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To whom it may concern

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Q&A for the Financial Results Briefing for the Fiscal Year Ended May 31, 2026 (Excerpts)

On July 13, 2026, the Company held an online briefing session to present our financial results for the fiscal year ended May 31, 2026. This document summarizes the main points of the question-and-answer session held during the briefing. Please note that some content has been added or revised to aid understanding.

Q1: Regarding the financial forecasts for the fiscal year ending May 31, 2027, I have the impression that, in the past, the company tended to set conservative targets at the beginning of the fiscal year and then revise them upward during the year. However, the forecasts announced this time appear to be relatively strong in terms of both revenue and profit. Has the Company changed the way it formulates its forecasts? Could you also explain the assumptions underlying the revenue and profit figures?

A1: The method for formulating the plan itself has not changed significantly from previous practices; this plan was also formulated based on a compilation of projects reported by the relevant business divisions. On the other hand, while the profit margin in this plan may appear relatively modest compared to sales, this is primarily because we have factored in increased R&D expenses and higher agent fees resulting from the expansion of overseas sales. In particular, we view R&D expenses as necessary investments for future sales growth and as proactive expenditures aimed at driving growth in the next fiscal year and beyond. Our policy is to maintain investment discipline while balancing the investments necessary for growth with sound business management.

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Q2: Regarding the increase in research and development expenses, what level of increase do you anticipate for the fiscal year ending May 31, 2027 compared to the previous fiscal year's results?

A2: We anticipate that research and development expenses will increase by approximately 200 million to 300 million yen compared to the previous fiscal year's results; however, this figure is subject to change depending on business trends, the progress of research and development, and other factors.

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Q3: The sales forecast for the IoT-related business for the fiscal year ending May 31, 2027 is approximately 5.1 billion yen. However, based on the backlog of orders and Base Sales figures at the end of the previous fiscal year, it appears that a significant portion of this forecast consists of projects that are already largely certain. Was this sales plan formulated primarily based on projects that have already been identified and are considered highly likely to materialize?

A3: The sales plan for the fiscal year ending May 31, 2027 is based on a combination of projects that have already been identified and those at the inquiry stage, and it includes some projects that may fluctuate depending on future progress. Additionally, the forecast for Base Sales incorporates projects such as modifications to the Pupil Lens Module® and Illuminators. Regarding the Pupil Lens Module®, significant revenue growth is expected if sales expansion overseas and the recovery of domestic market share proceed as planned. On the other hand, the Illuminator business is influenced by trends in capital investment; in the short term, in particular, it is subject to fluctuations in investment trends for smartphone image sensors, and therefore carries a certain degree of volatility risk. For this reason, we believe the importance of the Pupil Lens Module® and Illuminator retrofit projects—which contribute to Base Sales—will continue to grow in the future.

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Q4: Regarding the large order received in September 2025, it was explained that it was estimated to represent approximately one-quarter of the customer's overall capital investment program. Could you explain the reasoning behind this assessment? Are there already signs of additional inquiries? Also, is it likely that similar orders will continue in the future?

A4: This assessment is not based on a specific market forecasting model, but rather represents a comprehensive judgment taking into account the customer's production capacity, trends in capital expenditures, and the status of past business negotiations. Furthermore, in addition to fluctuations in the customer's market share, we believe that capital expenditures could increase beyond previous levels if trends such as the shift toward larger-format and higher-density image sensors continue.

For this reason, we do not believe that this order marks the end of the current investment cycle, and we recognize that robust demand is likely to continue through the fiscal years ending May 31, 2027 and May 31, 2028.

Q5: Regarding order trends for IoT-related business, is it reasonable to expect that order intake for the fiscal year ending May 31, 2027 will exceed that of the previous fiscal year? Please also explain the pattern of order intake.

A5: Currently, if progress continues as planned, order intake is expected to exceed that of the previous fiscal year. However, there is some uncertainty involved, particularly regarding Illuminators. This is because orders for such equipment do not tend to come in at a steady monthly pace; rather, they are typically recorded as relatively large, lump-sum orders following discussions with customers, tester manufacturers, probe card manufacturers, and others.
On the other hand, projects such as Pupil Lens Module®, light source retrofits, and other maintenance work tend to accumulate on a daily basis. Therefore, we believe that total orders consist of both these stable projects and large-volume orders.

Q6: Please explain the background behind the record-high sales to European customers, the scale of those sales, and whether this level of sales is expected to continue in the fiscal year ending May 31, 2027 and beyond. Also, are these European customers new or existing?

A6: We believe the record-high sales to European customers were driven by increased demand resulting from the customer securing contracts for certain smartphone-related devices. Sales amounted to approximately 600 million to 700 million yen, and for the fiscal year ending May 31, 2026, sales from customers other than our major clients were one factor underpinning our financial performance. Since this investment cycle has largely run its course, we cannot definitively state at this time that sales or orders on the same scale as those in the fiscal year ending May 31, 2026 will continue into the fiscal year ending May 31, 2027. On the other hand, given the cyclical nature of capital investment, we believe there is a possibility that demand will arise again in the future.

It should be noted that this project involves capacity expansion for existing customers. We have been engaged in proposal activities for many years, and the results of these efforts have led to a steady stream of orders. Furthermore, we recognize that there are situations where our Illuminators are required for our customers to secure new projects. In addition, while on a limited scale, we are making progress in acquiring new customers, and initiatives to offset the decline in sales to domestic customers to a certain extent are also advancing.

Q7: Regarding the 2 billion yen increase in investment for existing businesses in the cash allocation plan, please provide details on the specific nature of these investments. Also, are these investments intended to be capital expenditures, or do they include expenses recognized in the income statement?

A7: We recognize that our existing businesses are currently undergoing a period of transformation. For example, regarding the Pupil Lens Module®, we are transitioning from the traditional manual assembly process to automation at our Kumamoto facility. As this is expected to improve quality, shorten delivery times, and reduce costs, it is also enhancing our ability to make proposals not only to existing customers but also to overseas customers. Given this background, we are currently anticipating that these investments will primarily consist of capital expenditures. On the other hand, depending on market conditions and the progress of specific projects, there is a possibility that investments may be expensed as research and development costs or similar items. Furthermore, we are keeping an eye on opportunities such as expanding our product lineup, growing demand for physical AI, strengthening solutions through collaboration with related fields, and forming business alliances. Accordingly, our policy is to secure the financial flexibility necessary to invest in enhancing the competitiveness of our existing businesses.

Q8: Do you believe that projects related to physical AI have the potential for significant growth in the future? Also, is there any concrete demand emerging at this point?

A8: While AI is currently being utilized primarily in the cloud, we believe it will evolve in the future toward the physical domain—that is, toward perceiving and acting upon the real world. Although it is difficult to specify a precise timeline at this point, we recognize that the pace of technological advancement in this area is steadily accelerating.
The Company plans to prepare over the next three years or so to be able to capture this demand. Although customers have not yet presented specific product requirements or projects, we understand that they are also making preparations, and the Company intends to take the necessary steps to address future demand.

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