



HOYA CORPORATION

Q1 Financial Results Briefing for the Fiscal Year Ending March 2024

July 31, 2023

[Number of Speakers]

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Eiichiro Ikeda

Director, Representative Executive Officer,
President & CEO

Ryo Hirooka

Director, Representative Executive Officer &
CFO

Moderator: Now that the time has come, HOYA Corporation will begin the briefing on the financial results for the first quarter of the financial year ending 31 March 2024.

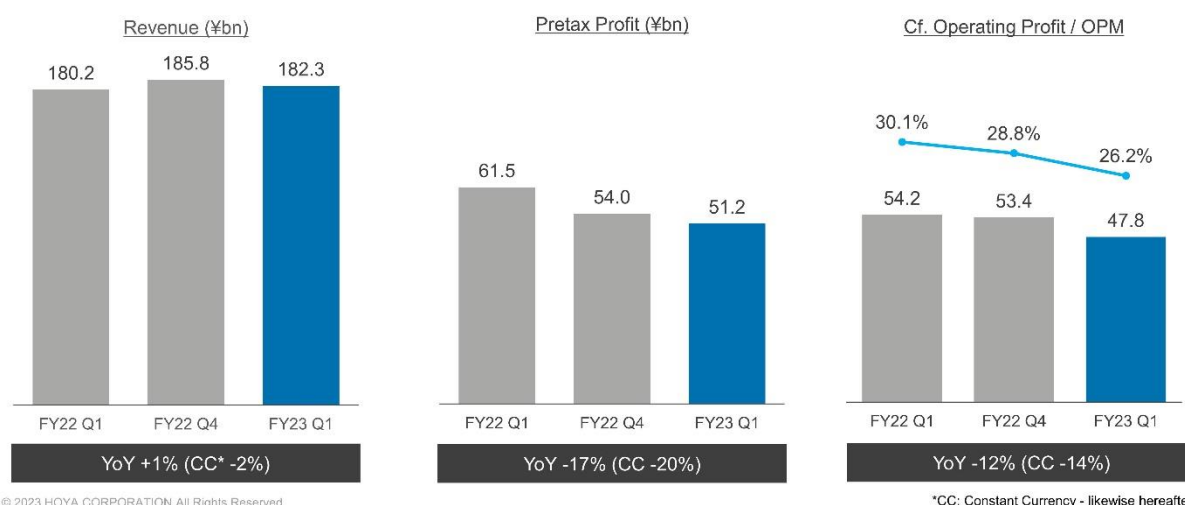
We have with us President and CEO, Eiichiro Ikeda and Representative Executive Officer, CFO, Ryo Hirooka. From Hirooka, there will be explanation of the performance of Q1 as well as the market situation and we will be taking questions after the presentation.

Hirooka: Let me begin the Q1 results. This is group overall. I would like to start out with the numbers.

Financial Overview



- Despite overall sluggishness in the Information Technology Business, the Life Care business compensated for this and secured sales and earnings at the same level as the previous year.
- Profit declined due to the recording of an impairment loss of ¥7.9 billion from the long-term shutdown of operations at the Lao plant for HDD glass substrates.



As for the revenue, JPY182.3 billion. Compared to last year, it was plus 1% YoY and on a constant currency basis, negative 2%. Pretax profit, JPY51.2 billion. Compared to last year, it was down 17%; on a constant currency basis, negative 20%. The operating profit, JPY47.8 billion. Compared to last year, down 12%; on a constant currency basis, down 14%.

There is some explanation I would like to give in relation to this. We have been explaining this, but HDD glass substrate was sluggish. That was the case for Q4, and in Q1, the situation remained the same. Last year, in Q1, both businesses were doing very good. On a YoY basis, it has led to significant decline, especially in IT.

As for Life Care, overall, the business performance was good. It was growing in double digits. Because of that, with regards to the revenue, even though it is slightly negative compared to last year, we were able to stay on par with the previous year due to great performance in Life Care. However, given the margin differential among the two segments, there was a big impact in the profit.

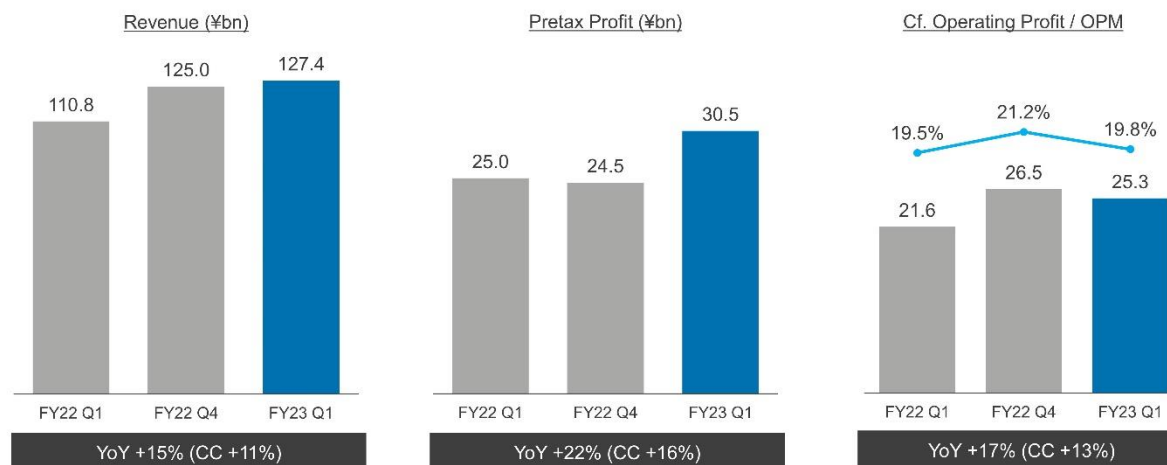
In terms of the other negatives, the HDD glass substrates, the situation remained the same as three months ago, and we are not seeing the trend of recovery. Currently, it is slightly worse than we had expected. We have a plant in Lao and there was some stoppage in the line last year. According to the market situation, as for the Lao plant, we decided that it would be good to stop the Lao plant and to utilize the Vietnam plant. Because of that, we will be shutting down the Lao plant in the long term, and because of that, there was an impairment loss incurred from this initiative on the accounting basis.

Just like last year, in Q1, there was a big gain from the currency exchange. There has been profit and losses incurred from the currency exchange. The US dollar deposits, euro deposits, are generating that gain. There is no change in the assets themselves. It depends on the currency rate at timings. US dollar and euro had been stronger in June than March. Because of that, there was more gain from the currencies. That was the overview.

Life Care Business Overview



- Sales and profits increased due to sales growth in all major products.
- Profitability was maintained at around the range of 20%, which is our benchmark, while we made investments for growth.



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I would like to talk about the Life Care business. First, I would like to start out with the numbers.

Revenue was JPY127.4 billion, up 15% YoY. On a constant currency basis, it was up 11%. Continuing from Q4, there was a robust growth. In terms of the pretax profit, JPY30.5 billion. Compared to last year, it was up 22%. On a constant currency basis, plus 16%. Operating profit was JPY25.3 billion, 17% up YoY, and on a constant currency basis, up 13%. Operating profit margin was 19.8%.

Each product grew very well in Life Care business. We have been spending a lot of money on the selling costs, promotion costs, and clinical trials, but we are seeing the good sales from the high value-added products. We have been able to secure the operating profit margin of around 20%, which is our target, while investing enough to where the investment is needed. There is a good cycle, which has been generated, and of course, we need to do more. But in Q2 to Q3, I think that we will be able to grow while investing where we need to.

Life Care Business Overview by Product

Product	YoY	YoY(CC)	FY23 Q1 Status	Future Direction and Outlook
Eyeglass Lenses	+17%	+12%	Sales growth of high-value-added products, increase in sales at U.S. chain stores, and robust sales in China contributed	Continue to introduce new products to further solidify our product portfolio
Contact Lenses	+9%	+9%	Sales of PB products and online delivery services were solid	Continue to focus on PB products and online delivery services Develop new customers such as younger customers
Endoscopes	+13%	+6%	Sales in China increased as there was a lockdown a year-ago quarter. Sales in Europe was firm	Steady launch of new products Strengthen the U.S. business organization
IOLs	+21%	+16%	Sales in China increased in reaction. Strong performance in Europe and Japan sustained	Steady launch of trifocal IOL in every marketplace. Outpace market growth
Artificial Bones, etc.	+15%	+10%	Momentum of pharmaceutical chromatography and metal Implants continued	Stable growth expected to continue Expand capacity of chromatography media

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Moving on to the next slide. This is product by product in Life Care business.

First is eyeglass lenses. On a constant currency basis, it was up 12%. There was a robust growth in this area. There was some impact from M&A, but even excluding that, we were able to grow in double digits.

There are two main drivers, US and China. As for the US, there was some time of struggle. But starting from H2 of the previous year, the situation started being stable. Organization-wise, it became stabilized as well. We have been able to see the increase in sales in US chain stores. So, now, we are in a growth trend.

Another is China business. In Q1 of last year, due to the impact from COVID-19, there was a downward trend. There was a rebound from that situation. But even excluding that rebound, we have been able to sell our myopia management lenses.

Also, in addition to US and China, for eyeglass lenses, we were able to introduce products such as myopia management lenses for children, etc. In each region, we have been able to improve our sales status.

Growth in Europe has also more than covered the sales of a customer (acquired by another company), with sustained double-digit growth across the board. This is a business which is difficult to grow constantly in double digits. At some point in time, there would be stoppage to the double-digit growth, but our focus is to grow more than the market. Currently, we are growing more than the overall market growth.

Next is contact lenses. There was a 9% growth in constant currency basis. Compared to Q1 last year, we had seen negative impact from COVID-19. The frequency of the use of contact lenses had been low but it is now recovering. We are seeing strong sales in the physical stores, and we are doing well in the private brand products and online delivery services, which have been able to respond to the needs of the customers. We have been able to capture the demand from the market in this area.

Next is endoscopes. Compared to last year, on a constant currency basis, we grew 6%. Endoscopes had seen smaller growth than the previous years in the past, but we are seeing a positive growth now. There has been rebound in the China market. However, in addition to China, we have been able to see a robust shipment in the other markets as well. Of course, there are struggles in this area, and we need to strengthen our structure

in the US going forward. We will focus on the launch of the new products. When the new products are launched in the market, our sales force will gain momentum, so we would like to capture that momentum in order to grow the sales in the area of endoscopes.

Next is intraocular lenses. Compared to last year, on a constant currency basis, we grew 16%. There was a significant growth. In Q1 last year, due to the impact from COVID-19, China was stagnating, so there was rebound sales in this area, but in Europe and Japan, there was a sustained robust growth. We launched new products last year and not all of the new products are doing well, but by launching new products, we have been able to conduct sales activities in various regions, and that led to strong growth in sales.

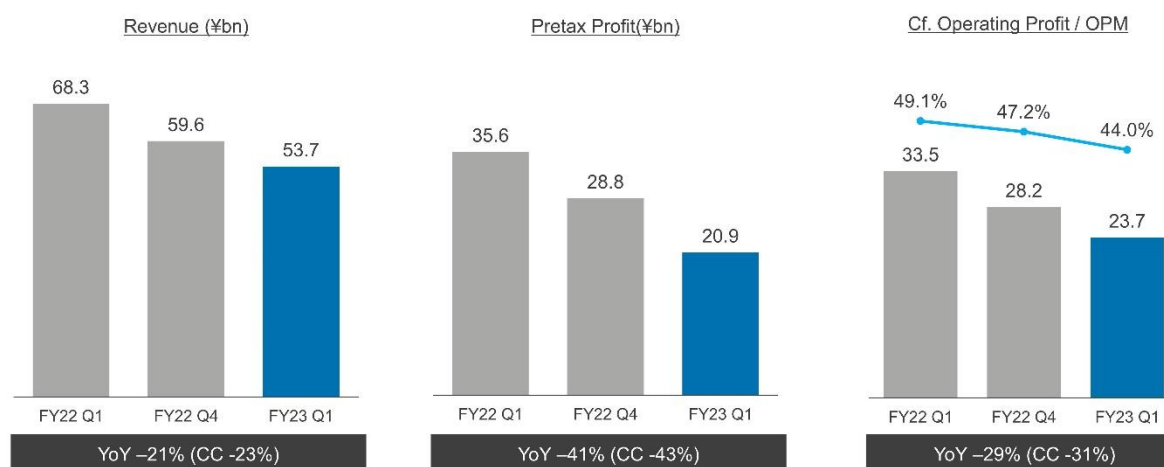
Last but not least is artificial bones and medical devices. The amount is not so big, but this field has seen double-digit growth.

If you look at Life Care business overall, we have seen revenue growth and double-digit growth at that as well.

IT Business Overview



- Sales declined due to a greater-than-expected decline in demand for HDD substrates.
- The impact on profit margins was minimized by flexible cost control.



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Moving on to the next slide. Next is IT business overview.

The revenue was JPY53.7 billion. Compared to last year, it was down 21% YoY. On a constant currency basis, negative 23%. There was a significant drop compared to last year. Last year, in Q1, HDD was doing well. LSI mask blanks, and EUV were driving the growth of the IT business. Because we are comparing to that period, there was a significant drop. On a QoQ basis, last quarter was JPY59.6 billion so there was a drop from Q4. But when I talk about HDD in the following slides, I will explain that the drop is coming mostly from the drop in the HDD substrates. LSI has seen flat growth from Q4.

The pretax profit was JPY20.9 billion. It was down 41% YoY, and on a constant currency basis, negative 43%. There were impairment losses from the Lao plant, and because of that, pretax profit went down significantly. With regards to the operating profit, it was JPY23.7 billion. Compared to last year, it was down 29%. On a constant currency basis, it was down 31%.

I may be repeating myself, LSI and HDD substrate, the amount of drop was significant. The operating profit margin was kept at 44%, but we were not able to cover it value-wise.

For the IT business, this quarter was a very severe one. In this market, we are impacted very much by the market situation and there are limits to what we can do on our own. However, we will conduct flexible cost control so that the cost will be minimized. That's something that we need to work on. As I have said earlier, we will shut down the Lao plant for a longer term so that we would be able to reduce the amount of drop in the profitability. We booked the impairment losses as a result of that.

IT Business Overview by Product

Product	YoY	YoY(CC)	FY23 Q1 Status	Future Direction and Outlook
LSI	-8%	-9%	Lower sales due to the impact of inventory adjustments No change in competitive environment	After bottoming out of Q1, gradual recovery in demand is expected from Q2 onward
FPD	+2%	+2%	New product development activities continued; we saw a slight growth YoY	Make steady progress in construction of China plant targeting the completion in early 2024
HDD Substrates	-43%	-46%	Nearline demand worsened more than expected due to deterioration of macro environment, etc.	Unstable demand is expected to continue We plan a long-term shutdown of the Lao plant
Imaging	-12%	-13%	Sales declined due to high comps (the year-ago quarter saw a large snapback in camera lenses)	Leveraging optical technology to cultivate new business fields

Moving on to the next slide, now I would like to talk about the overview by product.

In terms of LSI, on a constant currency basis, down by 9%. This is something I explained in the previous announcement. There was an inventory adjustment by the customers, which is actually happening right now. In terms of the amount of decline, it is a little bit more than we had expected. However, it's not like something that is completely different from what we have imagined, what we have expected that is happening. We did announce our guidance three months ago, but we expect a gradual recovery from Q2, and that forecast remains unchanged. I don't think there will be such a big recovery, but Q1 will be the bottom, and we are expecting a gradual recovery from Q2. In terms of the market environment, there's not much change in the competitive environment. Therefore, the inventory adjustment that's happening in the market is having an impact on our sales.

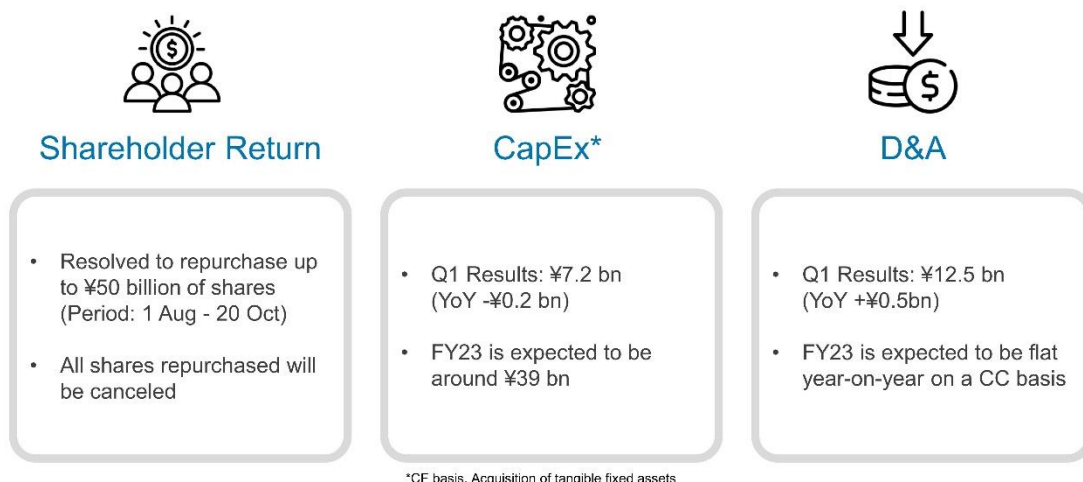
Now, moving on to FPD, large panels. The environment is not necessarily good. However, we have been able to grow by 2% in terms of sales. The Chinese customers, we have a joint venture with them and everything is going in line with our plan. By enhancing our partnership with them, we believe we are able to increase our sales.

Now, moving on to HDD substrates. There's been a decline of 46% against the previous year. I've said this many times already, but the macro environment is extremely bad. If you look at the results for Q1, I believe that things are getting worse than we had expected. Three months ago, I did mention that we don't know when the recovery is going to happen, but even as of today, we don't have any visibility on when it's going to recover. However, I believe that it's going to be quite difficult to achieve recovery before the end of this fiscal year. That is one of the reasons why we decided to stop the operations in our Lao plant. Next fiscal year, our Lao plant, even if the demand comes back to a certain extent, we'd rather keep the Lao plant closed and utilize

the Vietnamese plant at maximum utilization to achieve the best efficiency with the Vietnam plant. I think we believe that the situation will remain unchanged for the next 12 months or 18 months.

Lastly, imaging, down by 13%. Again, the macroeconomic environment has an impact on the performance of the imaging business, but basically, the impact of this business to the performance of the Group as a whole is not very big. Therefore, what we would like to do is to make sure that we maintain our profitability with this business. That's going to be something that's important for the business. For this quarter, even though our sales went down, we were able to maintain our profitability.

Balance Sheet / Cash Flow Related Matters



*CF basis. Acquisition of tangible fixed assets

I will not explain details, but the highlight here is that as part of our shareholder returns, in today's Board of Directors meeting, it was resolved to purchase up to JPY50 billion of shares. We will start from tomorrow and we'll spend about two months to repurchase JPY50 billion of shares. Once they are repurchased, we will cancel them.

Q2 FY23 Guidance

(¥bn)	Q2 FY22	Q1 FY23	Q2 FY23	QoQ	YoY
Revenue	184.1	182.3	182.7	+0%	-1%
Pretax Profit	61.8	51.2	53.8	+5%	-13%
Net profit	47.3	38.5	42.1	+10%	-11%

Although HDD substrates are expected to decline QoQ, we expect a slight sequential growth due to the robust Life Care business and the gradual recovery of LSI blanks.

*FX Assumption : USD=¥135, EUR=¥145

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This is the forecast for H1. Revenue is JPY182.7 billion with JPY53.8 billion pretax profit and JPY42.1 billion for net profit. The assumption for FX is JPY135 and JPY145, so a little bit stronger in terms of yen for assumptions.

Related to FX, I want to add one more thing. We have not baked in any losses or gains from currency exchange. It is not easy to make assumptions on what the currency rate is going to look like by the end of September. It will be useless making assumptions in this sense. Therefore, our assumption is that there will be no losses or gains from currency exchange, but needless to say there is a possibility that we'll be recording losses or gains.

In terms of business, Life Care business, we believe is going to grow. LSI mask blanks, as I mentioned earlier, we believe Q1 will be the bottom. After that, we are expecting gradual recovery. For HDD, we believe that Q2 is going to be worse compared to Q1. We have already incorporated that to the guidance. HDD, we believe the performance is going to go down, but we would like to offset that with Life Care business and also recovery of LSI. We are hoping that we'll be able to deliver a better result compared to Q1.

Now, that is all from me for the presentation.

Question & Answer

Moderator [M]: Now, let us move on to Q&A. Yoshida-san, please.

Yoshida [Q]: From CLSA, my name is Yoshida. You said the HDD Q2 will be seeing a deteriorating situation. I was wondering when the bottom will be for HDD. With the impairment losses at Lao, what would be the reduction in the cost for the quarter? I would like know how the recovery would be for HDD.

Ikeda [A]: As for the HDD outlook, there would be a further drop in Q2, and the Q2 level number will probably be the range that we will be seeing throughout this fiscal year.

Going off the topic a little bit, if we look at the current status, this fiscal year, the number will remain low, but if we look mid to long term, we believe that HDD will grow. We have not changed our view on that. The Lao plant will be shut down, as we have said. However, there are cases in the past where we had stopped the lines in order to improve the profitability. So, this shutdown is an extension of those kind of initiatives. If it's necessary, we will be resuming the operations in Lao as quickly as possible, as needed.

We have continuously been converting the 2.5 inch production lines into 3.5 inch lines. In the past year or so, the 3.5 inches demand had been low, and the 2.5 inches demand has been coming down. We had expected that, so no surprises. But the 2.5 inches line will be freed up, so the Vietnamese 2.5 inches line will be converted to 3.5 inches. When the volume of the demand had gone up, we would be able to utilize Vietnam plant rather than resuming the operation of the Lao plant. Just because the Lao plant is being shut down for 3.5 inches, it doesn't mean that there is not an increase in the production of 3.5 inches.

Hirooka [A]: As for the fixed cost, we do not disclose the specific figures, but we will look at the economic rationale in making the planning. Last fiscal year, there was a significant drop in the revenue, and we have been taking initiatives of stopping the lines. The shutting down of the whole plant does not significantly reduce the cost, but we will be working to maximize the cash flow to the extent that we so there would not be a significant impact to the profitability. It is not that there will be a significant drop in the fixed cost. We have been conducting the cost control by stopping some of the lines in the plant already, so the drop in the cost will not be so significant. It would positively impact the cash flow all the same.

Even if the revenue goes further down, we believe we can maintain the profitability levels. The stoppage in the plant will contribute to some of the upside.

Yoshida [Q]: I would like to ask about the competitive environment of the EUV blanks. You said that there's not much change in the environment, but there are some aggressive comments from your peers. Phase-shift mask, I think when the new technology comes into the market, I think you will have more opportunities. If you could talk about the opportunities and risks, I would appreciate it.

Ikeda [A]: EUV environment, there are two aspects. In terms of the advanced product development, 2-nano development and beyond, 1.4-nano development, on that point, there is no change in the competitive environment. We have been able to get certification as we have planned. When the production went down in the past, we had focused more on R&D. I have been explaining about this since two to three quarters ago. Through this initiative, we will work to conduct the R&D for advanced products. The certification activities for the leading-edge products will be continued. In addition to that, we have been obtaining qualification by new customers to some extent.

On the other hand, there are cases where the customers want to procure from two companies where they would like to conduct dual procurement. The EUV started out with 7-nanos. The customers are continuously

evaluating the competitors at 7-nano for a particular layer, but we don't see a situation where their procurement has shifted to the competitors. However, when they're looking for a second supplier, this kind of situation occurs, and there is nothing we can do about the customers' policies with regards to the dual procurement. In the past, there was a time when our market share dropped when the competitors were aggressive in the optical product. At that time, our quality was not really meeting the requirement of customers. This time around, there is no issue with our quality. The customers are purely looking for the dual procurement. That's the current status.

Yoshida [M]: Thank you very much for your response.

Moderator [M]: Now, I would like to ask Nakamura-san for your question.

Nakamura [Q]: I am Nakamura from Goldman Sachs. I have a question about EUV and hard disk drive. I just want to check on the numbers, the Q2 number compared to Q1. Hard disk and LSI, can you make a comparison in terms of the Q2 result against Q1?

Hirooka [A]: For the hard disk, the number that's been incorporated, 20%, I believe, will be the decline compared to Q1. LSI is going to grow gradually. Especially for EUV, we expect a double-digit growth QoQ. Compared to Q2 in the previous year, we believe it will be a single-digit drop.

A double digit QoQ growth for EUV may seem impactful, but for the total performance of LSI, I think it will be a very gradual growth recovery.

Nakamura [Q]: It seems like the EUV utilization at your main customers has not recovered to full. In contrast, you are expecting a growth towards Q2 for your EUV product. Can you explain why? Also, do you see any increased demand for generative AI?

Ikeda [A]: We don't have any visibility on that. We don't know if there are any positive impacts. However, in the macro market, once we have a new technology, things like GPU are being used in society, that is definitely going to have a positive impact for our mask blanks business. We welcome that. However, is it having direct impact to our orders? That is not the case, not as of today.

The volume recovery from Q1 to Q2, double-digit growth to be achieved in Q2 against Q1, let me explain the reason. The inventory level has come down on the customer side. Therefore, in Q1, the number of order that we have received is lower than the actual demand. Going forward, if we are able to receive orders based on the actual demand in the market, I do believe the number is going to go up against Q1. It's not like there is any special reason. It's just the inventory level of the customers and also the relationship of the inventory level with the actual demand in the market.

Nakamura [M]: Thank you very much for your answer.

Moderator [M]: Katsura-san, please.

Katsura [Q]: Thank you very much. This is Katsura. As for the JPY7.9 billion in the impairment losses in HDD, the remaining amount was impaired. Is my understanding correct?

The Vietnam plant for Q1 and Q2, what is the utilization change considering the Vietnam plant as a denominator. Even with just the operation of the Vietnam plant, you said that there would be upside without the resumption of the Lao, but what is the situation?

Ikeda [A]: As for Lao, we have impaired all of the assets. There are two plants in Vietnam and the size of the two plants are almost equivalent to each other. One of them has two facilities and 50-50 capacity. Half of one plant in Vietnam will stop its operation. In Q2, there would be a one-fourth operation.

Katsura [Q]: My second question is related to Life Care business. It seems that Life Care business is doing well. On page six, if we look at the Q1 situation, the eyeglasses in the US and China are doing well and as for contact lenses, private brands, and online delivery services are doing well. Overall, it seems that Life Care business is doing well. So what's the biggest driver of Life Care business? What is the outlook for the coming quarter? Where do you have the highest expectation in terms of the segments?

Ikeda [A]: The Life Care business is doing well overall, but I would say eyeglass lenses and IOLs stand out. Eyeglass lenses, last year, the US market was not doing well, but by changing the sales structure in the US to revitalize the organization, we have been able to win deals in the US chain stores. Also, we are seeing robust growth from the independent stores as well. I think this robust trend will continue for quite some time.

Another point is MiYOSMART is doing well. We have been getting approvals, we have been able to roll out in various markets, and we are seeing good performance. We have been able to acquire new accounts. As Hirooka-san has mentioned, this led to increase in our share. We believe that this will continue going forward. We don't believe that the double-digit growth will continue forever, though. The numbers are quite big and the market growth is not so strong overall. We would not be able to grow in double digits forever, but for the time being, we would be able to grow robustly.

As for intraocular lenses, we have good share in Japan. We have developed new products and we are rolling it out outside of Japan. This initiative has been working quite well and this has led to the strong performance in this field. In IOLs, I think we would be able to expect a certain amount of growth. I would not be able to say definitely that it will be in double digits, but it will grow. For eyeglasses, the US market has been the driver. The IOLs are enhancement in the sales force and the new products had been able to enable us to grow.

Moderator [M]: Wadaki-san, please.

Wadaki [Q]: My name is Wadaki from Mitsubishi Morgan Stanley. My first question is about the EUV mask blanks. I have a concern about major foundries introducing pellicles which would prolong the life of EUV blanks, which means that there is a risk of demand decline.

Ikeda [A]: I do receive a lot of questions on that. At present, there is no evidence of a significant reduction in order volumes due to the impact of pellicle. Our customers update us with volume demand quite frequently, but it's not like there will be a significant decline in the volume that they will be purchasing from us. However, theoretically or as far as we can imagine, if they start using pellicles, there may be some decline to a certain extent, and that cannot be denied. However, if customers use pellicle and if the process becomes easier to handle, there will be an increase in the number of customers adopting EUV. There are some positives as well as negatives. However, we do not believe that this is going to have a significant impact on our business, looking at the trends of the orders that we receive.

Wadaki [Q]: Thank you very much. My second question, on the positive side, phase-shift mask is getting a good reputation. We do believe that it's going to be used widely. Also, I hear that mask blanks demand is increasing in China. When is it going to make contribution to the performance of the Company and how much of an impact are you expecting?

Ikeda [A]: Phase-shift mask, I said that in the leading edge, the certification is going well, which includes actually the phase-shift mask. It is being penetrated. The volume is going to come later. The customers are beginning to certify and accept this technology. This technology is used in advanced areas, such as 2-nano. Therefore, once those things come out in the market, the mass production is going to happen.

Regarding the Chinese mask shops, the impact to the total business compared to EUV is far small. The sensitivity on the mask blank business is not so big at this point.

Wadaki [M]: That is all from me. Thank you very much.

Moderator [M]: Damian-san, please.

Thong [Q]: This is Damian Thong from Macquarie. In the glass lenses, I think that the performance is good for the full year. I was wondering how much growth that you are expecting? That's my first question. In terms of the sales expansion, for H2 towards the next fiscal year, would there be increase in the cost? Do you think that the profitability can be maintained around 20%?

Hirooka [A]: We would not be disclosing the specific figures. As I have said and as Ikeda-san has said, in this field, it is very difficult to constantly grow in double digits because usually, the market growth is about mid-single digits. On a full-year basis, I think that it will become flatter in terms of the growth. Our focus is to be better than the market growth and, also, that we grow in the latter half of the single digits even if we are in the single digit. Winning over the competition for the full year constantly, that will be a very difficult thing to do in this market. The latter half of the single-digit growth is something that we would like to stably accomplish in this business. That's what we are aiming for.

In terms of the profitability levels, our aim is to invest while maintaining our cost structure so that we would be able to improve the operating profit margin. We don't want to increase the investment if that would lower the margin. We would not be able to promise the operating profit margin of 20% constantly. There would be some fluctuations from that level. What we would like to do is to maintain the cost structure that we have and invest under that structure and generate revenue whose growth is higher than the market growth. We don't to reduce the margin through the increase in the investment. That's what we would be aiming for.

Thong [Q]: I would like to ask from a different perspective. Two years ago, in the United States, I think that you are growing, and in this Q1, you had posted a very good growth in the US market. I think that your share in the mass retailers and the discounting stores is quite low, so I think there is still upside potential for growth in that area. This term and the next term, how much do you think that you would be able to grow potentially? Could you give an idea of the plan that you have for the US business?

Hirooka [A]: In terms of the actual performance, if we look at the US market, we were able to grow in double digits for Q1. That had driven the growth of the vision care business. This market has been struggling for quite some time, but from H2 of last year, we have seen a trend of recovery, especially in the area of chain stores. Q1, growth-wise, we were able to see a lot of upsides. That's why it has grown in double digits. However, if you ask me, if we can keep the double-digit growth in the full year, it is very difficult to say because we are dependent on how much growth there would be from the chain stores. On a QoQ basis, I think it would be difficult to constantly maintain the double-digit growth because we are dependent on the market situation. I think that the market was doing well in Q1, but we are depending on the market status in this area. I am not able to commit to the double-digit growth for the full year. That's all I can say.

Thong [M]: Thank you very much.

Hirooka [A]: I would like to make a supplementary comment. We were weak in this area. This area has the biggest upside. For vision care overall, US is a very important market, and US will contribute to the overall performance of the vision care business.

Thong [Q]: There is one other follow-up question. In hard disk, I think you're suppressing investment for eyeglasses and Life Care business. Overall, for this fiscal year and the next, are you expecting any additional investment?

Hirooka [A]: Basically, for IT, because we are in such a market status, we are suppressing the investments. We talked about the impairment losses earlier. Because of that, we would not be making significant investment

in HDD. We have been starting to suppress the investment starting from last year. For HDD, the investment will be at the minimal level. LSI blanks, there is inventory adjustment going on, and we believe that this is a temporary drop. Last year, we had decided to make investment, and in Q1, we did invest. We will be responding to the expected recovery in the demand for H2 and the next fiscal year.

Regarding whether we would be increasing the investment, we have already completed the investments that we have been planning to make. In terms of the eyeglasses, we will continuously invest. The case was the same for two years ago, a year ago, and we are continuously improving our capacity. There is increased demand constantly for the RX lens demand, so we are investing in this area. However, the value of the investment is not significantly increasing. We are investing in the amount that is in line with our growth.

Thong [M]: Thank you very much. That's all for me.

Moderator [M]: Thank you very much. Nakanomyo-san, please.

Nakanomyo [M]: My name is Nakanomyo from Jefferies. I have a question about endoscopes. Reportedly, the QA/RA cost at a competitor is getting quite high. I think the thinking of the regulatory authority has become very strict, which I believe is going to have an impact on your business. Is that a possibility? That is my question.

Ikeda [A]: As we pointed out, cost related to regulatory affairs is something that we need to take care of. We have to make investments. In 2022, compared to the past, QA/RA response-related cost has increased in FY2022. We did make an investment in FY2022. Was that sufficient? We cannot say for now. For the time being, we have somewhat suppressed the investment up until FY2021. We made an investment in FY2022. We also invested for resources for QA/RA. We made a foundation for that, so it's not like there's going to be a need for major investments in this fiscal year or next fiscal year. However, as the situation may change, the company is willing to regularly assess the situation and make the necessary investments.

Nakanomyo [M]: Thank you very much.

Moderator [M]: Since it is now time, we would like to conclude today's briefing session. Thank you very much for joining us despite your busy schedules.

[END]
