



May 14, 2024

Company Name: USHIO INC.
Name and Title of Representative:
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(Code Number: 6925, Prime Market of the Tokyo Stock Exchange)
Name and Title of Contact Person:
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Notice Regarding Disposal of Treasury Stock to Employee Stockholding Association Using Restricted Stock

USHIO INC. (Price:6925) resolved at a meeting of the Board of Directors held on May 11, 2023 to introduce a restricted stock grant system (hereinafter, the “System”) which grants restricted stock to employees of USHIO INC. and its subsidiaries in Japan (hereinafter “Ushio Group”) through the Stockholding Association of USHIO INC. (hereinafter, the “Association”). USHIO INC. announces that at a meeting of the Board of Directors held today (May 14, 2024), it resolved to dispose of treasury stock as restricted stock (hereinafter, the “Treasury Stock Disposal” or “Disposal”), with the Association as the scheduled allottee, as described below.

1. Outline of the Disposal

(1) Date of Disposal	August 30, 2024
(2) Class and number of shares to be disposed of	251,640 shares of common stock of USHIO INC. (Note 1)
(3) Disposal price	2,103.5 yen per share, provided, however, that in the case where the highest closing price of USHIO INC.’s common stock on the Tokyo Stock Exchange on the transaction day immediately preceding one of the dates during the period from May 17, 2024 through May 22, 2024 (hereinafter the “Closing Price of the Transaction Date Immediately Preceding Condition Determination Date”) is higher than 2,103.5 yen, the disposal price will be the same as the highest Closing Price of the Transaction Date Immediately Preceding Condition Determination Date. (Note 2)
(4) Total value of disposal	529,324,740 yen (This is the estimated value as of today. The actual value will be the disposal price determined in accordance with (3) above multiplied by the number of shares to be disposed of described in (2) above.)

(5) Method of disposal	Third-party allotment
(6) Scheduled allottee	Stockholding Association of USHIO INC.: 251,640 shares
(7) Other	An Extraordinary Report has been submitted in accordance with the Financial Instruments and Exchange Act regarding the Treasury Stock Disposal.

(Note 1) The Association will use promotional activities to invite applicants for membership in the Association over a period long enough for the dissemination of the System. For this reason, the figures for the number of shares to be disposed of specified above represent the maximum amount and the actual number of shares to be disposed of is expected to be determined depending on the acceptance of new members and the number of employees of Ushio Group whose consent to the System is confirmed.

(Note 2) Method to determine the disposal price of the Treasury Stock Disposal/Reason for setting a time period for the determination of the price

When raising funds through the disposal of the stock by third-party allotment, the disposal price is normally determined on the date of the resolution approving the disposal. However, in this case the date of the resolution approving the Treasury Stock Disposal coincides with the announcement by USHIO INC. on May 14, 2024 of the summary of accounts for the fiscal term ending in March 2024. Thus, in order to take into account the effect of such announcement on the share price and in order to take into account other factors, such as the stock price change, to consider the interests of the existing shareholders, on May 22, 2024, USHIO INC. will set the disposal price as the higher of 2,103.5 yen, the closing price of USHIO INC.'s common stock on the Tokyo Stock Exchange on May 13, 2024, and the highest Closing Price of the Transaction Date Immediately Preceding Condition Determination Date.

2. Purpose and the Reasons for the Disposal

USHIO INC. introduced the System so that management and employees will work together to achieve the new medium-term management plan (FY2023 to FY2025) announced on May 11, 2023, and together aim to enhance corporate value over the medium to long term. Due to significant changes in the business environment surrounding USHIO INC., USHIO INC. has revised its medium-term management plan and announced its “New Growth Strategy (Revive Vision 2030)” on May 14, 2024. Under the “New Growth Strategy (Revive Vision 2030),” USHIO INC. has changed its policy to a growth strategy that emphasizes management efficiency, redefines strategic fields and proceeds with the transformation of its business portfolio while further strengthening strategic priority fields during the three fiscal years from FY2024 to FY2026 as Phase I of the strategy. In order for the management and employees to continue to advance together toward the achievement of Phase I of the “New Growth Strategy (Revive Vision 2030)” and to aim for medium to long-term corporate value enhancement, USHIO INC. will grant restricted stock in accordance with the System to the employees of the Ushio Group who have joined the Association. In addition, USHIO INC. will dispose of treasury stock to the Association for the purpose of granting restricted stock for Phase I through the Association to employees who join the Ushio Group after the end of promotional activities in FY2023 inviting applicants for membership in the Association and other employees who are not currently members of the Association.

Further, the restricted stock will be granted only to a person (hereinafter, the “Subject Employee”) who has consented to the acquisition of the interest in stock allotted to the Association, is not a non-resident of Japan, is a

member of the Association and is an employee of Ushio Group.

The outline of the System is as follows:

<Outline of the System>

In the System, USHIO INC. will pay monetary claims (hereinafter, the “Monetary Claims”) for granting restricted stock to the Subject Employees and the Subject Employees will contribute their Monetary Claims to the Association. Subsequently, the Association can receive the issuance or disposal of USHIO INC.’s common stock as restricted stock by making contribution in-kind to USHIO INC. of the Monetary Claims contributed by Subject Employees.

The amount per share to be paid for USHIO INC.’s common stock in cases where such common stock is to be newly issued or disposed of based on the System will be determined by the Board of Directors to the extent that it is not particularly advantageous to the Association (and the Subject Employee) based on the closing price of USHIO INC.’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors on the issuance or disposal (or the closing price on the transaction day immediately prior thereto if no transaction is made on such date).

In issuing or disposing of USHIO INC.’s common stock based on the System, USHIO INC. and the Association will execute a restricted stock allotment agreement, terms of which will include (1) the Association is prohibited from transferring, creating any security interest on, or otherwise disposing of the allotted shares to a third party (hereinafter the “Restriction”) during a certain period, and (2) USHIO INC. shall acquire the allotted shares without payment if certain events occur. Furthermore, the Monetary Claims will be paid to the Subject Employee on the condition that the restricted stock allotment agreement is executed between USHIO INC. and the Association.

Moreover, with regard to one’s member equity interest pertaining to the restricted stock acquired by the Association (hereinafter the “Restricted Stock Equity Interest”) through the issuance or disposal, a Subject Employee will be restricted from withdrawing the restricted stock corresponding to the Restricted Stock Equity Interest until the Restriction of the restricted stock is lifted based on the Rules of the Association (hereinafter the “Association Rules”).

<Outline of Disposal>

Ushio Group resolved to grant to the Subject Employees the Monetary Claims, the total amount of which is 529,324,740 yen and USHIO INC. will grant to the Association 251,640 shares of USHIO INC. common stock (hereinafter “Allotted Shares”) in exchange for the Association’s contribution in kind of such Monetary Claims contributed by the Subject Employees to the Association.

The grant of the Allotted Shares will be made through a disposal of treasury stock. The number of shares to be disposed of is expected to become fixed in due course as indicated in (Note 1) of 1. Outline of Disposal above. 251,640 shares are scheduled to be disposed of to the Association as the maximum amount.

The dilution caused by the Treasury Stock Disposal would be 0.23% (rounded off to two decimal places; hereinafter the same in the calculation of percentages) of 107,500,000 shares as the total number of issued shares as of March 31, 2024, and would be 0.24% of 1,027,319 as the total number of voting rights as of March 31, 2024.

<Outline of the Restriction Stock Allotment Agreement>

The outline of the restricted stock allotment agreement to be entered into between USHIO INC. and the Association (hereinafter the “Agreement”) is as follows:

(1) Transfer restriction period

The Association is prohibited from transferring, creating any security interest on, or otherwise disposing of the Allotted Shares during the period from August 30, 2024 (payment date) through June 30, 2027 (for certain Allotted Shares, from August 30, 2024 (payment date) to June 30, 2026).

(2) Conditions for lifting of Restriction

On the condition that a Subject Employee has been a member of the Association on a continuing basis during the period from August 30, 2024 (payment date) through March 31, 2027 (for certain Allotted Shares, from August 30, 2024 (payment date) to March 31, 2026), the Restriction will be lifted, on the last day of the transfer restriction period for the Allotted Shares corresponding to the Restricted Stock Equity Interest held by such Subject Employee, or, as for a part of the Allotted Shares, on the condition of attainment of performance targets of USHIO INC. (hereinafter collectively “Conditions”).

If the Conditions are satisfied, USHIO INC. shall notify the Association regarding the lifting of the Restriction and the number of Allotted Shares for which the Restriction will be lifted, and the Association shall, pursuant to the provisions of the Association Rules, transfer the interest in Allotted Shares for which the Restriction was lifted out of the Restricted Stock Equity Interest held by the Subject Employee who satisfied the Conditions to the member equity interest (hereinafter the “Ordinary Equity Interest”) held by such Subject Employee in relation to the share acquired by the Association not based on the System. Note that the Conditions are as indicated in <Number of Shares for Which Restriction is Lifted> below, and that USHIO INC. will lift the Restriction for the number of shares prescribed in <Number of Shares for Which Restriction is Lifted> below.

(3) Treatment upon terminating membership in the Association

In cases where a Subject Employee terminates membership (including cases where the membership of such employee is automatically terminated due to the loss of membership qualifications or the employee terminates membership upon the submission of a notice of the termination of membership) in the Association during the transfer restriction period upon reaching retirement age or any other circumstances prescribed in the Agreement, USHIO INC. shall lift the Restriction, as of the date when the Association receives the notice of termination of membership from such Subject Employee (hereinafter “Receipt Date of the Notice”) for the number of Allotted Shares (any amount less than 1 share is rounded off) that is derived by multiplying the number separately determined by the Board of Directors by the number derived by dividing the number of months from April, 2024 to the month of the Receipt Date of the Notice by 36 (24 for certain Allotted Shares) and the number of Allotted Shares for which performance targets of USHIO INC. have been attained.

(4) Acquisition without consideration by USHIO INC.

USHIO INC. will automatically acquire without consideration the Allotted Shares for which the Restriction is not lifted as of the expiration of the transfer restriction period or as of the timing prescribed in the Agreement.

(5) Management of shares

During the transfer restriction period, the Allotted Shares shall be managed in a dedicated account opened by

the Association at Daiwa Securities Co., Ltd. in order to ensure that the Association neither transfers, creates any security interest on, nor otherwise disposes of the Allotted Shares during that period. Furthermore, the Association shall register and manage, pursuant to the provisions of the Association Rules, etc., the Restricted Stock Equity Interests to be held by the Subject Employees in relation to the Allotted Shares separately from the Ordinary Equity Interests held by such Subject Employees in relation to the shares acquired by the Association not based on the System.

(6) Treatment upon reorganization, etc.

In cases where, during the transfer restriction period, a general meeting of shareholders of USHIO INC. (however, in cases where the reorganization, etc., in question does not require approval from a general meeting of shareholders of USHIO INC., the Board of Directors of USHIO INC.) approves a merger agreement wherein USHIO INC. becomes the extinct company, or a share exchange agreement or a share transfer plan wherein USHIO INC. becomes a wholly-owned subsidiary, or other matters regarding reorganization, etc., based on the resolution of the Board of Directors, the Restriction may be lifted as of the date immediately before the business day preceding the effective date of the reorganization, etc. (hereinafter, “the Effective Date of Reorganization”) for the number of the Allotted Shares (any amount less than 1 share is rounded off) that is derived by multiplying the number separately determined by the Board of Directors by the number derived by dividing the number of months from April, 2024 to the month of the Effective Date of Reorganization by 36 (24 for certain Allotted Shares), and the number of the Allotted Shares for which performance targets of USHIO INC. have been attained.

3. Basis of Calculation and Specific Details of the Amount to be Paid

The Treasury Stock Disposal is conducted based on the System and by the Subject Employees contributing the Monetary Claims to the Association for the granting of restricted stock as property contributed in kind. To eliminate any arbitrariness, the amount to be paid will be the higher of 2,103.5 yen, which is the closing price of USHIO INC.’s common stock on the Tokyo Stock Exchange on May 13, 2024, the business day immediately preceding the date of the resolution by the Board of Directors and the highest Closing Price of the Transaction Date Immediately Preceding Condition Determination Date. This method of determining the disposal price of the treasury stock disposal is reasonable as it takes into account the interests of the existing shareholders and attempts to set a disposal price that approximates the market price. Therefore, USHIO INC. believes that the disposal price for Treasury Stock Disposal determined by this method is not a particularly advantageous price for the Association.

Note that the deviation rate (rounded off to two decimal places) of 2,103.5 yen which is the closing price of USHIO INC.’s common stock on Tokyo Stock Exchange on May 13, 2024, the business day immediately preceding the date of the resolution by the Board of Directors from the average closing price of USHIO INC. shares on the Tokyo Stock Exchange is as follows.

Period	Average closing price (any amount less than 1 yen is rounded off)	Deviation rate
1 month (April 14, 2024~May 13, 2024)	2,042 yen	3.01%
3 months (February 14, 2024~May 13, 2024)	2,013 yen	4.50%
6 months (November 14, 2023~May 13, 2024)	2,009 yen	4.70%

The Audit and Supervisory Committee meeting held today consisting of four Audit & Supervisory Board Members (including three outside directors) have expressed their opinion that USHIO INC.'s process of determining that the foregoing disposal price will not be particularly advantageous to the Association as the allottee is reasonable, and that such determination is legitimate, in light of the fact that the purpose of the Treasury Stock Disposal is to introduce the System and that the disposal price is the higher of the closing price on the business day immediately preceding the date of the resolution of the Board of Directors and the highest Closing Price of the Transaction Date Immediately Preceding Condition Determination Date.

4. Matters related to procedures under the Code of Corporate Conduct

With regard to the Treasury Stock Disposal, since (1) the dilution rate is less than 25% and (2) it does not involve the change of the controlling shareholder, there is no need to take procedures for acquiring the opinion of an independent third party and confirming the intention of shareholders as set forth in Article 432 of the listing regulations prescribed by the Tokyo Stock Exchange.

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< Number of Shares for Which Restriction is Lifted >

The number of shares which the Restriction is lifted shall be the number derived from the following formula based on the standard set forth by USHIO INC.

(1) Formula

Number of shares for which Restriction is lifted=A+B

- ① Number of shares for which Restriction is lifted notwithstanding the attainment of the performance target:

A=30 shares (90 shares for certain Subject Employees)

- ② Number of shares for which Restriction is lifted depending on the attainment of certain performance target:

B=from 0 to 30 shares (0 to 90 shares for certain Subject Employees) depending on the attainment of certain performance targets