Q&A of Financial Results for the 1st Quarter of the Year Ending March 31, 2023

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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 August 4, 2022. 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: You said that you revised upward your full-year operating profit forecast by about ¥5.0B, which is the amount by which Q1 results beat your internal plan. Please share the reasons for beating plan.
A: About half of the outperformance was driven by higher average sales price including reduced sales promotion spending and product mix improvement. About a quarter was attributable to the weaker yen and another quarter to tighter controls on expenses.

Q: Why did you leave your forecasts unchanged for Q2 and beyond?
A: We left those forecasts in place due in part to uncertainties in the global economy. For Q2 and beyond, we have kept the same foreign exchange rate assumptions as those announced in May (¥120/USD and ¥130/EURO). If today’s weaker yen holds, Q2 could outperform. Meanwhile, in the second half, we assume higher sales promotion spending due to responding to competitor products and plan to spend on R&D and new products. Therefore, we left our previous forecast unchanged.

Precision Equipment Business
Q: What is your outlook for FPD lithography systems next fiscal year and beyond?
A: We plan to sell 31 FPD lithography systems this fiscal year. It is hard to talk in concrete terms about next fiscal year, but sales volumes could fall substantially below this fiscal year’s level, given today’s falling panel prices and customers’ caution to invest. In the Precision Equipment Business, we aim to generate stable earnings overall by balancing the service business, where we expect solid earnings, with
FPD and semiconductor lithography systems, which exhibit different demand cycles. In the fiscal year ending March 2024, we expect strength from semiconductor lithography systems while FPD lithography systems decelerate.

Q: Changes in semiconductor market prices have weighed on your core customer’s business performance. Do you expect to be impacted next fiscal year and beyond in your semiconductor lithography business?
A: The outlook for demand in the semiconductor market has become increasingly clouded. While we cannot speak to circumstances at a specific customer, we believe there will be no substantial impact on our core customer’s business both this fiscal year and next. No orders have been canceled and we expect continued strength in our semiconductor lithography business. That said, in 2024 and beyond, we will need to closely watch trends that might impact our hopes for additional investments from our core customer.

Q: There are some reports in the media about tighter regulations on semiconductor production equipment destined for China. Has Nikon been affected by this? Could it be in the future?
A: As things stand now, we have not been told by the authorities in either Japan or the US that restrictions would be placed on exports of our semiconductor lithography systems destined for China, as some in the media have reported, and we see no need to change our Medium-Term Management Plan. That said, geopolitical risk is a constant in our business and we will continue to take appropriate action while staying in close contact with the authorities.

Q: Some sales of FPD and semiconductor lithography systems were shifted from the first half into the second half. Is there any concern that some may be shifted from the second half into next fiscal year?
A: As things stand now, we plan to complete installations this fiscal year. There is risk of additional delays due to another outbreak of COVID-19 or logistical delays.

**Components Business**

Q: Tell us about your outlook for the Components Business next fiscal year and beyond.
A: We will continue to support increasing customer demand for EUV related components next fiscal year and beyond. At the same time, we have been supporting customer requests for the development of high NA (numerical aperture). We expect EUV related components to continue to grow. Apart from EUV related components, we have received inquiries from multiple customers for optical parts and optical components that would span multiple years and are optimistic about future growth.