

Section

01

Measures to Support Steady Implementation of Our New Growth Strategy

Ushio formulated a New Growth Strategy, aiming for decisive execution with firm conviction to return to a growth trajectory. One year after its initial announcement, we take this opportunity to share our progress, results, and future direction.

By steadily implementing each initiative outlined in the strategy while holding strong to our Guiding Principles for 2030, we will achieve our goals, realizing sustainable growth and improving corporate value.



Top Message

No matter what difficulties we face,
we will act with strong resolve to
accomplish what Ushio must do.



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)

/ No Wavering, No Compromises /

Ushio's current Management Philosophy is based on our Four Basic Principles established in 1965, the year following our founding in 1964.

Management Philosophy
1. Build both a prosperous Company and prosperous employees.
2. Deliver products and services that are competitive in the global market.
3. Contribute to society through superior products and innovative research and development.
4. Expand profits, corporate responsibility, and competitiveness through open and free-thinking business operations.

I joined the Company in 2017. However, those four simple tenets that have been passed down, virtually unchanged, for 60 years are the core of what Ushio must do in order to sustainably increase its corporate value, and I wholeheartedly believe that they must be emphasized above all else. Likewise, I view our New Growth Strategy, Revive Vision 2030 (fiscal 2024 to fiscal 2030), announced in May 2024, as our roadmap to faithfully carry out what Ushio must do based on our Management Philosophy.

We must be conscious of the fact that if we stick to our past businesses, organizations, and ways of thinking, decline will be unavoidable. Only when we transform ourselves into a corporate entity with suitably scaled and

competitive businesses, provide added value to society and our customers that only Ushio can provide, and create a positive cycle of steady profits and investments over the long term, can we fulfill the first tenet of our Management Philosophy: "Build both a prosperous Company and prosperous employees."

To achieve suitable scaled businesses, we need to scale down those that cannot deliver value commensurate with what we have invested in them. Something I have experienced in various settings in the past is that if we allow our personal feelings to cloud our judgement, we hesitate. For example, when someone says "They've worked so hard; can't we let them continue?", we waver. However, over the past year, I have striven to remain wholly objective in our evaluations, without being swayed by such emotions. Obviously I listen to various people's opinions, but I maintain this stance because I believe that if we look for easy compromises, the policies we have established with conviction become toothless. When I communicate our decisions to cancel development projects and scale down businesses, I make every effort to explain the reasons in a way that they can understand. However, I am conscious that gaining agreement is difficult since everyone holds different positions. In spite of this, I intend to persist in asking questions and providing explanations.

/ "Military Tactics Are Like Unto Water" /

The Art of War by Sun Tzu contains a variety of principles that have stood the test of time throughout the text's 2,500-year history and are still applicable to modern-day corporate operations. One such principle is *bing xing xiang shui*: "Military tactics are like unto water." The way water flows from high places to low places is used as a metaphor for the essence of this strategy, that soldiers must see their foe's weaknesses as their own strengths and strategize accordingly. Just as water retains no constant shape, this principle posits, soldiers, too, can win in warfare by adapting to the conditions. The transformation that Ushio will carry out through Revive Vision 2030 is an embodiment of this principle.

While Ushio's ROE has stagnated at a low level over the past 10 years, we have retained an equity ratio of around 70%. This means that inefficient businesses have been preserved, surpluses have not been effectively utilized in

investments with future promise, and we have fallen short in delivering the shareholder returns expected for a listed company. Therefore, the major policy of our New Growth Strategy, Revive Vision 2030, is a rigorous focus on management efficiency.

Our fundamental approach is to enhance management efficiency by concentrating resources, such as development investments, on Industrial Processes, where we can differentiate ourselves by leveraging light technology and maintain global competitiveness. At the same time, we will carefully select businesses to scale down to an appropriate scale and strive to revamp our business portfolio into one that is highly profitable. When evaluating businesses, we set a hurdle rate and manage milestones set according to the life-cycle of each product to assess expected future cash flows and whether returns are likely to exceed investment costs.

Top Message

I intend to anticipate future technological trends and flexibly evaluate the developments that we have deemed necessary.

As we revamp our business portfolio, we are also reviewing our capital efficiency and balance sheet. During the three years of Phase I (fiscal 2024 to fiscal 2026), we plan to reduce our equity from ¥236.9 billion at the end of fiscal 2023 to ¥180–190 billion by the end of fiscal 2026, and decrease securities including cross-shareholdings by approximately ¥35 billion. Our policy is to allocate a minimum of ¥40 billion in funds, sourced from the capital generated through these measures, cash flow from sales activities, and external financing for growth investments, while setting aside ¥65–75 billion for dividends and share repurchases. Through these initiatives, we aim to quickly achieve a PBR greater than 1 and an ROE of 8% or higher by fiscal 2026, and then build on those results to achieve an ROE of 12% or higher in Phase II.

Ushio has cultivated a sincere and dependable company culture through a long history of refining our technologies and quality to reliably meet the specific needs of our customers. This focus is extremely important for manufacturers, but as B2B companies like Ushio are somewhat removed

from end consumers, product-driven business models tend to result in slow responses to rapid market changes. In addition, since Ushio's organizational structure has been optimized to provide tailored solutions to a limited number of customers within niche domains over a long period of time, each business division has been granted significant autonomy over its marketing and technological development and has been optimized for niche strategies. However, in today's business environment where technological innovation is advancing at an unprecedented pace and competitive dynamics are also dramatically changing, we need to obtain information from a broad perspective—including a wide range of industries and customers, diverse competitors, and various technical fields, rather than focusing narrowly on each business division. Under these circumstances, only when we respond to changing conditions and adjust our position as flexibly as water can we build a sustainable business portfolio. In addition to strengthening marketing functions like these, we have dedicated the past year to uncompromising efforts to address various management issues, aiming to return Ushio to a trajectory of growth.

/ The First Year of Phase I of the New Growth Strategy /

In fiscal 2024, the first year of Phase I, sales of lithography equipment decreased due to stagnation in the semiconductor market. Operating profit also decreased due to the posting of losses from inventory revaluation amid the revamping of our business portfolio, as well as increased forward investments. However, we were able to exceed the targets set at the beginning of the fiscal year and subsequently revised upward in November 2024. I believe that delivering on our promises has also contributed to our profits.

In terms of bolstering unprofitable businesses through the revamping of our business portfolio, we have strictly selected businesses, reviewed unprofitable businesses, and narrowed down projects, focusing primarily on new and development projects across all of our businesses. In Visual Imaging, one of the major foundations of Ushio's profits, we concentrated on domains expected to be highly profitable with significant added value, aiming to increase profit margins and generate stable cash flows without scaling up the

business. In Life Sciences, we have reevaluated businesses where devising an exit strategy is difficult, such as soybean production at a plant factory, and discontinuing more than half of the development projects. Similarly, in Photonics Solutions, which operates our solid-state light source business, we thoroughly reviewed our investment projects and canceled some development projects. In Industrial Processes, which we have positioned as our priority business, we are similarly limiting diversified investments in individual projects within our EUV business, where the rise of other companies' light sources has required us to revise our strategies, and are focusing on elemental technologies in our development and assessment of business feasibility. Through this careful selection of businesses, we have revised ¥11.5 billion in development investments over the three-year period of Phase I. That said, we saw growth investments progress according to plan in fiscal 2024, including an investment of ¥15.6 billion in growth areas, primarily related to advanced packaging. Sales activities are



also underway to reduce our dependency on specific customers in Industrial Processes, which we identified as an issue last year. I believe that the ramp-up of our digital lithography system, a new piece of lithography equipment for advanced packaging, will further expand our customer base and stabilize our profits.

Our capital efficiency and balance sheet have also been steadily reviewed according to plan. We have reduced equity by approximately ¥36 billion and decreased securities including cross-shareholdings by ¥16.1 billion*. We have also rigorously implemented inventory optimization, which has reduced assets and improved cash flow from sales activities.

Additionally, as part of revamping of our business portfolio, we are advancing human capital strategies focused on shifting skilled, immediately effective personnel into growth businesses, particularly our advanced packaging business. Please see the message from Vice President Tetsuo Nakano for more details on the initiatives to enhance employee engagement that we are undertaking alongside this effort. Other efforts include strengthening operational functions across our businesses, such as enhancing the implementation framework in our advanced packaging business, as well as restructuring and consolidating head

office functions. In terms of strengthening our marketing, which I mentioned earlier, we have established a new Marketing Management Division reporting directly to the COO. This division serves as a watchtower for our initiatives to obtain information from a broad perspective, further refine our strategies based on fundamental technologies such as elemental technologies, and promote horizontal collaboration across the company. It will work closely with the Technology Strategy Division, which comprehensively manages all of the Company's technologies, evaluates market prospects from a technical viewpoint, and is granted the authority to determine priorities and allocate company-wide resources accordingly. Furthermore, our Global Strategy Executive Team (GSET), composed of members of our management, is responsible for evaluating strategic topics of particular importance. While these systemic mechanisms have been built to strengthen our marketing functions, marketing cannot be strengthened overnight simply by defining its structure. I intend to focus on accumulating know-how to strengthen our competitiveness, based on an in-depth understanding of our entire value chain.

* Cash flows from the sale of cross-shareholdings, long-term bonds, and net investment securities

Top Message

Carrying Out Structural Reform Regardless of the Circumstances

In fiscal 2025, the second year of Phase I, we are expecting net sales to decrease due to factors such as a decrease in sales in Industrial Processes amid the ongoing stagnation of the semiconductor market, except for generative AI. An increase in operating profit is planned despite continued forward investment thanks to the results of our profitability-improvement measures implemented in fiscal 2024 and additional structural reform to be carried out.

With a few exceptions, the forecasts we initially announced for fiscal 2025 do not factor in any impact from the United States' tariffs. If any direct impacts arise, we believe that we can mitigate them through measures such as revising our supply chain. While results for specific countries and industries may be indirectly affected by factors such as economic downturns or structural changes, I intend to take necessary actions to minimize these impacts while improving our profit structure, the most pressing issue that must be addressed in order to achieve our targets for fiscal 2026, the final year of Phase I.

In Visual Imaging, in addition to continuing our initiatives that focus on high value added products, our policy is to reduce fixed costs by drastically improving our profit structure through measures such as optimizing inventory and distribution, merging, eliminating, or downsizing business sites, and revising organizational operations. In Photonics Solutions, we aim to bring the business into the black by improving profitability through measures such as drastically revising the business's operational framework and limiting development projects. Life Sciences has fields with high potential to address social issues by utilizing light, such as new pulsed light spectroscopy technology and PFAS decomposition technology. Rather than acting alone, we will leverage partnerships to create new businesses with high potential for success. We maintain our stance of rigorously evaluating all businesses and seriously considering every possibility.

In the same spirit as this structural reform, I intend to intensively concentrate resources on Industrial Processes.

Making Industrial Processes a Growth Driver

A high rate of growth is expected across a wide range of fields in the semiconductor market, including next-generation communications, automobiles, industrial equipment, and medical applications, due to global digitalization in the long term. However, we expect that poor conditions caused by the stagnation of EVs and the downturn in industrial applications such as consumer electronics and general-purpose servers will continue in areas other than generative AI in fiscal 2025. In generative AI, competition in development is accelerating globally, calling for higher performance in semiconductor manufacturing equipment. In this area, Ushio is focusing on the advanced packaging market.

The point at which demand for miniaturization and integration of semiconductors for generative AI will tail off is uncertain, but the physical limits to miniaturization in front-end processes have led semiconductor manufacturers worldwide to shift focus to back-end processes. Advanced packaging technology is gaining attention as a response to chiplet technology, a cutting-edge technological trend where multiple chips with divided functions work together in one package. To support this technology, Ushio provides a digital

lithography system (DLT system), new lithography equipment equipped with innovative digital lithography technology from Applied Materials, Inc., with whom we have established a strategic partnership.

The DLT system is maskless equipment with advanced lithographical performance and excellent digital capabilities, achieving resolution and overlay accuracy comparable to steppers while providing throughput suitable for mass production. With the rise of chiplet technology, interposer substrates are becoming more important, and larger sizes and a transition to organic materials are expected in future. By utilizing our DLT system to address these substrate changes, we can contribute to decreasing packaging costs in back-end processes. It combines superior mass production capability and rapid prototyping ability; for example, Digital Dynamic Connection, an excellent digital correction function that can improve yield by compensating for warp-age and die misalignment caused by substrate variations. While many companies have entered the advanced packaging market in various forms, we believe that the DLT system developed jointly with Applied Materials, Inc. will give us a

significant advantage as next-generation packages evolve, including the anticipated increase in substrate size.

Please refer to [P14-17](#) for details on Ushio's position and distinguishing features in the semiconductor market.

Ushio already has a broad product lineup for this market, centered on our steppers and direct imaging lithography equipment. We have established a framework to provide products well suited to the advancement and growing demand for next-generation packaging substrates through the addition of this DLT system. Our policy is to continue investing in development to further capitalize on these strengths.

Although some final decisions regarding investments in the DLT system have been put on hold due to uncertainty in the immediate market conditions, causing delays in certain projects, we have still received orders for some projects. Therefore, our assessment of the DLT system remains unchanged, and we are confident that expansion will occur in future. We expect this business to start contributing to sales from fiscal 2025 and to become a major business by fiscal 2027.


Furthermore, as front-end and back-end semiconductor manufacturing processes become more complex, heating, cleaning, and inspection processes will increase, leading to a

rise in technical demand. We aim to meet this demand and achieve further growth in the optical processes business too, which includes the thermal business and the excimer business. Our policy is to secure stable profits for UV lamps, a market where we have the top share. Through these efforts, we aim to achieve strong sales growth across the entire Industrial Processes business and earn profits of around 18–20% by fiscal 2030.


We have decided to acquire certain businesses such as those specializing in lamps for semiconductor manufacturing equipment from ams-OSRAM AG (Austria), a global leader in semiconductor and traditional automotive and industrial specialty lamp technologies. (Announced July 29, 2025.)

▶ Please refer to the materials below for details.

News Release: Notice Concerning the Acquisition of Shares in a Newly Established Subsidiary of ams-OSRAM AG (Making It a Subsidiary of USHIO)
https://www.ushio.co.jp/documents/NEWS/ir/2025/20250729_e.pdf



First Quarter FY2025 Financial Results
https://www.ushio.co.jp/documents/ir/library/presentation/2025/presentation_en_pdf_FY25_1Q.pdf (slides 20–23)



Initiatives for Ushio's Recovery

Ushio has no CFO. Instead, the head of the Accounting & Finance Department reports directly to the CEO. Since I served as CFO before being appointed President, I am now effectively occupying both roles. At present, Ushio is not in a phase of expanding capital procurement; we are in a stage of exploring how to use our exiting capital effectively. For this reason, I believe the most rational approach is for the head of the Accounting & Finance Department to take responsibility and authority for day-to-day financing activities, while I, drawing from my experience as CFO, establish financial policies such as those for allocation of finances to enhance our corporate value. Since I share duties with Vice President Nakano, this arrangement does not create a burden that would compromise the effectiveness of our operations. Part of the CFO's role is to provide a check and balance on the CEO. Beyond my own self-discipline as someone experienced in both roles, I believe that the stringent monitoring by our Board of Directors, of which the

Chair and the majority of members are outside directors, adequately fulfills this function. It will take time to return to a phase of improving profitability, so I consider ongoing dialogue with shareholders and investors to be extremely important. I will take responsibility for communicating various issues, including financial matters.

It goes without saying that, to earn trust, steadily executing the measures we have promised to more important than anything else. Regardless of the challenges we face, we will not give up. We will work determinedly to restore Ushio to the ideal envisioned by our founder. I ask for your continued support in this endeavor.

President and
Chief Executive Officer,
Ushio Inc.



Dialogue with Investors and Shareholders and Stock Price-Conscious Management

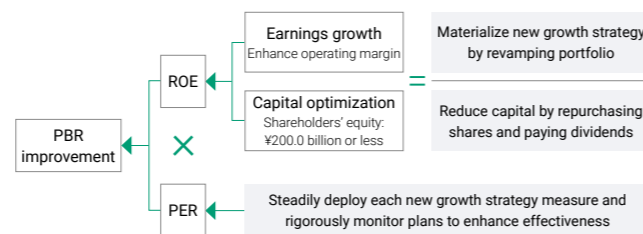
Ushio's price-to-book ratio (PBR) has generally remained below 1, making its improvement an urgent priority. This is especially important given our low return on equity (ROE), an indicator of capital efficiency, and is essential to increase market confidence in our medium- to long-term growth.

In response, we are implementing various measures to quickly restore our PBR to above 1, as outlined in our New Growth Strategy announced in May 2024. Specifically, we have designated ROE as our most important KPI, with targets of 8% or more by fiscal 2026 and 12% or more by fiscal 2030. Alongside driving earnings growth, we are committed to maintaining strict financial discipline and optimizing our balance sheet, including reducing equity.

Furthermore, by having the CEO essentially take on the role of CFO, we aim to achieve sustainable growth by revamping our business portfolio to improve our earnings structure and making steady investments in growth businesses, while continuing the financial strategy established by the CEO as CFO prior to appointment.

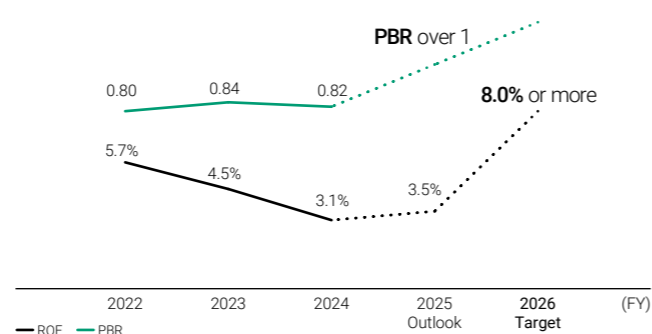
We will continue to take market feedback and opinions seriously, striving to enhance our corporate value through appropriate IR activities.

Stance to Boost PBR



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

ROE and PBR Trends



Policy for Dialogue with Investors and Shareholders

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

Feedback received from investors and shareholders through these dialogues is reported regularly in a timely and appropriate manner to the Board of Directors and Executive Council, and is used to make improvements to our management and IR activities.

Please refer to our IR Policy for information on our IR activity policy, including our Policy on Constructive Dialogue with Shareholders. <https://www.ushio.co.jp/en/ir/management/irpolicy/>

Activities in FY2024

Dialogue with Investors and Shareholders	Times	Details of Activities
Financial results briefings	4	Quarterly financial results briefings were held. The President and Chief Executive Officer attended, presented, and answered questions
Medium- to long-term management strategies briefings (including progress updates)	1	The President and Chief Executive Officer attended, presented, and answered questions
Attendance at conferences hosted by securities companies	4	The President and Chief Executive Officer, along with the investor relations department, attended and engaged in dialogue with parties such as overseas institutional investors
Individual meetings (including small group meetings)	244 ^{*1}	The director in charge of investor relations (President and Chief Executive Officer) and the investor relations department led dialogues
Company briefings for individual investors	2	The President and Chief Executive Officer attended, gave a presentation, and answered questions
Individual dialogues with institutional investors responsible for exercising voting rights	13	The investor relations department and other relevant departments led dialogues
Plant tours	0	The investor relations department and relevant business division managers led these tours. However, no such tours were held in FY2024.

*1 199 for institutional investors and 45 for sell-side analysts

Recent Key Requests and Concerns, and Ushio's Responses

Request, Concern, Etc.	Response	Details
Initiatives to improve return on equity (ROE) and achieve PBR greater than 1	Underway	We announced our New Growth Strategy, Revive Vision 2030 (hereinafter, New Growth Strategy) in May 2024, and steadily implemented each measure as planned in fiscal 2024. However, we have not reached a PBR of over 1. We will continue to enhance our business strategy, financial strategy, and ESG management, aiming to achieve an ROE of 8% or more in Phase I (fiscal 2024–2026) and a PBR greater than 1 at an early stage. Please refer to P.34–43 for details on our New Growth Strategy, and P.41–43 for details on our financial strategy initiatives.
More specific medium- to long-term growth strategies	Underway	In the New Growth Strategy announced in May 2024, we developed highly effective business and financial strategies and are currently steadily implementing each measure to achieve our management targets for ROE (Phase I (fiscal 2026): ROE of 8% or more, Phase II (fiscal 2030): ROE of 12% or more). Please refer to P.34–43 for details on our New Growth Strategy, our medium- to long-term growth plan.
Handling of unprofitable and underperforming businesses	Partially complete	Building on our business portfolio revamp policy, a key pillar of our New Growth Strategy, we implemented various measures in fiscal 2024, improving profits by reducing costs by ¥3.1 billion compared to the plan. Moving forward, we will continue to develop and execute specific structural reform action plans to fundamentally improve the profitability of unprofitable and low-profit businesses. During the remaining two years of Phase I, fiscal 2025 and 2026, we aim to reduce fixed costs by more than ¥7.3 billion and steadily increase profits. Please refer to P.39–40 for details on our business portfolio revamp initiatives.
Potential for growth of businesses centering on semiconductors	Underway	In fiscal 2024, we made forward investments in the DLT system and developed next-generation lithography equipment in preparation for future growth. Meanwhile, the semiconductor market, excluding generative AI semiconductors, remains sluggish with difficult market conditions expected to continue in fiscal 2025. However, growth potential of the advanced packaging market remains intact, and we anticipate contributions from the newly introduced DLT system, developed through a strategic partnership with Applied Materials starting in fiscal 2025. We will also continue focusing on the thermal processes field to drive growth and expansion. Please refer to P.38–39 for details on our semiconductor-related business strategy.
Progress on new advanced packaging products (DLT system)	Underway	Since partnering with Applied Materials, we have made forward investments as planned in fiscal 2024, and expect to record sales in the second half of fiscal 2025. While potential customers have responded positively to its features, concerns about the worsening macroeconomic environment and cautious attitudes toward technological trends in generative AI semiconductors have delayed investment decisions in some projects. Nonetheless, our outlook for growth in the medium to long term remains unchanged, and we will continue to provide timely updates to our shareholders and investors. Please refer to P.14–17 for details on our initiatives in the advanced packaging field.
Feasibility of achieving an increase of ¥10.2 billion in operating profit from expanded sales of lithography equipment in fiscal 2026	Underway	In fiscal 2026, with the growth of generative AI semiconductors, we expect to see a resumption of investment in substrates, which had been postponed, and an expansion of digital lithography equipment, which will begin sales in fiscal 2025. This is projected to improve production operations and lead to a significant increase in operating profit of ¥10.2 billion from higher sales of advanced packaging-related lithography equipment. We are closely monitoring market trends and carefully assessing project feasibility, and will continue working steadily to achieve our goals.
Future direction of EUV business	Complete	After reviewing our strategy in response to the emergence of other companies' light sources, we have decided to temporarily halt development of specific applications and focus on elemental technologies. We have significantly reduced development investments while maintaining service for existing EUV light sources. We will continue developing elemental technologies and exploring new possibilities for Ushio's EUV light sources.
Feasibility and timing of returns on development costs in business results in future	Underway	To concentrate resources on the Industrial Processes (IP) business in accordance with our New Growth Strategy, we revised our consolidated development investment plan for fiscal 2024–2026 from the initial ¥52.0 billion to ¥40.5 billion (a reduction of ¥11.5 billion). We are enhancing monitoring and prioritizing efficient investments in projects with high feasibility. We aim for businesses outside Life Sciences (LS) to contribute to our earnings as early as fiscal 2026 onwards, and although commercialization of projects in the LS business will take time, we expect them to contribute as early as fiscal 2027. Please refer to P.41 for details on development investments in our New Growth Strategy.
Cutting of financial assets (including cross-shareholdings)	Partially complete	As part of our New Growth Strategy, we sold securities ^{*2} worth ¥16.1 billion in fiscal 2024. We will continue to reduce our holdings, aiming for zero by the end of fiscal 2030. We plan to sell approximately ¥35.0 billion in Phase I (fiscal 2024–2026) and over ¥15.0 billion in Phase II (fiscal 2027–2030). Please refer to P.42–43 for details on our financial asset reduction policy.
Introduction of ROIC management	Under consideration	We are selecting and evaluating existing and new businesses with consideration of WACC and ROIC. However, this approach has not yet been fully systematized on a company-wide level. Moving forward, we will continue addressing issues, including improving our management accounting system and promoting internal understanding, to implement ROIC management in a way that is effective for improving management efficiency.
Human capital strategies for New Growth Strategy	Partially complete	In line with our policy of focusing on the IP business, we are shifting human resources to that business. In fiscal 2024, we carefully reviewed and narrowed projects across all segments and assessed resource allocation to ensure appropriateness, resulting in the redeployment of some personnel to the advanced packaging business. We also expanded the Second Life Support Program at Ushio Inc. and are working to improve management efficiency by controlling labor costs and optimizing the organizational structure. Please refer to P.32–33 and P.64–67 for details on the human capital strategy of our New Growth Strategy.
Effectiveness evaluation of Board of Directors	Partially complete	We are enhancing the disclosure of evaluations of the effectiveness of our Board of Directors to improve the transparency and quality of our management, secure the trust of stakeholders, strengthen compliance with laws and regulations, and risk management, and promote sustainable growth. These efforts are reflected in this year's integrated report. Please refer to P.50–51 and P.81 for messages from our outside directors and P.78 for details on our evaluation on the effectiveness of the Board of Directors.

*2 Cash flows from the sale of cross-shareholdings, long-term bonds, and net investment securities

Message from the COO and CSuO

I will drive reforms forward from both a business and a sustainability perspective in tandem with effective measures based on continuous dialogue.

Tetsuo Nakano

Director, Senior Executive Vice President,
Chief Operating Officer, and
Chief Sustainability Officer



► Progress on Key Measures for Execution of Strategy

Over the last year, I have worked to steadily execute our New Growth Strategy, closely communicating with President Asahi about our vision. President Asahi oversees the entire Ushio Group, focusing on structural reforms in the Corporate Technology Division, the Production Division, and overseas Group companies, as well as on strengthening the framework of our cooperation with Applied Materials, Inc., which we announced in December 2023. Meanwhile, as COO, I am responsible for the operational execution of all of our businesses. I work to accurately ascertain and analyze issues related to environmental changes in our existing businesses and improvement of efficiency, and formulate and execute key measures for sustainable growth.

Under our New Growth Strategy, we are changing our business structure through selection and concentration. In fiscal 2024, I worked on strengthening our marketing function, which has been an issue thus far. In addition to establishing a new Marketing Management Division reporting directly to the COO, we established a Marketing Department in each division to clarify roles and reinforce cooperation in planning, development, and sales and create a unified business roadmap throughout Ushio. I am also working to revise unprofitable businesses and facilitate thorough inventory management, fostering cost awareness at each business site of the Ushio Group.

Additionally, with the revamping of our business portfolio, we are carrying out human capital strategies focused on shifting human capital to growth businesses. In fiscal 2024, with the narrowing down of projects in Life Sciences and Photonics

Solutions, we first shifted skilled, immediately effective personnel to our advanced packaging business. In fiscal 2025, we have established a dedicated department to support reskilling, are carrying out thorough reskilling programmes, and are reassigning personnel to Industrial Processes. Additionally, for employees who choose to pursue careers outside Ushio through this process, we have expanded eligibility and enhanced benefits for a limited time under our Second Life Support Program, which has been in operation since 2002, with the aim of optimizing the personnel in our organizations and, in doing so, improving management efficiency. Enhancing employee engagement will be essential to successfully implement these initiatives. For this reason, we have established a balance between business growth and sustainability as the foundation of our New Growth Strategy, and we aim to maintain this balance as we execute the strategy. In terms of sustainability trends, while there are signs of a temporary pendulum swing in the near term, such as developments in North America and revisions of laws and regulations in Europe, disclosing ESG-related and non-financial information, as well as risk management, will remain important in the long term. In particular, human capital strategies are the most important factor in whether our reforms will be successful, so in my role as COO and CSuO, I will closely link business strategies with sustainability and communicate President Asahi's thoughts clearly and understandably at all business sites, as I work to enhance the effectiveness of our strategies.

► Ongoing Initiatives to Enhance Engagement

In terms of engagement, a particular focus is continuing to foster a positive cycle between internal engagement and external engagement. We aim to create a positive cycle where appropriate disclosures about our initiatives and their outcomes are made to external stakeholders such as investors, and their feedback is relayed internally to further increase employees' motivation and desire to contribute, thereby further enhancing engagement. Additionally, since more than half of Ushio's employees work at global sites overseas, it is essential to implement various engagement-related measures simultaneously worldwide. We are therefore focusing on analysis and monitoring based on objective, quantitative metrics that are consistently understood by all parties involved, both domestically and overseas.

As an internal metric, we conduct U-Voice, a proprietary engagement survey created by Ushio. The answers to around 80 questions are analyzed across eight major categories and four discrete themes. As a result of our visualizing the strengths and issues of each company and its business departments and strengthening improvement measures, our engagement score increased from 56% in fiscal 2023 to 61% in fiscal 2024. With regard to external engagement, we facilitated more in-depth understanding and analysis of the information disclosures our stakeholders expect and prioritized items for improvement while working to ensure a shared understanding with our shareholders and enhance information disclosures. As a result of these efforts, our FTSE Russell ESG Rating increased from a score of 3.2 in fiscal 2022 to 4.7 in fiscal 2025 and our MSCI ESG Rating has increased from A to AA.

With that said, it is not only the numerical scores that are important; each employee's mindset and behavior must change, too. I believe that this can be achieved through detailed analysis of the current situation and ongoing, thoughtful dialogue based on our analysis. Ushio emphasizes analysis based on quantitative

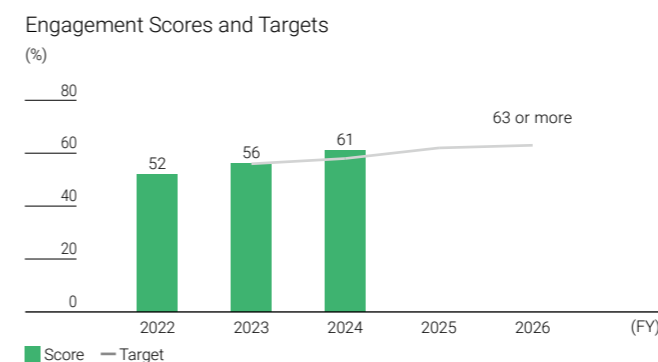
data, along with face-to-face dialogue. We have established a dedicated team specializing in internal engagement. Departments targeted for improvement are identified through detailed data analysis, and thorough interviews are conducted while fundamental improvement measures are drafted and implemented.



A dialogue with young employees

In fiscal 2024, initiatives were carried out with a focus on young employees and production employees, for whom issues were identified based on the results of the previous year's survey. Issues flagged for young employees included a growing sense of distance from management and a decrease in retention as a result of the reform strategies, so town hall meetings were held so that management could hear young employees' concerns and expectations directly and engage in open dialogue. For production employees, there is a general tendency for engagement to be low, and a similar trend was observed at Ushio, so various measures were carried out for the production division in fiscal 2024 to increase job satisfaction and improve working conditions. In particular, a series of videos of production employees performing their daily tasks was created and shown across various departments and employee cafeterias, receiving a very positive response. Feedback and questions gathered from the town hall meetings and in response to the video are shared on our intranet, and additional questions continue to be welcomed and incorporated into ongoing feedback and improvements of our measures.

Going forward, I will continue to implement tailored measures and deepen dialogue based on department-specific and employee attribute-specific characteristics, while leveraging AI for tasks like automating analysis and drafting measures and enhancing our feedback tools in order to increase both the quality and continuity of our measures and ensure effective execution of our strategies.



Round-Table Discussion

Creating Manufacturing Sites that Inspire More Pride and Provide Greater Fulfillment

— Changes and Issues from the Perspectives of Site Employees



Tetsuo Nakano

Director, Senior Executive
Vice President,
Chief Operating Officer, and
Chief Sustainability Officer



Ai Onuma

Manufacturing Department 1,
Ushio Inc.



Noriaki Terauchi

Manufacturing Department,
ADTEC Engineering Co., Ltd.



Hidekazu Kawabata

Manufacturing Department,
Ushio Lighting, Inc.

Nakano Engagement scores are improving in production divisions and the results of our efforts in fiscal 2024 are noticeable, but it goes without saying that many issues still remain. I hope to hear everyone's frank opinions during this round-table discussion. First, to set the premise of this discussion, what do you think are factors in the tendency for low engagement among production employees?

Kawabata The structure of organizations means that manufacturing sites feel distant from both management and customers. Additionally, many production employees have a strong mentality that they are there to make things, and do not pay much attention to the direction of the Company and management strategies.

Terauchi Certainly, at ADTEC Engineering, our production division is seen as an equipment and technology section. We see ourselves as engineers who make things in a positive way; there's a sense of pride about it. I myself have brought that mentality to my training of junior colleagues. But on the other hand, as Mr. Kawabata said, this is a job where we're focusing on the tasks at hand on a daily basis, so there may not be much of a culture of working with management and the overall Company in mind.

Onuma Another factor I can think of is this: a characteristic of manufacturing sites is that we have clearly defined targets that we need to meet, such as production quotas, and we have procedures and rules that

must be followed, so the scope for individual discretion is quite limited, which means that it is difficult to turn free thinking into action. As a result, we get caught up in the work at hand and it can feel like we cannot prioritize initiatives to expand our experience and knowledge.

Nakano How about designating a certain amount of time and budget for employees to create opportunities to take on challenges of their own choosing?

Onuma Recently, the Company has been offering various opportunities to study, and our managers have been trying to create those opportunities too. My department has also created venues for exchange between different roles, which gives us the opportunity to learn that we are able to take on new challenges. But I think it will take more time to change the long-standing culture.

Kawabata Ushio Lighting had already been autonomously carrying out improvement activities for some issues. In fiscal 2024, there were efforts to expand those to all departments, and there has been a gradual change in employees' way of thinking. By thinking more broadly than just productivity, focusing on building habits and mindsets to develop our skills, and working on themes set by a rotation of different leaders in each group, the mood has shifted to a sense that we are acting instead of being acted upon.



Terauchi ADTEC Engineering is working together with Applied Materials to change production employees' mindset, so our initiatives are closely linked to the New Growth Strategy and the changes are easy to see, and there's a sense that we need to constantly keep changing. On the other hand, an issue we are facing is the fact that we have employees away on business overseas for a long period of time. As a result, we are short staffed and, among other issues, the supervisors involved in these initiatives are not communicating with their teams as much because they are too busy. Additionally, it could be relatively difficult for the team members who produce our existing equipment to feel these changes. We have explained the role and the importance of our existing businesses, but there is a difference in the level of enthusiasm about our New Growth Strategy between these different areas of the Company. Ideally, we would rotate people between different tasks, but the current focus on production efficiency means that we have no choice but to keep team members with specialized expertise on specific lines.

Nakano People in different positions definitely see things differently. It has been a year since the New Growth Strategy was established and the management framework was revamped. Have you felt any other changes?

Onuma We have younger supervisors now, communication within organizations, including with managers, is easier than it used to be, and there are more opportunities for supervisors to tell us about the direction of the Company, but more than a few employees find it difficult to see how the directions we've been told about are relevant to their jobs. Additionally, as Mr. Terauchi said earlier, engagement ultimately partly depends on the task, and I get the impression that employees at busy sites feel that the revamps are increasing the burden on them.

Kawabata The situation at Ushio Lighting is similar. Our management team is getting closer and closer in age to us and so our relationship is more conducive to sharing information between departments than before, but I don't think production employees have seen much of a change as a result of the New Growth Strategy. Ultimately, it is difficult to raise consciousness of management among the people who are doing the work, plus the information we're given often has specialized terminology. We are trying to explain it in terms they'll understand, but we've had trouble getting them to understand the nature of the strategy and the point of it.

Nakano These things were pointed out to us in the past too, so we've been trying to improve on them, but I can see that we'll need to try new ways. With that said, Ms. Onuma, I notice that your department has achieved an increase in engagement scores with regards to employees understanding the connection between their work and our strategies.

Onuma The difficult conditions are the very reason why I've been striving to clearly explain the information disseminated by the Company and the value that is provided after our manufacturing work is done. That could be why we've achieved those results. Over the last two or three years, the general managers of our departments have created points of contact with the sales departments. That has given us more opportunities to talk about how our products are contributing to our customers and to society, and I think our employees now have a clearer understanding of their own significance.

Terauchi I also think management's visits to our sites are an important way to reduce the distance that tends to be felt between production divisions and management. Even if you don't visit frequently, I think that simply being able to see each other changes the employees' mindset.

Onuma Mr. Nakano visited our plant recently and gave customers an explanation of our production lines. That visit from a member of management was incredibly encouraging, and made him more familiar to us. I would appreciate it if management could come to our site more often and take the opportunity to speak with us, even if only briefly.

Nakano When I worked in manufacturing sales, I was taught that in order to answer customers' questions, I needed to be able to explain how our factories operated, right down to line processes, so I intend to always make a point of visiting sites. If I can have the opportunity to speak directly with production employees, even just a short conversation, I would be happy to visit and talk with them in terms that are easy to understand.

This discussion has reminded me that your work connects the Company with its production employees, and the increase in engagement scores reflects the results of your initiatives. I would love to work more closely with you, based on what we have talked about here, to create workplaces where every employee can feel proud to belong to the Company and be aware of their own significance.



Human Capital Strategy Linked to Revamping Our Business Portfolio

To steadily achieve the objectives laid out in our New Growth Strategy, Revive Vision 2030, we are enhancing human resource engagement, as well as shifting human resources to our Industrial Processes (IP) business, a priority area of ours, and implementing stricter management of total human resource costs across the Group. Additionally, we have expanded our Second Life Support Program and introduced a special offering.

Please refer to [P64-67 Human Capital Strategy Under Revive Vision 2030 and Initiatives to Create Work Environments Where It Is Easy to Produce Results](#) for details on our human resources strategy to enhance corporate value over the medium to long term.

▶ Shifting Human Resources to IP Business

As part of the human resource initiatives in our New Growth Strategy, Revive Vision 2030, announced in fiscal 2024, we have implemented total labor cost control across the Group. We have strictly managed the profitability of each business, consolidated and closed sites in line with our business portfolio revamp, and made significant changes to our organizational structure. Specific examples of organizational changes include transferring functions from business divisions to technology divisions following a review of our EUV business direction, allowing us to focus on the development of elemental technologies, and improving efficiency by consolidating Life Sciences business technologies into the Photon Process Division, where synergies exist.

As a result of this organizational change, we have managed to shift skilled, immediately effective personnel to the IP business. The AMAT Ushio Collaboration & Cooperation (AUCC), a partnership with Applied Materials to develop and expand sales of our DLT system for advanced packaging, has evolved from a project into the AUCC Division, enabling full-scale operations. Functions such as planning, marketing, sales, technology, procurement, manufacturing, quality assurance, and field support have been organized within the division, and human resources from domestic and overseas Group companies have been assigned to strengthen Ushio's promotion of this business. We are also actively shifting personnel to the lithography business and customer support departments to build a foundation for growth by increasing the number of staff supporting our growth businesses.

We have also established a new Career Support Center in fiscal 2025. To support our IP business as a future growth area, we will promote the reallocation of human resources from other businesses and provide specialized reskilling support, further strengthening the shift and utilization of human resources.

1) Shifting Human Resources to Growth Business

Progressing in shifting skilled personnel to the advanced packaging business, focusing on talent who can contribute immediately
Aim to establish growth foundations by increasing human resources

Terminated some development investments in the EUV business
Pared Life Sciences and Photonics Solutions investment projects
➔ Revised resource allocations to appropriate levels



Reassignment to appropriate positions

DLT system, next-generation lithography equipment, etc.

2) Human Resource Development to Support Growth Strategies

Set up a reskilling support department in April 2025
to provide reskilling support to redeploy people
through business portfolio revamping



Onboarding

New Career Support Center

Reassignment

IP business

▶ Total Control of Labor Costs

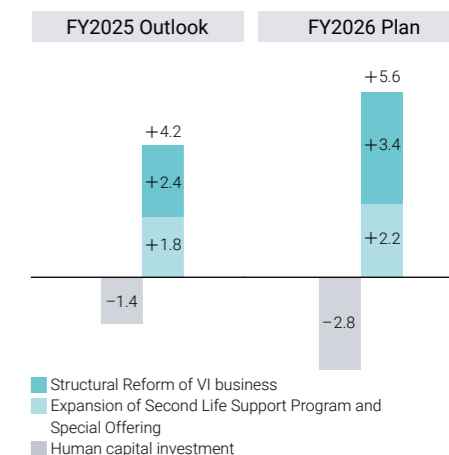
The human resources strategy under the New Growth Strategy includes shifting human resources to the IP business, as well as implementing policies to control headcount and total labor costs Group-wide. Improving management efficiency remains a top priority across the Group. Accordingly, Ushio, Inc. is optimizing performance evaluations to ensure results-driven execution, foster a sense of fulfillment, and optimize labor costs.

Furthermore, to support employees' diverse perspectives on careers and life plans and to optimize organizational human resources for further development at Ushio, we conducted a special offering for a limited time, expanding eligibility and enhancing the benefits of the Second Life Support Program. Some Group companies in our Visual Imaging (VI) business are also reviewing organizational operations (implementing structural reform) to streamline their workforce.

As a result of these measures, we expect a positive impact of ¥2.2 billion on our fiscal 2026 results from the expansion of the Second Life Support Program and special offering, and ¥3.4 billion from the structural reform of the VI business.

Operating Profit Impact from Human Resource-related Measures (compared to fiscal 2024)

(Billions of yen)



Expansion of the Second Life Support Program and Special Offering

The Second Life Support Program was first implemented at Ushio, Inc. in 2002 to support employees who retire early in taking on new challenges by offering benefits, such as increased retirement benefits, under certain criteria.

This time, we have conducted a special offering for a limited time, expanding eligibility and enhancing the benefits of the program. Furthering the objectives of the program, it is intended to rectify generational imbalances and revitalize the organization to achieve the business portfolio revamp and steady business growth outlined in our New Growth Strategy.

Many employees applied to take advantage of the special offering, and we will continue to support the diverse ways individuals enjoy their second life, whether by pursuing new challenges or cherishing time with loved ones.

Furthermore, we are appropriately reassigning human resources and integrating organizations in line with the revamping of our business portfolio, establishing a system to improve management efficiency based on our New Growth Strategy.

Outline of Special Offering

Eligible employees	Employees, etc., who satisfy the following two conditions as of April 1, 2025: Have at least 3 years of continuous service; and are 56 years of age or older
Offering period	Monday, March 3, 2025 to Monday, June 30, 2025
Benefits	<ul style="list-style-type: none"> In addition to regular retirement benefits, a special addition is made to the existing Second Life Support Program Support for re-employment based on individual preferences

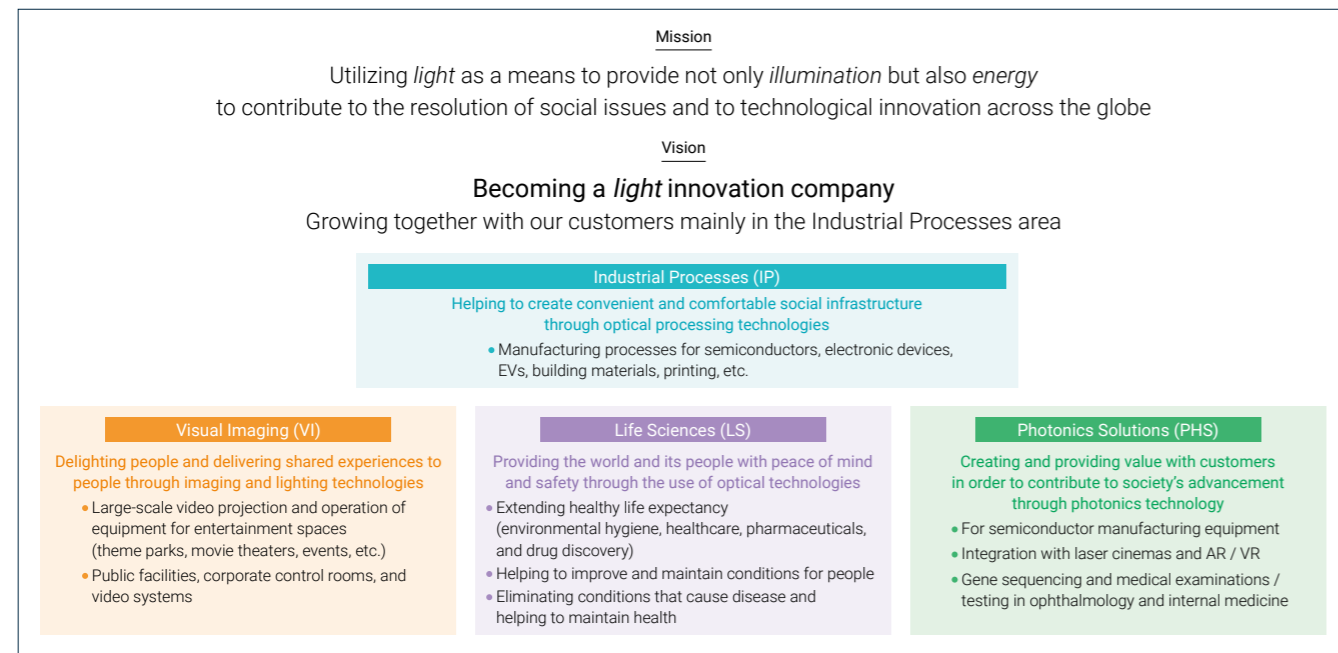
Application Data and Business Impact

Number of applicants	238
Extraordinary losses	<ul style="list-style-type: none"> ¥1.56 billion (FY2024) Approximately ¥2.6 billion (FY2025)
Impact on fixed costs	¥2.2 billion (FY2026, compared to FY2024)

New Growth Strategy: Revive Vision 2030

Guiding Principles for 2030

In May 2024, Ushio announced our New Growth Strategy, Revive Vision 2030, which will conclude in fiscal 2030. The strategy helps us achieve our objective of becoming a *light* innovation company, primarily in the Industrial Processes area.



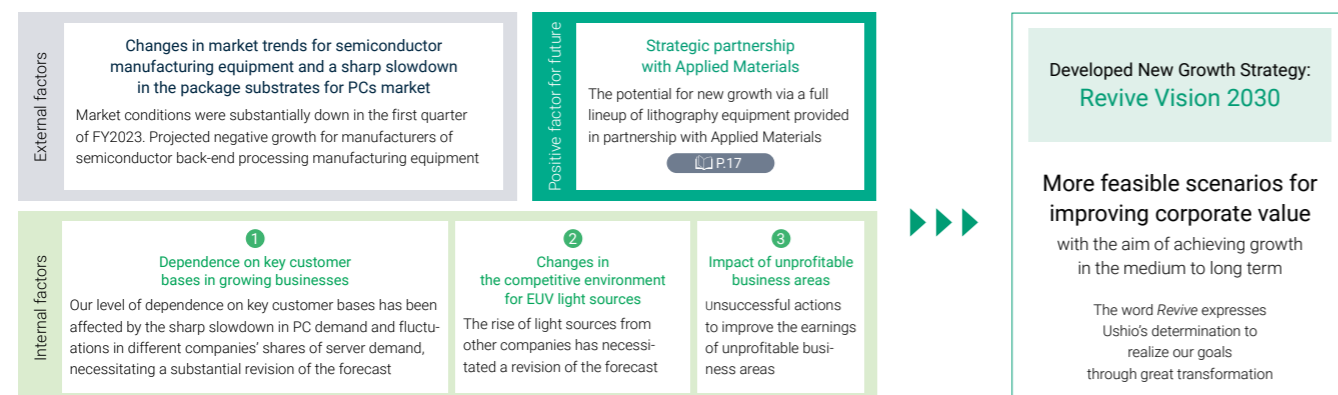
Background of Our New Growth Strategy, Revive Vision 2030

In fiscal 2023, the first year of our previous Medium-Term Management Plan, our business environment changed significantly due to worsening conditions in the semiconductor and flat panel display markets, and changes in competition. In response to these changes, we reviewed our plan and determined that revisions to our forecasts were necessary.

Our analysis behind these revisions reflected negative factors both internal and external, as well as growth potential in our strategic partnership with Applied Materials, which we recognize as a positive factor.

We then formulated our New Growth Strategy, Revive Vision 2030, a more feasible scenario for increasing corporate value.

Factors for the revised forecast



Basic Policy on Our New Growth Strategy, Revive Vision 2030

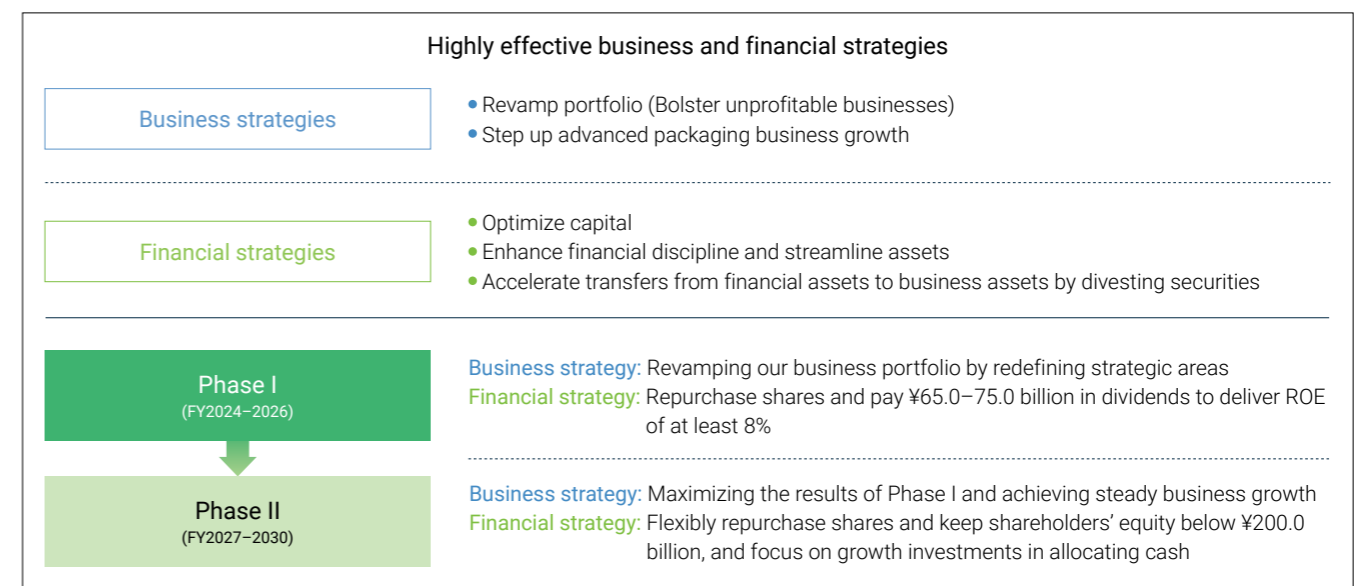
The fundamental principle of our New Growth Strategy is growth with a focus on management efficiency. Specifically, we have established more effective business and financial strategies based on three core policies: (1) Concentration of growth / development investments and resources in our IP business, a key growth area, (2) Pursuit of profit margins over scale, and (3) Balancing growth investments with capital efficiency. We are steadily making progress on initiatives to achieve these goals.

Basic policy and targets



* Ushio may experience unexpected temporary performance impacts as it undertakes selection and concentration initiatives (business acquisitions, divestitures, and withdrawals) in revamping its business portfolio to enhance corporate value. We will promptly disclose any such developments.

Business and financial strategies



▶ New Growth Strategy, Phase I (FY2024–2026): First Year Review and Future Direction

Phase I Strategy and First Year Summary

In Phase I, we will redefine our strategic areas and strengthen them while promoting business selection and concentration.

Although a prolonged slump in the semiconductor market has affected performance, the business and financial strategies implemented in Phase I are generally progressing as planned. The IP business, however, requires ongoing monitoring, as the impact of this slump is expected to continue beyond fiscal 2025.

Strategy	First Year (FY2024) Summary
Business strategies	1 Accelerating growth in the advanced packaging market ○ • Undertook forward investments as planned • DLT system progressed toward contributing to revenues from FY2025
	2 Expanding a promising IP business △ • Sales progressed steadily on target • Profitability improved by selecting key projects and exceeded initial targets • The impact of the semiconductor market downturn should continue in FY2025 and beyond
	3 Bolstering unprofitable businesses and revamping our business portfolio ○ • First-year progress was generally as planned • Business selection efforts yielded tangible results → Streamlining operations through strategic business selection, reviewing investments in unprofitable businesses, prioritizing projects, etc.
	4 Policy on investing in development ○ • Focused on paring development projects in unprofitable businesses • In EUV business, curtailed some investments and reallocated resources to growth areas
Financial strategies	5 Reviewing capital efficiency and the balance sheet ○ • Repurchased ¥30.0 billion in shares*1 as planned • Marketable securities sales (including of cross-shareholdings) totaling ¥16.1 billion*2 • Reduced net assets by ¥36.4 billion

○ : On track, △ : In progress

*1 Including shares repurchased up to April 4, 2025 *2 Cash flows from the sale of cross-shareholdings, long-term bonds, and net investment securities

Direction for the Next Two Years of Phase I (FY2025–2026) Following Phase I Summary

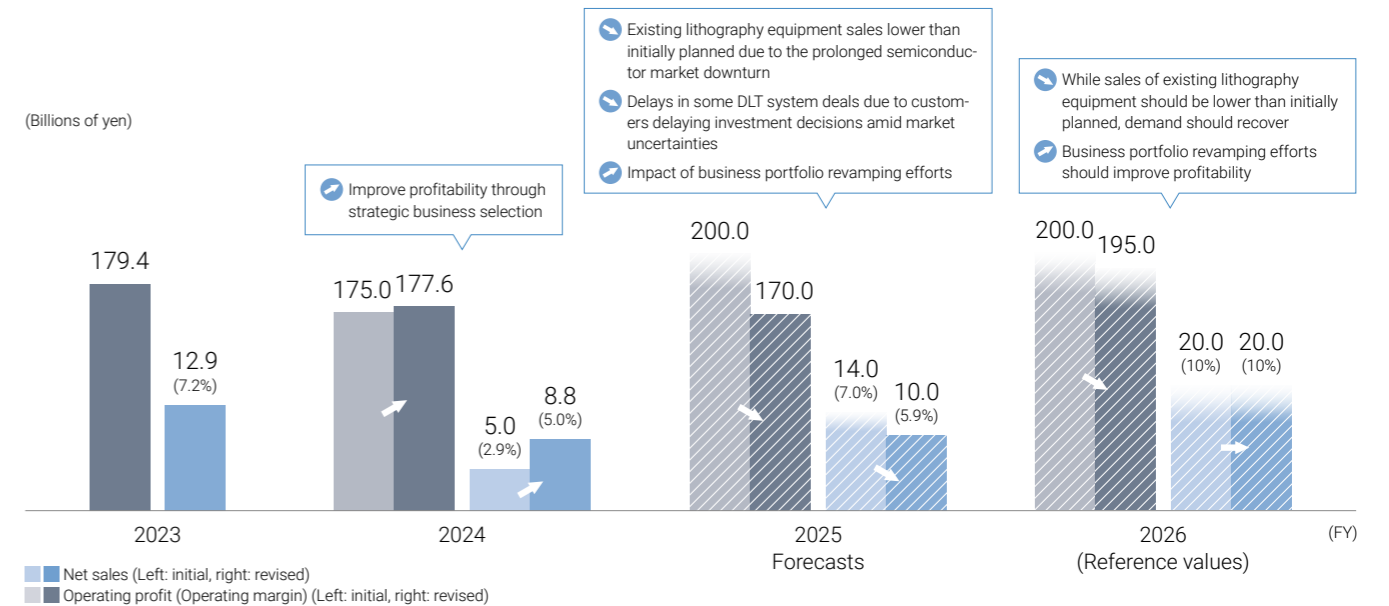
From the second year of Phase I onwards, we will continue to simultaneously promote three strategies: our business strategy, which advances both our growth strategy and structural reform, our financial strategy, and our ESG strategy. By doing so, we aim to steadily achieve our target of an ROE of 8% or more in Phase I and an ROE of 12% or more in Phase II.

To date	FY2025–2026	Targets
Business strategies	Growth strategies Advanced packaging business → Related equipment operating profit +¥10.2 billion Expand Industrial Processes business → FY2026 operating margin 14% or more	
	Business portfolio revamping Structural reforms → Cut fixed costs by more than ¥7.3 billion	
	Financial strategies Shrink shareholders' equity → At end-FY2026: ¥180.0–¥190.0 billion Strengthen shareholder returns → Repurchase ¥20.0–¥30.0 billion in shares Maintain a minimum dividend of ¥70 per share Review balance sheets → Reduce marketable securities by ¥18.9 billion (FY2024–2026 total: ¥35.0 billion)	FY2026 ROE 8% or more FY2030 ROE 12% or more
ESG	Human resources strategies (Shift staff to priority businesses and control personnel costs) Improve engagement scores	

Business Strategy

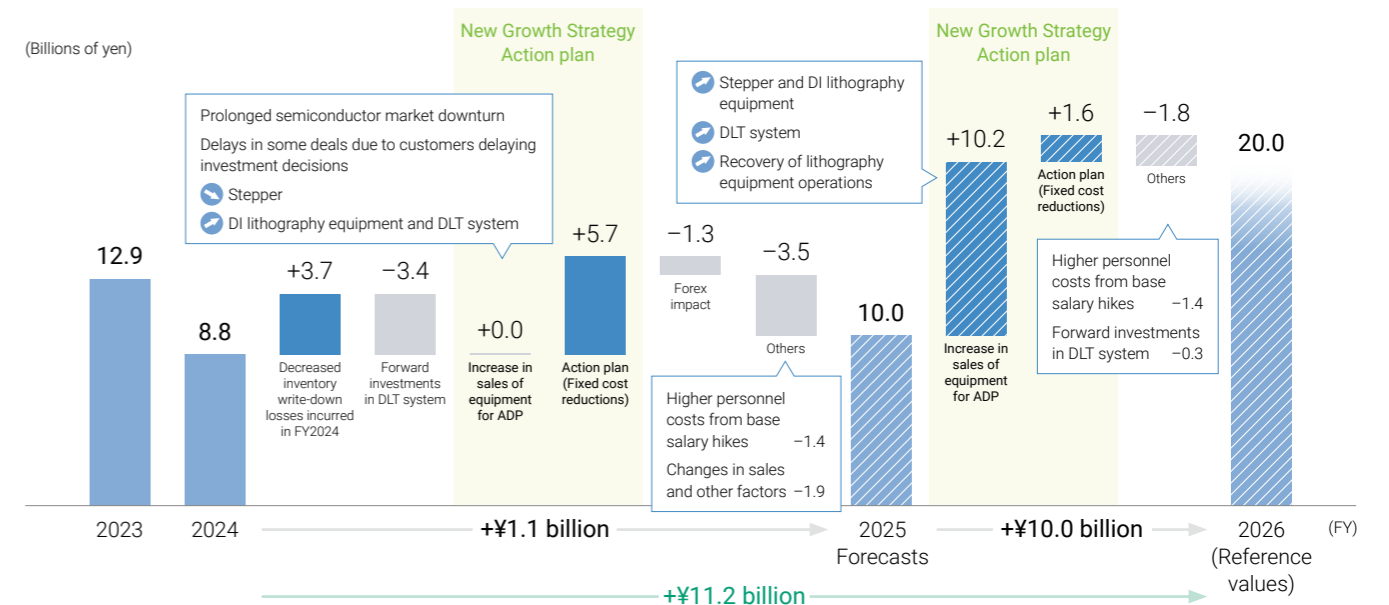
▶ New Growth Strategy: Initial Plan, Results, and Latest Outlook

Regarding our business strategy, we have revised our sales forecast for fiscal 2025 and 2026 to reflect the impact of the ongoing sluggish semiconductor market and external factors, including tariff trends. We plan to improve profitability through structural reform measures aligned with our business portfolio revamping policy, while maintaining operating profit and operating margin (reference figures) for fiscal 2026.



▶ Path to ¥20 Billion Operating Profit Under New Growth Strategy Phase I (FY2024–2026)

In fiscal 2024, we achieved ¥8.8 billion in operating profit. Moving forward, we are focusing on accelerating growth in the advanced packaging business and implementing structural reform action plans in order to achieve an ROE of 8% or more by fiscal 2026. We aim to achieve the ¥20 billion reference value for operating profit in fiscal 2026 through steady execution of each measure.



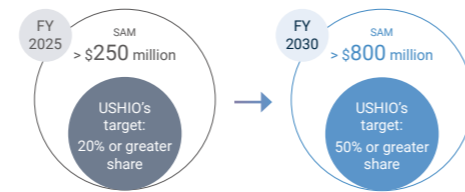
Strategy 1 Accelerating growth in the advanced packaging market

Although some projects related to our DLT system, a new product for the advanced packaging market, have been delayed due to ongoing market uncertainty, we have already received initial orders, with sales to be recorded starting in the second half of fiscal 2025. Customers continue to evaluate the product, and we anticipate that certification for adoption will progress steadily.

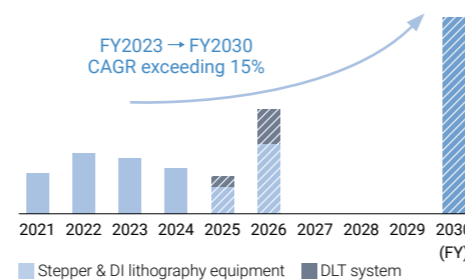
By fiscal 2026, we expect the excess capacity in the cutting-edge IC package substrate market, where demand is sluggish, to be gradually eliminated. We also foresee increased sales of the DLT system, as well as a recovery and increase in sales of existing lithography equipment, including steppers and DIs.

Objectives	Contribute to the generative AI semiconductor market and expand growth Accelerate growth through timely product launches to capitalize on the expanding generative AI semiconductor market
	Strengthen structure and maximize earnings as a core business Maximize earnings by reinforcing the operational structure to establish it as a future core business
Progress and strategies (FY2025-2026)	Progress Secured initial orders despite some deal delays amid market uncertainties; looking to confirm additional orders over time, with revenue recognition starting in FY2025 Preparing production ahead of sales launch Strong customer interest in the DLT technology, with qualification processes for various applications underway
	Strategies Build and deploy production and sales structure Steadily establish the production and sales framework, ensuring sales start as planned
	Expand product lineup Develop full lineup in line with evolving trends in advanced packaging to support wider adoption
	Align product development with customer needs Introduce products that meet customer demands for improved yields and lower manufacturing costs, particularly in response to advances such as the panelization of semiconductor interposer substrates

Advanced packaging market



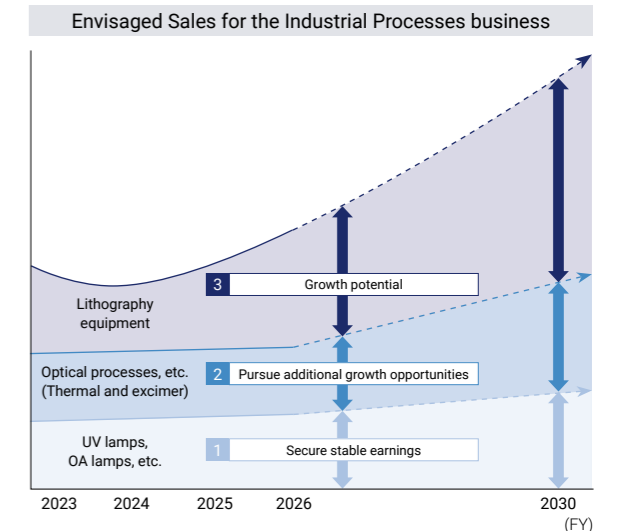
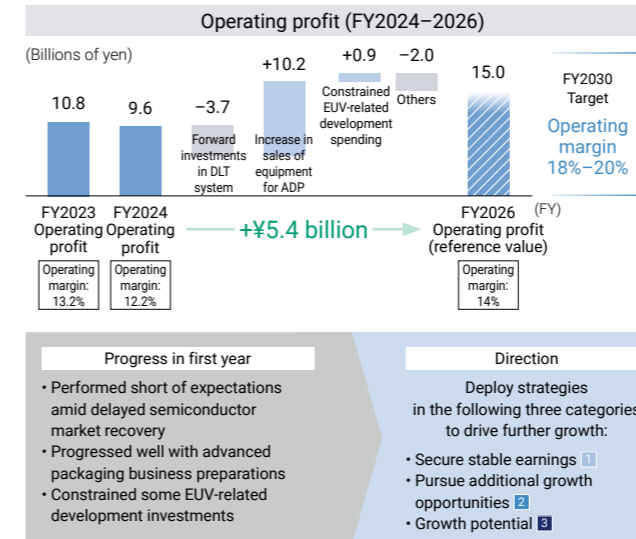
Sales trends of lithography equipment for advanced packaging



Strategy 2 Expanding a promising IP business

In the IP business, we plan to grow and expand with a focus on the advanced packaging business. In addition to the rapidly growing lithography equipment business, we will explore further growth opportunities in semiconductor-related products such as for optical processes (thermal and excimer), and will steadily grow our IP business by maintaining stable earnings, primarily from UV lamps.

Please refer to "Progress Report on New Growth Strategy Phase I" on P.8 and 9 for details on optical processes and UV lamps.



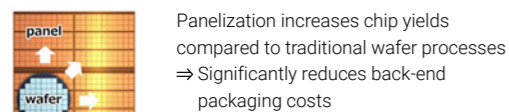
Strategy 3 Bolstering unprofitable businesses and revamping our business portfolio

We have seen some success in the first year of our business portfolio revamp. From fiscal 2025, the second year of the plan, we will continue our efforts to fundamentally reform our earnings structure in line with the strategic direction of each segment, aiming to complete this in the final year of Phase I (fiscal 2026) to achieve steady business growth in Phase II (fiscal 2027 onwards).

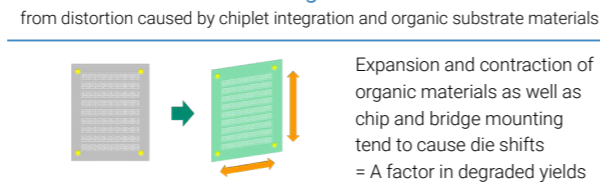
Key Features of the New DLT System for the Advanced Packaging Market

The DLT system is a maskless lithography tool with high exposure performance and excellent digital capabilities, achieving resolutions and overlay accuracy comparable to steppers, while offering high throughput suitable for mass production. It provides both superior mass production capability and rapid prototyping, with flexibility in substrate size and materials.

Addressing the larger size and larger format of interposer substrates



Addressing die shifts



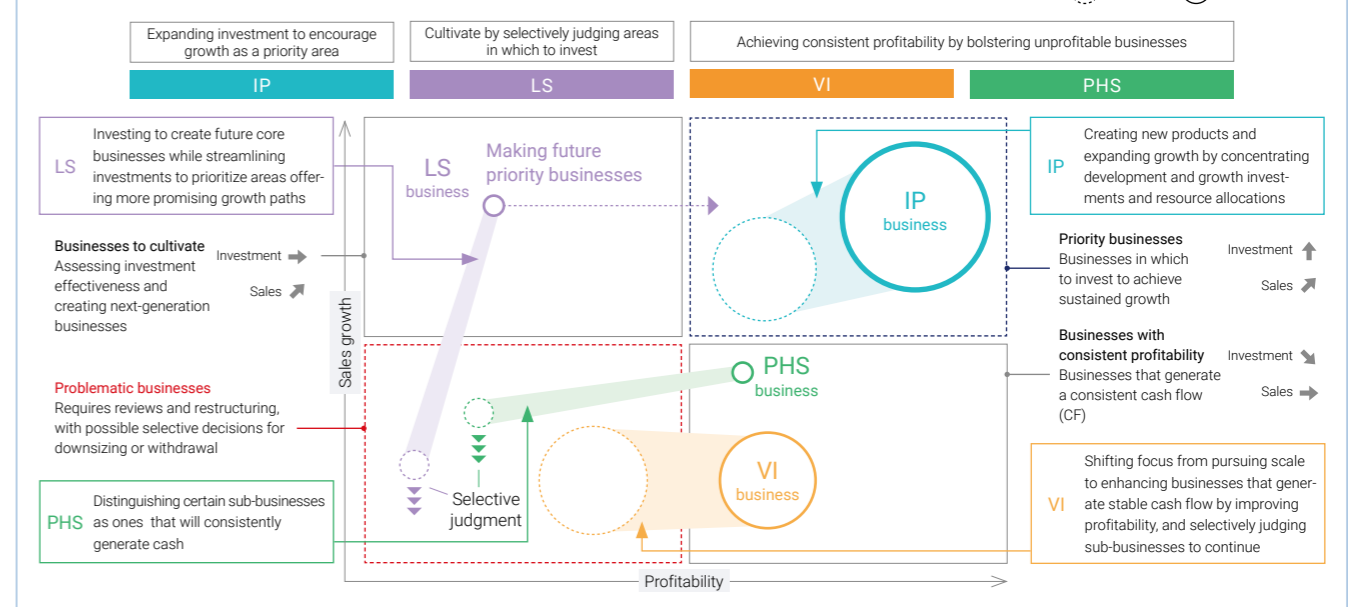
DLT system features: High chip yield through throughput suitable for mass production and maskless processing without field size limitations. **Helps lower costs for customers.**

DLT system features: Maskless exposure and dynamic digital connection functionality provide high-precision correction for substrate distortion and die misalignment. **Helps improve yields for customers.**

System addresses key challenges in the evolution of advanced packaging technologies by enhancing yields and reducing costs for customers

Please refer to "Positioning and Differentiation in the Semiconductor Market on P.14-17" for details on advanced packaging.

Direction by Segment



New Growth Strategy: Revive Vision 2030

► FY2024 (First Year of Phase I) Results and One-Time Costs

We are starting to generate savings (profit contribution) from our business portfolio revamp. However, one-time costs have also arisen as part of our future-oriented initiatives.

Savings		Details	Savings	One-time costs		Details	Costs
¥3.1 billion	Streamlining operations through strategic business selection	VI business	¥1.1 billion	¥3.7 billion	Strengthening financial position Reviewing asset valuations to enhance future profitability	Products and maintenance parts in VI business	-¥3.2 billion
	Reviewing investments in unprofitable businesses	LS, PHS businesses	¥0.6 billion				
	Prioritizing projects	New businesses, EUV business, etc.	¥1.4 billion		Reallocating resources to reorganize assets Assessing projects with low growth potential to reorganize related assets	IP, LS, PHS businesses	

Please refer to ["Progress Report on New Growth Strategy Phase I" on P.12](#) for details on results per segment.

► Overview of the Structural Reform Action Plan for the Final Two Years of Phase I (FY2025–2026)

Work on reforms to improve our profit structure as the top priority, aiming to achieve management targets for fiscal 2026 and restore a solid foundation for sustainable growth.

Measures to improve earnings	Key Initiatives		Fixed Cost Reductions*1	Reference Pages in "Progress Report on New Growth Strategy Phase I"
	Measures to enhance profitability of underperforming businesses	IP business	Constrain EUV development investments	¥0.9 billion
VI business		Consolidate and downsize sites and streamline organizational management	¥3.4 billion	P.14
LS business		Enhance project monitoring and optimally allocate resources	¥0.4 billion	P.16
PHS business		Review development projects	¥0.4 billion	P.15
Company-wide measures	Reduce fixed costs by expanding the Second Life Support Program		¥2.2 billion	P.25
	Restructure management system to drive business growth		-	P.17

*1 Fixed cost reductions reflect fiscal 2026 amounts compared to the fiscal 2024 baseline

► Reorganizing Management Structure (Organizational) to Better Implement Key Measures

We have revised part of our management structure to enhance the feasibility of our business portfolio revamp and promote business operations that support steady growth. In particular, we strengthened the organizational framework to ensure sound advancement of our advanced packaging business strategy.

Strengthen business operation functions	Strengthen framework to drive advanced packaging business	Reinforce organization and bolster internal collaboration to establish as core business
	Review optical process business portfolio	Revamp business portfolio and build a framework to boost profitability and fast-track commercialization
	Strengthen the foundation of new technologies to support core technologies	Establish a technology unit to strengthen development and marketing and create new businesses
	Establish an integrated marketing unit for semiconductor manufacturing processes	Establish a marketing division to align with technology strategies and drive business restructuring
Strengthen headquarters functions	Integrate and optimize manufacturing headquarters	Streamline organization and optimize resources in the manufacturing headquarters to enhance and maximize productivity
	Reorganize administrative units to improve efficiency and strengthen governance	Restructure headquarters administrative units to improve management efficiency and strengthen governance

Strategy 4 Policy on investing in development

Investments expected to drive future growth were implemented as planned, while those lacking potential were curtailed. As a result, we revised our development investment plan for Phase I to ¥40.5 billion (¥11.5 billion less than the initial plan). We will continue to strengthen monitoring of ongoing development projects.

(Billions of yen)	Cumulative development investment (FY2024–2026) After review	Development investment details				Review details and direction
		Cumulative (FY2024–2026)			Previous time	
		Now	Difference from previous time			
IP business	22.0	Lithography equipment	Approx. 15.0	-	← Approximately ¥15.0 billion	• Continue developing next-generation lithography equipment as planned, offering solid growth potential
		EUV	Approx. 3.0*2	-3.0	← Approximately ¥6.0 billion	• Investments curtailed. Development investments to be reduced from FY2025 onward
		Others	Approx. 4.0*2	-3.0	← Approximately ¥7.0 billion	• Limit development to elemental technologies and validate promising projects only
VI business	10.0	Imaging equipment	Approx. 10.0*2	-2.0	← Approximately ¥12.0 billion*2	• Concentrate investments on promising areas such as optical processing (thermal and excimer) and semiconductor inspection light sources
LS business	6.0	-	Approx. 6.0*2	-2.5	← Approximately ¥8.5 billion	• Restrict other projects with poor prospects
PHS business	2.5	-	Approx. 2.5*2	-1.0	← Approximately ¥3.5 billion	• Streamline development projects to focus on high-end models Note: Corrected previous figure (from ¥7.5 billion to ¥12.0 billion)
Total	40.5			-11.5	← ¥52.0 billion*2	• Pare down and constrain new business creation projects, while strengthening monitoring efforts
						• Reduce investments by reviewing and terminating certain projects

*2 Revised at the end of fiscal 2024

Financial Strategy

Strategy 5 Reviewing capital efficiency and the balance sheet

Regarding financial strategy, we proceeded with the planned measures for fiscal 2024 (first year of Phase I) as scheduled, without changing the direction toward the fiscal 2026 targets. Moving forward, we will continue the steady implementation of each measure.

Key financial targets (FY2023 → FY2026)

	FY2023	FY2024	FY2026	References
Bolster earnings structure				
ROE	4.5%	3.1%	→ 8% or more	Cost of shareholders' equity: Around 7%
Operating margin	7.2%	5.0%	→ 10% or more	FY2025: 5.9%
Strengthen balance sheets (streamline assets)				
Shareholders' equity	¥236.9 billion	¥200.5 billion	→ ¥180.0–¥190.0 billion	
Book value of cross-shareholdings (vs. market value based on net assets)	¥6.84 billion (7.9%)	¥4.70 billion (5.3%)	→ Reduce	
Improve capital structure				
Dividends per share	¥50	¥70 (¥20 increase)	→ ¥70	
Share repurchases	¥30.0 billion	¥30.0 billion*3	→ FY2025–2026: ¥20.0–¥30.0 billion	

*3 Including shares repurchased up to April 4, 2025

Please refer to ["Progress Report on New Growth Strategy Phase I" on P. 34–35](#) for details on our balance sheet management policy and its status.

New Growth Strategy: Revive Vision 2030

► Approach and Specific Measures to Improve ROE

Net profit margin and asset turnover declined due to the sluggish semiconductor market in fiscal 2024, but remain within the expected range. Financial leverage is improving.

	FY2023	FY2024	FY2026 (targets)	Measures to improve ROE
ROE	4.5%	3.1%	8% or more	FY2030: 12% or more
Net profit margin Net profit / Sales	6.0%	3.8%	Around 8%	• Improve net profit margin by deploying all new growth strategy measures in line with portfolio revamping
Assets turnover Sales / Total assets	0.53 times	0.56 times	Around 0.6 times	• 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	1.45-fold	Around 1.7-fold	• 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

Please refer to [P.26 Dialogue with Investors and Shareholders and Stock Price-Conscious Management](#) for details on our approach to improving PBR.

► Cash Allocation and Growth Investments

Cash allocation is generally progressing as planned. No changes from the overall plan for fiscal 2024–2026.

Phase I: Utilize interest-bearing debt and sell securities to balance growth investments and enhance shareholder returns, targeting an ROE of 8% or more

Total of ¥40 billion in growth investments planned for allocation primarily to the IP business, over three years

Phase II: Allocate cash generated from free cash flow primarily to growth investments, aiming for an ROE of 12% or more

Phase I (FY2024–2026)		Phase II (FY2027–2030)																							
FY2024	FY2024–2026 cumulative plan	Projected Cash Outflows	ROE target: 12 %																						
<table border="1"> <tr><th>[Cash-in]</th><th>[Cash-out]</th></tr> <tr><td>Interest-bearing debt, etc. ¥9.2 billion</td><td>Growth investments ¥15.6 billion</td></tr> <tr><td>Securities sales ¥16.1 billion</td><td>Share repurchases + Dividends ¥34.2 billion</td></tr> <tr><td>Operating cash flow ¥20.4 billion</td><td></td></tr> <tr><td>Others ¥4.1 billion</td><td></td></tr> <tr><td>Free cash flow: ¥23.1 billion</td><td></td></tr> </table>	[Cash-in]	[Cash-out]	Interest-bearing debt, etc. ¥9.2 billion	Growth investments ¥15.6 billion	Securities sales ¥16.1 billion	Share repurchases + Dividends ¥34.2 billion	Operating cash flow ¥20.4 billion		Others ¥4.1 billion		Free cash flow: ¥23.1 billion		<table border="1"> <tr><th>[Cash-in]</th><th>[Cash-out]</th></tr> <tr><td>Interest-bearing debt, etc. ¥25.0 billion or more</td><td>Growth investments ¥40.0 billion or more</td></tr> <tr><td>Securities sales ¥35.0 billion</td><td>Share repurchases + Dividends ¥65.0–¥75.0 billion</td></tr> <tr><td>Operating cash flow ¥50.0 billion</td><td></td></tr> <tr><td>Reference: Free cash flow: Around ¥50.0 billion</td><td></td></tr> </table> <p>Attain an ROE exceeding 8% and a PBR exceeding 1</p>	[Cash-in]	[Cash-out]	Interest-bearing debt, etc. ¥25.0 billion or more	Growth investments ¥40.0 billion or more	Securities sales ¥35.0 billion	Share repurchases + Dividends ¥65.0–¥75.0 billion	Operating cash flow ¥50.0 billion		Reference: Free cash flow: Around ¥50.0 billion		<ul style="list-style-type: none"> Lithography equipment for advanced packaging EUV light sources for EUV mask inspections → Curtailed Upgrading outdated facilities, etc. <p>Growth investments (including M&A) ¥40.0 billion or more (over three years)</p> <p>M&A policy</p> <ul style="list-style-type: none"> IP: Focus on advanced packaging area VI: Pursue partnerships necessary to drive growth in high-value-added businesses LS: Strengthen and expand promising products and emerging businesses PHS: Solidify and expand businesses by investing in complementary peer companies <p>Expand growth investments</p> <p>Share repurchase + Dividends Undertake flexibly and steadily</p> <p>Reference: Free cash flow: Around ¥80.0 billion</p>	
[Cash-in]	[Cash-out]																								
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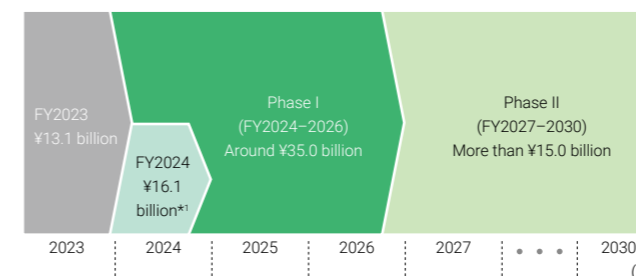
► Securities Divestment Schedule and Reduction of Cross-Shareholdings

Accelerate the reduction of securities, including cross-shareholdings, with a planned sale of approximately ¥35 billion in Phase I.

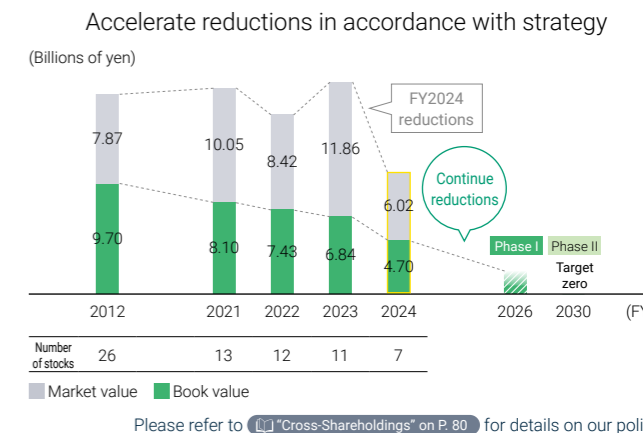
Sales of ¥16.1 billion*1 carried out in fiscal 2024. Reductions to continue.

*1 Cash flows from the sale of cross-shareholdings, long-term bonds, and net investment securities

Securities divestment schedule (on cash flow basis)



Reducing cross-shareholdings



Please refer to ["Cross-Shareholdings" on P. 80](#) for details on our policy.

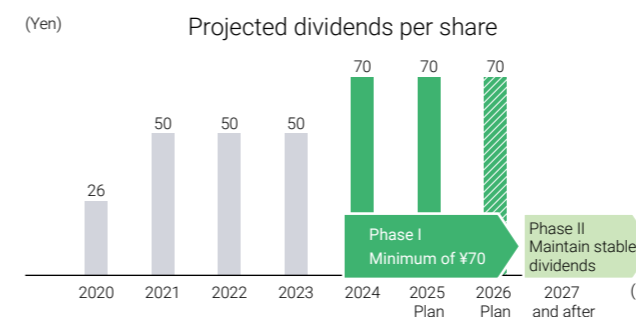
► Shareholder Return Policy

Dividends: ¥70 per share in fiscal 2024 as planned. In line with our policy, we will continue to maintain a minimum dividend of ¥70 per share in fiscal 2025

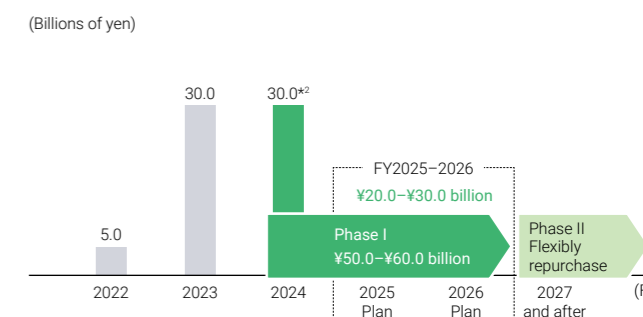
Share buybacks: ¥30 billion in fiscal 2024 as planned.

We plan to repurchase an additional ¥20–30 billion in shares over the remaining two years of Phase I (fiscal 2025–2026).

Dividends policy



Share buybacks



*2 Including shares repurchased up to April 4, 2025

ESG Efforts

• Full-Fledged Promotion of ESG Management

Under the New Growth Strategy, we aim to further enhance our corporate value by strengthening our ESG management initiatives that balance both business performance and sustainability. We will set clear non-financial key performance indicator goals and actively pursue the five management focuses, which are the material issues essential to achieving our goals for 2030. Additionally, we will boost the impact of engagement on our results by intensifying efforts aimed at enhancing engagement both internally and externally.

Please refer to [P.28–29 Message from the COO and CSuO](#) for details on initiatives to improve engagement.

Please refer to [P.58–59 List of Five Management Focuses, Key Challenges, and Goals](#) for details on our five management focuses and non-financial KPI targets.

• Human Capital Strategies

As part of our human capital strategy, we have promoted the shift of human resources toward growth businesses, along with reskilling and development initiatives, all aligned with our policy to achieve our vision for 2030. We have also improved management efficiency by expanding our Second Life Support Program.

Please refer to [P.32–33 Human Capital Strategy Linked to Revamping Our Business Portfolio](#) and [P.64–65 "Past Changes in Business and Human Capital Strategy"](#) for details.

• Governance Structure

Through further strengthening and implementation of governance, we will work to achieve our goals for 2030 under our New Growth Strategy.

Please refer to [P.74–87 Section 03 Governance that Supports Ushio's Corporate Value Enhancement](#) for details.

Overview by Segment

Ushio has four business segments: Industrial Processes, focused on the electronics field, primarily semiconductors; Visual Imaging, engaged in movie theater and video production-related activities; Life Sciences, tackling various social issues such as healthcare and the environment; and Photonics Solutions, providing value through new photonics technologies.

Please refer to "Progress Report on New Growth Strategy Phase I" for details.
https://www.ushio.co.jp/documents/ir/library/plan/ushio_plan2025_e.pdf



Megatrends and Value Fields

Trends in Net Sales and Operating Income*

New Growth Strategy Highlights

Industrial Processes

Comfort / Convenience

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


Megatrends

- Digitally connected society
- Manufacturing technology innovations and environmental impact reductions

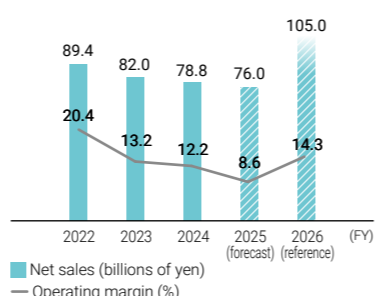
Value proposition areas

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

Related products



UV lamps for lithography Lithography equipment



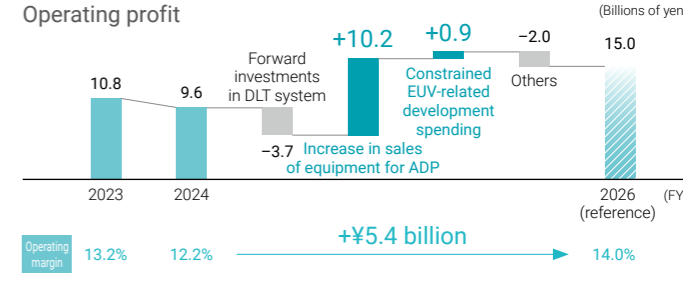
Priority businesses Aiming to expand growth by concentrating development, investment, and resource allocations

Strategic policies (vision)

- Focus investments on priority areas
- Strengthen product lineup
- Improve profitability
- Expand human resources

Key initiatives for FY2025–2026

- Step up advanced packaging business growth
- Pursue further growth potential, primarily in the semiconductor field
- Ensure stable profits, primarily in UV lamps
- Review development investment projects



Visual Imaging

Excitement / Sharing

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


Megatrends

- Societies that prioritize human well-being
- Growing value of premium experiences outside homes

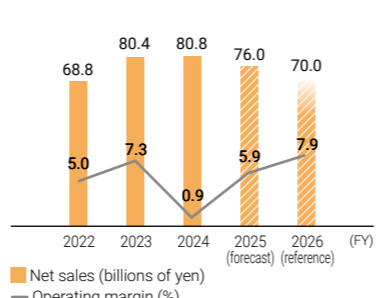
Value proposition areas

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

Related products



Projector lamps Projectors



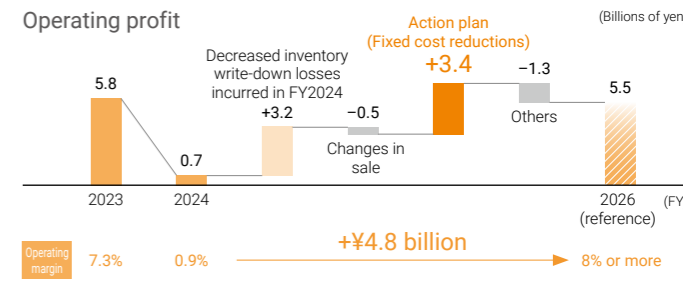
Profit improvement business Work toward a stable cash-generation business by improving profit structure by focusing on high-value added products and structural reform

Strategic policies (vision)

- Control costs and optimize resources
- Optimize product lineup
- Expand recurring businesses
- Expand customer transactions
- Selectively judge sub-businesses

Key initiatives for FY2025–2026

- Review product portfolio (concentrating on high-end products)
- Improve profit structure fundamentally (consolidate and downsize bases, review organizational operations)



Life Sciences

Safety / Reassurance

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


Megatrends

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

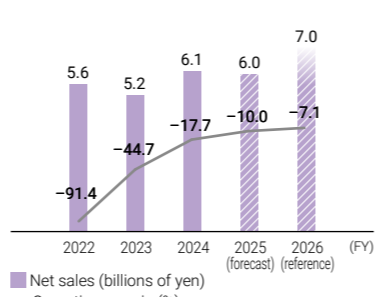
Value proposition areas

- 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

Related products



Care222* far UV-C disinfection technology modules TheraBeam series of UV phototherapy devices



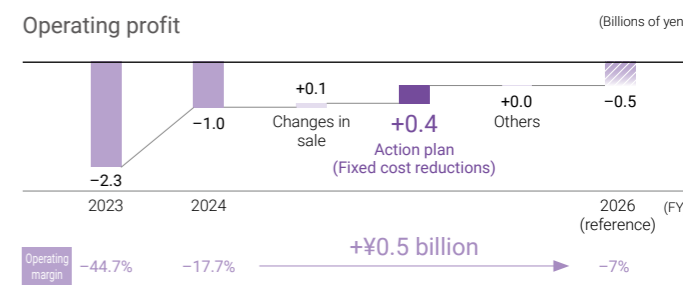
Cultivating business Improve feasibility in business creation to ensure future contribution by enhancing monitoring of carefully selected new business projects

Strategic policies (vision)

- Address plunging demand
- Cut development and other expenses
- Cultivate sub-businesses

Key initiatives for FY2025–2026

- Ensure stable profit in existing businesses
- Select new business projects carefully, working toward early commercialization
- Optimize resources and continue to control fixed costs



Photonics Solutions

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

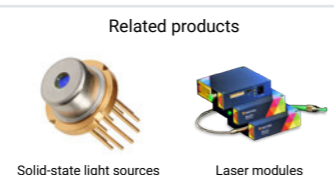
Megatrends

- Utilization of semiconductor device technology to solve environmental issues and improve both efficiency and precision

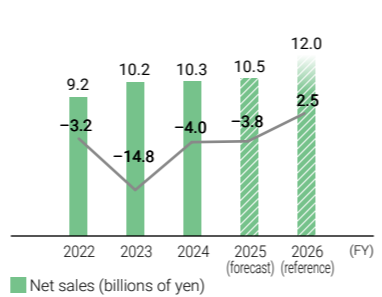
Value proposition areas

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

Related products



Solid-state light sources (LD / LED) Laser modules



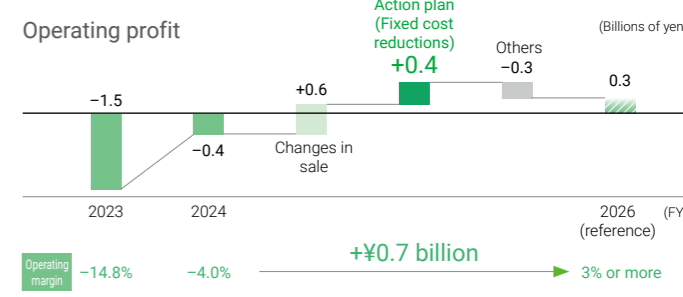
Profit improvement business Work toward a stable cash-generation business by narrowing down investment projects and improving profits fundamentally.

Strategic policies (vision)

- Selectively judge sub-businesses
- Enhance profitability
- Expand investments in growth areas
- M&A and alliances

Key initiatives for FY2025–2026

- Narrow down investments with loss elimination as the top priority
- Review business management structure fundamentally



* Net sales are to unaffiliated customers. Operating margin is the ratio of sales to unaffiliated customers

Special Feature

Strengthening Marketing to Connect Technological Exploration with Market Needs



Kazuhiro Kamiyama

Director and Managing Executive Officer; General Manager, Photolithography Division



Hiroki Kodaka

Senior Executive Officer; General Manager, Corporate Technology Division



Takanori Imai

Executive Officer; General Manager, Marketing Management Division; General Manager, Sustainability Promotion Division

We spoke to the officers in charge of a business division, our Marketing Management Division, and our Corporate Technology Division about their collaborative efforts to strengthen our marketing.

Why does Ushio need to strengthen its marketing at present? ———

Kamiyama Since Ushio was first established, it has developed high value added products and solutions tailored to its customers in the area of light, particularly the area of using light as energy. Ushio has achieved steady growth for many years through its OEM-centered business model, and as a result, has established a solid position as a global niche leader. However, our business environment has changed since the Global Financial Crisis and we have become aware that, like other companies, Ushio needs to develop new businesses. We established a team for creating new businesses and have been carrying out development, but thus far we have not achieved any noteworthy results in creating businesses that will support Ushio in future. This is because we have not sufficiently carried out what we could call marketing: the analysis and verification of requirements that must be met to establish a business, including establishing technical advantage, predicting demand, and building sales channels and other elements of a supply chain, in the form that is needed.

Imai With regard to marketing, business divisions have carried out individual operations focused on the needs of the customers they are dealing with. While this may increase the chances of gaining the business in front of them, it means that the work of exploring future prospects inevitably gets put on the backburner. Meanwhile, our development divisions have also carried out individual technical marketing. They have overly emphasized respecting the engineers' passion to the detriment of the effective functioning of mechanisms to verify the appropriateness of each theme in a detached and consistent manner, and development

projects have become too widespread as a result. To resolve these issues, we have newly established a Marketing Management Division and Corporate Technology Division. The Marketing Management Division will work together with our business divisions to build a business roadmap by carrying out marketing from a medium- to long-term, Company-wide perspective, and work together with the Corporate Technology Division to accomplish our business roadmap by connecting it to our technology roadmap.

Kodaka In the past, it used to be possible to produce results to a certain level by making improvements on a trajectory from the past, but with the popularization of alternative technology such as solid-state light sources, there is now an urgent need to create new businesses and technical pillars for Ushio; it cannot be put off any longer. As a manufacturer we need superior technology, but since our Research and Development Division has limited contact with the market, they have pursued the most advanced performance based only on trends in society, and have not been able to fully break out of the mentality of carrying out technical development for its own sake. As Mr. Imai said, it is essential to start by creating a precise business roadmap that will demonstrate how Ushio will be competitive in the long term. The Research and Development Division should determine what kind of performance can be developed or manufactured at what cost, and by when it should be released to the market—in other words, determine QCD targets based on marketing more accurately—and then create new businesses on the same timeline as our business divisions.

Tell us about your initiatives to establish a business roadmap and your policy going forward. ———

Imai According to the policy of our New Growth Strategy, the Marketing Management Division is focusing on the semiconductor market in Industrial Processes and conducting quantitative analysis of factors such as market viability and how many customers we can secure in what time frame. We are working together with our business divisions to visualize new projects that are currently underway. With the Corporate Technology Division, we hold regular joint meetings once a month to share information and evaluate development themes and work together closely on individual projects. We are also adding a business perspective to the Corporate Technology Division's evaluations of new development themes and working together with them on initiatives to create new evaluation axes.

Kodaka The only way to create new businesses is to gather as many ideas as possible, establish standards and stop development that, according to judgments based on those standards, should be brought to a close, and take on the next business idea, namely the "high birth, high death" model. The first step is to set targets and identify issues in accomplishing them, but for projects where a success story is unlikely, we have explained to those involved that they should be canceled and outlined the reason. In fiscal 2024, the Business Creation Division (now the Corporate Technology Division), where I was the head, canceled over 50% of its total number of projects, including projects in which I had been involved in the past. There is a major element of uncertainty in our new future-looking endeavors, so it is important to check the progress of ongoing projects too and cancel any that have diverged from the initial hypothesis or plan. Setting criteria for cancellation during the planning stage enables us to prevent unnecessary bloating in projects and make effective use of development resources, and it will also help the personnel who will be in charge of the development to understand and accept the cancellation.

Kamiyama We are planning to establish a business roadmap during fiscal 2025. At present, to create a more accurate connection between the business side and the technical side, we are endeavoring to accurately ascertain the business divisions' progress on their businesses and deepen our understanding of development themes being pursued by the Corporate Technology Division. Alongside this, the Marketing Management Division is playing a central role in analyzing future social needs, technical trends, and states of competition to identify promising businesses. The semiconductor domain of Industrial Processes has been established as the key domain in our New Growth Strategy, but we will not be able to align the whole Company's vectors until we take a more granular view and determine which parts of this domain to focus on and in what way. Moreover, this will all be pie in the sky if we do not have an actionable plan with a solid rationale. By establishing a roadmap with this in mind, we want to increase the likelihood of the business's success and provide Ushio with a unified vision, and earn the trust of outside parties by demonstrating a more specific direction for Ushio.

Kodaka Obviously, anything that goes into our roadmap must demonstrate Ushio's technical advantage. For example, short-wavelength light

technology is an area where Ushio can demonstrate its technical advantage. It has already been deployed in the cleaning process in the manufacturing of displays and semiconductors, and we have recently expanded this technology into the development of technology that can decompose and detoxify PFAS (per- and poly-fluoroalkyl substances) without employing catalysts or additives. This is a case where Ushio's technical advantage fits well with an idea inspired by a social issue, and I think this is a good example of an approach where new value is created according to our business roadmap.

Please refer to [\[P.60-63 Creating Businesses That Offer Social Value Through Light\]](#) for details.

Tell us what you're keen to do going forward. ———

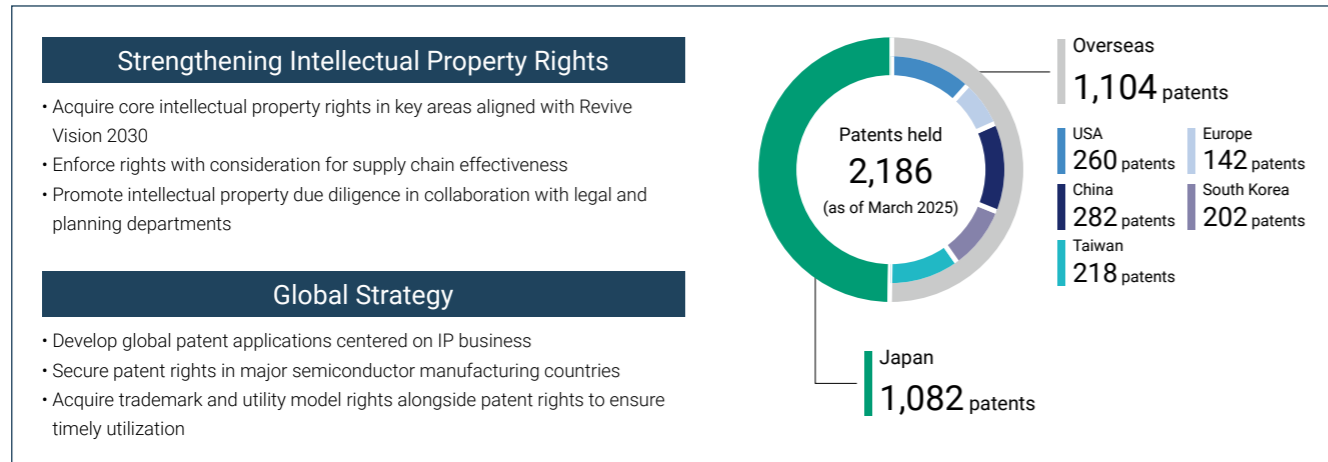
Imai When I was in sales, there was a time when I proposed a product to a customer and they said "We've been waiting for something like this." Personnel at the customer company gathered around and the product was adopted on the spot. The experience impressed upon me the importance of always being aware of what the customer is fundamentally struggling with when making proposals. While Ushio is at this juncture of its business, it is critically important to go back to the starting point: how can we utilize light technology to solve customers' issues? We have the technology and the human capital to solve those issues, so I want to employ better communication to discuss this from the same perspective with the same standards, and create value throughout Ushio that will make customers say "we've been waiting for something like this."

Kodaka Since Ushio is a technical company, we need to establish strong technology as our base and continuously refine it in order to continuously enhance our corporate value. Solid training of the personnel responsible for this work is also important. Ushio's light technology is versatile enough to be applied to various businesses, and I believe that if we look at it from new angles and add new things, we can create value that has not existed before. Thus far, the vertical separation of organizations has meant that technologies could not be shared adequately. I think that another important mission for us is to break those walls down and facilitate active communication throughout the Group so that we can bring those possibilities to light.

Kamiyama If we leave things to chance and simply wait for the external circumstances to align so that the domains we've been working on sell well, we cannot increase our likelihood of success and we cannot expect to recreate those results. I want to get on a trajectory where initiatives are carried out based on a business roadmap created through sufficient marketing activities, which will dramatically increase the chances of successful development and create a positive cycle where the returns, the fruits of that development, can be invested in the next development. If we can increase the added value of our businesses and significantly improve gross profit in that way, we can also perpetually improve the benefits for our employees, and I believe that will enable us to "build both a prosperous Company and prosperous employees," a tenet of our Management Philosophy, at a higher level too.

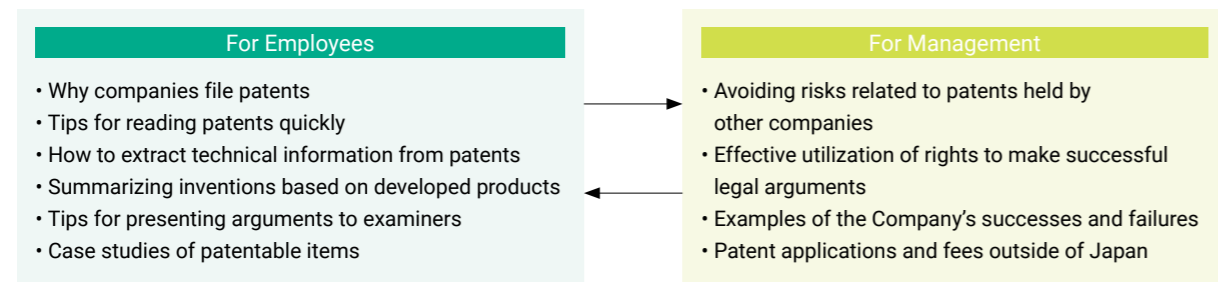
Intellectual Property Strategy

As outlined in our New Growth Strategy, Revive Vision 2030, Ushio designates our Industrial Processes (IP) business as a growth driver and is promoting an intellectual property strategy to maximize profit in IP business based on two pillars: strengthening core intellectual property rights and increasing market share by expanding intellectual property rights globally.



Intellectual Property Training at Ushio

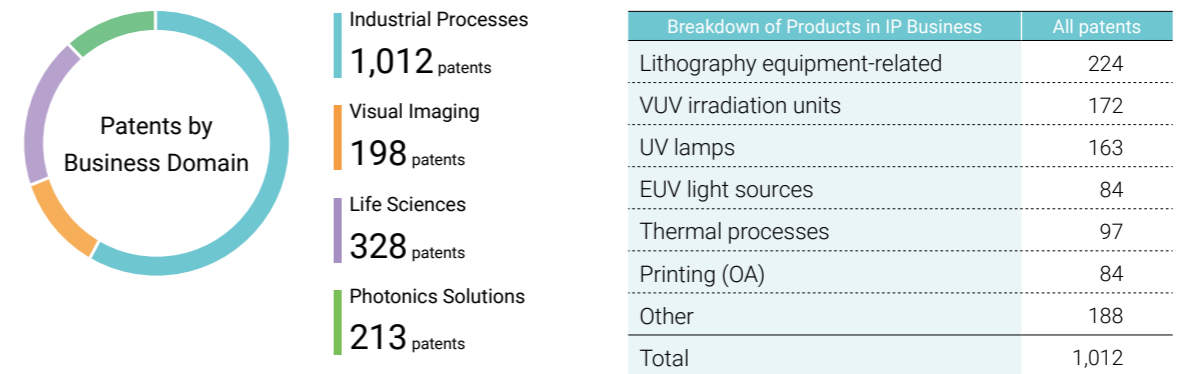
We believe that the strength of our intellectual property rights, which gives us a competitive edge over our rivals, stems from the unique methods we have painstakingly developed through overcoming significant technical challenges. Continuously improving the intellectual property capabilities of all technical staff is essential to transforming these problem-solving methods created by our R&D personnel into impactful patents. Guided by this philosophy, Ushio has established the following intellectual property training courses and has provided training to over 400 technical employees to date. In fiscal 2025, we will extend intellectual property training to technical staff at key affiliate companies of Ushio to further strengthen our IP business.



Ushio's Intellectual Capital

The number of patents Ushio holds across the business areas of Industrial Processes (IP), Visual Imaging (VI), Life Sciences (LS), and Photonics Solutions (PHS) is shown in the table below. Our initiatives in the IP business, a priority area of ours, focus on strengthening our personnel framework for patent creation to enhance the impact of our patents. In the VI, LS, and PHS businesses, we are applying a strategy of selection and concentration to narrow the scope of our patents to fields with clear growth potential.

Below is the patent portfolio for our IP business, a priority area of ours. We are working on strengthening patent clusters related to lithography equipment, mainly our digital lithography system and i-line steppers, as well as UV lamps. We will continue to improve the effectiveness of our patents, focusing on markets expected to expand alongside the growth of the semiconductor market in the future.



External Awards

At the 2024 Regional Invention Awards hosted by the Japan Institute of Invention and Innovation, we received the Hyogo Prefecture Institute of Invention and Innovation Chairperson's Award in recognition of our contributions to advancing science and technology and supporting the development of regional industries. The award was presented for the "TheraBeam UV308 mini LED" hand-held ultraviolet phototherapy device for dermatology, praised for its lightweight, compact, and highly user-friendly design, as well as its unique space-saving shape that requires even less installation space than a sheet of A4 paper.



Message from Person in Charge

We were deeply honored to receive the Hyogo Prefecture Institute of Invention and Innovation Chairperson's Award at the Regional Invention Awards.

The TheraBeam UV308 features a design compliant with medical device standards, but was developed to improve usability from the customer's perspective. It was released about two years ago, and exceeds required specifications with its compact and lightweight design, which has been well received by customers. This recognition is a testament to that success.

We would like to thank everyone involved in the development process for their contributions to this achievement. We will continue to work diligently to develop products that benefit society.



Yusuke Kobayashi
Advanced Exposure Development Project, Photolithography GBU Developing Department, Photolithography Division

Message from an Outside Director

I will provide objective oversight as an Outside Director and chairperson of the Board of Directors to facilitate steady transformation.

Masatoshi Matsuzaki
Outside Director



Over the last year, the Board of Directors' number one focus in its oversight of management and executive functions has naturally been the status of execution of the New Growth Strategy, Revive Vision 2030, which we announced in May 2024. This was incorporated in the annual plan of agendas for the Board meetings from the outset, which enabled the Board to conduct reviews with the managers of key businesses, check the status of execution and actions taken in light of this, and subsequently review with the CEO about the general situation for the Company as a whole and the status of initiatives for careful selection of businesses and themes.

We confirmed that in Industrial Processes, a business set to drive growth until 2030, the lithography equipment business is preparing for the expansion and growth of the advanced packaging market in future. I have been focusing on the Company's ability to utilize its cooperative relationship with Applied Materials, Inc., and I have judged that reliable operations are taking place in both the business division and the production division. I have also confirmed that preparations are being carried out for the creation of a product lineup in this market, which is a strategy to establish a competitive edge without slackening investment.

In Industrial Processes, I have confirmed that the UV lamp business is utilizing its top share strategically in initiatives to secure high and steady profits. In the optical processes business, I have confirmed that the Company's technical strengths are being utilized in initiatives aimed at expanding into the semiconductor manufacturing and inspection areas, as well as into manufacturing processes in other industrial areas. I have also confirmed that in each business, a hurdle rate for profitability has been set and people are endeavoring to carefully select projects accordingly.

In Visual Imaging, identified as a business to be selectively judged in our portfolio, I have confirmed the direction to be taken in executing various measures for structural reform, with a focus on high-end businesses where the Company has a competitive edge to achieve profitable growth.

I have confirmed that, both in Visual Imaging and elsewhere, rigorous initiatives are underway to carefully select business projects and development projects identified for strategic selection, through assessment from the perspective of each project's competitiveness and business prospects. My overall assessment is that all of the necessary actions have been taken in the first fiscal year since the New Growth Strategy was announced.

I will continue to support the direction being taken to increase capital efficiency and enhance corporate value through the New Growth Strategy. Over the next year, the Board of Directors' top priority should be to continue monitoring the status of execution.

Specifically, the focuses will include (1) whether the lithography equipment business, which has the biggest impact on results, will be able to do what it needs to do in preparation for recovery of demand and the emergence of new areas, (2) whether exploration of new applications in the optical process business will proceed favorably, (3) whether Visual Imaging, as a business to be selectively judged, is likely to be able to achieve profitable growth through strategies focused on high-end businesses, and (4) whether bold management decisions will be made about Photonics Solutions, which is likewise a business to be selectively judged. I will allocate these matters across the annual agenda plan and review them accordingly.

Effective growth investments are essential in order to enhance the Company's true corporate value (= the ability to generate future cash flow that exceeds the cost of capital) so with regards to usage of cash, over the next year I intend to

closely monitor shareholder returns as well as where growth investments are being made and what kind of organizational structure is adopted to enhance effectiveness. In terms of the Company's businesses, having a technical advantage is an important element in improving competitiveness and profitability, so with regard to R&D and production divisions, I intend to closely monitor whether activities are being carried out in coordination with the New Growth Strategy and whether future-looking preparations are being made from a technical perspective.

CEO Asahi can carry out dialogues with an understanding of investors' perspective, so I would like him to share progress on the New Growth Strategy in a straightforward manner, reflecting investors' interests, and utilize the information gained through dialogue with investors to enhance the Company's corporate value in the medium to long term. Additionally, the nature of the New Growth Strategy and its execution will force the Group's employees, who are used to the previous management style, to change their way of thinking, so I want him to spend time on persevering in communicating with the employees. The other thing that will be important for the Company's businesses is diplomacy between him and the senior management of its customer companies, so I expect that to remain a focus.

COO Nakano, as the leader of the executive side, is very familiar with Ushio's businesses, so I expect him to observe whether each business division is taking bold actions to carry out the New Growth Strategy, give instructions to that end, and identify critical moments when he himself should take action. I also expect him to make calm, bold management judgments about investing in, shrinking, and eliminating businesses according to Ushio's business portfolio strategies, with an awareness of the risks.