Q&A of Financial Results for the 2nd 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 Nov. 4, 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.

Imaging Products Business
Q : What is your outlook for the Imaging Products Business next year?
A : In the Imaging Products Business, operating profit is growing solidly this year, thanks to the benefits from restructuring measures implemented through last year and our strategy to focus on models for pro/hobbyists. The restructuring will continue, and by the end of this year, we will have completed our goal to reduce business costs by ¥63.0B over three years and secure profitability at the operating level at revenue of ¥150.0B or less. On the business side, we are becoming more competitive in mirrorless cameras, as well. The Z fc released in the 1H of this year has been well received by younger and female buyers, and we plan to release our flagship Z 9 model by the end of the year. We will have released about 30 of our popular Z-mount lenses by the end of this fiscal year and plan to expand that to almost 40 lenses by the end of March 2023. Although we face limitations in parts procurement, we will do our utmost to supply product.

Q : In a typical year, you see more revenue in the 2H, so why does revenue decline versus the 1H?
A : It is due to shortages in parts and modules. In addition to the popular new product Z fc, orders are strong for the Z 9, for which we have begun taking reservations. Unfortunately, however, we foresee difficulty in our ability to supply enough products to keep up with demand due to parts procurement problems. The entire company is working together to ensure a stable supply of parts, as we wish to supply as many cameras and lenses as possible to the customer.
**Precision Equipment Business**

**Q:** In the FPD Lithography Business, recently panel prices have decreased, and there is uncertainty about future capital investments at panel makers. Meanwhile, in the Semiconductor Lithography Business, your major client plans to expand investment. What is your outlook for next year?

**A:** Our outlook for the Precision Equipment Business is that, compared to this year, we expect the FPD Lithography Business to be negative and the Semiconductor Lithography Business to be positive. In the FPD Lithography Business, compared to this year, where we benefited from a sudden acceleration in system installations that had been delayed by COVID-19, we expect revenue and operating profit to weaken next year. Panel makers are reviewing their investment plans, in light of recent panel price declines. However, we have already received orders and will be mostly unaffected through next year. Meanwhile, in the Semiconductor Lithography Business, we have received orders for next year primarily from our main customer and expect revenue and operating profit to grow versus this year.

**Q:** Please tell us about your outlook for the FPD Lithography Business and Semiconductor Lithography Business for the year after next and beyond.

**A:** In the FPD Lithography Business, considering recent market situation, we expect some weakness over the next 2 to 3 years. That includes the impact from delays to plans to invest primarily in large panels for TVs. Meanwhile, if adoption of new panel technologies progress, we expect demand to grow for our lithography systems, which can exhibit high resolution with high precision.

In the Semiconductor Lithography Business, concrete negotiations with our main customer about the year after next and beyond are currently underway. We plan to further strengthen efforts to expand our portfolio of customers and products by acquiring new customers and expanding sales of measurement and inspection systems such as the Litho Booster.

**Components Business**

**Q:** What is your outlook for the Components Business next year? Next year will you continue to see the high operating margin you did this year?

**A:** In the Components Business, this year the relatively high-margin EUV related component business progressed in line with plan. Moreover, optical parts for semiconductor related products outside of EUV also showed strength, resulting in revenue growth. Next year and beyond, we expect to be able continue to maintain
revenue and operating profit in the overall Components Business. As for the operating margin, profitability varies by product so it is difficult to say in absolute terms, but it is possible that the overall segment margin could decline versus this year.