

FAQs Related to Q1 FY24 Results

Overall

- Q Overall, what are the areas that are up or down compared to your internal estimates? In terms of exchange rate fluctuations, while the yen had been weakening, it has begun to appreciate. What impact do you expect this to have on your business performance?
- A Overall, the group saw growth that exceeded expectations, especially in LSIs and HDD glass substrates in the Information Technology business. In the Life Care business, although sales were affected by the IT system incident that occurred at the end of March, sales recovered better than expected than at the time of the incident occurred due to aggressive sales promotion activities. On the other hand, sales in the Chinese market in the Life Care business were down due to external environmental factors such as the anti-corruption campaign. Regarding the recent yen appreciation trend, there is a possibility of negative impact on HDD substrates and eyeglass lenses, etc., which have many dollar-denominated sales, when translated to yen, as well as a possibility of foreign exchange losses, since approximately 70% of cash and deposits held are denominated in dollars.
- Q Profitability of Lifecare in Q1 was lower than normal at about 13%, when do you expect it to recover?
- A In the Life Care business, aggressive sales promotion activities were conducted to recover sales in a short period of time, resulting in a faster-than-expected sales recovery, but at the expense of profitability. We aim to return profit margins to normal levels in the second half of the year and beyond.
- Q The profit margin of the Information Technology business in Q1 was very high at about 55%, is this sustainable?
- A We believe that the profit margin in the Information Technology business in Q1 was a one-time event, as we continued to execute costs prudently despite a significant recovery in demand in Q1, and we expect to incur costs from Q2 onward, including the cost of restarting the Laos plant for HDD substrates and higher depreciation expenses associated with the expansion of LSI capacity. Therefore, we believe the profit margin level of the Information Technology business in Q1 was an outlier.

Eyeglass Lenses

- Q What was the impact of the IT system incident that occurred at the end of March? Was there any decrease in market share? Also, what is the status of MiYOSMART sales?
- A The incident caused a temporary loss of market share, but aggressive sales promotion activities resulted in a faster-than-expected recovery in sales and regained market share. MiYOSMART sales growth slowed down in China due to the economic slowdown and other factors. On the other hand, in Europe, myopia management products are gaining momentum

to be covered by insurance reimbursement, and we intend to use this as a tailwind to aggressively promote sales activities.

Endoscope

- Q What is the impact of the anti-corruption campaign in China and what is the outlook going forward?
- A The impact of the anti-corruption campaign is expected to continue for some time. In response to these changes in the external environment, we made significant structural reforms in Q1, including a review of our internal structure and distribution channels for our China business, and we expect the results to gradually be reflected from Q2 onward.

Blanks

- Q What is the background and sustainability of the rapid return of demand for EUV blanks?
- A With inventory adjustments at major customers having run their course, we estimate that demand is being boosted by the full-scale tape-out activity around the 3nm generation. As for sustainability, demand is expected to remain at a high level, although it may rise or fall slightly each quarter to reflect seasonality.
- Q Will additional U.S. semiconductor-related restrictions on China have any impact on the demand for mask blanks?
- A There should not be any meaningful impact to our company as there is no EUV market in China currently, and DUV sales to China are very small.

HDD Substrates

- Q What is the background to the rapid return of demand for 3.5" HDD substrates and what are the prospects for sustainability? Also, are AI servers also affecting the demand for HDDs?
- A Demand for general servers is likely to have increased in reaction to the previous year's significant inventory adjustments by customers. Demand related to AI servers may also be increasing in part. Regarding sustainability, demand is expected to remain at a high level in the future, although it may fluctuate up or down reflecting seasonality.
- Q How much more capacity do you plan to add with the resumption of operations in Laos? Is the increased visibility of the second customer factored in to the resumption of operations at the Laos plant as well?
- A At the beginning of the restart, we expect to operate 1/4 to 1/3 of the Laos Plant's capacity compared to its full capacity, which will increase the capacity of 3.5-inch substrates by about 10%. Demand for HDDs for data centers is expected to remain strong in 2025 and beyond, and although we will not necessarily restart operations based on the acquisition of new customers, we expect to be able to respond flexibly to future increases in demand by operating the Lao plant at full capacity and increasing the number of lines.

Imaging

Q What is the background and sustainability of your strong performance?

A Sales of interchangeable lenses for mirrorless cameras and optical products for automotive applications were strong. Regarding sustainability, demand tends to settle down in the second half of the year due to seasonal factors, but we expect it to remain high throughout the fiscal year.

End

Forward-looking statements

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