

Top Message

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

The Management Philosophy We Must Continue to Uphold

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

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

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

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

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

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

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



Profile

Takabumi Asahi

President and Chief Executive Officer

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

Top Message

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

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

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

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

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

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

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

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

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

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



Wielding a Competitive Advantage in the Advanced Packaging Market

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

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

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

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

Targeted Investment in Strategic Areas While Pursuing Capital Efficiency

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

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

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

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

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

Shifting Human Capital to Strategic Areas

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

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

Innovation, Resilience, and Integrity

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

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

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

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

I appreciate your ongoing support.



President and Chief Executive Officer,
Ushio Inc.