



New Growth Strategy: “Revive Vision 2030”

Ushio Inc. PRIME | 6925

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Part 1

Overview of New Growth Strategy

Backdrop to Review of Medium-Term Management Plan

Semiconductor market changing

Semiconductor market landscape has transformed owing largely to extended slowdowns in the server and PC sectors

Other companies' light sources emerging

The rise of other companies' light sources for EUV mask inspections prompted a strategic reassessment

Revised strategy

in response to significant changes in climate for Industrial Processes business

Developed New Growth Strategy:
Revive Vision 2030

The word "Revive" expresses Ushio's determination to "realize our goals through great transformation"

Mission

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

Vision

Becoming a “light” innovation company

Growing together with our customers mainly in the Industrial Processes area

Industrial Processes (IP)

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

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

Visual Imaging (VI)

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

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

Photonics Solutions (PHS)

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

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

Life Sciences (LS)

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

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

Target



ROE: **8%** or more

※ One year behind the previous medium-term management plan

(achieve a **PBR greater than 1** early on)



ROE: **12%** or more

Reference: Operating margin of **12%** or more

Policy

A growth strategy emphasizing management efficiency

Investing more in growth and development and concentrating resources in the **IP business**, and expanding growth



**Enhancing
"efficiency"**



Balance investment in growth and increased capital efficiency

Revive Vision 2030 Goals

Highly effective business and financial strategies

Business strategies

- Revamp portfolio (bolster unprofitable businesses)
- Step up advanced packaging business growth

Financial strategies

- Optimize capital
- Enhance financial discipline and streamline assets
- Accelerate transfers from financial assets to business assets by divesting securities

Phase I
(FY2024-
FY2026)

Business strategy: “Revamping our business portfolio” by redefining strategic areas

Financial strategy: Repurchase shares and pay ¥65.0~¥75.0 billion in dividends to deliver ROE of at least 8%

Phase II
(FY2027-
FY2030)

Business strategy: Maximizing the results of Phase I and achieving steady business growth

Financial strategy: Flexibly repurchase shares and keep shareholders’ equity below ¥200.0 billion, and focus on growth investments in allocating cash

Part 2

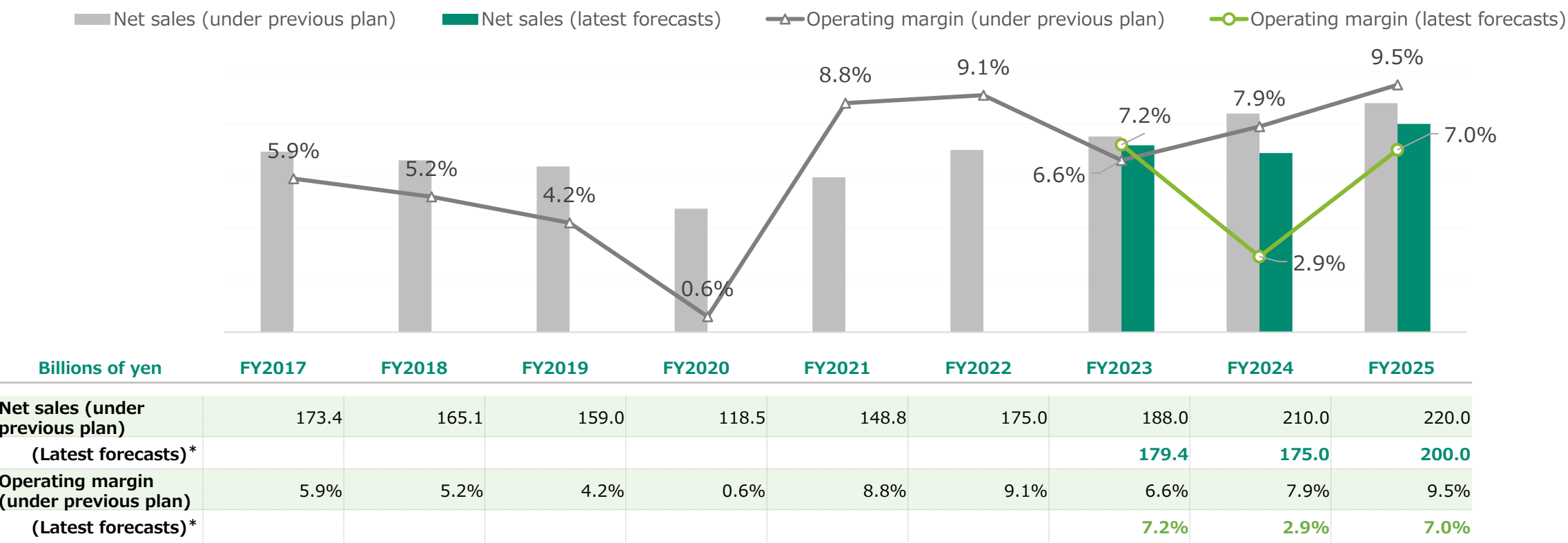
Review of Previous Medium-Term Management Plan

Revising Our Forecasts ①

Our performance deteriorates in FY2024 amid significant business climate changes.

Recovery trend is expected in FY2025, the final year of our previous medium-term management plan, but should be below targets.

Progress under previous plan and latest forecasts



*Figures for FY2023 are results

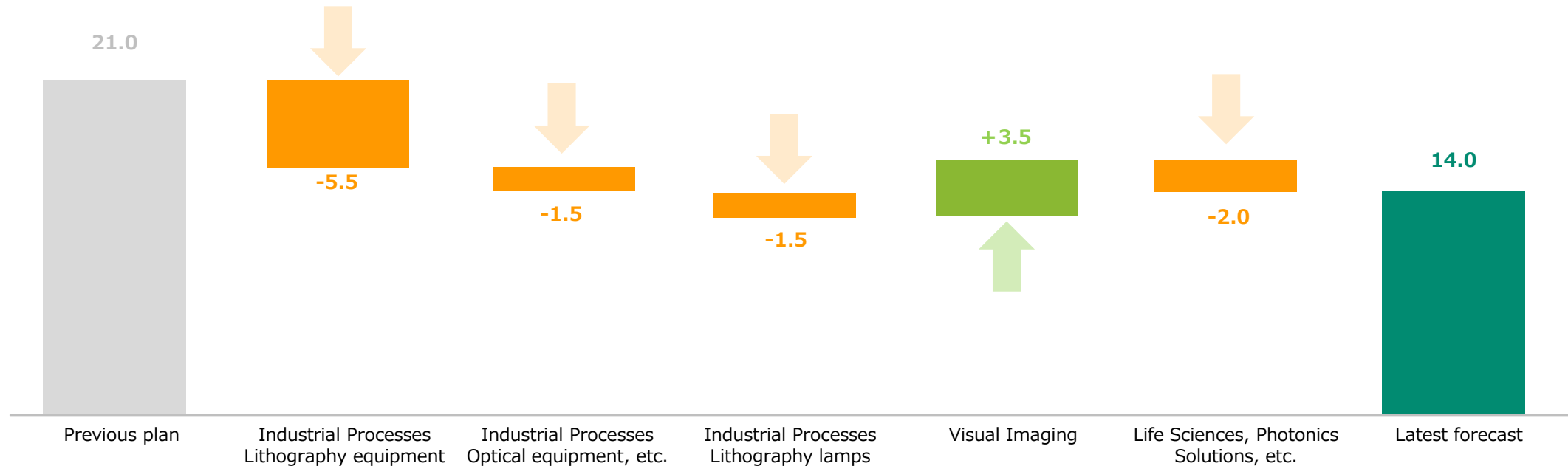
Revising Our Forecasts ②

In FY2025, the final year of the previous medium-term management plan, sales of lithography equipment and EUV light sources in the IP Business should be far below target despite plans to expand growth investments for the future.

With anticipated earnings gains in the VI Business insufficient to cover the shortfall, operating profit should be around ¥7.0 billion lower than under the previous plan.

Operating profit under previous plan and latest forecast

(Operating profit for FY2025: in billions of yen)



Factors in Forecast Revisions

External factors

Changes in market trends for semiconductor manufacturing equipment and a sharp slowdown in the package substrates for PCs market

Market conditions were substantially down in the first quarter of FY2023. Projected negative growth for manufacturers of semiconductor back-end processing manufacturing equipment

► See Appendix on P39 for details

Strategic partnership with Applied Materials

The potential for new growth via a full lineup of lithography equipment provided in partnership with Applied Materials

► See P24-25 for details

Internal factors

①

Dependence on key customer bases in growing businesses

Our level of dependence on key customer bases has been affected by the sharp slowdown in PC demand and fluctuations in different companies' shares of server demand, necessitating a substantial revision of the forecast

► See Appendix on P40 for details

②

Changes in the competitive environment for EUV light sources

The rise of light sources from other companies has necessitated a revision of the forecast

► See Appendix on P41 for details

③

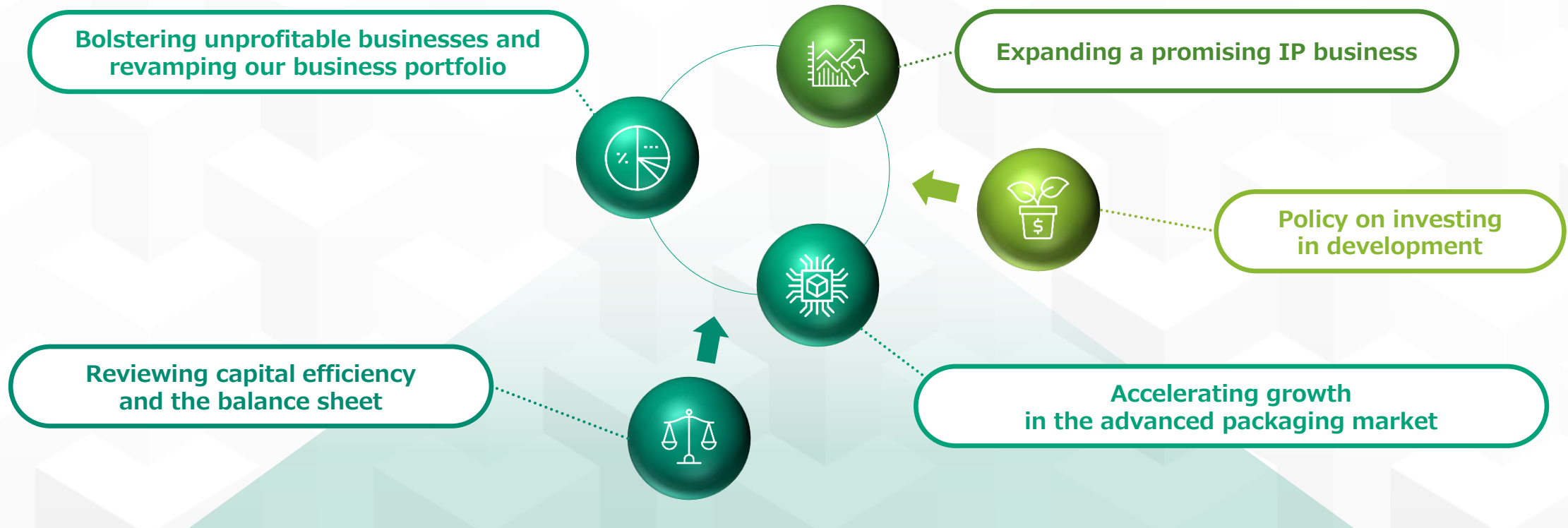
Impact of unprofitable business areas

Unsuccessful actions to improve the earnings of unprofitable business areas

► See Appendix on P42 for details

New Growth Strategy Framework based on Key Challenges

**Develop New Growth Strategy framework
in view of internal and external factors prompting outlook revision.
Strengthen strategic focus areas, revamp business portfolio,
and closely monitor plans to feasibly enhance corporate value.**



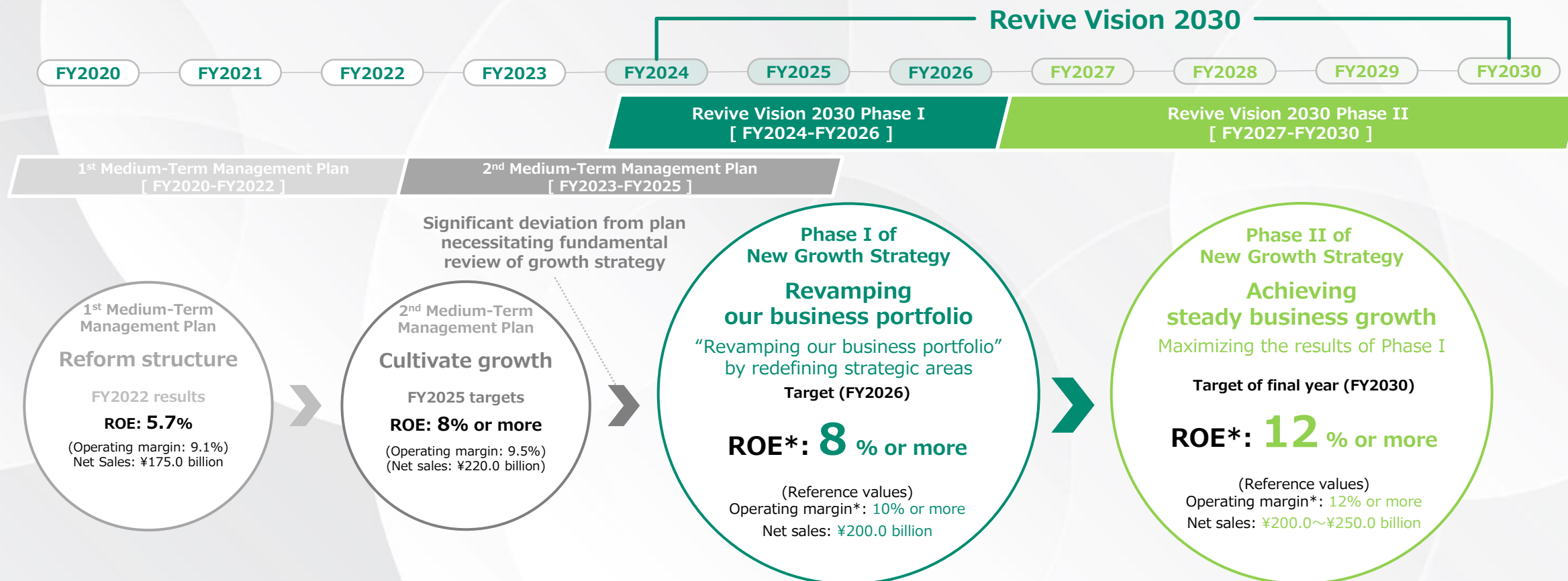
Part 3

Specific Measures for New Growth Strategy: Revive Vision 2030

Positioning of Revive Vision 2030

Shift focus from pursuing volume to enhancing efficiency.

Concentrate investments in strategic areas to lay growth groundwork, targeting return on equity (ROE) exceeding 8% in Phase I and swiftly delivering achieving PBR exceeding 1x.



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

Basic Policies and Overview of New Growth Strategy (Phase I)

Redefine strategic areas and reinforce strategic focus areas while revamping business portfolio, emphasizing selection and concentration

Strategies

Phase I (FY2024-2026) targets

FY2030 targets

Business strategies

Bolstering unprofitable businesses and revamping our business portfolio

► Details on P17-22

- Proactively investing in priority businesses (areas) such as the IP business by optimizing the allocation of management resources while distinguishing unprofitable businesses in light of their future potential

Expanding a promising IP business

► Details on P23

- IP business:
Net sales for FY2023: ¥82.1 billion → FY2026: ¥110.0 billion → FY2030: ¥140.0-150.0 billion
Operating margin for FY2023: 13.2% → FY2026: 14% or more → FY2030: 18-20%

Accelerating growth in the advanced packaging market

► Details on P24~25

- Expanding the growth of lithography equipment in the IP business, a growth area, at a compound annual growth rate (CAGR) of 15% or more from FY2023 to FY2030

Policy on investing in development

► Details on P.26

- Revising the plan for more balanced investing
- Prioritizing and expanding investment in the area of IPs, which is expected to grow and expand
- In PHS business and LS business (including new businesses), focusing on areas offering better growth prospects

Financial strategies

Reviewing capital efficiency and the balance sheet

► Details on P.27-32

- Seeking to achieve an ROE of 8% or more in FY2026 and achieving a PBR greater than 1 early on
- Plans to use ¥65.0-75.0 billion yen to repurchase shares and pay dividends, stipulating a minimum dividend of ¥70 per share
- Reducing securities holdings by at least ¥35.0 billion (plans are to reduce securities holdings by at least ¥15.0 billion in Phase II)
- Shareholders' equity shall be ¥200.0 billion or less

ROE

12% or more

(Reference values)

Operating margin:

12% or more

Net sales:

¥200.0-¥250.0^{billion}

Reference Values by Segments

(Billions of yen)

Segment	FY2023 results			Phase I (FY2026)		
	Sales	Operating profit/ loss	Operating margin	Sales	Operating profit/ loss	Operating margin
Industrial Processes (IP)	82.1	10.8	13%	110.0	15.5	14%
Visual Imaging (VI)	80.5	5.8	7%	70.0	5.5	8%
Life Sciences (LS)	5.2	-2.3	-45%	7.0	-1.0	-14%
Photonics Solutions (PHS)	10.2	-1.5	-15%	12.0	0.3	3%
Consolidated totals*	179.4	12.9	7%	200.0	20.0	10%

*Consolidated totals include "Others" segment

FY2030 Goals

Operating margin: 12% or more

(Net sales: ¥200.0-¥250.0 billion)



Build business portfolio centered on Industrial Processes
(IP: Target operating margin of 18-20%)



Cultivate new businesses
(including Life Sciences)



Make Visual Imaging and photonics Solutions stable cash-generating businesses
(Target operating margin of at least 12%)

Approach to Revamp of Portfolio

Revamp portfolio to enhance profitability by bolstering unprofitable businesses (FY2030: Generate operating margin of 12% or more)

Shift to areas where Ushio can leverage its unique strengths

Focus on areas in which Ushio can leverage its expertise in light technology to deliver significant added value, tapping into a global niche leadership approach that has shaped its corporate culture and strengthened its position since its founding

Review investment plans

Revise the plan for more balanced investing

Undertake clear business assessments

Assess by setting hurdle rates factoring in weighted average cost of capital (WACC)
※See P.27 for WACC concept

Invest in priority businesses and assess unprofitable ones

Invest heavily in priority businesses by efficiently allocating operational resources while also assessing unprofitable businesses based on their potential and other pertinent factors

Industrial Processes (IP)

Accelerate growth through active investment as a priority business

- Invest in advanced packaging area, which offers particular promise
- Invest in semiconductor process and other areas offering growth potential and review EUV business strategy

Visual Imaging (VI)

Enhance profitability by reinforcing earnings structures and selectively judging sub-businesses

Life Sciences (LS)

Strengthen assessment of potential and invest only in promising growth areas

Photonics Solutions (PHS)

Focus on areas with demonstrable potential and strengths and selectively judge areas for downsizing and withdrawal

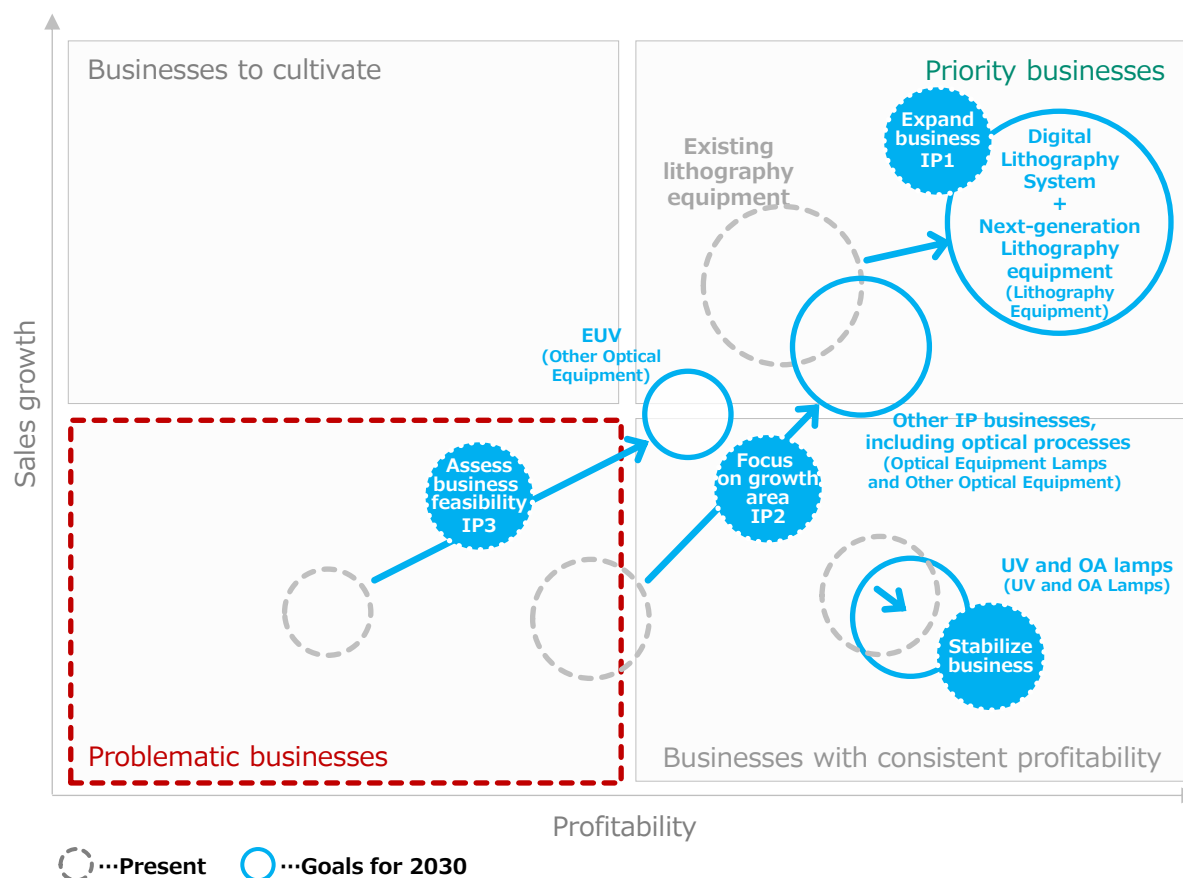
Note: Constantly reassess Visual Imaging and Photonics Solutions businesses with a view to generating anticipated profit margins



Segment Portfolios and Measures (IP)

Creating new products and expanding growth by concentrating development and growth investments and resource allocations

Envisaged Industrial Processes business portfolio



Note: Circle sizes in chart represent business scales. See P18 for scales by segment.

Specific measures

	Priority areas (sub-segment)	Measures	Development Investment (Slide 26)
Grow by increasing and sustaining investments	IP1 Digital Lithography System* + Next-generation lithography equipment (Lithography Equipment)	Concentrate development investments and resources on projects related to strategic partnership with Applied Materials to create full product lineup to become leading company in advanced packaging area ▶ See P.24-25 for details	IP1
	IP2 Other IP businesses, including optical processes (Optical Equipment Lamps and Other Optical Equipment)	Focus on promising semiconductor-related field to pursue business expansion while investing to bolster product competitiveness ▶ See P.45-46 for details	IP2
	IP3 EUV (Other Optical Equipment)	Continue product development with view to entering the market with High-NA lithography, etc. while looking to downsize or withdraw from market if business is no longer feasible ▶ See P.47 for details	IP3
Stabilize	UV and OA lamps (UV and OA Lamps)	Maintain as stable cash-generating business through ongoing investments to boost competitiveness based on stable market trends ▶ UV Lamp: See P.48 for details	IP2

Leading Prospective Growth Driver Businesses

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

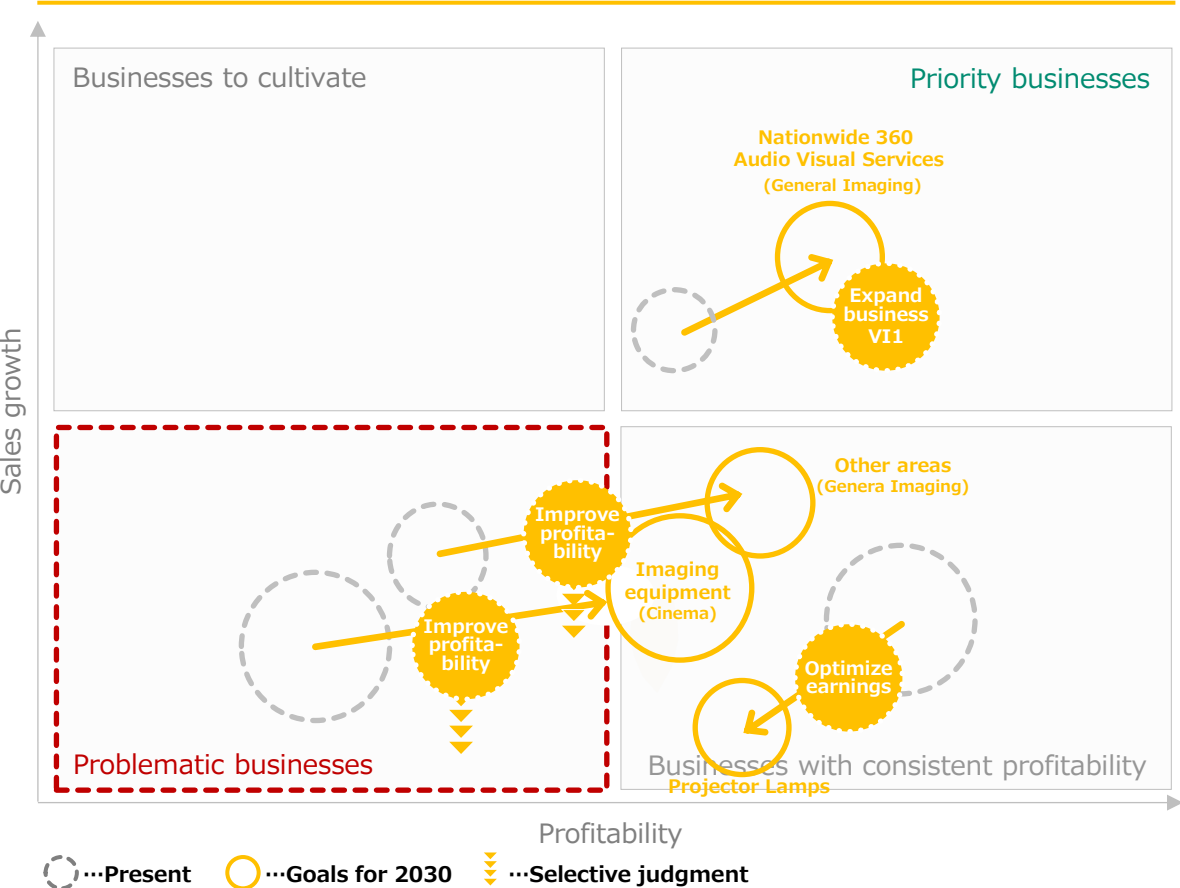
* Direct Imaging lithography equipment using digital lithography technology through partnership with Applied Materials

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Segment Portfolios and Measures (VI)

Shift focus from pursuing scale to enhancing businesses that generate stable cash flows by improving profitability and selectively judging sub-businesses to continue

Envisaged Visual Imaging business portfolio



Note: Circle sizes in chart represent business scales. See P18 for scales by segment.

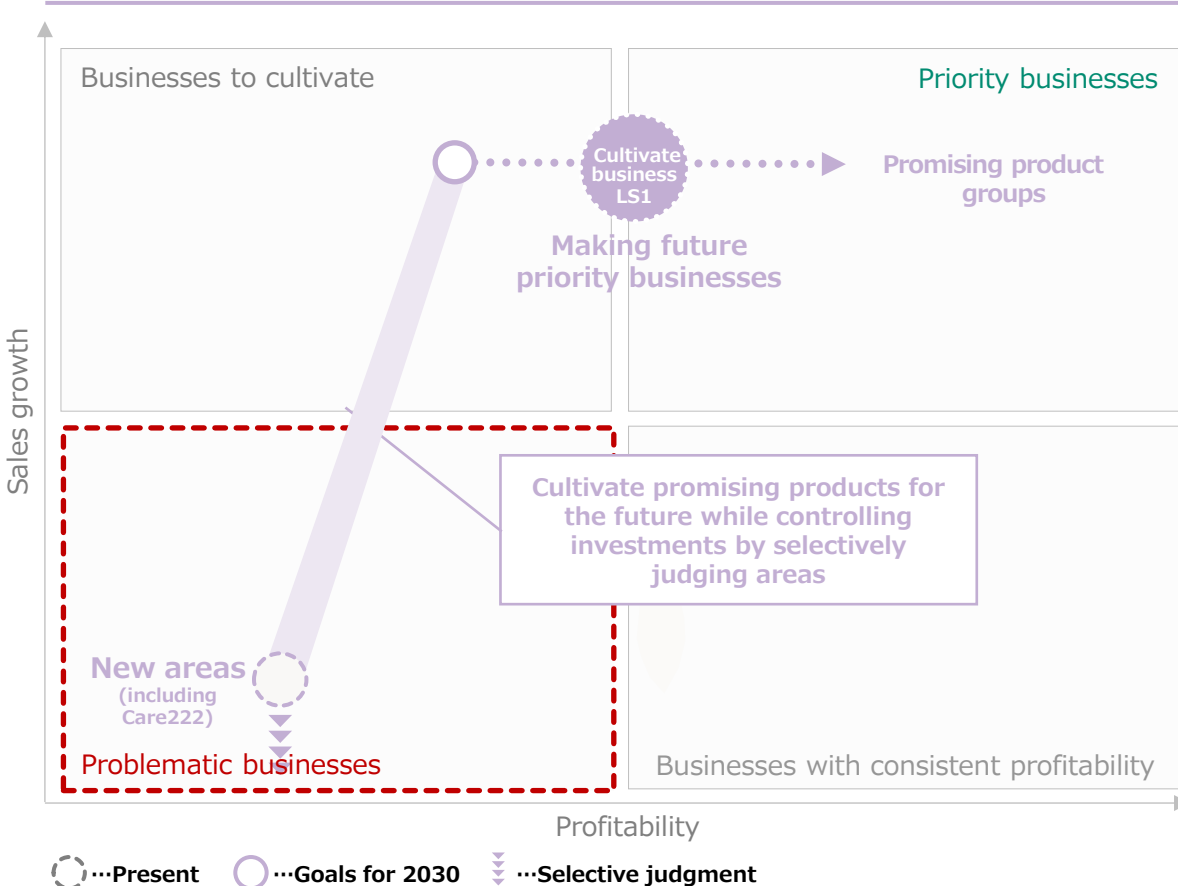
Specific measures

	Priority areas (sub-segment)	Measures	Development Investment (Slide 26)
Grow by increasing investments	VI1 Nationwide 360 Audio Visual Services (General Imaging)	Prioritize in Nationwide 360 Audio Visual Services, a high value-added business <ul style="list-style-type: none">Consolidate resources to scale up operations and drive revenue growth ▶ See P50 for details	VI1
Control investments and generate stable earnings	Other areas (General Imaging)	With market growth limited, focus on improving and enhancing profitability rather than pursuing business scale while considering for selectively judging sub-businesses <ul style="list-style-type: none">Improve profitability through selection and concentration while considering for selective judgment	
	Imaging equipment (Cinema)	<ul style="list-style-type: none">Increase proportion of recurring businesses and product services earningsEfficiently optimize product lineup to remain competitive by strengthening cooperation in production outsourcing and other areas ▶ See P50 for details	
Shrink	Projector lamps (Projector Lamps)	Downsize business due to shifting to solid-state light sources <ul style="list-style-type: none">Maintain and expand market share, and optimize earnings by prioritizing cost reductions through consolidation of sites and improvement of commercial channels	

Segment Portfolios and Measures (LS)

Investing to create future core businesses while streamlining investments to prioritize areas offering more promising growth paths

Envisaged Life Science business portfolio



Note: Circle sizes in chart represent business scales. See P18 for scales by segment.

Specific measures

	Priority areas (sub-segment)	Measures	Development Investment (Slide 26)
Cultivate new businesses	New areas (including Care222)	Develop promising product categories for tomorrow while managing investments by selectively judging focus areas	LS1
	Promising product groups	Expand business while controlling investments and monitoring business progress	LS1
Stabilize	Medical devices and Healthcare business	Keep refreshing product lineup and secure stable earnings in areas with consistent demand and proven revenue streams	

Promising product groups

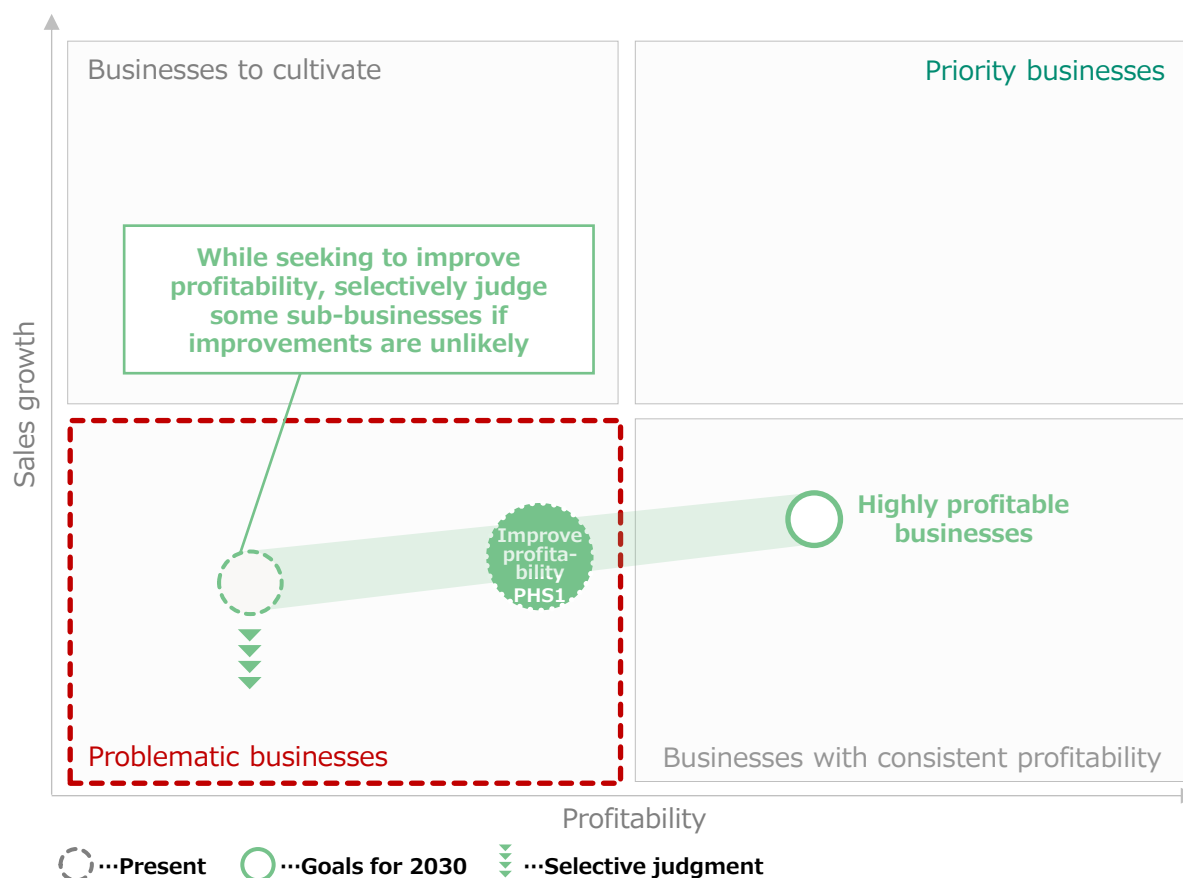
- Pioneer progress in bio-functional chips through surface modification technology employing specific wavelengths to address drug discovery challenges
- New pulsed light spectroscopy technology contributing to quality inspections



Segment Portfolios and Measures (PHS)

Distinguishing certain sub-businesses as ones that will consistently generate cash

Envisaged Photonics Solution business portfolio



Note: Circle sizes in chart represent business scales. See P18 for scales by segment.

Specific measures

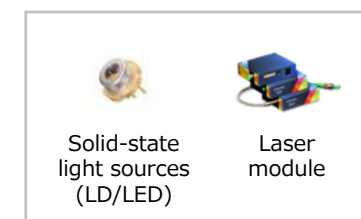
	Priority areas (sub-segment)	Measures	Development Investment (Slide 26)
Selectively judge	Selectively judge sub-businesses	Selectively judge sub-businesses that are uncompetitive and have few prospects for growth and earnings improvement	
Stabilize	PHS1 Highly profitable businesses	For businesses offering high profitability, develop them to generate stable cash flows through appropriate investments	PHS1

Highly profitable businesses

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

Priority megatrends

Including semiconductors, medical care, and augmented/virtual reality



Industrial Processes Strategic Policies

Grow and reinforce IP business with advanced packaging business, focusing resources to accelerate business development

Strategic policies (vision)

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

Focus investments on priority areas	<ul style="list-style-type: none"> Concentrate resources and investments in semiconductor fields* offering growth potential *Advanced packaging area and thermal processes that offer market growth potential
Strengthen product lineup	<ul style="list-style-type: none"> Strengthen product lineup through strategic partnership with Advanced Materials to expand presence in evolving advanced packaging area Introducing new LED light sources for thermal processes, cultivating semiconductor thermal solutions area with three light sources Strengthen product lineup of UV lamps to expand into new business fields
Improve profitability	<ul style="list-style-type: none"> Strategically enhance product mix in line with business climate changes Create business structure covering sales through after-sales service, primarily for lithography equipment Look to assess areas with little business potential
Human resources strategy	<ul style="list-style-type: none"> Expand human resources in Industrial Processes by reskilling from other businesses

Business climate

Semiconductor market

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

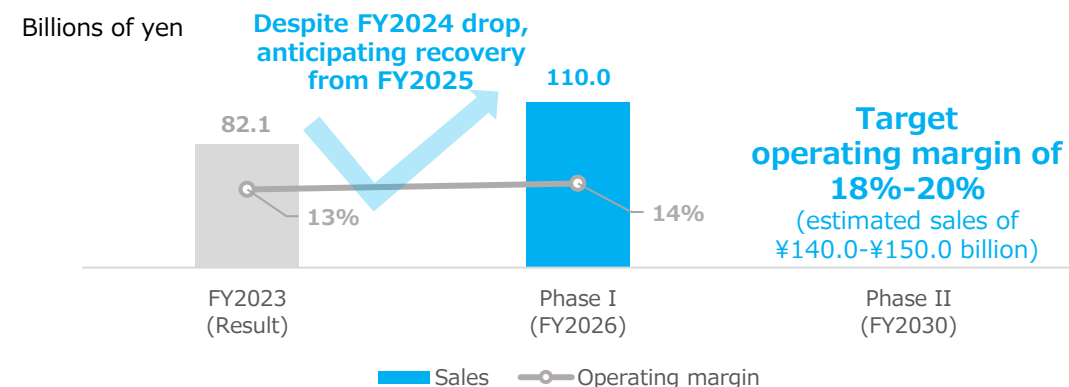
Advanced packaging market

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

Flat panel display market

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

Coefficient targets





Expand Presence in the Advanced Packaging Market ①

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

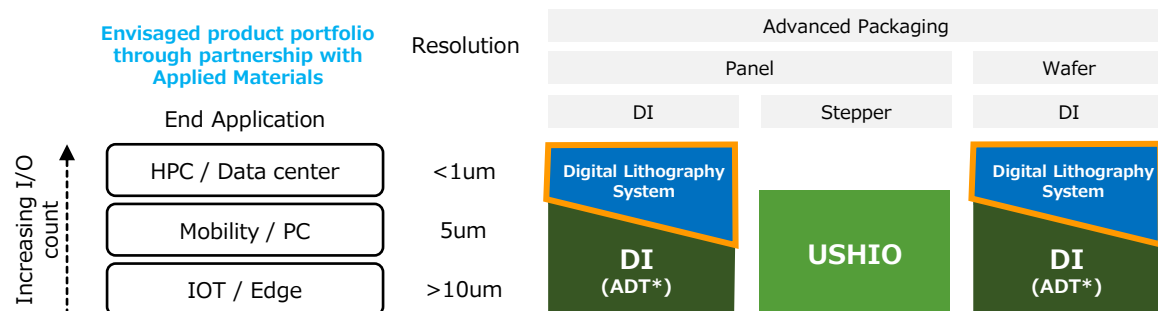
Strategic policies (Vision)

Become leading company in advanced packaging market

① Building full lineup

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

Envisaged product portfolio through partnership with Applied Materials



② Strengthen sales by growing customer base

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

* ADT = ADTEC Engineering, our group company

Business climate

- High-performance computing and data centers becoming foundational infrastructure as generative AI advances worldwide, with advanced semiconductor market growing to cater to escalating data volumes
- To meet the increasing data volume and power demands, new packaging substrate structures have been developed to enhance semiconductor performance and efficiency, with a reassessment of semiconductor materials accompanying a shift toward larger chips and chiplets

Business strategies

Building full lineup

- Leverage partnership with Applied Materials to address demand for 2μm and below and boost presence and competitiveness in semiconductor-related sector
- Expand reach for needs, including for existing DI lithography equipment, and achieve organic substrates growth by collaborating more with ADTEC Engineering
- Strengthen sales and after-sales business strategy by combining existing lithography equipment with new products to offer turnkey solutions for all customer needs

Building stable sales base

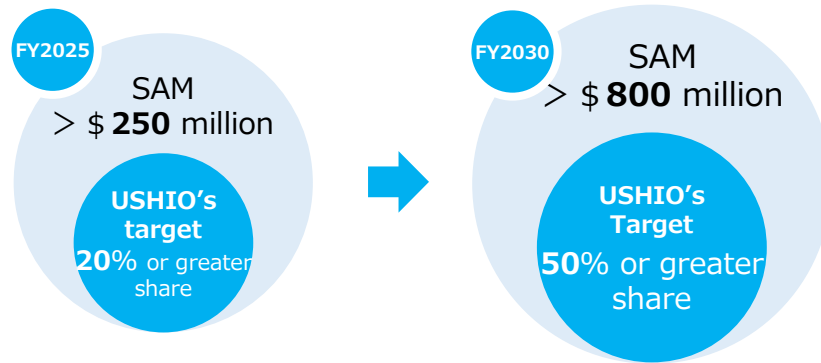
- Enhance sales to non-traditional customer segments through full product lineup
- Strategically lower proportion of sales to key customers to reduce the risk of relying on specific ones



Expand Presence in the Advanced Packaging Market ②

Leverage partnership with Allied Materials to drive sales growth in expanding advanced packaging market through Digital Lithography System

Advanced packaging market to cater to with Digital Lithography System



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

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

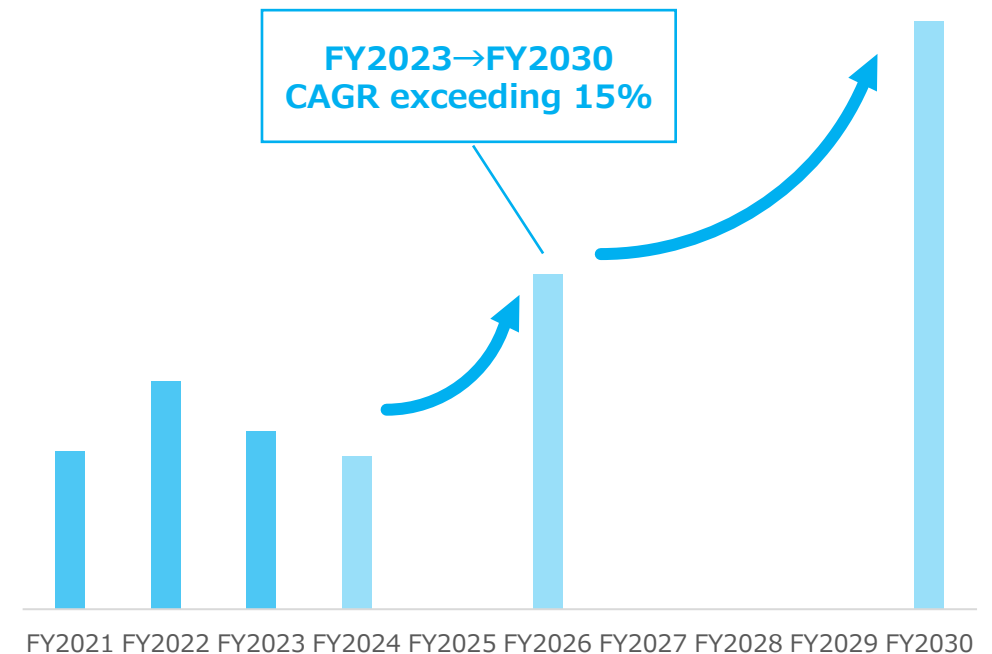
- Rising demand for chiplets and larger package substrates
- More sophisticated package substrates to cater to semiconductor performance and power efficiency improvements
- (→ greater requirements for sub-2 μm to sub-sub-μm packages)

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

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

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

Overall sales for lithography equipment for advanced packaging*



*Including steppers, digital imaging lithography equipment, and digital lithography system

Development investment policy

Invest to achieve contributions to earnings in Phase II towards our goals for 2030.

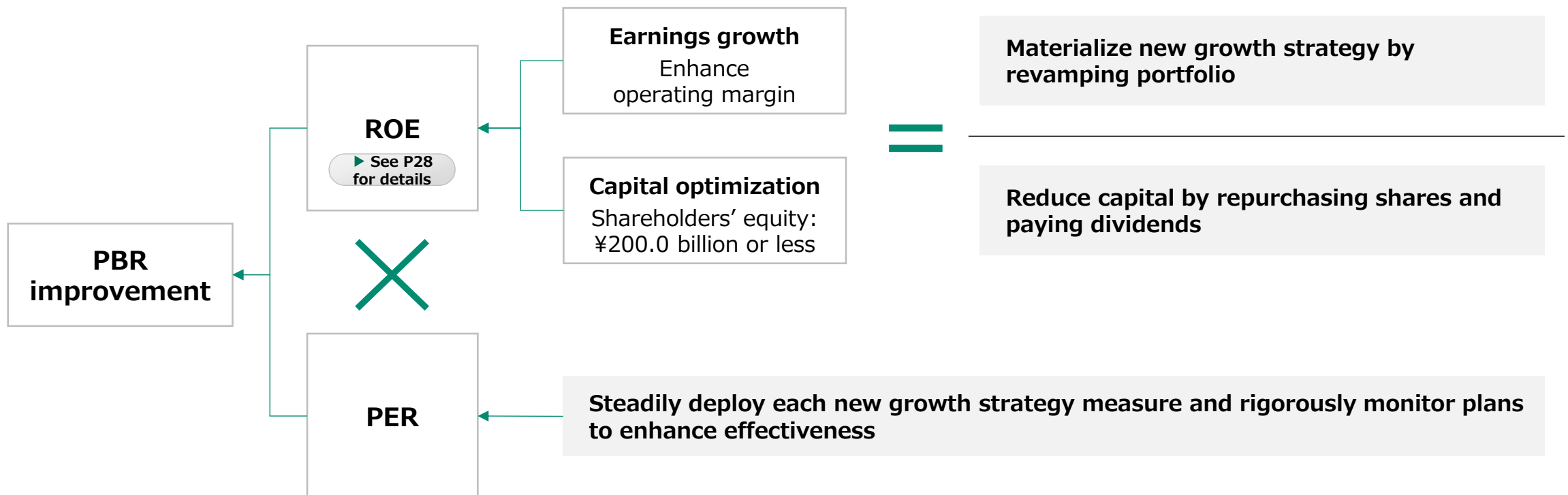
However, more closely monitor investment periods and profit contribution and review investment area allocations annually.

Consider reviewing investment strategy for EUV under Industrial Processes, Visual Imaging, and Photonics Solutions in line with their business directions.

Billions of yen	Cumulative development investment (FY2024~2026)	Development investment details			Details Icons represent priority areas on P.19~22
IP Industrial Processes	28.0	Lithography equipment	Approximately ¥15.0 billion	<ul style="list-style-type: none"> Develop and launch Digital Lithography System with Applied Materials Develop next-generation lithography equipment 	IP1 ▶ See P.19 for details
		EUV	Approximately ¥6.0 billion	<ul style="list-style-type: none"> Develop to enhance brightness and stability and reduce costs to enter High-NA area 	IP3 ▶ See P.19 for details
		Others	Approximately ¥7.0 billion	<ul style="list-style-type: none"> UV Lamp: Enhance illumination and service lives, Develop new lamps for emerging fields Semiconductor thermal processes: Innovate LED heating sources, etc. 	IP2 ▶ See P.19 for details
VI Visual Imaging	7.5	Imaging equipment	Approximately ¥7.5 billion	<ul style="list-style-type: none"> Develop new products to provide high added value, etc. 	VI1 ▶ See P.20 for details
LS Life Sciences	8.5	—	Approximately ¥8.5 billion	<ul style="list-style-type: none"> Invest in and cultivate products for promising areas Undertake initiatives to create promising businesses 	LS1 ▶ See P.21 for details
PHS Photonics Solutions	3.5	—	Approximately ¥3.5 billion	<ul style="list-style-type: none"> Develop to expand product lineup and become more competitive 	PHS1 ▶ See P.22 for details
Total	47.5				

Initiatives to Boost PBR

Achieve ROE target exceeding cost of shareholders' equity* and swiftly attain PBR exceeding 1x by steadily deploying New Growth Strategy and optimizing capital by enhancing shareholder returns



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

Stance and Specific Measures to Improve ROE

Reach ROE of 12% or higher by deploying new growth strategy and enhancing balance sheets, including by optimizing capital (see slide 29)

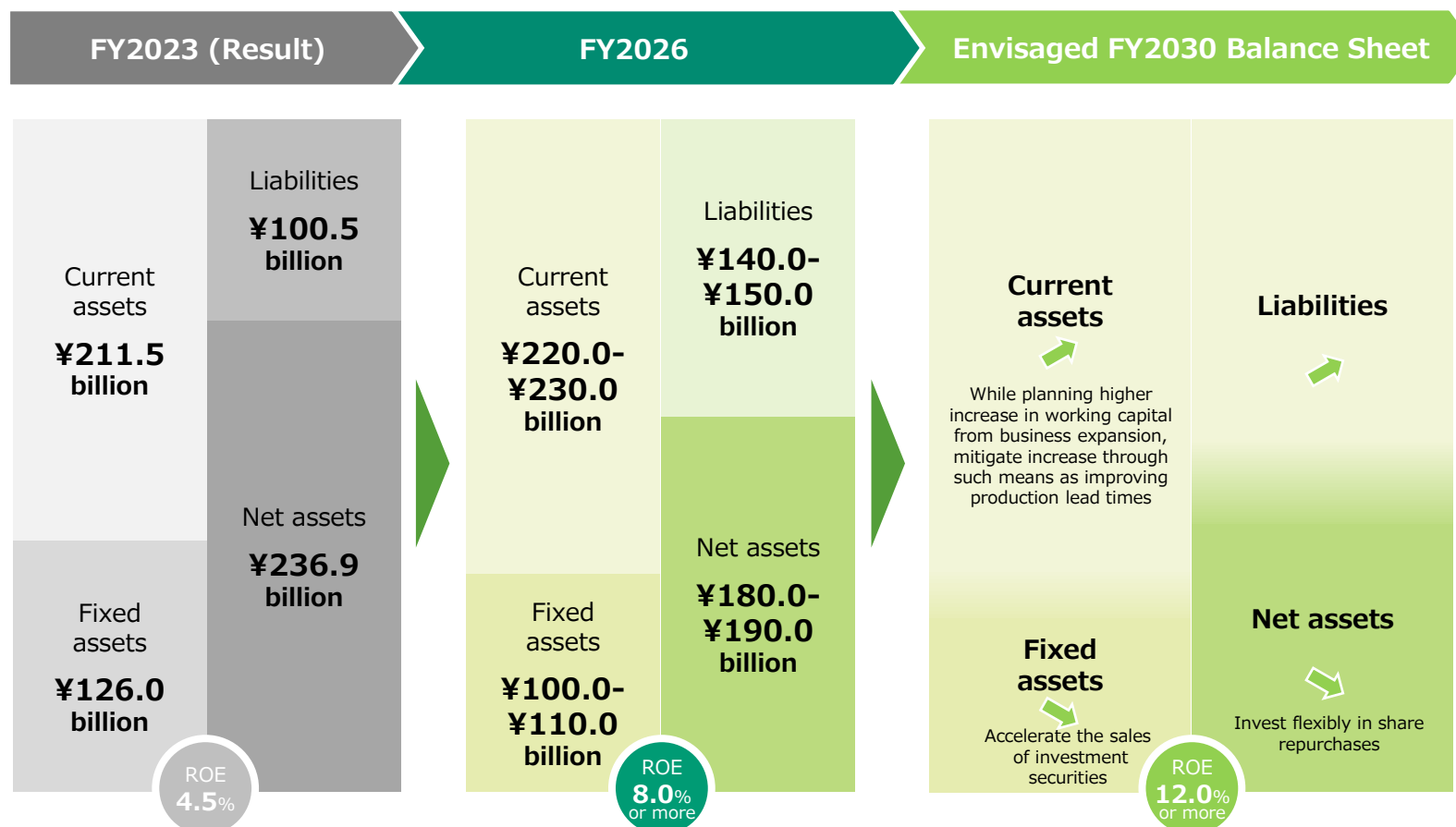
	FY2023 (Result)	FY2026	Measures to improve ROE
ROE	4.5 %	8 %以上	FY2030 : 12 % or more
----- -----			
Net profit margin Net profit/Sales X	6.0 %	Around 8 %	<ul style="list-style-type: none"> ● Improve net profit margin by deploying all new growth strategy measures in line with portfolio revamping
Assets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

Balance Sheet Management Policies

Maintain financial discipline and improve asset efficiency while expanding growth investments

Balance sheet management policies

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



Cash Allocation and Growth Investments

Under Phase I, boost ROE to at least 8% by divesting securities and allocating interest-bearing debt to drive growth and boost shareholder returns, swiftly boosting PBR to above 1x

(Under Phase II, target ROE **above 12%** by expanding growth investments based on operating cash flows while balancing shareholder returns)

Phase I [FY2024~2026]

Phase II [FY2027~2030]

**Reach ROE 8% or more/
Achieve PBR exceeding 1X**

Cash-in

Cash-out

Interest-bearing debt, etc. ¥25.0 billion or more
Securities sales ¥35.0 billion
Operating cash flow ¥50.0 billion

Growth investments ¥40.0 billion or more
Share repurchases + Dividends ¥65.0 ~ ¥75.0 billion

Planned growth investments in Phase I

**Growth
investments
(including M&A)**

**¥40.0
billion or more**
(over three years)

- Lithography equipment for advanced packaging:
Approximately ¥7.0 billion
- EUV light sources for EUV mask inspections:
Approximately ¥3.0 billion
- Upgrading outdated facilities, etc.

M&A policy

- IP: Focus on advanced packaging area
- VI: Partnerships necessary to drive growth in high-value-added businesses
- LS: Strengthen and expand promising products and emerging businesses
- PHS: Solidify and expand businesses by investing in complementary peer companies

ROE target: 12 %

Envisaged Cash-out

Expand growth investments
Share repurchases + Dividends Undertake flexibly and steadily

(Reference) Free cash flow:
Approximately ¥50.0 billion

(Reference) Free cash flow:
Approximately ¥80.0 billion

Securities Divestment Schedule and Reduction of Cross-Shareholdings

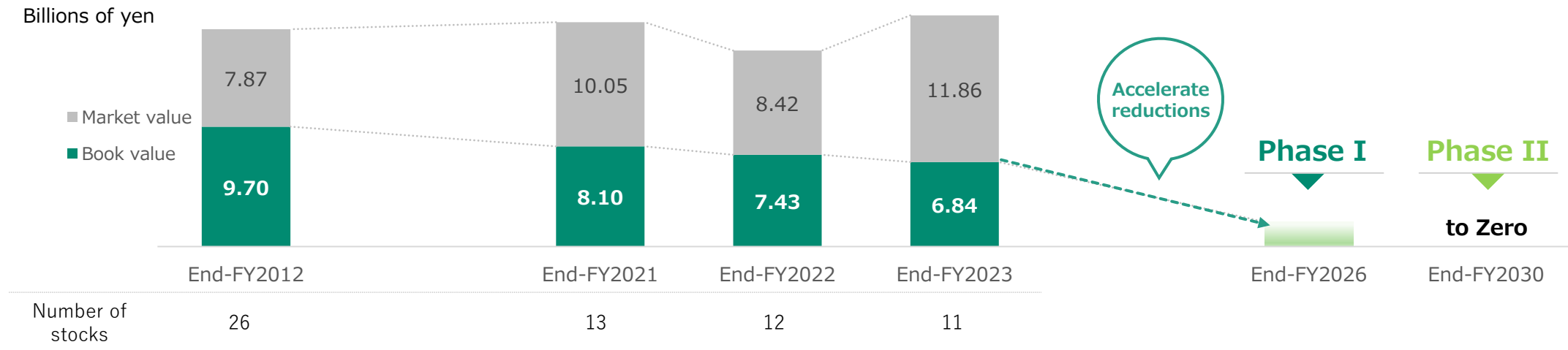
Securities* Divestment Schedule (on cash flow basis)



*Policy shareholdings, long-term bonds and net investment securities

Reducing Cross-Shareholdings

Accelerate reductions in line with strategy



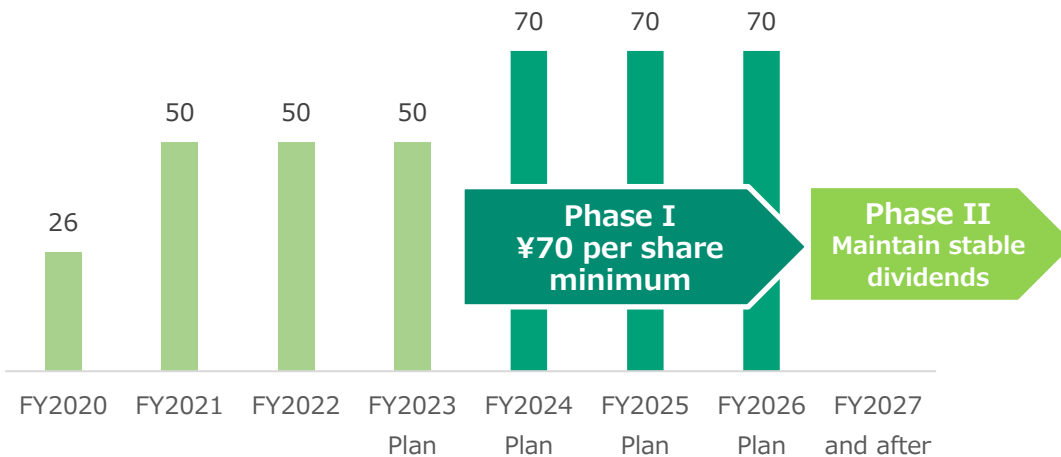
Shareholder Return Policies

Phase I: Stipulate minimum dividend at ¥70 per share and plan to repurchase ¥50.0-¥60.0 billion in shares
(Phase II: Keep shareholders' equity below ¥200.0 billion by flexibly repurchasing shares)

Dividends policy

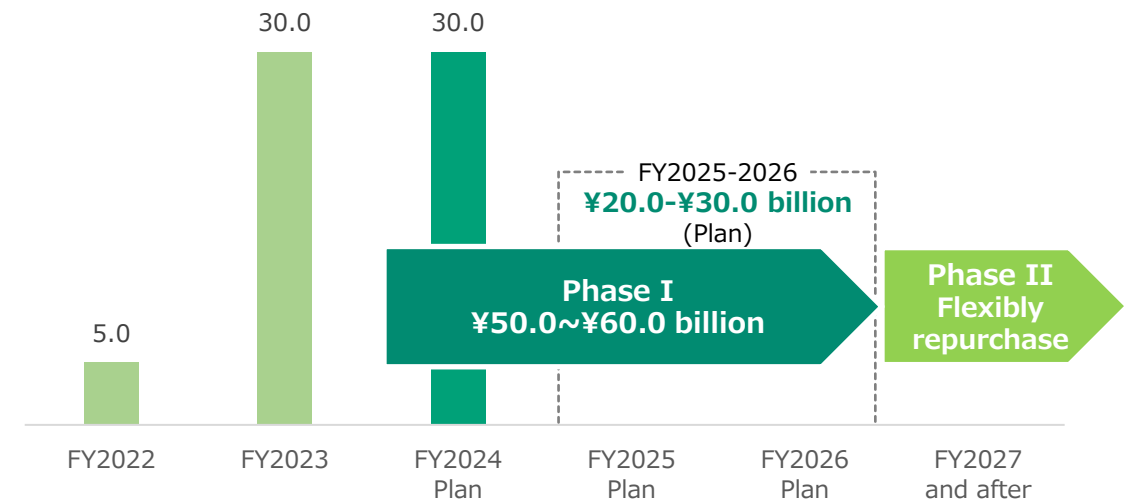
Yen

Projected dividends per share



Share buybacks

Billions of yen



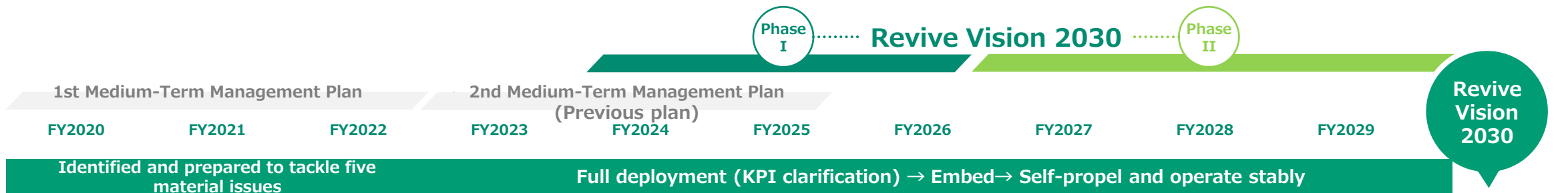


Part 4

ESG Initiatives

Bolster Sustainability — Manage Alongside Businesses

Uphold ESG initiatives to reach Revive Vision 2030 objectives, delivering real ESG value that is supported, shared and understood



<FY2021>

Formulated five management focuses

Key issues for constantly enhancing corporate value while striving to resolve social issues over long term

- ① Creating Businesses with Greater Social Value
- ② Developing Our Diverse Talent to Get Closer to Our Vision
- ③ Creating Working Environments where It Is Easy to Produce Results
- ④ Sustainably Reducing Environmental Impact
- ⑤ Building a Robust Management Base

<FY2022 onward>

Established ESG Promotion Headquarters* (April 2022)

- Pursued five management focuses
- Enhanced internal and external engagement
 - Internal: Undertook and analyzed employee engagement
 - External: Analyzed and disclosed external assessments
- Tested hypotheses for formulation of key performance indicators

* Renamed to the Sustainability Promotion Division in FY2024

FY2023 and beyond

Undertake business growth and ESG efforts, clarifying non-financial key performance indicator goals and undertaking full-fledged activities to reach Revive Vision 2030 objectives

Becoming a "Light" Innovation Company

Growing together with our customers mainly in the Industrial Processes area

<Financial targets>

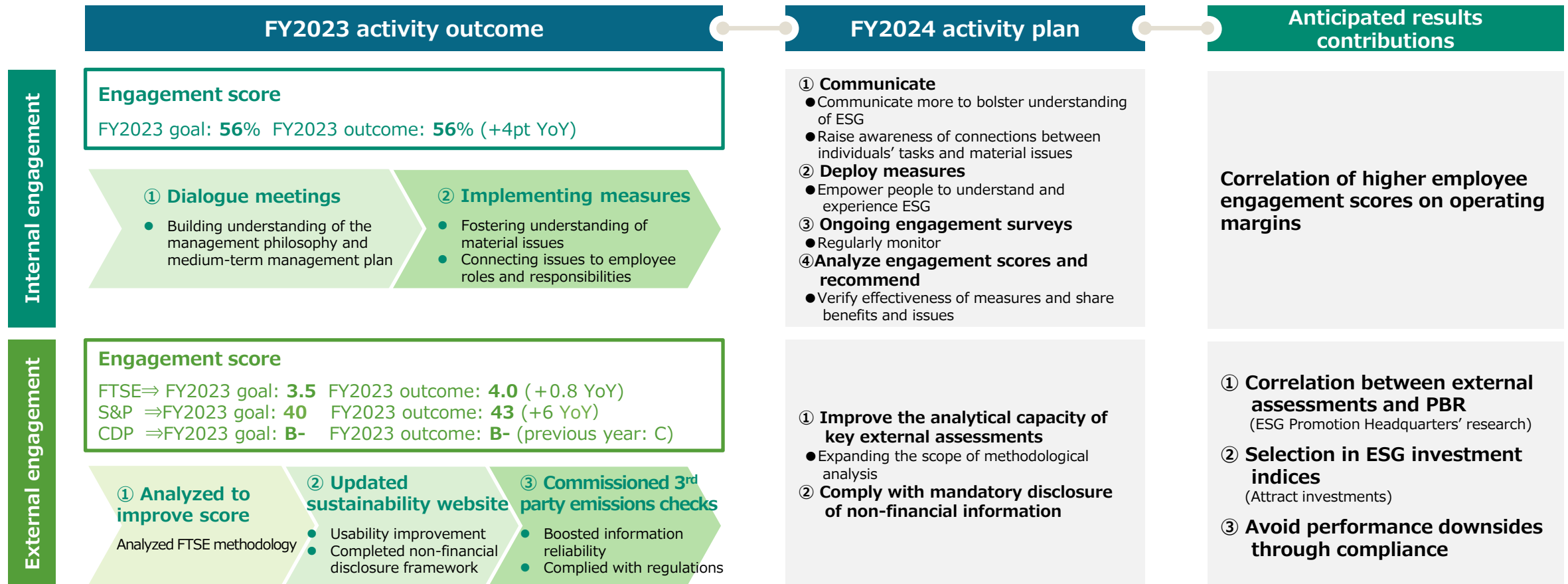
ROE
12% or more

(Reference values)
Operating margin
12% or more

Net sales
¥200.0~¥250.0 billion

Measures to Improve Engagement

Largely achieved FY2023 goals, steadily undertaking activities in FY2024 and beyond to lift engagement, which should contribute to results



Human Capital Strategies—Basic Policies on Investing in Talent under New Growth Strategy

Revive Vision 2030

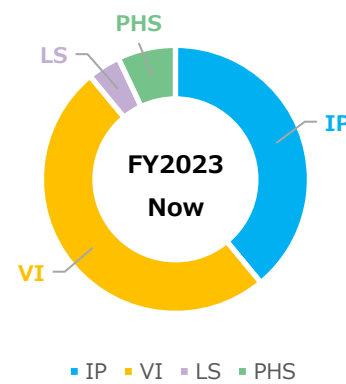
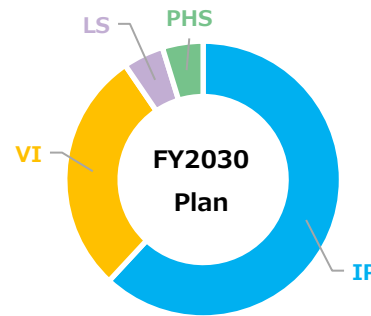
1
Analyze competitive talent strategies in semiconductor-related businesses and establish framework to secure people to support business goals

2
Transfer employees from other business areas and optimize evaluations to better manage headcount and total labor costs

3
Transition to more meaningful framework by changing management metrics from headcount management to total labor cost management

Headcount by segment

Controlling Group-wide headcount in line with business policies



Concentrate human capital investments in growth businesses and reskilling

Invest more in people

Structural reforms

- In the advanced packaging area, particularly bolster personnel in such key areas as **technical sales, customer support, manufacturing engineering, production lines, and quality assurance**
- Deploy reskilled people from other businesses, particularly in **customer support, manufacturing engineering, production lines, and quality assurance**
- **Beef up personnel to cover key overseas customers**, especially in Taiwan and South Korea
- Externally recruit personnel who are key to businesses

- **Control total labor costs Group-wide**
- **Streamline manufacturing and consolidate sites in line with business direction**

Hiring and training

- Deploy and train people in line with the business strategy, **employing core policy of supporting reskilling to equipment technology and manufacturing**
- **Center strategy for recruiting talent on Industrial Processes (particularly semiconductor manufacturing engineering)**. Promote **recruitment of high-level human resources with a special focus on lithography businesses**

Remuneration structure

- Benchmark against semiconductor manufacturing equipment industry remuneration levels
- Make appropriate assessments to prevent unchecked hikes in total labor costs

Appendix

Supplement to Review of Previous Medium-Term Management Plan

Changes in market trends for semiconductor manufacturing equipment and a sharp slowdown in the package substrates for PCs market

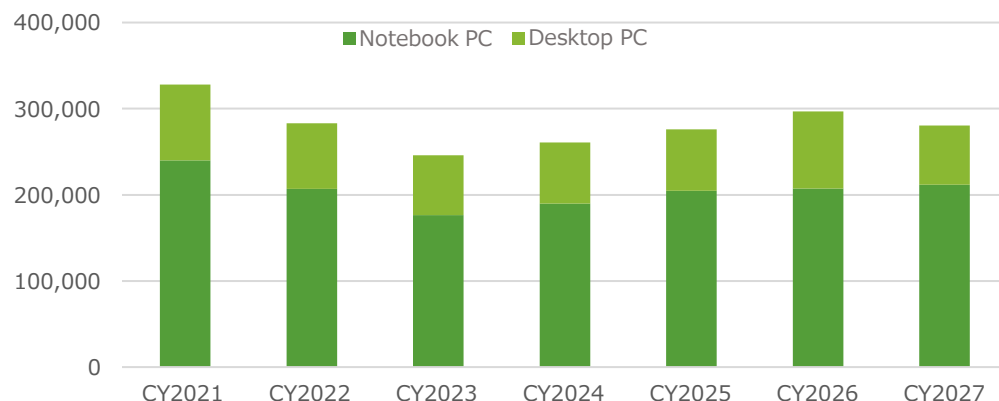
Package substrate market should remain stagnant from overcapacity amid production adjustments stemming from slowing PC market demand.

Back-end process equipment makers have therefore experienced negative year-on-year downturns from Q3 FY2022.

PC market trends

- A teleworking surge due to the pandemic led to record sales of 350 million units in 2021, with demand decreasing as pandemic risks waned from 2022 and production plunging in 2023.
- By 2023, pandemic-related demand had ceased, and although supply-demand adjustments are ongoing, market conditions should normalize by the H1 2024.

Global PC market sales and forecasts (thousands of units)

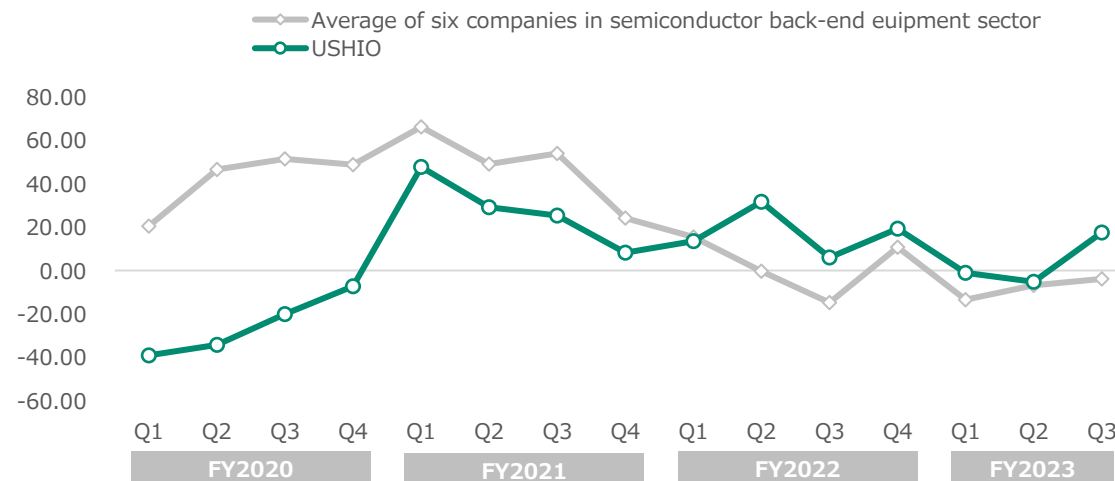


Source: Compiled from MIC's "Global Server Forecast" and IDC

Semiconductor manufacturing equipment market trends

- As manufacturers raised capex amid market expansion through 2022, overcapacity after 2023, when demand declined, should continue through around 2025.
- A back-end process equipment maker downturn accordingly continued from Q3 FY2022.

Comparisons with performances of six companies in semiconductor back-end equipment sector: YoY sales growth (%)



Source: Compiled from investor relations materials of six companies

Dependence on key customer bases in growing businesses

PC demand slowed, and server market shares changed a lot among companies despite rising demand

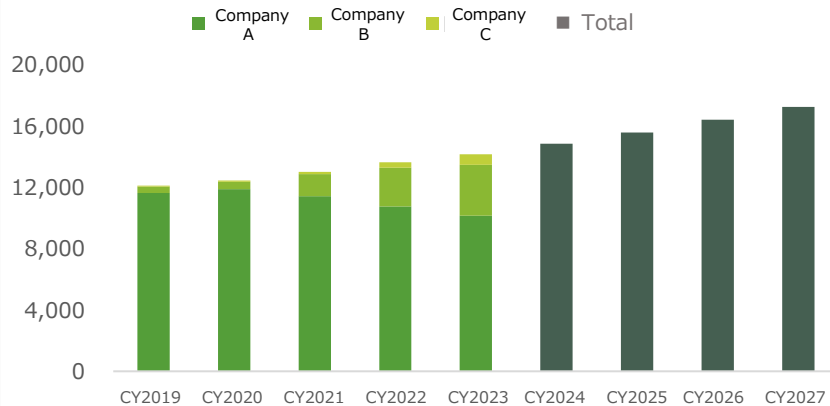
Highly dependent on key customers, especially for mainstay steppers, which was prime factor in revenue and earnings shortfalls

Package substrate market sluggish owing to slower PC demand

► See P39 for details

While server market demand expanding, shares fluctuating significantly among companies

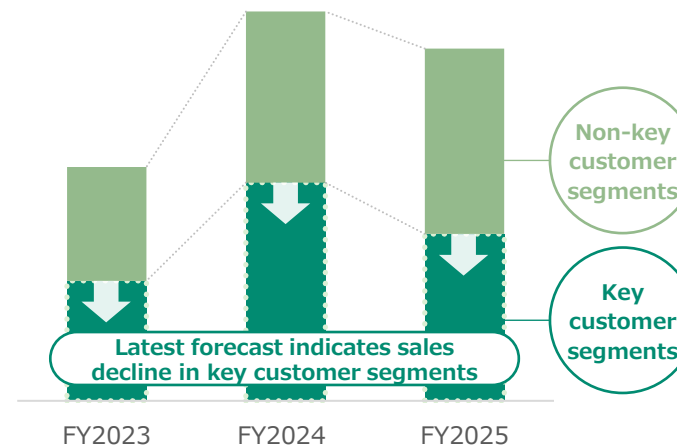
Worldwide server unit shipments
by semiconductor supplier (thousands of units)



Source: Compiled from MIC's "Global Server Forecast" and IDC

Outlook for stepper business, which depends heavily on key customer segments, has therefore been significantly impacted

Stepper sales by customer segment as envisioned under the previous medium-term management plan



Latest forecast indicates sales decline in key customer segments

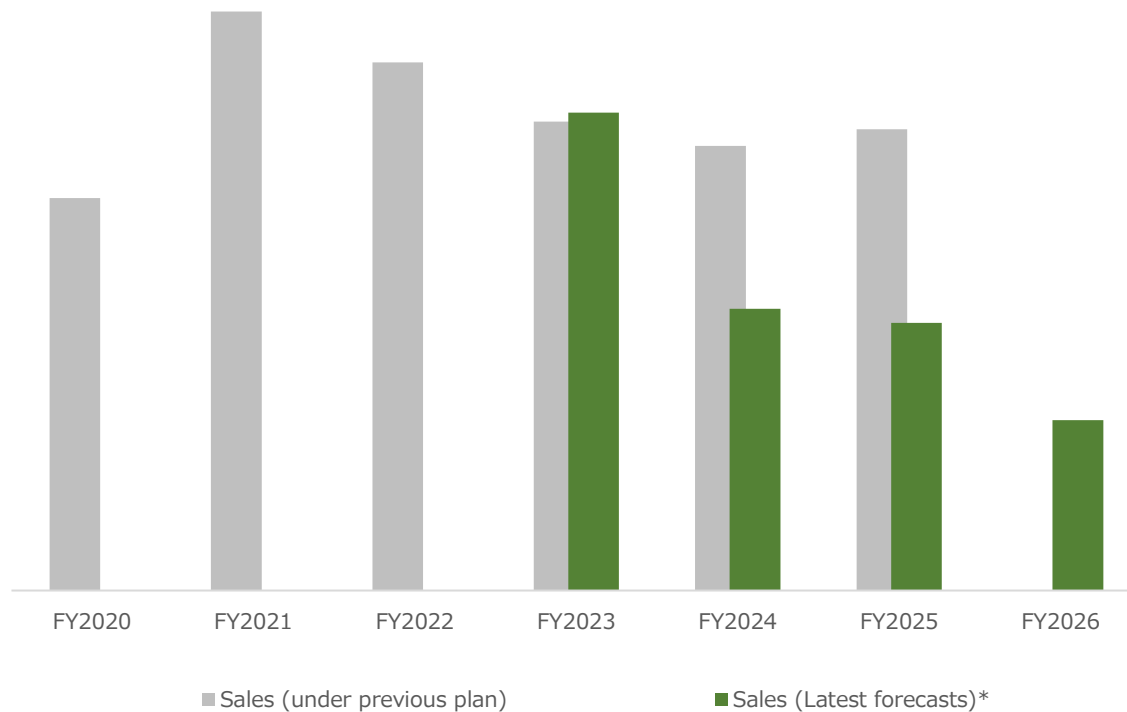
New growth strategy aims to
resolve dependency issues

► See P24 for details

Changes in the competitive environment for EUV light sources

The rise of other companies' light sources for EUV mask inspections necessitated outlook revision.

Latest sales forecast (compared with previous medium-term management plan)



*Figures for FY2023 are results

Factors in revising forecast

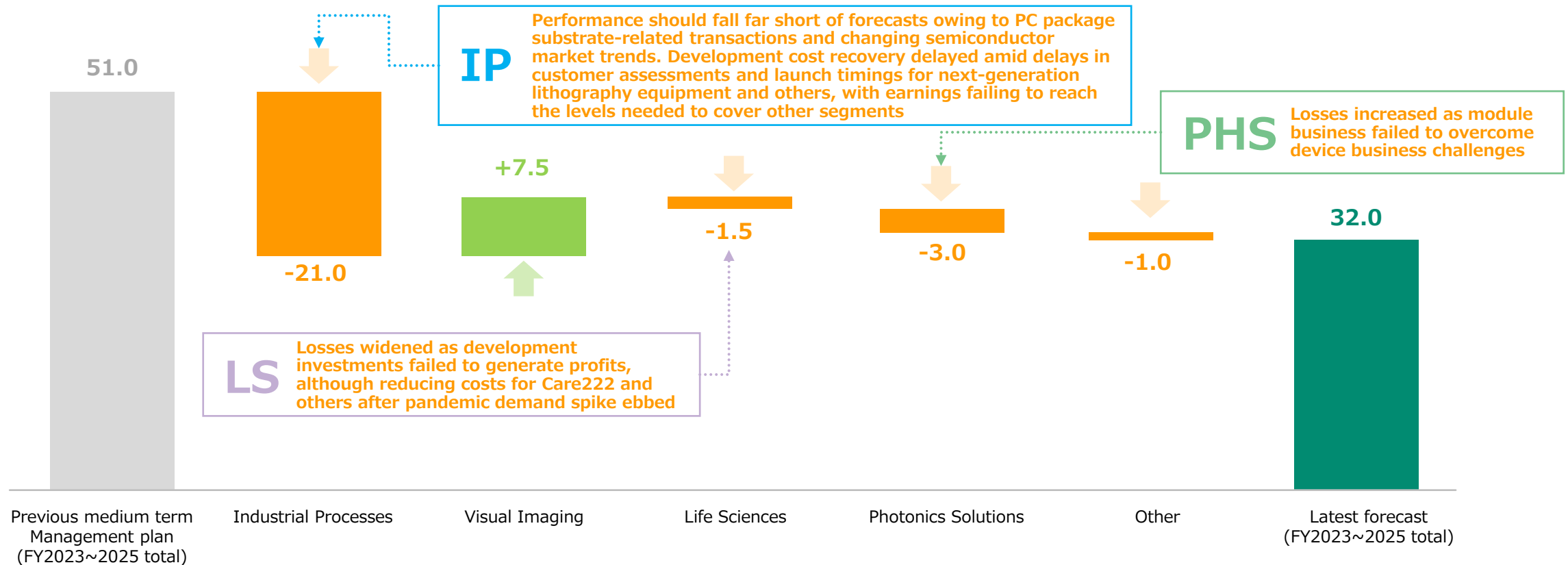
Market factors	<ul style="list-style-type: none"> Declining customer investments mirror semiconductor market downturn due to weak PC sales and other factors, including retreat from pandemic-driven spikes
Customer factors	<ul style="list-style-type: none"> Hard for some time to secure new offers due to the rise of other companies' light sources Semiconductor suppliers imposing strict demands to reduce operational costs
Competitive factors	<ul style="list-style-type: none"> Despite Ushio's leading position in providing light sources for EUV mask inspection applications, other companies' light sources have emerged
Internal factors	<ul style="list-style-type: none"> Failed to address cost issues in particular

Impact of Unprofitable Business Areas

Delay in development investments contributing to profits, affecting earnings under previous medium-term management plan

IP business likely to fall significantly short of forecasts, disrupting scenario for covering unprofitable businesses

Discrepancy between operating profit under previous medium-term management plan and latest forecast
(cumulative operating profits for FY2023~2025: in billions of yen)



Supplement to Business Strategies

Industrial Processes Strategic Policies

Reprinted

USHIO

Grow and reinforce IP business with advanced packaging business, focusing resources to accelerate business development

Strategic policies (vision)

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

Focus investments on priority areas	<ul style="list-style-type: none"> Concentrate resources and investments in semiconductor fields* offer growth potential *Advanced packaging area and thermal processes that offer market growth potential
Strengthen product lineup	<ul style="list-style-type: none"> Strengthen product lineup through strategic partnership with Advanced Materials to expand presence in evolving advanced packaging area Introducing new LED light sources for thermal processes, cultivating semiconductor thermal solutions area with three light sources Strengthen product lineup of UV lamps to expand into new business fields
Improve profitability	<ul style="list-style-type: none"> Strategically enhance product mix in line with business climate changes Create business structure covering sales through after-sales service, primarily for lithography equipment Look to assess areas with little business potential
Human resources strategy	<ul style="list-style-type: none"> Expand human resources in Industrial Processes business by reskilling from other businesses

Business climate

Semiconductor market

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

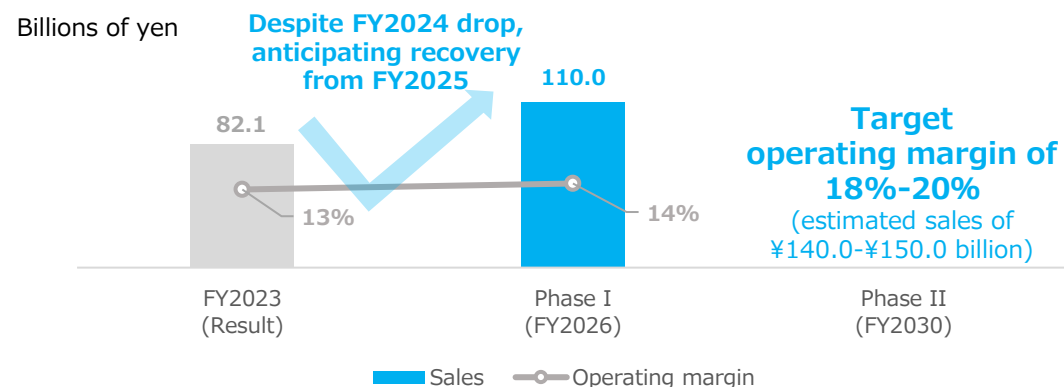
Advanced packaging market

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

Flat panel display market

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

Coefficient targets





Shift Resources to Growth Businesses (Thermal Solution Area)

Other IP businesses, including optical processes
① Thermal solution area

USHIO

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

Strategic policies (Vision)

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

- Be trusted partner of semiconductor equipment manufacturers

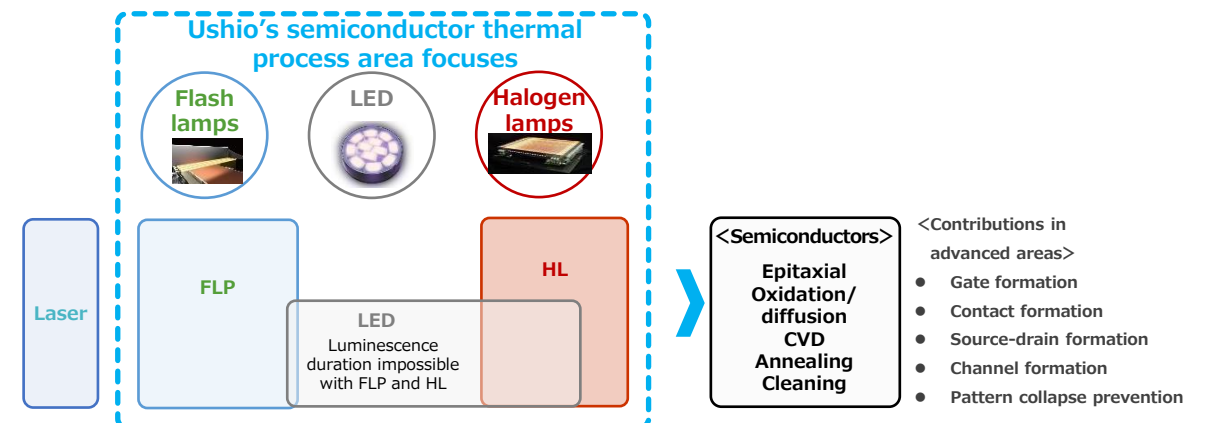
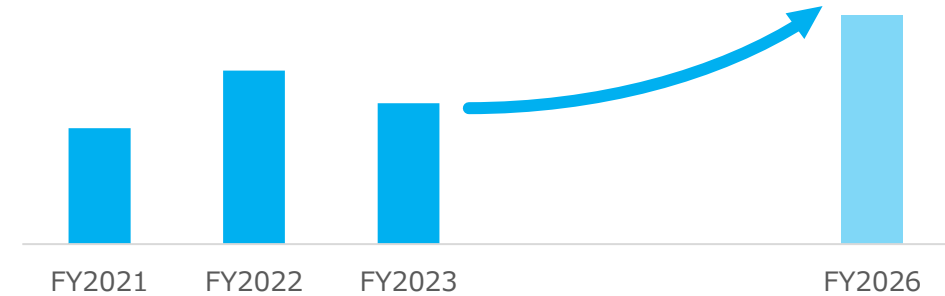
Business climate

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

Business strategies

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

Estimated thermal solution area sales





Shift Resources to Growth Businesses (Excimer Area)

Other IP businesses, including optical processes
② Excimer area

USHIO

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

Strategic policies (Vision)

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

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

Business climate

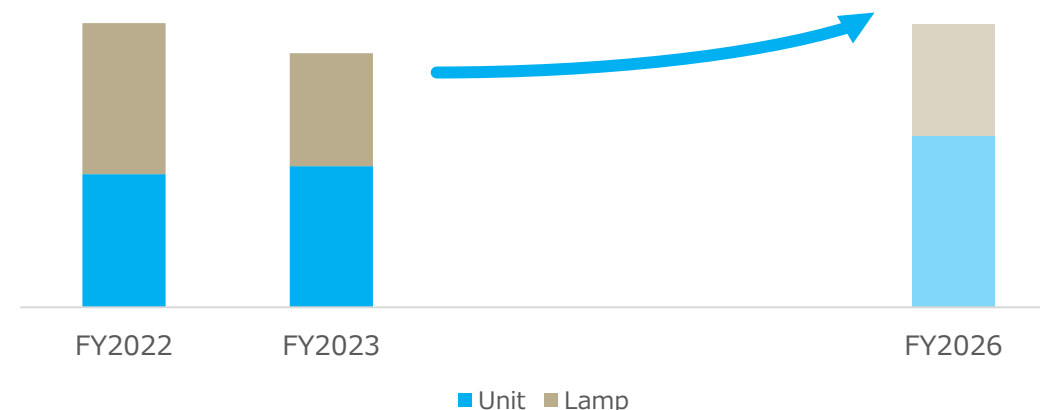
- Flat panel display market overstocked in reaction to pandemic demand hike, with postponements of new factory construction and capital investment
- Semiconductor market and other markets should grow


Business strategies

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

* Market share in excimer irradiation units for cleaning panels (Ushio research, as of 31 March 2023)

Estimated excimer area sales



Excimer-related markets	Flat panel display market (including for OLED)	Semiconductor market (including printed circuit boards and packaging)	Other priority markets (Construction materials and vehicles/batteries)
Key applications 	<ul style="list-style-type: none"> ● Panel cleaning, etc. 	<ul style="list-style-type: none"> ● Film removal from wafers etc. ● Surface preparation before plating/SR application 	<ul style="list-style-type: none"> ● Building materials matting ● Improving battery performance



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

EUV

USHIO

Review business strategy and intensify efforts with new customers to enter the High-NA area in view of the rise of other companies' light sources.

However, may be possible to assess business direction based on future market and development trends.

Strategic policies (vision)

Aim to enter the High-NA area

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

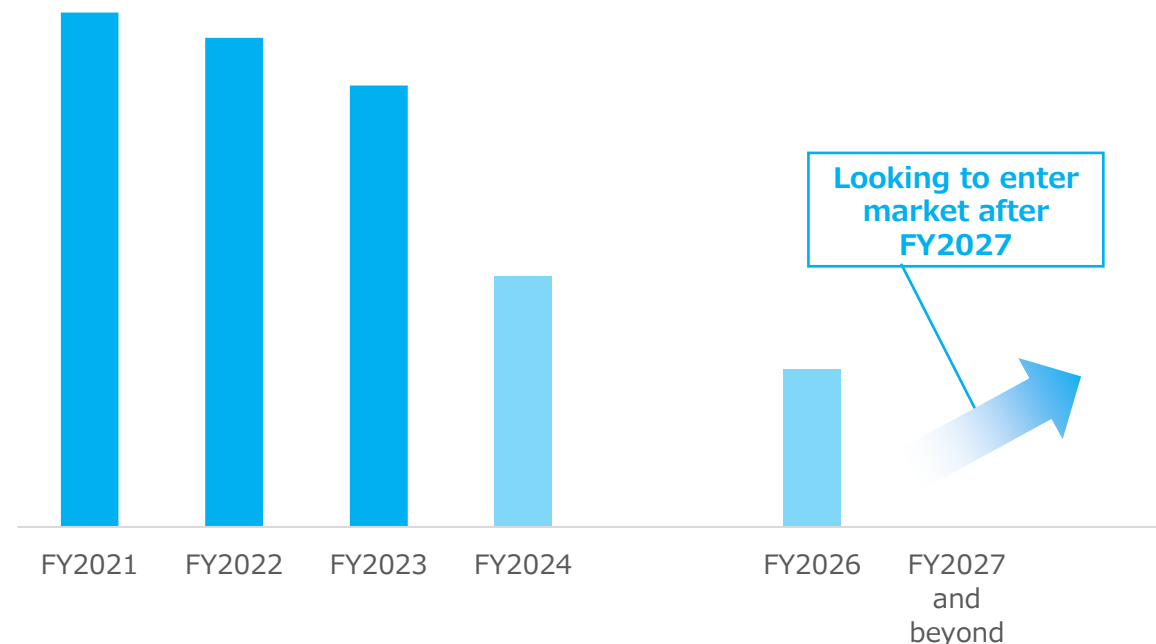
Business climate

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

Business strategies

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

EUV business sales forecasts



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



Stabilize Earnings and Build Robust Earnings Base

UV Lamps

USHIO

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

Strategic policies (Vision)

Keep contributing to Ushio's revenue base

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

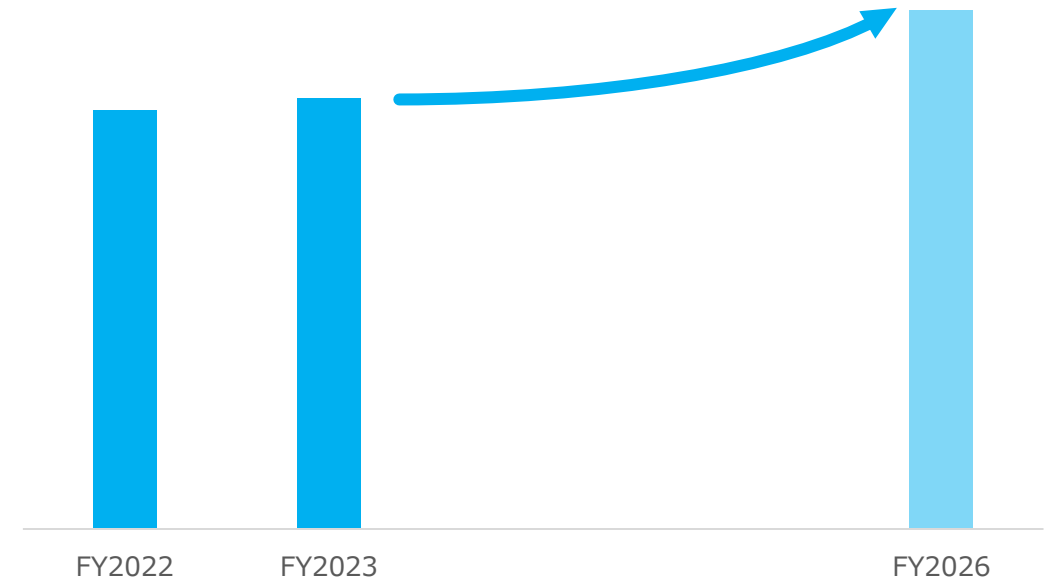
Business climate

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

Business strategies

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

UV lamps sales forecast



Visual Imaging Strategy Policies

Instead of pursuing scale, improve profitability by concentrating investments in high-profit, high-growth areas while undertaking structural reforms and selective judgment for sub-businesses to boost profitability.

Strategic policies (vision)

Intensify efforts to improve and enhance profitability

Control costs and optimize resources

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

Optimize product lineup

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

Expand recurring businesses

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

Expand customer transactions

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

Selectively judge sub-businesses

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

Business climate

Cinema market

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

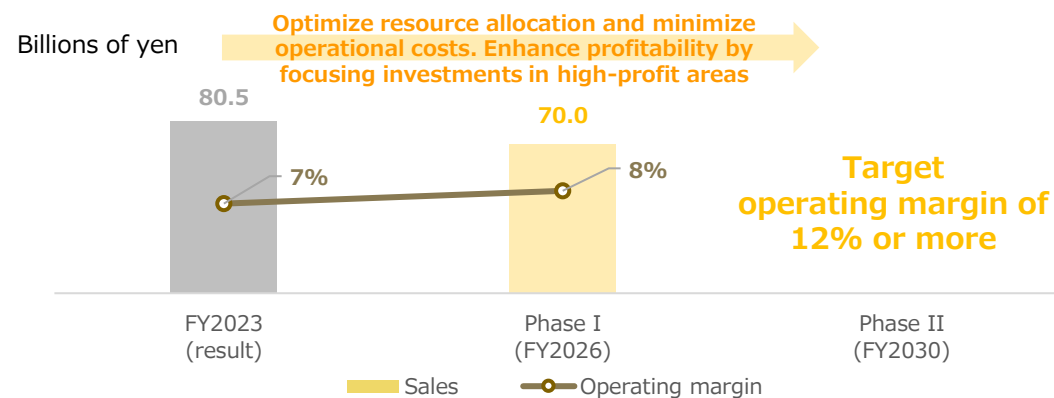
General imaging market

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

Common factors

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

Coefficient targets



Details of Measures (Visual Imaging)

Expand business

Nationwide 360 Audio Visual Services, the high-value-added business (priority business)

Business climate

- Pandemic impact subsiding, demand for events with advanced visual effects resurging and growing worldwide
- Strong demand for high-end projectors, LED panels, and other imaging equipment

Measures

- Enhance customer satisfaction by strengthening local support systems, especially in key North American market
- Boost sales through development of broad product lineup to meet customer demand; focus on resource concentration by adding new locations and enhancing service capabilities



Improve profitability

Lift proportion of recurring business associated with products (boost stable revenues)

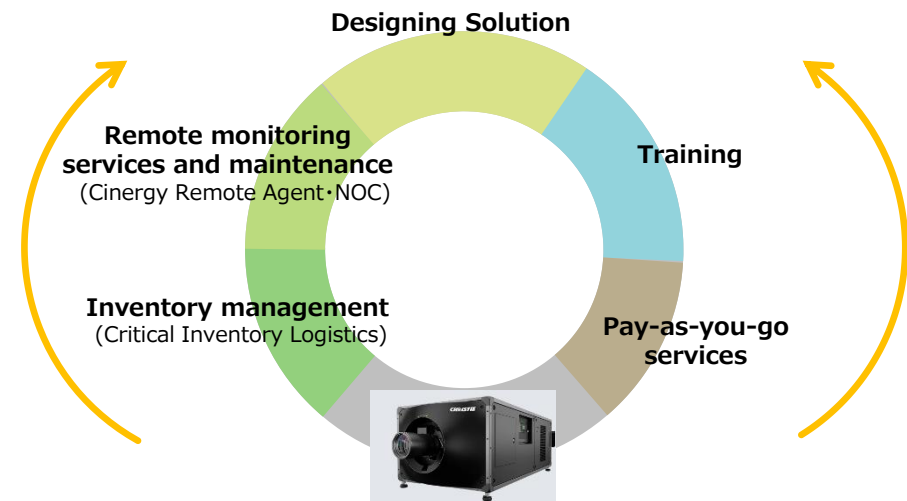
Customer needs

- Effective turnkey services (including improved operability and convenience, quick responses to issues, and regular maintenance)
- Lower running costs, such as for repairs and maintenance parts

Measures

- Secure stable revenues by enhancing service offerings tailored to customer needs alongside product sales

Envisaged ancillary services



Life Sciences Strategy Policies

While continuing to create new businesses to an extent, selectively judge areas with promising growth paths and invest.

Strategic policies (Vision)

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

Address plunging demand

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

Cut development and other expenses

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

Cultivate sub-businesses

- Concentrate investments to sub-businesses with growth potential

Business climate

Care222

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

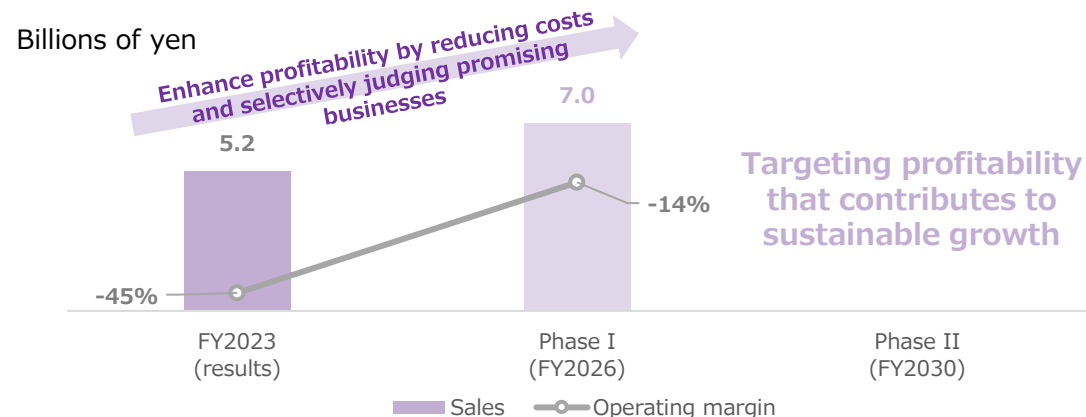
Medical devices

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

Healthcare

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

Coefficient targets



Photonics Solutions Strategy Policies

While selectively judge sub-businesses lacking competitiveness and growth potential, invest extensively in growth areas, including lamp replacements with solid-state light sources, and grow business through ongoing M&A and alliances.

Strategic policies (Vision)

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

Selectively judge sub-businesses

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

Enhance profitability

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

Expand investments in growth areas

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

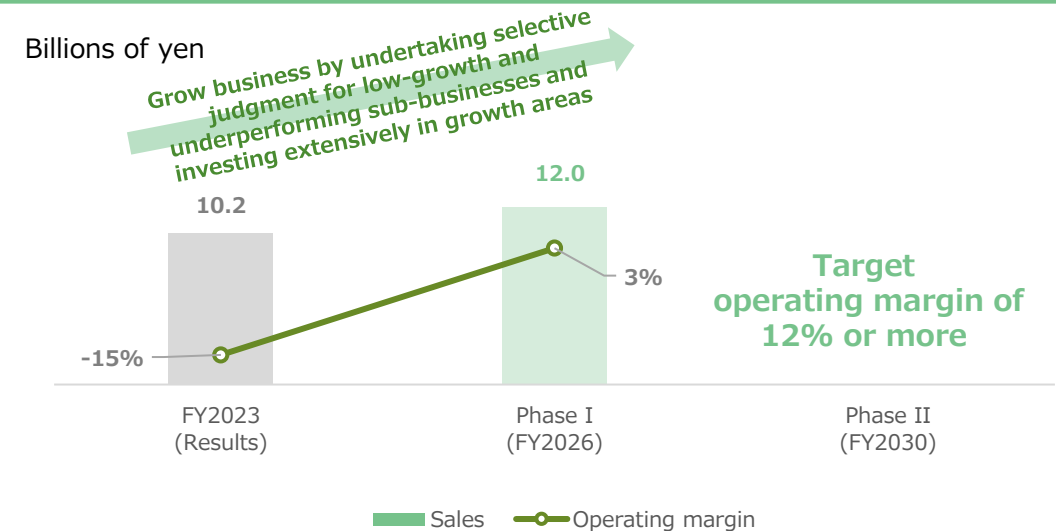
M&A and alliances

- Seek business growth through M&A and partnerships

Business climate






- Steady growth amid shift to solid-state light sources and improved energy efficiency
- Expansion and emergence of life sciences, augmented and virtual reality, and heterogenous integration markets

Coefficient targets



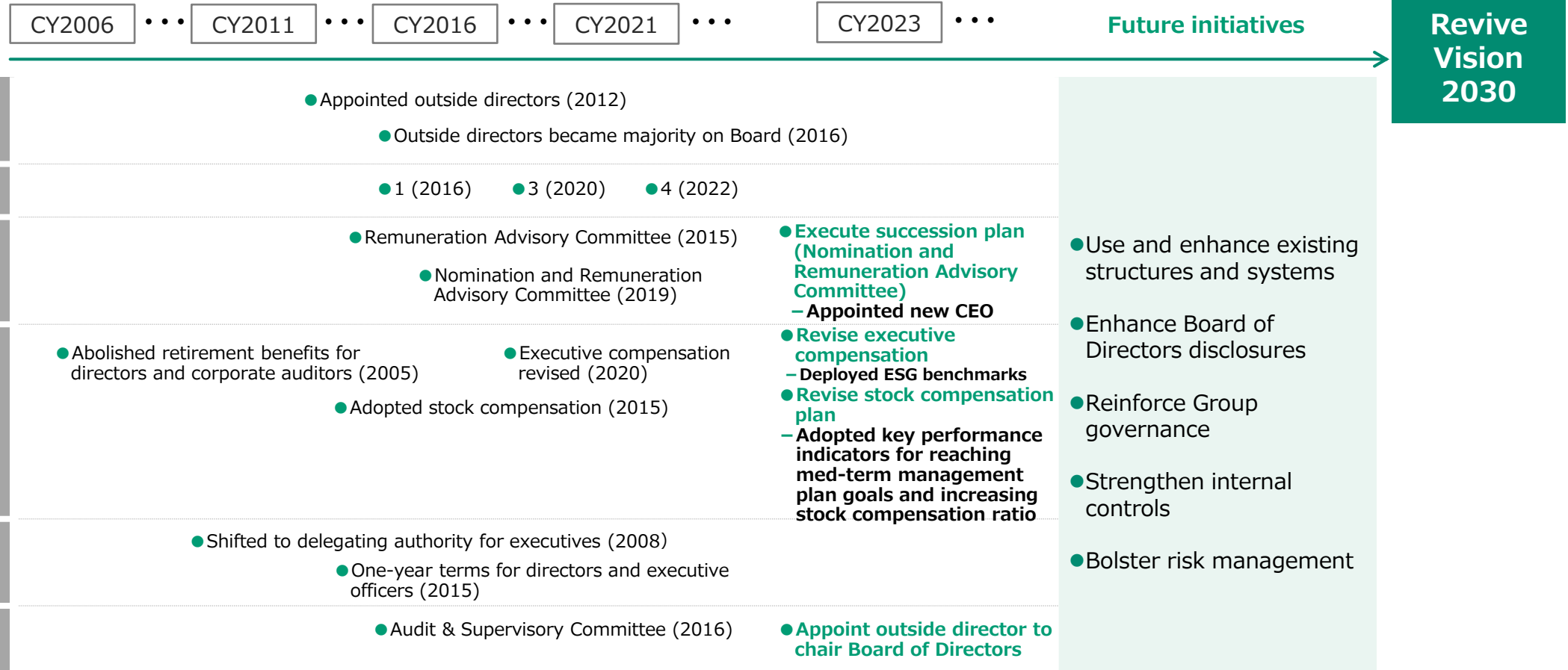
Supplement to ESG Initiatives

Five Management Focuses (Materiality) and Goals for 2030

Management focuses	Goals for 2030	Key performance indices for FY2025	Economic value connection
 Creating Businesses with Greater Social Value	<ul style="list-style-type: none"> Create businesses that address social issues of climate change, food supply, extending healthy life expectancies, and digitizing business processes 	<ul style="list-style-type: none"> R&D structure that constantly generates new value, with some themes on track for commercialization 	Expand revenues and earnings by creating new businesses
 Developing Our Diverse Talent to Get Closer to Our Vision	<ul style="list-style-type: none"> Undertake Group management and provide systematic training with diverse personnel Ensure global employee mobility 	<ul style="list-style-type: none"> Human capital bolstered, with focus on global/technical/managerial literacy capabilities Human capital identified through talent map that meets business needs, with rational management system in place 	Bolster talent to create new value that generates profits and accelerates growth strategies
 Creating Working Environments where It Is Easy to Produce Results	<ul style="list-style-type: none"> Build corporate culture that embraces diversity Enable employees to be physically and mentally healthy and enjoy their work Ensure high engagement levels so company and employees grow together 	<ul style="list-style-type: none"> Proportion of women in managerial positions: 15% or more and 10% on consolidated and non-consolidated bases, respectively Employee engagement score: 62% (up 10 percentage points from FY2022) 	Provide attractive workplaces and work practices for diverse people to boost engagement and productivity
 Sustainably Reducing Environmental Impact	<ul style="list-style-type: none"> Resolve social issues by undertaking biodiversity initiatives and cutting greenhouse gas emissions across value chain Offer products and services that lower environmental impact 	<ul style="list-style-type: none"> Reductions of in-house greenhouse gas (Scope 1 and 2) emissions: At least 34% from FY2017 level Reductions of greenhouse gas emissions (Scope 3 cat. 11) from company's products: At least 30% from FY2017 levels Measure and convey benefits of products helping shrink customers' environmental footprints 	Business creation through environmentally friendly products Maintain and expand corporate value by fulfillment corporate social responsibilities
 Building a Robust Management Base	<ul style="list-style-type: none"> Formulate and reach management, business, and employee goals Manage business portfolio through timely efforts to identify management resources Clarify business risks and groupwide risk responses Create corporate culture and framework for respecting human rights across value chain Reinforce and deepen governance 	<ul style="list-style-type: none"> Beginning groupwide to respond to social demands and earning some recognition for disclosure from external evaluation organizations and stakeholders 	Establish stable revenue base and safeguard corporate value

Deepen Governance Structure

Solidify corporate governance to materialize Revive Vision 2030 and accelerate ESG management



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Glossary

IP	IP	Industrial Processes
	Bridge	An approach to connecting multiple chips to facilitate communication between them
	DI	Direct Imaging : An exposure technique that draws patterns directly without using a mask
	DI Lithography equipment	A lithography equipment that uses direct imaging technique to draw patterns
	DLT	Digital Lithography Technology
	DRAM	Dynamic random-access memory
	Epi	Epitaxial growth
	EUV	Extreme Ultraviolet Radiation
	FLP	Flash lamp
	FPD	Flat panel display
	High-NA	An advanced EUV lithography technology enhances light utilization efficiency
	HL	Halogen lamp
	OA	Office Automation
	OLED	Organic light-emitting diode
	PCB	Printed circuit board
	PKG	Packaging

IP	RDL	Redistribution layer
	Interposer	A substrate that connects circuits on both sides with through-silicon vias and links multiple chips
	Excimer	An excimer lamp and units or devices equipped with it
	Thermal process	A semiconductor manufacturing process that heats wafers to high temperatures
	Stepper	A projection lithography equipment that uses a step-and-repeat technique to expose patterns
	Digital lithography system	Direct Imaging lithography equipment using digital lithography technology through partnership with Applied Materials
	Advanced packaging	An advanced packaging field for 2.xD and 3D integration of semiconductors, including chiplets
	VI	Visual Imaging
VI	DCP	Digital cinema projector
	ODM	Original design manufacturing
LS	LS	Life Sciences
	Care222	Far UV-C disinfection technology (222nm)
PHS	PHS	Photonics Solutions
	Laser module	A device that emits a laser beam
	Solid-state light source	A device that supplies to a solid material and emits light specific to that material when excited (an example being an LED)

This report contains forward-looking statements, including earnings forecasts, which are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Please be advised that actual results may differ substantially from those forward-looking statements due to various factors.

USHIO

Applying Light to Life

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