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Financial Results Briefing for the First Quarter Year ending March 31, 2025 of Ushio Inc.

Major Questions and Answers

Date and Time: August 5, 2024/ 17:30 - 18:15

Method: Online

Presenter: Takabumi Asahi, Representative Director President and Chief Executive Officer

Notice: The 'Major Questions and Answers' is provided for reference for those who were not able to attend the financial results briefing. Please note that the information contained herein is a concise summary at the Company's discretion. Please also note that the forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and actual results may differ materially due to various factors.

◆ Questioner: Mr. Wadaki, Morgan Stanley MUFG Securities

Q: You mentioned that the first quarter results exceeded internal targets. By how much did they exceed, and which business segments were above expectations? If there were any segments below expectations, please also let us know.

A: The results were slightly above the plan. Particularly, Industrial Processes business exceeded expectations. In terms of operating profit, Life Sciences and Photonics Solutions businesses also exceeded expectations. On the other hand, Visual Imaging business was below expectations.

Q: Can we clarify that you retain your full-year forecasts, given that the exceedance was small?

A: That's correct. In the initial planning phase, we anticipated lower sales in the first quarter and higher sales in the latter half of the second half of the year. As such, we expected operating profit to not be high in the first quarter, but the result was slightly above our expectations.

Q: You recorded an inventory valuation loss in Visual Imaging business. How much was this amount?

A: It was several hundred million yen.

Q: Regarding the expected lithography equipment business related to advanced packaging, you emphasized that it is progressing well. Can you share more specific details? For example, improvements in the business environment, increased investment by customers, emergence of previously unseen business opportunities, or the business starting up sooner than expected. Please share what you can.

A: While I cannot provide specific details due to our relationship with our customers, I can say that we have a positive feeling that OSATs or semiconductor manufacturers are actively working on this. We are broadly engaged in various negotiations for launches in the next period. While some semiconductor manufacturers are very active, there are still uncertainties. As such, we are closely monitoring as we move forward.

Q: Regarding EUV light sources, you explained in your new growth strategy that you aim to comeback in High-NA. However, the progress of High-NA in the industry is clearly delayed. Could you comment on the latest situation of your EUV light source business, including the impact of this delay?

A: Regarding EUV, the market is still fluid, and there are parts that cannot be clearly foreseen. We understand that the trends of related companies and technology are in such a situation, and they are cautiously monitoring market information while advancing their technology development. Under such a situation, various methods are being considered in the market, and we are also carefully assessing these aspects as we move forward with development. Naturally, we are keeping an eye on technological trends and, if necessary, are prepared to pivot our business direction at an early stage.

◆ **Questioner: Mr. Nakanomyo, Jefferies Japan Limited**

Q: Regarding the cinema segment of Visual Imaging business, the first quarter saw an 11% decrease in sales compared to the same period last year, which I believe was even more severe on a local currency basis. Could you share the movements in specific regions such as the United States and China, and what your outlook is?

A: In the first quarter, both the United States and China were not performing well. The lack of movie titles directly impacted the situation. The impact is expected to continue, and we foresee a challenging situation in both the U.S. and China throughout this fiscal year. However, the second and third quarters are times when replacement demand increases due to seasonality, and a certain level of recovery is expected. We expect a full recovery of cinemas from the next fiscal year, but in China, the cinema and film industry are linked to the domestic economy or real estate movements, requiring continued attention.

Q: On the other hand, the general imaging segment is doing quite well. How does this differ from the cinema segment? Please also let us know about the continuity of its good performance.

A: The general imaging segment is solid, but we are not getting large deals. However, it is not affected by a lack of titles like cinema, and overall, the market itself is growing due to entertainment demand. Under such a situation, our position in the high-end projectors contributes to the demand, so I believe that the good performance will continue. Looking ahead in the long term, not only projectors but also the need for flat panel displays and other products exists, so we are carefully monitoring the situation and proceeding with our business plan.

Q: Will the inventory valuation loss recorded in Visual Imaging business occur in the second quarter and beyond?

A: We do not anticipate it in the second quarter and beyond. Unless a situation arises where a product model becomes completely unsellable in the future, forcing us to abruptly stop sales, we do not foresee a similar occurrence. We are paying attention to the launch of new products and the convergence of existing products. We aim to avoid such losses.

Q: In Industrial Processes business, what is the expected sales trend from the second quarter to the second half for steppers and direct imaging lithography equipment?

A: Sales of steppers in the first half of the year have been significantly affected by delays in delivery times, but they are expected to be higher in the second quarter and beyond compared to the first quarter. Sales of direct imaging lithography equipment have not been doing well, and we

do not expect them to pick up during this fiscal year. Even so, we expect them to expand from the second quarter onward, though not as much as steppers.

Q: Do you mean that the number of deals for lithography equipment will increase further in the second half, leading to higher sales?

A: Yes, it is planned to increase further in the second half.

Q: You mentioned that you need to closely monitor inspection situations for lithography equipment. What do you mean by that?

A: Although the orders for lithography equipment during this fiscal year are almost confirmed, we need to closely watch the timing of inspections. This is because revenue is recognized when the equipment is finally installed and inspected on the customer's side. Since the schedule for installation preparations tends to shift more or less on the customer's side, we believe it is important to pay attention to these aspects.

Q: Among major customers, has there been any change such as a further weakening of investment sentiment compared to the beginning of the period?

A: There has been no weakening compared to the beginning of the period, but the situation continues where the customers' willingness to invest or to initiate projects is not very strong. A few years ago, there were many requests to install earlier than planned, but currently, we are not actively receiving such requests for early installation.

Q: Is the digital lithography system that is currently under evaluation at the customer's site something close to a mass-production model?

A: Evaluations are conducted on a model that is close to mass-production. Each customer evaluates according to their own specifications based on actual usage scenarios, which is conducted on a model close to mass-production.

Q: Around when in fiscal year 2025 do you expect the sales expansion for the digital lithography system?

A: It is expected to be in the latter half of fiscal year 2025.

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