



HOYA Corporation

FY25 Q3 Earnings Call Transcript

January 30, 2026

Speakers:

Director and Representative Executive Officer, CEO

Director and Representative Executive Officer, CFO

Eiichiro Ikeda

Ryo Hirooka

Moderator:

We will now begin the HOYA Corporation Financial Results Briefing for the Third Quarter of the Fiscal Year Ending March 2026. Present today are CEO Ikeda and CFO Hirooka. First, Mr. Hirooka will explain the third-quarter results, an overview of our main businesses, and the full-year outlook. Following that, Mr. Ikeda will introduce a new growth area within the Imaging Business. After the presentations, we will hold a Q&A session, with the briefing scheduled to conclude at 4:00 PM.

Hirooka (CFO):

I will now explain the results for the third quarter.

First, for the entire group. Revenue reached ¥244.7 billion, an 11% increase year-on-year, or an 8% increase on a constant currency basis. Operating profit was ¥74.1 billion, achieving double-digit growth year-on-year, while pretax profit grew significantly to ¥110.8 billion. ROIC was 23%.

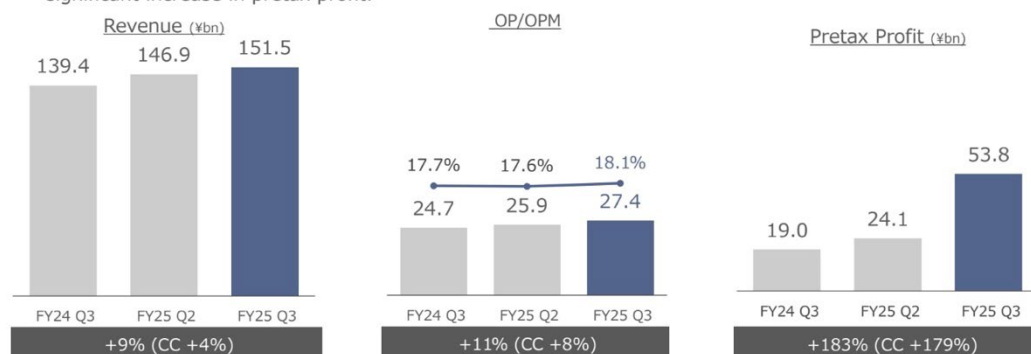
Sales were robust in both the Life Care and Information Technology segments, with the Information Technology business showing particularly strong growth. The significant increase in pretax profit was driven by several non-recurring factors. These included a ¥23.5 billion one-time gain related to acquiring an equity interest in the intraocular lens joint venture in China, a gain of over ¥7.0 billion from two

business divestitures, and a ¥3.8 billion foreign exchange gain.

Life Care Business



- [Revenue] Double-digit growth was achieved in eyeglass lenses, IOLs, artificial bones and other, leading to a significant increase in overall segment revenue.
- [Pretax Profit] Regarding an IOL JV established in China, a conservatively estimated purchase price for a future equity acquisition was recorded as long-term financial liabilities. However, due to changes in market conditions, the actual acquisition cost fell below the initial estimate, resulting as a one-time gain. Additionally, a rebound from the previous year's impairment loss, gains from business transfers led to a significant increase in pretax profit.



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Next is the Life Care business.

Sales revenue reached ¥151.5 billion, a 9% increase year-on-year, or a 4% increase on a constant currency basis. Operating profit was ¥27.4 billion, with a profit margin of 18.1%. Pretax profit grew substantially to ¥53.8 billion.

Regarding this increase in pretax profit, a very large one-time accounting factor occurred in this segment, so I will explain the details.

In 2020, we established a joint venture with a Chinese distributor for intraocular lenses. At that time, we held a majority stake, with an agreement that we would gradually purchase the remaining equity over a long period at a fixed rate, while the other party would sell their shares. Due to the long contract period and the nature of future payments, we conservatively recognized this as a liability in our accounting at that time. It was recorded on the balance sheet as a long-term financial liability. Subsequently, China introduced the volume-based procurement system, leading to significant structural changes in the intraocular lens market. This necessitated an urgent review of our China strategy. To enhance flexibility, we agreed to accelerate the conversion of the joint venture into a wholly-owned subsidiary. The difference between the purchase price for the additional shares and the debt previously recorded by our company was recognized as profit. This

difference is included in this period's pretax profit amounting to ¥23.5 billion. Please note this represents an accounting valuation gain and does not involve cash inflow.

Eyeglass Lenses

Sales Growth
+11%
(CC +6%)

- While independent opticians in the U.S. and Europe were soft, steady sales growth in markets such as Japan, Eastern Europe, and Latin America helped secure mid-single-digit CC growth.
- China returned to YoY growth for the first time in four quarters, as the impact of counterfeit products on MiYOSMART — along with other market factors — has now lapped. In addition, demand from distributors was strong.
- Looking ahead to the next fiscal year, the new product pipeline includes several high-value-added items. We will solidify our sales collaboration framework with eyewear retailers and other partners prior to their launch.



For eyeglass lenses, sales grew 11% (6% on a constant currency basis). While small-scale M&A contributed, performance varied by country, with some regions showing weaker independent sales. Conversely, Japan, Eastern Europe, and South America delivered solid growth, achieving the mid-single-digit growth we prioritize. China also returned to year-on-year growth for the first time in a while, showing signs of improvement. We will continue building growth centered on high-value-added products, while considering regional conditions.

Contact Lenses (eyecity)

Sales Growth
+4%
(CC +4%)

- ASP continues to grow due to penetration of high-value-added products and shift toward 1-day lenses.
- Customer retention continued to improve through private brand products and subscription services.
- We will increase customer traffic through store expansion, raise average transaction value, and enhance customer experience and CRM.



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Contact lens retail (Eye City) delivered another stable quarter. Sales continue to grow at a mid-single-digit rate, and the earnings foundation remains solid. We aim for stable growth by consistently providing good products and good service.

Endoscopes

Sales Growth
-4%
(CC -10%)

- Revenue declined overall in our primary markets of Europe and the U.S. due to intensifying price pressure stemming from competitors' discounting and bundling strategies.
- The business environment in China remains uncertain due to various policy factors.
- Structural reforms, including organizational streamlining and concentration on core products, are progressing in line with the plan. We aim to establish a foundation for profit growth through measures such as reducing fixed costs.



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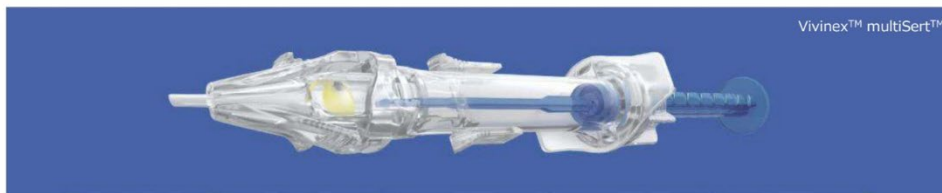
Endoscopes saw a 10% decline on a constant currency basis. While movements vary by country, profit improvement is the top priority for this business. We are taking a more cautious approach than before to negotiations involving intense

price competition. Consequently, we are sacrificing some sales in the short term. However, we cannot afford to keep sales declining, so we are balancing maintaining profitability with securing sales. Structural reforms decided this fiscal year, such as factory consolidation, are progressing, and their effects are expected to fully materialize from the second half of FY2026 onwards.

IOLs

Sales Growth
+11%
(CC +6%)

- China continues to be impacted by NVBP, but Europe continues to recover from the system disruption that occurred in Q1, achieving double-digit growth overall.
- In Japan, monofocal lens sales remained resilient in the hospital channel.
- While China is expected to show a weak trend for the time being, steady growth is anticipated going forward through expanded sales of ATIOL in stable markets such as Japan and Europe.



Intraocular lens sales grew 11% (6% on a constant currency basis). While China remains challenging, Japan and Europe showed solid growth. Europe recovered from Q1 system update issues, achieving double-digit growth this quarter. High-value-added products are clearly the growth driver.

Artificial Bone and Other

Sales Growth
+20%
(CC +15%)

- Sales of endoscope disinfection washers, artificial bones, and metal implants remained strong.
- Sales of chromatography media increased compared to the same period last year when shipments were suspended.
- We will pursue stable growth by expanding sales outside major markets and strengthening our revenue base.



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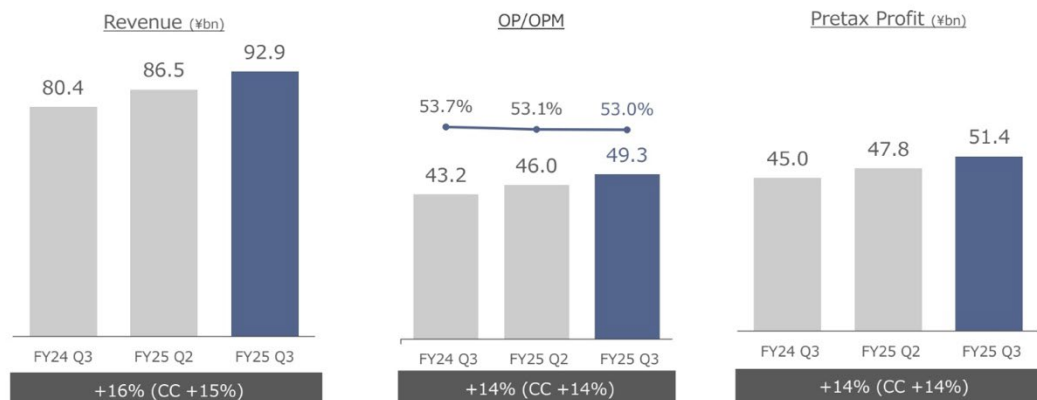
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Sales of other medical devices varied by product. Chromatography media sales increased dramatically due to a rebound effect, as shipments were virtually nonexistent in Q3 of the previous year due to customer inventory adjustments.

Information Technology Business

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- [Revenue] Increased across all products. Blanks and Imaging in particular showed strong growth, achieving mid-teens revenue growth.
- [Operating Profit] Despite a continuing trend of increased depreciation expenses, profit margins remained at a high level due to factors such as expanded sales of blanks and imaging products.



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Next, the Information Technology segment. Sales revenue was ¥92.9 billion, with operating profit at ¥49.3 billion, a profit margin of 53%, and pretax profit at ¥51.4 billion. Both sales and profit grew by approximately 15%, with semiconductor blanks and imaging contributing strongly. While depreciation expenses increased,

they were fully absorbed by business growth.

LSI

Sales Growth
+14%
(CC +14%)

- EUV blanks maintained double-digit revenue growth, driven by active development activities at customers' advanced nodes.
- DUV blanks saw robust demand across a broad range of applications, including the usage in EUV lithography, Chinese customers, and memory applications.
- Aiming to increase the ratio of high-value-added products like phase shift masks in anticipation of next-generation nodes.



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LSI grew by 14%, with both EUV and DUV showing steady performance. We see no major changes in the competitive environment and continue to prioritize maintaining a supply system that meets customer demand.

FPD

Sales Growth
+15%
(CC +15%)

- Revenue increased by double digits due to a rebound from the previous year's sluggish demand and improved supply capacity at the China plant.
- Sales of masks for smartphones and IT OLEDs were particularly strong.
- Going forward, we will strive to stabilize production and expand sales of high-value-added products, such as masks for high-resolution panels.



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FPD substrates grew by 15%. Capacity was constrained in Q3 of the previous year due to equipment reallocation and the start-up of the China plant, leading to

double-digit growth this quarter as a rebound effect. We aim to expand orders for high-precision products and strengthen sales in China.

HDD Substrates

Sales Growth
+9%
(CC +8%)

- 3.5-inch substrates saw continued growth from H1, with double-digit revenue growth. Demand for nearline HDDs remained strong.
- CSP demand remains exceptionally high, with no signs of cyclical supply-demand deterioration for 3.5-inch substrates currently observed.
- Q4 is expected to see only a slight decrease due to high demand, with seasonal fluctuations weaker than usual. Capacity expansion is being planned with an eye on demand beyond FY26.



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HDD substrates recorded a 9% sales growth rate, or 8% on a constant currency basis. While 2.5-inch substrates declined as forecasted, 3.5-inch substrates achieved double-digit growth, resulting in overall steady performance. Current demand is exceptionally strong and is expected to increase further. Preparations to enhance our supply capacity are also underway.

Imaging

Sales Growth
+35%
(CC +33%)

- Following the previous quarter, strong demand for lenses for wearable cameras backed by “social media demands” and CUPO (detailed later), led to significant revenue growth.
- Digital camera products also saw increased sales due to demand stimulation from new mirrorless camera launches and high demand for high-end point & shoot cameras.
- As exemplified by CUPO, which we have worked to expand sales for many years, we will continue to develop new growth areas with a long-term perspective.



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Imaging achieved very high growth of 35% (33% at constant currency basis). Multiple applications contributed to this, including CUPO, wearables, and high-precision lenses for digital cameras. Strong growth has continued throughout all quarters this fiscal year. However, uncertainty exists, as seen with action cameras, where sales surge immediately after new product launches but then decline rapidly. The key is to ensure our lenses and materials are effectively proposed and adopted when new applications emerge, aiming for stable long-term growth. Note that Q4 sales are expected to decline due to seasonal factors.

Shareholder Returns

- The Board of Directors resolved at its January 30 meeting to conduct the second share buyback of the current fiscal year.
- Despite increased profits and multiple factors boosting cash, such as yen depreciation and the sale of held shares, the plan is to avoid increasing the annual cash and deposits level through aggressive shareholder returns.

<u>Share Buyback No.1</u> Period: Aug 22, 2025 - Dec 1, 2025 Total Acquisition Amount: Approx. ¥100 billion Cancellation Status: All shares canceled	<u>Share Buyback No.2</u> Period: Feb 2, 2026 - Jul 17, 2026 Total Acquisition Amount: Up to ¥100 billion Cancellation Status: To be canceled after repurchase	<u>Dividend</u> Basic Policy: Progressive policy targeting a 40% payout ratio Interim Dividend: ¥125 (+¥80) Interim Dividend Total: ¥42.5 billion (+¥26.9 billion) Year-end Dividend: TBD
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At today's Board of Directors meeting, we resolved to conduct a ¥100 billion share buyback. This decision was made to manage excess cash, as our significant foreign currency-denominated assets have led to accumulated cash and deposits due to the impact of yen depreciation.

Guidance

Q4

(¥bn)	FY24 Q4	FY25 Q4	YoY
Revenue	216.8	240.4	+11%
Operating Profit	65.7	71.5	+9%
Pretax Profit	67.7	73.9	+9%
Net Profit	51.1	56.5	+11%

- Life Care business is expected to show stable performance.
- Information Technology business is projected to show a smaller-than-usual QoQ revenue decline.
- FX rates are based on actual levels as of the end of January.

Full Year

(¥bn)	FY24	FY25	YoY
Revenue	866.0	940.0	+9%
Operating Profit	255.8	282.0	+10%
Pretax Profit	260.0	324.0	+25%
Net Profit	201.8	254.0	+26%

- Both revenue and profit are expected to reach record highs on an annual basis.

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Our full-year outlook projects revenue of ¥940 billion, operating profit of ¥282 billion, pretax profit of ¥324 billion, and net income of ¥254 billion. While sales in the Information Technology segment are expected to decline in Q4 due to seasonality, the Life Care segment is anticipated to follow a trajectory similar to Q3.

Moderator:

Ikeda will now explain new growth areas in the imaging business.

What is CUPO?

- Optical component (Polarized Optics) with polarization properties achieved by adding trace amounts of Cu (the element symbol for copper).
- Used in applications such as optical transceivers, optical modulators, and wavelength selectors.
- With a long history; the 2009 Annual Report introduced it as "expected to see growing demand amid the global expansion of optical communication networks."



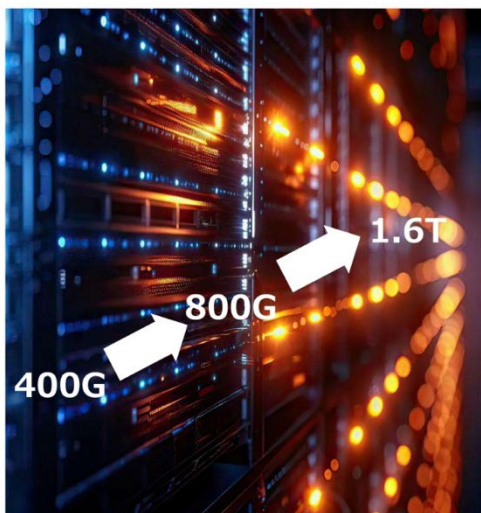
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Ikeda (CEO):

We've heard increasing feedback that it's unclear what is growing within the imaging business, so I'll discuss CUPO, which is currently experiencing rapid growth.

CUPO is an acronym derived from Copper (Cu) and Polarizing Optics (PO). It is a glass material that incorporates copper to impart polarization functionality. It is used in components of optical communication devices such as optical transceivers, optical modulators, and wavelength selectors. We have been commercializing this product since the 2000s, giving it a long history.

What's Driving CUPO's Recent Surge?



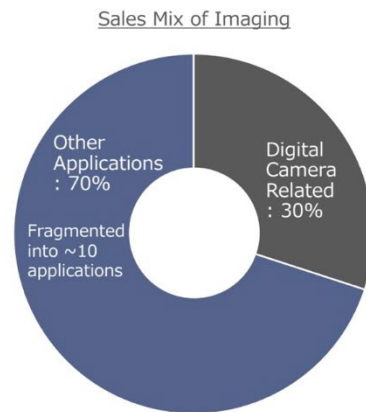
- The expansion of the AI market has led to a sharp increase in optical transceiver shipments.
- In optical transceivers, CUPO is essential for efficiently transmitting optical data without loss.
- As data transfer speeds increase, the number of CUPO chips used per optical transceiver unit is rising.
- Sells to a broad customer base ranging from US-based to Chinese companies.

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The recent resurgence in interest stems from the rapid expansion of the AI market. Data centers are proliferating, leading to a sharp increase in optical transceiver usage. As speeds increase, the number of CUPO used per unit also rises. These factors combined are driving significant growth in CUPO demand.

Future Outlook

- Applications other than digital cameras, which account for 70% of imaging sales, have diversified into various products such as automotive and wearables, with each segment being relatively small.
- Applications other than digital cameras include both high-growth and declining segments, but CUPO holds significant growth potential.
- Demand is expected to continue expanding due to the sustained growth in optical transceiver shipments driven by the expanding AI market, the mainstream adoption of 800G, and further speed increases (1.6T).
- While mindful of risks such as component supply constraints for optical transceivers and alternative technologies, production will be increased to meet customer demand.



While our imaging business has traditionally relied heavily on digital cameras and struggled to expand into other applications, non-camera applications have gradually increased over the past few years. CUPO does not yet impact the Group's overall sales scale, and while we cannot rule out significant technological shifts in the future, we introduced it as a potential foundation for our imaging business in the near term. This is because transceiver shipments are expected to increase alongside the expansion of the AI market.

[Q&A]

Moderator:

Now, let's move on to the Q&A session. Mr. Yoshida, please.

Yoshida (CLSA Securities):

Regarding the glass substrates for hard disk drives, you mentioned that the fourth quarter figures are likely to be better than seasonal trends. What level of growth do you anticipate for the next fiscal year? Also, you mentioned that you are considering capacity expansion. Could you comment on the timeframe for this investment and how it will affect capital expenditures and depreciation?

Ikeda:

First, regarding HDD substrates: While Q4 demand will be lower than Q3 due to

seasonal factors, we see very strong demand beyond that. Starting in the latter half of FY2026, shipments to the second customer will begin in addition to our current primary customer. We expect volume to increase substantially in FY2027. Equipment arrangements for FY2027, specifically for the second customer, have already been decided. Regarding volume beyond FY2028, we are currently analyzing the situation, taking into account not only the increase from the second customer but also the movements of a potential third customer. Capital expenditures will be determined based on that schedule.

Yoshida:

Thank you. Next, regarding blanks in the IT sector, the semiconductor equipment market is currently showing very strong momentum. Are there any changes in the growth outlook for the next fiscal year or in the competitive environment, such as from Korean players?

Ikeda:

For LSI blanks, we are receiving very strong orders from major customers in both Taiwan and South Korea, and demand is expected to remain robust for FY2026. Regarding South Korea, we are aware of the information and understand that the country has its own policies, and supplier evaluations are progressing. However, while some customers are evaluating a second supplier, a situation that has not changed from before, we believe that even if the second supplier shifts from Japanese to Korean, our position with the customer will not change. Regarding capacity, we can handle the volume through FY2027 by adding equipment to our existing cleanrooms. From FY2028 onward, a new factory will be necessary, representing a long-term capital investment. We are currently at the stage where this decision-making process has begun.

Moderator:

Next, Mr. Kotani, please.

Kotani (Mizuho Securities):

Regarding the eyeglass lens business, I get the impression there are a great many new products. You mentioned an increase in high-value-added products for next fiscal year. Could you clarify whether these are updates to existing categories like progressive lenses or photochromic lenses, or the introduction of products with

entirely new functions?

Ikeda:

Regarding the anticipated "entirely new category of lenses," we have nothing to announce at this time. What we are preparing for next fiscal year are updates to existing series (such as the SENSITY series and MiYOSMART). We will make formal announcements when new products reach the stage where they can be released to the market.

Kotani:

Thank you. Next, regarding MiYOSMART, it appears the path for 510(k) approval has opened following competitor approval through the De Novo application in the U.S. I understand your company is currently proceeding on the assumption of PMA. Will your approval strategy be reconsidered? Also, could you share an estimated launch timing and expectations for the next-generation MiYOSMART?

Ikeda:

We are aware of competitors' approval strategies, but we do not determine our application route solely based on speed of approval. Since MiYOSMART targets pediatric patients, we believe long-term safety and efficacy data directly contribute to the product's intrinsic value. That said, we maintain a flexible approach to exploring options, considering the market environment. While we cannot disclose details about the next-generation product at this time, development is focused on achieving higher efficacy than the current product. We ask for your patience as we continue this work.

Moderator:

Next, Mr. Shibano, please.

Shibano (CITI Securities):

Regarding HDDs, what was the utilization rate relative to existing capacity at the end of Q3? Also, please explain the potential for increased production looking ahead to the latter half of FY2026 and FY2027, and your pricing strategy considering the current inflationary environment.

Ikeda:

Expressing the utilization rate is a bit tricky, but our two factories in Vietnam are essentially operating at full capacity, excluding development lines. Even the development lines can be shifted to production depending on volume. At the Laos factory, one-third of the originally planned production lines are operating at full capacity, and we are gradually increasing the number of lines to two-thirds. The remaining one-third has a cleanroom readied but lacks equipment; however, that equipment has already been ordered. We expect this section to contribute to increased production volume starting in late FY2026 to early FY2027.

In terms of production capacity, if we consider current levels as 100, we anticipate reaching approximately 110 to 115 within a year. Regarding pricing, we have no immediate plans to raise prices, but we will review this depending on market conditions.

Shibano:

Thank you. Next, I'd like to ask about the structural reform of the endoscope business. While the top line appears weak this time, could you tell us whether you feel additional measures are necessary compared to the plans made three or six months ago?

Ikeda:

For endoscopes, we made significant decisions in FY2025, implementing quite bold measures such as factory consolidation and portfolio review. These involve temporary double costs, so they won't immediately reflect in the numbers. We expect effects to materialize in the second half of FY2026 and beyond, so we don't currently see a need for additional major measures.

Moderator:

Next, Mr. Nakamura, please.

Nakamura (Goldman Sachs Securities):

Regarding HDDs, could you clarify if there are any changes to the certification schedule for the third supplier? Also, concerning rare earth regulations, are there any procurement risks for materials like cerium oxide?

Ikeda:

Development and evaluation for the third company continue, but the situation has not changed significantly from three months ago, and mass production will not occur in fiscal year 2026. The outlook remains unchanged, with shipments expected to begin around fiscal year 2027. Capacity planning has progressed to accommodate the second company at this point, and preparations for the third company are yet to begin.

Regarding cerium oxide, countermeasures were implemented back in 2010-2011 when issues first surfaced. There is no major impact currently or in the near future. However, since the situation in China can change abruptly, we are constantly updating and managing risks.

Nakamura:

Next, I'd like to ask about the medium-term growth outlook for EUV blanks and the imaging business. Previously, the outlook was for EUV to grow by 10% plus alpha, and imaging by 5-6%. Looking at current growth, it seems to be exceeding expectations. Has the outlook for next fiscal year and beyond changed?

Ikeda:

For EUV, we maintain our previous outlook of 10% plus. Imaging is growing very strongly, but it's also an area with significant fluctuations, like action cameras, making it difficult to state a firm, bullish figure. That said, we do believe the previous 5% growth forecast should be revised upward.

Moderator:

Next, Mr. Katsura, please.

Katsura (SMBC Nikko Securities):

Could you share your sense of CUPO's sales scale and whether significant investment is needed to sustain growth over the medium to long term? If possible, please also provide assumptions for the company's total CAPEX and depreciation expenses.

Ikeda:

We do not disclose specific figures for CUPO, but we see potential for its sales to roughly double from current levels as it grows going forward. However, since this

business does not require significant capital investment, we believe we can handle a considerable increase in volume to a certain extent.

Hirooka:

Regarding group-wide capital expenditures, many projects in areas like HDD substrates and EUV require consideration in FY2026, and these are all long-term investments. Some investments start with building construction, so even if decisions are made in FY2026, depreciation will begin slightly later than FY2027. Depreciation expenses will increase slightly from current levels, but we aim to manage operations to absorb this effectively.

Moderator:

Finally, Mr. Yoshioka, please.

Yoshioka (Nomura Securities):

First, regarding high-value-added LSI products. When do you anticipate the proportion of high-value-added areas like phase shift masks increasing? Also, what is the current ratio and layer count for high-value-added products, how much do you expect this to grow, and how do you see this change contributing to ASP and your company's profitability?

Ikeda: High-value-added products fall into two main categories. One is the Phase Shift Mask (PSM) mentioned earlier. The other is premium products where the price tier changes based on quality differences, specifically those with fewer defects. PSM adoption began at the 2nm node, and the number of required layers is expected to increase with each subsequent node. However, the critical layer count varies by design, so it's honestly difficult to quantitatively estimate the average increase. Additionally, defect quality requirements change based on the maturity of the customer's "mitigation technology," making volume forecasting complex here as well. In any case, the direction is clear: as the ratio of advanced nodes increases, the PSM ratio will rise. But please understand that it's difficult to state this definitively with numbers.

Yoshioka: Thank you. One more point: Can we interpret the current increase in PSM and 2nm ratios as indicating that unit price increases are actually beginning to occur now?

Ikedai: Unit prices for advanced products are indeed rising. However, as you know, discount demands for existing products (7nm, 5nm, binary, etc.) are extremely strong, and every customer makes annual requests for price reductions. For us, as advanced products grow, we can meet discount demands for existing products. This results in customer satisfaction and maintains a structure where we don't lose share to competitors. In other words, while unit prices for advanced products are rising, we simultaneously face price reductions on existing products. Therefore, "unit price increase \neq direct profit margin increase." However, as the ratio of advanced products increases, it will have a positive effect over the medium to long term.

Yoshioka: Understood. Finally, regarding the decision to repurchase ¥100 billion in shares, is it correct to understand that the background is the cash balance exceeding ¥580 billion? Please also explain your view on the appropriate level of cash reserves.

Hirooka: One reason for this scale is to avoid accumulating further cash and deposits. While we haven't set a strict timeframe or target, the judgment is to proceed with returns to prevent cash and deposits from growing excessively toward the fiscal year-end. Regarding the appropriate level, as we've stated previously, we recognize that current cash reserves are somewhat excessive.

Moderator:

This concludes the earnings call. Thank you for joining us today.

*This transcript is edited for readability based on remarks made during the briefing session. Therefore, it is not a verbatim record.