Advancing to a New Stage

Our Strategies

After reforming its structure, Ushio has embarked on the next stage of its journey under a new Medium-Term Management Plan.
Focused on realizing Vision 2030, we will cultivate growth on the road to enhancing economic value by expanding social value.

Long-Term Vision

Vision 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—management policies, shifts in approach, and changes in mindsets. Also, in order to realize Vision 2030, we have defined priority issues related to ESG management; Five Management Focuses and KPI targets in relation to these objectives.

We are pursuing the concept of ESG management to contribute to society and fulfill our corporate social responsibility as stated in the Ushio Group Management Philosophy.

Vision 2030

Mission

Promote the use of light as illumination and energy to support human well-being and societal growth

Vision

Become a "light" solutions company

Grow the economic value of Ushio by expanding social value

Comfort / Convenience
Support the creation of comfortable and convenient social infrastructure via optical processing technologies
Industrial Processes

Excitement / Sharing
Delight people through imaging and lighting technologies
Visual Imaging

Safety / Reassurance
Support the health of people and the planet by applying optical technologies
Life Sciences

Management Policies

Cultivate growth over three years to become a true "light" solutions company

Build light solutions delivery structure
to maximize future earnings

Reorganize business domains × Rebuild strengths → Accelerate growth based on market-centric approach

Establish management infrastructure to support businesses

Invest strategically (including M&A) | Enhance capital efficiency (Growth investment and in-house stock investment) | Embrace ESG management

Shifts in approach: Solidarity-based Rempo management (pursuit of common goals)

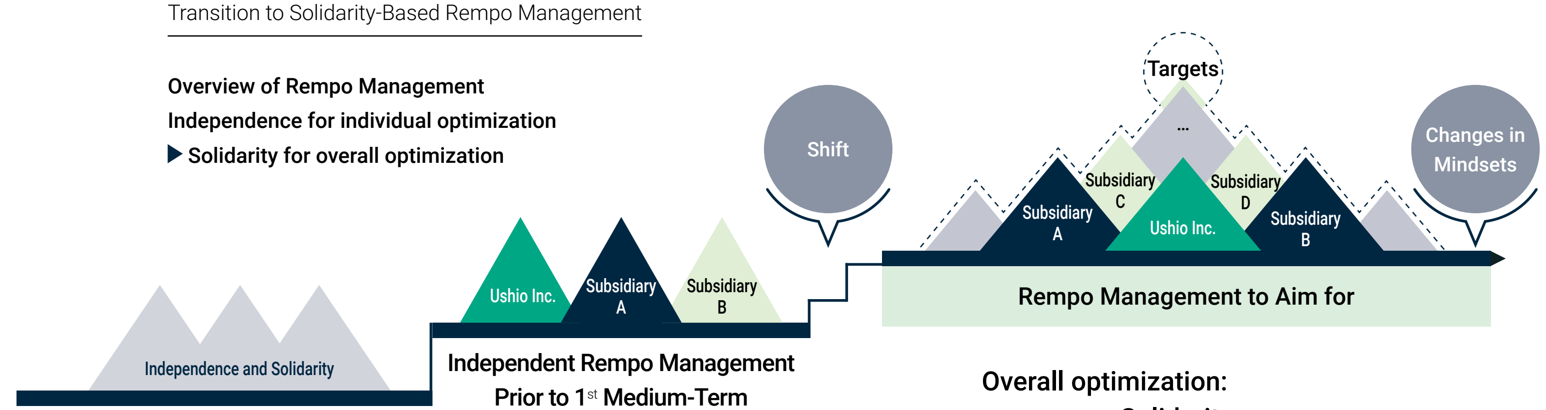
Changes in mindsets: Long-term perspective | Backcasting | Social impact projection | Outside-in approach | Positioning of ESG as an opportunity

Five Management Focuses

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

Transition to Solidarity-Based Rempo Management

Overview of Rempo Management
Independence for individual optimization
▶ Solidarity for overall optimization



Previous Rempo Management

Concurrent independence and solidarity

- Pursue organizational targets separately based on a common foundation

Independent Rempo Management Prior to 1st Medium-Term Management Plan (Fiscal 2020 to 2022)

Individual optimization: Independence > Solidarity

- Each company deploys individual measures and is not linked
- PDCA (monitoring) implemented for each company separately

Overall optimization: Independence < Solidarity

- Aim for unified targets for the entire Group
- Overall understanding across businesses
- Unify PDCA (monitoring)

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 Group-wide performance. We have thus decided that our new approach toward Rempo management should focus on multiplicative management to strengthen solidarity and spur non-linear 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

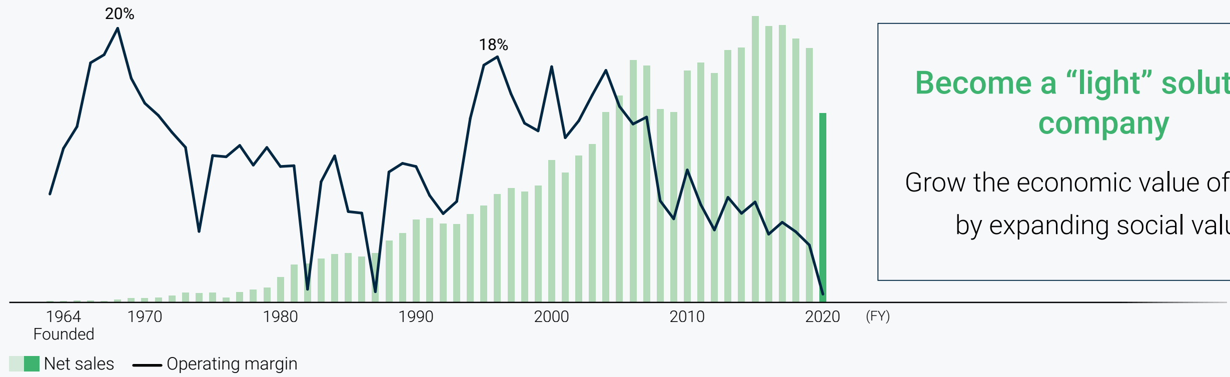
Outside-in approach
Establishment of strategies and revision of portfolios with eye to 2030

Positioning of ESG as an opportunity
Establishment of new value creation narrative and ESG plan

Ushio's History to Date

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

1960 to 1990	1990 to 2020	From 2020
Niche top management	Rempo Management Independence and solidarity	Rempo Management Enhanced solidarity



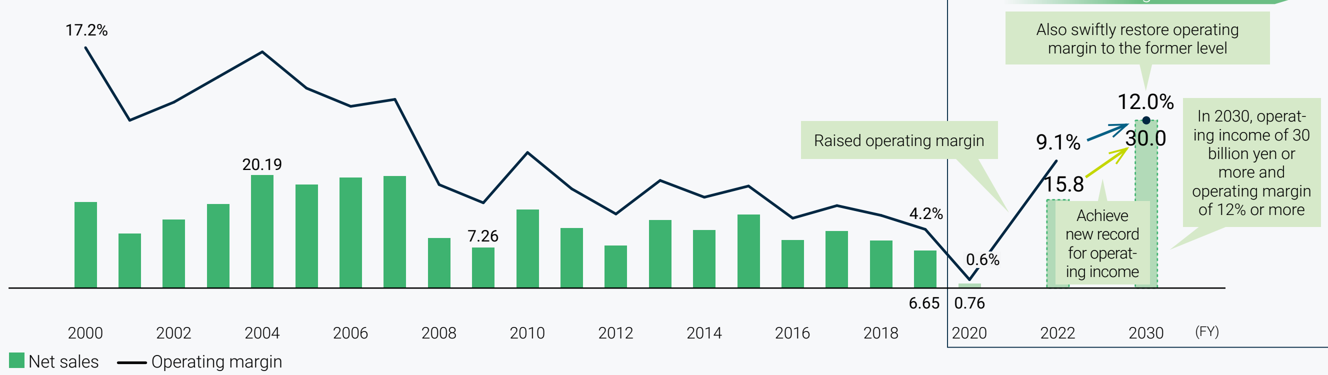
Become a "light" solutions company

Grow the economic value of Ushio by expanding social value

Operating Margin as a KPI

Long-Term Financial Results

(Billions of yen)



Working to Realize Vision 2030

With Vision 2030, we aim to be a true "light" solutions company, and strive to achieve our goals through numerical targets and using a backcasting approach to draw a clear path forward. The 1st Medium-Term Management Plan was a period for reforming the structure. We shifted to solidarity-based Rempo management, moved forward with structural reform and established a robust profit structure. We have positioned the 2nd Medium-Term Management Plan as a time to cultivate growth, and we will build a structure to provide light solutions and overhaul our business portfolio by expanding growth businesses, revitalizing rebuilding businesses and cultivating new businesses. We also plan to expand strategic investments with the aim of helping us to achieve these aims. The period covered by the 3rd Medium-Term Management Plan is positioned as a time for us to deliver results based on the measures taken through the first and second plans.

2nd Medium-Term Management Plan: Cultivate Growth to Realize Vision 2030

FY2020–2022

1st Medium-Term Management Plan
Reform structure

Financial results
Net sales ¥175.0 billion
Operating profit ¥15.8 billion

- Shift to management that prizes solidarity
- Prioritize structural reform

Objectives almost achieved

FY2023–2025

2nd Medium-Term Management Plan
Cultivate growth

Financial targets
Net sales ¥220.0 billion
Operating profit ¥21.0 billion

- Build structure to provide light solutions
- Expand strategic investments
- Overhaul business portfolio
  - Expand growth businesses
  - Revitalize rebuilding businesses
  - Cultivate new businesses
- In-house stock investment
- Strategic use of assets and liabilities

FY2026–2028

3rd Medium-Term Management Plan
Deliver results

- Achieve 1st and 2nd medium-term management plan goals

Vision 2030

Become a "light" solutions company

Grow economic value of Ushio by expanding social value

Financial targets

Net sales	¥250 billion
Operating profit*	¥30 billion or more
Operating margin*	12% or more
ROE*	10% or more

Backcasting

* Operating profit, operating margin and ROE targets exclude new goodwill amortization.

Growth Drivers

Short- 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 package 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 we have been working on businesses that provide EUV light sources 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.

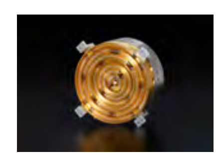
Large field stepper for cutting-edge IC package substrates

Digital cinema projector

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.61 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 uses UV light to realize disinfection 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.



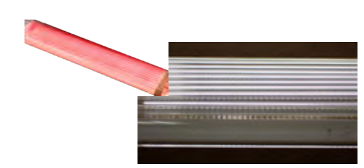
Light source for thermal processing

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 businesses. 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 extension, 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.54–55



Prototype reactor that uses light to instantaneously decompose low-concentration N_2O and CH_4

Medium-Term Management Plan

Medium-Term Management Plan

1st Medium-Term Management Plan (Fiscal 2020-2022) Results

FY2020–2022	FY2023–2025	FY2026–2028
1st Medium-Term Management Plan Reform structure Financial results Net sales ¥175.0 billion Operating profit ¥15.8 billion	2nd Medium-Term Management Plan Cultivate growth Financial targets Net sales ¥220.0 billion Operating profit ¥21.0 billion	3rd Medium-Term Management Plan Deliver results

Reattempting to Solidify the Foundation for Profit Structure Transformation Over Three Years

2020 was the first year of the 1st Medium-Term Management Plan and came in the midst of COVID-19, which had a major impact on economic activity around the world. Under these circumstances, we incorporated three types of strategies—defensive, proactive, and unifying strategies—into each of our business strategies, and worked to transform our profit structure.

	Defensive strategies	Proactive strategies
Business strategy 1 **Light Source Business** strategies	Deploy fundamental structural reforms	Develop post-pandemic market
Business strategy 2 **Equipment Business** strategies	Imaging equipment Maintain and reinforce structural reforms	Optical equipment Cultivate and invest intensively in growth businesses
Business strategy 3 **Creation Business** strategies	Identify and launch new businesses	Identify and launch new businesses

Unifying strategy Optimize overall performance (Allocate funds efficiently to optimize overall performance)

Results

We succeeded in reaching required targets and completing the solidification of the foundation for profit structure transformation.

	FY2022 results	Comparison with required targets	FY2022 targets (required–ambitious)
Net sales	¥175.0 billion	**+¥5.0 billion**	¥170–190 billion
Operating profit	¥15.8 billion	**+¥1.8 billion**	¥14–19 billion
Operating margin	9.1%	**+1.1 points**	More than 8% to more than 10%

Results by Business Division

In the results for each business division, Imaging Equipment fell short of required targets as a result of being unable to mitigate unexpected difficulties in procuring parts. In the Light Source and Optical Equipment businesses, although some issues remained to be addressed, we achieved our ambitious targets through the steady implementation of various measures.

Business segments		FY2019 results	FY2022 targets (required - ambitious)	FY2022 results	Results and issues
Light Source Business	Sales	¥58.5 billion	¥56–66 billion	**¥61.8 billion**	Operating margin: Reached ambitious targets Results: Undertook structural reforms (3.7 billion yen vs. planned 3.5 billion yen) to change earnings structure, enhancing the statements of income
	Operating margin	10.3%	10.7–12.1%	**14.6%**	Issues: Fell short of targets with Care222 in the new environmental hygiene field and solid-state light sources
Equipment Business Optical Equipment	Sales	¥36.1 billion	¥56–60 billion	**¥57.7 billion**	Operating margin: Reached ambitious targets Results: Steadily captured demand during market expansion period for promising lithography equipment Demonstrated effectiveness of measures undertaken under previous medium-term management plan to enhance earnings structure
	Operating margin	−1.5%	8.9–11.7%	**12.4%**	Issues: Promising EUV light source business entered demand adjustment phase, performing below par
Equipment Business Imaging Equipment	Sales	¥60.8 billion	¥54–60 billion	**¥51.3 billion**	Operating margin: Failed to reach required targets Results: Reduced fixed costs by steadily implementing structural reforms (2.8 billion yen vs. planned 2.0 billion yen)
	Operating margin	1.4%	5.6–6.7%	**−1.3%**	Issues: Failed to improve profitability, as inability to constrain parts procurement difficulties offset steps to enhance operating efficiency

Results of Unifying Strategies

The objectives of the 1st Medium-Term Plan have been achieved, and we will continue to strengthen overall performance under the new system.

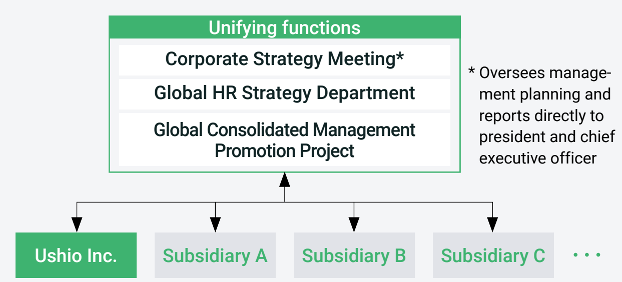
Reformed governance

Outcome: **Steadily implemented overall optimization measures**

- Completed structural reforms and strategic investments
- Preemptively managed prolonged pandemic impact
- Embraced ESG management
- Enhanced oversight of global management targets
- Undertook global human capital development program

Issue: **Bolstering risk management**

Post-reform governance



* Oversees management planning and reports directly to president and chief executive officer

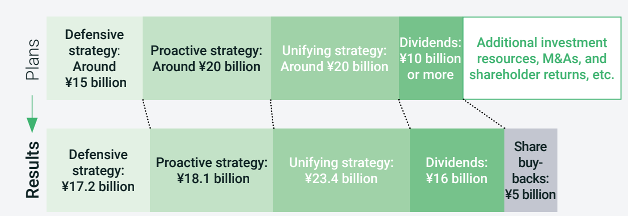
Utilized financial reserves

Outcomes: **Executed defensive, proactive, and unifying strategies as planned and boosted shareholder returns**

- Annual dividends per share: Increased from ¥26 to ¥50
- Share buybacks: ¥5 billion in FY2022

Issue: **Accelerating shift from financial to business assets**

Cash outflow plans and results



Next: Cultivate growth

Medium-Term Management Plan

Medium-Term Management Plan

2nd Medium-Term Management Plan (FY2023–2025)
Basic policy: "Cultivate growth"

FY2020–2022	FY2023–2025	FY2026–2028
1st Medium-Term Management Plan Reform structure Financial results Net sales ¥175.0 billion Operating profit ¥15.8 billion	2nd Medium-Term Management Plan Cultivate growth Financial targets Net sales ¥220.0 billion Operating profit ¥21.0 billion	3rd Medium-Term Management Plan Deliver results

Value Provision Areas and Megatrends up to 2030

Industrial Processes
Megatrends
- Digitally connected society
- Manufacturing technology innovations and environmental impact reductions

Value proposition areas
- Semiconductors, electronic devices, and displays
- Electric vehicles
- Building materials, printing, and other manufacturing processes

Visual Imaging
Megatrends
- Societies that prioritize human well-being
- Reevaluation of premium experiences outside homes

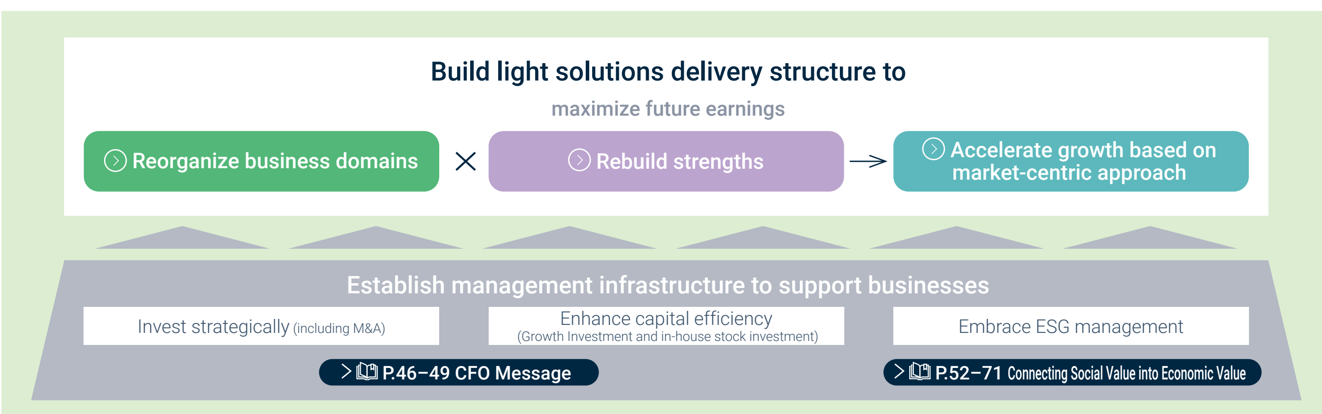
Value proposition areas
- Large-scale video production and operations for entertainment spaces (theme parks, cinemas, and live events)
- Public facilities, corporate control rooms, and video systems

Life Sciences
Megatrends
- Climate change
- Food and energy issues
- Rising and aging populations
- Quality of life improvements

Value proposition areas
- Climate change countermeasures
- Healthy life expectancy extension (environmental hygiene, healthcare, pharmaceuticals, and drug development)
- Food initiatives

Basic Policies

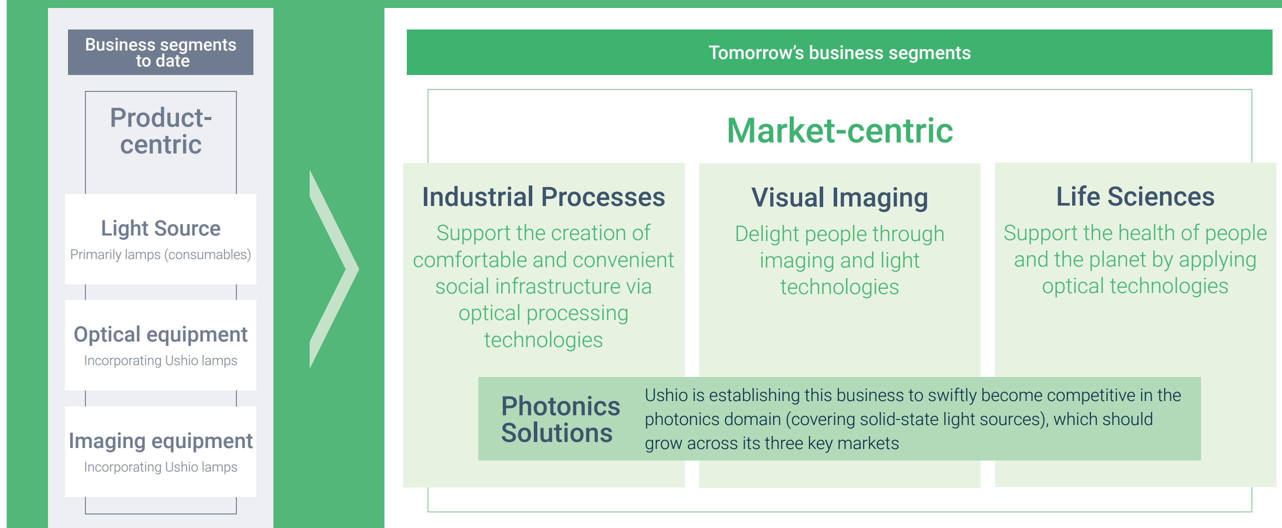
Our basic policy is based on three years of cultivating growth with the aim of evolving into a true "light" solutions company. We will reorganize our business domains and rebuild our strengths in order to build a structure to provide light solutions and accelerate the growth of new business domains based on a market-centric approach.



Reorganize Business Domains

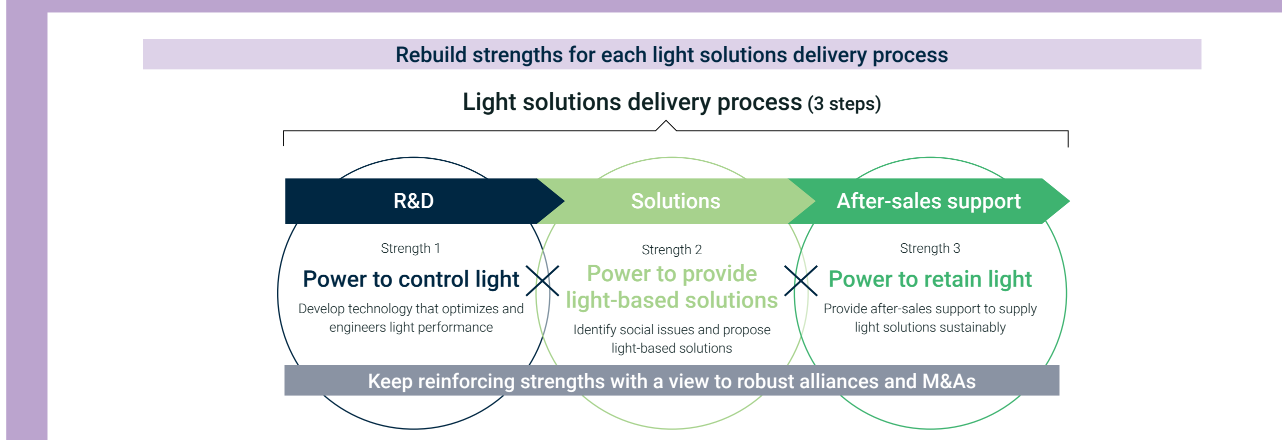
By restructuring our business domains to shift from the previous product-centric approach to being market-centric, we will accelerate the provision of light solutions.

Under the conventional approach, which focused on selling objects, value provision was limited to creating value for customers. However, through the restructuring of our business domains, we aim to expand our business by reinforcing our solution proposals and expanding the scope of our solutions to provide value in terms of social issues beyond individual customers.



Rebuild Strengths

Three steps must be taken if we are to reinforce our light solution proposals moving forward. We will actively pursue alliances and M&As in each business domain in order to reinforce our three strengths.



For details, please see: P.24–25 Our Long-Cultivated Strengths

Medium-Term Management Plan

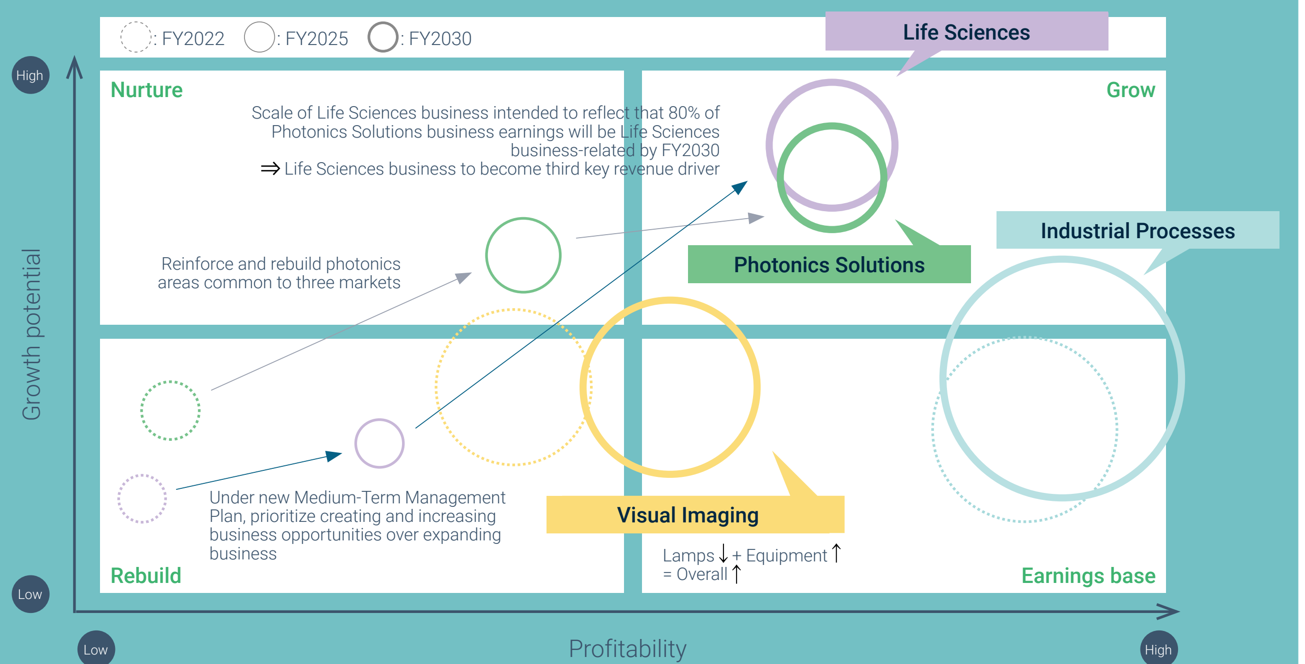
Medium-Term Management Plan

2nd Medium-Term Management Plan (FY2023–2025)

Basic policy: "Cultivate growth"

Accelerate Growth by Being Market-Centric

By accelerating growth in business domains based on a market-centric approach, we have clarified the changes in our vision for our business portfolio up to 2030. We will clarify the relative position of each business domain, allocate management resources appropriately, and accelerate growth. We will also continually review our business portfolio.



Business Portfolio Reorganization Policy

Continuously review the business portfolio for profitable growth toward 2030, and actively utilize held assets and liabilities for this purpose

Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions
Core business	Core (rebuilding) business	Incubation business	Reinforcement and rebuilding business
Expand semiconductor-related operations while driving stable earnings growth by developing solutions for manufacturing processes	Rebuild business toward 2030 by creating solutions platform	Step up cultivation efforts so business can grow as key new domain	Swiftly become competitive in photonics field (solid-state light sources) spanning three markets

Business Strategy Snapshot

Following the business domain restructuring, the targets and strategic points for each business domain to aim for by 2025 are as follows.

	Core business Industrial Processes	Core (rebuilding) business Visual Imaging	Incubation business Life Sciences
FY2025 targets	Sales ¥105.0 billion Operating profit* ¥17.5 billion Operating margin* 16.7%	Sales ¥91.5 billion Operating profit* ¥3.0 billion Operating margin* 3.3%	Sales ¥5.5 billion Operating loss* −¥1.0 billion Operating margin* −18.2%
Key strategic points	● Maintain competitive edge in growth-driving semiconductor and electronic device areas ● Innovate manufacturing processes, focusing on heating, surface treatment, and modifications, and expand applications to cut environmental impact	● Swiftly establish structures to provide solutions that meet market needs by efficiently integrating core technologies ● Strengthen supply chain management	● Create new businesses that generate long-term solutions to social issues ● Secure core competencies and sales channels to drive inorganic growth

Reinforcement and rebuilding business Photonics Solutions	Sales ¥14.5 billion Operating profit* ¥1.0 billion Operating margin* 6.9%	● Swiftly establish niche top positions ● Quickly reach critical masses in module and device businesses

* Operating profit and operating margin targets exclude new goodwill amortization.

For details, please see: P.74–85 Creating New Markets with "Light"

Numerical Targets

Rebuild business model while expanding existing businesses to boost net sales and operating profit

—Making EBITDA key performance indicator in view of expended investments, including through M&As—

	FY2022 results	FY2025 targets	FY2030 targets
Net sales	¥175.0 billion	¥220.0 billion	¥250.0 billion
Operating profit*1	¥15.8 billion	¥21.0 billion	¥30.0 billion
Operating margin*1	9.1%	9.5%	12% or more
EBITDA*2	¥23.6 billion	¥30.0 billion	39.0 billion
EBITDA margin	13.5%	13.6%	¥15.6%
ROE*1	5.7%	8% or more	10% or more
Cash conversion cycle	6.6 months	5.2 months	–
Equity ratio	75.4%	60% or more	–

*1 Operating profit, operating margin, and ROE targets exclude new goodwill amortization.
*2 EBITDA = operating profit + depreciation & amortization and amortization of goodwill

CFO Message

Aiming to further enhance corporate value through steady capital efficiency enhancement and appropriate expansion of strategic investments

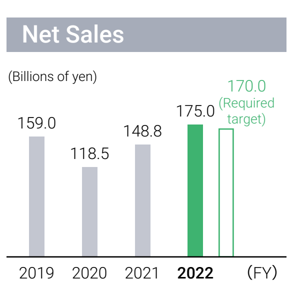
Profile

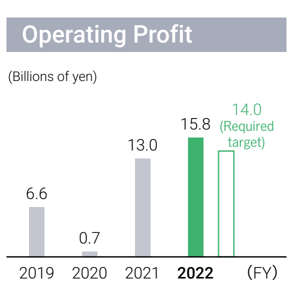
Takabumi Asahi

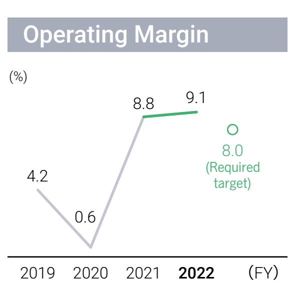
Director
Managing Executive Officer
Chief Financial Officer
General Manager, Corporate Headquarters,
Ushio Inc.

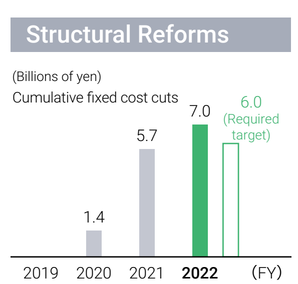
Reaching Required Targets and Nearing Completion of Our Reattempt to Solidify Our Foundation for Profit Structure Transformation

Under the 1st Medium-Term Management Plan (fiscal 2020 to 2022), the Ushio Group has implemented various measures in line with a basic policy of working to achieve its goals by solidifying its foundation for profit structure transformation through its defensive, proactive, and unifying strategies. As a result, we achieved an operating margin, the most important KPI, of 9.1% in fiscal 2022, exceeding the required target of 8%. This is a 4.9-point increase compared to the 4.2% operating margin in fiscal 2019, the year before the 1st Medium-Term Management Plan came into effect, which shows we have been able to steadily increase profitability as we shifted to a more robust structure. Through the structural reform action plans under our defensive strategies, which are specific measures for profit structure transformation, we reduced fixed costs by ¥7 billion, exceeding the original plan by ¥1 billion. The effect of revenue increases due to the growth of promising products is one of the action plans under our proactive strategies, and while issues remained with regards to some products, we were able to produce results beyond our initial plans though efforts such as expanding sales of large-field steppers for cutting-edge IC package substrates. With regard to our unifying strategies, we have steadily implemented measures aimed at overall optimization, including minimizing the impact of COVID-19 and promoting ESG management. We were also able to implement various strategies and boost shareholder returns by utilizing financial reserves. This shows that we have largely achieved the objectives of the 1st Medium-Term Management Plan, and we will build on these results as we shift to initiatives under the 2nd Medium-Term Management Plan (fiscal 2023 to 2025) with the aim of achieving our Vision 2030.









The 2nd Medium-Term Management Plan: A Three-year Plan for Cultivating Growth to Achieve Our Vision 2030

The 2nd Medium-Term Management Plan (fiscal 2023 to 2025) was announced in May 2023. Under this plan, we established a basic policy of cultivating growth toward the realization of our Vision 2030. In response to global megatrends, Ushio will accelerate and expand its provision of light solutions in fields of value provision and continue to grow its economic value. To do this, we will reorganize our business domains, rebuild our strengths and accelerate growth based on a market centric approach with the aim of cultivating growth under the 2nd Medium-Term Management Plan.

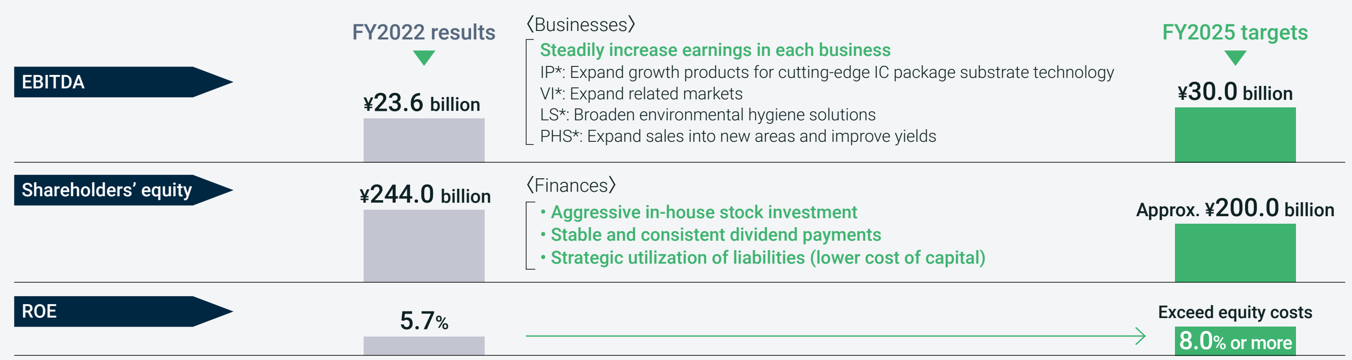
In concrete terms, we will promote strategic investment in growth domains, which are essential for future growth, and invest in human capital to enhance productivity, while working to enhance capital efficiency at the same time. In addition to setting out a specific ROE improvement road map, we are also implementing major capital allocations for in-house stock investment and growth investment. For this reason, we adopted EBITDA, which accounts for M&A and other increases in investment, as our most important KPI under the 2nd Medium-Term Management Plan. For fiscal 2025, the final year of the 2nd Medium-Term Management Plan, we set targets of an EBITDA of ¥30 billion (compared to ¥23.6 billion in fiscal 2022) and ROE of 8% or greater (compared to 5.7% in fiscal 2022) and we will advance various measures to steadily work towards achieving these targets.

Setting Out an ROE Improvement Road Map and Working to Steadily Enhance Capital Efficiency

Under the 2nd Medium-Term Management Plan, we will take the results of the 1st Medium-Term Management Plan on board as we take on the long-standing challenges of improving ROE and having PBR below 1.0 through steady improvements based on strengthening our two-pronged approach of lifting ROE and fully embracing ESG management. In terms of lifting ROE during the period covered by the 2nd Medium-Term Management Plan with the aim of realizing PBR exceeding 1.0, we aim to attain an ROE of at least 8%, exceeding capital costs, by the end of fiscal 2025, the final year of the plan, by steadily expanding earnings and improving the capital structure. We then aim to achieve ROE of at least 10% by fiscal 2030. With regards to earnings growth, we are working to increase EBITDA from ¥23.6 billion in fiscal 2022 to ¥30 billion by fiscal 2025 by reorganizing our business domains and rebuilding our strengths. We have also adopted a policy of reducing shareholders' equity from ¥244 billion at the end of fiscal 2022 to approximately ¥200 billion by the end of fiscal 2025. This will be implemented through aggressive in-house stock investment and stable, consistent dividend payments—and a frame of ¥70 billion to ¥90 billion for in-house stock investment and dividends over three years has been set. In tandem with this, we will also work to reduce capital costs through strategic utilization of liabilities.

The cash inflows (the total of operating cash flow, asset sales and interest-bearing debt) obtained during the period covered by the 2nd Medium-Term Management Plan are on a scale in excess of ¥100 billion, and we will be bold in allocating this to growth investment and in-house stock investments in order to steadily enhance capital efficiency.

Attain ROE of at Least 8% by FY2025 by Steadily Expanding Earnings and Improving Capital Structure



* IP: Industrial Processes VI: Visual Imaging LS: Life Sciences PHS: Photonics Solutions

CFO Message

Endeavor to Enhance Capital Efficiency through Major Allocations for In-House Stock Investment and Growth Investment

Cash Generation

● Operating cash flow under medium-term management plan:	¥60 billion over three years
● Asset sales: ¥15–20 billion	Asset sales: ¥15–20 billion
● Interest-bearing debt usages	¥40 billion + α (lower cost of capital)

Capital Allocations

● Strategic investments: ¥40 billion+	Growth investments (including M&A): ¥40 billion + α
● Financial ground	Equity ratio: At least 60%
● In-house stock investment + dividends: Around ¥70–90 billion over three years	• Stable dividends • Undertake in-house stock investment aggressively, factoring in business performance and financial position (resolved to set aside ¥30 billion for share repurchases in the first fiscal year)

Target ROE of at least 8% by FY2025

Cash inflows	Cash outflows
Interest-bearing debt ¥40.0 billion + α	Strategic investments ¥40.0 billion + α
Asset sales ¥15.0–20.0 billion	In-house stock investment + dividends ¥70.0–90.0 billion
Operating cash flow under Medium-Term Management Plan ¥60.0 billion	

Invest Strategically in Areas with Growth Potential and Invest in Human Capital to Enhance Productivity

Strategic Investments

Growth Investment	● Build core system to underpin consolidated management ● Bolster production capacity by catering to rising demand for large field stepper for cutting-edge IC package substrates	Growth investments (Including through M&A) ¥40.0 billion + α (Total over three years)
M&A Policy	● IP*: Reinforce and expand existing business and restructure industry ● VI*: Partnerships needed to build one-stop solutions structure ● LS*: Strengthen and expand existing and creation businesses ● PHS*: Reinforce and expand business by investing in companies in same industry offering synergies	
R&D Investments	● Undertake advanced development in projection and direct imaging lithography ● Invest in development to broaden EUV light source adoption over medium and long terms ● Develop new solid-state light sources for niche markets ● Develop new products from long term perspectives for 2030 target fields in Life Sciences business	¥46.0 billion (Total over three years) ¥14 billion increase from previous Medium-Term Management Plan
Human Capital Investments	● Secure people to rebuild Group-wide sales, development, and service systems ● Develop talent and deploy new systems to accelerate diversity and inclusion ● Review salary levels to attract talented individuals	¥17.0 billion (Total over three years)

* IP: Industrial Processes VI: Visual Imaging LS: Life Sciences PHS: Photonics Solutions

Expanding Strategic Investments to Achieve Our Ideal Future Portfolio

In the 2nd Medium-Term Management Plan, in addition to establishing our vision for our business portfolio in 2030, we have shifted our business domains along market lines and clarified our positioning and strategy for each new business domain in order to achieve our vision. In the future, we will make strategic investments appropriate to the positioning and issues relevant to each business domain as we move forward toward realizing our vision for each business domain by 2030.

Our plan includes at least ¥40 billion of growth investment, including M&A, during the three years covered by the 2nd Medium-Term Management Plan. In addition to bolstering production capacity in semiconductor-related fields, where growth is expected, we will continue to expand investment in line with M&A policies in each business domain. We also plan to invest ¥46 billion in R&D over those three years, an increase of ¥14 billion from the period covered by the 1st Medium-Term Management Plan. In particular, we will increase investment in next-generation product development, including large-field steppers for cutting-edge IC package substrates and direct imaging lithography equipment, for which market expansion is expected, and expand investment in development to broaden medium- to long-term EUV light source adoption. We are also promoting business creation and new product development for medium- to long-term expansion in the Life Sciences business, which is a new business domain. Furthermore, given that new value creation is necessary for future growth, we must secure talented employees while also attracting new talented individuals, developing global-minded talent and bolstering talent with diverse academic and technical backgrounds, together with management literacy. We have set a frame of ¥17 billion over three years for this investment in human capital.

Enhancing Corporate Accounting Sophistication to Ensure the Realization of Our Vision 2030

Through this 2nd Medium-Term Management Plan, we will implement business strategies and advance financial strategies on an unprecedented scale in order to achieve PBR exceeding 1.0 and further enhance corporate value. During the period of the 1st Medium-Term Management Plan, business performance was affected by unexpected events such as COVID-19, component shortages and the soaring price of materials and logistics, and other unexpected changes in the business environment may also occur in the future.

We will aim to minimize the impact of these uncertain risks through enhanced monitoring and governance that enables early detection and implementation of countermeasures while also working to achieve an ROE of 8% or more, which is our target for fiscal 2025, the final year of the 2nd Medium-term Management Plan. From a medium- to long-term perspective, we will carry out and monitor strategic investments to increase the certainty of achieving an operating margin of at least 12% and an ROE of 10% or higher in order to realize our Vision 2030 while also working to optimize our business portfolio.

Moving forward, we will introduce ROIC as an evaluation indicator for this purpose, and will also move forward with the sophistication of our internal corporate accounting.

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.