

# HOYA Corporation

Q2 FY2021 Earnings Presentation

October 28, 2021

# 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.

# Key Takeaways

1. Record-high revenue and profit
2. Life Care Business continued to recover QoQ despite the resurgence of the Covid impact in some countries/regions
3. Double-digit growth for all products in the Information Technology Business. In particular, 3.5" substrates for data centers continued to show momentum
4. Infection resurged at facilities in Southeast Asia, but the impact was minimized by vaccinating employees as well as other measures

# Financial Overview

| (¥bn)                       | Q2 FY20 | Q1 FY21 | Q2 FY21 | YoY     | QoQ     |
|-----------------------------|---------|---------|---------|---------|---------|
| Revenue                     | 140.3   | 158.0   | 162.6   | +16%    | +3%     |
| Pretax Profit               | 40.2    | 51.0    | 54.0    | +34%    | +6%     |
| Net Profit                  | 31.8    | 41.3    | 43.0    | +35%    | +4%     |
| cf. Operating Profit        | 43.3    | 49.4    | 49.2    | +14%    | -0%     |
| cf. Operating Profit Margin | 30.9%   | 31.3%   | 30.3%   | -0.6ppt | -1.0ppt |

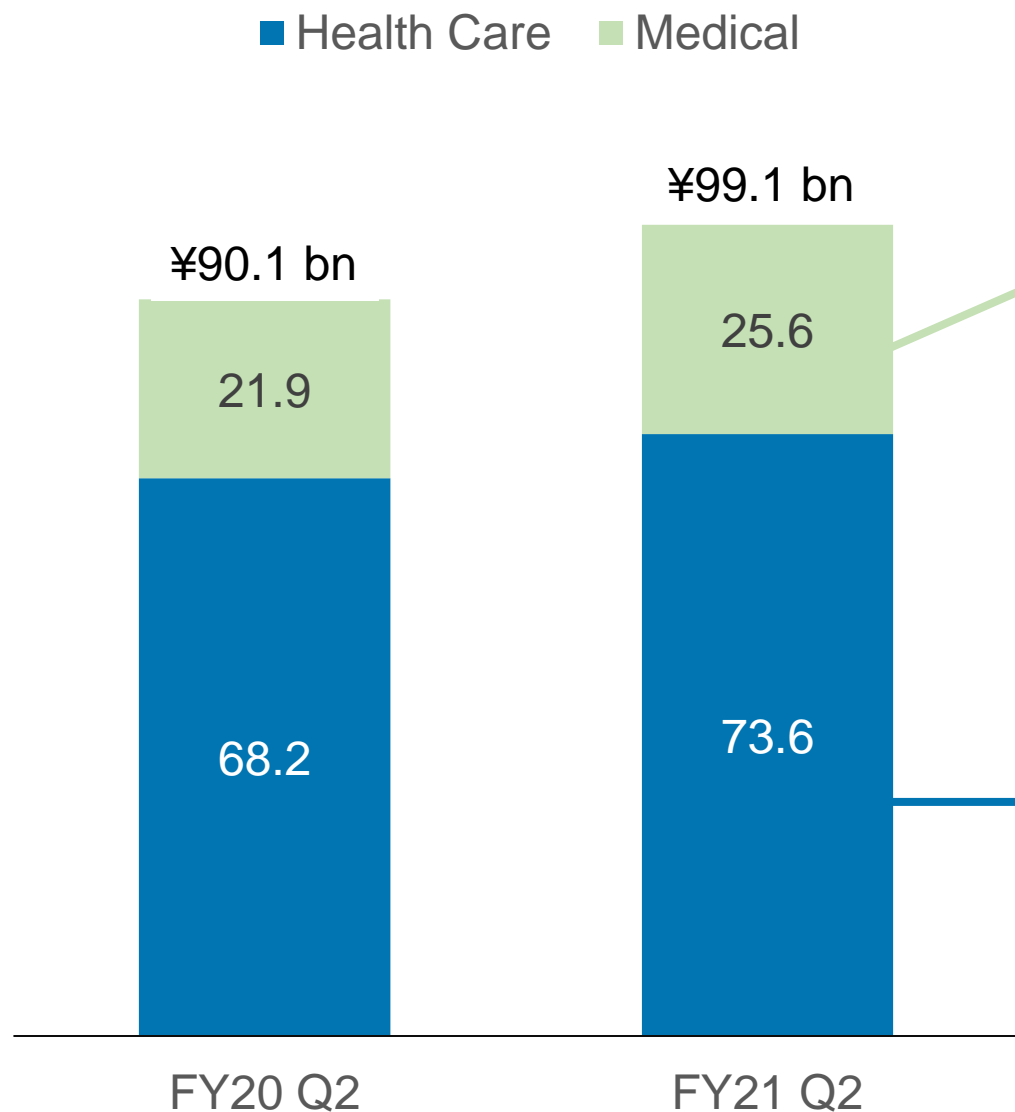
- On a constant currency basis, growth rate was +12% for revenue and +31% for PTP

# Life Care

| (¥bn)                       | Q2 FY20 | Q1 FY21 | Q2 FY21 | YoY     | QoQ     |
|-----------------------------|---------|---------|---------|---------|---------|
| Revenue                     | 90.1    | 96.8    | 99.1    | +10%    | +2%     |
| Pretax Profit               | 17.7    | 21.8    | 23.4    | +32%    | +7%     |
| cf. Operating Profit        | 21.2    | 20.6    | 19.8    | -7%     | -4%     |
| cf. Operating Profit Margin | 23.5%   | 21.3%   | 19.9%   | -3.6ppt | -1.4ppt |

- On a constant currency basis, growth rate was +6% for revenue and +30% for PTP
- Compared to pre-Covid (FY19 Q2), revenue was -5%

# Life Care: Revenue by Product



**Endoscopes** [YoY +12% / vs FY19 -7%]  
 -Continued to recover, although there were some differences between countries  
 -However, we could not keep up with the demand due to shortage of semiconductors

**IOLs** [YoY +7% / vs FY19 -6%]  
 -Europe, US and APAC continued to recover.  
 -Japan to recover from Q3 with improved tax rates.

**Eyeglass Lenses** [YoY +3% / vs FY19 +1%]  
 -Sales declined in SE Asia, but rose sharply in China, resulting in an overall increase  
 -Sales grew for value accretive products such as MiYOSMART

**Contact Lenses** [YoY +8% / vs FY19 -4%\*\*]  
 -Home delivery services contributed to growth  
 -Expect further recovery in 2H. Accelerate M&A

\*Constant currency basis

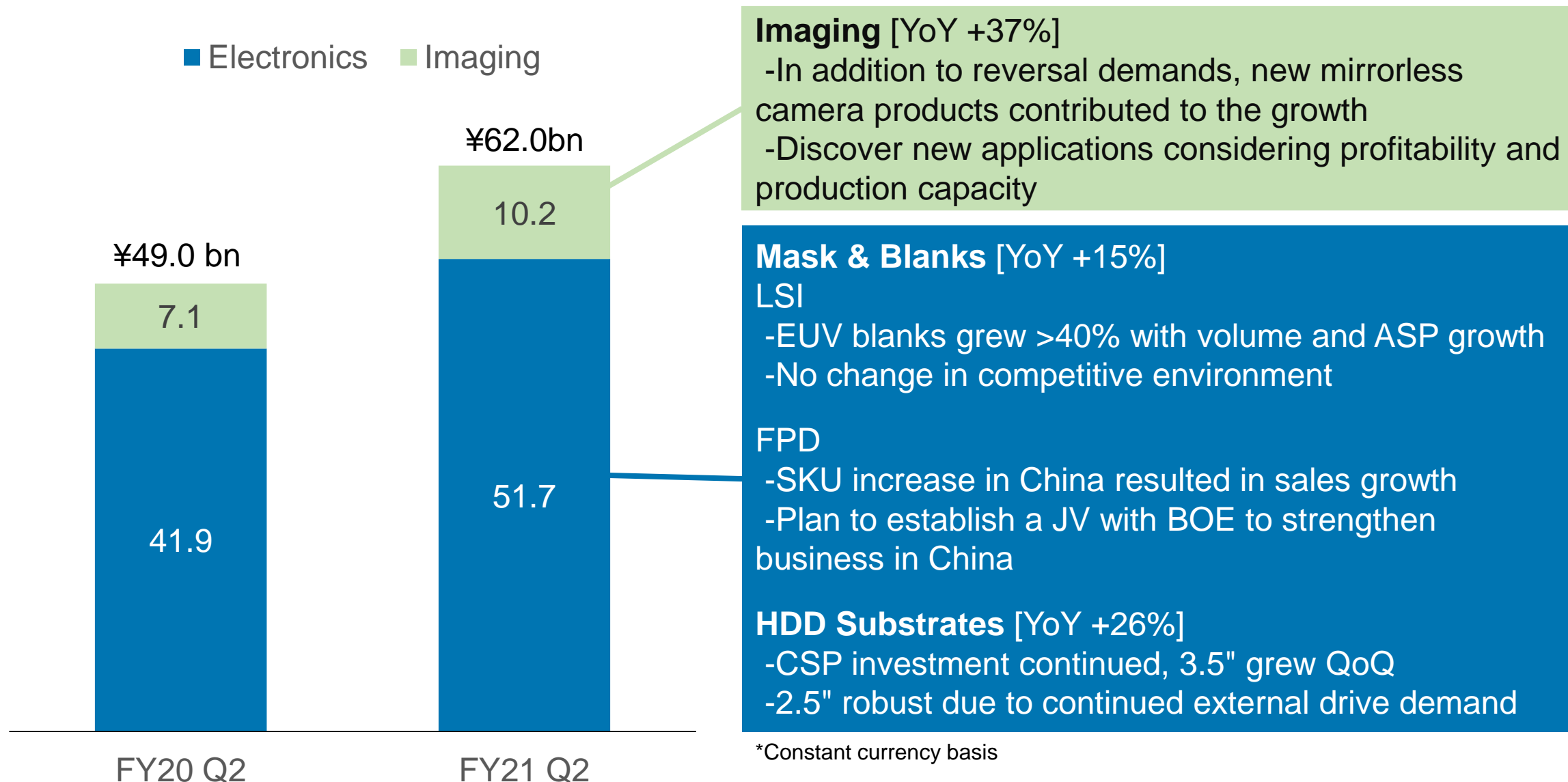
\*\* Excluding the impact of the pre-consumption tax hike surge in Q2 FY19 (approx. 4.6 billion yen)

# Information Technology (IT)

| (¥bn)                       | Q2 FY20 | Q1 FY21 | Q2 FY21 | YoY     | QoQ     |
|-----------------------------|---------|---------|---------|---------|---------|
| Revenue                     | 49.0    | 59.8    | 62.0    | +27%    | +4%     |
| Pretax Profit               | 22.4    | 30.0    | 31.0    | +39%    | +3%     |
| cf. Operating Profit        | 22.8    | 29.7    | 30.1    | +32%    | +1%     |
| cf. Operating Profit Margin | 46.7%   | 49.6%   | 48.6%   | +1.9ppt | -1.0ppt |

- On a constant currency basis, growth rate was +23% for revenue and +35% for PTP

# IT: Revenue by Product





# Highlights from the Balance Sheet & Cash Flow

## Cash

- FCF generated in Q2 was 40.4 bn yen (+0.7 bn yen YoY)
- Cash & cash equivalents increased to 386.5 bn yen (+49.1 bn yen YoY)

## CAPEX\*

- Q2 actual was 6.5 bn yen (-2.0 bn yen YoY)
- We expect around 30 bn yen this fiscal year\*\*

## D&A

- Q2 was 10.6 bn yen (+1.7 bn yen YoY); slight increase QoQ (+0.3 bn yen)
- We expect around 43.0 bn yen annual D&A

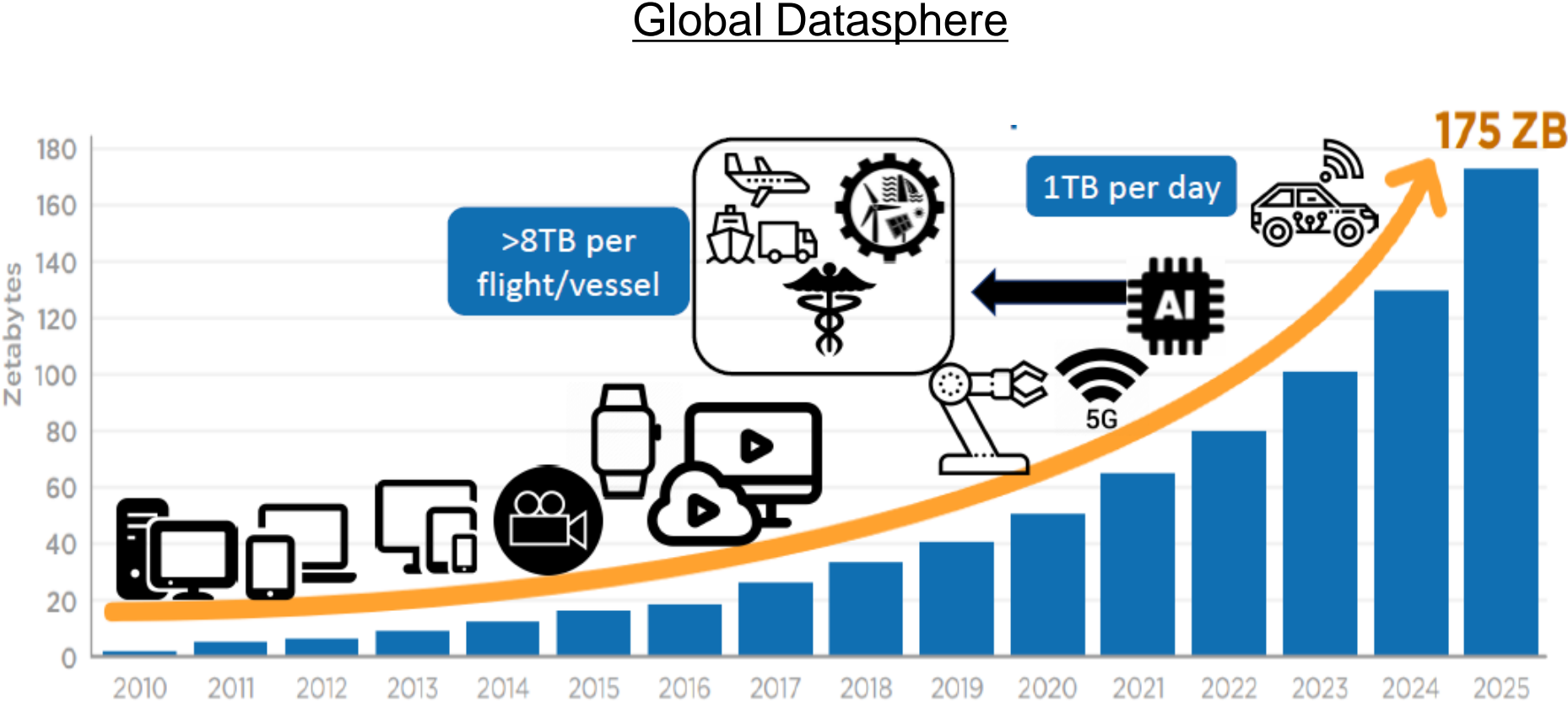
\*Cash flow basis. Acquisition of PPE

\*\*Decision basis. It may vary depending on the timing of cash-out

# **Topic: Why Data Centers Need Glass**

# A Data-driven World

- Growth of the global datasphere accelerated with the development of technologies such as 5G and artificial intelligence

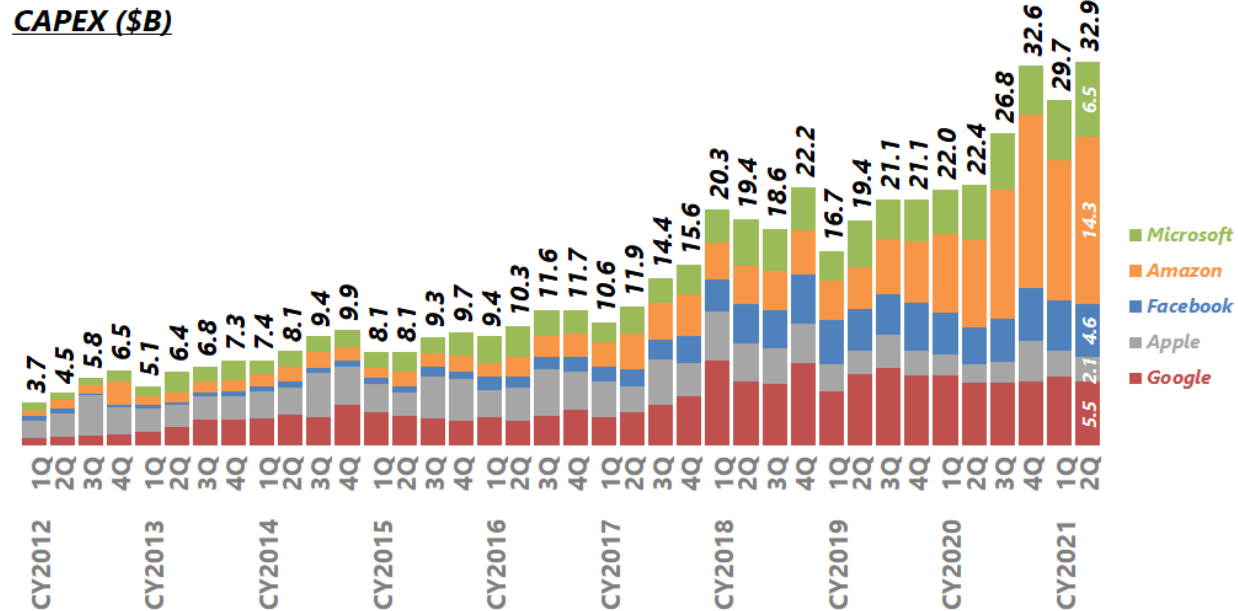


(Source :Company Data)

# Growth Opportunity for HDDs

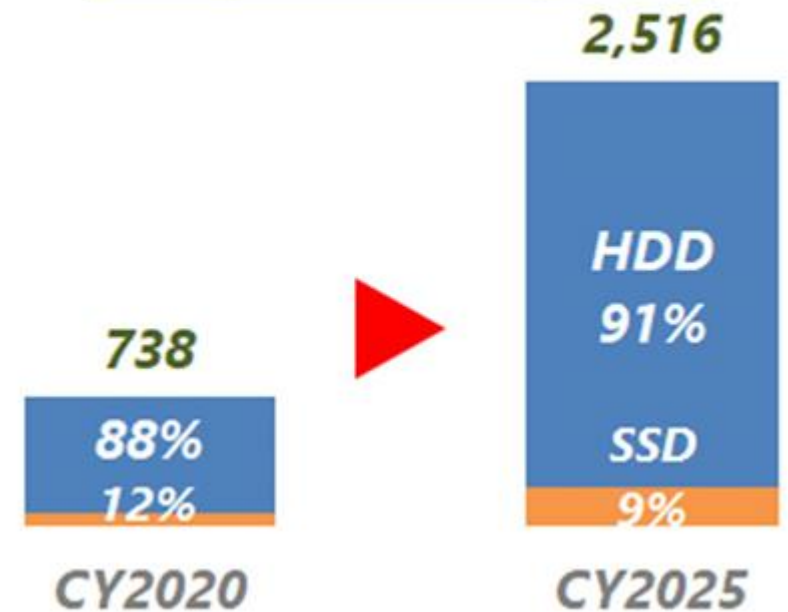
- Along with the growth in the datasphere, GAFAM's CAPEX continued to increase; record high in CQ2
- HDDs are expected to play a leading role in near-line storage, representing 80-90% of the enterprise data storage

GAFAM CAPEX Trend



(Source: GAMFAM Capex report Aug 2021)

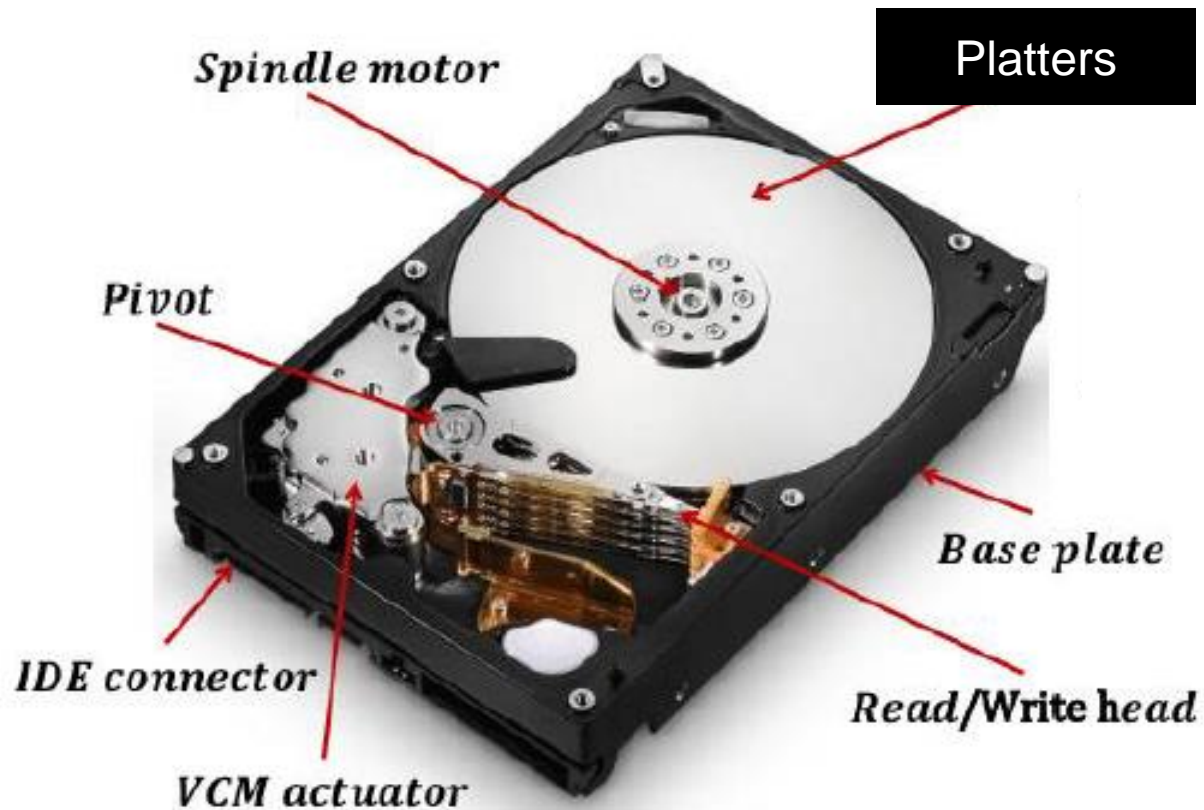
Enterprise EB Shipment



(Source :Company Data)

# Glass Substrates for HDDs

- The disk-shaped component in an HDD is called a platter
- A platter is a glass or aluminum substrate coated with magnetic material to enable data to be recorded
- Currently, HOYA is the only manufacturer of glass substrates for HDDs



# Advantages of Glass

|                    | Aluminum (Al-Mg)                        | Glass                                     |
|--------------------|---|---|
| Rigidity           | ●<br>May flutter or bend<br>by thinning | ●<br>Stable even with<br>thinner platters |
| Heat<br>Resistance | ●<br>NO                                 | ●<br>YES                                  |



We will discuss this advantage more in detail on the following pages

# Two Ways to Increase HDD Data Capacity

- TCO (Total Cost of Ownership) is critical for cloud service providers
- HDDs have increased data capacity by (1) enhancing areal density (2) increasing the number of platters, which has contributed to the improvement of TCO

## (1) Improve Areal Density

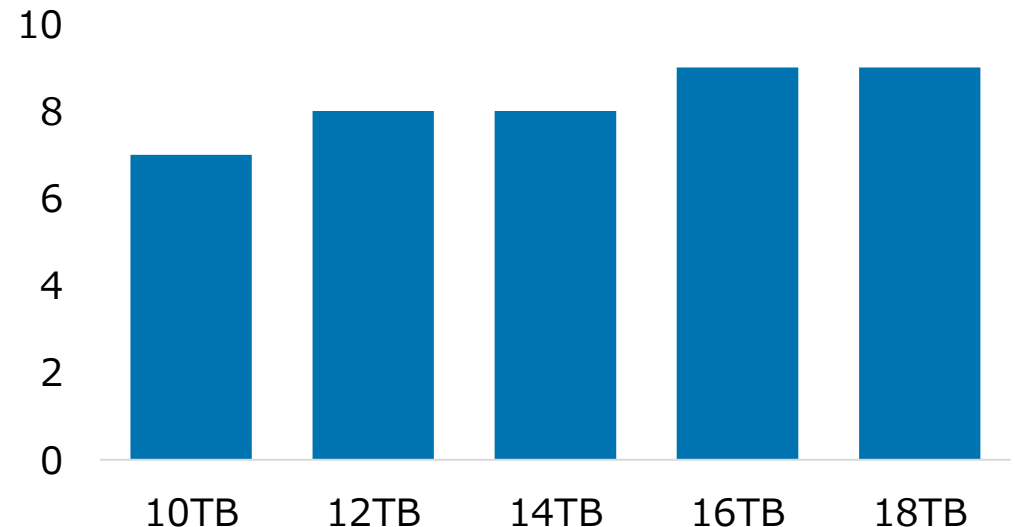
Shrink bit cells to increase the amount of data that can be written per platter

- ✓ HAMR
- ✓ MAMR
- ✓ ePMR

## (2) Increase Number of Platters

Increase the number of platters per drive by making the platter thinner

Number of Platters / Data Capacity



# (1) Improve Areal Density

- Next gen recording technology HAMR (Heat Assisted Magnetic Recording) requires higher heat resistance due to higher sputtering temperature etc.
- Glass-based platters are the only solution for HAMR adoption, due to higher heat resistance

|                                     | PMR           | MAMR          | HAMR                    |
|-------------------------------------|---------------|---------------|-------------------------|
| Max Capacity per Platter (Estimate) | Approx. 2TB   | 2.3TB-2.5TB   | 4.4TB*                  |
| Required Heat Resistance            | Approx. 200°C | Approx. 200°C | Approx. 650°C or higher |

\*Potential to go up to 6.7TB in the longer run

## Heat Resistance of Platter

|          |       |   |   |   |
|----------|-------|---|---|---|
| Aluminum | 290°C | ✓ | ✓ |   |
| Glass    | 710°C | ✓ | ✓ | ✓ |

(Source :Company Data, IDEMA Forum 2017, Seagate Analyst Day 2021)



# (2) Increase Number of Platters

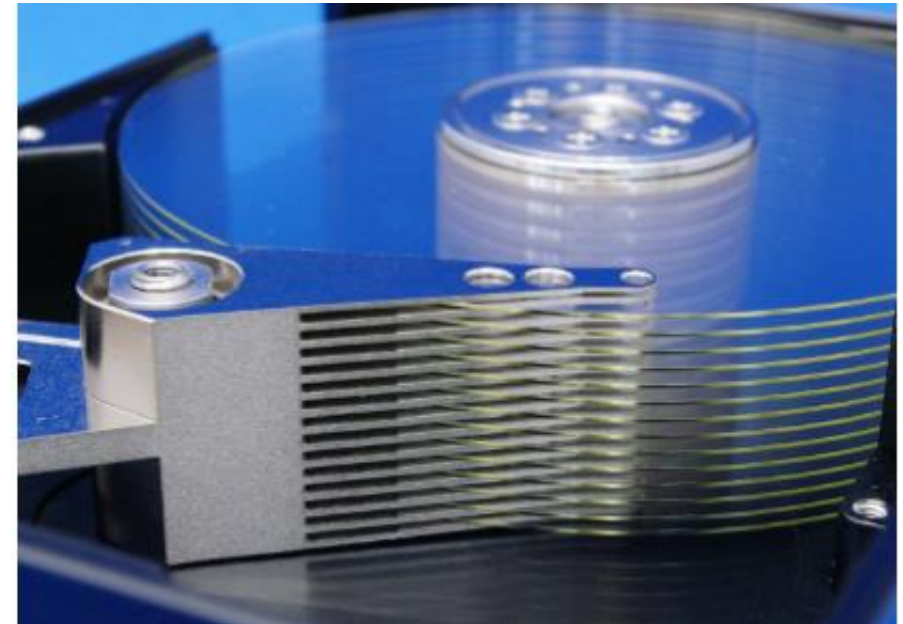
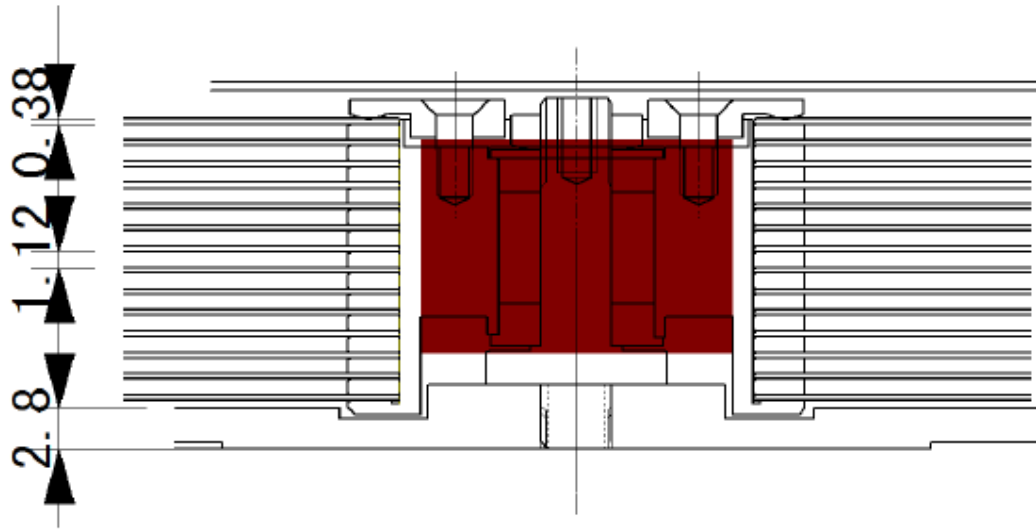
- Although it will depend on the composition of the material, glass platters generally have higher rigidity than aluminum and can be made thinner
- By using the most rigid glass substrate, 12 platters can be mounted with a thickness of 0.4 mm.\* (c.f. Today's highest capacity drive: 9 platters / 0.5mm)
- If the platters are made thinner with low rigidity, there is a risk that the platters will deflect and collide with other components, generating particles that affect read/write performance

\*Thinning the other components, such as heads and spacers, is also required.

| Material                   | Aluminum (Al-Mg) | Glass  |
|----------------------------|------------------|--------|
| Rigidity (Young's Modulus) | 71 GPa           | 98 GPa |

## (2) Increase Number of Platters - cont'd

- There is potential for us to go further; 14 platters per drive by 0.38mm thickness combined with thinner spacers
- We will continue to enhance our glass substrate supply capacity based on customer needs to support the secular growth of the near-line HDD market



# Notes

- ✓ Accounting standard: IFRS
- ✓ The fiscal year ending March 2022 is referred to as “FY21” 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.
- ✓ Operating profit 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>

Moving  
towards  
the next **80** years →