

ULVAC

ULVAC, Inc.

Business Results

FY2020

(July 2020 - June 2021)

Aug. 11, 2021

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, semiconductors, 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.



1. FY2020 results exceeded the plan significantly

- Strong performance in logic, memory-related, electronics-related production equipment in China, and FPD-related production equipment due to the increased for stay-at-home demand.
- Gross profit margin improved to 29.4% from 27.3% in the previous fiscal year mainly due to the strengthened manufacturing capabilities.

(Unit: ¥1 billion)

FY2020	Actual	Vs. Plan
Orders	198.9	+18.9
Sales	183.0	+18.0
Operating Profit	17.2	+2.2

2. Upward revision of FY2021 plan

- Semiconductor, electronics and FPD-related production equipment continues to have strong performance.
- Sales and operating profit targets revised upwardly.

FY2021	Plan	Vs. Initial Plan
Sales	210.0	+20.0
Operating Profit	26.5	+3.0

3. Mid-Term Management Plan

- Sales and operating profit targets for FY2022 revised upwardly.
- R&D investment for growth increased by ¥15 billion

FY2022	Targets	Vs. Initial Plan
Sales	235.0	+25.0
Operating Profit	38.0	+4.0

4. FY2020 dividend: ¥95 (¥15 increased)

- FY2021 : Transition to performance-based profit distribution (Dividend payout ratio of 30% or more): ¥110 (forecast)



FY2020 Business Results

FY2020 results significantly exceeded the plan

- Orders, sales, and operating profit all exceeded the plan due to active investment in logic & memory business, electronics business based on China's domestic production policy, and FPD business in response to increased demand for panels.
- Gross profit margin improved from 27.3% to 29.4%.

(Unit: ¥1 billion)

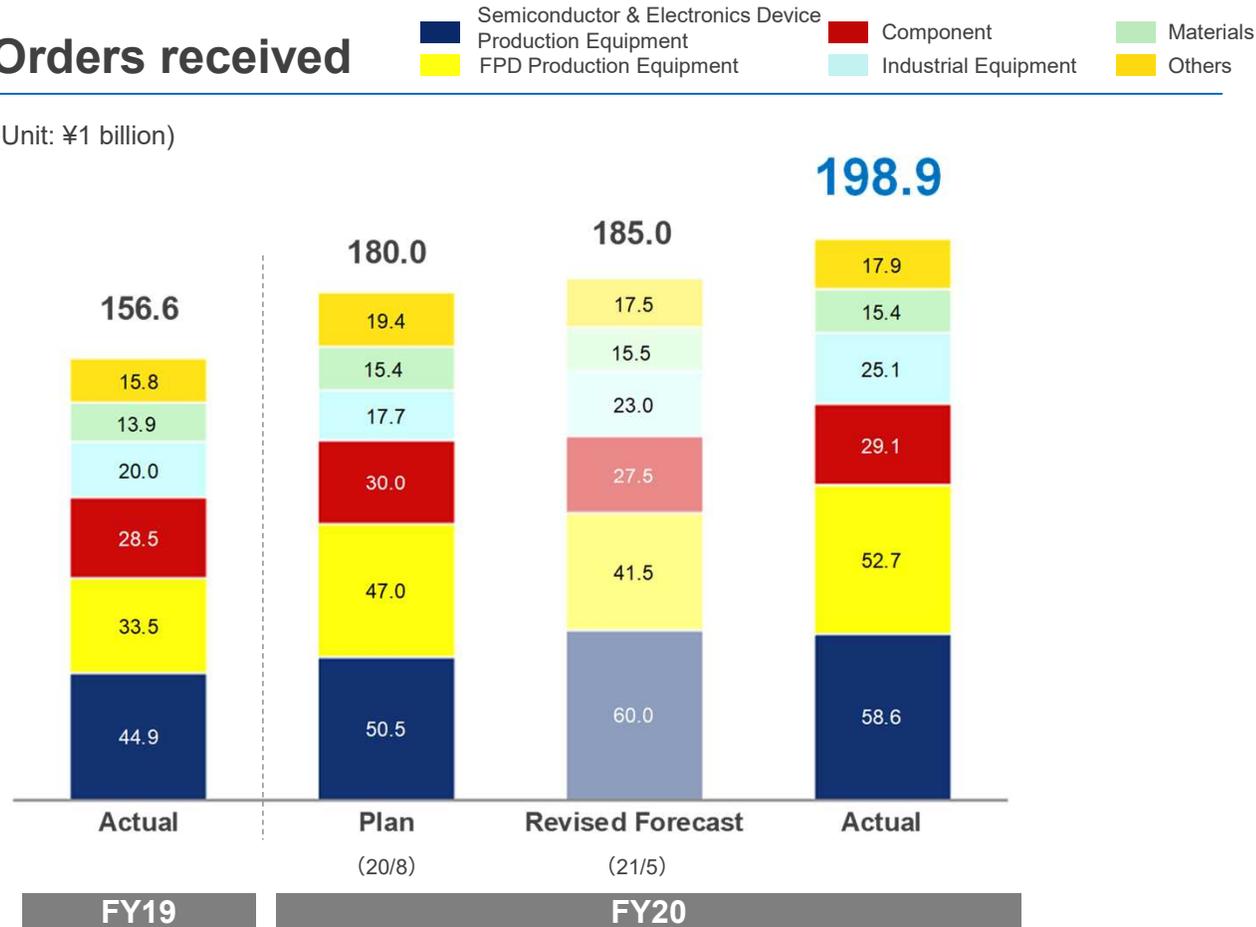
	FY2019	FY2020				
	Actual	Initial Plan	Revised Forecast	Actual	YoY	Vs. Initial Plan
Orders Received	156.6	180.0	185.0	198.9	42.3	18.9
Net Sales	185.4	165.0	180.0	183.0	-2.4	18.0
Gross Profit	50.6	-	-	53.8	3.2	-
Gross Profit Margin	27.3%	-	-	29.4%	2.1pt	-
SG&A	34.6	-	-	36.6	2.0	-
Operating Profit	16.0	15.0	16.5	17.2	1.2	2.2
Operating Profit Margin	8.6%	9.1%	9.2%	9.4%	0.8pt	0.3pt
Net Income	10.8	10.0	12.5	14.8	4.0	4.8
To net sales ratio	5.8%	6.1%	6.9%	8.1%	2.3pt	2.0pt

※ FY2020 Dividend : ¥95 (¥15 increased), FY2021 Dividend: Transition to performance-based profit distribution (Dividend payout ratio: more than 30%)

- Significant increase compared to both the same period last year and the plan due to the active investment in semiconductors, electronics and FPDs
- Significant increase due to front-loaded orders for FPD projects

Orders received

(Unit: ¥1 billion)



Semiconductors and Electronics

Semiconductors

Orders exceeded both the previous year's level and the plan due to **resumption of memory investment and continuous logic investment**

Electronic parts

Orders for **power devices, optical devices, communication devices, packaging** and other electronics-related products exceeded the previous year's results and plan.

FPD

OLED investment for smartphone and tablet , **LCD investment continue** to outperform YoY and plan

Increased demand for LCD panels tablets and PCs due to stay-at-home demand.

Increased demand for large-sized TV panels due to subsidies in various countries

⇒ **LCD investment continues**, especially in China

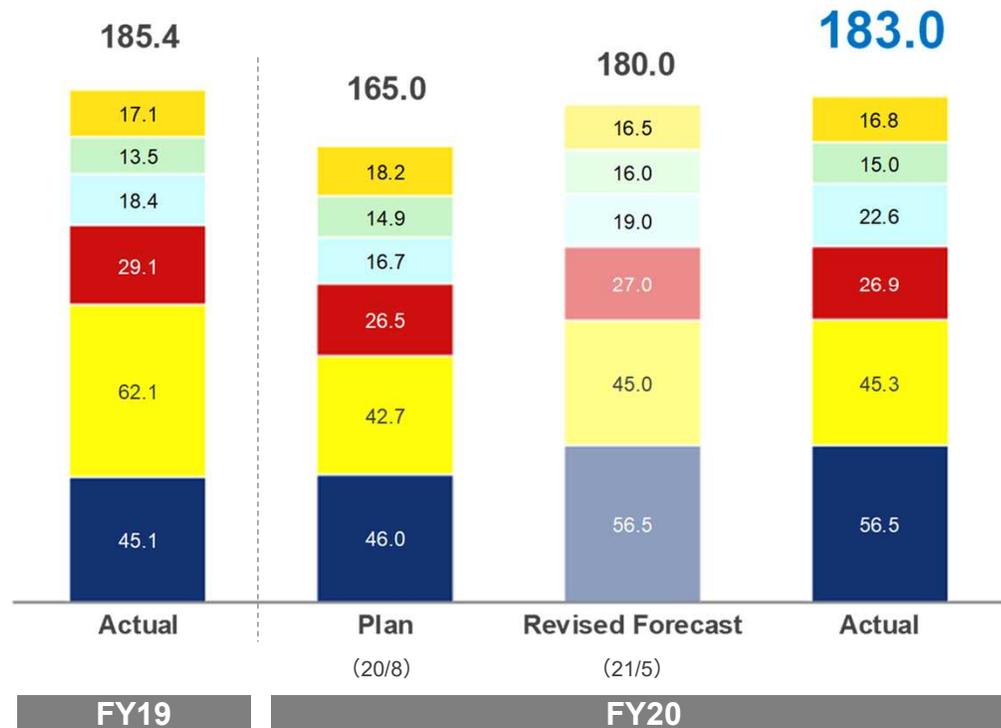
Net sales also significantly exceeded the plan

- Sales significantly exceeded the plan due to the active investment in semiconductor and electronics-related businesses and continuous investment in LCDs.

Net sales



(Unit: ¥1 billion)



Semiconductors and Electronics

Semiconductors

Sales exceeded the previous year's level and the plan due to resumption of memory investment and continuous logic investment

Electronic parts

Orders for power devices, optical devices, communication devices, packaging and other electronics-related products exceeded the previous year's results and plan.

FPD

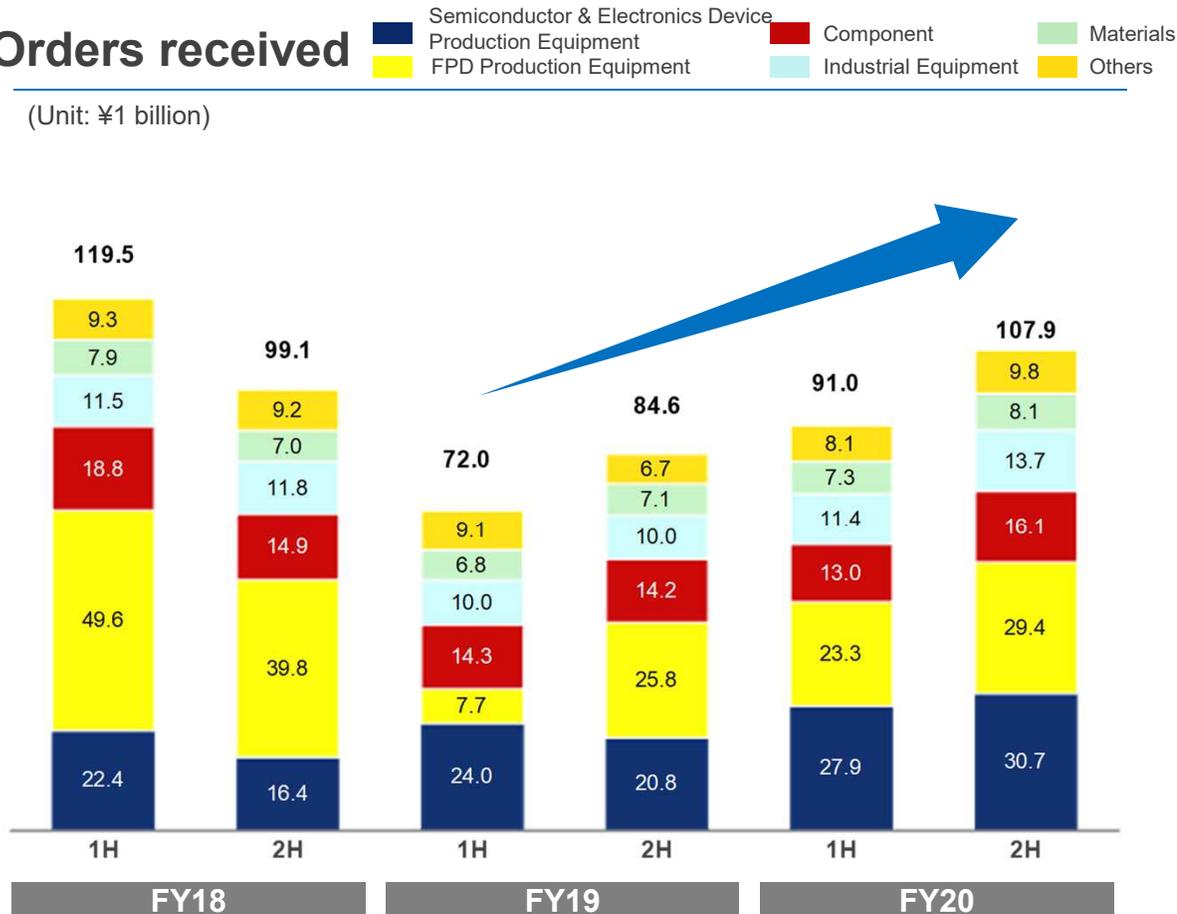
Decreased YoY due to low level of orders received in the same period of the previous year, but exceeded the plan due to continuous LCD investment

Upward trend in both orders and sales

- Orders increased after the first half of FY 2019 and sales increased after the first half of FY 2020.

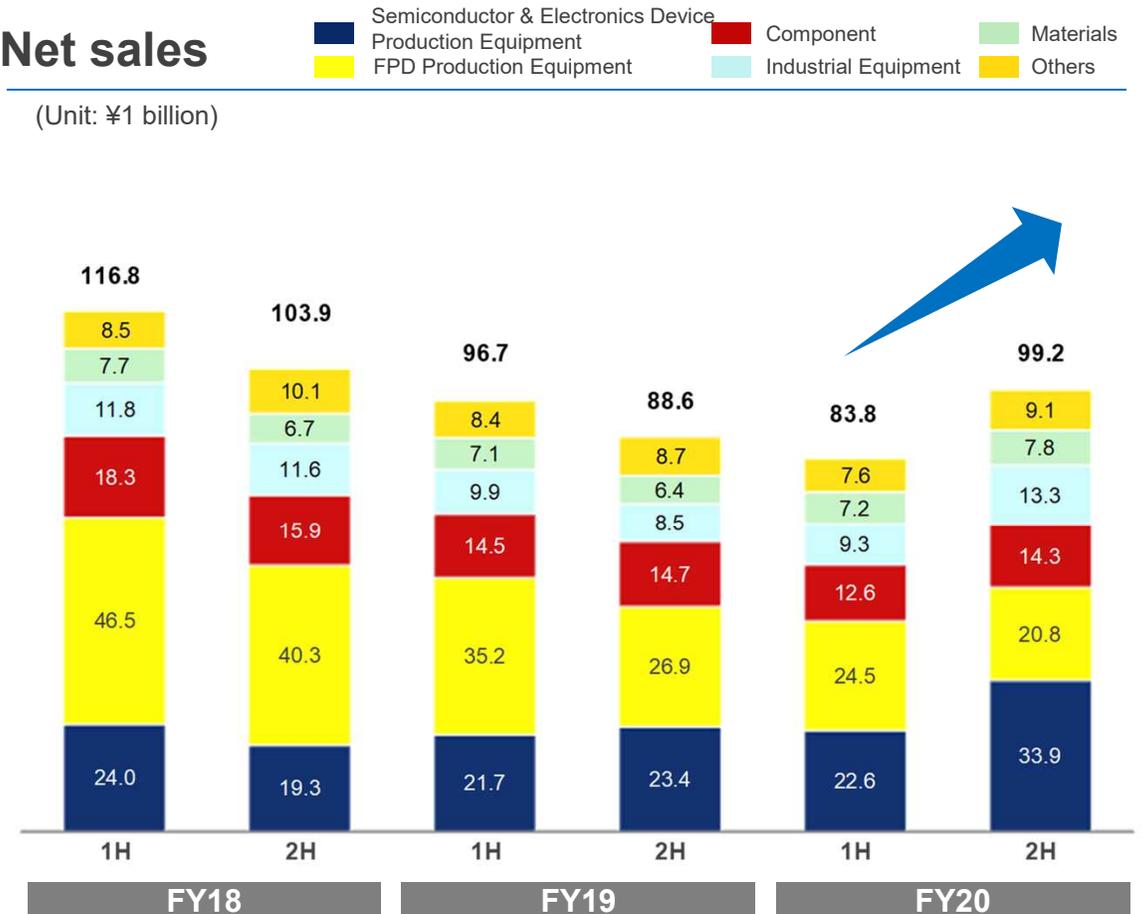
Orders received

(Unit: ¥1 billion)



Net sales

(Unit: ¥1 billion)



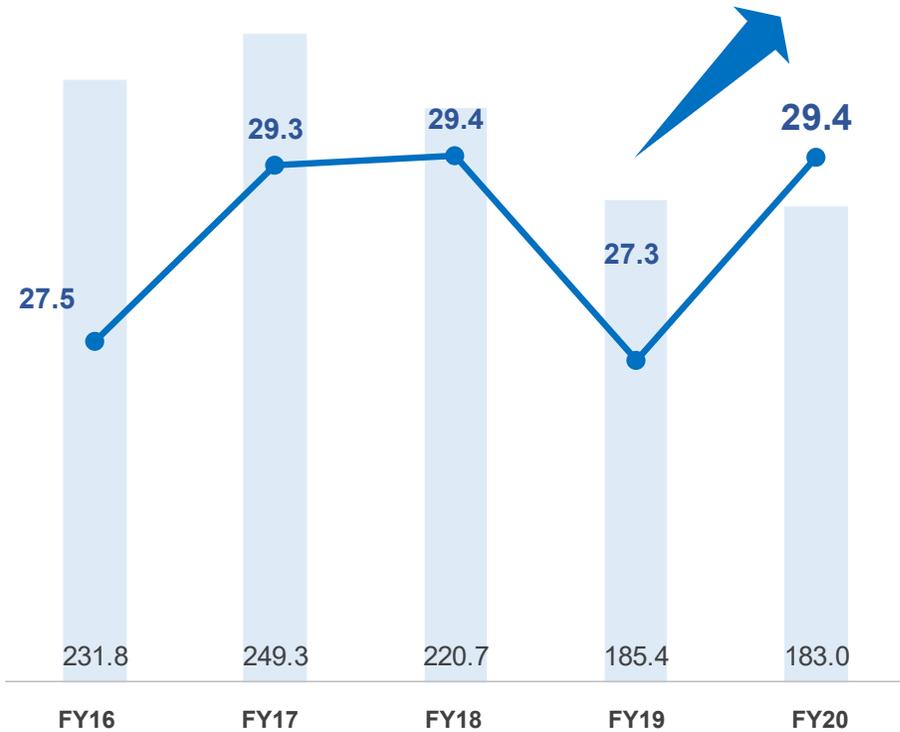
Profitability improved due to strengthened manufacturing capabilities

- Improvement in both gross profit margin and operating profit margin due to strengthened manufacturing capabilities, etc.

Gross Profit Margin

Net Sales Gross Profit Margin

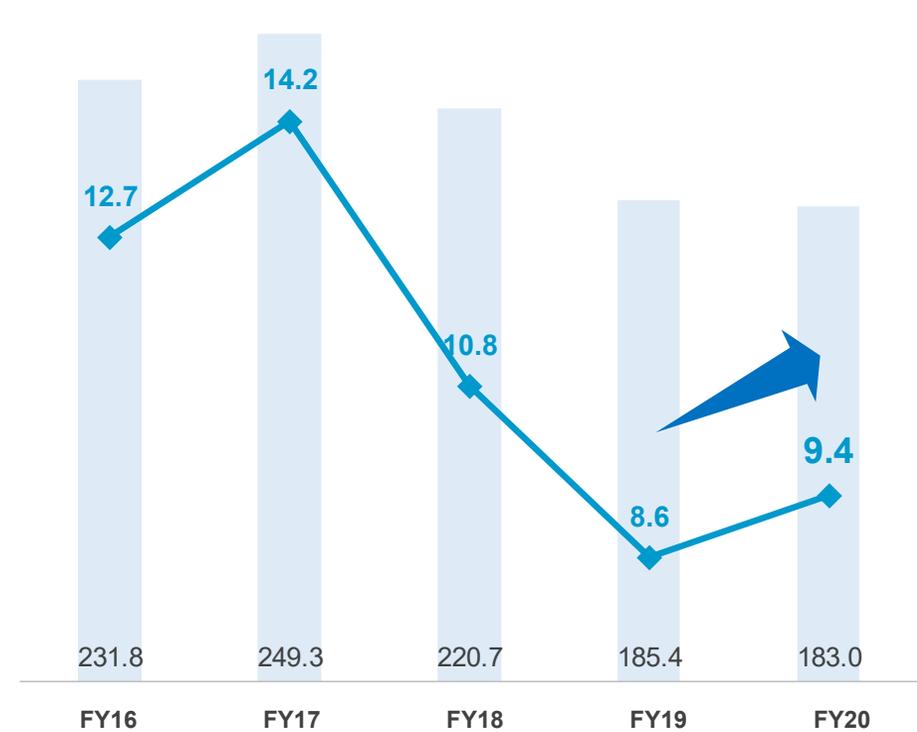
(Unit: ¥1 billion,%)



Operating Profit Margin

Net Sales Operating Profit Margin

(Unit: ¥1 billion,%)



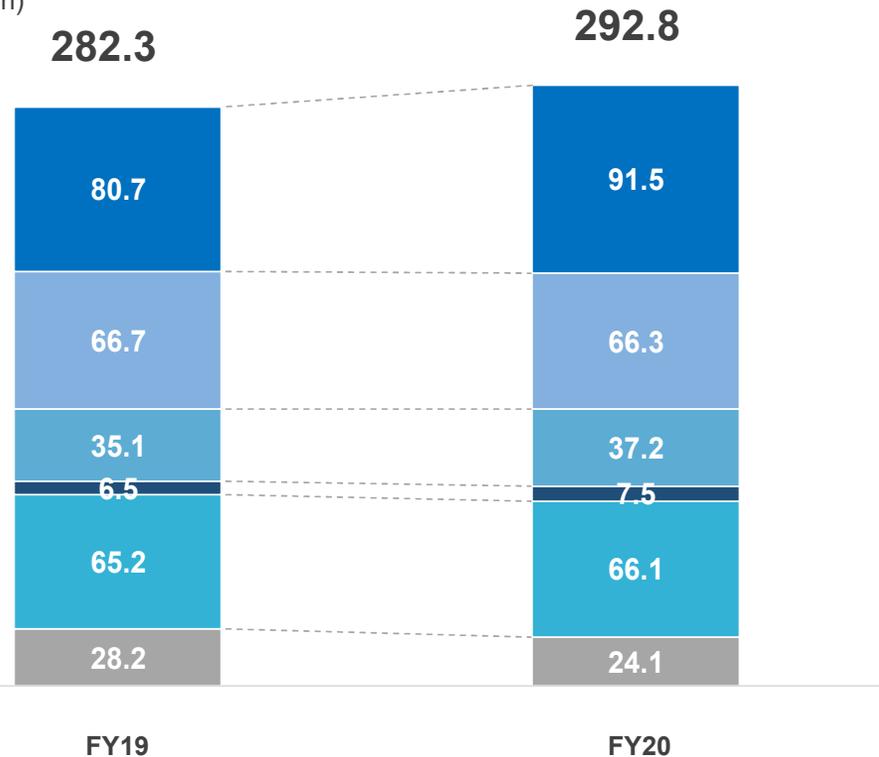
Improved financial position

- Net assets increased by ¥ 12.6 billion, and equity ratio was 57.0%.

Assets

- Investment securities etc.
- Other current assets
- Notes and accounts receivable,trade
- Property,plant and equipment
- Inventories
- Cash on hand and in banks

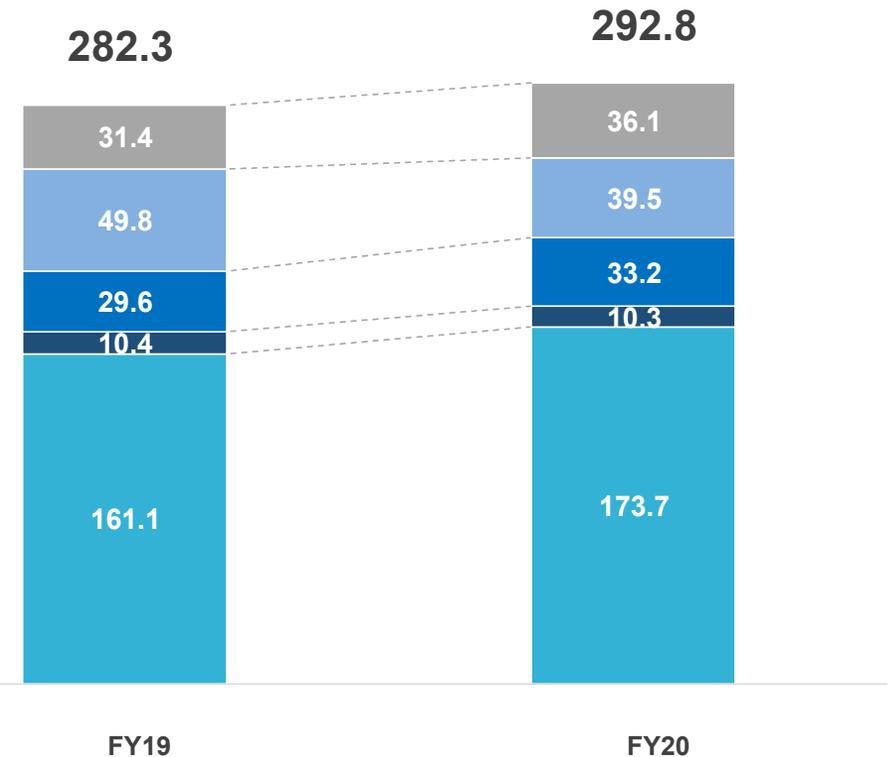
(Unit: ¥1 billion)



Liabilities and Net Assets

- Net Assets
- Other current liabilities
- Note and accounts payable,trade
- Other Long-term liabilities
- Interest-bearing debt

(Unit: ¥1 billion)





FY2021 Consolidated Earning Forecast

Upward revision of net sales and operating profit in the mid-term management plan

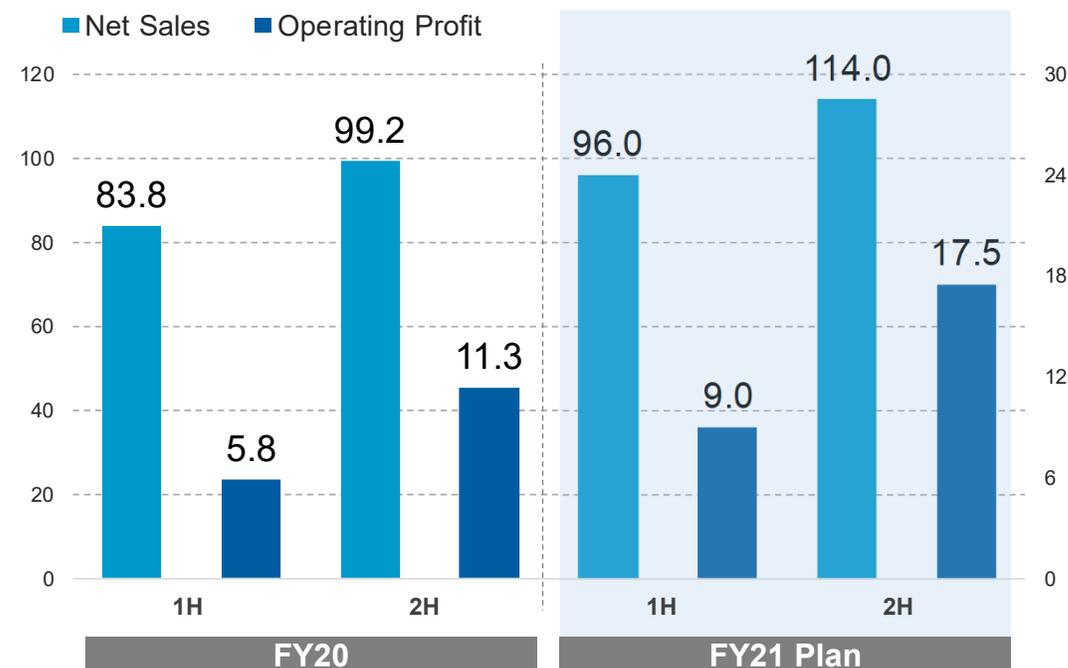
● **Net sales : ¥190 billion→¥210 billion, Operating Profit : ¥23.5 billion→¥26.5 billion**

- Orders Received: Plan for significant YoY increase planned mainly in semiconductors, electronics, and FPD
- Net Sales: Plan for significant YoY increase due to increased orders
- Operating Profit: Plan for increase YoY due to higher sales and improved profit margin, etc.; operating profit margin of 12.6%

	FY2020	FY2021 Plan		
	Actual	1H	Full Year (20/8 Plan)	YoY
(Unit: ¥1 billion)				
Orders Received	198.9	107.0	230.0	31.1
Net Sales	183.0	96.0	210.0 (190.0)	27.0
Operating Profit	17.2	9.0	26.5 (23.5)	9.3
Operating Profit Margin	9.4%	9.4%	12.6%	3.2pt
Net Income	14.8	6.5	18.0	3.2
To net sales ratio	8.1%	6.8%	8.6%	0.5pt

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

(Unit: ¥1 billion)



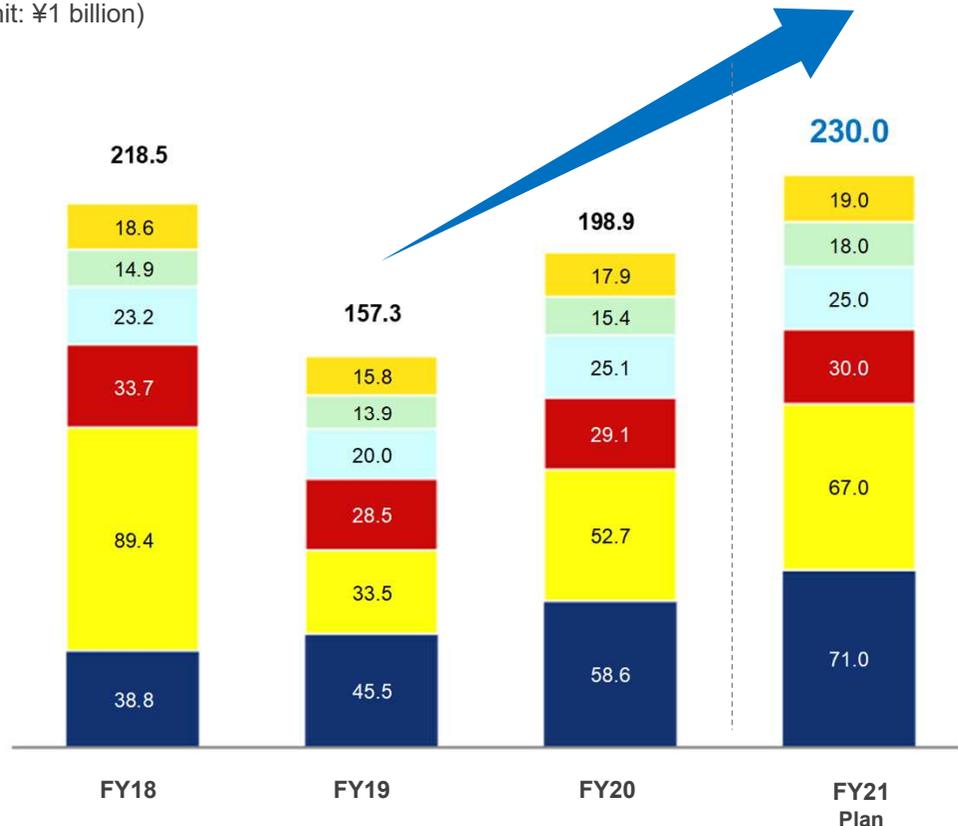
Sales revised upward

- Orders increased after FY 2019, and are expected to increase to ¥230 billion in FY 2021, mainly in semiconductors, electronics, and FPD.
- Net sales increased after FY 2020, and the plan for FY 2021 was revised upward from ¥ 190 billion to ¥ 210 billion.

Orders received



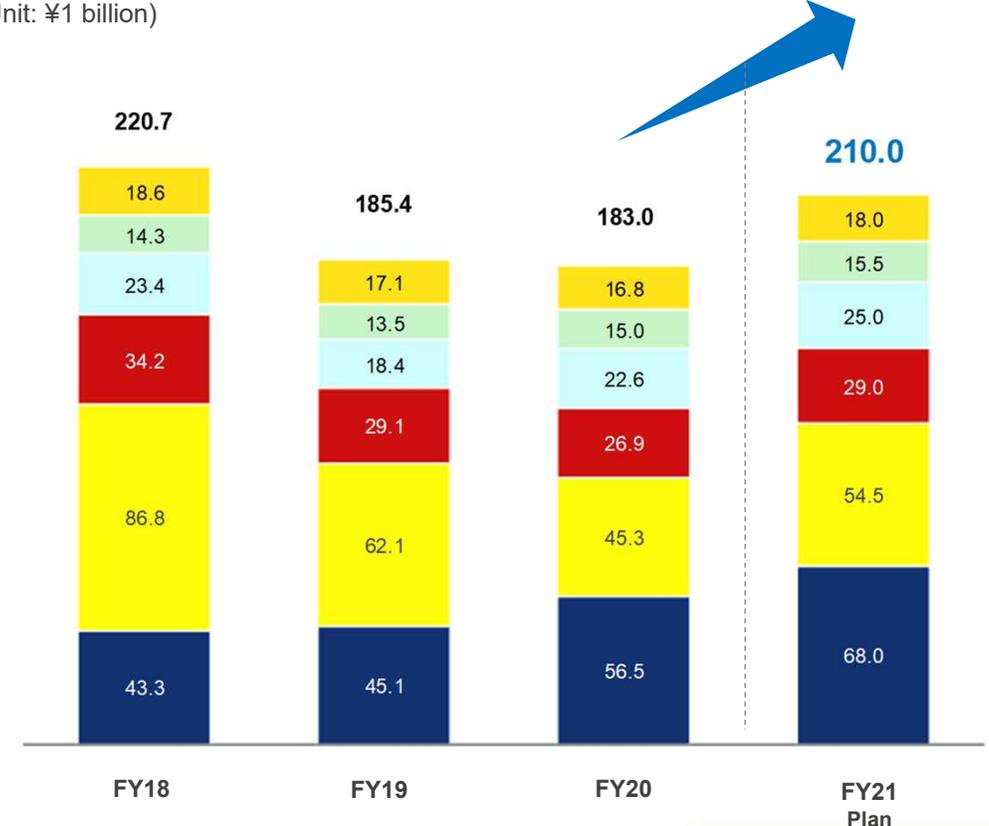
(Unit: ¥1 billion)



Net sales



(Unit: ¥1 billion)



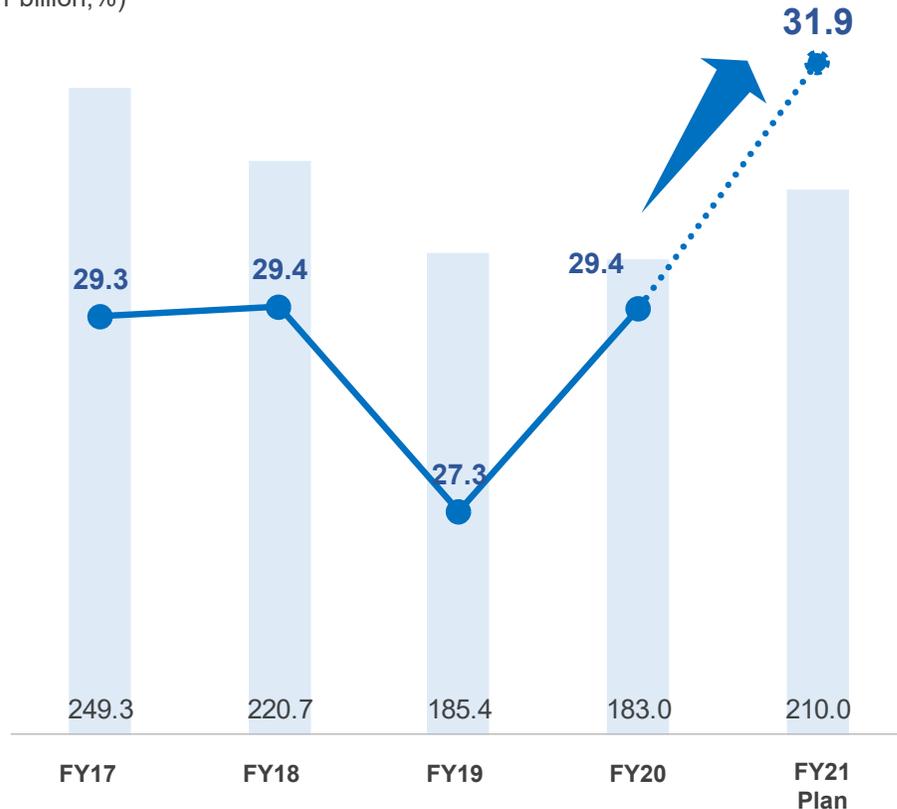
Profit margin planned to improve significantly by strengthening manufacturing capabilities

- Both gross profit margin and operating profit margin are planned to improve significantly by strengthening manufacturing capabilities, improving productivity, and increasing sales

Gross Profit Margin

Net Sales Gross Profit Margin

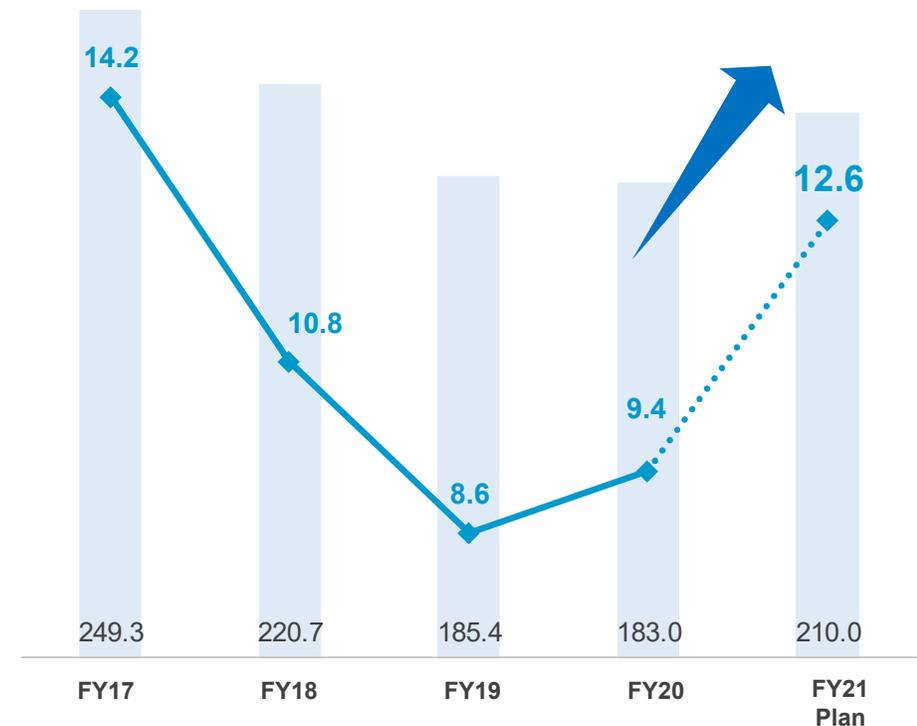
(Unit: ¥1 billion,%)



Operating Profit Margin

Net Sales Operating Profit Marg

(Unit: ¥1 billion,%)



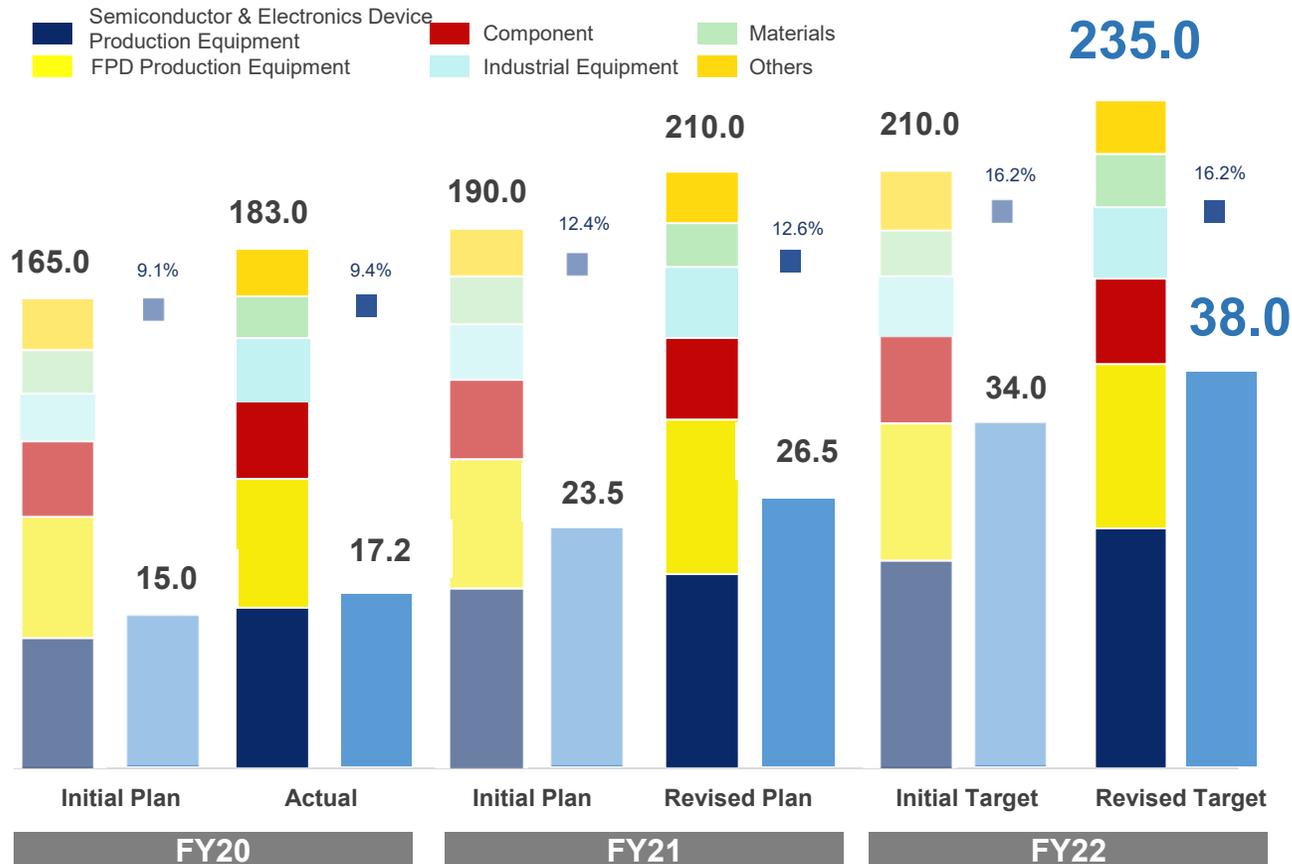


Upward Revision of Mid-term Management Plan

Upward Revision of Mid-term Management Plan

- Upward Revision of Mid-term plan : FY22 sales ¥210 billion→¥235 billion, operating profit ¥340 billion→ ¥ 380 billion
- R&D investment increased by ¥15 billion in response to the expected expansion of investment in the semiconductor electronics and FPD-related businesses and correspondence to the technological innovation.

Net Sales • Operating Profit (Margin) (Unit: ¥1 billion)



Main reasons for upward revision

Semiconductors and electronics leading the growth
FPD also strong

Semiconductor

Increased investment in logic, foundries and memory.
Logic business entry increases opportunities for other processes

Electronics

Active investment in power, optical, and communication devices in Japan and China

FPD

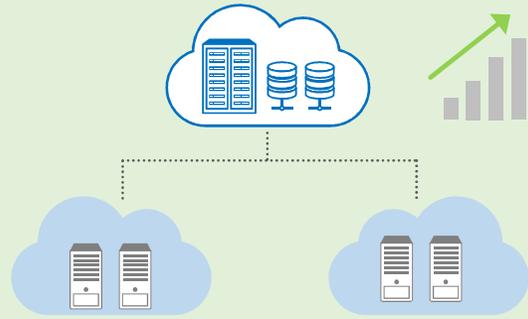
Continuous investment in LCDs, small- and mid-sized OLEDs
Large substrate OLED investment

Profit plan

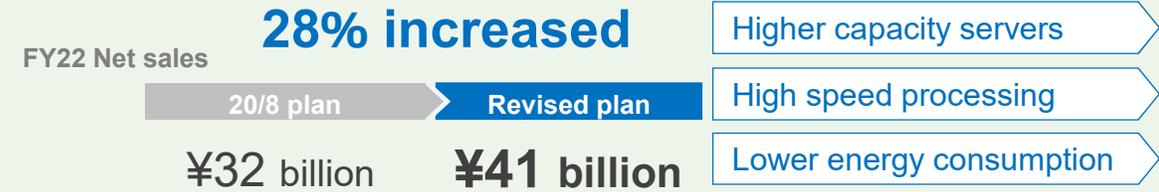
Upwardly revised profit plan due to improved profit margins from manufacturing reforms and increased sales even after upwardly revising R&D investment for growth.

Growth by contributing to the resolution of social issues (Semiconductor/FPD sales increased more than planned)

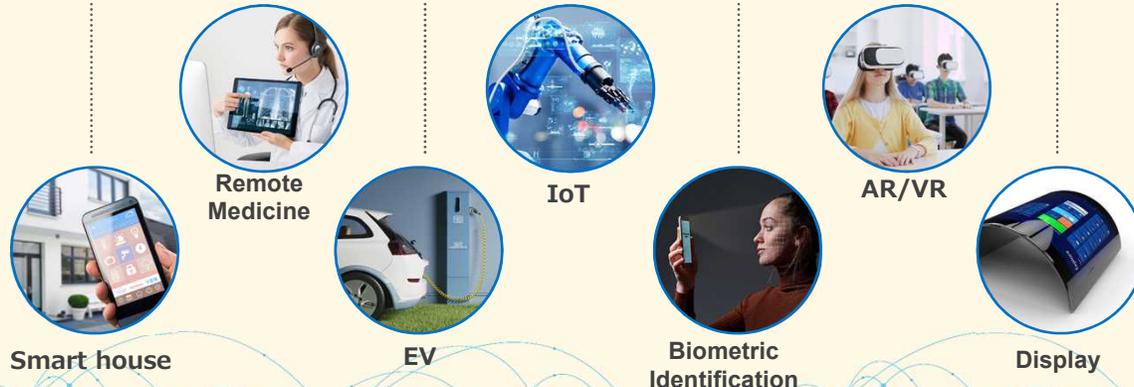
- Investment increased by normalization of remote activities / Promotion of EVs / Expanded use of AI / building regional supply chains



Logic / Memory



Power/ Optical/ Communication Devices/ Packaging/ Sensors



OLED/ LCD/ Battery



Semiconductors aiming to grow faster than market growth

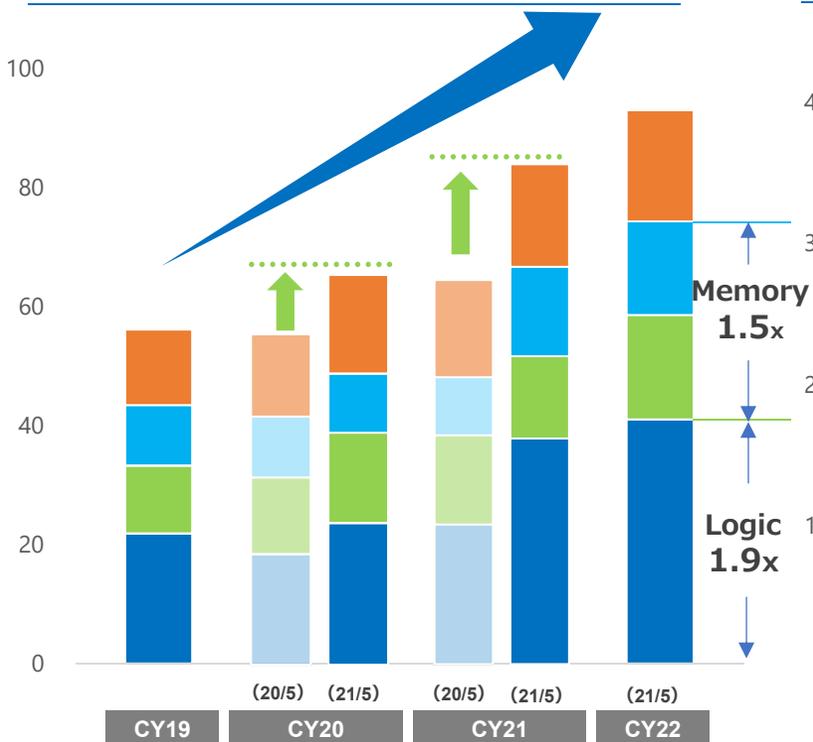
- Aggressive investment plans for both logic foundries and memory (market forecast revised upward, growth forecast until CY22)
- Entry into the logic metal hard mask (MHM) process expanded opportunities to enter other processes, aiming to grow faster than the market.

Semi-equip.

Market Outlook

(Unit: US\$1 billion)

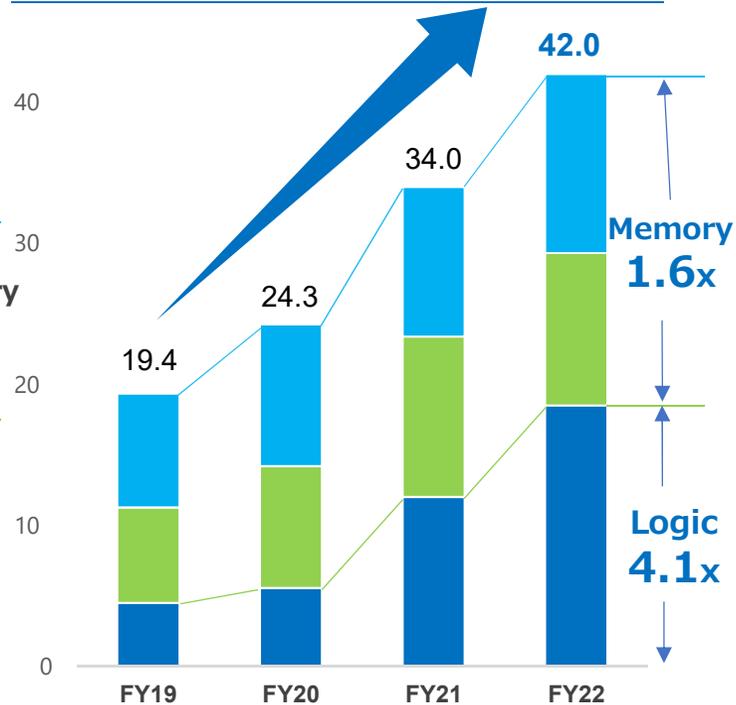
■ Logic ■ NAND ■ DRAM ■ Others



Order Plan

(Unit: ¥1 billion)

■ Logic ■ NV Memory ■ DRAM



Logic/ Foundry

- Increased data volume and speed, expansion of application areas, increased investment in regional supply chains, etc.
- More than 70% of logic investment is related to EUV
- Increase in MHM process due to miniaturization
- More opportunities to enter other processes
⇒ Plan to exceed higher level than market growth

Memory

- Memory investment will also increase due to investment in data centers and expansion of application scope and enhancement of functionality.
- PCRAM investment in the later half of the plan period is expected as leading-edge customers develop their markets.

Source : SEMI

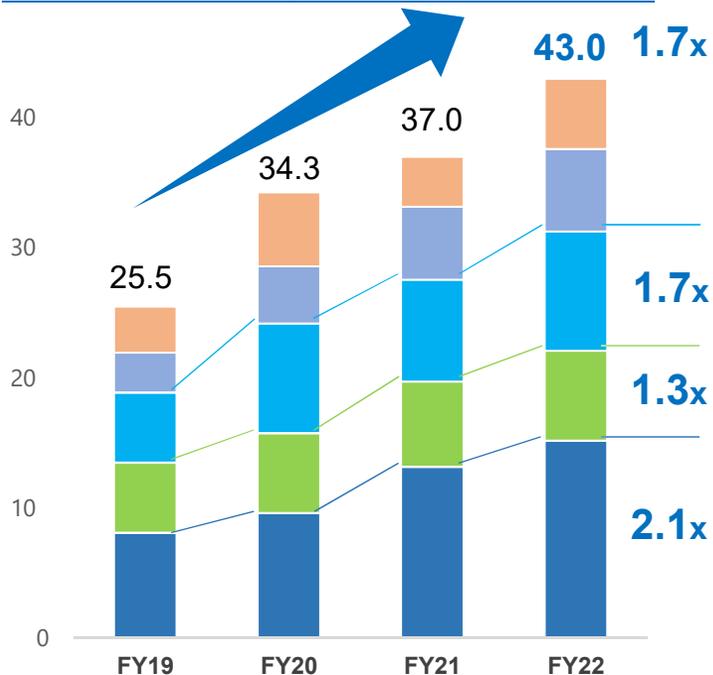
Electronics growth mainly in China, also in Japan and Taiwan

- Active investment in power devices, optical-devices, communication devices, etc. in Japan and China
- Particularly in China, investment in power devices and optical-devices for AR/VR is becoming more active, partly due to the government's policy of domestic production.

Order Plan (by segment)

(Unit: ¥1 billion)

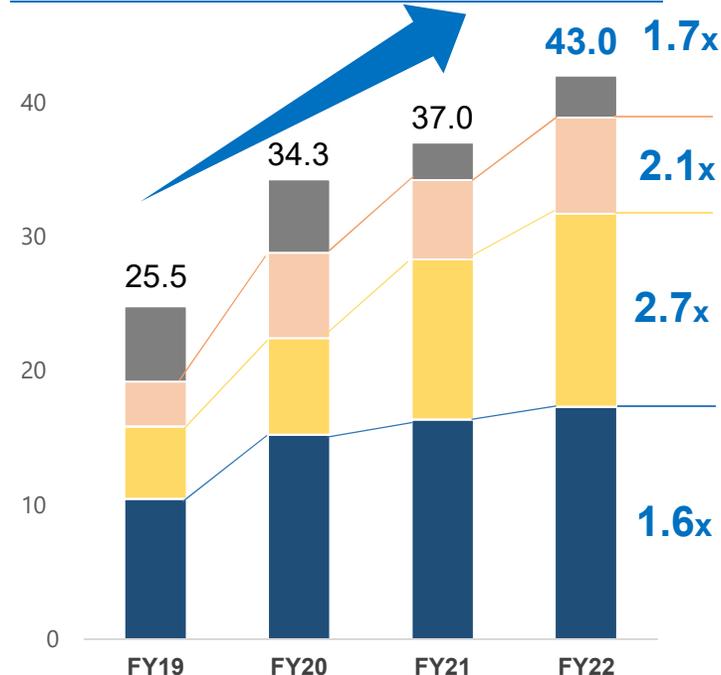
- Power Device
- Communication Device
- Electronic Device(MEMS)
- Optical Device
- Packaging



Order Plan (by area)

(Unit: ¥1 billion)

- Japan
- China
- Taiwan
- Others



Power device

- Japan: Active capital investment to increase production capacity/ Growth mainly in back electrode sputtering equipment for IGBTs
- China: Many new entrants due to nationalization policy and local government support/ China's investment is active, especially in SiC/ Ion implanter (superiority in temperature change adjustment) having high market share
Expand sales of deposition equipment for low-end power semiconductors (high throughput) / High-cost competitiveness through local production

Optical-device

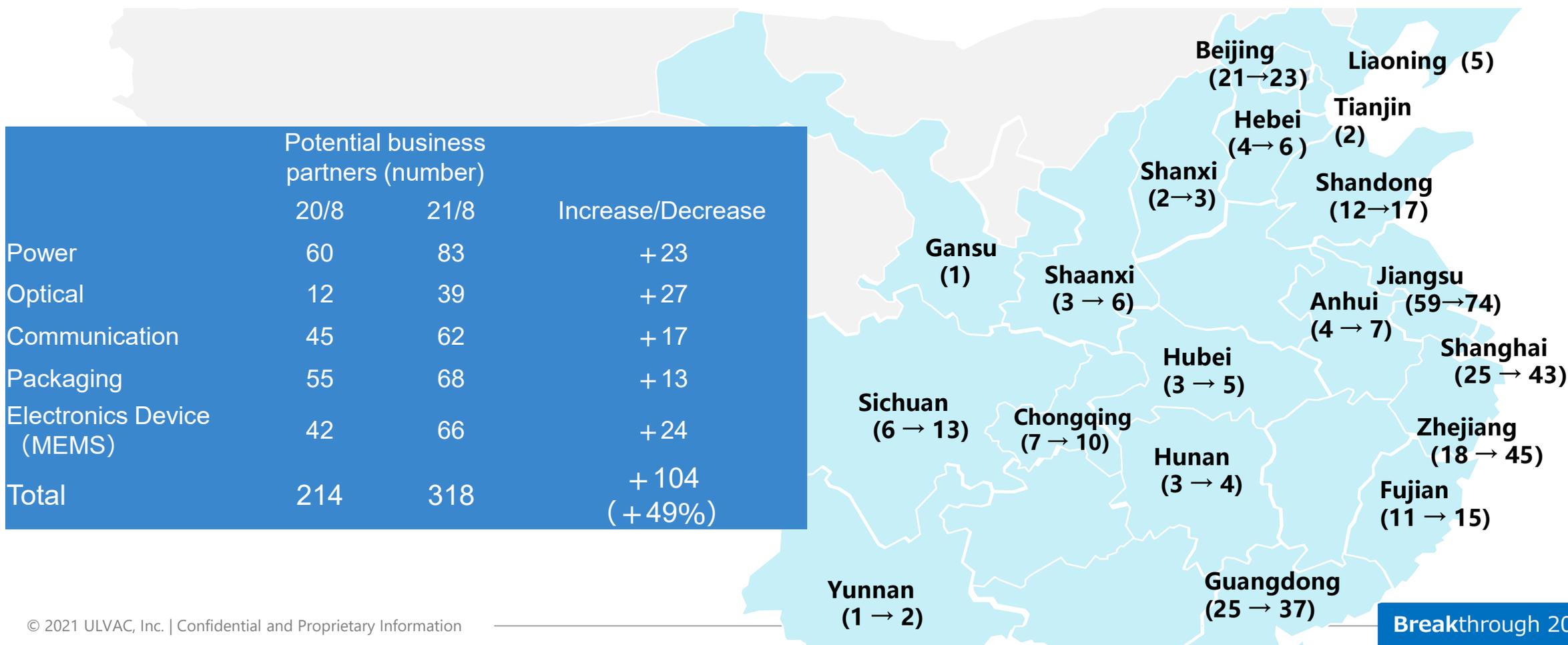
- Japan: Increased investment in μ OLEDs for AR/VR
- China: Expanding investment in μ OLEDs for 3D sensors, automotive displays, and AR·VR/ Differentiation by low particle, large size and distortion processing, compound material processing, etc.

Communication device

- Japan: Expanding investment for SAW/BAW filters in line with the full-scale popularization of 5G smartphones

Increasingly active electronics investment in China

- The nationalization policy and the local government support stimulate investment in the electronics sector, especially in coastal areas.
- Strengthening technical sales capabilities by dispatching sales engineers from Japan to expand the network in China
- Business negotiations increased in a wide range of fields such as power device, optical-device, communication devices and packaging

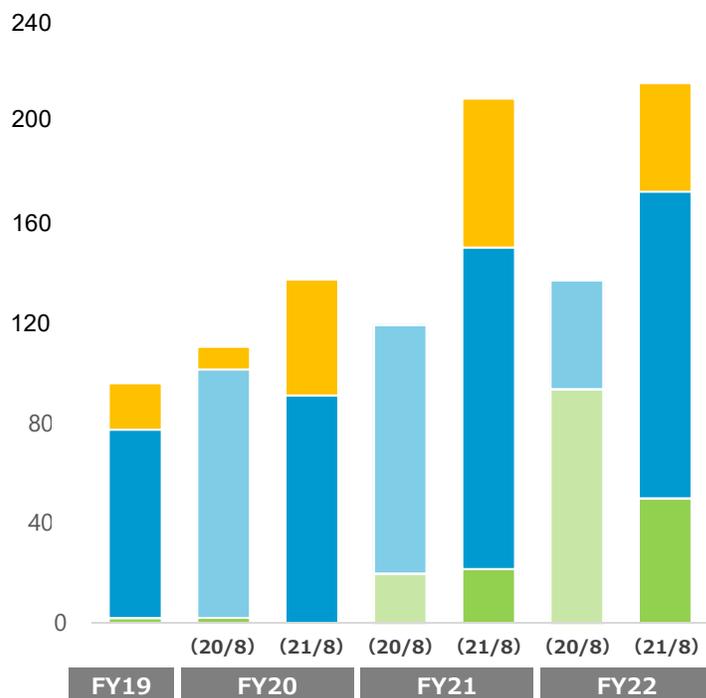


- Significant increase in FPD investment due to panel demand caused by stay-at-home (continuous investment in LCD), and accelerated shift to OLED
- In addition to mobile applications, the shift to OLEDs is expanding to IT panels for tablets, PCs, medical, automotive, and game applications.

FPD equips. Market Outlook

(Evaporation, Sputtering) (Unit: ¥1 billion)

■ Large OLED ■ S-Mid OLED ■ LCD

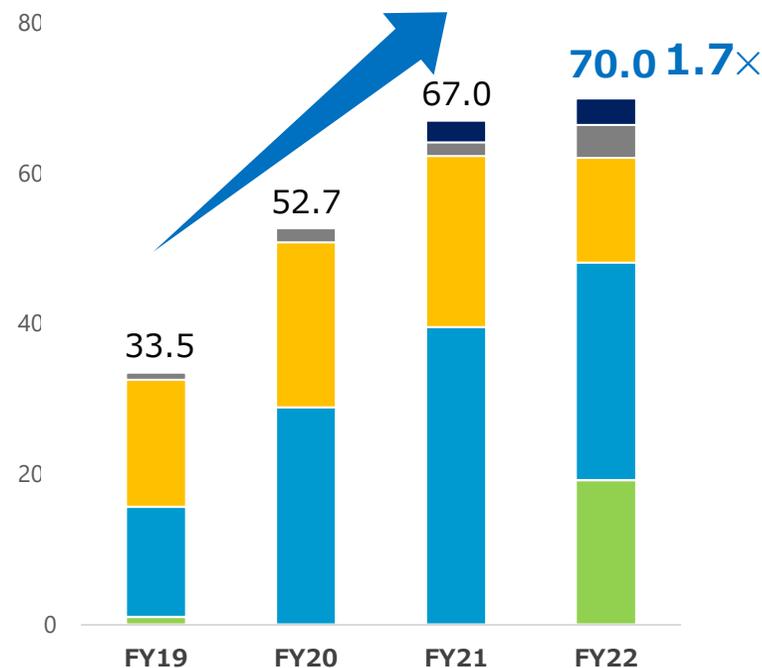


Source : Company Forecast

Order Plan

(Unit: ¥1 billion)

■ Large OLED ■ S-Mid OLED ■ LCD
■ Capacitors, Battery ■ Other



LCD

- Increase in LCD panel demand for tablets and PCs due to stay-at-home demand
- Increase in demand for large-sized TV panels due to subsidies in various countries
⇒ Large LCD investment continues mainly in China
- Maintaining No. 1 market share by further improving product competitiveness of large equipment

OLED

- Progress in OLED for high image quality, lightweight and thin mobile tablets
- OLED in IT panels ⇒ Development of large substrate mass production by major Korean and Chinese companies
- Respond to large substrate OLED mass production by leveraging strengths in large substrate sputtering equipment, transport technology, and high-definition support

Roll to Roll equipment

- Responding to the demand for smaller and larger capacity automotive batteries (full-scale growth expected from FY23) (Capacitors: High market share by high functionality RtoR)

- Strengthening stable business base in cooperation with our equipment business

Market environment

- Expansion of semiconductor, electronics, FPD and other equipment markets (especially in China)
- Shifting from LCD to OLED

Components



ULVAC's Advantage

- Providing products that meets the needs of equipment manufacturers through collaboration with our equipment business
- Cryogenic pump: **Nearly 100% share** of the OLED market, thanks to its anti-vibration function, exhaust performance, and long-term reliability

Growth strategy

- Sequential introduction of new products such as **Dry pumps, Helium leak detectors, and DC power supplies**
- Market development for cryogenic pumps in the semiconductor and electronics fields in addition to OLEDs and LCDs

Materials



- Metal Target for FPD (Cu, Al, Ti), IGZO: **No.1 share**
- Accumulated technology in powder metallurgy
- Integrated proposal of equipment, processes and materials

- Sales expansion of Sintered targets (W, WSi, etc.) and Metal targets(Al, Ti) for semiconductor-electronics
- **Expanding sales of IGZO** for high resolution

Customer Support



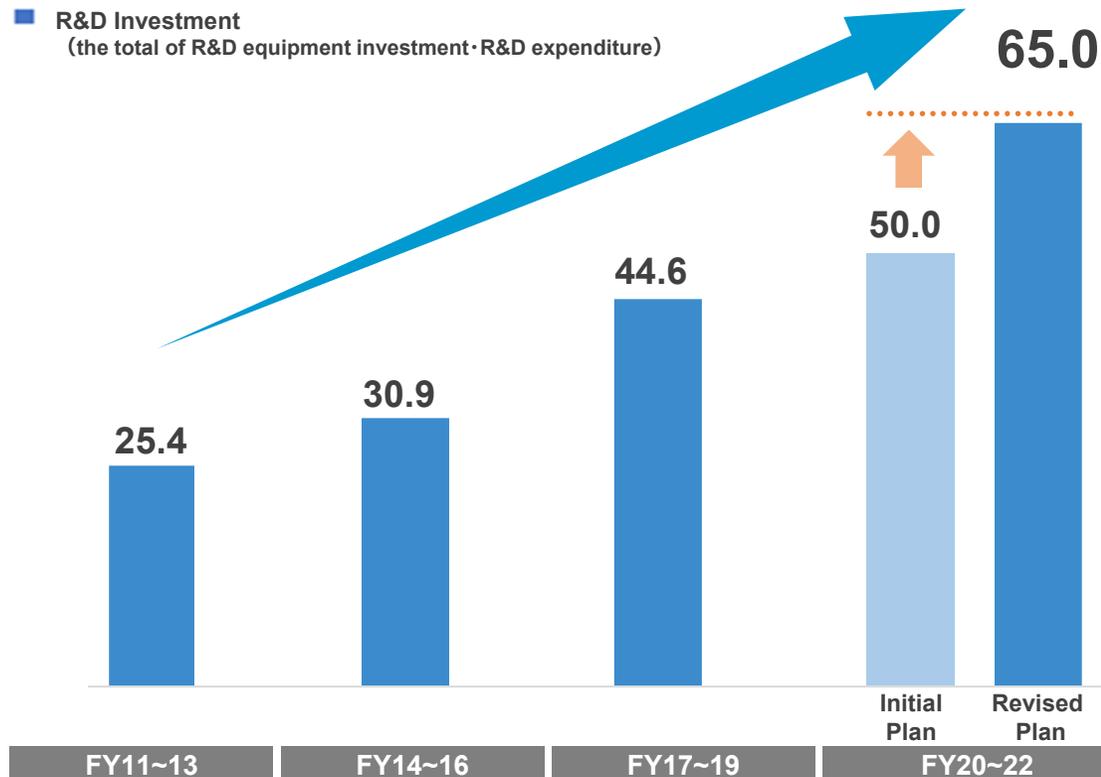
- Networks in East Asia
- **Approximately 9,000** existing devices
- Cooperation with our equipment sales

- **Expanding stable business base** such as maintenance, surface treatment, cleaning, and parts sales in cooperation with equipment sales (especially in China)
- **Expanding CIP business** (correspond to FPD application change, etc.)

- Thoroughly implement “Selection and Concentration” in R&D.
- In addition to the joint development of semiconductor·electronics business, R&D investment strengthened in response to the shift to larger OLED substrates, etc.
- R&D investment of FY20~FY22 increased from ¥50 billion to **¥65 billion**

Actual and forecast R&D investment

(Unit: ¥1 billion)



- Laboratory Integration
- Shift to product development
- Strengthen global development system
- Sharing customer's technical roadmap



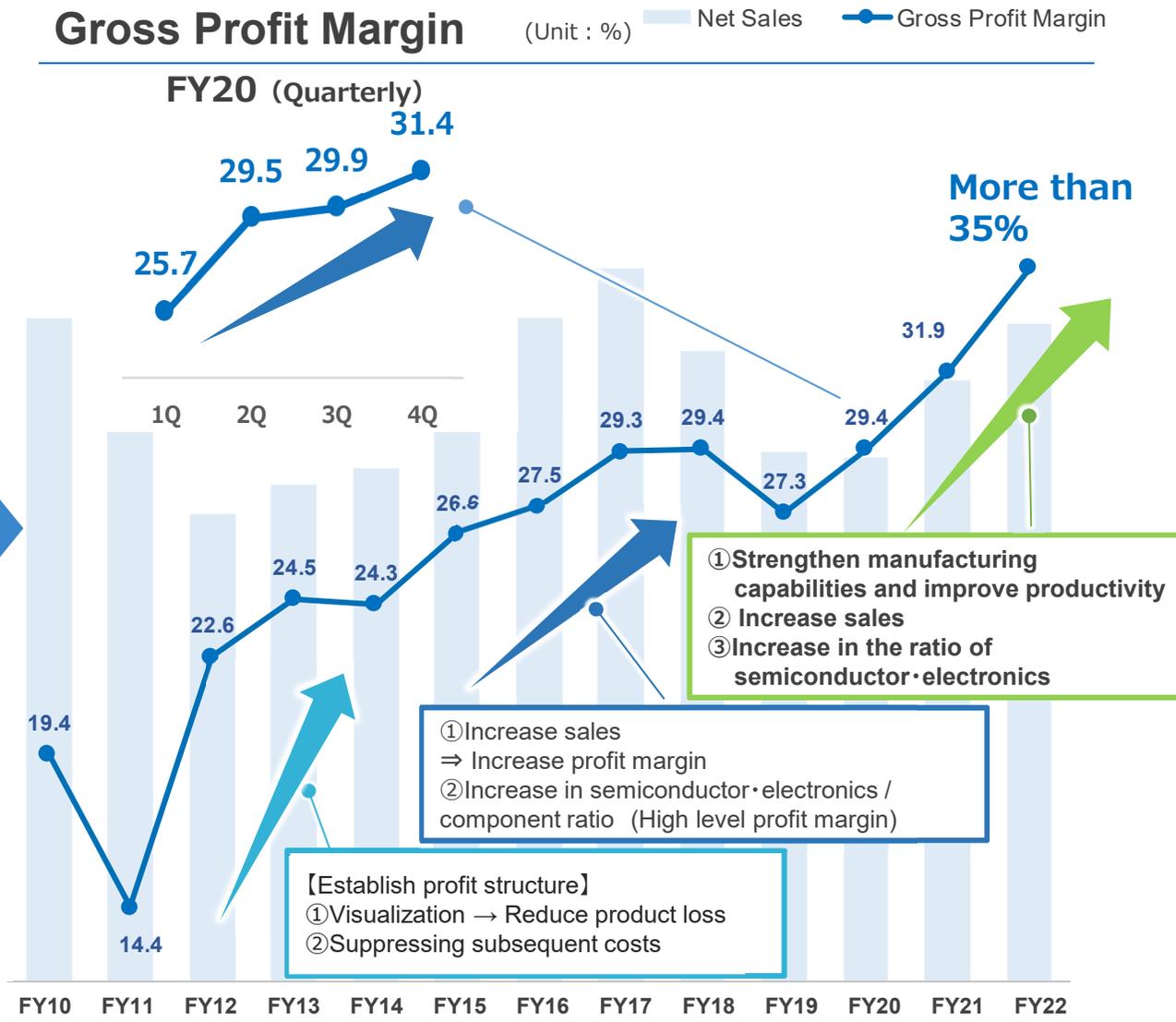
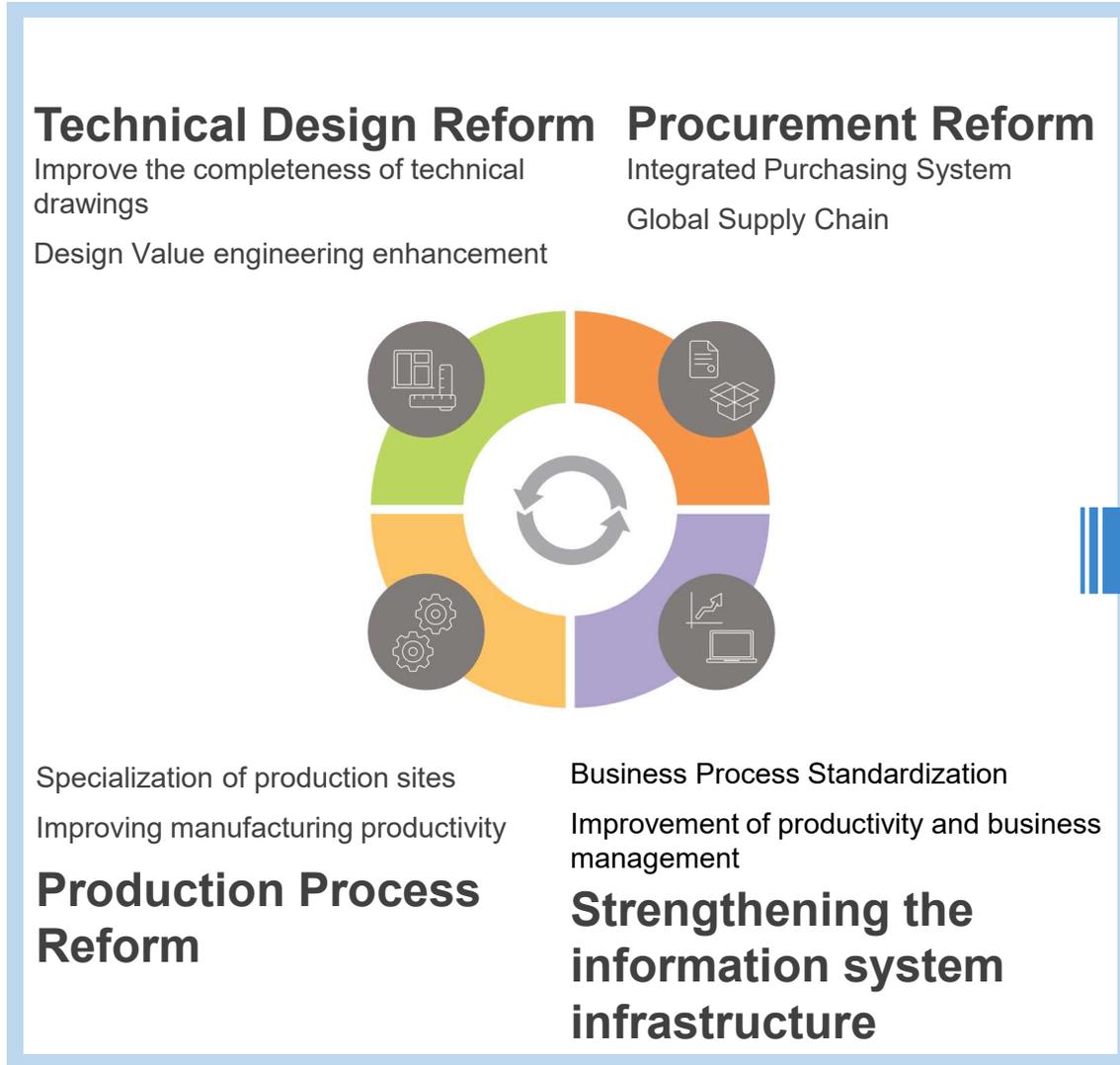
Selection and Concentration

- Semiconductors: Increase joint development of logic and memory
- Electronics: 5 main fields (improvement of modules, response to the China market)
- FPD: Correspond to larger substrates
- Components: New dry pumps and DC power supplies

⇒ **Increase development projects in response to technological innovation**

Profit margin improved by strengthening manufacturing capabilities

Steady improvement in gross profit margin by strengthening manufacturing capabilities



Progress of Medium-term Management Plan (Summary)

	Mid-term Management Plan Activities		Evaluation of results and progress	
<p>Strengthening the Growing Business</p> <p>Strengthening Research and Development</p>	Semiconductor	<ul style="list-style-type: none"> • New entry into logic miniaturization process • Memory investment resumed, new process entry 	<ul style="list-style-type: none"> • Aggressive investment plans for both logic and memory • Increase in orders for MHM process + development of other processes 	
	Electronics	<ul style="list-style-type: none"> • Expand proposed equipment through modularization • Strengthen development, sales, and support systems in China 	<ul style="list-style-type: none"> • Active investment in power, optical, communication devices, etc. ⇒ Increased orders mainly in Japan and China • Expansion of equipment proposals through modularization ⇒ Release of "Gemini Series" • Strengthen sales and technical support system in China 	
	FPD	<ul style="list-style-type: none"> • Development of large substrate OLED mass production • Conversion to a profitable structure 	<ul style="list-style-type: none"> • Increased orders due to continued LCD investment and shift to OLED • Steady reinforcement of strengthening manufacturing capabilities 	
Strengthening of manufacturing capabilities	<ul style="list-style-type: none"> • Promoting production reform on all processes from engineering and design to the production system → Improvement of profit margins by improving productivity 		<ul style="list-style-type: none"> • Steady implementation of various measures ⇒ Steady improvement in profit margin (see previous page) 	
Enhancing Group Management Efficiency	<ul style="list-style-type: none"> • Business Unit Management Promotion • Strengthening the management of group companies that have their own products 		<ul style="list-style-type: none"> • Integration of Korean Group Companies • Promotion of management reform 	
Strengthening of the financial base	<ul style="list-style-type: none"> • Human resource development and revitalization 		<ul style="list-style-type: none"> • Introduction of new personnel system • Development of next-generation leaders 	
	<ul style="list-style-type: none"> • Strengthen information system infrastructure 		<ul style="list-style-type: none"> • Maintenance and implementation of various systems to improve productivity 	
	<ul style="list-style-type: none"> • Strengthen financial base 		<ul style="list-style-type: none"> • ROE: 7.1%→ 9.2% • Equity ratio: 57.0% 	



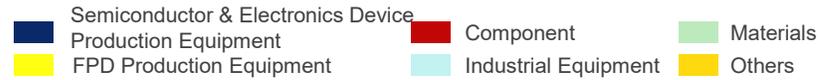
Appendix

Consolidated Financial Results (Quarterly)

(Unit: ¥1 billion)	FY2019					FY2020					YoY
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year	
Orders Received	35.2	36.8	47.3	37.3	156.6	31.2	59.8	42.1	65.8	198.9	27.0%
Net Sales	46.8	50.0	45.7	42.9	185.4	36.6	47.3	44.7	54.5	183.0	-1.3%
Gross Profit	12.1	13.6	13.7	11.2	50.6	9.4	13.9	13.4	17.1	53.8	6.3%
Gross Profit Margin	25.8%	27.2%	30.0%	26.1%	27.3%	25.7%	29.5%	29.9%	31.4%	29.4%	2.1pt
SG&A	7.2	10.1	8.9	8.4	34.6	8.4	9.1	9.0	10.1	36.6	5.6%
Operating Profit	4.9	3.5	4.8	2.8	16.0	1.0	4.9	4.3	7.0	17.2	7.8%
Operating Margin	10.5%	7.0%	10.5%	6.4%	8.6%	2.7%	10.3%	9.6%	12.9%	9.4%	0.8pt
Net Income	3.4	4.3	3.2	-0.2	10.8	0.3	4.2	3.7	6.6	14.8	37.7%
To net sales ratio	7.4%	8.7%	7.0%	-0.5%	5.8%	0.9%	8.9%	8.3%	12.0%	8.1%	2.3pt

Sales by Segments (Quarterly)

Orders received



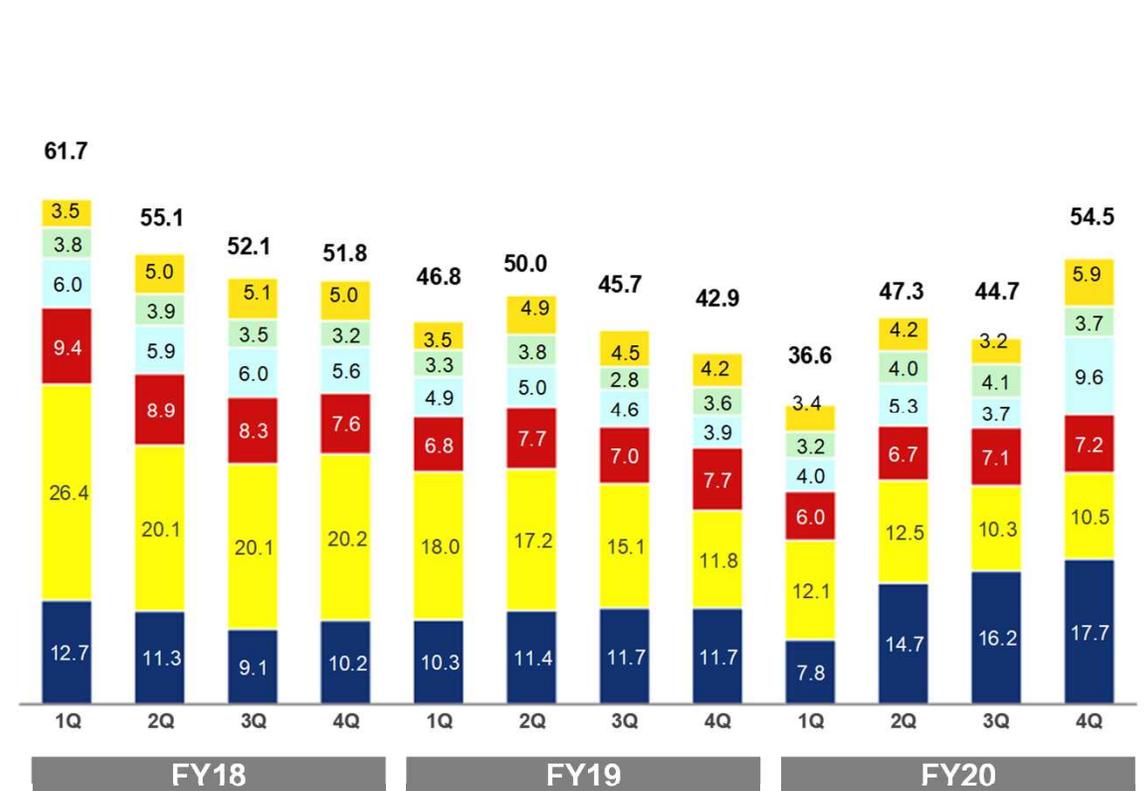
(Unit: ¥1 billion)



Net sales



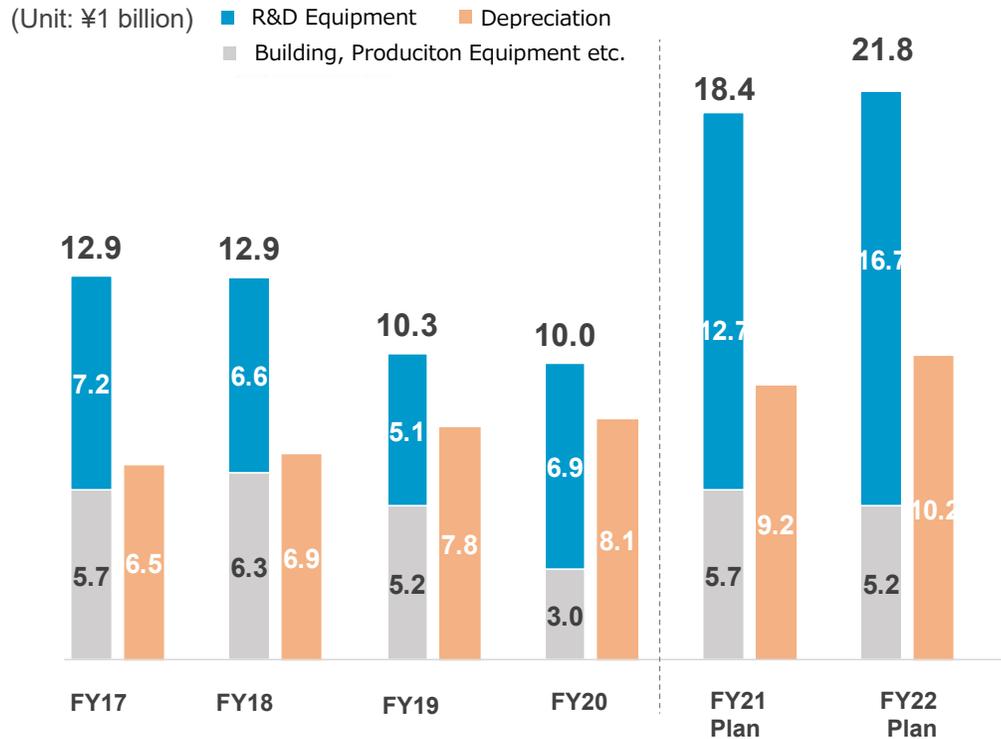
(Unit: ¥1 billion)



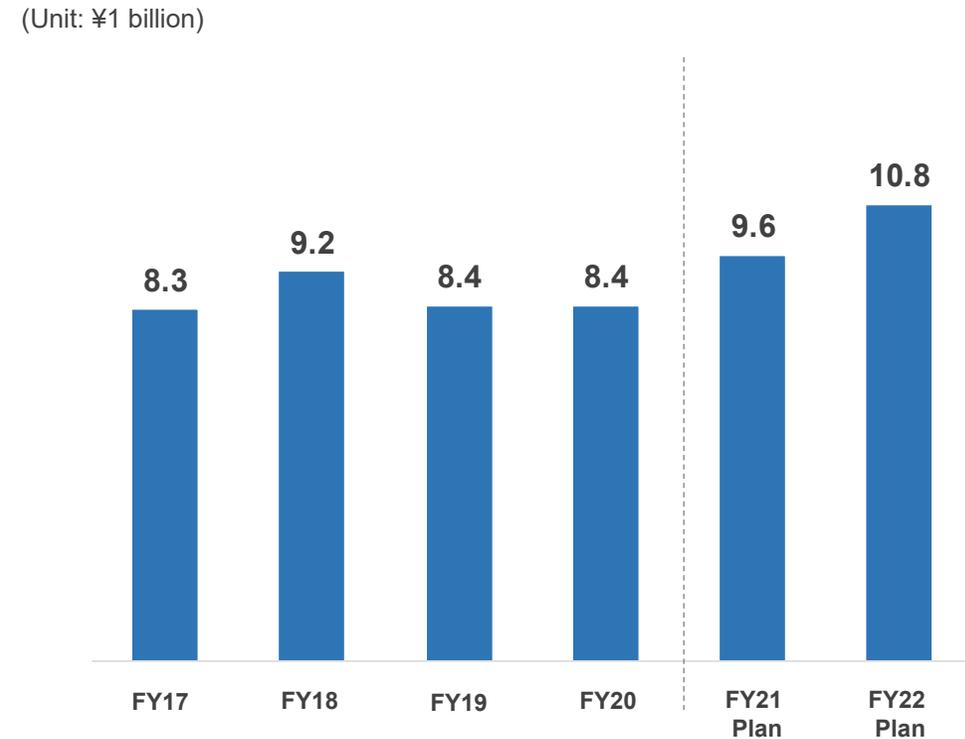
Capital Expenditures and R&D Expenses

- R&D investment (R&D capital investment + R&D expenses) of FY20~FY22 increased from ¥ 50 billion to ¥ 65 billion

Actual and forecast capital expenditures



Actual and forecast R&D expenses



Coronavirus vaccination at Chigasaki Head Office/ Plant (for Chigasaki citizens)

Based on the government's policy to promote vaccination against new strains of coronavirus in workplaces, the Chigasaki Head Office and Plant started vaccination at workplaces and conducted mass vaccination for Chigasaki citizens as part of our contribution to the community. The project was realized through a three-way collaboration with the cooperation of the Shonan Eastern General Hospital of the Koshinkai Medical Corporation, in response to the vaccination project for residents being promoted by Chigasaki City.



Through this initiative, Chigasaki City, Shonantobu General Hospital, and ULVAC will contribute to the early resolution of the new coronavirus infection.

Certified by the Ministry of Economy, Trade and Industry as one of the " H&PM Organization Recognition Program " for the fourth consecutive year

*Health and Productivity Management

"We are promoting health management with the goal of "improving human power" in order to achieve a state where people can have dreams, enjoy their work, and have fun going to work.

"H&PM* Organization Recognition Program" certified:
ULVAC, Inc. (four consecutive years)



"H&PM* Organization Recognition Program"
Certified in Small and Medium-Sized Corporate Sector:

- ULVAC EQUIPMENT SALES, Inc. (three consecutive years)
- ULVAC-PHI, Inc. (two consecutive years)
- ULVAC TECHNO, Ltd. (two consecutive years)
- Tigold corporation
- ULVAC Health Insurance Association



ULVAC Vacuum Technology Contributes to Many Industries and Applications



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