

(Securities code: 6728)

# **Business Results**

**The First Quarter of FY2019**

(July 2019–September 2019)

**Nov. 13, 2019**

**ULVAC Inc.**

### ◆ **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. ULVAC's customers in the flat-panel display (FPD), semiconductor, and electronic parts industries face challenges due to the rapid pace of technological advances and fierce competition.

There are a number of factors that directly and indirectly impact performance, such as the global economy; fluctuations in exchange rates; market conditions for FPDs, semiconductors, electronic parts, and raw materials; and trends in capital expenditures. Consequently, actual net sales and profits may vary substantially from the projections included in this presentation.

### ◆ **Data included in the documents are stated as follows:**

(All figures are stated on a consolidated basis unless otherwise noted.)

Yen values: Rounded to the nearest 10<sup>th</sup> of the unit stated.

Percentages: Rounded to the nearest 10<sup>th</sup> after yen values are rounded.

Abbreviations of accounting periods:

1Q and 2Q (cumulative): First and second quarter consolidated cumulative period

2Q: Second quarter consolidated period

## Highlights of First Quarter FY2019 Business Results

### □ Orders Received: ¥35.2 billion (-55% year-on-year)

- Sharply declined year-on-year mainly due to the temporary end of LCD business for large-screen TVs as well as the postponement of investment in OLED for smartphones.

### □ Net Sales: ¥46.8 billion (-24% year-on-year)

- Declined year-on-year mainly due to the decreased sales of the production equipments for LCDs for large-screen TVs and semiconductor memory.
- 48% progress of the business plan for the first half

### □ Operating Profit: ¥4.9 billion (-44% year-on-year)

- A sharp decline in sales year-on-year.
- 58% progress of the business plan for the first half

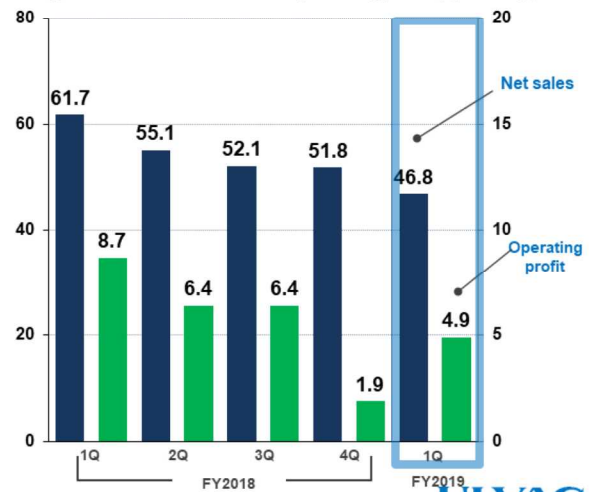
## Overview of First Quarter FY2019 Business Results

- Orders received : Sharply declined year-on-year mainly due to the temporary end of LCD business for large-screen TVs as well as the postponement of investment in OLED for smartphones.
- Net sales : Declined year-on-year mainly due to the decreased sales of production equipments for LCDs for large-screen TVs and semiconductor memory (48% progress of the business plan for the first half).
- Operating profit : sharply declined due to the decrease in sales (58% progress of the business plan for the first half).

(Unit: ¥1 billion)

	FY2018 1Q Result	FY2019 1Q Result	
	1Q	1Q	Y-o-Y (Changes)
Orders Received	77.7	35.2	-54.8%
Net Sales	61.7	46.8	-24.2%
Operating Profit	8.7	4.9	-43.5%
Ratio	14.0%	10.5%	
Net Income	6.1	3.4	-43.4%
Ratio	9.9%	7.4%	

Progression of net sales and operating profit (quarterly)



4 FY191QPSN20191113E In addition, a gain recognition of ¥3.2 billion on sales of partial investment securities is scheduled in the first half of the fiscal year.  
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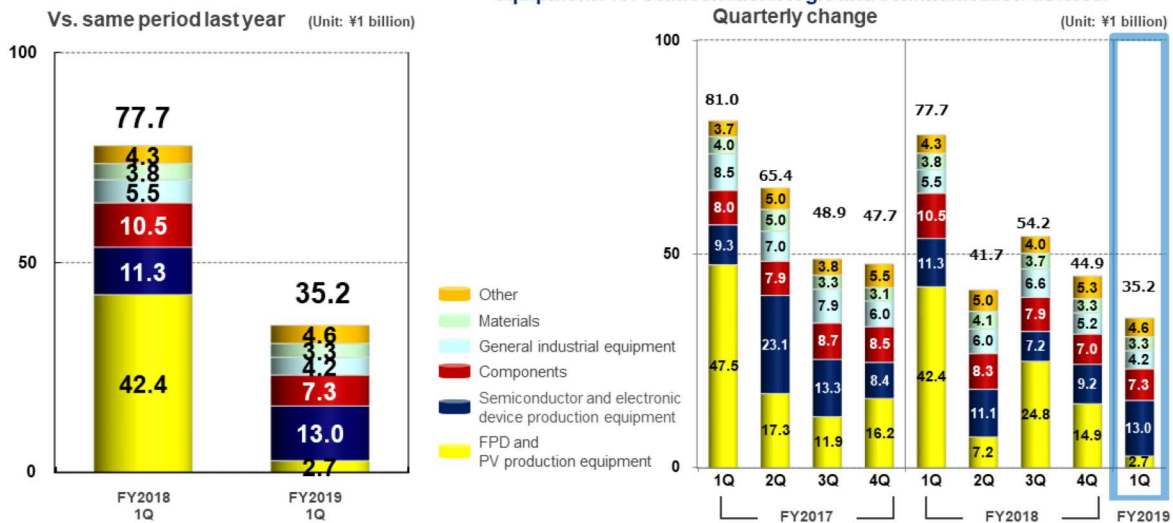
As for the orders received, we would like to explain later by segment on page 5. In the FPD-related business, although investment in LCDs for large-sized TVs in China continues and production is starting up one after another, business negotiations were halted in FY2018. Also there was a postponement in OLEDs investment for smartphones. As a result, orders received significantly declined to ¥35.2bn year-on-year.

Net sales declined to ¥46.8 billion year-on-year, mainly due to the decreased sales of production equipment for large-sized LCDs and semiconductor memory. This was 48% progress of ¥97.5bn planned for 1H, basically in line.

Operating income declined sharply to ¥4.9bn year-on-year due to lower sales. This was 58% progress of ¥8.5bn planned for 1H.

## Overview of First Quarter FY2019 Business Results (Orders received by segment)

- FPD and PV production equipment: Sharply decreased year-on-year due to the temporary end of LCD business for large-screen TVs, the postponement of investment in OLED for smartphones as well as cancellation of contract.
- Semiconductor and electronic device production equipment: Increased year-on-year contributed by increased orders of production equipments for semiconductor logic and communication devices.



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※ The cancellation of contract for ¥3.4 billion due to the cancellation of FPD related contract (allowance for doubtful accounts booked in 4Q 2019/6). Excluding the cancellation contract, orders received would be ¥6.1 billion for FPD and PV and ¥38.6 billion on consolidated basis.

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As you can see from quarterly change graph on the right, orders received in this 1Q decreased significantly year-on-year due to the high level of orders for large-scale FPD-related projects in the previous 1Q.

In the initial plan, we have considered the following two factors,

1. Investment negotiations for new G10.5 lines for large-sized TVs will settle down and negotiations will be limited for additional equipment,
2. OLED investment for smartphones will drop significantly since the next investment of the Chinese company from which we received large-scale order for Phase 2 in FY2018 is planned in the next fiscal year or later.

As a result, we estimated that FPD orders for the current fiscal year will decline significantly from ¥ 89.4bn to ¥ 62.3bn year-on-year.

Entering this fiscal year,

1. The price of LCD panels for large-sized TVs has further declined, and postponement in some of the additional equipment has occurred.
2. The OLED investment for smartphones included in this 1Q was postponed.

In addition to the above, cancellation of the contract for FPD project occurred (for which the allowance for doubtful accounts was booked in previous 4Q). As a result, the order received amount was lower than expected due to the cancellation of orders of ¥3.4bn.

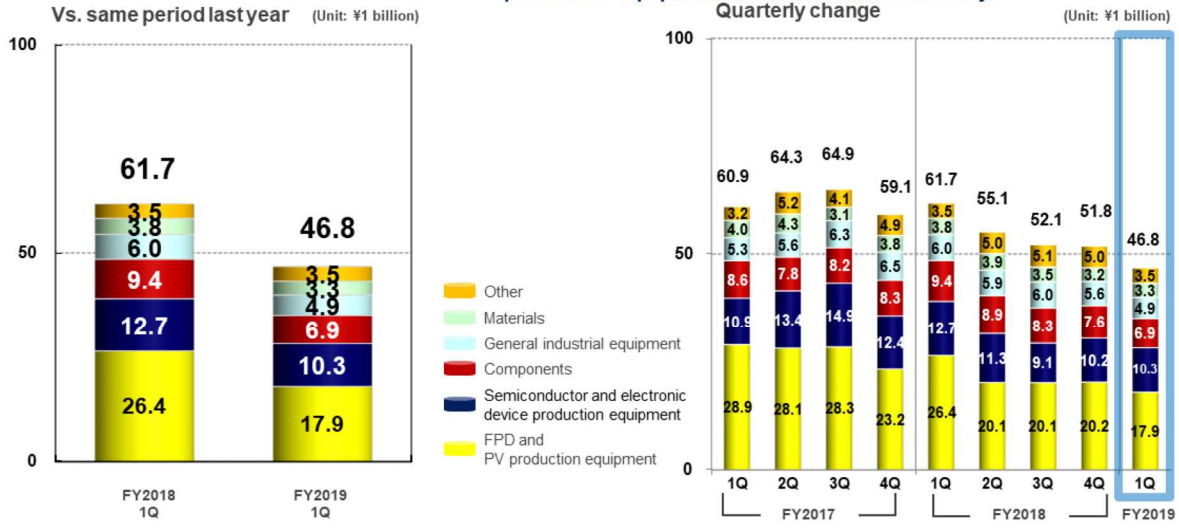
Excluding the cancellation, the FPD orders received should have been ¥6.1bn, and the consolidated orders of ¥38.6bn.

In the semiconductor and electronics related business, orders for semiconductor logic products (less than 20% out of ¥13bn for semiconductor and electronics device) and orders for communications devices (mid-10% of the ¥13bn) contributed to the increase, from ¥11.3bn to ¥13bn year-on-year.

Components were down partly due to a temporary rebound from the high level of orders for optical film related products year-on-year.

# Overview of First Quarter FY2019 Business Results (Net sales by segment)

- FPD and PV production equipment: Declined year-on-year mainly due to decreased sales of production equipments for LCDs for large-screen TVs.
- Semiconductor and electronic device production equipment: Declined year-on-year mainly due to decreased sales of production equipments for semiconductor memory.



6 FY191QPSN20191113E ※ Due to the cancellation of contract, Sales cancellation was ¥2.6 billion.  
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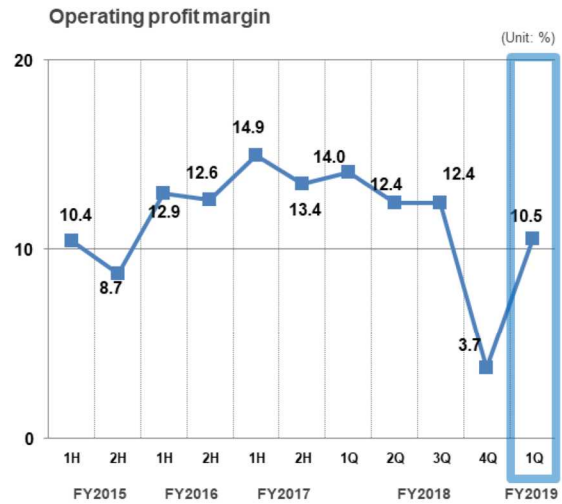
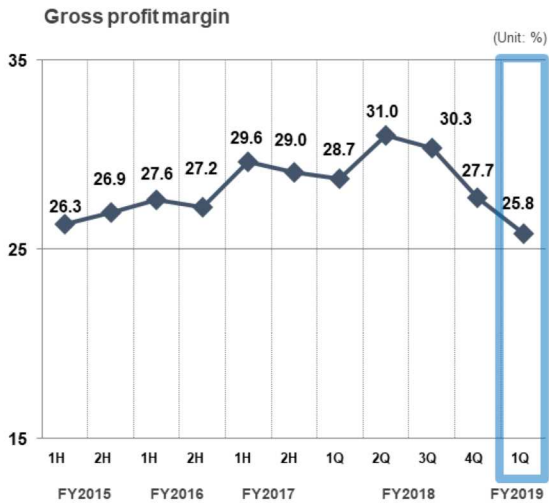
Sales of FPD production equipment decreased year on year, partially due to a decreased sales of LCDs production equipment for large-sized TVs.

Sales of semiconductor and electronics production equipment declined despite an increase in orders in this 1Q due to lower orders in previous 3Q and 4Q.

The component decreased for the same reasons as the order received.

## Overview of First Quarter FY2019 Business Results (profit margins)

- Gross profit margin declined due to cancellation of contract※ (Excluding the cancellation of contract: 29.6%)



※ Gross profit margin declined to 25.8% due to the cancellation of contract.

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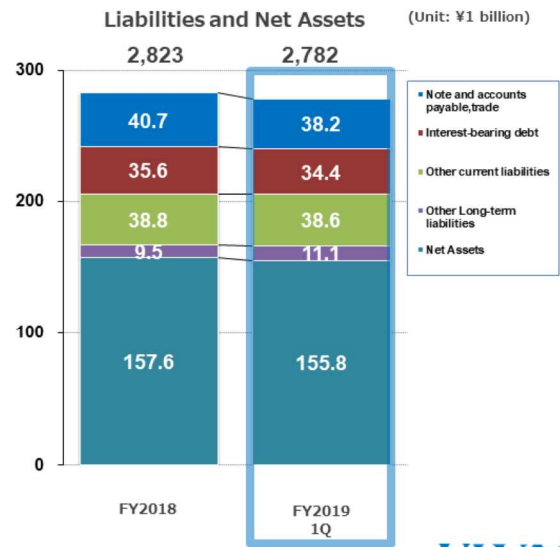
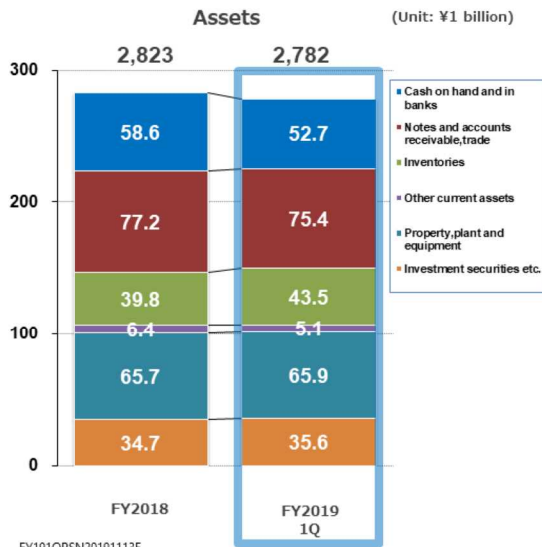
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The gross profit margin decreased to 25.8% as gross profit decreased due to cancellation of contract of ¥2.6bn.

Excluding the cancellation, the gross profit margin would be 29.6%.

## Overview of First Quarter FY2019 Business Results (consolidated balance sheet)

- Inventory assets increased by ¥3.7 billion, while Notes and accounts receivable decreased by ¥2.6 billion, and Cash on hand and in banks decreased by ¥5.9 billion.
- The equity ratio improved to 53.8% mainly due to a ¥4.1 billion decrease in total assets.



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Inventory assets increased by ¥3.7bn from ¥39.8bn to ¥43.5bn, while Notes and accounts receivable decreased by ¥2.6bn from ¥38.2bn to ¥40.7bn, Cash on hand and in banks decreased by ¥5.9bn.

Total assets decreased from ¥282.3bn to ¥278.2bn, and the equity ratio improved to 53.8%.



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