

【 Code No : 6728】

Business Result

FY2016 (Year Ending June 30, 2017) 2Q

(1H)

ULVAC,Inc.

14th Feb.,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 (first half) : The first half 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 2Q (First Half)

Highlights of Business Results for FY2016 2Q (1H)

- **Orders received: 111.8 billion yen**
(Up 20% compared to original estimations)
 -Investments in large-sized TVs (LCD), OLED, semiconductor memories, and electronic devices were stronger than expected.
- **Net sales: 112.0 billion yen**
(Up 11% compared to original estimations)
 -The results were better than expected due to an increase in the orders received.
- **Operating Profit 14.4 billion Yen**
(Up 37% compared to original estimations)
 -Exceed the estimation by an increase in net sales, achieved the record high profit of a half year.
- **Revised the FY2016 forecast upward**

	Original estimations		Revised
Net sales	194.0 Bn.Yen	→	218.5 Bn. Yen
Operating profit	18.0 Bn. Yen	→	26.0 Bn. Yen
Net income	12.0 Bn.Yen	→	19.5 Bn. Yen

Overview of Highlights of Business Results for FY2016 2Q (1H)

Market Environment and ULVAC's Strengths

Outlook for FY2016

Orders received, Net sales, and all profit items exceeded those for the same period of last year.

Net sales : Increased by 9% YoY mainly due to an increase in FPD production equipment.

Operating profit : Increased 34% YoY due to an increase in net sales. [Unit:Bn.Yen]

	FY2015			Original* Estimation	FY2016 1H		vs.Original Estimation (Changes)
	1H	2H	Full Year		Result	H-o-H (Changes)	
Orders Received	106.0	117.6	223.6	93.0	111.8	5.5%	20.2%
Net Sales	102.8	89.7	192.4	101.0	112.0	9.0%	10.9%
Gross margin	27.0	24.1	51.1	-	31.3	15.8%	-
Ratio	26.3%	26.9%	26.6%	-	27.9%	+ 1.6 pt	-
SG&A	16.2	17.0	33.3	-	16.9	4.0%	-
Operating Profit	10.8	7.1	17.9	10.5	14.4	33.6%	37.2%
Ratio	10.5%	7.9%	9.3%	10.4%	12.9%	+ 2.4 pt	+ 2.5 pt
Net Income	7.8	8.9	16.7	7.5	11.3	44.9%	50.7%
Ratio	7.6%	9.9%	8.7%	7.4%	10.1%	+ 2.5 pt	+ 2.7 pt

* : Announced on Aug. 2016

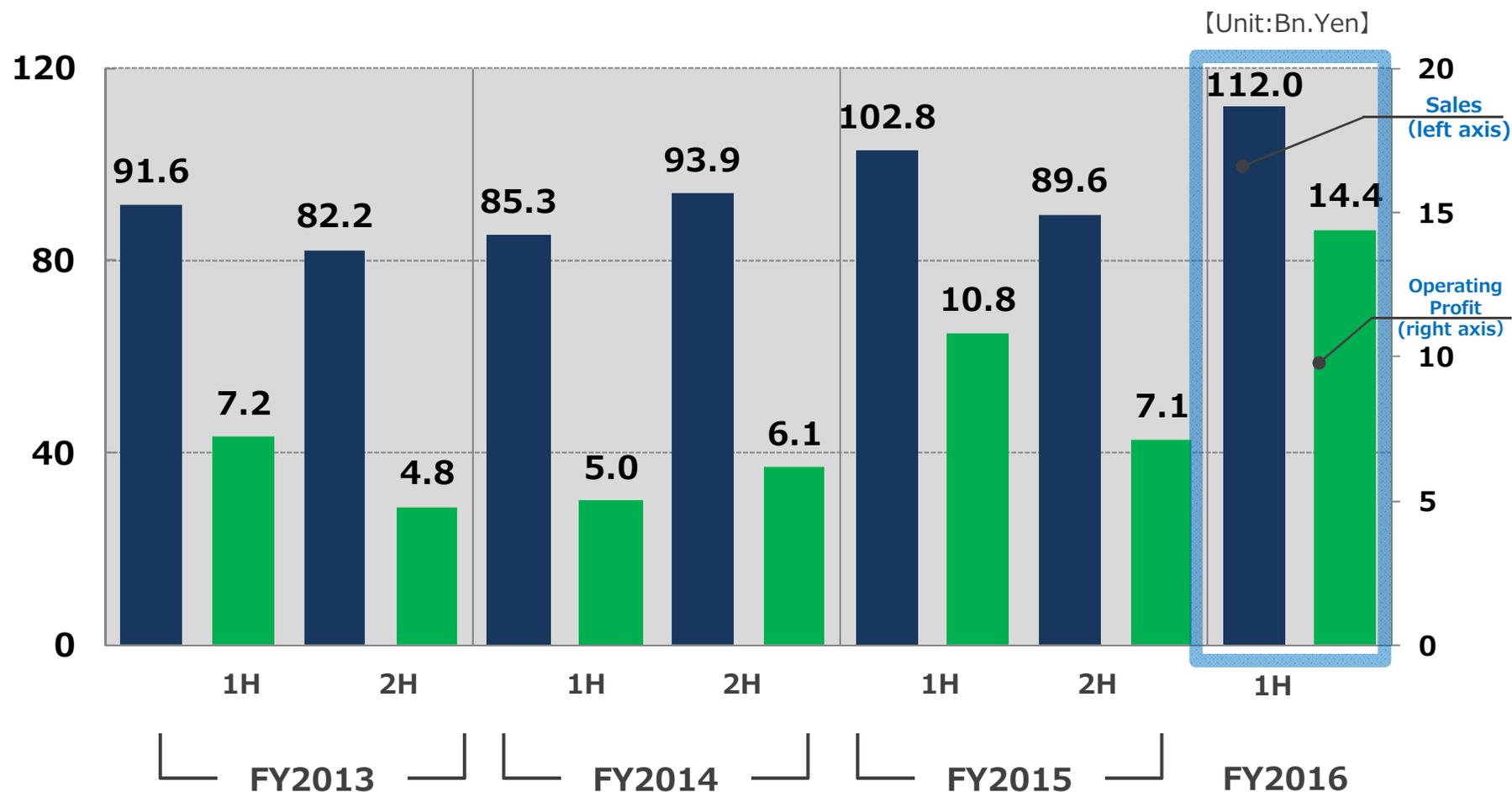
Overview Highlights of Business Results for FY2016 2Q (1 H)

(Transition of Net sales and Operating profit)

Market Environment and ULVAC's Strengths

Outlook for FY2016

Both Net sales and Operating profit remained robust, and Operating profit achieved the record high profit of a half year.



* : Announced on Aug. 2016

Overview Highlights of Business Results for FY2016 2Q (1H)

(Results of orders received and net sales by segment)

Market Environment and ULVAC's Strengths

Outlook for FY2016

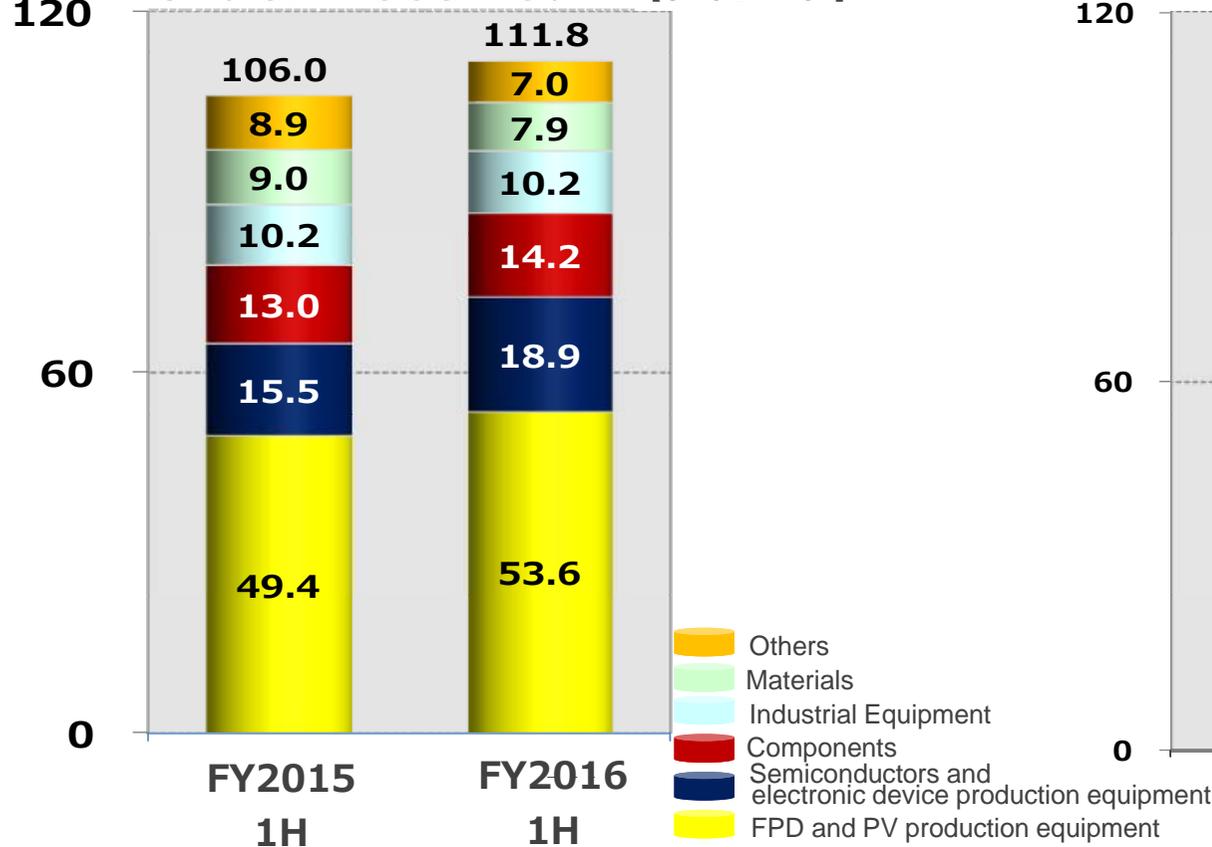
The total orders received marked an increase of 6% YoY.

- FPD production equipment: Orders received increased, helped by expanding investment in OLED
- Semiconductors and electronics device production equipment : Order received increased, helped by expanding investment in NAND and DRAM memories
- Components : Orders received of cryopumps, etc. for OLED increased

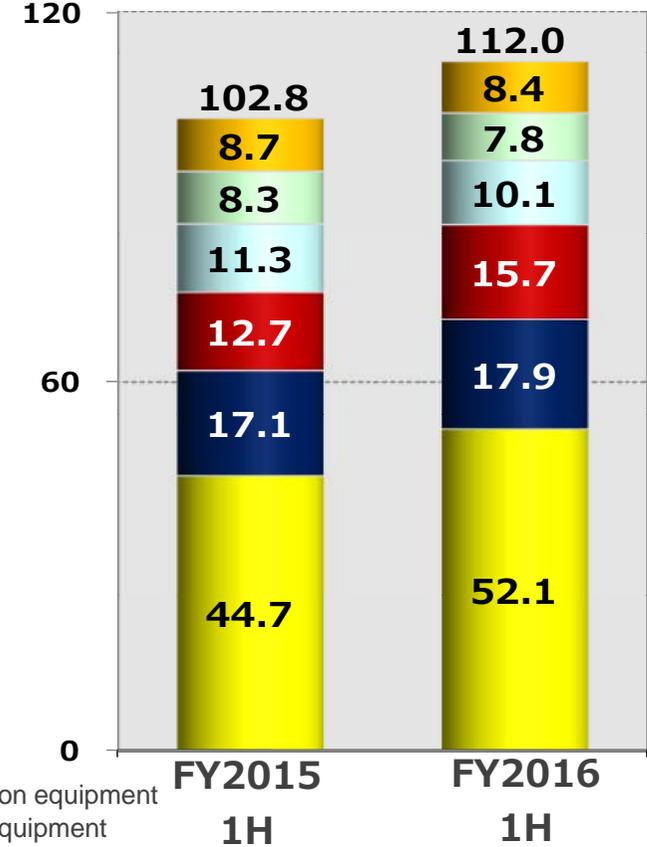
The total net sales marked an increase of 9% YoY.

- FPD production equipment: Net sales for OLED production equipment increased
- Components : Cryopumps, etc. for OLED contributed to the net sales.

Order Received [Unit:Bn.Yen]



Net Sales [Unit:Bn.Yen]



Overview Highlights of Business Results for FY2016 2Q (1H)

(Composition of orders received by application)

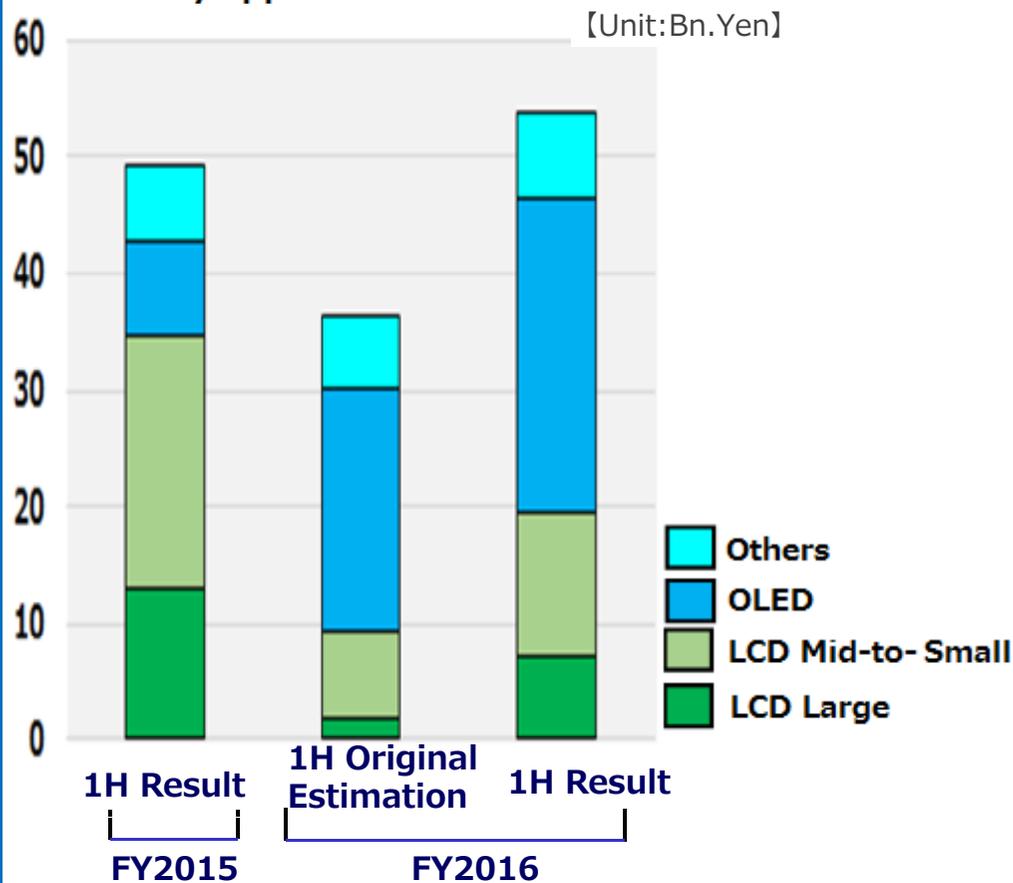
Market Environment and ULVAC's Strengths

Outlook for FY2016

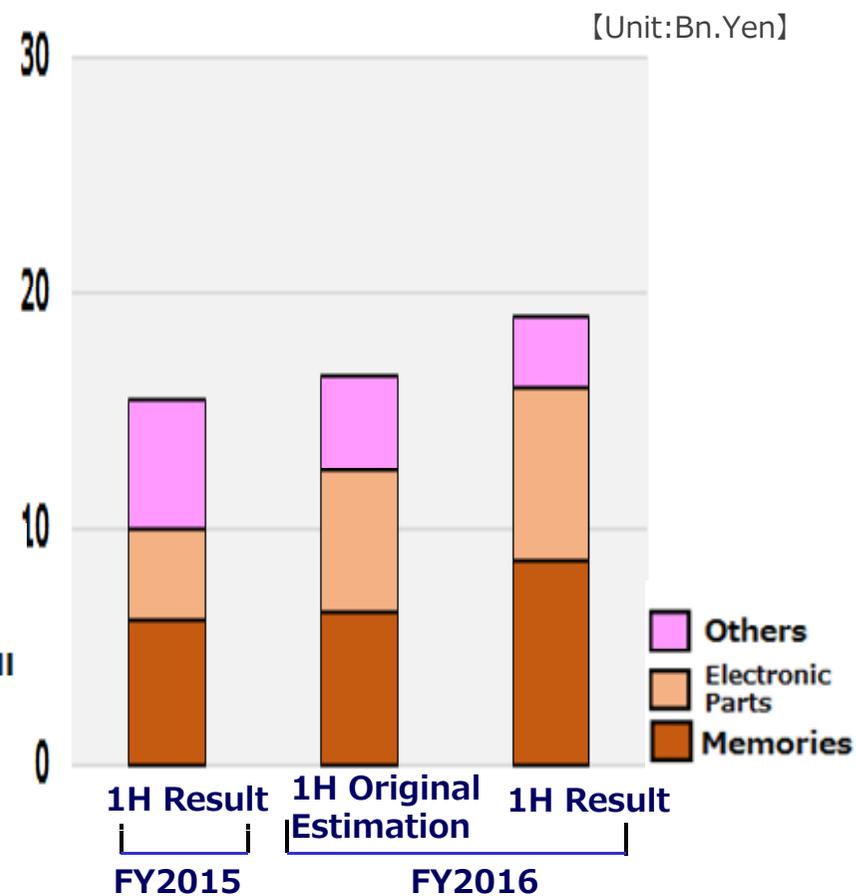
Orders received for large LCD panel production equipment in FY2015 that were previously expected in FY2016 was modest compared to original estimations, and a investment plan from now are expanding.
Expansion for OLED is strong compared to original estimations.

Increased orders received mainly for semiconductor memories and high functional electronic parts compared to original estimations.

Composition of Orders Received by Application for FPD



Composition of Orders Received by Application for Semiconductors and Electronic Devices



Overview Highlights of Business Results for FY2016 2Q (1H)

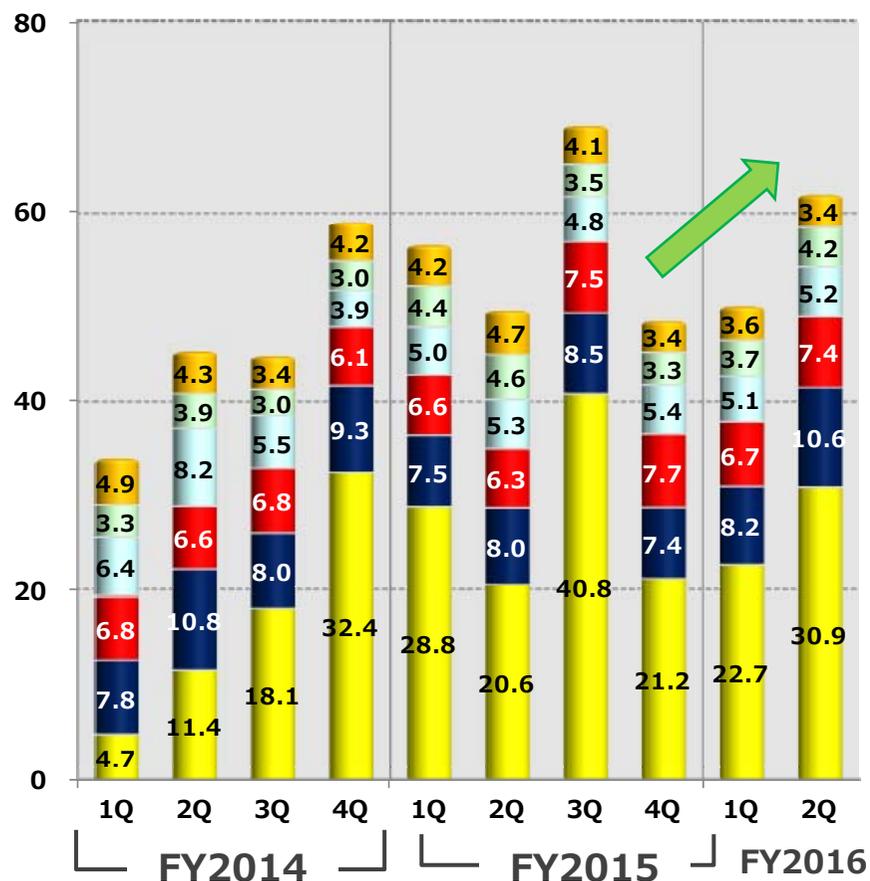
(Transition of orders received and net sales by segment)

Market Environment and ULVAC's Strengths

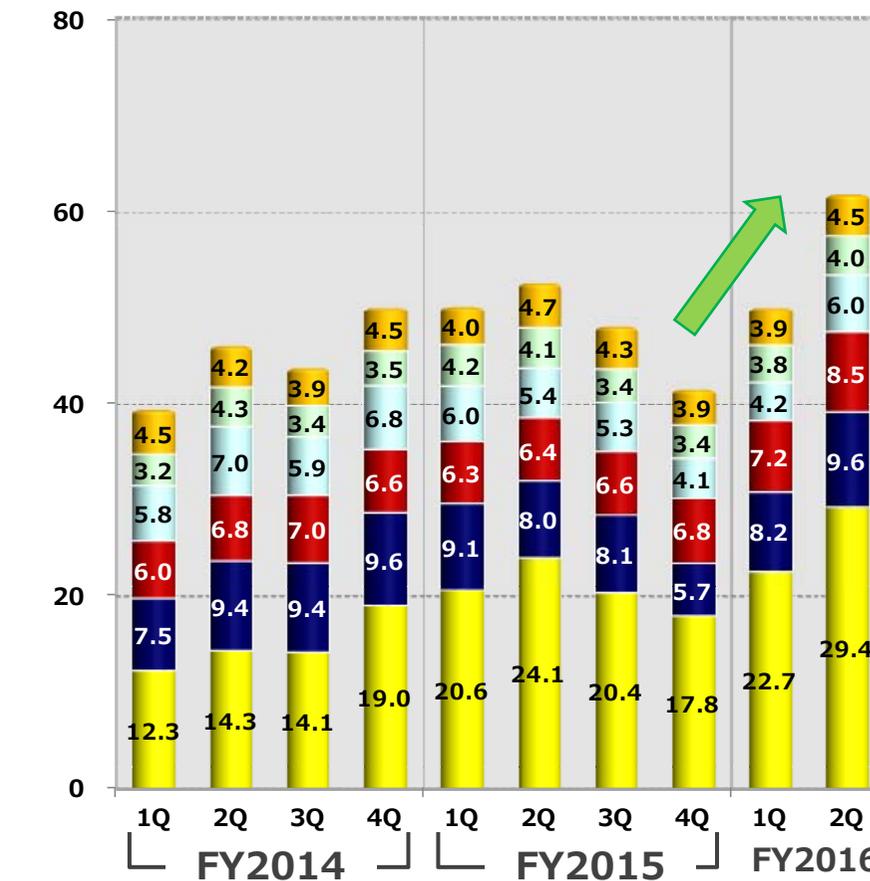
Outlook for FY2016

Both Orders received and Net sales marked 2 consecutive quarters of growth

[Unit:Bn.Yen] **Orders Received**



[Unit:Bn.Yen] **Net Sales**



- Others
- Materials
- Industrial Equipment
- Components
- Semiconductors and electronic device production equipment
- FPD and PV production equipment

Overview Highlights of Business Results for FY2016 2Q (1H)

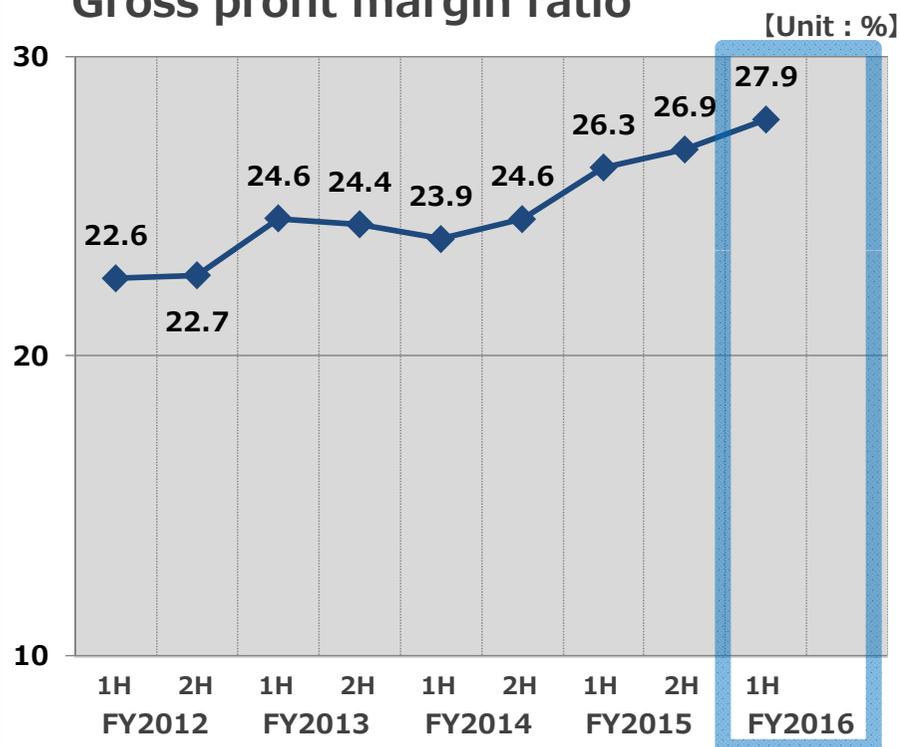
(Transition of profitability)

Market Environment and ULVAC's Strengths

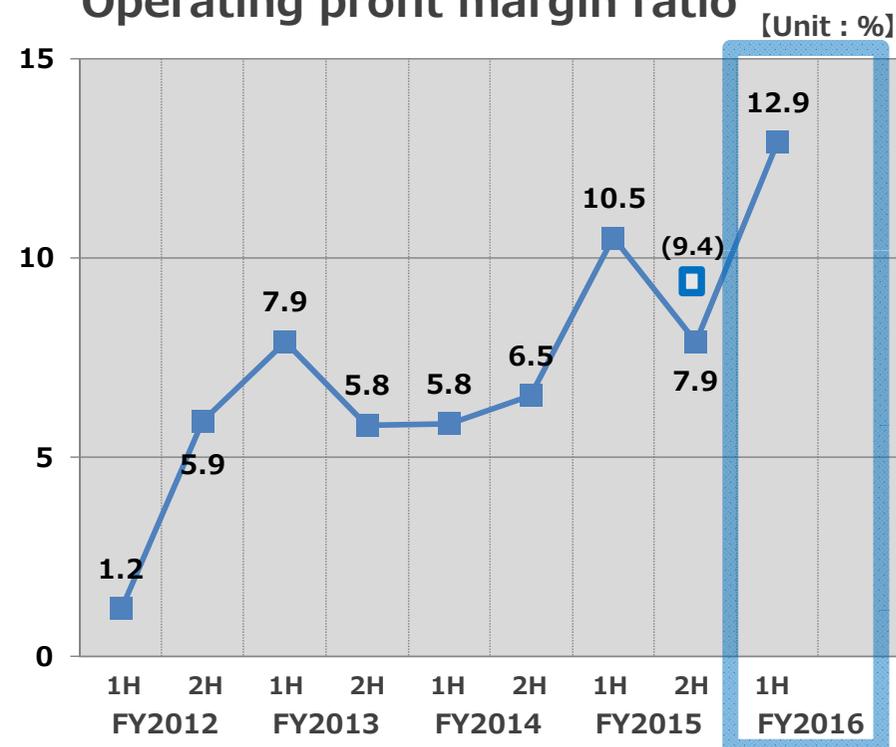
Outlook for FY2016

Both Gross profit margin ratio and Operating profit margin ratio grew higher. Operating profit margin ratio improved to 12.9%.

Gross profit margin ratio



Operating profit margin ratio



□ Operating profit for FY2015 2H is 9.4% excluding allowance for doubtful accounts.

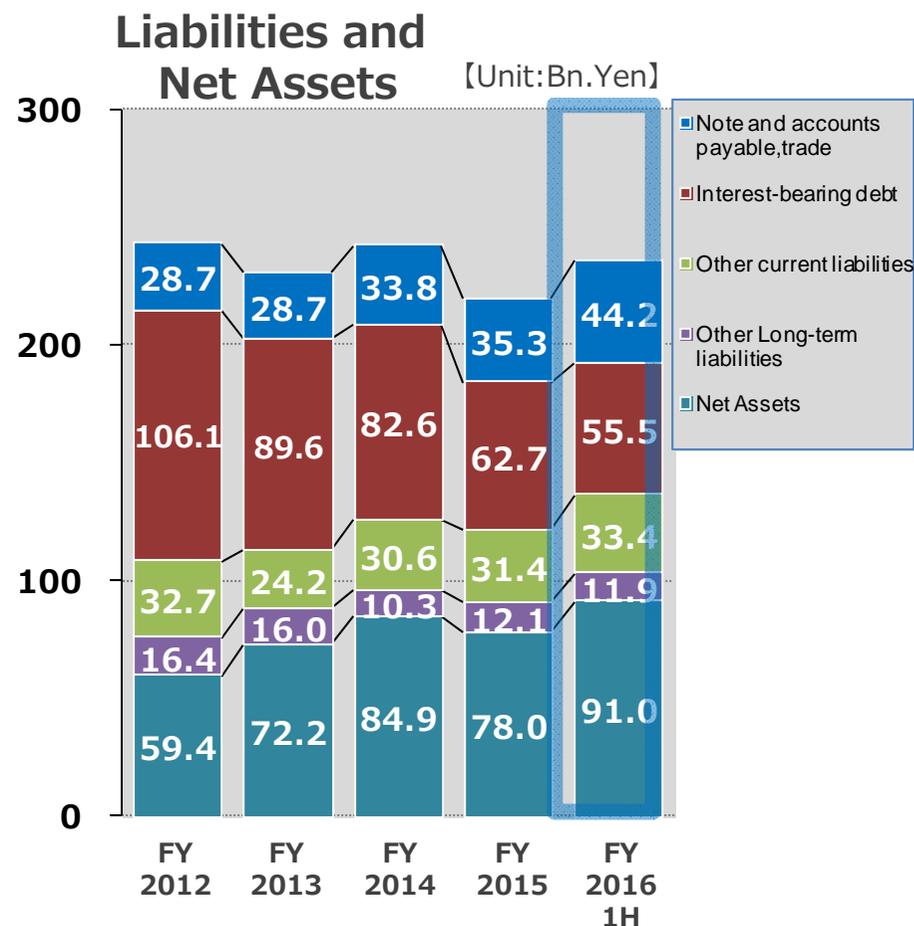
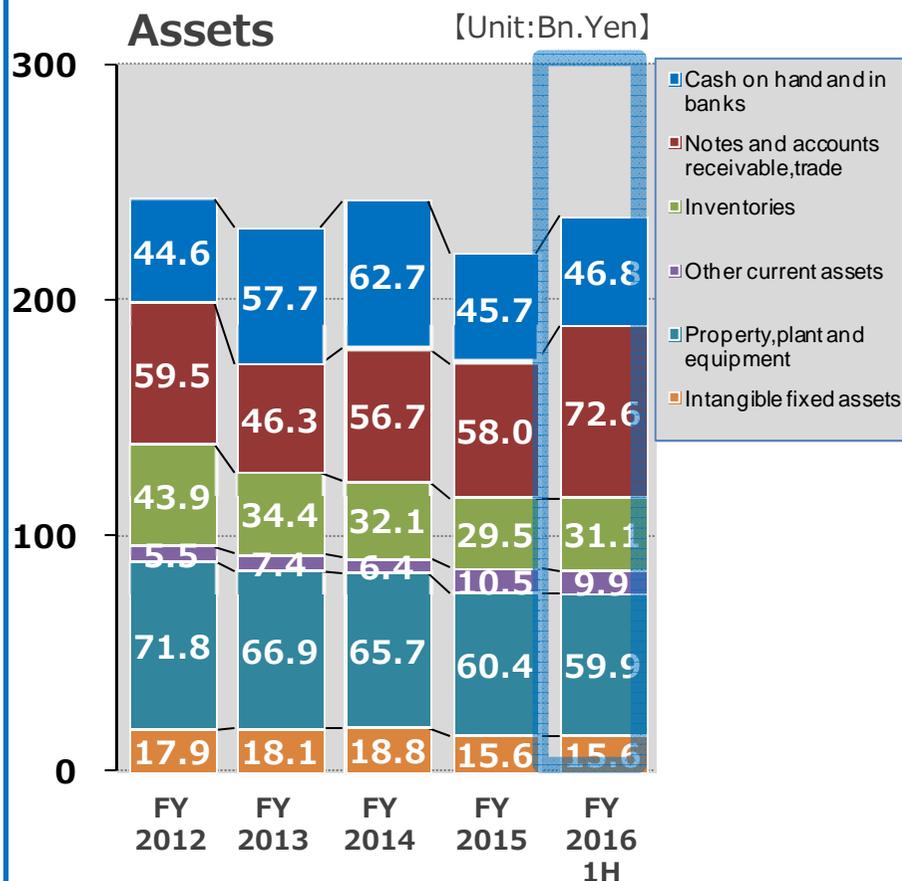
Overview Highlights of Business Results for FY2016 2Q (1H)

(Consolidated balance sheets)

Market Environment and ULVAC's Strengths

Outlook for FY2016

Due to the increase of net sales, "notes and accounts receivable, trade" increased by 14.6 billion yen, "notes and accounts payable, trade" increased by 8.9 billion yen compared to those as of June 30, 2016. "Interest-bearing debt" decreased by 7.2 billion yen, "Net assets" increased by 13.0 billion yen, compared to those as of June 30, 2016.



Overview Highlights of Business

Results for FY2016 2Q (1H)

(Results of Interest-bearing debt and FCF)

Market Environment and
ULVAC's Strengths

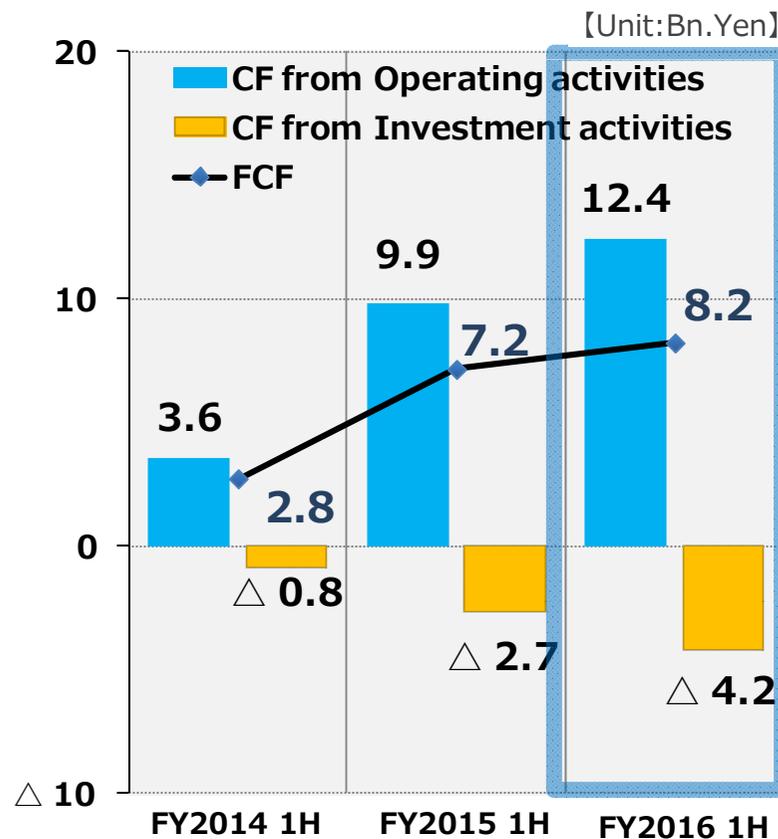
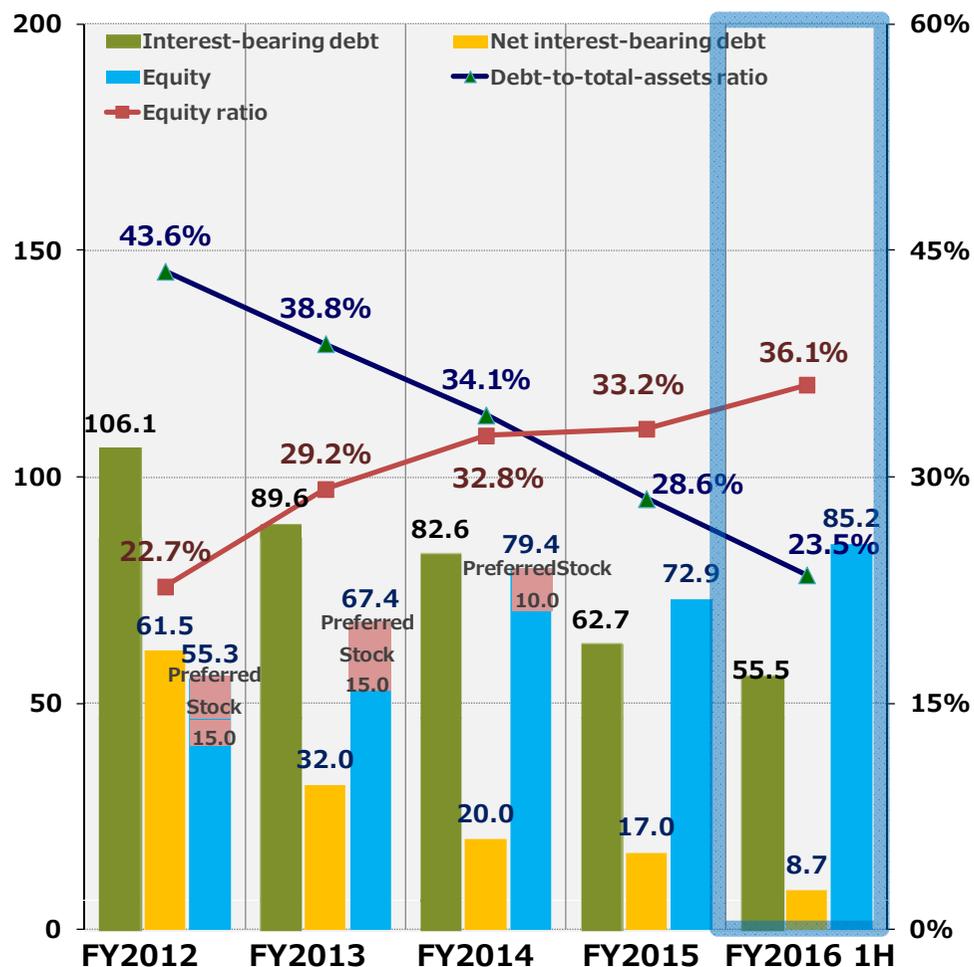
Outlook for FY2016

Debt-to-total assets ratio fell to 23.5%.

Equity increased by 12.3 billion yen to 85.2 billion yen. Equity ratio improved to 36.1%.

Cash flow from operating activities increased to 12.4 billion yen YoY, while free cash flow (FCF) increased to 8.2 billion yen YoY. Net interest-bearing debt decreased to 8.7 billion yen.

[Unit:Bn.Yen]



Market Environment and ULVAC's Strengths

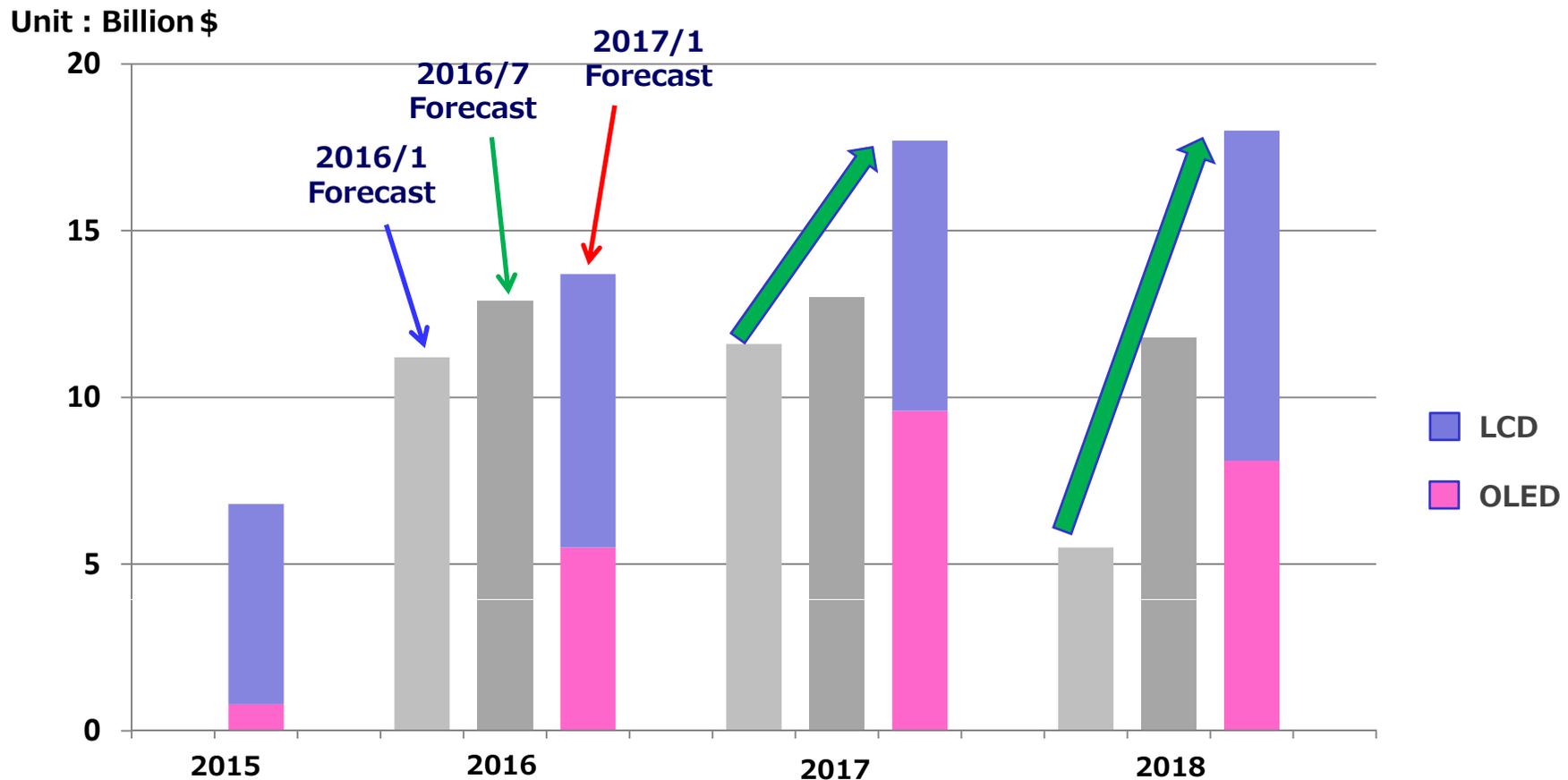
Market Environment (FPD)

Overview of Highlights of
Business Results for FY2016 20

Outlook for FY2016

Revised significantly upward our forecast for capital expenditures for FPD production equipment

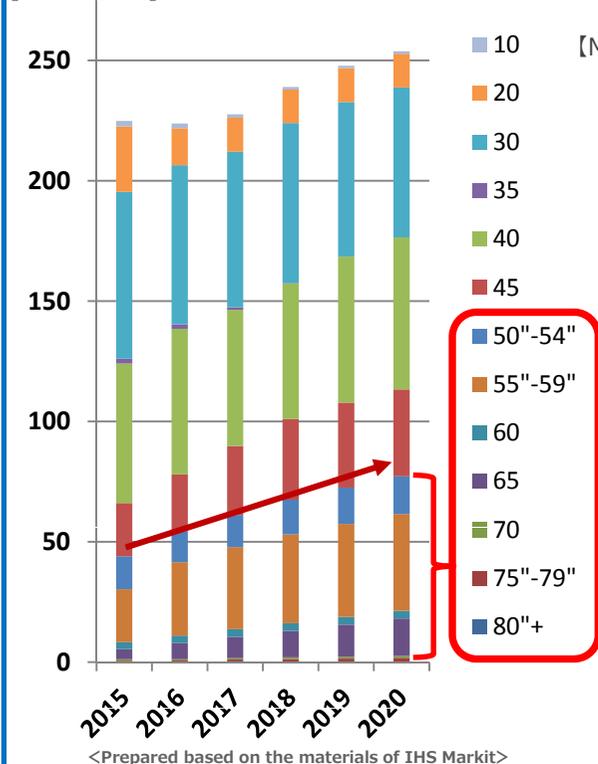
Capital expenditure programs will remarkably accelerate toward 2018, due to an increase in investment in OLED panels for smartphones and LCD for large-sized TVs.



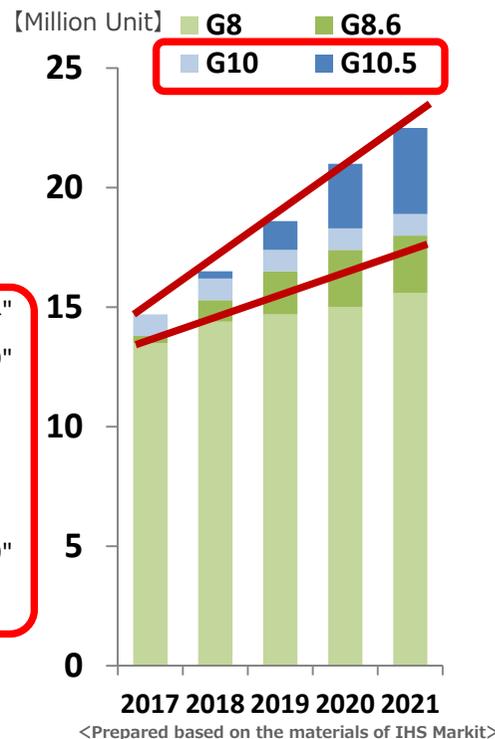
* Prepared based on the materials of IHS Markit "FPD equipment revenue forecast (excluding facilities, land, etc.)"

An increase in demand for large-sized TVs over 50 inches in size
 → Capital expenditures for G10.5 (2.9 m × 3.4 m) large-sized TVs are in good shape, mainly in China.
 → For sputtering equipment for backplane over G10, ULVAC's share = 100%

Demand forecast by size of flat-panel TVs
 [Million Unit]



TFT LCD substrates (over G8): Production capacity by glass size
 [Million Unit]

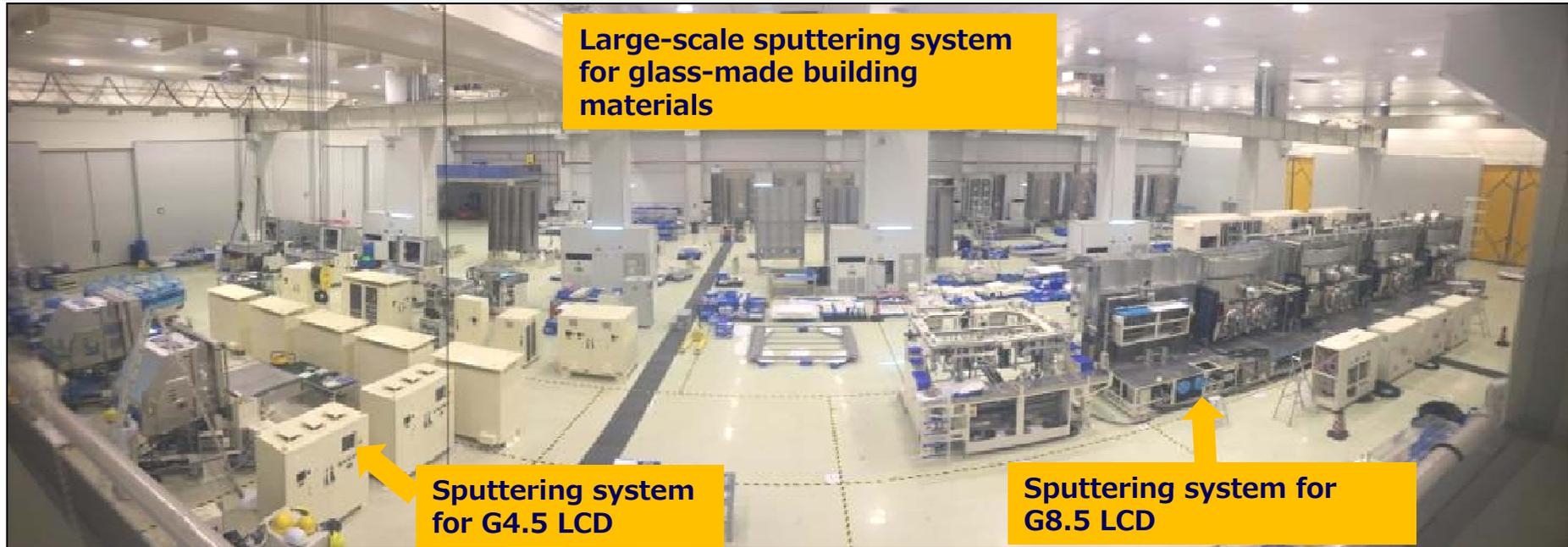


<Strengths of ULVAC>

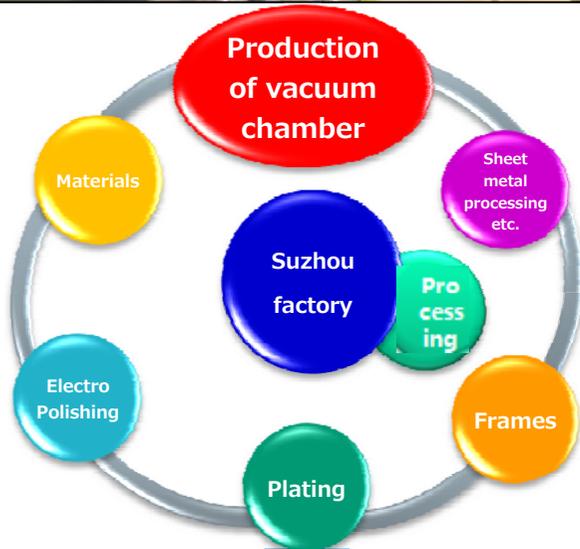
- Providing sputter cathodes excellent in productivity
- Establishing both productivity and reliability by using in-line fixed deposition
- Excellent space efficiency

Market superiority in China

- Customer support network (12 sites)
- Local production system (establishment of supply chains)



Clean rooms of the Suzhou factory in China



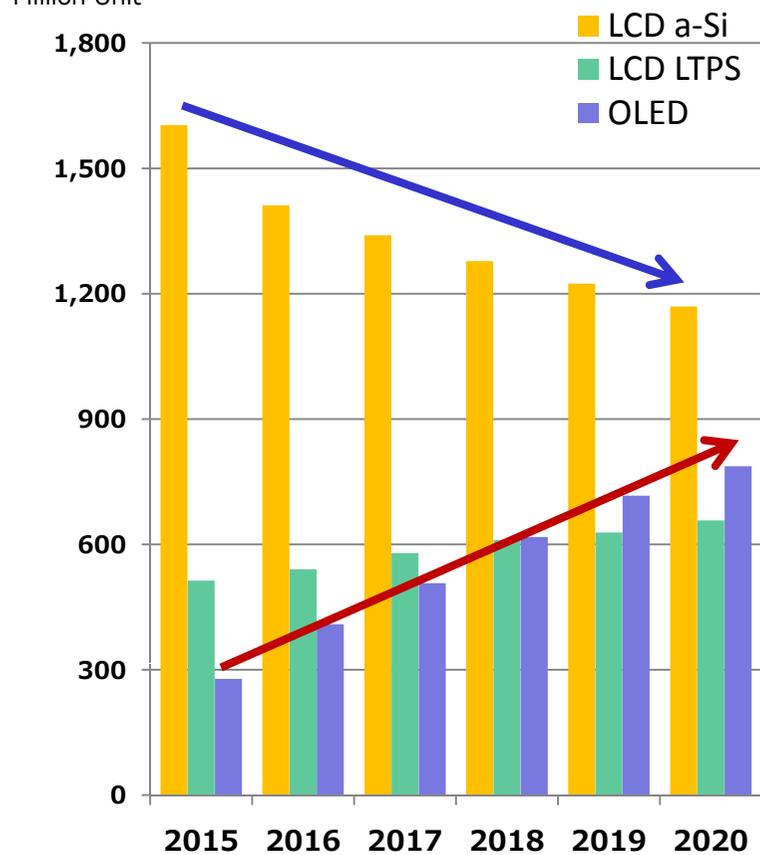
Launched production in China of large-sized FPD production equipment before our competitors

- ✓ Supporting development of supply chains
- ✓ High-quality production technology of equipment (acquiring authorization from customers)
- ✓ A large "clean room" factory
- ✓ Human resource development (training for quality and skills in Japan)

Market Environment (FPD/OLED)

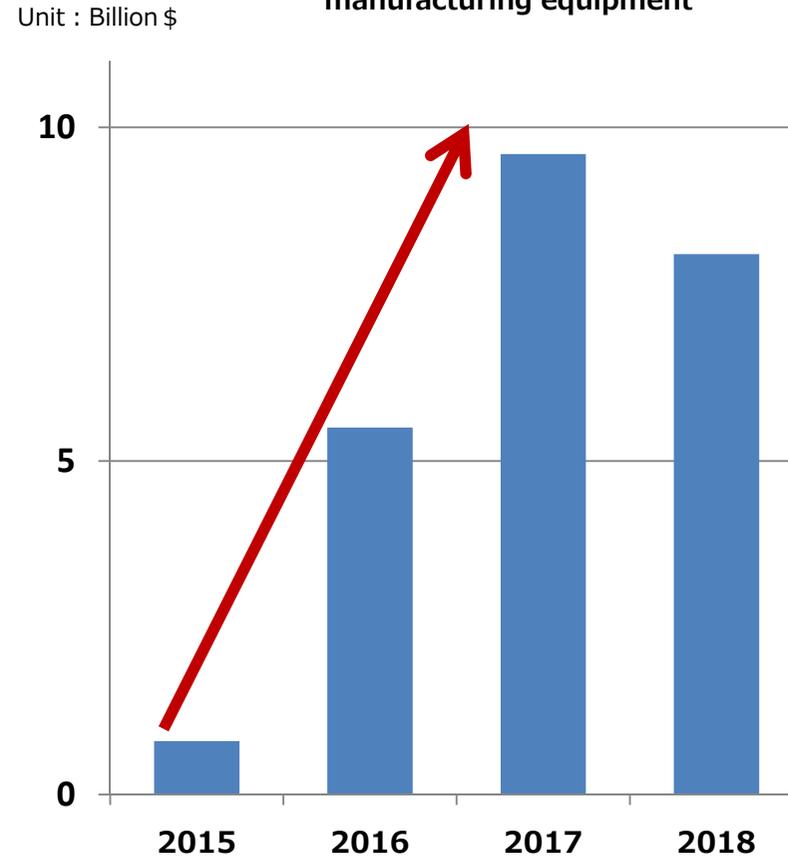
A sharp increase in demand for OLED panels for smartphones
⇒ An increase in capital expenditures for OLED panels

Forecast of shipment quantity of medium and small-sized panels



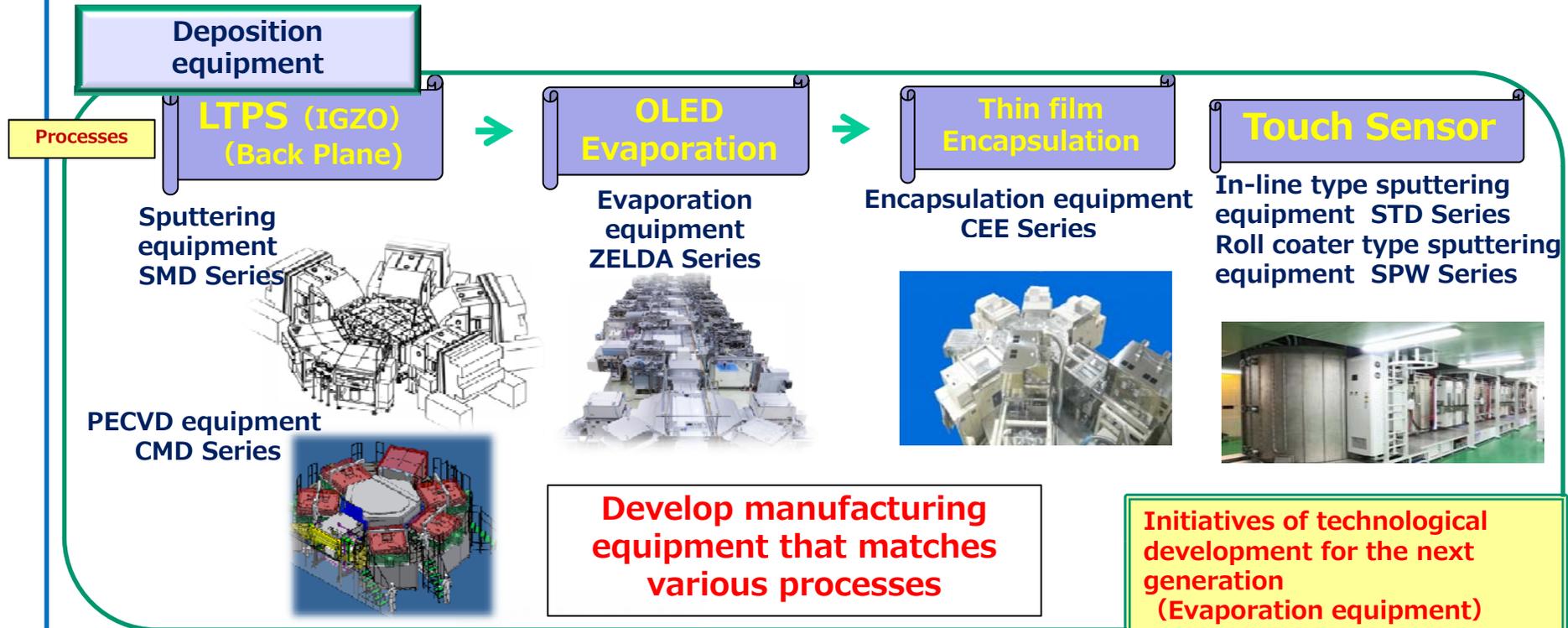
<Prepared based on the materials of IHS Markit>

Forecast of capital expenditures for OLED manufacturing equipment



<Prepared based on the materials of IHS Markit>

- Provide equipment for principal deposition processes
- Provide total solutions with equipment, processes, components, field supports



Initiatives of technological development for the next generation

- (Evaporation equipment)
- High-Definition (~1000ppi, Shadow minimize)
 - High precision alignment (Image processing, High rigidity)
 - Evaporation source (High Efficiency, Uniformity)
 - Large-sized Substrate

Components

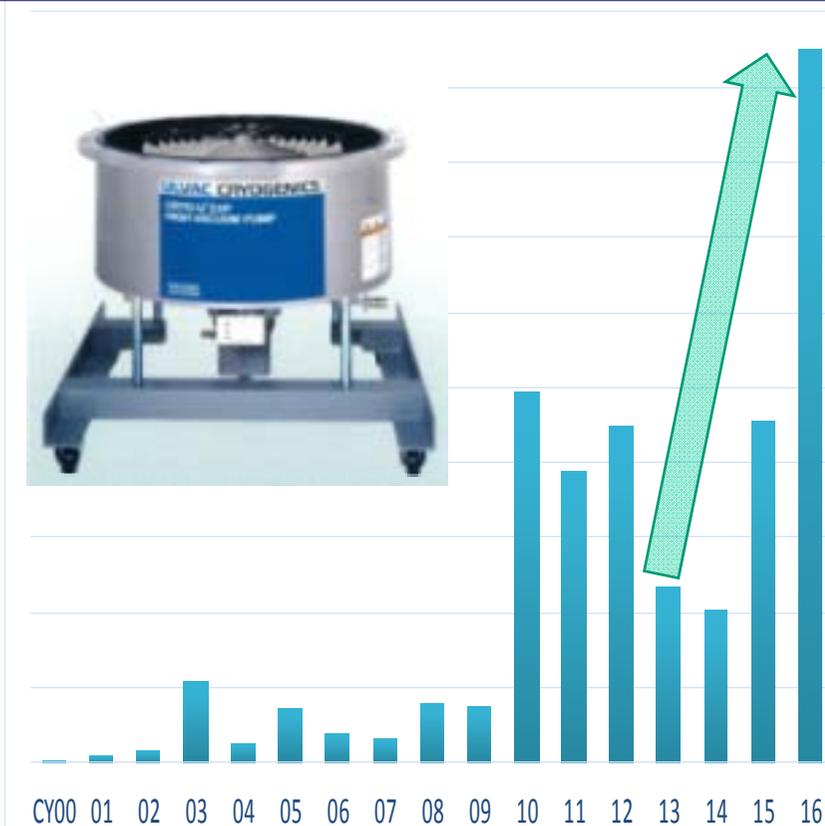
- Vacuum pumps · Cryopumps
- Power generator for sputtering
- Deposition controller · Process gas monitor
- Leak detectors etc.

Supports

- Field supports
- Sputtering targets
- Parts clean treatment, Consumable supplies etc.

Significantly increased cryopumps shipments for OLED ⇒ almost all market share

Transition of cryopumps shipments for OLED



* According to our own research

ULVAC'S Strength

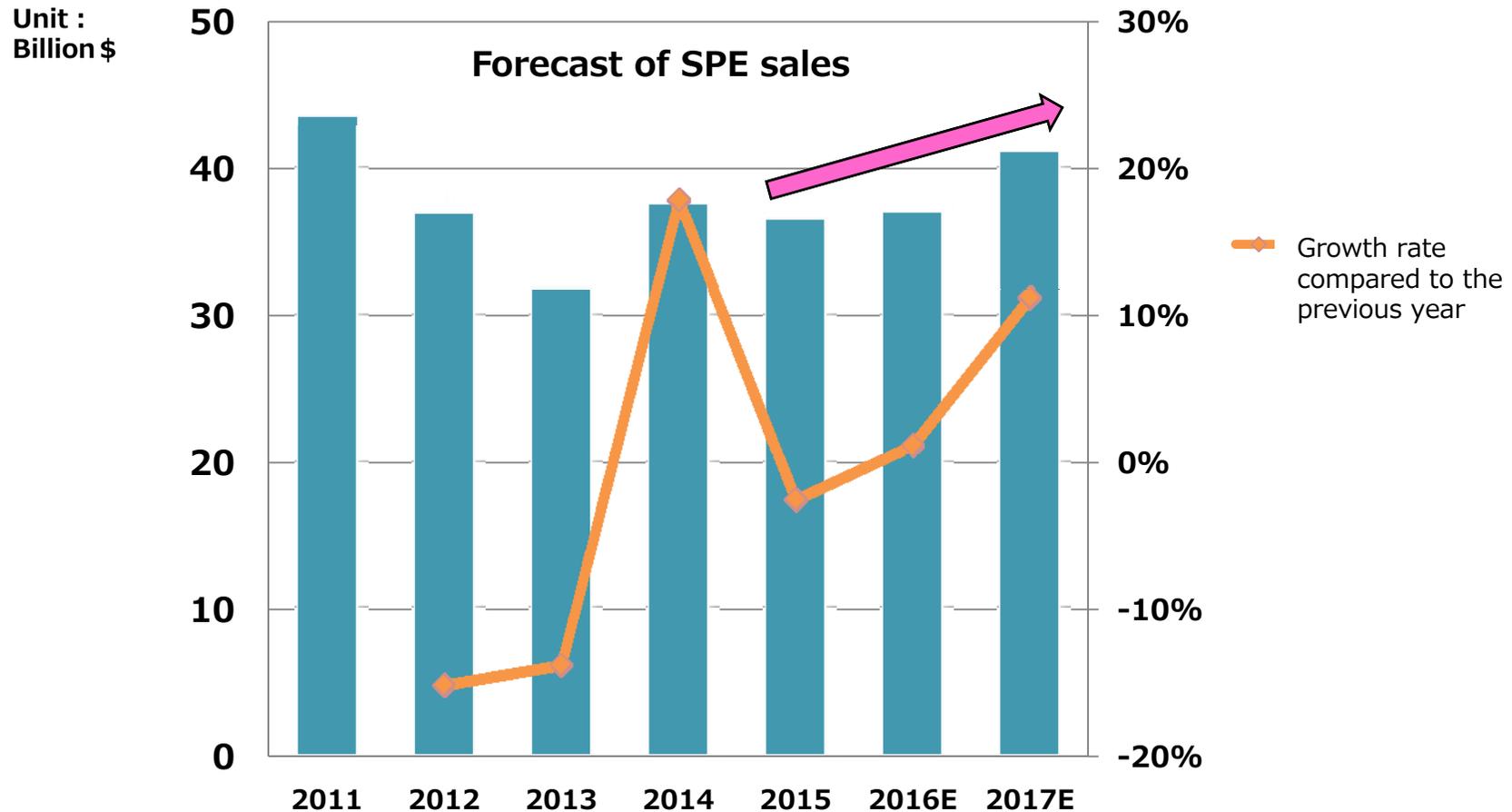
- ① The design is adaptable to several types of equipment.
- ② We are providing production, maintenance and services in South Korea, China and Japan.

As OLED bases formed by a vacuum evaporation equipment are extremely hydrophobic, cryopumps which are excellent at pumping speed for water have been installed in the system.

Increasing sales for semiconductors and electronic devices production equipment

Semiconductors : An increase in investment in 3D- NAND

Electronic devices : Showed sign of increase in telecommunication devices, power devices and high-density mounting



<Prepared based on the materials of SEMI "Semiconductor equipment sales forecast (New)">

<ULVAC's manufacturing equipment for semiconductors and electronic devices>

DRAM·NAND

Expanding demand for network servers and mobile devices.

Orders received for the first half increased to 140% of that for the previous year.

Sputtering equipment, Batch system to remove native oxide



Power device

Domestic production has rapidly progressed to the installation of the devices in eco cars, trains, etc. in China.

We are providing equipment for all types of power devices, such as IGBT, SiC and (GaN), etc.

Our ion implanter has a 100% market share in the rapidly-growing Chinese SiC market.

Deposition equipment, Ion implanter, Etching equipment



Communication Device

The production quantity of filters for telecommunications increased due to expanding frequency band resulting from the increasing number of mobile devices and expansion of IoT.

The expansion and renewal of deposition equipment is accelerating.

Deposition equipment, Etching equipment



<ULVAC's manufacturing equipment for semiconductors and electronic devices>

Next generation non-volatile memory (NVM)

PcRAM is ahead of other types of NVM in terms of mass production.
 →We are continuing to provide these devices. We have provided manufacturers for NVM with R&D devices.
 Modules for ReRAM and STT-MRAM have been added to our lineup.
 This is one of the sectors that are expected to grow.

Sputtering equipment



High density packaging

High density mounting has accelerated due to an increase in the need for miniaturization. In the field of *WLP, we have a long track record in providing ashing equipment.
 We expect to receive more orders due to expansion of WLP, extending to **PLP.

Sputtering equipment, Ashing equipment



*WLP : Wafer Level Packaging **PLP : Panel Level Packaging

Logic Foundry

We are providing devices and processes that meet customer needs. We are getting good evaluation from customers for next generation processes.

Sputtering equipment



Sensor

Expansion has been seen in IoT and the need for sensors for vehicles. We will promote sales for deposition and etching equipment for MEMS sensors and infrared sensors, etc.

Deposition equipment, Etching equipment



Outlook for FY2016

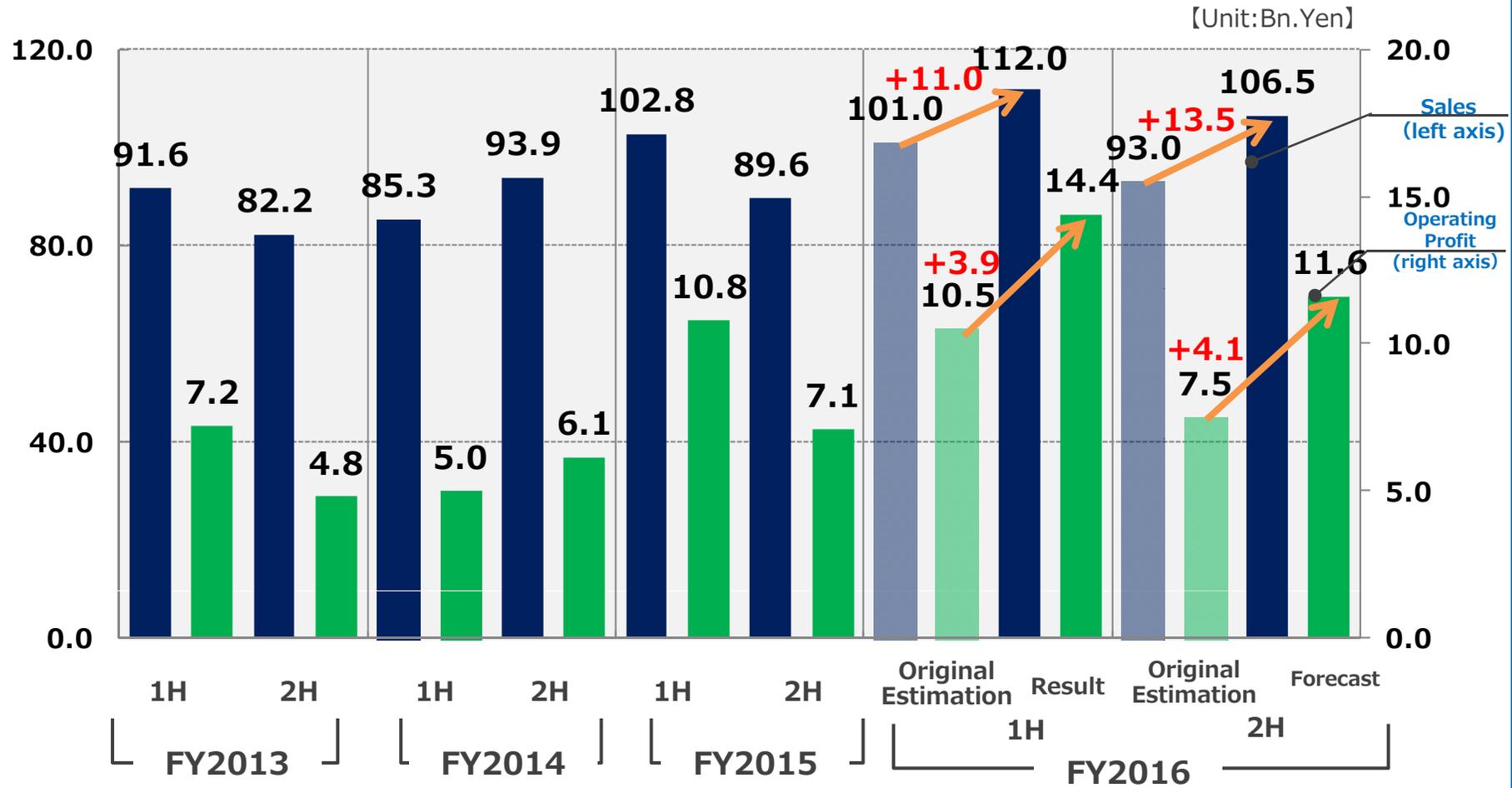
Order received and net sales are revised upward, because those are estimated that the trend of exceeding original estimations, which are started in 1H, shall continue even in 2H.

[Unit:Bn.Yen]

	FY2015	FY2016 (July 1, 2016 - June 30, 2017)			
		1 H		Full Year	
		Original* Estimation	1H Result	Original* Estimation	Forecast
Order Received	223.6	93.0	111.8	185.0	230.0
Net Sales	192.4	101.0	112.0	194.0	218.5
Operating Profit	17.9	10.5	14.4	18.0	26.0
Ratio	9.3%	10.4%	12.9%	9.3%	11.9%
Net Income	16.7	7.5	11.3	12.0	19.5
Ratio	8.7%	7.4%	10.1%	6.2%	8.9%

* : Announced on Aug. 2016

Estimations of Net sales and Operating profits for both 1H and 2H are revised upward compared to the original estimations.

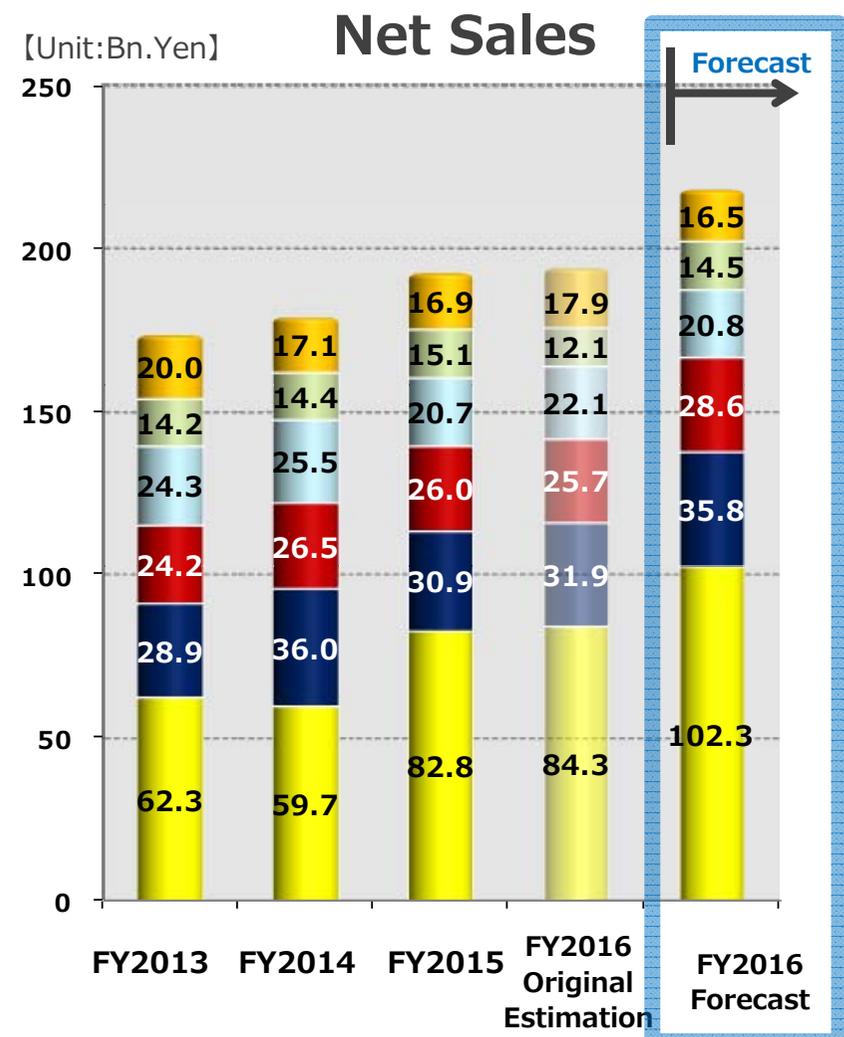
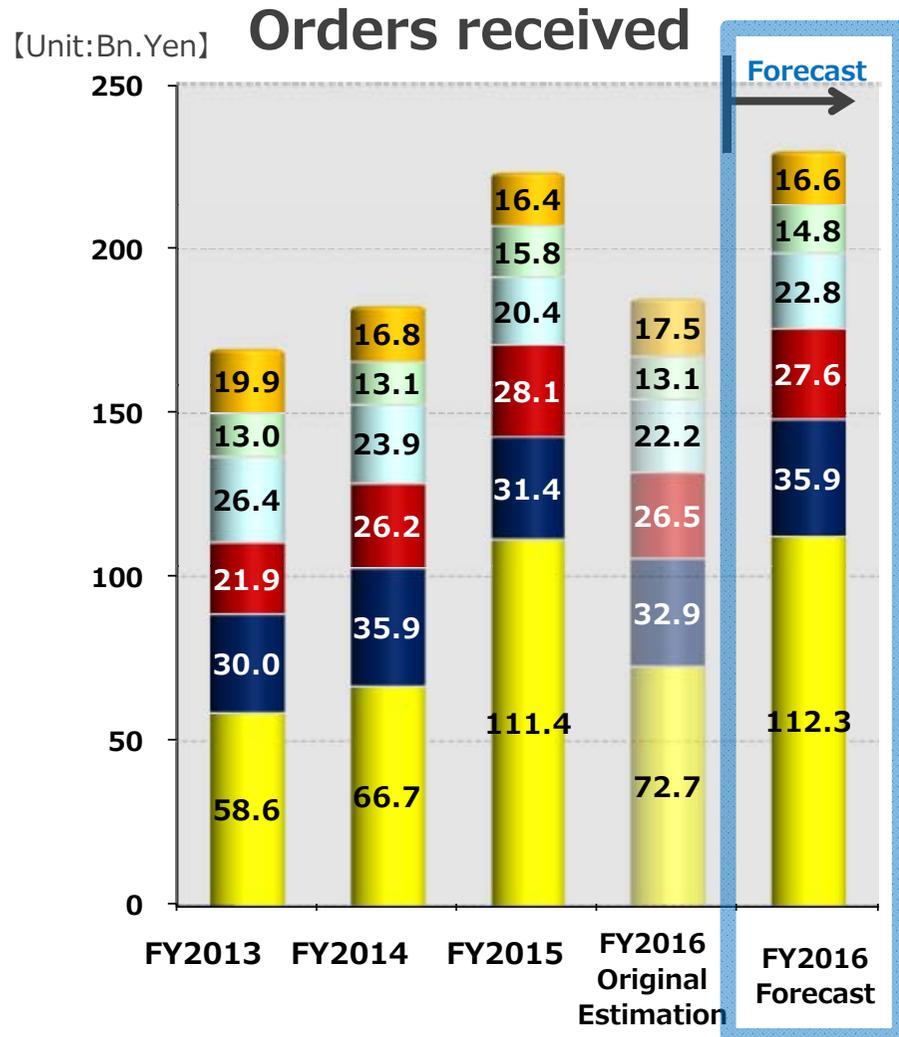


Outlook for FY2016

(Transition and forecast of orders received and net sales by segment)

Overview of Highlights of Business Results for FY2016 2Q

Market Environment and ULVAC's Strengths



- Others
- Components
- Materials
- Semiconductors and electronic device production equipment
- Industrial Equipment
- FPD and PV production equipment