

FAQs Related to Q2 FY25 Results

Capital Allocation

- Q Cash reserves increased further following the sale of Kioxia shares. Has there been any change in the approach to the shareholder return policy?
- A There is no change to our policy of aiming for total shareholder returns (combining share buybacks and dividends) to reach 100% of free cash flow. While dollar-denominated cash increased visually due to the weak yen and the sale of Kioxia shares expanded cash and deposits to nearly ¥600 billion, we intend to balance internal investments like capacity expansion and R&D with shareholder returns to enhance capital efficiency.

Information Technology Business

- Q In the Q2 presentation material, it was stated that "the number of customers for high-end products has increased, and EUV blanks revenue grew by double digits." What specific situation does this refer to?
- A Regarding EUV blanks, our high-end products, such as phase shift masks, have gained recognition in the market. In the competitive environment, we are seeing increased sales opportunities with customers we had not previously served extensively, leveraging our high-end products as a catalyst.
- Q Sales of DUV blanks appear to be growing. Can we expect this growth to continue sustainably?
- A While DUV masks account for the majority of layers in EUV lithography, the product mix of high-end DUV blanks has been increasing recently. We are also seeing growing inquiries from the Chinese market. This represents a different trend from the relatively stable sales pattern we've seen for DUV blanks. We intend to deepen communication with customers to assess the sustainability of this future growth.
- Q We've heard that in the HDD industry, component shortages are leading some to use eSSDs instead of HDDs. Are there any concerns about eSSDs potentially replacing HDDs in data centers in the future?
- A While it's true that some hyperscalers are reported to be introducing eSSDs as an alternative amid tight HDD supply, we recognize that the shift in market share to eSSDs in the nearline segment—the main battlefield for HDDs—is likely to be limited and not a cause for significant concern.
- Q We understand you've secured a new customer for HDD substrates. When do you expect this to contribute to sales? Also, what sales volume do you anticipate?
- A Sales are expected to start in the second half of the fiscal year ending March 2027. However, since adoption is currently limited to only the latest model, and given that the end customer (hyperscaler) typically starts with relatively small quantities for new products and gradually increases volume, we anticipate the sales contribution in the first year will be limited.

- Q The growth rate for imaging is quite high at 31%. Which applications drove this growth?
- A Sales of CUPO (polarizing glass used in optical transceivers, etc.) and lenses for smart glasses surged, achieving the high growth rate.
- Q Smart glasses seem poised for significant future growth. What specific products do you handle?
- A We sell camera lenses (GMO lenses) integrated into eyeglass frames, enabling hands-free video recording and photography, to a broad customer base. While we currently focus on camera lenses, our next step is to target the sale of light guides for AR (augmented reality) glasses.

Life Care Business

- Q What is the situation in the Chinese market for the Life Care business?
- A Performance in China remains weak across all three businesses: eyeglass lenses, intraocular lenses, and endoscopes. For eyeglass lenses, sales of MiYOSMART are sluggish due to the economic downturn and increased counterfeiting. Intraocular lenses are affected by factors such as falling unit prices due to the National Volume Procurement System. While the impact of the anti-corruption campaign has peaked outfor endoscopes, and growth rates have turned positive, sales have not yet returned to previous levels, making recovery an urgent priority.
- Q Competitors in the eyeglass lens market are increasing their shareholdings in a Japanese optical product manufacturer. What do you think is the background to this?
- A While we cannot ascertain the intention of our competitor, at this stage, we do not anticipate any particular impact on our business.
- Q What kind of structural reforms are being implemented in the endoscopy business? When can we expect to see results?
- A Starting from a change in global leadership at the beginning of the year, we implemented organizational changes, including the spin-off of our domestic Japanese operations. We are also focusing resources on gastrointestinal endoscopes through the sale of non-core products, consolidating manufacturing sites, aiming to improve profit margins. We expect to see tangible results from these efforts starting in the second half of the next fiscal year.
- Q You announced the spin-off of the contact lens business. Could you explain the background?
- A The contact lens retail business has a distinct nature compared to HOYA's core operations and other business areas. It involves frequent consumer contact and requires retail-specific decision-making, such as store operations and sales strategies. We decided to spin off this business to enable faster and more flexible management decisions aligned with these characteristics. Furthermore, as contact lenses are classified as highly regulated medical devices, another objective is to establish a structure that can professionally and efficiently advance compliance with laws and regulations, including quality management. This will allow us to achieve both business expansion and improved service quality.

※Questions overlapping with previous quarters have been omitted. Please also refer to the Q1 FAQ if desired.

- [FY25 Q1 FAQ](#)

End

Forward-Looking Statements

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