

(Securities code: 6728)

Business Results

FY2017 (First and Second Quarters) (July 2017–December 2017)

February 14, 2018
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 First and Second Quarter FY2017 Business Results (Cumulative)

Overview of 1Q and 2Q FY2017 Business Results (Cumulative) Highlights

□ Orders Received: ¥146.3 billion (+31% year-on-year)

- Due to a rise in capital expenditures for memory, orders of semiconductor and electronic device production equipment were significantly higher, and other product segments, including FPD and PV production equipment, also increased year-on-year.

□ Net Sales: ¥125.3 billion (+12% year-on-year)

- Net sales were up year-on-year, primarily in semiconductor, electronic parts, and FPD and PV production equipment.

□ Operating Profit: ¥18.7 billion (+30% year-on-year)

- Operating profit was up year-on-year, with all profit categories at high levels.

□ Upward revision of full year earnings estimates

	Full year	+/- vs. published in November
Net sales	250 billion	(+5.0 billion)
Operating profit	35.5 billion	(+2.5 billion)
Net profit	30.5 billion	(+3.0 billion)

Overview of 1Q and 2Q FY2017 Business Results (Cumulative)

- Orders received, net sales, and all profit categories were up year-on-year.
- Net sales increased by 12%, owing to increases in semiconductor, electronic device, and FPD production equipment.
- The upsurge in net sales contributed to a 30% increase in operating profit.
- Gains on sales of stocks also contributed, resulting in net income up by 44%.

(Unit: ¥1 billion)

	FY2016	FY2017 First Half				
	First Half	Initial Forecast ¹	Revised Forecast ²	Result	Half-over-Half (Change)	vs. Revised Forecast (Change)
Orders Received	111.8	140.0	146.0	146.3	30.9%	0.2%
Net Sales	112.0	115.0	121.0	125.3	11.8%	3.5%
Gross Profit	31.3	-	-	37.1	18.6%	-
Ratio	27.9%	-	-	29.6%	+ 1.7 pt	-
SG&A	16.9	-	-	18.4	9.1%	-
Operating Profit	14.4	15.0	17.0	18.7	29.8%	10.0%
Ratio	12.9%	13.0%	14.0%	14.9%	+ 2.1 pt	+ 0.9 pt
Net Income	11.3	11.5	13.5	16.3	44.3%	20.9%
Ratio	10.1%	10.0%	11.2%	13.0%	+ 2.9 pt	+ 1.9 pt

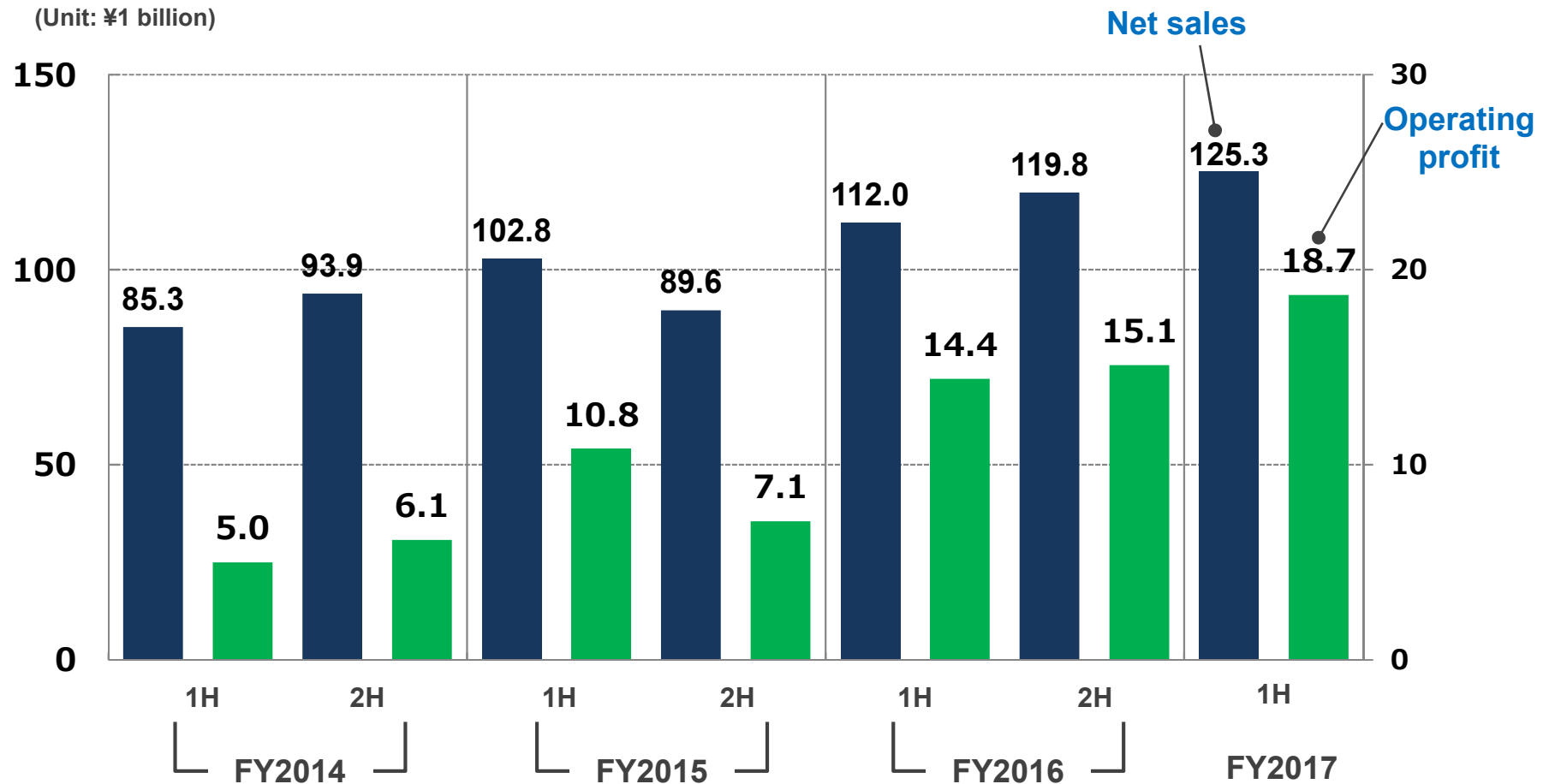
¹ Figures published in August 2017.

² Figures published in November 2017.

Overview of 1Q and 2Q FY2017 Business Results (Cumulative)

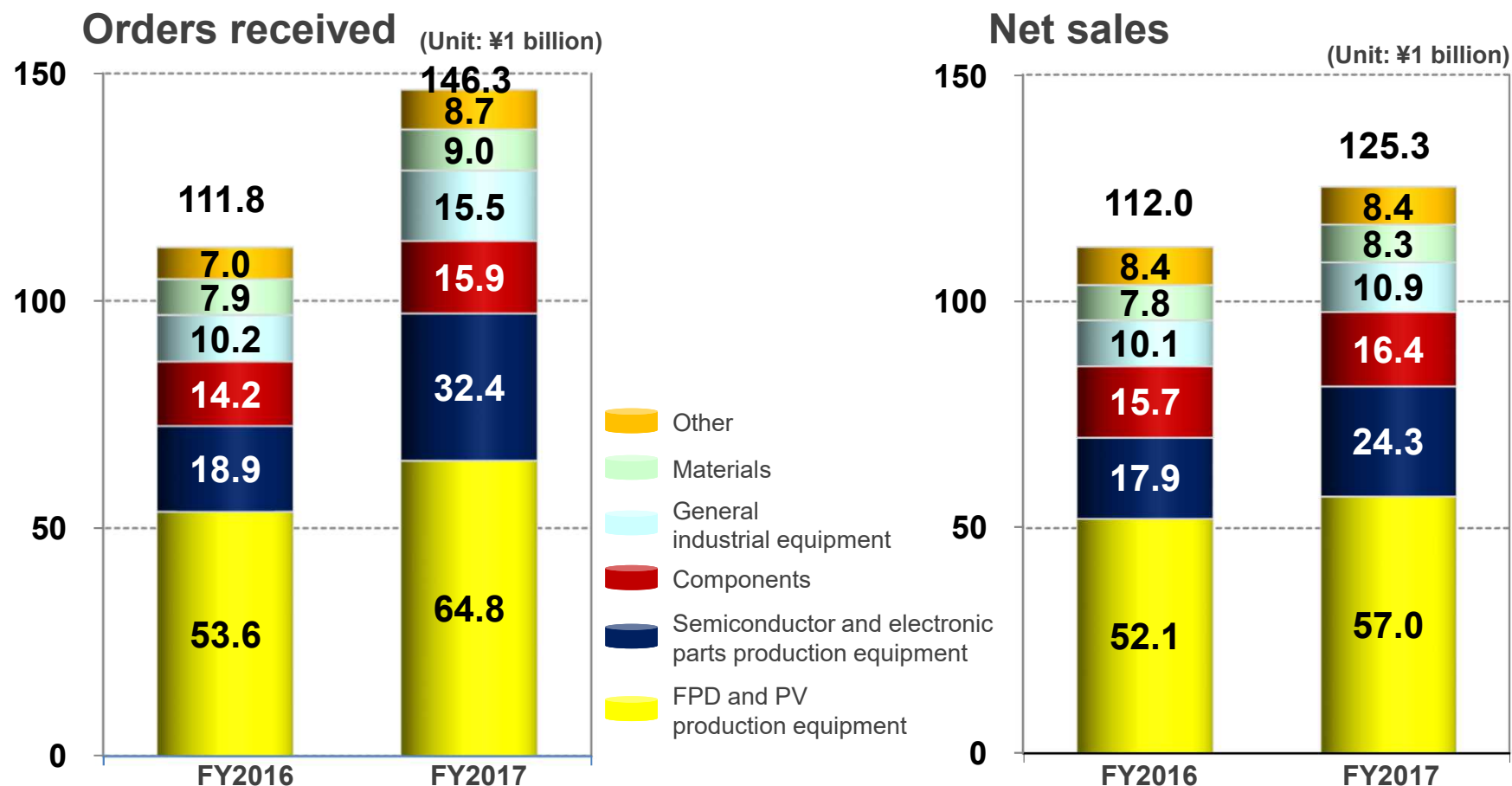
Net sales and operating profit (semiannual)

(Unit: ¥1 billion)



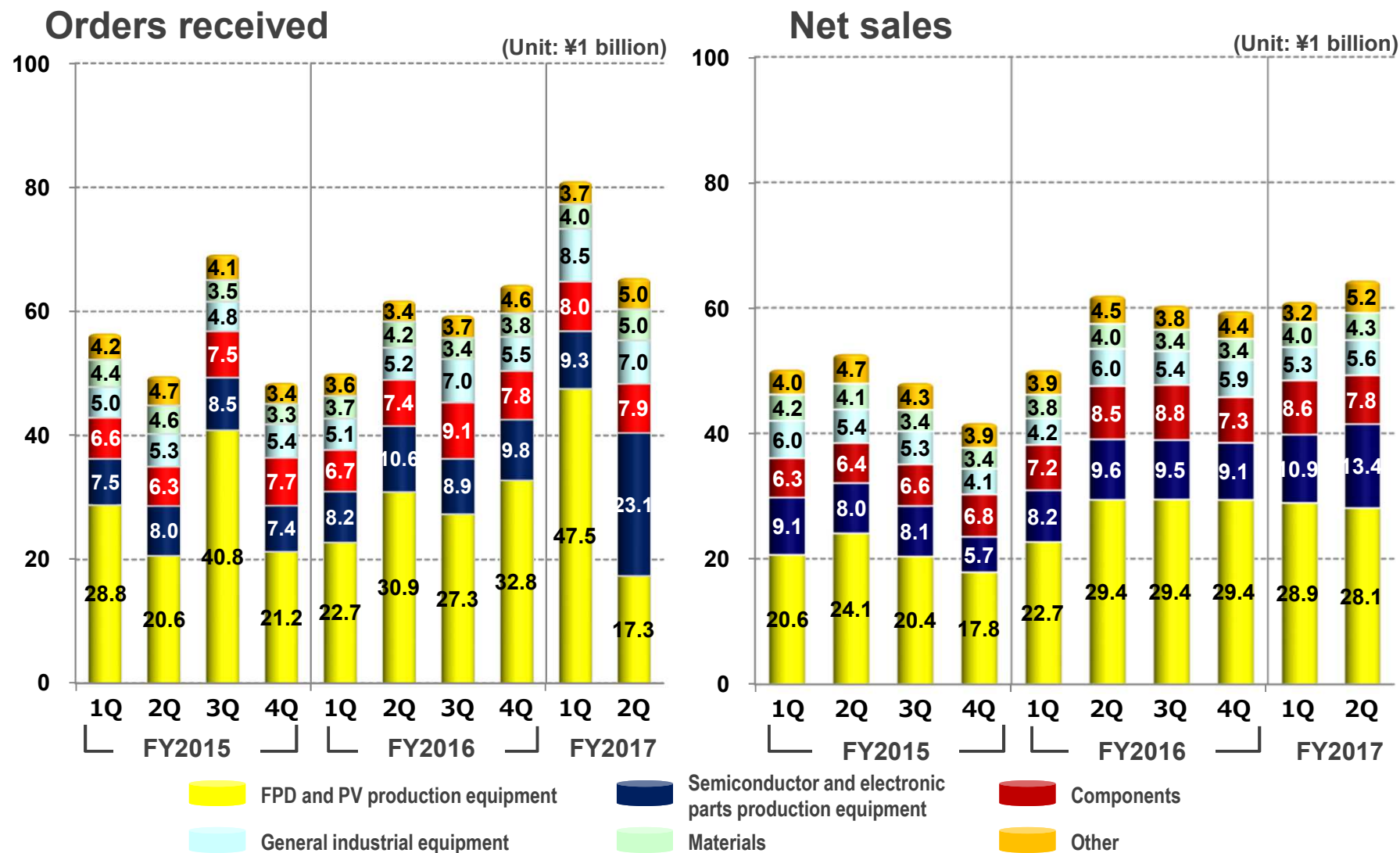
Overview of 1Q and 2Q FY2017 Business Results (Cumulative) (Orders received and net sales by segment)

- FPD and PV production equipment : Up year-on-year, due to the continuing high level of investment in LCDs for large-screen TVs and OLEDs for smartphones, particularly in China.
- Semiconductor and electronic parts production equipment: Backed by strong demand for servers, there was an increase in production equipment for memory (NAND, DRAM, Next generation non-volatile memory). Up significantly year-on year.



Overview of 1Q and 2Q FY2017 Business Results (Cumulative) (Orders received and net sales by segment: quarterly)

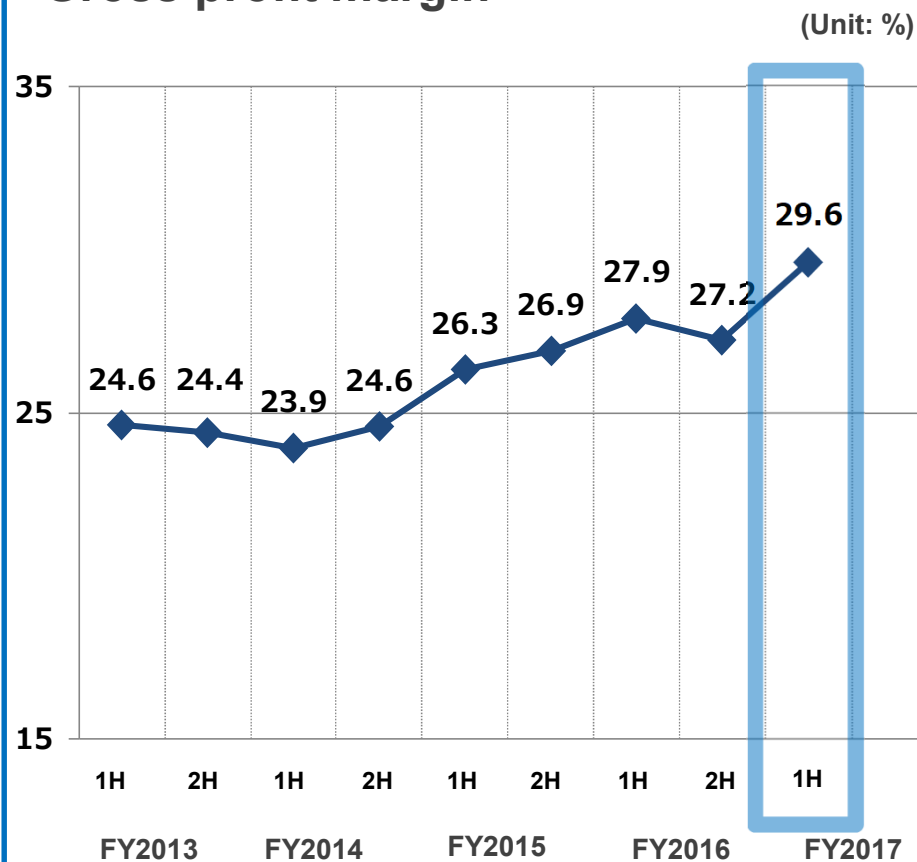
- Both orders received and net sales performed at high levels.



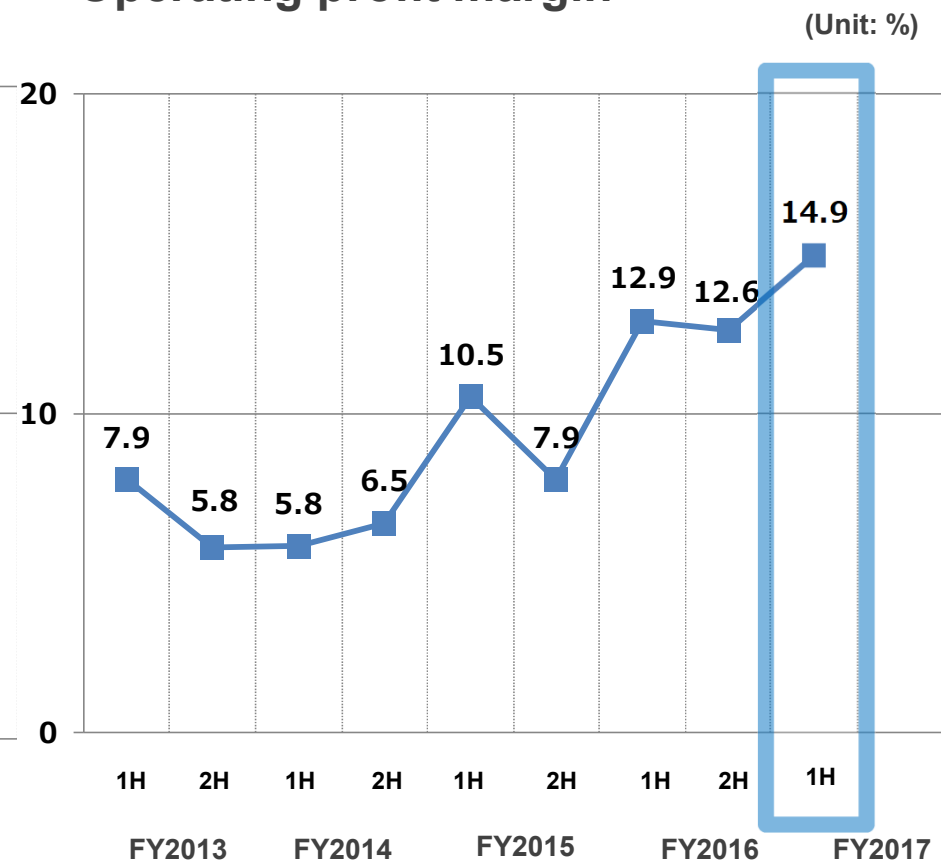
Overview of 1Q and 2Q FY2017 Business Results (Cumulative) (Profit margins)

- Both gross profit and operating profit margins were at high levels.

Gross profit margin

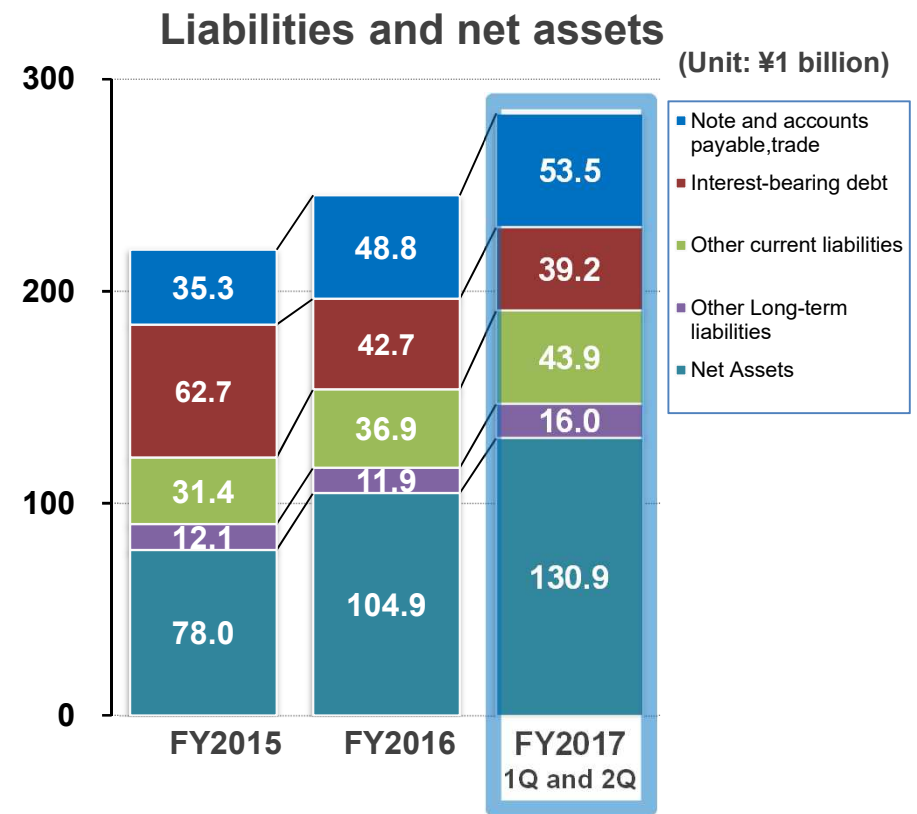
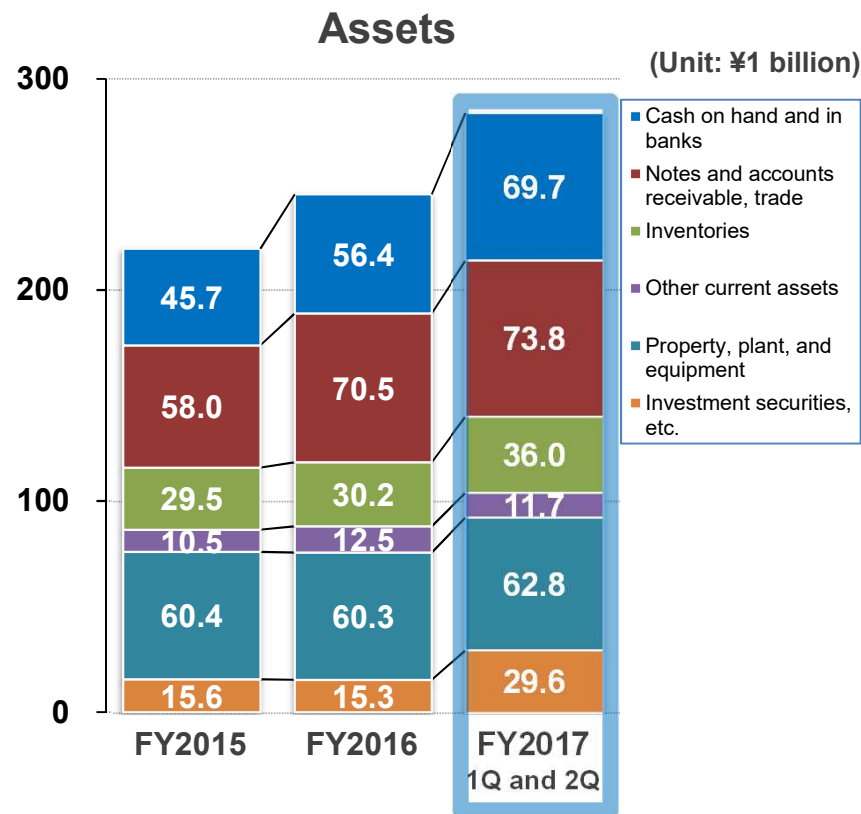


Operating profit margin



Overview of 1Q and 2Q FY2017 Business Results (Cumulative) (Consolidated balance sheet)

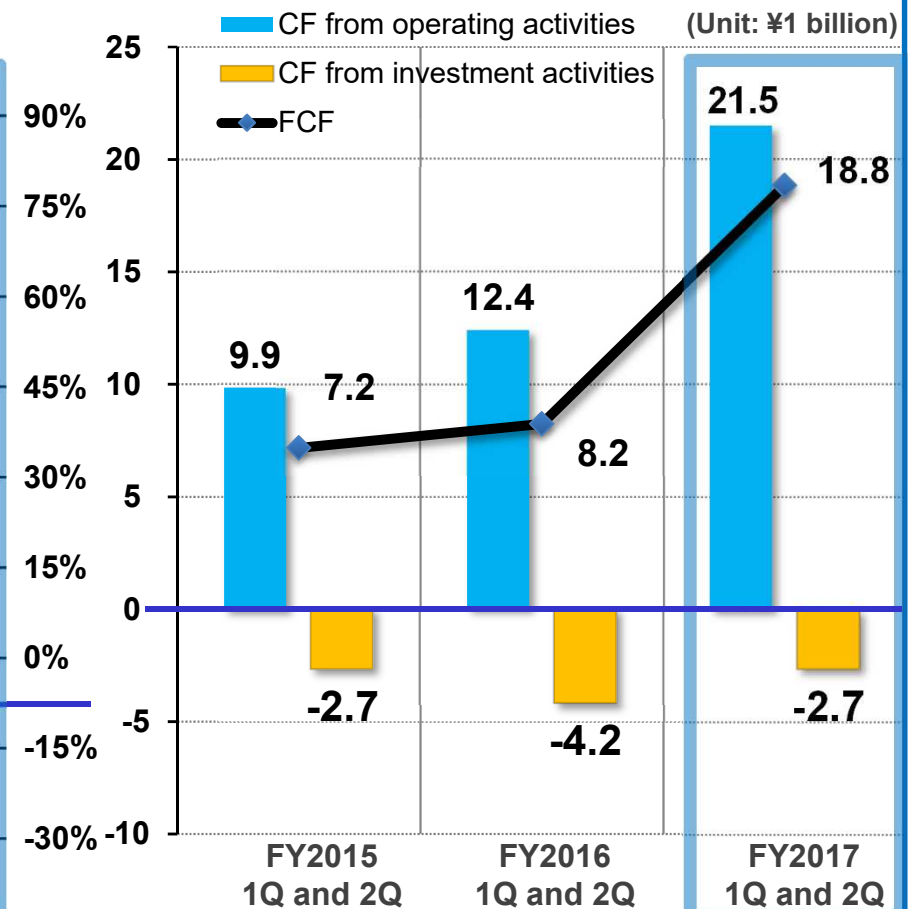
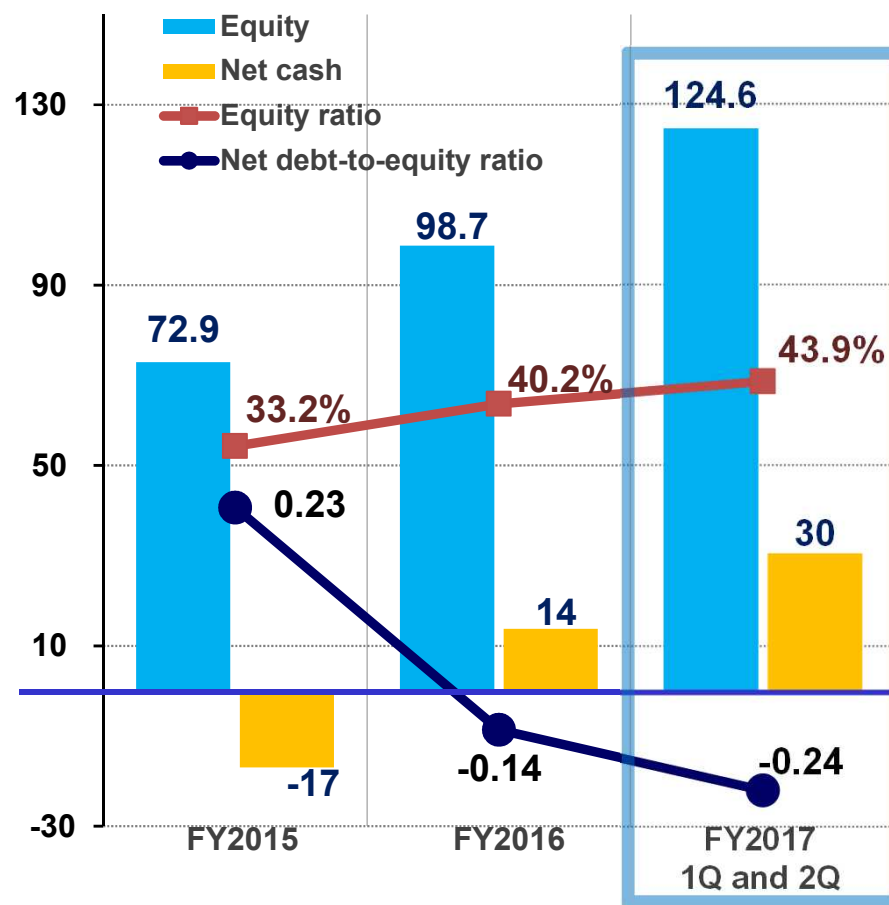
- Thanks to an increase in orders received and net sales, notes and accounts receivable increased by ¥3.3 billion and inventory assets increased by ¥5.8 billion from the end of the previous fiscal year. Notes and accounts payable were also up by ¥4.7 billion.
- Cash on hand and in banks increased by ¥13.3 billion, while interest-bearing debt decreased by ¥3.5 billion.
- Net assets increased by ¥26.0 billion (due to quarterly net income and an increase in the market value of investment securities).



Overview of 1Q and 2Q FY2017 Business Results (Cumulative) (Equity, cash flow, etc.)

- Equity increased to ¥124.6 billion, the equity ratio improved to 43.9%, net cash increased to ¥30.5 billion, and the net debt-to-equity ratio improved to -0.24.
- Operating cash flow reached ¥21.5 billion, and free cash flow reached ¥18.8 billion.

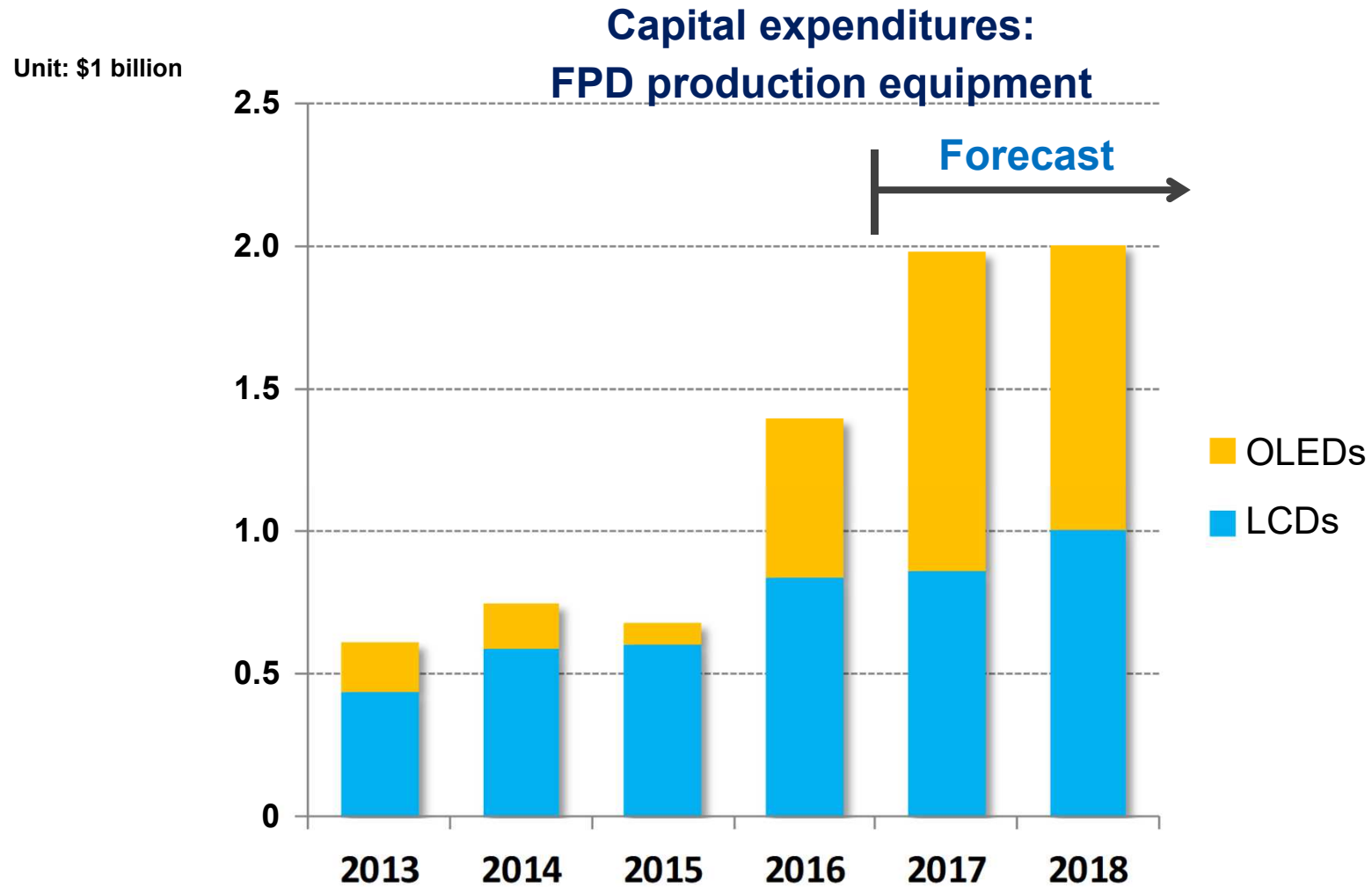
(Unit: ¥1 billion)



Business Environment

Business Environment (FPD)

- Investment in LCDs for large-screen TVs is expected to continue at high levels, and capital expenditures on smartphone OLEDs is also expected to remain vigorous.



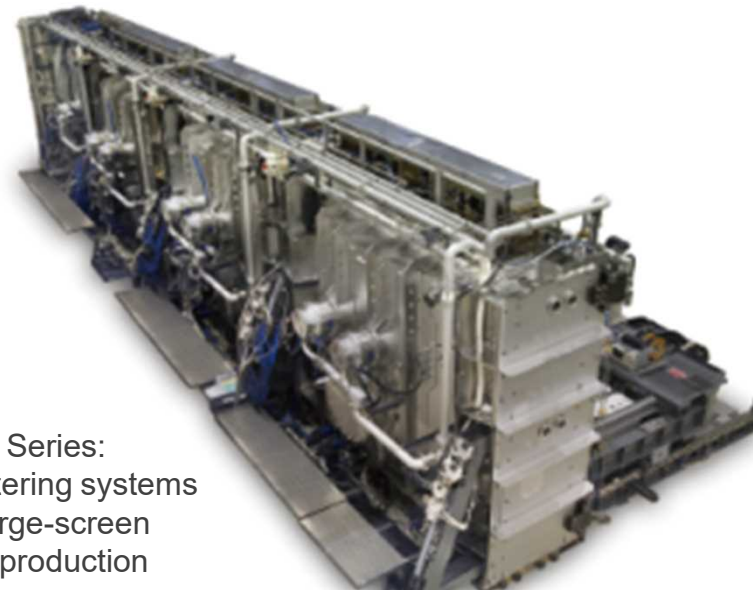
(Prepared using IHS Markit materials)

Business Environment (FPD)

- LCD production equipment for large-screen TVs: **Continuing at high levels**

Capital expenditures on extra-large substrate G10.5 will remain vigorous, particularly in China (earlier than initially estimated).

- ULVAC's main product, sputtering systems, is expected to expand in orders received maintaining dominant share(near 100%) for G10.5 sputtering equipment
- ⇒ Taking hold all opportunities of customer's G10.5 large-screen TV plant construction
Anticipation to utilize oxide semiconductor technology for larger screen size panels is driving process development including target materials.



SMD Series:
Sputtering systems
for large-screen
LCD production

Business Environment (FPD)

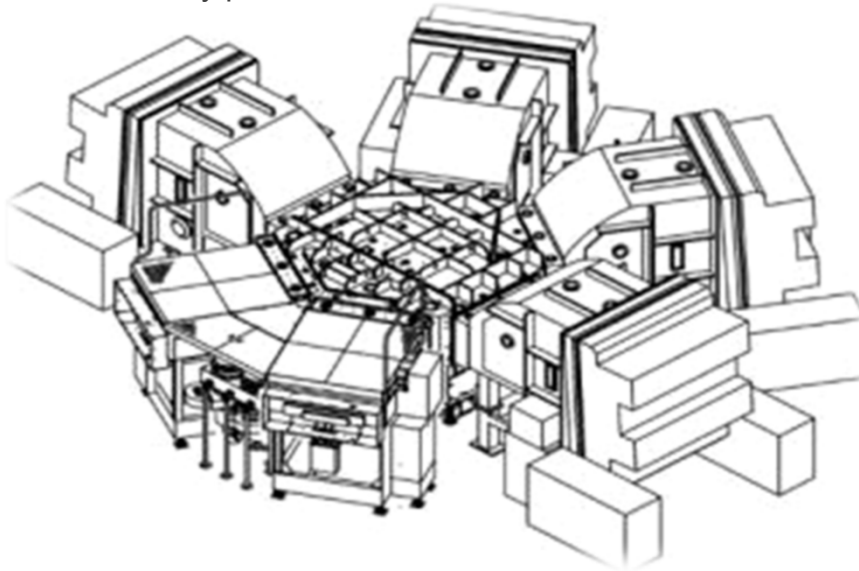
- Small- and medium-sized OLED production equipment: **Remaining vigorous**

Despite uncertainty over investments by Korean manufacturers due to sluggish sales of OLED-equipped premium smartphones, capital expenditures in China are expected to remain vigorous.

→ Continued receipt of orders (vacuum evaporation equipment, sputtering systems, P-CVD equipment, etc.)

⇒ Continuing to establish mass production technology with partner companies
Also focusing on development of fundamental technology for higher definition

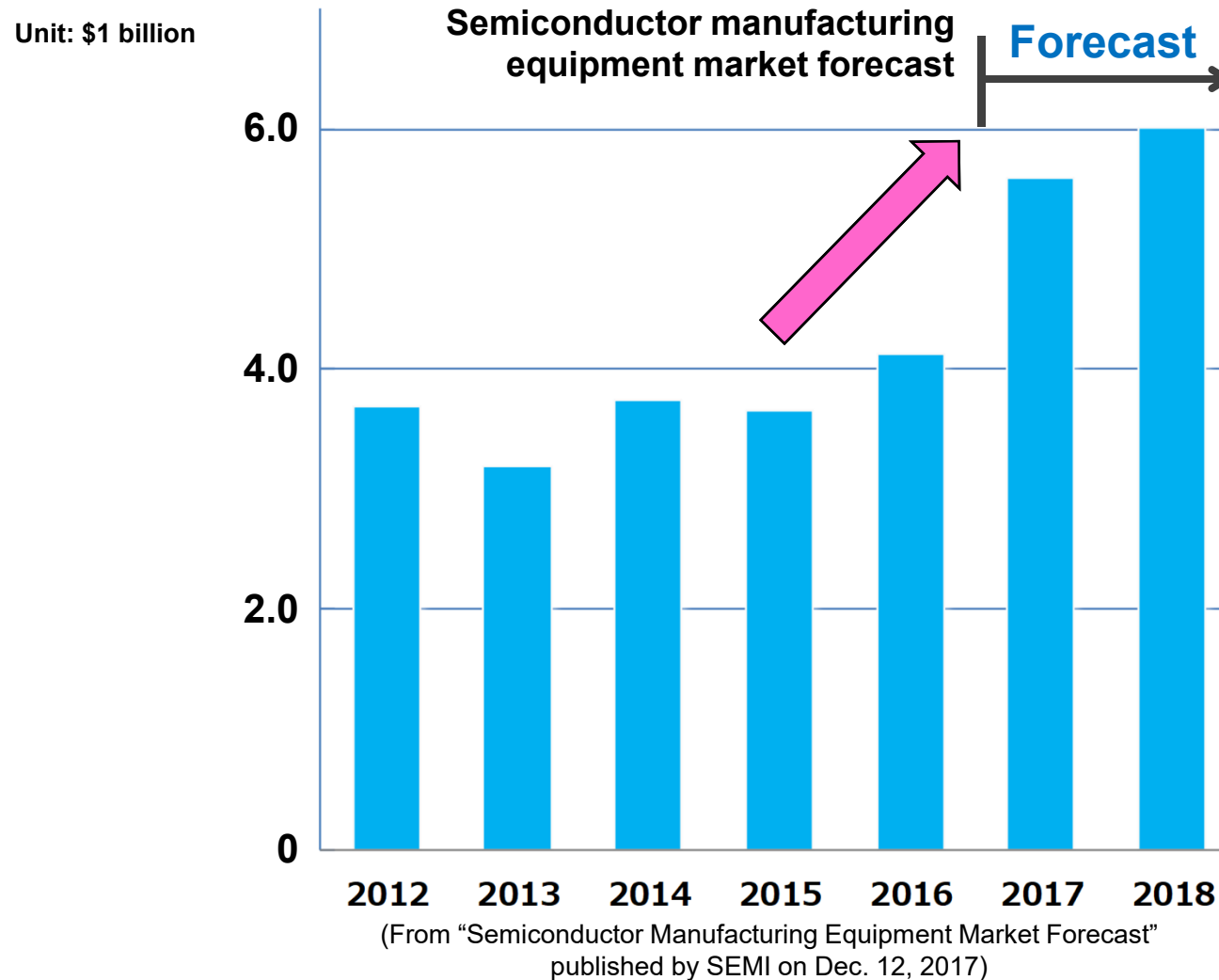
SMD Series: Sputtering systems
for TFT array production



ZELDA Series: Vacuum evaporation
equipment for OLED production

Business Environment (Semiconductors and Electronic Devices)

- The semiconductor market is expected to continue growing, owing to an increase in server demand associated with progress in IoT and larger data quantities.



Business Environment (Semiconductors)

- For NAND and DRAM: **Continuing at high levels**
Capital expenditures are expected to continue at high levels due to strong demand for servers.
 - Deliveries of sputtering systems and native oxide removal equipment for memory makers
- Next generation non-volatile memory: **Large contribution**
Vigorous capital expenditures will increase PCRAM (phase-change memory) mass production.
 - Increase in demand for sputtering systems
- Entry into the market for logic devices: **Assessing for mass production**
Progress in development for miniaturization by foundry manufacturers:
 - Sputtering systems are being delivered, and joint development is underway to resolve issues in the miniaturization process.
 - ⇒ Good results were obtained, and assessment for mass production lines is underway.
- Chinese market: **Hopeful for the future**
Get orders from Chinese memory manufacturers in addition to experienced foreign semiconductor manufacturers.
 - ⇒ Deepen collaboration with cutting-edge research institutions, and further expand business opportunities.



ENTRON-EX: Sputtering systems for semiconductor production



RISE: Native oxide removal equipment for semiconductor production

Business Environment (Electronic Devices)

- **Electronic devices: Active** investment in electronic devices due to the evolution of a smart society booming with **diverse investments**
 - Receipt of orders for Sputtering systems for telecom and opto devices Etching systems etc.
 - ⇒ Expected to continue
- **PLP mounting: Development stage**
 - Delivering equipment to OSAT and other major customers, and establishing processes
 - ⇒ In the future, growth is expected in deposition equipment and etching systems.
- **Chinese market: Hopeful for the future**
 - ⇒ In the future, growth is expected in deposition equipment and ion implantation system for power devices.



NE Series: Etcher
for electronic
devices



SME Series:
Sputtering systems
for electronic devices



IH Series: Ion implanter
for power devices



NA Series: Etcher
for PLP mounting

FY2017 Earnings Estimates

FY2017 Full Year Earnings Estimates

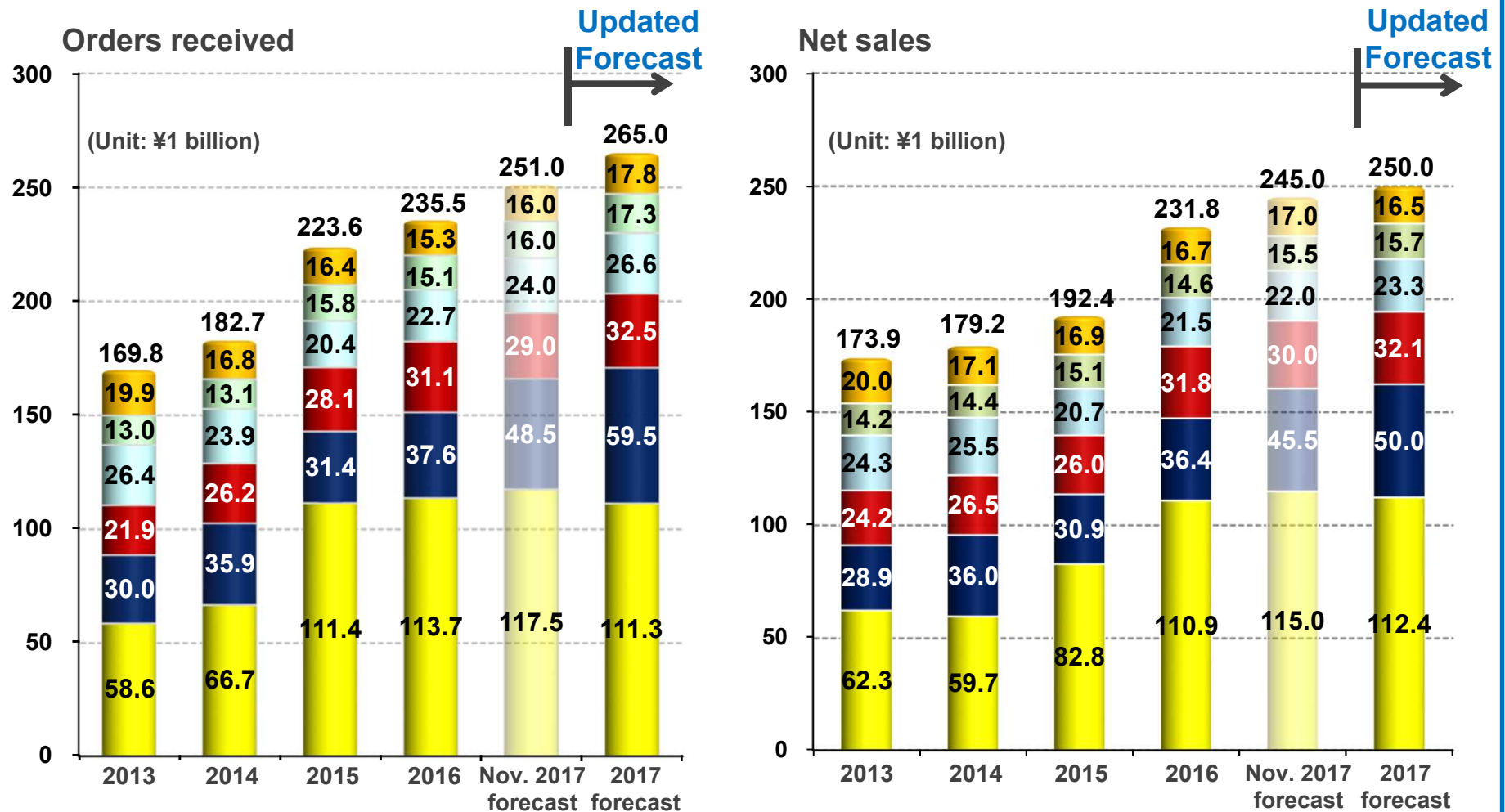
- Based on favorable results in the first half, estimates have been revised upward for net sales and all profit categories, and net sales and all profit categories are expected to reach record highs.

(Unit: ¥1 billion)

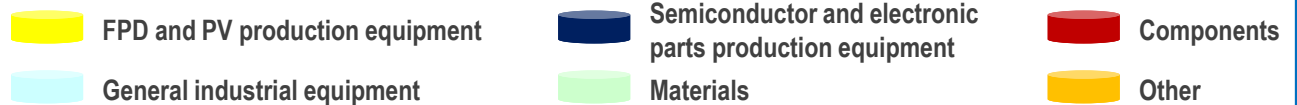
	FY2016	FY2017			
		First Half		Full Year	
		Revized* Forecast	Result	Revized* Forecast	Updated Forecast
Orders Received	235.5	146.0	146.3	251.0	265.0
Net Sales	231.8	121.0	125.3	245.0	250.0
Operating Profit	29.5	17.0	18.7	33.0	35.5
Ratio	12.7%	14.0%	14.9%	13.5%	14.2%
Net Income	24.5	13.5	16.3	27.5	30.5
Ratio	10.6%	11.2%	13.0%	11.2%	12.2%

* Figures published in November 2017

FY2017 Full Year Earnings Estimates (Orders received and net sales by segment)



* November forecasts of orders received and net sales were revised upward from initial forecasts by ¥6.0 billion each for semiconductors/electronics and the combined total.



ULVAC, leading the
world in vacuum technology

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