

【Code : 6728】

FY2013 Business Result (Year Ending June 30, 2014) and FY2014 Business Plan

13th Aug, 2014

ULVAC, Inc.

◆ **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 cells, semiconductor, and electronic devices 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

Agenda

- **Summary for the Fiscal Year 2013 Ending June 2014**
- **Prospects for the Fiscal Year 2014 Ending June 2015**
- **Review of Medium-Term Business Plan**

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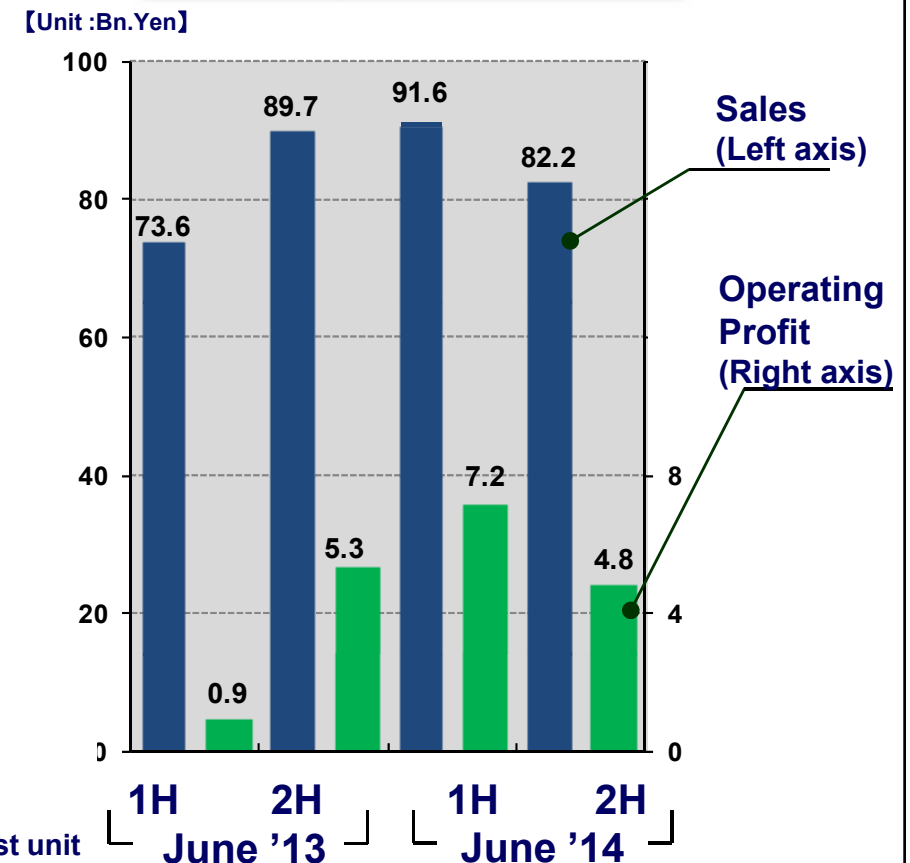
Result of June 2013 Full Year

- Net sales for the fiscal year ended June 30 increased year-on-year (Every key item, involving Semiconductor & Electric Device Production Equipment grew over the previous fiscal year).
- Operating profit and ordinary profit increased year-on-year due to the increased net sales and the improved gross profit ratio.
- Net income for the year was a record 11.5 billion yen, as the company posted 2.5 billion yen in extraordinary gains on sales of subsidiary shares and real estate.

【Unit :Bn.Yen】

	June'13	June'14			
		Forecast	Forecast 14,May	Result	Changes Y-o-Y
Booking	166.8	180.0	170.0	169.8	3.0 (+2%)
Back-log	72.5			67.2	
Sales	163.4	180.0	175.0	173.9	10.5 (+6%)
Gross Margin Ratio	37.0 22.6%			42.6 24.5%	
Operating Profit	6.1	9.0	11.5	12.0 (-)	5.9 (+96%)
Ratio	3.7%	5.0%	6.6%	6.9%	
XOProfit	0.3			2.5	
XO Loss	7.1			0.7	
Tax etc	3.2			3.6	
Net income	-3.8	4.0	10.0	11.5	15.3

Sales and Operating Profit (By Half Year)

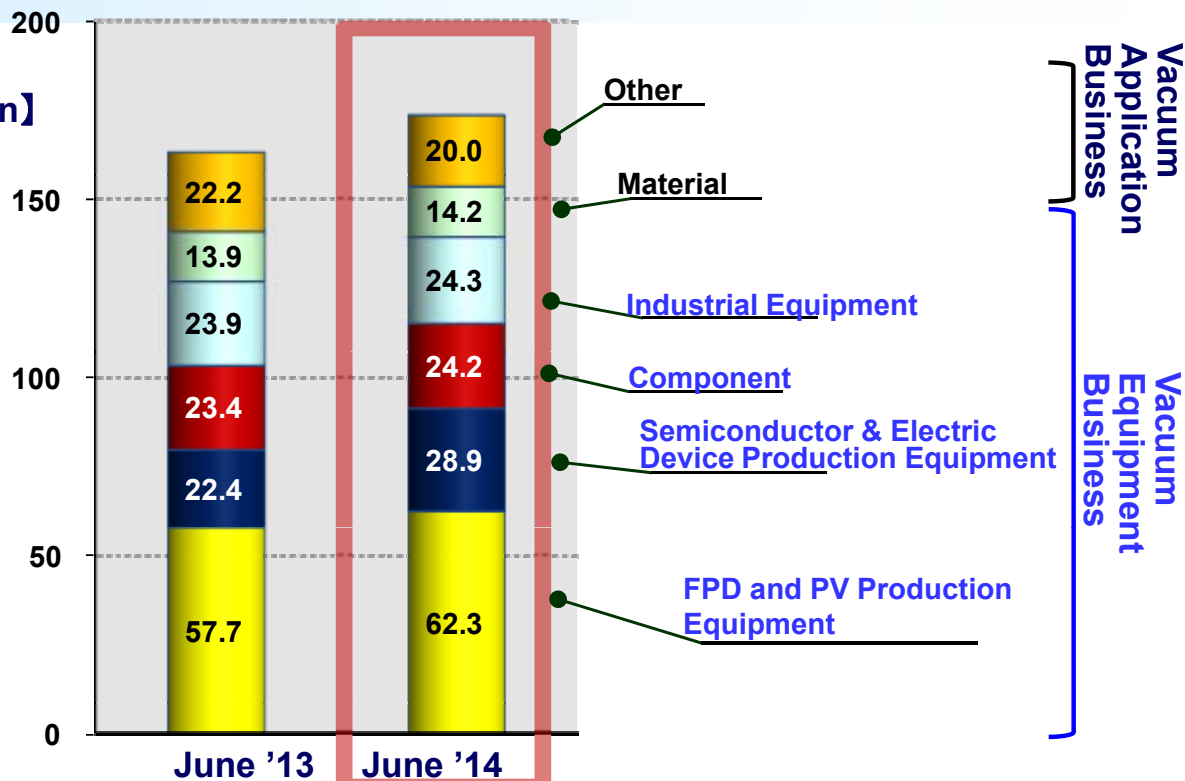


【Figures are rounded off to the nearest unit, and rates are rounded off to the nearest unit after being determined in millions of yen】

Result of sales by segment

Every key segment, involving semiconductor and advanced electronics manufacturing equipment, increased year-on-year.

[Unit:Bn.Yen]



[Unit:Bn.Yen]

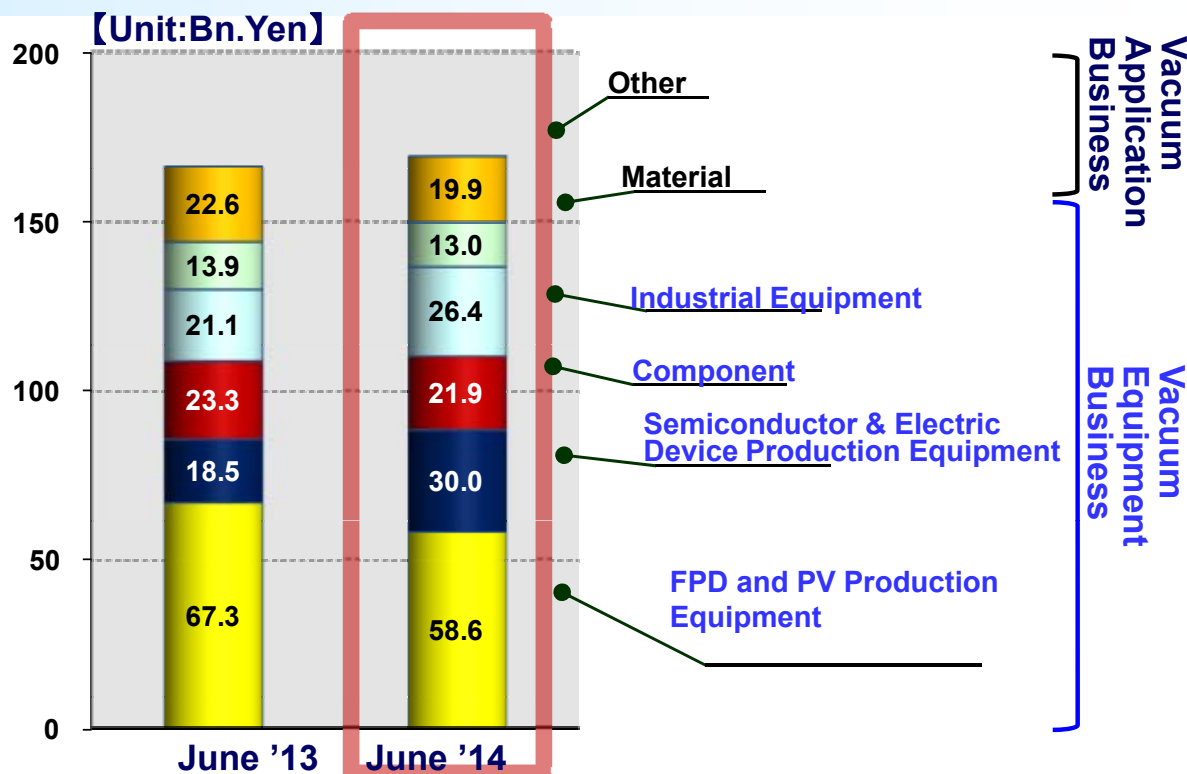
June 2013 4Q (Y-T-D)		
Segment	Sales	%
Vacuum Equipment Business	127.3	78%
FPD and PV production equipment	57.7	35%
Semiconductor and Electronic device Production Equipment	22.4	14%
Component	23.4	14%
Industrial Equipment	23.9	15%
Vacuum Application Business	36.1	22%
Materials	13.9	9%
Others	22.2	14%
Total	163.4	100%

June 2014 4Q (Y-T-D)			Y-o-Y (Changes)
Segment	Sales	%	
Vacuum Equipment Business	139.7	80%	10%
FPD and PV production equipment	62.3	36%	8%
Semiconductor and Electronic device Production Equipment	28.9	17%	29%
Component	24.2	14%	3%
Industrial Equipment	24.3	14%	2%
Vacuum Application Business	34.2	20%	-5%
Materials	14.2	8%	2%
Others	20.0	11%	-10%
Total	173.9	100%	6%

[Remarks: Figures indicated above are rounded off to the nearest unit and may not coincide with the total.]

Result of order booking by segment

- Overall orders received for the year slightly increased compared to the previous fiscal year.
- Orders received for semiconductor & electric device production equipment as well as for industrial equipment increased year-on-year, which drove the overall growth.
- Orders received for FPD and PV production equipment decreased year-on-year (due to the decreased order received for OLED devices production equipment).



[Unit:Bn.Yen]

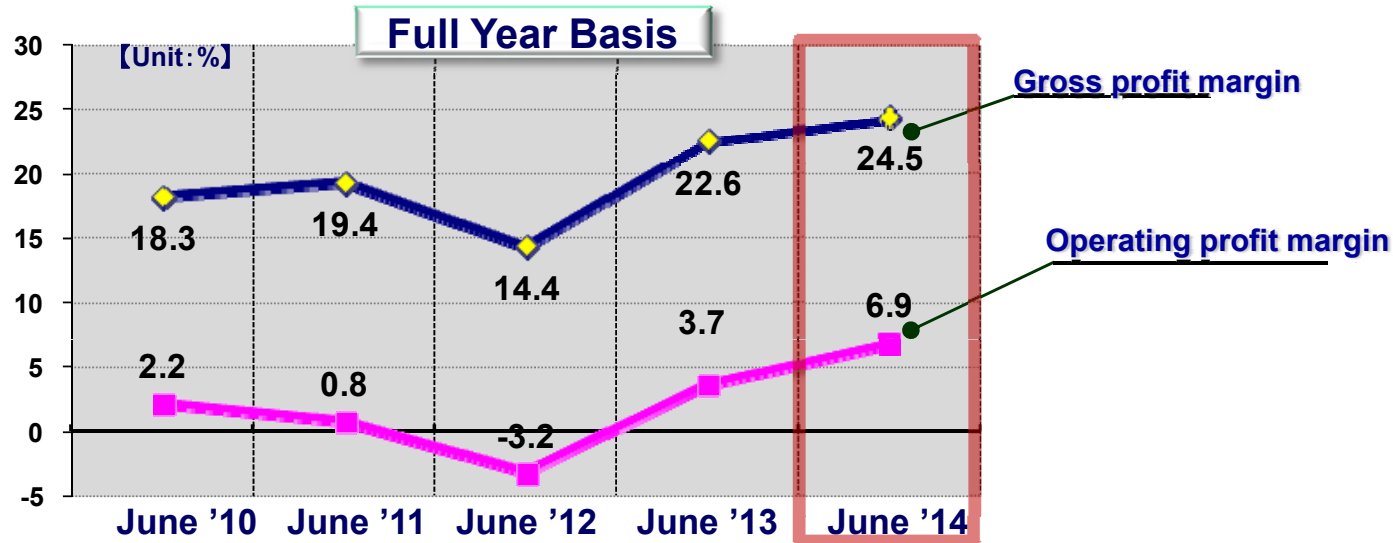
June 2013 4Q (Y-T-D)		
Segment	Order	%
Vacuum Equipment Business	130.3	78%
FPD and PV production equipment	67.3	40%
Semiconductor and Electronic device Production Equipment	18.5	11%
Component	23.3	14%
Industrial Equipment	21.1	13%
Vacuum Application Business	36.5	22%
Materials	13.9	8%
Others	22.6	14%
Total	166.8	100%

June 2014 4Q (Y-T-D)			Y-o-Y (Changes)
Segment	Order	%	
Vacuum Equipment Business	136.9	81%	5%
FPD and PV production equipment	58.6	35%	-13%
Semiconductor and Electronic device Production Equipment	30.0	18%	62%
Component	21.9	13%	-6%
Industrial Equipment	26.4	16%	25%
Vacuum Application Business	32.9	19%	-10%
Materials	13.0	8%	-6%
Others	19.9	12%	-12%
Total	169.8	100%	2%

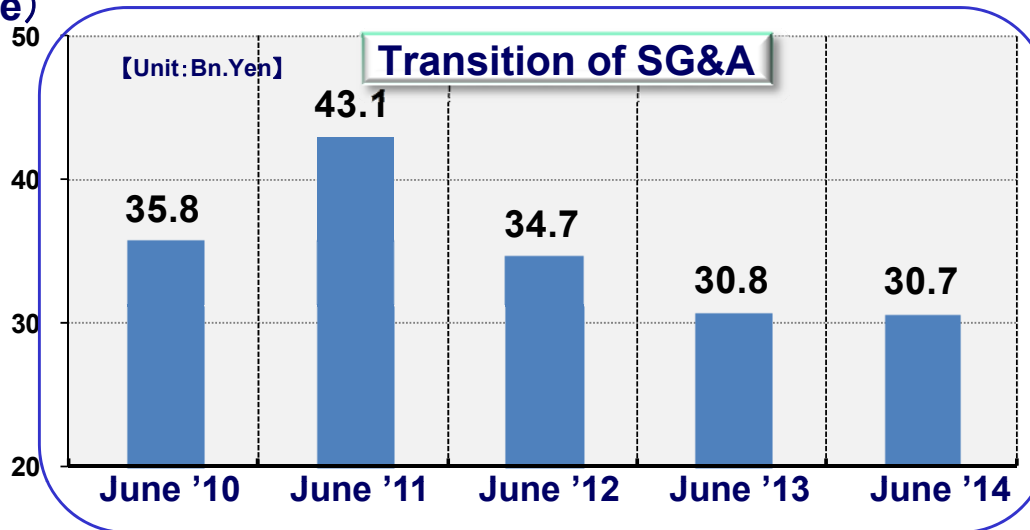
[Remarks: Figures indicated above are rounded off to the nearest unit and may not coincide with the total.]

Transition of profit

Gross profit margin and operating profit margin were higher compared to the previous fiscal year. Selling, general & administrative expenses for the year continued to be restrained and were flat compared to the previous fiscal year.



(Reference)



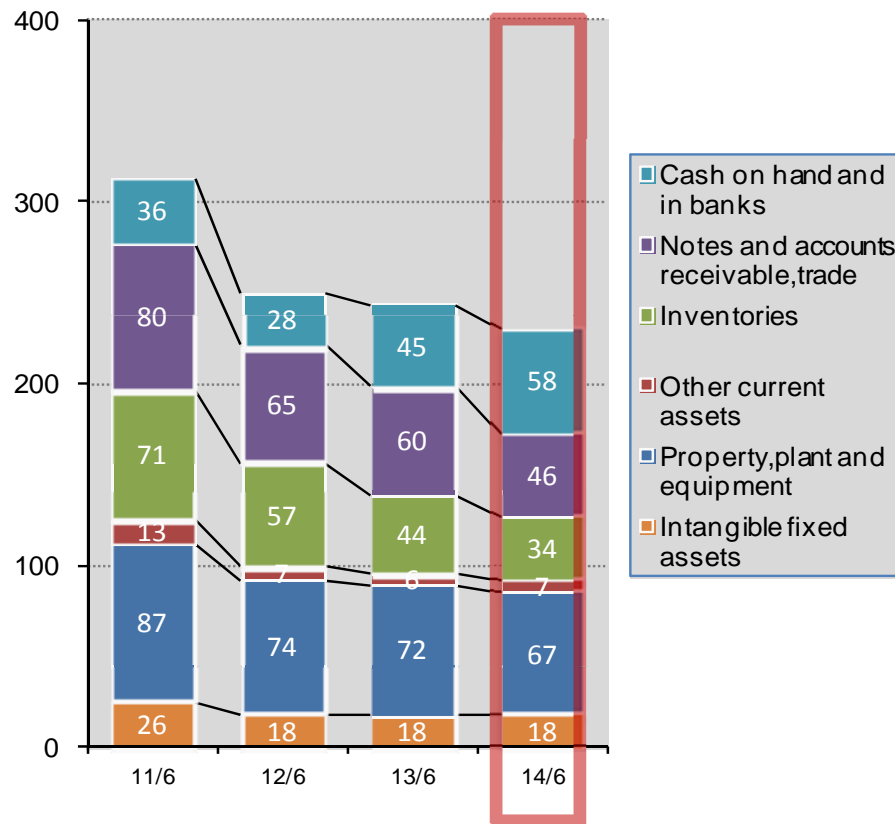
[Figures are rounded off to the first decimal place]

Balance sheet

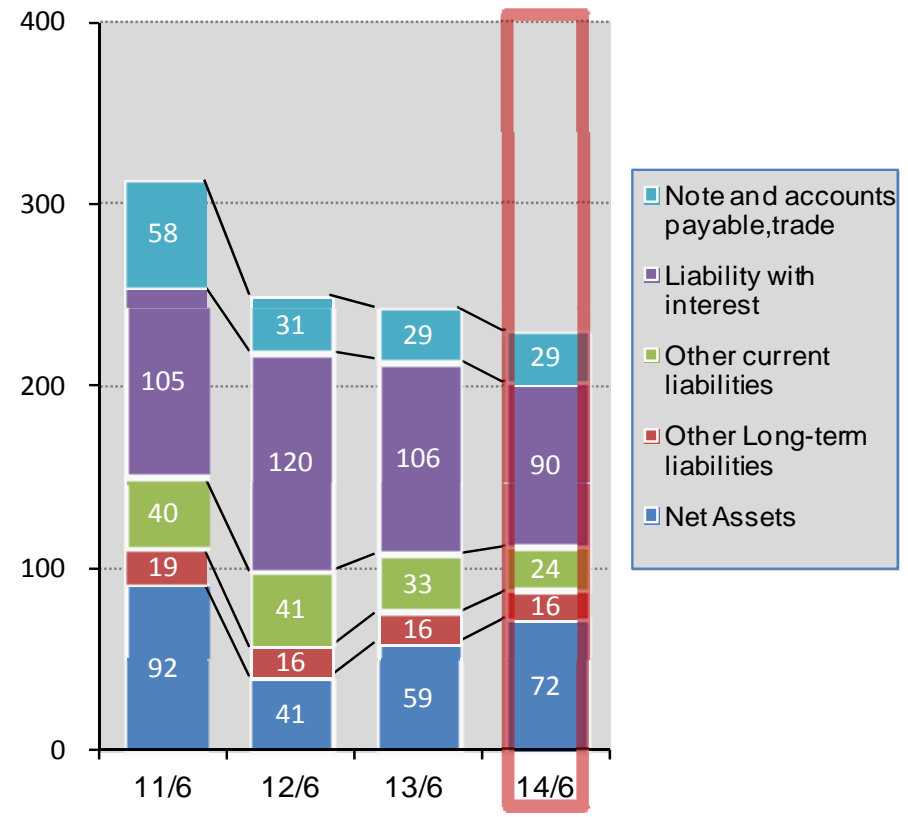
• Notes and accounts receivable were 13.2 billion yen lower, inventories 9.5 billion yen lower, and property, plants and equipment 4.9 billion lower compared to June 30, 2013. Net assets were 12.8 billion yen greater compared to June 30, 2013.
 • As a result, Interest-bearing debt (short-term borrowing and long-term debt) was 16.5 billion yen lower compared to June 30, 2013, and cash and deposits were 13.1 billion yen higher compared to June 30, 2013.

Asset

[Unit :Bn.Yen]



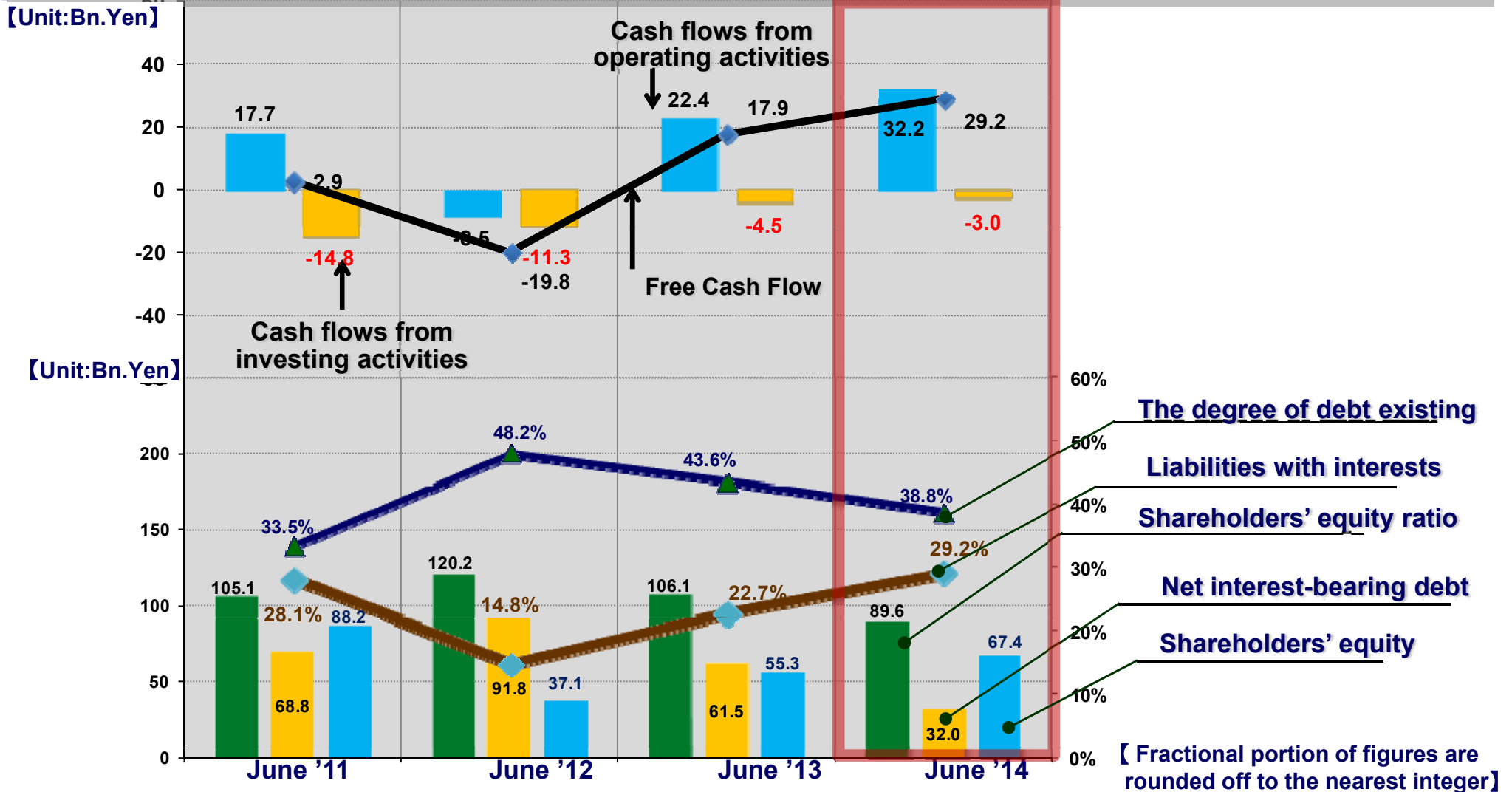
Liabilities and Net assets



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Cash Flow and Liabilities with Interests

- Cash flows from operating activities for the year under review stood at 32.2 billion yen. Cash flows from investing activities for the year totaled a negative 3.0 billion yen, a small deficit, partly due to income from the sale of subsidiary shares. Free cash flow amounted to 29.2 billion yen.
- Net debt decreased to 32.0 billion yen.



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Forecast of June 2015 Full Year

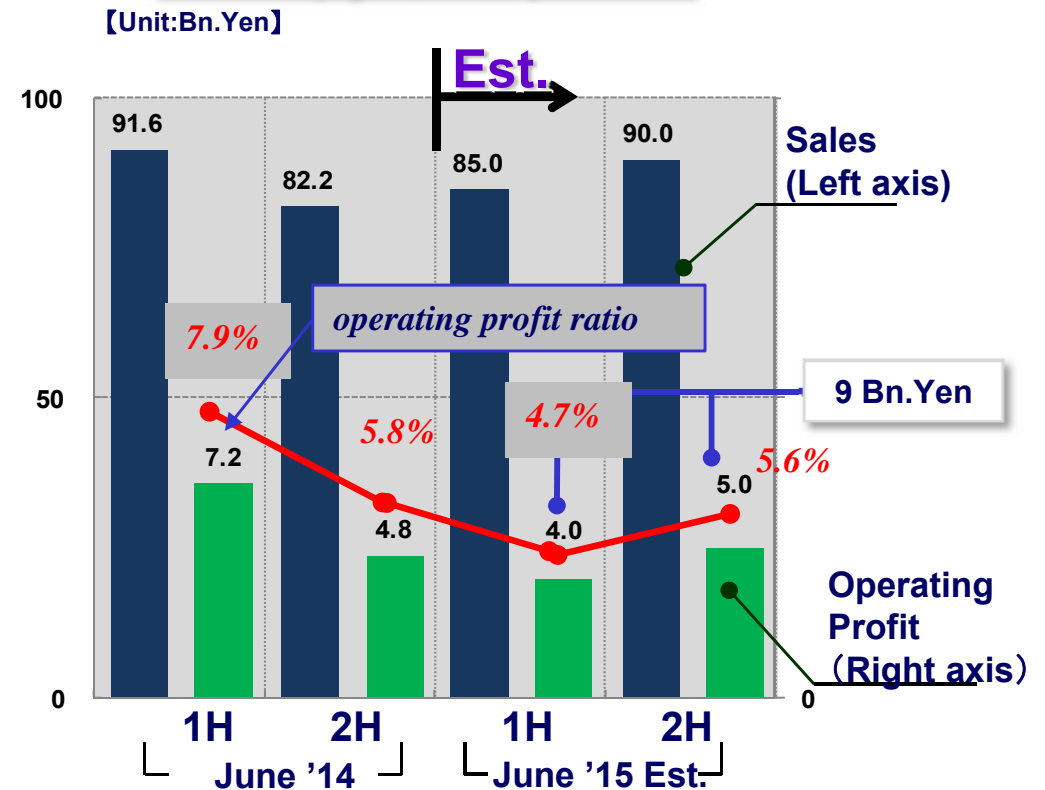
We forecast that orders received and sales will decrease slightly year-on-year. We forecast that the profit will temporarily decrease due to:

1. strategically-increased capital expenditures on research and development,
2. conservatively-predicted intensifications of price-cutting competition,
- and 3. we expect profits to decrease due to no prospects for posting extra ordinary gains, etc.

【Unit:Bn.Yen】

	June '14	June '15 Est	
		1H	Full Year
Booking	169.8	80.0	170.0
Back-log	67.2	62.2	62.2
Sales	173.9	85.0	175.0
Operating profit	12.0	4.0	9.0
Ratio	6.9%	4.7%	5.1%
Net Income	11.5	2.5	6.5

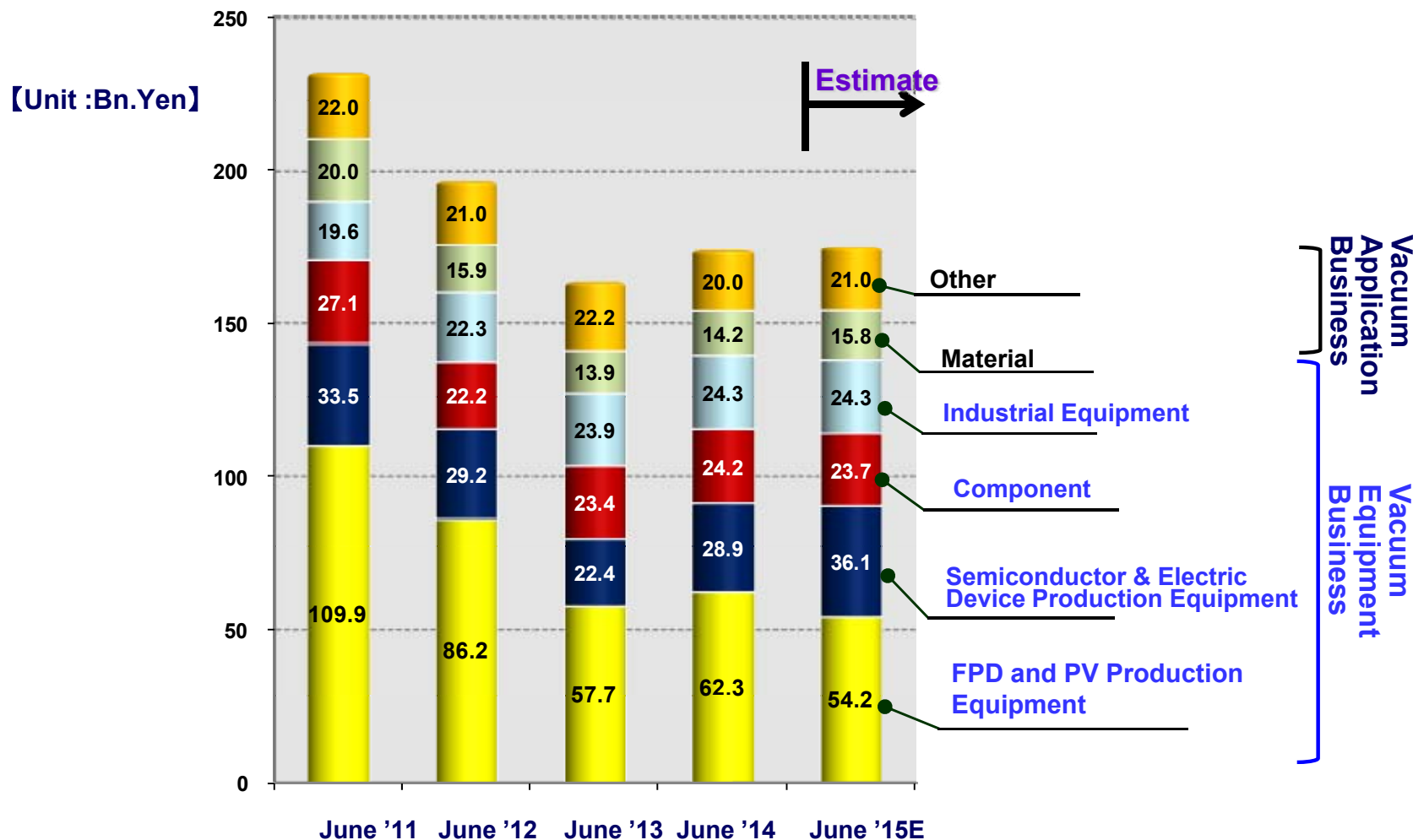
Sales and Operating Profit (By Half Year)



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

Transition of Sales by segment /Estimate

- Net sales for FPD and PV production equipment during the year under review declined year-on-year, On the other hand, net sales for semiconductor and electronic device production equipment increased year-on-year.
- We forecast that overall net sales for the year under review will slightly increase the previous fiscal year.

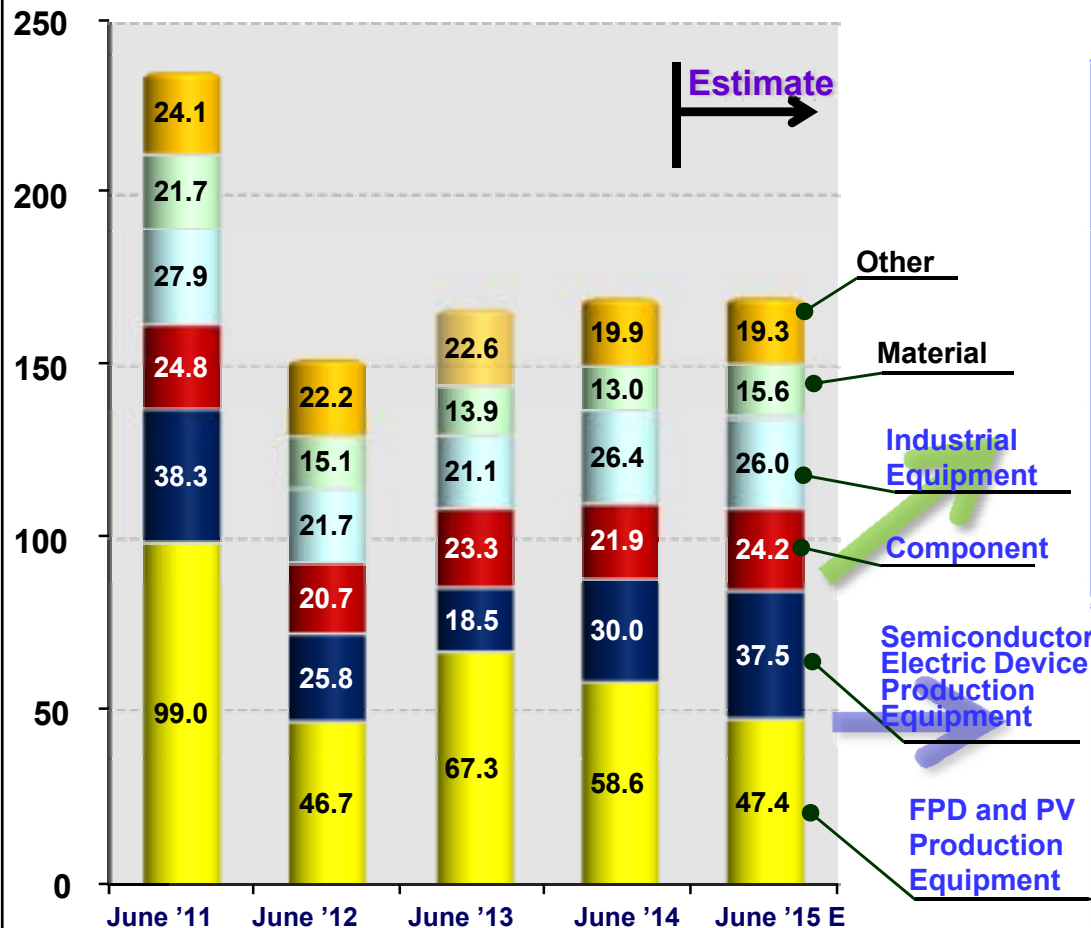


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Transition of Order received by segment /Estimate

- Orders received for FPD and PV production equipment during the year under review declined year-on-year, On the other hand, orders received for semiconductor and electronic device production equipment as well as components increased year-on-year.
- We forecast that overall orders received for the year under review will slightly increase from the previous fiscal year.

[Unit :Bn.Yen]



Outlook for FY Ending June 2015

Semiconductors and electronic devices

Memory: Year-on-year growth

Capital expenditure programs for NAND flash memory in China and South Korea are expected to remain buoyant. Industry players' capital spending programs for next-generation non-volatile memory should get underway.

•Mountings: Year-on-year growth

Foundries and other players are likely to continue their capital expenditure programs.

•LEDs: Year-on-year growth

Capital expenditure programs in China and Japan are expected to remain firm.

•Power semiconductors: Year-on-year growth

Demand is likely to remain strong mainly in Japan and China.

•Electronic devices: Year-on-year growth

Electronic devices for highly functional devices such as automobiles and smartphones should continue to perform strongly.

FPD

•LCD displays

Capital expenditures for LCD displays will likely consist mostly of those for enhancing the resolution of small- to medium-sized panels. We expect capital spending programs for IGZO technology-based LCD displays.

•OLED displays

Capital expenditure programs for organic EL displays for TVs are likely to be postponed or scaled back. Programs for small- to medium-sized panels for smartphones and tablets should dominate.

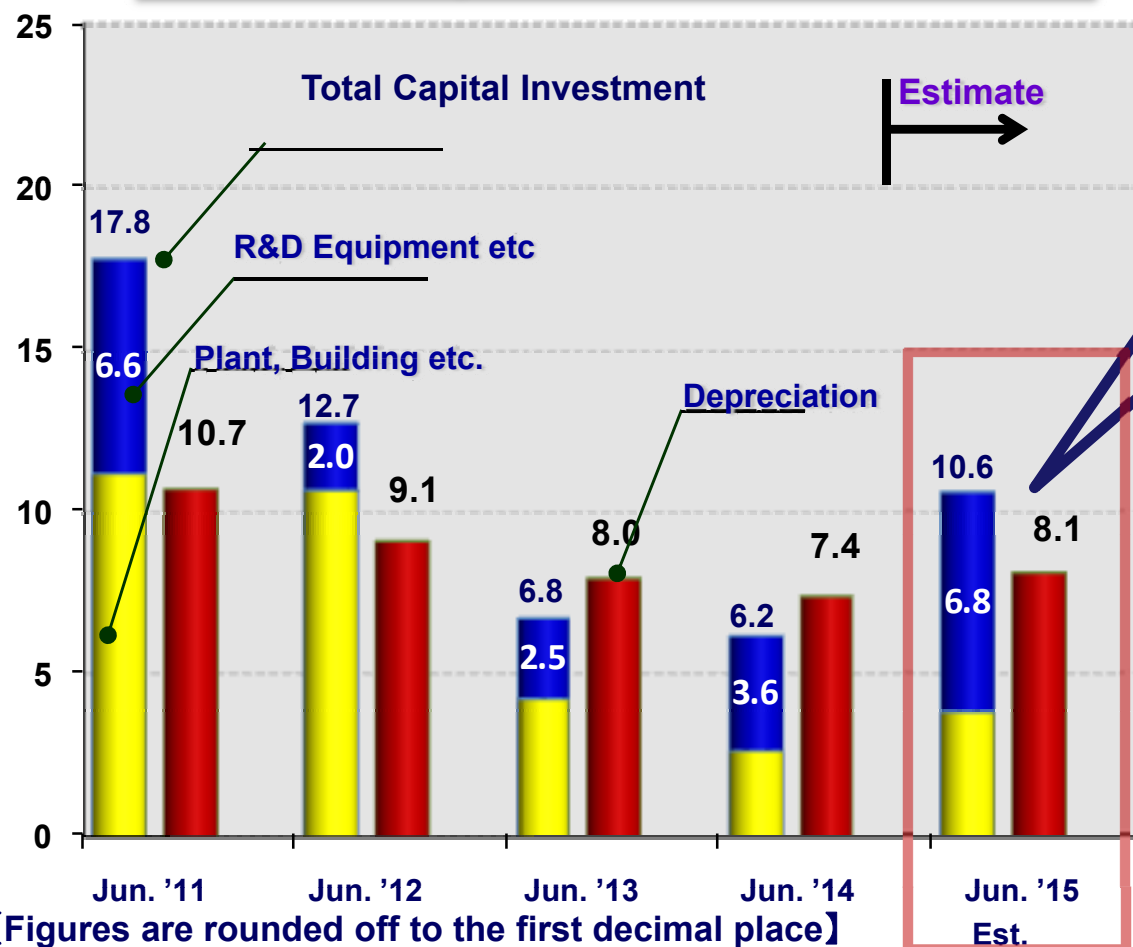
[Remarks: Figures indicated above are rounded off to the nearest unit and may not coincide with the total.]

Transition of Capital Investments, Depreciation Expenditures and R & D Expenditures · Estimate

While having continued to limit our overall capital expenditures to depreciation and amortization since the FY ended June 2013, we intend to increase research and development capital expenditures with a focus on priority technology fields in order to increase competitiveness (we will continue to restrain expenditures for projects involving buildings and repairs).

Transition of Capital Investments, Depreciation Expenditures · Estimate

[Unit :Bn.Yen]

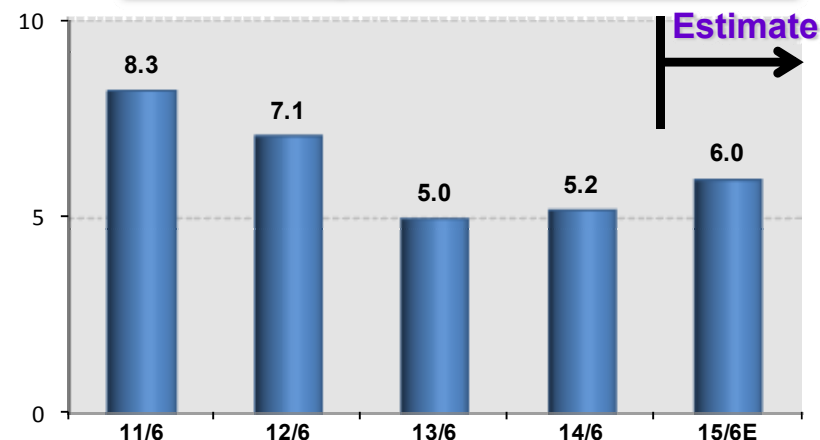


8 priority technology fields

- (i) Next-generation non-volatile memory (MRAM, PCRAM, ReRAM, FeRAM, and so on)
- (ii) Hyperfine wiring
- (iii) LEDs
- (iv) Power devices
- (v) High-density mountings
- (vi) Automobile-related technologies (PCHC, Li batteries, fuel cells, and so on)
- (vii) Displays (incl. flexible devices)
- (viii) Solar cells (CIGS, crystal-based solar cells, and so on)

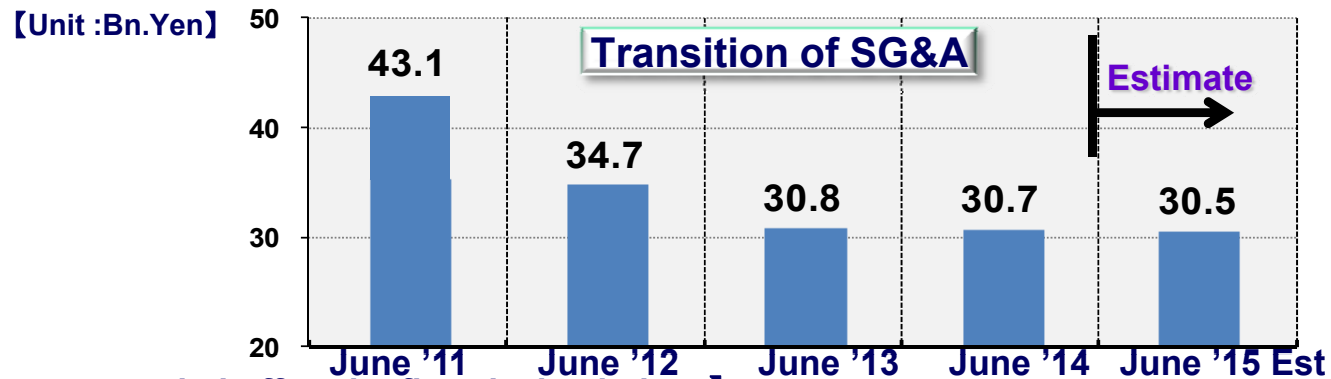
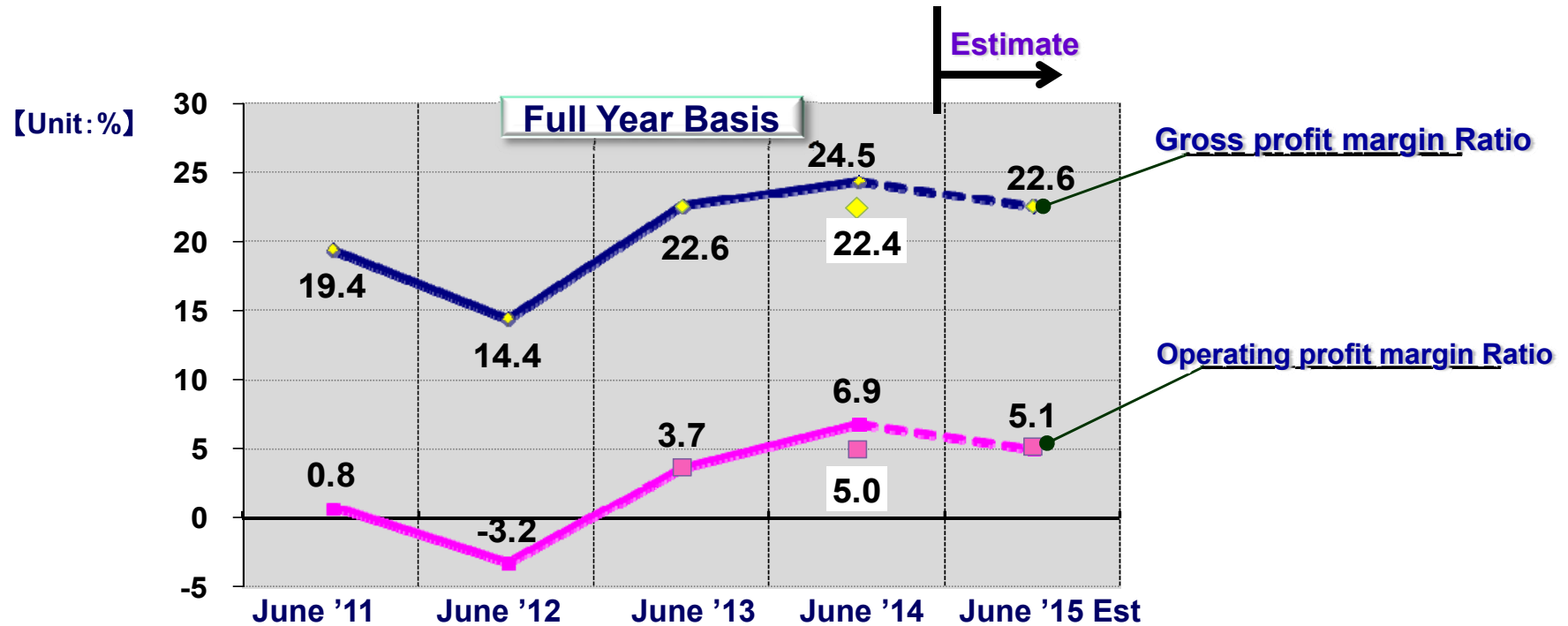
R & D Expenditures · Estimate

[Unit :Bn.Yen]



Outlook for profitability - Estimate

Gross profit margin·Operating profit margin are both 1. strategically-increased capital expenditures on research and development, 2. conservatively-predicted intensifications of price-cutting competition. We will continue to restrain SG&A.



[Figures are rounded off to the first decimal place]

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Revision to the Medium-Term Management Plan (No Change to the Fundamental Policy)

Current Medium-Term Management Plan

1. Fundamental policy
Establishment of a system for reliable and stable profit earning
 - 1) Reconstruct business models to create value(reconstruct system to increase added value, with our vacuum technology as a central pillar
 - 2) Reviewing unprofitable business
 - 3) Lowering break-even sales
 1. Fundamental scenario about business area
 - 1) “FPD/PV equipment production equipment”
“Industrial production equipment”
“Components” will support continuously.
 - 2) “Semiconductor and Electric device production equipment” will drive growth.



Above 1, 2 are promoted business without change

The first year of the plan (FY2014)

Orders received • net sale lower than the initial forecast, operating profit • ordinary profit • Net income exceeded that the initial result.

After FY2015

1. Increasing R&D Costs strategically as expected
2. FTD production equipment for OLED investment will be postponed or down-scaled in FPD and PV production equipment market.
3. The intensification for price competition as expected strictly.



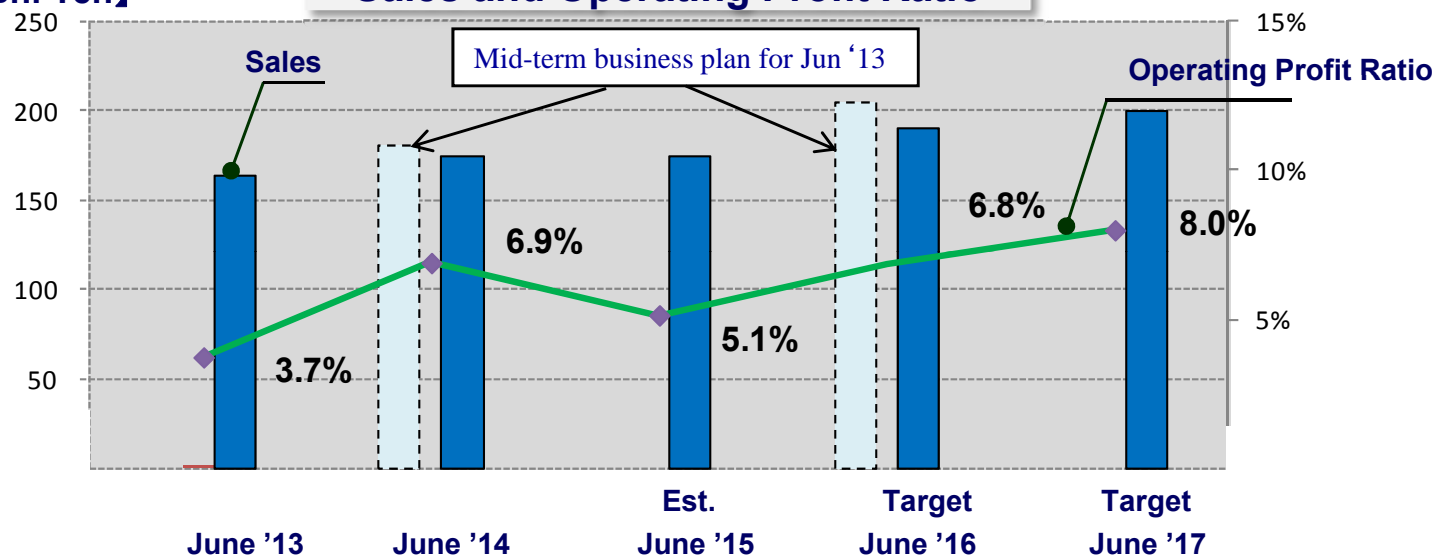
Review financial target • final year extend 1year for maximum.

Financial target (consolidated)

FY2015, Operating profit ratio will temporary decrease, but after FY2016, semiconductor and electric device equipment will lead the growth, and net sales will increase, operating profit will gradually improve (Upward trend of mid-term).

【Unit : Bn. Yen】

Sales and Operating Profit Ratio



【Unit : Bn. Yen】

	Jun'13	Jun'14	Jun'15 Est.	Jun'16 Target	Jun'17 Target	Jun'14 Est.	Jun'16 Target
Booking	166.8	169.8	170.0	190.0	200.0	1,800	2,050
Sales	163.4	173.9	175.0	190.0	200.0	1,800	2,050
Operating Profit	6.1	12.0	9.0	13.0	16.0	90	170
Ratio	3.7%	6.9%	5.1%	6.8%	8.0%	5%	8%
Net income	-3.8	11.5	6.5	9.0	11.0	40	110

Results of Structural Business Reform Plan

Development strategy	Built a PM-centric development platform. Enhanced control over development program progress. Designated eight technology fields as priority fields to pursue our strategic development initiatives.
Sales and marketing strategy	Reinforced the Corporate Sales and Marketing Division. Defined regional strategies for Southeast Asia and other regions. Built a global sales and marketing platform for each business unit on an individual basis.
Cost competitiveness enhancement	Achieved higher levels of gross profit margin: 14.4% for FY 2011 ⇒ 22.6% for FY 2012 ⇒ 24.5% for FY 2013 Developed our organizational structure on a frontloading basis (additional costs fell within the level of our cost controls, yet we must ensure that the frontloading approach takes hold within the organization and that our personnel continue to rigorously adhere to it).
Cost savings	Our fixed cost (expense) reduction efforts achieved better-than-planned results (and facilitated securing a proper level of profits). → Going forward, we will be sure to rein in increases in fixed costs as part of our ordinary business management process.
Profit plan	Established a platform to manage our budget and results on a division-by-division basis. ⇒ Going forward, carry out this process through the monthly business management procedure.
Human resources system reform	Reformed our human resources system. Adopted a point-based employee retirement benefits scheme. Put the rotation system on a firm footing.
Business downsizing	Reduced the number of months for working capital turnover through a process for attaining shorter lead times and lower inventory levels. Inventory: 43.9 billion yen for FY 2012 ⇒ 34.4 billion yen for FY 2013 Notes and accounts receivable, trade: 59.5 billion yen for FY 2012 ⇒ 46.4 billion yen for FY 2013 Fixed assets: 89.7 billion yen for FY 2012 ⇒ 85.1 billion yen for FY 2013
Operational reform	Streamlined our operations by reducing the number of meetings and simplifying clerical work duties.
Risk management	Stepped up our credit control and reinforced management of overdue receivables. Enhanced the order intake time risk management system.
Group business control	Established a global production management platform. Sold shares in a subsidiary (Reliance Electric Limited).

The Future Structural Business Reform Plan

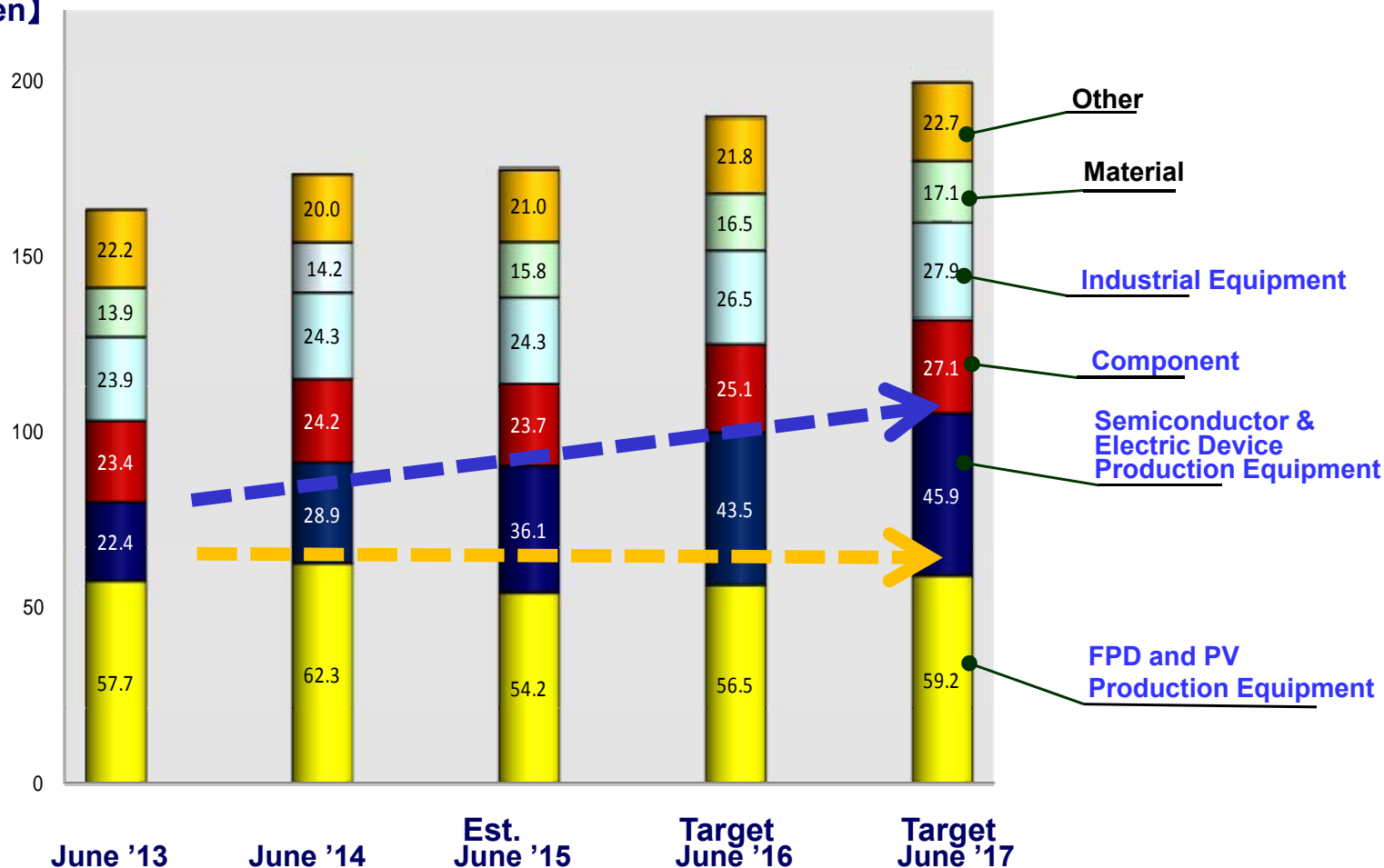
Following are focus on 4 projects. (System was established for monitoring into the management system except these projects.)

<p>Development Strategy Project</p>	<p>Designate eight technology fields as priority fields, thus pursuing our development initiatives in a strategic manner. Continue to develop highly inventive products and make efforts to create new businesses. Build a global development platform.</p>
<p>Sales and Marketing Strategy Project</p>	<p>Pursue our global sales and marketing strategy for individual business units. Upgrade our global marketing and advertising platform. Enhance our new business prospecting framework.</p>
<p>Cost Control Enhancement Project</p>	<p>Increase competitiveness through rigorous cost-saving efforts. Ensure that our personnel continue to adhere to the frontloading approach.</p>
<p>Group Collaboration Enhancement Project</p>	<p>Reinforce and streamline group operations.</p>

Transition of Sales by segment /Estimate

Semiconductor & electronic device production equipment was leading growth. FPD·PV production equipment remained 50 billion yen. Industrial equipment, components etc were steady. Electric device production equipment expected to increase sales by expanding the mountings, power device, battery and LED markets because semiconductor breaks into the market logic and growth of non-volatile memory market.

【Unit : Bn. Yen】



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**Innovation begins
in a vacuum**

ULVAC