

ULVAC

ULVAC, Inc.

Business Results
The Third Quarter of FY2022
(July 2022 - March 2023)

May 12, 2023

Securities Code:6728

Breakthrough 2022

Disclaimer regarding forward-looking statements

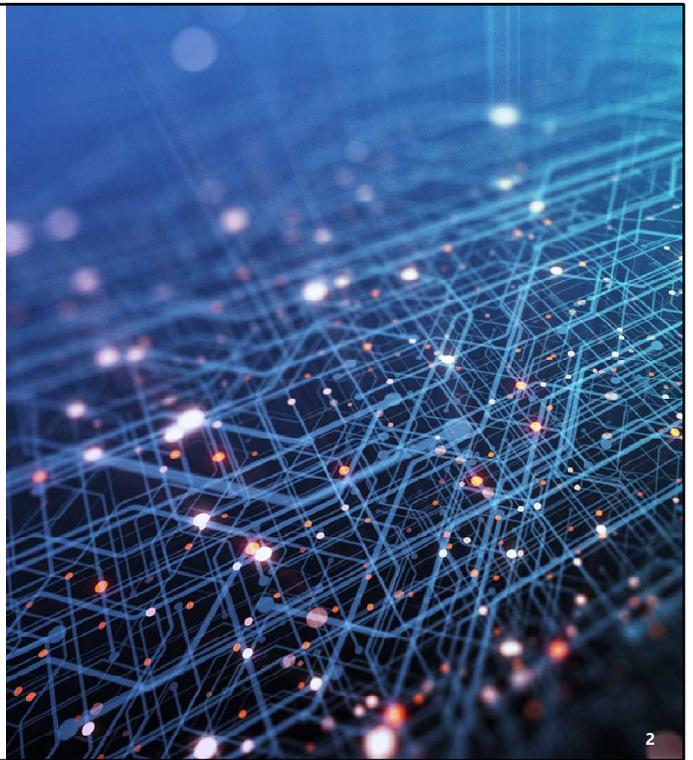
Forward-looking statements of the company in this presentation are based on information that was available at the time these documents were prepared.

There are several factors that directly or indirectly impact the company performance, such as the global economy; market conditions for FPDs, semiconductor, electronic devices, and raw materials; trends in capital expenditures and fluctuations in exchange rates. Please note that actual business results may differ significantly from these forecasts and future projections.

Note:

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1. No change in mid to long-term growth strategy (focusing development investment on growth areas such as semiconductor and electronics, targeting net sales of ¥300 billion or more, gross profit margin of 35% or more, and operating profit margin of 16% or more in FY6/2026)
2. Steady shift towards semiconductor and electronics (power devices, various electronic devices and logic increasing, doubling from FY19)
3. Q3 YTD orders down YoY due to a YoY decline in FPD orders and the shift of FPD and electronics orders from 3Q to 4Q
Net sales and operating profit both declined YoY mainly due to lower order received
4. Downward revision of full-year earnings forecast for FY2022. Dividend forecast unchanged
 - Downward revision to net sales of ¥215.0 billion and operating profit of ¥17.5 billion
Dividend forecast unchanged in view of stable dividend
 - Intensification of initiatives in response to longer lead times for parts and materials
Strengthening of management through reorganization in July
 - High level of orders continues due to growth in semiconductor and electronics. Order backlog is expected to exceed ¥150 billion at the end of the fiscal year
 - Aiming for further expansion of orders and sales in the next fiscal year and onwards through continuous growth in power devices, various electronic devices, logic devices, etc., and investment in Roll-to-Roll equipment for batteries

At 3:00 p.m. today, we announced our 3Q results and revised downward our full-year forecast.

As stated in No.3, orders of 20.5 billion yen scheduled in 3Q (12.5 billion yen for FPDs and 8 billion yen for electronics) were postponed to 4Q, and investments of 4 billion yen for semiconductor scheduled in 3Q, 3 billion yen for FPDs and 3.5 billion yen for semiconductor scheduled in 4Q have been postponed to the next fiscal year. As a result, 3Q orders, sales and profit were below the previous forecast.

Sales and profit, which temporarily declined in 3Q, will begin to recover from 4Q, but orders, sales, and profit for the full year will also decline, resulting in another downward revision of full-year results.

As stated in No.4, net sales are expected to be 215 billion yen, 15 billion yen less than the previous forecast.

Operating profit is expected to be 17.5 billion yen, 6.5 billion yen less than the previous forecast, and net income is expected to be 4 billion yen less than the previous forecast.

The downward revision is due to temporary factors such as postponement of order timing and postponement of investments to the next fiscal year.

As stated in No. 1, there is no change in our mid-term growth strategy, and our policy of concentrating development investment in growth areas such as

semiconductors and electronics remains unchanged, aiming for net sales of 300 billion yen or more, gross profit margin of 35% or more, and operating profit margin of 16% or more by the fiscal year ending June 30, 2026. Therefore, from the viewpoint of stable dividends to our shareholders, there is no change in our dividend forecast.

Regarding the long delivery lead time for parts and materials, lead time and delivery time for equipment have been shortened by planned production and advanced arrangements in growth areas such as semiconductor, power devices.

The downward revision for the second consecutive time is mostly due to customer circumstances. However, it is possible to say that we did not have an accurate grasp of customer investment trends and that our order plan was pulled down by high expectations.

We are already working to strengthen communication with our customers and introducing confirmation and verification systems and we will also strengthen our management system through organizational changes starting in July.

We apologize for the concern regarding the two downward revisions. As described in No.2, the shift to high-margin semiconductors and electronics, a pillar of the growth strategy in the mid-term management plan, is progressing steadily. Orders received doubled compared to FY19, and the order backlog at the end of this fiscal year is expected to exceed 150 billion yen due to the continued high level of orders for semiconductors and electronics. With continuous growth in power devices, various electronic devices, and logic, as well as the start of investment in Roll-to-Roll equipment for batteries, we aim to further expand orders and sales in the next fiscal year and onwards, and would like to reiterate that our mid to long-term growth strategy remains unchanged.

Revision of full-year forecast for FY2022

- Net sales, operating profit and profit attributable to owners of the parent have been revised downwards due to the delay in sales contribution caused by the delayed timing of FPD and electronics orders, and the slowdown in semiconductor investment.
- Dividend forecast remain unchanged.

(Unit: ¥1 billion)	FY2021	FY2022			
	Actual	Previous Forecast	Revised Forecast	Vs. Previous Forecast	YoY
Orders Received	270.1	260.0	250.0	-10.0	-20.1
Net Sales	241.3	230.0	215.0	-15.0	-26.3
Operating Profit	30.1	24.0	17.5	-6.5	-12.6
Operating Profit Margin	12.5%	10.4%	8.1%	-2.3pt	-4.3pt
Profit attributable to owners of parent	20.2	20.0	16.0	-4.0	-4.2
To net sales ratio	8.4%	8.7%	7.4%	-1.3pt	-0.9pt

As for the full-year forecast, the downward revision of net sales and each profit item was announced today due to the delay in sales contribution caused by the 20.5 billion yen postponement of orders for FPD and electronics from 3Q to 4Q, the decrease in sales caused by the slowdown in semiconductor investment and postponement of FPD investment.

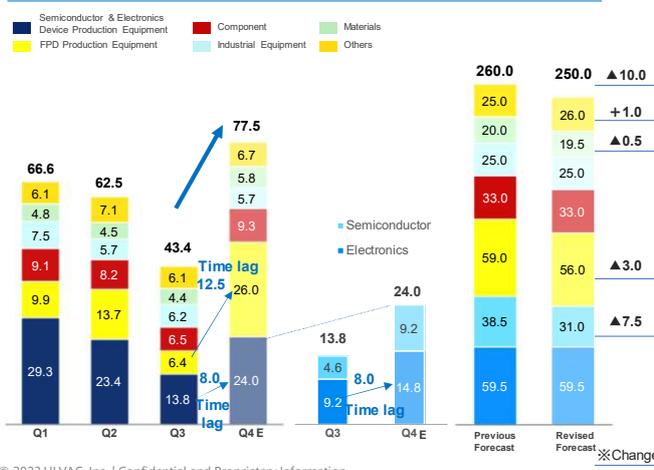
Orders received were 250 billion yen, 10 billion yen less than the previous forecast, besides the postponement of the period from 3Q to 4Q, Net sales are expected to be 215 billion yen, down 15 billion yen, and operating profit 17.5 billion yen, down 6.5 billion yen from the previous forecast.

The dividend forecast remains unchanged because the revision is a temporary downward of earnings due to a delay in orders and from the perspective of stable dividends.

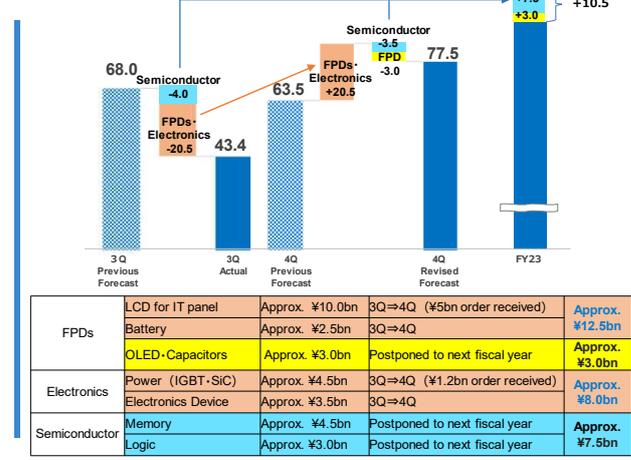
Revised forecast of orders received (Quarterly)

- 3Q orders: FPD (¥12.5 billion), Electronics (¥8.0 billion), total of ¥20.5 billion declined temporarily due to postponement of investment from 3Q to 4Q.
- Orders for the full year are expected to be ¥10 billion lower than previously forecast due to the postponement of investments in semiconductor (¥4 billion in 3Q, ¥3.5 billion in 4Q) and FPDs (¥3 billion in 4Q) to the next fiscal year.

Orders received (Unit: ¥1 billion)



Factors of Order Changes



Category	Item	Approx. Value	Change	Approx. Value
FPDs	LCD for IT panel	Approx. ¥10.0bn	3Q⇒4Q (¥5bn order received)	Approx. ¥12.5bn
	Battery	Approx. ¥2.5bn	3Q⇒4Q	Approx. ¥3.0bn
	OLED·Capacitors	Approx. ¥3.0bn	Postponed to next fiscal year	Approx. ¥3.0bn
Electronics	Power (IGBT·SiC)	Approx. ¥4.5bn	3Q⇒4Q (¥1.2bn order received)	Approx. ¥8.0bn
	Electronics Device	Approx. ¥3.5bn	3Q⇒4Q	Approx. ¥7.5bn
Semiconductor	Memory	Approx. ¥4.5bn	Postponed to next fiscal year	Approx. ¥7.5bn
	Logic	Approx. ¥3.0bn	Postponed to next fiscal year	Approx. ¥7.5bn

The upper right graph summarizes the factors that have contributed to the increase or decrease from the revised forecast in February.

As of February, we were expecting orders of around 68 billion yen in 3Q, but 20.5 billion yen was postponed to 4Q, including 10 billion yen for two LCD projects for IT panels in FPD, 2.5 billion yen for Roll to Roll equipment for batteries, 4.5 billion yen for power devices in electronics, and 3.5 billion yen for electronic devices.

There was also a 4.0 billion yen investment to postpone in semiconductor to the next fiscal year, resulting in orders received of 43.4 billion yen in the 3Q.

On the other hand, for the 4Q, we had expected orders of about 63.5 billion yen at the time of the revised forecast in February, but we now expect orders of 77.5 billion yen because of the postponement of 20.5 billion yen from the 3Q, despite the postponement of 3.5 billion yen in semiconductor investment and 3 billion yen in FPD investment to the next fiscal year.

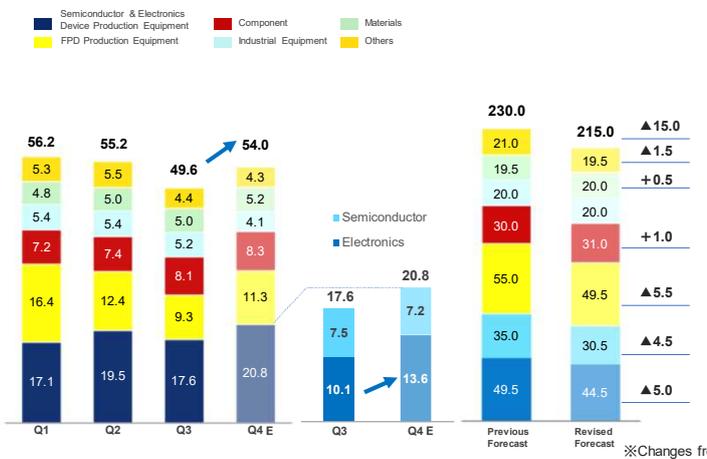
As shown in the table below right, one of the two orders for LCDs for IT panels was received in April, and we have also received a 1.2 billion yen order for power devices, so we believe there is a high probability that we will receive orders for delayed projects this fiscal year.

As a result, orders are expected to total 250 billion yen, 10 billion yen less than the previous forecast.

Revised Sales Forecast (Quarterly)

- Expect ¥215.0 billion (- ¥15.0 billion) due to delayed sales contribution from FPD and electronics by the time lag of orders from 3Q to 4Q, and lower sales due to postponement of investments in semiconductor and FPD orders, etc.

Net sales (Unit: ¥1 billion)



FPDs

Time lag of orders received (3Q ⇒ 4Q): ¥12.5 billion,
Investments postponed to next fiscal year: ¥3.0 billion
⇒ Sales : - ¥5.5 billion

Semiconductor

Postponement of investments to next fiscal year :
¥7.5 billion ⇒ Sales: - ¥4.5 billion

Electronic Devices

Time lag of orders received (3Q ⇒ 4Q): ¥8 billion
⇒ Sales: - ¥5.0 billion

Net sales for FPD are expected to be 5.5 billion yen lower than the previous forecast, mainly due to the impact of a 12.5 billion yen postponement of orders from the 3Q to the 4Q.

As for semiconductors, sales will be 4.5 billion yen lower due to the customers' postponement of investment of 7.5 billion yen to the next fiscal year.

Sales of electronic devices will be 5.0 billion yen lower than the previous year's level, mainly due to the impact of the 8.0 billion yen postponement from the 3Q to the 4Q.

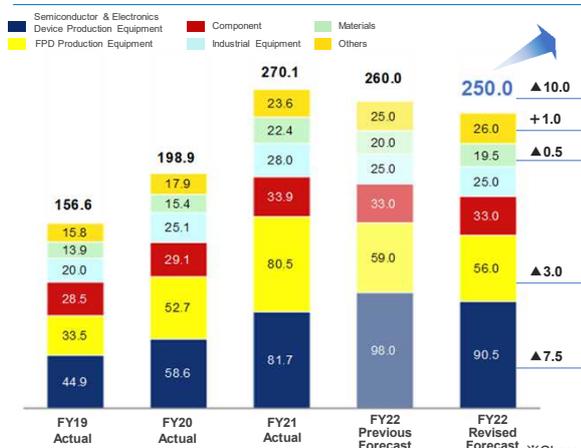
As a result, net sales are expected to be 215 billion yen, 15 billion yen less than the previous forecast.

Revision of Orders and Sales Forecasts

- Orders: ¥250.0 billion (-¥10.0 billion) due to slowdown in semiconductor investment, postponement of FPD investment, etc.
- Net sales: ¥215.0 billion (-¥15.0 billion) due to delayed sales contribution from FPD and electronics orders due to postponement of orders from 3Q to 4Q, and lower sales due to decline in semiconductor and FPD orders.
- Order backlog at the end of this fiscal year is expected to exceed ¥150 billion

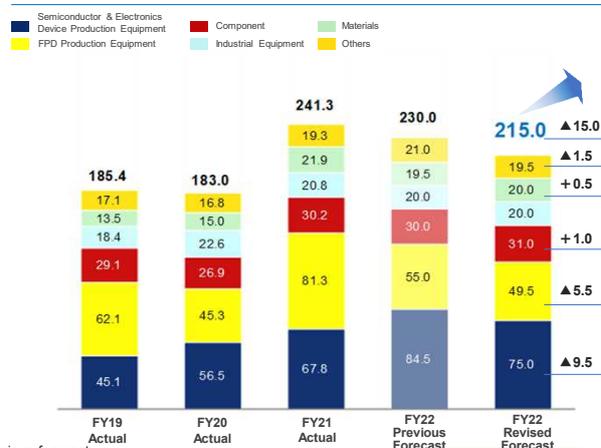
Orders received

(Unit: ¥1 billion)



Net sales

(Unit: ¥1 billion)



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Breakthrough 2022

Orders steadily increased from 156.6 billion yen in FY19 to 198.9 billion yen in FY20, and jumped to 270.1 billion yen in FY21 due to active investment in LCDs for IT panels as well as significant growth in electronic devices, power devices and logic devices.

For the current fiscal year for order received of 250 billion yen, FPD orders are expected to fall sharply from 80.5 billion yen in the previous fiscal year to 56 billion yen due to a reactionary drop.

Looking at the semiconductor and electronics which is shown in blue, it is expected to double from 44.9 billion yen in FY19 to 90.5 billion yen.

Net sales also increased to 241.3 billion yen in FY21 from 185.4 billion yen in FY19.

In the current fiscal year, the amount is expected to decrease to 215.0 billion yen as a result of a decrease in FPDs from 81.3 billion yen to 49.5 billion yen due to a reactionary decline.

The difference between the amount of orders received and the amount of sales for each fiscal year will accumulate as the order backlog,

FY20: Orders 198.9 billion yen vs. sales of 183.0 billion yen, +15.9 billion yen

FY21: Orders 270.1 billion yen vs. sales of 241.3 billion yen, +28.8 billion yen

FY22: Orders 250.0 billion yen vs. sales of 215.0 billion yen, +35.0 billion yen

The order backlog has been building up, and we expect the order backlog at the end of this fiscal year to be more than 150 billion yen. This will contribute significantly to sales in the coming year and onwards.

Business results for the third quarter of FY2022

- Orders decreased YoY due to the reactionary drop in FPD orders and the postponement of FPD and electronics projects scheduled for orders in 3Q to 4Q.
- Net sales and each profit (ratio) decreased YoY mainly due to decrease in orders received. Sales and profits are expected to increase in 4Q.

(Unit: ¥1 billion)	FY2021	FY2022		YoY	
	Q3 YTD	Actual	Actual		
Orders Received	204.2	172.5	-31.6	-15%	
Net Sales	166.1	161.0	-5.1	-3%	
Gross Profit	50.8	48.0	-2.7	-5%	
Gross Profit Margin	30.6%	29.8%	-0.7pt	-	
SG&A	31.2	35.3	+4.1	+13%	
Operating Profit	19.5	12.7	-6.8	-35%	
Operating Profit Margin	11.8%	7.9%	-3.8pt	-	
Profit attributable to owners of parent	13.8	11.8	-2.0	-15%	
To net sales ratio	8.3%	7.3%	-1.0pt	-	

Quarterly Net Sales and Operating Profit (Unit: ¥1 billion)



I will explain the 3Q cumulative results.

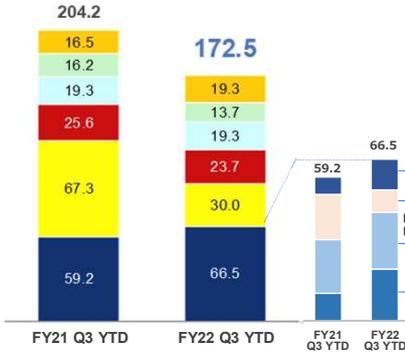
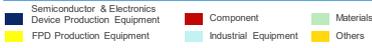
Orders received decreased YoY due to a reactionary decline in FPD orders from the previous year, as well as the postponement of FPD and electronics projects scheduled for orders in the 3Q to the 4Q as explained earlier.

In addition to the decrease in orders received, SG&A expenses increased by 4.1 billion yen, mainly due to advanced investment in semiconductor-related and other R&D expenses, resulting in a decrease in net sales and each profit for the period.

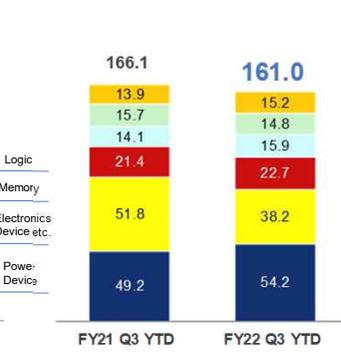
For the 4Q, we expect an increase in both sales and profit.

- Orders received: Decreased YoY due to a decrease in materials and components in addition to a reactionary drop in FPDs
- Semiconductor and Electronics increased YoY mainly due to continued strong orders of power devices, various electronic devices, and logic devices.
- Net sales: Decreased YoY mainly due to lower orders received.

Orders received (Unit: ¥1 billion)



Net sales (Unit: ¥1 billion)



Semiconductor & Electronics

Semiconductor

- Expansion in Logic Customers, Contribution of New Processes but slowdown in Memory Investment

Electronics

- **Power devices:** Investment expansion in Japan (mainly IGBT) and China (mainly SiC)
- **Electronics devices:** Continued investment in analog ICs, μ OLEDs for AR/VR, and other various electronic devices

FPDs

- Decreased YoY due to a reactionary drop in investment in LCDs for IT panels, which was active in the previous fiscal year
- Additional decrease YoY due to the postponement of FPD projects (approx. ¥12.5 billion) and electronics projects (approx. ¥8.0 billion) from 3Q to 4Q.

Orders in the 3Q cumulative period declined YoY due to a decrease in materials resulting from lower LCD panel production utilization rates and components, in addition to a reactionary decline in FPDs.

The decrease was partly due to the postponement of orders for FPD and electronics projects of 20.5 billion yen scheduled for the 3Q to the 4Q.

Against this backdrop, semiconductor and electronics which is shown in blue, grew from 59.2 billion yen to 66.5 billion yen.

Looking at the breakdown, power devices, various electronic devices, and logic devices continue to be strong growth drivers.

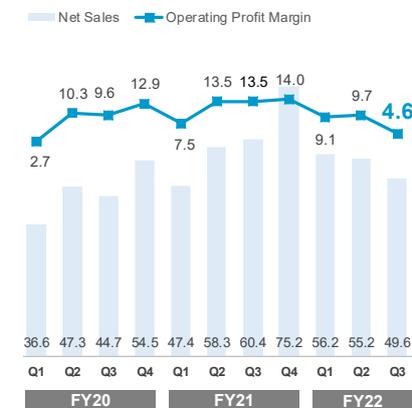
Quarterly Profit Trends

- **Gross profit margin:** Profit margin declined due to lower sales
- **Operating profit margin:** Operating profit margin declined due to lower gross profit margin and higher SG&A expenses (R&D expenses).
- **SG&A expenses to net sales ratio:** 4.4% increase due to higher R&D expenses for semiconductor-related and other upfront investments

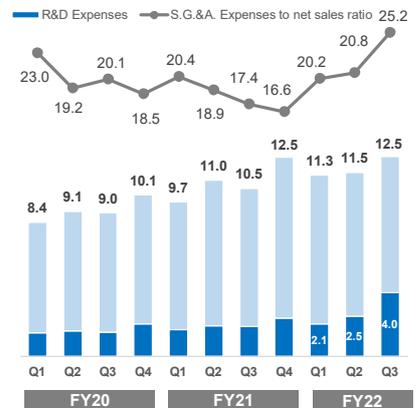
Gross Profit Margin (Unit: ¥1 billion,%)



Operating Profit Margin (Unit: ¥1 billion,%)



SG&A Expenses (Unit: ¥1 billion,%)



Looking at profit margin trends, the gross profit margin in the 3Q fell to 29.7% due to the decline in sales.

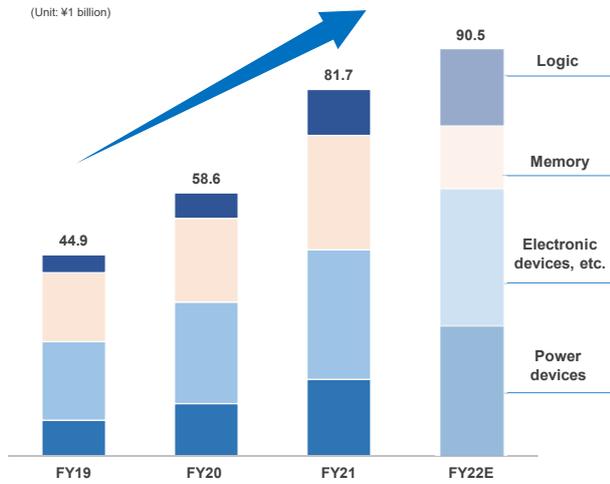
As shown in the graph on the right, the operating profit margin declined more than the gross profit margin because the SG&A-to-sales ratio rose 4.4% due to an increase in R&D expenses related to the advanced investment for semiconductors, etc..

R&D expenses tend to be higher in the 4Q every year, but this year the peak is in the 3Q due to the fact that we are responding to the situation ahead of schedule.

In the 4Q, sales are expected to recover to 54 billion yen and gross profit margin is expected to return to the 2Q level.

- Slowdown in Memory investment (expected to recover in the second half of FY2023), while growth continues in logic, power devices, electronic devices, etc.

Semiconductor & Electronics Orders by Sector



Continued growth in the next fiscal year and onwards

- > **MHM Process:** Steady growth despite current slowdown in investment in advanced logic
- > **New Customers:** Continuous investment in legacy logic areas as production expands
- > **New process:** MHM process highly evaluated, second vendor expected ⇒ Continuous growth in MHM process and other processes
- > **Memory:** Slowdown at present, but investment expected to recover from the second half of FY2023
Growth by market recovery and entry into new processes
- > **Optical devices:** Active investment in μ OLED for AR/VR, μ LED, 3D sensors, etc.
- > **Various electronic devices:** Continuous investment in technological innovation and increased production for packaging, etc.
- > **Japan:** Major companies continue to invest aggressively over the med to long term (IGBT and SiC)
- > **China:** SiC investment has entered the mass production stage
Si-MOSFET investment continues

The MHM process for logic has grown more than 4x compared to FY19 and 1.7x YoY, although there is a current slowdown in investment in advanced logic. It will continue to grow steadily.

In the current fiscal year, two foundries have decided to adopt new processes other than MHM, and expectations for ULVAC as a second vendor are growing.

We also support production ramp-up for new customers in the legacy sector.

Memory investment is currently slow, but we expect investment to gradually begin recovering in the second half of FY23.

Electronic devices have also grown 1.7x compared to FY19, and we believe that investments in μ OLEDs for AR/VR, μ LEDs, and 3D sensors will continue to be active and drive growth.

Power devices also grew 3.6x compared to FY19 and 1.7x YoY.

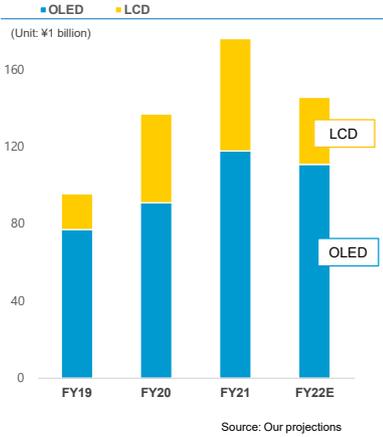
Both Japan and China are experiencing significant growth, and active investment is expected to continue.

We will grow further in the next fiscal year and onwards, particularly in semiconductor and electronics.

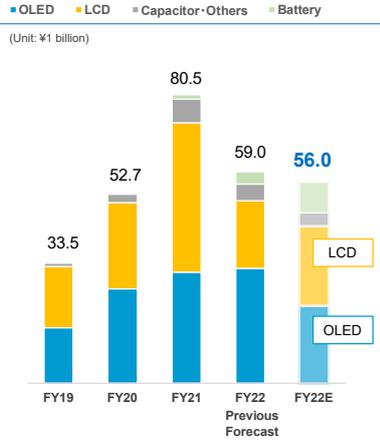
FPDs: Growth in the battery business

- Investment for mass production of large-size OLED (G8.6~7) for IT panels will be postponed to the next fiscal year
⇒ Mass production investment will start in the next fiscal year and onwards
- Investment in battery Roll to Roll equipment has started ⇒ Full-scale investment will begin in the next fiscal year and onwards
- Expect orders of around ¥60 billion in the next fiscal year and onwards

FPD Capital Investment Trends (Evaporation and sputtering)



Order Received Forecast



Order Received in FY2022

- Continuous investment in LCDs for IT panels, which was active in the previous fiscal year, is expected to exceed the expected reactionary decline in investment
- Downward swing due to timing lag in investment in large-size substrate OLED for IT panels
- Started investment in Roll-to-Roll equipment batteries (expected to exceed plan and previous forecast)

FY2023 Onwards

- Investment in mass production of large-size substrate OLED sputtering equipment for IT panels starts : Aiming to capture market share steadily by leveraging our strengths in transfer technology and high-definition support
- Full-scale investment in Roll-to-Roll equipment for batteries starts: Preceding by mass production technology and expecting to receive orders of over ¥10 billion by starting business with multiple companies.

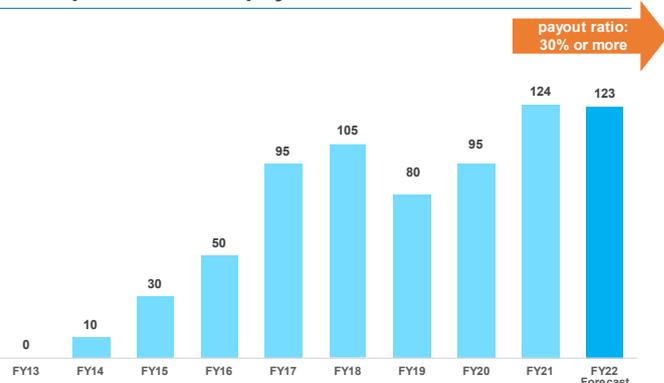
Although FPD sales dropped sharply in the current fiscal year due to a reactionary decline in investment in LCDs for IT panels, investment in mass production of large-size substrate OLEDs for IT panels is expected to start in the next fiscal year and onwards.

Regarding Roll-to-Roll equipment for batteries, investment for mass production has started and is expected to exceed the initial plan and the previous forecast.

We expect to receive more than 10 billion yen in orders in the next fiscal year and onwards.

- Aiming to achieve further growth and increase dividends over the long term by strengthening development investment in growth areas
- We have positioned shareholder returns as one of our most important policies, and have steadily increased dividends. For the current fiscal year, the dividend of ¥123 per share announced in February remains unchanged from the viewpoint of stable dividends
- Expanding our financial base to respond the risks and capital needs of the industry undergoing rapid changes and technological innovations

Dividend per share and payout ratio (Unit: ¥1)



Regarding dividends, we aim to increase dividends over the long term by realizing growth through strengthening development investment in growth areas.

For the current fiscal year, we will leave the forecast unchanged because the downward revision is a temporary adjustment due to the postponement of orders and from the viewpoint of stable dividends.

Today, we are also issuing a press release regarding organizational changes. As outlined on page 18, we have adopted headquarters structure to unify the group.



Appendix

Quarterly Business Results

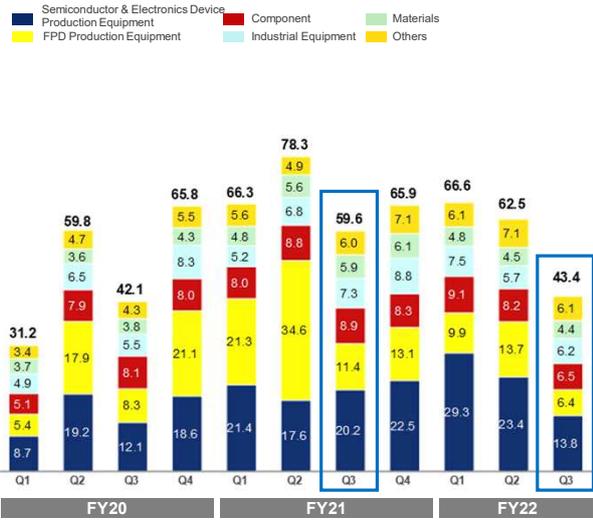


(Unit: ¥1 billion)	FY2021				FY2022				YoY	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Amount	%	
	Orders Received	66.3	78.3	59.6	65.9	66.6	62.5	43.4	-16.2	-27%
Net Sales	47.4	58.3	60.4	75.2	56.2	55.2	49.6	-10.8	-18%	
Gross Profit	13.2	18.9	18.6	23.0	16.5	16.8	14.7	-3.9	-21%	
Gross Profit Margin	27.9%	32.4%	30.8%	30.6%	29.3%	30.5%	29.7%	-1.1pt	-	
SG&A	9.7	11.0	10.5	12.5	11.3	11.5	12.5	+2.0	+19%	
Operating Profit	3.6	7.8	8.1	10.5	5.1	5.3	2.3	-5.8	-72%	
Operating Profit Margin	7.5%	13.5%	13.5%	14.0%	9.1%	9.7%	4.6%	-8.9pt	-	
Profit attributable to owners of parent	2.2	5.9	5.6	6.4	4.1	5.3	2.4	-3.2	-57%	
To net sales ratio	4.7%	10.1%	9.3%	8.6%	7.2%	9.6%	4.9%	-4.5pt	-	

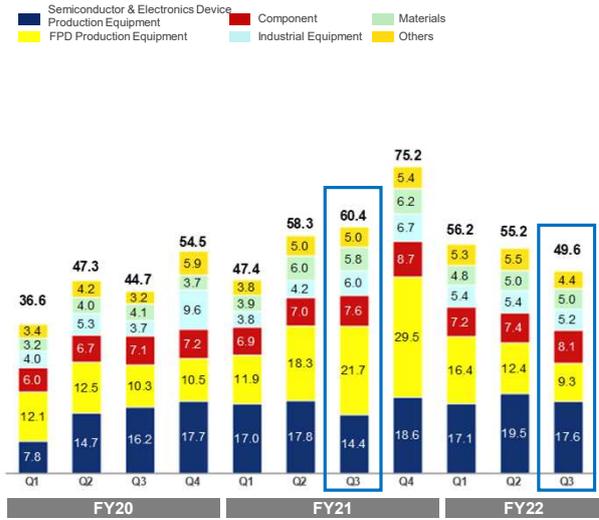
Orders received and net sales by segment (quarterly)



Orders received (Unit: ¥1 billion)



Net sales (Unit: ¥1 billion)

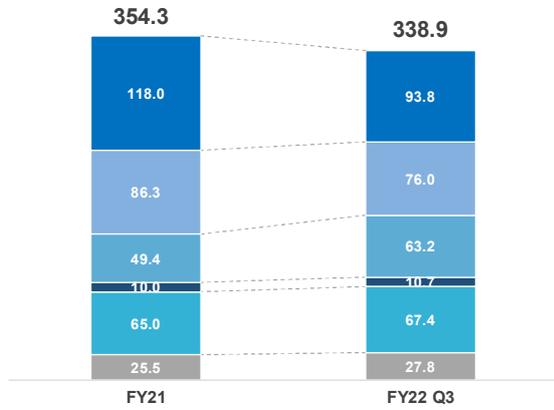


Consolidated Balance Sheet



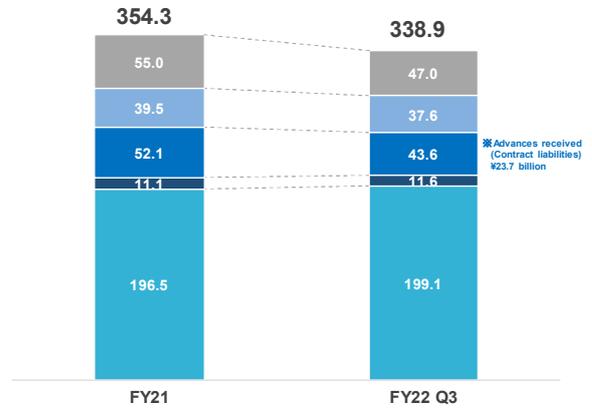
Assets (Unit: ¥1 billion)

- Cash and deposits
- Notes and accounts receivable, trade
- Inventories
- Other current assets
- Property, plant and equipment
- Investment securities etc.



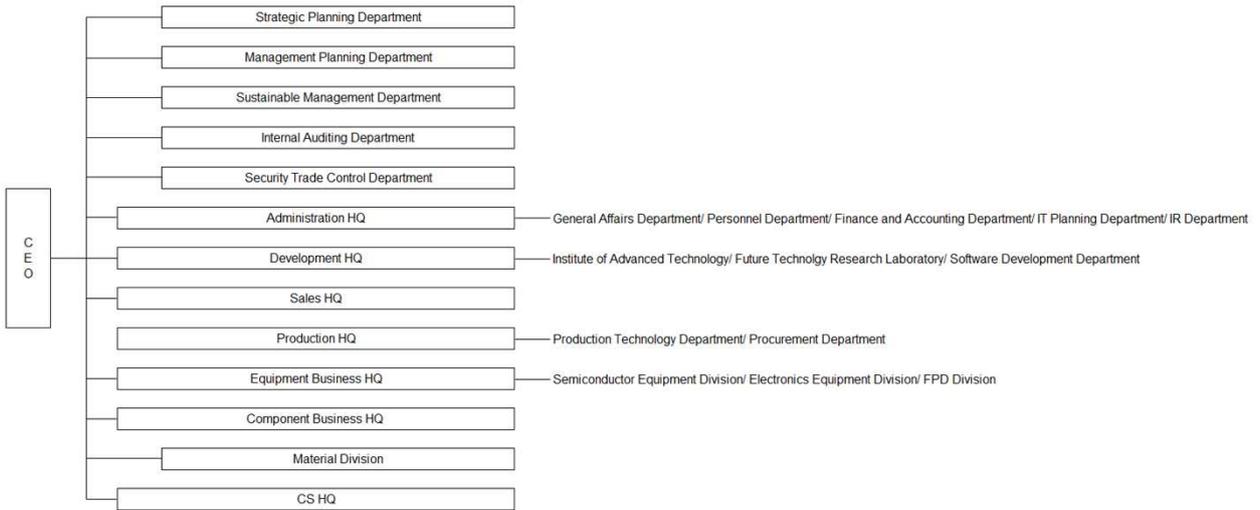
Liabilities and Net Assets (Unit: ¥1 billion)

- Notes and accounts payable, trade
- Interest-bearing debt
- Other current liabilities
- Other non-current liabilities
- Net Assets

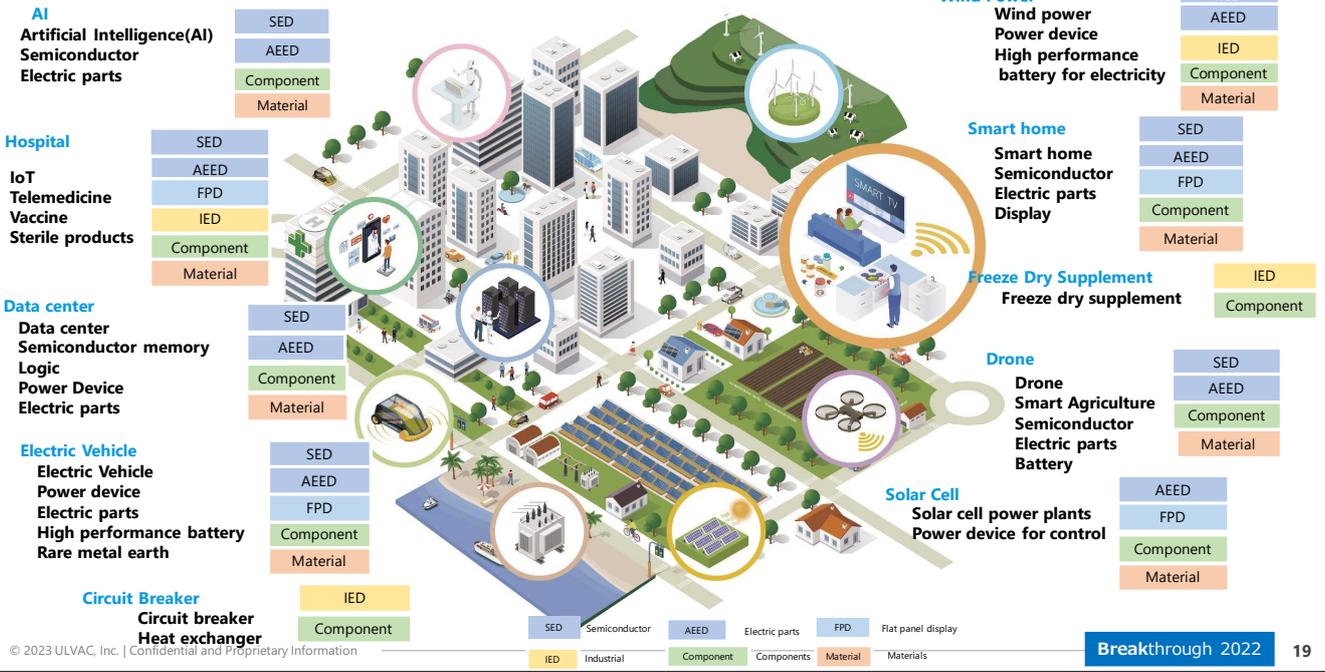


New Organization of ULVAC (as of 1st July 2023)

- Adopting headquarters structure to unify the group (from R&D to CS)



ULVAC's Value Creation: "Here & There, Near your side"



**Smart and Digital Society
Realization**



**Green Energy Conversion
Low Power Consumption**

Smart Society⇒Solving Social Problems



ULVAC Vacuum Technology Contributes to Many Industries and Applications



ULVAC