



HOYA CORPORATION

Q3 Financial Results Briefing for the Fiscal Year Ending March 2023

January 31, 2023

Moderator: Today's attendees from our side are Eiichiro Ikeda, Director and Representative Executive Officer, CEO; and Ryo Hirooka, Director and Representative Executive Officer, CFO.

After explaining the Q3 results and an overview of our main businesses, we will answer questions from the audience. The meeting will end at 3:45 PM. For those of you participating from a PC, please see the documents shared on the screen.

Mr. Hirooka, CFO, will now explain the Q3 results and the full year forecast.

Key Takeaways

1. We achieved a slight increase in revenue despite a steep decline in the HDD substrate sales, due to the firm sales of the blanks and the Life Care.
2. Revenue of the IT Business declined due to the situation of the HDD market: however, we were able to minimize the impact on profit margin.
3. We decided to conduct a share buyback program amounting up to ¥40bn.

Hirooka: First, these are the key takeaways. There are three points.

Firstly, in the previous earnings announcement, we did explain that we may be seeing a decline in the HDD substrate sales, and it did decline. However, the blanks and the Life Care divisions performed well and there were some FX tailwinds helping the overall sales to slightly increase.

Secondly, regarding the IT Business, the HDD substrate situation was very tough. The market was stagnant, and there was an industry adjustment, so we were working on cost reduction efforts. As a result, in the IT Business, we did not have to lose profit margin that much. Three months ago, I said that we will not be loss-making, but the HDD substrate as well as the whole IT Business was able to maintain profits at a certain level.

Thirdly, in our Board of Directors meeting, we have decided to conduct a share buyback program amounting up to JPY40 billion.

Financial Overview

(¥bn)	Q3 FY21	Q2 FY22	Q3 FY22	YoY	QoQ
Revenue	171.3	184.1	173.5	+1%	-6%
Pretax Profit	51.9	61.8	38.5	-26%	-38%
Net Profit	40.9	47.3	30.5	-25%	-35%
cf. Operating Profit	53.5	53.9	49.3	-8%	-9%
cf. Operating Profit Margin	31.3%	29.2%	28.4%	-2.9ppt	-0.8ppt

- Excluding the FX translation impact, growth rate was -7% for revenue and -29% for PTP
- Mainly due to our USD asset, we recorded ¥12.3 bn FX losses, resulting in a gap between PTP and OP

Next, I would like to talk about the financial overview.

Revenue came in at JPY173.5 billion. That is plus 1% YoY. Helped by some Forex impact, it was a slight increase. As for pretax profit, JPY38.5 billion, that is minus 26% YoY, and net profit, JPY30.5 billion, minus 25% YoY. Operating profit was JPY49.3 billion, minus 8% YoY. Operating profit margin was at 28.4%.

Regarding the Forex translation impact, overseas subsidiary is consolidated, converted into yen. Excluding that impact, minus 7%. So, on a yen-denominated basis, the numbers look bigger.

There was a big difference between the operating profit and pretax profit which I would like to elaborate.

In H1, pretax profit was larger than the operating profit, due to the Forex translation's positive impact. However, now we are seeing a loss from the foreign Forex translation impact. The amount of Forex losses was JPY12.3 billion.

I would like to explain the reason why there were Forex losses. This is opposite of what we had experienced in H1: Roughly 70% of the foreign exchange losses were caused by the revaluation of cash and deposits. Almost all of the losses were caused by dollar deposits. Simply put, the situation was that an entity that does not have dollar book currency with dollar deposits, and when they are revalued according to the year-end rate, Forex losses are incurred. The remaining 20% is generated by dollar or euro accounts receivable from affiliate transactions at manufacturing facilities.

In accounting terms, Forex gains and losses are incurred by revaluation, but in reality, we continue to hold dollar deposits, and although a certain amount of sales and purchases of accounts receivable from affiliates are constantly occurring and rotating, cash basically stays within the group, so there are no real losses or expenses incurred. As you know, the dollar started to strengthen rapidly in about Q4 of last year and turned weaker in Q3 this year. Nothing has changed in the assets we hold, only the rate has changed.

In my view, what assets you have is most important, and I believe that in the medium to long term, it is useful to have a large number of dollar deposits. We believe that it is also a mistake to convert dollars into different currencies in order to avoid exchange gains or losses. Also, depending on where you hold your dollars, there is an impact on net income in the form of Forex gains or losses, or on comprehensive income below the net income line, but I see it as essentially the same thing. For example, hedging against exchange rate fluctuations or changing to a different currency incurs costs and should not be a priority. In addition, moving money within the group may have its own costs, so we give priority to the general principle of moving money in accordance with the company's capital needs.

Life Care

(¥bn)	Q3 FY21	Q2 FY22	Q3 FY22	YoY	QoQ
Revenue	105.5	118.8	120.0	+14%	+1%
Pretax Profit	21.5	27.4	17.4	-19%	-36%
cf. Operating Profit	23.2	23.2	25.5	+10%	+10%
cf. Operating Profit Margin	22.0%	19.5%	21.2%	-0.8ppt	+1.7ppt

- Constant currency basis: Revenue +5%; PTP -23%

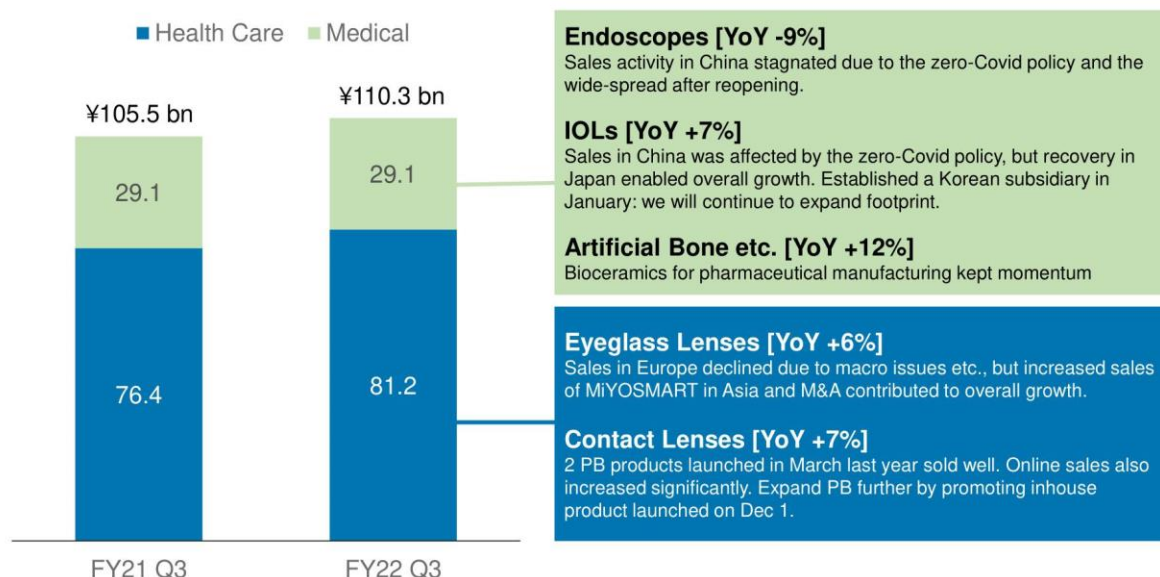
Now I would like to explain the business results by segment.

As for the life care business, revenue came in at JPY120 billion. Compared to last year, it was a 14% increase YoY. Pretax profit was JPY17.4 billion. That was minus 19% YoY. Operating profit was JPY25.5 billion, that was plus 10%. Operating profit margin, plus 21.2%. In constant currency basis, revenue would have been plus 5%.

If I may repeat, operating profit and pretax profit, there are differences, and the difference mainly comes from the Forex loss. What we can say overall is that we are seeing good growth.

However, macroeconomics does not look very good, to be honest with you. And China's sales in the medical-related business, we saw a large decline compared to last year. There were these COVID restrictions. However, it was relaxed suddenly, and the hospitals were not able to support this sudden change in China's policy, so we are not seeing a strong recovery yet.

Life Care: Revenue by Product (Constant Currency Basis)



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Next, I would like to explain by product. The numbers you are seeing YoY is on a constant currency basis.

For endoscopes, compared to Q3 last year, it was minus 9%. Overall, the market was soft. The large negative mainly comes from sales activity in China, and we were not able to recover the decline in China. As a result, it was minus 9% YoY.

For intraocular lenses, again, sales in China compared to last year declined sharply. However, in other countries, especially in Japan, we were able to grow sales steadily. On a constant currency basis, it was plus 7%. If China's influence had been flat, double-digit growth would have been possible, so the economy is growing solidly.

As for artificial bone, though the size of the business is not very big, we have seen a plus 12% growth.

Next, health care. Eyeglass lenses was plus 6% YoY. In China, eyeglass lenses have not been impacted largely. MiYOSMART sales were strong. On the other hand, in December, sales in Europe's major countries were starting to slow down. That is a concern. Without that impact, we should have grown more, but the overall macroeconomy is not good. So, from Q4 onward, we must carefully watch Europe.

Lastly, contact lenses. The COVID situation is recovering and compared to last year, sales of contact lenses have grown 7%.

Information Technology (IT)

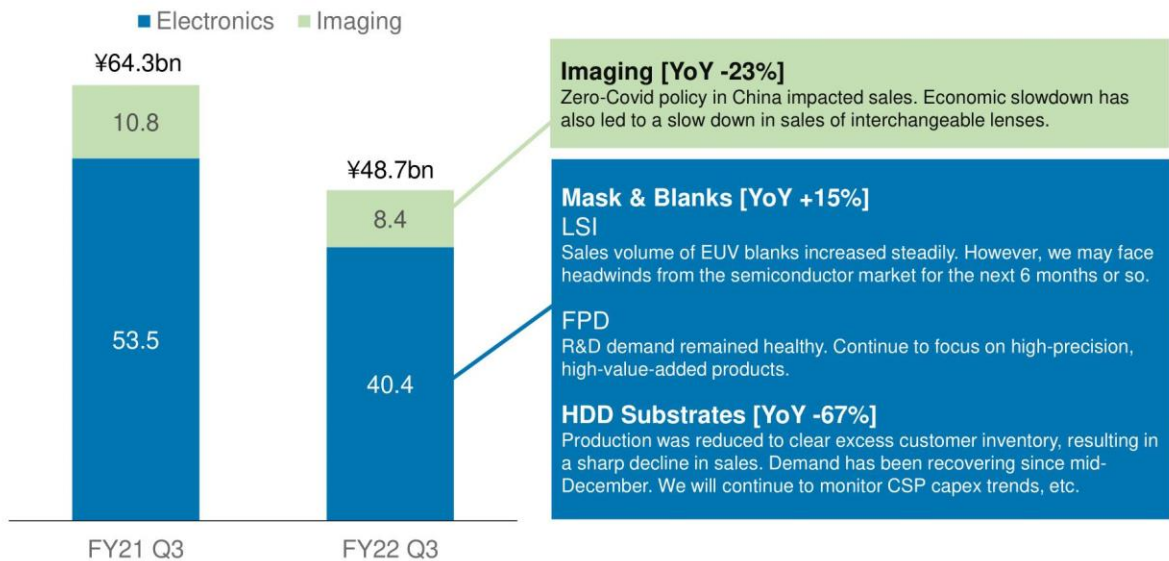
(¥bn)	Q3 FY21	Q2 FY22	Q3 FY22	YoY	QoQ
Revenue	64.3	64.2	52.3	-19%	-19%
Pretax Profit	31.3	34.4	20.9	-33%	-39%
cf. Operating Profit	31.1	31.7	24.9	-20%	-22%
cf. Operating Profit Margin	48.4%	49.3%	47.4%	-1.0ppt	-1.9ppt

- Constant currency basis: Revenue -24%; PTP -35%

Next, I would like to move on to the information technology segment. Revenue was JPY52.3 billion, that is minus 19% YoY. Pretax profit was JPY20.9 billion, minus 33%. Operating profit was JPY24.9 billion, minus 20%. Operating profit margin was 47.4%. Again, the difference between the pretax profit and operating profit comes from the Forex impact.

But as I mentioned at the outset, the HDD substrate business, we stopped the factory operation and reduce costs more than we had initially expected. As a result, we were able to generate operating profit. On a YoY basis, the absolute revenue and the absolute amount of profit may have declined. However, the businesses have made good efforts so that the IT business managed to maintain its operating profit margin.

IT: Revenue by Product (Constant Currency Basis)



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Now I would like to explain the IT revenue by product. This is on a constant currency basis.

Starting with Imaging, compared to last year, there was a decline of 23%. This is not a growth area for us, and it will be driven by macroeconomy, so this is a kind of business that would gradually decline. Of course, there will be some ups and downs, but a gradual decline is expected from this business. For this quarter, the economic environment was not good, and we have seen a decline in the sales of interchangeable lenses. And in this business, we have many Chinese customers. Likewise, because of COVID, our business was highly impacted. However, we do have a structure where we are able to maintain profitability. Even though revenue is declining, we have been able to maintain profitability. That is the current business status of Imaging.

Now moving on to mask and blanks. Compared to last year, there was an increase of 15%. In terms of LSI, for Q3, there's been a significant increase, more than 15% increase YoY. However, as a bad news, customers started to adjust inventories from January. At some point in time, we knew that it is going to happen for our blanks, which did come in this quarter.

For now, for the next six months, we will see two upcoming quarters where we will see a decrease against the previous year's performance. Though, it won't be as big as what we experienced with HDD substrates compared to last year. With blanks business, there's going to be a decline of about 15% for Q4 and Q1 for the next fiscal year. That is what we expect. But after that, instead of a sudden recovery, we believe that there's going to be a gradual recovery.

As I said, the reason for that is that because of the bad macroeconomic environment, the customers requested that they wanted to do some inventory adjustment. The mid- to long-term EUV growth strategy or growth story will remain unchanged. It's not like there's competition. There hasn't been a major change in the competitive landscape either. It's a one-time thing. It's a tentative impact coming from the macroeconomic environment.

Now regarding FPD, again, the overall market environment is not good but we have been able to continue to sell to the Chinese customers. So that part of the business remains strong.

Lastly, with the HDD substrates, as we mentioned in the previous presentation, we were expecting a decline of 80%, but we ended up with a decline of 67%, a sales reduction of two-thirds YoY, which means that we are a bit better than what we had expected.

So where are we now? Just to share with you where we are in terms of the current situation, the customers' inventory, the adjustment has made a progress. Starting from mid-December, the demand has been gradually recovering. The customers have started to operate their factories and started to manufacture HDDs. I think we have hit the bottom.

Highlights from the Balance Sheet & Cash Flow

Shareholder Return

- Decided maximum of ¥40 bn share buyback at today's BOD meeting
- As usual, we plan to cancel shares after the repurchase

CAPEX*

- Q3 actual was ¥12.5 bn (+¥7.0 bn YoY)
- We expect around ¥40.0 bn this fiscal year

D&A

- Q3 was ¥12.6 bn (+¥1.9 bn YoY)

* Cash flow basis. Acquisition of PPE

Regarding the balance sheet and cash flow, including shareholder return, CapEx and D&A -- everything is explained on the slide.

Guidance

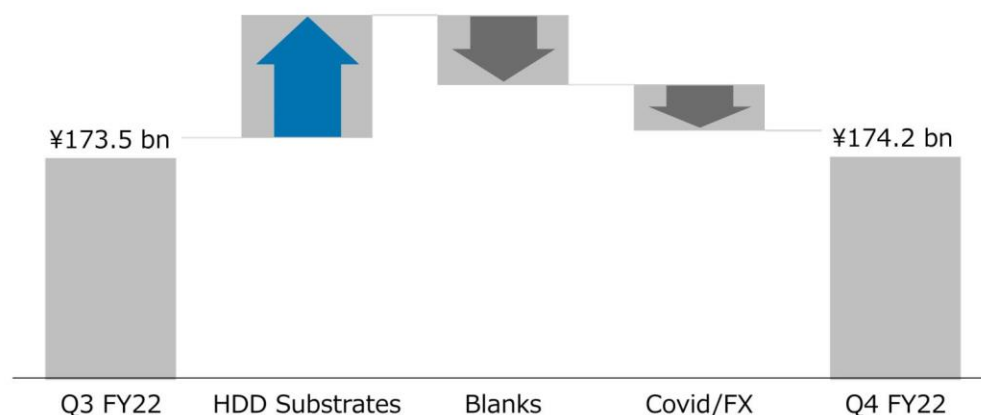
Q4 Guidance				
(¥bn)	Q4 FY21	Q4 FY22	YoY	QoQ
Revenue	169.6	174.2	+3%	+0%
Pretax Profit	53.8	48.2	-10%	+25%
Net Profit	40.1	36.7	-9%	+20%

Full Year Guidance			
(¥bn)	FY21	FY22	YoY
Revenue	661.5	712.0	+8%
Pretax Profit	210.7	210.0	-0%
Net Profit	165.3	163.0	-1%

Now the guidance for this fiscal year, let me just read out the full year guidance. Revenues, JPY712 billion, pretax profit, JPY210 billion, net profit, JPY163 billion, which is the guidance for the full year. So let me explain the contents.

Reference: Breakdown of QoQ Variance

- HDD substrates are expected to recover rapidly as inventory digestion progresses.
- We expect blanks sales to decline QoQ driven by the slowing semiconductor market.
- We also expect negative impact from the spread of Covid infection in China, mainly in Life Care, as well as negative impact from FX fluctuations (mainly USD asset).



*The above graph shows the directional magnitude of the moving parts. Please note that the length of the bars do not express the exact amount of sales variance.

Now, this shows the QoQ revenue variance. Please do note that the sizes of the arrows are not so precise; we just wanted to show the movement of the key factors and how we came up with a number for Q4.

So, for HDD substrate, as I mentioned earlier, starting mid-December, we have hit the bottom. In the second half of December, we have seen an increase in sales, and we are gradually starting to operate our factories.

And as for HDD substrates, compared to Q4 last year, a negative 25% is the kind of recovery we are expecting as of today. The customers have already started their manufacturing, so that's the reason why we have that outlook.

But beyond that, of course, the customers need to sell their products to hyperscalers. It is also the same for HOYA and for the customers, we need to be carefully monitoring. It's not like the recovery is going to happen quickly. There will be some ups and downs, and I believe that the recovery will be gradual.

Now, moving on to blanks. As I said, for the next six months, we will see a significant decline compared to last year due to customers' inventory adjustment, so we will see some decline. In terms of the amount compared to the previous year, blanks, including optical (DUV), about a 15% decline is what we expect. Q4 and Q1 of next fiscal year, we will see that level of decline, and there won't be a rapid recovery. Recovery will be gradual, according to our expectations. We are still in the process of creating the plan for the next fiscal year, so we don't have a lot of visibility yet. But as of today, we expect a gradual recovery to happen after Q1.

Moreover, there are negative impacts from COVID and Forex. In terms of currency, our assumption for dollar is JPY125 and JPY125 for euro. So compared to Q3, we expect yen to appreciate compared to assumptions, which will have a negative impact. In terms of the business environment, we are struggling in China, and we believe that the situation will continue into Q4, which is reflected in these numbers.

And since I was talking about the revenue, let me talk about the profit outlook as well. In terms of losses from FX, for Q4, we have not included the FX impact because this will be related to the rate as of the end of March. We don't want to speculate, so we are not expecting.

Regarding LSI's revenue decline impact on profits, just to share the rough image with you, it will have impact on the IT Business margins, which we expect to be above 40%. But Q3 profitability is not the kind of level we'll be able to achieve, according to our forecast. Earlier, I talked about cost reduction for HDD substrates. To be frank with you, we don't want you to expect a similar kind of thing with LSI. We will do cost reduction activities with LSI, but there will be no drastic cost reduction activities with LSI because of the differences in cost structure compared to HDD substrate. For HDD substrate, our expectation was for it to decline by 80% whereas for expectation for LSI is a 15% decline. So we won't be stopping production in the factories, which are extremely drastic actions. And we also want to fulfill the request of our customers.

In terms of the operating profit, which we have not disclosed the forecast, will be positive for the full year. This is contrary to the pretax profit which will have negative impact from Forex.

Since foreign exchange gains of 5.8 billion yen were generated for the year last year, a difference of about 5.0 billion yen was generated here, leading to a decrease in pretax profit. That is all from me. Thank you.

Reference: Launch of High-end Endoscope System

PENTAX Medical INSPIRA™ (EPK-i8020c), a high-end endoscopic video processor, and the i20c video endoscope have received the CE mark in Europe. We plan to launch the product starting from Europe, followed by Asia and the Americas.



Pentax Medical INSPIRA™ (EPK-i8020c)

New Processor: PENTAX Medical INSPIRA™

- 4K image processing & innovative image enhancement
- Intuitive, customizable touch panel
- Can connect legacy endoscopes and improve image quality with the “bridge function”

New Scope: i20c

- Improved image quality
- Outstanding maneuverability: improved handling and angulation etc.

* This product has not been approved in Japan and in the US and is not currently available in the aforementioned markets. This document is a supplement to the [press release on the acquisition of CE Mark](#), for the purpose of reporting business activities in the financial report materials. It is not intended as an advertisement in Japan or in the US. The names of products and models in the document include those that have not yet been released in Japan and the US.

Now let us move on. We would like to cover the topic of the new endoscope products. We have made an announcement that our two new endoscope products, the new video processor INSPIRA and the new videoscope i20c have received the CE mark in Europe. The new INSPIRA video processor is positioned in the high-end segment and has achieved significant advances, such as improved image enhancement functions and 4K image processing. What is shown on the slide is a new product. As you can see, it is equipped with a touch panel, which enables intuitive operation and improved customizability.

One very important thing I would like to add is that it has a "bridge function", which enables connection with not only new generation scopes, but also legacy scopes has been realized for the first time in the comparable model in the high-end category. Even when a legacy scope is connected, INSPIRA's advanced image processing capabilities will provide better image compared to legacy scopes connected to legacy processors. For medical institutions that own conventional endoscope models, the INSPIRA video processor will enable them to upgrade their existing models to the latest image quality, making it an excellent product from the perspective of sustainability.

On the other hand, for the new i20c videoscope, not only the image quality but also ergonomics has been updated. For example, the shape of the control unit has been proven to make it easier to grip and the angulation of the scope tip has been advanced. This is expected to contribute to improved operability during endoscopic examinations and treatments. Sales will initially begin in Europe, with plans to gradually expand to Asia and to the Americas.

That was a very brief explanation on the new endoscope products.

Question & Answer

Moderator [M]: Now let us move on to Q&A. Mr. Shibano, please.

Shibano [Q]: My name is Shibano from the Citi group. I have a question regarding blanks. Just one point to confirm. The blank sales, if I may assume, Q1, Q2, Q3, I think the sales of blanks were mostly flat. And is my understanding correct for Q3 as well and Q4? You explained about Q4 and the adjustment made in Q1. It's not minus 15% compared to Q1 to Q3. I think it's one level lower. For last year's Q4, compared to last year's Q4, it's minus 15%. Is my understanding correct? That's my first question.

Hirooka [A]: As for Q1, Q2, Q3, well, the level by and large remains the same. But Blanks overall did increase. And to answer your second part, 15%, it's compared to the last corresponding quarter, so this quarter compared to 2021. And when you say Q1, then it's Q1 FY22 and FY23.

Shibano [Q]: So, QoQ, 20% or 25% decline. Is my calculation correct?

Hirooka[A]: Yes, on a QoQ basis the decline would be a bit larger.

Shibano [Q]: Thank you very much. And a follow-up question. The details of the adjustment, EUV and optical, are you seeing adjustments both for EUV and optical? Or is it only for EUV? And as for EUV, were all the users who were using EUV making inventory adjustments, or just some of them? Can you elaborate on the background?

Ikeda [A]: As for inventory adjustment, optical, EUV, both, I would say, but more adjustments have been made in EUV. And within EUV, whether there are differences between customers? Yes, there are. Some customers made large adjustments; some customers made small adjustments. It's not that the level of adjustments are all even. Of course, I am not able to disclose the details for individual customers, but I just would like to say that the inventory adjustment levels were different among customers.

Shibano [Q]: Thank you very much.

Moderator [M]: Now I would like to ask Katsura-san.

Katsura [Q]: Thank you very much. My name is Katsura from SMBC Nikko. This is a kind of follow-up to the previous question. On next year's investment and depreciation, can you share your thoughts on that? Q3, there's been increase in CapEx. I would like to hear you explain your idea on the content of the investment. You talked about it being tentative, which means that the mid-term plan figures will remain unchanged. In the short term, there will be the increased burden of depreciation. Can you explain? That's my first question.

Hirooka [A]: Let me explain the current investment, though I cannot explain in detail for each business segment. One of the reasons for that is in FPD, as we try to expand in the Chinese market, there has been some investments. There's been some cash-out related to facilities and equipment, and LSI's capacity has been increased based on the decision that was made before, which is included in the invested amount. Next fiscal year's, CapEx plans haven't been decided yet. But in LSI, our thoughts on CapEx have not changed from mid- to long term. Of course, there may be differences in terms of timing, but the volume will go down tentatively, but we expect the volume to recover after that. But a specific plan has not been made for next fiscal year yet.

Katsura [Q]: Thank you very much. Now my second question is related to EUV, if you can share with me your thoughts, Ikeda-san. The customers' development activities, have there been any changes compared to the activity three months ago? The adjustment is limited to inventory adjustment, according to the explanation. I would like you to explain what changes the customers are experiencing.

Ikeda [A]: In terms of the development activity of the customers, 2-nanometer will be what they're working on as of today. The customers' development activities are still active, and we are working on samples with all our customers, but the inventory adjustment is happening. But separate from that, activities related to R&D are still ongoing with the customers. It's not like some of the customers are stopping their R&D activities. That is not the kind of phenomena that we are seeing as of today. Thank you.

Katsura [Q]: Thank you very much.

Moderator [M]: Mr. Yoshida, please.

Yoshida [Q]: My name is Yoshida of CLSA. I have a question regarding EUV. Two-nanometer development activity is underway. So currently, the adjustment is made for the 3-nano mass production blanks. Is my understanding, correct? And as for 2-nano, phase shift mask adoption, I think, is being considered. Can you give me your expectations on that?

Ikeda [A]: The development and mass production masks, well, it's a set. It's not that this mask is for this size nanometer. We don't have a clear understanding when we make shipment. So which inventory is being reduced is difficult to identify and categorize. In foundry companies, multiple nodes are used in common, whether 3-nano is being decreased or was it 7-nano or 5-nano, it's very difficult to distinguish. However, if I may repeat, as for 2-nano, the customers, we are working on sample work together with the customers for the 2-nano. And although there are declines in demand for mass production, we would like to accelerate the new material layer development activity so that we can be ahead of others.

Yoshida [Q]: Thank you very much. Follow-up question, contact lenses. So, PB product has been launched and you explained that the sales are as strong. PB products and in-house produced products, what is the composition, the breakdown? What is the target if you have one? And I believe the unit price is going to come down. However, the margin is going to increase. But if PB product sales are going to increase, what kind of impact would that have on the revenue?

Hirooka [A]: We do not disclose that kind of information, so I cannot give you a direct answer to your question. However, in terms of in-house products, we launched in December. Among the customers that come to our stores, we make recommendations of our PB products and ask them, and there is a certain number of customers who are purchasing in-house produced products. But in terms of sales breakdown, the ratio is still very small.

In terms of profitability, of course, we plan to achieve a certain level of margin. But it's not like there's going to be a significant improvement in profitability because of PB products. I would say that we want to make the prices more reasonable while maintaining the margin, or a bit of an increase with the margin is what we would like to achieve. In terms of PB contact lenses, we would like to expand ourselves in Japan. Moreover, we are thinking of different things, and we are hoping that we'll be able to develop new business opportunities as a manufacturer. It's not like there's going to be a short-term significant impact on our revenue. Thank you very much.

Yoshida [Q]: Thank you very much.

Moderator [M]: Mr. Yoshikawa, please.

Yoshikawa [Q]: I'm Yoshikawa of Morgan Stanley. My question is about hard disks. Among hard disk makers, in April to June, you said that you are going to ramp up HAMR. In your glass disks, what kind of implications are there? Are glass substrates going to be reduced? I think, I assume that the quantity will decrease. But I would like to ask the implications on your company. And my second question is again about blanks. Among foundries, 3-nano is more active compared to 5-nano, I think that's what you said. So, the demand for this active 3-nano tape out, is that really occurring? Or is it going to happen? Those are the two questions that I have.

Ikeda [A]: As for HDD, your first question, our main customer is going to release the HAMR drive. And the implication on us, the number of drives that our customer is going to ship, some portion would be HAMR, and the glass substrate that the customer will use remains 100% HOYA's. That remains the same. So, if you look at that phenomenon alone, there will be no changes. On the other hand, from a bigger picture, drive capacity will have to be increased and to a largely increased capacity. As for HAMR, 30 terabyte is the number announced or even more; 16 to 18 terabytes are achieved today. And I think other companies are aiming at releasing 20. So, to release 30 tera, which is 1.5x of 20, that is a large impact. So, if you use HAMR, it's 30 terabytes. And if that is the case, other customers perhaps would want to use HAMR, and that direction will be accelerated. If so, glass substrates will be required. That's a scenario that we envision. There is not much impact in the short term, but from a mid-term to long-term perspective, there will be a positive impact on our glass substrates.

And to answer your second question on 3-nano. If I may repeat, which nano demand is going to increase? Rather than thinking that way, well, to be honest with you, it's not that visible for us. And our blanks -- rather than procuring blanks based on actual demand, customers or companies have been rather increasing their inventory. They have bought more than they required. So, the actual demand and shipment on our side, there was a gap between the two. So, it's a bit difficult to see what kind of changes there are in the actual demand. And I would like to refrain from making any comments.

Yoshikawa [Q]: About HAMR's mid- to long-term potential, there is an expectation for that. But by switching to HAMR, is there going to be changes to glass specifications or specifications related to durability against the heat?

Ikeda [A]: There's a different glass substrate for HAMR. So the product is going to be different. However, the manufacturing line is the same. It's just that we'll be producing two types of products. It's not like we need additional investment. But as HOYA, we will be adding value to the product.

Yoshikawa [M]: Thank you very much.

Moderator [M]: Nakamura-san, please.

Nakamura [Q]: My name is Nakamura from Goldman Sachs. I have two questions for you. My first question is related to EUV. Earlier, you said that there's going to be inventory adjustment for the next six months. The customers' inquiry, do you believe that it's going to be weak? But do you have visibility for the future after six months? And in response to the current changes in the market, the new factory in Singapore, the plan was to do ramping up in January through March. Is that going to be changed?

Ikeda [A]: For two quarters, there's going to be inventory adjustment and the volume is going to decline. This is almost confirmed. From Q3, is the volume going to increase? We don't have a lot of visibility on that. So, for next two quarters, it is almost confirmed that business, the volume is going to decline.

And the second question, our manufacturing line in Singapore. There may be some delays and it may come ahead of schedule, depending on the implementation. However, since the volume is low, we may spend more

time on the development rather than working on the line. As Hirooka-san mentioned earlier, just like the HDD substrates, we won't be closing the factory and stop incurring costs. And that is one of the reasons.

Nakamura [Q]: Okay. Understood. Thank you very much. My next question is about Life Care, both investments from Q4 for the Life Care business. You talked about the eyeglass lenses. You said that the demand in Europe was slow from December. So how is the situation in this quarter from January to March? And also, for the Life Care business, what are your expectations for this quarter?

Ikeda [A]: For January to March, especially in China, the zero-COVID policy was reversed, and the hospitals are struggling. Because of that, Life Care-related product sales forecast in China is still very slow. We don't see a recovery, which has a significant impact on the business performance, which is where we are in terms of China. And what are the numbers going to look like? I would like to hand over the question to Hirooka-san because he talked about the full year forecast.

Hirooka [A]: FX impact is something that is hard to foresee, but fundamentals, probably the same level as Q3 YoY, I mean. So, since this is Life Care business, what I can say is that overall, it's a defensive business and it will continue to grow. But what will be impacted is eyeglass lenses. It's not the volume, it's rather the unit price that will be impacted, the end users, the consumers. We'll look for lower-priced products. However, that is not the kind of thing that would happen to medical devices. So maybe a little bit of a loss in momentum is what we are foreseeing for Q4.

Nakamura [Q]: Understood. Thank you very much.

Moderator [M]: Thank you. Damian-san, please.

Thong [Q]: I am Damian. Just one question. As for eyeglass lenses, the demand from the hospitals perhaps will remain sluggish. However, eyeglass lenses in China, what is the situation in China recently for MiYOSMART? What are your plans for Q4? Or how do you see the movements in Q4? If you can comment on those points.

Hirooka [A]: As for eyeglass lenses, there's growth in China. Because it's not only hospitals. Well, there is some impact. And as for MiYOSMART's growth rate, compared to the previous year, if you look at the quarter, we are seeing a growth of 30% to 40%. And in Q4, we are also expecting a growth of 30% to 40% compared to the previous year.

Thong [Q]: So, what is your outlook for the next year as China is entering the post-COVID era? What kind of pickup do you expect next year?

Ikeda [A]: Well, a sluggish record has been seen in Q3, Q4 in China, so we do expect a rebound. I don't know whether things will turn around from Q1, but we do expect some rebound and I think things will pick up. Thank you very much.

Thong [Q]: Can I ask a follow-up question? Do you think that the situation in Europe will continue into Q4 as well?

Ikeda [A]: Yes. The impact of the macro environment in Q4 and Q1, well, macro environment, I do believe that there will be a continuous impact on Europe as well.

Thong [Q]: Which region is the weakest?

Hirooka [A]: Germany and France, in major chains. It seems that compared to October and December, December was weaker. Maybe the number of businesses are being impacted.

Thong [Q]: Was it only December that was weak?

Hirooka [A]: Well, we are watching the situation in Q1, what will happen in Q4 as well. Well, from a Q4 perspective, yes. But if you look at things over a longer span, the quantity of glasses – well, the quantity or volume of eyeglass lenses will continue to grow in any economic environment. However, it's a matter of whether the momentum is strong or not so strong. In any case, glasses will grow in quantity.

We are facing some difficulties in the United States and so we would like to improve and solve those problems. And if we can gain business from major chains, we do believe that we'll be able to expect more growth in our annual plan. Perhaps that will be incorporated into our annual plan. However, we would like to make some validations over the next several months. But we do believe that there will be a large growth in eyeglasses going forward.

Moderator [M]: This is going to be the last question. Nakanomyo-san, please.

Nakanomyo [Q]: Let me make my question short. My first question is related to EUV. When looking at Q3, excuse me, how much have you grown?

Ikeda [A]: 15% for blanks for semiconductors.

Nakanomyo [Q]: But for EUV, how much growth have you seen?

Ikeda [A]: Compared to last year in Q3?

Nakanomyo [Q]: Yes.

Ikeda [A]: Growth was close to 40%. This month (January), the momentum changed. It's not the end-user market but due to inventory adjustment of the customers. Because the demand of the customers has declined, they have wanted to reduce their inventory level.

Nakanomyo [Q]: One more question. Did you say HDD is expected to be negative 15%, both for 2.5-inch and 3.5-inch?

Hirooka [A]: We expect minus 25% combined together.

Nakanomyo [Q]: I'm sure there is a concern that there's going to be a further decline in demand related to servers. But how do you see the end-user market? How is the end-user market going to develop going forward?

Ikeda [A]: A certain volume has come back already but beyond that, we don't know whether it will recover in a rapid pace, to be honest with you. We are in the process of creating the plan for next fiscal year. And in that process, we'll be collecting information from our customers to come up with something more accurate. But as of today, it's difficult for us to make a forecast beyond those months.

Moderator [M]: Thank you very much. It is now time to close this session. With this, I would like to conclude today's financial results briefing session. Thank you very much for joining us despite your busy schedules.

[END]