

FY18Q3

Financial Results

Feb 1, 2019@Station Conference Tokyo

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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)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales	136.8	143.4	+6.7	+5%
Pretax Profit	34.7	39.7	+5.0	+14%
Net Profit	27.7	33.1	+5.4	+20%
cf. Profit from ordinary operating activities*	33.2	39.9	+6.7	+20%

*Herein after “Operating Profit”

Achieved record-high quarterly sales and profit.

Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Sales	145.8	143.4	-2.3	+9.0	+7%
Pretax Profit	40.0	39.7	-0.3	+5.3	+15%
Net Profit	33.4	33.1	-0.3	+5.7	+21%

Average Rates	(A)Q3 FY17	(B)Q3 FY18	Variance
US\$	¥112.74	¥112.58	+0.1%
EURO	¥133.17	¥128.21	+3.7%
BAHT	¥3.43	¥3.42	+0.3%

Notes RE: Non-Operating Items

Comprehensive Income Statement

(¥bn)	Q3 FY17	Q3 FY18	YoY
Sales	136.8	143.4	+6.7
Finance Income	0.4	0.9	+0.5
Other Income	2.3	0.8	-1.5
Total Revenue	139.4	145.1	+5.7
Expense	104.7	105.4	+0.7
Pretax Profit	34.7	39.7	+5.0

1 Other income decreased by ¥1.5bn due a litigation settlement related to patents in the year-ago quarter.

2 Foreign exchange loss increased ¥0.9bn. However, total expense remained level due to reduced costs.

Life Care Earnings

(¥bn)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales*	90.1	93.9	+3.8	+4%
Pretax Profit	17.0	19.1	+2.2	+13%
cf.Operating Profit	16.1	19.6	+3.5	+22%
cf.OP Margin	17.8%	20.9%	+3.1pt	

*External Sales

Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	Real YoY	Real YoY(%)
Sales*	96.0	93.9	-2.1	+5.9	+7%
Pretax Profit	19.4	19.1	-0.3	+2.5	+15%
cf.Operating Profit	19.9	19.6	-0.3	+3.8	+24%

*External Sales

IT Earnings

(¥bn)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales*	45.5	48.3	+2.8	+6%
Pretax profit	18.2	21.5	+3.3	+18%
cf.Operating Profit	18.2	21.6	+3.4	+19%
cf.OP Margin	39.9%	44.7%	+4.8pt	

*External Sales

IT Earnings (CCB)

(¥bn)	Q3 FY17	Q3 FY18	FX Impact	Real YoY	Real YoY(%)
Sales*	48.5	48.3	-0.2	+3.0	+7%
Pretax profit	21.6	21.5	-0.1	+3.4	+19%
cf.Operating Profit	21.7	21.6	-0.1	+3.5	+19%

*External Sales

Earnings by Sub-Segment

Healthcare Sales Eyeglass Lenses / Contact Lenses

(¥bn)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales*	67.3	69.3	+2.0	+3%

Constant Currency Basis

(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	70.8	69.3	+3.5	+5%

*External Sales

Earnings by Sub-Segment

<div>Medical Sales</div> <div>Endoscopes / IOLs</div>				
(¥bn)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales*	22.8	24.6	+1.8	+8%

Constant Currency Basis				
(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	25.2	24.6	+2.4	+11%

*External Sales

Earnings by Sub-Segment

<div> <div>Electronics</div> <div>Masks & Blanks / HDD Substrates</div> </div>				
(¥bn)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales*	34.3	38.3	+4.0	+12%

<div> <div>Constant Currency Basis</div> </div>				
(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	38.3	38.3	+4.1	+12%

*External Sales

Earnings by Sub-Segment

Imaging

Camera Lenses, Etc.

(¥bn)	Q3 FY17	Q3 FY18	YoY	YoY(%)
Sales*	11.2	10.0	-1.2	-11%

Constant Currency Basis

(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	10.1	10.0	-1.1	-10%

*External Sales

Balance Sheet

(¥bn)	Q2 FY18	Q3 FY18	QoQ
Non-current Assets	237.8	234.8	-3.1
Current Assets	479.4	485.0	+5.6
Capital	591.8	596.6	+4.8
Non-current Liabilities	16.0	15.6	-0.4
Current Liabilities	109.4	107.5	-1.8
Total	717.2	719.8	+2.6

1

1

Cash and cash equivalents increased by ¥20bn.

Other short-term financial assets decreased by ¥15.3bn.

Cash Flow

(¥bn)	Q3 FY17	Q3 FY18	YoY
Operating CF	31.5	34.1	+2.6
Investing CF	0.3	7.9	+7.7
Financing CF	-36.7	-16.3	+20.3 ¹
Cash & Cash Equivalents at the end of the term	228.6	272.3	+43.7

1

Financing CF outlays decreased significantly, as there was a share buy-back totaling ¥26.2 in the year-ago quarter.

Q4 & Full Year Guidance

- ✓ In Q4, although sales decline in Imaging due to market factors is expected, overall sales will grow steadily mainly driven by Life Care Business.
- ✓ Expect profits to increase significantly, as there was an impairment loss related to an oversea subsidiary in Q4 FY17.

FY18 Q4

(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales	135.9	139.7	+3.7	+3%
Pretax Profit	26.2	33.7	+7.6	+29%
Net Profit	19.5	27.3	+7.8	+40%

FY18 Full Year

(¥bn)	FY17	FY18	YoY	YoY(%)
Sales	535.6	564.0	+28.4	+5%
Pretax Profit	124.2	147.0	+22.8	+18%
Net Profit	99.2	120.2	+21.0	+21%

1. Financial Results

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

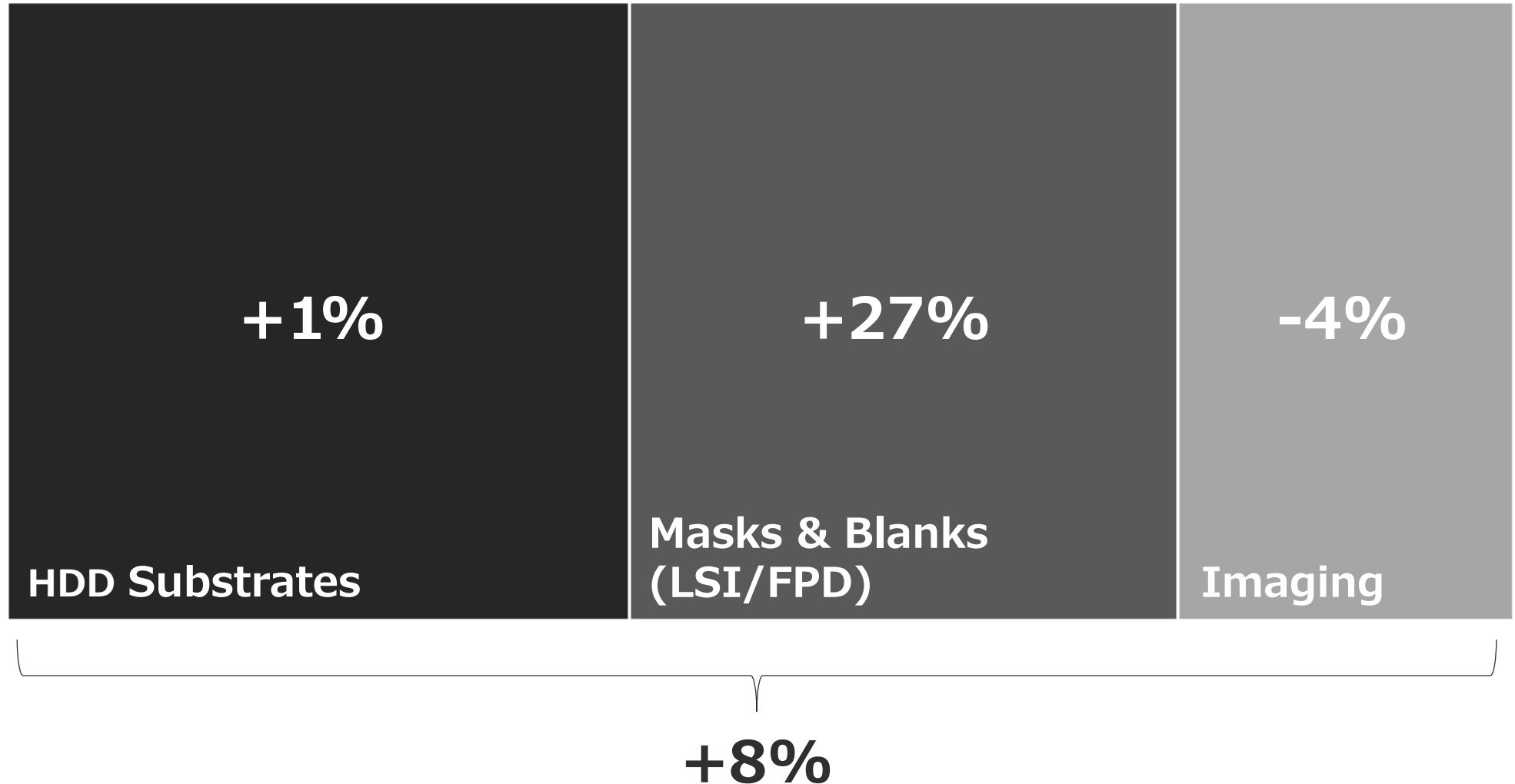
3. Life Care Business Overview

4. Summary

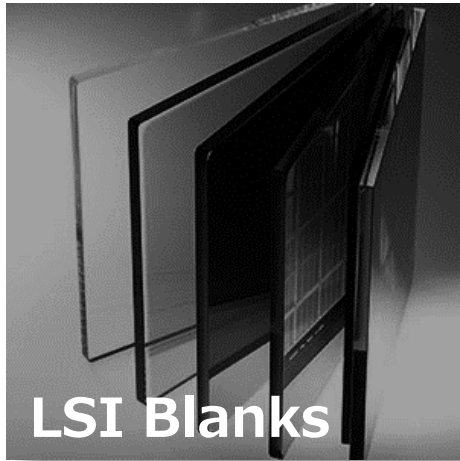
5. Q&A

IT Snapshot

YoY Sales Growth (Like-for-Like)



Overview by Product

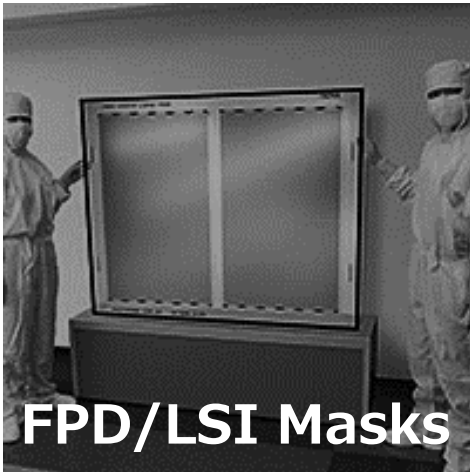


This Quarter

EUV sales more than doubled driven by aggressive R&D, now accounting for 23% of blanks sales. DUV also showed strong growth driven by leading-edge products.

Going Forward

Expect EUV blanks growth to continue, with commercialization starting this year. Grow leading-edge products on DUV.



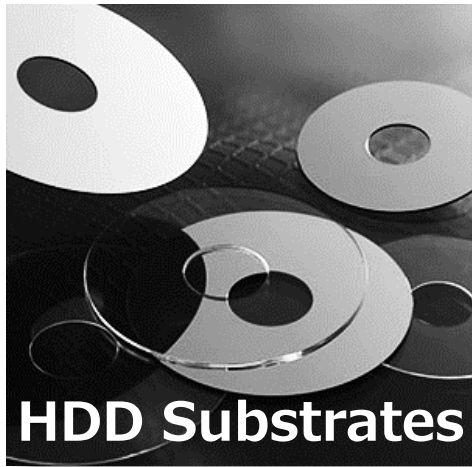
This Quarter

Saw growth by tapping into the Chinese market as well as capturing the strong demand for developing new panel designs for smartphones.

Going Forward

Continue to focus on high-resolution products below Gen-eight. Keep attention focused on the cycle of panel design R&D, as well as changes in competition.

Overview by Product



This Quarter

2.5" sales decreased due to SSD penetration. 3.5" sales almost tripled, now accounting for 19% of sales.

Going Forward

Expect the sluggish data center CAPEX to ramp up during H2 2019. Continue to expand 3.5" sales.



This Quarter

Contraction of the point-and-shoot camera market and the slowdown of security camera market led to a decline in sales.

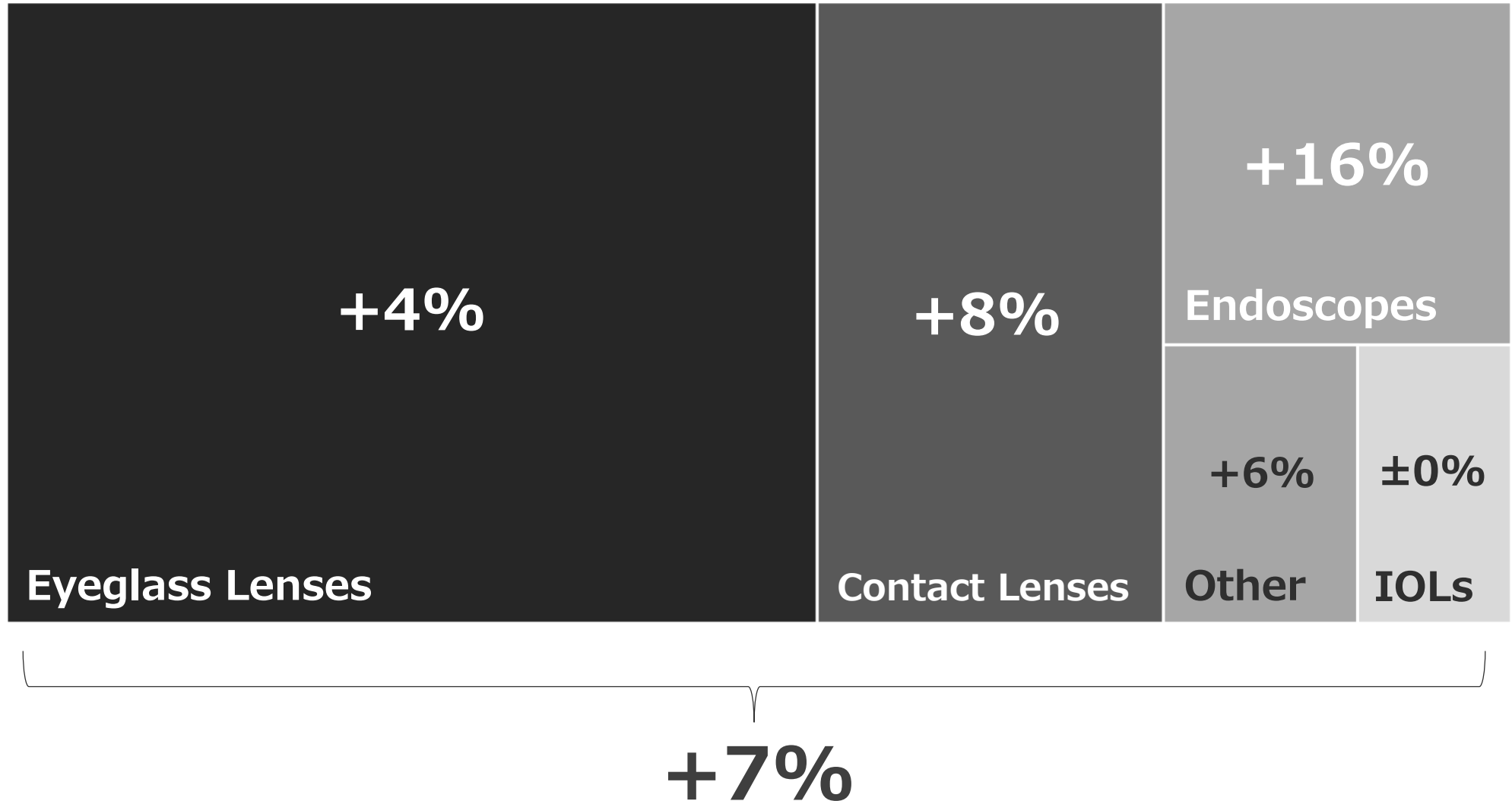
Going Forward

Continue to develop new applications and high value-added products.

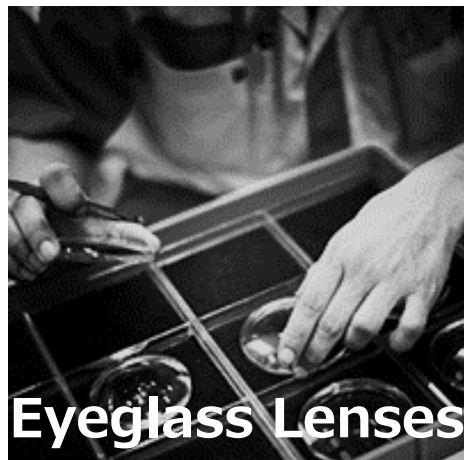
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Life Care Snapshot

YoY Sales Growth (Like-for-Like)



Overview by Product



This Quarter

Sales increased in all regions. Sales to independent retailers in Europe were robust. Performance Optics drove sales in the Americas.

Going Forward

Plan to raise capacity in response to expanding sales channels and increasing volume.



This Quarter

Accelerated new store roll-outs. Closed four stores while opening stores at better locations within the same area. No. of stores at quarter-end: 283 (New 9/Closed 4)

Going Forward

Increase same store sales by raising ARPU. Continue to roll out new stores for sustainable growth.

Overview by Product



This Quarter

APAC sales decreased while Japan and Europe increased.
Secured same-level sales compared to the year-ago quarter.

Going Forward

Recover APAC performance as quickly as possible.
Facilitate integration with Mid Labs and Fritz Ruck, acquisitions recently completed.



This Quarter

Launch of new products and reinforcing sales force resulted in strong sales in Europe and the Americas.
Profitability improved due to sales expansion.

Going Forward

Expect strong sales by gradually launching new products, including scopes and video processors.

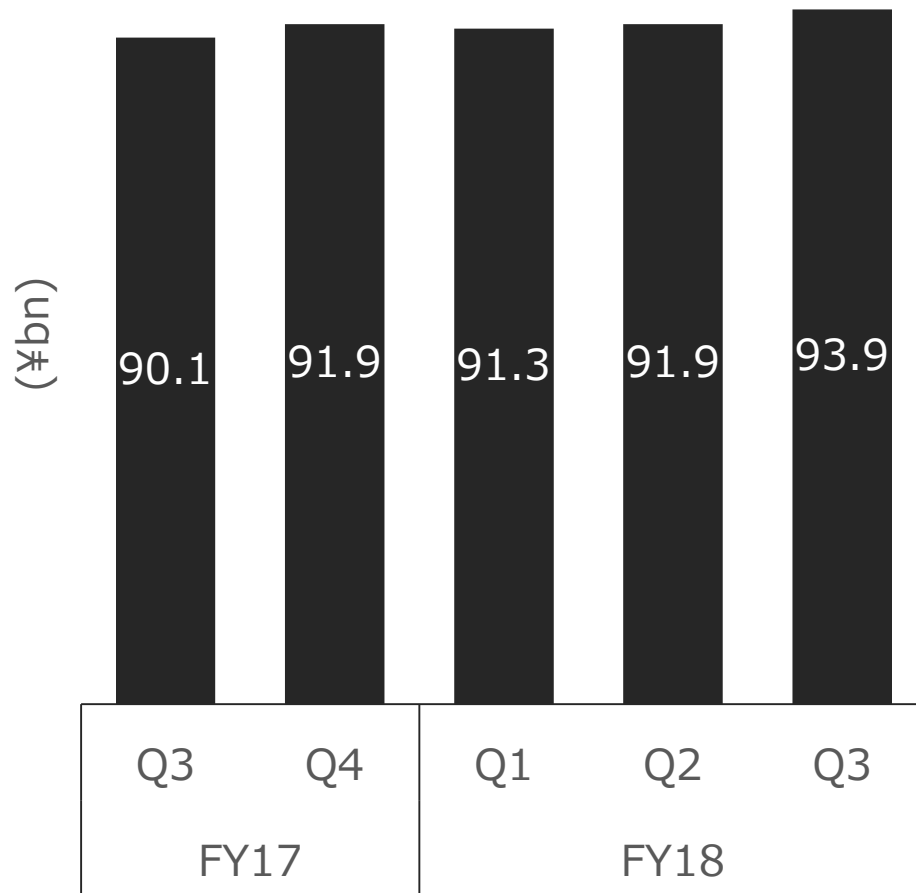
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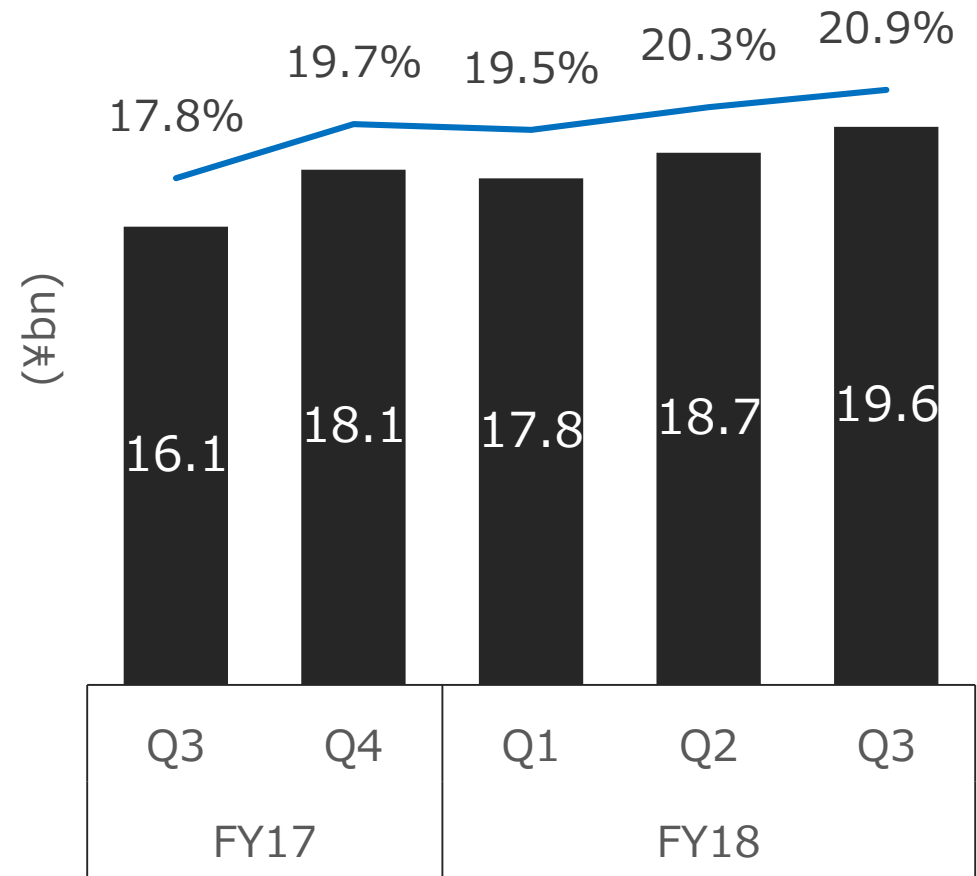
Appendix

Life Care QoQ Earnings

Revenue



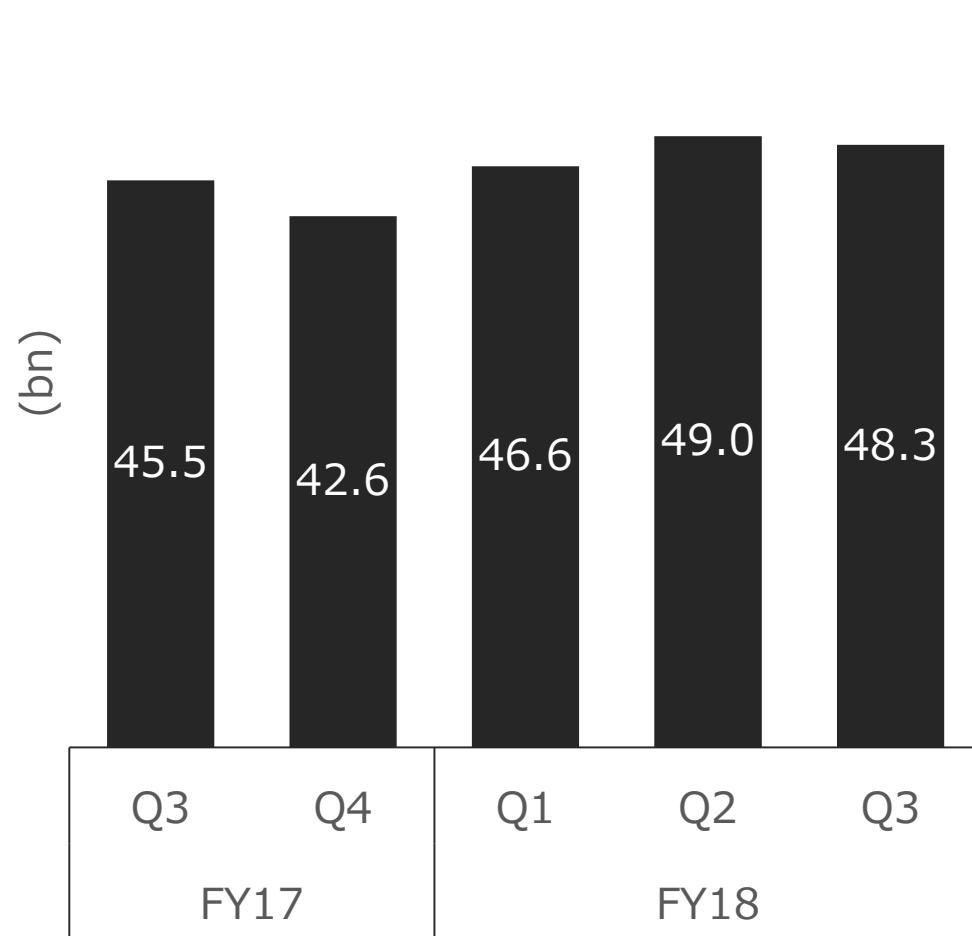
cf. Operating Profit / Margin



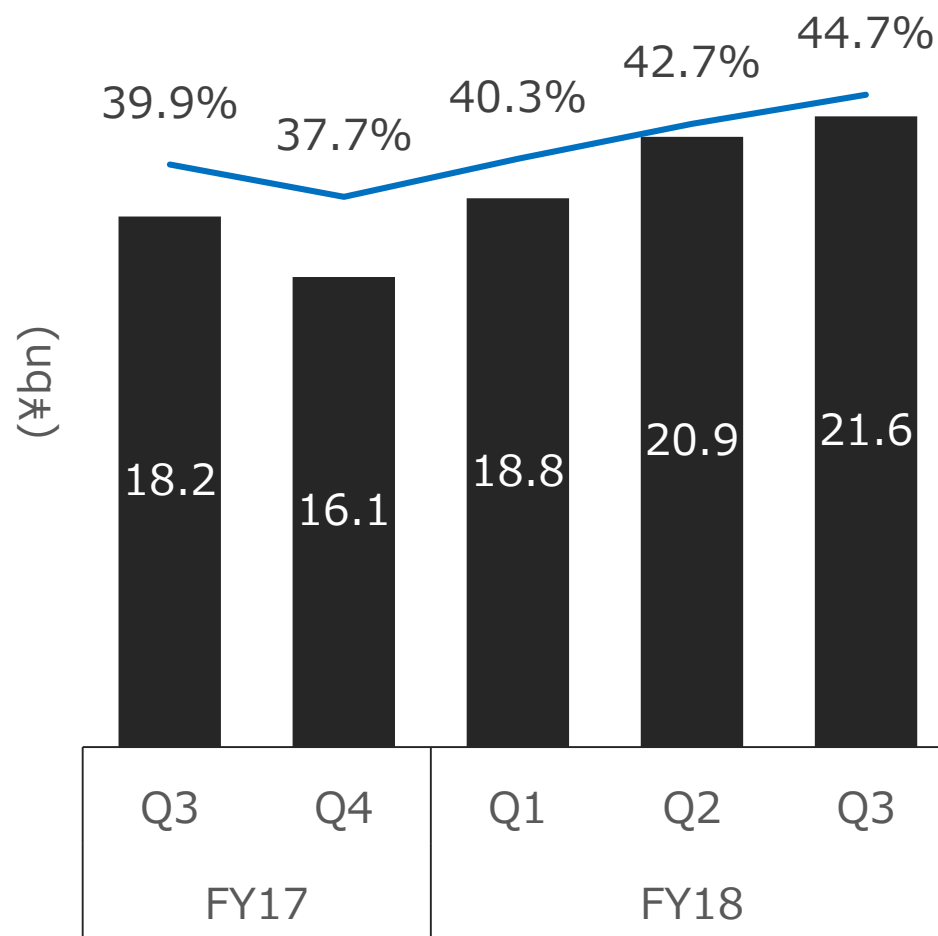
*External Sales

IT QoQ Earnings

Revenue



cf. Operating Profit / Margin

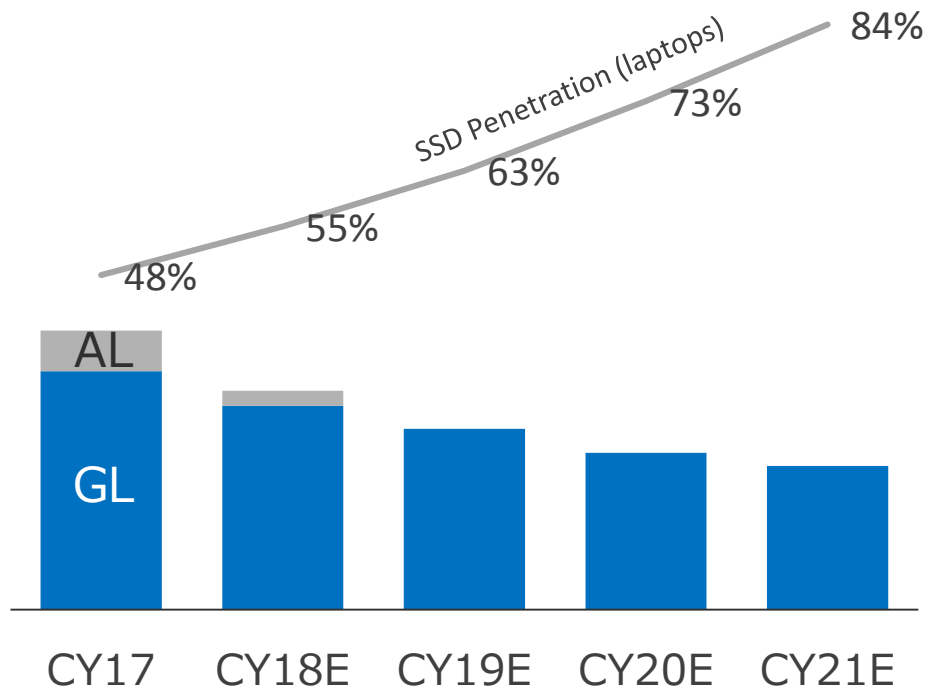


*External Sales

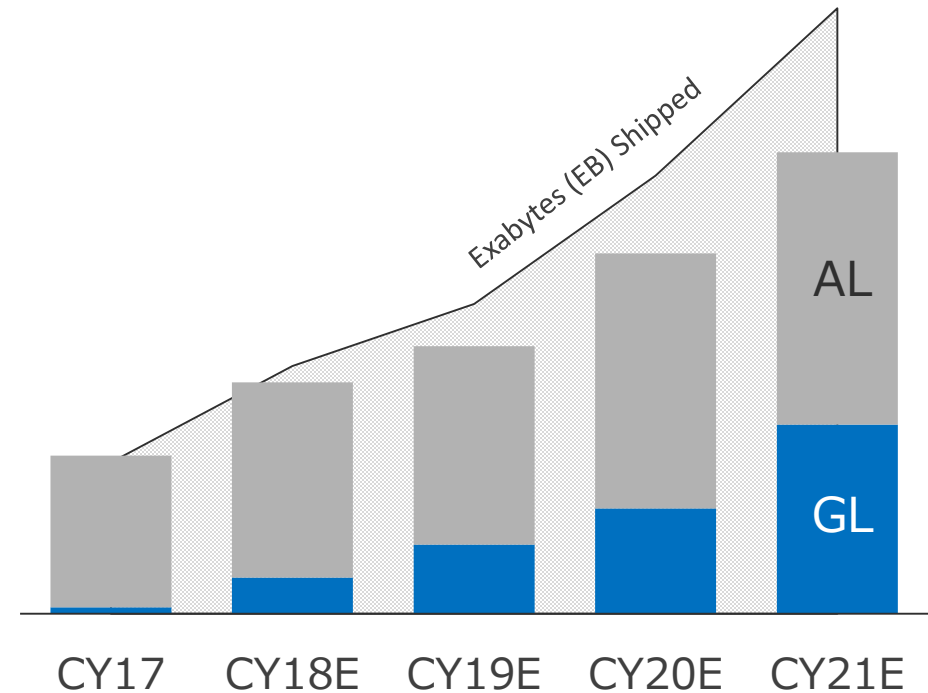
Overview of HDD Glass Substrate Business

- ✓ Expect further penetration by SSDs into the 2.5" substrate market (laptops etc.) Aluminum substrates are likely to disappear after FY19, allowing HOYA to strengthen its position further.
- ✓ While cyclicalality exists (every 6-7 quarters), we expect 3.5" substrate market (equally as large as the 2.5" market) to grow steadily in the long run. HOYA aims to penetrate the market by leveraging the advantages of glass substrates.

2.5" Substrate Market



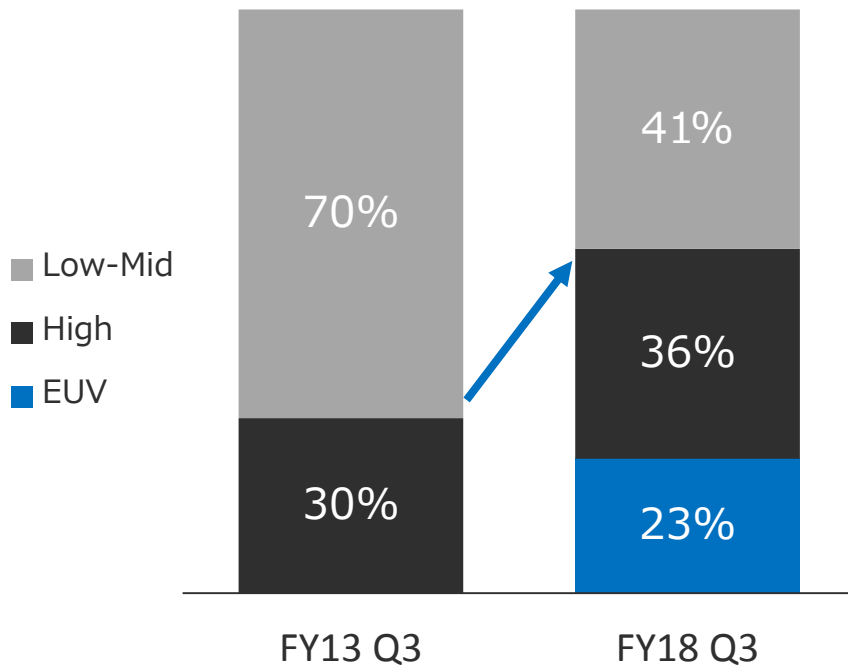
3.5" Substrate Market for Datacenters



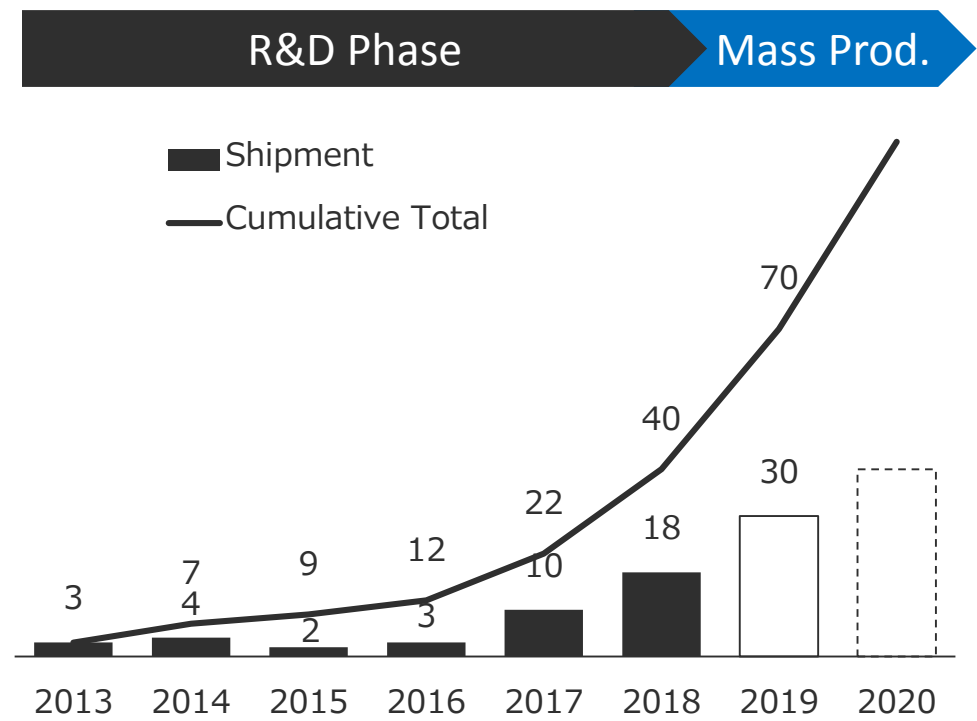
Overview of EUV Photomask Blanks

- ✓ Sales from high-end products was less than 30% five years ago. Today, high value-added products account for around 60% of our blanks sales.
- ✓ HOYA aims to expand sales of products for mass production and R&D. The number of EUV scanners shipped is steadily increasing, and it is likely that full-fledged production will start this year.

Mix Shift of Blanks Sales



EUV Scanner Shipments



Status of Investments

CAPEX

3.5" HDD Substrate New Fab@Laos

Amount: ¥30bn

Start operations: H1 CY20

EUV Blanks New Fab@Singapore

Amount: ¥25bn

Start operations: H1 CY20

Eyeglass New Plant@Vietnam

Amount: ¥6bn

Start operations: Early CY20

M&A

Acquisition of Mid Labs/Fritz Ruck

Amount: ¥19.5bn

Status: Acquisition process completed in January 2019. Facilitate integration process to generate synergies with IOL business.



Notes

- ✓ Accounting standard: IFRS
- ✓ The fiscal year ending March 2019 is referred to as “FY18” 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>

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