



MEMBERSHIP
May 14, 2024

Company Name: USHIO INC.
Name and Title of Representative:
Takabumi Asahi, President and Chief Executive Officer
(Code Number: 6925,
the Prime Market of the Tokyo Stock Exchange)
Name and Title of Contact Person:
Hiromi Ito, General Manager,
Accounting & Finance Department
(TEL +81-3-5657-1000 (from overseas))

Notice Regarding Revision of the Remuneration System for Directors and Partial Revision of the Stock Compensation for Directors

At a meeting of its Board of Directors held today, the Company decided to: i) revise the remuneration system for its Directors (excluding Directors who were Audit & Supervisory Committee Members and excluding Outside Directors) and Executive Officers who had entered into a delegation agreement with the Company (collectively, “Directors, etc.”); and thus submit to the 61st Annual General Meeting of Shareholders to be held on June 27, 2024 a proposal to partially revise the stock compensation that has been in place since 2015 for Directors of the Company (excluding Directors who were Audit & Supervisory Committee Members and excluding Outside Directors) and Executive Officers (excluding non-residents of Japan) (collectively, “Eligible Directors, etc.”) (the “Compensation”), as described below.

1. Background to the Proposed Revision of the Remuneration System

In keeping with the 2nd Medium-Term Management Plan pursued since April 2023 (the “Medium-Term Management Plan”), in April 2023, we revised our evaluation and remuneration system to link it more closely to the Medium-Term Management Plan. Recently, in response to significant changes in our business climate, we reviewed the plan and set forth Revive Vision 2030 (the “New Growth Strategy”) as a new growth strategy for the period through to the fiscal year ending March 31, 2030 and decided to engage in Phase I (from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027) from April 2024. Accordingly, we will partially revise the evaluation and remuneration system. To ensure objectivity and transparency in our processes for determining compensation, we established the Nomination and Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors, which is chaired by an outside director and the majority of the members of which consist of outside directors. The evaluation and remuneration system was revised by obtaining recommendations from the committee.

2. Details of the Proposed Revision of the Remuneration System

(1) Revision of the basic policy on compensation

We will revise the basic policy on compensation as follows.

- Things that motivate us to achieve our Management goals.
- Things that lead us to continue to deliver improved business performance and higher corporate value over the medium- to long-term.
- Things that are closely linked to our Company's performance and corporate value and are highly transparent and objective.
- Considering the companies listed on the Tokyo Stock Exchange Prime Market and companies similar in size and in the same sector, our compensation levels should enable management to secure and retain diverse and highly-skilled human resources.
- Decide on compensation through a transparent process to earn the trust and support of stakeholders.

(2) Revision of the indicators for short-term performance-linked monetary compensation

We will revise the evaluation indicators for short-term performance-linked monetary compensation as follows in order to link the indicators to the important indicators for Phase I of the New Growth Strategy.

	Directors portion	Executive Officers portion	
Indicator	ROE (*)	Consolidated operating margin (*)	Target achievement rate for the unit the Director is in charge of
Percentage	100%	50%	50%
Target	Linked to fiscal year consolidated performance targets		Linked to fiscal year consolidated performance targets of the unit the Director is in charge of

(*) Unplanned, temporary performance impacts may occur in ROE and consolidated operating margin when making selections and concentrations (business acquisitions, divestments and exits) through portfolio transformation that will contribute to future corporate value enhancement. If this is the case, number excluding such impacts are used.

(3) Revision of the indicators for medium- to long-term performance-linked stock compensation

We will revise the evaluation indicators for medium- to long-term performance-linked stock compensation as follows in order to link the indicators to the important indicators for Phase I of the New Growth Strategy.

	Directors portion	Executive Officers portion		
Indicator	ROE (*)	Consolidated operating margin (*)	Engagement Score	ESG Evaluation Score
Percentage	100%	70%	18%	12%
Target	Linked to fiscal year consolidated performance targets		Linked to ESG targets	

(*) Unplanned, temporary performance impacts may occur in ROE and consolidated operating margin when making selections and concentrations (business acquisitions, divestments and exits) through portfolio transformation that will contribute to future corporate value enhancement. If this is the case, number excluding such impacts are used.

(4) Revision of the Compensation

(i) Revision of the covered period

The current Compensation covers the period up to the fiscal year ending March 2026, and while the period of the established Trust will expire in August 2026, the Trust will cover the period up to the fiscal year ending March 2027, which is the final fiscal year of the period covered by Phase I of the New Growth Strategy, and the period of the Trust will be extended by 1 year to the end of August 2027. Thereafter, the periods covered by the Compensation will be the fiscal years covered by the management plans or management strategies to be formulated in the future (“Management Strategies, etc.”).

(ii) Revision of the maximum amount of money to be contributed by the Company and the maximum number of stock points to be granted to Eligible Directors, etc.

We will revise the maximum amount of money to be contributed by the Company and the maximum number of stock points to be granted to Eligible Directors, etc. as follows. This is for the purpose of linking the amount and number to Phase I of the New Growth Strategy and the fiscal years to be covered by the management strategies, etc. to be formulated in the future.

The evaluation indicators for the number of stock points to be granted to Eligible Directors, etc. will continue to be linked to important indicators and numerical targets of our business strategies, etc.

	Before revision	After revision
Maximum amount of money to be contributed by the Company	<ul style="list-style-type: none">• <u>1,140</u> million yen for three fiscal years	<p>For each covered period, the amount of money to be aggregated as shown below in accordance with the number of fiscal years to be covered by our management strategies, etc.</p> <ul style="list-style-type: none">• A total of <u>456</u> million yen for the final fiscal year of our management strategies, etc.• A total of <u>342</u> million yen for other fiscal years <p>(A total of <u>1,140</u> million yen for Phase I of the New Growth Strategy)</p>
Maximum number of stock points to be granted to Eligible Directors, etc.	<ul style="list-style-type: none">• A total of <u>165,000</u> stock points for one fiscal year• A total of <u>420,000</u> stock points for three fiscal years	<p>For each covered period, the amount of money to be aggregated as shown below in accordance with the number of fiscal years to be covered by our management strategies, etc.</p> <ul style="list-style-type: none">• A total of <u>165,000</u> stock points for the final fiscal year of our management strategies, etc.• A total of <u>127,500</u> stock points for other fiscal years <p>(<u>420,000</u> stock points for Phase I of the New Growth Strategy)</p>

Details of Performance Achievement Requirements	・ Performance targets and ESG targets for a covered period	・ Performance targets and ESG targets for a covered period (Performance targets and ESG targets for the period covered by Phase I of the New Growth Strategy are as shown in 2(3) above)
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Note: One stock point is deemed to be worth one share of the Company's stock. However, if an event in which it is deemed fair to adjust the applicable number of stock points occurs during the trust period, such as a stock split or stock merger, each stock point will be adjusted in accordance with the split or merger ratio.

For details of the existing Compensation System, please refer to the Notice Regarding Introduction of Stock Compensation for Directors dated May 11, 2015 and the Notice Regarding Revision of the Remuneration System for Directors and Continuation and Partial Revision of the Stock Compensation for Directors dated May 11, 2023.

(Reference)

Details of the trust contract after revision

- (1) Trust type: A money trust other than a specified separate investment money trust (third-party-benefit trust)
- (2) Trust purpose: To grant incentives to Eligible Directors, etc.
- (3) Trustor: The Company
- (4) Trustee: Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
- (5) Beneficiaries: Directors, etc. who meet the beneficiary requirements among Eligible Directors, etc.
- (6) Trust Caretaker: A third-party specialist without relationship with the Company
- (7) Date of Amendment of Trust Contract: August 8, 2024 (planned)
- (8) Trust Period: From August 4, 2015 to August 31, 2027 (to be extended due to the above revision)
- (9) Exercise of voting rights: No exercise of voting rights
- (10) Type of acquired shares: Company's ordinary shares
- (11) Upper Limit of Trust Money: 1,140 million yen (including trust remuneration/trust expenses)
- (12) Holder of a vested right: The Company
- (13) Residual assets: Residual assets that can be received by the Company, which is a holder of a vested right, shall be within the limit of the trust expense reserve calculated by deducting the cost for acquiring the shares from the Trust from trust money.