

FY2020 Q1 Financial Announcement

(Supplementary Materials)

August 9,2019

V-Technology Co.,Ltd.

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.

Influence of Foreign Exchange Rates on Equipment Sales

In principle, export sales of our feature FPD production equipment is denominated in yen. There are also some foreign currency settlements, however the risk of exchange fluctuations denominated in foreign currencies are hedged using the forward exchange contract if necessary. Accordingly, the effect of exchange rates on sales of our equipment is negligible.

Numerical Treatment

The amounts listed are rounded down to the nearest unit, and the ratio is rounded off to the unit amount, so it may not match the breakdown.

Financial Results

Highlight of FY2020 Q1

- Sales increased by 22% YoY due to growth in sales such as CF Exposure Equipment shipped to a new large-scale FPD factory in China.
- Although SGA expenses increased, operating income increased 36.2% YoY due to increased sales and improved profitability of inspection-related equipment.
- Orders and backlogs were stagnant due to sluggish investment in large FPDs in China.

*CF: Color Filter

	FY19 Year ended		FY20 Q1 ended		Y/Y change
	Amount (Millions of JPY)	Margin	Amount (Millions of JPY)	Margin	
Net sales	15,501	100.0%	18,910	100.0%	22.0%
Gross profit	4,846	31.3%	6,502	34.4%	34.2%
Operating profit	2,733	17.6%	3,721	19.7%	36.2%
Ordinary profit	2,834	18.3%	3,676	19.4%	29.7%
Net profit attributable to owners of parent	1,981	12.8%	2,283	12.1%	15.2%
Orders received	14,861	—	5,344	—	-64.0%
Backlog	114,997	—	77,369	—	-32.7%

*Reference: Sales by Products

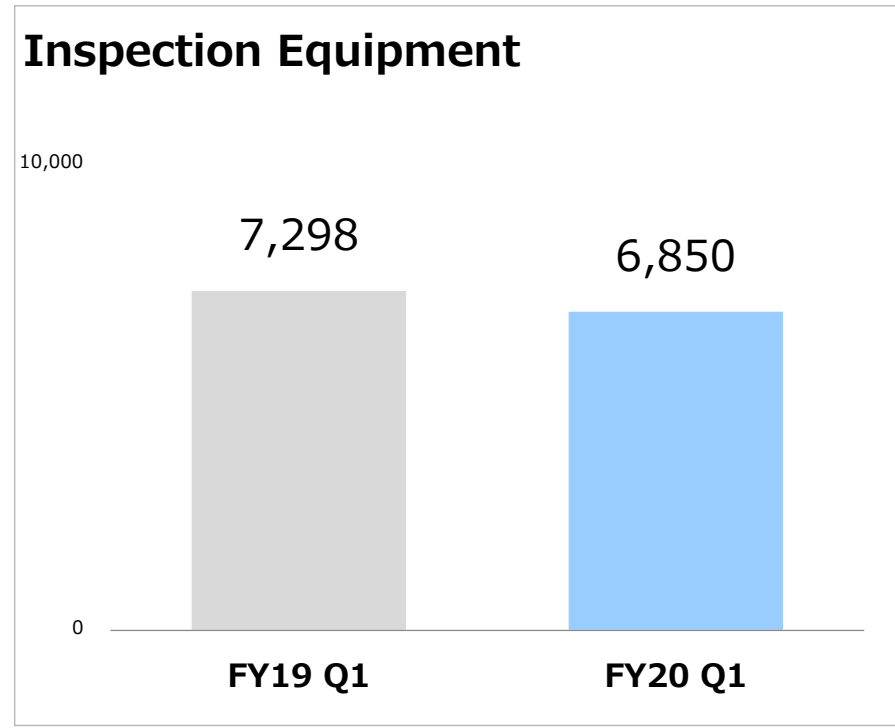
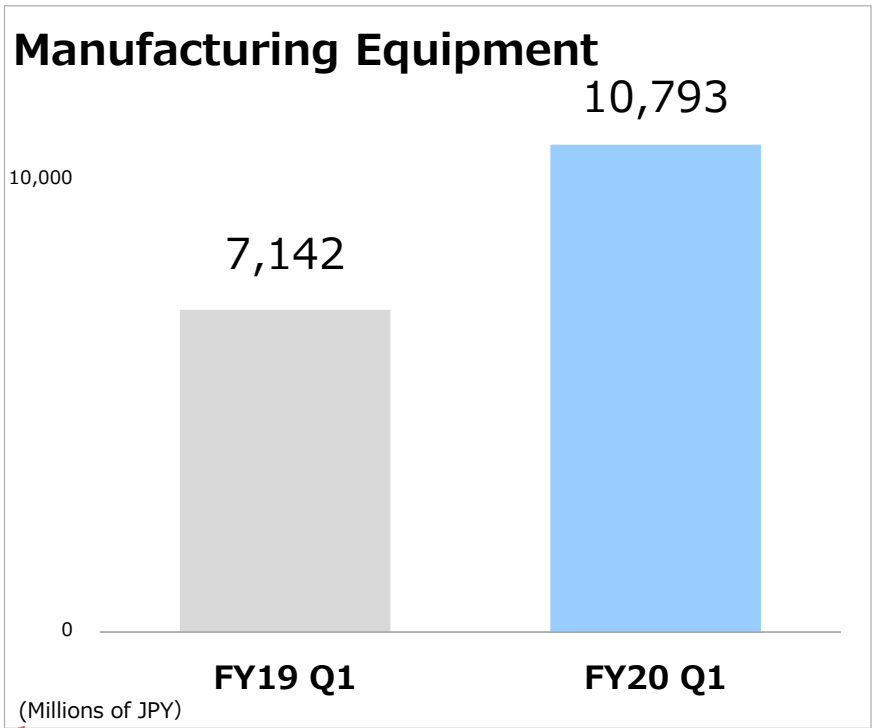
■ Manufacturing Equipment

- Total Sales of Manufacturing Equipment increased by 51% from the previous year, thanks to the sales of CF Exposure Equipment increased significantly, and the sales of Photo-Alignment Exposure Equipment increased slightly.

■ Inspection Equipment

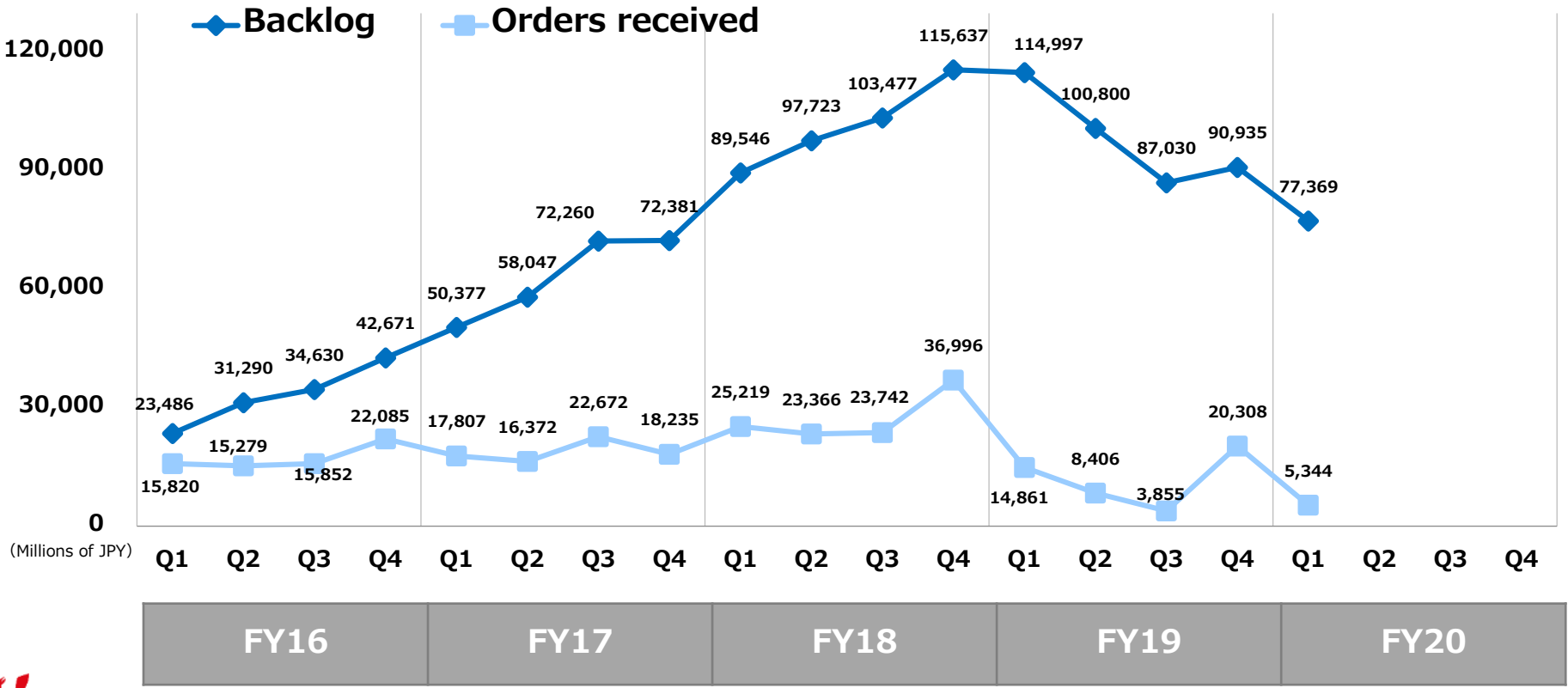
- Photomask related Equipment and CF Repair Equipment increased, but decreased by 6% from the previous year due to a decrease in small and medium size.
 - ◆ The market share of Image Inspection Equipment slightly decreased.
 - ◆ Repair Equipment for TFT* was flat compared to the previous year, but Photomask related Equipment and CF Repair Equipment contributed.

*TFT: Thin Film Transistor



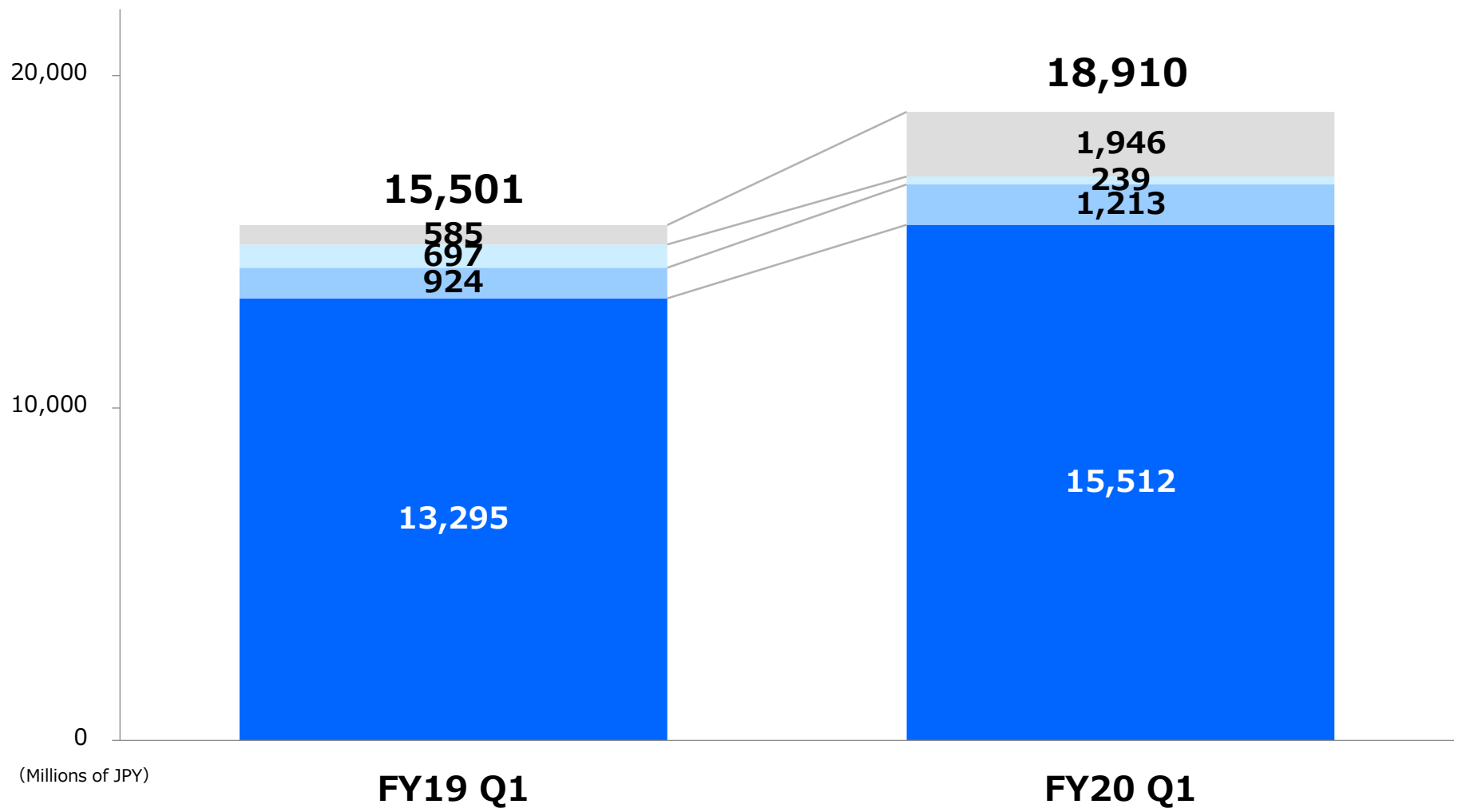
Transition of Orders Received and Backlog

- Orders received decreased by 64% YoY due to sluggish investments in large FPDs by major panel manufacturers in China.
- Progress of the development of new products and the plans of new plants for OLED TVs in China would be the key to orders in this Fiscal Year ending March 31, 2020.



Sales by Countries (YoY Basis)

■ China ■ Taiwan ■ Japan ■ Korea & Others

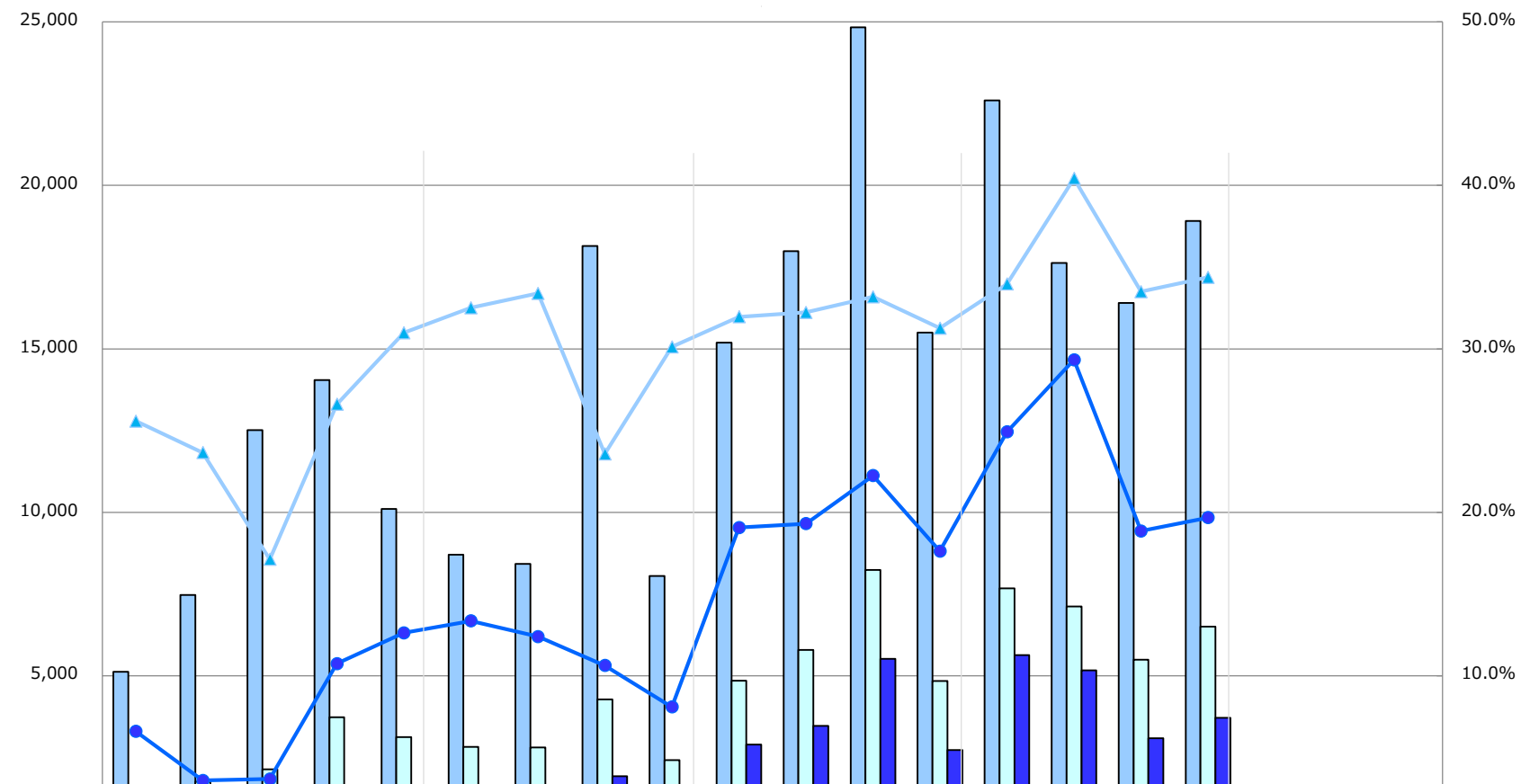


(Millions of JPY)

Transition of Quarterly Sales and Profit

(Millions of JPY)

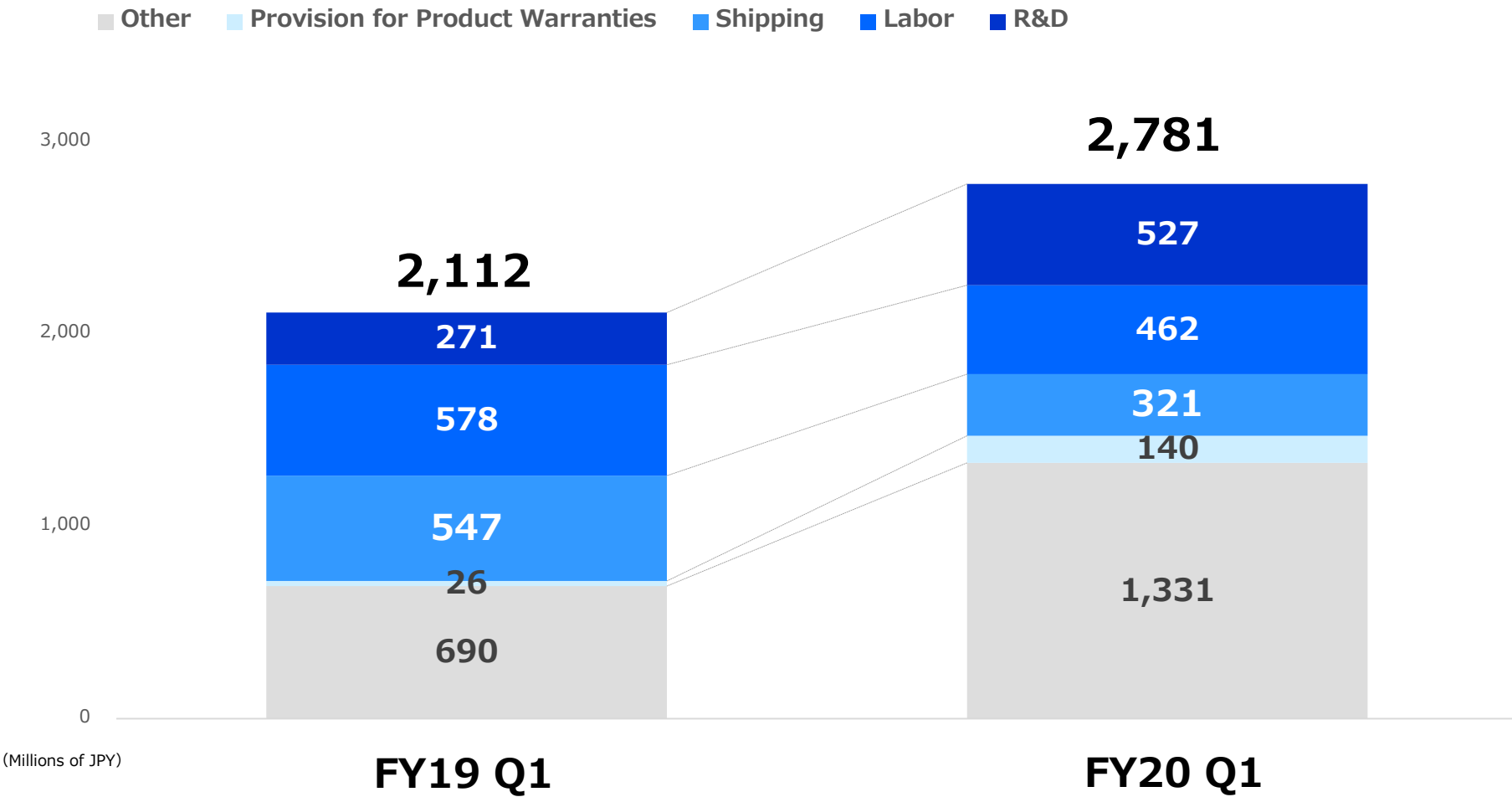
(Margin of Profit)



	FY16				FY17				FY18				FY19				FY20				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	5,121	7,475	12,512	14,045	10,101	8,703	8,426	18,146	8,055	15,189	17,988	24,835	15,501	22,603	17,624	16,404	18,910				
GP	1,310	1,768	2,143	3,738	3,130	2,830	2,814	4,278	2,426	4,855	5,798	8,242	4,846	7,677	7,125	5,496	6,502				
OP	338	269	462	1,509	1,276	1,163	1,045	1,930	652	2,896	3,473	5,524	2,733	5,632	5,169	3,094	3,721				
GPM	25.6%	23.7%	17.1%	26.6%	31.0%	32.5%	33.4%	23.6%	30.1%	32.0%	32.2%	33.2%	31.3%	34.0%	40.4%	33.5%	34.4%				
OPM	6.6%	3.6%	3.7%	10.7%	12.6%	13.4%	12.4%	10.6%	8.1%	19.1%	19.3%	22.2%	17.6%	24.9%	29.3%	18.9%	19.7%				

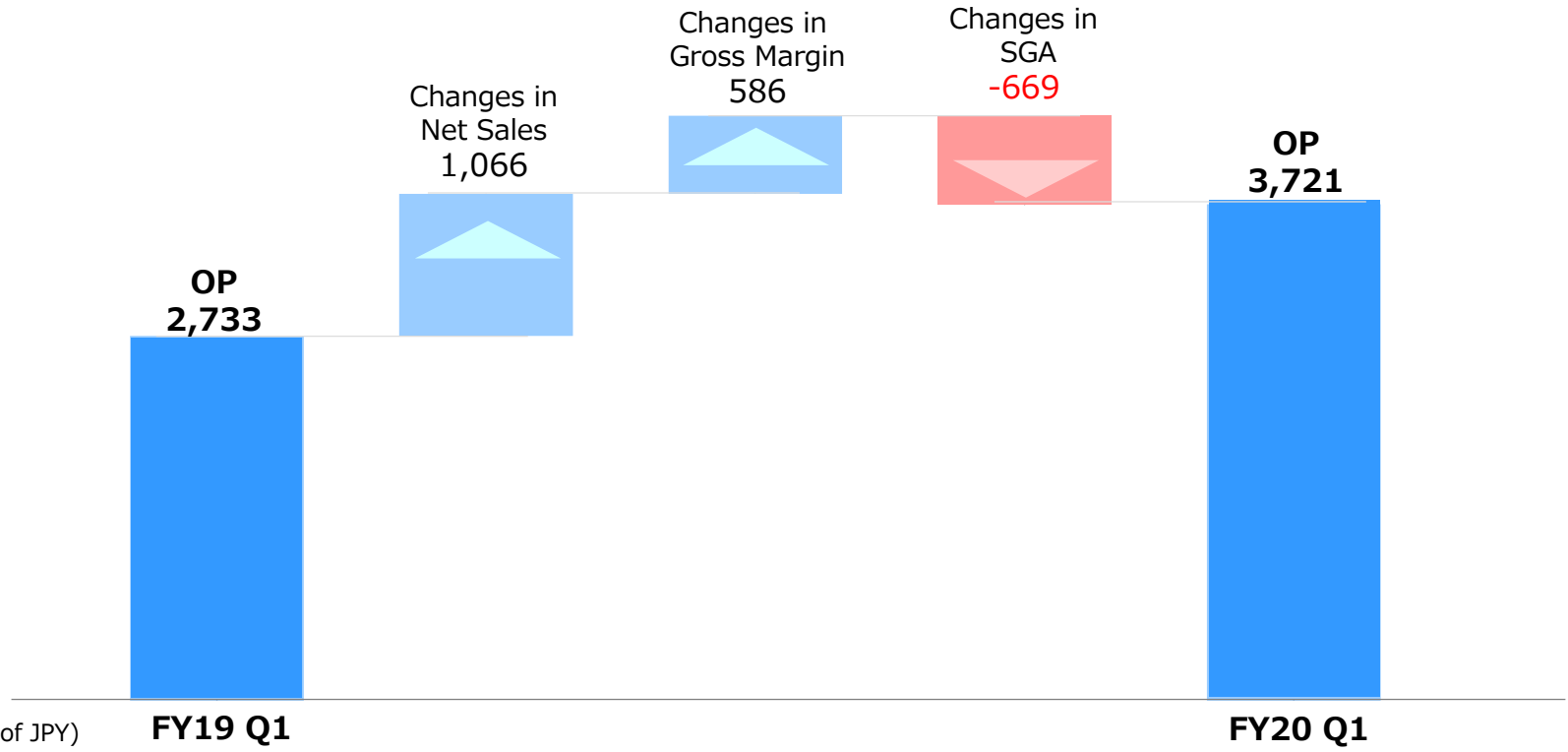
SGA(Selling, General and Administrative) Expenses (Consolidated)

■ SGA expenses increased 31.7% YoY due to an increase in R & D expenses related to new products and an increase in provision for product warranties.



Analysis of Operating Profit Difference

- **Changes in Net Sales** : Net Sales increased by 22% YoY. Color Filter Exposure Equipment (Manufacturing Equipment) contributed significantly, and Photo-Alignment Exposure Equipment increased slightly.
- **Changes in Gross Margin** : Despite the contribution of Color Filter Repair Equipment, the profit margin of Image Inspection Equipment (Inspection Equipment field) and Photo-Alignment Exposure Equipment (Manufacturing Equipment field) declined.
- **Changes in SGA** : R & D expenses and Provision for product warranties increased mainly.



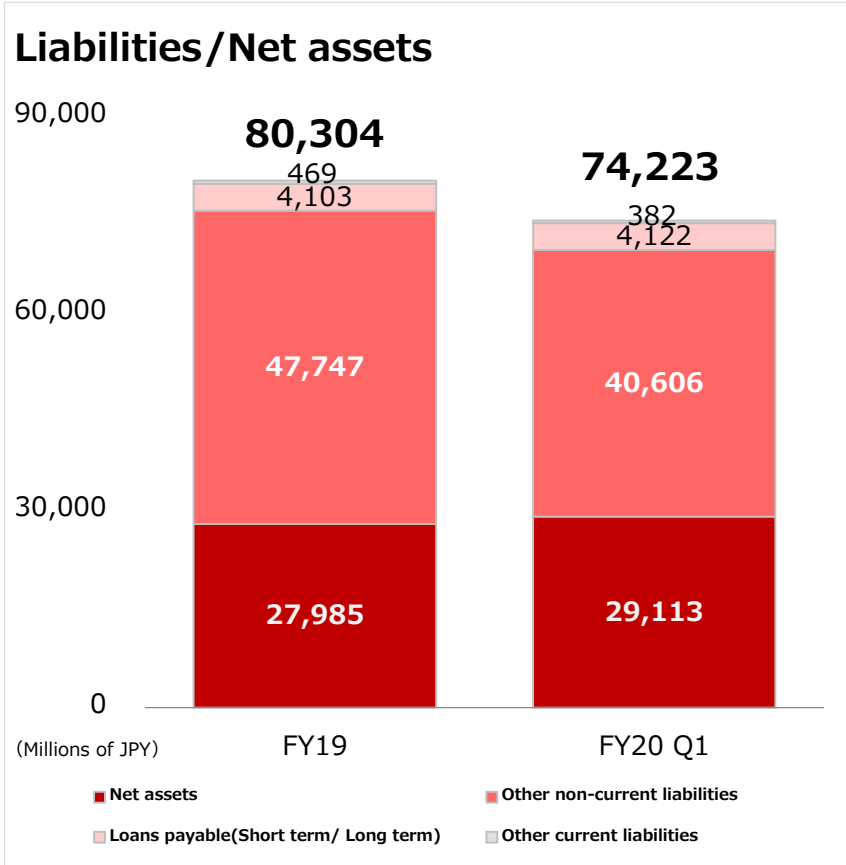
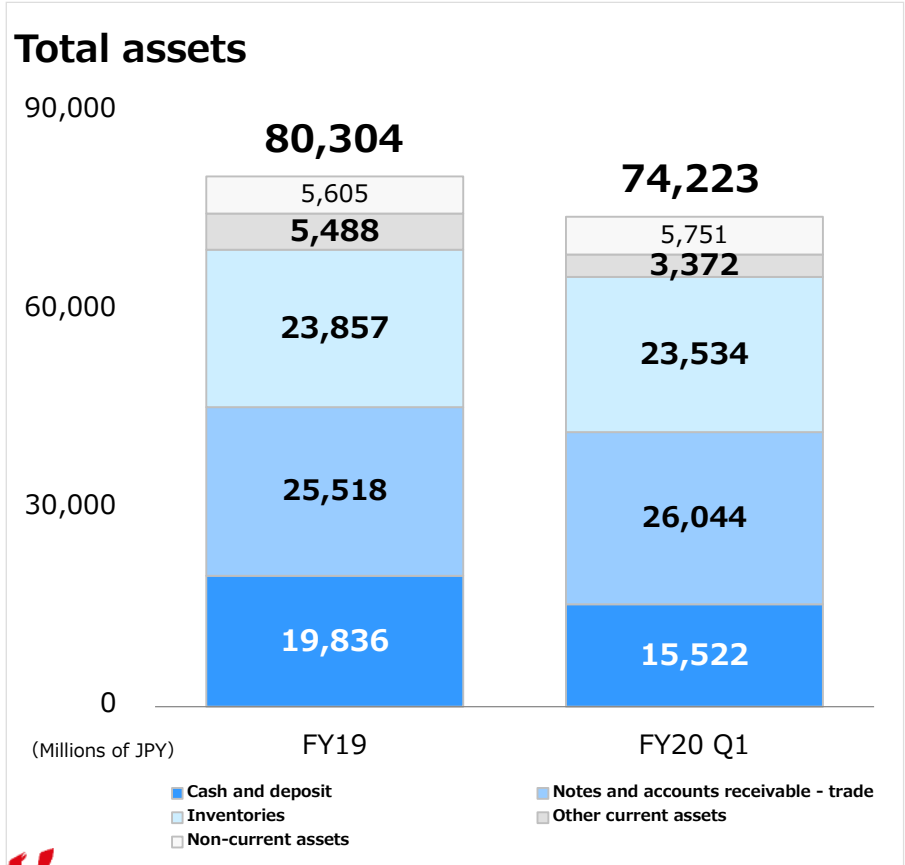
(Millions of JPY)

FY19 Q1

FY20 Q1

Transition of Consolidated Balance Sheets

- Total assets:** Cash and deposits decreased by 4.3 billion yen, and total assets decreased by 6 billion yen from the end of the previous fiscal year.
 The decrease in cash and deposits is due to Accounts payable and Payment of income taxes.
- Liabilities:** Advances received and Income taxes payable decreased, and liabilities decreased by 7.2 billion yen from the end of the previous fiscal year.
- Net assets:** Retained earnings increased, and net assets increased by 1.1 billion yen from the end of the previous fiscal year.



Business Forecast

Forecast of FY2020

- There are no changes to the earnings forecast for the fiscal year ending March 2020 from the earnings forecast stated in the “Financial Results for the Fiscal Year Ending March 31, 2019” which we published on May 13, 2019.

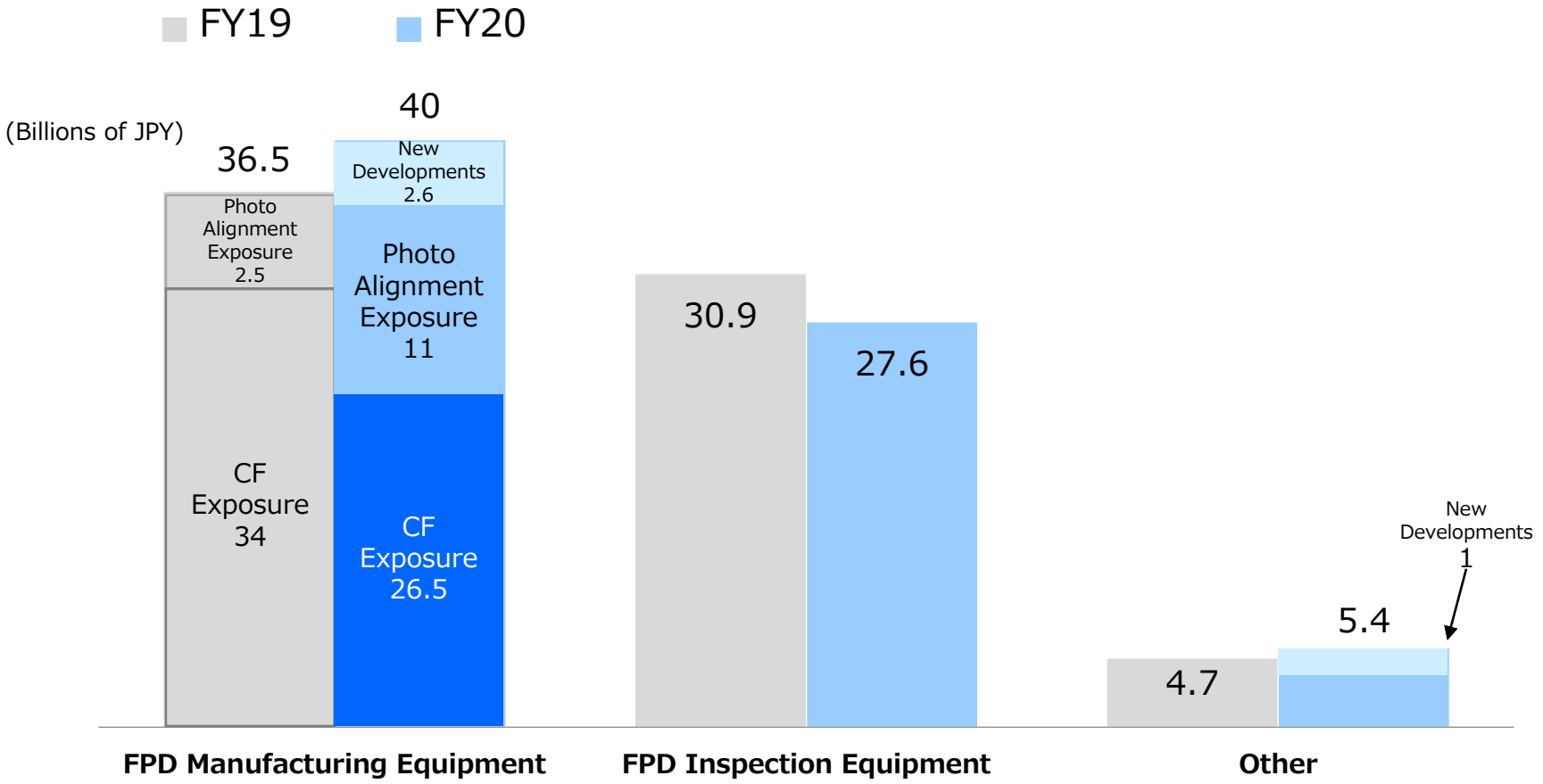
	FY19(Actual)		FY20(Forecast)		compared with the previous forecast
	Amount (Millions of JPY)	Margin	Amount (Millions of JPY)	Margin	
Net sales	72,132	—	73,000	—	1.2%
Gross profit	16,628	23.1%	13,000	17.8%	-21.8%
Ordinary profit	16,767	23.2%	12,850	17.6%	-23.4%
Net profit attributable to owners of parent	10,901	15.1%	7,800	10.7%	-28.5%
EPS	JPY 2,217.48		JPY 1,613.30(before split) JPY 806.65(after split)		Split into two from June 1,2019

Dividend

FY20(after stock split)	1 st half : 80円 (Forecast)	2 nd half : JPY 80 (forecast)
(Reference) FY19	1 st half : JPY 160 (Actual)	2 nd half : JPY 160 (Confirmed)

*Reference: Break Down of Net sales in FY2020 Forecast

■ There are no changes to the earnings forecast for the fiscal year ending March 2020 from the earnings forecast stated in the “Financial Results for the Fiscal Year Ending March 31, 2019” which we published on May 13, 2019.



Topics

About Our Joint Venture #1

“Xianyang CHVT New Display Technology Co., Ltd.”

V-Tech signed a joint venture establishment contract on July 31. CHVT will work on the development of large OLEDs, as part of the CEC Group, one of the largest state-owned enterprises in China.

➤ **Details of “CHVT”**

- ◆ Capital & Equity Ratio : 186 million RMB (JPY conversion reference value: 3 billion yen)
V-Tech: 32.4%, CHOT: 67.6%
- ◆ Purpose of the Establishment : Research and development for large-sized FPD with OLED technologies and Commissioned Production of OLED lighting products
- ◆ Address : Inside the CHOT's plant (No.1, Gaoke Yilu, Qindu District, Xianyang, Shaanxi, P.R.CHINA)
- ◆ Chairman : Chen ZhongGuo (Concurrently serves as a chairman of CHOT)

➤ **Background of Our Investment**

- ◆ We invested with the aim of the success of our OLED lighting business in the Chinese market and the contribution to mass production of large OLED by CHOT.
- ◆ We will cooperate with CHVT's new display development and OLED lighting production. Our 100% subsidiary Lumitech will also provide technical support for the company.

About Our Joint Venture #2

“Xianyang CHVT New Display Technology Co., Ltd.”

- **CHOT “Xianyang CaiHong Optoelectronics Technology Co., Ltd.”**
 - ◆ CHOT is a joint venture established by China Electronics Corporation "CEC" and Chinese large glass substrate maker IRICO Group Electronics Co., Ltd, "IRICO".
 - ◆ CHOT has a plant in Xianyang, Shaanxi with the state-of-the-art large FPD manufacturing line which can process 8.6 generation glass substrate (2250mm × 2610mm) up to 120,000 sheets per month.
 - ◆ CHOT was established in November 2015 for the development of related industries and regional economies in the high-tech industrial area of Shenyang, Shaanxi Province.
 - ◆ V-Tech aims to mass-produce OLED TVs together with CHVT in the future.

- **CEC Group (China Electronics Corporation)**
 - ◆ CEC (China Electronics Corporation) is one of the largest state-owned enterprises in China. Sales of 2018 were 217 billion RMB (approx. 3.4 trillion JPY), and it also has multiple business groups in the electronics and information fields.
 - ◆ CEC's Group subsidiaries responsible for the FPD business include such as CEC panda group (Nanjing / Chengdu), CHOT (Shenyang), and IRICO (FPD Glass Manufacturer).

