

Hirata

The Global Production Engineering Company

Quarterly Financial Results for the Six-month Period Ended September 30, 2017

Hirata Corporation



I. Financial Results and Outlook

The six-month period ended September 30, 2017 (April 1, 2017 - September 30, 2017)

Hirata



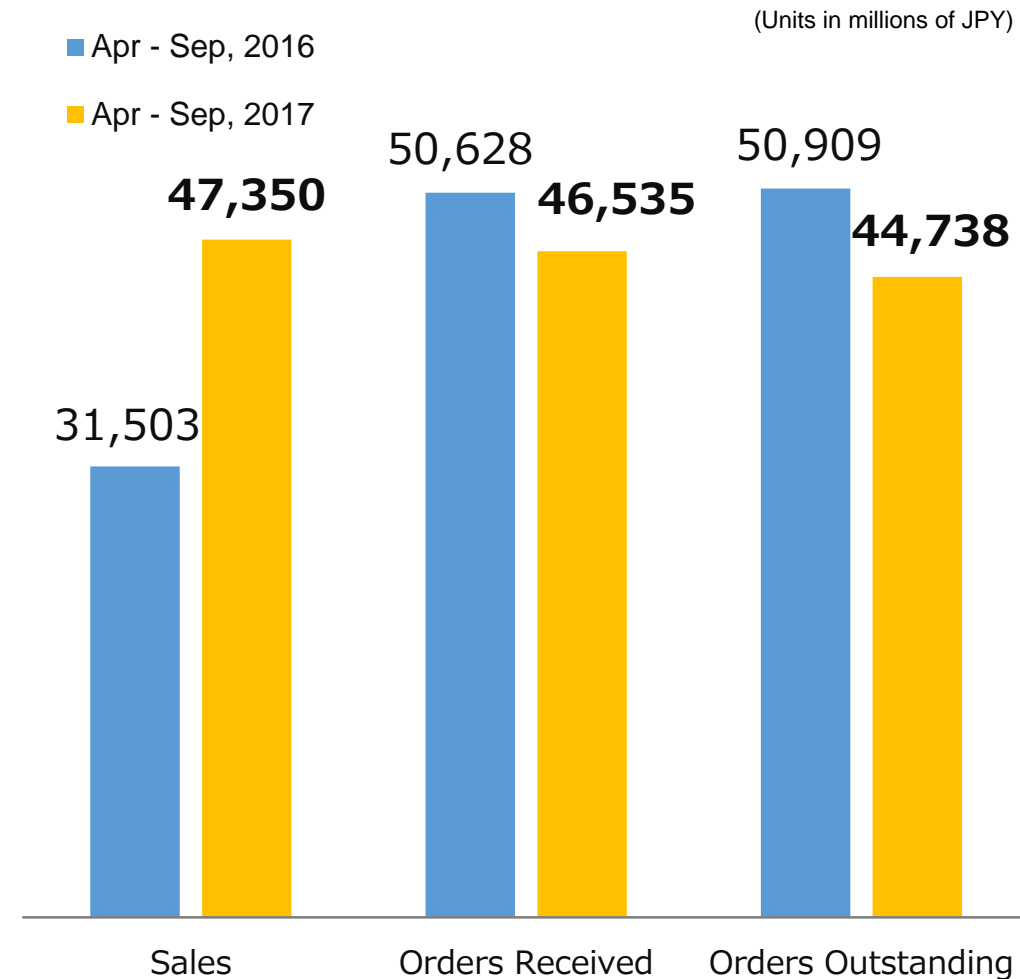
I. Summary of Financial Results

Overview

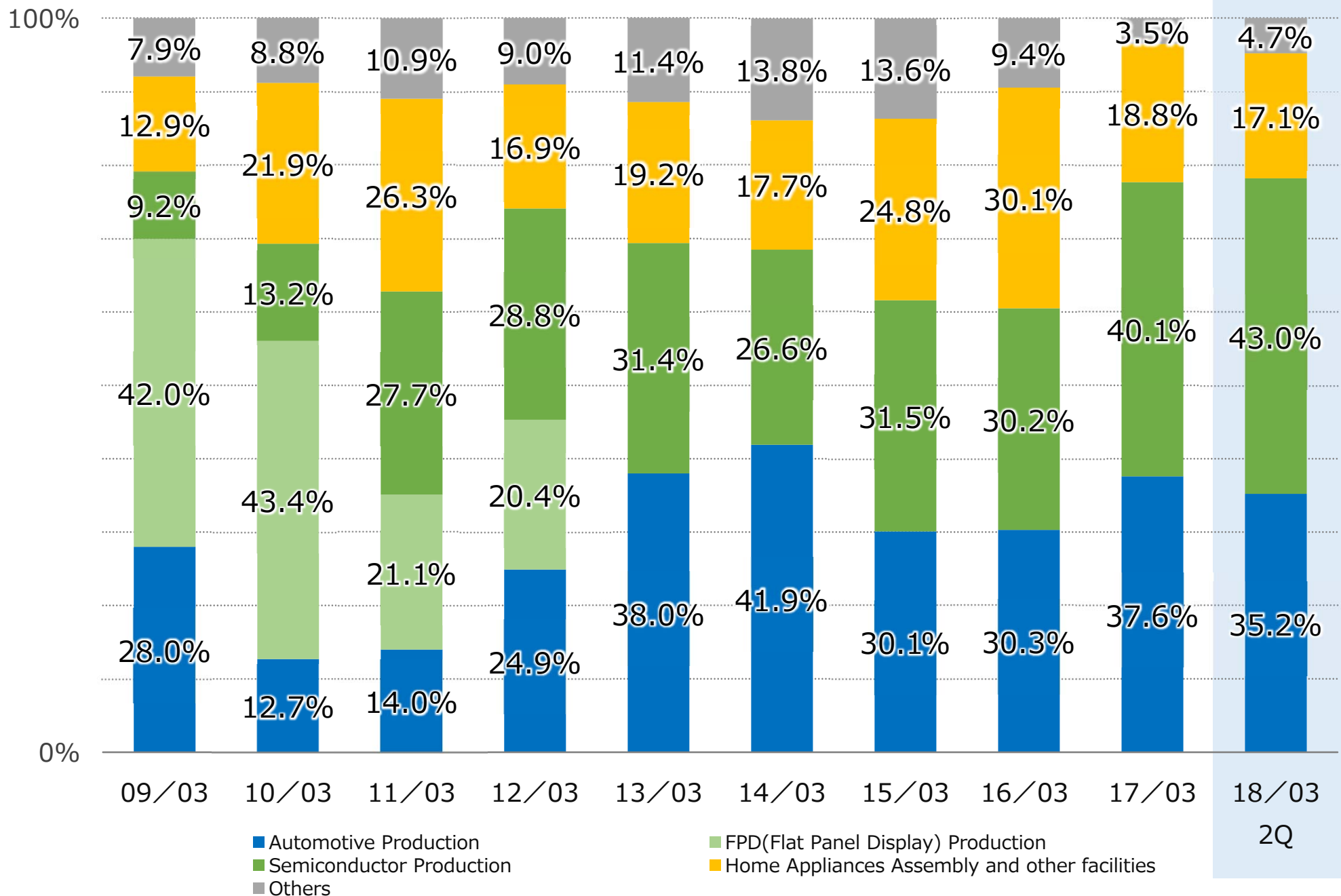
Sales in the semiconductor production equipment segment increased, mainly of orders in vacuum deposition equipment used for organic EL production. Additionally, powertrain-related equipment in the North America, and orders from an electric vehicle(EV) manufacturer contributed to strong sales in the automotive production equipment segment.

(Units in millions of JPY)

	Apr-Sep 2016	Apr-Sep 2017	YoY Change
Sales	31,503	47,350	+50.30%
Operating Income	3,287	5,807	+76.66%
Ordinary Income	2,964	5,616	+89.46%
Profit attributable to owners of the parent company	1,903	3,966	+108.35%

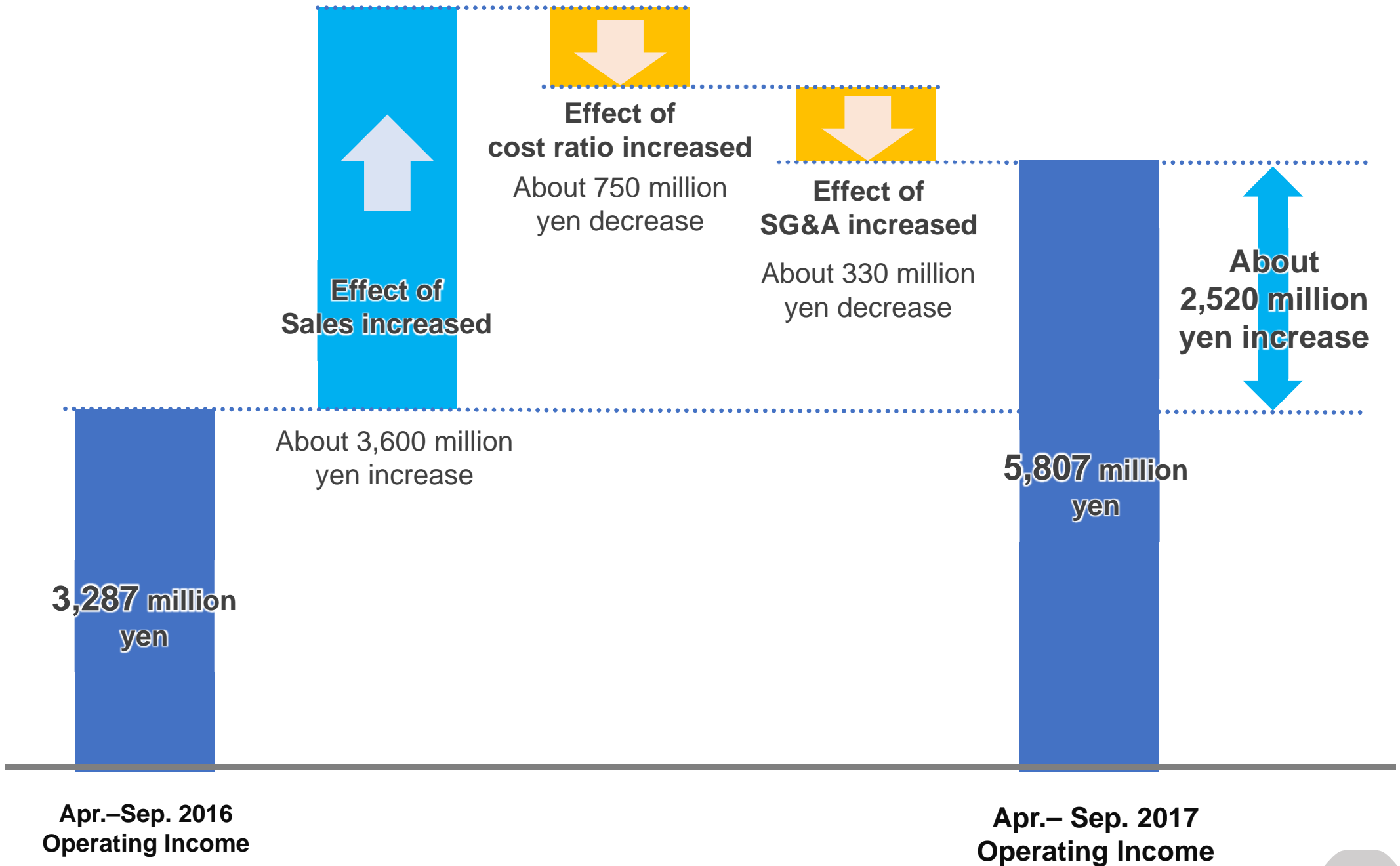


I. Breakdown of Sales by Business Unit



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

I. Factor Analysis on Changing Operating Income



I. Balance Sheet

Balance Sheet

(Units in millions of JPY)

Assets	'17/03 (March 31 st , 2017)	'18/03 2Q (Sep 30 th , 2017)	+/- Change
Current Assets	67,466	79,792	+12,325
Fixed Assets	20,780	21,800	+1,020
Tangible Fixed Assets	16,248	16,375	+126
Intangible Fixed Assets	623	802	+178
Investments and other assets	3,907	4,623	+715
Total Assets	88,246	101,592	+13,346

Liabilities	'17/03 (March 31 st , 2017)	'18/03 2Q (Sep 30 th , 2017)	+/- Change
Current Liabilities	48,217	46,069	△2,147
Fixed Liabilities	12,457	11,683	△774
Total Liabilities	60,674	57,752	△2,921

Net Assets			
Total Net Assets	27,571	43,840	+16,268
Capital Ratio	30.9%	42.8%	+11.9Point

Main impact factors

Assets

Cash/deposit with banks	+9,026
Sales credit	+2,164
Work in progress	+2,054

Liabilities/Net Assets

Additional paid-in capital	+11,872
Debt with interest	△1,663
Trade payables	+112

I. Assumed exchange rate, etc.

Assumed exchange rate

(Units in JPY)

Assumed exchange rate	From April 1 to September 30, 2017 (Actual rate)	From October 1, 2017 (Applied assumption rate)
Exchange rate (against USD)	111.72	100.00

Transition of our stock prices

(Units in JPY)

Transition of our stock prices	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018		
			July	August	September
Highs	3,100	9,560	12,700	12,500	11,570
Lows	782	2,275	10,490	10,970	10,100
End of period	2,752	9,010	12,490	11,300	11,380

PER/PBR/ROE

PER/PBR/ROE	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2017 to September 30, 2017
PER (x)	16.08	14.43	— ※
PBR (x)	1.22	3.12	2.80
ROE (%)	8.00	24.30	— ※

※Please be noted that there is no information on PER & ROE due to incomparable numbers on the basis of quarterly profit.

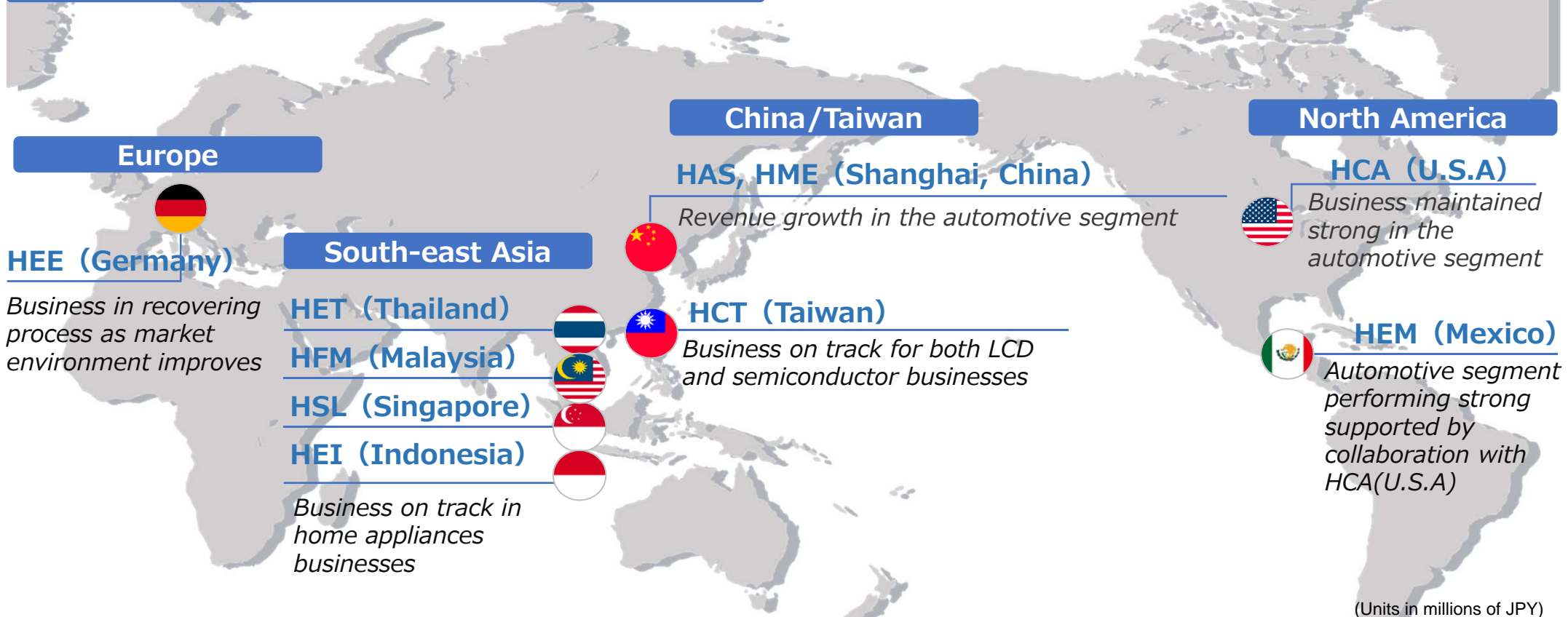
I. Sales, Orders Received and Outstanding by Business Unit

(Units in millions of JPY)

	Business Unit	Apr-Sep 2016	Apr-Sep 2017	YoY Change
Sales	Automotive	10,791	16,676	+ 54.5%
	Semiconductor	13,825	20,357	+ 47.2%
	Home appliances & others	5,550	8,075	+ 45.5%
	Others	1,336	2,240	+ 67.7%
	TOTAL	31,503	47,350	+ 50.3%
Orders Received	Automotive	22,098	10,911	△50.6%
	Semiconductor	19,283	23,315	+ 20.9%
	Home appliances & others	6,077	11,028	+ 81.5%
	Others	3,169	1,279	△59.6%
	TOTAL	50,628	46,535	△8.1%
Orders Outstanding	Automotive	26,473	19,620	△25.9%
	Semiconductor	14,270	15,870	+ 11.2%
	Home appliances & others	7,414	7,830	+ 5.6%
	Others	2,750	1,416	△48.5%
	TOTAL	50,909	44,738	△12.1%

I. Global Business Overview

Sales by region



	Japan		Asia		North America		Europe		TOTAL	
	17/3 2Q	18/3 2Q	17/3 2Q	18/3 2Q	17/3 2Q	18/3 2Q	17/3 2Q	18/3 2Q	17/3 2Q	18/3 2Q
Sales	27,349	40,615	1,964	4,045	2,004	2,383	185	305	31,503	47,350
Operating Income	3,291	5,448	△29	394	90	137	△12	△9	3,340	5,970

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

I. Topics – Business update on Organic EL/EV

Business update on Organic EL/EV businesses

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

(Units in millions of JPY)

	Apr–Sep 2016		Apr–Sep 2017	
	Amount of orders received	Sales	Amount of orders received	Sales
Organic EL-related business	11,180	7,114	13,528	12,781
Electric vehicle related business	7,000	95	1,663	4,429

● Organic EL-related business

The sales of organic EL related business accounted for about 63% of semiconductor sales. The amount of orders received increased about 21%, with sales increase of about 80% over the previous year.

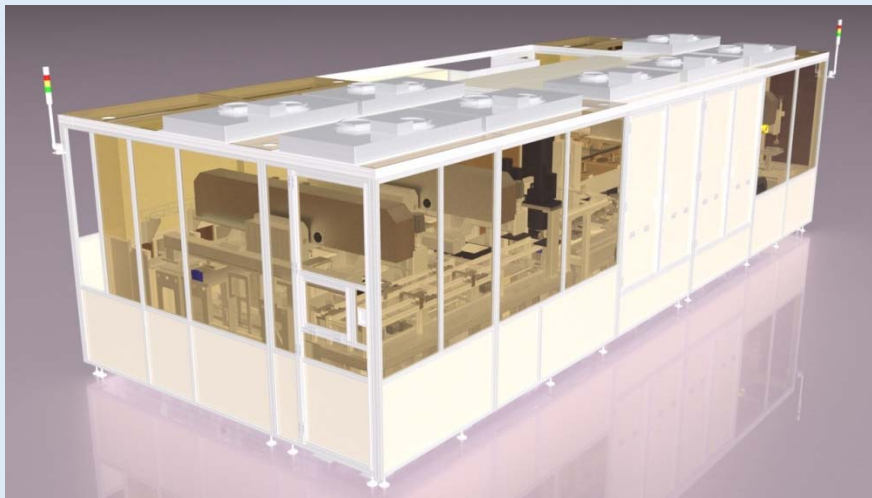
● Electric vehicle related business

The sales of EV related business accounted for about 27% of our total automobile sales. EV related business has grown to come second by sales volume, after the powertrain business, and contributed to our performance.

New laser cutting system meeting needs of bezel-less smartphones

Hirata announced that we developed new laser panel cutting system used for smartphones and tablet PCs' production in September, 2017 and started to sell them in October, 2017.

In recent years, the number of smartphones without bezel increased drastically. Each of smartphones manufacturers need to process and cut off panels based on smartphones' external design. You used to sharpen rectangular panel by machining process in a conventional way. With this new system, you can sharpen "C" and/or "R" of the panel's corner and also make a tiny process and cut on camera portion by utilizing ultrashort pulsed-laser. Additionally, you can process and cut off at high speed with little heat influence.

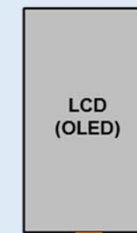


Dimensions : 7m(W)×3m(D)2m(H)

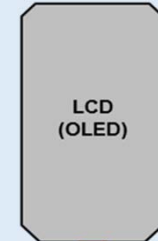
※Smartphones without bezel

It is to minimize outer frame as much as possible. This makes smartphone screen bigger and easy to operate.

Conventional smartphones



Smartphones without bezel



Started production & sales of SCARA-type robot at China's subsidiary

Hirata Automated Machinery (Shanghai) Co.,Ltd., which is one of our subsidiaries in China, (hereinafter called "HAS") has started to produce and sell SCARA-type robots called "AR-F" started from July, 2017. SCARA-type robots were produced in Japan and exported to Chinese market until then. We are sure that all of the procedure such as procurement, quality testing, production and sales in HAS are good enough. Cost down and shortening of lead time, which were HAS's challenges, have been accomplished by then.

We are willing to enhance our competitiveness taking advantage of Hirata's network in order to meet a strong demand in Chinese market. We would also like to enter Chinese robot market more aggressively by expanding robot variation to be made and sold at HAS.



Our subsidiary "HAS" in China



SCARA-type robot called 「AR-F」

II Market Trend and Forecast for FYE March 2018

The six-month period ended September 30, 2017 (April 1, 2017 - September 30, 2017)

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II. Forecasts for FYE March 2018: Earnings Forecast

(Units in millions of JPY)

	FY2017/3 (Actual)		FY2018/3 (Forecast)	
Sales	80,542		90,000	
Automotive	30,267		34,000	
Semiconductor	32,289		34,000	
Home Appliances & others	15,165		18,000	
Others	2,819		4,000	
Operating Income (margin)	8,247	(10.2%)	9,000	(10.0%)
Ordinary Income (margin)	8,039	(10.0%)	8,800	(9.8%)
Profit attributable to owners of the parent company (margin)	5,891	(7.3%)	6,000	(6.7%)

Measures for achieving our business targets

For our automotive business, orders and demand for powertrain related production equipment such as for transmissions remain high, with focus on achieving upsides from orders for fuel-efficient engine related equipment e.g. hybrid engine and equipment related to electric vehicles. As for our semiconductor business, we have strong orders for deposition equipment used for OLED as well as wafer transfer equipment.

Since our production output remains at a high level, we are to secure sales by addressing load adjustment.

II. Forecasts for FYE March 2018: Amendment of dividend Forecast

Dividends and dividend ratio per share

	FYE Mar 2014	FYE Mar 2015	FYE Mar 2016	FYE Mar 2017	FYE Mar 2018 (Estimate)
Dividends per share (JPY)	12.50	15.00	30.00	100.00	125.00 Including memorial dividend of 25.00
Dividend ratio (%)	15.5	16.4	17.5	16.0	21.1

Note1 : Earnings forecasts for FYE March 2018 was revised on Nov 13.

Note2 : Dividend ratio is not on a consolidated basis.

Reasons for amending of 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. On June 15, 2017, we were listed on the first section of the Tokyo Stock Exchange. We truly appreciate that we are here because of shareholders' support. Thus, we are to distribute JPY125.00 including memorial dividend of JYP25.00 for the fiscal year ending March 31, 2018.

This will be discussed in Hirata's annual general meetings to be scheduled at the end of June, 2018.

II. Forecasts for FYE March 2018: Business Environment

Automotive-related business

Car manufacturers' CAPEX to surrounding countries went slowdown temporarily with the change of government in the U.S.. This has little impact on business in car industry and the market is expected to go strong. That of China, Japan, Europe, and Southeast Asia is anticipated coming along with car sales growth. Additionally, the demand in domestic market has recovered and is expected to continue strong.

Semiconductor-related business

The semiconductor market continued to expand since semiconductor products have been used in various field such as automotive, home appliances, and so on. Organic EL panel business is in a good shape since it has been adopting into PCs, smartphones, tablet, and so on. TV growing in size and spread of 4K seems to made the market bigger. We are having a good sales especially for vacuum deposition equipment used for organic EL production and semiconductor related equipment.

Home appliances and other facilities business

It is expected that sales of high spec home appliances would become widespread in southeast Asia countries. We expect orders for high spec home appliances production equipment especially for vacuum cleaner from a principal customer.

III. Reference Data

The six-month period ended September 30, 2017 (April 1, 2017 - September 30, 2017)

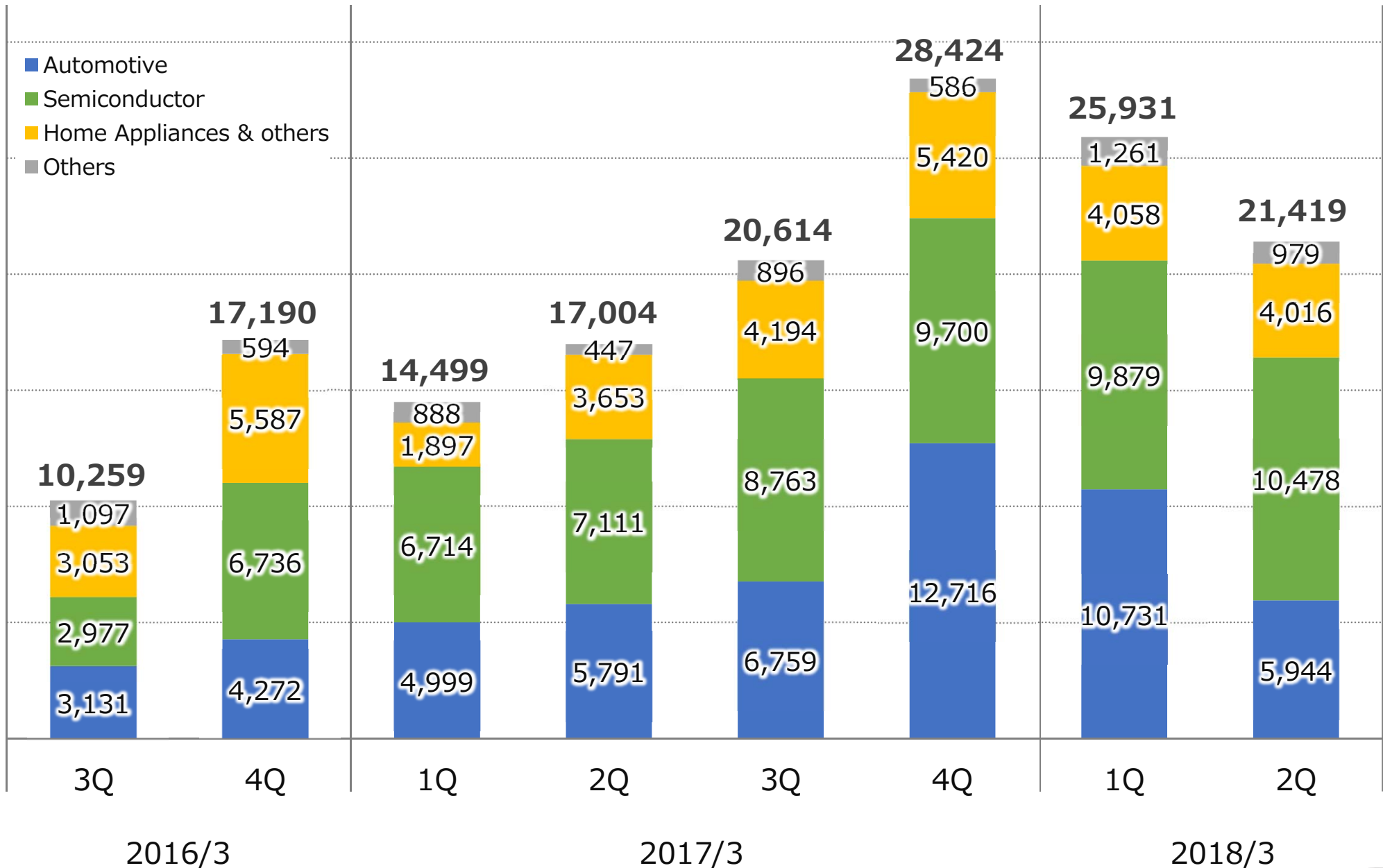
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III. Quarterly Trends of Sales by Business Unit

Quarterly Trends of sales by Business Unit

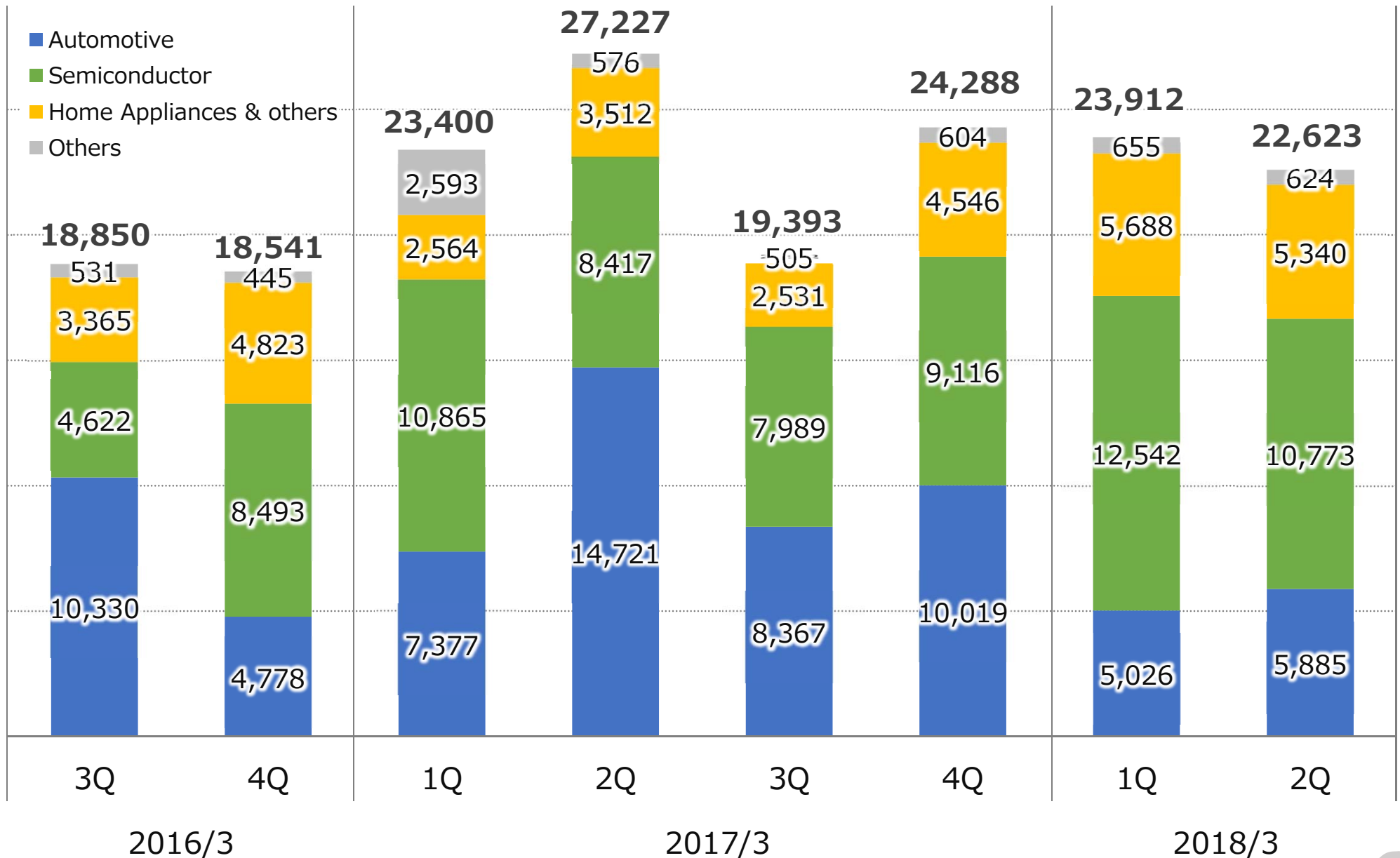
(Units in millions of JPY)



III. Quarterly Trends of Received Orders by Business Unit

Quarterly Trends of received Orders by Business Unit

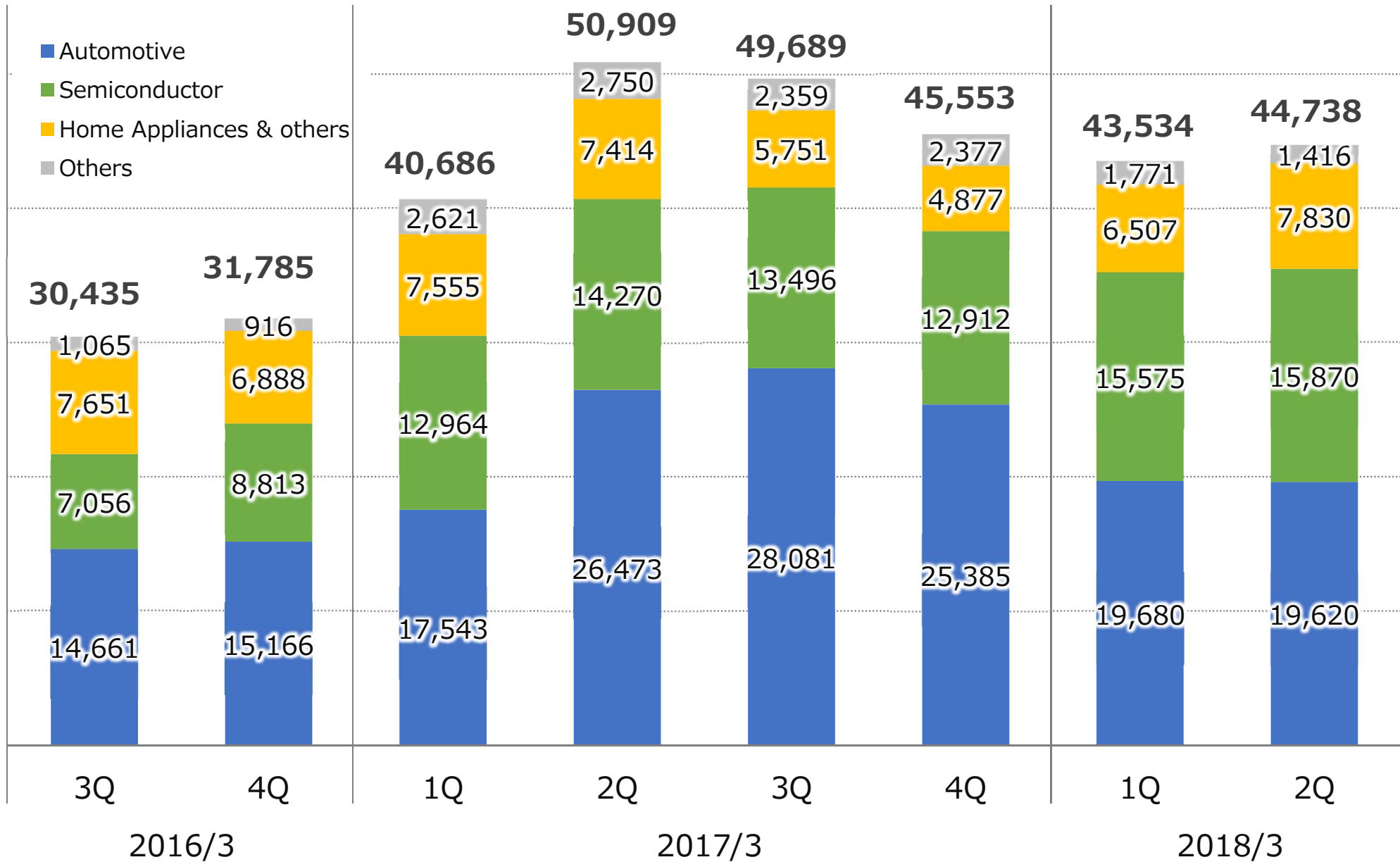
(Units in millions of JPY)



III. Quarterly Trends of Orders Outstanding by Business Unit

Quarterly Trends of outstanding Orders by Business Unit

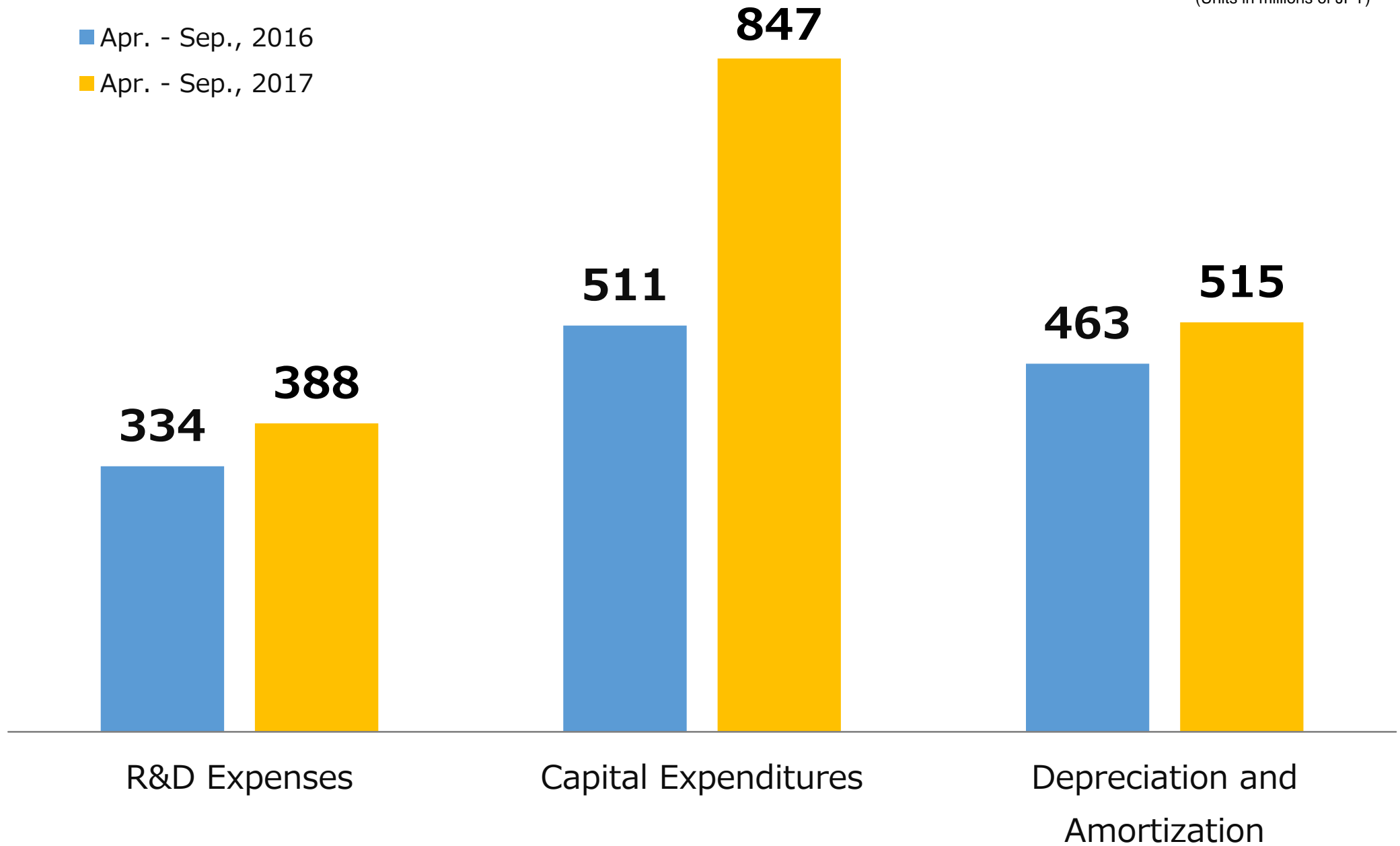
(Units in millions of JPY)



III. R&D, CAPEX, Depreciation and Amortization

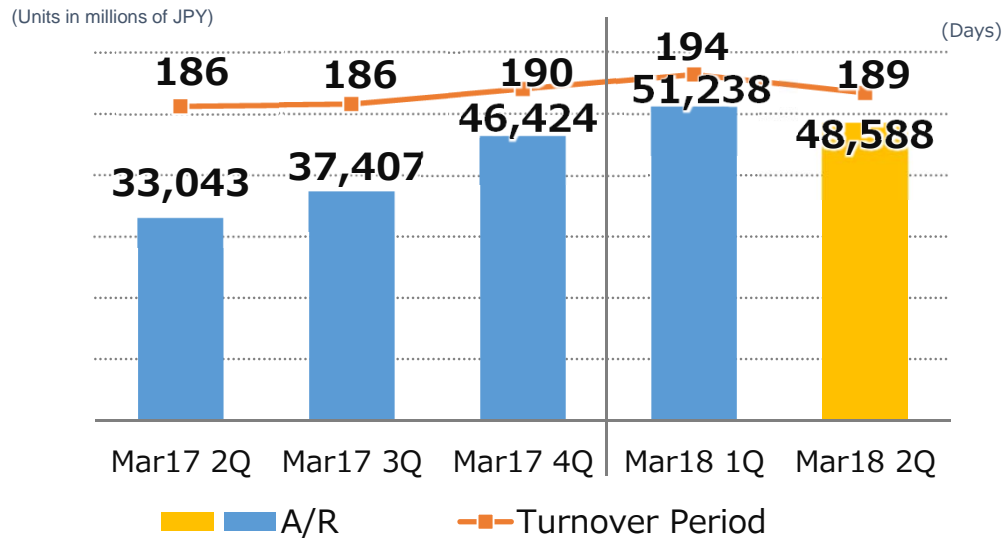
(Units in millions of JPY)

- Apr. - Sep., 2016
- Apr. - Sep., 2017

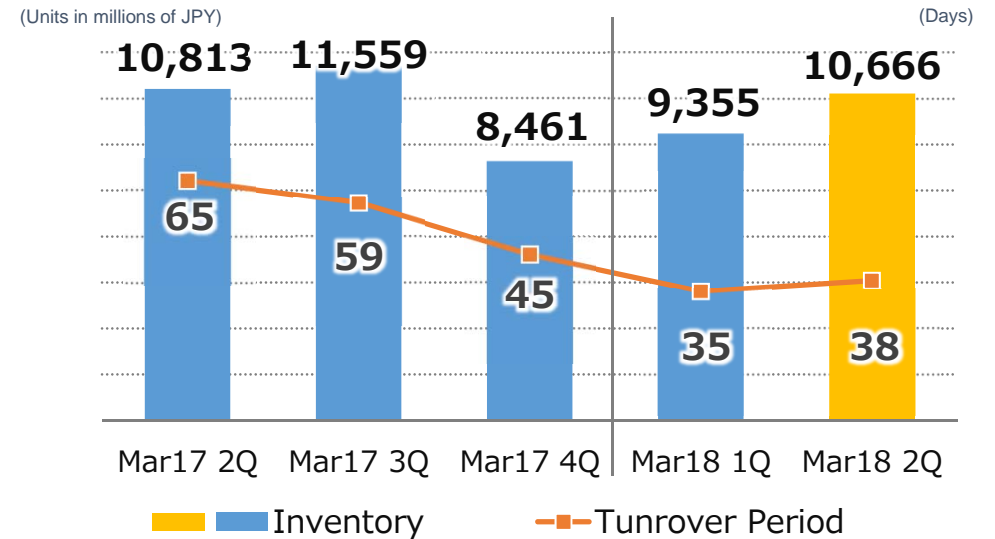


III. Key Financial KPIs/Indicators

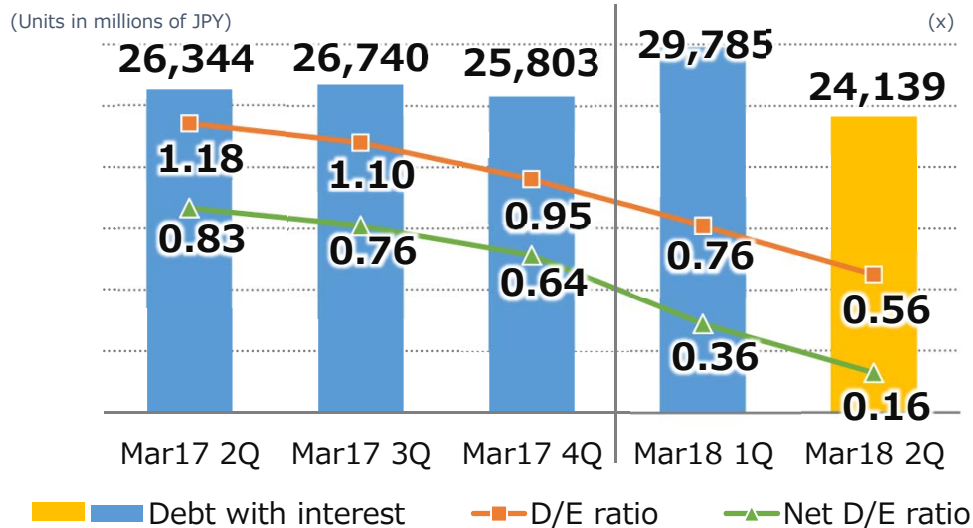
Account Receivables/Turnover period



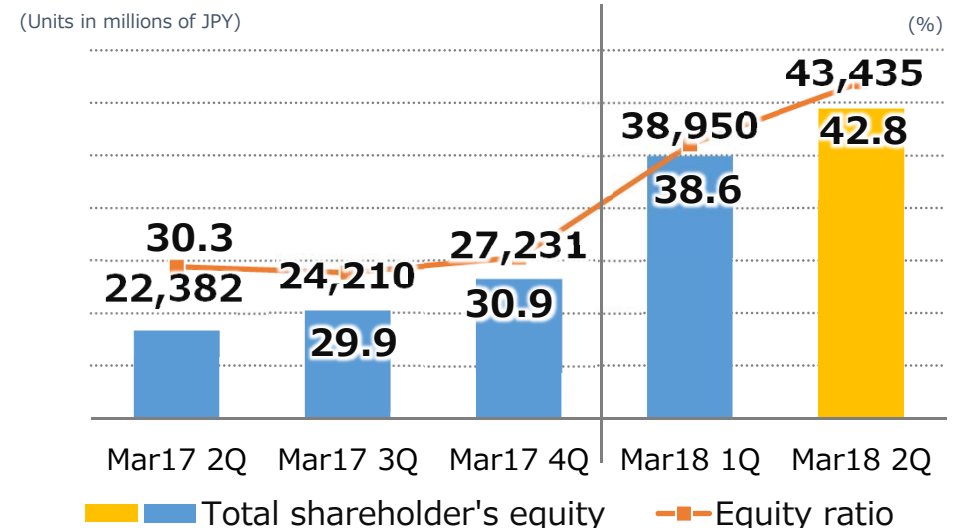
Inventory/Turnover period



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.

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.