



HOYA CORPORATION

Q1 Financial Results Briefing for the Fiscal Year Ending March 2022

July 29, 2021

Event Summary

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[Participants]	300	
[Number of Speakers]	4	
	Hiroshi Suzuki	Representative Executive Officer, President and CEO
	Ryo Hirooka	Representative Executive Officer, CFO
	Eiichiro Ikeda	Executive Officer, CTO
[Analyst Names]*	Damian Thong	Macquarie Capital Securities (Japan) Limited
	Masashiro Shibano	Citigroup Global Markets Japan Inc.
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	Yu Yoshida	CLSA Securities Japan Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Moderator: Now that the time has come, HOYA CORPORATION will begin the first quarter financial results briefing for the fiscal year ending March 31, 2022.

To prevent the spread of the coronavirus, the meeting will continue to be held via web conference. Please note that, depending on the communication environment, it may be difficult to hear the conversation, or it may be temporarily interrupted.

Today's attendees are Hiroshi Suzuki, CEO; Ryo Hirooka, CFO; and Eiichiro Ikeda, CTO.

Today, Mr. Hirooka will explain the first quarter financial results and overview of major businesses, followed by a question-and-answer session.

Mr. Hirooka, CFO, will now explain.

Key Takeaways

1. Achieved all-time high
2. Life Care business, which was disrupted by Covid-19, continued to recover: outperformed pre-Covid earnings
3. Data center investment continued to be strong: HDD substrates recorded higher growth QoQ, contributing to the growth of the IT business
4. Momentum sustained for EUV blanks, mainly due to R&D demand for next-gen nodes

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Hirooka: I will now explain the financial results for the first quarter. First, I will explain 4 key points in the overall picture of how the HOYA Group as a whole performed.

Firstly, we had the highest sales and profits ever.

Secondly, regarding the business in the Life Care segment, the results of the segment as a whole has returned to pre-Covid levels.

Thirdly, the HDD substrate was performing well.

Fourthly, EUV blanks continued to perform well. Although there were many things that happened in each business, these 4 points are the highlights of the first quarter overall.

Financial Overview

(¥bn)	Q1 FY20	Q4 FY20	Q1 FY21	QoQ	YoY
Revenue	109.3	151.4	158.0	+4%	+45%
Pretax Profit	31.9	41.3	51.0	+24%	+60%
Net Profit	25.6	30.8	41.3	+34%	+61%
cf. Operating Profit	31.3	43.3	49.4	+14%	+58%
cf. Operating Profit Margin	28.6%	28.6%	31.3%	+2.7ppt	+2.7ppt

- On a constant currency basis, growth rate was 39% for revenue and 56% for PTP

The next page explains the financial overview.

Sales were JPY158 billion, profit before tax was JPY51 billion, net profit was JPY41.3 billion, and for the reference indicator, the profit from ordinary operating activities was JPY49.4 billion.

If I may add 1 more thing, the profit before tax is larger than the profit from ordinary operating activities, but this is mainly due to the foreign exchange gain of less than JPY1.6 billion in this quarter.

Life Care

(¥bn)	Q1 FY20	Q4 FY20	Q1 FY21	QoQ	YoY
Revenue	61.9	95.3	96.8	+2%	+56%
Pretax Profit	10.3	14.8	21.8	+48%	+112%
cf. Operating Profit	9.3	19.0	20.6	+8%	+123%
cf. Operating Profit Margin	14.9%	19.9%	21.3%	+1.4ppt	+6.4ppt

- On a constant currency basis, growth rate was 48% for revenue and 105% for PTP
- Compared to pre-Covid (Q1 FY19), revenue was +1% and PTP was +26%

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On the next page, we will discuss the Life Care segment.

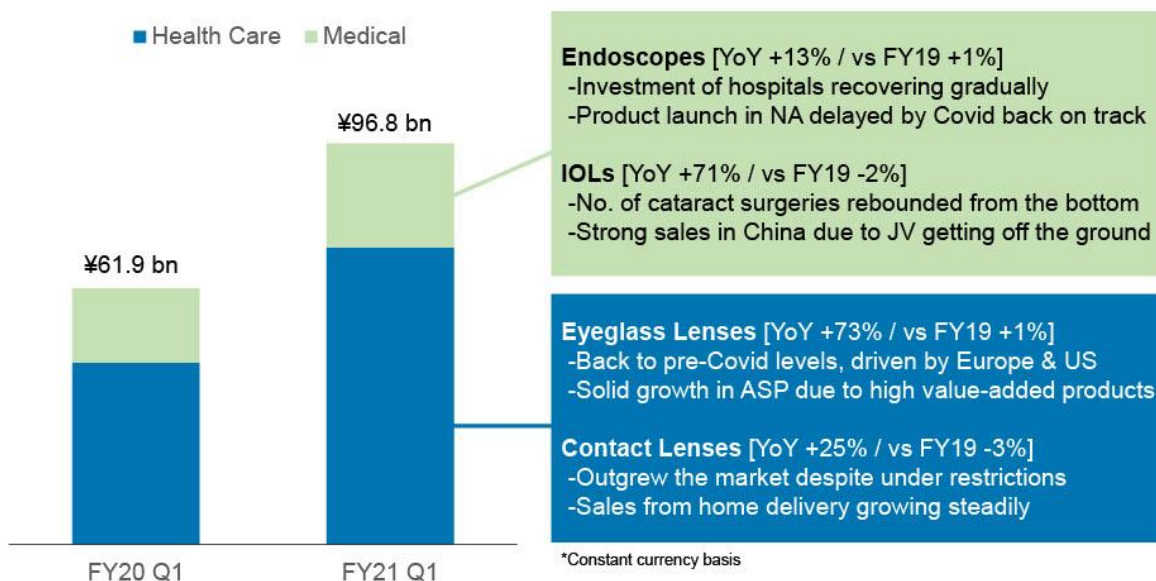
Sales were JPY96.8 billion, JPY21.8 billion in profit before taxes, and JPY20.6 billion in profit from ordinary operating activities.

Since the first quarter of last year fell significantly due to the coronavirus, I don't think it would be helpful for you to look at the YoY numbers too much. Therefore, the second point in this supplement is written as a reference to compare the results with the first quarter of 2019 on a currency neutral basis.

As you can see, on a currency neutral basis, revenue was positive 1% and profit before taxes was positive 26%. This means that sales have recovered, and profits have increased.

Additionally, profit before taxes is 26%, but about half of that is due to the foreign exchange gains I mentioned earlier, which are mainly generated in the Life Care business. In terms of profit from normal operating activities, half of the 26%, or around 13% compared to 2019, is the real growth.

Life Care: Revenue by Product



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On the next page, I will explain the business in the overview by product.

First, sales of healthcare-related products totaled JPY71.7 billion. This is for eyeglass lenses and contact lenses, and for eyeglass lenses, in 2019, compared to 2 years ago, we saw a 1% increase on a currency neutral basis, which is slightly above the pre-Covid level.

The situation differs greatly from country to country, but in general, the recovery trend has led many countries, especially in Europe and the United States, to exceed the levels of 2019. A few bumps and bruises are in Asia. China is recovering very well, but some areas with large coronavirus infections has not recovered to the level of 2019.

In particular, the overall impact for us is that the Japanese market is in a very bad situation and has not returned to pre-Covid levels. Compared to Q1 2 years ago, sales in Japan are still down by nearly 20%, and in the case of eyeglass lenses, [inaudible] the market share in Japan is reasonably large, and compared to our competitors, our market share in Japan is large, so the slump here is still dragging down our overall performance.

However, as I mentioned, Europe and the US have basically surpassed last year's figures, so in that sense, even in such a situation, overall, it has recovered to the point where it is turning positive.

Next is contact lenses market. This is also all retail in the Japanese market, so it is influenced by the Japanese market trend. In the Japanese market, the consumption of contacts continues to be sluggish, and I think that almost 10% of the market is still in the negative, but in the case of our company, we are also focusing on sales to home delivery, and we are recovering to the level of 3% down compared to 2019.

We will continue with medical-related products. Sales were JPY25.2 billion. Endoscopy, too, has surpassed the level of 2019. Although it differs from country to country, sales are generally recovering in Europe and the US amid a gradual recovery in capital investment by hospitals.

The place that is struggling slightly more than the market is, if anything, the supply side right now. We have been struggling a bit with the procurement of electronic components to make our processors, and although we have been receiving orders, we have not been able to generate sales in some areas. The order increase has been only 1% compared to 2 years ago.

Next is the intraocular lens. This is also down 2% from 2 years ago, but first, and I repeat this, the Japanese market is very sluggish. Especially hospitals. The clinics have been above the 2019 level, but the hospitals have not returned to the 2019 level. Due to the coronavirus, hospitals have been holding back on the number of patients and surgeries.

As for intraocular lenses, we have a high market share in Japan and in hospitals, which inevitably affects the overall recovery of the intraocular lens business. However, amid all this, other countries have been recovering steadily. Especially in Germany, France, and China, where we have a direct sales force, sales have exceeded double digits in Q1 of 2019, and we are working hard to increase sales overseas.

Information Technology (IT)

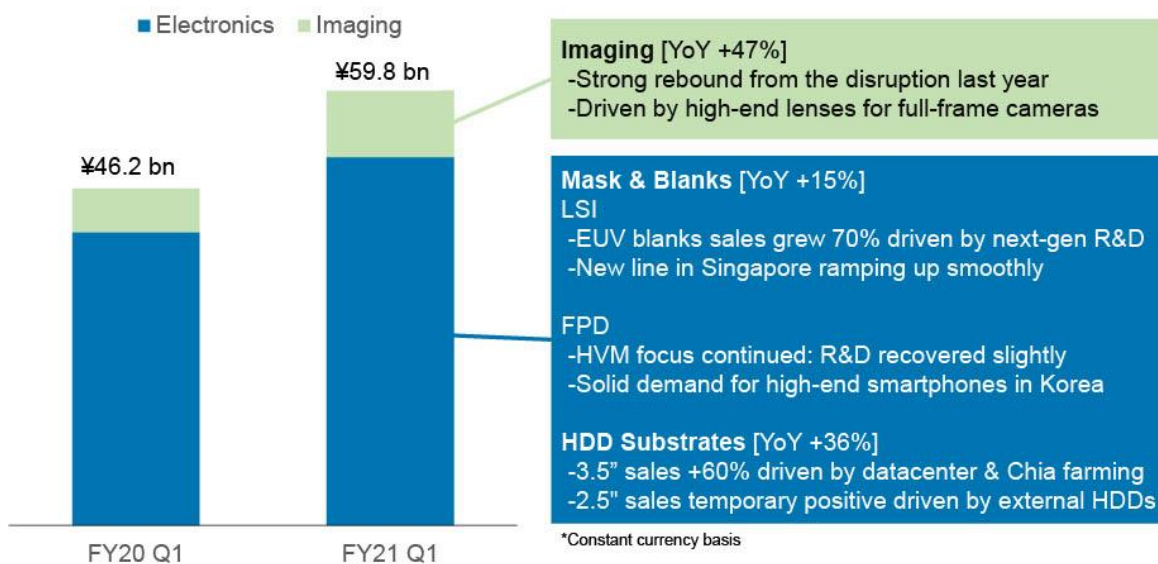
(¥bn)	Q1 FY20	Q4 FY20	Q1 FY21	QoQ	YoY
Revenue	46.2	54.7	59.8	+9%	+29%
Pretax Profit	21.7	27.0	30.0	+11%	+39%
cf. Operating Profit	22.5	25.4	29.7	+17%	+32%
cf. Operating Profit Margin	48.6%	46.4%	49.6%	+3.2ppt	+1.0ppt

- On a constant currency basis, growth rate was 27% for revenue and 36% for PTP
- Margins expanded despite a step up in depreciation

On the next page, we will continue with the Information Technology segment.

Sales were JPY59.8 billion, profit before taxes was JPY30 billion, and normal operating profit was JPY29.7 billion. Compared to last year, sales and profit before taxes have both increased significantly.

IT: Revenue by Product



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I will explain the business in the overview by product.

The blue part of the bar graph is for electronics-related products, and this portion was JPY50.6 billion. Compared to last year, sales increased by JPY10.3 billion, which is more than 25% growth. Looking at each business segment, first, the LSI-related mask and blanks business increased by 15% compared to last year, and blanks for EUV continued to be strong, increasing by 70% compared to last year.

The line in Singapore has also started up smoothly, and this has resulted in us being able to meet the demand.

As for large-size panels (FPD masks), there has been no significant movement, and the increase is 1% compared to last year, which means that demand for R&D use is in the process of recovering slightly.

Then there is the HDD substrate, which has grown the most. Compared to last year, we saw a significant increase in the first quarter, up 36%. Originally, we had always been promoting the expansion of 3.5-inch products, but demand for 3.5-inch products from data centers has continued to be strong, with an increase of 60% compared to the first quarter of last year.

Another plus is that this quarter, which has been proven, is 2.5 inches. We have been explaining for a long time that 2.5 inches will always be declining, and our story is that 3.5 inches will make up for it. Only in this quarter, I believe that the demand for 2.5-inch HDDs is related to external HDDs, but it is growing significantly and has turned positive compared to the first quarter of last year. Therefore, the overall growth in HDDs and substrates was plus 36%, which is very large in YoY terms.

Next, Imaging. Sales were JPY9.2 billion, up JPY3.2 billion from last year, an increase of more than 50%. In the Information Technology business, this was the only business that was affected by the coronavirus. The sales

were very low in the first quarter of last year due to the sales of cameras' decrease, but this year, demand for cameras has been very strong, and sales have been boosted by that, resulting in a 47% YoY increase. Excluding the effect of exchange rates, it is 47% increase.

Highlights from the Balance Sheet & Cash Flow

Cash

- FCF increased to ¥34.4 bn (+¥30.1 bn YoY), due to recovery in Life Care
- Cash & cash equivalents was ¥345.8 bn (+¥44.3 bn YoY)

CAPEX*

- Q1 actual was ¥10 bn (+¥2.8 bn YoY)
- We expect around ¥30 bn this fiscal year**

D&A

- Q1 increased to ¥10.3 bn (+¥1.8 bn YoY), due to new plants of EUV/HDD.
- We expect around ¥43 bn annual D&A

* Cash flow basis. Acquisition of PPE

**Decision basis. It may vary depending on the timing of cash-out

The next page. This one summarizes the relationship between the balance sheet and cash flow, but I have nothing to add beyond what is written, so I would like to go to the next page.

Q2 Guidance

(¥bn)	Q2 FY20	Q1 FY21	Q2 FY21	QoQ	YoY
Revenue	140.3	158.0	157.0	-1%	+12%
Pretax Profit	40.2	51.0	48.0	-6%	+19%
Net Profit	31.8	41.3	37.9	-8%	+19%

In Q2, the Life Care segment will continue to stabilize from the impact of Covid, and revenue will remain at roughly the same level as in Q1. However, shortage of materials and components accompanied with soaring prices are becoming an issue on the customer side (the impact of semiconductor shortages is beginning to appear in some businesses) and considering the impact of foreign exchange gains in Q1, we have made estimates based on the conservative side.

This is the forecast for Q2.

Sales are expected to be JPY157 billion, profit before tax is JPY48 billion, and net income is JPY37.9 billion.

The figures are written in text, but they are based on 3 major assumptions.

1 is the exchange rate. This is based on the assumption of the same exchange rate level as in Q1, which is JPY130 to the euro and JPY110 to the US dollar, so the first point is that we are following the assumption that there will be no exchange gains as occurred in Q1.

The second point is the way we see Life Care. Basically, the scenario is the same as in Q1, and from there, furthermore, the situation will gradually and gradually recover. This means that, as I mentioned earlier, Japanese market situation is dragging its feet in general, but this will continue. Looking at the current situation, the state of emergency is still being declared so I expect Japan to continue to face a difficult environment, but other than that, I expect a gradual recovery.

The third point is about Information Technology. As you can see here, the world is experiencing a shortage of materials and components. I mentioned earlier that this is happening with endoscopes, but I don't envision that this is happening as a whole and that we will not be able to directly procure the materials and components that we need.

On the other hand, we have the mindset that something like that might come up here and there with a customer or a customer's customer. After all, that's where the substrates or the camera might be affected.

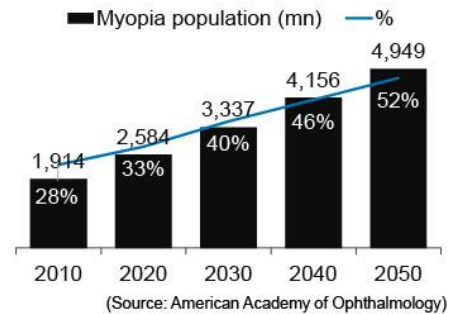
In addition, I mentioned earlier that the 2.5 inch substrates and the cameras were very good in Q1, but of course, we are considering how long this will continue, and that is the reason why we are making this forecast based on a conservative view.

This is the end of the explanation of our business performance.

Myopia: A Growing Global Problem



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- More than 50% of the population affected by 2050¹
- Increased screen time on computers and digital devices has raised levels of myopia².

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Moderator: Lastly, I would like to briefly introduce some of our products related to myopia management as a topic.

As you can see from the graph on this page, the number of people with myopia is currently about one third of the world's population, but it is said that by 2050, half of the population, or about 5 billion people, will be nearsighted.

The Covid disaster has led to more remote work and home time, which inevitably leads to longer screen time. Not only digital devices but viewing distances of 30 centimeters or less are said to be straining the eyes and leading to an increase in the myopic population. Normally, when we look at an object, the focus is on the retina at the back of the eye, but if we look too closely, our eye tries to focus behind the retina, which causes the eye to stretch and deform into a shape like a rugby ball.

This causes the focus to be in front of the retina, making it difficult to see objects in the distance, a condition known as myopia. People tend to take myopia lightly, thinking that all they must do is wear glasses, but not only will their eyesight be weakened, but their risk of developing cataracts, glaucoma, and retinal detachment will greatly increase.

MiYOSMART: A Leading Product in Managing Children's Myopia



- In 2012, we started developing an ophthalmic lens for myopia management in collaboration with the HK Polytechnic University. We launched MiYOSMART in 2018 in selected markets
- A child-friendly, safe, easy to use, non-invasive way to manage myopia, utilizing a patent protected Defocus Incorporated Multiple Segments (D.I.M.S.) Technology³
- MiYOSMART has been shown to slow down the progression of myopia on average by 60% compared to the use of standard single vision lenses⁴

We plan to expand footprint and aim to play an important role in tackling this global issue

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Next page, please. It's a pair of myopia control glasses for children called MiYOSMART. Children's eyes are in the process of growing, so their eyes grow, which means that myopia progresses quickly, and it's very important to control the progression of myopia in their childhood.

In Hong Kong, where myopia in children has long been a social problem, the Hong Kong Polytechnic University has been conducting research for many years to manage myopia. In 2012, HOYA joined the project and began researching the use of spectacle lenses to control myopia. It is being commercialized in 2018 under the name MiYOSMART.

At present, there are several ways to control myopia, such as orthokeratology, which involves wearing contact lenses while sleeping, but for children as young as 5 years or 6 years old, for example, I believe that glasses are very practical because all they need to do is wear them. The center of the lens is set with a normal lens which provides regular far vision correction and at the same time it provides myopic defocus on the peripheral parts of the eye. This is the structure that helps slowing down the progression of myopia.

When exposed to light, a faint pattern can be seen in the center of the glasses, but it looks almost identical to ordinary glasses. It is currently not approved in Japan, and the number of countries where it is currently available is limited, but we plan to gradually expand the number of regions where it is available.

Myopia is now a global problem, and we would like to work on solving this issue.

Question & Answer

Moderator: We will now move on to the question-and-answer session. When you ask us a question, please provide your company name and your name. Time is limited, so please limit yourself to 2 questions per person. Now, Mr. Yoshida, please.

Yoshida: Thank you very much for your time. This is Yoshida of CLSA Securities. First, I would like to ask you about EUV blanks. Your competitor has mentioned the progress in the development of EUV blanks recently, and I feel that they are becoming a little more aggressive. Please tell us about the current demand environment and the outlook for competition.

Ikeda: All customers prefer to have more than 1 supplier rather than 1, so it is natural to think they will consider evaluating and purchasing from our competitor.

Now, when we are in the process of sending out samples, evaluating them, and providing feedback in a leading-edge node, we are not yet in a situation where we are comparing ourselves with other companies, so in the current leading-edge node, there is no particular impact from a competitor's entry.

However, the said competitor is a company with a lot of technical capabilities, so we will naturally pay attention to how they come into the picture in the future, given their history.

Yoshida: Thank you very much. Secondly, I wanted to ask you about the HDD substrates. The outlook is very strong, but next year and the year after that, I think the pace of the current customers will settle down to some extent. Have there been any changes in the status of acquiring new customers in the last 3 months?

Ikeda: As I mentioned at the last briefing and before, we are working with all the HDD manufacturers to develop drives with more than 10 platters.

In addition to that, customers who had chosen MAMR instead of HAMR for technology in the direction of increasing recording density currently putting more focus on HAMR development, as there are limits to the improvement in recording density with MAMR, so we are developing HAMR with all three HDD manufacturers.

Therefore, we are working with all three HDD manufacturers to develop a drive that uses glass for both increasing the number of platters or increasing the recording density, but it is not yet decided when to introduce it. Customers may want to use aluminum as much as possible. However, it is a fact that thin, high-synthesis glass is needed for a certain number of platters and above, so we will continue the development with HDD manufacturers in both directions.

Suzuki: Going back to the EUV topic, development of leading-edge generations such as 2-nanometer or 5-nanometer, we are now beginning the qualification process.

Since the blanks development is the earliest in the EUV food chain, we are in the process of certifying them, but I don't have the impression that we conflict with peers.

Moreover, it would be quite a challenge to go back and certify another company at the current or previous nodes. The hurdle there is rather higher than the leading-edge qualification. So, in that sense, the shadow of the potential competitor is not so visible as far as he is concerned. I think.

Nothing to do with the 3.5-inch question but 2.5-inch was very good during the quarter. For 2.5-inch applications, most of the laptops and game consoles are now SSDs, and it is mostly being used for external

drives. But I don't have a clear explanation of why external drives using 2.5-inch substrates were so good in this quarter. It would be great if anyone can tell me why it was good.

Yoshida: I will investigate. Thank you very much.

Moderator: Next, Mr. Thong, please.

Thong: Thank you very much. Eyeglass lenses, as you mentioned earlier, Japan lags other regions, and I assume that this will not change much in the second quarter. How do you feel about the second half of the year and the next year? Japanese consumers, of course, don't see much difference, I assume. I would like to ask if there are any signs or expectations of recovery after the coronavirus subsides like other countries.

Secondly, I would like to know how you see the impact of the coronavirus this quarter. That's all.

Suzuki: Eyeglasses in Japan, and to a lesser extent, contacts as well, are basically in a double-digit decline. As for the contact lenses themselves, for example, if we compare them to 2019, since 2020 is a different matter. However, since the number of shops has increased, it is not a double-digit drop, but a smaller number.

Europe has rebounded rather quickly, and now the market is moving in a slightly inflated state, as if the amount of the temporary decline has been added to the market rather than the normal state. I think the market is moving, and so is the US.

Even if the coronavirus were to subside to some extent, I don't expect demand to spring back immediately, or to come back with a bang, and even if it does, it will only come back slowly. I think that it would be a surprisingly difficult situation.

Especially in Japan, the ratio of chain stores is high. The percentage of chain stores is high, and the sales of eyeglasses shops are quite high in large commercial facilities. In the US, chain stores and independents are about half-and-half. In fact, when you go to the countryside, there are no chain stores, but there are small glasses shops. Surprisingly, Europe also has such a structure, but in the case of Japan, there are many chain stores.

I think that Japan is unlikely or unable to reach a state where large commercial facilities are full of people coming back and consumption goes through the roof, so I do not have much hope for Japan, including the second half of the year. This is the situation of glasses market in Japan.

Life Care's profitability is improving, basically because the profitability on eyeglasses is improving. The reason why the profitability of eyeglasses is improving is that the demand in the chains has decreased, while sales of these chains are supplemented by independent stores, which typically have higher unit prices.

More than usual, the drop in the previous year is on top of the drop in the previous year, so when you look at the global market for eyeglasses, it's probably positive. We are being dragged down by the loss of a certain chain store customer, so the growth in sales is a little lower than usual.

On the contrary, I think that the current situation is that we are ahead of the competition in terms of revenue because we are making up for that part of our business with independent stores.

Thong: What is the current status and strategy of developing new chain store customers?

Suzuki: To be honest, it's been more of a struggle than I expected. We are working with 2 European chains and 1 American chain to enter the market where there was none. We were able to go into a customer as a second supplier, but not entirely replacing our competitor.

This is partly our problem, and there are many reasons for this, but especially since the Covid disaster, capital investment has stopped, and our capacity is quite full now, so we are not in a position to take on large chains. Originally, we should have invested at the beginning of last year, but we couldn't do it at that time, so our investment has been delayed for a round, so I think it will be a bit difficult to increase sales from the chains in the short-term.

Thong: Thank you very much.

Moderator: Thank you very much. Mr. Shibano, please start.

Shibano: My name is Shibano from Citigroup Japan. Thank you. First, I believe that your company has many factories and production bases in the ASEAN region, so I would like to ask you again about the current status of operations of Coronavirus Damages in Vietnam and other regions. Specifically, I would like to ask you to confirm whether there was any particular stoppage in the April to June period, and please explain what risk scenarios we should anticipate for the July to September period and beyond. This is the first point.

Suzuki: Infection is still happening, so when infection occurs, they do a check. When they check many people, the number of infections increases largely. In Thailand and Vietnam, in particular, the concept of close contacts is rather broad and strict. Therefore, when an infected person occurs, all the people on that shift are put on home leave for 2 weeks, or quarantine occurs, so currently, on an average basis, operation is down by about 10%.

I don't know what will happen in the future, but I don't think we will ever reach the point where we can't do anything about it. What we can do now is, assuming that a certain number of people will be on-call at home, increase those number of personnel in that area and train them so that they can go into the field in a short period of time. We are now trying to recruit as hard as we can and have an extra 10% or 20% of staff, and we have been working on that for about a month now.

So, although there is a possibility that the operation will be lower than it is now, we are thinking that it won't be a real shutdown of half of the factories.

Shibano: Thank you very much. The second point is about cash. According to past patterns, cash and deposits will exceed JPY300 billion. Based on past timely disclosures, I believe that the excess portion would have been returned to shareholders under normal circumstances.

In the previous quarter and this quarter, it was decided that there would be no further buybacks, but I think you have updated us every quarter on the current situation, whether there will be buybacks or dividends, and also on M&A opportunities. I would like to hear your thoughts on the current situation. That's all.

Hirooka: Basically, that idea has always been the same, and nothing has changed in our basic policy of giving back what is left over. As you mentioned, to be agile in terms of operations, we are working to make resolutions within 3 months or at the timing of the announcement of financial results, but in terms of returning cash, we are naturally looking at a longer span of time.

Rather than always giving something back at the 3-month mark because it has been exceeded, or leaving it as it is because it has not been exceeded, we are looking at what will happen on an annual basis and giving back what is left over, so the basic idea remains the same. We would like to return excess cash within a certain span of time.

Shibano: Thank you very much.

Suzuki: We haven't changed our approach. However, the stock price does move slightly, so we would like to be a little more flexible while keeping an eye on the stock price. Since if I am going to buy back shares, it would be better to buy back as many shares as possible.

We had a board meeting today, and we were discussing the idea that we don't necessarily have to make decisions in the quarters but can make them in the middle of the quarters. To put it in a more extreme way, we would prefer the idea of being able to make decisions between board meetings and board meetings flexibly at the right time. We are very motivated, but I want to choose the right timing.

Shibano: Thank you very much. Do you have any update on M&A?

Suzuki: We are always running M&A deals. However, we have given up on the M&A activity of creating new businesses and buying things from outside that are not in our current portfolio, because we cannot do that from a valuation perspective. The only thing that can be done as M&A is to create synergies that are very close to existing businesses. We are basically focusing on the retailing of eyeglasses and contact lenses because we have narrowed down the scope of our M&A projects to those that we believe will make sense due to synergies, even if the valuations are high to some extent.

Some are of a certain size, some are small, are moving. That's the current situation.

Shibano: That was helpful. Thank you.

Moderator: Thank you very much. As the end time is approaching, we will conclude with the next speaker. So, Katsura, please start.

Katsura: I'm Katsura. Thank you. Could you give us some idea of the impact of crypto currency is having on your business?

In terms of hard disks, Seagate made a comment the other day that they were paying attention not only to chia coins but also to pile coins, and in terms of April to June, I think that they had a big impact. What do you think about it? Also, I think that for Blanks, crypto currency had impact on the customer this April to June, so I would like to know what you think about the current situation.

The second question is about your thoughts about the current movements in the US and China, or about global investment diversification, please let us know. That's all.

Ikeda: As for the impact of crypto currency, chia coins in particular, we have seen a shift from mining, which uses a lot of GPUs, to pharming, which uses hard disks to improve the increased power consumption.

However, we are not developing new substrates for pharming. In the end, HDDs will be used for other purposes, such as chia coins, which we didn't expect a while ago, but when there are new applications in the future, I think there is chance that HDDs will be utilized because of the large capacity.

Therefore, it is important for us to develop substrates that can achieve high capacity as HDDs, and we think that promoting such development will lead to other applications.

Secondly, regarding the US and China, although the supply chain may change, given our market share is quite high, especially in the area of leading-edge blanks, we assume that the final demand will remain the same,

In the end, even if the supply chain changes, I don't think it will have a significant impact on our business performance. I think it is important to create such a situation, and I think it is necessary for us to maintain a high market share.

Suzuki: Regarding hard drives, there is an issue between the US and China, but to be honest, hard drives are not a product that attracts much attention, and unlike the leading-edge of CPUs or something, there are no other suppliers in China, and there are suppliers in Japan. So, it's hard to imagine the US doing anything unilaterally.

In the end, what worries me is that the people who are setting up data centers in China and using hard drives are the people who are about to be clamped down on in China, so I wonder what will happen to their willingness to invest when the Chinese government clamps down on them in the name of personal information. The growth rate of data centers in China has been higher than in the US, so I'm a little concerned about that.

Katsura: Thank you very much.

Moderator: Thank you very much. As the time has come, this concludes today's financial results briefing.

Thank you very much for taking time out of your busy schedule to join us today.

[END]
