



HOYA Corporation

FY25 Q1 Earnings Call Transcript

August 1, 2025

Attendees

Director and Representative Executive Officer, CEO Eiichiro Ikeda

Director and Representative Executive Officer, CFO Ryo Hirooka

Moderator: We will now begin the earnings call for the first quarter of the fiscal year ending March 2026. Today, we are joined by Eiichiro Ikeda, Director and Representative Executive Officer, CEO, and Ryo Hirooka, Director and Representative Executive Officer, CFO. Mr. Hirooka, our CFO, will explain the results for the first quarter, the status of our main businesses, and the outlook for the first half of the fiscal year. Following the presentation, we will answer questions from participants, and the meeting is scheduled to conclude at 4:00 PM. We will now begin with the presentation by CFO Hirooka.

FY25 Q1 Overview



- [Revenue] Increased despite headwinds from the yen appreciation. Excluding the impact of FX, revenue increased 8% on a real basis.
- [Operating profit] Profits in the Life Care business bounced back from the impact of IT incident in the year-ago-quarter, increasing 18% on a CC basis* and reaching a record high.

*CC: Constant Currency

Revenue ¥220.4 bn +3% (CC +8%)	Operating Profit ¥66.2 bn +13% (CC +18%)	Pretax Profit ¥67.4 bn +5% (CC +10%)	ROIC 19.9 % NOPAT / Invested Capital (Interest-bearing liabilities + equity attributable to the parent company)	
		USD	143.75 yen	+9.2%
		EUR	165.13 yen	+2.9%

Hirooka (CFO): I will now explain the summary of our Q1 results.

Consolidated revenue was ¥220.4 billion, up 3% YoY, or up 8% on a constant currency basis. Operating profit was ¥66.2 billion, up 13%, or up 18% on a constant currency basis. Pretax profit was ¥67.4 billion, up 5%, or up 10% on a constant currency basis.

We were able to secure an increase in profits despite the significant yen appreciation compared to last year. The increase in profits exceeded the increase in sales due to the impact of the IT incident that occurred in the Life Care business in the first quarter of last year, which caused a significant drop in profits.

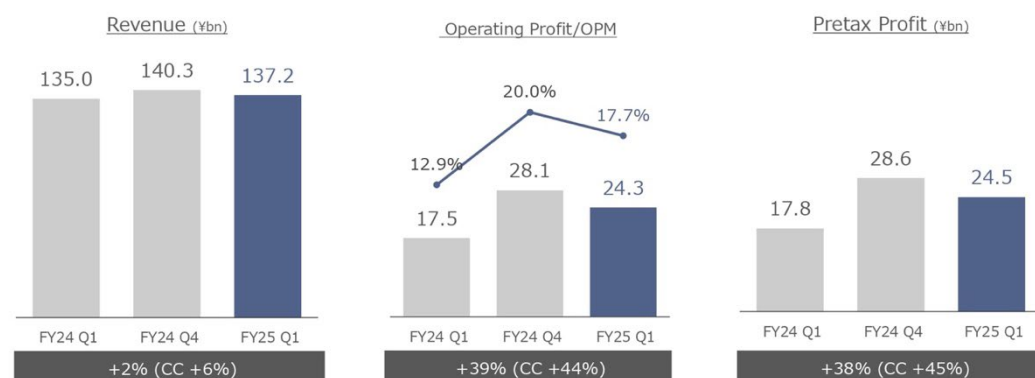
Additionally, we are disclosing ROIC at 19.9% as a reference indicator. The calculation method for ROIC varies by company, and direct comparisons with other companies are not clear. Therefore, we are disclosing it using a method that allows investors to

calculate it directly from the financial statements. Please note that the figures are for a three-month period and may fluctuate due to changes in the effective tax rate, but we hope they can serve as a reference for trends over a certain period.

Life Care Business



- [Revenue] Despite sluggish sales of medical products, sales of eyeglass lenses grew strongly, resulting in an overall revenue growth of 6% on a CC basis.
- [Operating profit] Rebounded significantly from the same period of the previous fiscal year, which was affected by one-time expenses such as system restoration from the IT incident.



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Segment Results: Life Care business

Revenue was ¥137.2 billion (up 2% YoY, up 6% on a constant currency basis). Operating profit was ¥24.3 billion (up 39%, up 44% on a constant currency basis), and pretax profit was ¥24.5 billion (up 38%, up 45% on a constant currency basis).

This segment generates a large portion of its sales in Europe and the United States, and due to the yen appreciation, sales in yen terms increased only 2%, but on a constant currency basis, sales increased 6%. Overall, medical products were somewhat sluggish, but eyeglass lenses grew more than expected during the quarter. Eyeglass lenses were the most affected by the IT incident in the same period of the previous fiscal year, including restoration costs, so this quarter's increase in profits is a rebound from that.

Eyeglass Lenses

Sales Growth
+5%
(CC +11%)

- Due to the impact of IT incident in the year-ago-quarter, there was a significant double-digit increase in revenue on a CC basis. With the exception of China, where the market remained sluggish, most regions performed well. Sales were particularly strong at large chains.
- Myopia management lenses MiYOSMART were approved for insurance reimbursement in France.
- [U.S. tariffs] The impact was largely offset in Q1 through price adjustments. While the final tariff rate remains partially unclear, we will address this through price adjustments and rebalancing production ratios across facilities.



[Eyeglass lenses]

Sales increased 5%, or 11% on a constant currency basis. Even excluding the comparison impact related to the IT incident, we were able to grow in line with the market. However, the Chinese market remains weak, and we intend to steadily rebuild our business and wait for the market to recover. A notable development this quarter was that MiYOSMART became eligible for insurance reimbursement in France. Regarding tariff impacts, while price adjustments were implemented in Q1, we expect tariff rates to increase further in Q2 and beyond. We will continue to implement price adjustments and supply chain rebalancing to mitigate impacts as much as possible.

Contact Lenses

Sales Growth
+4%
(CC +4%)

- New store roll-outs and acquisitions over the past few years have contributed to an increase in customer numbers. Additionally, expansion into the contact lens debut market among school students progressed successfully.
- Customer retention has continued to improve through private-label products (exclusivity) and from omnichannel services (convenience).
- Four new stores were opened in Q1. Going forward, we will continue to expand our store network through new store roll-outs and M&A activities.



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[Contact lens retail (Eye City)]

The business remained stable this quarter. Profitability remains strong, and we plan to continue the same strategies moving forward. As the number of stores increases and market share grows, the challenges will become more significant. However, we aim to maintain profitability while targeting white space areas through new store openings and M&A to achieve stable growth.

Endoscopes

Sales Growth
-3%
(CC +2%)

- Sales activities in Europe, the main market, remained steady, securing overall growth on a CC basis.
- The Chinese business continued to recover from the impact of the anti-corruption campaign (although it is still far from returning to previous levels).
- Global structural reforms were initiated at the beginning of the year. We aim to focus on selecting and concentrating on products, regions, and customer segments.



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[Endoscopes]

Sales decreased 3%, or increased 2% on a constant currency basis. Overseas sales account for the majority of our sales, so yen appreciation had a negative impact on yen-based sales. While sales in Europe were strong, we are seeing ups and downs in the Americas depending on the quarter. Sales in China have bottomed out and are on a recovery trend, but have not yet returned to previous levels, so we hope to return to those levels as soon as possible.

IOLs

Sales Growth
-6%
(CC -2%)

- Sales to Japanese hospital channels regained momentum. However, product supply in Europe was stalled due to issues with introducing a new software system. These issues have now been resolved.
- China continued to be impacted by NVBP on pricing, among other factors. Going forward, we aim to mitigate the impact by strengthening sales to the private market.
- While addressing short-term challenges, we aim to improve performance from Q2 onwards through expanded sales of ATIOL, including trifocal lenses.



[IOLs]

Sales decreased 6%, or 2% on a constant currency basis. This segment was also affected by the yen appreciation. Sales in Japan grew steadily. From a group-wide perspective, although it is only a small portion of our business, problems with system replacement in Europe affected shipments. There were some issues with orders and shipments during the introduction phase, but these have now been resolved. Europe has typically shown steady growth, but this quarter was temporarily affected by one-time factors. In China, the impact of the NVBP policy continues, resulting in a negative situation. China will need to reevaluate its growth strategy in light of market conditions, but overall, we view this as a temporary situation. Overall, we will aim for growth by expanding sales of high-value-added products across a wide range of regions.

Artificial bones and Other

Sales Growth
-11%
(CC -7%)

- While sales of surgical instruments and endoscope disinfection washers remained stable, continued revenue declines in chromatography media due to weak demand in the biopharmaceutical industry and inventory adjustments resulted in an overall revenue decrease of 7% on a CC basis.
- Each product segment aims for positive growth through the introduction of new products and expansion of market presence in new markets.



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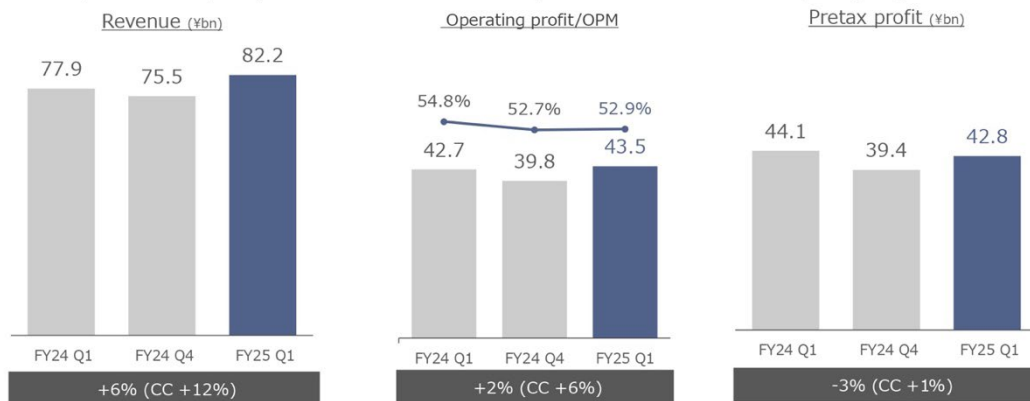
[Artificial Bones and Other]

Sales decreased 11% on a consolidated basis and 7% on a constant currency basis. Demand in the biopharmaceutical industry has been growing in recent years, and the chromatography media business has been driving growth, but demand is currently sluggish and inventory adjustments are continuing. We expect the bottom to be reached soon and growth to stabilize within the fiscal year.

Information Technology Business

HOYA

- [Revenue] Increased 12% on a CC basis due to stable demand for LSI and HDD substrates and strong sales growth in imaging.
- [Operating profit] Exceeded the benchmark level due to higher sales in the imaging segment and product mix, despite an increase in D&A expenses associated with capacity expansion.



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Segment Results: Information Technology business

Sales were ¥82.2 billion (up 6%, up 12% on a constant currency basis), operating income was ¥43.5 billion (up 2%, up 6% on a constant currency basis), and pretax profit was ¥42.8 billion (down 3%, up 1% on a constant currency basis). There were no products that dragged down performance, and overall results were solid. The profit margin was higher than expected at 52.9%, but we will maintain our profitability with a benchmark profit margin of 50% amid increasing D&A charges from Q2 onwards, and strive to achieve a balance between sales growth and investment.

LSI

Sales Growth
+8%
(CC +10%)

- Driven by the booming semiconductor market for AI and HPC, demand for EUV blanks remains robust, particularly for advanced nodes such as 3nm.
- DUV blanks also continue to see high-level demand from a wide range of customers
- Development of EUV blanks for the angstrom generation and customer evaluation activities are being promoted.



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[LSI]

Sales increased 8% (10% on a constant currency basis), showing solid growth from the previous year. Not only EUV but also DUV grew from the previous year. The current situation remains stable, continuing from the first quarter.

FPD

Sales Growth
+11%
(CC +17%)

- Increased demand for R&D for mainly G8.6 generation flexible OLED panels from customers.
- The high growth rate was also due to a rebound from the Taiwan earthquake in the year-ago-quarter.
- In response to the rising demand, we will steadily implement the establishment of manufacturing capabilities at our Chinese factory.



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[FPD]

Sales increased 11% (17% on a constant currency basis). Last year, capacity decreased due to the replacement of equipment in preparation for the launch of our Chinese factory. In addition, production at our factory was suspended for a period of time in the first quarter of last year due to the earthquake in Taiwan. Against this backdrop, we were able to achieve significant year-on-year growth. At our Chinese factory, we are gradually increasing the operation of our mask writer equipment and expanding production capacity while obtaining certification from customers.

HDD Substrates

Sales Growth
-4%
(CC +6%)

- Sales decreased due to yen appreciation, but increased on a real basis excluding FX impact.
- Sales of 2.5" consumer products declined significantly, partly due to a reaction to the relatively high demand in the previous year, but demand for 3.5" substrates remained strong. The market environment for nearline HDDs is expected to remain favorable, supported by strong end demand.
- We are promoting the establishment of mass production systems for substrates for further increases in HDD capacity, such as HAMR and PMR multi-platter models.



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[HDD substrates]

Sales decreased 4% on a consolidated basis, but increased 6% on a constant currency basis. Since all sales are denominated in US dollars, the yen appreciation had a negative impact on yen-based sales. We expect sales of 2.5-inch products to decline over the long term, but last year's sales exceeded our expectations, so the year-on-year decline on this year is significant. Due to the sharp decline in 2.5-inch sales, overall growth was limited to 6%, but sales of 3.5-inch products grew by double digits.

Imaging

Sales Growth
+17%
(CC +24%)

- While growth in interchangeable lenses for mirrorless cameras slowed due to the slowdown in the Chinese economy, demand for polarizing glass (CUPO) used in optical isolators surged amid expanding investment in AI data centers
- Demand for optical products for autonomous driving sensing cameras also expanded steadily.
- We aim to launch new high-performance glass products for new applications such as CUPO and automotive use, and establish mass production capabilities.



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[Imaging]

Revenue increased 17%, or 24% on a constant currency basis. Looking at the long term over the past five to seven years, the camera market has been shrinking, and we have positioned camera-related businesses as a shrinking business within our imaging business. For this reason, we have been working to strengthen our revenue structure so as not to lose profitability even if the scale of the business shrinks during this period.

On the other hand, we have actively pursued opportunities for sales expansion in non-camera fields, and these efforts are gradually bearing fruit, contributing to sales growth and a positive turnaround.

Growth continued throughout last year, and regardless of whether we achieve double-digit growth rates, we believe there are ample opportunities for solid growth amid the increasing number of new applications for imaging.

Guidance

There have been no significant changes in the external environment or customer trends, and sales and profits are expected to continue the same trend as in Q1, resulting in increased sales and profits. FX gains/losses and special factors are not included in this guidance.

Exchange rates are based on current rates as of August 2025.

FY25 Q2					
(¥bn)	FY24 Q2	FY25 Q1	FY25 Q2	YoY	QoQ
Revenue	214.7	220.4	223.6	+4%	+1%
Pretax Profit	62.8	67.4	67.6	+8%	+0%
Net Profit	52.9	51.4	52.6	-1%	+2%

FY25 H1			
(¥bn)	FY24 H1	FY25 H1	YoY
Revenue	428.4	444.0	+4%
Pretax Profit	127.0	135.0	+6%
Net Profit	100.0	104.0	+4%

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Guidance

Finally, I would like to explain our guidance. Rather than giving detailed figures, I will explain our basic thinking. At this point, we do not see any major changes in demand or sales in any of our divisions. As mentioned earlier, the Information Technology Business performed better than initially expected in the first quarter, and the situation remains

strong now. However, our forecasts tend to be somewhat cautious, so we will continue to monitor the situation closely and respond appropriately. Based on these factors, we have set our guidance, and we expect the second quarter to follow a similar trend to the first quarter.

Moderator: Next, CEO Ikeda will explain the key themes that have been frequently discussed with investors recently.

Ikeda: I would like to address several questions we have been receiving frequently recently and provide further clarification.

Discussion Point 1



In the near-line HDD market, as recording density increases due to HAMR, will demand for HDD substrates decline in the future?

Ikeda: First, we often receive questions about whether demand for HDD substrates will decline in the near-line HDD market, which is one of our main businesses, due to the increase in recording density achieved by HAMR.

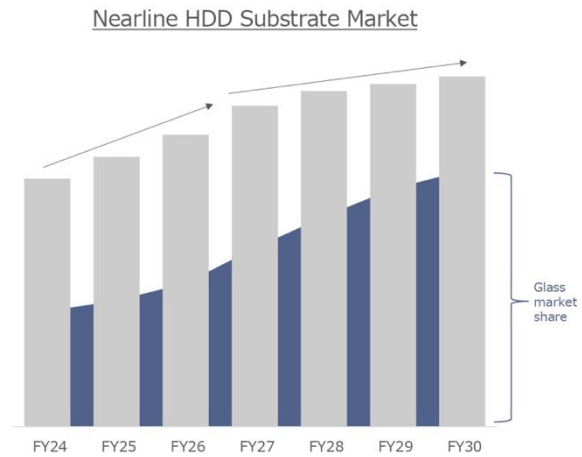
"Will Demand For HDD Substrates Decline?"



Although overall shipments of HDD substrates are expected to gradually slow down over the mid- to long-term due to increased sales of HAMR products, sales of our near-line glass substrates are expected to grow at a CAGR of 10%+a due to our expanding market share.

HAMR products with a capacity over 30 TB are expected to be equipped with 10 substrates per unit, the same as the latest PMR products, so it is unlikely that the number of substrates per HDD will decrease. In addition, regardless of whether they are PMR or HAMR, products with 11 or 12 substrates may also appear in the future.

Both HAMR and multi-substrate configurations are expected to drive the expansion of glass's market share due to their physical advantages.



Ikeda: Currently, as data capacity increases, the number of drives shipped is increasing, and at the same time, the number of disks installed per drive is also increasing. However, in the future, we expect that the increase in the number of disks per drive will stabilize due to the adoption of HAMR technology. On the other hand, the amount of data used in the world will continue to grow, so the growth driver of the total number of drives required will remain unchanged.

Furthermore, drives equipped with HAMR will give us the opportunity to be adopted by other HDD suppliers that have not previously used our glass substrates. As a result, we expect to expand into customers with whom we currently have no business relationship, leading to increased demand. In other words, while the growth drivers may change, we expect demand for glass substrates to continue to grow steadily.

In addition, drives with a capacity of 30 terabytes or more equipped with HAMR use 10 glass substrates per drive. We often receive questions about whether the number of substrates will decrease due to improvements in recording density, but we believe that increasing the recording capacity per drive is extremely important for HDDs and that there will be no downward trend in this area. Therefore, we do not expect the number of substrates to decrease, and we expect that the same number of substrates will be used as before. From both the HAMR technology and PMR multi-platter aspects, we believe that our glass substrates have physical advantages and will be an important factor in expanding our market share.

Discussion Point 2

I saw news about the establishment of a full-SSD data center. Do you think the nearline HDD market will be replaced by SSDs in a few years?

Ikeda: Next, there is SSD as a storage alternative to HDD, and there have been reports that some hyperscalers are moving toward SSD. This has raised concerns that the nearline HDD market may be replaced by SSD.

"Will Nearline HDDs be Replaced by SSDs?"

While there have been reports of hyperscalers establishing data centers with all-SSD configurations, these remain extremely limited cases when viewed from a broader perspective.

In the nearline segment, HDDs remain the preferred choice due to their lower cost per terabyte (TB). Additionally, technologies such as HAMR and increased disk density are expected to maintain the cost advantage of HDDs per TB over a long period of time.

Furthermore, the capital investment per exabyte for SSDs is approximately 10 times higher than that for HDDs. Given that the overwhelming majority of the world's data is currently stored on HDDs, replacing them with SSDs is not a realistic option at this time.

Comparison of HDDs to SSDs in Nearline

Price per TB (SSD price relative to HDD)	6x-8x
CAPEX per EB (SSD CAPEX relative to HDD)	~10x

Source: Based on data from HDD manufacturers and SNIA publications



Ikeda: There are cases where some hyperscalers are establishing data centers using SSDs, but these are limited cases. Basically, data centers handle large amounts of data, so there are areas that require high-speed data communication and areas that do

not. In the near-line storage domain, the cost per unit storage capacity is currently significantly lower for HDDs than for SSDs.

In addition, switching completely to SSDs would require large-scale CAPEX for new storage devices and memory manufacturing, which would be extremely costly.

Based on these factors, considering the rapid increase in data across society and the fact that large amounts of data are currently stored on HDDs, we believe that a complete switch to SSDs involving large-scale CAPEX in the short term is highly unlikely. Therefore, we expect HDDs to remain the mainstream storage medium for near-line storage in data centers for the foreseeable future.

Discussion Point 3



Semiconductor packaging has reduced the need for miniaturization, so won't demand for EUV blanks also plateau?

Ikeda: Next, I will explain the latest trends in semiconductor packaging technology. We have received concerns that these new technologies may reduce the need for miniaturization, which could lead to a plateau in demand for EUV blanks.

"Will EUV Plateau Due to Packaging?"

While customers such as foundries and IDMs are advancing the adoption of packaging technology, they are also advocating long-term miniaturization from the perspectives of economic viability, physical laws, and market competition. As a result, demand for EUV blanks is expected to remain stable in the foreseeable future.

The two are not mutually exclusive but rather complementary, contributing to the advancement of semiconductor technology.

Semiconductor Miniaturization Roadmap



Source: Compiled based on semiconductor manufacturer disclosures and other materials

Ikeda: It is true that new packaging technologies are being adopted, but from the perspectives of economic efficiency, physical laws, and market competition, the roadmap for advancing semiconductor miniaturization will be maintained in the long term. Accordingly, demand for EUV blanks is expected to continue to grow. We believe that packaging technology and miniaturization technology are not in conflict with each other, but rather that they will contribute to the development of the semiconductor industry as two wheels of the same cart.

Discussion Point 4

With competitors focusing on smart glasses, isn't HOYA missing out on business opportunities by not having a presence in this field?

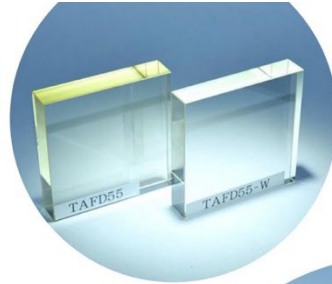
Ikeda: Finally, there are indications that our company is missing out on business opportunities because we are not visible in the smart glasses field, where our competitors in the eyeglass lens market are focusing their efforts and actively disseminating information.

"Are You Missing Out on Smart Glass Business Opportunities?"

We view smart glasses as a business opportunity.

While we will not manufacture smart glasses themselves, we will be involved as a manufacturer of camera lenses and optical components for AR glasses.

Many tech companies are expected to launch AR glasses within the next 3-4 years, and we are currently collaborating with these companies on the development of optical materials and substrates. We aim to become an industry leader by leveraging our strengths in wide field of view (FOV) and high brightness.



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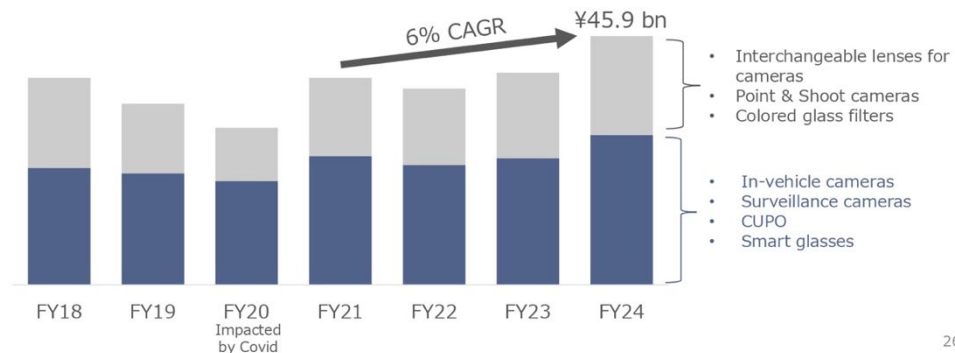
Ikeda: In conclusion, we view the smart glasses field as a new business opportunity. Although we do not manufacture smart glasses end products, we supply a variety of optical components for those products. Furthermore, AR and XR glasses, which are expected to expand beyond smart glasses, will also require a variety of optical products, and we plan to actively engage in this field as an optical materials manufacturer.

In fact, many of our optical components are used in smart glasses currently on the market. This is contributing to the improvement of our imaging business results. Many technology companies have plans to develop AR glasses and other products, and we are working with our customers to develop optical materials and substrates. AR applications require materials with high refractive index and high transmittance, and we intend to supply products worldwide, regardless of whether they are made of glass or plastic.

Growth Opportunities Expanding in the Imaging Business

- In addition to products for smart glasses, sales of optical materials and optical products such as in-vehicle cameras and CUPO are steadily expanding.
- Sales related to digital cameras have remained stable since the onset of the pandemic, with overall imaging sales growing at an annual rate of around 6%.
- Going forward, we expect sales outside the camera market to grow against the backdrop of further advances in autonomous driving technology and the expansion of AI data centers.

Sales Trend of Imaging Business



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Ikeda: The digital camera market has been shrinking since around 2013, and continued to decline until 2020. However, it has since reversed and is now growing. Although the number of cameras sold in the market as a whole is decreasing, the number of high-performance cameras using high-value-added materials is increasing, contributing to the sales and profitability of our optical materials.

In addition, as shown in the dark blue section of the graph, in addition to surveillance cameras and in-vehicle cameras, a certain amount of polarizing glass (CUPO) for optical isolators used in data centers and GMO lenses for smart glasses, which I mentioned earlier, are also being adopted, and these are supporting sales growth in recent years. We expect continued growth in these areas in the future.

Q&A

Q: Mr. Kohtani (Mizuho Securities): First of all, congratulations on the approval of insurance reimbursement for myopia management lenses in France in June this year. At the recent earnings call, your competitor said that it expects to obtain approval for myopia management lenses in the United States in early 2026, and it is likely that they will take the lead in the US market. While these lenses will be launched in Asia, Europe, South America, the Middle East, and the United States in early 2026, launch in Japan is

delayed. In my 20 years of experience in the medical device industry, I have never seen such a delay. In the Japanese market, awareness of myopia management lenses is low, and there is a significant gap in understanding among investors. As a Japanese company that pioneered the global launch of MiYOSMART, could you please provide an update on the launch timeline for Japan?

A: Ikeda: We are currently working on obtaining certification for sales in Japan. However, we apologize that we cannot provide any specific information regarding the release date at this time. As a Japanese company, we intend to launch sales in the Japanese market at an appropriate time. Although we cannot make any specific announcements at this time, we will do our best to meet your expectations.

Q: Mr. Kohtani (Mizuho Securities): Next, I would like to ask about smart glasses. Google has announced partnerships with emerging eyewear companies Warby Parker and Kering Eyewear. Which do you think has greater potential, AR or AI-enabled smart glasses? Please tell us whether you are focusing on AR in the imaging business or AR in the eyewear business.

A: Ikeda: Our target is primarily XR and AR glasses. AR glasses incorporate various optical components such as waveguides, lenses, and projectors. The high refractive index and high transmittance materials we possess are highly competitive and major U.S. companies have been doing qualification work. Since many users require vision correction, we also anticipate a market for AR glasses combined with vision correction lenses. We are a unique company that possesses both optical materials and vision correction lenses, and we aim to expand our presence in this field.

Q: Mr. Yoshida (CLSA Securities): First, how do you see the quarterly trends for mask blanks and HDD substrates from the second quarter onwards? Has the market environment changed in the last three months?

A: Ikeda: Demand for blanks and HDDs is currently very strong, and we expect this situation to continue in Q2 and beyond. However, although 2.5-inch HDD products remained at a certain level last year, they are down about 25% year on year this year, which is slightly dampening the overall growth rate of HDD substrates.

Q: Mr. Yoshida (CLSA Securities): My second question is about the imaging business. Please tell us the current sales composition ratio of CUPO for AI data centers, the future sales forecast for the imaging business, and the profitability target.

A: Hirooka: Unfortunately, we cannot disclose details on the sales composition and profitability of individual products due to competitive reasons. As for the profitability of the Information Technology business as a whole, we are aiming to maintain a benchmark level of 50% while increasing the absolute amount of profit. The imaging segment has been on a downward trend, but several product groups are currently contributing to sales growth. Sales are supported by a diverse range of products, including CUPO, and no specific product accounts for a large portion of sales. We are expanding our portfolio as a collection of product groups.

Q: Mr. Yoshida (CLSA Securities): Can we expect the imaging business to continue growing at a CAGR of around 6%?

A: Hirooka: Yes, that understanding is correct.

Q: Mr. Nakamura (Goldman Sachs Securities): My first question is about the profitability of the Life Care segment. The margin was 17.7% in Q1, and although there are quarterly fluctuations, do you think it will return to the benchmark level of around 20%? Please include your outlook for the full year in your answer. Please also provide an estimate of the scale of the one-time expenses included in Q1.

Hirooka: Naturally, there are fluctuations from quarter to quarter against the 20% benchmark. In the first quarter of last year, we experienced an IT incident and temporarily sacrificed profitability in order to recover our market share, but we completed those activities in the third quarter of last year and changed direction in the fourth quarter. At that time, there was a rebound effect from the strong message sent within the company following organizational changes, as well as some temporary positive effects, resulting in a profit margin of 20%. In Q1 of this fiscal year, on the contrary, there were factors that caused a temporary decline in the profit margin. However, the overall picture is that we are in the process of restoring the profit margin step by step, and we aim to bring it back to the benchmark level in the second half of the fiscal year. It is difficult to specify the amount of temporary expenses in Q1 of this fiscal year due to several individual factors, both positive and negative.

Q: Mr. Nakamura (Goldman Sachs Securities): Has the annual revenue growth forecast for blanks and HDD substrates changed from the explanation given three months ago?

A: Ikeda: There have been no major changes in the situation in Q2 from Q1, and the annual outlook remains the same.

Q: Mr. Nakanomyo (Jeffries Securities): My first question is about share buybacks. Despite various cash outlays such as dividend payments in the first quarter, cash and cash equivalents remained at the same level as at the end of March, and I believe that the level of cash and cash equivalents is sufficient to enable share buybacks. Please explain your thinking on share buybacks. Has your target level of cash and cash equivalents, including a buffer, remained unchanged at six months of monthly sales? Second, has there been any change in the growth forecast for Life Care, including eyeglass lenses and contact lenses, from the initial forecast?

A: Hirooka: The basic policy remains unchanged, and we will continue to return value to our shareholders. Decisions are made over a certain period rather than on a quarterly basis. While the standard approach is to announce such decisions at the time of the financial results announcement, considering various factors, we may not necessarily wait until that timing and may consider implementing them flexibly. There are no major changes to the cash and cash equivalents target. Currently, we consider the level to be excess. There are no major changes to the growth outlook for Life Care. Eyeglass lenses saw higher-than-usual growth in the first quarter due to a rebound from the IT incident, but the outlook for both products remains unchanged at mid-single digits.

Q: Mr. Katsura (SMBC Nikko Securities): First, regarding the profitability of Life Care, is the 1.9 billion yen impairment loss stated in the supplementary materials affect operating profit? Also, despite the unfavorable exchange rates, can we expect the outlook for the second quarter to improve year on year? Second, please tell us about the tariff risk for HDD substrates. Given the very high tariff rates in Laos, how do you assess the tariff impact given that you have a factory in Laos?

A: Hirooka: The 1.9 billion yen impairment loss is not included in operating profit and affected the pretax profit. Looking at the production capacity of the Life Care business, consolidation and reorganization was carried out to improve efficiency. We believe this will contribute to improved cash flow and profitability in the future. With regard to

foreign exchange, the exchange rates between Thai baht to dollar and euro is significant. In that respect, the appreciation of the euro is a positive factor. However, we are not trying to predict future exchange rate movements, and we have prepared our first half plans based on that assumption. Tariffs will not have a direct impact on HDD substrates due to the situation in the supply chain. Speaking of tariffs in general, not just HDD substrates, in the first quarter, most countries saw tariffs at 10%, but today it was announced that Thailand will be set at 20%, and the situation remains tricky to predict. That said, tariffs will certainly be higher in the second quarter than in the first quarter. We believe that it is our job to ensure that there is no impact on the overall profit and loss statement through price transfers and efficiency improvements. In other words, we believe that we are at a level where we do not need to explain to everyone how sales and profitability will decline, but rather that we are self-sufficient.

Moderator: That concludes the question and answer session. Thank you very much for participating in today's earnings call. This concludes today's earnings call.

[End]
