

【 Code No : 6728】

Business Results

FY2016 (Year Ending June 30, 2017)

ULVAC,Inc.

10th Aug, 2017

◆ 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), Solar cell, 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 electronic 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.

Definition of an accounting period:

2Q (6 months) : The 6 months of the fiscal year

2Q : The second quarter of the fiscal year

Fiscal year : The Fiscal year ending in June (FY2016 : from July 2016 to June 2017)

Overview of Business Results for FY2016

Overview of Highlights of Business Results for FY2016

Previous Mid-term
Management Plan

New Mid-term
Management Plan

Outlook for
FY2017

- ❑ **Business Results Exceeding Original Estimations (**Record high profits for two consecutive terms**)**
- ❑ **Orders received: 235.5 billion yen**
(**+ 27%** compared to original estimations)
 - Capital expenditures for OLED (organic EL) for smartphones and LCD (liquid crystal) for large-sized TVs continued to be strong at a high level.
- ❑ **Net Sales: 231.8 billion yen**
(**+ 19%** compared to original estimations)
 - The results were better than originally expected mainly due to sales of FPD·PV production equipment
- ❑ **Operating Profit: 29.5 billion yen**
(**+ 64%** compared to original estimations)
 - The results exceeded original estimations due to an increase in net sales.
 - All profit items continued to achieve record high figures.
- ❑ **The end-of-term dividend per share that was previously estimated 45 yen (announced in May, 2017) will increase to 50 yen. (YoY result was 30 yen.)**

Overview of Business Results for FY2016

Previous Mid-term
Management Plan

New Mid-term
Management Plan

Outlook for
FY2017

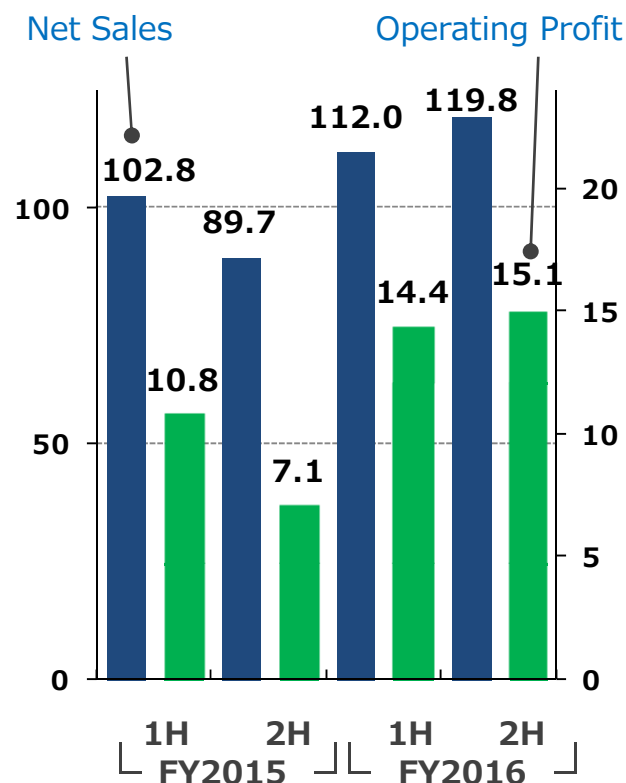
- Orders received: +5% YoY due to an increase in semiconductor & electronic device production equipment and components.
- Net Sales: +21% YoY due to an increase in FPD·PV production equipment, semiconductor & electronic device production equipment and components.
- Record high operating profit, ordinary profit and net income.

【Unit:Bn.Yen】

	Jun-16 Result	June '17 Plan * 1	Revised * 2	Y-o-Y Result (Changes)		
Orders received	223.6	185.0	230.0	235.5	11.9	5.3%
Orders back-log	101.3	-	-	106.3	-	-
Net Sales	192.4	194.0	223.5	231.8	39.4	20.5%
Operating Profit	17.9	18.0	28.5	29.5	11.6	65.0%
Ratio	9.3%	9.3%	12.8%	12.7%		+ 3.4 pt
Net Income	16.7	12.0	21.5	24.5	7.8	46.5%
Ratio	8.7%	6.2%	9.6%	10.6%		+ 1.9 pt

*1 : Announced on Aug. 2016 *2 : Announced on May. 2017

Transition of Net Sales and Operating Profit(By half year)



Overview of Business Results for FY2016 (Transition of profitability)

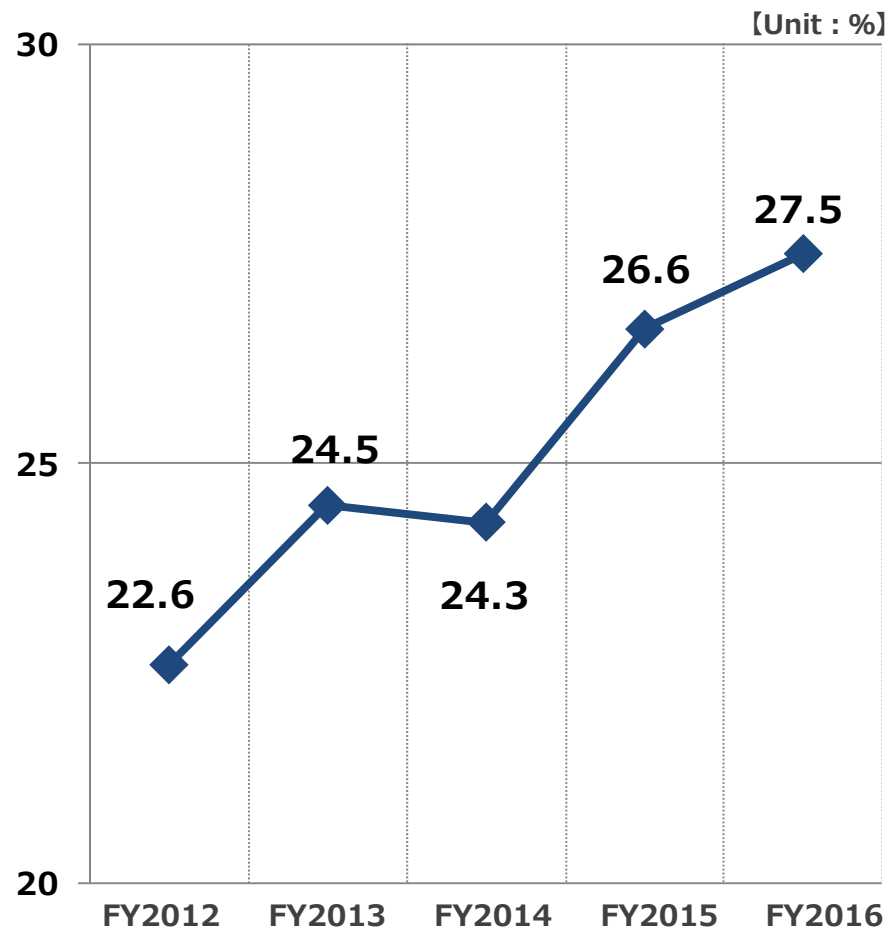
Previous Mid-term
Management Plan

New Mid-term
Management Plan

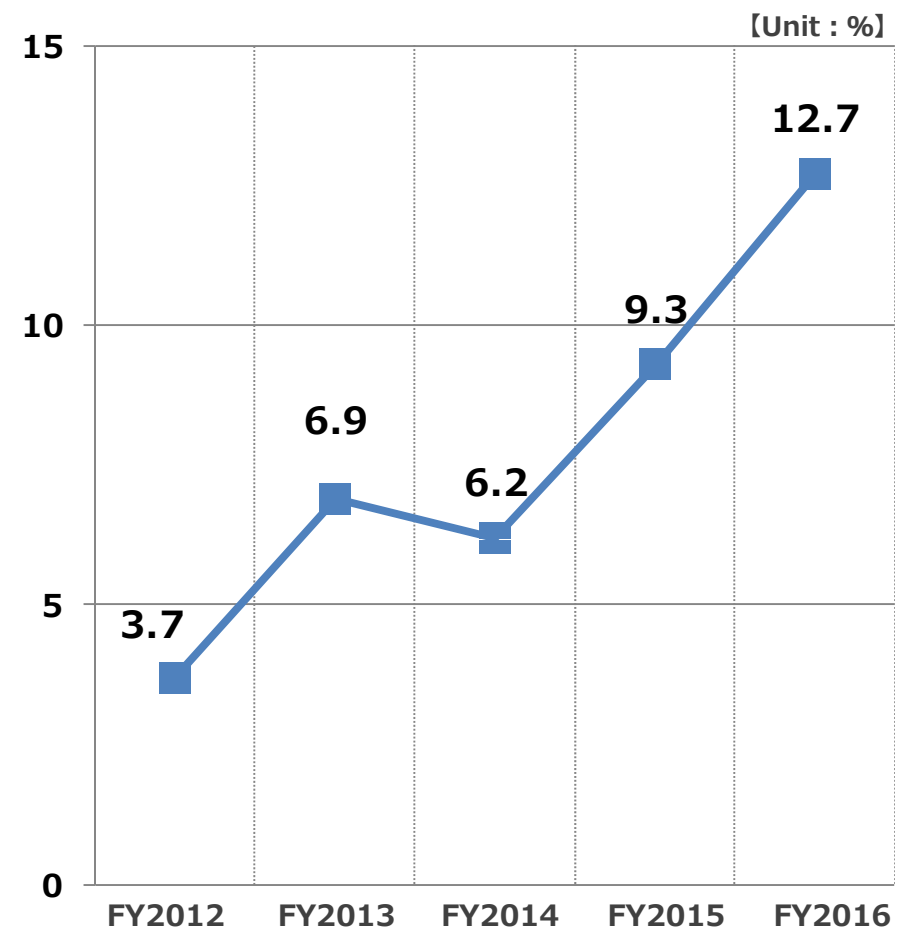
Outlook for
FY2017

- Continuous improvement in both gross profit margin ratio and operating profit margin ratio

Gross profit margin ratio



Operating profit margin ratio



Overview of Business Results for FY2016

(Results of orders received and net sales by segment)

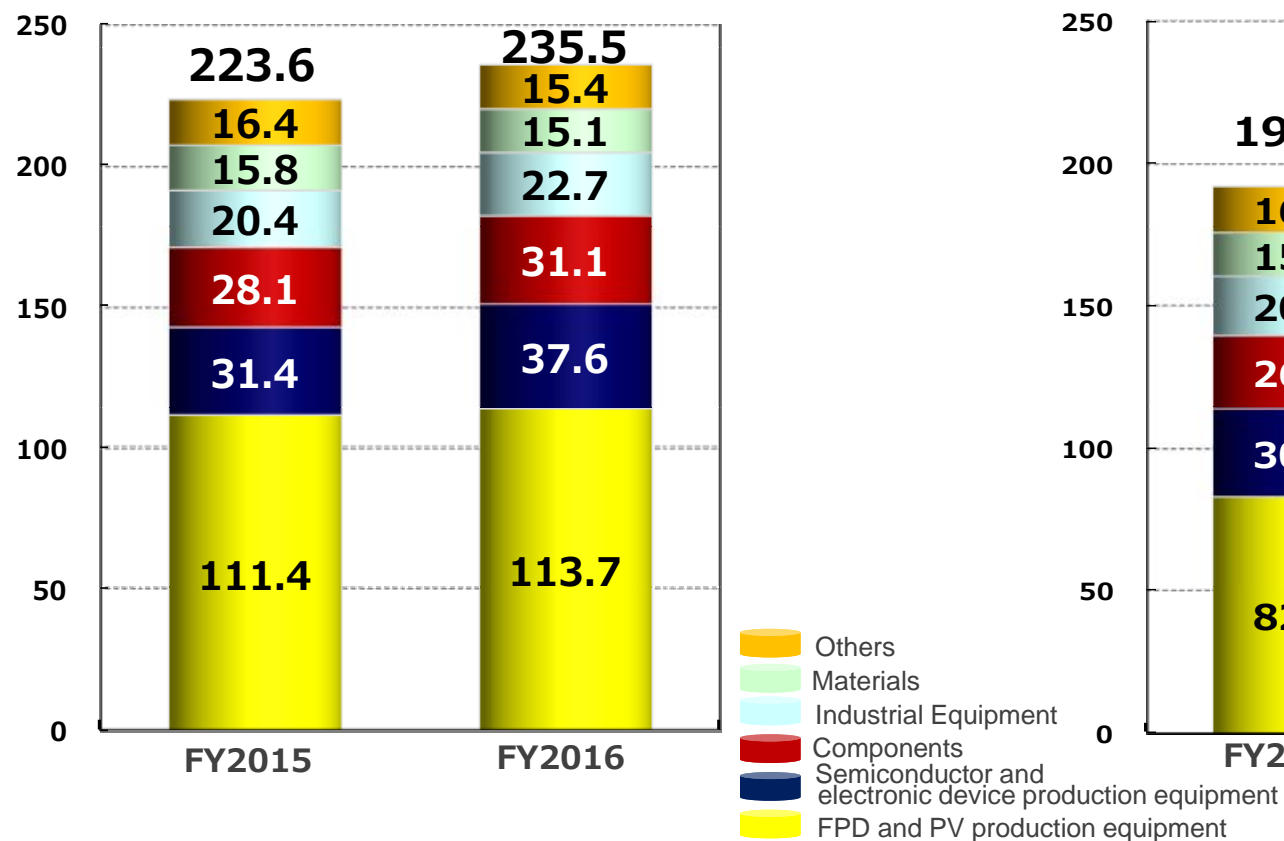
Previous Mid-term
Management Plan

New Mid-term
Management Plan

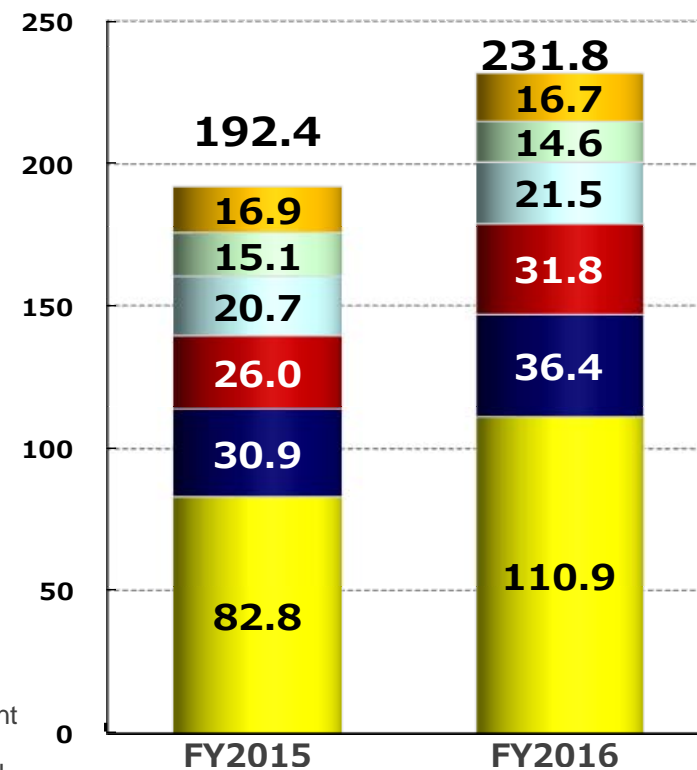
Outlook for
FY2017

- **FPD·PV production equipment:** Remained at a high level with a focus on OLED and LCD for large-sized TVs.
- **Semiconductor and electronic device production equipment:** Increased investment in NAND and DRAM memory.
- **Components:** Increase in cryopumps, etc. for OLED

Orders Received 【Unit:Bn.Yen】



Net Sales 【Unit:Bn.Yen】



Overview of Business Results for FY2016

(Transition of orders received and net sales by segment)

Previous Mid-term Management Plan

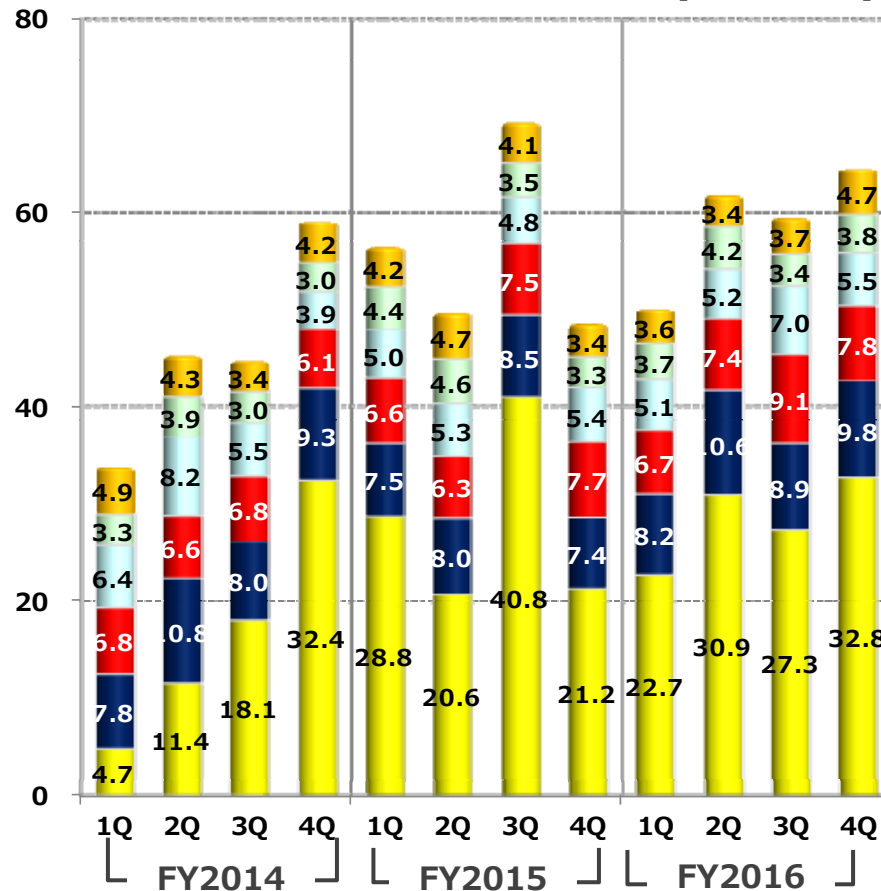
New Mid-term Management Plan

Outlook for FY2017

- Strong trend for orders received and net sales.

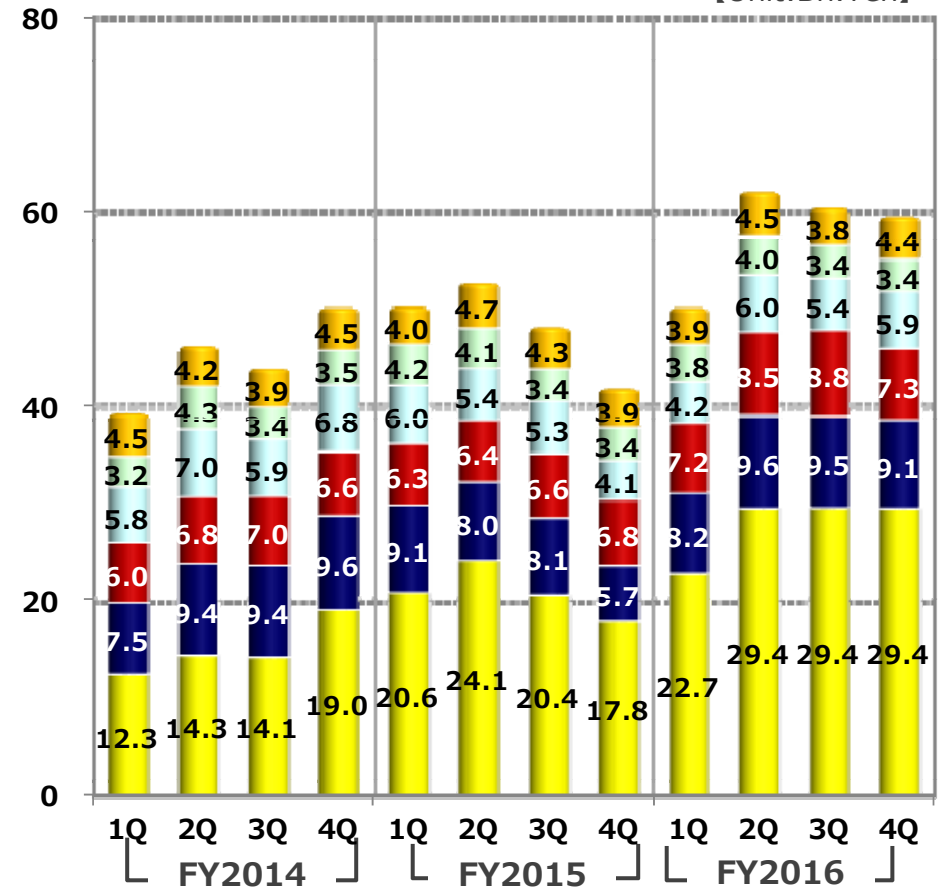
Orders Received

[Unit: Bn. Yen]



Net Sales

[Unit: Bn. Yen]



Overview of Business Results for FY2016

(Consolidated balance sheets)

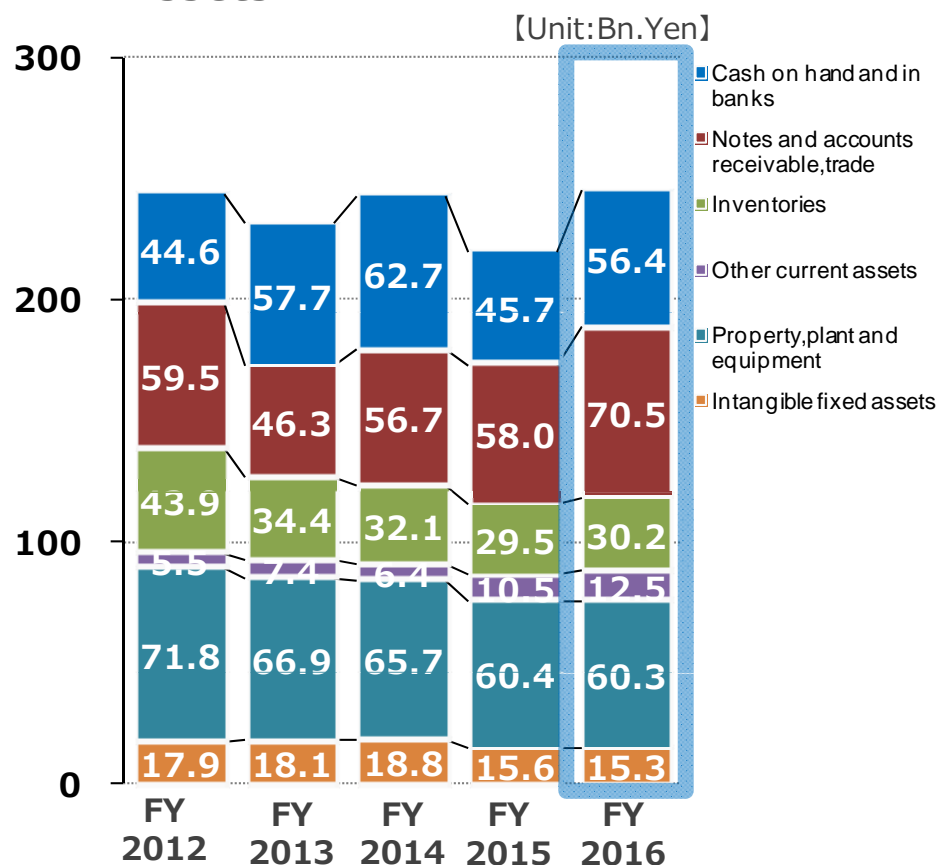
Previous Mid-term
Management Plan

New Mid-term
Management Plan

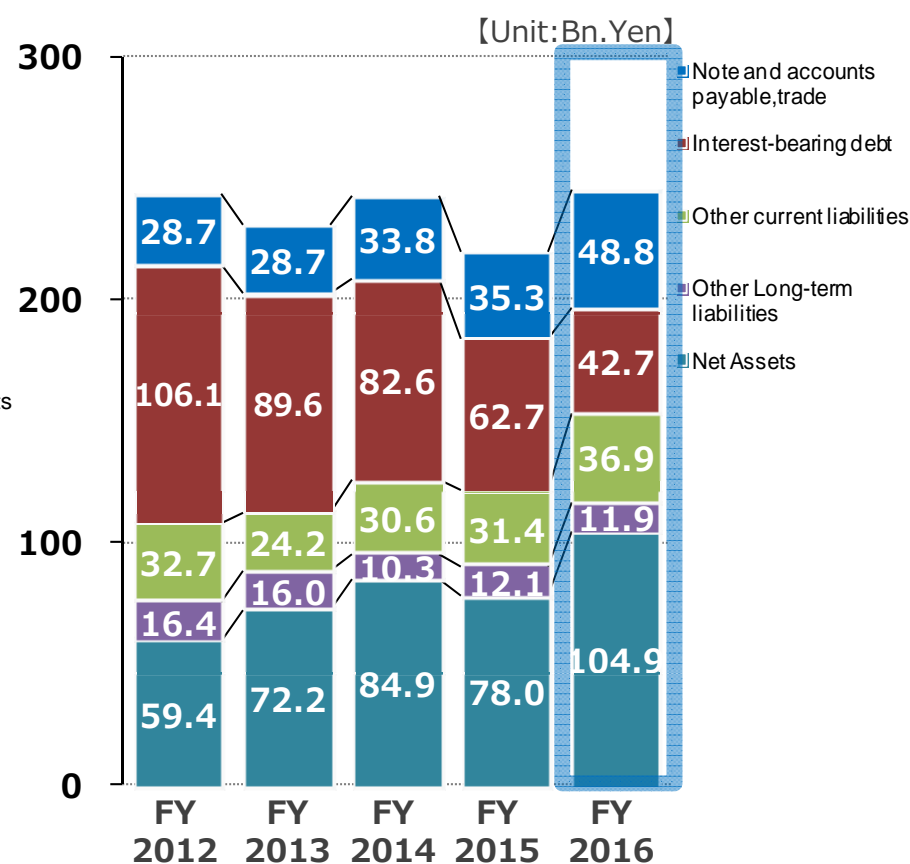
Outlook for
FY2017

- Due to the increase of net sales, "notes and accounts receivable, trade" increased by 12.6 billion yen, "notes and accounts payable, trade" increased by 13.5 billion yen, respectively, compared to those of June 30, 2016. On the other hand, "interest-bearing debt" decreased by 20.0 billion yen.
- "Net assets" increased by 26.9 billion yen.

Assets



Liabilities and Net Assets



Overview of Business Results for FY2016

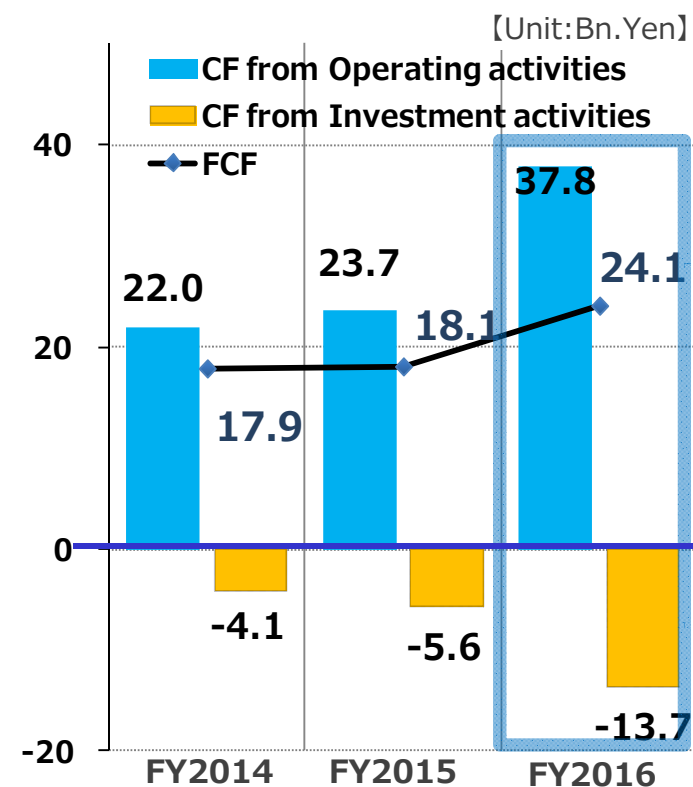
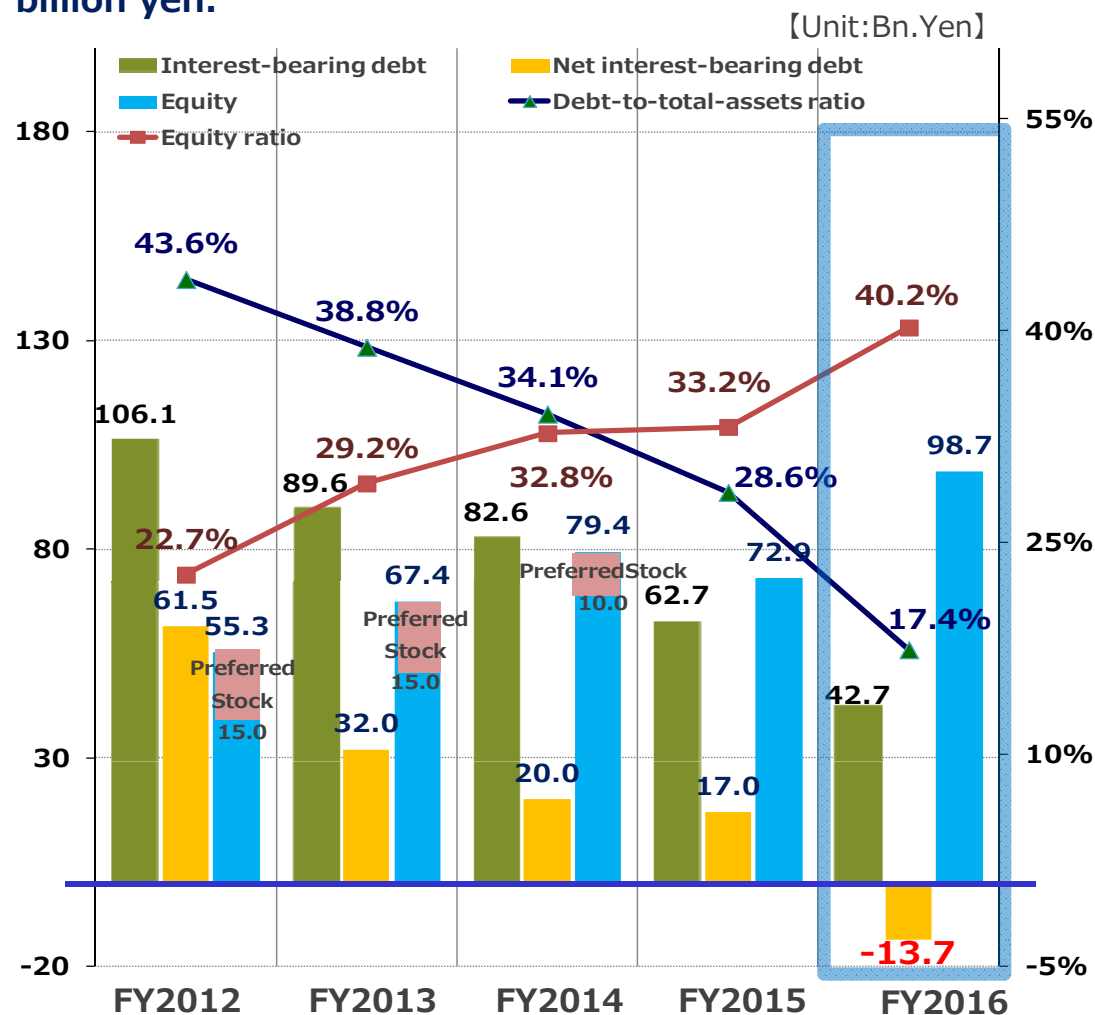
(Results of Interest-bearing debt and FCF)

Previous Mid-term
Management Plan

New Mid-term
Management Plan

Outlook for
FY2017

- Equity ratio improved to 40.2% and debt-to-total assets ratio fell to 17.4%.
- Cash flow from operating activities amounted to 37.8 billion yen while free cash flow (FCF) amounted to 24.1 billion yen. Net interest-bearing debt turned to net cash amounted to 13.7 billion yen.



**Overview of Business Results for
FY2016**
(FY2016 Dividend)

Previous Mid-term
Management Plan

New Mid-term
Management Plan

Outlook for
FY2017

- We sets dividend while taking into consideration in a comprehensive manner the status of our financial base, each year's consolidated financial figures, and the dividend payout ratio..

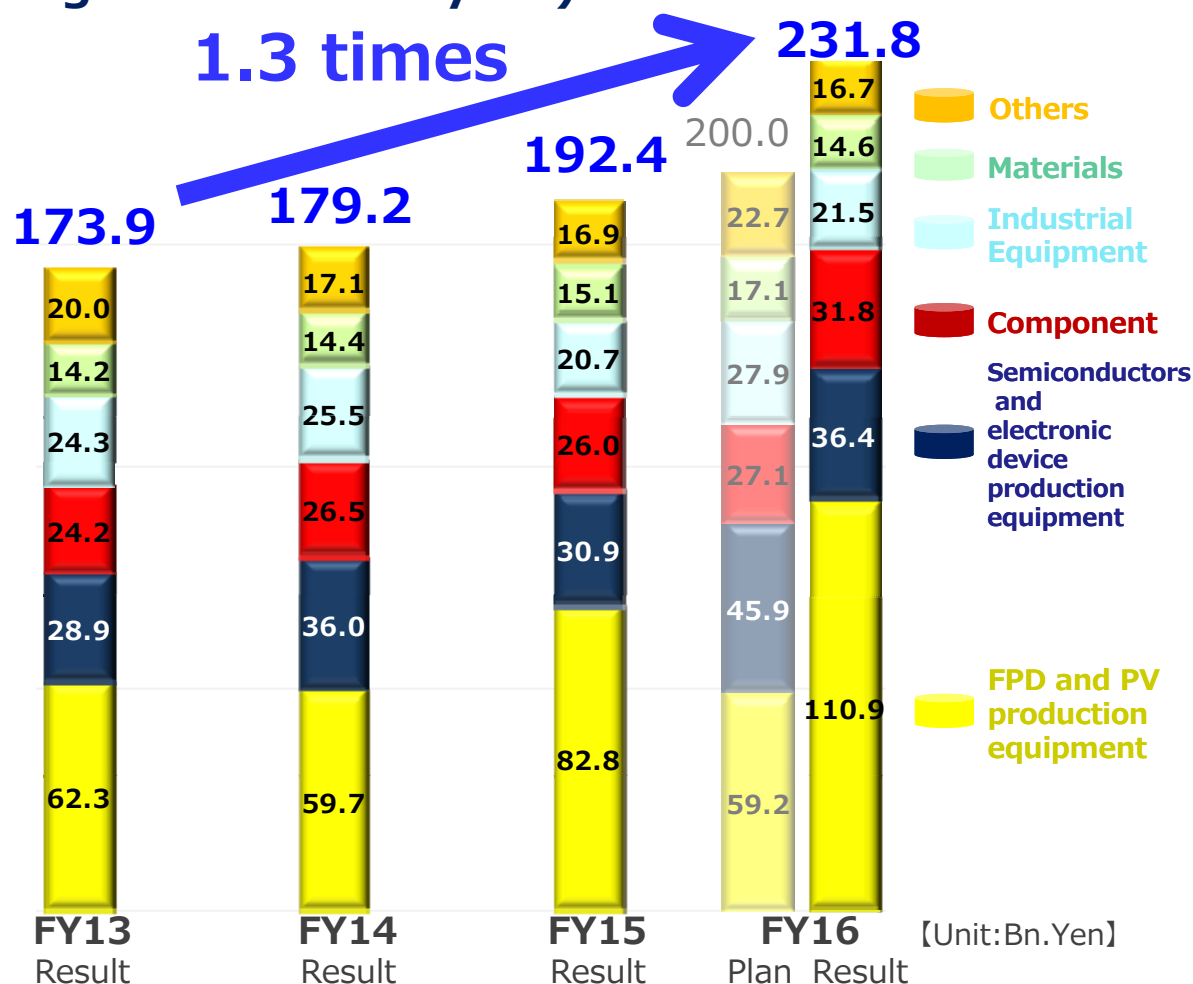
→ The end-of-term dividend per share that was previously estimated 45 yen will increase to 50 yen.
(Matter to be discussed at the 113rd ordinary shareholders' meeting to be held on September 28, 2017)

	FY2015 Result	FY2016 Previous Estimation (Announced on May, 2017)	FY2016 Estimation	(Compared to FY2015)
Dividend per share	30 Yen	45 Yen	50 Yen	20 Yen Increased

Previous Mid-term Management Plan

Mid-term Management Plan
(from FY2014 to FY2016)
Review

- We achieved the net sales target (exceeding the planned figures for each year).



FPD business

- Capital investment for large-sized LCD and OLED were significantly larger than originally estimated and boosted net sales.

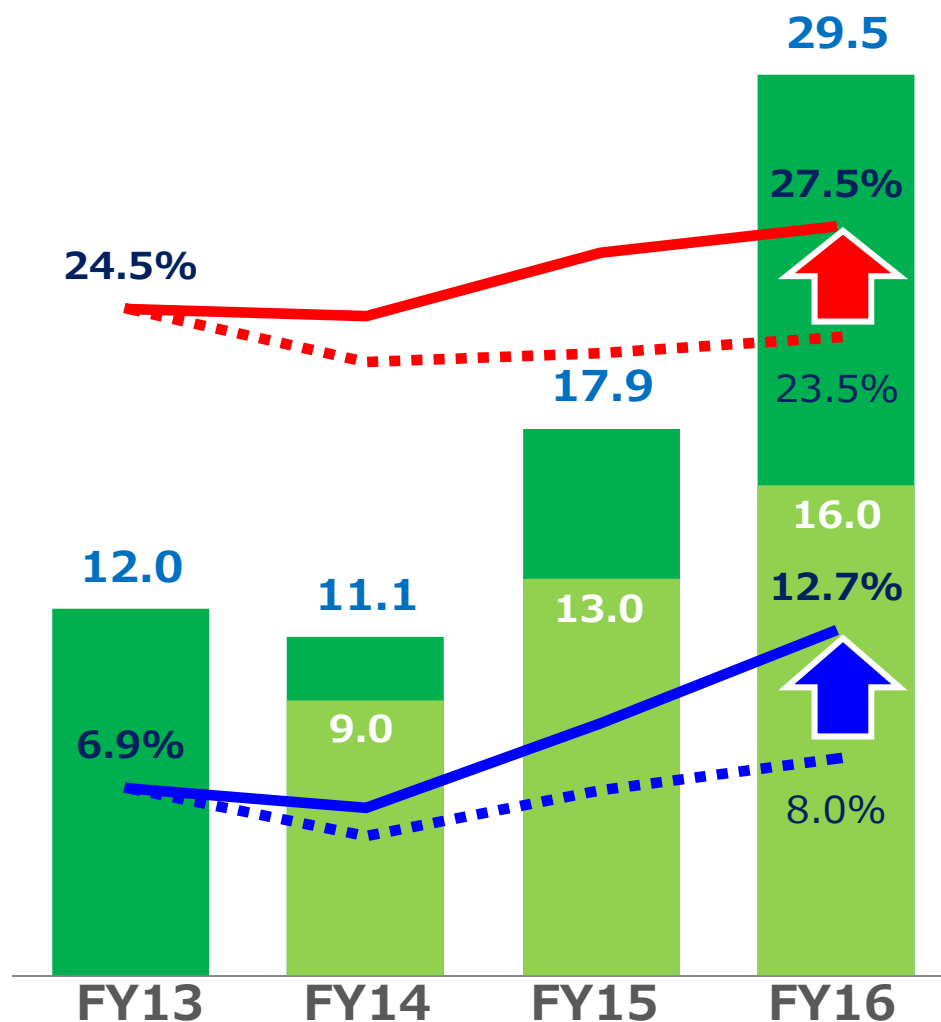
Semiconductors and electronic devices business

- The business is increasing, though net sales were below those planned.

Components business

- Net sales exceeded those planned due to increased demand for cryopumps for OLED, etc.

• Record high profits for two consecutive terms for operating profit



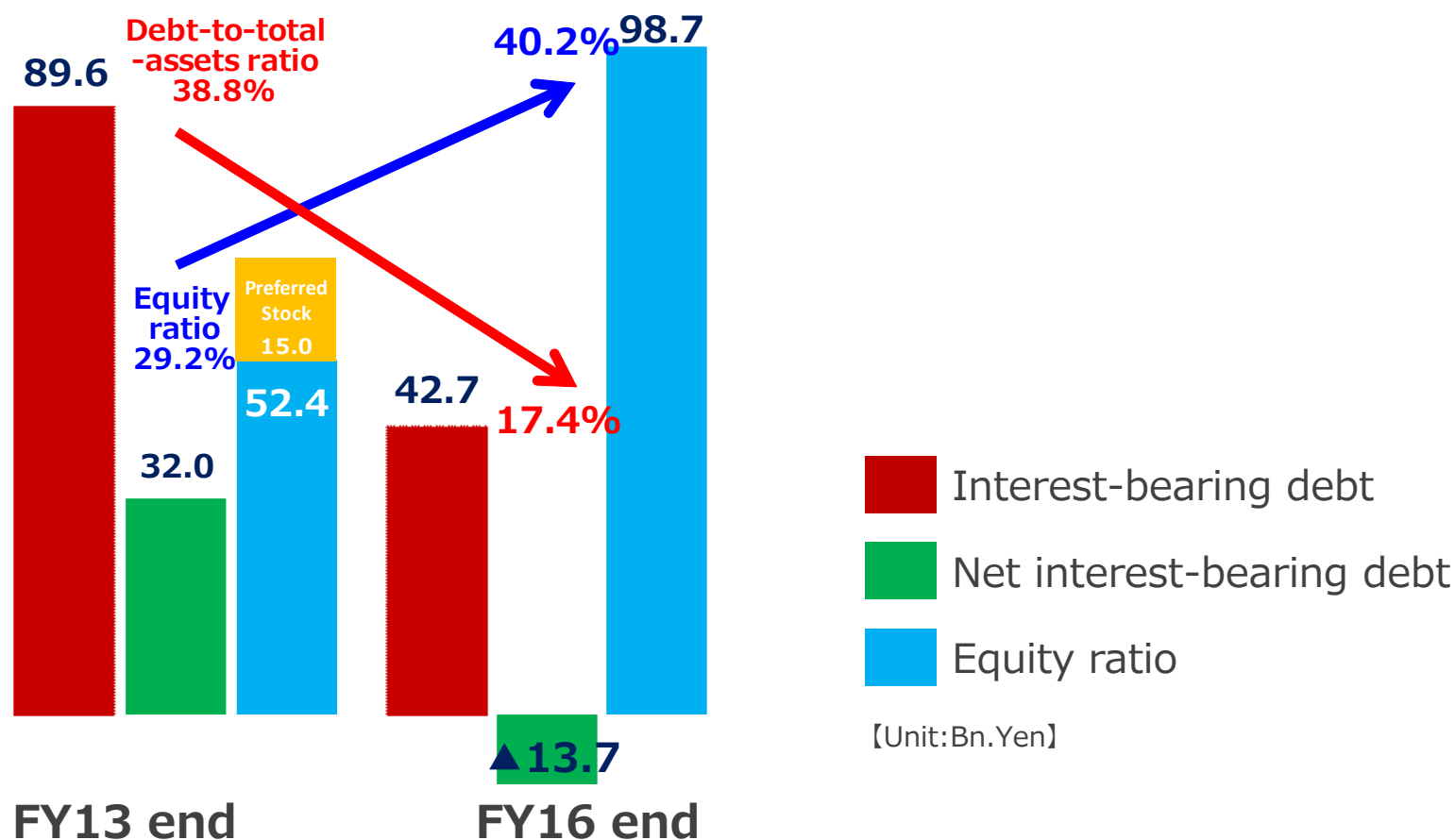
Efforts to strengthen the
profit-making structure

- Net sales increase
- Front loading and continuous cost reduction
- Thorough fixed-cost and profitability management

- Gross profit margin ratio
(Solid line: result/dashed line: plan)
- Operating profit margin ratio
(Solid line: result/dashed line: plan)
- Operating profit (Result)
- Operating profit (Plan)

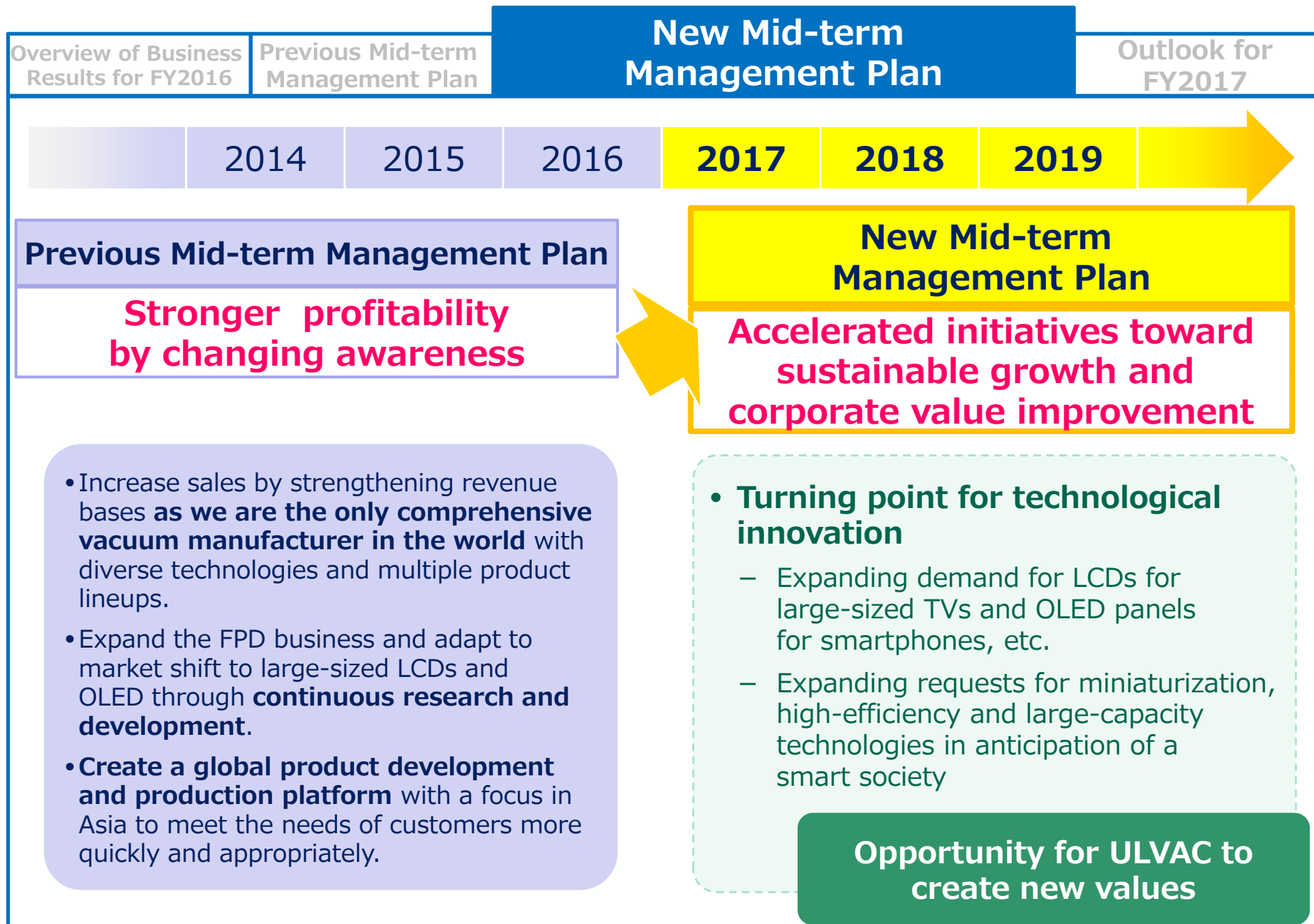
Plan: Mid-term management plan formulated in FY2014

- Equity ratio significantly improved due to equity increase owing to profit, streamlined assets, etc.
- Interest-bearing debt and debt-to-total assets ratio significantly improved while net interest-bearing debt was over cash and deposits.



New Mid-term Management Plan

Mid-term Management Plan
(from FY2017 to FY2019)
Overview



Vision

- **Highly profitable corporate management by comprehensively utilizing vacuum technology, maximizing synergy effects among equipment, materials, deposition processing, analysis & services, and cooperating with global business partners**
- **Human resource development for the next leap forward**
- **A challenging company working culture**

Management base

Human resources development

**Deepening relationship and
coordination within the group**

**Information platform
development**

Financial strength improvement

Key strategy

Promotion of business growth

- Sustainable position in FPD business
- Strengthening of semiconductor and electronic devices business
- Global development

Enhancement of power to create value

- Strengthening of marketing and development of creative technologies and products
- Strengthening of global procurement and production system and cost reduction

Target for FY2019

**Net sales
250 billion yen**

**Operating profit
35 billion yen**

**Operating profit
margin ratio 14%**

• Strengthening of management base

Human resources development

**Stronger business promotion
force**

- Training of next generation management personnel
- Cultivate and appoint global human resources

Deepening relationship and coordination within the group

Stronger manufacturing ability

- Strengthening of a global development, procurement and production system and cost reduction
- Expanded investment in research and development (*) (about 50.0 billion yen in three years)
- Accelerate global marketing and technology strategies

(*) Amount of capital investment for research and development + research and development expense

Information platform development

Improve business judgments

- Improve efficiency of information management applying optimized IT

Financial strength improvement

**Improve capabilities for
growth investment**

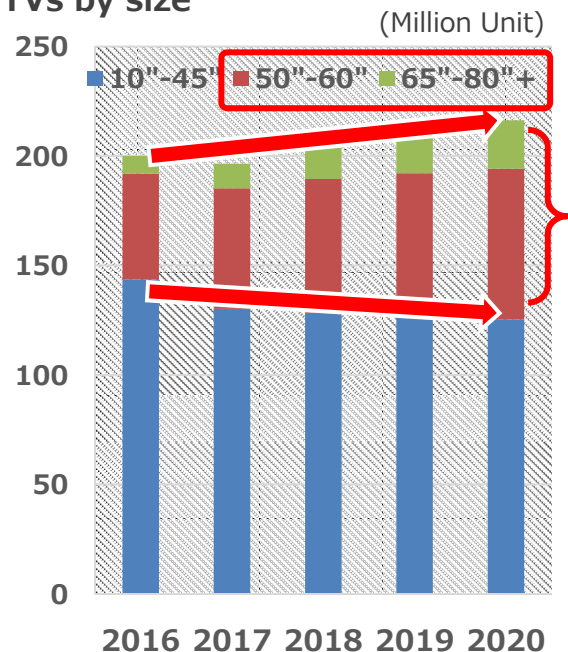
- Further improvement in financial strength including equity ratio

- **Forecast: LCD for large-sized TVs will drive growth to the market.**

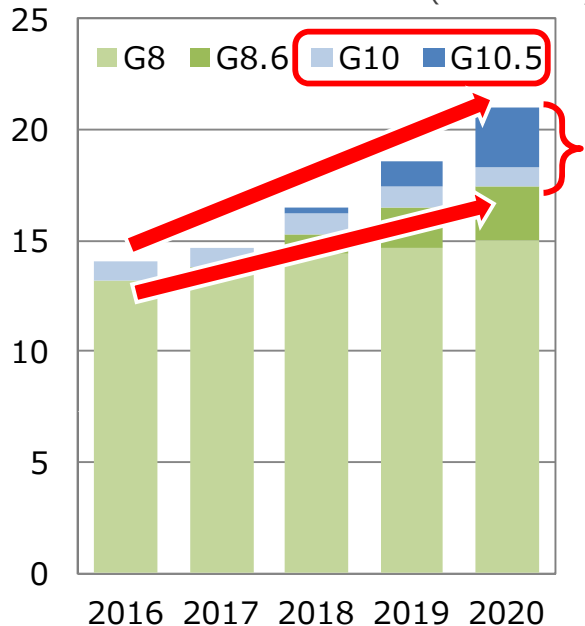
Large-sized TVs of 50 inches or more (65 inches or larger in particular) will drive market growth.

- Large substrates are necessary for efficient production of large panels.
- With regard to panels of 65 inches or larger in particular, production facilities are being proactively strengthened due to high productivity of super large substrates (G10.5).


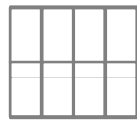

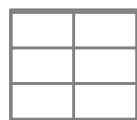
Demand forecast for flat-panel TVs by size
(Million Unit)



Production capacity of large-sized TFT substrates by glass size
(Million Unit)



Productivity per unit
(Number of substrates of panel use efficiency)

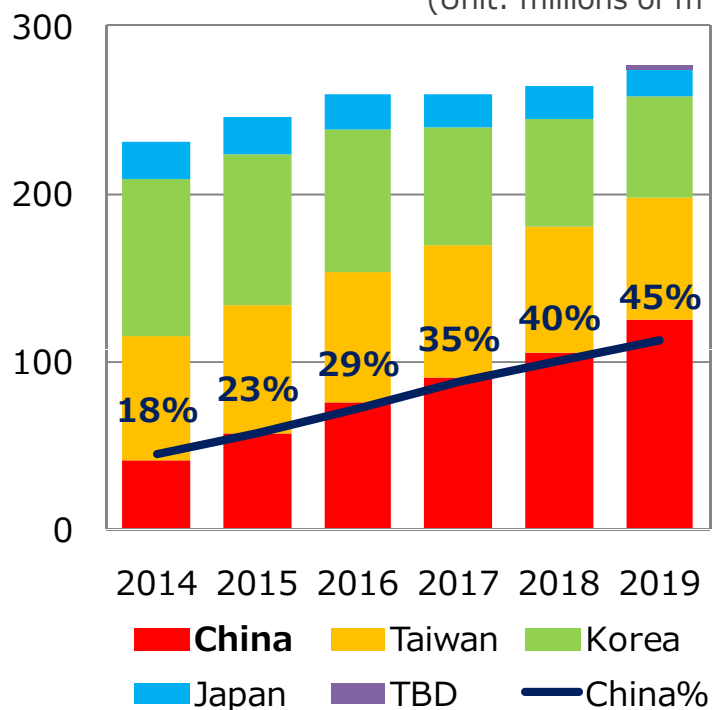
	G8.5 Glass (2200x2500)	G10.5 Glass (2940x3370)
65"	 3 panels • 62%	 8 panels • 94%
75"	 2 panels • 55%	 6 panels • 94%

(Prepared based on the materials of IHS Markit)

- **Aggressive investment in production facilities of super large substrates (G10.5) in China due to domestic production policy and government support**
⇒ **Production capacity will account for 45% of the global production capacity in 2019.**

LCD production capacity by country

(Unit: millions of m²)



(Prepared based on the materials of IHS Markit)

ULVAC's strengths

(1) Advanced technologies and field results in large sputtering equipment

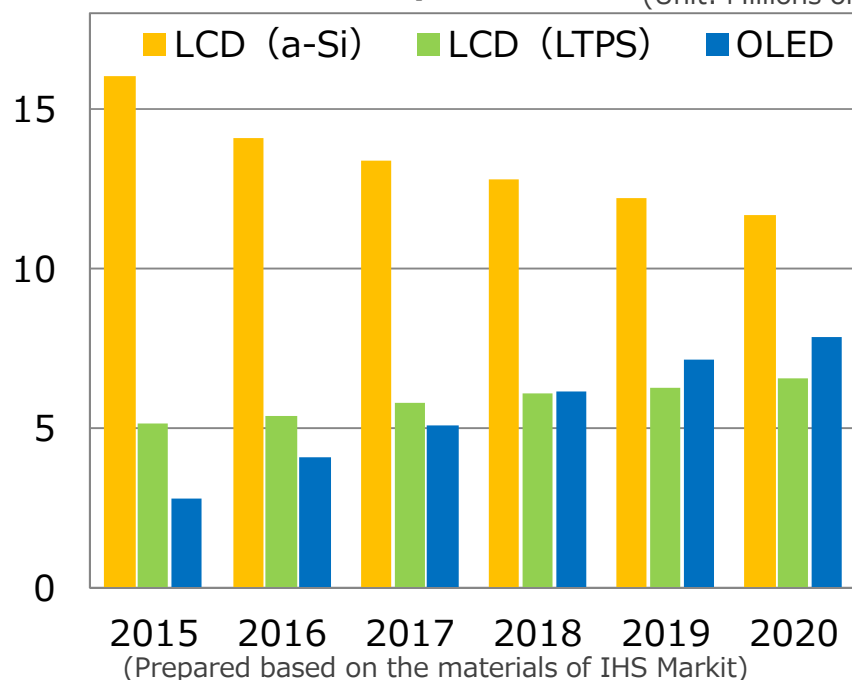
- Sputter cathodes contributing to excellent productivity
- Establishing both productivity and reliability by utilizing in-line type static deposition
- Excellent space efficiency (effective use of a factory)

(2) Market superiority in China

- Customer support network (12 locations)
- Development and establishment of a local production system (a large "clean room" factory, high manufacturing technology and quality control system, and human resources development) and supply chains
- First G10.5 large substrates production equipment shipped to China in 2017 (completed).

- Continuously active investment in OLED
- OLED and LCD (LTPS) are expected to be the mainstream of small and medium-sized panels (decrease in LCD (a-Si)).
- Growth in OLED is expected in a wide range of areas including smartwatches and foldables that make use of flexibility, VR (virtual reality) and in-car displays.

Forecast of shipment quantity of medium and small-sized panels
(Unit: Millions of m²)



- **Business opportunity in the trend toward a “smart society”**

The coming of a smart society

Social change

Evolution of information society
→ IoT- and AI-based smart society

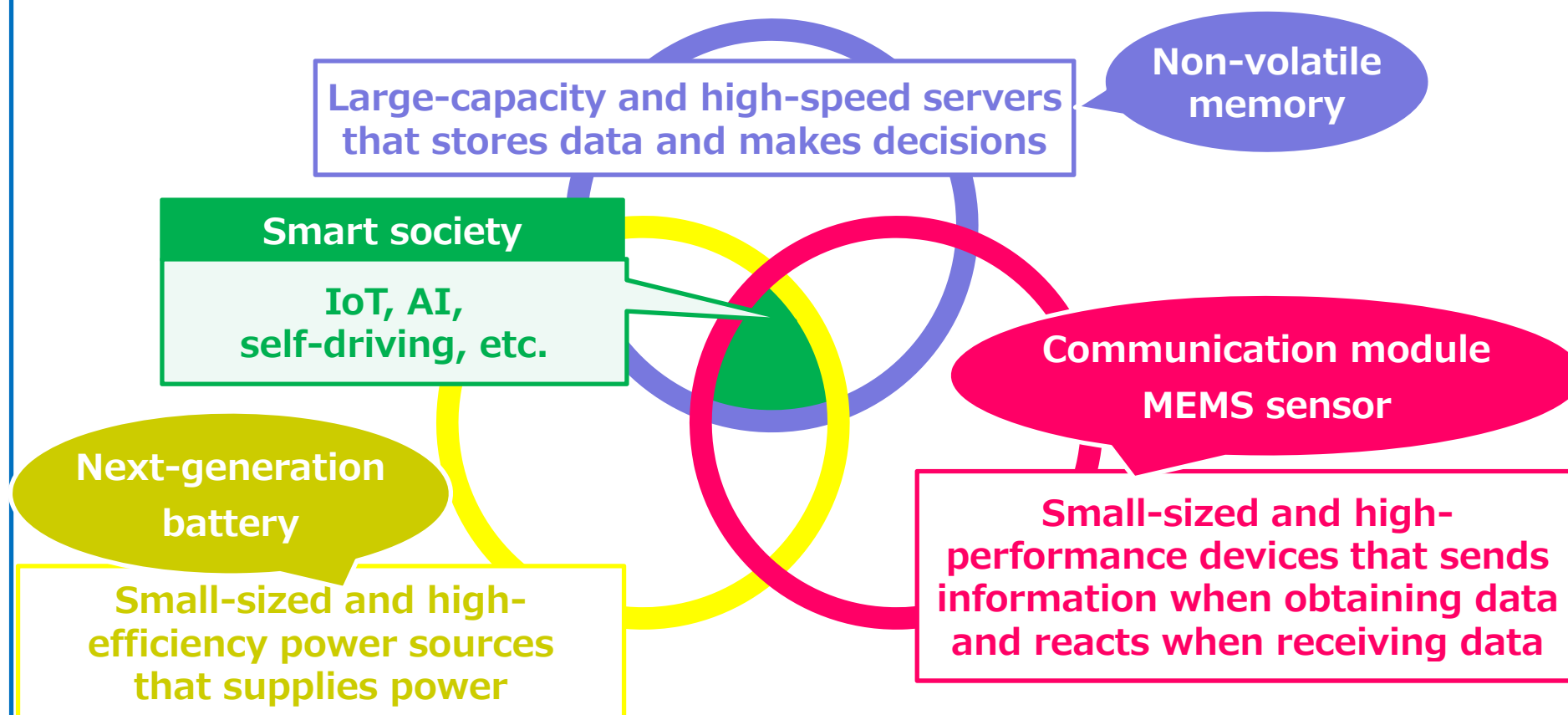
Industrial change

All industries (including agriculture, clothing and food products) becoming smart (use of electronic technologies).

Necessity of collaboration among advanced and diverse technologies to respond to these changes

⇒Great Opportunity for ULVAC that has key technologies!

Technologies to create a smart society



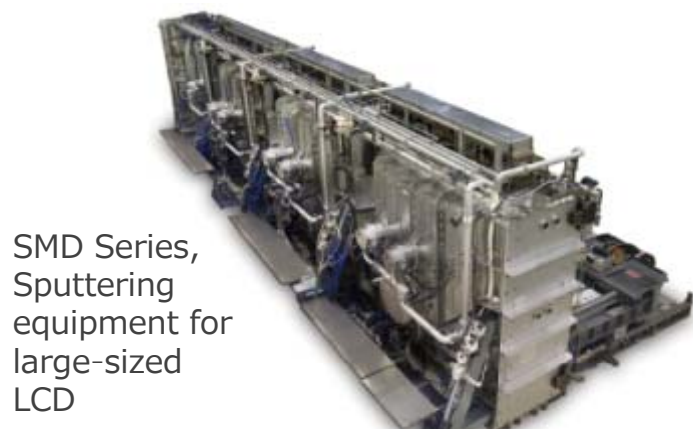
- **Start of activities to implement market and technology strategies from the medium- and long-term viewpoints**



FPD business:

Correspond to large demand

- **Sustaining global leader position in LCD**, especially **LCD for large-sized TVs**, by further strengthening competitiveness of sputtering equipment. Through abundant delivery records in the field, respond to business in United States.
- **Firmly maintain leading position and increase share in OLED within the Chinese market** by realizing mass production at an early time. Also, strengthen R&D for next-generation displays such as OLED-TVs, etc.
- **Create new and/or expand markets** of capacitors, solar power generation, industrial building glass, automobile components, etc., in cooperation with global business partners.



SMD Series,
Sputtering
equipment for
large-sized
LCD



ZELDA Series,
Vacuum
evaporation
equipment for
OLED

Semiconductor and electronic devices business:

Technological innovation challenge in the trend toward a smart society

- **Response to next-generation non-volatile memories** as well as NAND and DRAM, which have a continuously high demand
- **Entry into logic, a new area** for ULVAC
- Solutions to technological problems with all kinds of sensors, communication devices, power devices, next-generation batteries, etc.
- Response to trends toward strengthening of production systems based on domestic production policies of China
(Expansion of business opportunities
in cooperation with research institutes, etc.)

ENTRON-EX,
Sputtering
equipment for
semiconductor
production



Components and materials business, etc.:

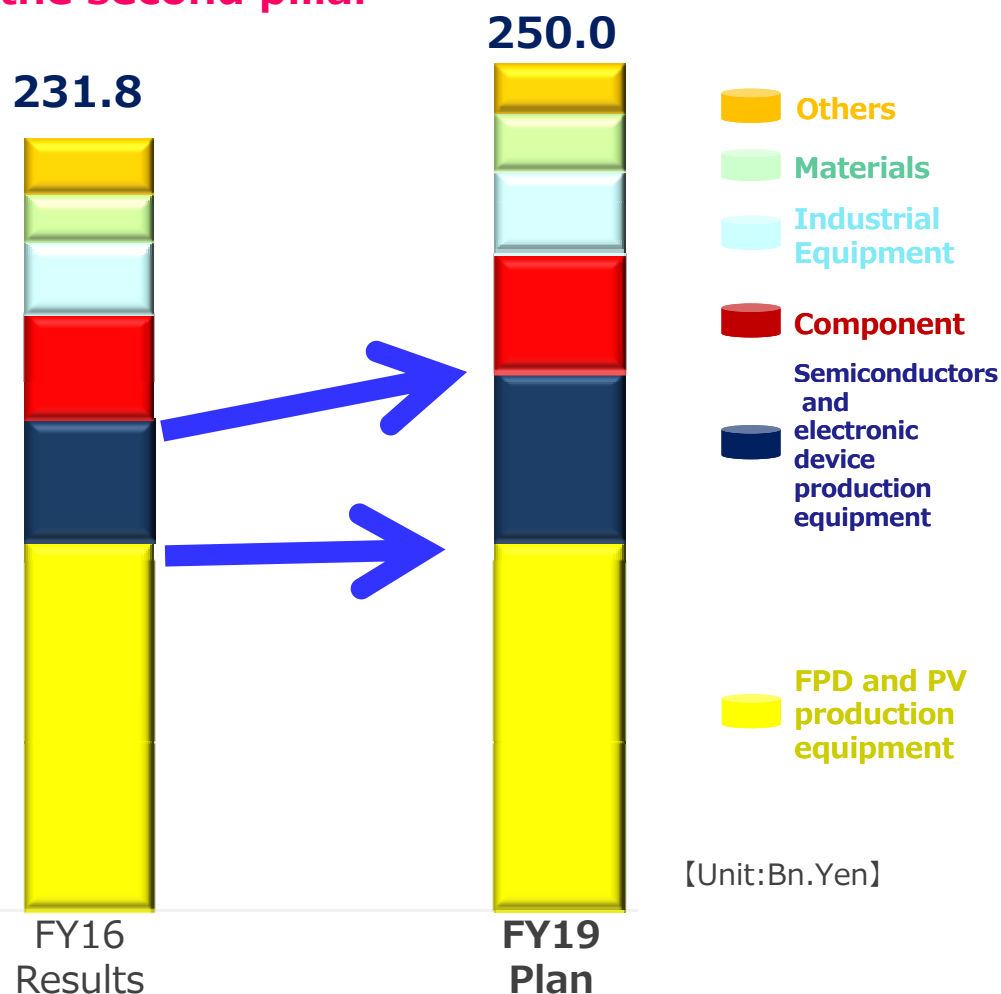
Global development as a stable revenue base

- **Improvement in product competitiveness** by making improvement and reducing cost through the use of production bases, including China
- Stable response to demand by introducing equipment into China
- **Development in regions other than East Asia**



Cryopump

- Stably meeting the large demand for FPD
- Strong promotion of semiconductor and electronic devices business as the second pillar



FPD business

- Continuous securing of annual net sales exceeding 100 billion yen

Semiconductors and electronic devices business

- Increase of 40% compared with FY2016

Components business

- Increase of 10% compared with FY2016

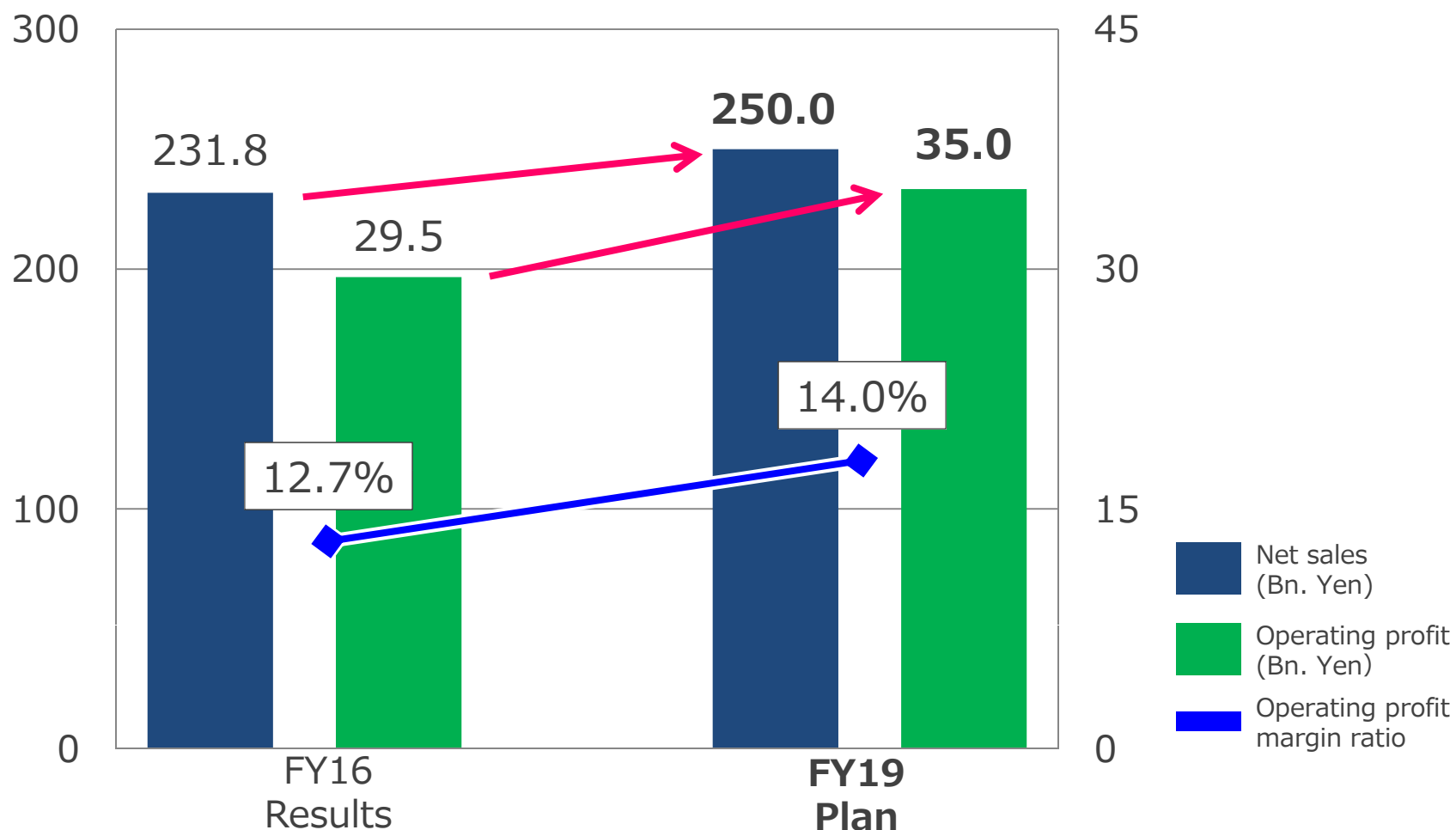
Industrial equipment business

- Increase of 20% compared with FY2016

Materials business

- Increase of 20% compared with FY2016

- Secure increase in sales and profits by stably expanding business during the period of the Mid-term Management Plan
- Improvement in operating profit margin ratio

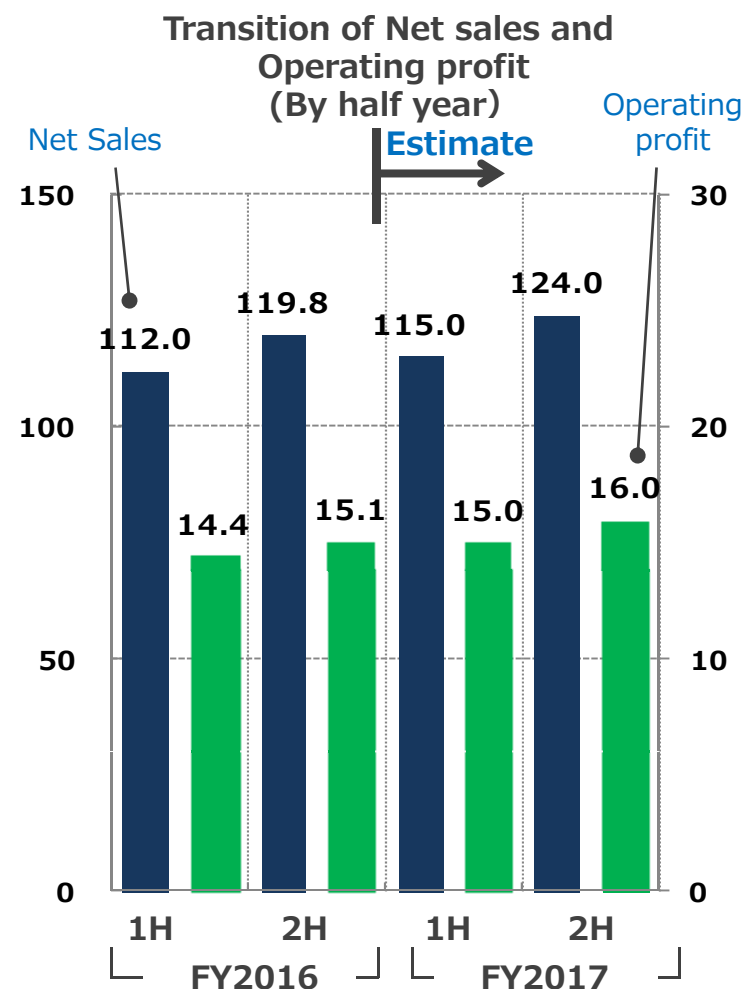


Outlook for FY2017

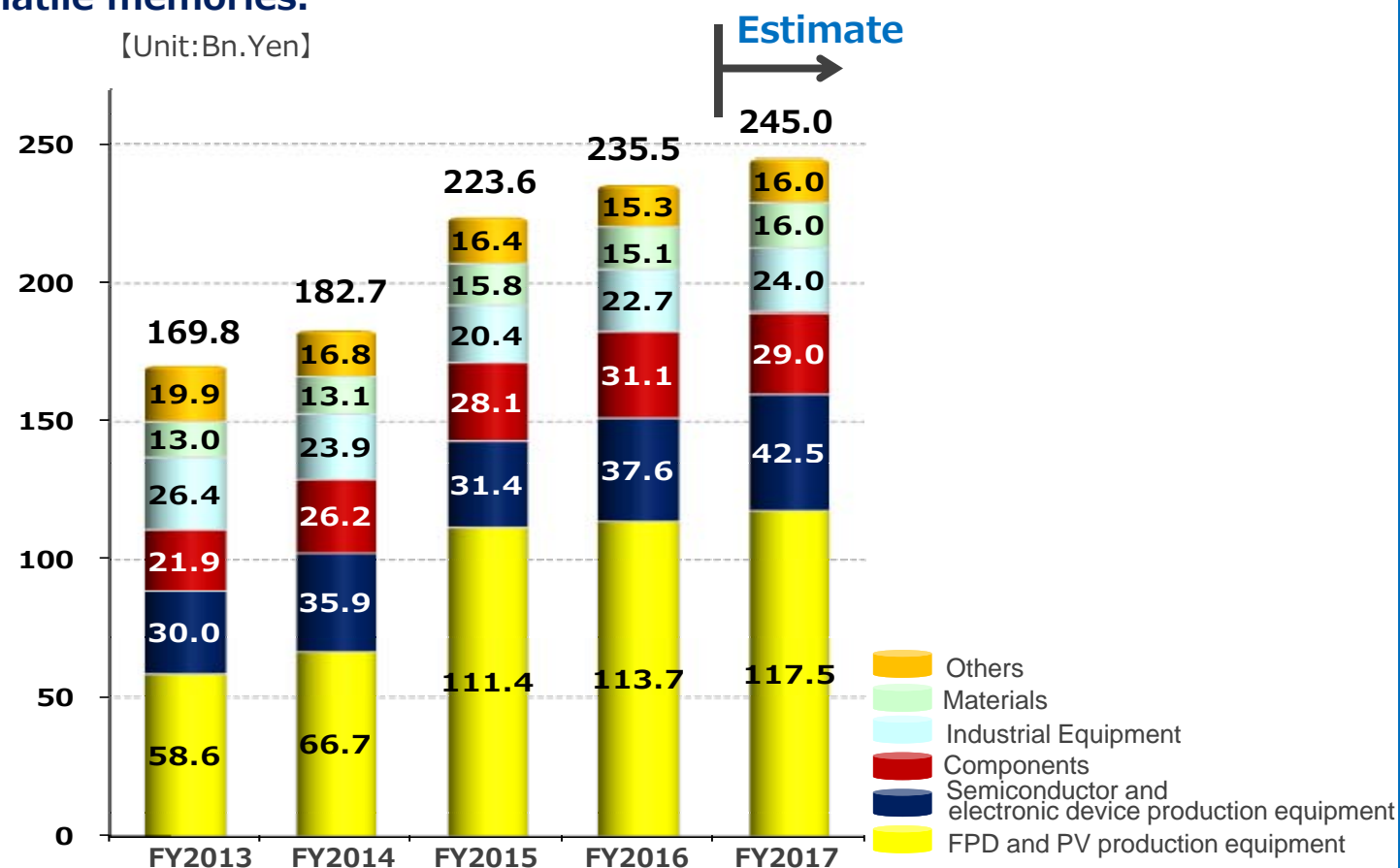
- Both orders received and net sales are expected to increase compared with those for the previous fiscal year.
- All profits items are expected to exceed those for the previous fiscal year.

【Unit:Bn.Yen】

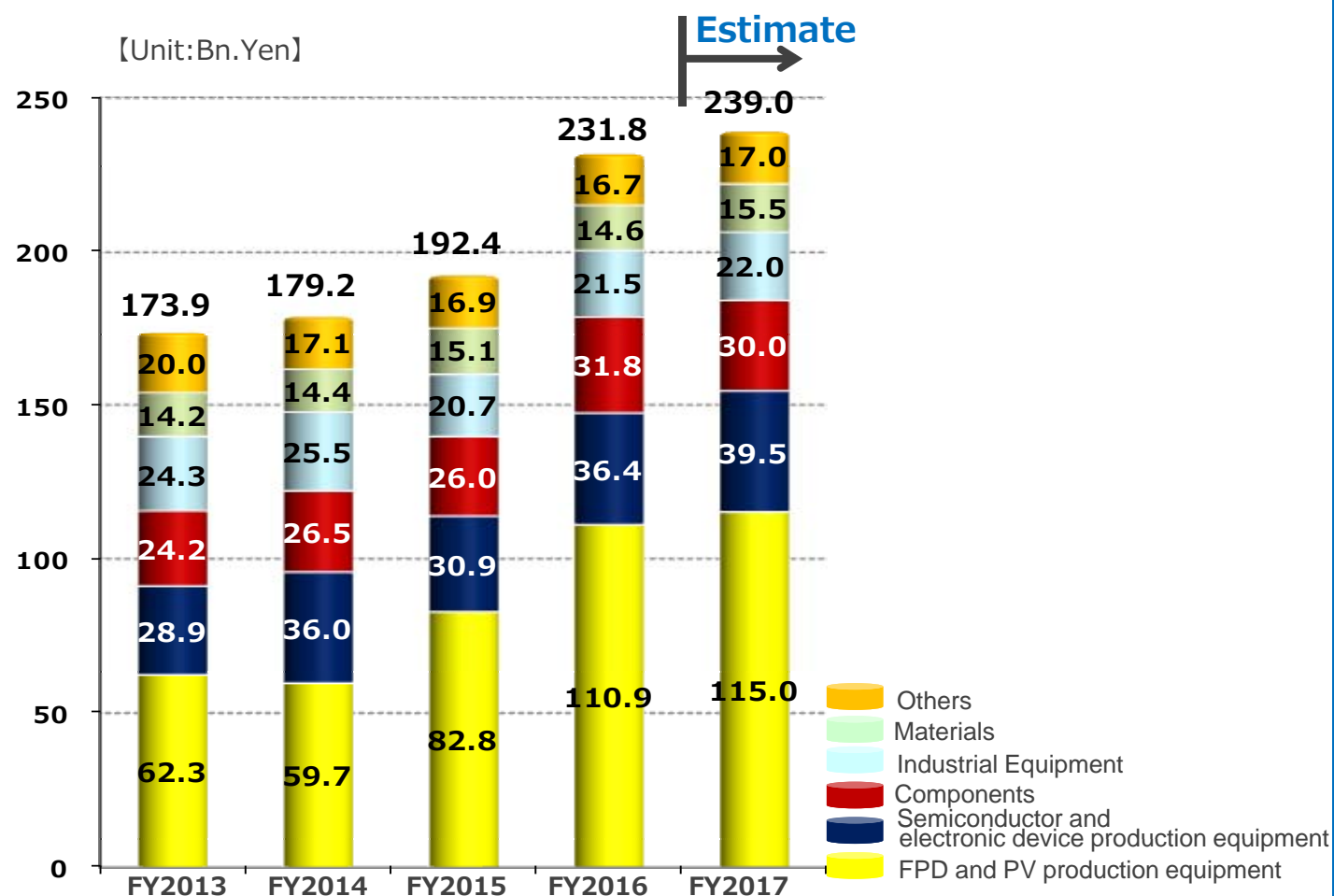
	FY2016 Results	FY2017 Est.		
		1H	Full Year	Changes Y-o-Y
Orders received	235.5	140.0	245.0	9.5 +4%
Orders back-log	106.3	131.3	112.3	
Net Sales	231.8	115.0	239.0	7.2 +3%
Operating profit	29.5	15.0	31.0	1.5 +5%
Ratio	12.7%	13.0%	13.0%	
Net Income	24.5	11.5	25.5	1.0 +4%



- We expect to receive as many orders for FPD·PV production equipment as those for the previous fiscal year due to continuous investment in LCD for large-sized TVs as well as OLED.
- With regard to semiconductor and electronics device production equipment, we expect continuous investment for NAND and DRAM and expanded investment for next-generation non-volatile memories.



- Generally, we expect all segments including FPD・PV production equipment and semiconductor and electronics device production equipment to increase from those for the previous year.

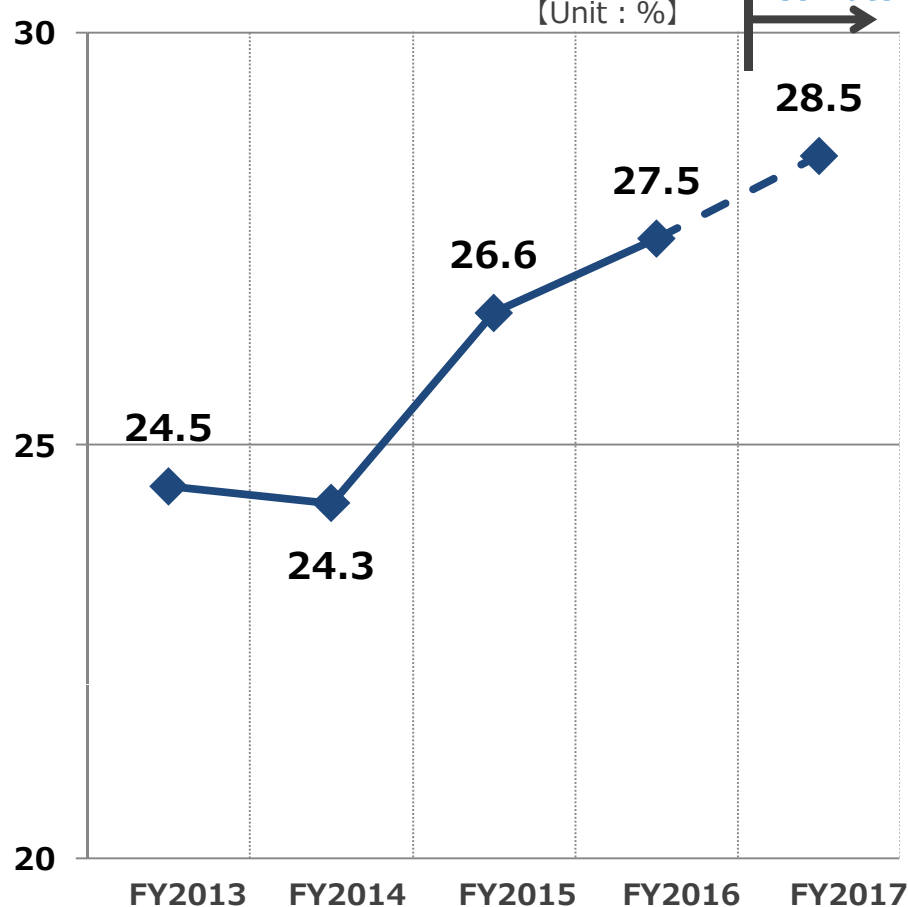


- The ratio of sales of equipment with many development elements for the future including OLED will increase, but we are planning for the profitability to exceed those for the previous year due to efforts to reduce costs and increase sales of semiconductor and electronics device production equipment.

Gross profit margin ratio

[Unit : %]

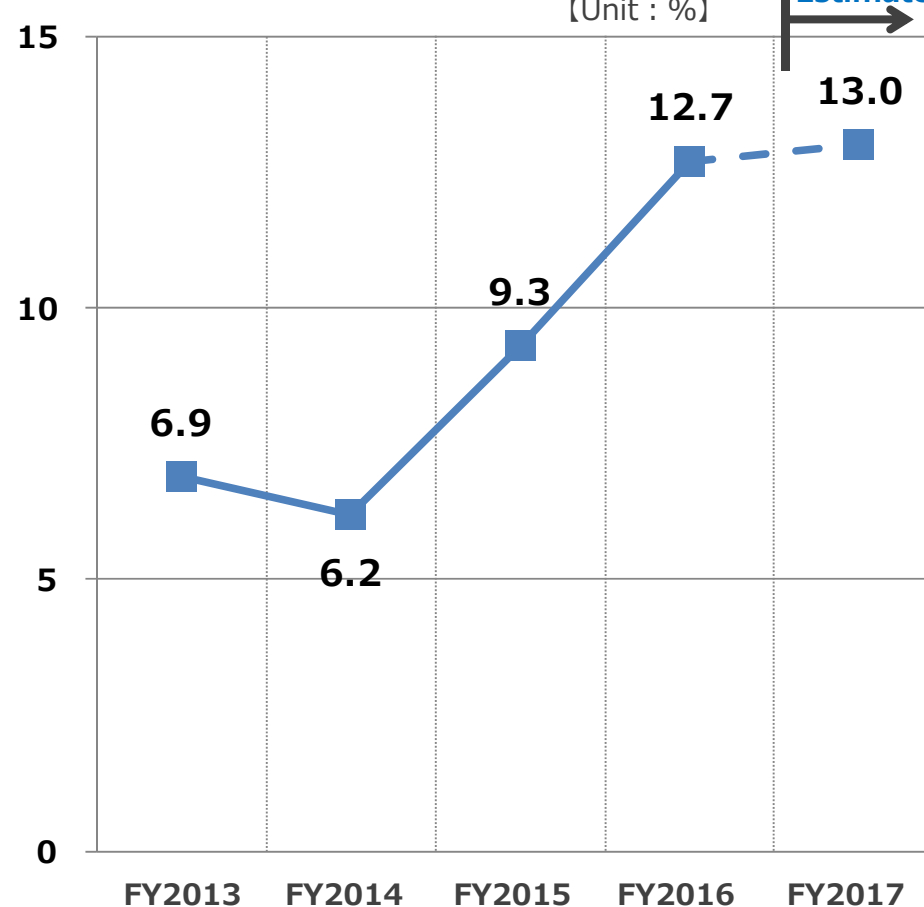
Estimate



Operating profit margin ratio

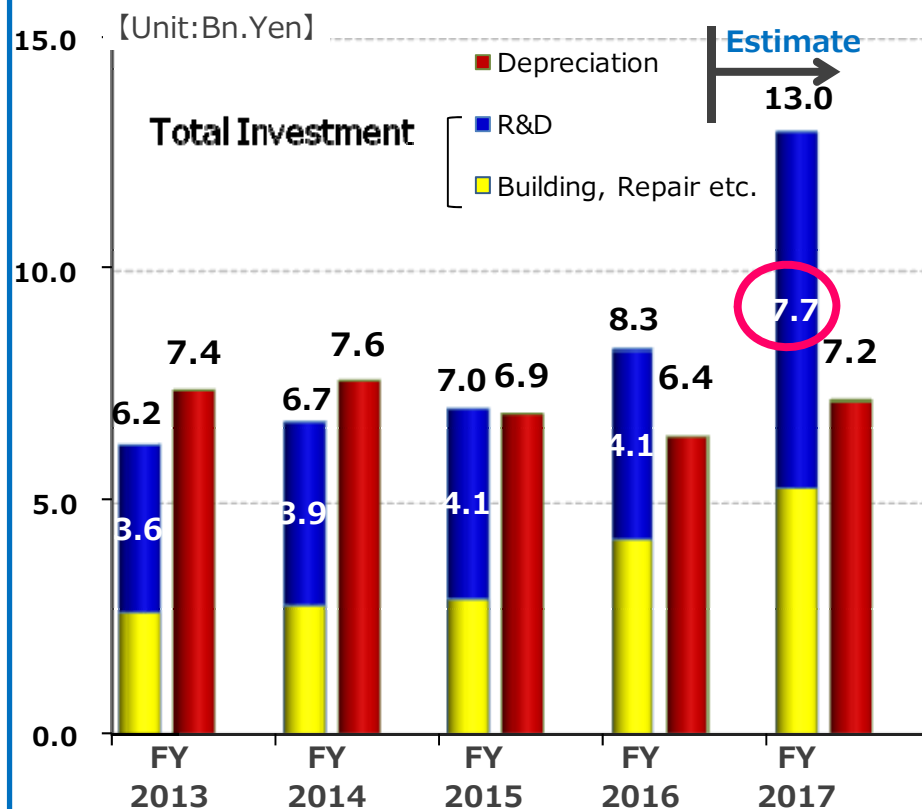
[Unit : %]

Estimate

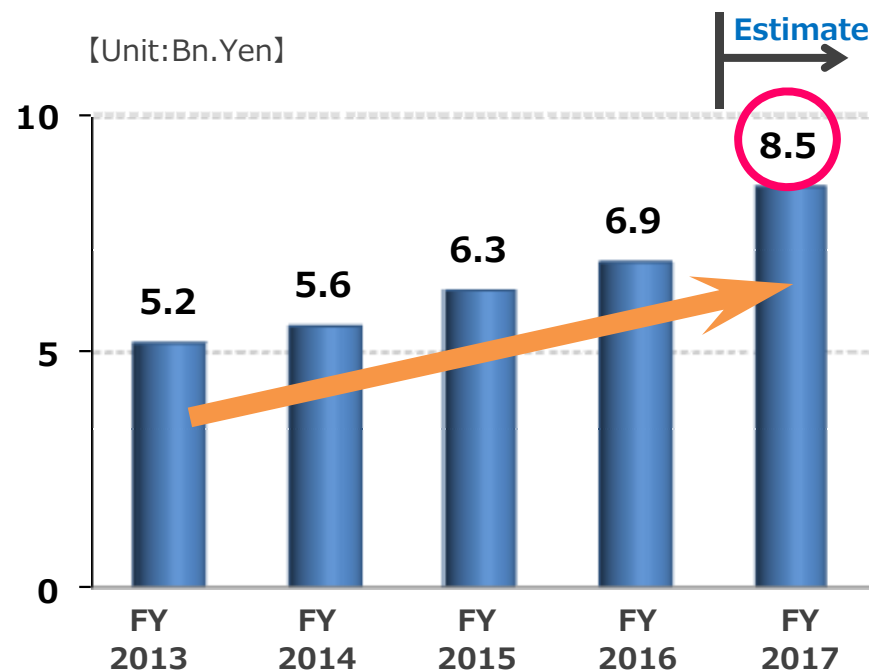


- Investment in research and development (capital investment for research and development plus research and development expenses) will continue to increase.
- In addition to pushing ahead with initiatives and measures related to OLED and next-generation non-volatile memories, we will aggressively pursue development that leads to further future growth.

Transition of capital investment



Transition of R&D expenses



- We sets dividend while taking into consideration in a comprehensive manner the status of our financial base, each year's consolidated financial figures, and the dividend payout ratio.

→ The estimated end-of-term dividend for FY 2017 is 60 yen, an increase of 10 yen compared to 2016.

	FY 2015 Result	FY 2016 Estimation	FY 2017 Estimation	(Compared to FY2016)
Dividend per share	30 Yen	50 Yen	60 Yen	10 Yen Increased