

(Securities code: 6728)

Business Results

FY2018

First and Second Quarters (cumulative)

(July 2018 - December 2018)

Feb. 14, 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 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 FY2018 Consolidated Business Results (Cumulative)

- ❑ **Orders Received: ¥119.5 billion (-18% year-on-year, -0.4% vs. initial forecast)**
 - Declined year-on-year, but generally in line with the initial forecast (+24% vs. 2nd half last year)
- ❑ **Net Sales: ¥116.8 billion (-7% year-on-year, -7% vs. initial forecast)**
 - Fell short of plan due to changes in customer investment plans for solar cells and semiconductor memory
- ❑ **Operating Profit: ¥15.5 billion (-17% year-on-year, -21% vs. initial forecast)**
 - Fell short of plan due to net sales shortfall
- ❑ **Downward revision of earnings forecast for the fiscal year ending June 2019 to reflect current conditions**

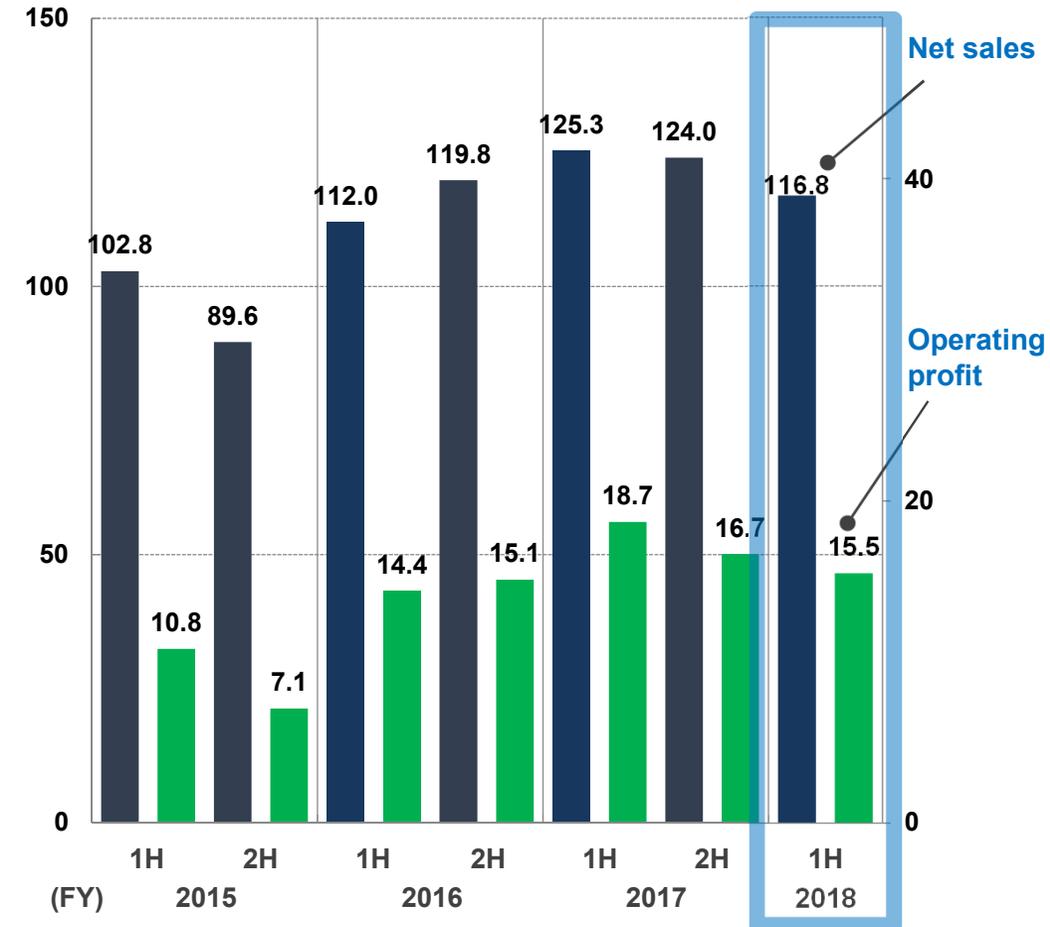
Overview of 1Q and 2Q FY2018 Consolidated Business Results (Cumulative)

- Orders received: declined year-on-year, but generally in line with the initial forecast
- Net sales: Net sales fell short of the plan due to a decrease in orders received for items that contribute quickly to net sales (solar cells, semiconductors etc.) and an increase in orders received for items that take time to contribute to net sales due to delivery timing
- Operating profit: Fell short of plan due to decline in net sales

(Unit: ¥1 billion)

	FY2017		FY2018 1H		
	1H	Initial Forecast	Result	H-o-H (Changes)	vs.Initial Forecast (Changes)
Orders Received	146.3	120.0	119.5	-18.4%	-0.4%
Net Sales	125.3	125.5	116.8	-6.8%	-6.9%
Gross margin	37.1	-	34.8	-6.3%	-
Ratio	29.6%	-	29.8%	+ 0.1 pt	-
SG&A	18.4	-	19.3	4.7%	-
Operating Profit	18.7	19.5	15.5	-17.2%	-20.6%
Ratio	14.9%	15.5%	13.3%	- 1.7 pt	- 2.3 pt
Net Income	16.3	14.0	11.2	-31.2%	-19.8%
Ratio	13.0%	11.2%	9.6%	- 3.4 pt	- 1.5 pt

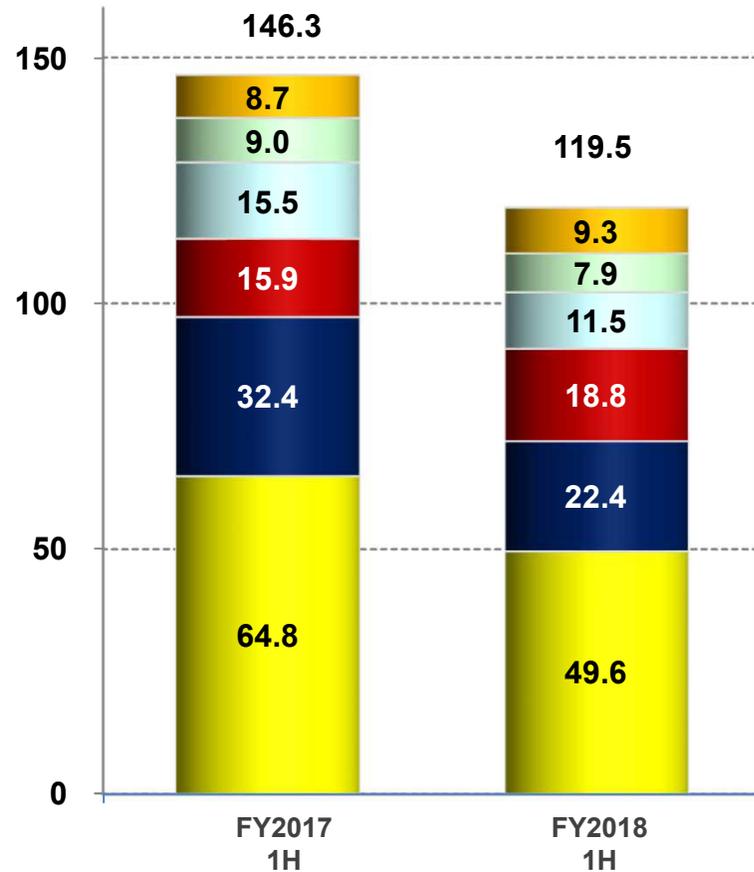
Net sales and operating profit (by semi-annual period)



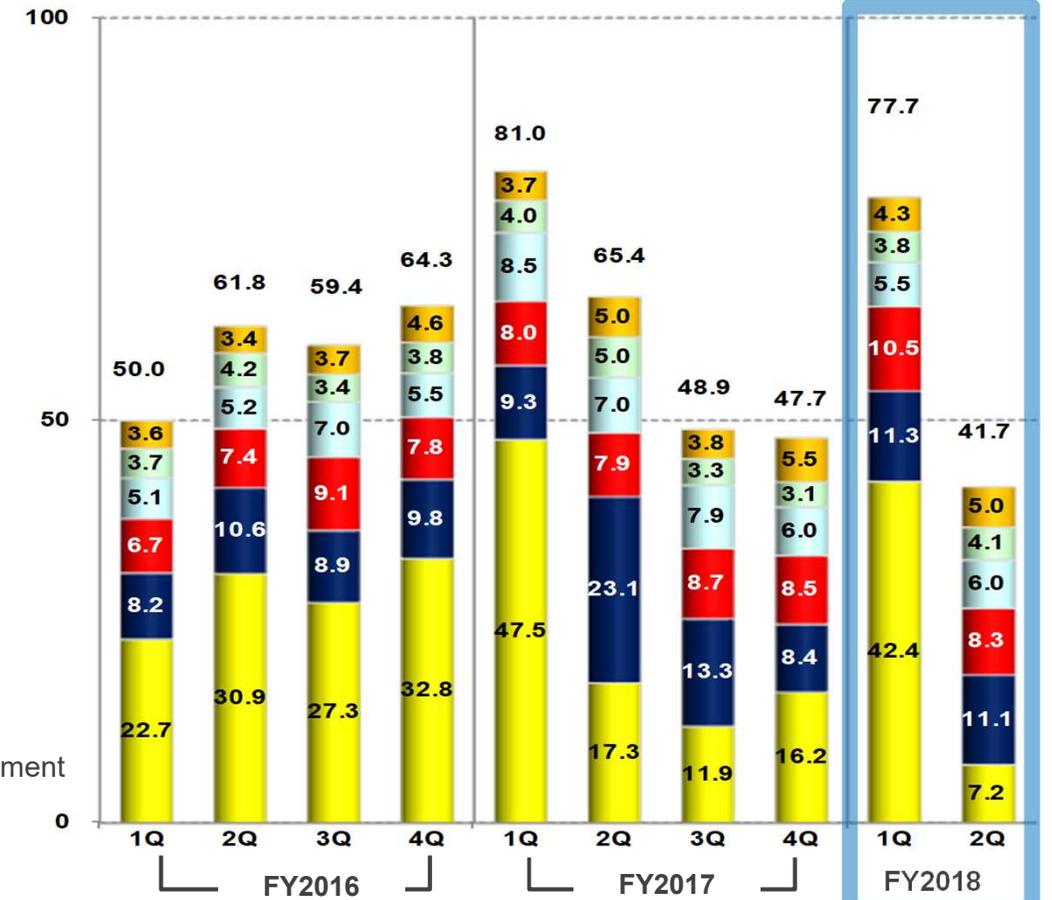
Overview of 1Q and 2Q FY2018 Consolidated Business Results (Cumulative) (Orders Received by Segment)

- FPD and PV production equipment: declined year-on-year, but exceeded initial forecast
- Semiconductor and electronic parts production equipment: declined year-on-year due in part to the postponement of investment plans by semiconductor makers. Electronic parts orders were robust
- Consolidated orders received declined year-on-year, but were generally in line with the initial forecast

Vs. same period last year (Unit: ¥1 billion)

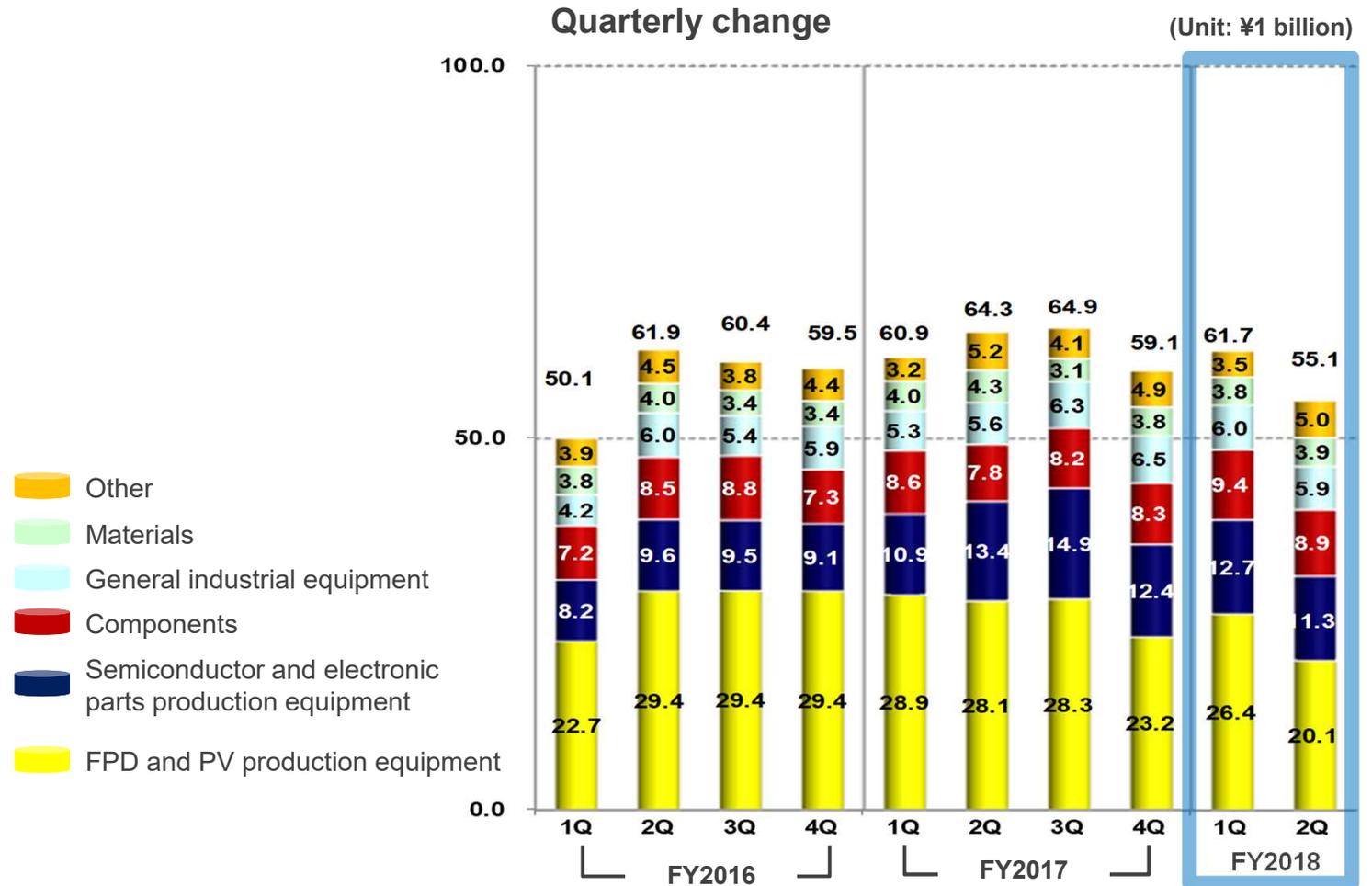
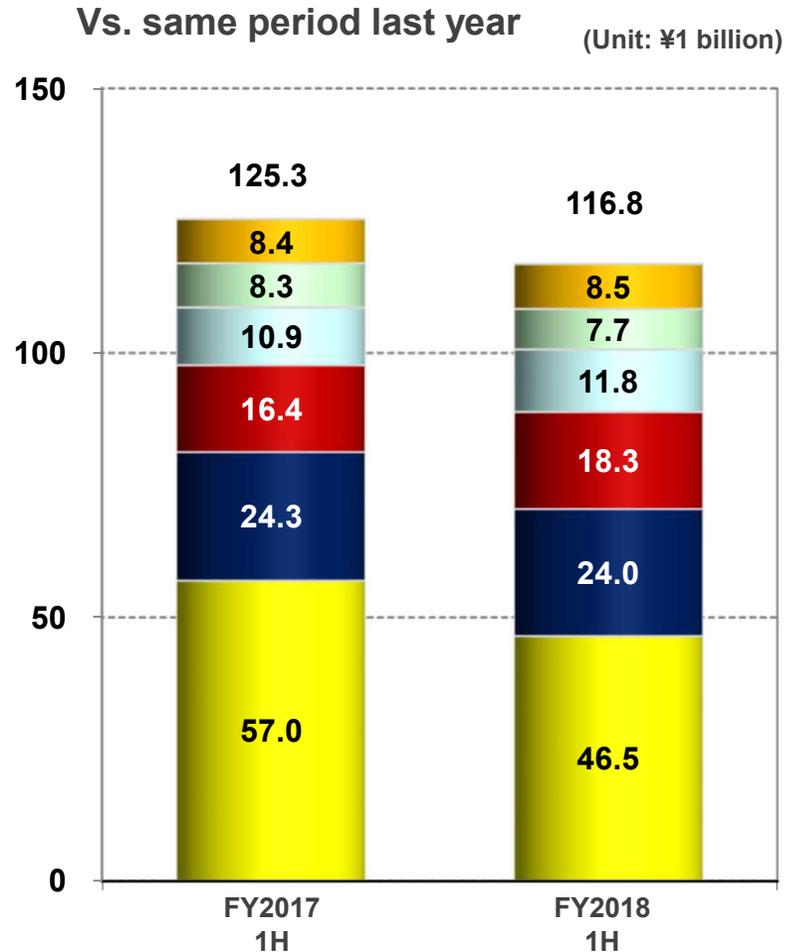


Quarterly change (Unit: ¥1 billion)



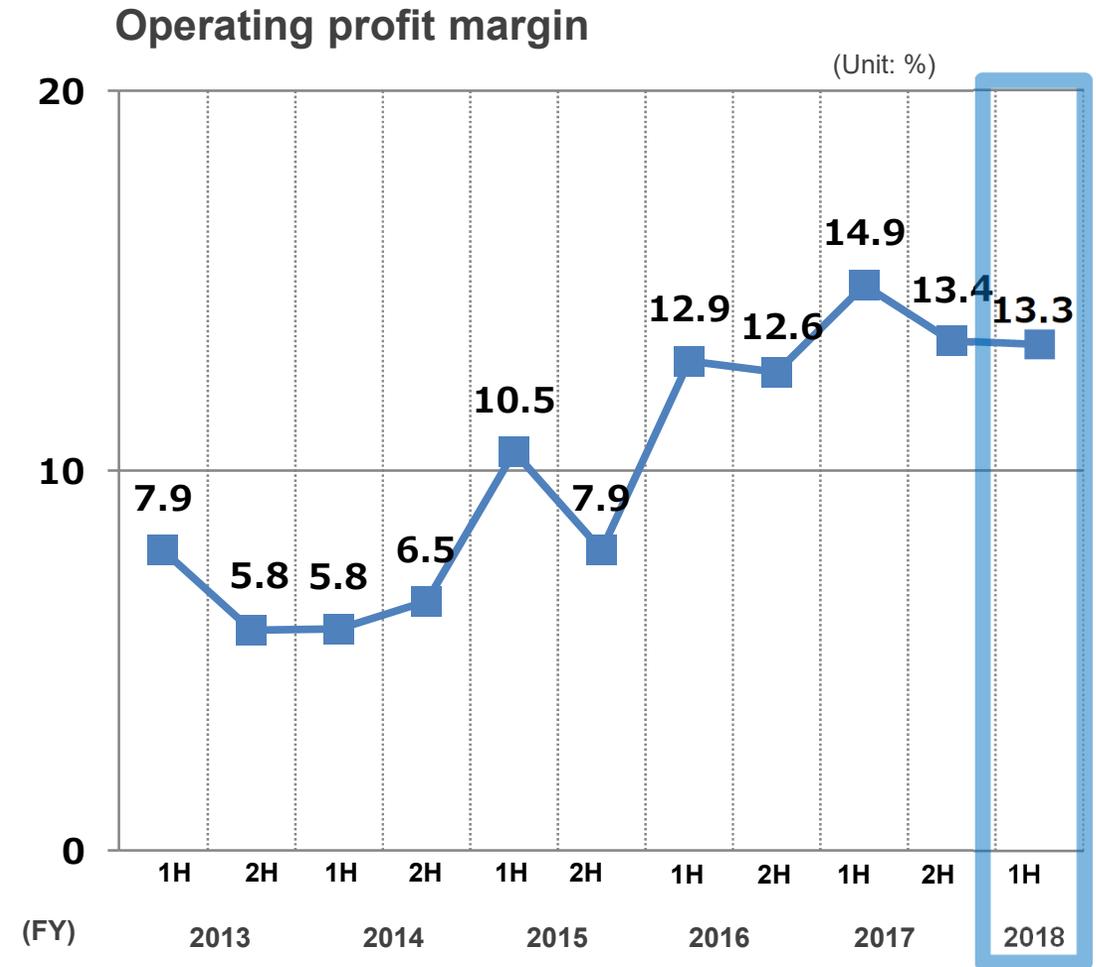
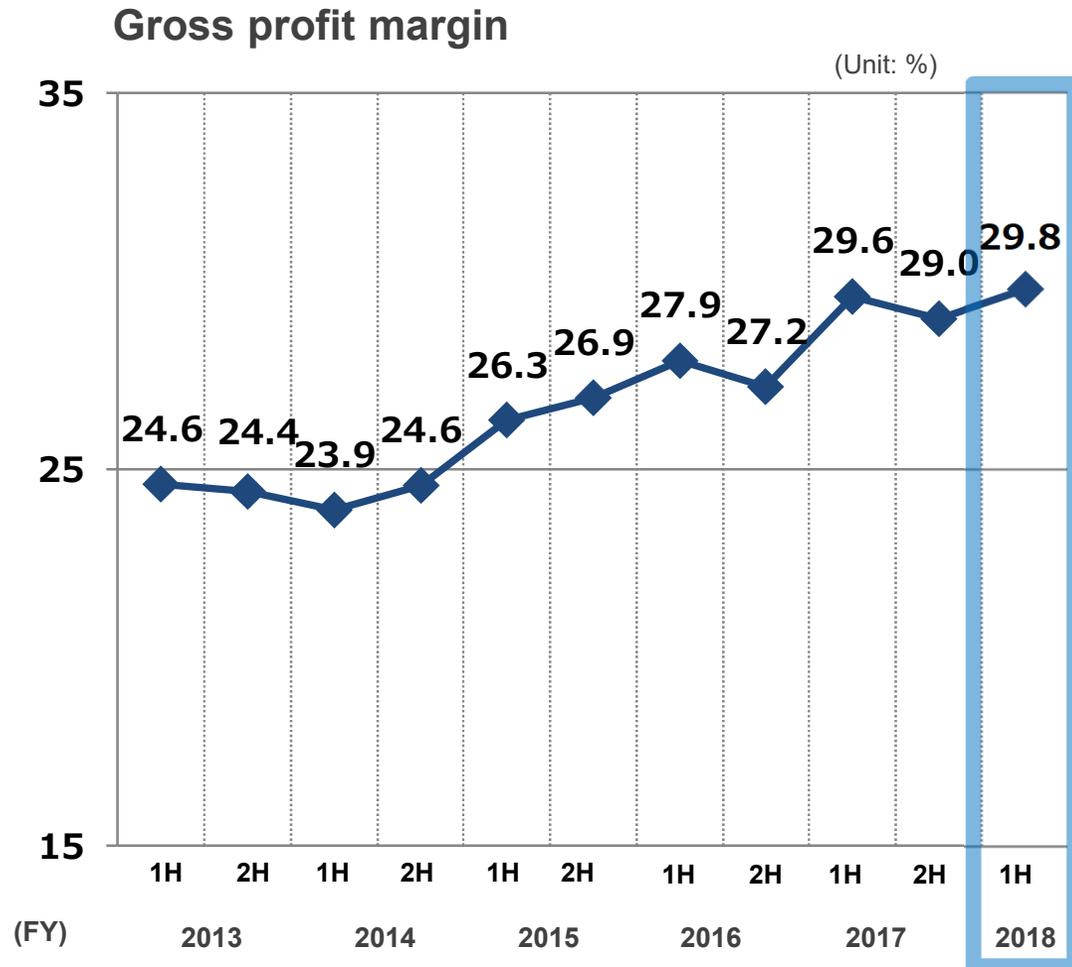
Overview of 1Q and 2Q FY2018 Consolidated Business Results (Cumulative) (Net Sales by Segment)

- **FPD and PV production equipment:** Due to changes in ordered items, there was an increase in orders received that take time to contribute to net sales, which caused net sales to fall short of initial forecast and decline year-on-year
- **Semiconductor and electronic parts production equipment:** Orders of semiconductors decreased, but thanks to orders of electronic parts for telecom equipment and power devices, net sales remained flat year-on-year



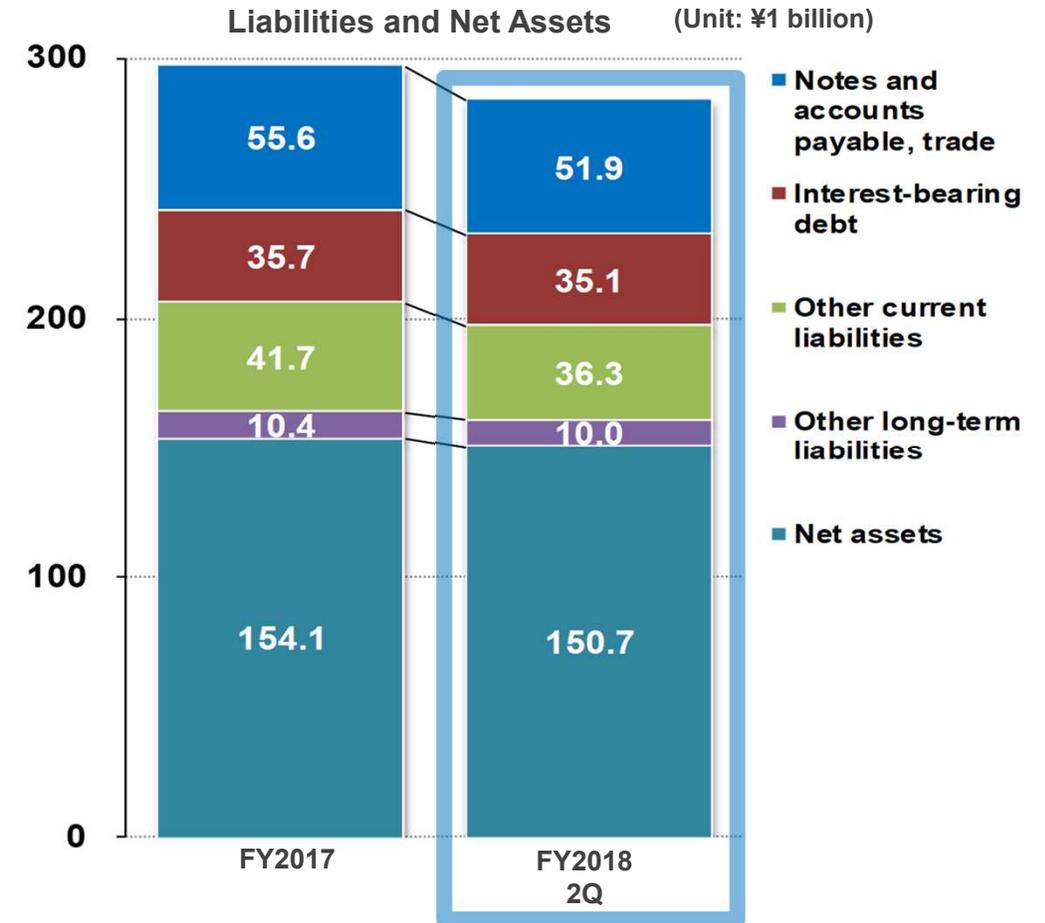
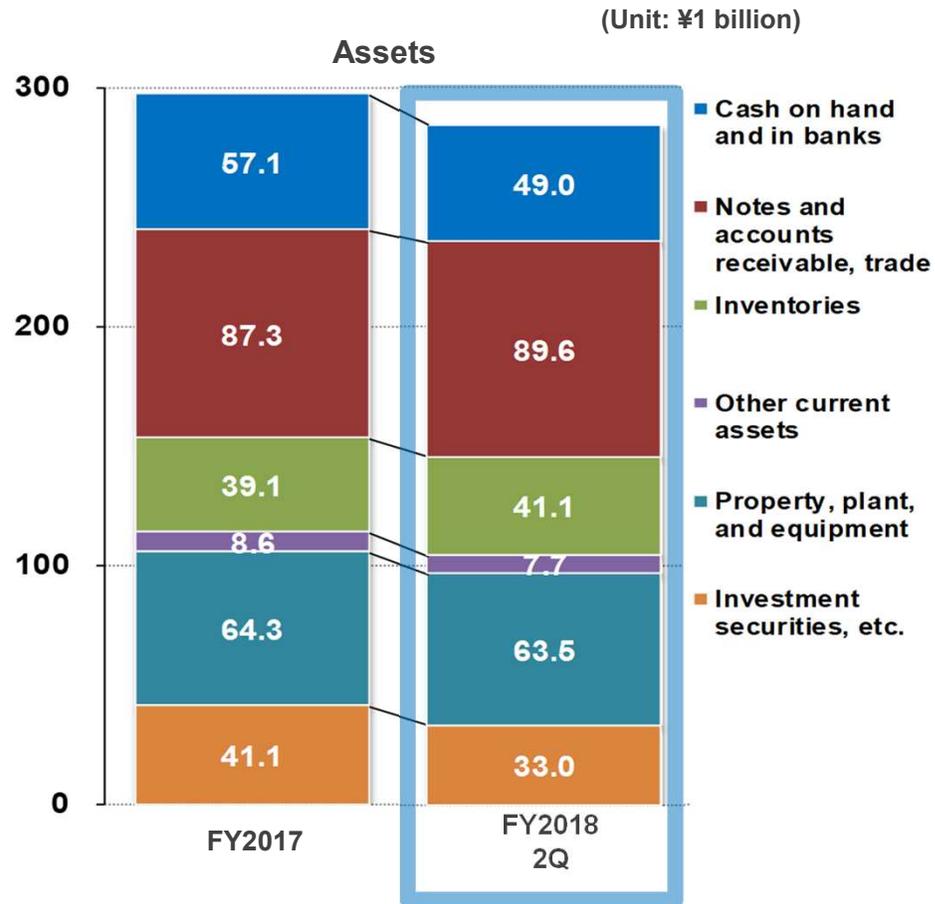
Overview of 1Q and 2Q FY2018 Consolidated Business Results (Cumulative) (Profit Margins)

- The gross profit margin increased, but due to a decline in net sales, the operating profit margin remained flat. We managed to have continuous high level of profit margins.



Overview of 1Q and 2Q FY2018 Consolidated Business Results (Cumulative) (Consolidated Balance Sheet)

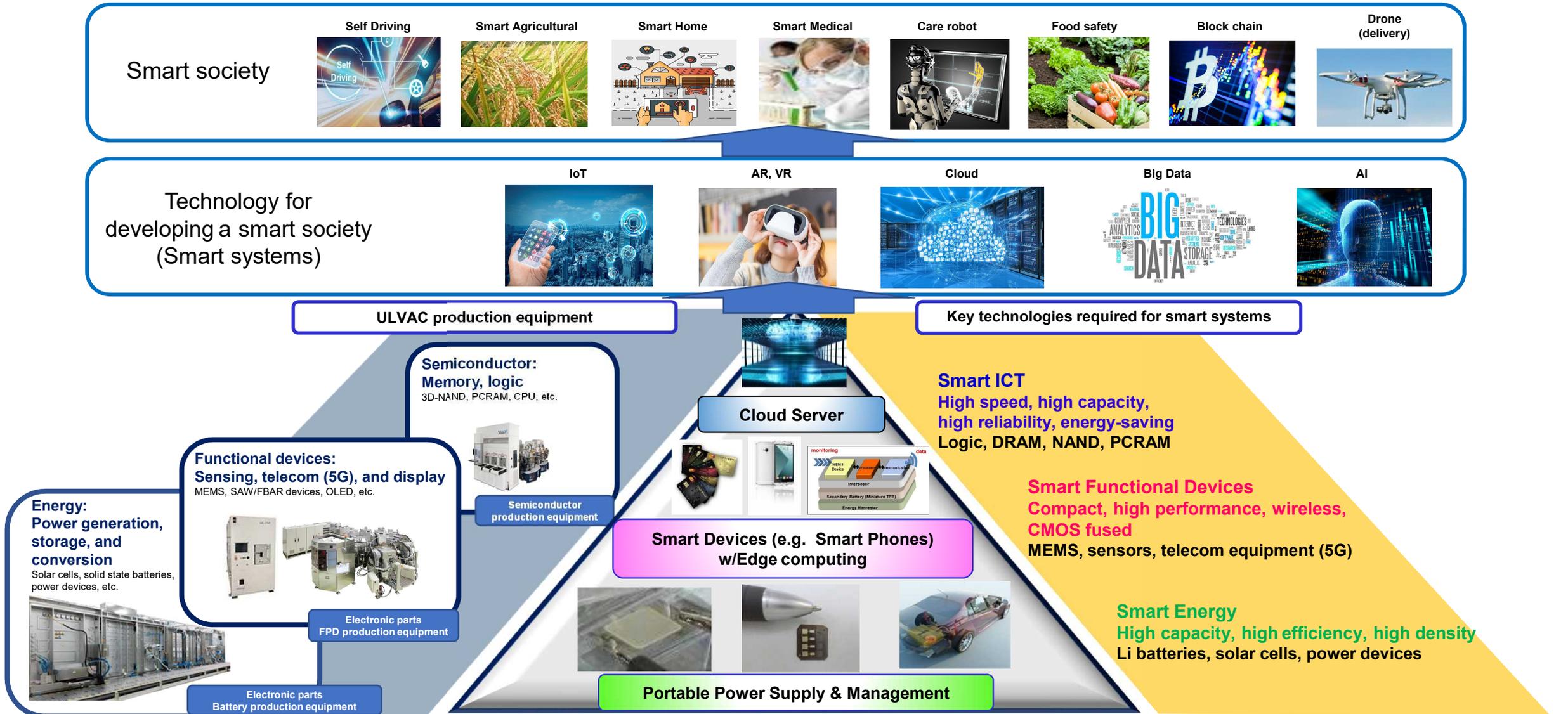
- Notes and accounts receivable increased by ¥2.3 billion, inventory assets increased by ¥2.0 billion, notes and accounts payable decreased by ¥3.6 billion, working capital increased, and cash and deposits decreased by ¥8.0 billion.
- The equity ratio improved to 50.9%.



ULVAC's Market Environment and Efforts

ULVAC's Market Environment

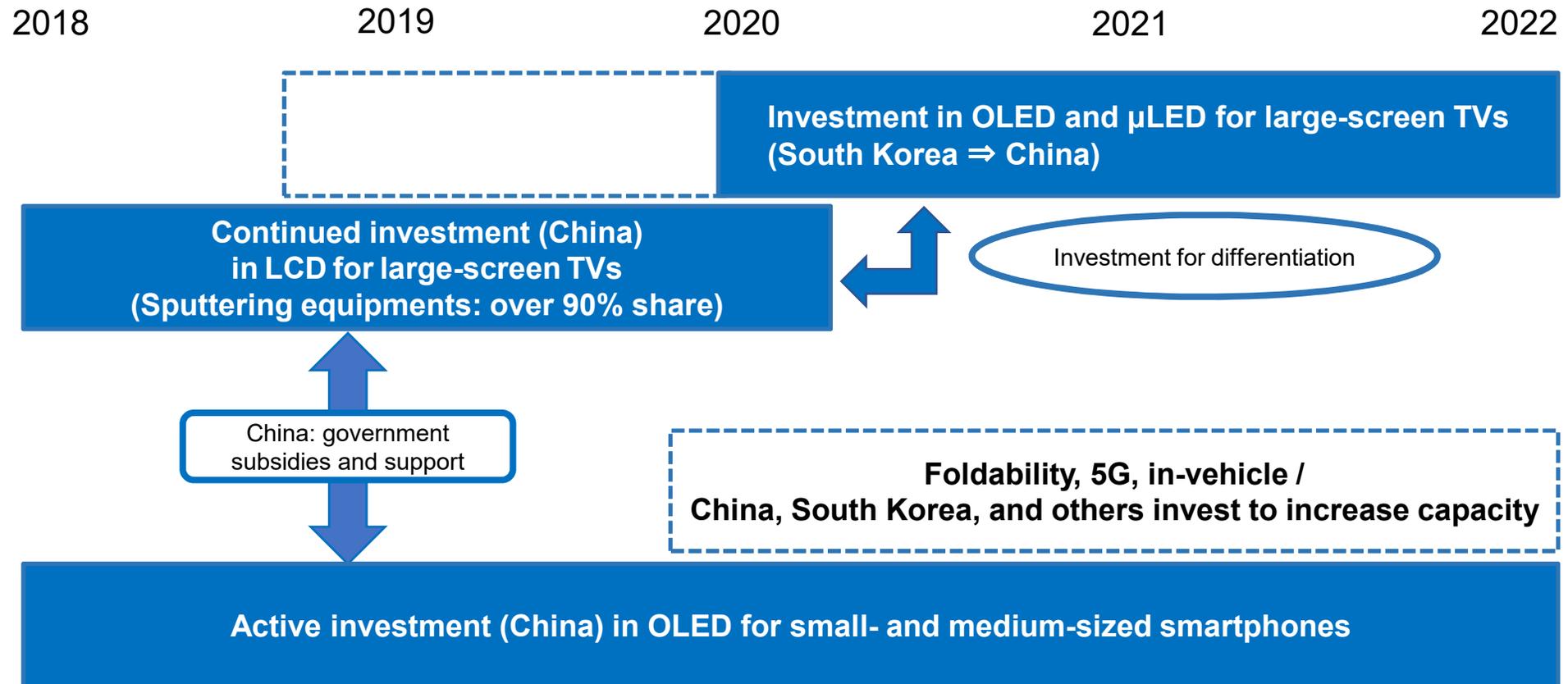
- ULVAC's vacuum thin-film technology is essential for developing a smart society



- **China continues to invest in LCD for large-screen TVs, and ULVAC receives more than 90% of the orders for sputtering equipments for G10.5TFT arrays. Incoming orders are expected to continue in the second half and contribute to net sales through 2020.**
- **South Korea is beginning to work on OLED and μ LED for large-screen TVs in order to differentiate from China's large-screen LCDs.**
- **China also is continuing to invest in OLED for smartphones. Multiple customers have started production, and Phase 2 incoming orders are also strong.**
- **While there was a decrease in orders that contribute quickly to net sales due to the postponement of solar cell investment plans, there was an increase in orders that take time to contribute to net sales due to delivery timing, which led orders received in the first half to be generally in line and net sales fell short of initial forecast. Due to the postponement of investment in solar cells in China and in OLED for large-screen TVs in South Korea, net sales and orders received in the second half are expected to fall short of initial forecast.**
- **China-led investment in OLED for smartphones and LCD for large-screen TVs is expected to continue, and development of next-generation OLED for large-screen TVs is expected to accelerate.**

FPD and PV Market Environment and ULVAC's Efforts (2)

- China-led investment in OLED for smartphones and LCD for large-screen TVs is expected to continue, and development of next-generation OLED panel for large-screen TVs is expected to accelerate



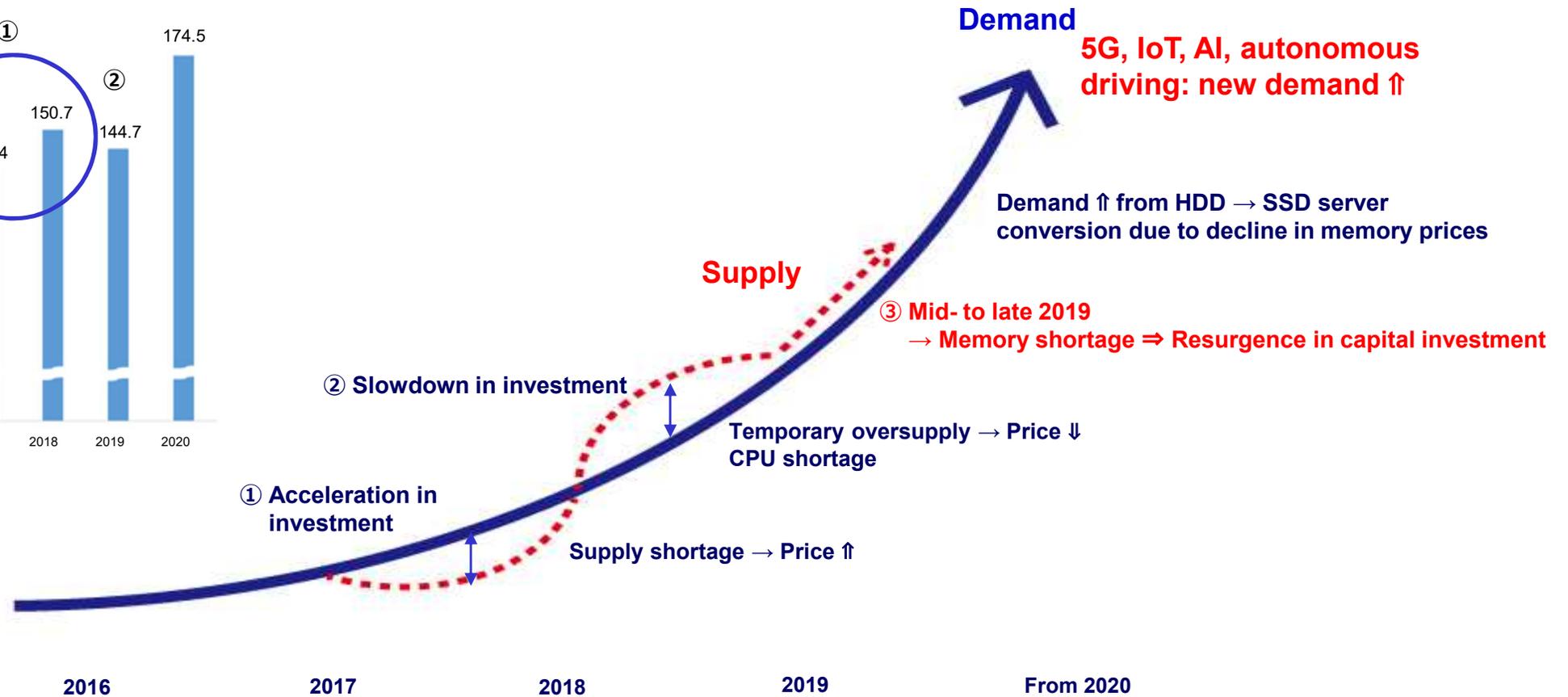
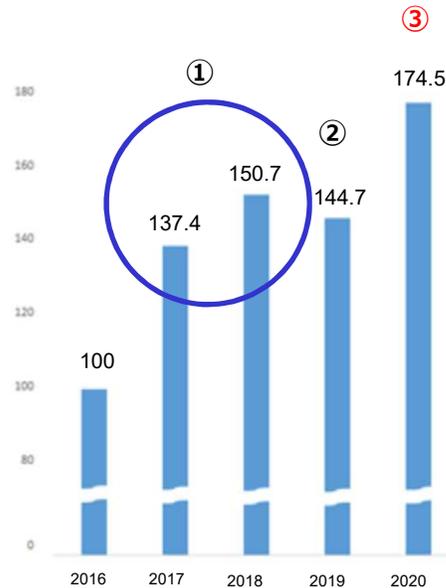
Semiconductor Market Environment and ULVAC's Efforts (1)

- **Because of factors such as a CPU shortage and active capital investment in 2017-2018 in response to DRAM and NAND shortages caused by increased demand, there is currently a temporary oversupply of DRAM and NAND, and memory prices have fallen after previously rising.**
- **In the initial forecast, a decline was expected in the first half, and recovery was predicted to occur from the second half. However, the move among memory companies to postpone capital investments to the end of 2018 was more widespread than expected and will affect the second half as well. Due to the above situation, we have revised the forecast for orders received and net sales downward.**
- **Capital investments for memory are expected to recover from mid- to late 2019 when data center demand recovers.**
- **Start a new logic line next term through an advanced miniaturization process via EUV introduction. Grow by expanding business to logic foundry manufacturers pursuing miniaturization.**
- **Develop and grow a new market in logic and PcRAM in addition to the existing NAND and DRAM.**

Semiconductor Market Environment and ULVAC's Efforts (2)

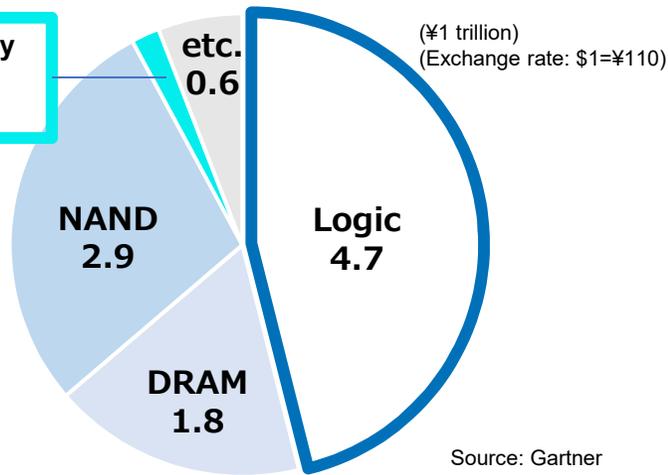
- Resurgence in semiconductor capital investments to develop a smart society

Semiconductor manufacturing equipment market outlook (SEMI)
Based on reference year 2016 equal to 100



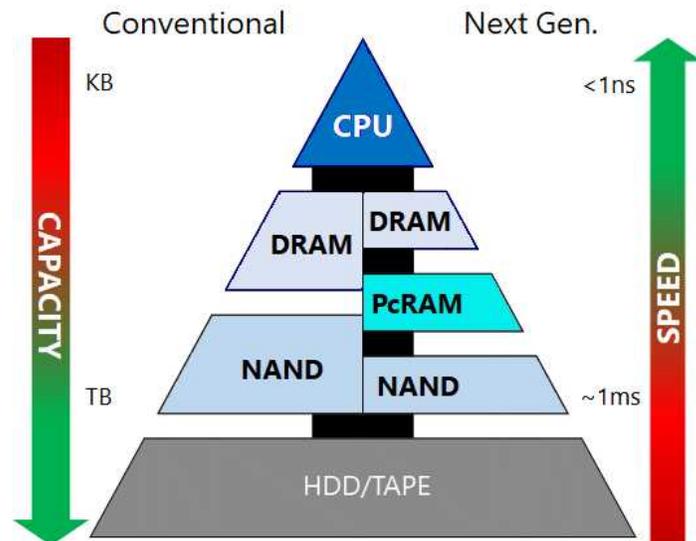
Semiconductor Market Environment and ULVAC's Efforts (3)

Semiconductor capital investment amount (2017)



➡ Logic (CPU)

Succeeded in entering the logic field, of which the investment is as same level as memory (DRAM and NAND)
Grow by expanding business to logic foundry manufacturers pursuing miniaturization.



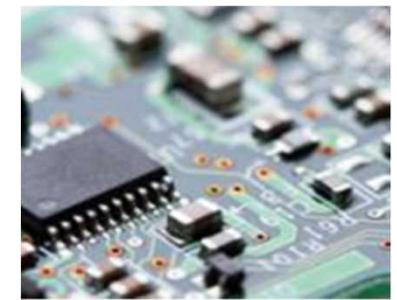
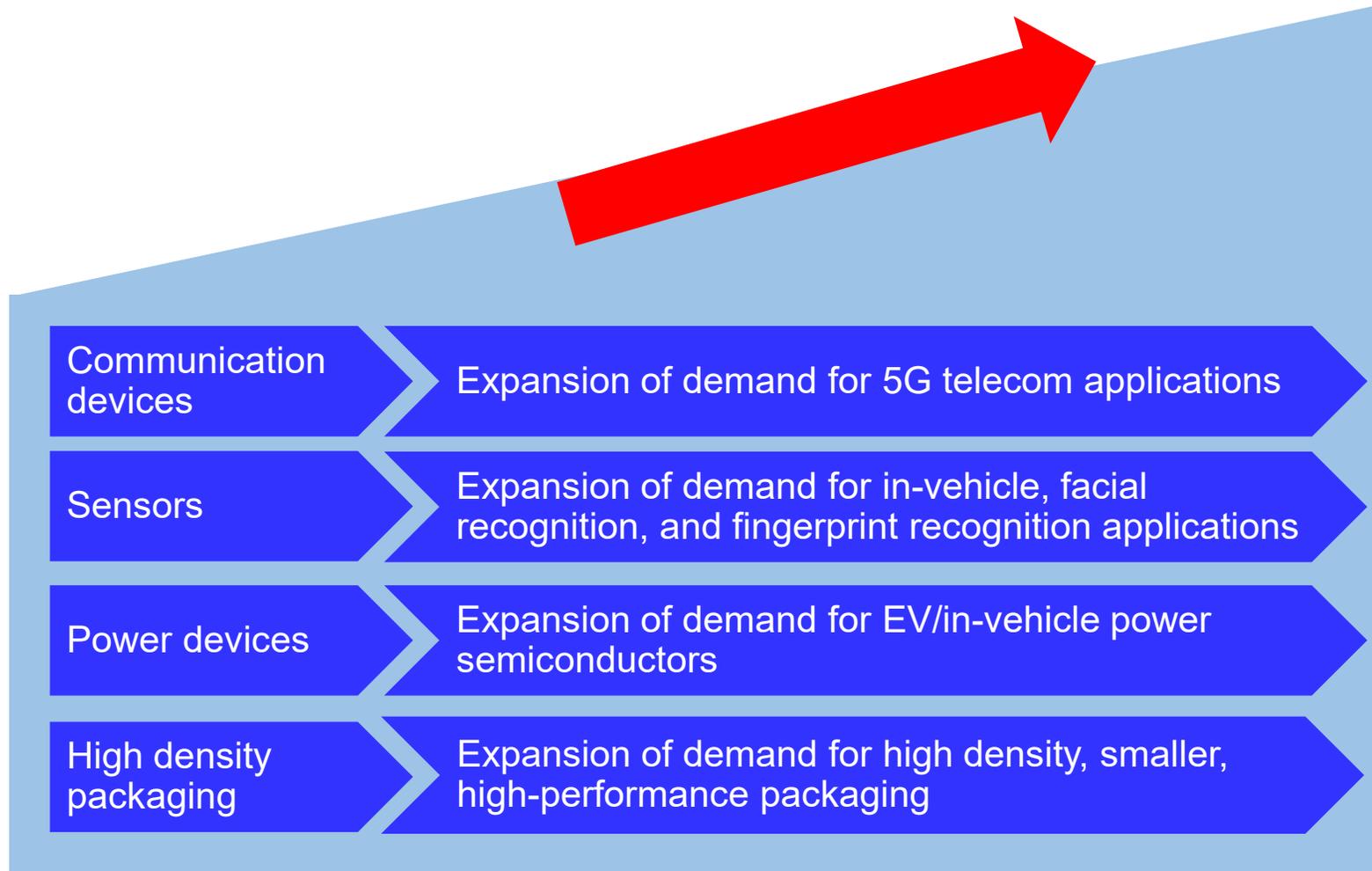
➡ Next generation memory (PcRAM)

PcRAM is faster than flash memory (NAND) and is not as volatile as DRAM. It is positioned between DRAM and NAND.

Other memory manufacturers are considering the entry to address conversion demand from DRAM-based DIMM in servers, so the market is expected to expand in the future.

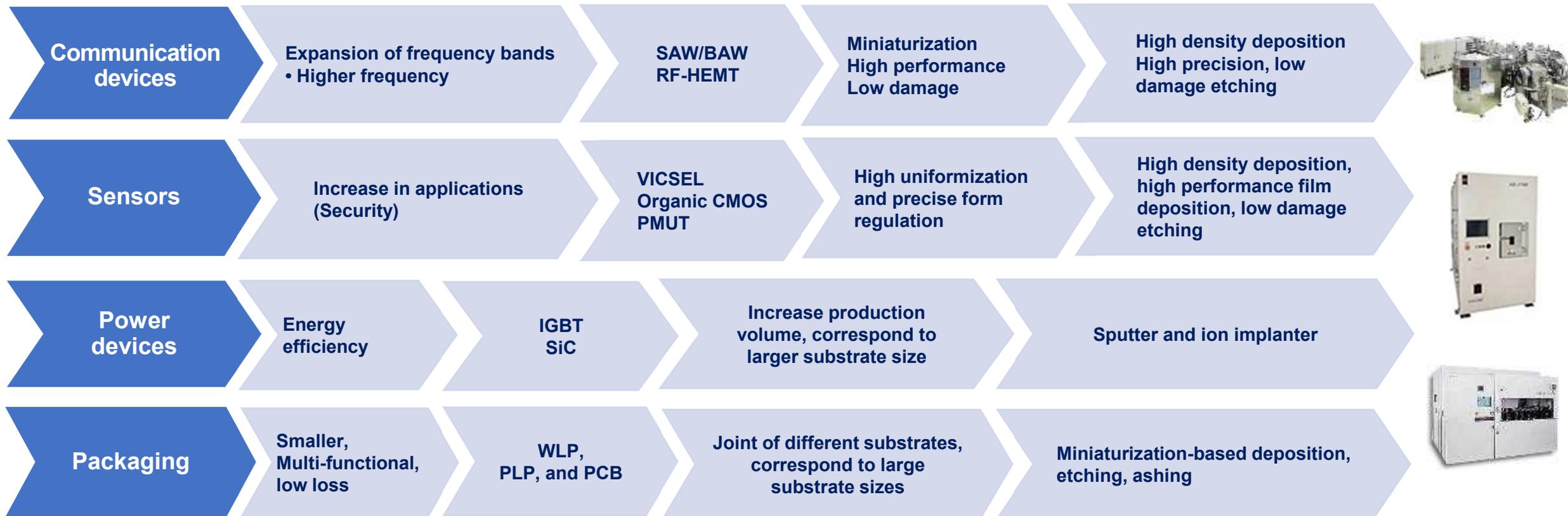
Electronic Parts Market Environment and ULVAC's Efforts (1)

- Increase in demand for electronic parts ahead of IoT and CASE diffusion — more business opportunities in the production equipment market



Electronic Parts Market Environment and ULVAC's Efforts (2)

Smaller, miniaturized, higher density, higher capacity, energy-efficient electronic devices
⇒ Capable to provide an extensive equipment lineup with sputtering target materials and processes



Acquired dealership to distribute Oxford's ALD and ALE devices in Japan to have additional device lineup (January 2019)

Components

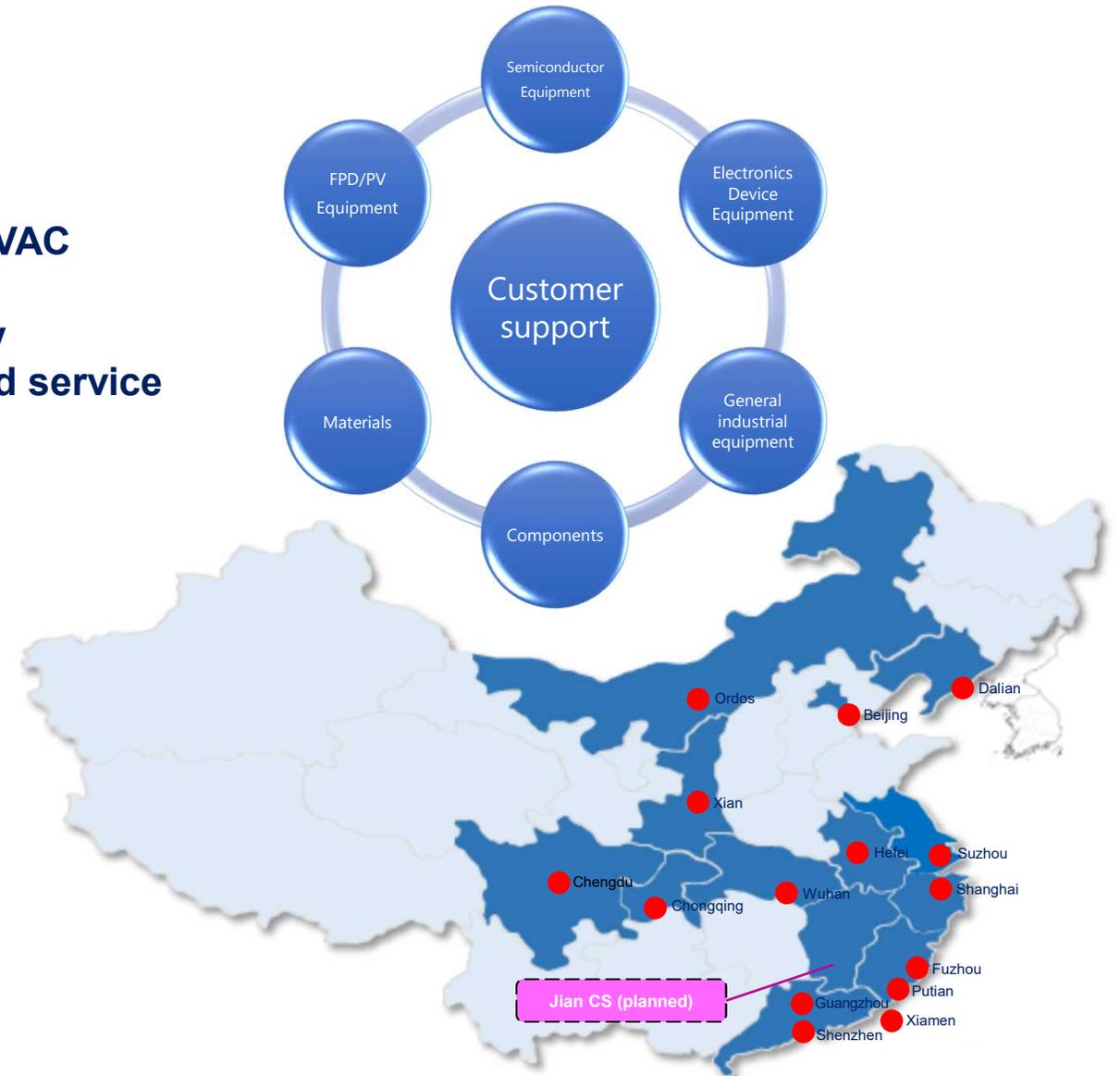
- **In the second half, orders received from semiconductor equipment manufacturers are expected to decrease due to the postponement of investments by semiconductor manufacturers**
- **Aim to benefit from group synergy and expansion in the Chinese market**

Materials

- **Orders received and net sales are expected to decrease due to weak targets for OLED backplanes in South Korean smartphones**
- **Expand sales of targets for LCD panel production equipment for large-screen TVs in China which production begins.**

ULVAC's Efforts at Customer Support

- **A new customer support division was established in ULVAC headquarters (January 2019)**
 - **Aim to provide service that raises customer value by integrating products, manufacturing, production, and service**
- **Expand to 16 customer service locations in China**
 - **Enhance services to semiconductor and electronic equipment customers**
- **Construct new customer service applications using IoT, big data, and AI**



2H FY2018 Earnings Forecast

- Orders received in the second half:

The total is expected to be 34.5 billion yen less than the initial forecast

- (1) Semiconductor related orders received to be around 10.0 billion yen due to the move among memory companies to postpone capital investment more widespread than expected
- (2) FPD related orders received to be around 19.0 billion yen due to the postponement of solar cell related investments in China and investments in OLED for large-screen TVs in South Korea
- (3) Components, general industrial equipment, and materials to be each around 2.0 billion yen

- Net sales also are expected to be 21.3 billion yen less than the initial forecast due to a decrease in orders received

- Operating profit is expected to be 8.0 billion yen (-9.0 billion yen vs. initial forecast) due to an expected decline in net sales and increase in the cost of OLED development

(Unit: ¥1 billion)

	FY2018				
	1H		2H		vs.Initial Forecast (Changes)
	Initial Forecast	Result	Initial Forecast	Revised Forecast	
Orders Received	120.0	119.5	140.0	105.5	-34.5
Net Sales	125.5	116.8	129.5	108.2	-21.3
Operating Profit	19.5	15.5	17.0	8.0	-9.0
Ratio	15.5%	13.3%	13.1%	7.4%	- 5.7 pt
Net Income	14.0	11.2	11.5	4.8	-6.7
Ratio	11.2%	9.6%	8.9%	4.4%	- 4.5 pt

Revision of FY2018 Full Year Consolidated Earnings Forecast

- Net sales and operating profit are expected to decrease due to a shortfall in net sales and profit items in the first half, as well as a decline in orders received for FPD and PV production equipment and semiconductor production equipment. In addition, development costs are expected to increase. Therefore, forecasts for net sales and profit items were revised downward.
- There is no change in the dividend forecast for the year ending June 2019, and as of now, the dividend forecast remains unchanged from August 8, 2018.

(Unit: ¥1 billion)

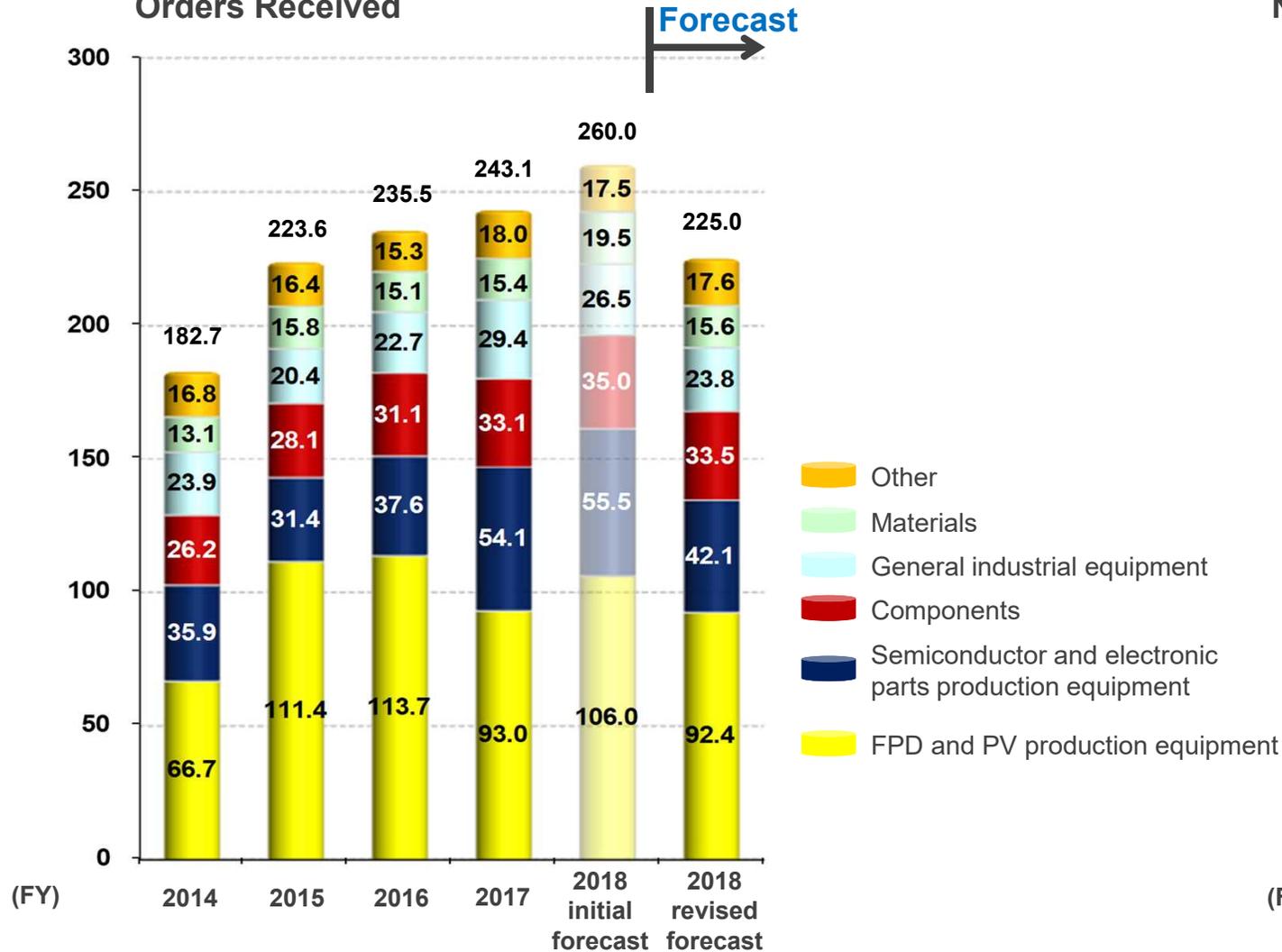
	FY2017	FY2018				
		1 H		Full Year		vs.Initial Forecast (Changes)
		Initial Forecast	Result	Initial Forecast	Revised Forecast	
Orders Received	243.0	120.0	119.5	260.0	225.0	-7.4%
Net Sales	249.3	125.5	116.8	255.0	225.0	-9.7%
Operating Profit	35.4	19.5	15.5	36.5	23.5	-33.5%
Ratio	14.2%	15.5%	13.3%	14.3%	10.4%	- 3.7 pt
Net Income	35.9	14.0	11.2	25.5	16.0	-55.4%
Ratio	14.4%	11.2%	9.6%	10.0%	7.1%	- 7.3 pt

(Net income will decrease year-on-year by a higher percentage than other profit items because last year's positive effects from recording deferred tax assets and gains on sales of stock no longer exist.)

Revision of FY2018 Full Year Consolidated Earnings Forecast (Orders Received and Net Sales by Segment)

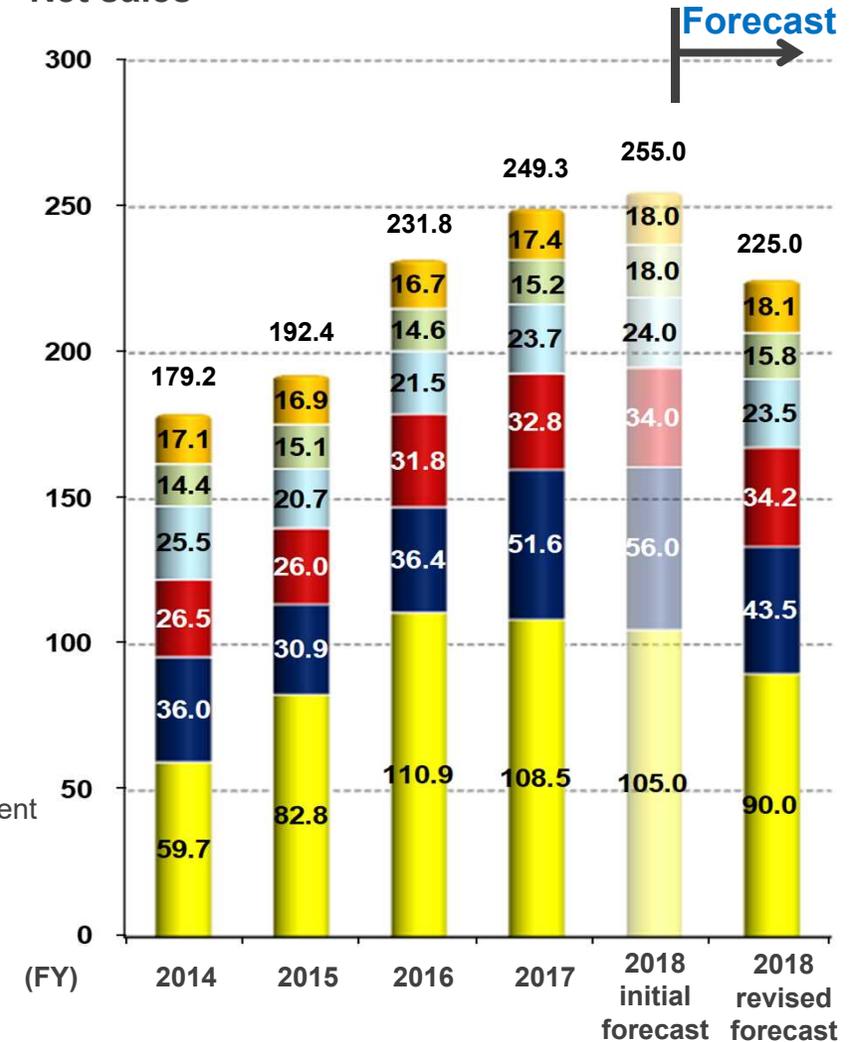
(Unit: ¥1 billion)

Orders Received



(Unit: ¥1 billion)

Net sales



ULVAC, leading the world in vacuum technology



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



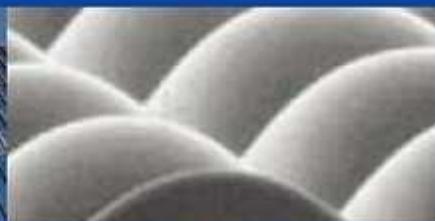
Power Device
パワーデバイス



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

ULVAC, leading the

world in vacuum technology

ULVAC