HOYA Corporation

Transcript of the FY26 Q1 Earnings Call
July 31, 2026

Speakers:

Eiichiro Ikeda
Director, Representative Executive Officer, President & CEO

Ryo Hirooka
Director, Representative Executive Officer & CFO

Moderator

We will now begin HOYA Corporation's financial results briefing for FY26 Q1.
First, CFO Hirooka will explain the Q1 results, the business overview, and the earnings forecasts for the Q2 and the first half of the fiscal year.

Hirooka

Thank you. Before I explain our financial results, I would like to briefly outline the accounting standards that underlie our reporting.
We have early adopted IFRS 18, effective from the first quarter. As a result, our presentation has changed, and I would like to highlight the key points in advance.

There are two main points. First, following the adoption of IFRS 18, we are disclosing operating profit on an IFRS basis. As a result, the presentation of certain items in the income statement and cash flow statement has changed from the previous format. A reconciliation table detailing these changes is provided on page 16 of the financial results summary. Since we have also restated the prior-year figures under IFRS 18, please refer to page 16 for YoY comparisons.

Second, although this is not directly related to the adoption of IFRS 18 itself, we have revised the definition of segment profit as part of a comprehensive review of our disclosure practices. Previously, segment profit was defined as pretax profit. However, in our communications with investors, we place greater emphasis on explaining profit and profit margins derived from ordinary operating activities. Therefore, starting with this report, segment profit is defined as profit from ordinary operating activities. For details, please refer to the segment information on pages 19 and 20 of the financial results summary.

Please note that, while we previously disclosed pretax profit by segment, from this report onward we disclose operating profit on an IFRS basis, which allows significant items such as impairment losses to be captured. On the other hand, items such as interest income are not directly related to segment-specific business activities and therefore are not included in segment profit.

Due to these changes, some content in the financial results summary and supplementary materials has been revised. Please contact us if you have any questions. I will now explain our financial results.

FY26 Q1 Overview

HOYA

- [Revenue] Both the Life Care and Information Technology businesses delivered solid growth, resulting in double-digit revenue growth at the consolidated level.
- [Profit From Ordinary Operating Activities; hereinafter "Operating Profit"] Profitability expanded in both businesses, driving profit growth that outpaced revenue growth.
- Quarterly revenue and operating profit reached record highs.

Revenue	Operating Profit	Pretax Profit
¥255.7 bn	**¥82.4** bn	**¥86.0** bn
+16%	+24%	+28%
(CC +7%)	(CC +17%)	(CC +20%)

Cf. ROIC [NOPAT / Invested Capital (Interest-bearing liabilities + equity attributable to the parent company)]: 23.8%

USD	¥160.72	-11.8%
EUR	¥186.13	-12.7%

Revenue came in at 255.7 billion yen, up 16% YoY. On a constant currency basis, it increased 7%.
Profit from ordinary operating activities (hereinafter "operating profit") was 82.4 billion yen, up 24% YoY, and up 17% on a constant currency basis. Pretax profit was 86.0 billion yen, up 28% YoY, and up 20% on a constant currency basis.

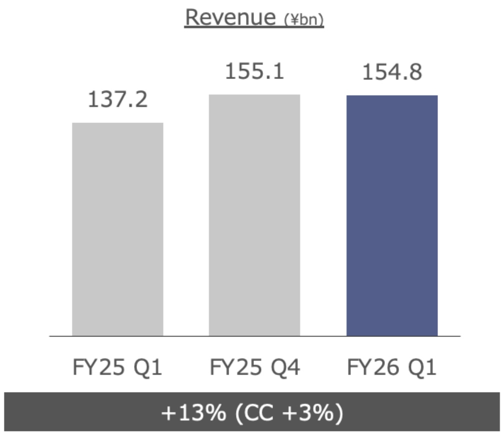
Both the Life Care and Information Technology businesses grew, with particularly strong growth in Information Technology driving the overall increase.

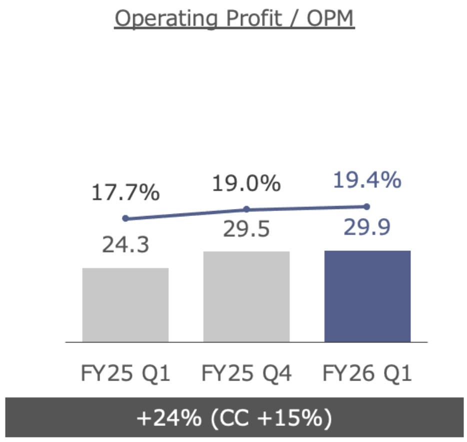
Profitability improved across both businesses. In addition, as the Information Technology business grew faster than the Life Care business, Group profit increased 17% on a constant currency basis.

As a result, both revenue and operating profit reached record highs on a quarterly basis.

Life Care Business

- [Revenue] Revenue grew at a double-digit rate, supported by resilient performance across the portfolio and favorable FX translation effects.
- [Operating Profit] Profitability improved significantly YoY, supported by ongoing cost rationalization and operational improvements.





Revenue of Life Care was 154.8 billion yen, up 13% YoY, and up 3% on a constant currency basis.

Operating profit was 29.9 billion yen, up 24% YoY, and up 15% on a constant currency basis. The profit margin was 19.4%.

Revenue remained resilient overall, although performance varied by product.

On the profit side, ongoing cost control and an increased contribution from high-value-added products supported profitability improvement. We believe we are making steady progress toward our target profit margin of around 20%. Please note that this figure includes the temporary impact of U.S. tariff refunds. Excluding this impact, we estimate that the profit margin would have been slightly below 19%.

Eyeglass Lenses

Sales Growth
+16%
(CC +4%)

- Asia, particularly Japan and China, drove growth. By channel, sales to large retail chains remained robust.
- Sales of MiYOSMART iQ (2nd gen) expanded further in China, while rollout into other markets continued.
- We remain focused on expanding high-value-added products and accelerating market penetration of new products.

Sales of eyeglass lens grew 16%, or 4% on a constant currency basis.
By region, Asia, particularly Japan and China, drove growth. In China, sales of the second-generation MiYOSMART iQ continued to expand, reflecting the rollout that has been underway since the second half of last year. We are also gradually expanding into markets outside China and aim to drive further growth going forward.

Contact Lenses (eyecity)

Sales Growth
+3%
(CC +3%)

- Revenue remained solid, supported by higher customer traffic and improved customer retention through subscription programs and other initiatives.
- The continued expansion of premium product sales increased average spending per customer.
- We will continue to enhance customer convenience and expand sales of premium products to broaden our customer base.

Sales growth was 3%, and the business continued to deliver stable growth.
Although there were no major changes in the business environment, revenue remained stable, supported by contact lens products and services tailored to individual customer needs.

Endoscopes

Sales Growth
+8%
(CC -4%)

- Revenue in Europe remained broadly stable, while weakness in the Chinese market persisted.
- Structural reforms are progressing as planned, including the company split of the Japanese Endoscope business effective August 1 and manufacturing footprint optimization.
- As part of business portfolio management, we have initiated a review of strategic options, including a potential transfer of the business to a third party.

Sales growth was 8%, or a 4% decline on a constant currency basis.
Please note that revenue includes the impact of a product-related business transfer in the previous fiscal year. Excluding this impact, revenue declined slightly.

By region, Europe remained broadly stable, while the Chinese market continued to face challenging conditions.

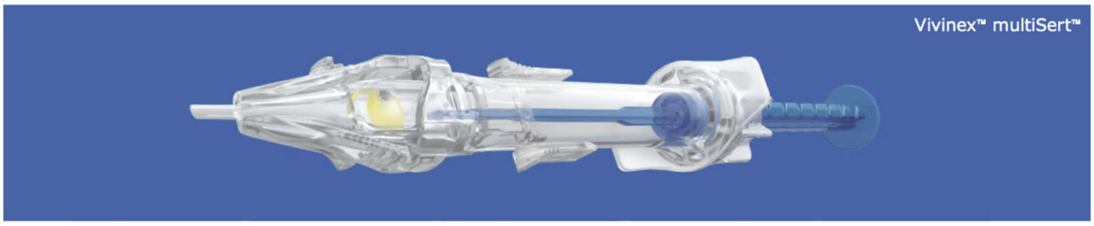
Against this backdrop, we are steadily advancing the structural reforms decided in FY25. The company split of the Japanese Endoscope business is scheduled to take effect tomorrow, and optimization of the manufacturing footprint has also entered the implementation phase. These measures are progressing as planned, and we expect their effects to become visible from the second half of this fiscal year.

Furthermore, as disclosed today in a timely disclosure, as part of our business portfolio management, we have initiated a review of strategic options, including a possible transfer of the Endoscope business to a third party.

IOLs

Sales Growth +17% (CC +9%)

- While revenue declined in China, growth remained solid in Japan, Europe, and other regions.
- The growing adoption of trifocal IOLs increased the share of ATIOLs in the sales mix, contributing to revenue growth.
- We continue to focus on expanding ATIOL sales globally.



Sales growth was 17%, or 9% on a constant currency basis.
While the environment in the Chinese market remained challenging, growth was solid in other regions. Sales of high-value-added products were particularly strong, and we made progress in improving the product mix.

Artificial Bone and Other

Sales Growth +15% (CC +6%)

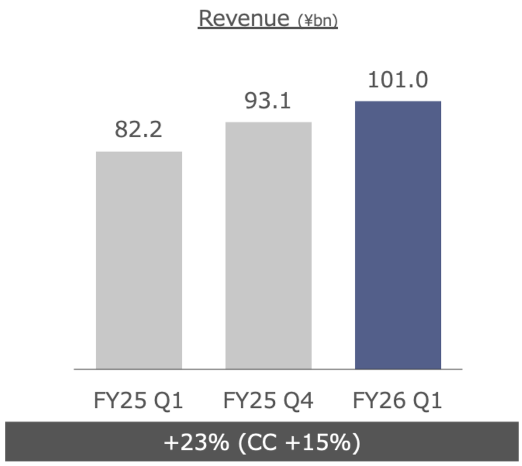
- Sales of endoscope disinfection washers and metal implants remained solid, resulting in double-digit growth.
- Revenue from chromatography media declined due to ongoing customer inventory adjustments.
- We aim to achieve stable and sustainable growth by expanding into new markets and applications while strengthening our operating foundation.

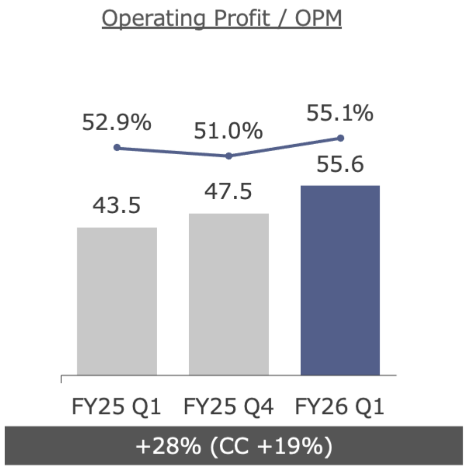
Although performance varied by product, endoscope disinfection washers and metal implants performed particularly well.

Overall, sales increased 15%, or 6% on a constant currency basis.

Information Technology Business

- [Revenue] Strong growth in Optical Solutions, in addition to LSI and HDD substrates, contributed to overall revenue expansion.
- [Operating Profit] Profit margins expanded, supported by higher revenue and a richer mix of high-value-added products.





Revenue of the Information Technology business came in at 101.0 billion yen, up 23% YoY, and up 15% on a constant currency basis.

Operating profit was 55.6 billion yen, up 28% YoY, and up 19% on a constant currency basis. The profit margin was 55.1%.

Revenue grew strongly in LSI, glass substrates for HDDs, and Optical Solutions, resulting in double-digit growth overall.

On the profit side, an improved product mix and a higher contribution from high-value-added products supported profitability. Although depreciation expenses associated with capital expenditures increased, this was more than offset by these factors.

As in the Life Care business, this includes a temporary profit contribution from U.S. tariff refunds.

LSI

Sales Growth
+21%
(CC +18%)

- Demand for EUV blanks remained solid, supported by AI-related semiconductor investment.
- Revenue growth was driven by increased sales of high-value-added EUV blanks, including phase-shift mask (PSM) products.
- We continue to invest in next-generation blanks, including High-NA products, while supporting customers' performance enhancement.

Sales growth was 21%, or 18% on a constant currency basis.
Demand for EUV blanks remained extremely strong, and sales of high-value-added products continued to expand.
DUV blanks also performed well, with sales growing in the mid-single digits.

FPD

Sales Growth
+9%
(CC +2%)

- Revenue increased as utilization at the Chongqing facility improved and sales to Chinese customers expanded.
- Demand for development projects remained stable, particularly for smartphones, foldable devices, and IT OLED applications.
- We continue to expect growth opportunities from foldable devices, wearables such as VR, and OLED-equipped AI PCs and gaming PCs.

Sales growth was 9%, or 2% on a constant currency basis.

In fiscal year 2024, the Group’s overall production capacity temporarily declined due to the start-up of the China plant, but capacity recovered in fiscal year 2025. We are now in a phase of fully utilizing that capacity, and the growth rate itself has stabilized. Going forward, we will continue to improve the product mix toward high-value-added products while fully utilizing available production capacity.

HDD Substrates

Sales Growth
+29%
(CC +15%)

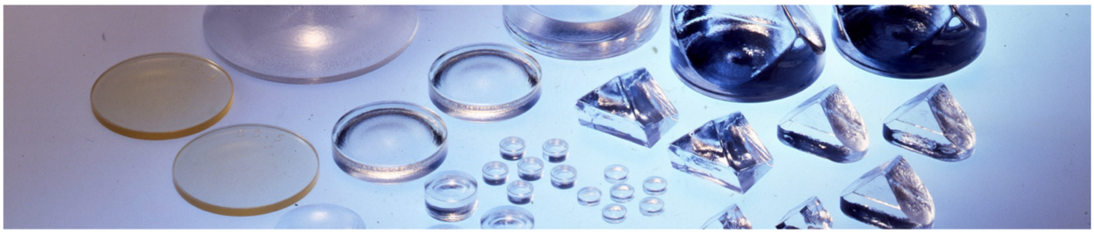
- Strong nearline HDD demand, supported by active data center investment, drove significant growth in 3.5-inch substrates.
- Adoption of HAMR technology and higher platter counts continued to support increased use of glass substrates.
- We are increasing utilization in Laos while enhancing manufacturing capabilities for HAMR applications and thinner substrates required for higher-capacity drives.

Sales growth was 29%, or 15% on a constant currency basis.
Demand remained very strong, and expanding supply capacity continues to be a key focus. We are also working to improve the utilization rate at our Laos plant and are putting in place a structure to meet demand.

Optical Solutions (Formerly Imaging)

Sales Growth
+22%
(CC +11%)

- To better reflect the business portfolio, which now extends beyond camera-related applications, the business has been renamed Optical Solutions beginning this quarter.
- Strong sales of CUPO polarization glass for optical transceivers were the primary driver of growth.
- We continue to expand CUPO production capacity while promoting growth in wearable-device lenses and AR-related products.



We have renamed this business from “Imaging” to “Optical Solutions.” This change reflects the expansion of applications beyond imaging-related uses, including CUPO. While imaging-related products still account for a large proportion of sales, we aim to achieve growth across a broader range of applications going forward.

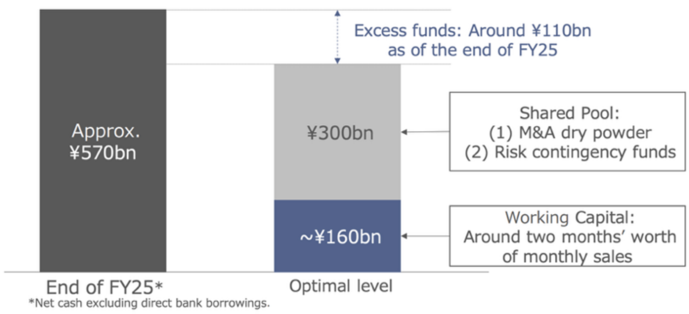
Demand for CUPO and wearable-related products remained robust, and sales of small-sized glass materials also performed well. As a result, sales for the business as a whole grew 22%, or 11% on a constant currency basis.

Shareholder Returns

HOYA

- In April, we announced a policy to reduce net cash on the balance sheet by approximately ¥110 billion in order to further enhance capital efficiency.
- Based on this policy and taking into account cash flow generation and investment requirements, we resolved to conduct a share buyback program of up to ¥200 billion.

Concept of Optimal Net Cash Level
(Reprinted from FY25 Q4 presentation)



Share Buyback Program

Period	Aug. 3, 2026 - Mar. 24, 2027
Maximum Amount	¥200 bn
Maximum Shares	10 mn shares (2.99% of the total number of issued shares excluding treasury stock)

At today's Board of Directors meeting, we resolved to implement a share repurchase program of up to 200.0 billion yen.

The repurchase period is scheduled to run from next week through the end of the fiscal year, and we will proceed with repurchases while taking market conditions and other factors into account.

Guidance

The Life Care Business and the Information Technology Business are both expected to benefit from continued robust demand for their key products. In particular, eyeglass lenses, EUV blanks, HDD substrates, and optical solutions are expected to drive growth, supporting double-digit increases in both revenue and operating profit.

Q2

(¥bn)	FY25 Q2	FY26 Q2	YoY
Revenue	234.5	265.3	+13%
Operating Profit	70.2	82.6	+18%
Pretax Profit	71.9	84.0	+17%
Profit for the Quarter	55.0	65.2	+19%

H1

(¥bn)	FY25 H1	FY26 H1	YoY
Revenue	459.0	521.0	+15%
Operating Profit	136.4	165.0	+21%
Pretax Profit	139.3	170.0	+22%
Profit for the Period	106.4	131.0	+23%

The detailed figures for the earnings outlook are as shown in this slide. Regarding the business environment, we expect conditions in each business to remain broadly similar to those in Q1. However, the first quarter included a one-time profit factor from U.S. tariff refunds, and our first-half outlook factors in the resulting headwind.

Q&A

Yoshida (CLSA Securities)
LSI sales showed very strong growth, up 18% YoY on a constant currency basis. Could you explain to what extent EUV drove this growth, and how we should interpret the volume and price factors, including the contribution from Phase Shift Masks (PSM)? Also, to what extent do you consider this growth to be sustainable?

Ikeda
EUV performance is currently stronger than the outlook we previously discussed, and we expect growth of approximately 20% YoY. For DUV, we expect growth in the low- to mid-single-digit range.
As for the contributions of volume and unit price, it is difficult to separate them precisely due to factors such as product mix, but both are contributing to growth.

Yoshida
Regarding HDD substrates, Q1 growth of 15% on a constant currency basis seems stronger than expected. Since customers are projecting growth in the mid-20% range on a capacity basis, is there room to raise the full-year outlook?

Ikeda
We expect growth of around 15–20% for 3.5-inch platters. On the other hand, we continue to expect a double-digit decline for 2.5-inch platters. Therefore, we believe the HDD business as a whole will grow in the low-teens range.

Hirooka
In Q1, the decline in 2.5-inch sales was not as severe as anticipated. As a result, overall growth reached 15%. However, trends in 2.5-inch products remain difficult to predict, and at this point we are maintaining the outlook mentioned by Ikeda.

Shibano (Citigroup Securities)
I would like to ask about the profit margin in the Information Technology business. The margin was very high at 55% in the first quarter. What would the underlying figure be, excluding the impact of tariff refunds? Also, to what extent do you believe this profit margin is sustainable?

Hirooka
Excluding the impact of tariff refunds, you can consider the underlying figure to be in the 54% range. However, profit margins are significantly influenced by product mix. They could fluctuate

by a few percentage points depending on which products grow and when.

We view around 52% as a benchmark and are managing the business with the aim of exceeding that level.
Depreciation expenses will increase from next fiscal year, so the challenge will be how to absorb that increase.
Just as Life Care has set a target of 20%, we consider it an important objective for the Information Technology business to maintain a profit margin of at least 50%.

Shibano
I would like to hear the perspective of the CEO as well.

Ikeda
Until now, we have been discussing around 50% as a benchmark. The reason Hirooka mentioned 52% this time is that, based on our performance over the past several months, we have become increasingly confident that we can aim for a higher level than before. However, demand and product mix will continue to fluctuate. It would not be easy to maintain 55% consistently. Therefore, I think it is realistic to assume a profit margin in the low 50% range as a baseline.

Shibano
Looking at the current fiscal year, is there a possibility that the margin could rise further from the Q1 level?

Ikeda
Depreciation expenses will continue to rise. However, the significant increase will not occur until next fiscal year or later. For this fiscal year, the impact of the increase will be limited, and therefore we believe we can maintain a high profit margin.

Shibano
I would also like to confirm the sales figures. Could you give us an idea of the growth rates for EUV blanks and HDD substrates from the second quarter onward?

Ikeda
We expect EUV blanks to grow by about 20% YoY, and 3.5-inch HDD substrates to grow by about 15–20% YoY. We expect these growth rates to be sustained through the second and third quarters. Please use these figures as a basis for your quarter-on-quarter projections. Production schedules on our side may become a variable factor in the fourth quarter, but we expect to maintain these levels at least through the end of the calendar year.

Kotani
I would like to ask about MiYOSMART iQ. The 12-month trial results reported at ARVO showed that myopia progression was virtually nonexistent in children aged 4 to 12, which I view as a truly groundbreaking result. Looking ahead, what do you estimate the market size and sales potential to be for this business?

Ikeda
As you pointed out, the 12-month trial confirmed the product's effectiveness in managing myopia progression. However, at this stage, these results are limited to certain overseas clinical trials, and similar verification is required in Japan, the United States, and other markets. We are currently in the process of obtaining regulatory approvals and building evidence in various countries. Therefore, we are not yet in a position to quantify global sales potential. For now, we intend to focus on collecting longer-term data, such as two- or three-year data, and securing regulatory approvals in each country.

Kotani
Regarding the eyeglass lens business, I believe turning around the U.S. business is an important challenge. The head of North American operations changed last year. What changes have been made in terms of strategy?

Ikeda
As you pointed out, the U.S. is currently a challenge for us. We are particularly focused on strengthening our business with independent optical retailers. Under the new leadership, we are restructuring the sales organization and reviewing the deployment of sales personnel. It is not yet time to evaluate the results, but we will provide updates as appropriate once results become visible.

Nakamura (Goldman Sachs Securities)
My first question concerns HDD substrates. I believe you previously explained that the Laos plant was operating at about one-third of its capacity. What is the current situation?

Also, there are reports that HDD manufacturers are considering in-house production of some glass substrates; please share your thoughts on this matter.

Ikeda
The Laos plant has facilities capable of housing a total of 12 production lines, together with a cleanroom. Since we have been operating only four lines so far, utilization was indeed about one-third, as you pointed out. For the remaining two-thirds, we plan to gradually install

equipment from this fiscal year through next fiscal year and bring those lines into operation. Furthermore, the next round of investment to increase production, which we explained during the previous earnings briefing, is scheduled to begin in FY28.

Regarding HDD manufacturers' moves toward in-house production of glass substrates, this can also be interpreted from another angle as a decision to shift from aluminum substrates to glass substrates. In that sense, it is not necessarily a negative development for us. In fact, there was a similar trend toward in-house production during the 2.5-inch era, and the fact that customers are considering in-house production is within our expectations. From the perspective of the overall expansion of the glass substrate market, we view this positively.

Nakamura
Regarding 3.5-inch substrates, if demand were to rise further, to what extent could you accommodate it in terms of production capacity?

Ikeda
In response to strong demand from customers, we are accelerating the installation of new equipment. What I can say at this point is that, within the 15–20% growth range I mentioned earlier, we are fully capable of handling demand up to 20%. As for anything beyond that, we have not yet entered the stage of concrete planning.

Nakamura
Regarding EUV blanks, I believe there has traditionally been a tendency for unit volume to decline when the proportion of high-unit-price products increases, but this time it appears that both are growing. Is this due to productivity improvements or other factors? Also, DUV sales seem to be growing more than expected. Could you explain the reasons for that as well?

Ikeda
Generally speaking, as the proportion of high-value-added products increases, volume efficiency tends to decline. However, another factor contributing to the increase in unit prices is the improvement in defect rates. If we can produce high-quality products with fewer defects, with improving yield, we can raise average prices without sacrificing productivity. In that case, we can achieve both an increase in ASP and growth in volume.

Regarding DUV, we have not made capital investments to expand production capacity. Consequently, while volume has not increased significantly, the product mix within DUV has improved. We are seeing a shift from low-end to mid-range products and from mid-range to high-end products, which is driving sales growth.

Nakanomyo (Jefferies Securities)

There is a view that AI investment is putting pressure on hyperscalers' cash flow and that investment may slow at some point in the future. From a medium- to long-term perspective, how do you assess the impact on demand for HDD substrates?

Ikeda

This is a very important issue, but it is difficult to predict at this point. We maintain regular, direct communication with the management teams of major HDD manufacturers and are constantly updating our information. However, I would like to refrain from offering a specific outlook at this time.

Nakanomyo

On the other hand, it appears that supply is constrained at the moment. Even if investment by hyperscalers were to slow, is it possible that the HDD substrate market could demonstrate resilience?

Ikeda

We do not see supply constraints on our side for HDD platters. Since recording density is improving with the introduction of HAMR, even if demand grows on an exabyte basis, the number of disks required will not necessarily increase at the same rate. At present, however, higher recording density alone cannot fully absorb the increase in demand, so the number of platters is also increasing.

In addition, we have second and third customers that are expected to ramp up in the future. Even if the market growth rate were to slow, the increase in volume from these new customers would be a positive factor. Therefore, as long as we do not significantly misjudge demand forecasts, we believe we can continue to operate the business while maintaining high profit margins.

Nakanomyo

Regarding Optical Solutions, I understand that the CUPO and wearable-related products are seeing significant growth. Could you tell us about the growth rates and production capacity?

Ikeda

For CUPO alone, we expect sales growth of approximately 30–40% YoY for this fiscal year. On the other hand, there are no major bottlenecks in terms of production capacity. Unlike HDD substrates or EUV blanks, this is not a business that requires large-scale capital investment to increase production, and we are currently fully capable of meeting demand.

As for optical products for wearables, production tends to be high around new product launches and then fluctuates depending on subsequent sales conditions. While it is difficult to explain growth rates on a quarterly basis, we believe the business remains on a YoY growth trajectory.

Yoshikawa (Morgan Stanley MUFG Securities)
Regarding mask blanks, you mentioned expanding sales of high-value-added products such as Phase Shift Masks (PSM). Is this driven by increased demand in current mass-production generations, or by development demand for next-generation processes?

Ikeda
Regarding PSM, significant volumes are already being used in the current N2 generation. As our foundry customers have announced, mass production of the N2 process is in full swing, and demand for this mass production is driving our current growth.

Yoshikawa
What will happen in the A14 and A10 generations further down the line?

Ikeda
In the A14 and A10 generations, the film materials used for PSM are needed to be changed. Furthermore, the number of EUV layers as a percentage of the total mask set, and the number of layers within that set where PSM is used, are expected to increase. While there will be variations depending on the design, there is no doubt that the value added will be higher than in the N2 generation.

Yoshikawa
Among Optical Solutions products, could you tell us about demand for digital cameras? Previously, you explained that the outlook was uncertain due to factors such as rising memory prices.

Ikeda
At present, we have not seen changes as significant as we initially feared. There has been neither a substantial increase nor a decrease, and demand remains relatively stable.

Current growth in Optical Solutions is being driven by CUPO for data centers and products for wearables, while the relative impact of digital cameras has become smaller.

Moderator
With that, we will conclude today’s earnings briefing.

Thank you very much for joining us today, despite this being a busy earnings announcement period.

[Note]
This transcript has been edited for readability based on remarks made during the earnings briefing and is not a verbatim record of every word spoken.