

(Securities code: 6728)

Business Results

FY2019

First and Second Quarters (cumulative)

(July 2019 - December 2019)

Feb. 14, 2020

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 10th of the unit stated.

Percentages: Rounded to the nearest 10th 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

Overview of 1Q and 2Q FY2019 Consolidated Business Results (Cumulative)

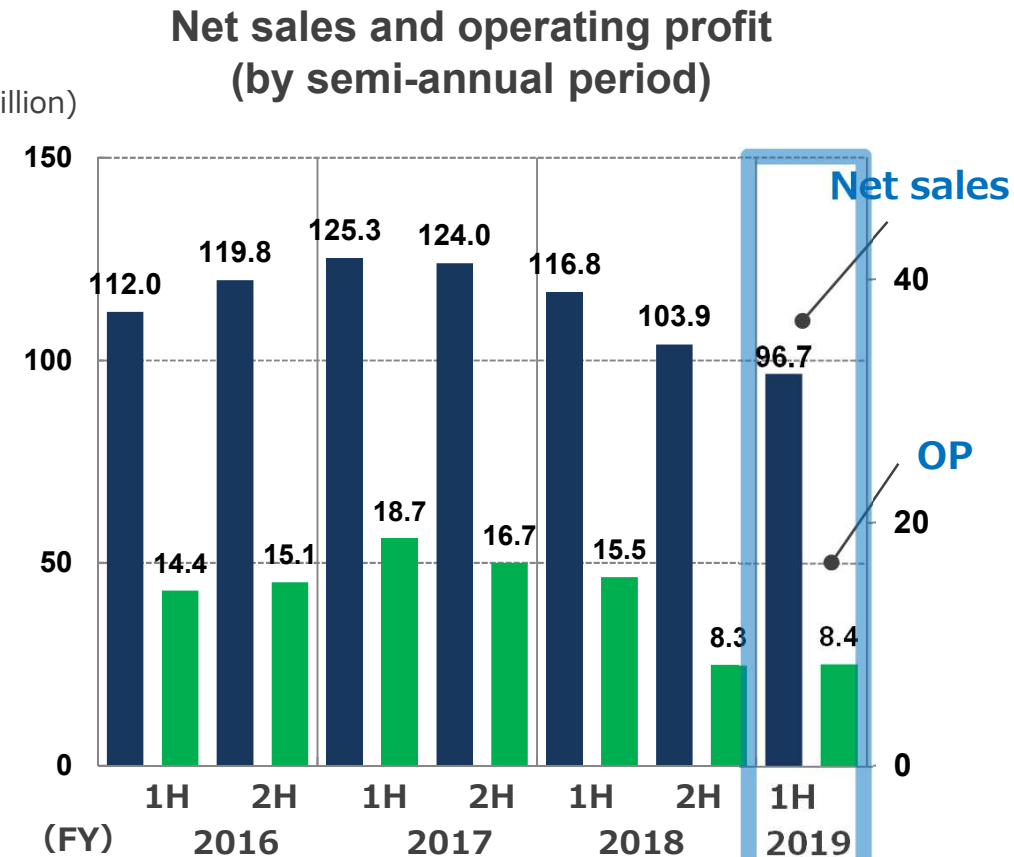
- ❑ **Order Received:¥72 billion (-40% year-on-year,-27% vs. initial forecast)**
 - Sharply declined year-on-year mainly due to the temporary end of LCD business for large-screen TVs as well as the postponement of investment in OLED for smartphones
- ❑ **Net Sales:¥96.7 billion (-17% year-on-year,-1% vs. initial forecast)**
 - Declined year-on-year, but generally in line with the initial forecast
- ❑ **Operating Profit:¥8.4 billion (-46% year-on-year,-1% vs. initial forecast)**
 - Declined year-on-year, but generally in line with the initial forecast as same as Net Sales

Overview of 1Q and 2Q FY2019 Consolidated Business Results (Cumulative)

- **Orders Received:** Sharply declined year-on-year and also fell below the initial forecast 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 :** In addition to FPD, Component business declined year-on year, but generally in line with the initial forecast
- **Operating Profit :** Generally in line with the initial forecast

(Unit:¥1 billion)

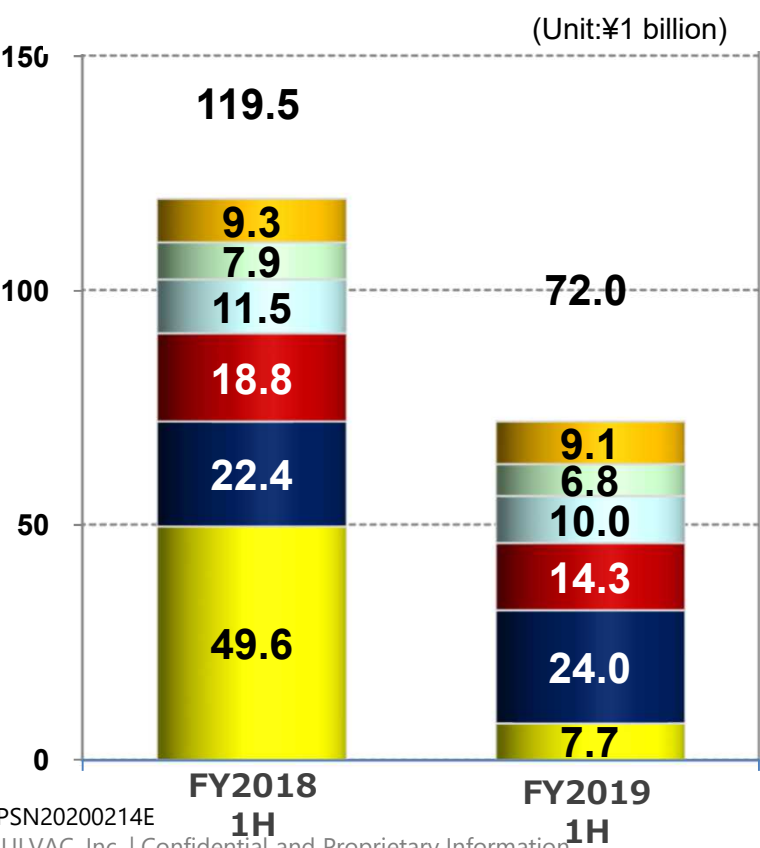
	FY2018		FY2019 1H		
	1H	Initial forecast	Result	Y-o-Y (Changes)	vs.Initial forecast (Changes)
Orders Received	119.5	98.6	72.0	-39.7%	-27.0%
Net Sales	116.8	97.5	96.7	-17.2%	-0.8%
Gross margin	34.8	-	25.7	-26.2%	-
Ratio	29.8%	-	26.5%	- 3.3 pt	-
SG&A	19.3	-	17.3	-10.5%	-
Operating Profit	15.5	8.5	8.4	-45.8%	-1.2%
Ratio	13.3%	8.7%	8.7%	- 4.6 pt	- 0.0 pt
Net Income	11.2	6.0	7.8	-30.7%	29.8%
Ratio	9.6%	6.2%	8.0%	- 1.6 pt	+ 1.9 pt



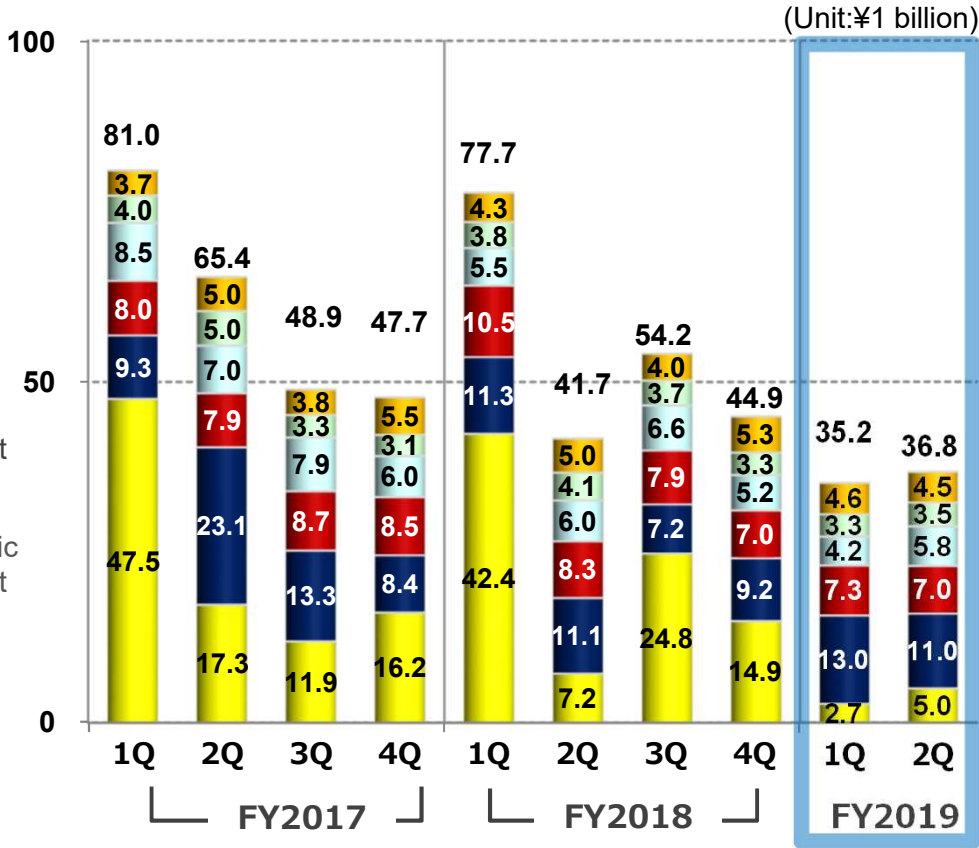
Overview of 1Q and 2Q FY2019 Consolidated Business Results (Cumulative) (Orders Received by Segment)

- FPD and PV production equipment: Sharply declined year-on-year due to the temporary end of LCD business for large-screen TVs and the postponement of investment in OLED for smartphones
- Semiconductor and electronic device production equipment: Increased year-on-year contributed by increased orders of production equipment for power device, communication devices and logic
- Components: Declined due to several projects concentrated in FY18 and also the investment pace down for automobile and FPD-related orders

Orders vs. same period last year



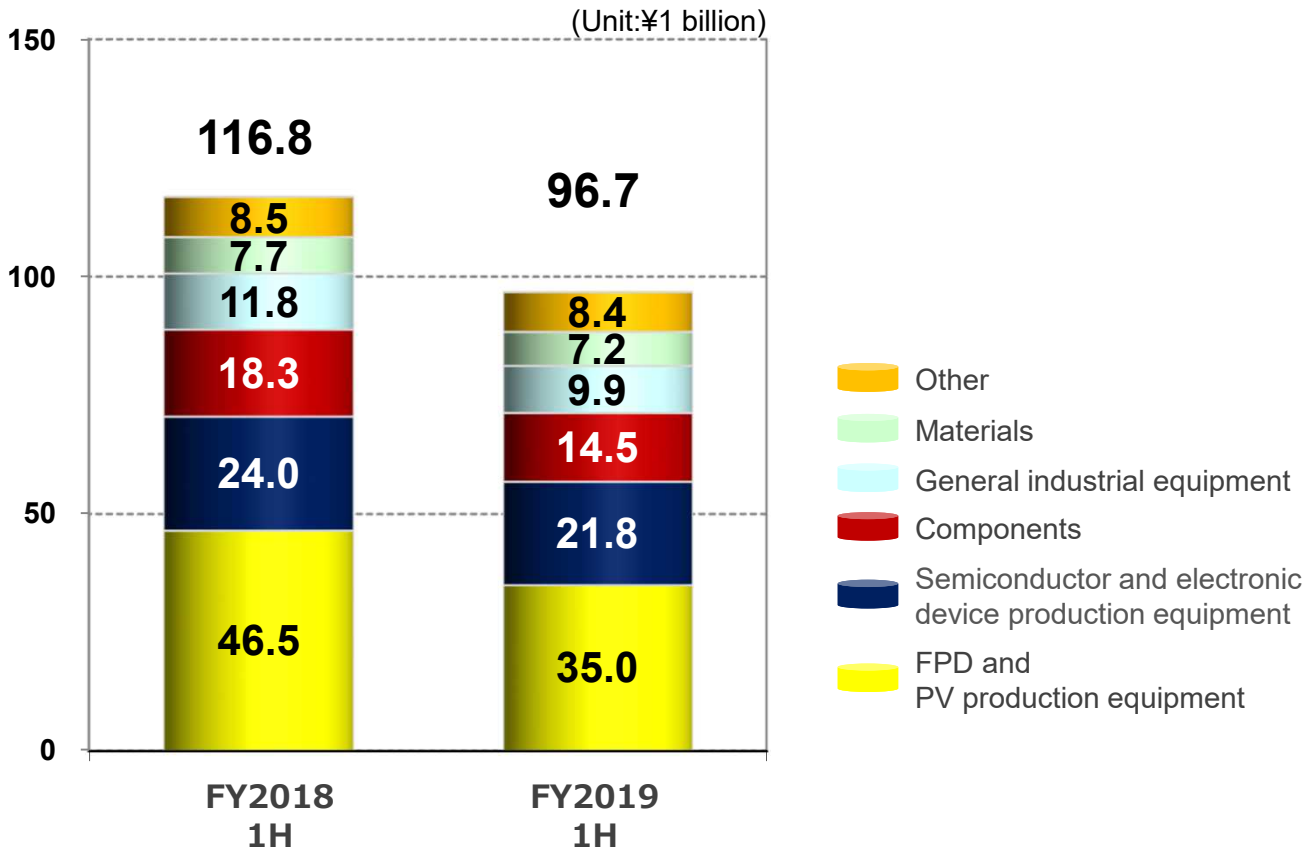
Quarterly change



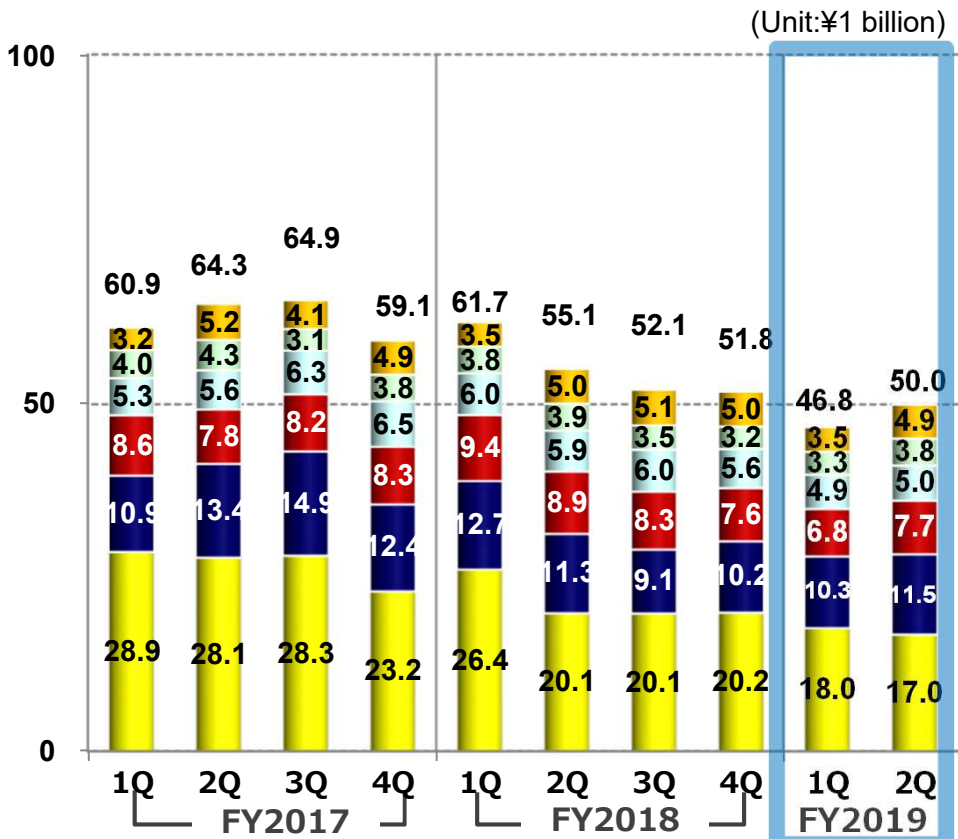
Overview of 1Q and 2Q FY2019 Consolidated Business Results (Cumulative) (Net Sales by Segment)

- FPD and PV production equipment: Fell slightly below the initial forecast thanks to the relatively high beginning backlog which partly absorbed the impact from declined orders

Net sales vs. same period last year

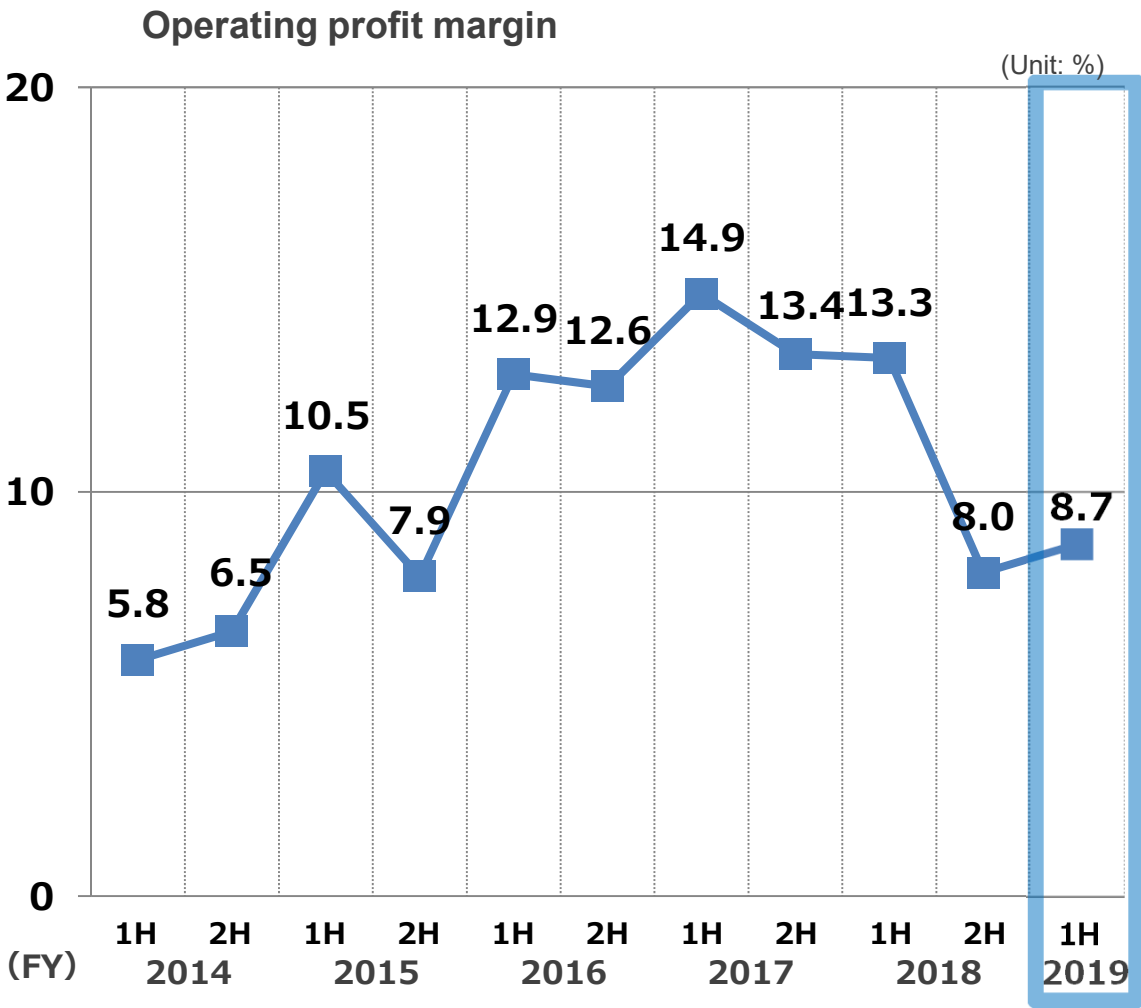
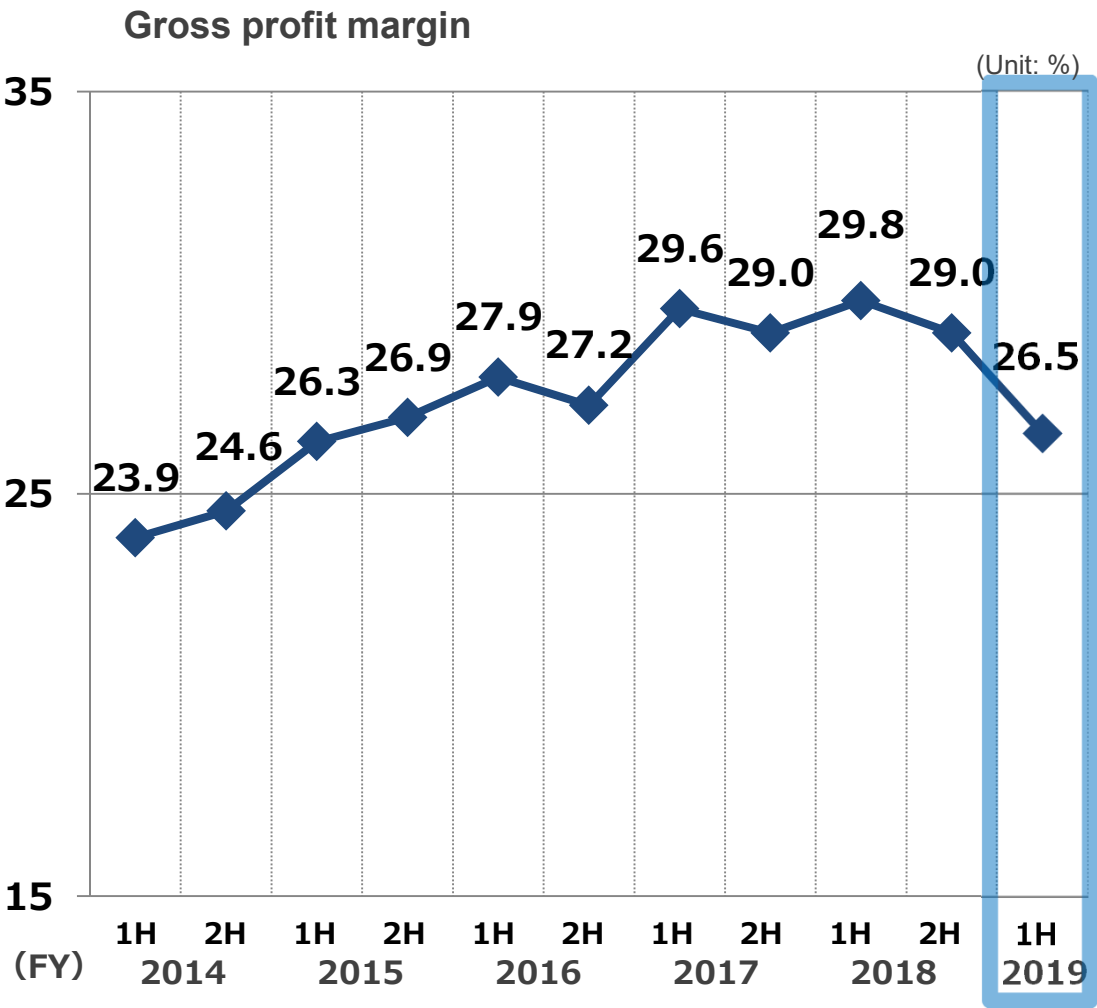


Quarterly change



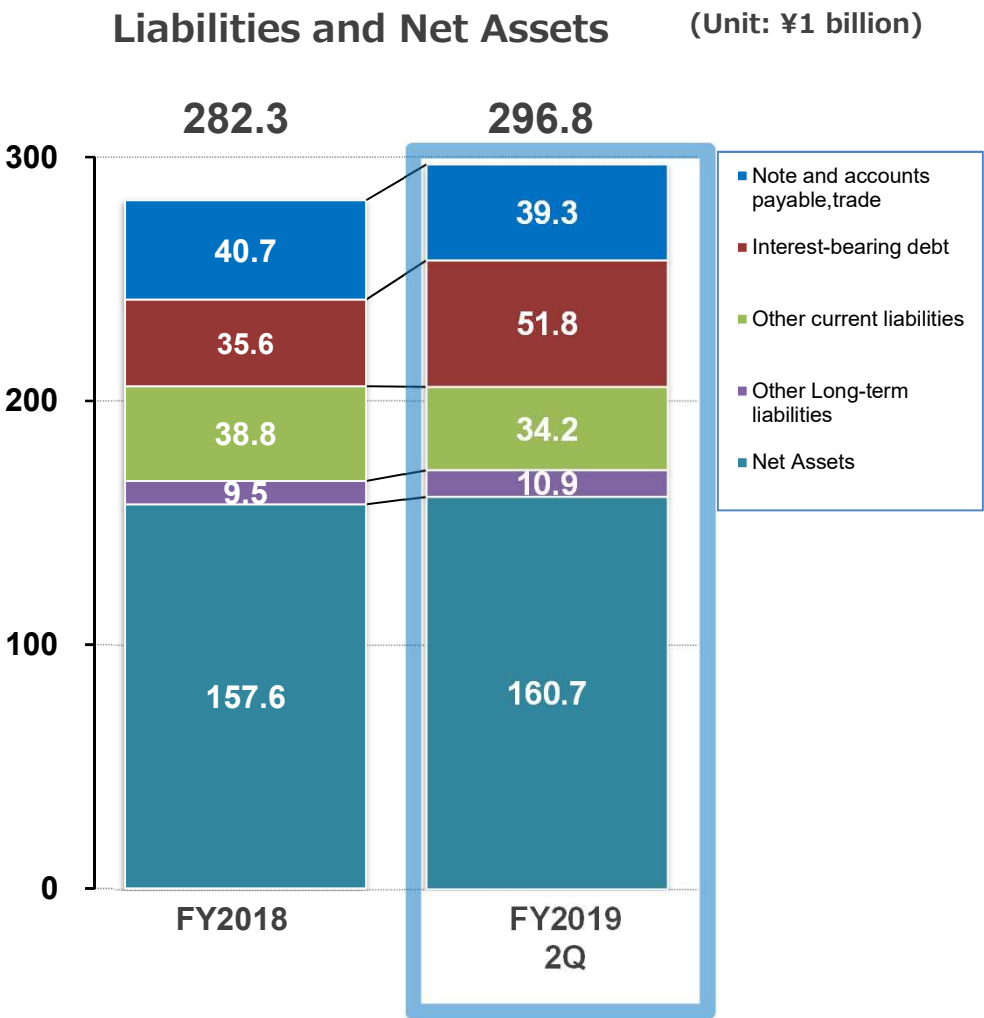
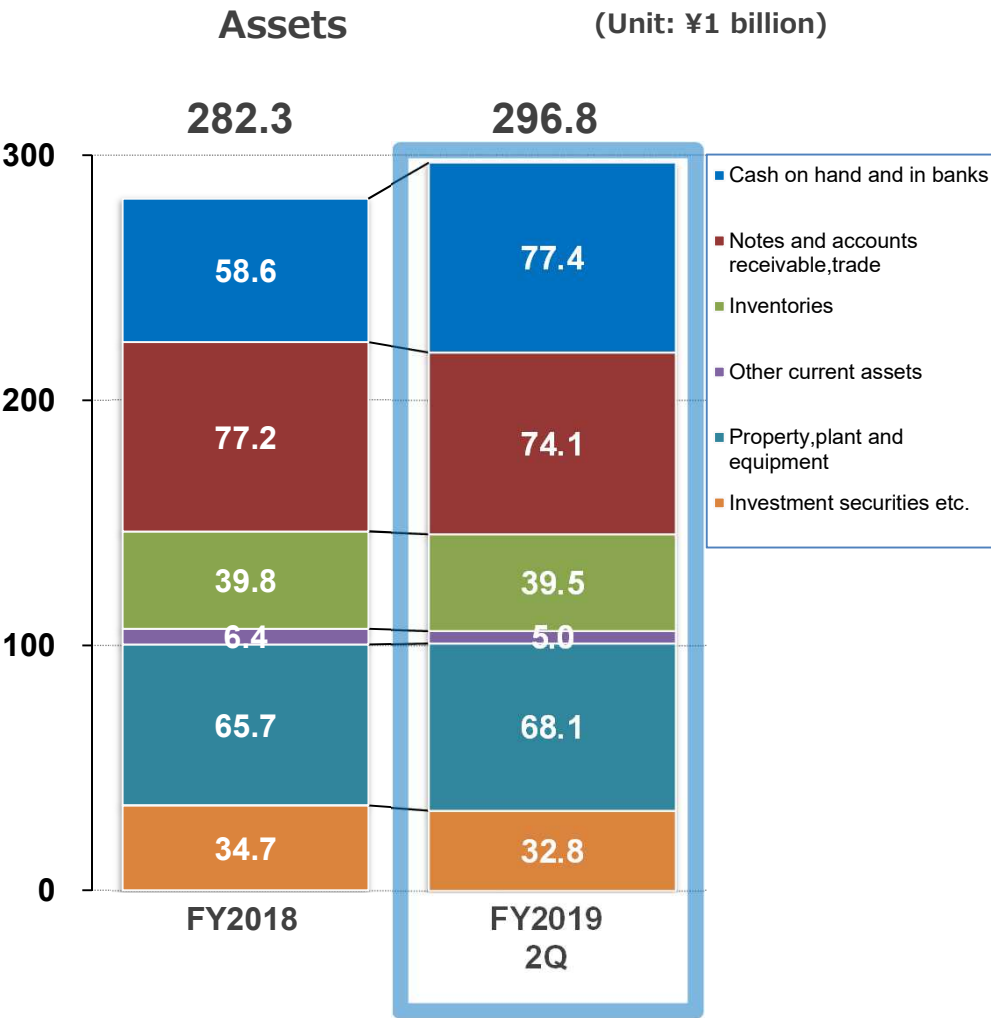
Overview of 1Q and 2Q FY2019 Consolidated Business Results (Cumulative) (Profit Margins)

- Gross profit margin and Operating profit margin declined due to the decline of Net sales (Excluding the cancellation of contract, gross profit margin should have been 28.4%)



Overview of 2Q FY2019 Business Results (Consolidated Balance Sheet)

- Cash on hand and in banks increased by ¥18.8 billion, Interest-bearing debt increased by ¥16.2 billion, and Total asset increased by ¥14.5 billion
- Net assets increased by ¥3.1 billion, and the equity ratio improved to 51.9%.



FY2019 Earning forecast and Business environment

Revision of FY2019 Full Year Consolidated Earnings Forecast

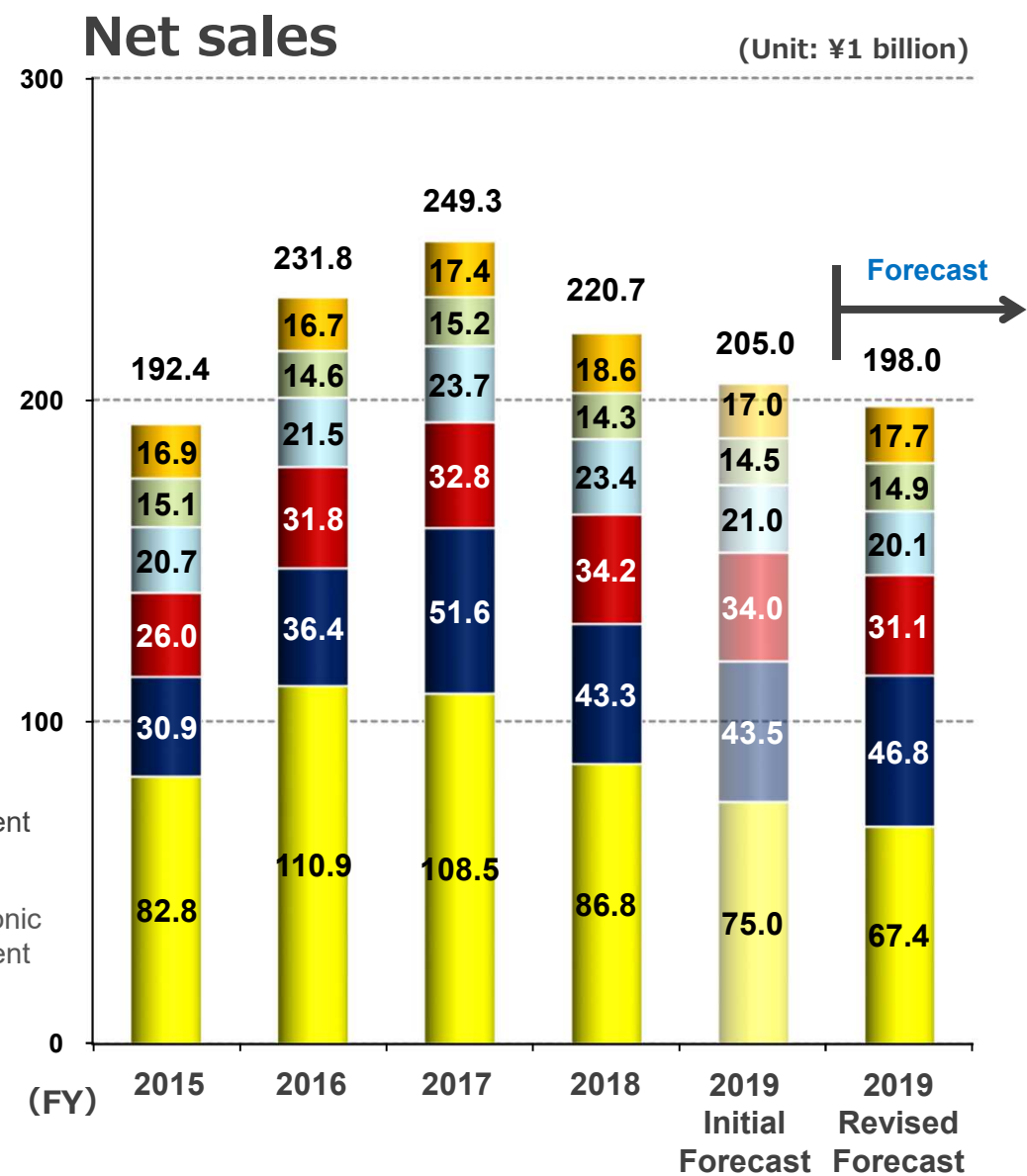
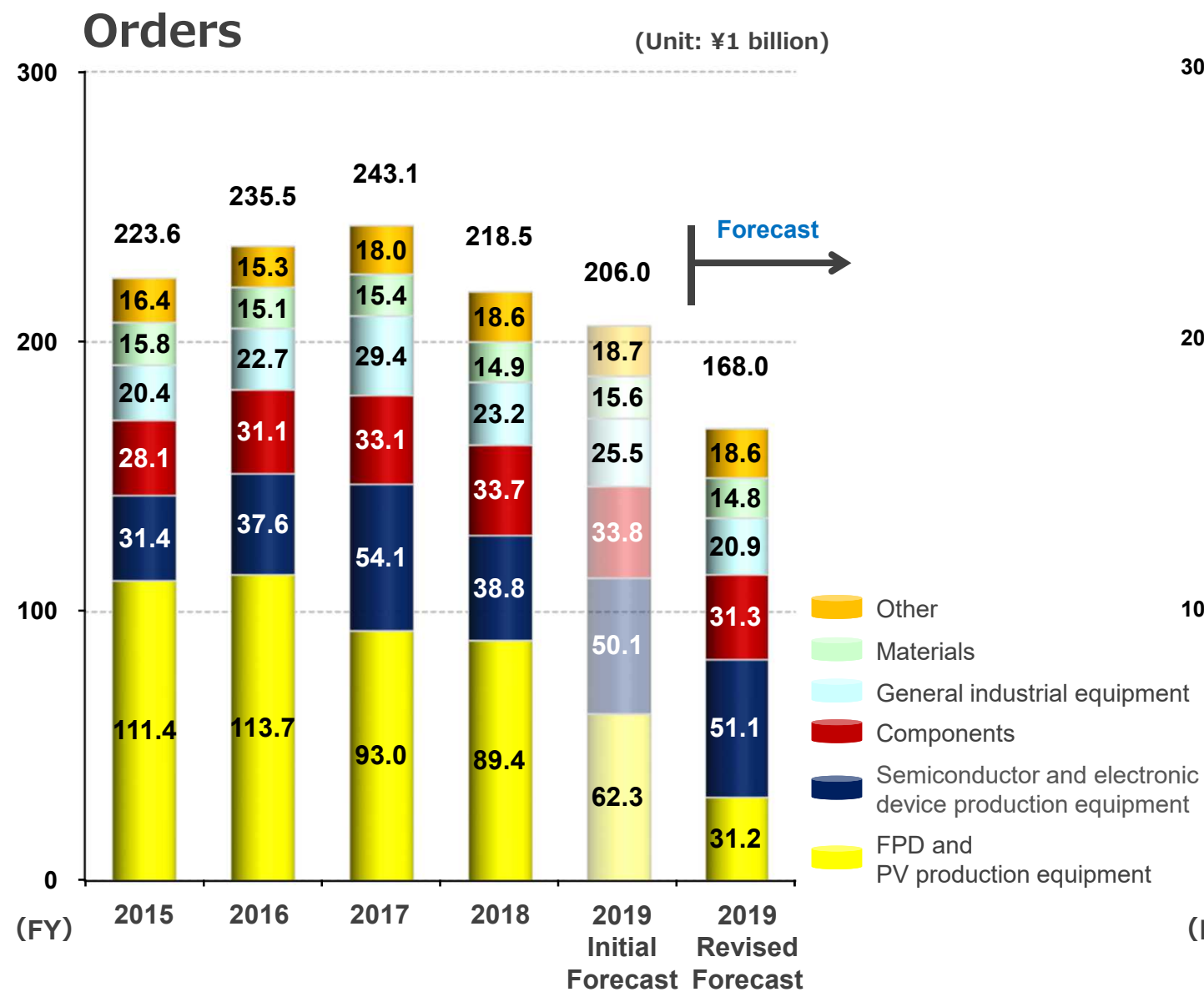
- Net sales and profit items are expected to decrease due to a shortfall in net sales and operating profit caused by a decline in orders received for FPD production equipment. In addition, development costs are expected to increase. Therefore, forecasts for net sales and profit items were revised downwards.

(Unit: ¥1 billion)

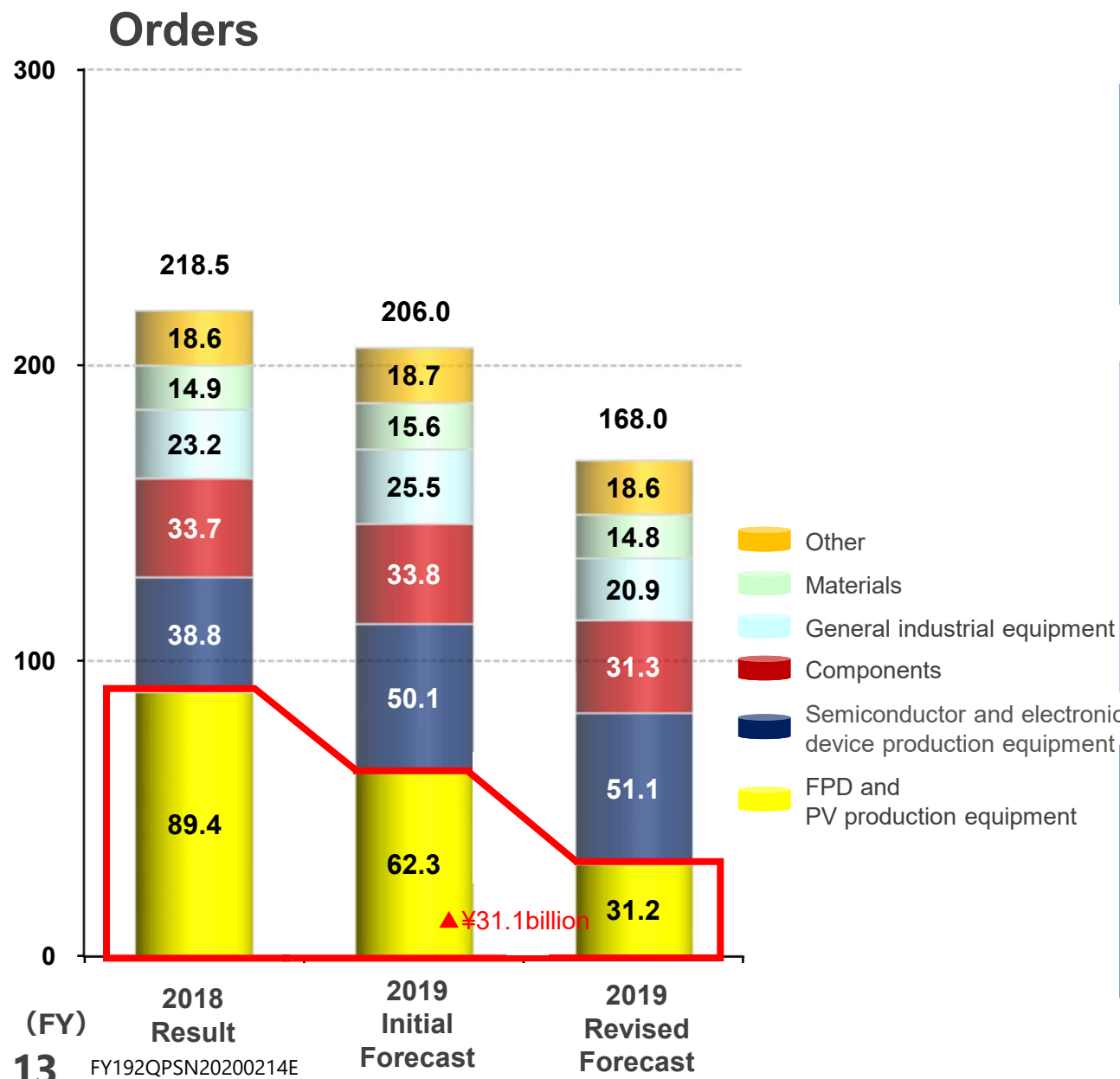
	FY2018	FY2019					
		1 H		Full Year			
		Initial Forecast	Result	Initial Forecast	Revised Forecast	YoY (Changes)	vs.Initial Forecast (Changes)
Orders Received	218.5	98.6	72.0	206.0	168.0	-23.1%	-18.4%
Net Sales	220.7	97.5	96.7	205.0	198.0	-10.3%	-3.4%
Operating Profit	23.8	8.5	8.4	22.5	15.0	-37.0%	-33.3%
Ratio	10.8%	8.7%	8.7%	11.0%	7.6%	- 3.2 pt	- 3.4 pt
Net Income	18.7	6.0	7.8	15.5	10.8	-42.1%	-30.3%
Ratio	8.5%	6.2%	8.0%	7.6%	5.5%	- 3.0 pt	- 2.1 pt

※Have not anticipate the effects of the coronavirus

Revision of FY2019 Full Year Consolidated Earnings Forecast (Order received and Net sales by segment)



Revision of FY2019 Full Year Consolidated Earnings Forecast (FPD-related order received)



(Initial forecast)FY2018 result of ¥89.4 billion⇒FY2019 initial forecast of ¥62.3 billion
Due to:
1. LCD business for large-screen TVs has temporarily ended
2. Investment in OLED for smartphones postponed to FY2020

(1H result) ¥7.7 billion (-¥22 billion vs. internal plan)
Due to :
1.Postponement of the investment in OLED for smartphones
2.Postponement of the additional investment for large-screen TVs (panel price fell down since G10.5 manufacturers started operation in China)
3.The order cancellation etc.

(Full year forecast) ¥62.3 billion⇒¥31.2 billion (-¥31.1 billion)
Due to :
1.Postponement of the additional investment for large-screen TVs which was expected in 2H
2.Postponement of the investment in OLED for smartphones which was expected in 2H

FPD market environment

リスク

Even though a decline in orders at the beginning of the fiscal year was expected, further decline in orders are expected currently due to (1) the postponement of additional investment in LCD for large-screen TVs and (2) the postponement of investment in OLED (Sputtering equipment for Backplane).

2018 2019 2020 2021 2022 onwards

Investment in LCD for large-screen TVs (G10.5 in China)
2019~2021 : Operation started sequentially ⇒ panel price fell down
⇒ Production line closed in South Korea; Additional investments continues in China

Differentiation

Investment in medium/large-sized OLEDs
(South Korea, China)

Investment in OLEDs for smartphone in China
⇒ temporarily slow down
(business negotiations with our customers expected from FY2020 onwards)

Panel investment focused on OLED with high application expandability

- Flexibility: Foldable displays; In-vehicle displays; Rollable displays
- Thin and lightweight: Wall-hung large-screen displays; Rollable displays



Medium/large-sized OLED market growing
⇒ contributes to our business from 2022

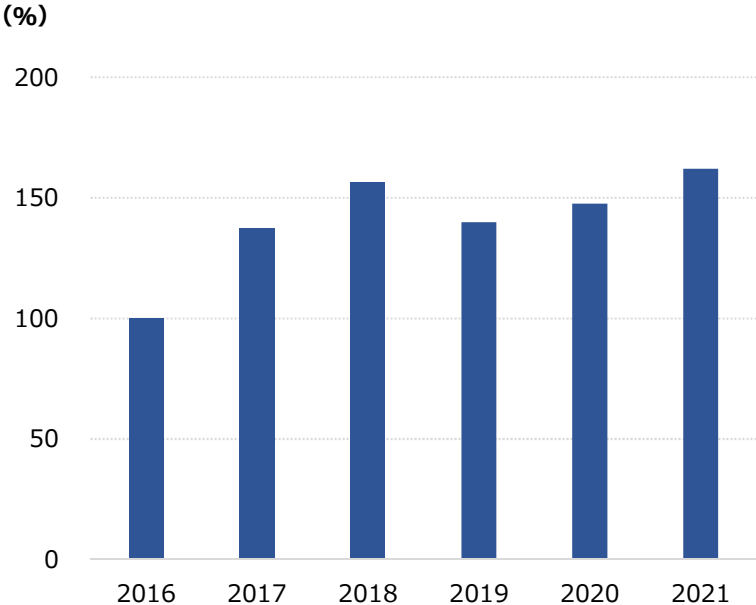
- Leveraging our strengths in large substrate sputtering and transport technology, we are collaborating with top manufacturer in mass production development

Semiconductor market environment(1) Memory

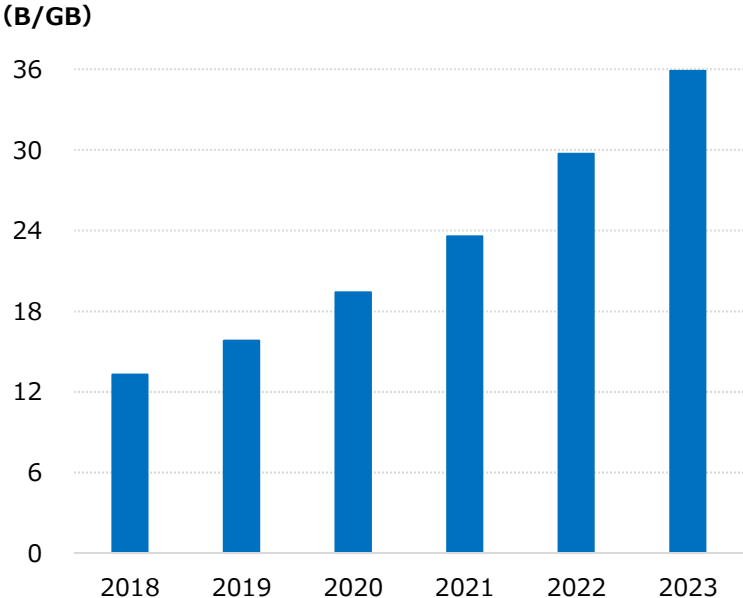
Memory

- ✓ The recovery of memory investment delayed, which was expected in 2H of this fiscal year and a full recovery of memory investment is expected to be in FY2020
- ✓ NAND: Resumption of investment by top manufacturer; cautious stance of other companies (Expected to resume in mid 2020)
- ✓ DRAM: Memory prices decline expected to stop and investment to be resumed

Semiconductor Manufacturing Equipment
Market (SEMI)
2016=100

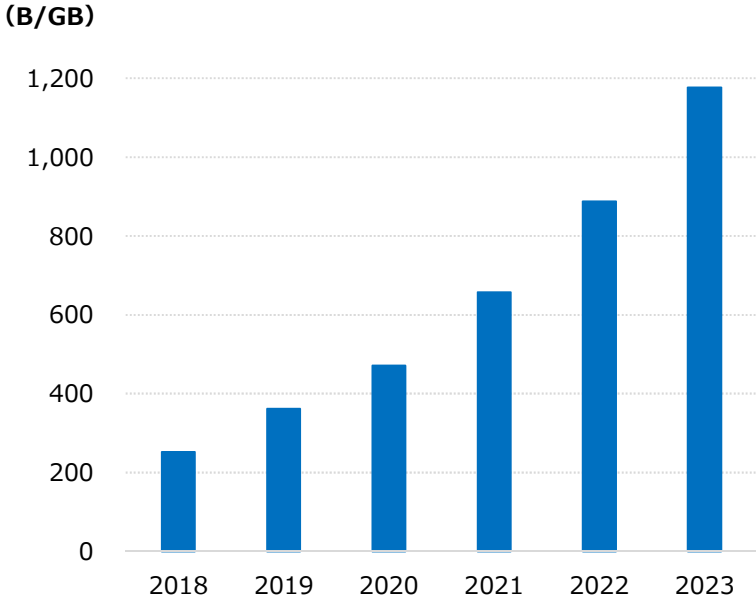


DRAM demand(shipment volume) forecast



Source : Gartner

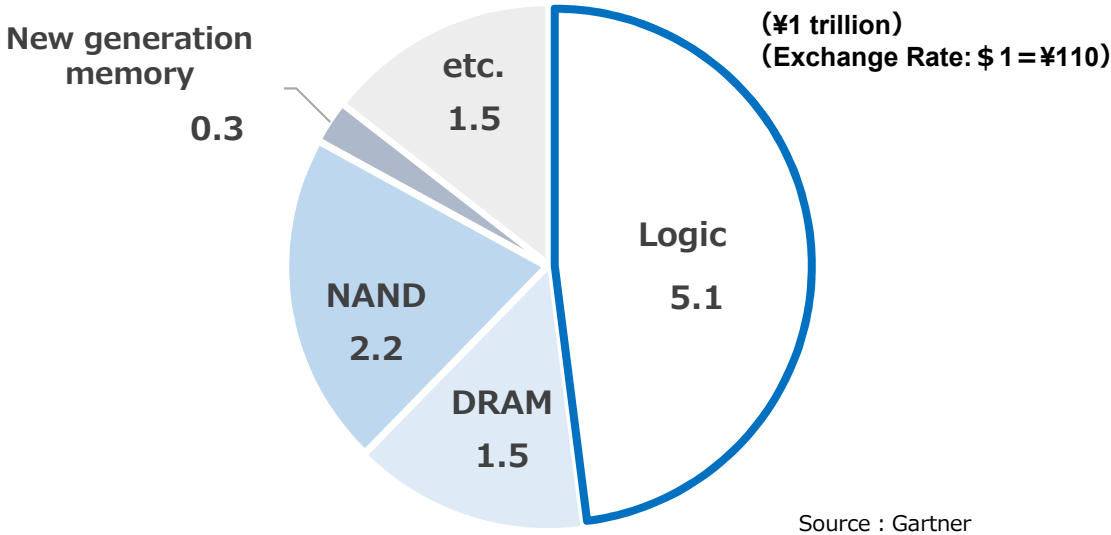
NAND demand(shipment volume) forecast



Source : Gartner

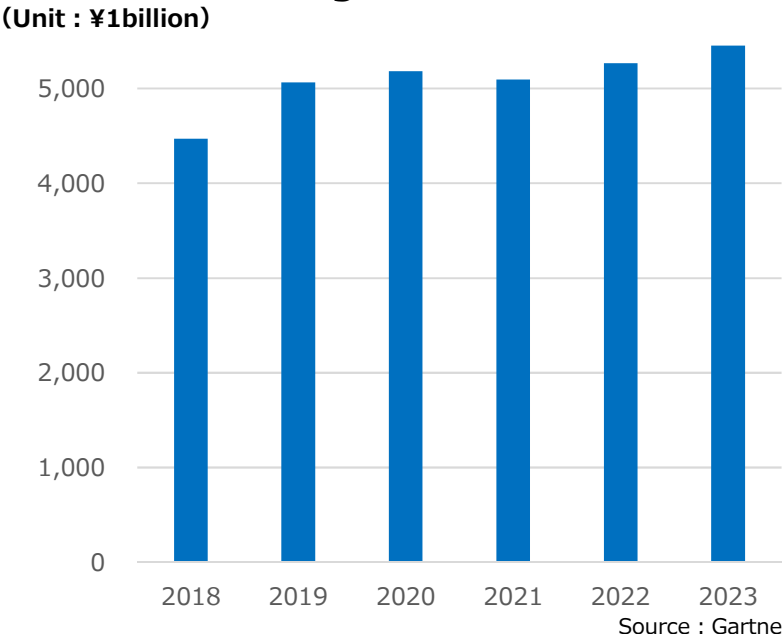
- ✓ Two major manufacturers rated us higher than the competitor in the sputtering process(metal hard mask) required for miniaturization due to EUV introduction (Future priority investment areas for both manufacturers)
- ✓ We expect orders to be received as planned this fiscal year, and aiming for growth in the future by (1) customers' businesses expansion (2) increasing the number of adoption processes for further miniaturization processes (3) increasing the number of participating manufacturers.

Semiconductor CAPEX (2019)



Source : Gartner

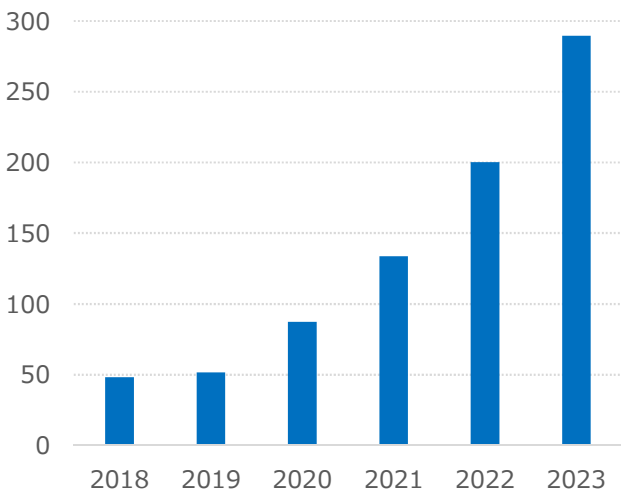
Logic CAPEX



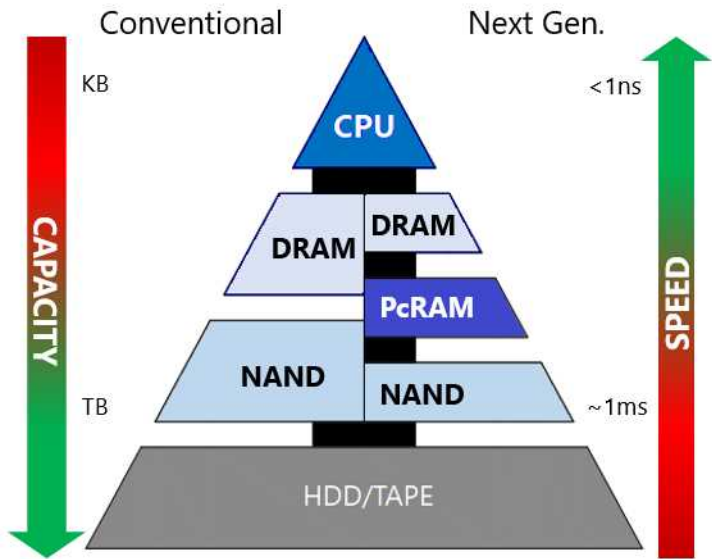
- ✓ ULVAC is the only equipment supplier to enable mass-produced film deposition system for PCRAM which 1) has a faster processing speed than NAND and 2) is non-volatile, unlike DRAM (memory is preserved even if power supply is cut off)
- ✓ We achieved to provide equipment at mass production level and are expanding the business bases by providing development equipment to more customers
- ✓ Realization of high speed processing of large amounts of information and lower power consumption ⇒ Mid-long-term growth expected
⇒ Compatible with higher data capacity and lower latency supported by 5G, IoT, and AI → expanding applications to servers, edge computers, and PCs

Emerging Memory Market Size

(Unit : ¥1billion)



Note: Emerging Memory includes MRAM, ReRAM, PCRAM, etc.
Source: Gartner 2019



Electronics Device market environment

- 電子
- ✓ In preparation for the full-scale diffusion of 5G and IoT (Communication devices, Optical device, sensors, etc.), capital investment is steadily increasing for the challenges of device miniaturization and performance enhancement.
 - ✓ Continued investment in power devices to realize low power consumption (Automobiles, electric motors, home appliances, etc.)



Communication Device

Devices for antenna adopted to base stations, SAW・BAW filter



Sensor etc

Fingerprint, image and optical sensor

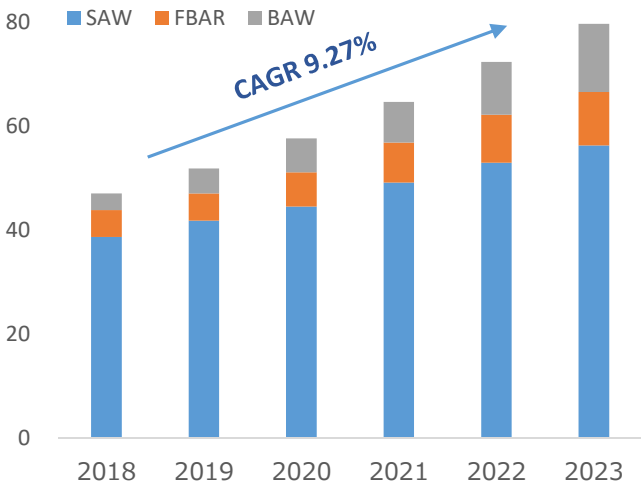


Power Device

Si-IGBT (Japan)
For SiC (China)

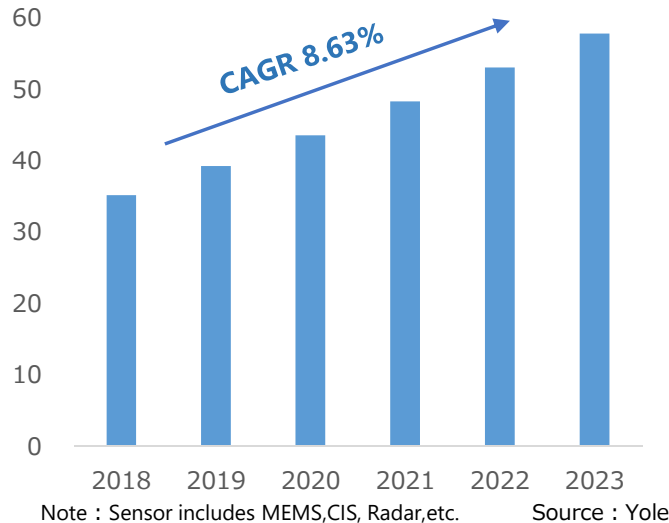
Communication Device Market Size

(Unit : Billion Unit)



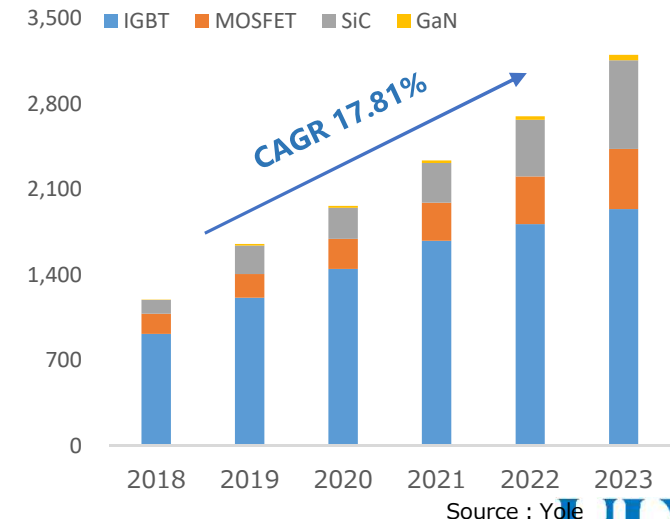
Sensor Market Size

(Unit : Billion US\$)



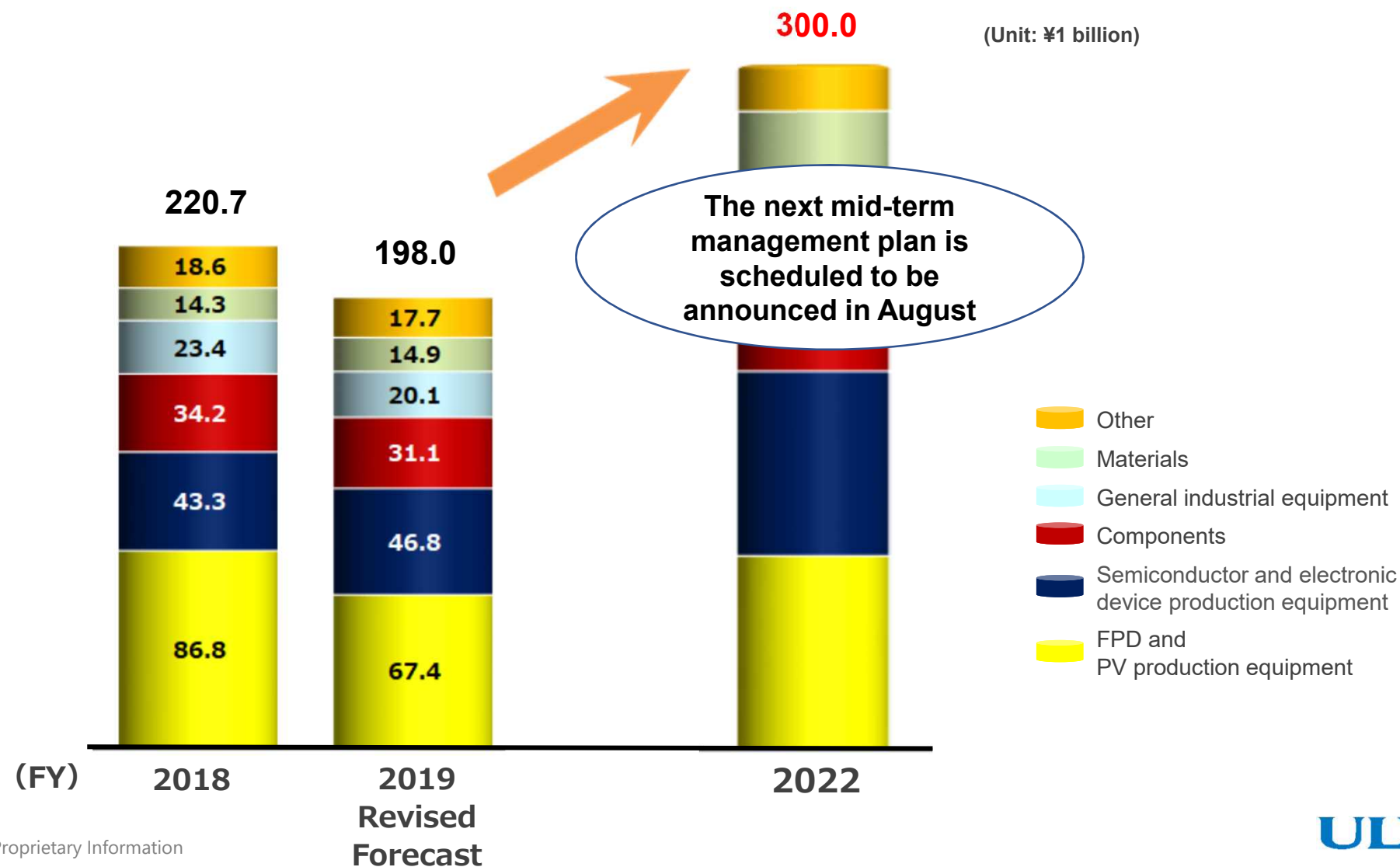
EV/HEV Power Device Market Size

(Unit : Million US\$)



Next mid-term management plan

The next mid-term management plan will be announced in August, including the management reform for the purpose of strengthening the management bases which has already started and also for the growth strategies.



ULVAC vacuum technology contributes to many industries and applications



Automobile

自動車



Semiconductor

半導体



Flat Panel Display

フラットパネルテレビ



Photovoltaic

太陽電池



Food Processing

食品



Aircraft

航空



Bio

バイオ



Smart Phone

スマートフォン



Magnetic Device

磁気デバイス



Home Appliance

家電製品



Aerospace

宇宙産業



Pharmaceutical

医療・薬剤



Wearable/VR

ウェアラブル/VR



Power Device

パワーデバイス



MEMS Device

MEMS デバイス



Architectural Glass

建材・スマートガラス



Optical

光学



Flexible

フレキシブル



Packaging Materials

パッケージング



Next Generation Light

次世代照明

Vacuum technology

For manufacturing

ULVAC