23rd October 2024

To all concerned,

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Q&A for the Financial Results Briefing for the 1Q of the Fiscal Year Ending May 31st 2025 (Excerpts)

On October 11th 2024, we held an online financial results briefing for the 1Q of the fiscal year ending May 31st 2025. This document summarizes and makes public the main points of the Q&A session. Some amendments have been made for clarity.

Q1: What factors contributed to the GPM exceeding 50%?

A1: We believe product mix improvement, mainly in the IoT-related business, was the main factor.

Q2: Regarding the revision to the FY 5/2025 forecast, was the slight increase to the OP estimate versus the original forecast due to the reversal of provisions for doubtful receivables? Or was it because 1Q 5/25 OP was stronger than expected?

A2: We revised the forecast based both on the reversal of provisions for doubtful accounts and above plan 1Q performance, particularly in the IoT-related business.

Q3: Was the revision to the FY 5/2025 earnings forecast driven by factors related to overseas customers?

A3: The revision to the FY forecast was not driven by factors related to overseas customers. Whilst we expect capex demand from our major overseas customer in the medium to long term, we

continue to lack visibility on the exact timing.

Q4: In the IoT-related business, why were some projects that were scheduled for delivery in the 2Q moved up to the 1Q?

A4: We believe this was due to strength in the smartphone market, driven by sales of the new iPhone, as well as increased capex demand as image sensors grow in size.

Q5: The forecast for the IoT-related business for the 2Q onwards appears conservative, considering deliveries were accelerated in the 1Q. Could you explain the background behind your outlook, particularly regarding the Pupil Lens Module® - for example, do you expect sales strength to continue?

A5: We have a cautious outlook regarding Pupil Lens Modules® based on the current volume of inquiries, market share, and the progress of new product development. However, it is possible that Pupil Lens Module® orders increase in the 2H, as in the previous year, depending on inquiries from our domestic customer and progress in introducing mass production at our main overseas customer.

Q6: In the revision to the FY 5/2025 forecast, OP was raised by approx. ¥140 million, with approx. ¥70 million attributed to the reversal of provisions for doubtful accounts. Am I correct in assuming that the remaining approx. ¥70 million is due to 1Q Pupil Lens Module® upside?

A6: There are other factors as well, but that is generally correct. We are committed to not only achieving our FY forecast but also increasing our Pupil Lens Module® and illuminator orders.

Q7: Based on the consolidated order backlog as of the 1Q 5/25, an estimated additional ¥2.0 billion in orders and sales will be needed from the 2Q onwards to meet the FY forecast. Can you tell us about your outlook for IoT related orders? In particular, could you shed some light on the modification projects aimed at your main domestic customer and the timing of inquiries and orders from your overseas customers?

A7: We expect Pupil Lens Module® order and sales growth to continue in the 2H. As for illuminators, we have some visibility on the capex plans at our main domestic customer and we are

aiming to gain additional orders for other projects, which have not been included in our current forecast.

We expect inquiries from our major overseas customer, as well as our European and US customers, to lead to steady orders in the 2H, allowing us to achieve our forecast. Beyond the IoT-related business, we expect the Group as a whole to be able to achieve the target figures, driven by YoY order growth in the Promotion of Industry 4.0 business and high inquiry volumes for certain projects. However, our existing products are heavily influenced by capex trends, leading to significant fluctuations in orders and order backlog. In response, we have established the "VG (Value Generation) Strategy Office", aiming to reduce our dependence on customer capex trends and introduce products with high added value.

Q8: In the IoT-related business, are inquiries from your main domestic customer for illuminators shipments or for illuminator modification projects?

A8: Inquiries from our main domestic customer are for illuminator shipments.

Q9: In the AI Image Processing Equipment business, the schedule for products for the semiconductor market has been adjusted. Can you tell us about the additional evaluation items for the demo equipment? Please explain what they entail and how they will impact mass production. Could you also provide information on the production sites and human resources involved in manufacturing AI image processing equipment?

A9: In the AI Image Processing Equipment Business, we are delivering demo units to existing customers, and most of the sample products prepared by these customers have passed inspection without any problems. However, at the request of our customers, we have added new inspection items for rare cases, which has extended the time required to collect sample products. The equipment is being developed and manufactured at the Ashikaga Plant of our group company, Tokyo Technical Corporation, by a dedicated team.

Q10: Will the advisors and executive officers in the VG Strategy Office provide support and guidance on AI image processing equipment? What areas do you expect advisors to focus their support and offer expertise?

A10: In terms of VG Strategy Office support, we have an advisor from a major FA manufacturer,

who we expect to provide guidance on ways to make the organization as a whole more profitable (including the AI Image Processing Equipment business).

In addition, the advisors are currently focusing their attention on the semiconductor-related field, and our goal is to develop value-added and profitable products that meet the true needs of customers and expand beyond existing clients, while keeping pace with advancements in devices.

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