

11-year Financial Data

Financial Data

		FY2008	FY2009	FY2010	FY2011
	(Unit)	2009.6	2010.6	2011.6	2012.6

Key financial results

Net sales ^{*1}	Millions of yen	223,825	221,804	232,040	196,804
Operating profit (loss)	Millions of yen	3,483	4,809	1,850	(6,384)
Ordinary profit (loss)	Millions of yen	835	4,942	1,441	(6,497)
Net income (loss) ^{*2}	Millions of yen	811	2,138	(8,706)	(49,984)
Net assets	Millions of yen	90,158	102,504	92,023	41,187
Total assets	Millions of yen	318,076	313,784	313,616	249,651
Cash flows from operating activities	Millions of yen	(31,891)	44,312	17,730	(8,492)
Cash flows from investing activities	Millions of yen	(14,051)	(10,876)	(14,833)	(11,328)
Cash flows from financing activities	Millions of yen	51,325	(23,418)	2,159	12,616
Cash and cash equivalents at end of period	Millions of yen	21,827	29,721	35,722	28,180

Key performance indicators

Net assets per share	Yen	1,961.08	1,992.06	1,787.51	751.00
Net income per share	Yen	18.90	46.60	(176.43)	(1,012.94)
Equity ratio	%	26.4	31.3	28.1	14.8
ROE (return on equity) ^{*3}	%	0.9	2.3	—	—
Ratio of ordinary profit to total assets ^{*4}	%	0.3	1.6	0.5	—
Price-earnings ratio ^{*5}	Times	146.79	37.34	—	—

Other indicators

Capital expenditure	Billions of yen	19.6	11.1	17.8	12.7
R&D expenses	Billions of yen	8.3	8.0	8.3	7.1
Interest-bearing debt	Billions of yen	136.1	100.2	105.1	120.2
Dividends	Yen	21.0	21.0	—	—
Dividend payout ratio	%	111.1	45.1	—	—
Number of employees	Persons	6,871	7,169	7,878	6,981

Notes:
1. Net sales do not include consumption taxes.
2. The Company applies the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and “net income attributable to owners of parent” is presented instead of “net income.”
3. ROE (return on equity) figures for FY2010 to FY2012 are not presented because the Company recorded a net loss for these periods.
4. The ratio of ordinary profit to total assets for FY2011 is not presented because the Company recorded an ordinary loss for FY2011.
5. Price-earnings ratios for FY2010 to FY2012 are not presented because the Company recorded a net loss for these periods.

FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
2013.6	2014.6	2015.6	2016.6	2017.6	2018.6	2019.6

163,351	173,878	179,174	192,437	231,831	249,271	220,721
6,115	11,996	11,132	17,864	29,468	35,351	23,828
6,264	13,384	12,475	18,373	29,716	36,907	25,575
(3,807)	11,538	8,874	16,698	24,469	35,904	18,665
59,436	72,238	84,928	78,032	104,917	154,069	157,588
243,289	230,791	242,348	219,561	245,306	297,418	282,302
22,357	32,213	21,992	23,708	37,818	19,086	18,282
(4,506)	(3,023)	(4,055)	(5,593)	(13,713)	(1,564)	(9,448)
(3,619)	(16,881)	(14,895)	(32,448)	(22,580)	(10,734)	(5,844)
44,204	57,012	61,670	44,862	47,555	54,348	55,859

806.38	1,040.23	1,398.66	1,477.29	2,002.90	2,994.12	3,062.39
(87.79)	223.18	172.73	338.37	496.35	728.68	378.78
22.7	29.2	32.8	33.2	40.2	49.6	53.5
—	18.8	12.1	21.9	28.5	29.2	12.5
2.5	5.6	5.3	8.0	12.8	13.6	8.8
—	9.66	10.91	9.21	10.88	5.82	9.02

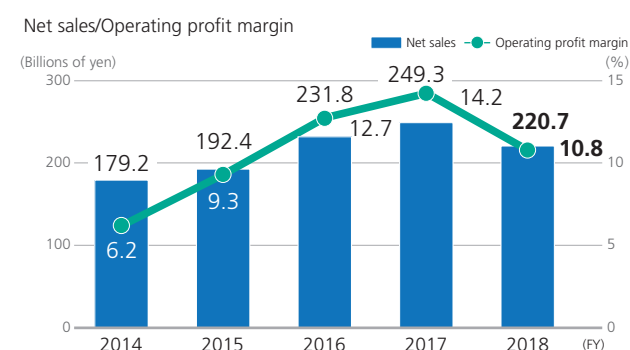
6.8	6.2	6.7	7.0	8.3	12.9	12.9
5.0	5.2	5.6	6.3	6.9	8.3	9.2
106.1	89.6	82.6	62.7	42.7	35.7	35.6
—	—	10.0	30.0	50.0	95.0	105.0
—	—	5.8	8.9	10.1	13.1	27.7
6,579	5,971	5,904	5,886	6,072	6,439	6,424

Business Results: Review of Operations for Fiscal 2018 and Outlook

Business Results for Fiscal 2018

In the electronics market in which the ULVAC Group operates, semiconductor memory manufacturers continued capital expenditures in response to expanding memory demand fueled mainly by greater demand for servers for data center applications. However, semiconductor memory manufacturers have started to postpone new capital expenditures in view of the slowdown of demand in the near term. Nevertheless, investment related to the emergence of the smart society is expected to gain momentum over the medium to long term. On the other hand, in the flat panel display (FPD) sector, in line with the trend toward larger, higher-definition panels for TVs, capital expenditures for manufacturing large LCD panels for TVs continued, mainly in China. Whereas capital expenditures for OLED panels for smartphones was curtailed in South Korea, it continued unabated in other regions.

In these circumstances, for the fiscal year ended June 30, 2019 (fiscal 2018), orders received decreased ¥24,433 million or 10.1% year on year to ¥218,547 million and net sales decreased ¥28,550 million or 11.5% to ¥220,721 million. On the profit front, operating profit decreased ¥11,523 million or 32.6% to ¥23,828 million, ordinary profit decreased ¥11,332 million or 30.7% to ¥25,575 million, and net income decreased ¥17,239 million or 48.0% to ¥18,665 million.



Review of Operations by Business Segment

Vacuum Equipment Business

For the vacuum equipment business, orders received amounted to ¥185,077 million, orders back-log was ¥90,217 million, net sales were ¥187,698 million, and operating profit amounted to ¥20,819 million.

FPD and PV production equipment

Orders received for and net sales of FPD and PV production equipment were below the level of the previous fiscal year despite recording of orders received, mainly from customers in China, for large LCD production equipment for TVs and OLED production equipment for smartphones.

Semiconductor and electronic device production equipment

Both orders received and net sales were below the level of the previous fiscal year because, for semiconductor production equipment, demand for sputtering equipment and the natural oxidized film removing system for NAND flash memory, DRAM, and next-generation non-volatile memory was affected by the current slowdown of memory-related investment. For electronic device production equipment, demand for production equipment for high-performance devices applied in mobile equipment and for power semiconductors was robust.

Components

Both orders received and net sales exceeded those for the previous fiscal year because of strong demand for cryopumps for mounting on OLED production equipment, as well as for vacuum pumps and measuring equipment for the FPD, semiconductor, and electronic device industries and for the automotive-related industry.

Industrial equipment

Net sales remained at the same level as in the previous fiscal year, centering on vacuum heat treatment furnaces for the production of automotive components and leak testers. On the other hand, orders received were below the level of the previous fiscal year, partly because of the postponement of investment in the manufacturing of high-performance magnets in China.

Vacuum Application Business

For the vacuum application business, orders received amounted to ¥33,471 million, orders back-log was ¥6,182 million, net sales were ¥33,023 million, and operating profit amounted to ¥2,986 million.

Materials

Both orders received and net sales were below the level of the previous fiscal year, under the impact of factors such as reduced equipment operation in South Korea, despite recording of orders received for and sales of sputtering target materials for LCDs and other items.

Others

Orders received and net sales were higher than those of the previous fiscal year owing to firm demand for mask blanks, reflecting an increase in demand for high-definition, high-performance display panels and semiconductors for in-vehicle and industrial applications, with the added contribution of demand for surface analyzers.

Financial Position at the End of Fiscal 2018

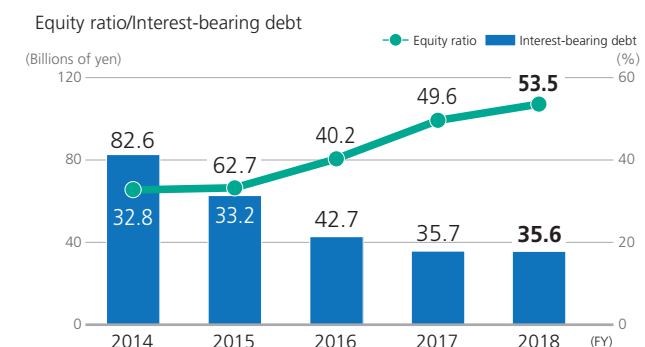
Total assets at the end of fiscal 2018 amounted to ¥282,302 million, having decreased ¥15,116 million compared with the figure at the previous fiscal year-end. The main factors were a ¥11,764 million decrease in investment securities and a ¥10,040 million decrease in notes and accounts receivable, trade, whereas deferred tax assets increased ¥2,865 million.

Total liabilities amounted to ¥124,714 million, having decreased ¥18,634 million compared with the figure at the previous fiscal year-end. The main factors were a ¥14,818 million decrease in notes and accounts payable, trade and a ¥6,624 million decrease in short-term loans payable, whereas long-term loans payable increased ¥6,519 million.

Net assets amounted to ¥157,588 million, having increased ¥3,519 million compared with the figure at the previous fiscal year-end. The main factor was a ¥13,747 million increase in retained earnings, whereas accumulated other comprehensive income decreased ¥10,385 million.

As a result, the equity ratio at the end of fiscal 2018 was 53.5%.

Effective from the beginning of fiscal 2018, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and other standards. Comparison of the financial position uses figures at the previous fiscal year-end after the retrospective application of the said accounting standards.



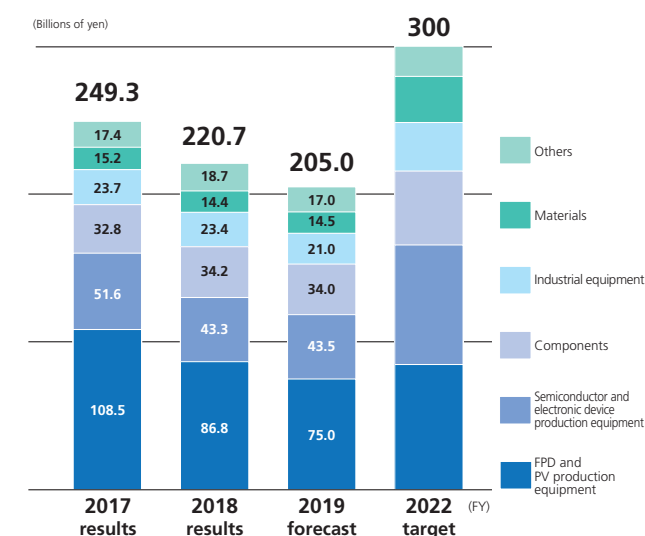
Outlook

For fiscal 2019, the final year of the current mid-term management plan, we forecast net sales of ¥205.0 billion (¥60.0 billion lower than the target of the mid-term management plan) and operating profit of ¥22.5 billion (¥15.5 billion lower than the target of the mid-term management plan) owing to delays in the resumption of electronics-related capital expenditures. However, targets set for the fiscal year ending June 30, 2023 (fiscal 2022), four years from now, remain unchanged: net sales of ¥300 billion and operating profit margin of 16%.

Diverse industries are becoming increasingly electronics-oriented in line with the progress of the smart society, with 5G, IoT, and AI to the fore, and markets for semiconductor memory and logic, new non-volatile memory, sensors, communication devices, power devices, lithium-ion batteries, electronic packaging, OLED displays, etc. are expected to grow greatly along with technological innovation in the medium to long term.

By supporting technological innovation and expansion of these electronics markets with thin-film processing technology and materials development capabilities, ULVAC aims to achieve the next round of growth.

Forecast of net sales by business segment



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY2017 (As of June 30, 2018)	FY2018 (As of June 30, 2019)
Assets		
Current assets		
Cash on hand and in banks	57,074	58,557
Notes and accounts receivable, trade	87,276	77,236
Merchandise and finished goods	4,615	3,937
Work in process	23,618	24,033
Raw materials and supplies	10,847	11,803
Other	9,509	6,840
Allowance for doubtful accounts	(914)	(444)
Total current assets	192,026	181,962
Non-current assets		
Property, plant and equipment		
Buildings and structures	80,982	80,546
Accumulated depreciation	(49,168)	(50,595)
Buildings and structures, net	31,814	29,951
Machinery, equipment and vehicles	69,543	71,500
Accumulated depreciation	(53,161)	(54,042)
Machinery, equipment and vehicles, net	16,382	17,459
Tools, furniture and fixtures	14,738	14,338
Accumulated depreciation	(12,899)	(12,358)
Tools, furniture and fixtures, net	1,839	1,981
Land	8,624	8,357
Leased assets	1,872	1,813
Accumulated depreciation	(1,142)	(1,099)
Leased assets, net	731	715
Construction in progress	4,907	7,226
Total property, plant and equipment	64,297	65,687
Intangible assets		
Leased assets	81	55
Software	844	1,030
Other	2,529	2,361
Total intangible assets	3,454	3,446
Investments and other assets		
Investment securities	25,562	13,797
Deferred tax assets	7,315	10,180
Other	6,812	11,690
Allowance for doubtful accounts	(2,048)	(4,462)
Total investments and other assets	37,641	31,207
Total non-current assets	105,392	100,340
Total assets	297,418	282,302

(Millions of yen)

	FY2017 (As of June 30, 2018)	FY2018 (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	55,566	40,748
Short-term loans payable	21,539	14,915
Lease obligations	300	306
Income taxes payable	4,534	2,802
Advances received	16,739	15,849
Accrued employees' bonuses	3,185	3,625
Accrued directors' bonuses	512	485
Accrued warranty costs	1,742	1,632
Provision for loss on order received	1,074	1,099
Other	13,637	13,041
Total current liabilities	118,829	94,501
Long-term liabilities		
Long-term loans payable	14,150	20,668
Lease obligations	607	551
Deferred tax liabilities	22	16
Net defined benefit liability	8,370	7,846
Accrued directors' retirement benefits	272	75
Provision for board benefit trust	134	145
Asset retirement obligations	395	399
Other	568	512
Total long-term liabilities	24,520	30,213
Total liabilities	143,348	124,714
Net Assets		
Shareholders' equity		
Capital stock	20,873	20,873
Capital surplus	3,912	3,912
Retained earnings	107,238	120,985
Treasury shares	(266)	(247)
Total shareholders' equity	131,756	145,522
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,950	6,652
Foreign currency translation adjustment	2,579	266
Remeasurements of defined benefit plans	(1,753)	(1,528)
Total accumulated other comprehensive income	15,775	5,390
Non-controlling interests	6,538	6,676
Total net assets	154,069	157,588
Total liabilities and net assets	297,418	282,302

Consolidated Statements of Income

(Millions of yen)

	FY2017 (July 1, 2017–June 30, 2018)	FY2018 (July 1, 2018–June 30, 2019)
Net sales	249,271	220,721
Cost of sales	176,163	155,845
Gross profit	73,108	64,876
Selling, general and administrative expenses		
Selling expenses	15,703	18,217
General and administrative expenses	22,054	22,830
Total selling, general and administrative expenses	37,757	41,047
Operating profit	35,351	23,828
Non-operating income		
Interest income	157	183
Dividend income	470	687
Rent income	300	296
Insurance and dividends income	463	610
Share of profit of entities accounted for using equity method	426	346
Other	816	694
Total non-operating income	2,631	2,816
Non-operating expenses		
Interest expenses	349	293
Commission for syndicated loans	—	139
Other	727	637
Total non-operating expenses	1,076	1,069
Ordinary profit	36,907	25,575
Extraordinary income		
Gain on sales of investment securities	2,002	1,710
Gain on change in equity	—	303
Gain on sales of non-current assets	—	75
Total extraordinary income	2,002	2,088
Extraordinary losses		
Loss on retirement of non-current assets	382	156
Impairment loss	—	331
Other	—	27
Total extraordinary losses	382	515
Income before income taxes	38,527	27,148
Current income taxes	7,309	6,709
Deferred income taxes	(5,937)	451
Total income taxes	1,372	7,160
Net income	37,155	19,988
Net income attributable to non-controlling interests	1,250	1,323
Net income attributable to owners of parent	35,904	18,665

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2017 (July 1, 2017–June 30, 2018)	FY2018 (July 1, 2018–June 30, 2019)
Net income	37,155	19,988
Other comprehensive income		
Valuation difference on available-for-sale securities	14,456	(8,298)
Foreign currency translation adjustment	113	(2,773)
Remeasurements of defined benefit plans, net of tax	845	226
Share of other comprehensive income of entities accounted for using equity method	2	190
Total other comprehensive income	15,416	(10,655)
Comprehensive income	52,570	9,334
Comprehensive income attributable to:		
Owners of parent	51,307	8,280
Non-controlling interests	1,263	1,054

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2017 (July 1, 2017–June 30, 2018)	FY2018 (July 1, 2018–June 30, 2019)
Cash flows from operating activities		
Income before income taxes	38,527	27,148
Depreciation	6,541	6,938
Impairment loss	—	331
Increase (decrease) in allowance for doubtful accounts	97	2,048
Increase (decrease) in accrued employees' bonuses	473	505
Increase (decrease) in net defined benefit liability	182	(100)
Increase (decrease) in accrued directors' retirement benefits	(63)	(197)
Increase (decrease) in provision for board benefit trust	60	11
Increase (decrease) in accrued warranty costs	(321)	(82)
Increase (decrease) in provision for loss on orders received	289	27
Interest and dividend income	(628)	(870)
Interest expenses	349	293
Subsidy income	(96)	(74)
Loss (gain) on sales of investment securities	(2,002)	(1,710)
Loss (gain) on sales of non-current assets	—	(75)
Share of (profit) loss of entities accounted for using equity method	(426)	(346)
Loss (gain) on change in equity	—	(303)
Decrease (increase) in notes and accounts receivable - trade	(16,748)	7,508
Decrease (increase) in inventories	(9,878)	(3,185)
Increase (decrease) in notes and accounts payable - trade	6,789	(13,913)
Increase (decrease) in advances received	(123)	(328)
Increase (decrease) in accrued consumption taxes	(241)	677
Other	1,230	1,457
Subtotal	24,011	25,761
Interest and dividend income received	720	1,222
Interest expenses paid	(350)	(270)
Income taxes paid	(5,295)	(8,432)
Net cash provided by (used in) operating activities	19,086	18,282
Cash flows from investing activities		
Payments into time deposits	(12,755)	(5,589)
Proceeds from withdrawal of time deposits	18,873	5,602
Purchase of property, plant and equipment and intangible assets	(9,869)	(11,338)
Proceeds from sales of property, plant and equipment and intangible assets	19	231
Proceeds from sales of investment securities	2,171	1,779
Payments for investments in capital of subsidiaries and associates	(290)	—
Proceeds from subsidy income	237	216
Other	48	(348)
Net cash provided by (used in) investing activities	(1,564)	(9,448)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,157)	(7,288)
Proceeds from long-term loans payable	9,400	15,100
Repayments of long-term loans payable	(11,282)	(7,929)
Repayments of lease obligations	(344)	(358)
Cash dividends paid	(2,464)	(4,683)
Purchase of treasury shares	(0)	(0)
Dividends paid to non-controlling interests	(886)	(687)
Net cash provided by (used in) financing activities	(10,734)	(5,844)
Effect of exchange rate change on cash and cash equivalents	4	(908)
Net increase (decrease) in cash and cash equivalents	6,793	2,082
Cash and cash equivalents at beginning of period	47,555	54,348
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(571)
Cash and cash equivalents at end of period	54,348	55,859