

# HAMAMATSU PHOTONICS K.K.

Fiscal Year Ended September 30, 2024 Financial Result

November 11, 2024



Maruno: I will now explain the financial results.

This is today's agenda.

I would like to talk about our business performance and our medium-term plan, with particular emphasis on our growth and financial strategies.

ancial	Summary	EV23_EV	(24)				PHOTON IS C
	Jannary	1120-11					
Sales deci advanced	eased due to order, but beg	prolonged jan to impr	impact of read ove in fourth o	ctionary de quarter.	ecline from	customer's	
							(Unit: Billion ye
	EV23	EV24	FY24	Y	ρΥ	YoY(Exclu	iding NKTP)
	1120		(Excluding NKTP)	Change	%	Change	%
Sales	221.4	203.9	200.3	-17.5	-7.9	-21.1	-9.5
Gross prot (%)	it <b>120.0</b> (54.2 %)	<b>103.8</b> (50.9 %)	<b>102.2</b> (51.0 %)	-16.2	-13.5	-17.8	-14.8
Operating pr (%)	ofit <b>56.6</b> (25.6 %)	<b>32.1</b> (15.7 %)	<b>34.2</b> (17.1 %)	-24.5	-43.3	-22.4	-39.6
EBITDA (%)	<b>71.4</b> (32. 3%)	<b>49.8</b> (24.4 %)	<b>52.3</b> (26.1 %)	-21.6	-30.3	-19.7	-27.6
Net profit	42.8	25.1	27.5	-17.7	-41.4	-15.3	-35.7
	Exchang	e rate (Yen)		FX (1-	sensitivity/Year yen fluctuation)	Impact by c	urrency fluctuation erating profit
\$1	139.03	150.54	150.54	\$1	0.3		
€1	148.38	163.16	163.16	€1	0.1		5.0
	40.74	20.62	20.62		10		

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First, this is the financial summary.

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We unfortunately experienced a decrease in sales and profit in FY2024. Even excluding the acquisition of NKT Photonics, sales and profits unfortunately declined.

The major reason for the decrease in profit is the decline in gross profit due to the decrease in sales.

ining i orec	asi (i i	24-1 123	,				
Demand in man Profit will decre from FY26 onw	y industri ase due to ard.	es improve o aggressiv	ed, resulting /e growth i	g in increase nvestments	ed revenu , but stabl	es. le growth is	s expected
							(Unit: Billion yen)
	FY24	FY25 (Plan)	Change	9Y %		NKTP impact	FX impact
Sales	203.9	218.9	15.0	7.4		11.2	-3.5
Gross profit (%)	<b>103.8</b> (50.9 %)	<b>109.9</b> (50.2 %)	6.1	5.9		5.4	-3.5
Operating profit (%)	<b>32.1</b> (15. 7%)	<b>24.1</b> (11.0 %)	-8.0	-24.9		-4.8	-2.6
EBITDA (%)	<b>49.8</b> (24.4 %)	<b>46.1</b> (21.1 %)	-3.7	-7.4		-1.5	-2.6
	25.1	18.0	-7.1	-28.3			
Net profit				FX sens	sitivity/Year	Impact by cu	rrency fluctuation to
Net profit Exchange rate (Yen)	FY24	FY25		(1-yen f	luctuation)	oper	ating profit
Net profit Exchange rate (Yen) \$1	FY24 150.54	FY25 145.00		(1-yen f \$1	luctuation)	oper	ating profit

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From here, I would like to talk about FY2025. This is our earnings forecast.

Since demand in many industries is showing signs of improvement, we expect an increase in sales. As for operating profit, we will continue to proactively invest, especially in FY2025. As a result, we now expect a decrease in operating profit, but this is within our expectations.

In addition, the FY2025 forecast is calculated based on USD at JPY145, EUR at JPY155, and RMB at JPY20. It is still unclear how the global situation will change in the future, but assuming that the same situation as at the end of this year continues and excluding the impact of NKT Photonics, operating profit and EBITDA will remain almost unchanged despite the increase in sales. This is for your information.

Now, I will talk about various details, but the main reasons for the decrease in profit this time are largely due to the increase in SG&A and R&D expenses. This is partly due to the acquisition of NKT Photonics. So, the decrease in profit is larger.

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### Summary of Application (Medical-bio FY23-FY24-FY25)

	FY23	EVOA	FY25	FY23	FY24	FY23-FY24	
	F 123	F 124	(Plan)	Change	%	Change	%
Radiographic testing	52.4	41.4	39.9	-11.0	-21.0	-1.5	-3.6
Laboratory testing	22.6	19.7	21.1	-2.9	-12.8	1.4	7.1
Medical-bio total	78.1	64.9	70.0	-13.2	-16.9	5.1	7.9
Radiographic testing	For Denta	al (FY23-FY2	44.8, FY24	-FY25 +0.3	it completed ii	n F Y 24.	
Radiographic testing	For Denta Intensifyin Continued clinics cause	al (FY23-FY2 og price compe I decline in der sed by high int	44.8, FY24 tition mainly in C nand due to restr erest rates in Eur	Frent was almost -FY25 +0.3 hina rained capital inv rope and the U.S	estment by sr	n F Y 24. nall- and mediu	um-sized
Kadiographic testing	<ul> <li>For Denta Intensifyin Continued clinics caus</li> <li>For PCR ( Special de</li> </ul>	al (FY23-FY2 g price compe I decline in der sed by high int FY23-FY24. mand related t	44.8, FY24 tition mainly in C nand due to restr erest rates in Eur 1.0, FY24-F o COVID has en	Hent was almos I-FY25 +0.3) hina rained capital inv rope and the U.S Y25 flat) ded.	estment by sr	n F Y24. nall- and medic	ım-sized

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### Summary of Application (Industrial FY23-FY24-FY25)

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	EV22	EVOA	FY25	FY23	-FY24	FY24	-FY25
	F123	F 1 24	(Plan)	Change	%	Change	%
Semiconductor manufacturing equipment	33.3	31.5	35.5	-1.8	-5.4	4.0	12.7
Semiconductor Failure analysis system	10.5	10.1	11.4	-0.4	-3.8	1.3	12.9
Non-destructive testing	20.3	16.2	16.4	-4.1	-20.2	0.2	1.2
Industrial total	74.4	66.3	73.9	-8.1	-10.9	7.6	11.5
Semiconductor manufacturing and testing equipment	<ul> <li>For Wafe</li> <li>Demand of increase s</li> <li>For Steal</li> </ul>	r inspection decreased due harply from FY th dicing (FY	(FY23-FY24 to inventory adju /26 onwards /23-FY24 +2	-2.1, FY24-FY istment and is ex .3, FY24-FY25	25 flat) spected to ren	nain flat in FY2	5, but
Semiconductor manufacturing and testing equipment Semiconductor Failure analysis system	<ul> <li>For Wafe Demand c increase s</li> <li>For Steal Continuec</li> <li>Negative increased</li> </ul>	r inspection decreased due harply from FY th dicing (FY d demand for H impact in FY24 demand for HE	(FY23-FY24 to inventory adju /26 onwards (23-FY24 +2. IBM (High Bandw 4 due to shipmen BM led to steady	-2.1, FY24-FY istment and is ex .3, FY24-FY25 vidth Memory) du t delays, but the performance in F	25 flat) spected to ren 5 +0.2) ue to booming expansion of €Y25	nain flat in FY2 Al market sales in logic a	5, but
Semiconductor manufacturing and testing equipment Semiconductor Failure analysis system Non-destructive	<ul> <li>For Wafe Demand of increase s</li> <li>For Steal Continued</li> <li>Negative increased</li> <li>For Elect Recovery</li> </ul>	r inspection decreased due harply from FY th dicing (FY d demand for H impact in FY24 demand for HE ronic compo trend for electr	(FY23-FY24 to inventory adju '26 onwards (23-FY24 +2 IBM (High Bandw 4 due to shipmen BM led to steady onent inspection ronic components	-2.1, FY24-FY istment and is ex- .3, FY24-FY25 vidth Memory) du t delays, but the performance in f n (FY23FY-24 s such as for AI s	<b>25 flat)</b> (pected to ren <b> +0.2</b> ) (a to booming expansion of FY25 <b>-1.3, FY24</b> (erver boards	nain flat in FY2 Al market sales in logic a -FY25 +0.7) for data center	5, but and s

These are trends by application.

As noted here, all applications saw a decline from FY2023 to FY2024. However, from FY2024 to FY2025, we expect all applications to more or less increase sales. We understand that we have hit the bottom as far as sales are concerned.

From here, detailed trends in each application are explained with respect to the plan for 2024-25. This will be discussed in detail in the medium- to long-term plan later, so, please read it.

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🛑 Me	dium-term Plan	HAMAMATSU PHOTON IS OUR DUSINESS
	Aim to expand business by acquiring and creat growth in existing markets	ing new markets in addition to
Ø	FY27           Sales         259.1 billion yen           Operating profit (%)         37.7 billion yen (14.6%)           EBITDA (%)         62.0 billion yen (24.6%)           ROE         Over 8.0%	FY30 Target Sales 300 billion yen
	Investment in Growth Investment in the front-end process of opto-semiconductors Acquisition of NKTP 42.0 billion yen	

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From here, I would like to discuss in detail our medium-term plan, our growth strategy, and financial strategy.

First, this is our medium-term plan.

This three-year plan, the plan we have established, projects sales of approximately JPY260 billion, operating profit of JPY37.7 billion (14.6%), and EBITDA of JPY62 billion in FY2027. ROE will also decline temporarily but is expected to exceed 8% in FY2027.

The factors here, we very actively invest right now. We believe this is truly essential for our future growth. We expect to invest approximately JPY44.5 billion in front-end optical semiconductor processing and JPY42 billion in the acquisition of NKT Photonics.

Beyond these investments, we are moving forward the major goals of increasing sales to JPY300 billion and operating profit to 20% as shown here for FY2030.

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I would like to take a moment here to reflect on the situation up to the present.

Before FY2020, we call it pre-COVID, our compound annual growth rate was 5.4%. Our average operating profit margin was 18.3%, and it moved back and forth between just under 20%. This was our competence.

During the COVID surge, we thought that the number of our order intake would drop; however, the exact opposite occurred. The supply of PCR detectors used in the diagnosis of COVID and the demand for X-ray CT detectors grew enormously. As PCR could not keep up with the demand, a simple X-ray CT was used to diagnose COVID. We also received very many orders for detectors used in DNA sequencers for the detection of COVID variants.

It may sound strange to call it special demand, but sales and profits saw a sharp rise thanks to extremely strong demand from these customers. Sales, which used to be around JPY150 billion, surpassed JPY200 billion in about two years. Operating profit also increased sharply from around JPY20 billion to nearly JPY60 billion, nearly tripled.

Afther thatHowever, a shortage of parts occurred, we received advance orders from many manufacturers. This led to overstock at the customers, our sluggish sales, and declined profits and profit margins in FY2024.

We are seeing a reactionary decline, and this coincided with the increase in expenses for M&A and capital investment that I mentioned earlier. So, profits have bottomed out as well. Sales bottomed out in FY2024, and profits are expected to bottom out in FY2025. From here, we expect a steady recovery. We will discuss this in detail later.

Concerning our large investments, the first one is an investment in the optical semiconductor business, especially in front-end processes. Let me repeat its significance.

Our business model at HAMAMATSU PHOTONICS is customization and high-mix, low-volume production. We learn our customers' requests in detail and provide solutions with high added value. Customization for each

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customer inevitably results in high-mix, low-volume production. In other words, we are a super niche company.

It is impossible to realize the sale of such high-mix, low-volume products only with external fabs. Of course, there are quite a few parts of our company that use external fabs.

However, in order to complete flexibly these high-value-added products in a short period of time, they are developed at in-house fabs and put into production as quickly as possible. In order to realize such a cycle, we must have a minimum number of our own fabs.

Our own fab renewal generally, based on past history, is once every 20 years. We are just now in that cycle, and our production line, which currently uses 6-inch wafers, is being upgraded to 8-inch wafers, which we believe is an essential investment. We believe that without this, future growth and development will not be possible.

Another major investment is the acquisition of NKT Photonics.

As you may know, HAMAMATSU PHOTONICS is a leading manufacturer of light receiving devices. We have photomultiplier tubes, optical semiconductors, and two-dimensional imagers. We have many very good, world-leading light receiving devices.

On the other hand, when it comes to light-emitting devices, lamps are the mainstream. So, this lamp is in danger of eventually being replaced by these semiconductor devices. Unfortunately, our LED and LD business are very small, which are also a cause for concern.

With the acquisition of NKT Photonics, we are now able to incorporate their world-leading fiber laser technology. With this acquisition, we have both light-receiving and light-emitting devices.

It is a very strong advantage that laser business with NKT Photonics will be the fourth pillar of our company, and that we will be able to bring to market products with very high added value in light receiving and emitting. In my opinion, it is a unique manufacturer in the world.

Here is a brief introduction to NKT Photonics. Its core technology is photonic crystal fiber. This is the technology that can amplify the light of ultrashort pulsed lasers, and they are the only manufacturer capable of mass producing this technology.

In addition, this technology itself is really a core technology in the laser industry that they supply to other laser manufacturers.

It is a manufacturer with fiber laser technology, and its main products are white light lasers, single frequency fiber lasers, and ultra-short pulsed lasers using its core technology, photonic crystal fiber. It provides products in the fields of medical, life science, industry, security, quantum, and so on.

Fortunately, we do not offer any competing products. We believe that it will be a great advantage for us and NKT Photonics to enter this market as the same family.

The headquarters are located in Denmark and has about 450 employees. Its sales for 2023 are EUR88 million.

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As explained, we made large investments. As a result, we are projecting sales of JPY218.9 billion and operating profit of JPY24 billion, 11% of our total sales for FY2025.

However, as I mentioned, using the synergies with NKT Photonics and our own strategy, we plan to make a steady recovery. With the acquisition of NKT Photonics and the incorporation of their core technology, we intend to grow the laser segment as the fourth pillar of our business.

In the future, as I mentioned, I believe that FY2027 will be a milestone for us. Beyond that, we are aiming for JPY300 billion in sales and JPY60 billion in operating profit, which we hope to achieve in FY2030.

We are now making major investments to achieve our goals of JPY300 billion in sales and operating profit margin of 20%, and we intend to grow sustainably in the future.

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As for capital investment, as I mentioned, we have fairly large capital investments in FY2025, but these investments will come to an end. Thereafter, we plan to keep capital expenditures fairly low. Depreciation is expected to reach its peak at approximately JPY25 billion.

Concerning R&D expenses, we could not proceed with research and development as planned during the pandemic. Since R&D expenses in FY2025 include those for NKT Photonics, we plan for JPY18 to JPY19 billion, so the ratio to sales will be approximately 8%.

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	Medical-b	io		Industria	1 <b>I</b>
<ul> <li>In</li> <li>In</li> <li>In</li> <li>In</li> <li>In</li> <li>In</li> <li>In</li> </ul>	nventory adjustment completed, res rend trroduce next-generation technolog ne CT, PET market n the dental market, secure the Euro apanese markets by introducing CM	toring traditional growth ies and differentiate in opean, American, and IOS and Al technologies.	<ul> <li>Inventory ad trend</li> <li>Strength tota processes to</li> <li>Maintain mar through support</li> </ul>	justment completed, res al solutions from semico analysis applications rket share by differentiat plying high-voltage MFX	toring traditional growth inductor manufacturing ing from competitors , etc.
200			A Dila		
					6 10
					(Unit: Billion yen)
		FY23	FY27	Change	(Unit: Billion yen) CAGR
	Medical-bio	FY23 64.9	FY27 86.4	Change 21.5	(Unit: Billion yen) CAGR 10.0 %
	Medical-bio Industrial	FY23 64.9 66.3	FY27 86.4 87.2	Change 21.5 20.9	(Unit: Billion yen) CAGR 10.0 % 9.6 %
	Medical-bio Industrial Analytical	FY23 64.9 66.3 20.4	FY27 86.4 87.2 25.6	Change 21.5 20.9 5.2	(Unit: Billion yen) CAGR 10.0 % 9.6 % 7.9 %
	Medical-bio Industrial Analytical Academic research	FY23 64.9 66.3 20.4 16.4	FY27 86.4 87.2 25.6 14.5	Change 21.5 20.9 5.2 -1.9	(Unit: Billion yen) CAGR 10.0 % 9.6 % 7.9 % -4.0 %
	Medical-bio Industrial Analytical Academic research Measuring	FY23 64.9 66.3 20.4 16.4 10.2	FY27 86.4 87.2 25.6 14.5 11.8	Change 21.5 20.9 5.2 -1.9 1.6	(Unit: Billion yen) CAGR 10.0 % 9.6 % 7.9 % -4.0 % 5.0 %

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These are trends by market.

We will discuss them in more detail later in our growth strategy.

wth strategy		
01 Steady growth in exis	sting markets where we can leverage	e our strengths
<ul> <li>Deploy cutting-edge techno</li> <li>Deep market knowledge, cu</li> </ul>	ologies aligned with current trends promp ustomer network, and high market share	tly to secure a strong market position
02 Introduction of high v	value-added module products	
Integrate internal technolog	gies to secure high profit margins with new	w business concepts
03 Fully capitalize on the	e synergies from the NKTP acquisition	on
<ul> <li>Creating synergies by havin</li> <li>Accelerate growth in new mark</li> </ul>	ng light-receiving and light-emitting techn narkets held by NKTP	ologies
04 Bringing the results of	of the Central Research Laboratory t	o the market
b. Creation of nour photonics		

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Concerning our growth strategy, this is the summary of the four growth strategies.

The first is steady growth in existing markets where we can leverage our strengths. In the market that HAMAMATSU PHOTONICS has built for 70 years and has a very high share, especially in the semiconductor,

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medical equipment, and non-destructive testing industries, we believe we will be able to secure an unshakable market position by promptly deploying cutting-edge technologies aligned with current trends.

This is because we know the market very well. In addition, we have a very strong customer network, including major manufacturers, and naturally we have a very high market share. Therefore, it is very important to secure these and deploy new products in a timely manner to achieve sustainable growth.

Then, about the introduction of high value-added module products, which we have explained to investors on several occasions, we will integrate internal technologies and provide new business concepts and high value-added products as modules rather than components. By doing so, we will promote a business model that ensures a solid profit margin.

We have also acquired NKT Photonics and hope to take full advantage of this synergy. The quantum business field is an area where we and NKT Photonics are very strong. This is a market that will grow in the future. So, we would like to focus our efforts on developing this market.

Also, our product detectors are used for diagnosis in healthcare, but NKT Photonics is now building a very strong position in the field of laser-based therapy, which we were not involved in before. This therapeutic market is a new market for us. Moreover, the area of security is very scalable. We will work together with NKT Photonics to grow these businesses. These are our three basic strategies.

Finally, although it will take 5 to 10 years in the medium to long term, we would like to create new photonics markets in the fields of terahertz spectroscopy and laser processing, which are our current targets, by bringing the results of the Central Research Laboratory.

Let me explain the contents in detail, but before I do so, let me summarize the strategies I have just described.

The first areas are the markets we had, and we will build on these to create an unshakable position: semiconductors, medical, which is related to diagnostics, and non-destructive testing. Then, the synergy with NKT Photonics promotes modularization and further development in the field of quantum.

On top of that, healthcare and security come into play. In the mid- to long-term, we would like to create a new market for terahertz and laser processing.

First, steady growth in existing markets where we can leverage our strengths. In particular, I will talk about semiconductors, medical and biotechnology, non-destructive fields.

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First, we have medical and biotechnology.

Despite your concern, we are confident that the market for X-ray CT will begin to grow again as the market recovers.

One key trend, however, is that this market is now looking to more and more lower radiation exposure. To achieve lower radiation exposure and higher functionality, photon-counting CT, which directly detects X-rays using a new detector called cadmium telluride, is now a major trend. All medical equipment manufacturers are working to push up equiments that use cadmium telluride.

Since cadmium is very toxic and not good for the environment, we are focusing on the development of direct conversion photon-counting CTs based on silicon without using cadmium. This is a technology that is already under evaluation by our customers.

This will use a large amount of 8-inch silicon wafers, and we believe it will also be key to activating the new 8-inch wafer production line under construction.

The other is the PET(positron emission tomography) market. The strong trend here is to acquire higher resolution images. We had a crisis that temporarily brought in a competitor.

One manufacturer has come up with a detector with excellent time resolution. However, fortunately, we have made good progress in in-house R&D and are now in a position to offer a silicon-based multiplying type detector called MPPC, which has the industry's top time resolution. This is also under evaluation, but we heard that the application is confirmed.

We would like to promote the provision of such high-performance, high time-resolution detectors in modular form.

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The last area of medical and biotechnology is the dental market.

I think this is the area that everyone, including investors, are most concerned about. Indeed, sales decreased, most recently.

The reason for this is the commoditization of flat panels using TFT, a very old technology. This is also a risk. Commoditization means that it has become easier for Chinese manufacturers to enter the Chinese market, and Chinese competitors offer them at very low prices. What are we going to do about it?

First, as I mentioned here, our ultimate goal is to differentiate ourselves in the high-end market. However, even with our current TFT-based model, our strong point has been customization for each customer. We have also developed a proprietary in-house AI technology for noise reduction to create high-definition images.

The image is a conventional CT image created from the image captured by the sensor. The yellow line indicates image gradation, and it shows a lot of noise. The image quality is not very good. However, by adding our proprietary AI denoise algorithm, which reduces noise, it is possible to significantly reduce noise while maintaining contrast.

It has been very well received, and major Japanese manufacturers have already evaluated it and are now moving toward its application. In the European market, we have also won new orders from new customers thanks to customization for each customer, this AI denoising technology, and improved usability. We believe that we can still compete in the current market in Japan and Europe.

Another big news, which we announced on November 5th, is the acquisition of BAE Systems Imaging Solutions, an American manufacturer. This manufacturer has the technology to design highly sensitive CMOS image sensors with very low noise.

This manufacturer has a US dental market share as shown above. Right now, our US dental market share is very small, almost zero, but with the addition of BAE Systems, we can expand our business in the US market quickly. We hope to expand our market share in Europe, the United States, and Japan.

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We also established the X-ray Business Strategy Office, which is currently working on the development of a new next-generation CMOS image sensor with small pixels that will replace TFT-based flat panels, while incorporating BAE Systems' technology. We are always looking to stay ahead of the curve and offer a great format that competing Chinese manufacturers cannot keep up with.

These are the areas of medical.



Next, let me turn to the industrial sector. I would like to talk to you about semiconductors.

The semiconductor manufacturing equipment market is a very large market with a growth of 9% from 2024 to 20257 Especially in recent years, investment in front-end fabs has been very active. In addition, High Bandwidth Memory is now driving the market.

Our product offering is very much from the front-end to the back-end of semiconductor manufacturing. We are confident that a recovery in the semiconductor market will translate directly into sales of our products, since most of our products have top market share.

This is information from one major . We have sales of about JPY15 billion, and they keep changing their future forecasts in Q1 FY2024, Q2 FY2024 and Q3 FY2024. They revised upward for the coming years. We consider this a very good sign.

In addition, we are not only supplying these components but are also introducing new high-value-added module products. They are currently under evaluation by semiconductor manufacturers.

For endpoint monitoring, we are planning to offer a new spectrometer with a very high dynamic range that has never been realized before, a new foreign object detection using interference microscope technology, a new device to map the film thickness in a wafer, and a laser engine to trim the edge of wafers.

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\*1 Source: WSTS Semiconductor Market Forecast Spring 2024

Chips for generative AI have a GPU at the center, which performs very fast and advanced processing but requires a haigh bandwidth memory. The HBM is actually a stack of thin-film, multi-layered, ultra-fast memory, which is a serious problem for semiconductor manufacturers due to very low yields.

One of the major challenges is to solve this problem. In the field of failure analysis of new semiconductors, it used to be a matter of course to pull out the failed ones and inspect them. But, improve the yield rate of HBM through inline inspection, and further automate this process.

We have received a big inquiry from various companies to introduce five, 10, or 20 systems on the line. One unit costs JPY several hundred million. We believe JPY 20 billion is one of our targets.

Also, the logic structure is now changing dramatically. Until now, there was a metal layer on the top of the transistor, but now, the new structure has a layer of metal above and below this transistor, so no light can enter. Therefore, we started thermal analysis, which has been very well received and is now being introduced to various companies, including logic manufacturers. These and other factors will be a growth factor.

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In the industry field, the spread of AI has been a tailwind, and demand for servers equipped with AI chips, which are becoming larger and larger, is increasing rapidly. This substrate inspection is a major market for our X-ray source, and we would like to secure the top share by supplying products with wide-angle X-ray output that can inspect larger substrates in batches.

Lithium batteries for EVs, which are currently in a slump, are said to be on a gradual recovery path. These batteries are now becoming larger and larger. Also, CT inspection of all LiBs.

When CT inspection is conducted, X-rays will not pass through thick or large batteries with low voltage. Therefore, we differentiate ourselves by offering a high-voltage microfocus X-ray source. By doing so, we will differentiate ourselves from the low-tube-voltage types made in China and build a solid business. We would like to introduce this together with our X-ray Business Strategy Office, with a view to CMOS as well.

These are how we can revitalize our market, which is our foundation, and increase sales.

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Next, I would like to talk about the introduction of high value-added module products.

Our divisions are independent. So, we could not make products through exchanging technologies among divisions. Now, various attempts are being made across divisions.



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As just one example, we created a new device that combines an avalanche photodiode using semiconductor technology and the photocathode technology of photomultiplier tubes.

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This is a revolutionary device. We have achieved a detector with extremely high performance that could not be achieved with conventional avalanche photodiodes or photomultiplier tubes and are not simply selling the device as a standalone product.

We are now moving forward in the direction of offering a new module, which is a fusion of our in-house spectrometer technology, and the technology to read out and process this device, for our flow cytometer business.

This is also already being evaluated by a flow cytometer manufacturer. This is a very promising product for us.

<solid division="" state=""> Image Sensor</solid>	<electron division="" tube=""> Scintillator + FOP</electron>	<systems division=""> Built-in camera module</systems>
	<ul> <li>High Dynamic range</li> <li>High-speed sampling rate</li> <li>Sensitivity uniformity, High resolution,</li> </ul>	

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Another one is to spectroscopically analyze the electron beam that has passed through the target. For spectroscopy, we need a very high dynamic range and to take a lot of spectra at once. Sensitivity must also be uniform.

We custom designed an image sensor for the Solid State Division and combined the Electron Tube Division's wonderful FOP and scintillator technologies. Then, the Systems Division modularized it into a high-value-added product. We would like to do something like this and promote modularization.

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\*Source: Quantum Technologies 2023 report, Yole

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As I mentioned earlier, we now have the leading-edge technologies for both light-receiving and light-emitting by fully utilizing synergy with NKT Photonics. The area in which we are currently focusing our efforts is in the field of quantum computing.

In the field of quantum computers using light, the key devices that determine this performance are all from our company. To give you an idea of how great the expectations are, in November, we will be hosting a conference called iSAP, where the world's top researchers in quantum computing will gather to hold a major discussion. This is proof that people are paying attention to us. We would like to develop this area.

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■Supp Opht	lying High-Quality and halmic Laser Treatmen	Highly Stable Las t Market	ers to the	
Ophth	almology laser market			
• 202 • Gro ma and	21: 160 million EUR $\rightarrow$ 2026: 2 bowth of the ophthalmic laser s rket is driven by aging global d is key to improving quality o	10 million EUR surgery population of life.		FY30 Target
Certified Femto	as a medical device for laser light second-Laser-Assisted Cataract Surgery	sources		4 billion
Visio	(FLACS) on correction (LASIK) Vitreous surgery			yen
Wear	e suppling to several of the leading m	nanufactures of		

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NKT Photonics also has its own field of laser therapy.

This uses lasers to perform cataract surgery and is now becoming very widespread in Europe and the United States. It is becoming more widespread. This is a technology that can be applied to glaucoma, intraocular lenses, LASIK, and a variety of other procedures.



Finally, the area of security. This is another market we do not have, but this is a security measure for public facilities against drones.

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It is like a pulsed laser for target illumination and disabling a drone with a high-power laser. This product has been attracting a lot of attention. The operational verification has already been completed, and we are now waiting for orders. However, this has not yet been included in our medium-term plan, and we expect significant growth in the future.



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Finally, the Central Research Laboratory. These are very long-term efforts, so I won't go into too much detail this time. We are currently working on terahertz spectroscopy and laser nuclear fusion and intend to build a new market using various types of light by using the high-power lasers that will be produced here.

These are our growth strategies.

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From here, we will move on to financial strategies. I would like to give you just a few points regarding our financial strategy.

The total source of funds is about JPY 317 billion for three years. The first point is a flexible allocation of JPY30 billion, which will be used to fund additional share buybacks in addition to high-quality strategic investments.



We have also decided on a new policy with dividend on equity (DOE) ratio of 3.5%. We have been aiming for a dividend payout ratio of 30%, but in consideration of the downward swing in business performance, we

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would like to set the lower limit at 3.5% of the dividend on equity ratio and firmly determine our dividend policy from now on.

Share buybacks will also be implemented in a flexible manner. Of course, it will depend on the cash flow and investment projects at that time, but we would like to proceed with a firm view to share buybacks.



Finally, ROE is expected to decline to 5.5% in FY2025. Of course, we will make every effort to improve profit as much as possible, but one goal is to recover to the point where it exceeds 8% in FY2027. We will absolutely do this and move forward to achieve this. However, in order to do so, net profit will be very important, and we believe that a solid increase in profit will lead to an improvement in ROE.

This is the summary.

With regard to our growth strategy, we will continue to grow firmly in existing markets where we can take advantage of our strengths. We will introduce a new business model with high value-added modules. In addition, sales will be boosted by synergies with NKT Photonics. In addition, in the medium to long term, the output of the Central Research Laboratory will be deployed firmly in markets.

In terms of financial strategy, we have introduced DOE in our shareholder return policy with the aim of presenting a solid capital allocation for sustainable growth and returning profits to shareholders from a medium- to long-term perspective.

Based on the aforementioned, we would like to move forward, first of all, to achieve consolidated net sales of JPY259.1 billion, operating profit of JPY37.7 billion, and EBITDA of JPY62 billion in FY2027.

I conclude my presentation. Thank you for your attention.

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