

Hirata

The Global Production Engineering Company

Year-End Financial Results for Fiscal Year Ended March 31, 2018

Hirata Corporation



I. Financial Results and Outlook

The Fiscal Year ended on March 31, 2018 (April 1, 2017 through March 31, 2018)

Hirata



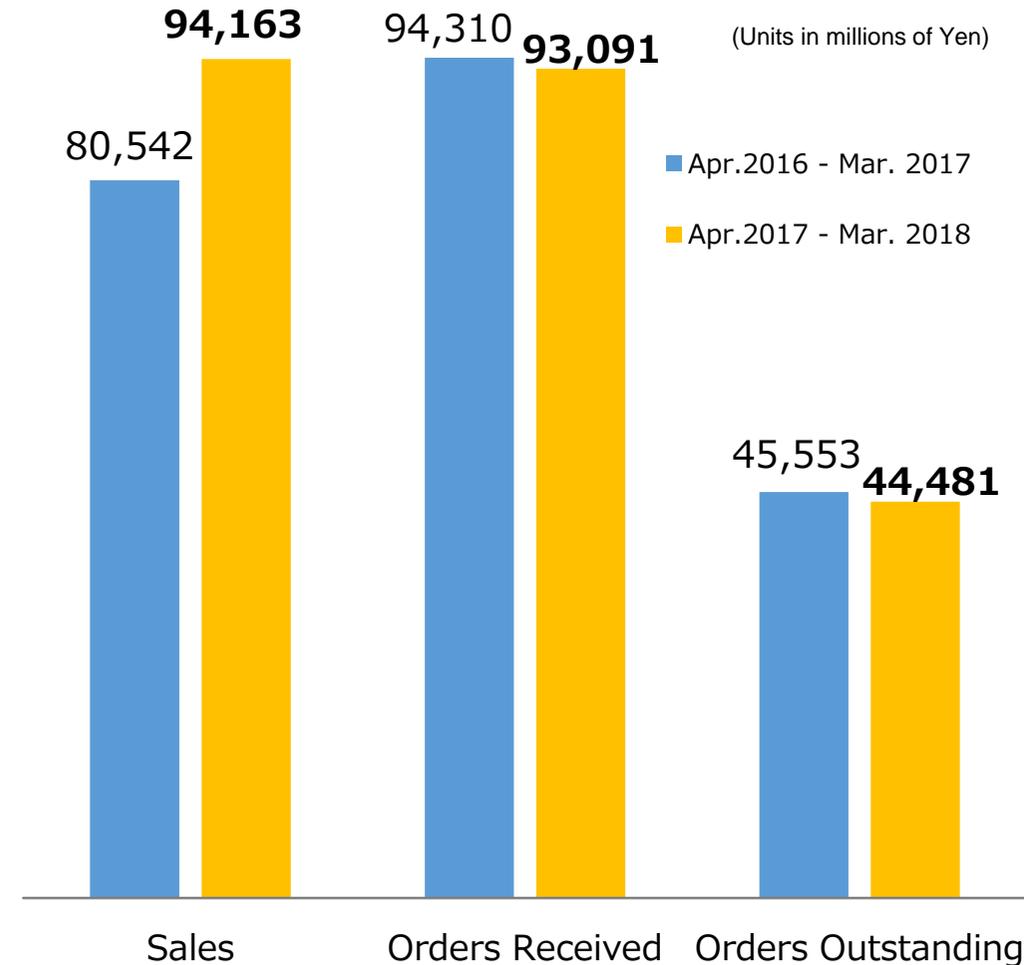
I. Summary of Financial Results

Overview

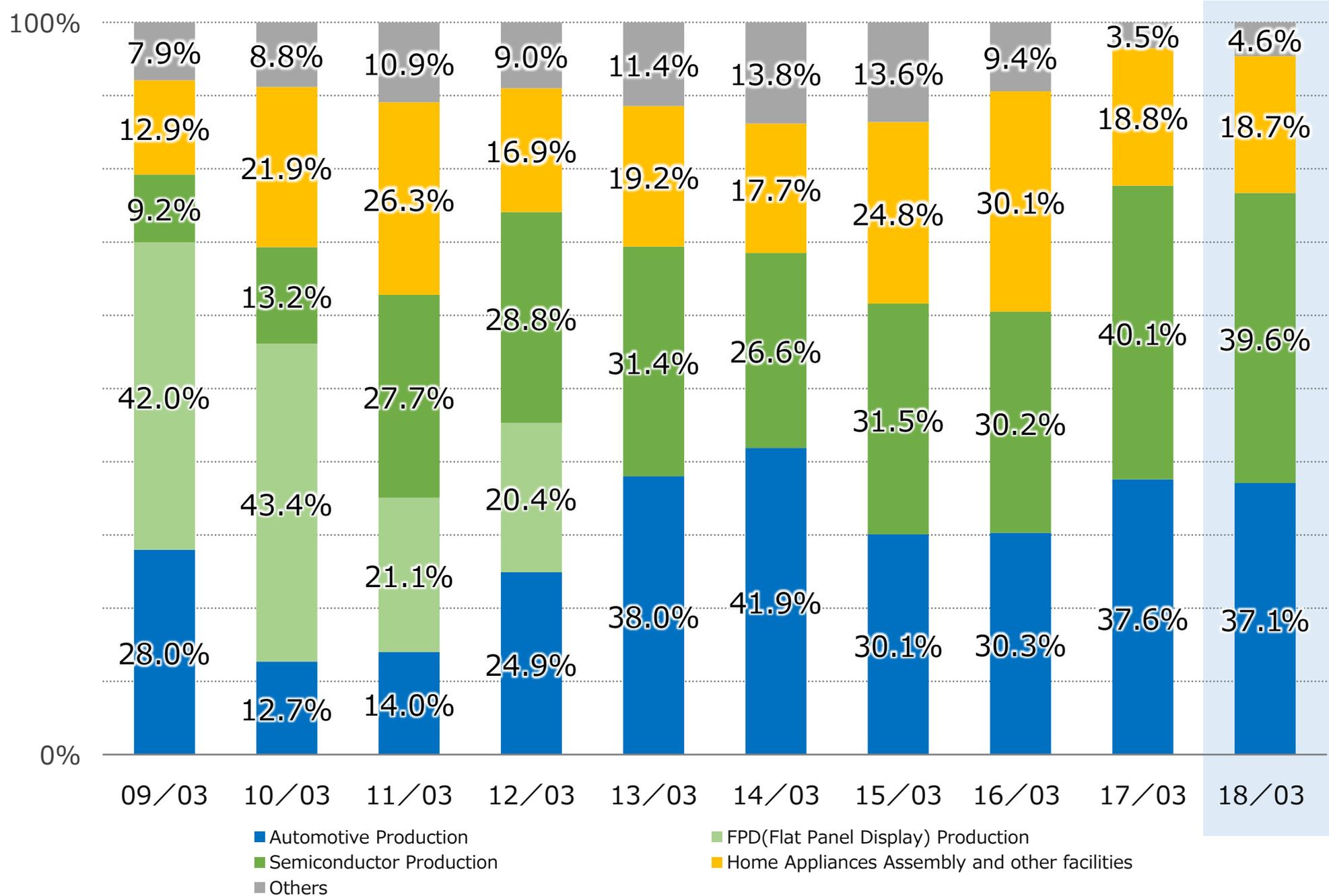
Hirata recorded increases in both revenues and profits. This result was driven mainly by strong sales of deposition equipment used for OLED in semiconductor sector, power train business in North America and electric vehicle related business, and housing and home appliances business.

(Units in millions of Yen)

	Apr. 2016 – Mar. 2017 (Actual)	Apr. 2017 – Mar. 2018 (Actual)	YoY Change
Sales	80,542	94,163	+16.9%
Operating Income	8,247	9,371	+13.6%
Ordinary Income	8,039	9,247	+15.0%
Profit attributable to owners of the parent company	5,891	6,666	+13.2%



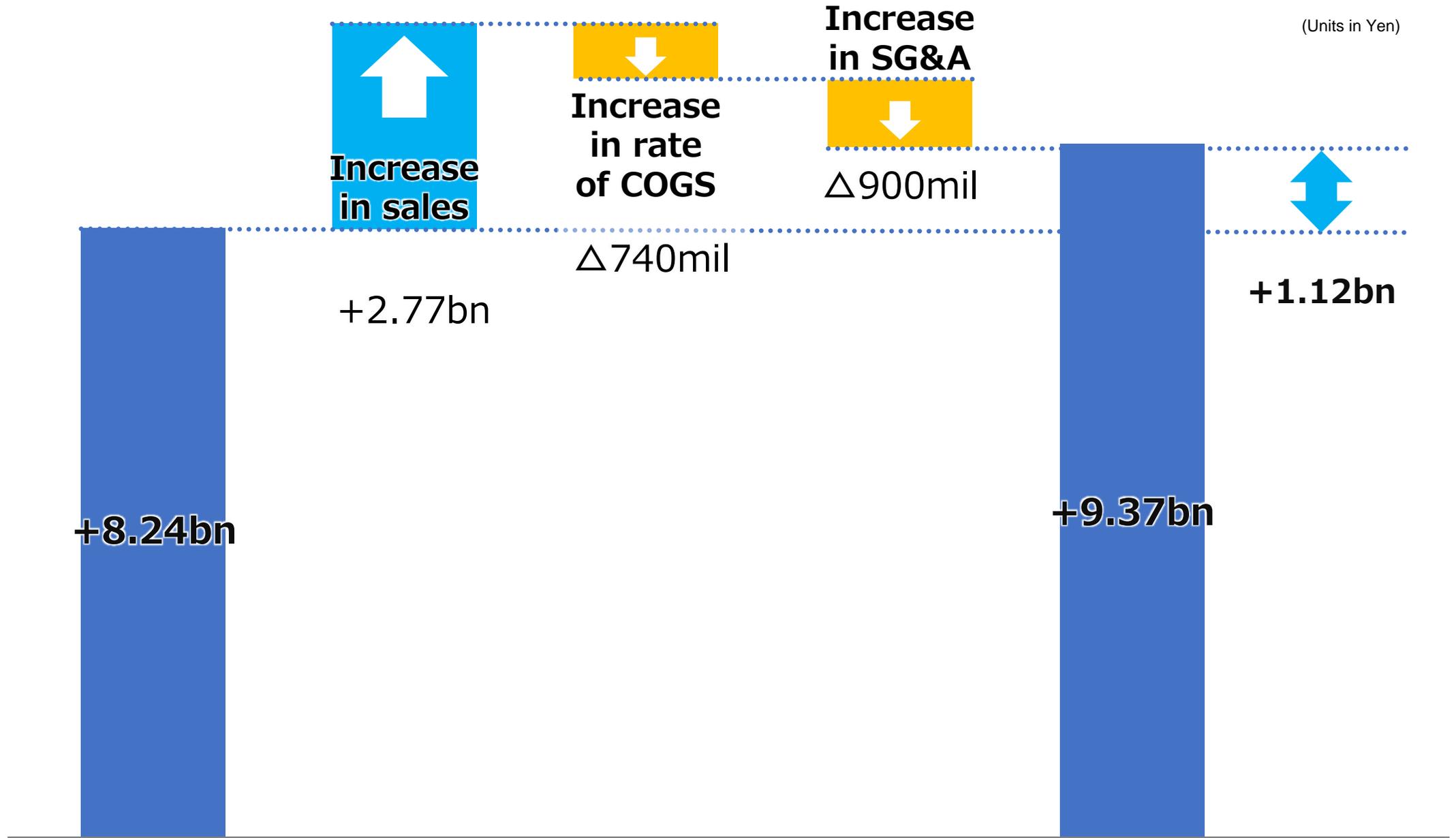
I. Breakdown of Sales by Business Unit



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

I. Factor Analysis on Changing Operating Income

(Units in Yen)



Apr. 2016 – Mar. 2017
Operating Income

Apr. 2017 – Mar. 2018
Operating Income

I. Balance Sheet

Balance Sheet

(Units in millions of Yen)

Asset	Apr. 2016 – Mar. 2017	Apr. 2017 – Mar. 2018	YoY Change
Current Assets	67,466	73,026	+5,560
Fixed Assets	20,780	22,876	+2,096
Tangible Fixed Assets	16,248	17,376	+1,128
Intangible Fixed Assets	623	814	+190
Investments and other assets	3,907	4,685	+777
Total Assets	88,246	95,903	+7,656

Liabilities	Apr. 2016 – Mar. 2017	Apr. 2017 – Mar. 2018	YoY Change
Current Liabilities	48,217	37,485	△10,731
Fixed Liabilities	12,457	11,834	△622
Total Liabilities	60,674	49,320	△11,354

Net Assets			
Total Net Assets	27,571	46,582	+19,010
Capital Ratio	30.9%	48.1%	+17.2Point

Main impact factors

Assets

Trade accounts receivable	+3,190
Cash/deposit with banks	+2,612
Inventories	+714

Liabilities/Net Assets

Additional paid-in capital	+11,870
Debt with interest	△4,828
Trade Payables	△4,081

Assumed exchange rate

(Units in Yen)

Assumed exchange rate	From Apr 1, 2017 to Mar 31, 2018 (Actual rate)	From Apr 1, 2018 (Applied assumption rate)
Exchange rate (against USD)	110.93	100.00

Transition of our stock prices

(Units in Yen)

Transition of our stock prices	Apr. 1, 2015 to Mar. 31, 2016	Apr. 1, 2016 to Mar. 31, 2017	Apr. 1, 2017 to Mar. 31, 2018		
			Jan.	Feb.	Mar.
Highs	3,100	9,560	12,930	12,230	10,630
Lows	782	2,275	11,650	9,350	8,900
End of period	2,752	9,010	12,020	10,560	9,780

PER/PBR/ROE

PER/PBR/ROE	Apr. 1, 2015 to Mar. 31, 2016	Apr. 1, 2016 to Mar. 31, 2017	Apr. 1, 2017 to Mar. 31, 2018
PER (x)	16.08	14.43	15.26
PBR (x)	1.22	3.12	2.26
ROE (%)	8.00	24.30	18.18

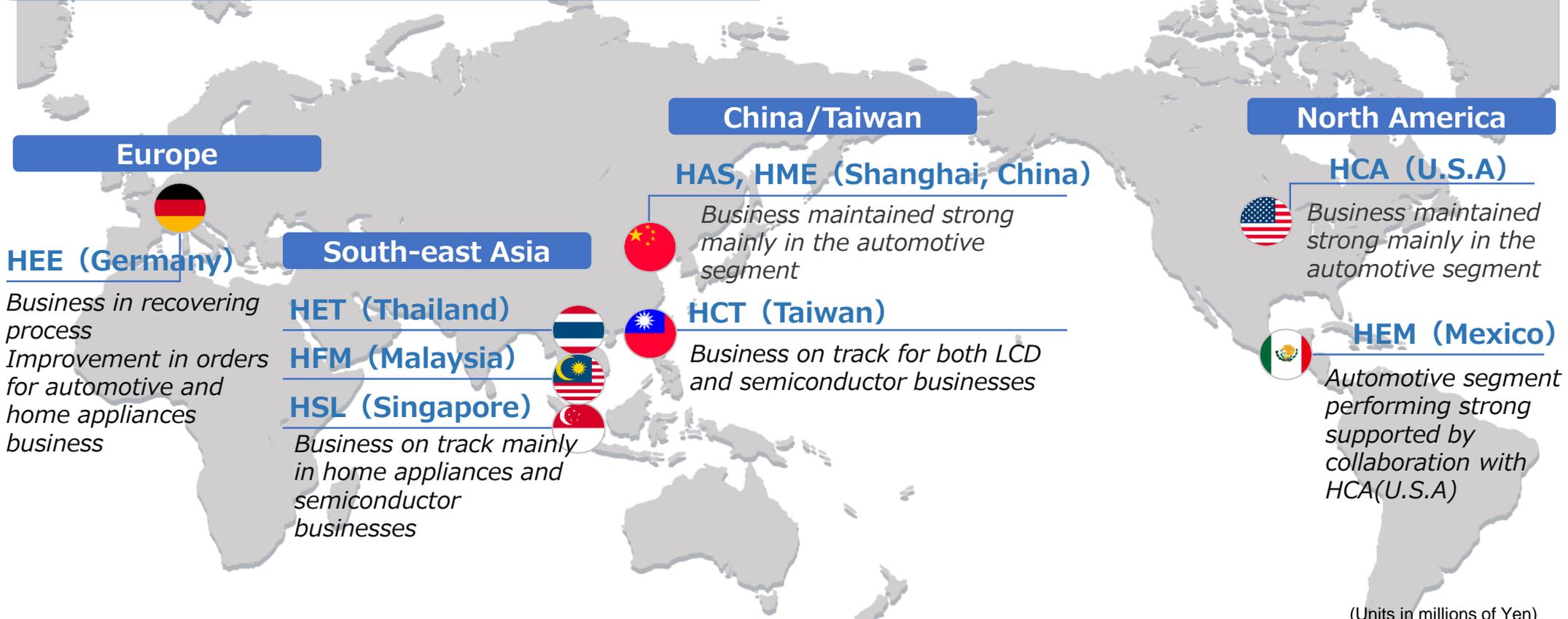
I. Sales, Orders Received and Outstanding by Business Unit

(Units in millions of Yen)

	Business Unit	Apr 2016 – Mar 2017	Apr 2017 – Mar 2018	YoY Change
Sales	Automotive	30,267	34,955	+ 15.5%
	Semiconductor	32,289	37,338	+ 15.6%
	Home appliances & others	15,165	17,569	+ 15.9%
	Others	2,819	4,299	+ 52.5%
	TOTAL	80,542	94,163	+ 16.9%
Orders Received	Automotive	40,485	27,028	△33.2%
	Semiconductor	36,389	40,321	+ 10.8%
	Home appliances & others	13,155	23,473	+ 78.4%
	Others	4,279	2,268	△47.0%
	TOTAL	94,310	93,091	△ 1.3%
Orders Outstanding	Automotive	25,385	17,458	△31.2%
	Semiconductor	12,912	15,896	+ 23.1%
	Home appliances & others	4,877	10,781	+ 121.0%
	Others	2,377	346	△85.4%
	TOTAL	45,553	44,481	△ 2.4%

I. Global Business Overview

Sales by region



	Japan		Asia		North America		Europe		TOTAL	
	17/3	18/3	17/3	18/3	17/3	18/3	17/3	18/3	17/3	18/3
Sales	66,585	73,942	6,166	9,156	6,995	10,189	794	874	80,542	94,163
Operating Income	6,824	8,388	683	637	707	376	52	10	8,267	9,413

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

I. Business update on Organic EL/EV businesses

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 Yen)

	Apr. 2016 – Mar. 2017		Apr. 2017 – Mar. 2018	
	Amount of orders received	Sales	Amount of orders received	Sales
Organic EL-related business	21,815	19,016	20,009	20,722
Electric vehicle related business	11,852	4,625	3,117	8,751

● Organic EL-related business

The sales of organic EL related business accounted for about 55% of semiconductor sector. This figure surpassed the last year’s sales.

The amount of orders received remained as the same high level as the same period last year.

● Electric vehicle related business

EV related business has grown to come second by sales volume, after the powertrain business. Hirata is having lots of inquiries from domestic and overseas companies and tries to receive further orders hardly in this growing market.

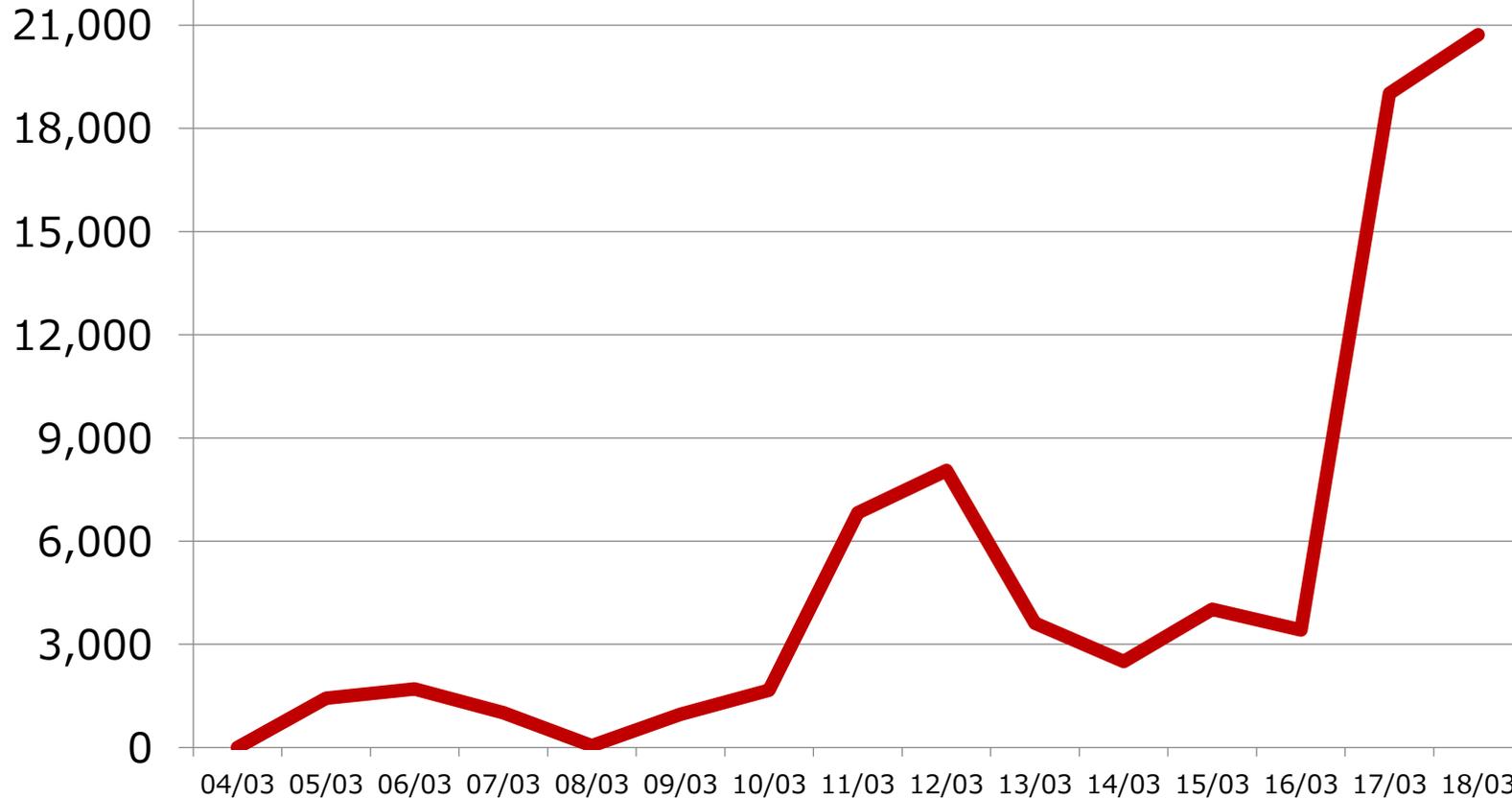
I. Hirata's Track Record in Organic EL-related Equipment

Trends in the sales volume of organic EL-related equipment

- Hirata's sales track record for "organic EL-related production facility" (past 15 years, excluding R&D period)

(Units in millions of Yen)

Sales: 20,722mm yen
Orders received: 20,009mm yen



First ever organic EL-related equipment sales dates back to 2003. Demands in production equipment surged, given the spread of OLED used in smartphones in year 2017. Hirata achieved new record sales of about 20,700mm yen and the orders received of about 20,000mm yen in year 2018. Hirata manufactures the vacuum deposition equipment, which takes a main role in the organic EL production process and provides them to Canon Tokki Corporation.

I. Topics – Client Accolades

Client Accolades

Hirata has continually received orders from Cannon Tokki Corporation for vacuum evaporation equipment. This is the heart of organic EL panel production equipment.

Last year, Hirata received 2017 Cannon Tokki Best Partner Award. This award is a validation of Hirata's technology and production capability for vacuum evaporation equipment.

To gain more credibility, Hirata is honored to supply equipment to Cannon Tokki for continuous orders.



Yuichiro Hirata, CEO of Hirata Corporation and Mr. Shigeyuki Uzawa, COO of Cannon Tokki Corporation



An image of vacuum deposition equipment

Submission to IR EX 2017

Hirata run a booth at International Robot Exhibition 2017 held at Tokyo Big Sight from Nov.29 to Dec 2, 2017. There were 3 main types of displays. One is our in-house robotics such as vertical articulated robots, horizontal articulated robots, and demonstration of 3D picking assembly line using five cartesian robots. Another is an introduction of so-called “smart factory”. This can help to manage production line remotely and provide maintenance service with IoT. FYI, Hirata announced a collaboration with Internet Initiative Japan on this issue on October 19. The last one is to have interested attendees do factory tour virtually using 3D CAD. Hirata appealed its technological ability as a system integrator. We can offer reliable production engineering ranging from mechanical/software design to IoT.



Demonstration of assembly line by using five robots.



This tells you how to work so-called “smart factory”



I. Topics – A new factory in Kumamoto

— A new factory in Kumamoto

Hirata plans to built a new building in Kumamoto. This building is structurally integrated three-story headquarters office(total floor area : 6,000m²) with four-story factory(total floor area : 15,841m²) for replacement of the oldest one. It is scheduled for completion in January 2020.

In April 2016, an earthquake hit our home, Kumamoto. Even there was little damage on its factories, Hirata wanted to safeguard structures for the employees who work there. Hirata also aims to build the one for customers. In addition, Hirata wants to contribute to employment promotion and economic improvement in Kumamoto through its business.



This is how the new factory is like



I. Topics – Local contribution activities in our hometown

Local contribution activities in our hometown

To contribute the reconstruction of Kumamoto, Hirata is proud and honored to be a sponsor as follows:

- Main sponsor for Football J. League team “Roasso Kumamoto”

Started from February 1 2018, Hirata is a uniform sponsor for Football J. League team “Roasso Kumamoto”. Hirata fully understands Roasso Kumamoto’s philosophy “Energy to People, Dream to Children, and Power to Kumamoto ” and supports their activities.

- Sponsor for Kumamoto Castle Marathon 2018

Hirata became a sponsor of Kumamoto Castle Marathon 2018 held on February 18 and supported the event.



Football team “Roasso Kumamoto”
Hirata’s name on chest



あなたの走りが、
熊本を笑顔にする!!

平田機工

熊本県民総合スポーツセンター

This is a poster of
Kumamoto Castle
Marathon 2018.

II Market trend and Forecast for FYE March 2019

The Fiscal Year ended on March 31, 2018 (April 1, 2017 through March 31, 2018)

Hirata



II. Forecasts for FYE March 2019: Earnings Forecast

(Units in millions of Yen)

	FYE March 2018 (Actual)		FYE March 2019 (Forecast)	
Sales	94,163		95,000	
Automotive	34,955		40,000	
Semiconductor	37,338		30,000	
Home Appliances & others	17,569		22,000	
Others	4,299		3,000	
Operating Income (margin)	9,371	(10.0%)	6,500	(6.8%)
Ordinary Income (margin)	9,247	(9.8%)	6,400	(6.7%)
Profit attributable to owners of the parent company (margin)	6,666	(7.1%)	4,400	(4.6%)

Reasons for the full-year sales estimate and measures for achieving our business targets

- For automotive related business, Hirata tries harder to receive further orders in electric vehicle sector in addition to power train business such as transmission.
- Hirata projects continued growth on its semiconductor related business of IoT and silicon wafer transfer equipment for self-driving technology. On the other hand, it is predicted that the market demand of vacuum equipment used for OLED may slow down even though smartphones lead the market.
- Hirata structures its production system more efficiently, strengthens its revenue base, and participates into growing markets aggressively.

II. Forecasts for FYE March 2018: Business Environment

Automotive-related business

The number of automobile global sales tends to increase in the medium to long term. Plus, it is predicted that you see sales expansion in North America, China, India, and Thailand. The number of electric vehicle also tends to increase. A forecast says domestic demand will recover and continue strong. Hirata predicts that its business mainly power train business such as transmission and EV related production equipment will continue strong.

Semiconductor-related business

Semiconductor market continued to expand since products have been used in various fields such as automotive, home appliances, and so on. As to OLED panel, it is predicted that the market demand may slow down even though smartphones lead the market and the markets for television and in-car display are predicted to grow.

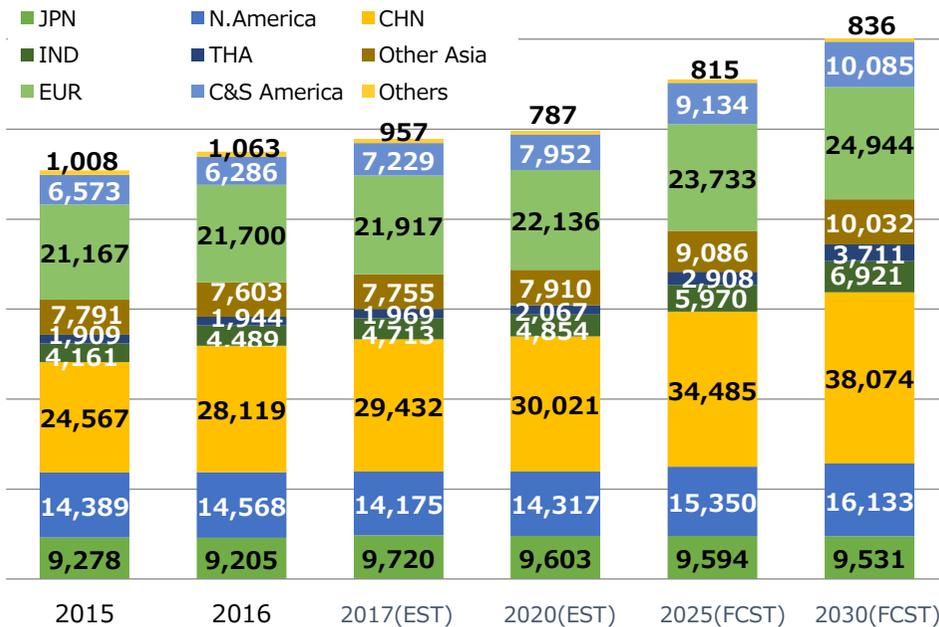
Home appliances and other facilities business

You see slowing growth due to round of demand in Chinese market. On the other hand, China market has the potential for expansion in terms of monetary amounts with high-spec home appliances' demand for a wealthy class. Under the circumstances, Hirata tries to receive orders for high spec home appliances equipment especially for vacuum cleaner from a principal customer continuously. Orders for tire related business are also expected.

II. Market trend & Forecasts for FYE March 2019: Automotive related business

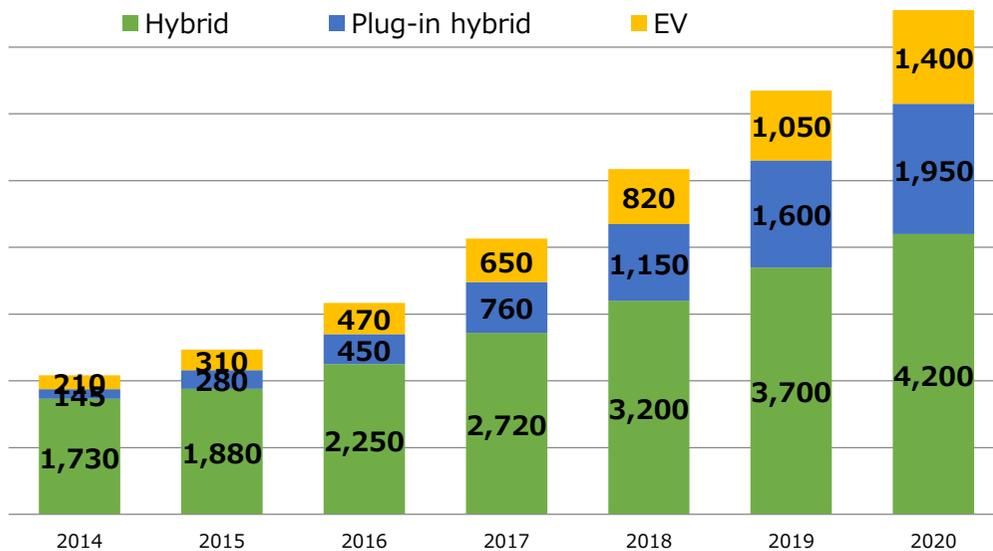
Vehicle production forecast by region

(unit : thousand)



Market size estimate of environment-responsive vehicle e.g. EV

(unit : thousand)



Automotive related business market

After year 2018

- It is expected that global vehicle production will rise continuously.
- It is predicted that EV market will expand furthermore since a forecast says a number of EV owned increases.

Hirata's prospect

- The market remains strong mainly with power train business in North America and parts business in Japan.
- As to EV business, Hirata tries to receive more orders from domestic and overseas companies.
- Hirata also tries to expand its business in Europe as well as North America.

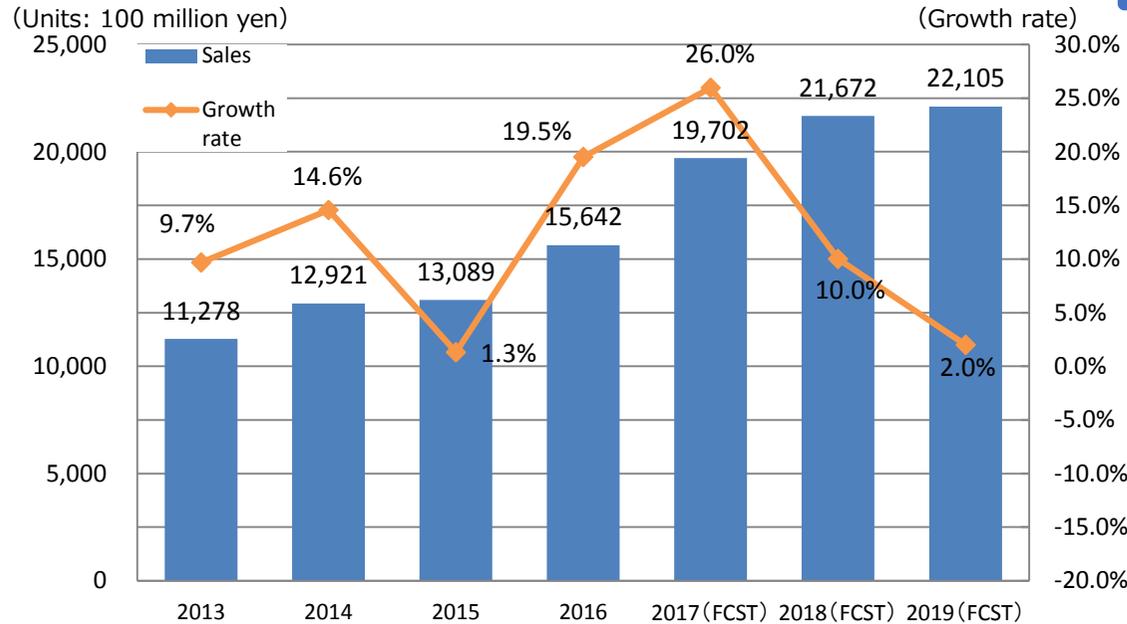
Sources:

Upper graph: Research firm S

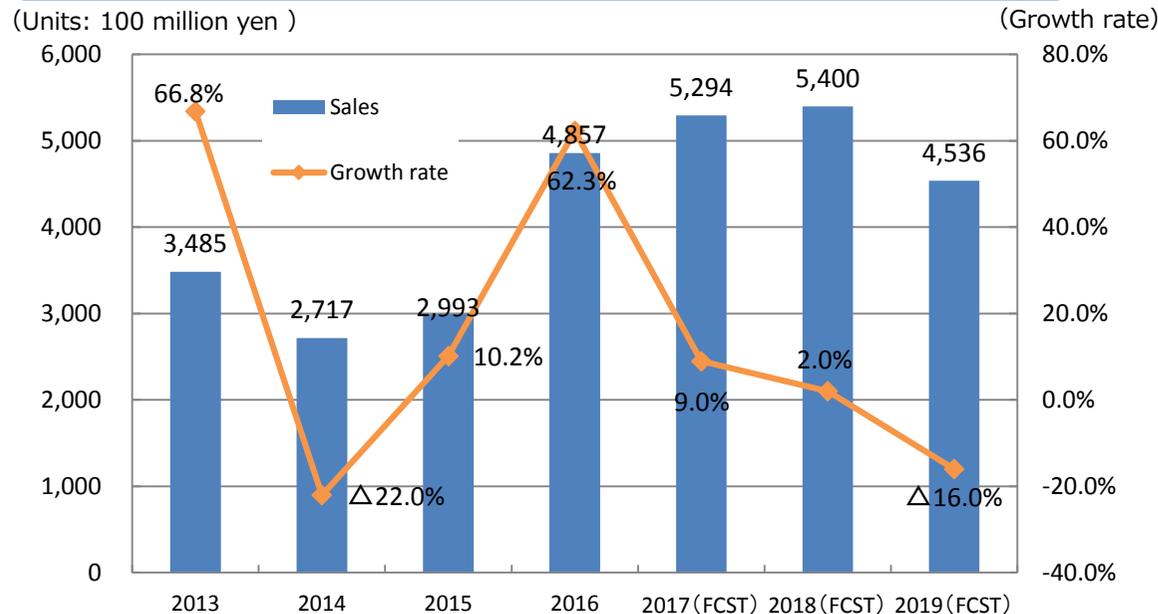
Lower graph: EM Date Service Co.

II. Market trend & Forecasts for FYE March 2019: Semiconductor & FPD related business

Sales & growth rate of semiconductor manufacturing equipment



Sales & growth rate of semiconductor manufacturing equipment



Semiconductor & FPD related business market

■ After year 2018

- Semiconductor production equipment
 - Server and storage are the hottest field besides smartphones.
 - Both DRAM and NAND are short of supply due to increase in memory. Mounting rate of 3D-NAND is increasing.
 - Equipment demand is subject to increase along with the growing popularity of vehicle's self-drive, AI to industrial equipment, IoT business such as big data and high-speed processing.

➤ FPD production equipment

- This sector is stable and growing with the expansion of screen size and panel with high brightness.
- Production trends tends to be high added value such as in-vehicle display.

● Hirata's prospect

- It predicts that incoming orders for semiconductor production equipment increase.
- As to FPD sector, coater for large-sized panel business is expected to grow.

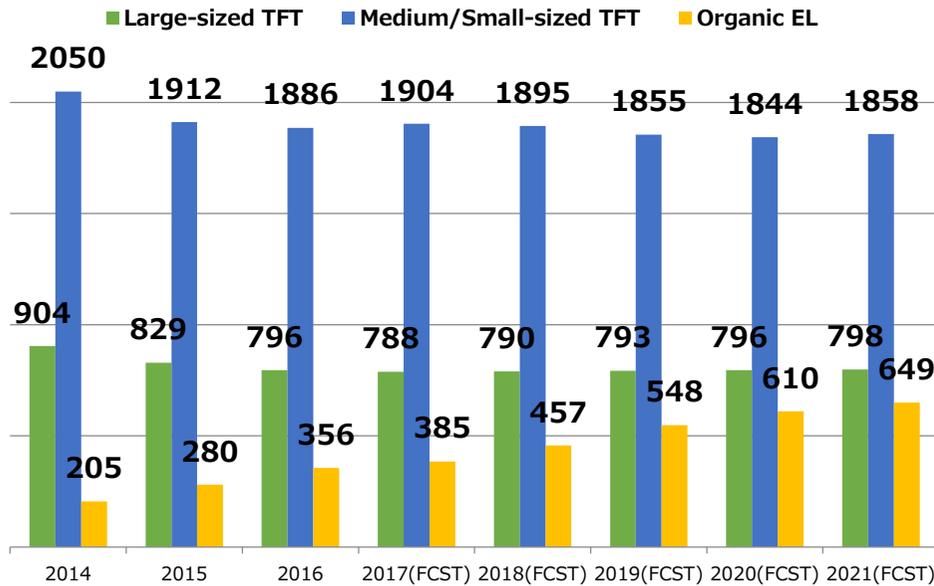
Sources:

Semiconductor Equipment Association of Japan

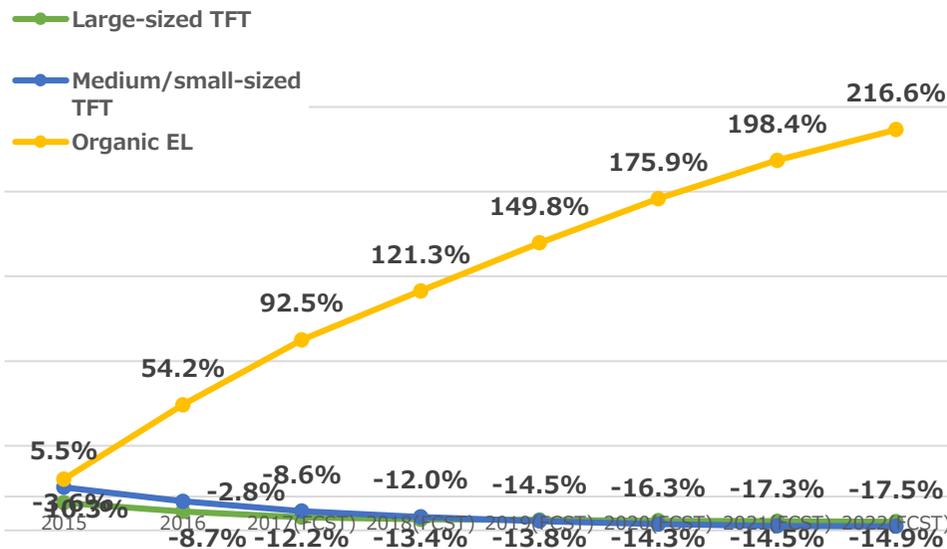
II. Market trend & Forecasts for FYE March 2018: OLED & LCD related business

Transition & Forecast of OLED, unit products of LCD & parts market

(Unit : million)



Growth rate of OLED, unit product of LCD & parts (vs. Year2013)



OLED and LCD related business market

■ After year2018

- Large-sized and medium/small-sized LCD
 - The demand of large-sized and medium/small-sized panel shrinks slightly. It is, however, predicted that the market grows along with TV screen getting larger and panel with high brightness.
 - Other than the above, market for vehicle installation business may grow.
- OLED
 - The forecast says that the market is mainly for smartphones. In the future, it grows with TVs and in-vehicle displays demand.

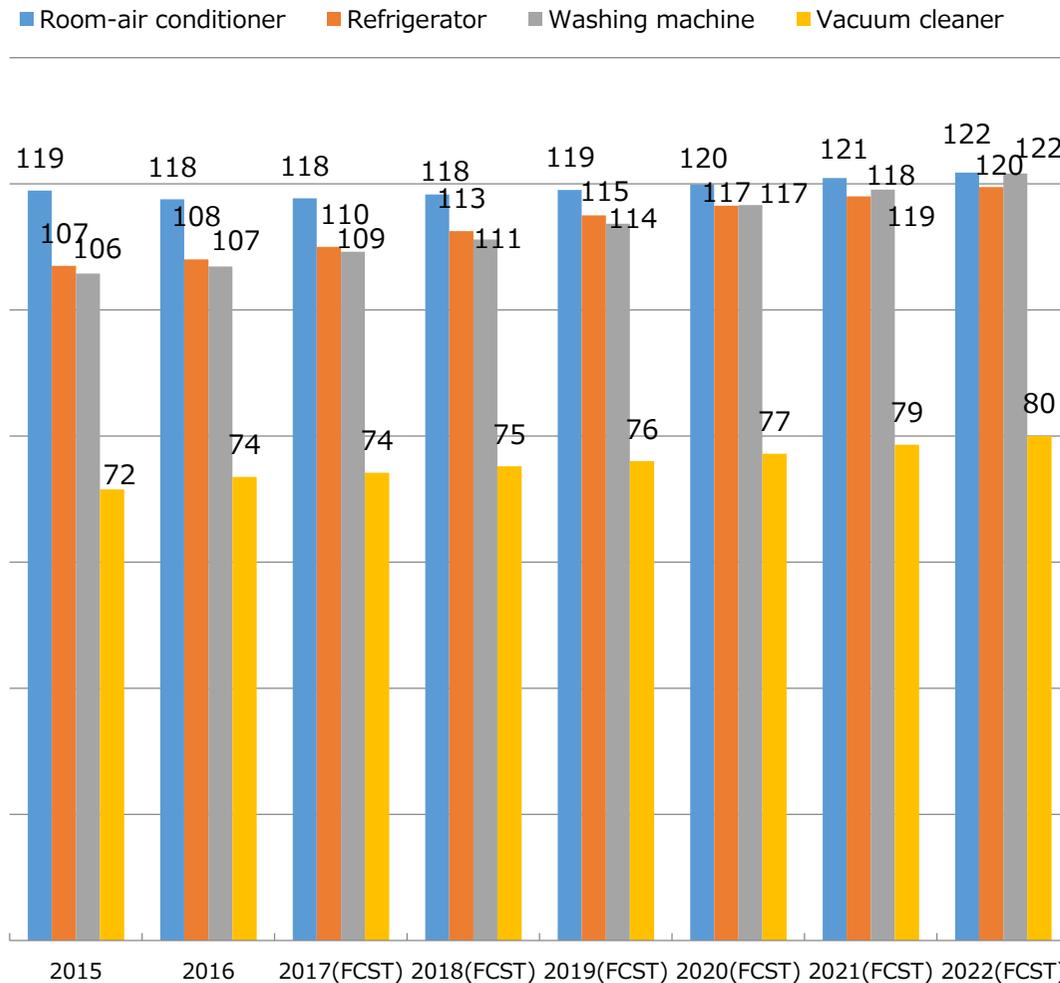
● Hirata's prospect

Liquid coater for LCD business is good. Vacuum evaporation system for OLED is mainly for smartphone which leads the market, but it is predicted that the business may slow down slightly.

II. Market trend & Forecasts for FYE March 2018: Home Appliances & others related business

Forecast for home appliances market

(unit : million)



Home Appliances related business market

■ After year2018

You see slowing growth due to round of demand in Chinese market. On the other hand, China market has the potential for expansion in terms of monetary amounts with high-spec home appliances' demand for a wealthy class.

● Hirata's prospect

Hirata predicts to receive orders for tire related business.

As to vacuum clear related business, Hirata tries harder for continuing orders.

Source: Fuji Chimera Research Institute, Inc.

II. Forecasts for FYE March 2019: Dividend Forecast

Dividends and dividend ratio per share

(Unit in Yen)

	FYE Mar 2015	FYE Mar 2016	FYE Mar 2017	FYE Mar 2018	FYE Mar 2019 (Estimate)
Dividends per share	15.00	30.00	100.00	125.00 including memorial dividend 25.00yen	125.00
Dividend ratio(%)	16.4	17.5	16.0	19.5	29.6

Note: Dividend ratio is on a consolidated basis.

About 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, Hirata changed its stock market listing to the First Section of the Tokyo Stock Exchange. Hirata decided to pay annual dividend per share of 125.00 yen, including memorial dividend 25.00 yen, for the fiscal year ended March 31 2018. This will be discussed in Hirata’s annual general meetings to be held at the end of June, 2018. For your information, the annual dividend per share for the fiscal year ending March 31 2019 plans to be 125 yen.

III. Reference Data

The Fiscal Year ended on March 31, 2018 (April 1, 2017 through March 31, 2018)

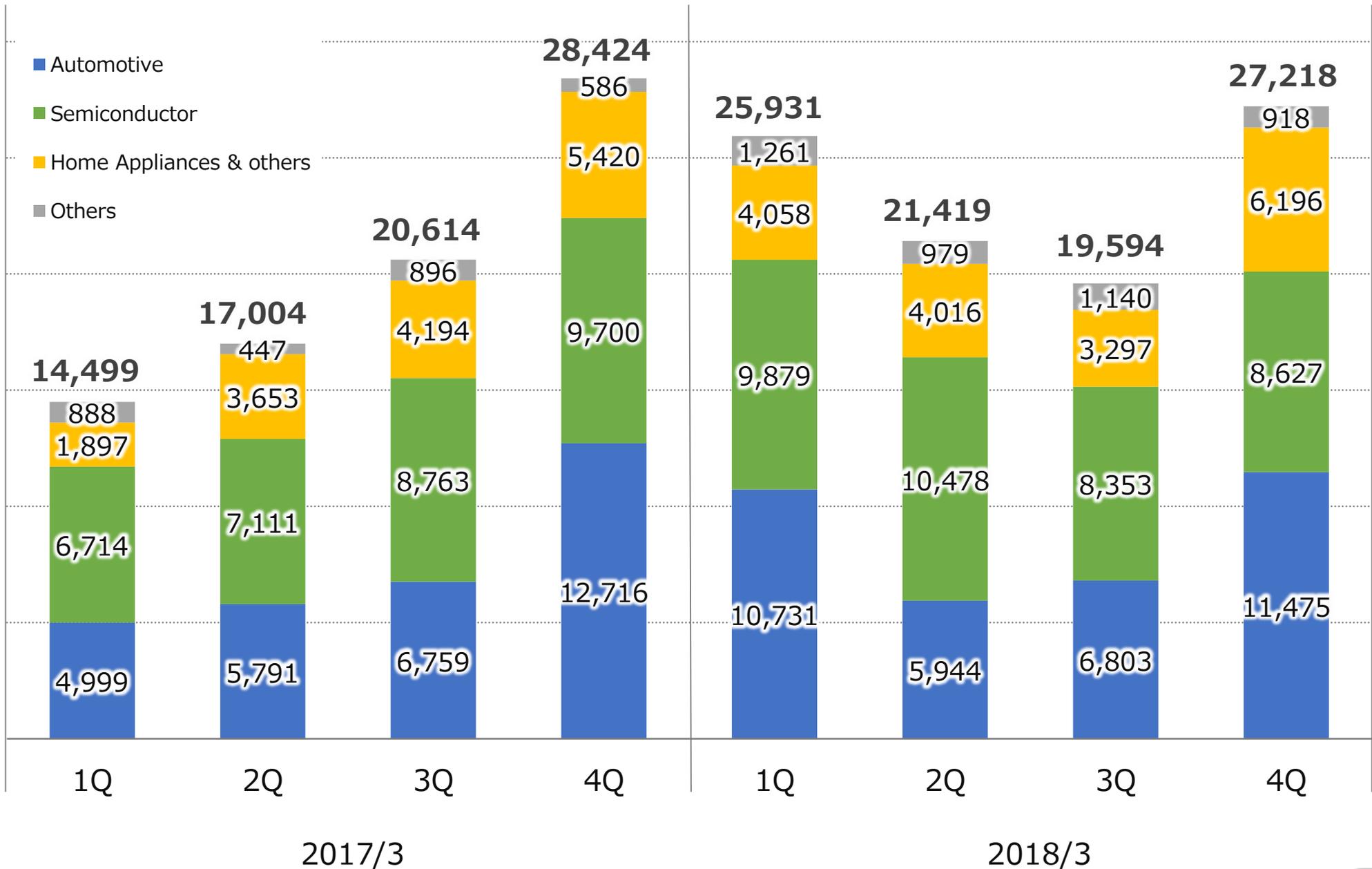
Hirata



III. Quarterly Trends of Sales by Business Unit

Sales by Business Unit

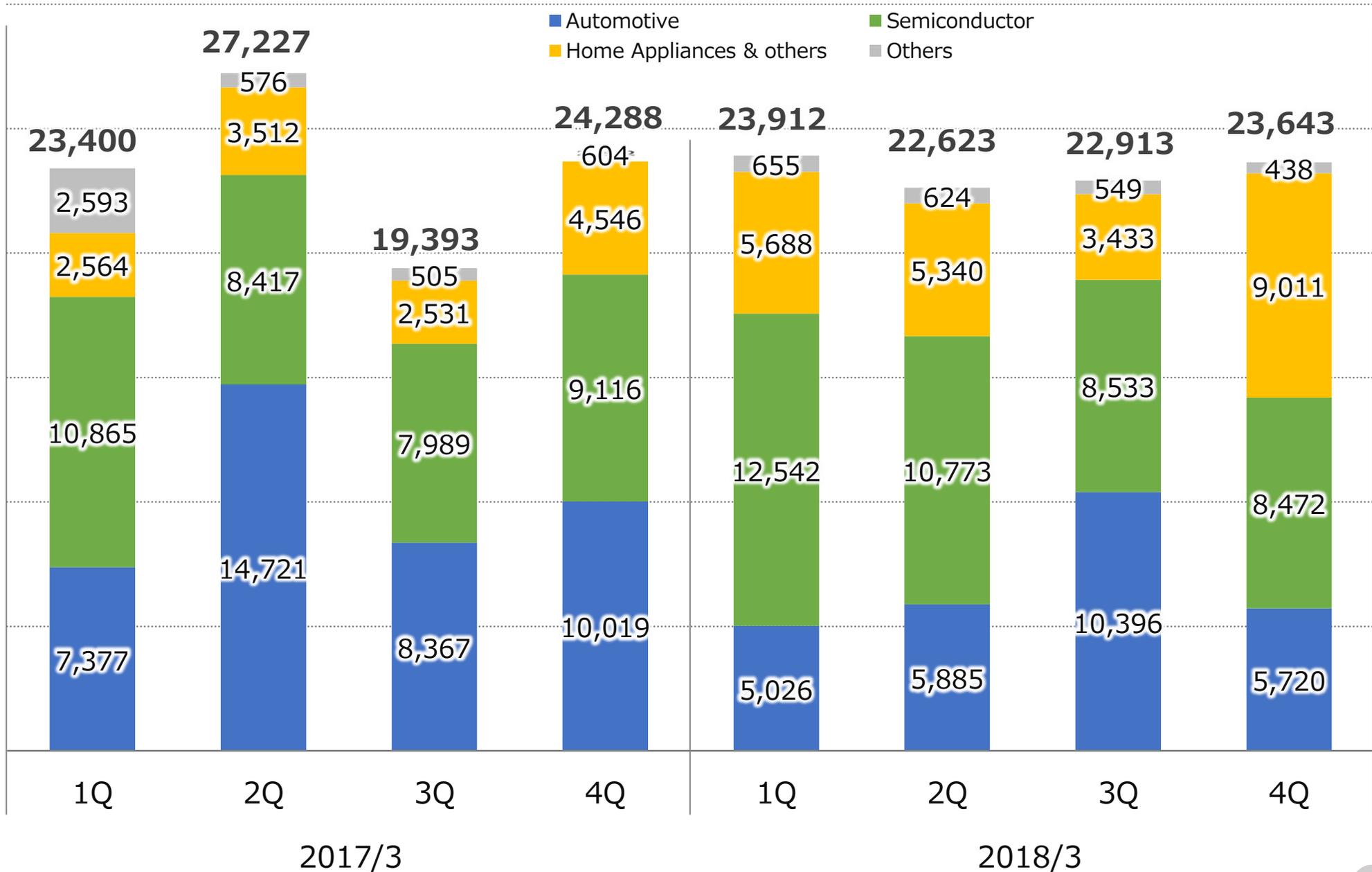
(Units in millions of Yen)



III. Quarterly Trends of Received Orders by Business Unit

Received Orders by Business Unit

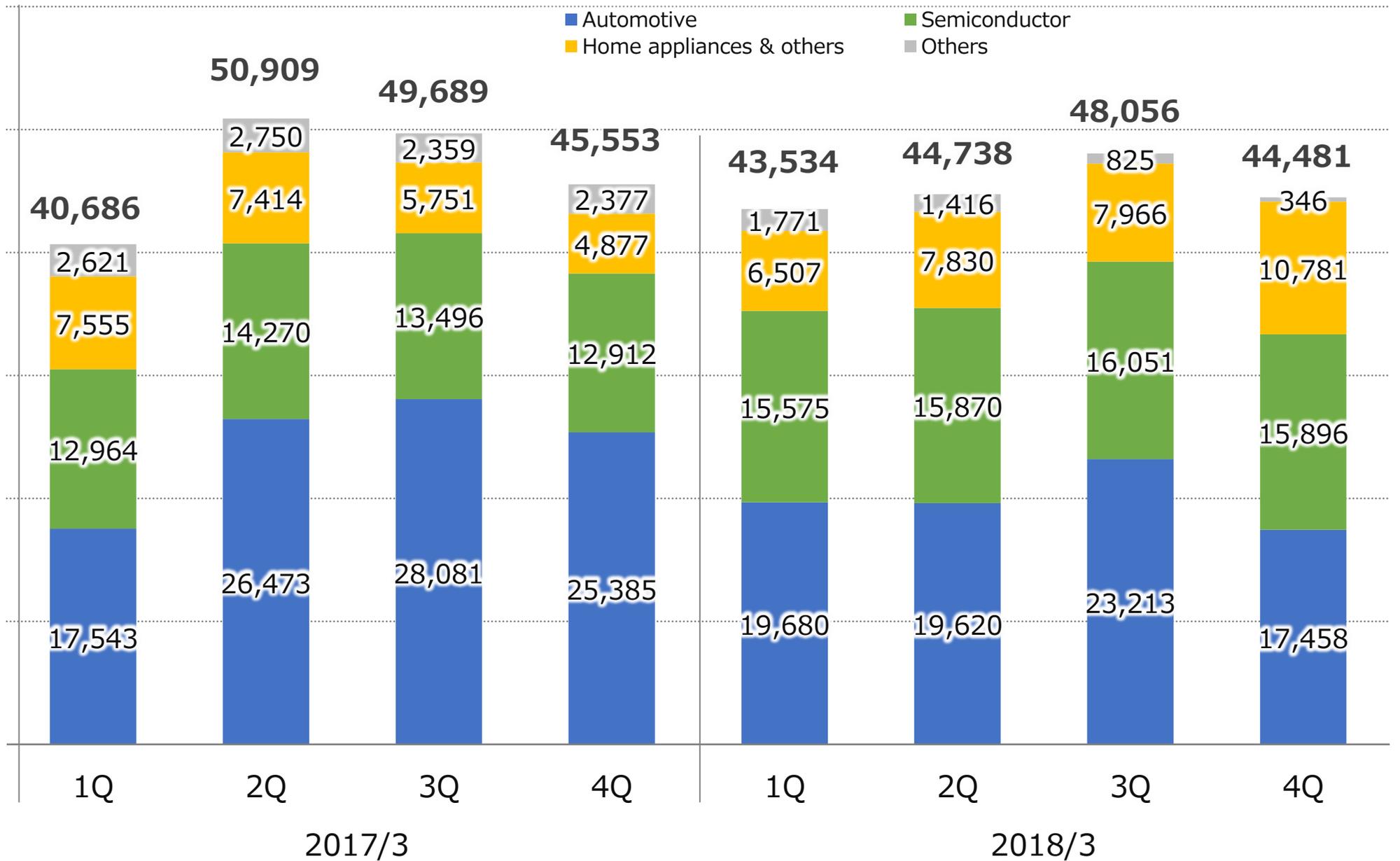
(Units in millions of Yen)



III. Quarterly Trends of Orders Outstanding by Business Unit

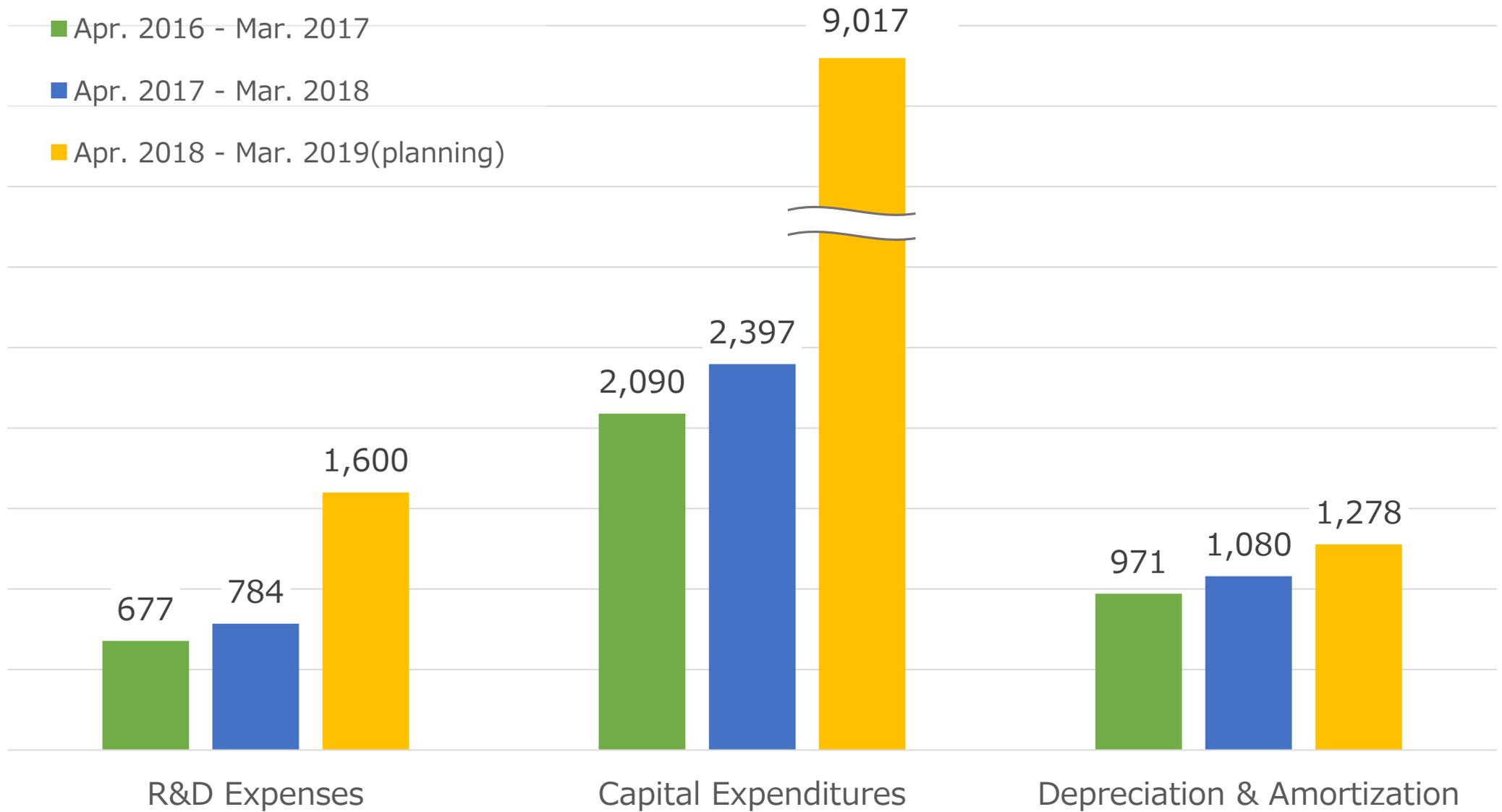
Outstanding Orders by Business Unit

(Units in millions of Yen)



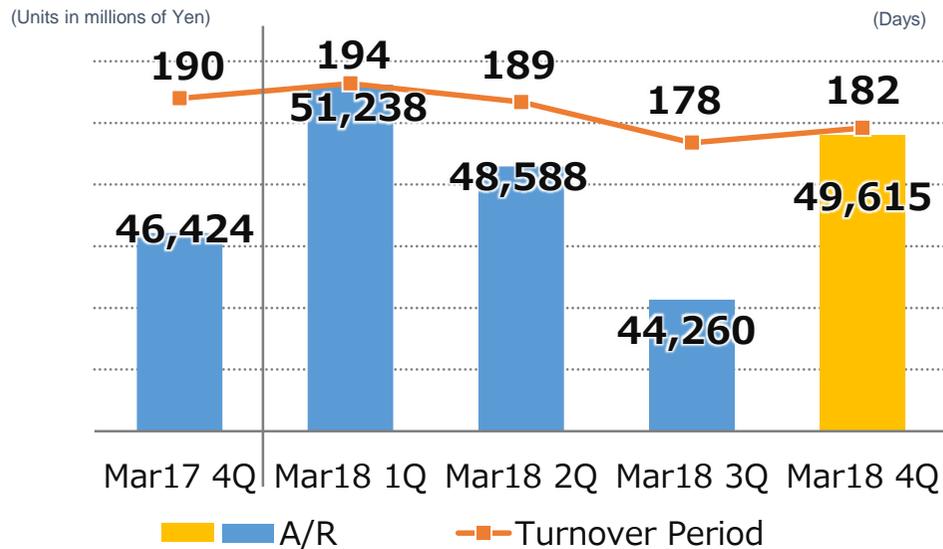
III. R&D, CAPEX, Depreciation and Amortization

(Units in millions of Yen)

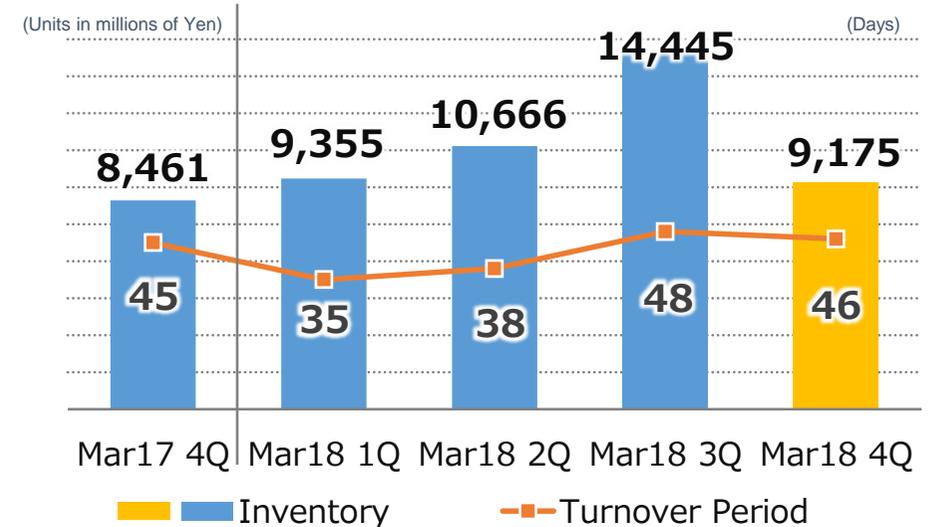


III. Key Financial KPIs/Indicators

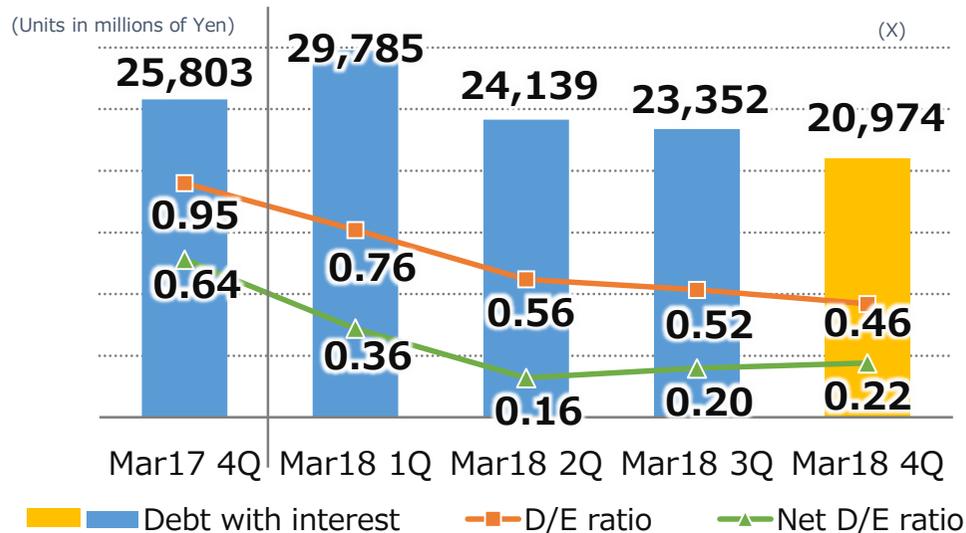
Account Receivables/Turnover period



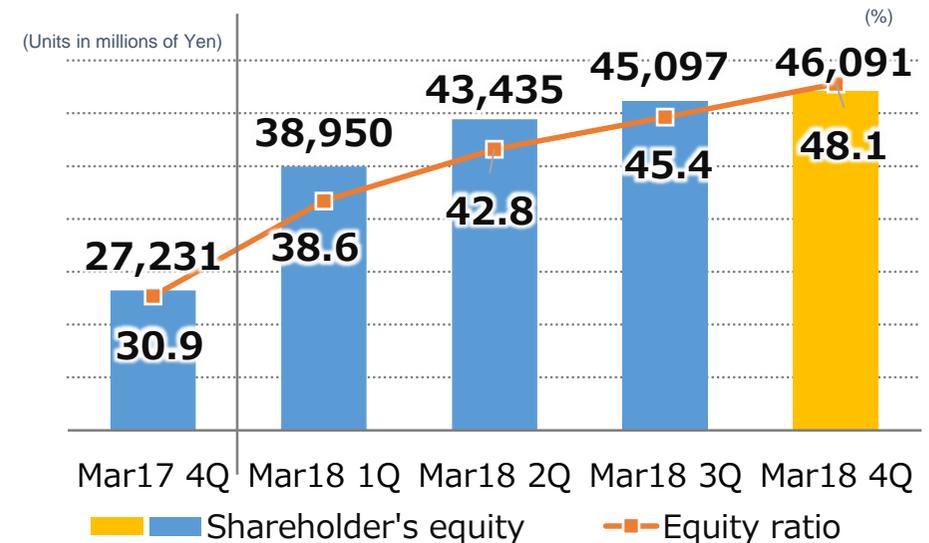
Inventory/Turnover period



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



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.