

Hirata

The Global Production Engineering Company

Quarterly Financial Results for the Nine-month Period Ended December 31, 2018

Hirata Corporation



I. Financial Results and Outlook

The nine-month period ended December 31, 2018 (April 1, 2018 - December 31, 2018)

Hirata



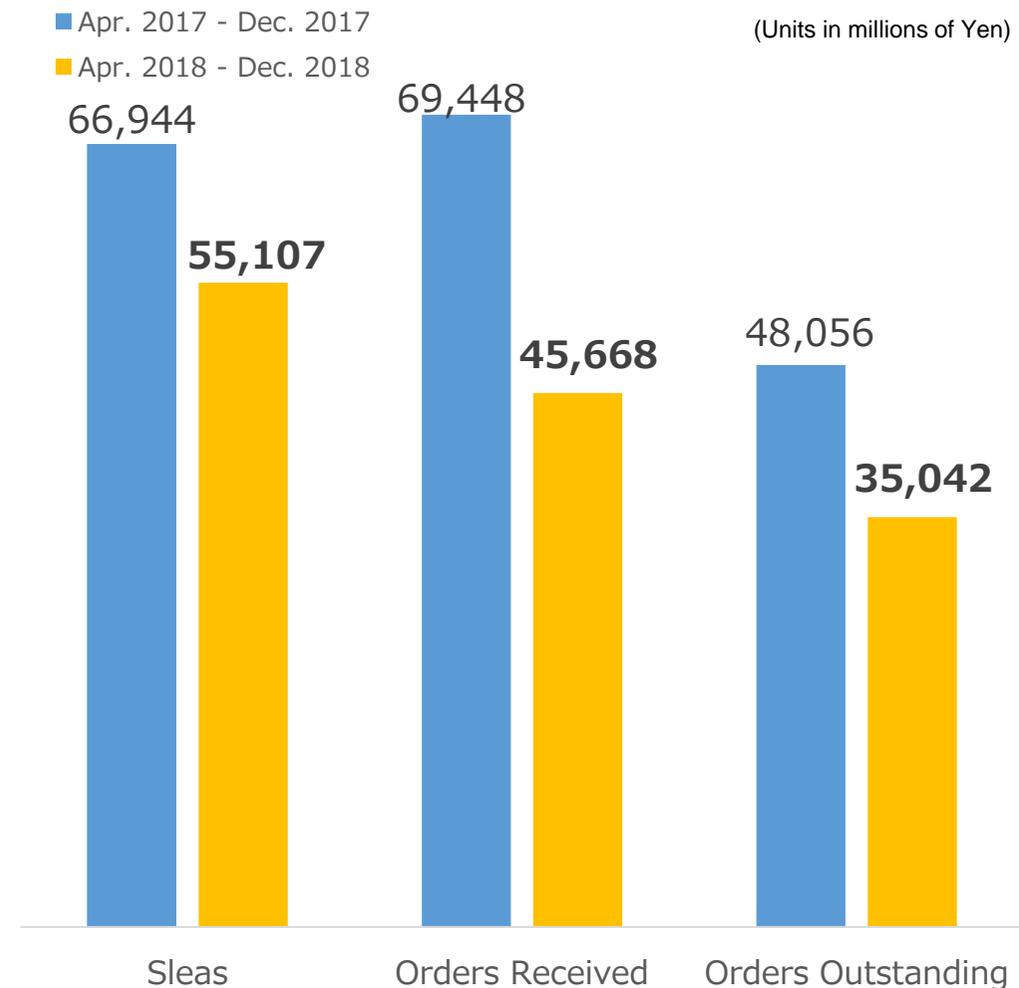
I. Summary of Financial Results

Overview

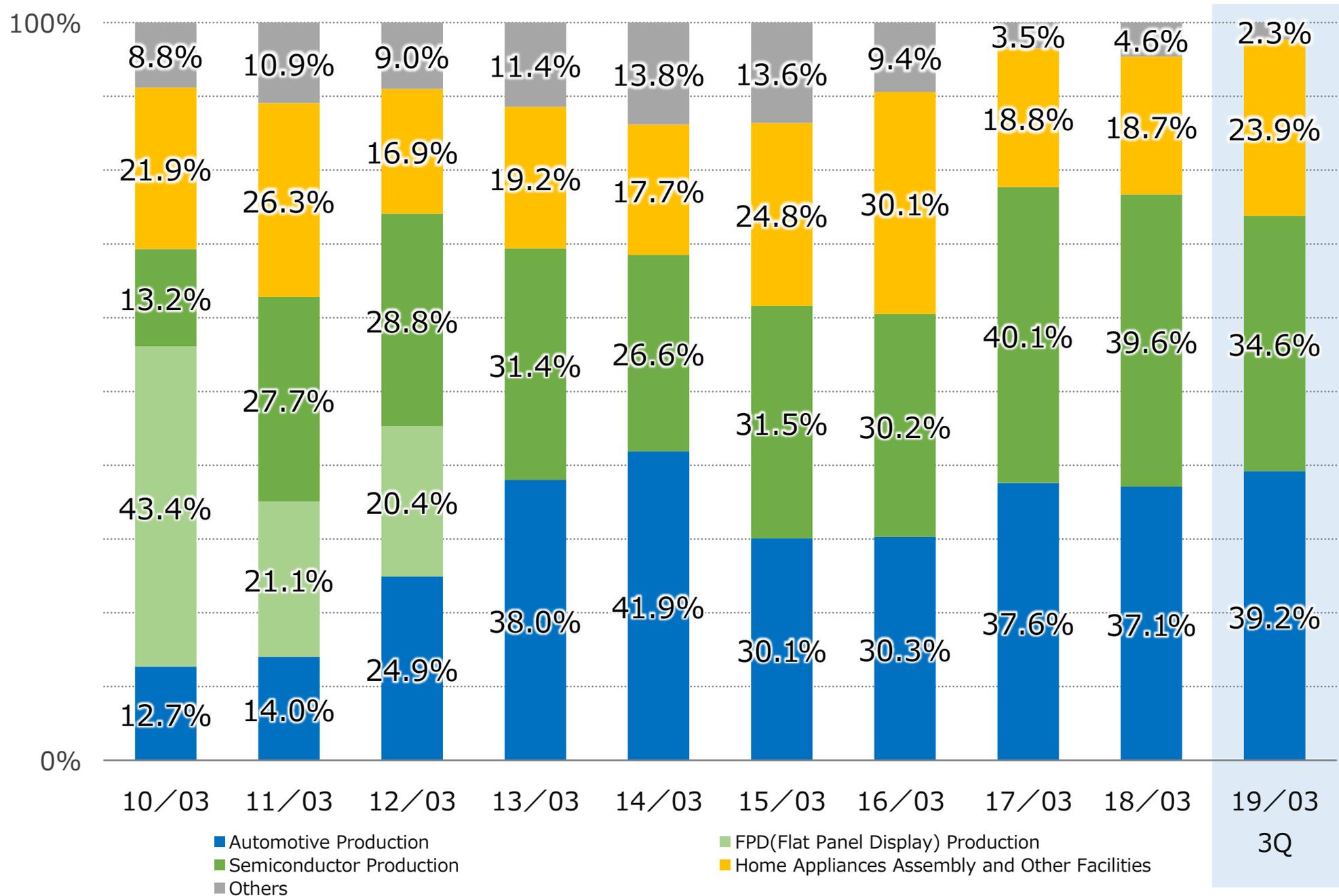
Hirata worked harder for receiving new orders on electric vehicle business and also developing new customers. The situation, however, was a sharp downturn in organic EL related business investment which used to be at a high level and automotive manufacturers also have slowed down investments. In consequence, the sales and profit decreased.

(Units in millions of Yen)

	Apr-Dec 2017	Apr-Dec 2018	YoY Change
Sales	66,944	55,107	△17.7%
Operating Income	7,859	4,974	△36.7%
Ordinary Income	7,717	5,084	△34.1%
Profit attributable to owners of the parent company	5,347	3,630	△32.1%

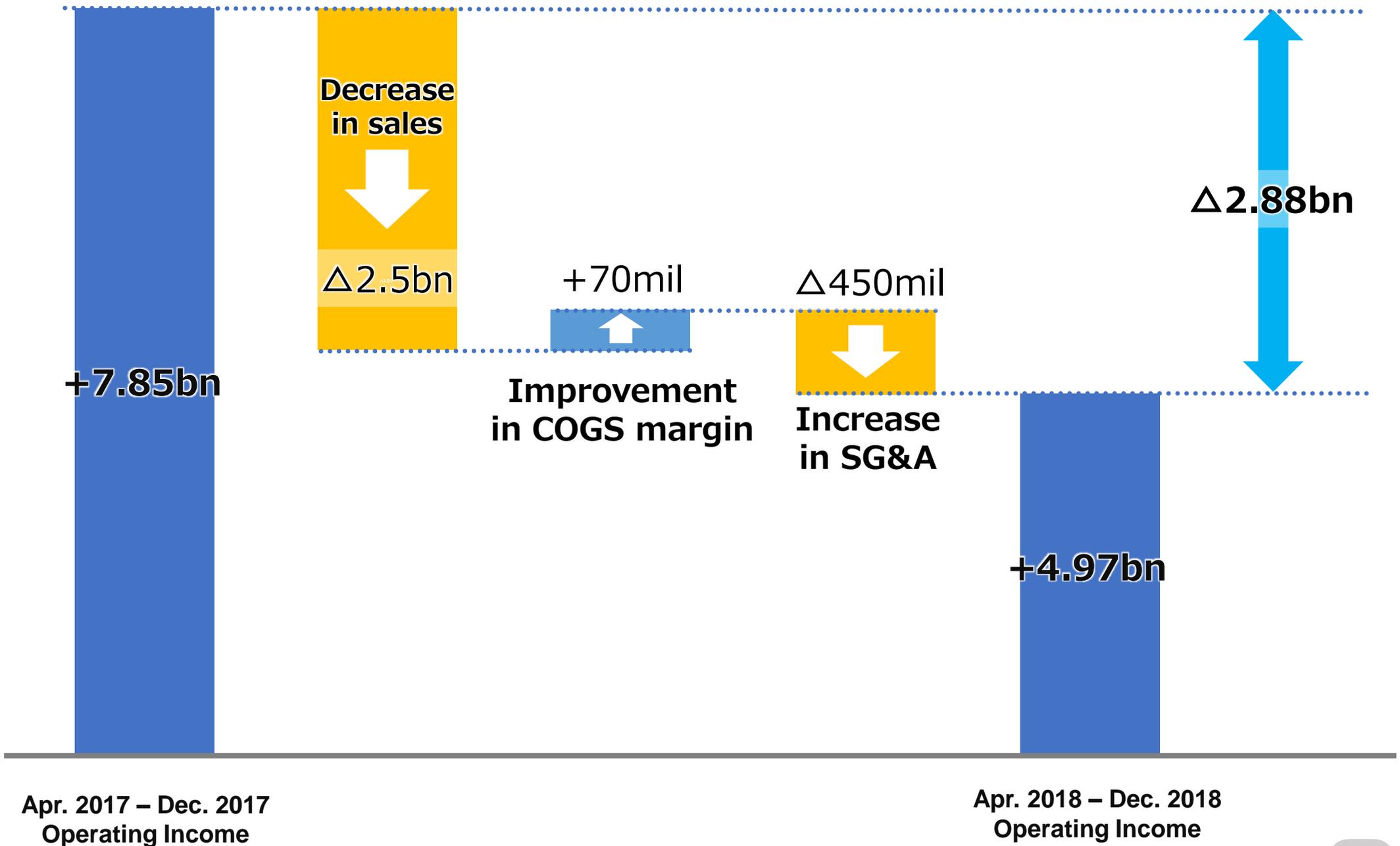


I. Breakdown of Sales by Business Unit



*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 Q3 are changed based on accounting standards for tax effect accounting.

(Units in millions of Yen)

Assets	Apr. 2017 - Mar. 2018	Apr. 2018 - Dec. 2018	YoY Change
Current Assets	71,467	66,777	Δ 4,689
Fixed Assets	23,863	25,018	+ 1,154
Tangible Fixed Assets	17,376	19,263	+ 1,886
Intangible Fixed Assets	814	650	Δ 164
Investments and other assets	5,672	5,104	Δ 568
Total Assets	95,330	91,795	Δ 3,535

Liabilities	Apr. 2017 - Mar. 2018	Apr. 2018 - Dec. 2018	Y to Y Change
Current Liabilities	37,485	39,436	+ 1,950
Fixed Liabilities	11,262	6,373	Δ 4,889
Total Liabilities	48,748	45,809	Δ 2,939

Net Assets	Apr. 2017 - Mar. 2018	Apr. 2018 - Dec. 2018	Y to Y Change
Total Net Assets	46,582	45,986	Δ 595
Capital Ratio	48.3%	49.5%	+ 1.2Point

Main impact factors

Assets

Cash/deposit with banks	Δ 3,581
Trade receivables	Δ 3,145
Buildings and structures	+ 2,577

Liabilities/Net Assets

Treasury stock	Δ 2,438
Accrued expenses payable	Δ 966
Advances received	Δ 900

Assumed exchange rate

(Units in Yen)

Assumed exchange rate	From Apr. 1, 2018 to Dec. 31, 2018 (Actual rate)	From Oct. 1, 2018 (Applied assumption rate)
Exchange rate (against USD)	107.84	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		
			October	November	December
Highs	9,560	14,720	8,930	7,670	6,390
Lows	2,275	8,030	6,300	5,430	4,285
End of period	9,010	9,780	6,970	6,040	4,905

PER/PBR/ROE

PER/PBR/ROE	Apr. 1, 2016 to Mar. 31, 2017	Apr. 1, 2017 to Mar. 31, 2018	Apr. 1, 2018 to Dec. 31, 2018
PER (x)	14.43	15.26	— ※
PBR (x)	3.12	2.26	1.12
ROE (%)	24.30	18.18	— ※

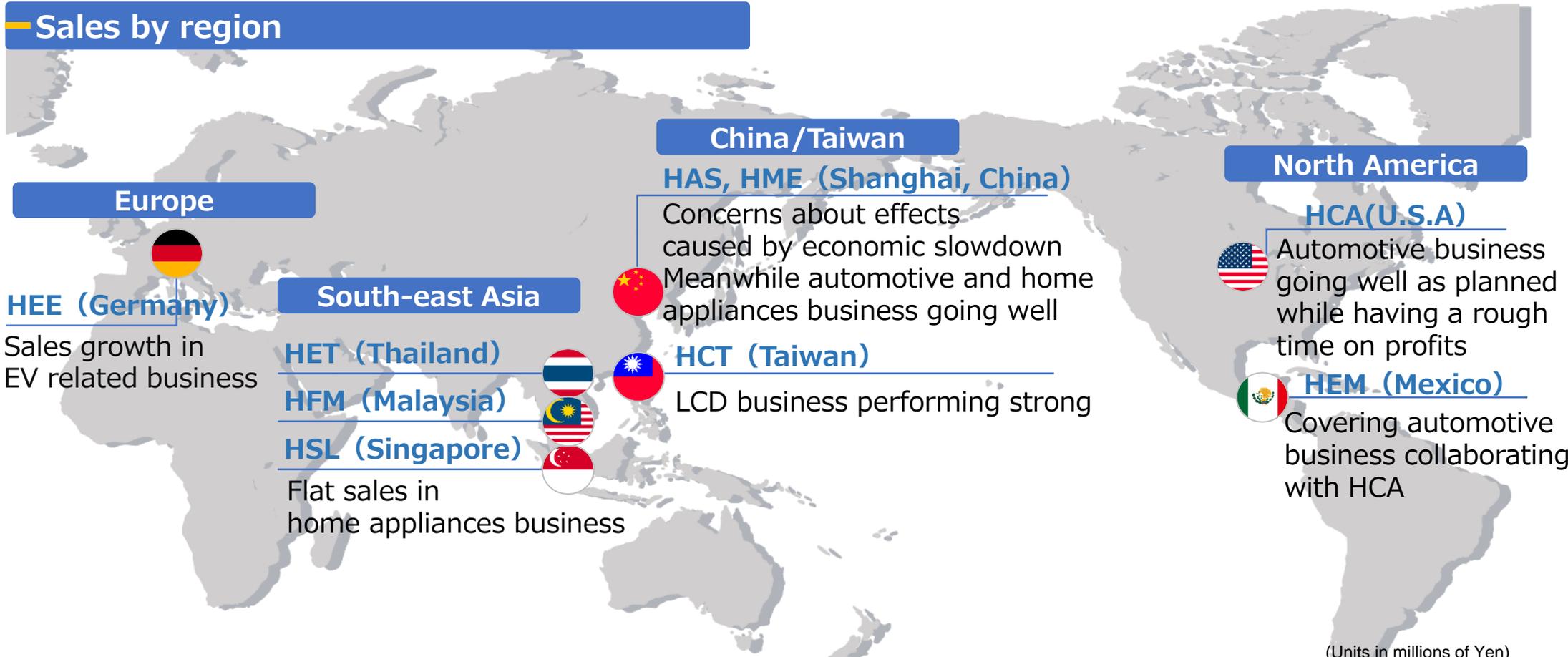
Please note that there is no information on PER & ROE due to incomparable numbers on the basis of quarterly profit.

I. Sales, Orders Received and Outstanding by Business Unit

(Units in millions of Yen)

	Business Unit	Apr 2017 – Dec 2017	Apr 2018 – Dec 2018	YoY Change
Sales	Automotive	23,479	21,579	△8.1%
	Semiconductor	28,710	19,047	△33.7%
	Home appliances & others	11,373	13,191	+ 16.0%
	Others	3,381	1,288	△61.9%
	TOTAL	66,944	55,107	△17.7%
Orders Received	Automotive	21,307	21,994	+ 3.2%
	Semiconductor	31,848	13,383	△58.0%
	Home appliances & others	14,462	8,649	△40.2%
	Others	1,829	1,641	△10.3%
	TOTAL	69,448	45,668	△34.2%
Orders Outstanding	Automotive	23,213	17,872	△23.0%
	Semiconductor	16,051	10,231	△36.3%
	Home appliances & others	7,966	6,238	△21.7%
	Others	825	699	△15.3%
	TOTAL	48,056	35,042	△27.1%

I. Global Business Overview



(Units in millions of Yen)

	Japan		Asia		North America		Europe		TOTAL	
	18/3 3Q	19/3 3Q	18/3 3Q	19/3 3Q	18/3 3Q	19/3 3Q	18/3 3Q	19/3 3Q	18/3 3Q	19/3 3Q
Sales	56,487	42,191	5,523	5,929	4,445	4,743	489	2,243	66,944	55,107
Operating Income	7,184	4,113	354	1,099	562	△ 341	△18	31	8,082	4,902

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–Dec 2017		Apr–Dec 2018	
	Amount of orders received	Sales	Amount of orders received	Sales
Organic EL related business	18,027	17,161	2,071	5,583
Electric vehicle related business	2,078	5,926	4,598	3,867

● Organic EL related business

The sales of organic EL related business accounted for about 29% of its total semiconductor sales, which was the decrease of 68% over the previous year. The incoming orders was decreased by 89% over the previous year.

● Electric Vehicle related business

The sales of EV related business accounted for 18% of its total automobile sales, which was the decrease of 35% over the previous year. The incoming orders was increased by 121% over the previous year.

I. Topics – Client Accolade

– Hirata/IIJ won the grand prize for application and service category

Hirata is honored to announce that we won the grand prize in application and service category at Impress DX Awards 2018. This award is for a solution called Cognitive Factory Hirata Corporation and Internet Initiative Japan Inc. have co-developed. The reason behind we receiving the award is we have operations across the globe and the Cognitive Factory is expected to merge Japanese manufacturing and overseas latest vision and framework.

Hirata continues to collaborate with IIJ and focus on providing high-value-added production equipment making use of the Cognitive Factory.



The ceremony was held on January 31.

II Market Trend and Forecast for FYE March 2019

The nine-month period ended December 31, 2018 (April 1, 2018 - December 31, 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 participates into growing markets aggressively, structures its production system more efficiently, and strengthens its revenue base.

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 (YEN)	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 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

In terms of automobile sales, the US market remains flat and the Chinese market has slowed down a bit. Under the situation, developing countries have been leading the global automobile sales. Consumers' incentive to purchase automobiles before consumption tax increase are expected in Japan. We have received orders for electric vehicle especially from Japanese and European manufacturers and work harder to receive orders in this category continuously.

Semiconductor-related business

We see a slowdown in the semiconductor market and business investment for organic EL for display also became weak while demands from automobiles and industries have been growing. The delays in sales plan with organic EL resulted in decrease in our sales and profits. We expect the organic EL market will expand again while working harder to receive more orders for wafer transfer and LCD related business.

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

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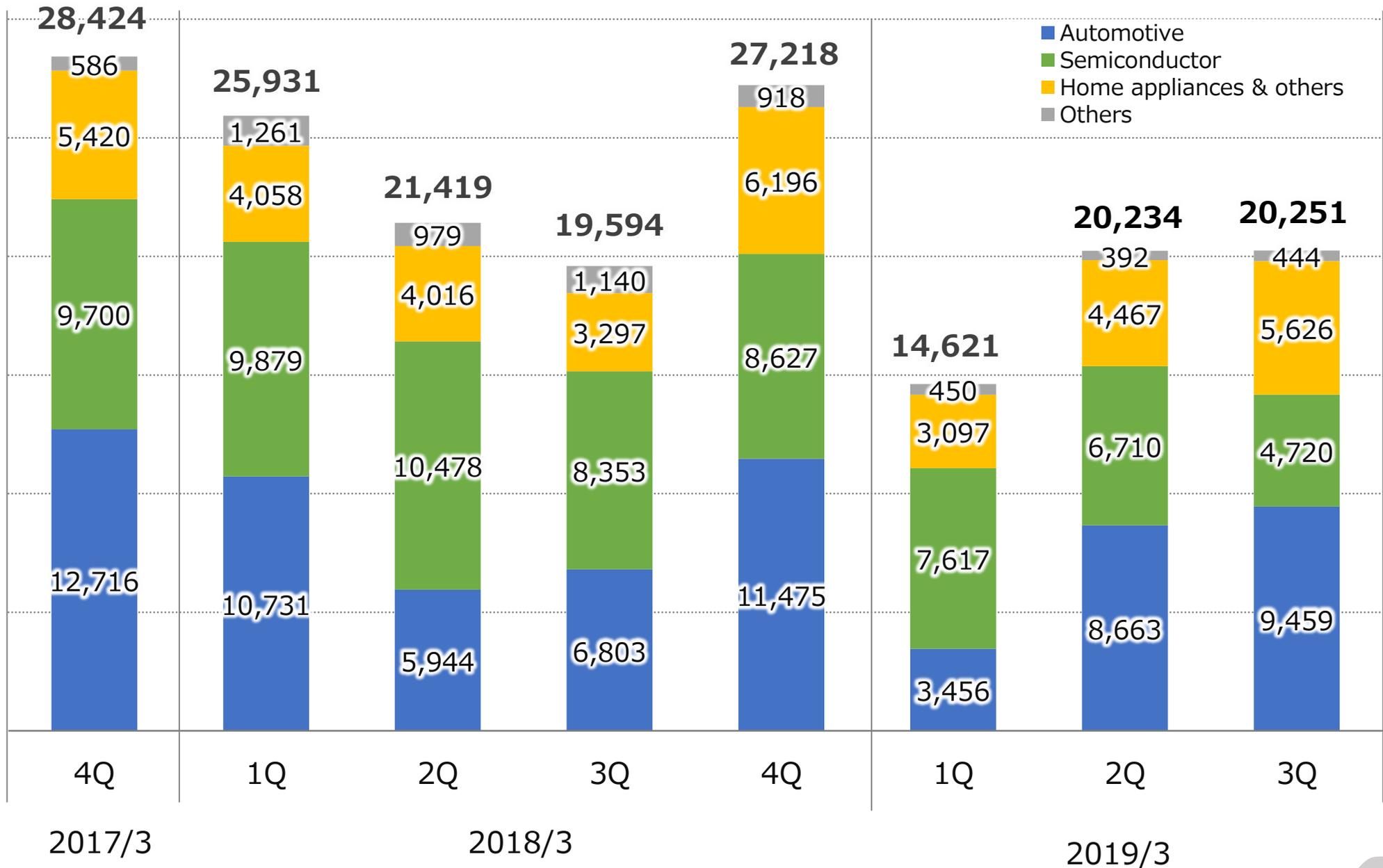
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III. Quarterly Trends of Sales by Business Unit

Sales by Business Unit

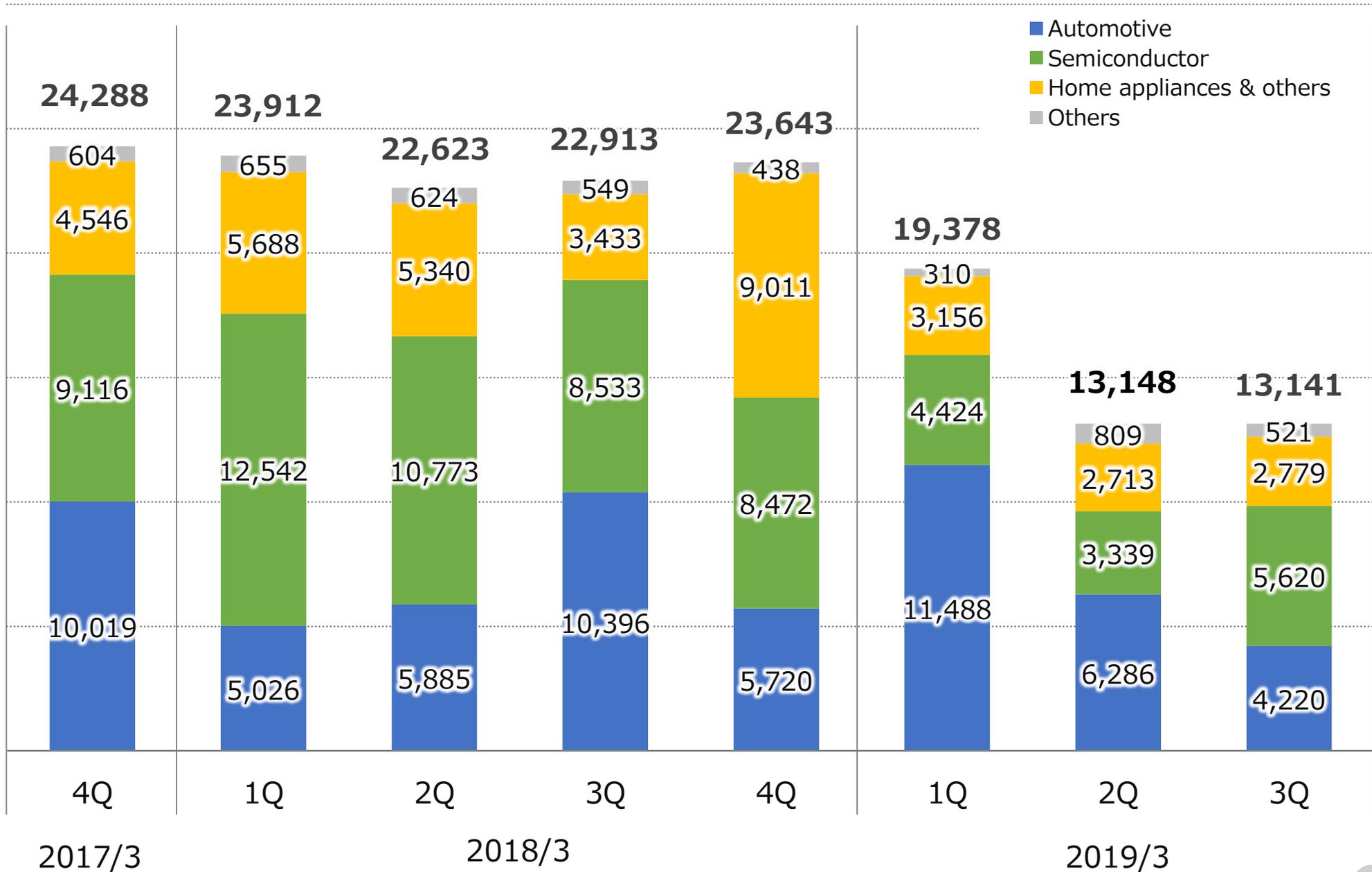
(Units in millions of Yen)



III. Quarterly Trends of Received Orders by Business Unit

Received Orders by Business Unit

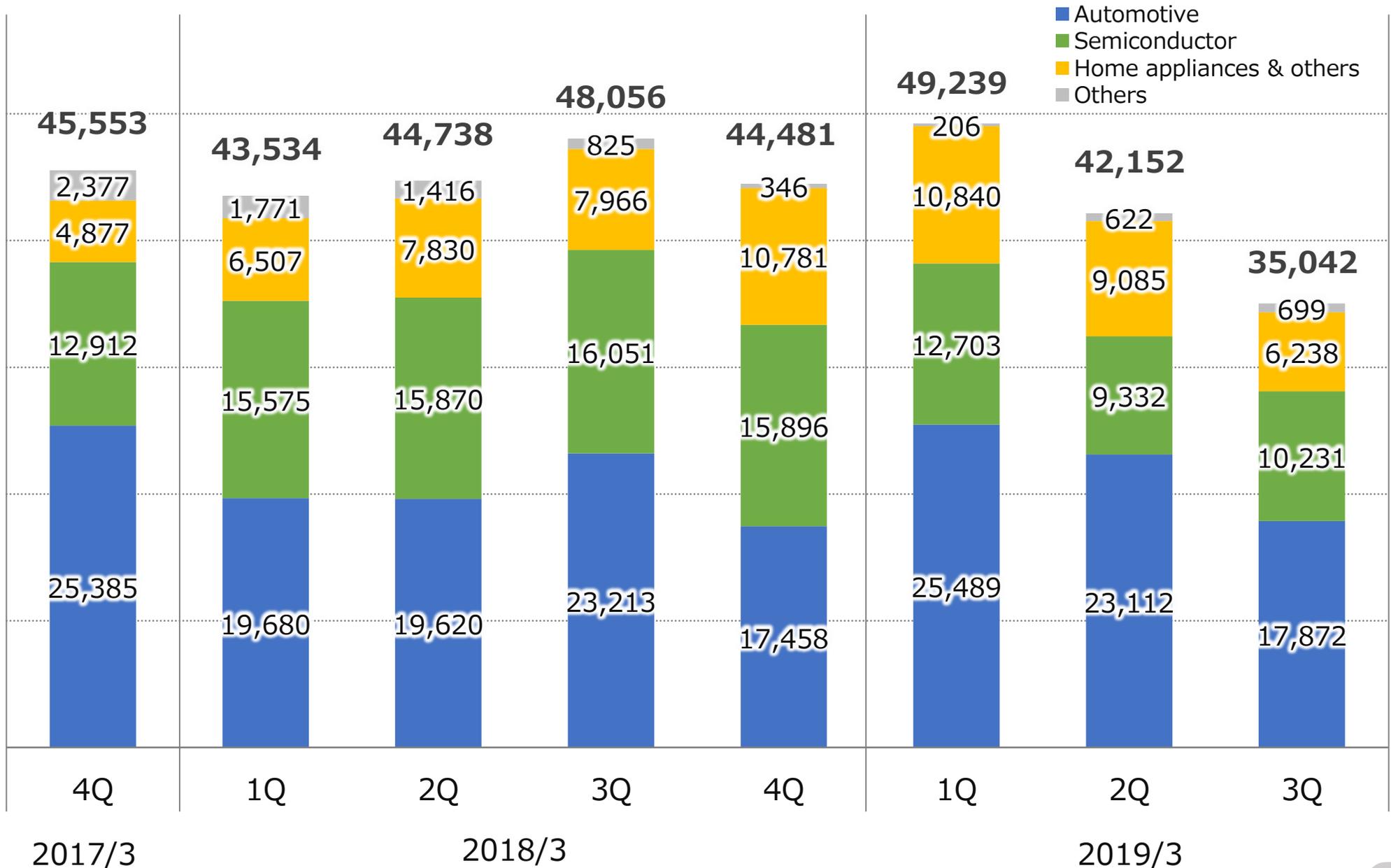
(Units in millions of Yen)



III. Quarterly Trends of Orders Outstanding by Business Unit

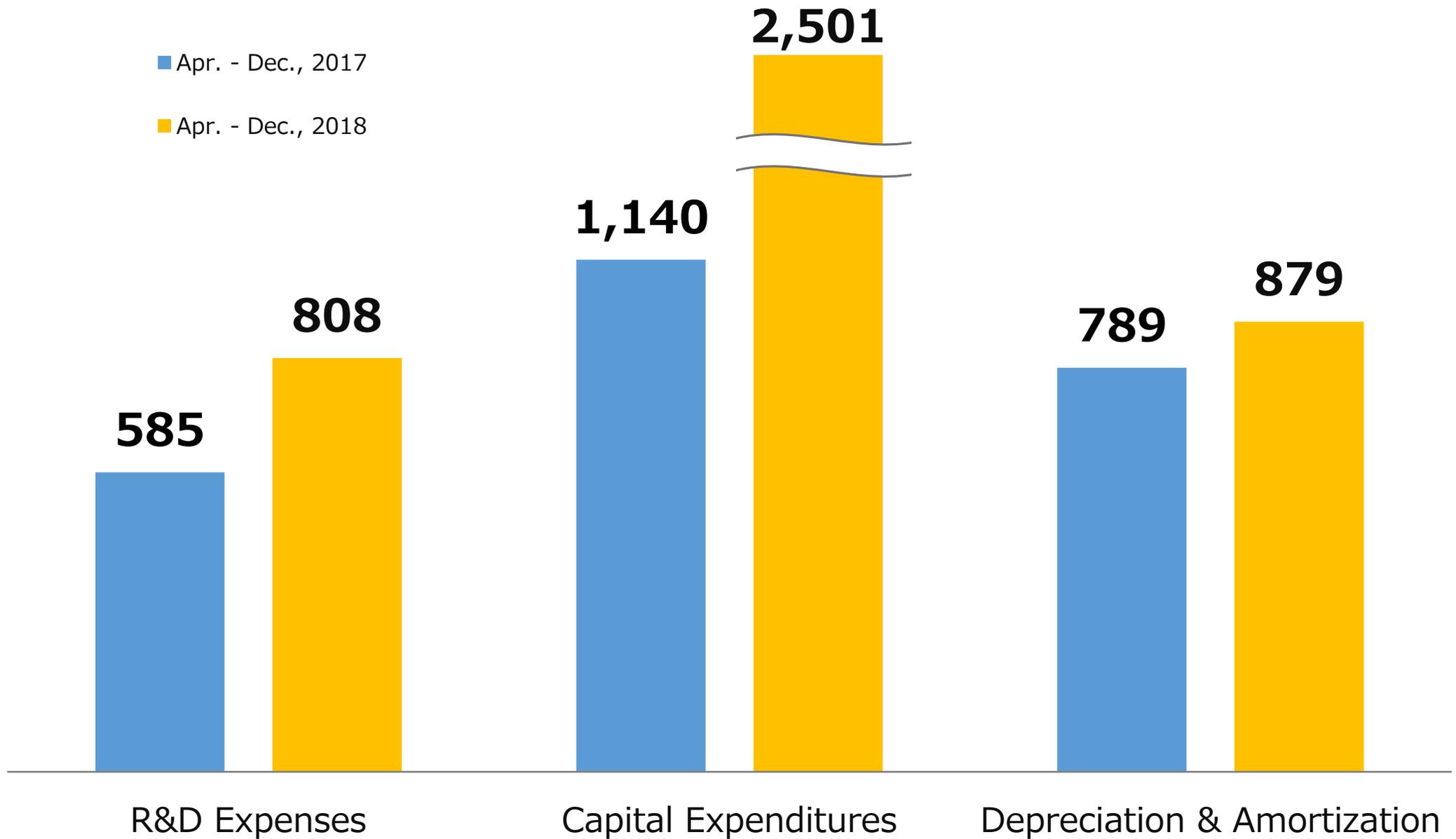
Outstanding Orders by Business Unit

(Units in millions of Yen)



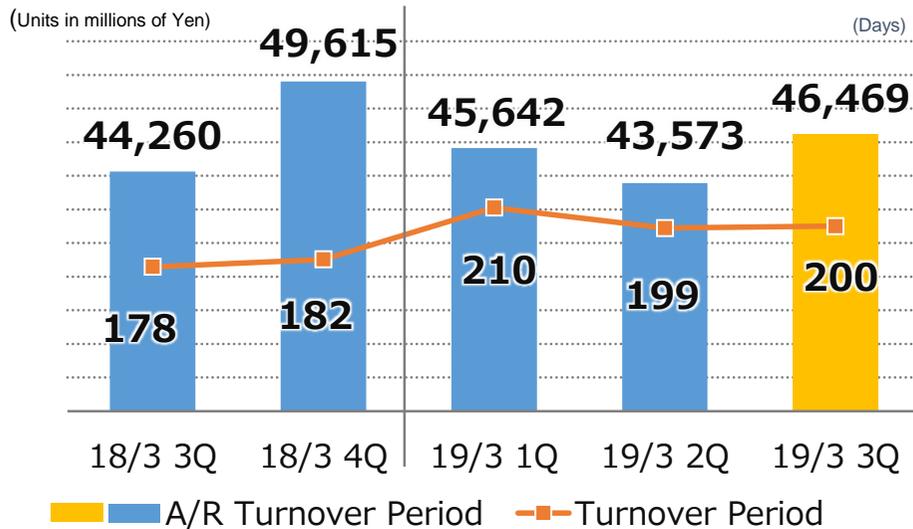
III. R&D, CAPEX, Depreciation and Amortization

(Units in millions of Yen)

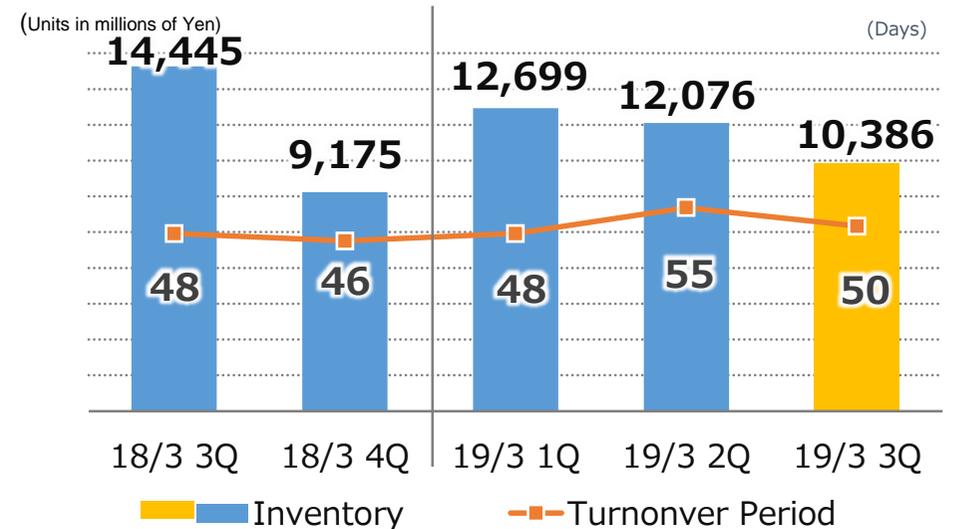


III. Key Financial KPIs/Indicators

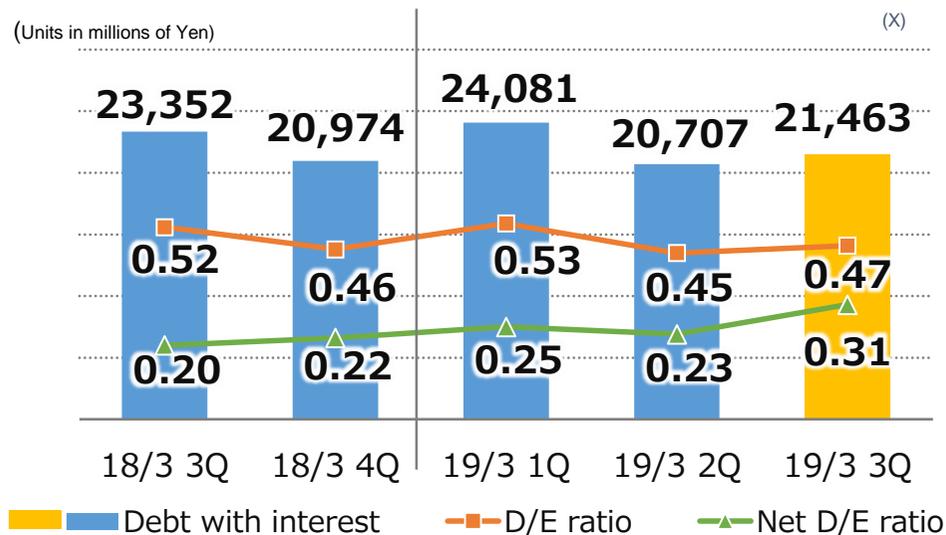
Account Receivables/Turnover period



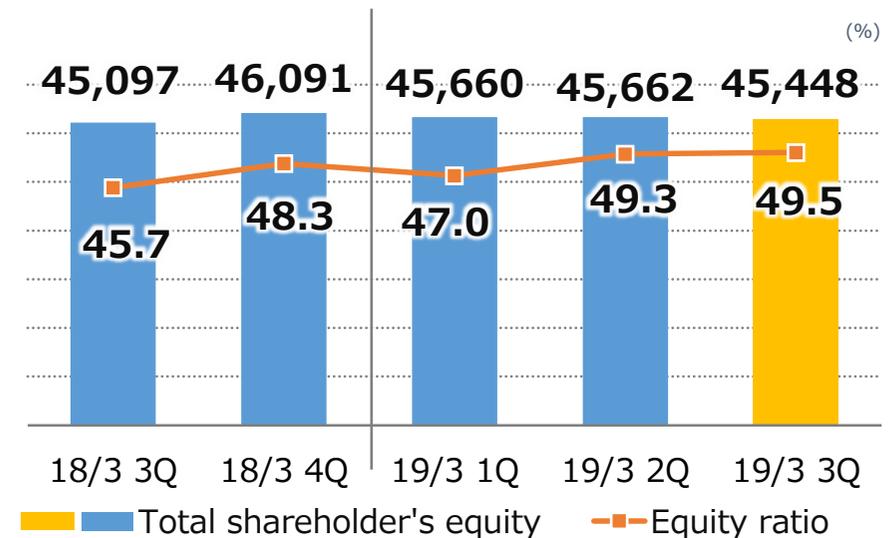
Inventory/Turnover period



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



Total shareholder's equity/Equity ratio



Please note that 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.