

# **FY2008 First Half Business Result (Year Ending June 30, 2009)**

**ULVAC, Inc.**

**16<sup>th</sup> February 2009**

## ◆ Disclaimer regarding forward-looking statements

Forward-looking statements of the company in these presentations are based on information available at the time these documents were prepared. Ulvac's customers in the flat-panel display (FPD), semiconductor, and electronic parts industries face the challenge of the rapid pace of technological advances and fierce competition. Consequently, actual earnings may vary substantially from the projections included in these presentations due to a number of factors that could cause, directly or indirectly, performance to fluctuate. The factors that could cause results to differ materially from the statements herein include the world economy; fluctuations in the exchange rate; market conditions for flat-panel displays, semiconductors, and electric devices; and trends in capital investments.

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

Figures are rounded off to the nearest unit, and rates are rounded off to the nearest unit after being determined in millions of yen

- 
- **Performance Summary for the Fiscal Year  
Ending 09/6 (1<sup>st</sup> Half)**
  - **Prospects for the Fiscal Year Ending 09/6**

***Hidegori Suwa, President and CEO***

# Summary of 09/6 1<sup>st</sup> Half

[Unit:100 million Yen]

	09/6 1H		Vs.Plan (Changes)
	Plan (Revised Nov13)	Result	
Booking	1,350	1,149	-15%
Sales	1,190	1,081	-9%
Operating Profit	24	38	57%
Net Income	-10	14	-

# Sales performance by Segment

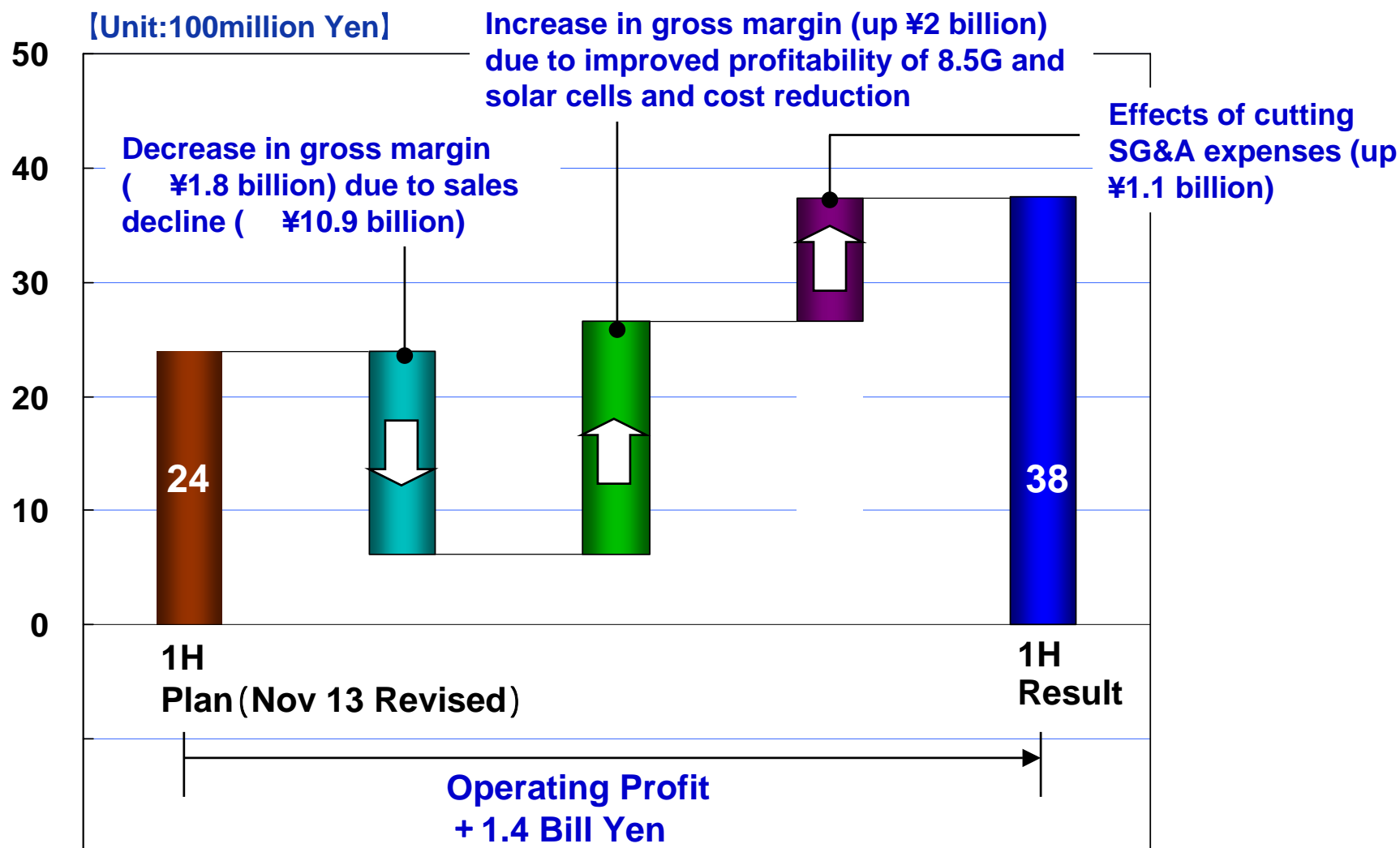
[Unit:100million Yen]

Segment		09/6 1H			
		Plan	Results		Main variable factors
			Sales	Changes	
Vacuum related	Display and Electric Device Production Equipment	597	540	-10%	LCD related shipments to Taiwan were put off and deferred to the second half.
	Semiconductor Production Equipment	98	89	-9%	This is due to deferrals and freezes of capital spending related to memory.
	Component	137	122	-11%	Postponed capital spending related with LCD weighed on sales of pumps, etc.
	Others	93	80	-14%	This is due to deferrals and freezes of spending related to automobiles.
Other Business		265	250	-6%	Cut-down in sales related to materials due to production cutback of FPD related products such as LCD.
Total		1,190	1,081	-9%	

Remarks:

Figures included above are rounded off to the nearest unit and may not coincide with the total.

# Analysis of Changes in Operating Income



# Balance Sheet (Assets)

[Unit:100million Yen]

	08/6 1H (Reference)	08/6	09/6 1H	Changes
<b>Current Assets</b>	<b>2,012</b>	<b>1,866</b>	<b>2,278</b>	<b>413</b>
<b>Fixed Assets</b>	<b>1,148</b>	<b>1,165</b>	<b>1,214</b>	<b>49</b>
Property, plant and equipment	<b>930</b>	<b>938</b>	<b>1,000</b>	<b>62</b>
Intangible assets	<b>35</b>	<b>38</b>	<b>37</b>	<b>1</b>
Investments	<b>183</b>	<b>189</b>	<b>176</b>	<b>12</b>
<b>Total assets</b>	<b>3,160</b>	<b>3,031</b>	<b>3,492</b>	<b>461</b>

## Assets: Up ¥46.1 billion

**Current assets : Up ¥41.3 billion**

◆Inventory(Up ¥28.2 billion (due to an increase in account payable related with FPD production equipments))

**Fixed assets : Up ¥4.9 billion**

◆Tangible fixed assets Up ¥6.2 billion

(Second phase of redesign of the Chigasaki plant,construction of a cleaning center in Wakayama,construction of the Chiba Institute for Super Materials, newly consolidated assets, etc.)

[Figures included in the balance sheet are rounded off to the nearest unit and may not coincide with the total.]

# Balance Sheet(Liabilities and Net assets)

[Unit:100million Yen]

	08/6 1H (Reference)	08/6	09/6 1H	Changes
<b>( Liabilities )</b>				
Current liabilities	1,674	1,508	2,013	505
Fixed liabilities	560	604	567	37
<b>Total liabilities</b>	<b>2,234</b>	<b>2,112</b>	<b>2,581</b>	<b>468</b>
<b>( Net assets )</b>				
<b>Total net assets</b>	<b>926</b>	<b>919</b>	<b>911</b>	<b>7</b>
<b>Total liabilities and net assets</b>	<b>3,160</b>	<b>3,031</b>	<b>3,492</b>	<b>461</b>

## Liabilities: Up ¥46.8 billion

- ◆Note payable and account payable : Up ¥25.2 billion (due to an increase in inventory)
- ◆Short-term borrowing: Up ¥29.1 billion

## Net assets: Down ¥0.7 billion

- ◆Net income: ¥1.4billion
- ◆Minority interest: Up ¥2.8 billion
- ◆Appraised and exchange differences : Down ¥5.1 billion (due to currency effects concerning consolidated subsidiaries in Korea and Taiwan)

[Figures included in the balance sheet are rounded off to the nearest unit and may not coincide with the total.]



## Summary for the 2<sup>nd</sup> Q of the fiscal year ending June 2009 (accumulated)

### ■ Orders

- ▶ Sharp decline in semiconductor and LCD related orders at the 2<sup>nd</sup> Q
- ▶ Modest slowdown in orders related to solar cells

### ■ Sales

- ▶ Substantial decline in sales due to shipments of equipment deferred by Taiwanese LCD manufacturers

### ■ Operating results

- ▶ Operating profit: Upward revision due to improvement in profitability of LCD and solar cell-related products
- ▶ Ordinary profit: Substantial decline mainly due to exchange losses caused by yen appreciation (won depreciation)

### ■ Counter-measures

- ▶ Business restructuring
  - ◆ Accelerate the Post FPD Strategy such as solar cell-related business and reconstruction of material business (including target and cleaning)
- ▶ Promote liquidation of man power and emergent development tasks
- ▶ Cut fixed costs (including general, depreciation and personnel expenses and executive compensation)

## Promotion of the Post FPD Strategy (for the 2<sup>nd</sup> Q of the fiscal year ending June 2009 (accumulated))

- **Accelerate the Post FPD Strategy given a substantial decline in capital spending for FPD**
  - ▶ **Equipments for digital electric appliance parts (hybrid module)**
    - ◆ Launch dry etching equipment for mass production of LED  
(Up 40% in productivity compared with existing one)
  - ▶ **Energy / environment related**
    - ◆ Develop the first integrated mass production line technology for thin film secondary lithium cells in the world
    - ◆ Introduce test equipments for solar cells  
~ Agree on a tie-up with TUV Rheinland Japan
  - ▶ **Customer support and OEM production**
    - ◆ Restructure material business
    - ◆ Adopt a new copper alloy target for the new sputtering technology

■ Performance Summary for the Fiscal Year  
Ending 09/6 (1<sup>st</sup> Half)

■ **Prospects for the Fiscal Year Ending 09/6**

***Hidegori Suwa, President and CEO***

# Management Environment

## ■ Positive factors

- ▶ Strong inquiries on solar cell related products and a wait and see stance on the timing of investments
- ▶ Increase in inquiries of LCDs for China
- ▶ Strength in used equipment business (transfer of used lines)

## ■ Negative factors

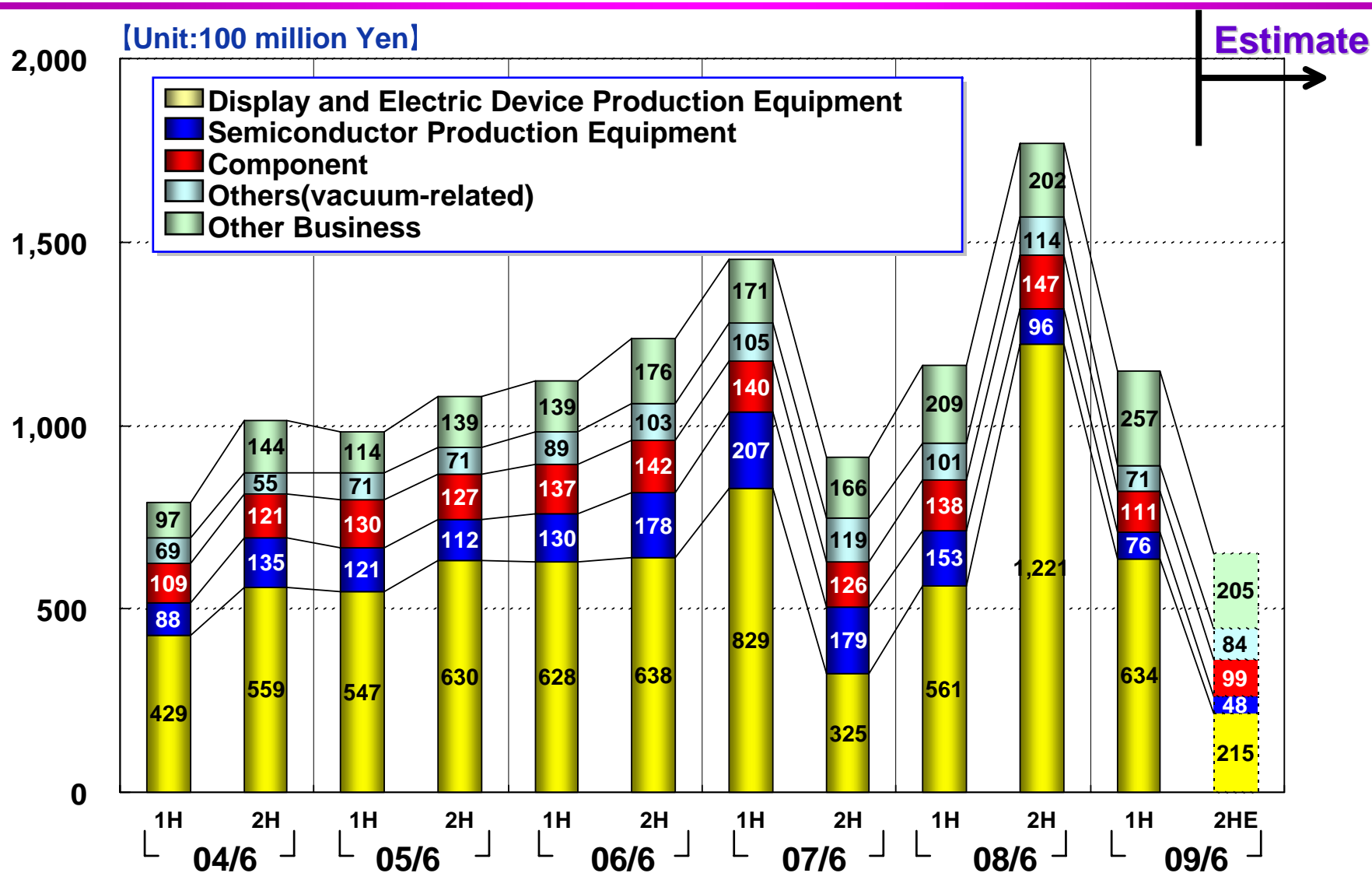
- ▶ Continued deferral of shipments of equipment and substantial production cuts for adjustment of inventory of LCD panels mainly in Taiwan
- ▶ Continued freezes of memory (DRAM and flash) related investment plans
  - Uncertain forecast for restart of shipment and investment plans
- ▶ Weak car sales
- ▶ Modest slowdown in energy devices (LED and power semiconductors, etc.)

# Forecast of 09/6 Full Year

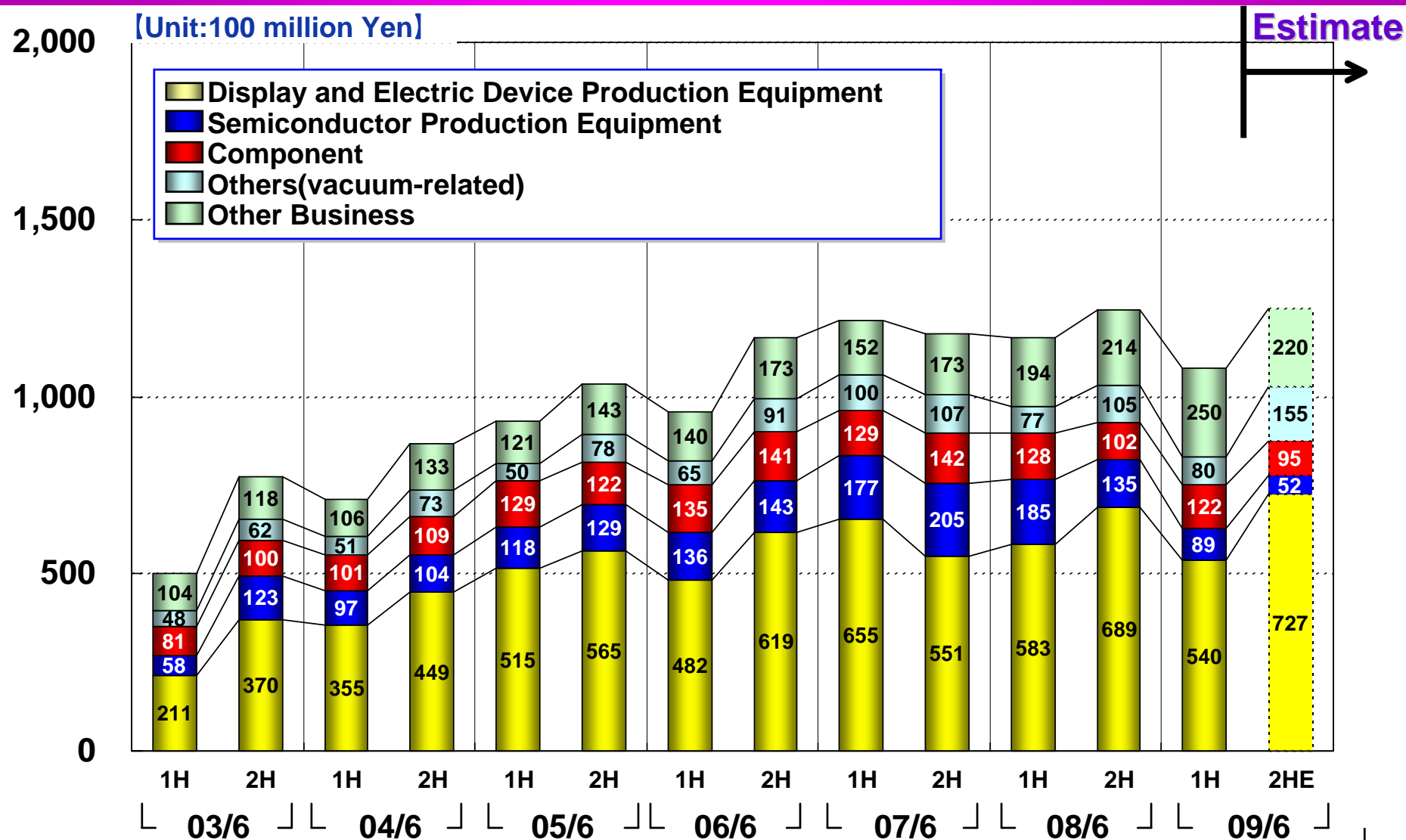
[Unit:100 million Yen]

	Plan ( Nov.13 Revised )	09/6E	Vs.Plan ( Changes )
Booking	2,690	1,800	-33%
Sales	2,675	2,330	-13%
Operating Profit	68	68	-
Net Income	1	1	-

# Transition of Orders received by segment · Estimate

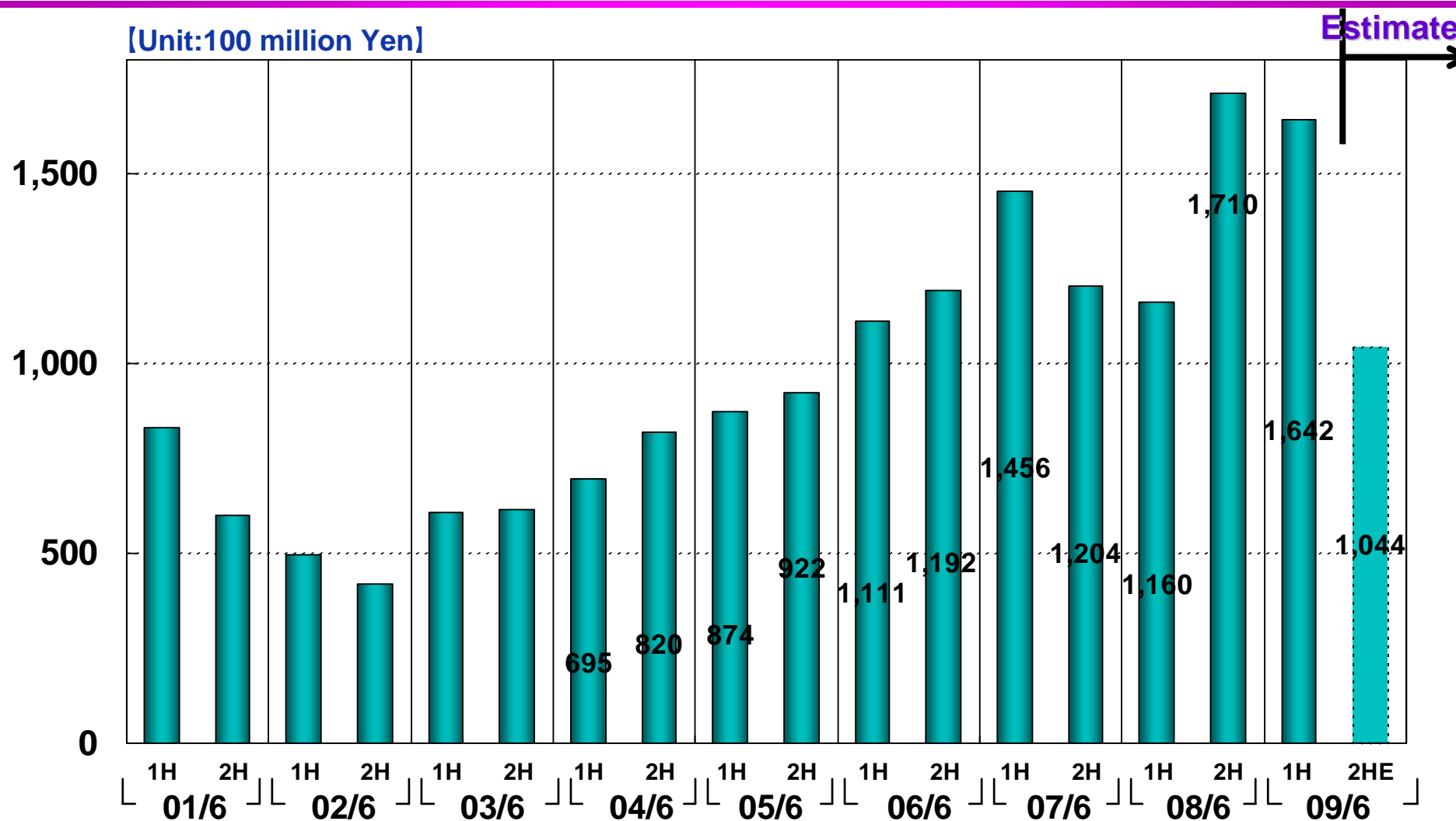


# Net Sales by Segment · Estimate



[Figures are rounded off to the first decimal place]

# Transition of Orders Backlogs · Estimate

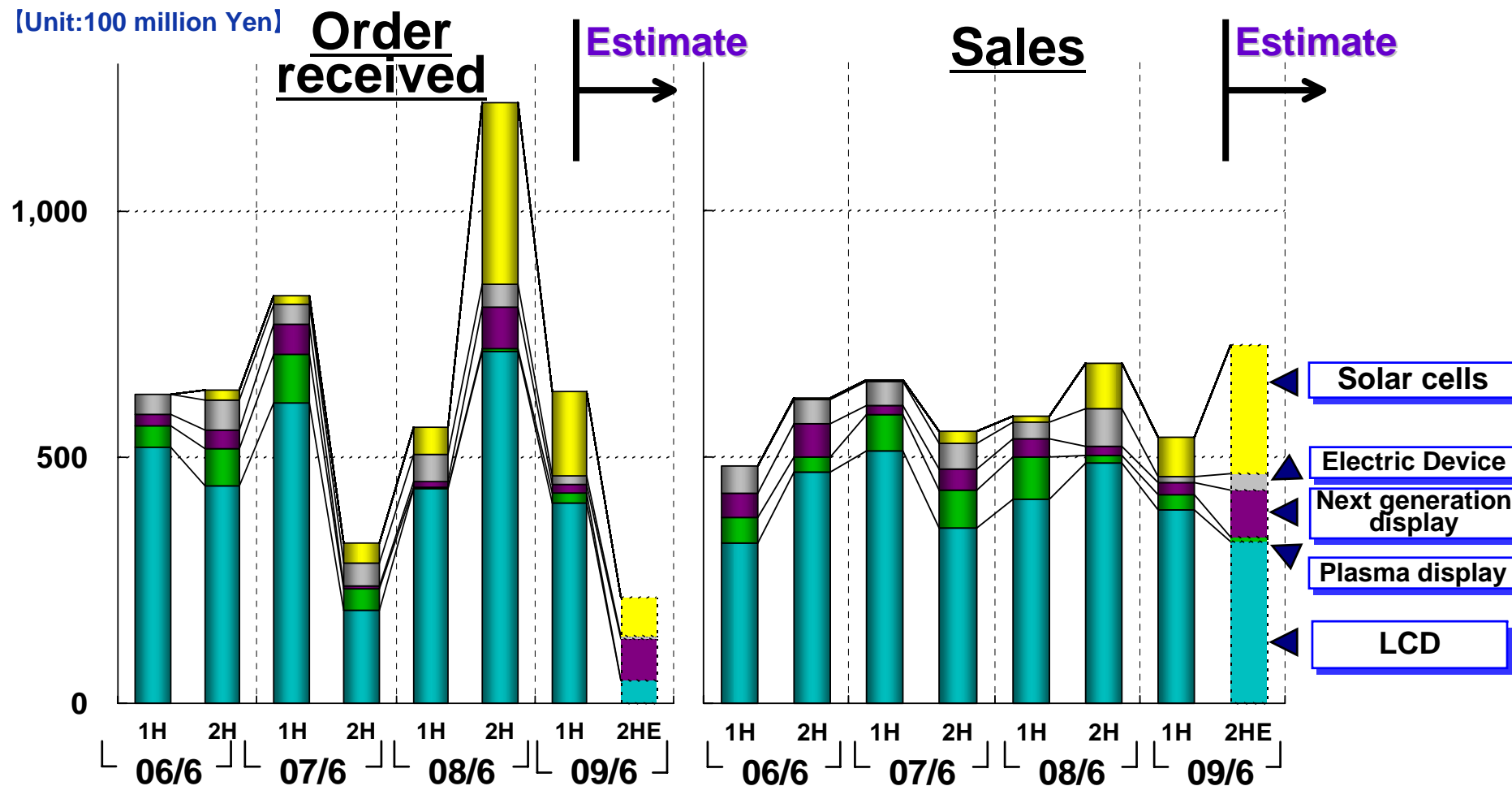


[Figures are rounded off to the first decimal place]



# Transition of Display and Electric Device Production Equipment

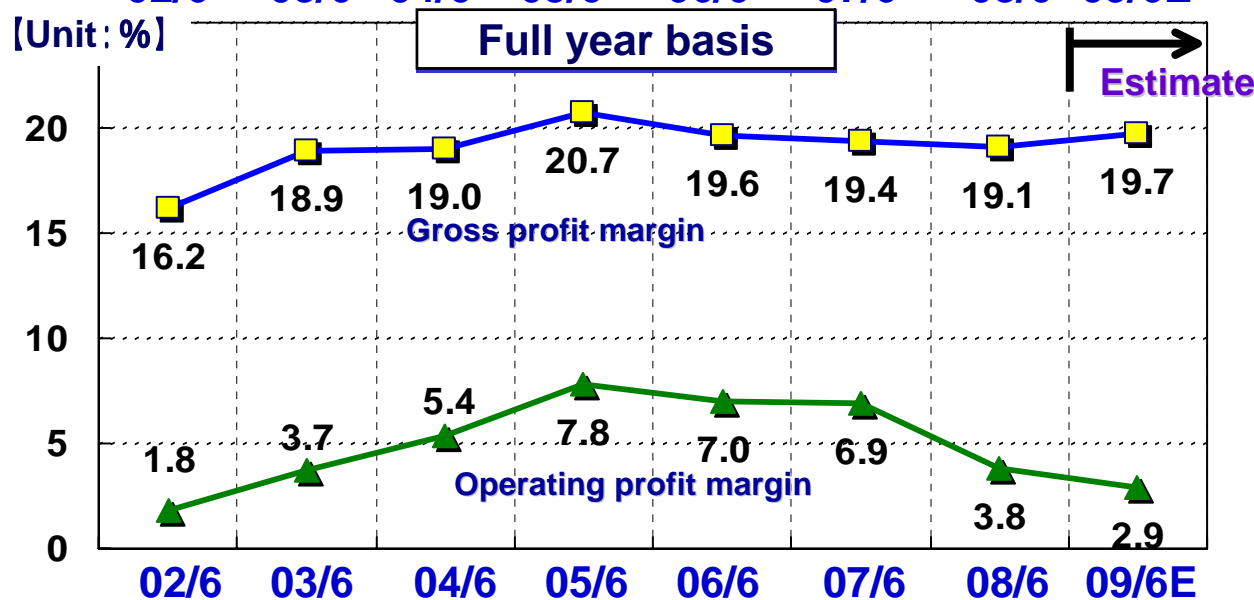
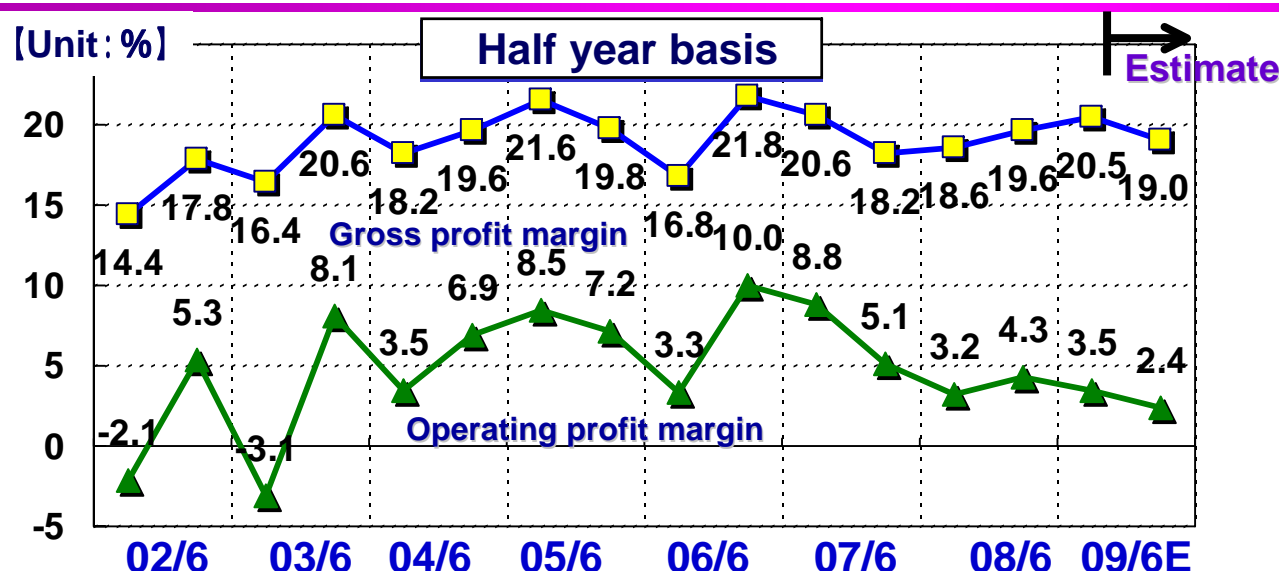
[Unit:100 million Yen]



## Current order outlook

- ◆ Sharp decline in capital spending mainly of large-size substrate for LCDs
- ◆ Robust inquiries but slowed orders in thin film solar cells

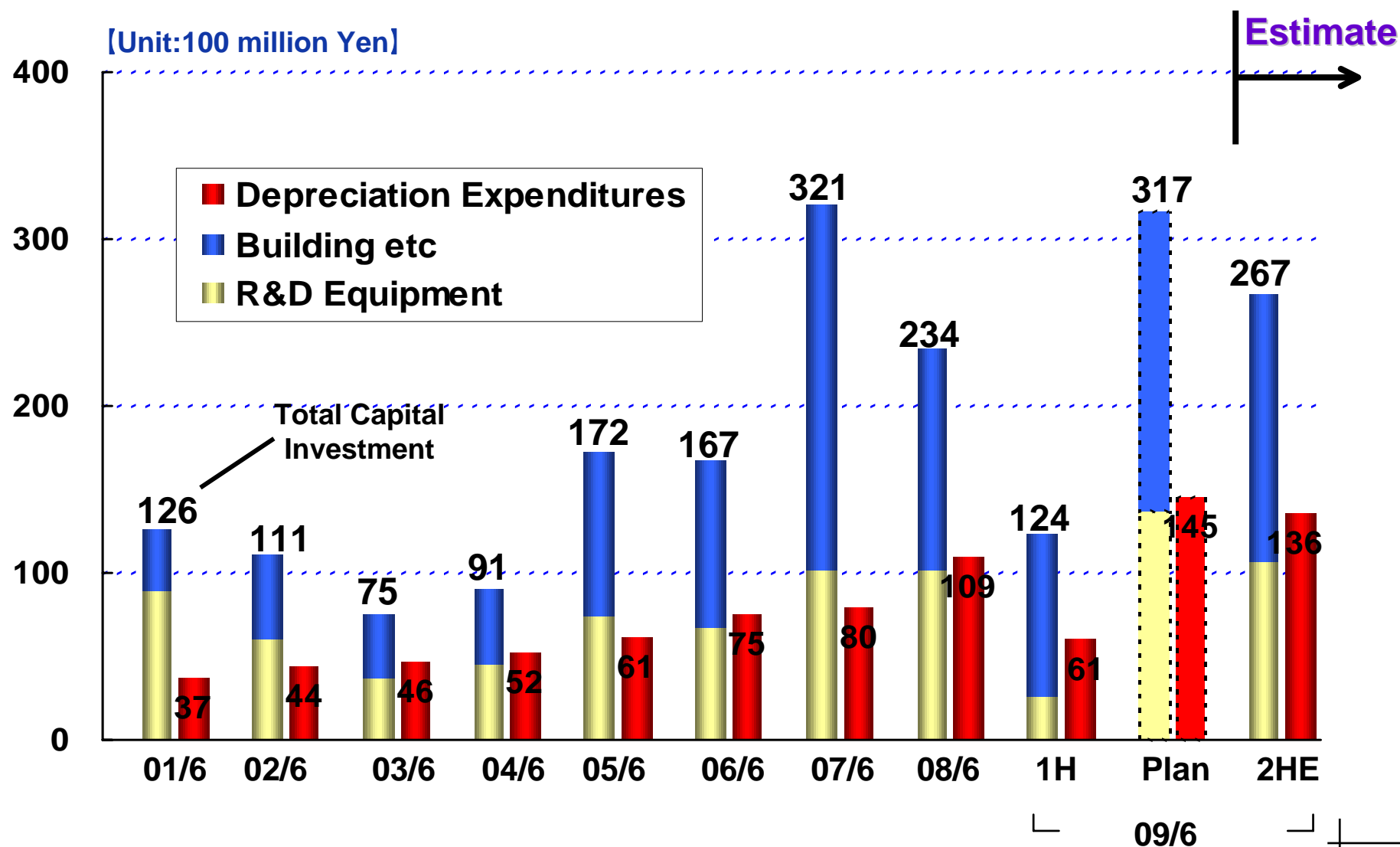
# Transition of Profit · Estimate



## Forecasts for the FY ending June 2009

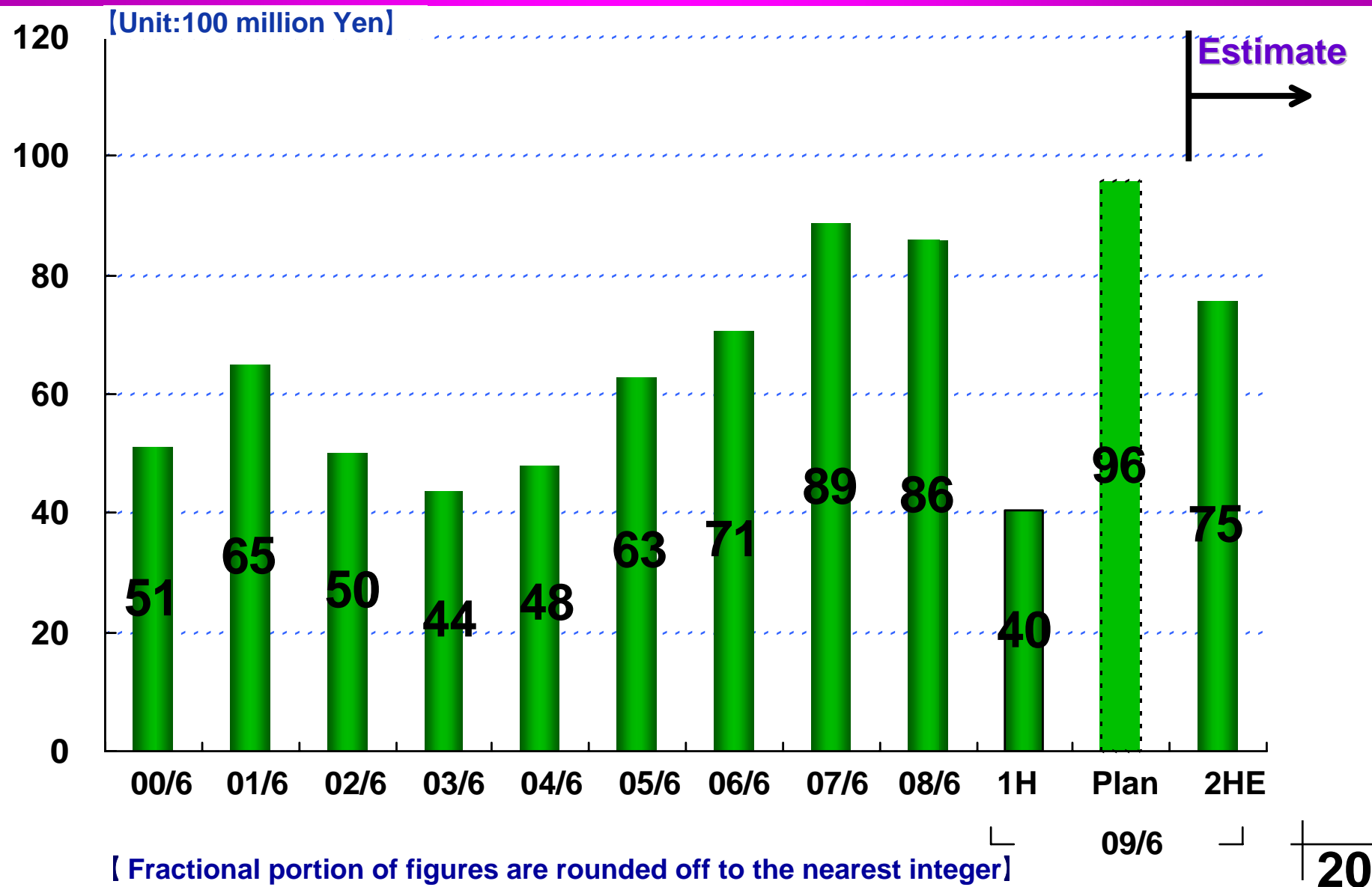
- ◆ Negative factors for 2<sup>nd</sup> H earnings
  - Decline in profits from materials including those for target due to LCD related production cut
  - Decline in sales due to the delay in recovery of investment in semiconductor
- ◆ Positive factors for 2<sup>nd</sup> H earnings
  - Improvement in profitability of solar cell-related products
  - Effects of cutting fixed costs and general expense
  - Cost cuts by reducing procurement costs including material prices and improving productivity

# Transition of Capital Investments and Depreciation Expenditures



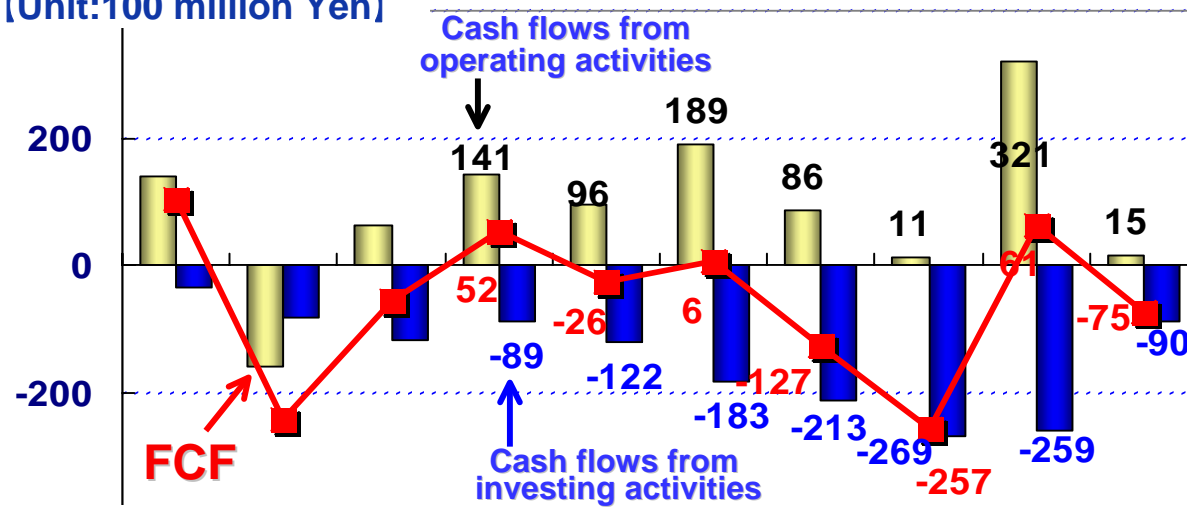
[ Fractional portion of figures are rounded off to the nearest integer]

## Trend in R&D Expenditures



# Cash Flow and Liabilities with Interests

[Unit:100 million Yen]



■ **Cash flow from operating activities: ¥1.5 billion**

< Positive factors >

- Increase in account payable ¥26.2 bill
- Increase in advance received ¥10.4 bill

< Negative factor >

- Increase in inventory ¥40.2 bill

■ **Cash flow from investment activities: ¥9 billion**

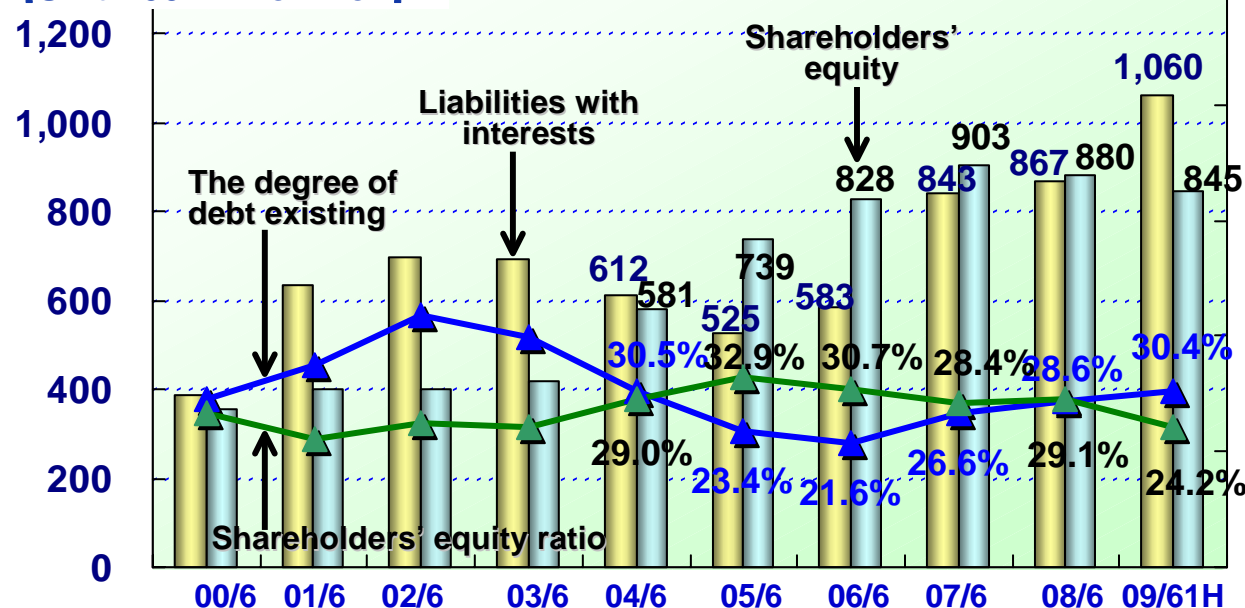
< Positive factor >

- Sales of fixed assets, etc. ¥1 bill

< Negative factors >

- Investment in plants and equipments ¥7.8 bill
- Acquisition of investment securities ¥0.8 bill

[Unit:100 million Yen]



100%

80%

60%

40%

20%

0%

Risk of delay in correction due to the demand from Taiwanese LCD manufactures (including Chi Mei Optoelectronics) of putting off shipments



Ensure to arrange a new commitment of ¥50 billion with main banks

## Main business measures for 2<sup>nd</sup> Half(summary)

- **Prolonged recession (to the fiscal year ending June 2011)**
  - ▶ Cut revenue requirements so that the Company can survive the continuing recession
- **Yen appreciation and shift of consumption to emerging countries**
  - ▶ Promote oversea local production and increase the local procurement rate
  - ▶ Expand the used equipment business (transfer of used lines)
- **New movements of capital spending in China**
  - ▶ Gain orders related with FPD and solar cells
- **Expand the energy / environment business**
  - ▶ Enhance the solar cell-related business
- **Need to compensate for the equipment business**
  - ▶ Enhance non- equipment businesses (material and coating businesses)
- **Tightened cash flow**
  - ▶ Increase funds raised with commitment line, cut investments, and collect accounts receivable

**Innovation begins  
in a vacuum**

ULVAC

# Main New Future Plants and New Bases (09/6 (1H))

## Korea

### ■ ULVAC Materials Korea



◆ Start production in Dec,08  
(Paju-city)

## Japan

### ■ New Customers Support Center



◆ Start operation in  
Dec.2008  
(Hashimoto, Wakayama)

## Japan

### ■ Post FPD equipment R&D Plant

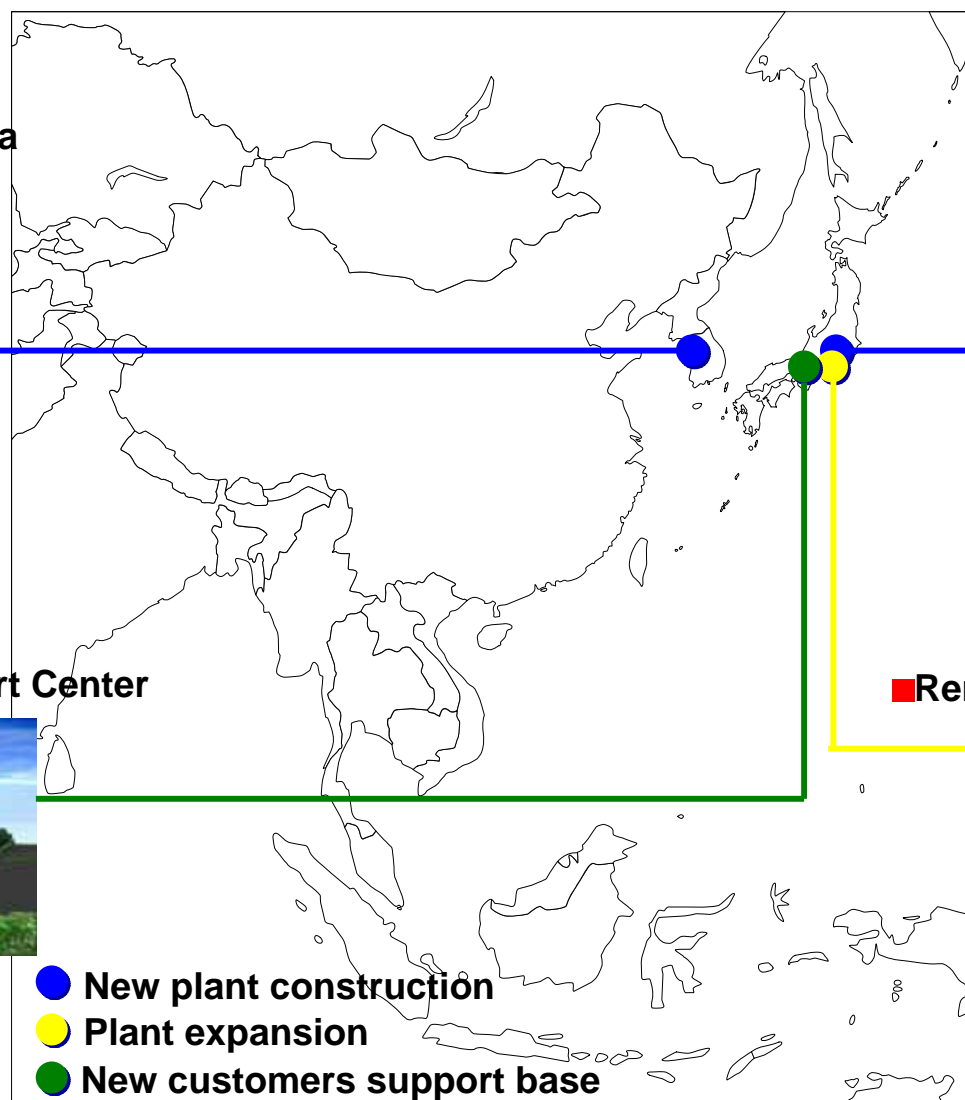


◆ Phase 2: Start operation  
in Oct,08  
(Chigasaki, Kanagawa)

### ■ Renewal of Reliance Electric



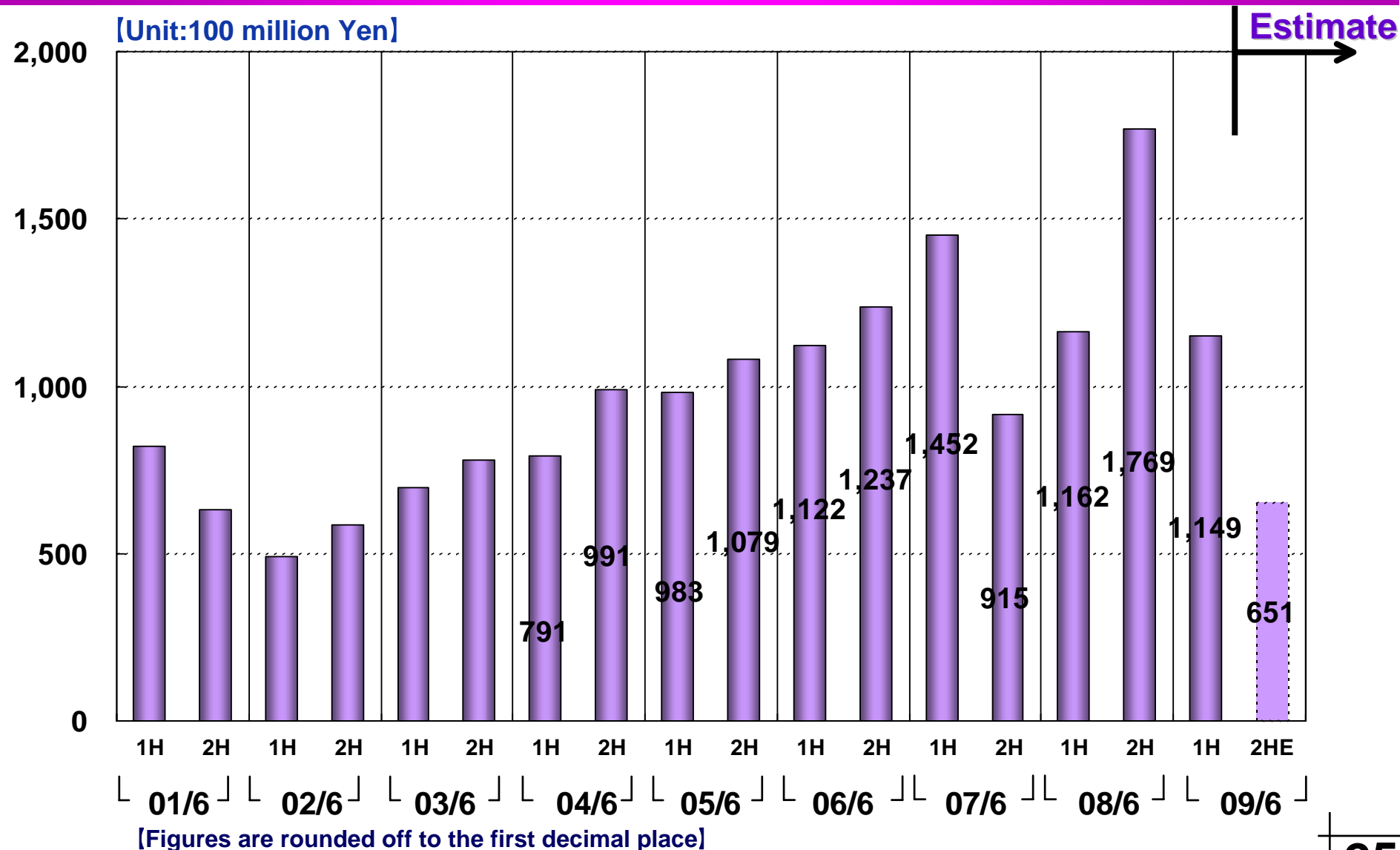
◆ Start operation  
in Aug.2008  
(Yokohama)



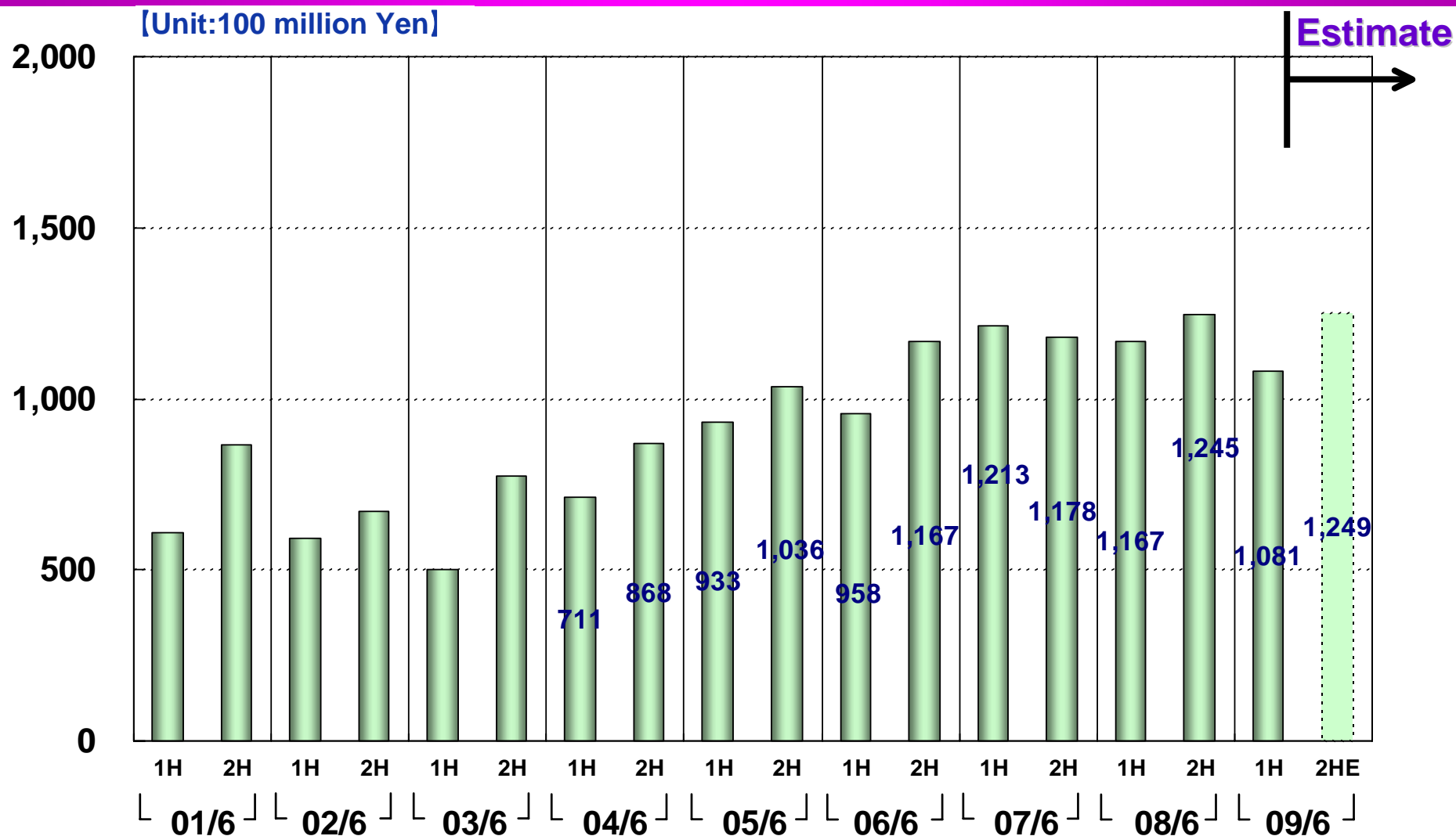
- New plant construction
- Plant expansion
- New customers support base



# Transition of Orders received · Estimate

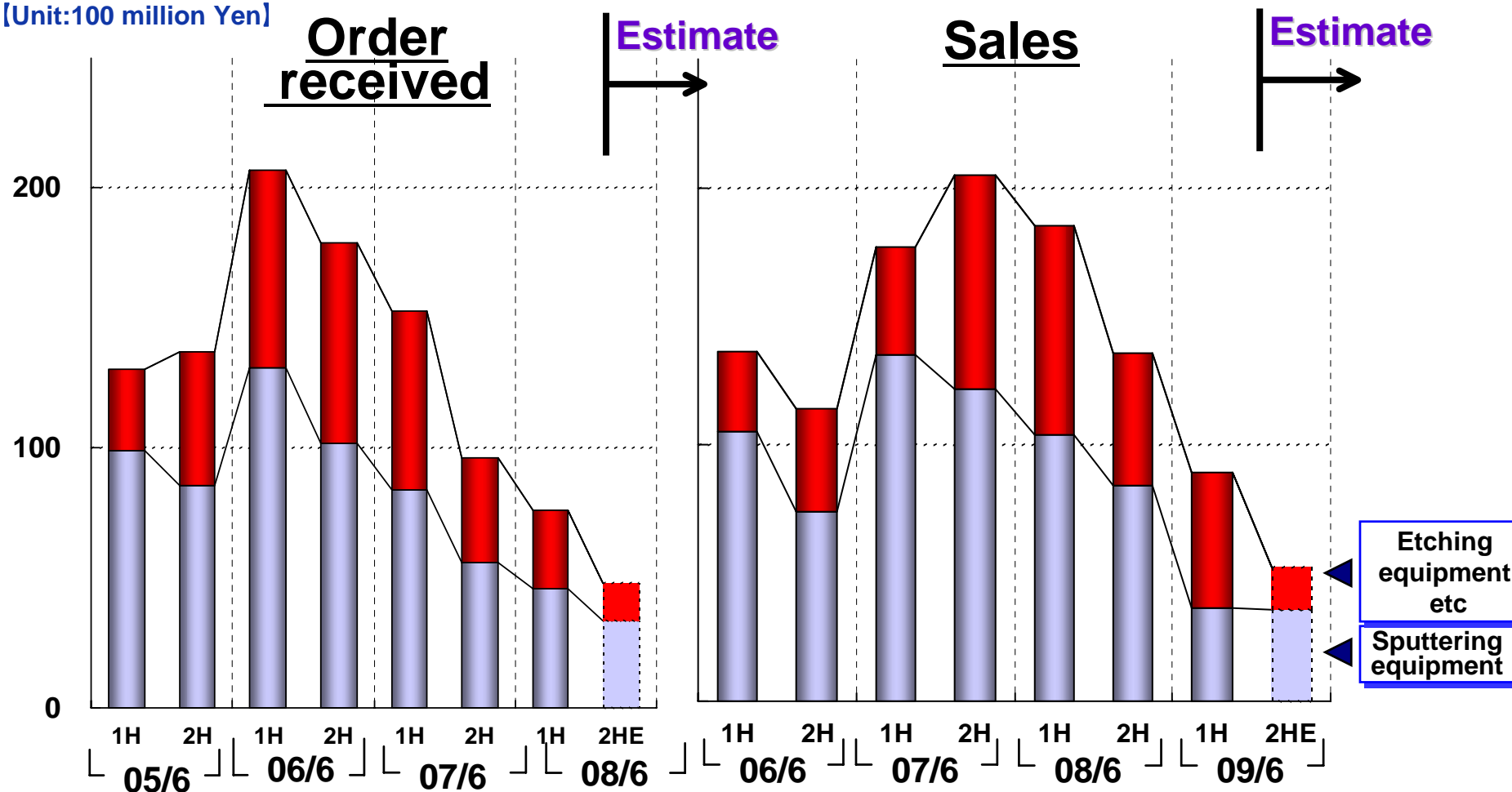


# Transition of Net Sales · Estimate



# Transition of Semiconductor Production Equipment

[Unit:100 million Yen]

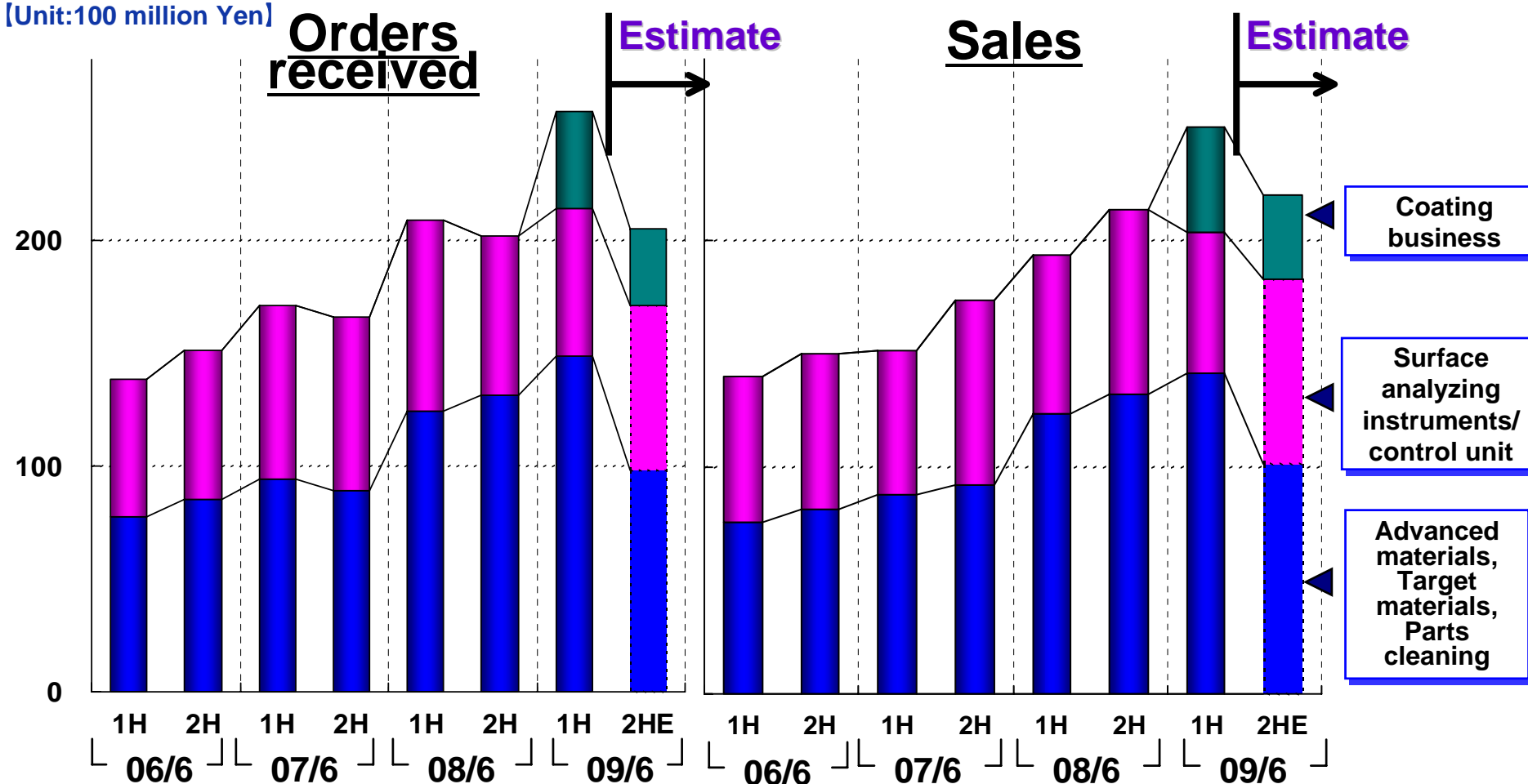


## Current order outlook

- ◆ Uncertain forecast for the restart of DRAM and flash-related capital spending
- ◆ Sharp decline in orders for energy devices (LED and power semiconductors) due to weak capital spending in the automobile and electronics industries

# Transition of Other Businesses

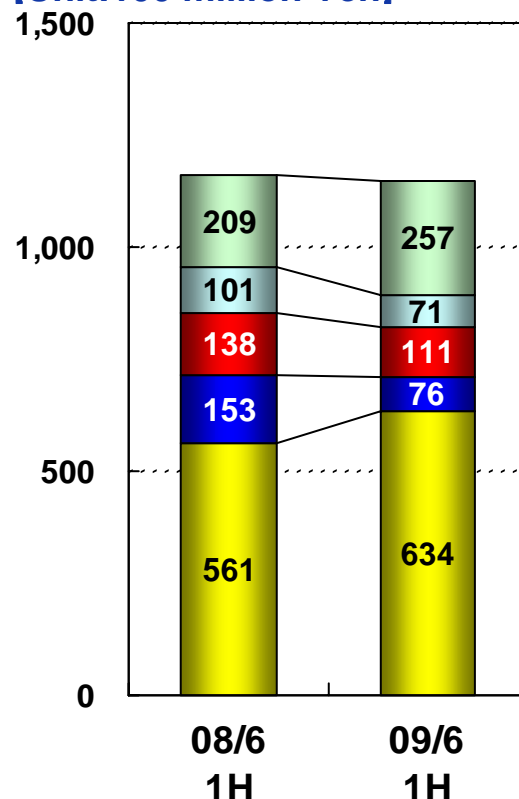
[Unit:100 million Yen]



## Current order outlook

- ◆ Substantial decline in orders of materials for target due to production cuts in LCDs and the decline in orders in the cleaning division.
- ◆ Substantial decline in orders for the control system due to weak operating results at automobile and converting industries

# Order received by Segment(H-on-H)

**Appendix**
**[Unit:100 million Yen]**


**Remarks:**  
figures indicated above are rounded off to the nearest unit and may not coincide with the total.

Segment	Background
Other businesses	Increase in materials for target due to larger FPD and new consolidation of coating business
Others	Decline due to deferrals of investment plans related to automobiles
Component	Decline in pumps and measurement system-related products due to a slowdown in capital spending related to semiconductors and FPDs
Semiconductor production equipment	Substantial decline due to deferrals and freezes of investment plans caused by weak demand for flash memory and DRAM
Display and Electric Device Production Equipment	Increase due to capital spending of LCDs for large-size TVs and increase in orders for turn key lines for solar cells mainly from Taiwan and China

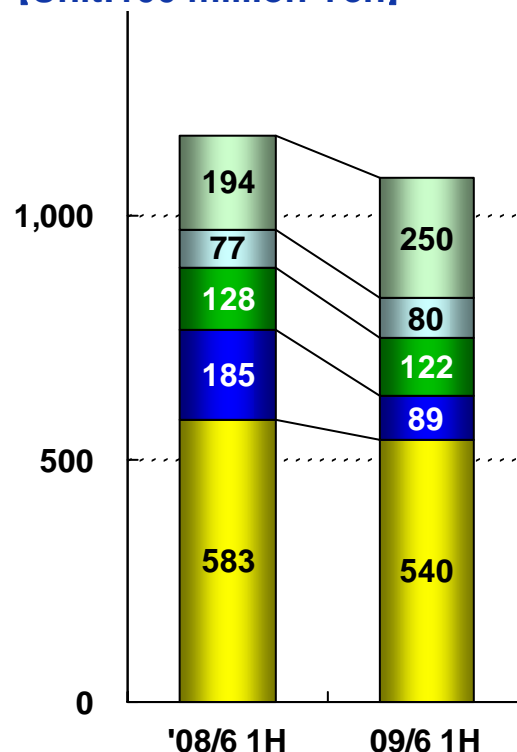
**[Unit:100 million Yen]**

Segment		08/6 1H		09/6 1H		
		Order	%	Order	%	H-on-H
Vacuum Related	Display & Electric Device Production Equipment	561	48%	634	55%	13%
	SPE	153	13%	76	7%	-50%
	Components	138	12%	111	10%	-20%
	Others	101	9%	71	6%	-30%
Other business		209	18%	257	22%	23%
Total		1,162	-	1,149	-	

# Net Sales by Segment(H-on-H)

**Appendix**

[Unit:100 million Yen]



**Remarks:**  
figures indicated above are rounded off to the nearest unit and may not coincide with the total.

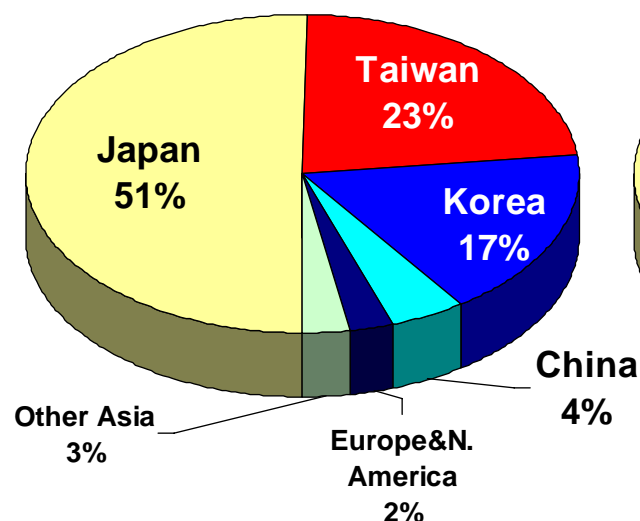
Segment	Background
Other businesses	Increase in materials for targets due to larger FPDs and new consolidation of coating business
Others	Increase in energy- and environment-related heat treatment furnace and roll-coater etc.
Component	Decline in pumps and measurement system-related products due to a slowdown in capital spending related to semiconductors and FPDs
Semiconductor production equipment	Substantial decline due to deferrals and freezes of investment plans caused by weak demand for flash memory and DRAM
Display and Electric Device Production Equipment	Decrease due to deferrals of shipping production equipment for LCDs for large-size TVs and the increase in sales of production equipment for solar cells mainly in Taiwan, China, and Japan

[Unit:100 million Yen]

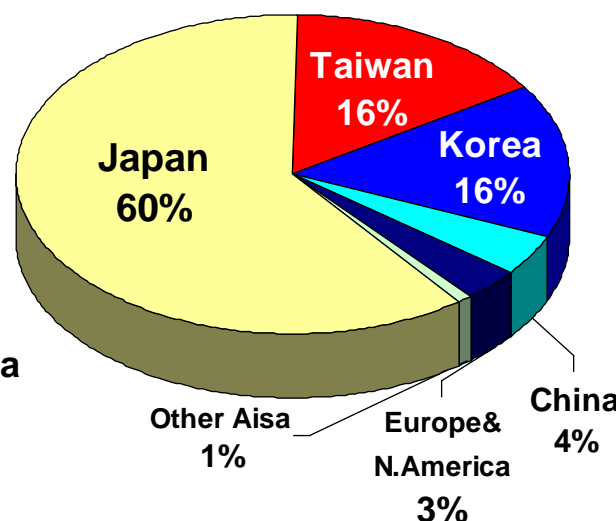
Segment		08/6 1H		09/6 1H		
		Sales	%	Sales	%	H-on-H
Vacuum Related	Display & Electric Device Production Equipment	583	50%	540	50%	-7%
	SPE	185	16%	89	8%	-52%
	Components	128	11%	122	11%	-5%
	Others	77	6%	80	7%	4%
	Other business	194	17%	250	23%	29%
Total		1,167	-	1,081	-	-7%

# Transition of Net Sales by Region

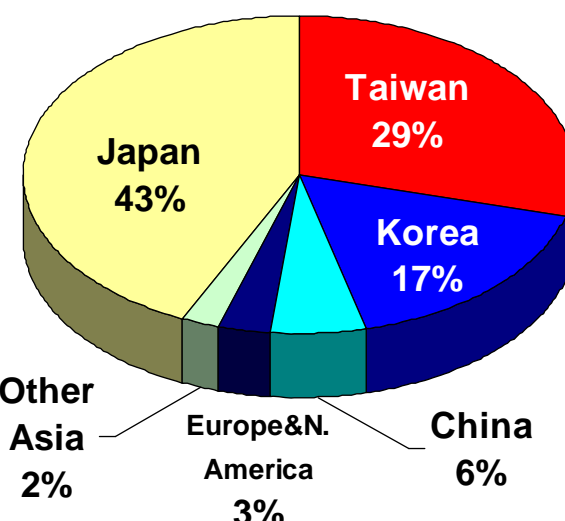
07/6 1H



08/6 1H



09/6 1H

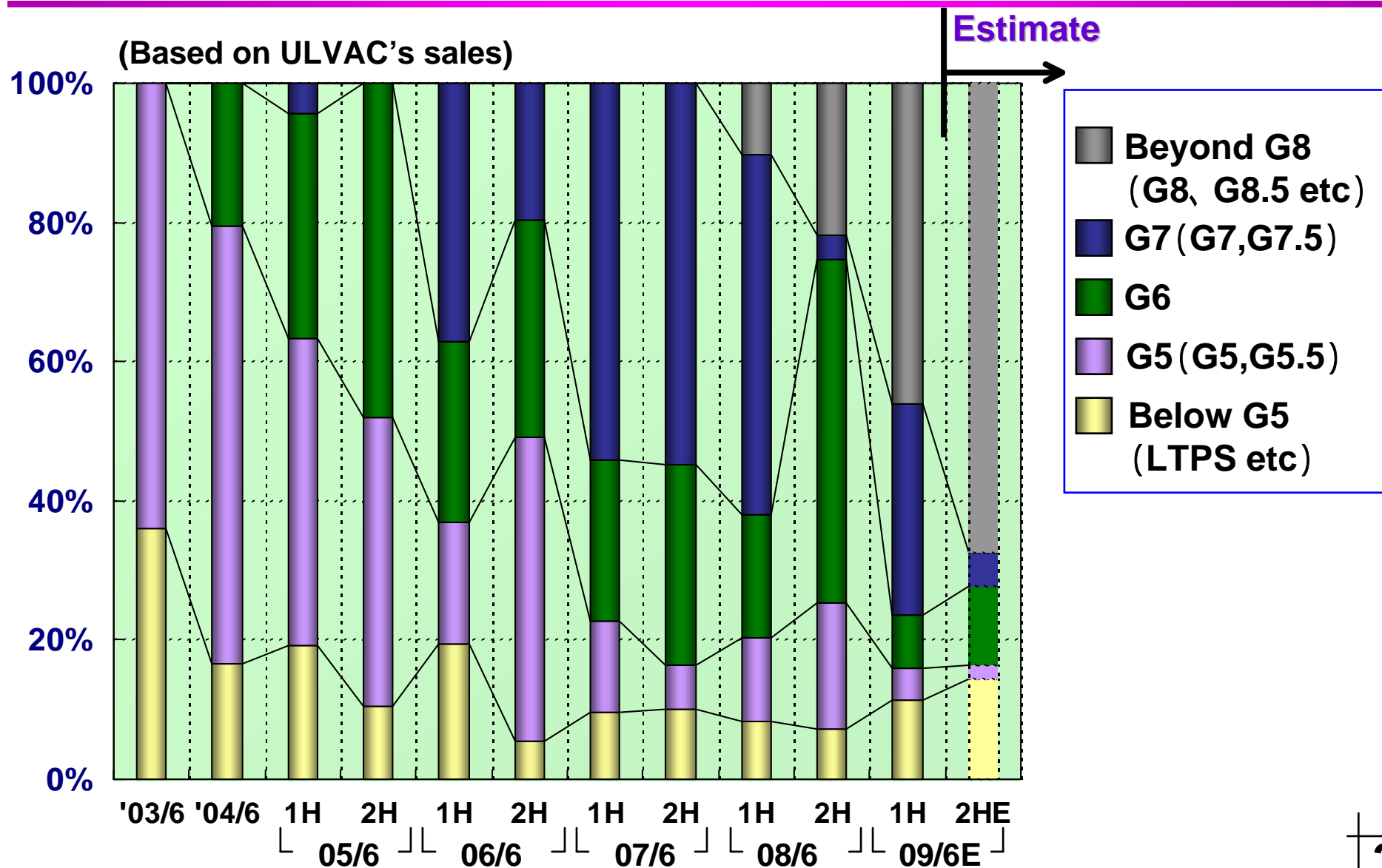


[Unit: 100MYen]

Region	07/6 1H	08/6 1H	09/6 1H
Japan	609	707	464
Taiwan	277	182	316
Korea	210	182	184
China	54	47	60
Other Asian countries	34	11	24
Europe & N. America	29	38	33
Total	1,213	1,167	1,081

[Figures are rounded off to the first decimal place]

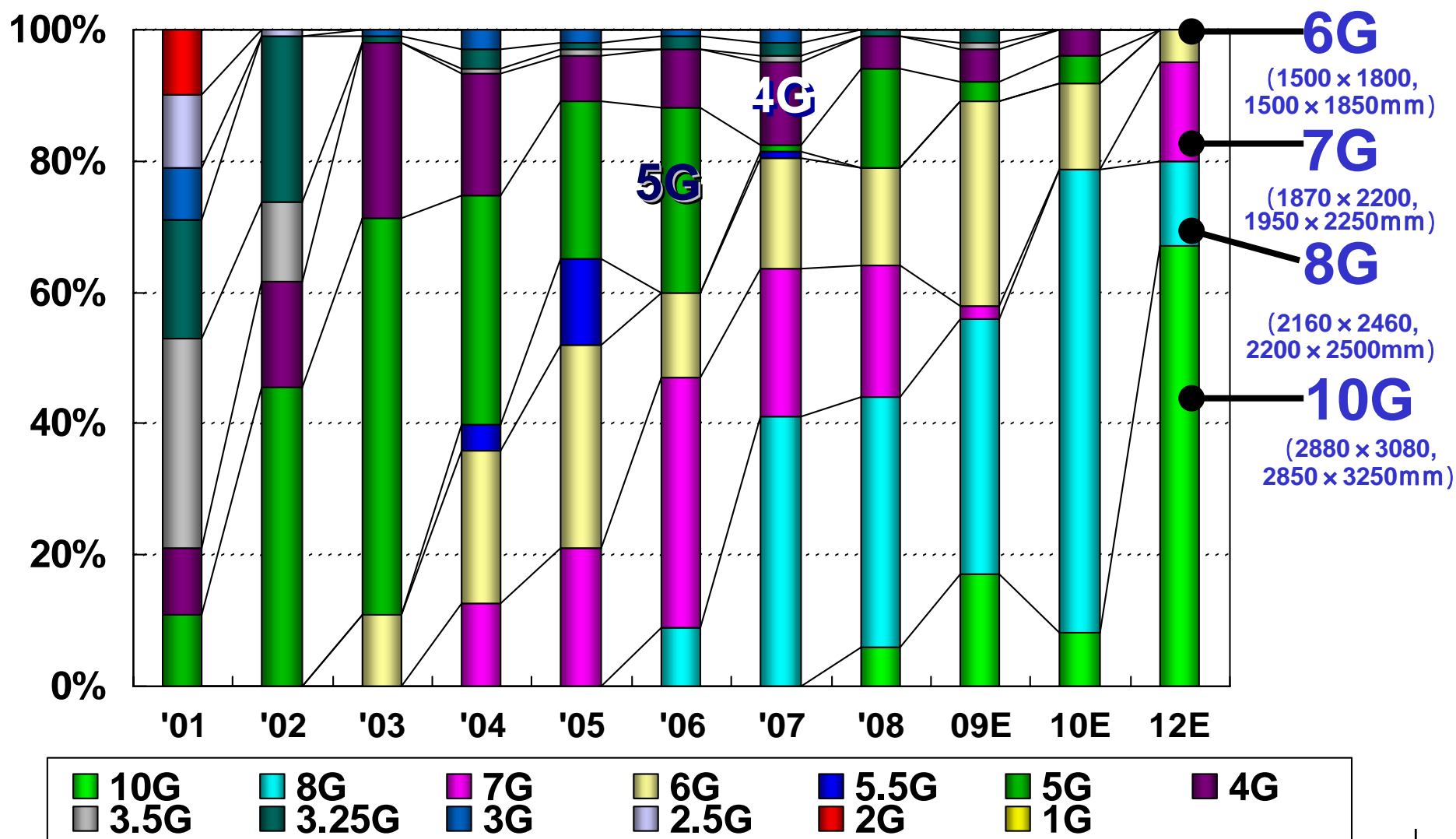
# Transition of generations of LCD production equipment





# Investments in LCD by generation

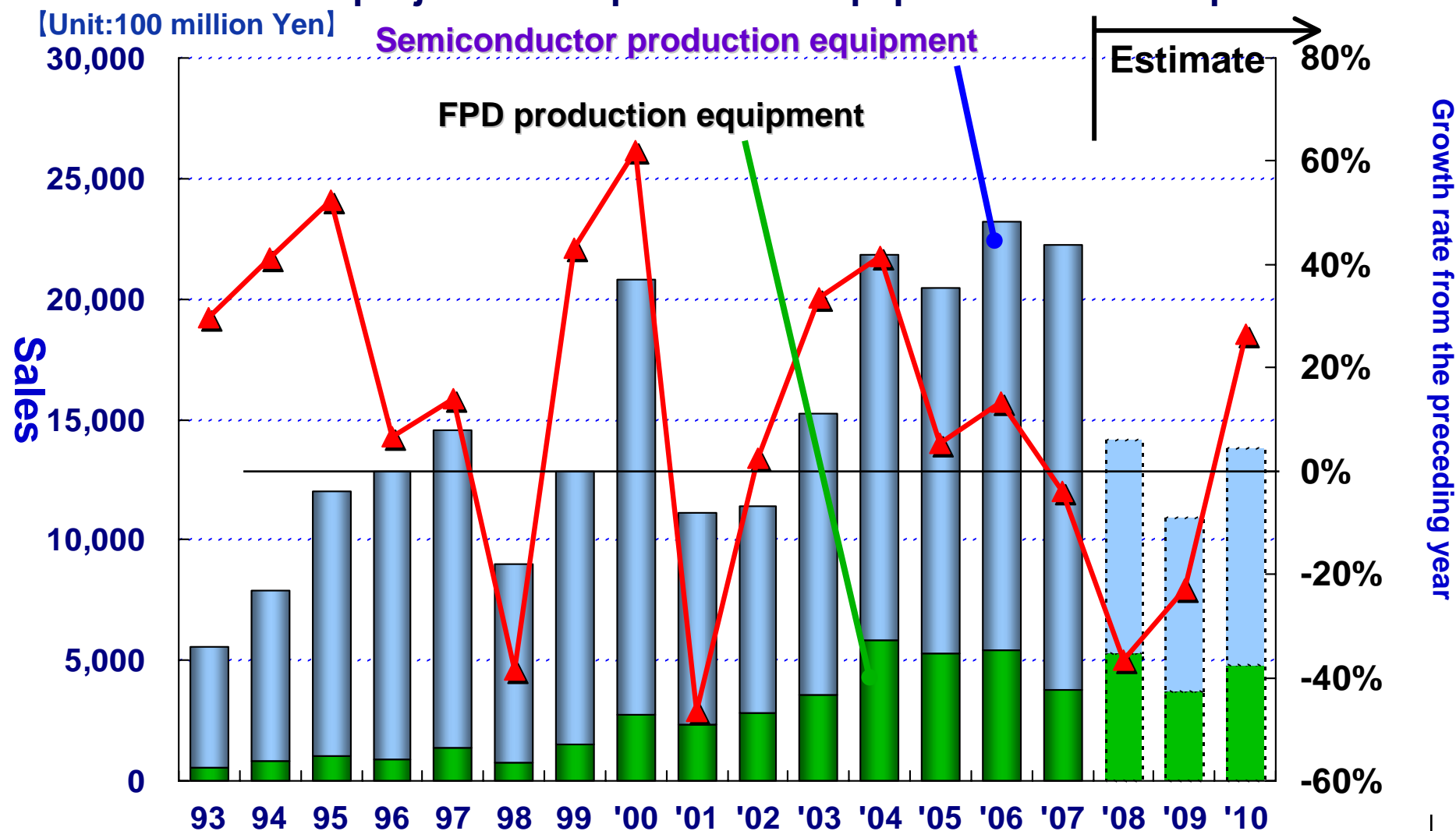
Reference data



[Source: Jan. 2009 The 16<sup>th</sup> DisplaySearch Japan Forum]

# Outlook of Semiconductor and FPD production equipment

< Sales projections of production equipment made in Japan >



[Source: Jan 2009 SEAJ]

(Sales: Sales of Japanese manufacturers  
(including overseas bases) in Japan and abroad)

FY081HIRPRSN090216E

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**Innovation begins  
in a vacuum**

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