

# FY20Q1

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

July 28, 2020 Earnings Conference

7741.T[ADR:HOCPY US]

HOYA CORPORATION

[With Memo]

Please be aware that this memo is posted for reference and is not a verbatim record of all statements made at the earnings call.

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Presentation MC:

It is time to begin the HOYA financial results presentation for the first quarter of the fiscal year ending March 2021.

From the standpoint of preventing the spread of COVID-19, we will once again make our announcement via teleconference. We apologize if there are any circumstances make this teleconference difficult to hear or for any interruptions due to technology issues.

Today's presenters are Mr. Hiroshi Suzuki, CEO, Mr. Ryo Hirooka, CFO, and Mr. Eiichiro Ikeda, CTO.

## **1. Financial Results** [Ryo Hirooka, CFO]

2. IT Business Overview

3. Life Care Business Overview

4. Summary

5. Q&A

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Presentation MC:

As for today's agenda, CFO Hirooka will cover earnings results for the fiscal first quarter. Following CFO Hirooka, CTO Ikeda will discuss the HOYA Information Technology segment. Finally, CEO Suzuki will provide an overview of performance in our Life Care segment.

The remainder of our time until 4:15 PM will be open for questions and answers.

Those of you participating via PC, please refer to the materials shared on your screens.

Without further ado, CFO Hirooka will begin his portion of today's presentation.

## Financial Overview

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Revenue	140.8	109.3	-31.5	-22%
Pretax Profit	37.0	31.9	-5.1	-14%
Net Profit	30.1	25.6	-4.5	-15%
cf. Profit from ordinary operating activities*	38.5	31.3	-7.2	-19%

Sales declined due to the impact of COVID-19; however cost reductions minimized the impact on profits.  
(Pretax Profit Margin 26.3%→29.2%)

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Ryo Hirooka, CFO:

I will conduct my portion based on the materials you see on your screens.

HOYA revenue amounted to ¥109.3 billion, down ¥31.5 billion (-22%) year on year.  
Quarterly profit before tax was ¥31.9 billion, down ¥5.1 billion (-14%) year on year  
Quarterly profit was ¥25.6 billion yen, down ¥4.5 billion (-15%)

COVID-19 has mainly impacted sales in our Life Care segment.  
Meanwhile, profits did not decrease to the same degree as sales since we implemented temporary reductions in costs.

## Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Revenue	111.7	109.3	-2.4	-29.1	-21%
Pretax Profit	32.2	31.9	-0.3	-4.8	-13%
Net Profit	25.9	25.6	-0.2	-4.3	-14%
Average Rates	(A)Q1 FY19	(B)Q1 FY20	Variance		
US\$	¥109.67	¥107.38	+2.1%		
EURO	¥122.87	¥118.74	+3.4%		
BAHT	¥3.47	¥3.39	+2.3%		

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Ryo Hirooka, CFO:

Next, I will address the impact of foreign currency translation.

The bottom section of this slide presents our main currencies, which consist of the U.S. dollar, the euro, and the baht. Compared to last year, the yen was slightly stronger related to these currencies; however, there was no significant impact in real terms.

In real terms, the year-on-year change in revenues amounted to minus ¥29.1 billion (-21%) after excluding the impact of foreign currency translation.

In particular, profits have not been affected by foreign exchange rates.

## Notes RE: Special Items

### Comprehensive Income Statement

(¥bn)	Q1 FY19	Q1 FY20	YoY
Income	142.4	113.7	-28.7
Other Income	0.6	3.9	+3.3 <sup>1</sup>
Expenses	105.4	81.8	-23.6 <sup>2</sup>
Pretax Profit	37.0	31.9	-5.1

- <sup>1</sup> Recorded a revenue related to a settlement in the U.S.
- <sup>2</sup> The Company has made significant temporary cost reductions to limit the impact of the reduction in marginal profit.

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Allow me to explain the special factors we experienced.

During the quarter, we concluded a settlement regarding a past M&A transaction in the U.S. We reversed the liability related to this matter, and recorded other profit of ¥3.0 billion.

We held down expenses groupwide as Life Care segment sales fell significantly. With the exception of depreciation and amortization, we have holding expenses down in line with sales. As a result, we reduced expenses by 22% compared to the same period in the prior fiscal year.

(Please turn your attention to P.7 of financial results supplementary materials)

## スライド 5

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- 01** ノート部分申し送り末尾の補足資料のページは英語のページに合わせています。  
One World Link2, 2020/07/31

## Life Care Earnings

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Revenue*	93.8	61.9	-31.9	-34%
Pretax Profit	17.3	10.3	-7.0	-40%
cf.Operating Profit	18.2	9.3	-8.9	-49%
cf.OP Margin	19.4%	14.9%	-4.5pt	

\*External revenue

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Ryo Hirooka, CFO:

Life Care segment sales amounted to ¥61.9 billion, a decrease of ¥31.9 billion (-34%) year on year

Profit before tax amounted to ¥10.3 billion, ¥7.0 billion lower (-40%) year on year.

Profit from regular sales activities were about half of what we recorded in the same period of the prior fiscal year.

We will discuss circumstances by product later; however, sales in our Life Care segment fell significantly in April and May as economic activity slowed. Given these circumstances, we took aggressive action to reduce costs, limiting the impact on profits. In June, sales returned to a level close to the prior fiscal year.

## Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	63.6	61.9	-1.7	-30.2	-32%
Pretax Profit	10.3	10.3	+0.1	-7.0	-41%
cf.Operating Profit	9.3	9.3	-0.1	-8.8	-49%

\*External revenue

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Ryo Hirooka, CFO:

Foreign currency translation did not have such a significant impact during the quarter. Overall, sales declined 30% and profit fell by half.



## IT Earnings

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Revenue*	46.0	46.2	+0.3	+1%
Pretax profit	20.5	21.7	+1.2	+6%
cf.Operating Profit	21.2	22.5	+1.3	+6%
cf.OP Margin	46.0%	48.6%	+2.6pt	

Resulted in unusually high margins due to a temporally cost reduction measure not limited to Life Care but also including IT.

\*External revenue

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Ryo Hirooka, CFO:

Information Technology segment profit before tax amounted to ¥46.2 billion, ¥0.3 billion higher (+1%) year on year.

Profit before tax amounted to ¥21.7 billion, ¥1.2 billion higher (+6%) year on year.

Our Information Technology was comparatively unaffected by COVID-19, and we recorded segment sales essentially even with the same prior in the prior fiscal year. Profit ratios were higher, however, as we engaged in groupwide cost reduction activities.

## IT Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	46.9	46.2	-0.6	+0.9	+2%
Pretax profit	21.9	21.7	-0.3	+1.5	+7%
cf.Operating Profit	22.7	22.5	-0.3	+1.6	+7%

\*External revenue

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Ryo Hirooka, CFO:

The Information Technology segment was not impacted to such a significant degree by foreign currency translation, and growth in real terms was essentially the same.

## Earnings by Sub-Segment

(¥bn)	Q1 FY19	Q1 FY20	YoY	YoY(%)
Health Care (Eyeglasses/Contact Lenses)	70.4	43.9	-26.5 (-25.3)	-38% (-36%)
Medical (IOLs/Endoscopes/Artificial Bone)	23.3	18.0	-5.3 (-4.8)	-23% (-21%)
Electronics (Mask & Blanks/HDD Substrates)	37.0	40.3	+3.2 (+3.7)	+9% (+10%)
Imaging	9.0	6.0	-3.0 (-2.8)	-33% (-32%)

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

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Ryo Hirooka, CFO:

■ Health care related products (eyeglass lenses, contact lenses) sales were ¥43.9 billion, down ¥26.5 billion (-38%) year on year

The figures in parentheses represent results and change ratios excluding the impact of foreign currency translation. real basis a decrease of ¥25.3 billion (-36%) year on year. Eyeglasses and contact lenses were impacted significantly by COVID-19.

### Eyeglasses

Eyeglass retail stores in particular closed all over the world. Some countries recorded almost no sales between April and May. In June, retail stores began to reopen with the resumption of economic activity, returning to normal levels in line with the prior fiscal year. While we saw better and worse performance across different countries in July, we did see quite a few customers come back to our stores.

### Contact Lenses

Contact lens sales fell by a wide margin in April and May due to the suspension of business in response to the declaration of a state of emergency. Customers began returning after the declaration of a state of emergency was rescinded.

■ Medical-related product (intraocular lenses, endoscopes, etc.) sales amounted to ¥18.0 billion, a ¥5.3 billion decrease (-23%).

Sales amounted to ¥4.8 billion (-21%) in real terms after excluding the impact of foreign currency translation

### Intraocular Lenses

In Europe and the U.S. in particular, cataract surgery is considered elective, and sales of intraocular lenses decreased year on year. Demand has gradually returned with the

resumption of economic activity in June. Performance in Europe outpaced the same period in the prior fiscal year. In July, sales to clinics and other customers began returning to normal; however, we have not seen a recovery overall. Even if cataract surgeries are postponed, they will be performed eventually. Although there will be differences by country, we expect to see a gradual recovery.

#### Endoscopes

Circumstances vary by country. Endoscopies have not been performed as hospitals have been busy dealing with COVID-19.

■ Electronics-related product (blanks, HDD substrates) sales amounted to ¥40.3 billion up ¥3.2 billion (+9%) year on year.

#### Mask Blanks

Mask blank sales for semiconductors were strong, unaffected by COVID-19.

#### HDD Substrates

2.5-inch sales were down, compensated by 3.5-inch sales.

Imaging related products sales amounted to ¥6.0 billion, down ¥3.0 billion (-33%) year on year

Sales of camera-related products continued to decline significantly. Demand for cameras stagnated due to COVID-19, and we do not believe the market will recover. Therefore, it is important that we capture sales of surveillance cameras and other products, building a structure that generates the same level of sales and cash flows we have now. The impact on the group as a whole has become relatively small, accounting for only 1% to 2% as a factor in sales decreases.

## Balance Sheet

(¥bn)	Q3 FY19	Q1 FY20	QoQ
Non-current Assets	289.8	288.3	-1.5
Current Assets	521.2	499.3	-21.9 <sup>1</sup>
Capital	629.3	637.2	+7.9
Non-current Liabilities	49.4	49.5	+0.1
Current Liabilities	132.4	100.9	-31.5 <sup>2</sup>
Total Assets	811.0	787.6	-23.4

<sup>1</sup> Decrease of cash -16.5bn yen

<sup>2</sup> Decrease in trade and other payables due to lower demand -15.6bn yen

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Ryo Hirooka, CFO:

Current assets have decreased due to a decrease in cash stemming from payments of income tax and dividends. Current liabilities were significantly lower due to a decrease in notes and accounts payable trade related to lower demand in our Life Care segment.

## Cash Flow

(¥bn)	Q1 FY19	Q1 FY20	YoY
Operating CF	35.4	10.8	-24.7 ①
Investing CF	-10.9	-6.5	+4.4 ②
Financing CF	-37.7	-19.8	+17.9
Cash & Cash Equivalents at the end of the term	273.8	301.5	+27.7

- ① Decline in operating cash flow due to lower profits.
- ② Cash outlays from investing activities decreased as large investments are coming to an end.

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Ryo Hirooka, CFO:

Payments related to equipment (EUV production line in Singapore, HDD substrate plant in Laos) have fallen since reaching a peak. Net cash used in investing activities has decreased.

Cash used in financing activities decreased compared with the prior fiscal year, when we used cash for share buybacks.

## Q2 & H1 Forecast

We expect the impact of COVID-19 on our Life Care Business to mitigate; however, we expect sales of contact lenses to decline due to the rush demand before the tax hike in Q2 last year. We expect electronics-related products to be strong, while weak momentum to continue in the imaging business.

### FY20 Q2

(¥bn)	Q2 FY19	Q2 FY20	YoY	YoY(%)
Revenue	154.1	135.7	-18.5	-12%
Pretax Profit	44.2	35.1	-9.2	-21%
Net Profit	35.0	27.9	-7.2	-20%

### FY20 H1

(¥bn)	H1 FY19	H1 FY20	YoY	YoY(%)
Revenue	294.9	245.0	-49.9	-17%
Pretax Profit	81.3	67.0	-14.3	-18%
Net Profit	65.2	53.5	-11.7	-18%

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While the current environment makes forecasts difficult, I want to address three points.

1. Sales in our Life Care segment were higher in the prior fiscal year due to special factors. Contact lens sales were 30% higher in the demand rush prior to the consumption tax hike, while sales of eyeglasses in Japan were higher in Q2. Even in normal times, we would have faced a high hurdle in outperforming prior-year results.
2. Overall, Life Care segment sales have started to recover. However, it will take some time for patients to return to hospitals until we see movement in Medical-Related Products. In addition, eyeglasses have not recovered completely. Accordingly we forecast weakness in our Life Care segment.
3. Imaging-related products within our Information Technology segment due to challenges in the digital camera market. Also, we saw a build-up of inventory among customers for mask blanks for semiconductors in Q2 of the prior fiscal year experienced Japan-Korea trade frictions. Traditionally, 2.5-inch HDD substrates experience strong game-related demand in Q2; however, we expect to see a wider decline in sales as SSDs continue to erode demand.

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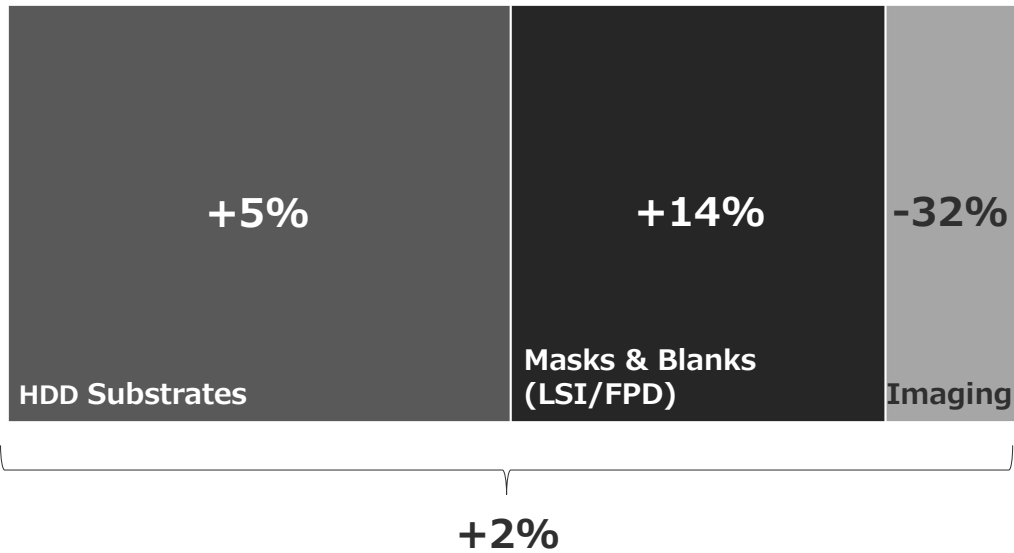
Presentation MC:

Next, Mr. Eiichiro Ikeda, CTO, will give his presentation about the Information Technology segment.



## IT Snapshot

YoY Sales Growth (Like-for-Like)



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(Eiichiro Ikeda, CTO)

Excluding the impact of foreign currency translation, Information Technology segment sales grew 2% year on year.

By product, HDD Glass Substrate sales were up +5%, masks and blanks were up +14%, and imaging sales fell -32%.

## Overview by Product



EUV blanks continued to show significant growth mainly in R&D applications. DUV sales were also solid. Despite inventory buildup due to COVID-19, we expect solid growth in Q2 and beyond. The impact of the tighter U.S. regulations on Huawei is expected to be limited because our products are still mainly for R&D, not mass production.



We experienced continued strong growth in the Chinese market, capturing demand for OLEDs. Competition to develop differentiated display designs for smartphones continues. We will continue to focus on masks for small- and medium-sized OLEDs and other high value-added products in China. Going forward, we may see some impact from Korean customers' LCD panel factory closure.

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(Eiichiro Ikeda, CTO)

### Blanks for Semiconductors

Continuing from the prior fiscal year, sales rose not only for EUV, but also for all categories of low, middle, and high-end in optical. EUV, in particular, rose roughly 50% year on year. Customers increased inventory due to concerns about the impact of COVID-19 on the supply chain. Increased demand for 7nm products and products for EUV research development among our major customers drove sales growth. The driver in this business is customer research and development in 2nm and finer, and we expect future demand for cutting-edge products. There have been reports of inventory increases due to the impact of stronger restrictions by the U.S. on Huawei. Sales of our cutting-edge products are also influenced by research and development, so we expect the impact of stronger restrictions to be limited. We believe EUV will continue to grow against the backdrop of more exposure devices in operation, increases in EUV layers as nodes advance, and a strong desire for development among semiconductor manufacturers. Our new Singapore plant is ramping up as planned overall and certifications from customers are moving forward smoothly. We are expand production capacity as planned.

### FPD Masks

FPD mask sales experienced growth in the high single digits compared to the prior year. Although demand for LCDs was weak, sales were higher for OLED products and other products in China, a growing market for the G8 and older products we HOYA targets. As a result, sales and profits rose year on year. Display development applications continue as smartphones differentiate. Therefore, we will continue to focus regionally in China for high-value-added high-definition masks centered on medium- and small-size OLED applications. While OLED-related sales covered for the decrease in LCD applications, we should note the potential negative impact on future LCD applications.

## Overview by Product



2.5" sales declined due to the temporary closure of customer manufacturing sites, etc. Difficult conditions are expected to continue in Q2 and beyond. This period for 3.5" is normally a downturn in the industry's investment cycle, but sales doubled compared with the previous fiscal year due to special demand related to work from home and customer market share gains. Going forward, we expect 3.5" continue to offset the decline of 2.5.



Demand for photography-use products declined significantly due to the negative impact of travel restrictions, and store closures, and there is still no sign of recovery in sight. Despite production adjustments in surveillance camera applications due to COVID-19, the market is expected to grow from 2021 onwards due to an increase in high-performance models, including models designed for disease control.

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(Eiichiro Ikeda, CTO)

### HDD Glass Substrates

HDD overall experienced +5% growth year on year. A more detailed breakdown shows that 2.5-inch products were about 70% of prior year (-30%). Erosion by SSDs in the PC market and decisions to switch to SSDs have been the main factors in the decline of the overall 2.5-inch market. We expect 2.5-inch products will continue to experience negative growth in the future. Demand for game consoles generally rises in the July-September quarter for the Christmas shopping season. However, the disappearance of this seasonality leads us to project lower performance in the July-September quarter as well. On the other hand, 3.5-inch products nearly doubled performance in the year-ago quarter, as our customers captured greater market share. As a result, 3.5-inch sales not only compensated for the decrease in 2.5-inch performance, but also experienced higher overall results as we projected.

3.5-inch products, which are designed for data centers, rose mainly due to growth in the 16TB products of our customers.

Although demand increases or decreases over the short term, we recognize the importance of having the three HDD manufacturers use our glass substrates in HDDs for data centers. Even if HAMR-equipped products are delayed by our customers, increasing the number of layers for installed substrates is the selected path, leading us to remain confident in our expectations for demand in glass substrates. On the other hand, we do not anticipate making a significant contribution to improving recording density in the HAMR camp. Therefore, we are moving forward with both HAMR development and multi-layer programs. At present, one company is using our glass substrates. However, we expect a shift to HAMR in the future to improve recording density. This will require heat resistance necessitating a shift to glass. A market turn toward increasing capacity through increased area will require a shift to more

layers, making glass substrates the superior choice for thinner layers. We have seen no changes among our customers with respect to these scenarios.

Our new plant in Laos is making steady progress in customer certification activities. We are progressing in line with plan to begin mass production during the second half of this fiscal year.

#### Imaging-Related Products

We have already assumed that digital cameras will experience negative growth. However, COVID-19 has further accelerated contraction of the market. Production adjustments have combined to result in a significant decrease compared to the prior fiscal year.

We do not expect demand in the digital camera market to return. Therefore, we plan to focus on building sales for surveillance cameras and other applications.

It will take some time to cover the decline in sales for digital cameras with surveillance camera applications. Accordingly, we believe that we need to reduce fixed costs.

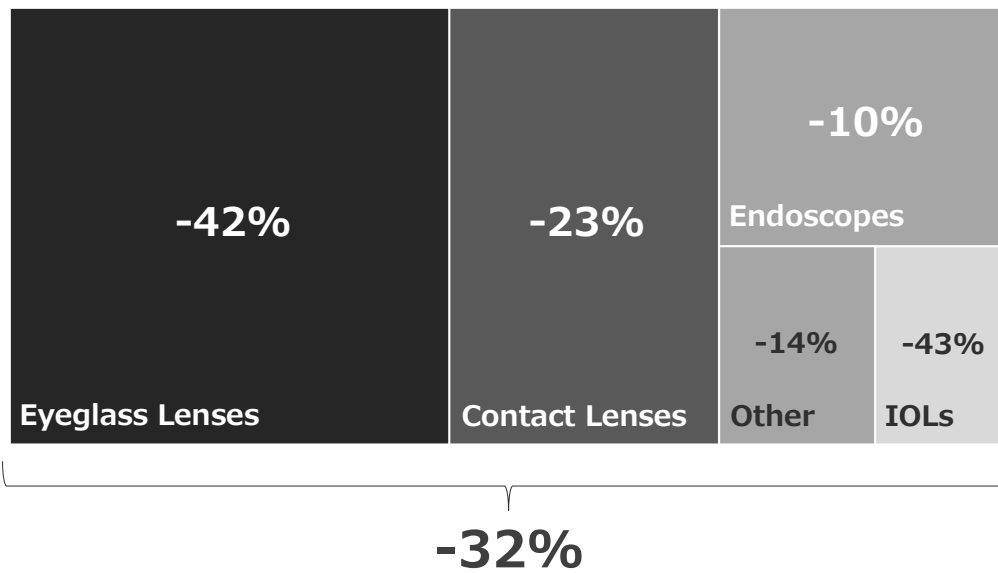
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Presentation MC:

Next, Hiroshi Sukuzi, CEO, will give his presentation about the Life Care segment.

## Life Care Snapshot

YoY Sales Growth (Like-for-Like)



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Hiroshi Suzuki, CEO:

As our CFO explained conditions related to Q1, I will discuss more recent developments.

## Overview by Product



Sales declined due to restrictions on non-essential travel outside the home and retail store closures. With the relaxation of regulations, retail sales resumed, and June sales were at the same level as last year. Due to the low level of economic sensitivity in the eyeglass market, we expect the market to continue to recover steadily as economic activity continues to increase. Production at our new factory in Vietnam (No. 2) started on July after a delay.



As many as 40% of our stores were closed under the state of emergency declaration; however the impact was limited in part through online delivery. All stores reopened after the state of emergency was lifted. There has been no outflow of customers to online services, and sales are currently returning to the same level as last year. We are also examining future store development in a post-COVID-19 era.

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Hiroshi Suzuki, CEO:

**Eyeglass Lenses**

Demand for the April-May period, essentially stopped due to COVID-19, seems to have flowed back in June. July performance was essentially level with the year-ago period, only slightly underperforming. Even now, we see the pent-up demand from April-May flowing in. The recovery in the United States has been slow, while Europe is nearly level with the prior year. Recovery in Japan has been slightly slow, as well. Our plants in Hungary and Vietnam are operating well in producing lenses; however, the four-to-six week lockdown in the Philippines meant workers could not come into our plant there. As a result, we have experienced on-time delivery issues in Japan, which may be what is delaying performance.

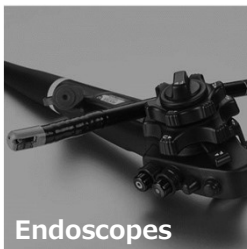
**Contact Lenses**

Contact lens performance has recovered to about 91%-92% (-8%) of the prior year. We believe the impact of teleworking has reduced overall demand for contact lenses, as many people do not wear lenses unless they leave the house. It appears that the lenses not used during April-May have caused an excess supply. This is a different impact than what we saw for eyeglasses. In Q1, we began home-delivery for contact lenses. As long as the lenses ordered were the same, we sold and delivered lenses on an emergency basis even for expired prescriptions. We were concerned that customers might go to the competition for online sales, but this didn't happen to the extent we feared, and customers are beginning to return to our stores. In this way, we believe that our business structure was not impacted in any significant way.

## Overview by Product



Demand for IOLs declined during the COVID-19 pandemic, due to the cancellation or postponement of cataract surgeries. Although it varies from market to market, there has been a slow recovery in clinics while the recovery in large hospitals has been slow at the moment. Since cataract surgery is not a purely "elective" procedure, the number of surgeries is expected to continue to increase.



The impact of COVID-19 resulted in restricted access to hospitals, reduced capital investment and delays of certain endoscopic procedures; However, we expect the back log of procedures to be conducted going forward. Although performance depends on the future status of infections, the company expects sales to recover in Q3 to the same level as last year. We aim to obtain approval for disposable bronchoscopes by the end of this year.

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Hiroshi Suzuki, CEO:

Intraocular Lenses

Sales in China and Europe have returned to almost the same level as the previous year. In Japan, patients have not yet returned to the hospitals. Although we see more patients visiting clinics, large hospitals remain at around 70% to 80% of normal levels for this time of the year. Recovery may be a slow process. Still, cataracts need to be treated surgically at some point. Therefore, demand is not likely to be eliminated.

Endoscopes

Sales in Europe were higher than the previous year. A large deal has had some impact on performance; however, we saw special demand in Europe for a time, as bronchoscopes must be used to see internally when inserting artificial respiration tubes into ICU patients suffering from COVID-19. America has yet to return to 50% of regular levels, experiencing a slow recovery. This could be due to the fact that most of the demand relates to the large intestines in America. Globally, the number of inspections has fallen by 20%-30% compared to the prior year. Since endoscopes are not consumables and are mainly used for inspections, we expect this weakness in demand to continue for some time.

Artificial Bones

HOYA manufactures and sells artificial bones, although this business is not large in scale. These products are used to treat fractures; however, the decrease in sales due to the impact of COVID-19 was surprising.



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Hiroshi Suzuki, CEO:

We hit the brakes hard in Q1 and reduced costs. We believe Q2 may be the time to spend up-front costs. Merely because Q1 profit margins were good does not mean that Q2 will be even better. We may want to sacrifice some profits for the sake of sales.

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Presentation MC:

Next, we will begin our Q&A session.

Anyone with questions, please click the “raise hand” icon. If you are participating by phone, push the star button and the number nine. Please state your company and your name before asking your question.

Due to time limitations, we must limit questions to two per person. Thank you for your understanding.

## Q&A -1

Q<sup>d1</sup>

Yoshida, Analyst, CLSA Japan:

Your personnel expense is ¥33.0 billion on a normal quarterly basis. Why was it ¥23.0 billion in Q1? What measures did you implement? Will Q2 see a return to normal levels?

A

Ryo Hirooka, CFO:

Although I can't get into the details, we reduced salaries and future portions of bonuses, since we did not know what the impact of COVID-19 would be on sales. We also enacted a temporary furlough due to the suspension of activities. Other factors included production adjustments and government subsidies. We implemented a variety of measures, which is why we see this as temporary.

We are not going to do the same activities in Q2, and we expect expenses to return the same level as the prior year. We will implement structural reforms for any businesses that do not see a recovery in sales.

Q

Yoshida, Analyst, CLSA Japan:

You mentioned 2nm products for the first time. What progress are you making in cutting-edge products?

A

Eiichiro Ikeda, CTO:

Since 3nm have been determined, we are seeing a shift toward 2nm development under TSMC standards. Although development is not finished for 3nm, development has shifted toward product smaller than 3nm under TSMC.

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## Q&A -2

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Q

Mori, Analyst, Mizuho Securities:

Has there been any changes in development, planned time to market, or marketability due to COVID-19 for disposable endoscopes?

A

Hiroshi Suzuki, CEO:

We have finished development and are now driving toward manufacturing. Due to the licensing factors, we plan to introduce disposable endoscopes to the Market in November or December of this year. Although demand for bronchoscopes increased temporarily due to COVID-19, we do not usually see such large demand for ICU or ER applications. We do expect demand other than ICU and ER to expand over the medium and long term, which is why we want to launch this business. While we don't believe there will be an immediate effect on sales, we intend to enter into another field, since AMBU has not talked about scale in ICU and ER, either. Once the emergency has ended, we plan to move into other applications for disposable scopes.

## Q&A -3

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Q

Damian Thong, Analyst, Macquarie Capital Securities

Sales of 3.5-inch HDD substrates were strong in Q1; do you forecast any change in the future?

If your customer's shares rise, will HOYA sales also rise further?

A

Eiichiro Ikeda, CTO:

I will discuss 2.5-inch and 3.5-inch separately. 2.5-inch sales for Q2 will not see the game console-related sales they have in the past. 3.5-inch sales for customer 16TB models were strong; however, we believe this growth is due to our leading other companies into the market. 2.5-inch in Q2 will experience a significant decline, which is not likely to be covered by growth in 3.5-inch product. Overall, there should be no changes in the pattern in which 2.5-inch sales decrease, compensated for by increased 3.5-inch sales.

## Q&A -4

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Q

Damian Thong, Analyst, Macquarie Capital Securities

At what timing will you capture new 3.5-inch customers?

A

Eiichiro Ikeda, CTO:

Customers other than our current customers have also started HAMR development, so we have sent them samples for HAMR use. We have also sent substrate samples for 10-layer HDD models prior to the move to HAMR. We understand that HDD manufacturers would rather use aluminum as much as possible, and we cannot say at this point exactly when our glass substrates will be adopted. However, the development roadmap for every HDD manufacturer includes multi-layer and HAMR.

Hiroshi Suzuki, CEO:

The 16TB lifecycle is surprisingly short, while the 18TB will be the main battleground. We believe our customers' market share in this area will affect our sales. The coming 20TB model involves various elements (recording density, MAMR/HAMR); however, we see this as a potential entry for new glass substrate customers 18 to 24 months from now. Until then, we expect that competition for market share among HDD manufacturers will affect the scope of our sales.

## Q&A -5

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Q

Sugiura, Analyst, Daiwa Securities

Regarding the use of cash, you mentioned at the previous briefing that acquisitions had priority over share buybacks. Have you updated your stance since market share prices have started to recover?

A

Hiroshi Suzuki, CEO:

We considered a number of M&A opportunities in connection with this basic priority; however, we have not found any large acquisitions for the moment. If demand for cash decreases, the impact of COVID-19 subsides, and the future becomes clear, we will return profits to our shareholder through share buybacks and other means.

Q

Nihon Keizai Shimbun Reporter (Hiroi)

What is the HOYA stance on the KIOXIA IPO?

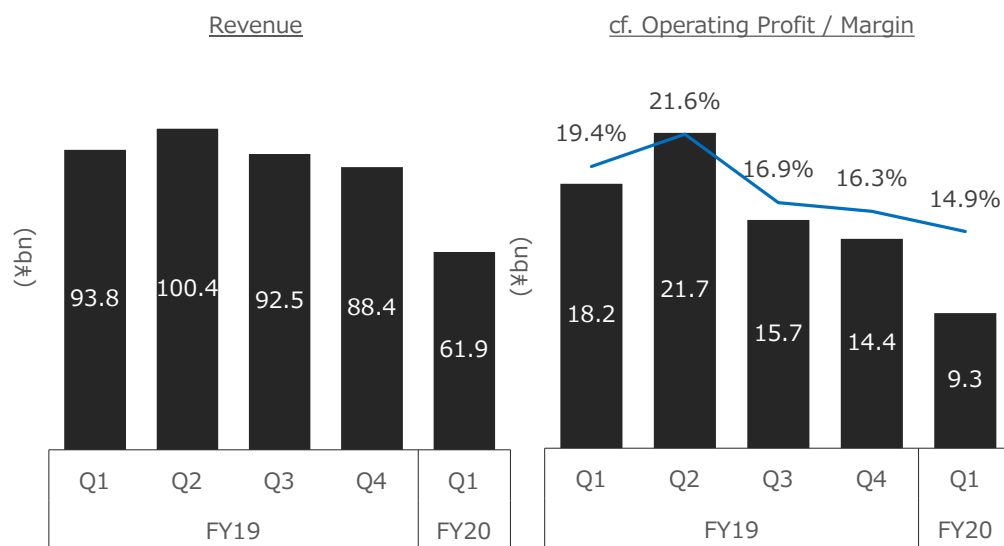
A

Hiroshi Suzuki, CEO:

Since I am an outside director for that company, I will refrain from making any comments at this time.



# Life Care QoQ Earnings

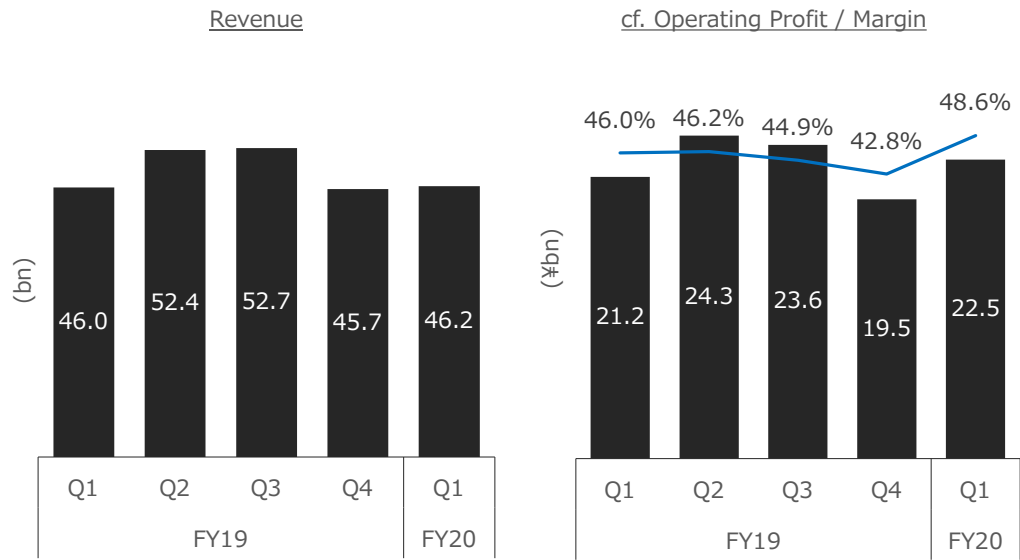


\*External revenue

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# IT QoQ Earnings



\*External revenue

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## Notes

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- ✓ Accounting standard: IFRS
- ✓ The fiscal year ending March 2021 is referred to as “FY20” 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.