

FY20Q2

F i n a n c i a l

R e s u l t s

October 27, 2020 Earnings Conference

7741.T [ADR:HOCPY US]

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)	Q2 FY19	Q2 FY20	YoY	YoY(%)
Revenue	154.1	140.3	-13.8	-9%
Pretax Profit	44.2	40.2	-4.0	-9%
Net Profit	35.0	31.8	-3.2	-9%
cf. Profit from ordinary operating activities*	45.2	43.3	-1.9	-4%

The impact of COVID-19 eased, and the rate of decline in both sales and earnings improved.

Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Revenue	140.8	140.3	-0.5	-13.4	-9%
Pretax Profit	40.5	40.2	-0.3	-3.7	-9%
Net Profit	32.1	31.8	-0.2	-2.9	-8%

Average Rates	(A)Q2 FY19	(B)Q2 FY20	Variance
US\$	¥107.67	¥105.25	+2.2%
EURO	¥118.95	¥124.59	-4.7%
BAHT	¥3.51	¥3.36	+4.3%

Notes RE: Special Items

Comprehensive Income Statement

(¥bn)	Q2 FY19	Q2 FY20	YoY
Income	155.3	141.7	-13.7
Expenses	111.1	101.5	-9.6
Impairment Loss	-	3.1	+3.1
Pretax Profit	44.2	40.2	-4.0

The company recognized goodwill impairment due to delays in clinical trials and approval at a previously acquired overseas subsidiary due to COVID-19 and other factors.

Life Care Earnings

(¥bn)	Q2 FY19	Q2 FY20	YoY	YoY(%)
Revenue*	100.4	90.1	-10.3	-10%
Pretax Profit	20.6	17.7	-2.9	-14%
cf.Operating Profit	21.7	21.2	-0.5	-2%
cf.OP Margin	21.6%	23.5%	+1.9pt	

*External revenue

Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	90.0	90.1	+0.1	-10.4	-10%
Pretax Profit	17.8	17.7	-0.0	-2.9	-14%
cf.Operating Profit	21.5	21.2	-0.3	-0.2	-1%

*External revenue

IT Earnings

(¥bn)	Q2 FY19	Q2 FY20	YoY	YoY(%)
Revenue*	52.4	49.0	-3.5	-7%
Pretax profit	24.3	22.4	-1.9	-8%
cf.Operating Profit	24.3	22.8	-1.4	-6%
cf.OP Margin	46.2%	46.7%	+0.5pt	

*External revenue

IT Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	49.5	49.0	-0.6	-2.9	-6%
Pretax profit	22.6	22.4	-0.2	-1.7	-7%
cf.Operating Profit	23.1	22.8	-0.2	-1.2	-5%

*External revenue

Earnings by Sub-Segment

(¥bn)	Q2 FY19	Q2 FY20	YoY	YoY(%)
Health Care (Eyeglasses/ Contact Lenses)	76.1	68.2	-7.9 (-7.7)	-10% (-10%)
Medical (IOLs/Endoscopes/ Artificial Bone)	24.4	21.9	-2.4 (-2.7)	-10% (-11%)
Electronics (LSI & FPD/ HDD Substrates)	43.0	41.9	-1.1 (-0.6)	-3% (-1%)
Imaging	9.4	7.1	-2.3 (-2.3)	-25% (-24%)

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

Balance Sheet

(¥bn)	Q1 FY20	Q2 FY20	QoQ
Non-current Assets	288.3	285.4	-2.9
Current Assets	499.3	540.5	+41.3
Capital	637.2	663.6	+26.4
Non-current Liabilities	49.5	46.3	-3.2
Current Liabilities	100.9	116.1	+15.1
Total Assets	787.6	825.9	+38.3

- 1 Decrease due to impairment of goodwill of an overseas subsidiary.
- 2 Increase due mainly to an increase in cash of 35.9 billion yen.

Cash Flow

(¥bn)	Q2 FY19	Q2 FY20	YoY
Operating CF	44.7	48.4	+3.7
Investing CF	-11.1	-8.7	+2.4
Financing CF	-7.5	-1.8	+5.6
Cash & Cash Equivalents at the end of the term	298.4	337.4	+39.0

1 Cash outlays from financing activities decreased, since the company conducted a share buyback in the year-ago quarter.

Share Buyback

We were temporarily adjusting cash allocation balance due to uncertainty, but given that visibility is starting to improve, we will conduct share buybacks.

Maximum number of shares to be repurchased : 4 mn
Maximum acquisition price: 40 bn yen
Period: October 28, 2020 to January 20, 2021
➡To be cancelled after repurchasement.

1. Financial Results

2. IT Business Overview [Eiichiro Ikeda, CTO]

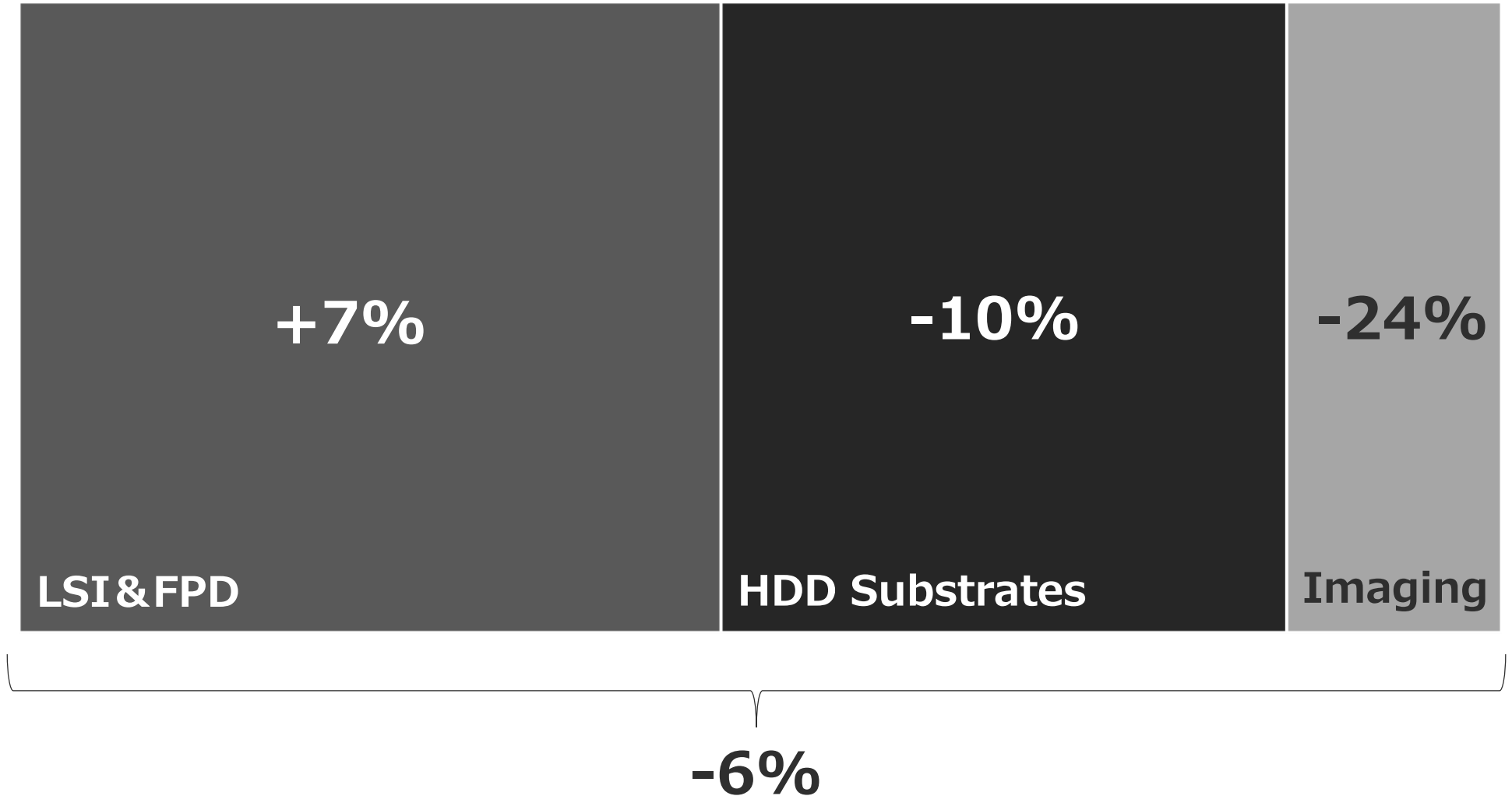
3. Life Care Business Overview

4. Summary

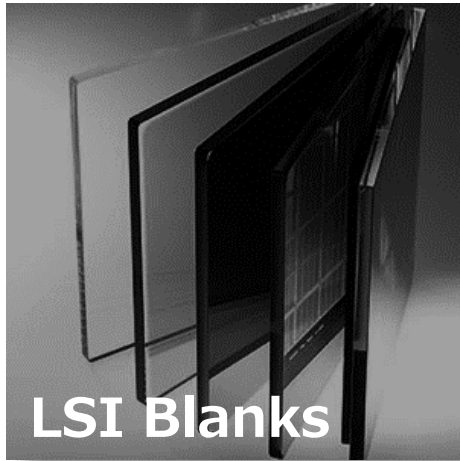
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IT Snapshot

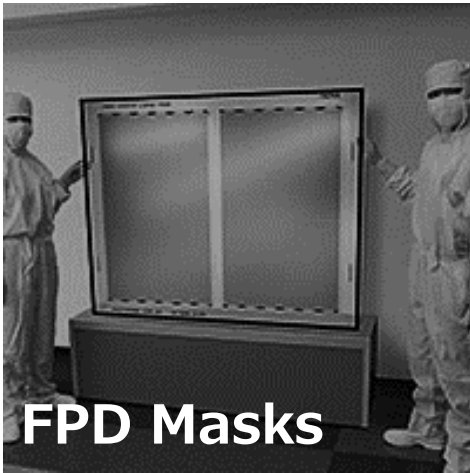
YoY Sales Growth (Like-for-Like)



Overview by Product

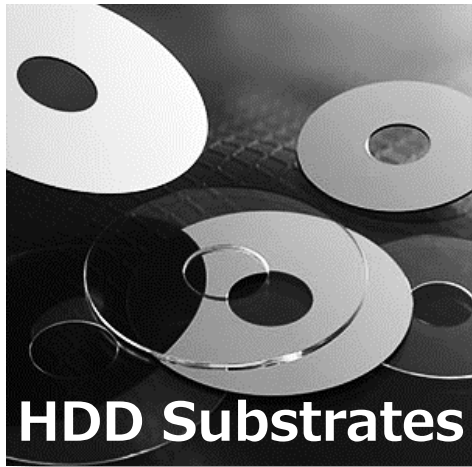


Sales of EUV blanks grew roughly 50% YoY. Sales of optical products declined slightly due to an inventory buildup caused by the Japan-Korea trade dispute in the year-ago quarter. We are considering further capacity expansion in response to increased customer investments in EUV.

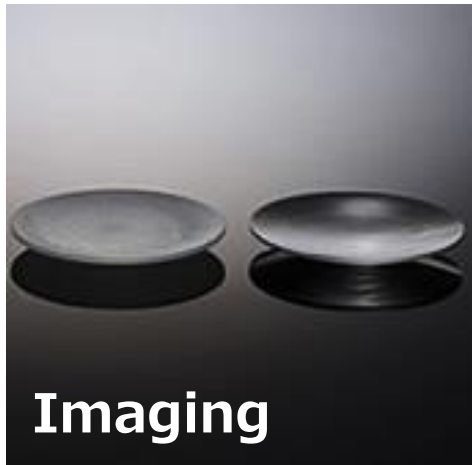


Demand for TV masks increased due to shelter-at-home demand caused by COVID-19. Panel manufacturers shifted their focus to mass production, which led to a decrease in R&D demand. In addition, sales of masks for smartphones in China decreased due to the trade war between the US and China. The company will continue to focus on highly functional/high-value-added masks in the future.

Overview by Product



Despite the data center market entering an inventory digestion phase, 3.5" sales continued to achieve double-digit growth. On the other hand, sales of 2.5" were down due to accelerated declines in the 2.5" market, owing mainly to the adoption of SSDs in new game consoles. Overall sales declined as a result. The next peak of the data center investment cycle is expected to return next spring.

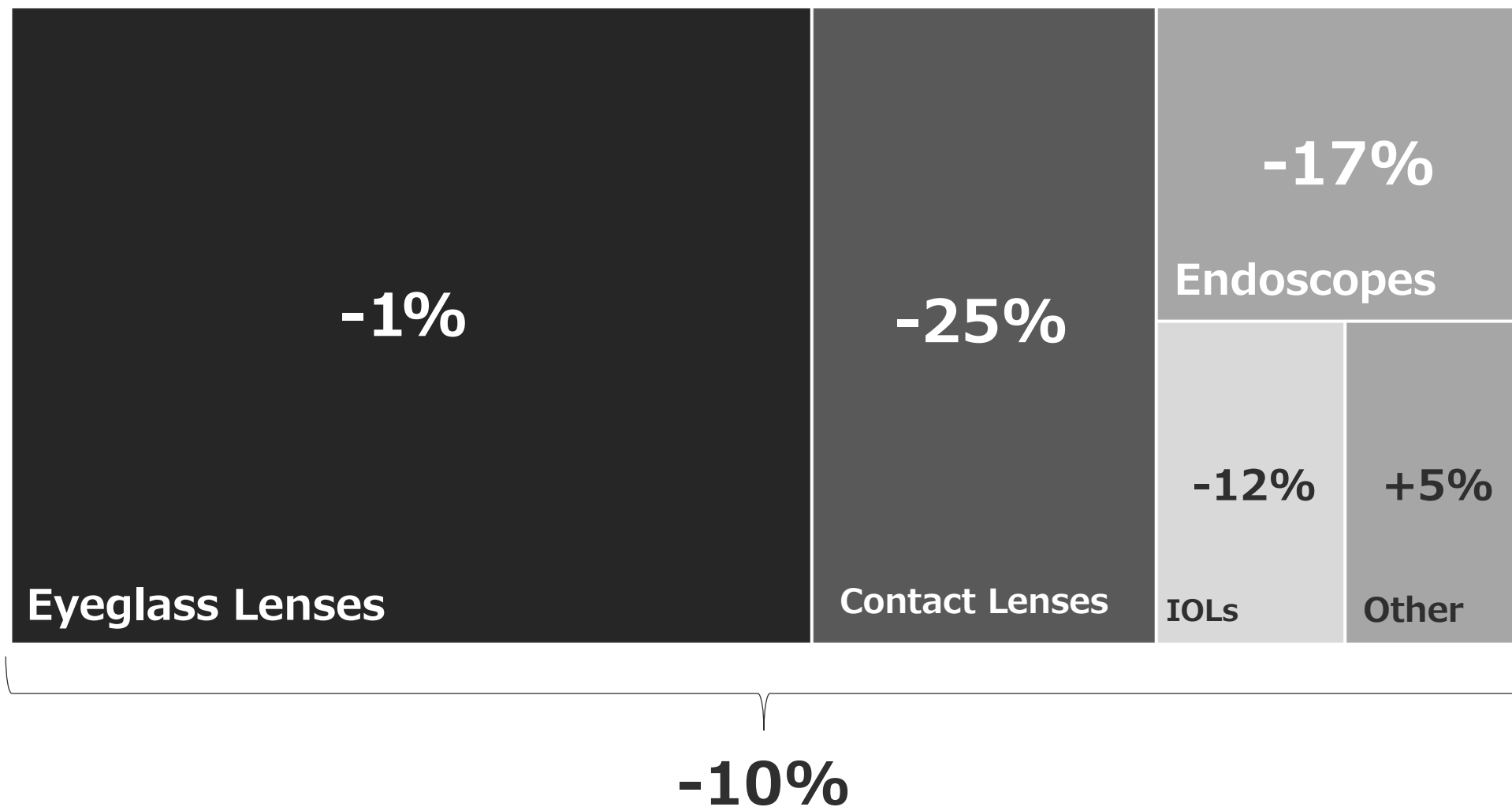


Demand for products for digital cameras remained weak due to COVID-19 (our sales did not decline as much as the overall market, since we gained market share in high-end products.) We will expand sales for new applications, including surveillance cameras, which are expected to become increasingly sophisticated. We plan to maintain profitability through structural reforms.

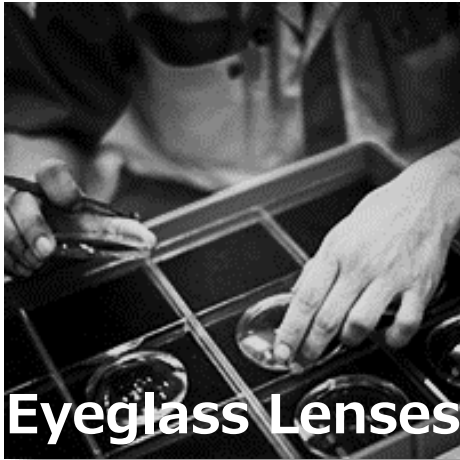
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Life Care Snapshot

YoY Sales Growth (Like-for-Like)



Overview by Product



Demand recovered steadily and sales were on a par with the previous year. In Europe, where we recorded high growth rates, customers avoided the dense urban chains, choosing suburban independent stores. This resulted in a temporary product mix improvement. We expect sales to return to a growth trajectory and expenses to return to normal levels in Q3, while keeping a close eye out for a second lock-down and other factors.



Although the impact of COVID-19 was smaller than in the previous quarter, sales fell sharply compared to the same period in the previous fiscal year, when there was a last-minute surge in demand prior to the consumption tax hike. In addition, estimates indicate that the speed of inventory consumption by users is slowing due to a decrease in the frequency of outings. Considering future developments, we plan to begin trial operations, such as layaway services, in response to the *new normal*.

Overview by Product



The number of cataract operations gradually recovered, mainly in overseas markets. At the same time, the scale of the decline in sales improved compared to Q1, which suffered a severe hit. Sales in the Chinese market expanded significantly through a joint venture established in May of this year. We expect to see growth as soon as channel inventories normalize.



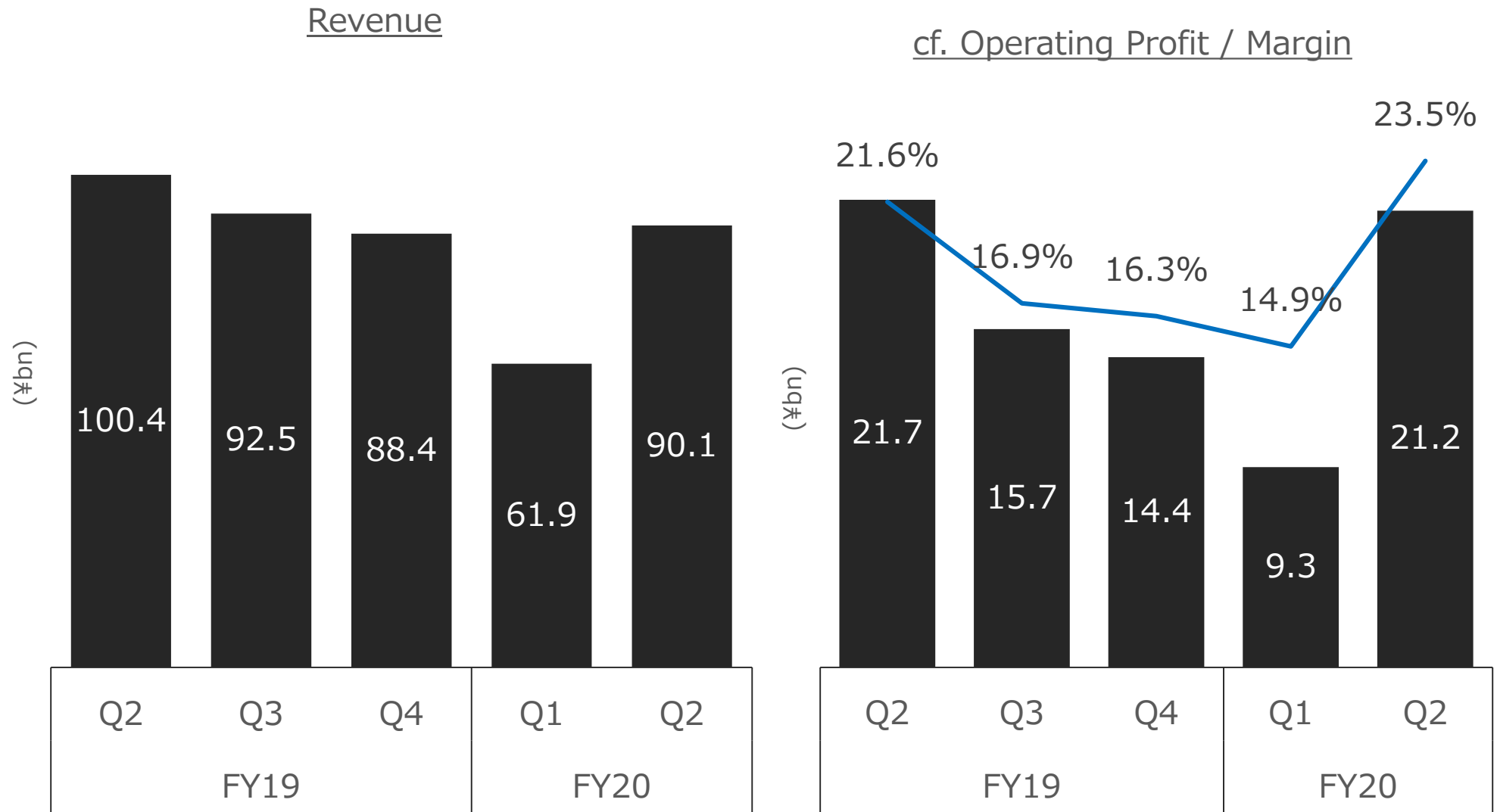
Demand for endoscopes has been slower to recover due to ongoing restrained investment/postponed replacement by hospitals due to the impact of COVID-19 worldwide. Limitation on patient procedures in hospitals and restrictions on access to hospitals are also continuing. We are strengthening the organizational structure of the U.S. operations, which has been an issue for some time. We plan to reinforce sales activities utilizing online tools.

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Appendix

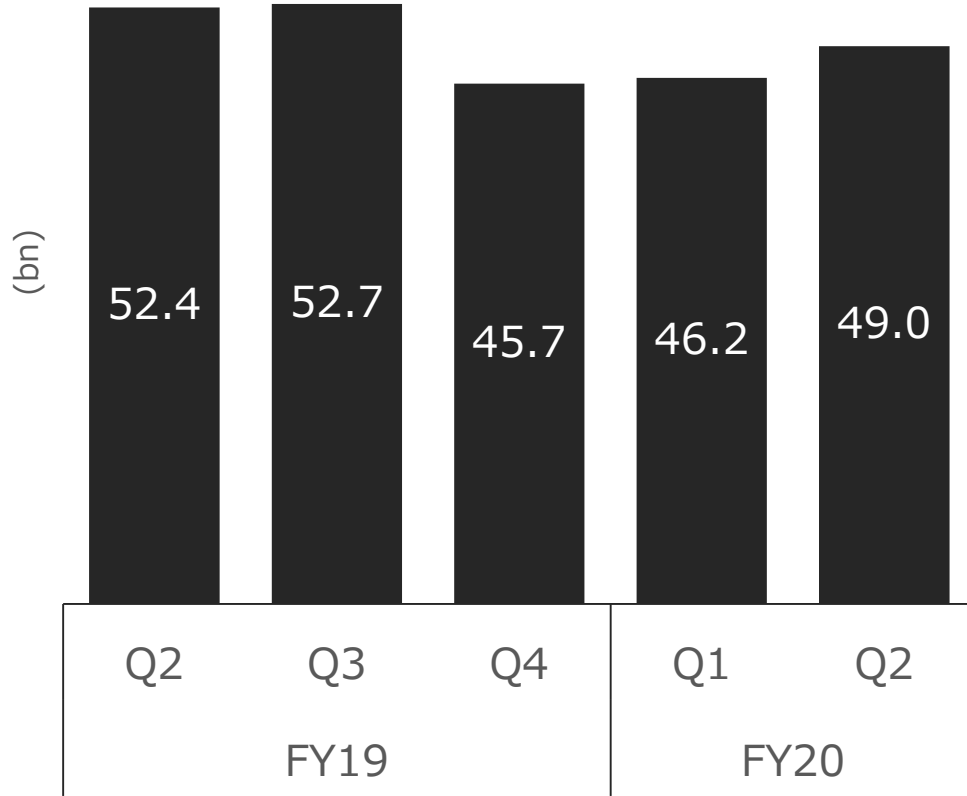
Life Care QoQ Earnings



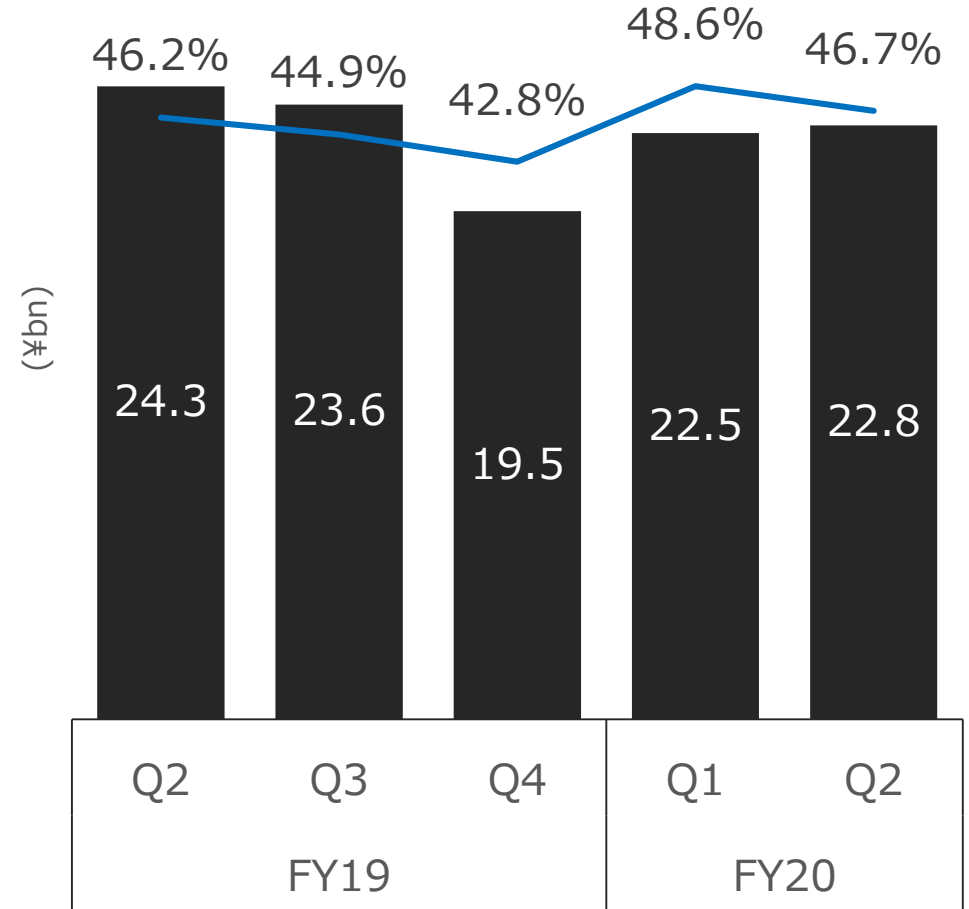
*External revenue

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 yen 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

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.