

ULVAC

ULVAC, Inc.

Business Results

The Third Quarter of FY2022

(July 2022 - March 2023)

May 12, 2023

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, semiconductor, 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.

Note:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



- 1. No change in mid to long-term growth strategy (focusing development investment on growth areas such as semiconductor and electronics, targeting net sales of ¥300 billion or more, gross profit margin of 35% or more, and operating profit margin of 16% or more in FY6/2026)**
- 2. Steady shift towards semiconductor and electronics (power devices, various electronic devices and logic increasing, doubling from FY19)**
- 3. Q3 YTD orders down YoY due to a YoY decline in FPD orders and the shift of FPD and electronics orders from 3Q to 4Q**
Net sales and operating profit both declined YoY mainly due to lower order received
- 4. Downward revision of full-year earnings forecast for FY2022. Dividend forecast unchanged**
 - Downward revision to net sales of ¥215.0 billion and operating profit of ¥17.5 billion**
Dividend forecast unchanged in view of stable dividend
 - Intensification of initiatives in response to longer lead times for parts and materials**
Strengthening of management through reorganization in July
 - High level of orders continues due to growth in semiconductor and electronics. Order backlog is expected to exceed ¥150 billion at the end of the fiscal year**
 - Aiming for further expansion of orders and sales in the next fiscal year and onwards through continuous growth in power devices, various electronic devices, logic devices, etc., and investment in Roll-to-Roll equipment for batteries**

Revision of full-year forecast for FY2022

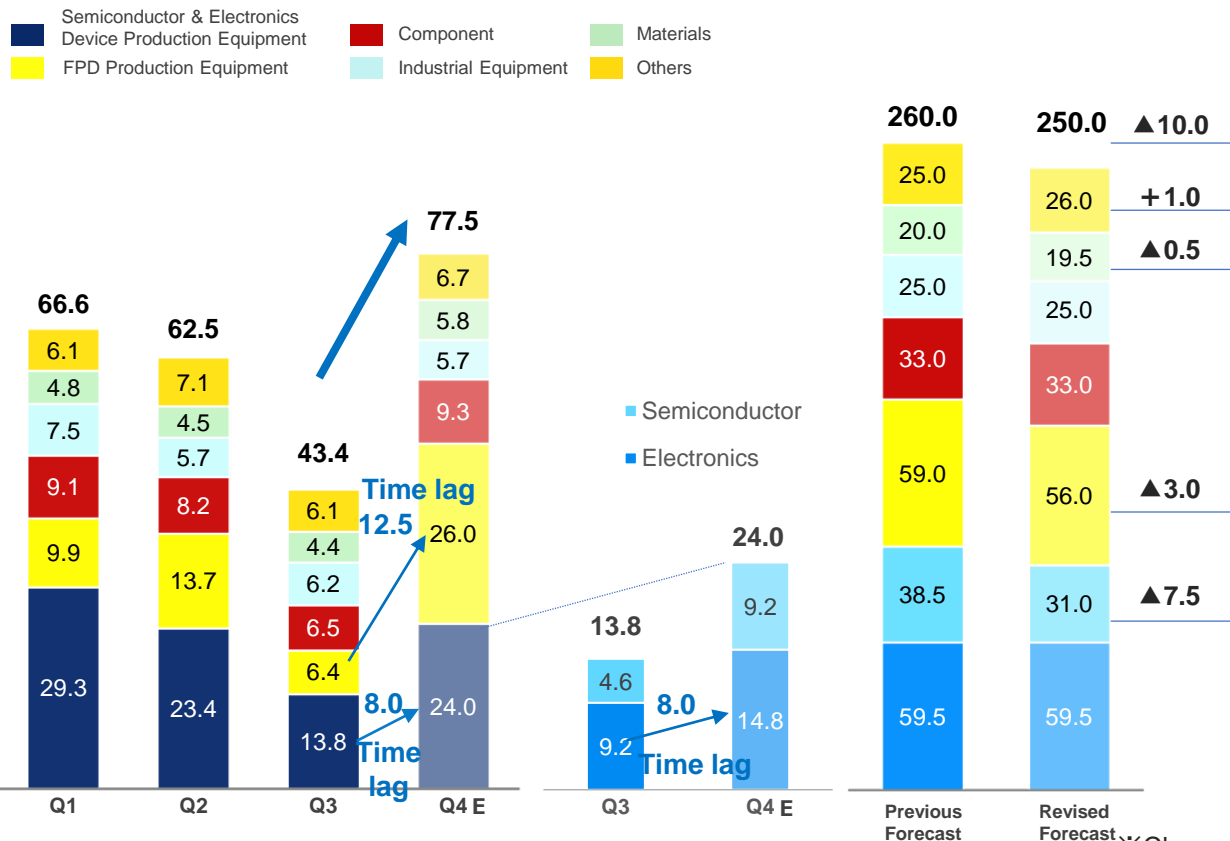
- Net sales, operating profit and profit attributable to owners of the parent have been revised downwards due to the delay in sales contribution caused by the delayed timing of FPD and electronics orders, and the slowdown in semiconductor investment.
- Dividend forecast remain unchanged.

| (Unit: ¥1 billion) | FY2021 | FY2022 | | | |
|-----------------------------------------|--------|-------------------|------------------|----------------------|--------|
| | Actual | Previous Forecast | Revised Forecast | Vs.Previous Forecast | YoY |
| Orders Received | 270.1 | 260.0 | 250.0 | -10.0 | -20.1 |
| Net Sales | 241.3 | 230.0 | 215.0 | -15.0 | -26.3 |
| Operating Profit | 30.1 | 24.0 | 17.5 | -6.5 | -12.6 |
| Operating Profit Margin | 12.5% | 10.4% | 8.1% | -2.3pt | -4.3pt |
| Profit attributable to owners of parent | 20.2 | 20.0 | 16.0 | -4.0 | -4.2 |
| To net sales ratio | 8.4% | 8.7% | 7.4% | -1.3pt | -0.9pt |

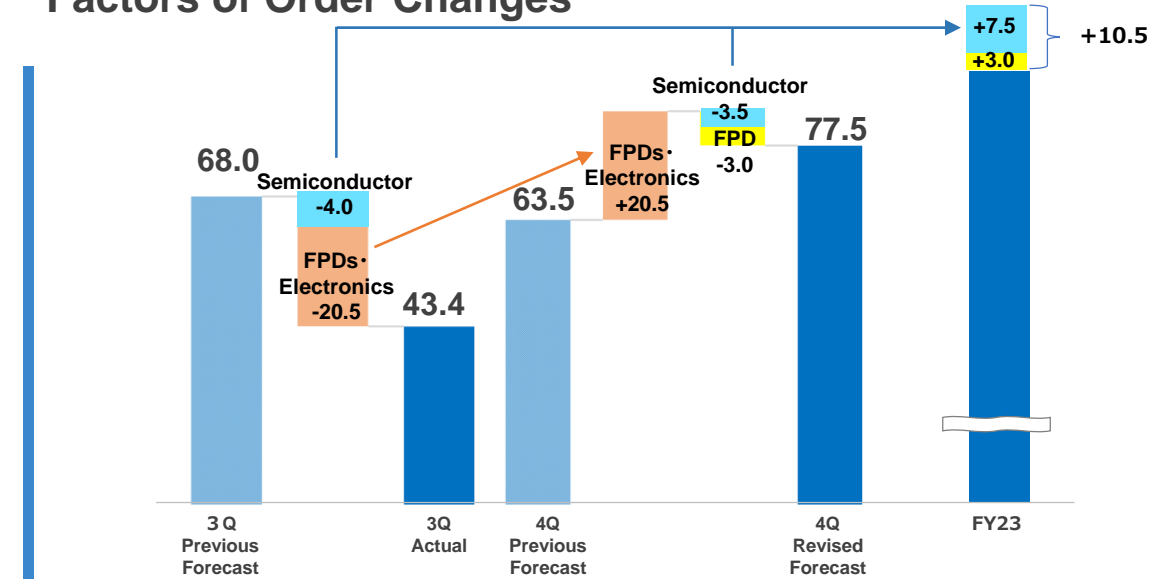
Revised forecast of orders received (Quarterly)

- 3Q orders: FPD (¥12.5 billion), Electronics (¥8.0 billion), total of ¥20.5 billion declined temporarily due to postponement of investment from 3Q to 4Q.
- Orders for the full year are expected to be ¥10 billion lower than previously forecast due to the postponement of investments in semiconductor (¥4 billion in 3Q, ¥3.5 billion in 4Q) and FPDs (¥3 billion in 4Q) to the next fiscal year.

Orders received (Unit: ¥1 billion)



Factors of Order Changes



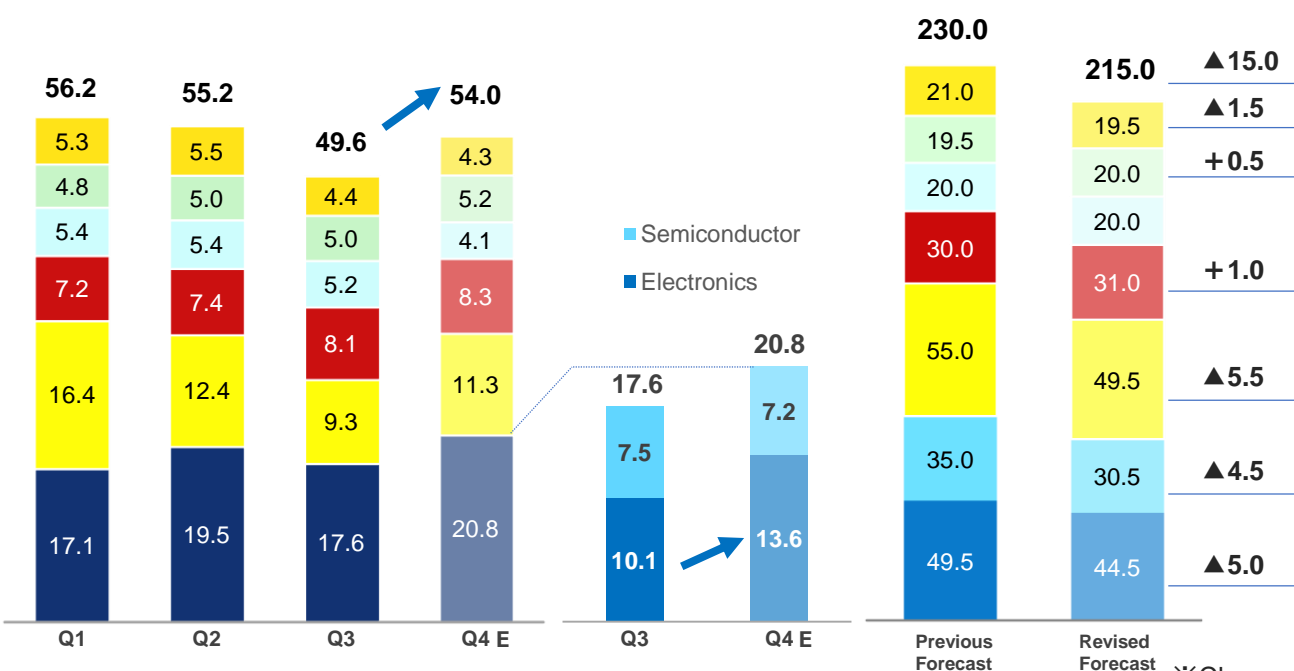
| | | | | |
|---------------|--------------------|-----------------|-------------------------------|-----------------|
| FPDs | LCD for IT panel | Approx. ¥10.0bn | 3Q⇒4Q (¥5bn order received) | Approx. ¥12.5bn |
| | Battery | Approx. ¥2.5bn | 3Q⇒4Q | |
| | OLED·Capacitors | Approx. ¥3.0bn | Postponed to next fiscal year | |
| Electronics | Power (IGBT·SiC) | Approx. ¥4.5bn | 3Q⇒4Q (¥1.2bn order received) | Approx. ¥8.0bn |
| | Electronics Device | Approx. ¥3.5bn | 3Q⇒4Q | |
| Semiconductor | Memory | Approx. ¥4.5bn | Postponed to next fiscal year | Approx. ¥7.5bn |
| | Logic | Approx. ¥3.0bn | Postponed to next fiscal year | |

※Changes from previous forecast

Revised Sales Forecast (Quarterly)

- Expect ¥215.0 billion (- ¥15.0 billion) due to delayed sales contribution from FPD and electronics by the time lag of orders from 3Q to 4Q, and lower sales due to postponement of investments in semiconductor and FPD orders, etc.

Net sales (Unit: ¥1 billion)



FPDs

Time lag of orders received (3Q ⇒ 4Q): ¥12.5 billion,
 Investments postponed to next fiscal year: ¥3.0 billion
 ⇒ Sales : - ¥5.5 billion

Semiconductor

Postponement of investments to next fiscal year :
 ¥7.5 billion ⇒ Sales: - ¥4.5 billion

Electronic Devices

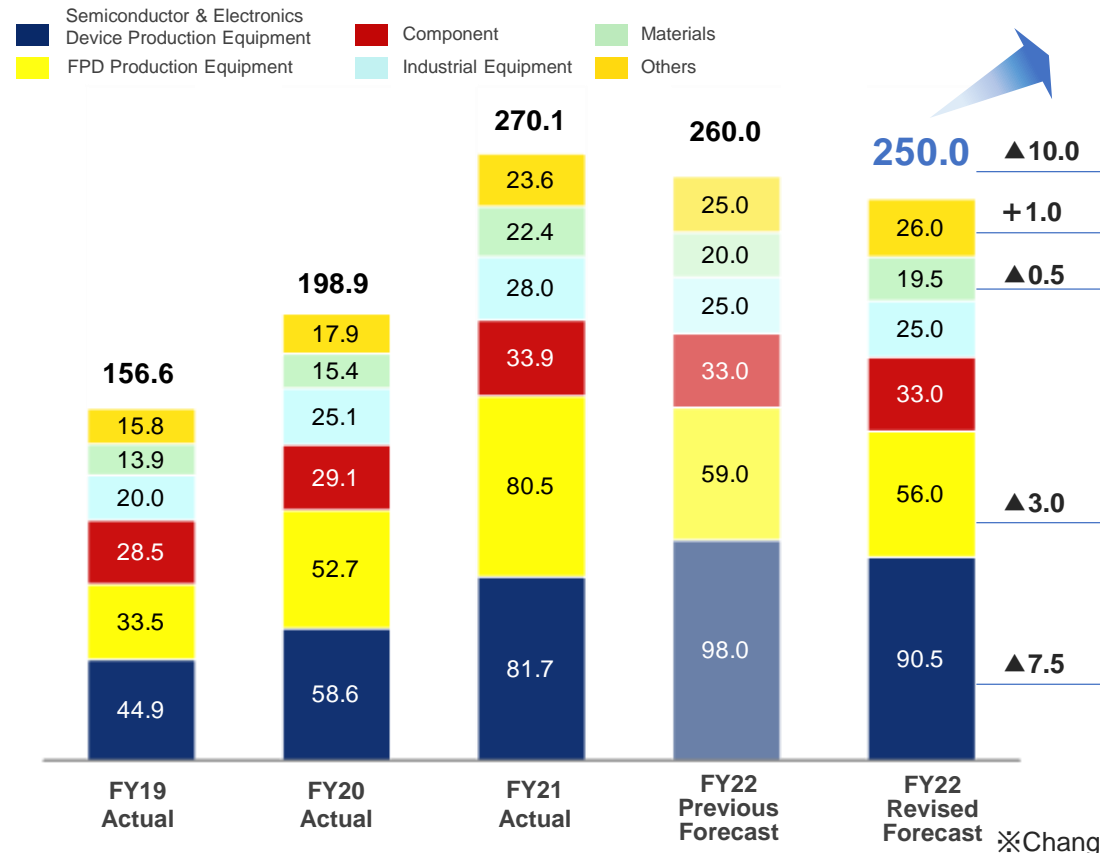
Time lag of orders received (3Q ⇒ 4Q): ¥8 billion
 ⇒ Sales: - ¥5.0 billion

※Changes from previous forecast

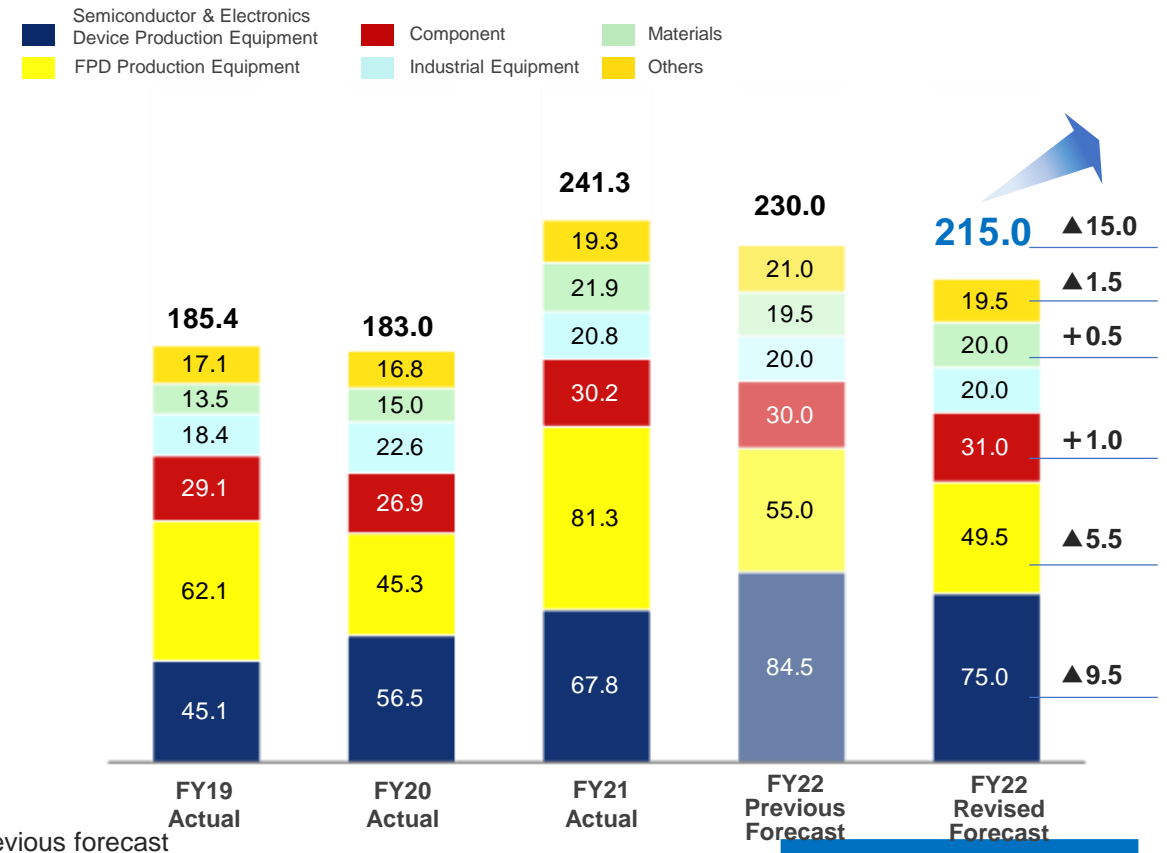
Revision of Orders and Sales Forecasts

- Orders: ¥250.0 billion (-¥10.0 billion) due to slowdown in semiconductor investment, postponement of FPD investment, etc.
- Net sales: ¥215.0 billion (-¥15.0 billion) due to delayed sales contribution from FPD and electronics orders due to postponement of orders from 3Q to 4Q, and lower sales due to decline in semiconductor and FPD orders.
- Order backlog at the end of this fiscal year is expected to exceed ¥150 billion

Orders received (Unit: ¥1 billion)



Net sales (Unit: ¥1 billion)

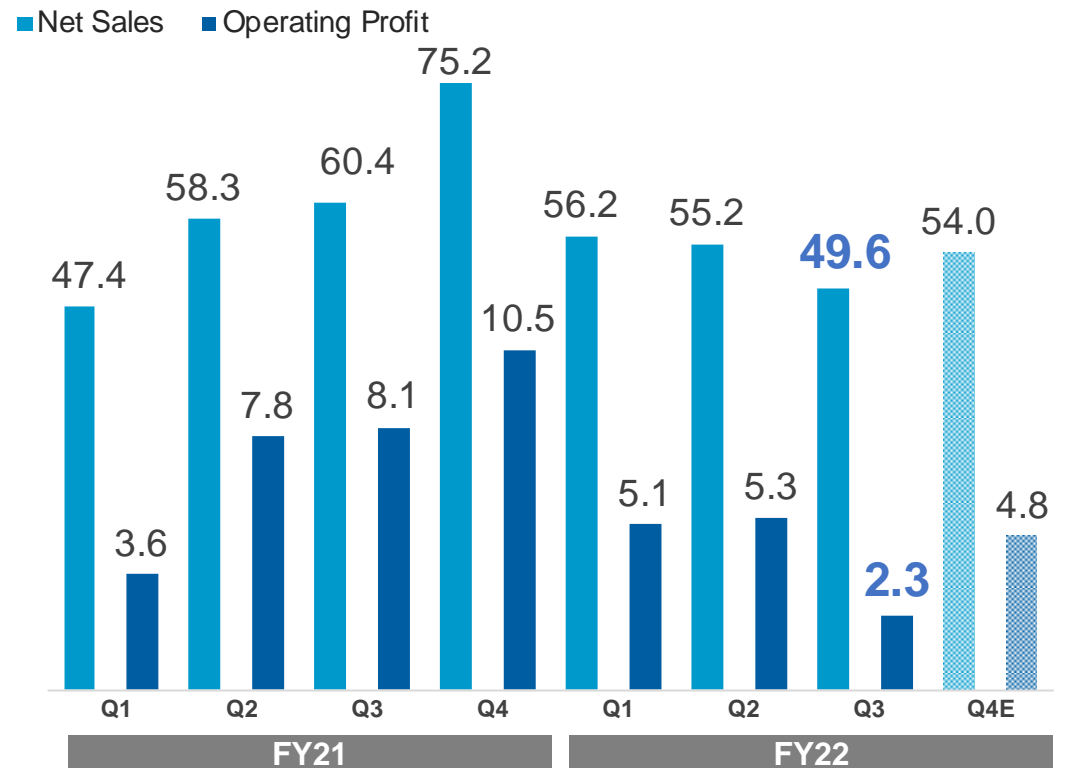


Business results for the third quarter of FY2022

- Orders decreased YoY due to the reactionary drop in FPD orders and the postponement of FPD and electronics projects scheduled for orders in 3Q to 4Q.
- Net sales and each profit (ratio) decreased YoY mainly due to decrease in orders received. Sales and profits are expected to increase in 4Q.

| (Unit: ¥1 billion) | FY2021 | FY2022 | | |
|-----------------------------------------|--------|--------|--------|------|
| | Q3 YTD | Q3 YTD | YoY | |
| | Actual | Actual | | |
| Orders Received | 204.2 | 172.5 | -31.6 | -15% |
| Net Sales | 166.1 | 161.0 | -5.1 | -3% |
| Gross Profit | 50.8 | 48.0 | -2.7 | -5% |
| Gross Profit Margin | 30.6% | 29.8% | -0.7pt | - |
| SG&A | 31.2 | 35.3 | +4.1 | +13% |
| Operating Profit | 19.5 | 12.7 | -6.8 | -35% |
| Operating Profit Margin | 11.8% | 7.9% | -3.8pt | - |
| Profit attributable to owners of parent | 13.8 | 11.8 | -2.0 | -15% |
| To net sales ratio | 8.3% | 7.3% | -1.0pt | - |

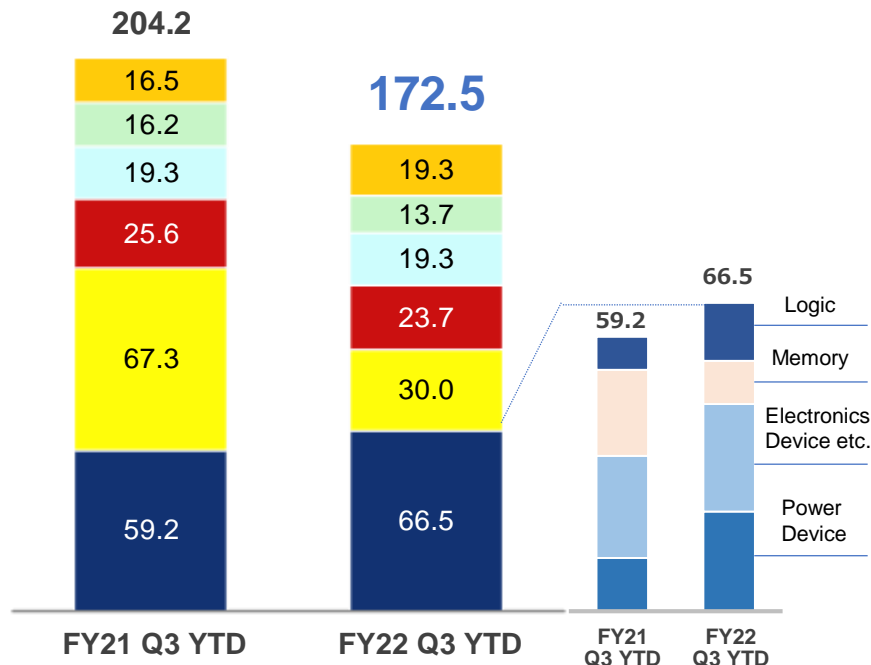
Quarterly Net Sales and Operating Profit (Unit: ¥1 billion)



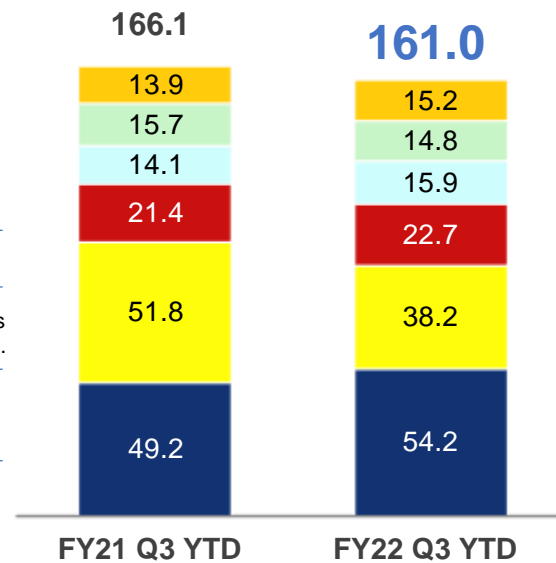
Both orders and sales decreased YoY (semiconductor and electronics increased YoY)

- Orders received: Decreased YoY due to a decrease in materials and components in addition to a reactionary drop in FPDs
- Semiconductor and Electronics increased YoY mainly due to continued strong orders of power devices, various electronic devices, and logic devices.
- Net sales: Decreased YoY mainly due to lower orders received.

Orders received (Unit: ¥1 billion)



Net sales (Unit: ¥1 billion)



Semiconductor & Electronics

Semiconductor

- Expansion in Logic Customers, Contribution of New Processes but slowdown in Memory Investment

Electronics

- **Power devices:**
Investment expansion in Japan (mainly IGBT) and China (mainly SiC)
- **Electronics devices:**
Continued investment in analog ICs, μ OLEDs for AR/VR, and other various electronic devices

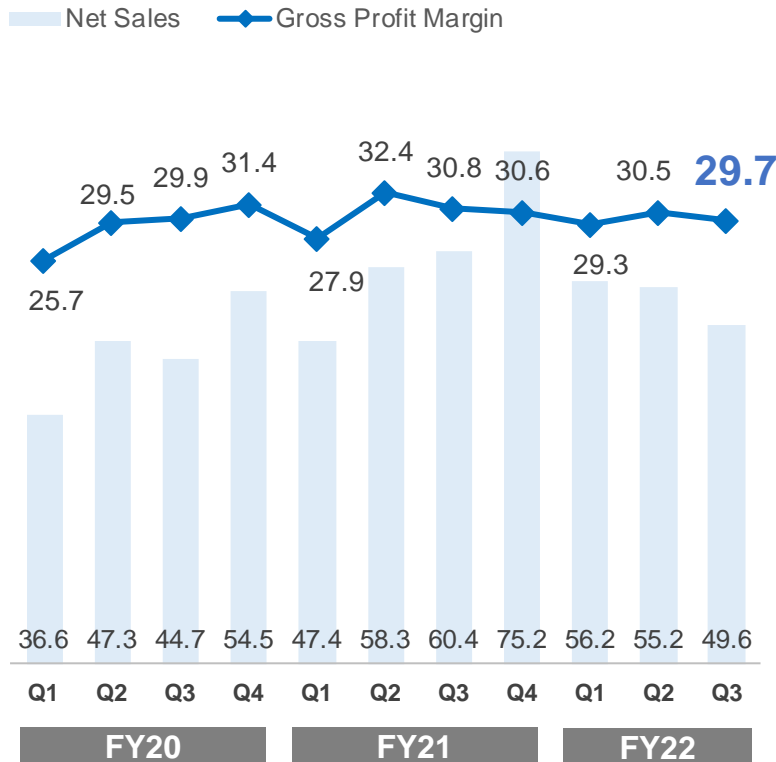
FPDs

- Decreased YoY due to a reactionary drop in investment in LCDs for IT panels, which was active in the previous fiscal year
- Additional decrease YoY due to the postponement of FPD projects (approx. ¥12.5 billion) and electronics projects (approx. ¥8.0 billion) from 3Q to 4Q.

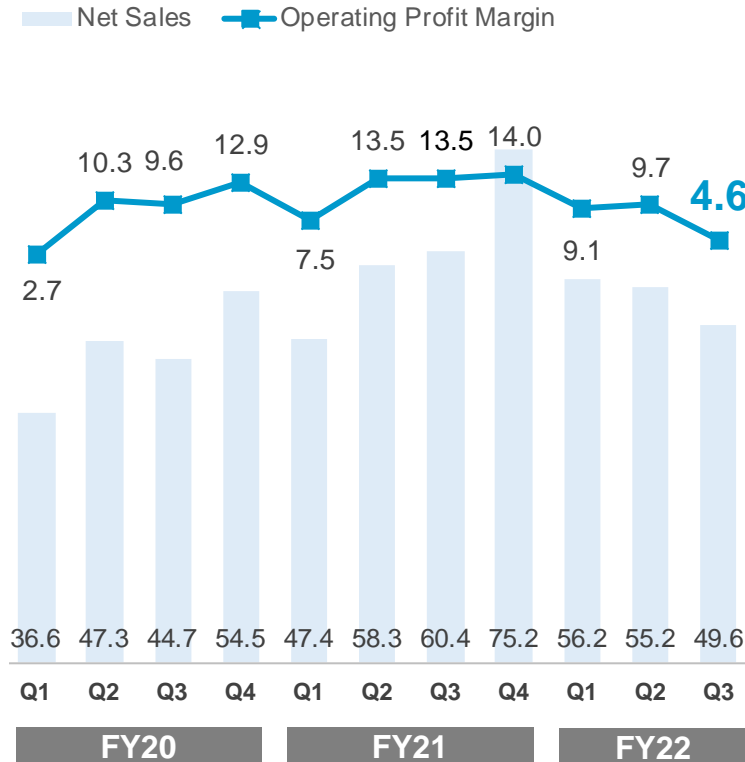
Quarterly Profit Trends

- **Gross profit margin:** Profit margin declined due to lower sales
- **Operating profit margin:** Operating profit margin declined due to lower gross profit margin and higher SG&A expenses (R&D expenses).
- **SG&A expenses to net sales ratio:** 4.4% increase due to higher R&D expenses for semiconductor-related and other upfront investments

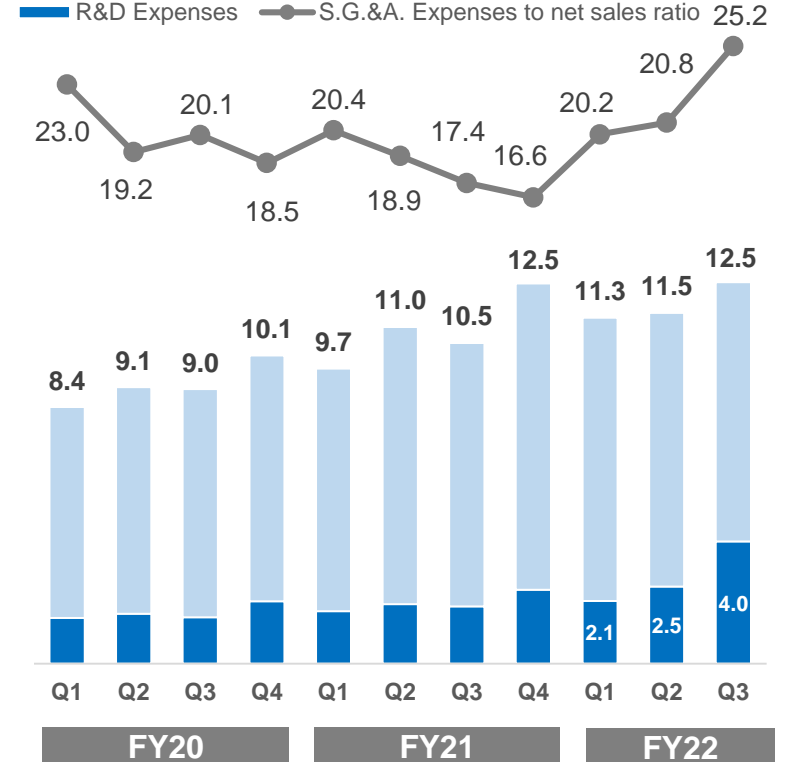
Gross Profit Margin (Unit: ¥1 billion,%)



Operating Profit Margin (Unit: ¥1 billion,%)



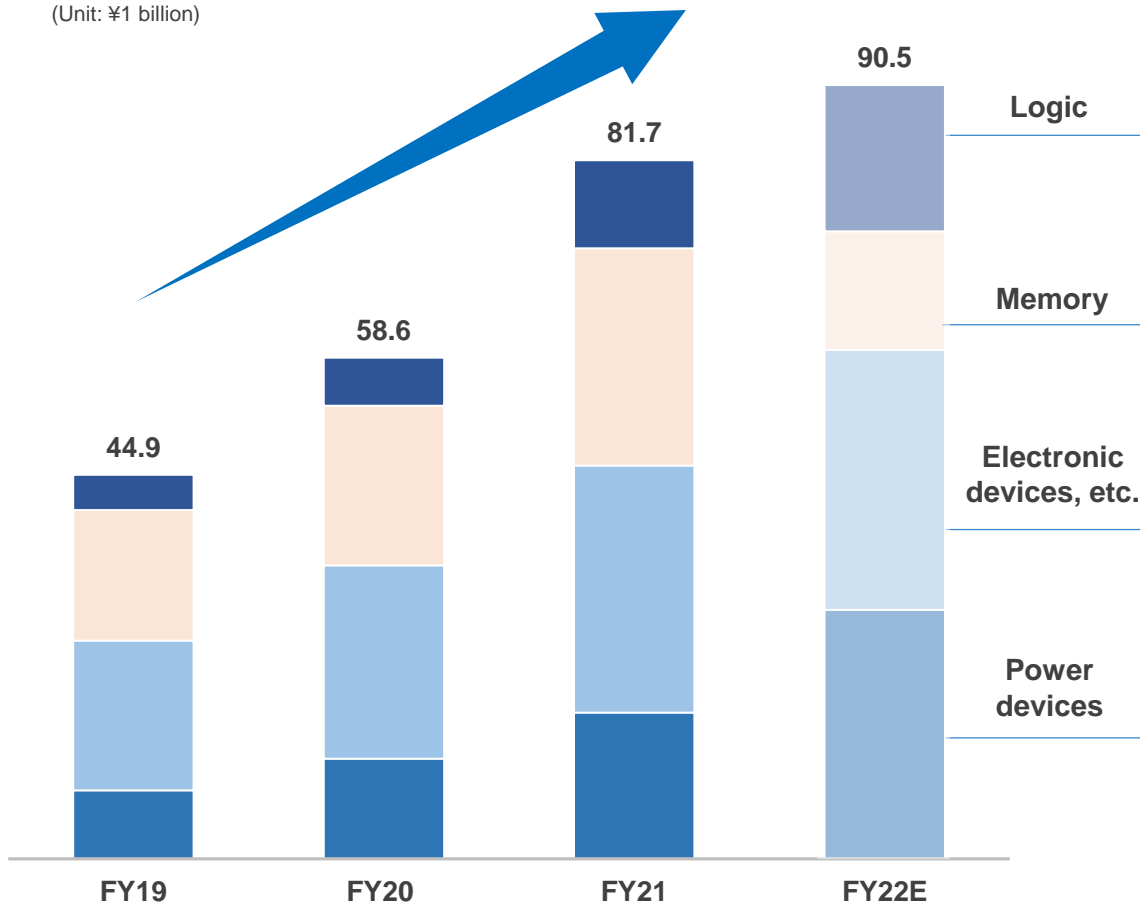
SG&A Expenses (Unit: ¥1 billion,%)



- Slowdown in Memory investment (expected to recover in the second half of FY2023), while growth continues in logic, power devices, electronic devices, etc.

Semiconductor & Electronics Orders by Sector

(Unit: ¥1 billion)



Continued growth in the next fiscal year and onwards

- > **MHM Process:** Steady growth despite current slowdown in investment in advanced logic
- > **New Customers:** Continuous investment in legacy logic areas as production expands
- > **New process:** MHM process highly evaluated, second vendor expected ⇒ Continuous growth in MHM process and other processes

- > **Memory:** Slowdown at present, but investment expected to recover from the second half of FY2023
Growth by market recovery and entry into new processes

- > **Optical devices:** Active investment in μ OLED for AR/VR, μ LED, 3D sensors, etc.
- > **Various electronic devices:** Continuous investment in technological innovation and increased production for packaging, etc.

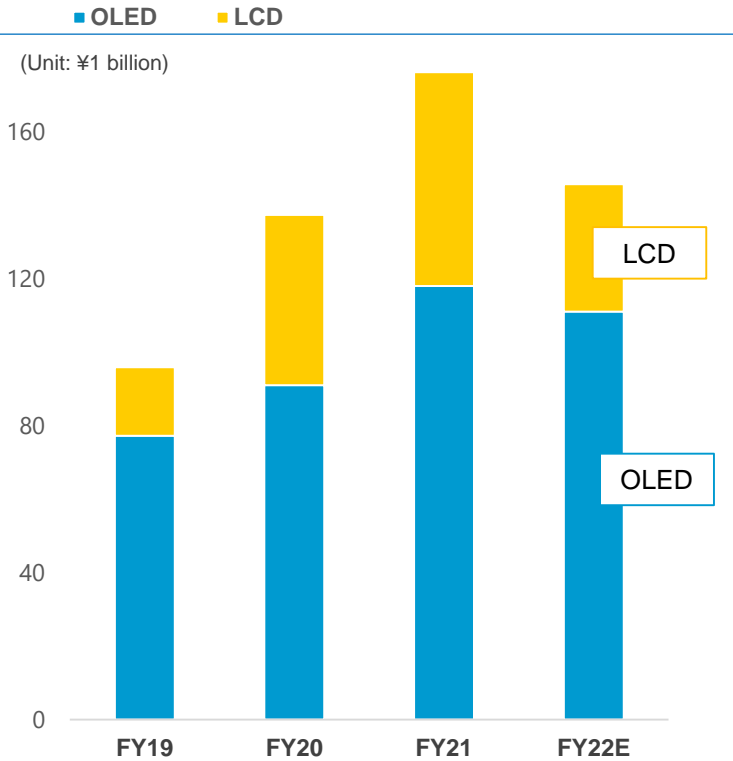
- > **Japan:** Major companies continue to invest aggressively over the med to long term (IGBT and SiC)
- > **China:** SiC investment has entered the mass production stage
Si-MOSFET investment continues

FPDs: Growth in the battery business

- Investment for mass production of large-size OLED (G8.6~7) for IT panels will be postponed to the next fiscal year
⇒ Mass production investment will start in the next fiscal year and onwards
- Investment in battery Roll to Roll equipment has started ⇒ Full-scale investment will begin in the next fiscal year and onwards
- Expect orders of around ¥60 billion in the next fiscal year and onwards

FPD Capital Investment Trends

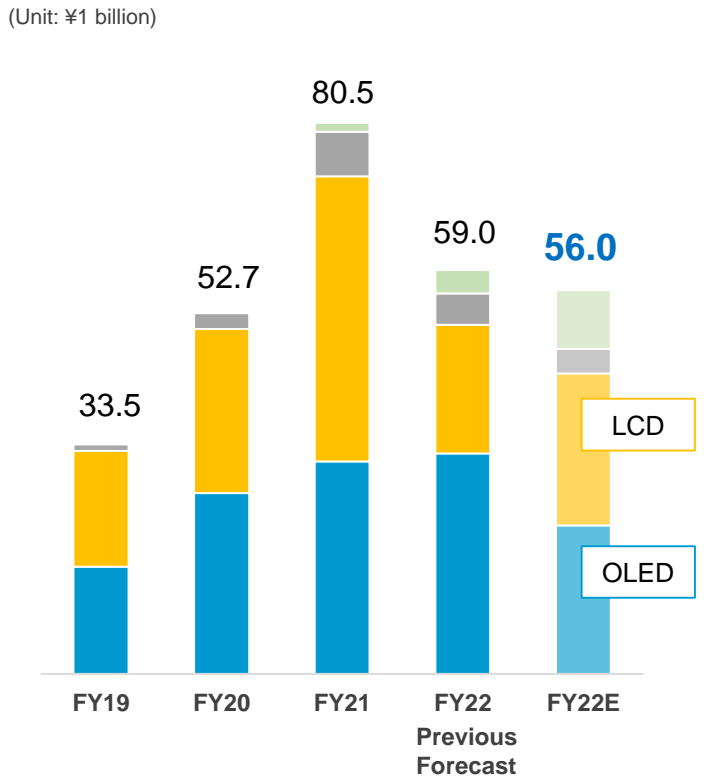
(Evaporation and sputtering)



Source: Our projections

Order Received Forecast

■ OLED ■ LCD ■ Capacitor·Others ■ Battery



Order Received in FY2022

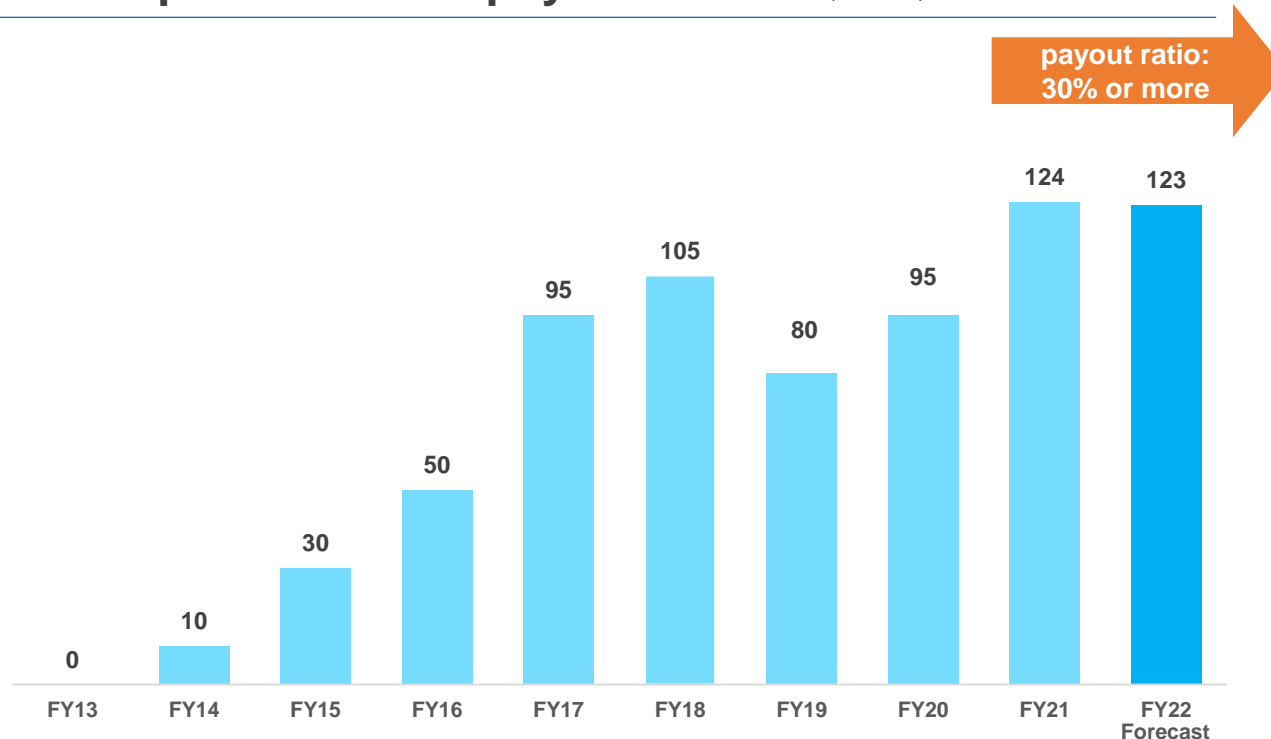
- Continuous investment in LCDs for IT panels, which was active in the previous fiscal year, is expected to exceed the expected reactionary decline in investment
- Downward swing due to timing lag in investment in large-size substrate OLED for IT panels
- Started investment in Roll-to-Roll equipment batteries (expected to exceed plan and previous forecast)

FY2023 Onwards

- Investment in mass production of large-size substrate OLED sputtering equipment for IT panels starts : Aiming to capture market share steadily by leveraging our strengths in transfer technology and high-definition support
- Full-scale investment in Roll-to-Roll equipment for batteries starts: Preceding by mass production technology and expecting to receive orders of over ¥10 billion by starting business with multiple companies.

- Aiming to achieve further growth and increase dividends over the long term by strengthening development investment in growth areas
- We have positioned shareholder returns as one of our most important policies, and have steadily increased dividends
For the current fiscal year, the dividend of ¥123 per share announced in February remains unchanged from the viewpoint of stable dividends
- Expanding our financial base to respond the risks and capital needs of the industry undergoing rapid changes and technological innovations

Dividend per share and payout ratio (Unit: ¥1)





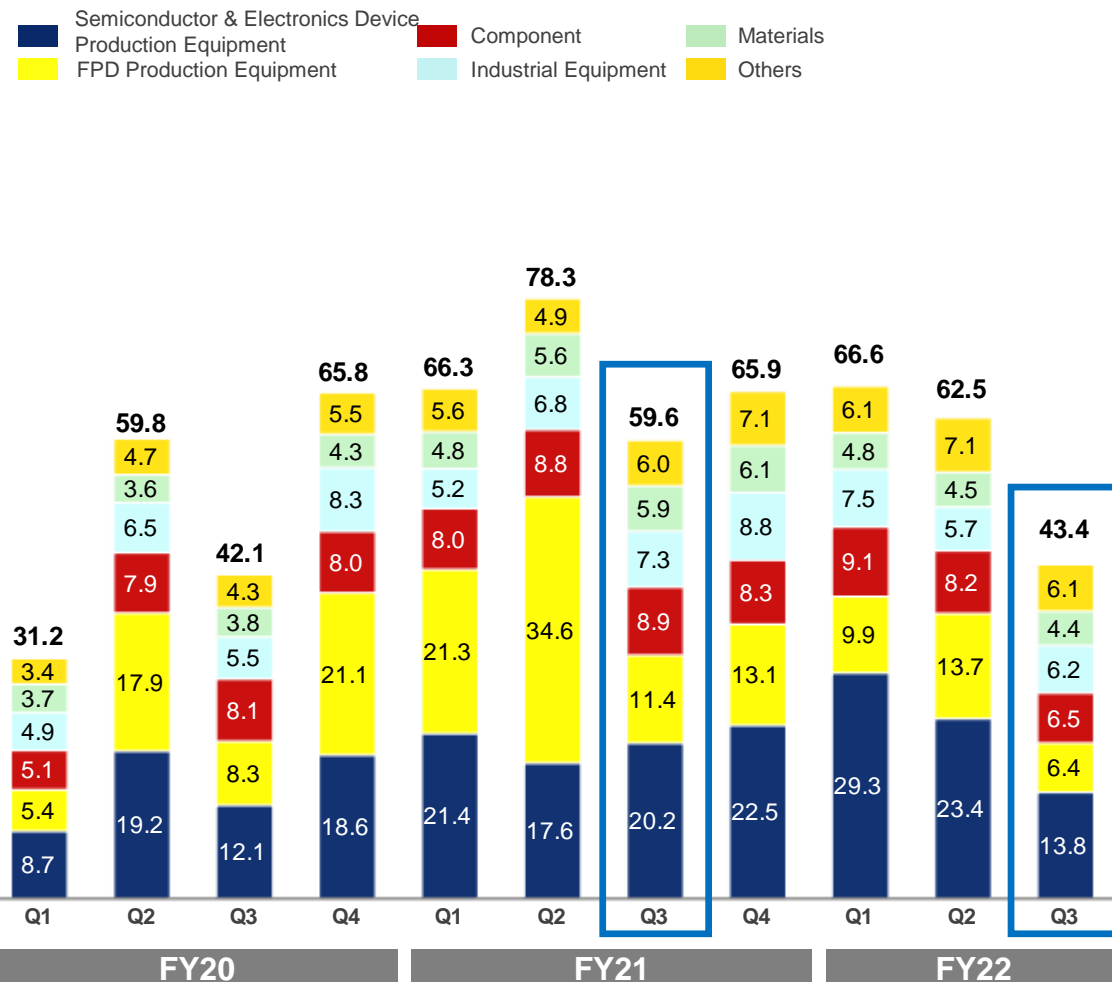
Appendix

Quarterly Business Results

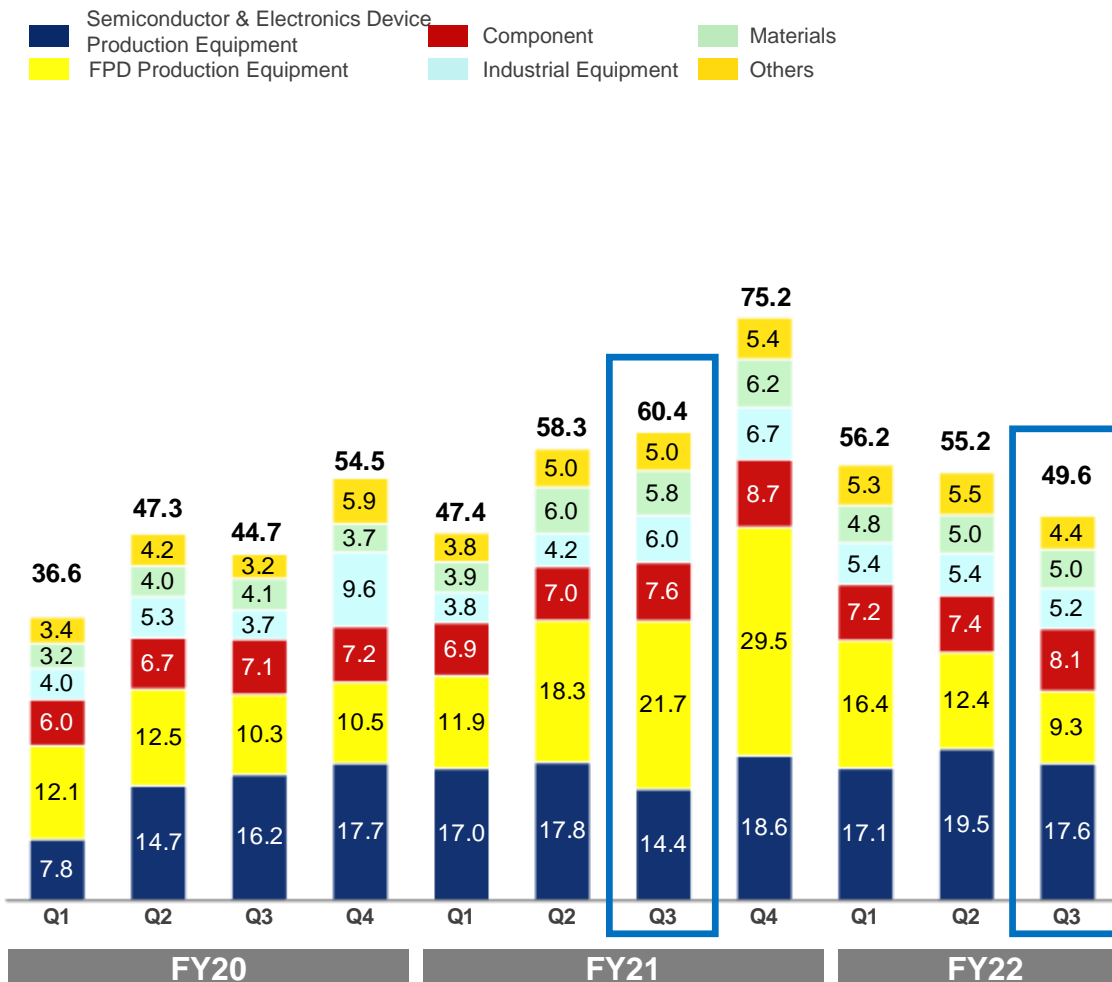
| (Unit: ¥1 billion) | FY2021 | | | | FY2022 | | | | |
|-----------------------------------------|--------|-------|-------|-------|--------|-------|-------|--------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | YoY | |
| | | | | | | | | Amount | % |
| Orders Received | 66.3 | 78.3 | 59.6 | 65.9 | 66.6 | 62.5 | 43.4 | -16.2 | -27% |
| Net Sales | 47.4 | 58.3 | 60.4 | 75.2 | 56.2 | 55.2 | 49.6 | -10.8 | -18% |
| Gross Profit | 13.2 | 18.9 | 18.6 | 23.0 | 16.5 | 16.8 | 14.7 | -3.9 | -21% |
| Gross Profit Margin | 27.9% | 32.4% | 30.8% | 30.6% | 29.3% | 30.5% | 29.7% | -1.1pt | - |
| SG&A | 9.7 | 11.0 | 10.5 | 12.5 | 11.3 | 11.5 | 12.5 | +2.0 | +19% |
| Operating Profit | 3.6 | 7.8 | 8.1 | 10.5 | 5.1 | 5.3 | 2.3 | -5.8 | -72% |
| Operating Profit Margin | 7.5% | 13.5% | 13.5% | 14.0% | 9.1% | 9.7% | 4.6% | -8.9pt | - |
| Profit attributable to owners of parent | 2.2 | 5.9 | 5.6 | 6.4 | 4.1 | 5.3 | 2.4 | -3.2 | -57% |
| To net sales ratio | 4.7% | 10.1% | 9.3% | 8.6% | 7.2% | 9.6% | 4.9% | -4.5pt | - |

Orders received and net sales by segment (quarterly)

Orders received (Unit: ¥1 billion)

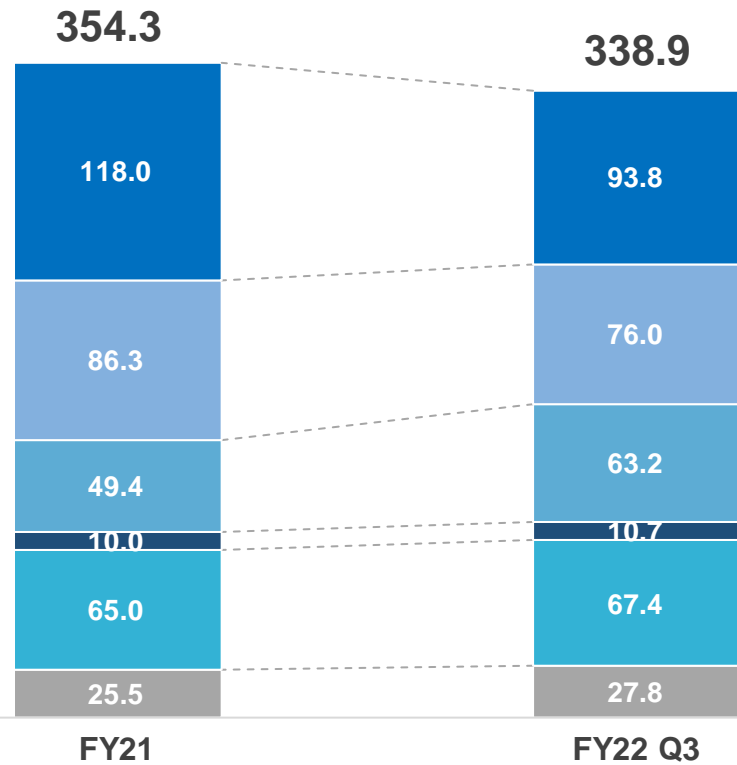


Net sales (Unit: ¥1 billion)



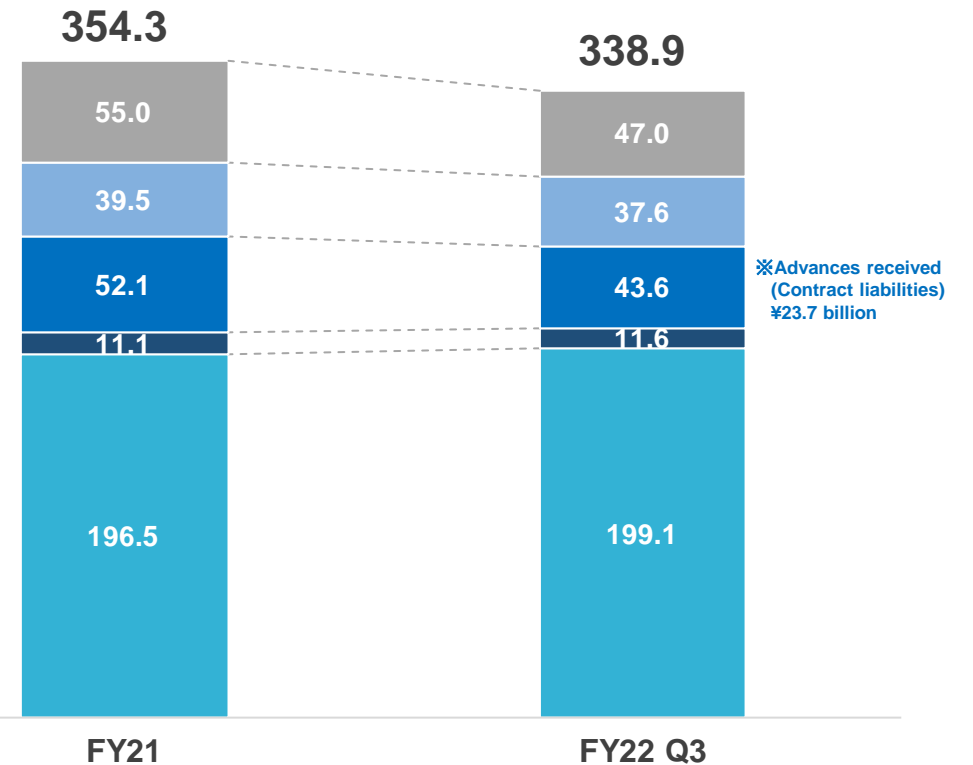
Assets (Unit: ¥1 billion)

- Cash and deposits
- Notes and accounts receivable, trade
- Inventories
- Other current assets
- Property, plant and equipment
- Investment securities etc.



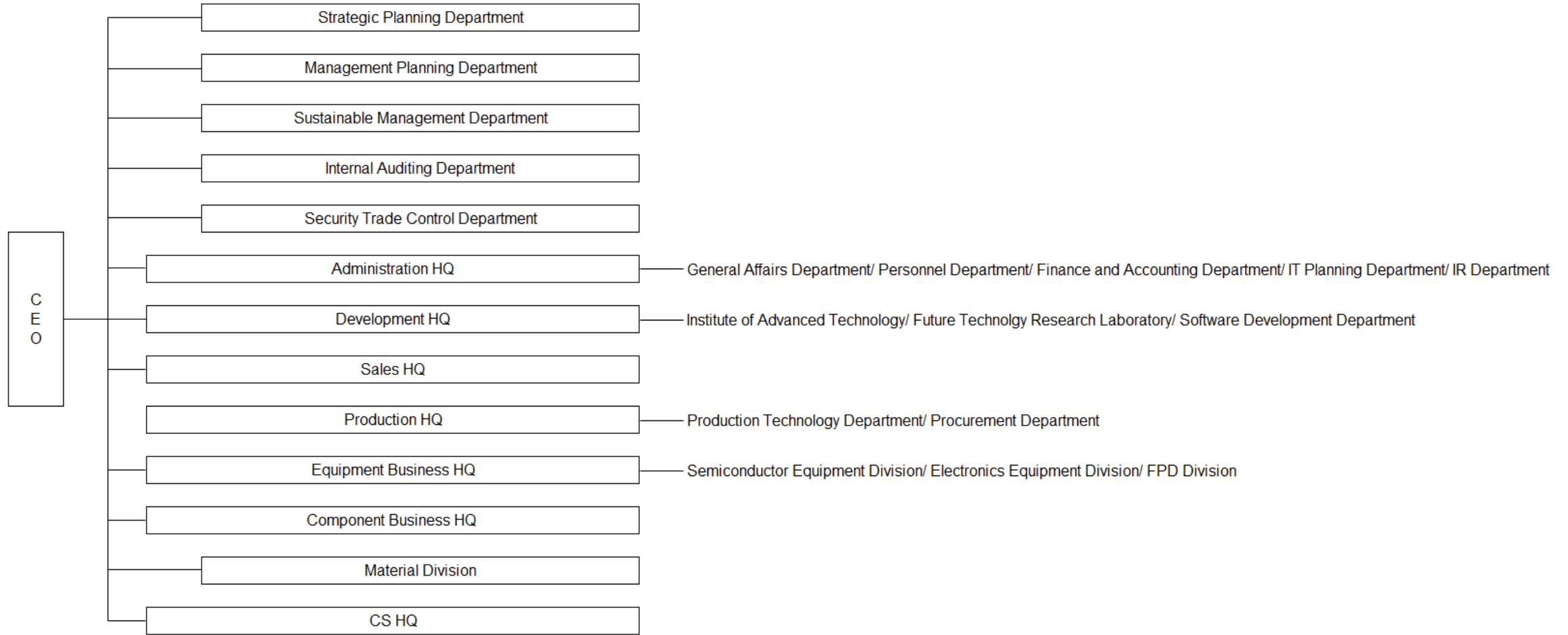
Liabilities and Net Assets (Unit: ¥1 billion)

- Notes and accounts payable, trade
- Interest-bearing debt
- Other current liabilities
- Other non-current liabilities
- Net Assets

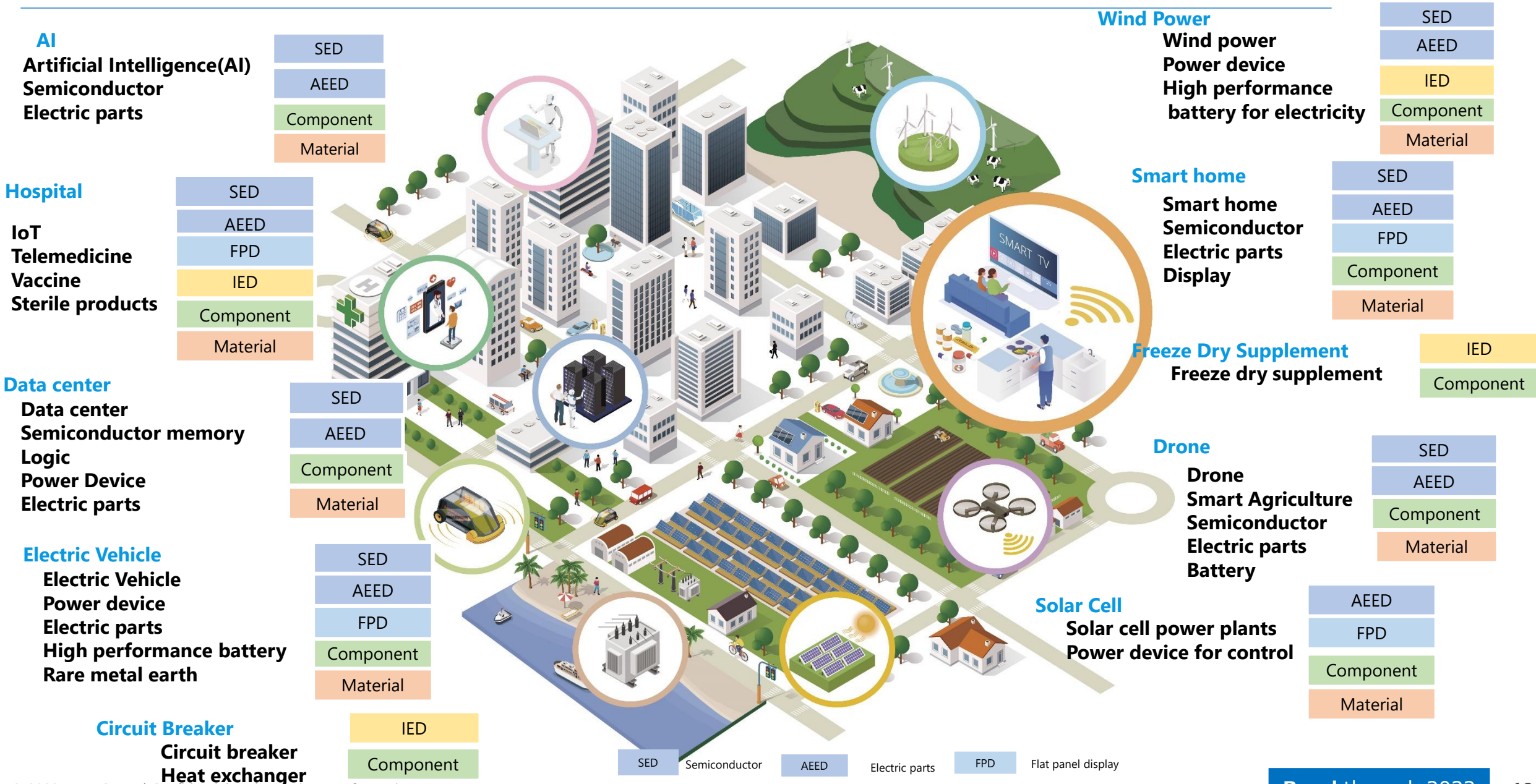


New Organization of ULVAC (as of 1st July 2023)

- Adopting headquarters structure to unify the group (from R&D to CS)



ULVAC's Value Creation: "Here & There, Near your side"

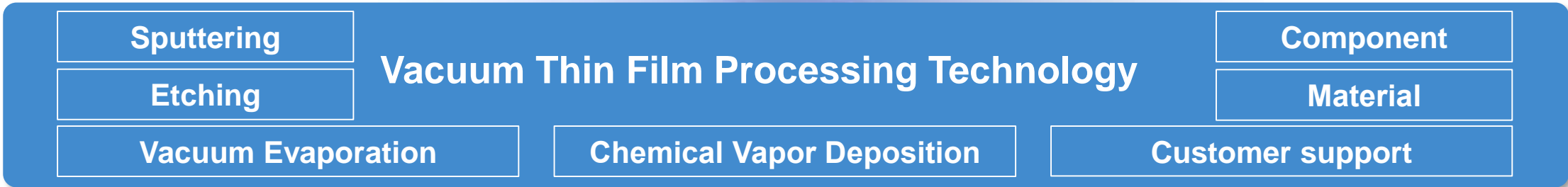
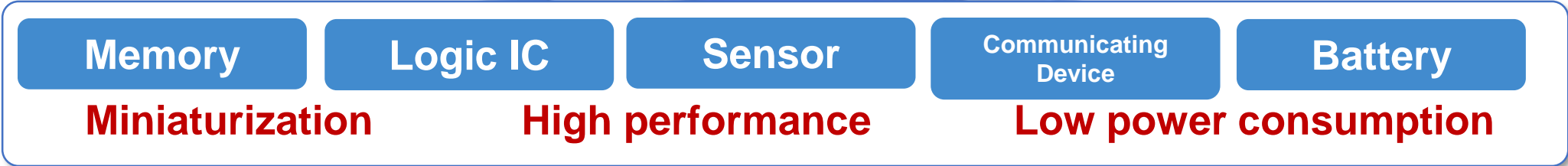


Smart and Digital Society Realization



Green Energy Conversion Low Power Consumption

Smart Society ⇒ Solving Social Problems



ULVAC Vacuum Technology Contributes to Many Industries and Applications



ULVAC