

# FY19Q3

## Financial Results

February 4, 2020@Station Conference Tokyo

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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 meeting.

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### Presentation MC:

It is time to begin the HOYA financial results presentation for the third quarter of the fiscal year ending March 2020.

We understand many other companies are conducting their presentations today as well and we thank you for your attendance here.

First, allow me to introduce today's presenters.

Mr. Hiroshi Suzuki, CEO.

Mr. Ryo Hirooka, CFO.

Due to the scheduling conflict, Mr. Eiichiro Ikeda, COO and executive officer in charge of the Information Technology segment, is not able to attend today.

## **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 third quarter. Following CFO Hirooka, CEO Suzuki will provide an overview of performance in our Information Technology and Life Care segments. The remainder of our time until 4:00 PM will be open for questions and answers.

Beginning with the presentation before last, we no longer distribute printed presentation materials due to considerations of resource conservation and environment. Thank you for your understanding.

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

## Financial Overview

(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue	143.4	146.5	+3.1	+2%
Pretax Profit	39.7	38.3	-1.4	-3%
Net Profit	33.1	29.7	-3.5	-11%
cf. Profit from ordinary operating activities*	39.9	38.3	-1.6	-4%

\*Herein after "Operating Profit"

Revenue increased driven by HDD substrates and LSI blanks. However, profit declined due to factors including a reactionary decline in contact lenses related to the consumption tax hike.

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Ryo Hirooka, CFO:

Please look at the presentation materials projected on the screen and the sections highlighted on the P/L on P.7 of the financial results supplementary materials.

Revenue amounted to ¥146.5 billion, up ¥3.1 billion (+2%) year on year  
 Quarterly profit before tax was 38.3 billion, down 1.4 billion (-3%) year on year  
 Quarterly profit was ¥29.7 billion yen, down ¥3.5 billion (-11%)

## Constant Currency Basis (CCB)

(¥bn)	Previous Rate (A)	Current Rate (B)	FX Impact	YoY	YoY(%)
Revenue	150.1	146.5	-3.6	+6.7	+5%
Pretax Profit	38.7	38.3	-0.3	-1.0	-3%
Net Profit	29.9	29.7	-0.2	-3.2	-10%

Average Rates	(A)Q3 FY18	(B)Q3 FY19	Variance
US\$	¥112.58	¥109.33	+2.9%
EURO	¥128.21	¥121.53	+5.2%
BAHT	¥3.42	¥3.62	-5.8%

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Ryo Hirooka, CFO:

Next, I will address the impact of foreign currency translation. Please turn your attention to the lower section on the P/L on P.7 of financial results supplementary materials.

The Japanese yen continues to demonstrate strength against the US dollar and the euro. We also see movement in the baht, which has an impact on our costs.

This chart shows the impact of foreign currency translation to the Japanese yen on our businesses in each country when we consolidate for finance reporting.

In real terms, revenues amounted to ¥6.7 billion (+5%) after excluding the impact of foreign currency translation.

Foreign currency translation had a negative ¥300 million impact on quarterly profit before tax, which amounted to ¥1.0 billion (-3%) in real terms.

## Notes RE: Special Items

### Comprehensive Income Statement

(¥bn)	Q3 FY18	Q3 FY19	YoY	
Income	145.1	148.2	+3.1	
Expenses	105.4	109.8	+4.4	
	D&A	6.5	8.7	+2.2
Pretax Profit	39.7	38.3	-1.4	

Depreciation and amortization increased ¥2.2 bn due to the adoption of a new lease accounting policy (other expenses decrease, resulting in a net-neutral impact related to total expenses).

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Ryo Hirooka, CFO:

There were no fluctuations of special note during Q3.

Depreciation and amortization increased ¥2.2 billion year on year; however, this increase was due to the application of new lease accounting standards, rather than factories currently under construction.

Please turn your attention to the bridge chart on P.11 of financial results supplementary materials.

## Life Care Earnings

(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue*	93.9	92.5	-1.4	-2%
Pretax Profit	19.1	15.3	-3.8	-20%
cf.Operating Profit	19.6	15.7	-3.9	-20%
cf.OP Margin	20.9%	16.9%	-4.0pt	

\*External revenue

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Ryo Hirooka, CFO:

Life Care segment sales amounted to ¥92.5 billion, a decrease of ¥1.4 billion (-2%) year on year

Segment profit (profit before tax) amounted to ¥15.3 billion, ¥3.8 billion lower (-20%) year on year

Last-minute demand prior to the consumption tax increase in the prior quarter (Q2) resulted in a dip for contact lens sales and profits during Q3. While not on the scale of contact lenses, eyeglass lenses also experienced lower sales in Japan due to the increase in consumption tax.

Please turn your attention to P.9 of financial results supplementary materials.

## Life Care Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	95.1	92.5	-2.6	+1.2	+1%
Pretax Profit	15.3	15.3	+0.0	-3.8	-20%
cf.Operating Profit	15.7	15.7	-0.0	-3.9	-20%

\*External revenue

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Ryo Hirooka, CFO:

Foreign currency translation had a -¥2.6 billion impact on Life Care segment results; real sales growth amounted to ¥1.2 billion (+1%).

Segment profit (profit before tax) were not impacted by foreign currency translation to any appreciable degree.

Please turn your attention to the second chart on P.9 of the financial results supplementary materials.

## IT Earnings

(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue*	48.3	52.7	+4.4	+9%
Pretax profit	21.5	23.5	+2.0	+9%
cf.Operating Profit	21.6	23.6	+2.1	+10%
cf.OP Margin	44.7%	44.9%	+0.2pt	

\*External revenue

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Ryo Hirooka, CFO:

Information Technology segment sales for the third quarter amounted to ¥52.7 billion, an increase of ¥4.4 billion (+9%) year on year

Segment profit (profit before tax) amounted to ¥23.5 billion, ¥2.0 billion higher (+9%) year on year

In the previous quarter (Q2), customers in Korea secured greater inventory in connection with stronger export controls, resulting in higher sales. The rebound during the current quarter resulted in a slight decrease in profit ratios.



## IT Earnings (CCB)

(¥bn)	Previous Rate	Current Rate	FX Impact	YoY	YoY(%)
Revenue*	53.6	52.7	-1.0	+5.4	+11%
Pretax profit	23.8	23.5	-0.3	+2.3	+11%
cf.Operating Profit	24.0	23.6	-0.3	+2.4	+11%

\*External revenue

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Ryo Hirooka, CFO:

The impact of foreign currency translation on Information Technology segment sales was - ¥1.0 billion; in real terms growth was ¥5.4 billion (+11%)

Real segment profit (profit before tax) amounted to ¥2.3 billion (+11%) after excluding the impact of foreign currency exchange

Please turn your attention to the second chart from the bottom related to the Information Technology segment on P.9 of the financial results supplementary materials.

## Earnings by Sub-Segment

<u>Healthcare Revenue</u>				
Eyeglass Lenses / Contact Lenses				
(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue*	69.3	66.8	-2.5	-4%
<u>Constant Currency Basis</u>				
(¥bn)	Previous Rate	Current Rate	YoY	YoY(%)
Revenue*	68.6	66.8	-0.7	-1%

\*External revenue

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Ryo Hirooka, CFO:

Health care related products (eyeglass lenses, contact lenses) sales were ¥66.8 billion, down ¥2.5 billion (-4%) year on year

Sales amounted to ¥700 million (-1%) in real terms after excluding the impact of foreign currency translation

Contact lens sales were 8% lower after the consumption tax increase as a result of front-loaded demand in earlier quarters.

Eyeglass lens sales struggled in America, where profit ratios also declined. Two main factors contributed to this decrease in profit ratios. The first factor was costs for up-front preparations and test production incurred during Q3 as we enter the final states of launching our new plant in Vietnam. In addition to Beyond production increases in Vietnam, we also experienced the impact of added costs due to consolidating other bases to improve overall production efficiencies. The second factor was an increase in commercials and new product launch costs designed to improve sales in Europe. This decline in marginal profit overlapped with the increase in costs.

Please turn your attention P.10 of the financial results supplementary materials referencing sales by product and the impact of foreign exchange rates on each product.

## Earnings by Sub-Segment

<u>Medical Revenue</u>				
Endoscopes / IOLs				
(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue*	24.6	25.7	+1.1	+5%

Constant Currency Basis				
(¥bn)	Previous Rate	Current Rate	YoY	YoY(%)
Revenue*	26.5	25.7	+1.9	+8%

\*External revenue

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Ryo Hirooka, CFO:

Medical-related products (Endoscopes , intraocular lenses, etc.) sales were ¥25.7 billion, a ¥1.1 billion (+5%) increase year on year  
Sales increased ¥1.9 million (+8%) in real terms after excluding the impact of foreign currency translation

Endoscope sales rose 2%, experiencing strong double-digit growth in Europe.  
Intraocular lenses grew 30% owing to business acquisitions and 10% on a like-for-like basis.  
Costs related to post-merger integration for business acquisitions added up, resulting in decreased profit ratios.

## Earnings by Sub-Segment

<u>Electronics</u>				
Masks & Blanks / HDD Substrates				
(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue*	38.3	43.9	+5.6	+15%

Constant Currency Basis				
(¥bn)	Previous Rate	Current Rate	YoY	YoY(%)
Revenue*	44.7	43.9	+6.4	+17%

\*External revenue

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Ryo Hirooka, CFO:

Electronics related products (glass substrates for semiconductors, LCD-related products, and hard disk drives) sales amounted to ¥43.9 billion up ¥5.6 billion (+15%) year on year. Sales rose ¥6.4 billion (+17%) in real terms after excluding the impact of foreign currency translation.

Sales of EUV blanks products continued to be strong. Sales of optical (DUV) in Korea were slightly lower than Q2 due to a rebound from the inventory buildup in Q2. Sales of 3.5" HDD substrates increased more than the decrease in 2.5" products, with HDD substrates 17% higher overall year on year.

## Earnings by Sub-Segment

### Imaging Optical Lenses, Etc.

(¥bn)	Q3 FY18	Q3 FY19	YoY	YoY(%)
Revenue*	10.0	8.8	-1.2	-12%

Constant Currency Basis				
(¥bn)	Previous Rate	Current Rate	YoY	YoY(%)
Revenue*	8.9	8.7	-1.1	-11%

\*External revenue

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Ryo Hirooka, CFO:

Imaging related products sales amounted to ¥8.8 billion, down ¥1.2 billion (-12%) year on year

Sales were ¥1.1 billion lower (-11%) in real terms after excluding the impact of foreign currency translation

Sales of camera-related products continue to contract. The surveillance camera market is also experiencing sluggishness. However, at sales of ¥8.8 billion compared to our overall revenues, this contraction is having less of an impact.

## Balance Sheet

(¥bn)	Q2 FY19	Q3 FY19	QoQ
Non-current Assets	279.8	291.2	+11.3
Current Assets	516.9	522.3	+5.4
<b>Capital</b>	<b>637.0</b>	<b>652.8</b>	<b>+15.9</b>
Non-current Liabilities	31.4	31.1	-0.3
Current Liabilities	128.4	129.5	+1.1
Total Assets	796.8	813.4	+16.7

Capital increased by ¥15.9 bn, mainly due to the cancellation of treasury stock (¥22.3 bn).

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Ryo Hirooka, CFO:

The increase in difference between non-current assets and PPE is the balance of factory-related assets posted for Vietnam (eyeglass lenses) and Singapore (EUV mask blanks), for which we have not started posting depreciation.

Capital increased net of the cancellation of treasury stock acquired during the first half of the fiscal year.

Please turn your attention P.4 of the financial results supplementary materials for more details about our balance sheet.

## Cash Flow

(¥bn)	Q3 FY18	Q3 FY19	YoY
Operating CF	34.1	40.1	+6.0
D&A	6.5	8.7	+2.2
Investing CF	7.9	-11.7	-19.6
Financing CF	-16.3	-27.9	-11.5
Payments for lease liabilities	-	-2.3	-2.3
Cash & Cash Equivalents at the end of the term	272.3	304.4	+32.1

Due to applying a new lease accounting policy, D&A (Operating CF) increased, while payments for lease liabilities (Financing CF) decreased; the net impact of this change was neutral.

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Ryo Hirooka, CFO:

Dividend payments of ¥16.9 billion and stock buybacks of ¥9.2 billion were the major transactions under cash flows from financing activities.

See P.6 of our financial results supplementary materials for more regarding our statement of cash flows.

## Share Buyback

### Share Buyback #1 :Closed at end of Oct.

Maximum Amount: ¥60 bn  
Period: May 8, 2019 to October 28, 2019  
Actual Amount Repurchased: ¥24.1 bn (canceled)

### Share Buyback #2 :In Progress

Maximum Amount: ¥50 bn  
Period: October 30, 2019 to April 23, 2020  
Repurchased to date: ¥9.2 bn (as of Jan, 2020)

HOYA repurchased shares worth ¥33.3 bn year-to-date  
(#1 & #2)

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Ryo Hirooka, CFO:

Although we began stock buybacks in May 2019, we only purchased less than half of the ¥60.0 billion we set as an upper limit. We have recommenced purchasing within a ¥50.0 billion framework.

We intended to purchase as many shares as we could; however, purchases only amounted to ¥9.2 billion due to the share price situation.



## Q4 & Full Year Guidance

- ✓ We expect the tax-hike impact on our contact lens business to continue, however the impact will ease QoQ.
- ✓ LSI blanks will maintain momentum driven by strong demand for EUV products.
- ✓ HDD substrate sales to decline QoQ due to seasonality (Chinese New Year). However, we expect growth on a YoY basis.

### FY19 Q4

(¥bn)	Q4 FY18	Q4 FY19	YoY	YoY(%)
Sales	141.5	144.6	+3.1	+2%
Pretax Profit	31.4	35.4	+4.1	+13%
Net Profit	29.2	28.2	-1.1	-4%

### FY19 Full Year

(¥bn)	FY18	FY19	YoY	YoY(%)
Sales	565.8	586.0	+20.2	+4%
Pretax Profit	144.7	155.0	+10.3	+7%
Net Profit	122.1	123.0	+0.9	+1%

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Ryo Hirooka, CFO:

Our FY19 forecast calls for revenue of ¥586.0 billion, profit before tax of ¥155.0 billion, and net profit of ¥123.0 billion.

Our assumed foreign currency exchange rates are 110 yen to the USD and 120 yen to the EUR.

We have incorporated the impact of the Lunar New Year and fewer operating days into our plan for Vietnam for Q4. Although we are seeing a gradual recovery from the dip caused by a rush in demand for contact lens prior to the consumption tax increase, we expect the impact to extend over the next six months.

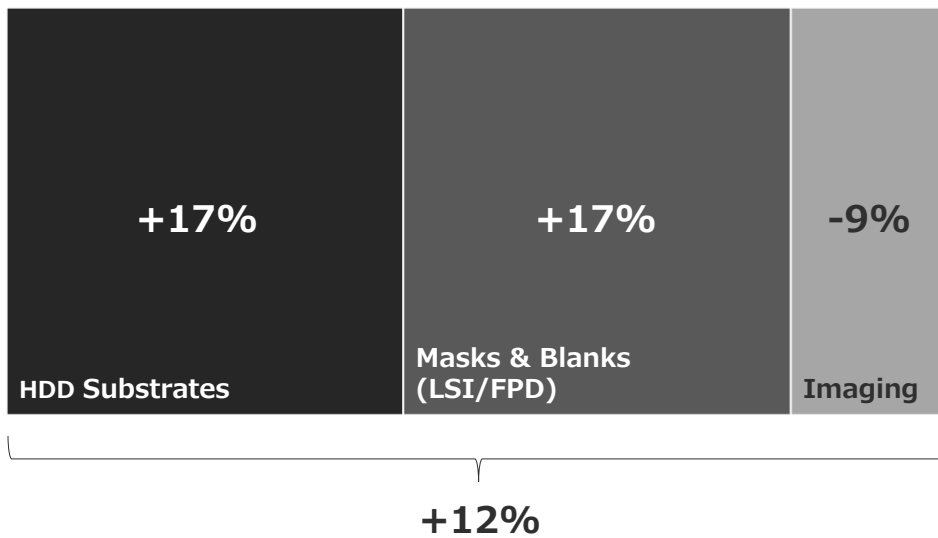
1. Financial Results
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Presentation MC:

Next, Hiroshi Suzuki, CEO, will give his presentation about the Information Technology and Life Care segments.

# IT Snapshot

YoY Sales Growth (Like-for-Like)



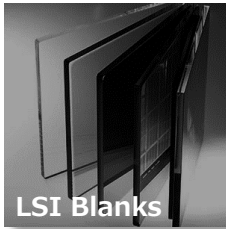
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Hiroshi Suzuki, CEO:

I will be giving today's presentation on the Information Technology segment, as Mr. Ikeda, our COO, was not able to attend today.

## Overview by Product

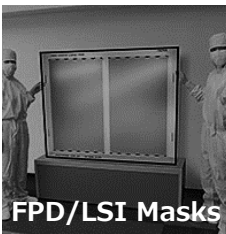


### This Quarter

DUV sales dropped slightly due to a customer building stock last quarter. EUV sales grew 80-plus percent YoY.

### Going Forward

New EUV fab in Singapore to start operations in April. Start of mass production in H2 FY20 after qualification process.



### This Quarter

FPD Masks experienced growth through captured demand in the Chinese OLED market (mainly G6).

### Going Forward

Expand OLED business, especially in China, as further growth of the market is expected.

Hiroshi Suzuki, CEO:

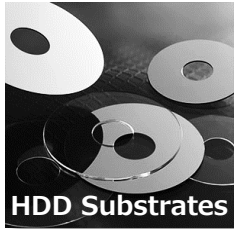
### Blanks for Semiconductors

EUV grew approximately 15% quarter over quarter and approximately 80% year on year. Optical (DUV) saw rising inventory levels among customers in connection with stronger export controls to Korea. Sales this (Q3) quarter were slightly lower year on year as we worked down inventory (there was no impact on EUV as we were not able to provide products in amounts that built up at customers due to manufacturing capacity limits). In the current environment, 7nm tapeout continued to grow as did DUV blanks. We worked down inventory for customers in Korea during Q3, meaning the inventory buildup was just a temporary factor. We have no issues with our fundamentals.

### FPD/LSI Masks

It appears that Chinese manufacturers are struggling to get OLED launched. We see that there will be demand in connection with the trial and error involved in ramping up patterns for OLED panels. On the other hand, manufacturers in Taiwan cannot compete without differentiation from China. In addition to adding features to existing products, this approach should lead to mask demand.

## Overview by Product



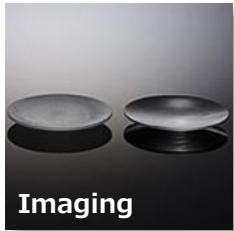
HDD Substrates

### This Quarter

3.5" sales was 2.5x due to increased demand related to data centers. 3.5" products now account for 42% of total sales.

### Going Forward

New factory in Laos (producing 3.5" substrates) to ship sample products beginning in April. Mass production to begin by H2 FY20 after qualification process.



Imaging

### This Quarter

Due to market contraction, our imaging-related sales continued to decline.

### Going Forward

Make proactive cost savings to protect profitability.

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Hiroshi Suzuki, CEO:

### Glass Substrates for Hard Disk Drives

Although sales were favorable, profits declined somewhat. This was due to the launch of our new plant in Laos and product mix (decline of 2.5" and increase of 3.5").

Traditional 95mm (3.5") products present some insufficiencies for storage capacity and we are seeing more specifications for 97mm (3.5") product. Although a 2mm difference seems small, the larger circumference allows for increases on the order of terabytes. This will have an impact on our jigs, which will result in up-front costs. Although this factor will impact more than just this quarter, we see this as basically a temporary factor.

Overall, the developing scenario indicates that 2.5" substrates for notebook PCs are being replaced by flash memory, while 3.5" products for data centers are growing.

We are on the cusp of receiving certification 16TB units in connection with 3.5" products for data centers and we have started shipments.

Hard disk drive makers in Japan have finished development for 16TB units. Another hard disk drive maker in the U.S. is planning to launch an 18TB unit. During 2020, manufacturers are attempting the difficult challenge to deliver 18TB in the same form factor as 16TB. If they cannot do this, they may adopt glass substrates.

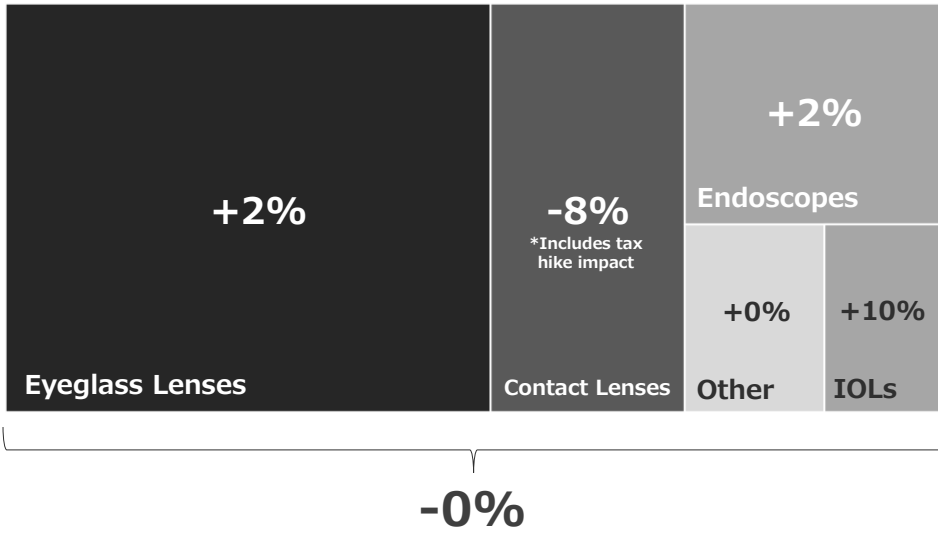
### Imaging-Related Products

Sales of interchangeable lens for digital cameras decreased 20%. Surveillance cameras provided some positive results. We are seeing a recovery, as inventory adjustments appear to have finished a cycle. There is no movement in China domestically to upgrade surveillance cameras quickly as has been the pattern in the past, so there won't be a rapid growth phase like we saw before. I do believe we have passed through the worst phase.

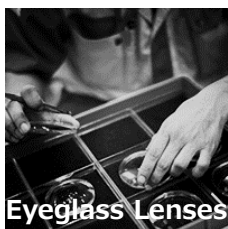
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# Life Care Snapshot

YoY Sales Growth (Like-for-Like)



## Overview by Product



### This Quarter

Japan sales declined due to the consumption tax hike etc. High growth in Europe and Asia continued. New factory in Vietnam started test production.

### Going Forward

Capture peak season demand (Q4). Gradually ramp up the new Vietnam factory.



### This Quarter

Reactionary decline related to consumption tax hike. No. of stores at quarter-end: 326 (including acquisitions)

### Going Forward

Continue to expand customer reach through new store roll-outs and acquisitions in areas in which we have no presence yet.

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Hiroshi Suzuki, CEO:

### Eyeglass Lenses

We have a high ratio of eyeglass lenses manufactured on a baht basis and sold on a euro basis. A strong baht and weak euro is the worst pattern for foreign currency trends. This is the main reason for a lack of profits. Our launch of a second plant in Vietnam has also had an impact. While we could have posted results to asset accounts, we recorded expenses. These expenses are a temporary matter. Also, a dip caused by the rush in demand prior to the consumption tax increases has had an impact on Japan, where profitability is comparatively high.

### Contact Lenses

Contact lenses enjoyed approximately ¥4.0 billion in rush demand last quarter prior to the increase in consumption tax. The impact of this up-front demand had a negative 13% to 14% impact on customer numbers during this quarter. Some customers even purchased six-month and one-year supplies of contact lenses. We believe this development will have the most impact on Q3 results. On the other hand, we continue to expand outlets, adding nine new stores and acquiring two more.



## Overview by Product



### This Quarter

Achieved double-digit growth in APAC. Sales of standard products in China was the main contributor.

### Going Forward

Prepare high-end product launch in China. We will launch new products going forward including new-type injectors.



### This Quarter

New product launch in the Americas was delayed. Sales in Europe grew, as new product launches are proceeding.

### Going Forward

Launch new products going forward.

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Hiroshi Suzuki, CEO:

### Intraocular Lenses

Although sales grew in the double digits, post-merger integration for the company we acquired in January 2019 included the need to change product designs, forcing us to record inventory revaluations. It would have been better if we had known this at the time of acquisition, but we did not. This is another factor contributing to a temporary dip in profits.

### Endoscopes

To date, we had been performing repairs close to the market; however, we are moving this work to Penang, Malaysia. While we are manufacturing endoscopes in Japan at present, we also plan to move this work to Penang over time. As costs at our Japanese plants have not decreased, these added costs have caused profitability to decrease. We expect this trend to continue through Q4, as well. We also had an issue in America where we experienced a delay in receiving approvals that prevented us from rolling out new products.

Between Q4 and Q1 next year, we will engage in corrections related to endoscopes and eyeglass lenses. The basic issue is an internal problem more than anything else.

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Presentation MC:  
Next, we will begin our Q&A session.

Please raise your hand when asking questions and provide your personal name and the name of your company.  
Due to time limitations, we must limit questions to two per person. Thank you for your understanding.

## Q&A -1

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Q

Wadaki, Analyst, Nomura Securities

EUV Mask Blanks

As mask blanks for EUV enjoy especially strong performance, I have heard that competitors have been increasing their share. How far do you expect sales to grow in the future? I believe the number is probably ¥30 billion to ¥40 billion.

A

Hiroshi Suzuki, CEO:

We plan to begin shipping from the new EUV product manufacturing line in Singapore in Q2 of next year. Demand is rising in the present R&D phase. Once mass production begins, we think our growth rates level out over time. Over the short term, we don't anticipate seeing full-capacity operation of our two EUV mask blanks manufacturing lines.

Q

Wadaki, Analyst, Nomura Securities

Glass Substrates for Hard Disk Drives

Your insights are always helpful. What do you predict the future to be for storage hard disk drives and flash memory?

A

Hiroshi Suzuki, CEO:

Among hyper-scale cloud vendors, only Company G is showing strong growth. Company A has not grown to that extent and I don't expect the market to make a large jump in growth.

## Q&A -2

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Q

Nakanomyo, Analyst, Jefferies Japan  
EUV Mask Blanks

You mentioned that demand for blanks will level out as EUV exposure devices enter into the mass production phase. Do you expect an increase in demand for blanks due to an increase in the number of layers used for EUV exposure devices as a result of future developments in miniaturization? Also, will an increase in devices (high-function devices necessary for EUV exposure devices) lead to an increase in demand?

A

Hiroshi Suzuki, CEO:

We believe that a real contribution of increased layers to demand for blanks will happen after transitioning to the next node, probably some time around the year 2022. I can probably count on my fingers the number of devices and designs that will be used in the manufacture of EUV exposure devices.

Q

Nakanomyo, Analyst, Jefferies Japan  
Eyeglass Lenses

You mentioned that you need to fix your eyeglass lens business in America. Can you tell us more about the current situation? I believe performance was strong in America through last fiscal year.

A

We have focused on developing chain stores in America, which is going well. However, we have seen ongoing turnover in sales staff working with independent stores. We are training new sales staff and we expect to see growth again in the quarter after next when these salespeople have been trained. This staff turnover has been more a question of management in America than pay and benefits. We are reorganizing management for a new start.

## Q&A -3

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Q

Nakanomyo, Analyst, Jefferies Japan  
Eyeglass Lenses

Your major chain customers in Europe are planning to merge with their competition. Can you tell us more about your customer relationships moving forward?

A

Hiroshi Suzuki, CEO:

Due to certain procedures, receiving approvals by the European regulatory agencies is taking longer than originally planned, but approval will happen at some time. Specific negotiations with our customers are awaiting the final merger deal approvals (from European regulatory agencies) between our customers and their competition. We have agreed to gradually wind down sales over time in a way that is best for each party.

Q

Yoshida, Analyst, CLSA Japan  
Life Care

You mentioned a dip in performance due to front-loaded demand ahead of the consumption tax increase. Can you tell us more about the causes behind the year-on-year decrease in profit ratios?

A

Hiroshi Suzuki, CEO:

In simple terms, front-loaded demand, foreign currency translation, and other factors have had an equal one-third impact on profit ratios. Foreign currency exchange had a larger effect than we expected, with a significant impact of the weak euro and strong baht on eyeglass lenses.

## Q&A -4

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Q

Yoshida, Analyst, CLSA Japan  
Mask Blanks

You stated that full capacity for EUV mask blank manufacturing will not happen immediately. How long of a period do you need for inspection devices, which require a long lead time?

A

Hiroshi Suzuki, CEO:

No one knows whether the current inspection devices are capable of next- next-generation inspections, so we are waiting until the picture becomes clearer before we buy our next inspection devices.

We have to reconfigure the first manufacturing line, which we will be investing in after the launch of our Singapore line.

Q

Nakamura, Analyst, JPMorgan Securities  
Life Care

You mentioned that other factors accounted for one-third of the decline in profit ratios. When do you expect to resolve those issues?

A

Hiroshi Suzuki, CEO, and Ryo Hirooka, CFO:

Costs related to intraocular lenses are temporary costs incurred only in this quarter related to integration of a company we acquired. It will take some time to resolve the issues with endoscopes. Costs related to the No.2 plant for eyeglass lenses in Vietnam reached a peak in Q3, so we don't expect any issues next quarter. We have a positive outlook for Life Care in Q4, while the Information Technology segment may see some challenges due to seasonal factors (Lunar New Year).

## Q&A -5

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Q

Yamamoto, Analyst, Mizuho Securities  
M&A

You made an announcement about a takeover bid for NuFlare. However, over the past ten years in your blanks business, you never formed any alliances with or buyouts of semiconductor production equipment manufacturers. What has changed? More than ten years ago, NuFlare conducted a third-party allocation of shares. Were you not able to acquire them at that time?

A

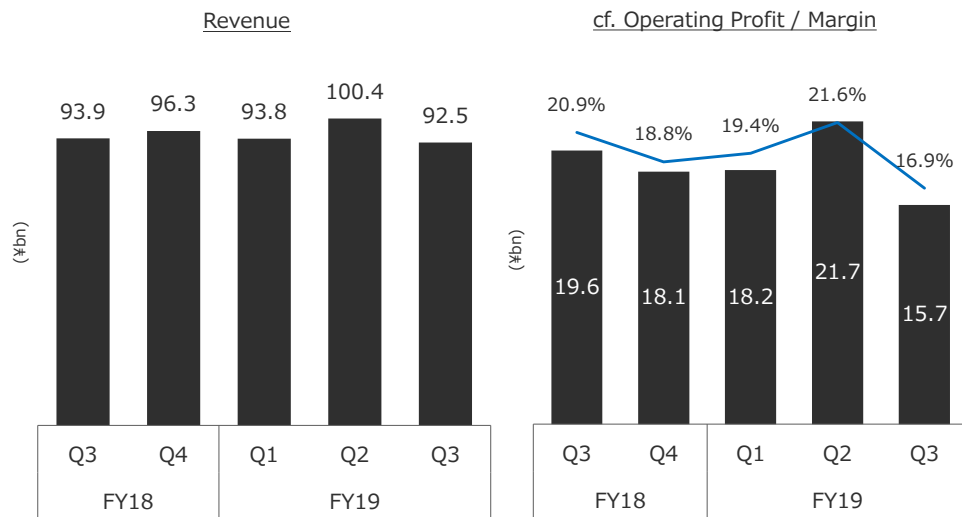
Hiroshi Suzuki, CEO:

Photomasks can require modification after completion. To make good blanks requires an increasingly close cooperative relationship with inspection device and drawing equipment manufacturers. That's not to say that an acquisition would make the relationship better. But, the situation has changed quite a bit compared to times in the past. This is how business needs to be done to succeed. Ten years ago, when NuFlare Technology conducted their third-party allocation of shares, we did not consider an acquisition. After that, we suggested that Toshiba conduct the buyout, in response to which they asked us to wait and then proceeded with the takeover bid.



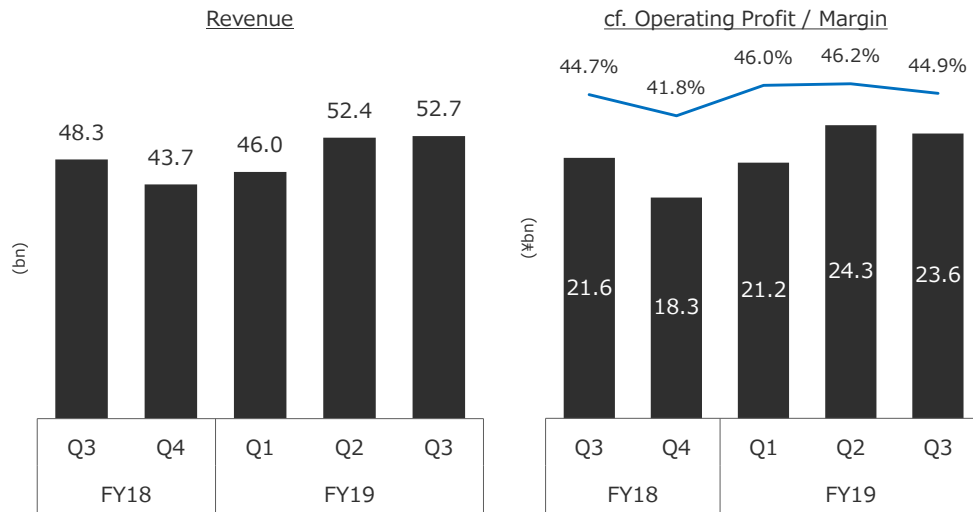
# Appendix

# Life Care QoQ Earnings



\*External revenue

# IT QoQ Earnings



\*External revenue

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## Topics

### [Eyeglasses] New Factory in Vietnam Starts Operations

In November 2019, HOYA launched a new eyeglass lens production facility in Quang Ngai, central Vietnam. The facility has two buildings on the eight-hectare site, with a maximum capacity of 140 million units per year (stock lenses). Being one of the largest plants in eyeglass lens capacity, it will cater to the increasing global demand. Currently, the first building has started test production. The second building will start operations in early FY20.



### HOYA Delivers MW10 to Schools for the Blind

“We want to show starry skies to students of schools for the blind by providing scotopic vision eyeglasses.” HOYA sponsored a crowd funding project launched by Nippon Lighthouse, a social welfare service corporation. The crowd funding collected JPY3.5 million which surpassed the target of JPY3 million. Under this project, HOYA provided specially priced scotopic vision eyeglasses, *HOYA MW10 HIKARI*, to twelve schools for the blind. We will continue to support the activity of this project.



## 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>

## Disclaimer

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