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Financial Results Briefing for the First Quarter of the Fiscal Year ending March 31, 2026 of Ushio Inc.
Major Questions and Answers

Date and Time: August 5, 2025/ 17:15 - 18:00
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: Regarding the acquisition of OSRAM, the company has been your strongest competitor in semiconductor lamps and cinema lamps. After the acquisition, is it reasonable to expect that the absence of such a major competitor will ease excessive competition and lead to improved profitability?

A: That is correct. Under an appropriate competitive environment, we will fulfill our responsibility to supply products to customers through this integration, while striving to maintain and further improve profitability. Through these efforts, we aim to further develop this as a profit base business of our company.

Q: Is it correct to assume that the acquisition will begin contributing to earnings in FY2026 (the fiscal year ending March 2027)?

A: We do expect some contribution in FY2026, but integration-related costs will also be incurred, so the positive impact will emerge gradually. Depending on the final closing date, we anticipate a full-scale contribution starting in FY2027 (the fiscal year ending March 2028).

Q: We agree with your outlook for growth in the advanced-packaging lithography equipment market, but the number of competitors is rising. Development across the industry is now centered on 310mm square substrates. How do you view the evolving competitive and business environment?

A: At present, although customers acknowledge the need for next-generation technologies, most are opting to scale up mass production by extending existing technologies, which is delaying their investment decisions. However, demand for larger substrates remains strong, and we have received many requests from customers to support larger sizes. Over the medium to long term, we believe our lithography equipment can offer a compelling solution for this market.

Q: Is it correct to understand that the market will not be limited to 310mm square substrates and that conversations about 500mm or even 600mm square substrates are still continuing?

A: That is correct. We do not expect the market to standardize exclusively on the 310mm square format. In fact, we are already in active discussions regarding larger substrate size.

◆ <u>**Questioner: Mr. Nakanomyo, Jefferies Japan Limited**</u>

Q: Could you comment on how the new UX-5 (stepper) is expected to contribute to your future results?

A: The new UX-5 delivers even higher resolution, and we expect it to be launched when the substrate market recovers. Over time, it should become one of our flagship products and make a meaningful contribution to earnings.

Q: Is it correct to understand that the new product not only targets the recovering package-substrate market but also supports finer line-and-space requirements and can be used for interposer substrates?

A: Yes, that's correct. In addition to addressing the demand for finer features on package substrates, it is compatible with interposer substrates and will become a key product supporting our DLT systems business.

Q: Could you clarify what you mean by "supporting," and also explain how the new UX-5 works in combination with the DLT system?

A: The stepper delivers high productivity within the single-shot exposure area it supports. The DLT system, on the other hand, handles much finer line-and-space requirements and is not limited by compatible size. In practice, the DLT system is the preferred solution for fine processes on large panels, while the new UX-5 covers mid-class processes where high throughput is essential. Thus, the two products complement each other.

Q: In interposer substrate area, is my understanding correct that your company is the only one offering both maskless lithography equipment (DLT systems) and steppers?

A: That is our understanding.

Q: Does this product lineup have sufficient appeal to the market?

A: Yes. Customers are exploring a variety of package sizes and materials, and our lineup gives them options for multiple design concepts. For that reason, we believe it offers strong market appeal.

Q: Just to confirm regarding the OSRAM acquisition: because integration-related costs will be incurred, is it reasonable to assume that we can not expect much profit contribution in the first year, FY2026?
A: That is correct. We do not expect a significant profit contribution in FY 2026, as integration-related costs will be incurred during that period.

Q: Is it correct to understand that the business to be acquired carries an organic margin of around 10 percent?
A: Yes, that's right. The target enjoys an operating margin of 10 percent or more, so we expect it to be profit-accretive from day one. That said, we will incur first-year costs for post-merger integration (PMI), as well as additional expenses for corporate functions and IT infrastructure.

Q: Will integration related costs taper off significantly from the second year onward (FY 2027 and beyond)?
A: Depreciation expenses will remain, but the integration related costs will decline materially from FY2027 onward.

Q: Has the size of the goodwill yet to be determined?
A: Yes. It will be finalized as we move toward the closing scheduled for the fourth quarter of FY2025 (the fiscal year ending March 2026).

Q: Could you comment on the impact of tariffs? You have not disclosed any direct cost increases—should we expect any material effect?
A: Some shipments to the United States may be subject to tariffs. Because negotiations are still under way, nothing has been finalized; however, we currently expect the impact to be limited.

Q: We understand you have shifted production to Canada as a countermeasure and that, under the USMCA (United States-Mexico-Canada Agreement), most items are tariff-free. Does the much-talked-about 35 percent tariff, therefore, have little relevance for your company?

A: Projectors make up the bulk of our shipments, and they are largely unaffected by tariffs. While a few components could still be subject to tariffs, we believe any impact will be minimal.

Q: There are concerns that tariffs could dampen demand, yet your cinema segment appears relatively strong in the first quarter despite a stronger yen. Did you see any pull-forward of orders in the cinema business?

A: No, we did not. Last year, the Hollywood strikes and other factors subdued activity in the cinema market, causing customers to postpone orders. What you are seeing this quarter is simply that deferred demand shifting into the current period.

◆ **<u>Questioner: Mr. Saita, Mizuho Securities Co., Ltd.</u>**

Q: How did first-quarter results compare with your internal plan? The Life Science and Photonics Solutions businesses—neither of which is a core segment—both posted profits in Q1, even though the full-year forecast calls for a loss. If this trend continues in Q2 and beyond, is a full-year profit for these businesses now possible? Please explain (1) the Q1 variance versus plan for the company as a whole, (2) the variance for these two business segments in particular, and (3) your latest full-year view.

A: Although these two segments are relatively small, first-quarter sales were stronger than planned, and profitability improved thanks to the "selection-and-concentration" measures we have been implementing—resulting in a positive bottom line. For the full year, however, we still see risks from seasonality and other fluctuations in sales, so we cannot be overly optimistic. That said, if current trends hold, a full-year profit is within reach. We will continue to monitor the situation closely and will provide an update if there is any material change.

Q: Is it correct to understand that the segments have turned profitable thanks to the initiatives under your New Growth Strategy?

A: Yes, that is correct.

Q: How did your consolidated first-quarter results compare with internal expectations? Including the Life Science and Photonics Solutions businesses, were the numbers better than expected or roughly in line?

A: They were broadly in line with our expectations, though slightly better.

Q: With respect to the DLT system, it appears to target the same area as your new UX-5 product. I realize there are differentiators—such as the 1 μm versus 1.5 μm resolution, exposure area, and imaging method—but you have said both are aimed at interposer substrates. I assume there is value in offering both products as a total solution, yet could you explain in more detail how the two equipment are positioned? Also, is my understanding correct that the new UX-5 is intended to replace existing i-line technology?

A: We maintain a clear segmentation within our lithography equipment portfolio. The stepper's single-shot exposure and the DI's maskless exposure are built around different use-case concepts. Because customers can choose whether to prioritize throughput or resolution, we see little risk of cannibalization between the two product lines.

Q: The previous UX-5 offered a 250 mm × 250 mm exposure field with high productivity, but am I correct in understanding that the new 100 mm × 100 mm model sacrifices some throughput to achieve higher accuracy? Even so, it still delivers higher productivity than competing exposure methods or your DLT system, allowing customers to choose according to their preferences—is that a fair interpretation? In addition, should we view this as an upgrade to the UX-5 series, with the DLT system remaining a separate product line?

A: That is correct.

Q: Regarding the additional DLT system orders, did they come from existing customers, or are they from new customers?

A: They are from new customers.

Q: You mentioned that the first shipment went out in June, but my understanding was that evaluation units had already been delivered to customers. What exactly do you mean by "first shipment" in June?

A: It refers to the first shipment of units manufactured by our group company, Adtec Engineering, to customers as newly purchased orders.

Q: Does that mean evaluation units manufactured by a company other than Adtec Engineering had already been delivered to customers?

A: Yes, that is correct.

Q: You explained that the OSRAM business you are acquiring is expected to generate an ROIC of more than 10 percent. Given an acquisition price of approximately ¥15.0 billion and sales of about ¥28.8 billion in the fiscal year ended December 31, 2024, may we infer that its operating profit is on the order of ¥3.0 billion? In addition, what are the respective global market shares for lamps in Industrial Processes area for your company and for the business being acquired?

A: We are not disclosing profit details, but the operating margin is above 10 percent. We cannot provide specific figures at this time. As for global market share, our company already holds a significant position, and this acquisition is expected to strengthen it further.

Q: Have antitrust issues been cleared, and is the deal progressing without complications?

A: Because our market share is relatively high, we conduct certain checks in advance. We recognize this a key item to be addressed before closing, and certain jurisdictions may require formal filings. Nevertheless, we do not anticipate any major obstacles.

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