

# FY19Q4

## F i n a n c i a l

## R e s u l t s

May 8, 2020 Earnings Conference

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 FY18	Q4 FY19	YoY	YoY(%)
Revenue	141.5	135.1	-6.4	-5%
Pretax Profit	31.4	27.7	-3.7	-12%
Net Profit	29.2	19.7	-9.5	-32%
cf. Profit from ordinary operating activities*	35.1	32.6	-2.5	-7%

Due to the impact of COVID-19 and a ¥4.7bn fine related to a settlement with the US DOJ (endoscope business), both revenue and profit declined YoY.

# Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Revenue	138.0	135.1	-2.9	-3.5	-3%
Pretax Profit	27.9	27.7	-0.3	-3.4	-11%
Net Profit	19.9	19.7	-0.2	-9.3	-32%

Average Rates	(A)Q4 FY18	(B)Q4 FY19	Variance
US\$	¥110.27	¥109.11	+1.1%
EURO	¥125.27	¥120.06	+4.2%
BAHT	¥3.50	¥3.44	+1.7%

# Notes RE: Special Items

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## Comprehensive Income Statement

(¥bn)	Q4 FY18	Q4 FY19	YoY
Income	143.6	136.6	-7.0
Expenses	112.2	108.9	-3.3
Pretax Profit	31.4	27.7	-3.7

Expenses included a ¥4.7bn fine related to a settlement with the US DOJ for our endoscope business.

# Life Care Earnings

(¥bn)	Q4 FY18	Q4 FY19	YoY	YoY(%)
Revenue*	96.3	88.4	-7.9	-8%
Pretax Profit	15.8	9.0	-6.8	-43%
cf.Operating Profit	18.1	14.4	-3.7	-20%
cf.OP Margin	18.8%	16.3%	-2.5pt	

\*External revenue

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# Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	90.8	88.4	-2.4	-5.5	-6%
Pretax Profit	9.0	9.0	-0.0	-6.8	-43%
cf.Operating Profit	14.6	14.4	-0.2	-3.5	-19%

\*External revenue

# IT Earnings

(¥bn)	Q4 FY18	Q4 FY19	YoY	YoY(%)
Revenue*	43.7	45.7	+1.9	+4%
Pretax profit	18.4	19.9	+1.5	+8%
cf.Operating Profit	18.3	19.5	+1.2	+7%
cf.OP Margin	41.8%	42.8%	+1.0pt	

\*External revenue



# IT Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	46.1	45.7	-0.4	+2.4	+5%
Pretax profit	20.1	19.9	-0.2	+1.7	+9%
cf.Operating Profit	19.7	19.5	-0.2	+1.4	+8%

\*External revenue

# Earnings by Sub-Segment

(¥bn)	Q4 FY18	Q4 FY19	YoY	YoY(%)
Health Care (Eye Glasses/Contact Lenses)	72.0	64.5	-7.5 (-5.7)	-11% (-8%)
Medical (IOLs/Endoscopes/Artificial Bone)	24.2	23.9	-0.4 (+0.3)	-2% (+1%)
Electronics (Blanks/HDD Substrates)	34.8	38.7	+3.9 (+4.2)	+11% (+12%)
Imaging	8.9	6.9	-2.0 (-1.8)	-22% (-21%)

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

# Balance Sheet

(¥bn)	Q3 FY19	Q4 FY19	QoQ
Non-current Assets	291.2	289.8	-1.3
Current Assets	522.3	521.2	-1.1
Capital	652.8	629.3	-23.6
Non-current Liabilities	31.1	49.4	+18.2
Current Liabilities	129.5	132.4	+2.9
Total Assets	813.4	811.0	-2.4

- ① & ② We plan to obtain 100% of the shares of a JV established this quarter. Therefore, we have recognized this future transaction as a liability, posted to capital as minority interest.

# Cash Flow

(¥bn)	Q4 FY18	Q4 FY19	YoY
Operating CF	46.6	43.2	-3.4
Investing CF	-26.3	-13.7	+12.6 <span>1</span>
Financing CF	0.2	-12.4	-12.5 <span>2</span>
Cash & Cash Equivalents at the end of the term	293.4	318.0	+24.6

- 1 Cash outlay decreased compared to the year-ago quarter, in which we acquired Mid Labs and Fritz Ruck.
- 2 Cash outlays increased due to share buybacks.

# Results of Share Buyback

## Share Buyback #1

Maximum Amount: ¥60 bn

Period: May 8, 2019 to October 28, 2019

Amount Repurchased: 3,085k shares (worth ¥24.1 bn)

➡Canceled

## Share Buyback #2

Maximum Amount: ¥50 bn

Period: October 30, 2019 to April 23, 2020

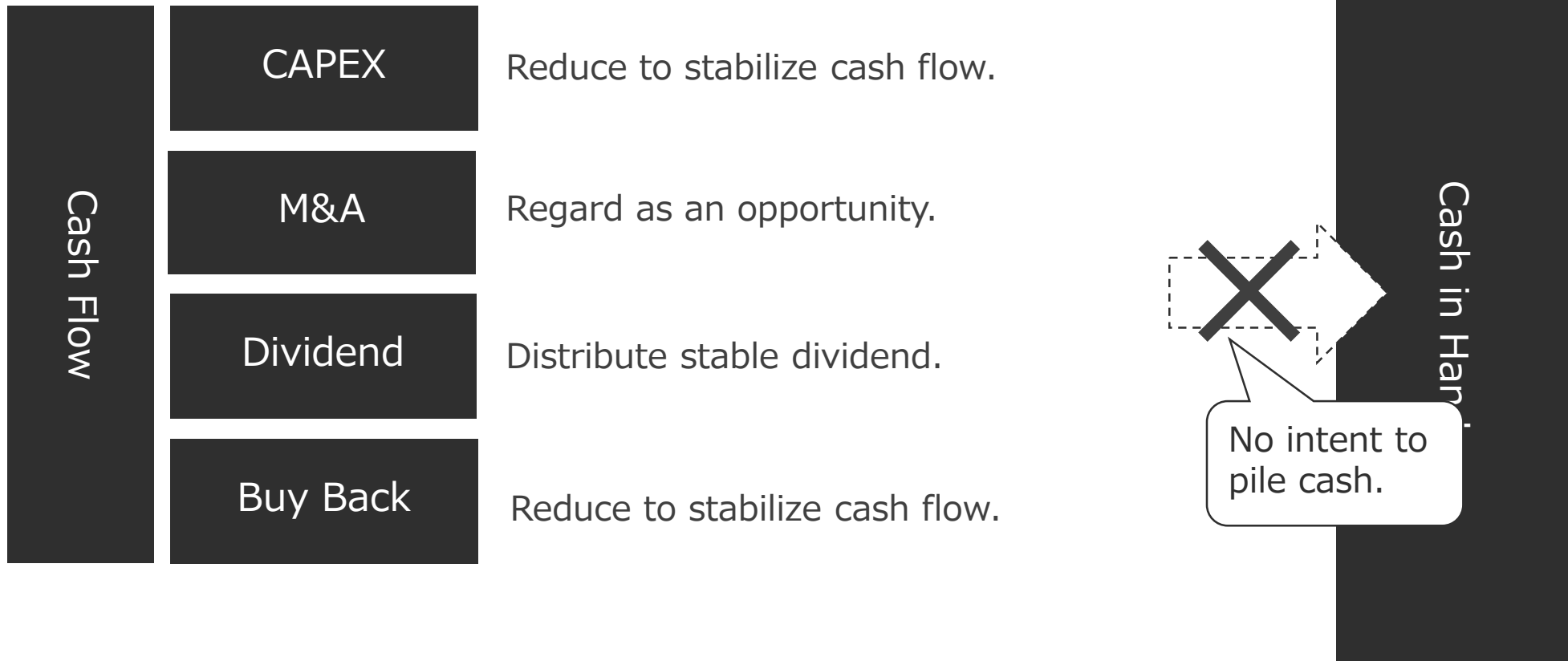
Amount Repurchased: 2,470k shares (worth ¥22.6 bn)

➡To be canceled

HOYA repurchased shares worth ¥46.7 bn in total.

# Cash Allocation Strategy

Prioritize investment for future growth. Our policy to return excess cash to shareholders remains unchanged. However, under the current situation, HOYA will change the execution of cash allocation provisionally until the uncertainties related to COVID-19 have been mitigated.



1. Financial Results

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

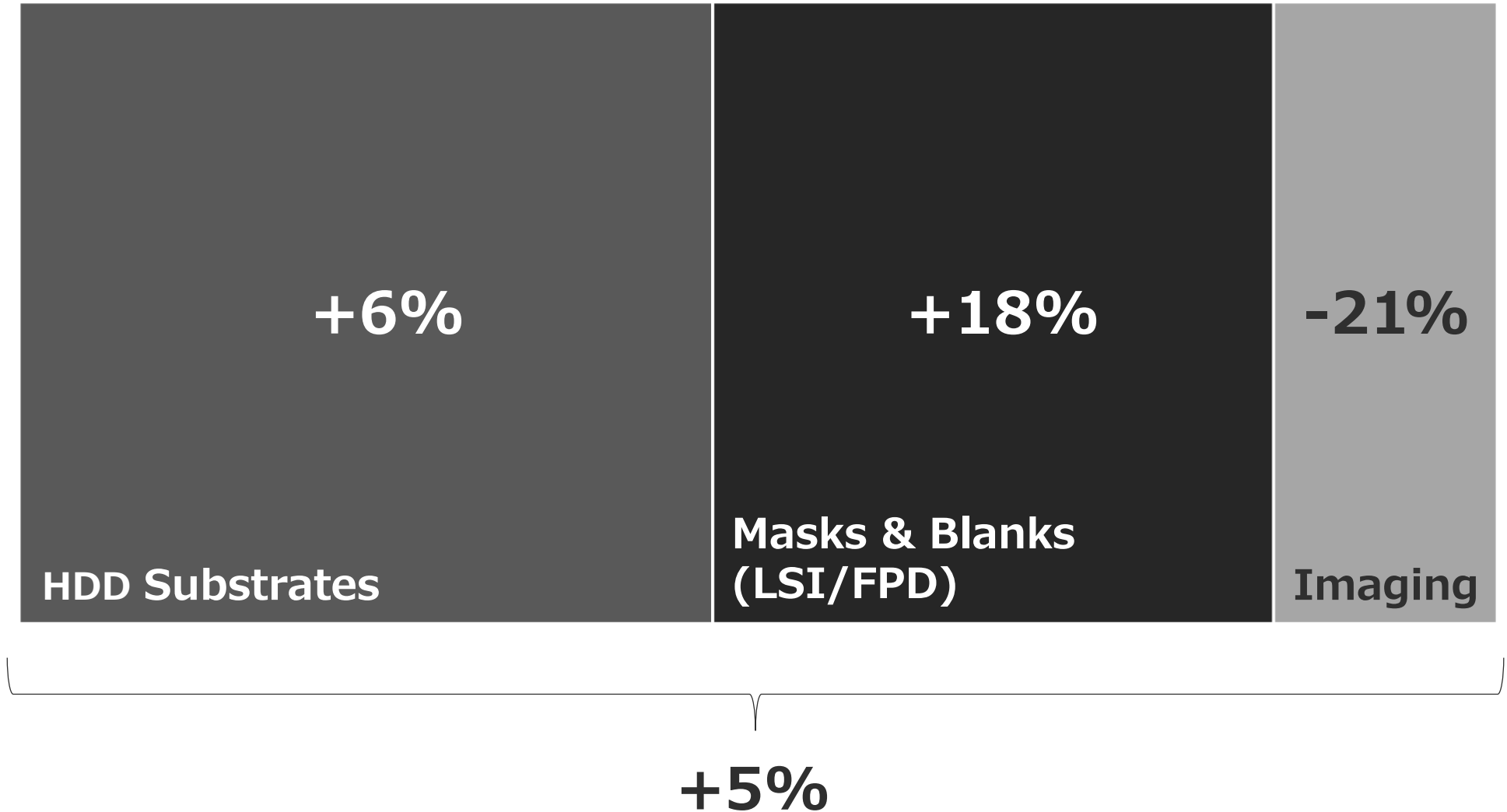
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# IT Snapshot

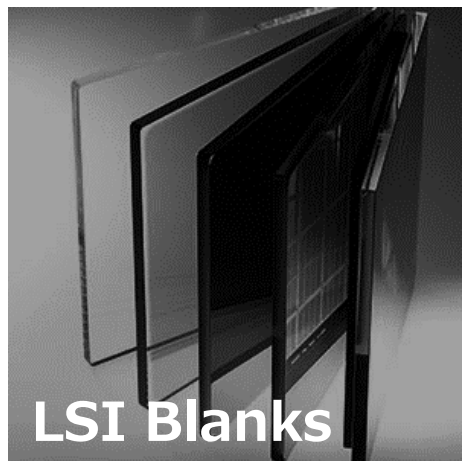
YoY Sales Growth (Like-for-Like)



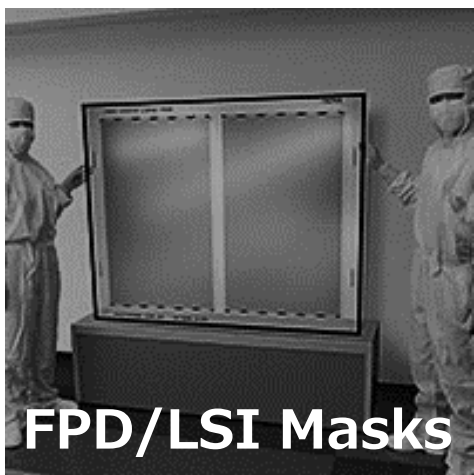


# Overview by Product

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EUV blanks showed stable growth driven by customer demand. HOYA opened new production lines in Singapore to cater to the growing demand. We are ramping up in line with our schedule. We expect leading-edge products to continue to grow, driven by smartphone SoCs and 5G-related products.



HOYA grew the business by gaining market share in China. We did not see an obvious impact from COVID-19. OLED is driving demand as OLED requires more numbers of masks compared to LCD. We will continue to focus on value-added products including OLED and PSM.

# Overview by Product

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Sales of 2.5" continued to decline, cannibalized by SSDs in areas including notebook PCs. 3.5" sales grew over 90% YoY driven by the 16TB drive for data centers. Our new factory in Laos started to ship sample products to customers for qualification.

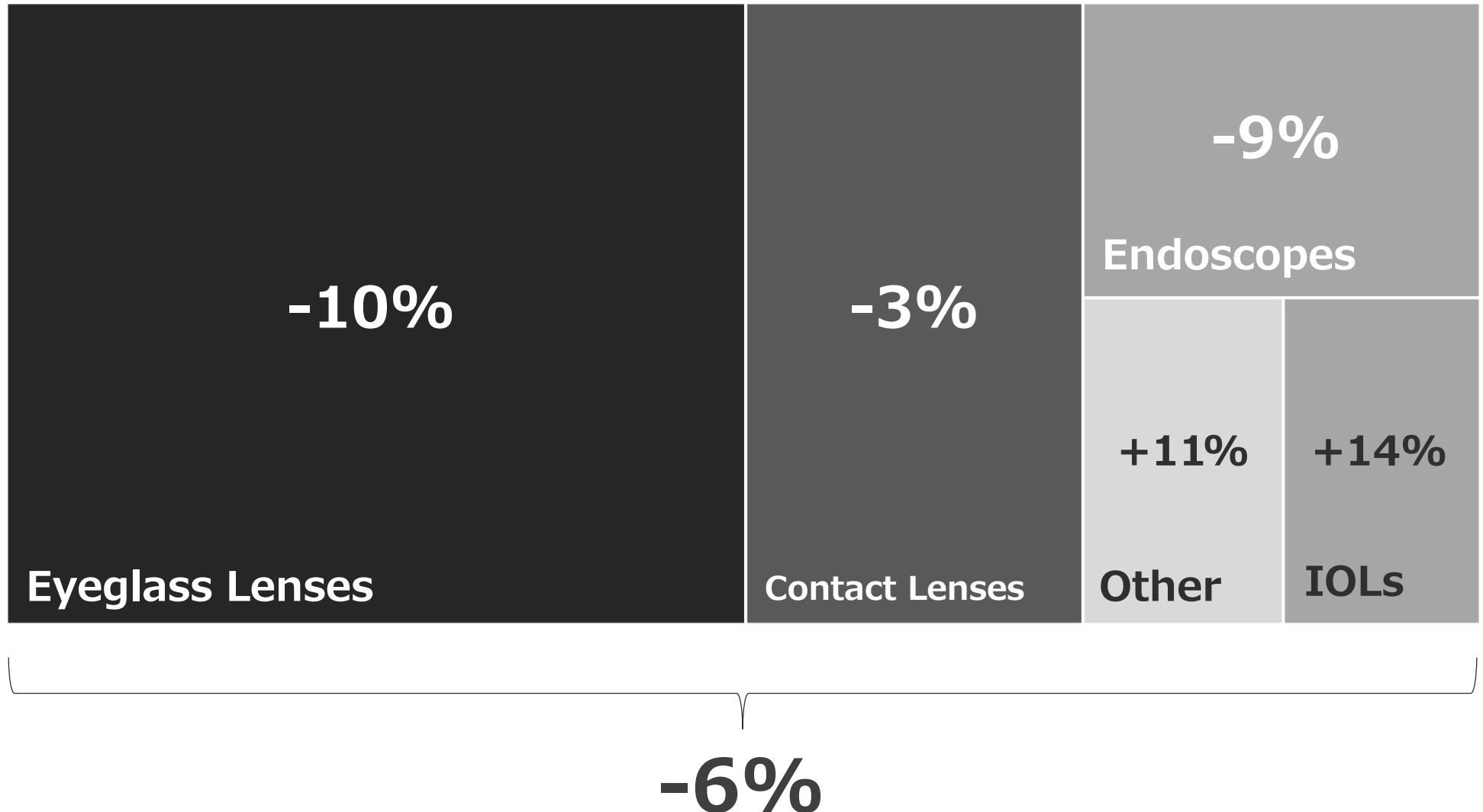


The structural decline of digital camera lenses accelerated due to COVID-19. In contrast, we expect surveillance camera lens sales to revive as they will be utilized to contain COVID-19. We will continue to develop new market opportunities for our glass lenses.

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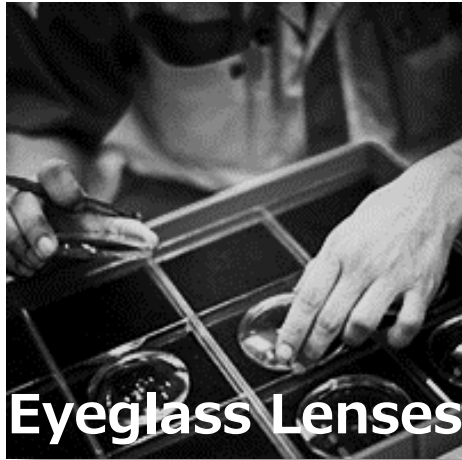
# Life Care Snapshot

YoY Sales Growth (Like-for-Like)



# Overview by Product

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End customer demand declined significantly, due to retail store closures and movement limitations. Store closures are a critical factor for the industry as online exposure is only 5% to 7%. We will capture pent-up demand in China and Korea, where new infection numbers are starting to decelerate.



In line with our expectations, we saw a reverse impact after front-loaded demand due to the consumption tax hike, totaling around ¥1.1bn. Our sales were also affected by a partial closure of our retail operations during the second half of March. Including M&A, our stores totaled 336 stores as of end of March.

# Overview by Product

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The COVID-19 outbreak resulted in fewer cataract procedures in Asia and Europe. Sales in Japan progressed stably and the two companies (Mid Labs/Fritz Ruck) acquired in Jan. 2019 showed outstanding performance. As a result, overall sales were positive.



In addition to strong sales in Russia, our bronchoscopes showed robust sales in Europe through ER and ICU channels due to COVID-19. US sales were down due to delays in approval. COVID-19 negatively impacted sales in Asia.

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# Status of Life Care Business RE COVID-19

	Production/Supply Chain	End Demand	Outlook After Activity Restrictions Eased
Eyeglass Lenses	Reduce production to align with end demand.	Significant decline in demand due to lock downs and activity restrictions resulting in retail closures.	Return to normal levels after three months as economic activity resumes. (China and Korea starting to show signs of recovery)
Contact Lenses	No remarks.	Lost sales opportunities due to voluntary stay-at-home request made by the Japanese government.	Expect pent-up demand since majority of contact lenses are consumables (disposables).
IOLs	Reduce production to align with end demand.	Demand decreasing, since cataract surgery has been deemed an elective surgery.	Expect slow recovery. Patients (generally elderly) being susceptible to COVID19 may hesitate to visit hospitals.
Endoscopes	No remarks.	Increased demand for bronchoscopes. Majority of endoscopic procedures deemed elective.	Gradually return to normal as elective procedures are performed.



# Status of IT Business RE COVID-19

	Production/Supply Chain	End Demand	Outlook After Activity Restrictions Eased
Blanks	Temporary closure of Malaysia factory (polishing of standard blanks). Restarted operations, though utilization still fairly low.	End demand for consumer products face reduced demand. Leading-edge R&D maintains momentum.	-
FPD/LSI Masks	No remarks.	No obvious impact.	-
HDD Substrates	Temporary closure of new Laos factory. Restarted operations.	2.5" end demand related to consumer products face reduced demand. 3.5" is seeing increased demand due to WFH etc.	-
Imaging	No remarks.	Digital camera demand declining due to activity restrictions.	Digital camera demand may not recover for a while. We may see increased demand for surveillance cameras used to contain epidemic.

# Initiatives Related to COVID-19

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■ Prioritize safety of employees and other stakeholders.

■ Cost reductions to secure profit as much as possible.

- Cancel overseas business trips
- Freeze hiring
- Execute different working style (no-pay leave, short working hours)
- Restrain sales promotion expense
- Restrain purchase activity
- Close/integrate production sites
- Adjust production lines
- Restrain capital investment

■ Assuming the situation continues, we will consider business structure reforms to adjust to a post-COVID-19 era.

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# Appendix

# Annual Earnings

(¥bn)	FY18	FY19	YoY	YoY(%)
Revenue	565.8	576.5	+10.7	+2%
Pretax Profit	144.7	147.3	+2.6	+2%
Net Profit	122.1	114.6	-7.5	-6%
cf. Profit from ordinary operating activities*	148.5	154.5	+6.0	+4%

Achieved record high revenue and pretax profit.

# Life Care Annual Earnings

(¥bn)	FY18	FY19	YoY	YoY(%)
Revenue*	373.4	375.0	+1.7	+0%
Pretax Profit	69.3	62.2	-7.1	-10%
cf.Operating Profit	74.2	70.0	-4.3	-6%
cf.OP Margin	19.9%	18.7%	-1.2pt	

\*External revenue

# IT Annual Earnings

(¥bn)	FY18	FY19	YoY	YoY(%)
Revenue*	187.5	196.7	+9.2	+5%
Pretax Profit	80.6	88.1	+7.5	+9%
cf.Operating Profit	79.6	88.6	+9.0	+11%
cf.OP Margin	42.4%	45.0%	+2.6pt	

\*External revenue

# Annual Cash Flow

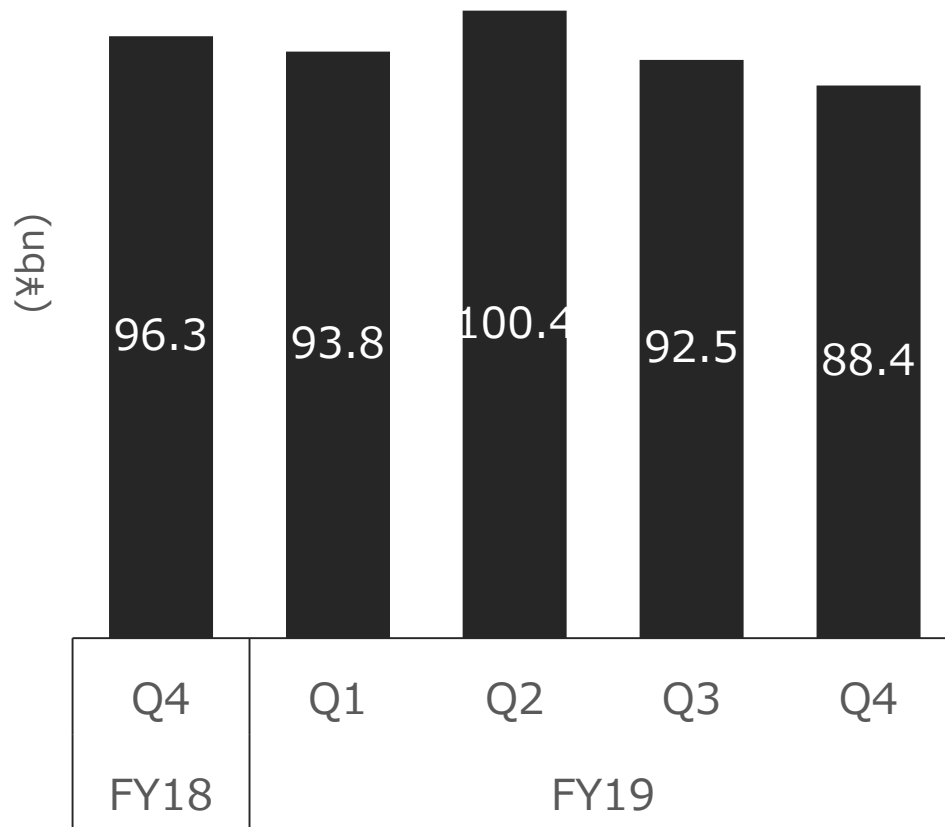
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(¥bn)	FY18	FY19	YoY
Operating CF	146.6	163.4	+16.8
Investing CF	-70.1	-47.4	+22.8
Financing CF	-32.8	-85.5	-52.7
Cash & Cash Equivalents at the end of the term	293.4	318.0	+24.6

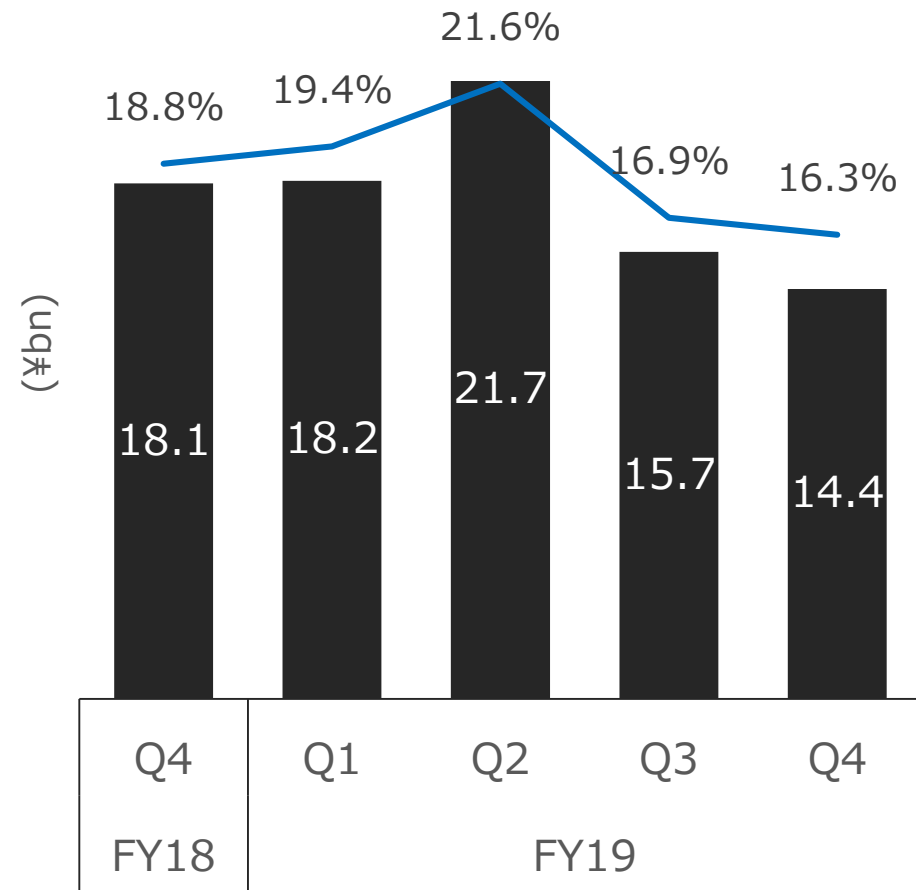


# Life Care QoQ Earnings

Revenue

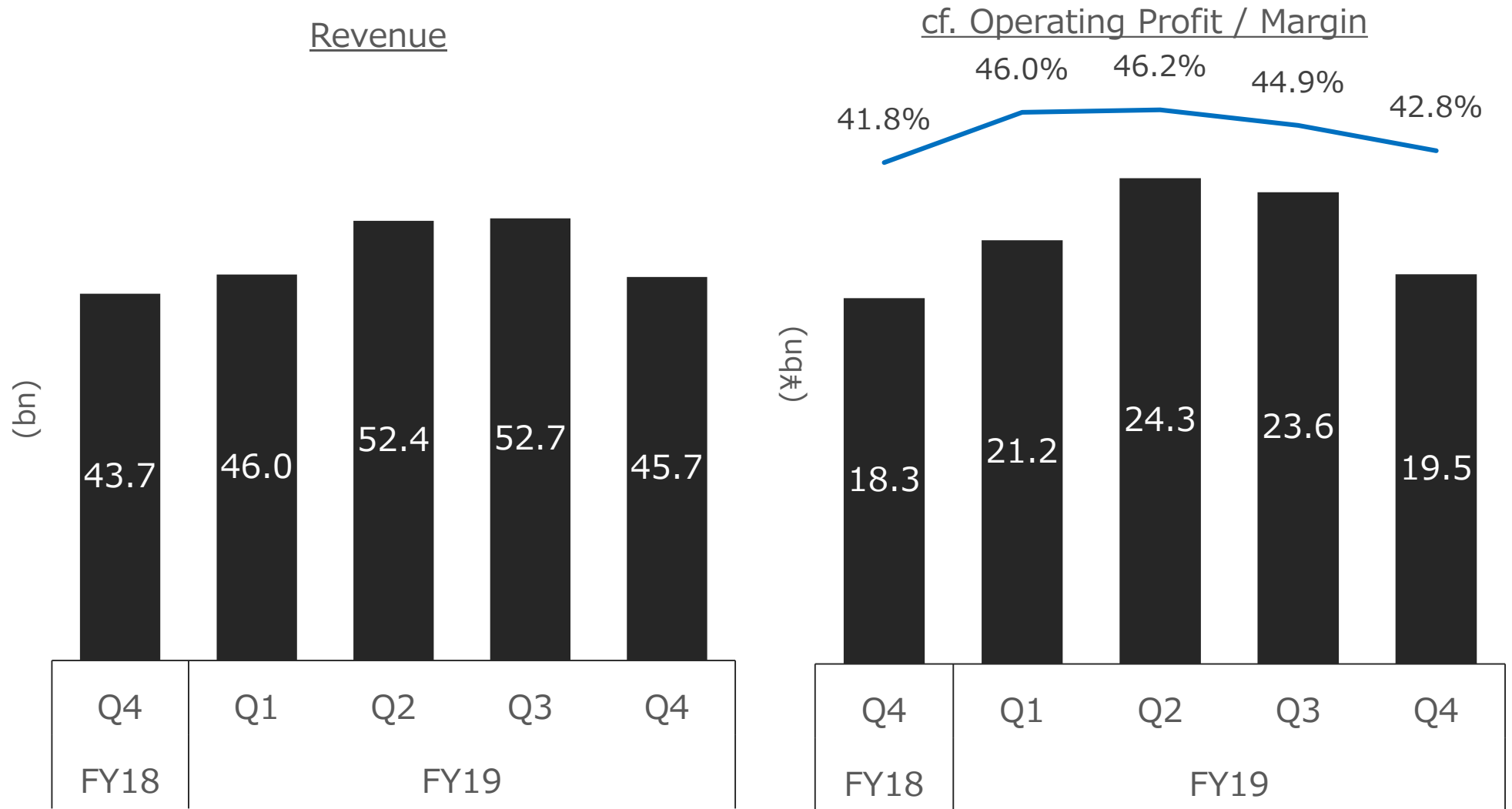


cf. Operating Profit / Margin



\*External revenue

# IT QoQ Earnings



\*External revenue

# Notes

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- ✓ Accounting standard: IFRS
- ✓ The fiscal year ending March 2020 is referred to as “FY19” 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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HOYA may make comments and disclose information which include forward-looking statements with respect to HOYA 's plans and future performance. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements and are based on management 's assumptions and beliefs in light of the information available when such statements were prepared, including exchange and interest rates, international situations, market trends and economic conditions, competition, production capacity, estimates of revenues, operating margins, capital expenditures, cash, other financial metrics, expected legal, arbitration, political, regulatory, clinical or research and development capabilities, results or practices, customer patterns or practices, reimbursement activities and outcomes, effects of pandemics or other widespread health problems such as the ongoing COVID-19 pandemic on our business, and other such estimates and results. HOYA does not guarantee the accuracy or completeness of such information and HOYA does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.