

Hirata

The Global Production Engineering Company

Quarterly Financial Results for the nine-month Period Ended December 31, 2016

February 10, 2017

Hirata Corporation



I. Financial Results and Outlook

The nine-month period ended December 31, 2016 (April 1, 2016 - December 31, 2016)

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I. Summary of Financial Results

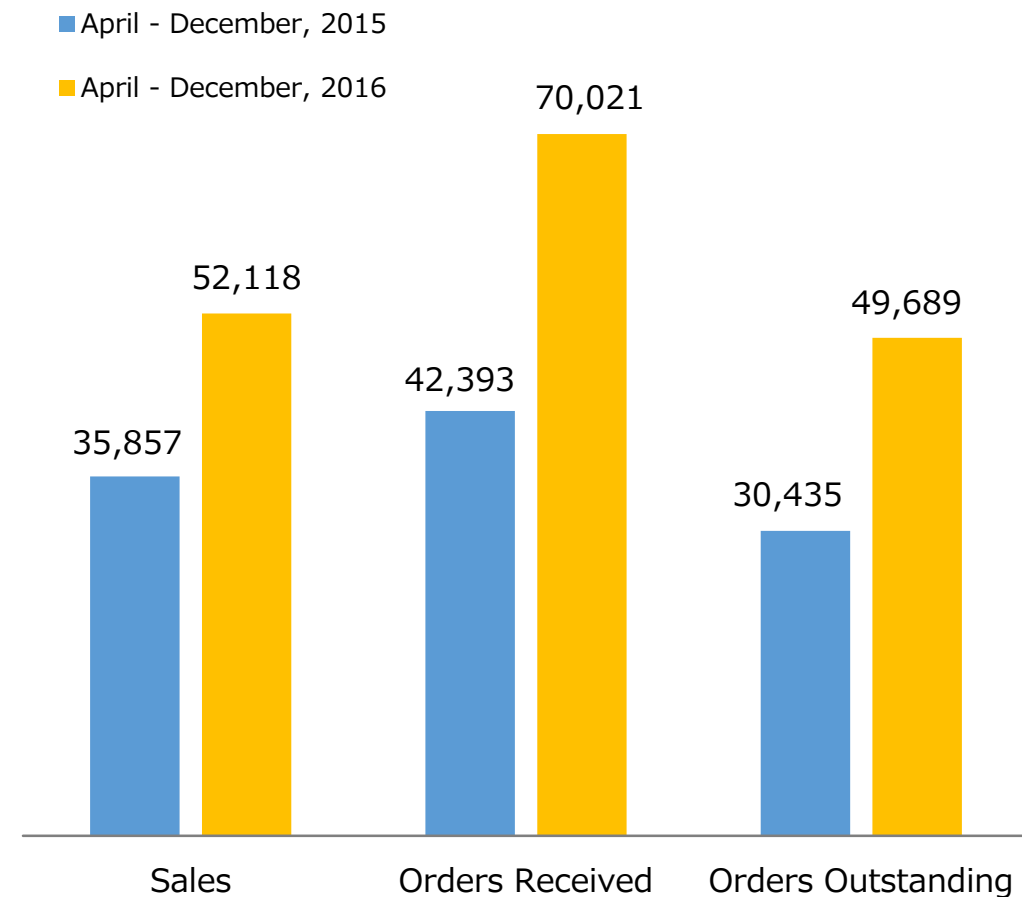
Overview

Sales in the semiconductor production equipment segment increased dramatically, mainly of orders in vacuum deposition equipment used for organic EL production. Additionally, powertrain-related equipment engineering in the North America, and continued orders from the electric vehicle(EV) manufacturer contributed to strong sales in the automotive production equipment segment as well. As a result, third-quarter sales reached record highs for its term, as same with the profit items.

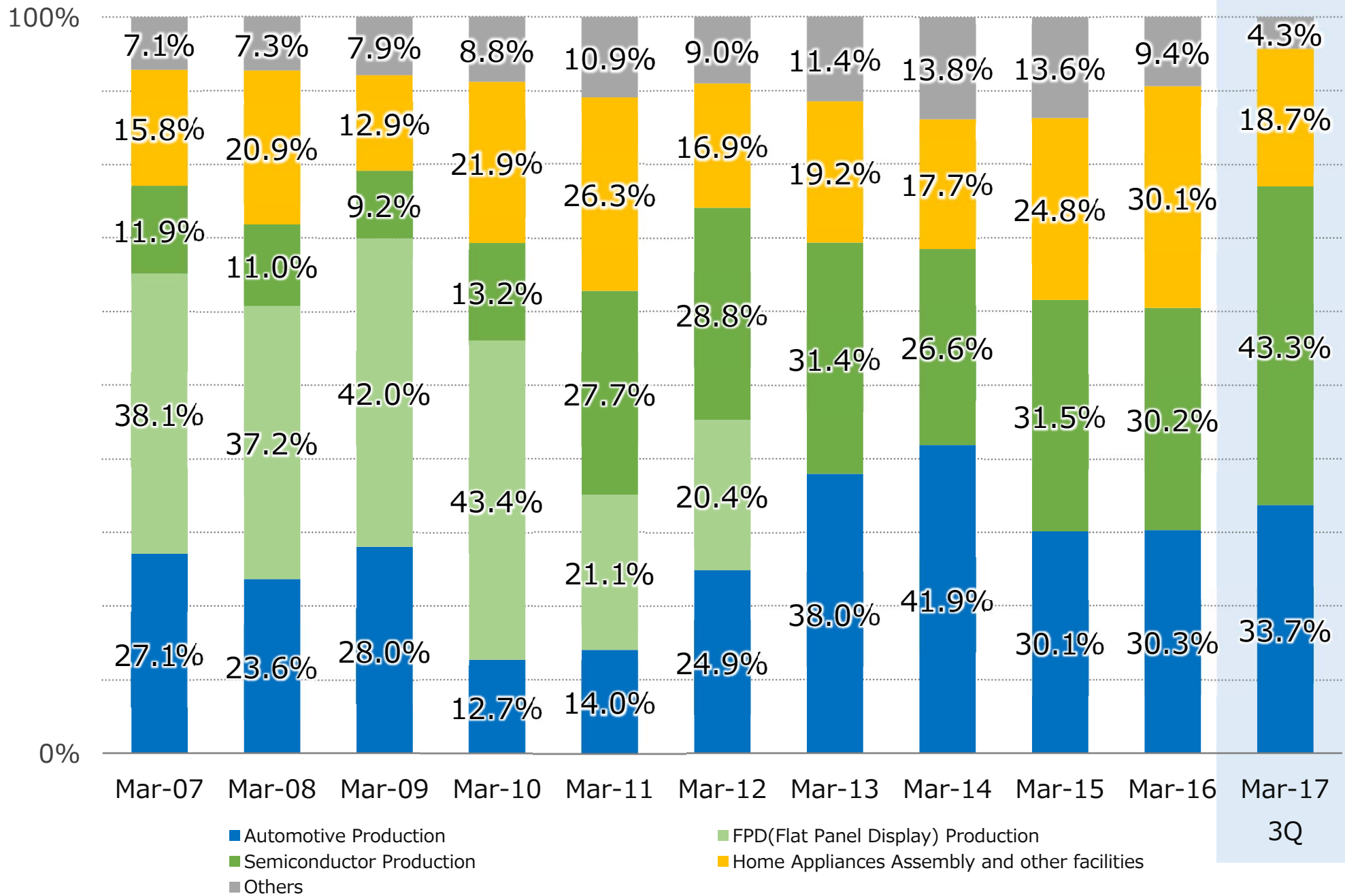
(Units in millions of JPY)

	Apr-Dec 2015 (Actual)	Apr-Dec 2016 (Actual)	YoY Change
Sales	35,857	52,118	+45.3%
Operating Income	2,282	5,309	+132.6%
Ordinary Income	2,240	5,049	+125.4%
Profit attributable to owners of the parent company	1,380	3,665	+165.5%

(Units in millions of JPY)



I. Breakdown of Sales by Business Unit



*The figure of FPD related business was integrated into semiconductor related business since April 2012.

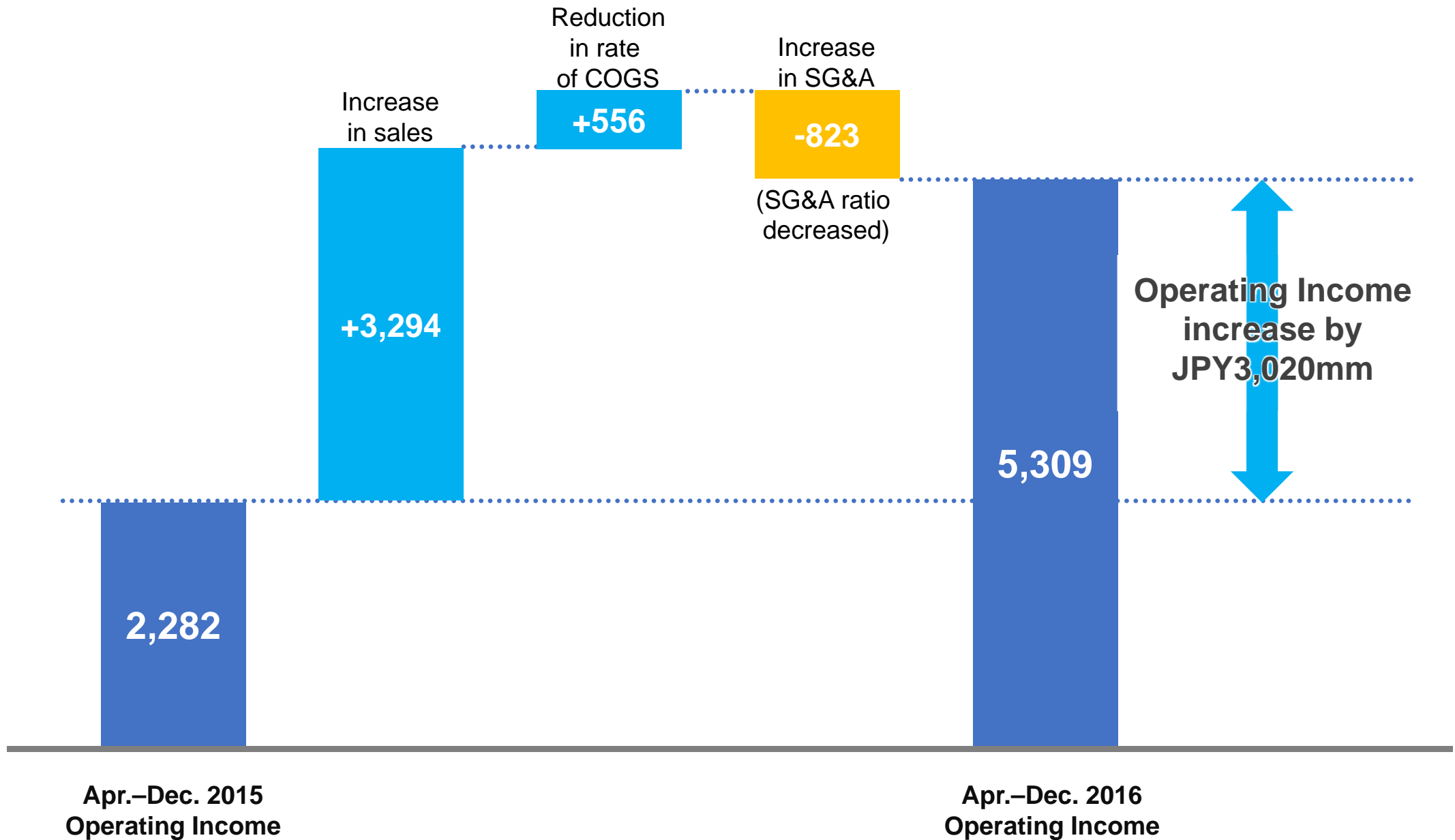
I. Sales, Orders Received and Outstanding by Business Unit

(Units in millions of JPY)

	Business Unit	Apr–Dec 2015	Apr–Dec 2016	YoY Change
Sales	Automotive	11,792	17,550	+48.8%
	Semiconductor	9,277	22,589	+143.5%
	Home appliances & others	10,413	9,745	-6.4%
	Others	4,374	2,232	-49.0%
	TOTAL	35,857	52,118	+45.3%
Orders Received	Automotive	16,650	30,465	+83.0%
	Semiconductor	12,659	27,272	+115.4%
	Home appliances & others	8,893	8,608	-3.2%
	Others	4,188	3,675	-12.3%
	TOTAL	42,393	70,021	+65.2%
Orders Outstanding	Automotive	14,661	28,081	+91.5%
	Semiconductor	7,056	13,496	+91.3%
	Home appliances & others	7,651	5,751	-24.8%
	Others	1,065	2,359	+121.5%
	TOTAL	30,435	49,689	+63.3%

I. Factor Analysis on Changing Operating Income

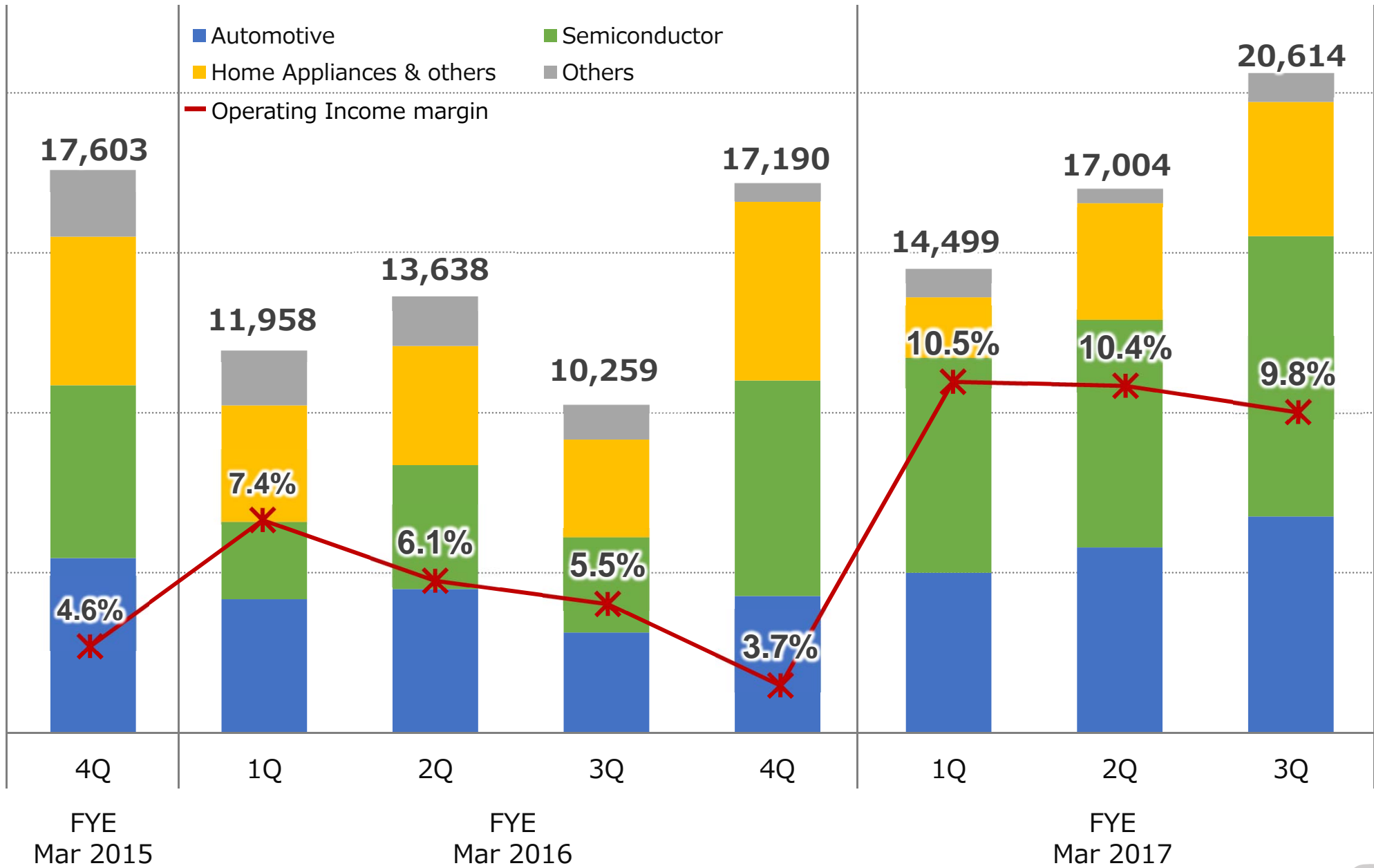
(Units in millions of JPY)



I. Trends in Profit Margins

Sales by business unit and operating income margin

(Units in millions of JPY)



I. Forecasts for FYE March 2017: Business Environment

Automotive-related business

Technological advancements and capital expenditures in reducing greenhouse gas emissions to be key areas of focus for the automobile industry. We anticipate orders to continue for fuel-efficient engine related equipment e.g. hybrid engine and equipment related to electric vehicles.

Semiconductor-related business

We forecast high volumes of orders to continue for the vacuum deposition equipment, as smartphone OLED demand escalates. Furthermore, we anticipate solid orders in the semiconductor production equipment segment, supported by enhanced capex for organic EL by semiconductor manufacturers, given growing demand of high-end smartphones in emerging markets, and further development of the IoT market, e.g. automobile manufacturers using more electronic devices in their products.

Home appliances and other facilities business

Supported by rising household income in the emerging markets, global demand for home electronics are expected to rise at a gradual pace. We believe that there will be sufficient demands especially in products such as vacuum cleaners for the home appliances assembly and other facilities segment.

I. Forecasts for FYE March 2017: Earnings Forecast

Note: Earnings forecasts for FYE March 2017 revised on February 10, 2017

(Units in millions of JPY)

	FYE March 2016 (Actual)	Previous Earnings Forecast FYE March 2017 (Estimate as of Nov. 11, 2016)	Current Earnings Forecast FYE March 2017 (Estimate as of Feb. 10, 2017)
Sales	53,048	70,000	78,000
Automotive	16,065	26,000	29,000
Semiconductor	16,014	26,000	31,000
Home appliances & others	16,000	15,000	15,000
Others	4,968	3,000	3,000
Operating Income (margin)	2,924 (5.5%)	5,000 (7.1%)	7,000 (9.0%)
Ordinary Income (margin)	2,825 (5.3%)	4,500 (6.4%)	6,500 (8.3%)
Profit attributable to owners of the parent company (margin)	1,713 (3.2%)	3,300 (4.7%)	4,500 (5.8%)

Reasons for modifying full-year forecast and measures for achieving our business targets

Business has proven strong for this fiscal year, lead by the vacuum deposition equipment, order volumes for the semiconductor production equipment segment remained very high, with automotive segment performing strong as well. With the signs of recovery in our Asian subsidiaries, both sales and earnings are expected to surpass previously released estimates, re-modifying our full year earnings forecast this past February. We will diversify and reallocate internal resources to deliver projects on time and achieve sales targets.

I. Forecasts for FYE March 2017: Dividend Forecast

Dividends and dividend ratio per share

Note: Earnings forecasts for FYE March 2017 revised on February 10, 2017

(Units in JPY)

	FYE Mar 2013 (Actual)	FYE Mar 2014 (Actual)	FYE Mar 2015 (Actual)	FYE Mar 2016 (Actual)	FYE Mar 2017 (Estimate)
Dividends per share	12.50	12.50	15.00	30.00	85.00
Dividend ratio(%)	46.1	15.5	16.4	17.5	17.8

Note: Dividend ratio is on a consolidated basis.

Reasons for revising our dividend forecast

At Hirata, we consider various factors when making dividends payments, such as business performance, management and financial environments. With our basic principle of making stable and continuous dividends to our shareholders, while at the same time preserving internal reserves to prepare funds for business expansions and maintain solid business foundation, we recognize that it is important that dividend payments and policies need to be at times flexible and consistent with business performances.

Based on this policy and thorough consideration, Hirata revised its annual dividends for the fiscal year ending March 31, 2017 to JPY85.00 from the previously announced JPY60.00.

This will be discussed in Hirata’s annual general meetings to be held at the end of June, 2017.

I. Received Orders for Semiconductor and Automotive Businesses

Business update on Organic EL/Automotive businesses

● Securing high volumes of orders for organic EL and EV-related production equipment

	Amount of orders received	Sales
Organic EL-related business	JPY16,575mm	JPY12,992mm
Electric vehicle related business	JPY9,564mm	JPY1,066mm

As for the organic EL-related business, we booked the sales of JPY13 billion by December 2017. At Hirata, we carry out consigned production for Canon Tokki Corporation in manufacturing vacuum chambers in vacuum deposition equipment used in mass production of organic EL, which has to date been highly regarded and we expect to see orders to continue.

As for our automotive-related production equipment segment, since 2000 we have been receiving orders annually on powertrain manufacturing equipment, such as those used for building engine transmissions from automobile manufacturers in the North America region, and have proven ourselves as a high quality manufacturing engineer in this sector. In the third-quarter, we have successfully received new orders in our electric vehicles production equipment, bringing our accumulated sales to JPY1 billion.

Please note that organic EL-related sales are accounted in the semiconductor-related segment and electric vehicle related equipment in our automotive-related segment.

I. Hirata's Track Record in Organic EL-related Equipment

Trends in the sales volume of organic EL-related equipment

- Hirata's sales track record for "organic EL-related production facility" (past 13 years, excluding R&D period)

3Q Sales: JPY12,992mm
3Q Orders Received: JPY16,575mm



First ever organic EL-related equipment sales dates back to 2003. Ever since, supported by our customers, our sales volume and track record grew substantially, driven by Hirata's technology, quality and our ability to meet client business demands. Building upon our business foundation, we have been achieving new record sales this fiscal year, with demands in production equipment surging, given the spread of OLED used in smartphones. Sales are expected to continue strong for the vacuum deposition equipment, which takes a main role in the organic EL production process.

I. Increased Production Capacity

Expansion of production area

● October 2016: Completion of the expansion of its Kumamoto factory production area for OLED-related equipment

In order to secure manufacturing area for the growing OLED related equipment business, in May 2016 we have started our expansion project at our Kumamoto-East Plant, extending the clean room facilities by 2,570 square meters, which completed in October 2016 and now in full operation (*disclosed in March 2016, with construction fees summing JPY700mm). With the new area combined, production area now totals 4,400 square meters, allowing for a significant increase to our production volumes.

Hirata is capable of delivering various equipment for various production stages for OLED products, including PCB cleaning, photo etching, embrocation, vacuum thin file process, deposition, etc. This combined with our increased production capacity, we expect to fulfill growing orders and demands in the coming fiscal years.

Before expansion



After expansion: marked in red



Clean room area expanded by 140%

II . Reference Data

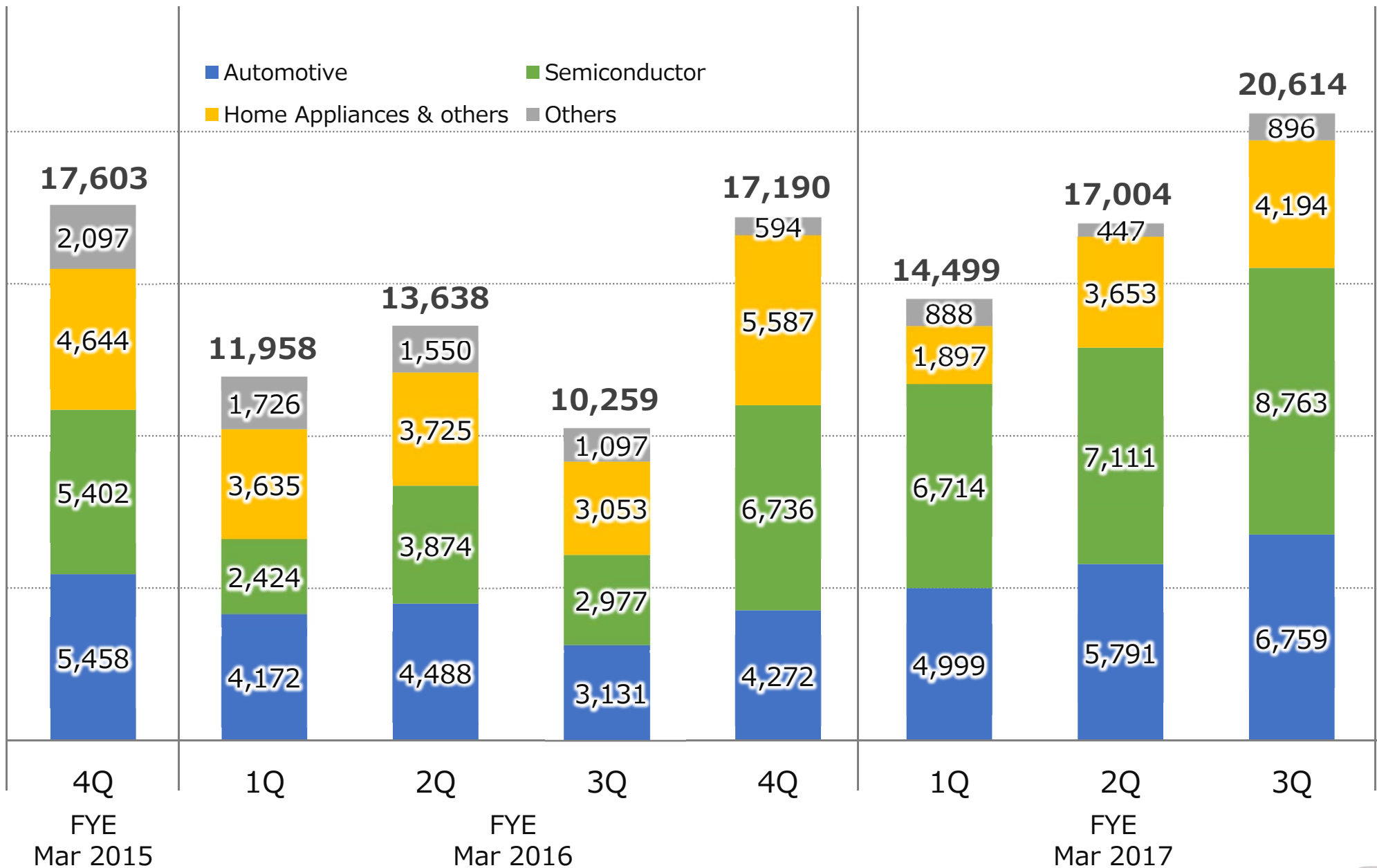
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II. Quarterly Trends of Sales by Business Unit

Sales by Business Unit

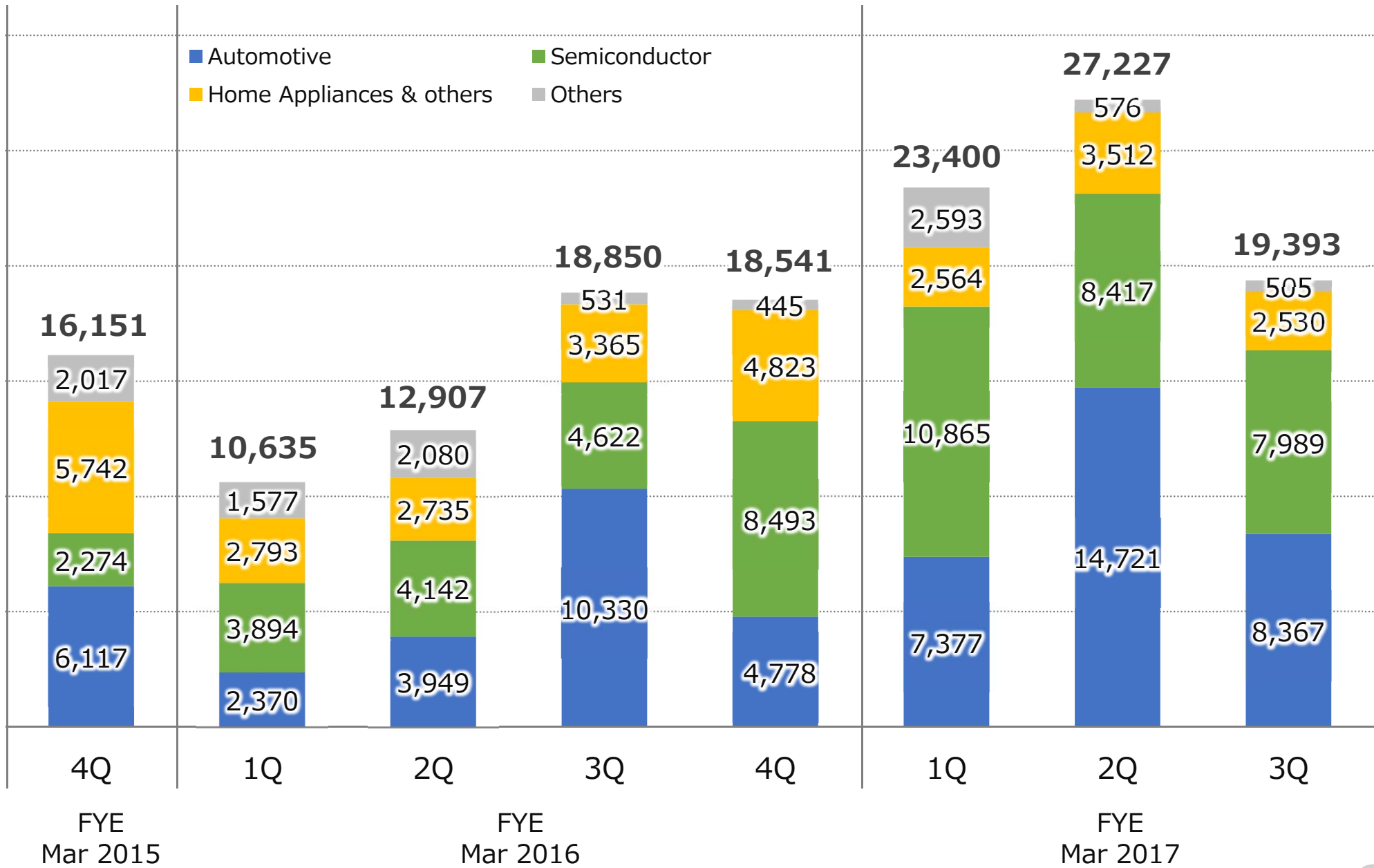
(Units in millions of JPY)



II. Quarterly Trends of Received Orders by Business Unit

Received Orders by Business Unit

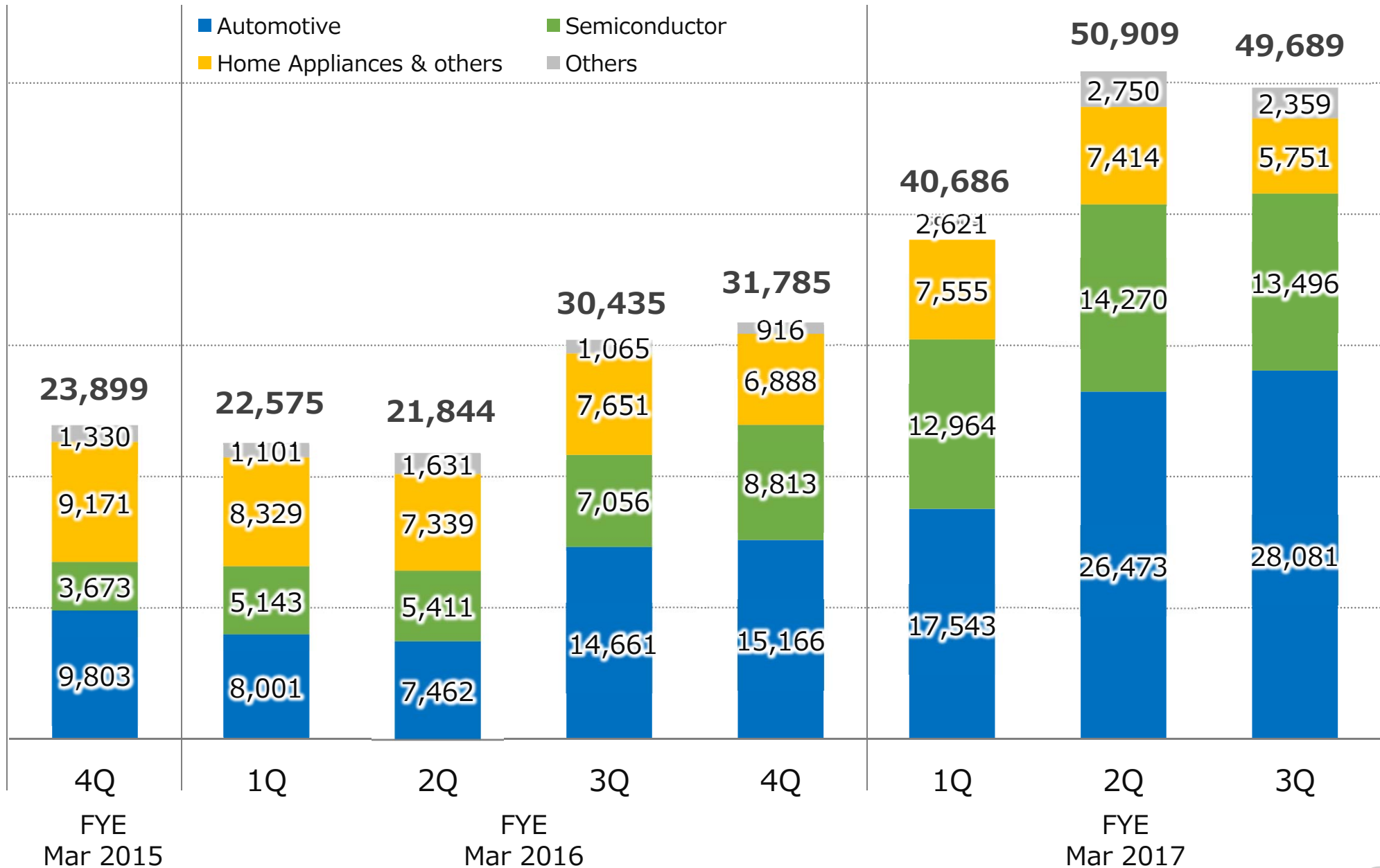
(Units in millions of JPY)



II. Quarterly Trends of Orders Outstanding by Business Unit

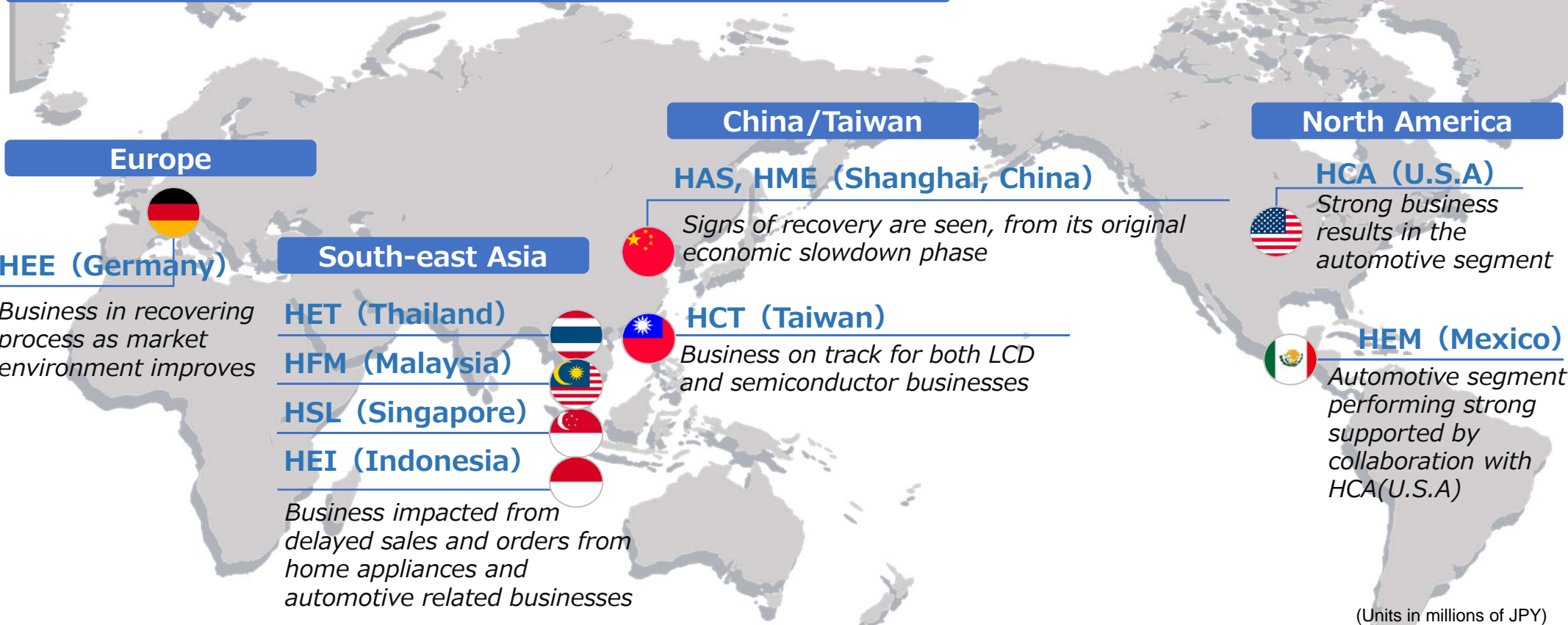
Outstanding Orders by Business Unit

(Units in millions of JPY)



II. Global Business Overview

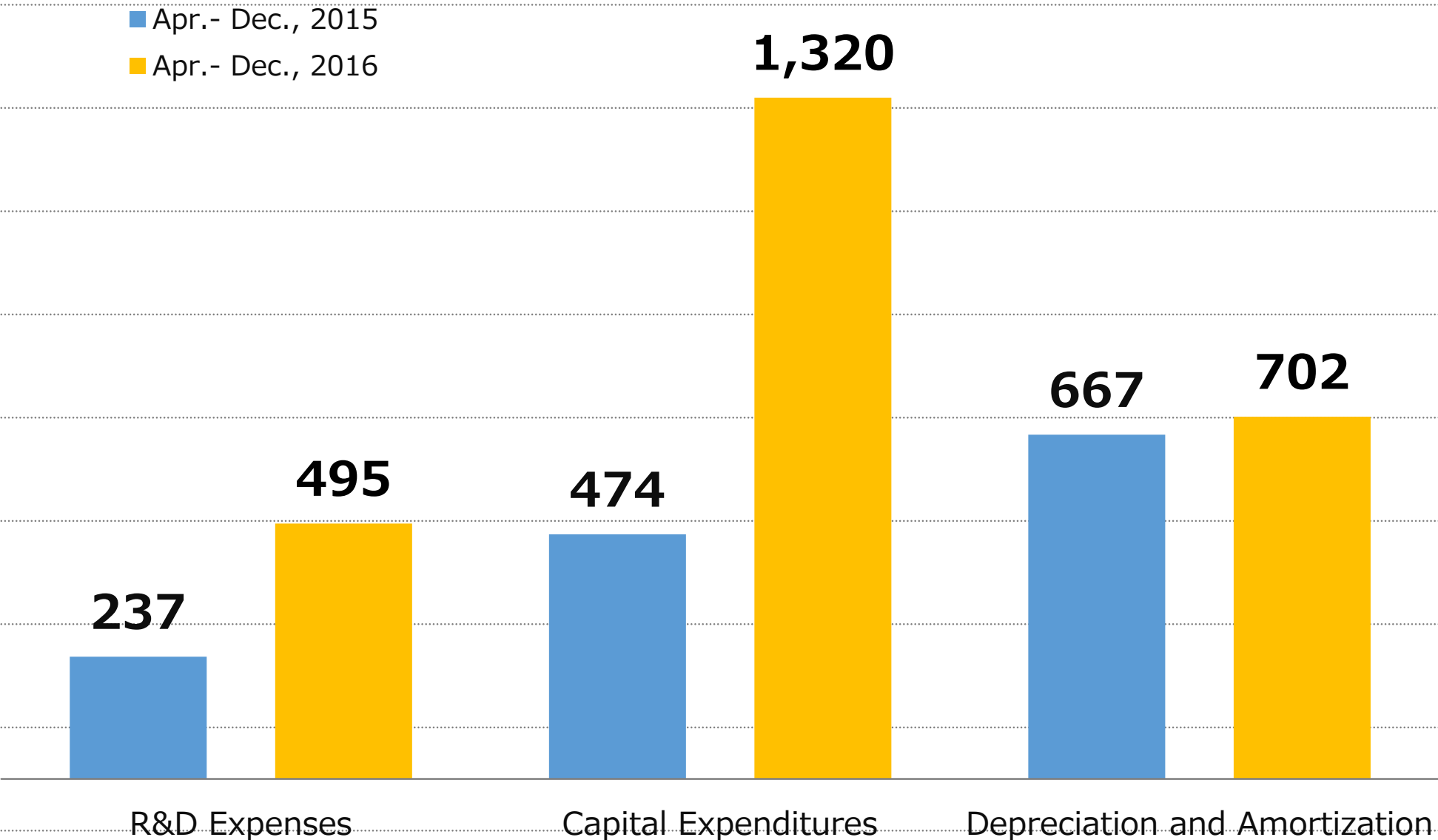
Sales by region



	Japan		Asia		North America		Europe		TOTAL	
	16/3 3Q	17/3 3Q	16/3 3Q	17/3 3Q	16/3 3Q	17/3 3Q	16/3 3Q	17/3 3Q	16/3 3Q	17/3 3Q
Sales	28,888	45,208	4,417	3,502	2,105	3,098	445	307	35,857	52,118
Operating Income	2,491	5,257	-127	-36	-53	144	22	13	2,333	5,379

Please be noted that total figure of operating income is before consolidation adjustments between regional segments.

(Units in millions of JPY)



II. Balance Sheet

Balance Sheet

(Units in millions of JPY)

Assets	Mar 2016	Dec 2016	+/- Change
Current Assets	40,758	61,081	+20,323
Fixed Assets	18,923	19,955	+1,031
tangible fixed assets	15,653	15,791	+138
intangible fixed assets	398	505	+107
investments and other assets	2,872	3,657	+785
Total Assets	59,681	81,036	+21,355

Liabilities	Mar 2016	Dec 2016	+/- Change
Current Liabilities	30,592	44,154	+13,561
Fixed Liabilities	7,504	12,393	+4,888
Total Liabilities	38,097	56,547	+18,450
Net Assets			
Total Net Assets	21,584	24,489	+2,904
Capital Ratio	35.6%	29.9%	-5.7pts

Major impact factors

Assets

Notes and accounts receivable	+15,611
Product in process	+3,272
Cash on hand and in banks	+766

Liabilities/Net Assets

Debt with interest	+9,611
Notes and accounts payable	+6,049
Advances received	+2,325

II. Exchange Rate Etc.

Assumed exchange rate

Assumed exchange rate	From Apr 1, 2016 to Dec 31, 2016 (Actual rate)	From Jan 1, 2017 (Applied assumption rate)
Exchange rate (against USD)	JPY109.06	JPY100.00

Stock Price Info

(Units in JPY)

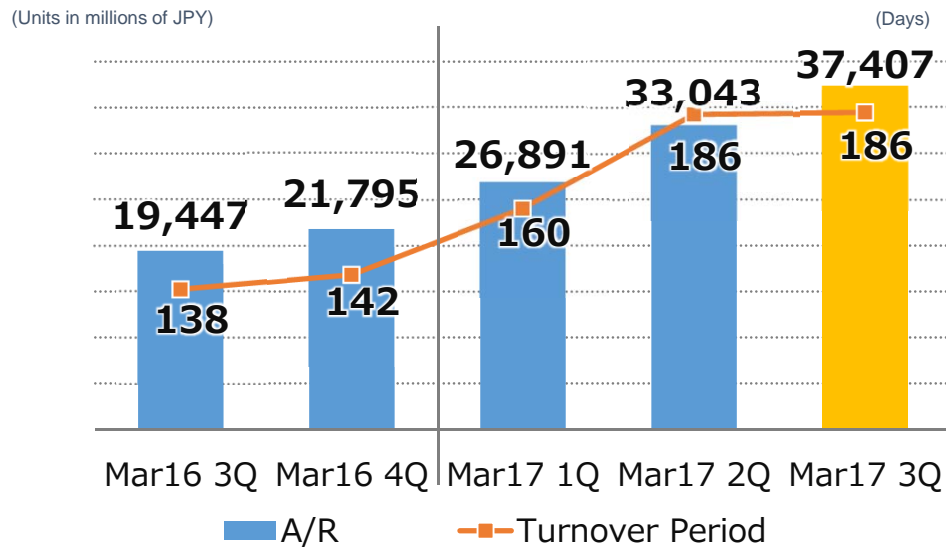
Stock Price	FYE Mar 2015	FYE Mar 2016	FYE Mar 2017		
			October	November	December
Highs	917	3,100	8,630	7,910	7,560
Lows	560	782	6,770	6,310	5,520
End of Period	799	2,752	7,970	7,510	6,640

PER/PBR/ROE

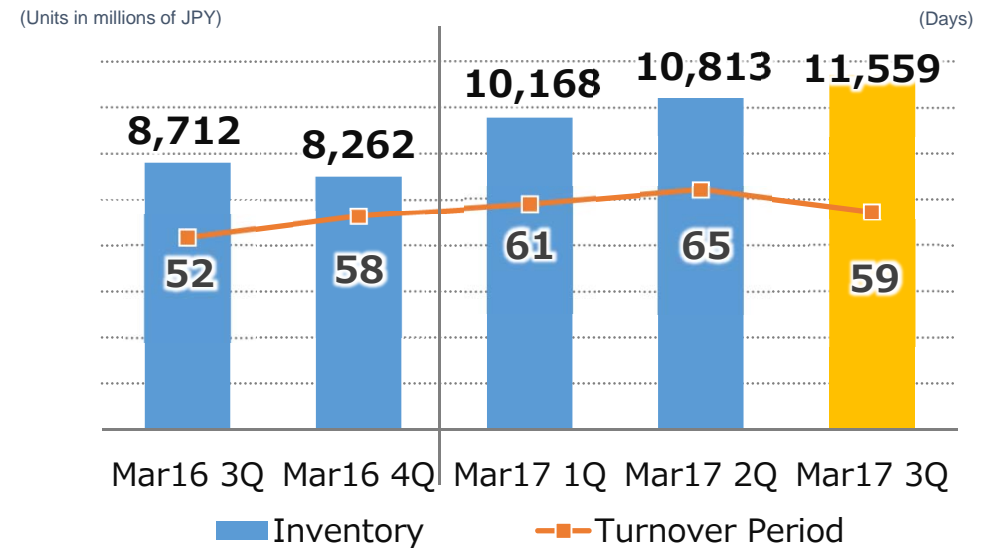
PER/PBR/ROE	FYE Mar 2015	FYE Mar 2016	FYE Mar 2017 3Q
PER (x)	8.76	16.08	—
PBR (x)	0.39	1.22	2.59
ROE (%)	4.70	8.00	—

II. Key Financial KPIs/Indicators

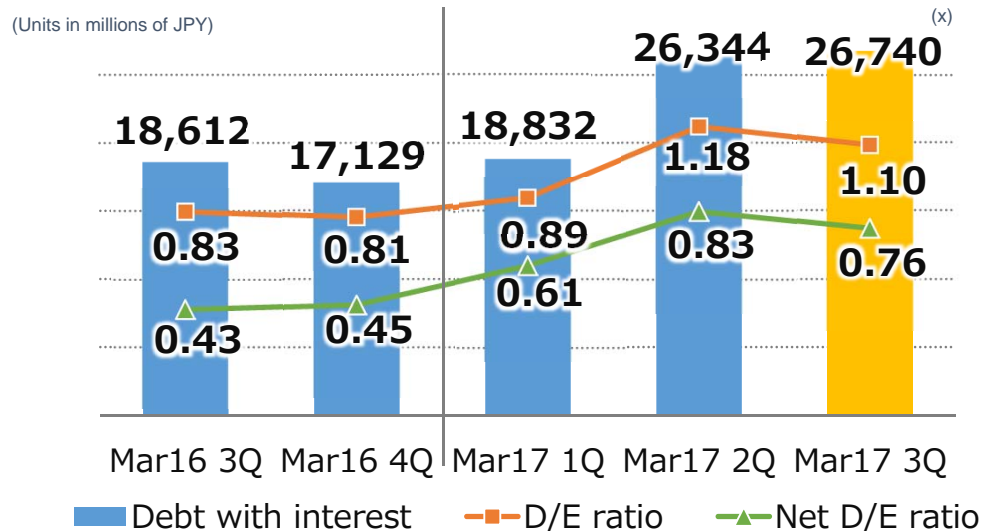
Account Receivables/Turnover period



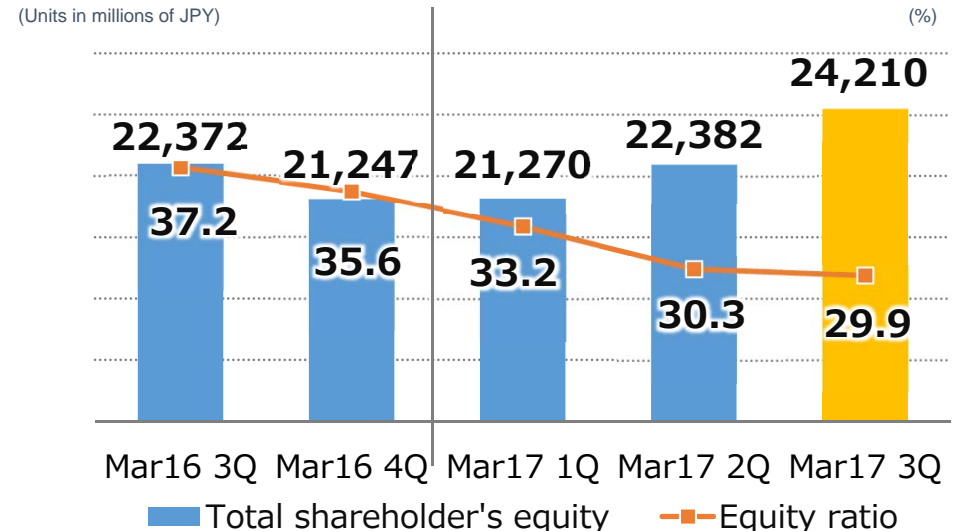
Inventory/Turnover period



Debt with interest/Debt equity ratio/Net debt equity ratio



Total shareholder's equity/Equity ratio



Note) Accounts receivable turnover period and Inventory turnover period list its average number of each quarter.

II. Relocation of Tokyo Office

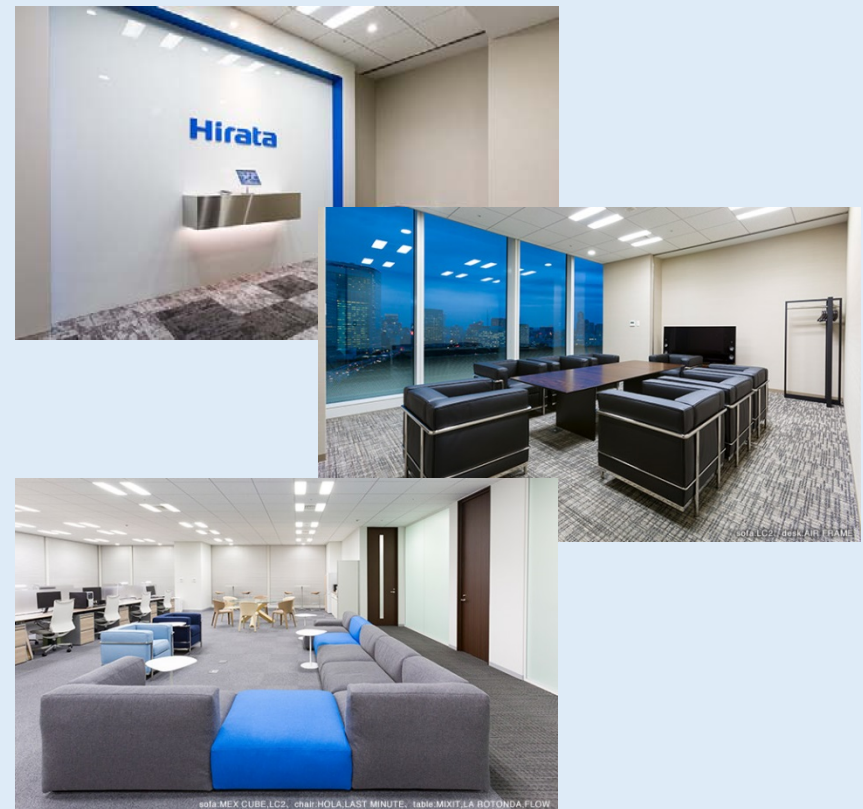
Relocation of Tokyo Office

● Relocation of our Tokyo Office to Minato-ku, Tokyo

In October 2016, we have relocated our Tokyo Office to Kaigain, Minato-ku, from Togoshi, Shinagawa-ku, to improve employees' working environment, secure an earthquake-resistant office and better office accessibility. With its proximity to major train stations and airport, our new office will fit the convenience and mobility requirements for the sales office. The former building in Togoshi, Shinagawa-ku, which has been our headquarter office since 1981, has been sold off.



Shiodome Building in Minato-ku, Tokyo



Forecasts and other forward-looking statements presented here represent judgment we made based on information available at the time this presentation was prepared, and involve risks or uncertainties, such as economic conditions, competition with rival companies, and exchange rate. Readers should understand, therefore, that actual results may be significantly different from forecasts referred to or stated here due to changes in business environments and other factors.