

Q&A of Financial Results for the Fiscal Year Ended March 31, 2023

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 May 11, 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 because of a variety of factors.

Imaging Products Business

Q: You have focused on selling mid/high-end models and raised profitability and expanded operating profit, but this fiscal year you expect profit to decline. Is there no further upside to earnings looking forward?

A: Under our strategy to shift to mid/high-end models and strengthen mirrorless cameras and lenses, we have increased ASP and grown earnings. This fiscal year, we are assuming an increase in sales promotion expenses as the market normalizes and competition picks up. We are assuming this fiscal year's operating margin will be in the 15% range, higher than our Medium-Term Management Plan assumptions, due to higher ASPs and lens tie ratio and the introduction of new products such as interchangeable lenses and the recently released Z8.

Q: Please share any factors outside foreign exchange rates that could cause business performance to beat or miss plan.

A: Upside factors would include greater-than-expected progress in sales of the Z8 and continued momentum in the presently strong Chinese market following the lifting of COVID restrictions. Meanwhile, downside factors would include the possibility of an economic slowdown in the US and Europe.

Precision Equipment Business

Q: FPD lithography systems are undergoing a correction this fiscal year. Can you foresee a recovery next fiscal year?

A: We expect sales volumes to recover next fiscal year. We have already taken orders for delivery in FY 2024 and beyond in G6 and G8 lithography systems, and next fiscal year we expect sales volumes to recover to the level seen last fiscal year (29 units). However, we project virtually no sales in 10.5G, where we have enjoyed a monopoly, and that will be a drag on profitability compared to the past.

In April this year, we integrated our FPD Lithography BU and Semiconductor Lithography BU into a newly created Precision Equipment Group. We aim to gain efficiencies through the integrated operation of both business units and leverage shared functions horizontally to capture new business opportunities.

Q: You have said you have increased sales to customers other than your core customer in Semiconductor lithography systems. Please share how much sales growth you saw in ArF lithography systems.

A: Under our Medium-Term Management Plan, we targeted selling more than half of ArF lithography systems in FY 2025 to customers other than our core North American customer. Already last fiscal year about 60% of units installed to other customers, and this fiscal year we project that measure to reach approx. 70%.

Components Business

Q: Please share your demand projections for EUV related components.

A: Customer orders remain strong. We supply a key component to the customer product, which is a mask inspection system that is essential to semiconductor production processes using EUV lithography. Lead times from order to production and installation for the customer's product and our component are very long. Although installation timelines could be delayed, there has been no substantial impact on order intake.

Digital Manufacturing Business

Q: Please share the background to the impairment losses at Morf3D Inc. (hereinafter "Morf3D") If the reason is a higher discount rate applied to impairment decisions resulting from interest rate increases in Europe and the US, is there risk of impairment on goodwill for SLM Solutions Group AG (hereinafter "SLM"), also?

A: The main reason for the impairment losses was the company's lackluster business performance, not interest rate increases. The metal 3D printer market itself is growing, with printer purchases driven mainly by end users in aerospace,

defense and automotive industries. However, the market for contract manufacturing is taking time to get off the ground. We revised our plan based on the decision that the size of the contract business at Morf3D initially planned at the time of acquisition will not be realized for some time to come.

Specifically, with the launch of our Advanced Manufacturing Business, we have positioned Morf3D for contract manufacturing as well as metal additive processing application development, leveraging the company's certifications and know-how in the aerospace and defense industries. The change to Morf3D business performance and direction for business operations led to the booking of the impairment losses in line with accounting standards.

As for SLM goodwill, the PPA (purchase price allocation) was just completed, and no issues have arisen as of this point in time.

Other

Q: When do you expect to achieve a P/B ratio higher than 1x?

A: Our share price is decided by the market, and we have no comment on when we would reach that benchmark. We recognize the importance of improving P/B ratio and strive to be valued by the market by raising the stability of business performance and executing the measures announced today to promote both our growth strategy and shareholder returns.