

**V-Technology Co., Ltd.**

**FY2020 Q2**

# **Financial Announcement**

**(Supplementary Materials)**

**CEO Shigeto Sugimoto**

November 11, 2020

# Forward-Looking Statements

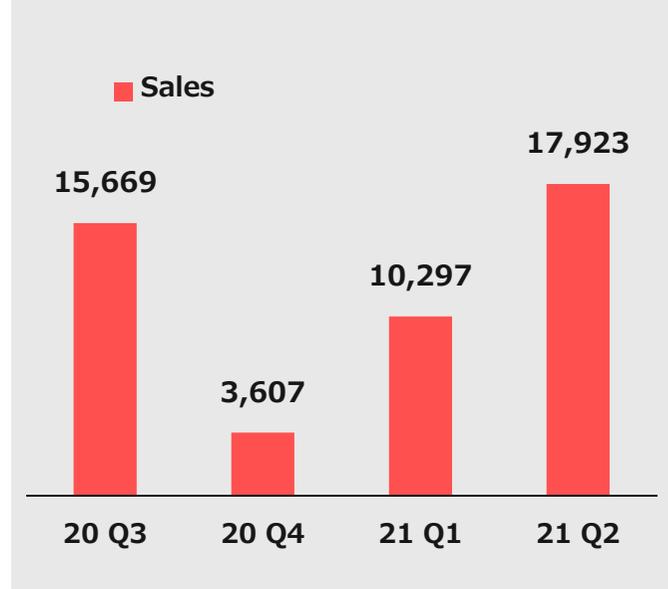
- ▶ This material contains forward-looking statements regarding V Technology Co., Ltd.'s corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which V Technology Co., Ltd. operates.
- ▶ As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing and financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements.
- ▶ V Technology Co., Ltd., therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and, further that V Technology Co., Ltd. undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

# Highlight

## Financial Results

- ▶ Sales in the first half recovered steadily to 28.2 billion yen, but declined sharply in Q4 due to the corona disaster (P5)
- ▶ 19.8 billion yen in orders in the first half, repeat orders and medium-sized orders for large LCD equipment Orders for new construction of small OLED plants contributed to the increase (P6)
- ▶ No change in this fiscal year's forecast (P15)

Quarterly Sales(FY20Q3~FY21Q2)



## New products and business

- ▶ Semiconductor business: 1)Strong orders for wafer inspection in the semiconductor business, 2)Delivery of first wafer polishing system in December, 3) Promotion of the IC tester is going well, 4)development of photomask-related equipment for legacy semiconductors, centering on maskless lithography systems (P19-20)
- ▶ New FPD factories and enhancement-related inquiries are underway, and research and development of next-generation FPDs (MiniLEDs, micro LEDs, etc.) has been active (p.21)
- ▶ In addition, we are developing a wide range of other challenges that go beyond the scope of equipment manufacturers (P22-23)

# | Financial Result

## Highlight of FY2021 6months ended

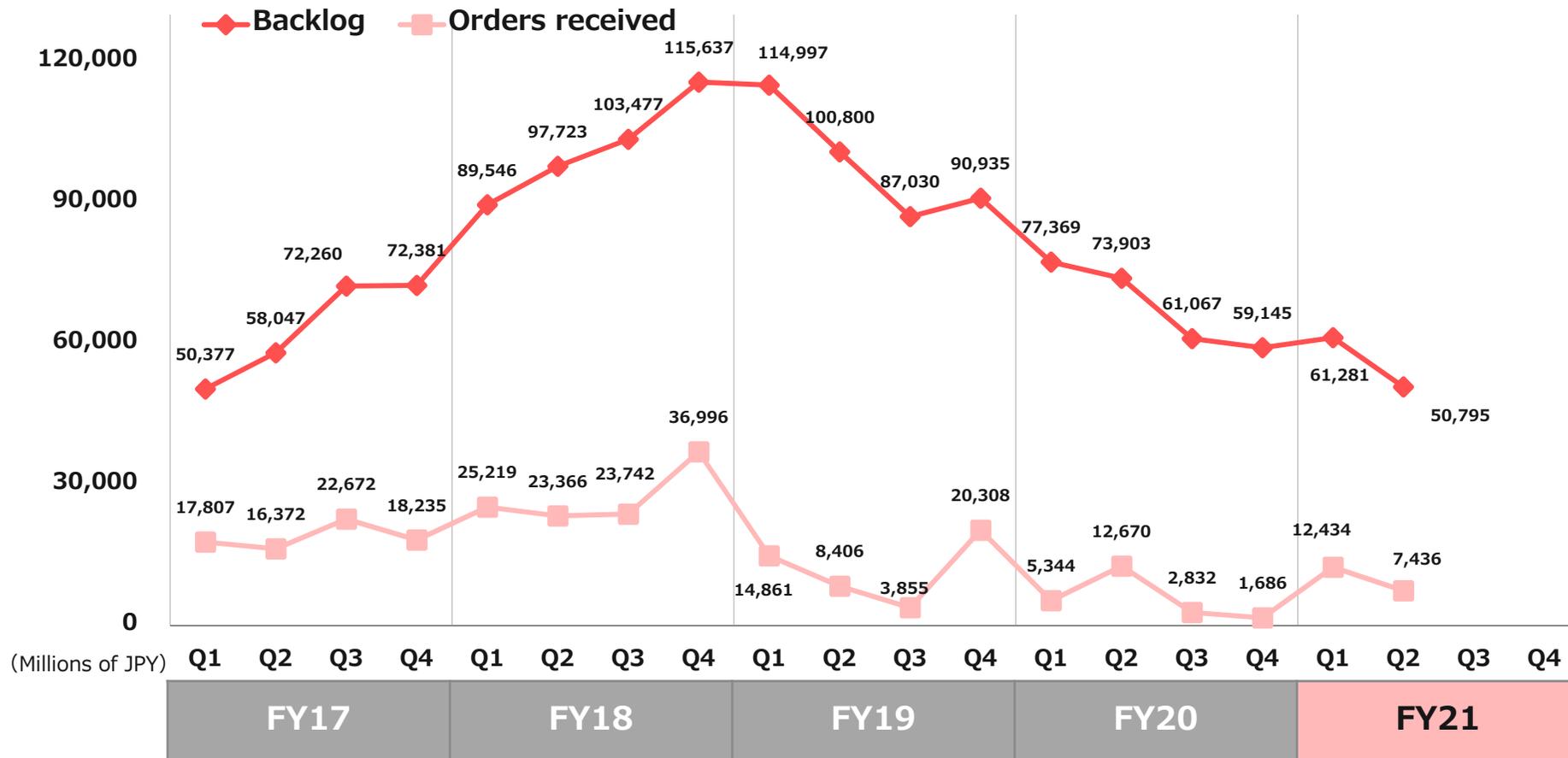
- ▶ Sales recovered steadily after bottoming out in Q4.
- ▶ Losses on revaluation of inventory on Q1 orders canceled were recorded.
- ▶ Booked repeat orders at existing plants in Q2 and orders received increased by 10.3% YoY.

	FY20(6 months ended)		FY20(6 months ended)		Y/Y change
	Amount (Millions of JPY)	Margin	Amount (Millions of JPY)	Margin	
Net sales	35,046	—	28,220	—	▲19.5%
Gross profit	11,202	32.0%	7,334	26.0%	▲34.5%
Operating profit	6,255	17.8%	2,941	10.4%	▲53.0%
Ordinary profit	6,261	17.9%	2,877	10.2%	▲54.0%
Net profit attributable to owners of parent	3,882	11.1%	1,477	5.2%	▲61.9%
Orders received	18,014	—	19,870	—	10.3%
Backlog	73,903	—	50,795	—	▲31.3%

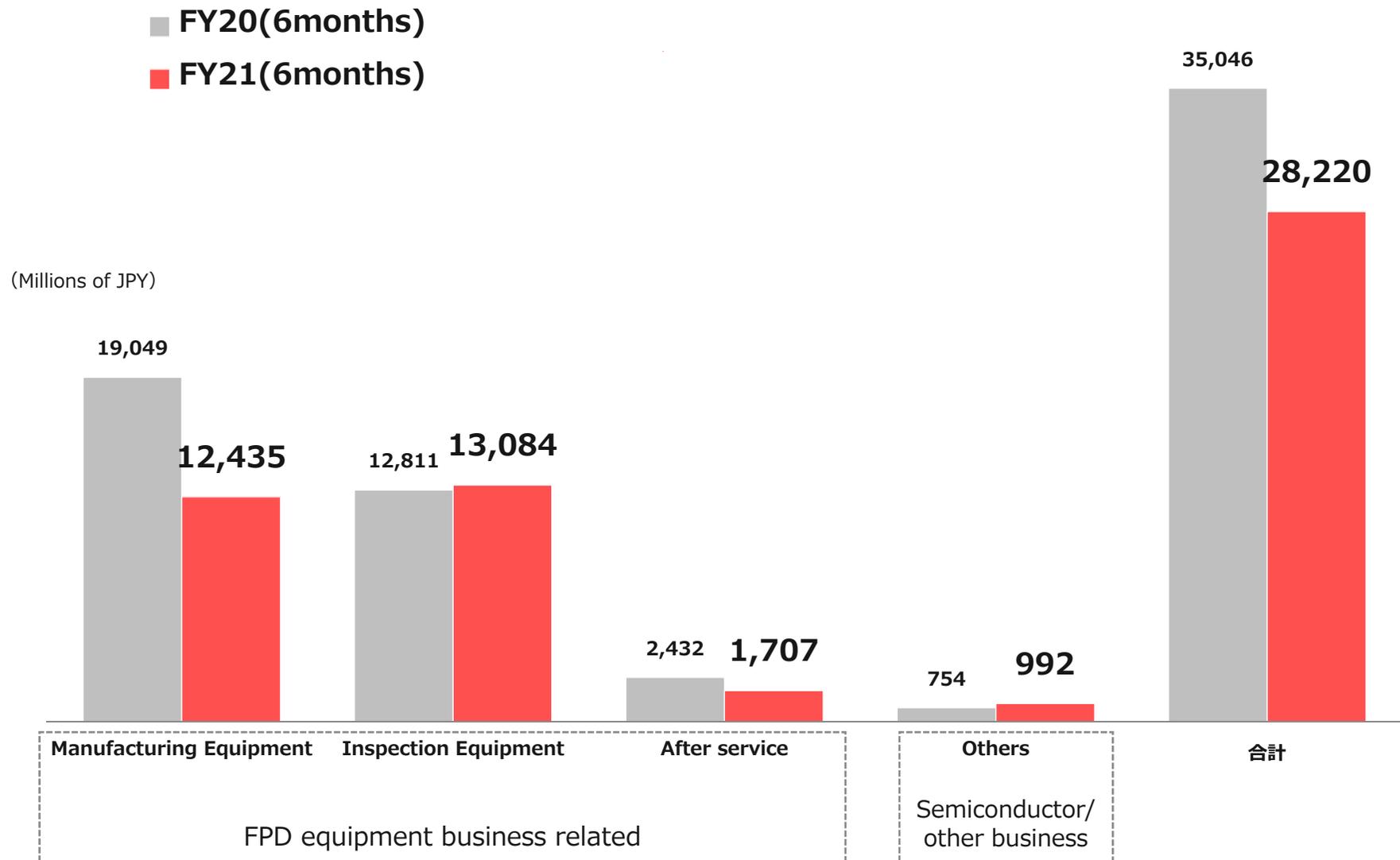
# Transition of Orders Received and Backlog

- ▶ Posting of repeat orders for capacity expansion at existing large and large FPD plants and construction of a new small- and medium-sized OLED plant
- ▶ Excluding Q1 order cancellations, 1H orders were 23.2 billion yen (+30% YoY)
- ▶ Negotiations regarding the establishment of a new large FPD plant have paused but are expected to resume during the fiscal year\*.

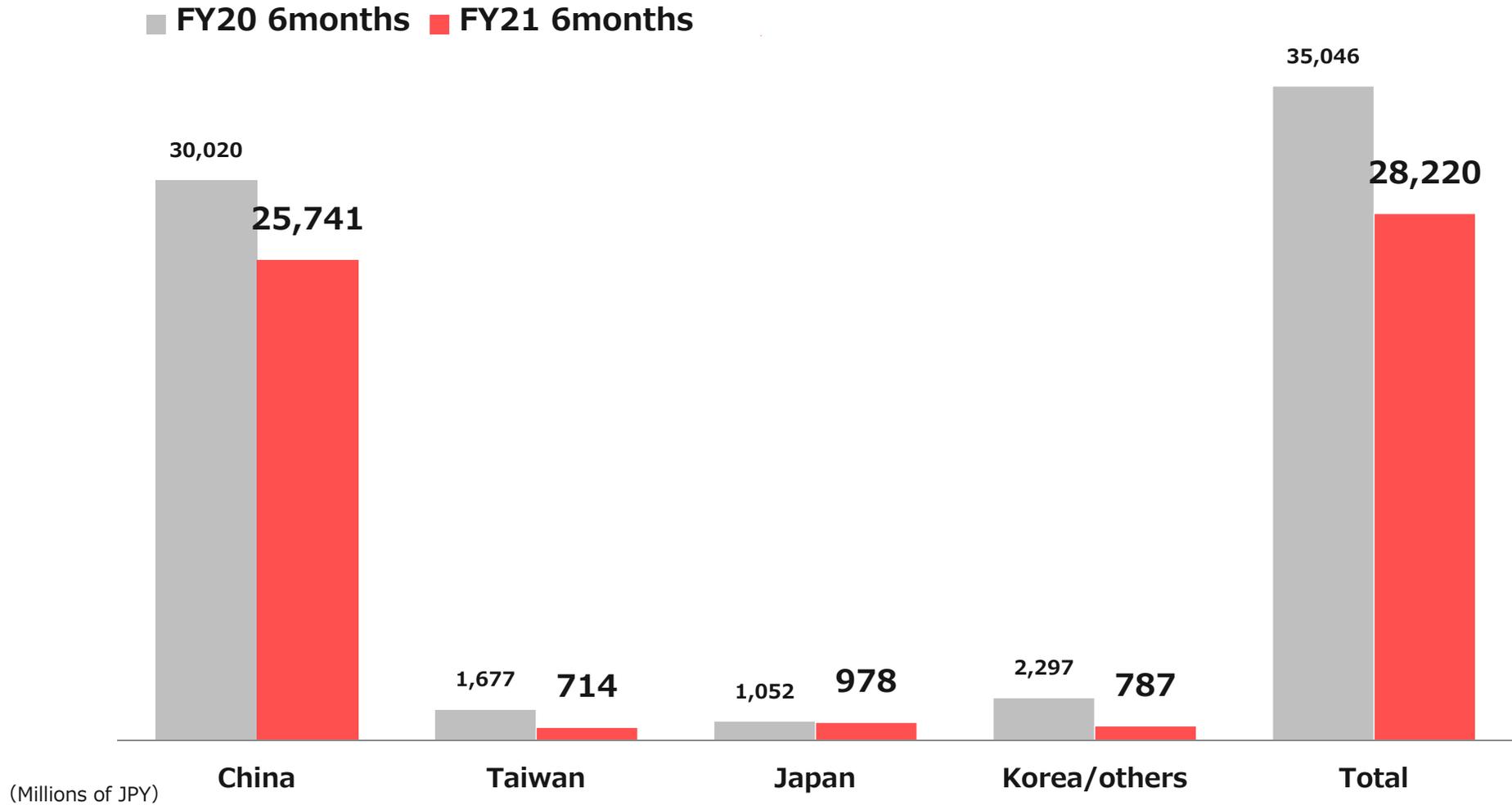
\* Page21



# Sales by Products and Services (YoY basis)

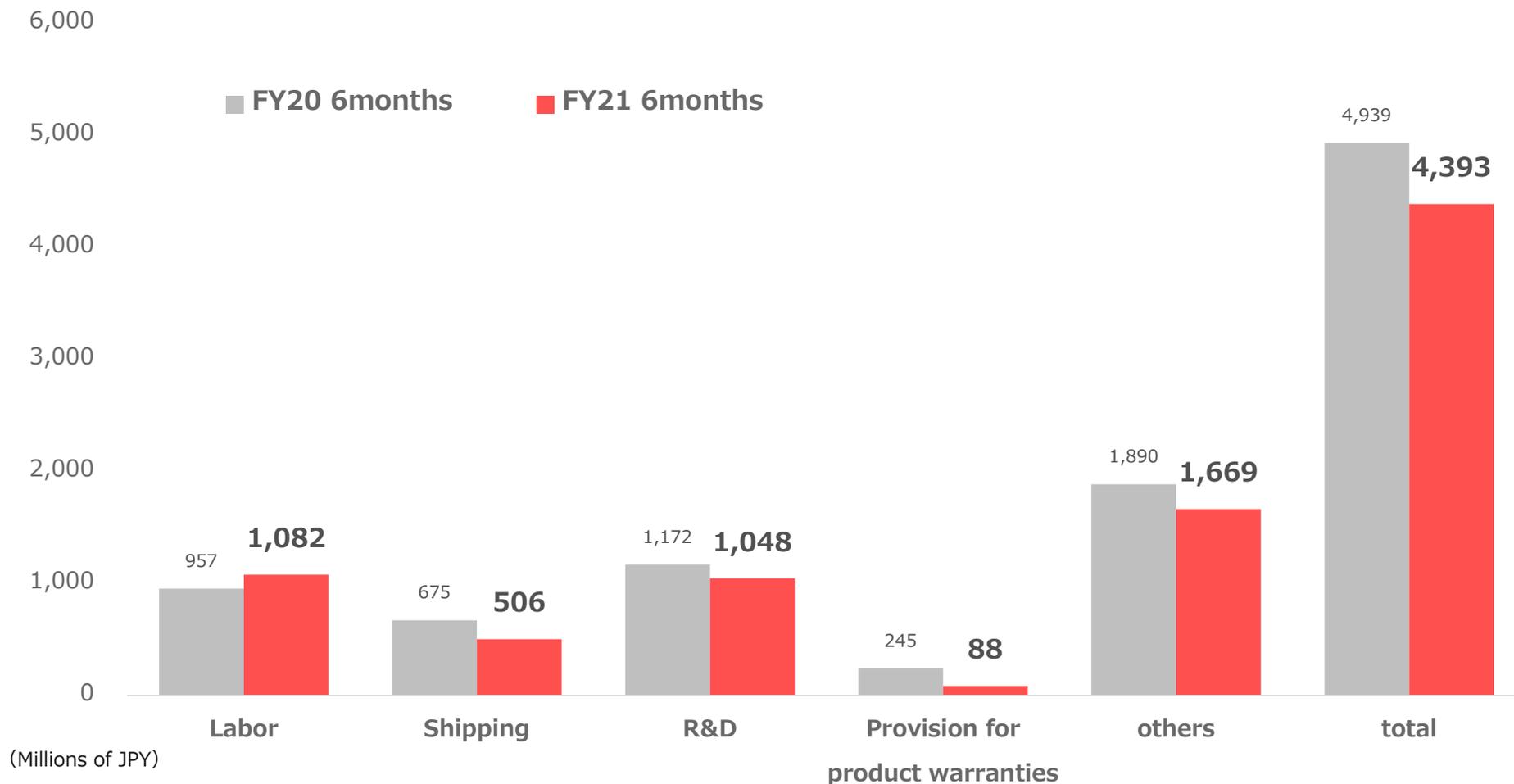


# Sales by Countries (YoY basis)



# SG&A(Selling, general and administrative) Expenses

- ▶ Decreased shipping and product warranty-related expenses as a result of lower sales and restrictions on business travel due to corona disaster

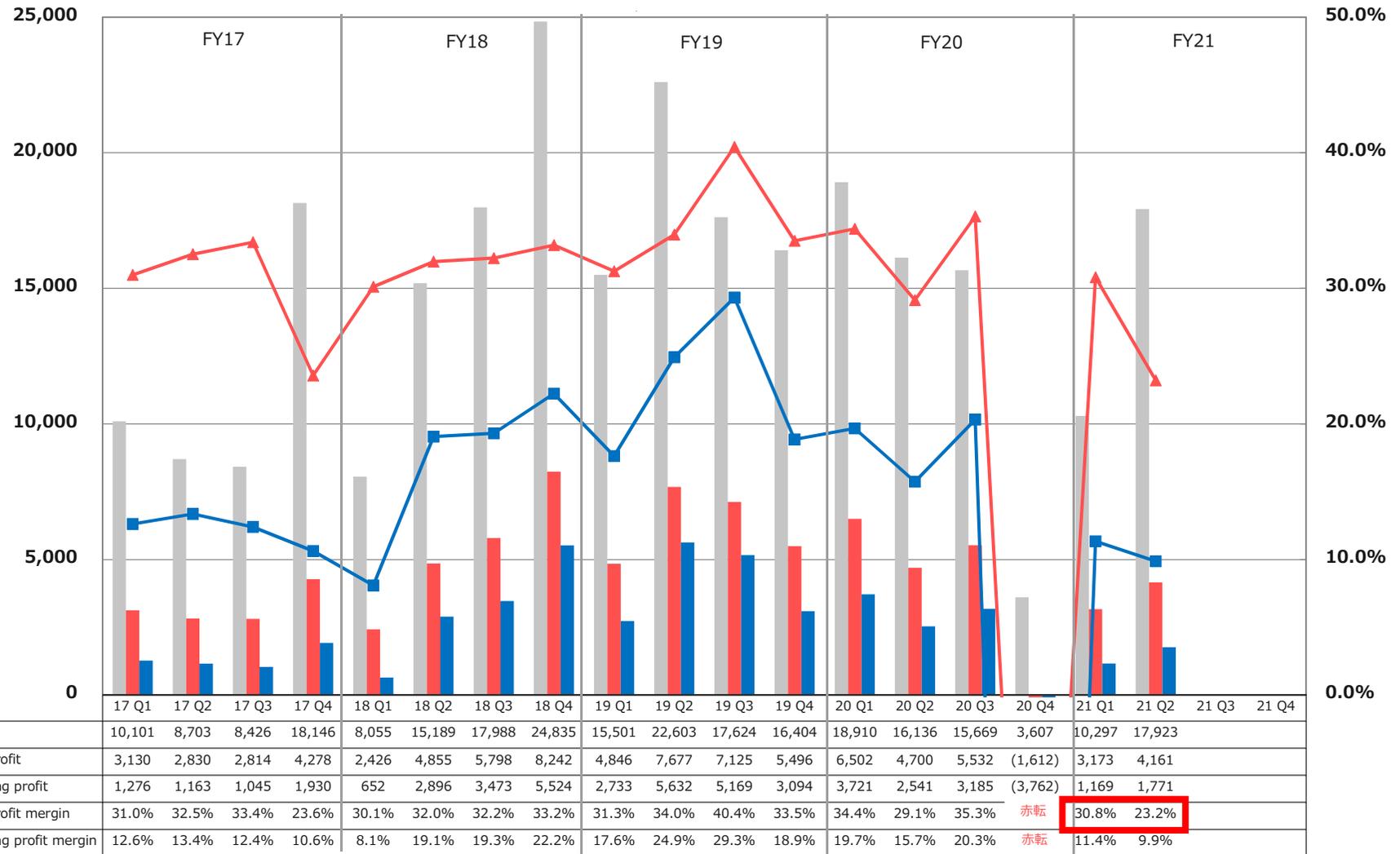


# Transition of Quarterly Sales and Profit

- ▶ We cancelled an order for a delayed investment project in Q1 and provided for a one-time inventory write-down in Q2, resulting in a 7.6 percentage point decline in gross profit margin compared to Q1.

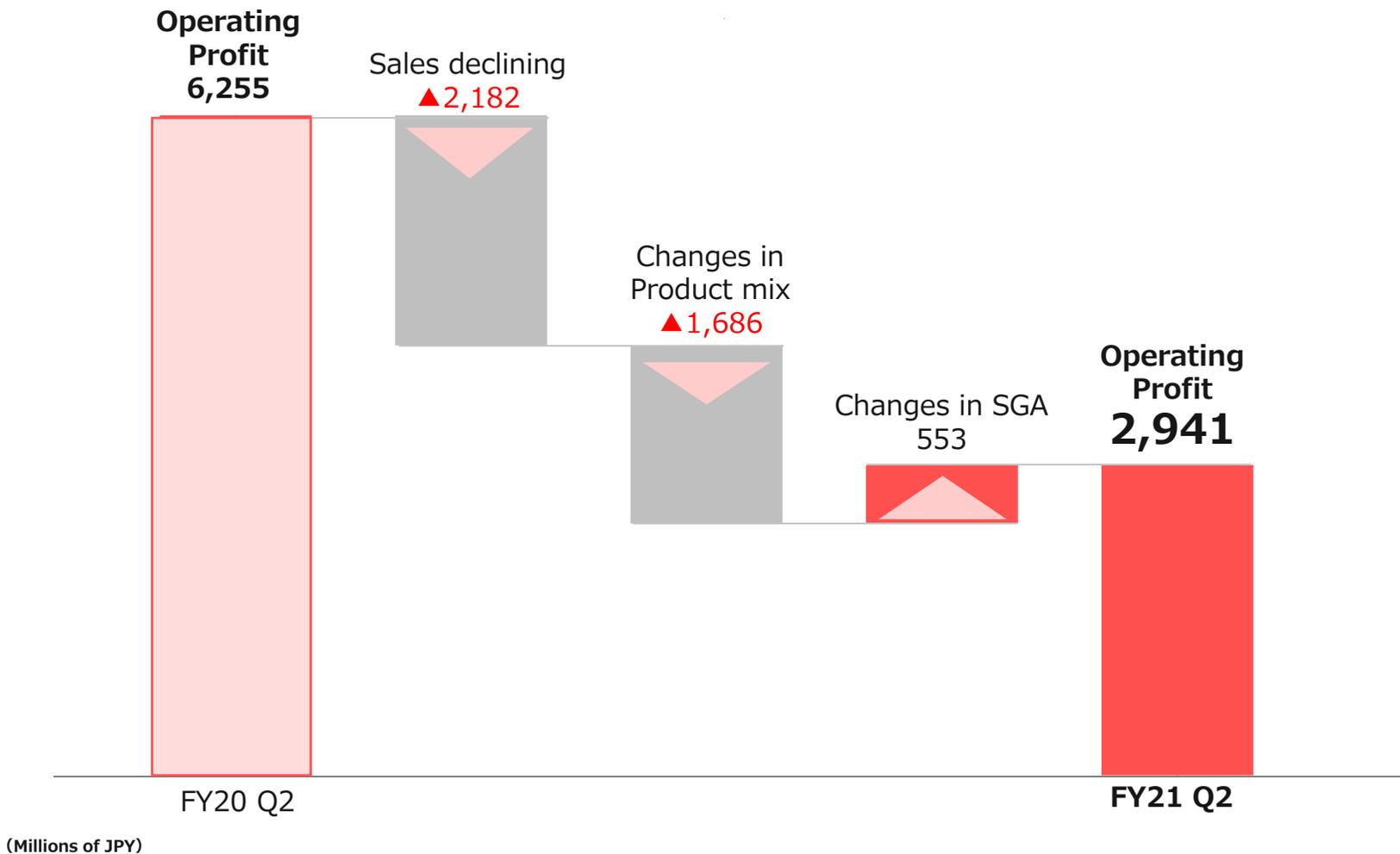
(Millions of JPY)

(Margin of profit)



# Analysis of Operating Profit Deference

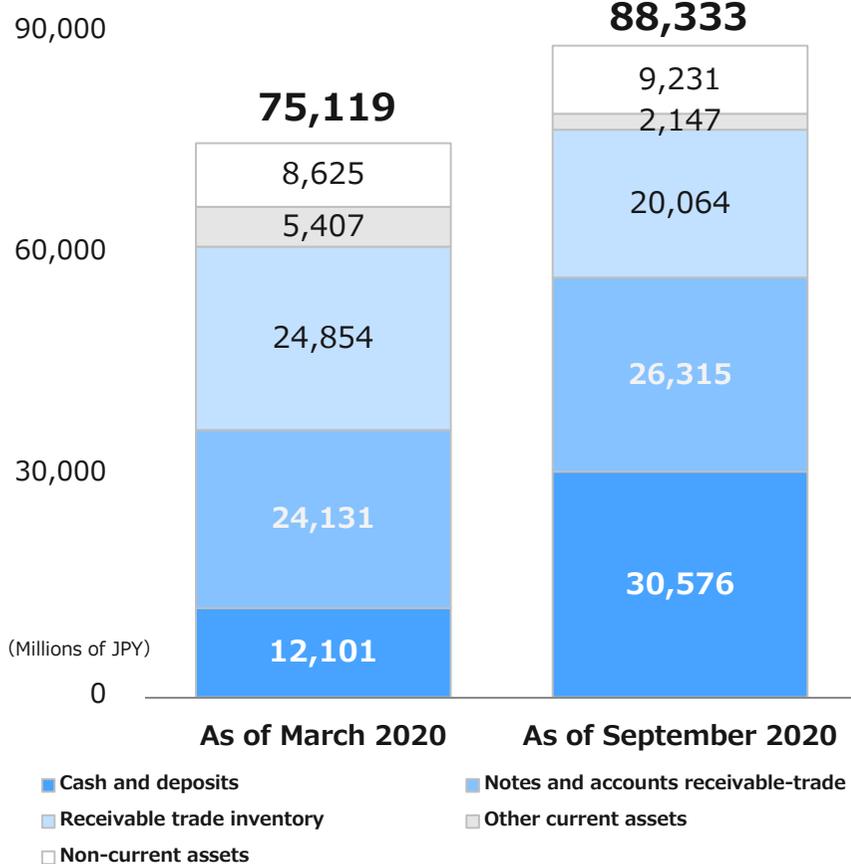
- ▶ Decrease in operating income due to lower sales and inventory write-downs



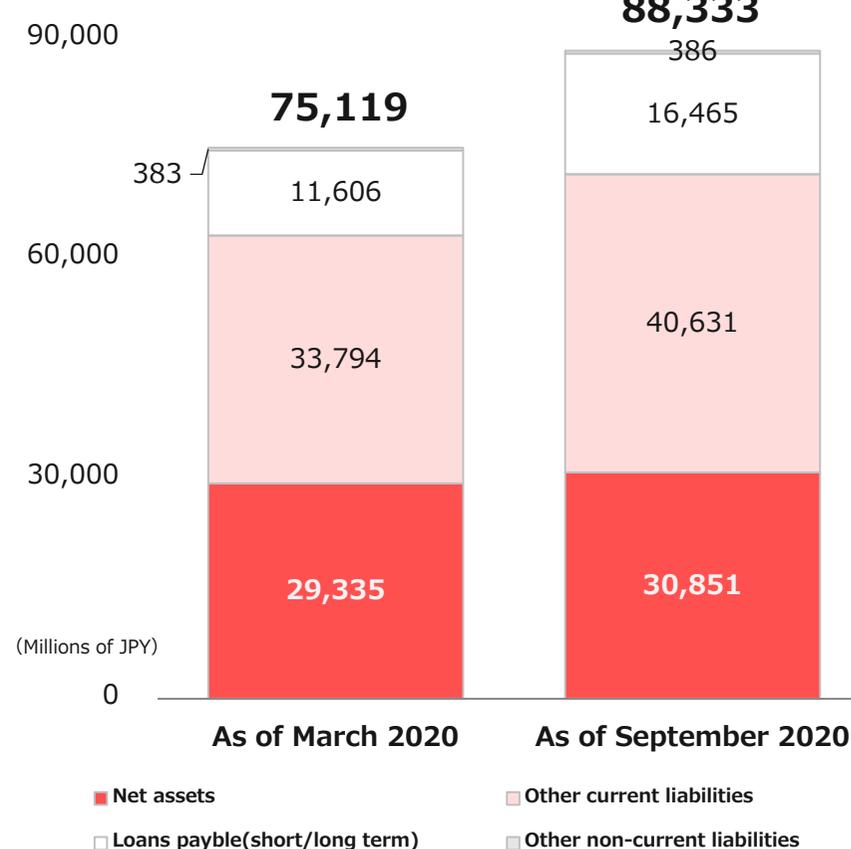
# Transition of Consolidated Balance Sheets

- ▶ Cash and cash equivalents increased by approximately 18.5 billion yen due to the receipt of advances from customers in connection with orders for lithography equipment and the building up of cash reserves through borrowing in light of the business operations at the time of the corona crisis.

## Total assets



## Liabilities/Net assets



# Transition of Cash Flows

## ▶ Main income and expenses(Billions of JPY)

- ▶ Operating(+):Decrease in inventories(4.9)/Increase in advances received(4.9)/net profit(3.1)/Increase in accounts receivable(▲2.1)
- ▶ Investigating(-):Acquisition of tangible fixed assets(0.7)
- ▶ Financing(+):Net increase in long-term debt(5.1)/Dividend payments(▲0.4)/Payment of dividends to non-controlling interests(▲0.3)

(Millions of JPY)		FY20 As of September	FY21 As of September
Cash flows from operating activities	Profit before income taxes	6,304	3,147
	Notes and accounts receivable - trade (increase▲)	▲4,995	▲2,062
	Inventories (increase▲)	1,722	4,809
	Notes and accounts payable - trade (decrease▲)	▲2,064	▲281
	Other	▲9,278	8,980
	<b>Total</b>	<b>▲8,311</b>	<b>14,593</b>
<b>Cash flows from investing activities: Total</b>		<b>▲1,659</b>	<b>▲447</b>
Cash flows from financing activities	Proceeds from loans payable	23,291	13,899
	Repayments of loans payable	▲15,885	▲9,040
	Other	▲1,316	▲557
	<b>Total</b>	<b>6,090</b>	<b>4,302</b>
Effect of exchange rate change on cash and cash equivalents		▲173	26
Net increase (decrease) in cash and cash equivalents (decrease▲)		▲4,053	18,474
Cash and cash equivalents at beginning of period		19,716	11,981
Cash and cash equivalents at end of period		15,663	30,455

# | Business Forecast

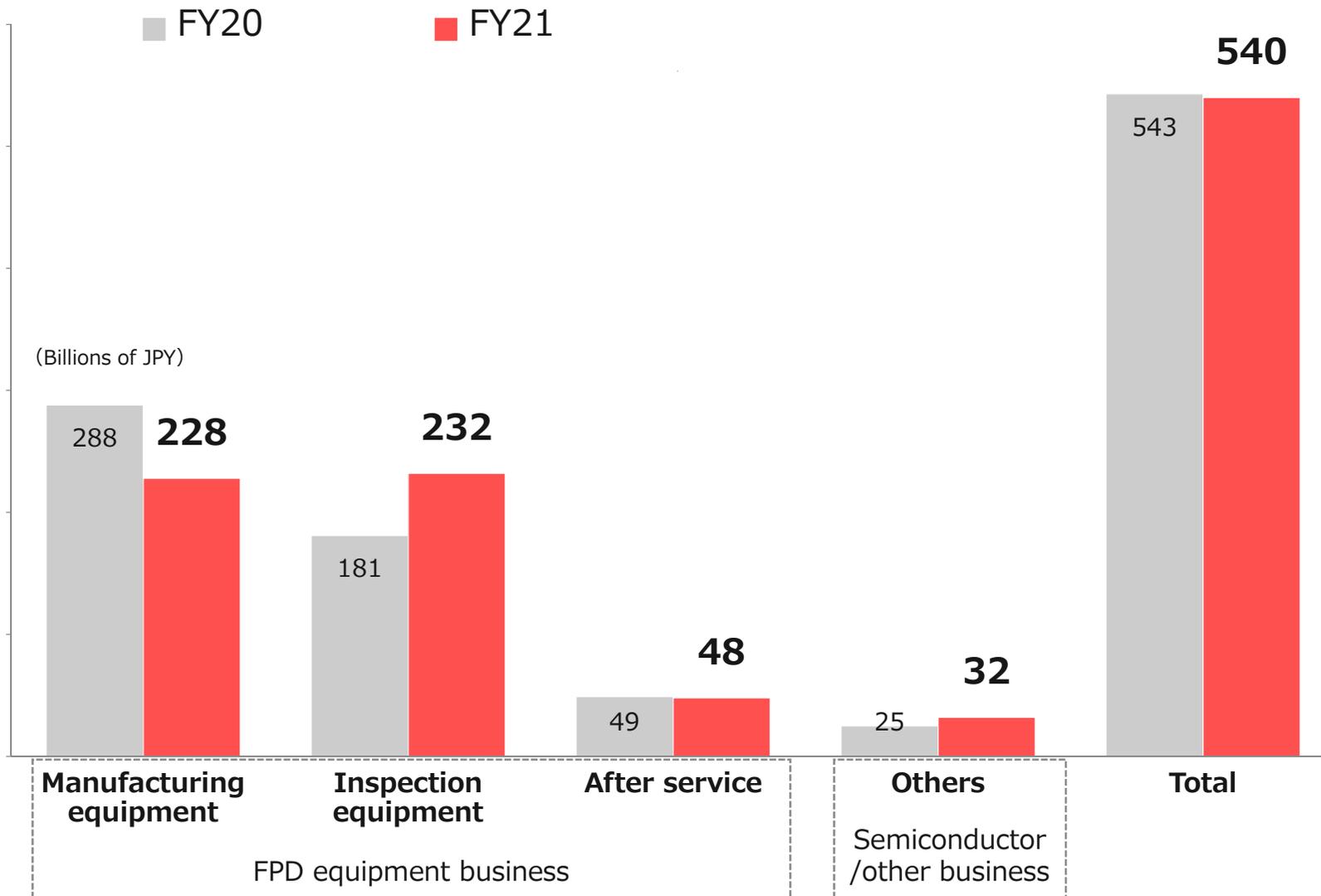
# The earnings and dividend forecast of FY2021

▶ No change from the earnings forecast disclosed on May 12

Earnings	FY20(Actual)		FY21(Forecast)		compared with the previous forecast
	Amount (Millions of JPY)	Margin	Amount (Millions of JPY)	Margin	
Net sales	54,322	—	54,000	—	-0.6%
Gross profit	5,663	10.4%	6,000	11.1%	6.1%
Ordinary profit	6,156	11.3%	5,800	10.7%	-5.8%
Net profit attributable to owners of parent	3,251	6.0%	3,000	5.6%	-7.7%
EPS(JPY)	336.29円		310.25円		—

Dividend(JPY)	FY20(Actual)	FY21
1H	40	60(Resolved)
2H	80	60(Forecast)

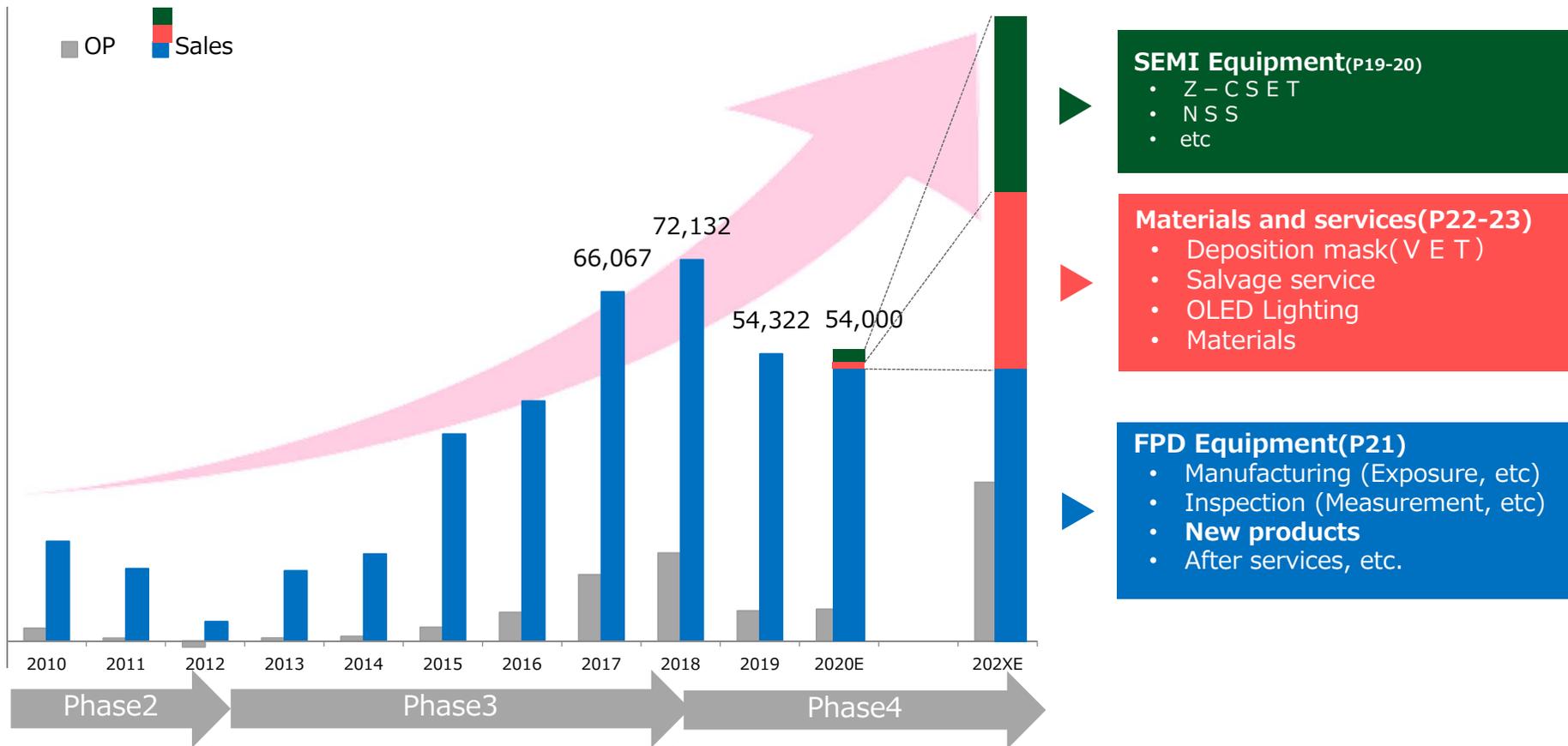
# \*Reference: Break Down of Net sales in FY2021 Forecast



# | Topics

# Medium and Long Term Strategy

- ▶ Added the semiconductor manufacturing equipment and materials and services businesses to the growth drivers and promoted measures in each area
- ▶ Despite the impact of the Corona disaster, the U.S. and China problems, and the restructuring of FPD factories in China, **we confirmed a certain level of progress in orders received for semiconductor and FPD production equipment and in the development of OLED lighting, etc.**



### SEMI Equipment(P19-20)

- Z - C S E T
- N S S
- etc

### Materials and services(P22-23)

- Deposition mask(V E T)
- Salvage service
- OLED Lighting
- Materials

### FPD Equipment(P21)

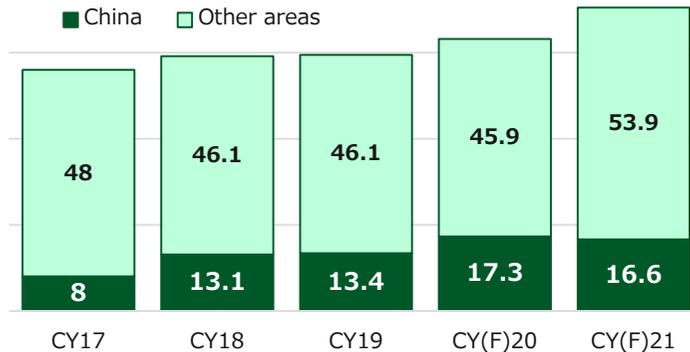
- Manufacturing (Exposure, etc)
- Inspection (Measurement, etc)
- **New products**
- After services, etc.

Phase4 : Entering the Semiconductor/Materials and Services Fields  
 Phase3 : Leap forward with in-house development, M&A and market recovery  
 Phase2 : Some years in the red due to a wave of capital investment, etc.

# SEMI Manufacturing Equipment(1/2) Z-CSET

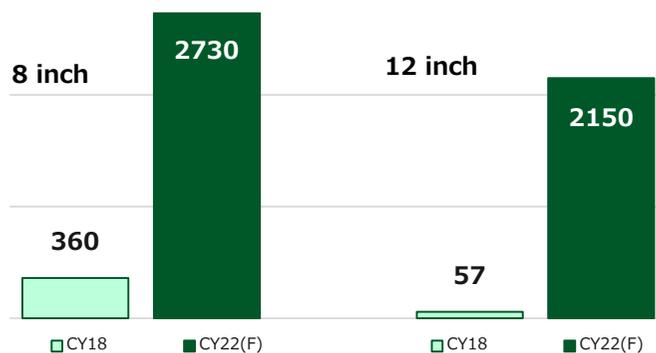
## The Chinese equipment market

- SEMI expects China's equipment market to be the largest in the world for two consecutive years starting in 2020



Semiconductor Manufacturing Equipment Market Forecast \* 1(billion USD)

- China plans to further expand its own production of semiconductor materials



Si Wafer Production Capacity Expansion Plan (K sheet/month) \* 2

(\*1)Complied by Vtec from SEMI 2020/July data. (\*2)Complied by Vtec from SEMI 2018 data

## As a platform for production and sales that supports local production for locally consumed

- We established Z-CSET in 2018 as a joint venture with local capital for local production. And we are using it as a platform with our Japanese partners. We will expand our business by capturing the demand for equipment based on the Chinese local Government policy of local production for local consumption.

- Black boxing out key devices and software to strengthen reverse engineering

## Z-CSET's business is about to take off

- Sales promotion of IC testers is going well.
- Delivers first locally manufactured wafer polishing system in December.



- Steady sales promotion for Chinese flash memory plants, under customer's evaluation
- Expecting big business to start next fiscal year



- Evaluation completed
- The first unit for 12-inch wafers will be delivered in December.
- Confirmed much equipment demand from the customer's production plan

## (ref)About out line on Z-CSET

- They established a 15,000 square meter plant for manufacturing equipment in Haining, a convenient location for transportation from Shanghai and other cities, to meet domestic demand.



Pic of Hining Factory

- Name : 浙江芯晖設備技術 (Zhejiang Chip Sunshine Equipment Technology Co., Ltd.)
- Place : Haining Economic Development Zone, Haining, Jiaxing, Zhejiang Province
- Key : We can respond flexibly and quickly to local customer requests by taking advantage of our Japanese technology, our group's design and manufacturing capabilities, and local production under the Z-CSET brand(Made in China).

# SEMI Manufacturing Equipment(2/2) Nano System Solutions(NSS)

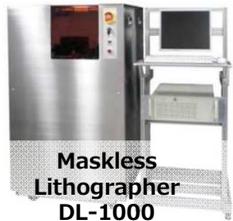
## Wafer inspection

Increased orders due to increased domestic production



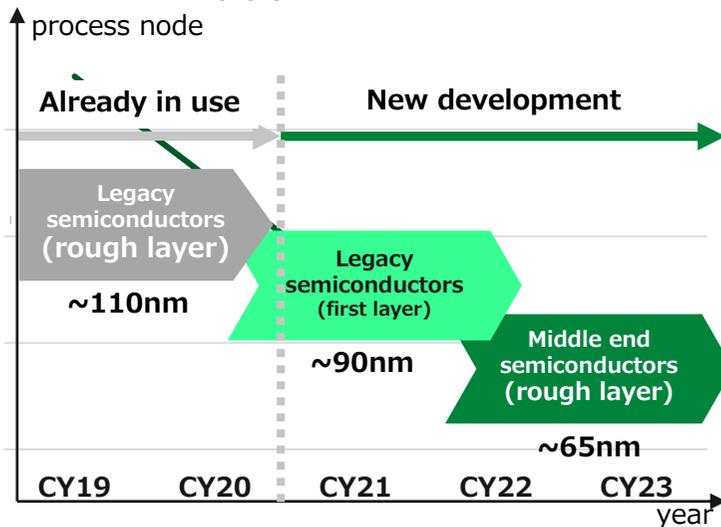
## Maskless Lithographer ①

More than 70 units for research institutions, strengthening overseas PR in China and other countries

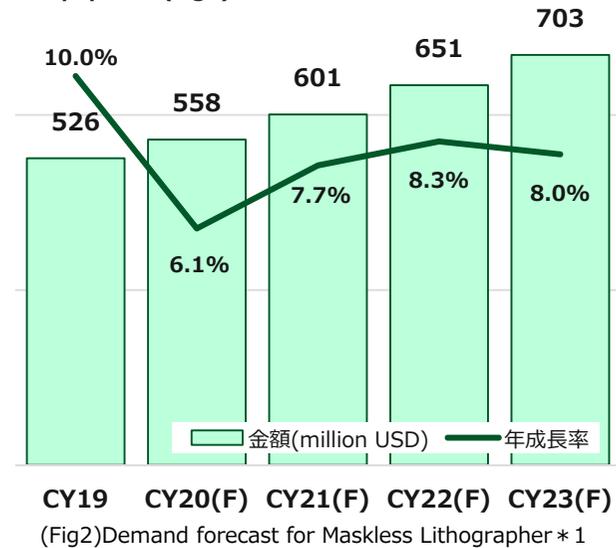


## Maskless Lithographer② ~Capturing demand for photomasks for legacy semiconductors~

1. We provide **total solutions** by combining VT's inspection systems with our core products for legacy semiconductor wafer layers.
2. The next step is to develop new products, such as exposure heads, to capture demand for photomasks for the first layer of legacy semiconductors and for photomasks for the rough layer of middle-end semiconductors(Fig1).
3. Increasing demand for legacy semiconductors for IoT and other applications and the replacement of older equipment will stimulate demand for equipment(Fig2).

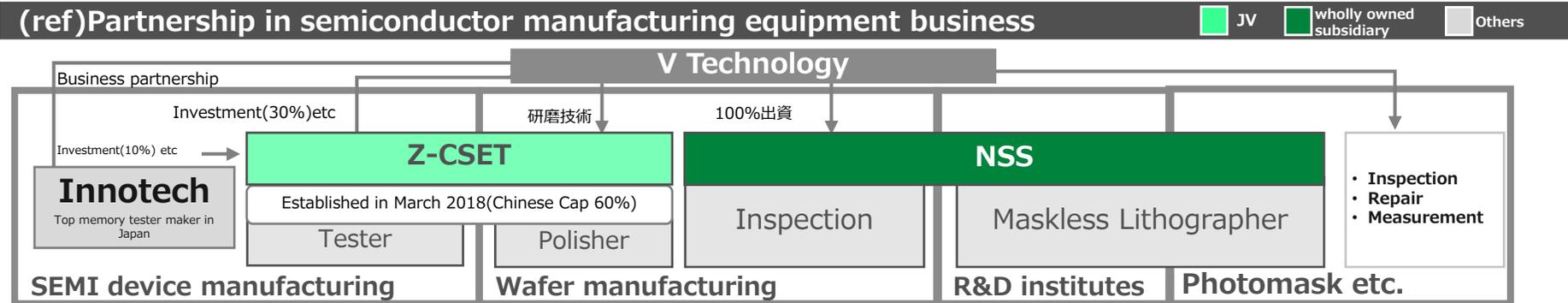


(Fig1) Products road map



\* 1 Complied by vtec from QYR's data

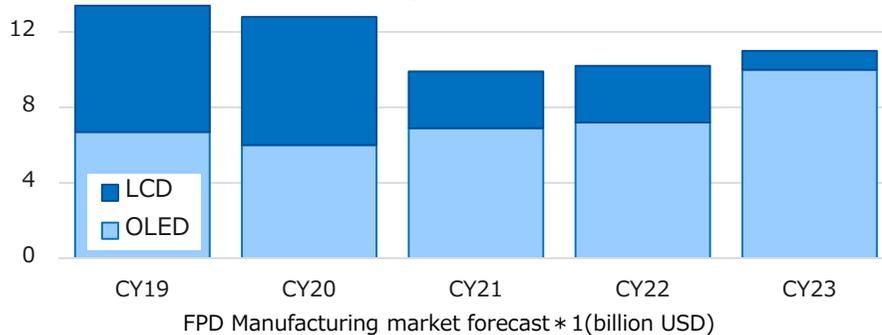
## (ref) Partnership in semiconductor manufacturing equipment business



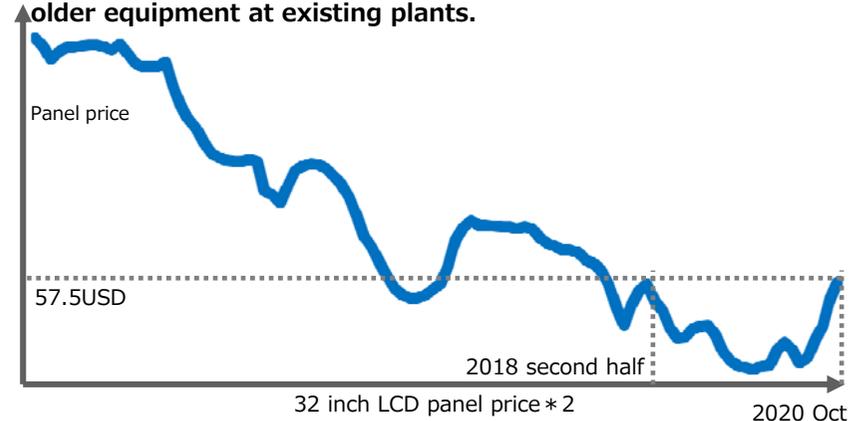
# FPD Manufacturing Equipment

Business negotiations continue for small and medium-sized OLEDs, but the decline in demand for large LCD equipment is slowing down.

1. Demand for OLED equipment is expected to remain stable in recent months, especially for small and medium-sized applications.
2. Although there is a lull in current business negotiations, we expect demand for LCD equipment to decline sharply from 2023 onward, one year later than we initially expected due to continued investment through 2022.



3. The slowdown is due to: (1) increased demand for large panels triggered by the corona disaster (panel prices are at the level of the second half of 2018), (2) restructuring of FPD fabs in China, and (3) increased demand for replacement of older equipment at existing plants.



## Next-generation FPD Technology: Expecting Panel Makers to Select Process Technology Quickly, Vtec is Ready for Any Technology.

1. As the next generation, FPD technology MiniLED and  $\mu$ LED in the spotlight.

	LCD	WO LED	Print	Mini-LED	$\mu$ -LED
Pic-Quality	△	◎	○	○	◎
Productivity	◎	△	△	○	△
Life	◎	△	×	◎	◎

Comparison of different FPD technologies (image quality/productivity/life)

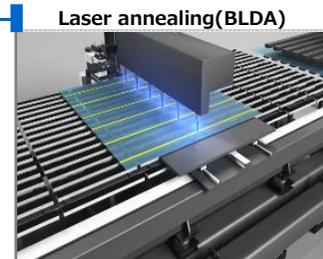
(\*1) Compiled by vtec from OMDIA's Sep 20 data  
 (+2) Compiled by vtec from Sangyo times Oct 20 data

2. Development of a laser annealing system that contributes to the production of active driver circuit boards essential for next-generation FPDs

(ex) active driver circuit for MiniLED back light unit

Essential for High brightness and flicker-free screen.

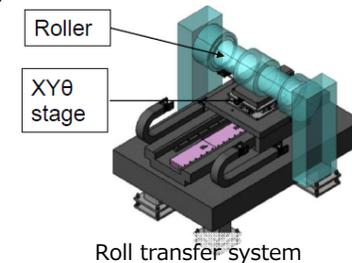
High electron mobility and high-stress tolerance (LED light/always ON mode) are required for the transistor part (red part) made with Si film → **Laser annealing are required.**



Formation of silicon films on glass substrates with a crystal structure suitable for various FPDs by a semiconductor laser

3. Micro-LED production equipment already delivered has been well received, and we expect to receive another order.

Delivered laser lift-off, roll transfer system, and repair system for watches, and expects to receive another order for large (tiling) models.

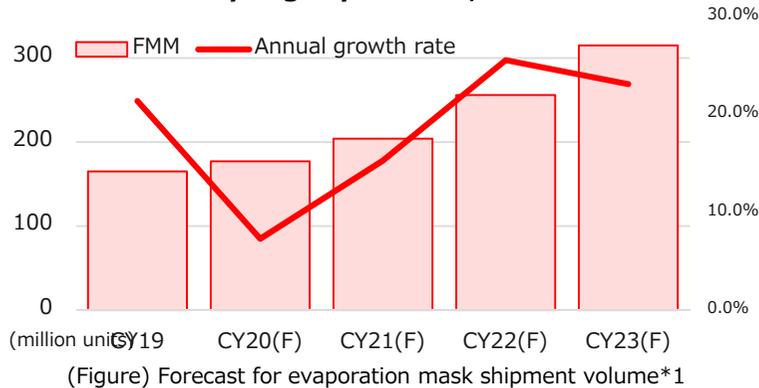


Roll transfer system



### Deposition masks -Market Expansion Pauses-

1. Shipments of vapor deposition masks are expected to increase only slightly in 2020, but recover after 2021.



2. Shipped samples in September, six months later than planned at the beginning of the year due to the Corona disaster and other factors. Improved the product based on customer evaluations and expects to receive orders from Q4 of this fiscal year.

3. Fine Hybrid Mask, a vapor deposition mask with excellent features

- Hybrid structure of resin + metal
- Lightest weight/highest resolution/highest positioning accuracy
- Delivered as a finished product/No assembly work required



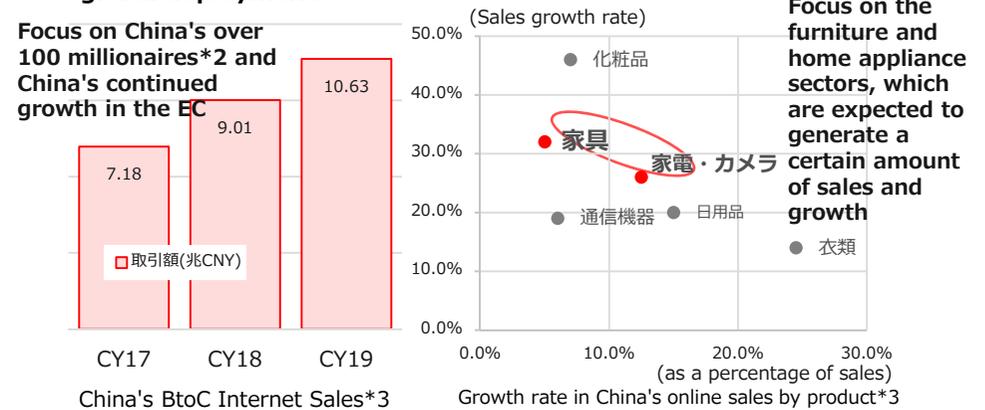
(Pic)FHM

(\*1)Complied by vtec from OMDIA's data

### OLED lighting: Device and set manufacturing, sales through e-commerce site

1. Manufacturing of devices and sets (lights, etc.) + online sales
2. Commercialization of products as design home appliances for global deployment.

Focus on China's over 100 millionaires\*2 and China's continued growth in the EC



Focus on the furniture and home appliance sectors, which are expected to generate a certain amount of sales and growth

### Status of manufacturing and development: Certain progress has been confirmed

3. Lumiotech succeeds in developing 100lm/W in cooperation with Yamagata University in May
4. Succeeded in local production of OLED lighting in China at CHVT in September despite delays due to the Corona disaster, etc.



(Photo)Panel sample that succeeded in achieving 100lm/W

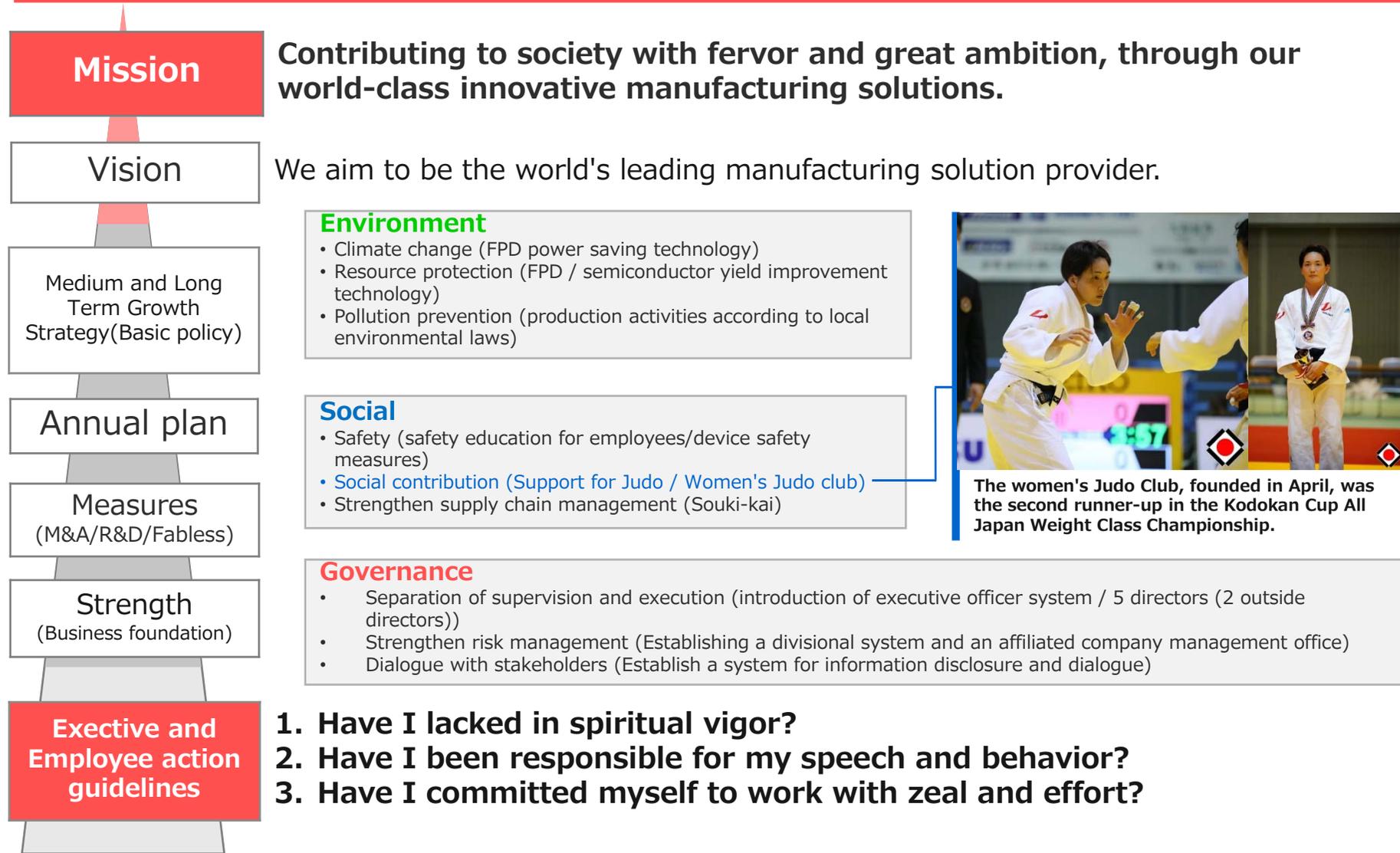
(\*2) Credit Suisse Data 2019 (households with investable assets of at least 12 million yen for high net worth individuals)

(\*3) Compiled by us from National Bureau of Statistics of China data 2019

# | ESG

# ESG

## Promoting ESG activities through business activities rooted in the corporate mission and vision



1. Have I lacked in spiritual vigor?
2. Have I been responsible for my speech and behavior?
3. Have I committed myself to work with zeal and effort?



**V-TECHNOLOGY**

# Summary about our prioritized fields

- ▶ V Technology : Establish a system to work together on various measures based on prompt management decisions as a group
- ▶ Expansion in prioritized fields: Utilizing the strengths of each subsidiary (technical capabilities/relationships with strong customers, etc.) and promoting market development/technology development in collaboration with VT
- ▶ Creating synergies: Sharing individual strengths and weaknesses and mutually complementing, promoting horizontal (vertical) development of strengths in the same or adjacent markets (uses)

■ JV(oversea)   
 ■ Subsidiary   
 ■ Partner

