

Frequently Asked Questions and Answers after FY23 Q3 Earnings Announcement

Overall

- Q In Q3, there were no share repurchases. Please explain how you plan to use the cash and how you plan to return profits to shareholders.
- A We place the highest priority on investments that contribute to long-term growth, and in addition to internal investments, we actively search for opportunities for M&A. We make decisions on the allocation of funds, including share buybacks, not necessarily on a quarterly basis, but on an annual basis, taking into consideration the balance between investments. As in the past, our policy is to return surplus funds to shareholders within a certain period of time.
- Q Is there any impact from China's economic downturn and the anti-corruption campaign?
- A We have not been significantly affected by the economic downturn in China, but we continue to monitor the situation closely. On the other hand, the anti-corruption campaign has mainly affected our endoscope business, and we will continue to monitor the situation closely.

Eyeglass Lenses

- Q You mentioned that sales of MiYOSMART (myopia management lens solution) have been strong, especially in the Chinese market, but will you be expanding to other regions?
- A Our product is present already in more than 30 countries, including European and Asian countries. Although sales in the Chinese market remain significant, sales in some European countries are growing. On the other hand, of the major markets, the U.S. and Japan have not yet been approved, and we will continue to work on the necessary procedures.

Contact Lenses

- Q How are sales of private brand (PB) products?
- A Sales contribution are growing steadily, accounting for more than 20% of daily lens sales. In February 2024, we launched our fourth product, hoyaONE LUMINOUS.
- Q Will you continue to increase the number of stores in Eye City?
- A We expect to open new stores at a pace of 10 stores/year.

Blanks

- Q What is the status of inventory adjustments at your major customers? Do you expect demand to increase significantly after the inventory adjustment?
- A One of our two major customers is still adjusting inventories, but we expect inventory

adjustment to be largely complete by H1 of FY2024. Since we believe that development activities for cutting-edge products are stable, we expect sales to increase in line with actual demand after inventory adjustment is completed.

Q When do you expect to ship phase shift masks for EUV and mask blanks for High-NA?

A Mass production of phase shift masks, which are scheduled to be introduced from 2nm, is expected in the second half of 2025. Currently, we are shipping small quantities for initial R&D purposes, but we expect full-scale shipments to begin a little later. On the other hand, we are still in the process of proposing product specifications for mask blanks for High-NA to our customers, and the timing of shipment has not yet been determined.

Q It seems that shipments of EUV lithography equipment will be somewhat at a standstill in 2024, but is there likely to be an impact on demand for blanks?

A There is no doubt that exposure systems require masks and blanks, but in recent years the correlation between the number of EUV exposure system shipments and the demand for blanks has been somewhat diminishing, and therefore, increases or decreases in the number of units are unlikely to have a direct impact.

HDD Substrates

Q What is the background to the upward swing in sales in Q3? When do you expect demand to recover?

A Inventory in hyperscalers has been cleared faster than expected, resulting in a significant recovery in sales. We believe that the worst is behind us, and we will continue to see a recovery, with demand fluctuating slightly from quarter to quarter, using October-December 2023 sales of 3.5-inch substrates as a benchmark.

Q Major customers have announced the launch of products incorporating next-generation technology, HAMR (Heat-assisted Magnetic Recording). What impact do you expect from the launch?

A As for the status of the final product (HDD), please check the announcements of HDD manufacturers. However, since glass substrates are essential for the commercialization of this technology, we expect that the range of products and HDD manufacturers that use glass substrates will expand.

Imaging

Q Q3's performance was strong, what were the factors?

A This was mainly due to a number of new mirrorless camera launches and strong demand for interchangeable lenses for mirrorless cameras in line with a recovery in travel demand after the pandemic.

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Forward-looking Statements

From time to time, we may make reference to or disclose information concerning our future plans and forecasts.

All statements, other than statements of historical fact, may be considered forward-looking statements and are based on management's assumptions and the information available to it at the time the materials were prepared. These include, but are not limited to, foreign exchange and interest rates, international conditions, market trends and economic conditions, the competitive environment, production capacity, future sales/profitability/capital expenditures/cash/other financial indicators, legal, political, or regulatory conditions, clinical or research and development capabilities, customer behavior or business practices, healthcare reimbursement systems, current problems with The Company may also be affected by other factors, such as epidemics or health issues, including the current problem of novel coronaviruses. We do not guarantee the accuracy or completeness of such information. We also assume no obligation to update forward-looking statements as a result of new information, future events, or otherwise.