

## FAQs Related to Q2 FY24 Results

### Overall

- Q You are actively buying back shares, but do you have a payout ratio target for dividends?
- A Our target is to return 100% of free cash flow to shareholders, combining share buybacks and dividends. We currently do not have an articulated target specifically for dividends but we will continue to review our policy, as we often receive questions and comments from shareholders and investors regarding the setting and disclosure of dividend targets.
- Q You have not conducted a sizable M&A for some time. Do you continue to explore M&A opportunities? What areas are you considering?
- A We continue to search for M&A opportunities in the ophthalmology area in the Life Care Business and the semiconductor area in the IT Business, and are preparing a wish list. However, we do not believe that it is necessary to make poor M&A decisions at high valuations, prioritizing internal investment at a time when there is significant room for growth in existing businesses such as EUV blanks and glass substrates for HDDs over the medium to long term. We will continue to prioritize financial discipline and timing as we have in the past.
- Q Is there any anticipated impact on your business as a result of the second presidency of Trump?
- A Our sales to the U.S. account for about 25% of our total sales, and we export products manufactured mainly in Southeast Asia, which may be affected by the additional tariff policy. However, until the Trump administration is officially inaugurated, we will not know the details of the policy, etc., so we cannot make a clear statement at this time.
- Q When do you expect the sluggish Chinese market to improve?
- A In China, the economic recession, the anti-corruption campaign, and the national volume-based procurement system have affected our Life Care business, namely, eye glasses, intraocular lenses, and endoscopes, and we expect this to continue for some time. In response to these changes in the external environment, we have taken measures such as significant internal and external structural reforms in the endoscope business and setting up a factory in China for domestic manufacturing of intraocular lenses. We will continue to closely monitor the Chinese market.

### Overall Life Care Business

- Q Is it safe to assume that the profit margin will recover to the normal 20% after Q3?
- A Since the IT incident in March of last year, we were able to regain the market share we temporarily lost by aggressively investing in sales promotions and return sales to the original growth trajectory. To solidify this foundation in the second half of the fiscal year, we will continue to spend on sales promotion to see sales stabilize. Given the above, we expect to return to the OPM of 20% in the next fiscal year.

## **Eyeglass Lenses**

Q What is the status of MiYOSMART sales?

A In China, the main market for MiYOSMART, the sales growth rate has slowed down due to the economic slowdown and the relatively high level of inventories on the market. In Europe, on the other hand, the product is gradually gaining recognition and is now covered by insurance reimbursement in some countries, resulting in double-digit growth overall.

## **Contact Lens**

Q There was a reference to the possibility of overseas expansion in the Q2 financial results presentation material. When and how do you plan to expand?

A We are considering expanding overseas as a contact lens manufacturer, rather than as a retail business (Eye City), which we currently operate in Japan. In many cases, eyeglasses and contact lenses are sold through the same channel overseas, and we believe it is possible to develop this business by utilizing the sales force of our eyeglass lens division. We believe that expanding our lineup of contact lenses manufactured in-house is essential to this development, and we expect this to be a medium- to long-term initiative.

## **Overall Information Technology Business**

Q Q2 also showed a high profit margin (55%). In light of the change in the product mix going forward, are there any factors that would cause the profit margin to decline?

A In the first half of the fiscal year, the profit margin was an outlier due to extremely high factory utilization rates and the suppression of normal operating expenses. From Q3 onward, we expect the business to gradually return to the previous level due to an increase in depreciation burden associated with the new FPD plant (Chongqing, China) and EUV capacity expansion, expenses related to the restart of HDD substrate operations in Laos, and the optimization of operating expenses that had been excessively restrained.

## **Blanks**

Q There has been news of EUV-related equipment makers lowering their forecasts and some foundries being sluggish. Do you expect any impact on your EUV blanks business?

A Since the demand for EUV blanks is more dependent on R&D than mass production, and customers continue to be active in advanced development, there is no change in our outlook at this time, but we will continue to closely monitor customer trends.

## **HDD Substrates**

Q Since Q1, you mentioned that demand has been very strong. Are there any concerns about overstocking at your customers?

A Strong demand is continuing in 2024 as a reaction to the two-year inventory adjustment in 2022-2023 that followed the end of the pandemic. Basically, orders are coming in based on actual demand, and we are not aware of any inventory glut in the supply chain.

## **Imaging**

- Q Sales of imaging-related products for mirrorless cameras are growing at double-digit rates, but do you expect this momentum to continue in the future?
- A In 2024, the year of the Olympics, camera manufacturers continued to launch new products, stimulating demand for mirrorless cameras and interchangeable lenses. However, we do not expect double-digit growth to continue in the next fiscal year (FY25), as we believe that smartphones will continue to displace digital cameras including mirrorless cameras.

End

### Forward-looking statements

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