HOYA CORPORATION

Q1 Financial Results Briefing for the Fiscal Year Ending March 2025

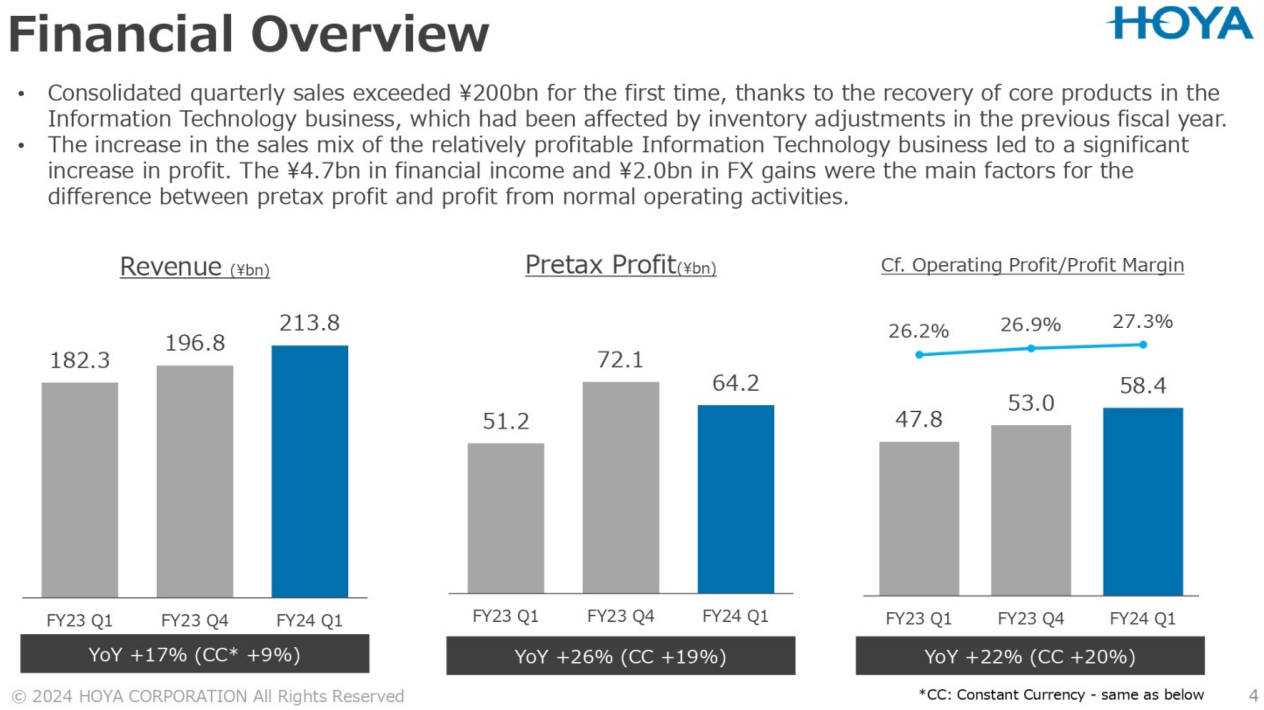
August 1, 2024

[Speakers]	**3 speakers**	
	Eiichiro Ikeda	Director, Representative Executive Officer, President & CEO
	Ryo Hirooka	Director, Representative Executive Officer & CFO
	Tomoko Nakagawa	Executive Officer & Chief Sustainability Officer

Moderator: We would like to start the Q1 fiscal 2024 earnings presentation for HOYA CORPORATION.

Attending from our side today are Eiichiro Ikeda, Director and Representative Executive Officer, CEO; Ryo Hirooka, Director and Representative Executive Officer, CFO; and Tomoko Nakagawa, Executive Officer and Chief Sustainability Officer.

First, Mr. Hirooka will explain our business performance and the status of each business segment.



Hirooka: This is Hirooka speaking.

First, here are the results of Q1 for the group as a whole.

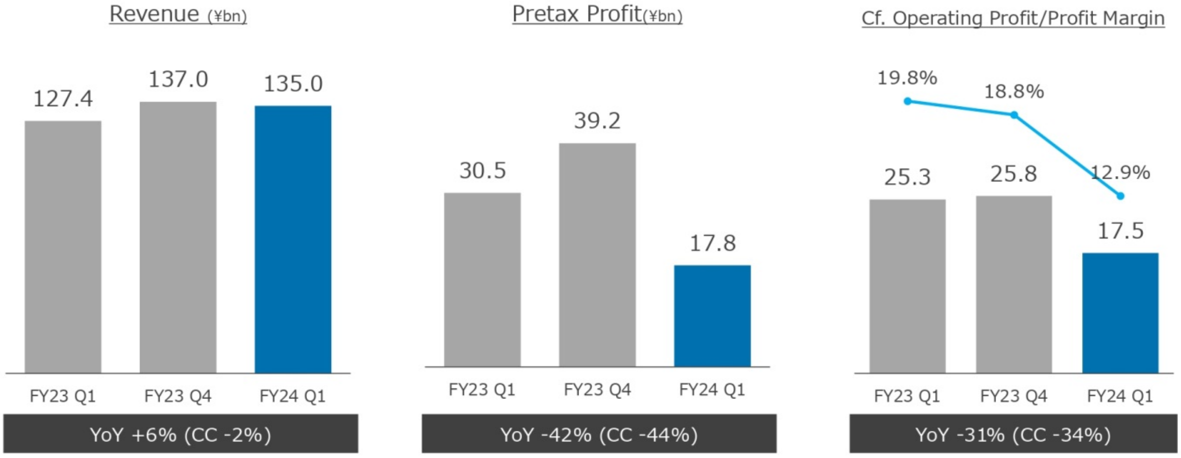
Revenue was 213.8 billion yen, up 17% YoY and 9% on a constant currency basis. Pretax profit was 64.2 billion yen, up 26% YoY and 19% on a constant currency basis. Operating profit was 58.4 billion yen, up 22% YoY and up 20% on a constant currency basis. Operating profit margin was 27.3%.

For the group as a whole, sales in the Life Care business, especially eyeglass lenses, struggled due to the IT incident, but sales in the Information Technology business grew significantly, contributing to the overall increase in sales and profit. In particular, the Information Technology business performed very well in reaction to the poor performance of the previous year.

Sales exceeded 200 billion yen, a record high on a quarterly basis, due in part to the weak yen. As for pretax profit and operating profit, there were non-operating income and some foreign exchange gains. In the previous quarter, FY23 Q4, pretax profit was 72.1 billion yen, but this was due to a large foreign exchange gain. This quarter's foreign exchange gain was about 2 billion yen, so there is a large difference compared to the previous quarter. For details, please refer to the bridge chart in the Supplementary Materials to the Financial Statements.

Life Care Business Overview

- Although several products were affected by the IT system incident, proactive sales promotion activities were undertaken to recover sales. As a result, positive growth was achieved on a reported basis.
- Due to the aforementioned sales promotion activities, profits were significantly lower than the previous year.



Next are the results of the Life Care business.

Sales were 135.0 billion yen, up 6% on a yen basis due to the weaker yen, but down 2% on a constant currency basis. Pretax profit was 17.8 billion yen, and operating profit was 17.5 billion yen, for a profit margin of 12.9%, well below the normal target of around 20%.

In response to the sales decline caused by the IT incident, we chose to aggressively promote sales instead of cutting costs this time. Since this was a problem caused by the company and not by market factors, we decided that it was more important to recover sales in a short period of time and regain customer trust than to prolong the decline in market share. Therefore, we spent more than usual to achieve recovery.

There were some inventory write-offs this time. We consider these factors as a one-off.

As for the outlook for the future, sales are recovering steadily, but not completely, so we will continue to focus on recovering sales at a cost. we expect profit margins to be several percent lower than our normal target in Q2 and aim for gradual improvement over the second half of the fiscal year.

While the Company strictly manages its budget on a quarterly basis, it will continue to manage its profitability by monitoring the recovery of sales in the Life Care business.

Life Care Overview by Product: Eyeglass Lenses

	Reported Basis	Constant Currency Basis
Growth Rate	+8%	-2%

Current Quarter

- Though the magnitude varied region by region, the business was impacted by the IT incident.
- Proactive sales promotion activities led to a gradual recovery in sales and positive growth including FX translation impact.

Challenges/Prospects

- Sales are expected to get back on growth track from Q2 onward.
- Build product portfolio that meets the demands of various life stages, from children to the elderly.

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Next, I will explain each division of the Life Care business.

First, eyeglass lenses, this division was most affected by the IT incident. This caused inconvenience to customers, especially in Japan, and sales dropped in April. Under such circumstances, we focused on sales promotion activities and as a result, the sales growth rate for this quarter was -2% on a constant currency basis, which is better than our initial expectation.

I believe that the expenses we have spent are having an effect, and on a single month basis, we are back to about the same level in June as the same month last year. we expect to be able to bring it to a level higher than the previous year in Q2. However, we do not expect to reach the normal growth rate of 4-6% for this business, and even if we do not engage in large-scale sales promotion activities as we did in Q1, we believe it is important to spend some money in Q2 and beyond to return to the normal mid-single digit growth rate and regain market share as soon as possible.

Life Care Overview by Product: Contact Lenses

	Reported Basis	Constant Currency Basis
Growth Rate	+6%	+6%

Current Quarter

- Achieved stable growth through strong online sales and PB product sales.
- Launched 2 week PB new product hoyaONE delight in April.

Challenges/Prospects

- Continue to expand PB product portfolio.
- Aim to grow faster than market growth (2%) by rolling out new stores, strengthening online, improving product mix, etc.

eyecity

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Contact lenses were not affected by the IT incident. Operations were conducted as usual in Q1 and grew stably; PB products and new products were introduced, and we will continue to expand our product lineup while enhancing our services, aiming for stable growth.

Life Care Overview by Product: Endoscopes

	Reported Basis	Constant Currency Basis
Growth Rate	-2%	-12%

Current Quarter

- Sales in China continued to be weak due to the anti-corruption campaign.
- Announced partnership in the field of AI with MAGENTIQ-EYE, an AI medical devices in the U.S. market.

Challenges/Prospects

- Complete structural reform of the U.S. business and change the sales structure of the China business.
- Continue to expand product portfolio.

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Endoscope sales growth was down 12% on a constant currency basis. This was due to a combination of factors. First, the IT incident caused production to be suspended and lower throughput. This resulted in a difficult quarter.

In addition, weak conditions in the Chinese market also had an impact, resulting in a negative 12%.

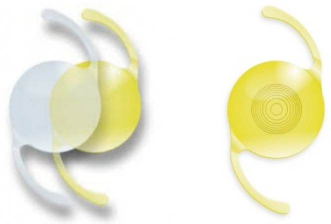
The production system has recovered at this point, and the key will be to use this as leverage to recover sales in the U.S. and China, which have been an issue for us.

Life Care Overview by Product: Intraocular Lenses

	Reported Basis	Constant Currency Basis
Growth Rate	+8%	+1%

Current Quarter

- Secured positive growth by aggressive sales promotion activities despite the impact of NVBP in China and the IT system incident.



Challenges/Prospects

- Promoting preparations for local production in China.
- Continue to launch next-generation products.

*From this fiscal year, growth rates shown here are for intraocular lenses only, excluding sales of ophthalmic surgical instruments.

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Intraocular lenses were another business affected by the IT incident. Although not as severe as eyeglasses, sales declined for a period of time because shipments could not be made at the time of the IT incident and sales did not stand up during that time. As a result, sales growth was only 1% on a constant currency basis.

However, as a business, we are currently operating normally and are steering for growth in the future. One challenge is that growth in the Chinese market, which has driven our growth to date, has stalled due to the national volume-based procurement policy (NVBP). Therefore, we need to cover this by introducing new products in other markets and increasing our product lineup.

Although sales in Europe and Japan were negative this time due to the IT incident, we are of the view that without it, we would have been able to compensate for the sluggish Chinese market.

Life Care Overview by Product: Artificial Bones, etc.

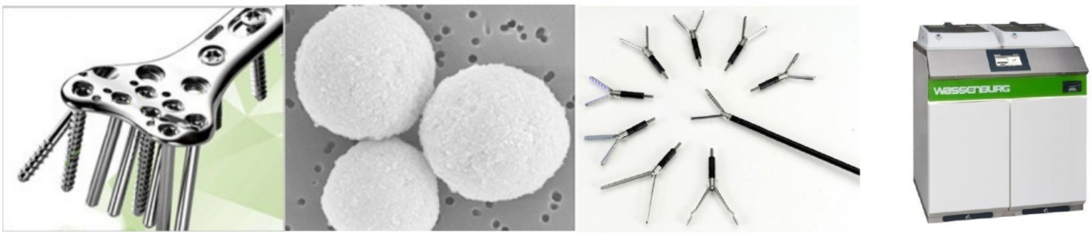
	Reported Basis	Constant Currency Basis
Growth Rate	+5%	-2%

Current Quarter

- Sales of endoscope reprocessing equipment were strong, but artificial bones were affected by customers' inventory adjustments and the IT system incident, resulting in a slight decrease in sales on a CC basis.

Challenges/Prospects

- Steadily launch new products in each product category.



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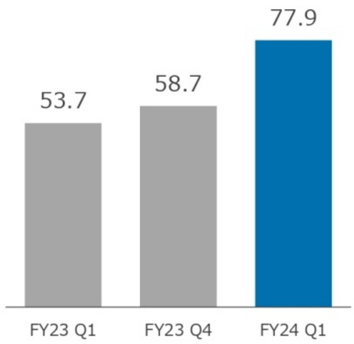
Sales growth for other products slipped 2%. There were inventory adjustments in artificial bone-related products, and the business was also affected by the IT incident. Although there was a reasonable impact for this business, the scale of this business is not very large, and the impact on the group as a whole was not as great as that of eyeglass lenses.

Information Technology Business Overview

HOYA

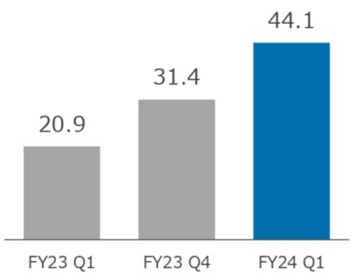
- The Information Technology business posted a significant double-digit sales increase due to a rebound in HDD substrates and EUV blanks, which were affected by inventory adjustments in the same period of the previous year, as well as continued strong sales of imaging-related products.
- The profit margin was temporarily higher than usual due to higher-than-expected sales growth and changes in the product mix.

Revenue (¥bn)



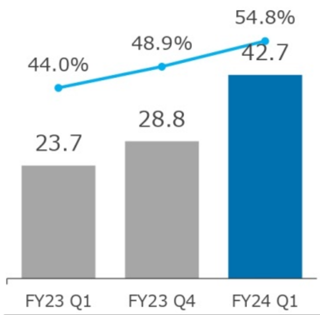
YoY +45% (CC +35%)

Pretax Profit(¥bn)



YoY +111% (CC +99%)

Cf. Operating Profit/Profit Margin



YoY +80% (CC +70%)

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Now let's move on to the Information Technology business.

Revenue was 77.9 billion yen, up 45% from the same period last year and up 35% on a constant currency basis. Pretax profit was 44.1 billion yen, and operating profit was 42.7 billion yen, and operating profit margin of 54.8%. Compared to the same period last year, operating profit was up 80% and 70% on a constant currency basis.

Compared to a year ago, the situation for both LSI and HDD substrates was very bad a year ago, and we have grown significantly from there. We have also grown significantly QoQ, and demand is stronger than we had assumed in our annual plan and in the previous earnings announcement, and both sales and profits have grown significantly.

The details for each division will be explained later, but please understand that the high profit margin of 54.8% is a one-time event. Due to the rapid increase in demand, the HDD substrate production is running at a very high utilization and hence we will start preparations to restart the plant in Laos. For LSI, we plan to bring forward the expansion of the production line, which was expected in the second half of the fiscal year. The number of production lines will be increased sequentially.

To summarize, costs related to the establishment of production systems for LSI and HDD will increase from Q2, and costs will increase with the start-up of the FPD plant in China in the second half. In addition, the FPD plant has a large CAPEX and will incur a large depreciation burden in the first and second years. Given these circumstances, we do not expect the profit margin level of Q1 to continue in the Information Technology business.

Information Technology Overview by Product: LSI

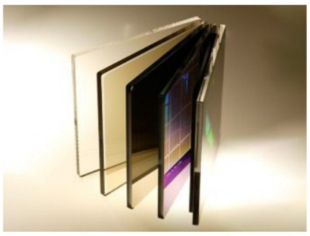
	Reported Basis	Constant Currency Basis
Growth Rate	+50%	+45%

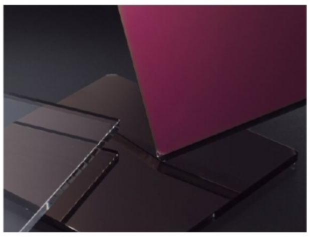
Current Quarter

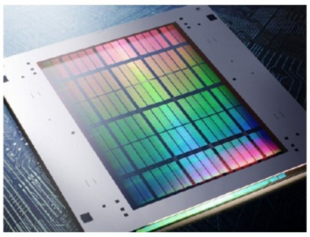
- Demand for EUV blanks increased significantly due to a rebound from the previous year.
- We estimate that the full-scale tape-out of the 3nm generation and active R&D of AI-related ASICs/HBMs are contributing to the increase.

Challenges/Prospects

- EUV blanks demand is expected to remain high, with some quarterly fluctuations.
- Strengthen sales of PSM and promote activities to acquire qualification of advanced nodes.







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LSI sales increased 45% on a constant currency basis. This is due to the very weak Q1 of the previous year, as well as the completion of inventory adjustments by customers, which resulted in significant demand as a reaction to these adjustments. We expect this high level of demand to continue for some time, but it is likely to remain at current levels rather than increase quarter by quarter.

Also, when considering the full year, the LSI business has weak seasonality in Q4, and we would like you to take this into account when forecasting annual trends.

Information Technology Overview by Product: FPD

	Reported Basis	Constant Currency Basis
Growth Rate	-15%	-17%

Current Quarter

- Operating hours of mask writers decreased due to the earthquake in Taiwan. The division was also impacted by the IT security incident resulting in a YoY sales decline.

Challenges/Prospects

- We expect stabilization of supply system from Q2 onward.
- We plan to gradually start up the plant in Chongqing, China in H2 this fiscal year.

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FPD was affected by The IT incident, but the most significant was the earthquake in Taiwan. The earthquake caused the mask writers to stop working for a certain period of time. As a result, sales were down 17% from the same period last year, the only negative growth in the Information Technology segment this time.

However, mask writers are not broken and is currently working properly. As I mentioned earlier about depreciation, we plan to sequentially start up our plant in China in the second half of the year. We believe that we will be able to strengthen our supply system in the process and return to the original sales level.

Information Technology Overview by Product: HDD Substrates

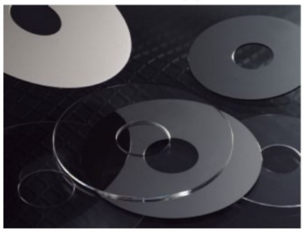
	Reported Basis	Constant Currency Basis
Growth rate	+73%	+53%

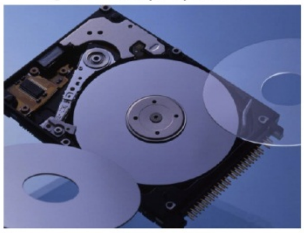
Current Quarter

- Demand for 3.5" is approaching its previous peak (FY21) on the back of a rebound from the previous year, when there was a major inventory adjustment, and increased demand for storage for both traditional servers and AI-related applications.

Challenges/Prospects

- High level of demand is expected to continue, although it may go up and down depending on seasonality and other factors.
- Decided to resume operation of the Laos plant from Q4. Start preparations to restart the plant.





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HDD substrates grew 53% on a constant currency basis, a situation that is rapidly increasing demand. As for

3.5-inch, which is the pillar of growth, it is possible that it will exceed the previous peak level in FY2021. On the other hand, for 2.5", FY2021 was a unique year in which demand for notebook PCs increased due to the impact of Covid, so the demand for 2.5" is expected to shrink going forward.

Regarding the outlook for the current fiscal year, it is difficult to forecast in some areas because demand fluctuates so much, but the current situation is that we are operating at full capacity and just barely keeping up with supply. We have begun preparations to restart the Laos plant that was mothballed and impaired in Q1 last year, but since it was completely shut down, it will take some time to restart the plant. Preparations have started, but actual operation is not expected until around Q4. Rather than meeting the current year's supply, we are preparing for the supply system to be ready for next year and beyond.

Information Technology Overview by Product: Imaging

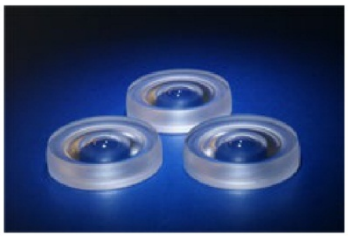
	Reported Basis	Constant Currency Basis
Growth Rate	+32%	+23%

Current Quarter

- Strong sales of interchangeable lenses for mirrorless cameras and optical products for automotive applications sustained during the quarter.

Challenges/Prospects

- Expand market share in existing markets and search for new business opportunities.
- Build a profit base that is not influenced by market trends.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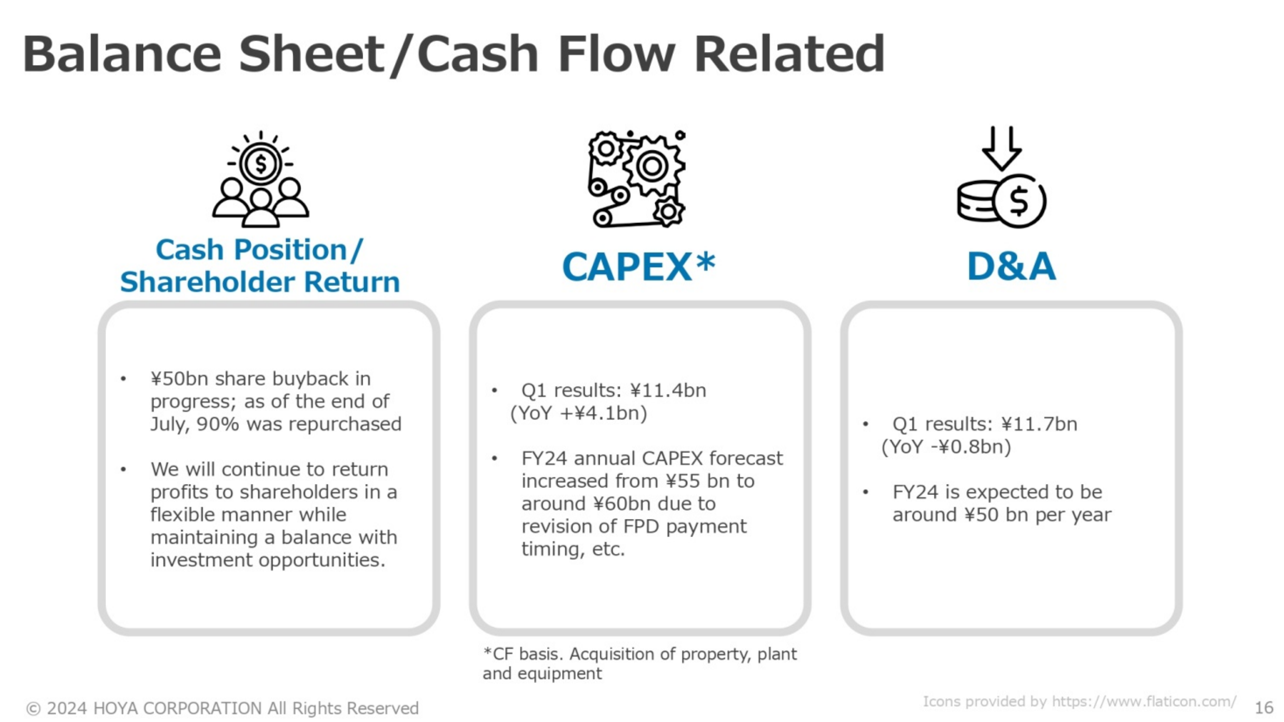
Sales growth for imaging products was very strong, up 23% on a constant currency basis. The growth was mainly due to active demand for mirrorless cameras and automotive-related products compared to the previous year.

However, we do not assume that this growth rate will continue to rise steadily. It is necessary to carefully assess at what level growth will settle down or decline in the future. In addition, demand for this business tends to be concentrated in the first half of the year and then settles down in the second half. Therefore, we expect sales to settle down in the second half of the year.

The key is to maintain a structure that can reliably generate earnings even when demand falls. This is something we emphasize every time we do this, and we have in fact established such a structure. For this reason, a sharp increase in sales like this one has led to a significant improvement in profitability. The current situation is that the imaging division is contributing considerably to the improvement of the profitability of the Information Technology business as a whole.



I would like to briefly touch on balance sheet and cash flow related items.

The share repurchase announced in the last earnings announcement is still in progress and has not yet been completed.

Cash and cash equivalents increased further. This is because about 70% of cash are held in US dollars, and the structure is such that when the yen weakens, cash increase in yen terms. Although the recent rapid appreciation of the yen has caused cash and deposits in yen terms to decline, comparing between the end of June and the end of March shows an increase of approximately 30 billion yen in cash due to foreign exchange alone.

However, we are not changing our view of cash and cash equivalents, a view that it has not increased much in dollar terms. We intend to continue to return cash to our shareholders in a solid manner so that cash will not pile up further.

FY24 Q2&H1 Forecast

Assumptions for the forecast (explanation on a QoQ basis)

- Lifecare business continues to recover from the IT incident, but profitability still not reaching the level of the year-ago quarter.
- Information Technology business: sales are expected to be at the same level as in Q1, while we assume that profitability, which had been higher than normal, will gradually return to normal levels.
- We assume FX gains/losses to be neutral (=0).

(¥bn)	Q2 FY23	Q2 FY24	YoY	QoQ
Revenue	188.7	216.2	+15%	+1%
Pretax Profit	63.6	65.8	+4%	+3%

Exchange rate assumptions USD=¥150, EUR=¥165

(¥bn)	H1 FY23	H1 FY24	YoY
Revenue	371.0	430.0	+16%
Pretax Profit	114.8	130.0	+13%

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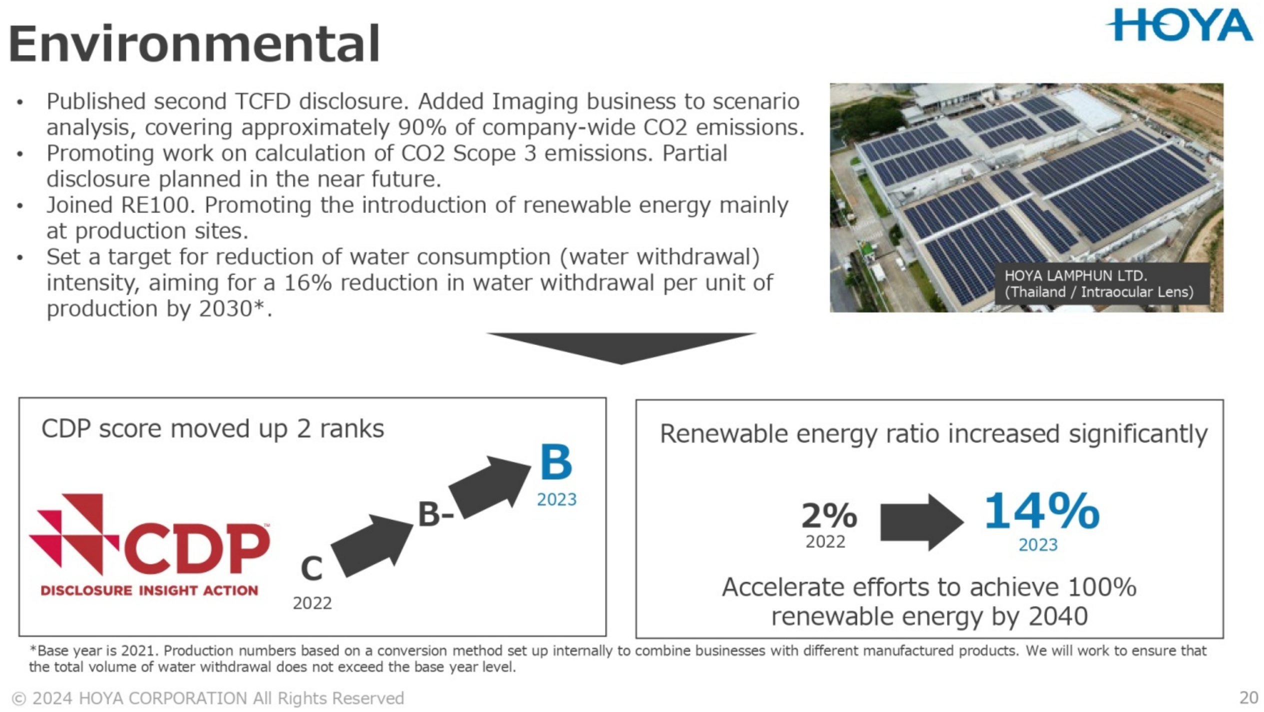
We forecast Q2 sales revenue of 216.2 billion yen and pretax profit of 65.8 billion yen. Our foreign exchange assumptions are 150 yen to the dollar and 165 yen to the euro. Given the current level of the yen, there is a possibility that the yen will appreciate more than this, but the comparison with Q1 takes into account the impact of the yen's appreciation.

With regard to the Life Care business, we are aiming to exceed the previous year's level, especially with regard to eyeglass lenses, but we do not yet expect to reach our normal growth rate. Therefore, we plan to make investments with the aim of recovering sales. Profitability is expected to improve from Q1, but it is not expected to reach the normal level. We believe that this is a phase in which we should continue to invest, even at the expense of profitability.

Overall, we expect both sales and profitability to be substantially higher than in Q1. On the other hand, for the Information Technology business, we expect it to remain substantially at the Q1 level. We do not expect profit margins to be as high as in Q1 due to the cost of strengthening the supply system.

This concludes my explanation of our financial performance.



Nakagawa: This is Nakagawa speaking. First, I would like to report an update on "Environment".

As a new topic, we conducted our second TCFD disclosure. Previously, the disclosure covered the eyeglass lens business and the MD division (HDD substrates), which have the largest emissions, but now we have added the imaging business to the disclosure, covering approximately 90% of the total emissions. However, we have not yet been able to incorporate this into our financial figures, so next year we would like to proceed so that we can show these figures as well. As for Scope 3, it is a lot of work, but we have calculated the main categories for all businesses, and it will take some time to cover all 15 categories.

In addition, 97% of our emissions come from electricity, and as a member of RE100, we are replacing energy-efficient equipment to reduce electricity use at our production sites and installing on-site solar panels.

Since we use a large amount of water in the polishing process, reducing water use is also an important issue for us. This year, for the first time, we have set a reduction target on a per-unit basis.

As a result of these steady activities, our CDP score increased by two levels to rank B in 2023, partly due to an improvement in disclosure. We have also been working to increase the ratio of renewable energy to electricity consumption, and last year we increased the ratio to 14%.

In addition, we are currently building an information collection platform covering the entire HOYA Group. Since we have already made progress in collecting environmental data, we believe that we will be able to expand disclosure in the future. At this point, we may be overwhelmed with disclosure and regulatory compliance, but by promoting efficiency in each business from a different perspective, such as energy conservation, these activities are also contributing to the company's financial performance.

Social

Engagement Survey	Employee Engagement Surveys are conducted on a regular basis. Currently, the fourth survey is underway. Focusing on “Talent Management” and “Career Development” based on the results of the past three surveys. Began operating a common global employee evaluation system from 2022.
ESG Award	The ESG Award, an internal award system to recognize ESG activities, was established to share knowledge across business boundaries within the HOYA Group and to further advance ESG activities, with the aim of increasing employee motivation and engagement through an award system that encourages ESG activities.
Update Supplier Code of Conduct	Since the development of the Supplier Code of Conduct in 2018, we have been encouraging suppliers to comply and sign the Code. In line with the current international norms, we added compliance requirements related to clarification of efforts to address human rights and environmental issues, ethics and corporate governance, product quality and safety, information security, and management systems. Scheduled to begin distribution to suppliers by the end of the fiscal year.

HOYA LENS THAILAND LTD. (Thailand / Eyeglass Lens) received Raise Awareness Award

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In the "society" agenda, we focus mainly on human capital and human rights.

We are conducting our employee engagement survey globally and are currently in the process of conducting our fourth survey. The survey focuses primarily on career development and talent management, with the goal of improving scores through fixed-point observations.

The ESG Award is an initiative to share divisional initiatives with the entire group and to promote information exchange and friendly competition among divisions. The awards are open to activities in all areas of environment (E), society (S), and governance (G), and last year we received approximately 50 project proposals. This year's event is scheduled to be held in November.

With regard to human rights, we have reviewed our Code of Conduct for Suppliers, which was established in 2018. This is in response to stricter regulations and standards globally. We are currently in the process of translating the new Code of Conduct and will soon disclose it on our website and begin awareness campaigns for suppliers.

Governance

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- In June 2023, the weighting of ESG indicators in the evaluation of the Performance Share Units (performance-linked stock compensation plan), a medium- to long-term incentive for executive officers, was increased from 10% to 25% to strengthen incentives to promote ESG.
- With regard to the ESG indicators established in June of this year, "strengthen IT governance" was newly set as a core objective in response to the recent IT system incident, and "promote diversity in management" and "expand learning opportunities for employees" were also set as targets.

Financial Metrics 75%

- Revenue
- EPS
- ROE

ESG Metrics 25%

- Strengthen IT governance 50%
- Promote diversity in management 30%
- Expand learning opportunities for employees 20%

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Last but not least, I would like to talk about "governance.

With regard to the compensation of Executive Officers, I would like to explain from the perspective of how it affects ESG. Last June, we increased the percentage of ESG in the medium- and long-term performance of our executive officers from 10% to 25%. This change in ESG KPIs is approved annually by the Compensation Committee, and until now has been mainly indexed by external ESG ratings. The said rating will continue for three years, but this year, in addition, "strengthen IT governance," "promote diversity in management," and "expand learning opportunities for employees" have been added as new indicators.

Regarding the promotion of diversity in management, while more than half of the division managers are non-Japanese, the ratio of female managers is low. We plan to set and promote targets to address this issue. With regard to learning opportunities for employees, we offer a variety of training programs globally, but our goal this time is to focus on reskilling Japanese employees.

Question & Answer

Moderator [M]: Now, we will move on to the question and answer session. Mr. Yoshida, please.

Yoshida [Q]: My name is Yoshida from CLSA Securities. First of all, regarding the EUV blanks and HDD substrates, you mentioned at the last briefing that the outlook is under review, but could you give us an update on the growth CAGR outlook for the next few years, if any?

Ikeda [A]: Demand has recovered rapidly from last year to this year, and we expect the current level to remain flat this year. As for what lies ahead, there are various views internally from bear case to bull case. With our existing capacity, we believe we will be able to cover the first half of FY2026, but there is a possibility that we will be slightly short of capacity in the second half of FY2026 and beyond. Therefore, we would like to closely examine capital investment to increase capacity in the second half of this year and make a decision. The current question relates to CAGR for the next fiscal year and beyond. We are in the process of discussing medium-term figures with each customer, so I would like to share the figures beyond that at the next announcement of financial results or at some other opportunity. This year, we are not seeing a steady increase in each quarter, but we do see that we are once again on a growth trend when viewed on an annual basis.

Yoshida [Q]: Secondly, regarding the Life Care business, what was the impact on margins of additional sales promotion expenses and inventory write-downs to recover market share in 1Q? Also, regarding Life Care in 2Q, how much should we expect sales and margins to come back compared to 1Q?

Hirooka [A]: In this quarter, the impact of inventory write-downs is not that large. Also, I hope you can see the impact of lower sales as more than the impact of increased promotional expenses. In the Life Care business, we would normally expect mid-single-digit sales growth, but currently sales are negative overall. Considering the movement in Life Care last year, we had sequential sales growth each quarter. This has had the effect of causing a sudden brake in the market. To ensure that we can continue to grow firmly after sales recover, we continued with promotional activities, clinical trials, and other measures, rather than proceeding with cost cutting. Looking ahead, although eyeglass lenses, which account for a large proportion of sales in Life Care, are expected to exceed the previous year's level, Life Care as a whole is not expected to reach its normal mid-single-digit growth rate. We are working to achieve a normal sales growth rate in the second half of the year and to return the profit margin to the normal level of around 20%.

Yoshida [Q]: As of 2Q, what is your target for margins?

Hirooka [A]： We expect the margin to be 2% to 3% lower from normal levels, but we believe that the group as a whole can grow solidly.

Yoshida [Q]: I understand. Thank you very much. That is all.

Moderator [M]: Thank you very much. Next, Mr. Shibano, please.

Shibano [Q]: My name is Shibano from Citigroup Global Markets Japan, and I would like to ask you about the resumption of operations in Laos. How much will the capacity increase be when the operation resumes? Do you have any plans to increase production with the introduction of more equipment? Furthermore, can you explain the necessity of this production increase only by the recovery of demand from existing customers, or are there other factors as well?

Ikeda [A]: As for the Laos factory, we hope to be able to move about 25% worth of the capacity of one factory in Vietnam in 4Q as the first phase. We have started activities to rehire human resources in 2Q. The reason for restarting Laos is to meet increased demand from existing customers in the short term, but also to prepare for the expected increase in the number of customers in the long term.

Shibano [Q]: Thank you very much. Just to confirm, you said that the first phase in Laos will increase the volume by about a quarter of one plant in Vietnam, but if we return to the scale before the shutdown, would it be possible to further increase production by about double?

Ikeda [A]: If we move all the lines that were originally in, we can increase the current 25% capacity to about 75%. To increase beyond that, new equipment would need to be installed.

Shibano [Q]: Thank you very much. Regarding the increase in the number of customers, how much more visibility does the current forecast specifically show compared to three or six months ago? Also, you mentioned that three times the amount of equipment for the first phase of the Laos restart is already in place; does your explanation of the increased depreciation burden mean that you are looking ahead to this?

Ikeda [A]: Regarding the increase in the number of customers, visibility is definitely increasing.

Hirooka [A]: As far as Laos is concerned, technically there is no depreciation because the asset was impaired in the previous year. Any additional investment will be made after 2026. With regard to Information Technology in general, the intent of my comment is that a large burden of depreciation expenses will be incurred especially from the latter half of 2024 to 2025 due to the accelerated start-up of EUV blanks and the sequential start-up of FPD plants in China from the second half of the year.

Shibano [Q]: That's all from me. Thank you very much.

Moderator [M]: Thank you very much. Next, Mr. Katsura.

Katsura [Q]: My name is Katsura from SMBC Nikko Securities. You mentioned earlier that Mask Blanks will remain at roughly the same level this fiscal year. Is the direction of HDD QoQ also the same? Could you tell us about the quarter-by-quarter fluctuations, taking into account seasonality and other factors? Also, a hard drive manufacturer commented that they will start mass production of HAMR drives around the middle of next year. What kind of impact do you expect from this delay?

Hirooka [A] : We are assuming an increase or decrease from the level of Q1, but HDD substrates will certainly be lower in Q4 due to factory operation days, so the first half and the second half will not be the same. Although there is a possibility that capacity will increase from the current level, it will be difficult to significantly increase it in QoQ.

Ikeda [A]: Even if mass production of HAMR is delayed, we do not expect a significant impact on our demand for glass substrates, as normal drive manufacturing will continue.

Katsura [Q]: Thank you very much, the second point is about FPD. With regard to your joint venture in Chongqing, China, you mentioned that the burden of depreciation will increase. Are there any subsidies in China? Also, I don't think this business can necessarily be called a "big fish in a small pond," but how do you view it?

Hirooka [A]:I can't be specific about subsidies, but they may not be at a level that will have an impact. There is not a lot of competition for large masks for FPDs, so if we can secure customers and sell high-definition products, it is not a bad business. The depreciation burden is set to end quickly, and we are making investments from a cash flow perspective. As the depreciation burden decreases, it is expected to contribute to the profitability of the Information Technology segment.

Ikeda [A]: Our term "small pond" refers to a segmented market where there are not too many competitors and where we can aim to gain a certain market share. In the FPD business, we have newly defined China, where the panel market is growing at a high rate, as a "small pond". The launch of the China plant is intended to shift the main market and supply capacity to China, rather than to significantly increase the capacity of the FPD business as a whole. Based on the above, we are partially reallocating equipment to the China plant from our existing production facilities outside of China.

Katsura [Q]: I understand very well. Thank you very much.

Moderator [M]: Thank you very much. This concludes the briefing. Thank you for taking time out of your busy schedule to join us today.

[End]