

ULVAC, Inc.

Q&A for FY2024/6 Financial Results Presentation (held on Aug. 13, 2024) and Analyst Meetings

FY24/6 Actual results

1. **What are the reasons why Orders received, Sales, and Operating profit exceeded the plan? Why were they higher than explained in FY2024/6 3Q?**

A: Orders received totaled ¥258.2 billion, ¥8.2 billion more than planned. Orders for General industries and Materials exceeded the plan.

Net sales were ¥261.1 billion, ¥16.1 billion above the plan, due to an increase in orders received and the contribution of a high level of order backlog of ¥141.0 billion at the beginning of the FY24/6, as well as the partial advance of sales for FPDs, Semiconductor, Electronics, and other items from the current FY25/6. Compared to the plan, orders for Components, Materials, FPDs, Semiconductor and Electronics exceeded the plan.

Operating profit was ¥29.8 billion, ¥6.8 billion higher than planned due to higher-than-expected sales.

The reason why the results exceeded the expectations provided during 3Q disclosure was due to (1) a slightly firmer forecast, (2) the progress of the project accelerated partly at the request of customers, and (3) the Materials business contributing more for orders and sales than anticipated.

2. **What are the main reasons why the Gross profit margin reached the highest level since the company's listing? On the other hand, what were the reasons for the 3.1pt decline in Gross profit margin in the 4Q (30.7%) vs the 3Q (33.8%)?**

A: (1) Sales of Power devices and Battery-related equipment increased, and the company's profit structure has been steadily improving due to increased sales and improved mix. In addition, (2) high-margin projects in Semiconductors, Electronics, etc. contributed in 3Q to the improvement of the Gross profit margin for the full year.

In the 3Q, the ratio reached 33.8%, the highest level since the company was listed, partly due to temporary special factors, but in the 4Q, these special factors were no longer present.

In addition, the decline was due to the added impact of such factors as the following.

- 1) Deterioration in mix of Semiconductor, Electronics and Components compared to 3Q
- (2) Sales of Surface Analysis System of group companies were concentrated in regions with low profit margins.

3. **What is the breakdown of Orders received and Sales for Semiconductor, Electronics and FPDs by application and the ranking of Operating profit margin by item for FY24/6?**

A: See Appendix.

FY2025/6 Plan

4. Why do you plan to improve Sales and Operating profit (ratio) from the 2H of FY2025/6?

A: In the 4Q of FY2024/6, sales that were expected in the 1H (1Q) of the current FY2025/6 (1Q) were brought forward due to customer requests, etc. Therefore, sales in the 1H (1Q) will start at a low level and are expected to increase in the 2H. Operating profit (ratio) is also expected to increase and improve along with the increase in sales. 1Q sales are expected to start slowly due to the advance sales booking to the previous period.

5. What is the breakdown of Orders received and Sales for Semiconductor, Electronic, Display and Energy by application in FY25/6?

A: See Appendix.

Progress of the Medium-Term Management Plan

6. The Gross profit margin for FY26/6, the final year of the medium-term management plan, is expected to improve significantly by 2.6 pt from FY25/6. How will this be achieved?

A: In addition to efforts to strengthen manufacturing capabilities through planned production, etc., we aim to achieve this goal through sales growth due to contributions from growth drivers such as Semiconductors, Electronics, and Batteries, and business expansion in the OLED business, Leak test equipment, and Surface analysis systems, as well as mix improvement due to an increase in the relatively high margin of Semiconductor, Electronics, and Component businesses.

We believe that sales increase and mix improvement will contribute about 80% to the improvement in profit margin, while strengthening manufacturing capabilities through planned production, etc. will contribute about 20% to the improvement in profit margin.

Growth Drivers

7. What is the outlook for the Memory and Logic in semiconductor business?

A: ① Memory

Memory investment has shifted from an inventory adjustment phase to a recovery phase mainly for DRAM and expect NAND investment to gradually recover as well. With expectations to become a strong second vendor, opportunities for new processes, such as processes around wiring, are expanding, and we are aiming for further growth.

② Logic

In FY24/6, a third North American logic manufacturer and a fourth Japanese manufacturer decided to adopt our MHM process. In FY25/6, adding the new business adopted in FY2024/6 to the existing business, we plan to further expand the logic business by additionally being adopted in new processes around wiring.

8. How much of the generated AI-related business is factored in?

A: In FY24/6, we received orders totaling about ¥14.0 billion including ¥6.0 billion for increased production of HBM related business in DRAM and ¥8.0 billion for Ashing equipment used for Advanced packaging. In FY25/6, we expect to receive orders of about ¥10 billion each for HBM related business in DRAM and for Advanced packaging, total of about ¥20 billion for generated AI-related business.

9. What is the outlook for Power devices in the future?

A: Demand for SiC power devices is expected to increase over the medium to long term due to the shift to green energy and EVs, and business opportunities are expected to expand with the increase in wafer size from 6inch to 8inch and shift to trench structures.

With the current slowdown in EV market growth, we expect the 8inch investment plan to be delayed by six months to a year, remaining flat through the next fiscal year, and full-scale investment will proceed from FY27/6 onward.

For SiC 6inch, Sputtering equipment has secured more than 70% share in the Japanese market and the Ion implanter has secured more than 70% share in the Chinese market, and we will maintain the high share when shifting to 8inch. Furthermore, in addition to sputtering equipment in the Japanese market, we will promote cross-selling Ion implanter which have proven track records in the Chinese market and also introduce Etching systems that corresponds to the trench structures. In the Chinese market in addition to the Ion implanter, we will promote cross-selling the Sputtering equipment, which has proven track records in the Japanese market.

For Si-MOSFETs, we will continue to expand sales of Evaporation equipment by leveraging our strength in price competitiveness through customized support and local production in China.

10. What is the composition of orders for Power devices in FY24/6 and FY25/6 by type, region, and equipment?

A: FY24/6 (Full Year)

SiC-related: over 80%, Si-MOSFET-related: over 10%, IGBT-related: mid-single digit %.

China: 60%, Japan: 40%.

Ion implanter: over 50%, Sputtering equipment: mid-30%, Evaporation equipment for Si-MOSFETs: over 10%.

FY25/6: similar composition as in FY24/6

11. Why is Battery-related business not growing much in 25/6? Is there a change in investment sentiment?

A: The appetite for investment in the replacement of EV battery Cathode current collectors with double-sided aluminum evaporated films remains high, and we see no change in the customer's mindset toward strengthening production capability, with each company moving forward with securing land and constructing large-scale plants to install the equipment. At this very moment, our customers are in the process of conducting test runs and confirming the equipment at their factories for the orders placed during the 4Q of FY23/6 through 1Q of FY24/6. In addition, it seems that it is taking time for the certification of EV batteries that use double-sided evaporation film for installation in vehicles. As a result, the second round of investment has been delayed more than initially expected, and we expect FY25/6 investment level to remain unchanged from FY24/6. However, companies continue to have a strong appetite for investment, and there is no change in the expectation that investment will begin in earnest from FY26/6.

12. Will the Battery business expand in FY26/6 and onward?

A: The impact of the slowdown in the shift to EVs is expected to be limited since the business is due to the demand to replace the aluminum foil used in conventional cathode current collectors with double-sided evaporation aluminum films to improve battery safety, reduce size and weight, and for other purposes. We believe that investment will be in full swing as the adoption of EVs in vehicles progresses. We will continue to further improve productivity by increasing the film width of double-sided evaporation aluminum films to further differentiate our products and secure market share. We also aim to expand our business by developing equipment for double-sided evaporation copper films and replacing the Anode current collector. As a future initiative, we aim to achieve further growth by developing the next-generation battery anodes using lithium.

13. Please tell us about the investment trends in the OLED business.

A: Investment in OLEDs for IT panels for tablets and PCs will begin in earnest this fiscal year. We have already developed the multi-chamber Sputtering equipment with semiconductor specifications that is compatible with the G8.7 panel size, which is larger than the conventional G6 panel for smartphones and has fewer particles than the in-line type equipment used for G8 to G10.5 panels for TVs. In addition, when sputtering transparent electrodes for touch sensors, we have achieved high productivity through high-speed deposition using low-temperature deposition in the temperature-sensitive OLED processes. We will leverage these strengths to secure market share. We plan to receive large orders in 1H of FY25/6. We will also seize the business opportunity for Cryopumps, which are the de facto standard for OLED evaporation systems.

14. What is the impact of the U.S. restrictions on exporting semiconductor to China?

A: Currently, the semiconductor-related business in China is not that large, but we have received inquiries, and we would like to gradually increase this business. We have not factored in a large amount of semiconductor-related business in China as part of our plan, and even if the regulations are tightened by the U.S., the impact will be limited. We have not heard of any restrictions on Power devices, Various electronic devices, or Battery-related equipment, and at this point we do not feel that there will be any impact on these business.

Breakdown by Application for FY24/6

● Breakdown for Order Received

Order Received	FY 24/6 Full Year Plan
Semiconductor/ Electronics(¥1billion)	87.5
•Memory	mid-10%
•Logic	more than 20%
•Electronics Device	more than 20%
•Power Device	mid-30%
•Packaging	less than 10%
•Others	-
FPDs(¥1billion)	52.4
•LCD	more than 30%
•OLED	less than 40%
•Battery	less than 30%
•Others	several %

● Breakdown for Net Sales

Net Sales	FY 24/6 Full Year Plan
Semiconductor/ Electronics(¥1billion)	95.9
•Memory	less than 20%
•Logic	less than 20%
•Electronics Device	mid-20%
•Power Device	more than 30%
•Packaging	less than 10%
•Others	-
FPDs(¥1billion)	55.1
•LCD	more than 40%
•OLED	less than 30%
•Battery	mid-20%
•Others	mid single digit

● Operating Profit Margin Rank of FY 24/6

Rank	Segment
1	Component
2	Semiconductor and Electronics
3	General Industries
4	Others
5	FPDs
6	Materials

Overall average is between
3) General Industries and
4) Others

Breakdown by Application for FY25/6 Plan

● Breakdown for Order Received

Order Received	FY 25/6 Full Year Plan
Semiconductor/ Electronics(¥1billion)	94.0
•Memory	more than 20%
•Logic	more than 20%
•Electronics Device	about 20%
•Power Device	less than 30%
•Packaging	less than 10%
•Others	-
Display and Energy-related (¥1billion)	56.6
•LCD	more than 20%
•OLED	less than 50%
•Battery	mid-20%
•Others	mid single digit

● Breakdown for Net Sales

Net Sales	FY 25/6 Full Year Plan
Semiconductor/ Electronics(¥1billion)	103.0
•Memory	less than 20%
•Logic	about 20%
•Electronics Device	more than 20%
•Power Device	more than 30%
•Packaging	less than 10%
•Others	-
Display and Energy-related (¥1billion)	55.0
•LCD	more than 30%
•OLED	less than 40%
•Battery	mid-20%
•Others	several%