

11-year Financial Data

Financial Data

		FY2009 2010.6	FY2010 2011.6	FY2011 2012.6	FY2012 2013.6	FY2013 2014.6	FY2014 2015.6	FY2015 2016.6	FY2016 2017.6	FY2017 2018.6	FY2018 2019.6	FY2019 2020.6
Key financial results												
Net sales* ¹	Millions of yen	221,804	232,040	196,804	163,351	173,878	179,174	192,437	231,831	249,271	220,721	185,402
Operating profit (loss)	Millions of yen	4,809	1,850	(6,384)	6,115	11,996	11,132	17,864	29,468	35,351	23,828	15,958
Ordinary profit (loss)	Millions of yen	4,942	1,441	(6,497)	6,264	13,384	12,475	18,373	29,716	36,907	25,575	18,052
Net income (loss)* ²	Millions of yen	2,138	(8,706)	(49,984)	(3,807)	11,538	8,874	16,698	24,469	35,904	18,665	10,769
Net assets	Millions of yen	102,504	92,023	41,187	59,436	72,238	84,928	78,032	104,917	154,069	157,588	161,093
Total assets	Millions of yen	313,784	313,616	249,651	243,289	230,791	242,348	219,561	245,306	297,418	282,302	282,350
Cash flows from operating activities	Millions of yen	44,312	17,730	(8,492)	22,357	32,213	21,992	23,708	37,818	19,086	18,282	18,738
Cash flows from investing activities	Millions of yen	(10,876)	(14,833)	(11,328)	(4,506)	(3,023)	(4,055)	(5,593)	(13,713)	(1,564)	(9,448)	(4,143)
Cash flows from financing activities	Millions of yen	(23,418)	2,159	12,616	(3,619)	(16,881)	(14,895)	(32,448)	(22,580)	(10,734)	(5,844)	7,455
Cash and cash equivalents at end of period	Millions of yen	29,721	35,722	28,180	44,204	57,012	61,670	44,862	47,555	54,348	55,859	77,948
Key performance indicators												
Net assets per share	Yen	1,992.06	1,787.51	751.00	806.38	1,040.23	1,398.66	1,477.29	2,002.90	2,994.12	3,062.39	3,132.22
Net income per share	Yen	46.60	(176.43)	(1,012.94)	(87.79)	223.18	172.73	338.37	496.35	728.68	378.78	218.54
Equity ratio	%	31.3	28.1	14.8	22.7	29.2	32.8	33.2	40.2	49.5	53.5	54.6
ROE (return on equity)* ³	%	2.3	—	—	—	18.8	12.1	21.9	28.5	29.2	12.5	7.1
Ratio of ordinary profit to total assets* ⁴	%	1.6	0.5	—	2.5	5.6	5.3	8.0	12.8	13.6	8.8	6.4
Price-earnings ratio* ⁵	Times	37.34	—	—	—	9.66	10.91	9.21	10.88	5.82	9.02	14.23
Other indicators												
Capital expenditure	Billions of yen	11.1	17.8	12.7	6.8	6.2	6.7	7.0	8.3	12.9	12.9	10.3
R&D expenses	Billions of yen	8.0	8.3	7.1	5.0	5.2	5.6	6.3	6.9	8.3	9.2	8.4
Interest-bearing debt	Billions of yen	100.2	105.1	120.2	106.1	89.6	82.6	62.7	42.7	35.7	35.6	49.8
Dividends	Yen	21.0	—	—	—	—	10.0	30.0	50.0	95.0	105.0	80.0
Dividend payout ratio	%	45.1	—	—	—	—	5.8	8.9	10.1	13.0	27.7	36.6
Number of employees	Persons	7,169	7,878	6,981	6,579	5,971	5,904	5,886	6,072	6,439	6,424	6,370

Notes:

- Net sales do not include consumption taxes.
- 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."
- ROE (return on equity) figures for FY2010 to FY2012 are not presented because the Company recorded a net loss for these periods.
- The ratio of ordinary profit to total assets for FY2011 is not presented because the Company recorded an ordinary loss for FY2011.
- Price-earnings ratios for FY2010 to FY2012 are not presented because the Company recorded a net loss for these periods.

Financial Overview

Forward-looking statements contained in this document are based on the current assumptions and beliefs of the ULVAC Group in light of the information available to it as of September 29, 2020.

Business Results

For the fiscal year ended June 30, 2020 (FY 2019), net sales amounted to ¥185,402 million, a decrease of 16.0% year on year. Net sales of FPD and PV production equipment were below the level of the previous fiscal year in line with decreases in orders received for both LCD production equipment for large-screen TVs and OLED production equipment for smartphones. Orders received decreased because investment in LCDs for large-screen TVs had come to a cyclical downturn and investment in OLEDs for smartphones entered a temporary adjustment phase. Net sales of semiconductor and electronic device production equipment increased from the previous fiscal year because demand for electronic device production equipment remained firm, a recovery trend of memory-related investment became apparent, and ULVAC's entry in the field for logic devices was also a contributory factor.

Operating profit margin was 8.6%, down 2.2 percentage points from the previous fiscal year. This decrease was mainly because lower net sales could not be fully offset by reducing fixed costs.

R&D expenses totaled ¥8,353 million, a decrease of ¥856 million from the previous fiscal year. The ratio of R&D expenses to net sales was 4.5%, an increase of 0.3 percentage points from the previous fiscal year due to a decrease in net sales. Although the amount of R&D expenses decreased from the previous fiscal year owing to restrictions on movement and so on

because of the COVID-19 pandemic, the ULVAC Group is continuing to emphasize investment with a view to future growth.

Regarding indicators for evaluating the degree of achievement of the management policies, management strategies, and management objectives during the period until FY 2019 covered by the mid-term management plan, the ULVAC Group used net sales, operating profit, and operating profit margin as key performance indicators. As described on Page 23, the ULVAC Group formulated a new mid-term management plan, "Breakthrough 2022," which covers three years from FY 2020. The basic policy of this mid-term management plan is twofold: "investment in development for growth (selection and concentration)" and "profit-oriented management through structural change." Under this policy, the ULVAC Group will use net sales, gross profit margin, operating profit margin, return on equity (ROE), and operating cash flow as new key performance indicators.

Quantitative targets for the third year (FY 2022) of the mid-term management plan are net sales of ¥210.0 billion, gross profit margin of 35% or higher, operating profit margin of 16% or higher, ROE of 13% or higher, and operating cash flow of ¥29.0 billion. The Group aims to achieve further growth from a medium-to long-term perspective by implementing specific initiatives to attain the targets of the new mid-term management plan.

Management's recognition, analysis and discussion of operating results by business segment are as follows.

■ Vacuum Equipment Business

Segment net sales decreased 17.5% year on year to ¥154,773 million. Net sales of FPD and PV production equipment were below the level of the previous fiscal year because investment in LCDs for large-screen TVs had come to a cyclical downturn and investment in OLEDs for smartphones decreased. Despite the impact of the COVID-19 pandemic, net sales of semiconductor and electronic device production equipment were above the level of the previous fiscal year because of firm demand for electronic device production equipment and the contribution of sputtering equipment for logic devices. Regarding components, sales of cryopumps, vacuum pumps, and measuring equipment decreased following robust sales in the previous fiscal year. Segment profit margin deteriorated from 11.1% for the previous fiscal year to 8.8% for the fiscal year under review. This deterioration was mainly attributable to the fact that

the decrease in net sales of FPD and PV production equipment was significant and could not be fully offset by the growth in net sales of high-margin semiconductor and electronic device production equipment and by the reduction of fixed costs.

■ Vacuum Application Business

Segment net sales decreased 7.3% year on year to ¥30,629 million. Lower net sales reflected a decrease in orders received for sputtering target materials for LCDs in line with the decrease in the facility utilization rate of customers' plants whereas mask blank-related demand remained firm. Segment profit margin deteriorated from 9.0% for the previous fiscal year to 5.4% for the fiscal year under review. This deterioration was mainly attributable to the fact that the decrease in net sales could not be fully offset by the reduction of fixed costs.

Financial Position

Total assets at the end of FY 2019 amounted to ¥282,350 million, having increased ¥48 million compared with the figure at the previous FY year-end. The main factors were a ¥22,137 million increase in cash on hand and in banks, whereas notes and accounts receivable, trade, inventories, and deferred tax assets decreased ¥10,534 million, ¥4,669 million, and ¥4,072 million, respectively. Total liabilities amounted to ¥121,256 million, having decreased ¥3,458 million compared with the figure at the previous fiscal year-end. The main factors were a ¥9,309 million decrease in notes and

accounts payable, trade, a ¥4,280 million decrease in advances received, a ¥3,649 million decrease in short-term loans payable, and a ¥1,462 million decrease in income taxes payable, whereas long-term loans payable increased ¥17,909 million. Net assets amounted to ¥161,093 million, having increased ¥3,505 million compared with the figure at the previous fiscal year-end. The main factor was a ¥5,587 million increase in retained earnings, whereas accumulated other comprehensive income decreased ¥2,143 million. As a result, the equity ratio at the end of FY 2019 was 54.6%.

Cash Flows

Cash and cash equivalents at the end of FY 2019 amounted to ¥77,948 million, having increased ¥22,089 million compared with the figure at the previous fiscal year-end. The status of cash flows from operating, investing and financing activities and major contributing factors were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥18,738 million compared with net cash provided by operating activities amounting to ¥18,282 million for the previous fiscal year. The main factors contributing to cash inflows were income before income taxes, depreciation, a decrease in notes and accounts receivable-trade, and a decrease in inventories. The main factors contributing to cash outflows included a decrease in notes and accounts payable-trade and a decrease in advances received.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥4,143 million compared with net cash used in investing activities amounting to ¥9,448 million for the previous fiscal year. The main factors included purchase of property, plant and equipment and intangible assets and proceeds from sales of investment securities.

Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥7,455 million compared with net cash used in financing activities amounting to ¥5,844 million for the previous fiscal year. The main factors included an increase in long-term loans payable, cash dividends paid, and a decrease in short-term loans payable.

Financial Resources and Liquidity

The ULVAC Group's funding needs are principally for R&D investment and capital investment, which will underpin a new growth strategy, and for working capital for business operations. The Group intends to expand investment for development in the semiconductor and electronic device fields to strengthen growing businesses. Such demand for funds is satisfied by cash flows from operating activities and borrowings from financial institutions. In fund procurement, the Group endeavors to level the annual amount of repayment in order to reduce refinancing and the repayment burden.

While the outlook is unclear owing to the COVID-19 pandemic etc., in order to ensure preparedness for contingencies, the Group has secured sufficient liquidity in hand through increased borrowings and by other means. The Group has also put in place a system that enables it to secure additional funds by concluding commitment-line contracts. Thus, the Group is capable of stable operation for the time being. The Group will maintain the system that ensures timely access to necessary funds so as to be capable of responding to rapid change in the business environment.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY2018 (As of June 30, 2019)	FY2019 (As of June 30, 2020)
Assets		
Current assets		
Cash on hand and in banks	58,557	80,694
Notes and accounts receivable, trade	77,236	66,702
Merchandise and finished goods	3,937	3,883
Work in process	24,033	21,004
Raw materials and supplies	11,803	10,217
Other	6,840	6,903
Allowance for doubtful accounts	(444)	(419)
Total current assets	181,962	188,985
Non-current assets		
Property, plant and equipment		
Buildings and structures	80,546	81,850
Accumulated depreciation	(50,595)	(52,735)
Buildings and structures, net	29,951	29,115
Machinery, equipment and vehicles	71,500	76,740
Accumulated depreciation	(54,042)	(57,428)
Machinery, equipment and vehicles, net	17,459	19,312
Tools, furniture and fixtures	14,338	13,933
Accumulated depreciation	(12,358)	(12,295)
Tools, furniture and fixtures, net	1,981	1,638
Land	8,357	8,344
Leased assets	1,813	3,851
Accumulated depreciation	(1,099)	(1,284)
Leased assets, net	715	2,567
Construction in progress	7,226	4,213
Total property, plant and equipment	65,687	65,189
Intangible assets		
Leased assets	55	53
Software	1,030	973
Other	2,361	2,251
Total intangible assets	3,446	3,278
Investments and other assets		
Investment securities	13,797	11,869
Deferred tax assets	10,180	6,108
Other	11,690	9,343
Allowance for doubtful accounts	(4,462)	(2,422)
Total investments and other assets	31,207	24,898
Total non-current assets	100,340	93,365
Total assets	282,302	282,350

(Millions of yen)

	FY2018 (As of June 30, 2019)	FY2019 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	40,748	31,439
Short-term loans payable	14,915	11,266
Lease obligations	306	666
Income taxes payable	2,802	1,340
Advances received	15,849	11,569
Accrued employees' bonuses	3,625	2,686
Accrued directors' bonuses	485	372
Accrued warranty costs	1,632	1,672
Provision for loss on order received	1,099	1,323
Other	13,041	9,952
Total current liabilities	94,501	72,285
Long-term liabilities		
Long-term loans payable	20,668	38,577
Lease obligations	551	1,999
Deferred tax liabilities	16	27
Net defined benefit liability	7,846	7,363
Accrued directors' retirement benefits	75	—
Provision for board benefit trust	145	156
Asset retirement obligations	399	402
Other	512	447
Total long-term liabilities	30,213	48,972
Total liabilities	124,714	121,256
Net Assets		
Shareholders' equity		
Capital stock	20,873	20,873
Capital surplus	3,912	3,912
Retained earnings	120,985	126,571
Treasury shares	(247)	(349)
Total shareholders' equity	145,522	151,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,652	5,301
Foreign currency translation adjustment	266	(572)
Remeasurements of defined benefit plans	(1,528)	(1,482)
Total accumulated other comprehensive income	5,390	3,246
Non-controlling interests	6,676	6,840
Total net assets	157,588	161,093
Total liabilities and net assets	282,302	282,350

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of yen)

	FY2018 (July 1, 2018–June 30, 2019)	FY2019 (July 1, 2019–June 30, 2020)
Net sales	220,721	185,402
Cost of sales	155,845	134,805
Gross profit	64,876	50,596
Selling, general and administrative expenses		
Selling expenses	18,217	13,091
General and administrative expenses	22,830	21,547
Total selling, general and administrative expenses	41,047	34,638
Operating profit	23,828	15,958
Non-operating income		
Interest income	183	171
Dividend income	687	634
Compensation income	21	779
Share of profit of entities accounted for using equity method	346	494
Other	1,579	1,433
Total non-operating income	2,816	3,511
Non-operating expenses		
Interest expenses	293	437
Other	776	980
Total non-operating expenses	1,069	1,418
Ordinary profit	25,575	18,052
Extraordinary income		
Gain on sales of investment securities	1,710	3,261
Gain on change in equity	303	—
Gain on sales of non-current assets	75	47
Total extraordinary income	2,088	3,308
Extraordinary losses		
Loss on retirement of non-current assets	156	64
Impairment loss	331	175
Other	27	—
Total extraordinary losses	515	239
Income before income taxes	27,148	21,122
Current income taxes	6,709	4,790
Deferred income taxes	451	4,596
Total income taxes	7,160	9,386
Net income	19,988	11,736
Net income attributable to non-controlling interests	1,323	967
Net income attributable to owners of parent	18,665	10,769

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2018 (July 1, 2018–June 30, 2019)	FY2019 (July 1, 2019–June 30, 2020)
Net income	19,988	11,736
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,298)	(1,347)
Foreign currency translation adjustment	(2,773)	(759)
Remeasurements of defined benefit plans, net of tax	226	48
Share of other comprehensive income of entities accounted for using equity method	190	(142)
Total other comprehensive income	(10,655)	(2,200)
Comprehensive income	9,334	9,536
Comprehensive income attributable to:		
Owners of parent	8,280	8,626
Non-controlling interests	1,054	910

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018 (July 1, 2018–June 30, 2019)	FY2019 (July 1, 2019–June 30, 2020)
Cash flows from operating activities		
Income before income taxes	27,148	21,122
Depreciation	6,938	7,849
Impairment loss	331	175
Increase (decrease) in allowance for doubtful accounts	2,048	(2,053)
Increase (decrease) in accrued employees' bonuses	505	(1,031)
Increase (decrease) in net defined benefit liability	(100)	(411)
Increase (decrease) in accrued directors' retirement benefits	(197)	(75)
Increase (decrease) in provision for board benefit trust	11	10
Increase (decrease) in accrued warranty costs	(82)	34
Increase (decrease) in provision for loss on orders received	27	224
Interest and dividend income	(870)	(806)
Interest expenses	293	437
Subsidy income	(74)	(150)
Loss (gain) on sales of investment securities	(1,710)	(3,261)
Loss (gain) on sales of non-current assets	(75)	(47)
Share of (profit) loss of entities accounted for using equity method	(346)	(494)
Loss (gain) on change in equity	(303)	—
Decrease (increase) in notes and accounts receivable - trade	7,508	9,941
Decrease (increase) in inventories	(3,185)	2,718
Increase (decrease) in notes and accounts payable - trade	(13,913)	(7,985)
Increase (decrease) in advances received	(328)	(4,186)
Increase (decrease) in accrued consumption taxes	677	(370)
Other	1,457	3,430
Subtotal	25,761	25,071
Interest and dividend income received	1,222	1,111
Interest expenses paid	(270)	(450)
Income taxes paid	(8,432)	(6,994)
Net cash provided by (used in) operating activities	18,282	18,738
Cash flows from investing activities		
Payments into time deposits	(5,589)	(3,728)
Proceeds from withdrawal of time deposits	5,602	3,707
Purchase of property, plant and equipment and intangible assets	(11,338)	(8,828)
Proceeds from sales of property, plant and equipment and intangible assets	231	1,175
Proceeds from sales of investment securities	1,779	3,371
Proceeds from subsidy income	216	150
Other	(348)	10
Net cash provided by (used in) investing activities	(9,448)	(4,143)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,288)	(3,785)
Proceeds from long-term loans payable	15,100	26,689
Repayments of long-term loans payable	(7,929)	(8,607)
Repayments of lease obligations	(358)	(787)
Cash dividends paid	(4,683)	(5,175)
Purchase of treasury shares	(0)	(120)
Dividends paid to non-controlling interests	(687)	(760)
Net cash provided by (used in) financing activities	(5,844)	7,455
Effect of exchange rate change on cash and cash equivalents	(908)	39
Net increase (decrease) in cash and cash equivalents	2,082	22,089
Cash and cash equivalents at beginning of period	54,348	55,859
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(571)	—
Cash and cash equivalents at end of period	55,859	77,948