

Innovation begins in a vacuum

【Code No : 6728】

FY2013 First Half Business Result

(Year Ending June 30, 2014)

ULVAC, Inc.
13th Feb., 2014

◆ **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

Agenda

- **Summary for the Fiscal Year 2012 Ending June 2014 (1st Half)**
- **Prospects for the Fiscal Year 2012 Ending June 2014**

Hisaharu Obinata , President and CEO

Results for the 2nd Q of the Year Ending June 2014 (Y-T-D)

For the 2nd Q of the FY ending June 30, 2014, orders received stood at 82.1 billion yen, an increase of 4% compared to the same period of the previous FY, and net sales amounted to 91.6 billion yen, an increase of 25% compared to the same period of the previous FY. Operating profit for the Q'r under review grew to 7.2 billion yen, an increase of 733% compared to the same period of the previous FY, thanks to our efforts to lower costs and to rein in fixed costs. The Company recorded net income of 7.1 billion yen for the Q'r, and as was profitable.

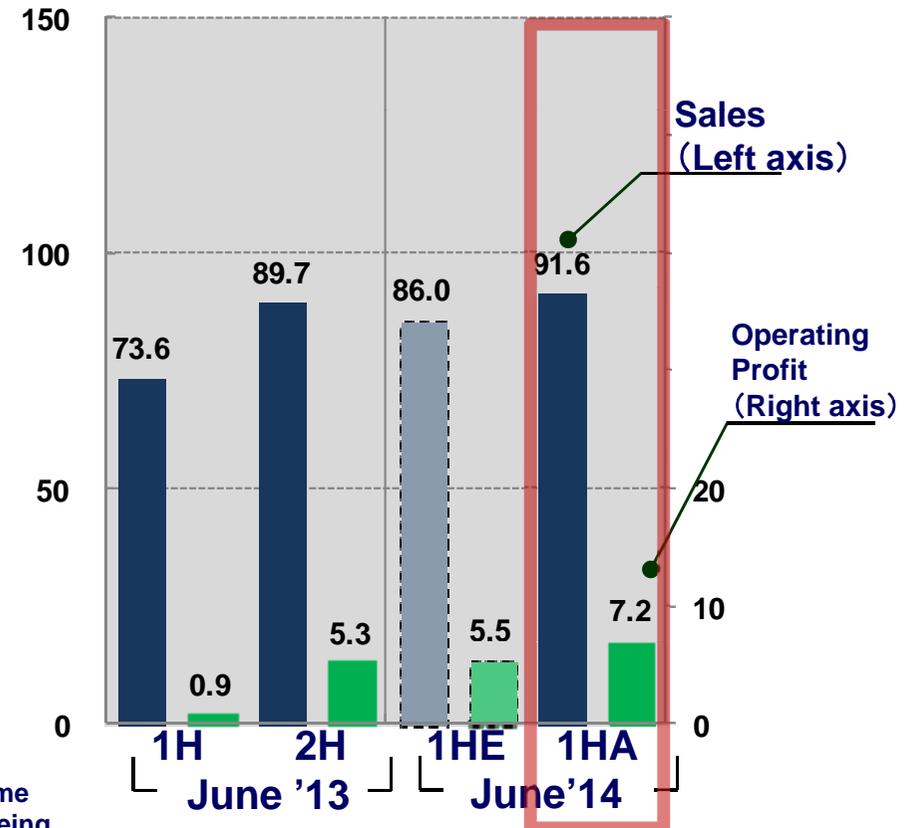
【Unit:Bn.Yen】

	June 2013 1H	June 2014 1H			
		Plan	Result	Y-o-Y (Changes)	vs.Plan (Changes)
Booking	78.8		82.1	3.4 (+4%)	
Back-log	71.8		62.7		
Sales	73.6	86.0	91.6	18.0 (+25%)	5.6 (+7%)
Gross Margin	16.6		22.5	5.9	
Ratio	22.6%		24.6%		
SG&A	15.7		15.3	-0.4	
Operating profit	0.9	5.5	7.2	6.3 (+733%)	1.7 (+31%)
Ratio	1.2%	6.4%	7.9%		
Net Income	-0.8 (-)	4.5 (-)	7.1	7.8 (-)	2.6 (+57%)

【Figures in parentheses represent absolute and percentage changes compared with the same period of the previous fiscal year. These figures were rounded off to the nearest unit after being determined in millions of yen.】

Sales and Operating Profit
(By Half Year)

【Unit:Bn.Yen】



Net Sales(By segment)

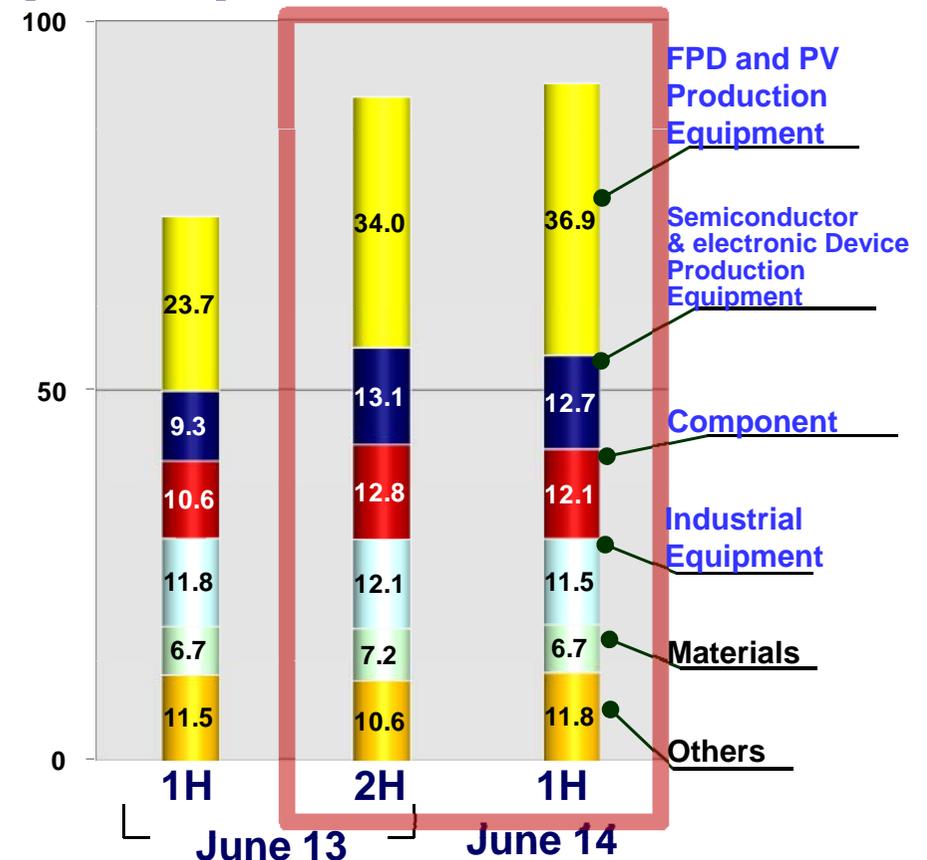
During the 2nd Q under review, net sales of FPD production equipment grew compared with the 1st Q of the FY driven mainly by Organic LED(OLED)production equipment, a product category that had had a large order backlog at the start of the 1st H. Net sales of Semiconductor and Electronic Device Production Equipment decreased compared with the 1st Q, affected by a delay in the recovery of Capex in these equipment categories during the 2nd Q under review. Meanwhile, net sales in the “Others” category grew compared to the previous quarter, supported by the strong performance of surface analysis-related products and mask blanks business.

Net sales by segment(Half year)

【Unit:Bn.Yen】

Segment	June 2013		June 2014	
	1H (Jul-Dec)	2H (Jan-Jun)	1H (Jul-Dec)	H-on-H
Vacuum Equipment Business	55.3	71.9	73.2	1.2
FPD and PV Production Equipment	23.7	34.0	36.9	2.9
Semiconductor & Electronic Device Production Equipment	9.3	13.1	12.7	-0.4
Component	10.6	12.8	12.1	-0.7
Industrial Equipment	11.8	12.1	11.5	-0.6
Vacuum Application Business	18.3	17.8	18.5	0.7
Materials	6.7	7.2	6.7	-0.5
Others	11.5	10.6	11.8	1.2
Total	73.6	89.7	91.6	1.9

【Unit:Bn.Yen】



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

Orders Received(By segment)

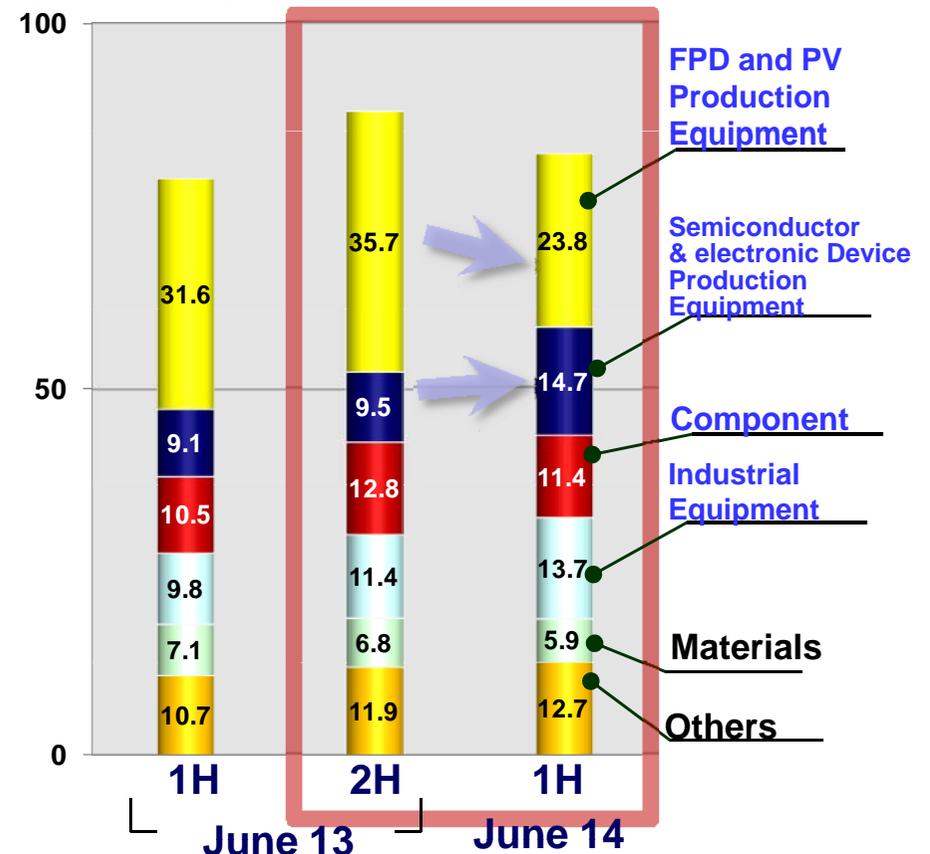
During the 2nd Q under review, orders received for FPD and PV Production Equipment declined compared with the 1st Q of the FY due to a temporary slump in the industry's FPD-related Capex. Orders received for Semiconductor and Electronic Device Production Equipment grew significantly compared with the 1st Q as the industry's Capex on semiconductor memories and power semiconductors became strong during the 2nd Q under review. Orders for Industrial Equipment rose in the Q'r compared with the 1st Q, supported by robust automobile-related orders. Meanwhile, orders for "Others" increased compared with the 1st Q as those for surface analysis-related product were strong.

Orders received by segment(Half year)

【Unit:Bn.Yen】

Segment	June 2013		June 2014	
	1H (Jul-Dec)	2H (Jan-Jun)	1H (Jul-Dec)	H-on-H
Vacuum Equipment Business	61.0	69.3	63.6	-5.8
FPD and PV Production Equipment	31.6	35.7	23.8	-11.9
Semiconductor & Electronic Device Production Equipment	9.1	9.5	14.7	5.3
Component	10.5	12.8	11.4	-1.4
Industrial Equipment	9.8	11.4	13.7	2.3
Vacuum Application Business	17.8	18.7	18.6	-0.1
Materials	7.1	6.8	5.9	-0.9
Others	10.7	11.9	12.7	0.8
Total	78.8	88.0	82.1	-5.9

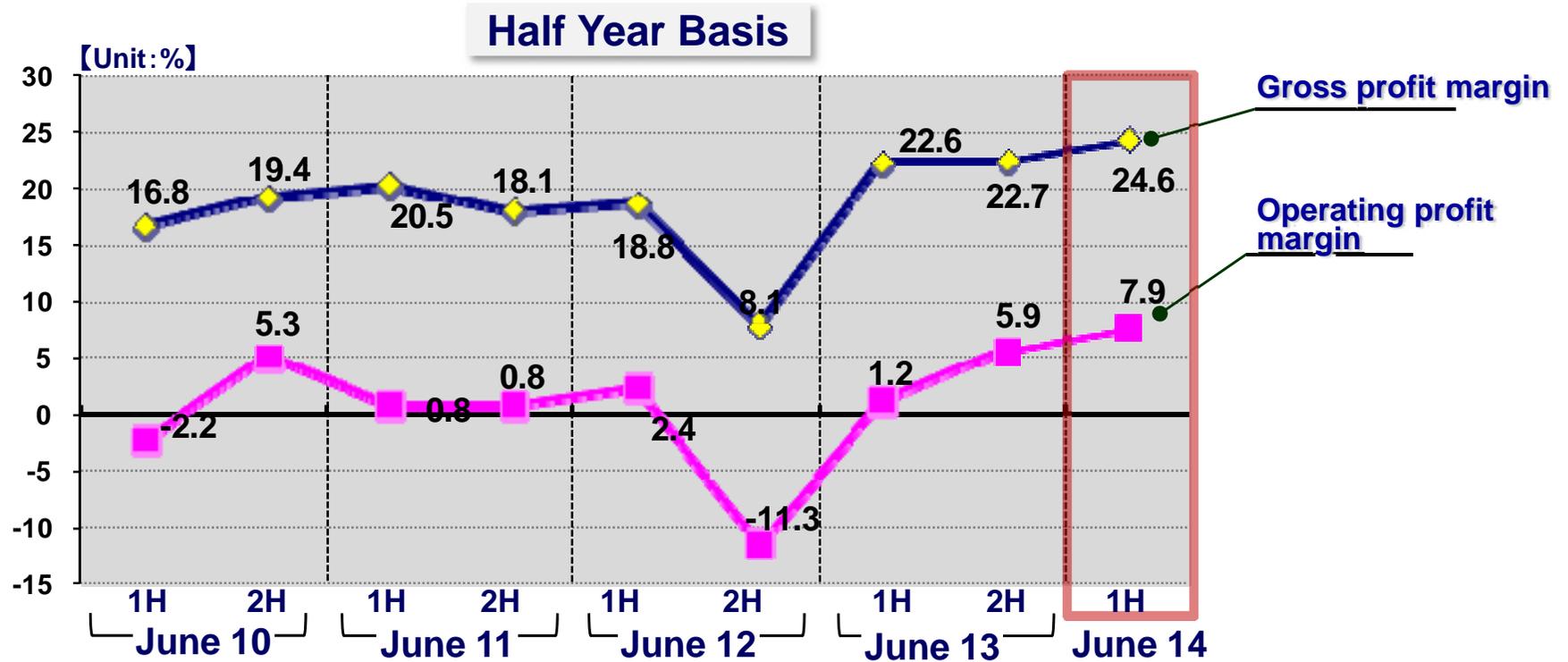
【Unit:Bn.Yen】



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

Outlook for profitability

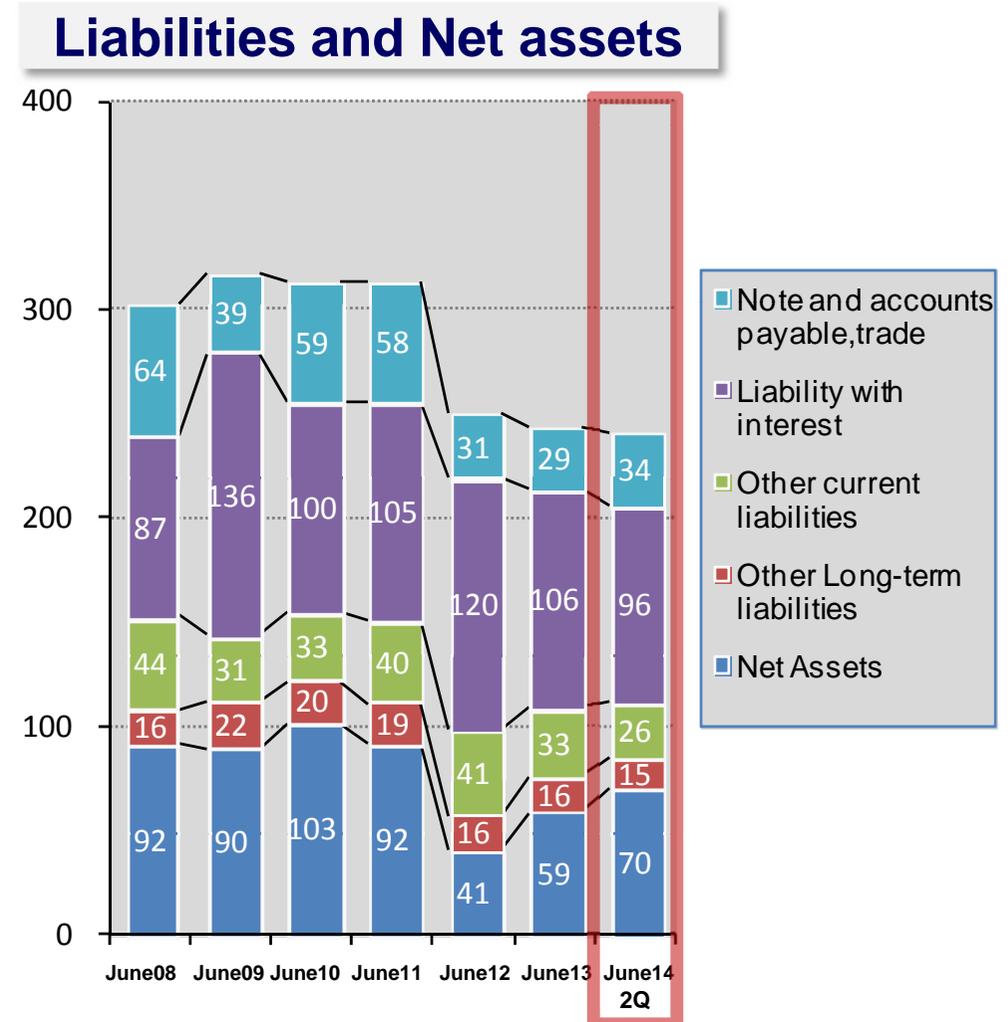
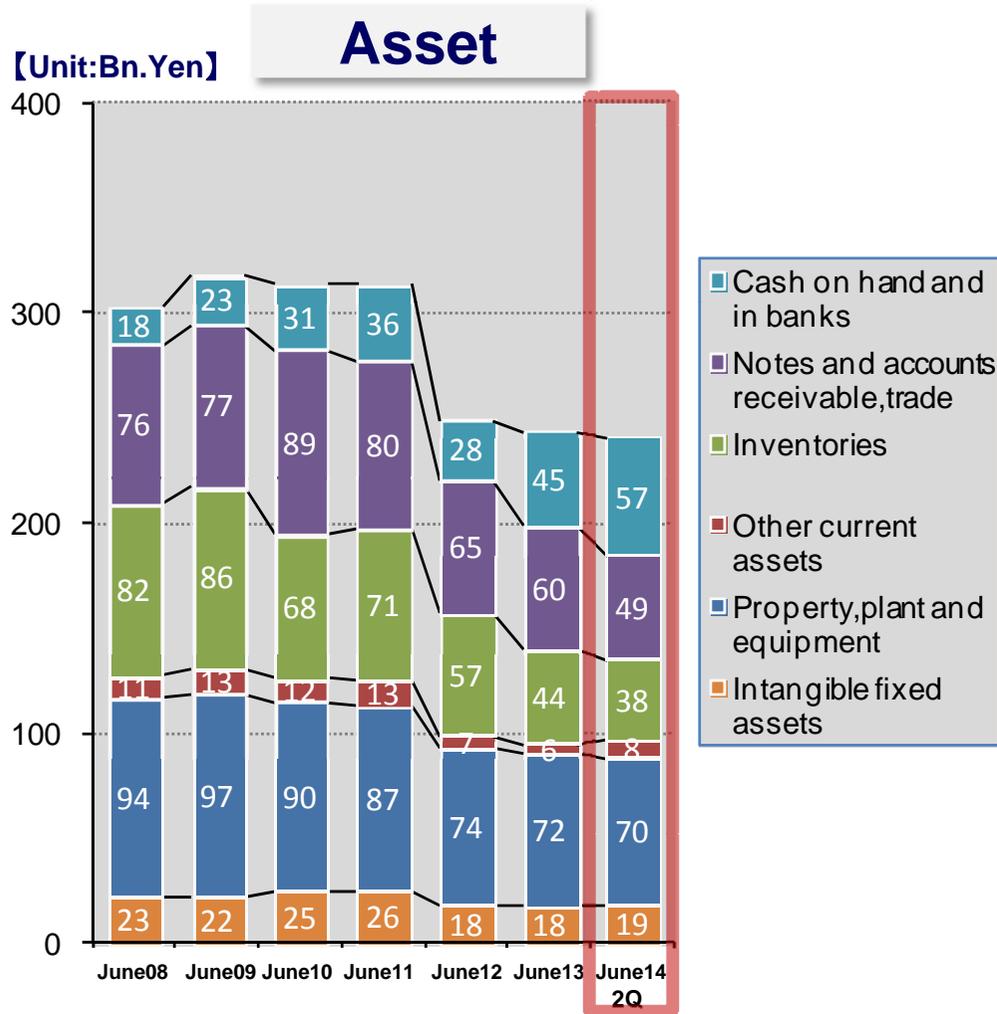
During the 2nd quarter under review, both gross profit margin and operating profit margin increased both compared to the same period of the previous fiscal year and previous quarter, helped by our group-wide cost saving efforts.



[Figures are rounded off to the first decimal place]

Balance sheet

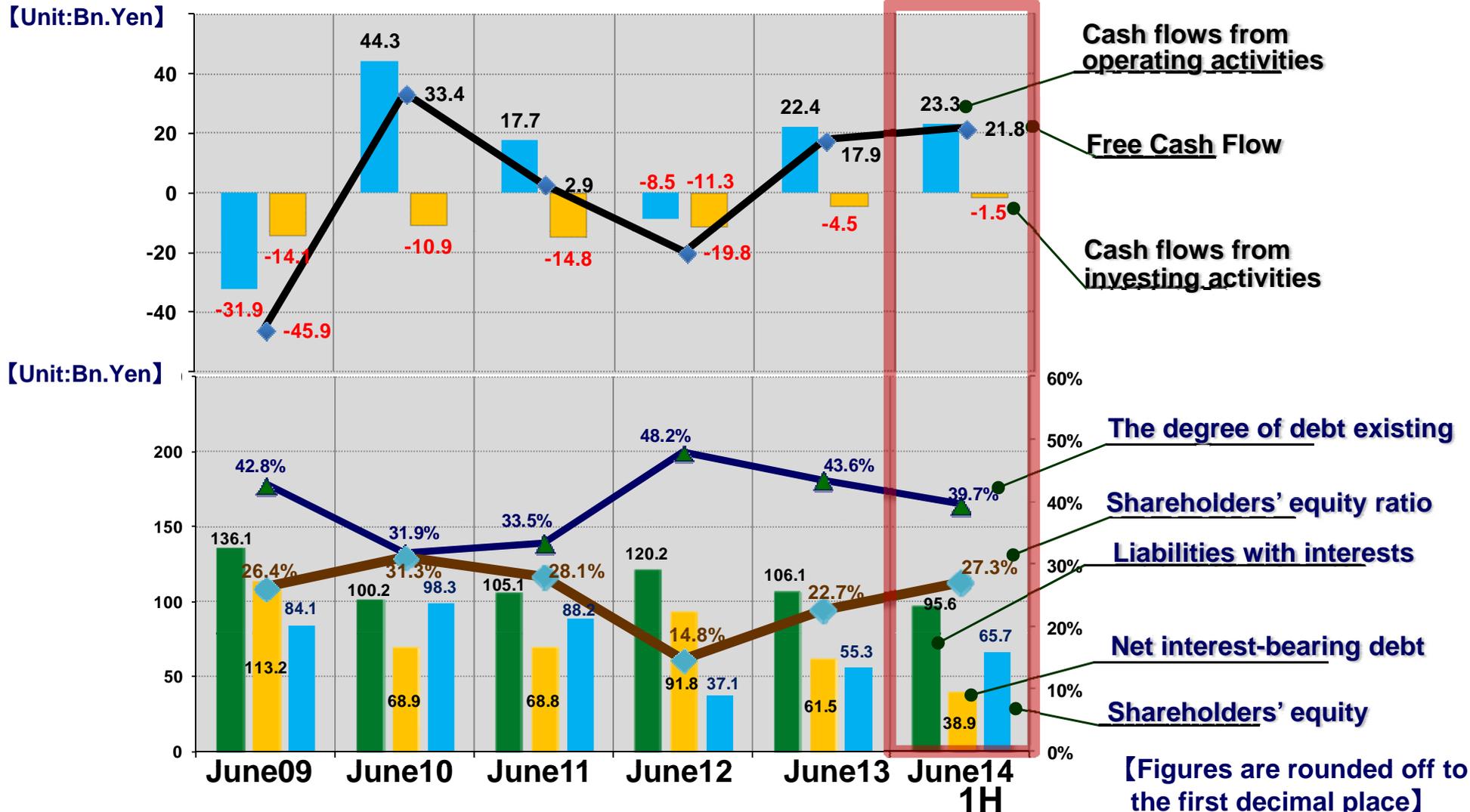
As for assets, cash on hand in banks increased by 12.0 billion yen, notes and accounts receivable, trade decreased by 10.3 billion yen, and inventories declined by 5.6 billion yen. On the liabilities side, interest-bearing borrowings and debt (short-term borrowings and long-term debt) fell by 10.5 billion yen. Meanwhile, notes and accounts payable, trade increased by 5.7 billion yen. As for net assets, retained earnings rose by 7.0 billion yen.



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

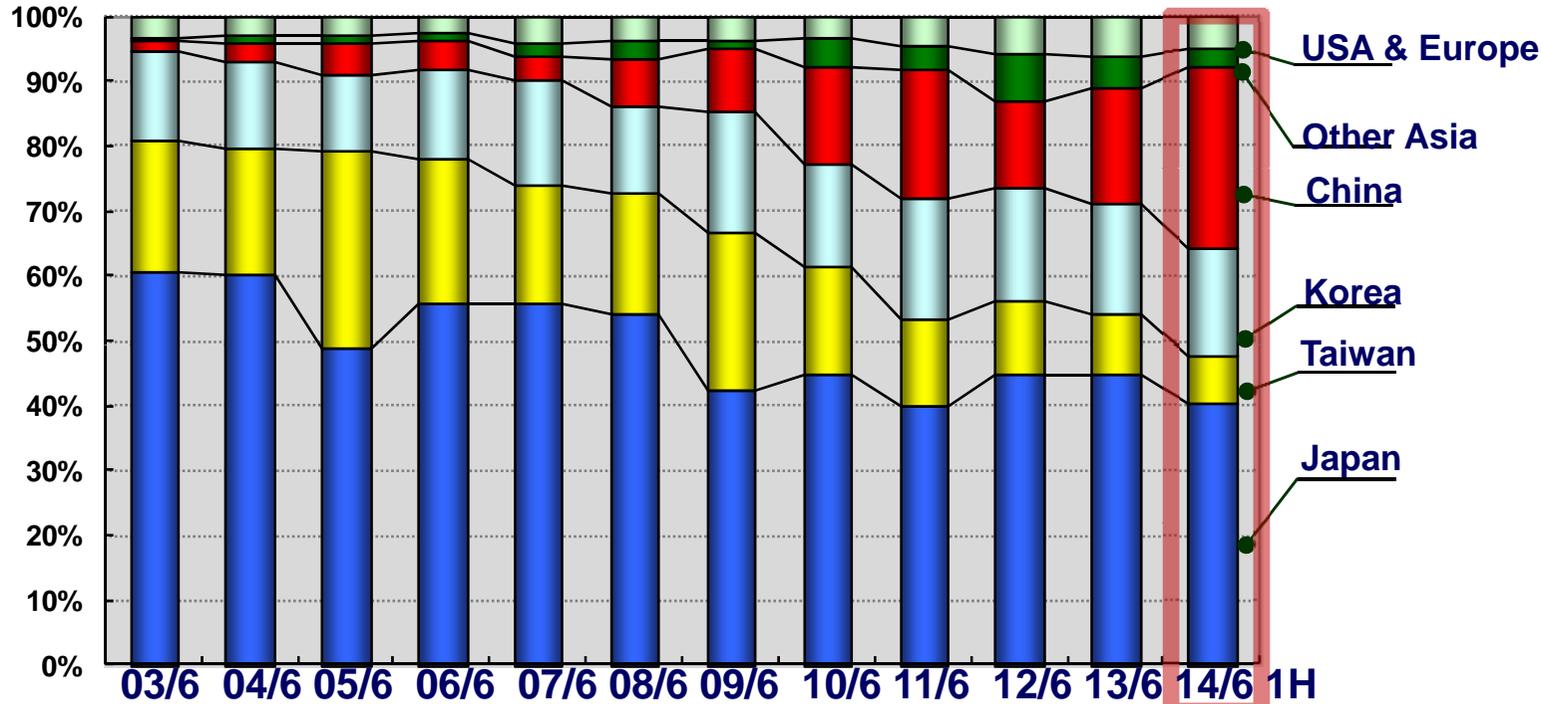
Cash Flow and Liabilities with Interests

CFs from operating activities stood at 23.3 billion yen thanks to reasons including 9.1 billion yen in net income before income taxes and 17.5 billion yen in an operating capital reduction. Negative CFs of only 1.5 billion yen from investing activities were recorded due to the receipt of proceeds from the sale of shares in a subsidiary of the Company, and FCF amounted to 21.8 billion yen. Net interest-bearing debt decreased to 38.9 billion yen.



Transition of Net sales by Geographical Area

A geographic breakdown of the results shows that net sales to Japan and Taiwan continued to decrease while those to China grew, supported by FPD production equipment.



	June 03		June 04		June 05		June 06		June 07		June 08		June 09		June 10		June 11		June 12		June 13		June 14 2Q(YTD)		
	Sales	Ratio	vs.'12/6	Sales	Ratio																				
JAPAN	77.3	61%	95.3	60%	96.8	49%	118.9	56%	133.4	56%	130.7	54%	94.9	42%	99.5	45%	93.3	40%	88.6	45%	73.2	45%	-17%	37.2	41%
TAIWAN	26.1	20%	30.4	19%	59.7	30%	47.3	22%	44.2	18%	45.1	19%	55.1	25%	36.9	17%	31.0	13%	22.3	11%	15.3	9%	-31%	6.4	7%
KOREA	17.2	13%	21.1	13%	23.1	12%	29.2	14%	37.9	16%	32.6	14%	41.3	18%	35.4	16%	43.3	19%	34.1	17%	28.1	17%	-18%	15.4	17%
CHINA	2.2	2%	4.7	3%	9.4	5%	9.6	5%	9.0	4%	16.9	7%	21.2	9%	33.3	15%	45.4	20%	26.1	13%	28.8	18%	10%	25.4	28%
Other Asia	0.9	1%	1.6	1%	2.1	1%	2.6	1%	5.1	2%	7.0	3%	3.3	1%	9.6	4%	8.9	4%	14.7	7%	8.4	5%	-43%	2.7	3%
USA & Europe	3.8	3%	4.7	3%	5.7	3%	4.8	2%	9.5	4%	8.9	4%	8.0	4%	7.2	3%	10.2	4%	11.1	6%	9.6	6%	-13%	4.5	5%
Total	127.5	100%	157.9	100%	196.8	100%	212.5	100%	239.2	100%	241.2	100%	223.8	100%	221.8	100%	232.0	100%	196.8	100%	163.4	100%	-17%	91.6	100%

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Agenda

- **Summary for the Fiscal Year 2012 Ending June 2014 (1st Half)**
- **Prospects for the Fiscal Year 2012 Ending June 2014**

Hisaharu Obinata , President and CEO

An outline of the business environment for FY ending June 2014 (full year)

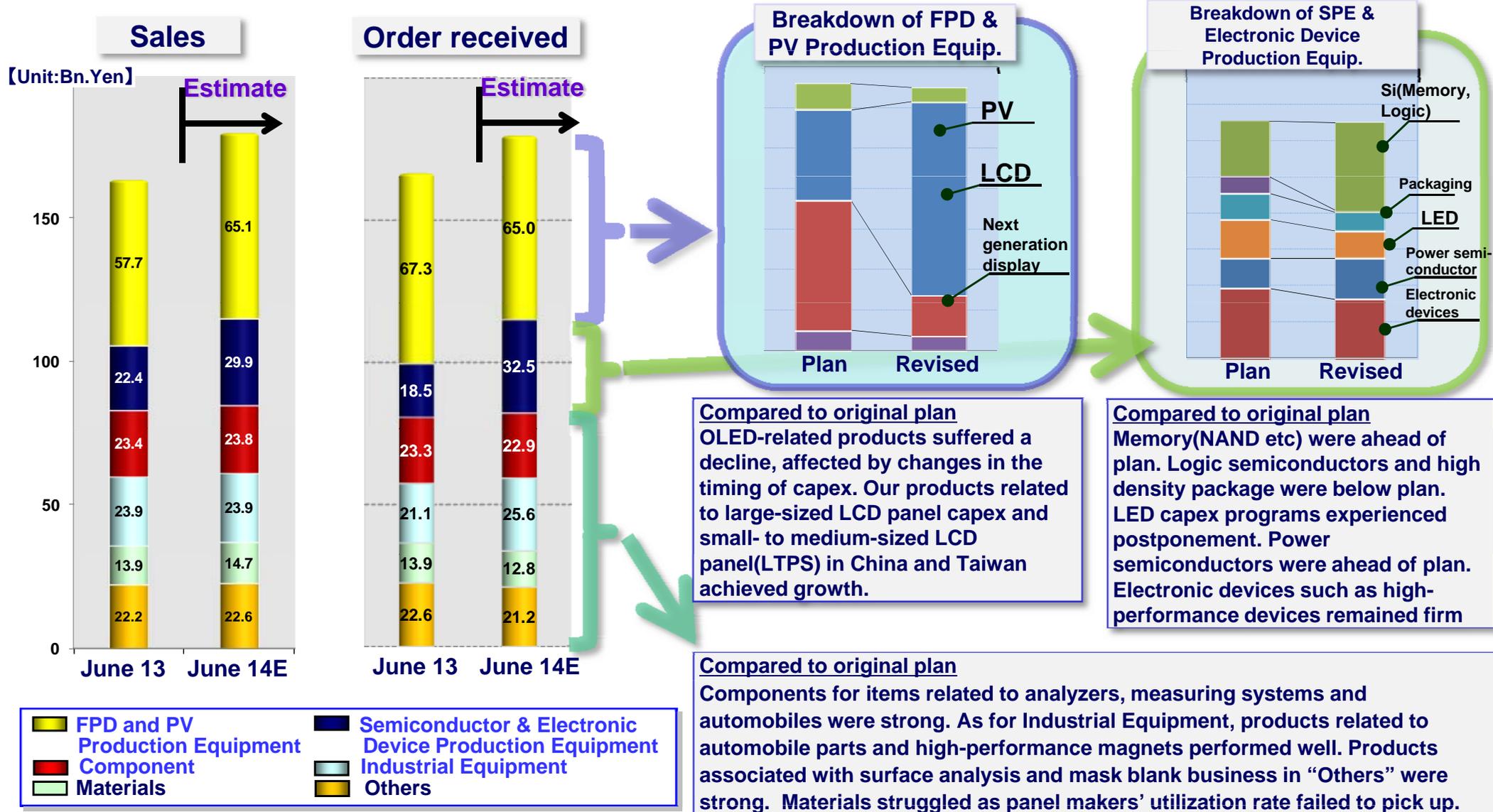
■ The future market environment for ULVAC

- **Semiconductors:** As a result of the market's rapid shift to cloud computing, capex by semiconductor companies on memory and leading-edge logic semiconductors is expected to pick up from sometime around summer 2014, growing at an annual rate of over 10%. Moreover, we anticipate semiconductor companies to launch their capex programs for nonvolatile memory.
- **FPD:** Capex for large-sized LCD panels is likely to continue, led mainly by China-based players, but such activities will probably have run their course sometime within 2014. Although capex programs for 4K panels and other high-resolution LCD panels and for flexible displays are expected to be launched by industry players, it remains to be seen if a significant expansion of such capex will become a reality.
- **Smartphones :**Capex on smartphone-related high-performance electronic devices (MEMS, high-density packaging and batteries) is anticipated to remain strong.
- **Automotive:** Capex on car electronics (e.g. power semiconductors) and automobile parts should continue to remain at high levels. Eco car-related capex is also likely to be strong.
- **Pharmaceuticals and foods**
:Consumer demand for pharmaceutical and health-conscious food products are expected to be strong due to aging populations and rising health awareness among consumers.

Likely to enjoy continued growth

Transition of Order received and Sales by segment /Estimate

Partially revising our projections to reflect actual performance, in response to rapid changes occurring to the business environment



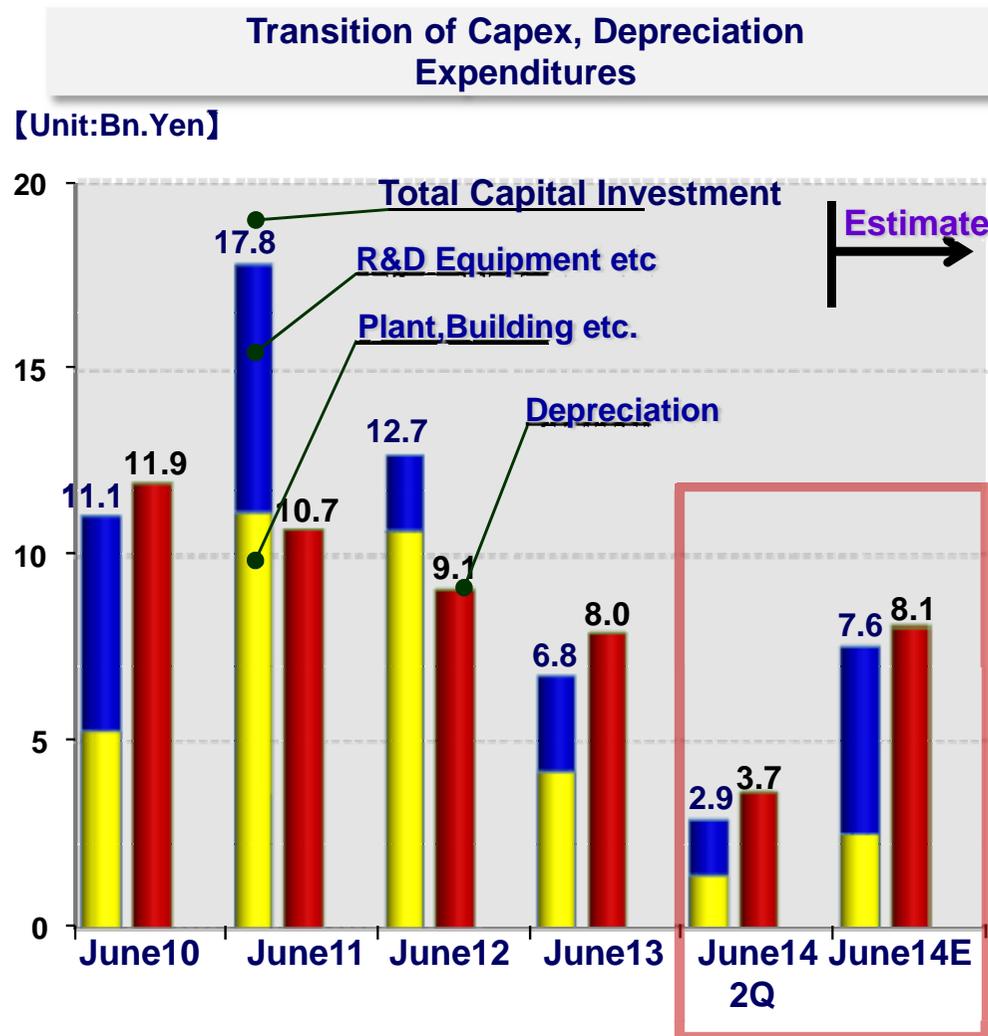
[As the above numbers have been rounded off to the nearest unit, the sum of the individual numbers may not tally with the total shown]

From structural reform to a growth phase

- **Achievements made by our business structure reform efforts**
 - ▶ **Attainment of increased profitability**
 - ▶ **Asset portfolio downsizing**
 - Sale of shares in Reliance Electric (Assignment Price : 1.6 Bn.Yen, Profit on sales 0.8Bn.Yen)
 - Sale of land (Plant of ULVAC-RICO) (Assignment Price : 1.1Bn.Yen, Profit on sales 0.8Bn.Yen)
 - Downsizing of inventories (a reduction of 5.6 Bn.Yen compared with the June 30, 2013)
- **Our endeavors in the coming months towards entering a growth phase (vitalization)**
 - ▶ **Continuing with efforts to vitalize individual employees and the organization**
 - ▶ **Vitalize our activities for the winning of orders**
 - Aggressively carry out our activities for the winning of orders by leveraging our international cooperation platform (including S.E.Asia, China, Europe, and the U.S.)
 - ▶ **Vitalize our product development programs**
 - Customer requirements are becoming increasingly more demanding. There is much demand for superiority in terms of speed, quantity and quality as well.
 - It is vital for us to secure an edge as the competitive environment becomes even more challenging.
 - We urgently need to step up our product development activities.
 - ◆ Semiconductor for Nonvolatile memory and 3D-NAND chips, etc.
 - ◆ Electronic devices for High-performance devices (including MEMS, high density mounting devices and thin film batteries)
 - ◆ FPD for Flexible display etc.

Transition of Capital Investments, Depreciation Expenditures

We are continuing to keep our R&D investments within the range of our depreciation and amortization for the foreseeable future. We are focusing our investments on R&D equipment such as hardware for demonstration use in an effort to prepare for the next growth phase.



【Figures are rounded off to the first decimal place】

Forecast of June 2014 Full Year

Our operating profit forecast was left unchanged from the previous release since the FPD industry players' capex trend remains uncertain and price competition is anticipated to intensify further in worldwide markets. The net income forecast released previously was revised as extraordinary income due to the sale of fixed assets is scheduled to be recognized in the 4th Q of the FY ending June 30, 2014.

【Unit:Bn.Yen】

	June 2013	June 2014E		
		1H Result	Full Year	
			Plan	Revised
Booking	166.8	82.1 (+4%)	180.0	180.0 (+8%)
Back-log	72.5	62.7		72.2
Sales	163.4	91.6 (+25%)	180.0	180.0 (+10%)
Operating Profit	6.1	7.2 (+733%)	9.0	9.0 (+44%)
Ratio	3.7%	7.9%	5.0%	5.0%
Net income	-3.8	7.1 (-)	5.0	7.5 (-)

【Figures in parentheses represent absolute and percentage changes compared with the same period of the previous fiscal year. These figures were rounded off to the nearest unit after being determined in millions of yen.】

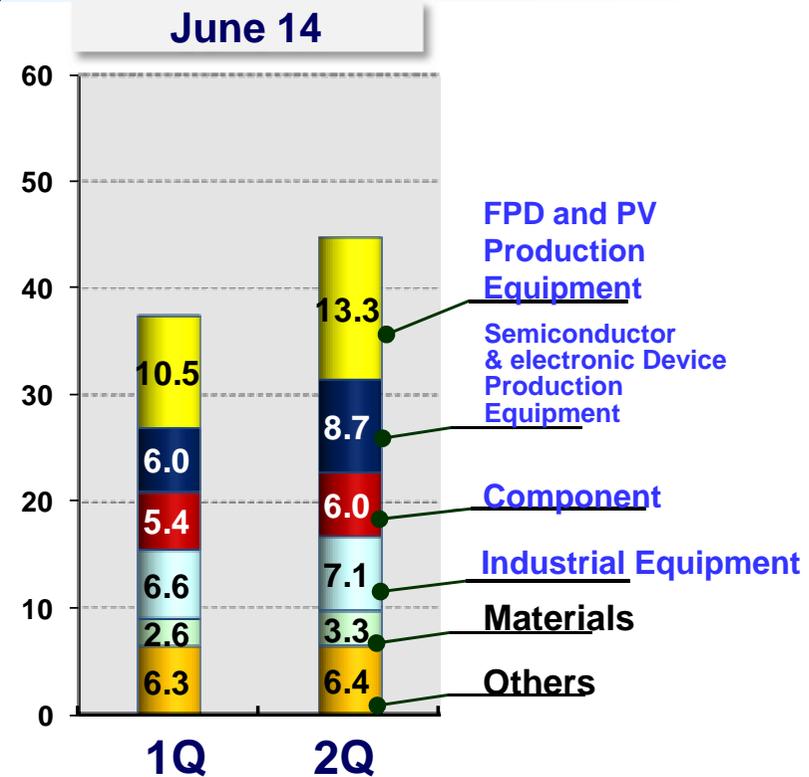
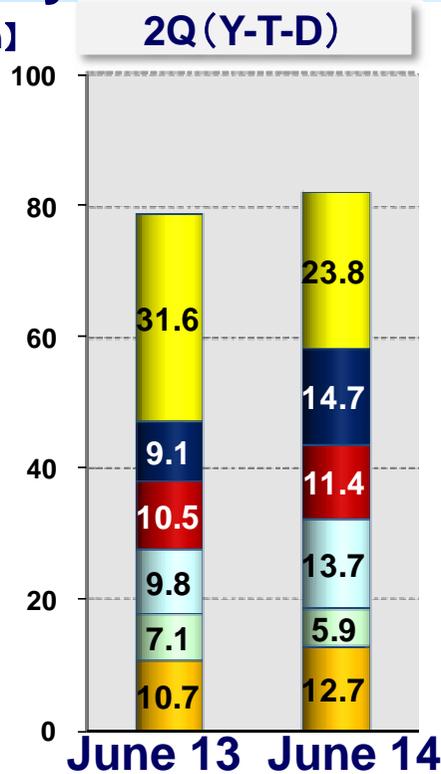
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First Half year Orders received by segment

【Unit:Bn.Yen】



【Unit:Bn.Yen】

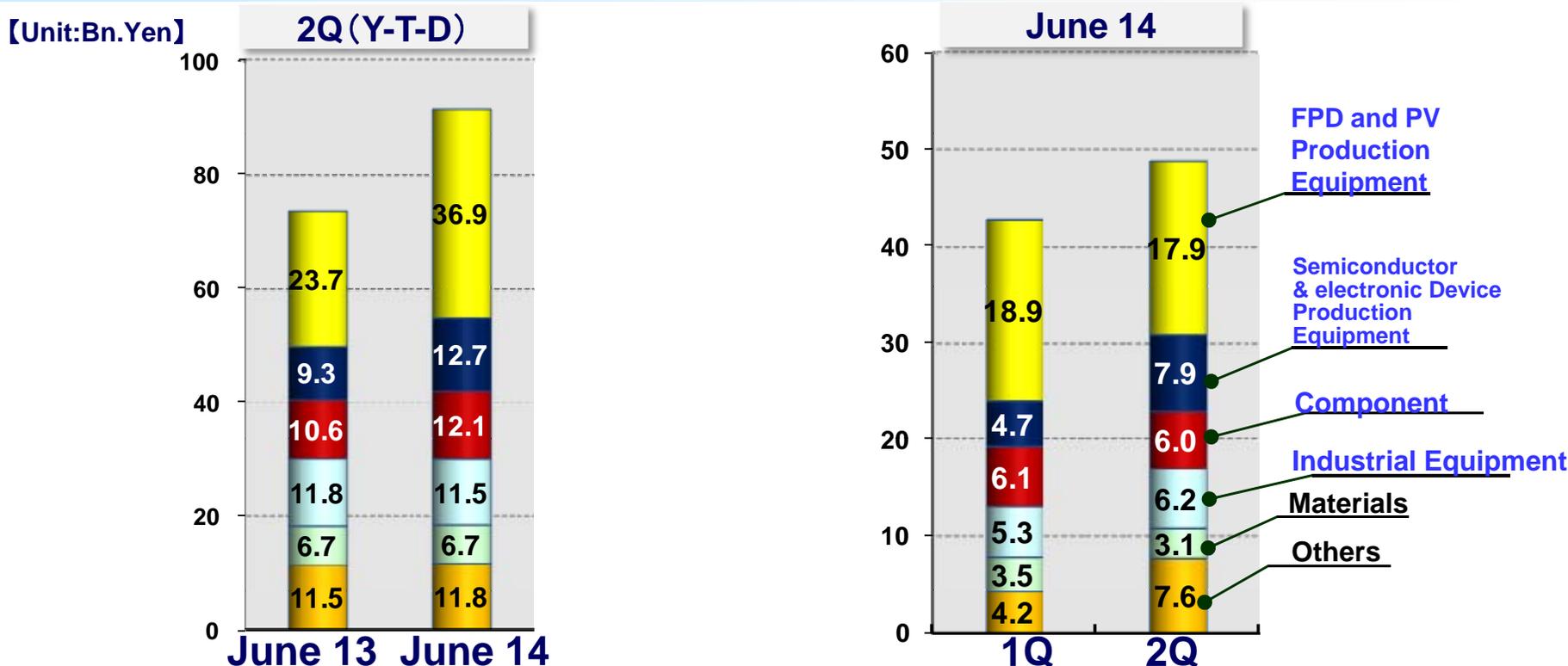
June 2013 2Q (Y-T-D)		
Segment	Order	%
Vacuum Equipment Business	61.0	77%
FPD and PV production equipment	31.6	40%
Semiconductor and Electronic device Production Equipment	9.1	12%
Component	10.5	13%
Industrial Equipment	9.8	12%
Vacuum Application Business	17.8	23%
Materials	7.1	9%
Others	10.7	14%
Total	78.8	100%

June 2014 2Q (Y-T-D)			Y-o-Y (Changes)
Segment	Order	%	
Vacuum Equipment Business	63.6	77%	4%
FPD and PV production equipment	23.8	29%	-25%
Semiconductor and Electronic device Production Equipment	14.7	18%	62%
Component	11.4	14%	8%
Industrial Equipment	13.7	17%	40%
Vacuum Application Business	18.6	23%	4%
Materials	5.9	7%	-17%
Others	12.7	15%	19%
Total	82.1	100%	4%

1Q		2Q	
Order	%	Order	%
28.5	76%	35.1	78%
10.5	28%	13.3	30%
6.0	16%	8.7	19%
5.4	14%	6.0	13%
6.6	18%	7.1	16%
8.9	24%	9.7	22%
2.6	7%	3.3	7%
6.3	17%	6.4	14%
37.4	100%	44.7	100%

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

First Half year Net Sales by segment



[Unit:Bn.Yen]

June 2013 2Q (Y-T-D)		
Segment	Sales	%
Vacuum Equipment Business	55.3	75%
FPD and PV production equipment	23.7	32%
Semiconductor and Electronic device Production Equipment	9.3	13%
Component	10.6	14%
Industrial Equipment	11.8	16%
Vacuum Application Business	18.3	25%
Materials	6.7	9%
Others	11.5	16%
Total	73.6	100%

June 2014 2Q (Y-T-D)				Y-o-Y (Changes)
Segment	Sales	%		
Vacuum Equipment Business	73.2	80%		32%
FPD and PV production equipment	36.9	40%		55%
Semiconductor and Electronic device Production Equipment	12.7	14%		37%
Component	12.1	13%		14%
Industrial Equipment	11.5	13%		-2%
Vacuum Application Business	18.5	20%		1%
Materials	6.7	7%		-1%
Others	11.8	13%		3%
Total	91.6	100%		24%

1Q		2Q	
Sales	%	Sales	%
35.1	82%	38.1	78%
18.9	44%	17.9	37%
4.7	11%	7.9	16%
6.1	14%	6.0	12%
5.3	12%	6.2	13%
7.7	18%	10.8	22%
3.5	8%	3.1	6%
4.2	10%	7.6	16%
42.8	100%	48.8	100%

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

Transition of Order received · Net sales · Estimate (By Half year)

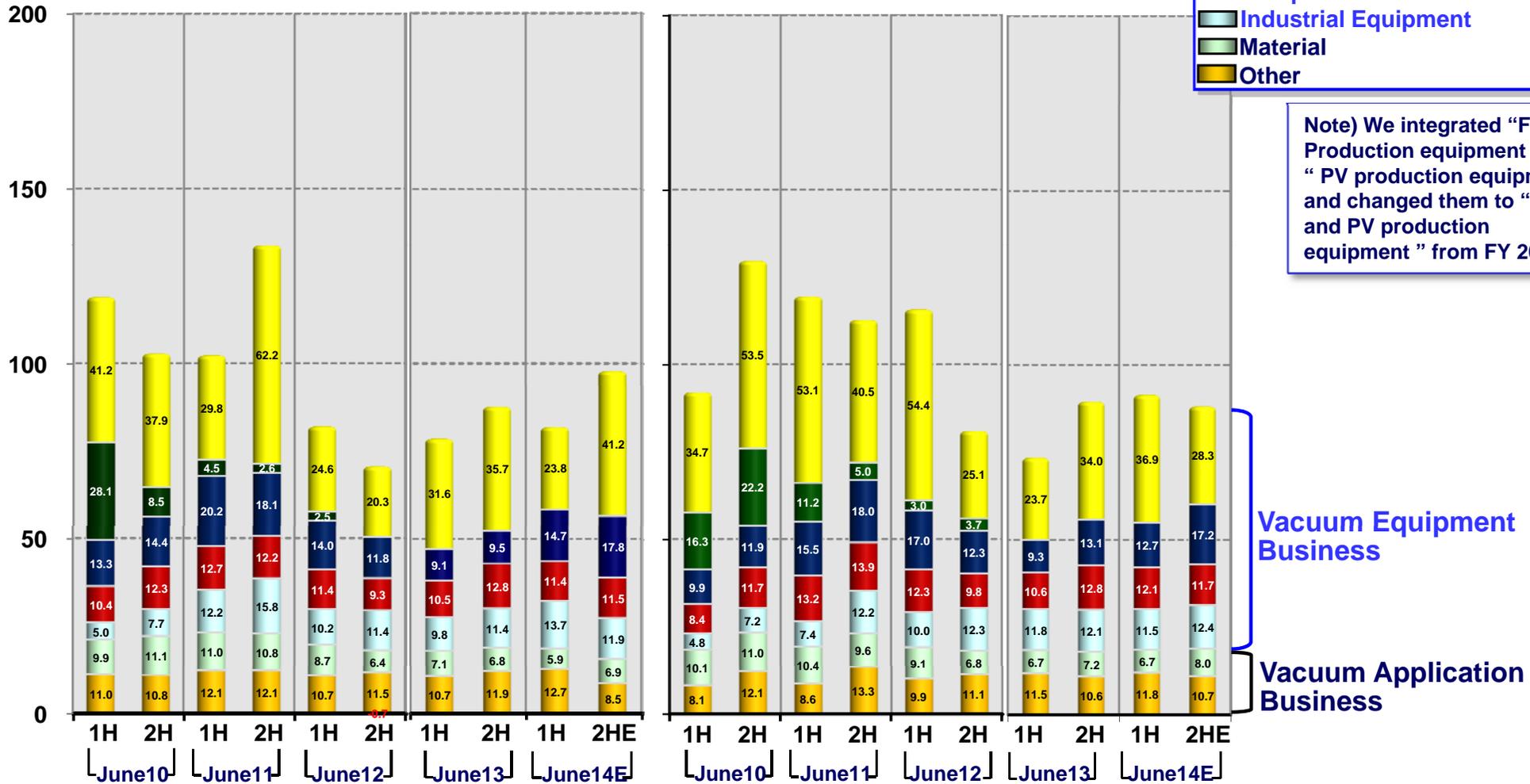
【Unit:Bn.Yen】

Order received

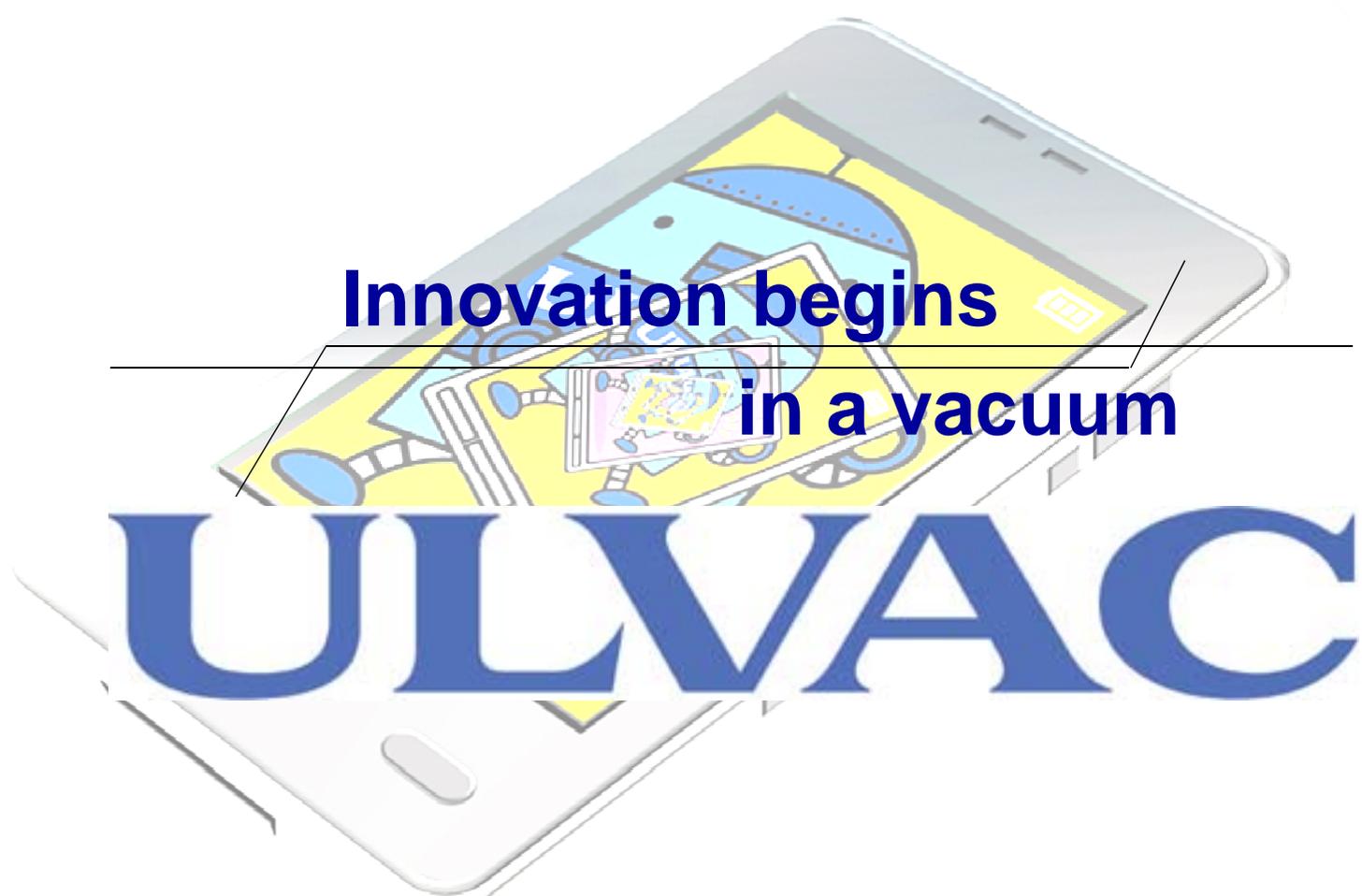
Net sales



Note) We integrated “FPD Production equipment” and “PV production equipment” and changed them to “FPD and PV production equipment” from FY 2012



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