

Q&A for FY2021 1Q Web Conference
(held on Nov 12, 2021) and Analyst meetings

【1Q Results】

1. The orders received of ¥66.3 bn in 1Q is at a high level compared to that of ¥107.0 bn planned for 1H. Around how much did it exceed your internal plan? Which segments exceeded?

A: Orders received in 1Q exceeded the internal plan by more than 20%. By segment, orders for semiconductors and electronics were about 30% higher, and orders for FPDs were more than 50% higher than the initial plan.

2. If we calculate the difference between orders received in 1Q of ¥66.3 bn and the planned of ¥107.0 bn in 1H, the orders in 2Q would be about ¥40 bn, but I think the orders in 2Q will be higher than the plan. Will you make any upward revision for the full year?

A: There is a possibility that some customers placed orders earlier in 2Q than originally planned in response to longer delivery times for parts procurement, as a result, the orders in 2Q may be as same as the level in 1Q, and the orders in 1H would exceed the plan. As the exceeding is primarily due to the orders received ahead of schedule, we are not planning to revise the full-year order forecast this time.

3. Why did the gross profit margin drop significantly to 27.9% from 31.4% in 4Q of the previous fiscal year? Will the profit margin improve in 2Q onward? Is there any change in the profit plan for the 1H and full year? Are you making progress in improving the profit margin by strengthening your manufacturing capabilities?

A: The major impact was a ¥7.1 bn decrease in sales from ¥54.5 bn to ¥47.4 bn. In addition, sales of low-margin projects in 1Q and a delay in passing prices on to the customers for higher material prices in the materials business also had an impact.

From 2Q onward, as the impact of low-margin projects will disappear, and the effects of strengthening manufacturing capabilities are expected to contribute gradually to improve the profit margins, there will be no change in the profit plan for 1H and full year.

We are steadily implementing measures to strengthen our manufacturing capabilities, which are steadily leading to an improvement in the profit margin, and we will continue to work vigorously on these measures.

5. What was the breakdown of orders and sales of FPDs and semiconductor electronic devices by application in 1Q?

A: As per the Appendix.

6. How about the rank in terms of operating profit margin in 1Q?

A: As per the Appendix.

7. What is your FY 2021 plan and 1Q results for capital expenditures, R&D expenses, and depreciation expenses?

A: Capital investment: Annual plan: ¥18.4 bn Actual: ¥2.1 bn
(Of which, for R&D: Annual plan: ¥12.7 bn, Actual: ¥1.3 bn)
Research and development expenses: Annual plan: ¥9.6 bn, Actual: ¥2.2 bn
Depreciation expenses: Annual plan: ¥9.2 bn, Actual: ¥2.0 bn

【Semiconductors & Electronics Order Trends】

8. Please tell us about the trends in investment and orders for semiconductors.

A: Orders for both logic and memory are proceeding in line with the initial plan.
In the logic business, the first foundry has been active in investment, and the second foundry is also making progress in investment. ULVAC's reputation for its equipment is growing as a result of the entry into the Metal Hard Mask process, and joint development for entry into other processes is also increasing, and the company is aiming to receive orders more than twice as many as in the previous fiscal year, as planned.
In memory, the investment in both DRAM and NAND is expected to be in line with the plan, and orders in 1Q were ahead of the initial plan.

9. Please tell us about the trends in capital investment and orders for electronics.

A: There is a strong appetite for capital investment in power devices, communication devices, and optical related products, and we expect to receive orders in line with our annual plan.
Orders in 1Q exceeded the company's internal plan due in part to the orders placed ahead of schedule by the customers in response to longer delivery times for parts.
In particular, for power devices, the orders for power devices are expected to grow mainly in both Japan and China, as the aggressive investment stance of Japanese manufacturers is becoming clearer, and the investment in domestic production in China is also becoming more active.
For the others, both Japan and China have a strong appetite for investment, and the market is expected to grow in the future.

【FPD Order Trends】

10. Please tell us about the overall trends in investment and orders for the display-related.

A: LCD investment continues to be active, with orders placed ahead of schedule in respond to the longer delivery time for parts, resulting in a high level of orders in 1Q. There is a high possibility that the high level would continue in 2Q.
As for LCD investment plans for the next year and beyond, we do not expect any major changes in investment plans, as the demand for IT panels for monitors, mobile devices, and in-vehicle devices remains high, despite the price decline in TV panels.
OLED investment for smartphones and tablets is progressing well, with additional investment in sputtering equipment for backplanes and the possibility of orders for evaporate equipment in 2Q ahead

of schedule in response to longer delivery time for parts procurement.

【Procurement of parts and materials】

11. Are there any effects of longer delivery time for parts? What measures are being taken?

A: Longer delivery time for some parts are progressing further. Delivery time for some parts have increased to 6 ~ 8 months from 1 ~ 4 months.

In addition to sharing forecast information with customer manufacturers, we check, adjust, and negotiate with suppliers and trading companies on delivery dates and inventory conditions, and make advance arrangements as necessary.

12. Will there be any impact of material cost increases, etc. due to the rising raw material prices, or price hikes for early procurement of long-delivery parts, etc.?

A: The profit margin of the materials business declined in 1Q due to the rise in material prices. We plan to recover the profit margin through price negotiations with the customers.

As for the improvement of the overall profit margin, (1) the profit margin is expected to improve as sales increase sequentially from 2Q and into 2H of the fiscal year, (2) the profit margin will return as the impact of projects with low profit margins in 1Q will disappear from 2Q. (3) We plan to improve the profit margin by negotiating price hikes for material price increases in the materials business. We are steadily implementing measures to strengthen our manufacturing capabilities, which are steadily leading to an improvement in the profit margin, and we will continue to work vigorously on these measures.

<Appendix>

● Breakdown for Order Received

Order Received	FY2021 1Q
Semiconductor/ Electronics(¥1billion)	21.4
•Memory	more than 30%
•Logic	mid-10%
•Electronics Device	less than 30%
•Power Device	mid-10%
•Packaging	several percent
•Others	mid-single digit
FPD(¥1billion)	21.3
•LCD	less than 50%
(for large-sized)	(almost 100%)
•OLED	less than 40%
•Others	mid-10%

● Breakdown for Net Sales

Net Sales	FY2021 1Q
Semiconductor/ Electronics(¥1billion)	17.0
•Memory	more than 30%
•Logic	around 10%
•Electronics Device	around 40%
•Power Device	mid-10%
•Packaging	several percent
•Others	—
FPD(¥1billion)	11.9
•LCD	less than 40%
(for large-sized)	(more than 70%)
•OLED	mid-50%
•Others	less than 10%

● Operating Profit Margin Rank of FY2021 1Q

Rank	Segment
1	Component
2	Semiconductor and Electronics
3	General Industries
4	FPD
5	Others
6	Materials

Overall average is between
3) General Industries and
4) FPD