

Message from the COO and CSuO

Working to Enhance External Engagement

When it comes to enhancing external engagement (external evaluation), as with internal engagement, we are not simply leaving the work up to our sites. We are carrying out various initiatives, assigning the priority order of the tasks that are required and deciding matters such as who needs to do them and who the leader should be. I will outline three specific initiatives we are carrying out.

The first is methodology analysis. We are using data to quantitatively assess Ushio's strengths and weaknesses with regard to sustainability, sharing this information with the relevant departments, and discussing measures that need to be taken. From fiscal 2022, we have focused on FTSE as this is a useful index from a global perspective. We have identified Ushio's current score and the position we are in when it comes to environmental, social and governance matters. We will continue to conduct this analysis to quantitatively and qualitatively improve our communication of non-financial information.

The second initiative is involving relevant parties. Collaboration with various departments within Ushio is essential in order to enhance external engagement. This requires more than simply asking relevant parties for their cooperation. We provide feedback to the relevant parties on the evaluation results about information disclosed to external parties, along with details such as changes in our external engagement results for ESG from 2014 and how Ushio compares with the top performers for ESG.

The third initiative is the redesign of our sustainability website. Our website is an important point of contact between Ushio and our

many stakeholders. We have made our website clearer, and to earn a suitable grade from external evaluation bodies, we have enhanced our non-financial information, including updating our GRI Standards Comparison Table and UN Global Compact Comparison Table.

Please refer to the following URL to visit Ushio's sustainability website.
<https://www.ushio.co.jp/en/sustainability/>


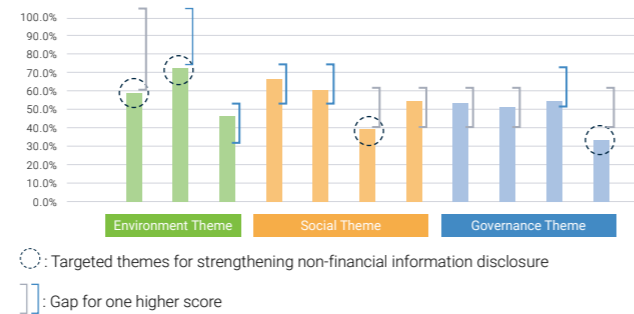


Image of data analyzed in the external engagement survey

ESG Management Unique to Ushio

Evaluate Strengths and Weaknesses of Ushio's Sustainability Performance
 Enhance Quantity and Quality of relevant non-financial information disclosures

Gap Analysis of External Evaluation Result



Compliance with Regulations

The significance of our Sustainability Promotion Division's activities is the maximization of our corporate value. In order to accomplish this, we need to comply with new regulations requiring the

disclosure of non-financial information. We are constantly attuned to the latest trends and respond fully, quickly, and accurately.

Striving to Be a Company Our Employees Can Be Proud Of

Each time I returned to Japan during my time in China, I met with Mr. Jiro Ushio, who was Founder and Chairman at that time, and the first thing he always asked me was how my family was. It really impressed upon me that Ushio is a company that embodies the management philosophy of "Build both a prosperous Company and prosperous employees." President Asahi's message also espouses that management philosophy. In order to continue to create that value in future, we must continue to uphold that excellent

management philosophy and carry out reforms with firm conviction, with all of our employees working together toward a common goal.

My vision for Ushio mirrors my duties as COO and CSuO. Our young employees are the ones who will be running this company in five to ten years, so I want them to like this company and be proud of being part of it. For this reason, I will trust our employees and work closely with them, giving my best effort to increase Ushio's value internally and externally.

Formulation of New Growth Strategy

: For More Effective Strategies

Following various changes in our business environment, we reverified the Medium-Term Management Plan and formulated New Growth Strategy: Revive Vision 2030. On the next pages, we will explain the specifics of Ushio's New Growth Strategy.

Guiding Principles for 2030

Ushio formulated a mission and vision for 2030 to be implemented throughout the three Medium-Term Management Plan periods from fiscal 2020, and has been implementing these thus far, but due to significant changes in our business environment, we now expect it to be difficult to achieve the 2nd Medium-Term Management Plan (fiscal 2023 to fiscal 2025) announced in May 2023.

On the other hand, new possibilities for growth have also surfaced. With this in mind, we reviewed our Medium-Term Management Plan and formulated a new growth strategy with fiscal 2030 as the final year, as well as stipulating our Guiding Principles for 2030 (new Mission and Vision), which we announced in May 2024.

Under our New Growth Strategy, we aim to become a "light" innovation company and grow together with our customers mainly in the Industrial Processes area.

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

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

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

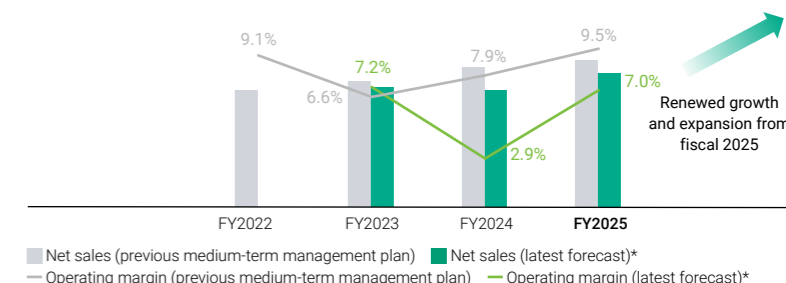
Backdrop to Review of Medium-Term Management Plan

Review of the 2nd Medium-Term Management Plan

Progress Under Previous Medium-Term Management Plan and Latest Forecasts

In fiscal 2023, the first year of our 2nd Medium-Term Management Plan, the conditions of the semiconductor and flat panel display markets worsened and the state of competition changed, drastically changing Ushio's business environment. In fiscal 2023, sales fell short of the initial plan but we were able to achieve our operating income target. However, conditions in fiscal 2024 are difficult, with both sales and profit forecast to decrease year-on-year. Upon reviewing our Medium-Term Management Plan in response to these conditions, while our performance is expected to improve by fiscal 2025, the final year, it is forecast that we will not meet our sales or operating income targets.

Progress under previous medium-term management plan and latest forecasts



		FY2022	FY2023	FY2024	FY2025
Net sales	(previous medium-term management plan)	¥175.0 billion	¥188.0 billion	¥210.0 billion	¥220.0 billion
	(latest forecast)*		¥179.4 billion	¥175.0 billion	¥200.0 billion
Operating margin	(previous medium-term management plan)	9.1%	6.6%	7.9%	9.5%
	(latest forecast)*		7.2%	2.9%	7.0%

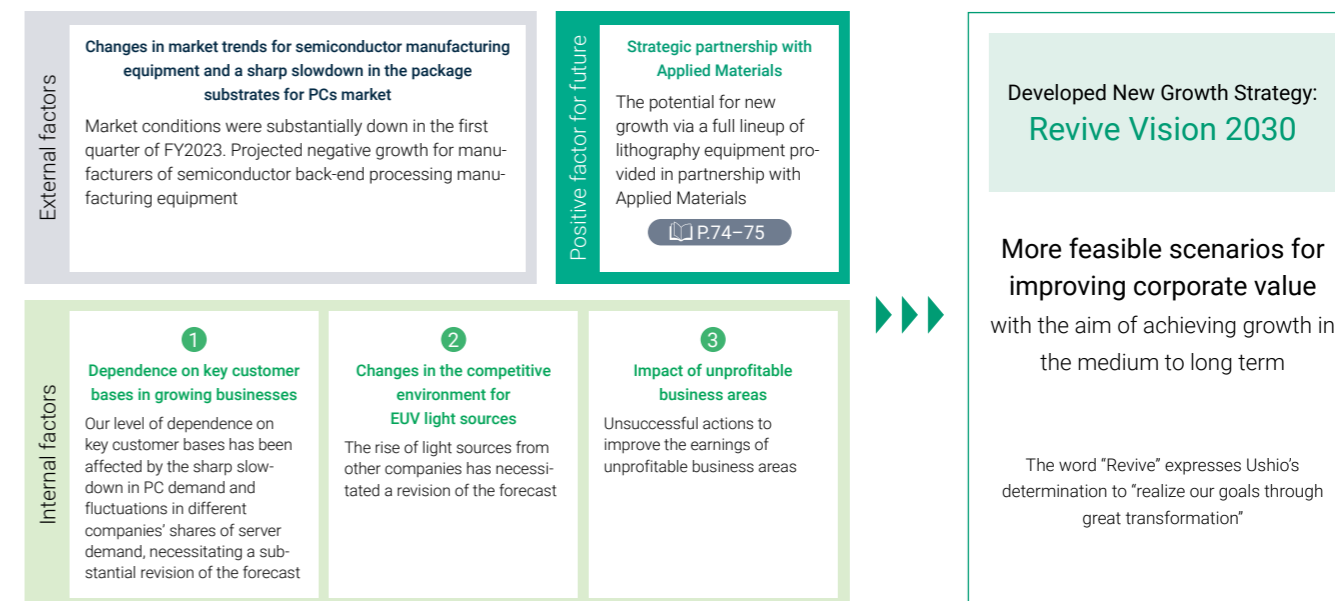
* Figures for FY2023 are actual results; figures for FY2024 have been announced as forecasts for the full year

Factor Analysis and Formulation of New Growth Strategy

Upon conducting an analysis of the factors necessitating a revision of our forecast, we recognized a positive factor for the future in addition to external and internal factors.

To further strengthen strategic focus areas we identified based on these factors, we formulated New Growth Strategy, Revive Vision 2030, as a strategy with more feasible scenarios for improving our corporate value.

Factors for the revised forecast

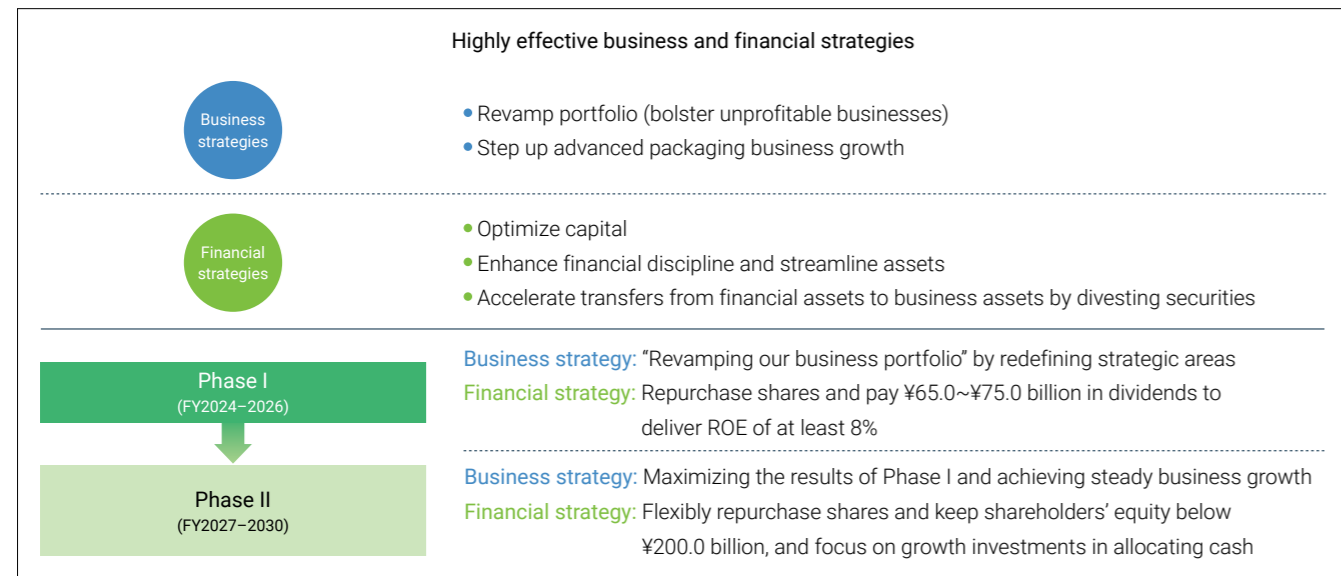


New Growth Strategy: Revive Vision 2030

The policy of our new growth strategy is "A growth strategy emphasizing management efficiency." Specific policies are to concentrate resources on our Industrial Processes Business, which has high potential for growth, to drive expansion; implement measures with a focus on profitability to enhance "efficiency"; and balance growth investments and capital efficiency. The period until fiscal 2030 has been divided into Phase I (fiscal 2024-2026) and Phase II (fiscal 2027-2030) for the formulation of our business strategies and financial strategies. The plan will be stringently monitored to increase feasibility.



* 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 Policy of Phase I

The basic policy of Phase I is to redefine strategic areas while further enhancing areas of strategic priority through selection and concentration.

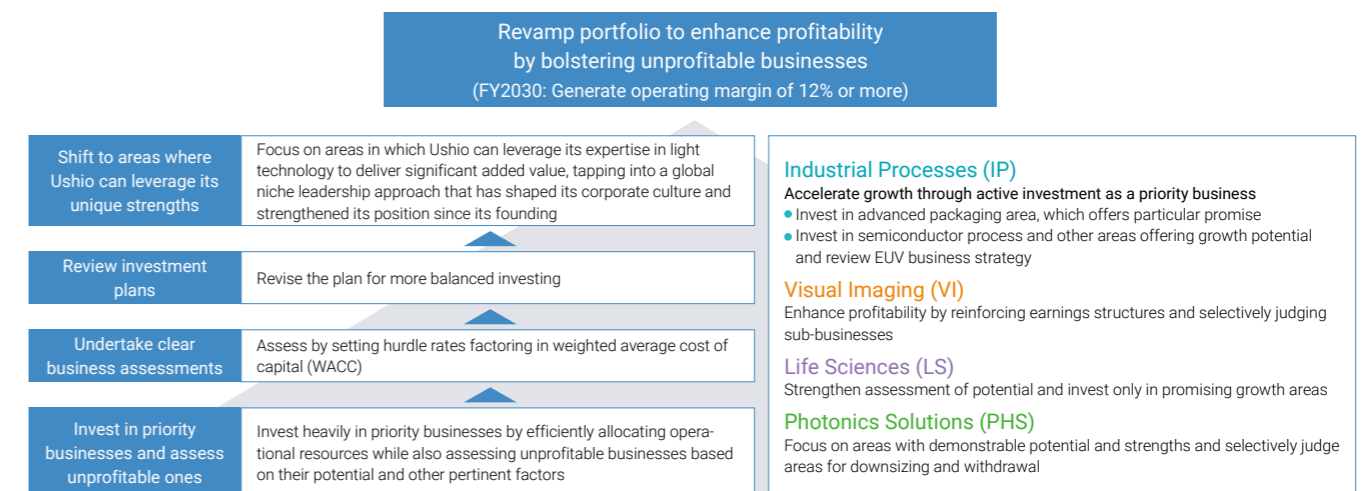
	Strategy	Goals of Phase I (FY2024-2026)
Business strategy	Bolstering unprofitable businesses and revamping our business portfolio	<ul style="list-style-type: none"> • Proactively investing in priority businesses (areas) such as the IP business by optimizing the allocation of management resources while distinguishing unprofitable businesses in light of their future potential
	Expanding a promising IP business P.72-73	<ul style="list-style-type: none"> • 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 P.74-75	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 strategy	Reviewing capital efficiency and the balance sheet	<ul style="list-style-type: none"> • 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.

Business Strategy Bolstering Unprofitable Businesses and Revamping our Business Portfolio

In the revamping our business portfolio, we will bolster unprofitable businesses and revamp our business portfolio to center our Industrial Processes business, which is our priority business, in order to enhance profitability (achieve operating margin of 12% or more* by fiscal 2030). We will also undertake clear business assessments and revise the plan for more balanced investing to facilitate a shift to areas where Ushio can leverage its unique strengths.

* Operating margin is a reference figure

Approach to Revamp of Portfolio

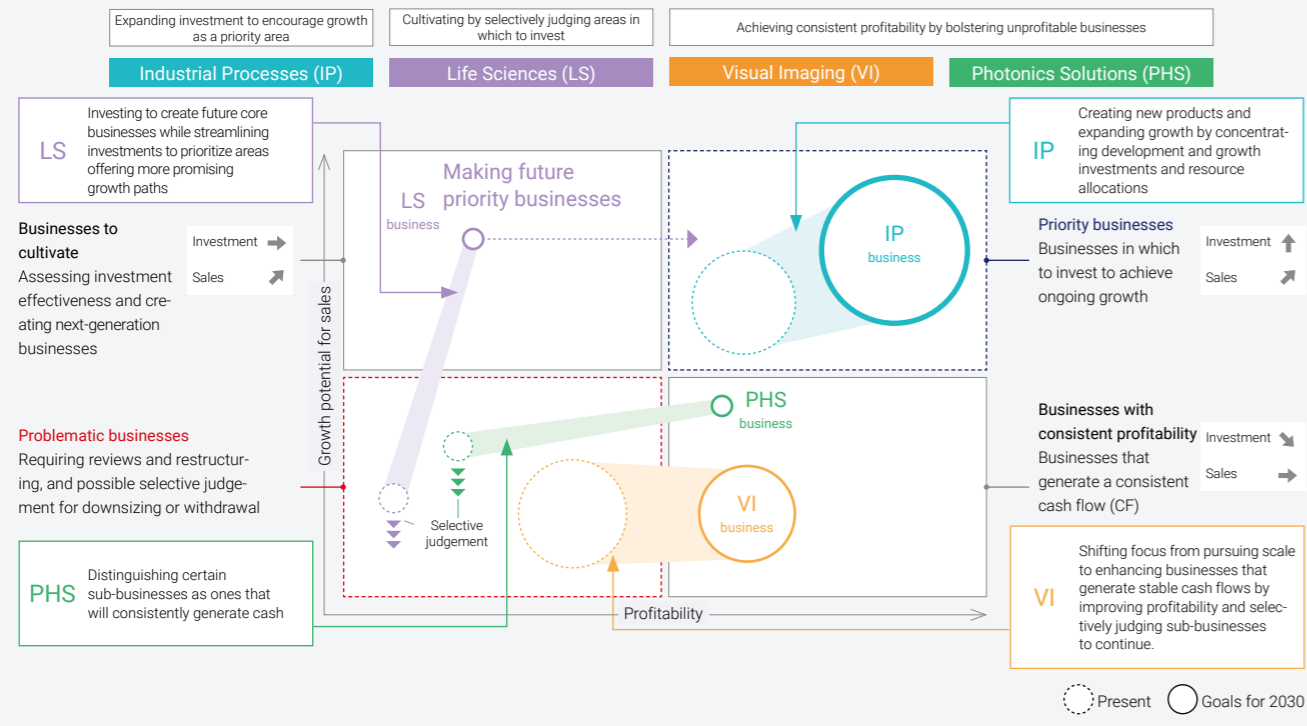


Note: Constantly reassess VI and PHS businesses with a view to generating anticipated profit margins

New Growth Strategy: Revive Vision 2030

▶ Revamp of Business Portfolio for All Segments

In all of our businesses, we will focus our investments on priority areas, narrow down projects, particularly in unprofitable businesses, and selectively judge businesses to determine the directions we should take.

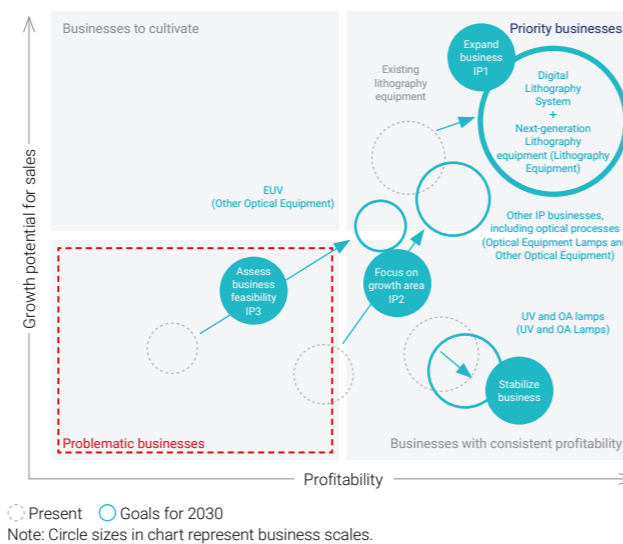


Envisaged Industrial Processes business portfolio

Positioning as a priority business, aiming for continuous growth expansion through concentration of development and growth investments and allocation of resources

- Area for growth by increasing and sustaining investments
Lithography Equipment Business: Create a full product lineup to achieve growth in advanced packaging market
- Other IP businesses, including Optical Processes: Expand business by bolstering product competitiveness
- EUV Business: Enter areas such as High-NA lithography. However, look to downsize or withdraw from the market if business is no longer feasible.

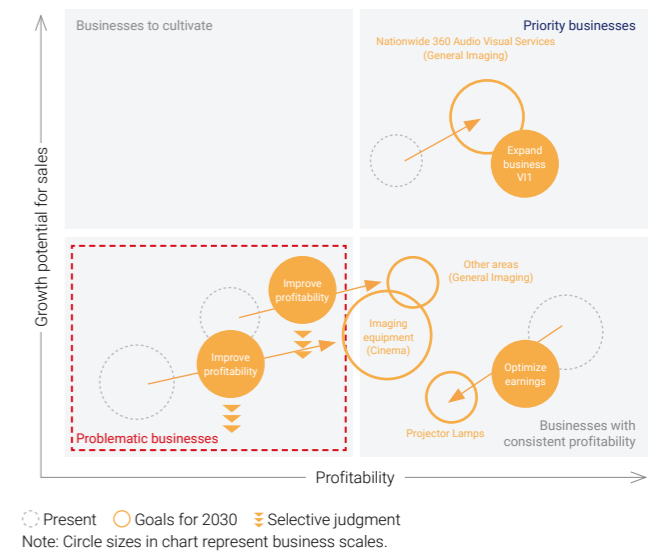
- Area for stabilization
UV and OA Lamps Business: Maintain as stable cash-generating business through ongoing investments to boost competitiveness
- As a promising business that could become a future growth driver, we will simultaneously pursue new potential in the market for inspection and analysis equipment, where Ushio's unique light source technologies can be leveraged



Envisaged Visual Imaging business portfolio

Positioning as a profit improvement business, aiming to make it a stable cash-generating business by improving profitability without pursuing business scale

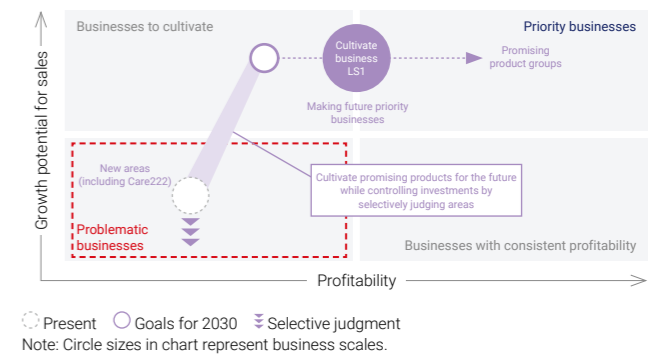
- Area for growth by increasing investments
Nationwide 360 Audio Visual Services Business: A high value-added business. Consolidate resources to scale up operations and drive revenue growth.
- Area for controlling investments and generating consistent profitability
Other Areas of General Imaging and Imaging Equipment Business for Cinema: With market growth limited, focus on improving and enhancing profitability through selection and concentration rather than pursuing business scale
- Area expecting shrinkage
Projector Lamps Business: As the market is forecast to shrink due to the shift to solid-state light sources, optimize earnings by prioritizing cost reductions while maintaining and expanding market share



Envisaged Life Sciences business portfolio

Positioning as a cultivating business, we will cultivate sub-businesses by selectively judging projects more than ever

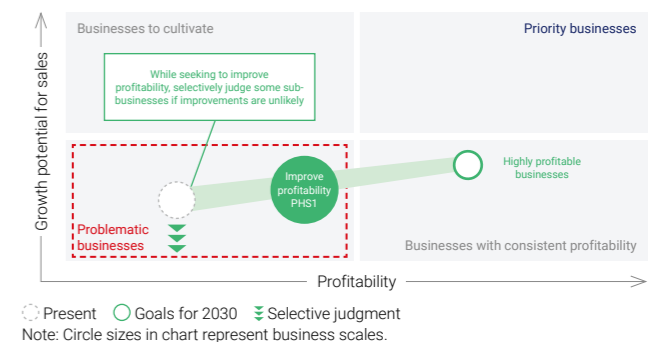
- Area for cultivation of new businesses
New Areas (including Care222) and Promising Product Groups: Control investments and selectively judge projects, and then invest in those judged to have a high certainty of business growth and cultivate them as promising product groups
- Area for stabilization
Medical Devices and Healthcare Business: Keep refreshing product lineup and secure stable earnings as this business generates stable earnings



Envisaged Photonics Solutions business portfolio

Positioning as a growth and review business, we will make it a stable cash-generating business by selectively judging areas to invest in and to be reviewed

- Sub-businesses that are not expected to become more profitable after considering competitiveness and growth potential will be selectively judged based on assessment.



For details on our strategies for each business, please refer to P.70-83: Creating New Markets with "Light"

New Growth Strategy: Revive Vision 2030

Business Strategy Policy on investing in development

Our policy is to invest to achieve contributions to earnings in Phase II towards our goals for 2030.

By more closely monitoring investment periods and profit contribution and reviewing investment area allocations annually, we will achieve more certain investment and growth.

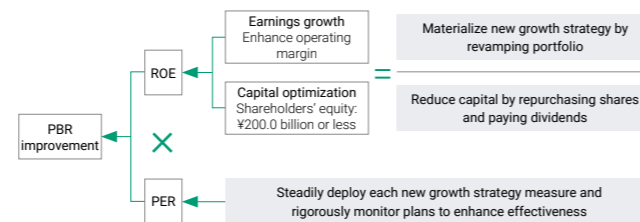
	Cumulative development investment (FY2024–2026)	Development investment details		Icons are linked with those in the envisaged portfolios on P20–21	
IP Industrial Processes	¥28.0 billion	Lithography equipment	Approximately ¥15.0 billion	<ul style="list-style-type: none"> Develop and launch Digital Lithography System with Applied Materials Develop next-generation lithography equipment 	IP1
		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
		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
VI Visual Imaging	¥7.5 billion	Imaging equipment	Approximately ¥7.5 billion	<ul style="list-style-type: none"> Develop new products to provide high added value, etc. 	VI1
LS Life Sciences	¥8.5 billion	–	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
PHS Photonics Solutions	¥3.5 billion	–	Approximately ¥3.5 billion	<ul style="list-style-type: none"> Develop to expand product lineup and become more competitive 	PHS1
Total	¥47.5 billion				

Financial Strategy Reviewing capital efficiency and the balance sheet

Initiatives to Boost PBR

One of our challenges is to boost PBR. We will achieve our ROE target exceeding the cost of shareholders' equity* through enhancement of our operating margin by steadily deploying our New Growth Strategy and optimizing capital by increasing shareholder returns.

We will steadily execute our plans and rigorously monitor them to enhance effectiveness in order to increase PER and achieve a PBR greater than 1 early on.



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

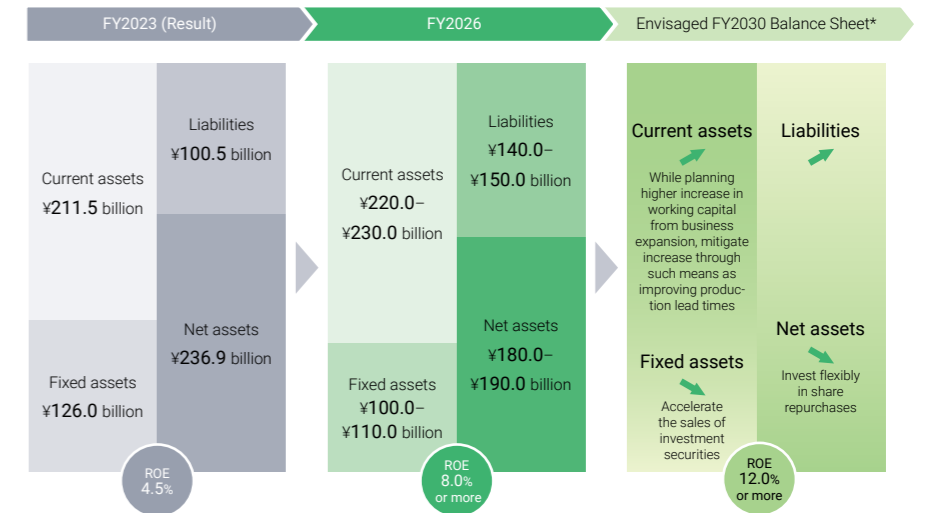
Stance and Specific Measures to Improve ROE

	FY2023 (Result)	FY2026	Measures to improve ROE
ROE	4.5%	8% or more	FY2030: 12% or more
Net profit margin Net profit / Sales	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	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

With regard to our balance sheet, we will expand growth investments but also maintain financial discipline and improve asset efficiency. Our main objective is to keep shareholders' equity below ¥200.0 billion. Through sales of securities, we will accelerate the shift of funds from financial assets to business assets and shareholder returns. Additionally, we are planning to expand working capital through business expansions, but balance sheet management such as more closely monitoring of asset turnover ratio will also be employed.

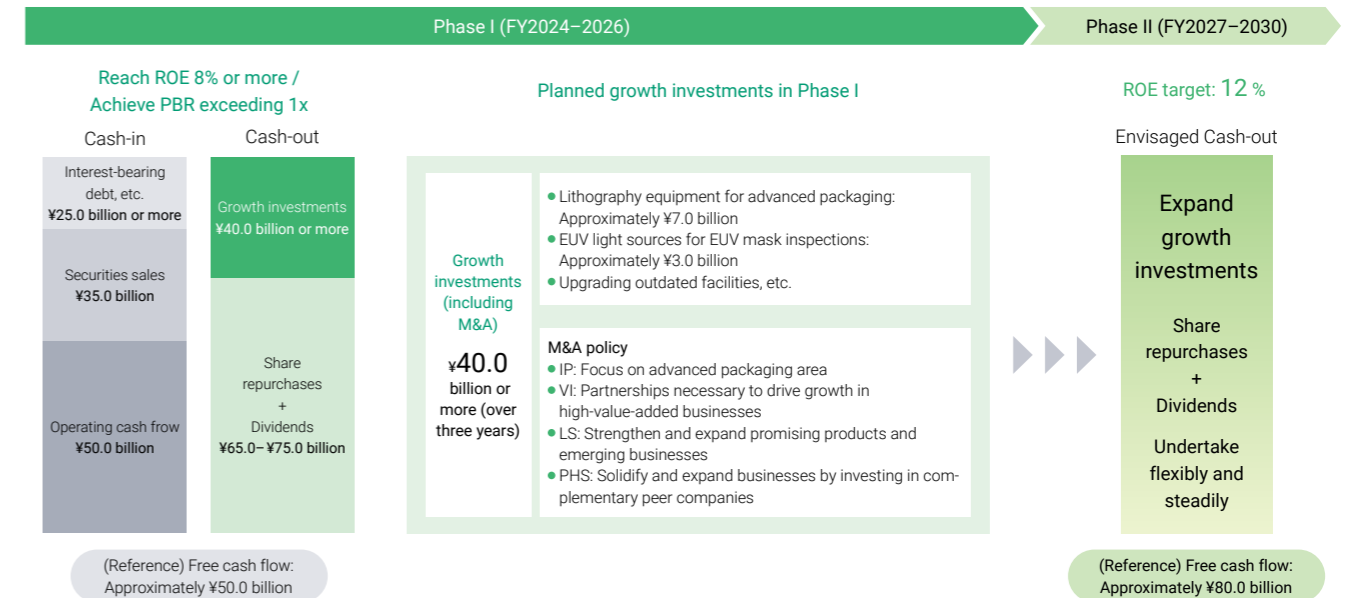
- Keep shareholders' equity below ¥200.0 billion by controlling capital through increased shareholder returns
- Accelerate the sales of securities to shift funds from financial assets into business assets and shareholder returns
- While planning working capital expansions in Phase II through growth investments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



Note: Arrows show changes from FY2026

Cash Allocation and Growth Investments

In Phase I, in order to achieve an ROE of 8% or more while balancing growth investment and shareholder returns, we will utilize interest-bearing debt in addition to divesting securities. For growth investments, we plan to allocate ¥40.0 billion or more in total over three years, focusing on our Industrial Processes business. In Phase II, we will allocate cash primarily for growth investments from the free cash flow generated during the period, aiming for an ROE of 12% or more.



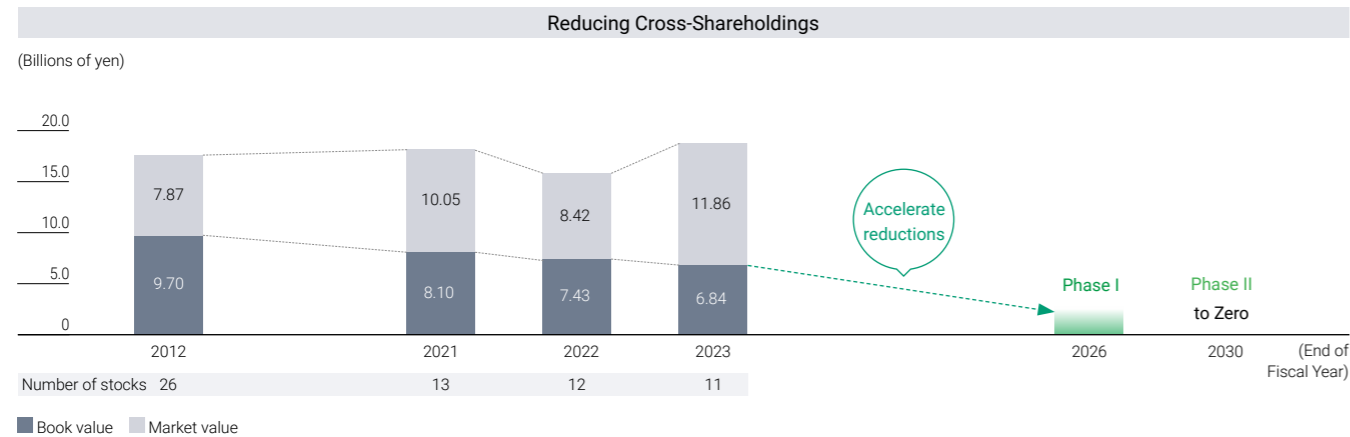
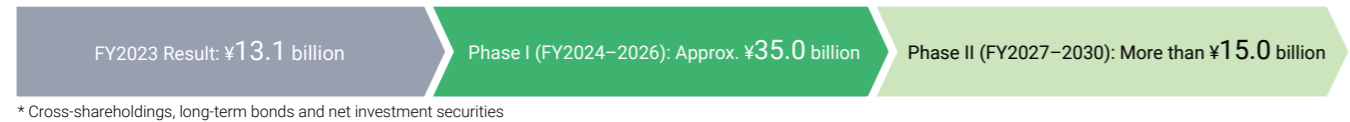
New Growth Strategy: Revive Vision 2030

Securities Divestment Schedule and Reduction of Cross-Shareholdings

We will divest around ¥35.0 billion in securities, including cross-shareholdings, in Phase I, and more than ¥15.0 billion in Phase II. Reduction of cross-shareholdings will be accelerated in line with our policy.

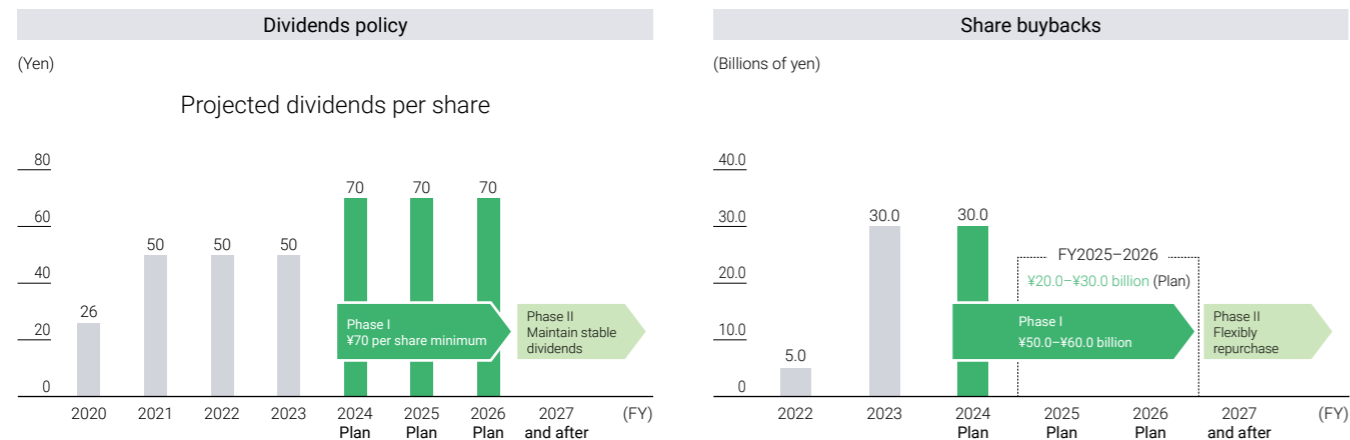
For details on our policy, please refer to [P.90: Cross-Shareholdings](#).

Securities* Divestment Schedule (on cash flow basis)



Shareholder Return Policies

¥70 has been stipulated as the minimum dividend per share for Phase I. As with fiscal 2023, we will repurchase ¥30.0 billion of shares in fiscal 2024, and plan for a total of ¥50.0 to 60.0 billion over the three-year period from fiscal 2024 to fiscal 2026.



ESG Efforts

Full-fledged Promotion of ESG Management

Under the New Growth Strategy, in order to manage both business and sustainability, we aim to further enhance our corporate value by strengthening our ESG management initiatives. We will clarify non-financial key performance indicator goals and undertake full-fledged activities in order to pursue the “five management focuses” that are the material issues for achieving our goals for 2030. In addition, we will increase the contribution of engagement to our results by strengthening our activities aimed to enhance engagement both internally and externally.

For details on our five management focuses and nonfinancial key performance indicator goals, refer to

[P.44-45: List of Five Management Focuses, Key Challenges, and Goals](#).



Human Capital Strategies

Under our New Growth Strategy, we have clarified our basic policies for human capital investment based on our strategies. We have established three policies for achieving our goals for 2030. With regard to our personnel configuration by segment, we will increase the ratio of personnel in our Industrial Processes business, as this is our priority business. To accomplish this, we will strengthen measures such as human capital investment, reskilling and training, amendments of our remuneration structure, and hiring of advanced personnel.

For details on our human capital strategies, please refer to

[P.56-61: Human Capital Strategy Under Revive Vision 2030 and Initiatives to Create Working Environments Where It is Easy to Produce Results](#).

Governance Structure

Thus far, we have strengthened and implemented governance. Through further strengthening and implementation, we will work to achieve our goals for 2030 under our New Growth Strategy.

For details, please refer to [P.84-99: Enhancing Our Management Base](#).

Dialogue with Investors and Shareholders

Policy for Dialogue with Investors and Shareholders

Under our Policy on Constructive Dialogue with Shareholders, we endeavor to actively disclose information, and promote constructive dialogue in venues such as our general shareholders' meeting, financial results briefing, individual meetings, and site tours.

Feedback gained from investors and shareholders through dialogue is reported regularly in a timely and appropriate manner to the Board of Directors and Executive Council and applied in improvements to our management and IR activities.

Framework for Dialogue with Investors and Shareholders

Dialogue with investors and shareholders is conducted by the President and Chief Executive Officer, the director in charge of investor relations, and the department in charge of investor relations, taking into account factors such as the importance of the topics. Additionally, to enhance dialogue with investors and shareholders, the department in charge of investor relations collaborates with other relevant departments on efforts to gather information and regularly provides feedback to the President and Chief Executive Officer and other executives and reports to the Board of Directors about details of dialogue with investors and shareholders.

In the previous fiscal year, we held meetings and conferences throughout the year, mainly with domestic and overseas institutional investors and sell-side analysts at securities companies.

Activities in fiscal 2023

Dialogue with investors and shareholders	Times	Details of activities
Financial results briefing	4	The President and Chief Executive Officer or Managing Executive Officer and Chief Financial Officer attended and presented the financial results for the quarter
Medium- to long-term management strategies briefing	1	The President and Chief Executive Officer attended, gave a presentation, and answered questions
Attendance at conferences held by securities companies	3	The President and Chief Executive Officer, the Managing Executive Officer and Chief Financial Officer, and the investor relations department attended and conducted dialogue with parties such as overseas institutional investors
Individual meetings (including small meetings)	233*	The director in charge of investor relations (the Managing Executive Officer and Chief Financial Officer) and investor relations department led dialogue
Company briefing for individual investors	2	The President and Chief Executive Officer attended, gave a presentation, and answered questions
Individual dialogue with institutional investors responsible for the exercise of voting rights	9	The investor relations department and relevant departments led dialogue
Plant tours	0	The investor relations department and managers of the relevant business divisions lead these tours. However, no tours of this nature were held in fiscal 2023.

* 180 for institutional investors and 53 for sell-side analysts



Information on financial results briefings, a briefing for our New Growth Strategy, and company briefings for individual investors (available only in Japanese) can be found on the Investor Relations Information page of the Ushio website. <https://www.ushio.co.jp/en/ir/>



Feedback to Managements

Item	Times	Details
Analyst reports	4	Quarterly analyst reports were submitted to our managements and internal managers
Status reports on individual dialogues with investors, etc.	4	The status of dialogues with investors and shareholders was reported quarterly
Status reports on dialogue with institutional investors responsible for the exercise of voting rights	1	The status of dialogue with parties responsible for the execution of voting rights (feedback, requests, etc.) was reported
Status reports on financial result briefings	4	Details on the quarterly financial presentation briefings (attendees, questions and answers, etc.) were reported
Reporting to Board of Directors, Executive Council, etc.	2	The status of dialogues with investors and shareholders was reported to the Board of Directors, Executive Council, etc.
Other	As necessary	The results of checks of shareholder configuration and the shareholding status of institutional investors that were conducted as necessary were reported

Recent Key Requests and Concerns, and Ushio's Responses

Request, concern, etc.	Response
Initiatives to improve return on equity (ROE) and achieve PBR greater than 1	Based on discussions by the Board of Directors, it was stated that Ushio will aim to achieve a PBR greater than 1 early on in our New Growth Strategy, Revive Vision 2030, which we announced in May 2024. In order to achieve this, improving ROE will be essential and we will need to formulate more effective business strategies and strengthen initiatives to improve capital efficiency through closer balance sheet management. We explained our thought process, and are currently working on various measures. For details on specific capital policy initiatives, please refer to P.22
More specific medium- to long-term growth strategies	Due to the increased likelihood that we will be unable to achieve the targets in our 2nd Medium-Term Management Plan, which we announced in May 2023, due to worsening conditions in the semiconductor market, our Board of Directors held a series of discussions to set more feasible scenarios, and we announced our New Growth Strategy, Revive Vision 2030, in May 2024. We formulated and explained more effective business strategies and financial strategies and are currently working on various measures. Please refer to P.18-25 for details on new growth strategy, which outlines our medium- to long-term growth strategies.
Handling of unprofitable and underperforming businesses	Revamping our business portfolio is a major pillar of our business strategies in our New Growth Strategy, Revive Vision 2030. Under our New Growth Strategy, we have clarified the role and direction of each business and formulated business strategies for each business. In particular, we state that we will work to bolster unprofitable and underperforming businesses, including considering withdrawal. For details on our initiatives to reorganize our business portfolio, please refer to P.19-21
Potential for growth of businesses centering on semiconductors	Our New Growth Strategy, Revive Vision 2030, which we announced in May 2024, explains that we have designated our Industrial Processes business as a priority business and are concentrating investments and resources in this business. In particular, we show a policy to strengthen connections to the semiconductor area, where major market growth can be expected. It also explains that, in the packaging area of semiconductor back-end processing where technological trends are changing drastically and where investment is expected to be concentrated by adding new products to our existing products through a strategic partnership with Applied Materials (announced December 2023), we will build a more robust product lineup aiming to become a leading company in the advanced packaging market. Additionally, it explains that we will focus our efforts not only in this area but in other areas where Ushio's products will be useful, such as thermal processes for semiconductors. For details on our strategies related to semiconductors, please refer to P.72-77
Progress on new advanced packaging products (digital lithography system)	Since we entered into a strategic partnership with Applied Materials, we have set up an internal cross-functional project team and are accelerating activities. We are currently working on development and business talks to contribute to results from fiscal 2025, and will disclose as much information as possible about the latest progress to our investors and shareholders based on the factors such as the characteristics of the business. Please refer to P.74-75 for details on our advanced packaging initiatives.
Future direction of EUV business	Our EUV business is grappling with the issue of the rise of light sources from other companies, and we were forced to drastically revise our strategies. We have done so and are currently working on initiatives to enter the High-NA area of EUV lithography from fiscal 2027. Our New Growth Strategy also makes reference to the potential to find a direction for our business according to future movements in markets and development based on the current state of competition and market trends. For details on our latest strategies for our EUV business, please refer to P.77
Feasibility and timing of returns on development costs in business results in future	We are increasing our investment in development in order to achieve ongoing growth in future. However, we indicate that in line with the policies of our New Growth Strategy, we will concentrate our development investments on our Industrial Processes business, particularly businesses related to semiconductors which are expected to see increased growth, along with revising investment plans for more balanced investing. We also indicate that investment periods and returns on investments are being monitored more closely with the purpose of revising the areas where investments are allocated each year, and explain that investment strategies may be revised in future based on the direction our businesses take, especially businesses where issues are being addressed. The timing at which returns on these investments will be seen varies; the earliest returns will be seen in fiscal 2025, while some investments are for the purpose of ongoing growth from fiscal 2030 onward. When necessary, we revise investment plans for more balanced investing to increase feasibility, and disclose to investors and shareholders about the changes through channels such as our financial results briefings and integrated reports. For details on our investments in development under our new growth strategy, please refer to P.22
Cutting of financial assets (including cross-shareholding)	We explain that while we have been cutting our financial assets (including cross-shareholding) in line with our policy, this will be accelerated under our New Growth Strategy. Specifically, we indicate that we aim to reduce our cross-shareholding to zero by fiscal 2030 and that for other securities including financial assets, we aim to divest around ¥35.0 billion* during Phase I of our New Growth Strategy (fiscal 2024 to 2026) and more than ¥15.0 billion* during Phase II (fiscal 2027 to 2030). * Amounts are based on cash flow For details on our policy for cutting financial assets, please refer to P.24
Introduction of ROIC management	The policy of our New Growth Strategy, Revive Vision 2030, is "A growth strategy emphasizing management efficiency." We are already beginning to make a selective judgement on whether to keep each business based on various metrics including hurdle rates such as WACC and the ROE and operating margin we need to aim for, and are redoubling our initiatives to increase the efficiency of our management. Going forward, we want to continue deliberating on whether management decisions based on ROIC are appropriate in pursuing management efficiency in a more effective form, as well as issues in introducing this practice (establishing a unified Group administrative accounting system, raising understanding within the Group, etc.)
Human capital strategies for New Growth Strategy	Our New Growth Strategy indicates that we will focus on our Industrial Processes business and strengthen the resources of this business. It is important to secure competitive human capital, especially in semiconductor-related industries. In line with this policy, we plan to increase the ratio of personnel in our Industrial Processes business to more than half by fiscal 2030 (it is currently less than half). To accomplish this, we will need to concentrate human capital investment in growth businesses and carry out reskilling, hiring, and training to this end. We are informing investors and shareholders about the status of these initiatives through channels such as our integrated reports. For details on our human capital strategies under our New Growth Strategy, please refer to P.56-58
Effectiveness evaluation of Board of Directors	With a highly opaque environment expected in future, we are conscious that facilitating more ongoing growth and medium- to long-term improvement of our corporate value is our biggest management issue at present. Under these conditions, there is a need to formulate more effective medium- to long-term strategies and execute each measure more decisively, and doing this requires stronger, more functional corporate governance. We are working on strengthening our corporate governance to this end, and we consider it important to share details on our evaluations of the effectiveness of our governance with our investors and shareholders. We are currently increasing our disclosures on evaluations of the effectiveness of our Board of Directors, primarily through our integrated reports. Please refer to P.28-30 for messages from our Outside Directors and P.87 for details on our effectiveness evaluations of our Board of Directors.

Messages from Outside Directors

As Chair of the Board of Directors, I Am Working to Increase the Board's Effectiveness



Profile

Masatoshi Matsuzaki

Outside Director

Since I was appointed as Chair of the Board of Directors in June 2023, my focus in the Board's operations has been "a transparent, fair, timely and decisive decision-making process," particularly rationality in the decision-making process. The impression I received while attending Board meetings as an outside director was that there was some laxity in the decision-making process. As the Board moves to make more important decisions in future, I felt that this needed to be fixed at an early stage. In the prior consultation stage with the secretariat of the Board of Directors, I have verified that the preparations are in place for rational decision-making about the matters at hand and requested additions if that was not the case. Likewise, as discussions proceeded at Board meetings, I have not asked for opinions until I have determined through documents, explanations and questioning that we are in a place to make a rational decision. I think that I have made this process standard practice throughout this year.

With regard to deciding on topics for discussion, from the perspective of my supervisory role as an outside director serving as Chair of the Board, there have been several points I wanted to discuss regarding the direction of Ushio. I communicated these to the executive side (the internal directors), asked them to deliberate, and then brought their conclusions to Board meetings and Discussion Meetings on Management Issues (meetings separate from Board meetings in which all Directors discuss important matters) to determine the direction to be taken. As discussions proceeded, I placed emphasis on the opinions of outside directors, who are here to be voices of caution in management decisions based on the internal logic of the Company, and was conscious about seeking multifaceted deliberation when deciding on the direction to be taken.

In the formulation of our New Growth Strategy, Revive Vision 2030, which we announced in May 2024, I asked the executive

side to sum up our medium- to long-term plans to increase our corporate value with phrasing and logic that are easy for our shareholders and investors to understand, as required by Principle 5.2 of Section 5 "Dialogue with Shareholders" of the Corporate Governance Code, "Establishing and Disclosing Business Strategies and Business Plans," so that we can facilitate constructive dialogue with our shareholders and investors. With regard to business strategies in particular, after announcing our 2nd Medium-Term Management Plan in 2023, the executive side and I agreed that there was a need for ongoing discussion of business strategies, so I asked them to prepare to clearly explain the businesses that will be targets for strategic priority allocation of resources and the form our business portfolio will take in 2030. We discussed the original proposal of the New Growth Strategy from the executive side and then revised it and submitted it for further discussion, after which the Board issued its approval.

In the approval of our new growth strategy, I have confirmed that our initiatives to address sustainability issues (ESG) have been our focus in improving our corporate value, and that the Company has set non-financial KPIs and is working to achieve them. I have also confirmed our basic policies for human capital investment and human capital management based on our new growth strategy. Throughout the process from the original proposal of our new growth strategy to its approval by the Board, I have made sure to facilitate constructive, candid discussion on the matters at hand. I believe that the executive side also found it beneficial to receive feedback and critiques from the outside directors from various angles that differed from the Company's perspective during the creation of documents for disclosure.

It goes without saying that my first order of business for the Board of Directors in fiscal 2024 is to verify the status of the Company's execution of the new growth strategy. One of the

strategies is to selectively judge businesses and themes. I discussed this with the secretariat of the Board of Directors to include it in discussion topics at Board meetings during fiscal 2024 to confirm matters such as the progress of this strategy, the status of initiatives to grow our Industrial Processes business, which we have designated as a driver of growth until 2030, and the status of strategies that other businesses need to execute in the next three years. I am aware that many of our shareholders and investors want to know whether our management are capable of achieving the growth strategies (medium- to long-term management plans) we have announced. With this in mind, I aim to confirm the execution status of these strategies with an awareness of risks and our capabilities.

I am conscious that the effectiveness of the Board of Directors is ultimately defined by the effectiveness of its configuration and operations in improving medium- to long-term corporate value, and it is with this in mind that I aim to work to improve the Board's effectiveness as its Chair.

Messages from Outside Directors

Message from Chairperson of the Nomination and Remuneration Advisory Committee



Profile

Toyonari Sasaki

Outside Director

I was appointed as the Chair of the Nomination and Remuneration Advisory Committee in June 2024, following Ms. Sakie Tachibana Fukushima. Ms. Fukushima was the Chairperson of the Nomination and Remuneration Advisory Committee from 2021, and made major contributions to measures such as restructuring our remuneration structure for Directors and Executive Officers, reporting on our governance system and the recent succession of our CEO. As her successor, I will work to produce results of her caliber, further improve our corporate value, and ensure fairness and appropriateness in decisions about nomination and remuneration, the roles that this committee is intended for.

► **Activities of the Nomination and Remuneration Advisory Committee in Fiscal 2023**

In fiscal 2023, the Nomination and Remuneration Advisory Committee comprised six members; five outside directors and one internal director. 11 meetings were held during the fiscal year, and every member attended at least 90% of them.

► **Reporting on the Succession of the CEO**

The Company established a Remuneration Advisory Committee in 2015. In 2019, the committee was renamed as the Nomination and Remuneration Advisory Committee and the scope of its reporting expanded to include the nomination of Directors and Executive Officers in addition to their remuneration. Since 2021, the following process has been carried out for succession of the CEO.

1. Specific discussion and commencement of planning decisions for succession of CEO (fiscal 2021)

In addition to planning decisions for the succession of the CEO, the Nomination and Remuneration Advisory Committee performed supervisory functions and made recommendations in the selection and development of candidates for the next generation of management (Executive Officers) as part of deliberations on our internal executive structure and its medium- to long-term succession plan.

Activities of the Nomination and Remuneration Advisory Committee

Applicable to:	1. All executive officers, including the CEO 2. Candidates for the next generation of Ushio's management (executive officers) based on the recommendations of the CEO
Assessment	Interviews held by all of the outside directors
Recommendation content	As outside directors, we collected opinions on ways to cultivate individual candidates in the future, and made recommendations to the CEO accordingly.

2. Ongoing interviews (fiscal 2022)

In addition to ongoing supervision and recommendations for all Executive Officers and the candidates for the next generation of management (Executive Officers), we carried out 360-degree evaluations of the then-current CEO and representative directors.

3. Shortlisting of candidates for the new CEO (fiscal 2023)

We carried out 360-degree evaluations of candidates for the new CEO and continuously discussed the succession plan in executive sessions comprising only outside directors.

4. Decision of matters to be reported regarding the succession of the CEO (fiscal 2023)

In December 2023, the Nomination and Remuneration Advisory Committee decided on matters to be reported regarding the transition to a new management framework with Takabumi Asahi as the CEO to facilitate stronger action on the Company's issues and the medium- to long-term growth of the Ushio Group and further improve the Company's corporate value.

5. Decision on the next CEO by the Board of Directors (fiscal 2023)

The appointment of Takabumi Asahi as the next CEO was decided at the Board meeting in January 2024.

► **Reporting on the Composition of the Board of Directors in the Next Fiscal Year**

With regard to the selection of director candidates for fiscal 2024, we held examinations on the number of directors (both outside and inside) appropriate for enhancing the effectiveness of the Board of Directors.

At the same time, we determined the number of new candidates for outside and inside directors based on the number and skills of directors scheduled to retire in accordance with Ushio's criteria for years in service and other standards.

In the case of selection of outside directors, we established a process for tapping candidates for appointment as an outside director after making a list of candidates and narrowing them down not only to ensure compliance with the Company's standards of appointment and independence but also to gain optimal skill matrix coverage in terms of corporate strategy.

Based on this process, we selected Ms. Mika Masuyama as the new candidate for director and made a recommendation for her appointment to the Board of Directors. She was subsequently appointed in June 2024.

Mika Masuyama	Ms. Masuyama has a wealth of consulting experience and knowledge in areas such as corporate governance, human capital and organizations, and M&A, and has global expertise of management and economics. With these strengths, we have judged that she can appropriately perform managerial roles, which include advising the management of the Company and supervising the execution of business.
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► **Policy for Future Activities**

In the evaluation of the effectiveness of the Nomination and Remuneration Advisory Committee in May 2024, much of the feedback we received was that the creation of a succession framework remains an issue. We have designated the building of a long-term CEO succession plan as a priority issue for fiscal 2024 too. In addition, we will contribute to the development of managers by continuing initiatives such as making recommendations on support for the growth of the next generation of management and the generation after them, and the development of managers who will serve as CEO in future.

Messages from New Directors

I was approached by an investor I happened to meet at a presentation recently, who expressed higher hopes for Ushio's optical technology.

Ushio is reaching a major turning point: the 60th anniversary of its founding (and the 72nd anniversary of the establishment of its predecessor, Ushio Kogyo). It all comes down to whether we can accomplish the aim of our New Growth Strategy, Revive Vision 2030: to be a "light" innovation company that brings a spark to our shareholders, customers, employees, and the whole of society. Having been selected as an outside director at this point in time, I am excited about the challenge and feel a great sense of responsibility.

After graduating from university, I began working for the Bank of Japan. I then earned an MBA from a graduate school in Europe and worked in the French headquarters of Europe's largest IT company, where I was the first Japanese person to serve as its international marketing director. After returning to Japan, I worked for a multinational corporation where I worked in consulting, primarily on areas of leadership and corporate governance including development of managers, organizational reforms, head-hunting external candidates, utilization of human capital after M&A, DE&I, Board effectiveness evaluations, and strengthening of functions. At present, I am running a company I established myself and serving as an outside director for multiple companies including Ushio while teaching disciplines such as corporate governance and human capital at business schools and universities.

I want to utilize my experience, which centers on personnel and management but encompasses challenges I have taken on in various environments, to contribute to ongoing, medium- to long-term improvement of Ushio's corporate value and bolstering trust.



Profile

Mika Masuyama

Outside Director

In my previous role at a financial institution, I spent 17 years posted in five countries overseas, where I gained experience in areas such as managing subsidiaries and implementing regional strategies. After joining Ushio Inc. in 2020, I have been involved in work such as establishing Group-wide governance rules and acted as a Group-wide leader of human resources, general affairs, and risk management.

From fiscal 2024, I am playing a central role in Group governance as a full-time Audit & Supervisory Committee member. My way of thinking about governance is that its purpose is not only to prevent damage to corporate value but to lay the foundations to increase it. With this in mind, I am dedicating myself to my role according to the following principles.

- (1) With full awareness of separation between management oversight and execution, and with a mindset of personal investment, I will think and act with the aim of working together with all of our stakeholders to find the best possible answer.
- (2) To achieve this, I ensure that I thoroughly understand the situation on the ground and emphasize communication within the Audit & Supervisory Committee, promoting frank exchanges of opinion. Additionally, I provide feedback from the Audit & Supervisory Committee to the Board of Directors and am actively involved in making appropriate management decisions.
- (3) The concept surrounding governance is constantly evolving. While valuing the uniqueness of the Ushio Group, I continue to maintain an objective perspective and a commitment to finding optimal solutions. This includes gathering information from external sources and ensuring that I stay updated.

In addition to the above points, I believe my experience in overseas business operations can help promote further globalization of the Ushio Group. Establishing a governance framework within efficient operations and fostering a strong organizational culture will, in my view, lay the foundation for further corporate development.



Profile

Makoto Kinoshita

Director (Full-time Audit & Supervisory Committee Member)