Q&A of Financial Results for the 1st quarter of the year ending March 31, 2021

Disclaimer
This document (A Selection of Questions and Answers) is not a verbatim transcript of the questions and answers that took place at the presentation as of Aug. 6, 2020. 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.

Imaging Products Business
Q: What will the ¥5.0B of restructuring relevant expenses be used on? Revenue decreased due to the special factor, COVID-19, but post-pandemic to what extent do you expect a recovery?
A: The primary use will be optimization of manufacturing and sales. Post-pandemic, we expect to see lingering effects in the Imaging Products Business next fiscal year as it is BtoC.

Q: What level of revenue are you assuming to reach profitability next fiscal year and thereafter?
A: The goal is to be profitable at revenues of ¥150.0B. To that end, we will accelerate to change the business structure and add ¥10.0B to the ¥50.0B reduction in business costs, for a total reduction of ¥60.0B compared to the year ended March 31, 2019.
**Precision Equipment Business**

Q: Due to the impact of COVID-19, the posting of many sales have been postponed in the Precision Equipment Business. Do you expect that to contribute to sales next fiscal year and thereafter?
A: In the current fiscal year, we estimate the impact of COVID-19 on consolidated Operating loss to be ¥65.0B. Of that, about ¥35.0B is in the Precision Equipment Business, mainly FPD Lithography Systems. We expect an equivalent amount to contribute to profits in the next fiscal year and thereafter.

Q: In the Semiconductor Lithography Business, the media reports that your main customer will delay its plans to invest in 7nm node. What will the impact on you be?
A: That customer's strengths include cutting-edge and large-scale production capacity, so we do not expect sudden shifts over the immediate-term. That said, however, depending on the scale and timing of the customer's investments next fiscal year and thereafter, it could impact our business as well. We are making solid progress toward stabilizing revenues in the business by winning orders for additional investments in existing nodes as well as redoubling efforts to win new customers with which to forge stable relationships over the long run.

**Overall**

Q: A number of times you referenced investments in future growth, but isn't this the time to rein in cash outlays? What are your assumptions for capital expenditures and R&D plans?
A: Originally, the plan was to spend 40% or more of cash flows on investments in growth and R&D and 10% on dividends and other shareholder returns over a span of 5 years. However, as overall profits decline, cash flows have been restricted. Nevertheless, as of the end of June, we have secured a total of ¥400.0B; ¥300.0B plus ¥100.0B in bank loans. We plan to deploy these funds efficiently into investments in growth and R&D.
Q. Given your guidance for the current fiscal year, is it possible at some point in the future you may revisit your Medium-term Management Plan KPI targets?
A. Our Medium-term Management Plan targets a ROE of 8%. We are not in a position to state today whether or not it is achievable. Nevertheless, as management, we consider it a must to achieve the target and will continue to work toward achieving it.

Q. Could you provide us with a breakout of the ¥20.0B risk buffer?
A. For the current fiscal year, we are forecasting a deficit of ¥75.0B in consolidated operating P/L. That includes ¥5.0B in restructuring relevant expenses and ¥20.0B as a risk buffer. Stripping out these special factors totaling ¥25.0B, the real consolidated operating loss would be ¥50.0B. However, there is the risk this amount itself may fluctuate as the COVID-19 pandemic continues. The risk buffer anticipates such risk of fluctuations in business performance as well as the potential for asset impairments, making it difficult sitting here today to provide a detailed and quantitative breakout.