



HOYA CORPORATION

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

October 31, 2023

[Participants]

Eiichiro Ikeda

Director, Representative Executive Officer,
President & CEO

Ryo Hirooka

Director, Representative Executive Officer &
CFO

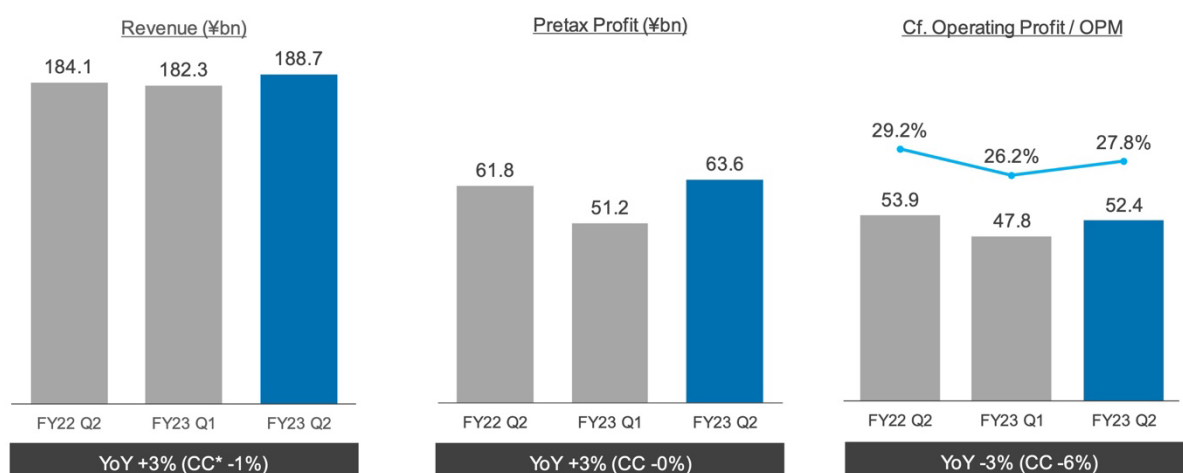
Moderator: The attendance from our side are, Director, Representative Executive Officer, President, and CEO, Eiichiro Ikeda; Director, Representative Executive Officer, CFO, Ryo Hirooka.

Now, I'd like to invite Hirooka-san, the CFO, to talk about the results for Q2 and the update of the business segments. Thank you very much.

Finacial Overview



- Although sales of HDD glass substrates continued to decline, revenue increased due to the solid Life Care performance. On a constant currency basis, revenue was on par with the previous year.
- Pretax profit increased due to FX gains of 3.5 billion yen from the depreciation of the yen and an impact of a sale of business (3.4 billion yen).



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*CC: Constant Currency - likewise hereafter

4

Hirooka: First of all, I'd like to talk about the group-wide results. As for the revenue, JPY188.7 billion; pretax income, JPY63.6 billion; and profit from the ordinary activities, JPY52.4 billion. All in all, because of the weakening of yen, we had a positive growth on the revenue.

As you can see here, HDD glass substrates continued to decline, which was a big factor. For Q2 last year, HDD glass substrates was not that bad. On a YoY basis, there was a bigger range of the negative growth. Life care, on the other hand, continued to have a solid growth. As a result the consolidated revenue was flat on a constant currency basis.

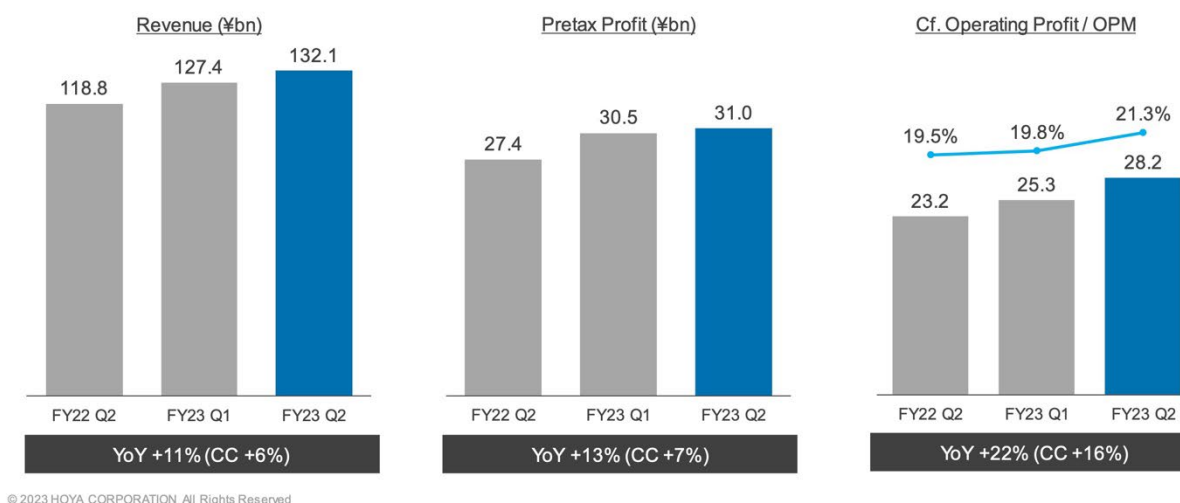
On the profit, there is a difference in the margin, so the decline for the operating profit was bigger compared to the decline in revenue.

As for the operating profit and the the pretax profit, there is a gap of JPY10 billion. Given that the US dollar has become stronger, there was a FX gain of JPY3.5 billion. On July 1, a business was transferred, and there was a JPY3.4 billion gain from this transfer. In addition, there was a increase of interest income related to deposits. The gap of JPY10 billion between pretax profit and operating profit, can be explained by these three factors.

Life Care Business Overview



- Revenue of all products increased on a reported basis.
- Profitability was maintained at around the range of 20%, which is our benchmark, while we made investments for growth.



5

First of all, on life care business, the revenue, JPY132.1 billion, 6% growth on a constant currency basis. The business is indeed making a steady growth. The international sales is quite big. On a yen-denominated basis, because of the weakening of yen, it grew by 11%. As for the pretax profit, JPY31 billion; in the operating profit, JPY28.2 billion. The margin was 21.3%. The profit margin has been maintained. With regards to this segment, 20% is the standard that we have set for the profitability. This is just a benchmark.

On a quarterly basis, it is sometimes on the positive side, sometimes on a negative side. What is important is that we should be able to maintain that within the 20% range, making investments in sales, selling expenses, and so forth so that it would lead to the growth. This time, 21.3%, a rather high level.

As I mentioned earlier, sometimes, it's below 20%, sometimes, it's above 20%. This quarter just happened so that it's above 20%. Going forward, the policy is that our mindset remains unchanged. We will stick to the 20% as a benchmark. We would like to increase the investments so that we can maintain the 20% and aim for the growth in revenue. Just like the last quarter, in terms of this quarter, we will execute those activities.

Life Care Business Overview by Product

Product	YoY	YoY(CC)	FY23 Q2 Status	Future Direction and Outlook
Eyeglass Lenses	+13%	+7%	U.S. chain stores, independent stores in Europe, and MiYOSMART in China performed well.	Establish product portfolio that meets the needs of all generations
Contact Lenses	+9%	+9%	Sales of PB products (hoyaONE) and online delivery services were solid	Continue to focus on PB products and online delivery services We plan to open around 10 stores in FY23
Endoscopes	+2%	-6%	Sales decreased compared with the same period of the previous year, when there was a significant reactionary increase in China.	Steady launch of new products such as Inspira Promote of localization in China
IOLs	+21%	+16%	Stable demand continued in all markets. Established subsidiary in China for local production.	Continue to focus on the launch of tri-focal IOLs. Drive innovation.
Artificial Bones, etc.	+15%	+9%	Momentum of pharmaceutical chromatography and metal Implants continued	Expand capacity of chromatography media

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6

I would like to explain the growth rates of each product on a constant currency basis.

First of all, the eyeglass lenses. The growth rate was 7%. We were able to maintain steady growth across all regions. From Q4 of previous year, the sales for the US major chains are on the growing trend on a YoY basis. In United States, almost close to two-digit growth. Also, MiYOSMART and photocromic lenses are growing, and China is also showing a strong growth. For Europe, although there was a decline in chain stores (which our competitor acquired), we were able to get positive growth. We're actually overachieving the market growth. Also, the high-value added products are selling quite well. We are continuing investment in selling expenses and R&D costs, but the profit is also catching up with that.

Moving on to contact lenses. On a YoY basis, 9% growth, so close to two-digit growth. Last year, Q2 in Japan, in July and August, we saw a spread of the COVID-19 infection. In the contact lens of Japanese market, that's a reaction to last year that is being enjoyed. That's why it turned out to be 9%. On top of that, our private brand products and the online delivery service to improve convenience are selling well in a recovering market. Amid COVID-19, it has been difficult to increase the number of outlet stores. Now, that the market is recovering steadily, we would like to resume opening the stores. For this year, we plan to open about 10 stores. They will not contribute to the sales this year, but it would contribute to our positive growth for next year and onward. We are making investments for further growth. We'd like to once again accelerate that initiative.

Moving on to endoscopes. Growth was minus 6%. Unfortunately, there is a negative growth here. That is somewhat dragging the overall life care good trend. The biggest factor is in China. Last year in Q2, there was a bounce back from Covid with high sales. Compared to that, Q2 this year became a negative growth. We wanted other regions to offset that but, in the US, it did not grow as we had expected. Therefore, on a YoY basis, it turned out to be a negative growth. We've launched a new product. We want to make sure that the launch will pick up to lead to higher sales.

Moving on to IOLs. It is continuing to do well with a double-digit growth. Basically, in different regions, including new products, we're doing quite well, especially in China but also Japan is growing. India is growing

as well. The new high value-added products are being launched, and that is leading to sales and marketing activities in different regions, achieving a higher revenue and higher growth.

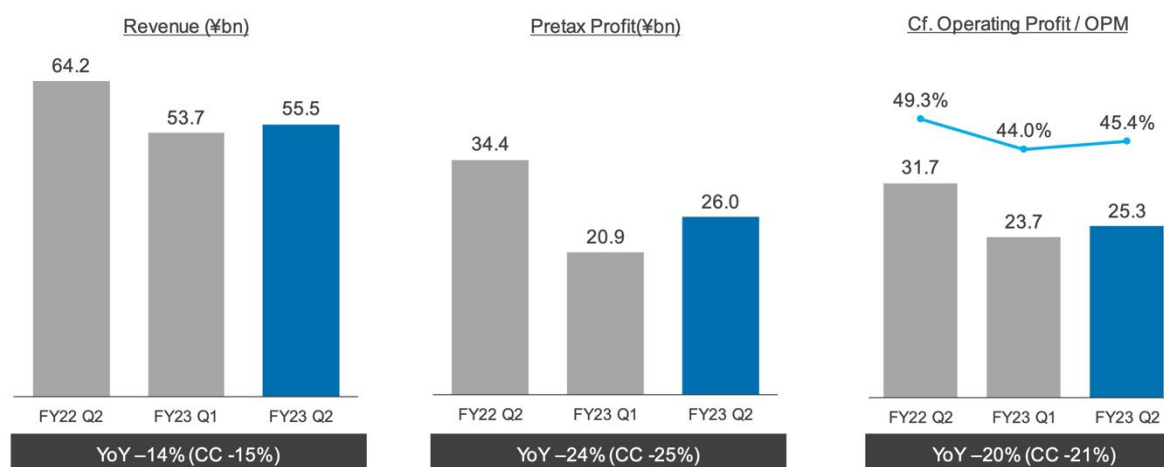
Last but not least, artificial bones and others. As a business segment, not necessarily that big but close to a double-digit growth rate. That is contributing to the overall life care segment growth.

All in all, as life care, other than endoscopes, they are making steady growth. As a result, 6% constant currency growth was achieved.

IT Business Overview



- Although demand for mask blanks recovered, sales of HDD substrates fell sharply, resulting in a decline in overall revenue of the IT Business.
- Profitability improved QoQ driven by cost management measures.



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7

Now, on IT business overview. The revenue is JPY55.5 billion; pretax profit, JPY26 billion. Operating profit, JPY25.3 billion, 45.4% is the margin. Just like Q1, HDD substrate fell significantly. Q2 last year, it was relatively good. On a YoY comparison, it's negative. On a QoQ basis, compared to Q1, it was worse. When we announced Q1 results. We had anticipated this, and Q2 was within our expectation.

Another factor is mask blanks. Q2 last year, mask blanks had a positive growth. From Q4, there was an inventory adjustment on the client side, which is coming down. Compared to Q2 last year, slight negative growth. Here, on QoQ, it's an increasing trend. Q1 is the bottom for the time being.

IT Business Overview by Product

Product	YoY	YoY(CC)	FY23 Q2 Status	Future Direction and Outlook
LSI	-2%	-3%	Amidst an unstable business environment, EUV blanks sales have recovered to a level close to that of the previous year.	Accelerate development of leading-edge blanks and steadily capture development demand despite unstable end-use demand
FPD	+4%	+2%	Design development activities for smartphones were stable	Focus on high value-added products
HDD Substrates	-40%	-43%	Demand for 3.5" decreased due to global economic slowdown and end customers prioritizing GPU investment	Streamline and deepen manufacturing operations Materialize business opportunities around next gen products
Imaging	+8%	+7%	Steady sales of interchangeable lenses due new camera launches etc.	Continuously explore opportunities to expand business domain by leveraging optical technology

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8

Now, I will explain the overview by product.

First of all, LSI, minus 3% on a constant currency basis. The guidance was in the middle of the single digits. It was a bit better than we had anticipated, but it's within our expectation in terms of the range. Good or bad, the external environment has not changed. Better compared to Q1, especially EUV, is coming back compared to Q1.

For the outlook, rather than a significant recovery, it will be a moderate slow recovery is what we expect. For Q3, Q3 last year was very good. Compared to Q3 last year, we won't be able to recover to that level. After that, Q4 last year was not good. Q4 this year should be better than Q4 last year. What we had expected at the end of Q1, the business environment has not changed. Another factor that has not changed, in terms of the relationship via vis-a-vis the competitors, nothing has changed. With the external environment, how quick can we expect a recovery, will be the key point here.

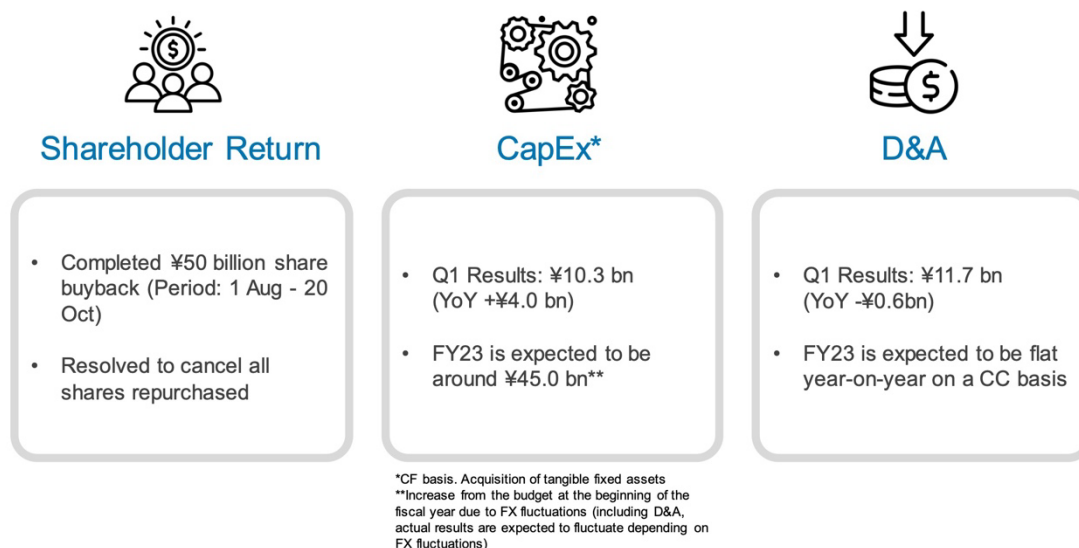
Moving on to FPD, slight positive growth. Good or bad, no significant events during this quarter. Joint venture with the Chinese customer, it's pretty much on the schedule. The preparation is underway smoothly. We would like to take the high value-added products market in a stable way. HDD substrates, this has the biggest impact on the group-wide level. Compared to the previous year, 43% negative. Again, Q2 last year was still good.

HDD substrate growth rate was a big negative. The market environment, for some time, last time and the meeting before that, we said that it's very difficult for us to forecast, and that remains unchanged. It's not getting better, but it's not getting worse either. That's the impression. It's not that we have a good outlook for the future. In other words, we really don't know. That's continuing. H2, just flat from Q2 or maybe plus alpha. I think that will continue for the rest of this year.

Last but not least, Imaging. Compared to previous year, 7% positive. As you can see, the new camera launches, the camera manufacturers are actively launching the new products. From our perspective, the interchangeable lenses sales are increasing compared to the previous year. Again, as a business, on a quarterly basis, sometimes there is a demand for the interchangeable lensing. Some quarters, we don't.

On a QoQ basis, sometimes, it can be positive, sometimes, it can be negative. That remains a change. The important thing is even though there is a fluctuation, we need to have a structure to be able to maintain the profit to run this business. It's on the positive side. This time, it was good. Within this profit structure, we have to run and manage the business.

Balance Sheet / Cash Flow Related Matters



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9

If you can move on to the next page, these are other topics: shareholder return, CapEx, and depreciation and amortization as it represents in the slide.

In the last financial results announcement, we announced share buyback. In October, we have completed buyback at today's board meeting. For the ones which were acquired, we resolved to cancel the shares repurchased. As for the interim dividend, JPY45 is what we are planning. That is all for the performance update.

Moving on, Arashida would like to talk about MiYOSMART, myopia progression control lenses.

Overview

In 2012, the company began development in collaboration with the Hong Kong Polytechnic University and launched in selected markets in 2018.* The patented Defocus Incorporated Multiple Segments (D.I.M.S.) Technology enables non-invasive myopia progression reduction, making the lens safe and easy to use for children. A 2-year clinical study conducted in Hong Kong** showed that MiYOSMART reduced the progression of myopia on average by 60% compared to standard single vision spectacle lenses, and similar results were found in a European cohort.† The 6-year follow-up study showed that myopia control effect was sustained over 6-years. ††



*Not available in Japan as of October 2023

**A two-year randomized clinical trial, Hong Kong – link to study [here](#)

†2-year observational study in UK children – link to abstract [here](#)

††Long-term myopia control effect and safety in children wearing DIMS spectacle lenses for 6 years – link to study [here](#)

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11

Arashida: For this product, at the financial results meeting a year ago, we introduced this product for the first time. With that background, I'm sure many of you are already familiar with this product. Once again, I would like to reiterate its overview. MiYOSMART. Going back 10 years ago, we started a joint research with Hong Kong Polytechnic University. Starting from Hong Kong and China in 2018, we started the sales as the myopia progression control lenses for pediatric use. You see the schematic diagram here. The central part is just like the normal spectacle lenses. It's transparent.

In the peripheral, it has the Defocus on the periphery, D.I.M.S., patented technology. For surgeries and unlike the solutions which insert lenses to the eye, it's not an invasive approach, and this is the key point. In the clinical trial results, which was implemented in Hong Kong, compared with the case using the regular glasses, this prototype is able to slow the progression of myopia by 60%. If you have time, please refer to the link here.

Recognition in the Public

MiYOSMART is an award-winning product backed by extensive and robust research in myopia management spectacle lenses. Below are some of the awards and endorsements that we have received.

In addition, there are over 25 publications available on MiYOSMART spectacle lenses (click [here](#) to learn more).

Awards and Endorsements



European Society of
Ophthalmology

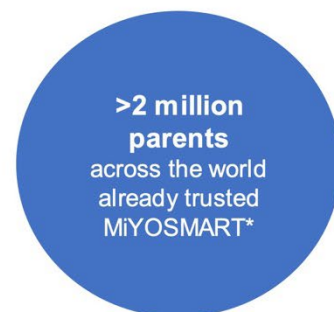
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12

Please move on to the next page. It has been almost five years since the launch in the market of MiYOSMART, but with the ophthalmology-related organization, we have a good evaluation. Here, you see some of the many awards and also recommendations from ophthalmology-related organizations. After a later time, please check the links.

Commercial Performance

Since starting sales in Hong Kong and China in 2018, the company has gradually expanded its sales regions and is now selling in more than 30 countries. Currently, sales in China are the largest, but recently the sales volume in regions other than China has been increasing due to the increase in the number of stores handling the product.



*Based on number of MiYOSMART lenses sold as per Hoya sales data on file as of August 2023

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13

Please move on to the next page. MiYOSMART, in 2018, they started the sales in Hong Kong and China. Since then, they have continued geographical expansion. Now, it's sold in more than 30 countries. As of now, the sales volume in China is the highest, but more recently, with the increase of the handling in France, UK, and

Canada, the sales volume outside of China is increasing. With this background, in this Q2, MiYOSMART sales continue to have two-digit growth. Furthermore, globally, already over two million parents chose MiYOSMART.

Recent Highlights

Increased outdoor time being beneficial for myopic children, MiYOSMART has been rolled out in two sunglasses versions, photochromic and sun polarized. In addition, the company will work to obtain approval in regions/countries where MiYOSMART has not yet been launched, thereby contributing to the mitigation of myopia, which is a serious global social issue.

Innovation	Launched photochromic (Chameleon) and sun polarized version (Sunbird)
New Evidence	2-Year multi-site observational study of MiYOSMART in European children. 12 months result showed great tolerance and acceptance of MiYOSMART spectacles lenses among European children and they also indicate a comparable slowing down of myopia progression to that observed in Asian children
PR	Highest number of mentions in on-line editorial articles and higher potential reach than competitors
Geographical Expansion	Launched in 5 new markets in Q2: Colombia, Philippines, Turkey, Slovakia and Slovenia
International Congresses	GOMCC (Singapore), ESCR & WSPOS (Vienna), WCO (Melbourne)



MiYOSMART Chameleon adopts a patented Molded Laminate Photochromic Film Technology to preserve the optical performance of D.I.M.S. Technology

* Patented in the United States (US9163108, US9981452, US11181666, US11427754, US11460716, US11560500)

*2-year observational study in UK children – link to abstract [here](#)

Next page, please. Lastly, this is the recent status of MiYOSMART as a summary on this page. MiYOSMART photochromic lens version, MiYOSMART Chameleon, and the sunglass version, Sunbird, were launched for the prevention of myopia of children. As a measure to counter progression of myopia, outdoor activities are paid attention to. Those children who spend more time in bright environments outdoors are not susceptible to developing myopia. The expansion of the lineup will be very useful. We are continuing to have the research and clinical studies.

In European children, we were able to have an equivalent of the superior results, just like with the children in Asia. Needless to say, myopia is a global social issue. We continue to seek approval in regions and countries where MiYOSMART is not yet available in order to solve this issue. In this past quarter, MiYOSMART was launched in five markets, Colombia, the Philippines, Turkey, Slovakia, and Slovenia. This was very brief, but I just explained the recent status of MiYOSMART.

Question & Answer

Moderator [M]: Now, we would like to move on to the Q&A session. Due to the simultaneous interpretation, if you select Japanese, please speak in Japanese. If you select English, please speak in English. If you have any questions, please make sure to press the raise hand function of Zoom. If you are joining by telephone, please press star and number nine. Please identify your name and affiliation. As the time is limited, including the follow-up questions, I ask you to limit your questions to only two questions per person.

First of all, Yoshida-san, over to you.

Yoshida [Q]: This is Yoshida from CLSA Securities. The first question is EUV blanks. You mentioned that the competitive landscape does not change. On the other hand, Shin Etsu commented to start mass production. What is your outlook for the competitive landscape? If you can comment, by node, that will be helpful. This is the first question.

Moderator [M]: Ikeda would like to respond to your question.

Ikeda [A]: The competitor announced a quite a proactive comment. From our perspective, currently, we are not pleased with order by node. It's not so clearly visible. With the existing products, we don't see any drop in order with more allocation to the competitor. It's not yet visible from our side.

In the advanced side, it may not be the issue here, but the development of advanced products, for example, with 2-nano, favorably, our product is certified, and competitors' products are not evaluated at the same time. This is just our speculation but in some of the EUV layers, the product of competitors may be evaluated by the customer as a second supplier. So far, with such products, we are not seeing any drop in the number of orders placed for us.

Yoshida [Q]: Moving on to the second question. In Taiwan, next-generation smart phone lens, North American manufacturers seem to have acquired the capacity. I would like to know the outlook the imaging business, including that aspect.

Ikeda [A]: For the imaging business, the digital camera market has contracted to a certain extent. Hence, we are looking for something new to compensate the drop. We are exploring possibilities and doing sampling work on an ongoing basis.

Unfortunately, there is no topic in the financial results meeting. So far, we have not found any major possibility. As Hirooka mentioned, even with the small market, we have the structure to generate profit. This is the current operation. As mentioned, we are looking for new applications. To your point, we don't know what will occur in the future. At some point in time in the future, we are hoping to look for new application. We just continue to have such activity.

Moderator [M]: Next, Shibano-san, please.

Shibano [Q]: From Citigroup Securities, my name is Shibano. What is the future outlook for EUV mask blanks and HDD substrates? When you released your Q1 results, you expected EUV blanks revenue to recover 10%. I had the feeling that it was more like 20% growth this time. Is that correct? In the upcoming quarters, is a mid-single-digit QoQ growth the right image? Likewise, for HDD, you expected a QoQ 20% decline into Q2. How did that turn out? What QoQ momentum are you expecting for the upcoming quarters?

Hirooka [A]: As you have pointed out, yes indeed the EUV blanks was a 20% growth on QoQ. Going forward, can we continue that momentum? That's not necessarily what we expect. Rather than EUV but as blanks as a whole, Q3 will see a mid-single digit decline YoY. From Q2 to Q3 last year, there was certain growth. This year's growth would not be that level. From Q1 to Q2, EUV did grow, but blanks as a whole, the slow moderate recovery will continue from Q3 to Q4. That's what we expect.

Speaking of the HDD substrates, we did anticipate further decline, but it was actually a little bit better than we had anticipated. Going forward, in terms of how we see it, we expect really slow gradual recovery. There are some signs of that, but then can we really trust that or not? We shouldn't depend too much on that. Q2 being a benchmark, it will be slightly be up or down for H2. What I mentioned is HDD substrate as a whole.

Shibano [Q]: My second question is for Mr. Ikeda. Ever since you became a CEO and President, you talked about cross horizontal R&D with additional layers. What have you achieved so far with this effort given your history? I think a lot of people are not used to that. I think there could be some negative factor such as frictions. Is there any observation that you can share with us so far?

Ikeda [A]: I think you know very well about our internal environment. Yes, it's true that there is somewhat of a friction, but then, having additional layers, other than existing businesses, we would like to explore new growth areas for some neighboring areas to the existing business segments which we can expect the synergy to achieve new growth.

For those, anyone in regardless of the position, support that idea. It's not that there is any objection or friction towards that. Everyone is quite forward-looking and proactive on that. In terms of what's inside the existing businesses, having additional layers, there could be a concern. You may be concerned, but then, having additional layer is only to explore something new. That's the purpose in terms of the organization. For that purpose, we have to work as one facing the same direction. I think you can take it that way.

In terms of the outcome, so far, with the three companies and in different respective areas, where we're going to take up a challenge on new areas, we are continuing that discussion. Also, we're exploring opportunities for M&A. With this organization and people joining us from outside as well with those capabilities. It's not that we have any specific output yet, but those efforts are actually working out smoothly, and that's one positive thing. Please give us some more time for us to be able to give you some specific outcomes.

Moderator [M]: Moving on to Nakamura-san.

Nakamura [Q]: This is Nakamura from Goldman. I have two questions. The first one is related to the idea behind Q1. It seems like it hit the bottom, and we do understand that the guidance is not yet an issue, but can you give us hints for the idea behind the operating profit?

Hirooka [A]: Yes. In life care, in principle, there is no major change, but with the momentum, how we can maintain the growth rate or improve over Q2, this will be critical. In terms of profit, around 20% remains the same. That is our view for life care. With respect to IT, as we said for LSI, compared with Q2, there may be a slight improvement from Q2.

Considering that, life care and IT balance, Q3, we are hoping that the operating profit would improve. When it comes to IT, in Q4, there will be seasonality and the weight for life care will be greater. If you ask whether there will be major change compared with H1, IT may not be as bad as H1. That may be the view. This will be the situation that would continue for this fiscal year.

Nakamura [Q]: My second question is related to share buyback and M&A. We would like to check your view. You deferred a buyback, but is there any change in your view for M&A?

Moderator [M]: Ikeda would like to respond to your question.

Ikeda [A]: Our view and the position has not changed. As we have been reiterating, if there are opportunities for M&A, or if there is priority placed internally, and if there is any excess cash, then that will be returned in the form of buyback or dividend. This may not be on a quarterly basis, but as an annual or total amount. This is our view. As of now, we have not changed our position, and we would like to continue this position as well.

Moderator [M]: Next, Wadaki-san, please?

Wadaki [Q]: This is Wadaki from Mitsubishi UFJ. My first point is on EUV blanks forecast for next year, if you can comment on that. It seems to be struggling. Are you expecting a steady recovery there? What is your outlook for next year?

Ikeda [A]: As Hirooka mentioned earlier, Q1 was the bottom, and Q2, Q3, and Q4, moderate slow recovery is expected for this year. Next year, whether we can expect a significant recovery next year, probably not. H1 next year, I think this moderate slow recovery will continue. That's how we see at some timing. To have significant recovery back to the previous level, I don't think it would happen. As Q1 was the bottom, Q1 should have been the bottom. With that, the slow recovery shall continue towards Q1 of next year.

Wadaki [Q]: In relation to that, phase shift, maybe the prices could go up. Any update on the 300-millimeter masks and the others?

Ikeda [A]: Now, phase shift masks, we developed them as the clients to evaluate them, and I think we can say that it's been certified, but then it's a cutting-edge node. In order for us to move on to the mass production, it's still a few years ahead. In terms of efforts, for the high value-added products, the phase shift masks are being developed in quite smoothly.

For High-NA, the blanks, we've started the development for that. As for the difference in size, we're not working on that specifically, but if the size is going to change, it will require CapEx. Other than that, that it requires a CapEx. I think there are no other hurdles to address size change. That's where we are.

Moderator [M]: Thank you. Damian, please?

Thong [Q]: This is Damian. About glasses, at regular glass lens in the chain stores, what is the progress? Can you talk about the progress and MiYOSMART? Currently in China, the percentage is quite high, and especially next year, MiYOSMART growth target in overseas. If you have any, can you explain?

Ikeda [A]: Yes. About the US chain store, we cannot give you the names of the customers. Until now, we did not have many transactions with some of the retail chains, and they are now handling our products. They are significantly contributing to the increase on a YoY basis in the United States. It was an outcome of replacing the sales force in the US as this was the challenge.

Speaking about the future of MiYOSMART, as I said earlier, we are rolling out in many countries. Having said that, MiYOSMART is not a single product, but as was explained by Arashida, by combining with photochromic lenses, these products may serve as the door openers to develop other retailers. We will be conducting such activities, although we continue these activities now.

MiYOSMART, by launching this product, it is not only driving revenue with the single product, but we are expecting that there will be more impact to our figures. That is our expectation. The result is that we are exceeding our competitor, and we are achieving our growth. We would like to continue our momentum to exceed the competitor, as well as the market. That is our view.

Thong [Q]: May I ask one follow-up question? Your company has the momentum at the moment, but the competitor's price competition, is there a possibility for promotions?

Ikeda [A]: Well, for MIYOSMART product per se, the competitors do have the products. I'm not in a position to comment on how they would behave. The combination with the photochromic lenses that we mentioned earlier, those are only unique to our company. There seems to be a hurdle for the competitors to launch in this segment as far as we understand. With this product lineup, we feel that this will be our strength.

Moderator [M]: Katsura-san.

Katsura [Q]: SMBC Nikko Securities, my name is Katsura. Earlier on the previous question on M&A, if I can ask you to elaborate further on the M&A policy. In terms of the change in the industry, WDC and KIOXIA, integration discussion was ended. You have a stake in KIOXIA, and in the business, you have a relationship on hard disk. What is your take with this change in the industry? A few years ago, for the NuFlare, there was a proposal for acquisition. After Ikeda-san became President, you mentioned looking at the short end the long list in a wider way. I think you are having a discussion under service, not visible to us. If there's anything that you can share with us at this point in time is my first point.

As a follow-up for that, I think this should be just Hirooka-san, but this time, for this quarter, you didn't do any share buyback. As cash JPY465 billion, maybe with the currency, but I think it's at a rather high level. What is your view about how this fair level should be?

Ikeda [A]: Well, first of all, on the KIOXIA news, when we made an investment, we said that it's a pure investment aiming for a capital gain. That's what we had explained, and that remains unchanged. There are HDD clients, so you might have some speculation, but rather than the strategic stake, it's a pure investment for capital gain, and that remains unchanged as of now.

Now, for M&A, short list, the long list. Of course, we do have those lists. We're looking into the opportunities, and new flare is one target, as part of the list. Of course, there is the other side. At this point in time, unfortunately, there's nothing that we can share with you, nothing specific that we can share with you.

As first discussed earlier, now that we have this company structure to explore new business opportunities under that organization and to constantly explore those targets, working on the M&A activities, we are continuing our efforts. Unfortunately, I don't have anything specific that I can share with you today, but we are continuing such efforts.

Hirooka [A]: Well, as Ikeda-san mentioned, the cash allocation or share return to shareholders, our policy remains unchanged basically. It's not about doing a share buyback in all the quarters, but for the same period of time, we would like to provide a return to the shareholders given a certain period of time. Depending on the situation of the time, we are to execute the share buyback. The basic policy remains unchanged. The current level is rather high, as you pointed out correctly.

On the other hand, as was mentioned a little bit, the currency part is quite big. About 70%, we have US dollars. In terms of the foreign currency, I think that it's even higher. Now, it's a big factor. In that sense, the currency trend is one important point. Just for H1, just with the currency, it has increased by JPY36 billion. On a yen base, it's rather inflated, it's quite high, and we recognize that. Again, our policy remains unchanged for a set period of time. We would like to work on providing return to the shareholders. Thank you very much.

Moderator [M]: As the closing time is approaching, the next person will be the last person to ask a question. Kaye-san, over to you.

Kaye [Q]: In the quarter we just ended, EUV blanks were recovered, and there is an increase in revenue. When it comes to the background, is it possible for you to share the background? Next fiscal year, you just gave us the image, but it would not be exclusive growth in the future. From the objective point of view, phase shift, and the increase in the customer side in the production, with the increase of production at the customer side, is there any reason why you do not see the increase in your revenue in blanks? Can you explain within the possible range?

Ikeda [A]: EUV is now positive over the last quarter. Simply put, the reason for the drop was the increase in inventory at the customers. There was a drop in the use in the application. At the near side, there was an increase in customers' inventories. The order stopped. This occurred at multiple customers, and one of them progressed with the inventory adjustment. We are seeing the recovery of the order placement. That is the reason why we are seeing positive figures over the last quarter. Given this environment, Hirooka's explanation I might not have been clear. Maybe you have a complaint, but there is a gradual recovery QoQ and that is based on this kind of environment.

You are asking for more positive factors after next fiscal year. Basically, EUV, the share in the market is basically just our company only in the market. It really does depend on the demand, and it's very difficult to predict. If I mentioned something positive, as we mentioned, the development of the advanced products against 2-nano glasses, blanks, certification is on track, and the phase shift and mask is also included as a part of that. The demand in the future, advanced new products, we are having positive moves for that. These are leading-edge nodes. This would not contribute next fiscal year. This will be some time ahead. The free nano-to-nano certification status is on track. This is something positive towards the future.

Moderator [M]: The time has come. With this, we would like to close today's meeting for Q2 results. Thank you very much for being with us despite your busy schedule.

[END]

The comments and questions and answers at the briefing are provided for reference information only. Please note that this is not an exact transcription of the entire presentation.