

FY2011 First Half Business Result

(Year Ending June 30, 2012)

ULVAC, Inc.

14th February 2012

◆ Disclaimer regarding forward-looking statements

Forward-looking statements of the company in these presentations are based on information available at the time these documents were prepared. Ulvac's customers in the flat-panel display (FPD), Solar cell, semiconductor, and electronic parts industries face the challenge of the rapid pace of technological advances and fierce competition. Consequently, actual earnings may vary substantially from the projections included in these presentations due to a number of factors that could cause, directly or indirectly, performance to fluctuate. The factors that could cause results to differ materially from the statements herein include the world economy; fluctuations in the exchange rate; market conditions for flat-panel displays, semiconductors, and electric devices; and trends in capital investments.

◆ Data included in the documents are stated as follows:

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

- **Performance Summary for the Fiscal Year 2011
Ending June 2012 (1st Half)**
- **Prospects for the Fiscal Year 2011
Ending June 2012**
- **Business strategy**

Hidenori SUWA, President and CEO

Business Results for First Half of FY 2012 (Ending June 30, 2012)

■ Business Environment

- ▶ Continuing hyper-appreciation of Japanese yen
- ▶ Europe's sovereign debt crisis
- ▶ Effects of devastating flood in Thailand

■ Positive Factors

- ▶ Continuing strong investments in smartphones, small and medium-sized display panels for Tablet PCs and OLEDs displays.
 - ◆ Low-temperature polysilicon (LTPS) displays, OLEDs displays, etc.
 - ◆ Sign of burgeoning demand for Indium Gallium Zinc Oxide (IGZO) liquid crystal display (LCD) panels.
- ▶ Robust performance of automotive-related, especially eco-friendly car-related, businesses.

■ Negative Factors

- ▶ Continuing reduction in production volume of liquid crystal television (LCDTV) display panels by display panel manufacturers due to slow LCD TV sales.
 - ◆ Slowdown of investment in large liquid crystal substrates.
 - ◆ A spate of postponements or cancellations of light-emitting diode (LED)-related investments in China and Taiwan.
- ▶ Continuing slump in memory chip investments due to weak PC demand.
- ▶ A spate of cancellations of planned investments in photovoltaic (PV) business due to aggressive low price strategies pursued by Chinese manufacturers.

Summary of June 2012 (1st H)

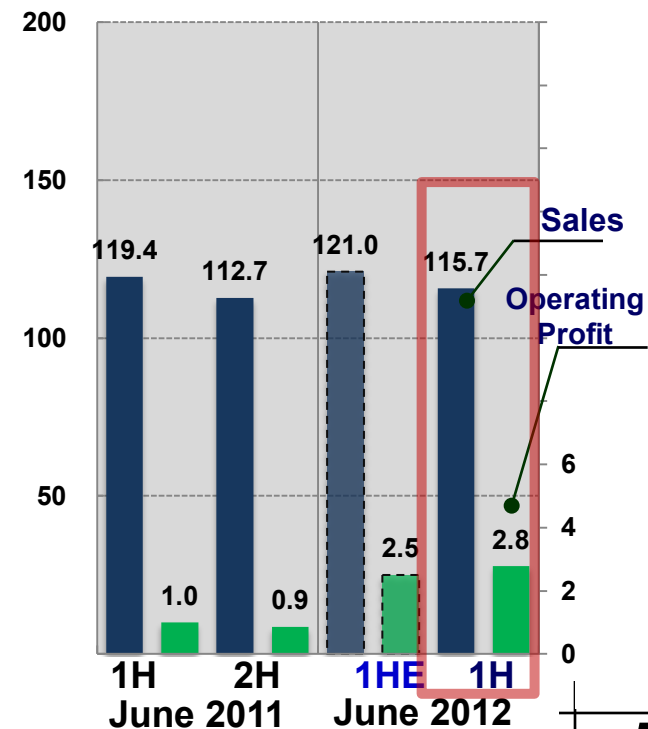
Lower order volume due to a spate of postponements of investment plans relative to flat panel displays (FPDs), semiconductors and general purpose industrial equipment as a result of the yen appreciation and Europe's sovereign debt crisis, among other factors. Major contributors in sales include OLEDs displays and small and medium-sized LCD panels, among others. Operating loss incurred in the first quarter primarily due to the effects of unprofitable electronic parts business and general purpose industrial equipment. Return to profitability in the second quarter mainly due to variable and fixed cost reductions and recovery of vacuum application business, among other factors.

【Unit : Billion Yen】

	June 2011 1H	June 2012 1H			
		Plan	Result	vs. Plan	
				Changes	Ratio
Booking	102.3 (-14%)	98.0 (-4%)	82.2 (-20%)	-15.8	-16%
Back-log	91.0	86.4	75.6		
Sales	119.4 (+29%)	121.0 (+1%)	115.7 (-3%)	-5.3	-4%
Operating profit	1.0 (-)	2.5 (+151%)	2.8 (+178%)	0.3	+11%
Ratio	0.8%	2.1%	2.4%		
Net Income	-0.8 (-)	0.4 (-)	0.3 (-)	-0.1	-37%

Sale and Operating Profit (By Half Year)

【Unit : Billion Yen】



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

Result of Sales by Segment

Difference by segment
(Comparison with last 1H/prediction)

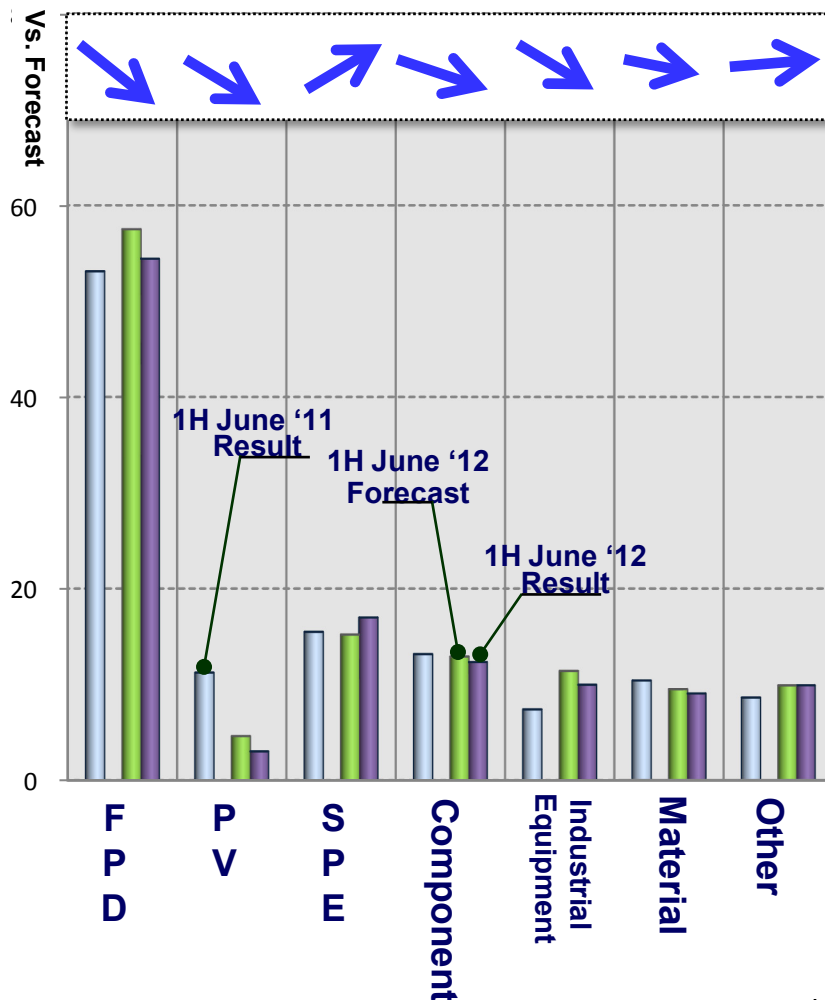
[Unit: B. Yen]

June 2011(1H)		June 2012(1H)			
Segment		Plan	Result		Factor
			Sales	Vs.Plan (Change)	
Vacuum Equipment Business	100.4	101.6	96.7	-5%	
FPD Production Equipment	53.1	57.5	54.4	-5%	Robust performance of equipment for LTPS and OLEDs.
PV Production Equipment	11.2	4.6	3.0	-35%	Performance of thin-film Si solar cells was poor, but CIS solar cells and c-Si solar cells performed well.
Semiconductor & Electric Device Production Equipment	15.5	15.2	17.0	12%	Performance of memory chips was weak. LED-related business in Japan contributed positively.
Component	13.2	12.9	12.3	-4%	Almost on target.
Industrial Equipment	7.4	11.4	10.0	-13%	Heat treatment furnaces grew at a robust pace in China but at a sluggish pace in Japan.
Vacuum Application Business	19.0	19.4	19.0	-2%	
Materials	10.4	9.5	9.1	-5%	Severely affected by the reduction of LCD panel production.
Others	8.6	9.9	9.9	0%	Almost on target.
Total	119.4	121.0	115.7	-4%	

[Remarks: Figures indicated above are rounded off to the nearest unit and may not coincide with the total.]

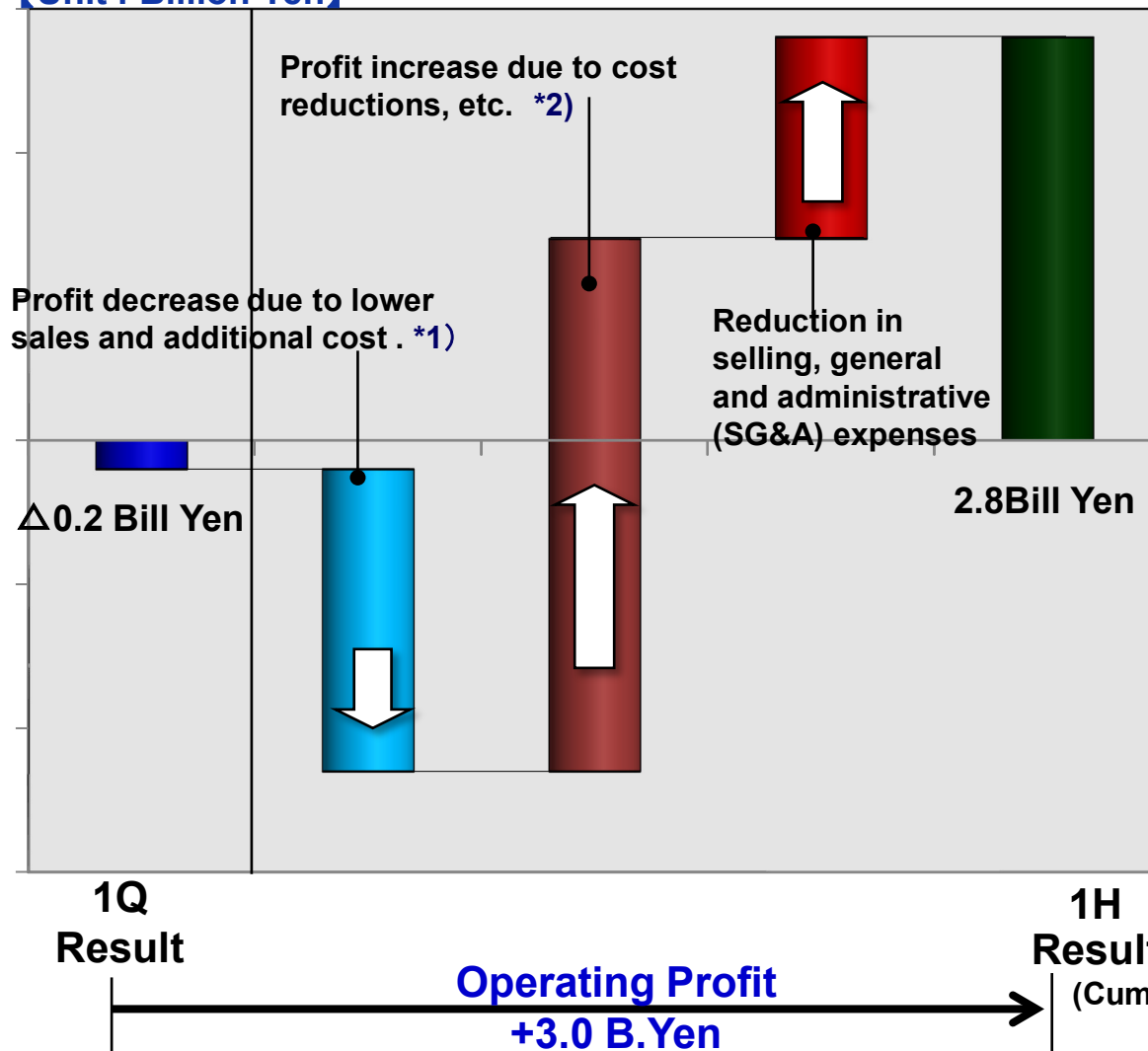
Difference by segment

[Unit: B. Yen] (Comparison with last 1H/prediction)



Analysis of Changes in Operating Profit (June 2012 1st H)

【Unit : Billion Yen】



Major Change Factors

*1)

- **Lower Sales**
(PV, components and general purpose industrial equipment)
- **Additional cost**
(General purpose industrial equipment requiring a higher level of development, FPDs, etc.)

*2)

- **Cost Reductions**
(Small and medium-sized LCD panels and vacuum application business)

- Performance Summary for the Fiscal Year 2011
Ending June 2012 (1st Half)
- **Prospects for the Fiscal Year 2011
Ending June 2012**
- Business strategy

Hidenori SUWA, President and CEO

Earnings Estimates for the fiscal year ending June 30, 2012

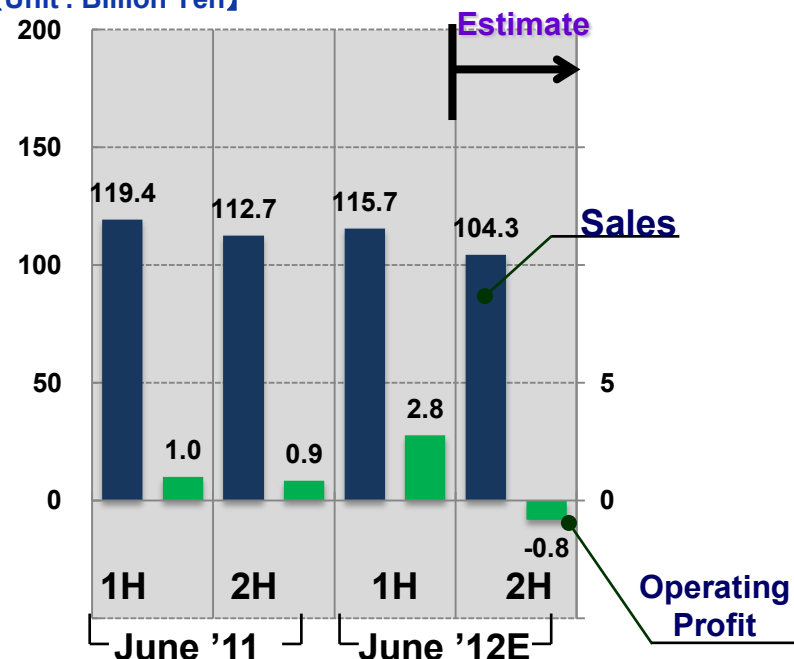
Projected order volume is revised downward due to lower electronics-related capital investments, such as FPDs, semiconductors and electronic products, by major customers. Lower sales volume is projected primarily due to the downward revision of FPD and PV order volumes. Operating loss is projected to be incurred in the second half due to lower sales and additional cost of equipment requiring a high level of development, partially offset by variable and fixed cost reductions. Net loss is projected due to the effects of the tax system revisions.

【Unit : Billion Yen】

	June 2012E					June 2011
	1H Result	2HE		Full Year		
		Plan	Revised	Plan	Revised	
Booking	82.2 (-20%)	102.0	97.8 (-27%)	200.0	180.0 (-24%)	235.9
Back-log	75.6			74.4	69.1	110.9
Sales	115.7 (-3%)	114.0	104.3 (-7%)	235.0	220.0 (-5%)	232.0
Operating Profit	2.8 (+178%)	4.5	-0.8 (—)	7.0	1.9 (+32%)	1.9
Ratio	2.4%	3.9%	-0.8%	3.0%	0.9%	0.8%
Net income	0.3 (—)	2.8	-2.1 (—)	3.1	-1.8 (—)	-8.7

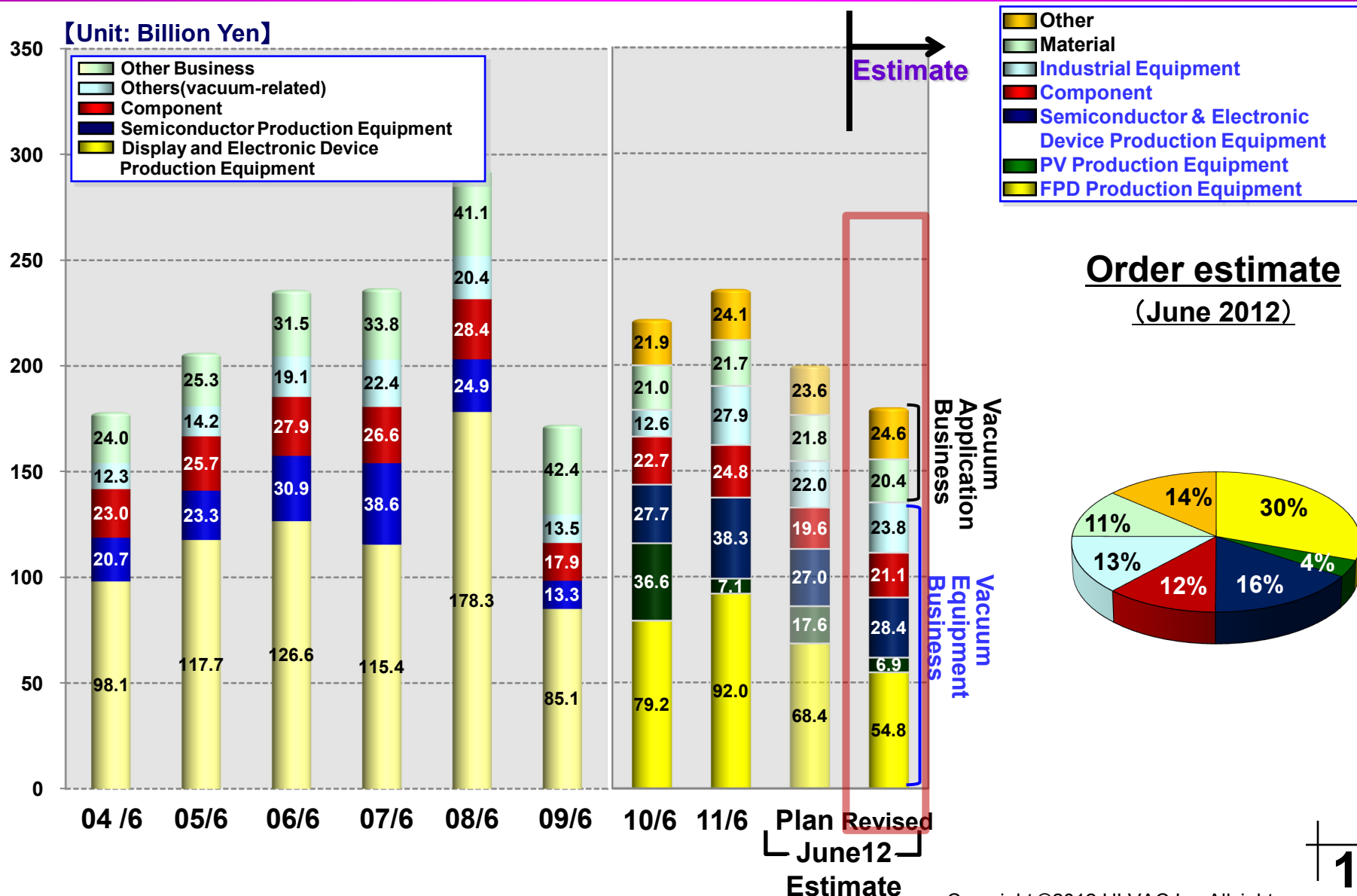
Sale and Operating Profit (By Half Year)

【Unit : Billion Yen】

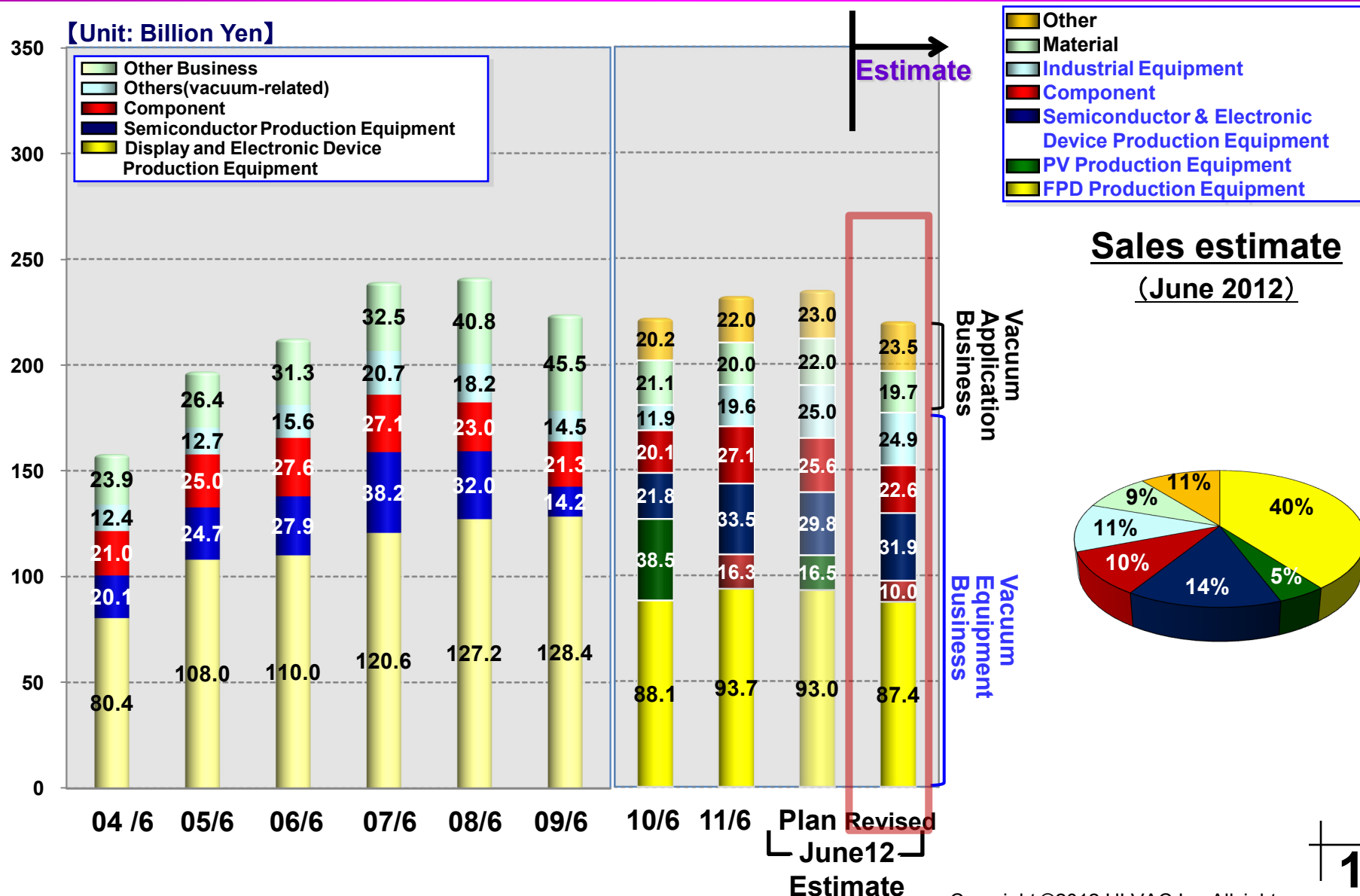


【Figures are rounded off to the nearest unit, and rates are rounded off to the nearest unit after being determined in millions of yen】

Transition of Orders received by segment - Estimate



Transition of Net Sales by segment - Estimate

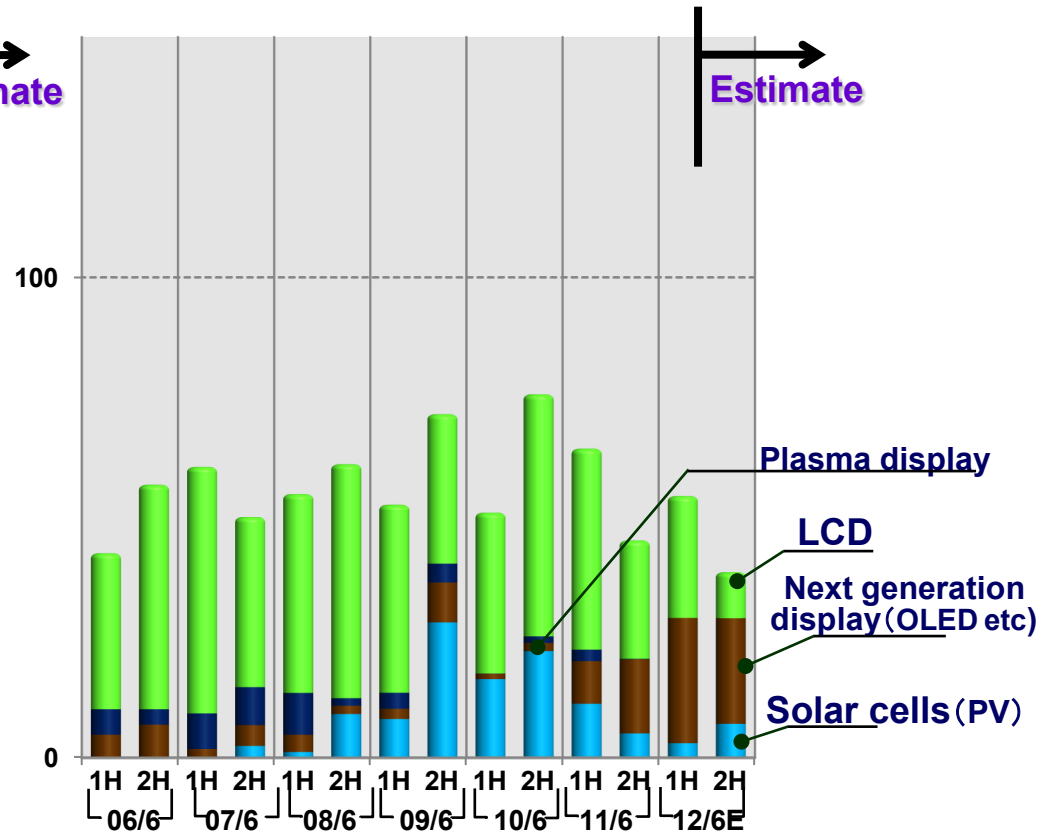
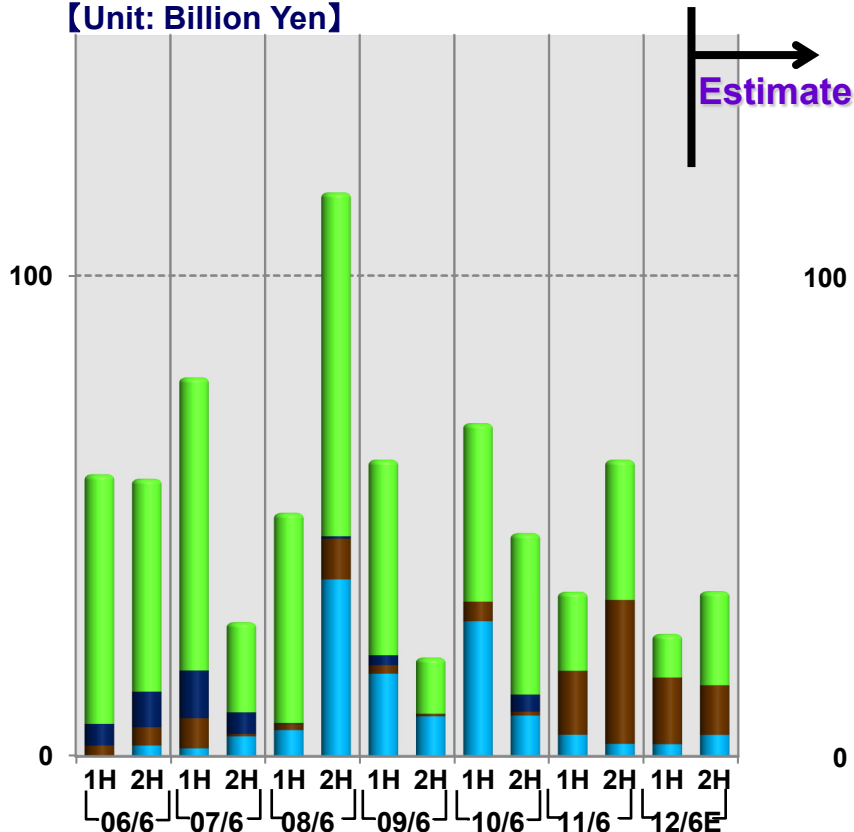


Transition of Flat Panel Display and PV Production Equipment - Estimate

Order Received

Sales

【Unit: Billion Yen】



Recent Business Environment for Order-booking

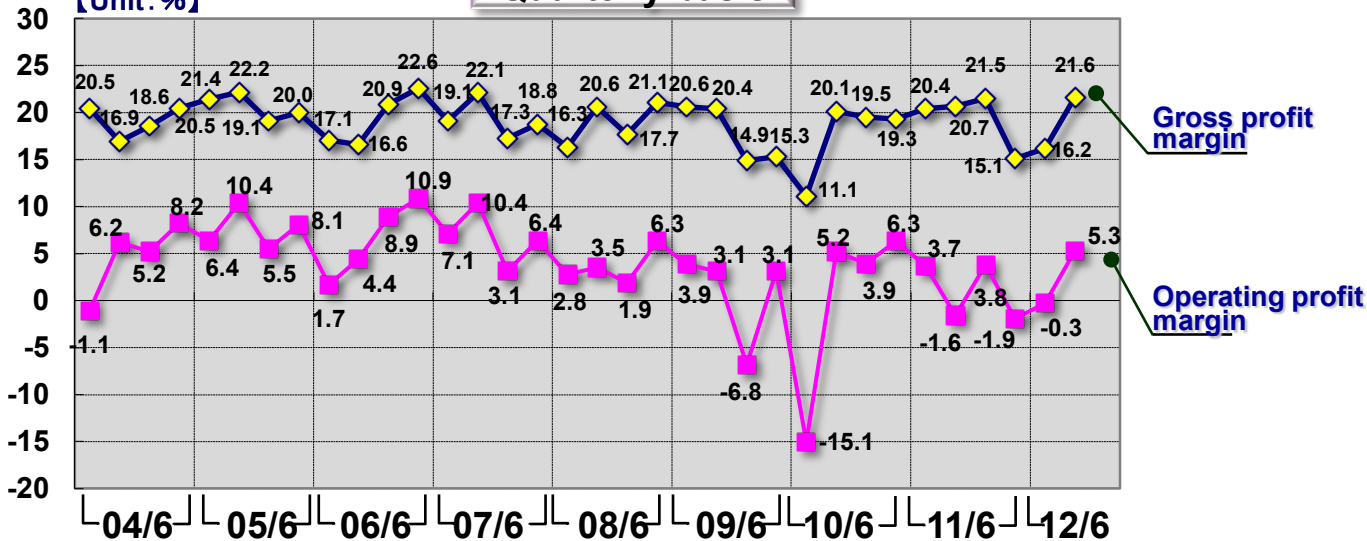
- ◆ Decline in the willingness to invest in large-sized LCD panel business is evident. Inquiries have been received as to the possibility of converting the large-sized LCD panel production line to produce IGZO LCD panels.
- ◆ For mobile-related displays, the demand for LTPS displays is in temporary lull, but OLED displays are in strong demand.
- ◆ Inquiries have been received as to the possibility of installing a pilot production line of OLED displays for use in lighting and television.
- ◆ Thin-film solar cells continue to struggle. Inquiries have been received as to compound solar cells, such as CIS, and c-Si solar cells.

Outlook for profitability • Estimate

[Unit: %]

Quarterly basis

Comment



FY 2012 Full Year

•For the first half, a return to an operating profit in Q2 primarily due to variable and fixed cost reductions, a turnaround from an operating loss in Q1.

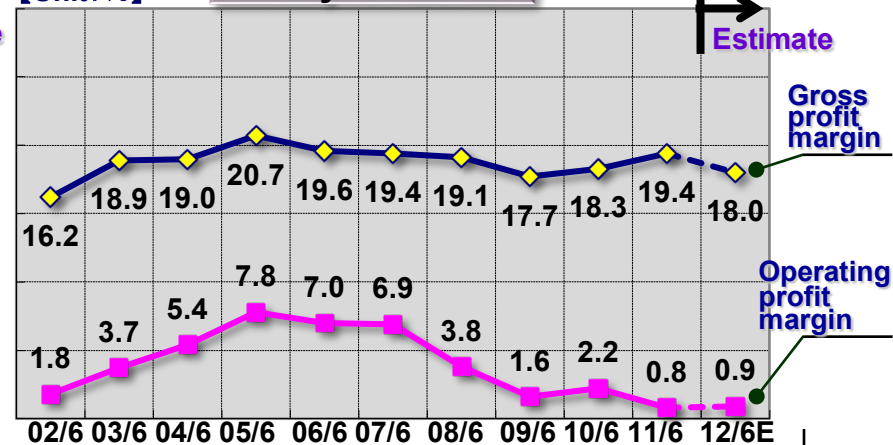
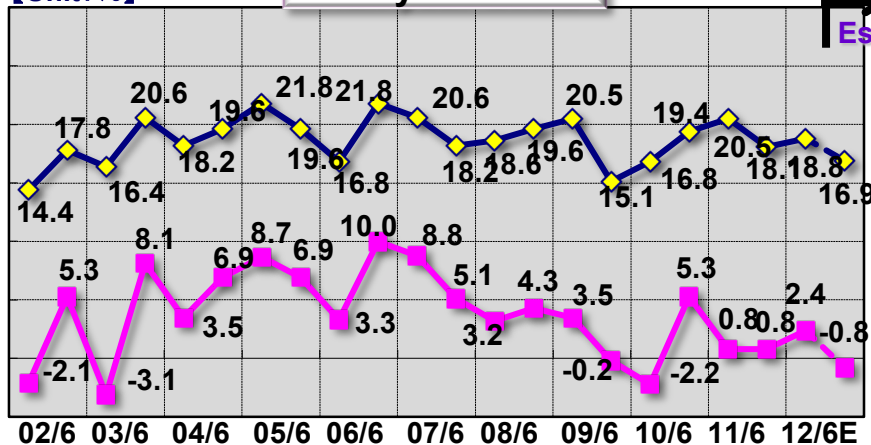
•For the second half, an operating loss is projected primarily due to lower sales in FPD, PV and components businesses and lower profitability from cost overruns.

[Unit: %]

Half year basis

[Unit: %]

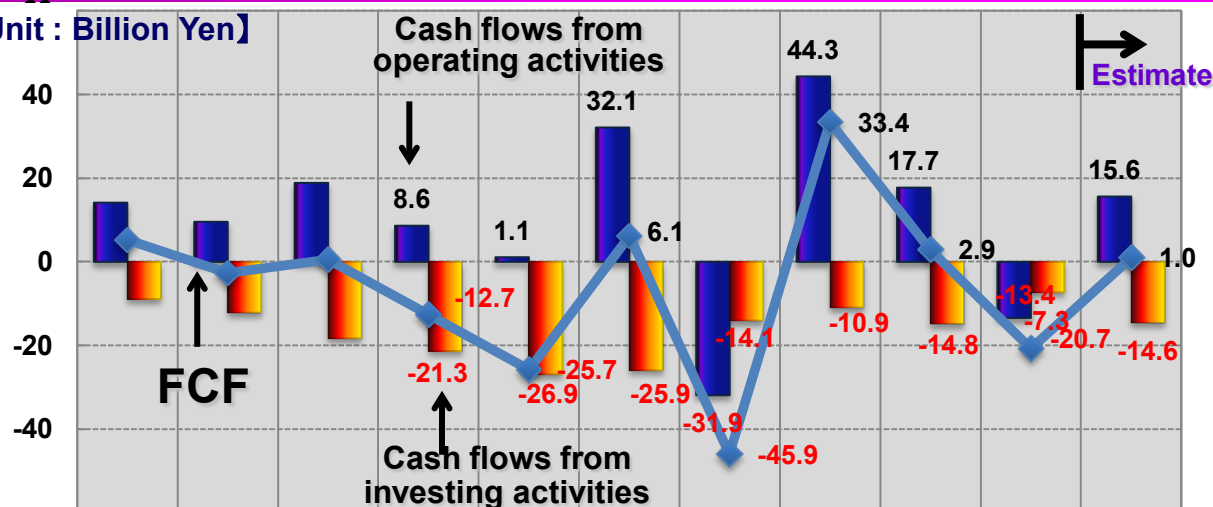
Full year basis



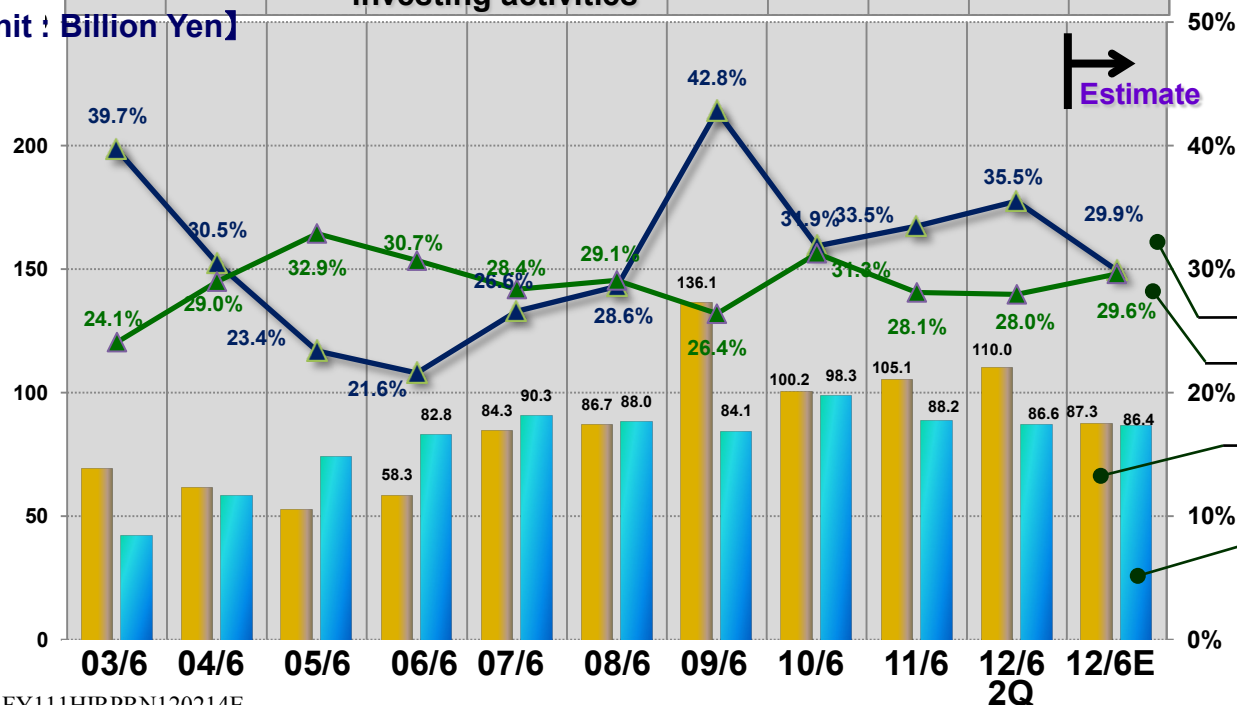
[Figures are rounded off to the first decimal place]

Cash Flow and Liabilities with Interests • Estimate

【Unit : Billion Yen】



【Unit : Billion Yen】



■ 2nd Q of FY 2012 (Actual Results)

Negative free cash flow (FCF) due to an increase in working capital requirement.

- Negative cash impact from order volume increase in Q4 of FY 2011.
- Negative cash impact from large projects in Japan.

■ FY 2012 Full Year (Forecast)

• FCF: One billion yen

• Positive FCF for three consecutive fiscal years

• Operating CF: 15.6 billion yen

• Favorably affected by lower order volume and an increase in collection of receivables.

• Investment CF: 14.6 billion yen

• Favorably affected by lower investment levels

Renewal of commitment line agreement (January 2012)

Credit limit of 50 billion yen with nine participating banks

The degree of debt existing
Shareholders' equity ratio

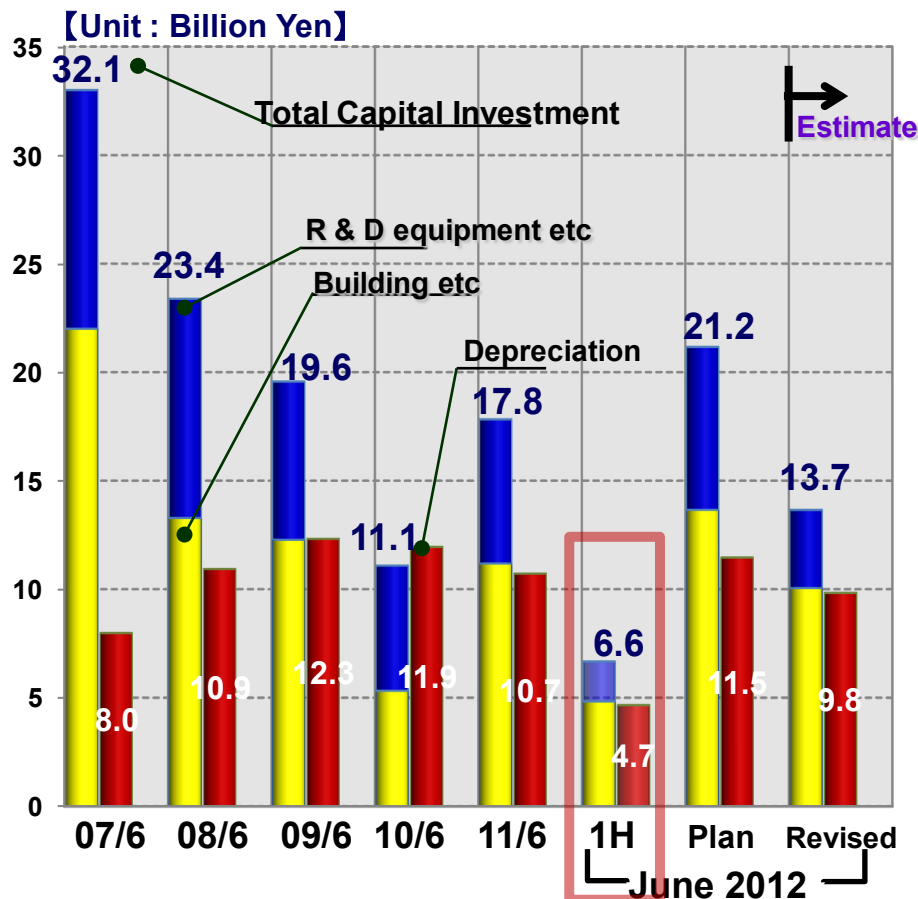
Liabilities with interests

Shareholders' equity

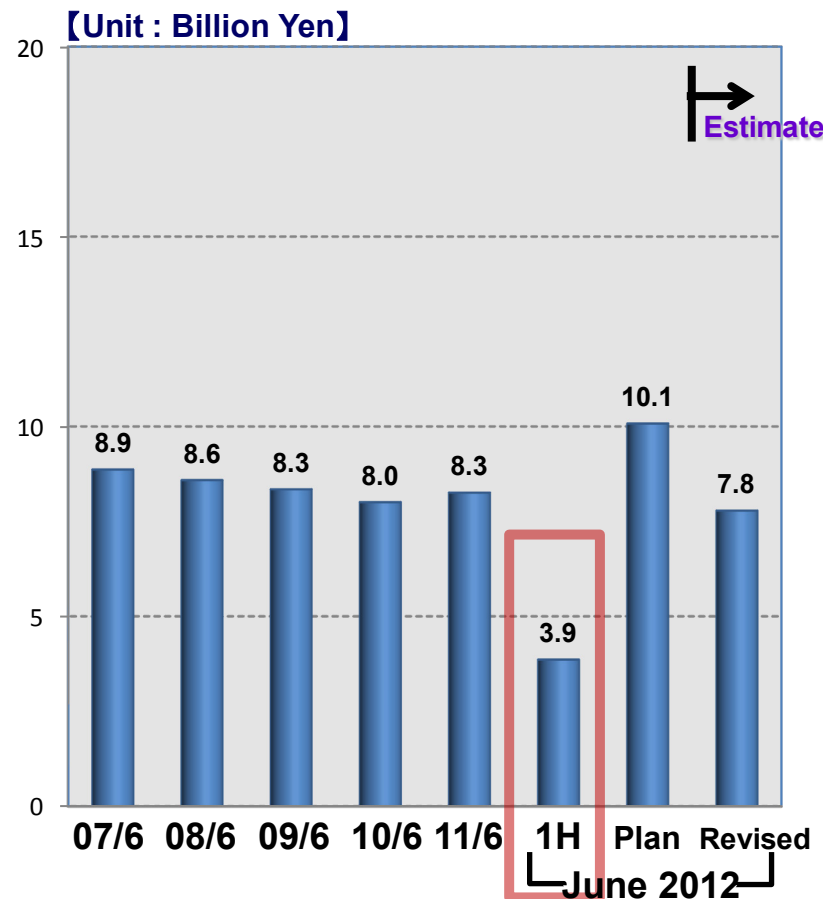
【 Fractional portion of figures are rounded off to the nearest integer】

Transition of Capital Investments, Depreciation Expenditures and R & D Expenditures • Estimate

Transition of Capital Investments, Depreciation Expenditures • Estimate



R & D Expenditures • Estimate



【 Fractional portion of figures are rounded off to the nearest integer】

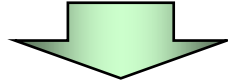
- Performance Summary for the Fiscal Year 2011
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- **Business strategy**

Hidenori SUWA, President and CEO

Transformation into a Lean and Muscular Company

■ Downward Revision of Earnings Forecast

FY 2012 earnings forecast was revised downward due to sharp declines in order volume amid a rapidly deteriorating operating environment.



Transformation into a lean and muscular company that is well capable of coping with rapid changes in market conditions.

Lower the breakeven point and implement structural reform to create a profitable operating structure.

Short-Term Measures

◆ Implement measures that can be implemented quickly, such as reduction in fixed costs.

Mid- and Long-Term Measures

◆ Improvements in profitability and product competitiveness
◆ A variety of actions to enhance corporate value.

(The mid-term goal to achieve the sales of 400 billion yen and an operating profit on sales of 10% by 2015 is shelved for now. Immediate focus is on structural reform and profitability improvement.)

Action Plans Going Forward

■ Short-Term Measures (In Progress)

Fixed Cost Reduction

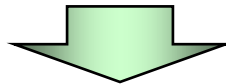
- Labor cost reduction
- Compensation reductions for Directors (30% to 50%)
- Salary reductions for General Managers and other Managers (5% to 10%)
- Layoffs, etc.
- Operating cost reduction

Variable Cost Reduction

- Reduction in procurement costs
- Increase in overseas procurement
- Accelerated production shifts abroad

Investment Reduction

- Reduction in depreciation costs
- Reduction of capital expenditures
- Reduction in research and development (R&D) costs



Lower the breakeven point.

Action Plans Going Forward

■ Mid-and Long-Term Measures

Accelerate Globalization

- ◆ Increase the rate of overseas production to total production from approx. 20% to 50% or more as soon as possible.
- ◆ Transfer Japanese domestic personnel to overseas subsidiaries and affiliates (more than triple the current level)
- ◆ Freeze on hiring new graduates in Japan and move to the global hiring of new graduates.

Through Implementation and Promotion of “3S + 1D” Initiatives

Profitability improvement through the promotion of
**Simple, Same, Standardization,
+ Differentiation or (D=“dantotsu”)**

- ◆ Achieve cost reductions and minimize cost overruns through the promotion of 3S-focused manufacturing.
- ◆ Enhance price competitiveness through the introduction of by far the best products in the industry with superior competitive advantage.

Return On Invested Capital (ROIC)-Focused Business Management

- ◆ Promote business management focused on cash flow and the efficient use of the Company’s assets.
- ◆ Control the amount of investment within the amount of depreciation.
- ◆ Accelerate the sales of fixed assets (demonstration equipment), etc.

Promote Innovations

Finished Products

1. Next Generation Displays, etc.



- ◆ Organic thin film (OLEDs display, organic EL lighting, organic CMOS sensor)
- ◆ Oxide semiconductor (IGZO) TFT
- ◆ Touch panel
- ◆ e-Paper
- ◆ Flexible display

2. Energy and Environment



- ◆ High-efficiency, crystalline photovoltaic (PV)
- ◆ High luminance LED
- ◆ Power semiconductors (IGBT, SiC)
- ◆ Thin-film lithium ion batteries
- ◆ Quick chargers for eco-friendly cars (hybrid vehicles, electric vehicles)
- ◆ Power conditioners for PV systems

3. Materials and Resources



- ◆ New materials for LCD (IGZO, Cu alloy)
- ◆ Rare earth magnet
- ◆ Hard coating on Plastic substrate (exchange from glass)
- ◆ Recycling – Indium tin oxide (ITO) target
- ◆ Processing of refractory metals

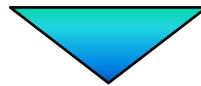
Summary

■ Basic Understanding of Business Environment Going Forward

- ▶ Continuing hyper appreciation of Japanese yen.
- ▶ Further deterioration of market conditions in Japan.
- ▶ Big investments for large-sized LCD panels and thin-film PVs cannot be expected.

■ ULVAC's Strategy

- ▶ Enhance the ability to cope with large fluctuations in economic activity.
- ▶ Launch new high-mix low volume businesses as one of the business pillars to replace large-sized LCD and thin-film PV businesses.



- ◆ Aggressively promote the implementation of short- and long-term measures.
- ◆ Improve the efficient use of the Company's assets and profitability.



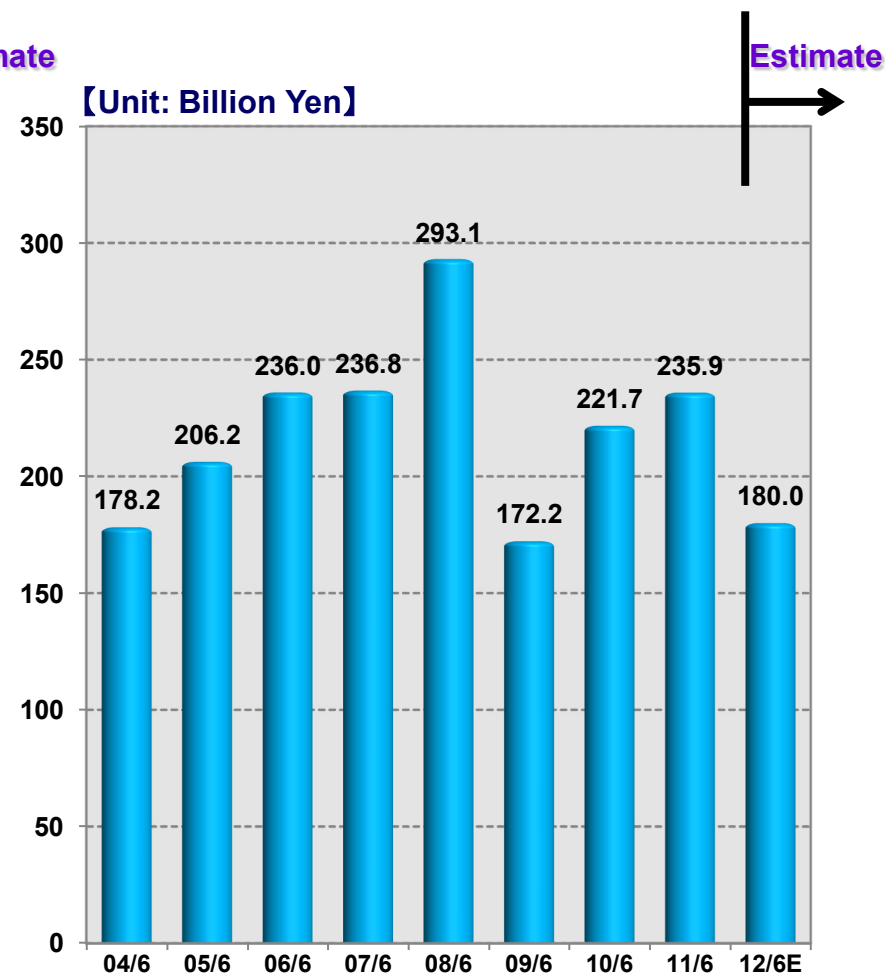
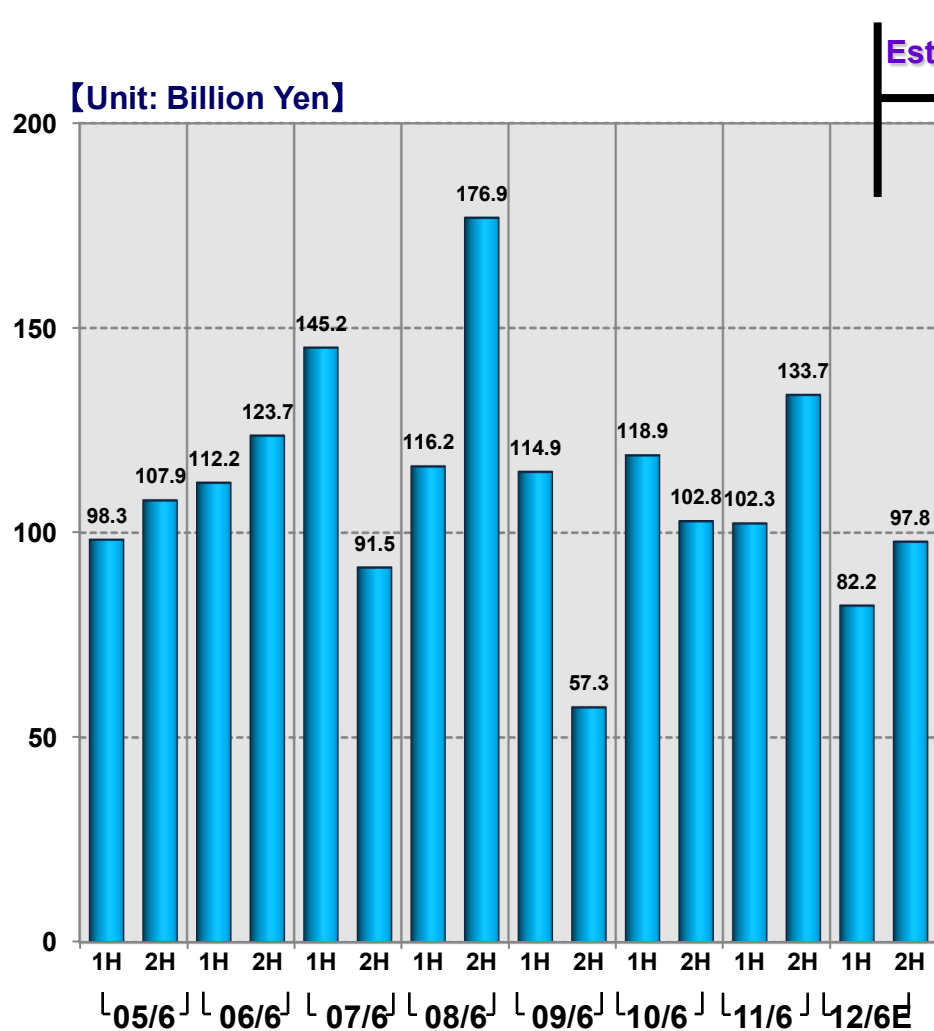
Preparations are steadily in progress to jump-start business growth.

**Innovation begins
in a vacuum**

ULVAC

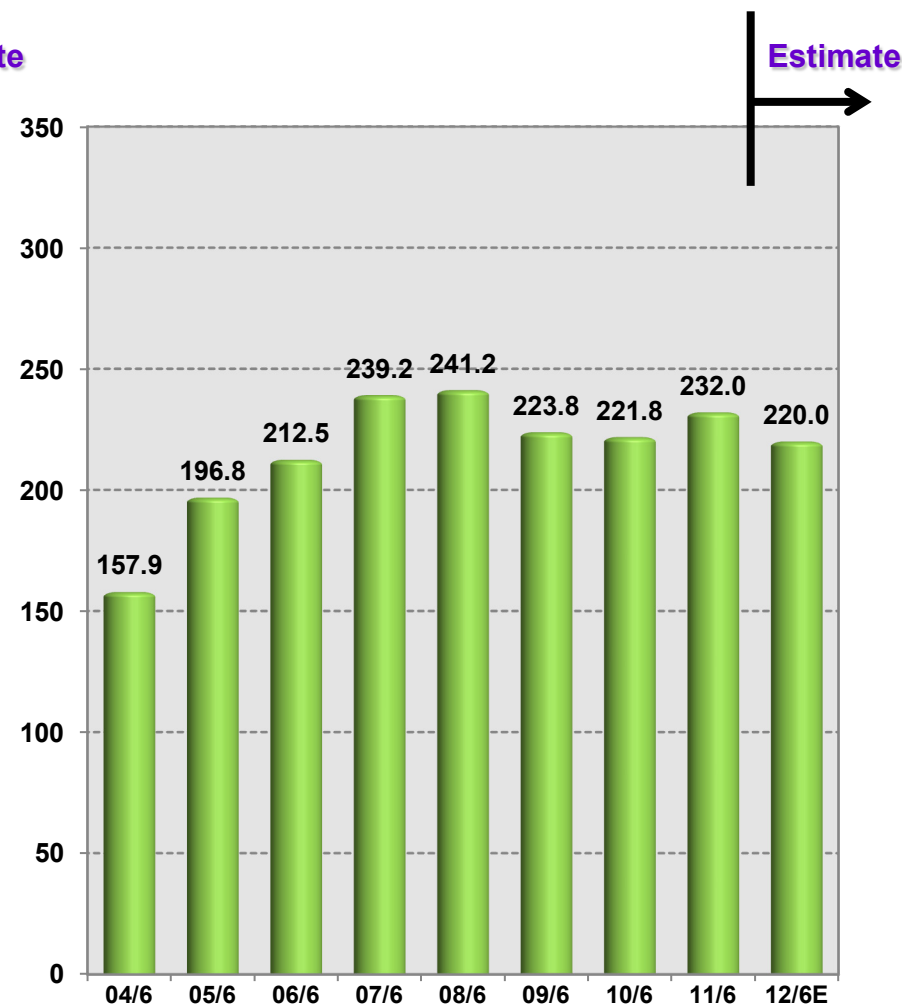
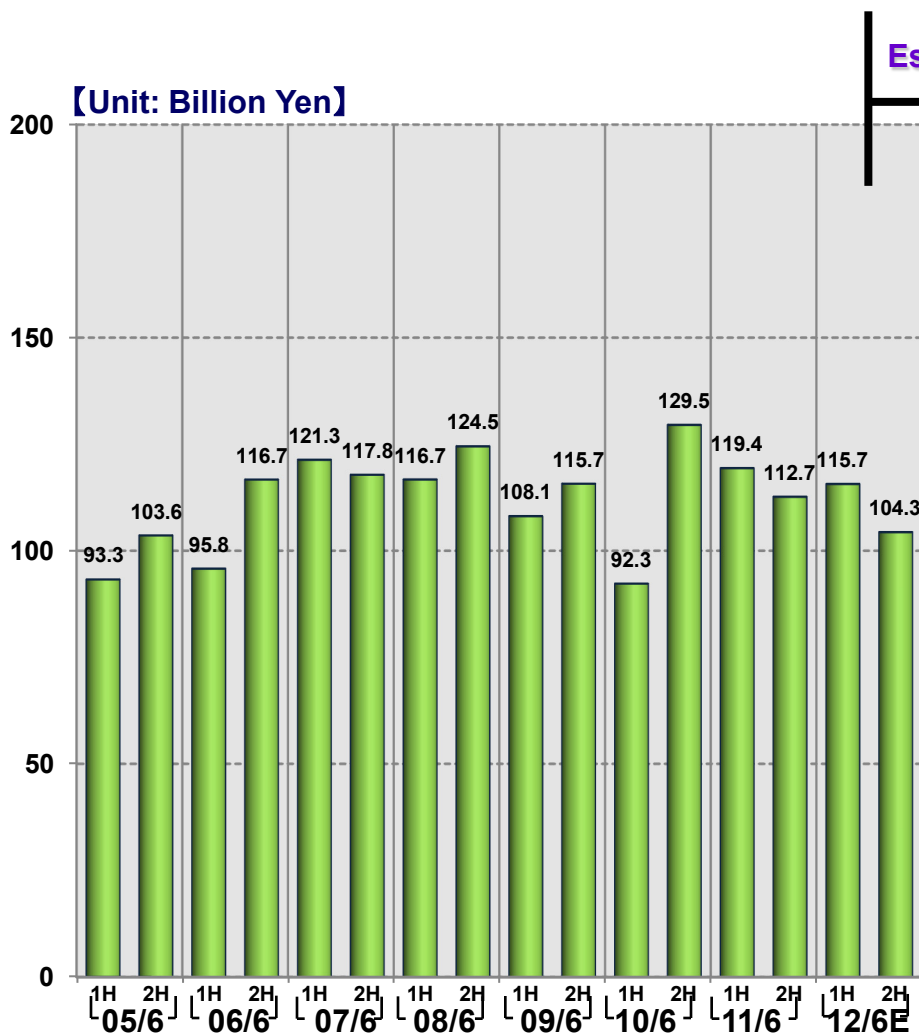
Transition of Orders received - Estimate

Appendix



【Figures are rounded off to the first decimal place】

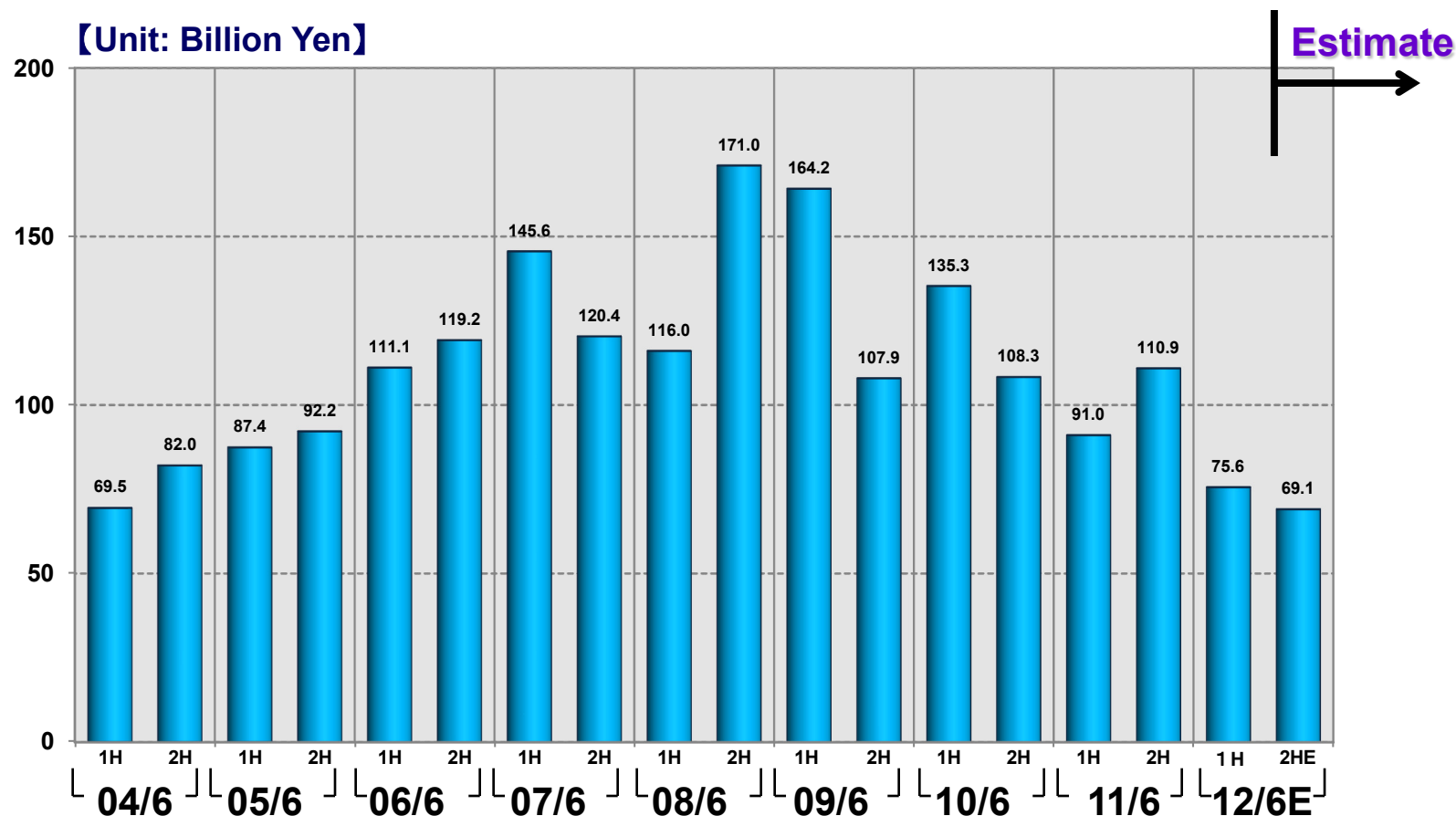
Transition of Net Sales - Estimate



【Figures are rounded off to the first decimal place】

Transition of Orders Backlogs - Estimate

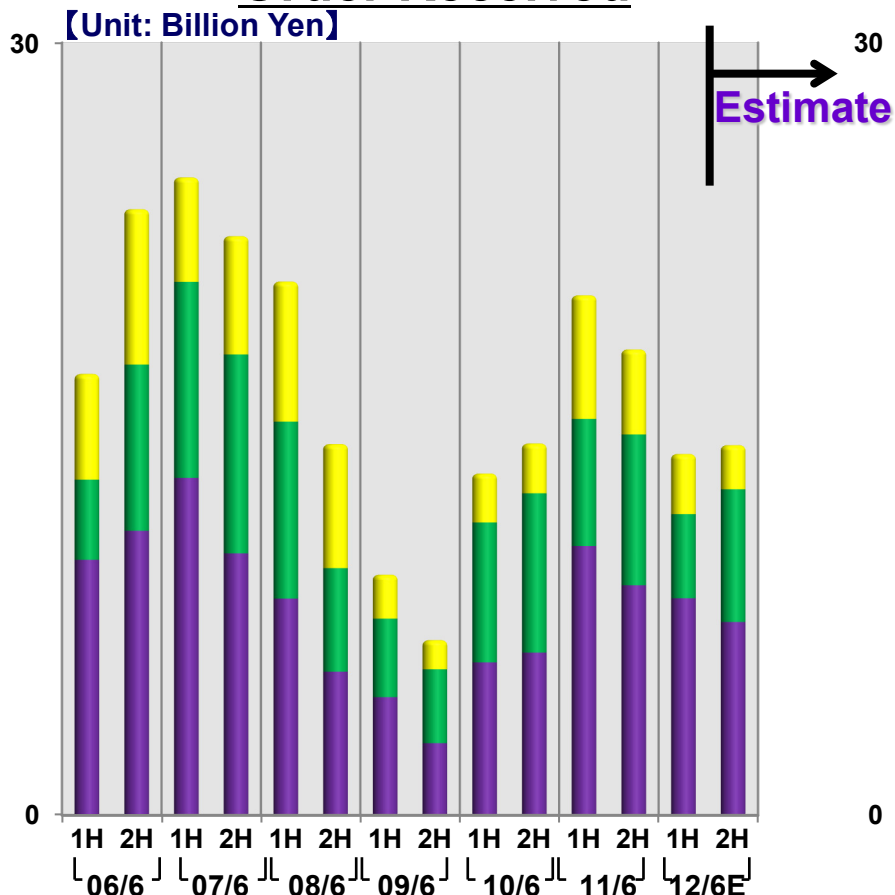
Appendix



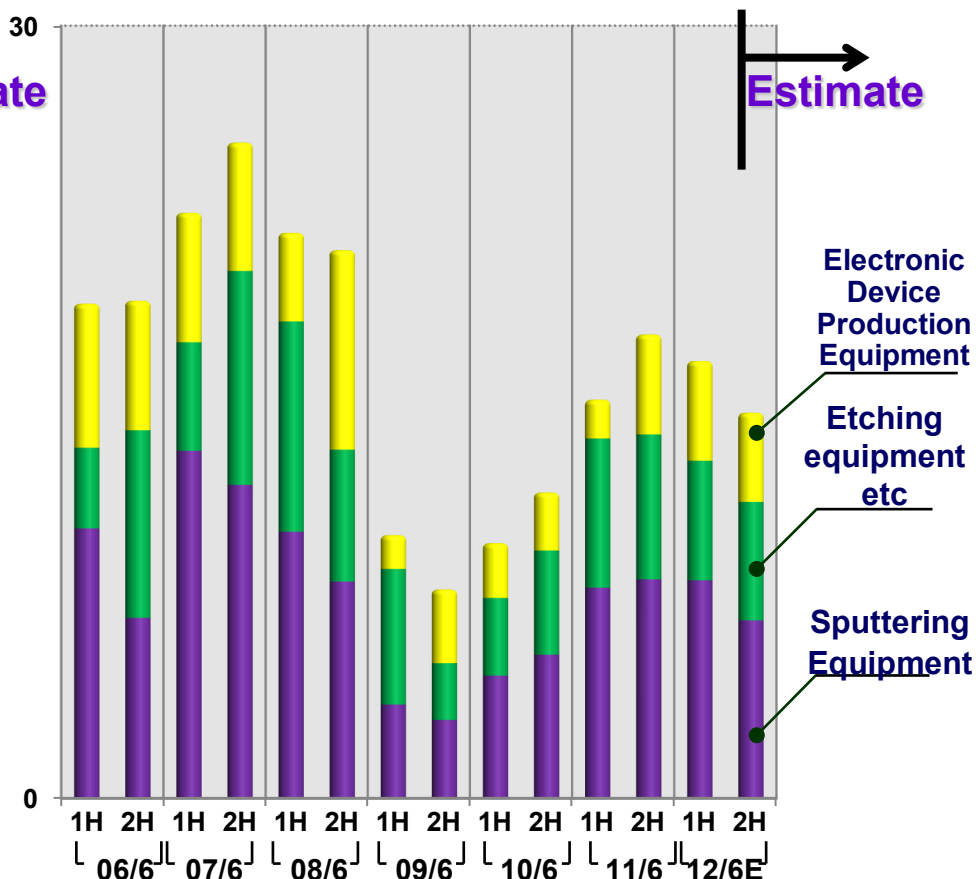
【Figures are rounded off to the first decimal place】

Transition of Semiconductor and Electronic Device Production Equipment

Order Received



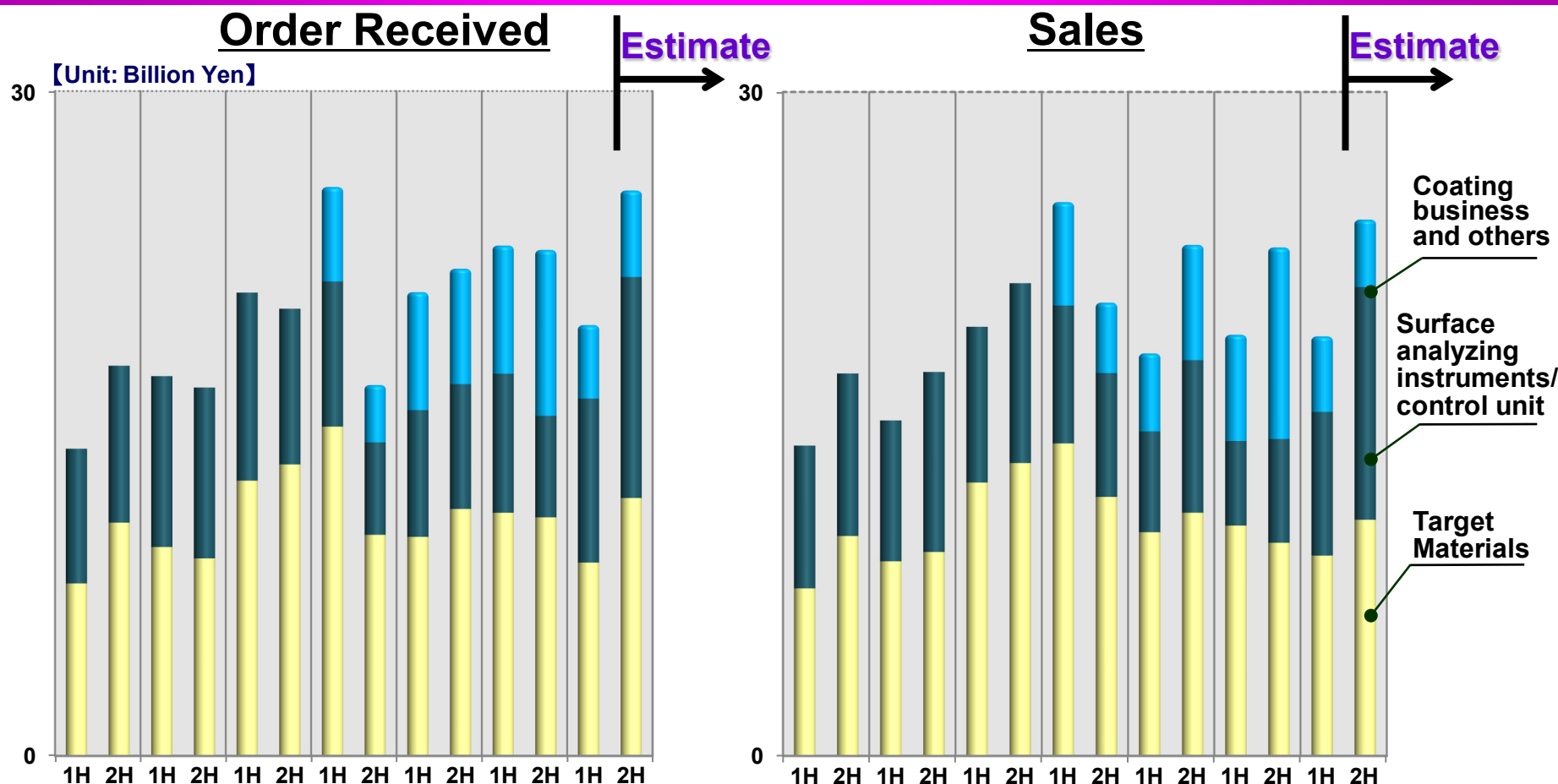
Sales



Recent Business Environment for Order-Booking

- ◆ Demand for DRAM and flash memory continues to slump.
- ◆ Demand for LED-related products lost momentum in China and Taiwan, while inquiries and orders for high luminance LEDs are coming in strong, primarily in Japan.
- ◆ There are an increasing number of inquiries and orders for power semiconductors, primarily in Japan.

Transition of Vacuum Application Businesses



Recent Business Environment for Order-Booking

- ◆ There are an increasing number of inquiries about new materials for FPD (LCD and OLEDs), such as IGZO and Cu targets.
- ◆ Demand for sputtering targets for large-sized LCD panels is in a slump due to the reduction in production by display panel manufacturers.
- ◆ Inquiries and orders for control systems are projected to increase due to the recovery of the automotive industry.

Topics(1st H June 2012)

《R & D center》

Korea Institute for Super Materials
(Established in July 2011)



《New products》

G-TRAN series "Multi-Ion gaugeSH2"(Left)
the automated high speed spectroscopic
ellipso-meter "UNECS-300A"(Right)



《New Products》

Developed a PVD system "ENTRON-EX2 W300
CVD-Ni/CVD-Co" for silicide processes for 3D
structural devices and started sales



July

Aug.

Sept.

Oct.

Nov.

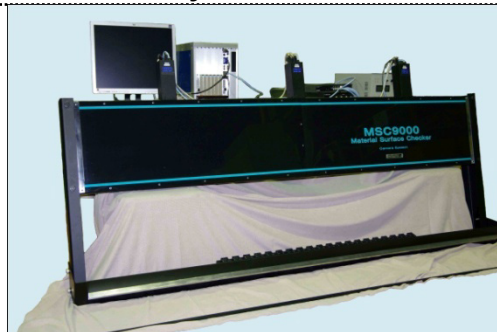
Dec.

Bicycle battery charging system for
power-assisted bicycles Installed the
hybrid cycle pit
(baseball park in Chigasaki city park)

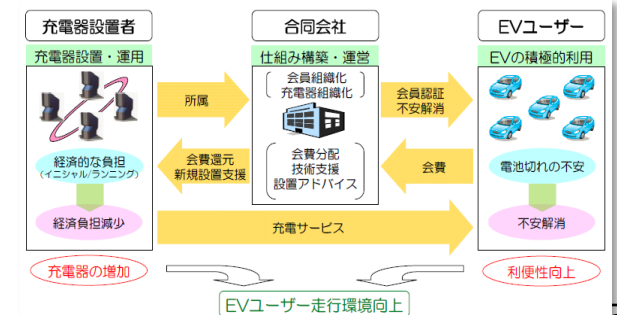


《New products》

Developed new surface defect detector
MSC9000 for coil centers and converting
industry and started sales



Capital contribution to the joint
Enterprise for promoting charging network



Balance Sheet (Assets)

[Unit: Billion Yen]

	June 2011 1H(Reference)	June 2011	June 2012 1H	Changes
Current Assets	203.1	201.0	199.3	△ 1.7
Fixed Assets	112.7	112.6	110.4	△ 2.2
Property, plant and equipment	90.4	87.1	86.3	△ 0.8
Intangible assets	4.6	5.5	5.9	0.4
Investments	17.7	20.0	18.2	△ 1.9
Total assets	315.8	313.6	309.7	△ 3.9

Assets: Reduction by 3.9 billion yen

- ◆ **Current Asset:** Decrease by 1.6 billion yen
 - ◆ **Cash & Deposit** : Decrease by 16.7 billion yen
 - ◆ **Inventories** : Increase by 3.6 billion yen
 - ◆ **Notes and accounts receivable , trade**: Increase by 13.2 billion yen
- ◆ **Fixed Asset:** Decrease by 2.2 billion yen

[Figures included in the balance sheet are rounded off to the nearest unit and may not coincide with the total.]

Balance Sheet(Liabilities and Net assets)

Appendix
【Unit: Billion Yen】

	June 2011 1H(Refernce)	June 2011	June 2012 1H	Changes
(Liabilities)				
Current liabilities	167.8	175.0	169.6	△ 5.4
Fixed liabilities	48.6	46.6	49.6	3.0
Total liabilities	216.4	221.6	219.2	△ 2.4
(Net assets)				
Total net assets	99.5	92.0	90.5	△ 1.5
Total liabilities and net assets	315.8	313.6	309.7	△ 3.9

Liabilities : Decrease by 2.3 billion yen

- Short-term borrowings : Increase by 10.6 billion yen
- Commercial paper : Decrease by 10.0 billion yen
- Advances received : Decrease by 4.3 billion yen

Net Assets: Decrease by 1.5 billion yen

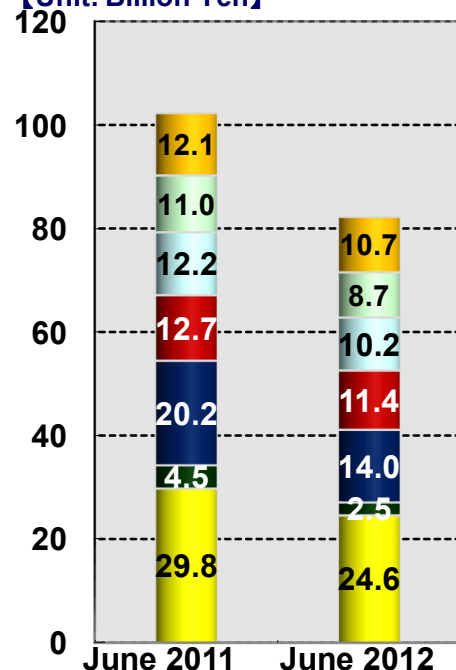
- ◆Total accumulated other comprehensive income
: Decrease by 1.8 billion yen

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Order received by Segment

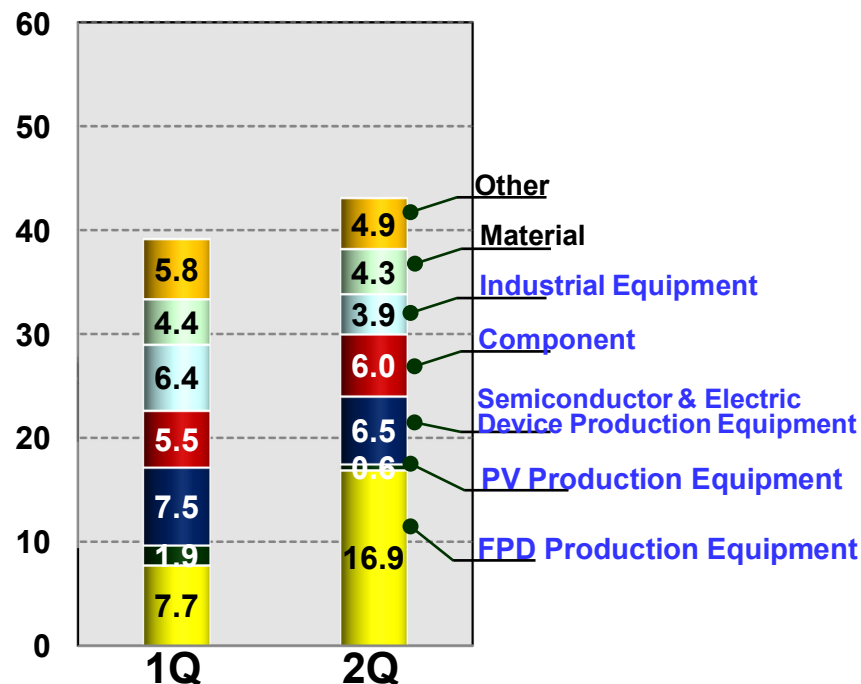
1st H (Year-To-Date)

[Unit: Billion Yen]



June 2011 2Q (Y-T-D)			June 2012 2Q (Y-T-D)			vs. '11/6 (Changes)
Segment	Order	%	Order	%		
Vacuum Equipment Business	79.2	77.5%	62.8	76.4%	-20.8%	
FPD production equipment	29.8	29.1%	24.6	29.9%	-17.4%	
PV production equipment	4.5	4.4%	2.5	3.0%	-44.3%	
Semiconductor and Electronics device Production Equipment	20.2	19.7%	14.0	17.1%	-30.5%	
Component	12.7	12.4%	11.4	13.9%	-9.6%	
Industrial Equipment	12.2	11.9%	10.2	12.4%	-15.8%	
Vacuum Application Business	23.0	22.5%	19.4	23.6%	-15.6%	
Materials	11.0	10.7%	8.7	10.6%	-20.5%	
Others	12.1	11.8%	10.7	13.0%	-11.1%	
Total	102.3	100.0%	82.2	100.0%	-19.6%	

June 2012 1st H



	1Q		2Q	
Segment	Order	%	Order	%
Vacuum Equipment Business	29.0	74.0%	34	78.5%
FPD production equipment	7.7	19.7%	17	39.1%
PV production equipment	1.9	4.9%	1	1.3%
Semiconductor and Electronics device Production Equipment	7.5	19.2%	7	15.2%
Component	5.5	14.0%	6	13.9%
Industrial Equipment	6.4	16.2%	4	9.0%
Vacuum Application Business	10.2	26.0%	9	21.5%
Materials	4.4	11.2%	4	10.1%
Others	5.8	14.8%	5	11.4%
Total	39.1	100.0%	43	100.0%

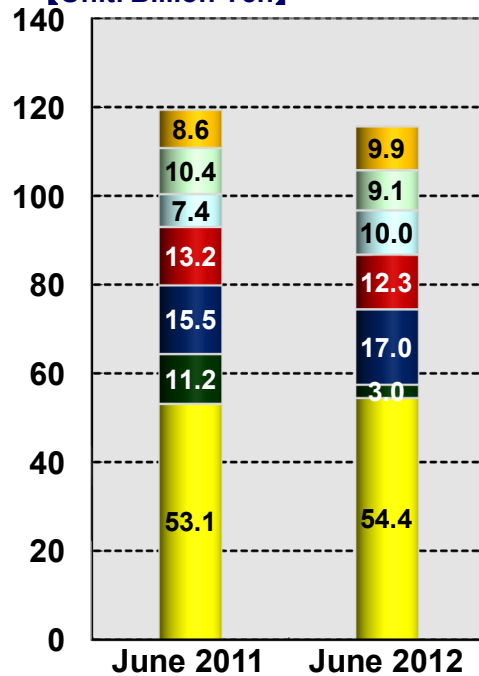
(Note)

Figures indicated above are rounded off to the nearest unit and may not coincide with the total.

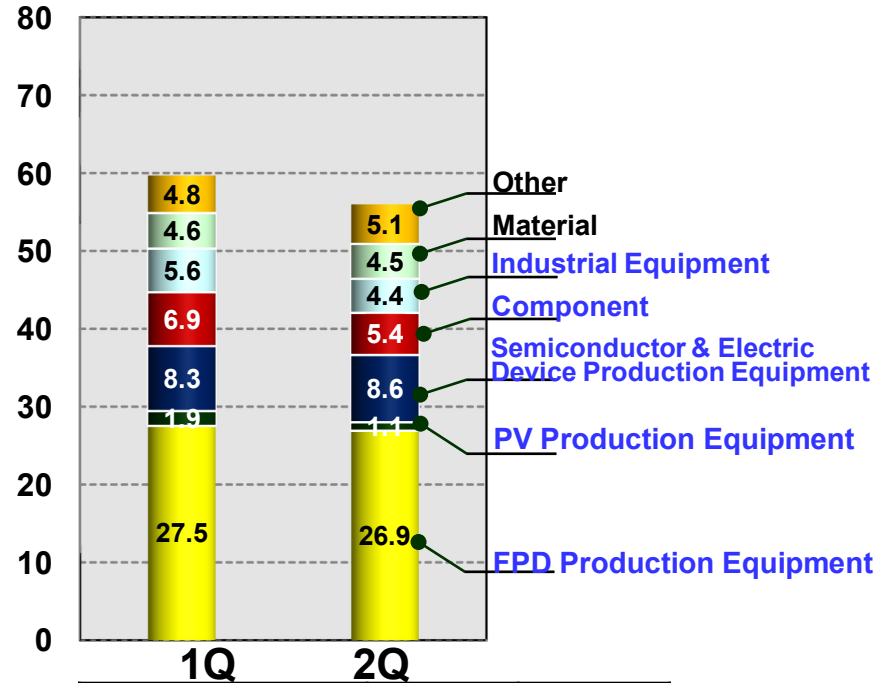
Net Sales by Segment

1st H (Year-To-Date)

[Unit: Billion Yen]



June 2012 1st H



June 2011 2Q(Y-T-D)				June 2012 2Q (Y-T-D)				vs.'11/6 (Changes)
Segment	Sales	%		Sales	%			
Vacuum Equipment Business	100.4	84.1%		96.7	83.6%			-3.6%
FPD production equipment	53.1	44.5%		54.4	47.1%			2.5%
PV production equipment	11.2	9.4%		3.0	2.6%			-73.3%
Semiconductor and Electronics device Production Equipment	15.5	13.0%		17.0	14.7%			9.7%
Component	13.2	11.0%		12.3	10.7%			-6.3%
Industrial Equipment	7.4	6.2%		10.0	8.6%			35.0%
Vacuum Application Business	19.0	15.9%		19.0	16.4%			-0.4%
Materials	10.4	8.7%		9.1	7.8%			-13.0%
Others	8.6	7.2%		9.9	8.6%			14.9%
Total	119.4	100.0%		115.7	100.0%			-3.1%

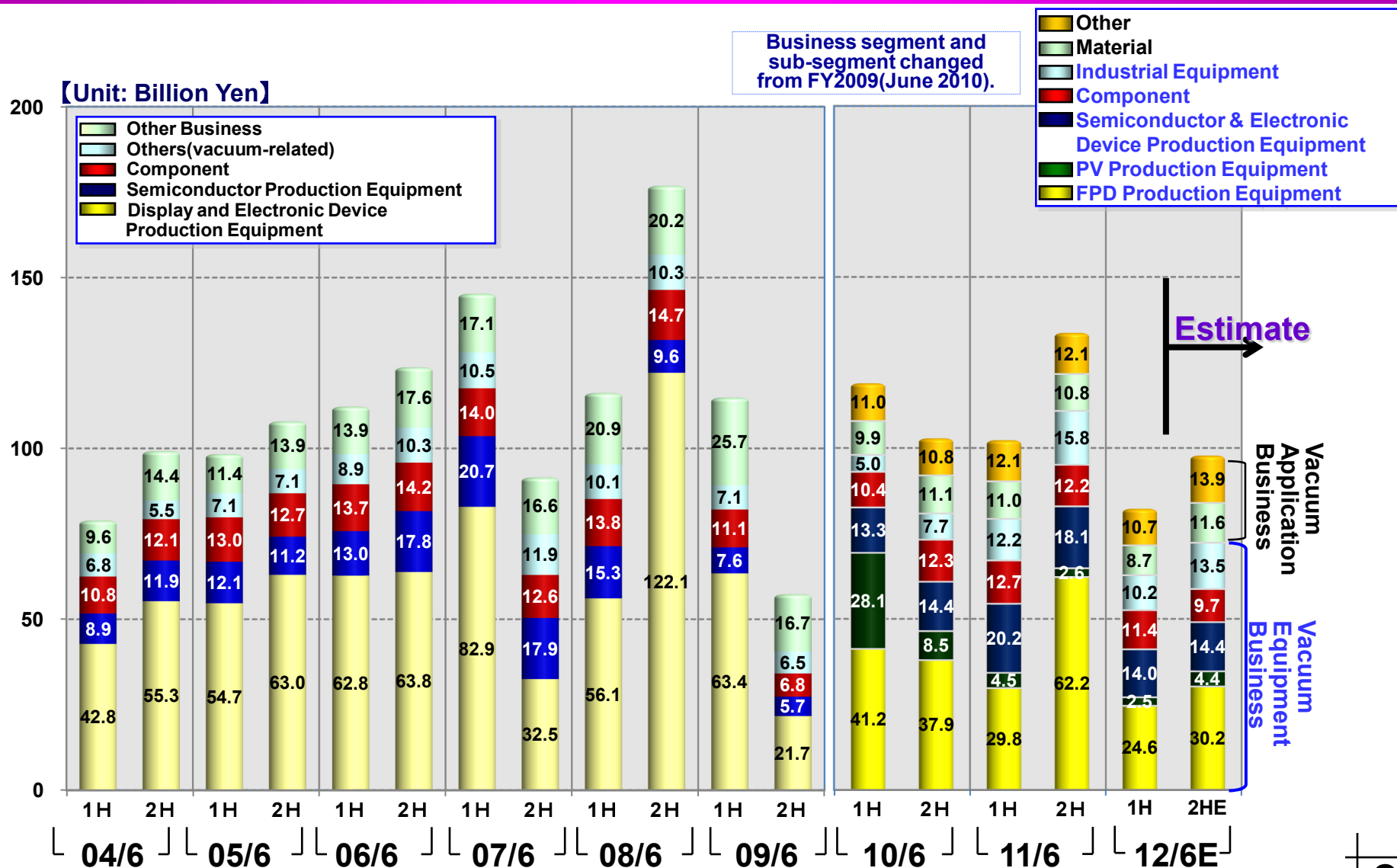
		1Q		2Q	
Segment	Sales	%	Sales	%	
Vacuum Equipment Business	50.3	84.3%	46.4	82.9%	
FPD production equipment	27.5	46.1%	26.9	48.1%	
PV production equipment	1.9	3.2%	1.1	2.0%	
Semiconductor and Electronics device Production Equipment	8.3	14.0%	8.6	15.4%	
Component	6.9	11.6%	5.4	9.7%	
Industrial Equipment	5.6	9.4%	4.4	7.8%	
Vacuum Application Business	9.4	15.7%	9.6	17.1%	
Materials	4.6	7.6%	4.5	8.0%	
Others	4.8	8.1%	5.1	9.1%	
Total	59.7	100.0%	56.0	100.0%	

(Note)

Figures indicated above are rounded off to the nearest unit and may not coincide with the total.

Transition of Orders received by segment - Estimate

Appendix



Innovation begins

in a vacuum

ULVAC