

# **THE GENERAL SHAREHOLDER'S MEETING 2020**

**V Technology Co.,Ltd.  
June 25,2020**

# THE GENERAL SHAREHOLDER'S MEETING 2020

## 【Reports】

a. Business Report and Consolidated Financial Statements for the 23rd Fiscal Year (from April 1, 2019 to March 31st, 2020), as well as the audit reports on the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors.

b. Report on Financial Statements for the 23rd Fiscal Year

(from April 1, 2019, to March 31st, 2020)

## 【Agenda】

Proposal No.1

Appropriation of Surplus

Proposal No.2

Election of Five (5) Directors

Proposal No.3

Election of Two (2) Auditors

Proposal No.4

Amount of the Stock Incentive and Details of the Stock Incentive Plan for the Board of Directors

# Reports

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## **Business Report and Consolidated Financial Statements for the 23rd Fiscal Year**

**(from April 1,2019 to March 31st, 2020)**

# 1. Business progress and results

## 1) Explanation of Business Environment

<b>Global Economy</b>	The global economy has receded at an unprecedented scale and speed with the outbreak of the COVID-19 that started in China spreading throughout the world, mainly in the United States.
<b>United States</b>	The state of national emergency was declared in March, and while infection control measures such as going-out regulations were implemented throughout the United States, economic activity centered on the service industry halted. Personal consumption and capital investment also fell sharply.
<b>China</b>	Strict infection control measures were taken in various parts of the country, resulting in a sharp reduction in economic activity. Also, retail sales and fixed asset investment declined sharply. However, the number of cases has been significantly reduced compared to the peak time due to thorough infection measures, and it has been confirmed that economic activity has resumed.
<b>Japan</b>	Private consumption and capital investment were sluggish due to the restraint of going out because of the rapid increase of infected patients confirmed and concerns over the global recession.

# 1. Business progress and results

## 1) Explanation of Business Environment (FPD)

### FPD

Many of China's major FPD manufacturers, which are our major customers, were affected by severe infection control measures. They reduced panel production and postponed starting up the new plants and new production lines. However, there was progress on a business talk about a capital investment which was lull recently.

# 1. Business progress and results

Amount of Capital Investment: 3,830 million yen

The main use is machinery

(Including intangible fixed assets of 198 million yen due to software purchase)



VET Co., Ltd.  
(Headquarters and the factory)

## 2. Status of significant business restructuring

- Made NanoSystem Solutions, Inc. a wholly-owned subsidiary in August 2019
- Absorption merger of VN Systems Korea Co., Ltd. by V Technology Korea Co., Ltd. as the effective date on April 1, 2019 (Surviving company: V Technology Korea Co., Ltd.)



NanoSystems Solutions, Inc.  
(Headquarters and the factory)

### 3. Changes in property and profit/loss status

#### ① Status of corporate group property and profit/loss (Profit/loss)

- Revenue and profit declined due to the spread of the COVID-19, and projects in China, which account for most of Q4's sales, have been postponed to the next term though it was going as we planned until Q3
- Orders are sluggish due to overlap of large FPD investment and new product / new business launch period though some business talks have resumed

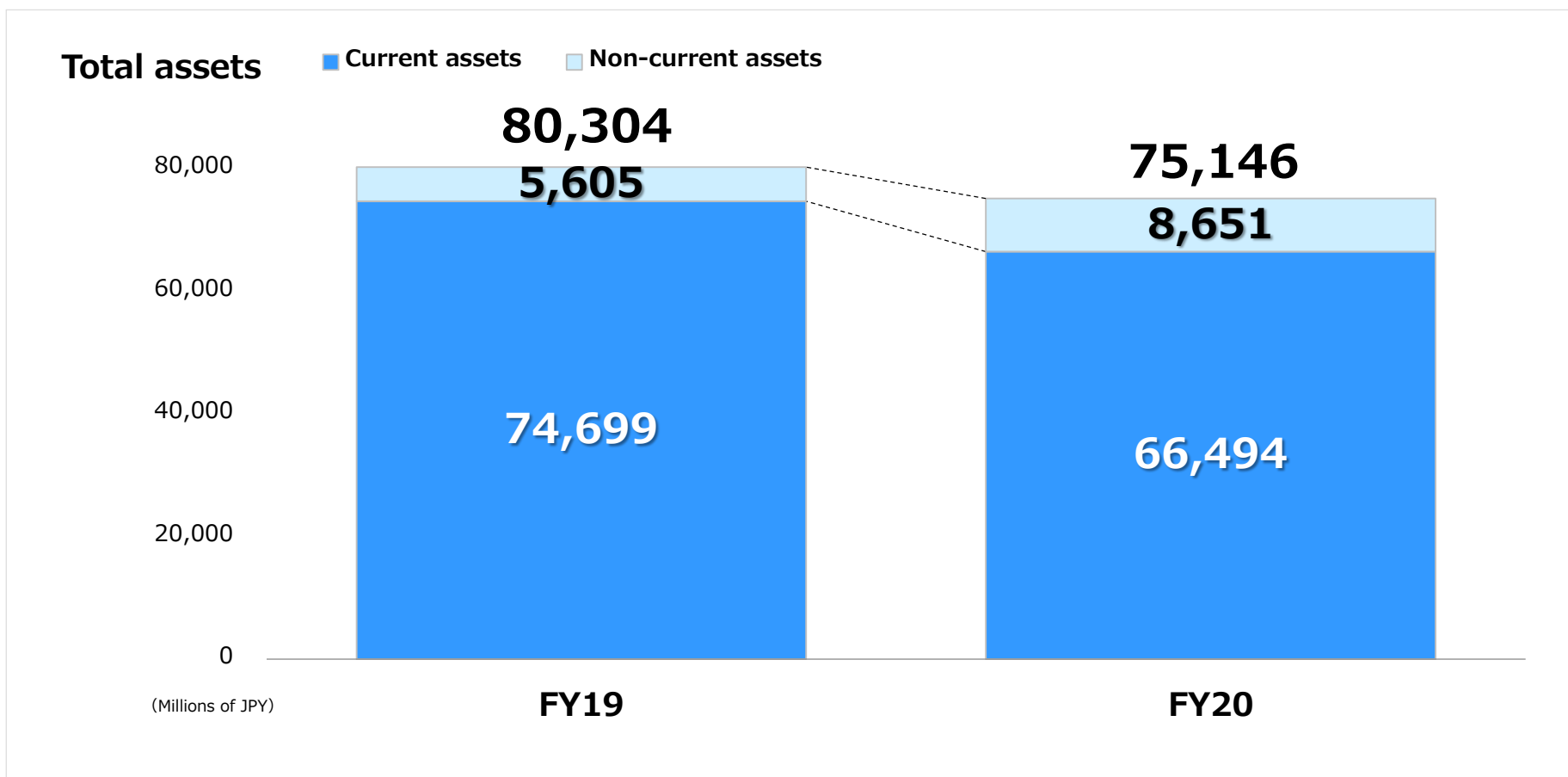
	FY19 Year ended		FY20 Year ended		Y/Y change
	Amount (Millions of JPY)	Margin	Amount (Millions of JPY)	Margin	
Net sales	72,132	—	54,322	—	-24.7%
Gross profit	25,144	34.9%	15,122	27.8%	-39.9%
Operating profit	16,628	23.1%	5,707	10.5%	-65.7%
Ordinary profit	16,767	23.2%	6,209	11.4%	-63.0%
Net profit attributable to owners of parent	10,901	15.1%	3,277	6.0%	-69.9%
Orders received	47,430	—	22,532	—	-52.5%
Backlog	90,935	—	59,145	—	-35.0%



### 3. Changes in property and profit/loss status

#### ① Status of corporate group property and profit/loss (Total assets)

- Total assets decreased by 5.1 billion yen from the previous year to 75.1 billion yen
  - 66.4 billion yen (8.2 billion yen decrease year-on-year) due to a decrease in cash and savings
  - Non-current assets were 8.6 billion yen (up 3.0 billion yen from the previous year) due to "capital investment" at subsidiaries.

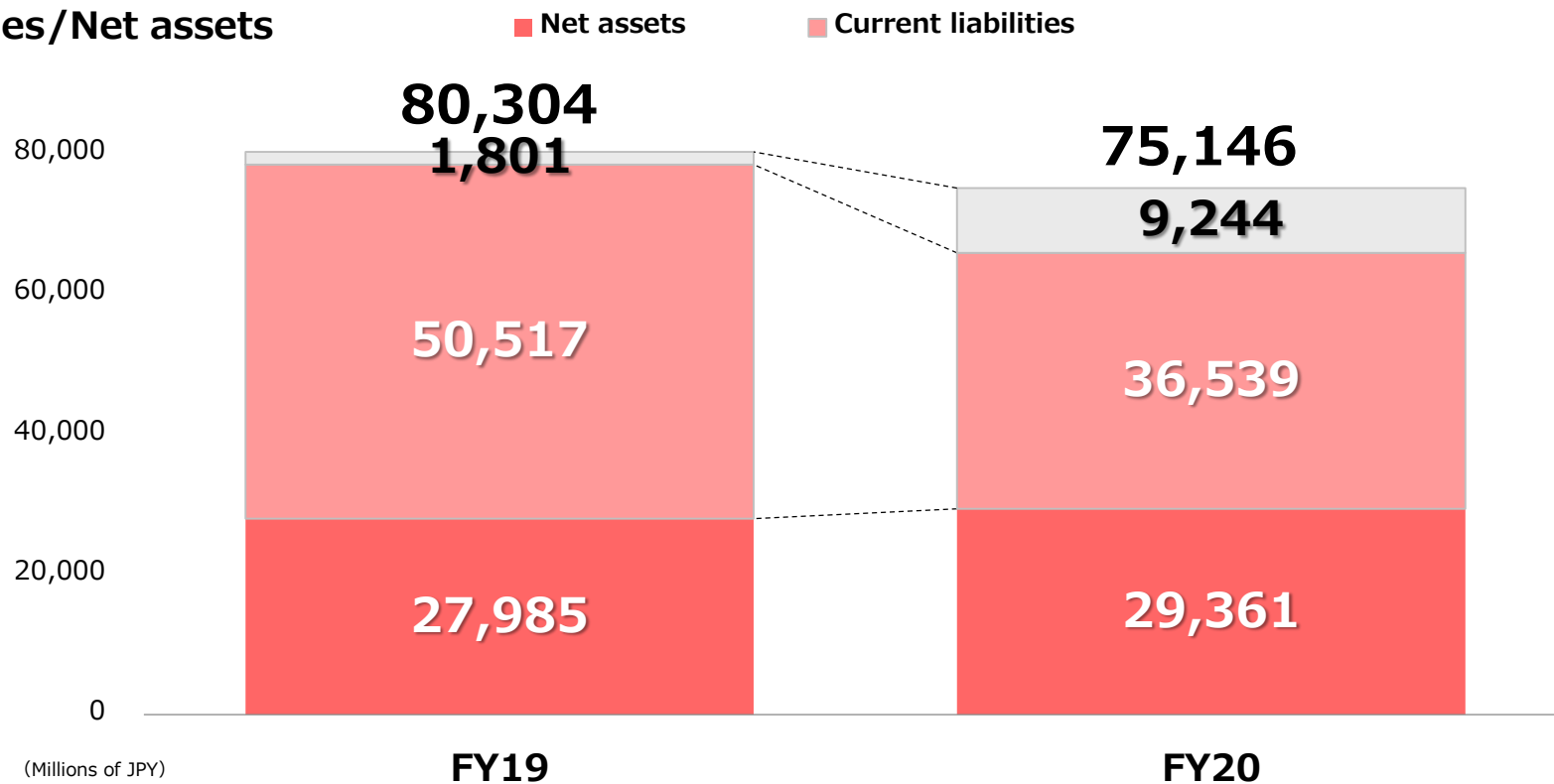


### 3. Changes in property and profit/loss status

#### ① Status of corporate group property and profit/loss (Liabilities/Net assets)

- Liabilities decreased 6.5 billion yen year on year to 45.7 billion yen
  - Current liabilities were 36.6 billion yen (down 13.9 billion yen year-on-year) due to "decrease in notes and accounts payable" and "decrease in advances received"
  - Non-current liabilities increased to 9.2 billion yen (up 7.4 billion yen from the previous fiscal year) due to an increase in "long-term debt" due to refinancing of short-term loans.
- Net assets were 29.3 billion yen (up 1.3 billion yen from the previous year) due to an increase in retained earnings

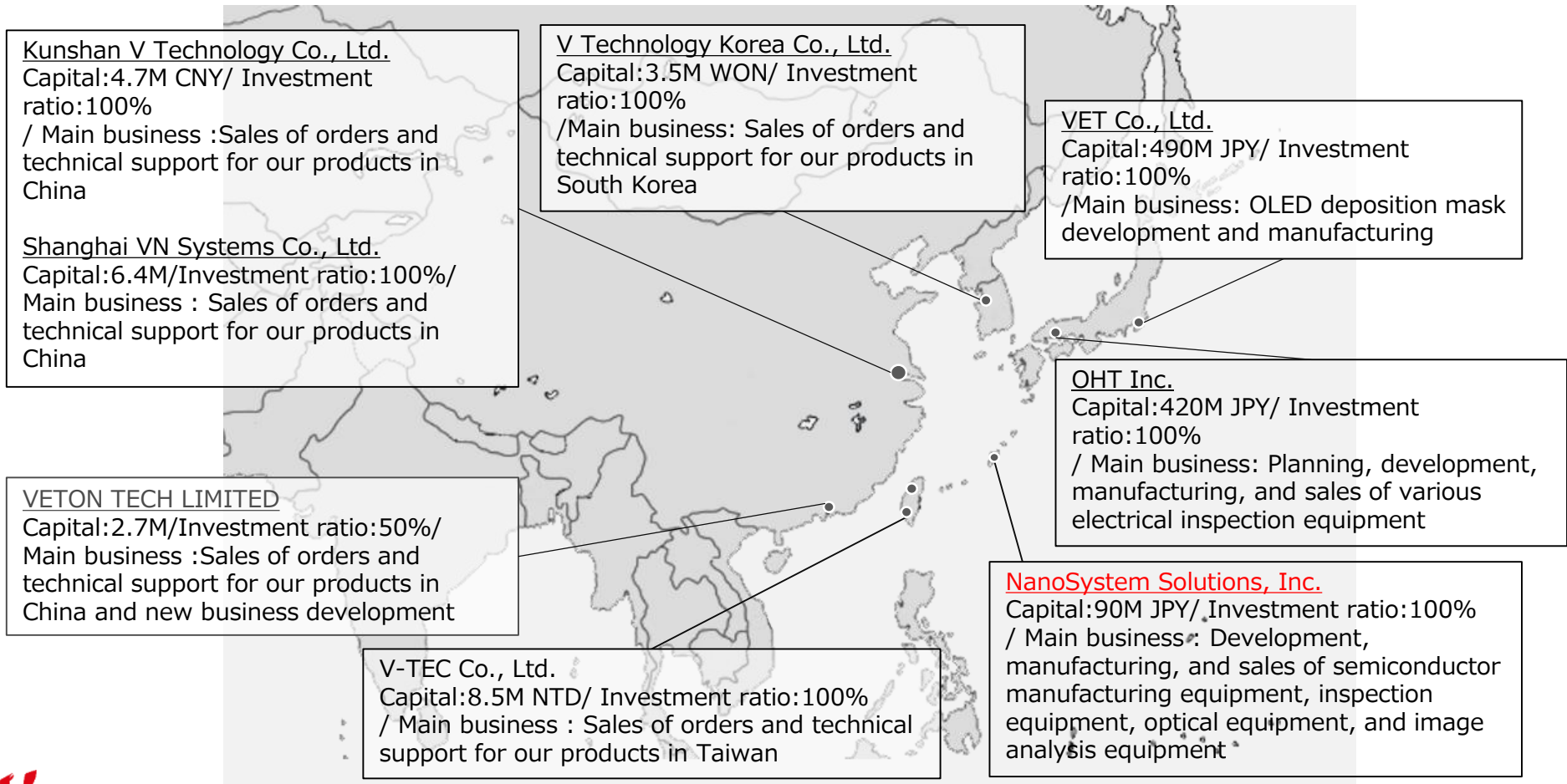
Liabilities/Net assets



# 4. Status of parent company and subsidiaries

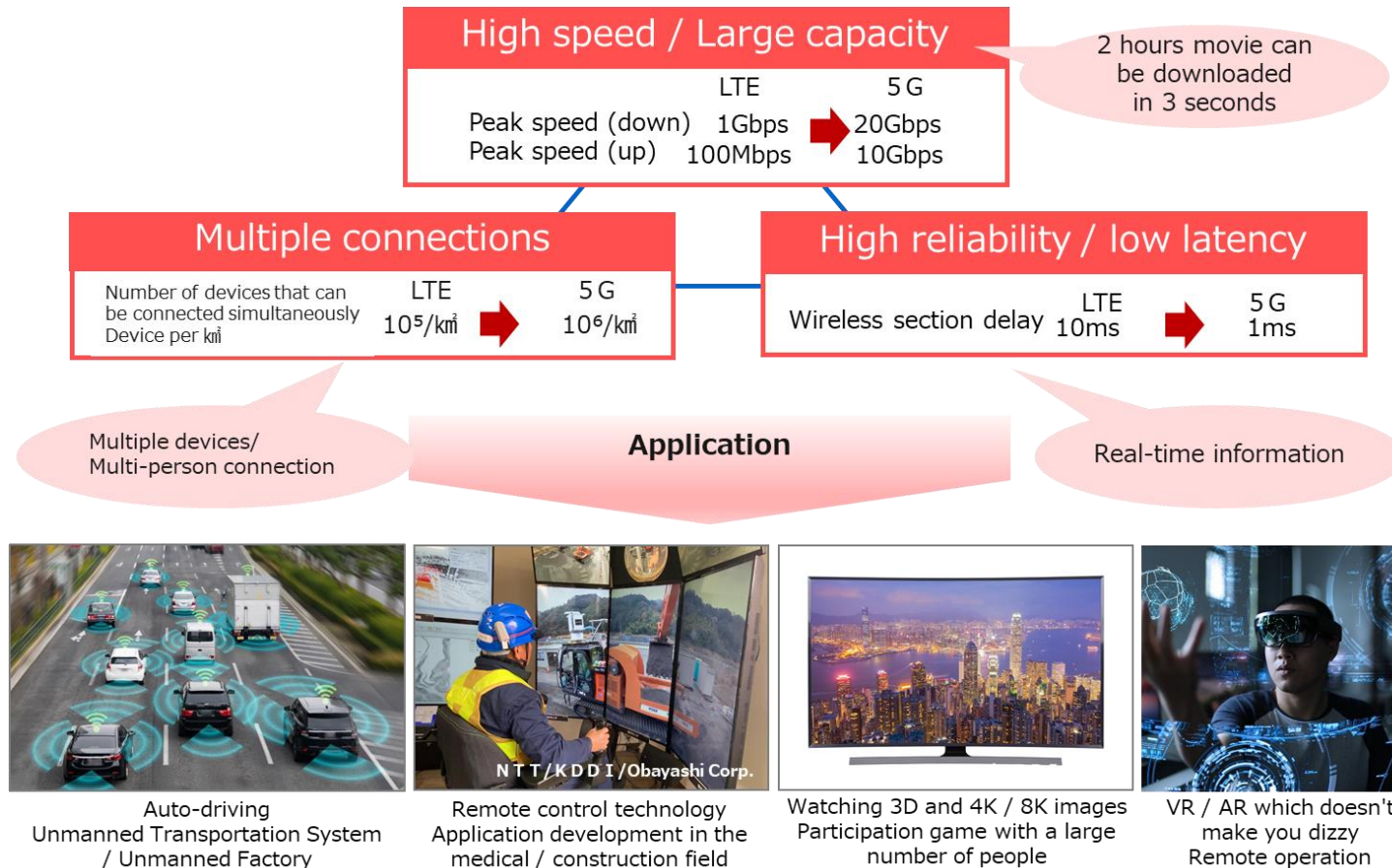
- ① Parent company : None
- ② Subsidiaries : Made NanoSystem Solutions, Inc. a wholly-owned subsidiary

## List of important subsidiaries



# 5. Issues to be addressed

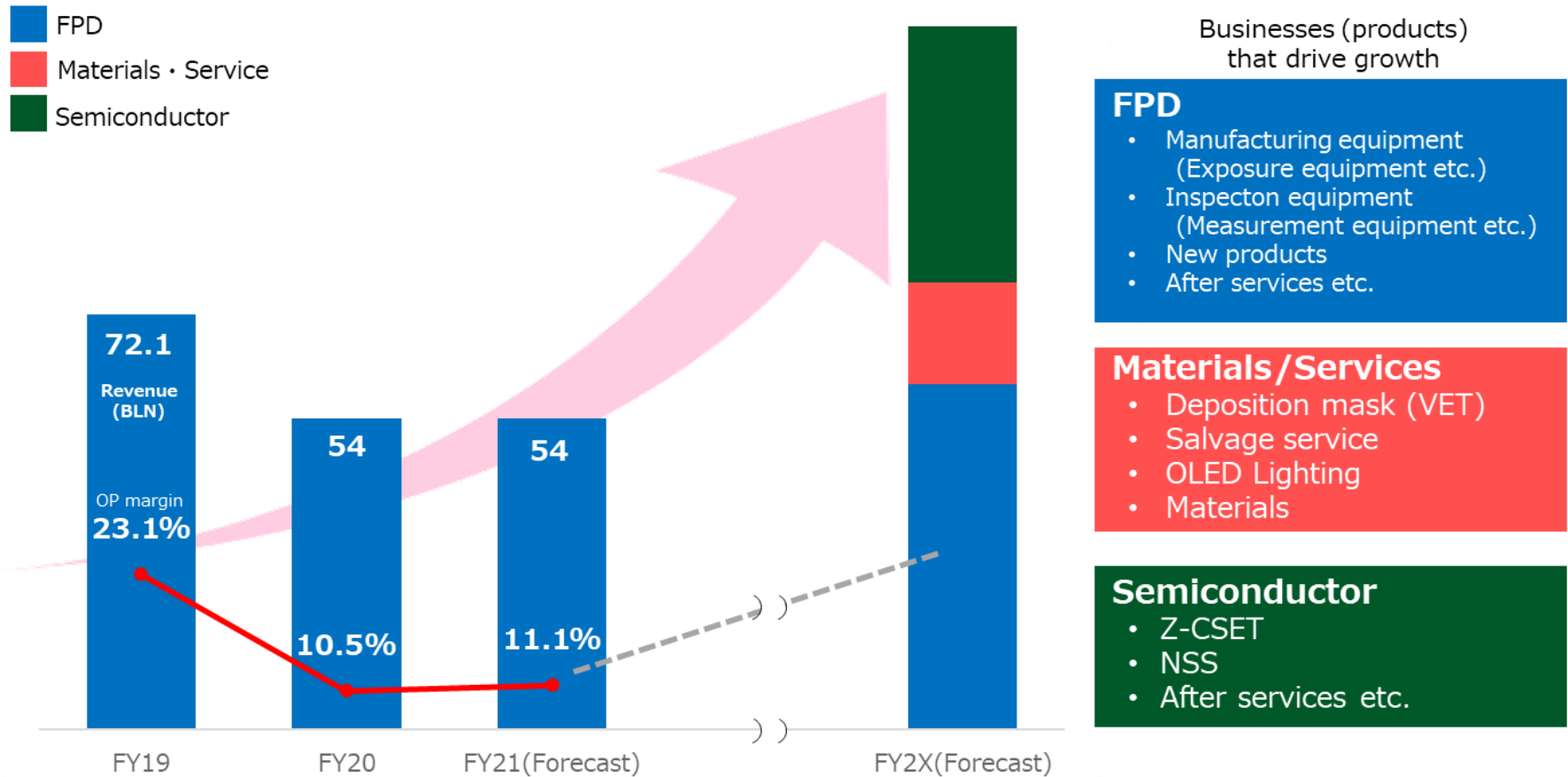
- In the equipment market, the rapid expansion of remote work as a countermeasure against infection creates new demand for FPDs and semiconductors
- The market is steadily growing with further evolution of FPD and semiconductors, which are indispensable for the spread of AI, 5G communication, and IoT technology.



# 5. Issues to be addressed

## ② Initiatives for R&D and M&A to realize medium- to long-term growth

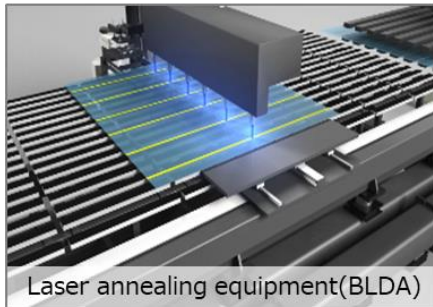
- Development of next-generation equipment in the FPD field
- Materials and services business where stable demand can be expected
- Entry into the semiconductor field (joint venture/business alliance/M&A)



# 5. Issues to be addressed

- Entering the OLED manufacturing process with new products
  - Made companies with knowledge of WOLED manufacturing technology into a subsidiary (Lumiotec / FLASK)
  - Established a joint venture, CHVT, with CHOT to promote the development of WOLED manufacturing technology that enables us to work closely with customers
  - Simultaneous development of vapor deposition mask (Fine Hybrid Mask) and deposition equipment (VT / VET), which is the key to manufacturing small and medium-sized OLED
  - Joint research with customers aiming to establish basic manufacturing technology for  $\mu$ LED

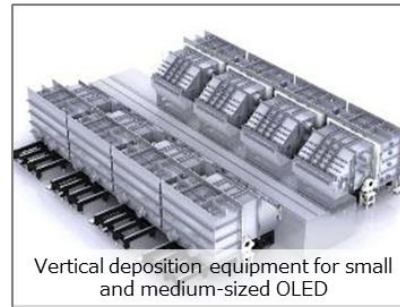
## OLED manufacturing equipment we are developing



Laser annealing equipment(BLDA)



Deposition equipment for WOLED

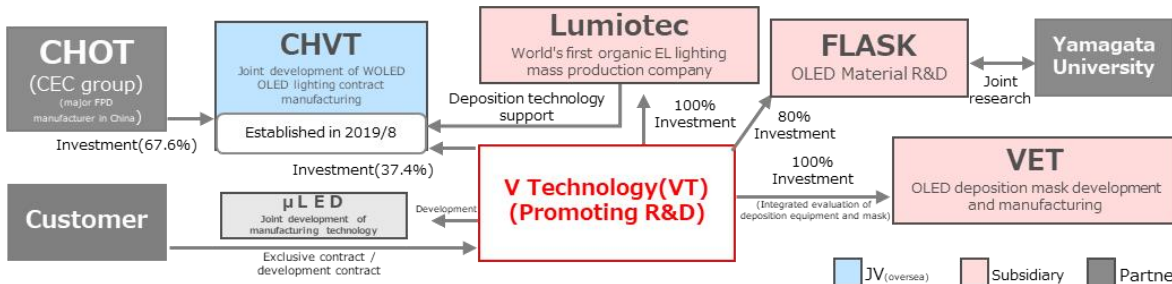


Vertical deposition equipment for small and medium-sized OLED

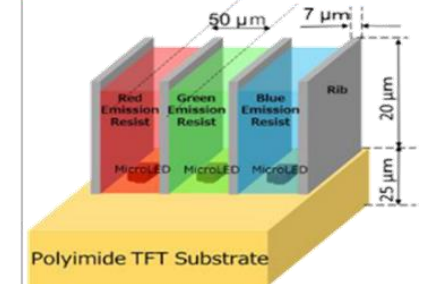
Continued development at our company / CHVT

In-house development of deposition mask and equipment

## Partnership to accelerate commercialization



## Commercialization of $\mu$ LED



Structure of  $\mu$ LED (UV light conversion type)

# 5. Issues to be addressed

## Salvage Service Business

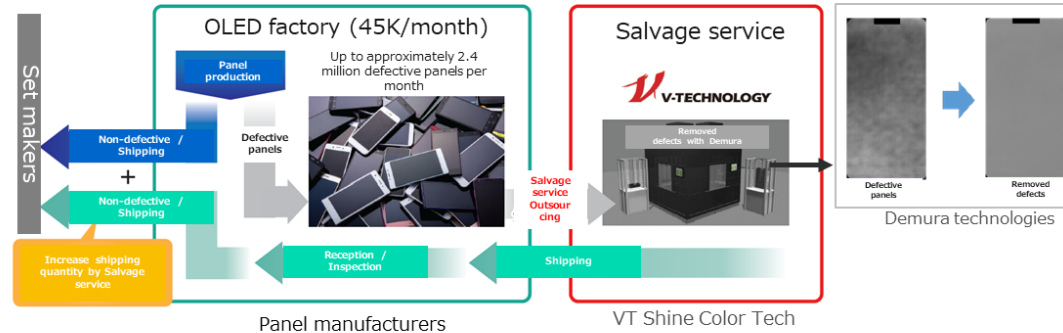
- Established in April targeting Chinese customers, trump card to improve the yield of small and medium-sized OLED

## Deposition Mask Business

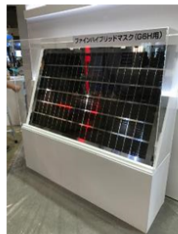
- Lightest weight/high definition/high position accuracy, and no assembly needed

### Meet OLED demand with Demura technologies ~ Salvage service business(VT Shine Color Tech) ~

- Established in April
- Chinese market
- Promote this service as a trump card to increase the number of shipments in a short period of time
- No need for capital investment by customers

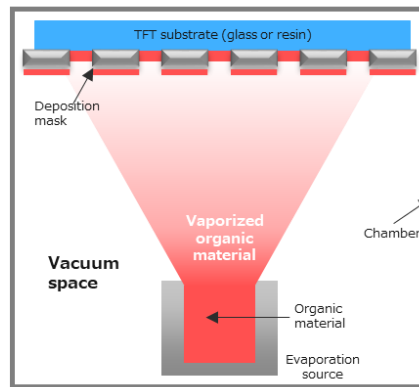


### High-quality OLED productivity improvement ~ Deposition mask business(VET) ~



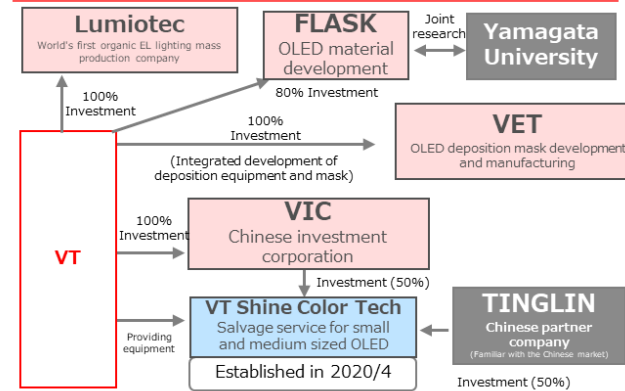
Exhibited FHM for G6H at FINITECH 2019

- Resin + metal hybrid structure
- Lightest weight / high definition / high position accuracy
- Delivered as a finished product, no work required



Principle of vacuum evaporation of OLED (positioning with TFT is important)

### VT's OLED technologies and partnership



JV(oversea)    Subsidiary    Partner

# 5. Issues to be addressed

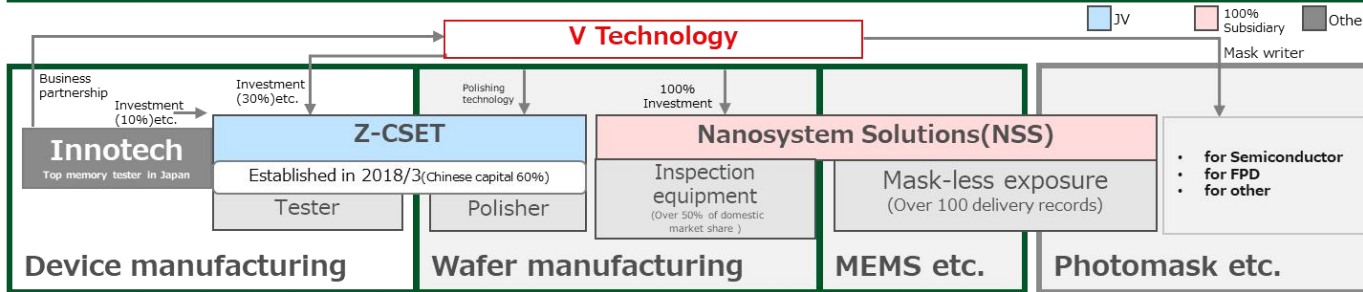
## ■ Z-CSET

- ▶ Promotion of wafer polishing equipment and tester business, technical support by V-tech and Innotech

## ■ NanoSystem Solutions (NSS)

- ▶ Became a subsidiary in August 2019. NSS has the top share in the domestic market for wafer inspection and aiming for expanding its business by synergies with V-tech

### Partnership in Semiconductor manufacturing ~Steadily enter the business while securing core technologies and commercial distribution~



### Z-CSET ~ Focus on China market and local production for local consumption policy ~

### NSS ~ Top share in wafer inspection, expanding application for maskless exposure ~

**No.1 in Japan**

Wafer polishing/  
grinding

Edge  
Inspection

Flatness  
inspection

Wafer inspection

Mask-less exposure

**Z-CSET (Semicon manufacturing factory)**  
15,000 m<sup>2</sup> used for development and manufacturing of semiconductor related manufacturing equipment

- Joint venture with Chinese capital
- **Business partnership with Innotech**
- JV is for manufacturing and sales
- Japan side: Technology support and planning

- **Japan's No. 1 share and technology**
- **Expand domestic market share Overseas expansion**
- **Abundant delivery record**

- Became a wholly-owned subsidiary from August 2019
- Utilizing the VT value chain and resources for further growth
- Re-marketing/sales leverage for mask-less exposure equipment



# Forecast of FY21 and Forecast of Dividend

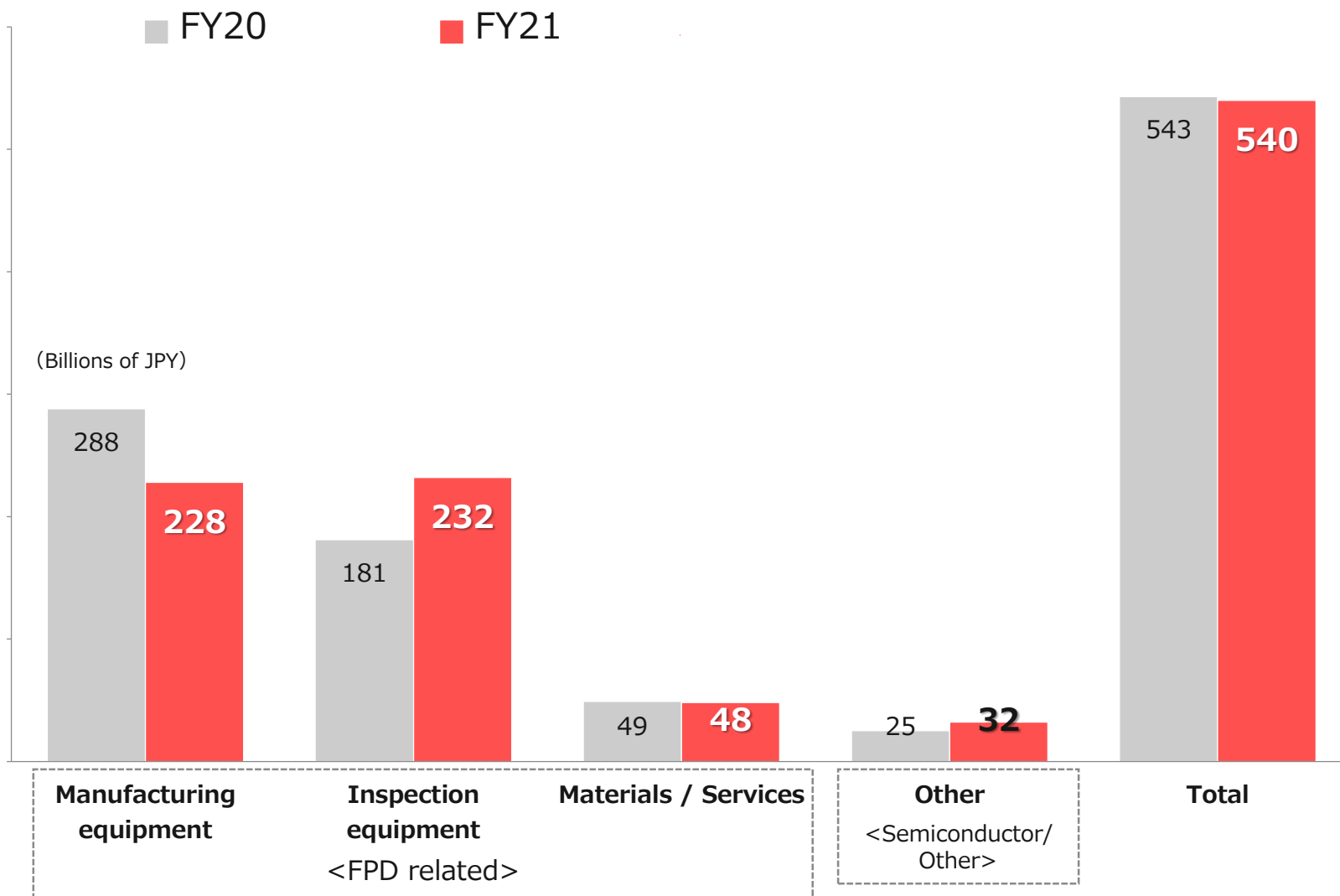
- The amount of delayed orders from last fiscal year is included in this term plan
- Forecast is based on the possibility of extended delivery due to the influence of COVID-19

	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	5,707	10.5%	6,000	11.1%	5.1%
Ordinary profit	6,209	11.4%	5,800	10.7%	-6.6%
Net profit attributable to owners of parent	3,277	6.0%	3,000	5.6%	-8.5%
EPS	JPY 338.99		JPY 310.25		—

## Dividend

FY21	1 <sup>st</sup> half : JPY 60 (Forecast)	2 <sup>nd</sup> half : JPY 60 (Forecast)
*Reference: FY20	1 <sup>st</sup> half : JPY 80 (Actual)	2 <sup>nd</sup> half : JPY 40 (Planned)

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



# Proposal No.1 Appropriation of Surplus

Our basic policy on profit sharing and dividends is to attempt stable and continuous profit distribution according to our operating results. We also consider securing appropriate internal reserves to accomplish future business expansion and reinforcement of our management. Based on this policy, and the results for the current period, the year-end dividend for the 23rd Fiscal Year is as follows.

Year-end Dividend

Per share of common stocks: JPY40

The effective date of the dividend of surplus

Friday, June 26, 2020

## Proposal No.2 Election of Five (5) Directors

After this 23rd General Shareholder's Meeting, the terms of all five (5) current directors will expire. Accordingly, we hereby propose the election of five (5) directors. The candidates for directors are as follows:

(For details of candidates, please refer to pages 41-45 of the convocation notice)

Candidate Number	Name (Date of Birth)
1	<b>Shigeto Sugimoto</b> (July 9, 1958)
2 【Outside Director】	<b>Junji Kido</b> (February 11, 1959)
3	<b>Kazuhito Tennichi</b> (August 22, 1959)
4	<b>Yukihiro Kanzawa</b> (October 17, 1962)
5 【Outside Director】	<b>Hideto Nishimura</b> (July 14, 1953)

# Proposal No.3 Election of Two (2) Auditors

After this 23rd General Shareholder's Meeting, the terms of two current auditors will expire, Isao Sumita and Kenichi Uda. Accordingly, we hereby propose the election of two (2) auditors. Concerning this proposal, we have obtained the consent of the Accounting Auditor and the Board of Corporate Auditors. The candidates for auditors are as follows:

(For details of candidates, please refer to pages 46-47 of the convocation notice)

Candidate Number	Name (Date of Birth)
1	<b>Isao Sumita</b> (August 21, 1943)
2 【Outside Auditor】	<b>Kenichi Uda</b> (November 30, 1948)

# Proposal No.4 Amount of the Stock Incentive and Details of the Stock Incentive Plan for the Board of Directors

This proposal requests the approval of the implementation of a new stock incentive plan.

The purpose is to raise the Directors' awareness to improve medium- to long-term performance and the corporate value by clarifying the connection between the remuneration of the Directors and the Company's performance and share value.

①	Subject to the Scheme	Directors (excluding Outside Directors)
②	Target Period	From business year ending in March 2021 to business year ending in March 2025
③	Total funds the Company shall contribute to acquire the Company's shares necessary to deliver the shares for the directors who are holding office during the target period	300 million yen in total
④	Method of acquiring the Company's shares by the Trust	Disposal of treasury stock of the Company or from the exchange market within the upper limit of the stock acquisition funds (including off-hours trading)
⑤	Maximum amount of points to Directors	20,000 points per business year
⑥	Method of granting points to Directors	Grant points to each director following the position, etc.
⑦	Delivery of our shares to Directors	When each director retires (as a matter of principle)

**Thank you for attending  
V Technology's General  
Shareholder's Meeting 2020**