

Medium-Term Business Plan ***(FY6/2014–FY6/2016)***

Establishing a system to ensure reliable profit earning

June 5th, 2013
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 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 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

- **Correction of FY6/2013 Performance Estimate**
- **Medium-Term Business Plan**
 - ▶ **Background/Basic Policy and Measures**
 - ▶ **Target Values**
 - ◆ **Target values (consolidated)**
 - ◆ **Expectations by division for orders received**
 - ▶ **Expectations for Future Developments**

Correction of FY6/2013 Performance Estimate

【Unit : Bn. Yen】

	June 2012	Previous Estimate (14.Feb)	June 2013		
			Estimate (Year-on-Year)	changes	Achievement rate
Orders recieved	152.2	167.0	167.0 (+10%)	0	100%
Sales	196.8	171.0	165.0 (-16%)	-6.0	96%
Operating Profit	-6.4	6.2	5.4 (-)	-0.8	87%
Ratio	—	3.6%	3.3%		
Net income	-50.0	2.3	-5.2 (-)	-7.5	—

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

[Order received]

- Orders received are expected to approximately equal the estimate because of a shift to near-term capital investment, although investment by customers was postponed and/or reduced, in particular in the FPD and semiconductor industries.

[Sales]

- Sales are lower than previously estimated because of delays in the receiving of orders.

[Operating profit]

- Operating profit is expected to be in the black due to comprehensive cost reductions to compensate for the drop in sales, but are lower than previously estimated.

[Net Income]

- Extraordinary loss is 5.8 billion yen due to the reviewing of certain unprofitable products/transactions in the materials business being determined to improve profitability.
- Losses in the current period are expected to be 5.2 billion yen.

Review of Unprofitable Business (Materials Business) in FY6/2013

Background

- Japanese LCD manufactures' market share decreased. The market of large LCDs shrunk, and the market for small to medium-sized LCDs for mobile phones and tablet PCs, which was expected to expand, also shrank.
→Panel areas are getting smaller.
- Decrease in production volume resulted in insufficient reductions in cost, causing an inventory burden.

Countermeasure

- **Decrease in production of unprofitable products**

Current
Fiscal
Year

Extraordinary loss: 5.8 billion yen

- Inventories: 5.1 billion yen
- Impairment loss of fixed assets(idle), etc.: 0.7 billion yen

Next
Fiscal
Year

**Operating profit is
expected to increase by
approx. 1.3 billion yen**

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Background of Medium-Term Business Plan Development

Sales in FY6/2013 are expected to be lower than estimated because investments by customers were reduced or postponed, in particular in the LCD and semiconductor industries.

Operating profit is expected to be in the black through the implementation of “Structural Business Reform Plan,” which was developed in 2012; however, they are expected to be lower than estimated.

We will further promote structural business reform and now have developed this medium-term business plan in order to establish a system to earn profits in this situation in a more reliable and consistent manner.

Basic Policy

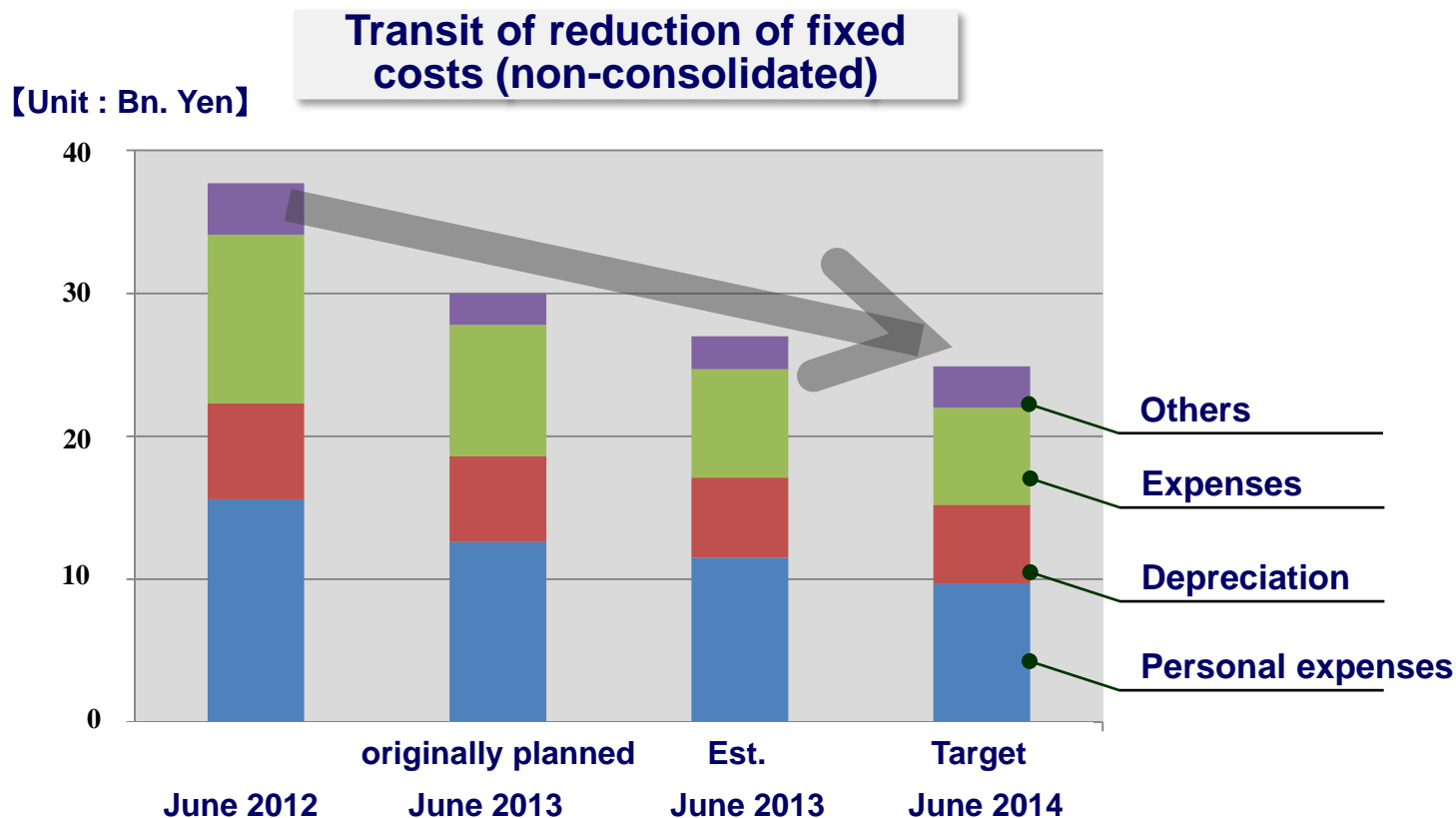
**Establishment of a system for reliable and stable profit earning
→Ensuring a margin for investments in growth**

- 1. Lowering break-even sales**
 - ▶ **Establish a system to earn profits in a more reliable and consistent manner even when orders received decrease**
- 2. Reviewing unprofitable business**
 - ▶ **Comprehensively manage profits by product**
- 3. Reconstruct business models to create value**
 - ▶ **Reconstruct systems to increase added value, with our vacuum technology as a central pillar, to improve customer satisfaction and aim for profitability and a stronger balance sheet**

1. Lowering break-even sales

Comprehensive reduction of fixed costs

The break-even point will be lowered by the reduction of fixed costs and other measures to strengthen profitability.

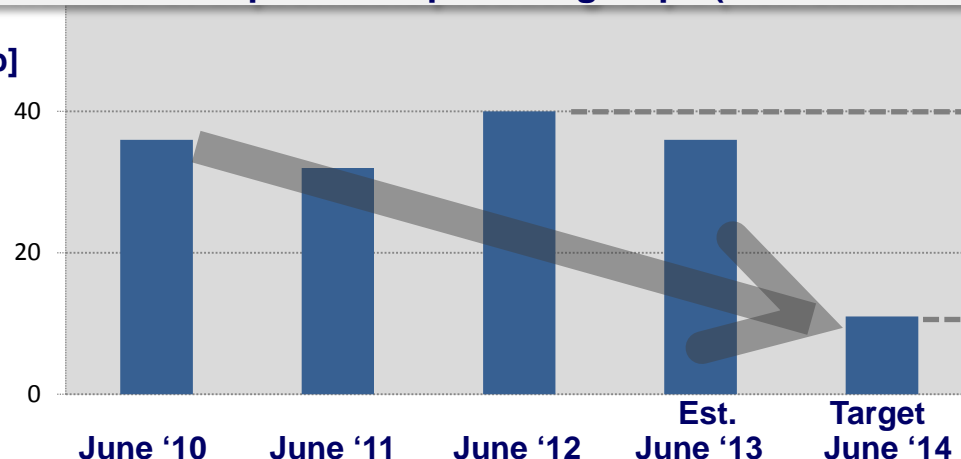


2. Reviewing unprofitable business

Profits will be thoroughly managed by division/product to ensure profitable business.

Number of unprofitable product groups (non-consolidated)

[Unit: group]

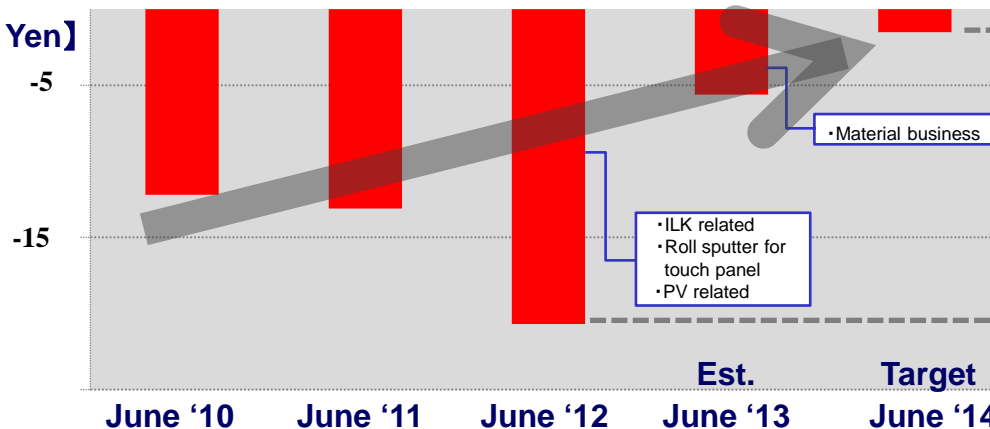


Number of unprofitable product groups

Result in FY6/12 : 40
Estimate in FY6/13 : 36
Target in FY6/14 : 11

Price-based unprofitable product groups (non-consolidated)

[Unit : Bn. Yen]



Operating profit based

[Unit : Bn. Yen]

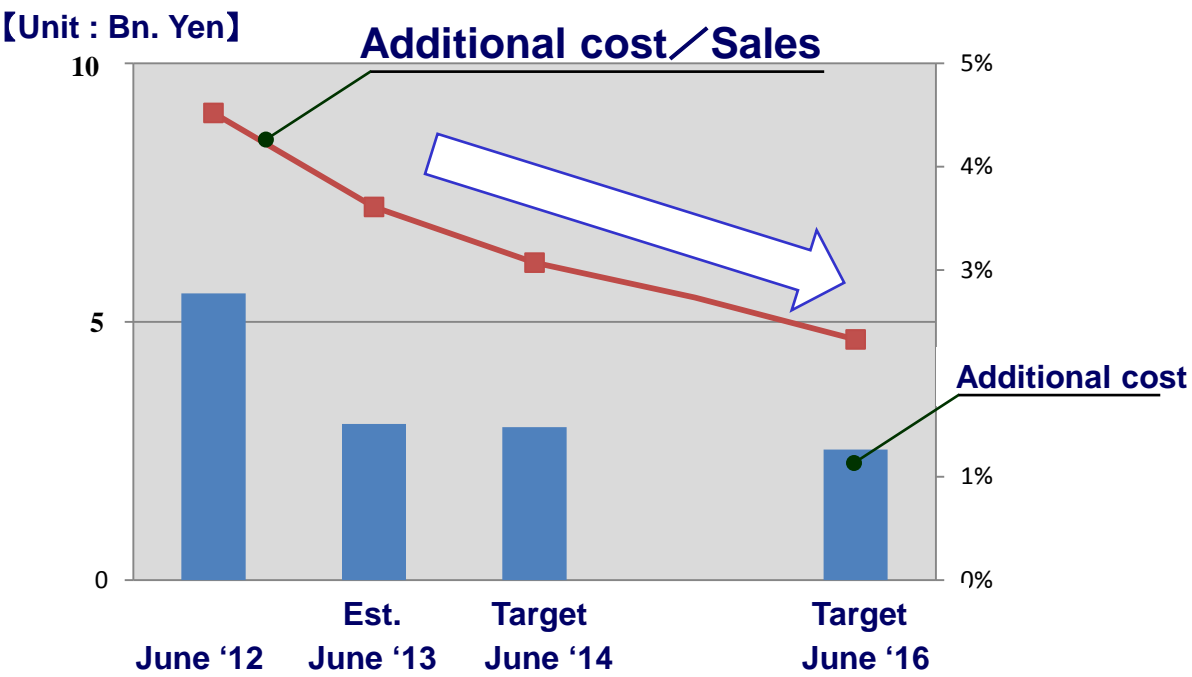
Result in FY6/12 : ▲20.7
Estimate in FY6/13 : ▲5.6
Target in FY6/14 : ▲1.5

Reduction of additional costs

Additional costs decreased steadily, decreasing by 45% in FY6/13 compared to FY6/12, and are expected to further decrease in FY6/16.

Transit of additional costs and percentage to sales (non-consolidated)

To reduce additional costs



1. Comprehensively identify technical risks for cases requiring considerable development
2. Comprehensively review designs during the basic design stage

3. Reconstruct business models to create value

Reconstruct systems to increase added value, with our vacuum technology as a central pillar, to improve customer satisfaction and aim for profitability and a stronger balance sheet.

- **To increase added value,**
 1. **Solve a variety of customer problems by developing innovative and advanced technology that can meet actual and potential needs.**
 2. **Do the following in a comprehensive fashion: support customers to allow reliable operation early after delivery; minimize the percentage of product defects; and provide after-sales services.**
 3. **Strategically and comprehensively reduce costs without allowing any sacrosanct variable or fixed costs.**
 4. **Clarify strategies and targets such as industries and areas to strengthen our marketing performance and sales system.**
- **For cases requiring considerable development, we will comprehensively identify technical risks when considering received orders and shall fully consider risk scenarios and countermeasures, including with regard to profit and other financial aspects, before making business decisions.**

Outline of Promotion Measures(Structural Business Reform)

(1) Development strategy	1. Development for ensuring competitiveness of flagship products 2. Promotion for developing next flagship products (<i>Dantotsu</i> products) that meet a wide-range of social needs Timely product development that takes into consideration market trends and customer needs
(2) Marketing strategy	Establishment of a PM system and ULVAC sales system, strengthening of marketing performance by industry, and clarification of strategy for Southeast Asia and other areas
(3) Strengthening of cost competitiveness	1. "Simplification/Commonization/Standardization" product design. 2. Purchase cost reduction/global procurement 3. Cost reduction by promoting global production (production that is optimized, closer to delivery destinations, inexpensive, and that is capable) Comprehensive reduction of additional costs
(4) Expense reduction	Continuous review without allowing any sacrosanct items
(5) Plan for profitability	Comprehensive review of unprofitable business and profitability management by product through the visualization of profits by product Comprehensive improvement of overall and group profits Development and determination of a reliable plan by clarifying responsibilities by division for the profitability plan and by developing risk scenarios (improvement trend in estimate accuracy) Establishment of flexible management that monitors results in comparison to plans every month and immediately proposes necessary measures
(6) Personnel system reform	Creation of system change by updating the performance appraisal system so that employees who work hard are rewarded, adoption of the rule making bonuses variable costs, and implementation of next generation training and job rotation
(7) Slimming down	Reduction of inventory asset and operating capital, sell-off of idle real estate, and space utilization
(8) Business reform	Review of meetings, simplification of administrative work, and solicitation/utilization of employees' ideas Comprehensive reduction of indirect work to construct system focusing on customer business
(9) Risk management	Review of credit management rules and strengthening of management Comprehensive check of risk scenarios and effect on finance/profit in investments and receiving orders
(10) Group business management	Strengthening of business management, improvement of business efficiency, and review of rules on group capitalization

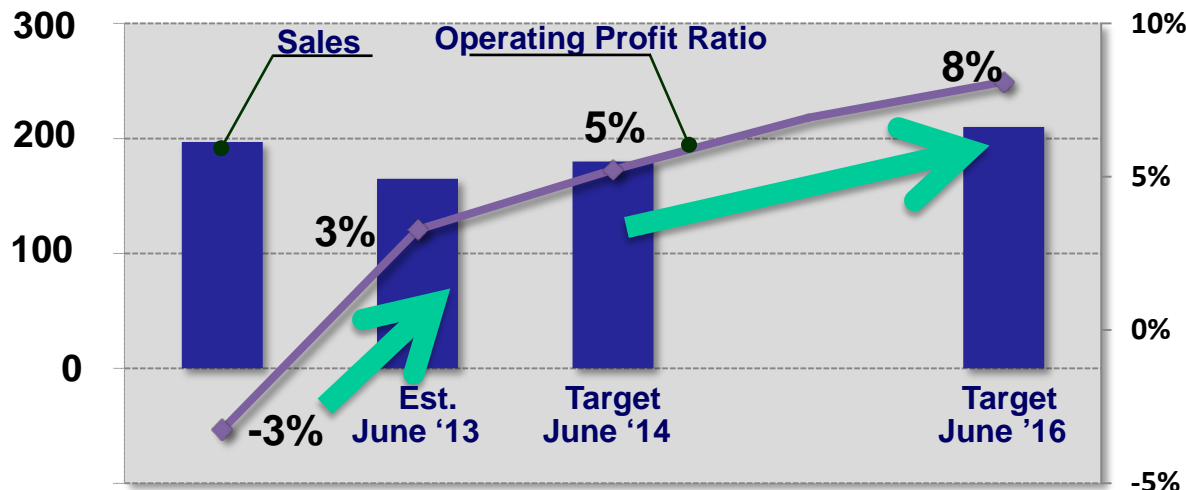
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Target Values (consolidated)

【Unit : Bn. Yen】

Sales and Operating Profit Ratio



Promotion of cost reduction

1. FY6/13

- Additional cost reductions
- Cost reduction by integrated purchasing
- Strive for orders that emphasize profitability
- Fixed cost reduction

2. FY6/14 onward

Strengthening the following items as well as the above

- Promotion of standardization
- Optimization of global production
- Comprehensive management of profitability by product

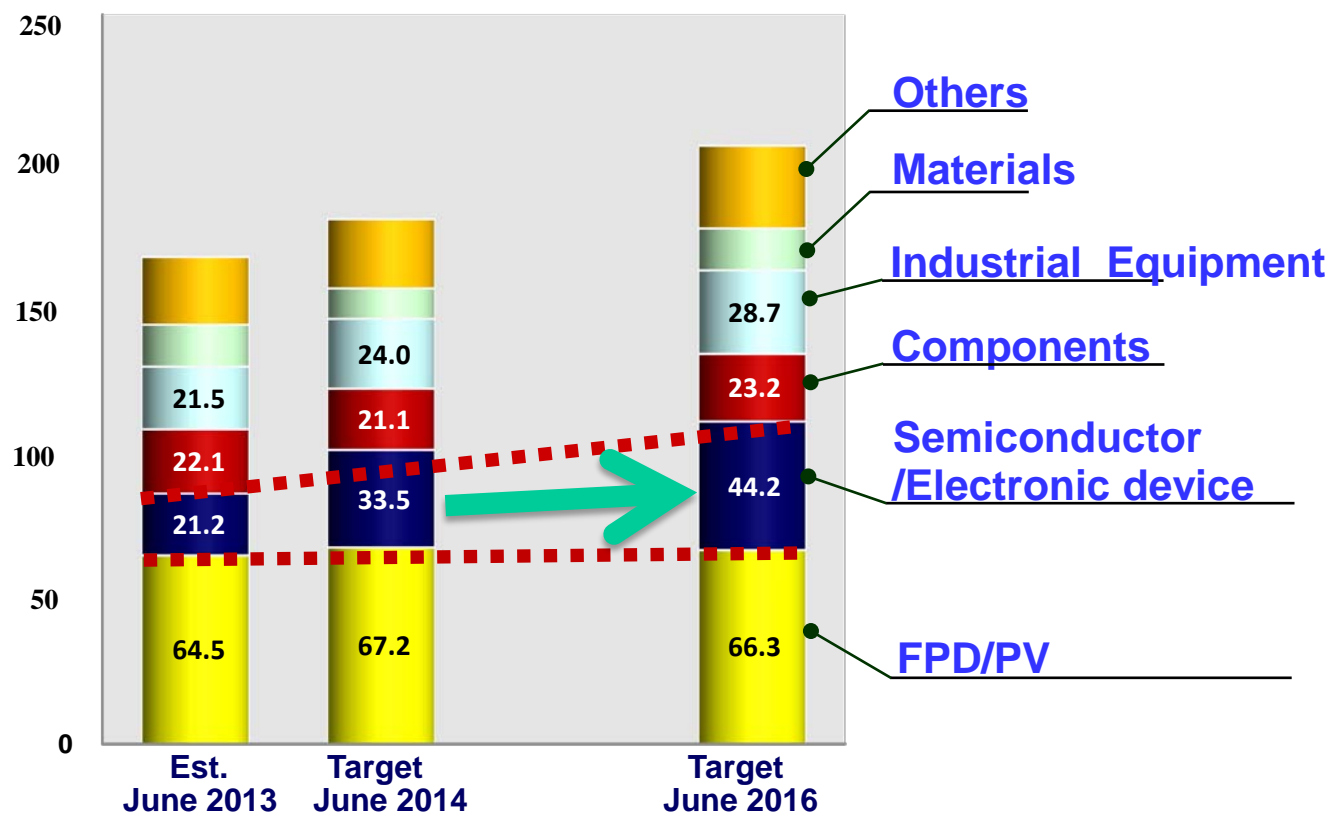
	June2012	June2013 Est.	June2014 Target		June 2016 Target
Orders received	152.2	167.0	180.0	➔	205.0
Sales	196.8	165.0	180.0		205.0
Operating Profit (Ratio)	-6.4 (-3%)	5.4 (3.3%)	9.0 (5%)		17.0 (8%)
Net Income	-50.0	-5.2	4.0		11.0

Expectations by Division for Orders Received

FPD/PV, components and industrial equipment will form the base of orders received on an ongoing basis. The semiconductor and electronic device production equipment segment will be developed.

Image of Orders Received by Segment

【Unit : Bn. Yen】



Expectations for Orders Received for FPD/PV Production Equipment

The revival in the OLED market will result in the same level of orders received as FY6/2013.

Scenario for orders received

OLEDs

- Revival of investment in new applications such as TVs and general lighting, as well as mobile phone applications

IGZO/a-Si with high definition

- Start of consideration of mass production of OLED backplanes as well as production of high-definition TVs

LTPS

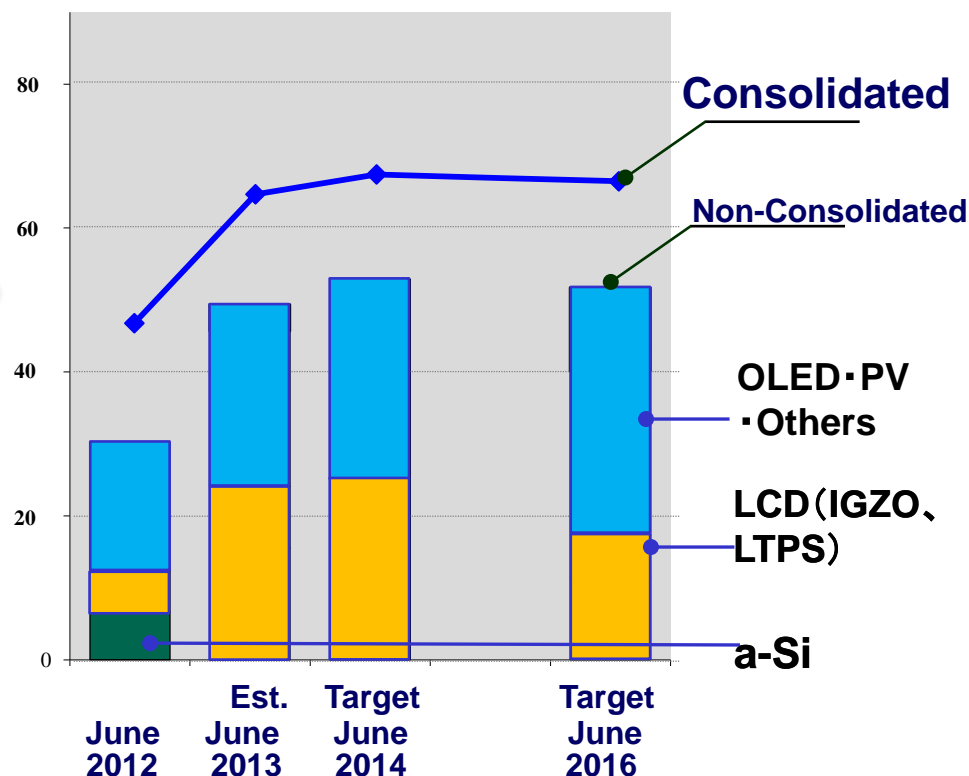
- Investment saturation in Japan and South Korea. Slowing ramping up to full-gear production of high-definition panels in China

a-Si

- Shift to IGZO

Portfolio by application

【Unit : Bn. Yen】



Expectations for Orders Received for Semiconductor Production Equipment

NAND/DRAM will be gradually replaced with non-volatile memory in 2015 onward; however, modifications will continue to improve productivity. Securing market share for non-volatile memory and gaining access to logic foundries are important.

Scenario for orders received

Logic

- Ongoing move worldwide to outsourcing production to logic foundries

Non-volatile memory

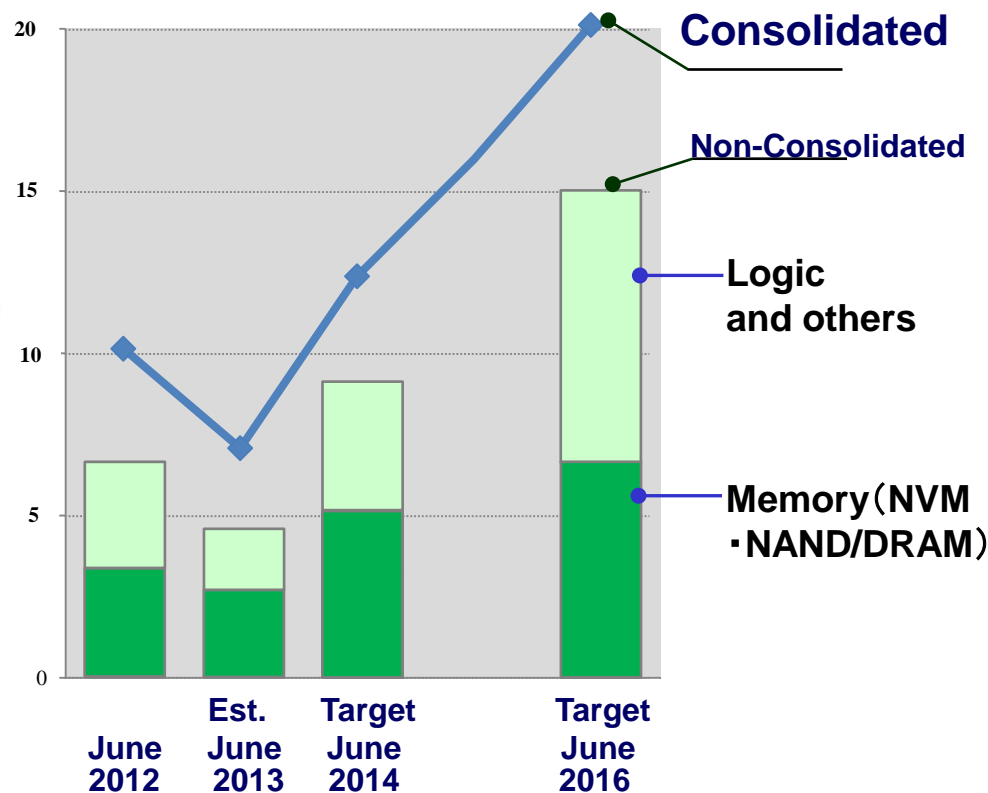
- Under joint development with leading companies
Full-scale reception of orders expected from FY6/15 onward

NAND/DRAM

- Revival of investment in FY6/14
Further replacement with non-volatile memory in FY6/15 onward

Portfolio by application

【Unit : Bn. Yen】



Expectations for Orders Received for Electronic Production Equipment

The LED, power device and packaging-related equipment segments are expected to grow. The reception of orders for SiC power devices and PCB packaging-related equipment will be expanded, taking advantage of our results. Green products, such as PV and Li-ion batteries will be strengthened.

Scenario for orders received

Batteries

- Introduction and expansion of ion implantation technology for next-generation high-efficiency solar cells
- Growth in the Li-ion battery market

Power devices

- In China, increase in inquiries due to results in Japan
- Growth in SiC power devices associated with market expansion

Packaging-related equipment/general electronic components (MEMS etc.)

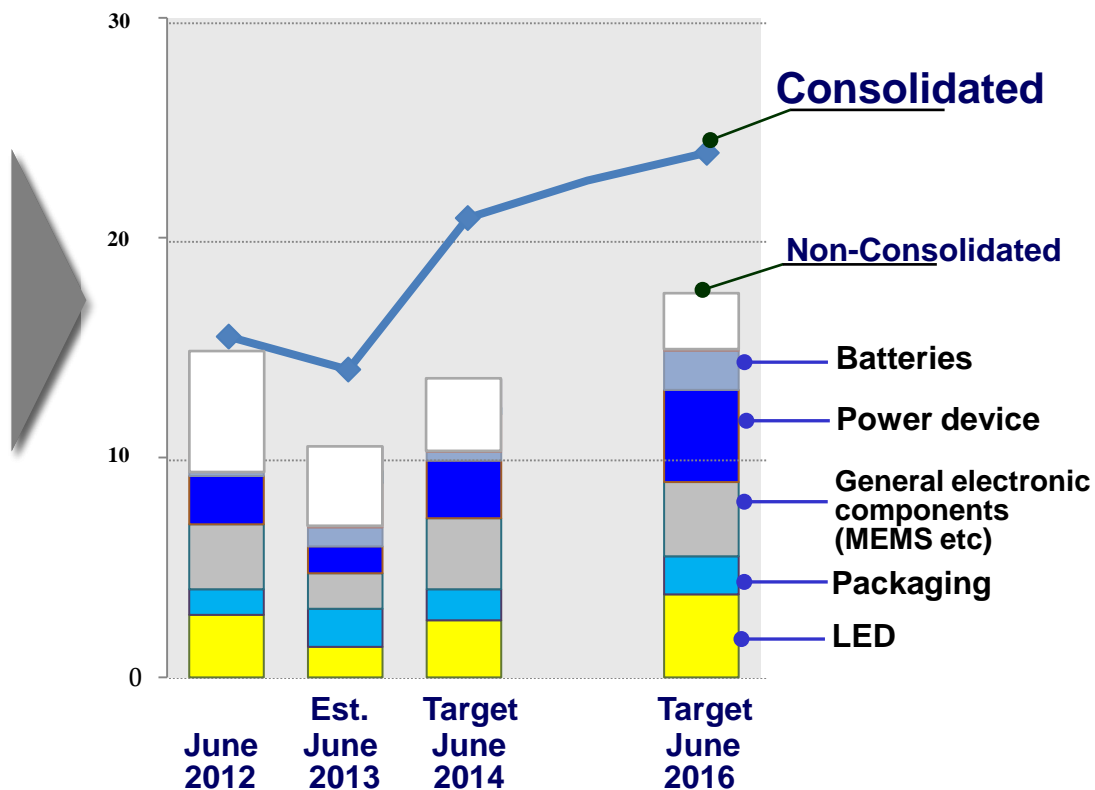
- Expectation of orders for etching and ashing system, and deposition system due to market expansion

LEDs

- Trend for expansion in FY6/14 onward. Expansion due to increase in customer demand for high-share sputters and evaporation systems

Portfolio by application

【Unit : Bn. Yen】



Expectations for Orders Received for Industrial Equipment

Freeze-dryer for medical products drove the reception of orders in FY6/13. In FY6/14 onward, consistency in the amount of orders received will be ensured in the medical product, automobile and magnet markets.

Scenario for orders received

Freeze-dryer/distillation

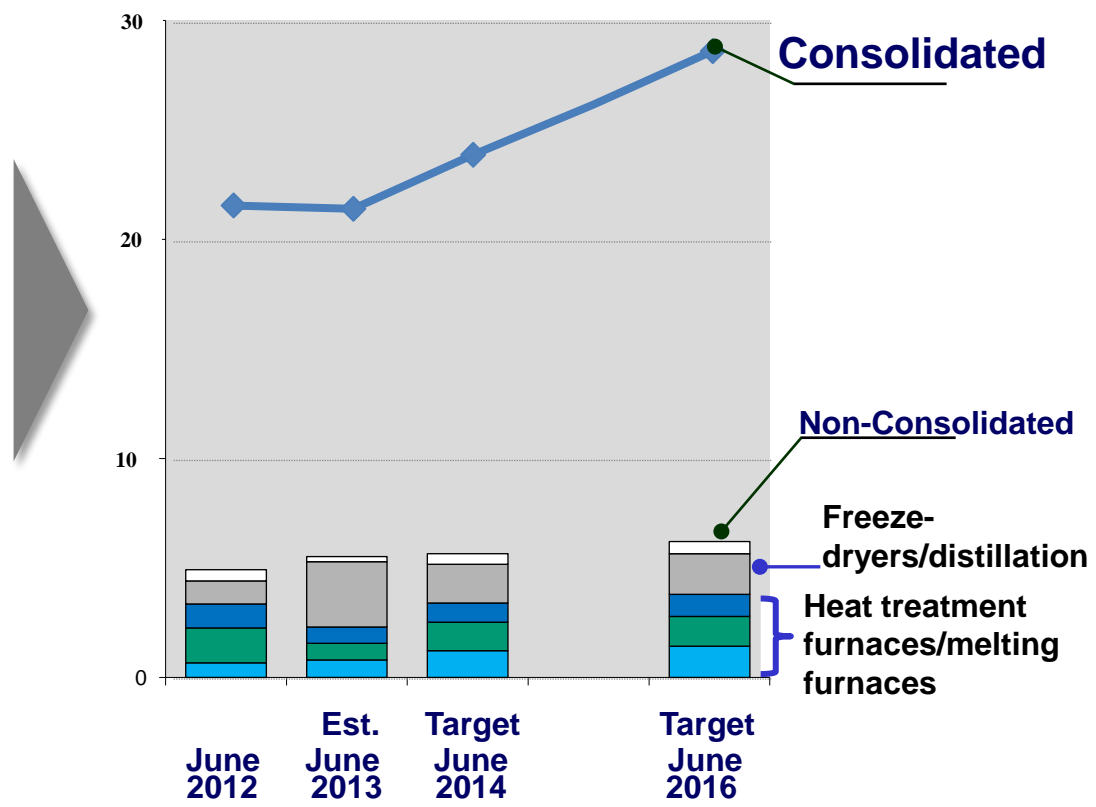
- Continuous and steady demand for applications in production of medical products including generic drugs
- Reception of orders in the health food field and from overseas due to the introduction of new products

Heat-treating/melting furnaces

- Restart of equipment for neodymium (Nd) magnets
- Continuous demand for facilities due to increase in production related to HV/EV

Portfolio by application

【Unit : Bn. Yen】



Expectations for Orders Received for Materials

Orders received in FY6/14 will decrease because of consolidation of product ranges and then increase in synchronization with expansion of the device market.

Scenario for orders received

For semiconductors

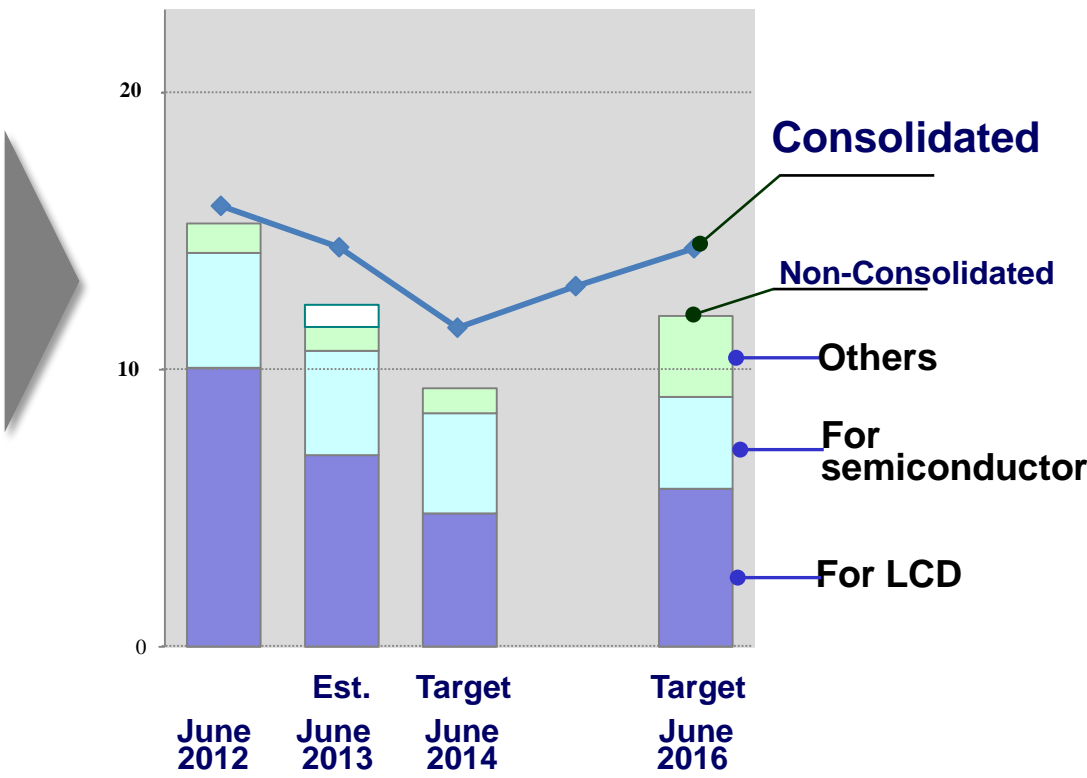
- Synchronizing with expansion of the semiconductor industry
- Prioritizing profitability
- Shift to new profitable materials such as silicide, dielectrics and targets for thin-film Li-ion batteries

For LCDs

- Decrease due to consolidation of product ranges in FY6/14
- Increased order received by synchronizing with expansion of panel areas in the LCD market

Portfolio by application

【Unit : Bn. Yen】



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Expectations for Future Developments

Market **Technical trends** **Present** **In 2-3 years** **In 5-10 years**

FPD

High definition

Low power consumption

Weight reduction

Smartphones
(LTPS, IGZO)

4K2K-OLED TVs
(LTPS, IGZO)

Flexible displays

Semiconductor

Memory

Large capacity

High speed

NAND

3D-NAND

Super high-capacity
Non-volatile memory

Logic

Low power consumption

Non-volatile memory

Logic new technology

450-mm wafer

Electronic device (lighting)

High luminance

Low power consumption

Antiglare

White LEDs

Replacement mercury bulbs

Headlights
(High-luminance LED)

OLED lighting

Expectations for Future Developments

Market Technical trends Present In 2-3 years In 5-10 years

Automobile

Productivity

Environmentally friendly

Low fuel consumption

EV, HV, FCV

Weight reduction

Electronic/IT

Reflector deposition

Radiator brazing

Film capacitors

Li-ion batteries

Power ICs (Si)

MEMS, Sensors

High-performance magnet processing

Nano metal catalysts

Hydrogen storage

Fuel cells

Compound Power ICs (SiC, GaN)

Plastic body material (windows)

Pollution-free vehicles

Automatic driving systems

Environment/Energy/Resource

Energy-creation, energy-saving

Solar cells

Li-ion batteries

Low-temp. heat power generation

Advanced recycling-based society

Eco window glass

Fuel cells

Medical/Food

Advanced medical care

Load reduction

Maintaining freshness

High-degree purification

High-definition displays for medical use

Freezed-dry

Distillation and purification of dietary supplements

Low-exposure X-ray image sensors

Blood drop analysis

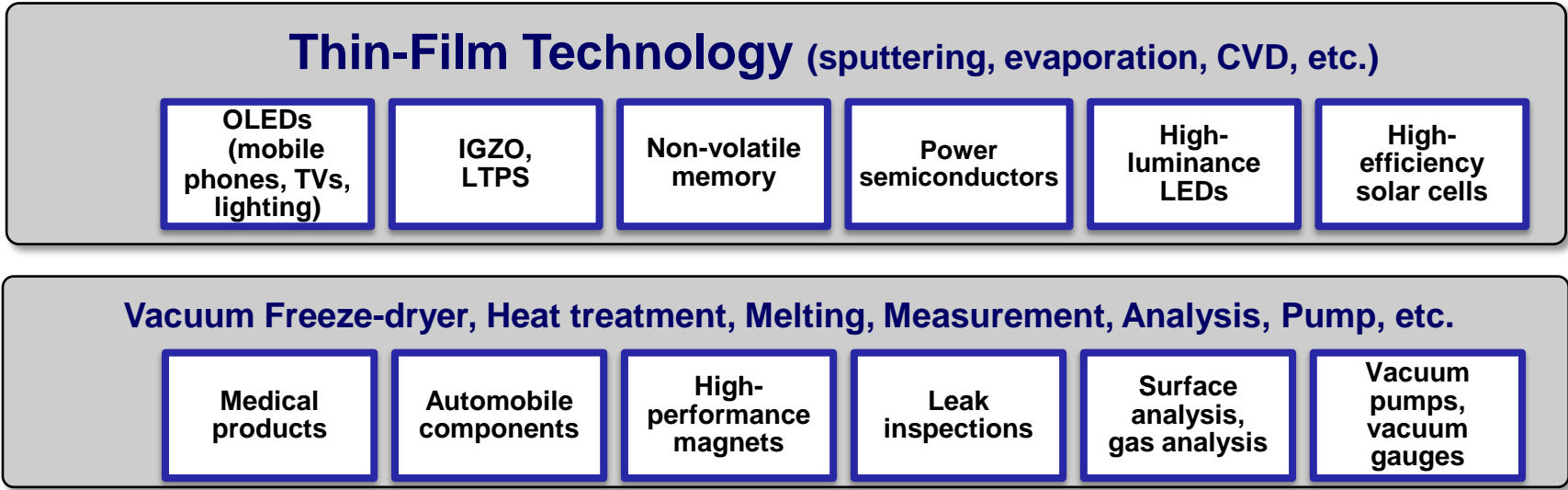
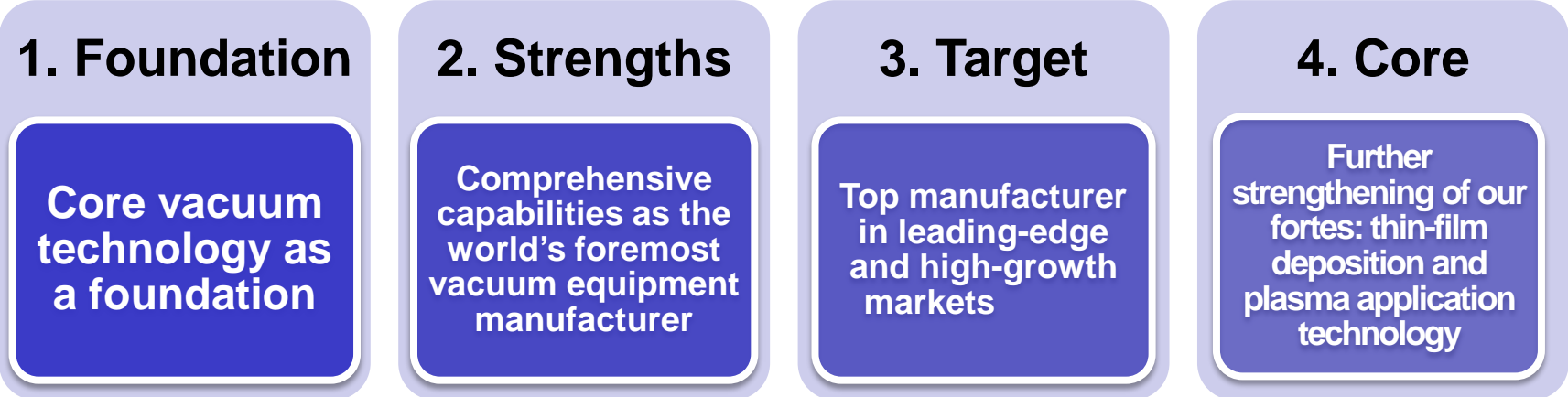
Wearable blood pressure meters

Load-reducing medical care

Proper medication

Health checks at any time

As the Leading Company in the Vacuum Equipment Industry



ULVAC