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Japan Precision Equipment and Semiconductor Equipment

Week 2 recap – Jan-Mar 2026 results

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CITI'S TAKE

We review Week 2 (May 7-8) of the FY3/26 Q1 results season. Post-results stock performance (versus TOPIX) was negative for Tamron (-9%) and positive for Seiko Epson (+12%). Nikon and Brother announced results after the market close on Friday, May 8. Tokyo Electron (+11%) and Disco (+4%) posted strong performance versus TOPIX from the day of the results announcement through the May 8 close.

Week 2 recap — Two companies we cover announced results after the May 8 close. Nikon's FY3/26 operating loss widened to ¥112.4bn, missing guidance of ¥100bn. Unplanned one-time charges in precision equipment and imaging (totaling ¥8.9bn) is the main reason for this. Brother (May 8) beat business segment profit guidance for FY3/26 slightly, but FY3/27 guidance is below consensus.

Guidance — Nikon's initial FY3/27 guidance is for OP of ¥10bn. Excluding one-time charges, this represents a ¥16.8bn YoY improvement and return to profitability, with the key driver being improvement in digital manufacturing (+¥10.9bn YoY ex-one-time factors). Brother guides for FY3/27 business segment profit at ¥85bn. Management originally targeted ¥91bn internally but conservatively incorporated cost inflation impacts, etc. (¥10bn buffer also factored in).

Shareholder returns — Nikon cut its FY3/27 dividend forecast by ¥20 YoY to ¥20 and did not announce any buybacks. Brother announced a new ¥20bn buyback, but this follows the same action from one year ago as per the MTP announced in 2025, so this comes as no surprise. Fujifilm completed its ¥30bn buyback (first since 2020) between April 1 and April 30. An additional buyback announcement with Fujifilm results on May 12 would be positive, but we think a buyback in several hundreds of billions of yen would be insufficient to change investor sentiment. Continued bio CDMO underperformance has made investors sour on Fujifilm shares.

Upcoming results — During the third week of results season (May 11-15) Fujifilm reports at 14:00 on May 12, with Ricoh and Olympus reporting after the market close. Citizen and Screen Holdings report after the close on May 13, and Konica Minolta reports after the close on May 14.

Meeting feedback — See below for feedback from meetings held during the second week of results season (Tamron, Seiko Epson, Hoya, Advantest).

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliation

Meeting feedback

Tamron (7740.T): Meeting held on morning of May 7

Q1 OP beat internal plan by ¥300mn-¥400mn. Interchangeable lenses underperformed due to China weakness and inventory drawdowns, but the surveillance/FA and M&H businesses showed strong progress and outperformed. There was a ¥300mn-¥400mn positive from reversal of Q3 charges. We expect Q2 OP of c¥5bn.

Photographic product sales were broadly in line overall. Own-brand lenses beat internal targets in Japan, the US, and Europe (particularly the US) while weakening further in China, where the company anyway expected a shipment correction. Tamron plans to complete China inventory adjustments by end-H1 (end-June). OEM lenses fell slightly short of plan after adjusting for boosts from the weak yen. The company said the price hikes from April 1 apply only to Japan (their main purpose is to rectify differentials with overseas prices). In surveillance camera products, demand is strong in developed markets. In automotive there were contributions from higher volumes, an ASP boost from the weak yen, and also an underused expense budget. Adjustments amounted to -¥370mn in Q1 but are expected to return to the usual -¥700mn to -¥800mn levels in subsequent quarters.

Hoya (7741.T): Meeting held in afternoon of May 7

Jan-Mar pre-tax profit beat company plan slightly. IT revenue was broadly strong, beating plan by 10%, while LC remained broadly in line. No guidance was provided. We expect Apr-Jun pre-tax profit of ¥75bn-¥80bn, up 15%-20% YoY, driven by strength for HDD substrates and blanks.

EUV blanks posted strong sales growth of 15% QoQ in January-March and Hoya expects 10%-plus YoY in FY3/27. Depreciation expense is expected to increase by ¥5.0bn-plus in FY3/27. HDD glass substrate sales were flat QoQ in January-March, when they usually dip 10% because the lunar new year holidays reduce plant operations in Vietnam, but this year the plant did not take time out, as in 2025. Production seems likely to hold flat at high levels in April-June and beyond. HDD generation change is seen slowing volume for large customers but Hoya is aiming for 10%-15% revenue growth in near-line in FY3/27 given shipments to new customers ramp up from H2. We understand that visibility has increased on acquisition of a third customer. Hoya said it expects CUPO sales growth of 10%-15% YoY in FY3/27. No change is expected in life care overall. It noted there are no concerns in eyeglass lens materials (optical resin) sourcing. Eyecity is also doing well but Hoya assumes revenue growth will slow with reduced scope for store openings in Japan.

Seiko Epson (6724.T): Meeting held in afternoon of May 7

Jan-Mar business profit significantly beat guidance of ¥11.2bn. Ink, CISS hardware (emerging markets), and external printhead sales (China project wins) outperformed, while microdevices and VC underperformed on inventory impacts. OP included a ¥25.9bn hit from Fiery goodwill impairment. For FY3/27 Seiko Epson expects profit growth, with management apparently aiming for growth to start in April-June.

The company reported that IJP hardware sales are generally steady while ink posted growth in Europe and the Americas in January-March. The company assumes crystal device sales rise to ¥60bn in FY3/27 from ¥56bn in FY3/26 but positives such as price hikes are not factored in to any great extent. Robotics losses are presumed to persist in FY3/27. The company sounded positive on visual communications, where there are signs of recovery in demand centered on education. After a ¥25.9bn write-down at end-FY3/26, Fiery goodwill has declined to c¥15bn from ¥40bn (intangible assets still exceed ¥50bn). The company assumes continued weak earnings for Fiery. In addition to Fiery, write-downs included manufacturing-related & wearables (¥1bn-plus).

Advantest (6857.T): Meeting held in afternoon of May 8

Jan -Mar revenue beat plan by 20% as Advantest was better able to meet robust high-end SoC tester demand than it had expected. The gross margin reached 67.4% on mix improvement and license revenue expansion. Management expects QoQ revenue decline in April-June, with an internal OP target of c¥140bn in our estimation (we think this will be beaten).

FY3/27 guidance — Advantest released only FY guidance and told us this assumes 1) both sales and OP are divided almost equally between H1 and H2, 2) a likely QoQ decline in revenue and profit in Q1 after a frontloaded overshoot in FY3/26 Q4, and 3) a tester TAM in the midpoint of the assumed range. An assumed 1ppt YoY contraction in the gross margin takes account of rising sourcing costs, including those for DRAMs.

Tester market share — Advantest's SoC tester share expanded to 66% in CY25 from 56% in CY24 and is targeted for an increase of several percentage points in CY26. While competitors are revealing ambitions for medium-term growth in share alongside orders won for merchant GPUs, Advantest says it is confident of maintaining and expanding share as an established vendor. Advantest's memory tester share grew to 63% in CY24 from 56% in CY23 as the company cultivated initial demand relating to HBM investment. Chip makers' increased use of dual supplier sourcing resulted in CY25 share of 61% and Advantest thinks it can maintain c60% in CY26.

SoC tester capacity (maximum annual production volume) — Plans from three to six months ago have been superseded. Advantest said it is now looking at a capacity increase to 5,000 units during FY3/27 rather than at the end. Similarly, the company wants to secure 10,000-unit capacity by the end of FY3/29 versus earlier projections of 2030-2032.

Silicon photonics and CPO — Advantest believes it is in a leading position in silicon photonics and CPO. Scalable testing systems are a must for the impending mass production phase and Advantest is working with partners in silicon photonics based on its widely used V93000 platform. In March, FormFactor unveiled the TRITON photonics test cell developed in collaboration with Advantest and Tokyo Electron for upcoming mass production. TRITON offers an integrated solution combining V9300 testers with Tokyo Electron's Prexa probers. We see Advantest's announcement of its first order for mass production semiconductor testers in the silicon photonics field—with FY results on April 28—as a signal of company progress on this front too.

Companies Mentioned:

Advantest (6857.T; ¥29885.0; 1; 08 May 26; 15:30) | Brother Industries (6448.T; ¥3225.0; 2; 08 May 26; 15:30) | Citizen Watch (7762.T; ¥1986.0; 3; 08 May 26; 15:30) | Disco (6146.T; ¥75000.0; 1; 08 May 26; 15:30) | Fujifilm Holdings (4901.T;

¥3023.0; 1; 08 May 26; 15:30) | Horiba (6856.T; ¥23170.0; 1; 08 May 26; 15:30) | Hoya (7741.T; ¥27470.0; 1; 08 May 26; 15:30) | Konica Minolta (4902.T; ¥534.2; 2; 08 May 26; 15:30) | Nikon (7731.T; ¥1880.5; 3; 08 May 26; 15:30) | Olympus (7733.T; ¥1571.5; 1; 08 May 26; 15:30) | Ricoh (7752.T; ¥1342.0; 3; 08 May 26; 15:30) | Screen Holdings (7735.T; ¥11380.0; 2; 08 May 26; 15:30) | Seiko Epson (6724.T; ¥2442.0; 2; 08 May 26; 15:30) | Tamron (7740.T; ¥1022.0; 2; 08 May 26; 15:30) | Tokyo Electron (8035.T; ¥52450.0; 1; 08 May 26; 15:30)