

Q&A of Financial Results for the 1st Quarter of the Year Ending March 31, 2024

Disclaimer

This document (Q&A of financial results) is not a verbatim transcript of the questions and answers that took place at the presentation as of August 8, 2023.

Rather, the Company has exercised its discretion in providing a summary for those who did not participate.

Also, forward-looking statements, such as performance forecasts and the like, provided in these materials are based on certain assumptions and may differ significantly from actual business results as a result of a variety of factors.

The company-wide

Q: How did Q1 results progress toward internal plans?

A: We have not disclosed our plan for Q1, but overall operating profit missed by approx. ¥4.0B. The Imaging Products and Healthcare Businesses beat plan, but the Precision Equipment Business got off to a slower-than-expected start. Moreover, the Components Business trailed plan due to delays in the delivery of some EUV related components and other optical parts and optical components.

Imaging Products Business

Q: You revised upward your forecast for the Imaging Products Business. Given the strength in sales of the Z 8 and the like, is there room for further upward revisions?

A: Our products have been very well received by customers, and our market share is steadily recovering. In particular, in China we are aware of concerns about an economic slowdown, but the digital camera market is showing strength. Younger age groups unhappy with smartphone functionality are purchasing high-end models such as the Z 9 and Z 8. It feels as if we are entering an era of coexistence between digital cameras and smartphones. Moreover, we look forward to growth in demand for digital cameras driven by increased post-pandemic travel. Meanwhile, due to normalization of supply and demand in the market, we assume competition will intensify in 2H and expect increases sales promotion expenses.

Precision Equipment Business

Q: In China, your competition is enjoying strong sales of semiconductor lithography systems. Please tell us about the inquiries Nikon is getting for semiconductor

lithography systems.

A: We understand that investment activity is picking up among semiconductor manufactures in China. Our competitor has taken the lead in the China market, but for these years Nikon has strengthened its sales activities to diversify and expand our customer base. Today, we are gradually winning over customers.

We believe our new ArF immersion lithography system "NSR-S625E" can be shipped to China. We expect future business expansion in the China market with the NSR-S625E and our ArF dry lithography systems, for which we have received many inquiries.

Q: The situation is difficult for you now due to reduced service revenues and delayed sales of lithography systems from your core customer. What are your sales projections for the next fiscal year and beyond?

A: We cannot comment on investment trends at specific customers, but the deterioration to the semiconductor market has increased uncertainties about capital expenditure trends at customers. The risk of reduced service revenues and delayed deliveries of lithography systems could negatively impact our business this fiscal year and beyond. Meanwhile, there are positive signs that provide hope for the future, such as US government support from the CHIPS Act, our core customer's full entry into the foundry business, and talk of multiple new plants.

Healthcare Business

Q: In the Healthcare Business, how does the current market situation compare to your initial plan? We are told that in North America hospitals are struggling with financial difficulties, which in turn is depressing capital expenditures. Is there any impact on your business performance?

A: We still have concerns about procuring some parts in both Life Science Solutions and Eye Care Solutions. There are also concerns about postponed orders or slower lease sales driven by rising interest rates in response to inflation in various countries. However, we may be able to beat plan if actual foreign exchange rates exceed our assumptions and parts procurement progresses smoothly.

Components Business

Q: Is it possible that business performance this fiscal year could miss plan? Also, please share your projections for next fiscal year.

A: The EUV related components we provide are a key component in EUV mask inspection systems and the timing of a sale is influenced by multiple variables, such as the timing of introduction of EUV lithography systems at the end user (semiconductor manufacturer) and our customer's inventory and installation timing of inspection systems. Optical parts and optical components other than EUV related

components are seeing weakness due to lower utilization rates globally at semiconductor plants. The Components Business (including EUV related components) has been growing steadily to date, and we expect it will continue to grow over the medium- to long-term, but over the short-term there could be volatility.

Given the great deal of uncertainty, it is difficult to speak to next fiscal year's projections.