

# FY18Q4

## F i n a n c i a l R e s u l t s

May 7, 2019 @Station Conference Tokyo

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 & Outlook

5. Q&A

# Financial Overview

(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales	135.9	141.5	+5.6	+4%
Pretax Profit	26.2	31.4	+5.2	+20%
Net Profit	19.5	29.2	+9.7	+50%
cf. Profit from ordinary operating activities*	33.0	35.1	+2.0	+6%

\*Herein after “Operating Profit”

# Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Sales	142.7	141.5	-1.2	+6.8	+5%
Pretax Profit	31.2	31.4	+0.2	+5.0	+19%
Net Profit	29.0	29.2	+0.2	+9.4	+48%

Average Rates	(A)Q4 FY17	(B)Q4 FY18	Variance
US\$	¥107.47	¥110.27	-2.6%
EURO	¥132.29	¥125.27	+5.3%
BAHT	¥3.43	¥3.50	-2.0%

# Notes RE: Non-Operating Items

## Comprehensive Income Statement

(¥bn)	Q4 FY17	Q4 FY18	YoY
Sales	135.9	141.5	+5.6
Finance Income	0.4	0.7	+0.3
Other Income	0.7	1.4	+0.6
Total Revenue	137.1	143.6	+6.5
Expense	110.9	112.2	+1.3
Pretax Profit	26.2	31.4	+5.2

- 1 One-off expenses increased due to reorganization of acquired companies. However, total expense remained level, as there was an impairment loss related to our foreign subsidiary the year-ago quarter.

# Life Care Earnings

(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales*	91.9	96.3	+4.4	+5%
Pretax Profit	10.9	15.8	+4.9	+45%
cf.Operating Profit	18.1	18.1	-0	-0%
cf.OP Margin	19.7%	18.8%	-0.9pt	

\*External Sales

# Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	Real YoY	Real YoY(%)
Sales*	98.0	96.3	-1.7	+6.1	+7%
Pretax Profit	16.0	15.8	-0.2	+5.1	+47%
cf.Operating Profit	18.1	18.1	-0.0	+0.0	+0%

\*External Sales

# IT Earnings

(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales*	42.6	43.7	+1.1	+3%
Pretax profit	15.7	18.4	+2.7	+17%
cf.Operating Profit	16.1	18.3	+2.2	+14%
cf.OP Margin	37.7%	41.8%	+4.1pt	

\*External Sales



# IT Earnings (CCB)

(¥bn)	Q4 FY17	Q4 FY18	FX Impact	Real YoY	Real YoY(%)
Sales*	43.2	43.7	+0.5	+0.6	+1%
Pretax profit	18.2	18.4	+0.2	+2.5	+16%
cf.Operating Profit	18.1	18.3	+0.2	+2.0	+13%

\*External Sales

# Earnings by Sub-Segment

## Healthcare Sales Eyeglass Lenses / Contact Lenses

(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales*	69.1	72.0	+2.9	+4%

## Constant Currency Basis

(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	73.3	72.0	+4.2	+6%

\*External Sales

# Earnings by Sub-Segment

<div>Medical Sales</div> <div>Endoscopes / IOLs</div>				
(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales*	22.7	24.2	+1.5	+7%

Constant Currency Basis				
(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	24.7	24.2	+2.0	+9%

\*External Sales

# Earnings by Sub-Segment

<div> <div>Electronics</div> <div>Masks &amp; Blanks / HDD Substrates</div> </div>				
(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales*	31.9	34.8	+3.0	+9%

<div> <div>Constant Currency Basis</div> </div>				
(¥bn)	Previous Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	34.4	34.8	+2.5	+8%

\*External Sales

# Earnings by Sub-Segment

## Imaging

Camera Lenses, Etc.

(¥bn)	Q4 FY17	Q4 FY18	YoY	YoY(%)
Sales*	10.8	8.9	-1.9	-18%

### Constant Currency Basis

(¥bn)	Previous	Rate	Current Rate	Real YoY	Real YoY(%)
Sales*	8.9		8.9	-1.9	-18%

\*External Sales

# Balance Sheet

(¥bn)	Q3 FY18	Q4 FY18	QoQ	
Non-current Assets	234.8	255.8	+21.0	1
Current Assets	485.0	508.1	+23.1	2
Capital	596.6	627.7	+31.1	
Non-current Liabilities	15.6	24.4	+8.9	
Current Liabilities	107.5	111.8	+4.2	
Total	719.8	763.9	+44.2	

1

Goodwill and intangible assets increased by ¥18.2bn, partly due to the acquisition of Mid Labs and Fritz Ruck.

2

Cash and cash equivalents increased by ¥21.1bn.  
Other short-term financial assets increased by ¥2bn.

# Cash Flow

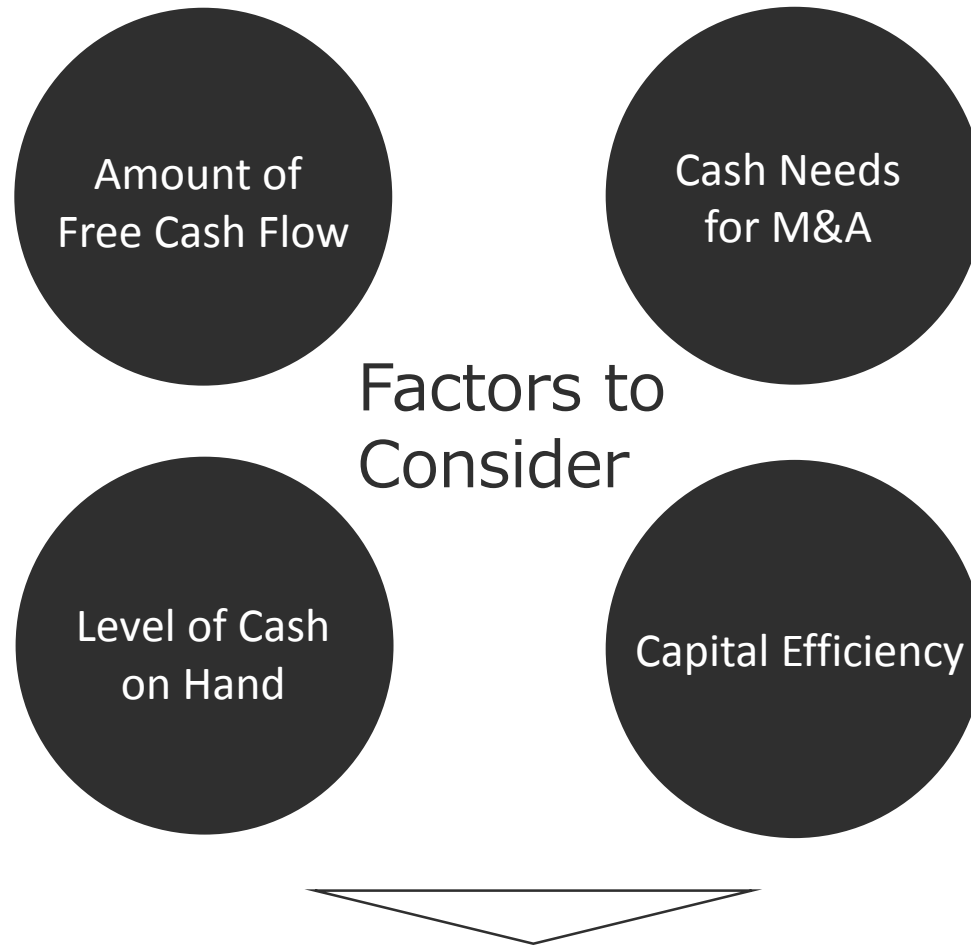
(¥bn)	Q4 FY17	Q4 FY18	YoY
Operating CF	39.5	46.6	+7.1
Investing CF	-3.4	-26.3	-22.9 <sup>1</sup>
Financing CF	-9.7	0.2	+9.8
Cash & Cash Equivalents at the end of the term	245.8	293.4	+47.6

1

Investing CF outlays increased mainly due to the acquisition of Mid Labs and Fritz Ruck, expanding the product portfolio of our IOL business.

# Shareholder Return

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Approved a maximum ¥60bn share buyback.  
HOYA will cancel all shares bought back.



1. Financial Results

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

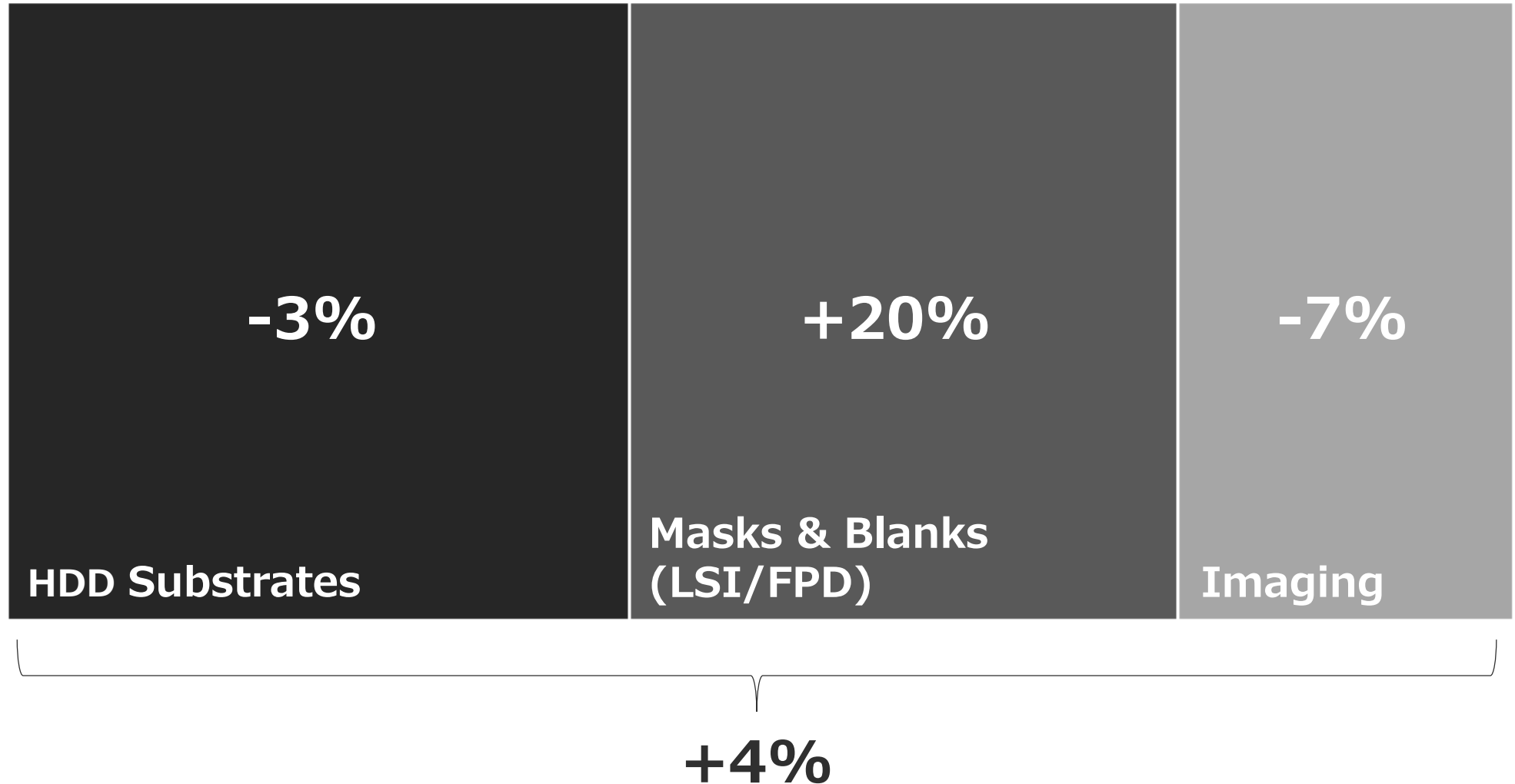
3. Life Care Business Overview

4. Summary & Outlook

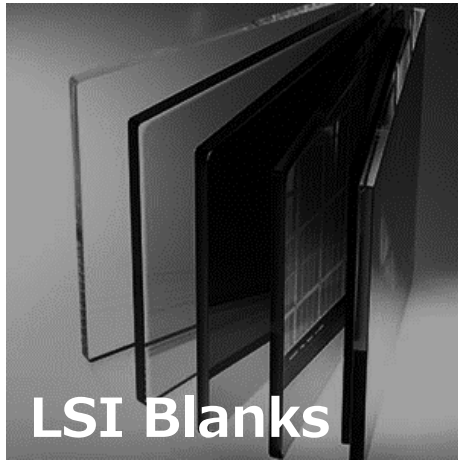
5. Q&A

# IT Snapshot

YoY Sales Growth (Like-for-Like)



# Overview by Product

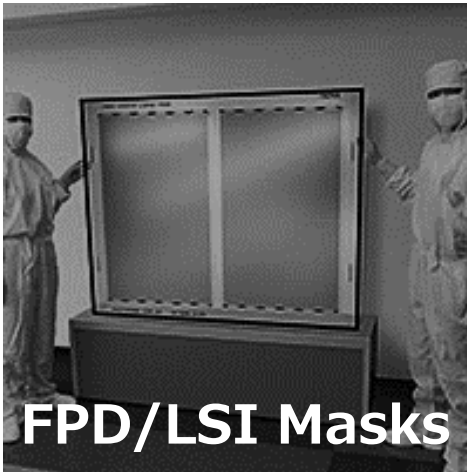


## This Quarter

EUV sales continued to grow, now accounting for 26% of blanks sales. DUV sales also showed strong growth mainly driven by 7nm mass production application.

## Going Forward

Continue to grow sales, mainly from EUV mass production applications and R&D for next generation nodes.



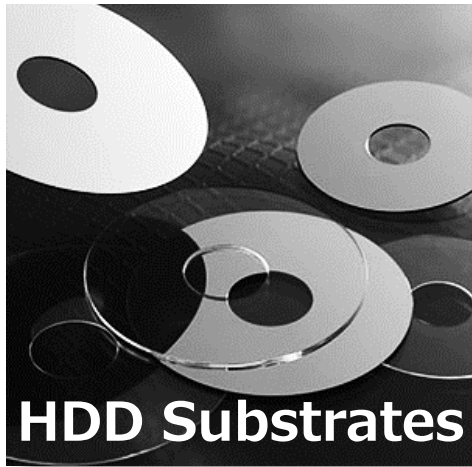
## This Quarter

Sales declined mainly due to a downturn in the Japanese market related to FPD demand.

## Going Forward

Continue to focus on high-resolution products mainly for smartphone applications.

# Overview by Product



## This Quarter

2.5" sales declined due to SSD factors and excess inventory of HDDs. 3.5" sales more than doubled, now accounting for 29% of sales.

## Going Forward

Expect annual decline of 20% for 2.5" sales. Target overall growth expecting the currently stagnant data center to pick up in H2 CY2019.



## This Quarter

Sales of lenses for mirrorless cameras trended favorably. However, overall sales declined mainly due to contraction of the point-and-shoot camera market.

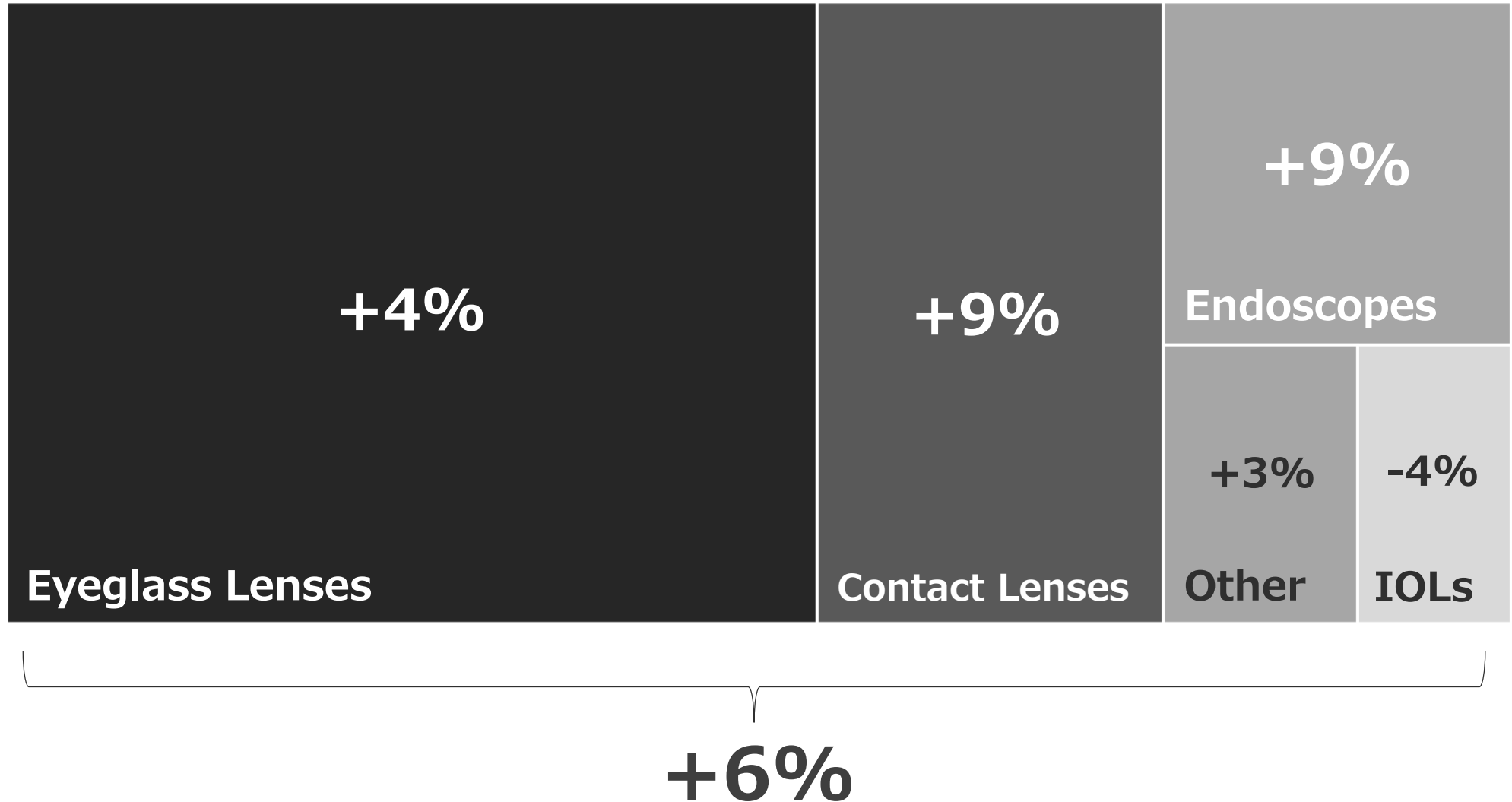
## Going Forward

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

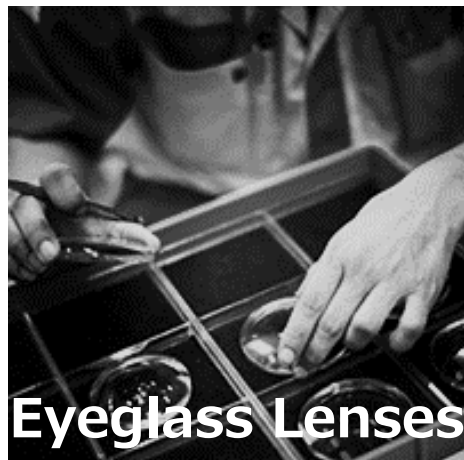
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# Life Care Snapshot

YoY Sales Growth (Like-for-Like)



# Overview by Product



## This Quarter

While concerns of price decline was a topic in Europe, the market trended quite stably. Sales increased in all regions.

## Going Forward

Grow sales, mainly by gaining market share in the Americas and APAC. Aim for 20% global market share (17% at present) over the medium term.



## This Quarter

New store roll-outs and higher unit prices through greater sales of high-function material products contributed to growth. New 8/Closed 2

## Going Forward

Plan to roll out around 20 new stores annually and conduct M&A activity to penetrate regions in Japan with room for added presence.

# Overview by Product

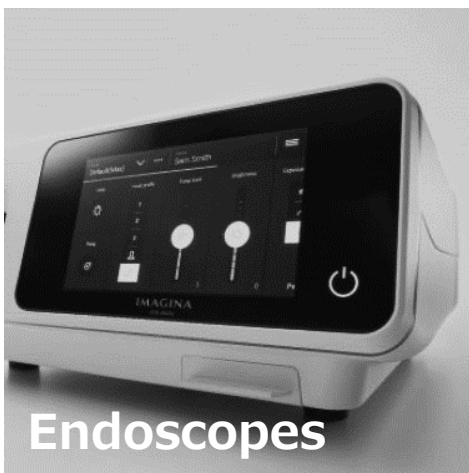


## This Quarter

Continued to reduce excess inventory at Chinese distributor. Overall sales declined. Acquisitions of Mid Labs and Fritz Ruck completed in January.

## Going Forward

Resolve inventory issue as quickly as possible.  
Facilitate integration with the companies acquired recently.



## This Quarter

All regions saw sales growth. Launch of new products, as well as closing a major deal in Europe, contributed to this growth.

## Going Forward

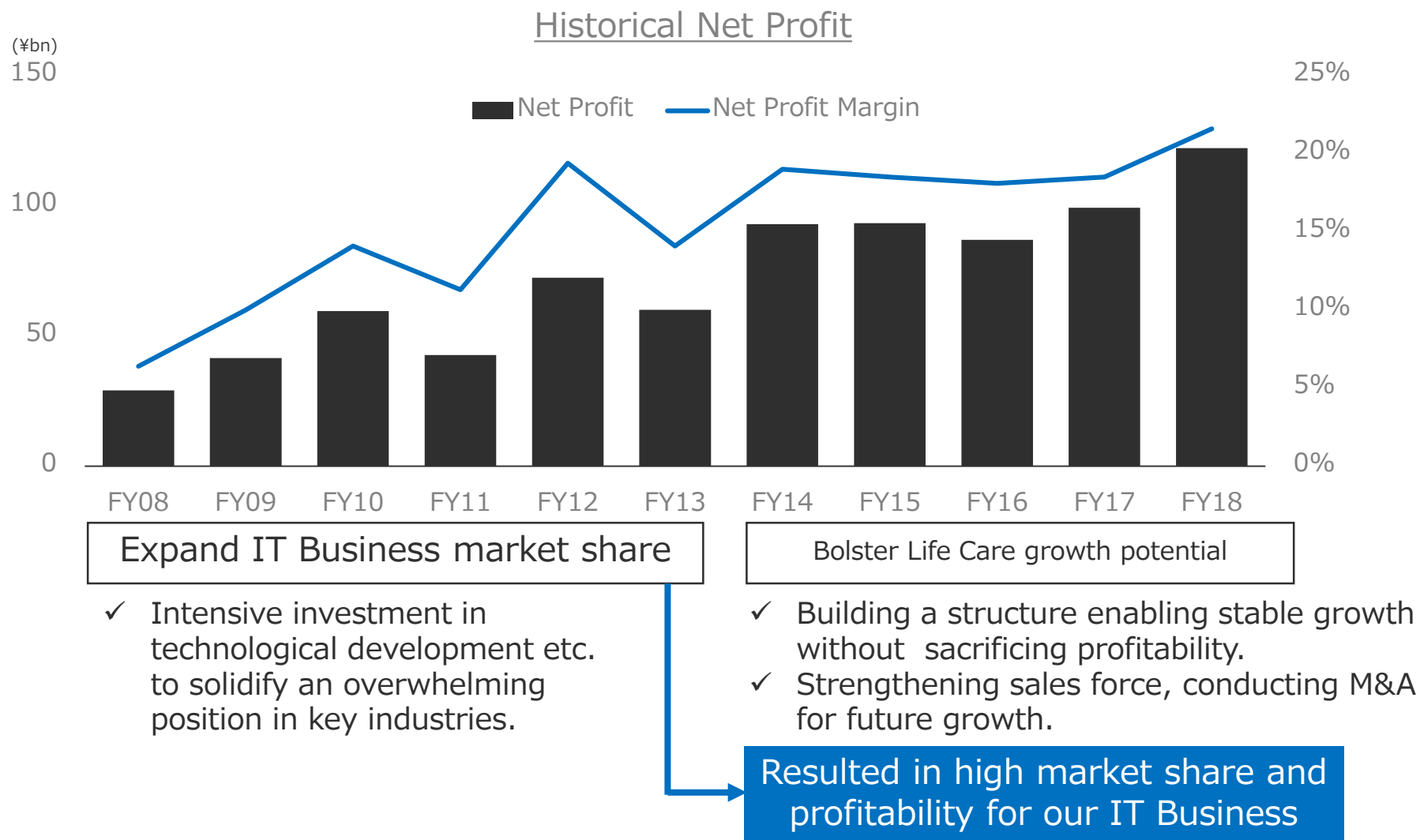
Expect strong sales through gradual launch of new products, including scopes and video processors.



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# Reviewing the Past Decade

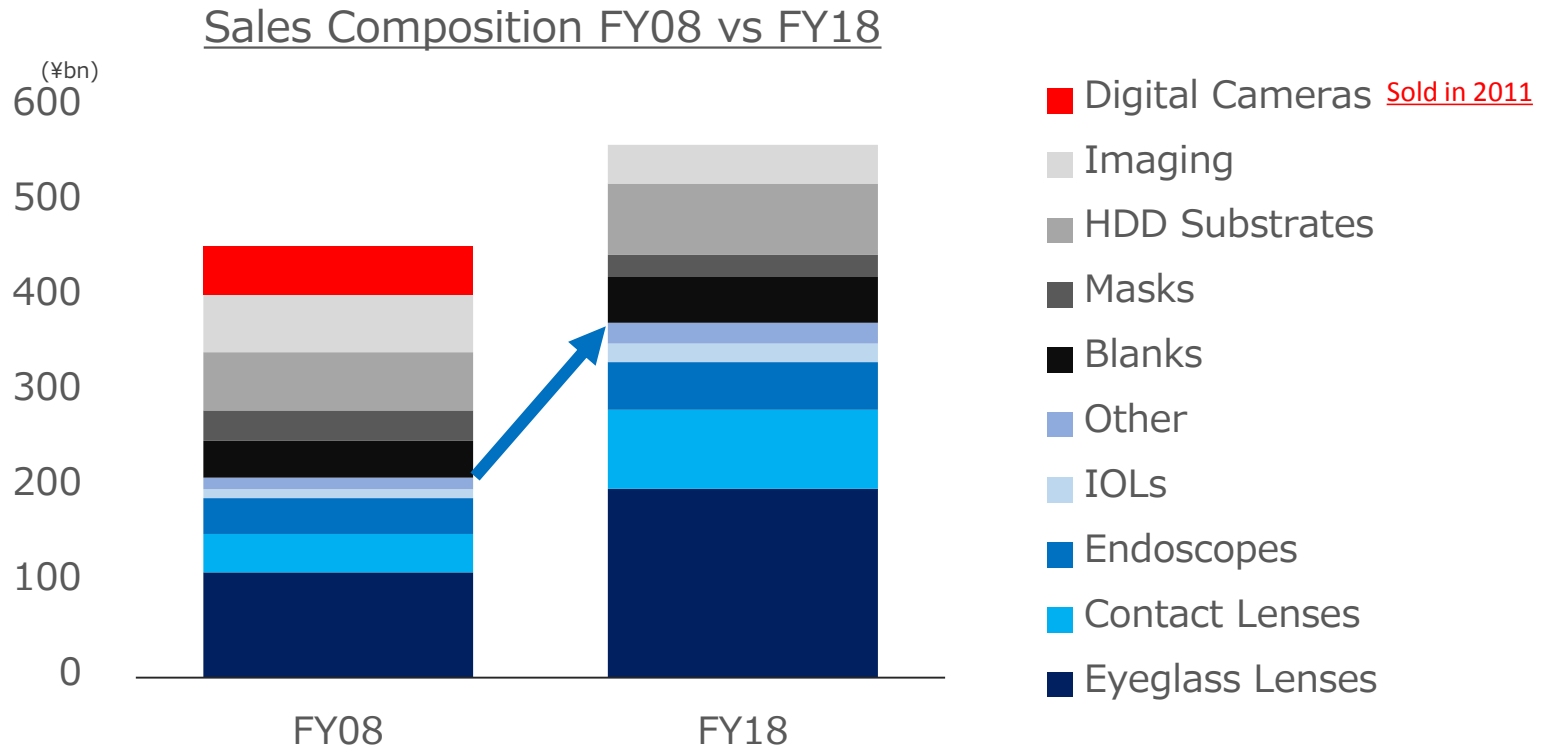
## Focused Areas and Results



# Reviewing the Past Decade

## Transition of Business Portfolio

- ✓ Full-fledged expansion into the medical business by buying endoscopy business in 2007.
- ✓ Exited from businesses with low growth opportunities and synergies.
- ✓ As a result, sales composition of Life Care (shown as blue bars) rose from 46% to 65%.



# Reviewing the Past Decade

## Initiatives to Maximize Shareholder Value

- ✓ Greater intensity in management and supervisory functions after board shifts to majority of outside directors in FY08.
- ✓ Shareholder-friendly management conscious of capital cost; more focus on shareholder returns.
- ✓ Market cap reached record-high.

### No of Board of Directors

\*Outside directors shown in blue.

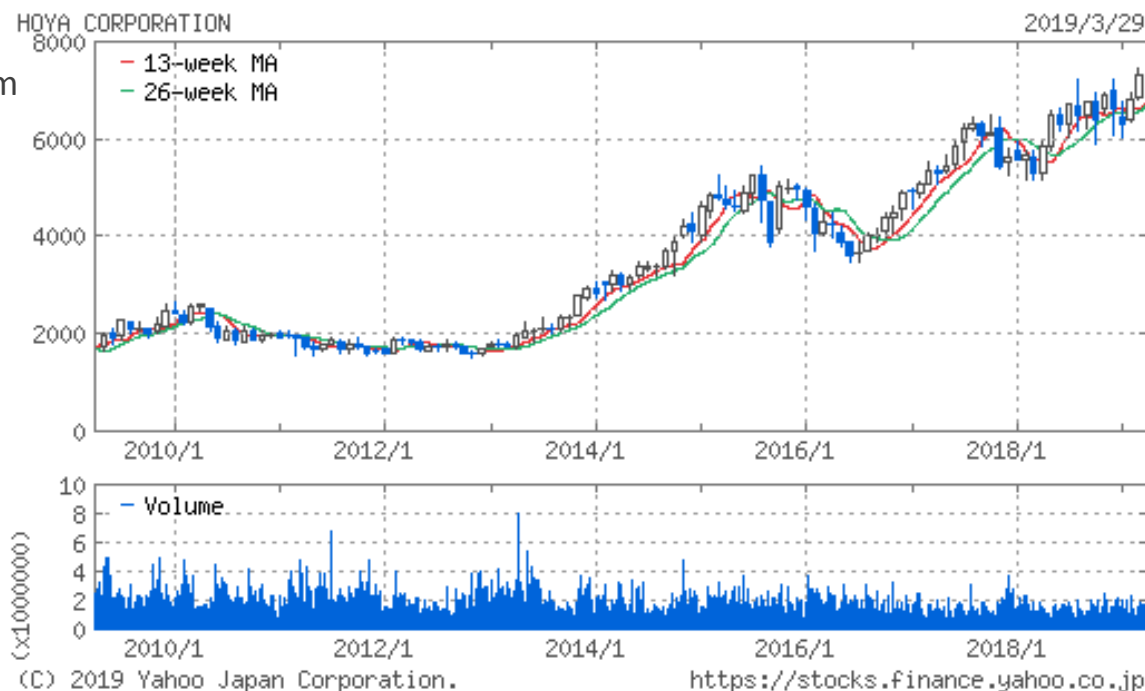
FY95 Introduction of outside director system



FY08



FY18

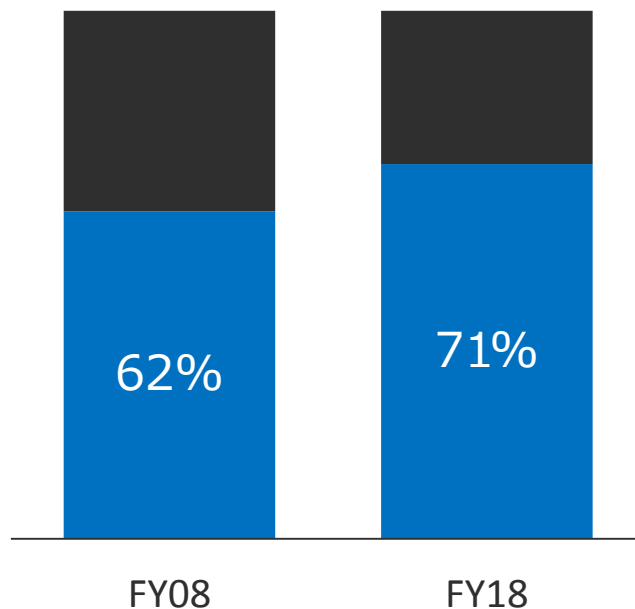


# Reviewing the Past Decade

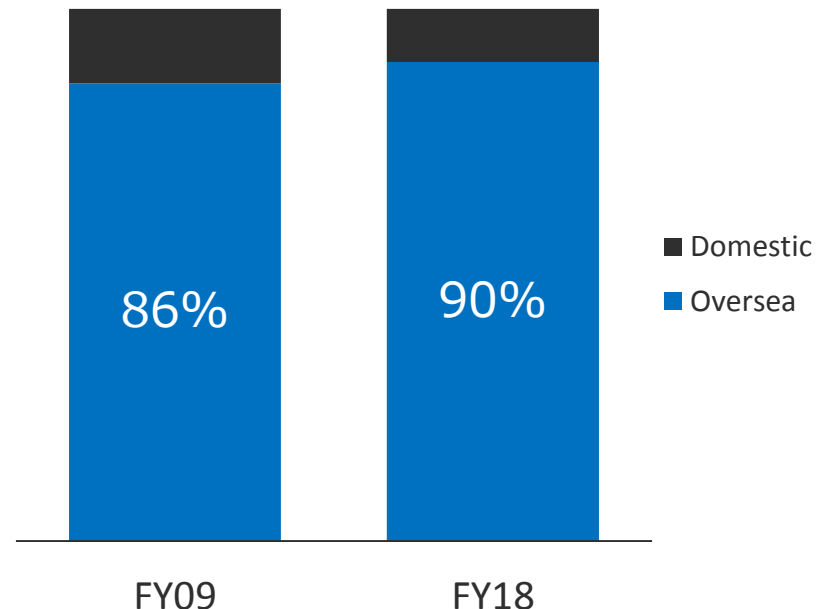
## Global Expansion

- ✓ Allocating production, sales, and management to the most suitable sites.
- ✓ Globalization of human capital. Ratio of local employees in top management positions at overseas subsidiaries reached 97%. Hired non-Japanese corporate executives.
- ✓ Expansion outside Japan, mostly in Western countries. However, we are still in the process of building a competitive management structure in various regions, including emerging markets.

Ratio of Overseas Sales



Ratio of Employees Outside of Japan



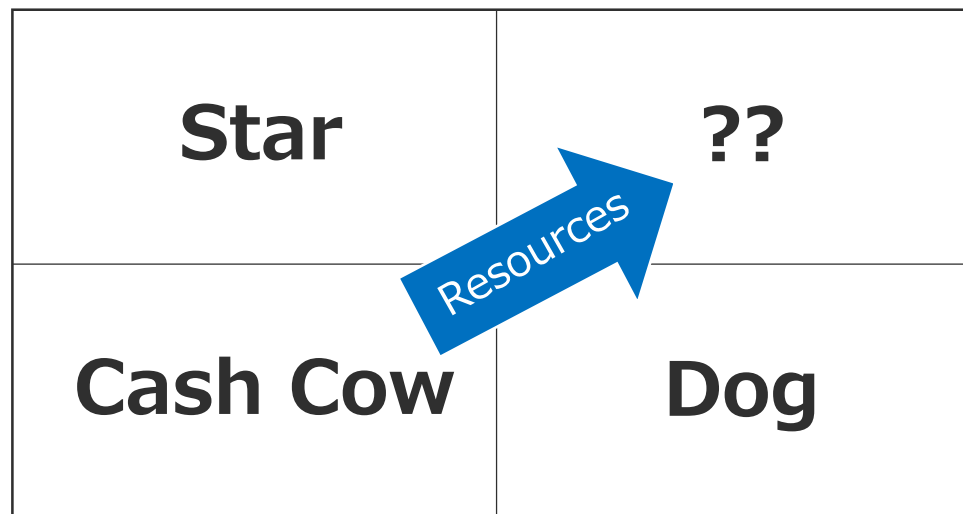
# HOYA's Philosophy

## Big Fish in a Small Pond

The HOYA philosophy is to leverage creativity and innovation to become the leading company in niche markets.

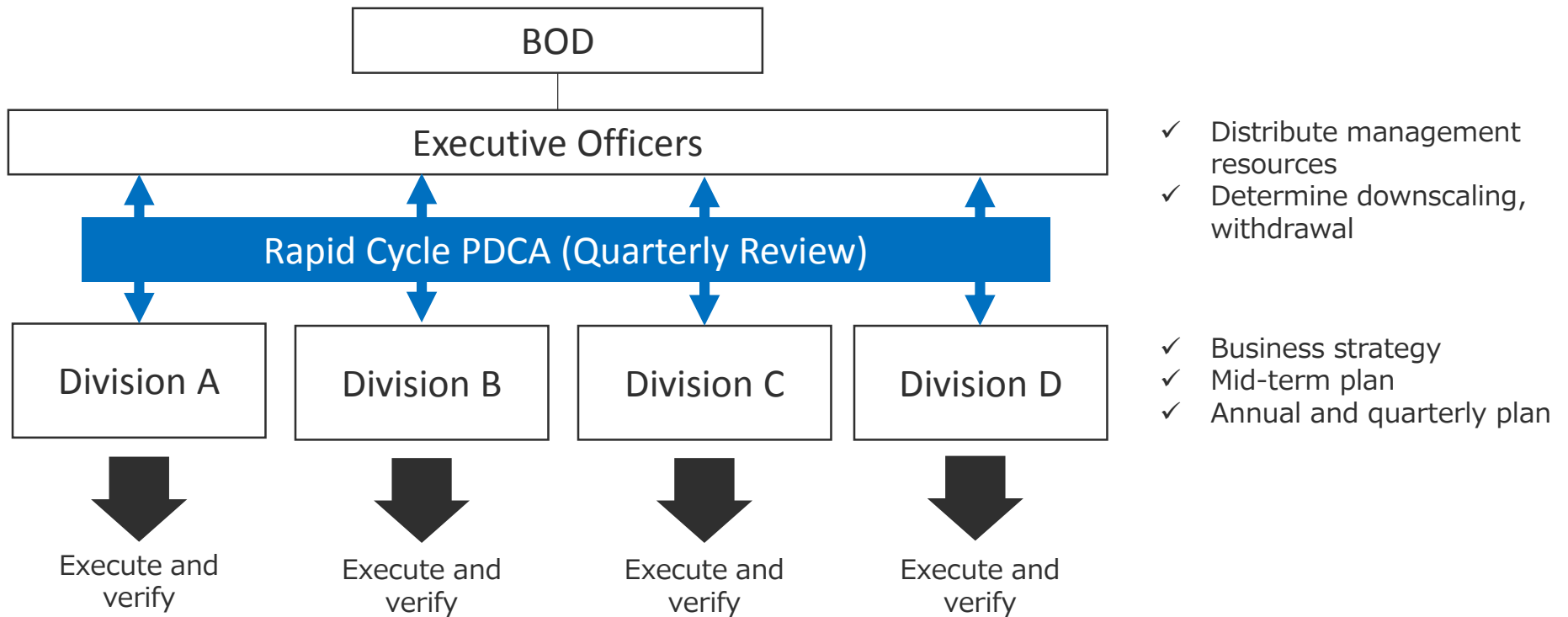
## Business Portfolio Management

- ✓ Redistributing management resources to growth areas. Determining the life cycle of each business is key.
- ✓ Diversify risk by combining businesses with different business models, sensitivity to market conditions, etc.



# The HOYA Management System

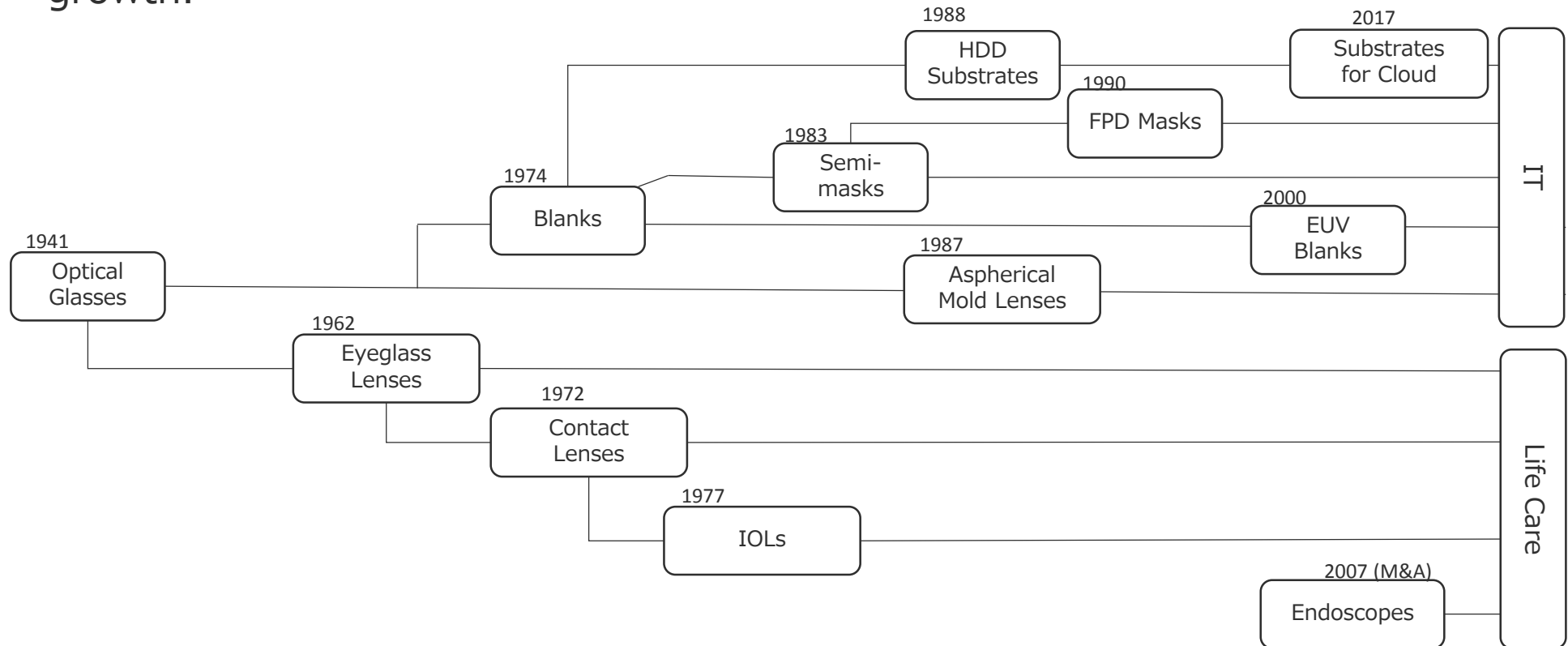
- ✓ Rapid Cycle PDCA: Review and improve each division every quarter in the belief that we should not sacrifice short-term earnings for the sake of long-term growth.
- ✓ Number-Driven: Every decision should be supported by financial figures.



# Key Issues to Tackle in the Next Decade

## History of the Past 80 Years

Expanded scope of technologies and categories, beginning with optical glasses. Acquisition of the endoscopy business became a turning point of non-linear growth.



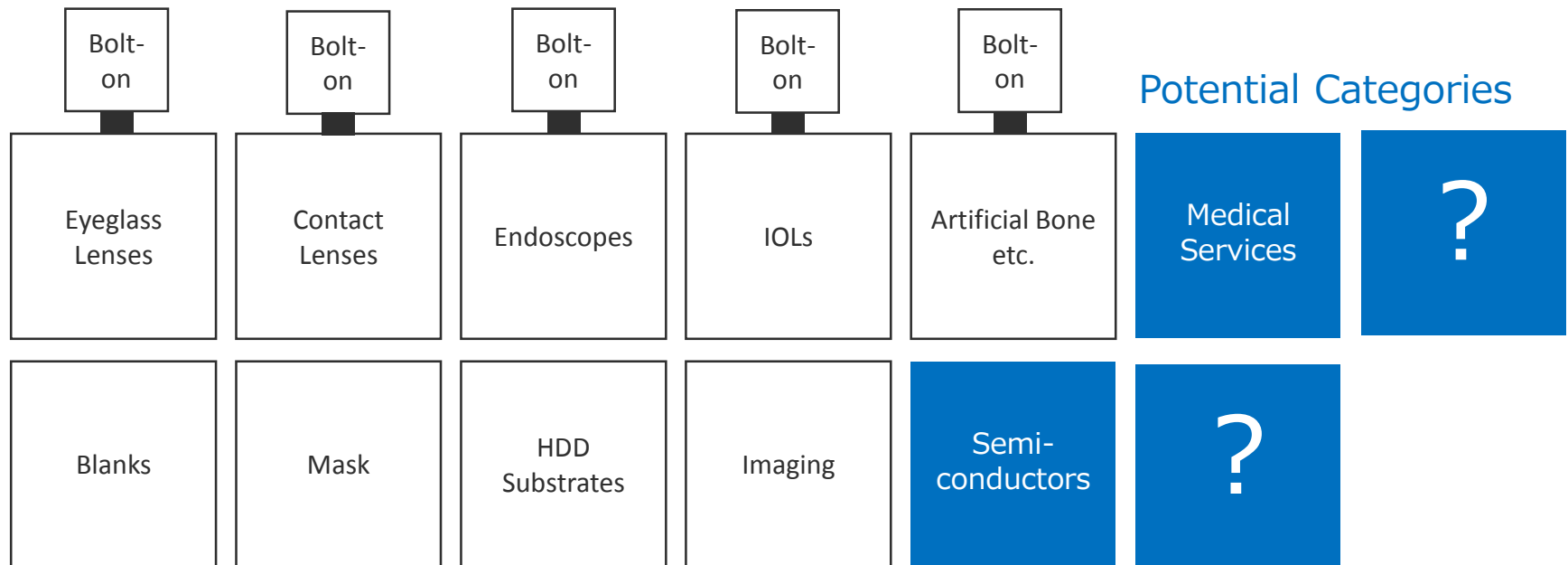
Core Technology	Optical Design	Composition	Melting	Molding	Polishing	Deposition	Micro-fabrication
Theme	Photology	Life	Precision	Health Care	Medical		



# Key Issues to Tackle in the Next Decade

## Transform Business Portfolio

- ✓ Continue bolt-on acquisitions. At the same time, consider adding new pillars under the major categories of **medical services** and **semiconductors**.
- ✓ Define the “small ponds” in these major categories. Create business opportunities regardless of acquisitions or internal development.



# Other Issues to be Addressed

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## Pushing Diversity

- ✓ As part of our diversity program to expand recruitment and occupational fields for women, HOYA holds career advancement seminars for female employees and promotes cross-divisional exchange.
- ✓ Encourage more diversity in nationality and race.
- ✓ Encouraging more diversity among executive officers and the BOD to be matters discussed in the future.

## Succession Plan

- ✓ Develop next generation of management.
- ✓ Establish succession plan (driven by outside directors and our nominating committee).

# HOYA's Aspirations for the Future

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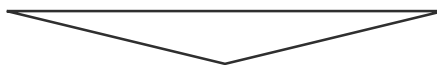
- ✓ To be a meaningful company that creates businesses aligned with the needs of the times.
- ✓ To be a company that directs the growth of corporate value in harmony with contributions to society, economy, and culture.
- ✓ To be a company that contributes to shareholder success through maximized corporate value and return of profits.

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# Appendix

# Consolidated Earnings (Annual)

(¥bn)	FY17	FY18	YoY	YoY(%)
Sales	535.6	565.8	+30.2	+6%
Pretax Profit	124.2	144.7	+20.4	+16%
Net Profit	99.2	122.1	+22.9	+23%
cf.Operating Profit	129.5	148.5	+19.0	+15%



**Achieved record-high quarterly sales and profit.**

# Life Care Earnings (Annual)

(¥bn)	FY17	FY18	YoY	YoY(%)
Sales*	352.9	373.4	+20.5	+6%
Pretax Profit	56.4	69.3	+12.8	+23%
cf.Operating Profit	63.6	74.2	+10.6	+17%
cf.OP Margin	18.0%	19.9%	+1.9pt	

\*External Sales

# IT Earnings (Annual)

(¥bn)	FY17	FY18	YoY	YoY(%)
Sales*	178.5	187.5	+9.1	+5%
Pretax Profit	70.0	80.6	+10.6	+15%
cf.Operating Profit	70.1	79.6	+9.5	+14%
cf.OP Margin	39.2%	42.4%	+3.2pt	

\*External Sales



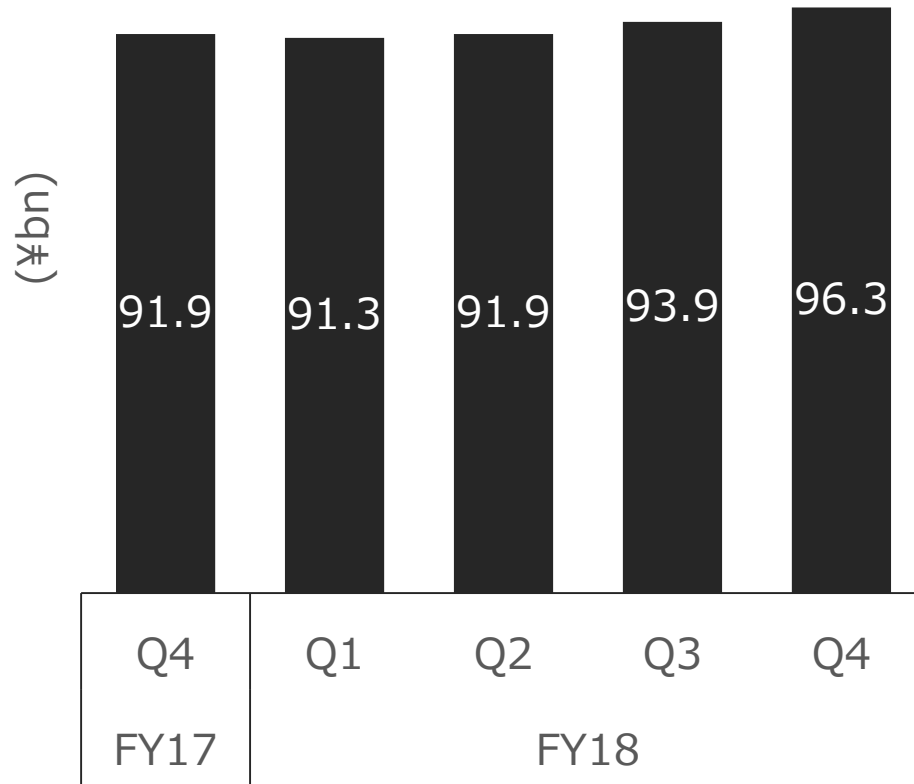
# Cash Flow (Annual)

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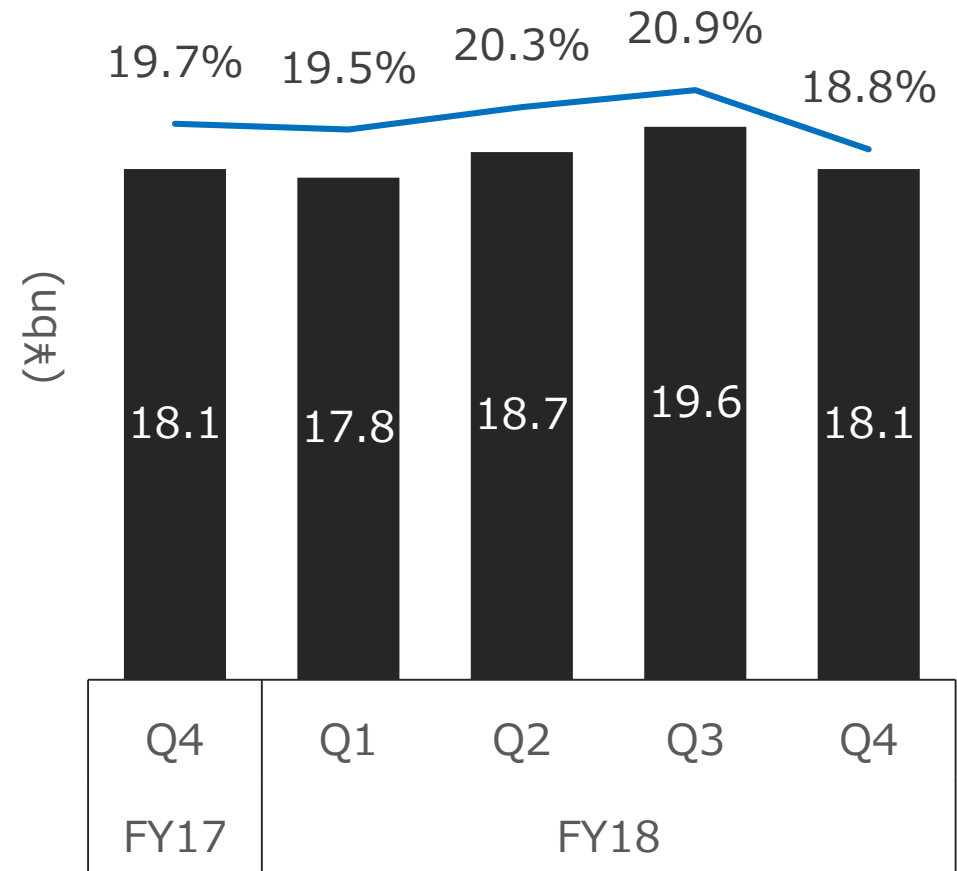
(¥bn)	FY17	FY18	YoY
Operating CF	135.5	146.6	+11.1
Investing CF	-68.5	-70.1	-1.6
Financing CF	-117.3	-32.8	+84.5
Cash & Cash Equivalents at the end of the term	245.8	293.4	+47.6

# Life Care QoQ Earnings

Revenue



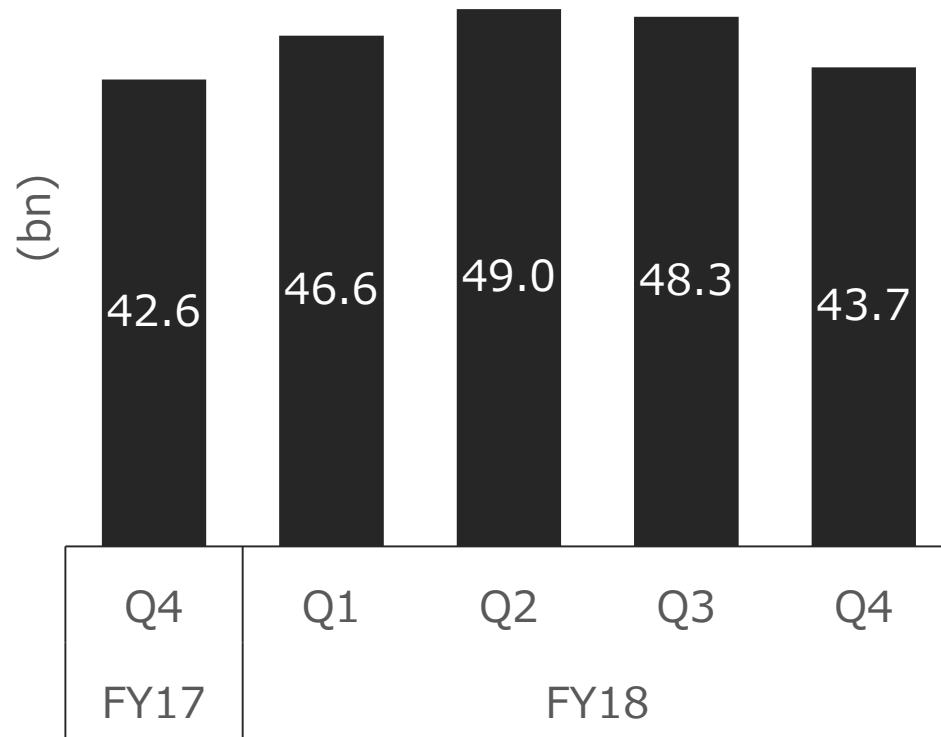
cf. Operating Profit / Margin



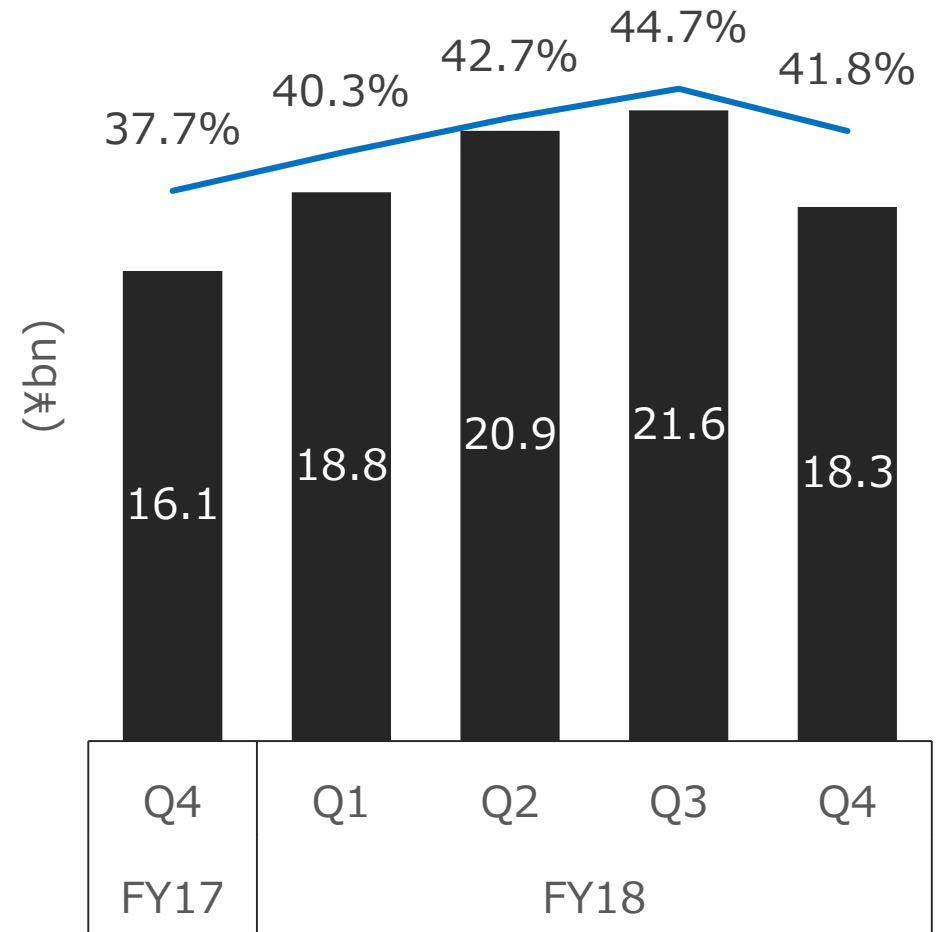
\*External Sales

# IT QoQ Earnings

Revenue



cf. Operating Profit / Margin



\*External Sales

# Topics



[HDD Subs] Ground-breaking in Laos

- ✓ Held ground-breaking ceremony in February in Laos for a new fab dedicated to 3.5" subs used in data centers.
- ✓ To be on-line on H1 CY2020, target full capacity by H1 CY2021.



[Eyeglass] Ground-breaking in Vietnam

- ✓ In January, HOYA attended a licensing ceremony for companies newly entering an industrial park in Vietnam.
- ✓ Second eyeglass lens factory in Vietnam. Construction started. Scheduled to be ready by end of CY2019.

# Notes

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- ✓ 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>

# Disclaimer

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