

ULVAC, Inc.

The First Half of FY2025/6 Business Results

July 2024 - December 2024

February 12, 2025



Disclaimer regarding forward-looking statements etc.

■ 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.

■ Processing of numbers

Figures and percentages in this document have been rounded to the nearest unit.

■ Product Category Change

From FY25/6, the name of "FPD production equipment" has been changed to "Display and Energy-Related Production Equipment".

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

- Net sales and profit items for H1 exceeded both the plan and the previous H1, resulting in increased Net sales and profit. Although orders received decreased YoY, an increase is expected in H2 compared to H1.
- The profit margin base is steadily rising, with the Gross profit for Q2 reaching ¥23.8 billion, marking the highest level on a quarterly basis since listing.
- There are no changes to the consolidated earnings forecast for Net sales and each profit item, while the full-year Order received forecast has been revised ⇒ We will closely monitor the market environment and accurately capture investment trends to aim for an overall expansion in orders.

There are three main points in this issue.

The first is the results for the first half of the fiscal year. Net sales and profit items exceeded both the previous H1 and the plan, resulting in an increase in both net sales and profit. Orders received decreased YoY but are expected to increase in H2.

With regard to the second item, profit margin, we have been focusing on this as a basic policy of the medium-term management plan, and the profit margin base has been steadily increasing in H1. Gross profit of JPY23.8 billion in Q2 was the highest level since we were listed on the stock exchange on a quarterly basis.

Third, I would like to discuss the outlook for the full year. Only orders received were revised to reflect the current situation. The full-year forecast remains unchanged.

We will continue to ensure that we are aware of the market environment and investment trends and aim to increase overall orders.

(Unit: ¥1 billion)	FY2024/6						FY2025/6					YoY	
	Q1	Q2	H1	Q3	Q4	Full Year	Q1	Q2	H1 Plan	H1 Actual			
Orders Received	78.0	56.1	134.0	55.6	68.5	258.2	50.9	65.5	134.0	116.4	-17.6	-13%	
Net Sales	55.0	65.2	120.2	65.0	75.9	261.1	61.0	73.9	129.0	134.9	+14.7	+12%	
Gross Profit	15.3	20.1	35.4	22.0	23.3	80.7	19.1	23.8	-	42.9	+7.5	+21%	
Gross Profit Margin	27.7%	30.8%	29.4%	33.8%	30.7%	30.9%	31.3%	32.2%	-	31.8%	+2.4pt		
SG&A	12.4	12.6	25.0	11.9	13.9	50.9	13.4	14.2	-	27.6	+2.6	+10%	
Operating Profit	2.8	7.5	10.3	10.1	9.4	29.8	5.8	9.6	14.0	15.3	+5.0	+49%	
Operating Profit Margin	5.1%	11.5%	8.6%	15.5%	12.3%	11.4%	9.4%	13.0%	10.9%	11.4%	+2.8pt		
Profit attributable to owners of parent	1.1	5.7	6.9	6.4	6.9	20.2	3.7	6.7	9.0	10.4	+3.5	+51%	
To net sales ratio	2.1%	8.8%	5.7%	9.9%	9.1%	7.7%	6.1%	9.0%	7.0%	7.7%	+2.0pt		

- » Both Net sales and profit increased YoY, with the Gross profit margin rising steadily to 31.8%.
- » All items improved QoQ.

This page is a summary of the H1 results.

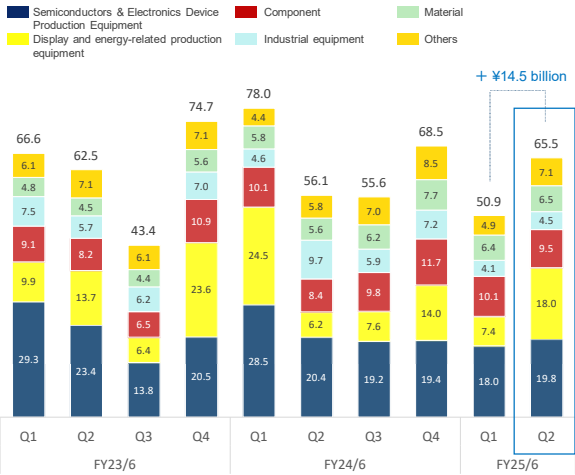
As you can see, as shown in the results in the blue box, orders received decreased YoY, but net sales and each profit item generally progressed as planned, with a steady increase in gross profit margin to 31.8%, resulting in an increase in both sales and profit.

In addition, all items improved in Q2 compared to Q1.

Quarterly Trends

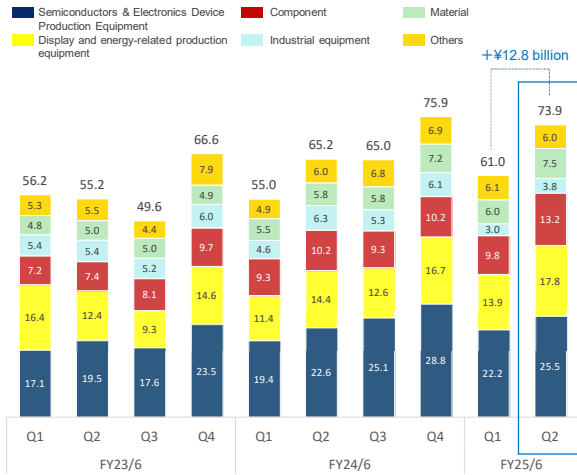
Orders Received

(Unit: ¥1 billion)



Net Sales

(Unit: ¥1 billion)



- » Orders received: Increased by ¥14.5 billion QoQ due to orders for OLED (G8.7) projects and others such as surface analysis equipment.
- » Net sales: Increased by ¥12.8 billion QoQ due to the high level of backlog orders that contributed to an overall increase across each item

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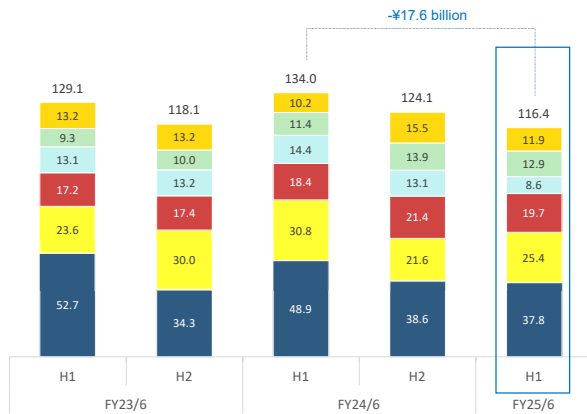
This one shows the status of quarterly trends. Orders received are shown on the left and net sales are shown on the right as bar graphs for each item.

Orders received in Q2 totaled JPY65.5 billion, a JPY14.5 billion increase from Q1. Largely, display and energy-related production equipment increased by more than JPY10 billion, due in part to the full-scale investment in OLEDs, while surface analysis equipment which is included in “Others” sector performed well.

In terms of net sales, there was a general increase in each item, with a JPY12.8 billion increase over Q1, due to the contribution of a high level of backlog orders and other factors.

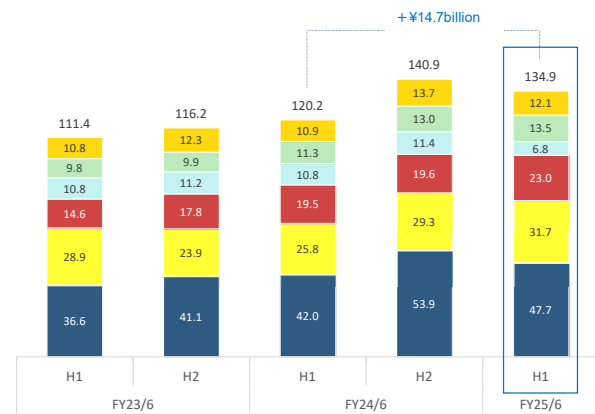
Orders Received

(Unit: ¥1 billion)



Net Sales

(Unit: ¥1 billion)



- » Orders received: Decreased by ¥17.6 billion compared to the previous H1, due to a reactionary decline in power devices, batteries, etc.
- » Net sales: Increased by ¥14.7 billion compared to the previous H1, as revenue recognition progressed steadily, resulting in an overall increase across each item.

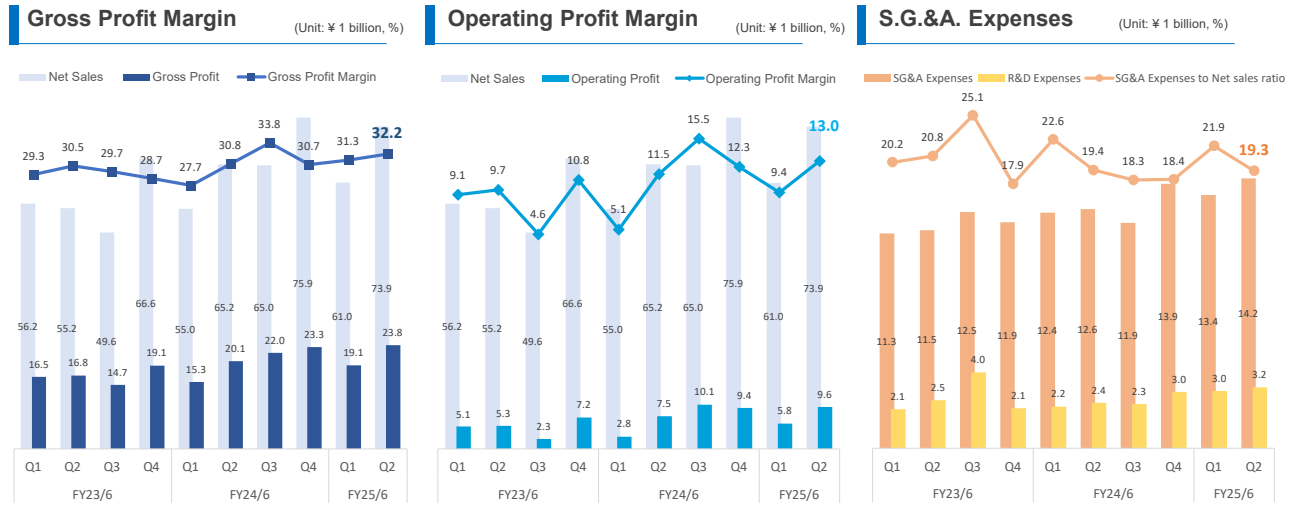
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As with the quarterly trends, orders received are on the left and net sales are on the right.

In terms of orders received, there was a JPY17.6 billion decrease from the previous H1, partly due to a reactionary decline from the intensive investment in power devices and batteries in previous H1.

On the other hand, net sales on the right, with steady progress in revenue recognition thanks to orders, landed at a positive JPY14.7 billion increase compared to the previous H1.

Profit Margin Trends



- » **Gross Profit Margin:** In addition to the Net sales increase QoQ, the sales composition ratio of high-margin Semiconductors and Electronics/ Components continues to exceed 50%, with the profit margin base steadily rising.
- » **Operating Profit Margin:** +3.6 pt. QoQ mainly due to the increased revenue.

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This is followed by the profit margin.

First, please see the graph on the left. Gross profit margin in Q2 was 32.2%, an improvement of 0.9 points from Q1. In addition to the effect of increased net sales from Q1, the profit margin base is steadily increasing, and margins continue to improve, as the composition ratio high-margin semiconductors and electronics/ components continues to exceed 50% among overall sectors.

The operating profit margin, shown in the middle graph, also improved by 3.6 points from Q1 to 13%, mainly due to the effect of increased revenue.

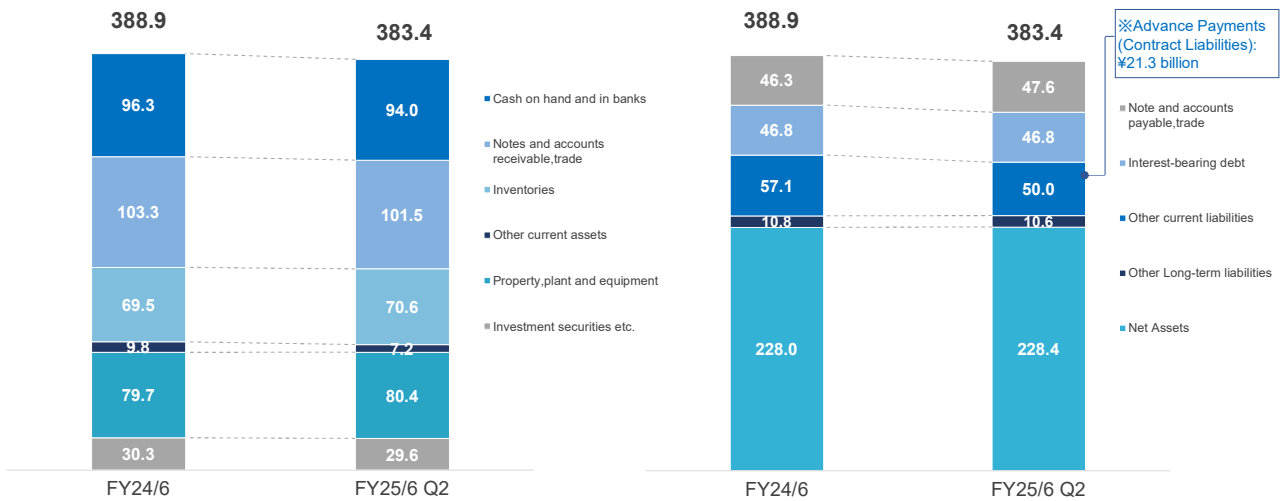
Consolidated Balance Sheet

Assets

(Unit: ¥1 billion)

Liabilities and Net Assets

(Unit: ¥1 billion)



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This section describes the balance sheet situation at the end of Q2.

Total assets decreased JPY5.5 billion from the end of the previous period to JPY383.4 billion.

(Unit: ¥1 billion)	FY 24/6			FY 25/6	YoY	
	Full Year Actual	H1 Actual	H2 Forecast	Full Year Forecast	Amount	%
Orders Received	258.2	116.4	143.6	Previous※ 270.0 Current 260.0	+11.8	+5%
Net Sales	261.1	134.9	140.1	275.0	+13.9	+5%
Operating Profit	29.8	15.3	19.2	34.5	+4.7	+16%
Operating Profit Margin	11.4%	11.4%	13.7%	12.5%	+1.1pt	-
Profit attributable to owners of parent	20.2	10.4	12.6	23.0	+2.8	+14%
To net sales ratio	7.7%	7.7%	9.0%	8.4%	+0.6pt	-
Dividend per share(Yen)	144.0			164.0	+20.0	

Semiconductor and Electronics
 • Power Devices: -¥6.0 billion
Display & Energy
 • Battery: -¥2.0 billion
Industrial Equipment
 • High-performance Magnet Manufacturing Equipment, etc.: -¥2.0 billion

※Disclosed on 13 Aug 2024

- » Orders received: Full year forecast revised to ¥260 billion, reflecting the slowdown in EV demand, etc.
- » Net sales and Profit (Margin): The earnings forecast remains unchanged, supported by contributions from the order backlog (¥125.5 billion at the end of Q2).

For the full-year forecast, reflecting the current slowdown in investment due to factors such as slower demand for EVs than we had assumed at the beginning of the period, we have lowered our forecast for orders received by JPY10 billion from JPY270 billion at the beginning of the period to JPY260 billion.

The breakdown of orders is as follows: we have revised our forecast from the beginning of the period by JPY6 billion for power devices, JPY2 billion for batteries, and JPY2 billion for high-performance magnet manufacturing equipment, etc.

On the other hand, the full-year forecast remains unchanged, mainly due to the expected sufficient contribution of the backlog orders of JPY125.5 billion as of the end of Q2.



Market Environment and Future Business Development

Market environment and investment trends

Category	Market Environment and Investment Trends	CY25	CY26
Semiconductor Logic & Memory	<ul style="list-style-type: none"> • DRAM: Investment is accelerating due to the expanding demand for generative AI. • NAND: Inventory adjustments are progressing, leading to a resumption of investment. • Advanced Logic: Investment is intensifying towards next-generation nodes. 		
Various Electronic Devices	<ul style="list-style-type: none"> • The expansion of generative AI demand is activating the advanced packaging business. • Continued investment in technological innovation and production expansion 		
Power Devices	<ul style="list-style-type: none"> • Although the current investment is slowing due to a decline in EV demand, medium- to long-term growth is expected. 		
Display	<ul style="list-style-type: none"> • Investment in OLED (G8.7) for IT panels is becoming more active. • Additional equipment and modification projects are expected to contribute for higher definition in LCD and OLED (G6). 		
Battery-related	<ul style="list-style-type: none"> • The timing of adopting next-generation batteries for automotive use is showing a tendency to delay, while medium- to long-term growth is expected. 		
Components, General Industry, Materials, and Others	<ul style="list-style-type: none"> • Progressing steadily as a stable base business due to the recovery of semiconductor-related investments. • Leak test equipment for new applications such as cooling systems in AI servers is expected to expand. • Surface analysis equipment is in high demand due to active research and development of advanced devices. 		

» We will closely monitor the market environment and accurately capture investment trends to aim for an overall expansion in orders.

As a view of the immediate business environment, I will explain the market environment and investment trends for each product line, starting from the top.

First, regarding the situation in semiconductor logic and memory, investment in DRAM is expected to continue to accelerate due to factors such as growing demand for generative AI. In NAND, as inventory adjustment is underway, a gradual resumption of investment is expected. With regard to logic, we feel that investment for next-generation nodes is in full swing, and we expect positive growth to continue for semiconductors as a whole.

In various electronic devices, among others, advanced packaging is still booming as well as DRAM along with the expansion of demand for generative AI, and orders are expected to increase.

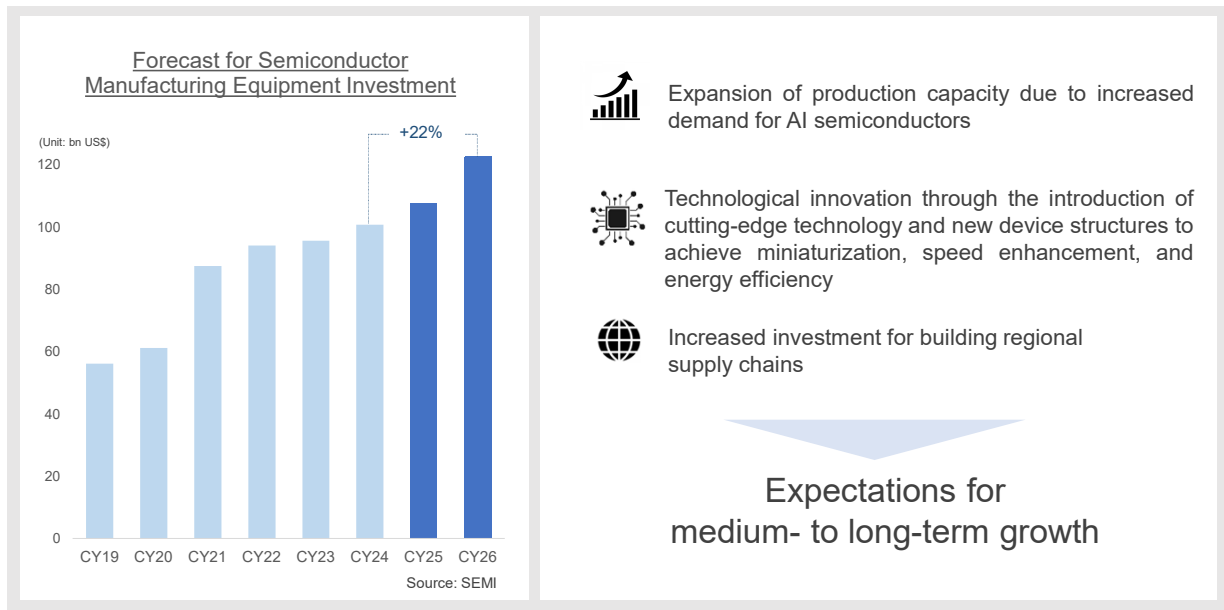
As for power devices, although medium- to long-term growth is expected, full-scale investment is not expected to resume until FYE June 2027 or later, as companies' investment plans have been delayed by about a year, partly due to the slowdown in demand for EVs.

Continuing on, here is the status of the display. In addition to active investment in G8.7 OLEDs for IT panels, we expect that additional LCD and G6 OLED facilities and an increase in modification projects in China will contribute, due in part to the application of government subsidies.

With regard to batteries, we expect growth over the medium to long term due to delays in the timing of the adoption of next-generation batteries for automotive use, with some projects delayed to the next fiscal year.

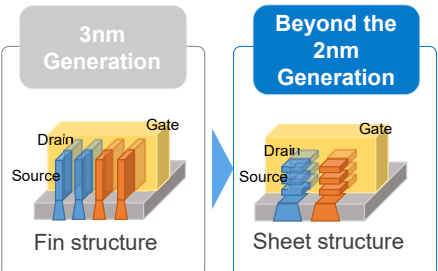
Finally, the components and others are expected to remain a stable business basis due to a recovery in semiconductor-related investment. Among other factors, with new applications emerging for leak test equipment for cooling systems in AI servers, and expectation of strong sales of surface analysis equipment for R&D.

We will strive to increase overall orders while ensuring that we capture these future trends in the market environment and investment.



Here is the overall outlook for the semiconductor market. It is also expected to grow over the medium to long term due to several reasons such as expansion of production capacity due to increased demand for AI semiconductors, technological innovation through the introduction of cutting-edge technology and new device structures to achieve miniaturization, speed enhancement, and energy efficiency and increased investment for building regional supply chains.

Changes in Logic Device Structure



Expansion of business opportunities for advanced logic due to technological innovation (miniaturization)

- Expansion of MHM (Metal Hard Mask) application
 - Expansion of 5nm and 3nm processes
 - Expansion of application in DUV exposure in addition to EUV exposure
 - Application of TiN, a metal material of MHM, as an electrode material
- Transition from Fin structure to Sheet structure with the advancement of the 2nm generation
 - Expectation for the expansion of new Hardmask for diffusion processes
 - Adaptation to backside wiring
- Expansion of POR acquisition through joint development with key customers in other metal processes, etc. (expectation as a strong second vendor)

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In advanced logic, investment in increased production of metal hard mask processes is progressing along with high utilization rates of 5nm and 3nm. The application of metal hard masks is now expanding for DUV exposure as well. In addition, the range of proven application of metal hard masks is steadily expanding, as evidenced by new trends such as the application of titanium nitride, a metal material used in metal hard masks, as an electrode material. By firmly linking these to orders, we will accelerate growth in the logic field.

And with the development of the 2nm generation, we can expect to see an increase in orders for new hard masks for the diffusion process, for which we have already acquired POR, as transistors shift from Fin structure to Sheet structure. We also believe that there are business opportunities in this area, as changes in the transistor structure are expected to lead to the application of backside wiring. In addition to these increased hard mask applications, we will continue to develop jointly with our customers to meet their expectations as a second vendor and aim to further acquire POR.

We will continue to focus on the logic field as it holds numerous business opportunities.

Advanced memory

High Bandwidth Memory

Advanced packaging

Now: Chip on Interposer on Substrate
Compared to Fanout Number of processes: 1.5 times

Future: 3D integrated circuit
Compared to Fanout Number of processes: 1.5 times+α

Growth through expansion of production capacity and technological innovation progress due to increased demand for AI semiconductors

Advanced Memory

- - Expansion of investment in conventional DRAM (DDR5) due to increased demand for HBM
- Progress in DRAM miniaturization through the application of TiN MHM
- Active investment for next-generation NAND
- Expansion of POR acquisition through joint development with key customers in other metal processes, etc. (expectation as a strong second vendor)

Advanced Packaging

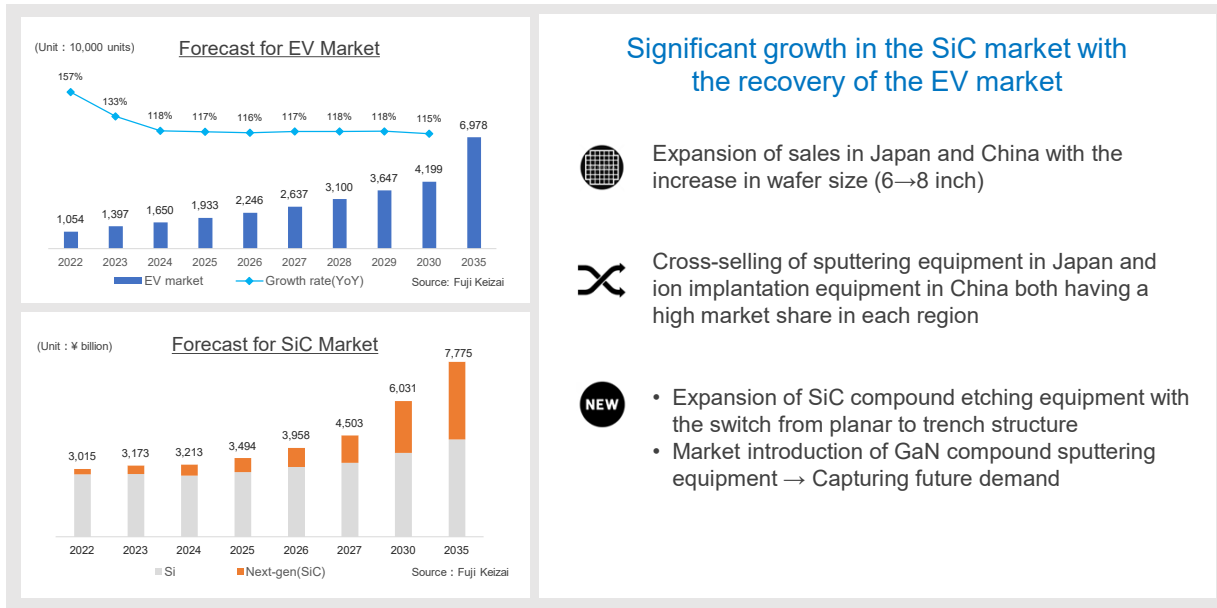
- Active investment in desmear processing equipment for interposers
- Continued development of sputtering equipment, desmear/desmear processing equipment, plasma dicing, etc., for next-generation advanced packaging

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On the other hand, in advanced memory and packaging, as mentioned earlier, demand is expected to grow as the generative AI-related business becomes more active.

As for memory, in addition to the contribution of the interconnect layer process that brings DRAMs together in the HBM structure, investment in conventional DRAM (DDR5), which constitutes HBM, is also expected. And as DRAM continues to miniaturize, we expect the application of metal hard masks, which have a proven track record in logic, as well as investment in next-generation NAND. In addition, as well as logic, joint development of other metal processes, etc., for both DRAM and NAND is underway with our customers. Through this, we aim to expand the number of POR acquisitions.

As for packaging, it is expanding year by year, with orders of approximately JPY10 billion expected in the current fiscal year for equipment such as desmear processing equipment for interposers for foundries. Investment activity continues to be brisk. We will expand our business by developing desmear processing equipment, plasma dicing equipment and etc.



In the power device market, we expect the market to remain weak for some time to come. However, we expect the SiC market to grow significantly along with the recovery of the EV market in the future, and our expectations for the medium- to long-term remain unchanged.

We will continue to promote sales expansion triggered by wafer size increase from 6 inches to 8 inches, and cross-selling of sputtering equipment in Japan and ion implantation equipment in Chinese where we have a high market share.

And as the structure of SiC power devices will shift from planar to trench structure, we expect to expand sales of etching equipment suitable for SiC compounds, and since we have introduced sputtering equipment for gallium nitride compounds to the market, we are sure to capture these future demands as well.

Merits of Double-sided evaporation film current collectors

- ① Safety improvement
- ② Reduction of size and weight
- ③ Reduction of material costs
- ④ GHG reduction

Supply Chain

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            graph TD
            A[ULVAC, Inc. [Evaporation Roll to Roll equipment]] --> B[Material processor [Battery Components]]
            B --> C[Battery manufacturer [Battery]]
            C --> D[EV Makers [Electric vehicles]]
            
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Growth through the spread of aluminum double-sided evaporation film technology aimed at improving safety and achieving miniaturization and weight reduction

- Improvement through continued customer support for stabilizing production of current models
- Continued development of mass production technology for the model with wider film width aimed at improving productivity
- Continued development of copper thick film deposition aimed at replacing the anode current collector
 - Continued development of next-generation battery anodes (lithium)

Battery structure (Image)

As for the batteries, the medium- to long-term growth forecast itself remains unchanged, as investment is expected to replace the conventional cathode current collector of aluminum foil with a double-sided aluminum evaporation film for the purpose of improving safety and reducing size and weight. We expect that battery investment will increase in earnest as its adoption in automotive applications progresses.

While following up with customers to stabilize production of current models, we are currently developing mass production technology to increase the width of double-sided aluminum evaporation film, which will allow us to differentiate our products by improving productivity, in order to gain market share. We expect to receive orders within this year.

We are also continuing to develop a double-sided copper evaporation film equipment to replace the anode current collector and, as a future initiative, a next-generation battery anodes using lithium.

Launch of new deposition equipment model for semiconductors

Designing on the features of the previous model, we have begun taking orders for the next-generation platform "ENTRON-EXX," which enhances data collection, analysis capabilities, and scalability.

- 20% reduction in power consumption in standby mode
- Up to 10% reduction in installation floor space within clean rooms
- Improved productivity through real-time data analysis
- Design allows for rapid module additions to flexibly meet changing needs ⇒ 50% reduction in relocation and modification lead time

Contributing to the development of the semiconductor industry through vacuum technology



First of all, this is the ENTRON-EXX, a new model of deposition equipment for semiconductors that we announced in December.

Compared to the current ENTRON, it features a 20% reduction in power consumption in standby mode and up to a 10% reduction in installation floor space in clean rooms.

In addition, it is expected to achieve improved productivity through real-time data analysis. In addition, its design allows for rapid module additions to flexibly meet changing needs, reducing relocation and modification lead time by 50%.

The new platform, ENTRON-EXX, is a next-generation platform with enhanced data collection and analysis capabilities and scalability.

Collaboration with Silicon Austria Labs GmbH (SAL) Development of plasma etching technology for mass production processes of thin-film lithium niobate (TFLN)

TFLN is a next-generation optical device material with characteristics of wide bandwidth, low loss, and high efficiency, meeting the demand for data communication capacity

SAL has introduced the plasma etching system "NLD-5700" for forming optical waveguides inside optical devices, aiming to enhance material integration and scalability on a 200mm platform.

This collaboration promotes technological innovation and contributes to the entire microelectronics ecosystem



Silicon Austria Labs GmbH (SAL) connects ideas to innovation by producing consistent research results and economic impact in the fields of microsystems, sensor systems, intelligent wireless systems, power electronics, and embedded systems.



We are partnering with a customer, Silicon Austria Labs GmbH, to develop plasma etching technology for the mass production process of thin-film lithium niobate.

Silicon Austria Labs GmbH will introduce a plasma etching system, our NLD-5700, for forming optical waveguides inside optical devices, aiming to improve material integration and scalability on a 200mm platform.

Together with these new devices, we aim to expand our business in the future.



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