Q&A of Financial Results for the Year Ended 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 May 8, 2025.

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: Why did Imaging Products results miss February guidance? In particular, why did interchangeable lenses trail plan? And what is your outlook for the Imaging Products Business?

A: Growth in the Chinese market had been remarkable until around the end of 2024, when the market stagnated, and in-channel inventory of mainly high-end models accumulated. In the US, consumers have been putting off purchases since February given uncertainty about the economic outlook. These factors caused us to miss plans. Sales of APS-C size cameras as a percentage of total sales were greater-than-expected. This weighed on the lens attach rate and caused lens sales to miss plan.

In the current fiscal year, we expect sales volume growth in the Z5II and other new products. As we sell more volume-zone models, ASP should decline, causing revenue to remain flat year-on-year.

Precision Equipment Business

Q: Please share what assets were impaired for what reasons as part of the one-time costs booked in the Precision Equipment Business.

A: We booked ¥7.8B in impairment losses as the projected future cash flows were no longer expected to exceed their book value, due to uncertainties in the outlook for capital investments by a major customer and other customer accounts we had been expanding in China and other regions. The ¥5.0B inventory write-downs includes write-downs on both inventories for disposal and inventories that will be held. The inventories that will be held were originally slated for sale to customers that have revised their investment plans. As a result, these inventories will be held for a period that exceeds timelines established under our accounting rules, thus triggering the write-down. There are no performance or functionality issues with the inventories, and these inventories may be sold to new customers in the future.

Furthermore, the ¥1.2B related to the reorganization of service bases is a one-time cost resulting from restructuring including headcount reductions at a US service base.

Q: What is your outlook for the Semiconductor Lithography Business?

A: Semiconductor production equipment is a business that can be expected to grow over the long-term, but in the previous fiscal year substantial one-time costs contributed to significant business performance challenges.

To grow the business in the future, today we are developing a next-generation ArF immersion lithography system that features compatibility with rival systems, however we expect the market launch to be in FY28 or thereafter. Furthermore, in FY26, we expect to begin selling a digital lithography system for back-end processes, which is currently under development for chiplets, a part of the market that is expected to grow with AI-related data centers.

It will be a rough patch until then, and this fiscal year we plan to continue initiatives aimed at lowering the breakeven point through measures such as the optimization of our overseas service bases in response to customer trends to generate the stable cash flows needed to cover development investments.

Components Business

Q: What is your outlook for the EUV related components business?

A: Orders for Actinic inspection systems are expected to ramp up in 2026, and since we have already delivered EUV related components for these systems in advance, we expect demand for our products to recover next fiscal year and beyond.

The company-wide

Q: Please share the assumptions used to estimate the impact of US import tariffs.

A: We estimate a full-year impact of ¥10.0B from tariffs. We assumed a tariff rate on goods imported from China of 145% over the next three months and 20% after three months elapse and a tariff rate on goods imported from places other than China of 10% over the full year. In calculating the estimated impact, aside from tariff rates, we also considered factors such as inventory balances at US subsidiaries, price adjustments and resulting downturns in demand.

By segment, just under half of the impact would be felt in the Imaging Products Business, and just under 40% in the Healthcare Business. Our estimates have not considered ripple effects such as economic deterioration resulting from the impact of tariffs.

Q: Please share why your business performance forecasts for this fiscal year are backloaded toward the second half.

A: In the Precision Equipment Business, we project increased service income and sales of high-priced new ArF lithography systems to occur mainly in the second half. We also expect increased profitability from FPD lithography system product-mix improvements to emerge in the second half.

In the Components Business, optical parts and other consumables are expected to recover beginning in the second half as equipment utilization rates at semiconductor device makers rise on a recovery in the semiconductor market.

In the Healthcare Business, sales to universities and research institutions tend to fall in the second half, given that public sector budgets in various countries tend to get decided toward the end of the calendar or fiscal year.

Another factor relevant to this fiscal year is our plan to sell idle assets in the second half.

Q: What one-time profit and loss items are included in the outlook for FY2026/3?

A: A capital gain in the high single-digit billions of yen for the sale of idle assets is to be booked as a one-time profit item in the Others segment (including corporate expenses, etc.) In the Healthcare Business, we expect to see about ¥2.0B (an amount on par with the previous year) in one-time costs such as for investigation costs in relation to the contingent liabilities set forth in the company's Financial Results.

Q: In the wake of last year's ¥27.2B one-time costs from impairment losses and other factors, what upside, such as reduced depreciation burden or lower fixed costs, can we expect this fiscal year?

A: We expect about ¥3.5B in benefits to operating profit from restructuring and one-time costs. That breaks out to about ¥2.0B to ¥2.5B in the Precision Equipment Business and about ¥1.0B in Industrial Solutions Business within the Components Business.