

FY20Q1

Financial Results

July 28, 2020 Earnings Conference

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HOYA CORPORATION

1. Financial Results [Ryo Hirooka, CFO]

2. IT Business Overview

3. Life Care Business Overview

4. Summary

5. Q&A

Financial Overview

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Revenue	140.8	109.3	-31.5	-22%
Pretax Profit	37.0	31.9	-5.1	-14%
Net Profit	30.1	25.6	-4.5	-15%
cf. Profit from ordinary operating activities*	38.5	31.3	-7.2	-19%

Sales declined due to the impact of COVID-19; however cost reductions minimized the impact on profits.
(Pretax Profit Margin 26.3%→29.2%)

Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Revenue	111.7	109.3	-2.4	-29.1	-21%
Pretax Profit	32.2	31.9	-0.3	-4.8	-13%
Net Profit	25.9	25.6	-0.2	-4.3	-14%

Average Rates	(A)Q1 FY19	(B)Q1 FY20	Variance
US\$	¥109.67	¥107.38	+2.1%
EURO	¥122.87	¥118.74	+3.4%
BAHT	¥3.47	¥3.39	+2.3%

Notes RE: Special Items

Comprehensive Income Statement

(¥bn)	Q1 FY19	Q1 FY20	YoY
Income	142.4	113.7	-28.7
Other Income	0.6	3.9	+3.3
Expenses	105.4	81.8	-23.6
Pretax Profit	37.0	31.9	-5.1

- 1 Recorded a revenue related to a settlement in the U.S.
- 2 The Company has made significant temporary cost reductions to limit the impact of the reduction in marginal profit.

Life Care Earnings

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Revenue*	93.8	61.9	-31.9	-34%
Pretax Profit	17.3	10.3	-7.0	-40%
cf.Operating Profit	18.2	9.3	-8.9	-49%
cf.OP Margin	19.4%	14.9%	-4.5pt	

*External revenue

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Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	63.6	61.9	-1.7	-30.2	-32%
Pretax Profit	10.3	10.3	+0.1	-7.0	-41%
cf.Operating Profit	9.3	9.3	-0.1	-8.8	-49%

*External revenue

IT Earnings

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Revenue*	46.0	46.2	+0.3	+1%
Pretax profit	20.5	21.7	+1.2	+6%
cf.Operating Profit	21.2	22.5	+1.3	+6%
cf.OP Margin	46.0%	48.6%	+2.6pt	

Resulted in unusually high margins due to a temporally cost reduction measure not limited to Life Care but also including IT.

*External revenue

IT Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	46.9	46.2	-0.6	+0.9	+2%
Pretax profit	21.9	21.7	-0.3	+1.5	+7%
cf.Operating Profit	22.7	22.5	-0.3	+1.6	+7%

*External revenue

Earnings by Sub-Segment

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Health Care (Eyeglasses/Contact Lenses)	70.4	43.9	-26.5 (-25.3)	-38% (-36%)
Medical (IOLs/Endoscopes/Artificial Bone)	23.3	18.0	-5.3 (-4.8)	-23% (-21%)
Electronics (Mask & Blanks/HDD Substrates)	37.0	40.3	+3.2 (+3.7)	+9% (+10%)
Imaging	9.0	6.0	-3.0 (-2.8)	-33% (-32%)

*Inside the parentheses are growth rates on a constant currency basis

Balance Sheet

(¥bn)	Q3 FY19	Q1 FY20	QoQ
Non-current Assets	289.8	288.3	-1.5
Current Assets	521.2	499.3	-21.9
Capital	629.3	637.2	+7.9
Non-current Liabilities	49.4	49.5	+0.1
Current Liabilities	132.4	100.9	-31.5
Total Assets	811.0	787.6	-23.4

① Decrease of cash -16.5bn yen

② Decrease in trade and other payables due to lower demand -15.6bn yen

Cash Flow

(¥bn)	Q1 FY19	Q1 FY20	YoY	
Operating CF	35.4	10.8	-24.7	1
Investing CF	-10.9	-6.5	+4.4	2
Financing CF	-37.7	-19.8	+17.9	
Cash & Cash Equivalents at the end of the term	273.8	301.5	+27.7	

- 1 Decline in operating cash flow due to lower profits.
- 2 Cash outlays from investing activities decreased as large investments are coming to an end.

Q2 & H1 Forecast

We expect the impact of COVID-19 on our Life Care Business to mitigate; however, we expect sales of contact lenses to decline due to the rush demand before the tax hike in Q2 last year. We expect electronics-related products to be strong, while weak momentum to continue in the imaging business.

FY20 Q2

(¥bn)	Q2 FY19	Q2 FY20	YoY	YoY(%)
Revenue	154.1	135.7	-18.5	-12%
Pretax Profit	44.2	35.1	-9.2	-21%
Net Profit	35.0	27.9	-7.2	-20%

FY20 H1

(¥bn)	H1 FY19	H1 FY20	YoY	YoY(%)
Revenue	294.9	245.0	-49.9	-17%
Pretax Profit	81.3	67.0	-14.3	-18%
Net Profit	65.2	53.5	-11.7	-18%

1. Financial Results

2. IT Business Overview [Eiichiro Ikeda, CTO]

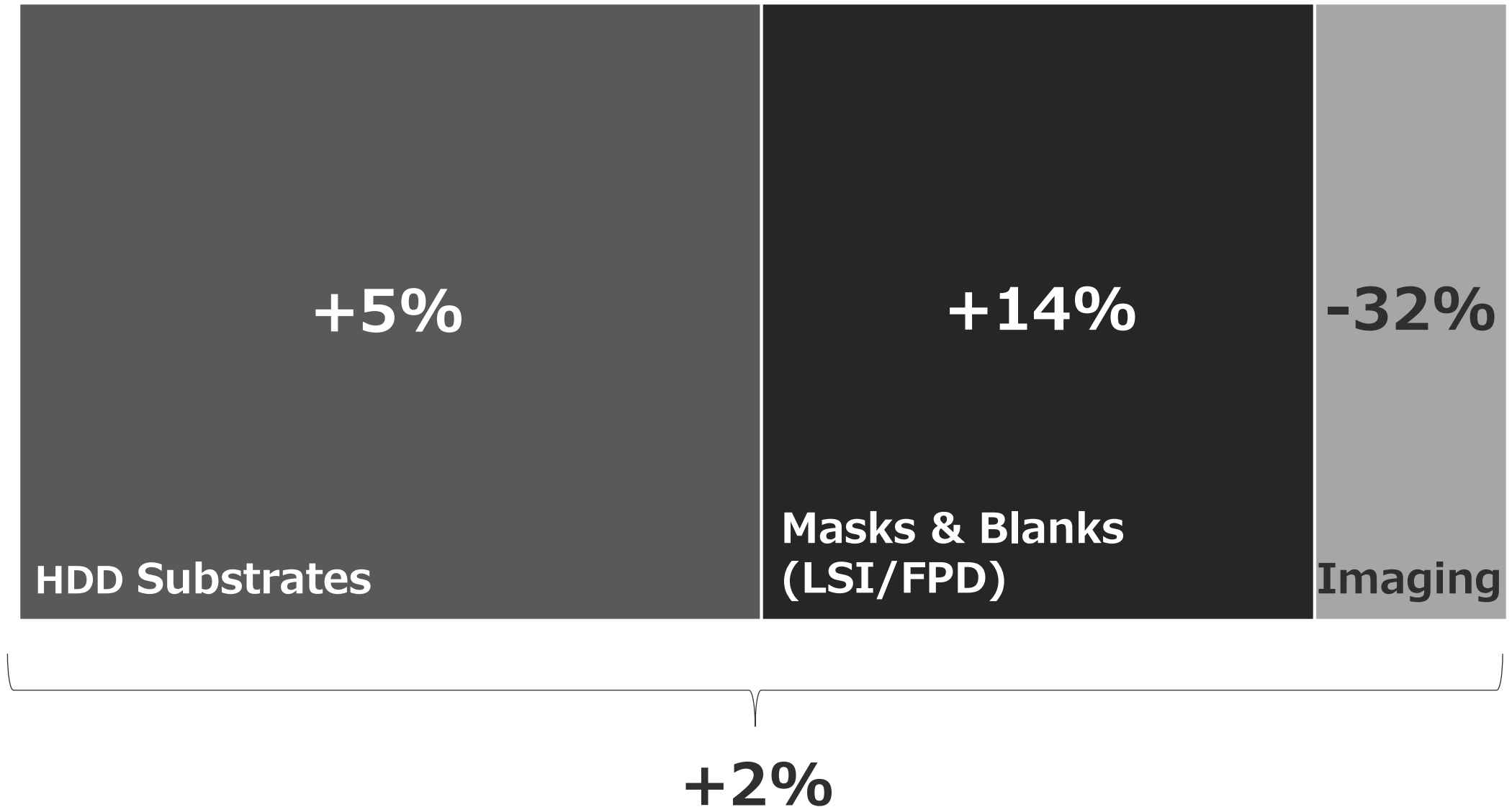
3. Life Care Business Overview

4. Summary

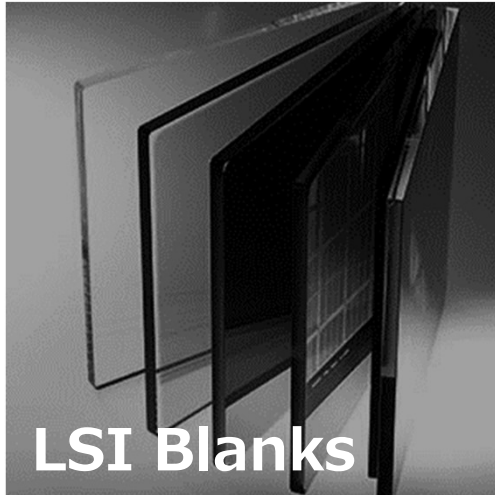
5. Q&A

IT Snapshot

YoY Sales Growth (Like-for-Like)



Overview by Product



EUV blanks continued to show significant growth mainly in R&D applications. DUV sales were also solid. Despite inventory buildup due to COVID-19, we expect solid growth in Q2 and beyond. The impact of the tighter U.S. regulations on Huawei is expected to be limited because our products are still mainly for R&D, not mass production.



We experienced continued strong growth in the Chinese market, capturing demand for OLEDs. Competition to develop differentiated display designs for smartphones continues. We will continue to focus on masks for small- and medium-sized OLEDs and other high value-added products in China. Going forward, we may see some impact from Korean customers' LCD panel factory closure.

Overview by Product



2.5" sales declined due to the temporary closure of customer manufacturing sites, etc. Difficult conditions are expected to continue in Q2 and beyond. This period for 3.5" is normally a downturn in the industry's investment cycle, but sales doubled compared with the previous fiscal year due to special demand related to work from home and customer market share gains. Going forward, we expect 3.5" continue to offset the decline of 2.5.

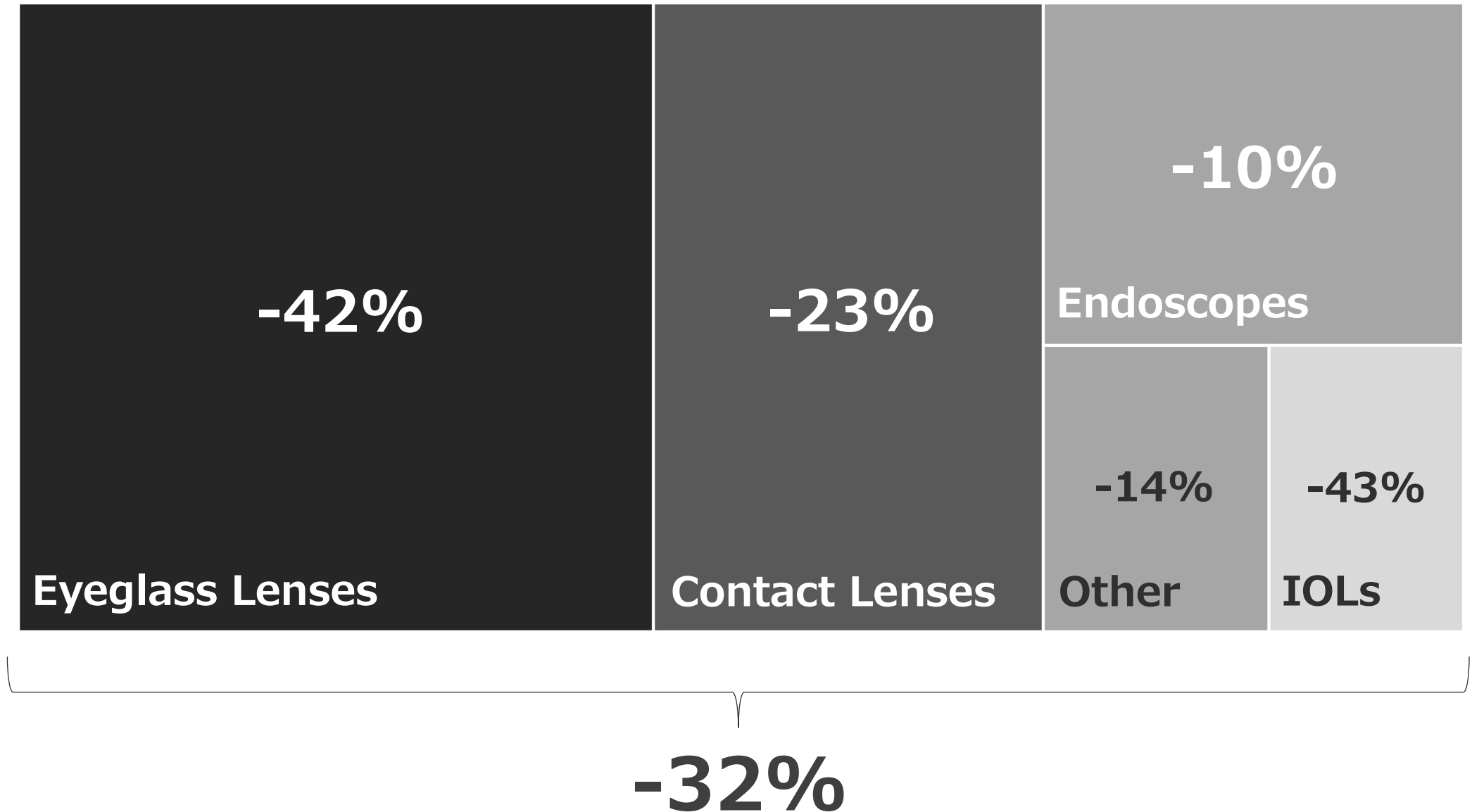


Demand for photography-use products declined significantly due to the negative impact of travel restrictions, and store closures, and there is still no sign of recovery in sight. Despite production adjustments in surveillance camera applications due to COVID-19, the market is expected to grow from 2021 onwards due to an increase in high-performance models, including models designed for disease control.

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Life Care Snapshot

YoY Sales Growth (Like-for-Like)



Overview by Product



Sales declined due to restrictions on non-essential travel outside the home and retail store closures. With the relaxation of regulations, retail sales resumed, and June sales were at the same level as last year. Due to the low level of economic sensitivity in the eyeglass market, we expect the market to continue to recover steadily as economic activity continues to increase. Production at our new factory in Vietnam (No. 2) started on July after a delay.



As many as 40% of our stores were closed under the state of emergency declaration; however the impact was limited in part through online delivery. All stores reopened after the state of emergency was lifted. There has been no outflow of customers to online services, and sales are currently returning to the same level as last year. We are also examining future store development in a post-COVID-19 era.

Overview by Product



Demand for IOLs declined during the COVID-19 pandemic, due to the cancellation or postponement of cataract surgeries. Although it varies from market to market, there has been a slow recovery in clinics while the recovery in large hospitals has been slow at the moment. Since cataract surgery is not a purely "elective" procedure, the number of surgeries is expected to continue to increase.



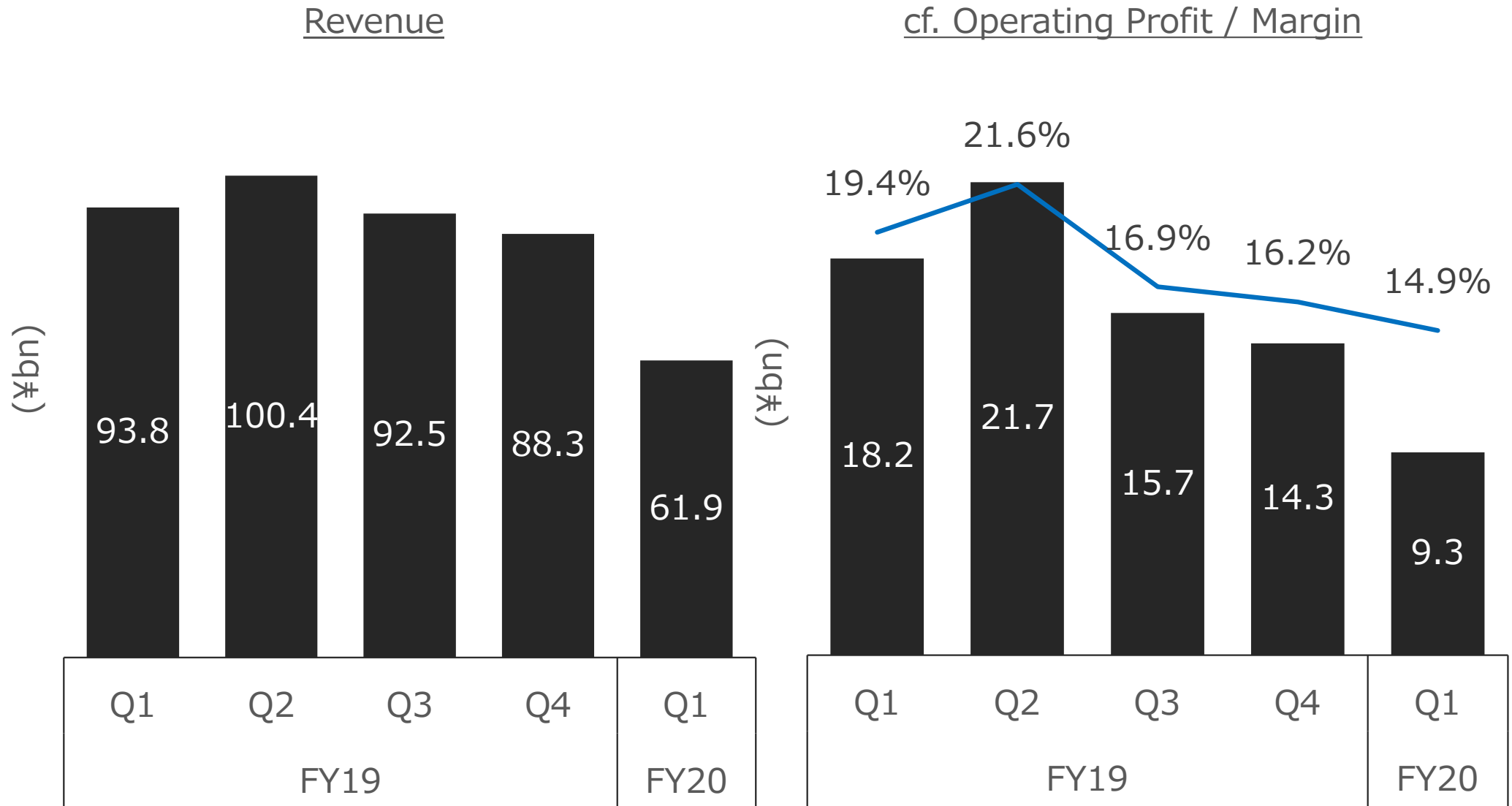
The impact of COVID-19 resulted in restricted access to hospitals, reduced capital investment and delays of certain endoscopic procedures; However, we expect the back log of procedures to be conducted going forward. Although performance depends on the future status of infections, the company expects sales to recover in Q3 to the same level as last year. We aim to obtain approval for disposable bronchoscopes by the end of this year.

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Appendix

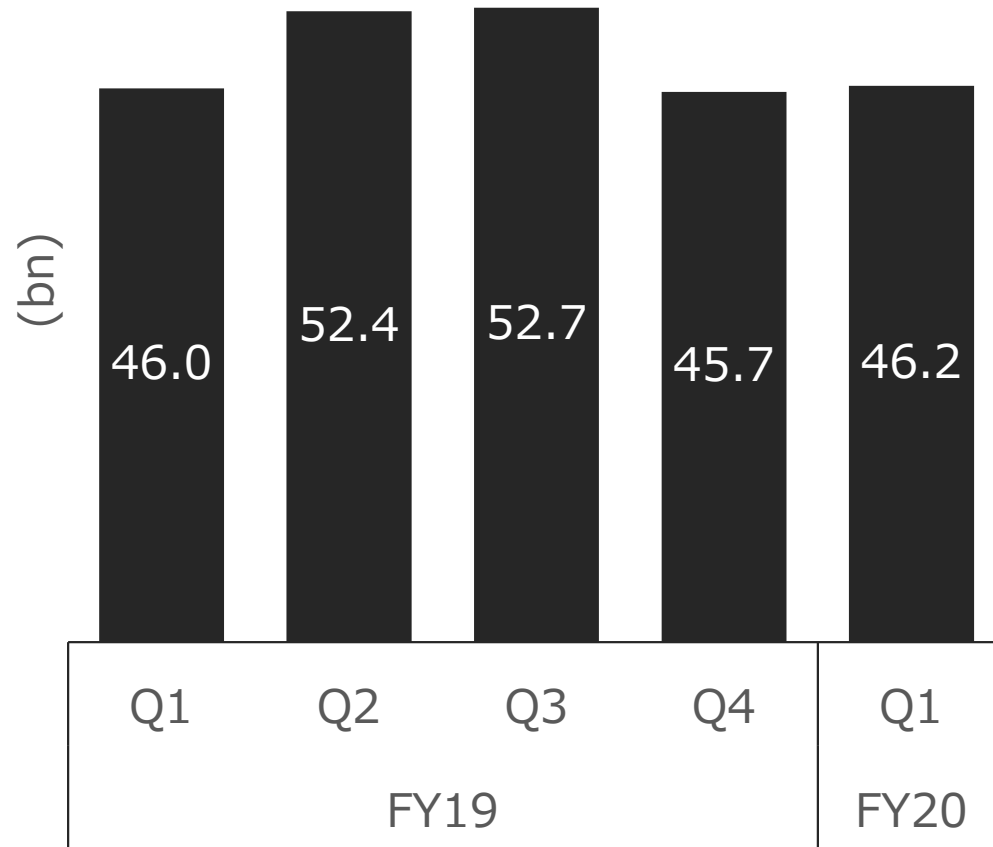
Life Care QoQ Earnings



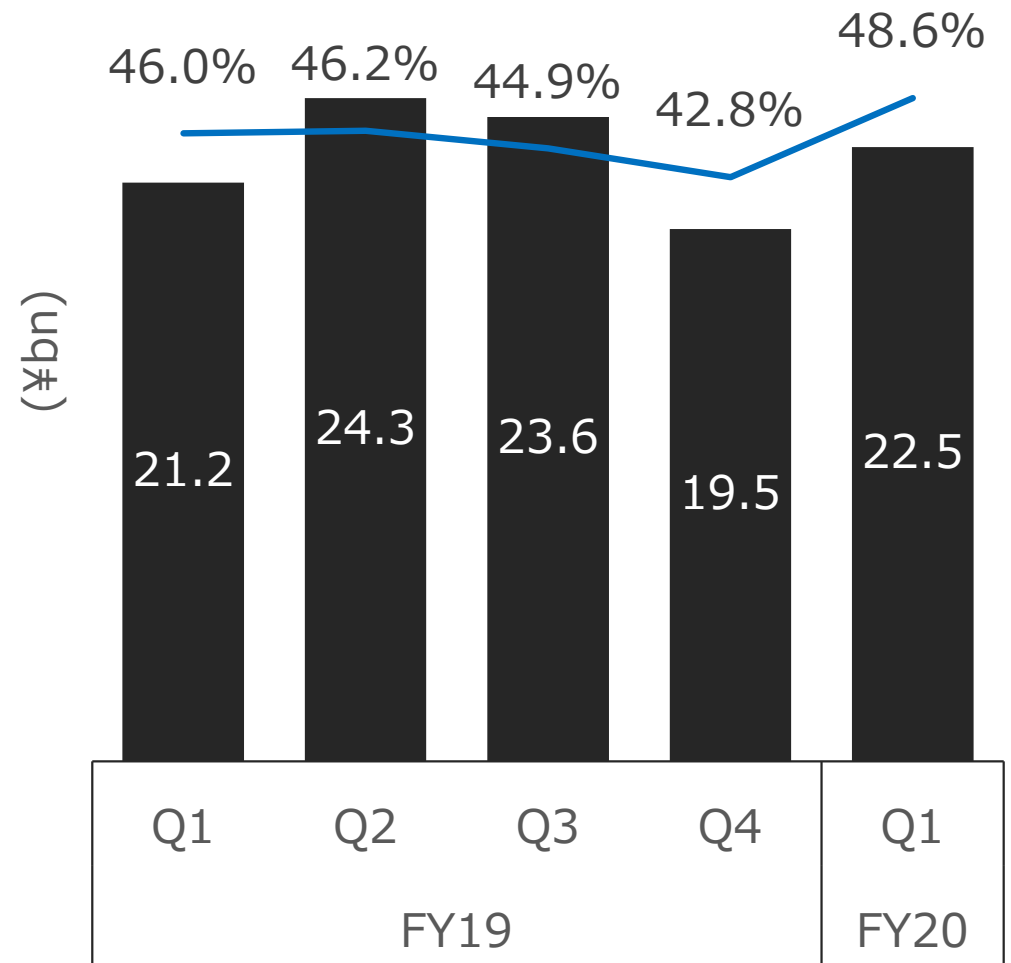
*External revenue

IT QoQ Earnings

Revenue



cf. Operating Profit / Margin



*External revenue

Notes

- ✓ Accounting standard: IFRS
- ✓ The fiscal year ending March 2021 is referred to as “FY20” throughout this document.
- ✓ Figures less than ¥100 million are rounded down. Accordingly, some discrepancies may occur among totals. Ratios are calculated using actual numbers.
- ✓ Like-for-Like figures exclude foreign exchange and M&A impact as well as other extraordinary factors.
- ✓ Profit from ordinary operating activities is calculated as reference information for investors; calculated by deducting finance income/costs, share of profits(loss) of associates, foreign exchange gain/loss and other temporary gain/loss from pretax profit.
- ✓ We have omitted a detailed breakdown of financial statements. Please refer to the *tanshin* or the quarterly report for detailed numbers.
<http://www.hoya.co.jp/english/investor/library.html>

Forward Looking Statement

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