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HAMAMATSU PHOTONICS K.K.

Financial Results for the Fiscal Year Ended September 2025

Presentation

Kodama: Thank you very much for taking time out of your busy schedule today to participate in the Financial Results Briefing for the Fiscal Year Ended September 2025 of HAMAMATSU PHOTONICS K.K.

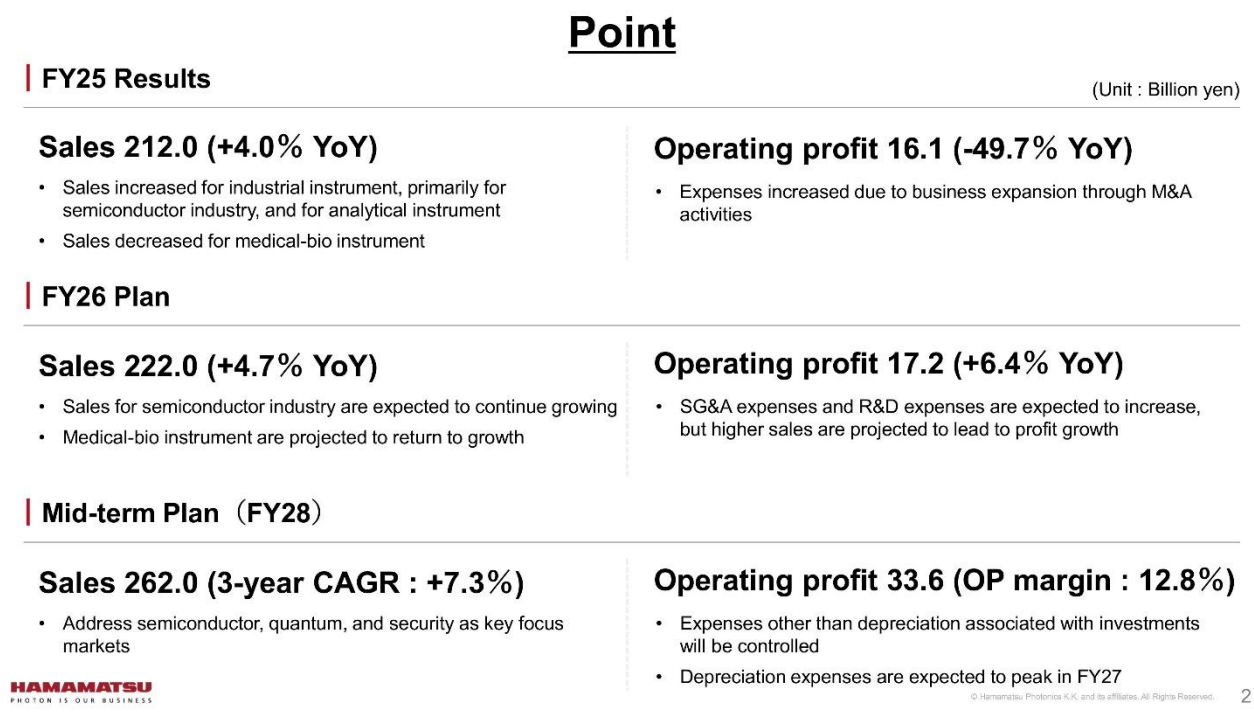
I will introduce today's attendees. Tadashi Maruno, Representative Director and President, CEO.

Takashi Ogasawara, Executive Officer.

I, Kodama of Corporate Communication Department, will be the facilitator.

Today, we will explain the fiscal year ended September 30, 2025. After the explanation, we will move on to the question-and-answer session. Please check our website for related materials.

Now President Maruno, please begin.



Maruno: I would now like to move on to the presentation of the financial results for the fiscal year ended September 30, 2025.

As a first point, sales in FY2025 totaled JPY212 billion, a 4% increase over the previous year. Operating profit was JPY16.1 billion, a decrease of 49.7% from the previous year.

Sales were strong in the industrial, especially in the semiconductor industry, but unfortunately declined in the medical–bio. Unfortunately, operating profit fell sharply, due in part to a large increase in M&A expenses that did not exist in the previous fiscal year.

In FY2026, net sales are expected to be JPY222 billion, up 4.7% from the previous year. Operating profit is expected to be JPY17.2 billion, up 6.4% from the previous year.

Sales for semiconductor industry are expected to be strong. In addition, in FY2026, medical-bio is expected to finally begin to increase. As for operating profit, although there will be an increase in SG&A and other expenses, we would like to proceed firmly to JPY17.2 billion as a minimum line.

As for our midterm plan, sales are expected to be JPY262 billion and a growth rate of approximately 7.3% in FY2028, which is the final year of the three-year plan. In particular, we intend to respond to the fields of semiconductor, quantum, and security, as priority markets. Operating profit is also expected to be JPY33.6 billion, which means an operating margin of 12.8%. Depreciation will peak out in FY2027, and the burden from depreciation will be reduced thereafter.

Financial Results

Sales growth mainly in semiconductor industry and business expansion through M&A contributed to higher revenue
Profit decreased due to increased expenses from scale expansion

(Unit : Billion yen)

	FY24 (Actual)	FY25 (Forecast as of Q3)	FY25 (Actual)	YoY		vs. Forecast as of Q3	
				Change	%	Change	%
Sales	203.9	212.8	212.0	8.0	4.0	-0.7	-0.4
Gross profit (%)	103.8 (50.9 %)	102.8 (48.3 %)	101.3 (47.8 %)	-2.5	-2.4	-1.4	-1.4
Operating profit (%)	32.1 (15.7 %)	18.0 (8.5 %)	16.1 (7.6 %)	-15.9	-49.7	-1.8	-10.2
EBITDA	49.8	40.0	38.5	-11.3	-22.8	-1.4	-3.7
Net profit	25.1	14.0	14.2	-10.9	-43.5	0.2	1.5

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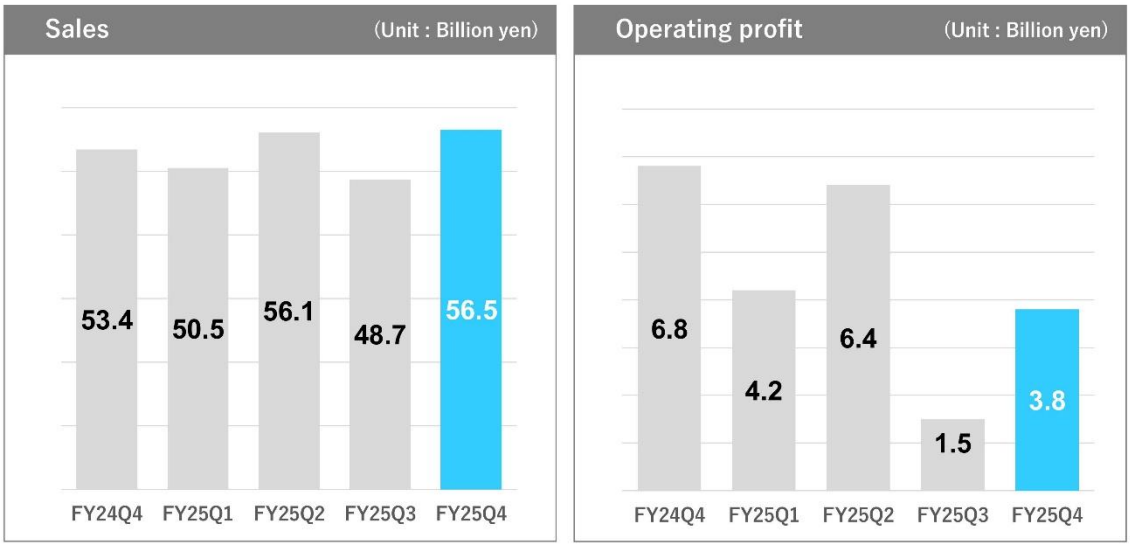
Now I would like to explain the results of FY2025. As I just mentioned here, the key point is that we made one downward revision in Q3 of FY2025. At that time, we expected operating profit to be JPY18

billion, but unfortunately, the actual result for FY2025 was JPY16.1 billion, a drop of about JPY1.8 billion.

Quarterly Changes



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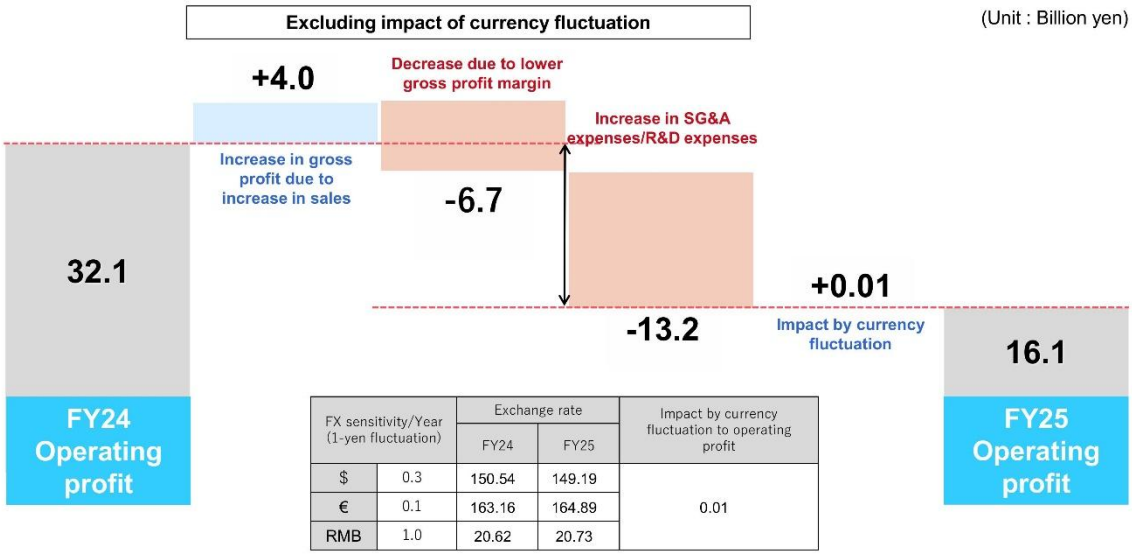
However, this includes a one-time factor of JPY1.3 billion, so if we take this into account, with the profit for Q4 of FY2025 as JPY3.8 billion, it should have been over JPY5 billion.

Factors of Operating Profit Changes



FX sensitivity/Year (1-yen fluctuation)		Exchange rate FY24	Exchange rate FY25	Impact by currency fluctuation to operating profit
$	0.3	150.54	149.19	0.01
€	0.1	163.16	164.89	
RMB	1.0	20.62	20.73	

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The factors contributing to the change in profit are as follows. The increase in sales has led to an increase in gross profit, but unfortunately, there has been a decline in gross profit margin in some areas, which is negative, then as for SG&A expenses, minus JPY13.2 billion.

Factors causing increases in SG&A and R&D expenses

(Unit : Billion yen)

	Item		Comment
Impact of M&A +10.1	R&D expenses	+4.2	NKTP＋3.1 FI+1.1
	Personnel expenses	+2.0	NKTP＋1.4 FI＋0.5
	Others	+3.7	NKTP＋1.3 Goodwill amortization＋2.4
Excluding M&A +3.3	R&D expenses	+0.5	
	Personnel expenses	+2.1	Increase due to increase in personnel and base salary
	Depreciation	+1.7	Increase in head office expenses (including overseas subsidiaries), etc.
	Others	-1.1	Thorough cost reduction
Impact by currency fluctuation		-0.2	Impact amount is deducted due to inclusion of foreign exchange effects in each item

*NKTP：NKT Photonics　FI：Fairchild Imaging

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This figure includes JPY10.1 billion due to M&A. This was largely within expectations as originally planned.

There is an increase of JPY3.3 billion other than M&A, which I believe is mainly due to personnel expenses. This includes increases in personnel and base increases, which I will explain in some detail later as one of the important issues in the future management guidelines.

Sales by application

Point

Industrial : Good performance continues, particularly for semiconductor industry

Medical-bio : Market for radiologic testing shows gradual recovery trend, but overall situation remains sluggish

Analytical : Good performance continues for liquid chromatography and other applications

(Unit : Billion yen)

	FY24	FY25	YoY	
			Change	%
Industrial	66.3	74.2	7.9	12.0
Medical-bio	64.9	60.2	-4.7	-7.3
Analytical	20.4	25.6	5.2	25.6
Academic Research	16.4	20.3	3.9	23.9
Measuring	10.2	10.4	0.2	2.0
Transport	5.6	4.5	-1.1	-20.0

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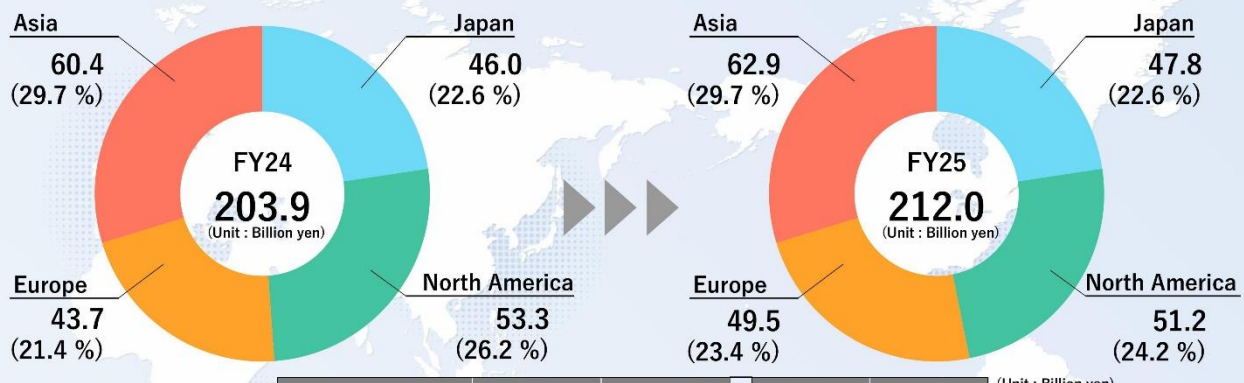
As for sales by application, industrial is increasing. This is a continuation of strong conditions, particularly in semiconductor. In medical-bio, however, sales of products for diagnostic radiology equipment are still sluggish, although there is a gradual recovery trend.

Sales by Region



(Unit : Billion yen)

	FY24	FY25	Change	%
Japan	46.0	47.8	1.8	4.0
North America	53.3	51.2	-2.0	-3.9
Europe	43.7	49.5	5.8	13.3
Asia (of which China)	60.4 (40.2)	62.9 (40.6)	2.4 (0.4)	4.0 (1.1)

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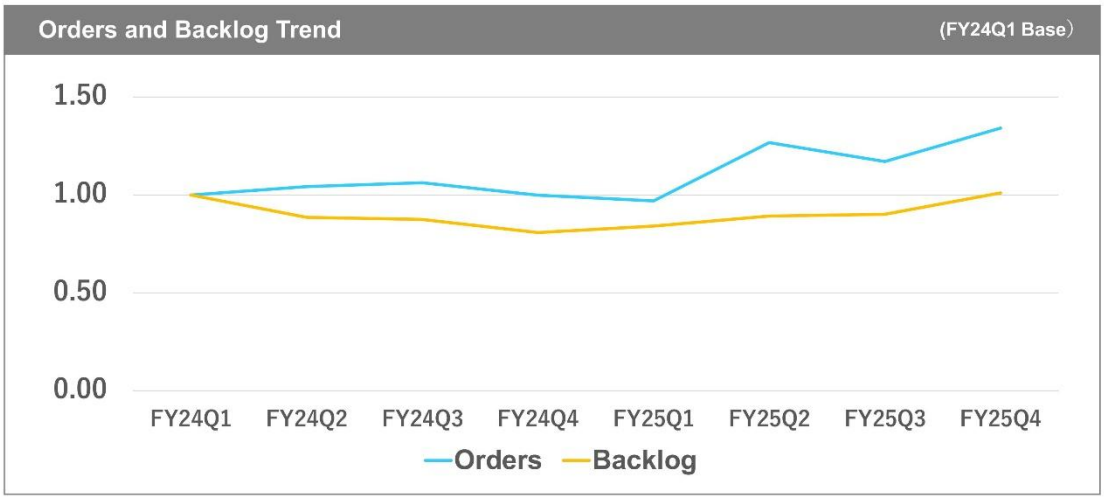
Sales by region increased in Japan, Europe, and Asia. Especially in Europe, the increase in sales of NKT Photonics contributed to the positive figure of JPY5.8 billion. As for Asia, sales increased by JPY2.4 billion, but while sales in China did not change much, it was due to strong demand for semiconductor failure analysis in South Korea.

Orders trends

FY25Q4 orders remained stable despite some impact from long-term contracts



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Orders have been rising in Q4 of FY2025. Although there were some long-term large contracts, the order backlog continued to decline compared to FY2024 Q1, but it is now clearly on the road to recovery. With a steady increase in orders, as you can see from these results, it is clear that we have emerged from the bottom in sales. These results show that the situation is on a recovery track for FY2026.

Inventory status

Activities to Shorten CCC (Cash Conversion Cycle)

- In FY25, down 3.6 billion yen compared to previous fiscal year
- Implemented measures to curb material procurement

[Inventory trends] （Unit : Billion yen）

[CCC]

FY24	FY25	FY28 (Target)
327days	290days	240days

Work to reduce inventory turnover days with a target CCC of 240 days

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Regarding the inventory situation, we have been working to shorten the cash conversion cycle as one of our key projects. As for inventories, they totaled minus JPY3.6 billion, but this was largely due to the fact that we implemented firm controls on material purchases, in particular.

As a result, we were able to significantly reduce the cash conversion cycle, from 327 days to 290 days. However, this is still a work in progress, and we are still working toward our goal of 240 days in FY2028.

Earning Forecast

Revenue and profit growth driven by increased demand in key sectors, particularly industrial instruments for the semiconductor industry

(Unit : Billion yen)

	FY25	FY26 (Plan)	YoY	
			Change	%
Sales	212.0	222.0	9.9	4.7
Gross profit (%)	101.3 (47.8 %)	106.2 (47.8 %)	4.8	4.8
Operating profit (%)	16.1 (7.6 %)	17.2 (7.7 %)	1.0	6.4
EBITDA	38.5	39.9	1.4	3.8
Net profit	14.2	14.3	0	0.7

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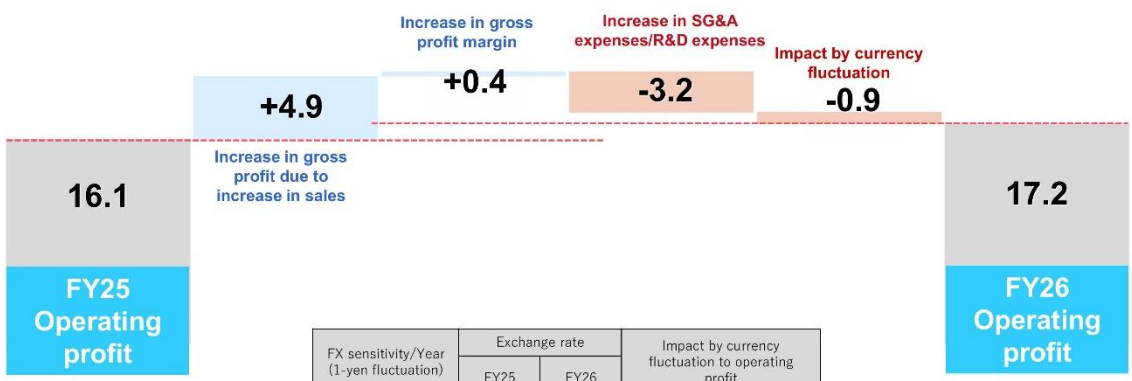
From here, I will explain our plans for FY2026. As for FY2026, with sales of JPY222 billion, we expect an increase in both sales and profit due to an increase in major industries, such as industrial equipment, mainly for semiconductor. Operating profit is also expected to increase to JPY17.2 billion.

Factors of Operating Profit Changes

Excluding impact of currency fluctuation

(Unit : Billion yen)



FX sensitivity/Year (1-yen fluctuation)		Exchange rate FY25	Exchange rate FY26	Impact by currency fluctuation to operating profit
$	0.3	149.19	148.00	-0.9
€	0.1	164.89	170.00	
RMB	1.0	20.73	20.00	

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The factors contributing to the change in profit are as follows. Due to a slight increase in SG&A and R&D expenses, we plan to increase both sales and profits, although profits will be slightly lower.

Sales by application

Point

Industrial : Sales for semiconductor industry are expected to remain strong and continue to grow

Medical-bio : Sales are expected to increase in major applications such as X-ray CT

Analytical : Steady demand is expected to drive further sales growth

Academic Research : Sales are expected to decline due to the completion of large-scale project

(Unit : Billion yen)

	FY25	FY26 (Plan)	YoY	
			Change	%
Industrial	74.2	78.9	4.6	6.3
Medical-bio	60.2	64.4	4.2	7.0
Analytical	25.6	26.3	0.6	2.6
Academic Research	20.3	18.5	-1.7	-8.7
Measuring	10.4	11.6	1.2	11.7
Transport	4.5	3.8	-0.6	-14.5

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As for sales by application, first, academic research will decrease due to the completion of a large project delivered to CERN in Europe, but in other areas, there is almost an upward trend. Industrial equipment, especially for semiconductor, has been strong, and this will continue.

In medical-bio, we are finally seeing an upturn in the X-ray CT, and orders are coming in. However, in the short term, the photon-counting CT I mentioned at the past presentations has not yet made a significant contribution. Still, it is a good sign that we see an upward trend and recovery is expected.

Industrial

Point

Semiconductor manufacturing and testing equipment : Sales growth supported by continued strength in wafer inspection

Semiconductor Failure analysis system : Sales growth driven by share expansion in high-end logic analysis

Non-destructive testing : Continued strength in PCB inspection offset by sales decline in baggage inspection

(Unit : Billion yen)

	FY25	FY26 (Plan)	YoY	
			Change	%
Semiconductor manufacturing and testing equipment	35.8	40.4	4.6	13.0
Semiconductor Failure analysis system	10.4	11.3	0.9	8.8
Non-destructive testing	17.0	16.4	-0.5	-3.3
Factory automation instrument	7.3	7.1	-0.1	-1.7
Others	3.6	3.4	-0.2	-5.7
Total	74.2	78.9	4.6	6.3

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Breaking down that industrial equipment, semiconductor manufacturing and testing equipment was also about JPY40 billion, an increase of JPY4.6 billion. In addition, our semiconductor failure analysis system, which exceeded JPY10 billion as a stand-alone business in FY2025, is expected to grow steadily to JPY11.3 billion in the current fiscal year. As for non-destructive testing, the market for PCB testing is expected to do well, but a decline is now expected for baggage testing.

Medical-bio

Point

Radiographic testing : Recovery to a moderate growth trend

Laboratory testing : Solid sales expected despite impact of U.S. budget cuts

Others : Sales growth driven by demand for ophthalmic laser treatment

(Unit : Billion yen)

	FY25	FY26 (Plan)	YoY	
			Change	%
Radiographic testing	36.3	38.5	2.2	6.1
Laboratory testing	17.4	18.0	0.5	3.1
Others	6.4	7.8	1.4	22.7
Total	60.2	64.4	4.2	7.0

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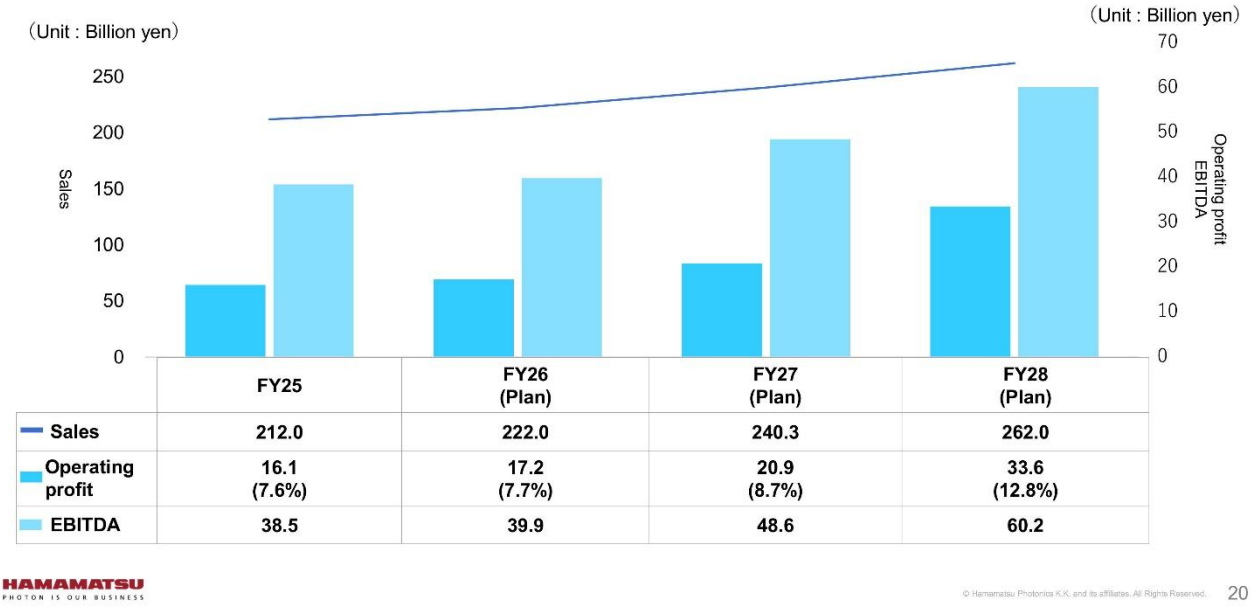
In medical-bio, as I mentioned earlier, we expect to see an increase in sales of radiographic testing. We have received new orders for both PET and CT, and we expect that inventory adjustments on the customer side have finally settled down.

The good news is that photon-counting CT is expected to increase in the medium term, and CT business itself is recovering. As for PET, a dual sourcing has started, but the highest performance of our latest SiPM exceeded that of the competition, while it may not happen immediately in the short term, new PET products are beginning to move toward adopting our latest sensors. In this sense, we believe that the medium-term outlook is truly bright.

The other part of the increase of JPY1.4 billion is expected to come from NKT Photonics for laser ophthalmology treatment. We will explain this area later.

Sales・Operating profit Results and Plans



	FY25	FY26 (Plan)	FY27 (Plan)	FY28 (Plan)
Sales	212.0	222.0	240.3	262.0
Operating profit	16.1 (7.6%)	17.2 (7.7%)	20.9 (8.7%)	33.6 (12.8%)
EBITDA	38.5	39.9	48.6	60.2

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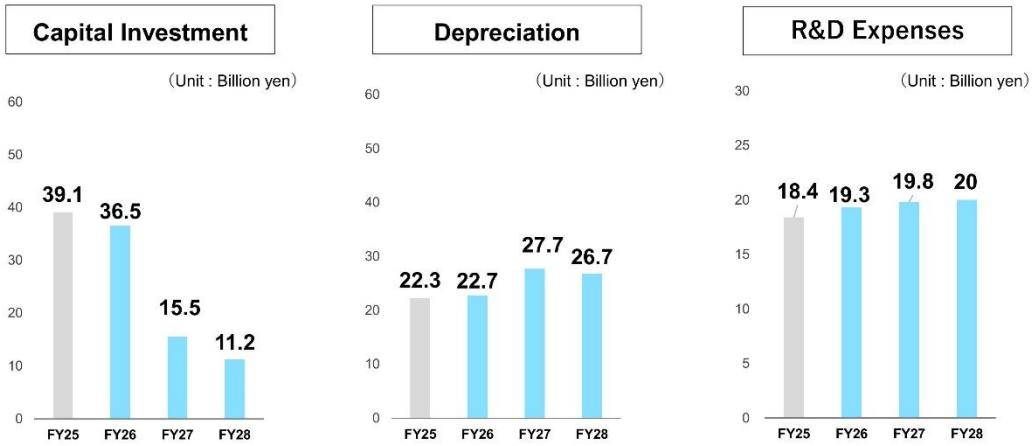
Now I would like to move on to the midterm plan from here. First of all, this midterm plan is for a three-year period through FY2028. With JPY262 billion in FY2028, operating profit is expected to be JPY33.6 billion and 12.8% of the total.

We have been creating three-year plans on a rolling basis each year, but from now on, we will analyze the gaps between our mid-term plans and actual results, and then clearly explain what measures we will take in response. We will introduce FP&A, and its concepts and logic into the organization so that we can analyze the past and leverage those insights to drive future improvements.

We have been growing steadily for many years and have been a bit lax in our thinking, so we would like to leverage our efforts in this area.

Capital Investment / Depreciation / R&D Expenses



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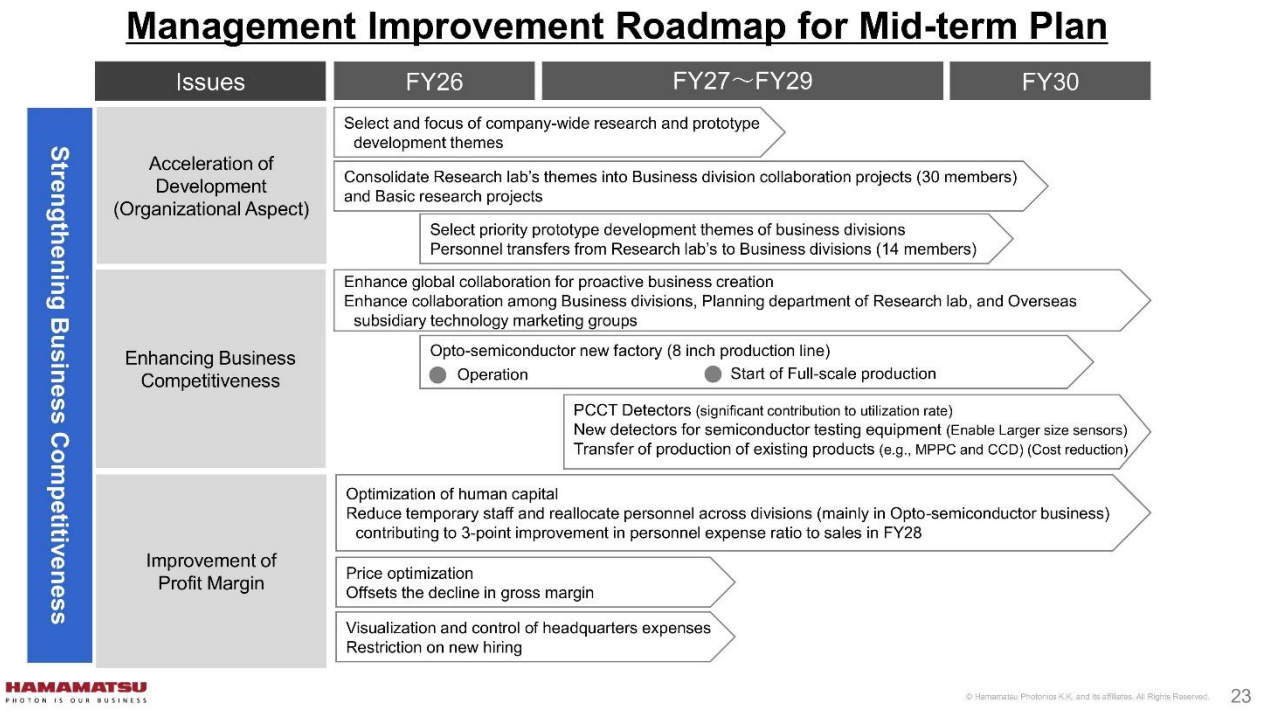
Capital investment for FY2026 will be JPY36.5 billion, driven by the delivery of major equipment for a new optical semiconductor 8-inch plant, but after this, there is no particular project for large investment at this time.

Depreciation will peak in FY2027, and then gradually decline, remaining around JPY25 billion for some time.

As for R&D, we would like to keep 8% to 9% of our sales, so we are currently thinking that it will remain at the JPY20 billion level.



I would now like to talk about our medium-term growth strategy. For achieving this medium-term plan, we need management improvements. In the previous Q3 financial results, I briefly listed and explained the management issues, but today I would like to go a little deeper.

The first step in the roadmap for these management improvements is strengthening business competitiveness. One of the key challenges here is accelerating product development and R&D speed. To achieve this, we are implementing bold organizational reforms. Additionally, strengthening business competitiveness will focus on the optical semiconductor business. Improving profit margins is also a major theme, and we will push this forward decisively.

Specifically, regarding development acceleration, this is a first attempt for our company: we are prioritizing and concentrating all corporate research and prototype development themes. Some prioritization has already been completed, and others are in progress.

For research themes, we are transferring highly promising themes that have been cultivated over many years to the business divisions. We have narrowed these down to about six themes and launched joint projects between the central research laboratory and the business divisions. About 30 members from the research center will collaborate with the business divisions, and the business divisions will also allocate related personnel. Together, they will create exit plans with a three-year target and move forward—this is our first trial of such an approach.

Of course, within the research center, we are also focusing on fundamental research. Currently, there are three key themes, and this number will increase. We are allocating resources to strengthen these areas and improve the foundation of basic research.

Another initiative is prioritizing prototype development themes within each business division. We have selected themes that are closest to commercialization and at critical turning points. To accelerate these, we will assign highly talented young personnel from the central research laboratory to the business divisions. Personnel selection has already been completed, and we are about to start.

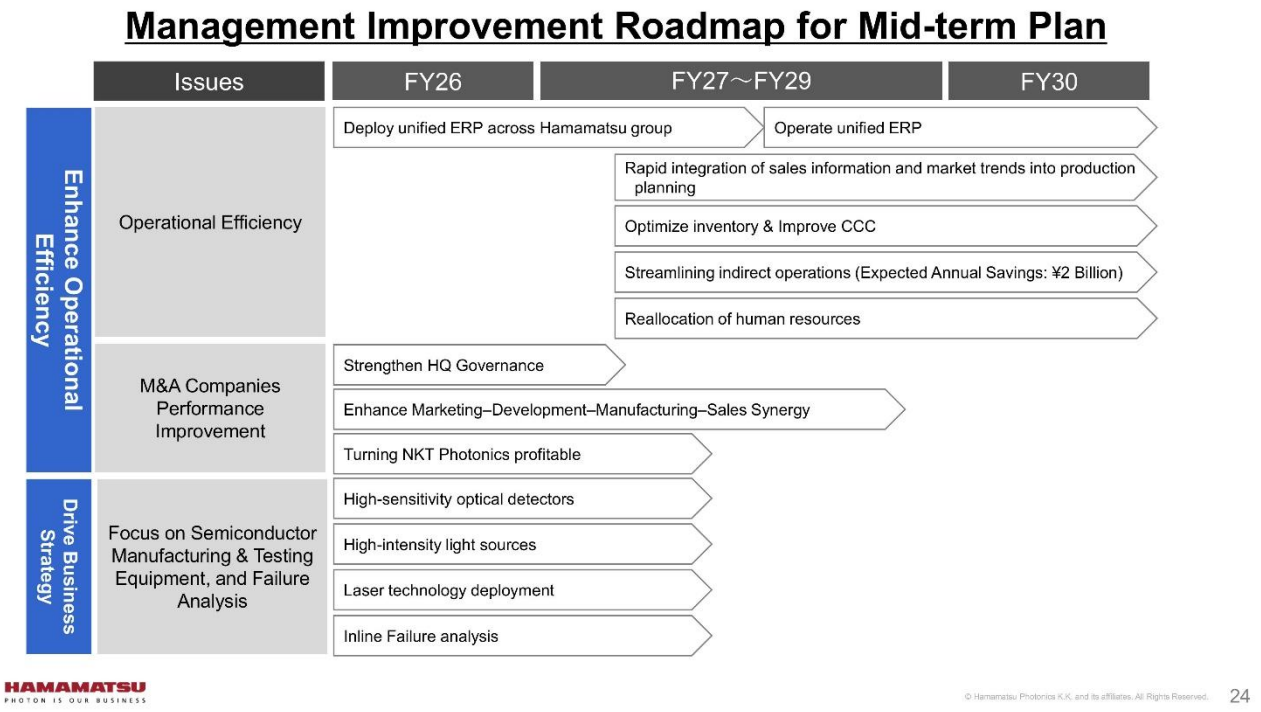
In terms of strengthening business competitiveness, we aim to be proactive. Our company has traditionally focused on OEM and component businesses, which are mainly passive—responding to customer requests. Going forward, we will actively develop markets and create new ones. To achieve this, we have established planning departments within the four business divisions and unified their missions. We have also created a planning department within the central research laboratory. These five planning departments will collaborate horizontally and work closely with technology marketing groups in overseas subsidiaries to drive new business creation thoroughly.

Another major initiative is the new 8-inch optical semiconductor production line. We will ensure its full operation to strengthen competitiveness in the optical semiconductor business. This is a company-wide theme. We plan to start operations in FY2026 and expect full-scale production around FY2028.

For example, photon-counting CT detectors require a large number of wafers, which will significantly contribute to utilization rates. New detectors for semiconductor testing equipment are also expanding in size, making them ideal for the 8-inch line. Additionally, new semiconductors, especially TDI-CCD, will be produced on the 8-inch line. Existing products currently made on 6-inch lines will gradually be transferred to the 8-inch line. Since the 8-inch line uses the latest equipment and larger wafers, this will lead to cost reductions.

Next is profit improvement. We will thoroughly optimize human capital. First, we are reducing temporary staff by about 100 people. We are also reallocating personnel between business divisions. For example, the optical semiconductor division currently has slightly more talented personnel, so we are transferring them to rapidly growing areas such as systems or laser division to achieve optimal allocation. Additionally, we are visualizing headquarters expenses to reduce them and restraining new hires. By thoroughly optimizing existing resources, we aim to improve the sales-to-personnel cost ratio by three points by FY2028, which is our minimum target.

Finally, price optimization. While gross margins have declined, we will offset this by passing on cost increases to customers. Initially, this will be implemented in Europe, followed by Japan and Asia.



Next, I would like to talk about enhancing operational improvements. Efficiency is absolutely essential. In addition, improving the performance of our M&A-acquired companies is also a very important issue.

Regarding operational efficiency, our company currently operates with different ERP systems across various business divisions and local subsidiaries. Connecting these systems requires significant human intervention. To address this, we have been working since last fiscal year on implementing a unified ERP system across the entire company. We will continue this effort in FY2026 and aim to have it fully operational around FY2028.

Once the unified ERP system is in place, sales information and market trends will be reflected in production planning in real time. This will enable highly flexible production planning, which in turn will lead to inventory optimization and improvements in the cash conversion cycle. We also expect significant efficiency gains in indirect operations. As a result, we will reallocate personnel from simple tasks to higher value-added work. Overall, after full implementation, we estimate annual benefits of approximately 2 billion yen.

Next, improving the performance of M&A-acquired companies. This essentially comes down to making NKT Photonics profitable. We have strengthened governance from headquarters and engaged in thorough discussions with NKT Photonics for over a year. Both companies have agreed to achieve profitability within three years, and this initiative is now progressing as a major project at NKT Photonics.

We are also working to increase NKT Photonics' sales and realize synergies through collaboration in marketing, development, and manufacturing with headquarters. In terms of sales, we have started in-depth discussions on how to leverage our local subsidiaries' sales networks. By generating these synergies and controlling expenses, we are moving forward to make NKT Photonics profitable.

Finally, regarding business strategy, we plan to focus on the semiconductor manufacturing, inspection, and failure analysis markets. I will provide more details on this later.

Finally, our business strategy is to focus on semiconductor manufacturing, testing, and failure analysis system, various things as I have listed here, and I will talk more about this later, are in a very advantageous position.

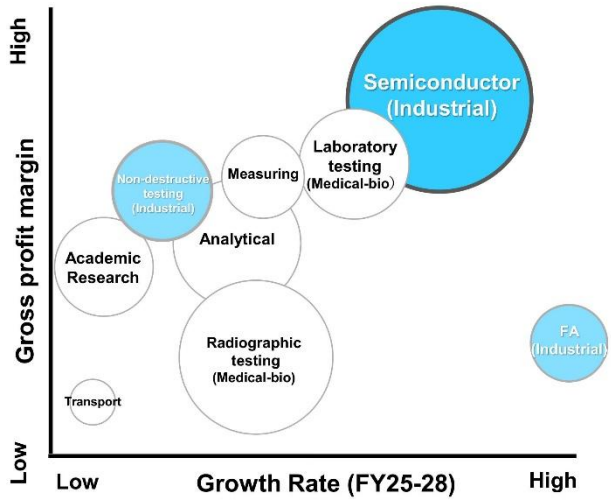
Sales by application

Sales Plan by application

(Unit : Billion yen)

	FY25	FY28	Change	CAGR (%)
Industrial	74.2	90.5	16.2	6.8
Medical-bio	60.2	72.8	12.6	6.6
Analytical	25.6	27.9	2.3	3.0
Academic Research	20.3	16.6	-3.6	-6.4
Measuring	10.4	11.6	1.2	3.8
Transport	4.5	3.5	-0.9	-7.9

Application composition



*Gross profit margin calculations refer to FY24 actual results

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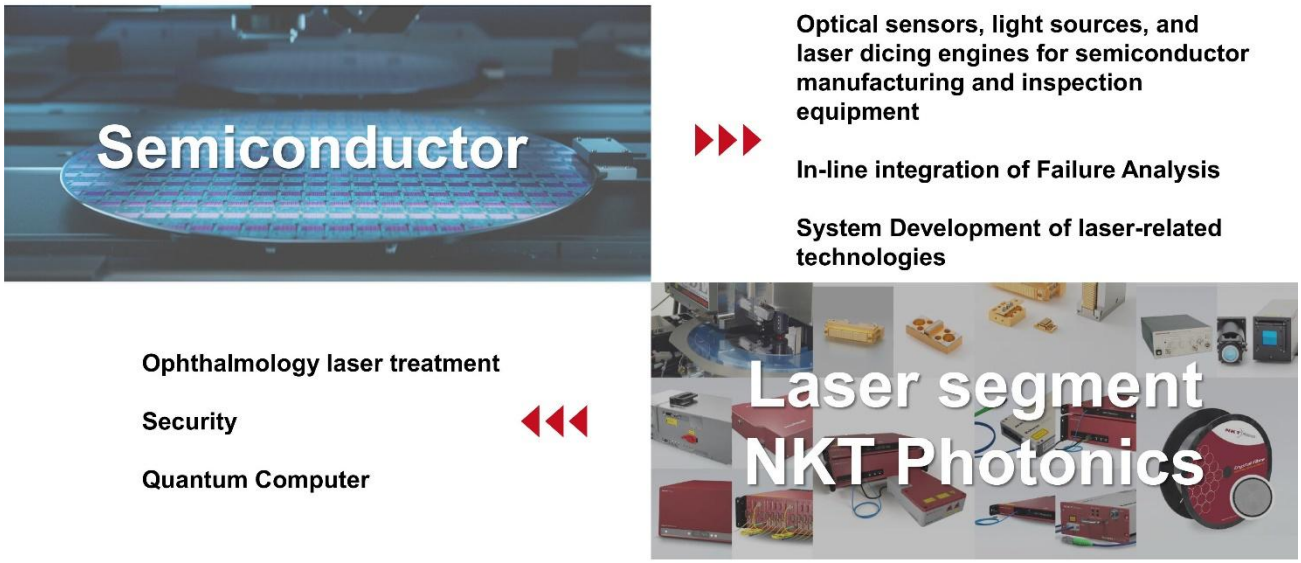
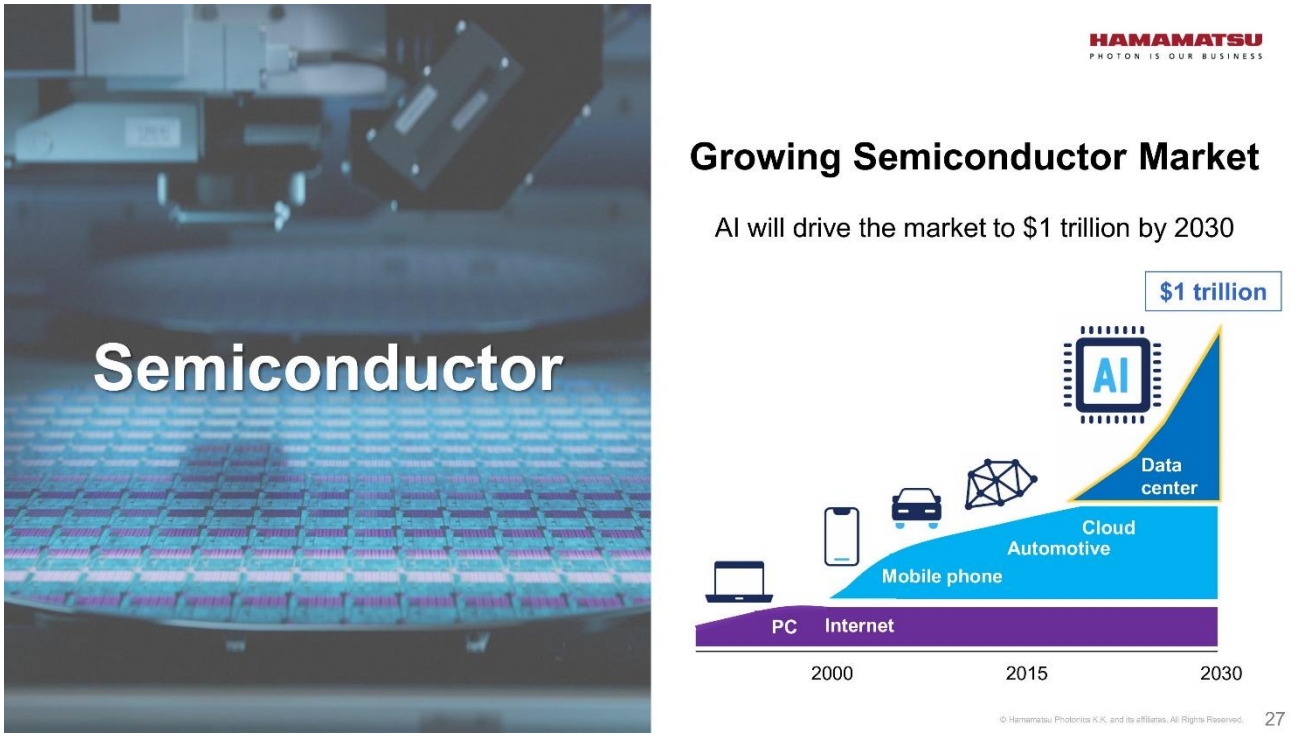
As you can see from the next graph, the industrial equipment segment consists of three categories: non-destructive testing, semiconductor, and FA, highlighted in blue. The semiconductor has the largest growth rate and the highest gross margin.

We are focusing our efforts on this field to improve our profit margin, since it is a highly profitable and high growth rate market that holds great promse for us.

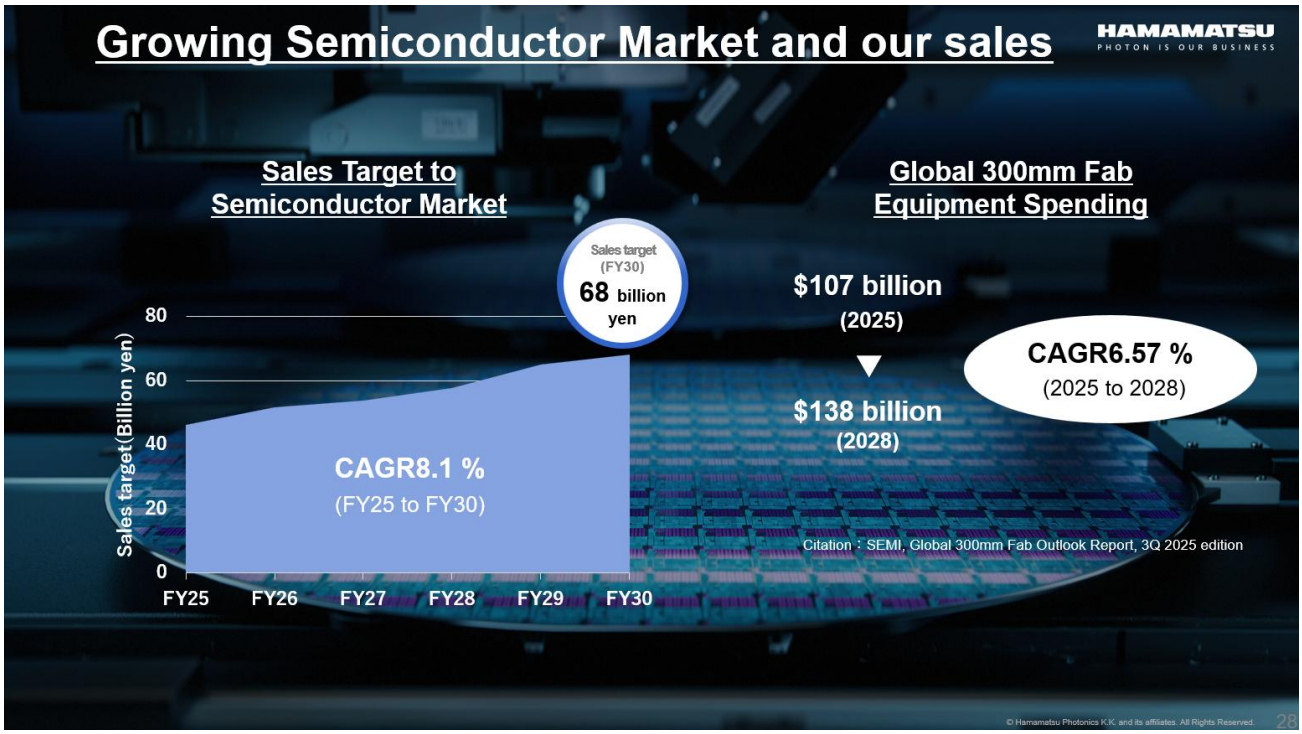
Growth Target



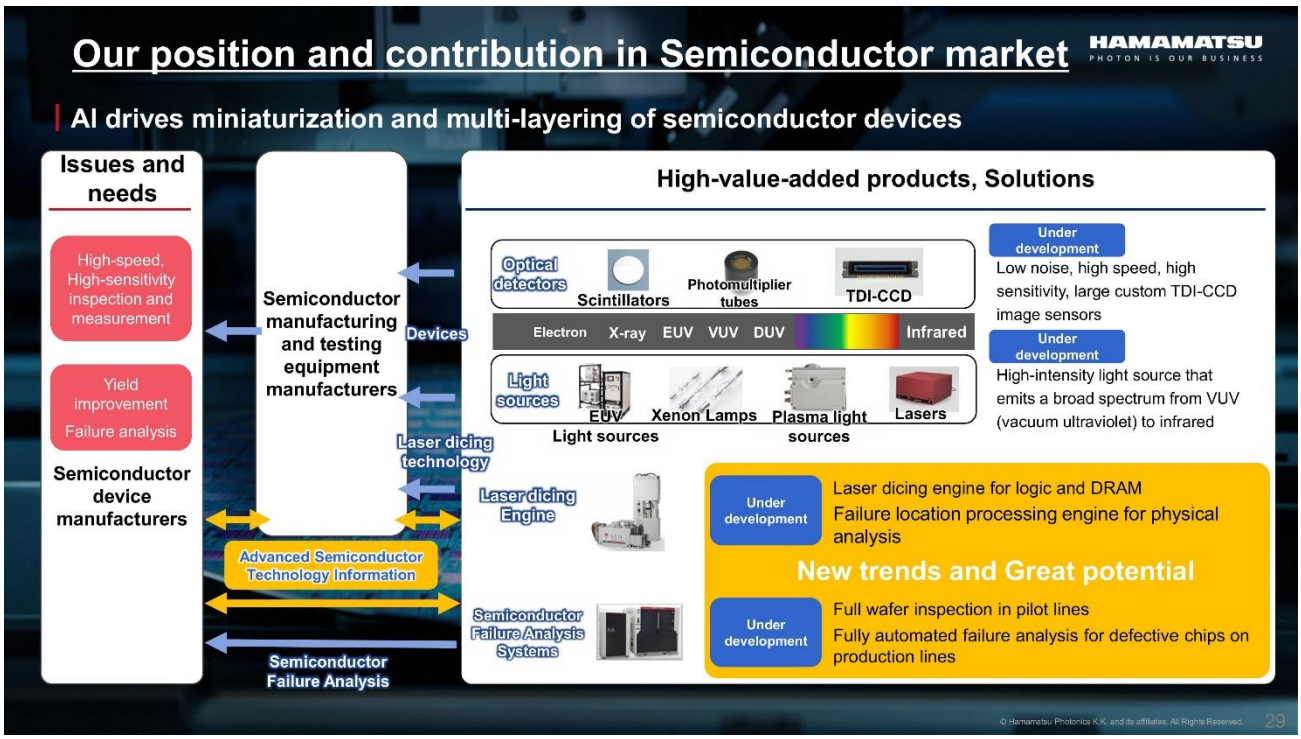
The semiconductor, which I will explain in detail shortly, is a field where we hold an extremely competitive advantage. And lasers will become one of the keys in this field in the future. In this context, our laser business—through close collaboration between NKT Photonics and the Laser Division—aims not only to provide strong support for the semiconductor business but also to expand the robust markets that NKT Photonics already serves. This is a key target for our growth strategy.



As you know, the market for semiconductor is now expected to be very promising, driven by AI.



In this field, investment in 300 mm fab equipment is very active. Our sales is just under JPY50 billion now, and we expect to reach JPY68 billion in FY2030, representing a growth rate of just under 7%.



I would like to explain why we are strong in this field.

First, semiconductor device manufacturers have clear needs and challenges. The need is to perform high-speed, high-sensitivity inspections. The challenge is to improve yield. Failure analysis is becoming increasingly important for this purpose.

Semiconductor manufacturing and testing equipment manufacturers are introducing a variety of equipment to meet these needs, and our position is to supply key devices to them. As for optical detectors, TDI-CCD image sensors with low noise, high speed, high sensitivity, large size, and large area, are required to meet the demand. Since this is an area where we have an almost exclusive position, we would like to make full use of the 8-inch line and respond effectively.

Also, as wavelengths get shorter, this will become an area of our strength, and we would like to differentiate ourselves in the field of optical detectors, including photomultiplier tubes and scintillators.

Also, light sources have not been a big business until now, but the trend is toward shorter wavelengths, from DUV to VUV, EUV, and electron beams, and we are now in a situation where we can really show our strength.

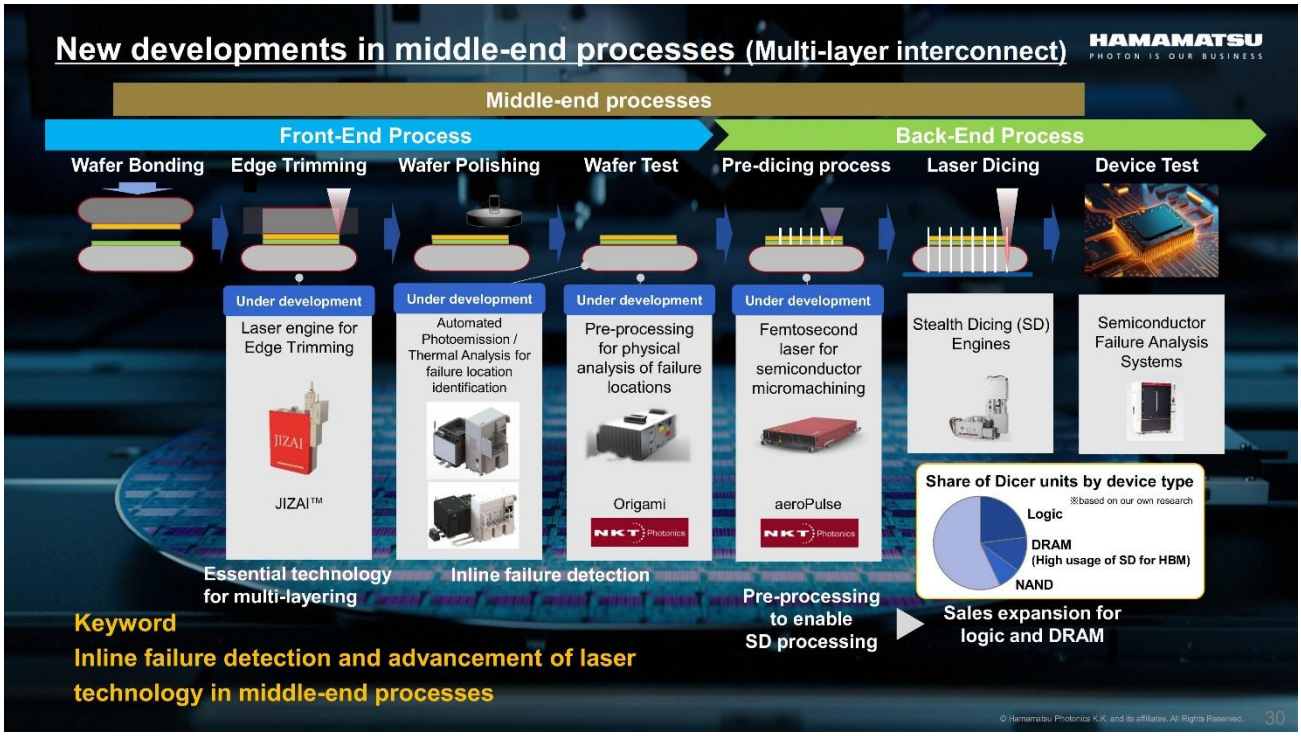
We are developing a variety of light sources, and we will be developing lasers with a wide spectral range and plasma light sources will be one of the core areas of our light source business. This is a field in which we can use our proprietary technology to achieve extremely high profit margins, and I believe that plasma light sources will become a keyword in the future.

In terms of wafer dicing technology, we are currently supplying stealth dicing engines, and we plan to expand this to the logic and DRAM fields.

Another new trend is inline semiconductor failure analysis, and one important point to note is that semiconductor failure analysis systems and the technology are directly provided to semiconductor device manufacturers. We are receiving more cutting-edge technical information directly from semiconductor device manufacturers. The necessary requirements and trends for detectors are coming in from semiconductor manufacturing and testing equipment manufacturers.

We also receive information directly from end users and from device manufacturers, so we can always anticipate their needs. This is a very important point that allows us to maintain a strong position in this field.

This stealth dicing, wafer dicing, and failure analysis, this is the newest trend that is being discovered right now, a new trend with great potential, and I would like to talk a little bit about this.



This is the manufacturing process for semiconductors, which used to be divided into front-end and back-end processes, but now that wafers are becoming multilayered and three-dimensional, the middle-end process is becoming extremely important. The yield in this middle-end process is truly critical to semiconductors. These steps, which are repeated many times during manufacturing, have become an extremely important part of the process.

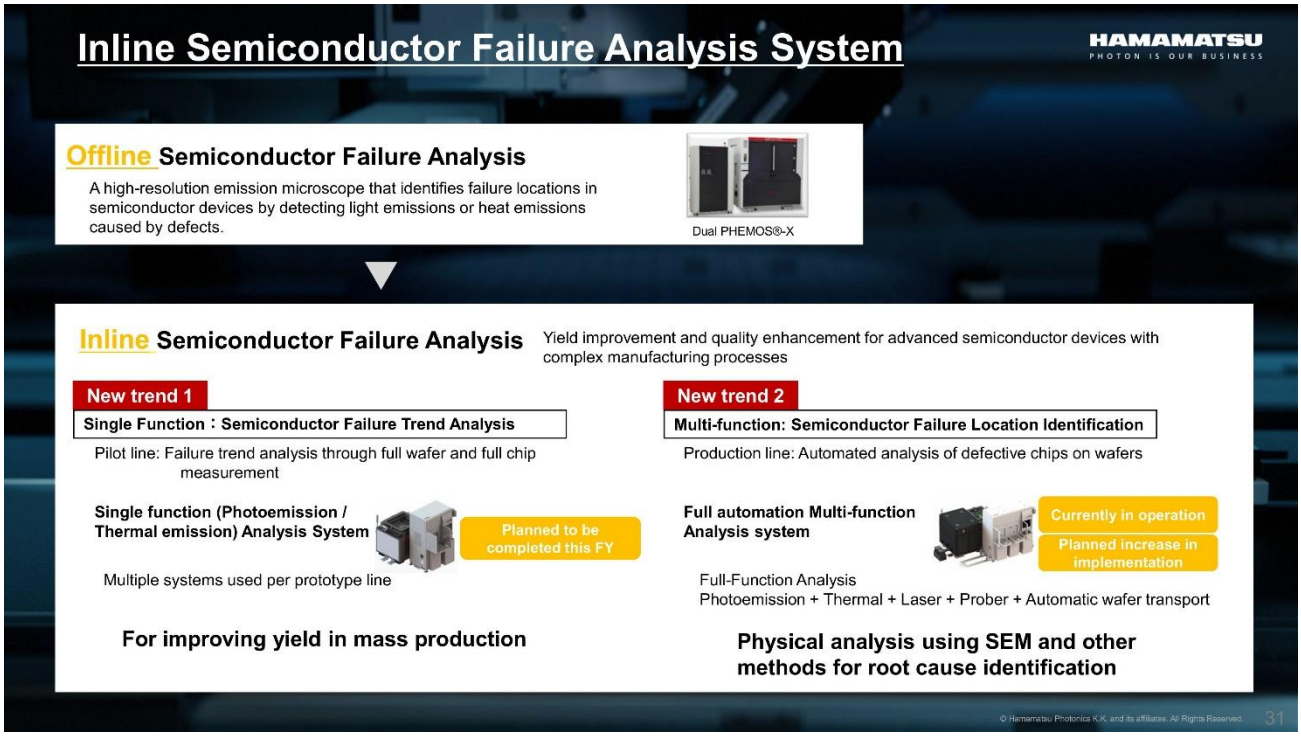
Traditionally, apart from offering stealth engines for dicing chips and equipment for failure analysis of finished products, there were hardly any solutions related to the middle-end process. However, we have been developing a variety of products in this field over the years.

Especially in the middle-end process, edge trimming of wafers when bonding wafer to wafer, this is very important. Without this, multilayer stacking is not possible, so we have developed this technology, which is now receiving high recognition.

The other is dicing. We have been focusing on NAND memory, but we expect to expand into DRAM and logic devices by combining laser technology for pre-processing, which is difficult to do with stealth dicing alone. We have high expectations for the future growth of DRAM and logic dicing, which are fields that we have not yet entered.

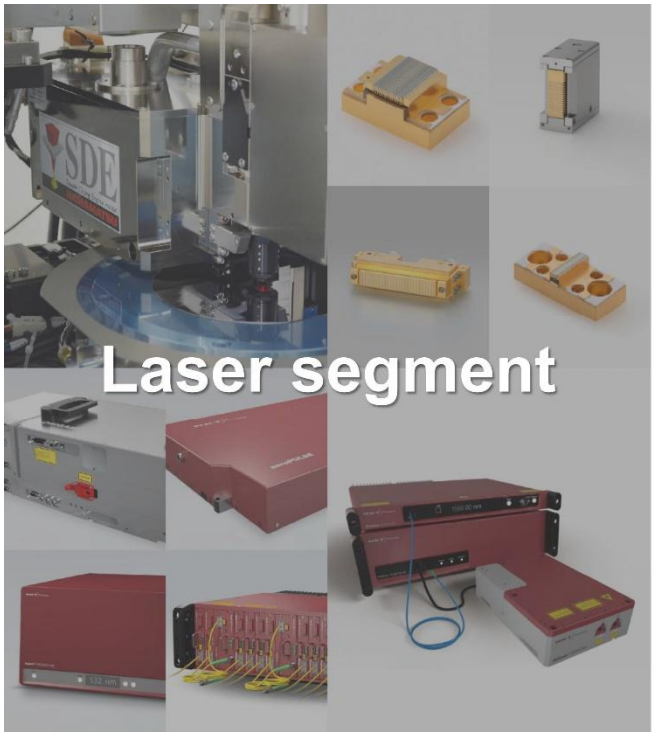
As I mentioned earlier, there is a huge trend and forecast for the inspection of finished chips, which requires automatic failure analysis of all the chips at the wafer level and pre-processing of the failure locations for physical analysis.

As you can see here, lasers will be at the core of any new technology, and collaboration between the laser division and NKT Photonics will be extremely important. The keywords are inline failure analysis and also the deployment of laser technology, which, I repeat, is a shift in the trend of failure analysis to inline. Of course, offline analysis will continue as it is, but now inline analysis will be also doing.



Measuring all wafers and all chips on the pilot line, and analyze failure trends to improve yield efficiency in mass production. This is a highly important step toward greater efficiency.

Automatic wafer failure analysis will be introduced on the mass production line. This will involve pre-treatment and fully automated physical analysis using SEM. Dozens of systems—each costing JPY 300 million to JPY 500 million—will be deployed, so we expect significant growth.



HAMAMATSU
PHOTON IS OUR BUSINESS

NKT Photonics

World-leading fiber laser and fiber amplification technologies

Single frequency fiber laser Koheras series

Photonic crystal fibers

Hamamatsu Photonics Laser Division

Providing products ranging from pump laser diode modules to laser applications

Stealth Dicing Engines

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At the same time, as I mentioned, laser technology is becoming very important. Cooperation between our laser division and NKT Photonics will be key.

Laser segment

HAMAMATSU
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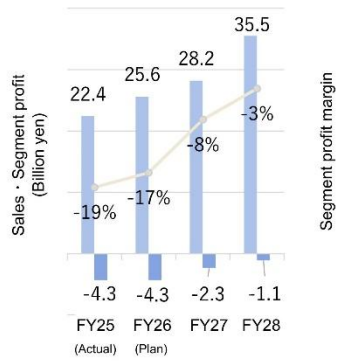
Point

- Drivers of sales growth with a **CAGR of 16.7% (FY2025–2028)**
- Profit (margin) improvement through maintaining fixed cost ratio and increasing sales
- NKT Photonics : Targeting profitability in FY2028, including goodwill amortization, and significant contribution to our profit growth thereafter

Laser segment Mid-Term Plan



Growth

- Technology integration between NKT Photonics and Laser Division
- Developing application technologies to solve market challenges
- Expanding production capacity and product development to meet growing sales (Maintaining fixed cost ratio despite workforce expansion)

Profitability improvement

- Review low-margin products (increase selling price, reduce cost)
- Consider outsourcing and manufacturing automation
- NKT Photonics: Optimize prioritization of R&D

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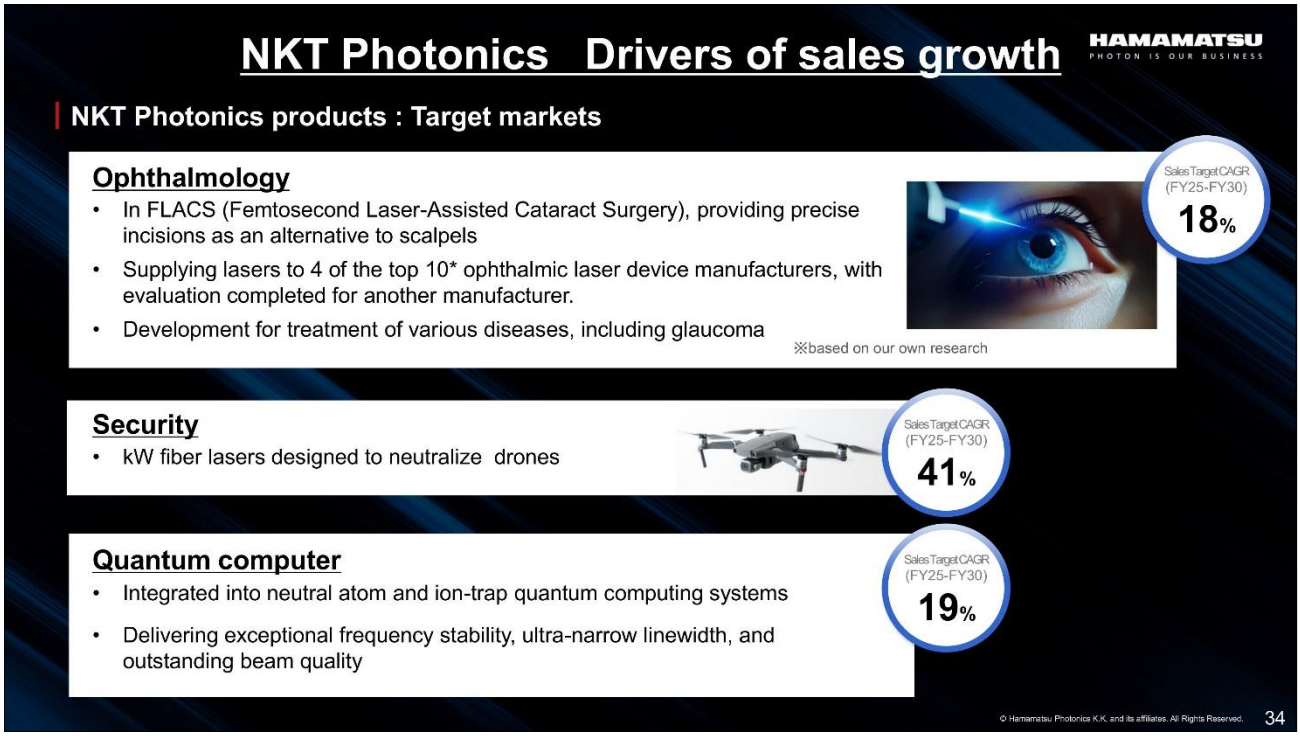
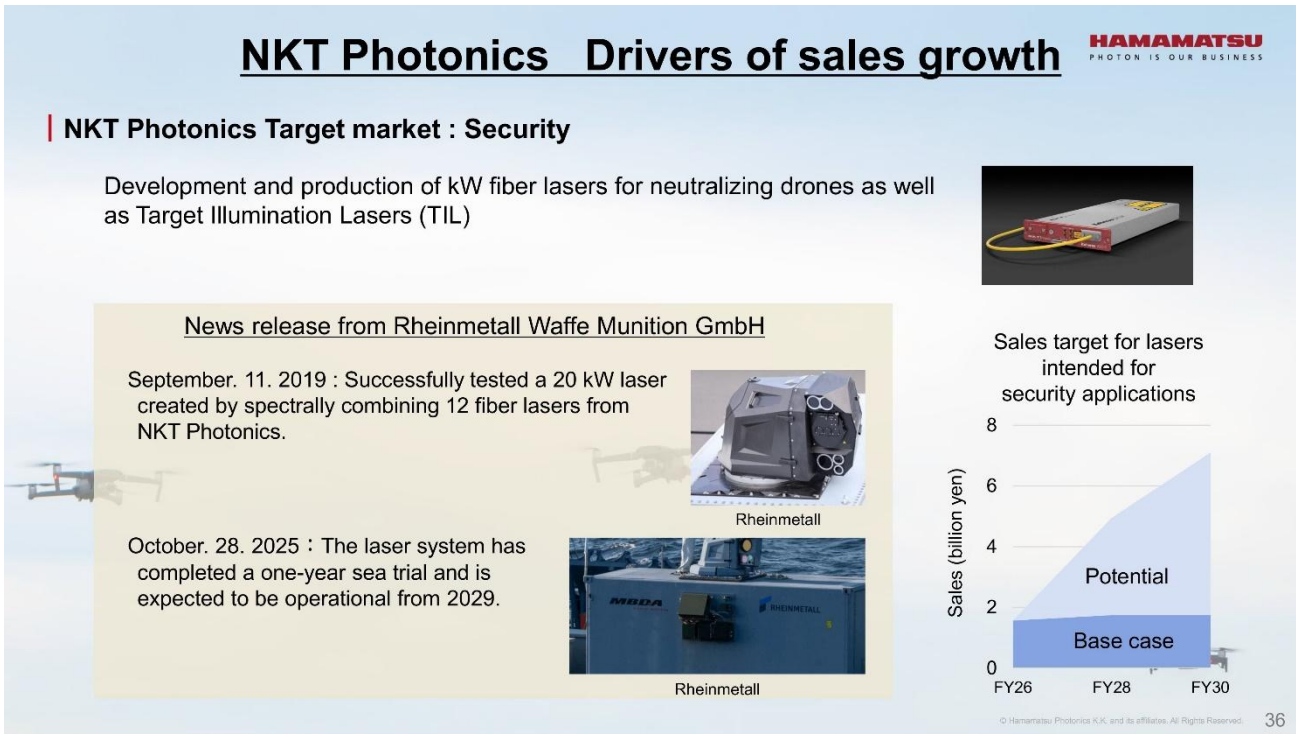
The plan for sales in the laser business is shown at the bottom left, JPY35.5 billion in FY2028, which is a growth rate of 16.7%, an extremely high growth rate we expect.

One of the major goals here right now is to try to turn a profit in the laser business, including amortization of goodwill of NKT Photonics. In the plan, it is still slightly negative, but we are hoping to bring this to a positive figure, and once this becomes positive, we believe that this business will make a significant contribution to our profits in the future.



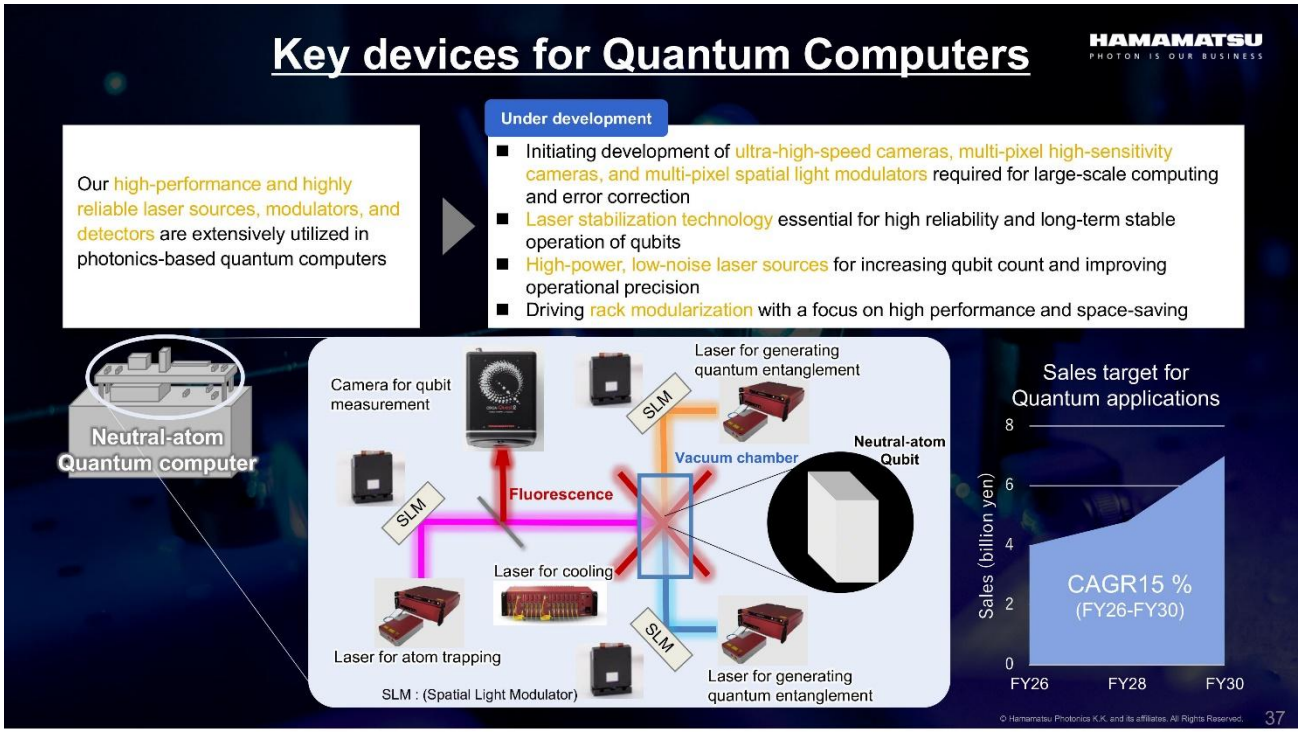
In this field, NKT Photonics' own market is also expected to grow very significantly. Laser therapy for ophthalmology, this is growing significantly now. It is growing steadily. We have now delivered to four of the top 10 ophthalmic treatment laser device manufacturers and have added another company to our list, and a fifth company has also completed its evaluation.

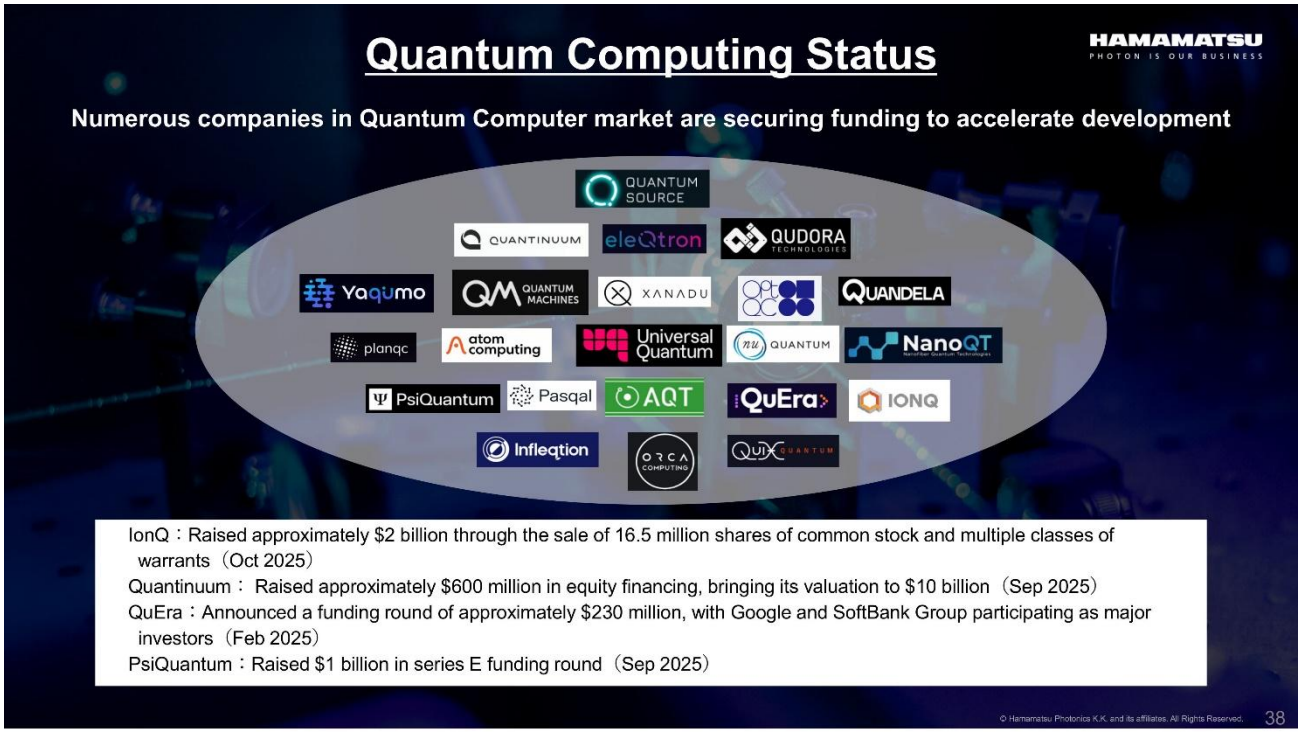
There is the area of security. We are very excited about the automation of drones here. As you all know, drones have been flying over many parts of Europe and causing airports to be closed, so defending critical infrastructure has become an extremely important theme, and it is said that Europe aims to introduce a system that can neutralize drones by the end of FY2027.



We have been working with Rheinmetall to develop kW-class fiber lasers, which would neutralize drones, and illuminated lasers for drone detection, and there was a press release about successfully testing a spectrum-coupled 10 kW-class laser in 2019.

The good news is that, on October 28, 2025, the laser system was tested onboard a warship for one year and is expected to be in operation from 2029. We expect that the potential of this system will grow significantly, since they will order the system from us in the very near future.

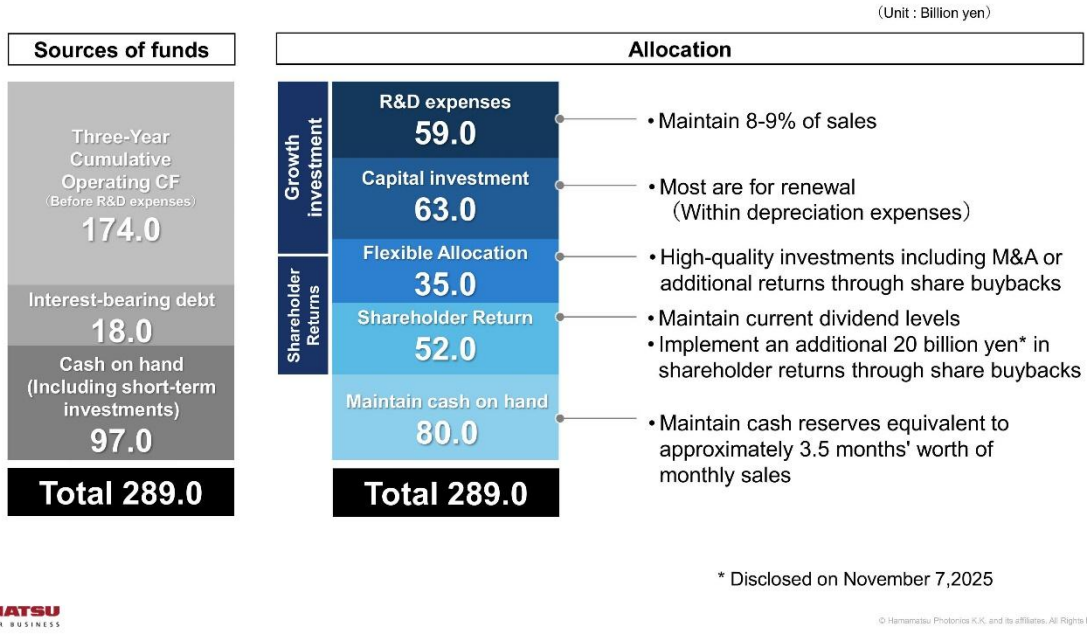




Finally, quantum computers, as I have just shown you, many companies, all of which we are involved with, have raised a lot of funds. All our key devices are used in this area.

We have also used the government budget of about JPY3 billion, which we will use to develop all the key components necessary for large-scale operation and correction of calculation errors.

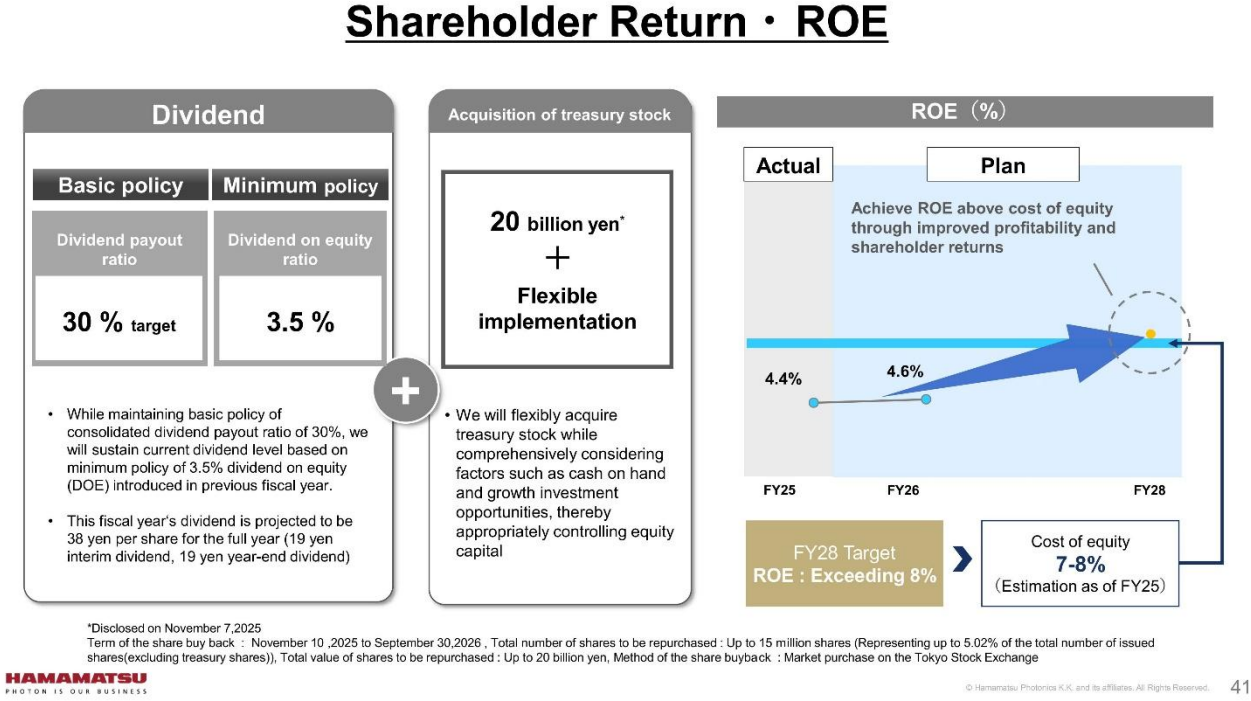
Our new products will make a significant contribution to our goal of reducing the error rate, to increase reliability, long-term stability, and quantum density. By making this into a rack module, we plan to greatly increase the number of them from FY2028 onward.



Finally, I will explain the financial strategy. Here is capital allocation. We plan to continue to invest in growth strategies. R&D expenses are approximately 8% to 9% of the total, which we will maintain at a firm level. Capital investment, which will be mainly for the renewal of facilities, is estimated to be JPY63 billion.

We have set aside JPY35 billion as a flexible allocation. We would like to allocate this amount to ensure that it can be used if good quality projects or strategic investment projects emerge in the future and also as a source of funds for the acquisition of treasury stock or additional shares.

In addition, as announced on November 7, in the context of shareholder returns, we will be repurchasing an additional JPY20 billion of our own shares. As we have announced, we intend to return profits to shareholders in this manner.



In terms of shareholder returns, our basic policy has been to maintain a dividend payout ratio of 30%, but we have set a lower limit of 3.5% for the dividend on equity ratio, DOE, since the previous fiscal year. Therefore, we plan to pay an interim dividend of JPY19 and a year-end dividend of JPY19, for a total of JPY38 for the current fiscal year.

As for the share buyback, as I mentioned earlier, we announced a JPY20 billion share buyback on November 7.

With strategies like this, we intend to make steady shareholder returns and improve ROE at the same time. Unfortunately, the ROE for FY2025 was 4.4%, and for FY2026, it is still 4.6%, which is still below the cost of capital of 7% to 8%. We will continue to improve sales and profit margins, and we are aiming to achieve an ROE of over 8% in FY2028.

This concludes our explanation of the financial results. Thank you very much.

Question & Answer

Q1. Why hasn't the gross profit margin improved this term? How much is the price pass-through included in the plan?

- The increase in personnel expenses is a burden, preventing improvement in profit margin.
- Price pass-through is expected to be around 1.5 billion yen, mainly in Europe and Japan. Many contract renewals occur in January.

Q2. Why is there a significant increase in profit in FY28?

- Contribution from NKTP's performance improvement.
- Growth in high-margin areas such as semiconductor, while controlling fixed costs.

Q3. If sales do not increase in FY27, won't it be difficult to boost profits?

- We will implement stricter personnel control and strengthen overseas governance to control expenses more than before.

Q4. With quantum computers, isn't the superconducting approach irrelevant?

- The superconducting approach is progressing, but it requires an ultra-low temperature environment and large-scale equipment, which is a high hurdle.
- Methods using light, iron, and neutral atoms offer superior scalability.

Q5. What about recovery in medical and bio instruments?

- Recovery trends are visible based on order trends.
- Clinical testing affected by NIH budget cuts is expected to remain flat.

Q6. What has been done well and not so well in the three years since becoming president? What do you hope for going forward?

- We are confident in our technological capabilities, but the management foundation is weak. We want to instill FP&A thinking.
- We aim to strengthen the provision of high-value-added products centered on modules. In addition to the component business, we want to generate positive growth.

Q7. What factors will cause the gross profit margin to decline in FY27?

- The impact of an increase in depreciation expenses of 5 billion yen.

Q8. If we strengthen the solution business from the component business, will not selling expenses increase?

- Component business remains our lifeline.
- The imaging measurement equipment business has high margins, and if we can sell even small-volume products with high added value, we can secure high profitability.

Q9. What about maintaining or raising component prices and selling prices?

- Even components like photomultiplier tubes can generate added value through modularization.
- Optical semiconductors face price competition, but we will create added value in differentiated areas such as semiconductors and PCCT.

Q10. Why did FY25 Q4 profit decrease compared to the same period last year?

- Increase in fixed costs.

Q11. What are the temporary factors behind the profit decline in FY25 Q4?

- Inventory write-downs.

Q12. What is the outlook for the first and second half of FY26?

- There will be no significant difference between the first and second half.