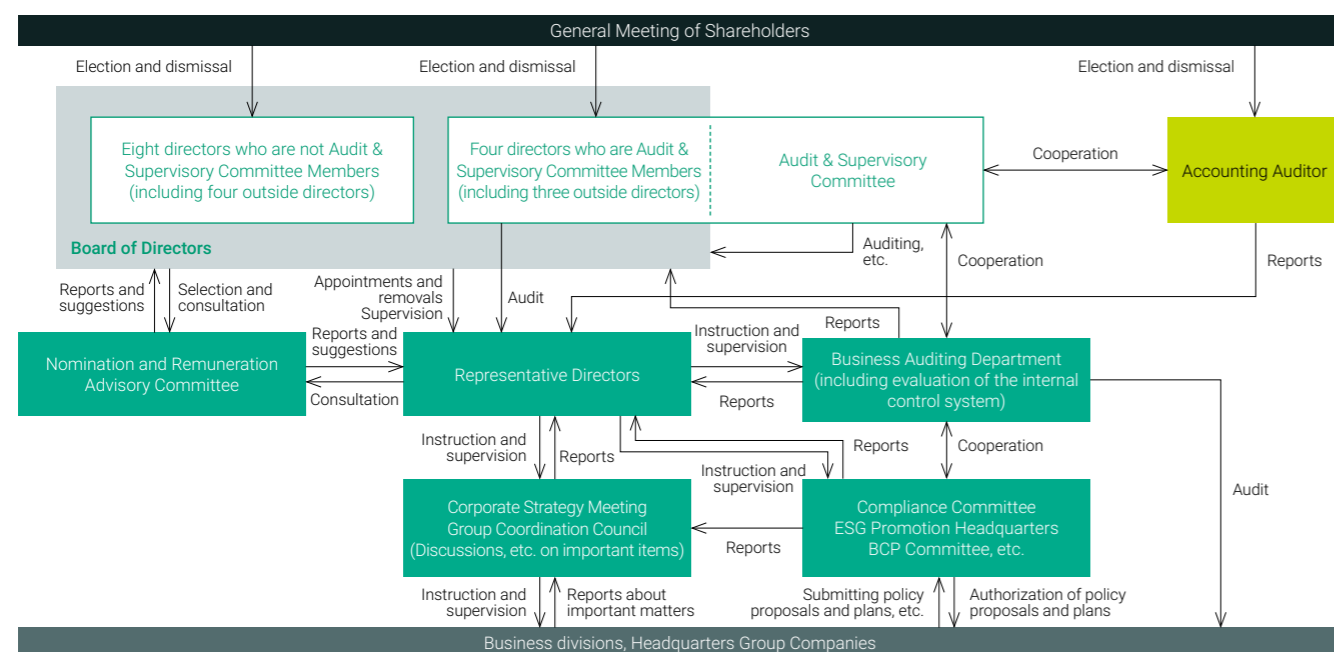
Corporate Governance System (As of June 29, 2022)

Ushio 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 by having established an Audit & Supervisory Committee with the authority to assess the legality and validity of board members in performing their duties.

Furthermore, there is a Nomination and Remuneration Advisory Committee for the purpose of ensuring the fairness and appropriateness of the nominations and remuneration of directors. The Board of Directors comprises 12 directors (as of June 29, 2022). Eight are not Audit & Supervisory Committee members (including four outside directors), and four are Audit & Supervisory Committee members (including three outside directors). The Board of Directors makes decisions on top priority issues, including basic management policies, and oversees business execution. Delegating decisions on the execution of certain important operations to directors who manage these operations has accelerated decision-making. At the same time, the executive officer system has led to more accurate and prompt business execution. In addition, Ushio established the Corporate Strategy Meeting and Group Coordination Council to discuss and report on business execution priorities.

The Audit & Supervisory Committee comprises four members (including three outside directors). The committee audits and oversees the directors' performance of duties in line with its own audit and supervising standards. Ushio 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 Nomination and Remuneration Advisory Committee comprises six members (including five outside directors). The responsibilities of the Nomination and Remuneration Advisory Committee, 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 nominations of director candidates. All the members of the Nomination and Remuneration Advisory Committee are: Koji Naito (director), Yasufumi Kanemaru (independent outside director), Sakie Tachibana Fukushima (independent outside director), Toyonari Sasaki (independent outside director), Masatoshi Matsuzaki (independent outside director), and Rei Sugihara (independent outside director). The committee is chaired by Sakie Tachibana Fukushima (independent outside director).



Audits

Audits by the Audit & Supervisory Committee

The Audit & Supervisory Committee comprises three members, including one full-time Audit & Supervisory Committee member, and has been established to oversee the directors' performance of duties. The full-time member Nobuyuki Kobayashi has experience working in the finance departments of the Company, and therefore possesses a high level of expertise regarding finance and accounting. The outside 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 Audit & Supervisory Committee meets once a month, in principle, to supervise the management of the Company and conduct audits on the appropriateness of business execution by the directors. In fiscal 2020, the committee met 13 times, and the attendance rate of each individual members is as listed in the table below.

Name	Full-Time / Part-Time	Inside / Outside	Number of Meetings Held	Number of Meetings Attended
Nobuyuki Kobayashi	Full-time	Inside	13	13
Rei Sugihara	Part-time	Outside	13	13
Akemi Sunaga	Part-time	Outside	13	13

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; the establishment and operational status of Group internal control systems; the monitoring of the management status of Group companies; the status of the Company's compliance and risk management and audit activities of full-time Audit & Supervisory Board members; and other key audit matters (KAM). The audit and supervision of these various factors are carried out from the perspectives of legality and validity. In particular, audit and supervision are carried out with emphasis placed on the validity of business execution and on the status of execution of internal control audits by the Accounting Auditor and internal audit department.

assessment of the Accounting Auditor and agrees on remuneration for the Accounting Auditor.

The Audit & Supervisory Committee receives regular reports from the internal audit department at least once a month at the Audit & Supervisory Committee meeting and other channels regarding the status of business audits and the establishment and operational status of internal control systems. They actively exchange information and opinions regarding these issues.

Additionally, full-time Audit & Supervisory Board members attend vital meetings, including the Executive Council, various strategy meetings, and the Compliance Committee; examine important authorized documents; and carry out on-site audits of Ushio Inc. and the Group companies in accordance with the audit assignments to enhance the audit and supervisory functions of the Audit & Supervisory Committee. They also gather information regarding the status of business execution, such as receiving reports when necessary from the departments responsible for business execution through communication with the Board of Directors and other senior management of Ushio Inc. and the Group companies. In addition, members gather information on the status of amendments to laws through outside seminars and other methods, report to the Audit & Supervisory Committee, and audit and supervise the response status of various amendments to laws in executive departments.

Furthermore, considering the possibility of outbreaks, like COVID-19, the Company is creating audit mechanisms, such as the introduction of online meetings, and a system for financial analysis and management analysis for each Group company in Japan and overseas, that complement on-site audits.

Part-time committee members receive reports on the status of such audits at meetings of the Audit & Supervisory Committee. Additionally, these members meet with the Company's management and the Accounting Auditor to exchange opinions and present their valued opinions based on their expertise and from a multifaceted and objective standpoint. Furthermore, one part-time committee member is also a member of the Nomination and Remuneration Advisory Committee.

The Audit & Supervisory Committee receives reports from the Accounting Auditor regarding the status and results of audit plans, accounting audits, internal control audits, audit system, and quality management system. The Audit & Supervisory Committee and the Accounting Auditor exchange opinions and information on these issues more than eight times per year through online meetings and other forms of communication. Based on the reports and other activities, the Audit & Supervisory Committee examines the

Internal Audits

The business auditing department (one manager and eight other members), which is under the direct control of the president, was established as the department responsible for internal audits. The business auditing department performs on-site and written audits to check the appropriateness and effectiveness of operational controls and procedures. The department reports as necessary to the committee on the results of internal audits to the representative directors, the Board of Directors, and the Audit & Supervisory Committee.

The Accounting Auditor submits an annual audit plan to the Audit & Supervisory Committee and explains its specific auditing policies and methods. It also prepares summary reports for the quarterly and year-end reviews and accounting audits.

The Audit & Supervisory Committee, internal audit department, and Accounting Auditor exchange information and opinions as necessary and cooperate with each other.


Nomination and Remuneration Advisory Committee

Ushio Inc. has established a Nomination and Remuneration Advisory Committee, which is chaired by and comprises a majority of independent outside directors, for the purpose of ensuring the fairness and appropriateness of the nominations and remuneration of directors. The committee gives reports in response to inquiries by the Board of Directors and the Representative Directors. Members comprise six directors (including five independent outside directors): Koji Naito (director), Yasufumi Kanemaru (independent outside director), Sakie Tachibana Fukushima (independent outside director), Toyonari Sasaki (independent outside director), Masatoshi Matsuzaki (independent outside director), and Rei Sugihara (independent outside director). The committee is chaired by Sakie Tachibana Fukushima (independent outside director). In fiscal 2021, the Nomination and Remuneration Advisory Committee met 11 times and all members attended every meeting.

Regarding the nomination of directors, the number of new candidates for inside and outside directors is determined based on the number of directors who resign, according to years in service and other criteria, as well as consideration for the appropriate number of people necessary to fulfill the role of the Board of Directors. This is based on Board of Directors appointment standards, independent standards, and a skills matrix. The number of candidates for outside directors is narrowed down from a list of candidates recommended by committee members, considering the behavioral characteristics, capabilities, and experience necessary for each candidate to

effectively fulfill their professional duties (including evaluations by existing directors regarding the degree of contribution to performance), as well as a balance of knowledge, experience, and capabilities across the entire Board of Directors. The Nomination and Remuneration Advisory Committee deliberates and makes a report to the Board of Directors to ensure a balanced Board structure, taking into account the diversity of members, including aspects of gender and nationality. The Board then makes a decision based on this report. The Nomination and Remuneration Advisory Committee also makes recommendations regarding the business management system and the development of candidates for the next generation of management personnel. The Committee provides advice and recommendations concerning the structure and level of remuneration for directors and the Board of Directors makes appropriate decisions based on this report.

Based on the authority delegated to it from the Board of Directors, the Nomination and Remuneration Advisory Committee determines the amount of fixed monetary compensation and performance-linked monetary compensation for individual directors after evaluating the performance of each director.

Please see the following URL for more details. 

<https://www.ushio.co.jp/en/ir/management/governance/>

Evaluation of the Effectiveness of the Board of Directors

Ushio conducts questionnaires and interviews regarding individual directors concerning the composition of the Board of Directors, the status of operations, matters discussed, and more, and analyzes and evaluates the effectiveness of the Board of Directors. As a result of the analysis and evaluations conducted in the fiscal year ended March 31, 2021, the Company judges that the effectiveness of the Board of Directors has been generally secured.

Meanwhile, the Board of Directors has identified and shared the need to further enhance discussions on sustainable growth and appropriate risk management, as well as accurate business understanding and analysis, which is a prerequisite for discussions, as issues that need to continue being addressed going forward. The Company will continuously engage in improving these processes.

Stance on Corporate Governance Code

Ushio is implementing its corporate governance in line with all the principles of the Corporate Governance Code of the Tokyo Stock Exchange.

Compliance

Ushio has established "10 Action Guidelines" to define standards for behavior that require everyone at the Group to comply with laws, regulations, the Articles of Incorporation, and Management Philosophy. The Compliance Committee is responsible for ensuring that employees observe these guidelines. The Business Auditing Department and Compliance Committee jointly perform audits to monitor the status of compliance and submit audit reports as necessary to the Board of Directors and Audit & Supervisory Committee.

Furthermore, information involving the performance of directors' duties is recorded, stored, and managed, in documentary and electronic formats. This enables the directors and Audit & Supervisory Committee members to view the information at any time and take timely and appropriate action as required. To reinforce awareness of the importance of compliance, all Group companies use Ushio's standards for behavior and other guidelines and the internal audit department performs audits of the Group companies.

Risk Management

Under its risk management regulations, Ushio has determined the divisions responsible for each type of risk, including risk related to compliance, the environment, quality, finance, legal affairs, natural disasters, information security, and export control. Each division formulates regulations and guidelines for managing the risks for which they are responsible. Based on these regulations and guidelines, these divisions implement training activities and create and distribute manuals. In the event a new type of risk occurs, the Company promptly places a director or executive officer in charge of responding to said risk. Additionally, in the event a risk materializes and significant damage is expected to occur as a result, the responsible director or executive officer swiftly makes a report to the Board of Directors.

Status of Outside Directors (As of June 29, 2022)

Name	Audit & Supervisory Committee	Nomination and Remuneration Advisory Committee	Independent Director	Reasons for Being Elected as a Director	Attendance in FY2021		
					Board of Directors	Audit & Supervisory Committee	Nomination and Remuneration Advisory Committee
Yasufumi Kanemaru		●	●	Mr. Yasufumi Kanemaru has extensive experience and profound knowledge from his career as the founder and manager of a telecommunications and IT consulting company. With these strengths, he provides advice and supervision for management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. There is no business relationship between the firm for which Mr. Yasufumi Kanemaru serves as the representative and the Company. Excluding the 9,800 shares he owns in Ushio Inc., there are no special interests between Mr. Yasufumi Kanemaru and the Company. In addition, he satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Mr. Yasufumi Kanemaru is an Independent Outside Director who has no conflicts of interest with ordinary shareholders.	100% (11/11)	—	100% (11/11)
Sakie Tachibana Fukushima		●	●	Ms. Sakie Tachibana Fukushima has acquired great insight into matters relating to human resources from a global perspective, and also has a wealth of knowledge and experience regarding international corporate management. With these strengths, she provides advice and supervision for management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. There is no business relationship between the firm Ms. Sakie Tachibana Fukushima represents and the Company. Excluding the 900 shares she owns in Ushio Inc., there are also no special interests between Ms. Sakie Tachibana Fukushima and the Company. In addition, she satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Ms. Sakie Tachibana Fukushima is an Independent Outside Director who has no conflicts of interest with ordinary shareholders.	100% (11/11)	—	100% (11/11)
Toyonari Sasaki		●	●	Mr. Toyonari Sasaki has abundant experience and a deep knowledge of developments in global business such as the promotion of free trade. With these strengths, he provides advice and supervision for management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. Excluding the 1,000 shares he owns in Ushio Inc., there are no special interests between Mr. Toyonari Sasaki and the Company. In addition, he satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Mr. Toyonari Sasaki is an Independent Outside Director who has no conflicts of interest with ordinary shareholder.	100% (11/11)	—	—
Masatoshi Matsuzaki		●	●	Mr. Masatoshi Matsuzaki possesses a wealth of experience as a manager in a manufacturing company with global operations, and a deep knowledge of corporate governance. With these strengths, he provides advice and supervision for management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. There are no special interests between Mr. Masatoshi Matsuzaki and the Company. In addition, he satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Mr. Masatoshi Matsuzaki is an Independent Outside Director who has no conflicts of interest with ordinary shareholder. Although Mr. Masatoshi Matsuzaki is the former Representative Executive Officer of Konica Minolta, Inc. with which the Company has business transactions, the percentage of such transactions against consolidated net sales of either Konica Minolta Group and Ushio Group is not more than 1% in each of the past 5 fiscal years. Further, more than 8 years have passed since Mr. Masatoshi Matsuzaki resigned as the executive officer of Konica Minolta Group. Based on the aforementioned background, Mr. Masatoshi Matsuzaki satisfies the Independence Criteria for Outside Directors prescribed by the Company.	—	—	—
Rei Sugihara	●	●	●	Ms. Rei Sugihara, as a lawyer specializing in corporate legal affairs, has in-depth specialized knowledge of laws, considerable insights into corporate management, and supervisory capabilities. With these strengths, she conducts audits and supervises management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. Excluding the 600 shares she holds in Ushio Inc., there are no special interests between Ms. Rei Sugihara and the Company. In addition, she satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Ms. Rei Sugihara is an Independent Outside Director who has no conflicts of interest with ordinary shareholder.	100% (11/11)	100% (13/13)	100% (11/11)
Akemi Sunaga	●		●	Ms. Akemi Sunaga, as a certified public accountant and a certified public tax accountant, has in-depth specialized knowledge of financial affairs, accounting, and taxes, as well as considerable insights into corporate management and supervisory capabilities. With these strengths, she conducts audits and supervises management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. There is no business relationship between the firm Ms. Akemi Sunaga represents and the Company. Excluding the 600 shares she owns in Ushio Inc., there are no special interests between Ms. Akemi Sunaga and the Company. In addition, she satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Ms. Akemi Sunaga is an Independent Outside Director who has no conflicts of interest with ordinary shareholders.	100% (11/11)	100% (13/13)	—
Chiaki Ariizumi	●		●	Ms. Chiaki Ariizumi possesses a wealth of knowledge and experience regarding analysis of the economic climate and financial markets, and a considerable degree of expertise regarding finance and accounting gained from years of experience working at a public financial institution. With these strengths, she conducts audits and supervises management from a fair and neutral position that is independent from the members of the Company's management in charge of business execution. There are no special interests between Ms. Chiaki Ariizumi and the Company. In addition, she satisfies the Independence Criteria for Outside Directors prescribed by the Company. Based on the above, the Company judged that Ms. Chiaki Ariizumi is an Independent Outside Director who has no conflicts of interest with ordinary shareholders.	—	—	—

Corporate Governance



Executive Officers (As of April 1, 2022)

Chief Executive Officer	Koji Naito	
Senior Executive Vice President	Naoki Kawamura	Chief Operating Officer General Manager, Business Management Headquarters, General Manager, System Solution Division, Business Management Headquarters Chairman, Christie Digital Systems, Inc.
Senior Managing Executive Officer	Keizo Tokuhira	Chairman and Chief Executive Officer, ADTEC Engineering Co., Ltd.
Managing Executive Officer	Tetsuo Nakano	General Manager, ESG Promotion Headquarters
	Kazuhisa Kamiyama	Deputy General Manager, Business Management Headquarters General Manager, Light Source Business Division, Business Management Headquarters
Senior Executive Officers	Takabumi Asahi	Chief Financial Officer General Manager, Corporate Headquarters
	Nobuhiro Inosako	General Manager, Business Creation Division, Business Management Headquarters General Manager, EUV Global Business Unit, System Solution Division, Business Management Headquarters
Executive Officers	Masato Jikihara	Deputy General Manager, System Solution Division, Business Management Headquarters General Manager, Global Customer Support Center, System Solution Division, Business Management Headquarters
	Hiroki Kodaka	President, Ushio Europe B.V.
	Masato Kawamoto	Deputy General Manager, Light Source Business Division, Business Management Headquarters Deputy General Manager, Production Division, Business Management Headquarters
	Kenkichi Abe	President, Ushio Shanghai, Inc.
	Hideaki Onishi	President, Christie Digital Systems, Inc. Chairman and Chief Executive Officer, Christie Digital Systems USA, Inc. Chairman and Chief Executive Officer, Christie Digital Systems Canada, Inc.
	Makoto Kinoshita	General Manager, Global Human Resources & General Affairs Division, Corporate Headquarters
	Hideki Maeda	General Manager, Production Division, Business Management Headquarters General Manager, Product Management & Procurement Division, Production Division, Business Management Headquarters

Group Executive Officers (As of April 1, 2022)

Group Executive Officer	William F Mackenzie	Chairman of the board, President and CEO, Ushio America, Inc.
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Independence Criteria for Outside Directors (Summary)

Ushio Inc. has prescribed the Independence Criteria for Outside Directors by resolution of the Board of Directors following deliberations by the Nomination and Remuneration Advisory Committee, which comprises a majority of independent outside directors. The following is a summary of the criteria.

Independence Criteria for Outside Directors (Summary)

The Company will judge that a director who does not fall under any of the following is an independent outside director who has no conflicts of interest with ordinary shareholders:

- (1) A person who is an executing person (an executive director, executive officer or significant employees such as executives; the same applies hereafter) of Ushio Group or a former executing person of Ushio Group.
- (2) A person / organization who is a major client of Ushio Group (a person / organization that pays to Ushio Group one percent (1%) or more of annual consolidated net sales of Ushio Group), or its executing person.
- (3) A person / organization for which Ushio Group is a major client (a person / organization that receives payment from Ushio Group of one percent (1%) or more of annual consolidated net sales of such person / organization), or its executing person.
- (4) A lender from which Ushio Group borrows ten percent (10%) or more of consolidated total assets of Ushio Group, or its executing person.
- (5) A person who is working in an auditing firm that is the accounting auditor of Ushio Group.
- (6) An executing person of companies whose shares are held by Ushio Group for reasons other than pure investment purposes.
- (7) A shareholder who holds ten percent (10%) or more of the voting rights of the Company, or its executing person.
- (8) An executing person of the lead underwriter(s) of the Company.
- (9) A person who has been in any of the above (2) through (8) in the past five (5) years.
- (10) A consultant, accounting professional or legal professional who has received cash or other property benefits from Ushio Group of ten (10) million yen or more in average per year over the past three (3) years, other than as compensation for being a director / audit and supervisory board member (if the recipient is a corporation, partnership or any other organization, this applies any person belonging to such organization).
- (11) A spouse or a relative within the second degree of kinship of any persons listed in above (1) through (10) (however, with respect to persons who are former executing persons of Ushio Group, only person who have been executing persons in the past five (5) years).

Board of Directors Skill Matrix (As of June 29, 2022)

			Years of Experience	Corporate Management	Global Business	Finance / Accounting/M&A	Manufacturing / Technical / R&D / New Business	IT / DX	Sales / Marketing	Legal / Risk Management	Sustainability / Diversity
Director	Inside	Koji Naito	3	●	●		●		●		●
		Naoki Kawamura	3	●			●		●		
		Kazuhisa Kamiyama	3	●	●	●				●	
		Takabumi Asahi	1	●	●	●			●	●	●
	Outside	Yasufumi Kanemaru	7	●				●			
		Sakie Tachibana Fukushima	6		●						●
		Toyonari Sasaki	3		●						●
Director and Audit & Supervisory Committee Member	Inside	Masatoshi Matsuzaki	-	●	●		●			●	●
		Nobuyuki Kobayashi	9			●				●	
	Outside	Rei Sugihara	2							●	
		Akemi Sunaga	2			●					
		Ariizumi Chiaki	-			●					

Directors' Remuneration

Policy on Determining Officer Remuneration Amounts and Remuneration Calculation Method

At a meeting held on June 29, 2021, Ushio's Board of Directors decided on a policy for determining the content of individual remuneration for directors (excluding directors who are Audit & Supervisory Committee members). When making this decision, the Board of Directors consulted with and received reports in advance from the Nomination and Remuneration Advisory Committee. Also, remuneration for directors who are Audit & Supervisory Committee members has been determined through discussions among such members.

The details of the policy for determining the content of individual remuneration for directors (excluding directors who serve concurrently as Audit & Supervisory Committee members; the same shall apply hereinafter) is as follows:

1. Basic Policy on Remuneration

- (1) Remuneration should increase motivation for realizing the Mission & Vision for 2030 and the targets of the Medium-Term Management Plan, commenced in fiscal 2020.
- (2) Remuneration should lead to continuous improvement in business performance and corporate value over the medium-to long-term.
- (3) Remuneration should be closely linked with the Company's performance as well as highly transparent and objective
- (4) Remuneration levels should be appropriate in comparison with those of companies in the same industry and of the same scale.
- (5) Remuneration should be determined through a fair and appropriate process to ensure the trust and support of the stakeholders. (excluding outside directors) comprises fixed monetary compensation, performance-linked monetary compensation, and performance-linked stock compensation. The remuneration for outside directors is solely fixed monetary compensation.

2. Policy for Performance-Linked Monetary Compensation

Performance-linked monetary compensation is determined based on director role and performance evaluation (consolidated performance evaluation and performance evaluation of the division that each director oversees) during the previous consolidated fiscal year, in accordance with the Company's basic policy on remuneration. Return on equity (ROE) and consolidated operating margin are used as the evaluation indicators for consolidated performance, and the ratio of achievement of business targets (operating margin of the respective division) is used as the evaluation indicator for division-specific performance. The amount paid to directors is calculated by multiplying the basic amount of remuneration set in accordance with director position by a coefficient determined in accordance with degree of accomplishment for each indicator. The coefficient for ROE and consolidated operating margin is set in the range of 0 to 2.5, and the coefficient for the ratio of achievement of business targets (operating margin of the respective division) is set in the range of 0 and 2.

3. Policy for Non-Monetary Compensation

The Company has introduced stock compensation for directors and executive officers through resolutions of the 52nd Annual General Meeting of Shareholders, held on June 26, 2015, and the 53rd Annual General Meeting of Shareholders, held on June 29, 2016 (in accordance with resolutions passed at Board of Directors' meetings held on June 28, 2018, and June 29, 2021, the Company has decided to extend the applicable period of this compensation to the fiscal year ending March 31, 2024).

Under the performance-linked monetary compensation, shares are granted to directors through a trust based on their position and level of performance in the previous consolidated fiscal year, in accordance with the Company's basic policy on remuneration. ROE and the ratio of achievement of business targets are used as the evaluation indicators for level of performance. The share points awarded to directors are calculated by multiplying the base number of shares determined based on director position by a coefficient set in accordance with the degree of accomplishment for each indicator. The coefficient is set in the range of 0 to 2.

4. Policy on the Ratio of Remuneration

The percentage of fixed monetary compensation, the base amount of performance-linked monetary compensation, and the base number of shares of performance-linked stock compensation within the total amount of compensation paid to directors, excluding outside directors, is as follows:

Type of Compensation	Percentage within the Total Amount Of Compensation
Fixed monetary compensation	50%–57%
Base amount of performance-linked monetary compensation	27%–30%
Base number of shares of performance-linked stock compensation (converted to an equivalent cash value at the time of contribution to the trust)	13%–23%

5. Policy on the Period and Conditions for Granting Compensation

Performance-linked monetary compensation is paid as a fixed monthly amount during the following fiscal year, together with fixed monetary compensation.

For performance-linked stock compensation, share points are granted to directors on the last day of May each year. Upon retirement, directors are eligible to receive a number of shares equivalent to the cumulative number of points they received during their time in office, with one point equaling one share.

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

With the aim of ensuring fairness and appropriateness within the process for determining director remuneration, the Company established the Nomination and Remuneration Advisory Committee whose chairperson and the majority of members are outside directors. As advisors to the Board of Directors and representative directors, the Nomination and Remuneration Advisory Committee provide advice and recommendations concerning the structure and level of remuneration for directors.

Based on the authority delegated to it from the Board of Directors, the Nomination and Remuneration Advisory Committee determines the amount of fixed monetary compensation and performance-linked monetary compensation for individual directors after evaluating the performance of each director.

For stock compensation, after retirement directors are provided with a number of shares that corresponds to the cumulative number of share points they were awarded on an individual basis, in accordance with the share delivery regulations determined by the Board of Directors.

Total Remuneration for Director Categories, Total Amount by Type of Remuneration, and Number of Eligible Directors

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)	178	91	22	64	5
Directors who are Audit & Supervisory Committee members (excluding outside directors)	24	24	—	—	1
Outside directors	60	60	—	—	6

(Note 1) Performance-linked compensation (stock) is the amount recorded as expenses in the fiscal year ended March 2021 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 remunerations 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 executives 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. 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) are eligible to receive this compensation. During the three consecutive years (initially, the three fiscal years starting from the fiscal year that ends on March 31, 2016, up to the end of March 31, 2018), a maximum of ¥620 million is contributed to the stock compensation trust and the trust acquires up to 330,000 shares of the Company's stock. Eligible individuals can receive up to 110,000 points per year (one point is equivalent to one share of the Company's shares). On June 28, 2018, and June 29, 2021, the Board of Directors passed a resolution to extend the applicable period of this compensation to the fiscal year ending March 31, 2024.

(Note 6) With the aim of better clarifying the connection between director compensation and business performance, and of enhancing directors' motivation toward improving business performance and enhancing corporate value, performance-linked monetary compensation is determined based on the director's position and performance evaluation (consolidated performance evaluation and performance evaluation of the division that each director oversees) in the previous consolidated fiscal year. ROE and consolidated operating margin are used as the evaluation indicators for consolidated performance, and the ratio of achievement of business targets (operating margin of the respective division) is used as the evaluation indicator for division-specific performance. The ROE and consolidated operating margin for fiscal 2020 was used as the evaluation indicator for the performance-linked monetary compensation paid in fiscal 2021, as this compensation is paid as a fixed monthly amount together with fixed monetary compensation. These indicators targeted ROE of 5.0% and consolidated operating margin of 8.3%, and the Company's actual results were ROE of -0.3% and consolidated operating margin of 0.6%. In addition, with the aim of better clarifying the connection between director compensation and business performance, and of enhancing directors' motivation toward improving business performance and enhancing corporate value over the medium-to long-term, performance-linked stock compensation is determined based on the director's position and level of performance in the previous consolidated fiscal year. Evaluation indicators for level of performance were set as ROE of 5.0% and consolidated operating income of ¥5.0 billion. The actual results for these evaluation indicators in fiscal 2021 were ROE of 5.7% and business plan achievement rate of 261.4% (consolidated operating income of ¥13.1 billion).

(Note 7) The specific amount of monetary compensation paid to individual directors (excluding directors who are Audit & Supervisory Committee members) in fiscal 2021 was determined by the chairperson and the Nomination and Remuneration Advisory Committee, which 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. Decisions made based on the delegated authority are made following discussions by the Nomination and Remuneration Advisory Committee regarding compensation systems, compensation levels, and the process for evaluating each director's level of contribution, and are deemed to be in line with the Policy on Determining Officer Remuneration Amounts and Remuneration Calculation Method. Furthermore, the Nomination and Remuneration Advisory Committee comprises the following members.

- Sakie Tachibana Fukushima, Outside Director (Chairperson)
- Yoshinari Hara, Outside Director
- Yasufumi Kanemaru, Outside Director
- Rei Sugihara, Outside Director
- Koji Naito, President and Representative Director

(Note 8) Remuneration for directors who are Audit & Supervisory Committee members for fiscal 2021 was determined through discussions among such members.

Messages from the Outside Directors



Nomination and Remuneration Advisory Committee Chairman's Message

PROFILE

Sakie Tachibana Fukushima Outside Director

Sakie Tachibana Fukushima has worked as a director at the U.S.-based Korn/Ferry International as well as Chairman & Representative Director, Korn/Ferry International-Japan. Since 2002, she has served as an outside director at more than 10 Japanese companies. She currently serves as President & Representative Director, G&S Global Advisors Inc. She is also the former Vice-Chairman of the Japan Association of Corporate Executives. Accordingly, she possesses extensive experience and insight on global human resources management and has an abundance of knowledge on corporate governance and diversity. She has been serving as an outside director of the Company since June 2016. In June 2021, she was appointed as Chairman of the Nomination and Remuneration Advisory Committee.

Activities of the Nomination and Remuneration Advisory Committee

Ushio's Nomination and Remuneration Advisory Committee comprises a total of six people, five outside directors and one inside director. In fiscal 2021, the committee met a total of 11 times, with a 100% attendance rating by all members. Our main topics of discussion during the relevant fiscal year were the competency required of directors, appointment criteria clarifying the Company's approach to term of service and other matters, the establishment of independence standards for outside directors that exceed those of the Tokyo Stock Exchange, and the formulation of a skills matrix that compares the skills required of the Company's directors with the current skills of each individual director. The details of these discussions were reported to the Board of Directors.

Furthermore, with regard to the selection of director candidates in fiscal 2022, 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 of directors scheduled to retire in accordance with Ushio's criteria for tenure and other standards. In the case of outside directors, we established a process for tapping candidates for appointment as outside director after making a list of candidates and narrowing them down to ensure not only compliance with the Company's standards of independence but also optimal skillsets in terms of corporate strategy. Mr. Masatoshi Matsuzaki, who was appointed as an outside director in June 2022, possesses an abundance of business experience as part of the upper management of global manufacturing companies and has extensive insight on ESG management. We selected him as a candidate for outside director based on his ability to provide useful supervision and advice to the Company, and made a recommendation for his appointment to the Board of Directors.

CEO Succession Plan

The Nomination and Compensation Advisory Committee has overseen and made recommendations regarding the internal executive structure and the appointment and training of next-generation management candidates as part of the Company's management succession plans. Specifically, in addition to interviewing all of the Company's executive officers, including the CEO, the outside directors hold interviews to

select candidates for the next generation of Ushio's management (executive officers) based on the recommendations of the CEO. As outside directors, we collect opinions on individual candidates, including ways to cultivate them in the future such as through the assignment of difficult tasks, and make recommendations to the representative directors accordingly. The CEO then makes the final decision on these candidates while respecting and reflecting the opinions and instruction of the Nomination and Compensation Advisory Committee. Going forward, we will establish medium- to long-term management succession plans and oversee the PDCA cycle for medium- to long-term succession planning by the CEO. By doing so, we will make recommendations that can be utilized for the further discovery and development of talent for the next generation and the generation after.

Establishment of a Competitive Director Remuneration System

The current compensation system is the system proposed by the Compensation Advisory Committee (currently the Nomination and Compensation Advisory Committee) in May 2020 as the compensation system to be implemented over the period of the Medium-Term Management Plan (fiscal 2020 to fiscal 2022). The system adopts ROE and operating margin as important KPIs for performance-linked compensation.

From fiscal 2023, Ushio will commence the next Medium-Term Management Plan, and we plan to begin examinations on the remuneration system to be adopted during the period of the next plan.

To become a global "light" solutions company within the rapidly changing global economy, Ushio needs to further enhance the diversity of its management and hold examinations on adopting a remuneration system that is competitive in the global market.

To prepare for the upcoming period of dramatic change, we will continue to review and revise the director remuneration system so that it is optimized for the current times while constantly maintaining an awareness of trends in the global talent market and confirming Ushio's position in that market. Based on my experience in human resource consulting, I will work together with my fellow committee members to make recommendations for establishing director remuneration systems that are not only transparent and fair but also are competitive in terms of market value, including incentives for attracting global talent. In this way, we will help Ushio enhance its shareholder value.

Messages from the New Outside Directors



Masatoshi Matsuzaki
Outside Director

When I am asked to serve as outside director of a company, I make my decision to accept the position in light of three criteria: (1) does the management of said company have the desire to ensure that corporate governance functions appropriately? (2) has the company clarified what its expectations are of me? and (3) has the company clarified the role of outside directors in supervising management execution? When I was requested to be an outside director of Ushio, I received an explanation directly from President Koji Naito regarding these three criteria and decided to accept the position based on the quality of those explanations.

While it is important to meet the expectations of a company as an outside director, I place the most importance on meeting the expectations of that company's global stakeholders. Specifically, I engage with a company's board of directors with an awareness of ensuring transparent and fair decision-making from the perspective of shareholders and all other stakeholders, an awareness of what is required for that company to realize sustainable growth, and an awareness of the particular governance-related risks that said company faces. I believe the ultimate role of an outside director is to hold back at times when it is appropriate to do so. While our role involves supervision, I personally believe we should never be micromanaging a company's management and attempting to get involved in every single decision being made. Rather, I focus on providing a company with constructive oversight while observing the actions of management from an appropriate distance.

Based on this approach, I will strive to meet the expectations of all of Ushio's stakeholders.



Chiaki Ariizumi
Outside Director

I worked at the Bank of Japan for 33 years. Over this long period, I conducted analyses of the economic conditions and financial markets in Japan and overseas, engaged in monitoring activities of financial institutions, and held dialogues with the management of various corporations regarding the Bank of Japan's policies and situational decision-making. During this time, I consistently maintained an approach of considering the sound growth of the Japanese economy and emphasizing compliance. In 2020, I became an outside director of a Japanese listed company, where I gained knowledge and experience regarding corporate governance. I took on the role of outside director and Audit & Supervisory Committee member at Ushio because I believe I can contribute not only through my financial expertise but also through the insight and approaches I have cultivated at public institutions and other organizations.

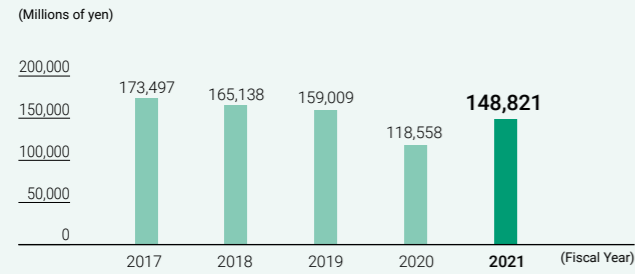
Ushio is a company with a clear core competency, striving to make the world a better place through its light technologies. Ushio has positioned the period of its Medium-Term Management Plan as a major transformation period that occurs once every 30 years. Under this plan, the Company is working diligently to optimize its performance on a Companywide basis and reform its corporate governance structure. The operating environment for global manufacturing companies continues to become more and more challenging, and I therefore believe that the reforms Ushio is steadily promoting have become even more significant. My duty as an Audit & Supervisory Committee member is to monitor Ushio's business execution, including the structural reforms it is pursuing, from an outside perspective and from the perspective of compliance, while also considering the standpoint of the Company's wide range of stakeholders. To that end, I will make concerted efforts to ensure that Ushio is able to enhance its corporate value over the medium-to long-term by actively making use of the insight and approaches that I have mentioned in this message.

In addition, we were selected for inclusion in the newly established Blossom Japan Sector Relative Index.

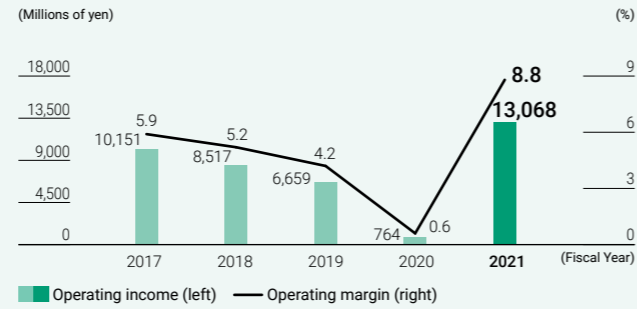
Financial and Non-Financial Highlights

Financial Highlights

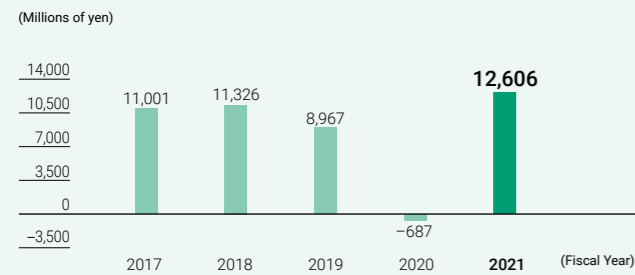
Net Sales



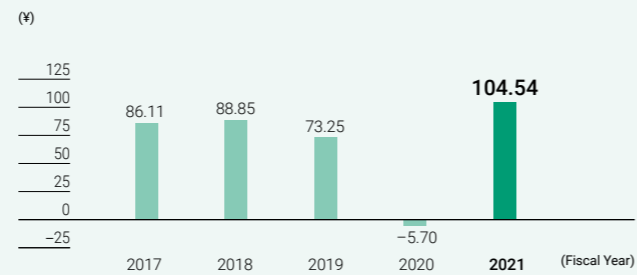
Operating Income / Operating Margin



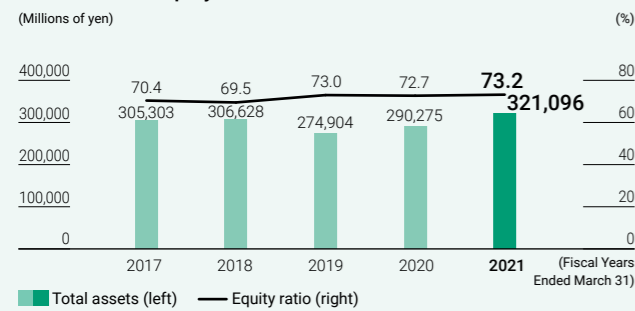
Profit Attributable to Owners of Parent



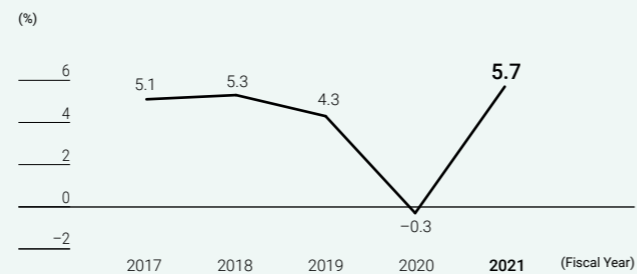
Net Income per Share



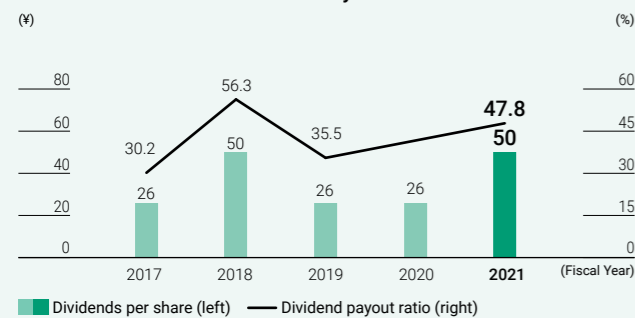
Total Assets / Equity Ratio



ROE



Dividends Per Share / Dividend Payout Ratio

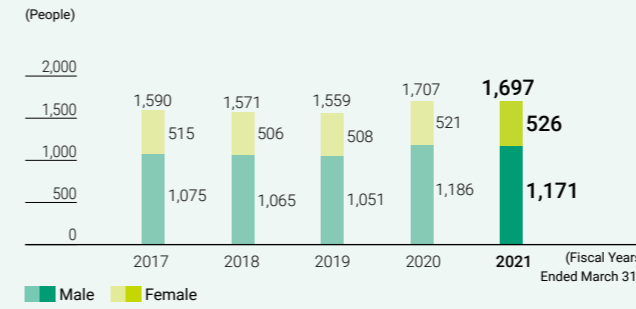


Free Cash Flow

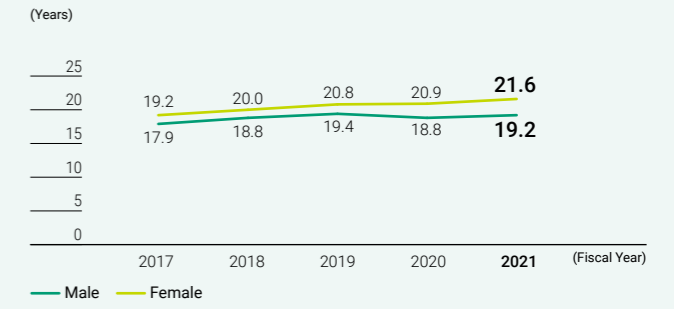


Non-Financial Highlights

Number of Employees (non-consolidated)



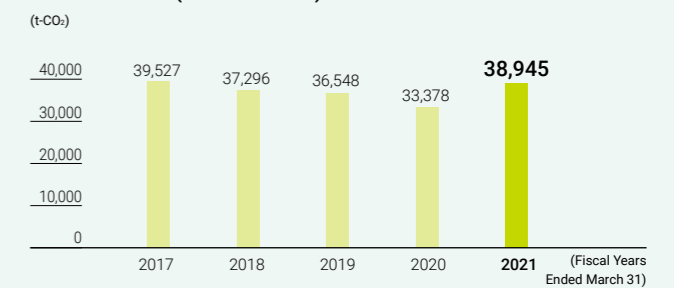
Average Length of Service (non-consolidated)



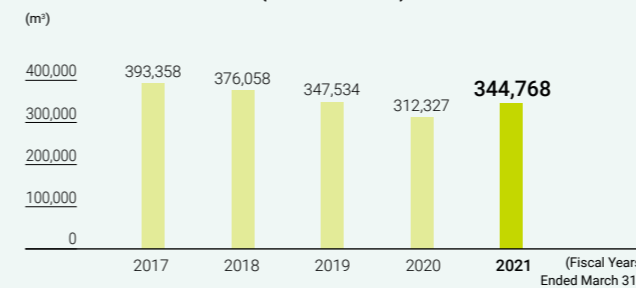
Ratio of Employees Returning to Work after Taking Maternity and Childcare Leaves (non consolidated) / Percentage of Paid Vacation Days Used (non-consolidated)



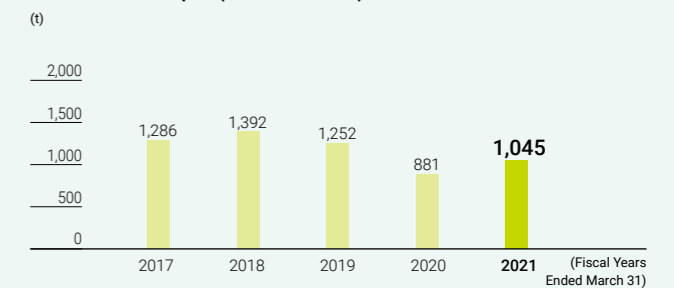
CO₂ Emissions (consolidated*)



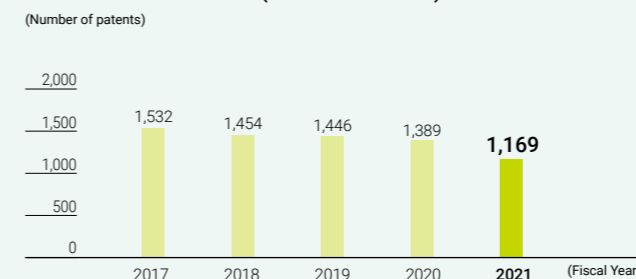
Use of Water Resources (consolidated*)



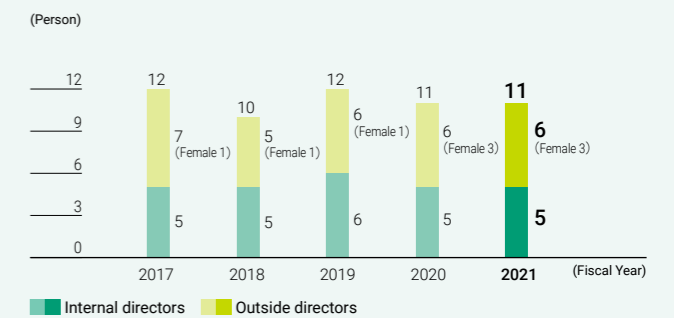
Total Waste Output (consolidated*)



Number of Patents Held (non-consolidated)



Number of Directors



* The water resources and total waste output are the consolidated environmental management range established by the Company.

Financial Data

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Earnings Data											
Net sales (millions of yen)	150,087	143,461	157,800	159,365	179,121	172,840	173,497	165,138	159,009	118,558	148,821
Cost of sales (millions of yen)	101,635	95,196	101,809	98,030	110,717	112,383	111,350	106,611	105,580	78,719	94,792
Gross profit (millions of yen)	48,451	48,264	55,991	61,335	68,403	60,456	62,146	58,526	53,428	39,839	54,029
Selling, general and administrative expenses (millions of yen)	37,755	40,682	43,881	50,977	55,273	51,854	51,995	50,008	46,769	39,074	40,960
Operating income (millions of yen)	10,696	7,582	12,110	10,357	13,130	8,602	10,151	8,517	6,659	764	13,068
Ordinary income (millions of yen)	13,112	10,539	15,904	13,708	14,633	11,001	12,050	11,439	8,738	3,407	15,195
Profit attributable to owners of parent (millions of yen)	8,748	7,155	10,770	11,279	11,105	7,042	11,001	11,326	8,967	(687)	12,606
Operating margin (%)	7.1	5.3	7.7	6.5	7.3	5.0	5.9	5.2	4.2	0.6	8.8
Ordinary margin (%)	8.7	7.3	10.1	8.6	8.2	6.4	6.9	6.9	5.5	2.9	10.2
Net margin (%)	5.8	5.0	6.8	7.1	6.2	4.1	6.3	6.9	5.6	(0.6)	8.5
Dividends / Per Share Data											
Net income per share (yen)	66.26	54.57	82.19	86.40	85.83	55.06	86.11	88.85	73.25	(5.70)	104.54
Net assets per share (yen)	1,212	1,324	1,441	1,654	1,622	1,664	1,683	1,691	1,664	1,750	1,949
Total dividends (millions of yen)	2,884	2,884	3,388	3,139	3,353	3,329	3,329	6,316	3,141	3,141	6,041
Dividends per share (yen)	22.0	22.0	26.0	24.0	26.0	26.0	26.0	50.0	26.0	26.0	50.0
Payout ratio (%)	33.2	40.3	31.6	27.8	30.3	47.2	30.2	56.3	35.5	—	47.8
Ratio of dividends to net asset (%)	1.8	1.7	1.9	1.5	1.6	1.6	1.6	3.0	1.5	1.5	2.7
Balance Sheet Data											
Total assets (millions of yen)	224,412	228,657	255,338	294,542	294,525	308,430	305,303	306,628	274,904	290,275	321,096
Current assets (millions of yen)	143,120	140,646	153,004	178,774	170,173	180,334	184,940	200,119	170,835	176,359	201,708
Property, plant and equipment, net (millions of yen)	37,827	36,776	39,126	40,014	42,310	44,809	41,578	43,050	44,242	44,822	46,162
Investments and other assets (millions of yen)	39,564	48,371	59,048	68,655	71,256	74,062	72,473	58,815	56,079	65,682	70,234
Current liabilities (millions of yen)	40,634	37,950	39,957	44,886	49,463	54,592	54,174	69,572	47,729	48,007	72,393
Interest-bearing debt (millions of yen)	12,864	9,427	8,258	14,063	14,512	27,771	26,823	28,938	22,255	24,634	18,587
Net assets (millions of yen)	162,048	176,784	191,246	218,723	211,296	213,289	215,306	213,254	200,705	211,180	235,202
Shareholders' equity (millions of yen)	158,341	162,609	169,482	178,891	183,057	185,658	193,332	199,408	194,218	190,676	200,129
Total assets turnover ratio (times)	0.68	0.63	0.65	0.57	0.61	0.57	0.57	0.54	0.55	0.42	0.49
Current ratio (%)	352.2	370.6	382.9	398.3	344.0	330.3	341.4	287.6	357.9	367.4	278.6
Equity ratio (%)	70.8	75.9	73.5	73.3	70.9	68.9	70.4	69.5	73.0	72.7	73.2
ROE (%)	5.6	4.3	6.0	5.6	5.2	3.3	5.1	5.3	4.3	(0.3)	5.7
ROA (%)	3.9	3.2	4.4	4.0	3.8	2.3	3.6	3.7	3.0	1.2	5.0
Interest coverage ratio (times)	61.1	68.5	48.7	51.0	48.1	41.9	26.5	15.1	1.8	33.2	64.9
D/E ratio (%)	0.08	0.06	0.05	0.08	0.08	0.15	0.14	0.15	0.11	0.13	9.30
Fixed assets to long-term capital ratio (%)	45.1	49.9	52.9	55.2	57.4	56.6	52.5	47.7	47.2	51.4	55.9
Cash Flow Data											
Cash flows from operating activities (millions of yen)	12,382	14,443	10,622	9,876	12,031	12,624	15,567	8,853	1,179	14,517	21,628
Depreciation and amortization (millions of yen)	7,139	6,741	5,021	5,919	6,495	6,587	6,790	6,775	7,182	6,988	6,939
Cash flows from investing activities (millions of yen)	1,911	(8,649)	(4,476)	(3,710)	(10,367)	(15,254)	4,322	2,719	4,394	(3,418)	(5,519)
Cash flows from financing activities (millions of yen)	(7,615)	(7,092)	(6,670)	1,210	(7,849)	6,864	(3,613)	(3,916)	(20,363)	(784)	(10,625)
Free cash flow (millions of yen)	14,293	5,794	6,146	6,166	1,664	(2,630)	19,889	11,572	5,573	11,099	16,109
Net increase (decrease) in cash and cash equivalents (millions of yen)	6,630	1,676	2,080	11,646	(9,176)	3,161	15,061	8,586	(15,576)	11,890	11,200
Cash and cash equivalents at end of year (millions of yen)	41,585	43,261	45,342	56,989	47,813	50,974	66,035	74,622	59,046	70,418	81,619
Debt repayment ratio (years)	1.0	0.7	0.8	1.4	1.2	2.2	1.7	3.3	18.9	1.7	0.9
Depreciation to sales ratio (%)	4.8	4.7	3.2	3.7	3.6	3.8	3.9	4.1	4.5	5.9	4.7

Non-Financial Data





ESG	Item	Scope	FY2017	FY2018	FY2019	FY2020	FY2021	
E	Energy (GJ)	Japan	486,231	476,883	507,142	516,995	561,324	
		Asia (excluding Japan)	153,039	164,649	152,798	94,207	162,282	
		North America	104,934	105,401	105,556	85,092	80,694	
		Europe	39,656	35,031	42,338	43,227	46,607	
	Water (m³)	Japan	224,197	226,099	228,977	222,829	231,204	
		Asia (excluding Japan)	139,628	118,373	93,598	66,148	92,850	
		North America	24,667	26,999	19,995	17,536	14,673	
		Europe	4,866	4,587	4,964	5,815	6,041	
	Total waste output (t)	Japan	695	776	754	712	749	
		Asia (excluding Japan)	125	195	164	44	215	
		North America	396	333	304	84	20	
		Europe	69	87	31	41	62	
GHG (CO ₂) emissions (t-CO ₂)	SCOPE 1	Japan	2,884	2,579	2,588	2,529	3,280	
		Asia (excluding Japan)	305	435	334	202	246	
		North America	566	638	568	450	493	
		Europe	328	341	402	398	444	
	SCOPE 2	Japan	22,429	20,199	19,679	19,860	21,199	
		Asia (excluding Japan)	8,772	9,170	8,557	5,988	10,476	
		North America	2,641	2,607	2,641	2,047	1,308	
		Europe	1,601	1,330	1,779	1,902	1,500	
	SCOPE 3	Consolidated	1,346,960	1,337,903	956,226	578,477	782,581	
	S	Number of employees	Japan	2,463	2,480	2,466	2,446	2,387
Asia (excluding Japan)			1,368	1,383	1,388	1,251	1,637	
North and South America			1,791	1,607	1,500	1,107	1,077	
Europe			225	233	236	249	241	
Three-year retention rate for new graduate recruits (%)		Non-consolidated	Male	95	83	86	100	100
			Female	83	100	100	100	100
Average length of service (years)		Non-consolidated	Male	17.9	18.8	19.4	18.8	19.2
			Female	19.2	20.0	20.8	20.9	21.6
Statutory monthly overtime hours (hours/employee)		Non-consolidated	12.3	10.6	9.4	10.4	14.5	
Percentage of paid vacation days used (%)		Non-consolidated	71.1	72.8	71.8	68.5	72.6	
Number of people who took maternity leave taken	Non-consolidated	27	21	21	18	21		
Number of people who took childcare leave taken	Non-consolidated	Male	3	10	8	8	8	
		Female	27	21	21	18	20	
Number of people who took nursing care leave taken	Non-consolidated	2	0	0	0	1		
Ratio of employees returning to work after taking maternity and childcare leave (%)	Non-consolidated	100	100	100	100	100		
Frequency of work-related accidents (%) (Number of work-related injuries or deaths ÷ Total number of work hours x 1 million)	Non-consolidated	0	0.61	0.61	0	0		
Severity of work-related accidents (%) (Number of lost work days ÷ Total number of work hours x 1,000)	Non-consolidated	0	0.02	0.02	0	0		
Number of patents held	Non-consolidated	1,532	1,454	1,446	1,389	1,169		

- (Notes)
- GHG other than CO₂ are not emitted.
 - The scope of aggregation for energy consumed, water used, total waste output, Scope 1, and Scope 2 is the scope of consolidated environmental management formulated by Ushio Inc. However, USHIO POLAND Sp. z o.o. was added to the scope in fiscal 2017. In fiscal 2018, MAXRAY Inc., was removed from the scope and Ushio Asia Pacific Vietnam Co., Ltd. was added.
 - Please see the "Non-Financial Highlights" section of our corporate website for values in each category of Scope 3. <https://www.ushio.co.jp/en/csr/eco/ecodata.html>
 - The electric power to CO₂ conversion factor uses the following:
In Japan: Emission factor for each specific electricity provider in the previous fiscal year
Overseas: "CO₂ Emissions from Fuel Combustion 2013" by the International Energy Agency (IEA)
 - 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 2020 is based on the number of employees as of April 2021 who had joined the Company in 2018.)

External Evaluation

Ushio has been selected for inclusion in all five ESG indices that are used by the Government Pension Investment Fund of Japan, the world's largest pension fund. These indices are the MSCI Japan ESG Select Leaders Index, the MSCI Japan Empowering Women Index (WIN), the FTSE Blossom Japan Index, Blossom Japan Sector Relative Index, and the S&P/JPX Carbon Efficient Index.

The contribution of ESG investments to increasing risk-adjusted returns is believed to increase as the holding period of investments become longer. Ushio's inclusion in these indices demonstrates the widespread recognition of its commitment to the environment, society, and governance.

Inclusion in ESG Management Indices	
	<p>Ushio has been selected for 19 consecutive years for inclusion in the FTSE-Russell FTSE4Good Index Series of socially responsible companies worldwide. Furthermore, for six consecutive years, Ushio has been part of the FTSE Blossom Japan 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 ESG Select Leaders Index consists of companies with strong commitments to ESG that is based on the MSCI Japan IMI Top 700 Index. The MSCI Japan Empowering Women Index (WIN) consists of companies in this top 700 index that have excellent gender diversity within their respective industries in accordance with a gender diversity score newly developed by MSCI. Ushio has been selected for the WIN for five consecutive years.</p> <p>Note: The inclusion of Ushio in an MSCI index and the use by Ushio of the MSCI logo, trademark, and service marks do not imply that MSCI or its affiliated companies are supporting Ushio or its advertising and sales activities. MSCI has exclusive rights to the MSCI indices and the MSCI name, MSCI indices and their logos are trademarks and service marks of MSCI and its affiliated companies, and other financial products focused on sustainable investment.</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 2021 SNAM Sustainability Index, which was created by Sompo Japan Nipponkoa Asset Management Co., Ltd. The SNAM Sustainability Index is used for SNAM 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 10 consecutive years beginning in 2012.</p>

Ushio was included in the Wall Street Journal's list of "The 100 Most Sustainably Managed Companies in the World" (ranked 56), which was announced on October 14, 2020.

Ushio was included in the "Change the World List" of the U.S. business magazine FORTUNE in 2020.

Every year, FORTUNE magazine ranks global corporations that have an important social and environmental impact. Ushio's inclusion in list for 2020 was due to the high evaluation of Care222, Ushio's 222nm UV virus inactivation and disinfection technology that can be installed and used as-is within environments occupied by people, such as schools and commercial facilities.

Consistency with International Initiatives



For more information on consistency with International Initiatives, please visit the URL: <https://www.ushio.co.jp/en/sustainability/initiative.html>

Stock Information

(As of March 31, 2022)

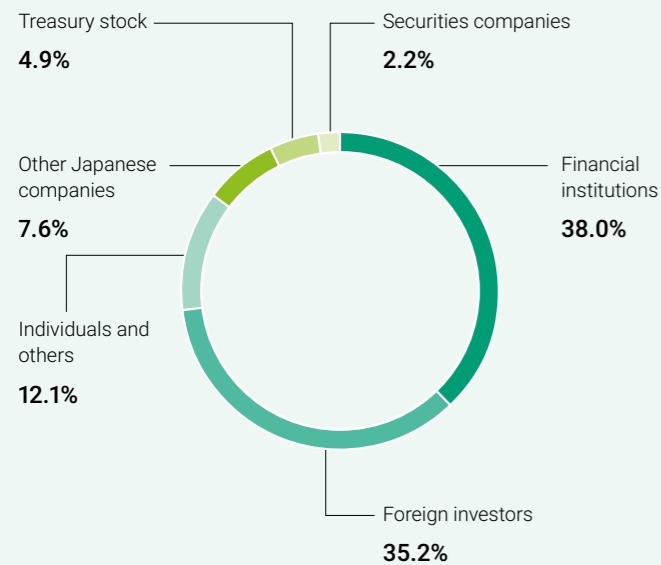
Total number of shares issued	127,000,000
Number of shareholders	16,712

Top Ten Shareholders

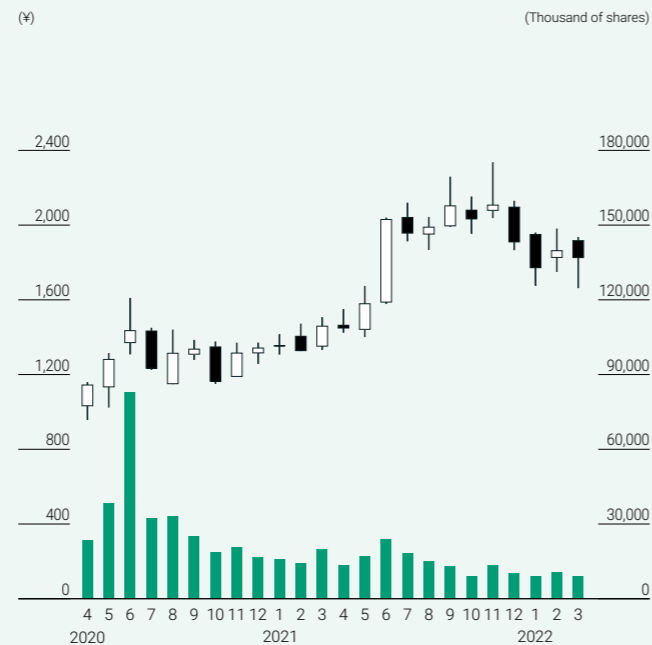
Name	Number of shares (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,178	15.87
Custody Bank of Japan, Ltd. (Trust Account)	6,368	5.27
Resona Bank, Limited	6,031	4.99
Aioi Nissay Dowa Insurance Co., Ltd.	4,274	3.53
MUFG Bank, Ltd.	4,248	3.51
BBH (LUX) FOR FIDELITY FUNDS-GLOBAL TECHNOLOGY POOL	3,396	2.81
Jiro Ushio	2,665	2.20
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	2,541	2.10
Asahi Mutual Life Insurance Co.	2,450	2.02
The USHIO Foundation	2,400	1.98

(Notes)
 1. In addition to the above, the Company owns 6,175 thousand shares of treasury stock. 234 thousand shares of Company's shares held in the trust introduced with respect to its stock remuneration plan for directors are not included in 6,175 thousand shares of treasury stock.
 2. Shareholding ratio is calculated after deducting 6,175 thousand shares of treasury stock.
 (As of March 31, 2022)
 3. Each of the investment banks listed in the upper portion of the major shareholders table manages securities held primarily by Japanese institutional investors and is also the nominee of these investors. Trust accounts denote accounts that receive trusts such as pension trusts, investment trusts, and designated monies in the trust from the institutional investors concerned.

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

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
	Kyoto Division	Kyoto, Kyoto Prefecture
Japanese subsidiaries	USHIO LIGHTING, INC.	
	XEBEX Inc.	
	ADTEC Engineering Co., Ltd.	5 other companies
North America	Ushio America, Inc.	
	Christie Digital Systems Usa, Inc.	
	Christie Digital Systems Canada Inc.	11 other companies
Europe	Ushio Europe B.V.	
	Ushio Germany GmbH	7 other companies
Overseas subsidiaries	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.	14 other companies

Disclaimer
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