

Hirata

The Global Production Engineering Company

Year-End Financial Results for Fiscal Year Ended March 31, 2019

Hirata Corporation



I. Financial Results and Outlook

The Fiscal Year ended on March 31, 2019 (April 1, 2018 through March 31, 2019)

Hirata



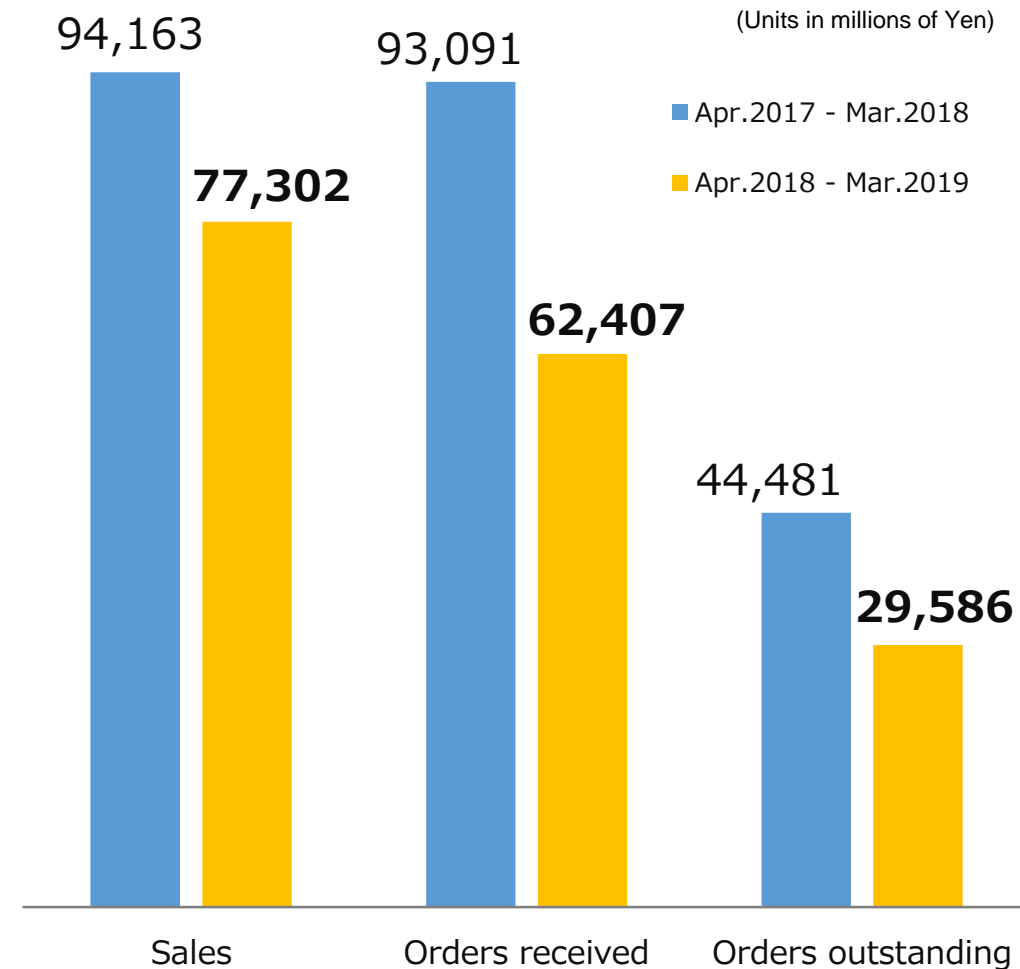
I. Summary of Financial Results

Overview

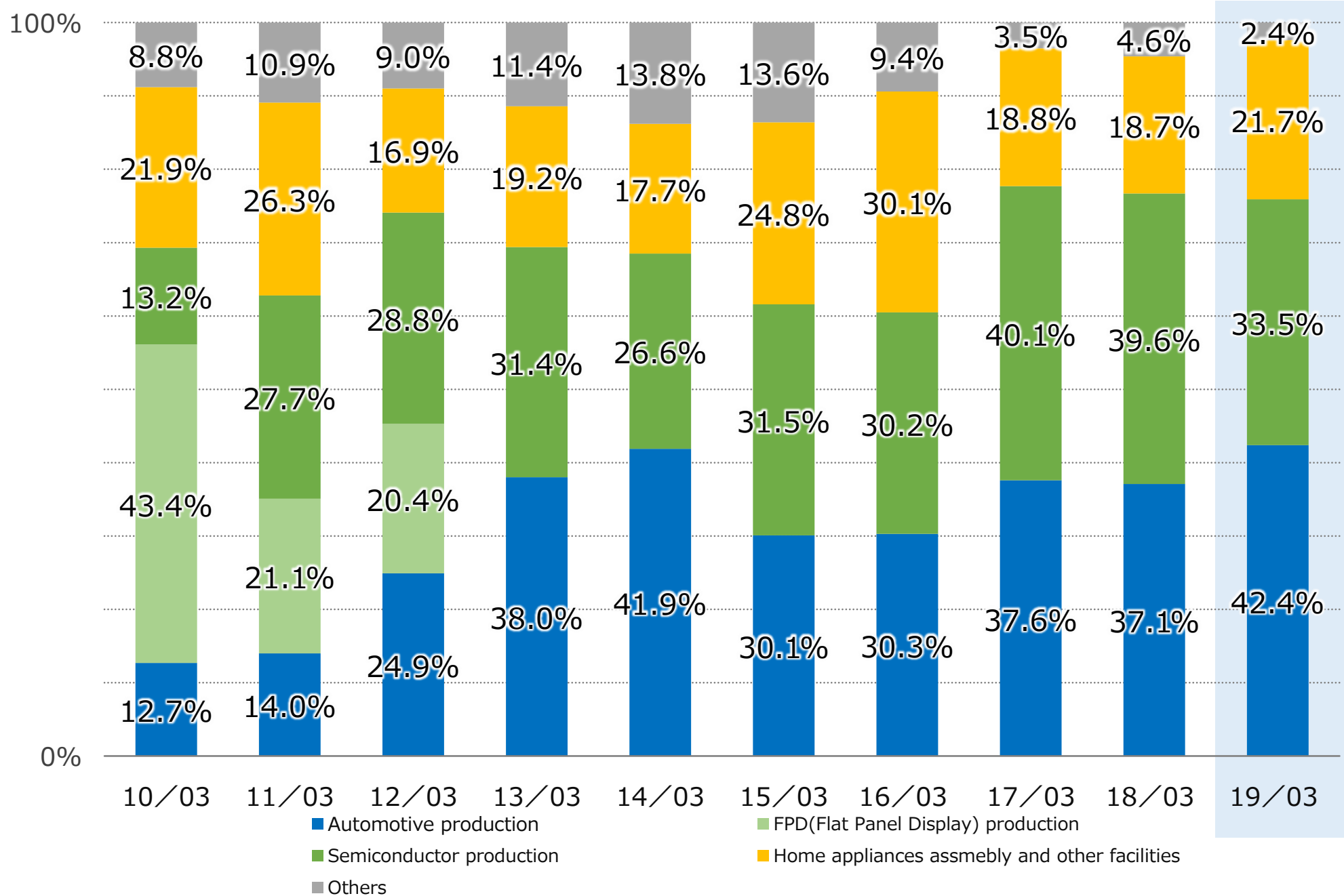
Hirata worked harder for receiving new orders on electric vehicle business and also developing new customers. The situation, however, was a sharp downturn in organic EL related business investment which used to be at a high level and automotive manufacturers also have slowed down investments. In consequence,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

(Units in millions of Yen)

| | Apr. 2017 – Mar. 2018 (Actual) | Apr. 2018 – Mar. 2019 (Actual) | YoY Change |
|---|--------------------------------|--------------------------------|------------|
| Sales | 94,163 | 77,302 | △17.9% |
| Operating Income | 9,371 | 6,249 | △33.3% |
| Ordinary Income | 9,247 | 6,306 | △31.8% |
| Profit attributable to owners of the parent company | 6,666 | 4,637 | △30.4% |

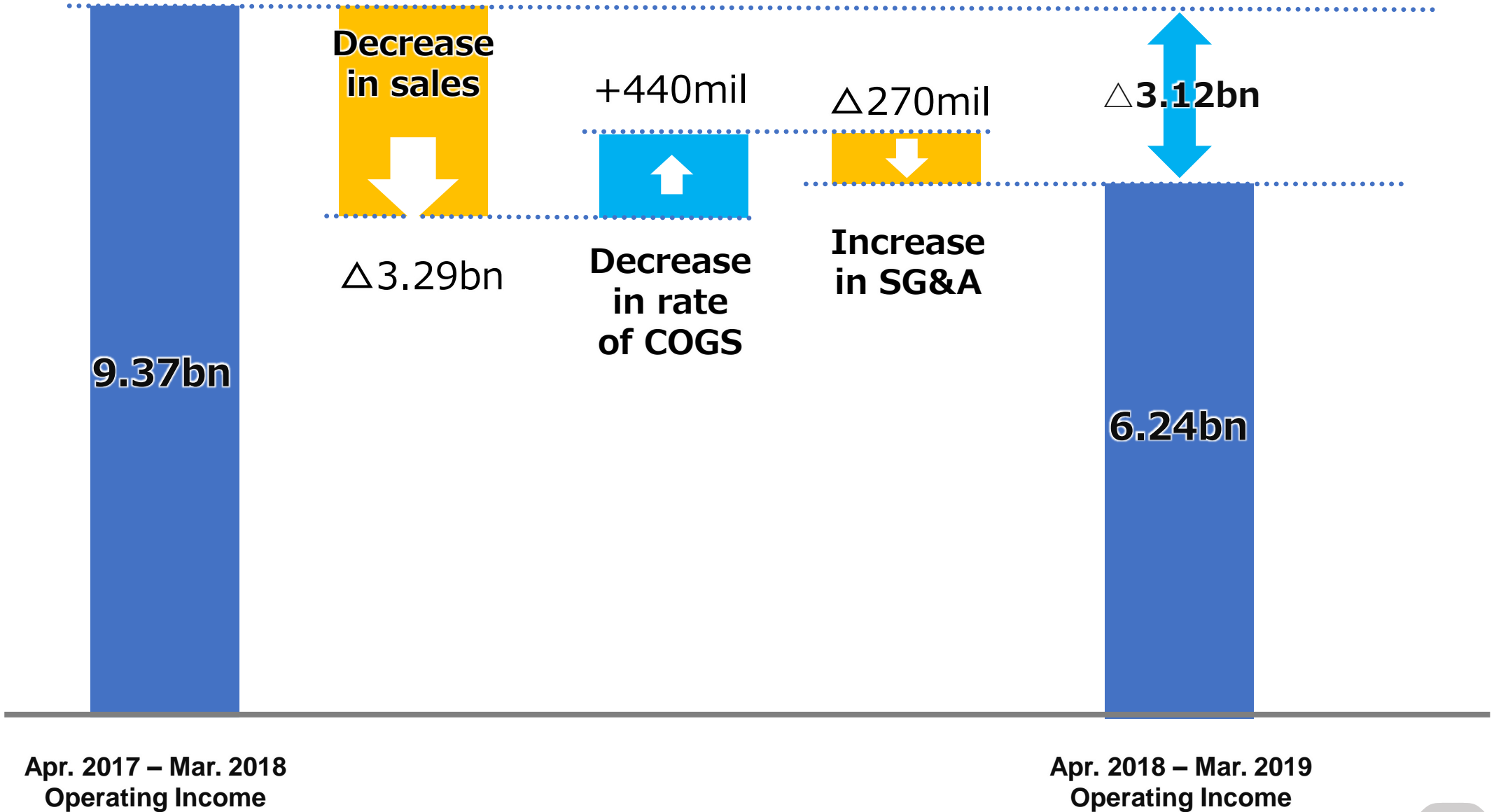


I. Breakdown of Sales by Business Unit



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

I. Factor Analysis on Changing Operating Income



Apr. 2017 – Mar. 2018
Operating Income

Apr. 2018 – Mar. 2019
Operating Income

I. Balance Sheet

Balance Sheet

(Units in millions of Yen)

| Asset | Apr. 2017 – Mar. 2018 | Apr. 2018 – Mar. 2019 | YoY Change |
|------------------------------|--------------------------|--------------------------|---------------|
| Current Assets | 71,467 | 64,321 | △7,145 |
| Fixed Assets | 23,863 | 26,252 | +2,388 |
| Tangible Fixed Assets | 17,376 | 20,336 | +2,960 |
| Intangible Fixed Assets | 814 | 676 | △137 |
| Investments and other assets | 5,672 | 5,238 | △433 |
| Total Assets | 95,330 | 90,573 | △4,757 |

| Liabilities | Apr. 2017 – Mar. 2018 | Apr. 2018 – Mar. 2019 | YoY Change |
|--------------------------|--------------------------|--------------------------|---------------|
| Current Liabilities | 37,485 | 36,718 | △767 |
| Fixed Liabilities | 11,262 | 7,244 | △4,018 |
| Total Liabilities | 48,748 | 43,963 | △4,785 |

| Net Assets | Apr. 2017 – Mar. 2018 | Apr. 2018 – Mar. 2019 | YoY Change |
|-------------------------|--------------------------|--------------------------|------------------|
| Total Net Assets | 46,582 | 46,610 | +27 |
| Capital Ratio | 48.3% | 50.9% | +2.6Point |

Main impact factors

Assets

| | |
|---------------------------|--------|
| Trade accounts receivable | △5,651 |
| Inventories | △1,423 |
| Buildings and structures | +2,434 |

Liabilities/Net Assets

| | |
|--------------------|--------|
| Treasury stock | △2,422 |
| Debt with interest | △2,112 |
| Advance received | △1,538 |

Assumed exchange rate

(Units in Yen)

| Assumed exchange rate | From Apr 1, 2018 to Mar 31, 2019 (Actual rate) | From Apr 1, 2019 (Applied assumption rate) |
|-----------------------------|---|---|
| Exchange rate (against USD) | 108.18 | 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 | | |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------|-------|-------|
| | | | Jan. | Feb. | Mar. |
| Highs | 9,560 | 14,720 | 6,780 | 7,050 | 7,650 |
| Lows | 2,275 | 8,030 | 4,460 | 6,010 | 6,040 |
| End of period | 9,010 | 9,780 | 6,690 | 6,270 | 7,640 |

PER/PBR/ROE

| PER/PBR/ROE | Apr. 1, 2016 to Mar. 31, 2017 | Apr. 1, 2017 to Mar. 31, 2018 | Apr. 1, 2018 to Mar. 31, 2019 |
|-------------|-------------------------------|-------------------------------|-------------------------------|
| PER (x) | 14.43 | 15.26 | 17.33 |
| PBR (x) | 3.12 | 2.26 | 1.72 |
| ROE (%) | 24.30 | 18.18 | 10.06 |

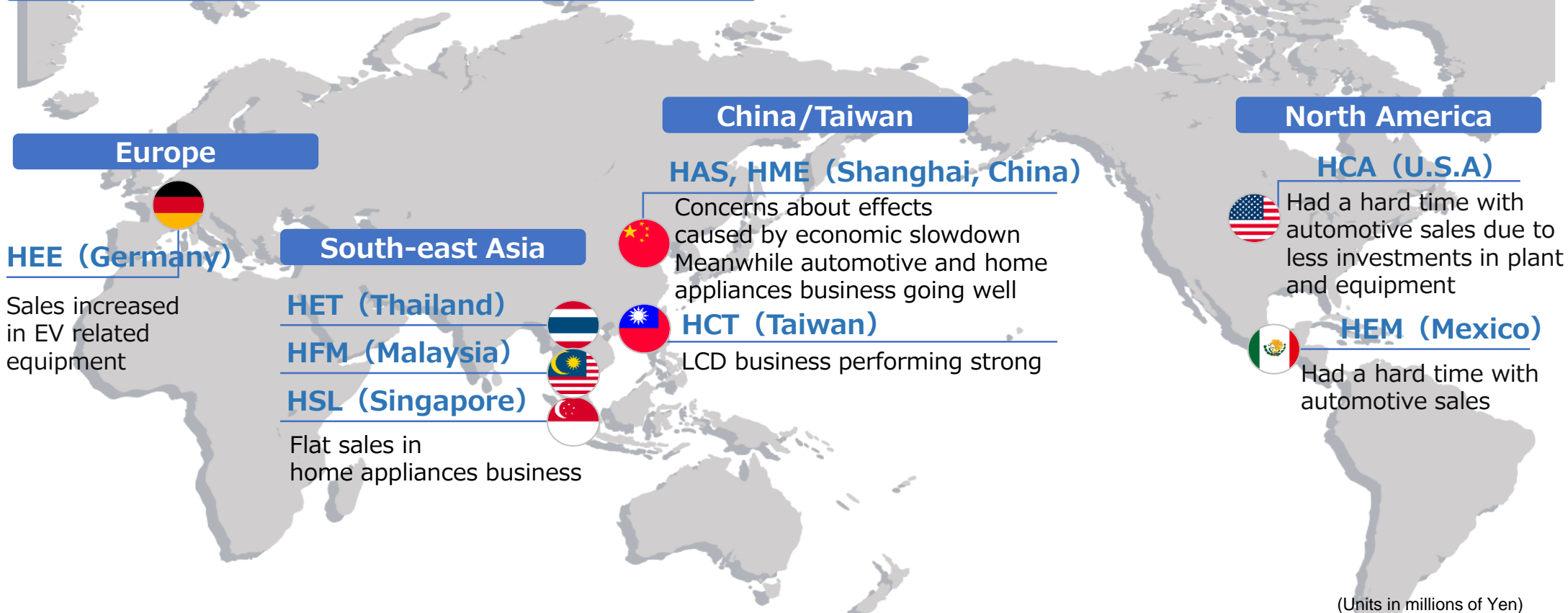
I. Sales, Orders Received and Outstanding by Business Unit

(Units in millions of Yen)

| | Business Unit | Apr 2017 – Mar 2018 | Apr 2018 – Mar 2019 | YoY Change |
|---------------------------|--------------------------|--------------------------------|--------------------------------|-----------------------|
| Sales | Automotive | 34,955 | 32,760 | △6.3% |
| | Semiconductor | 37,338 | 25,939 | △30.5% |
| | Home appliances & others | 17,569 | 16,780 | △4.5% |
| | Others | 4,299 | 1,821 | △57.6% |
| | TOTAL | 94,163 | 77,302 | △17.9% |
| Orders Received | Automotive | 27,028 | 30,053 | +11.2% |
| | Semiconductor | 40,321 | 18,143 | △55.0% |
| | Home appliances & others | 23,473 | 12,120 | △48.4% |
| | Others | 2,268 | 2,089 | △7.9% |
| | TOTAL | 93,091 | 62,407 | △33.0% |
| Orders Outstanding | Automotive | 17,458 | 14,751 | △15.5% |
| | Semiconductor | 15,896 | 8,099 | △49.0% |
| | Home appliances & others | 10,781 | 6,121 | △43.2% |
| | Others | 346 | 613 | +77.3% |
| | TOTAL | 44,481 | 29,586 | △33.5% |

I. Global Business Overview

Sales by region



| | Japan | | Asia | | North America | | Europe | | TOTAL | |
|------------------|--------|---------------|-------|--------------|---------------|--------------|--------|--------------|--------|---------------|
| | 18/3 | 19/3 | 18/3 | 19/3 | 18/3 | 19/3 | 18/3 | 19/3 | 18/3 | 19/3 |
| Sales | 73,942 | 58,150 | 9,156 | 8,030 | 10,189 | 7,790 | 874 | 3,331 | 94,163 | 77,302 |
| Operating income | 8,388 | 5,085 | 637 | 1,106 | 376 | △ 169 | 10 | 129 | 9,413 | 6,152 |

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

- A massive decrease in the sales and incoming orders of organic EL
 An order increase, on the other hand, in electric vehicle related business

(Units in millions of Yen)

| | Apr. 2017 – Mar. 2018 | | Apr. 2018 – Mar. 2019 | |
|-----------------------------------|---------------------------|--------|---------------------------|-------|
| | Amount of orders received | Sales | Amount of orders received | Sales |
| Organic EL-related business | 20,009 | 20,722 | 3,206 | 7,288 |
| Electric vehicle related business | 3,117 | 8,751 | 6,912 | 6,667 |

- Organic EL related business

The sales of organic EL related business accounted for about 28% of its total semiconductor sales, which was the decrease of 65% over the previous year. The incoming orders was decreased by 84% over the previous year.

- Electric Vehicle related business

The sales of EV related business accounted for about 20% of its total automobile sales, which was the decrease of 24% over the previous year. The incoming orders was increased by 122% 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 received 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.

I. Topics – regional contribution

Providing Hirata's robots to our hometown, Kumamoto

Hirata provided its demo robots to NTT Corporation located in Kumamoto. This was for IoT's transmission of information project which Kumamoto prefecture, Kumamoto city, and NTT Corporation have been working on. Hirata's robots demonstrate remote management system, preventive maintenance, and so on using IoT technology. This space displayed four products including our robots and is useful for personnel training for engineers, student learning, public awareness activities, and so on.



The opening ceremony



Hirata explained how its robots work to Mr. Kabashima, the governor of Kumamoto prefecture

I. Topics – regional contribution

Regional contribution

Hirata is engaged in the post-quake reconstruction effort of our hometown, Kumamoto through regional contribution as below:

- Main sponsor of Kumamoto’s football team Roasso Kumamoto
 Hirata has been an uniform sponsor of Roasso Kumamoto since Feb.1, 2018. Hirata empathizes with Roasso Kumamoto’s philosophy “Cheers to residents, dreams to children, and energy to Kumamoto”, and has backed up this football team.
- Sponsor for Kumamoto castle marathon
 Hirata became a sponsor for the second consecutive year for Kumamoto castle marathon held on Feb 17, 2019 and supported the event.



Roasso Kumamoto’s uniform with Hirata’s name



Kumamoto castle marathon Hirata sponsored



II Market trend and Forecast for FYE March 2020

The Fiscal Year ended on March 31, 2019 (April 1, 2018 through March 31, 2019)

Hirata



II. Forecasts for FYE March 2020: Earnings Forecast

(Units in millions of Yen)

| | FYE March 2019 (Actual) | | FYE March 2020 (Forecast) | |
|--|-------------------------|--------|---------------------------|---------------|
| Sales | 77,302 | | 70,000 | |
| Automotive | 32,760 | | 29,000 | |
| Semiconductor | 25,939 | | 22,000 | |
| Home Appliances & others | 16,780 | | 17,000 | |
| Others | 1,821 | | 2,000 | |
| Operating Income (margin) | 6,249 | (8.1%) | 2,300 | (3.3%) |
| Ordinary Income (margin) | 6,306 | (8.2%) | 2,200 | (3.1%) |
| Profit attributable to owners of the parent company (margin) | 4,637 | (6.0%) | 1,400 | (2.0%) |

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

- We foresee both sales and profits would be lower than those of the previous year under the unclear situation of incoming orders environment.
- We make use of our global capabilities and the know-how we developed in order to exploit new market and customers which can be expected to grow besides the existing business domains. We also review our cost structure by introducing the latest processing machines for better production efficiency and investment for our new plant, and strengthen our revenue base even under an explosive market.

II. Forecasts for FYE March 2020: 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. In Japan, consumers' incentive to purchase automobiles before consumption tax increase are expecting even though the domestic market is to slow down slightly. We received orders for electric vehicle related equipment especially from Japanese and European manufacturers in the last fiscal year. We work harder to expand our markets in global base continuously.

Semiconductor-related business

We see a slowdown in the semiconductor market and also a bearish condition in business investment for organic EL for display. We work harder to receive more orders for silicon wafer transfer related business against the backdrop of extensive investment for 5G and demand increase of in-car device.

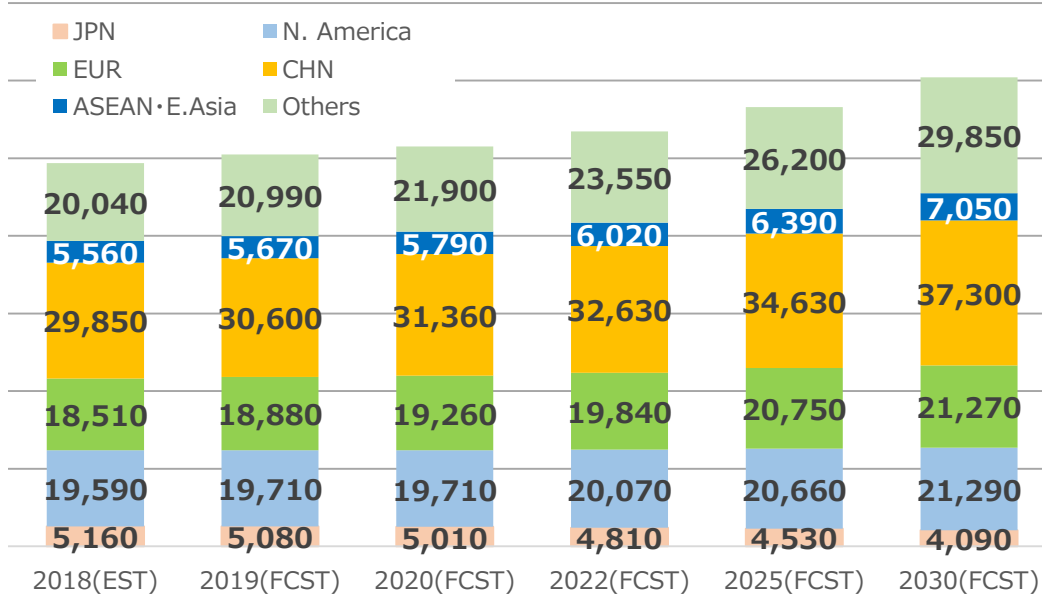
Home appliances and other facilities business

We work closely with our clients, the high-performance home appliance producers, to ensure future orders for their next models' investments.

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

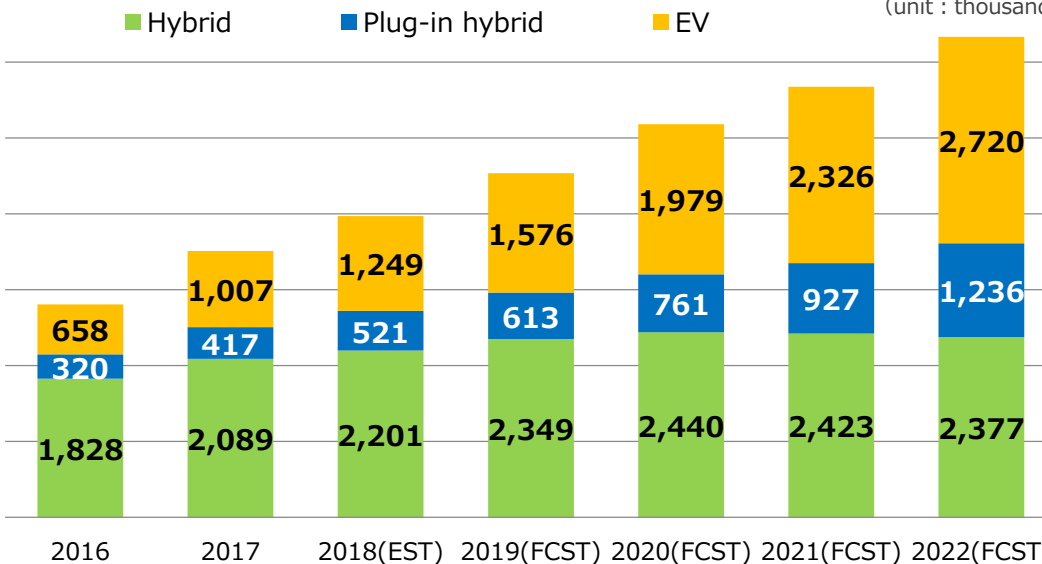
Vehicle production forecast by region

(unit : thousand)



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

(unit : thousand)



Automotive related business market

■ Industry trends

➤ Global demand

- The market is soften in developed countries in year 2019 and stays as flat as that of the last year.
- It is predicted that the market enters a recovery phase after year 2020, led by EV industry development in China and developing countries' growth.

● Hirata's prospect

- Internal combustion locomotive business
We are concerned about less orders from manufacturers in North America.
- EV and part related business
We predict business inquiries mainly from Japanese and European manufacturers on a continuing basis.
- We focus on receiving more orders from both existing customers and new customers.

Sources:

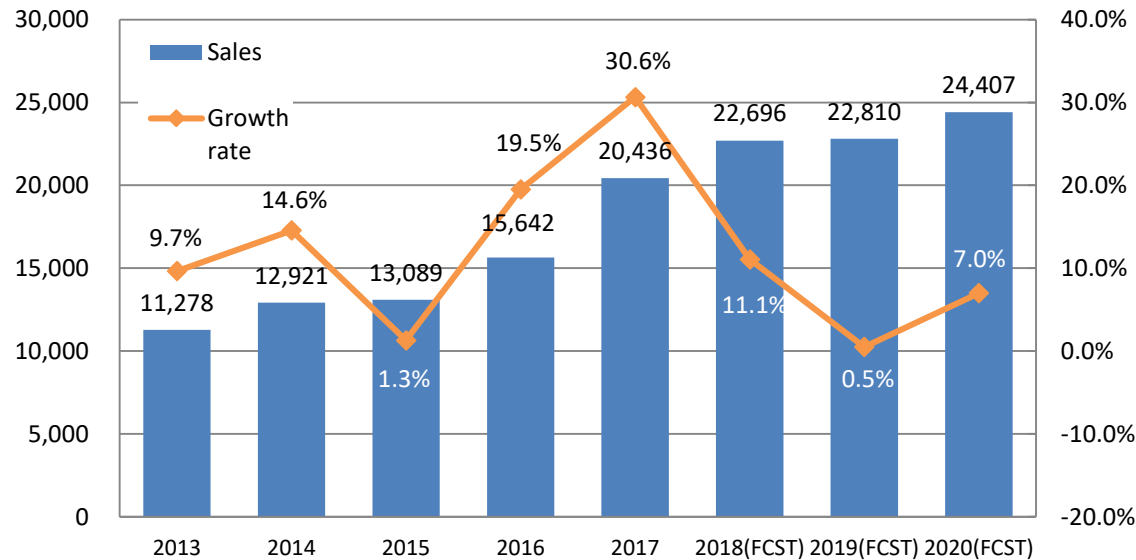
Upper graph: HEV, EV related market analysis of the year 2018
Lower graph: EM Date Service Co.

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

Sales & growth rate of semiconductor manufacturing equipment

(Units: 100 million yen)

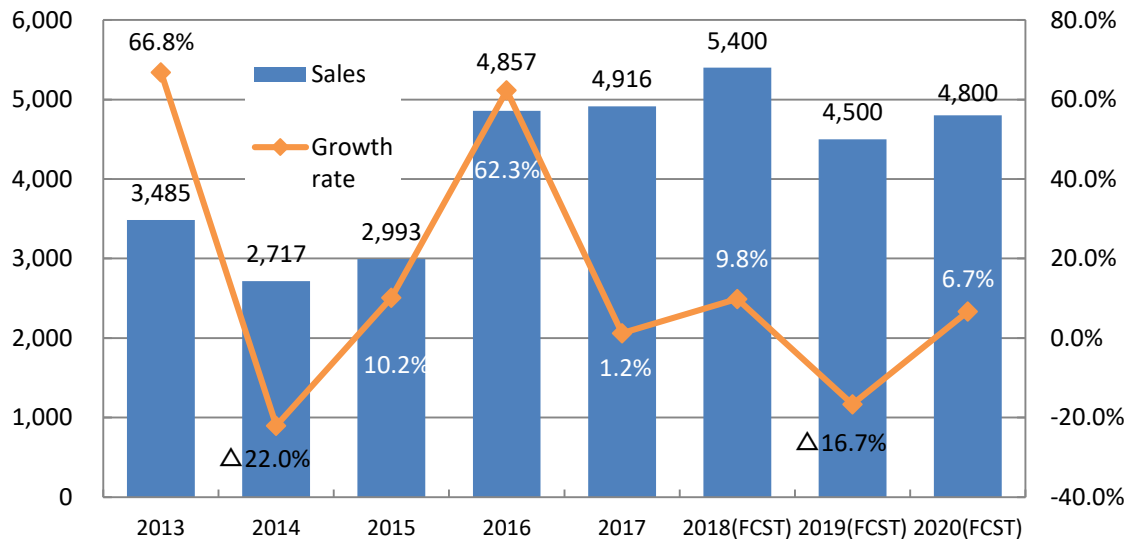
(Growth rate)



Sales & growth rate of FPD manufacturing equipment

(Units: 100 million yen)

(Growth rate)



Semiconductor & FPD related business market

Industry trends

- Semiconductor manufacturing equipment
 - The slowdown on memory investment may cause market adjustment temporarily.
 - We expect the market expands at multi-layered way with IoT related business growth such as big data and high-speed processing, usage of AI to industrial equipment, and sophistication of semiconductors' performance demand like self-driving system.
- FPD manufacturing equipment
 - Slow sales of smartphones may shrink the market.
 - Production trends tends to be high added value such as in-vehicle display.

Hirata's prospect

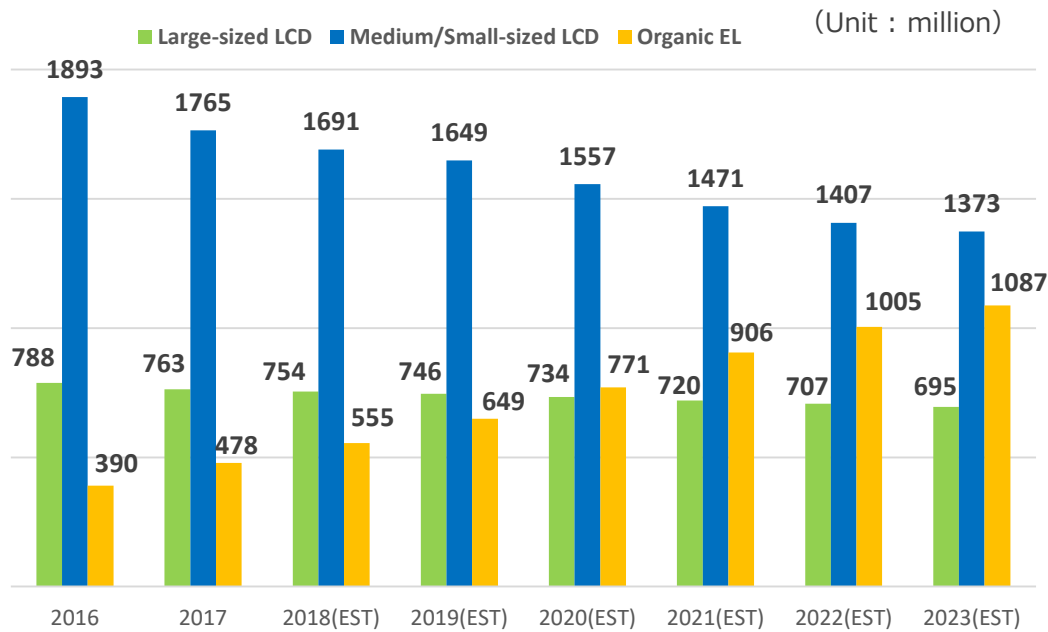
- Semiconductor related business
 - We try harder to secure orders once the market grows again even though it is estimated to reach into a slow demand.
- FPD related business
 - We work for receiving more orders of coaters for large panel.

Sources:

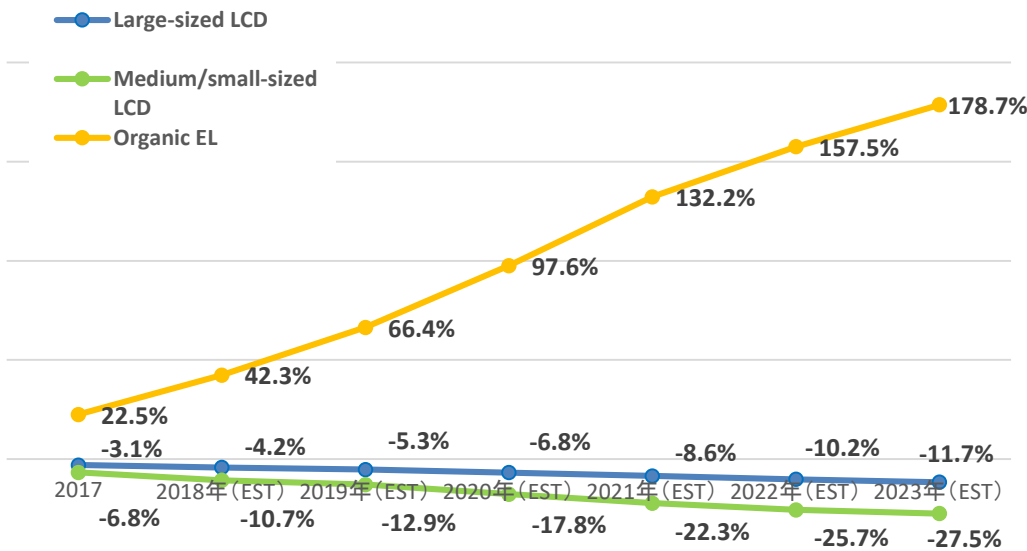
Semiconductor Equipment Association of Japan announced on Jan. 2019.

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

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



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



OLED and LCD related business market

■ Industry trends

- Large and medium/small-sized LCD
 - Large-sized LCD market will shrink due to less demand of PC and tablet.
 - Shifting to organic EL may cause medium/small-sized LCD market to shrink.
- Organic EL
 - The market for smart phones will continue to expand.
 - The market for television and in-car display is expected to grow.

● Hirata's prospect

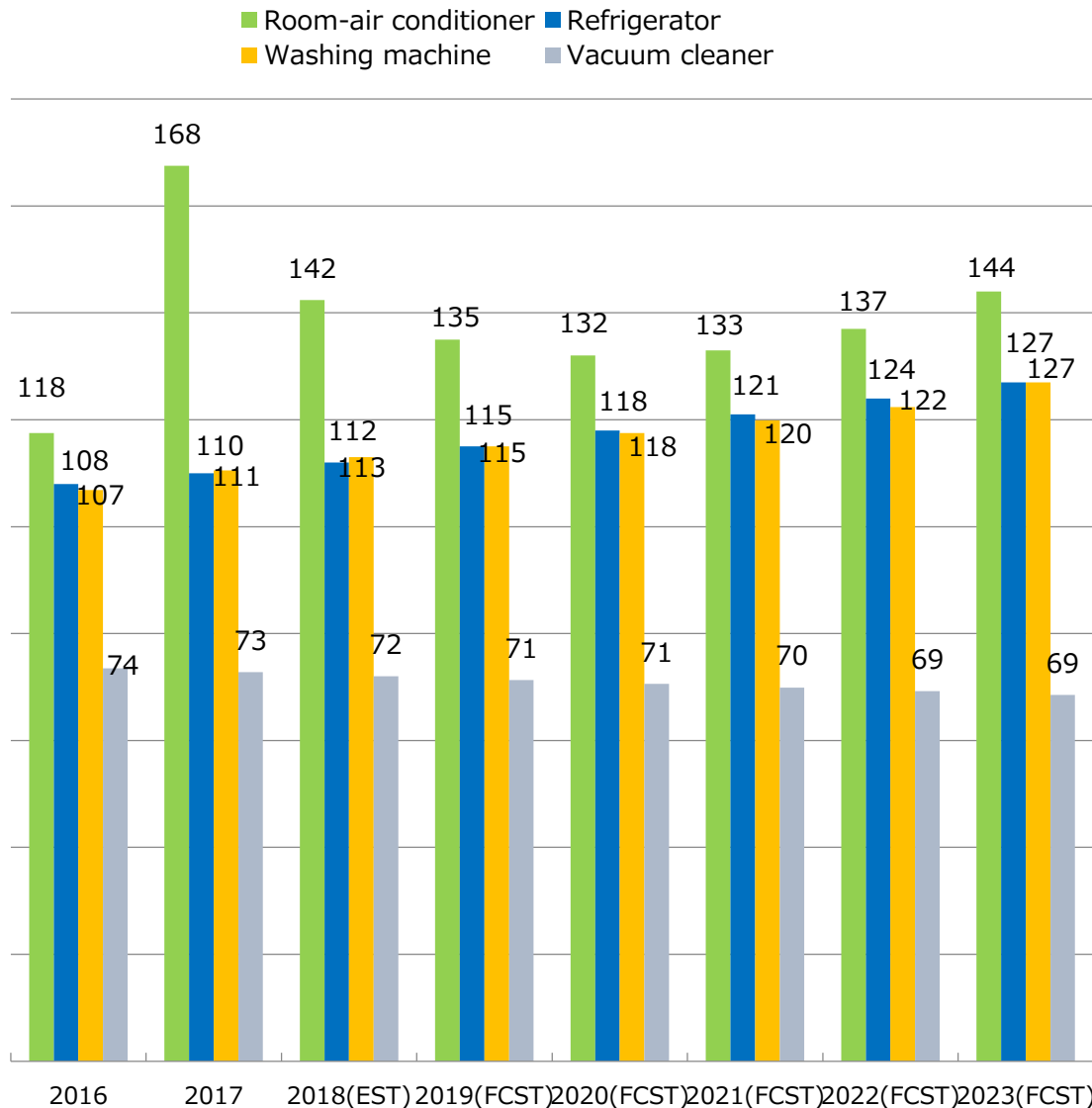
- Organic EL related business
 - Be prepared for the market revival of smart phones as well as dealing with the demand for television.

Source: Fuji Chimera Research Institute, Inc.

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

■ Industry trends

- Overall home appliances market
 - You see slowing growth due to round of demand in China market.
 - The hot summer enlarged the room-air conditioner market in 2017 and the sales may shift to lower with its rebound.

● Hirata's prospect

- Vacuum cleaner related business
 - Try harder to receive orders for new products' equipment investment
- All but home appliances related business
 - Work harder to receive orders in a wide range of areas

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 2016 | FYE Mar 2017 | FYE Mar 2018 | FYE Mar 2019 | FYE Mar 2020 (Estimate) |
|----------------------------|--------------|--------------|---|--------------|------------------------------------|
| Dividends per share | 30.00 | 100.00 | 125.00 <small>including memorial dividend 25.00yen</small> | 125.00 | 40.00 |
| Dividend ratio(%) | 17.5 | 16.0 | 19.5 | 28.4 | 30.1 |

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.

Hirata decided to pay annual dividend per share of 125.00 yen for the fiscal year ended March 31 2019. This will be discussed in Hirata’s annual general meetings to be held on June 25, 2019. For your information, the annual dividend per share for the fiscal year ending March 31 2020 plans to be 40 yen in view of the circumstances in our business forecasts. This will be discussed in Hirata’s annual general meetings to be held at the end of June 2020.

III. Reference Data

The Fiscal Year ended on March 31, 2019 (April 1, 2018 through March 31, 2019)

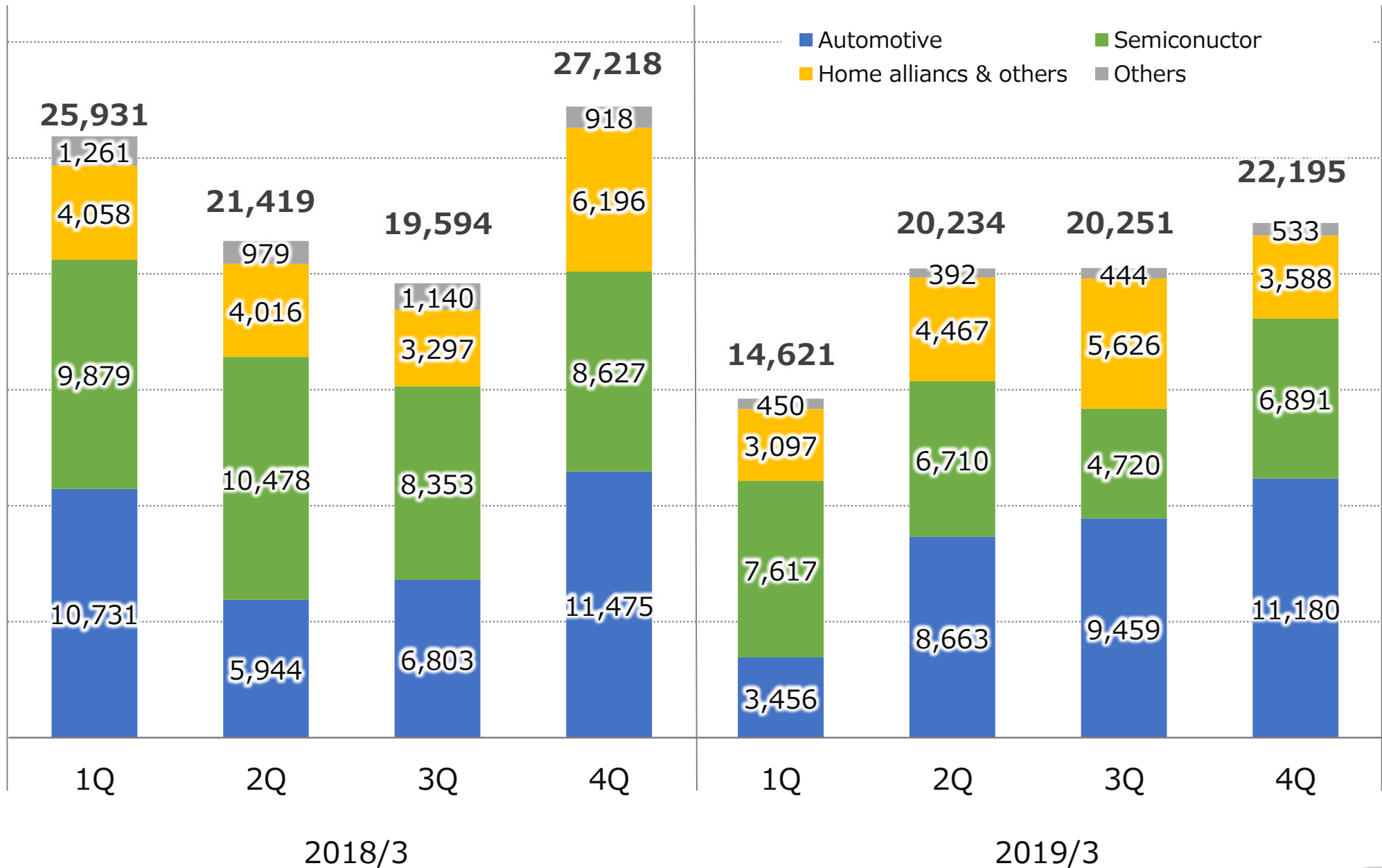
Hirata



III. Quarterly Trends of Sales by Business Unit

Sales by Business Unit

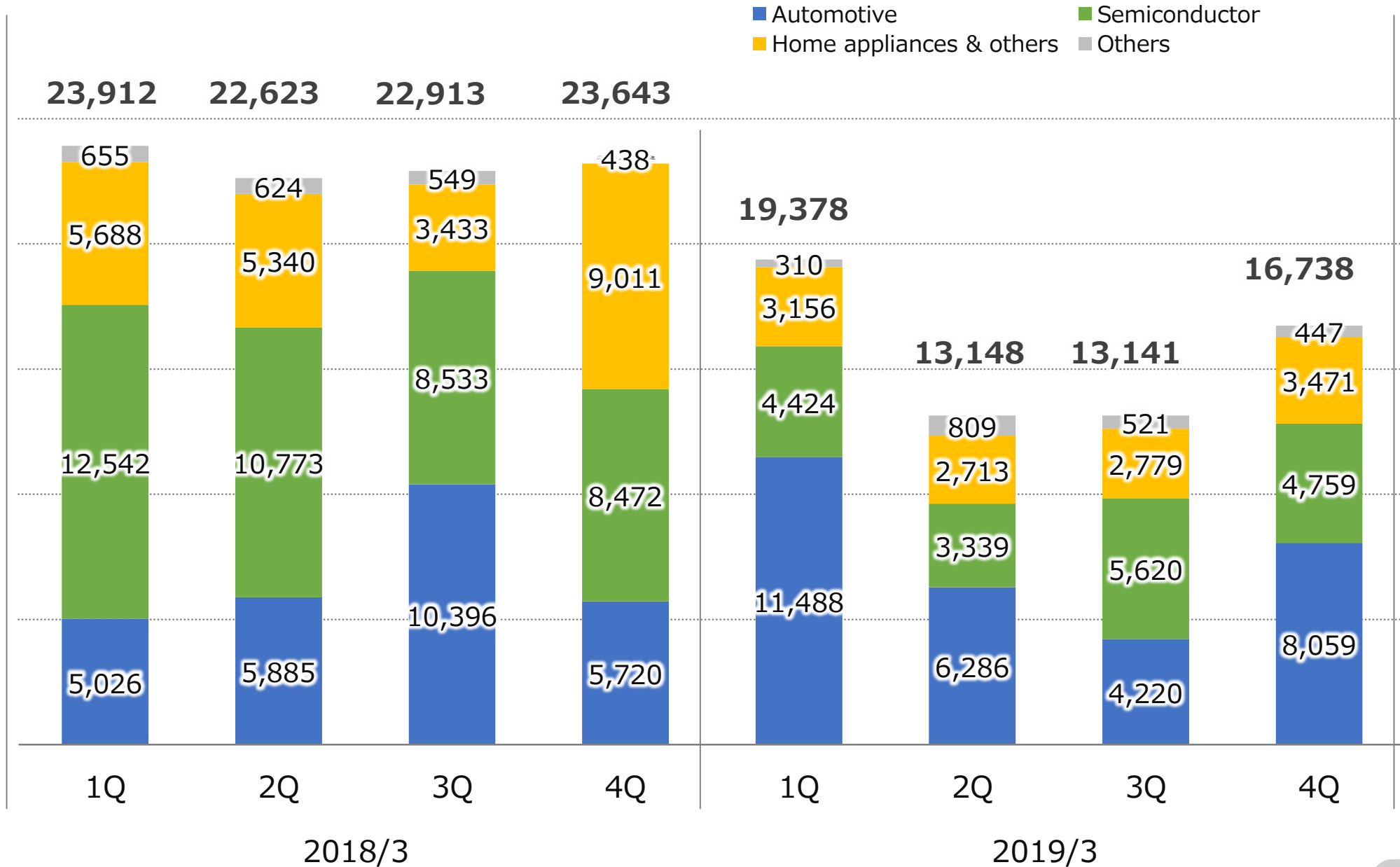
(Units in millions of Yen)



III. Quarterly Trends of Received Orders by Business Unit

Received Orders by Business Unit

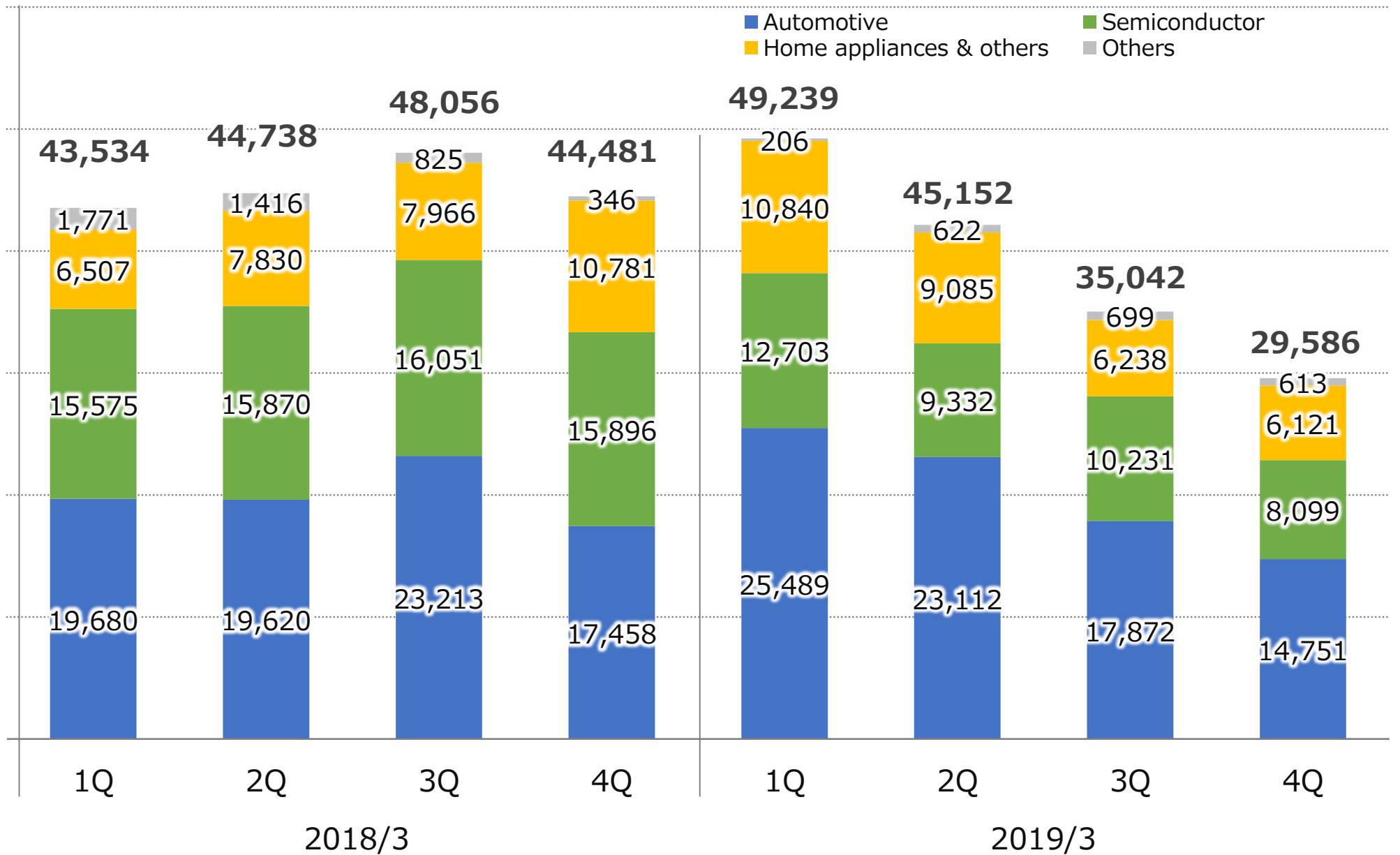
(Units in millions of Yen)



III. Quarterly Trends of Orders Outstanding by Business Unit

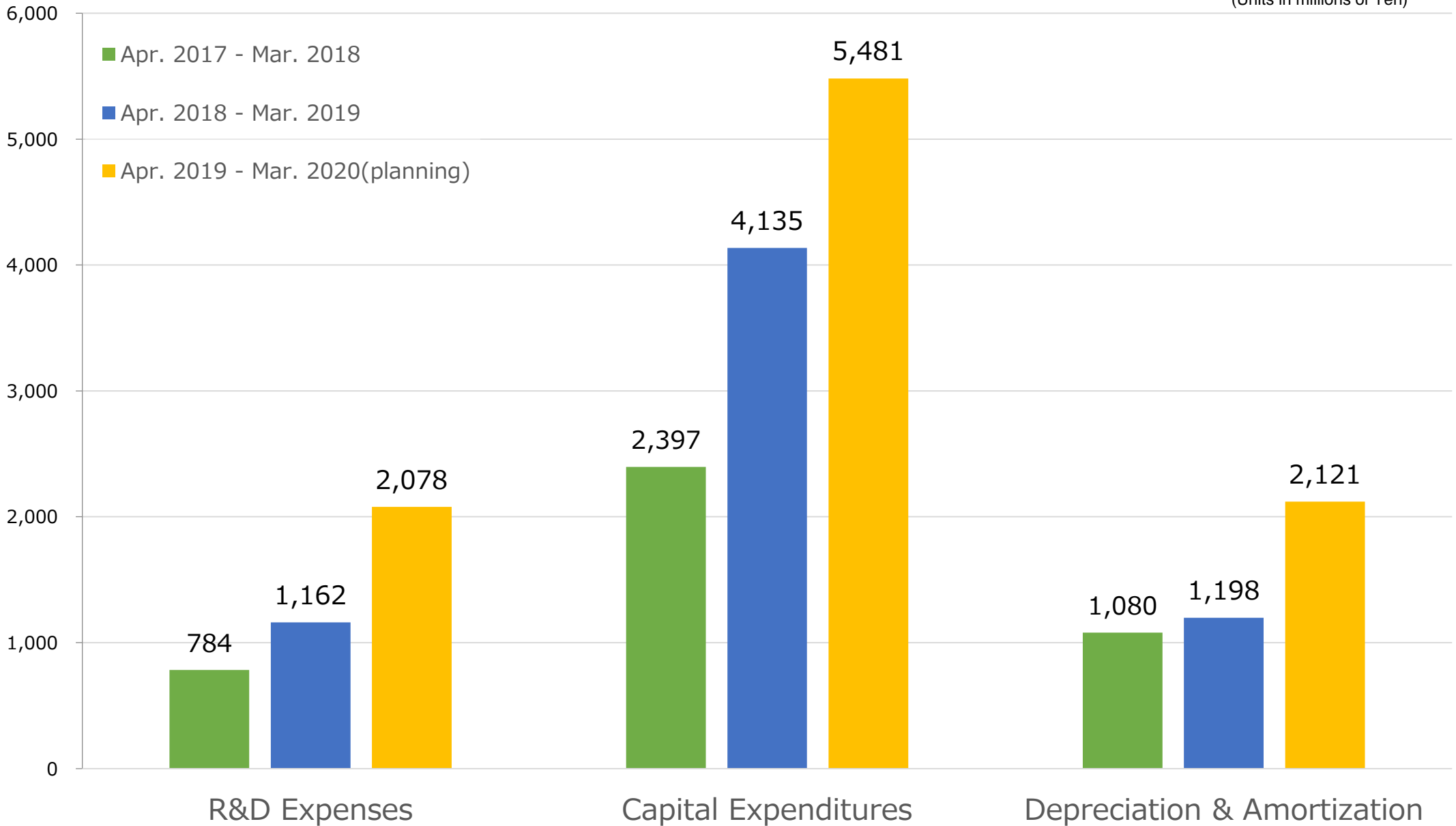
Outstanding Orders by Business Unit

(Units in millions of Yen)



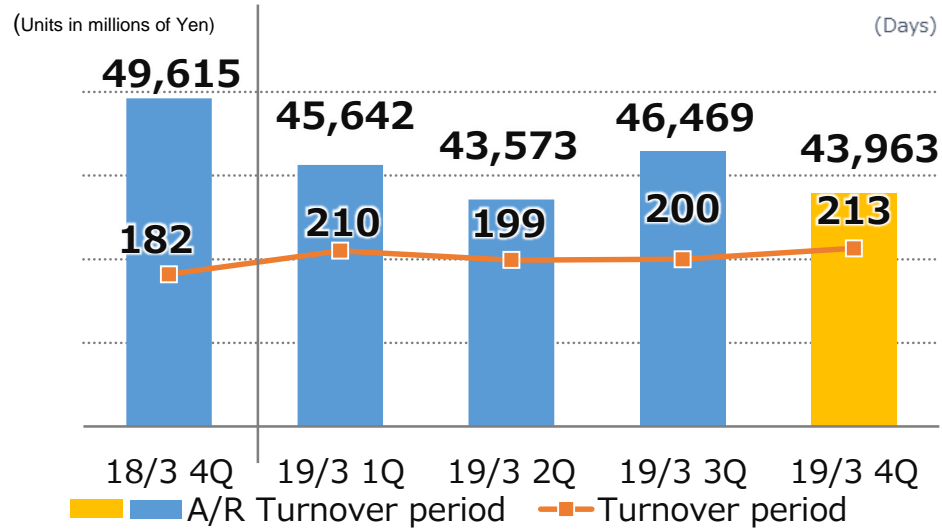
III. R&D, CAPEX, Depreciation and Amortization

(Units in millions of Yen)

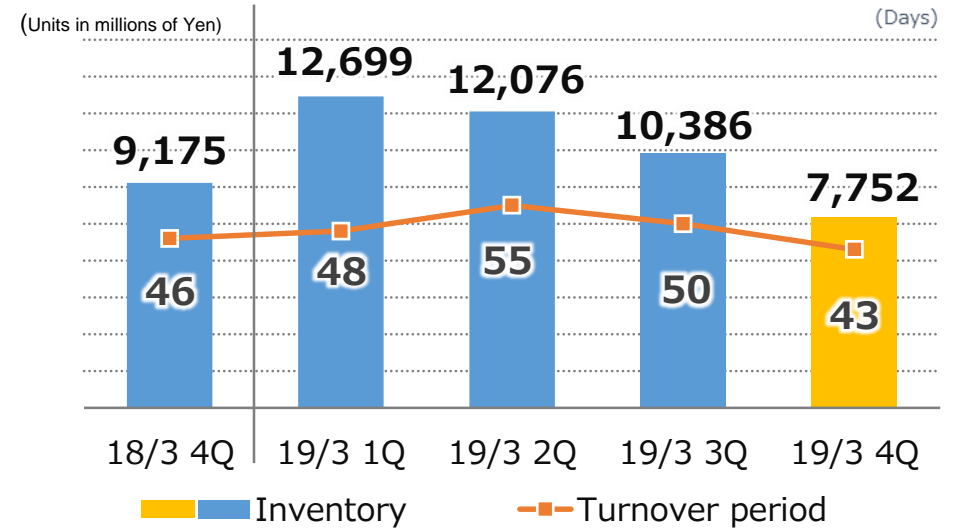


III. Key Financial KPIs/Indicators

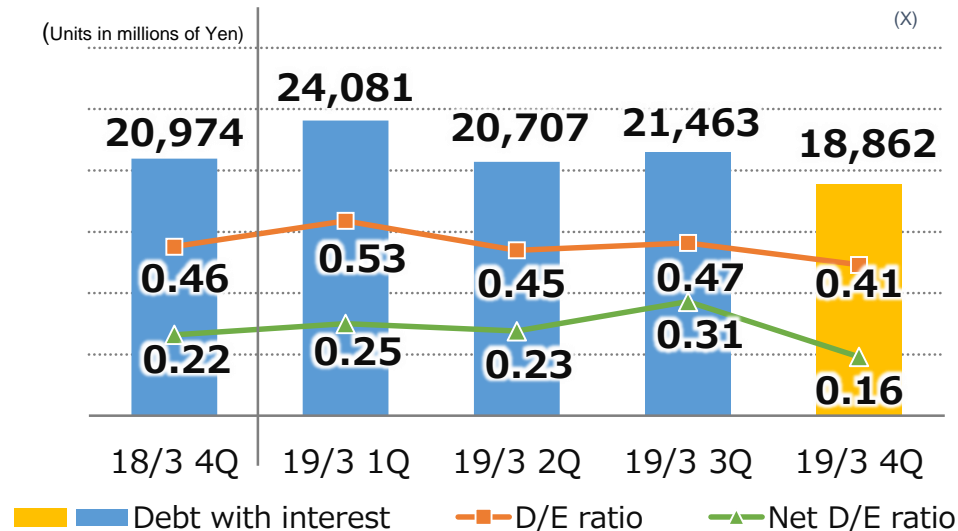
Account Receivables/Turnover period



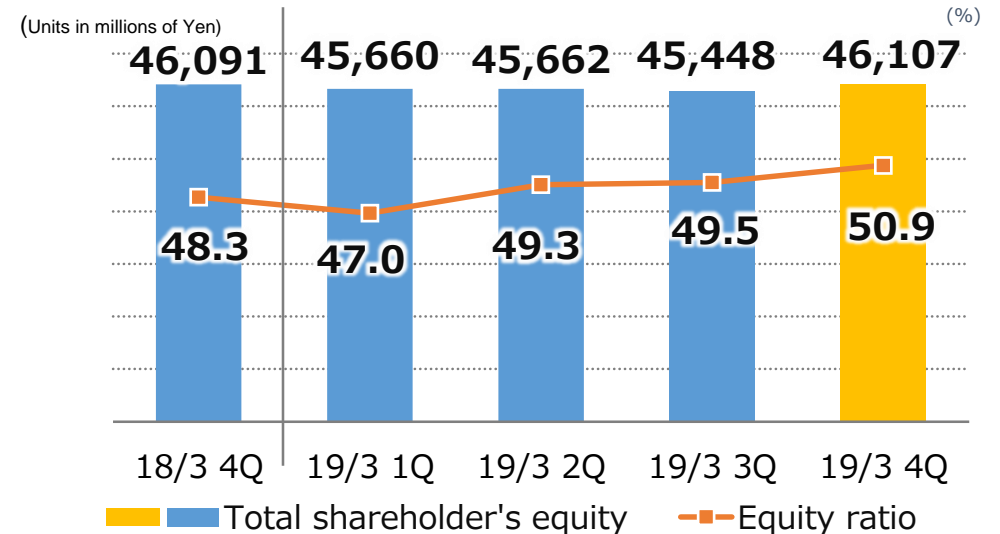
Inventory/Turnover period



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



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.