

FY17Q4

F i n a n c i a l

R e s u l t s

May 10, 2018@Belle Salle Yaesu

7741.T[ADR:HOCOPY US]

H O Y A C O R P O R A T I O N

1. Financial Results [Ryo Hirooka, CFO]

2. IT Business Overview

3. Life Care Business Overview

4. Summary

5. Q&A

Financial Overview

(¥bn)	Q4 FY16	Q4 FY17	YoY	YoY(%)
Revenue	126.3	135.9	+9.6	+8%
Pretax Profit	24.4	26.2	+1.7	+7%
Net Profit	19.0	19.5	+0.6	+3%
cf. Profit from ordinary operating activities*	26.9	33.0	+6.1	+23%

*Herein after “Operating Profit”

Profits grew despite impairment losses at offshore subsidiaries.
Operating profit surged due to margin expansion in the Life Care Business.

Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Revenue	135.4	135.9	+0.6	+9.1	+7%
Pretax Profit	26.1	26.2	+0.1	+1.7	+7%
Net Profit	19.4	19.5	+0.1	+0.5	+2%

Average Rates	(A)Q4 FY16	(B)Q4 FY17	Variance
US\$	¥112.85	¥107.47	+4.8%
EURO	¥120.17	¥132.29	-10.1%
BAHT	¥3.24	¥3.43	-5.9%

Notes RE Non-operative Items

Comprehensive Income Statement

(¥bn)	Q4 FY16	Q4 FY17	YoY
Income	127.5	137.1	+9.5
Expenditure	103.1	110.9	+7.8
<u>Impairment Loss</u>	<u>0.2</u>	<u>5.6</u>	<u>+5.4</u>
Pretax Profit	24.4	26.2	+1.7

1

Mainly due to a goodwill impairment of an acquired company based in Brazil (eyeglass lens business). Weakening of BRL led to increased purchasing costs, lowering the profitability than the time of acquisition.

However, the company is steadily gaining market share in-line with the initial plan, and will remain as an important headquarter in Latin America.

Life Care Earnings

(¥bn)	Q4 FY16	Q4 FY17	YoY	YoY(%)
Revenue	83.8	91.9	+8.1	+10%
Pretax Profit	12.3	10.9	-1.4	-12%
cf.Operating Profit	13.2	18.1	+4.9	+37%
cf.OP Margin	15.7%	19.7%	+4pt	

Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	Real YoY	Real YoY(%)
Revenue	90.3	91.9	+1.6	+6.5	+8%
Pretax Profit	10.5	10.9	+0.4	-1.9	-15%
cf.Operating Profit	17.8	18.1	+0.3	+4.6	+35%

IT Earnings

(¥bn)	Q4 FY16	Q4 FY17	YoY	YoY(%)
Revenue	41.6	42.6	+1.1	+3%
Pretax profit	13.6	15.7	+2.1	+16%
cf.Operating Profit	14.9	16.1	+1.2	+8%
cf.OP Margin	35.9%	37.7%	+1.8pt	

IT Earnings (CCB)

(¥bn)	Q4 FY16	Q4 FY17	FX Impact	Real YoY	Real YoY(%)
Revenue	43.7	42.6	-1.1	+2.1	+5%
Pretax profit	16.0	15.7	-0.3	+2.4	+18%
cf.Operating Profit	16.4	16.1	-0.3	+1.5	+10%

Balance Sheet

(¥bn)	Q3 FY17	Q4 FY17	QoQ
Non-current Assets	219.5	204.5	-15.1
Current Assets	436.5	446.2	+9.7
Capital	540.0	530.7	-9.3
Non-current Liabilities	16.6	15.7	-0.9
Current Liabilities	99.3	104.3	+4.9
Total	656.0	650.6	-5.3

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Mainly due to an impairment loss and amortization of intangible assets. Also, fixed assets denominated in foreign currencies decreased due to FX fluctuations.

Cash Flow

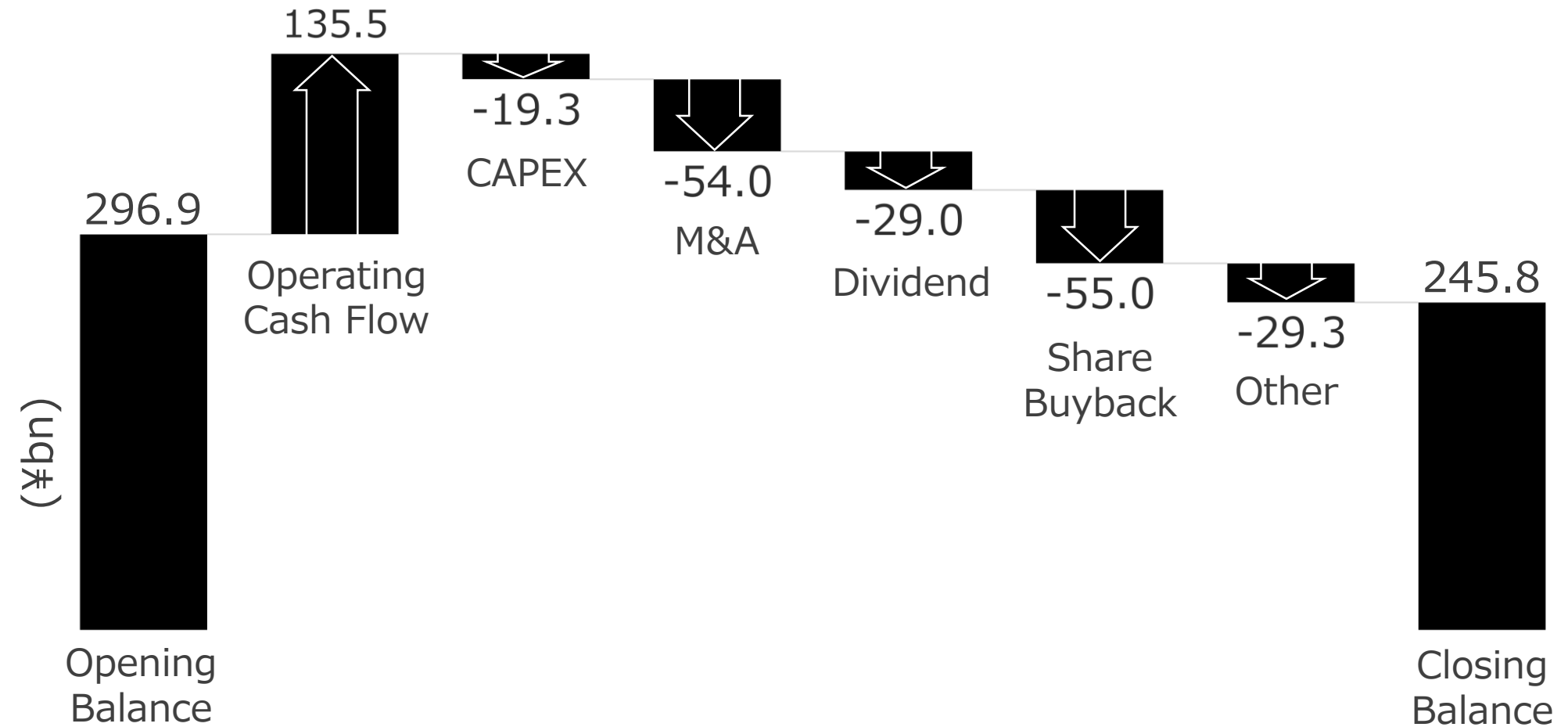
(¥bn)	Q4 FY16	Q4 FY17	YoY
Operating CF	36.9	39.5	+2.6
Investing CF	-6.3	-3.4	+2.9
Financing CF	0.3	-9.7	-10.0
Cash & Cash Equivalents at the end of the term	296.9	245.8	-51.0

1

We purchased ¥9.7bn in stock this quarter as part of the ¥30bn share buyback; no share buybacks conducted during Q4 FY16.

Cash Allocation

Returned all free cash flow to shareholders in FY17.
Expect stronger cash generation going forward.



*Year-end dividend to be ¥45.

1. Financial Results

2. IT Business Overview [Eiichiro Ikeda, COO/CTO]

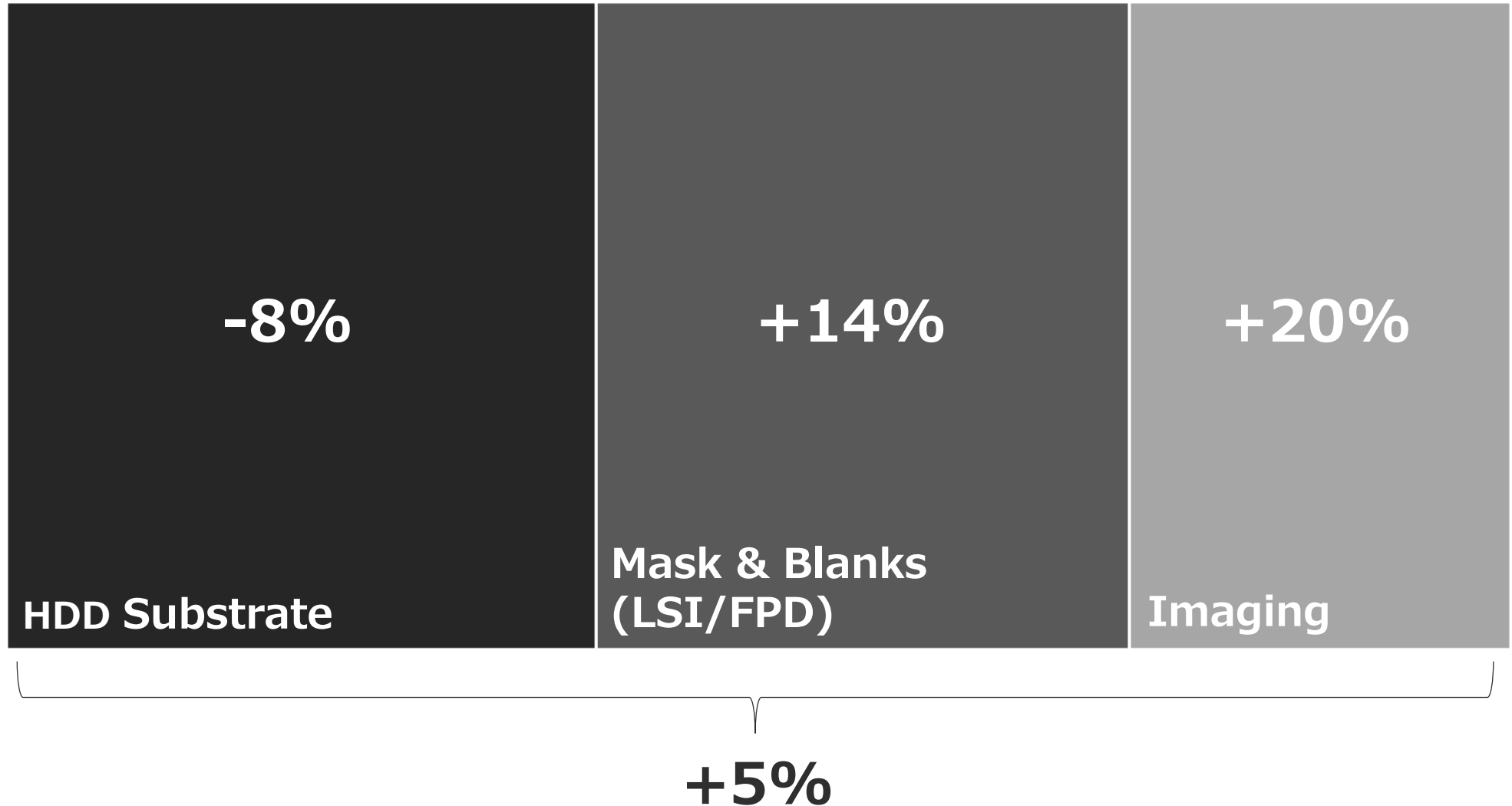
3. Life Care Business Overview

4. Summary

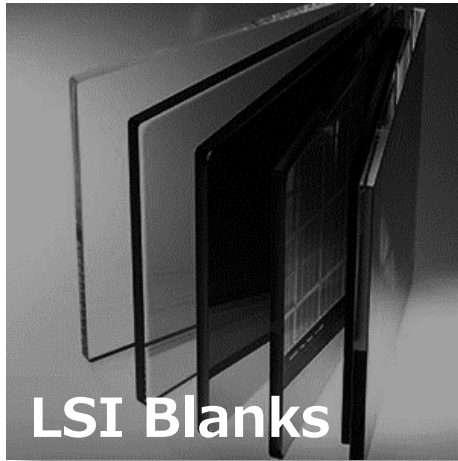
5. Q&A

IT Snapshot

YoY Revenue Growth (CCB)



Overview by Product

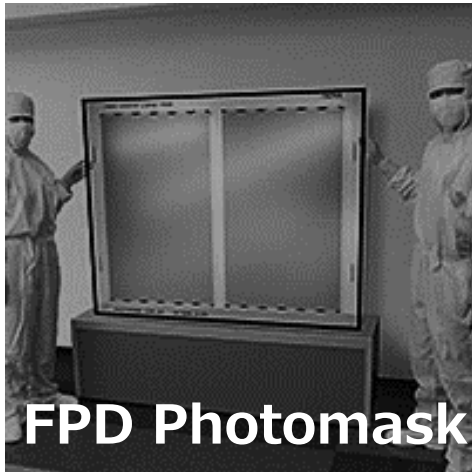


This Quarter

All product lines showed growth. EUV blanks drove strong momentum, expanding to 18% of blanks sales.

Going Forward

Expect continuous growth of EUV blanks, increasing CAPEX by chip makers will be a strong tail wind.



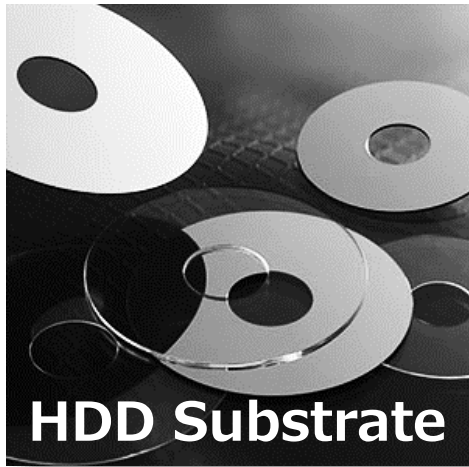
This Quarter

Sales in Korea recovered, growth seen in China. LCD/OLED photomask for smartphones driving growth.

Going Forward

Growth expected not only for G10.5, but also for earlier-than-G8.5 formats (which HOYA is capable of making) which are likely to grow as well. Laser-focus on high-res photomasks.

Overview by Product



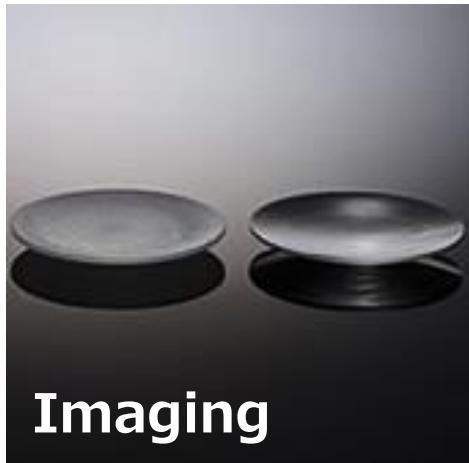
This Quarter

2.5-inch: Impacted by seasonality, which was absent in the year-ago quarter.

3.5-inch: Expanded from 7% to 13% of division sales.

Going Forward

Offset decline of 2.5-inch via 3.5-inch substrate growth. We expect serious growth beginning 2H this fiscal year.



This Quarter

Camera lens stable thanks to high-end point & shoots and mirrorless cameras. Security camera lens continues to grow.

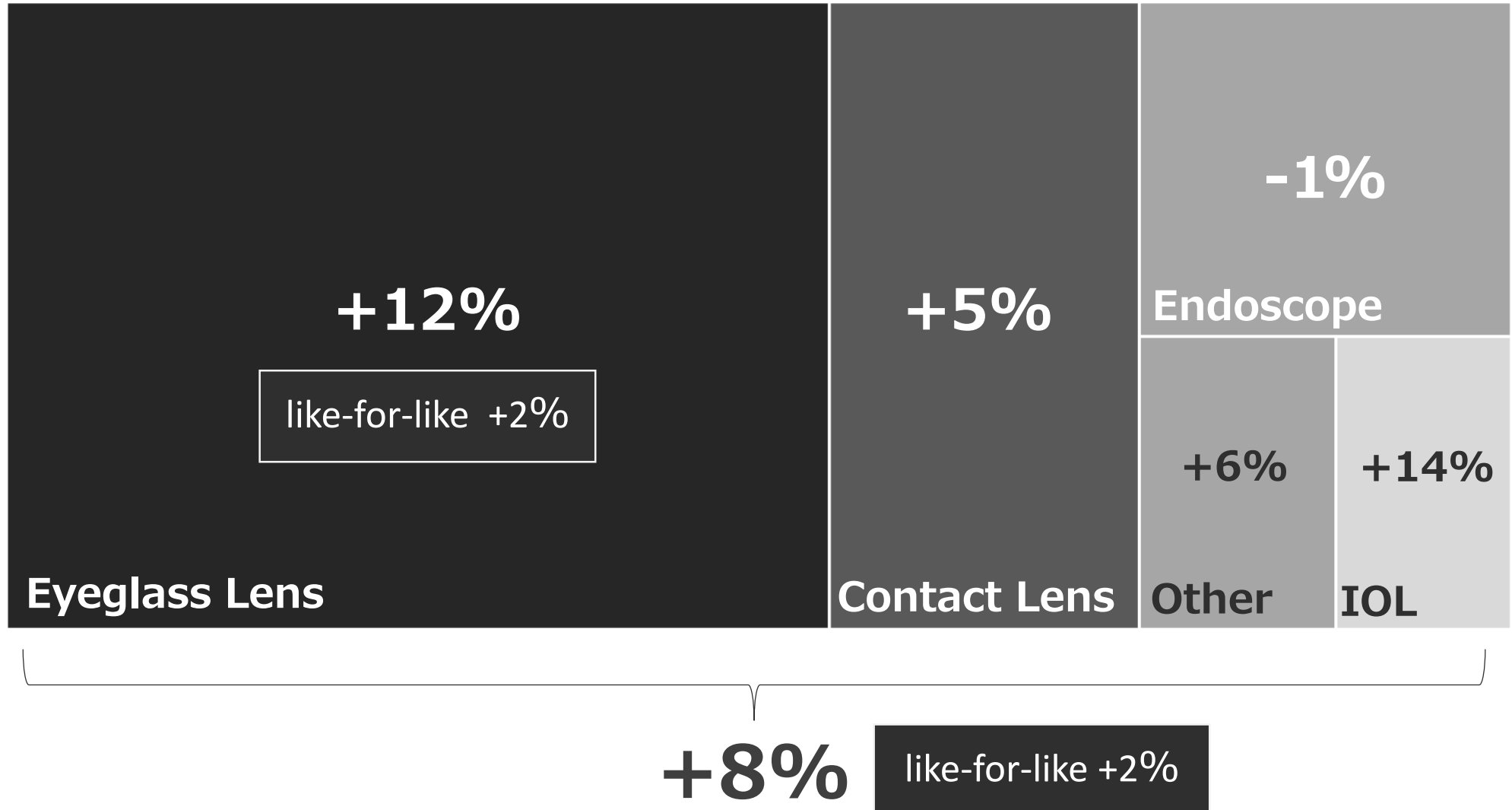
Going Forward

Digital camera market rebound from the earthquake likely to end soon. Expand new applications.

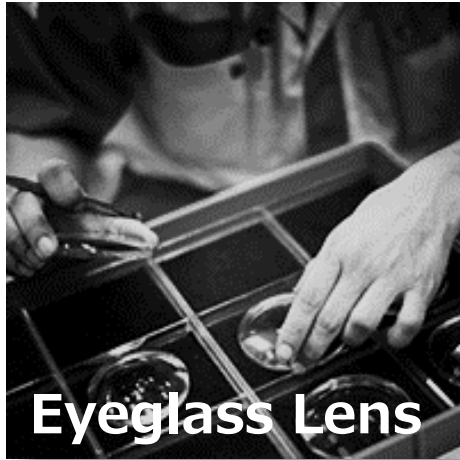
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Life Care Snapshot

YoY Revenue Growth (CCB)



Overview by Product



This Quarter

Robust growth in APAC and the Americas more than offset the decline in Japan and Europe. Profit margins improved dramatically.

Going Forward

Expand further in APAC and the Americas.
Pursue synergies with acquired companies.



This Quarter

Showed stable growth. Closed some stores at the end of the year to improve efficiency.
No. of stores at year-end. 276 (New 3/Closed 8)

Going Forward

Continue to open new stores. Improve ARPU gradually by strengthening sales of value-added products.

Overview by Product



This Quarter

Record-high quarterly sales driven by strong growth in APAC and Europe.

Going Forward

Maintain double-digit growth through production increase at new factory and sales growth geographically.



This Quarter

Downturn in the Americas, where we won a big deal the year-ago quarter. Total sales flat due to growth in APAC.

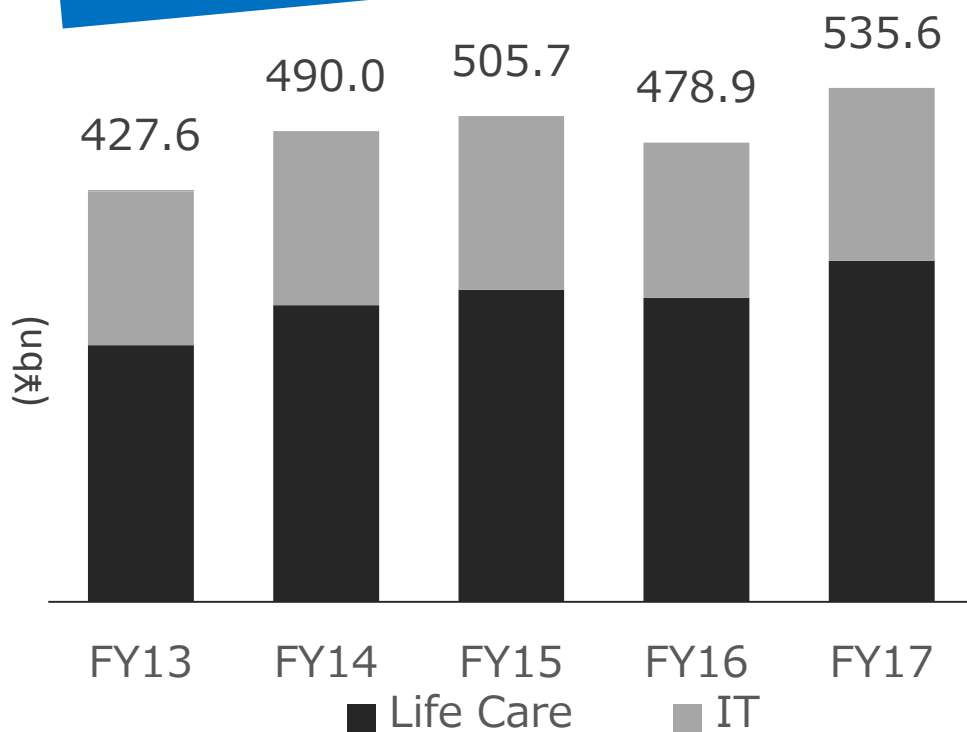
Going Forward

Launch new products from high-end to low-end, targeting emerging markets.

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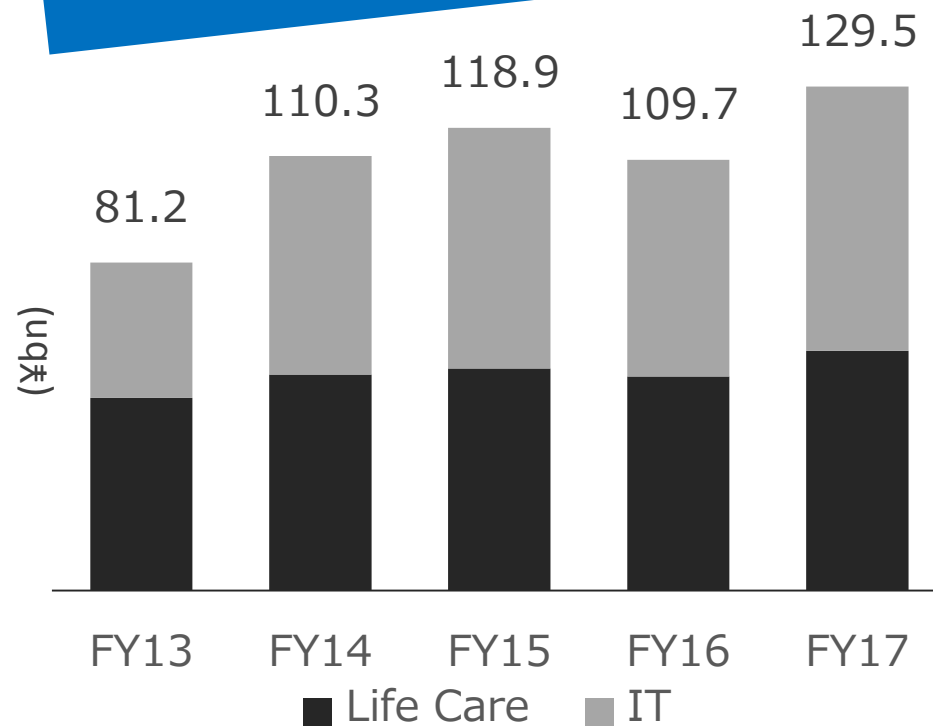
Summary & Future Outlook

Revenue CAGR 6%



Life Care (incl. M&A) will be a key growth driver. Focus on growing areas in the IT Business.

Profit CAGR 12%



Outpace revenue growth due to Life Care margin expansion.

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Appendix

Consolidated Annual Results

(¥bn)	FY16	FY17	YoY	YoY(%)
Revenue	478.9	535.6	+56.7	+12%
Pretax Profit	110.8	124.2	+13.5	+12%
Net Profit	86.9	99.2	+12.4	+14%
cf. Operating Profit	109.7	129.5	+19.7	+18%

Life Care Annual Results

(¥bn)	FY16	FY17	YoY	YoY(%)
Revenue	314.4	352.9	+38.4	+12%
Pretax profit	54.7	56.4	+1.7	+3%
cf.Operating Profit	56.8	63.6	+6.9	+12%
cf.OP Margin	18.0%	18.0%	+0pt	

IT Annual Results

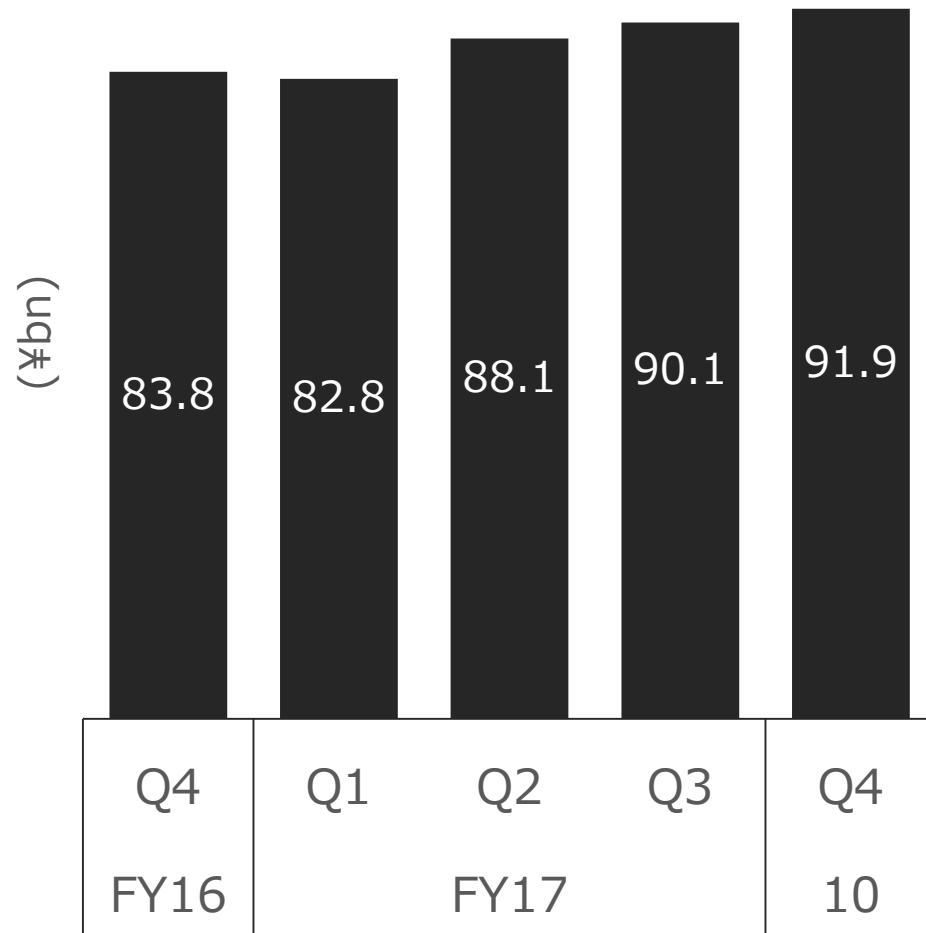
(¥bn)	FY16	FY17	YoY	YoY(%)
Revenue	160.6	178.5	+17.9	+11%
Pretax profit	54.5	70.0	+15.5	+28%
cf.Operating Profit	57.5	70.1	+12.6	+22%
cf.OP Margin	35.6%	39.2%	+3.6pt	

Annual Cash Flow

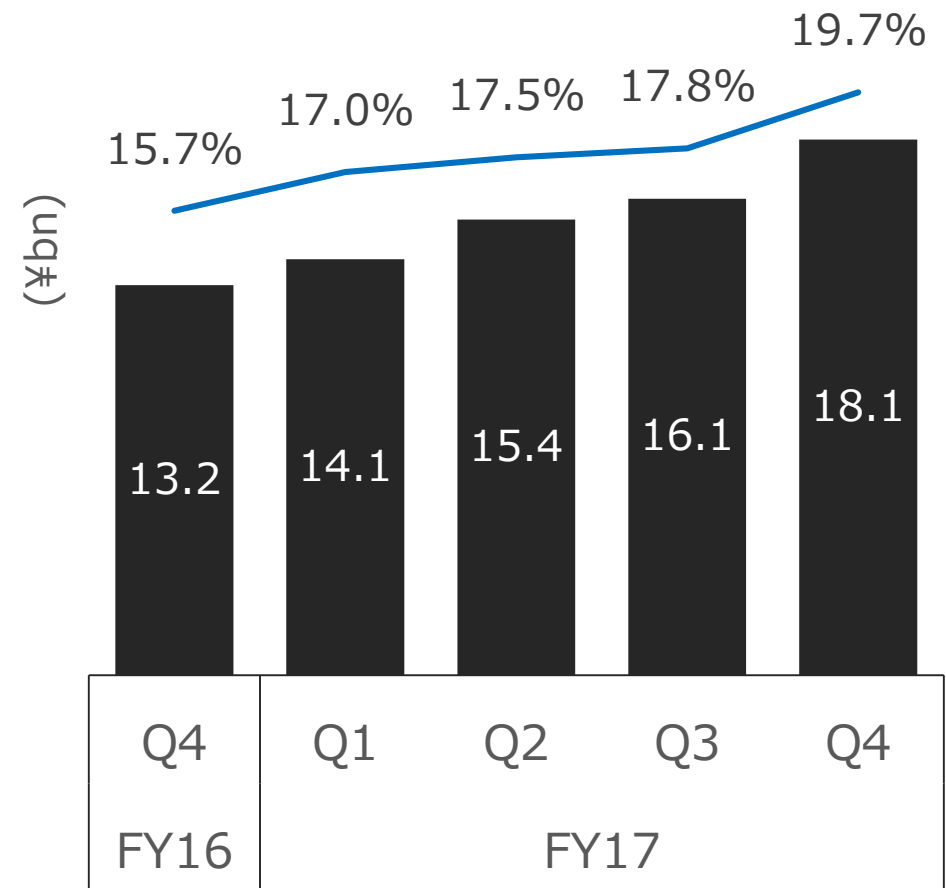
(¥bn)	FY16	FY17	YoY
Operating CF	107.7	135.5	+27.8
Investing CF	-27.5	-68.5	-41.0
Financing CF	-64.3	-117.3	-53.0
Cash & Cash Equivalents at the end of the term	296.9	245.8	-51.0

Life Care QoQ Earnings

Revenue

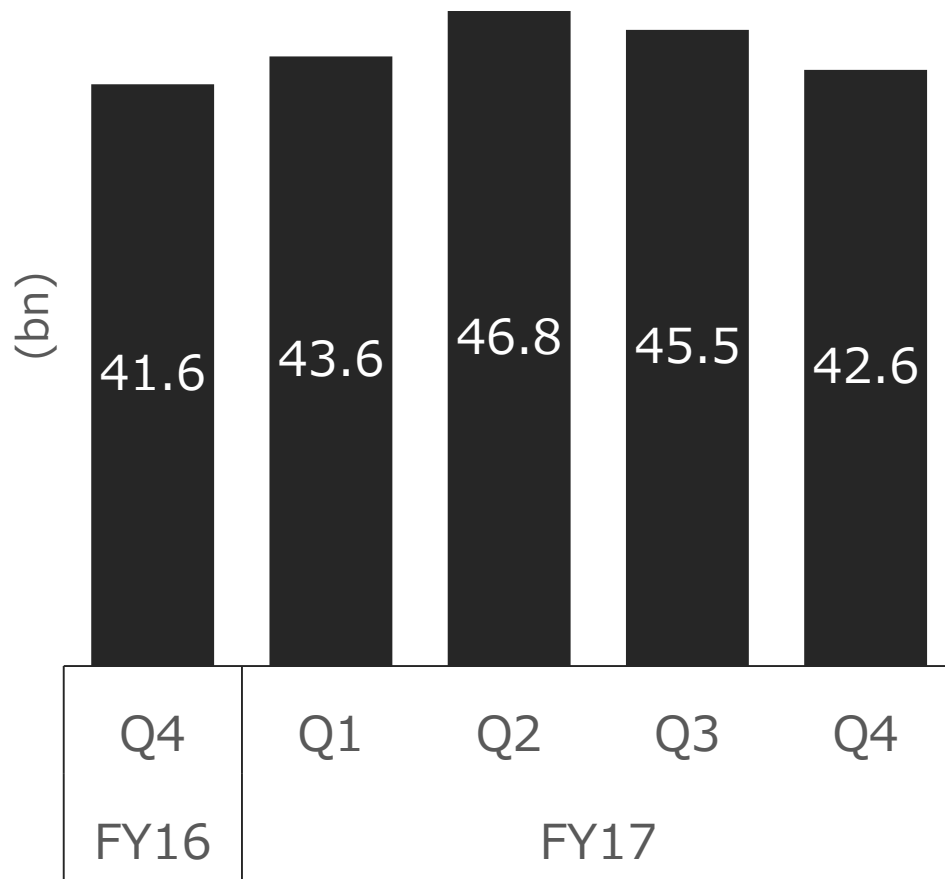


cf. Operating Profit / Margin

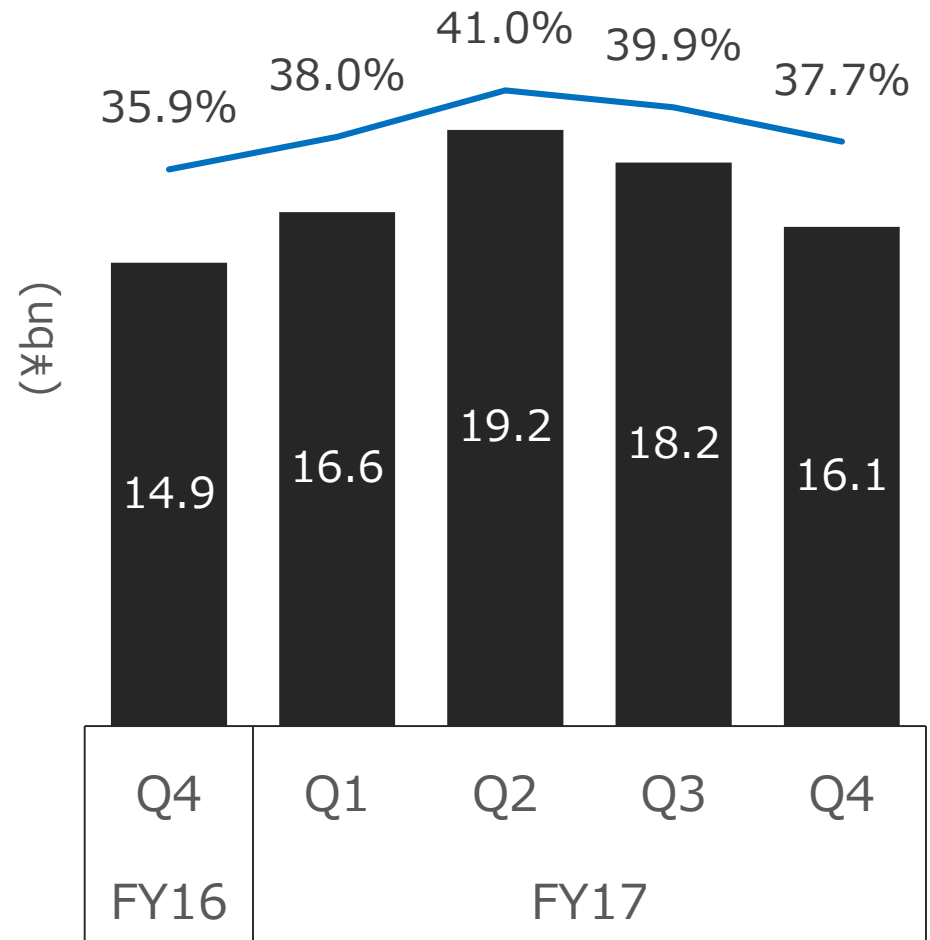


IT QoQ Earnings

Revenue



cf. Operating Profit / Margin



Notes

- ✓ Accounting standard: IFRS
- ✓ The fiscal year ending March 2018 is referred to as “FY17” throughout this document.
- ✓ Figures less than ¥1 billion are rounded down. Accordingly, some discrepancies may occur among totals. Ratios are calculated using actual numbers.
- ✓ 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>

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