

Financial Results Briefing for the Fiscal Year ended March 31, 2025 of Ushio Inc.

Major Questions and Answers

Date and Time: May 13, 2025/ 18:30 - 19:30

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: It is said in the industry that the 310mm square panel size will be adopted, and existing lithography equipment can handle this. However, there is also an opinion that ultimately your DLT system* will become the mainstream. How do you anticipate the impact of smaller panel sizes on your business opportunities? Also, could you please explain your strategy on which areas you will focus to grow DLT system business going forward?

A: We believe that as panel sizes increase, the advantages of our DLT system will become more pronounced. Furthermore, even at the 310mm square size, DLT system has no technical limitations, and its performance can be fully utilized, so we believe there are sufficient business opportunities. While the near-term response is expected to be based on existing technologies, we consider that the superiority of DLT system will become even more evident in next-generation packages where panel sizes are expected to grow larger, and we understand that many customers are assessing our system with this point in mind.

* DLT system: lithography equipment incorporating digital lithography technology developed through partnership with Applied Materials

Q: At recent earnings presentations of other companies, some mentioned that inquiries for investments in panel-level packaging have been increasing. Can we assume that you are also positioned to ride the wave of the 310mm square panel size?

A: We are receiving a very large number of inquiries for panel-level packaging. Therefore, the fact that the panel size is to be 310mm square does not hinder adoption.

Q: It has been mentioned that the DLT system is delayed. Could you explain the factors causing the delay and when you expect sales to start in earnest?

A: From a technical perspective, as our customers are conducting various evaluations regarding the size increase and materials of next-generation package substrates, some projects are behind the initially planned schedule. Additionally, due to the current uncertainty caused by factors such as U.S. tariff measures, some customers are temporarily postponing their final investment decisions.

However, overall, while there have been some delays in communication with customers, there has been no significant change in the trend or evaluation of our DLT system, and we remain confident in its future growth.

Q: Regarding the impact of tariffs, you mentioned that only a partial impact is factored into this fiscal year's earnings forecast. Could you specify which businesses and approximately how much impact are included?

A: We have factored in an impact totaling several hundred million yen on a profit basis, related to what we can currently identify in the Visual Imaging and Industrial Processes businesses.

Q: It seems that you are downsizing your EUV light source business, but you recently announced a new product at Photomask Japan, so I was wondering if there will be any further developments. Could you comment on your plans for the performance-improved version of the EUV light source you are working on?

A: Projects related to APMI, which was a near-term target for our EUV light source, have been delayed. Therefore, we are slowing down our pursuit in that area and instead focusing on developing element technologies required for inspection applications, with a focus on semiconductors. We are shifting our approach from pursuing many projects to concentrating on element technology development, with a significant reduction in development costs. Although there is potential for future expansion into EUV mask inspection light sources, we currently believe it is not the right time to make large investments in this field. Instead, we will focus on developing element technologies for high-performance products that can offer cost competitiveness in the future.

* APMI : Actinic Patterned Mask Defect Inspection

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

Q: Regarding the impact of tariffs, what is the estimated scale of the direct costs?

A: A simple calculation suggests an impact of several billion yen, but we are considering countermeasures against this. For example, in Visual Imaging business, projectors have a high production ratio in China, which entails a significant risk of additional tariffs. However, we also have production facilities in Canada, and if the tariff impact becomes significant and prolonged, while securing human resources will be necessary, we are considering increasing production in Canada. In the light source business, sales of industrial lamps produced in Japan and the Philippines for the U.S. market exceed 5.0 billion yen. However, we believe that by obtaining customer understanding on pricing, we can offset a certain degree of the impact.

Q: Is it possible to transfer production to Canada within the limited timeframe of FY2025?

A: It is necessary to secure human resources flexibly, but since we already have production facilities there, we believe it is possible to proceed even on a temporary basis.

Q: When transferring production to Canada, if materials and components are brought from China or Japan, will additional tariffs be imposed on those parts?

A: While it depends on future conditions and other factors, we believe that a certain degree of avoidance of such tariffs is possible.

Q: Under these circumstances, is there a possibility that cinema replacement demand in the U.S. and China will be put on hold, causing sales to temporarily fall more than expected?

A: We do not anticipate a direct risk of a significant decline in cinema replacement demand due to the tariff measures. However, new tariffs on foreign films are being considered, and it is difficult to predict their impact. If tariffs on foreign films are imposed, there could be adverse effects on film production, as well as retaliatory measures by various countries, such as China imposing heavy tariffs on Hollywood film imports. Additionally, there is a possibility of a chain reaction where markets with strong domestic content, such as China, Japan, and India, move away from Hollywood films, which could impact activities in Hollywood. Since these concerns are more medium- to long-term rather than short-term, we will continue to monitor the situation closely.

Q: It has been mentioned that DLT system is somewhat delayed, but is the timing for sales to start in FY2026 still unchanged?

A: While some projects are delayed, we have already received orders, and sales contributions will begin in FY2025. We expect significant growth to start in FY2027, with FY2026 serving as an initial growth phase where we anticipate a certain level of sales.

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