

Q&A of Financial Results for the 2nd Quarter of the Year Ending March 31, 2025

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 November 7, 2024.

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 2H, including the year-end shopping season?

A: We are filling out the lineup of competitive core models as we enter the year-end shopping season by deploying advanced technologies from the Z9 into lower models including the Z8, Zf, Z6III, and the new Z50II, which we announced today. However, with the expanded lineup, we expect average selling prices in 2H will decline compared to 1H. We also plan to spend more on expenses such as R&D expenditures and sales expenditures in 2H compared to 1H. Although the Chinese camera market continues to show strength, recently some shadows have fallen over market growth potential.

Precision Equipment Business

Q: Please tell us about your projections for FPD lithography systems next fiscal year.

A: The market for television panels remains uncertain. Demand is strong for high-resolution panels for IT, smartphones, and the like. We are seeing strong interest in high value-added systems with high-productivity and high-resolution for G6 and G8 panels. As of today, we expect 30+ sales volumes next fiscal year.

Q: What is your outlook next fiscal year for sales of ArF immersion and ArF dry lithography systems?

A: To date, we have endeavored to expand sales outside our core customer. This fiscal year, some system sales have been postponed into next fiscal year due to the delayed recovery in the semiconductor market. We had been assuming a full-fledged market recovery would begin at the end of this fiscal year, but customers in China and the rest of Asia are suppressing investments. Currently, it is difficult to predict next fiscal year, due to uncertainties about market conditions and customer investment trends.

Q: In terms of the overall market for semiconductor production equipment destined for China, we have heard that sales are projected to grow this year and contract next year. Why did Nikon revise downward its sales forecast destined for China?

A: At Nikon, we are working closely with customers in China to expand sales of semiconductor lithography systems. The factors behind our downward revision are more closely related to investment trends at individual customers than broader market conditions.

Q: Please tell us about your projections for service revenue this fiscal year.

A: Today, most service revenue in the Precision Equipment Business come from our core customer. Our overall Precision Equipment Business may be impacted by utilization at our core customer and its plans for next fiscal year and beyond.

Components Business

Q: What is your outlook for the EUV related components business next fiscal year and beyond and your view on the timing of a recovery?

A: Demand for mask inspection systems that use our EUV related components comes from mask shops and wafer fabs. Mask shops are expressing interest in mask inspection systems that support higher resolution, and we expect sales of EUV related component for Hi-NA applications to progress in line with plan. Meanwhile, demand from wafer fabs remains uncertain. The timing of a recovery in our EUV related components business hinges upon recovery in demand from wafer fabs, so we remain paying close attention to investment trends going forward at semiconductor device makers.

Digital Manufacturing Business

Q: You left your full-year forecasts in place even though 1H results fell slightly behind plan. Please describe the probability of a recovery in business performance in 2H.

A: In the Digital Manufacturing Business, which is mainly SLM, we continue to make progress expanding sales and shrinking losses. Due to seasonality, we tend to see more orders and sales in 2H. 1H sales and the order backlog as of the end of Q2 combined surpasses 70% of the full-year sales plan, increasing the probability of making plan. Especially, orders have been strong for the NXG metal 3D printer, which is a higher price point and capable of forming large-format components. Our strategy to expand sales to the defense and aerospace industries is paying off. We have also made progress gradually winning orders in the automotive industry and expect to expand sales going forward.

The company-wide

Q: Please tell us about the probability of achieving the ¥70.0B target in operating profit for next fiscal year, the final year of the Medium-Term Management Plan.

A: We had been forecasting operating profit of ¥35.0B this fiscal year, based on the assumption the business cycle would bottom out. But now, we have revised that downward to ¥22.0B. We will shortly begin formulating our plan for next fiscal year, but reaching ¥70.0B as targeted in the Medium-Term Management Plan has become more of a stretch. Although it would depend on a recovery in the semiconductor market, it is possible we could see improvement in the Precision Equipment Business and the Components Business compared to this fiscal year. Moreover, we expect to continue to shrink losses in the Digital Manufacturing Business, which is mainly SLM. We also expect to benefit next fiscal year from the disappearance of about ¥10.0B in one-time costs booked this fiscal year, including RED acquisition related costs, HQ relocation costs, and restructuring costs of the former Industrial Metrology Business. We will be incorporating into the plan for next fiscal year the efficient use of R&D expenditures and other measures we can control ourselves.

Q: EssilorLuxottica has been increasing its holdings of Nikon shares. What is behind this action and what communication has taken place?

A: According to the Large Shareholdings Report they issued on November 1, they own 8.45% of our shares. As we understand it, the reason for investing is purely long-term investment. As a general matter, we do not discuss the substance of dialog or interactions with individual shareholders or investors.