

Q&A of Financial Results for the 1st 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 August 8, 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.

The company-wide

Q: How did Q1 results progress versus internal plans? Please answer by business segment.

A: Company total operating profit fell short of plan by several hundred million yen. In the Imaging Products Business, sales volumes were in line with plan, but operating profit beat plan on the weaker yen and the postponement of some expenses into Q2 and beyond. In the Precision Equipment Business, FPD lithography system sales met expectations, but results lagged behind plan because the recovery in demand for services in semiconductor equipment fell short of expectations. In the Healthcare Business, operating profit missed plan by about ¥1.0B as customers reined in capital investments in the face of recent market stagnation mainly in the West. In the Components Business, results lagged behind plan on the postponement of EUV related component sales from Q1 into Q2 and beyond and the effects on encoders from a delayed recovery in the FA market. The Digital Manufacturing Business trended in line with plan.

Q: Is there further downside risk to 1H projections that were revised downward? Also, please talk about downside risk to 2H projections.

A: Of the three business segments where we revised downward 1H projections, the Healthcare Business is seeing customers rein in capital investments in the face of elevated interest rates overseas. However, we have secured orders for Q2 and beyond and, ruling out any rapid market deterioration, there is a strong chance we see a recovery in 2H. The remaining two segments, the Precision Equipment Business and the Components Business, have been impacted by the semiconductor market, where recovery has been delayed beyond initial expectations. We need to closely observe business conditions in 2H as it relates to semiconductor lithography systems and semiconductor-related optical components.

Our business performance forecasts for Q2 and beyond assume ¥145/USD and ¥155/EUR, so there is risk the yen may strengthen against these assumptions.

Q: You explained a substantial jump up would be needed in the Precision Equipment Business and the Components Business to reach the company total operating profit target of ¥70.0B next fiscal year in the final year of the current Medium-Term Management Plan. Have you made any changes to your projections for next fiscal year?

A: We believe the achievement of company total operating profit of ¥70.0B planned for the final year of our Medium-Term Management Plan relies on a recovery in the semiconductor market. If the markets for semiconductor lithography systems and components returns to FY2022 levels, there is a good chance we achieve ¥70.0B in operating profit, because operating profit in the Imaging Products Business and the like have exceeded expectations. Key factors to success include expanded revenues from service and optical components driven by a recovery in the semiconductor market and expanded sales of semiconductor lithography systems outside of our core customer.

Precision Equipment Business

Q: Trends in the market for FPD production equipment appear to be turning upward. What is your outlook? Do you see improvement looking into next fiscal year?

A: This fiscal year, we expect to sell 39 units, a substantial increase over the previous year. The panel market is recovering, casting more optimistic light on FPD lithography system sales. We are receiving more inquiries for both G6/G8 systems and high value-added tools for high-resolution and high-productivity applications. Previously, we have shared projections for next fiscal year of sales volumes in the high 20s of units, but today we expect to exceed 30 units next fiscal year and beyond.

Q: In the Semiconductor Lithography Business, do you expect a recovery next fiscal year and beyond, including business with your core customer?

A: We cannot discuss specific customer accounts, but we have made progress expanding sales outside of our core customer, and the impact from business with our core customer is smaller. We will continue to closely monitor any changes in investment trends and the status of plant utilization at our core customer.

Q: Please discuss the status of the Semiconductor Lithography Business targeting China. It appears that sales of semiconductor lithography systems aimed at China have decelerated. Please share your projections for new lithography system sales in China.

A: Our business of lithography systems targeting China aims to acquire new customers and customers that purchase multiple units. We aim to take a multifaceted approach

to the market by launching a new i-line system alongside ArF dry and ArF immersion lithography systems.

Healthcare Business

Q: In the Healthcare Business, why have you been able to acquire orders amid customers' reduced appetite for capital investments in the face of elevated interest rates? How do you expect orders to trend Q2 and beyond?

A: The market for biological microscopes has been stagnant as customers rein in investments. Amid that environment, in addition to our strong presence in the academia market, Nikon has developed the private-sector market including pharmaceutical companies, and won high marks for our drug discovery support services. In particular, we have made relatively smooth progress winning orders for the delivery of solutions involving mainly high-end microscopes for the private sector market. The strategy discussed in our Medium-Term Management Plan of collaboration with private sector customers and development of drug discovery support has reaped benefits.

Components Business

Q: The Components Business had an operating loss in Q1, while the plan expects profit to improve in Q2 and beyond. Please share your outlook by product group.

A: Many EUV and other optical components have long lead times. When the market is decelerating, demand remains relatively stable. However, when the market is recovering, there tends to be a delay in recovery of demand until customers optimize inventory levels. Meanwhile, many optical parts are consumables and therefore contribute to business performance relatively quickly as the market recovers and utilization of semiconductor lithography systems rises.

Looking forward, optical parts are expected to drive operating profit improvement into Q2 while optical components recover strongly in 2H and beyond on strong customer orders for EUV related components.