

Hirata

The Global Production Engineering Company

Quarterly Financial Results for the Six-month Period Ended September 30, 2018

Hirata Corporation



I. Financial Results and Outlook

The six-month period ended September 30, 2018 (April 1, 2018 - September 30, 2018)

Hirata



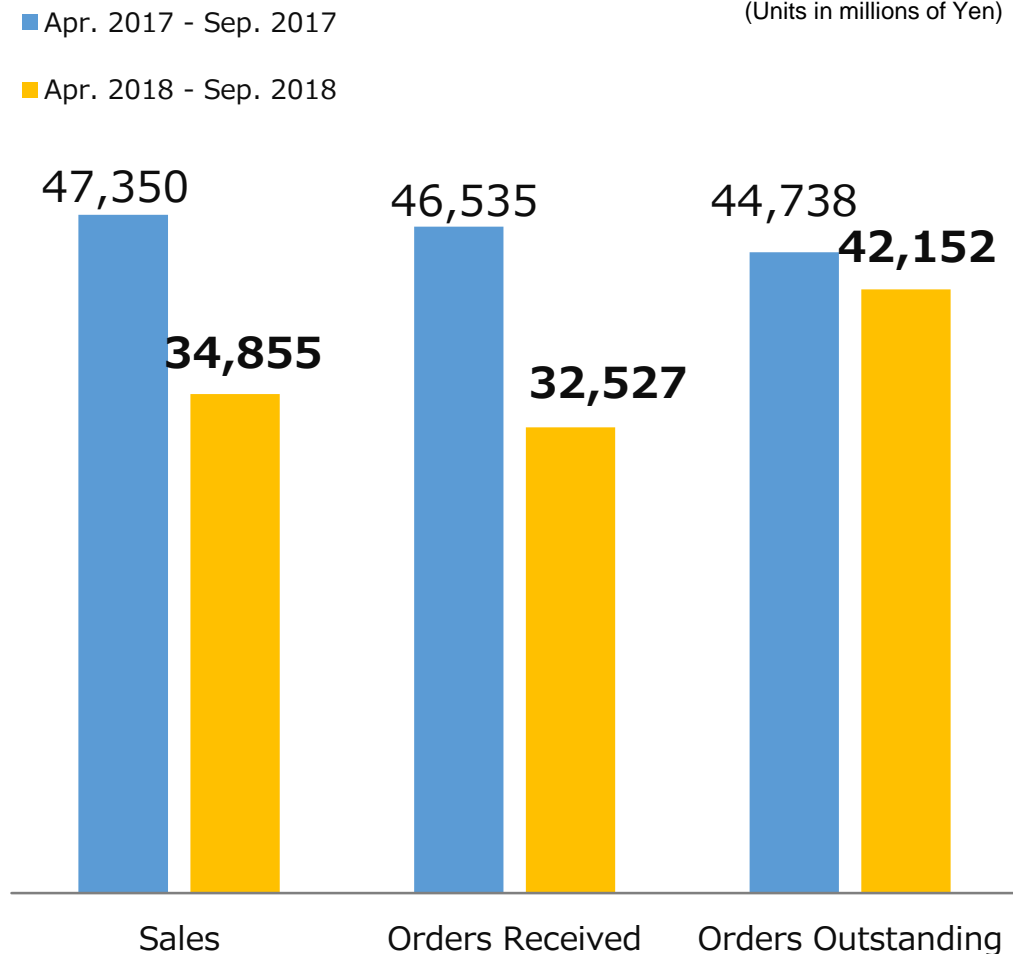
I. Summary of Financial Results

Overview

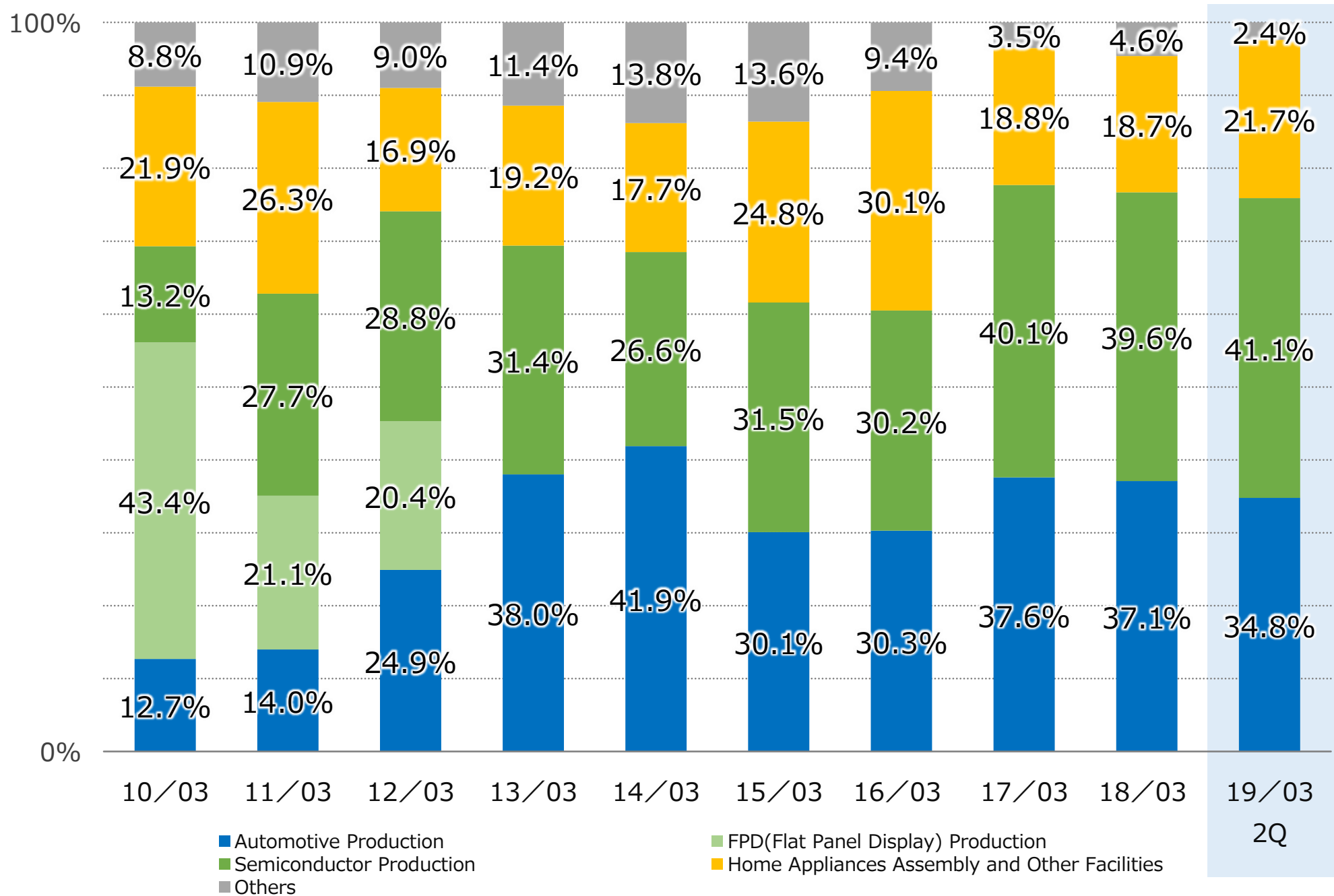
Hirata worked harder for receiving new orders on electric vehicle business and also developing new customers. Some of the second quarter's incoming orders and sales on automotive related business, however, were postponed and business investment on organic EL were rescheduled to a later date. In consequence, the sales and profit decreased.

(Units in millions of Yen)

	Apr-Sep 2017	Apr-Sep 2018	YoY Change
Sales	47,350	34,855	-26.4%
Operating Income	5,807	3,525	-39.3%
Ordinary Income	5,616	3,723	-33.7%
Profit attributable to owners of the parent company	3,966	2,614	-34.1%

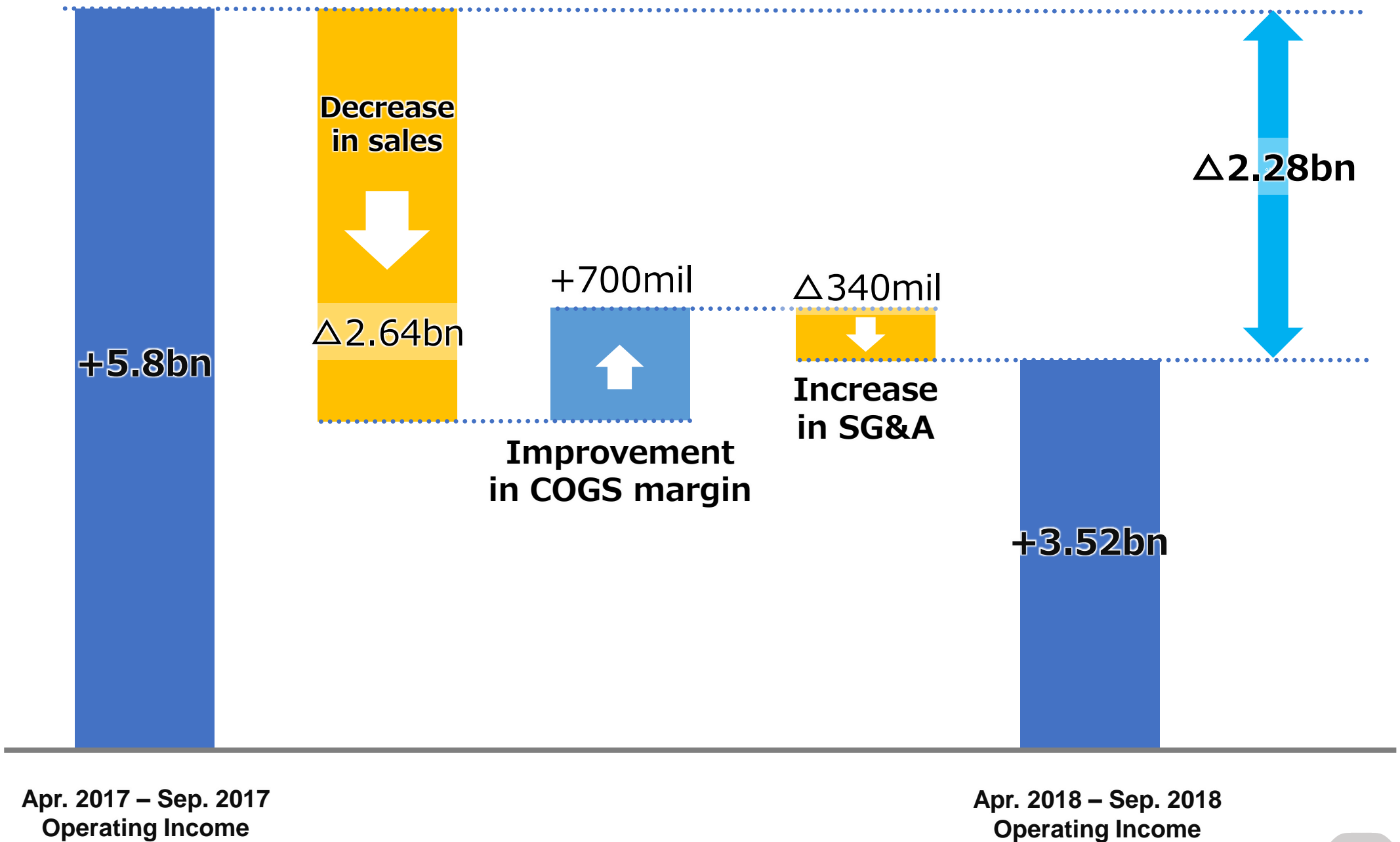


I. Breakdown of Sales by Business Unit



*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

Please note that the figures of FY2018 and FY2019 Q2 are changed based on accounting standards for tax effect accounting.

(Units in millions of Yen)

Assets	Apr. 2017 - Mar. 2018	Apr. 2018 - Sep. 2018	YoY Change
Current Assets	71,467	67,943	Δ 3,523
Fixed Assets	23,863	24,622	+758
Tangible Fixed Assets	17,376	18,347	+970
Intangible Fixed Assets	814	732	Δ 81
Investments and other assets	5,672	5,542	Δ 130
Total Assets	95,330	92,566	Δ 2,764

Liabilities	Apr. 2017 - Mar. 2018	Apr. 2018 - Sep. 2018	Y to Y Change
Current Liabilities	37,485	39,448	+1,962
Fixed Liabilities	11,262	6,929	Δ 4,333
Total Liabilities	48,748	46,377	Δ 2,370

Net Assets	Apr. 2017 - Mar. 2018	Apr. 2018 - Sep. 2018	Y to Y Change
Total Net Assets	46,582	46,188	Δ 393
Capital Ratio	48.3%	49.3%	+ 1.0Point

Main impact factors

Assets

Trade receivables	Δ 6,041
Cash/deposit with banks	Δ 773
Inventories	+ 2,900

Liabilities/Net Assets

Accrued expenses payable	Δ 531
Trade payables	Δ 505
Accounts payable	Δ 430

Assumed exchange rate

(Units in Yen)

Assumed exchange rate	From Apr. 1, 2018 to Sep. 30, 2018 (Actual rate)	From Oct. 1, 2018 (Applied assumption rate)
Exchange rate (against USD)	107.56	100.00

Transition of our stock prices

(Units in Yen)

Transition of our stock prices	Apr. 1, 2016 to Mar. 31, 2017	Apr. 1, 2017 to Mar. 31, 2018	Apr. 1, 2018 to Mar. 31, 2019		
			July	August	September
Highs	9,560	14,720	8,050	8,760	8,780
Lows	2,275	8,030	6,600	6,800	7,780
End of period	9,010	9,780	7,430	8,610	8,180

PER/PBR/ROE

PER/PBR/ROE	Apr. 1, 2016 to Mar. 31, 2017	Apr. 1, 2017 to Mar. 31, 2018	Apr. 1, 2018 to Sep. 30, 2018
PER (x)	14.43	15.26	— ※
PBR (x)	3.12	2.26	1.88
ROE (%)	24.30	18.18	— ※

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

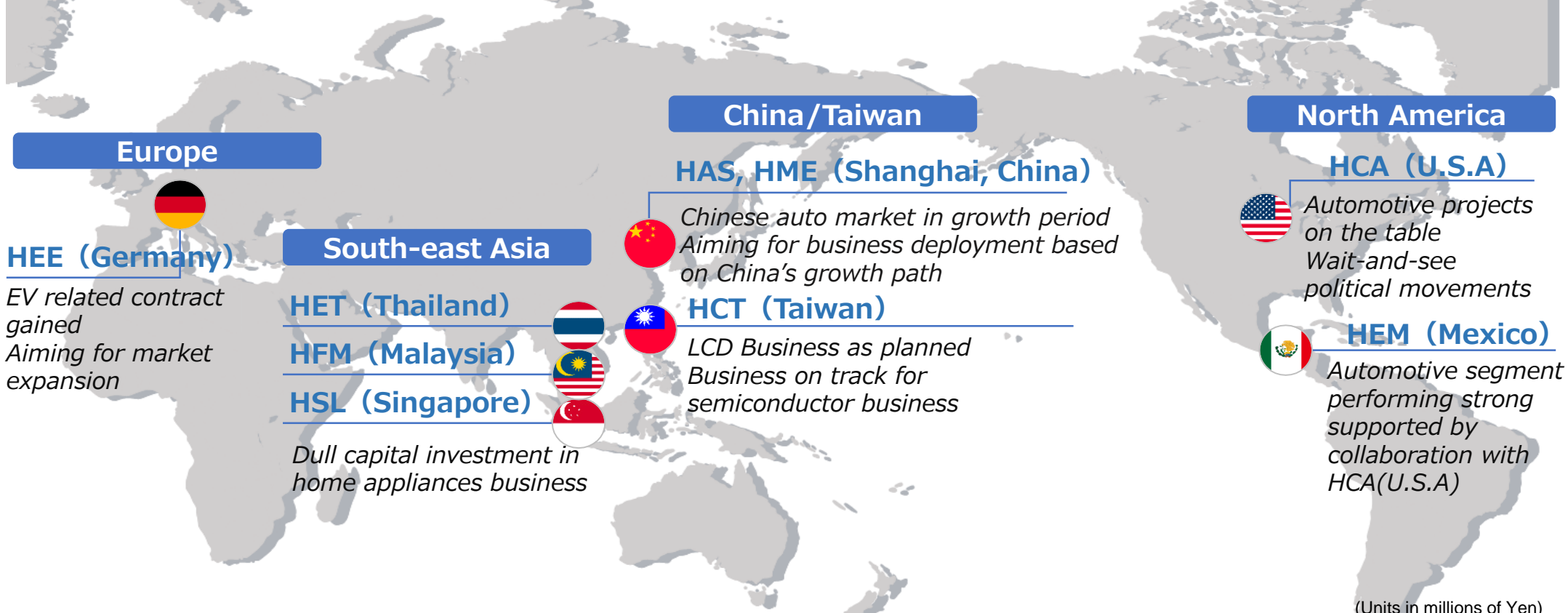
I. Sales, Orders Received and Outstanding by Business Unit

(Units in millions of Yen)

	Business Unit	Apr 2017 – Sep 2017	Apr 2018 – Sep 2018	YoY Change
Sales	Automotive	16,676	12,120	△27.3%
	Semiconductor	20,357	14,327	△29.6%
	Home Appliances & others	8,075	7,564	△6.3%
	Others	2,240	843	△62.4%
	TOTAL	47,350	34,855	△26.4%
Orders Received	Automotive	10,911	17,774	+62.9%
	Semiconductor	23,315	7,763	△66.7%
	Home Appliances & others	11,028	5,869	△46.8%
	Others	1,279	1,120	△12.5%
	TOTAL	46,535	32,527	△30.1%
Orders Outstanding	Automotive	19,620	23,112	+17.8%
	Semiconductor	15,870	9,332	△41.2%
	Home Appliances & others	7,830	9,085	+16.0%
	Others	1,416	622	△56.0%
	TOTAL	44,738	42,152	△5.8%

I. Global Business Overview

Sales by region



(Units in millions of Yen)

	Japan		Asia		North America		Europe		TOTAL	
	18/3 2Q	19/3 2Q	18/3 2Q	19/3 2Q	18/3 2Q	19/3 2Q	18/3 2Q	19/3 2Q	18/3 2Q	19/3 2Q
Sales	40,615	28,386	4,045	3,044	2,383	3,175	305	249	47,350	34,855
Operating Income	5,448	3,354	394	490	137	△344	△9	△13	5,970	3,487

Please note 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

(Units in millions of Yen)

	Apr–Sep 2017		Apr–Sep 2018	
	Amount of orders received	Sales	Amount of orders received	Sales
Organic EL related business	13,528	12,781	295	4,931
Electric vehicle related business	1,663	4,429	4,276	1,617

- Organic EL related business

The sales of organic EL related business accounted for about 34% of its total semiconductor sales, which was the decrease of 61% over the previous year. The incoming orders was decreased by 98% over the previous year.

- Electric Vehicle related business

The sales of EV related business accounted for 13% of its total automobile sales, which was the decrease of 63% over the previous year. The incoming orders was increased by 57% over the previous year.

I. Topics – Client Accolades

Client Accolades 1

Hirata is honored to announce that we received the best partner award from CanonTokki Corporation in October. This marks the second time for the second consecutive year. They highly evaluated Hirata's technical and manufacturing capabilities on producing vacuum deposition equipment, which is the heart of production equipment used for organic EL panel.

Hirata aims to provide products with higher credibility to our customers now and forever.



**Hirata's CEO Yuichiro Hirata received a plaque
from Chairman and CEO Teruhisa Tsugami,
Canon Tokki Corporation**

I. Topics – Client Accolades

Client Accolades 2

Hirata Engineering (Thailand) Co., Ltd. (hereinafter “HET”), one of Hirata’s subsidiaries in Thailand, received FY2017 regional best performance award from JATCO (Thailand) Co., Ltd. (hereinafter “JTL”).

HET is highly evaluated in its technical strength and capabilities to cope with projects including price for continuously variable transmission processing equipment HET ordered from JTL.



HET’s managing director Mitsuru Mori(left) received a plaque.



II Market Trend and Forecast for FYE March 2019

The six-month period ended September 30, 2018 (April 1, 2018 - September 30, 2018)

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II. Forecasts for FYE March 2019: Earnings Forecast

Hirata announced the revised sales estimate on November 13, 2018.

(Units in millions of Yen)

	FY2018/3 (Actual)	The figures announced on 2018/5/10 FY2019/3(Forecast)	The figures announced on 2018/11/13 FY2019/3(Forecast)
Sales	94,163	95,000	83,000
Automotive	34,955	40,000	35,000
Semiconductor	37,338	30,000	27,000
Home appliances & others	17,569	22,000	19,000
Others	4,299	3,000	2,000
Operating Income (margin)	9,371 (10.0%)	6,500 (6.8%)	5,200 (6.3%)
Ordinary Income (margin)	9,247 (9.8%)	6,400 (6.7%)	5,300 (6.4%)
Profit attributable to owners of the parent company (margin)	6,666 (7.1%)	4,400 (4.6%)	3,800 (4.6%)

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.
- The orders for vacuum equipment used for OLED will decrease. Hirata projects business of IoT and silicon wafer transfer equipment for self-driving technology will grow.
- Hirata structures its production system more efficiently, strengthens its revenue base, and participates into growing markets aggressively.

II. Forecasts for FYE March 2019: Amendment of dividend Forecast

Dividends and dividend ratio per share

	FYE Mar 2015	FYE Mar 2016	FYE Mar 2017	FYE Mar 2018	FYE Mar 2019 (Estimate)
Dividends per share (JPY)	15.00	30.00	100.00	125.00 Including memorial dividend of 25.00	125.00
Dividend ratio (%)	16.4	17.5	16.0	19.5	35.0

Note : Dividend ratio is not on a consolidated basis.

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.

Hirata plans to distribute JPY125.00, which is the same as the last year, for the fiscal year ending March 31, 2019.

II. Forecasts for FYE March 2019: Business Environment

Automotive-related business

Developing countries have been leading the global automobile sales growth, which is estimated to slow down. The Japanese domestic market remained flat. The automobile industry is facing structural changes with advance in technologies such as Electric Technology, Information Technology and Artificial Intelligence bringing brand new business opportunities. For Electric Vehicle, many companies have been proactively improving key factors such as infrastructure and battery life. The sales decreased due to delay in investment activities in facilities such as an US auto manufacturer for fuel-cell vehicles.

Semiconductor-related business

In terms of semiconductor market, the growth of the memory market and EL for display has slowed down while demands from automobiles and industrials have been growing. The delays in sales plan for smartphones with organic EL resulted in decrease in our sales and profits. We expect the market will expand again because of the foreseeable growth of organic EL.

Home appliances and other facilities business

Our primary customers, the high-performance home appliance producers, have temporarily slowed down investments. We are working closely with our clients to ensure future orders once the investment activities come back. We also expect new orders from tire producers.

III. Reference Data

The six-month period ended September 30, 2018 (April 1, 2018 - September 30, 2018)

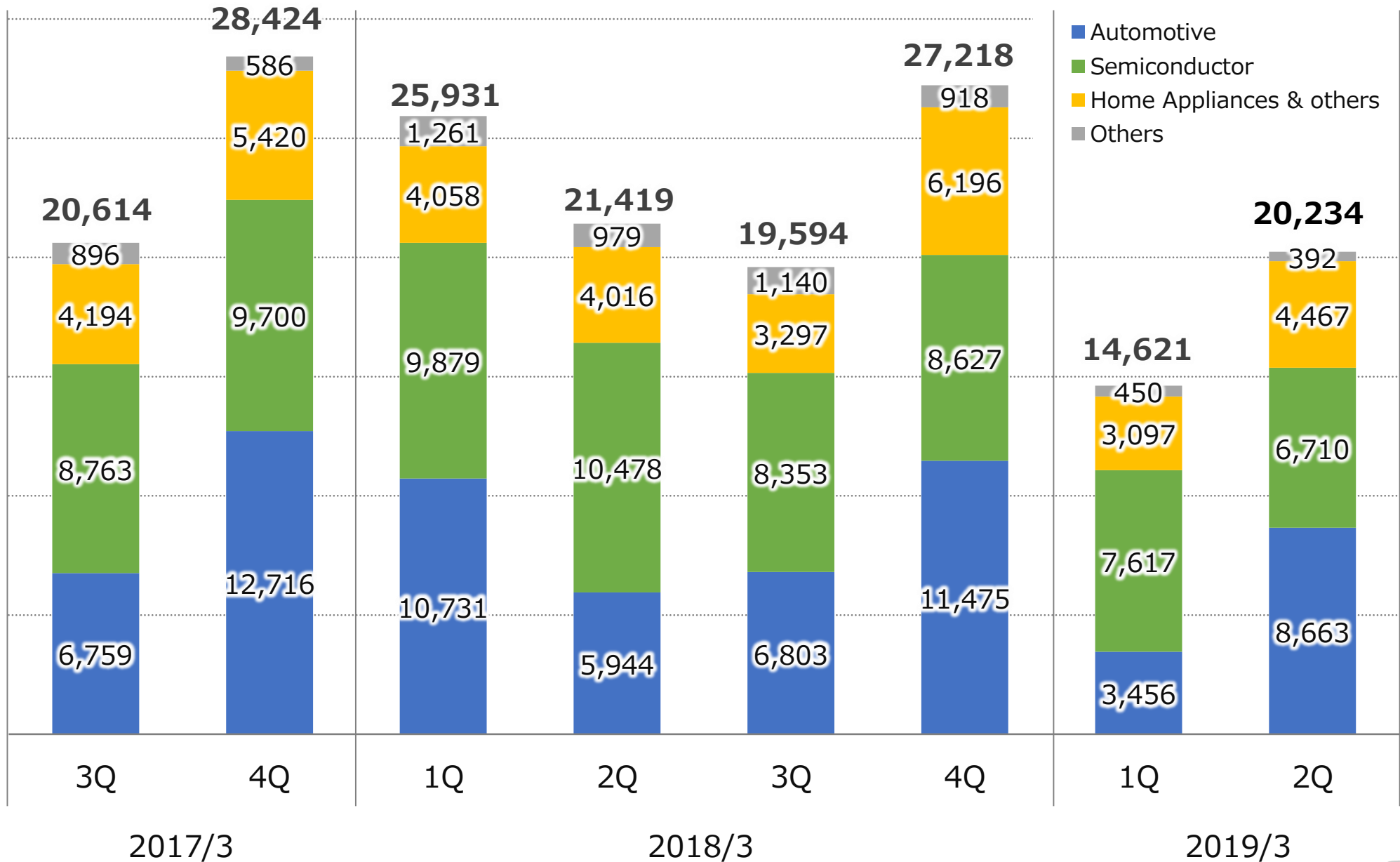
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III. Quarterly Trends of Sales by Business Unit

Sales by Business Unit

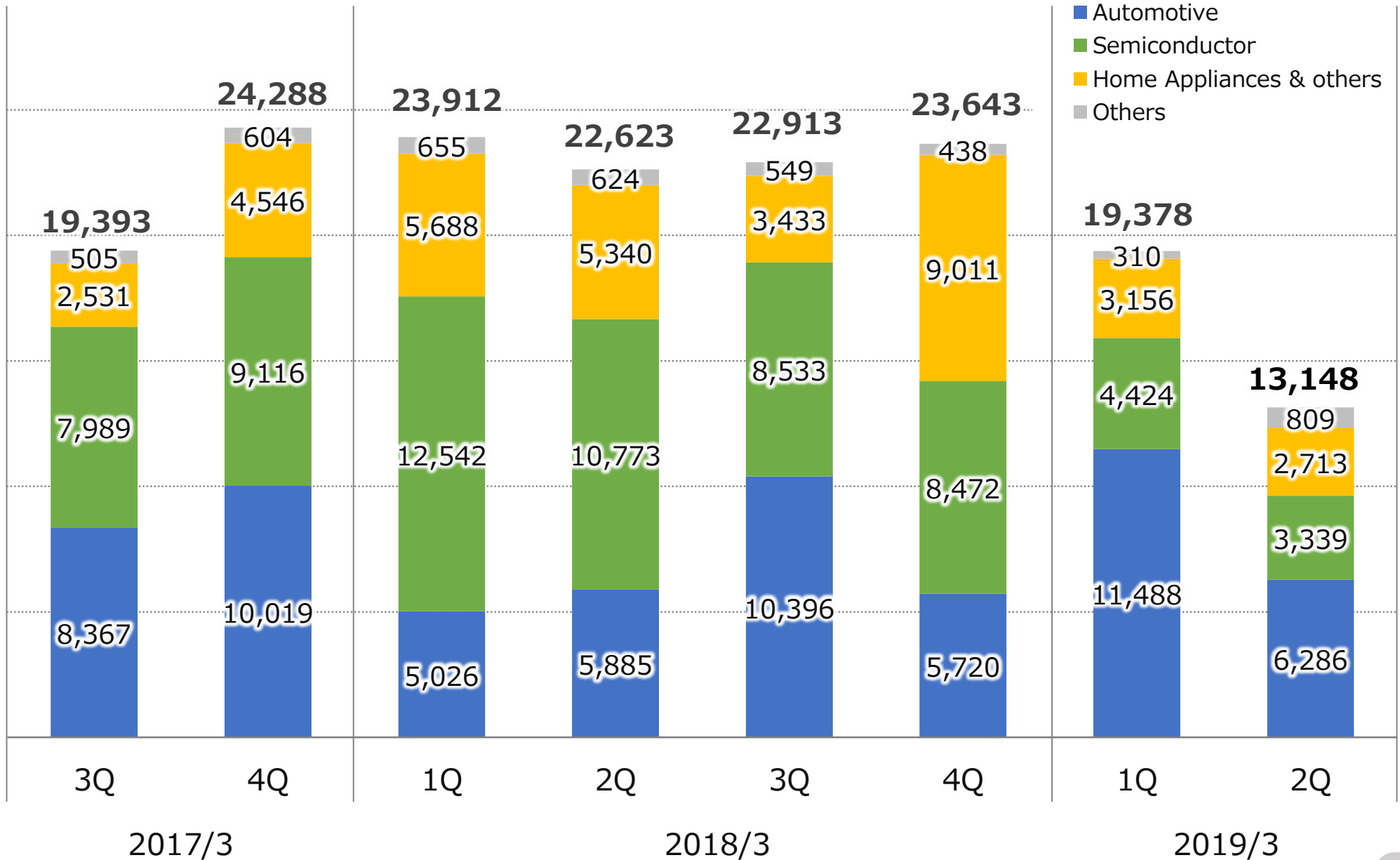
(Units in millions of Yen)



III. Quarterly Trends of Received Orders by Business Unit

Received Orders by Business Unit

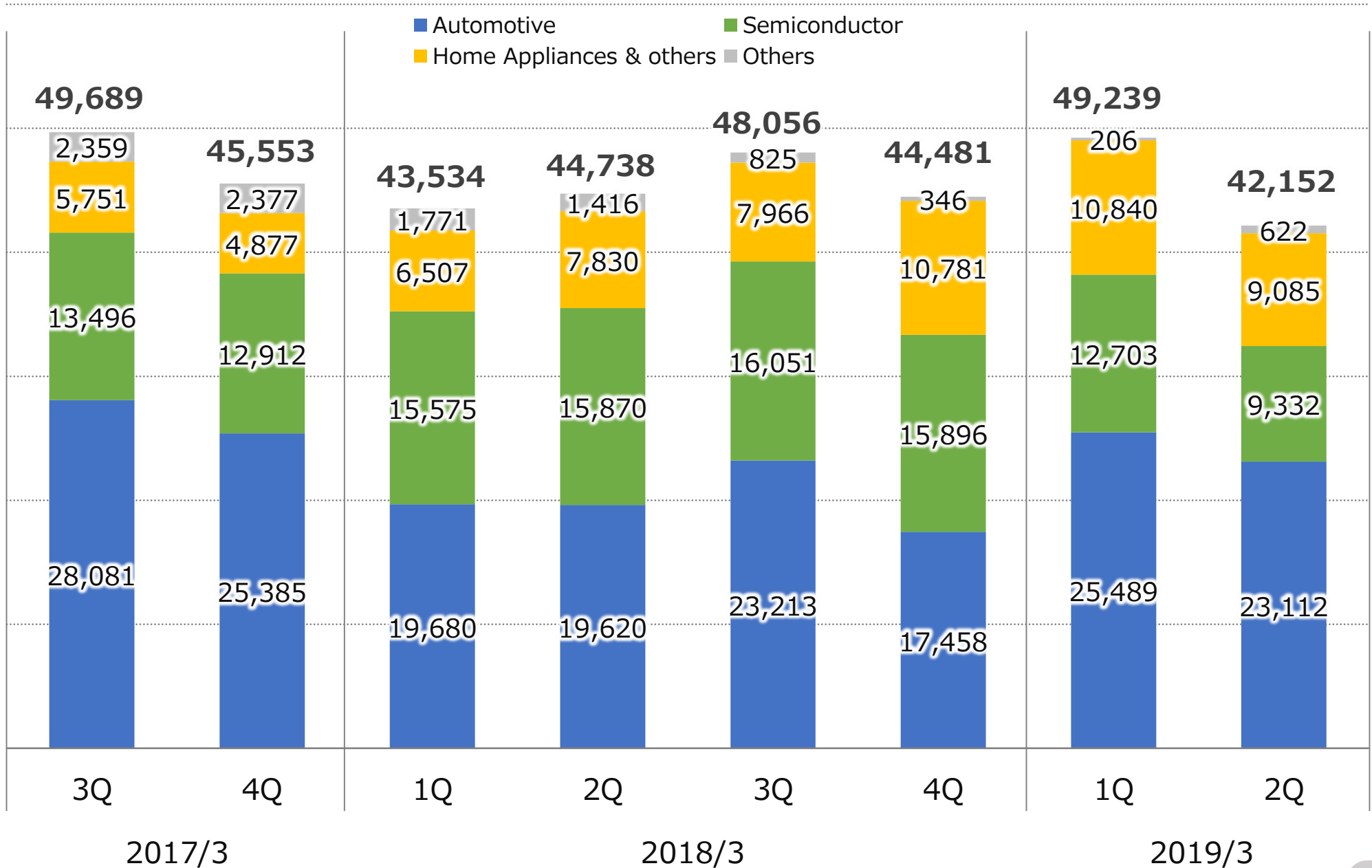
(Units in millions of Yen)



III. Quarterly Trends of Orders Outstanding by Business Unit

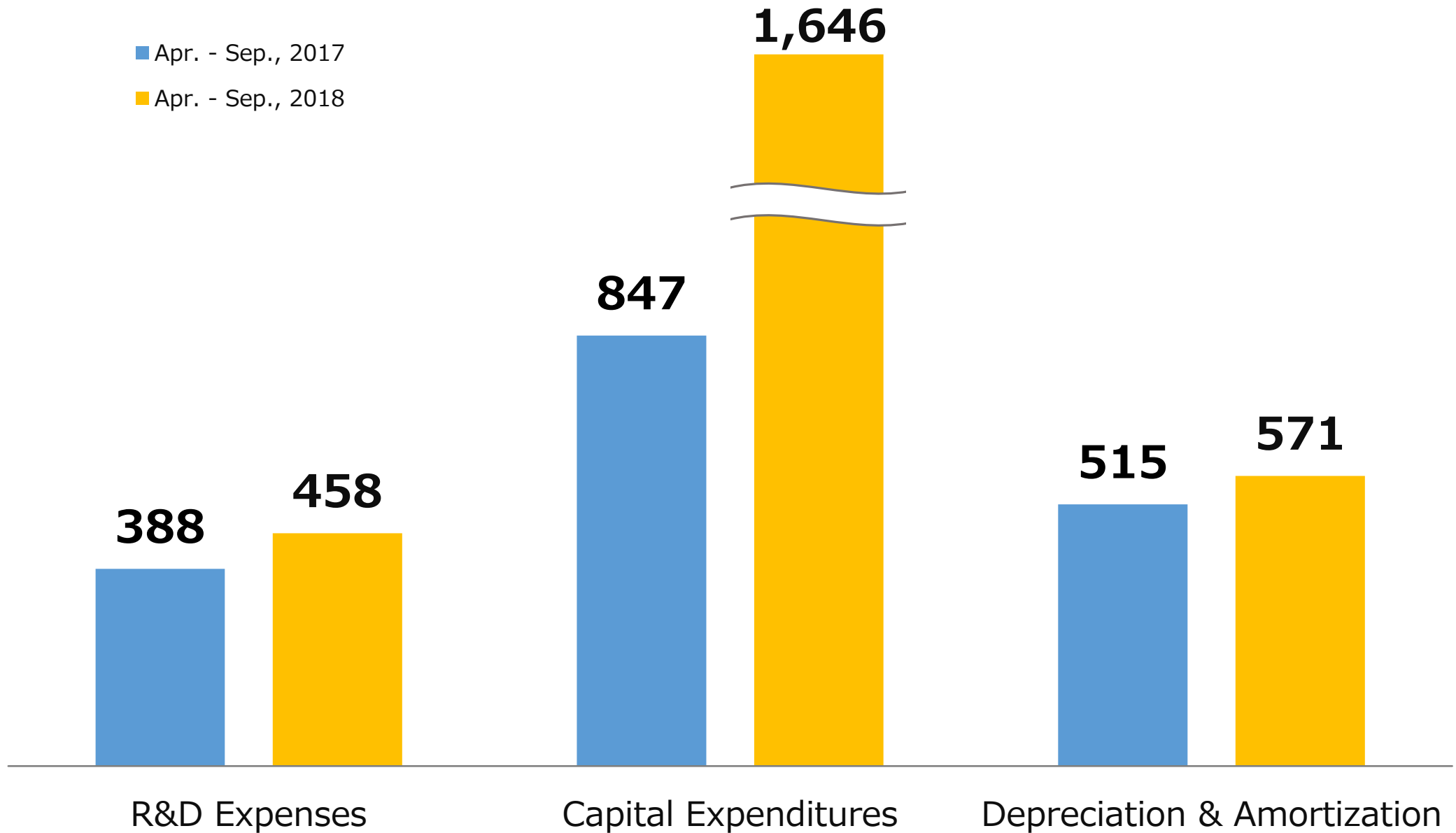
Outstanding Orders by Business Unit

(Units in millions of Yen)



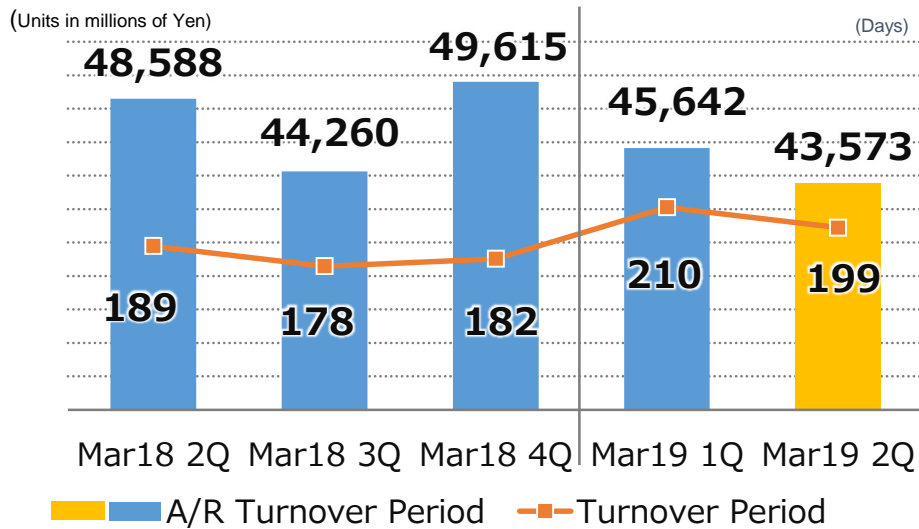
III. R&D, CAPEX, Depreciation and Amortization

(Units in millions of Yen)

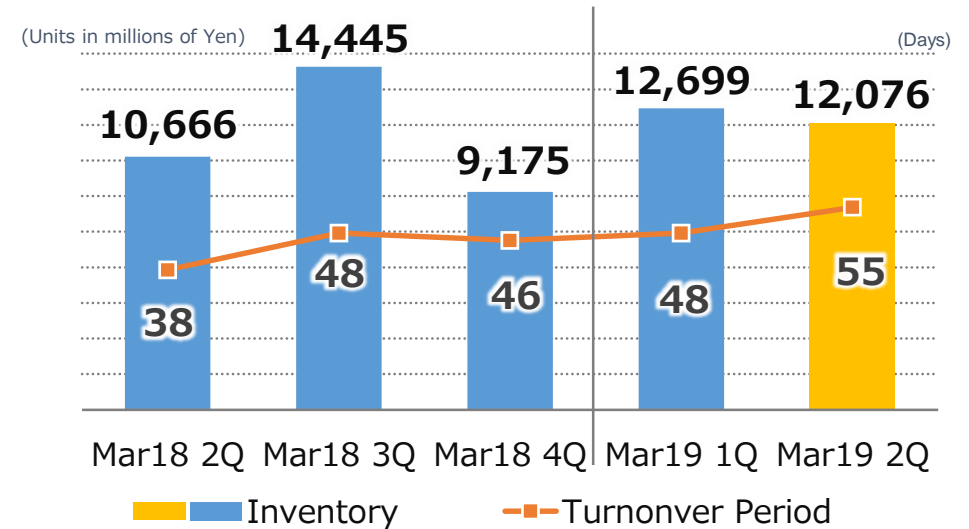


III. Key Financial KPIs/Indicators

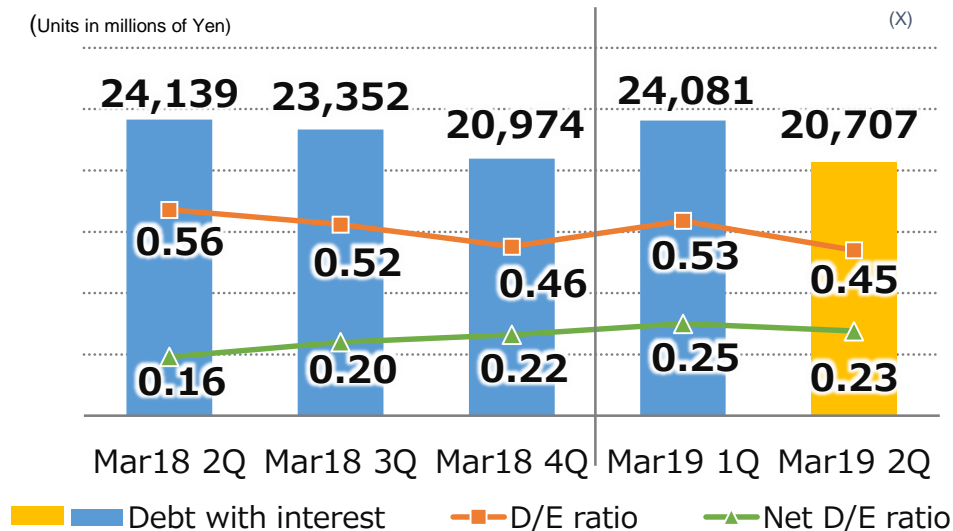
Account Receivables/Turnover period



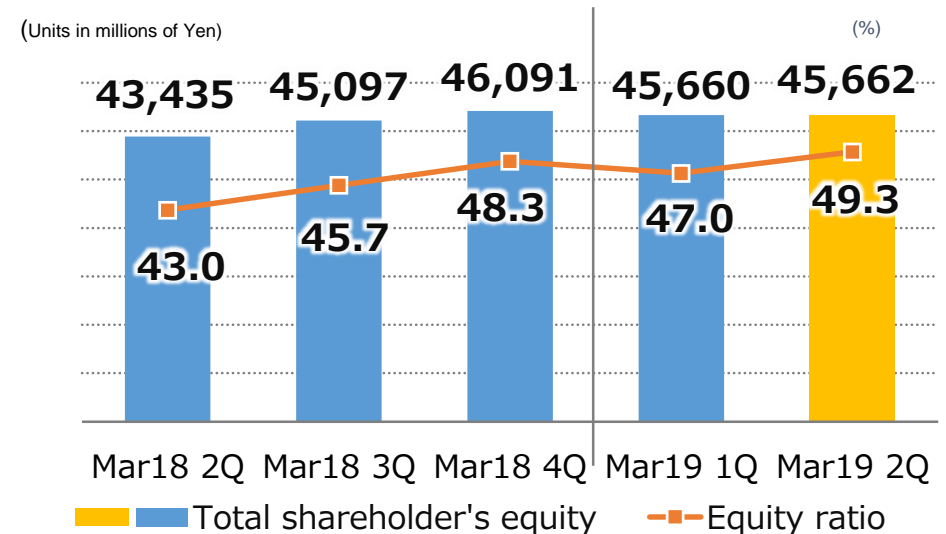
Inventory/Turnover period



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



Total shareholder's equity/Equity ratio



Note 1) 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.