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Financial Results Briefing for the First Nine Months of the Fiscal Year ending March 31, 2026 of Ushio Inc.

Major Questions and Answers

Date and Time: February 6, 2026/ 19:15 – 20:00
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. Ujihara, SBI SECURITIES Co., Ltd.**

Q: Could you give us an update on the status of your Digital Lithography systems (DLT systems)? I believe its impact on the market and your earnings will become significant in FY2027 or FY2028. Compared with three months ago, how do you view market expansion, competitive dynamics, and any new challenges that have emerged?

A: The key factor for the DLT system we are developing in collaboration with Applied Materials is the timing of full-scale shift to larger substrate sizes. From what we hear, most customers are targeting a mass-production ramp-up in FY2028, which means we should see installation volumes begin to increase from FY2027. In that respect, our overall schedule assumptions have not changed materially over the past three months. Inquiries are very strong and the number of active projects is growing. However, technical adjustments and coordination with customers are required for each project, and we believe that reliably advancing these processes is extremely important.

We are seeing more players entering the field, but our DLT system continues to earn high marks for its overall evaluation, including stability, DDC* performance, and software capabilities—factors that are decisive in customer evaluations. By highlighting these strengths, we are confident we can stay on track for a solid, full-scale DLT ramp-up starting in FY2027.

*DDC: Digital Dynamic Connection

Q: Is it fair to say that customer evaluations of, and requests to, your company have become even stronger than before?

A: Yes, that is exactly the case.

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

Q: Were your net sales and operating profit for the first nine months (9M) better or worse than your internal expectations?

A: Performance for 9M was ahead of our internal plan. That said, in Q4, we are actively streamlining our portfolio, exiting or replacing businesses that are unlikely to make a meaningful contribution over the long term as part of our ongoing structural reforms. Given the associated risks, such as the potential recording of valuation losses, we have decided to keep our full-year guidance unchanged for now.

Q: By how much did operating profit for 9M exceed your expectations?

A: The amount was not particularly large.

Q: Earlier you mentioned that there has been no major change in the business environment over the past three months. However, just a few days ago, a package substrate maker announced a significant capital investment, and, more broadly, we sense rising investment appetite around package substrates. Even considering these changes, do you still expect a full-scale recovery to begin in the latter half of 2026 or later?

A: We are seeing increased inquiries not only for our DLT systems but also for our stepper lithography equipment. In addition, demand for mid-range direct imaging (DI) lithography equipment handled by our subsidiary, ADTEC Engineering, is also rising, driven by expanding substrate demand related to generative AI. Overall, we get the impression that capital investment is starting to pick up, particularly in areas related to generative AI and its surrounding fields

As for the timing of the recovery, taking into account factors such as equipment lead times, our current view is that a full-scale recovery will begin from FY2027.

Q: You also introduced the new UX-4 series product. Is demand for this product also strong in the communications-related field?

A: We are seeing increasing inquiries across a variety of areas, particularly for components and substrates related to photoelectronic fusion, which is currently attracting significant attention. In addition, there is growing demand in areas such as power semiconductors, MEMS, and sensor devices.

Q: Do you expect this product to contribute to your business performance in the latter half of FY2026?

A: We anticipate that some projects will begin to ramp up during FY2026. Inquiries are increasing in the areas we are targeting, so we expect this product to start contributing to our business performance from the latter half of FY2026.

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

Q: You mentioned that temporary expenses such as valuation losses have been incurred in Q3 and expected again in Q4. Could you give us a sense, for both Industrial Processes (IP) and Visual Imaging (VI) businesses, of what these costs related to, how much was recognized for 9M, and what magnitude you anticipate for Q4?

A: As part of the business portfolio revamp under our New Growth Strategy, we are proceeding with the selection and divestiture of certain businesses. As a result, we have recorded valuation losses on inventories and fixed assets. However, the amounts recorded for 9M were not particularly large. We are still quantifying the potential impact for Q4, but it could reach the low-billions of yen range. The main items are expected to be related to the restructuring of certain businesses within the IP and VI.

Q: You mentioned that there were valuation losses on some slow-moving inventory for lithography equipment in the IP business, recognized under the lower of cost or market method. Was the amount significant?

A: No, the amount was not particularly large.

Q: Just to confirm, the valuation losses recognized under the lower-of-cost-or-market method do not involve physically scrapping the inventory; rather, they merely reduce its book value. So, if the products are sold in future periods, the loss can effectively be reversed—am I understanding that correctly?

A: Yes, that is correct.

Q: Regarding the streamlining of the product lineup in VI business, you booked similar expenses last fiscal year and have indicated that such costs may recur in Q4 this year. Should we expect these expenses to continue beyond next fiscal year as you further streamline the lineup, or is this process now approaching completion?

A: We are continuously reviewing our lineup and sequentially phasing out products that, based on our evaluations, are unlikely to deliver acceptable returns. Since we have already addressed the larger, lower-return items first, we believe it is unlikely that we will incur valuation losses of a similar scale in the next fiscal year or beyond.

Q: We have been hearing from various sources that there has been increased activity recently related to EMIB-T in the advanced package substrate field. If investments in EMIB-T move forward, is it reasonable to expect that your stepper will also benefit accordingly? Additionally, compared with three months ago, how much has your visibility improved, and when might we expect any impact to show up in your results—within the limits of what you can disclose?

A: We are closely monitoring developments related to EMIB-T, and we believe that as the market expands, opportunities for us will also increase. In fact, we are seeing a growing number of related inquiries from various customers. However, with regard to large-panel technologies for substrates used in generative AI, including EMIB-T, we recognize that customers are considering not only steppers but also DI (Direct Imaging) solutions, depending on their specific needs. Therefore, while opportunities are expanding, we need to keep a close eye on which equipment and solutions will ultimately be adopted. Our strategy is to offer a comprehensive lineup, including DLT systems, new products in the UX-5 series of stepper, and new DI lithography equipment, so we expect to capture a certain share of the EMIB-T-related demand as well. As for the timing of when this will contribute to our business performance, we believe it will be from FY2027 onward.

Q: We understand that several companies plan to launch pilot lines for glass-core substrates this year. Because glass cores offer superior flatness, enabling finer line patterning, this seems like a major step forward in miniaturization. How do you view this trend?

A: We are receiving a variety of inquiries and engaging in business discussions regarding glass core substrates, including for our stepper and DLT systems. Customer needs differ depending on their materials, designs, and development philosophies, so they do not always align perfectly with a single solution. Against that backdrop, our priority is to capture each customer's specific requirements— including any necessary tuning—and work closely with them to deliver the optimal outcome.

Q: When do you expect investments in glass-core substrates to begin contributing to your earnings?

A: While some companies are pushing back their glass-core adoption schedules, the overall industry trend still points to a full-scale ramp-up around 2028. Accordingly, we anticipate that glass-core–related demand will start contributing to our results from FY2027 onward.

Q: Summing up, it seems that FY2027–FY2028 will be the major growth phase for your lithography equipment business, whereas the contribution next fiscal year (FY2026) may be limited. In addition, the OSRAM light source business acquisition is likely to be cost-heavy in its first year of consolidation, with little immediate profit contribution. That said, as for factors affecting next fiscal year's results, it seems possible that some of the temporary expenses incurred this year may reverse, but since you are continuing with your reforms, I would like to know the overall direction for next year's performance. For the VI business, you mentioned that the 8% operating profit margin target remains unchanged, but could you share any elements currently visible regarding sales and profit for each segment?

A: For FY2026, we expect a slight increase in lithography equipment sales, but do not anticipate a significant contribution to overall results just yet. In terms of performance, we believe that strengthening our earnings base through ongoing structural reforms will be a positive factor, particularly in raising the baseline for the VI business. While we are aiming for year-on-year increases in both sales and profits, we are still in the process of reviewing the figures at this stage, so we would like to refrain from making specific comments at this time.

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