

Q&A of Financial Results for the 1st quarter of the year ending March 31, 2022

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. 5, 2021.

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.

Overall

Q : How much did you beat a plan in Q1 on a consolidated basis?

A : We beat the plan we announced in May by about ¥7.0B in real terms.

Q : Compared to the plan you announced in May, you revised upward your 1H operating profit forecast by about ¥9.0B combined across all 5 business segments but left 2H as is. Why is there such a large difference in operating profit between 1H and 2H?

A : The original plan we announced in May anticipated a concentration of operating profit in the 1H. That assumed about ¥2.3B in capital gains from the sale of unused land in Q1 and a concentration of FPD lithography system installations in 1H. In Q1, factors such as delays in procuring parts in the Imaging Products Business caused changes to the commercial launch of new mirrorless lens products and, as a result, some expenses got pushed into 2H. Also, in the Precision Equipment Business, we booked some one-time revenue tied to service provided to restart equipment. Moreover, on a companywide basis, operating profit of almost ¥2.0B was booked in Q1 due to changes to the pension system at US subsidiaries. Meanwhile, we expect to incur about the same amount of expenses as originally planned in 2H. These factors combined to amplify the difference in operating profit between 1H and 2H.

Imaging Products Business

Q : Is the Q2 forecast low compared to Q1 actual?

A : In Q1, revenue and operating profit booked better-than-expected against the plan due to factors such as benefits from a cheaper yen and strong demand for high-end and mid-range models aimed at pro/hobbyists driven by a recovery from the COVID-19. Also, lower product inventories put us in a position to generate sales without executing

planned sales promotion costs. Meanwhile, seasonal factors lead us to assume Q2 sales will weaken versus Q1. Additionally, we are also impacted by product supply restrictions driven by the risk of parts shortages this time. Moreover, in response to the spread of corona infection in Thailand, factories in Thailand are also affected by the fact that they operate in consideration of the health and safety of employees.

Q : Could you provide us about a forecast for revenue in 2H?

A : In 2H, it will continue to be difficult to project the impact of COVID-19 and therefore difficult to forecast demand. Also, considering the risks tied to product supply, including parts procurement, we assume 2H sales revenue will be ¥85.0B, leaving our initial assumptions from May in place.

Precision Equipment Business

Q : Are there any changes to your forecast for next year in Precision Equipment versus the plan you announced in May?

A : The situation has not changed substantially since we presented our plan in May. In the FPD Lithography Business, it is possible that sales volumes of FPD lithography systems for large panels, known as G10, will decline next year, and that revenue, too, will decline compared to this year. Meanwhile, in the Semiconductor Lithography Business, we expect lithography system sales next year to improve compared to this year because we have won a certain number of orders from our core customer. Additionally, in both the FPD Lithography Business and Semiconductor Lithography Business, our equipment is operating at high levels on customer sites. As a result, we believe that services such as maintenance will remain firm.

Components Business

Q : Near-term business performance appears to be solid and your expecting to achieve your full-year plan of ¥8.0B in operating profit. Could you provide us about the growth potential for EUV optical components moving forward?

A : Our components leveraging our strength in optical technology have been adopted with high marks from our customers, and we expect EUV related component revenue to grow moving forward together with growth of our customers' businesses.

Q : Are there any restrictions or conflicts with other segments in relation to expanding the production capacity needed to ramp up shipments in EUV optical components?

A : We have formed companywide projects aimed at satisfying customer needs and expect to be able to add capacity.