

**ULVAC**

ULVAC, Inc.

# Business Results

**FY2020**

(July 2020 - June 2021)

Aug. 11, 2021

Securities Code : 6728

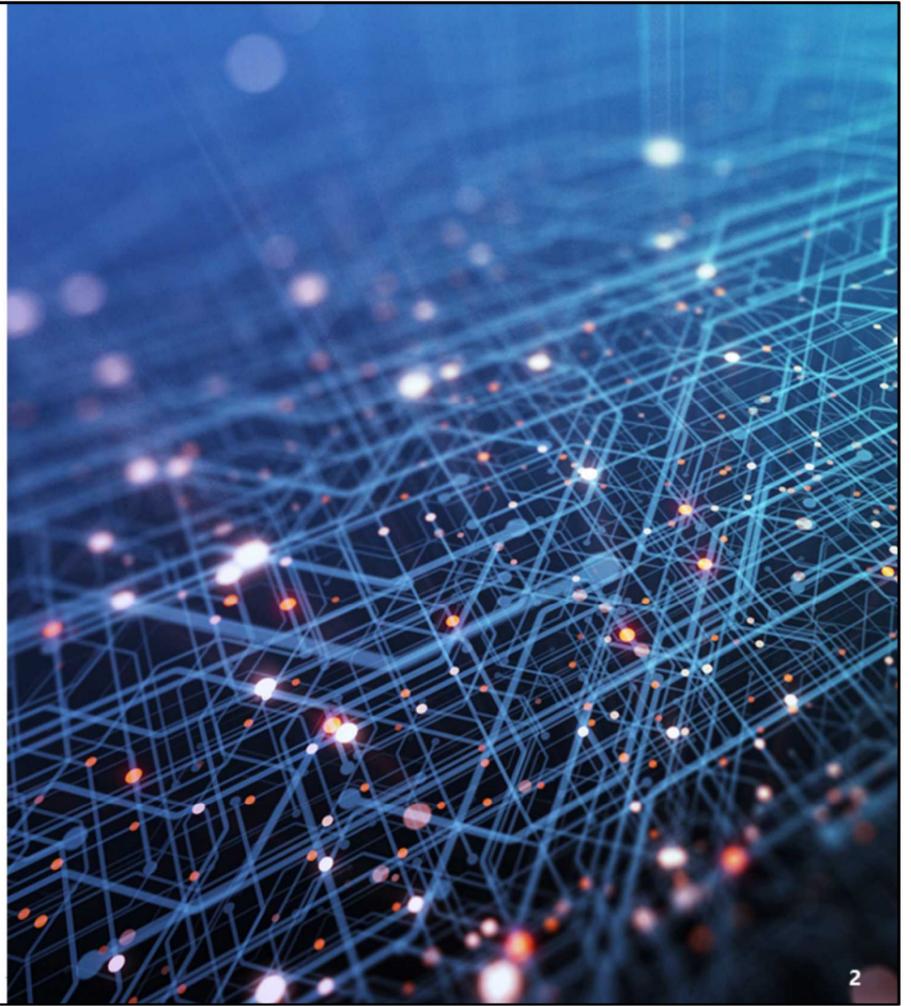
**Breakthrough 2022**

### **Disclaimer regarding forward-looking statements**

Forward-looking statements of the company in this presentation are based on information that was available at the time these documents were prepared.

There are several factors that directly or indirectly impact the company performance, such as the global economy; market conditions for FPDs, semiconductors, electronic devices, and raw materials; trends in capital expenditures and fluctuations in exchange rates. Please note that actual business results may differ significantly from these forecasts and future projections.

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### 1. FY2020 results exceeded the plan significantly

- Strong performance in logic, memory-related, electronics-related production equipment in China, and FPD-related production equipment due to the increased for stay-at-home demand.
- Gross profit margin improved to 29.4% from 27.3% in the previous fiscal year mainly due to the strengthened manufacturing capabilities.

(Unit: ¥1 billion)

FY2020	Actual	Vs. Plan
Orders	198.9	+18.9
Sales	183.0	+18.0
Operating Profit	17.2	+2.2

### 2. Upward revision of FY2021 plan

- Semiconductor, electronics and FPD-related production equipment continues to have strong performance.
- Sales and operating profit targets revised upwardly.

FY2021	Plan	Vs. Initial Plan
Sales	210.0	+20.0
Operating Profit	26.5	+3.0

### 3. Mid-Term Management Plan

- Sales and operating profit targets for FY2022 revised upwardly.
- R&D investment for growth increased by ¥15 billion

FY2022	Targets	Vs. Initial Plan
Sales	235.0	+25.0
Operating Profit	38.0	+4.0

### 4. FY2020 dividend: ¥95 (¥15 increased)

- FY2021 : Transition to performance-based profit distribution (Dividend payout ratio of 30% or more): ¥110 (forecast)

There are four points I will explain today.

In FY2020, orders received, net sales, and operating income was significantly higher than planned due to active investment in logic/memory-related business, electronics-related business in China, and FPD-related products in response to increased stay-at-home demand. The gross profit margin improved to 29.4% from 27.3% of FY2019 due to strengthened manufacturing capabilities and other factors.

In FY2021, we expect sales of semiconductor electronics and FPD-related business to remain strong. Net sales were revised upward to ¥210 billion from ¥190 billion, and operating profit to ¥26.5 billion from ¥23.5 billion.

In FY2022, the final year of the mid-term management plan, we have revised upward our forecasts for net sales from ¥210 billion to ¥235 billion and operating income from ¥34 billion to ¥38 billion. During the period of the mid-term management plan, we will increase our investment in R&D for growth by ¥15 billion.

The dividend forecast for FY 2020 has been increased by ¥15 from the previous forecast to ¥95. In addition, from FY2021, we intend to shift to performance-based profit distribution, aiming for a payout ratio of 30% or more.



# **FY2020 Business Results**

First, we would like to explain the consolidated financial results for FY2020.

## FY2020 results significantly exceeded the plan

- Orders, sales, and operating profit all exceeded the plan due to active investment in logic & memory business, electronics business based on China's domestic production policy, and FPD business in response to increased demand for panels.
- Gross profit margin improved from 27.3% to 29.4%.

(Unit: ¥1 billion)	FY2019	FY2020				
	Actual	Initial Plan	Revised Forecast	Actual	YoY	Vs. Initial Plan
<b>Orders Received</b>	156.6	180.0	185.0	198.9	42.3	18.9
<b>Net Sales</b>	185.4	165.0	180.0	183.0	-2.4	18.0
<b>Gross Profit</b>	50.6	-	-	53.8	3.2	-
Gross Profit Margin	27.3%	-	-	29.4%	2.1pt	-
<b>SG&amp;A</b>	34.6	-	-	36.6	2.0	-
<b>Operating Profit</b>	16.0	15.0	16.5	17.2	1.2	2.2
Operating Profit Margin	8.6%	9.1%	9.2%	9.4%	0.8pt	0.3pt
<b>Net Income</b>	10.8	10.0	12.5	14.8	4.0	4.8
To net sales ratio	5.8%	6.1%	6.9%	8.1%	2.3pt	2.0pt

※ FY2020 Dividend : ¥95 (¥15 increased), FY2021 Dividend: Transition to performance-based profit distribution (Dividend payout ratio: more than 30%)

In FY2020, the first year of the mid-term management plan, the results significantly exceeded the plan.

Orders received increased ¥42.3 billion YoY to ¥198.9 billion, exceeding the plan by ¥18.9 billion. This was due to a favorable turnaround in the business environment, including active investment in logic/memory business, electronics-related business based on China's domestic production policy, and FPD-related business in response to increased demand for panels due to a stay-at-home.

Net sales also exceeded the plan by 18.0 billion yen to 183.0 billion yen.

Operating profit of ¥17.2 billion and net income of ¥14.8 billion exceeded the plan and the same period last year as well in both amount and ratio.

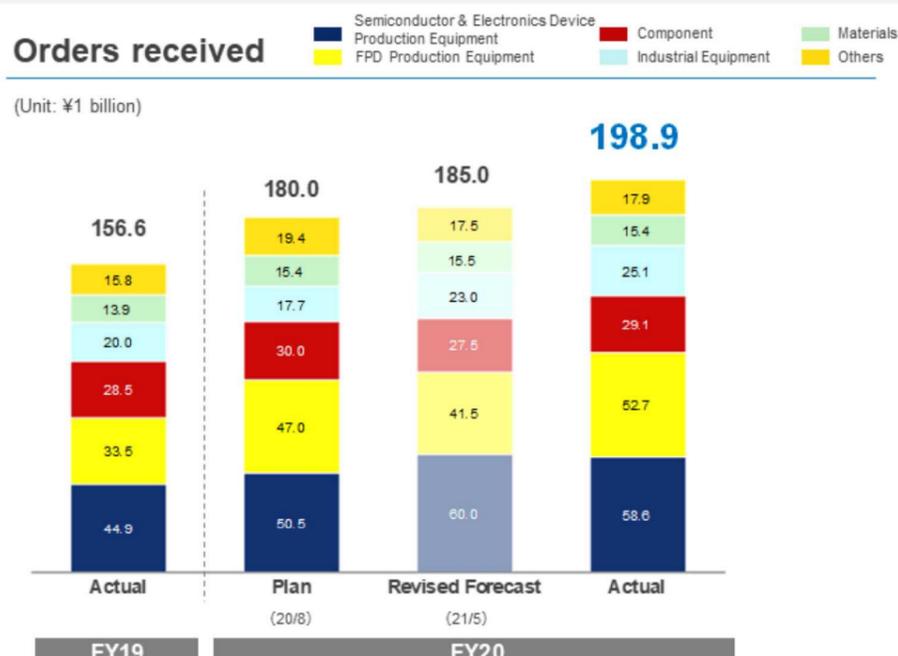
The gross profit margin improved from 27.3% to 29.4% and the operating profit margin from 8.6% to 9.4% due to the enhancement of manufacturing capabilities.

The dividend forecast for FY 2020 has been revised upward by ¥15 to ¥95.

From FY 2021, we intend to shift to business performance-based profit distribution, with a target payout ratio of 30% or more.

## Significant increase in orders due to active investment in Semiconductors, Electronics & FPD **ULVAC**

- Significant increase compared to both the same period last year and the plan due to the active investment in semiconductors, electronics and FPDs
- Significant increase due to front-loaded orders for FPD projects



### Semiconductors and Electronics

#### Semiconductors

Orders exceeded both the previous year's level and the plan due to **the resumption of memory investment and continuous logic investment**

#### Electronic parts

Orders for **power devices, optical devices, communication devices, packaging** and other electronics-related products exceeded the previous year's results and plan.

#### FPD

**OLED investment** for smartphone and tablet, **LCD investment continue** to outperform YoY and plan

Increased demand for LCD panels, tablets and PCs due to stay-at-home demand.

Increased demand for large-sized TV panels due to subsidies in various countries

⇒ **LCD investment continues**, especially in China

Orders received were ¥198.9 billion, significantly higher than the same period last fiscal year of ¥156.6 billion and the plan of ¥180 billion due to active investment in semiconductors, electronics, and FPDs.

Orders were ¥13.9 billion higher than the revised forecast of ¥185.0 billion announced in May.

The main reason was an increase by ¥11.2 billion to ¥52.7 billion from the forecast revised in May of ¥41.5 billion for FPDs, which is shown in yellow in the graph.

This was mainly because in Jun. we received the order of less than ¥10 billion for one of the two OLED deposition lines, for which we explained in May that the possibility of a delay to the next fiscal year had increased.

The increase in FPD-related investment YoY was due to a surging demand in panels, which led to the continuous investment in LCDs for the increasing demand for PCs and tablets for remote work and remote education caused by COVID-19, and the continuous investment in OLED panels for tablets and other devices in addition to smartphones. This trend is expected to continue in the current fiscal year and orders are expected to increase further.

Orders for semiconductors increased by about 25% YoY due to the resumption of investment in memory and continuous investment in logic.

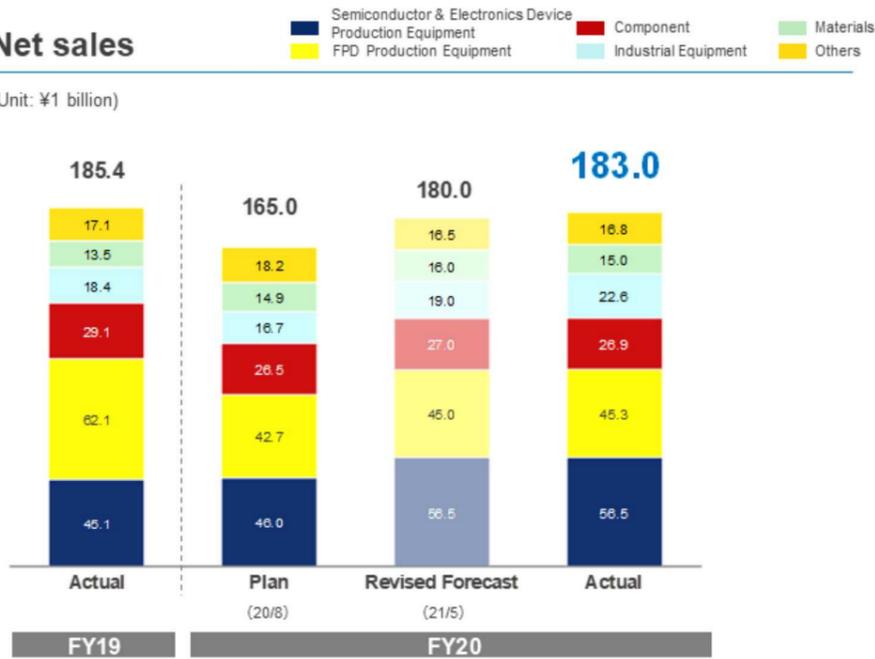
Orders for electronic devices increased by about 35% due to strong sales of power/ optical/communication devices, packaging, etc. Overall, semiconductors and electronics increased by about 30%.

# Net sales also significantly exceeded the plan

- Sales significantly exceeded the plan due to the active investment in semiconductor and electronics-related businesses and continuous investment in LCDs.

## Net sales

(Unit: ¥1 billion)



## Semiconductors and Electronics

### Semiconductors

Sales exceeded the previous year's level and the plan due to the resumption of memory investment and continuous logic investment

### Electronic parts

Orders for power devices, optical devices, communication devices, packaging and other electronics-related products exceeded the previous year's results and plan.

### FPD

Decreased YoY due to low level of orders received in the same period of the previous year, but exceeded the plan due to continuous LCD investment

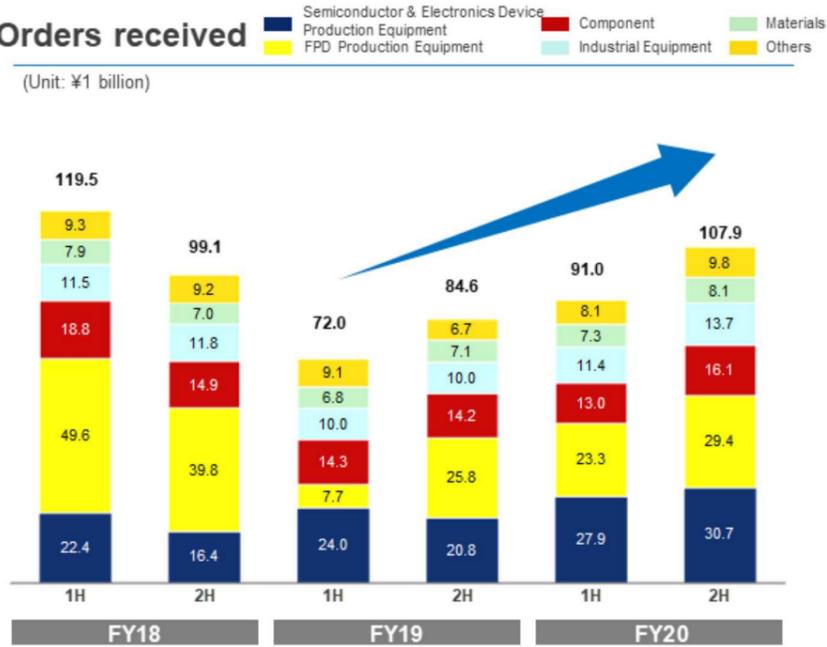
Net sales by segment were ¥183.0 billion, higher than the forecast ¥165.0 billion. Sales exceeded the plan, mainly in semiconductors and electronics, also in FPDs, components, general industrial production equipment, etc.

# Upward trend in both orders and sales

- Orders increased after the first half of FY2019 and sales increased after the first half of FY2020.

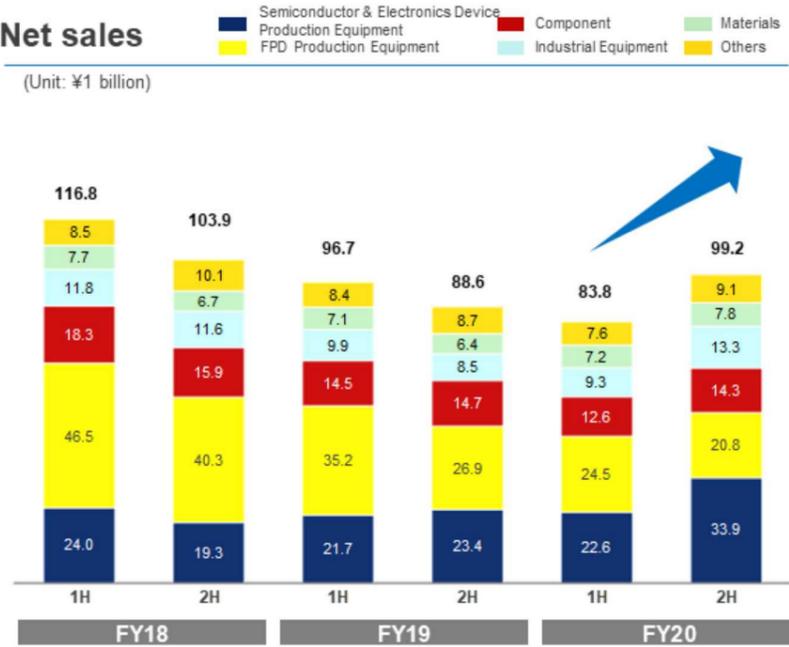
## Orders received

(Unit: ¥1 billion)



## Net sales

(Unit: ¥1 billion)



The graph on the left shows the trend of orders received per half year, which increased after the first half of FY 2019.

The graph on the right shows the trend of net sales, which has been increasing since the first half of FY2020.

# Profitability improved due to strengthened manufacturing capabilities

- Improvement in both gross profit margin and operating profit margin due to strengthened manufacturing capabilities, etc.

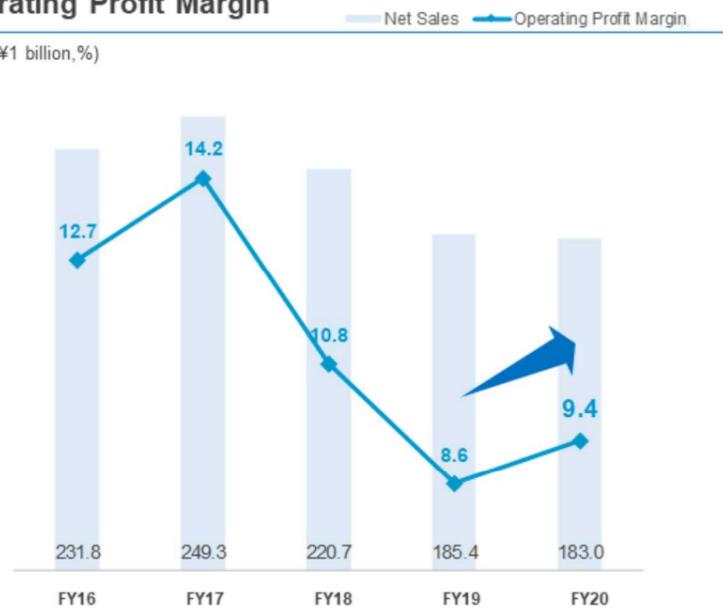
## Gross Profit Margin

(Unit: ¥1 billion, %)



## Operating Profit Margin

(Unit: ¥1 billion, %)

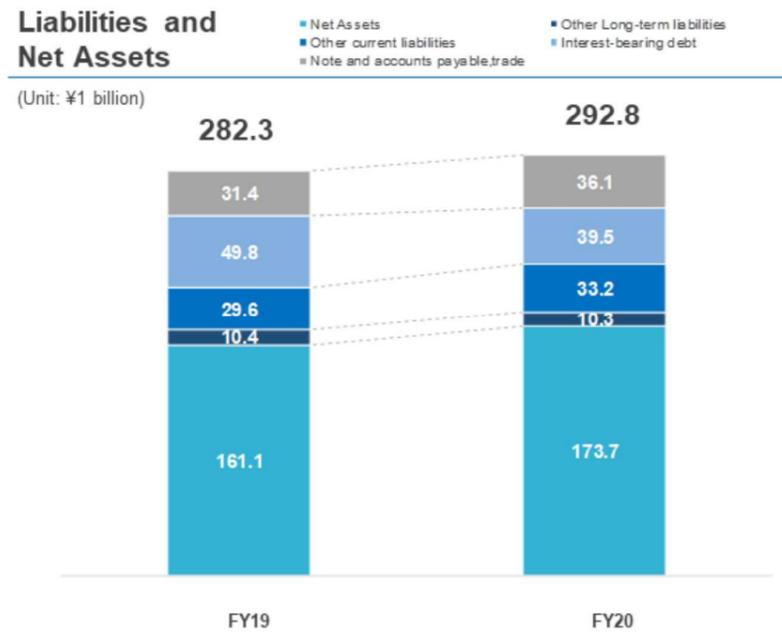
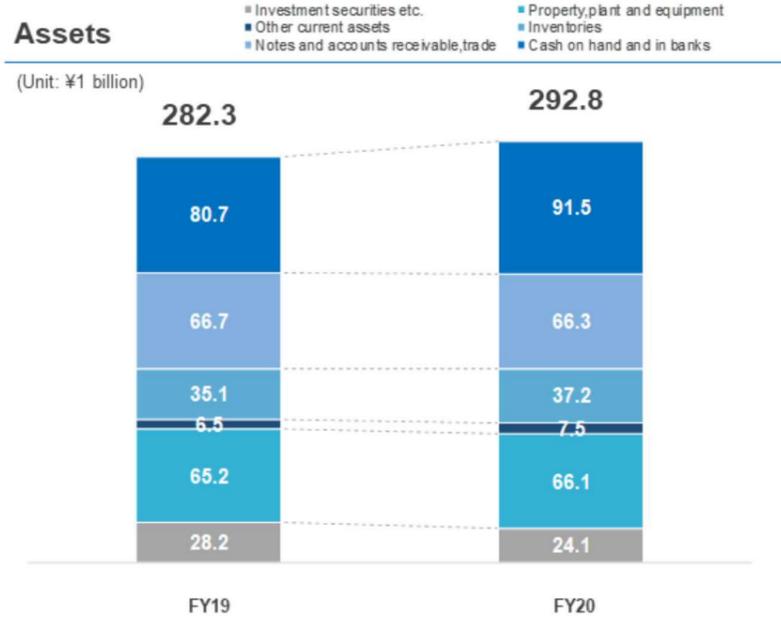


Both gross profit margin and operating profit margin have improved while sales have remained almost flat mainly due to the strengthening of manufacturing capabilities.

The gross profit margin is almost the same level as in FY2017 and FY2018, but the profit margin is steadily improving while sales are declining.

# Improved financial position

- Net assets increased by ¥ 12.6 billion, and equity ratio was 57.0%.



The balance sheet shows an increase in net assets and an equity ratio of 57%.



## **FY2021 Consolidated Earning Forecast**

We will now explain the consolidated earnings forecast for FY2021.

## Upward revision of net sales and operating profit in the mid-term management plan

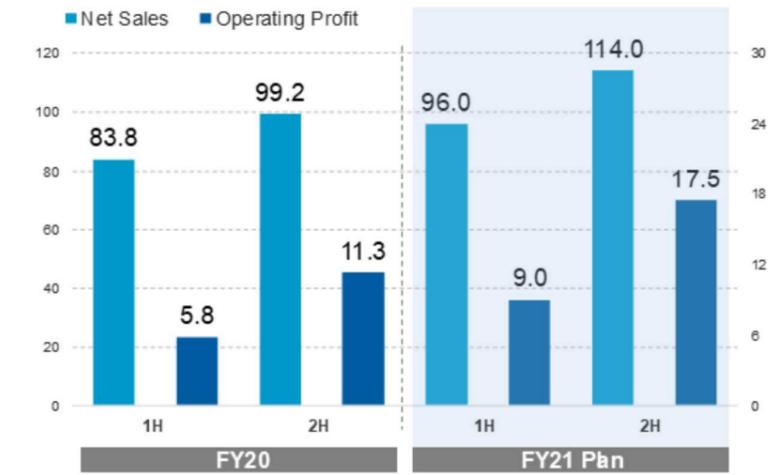
● **Net sales : ¥190 billion→¥210 billion, Operating Profit : ¥23.5 billion→¥26.5 billion**

- Orders Received: Plan for significant YoY increase planned mainly in semiconductors, electronics, and FPD
- Net Sales: Plan for significant YoY increase due to increased orders
- Operating Profit: Plan for increase YoY due to higher sales and improved profit margin, etc.; operating profit margin of 12.6%

	FY2020	FY2021 Plan		
	Actual	1H	Full Year (20/8 Plan)	YoY
(Unit: ¥1 billion)				
<b>Orders Received</b>	<b>198.9</b>	<b>107.0</b>	<b>230.0</b>	<b>31.1</b>
<b>Net Sales</b>	<b>183.0</b>	<b>96.0</b>	<b>210.0</b> (190.0)	<b>27.0</b>
<b>Operating Profit</b>	<b>17.2</b>	<b>9.0</b>	<b>26.5</b> (23.5)	<b>9.3</b>
Operating Profit Margin	9.4%	9.4%	<b>12.6%</b>	<b>3.2pt</b>
<b>Net Income</b>	<b>14.8</b>	<b>6.5</b>	<b>18.0</b>	<b>3.2</b>
To net sales ratio	8.1%	6.8%	<b>8.6%</b>	<b>0.5pt</b>

### Net sales and operating profit (by semi-annual period)

(Unit: ¥1 billion)



We have upwardly revised the net sales and operating profit of the mid-term management plan disclosed in August last year.

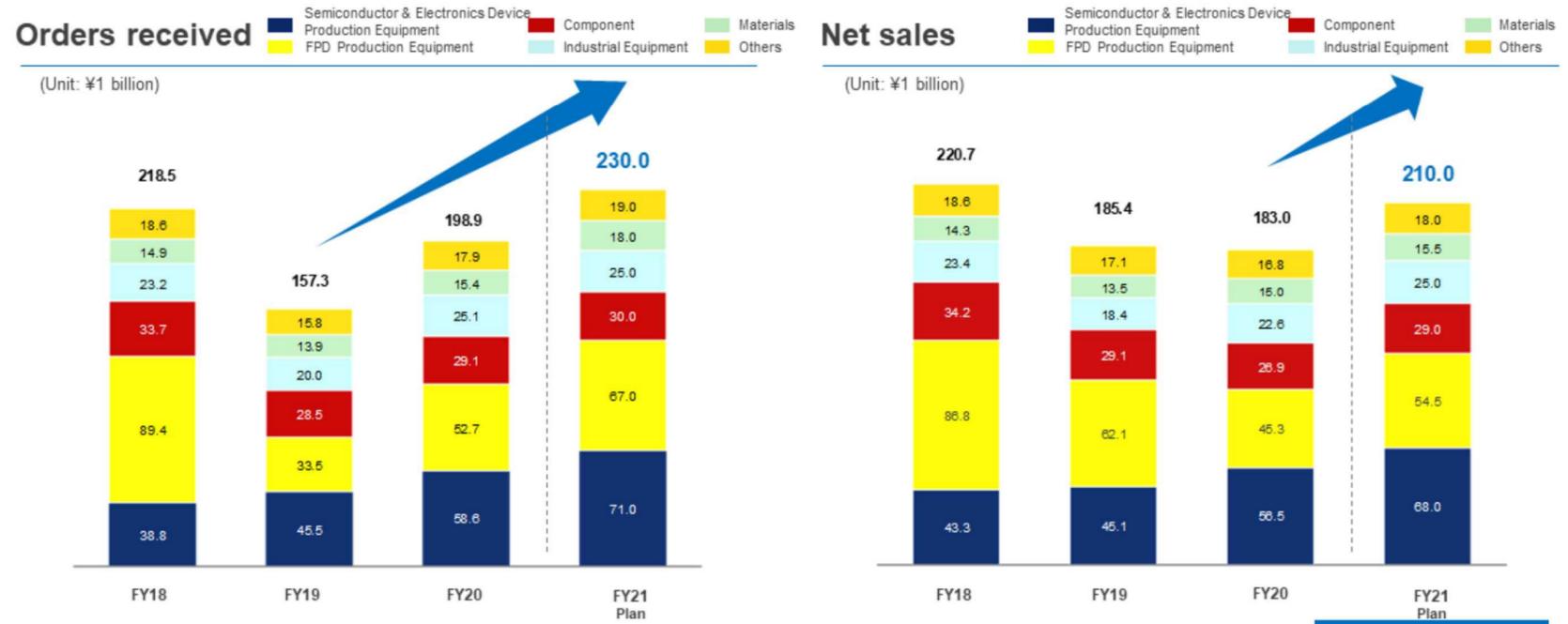
Orders are expected to be ¥230.0 billion, a significant increase YoY, due to the continuous active investment mainly in semiconductors, electronics, and FPDs.

Net sales are revised upward from ¥190 billion to ¥210 billion, and operating profit from ¥23.5 billion to ¥26.5 billion.

Operating profit is also expected to increase due to higher sales and improved profit margins, and the operating profit margin is expected to be 12.6%.

# Sales revised upward

- Orders increased after FY 2019, and are expected to increase to ¥230 billion in FY 2021, mainly in semiconductors, electronics, and FPD.
- Net sales increased after FY 2020, and the plan for FY 2021 was revised upward from ¥ 190 billion to ¥ 210 billion.



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Orders by segment are expected to be ¥230 billion, with a large increase mainly in blue semiconductor electronics and yellow FPD.

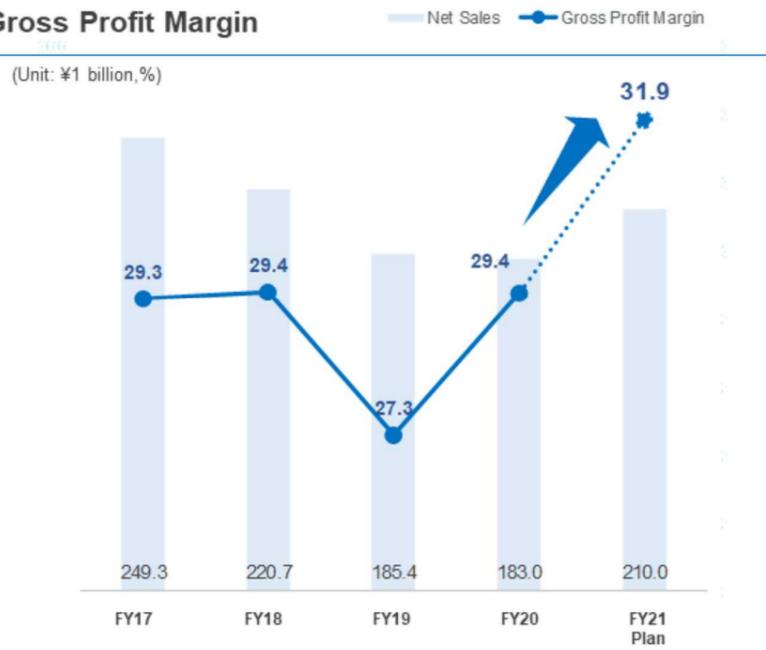
Net sales are also expected to increase, mainly in the semiconductor electronics and FPD fields, and have been revised upwardly to ¥210 billion.

**Profit margin planned to improve significantly by strengthening manufacturing capabilities**

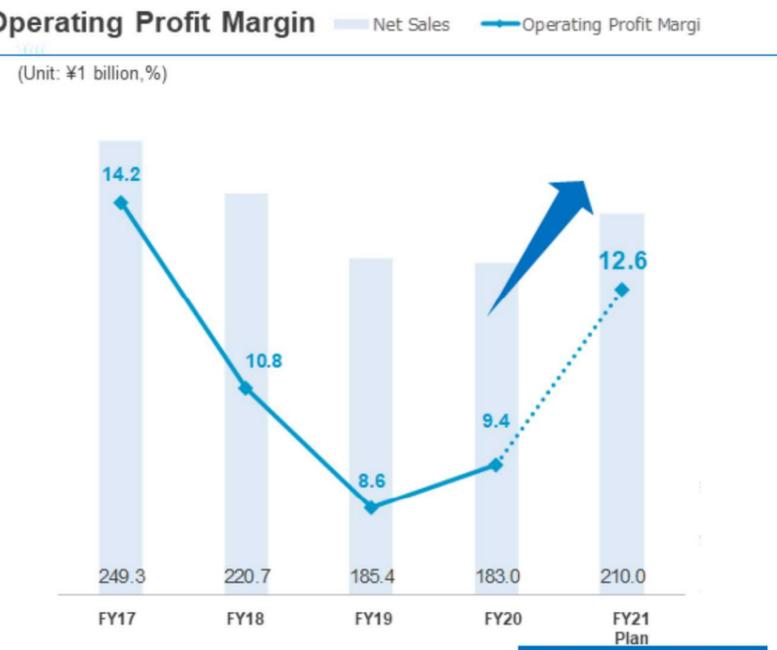


- Both gross profit margin and operating profit margin are planned to improve significantly by strengthening manufacturing capabilities, improving productivity, and increasing sales

**Gross Profit Margin**



**Operating Profit Margin**



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We plan to achieve a gross profit margin of 31.9% and an operating profit margin of 12.6% by strengthening our manufacturing capabilities, improving productivity, and increasing sales.

The gross profit margin of 31.9% is the highest level since the company was listed.



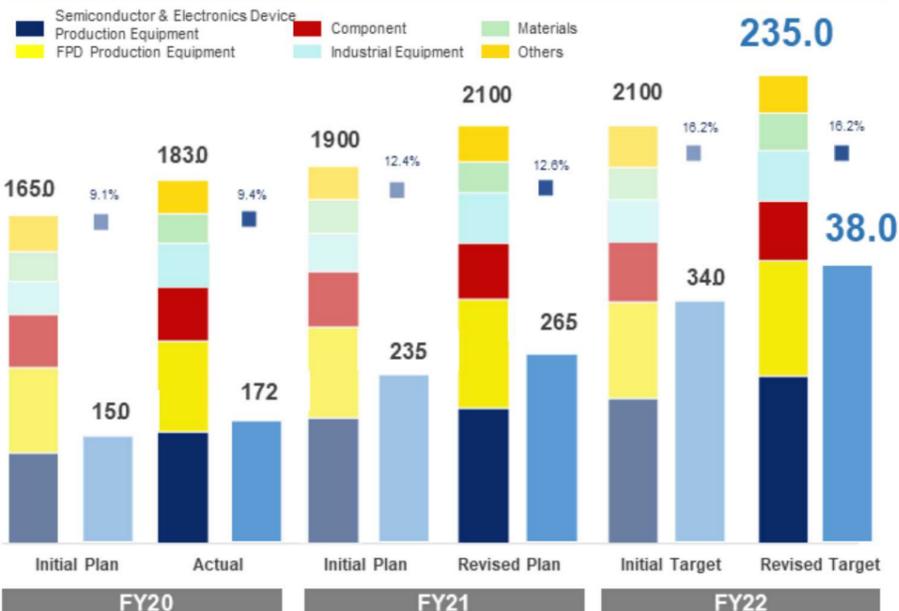
## **Upward Revision of Mid-term Management Plan**

Next, we will explain the upward revision of the mid-term management plan.

# Upward Revision of Mid-term Management Plan

- Upward Revision of Mid-term plan : FY22 sales ¥210 billion→¥235 billion, operating profit ¥340 billion→ ¥ 380 billion
- R&D investment increased by ¥15 billion in response to the expected expansion of investment in the semiconductor electronics and FPD-related businesses and correspondence to the technological innovation.

## Net Sales · Operating Profit (Margin) (Unit: ¥1 billion)



## Main reasons for upward revision

Semiconductors and electronics leading the growth  
FPD also strong

### Semiconductor

Increased investment in logic, foundries and memory. Logic business entry increases opportunities for other processes

### Electronics

Active investment in power, optical, and communication devices in Japan and China

### FPD

Continuous investment in LCDs, small- and mid-sized OLEDs  
Large substrate OLED investment

## Profit plan

Upwardly revised profit plan due to improved profit margins from manufacturing reforms and increased sales even after upwardly revising R&D investment for growth.

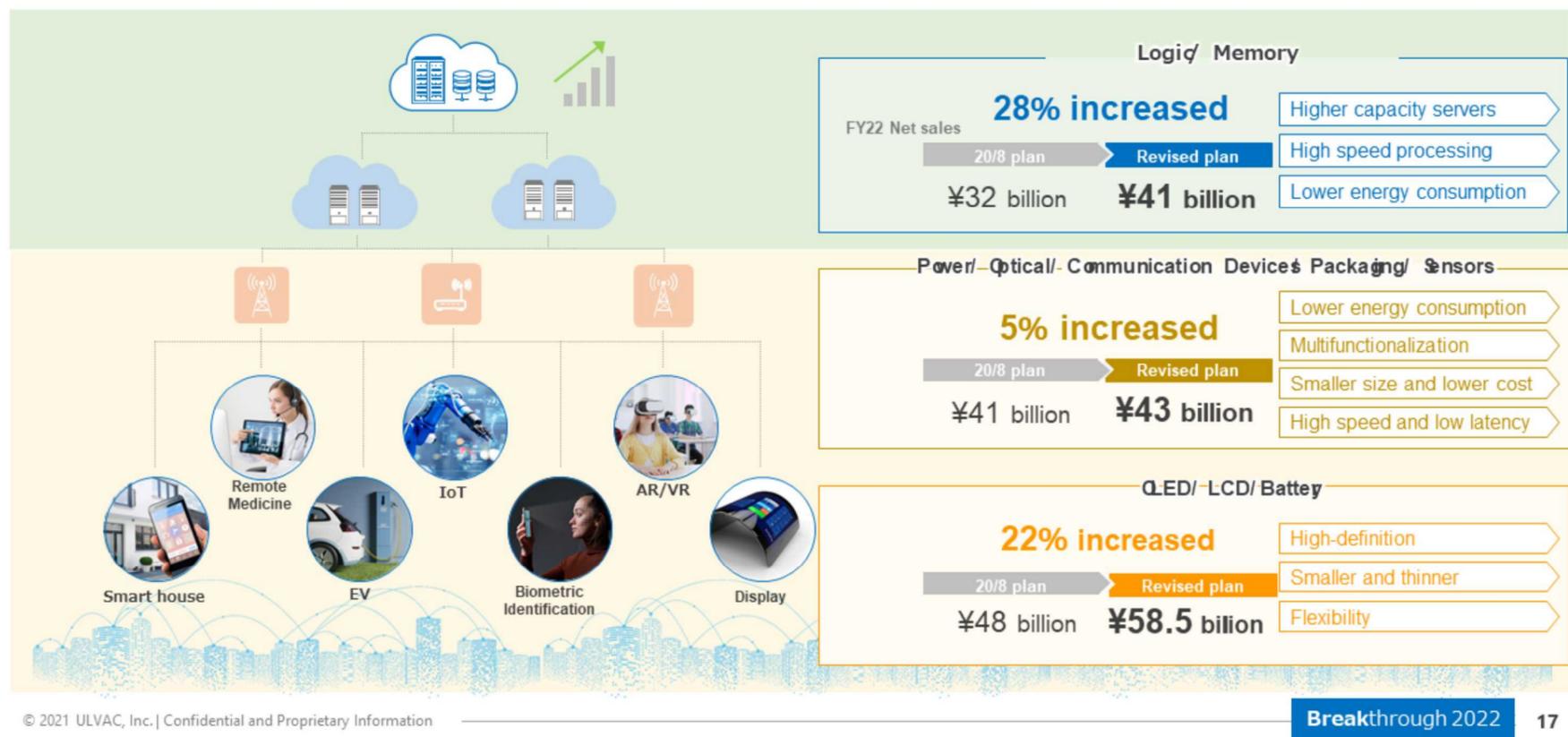
Concerning the target for FY 2022, the final year of the mid-term management plan, we have revised upwardly the sales target from ¥210 billion to ¥235 billion.

The profit plan has been revised upwardly to ¥39.0 billion due to the improvement of the profit margin through manufacturing reforms and the increase in sales, even after revising upwardly of ¥15.0 billion in R&D investment to respond to technological innovation, as investment in the semiconductor, electronics, and FPD-related fields is expected to expand.

The main reasons for the upward revision will be explained later by each business unit.

## Growth by contributing to the resolution of social issues (Semiconductor/FPD sales increased more than planned)

- Investment increased by normalization of remote activities / Promotion of EVs / Expanded use of AI / building regional supply chains



Compared to the time of the formulation of last year's mid-term management plan, investment trends in semiconductors, electronics, and FPDs have further changed to an expansionary trend.

When last year's plan was formulated, we explained that in order to advance the smart society, ULVAC's thin-film technology would grow while contributing to the solution of various social issues in terms of both technological innovation for "connecting" such as sensors, communications, and batteries, and technological innovation for rapidly increasing and speeding up the volume of data processing.

Since then, due in part to the impact of COVID-19, remote work and remote education have spread rapidly, and demand for LCD panels for IT applications such as PCs and tablets has surged.

As a result, when the plan was formulated last year, FPD sales for FY2022 were expected to be ¥48 billion, but it has been revised by a 22% increase to ¥58.5 billion in the current plan.

There is a growing demand for clean energy and low power consumption, such as in the shift to EVs, and expectations for technological innovation in power devices are rising.

With the development of 5G and smart technologies, the investment in power devices, optical devices, communication devices, packaging, sensors, etc. is also increasing. In addition, electronics-related investment in China has also become more active due to the domestic production policy.

As a result, we have also upwardly revised the sales plan for electronics by an increase of 5% from ¥41 billion to ¥43 billion.

As you are all aware, semiconductors are also experiencing rising demand, along with moves to build regional supply chains in consideration of geopolitical risks, and foundries and memory manufacturers have announced aggressive investment plans. For FY2022, we plan to increase sales by 28% from ¥32 billion to ¥41 billion.

When we formulated our mid-term management plan last year, we had planned to grow mainly in semiconductors and electronics, but we must admit that we were concerned about the plan because it was a sales decline plan due to the significant drop in FPD orders in the previous year. The market had not yet begun to move to the point where we could be sure that logic memory and electronics-related investments would really grow significantly.

However, after a year, we have realized that the market has been expanding more than we had expected, and we are gaining confidence.

We hope to grow in the semiconductor, electronics, and FPD markets, which continue to expand, while contributing to the resolution of social issues.

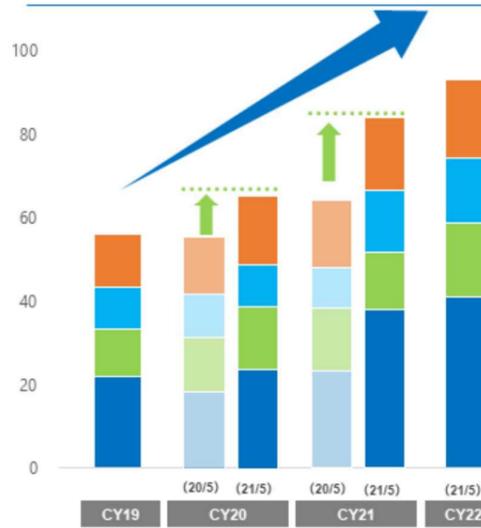
# Semiconductors aiming to grow faster than market growth

- Aggressive investment plans for both logic foundries and memory (market forecast revised upward, growth forecast until CY22)
- Entry into the logic metal hard mask (MHM) process expanded opportunities to enter other processes, aiming to grow faster than the market.

## Semi-equip. Market Outlook

(Unit: US\$1 billion)

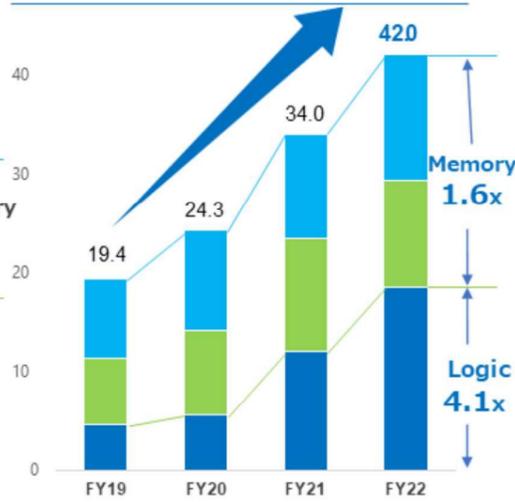
■ Logic ■ NAND ■ DRAM ■ Others



## Order Plan

(Unit: ¥1 billion)

■ Logic ■ NV Memory ■ DRAM



## Logic/ Foundry

- Increased data volume and speed, expansion of application areas, increased investment in regional supply chains, etc.
- More than 70% of logic investment is related to EUV
- Increase in MHM process due to miniaturization
- More opportunities to enter other processes ⇒ Plan to exceed higher level than market growth

## Memory

- Memory investment will also increase due to investment in data centers and expansion of application scope and enhancement of functionality.
- PCRAM investment in the later half of the plan period is expected as leading-edge customers develop their markets.

Source : SEMI

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The bar graph on the left compares SEMI's semiconductor Capex forecasts for May of last year and May of this year. Both FY2020 and FY2021 have been revised upward, especially for logic devices, due to a combination of various factors, including increased data volume and speed, expansion of application areas, and the establishment of regional supply chains. FY2022 is expected to see a further increase, reflecting the aggressive investment stance of foundries and memory manufacturers.

ULVAC expects the logic foundry market to grow even faster than the high level of market expansion, as shown in the graph on the right, due to an increase in further miniaturization of the MHM process, the key to EUV-related investment which will account for more than 70% of future logic investment, and an increase in opportunities to enter other processes. As shown in the graph on the right, we plan to achieve 4.1 times growth compared to FY2019.

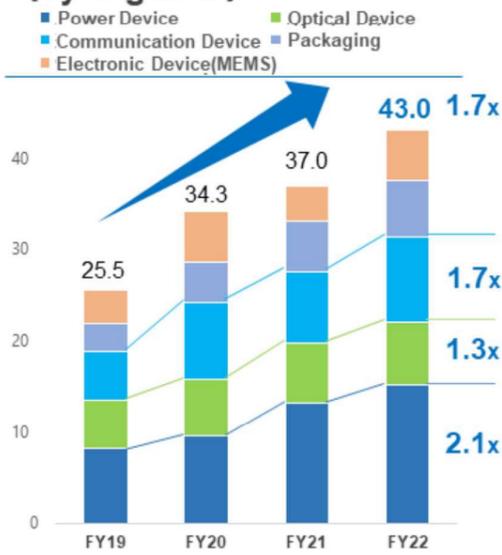
The memory market is also expected to grow 1.6 times which is faster than the market expansion.

# Electronics growth mainly in China, also in Japan and Taiwan

- Active investment in power devices, optical-devices, communication devices, etc. in Japan and China
- Particularly in China, investment in power devices and optical-devices for AR/VR is becoming more active, partly due to the government's policy of domestic production.

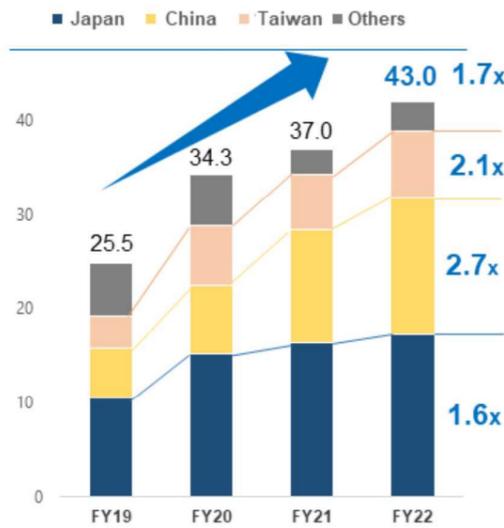
## Order Plan (by segment)

(Unit: ¥1 billion)



## Order Plan (by area)

(Unit: ¥1 billion)



### Power device

- Japan: Active capital investment to increase production capacity/ Growth mainly in back electrode sputtering equipment for IGBTs
- China: Many new entrants due to nationalization policy and local government support/ China's investment is active, especially in SiC/Ion implanter (superiority in temperature change adjustment) having high market share  
Expand sales of deposition equipment for low-end power semiconductors (high throughput) / High-cost competitiveness through local production

### Optical-device

- Japan: Increased investment in  $\mu$ OLEDs for AR/VR
- China: Expanding investment in  $\mu$ OLEDs for 3D sensors, automotive displays, and AR·VR/ Differentiation by low particle, large size and distortion processing, compound material processing, etc.

### Communication device

- Japan: Expanding investment for SAW/BAW filters in line with the full-scale popularization of 5G smartphones

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As for electronics, as shown in the graph on the left of the order plan by field, the investment in power devices, optical devices, communication devices, etc. is becoming active in Japan and China, and orders are increasing.

As for power devices, in Japan, investment to increase production capacity has been active, mainly for IGBTs, and in China, investment has been active, mainly for SiC, with the support of local governments under the domestic production policy. We expect 2.1 times growth, mainly in sputtering equipment, ion implantation equipment, and deposition equipment.

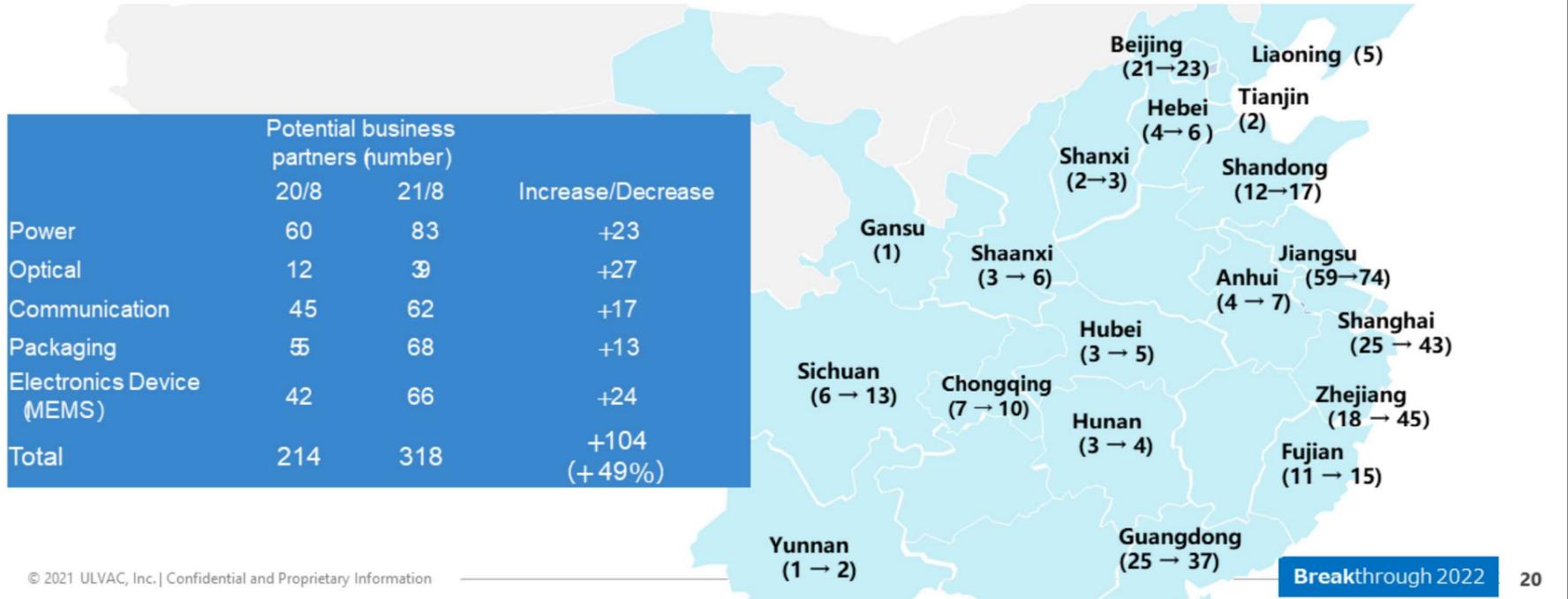
In the area of optical devices, we expect 1.3 times growth by differentiating our products with low particle, large size, and distortion support, such as  $\mu$ OLEDs for AR/VR, 3D sensors, and anti-reflection coatings for automotive displays.

In the area of communication devices, we plan to grow 1.7 times, mainly for SAW and BAW filters.

By country, in China, where the investment in domestic production is becoming more active, we are reinforcing our technical sales system and are planning for a significant growth of 2.7 times.

# Increasingly active electronics investment in China

- The nationalization policy and the local government support stimulate investment in the electronics sector, especially in coastal areas.
- Strengthening technical sales capabilities by dispatching sales engineers from Japan to expand the network in China
- Business negotiations increased in a wide range of fields such as power device, optical-device, communication devices and packaging



The following is a map of electronics-related investment trends in China.

In the coastal areas of Jiangsu, Shanghai, Zhejiang, Guangdong and other provinces, local governments are promoting support measures to attract electronics-related companies under the policy of domestic production.

The number of potential business partners, which had been increasing rapidly as of August last year, has increased by about 100 over the past year to more than 300.

In China, there is a strong appetite for investment with the active support of the local governments, and we believe that investment will continue to expand at a high level in the future. We will certainly seize business opportunities by sending general manager-level engineers in each field from Japan to strengthen our technical sales capabilities in the strong network we have built in China.

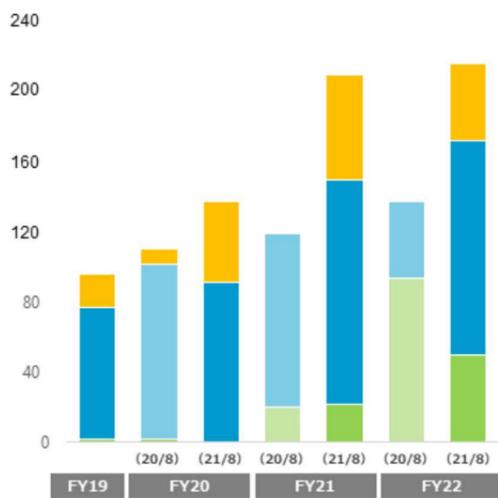
# Active FPD investment in OLEDs and LCDs

- Significant increase in FPD investment due to panel demand caused by stay-at-home (continuous investment in LCD), and accelerated shift to OLED
- In addition to mobile applications, the shift to OLEDs is expanding to IT panels for tablets, PCs, medical, automotive, and game applications.

## FPD equips. Market Outlook

(Evaporation, Sputtering) (Unit: ¥1 billion)

■ Large OLED ■ S-Mid OLED ■ LCD

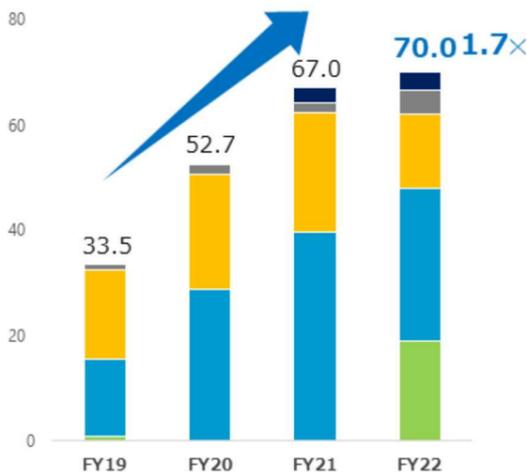


Source : Company Forecast

## Order Plan

(Unit: ¥1 billion)

■ Large OLED ■ S-Mid OLED ■ LCD ■ Capacitors, Battery ■ Other



## LCD

- Increase in LCD panel demand for tablets and PCs due to stay-at-home demand
- Increase in demand for large-sized TV panels due to subsidies in various countries  
⇒ Large LCD investment continues mainly in China
- Maintaining No. 1 market share by further improving product competitiveness of large equipment

## OLED

- Progress in OLED for high image quality, lightweight and thin mobile tablets
- OLED in IT panels ⇒ Development of large substrate mass production by major Korean and Chinese companies
- Respond to large substrate OLED mass production by leveraging strengths in large substrate sputtering equipment, transport technology, and high-definition support

## Roll to Roll equipment

- Responding to the demand for smaller and larger capacity automotive batteries (full-scale growth expected from FY23) (Capacitors: High market share by high functionality RtoR)

FPD capital investment trends are summarized in the graph on the left.

When we explained in August last year, we said that LCD investment would last throughout FY 2020, but the demand for panels to support remote work and remote education increased significantly due to stay-at-home caused by COVID-19, and LCD investment, shown in orange, far exceeded our forecast.

LCD investments are expected to continue at a high level through FY2022.

The scope of OLED panel utilization is also expected to expand to various IT panels such as tablets, PCs, medical, automotive, and gaming applications in addition to mobile applications, and capital investment in blue small- and medium-sized OLEDs is also expected to continue at a high level.

Furthermore, as the use of OLED panels expands to IT applications, we believe that the mass production of large substrate OLEDs for efficient chamfering will proceed in earnest from FY2022, mainly by major panel manufacturers in Korea and China.

ULVAC will respond to the mass production of large substrate OLEDs by leveraging its strengths in large substrate sputtering equipment, transport technology, and high-definition support that it has cultivated over the years.

Investment in Roll to Roll deposition equipment to meet the demand for smaller and larger capacity automotive batteries are expected to begin gradually in FY2022, but full-scale growth is not expected until FY2023 or later.

# Strengthening stable business base

## ● Strengthening stable business base in cooperation with our equipment business

### Market environment

- Expansion of semiconductor, electronics, FPD and other equipment markets (especially in China)
- Shifting from LCD to OLED

### Components



#### ULVAC's Advantage

- Providing products that meets the needs of equipment manufacturers through collaboration with our equipment business
- Cryogenic pump: **Nearly 100% share** of the OLED market, thanks to its anti-vibration function, exhaust performance, and long-term reliability

#### Growth strategy

- Sequential introduction of new products such as **Dry pumps, Helium leak detectors, and DC power supplies**
- Market development for cryogenic pumps in the semiconductor and electronics fields in addition to OLEDs and LCDs

### Materials



- Metal Target for FPD (Cu, Al, Ti), IGZO: **No.1 share**
- Accumulated technology in powder metallurgy
- Integrated proposal of equipment, processes and materials

- Sales expansion of Sintered targets (W, WSi, etc.) and Metal targets(Al, Ti) for semiconductor-electronics
- **Expanding sales of IGZO** for high resolution

### Customer Support



- Networks in East Asia
- **Approximately 9,000** existing devices
- Cooperation with our equipment sales

- **Expanding stable business base** such as maintenance, surface treatment, cleaning, and parts sales in cooperation with equipment sales (especially in China)
- **Expanding CIP business** (correspond to FPD application change, etc.)

Components, Materials, and Customer Support will be strengthened as a stable business base in response to the expansion of the semiconductors, electronics, FPD, and other equipment markets, especially the expansion of the electronics and FPD businesses in China, and the shift from LCDs to OLEDs.

In the components business, we will introduce new products and cryopumps for FPDs, etc. In the materials business, we will expand sales of sintered tungsten targets for semiconductor electronics and IGZO for FPDs, etc.

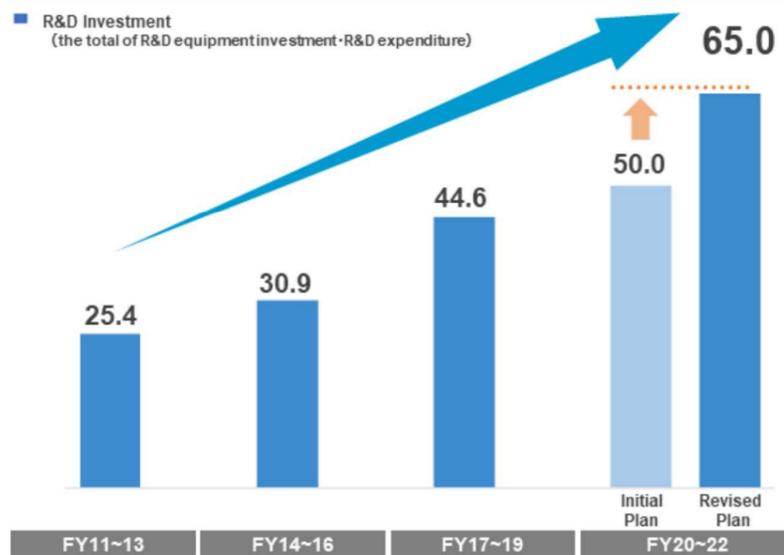
In customer support, we plan to expand our CIP business in response to changes in applications by FPD panel manufacturers, such as for IT panels, to achieve stable growth.

## Strengthening R&D capabilities to accelerate business growth

- Thoroughly implement "Selection and Concentration" in R&D.
- In addition to the joint development of semiconductor·electronics business, R&D investment strengthened in response to the shift to larger OLED substrates, etc.
- R&D investment of FY20~FY22 increased from ¥50 billion to **¥65 billion**

### Actual and forecast R&D investment

(Unit: ¥1 billion)



- Laboratory Integration
- Shift to product development
- Strengthen global development system
- Sharing customer's technical roadmap



### Selection and Concentration

- Semiconductors: Increase joint development of logic and memory
- Electronics: 5 main fields (improvement of modules, response to the China market)
- FPD: Correspond to larger substrates
- Components: New dry pumps and DC power supplies

⇒ **Increase development projects in response to technological innovation**

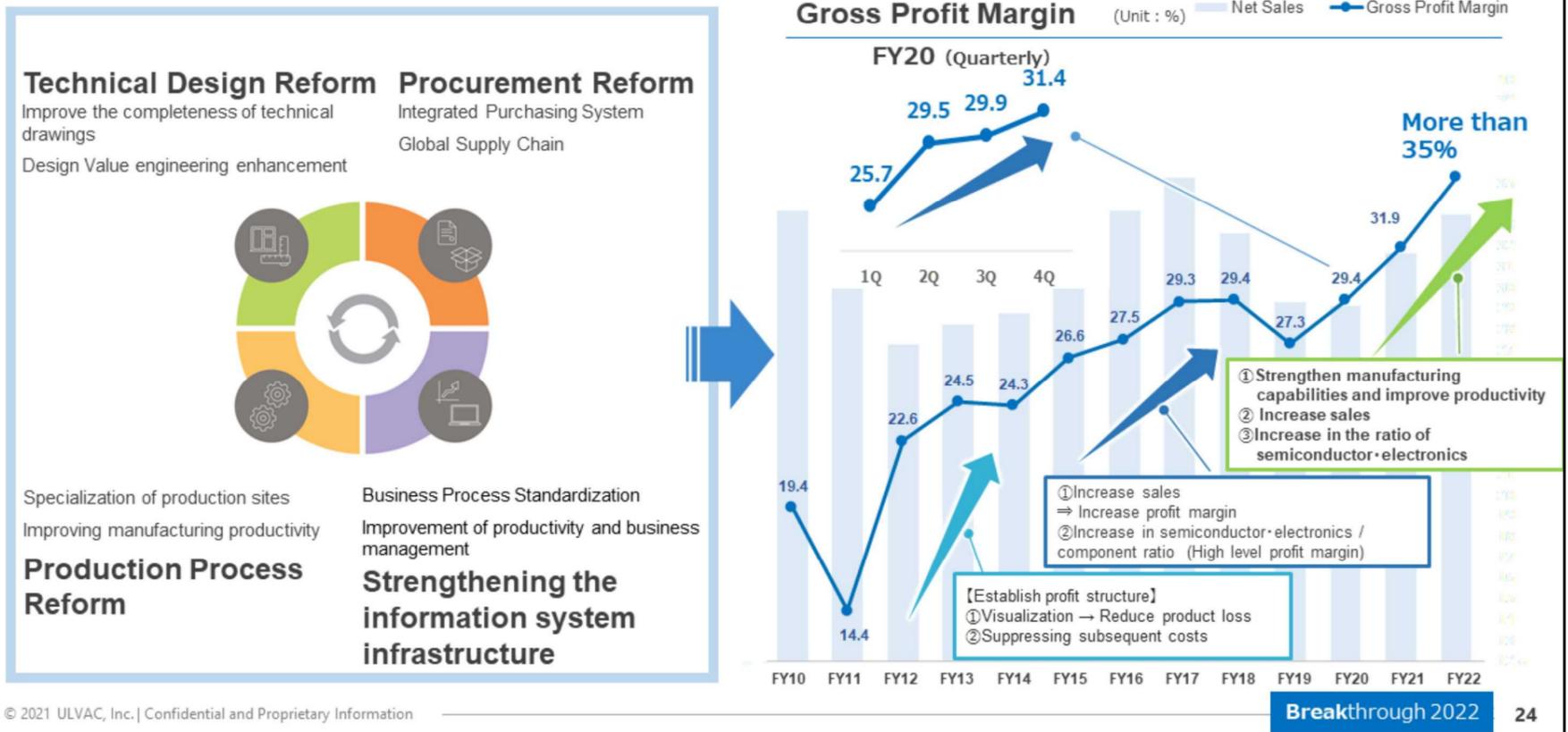
Since last year, we have been promoting selection and concentration of development of semiconductors, electronics, FPDs, etc. through "integration of laboratories", "shift to product development", "strengthening of global development system", and "sharing customer's roadmaps".

In response to the further increase in investment in semiconductors, electronics, and FPDs, we will increase R&D investment from ¥50 billion to ¥65 billion over the three years of the mid-term management plan to further strengthen joint development of semiconductors and development in response to the shift to larger OLED substrates.

Specifically, we will focus on responding to joint development projects in semiconductor logic and memory, deepening our modules for the five main fields of electronics, responding to the shift to larger OLED substrates in FPDs, and developing new component products.

# Profit margin improved by strengthening manufacturing capabilities ULVAC

## Steady improvement in gross profit margin by strengthening manufacturing capabilities



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We have been working to improve profitability by strengthening our manufacturing capabilities and increasing productivity in all processes from engineering and design to purchasing and production systems.

Specifically, by grasping the technical specifications required by customers in an early stage, improving the completeness of technical drawings, and strengthening value engineering at the design stage, we have worked to shorten the production process, design for lower unit parts cost and manufacturing load, shorten manufacturing man-hours and lead time, and reduce procurement costs.

In addition, we promoted the concentration and specialization of production bases for each business, and improved manufacturing productivity by making them more skilled.

In the area of purchasing, we have been promoting the integration of our purchasing system.

As a result, as shown in the graph, the gross profit margin improved every quarter in FY2020, and improved to 31.4% in the fourth quarter.

We will continue our efforts to improve the profit margin and aim to achieve 31.9% in FY2021 and 35% or higher in FY2022.

# Progress of Medium-term Management Plan (Summary)

	Md-term Management Plan Activities		Evaluation of results and progress	
Strengthening the Growing Business Strengthening Research and Development	Semiconductor	<ul style="list-style-type: none"> <li>New entry into logic miniaturization process</li> <li>Memory investment resumed, new process entry</li> </ul>	<ul style="list-style-type: none"> <li>Aggressive investment plans for both logic and memory</li> <li>Increase in orders for MHM process + development of other processes</li> </ul>	
	Electronics	<ul style="list-style-type: none"> <li>Expand proposed equipment through modularization</li> <li>Strengthen development, sales, and support systems in China</li> </ul>	<ul style="list-style-type: none"> <li>Active investment in power, optical, communication devices, etc. ⇒ Increased orders mainly in Japan and China</li> <li>Expansion of equipment proposals through modularization ⇒ Release of "Gemini Series"</li> <li>Strengthen sales and technical support system in China</li> </ul>	
	FPD	<ul style="list-style-type: none"> <li>Development of large substrate OLED mass production</li> <li>Conversion to a profitable structure</li> </ul>	<ul style="list-style-type: none"> <li>Increased orders due to continued LCD investment and shift to OLED</li> <li>Steady reinforcement of strengthening manufacturing capabilities</li> </ul>	
Strengthening of manufacturing capabilities	<ul style="list-style-type: none"> <li>Promoting production reform on all processes from engineering and design to the production system → Improvement of profit margins by improving productivity</li> </ul>		<ul style="list-style-type: none"> <li>Steady implementation of various measures ⇒ Steady improvement in profit margin (see previous page)</li> </ul>	
Enhancing Group Management Efficiency	<ul style="list-style-type: none"> <li>Business Unit Management Promotion</li> <li>Strengthening the management of group companies that have their own products</li> </ul>		<ul style="list-style-type: none"> <li>Integration of Korean Group Companies</li> <li>Promotion of management reform</li> </ul>	
Strengthening of the financial base	<ul style="list-style-type: none"> <li>Human resource development and revitalization</li> </ul>		<ul style="list-style-type: none"> <li>Introduction of new personnel system</li> <li>Development of next-generation leaders</li> </ul>	
	<ul style="list-style-type: none"> <li>Strengthen information system infrastructure</li> </ul>		<ul style="list-style-type: none"> <li>Maintenance and implementation of various systems to improve productivity</li> </ul>	
	<ul style="list-style-type: none"> <li>Strengthen financial base</li> </ul>		<ul style="list-style-type: none"> <li>ROE 7.1%→ 9.2%</li> <li>Equity ratio: 57.0%</li> </ul>	

The following is a summary of the progress of the mid-term management plan.

By strengthening R&D capabilities, we have made progress in semiconductors, electronics, and FPDs beyond our plan, and we have revised our sales targets upward.

Strengthening manufacturing capabilities is steadily producing results as I explained earlier.

In order to increase group management efficiency, we have achieved the integration of Korean group companies.

As for strengthening our management base, we are working on human resource development, reinforcing our information system infrastructure, and strengthening our financial base as planned.

Overall, we believe that we are making good progress in the first year of our mid-term management plan.

Going forward, we will continue to aim for sustainable growth by promoting "investment in development for growth" and "profit-oriented management through a change in our business structure" in response to the expansion of investment and technological innovation, especially in the semiconductors, electronics, and FPD fields.



## Appendix

## Consolidated Financial Results (Quarterly)

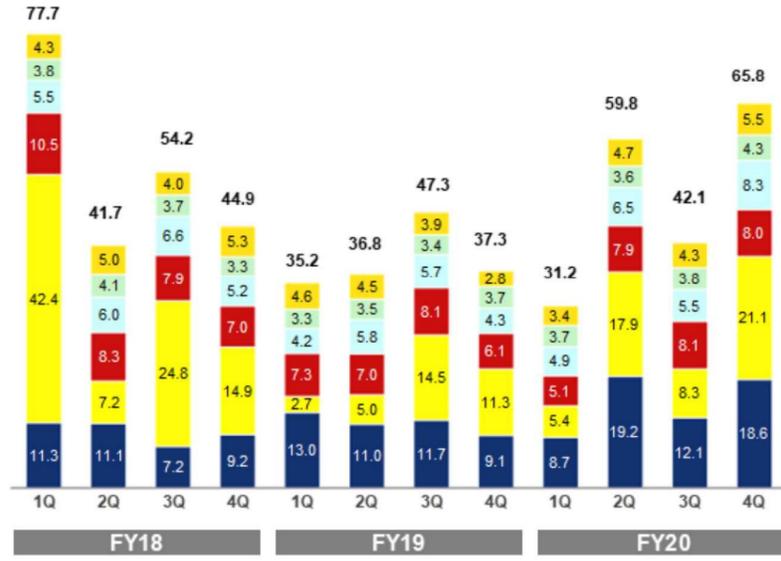
(Unit: ¥1 billion)	FY2019					FY2020					YoY
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year	
<b>Orders Received</b>	35.2	36.8	47.3	37.3	156.6	31.2	59.8	42.1	65.8	198.9	27.0%
<b>Net Sales</b>	46.8	50.0	45.7	42.9	185.4	36.6	47.3	44.7	54.5	183.0	-1.3%
<b>Gross Profit</b>	12.1	13.6	13.7	11.2	50.6	9.4	13.9	13.4	17.1	53.8	6.3%
Gross Profit Margin	25.8%	27.2%	30.0%	26.1%	27.3%	25.7%	29.5%	29.9%	31.4%	29.4%	2.1pt
<b>SG&amp;A</b>	7.2	10.1	8.9	8.4	34.6	8.4	9.1	9.0	10.1	36.6	5.6%
<b>Operating Profit</b>	4.9	3.5	4.8	2.8	16.0	1.0	4.9	4.3	7.0	17.2	7.8%
Operating Margin	10.5%	7.0%	10.5%	6.4%	8.6%	2.7%	10.3%	9.6%	12.9%	9.4%	0.8pt
<b>Net Income</b>	3.4	4.3	3.2	-0.2	10.8	0.3	4.2	3.7	6.6	14.8	37.7%
To net sales ratio	7.4%	8.7%	7.0%	-0.5%	5.8%	0.9%	8.9%	8.3%	12.0%	8.1%	2.3pt

# Sales by Segments (Quarterly)

## Orders received



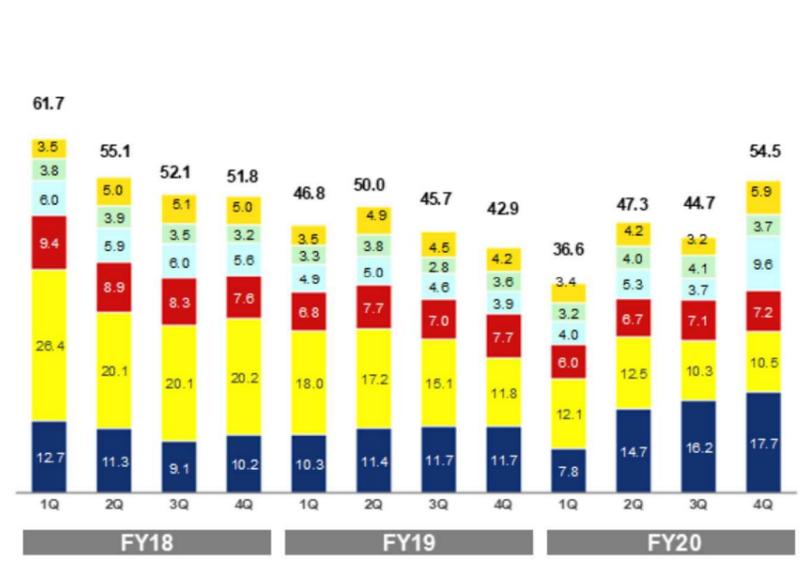
(Unit: ¥1 billion)



## Net sales



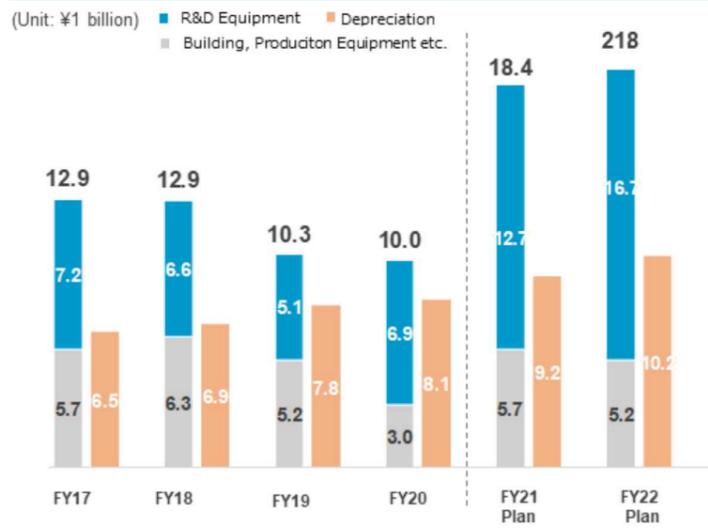
(Unit: ¥1 billion)



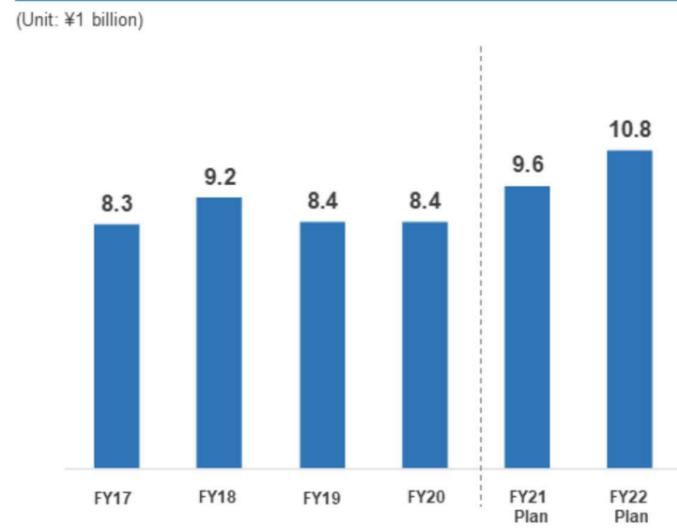
# Capital Expenditures and R&D Expenses

- R&D investment (R&D capital investment + R&D expenses) of FY20~FY22 increased from ¥ 50 billion to ¥ 65 billion

## Actual and forecast capital expenditures



## Actual and forecast R&D expenses



Coronavirus vaccination at Chigasaki Head Office/ Plant (for Chigasaki citizens)

Based on the government's policy to promote vaccination against new strains of coronavirus in workplaces, the Chigasaki Head Office and Plant started vaccination at workplaces and conducted mass vaccination for Chigasaki citizens as part of our contribution to the community. The project was realized through a three-way collaboration with the cooperation of the Shonan Eastern General Hospital of the Koshinkai Medical Corporation, in response to the vaccination project for residents being promoted by Chigasaki City.



Through this initiative, Chigasaki City, Shonantobu General Hospital, and ULVAC will contribute to the early resolution of the new coronavirus infection.

Certified by the Ministry of Economy, Trade and Industry as one of the "H&PM Organization Recognition Program" for the fourth consecutive year

\*Health and Productivity Management

"We are promoting health management with the goal of "improving human power" in order to achieve a state where people can have dreams, enjoy their work, and have fun going to work.

"H&PM\* Organization Recognition Program" certified:  
ULVAC, Inc. (four consecutive years)



"H&PM\* Organization Recognition Program"  
Certified in Small and Medium-Sized Corporate Sector:

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- ULVAC-PHI, Inc. (two consecutive years)
- ULVAC TECHNO, Ltd. (two consecutive years)
- Tigold corporation
- ULVAC Health Insurance Association



# ULVAC Vacuum Technology Contributes to Many Industries and Applications



**ULVAC**