

A large background image on the left side of the slide. It features a collage of industrial components, including what appears to be a large turbine or engine part, and various mechanical assemblies. The FerroTec logo is overlaid on this image in a large, semi-transparent blue font. Below the logo, there is some small, illegible text.


# FerroTec Corporation

Results for the fiscal year ended March 31, 2014

May 27, 2014

( JASDAQ 6890 )

<http://www.ferrotec.co.jp/>

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- A large background image on the right side of the slide. It shows a close-up of a metallic, crystalline or turbine-like structure, possibly a component of an engine or industrial machinery, with a blue and white color scheme.
- 1.This fiscal year results cover twelve months period from April to March of Ferrotec, and twelve months period from Jan. to Dec. of consolidated subsidiaries and affiliated companies included in investment profit loss in equity method.
  - 2.This presentation was prepared for the purpose of providing information regarding the company's results of operations for the fiscal year ended March 31, 2014 and is not a solicitation to purchase securities issued by the Company. Please ensure that the decision on whether to make an investment in our Company is made at your own risk.
  - 3.These materials were prepared based on information available as of May 27, 2014. All opinions, forecasts and other forward-looking statements are based on management's judgments in accordance with materials available at that time and may be changed without prior notice.



## FY March 2014 Financial Results

# Financial highlights



¥ in millions	FY3/13		FY3/14		YoY	
	Amount	Pct. of sales(%)	Amount	Pct. of sales(%)	Amount	Pct(%)
<b>Net sales</b>	38,424	100.0	44,745	100.0	6,321	16.4
Cost of sales	31,448	81.8	33,925	75.8	2,477	7.8
<b>Gross income</b>	6,976	18.2	10,820	24.2	3,844	55.1
SG&A expenses	10,584	27.5	10,021	22.4	△563	△5.3
<b>Operating income</b>	△3,608	-	798	1.8	4,406	-
Non-operating income	1,155	3.0	1,924	4.3	769	66.6
Non-operating expense	1,012	2.6	1,460	3.3	448	44.3
<b>Ordinary income</b>	△3,465	-	1,262	2.8	4,727	-
Extraordinary income	1,637	4.3	1,378	3.1	△259	△15.8
Extraordinary expense	4,330	11.3	573	1.3	△3,757	△86.8
<b>Net income</b>	△6,532	-	1,391	3.1	7,923	-
<b>Capital Investment</b>	3,706	-	3,825	-	119	3.2
<b>Depreciation</b>	3,321	-	3,941	-	620	18.7

Note: exchange rate FY3/13⇒FY3/14 : US\$ ¥ 80.12→ ¥ 97.99 RMB ¥12.73→ ¥ 15.97 (Avg. during period)

# Financial highlights

¥ in millions	FY3/14	
	Amount	Pct. of sales(%)
Net sales	44,745	100.0
Cost of sales	33,925	75.8
Gross income	10,820	24.2
SG&A expenses	10,021	22.4
Operating income	798	1.8
Non-operating income	1,924	4.3
Non-operating expense	1,460	3.3
Ordinary income	1,262	2.8
Extraordinary income	1,378	3.1
Extraordinary expense	573	1.3
Income before income tax	2,067	4.6
Corporate tax, etc.	669	1.5
Net income	1,391	3.1

Cost rate improved due mainly to increased sales and decrease in lower-of-cost-or-market method

Compared with FY3/13, large exchange rate (average rate \$ 80.12→\$ 97.99) and weak yen caused a modest decrease but achieved a substantial reduction when calculating the rate at the end of the previous fiscal year (Business structural reform plan)

Non-operating income: Exchange gain ¥1,475 million  
Non-operating expenses: Business structural reform expenses ¥443 million

Extraordinary income: Gain on sale of investment securities ¥1,360 million  
Extraordinary expense: Impairment loss ¥406 million

# Segment Sales and Operating income



Net sales (¥ in millions)	FY3/13		FY3/14		YOY	
	Amount	Pct. Of Sales(%)	Amount	Pct. Of Sales(%)	Amount	Pct(%)
Equipment-related	18,867	49.1	21,628	48.3	2,761	14.6
Electronic device	4,563	11.9	6,609	14.8	2,046	44.8
Photovoltaic-related	12,345	32.1	13,203	29.5	858	7.0
Others	2,648	6.9	3,304	7.4	656	24.8
T o t a l	38,424	100.0	44,745	100.0	6,321	91.2

Operating income (¥ in millions)	FY3/13		FY3/14		YOY	
	Amount	Pct. Of Sales(%)	Amount	Pct. Of Sales(%)	Amount	Pct(%)
Equipment-related	137	0.72	504	2.3	368	265.8
Electronic device	257	5.6	733	11.0	476	184.5
Photovoltaic-related	△3,934	-	△386	-	3,548	-
Others	△8	-	8	0.24	16	-
Corporate & elimination	△61	-	△61	-	0	-
T o t a l	△3,608	-	798	1.8	4,406	-

# Consolidated Balance Sheet ~Assets~



(¥ in millions)	FY3/13	FY3/14	Difference
<b>Current assets</b>	<b>34,271</b>	<b>39,835</b>	5,564
Cash & deposits	7,373	7,550	177
Note & accounts receivable	15,235	16,946	1,711
Inventory	9,536	12,406	2,870
<b>Fixed assets</b>	<b>32,072</b>	<b>34,887</b>	2,815
<b>Tangible fixed assets</b>	<b>24,914</b>	<b>29,041</b>	4,127
Building	5,409	6,466	1,057
Equipment & machinery	10,165	11,809	1,644
Tools, furniture, and fixture	5,980	6,593	613
Land	704	708	4
<b>Intangible fixed assets</b>	<b>1,683</b>	<b>1,613</b>	△70
Goodwill	769	602	△167
Investments & other assets	5,473	4,232	△1241
<b>Total assets</b>	<b>66,343</b>	<b>74,723</b>	8,380

Compared with FY3/13, large exchange rate (average rate \$86.58→\$105.39) and weak yen led to substantial increases in overseas subsidiaries' assets and liabilities following conversion. Assets and liabilities decreased when calculated based on the rate at the end of the previous fiscal year.

## [Major factors for increase in current assets]

As mentioned above, no change when calculated based on the rate at the end of the previous fiscal year due to significant impact of the weak yen.

## Major inventories

Vacuum feedthroughs: ¥781 million, quartz: ¥822 million, thermo module: ¥704 million, ceramics: ¥886 million, PV manufacturing equipment: ¥3,403 million, PV silicon products: ¥2,010 million

## [Major factors for increase in tangible fixed assets]

As with the current assets, decreased about ¥1,200 million when calculated based on the rate at the end of the previous fiscal year due to significant impact of the weak yen. (Depreciation ¥3,941 million)

## [Intangible fixed assets]

Amortization of goodwill: Actual ¥380 million

# Consolidated Balance Sheet ~Liabilities and Net assets~



(¥ in millions)	FY3/13	FY3/14	Difference
<b>Current liabilities</b>	<b>27,243</b>	<b>28,522</b>	1,279
Notes and accounts payable	8,554	10,474	1,920
Short-term debt	9,667	9,386	△281
Current portion of long-term borrowings.	2,867	3,037	170
<b>Fixed liabilities</b>	<b>8,660</b>	<b>8,140</b>	△520
CB	-	-	-
Long-term debt	5,836	5,673	△163
<b>Total liabilities</b>	<b>35,904</b>	<b>36,662</b>	758
<b>Net Assets</b>	<b>30,439</b>	<b>38,060</b>	7,621
Shareholder's equity	29,366	30,604	1,238
Total adjustment	399	6,884	6,485
Minority interests	673	571	△102
<b>Total liabilities &amp; shareholder's equity</b>	<b>66,343</b>	<b>74,723</b>	8,380

**[Major factors for increase in current liabilities]**  
As mentioned in the previous page, decreased about ¥2,600 million when calculated based on the rate at the end of the previous fiscal year due to significant impact of the weak yen.

**[Interest-bearing debt] \***

Short-term debt + Current portion of long-term borrowings	¥12,423 million (12,534)
Long-term debt + bond etc.	¥5,673 million (5,836)
<b>Total</b>	<b>¥18,096 million (18,370)</b>
<b>[Net interest-bearing debt</b>	<b>¥10,546 million (10,997)]</b>

\*Parentheses represent the figures as of end-FY3/13

**[Net assets]**

**Shareholders' equity:**  
**Net income:** ¥1,391 million  
**Dividends:** -¥154 million  
**Foreign currency translation adjustments:** ¥6,667 million

# Consolidated Cash Flow



(¥ in millions)	FY3/13	FY3/14
<b>Cash flow from operating activities</b>	<b>1,584</b>	<b>3,927</b>
Income before income taxes	△6,158	2,067
Depreciation	3,321	3,941
Exchange gain & loss (△ : gain)	△336	△1,022
Changes in cost of structural reform (△ : decrease)	1,579	△1,579
Changes in notes & accounts receivable	393	3,463
Changes in inventories (△ : increase)	3,377	△1,059
Changes in accounts payable (△ : decrease)	△1,385	△962
Others	793	△922
<b>Cash flow from investing activities</b>	<b>△401</b>	<b>△2,813</b>
Payments for purchase of tangible fixed assets	△3,706	△3,825
Proceeds from sales of tangible fixed assets	3,480	108
Payments for purchase of marketable securities	△1	△101
Proceeds from sales of marketable securities	6	1,507
Others	△180	△502
<b>Cash flow from financing activities</b>	<b>△3,991</b>	<b>△1,861</b>
Changes in short-term borrowing	△2,848	△1,529
Proceeds from long-term debt	3,500	2,900
Payments of long-term debt	△3,926	△3,013
Proceeds from issuance of common stock	-	-
Payments for dividend	△609	△155
Others	△108	△64
<b>Changes in cash &amp; cash equivalents</b>	<b>△2,187</b>	<b>177</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,560</b>	<b>7,373</b>
<b>Cash and cash equivalents, end of year</b>	<b>7,373</b>	<b>7,550</b>

## [ Operating cash flow ]

Income before income tax + Depreciation	¥6,008 million
Decrease in operating CF due to increased allowance for business structural reform	¥1,579 million
Increase in operating CF due to decreased accounts receivable	¥3,463 million
Decrease in operating CF due to increased inventories -	¥1,059 million
Decrease in operating CF due to decreased accounts payable	-¥962 million

## [ Investing cash flow ]

Main contents of payments for tangible fixed assets acquired
• Shanghai subsidiary: ¥1,196 million
• Hangzhou subsidiary: ¥870 million
• Yinchuan subsidiary: ¥1,176 million



(¥ in millions)	FY3/14	FY3/15(Est.)	YOY(%)
Net sales	44,745	50,000	11.7
Operating income	798	1,800	125.6
Ordinary income	1,262	1,000	△20.8
Net income	1,391	700	△49.7
Capital investment	3,825	3,000	△21.6
Depreciation	3,941	4,200	6.7

**Note:** Exchange rate FY3/14⇒FY3/15(assumed rate) : ¥97.99→¥ 102/ US dollar    ¥15.96→16.5/RMB (Avg. during period)

Capital investment is based on cash flow considering unprojected large-scale capital investment and accounts payable facilities at the end of previous fiscal year.

# Business forecast

(¥ in millions)	FY3/15 Est.
Net sales	50,000
Operating income	1,800
Ordinary income	1,000
Net income	700

Investment in the semiconductor industry continues, facility operation rate remains high, PV capacity is expected to expand

Expect profit increase due to improvement in yield associated with increase in production volume and cost reduction

Currencies continue to be traded in a narrow range and does not expect a large amount of exchange gain or loss

Expect 30% of income before income tax as a corporate tax

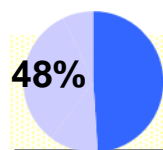
# Business forecast (sales by segment)

(¥ in millions)		FY3/14	FY3/15(Est.)	YOY(%)
Equipment-related		21,628	22,300	3.1
	Vacuum Feedthroughs	5,422	5,800	7.0
	Quartz	4,484	4,700	4.8
	Ceramics	3,965	4,100	3.4
	EB-Gun, LED	3,242	3,100	Δ4.4
	semiconductor wafer	4,515	4,600	1.9
Electronic device		6,609	7,550	14.2
	Thermo-electric module	6,054	6,950	14.8
	Ferrofluid, others	555	600	8.1
Photovoltaic-related		13,203	16,150	22.3
	Quartz crucibles	3,699	4,500	22.7
	Solar silicon	7,570	8,700	14.9
	PV manufacturing Equip.	687	550	Δ19.9
	Solar cell, Others	1,247	2,400	92.5
Others		3,304	4,000	21.1
Total		44,745	50,000	11.7

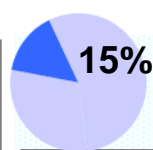


## Status by Segment and Outlook

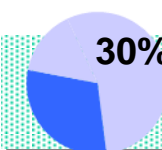
# Segment



Equipment-related



Electronic device



Photovoltaic-related

Vacuum feedthroughs



Quartz



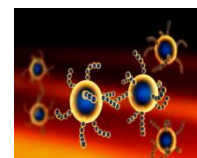
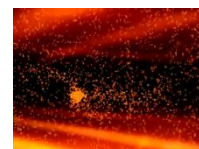
Ceramics



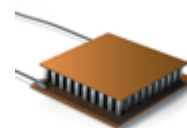
semiconductor wafer



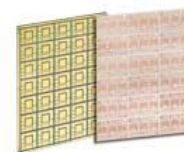
Ferrofluid



Thermo-electric module



Substrates for power semiconductor



PV manufacturing equip.(OEM)

Single crystal ingot



Multi-crystal ingot



PV wafer



Consumable

Quartz crucible



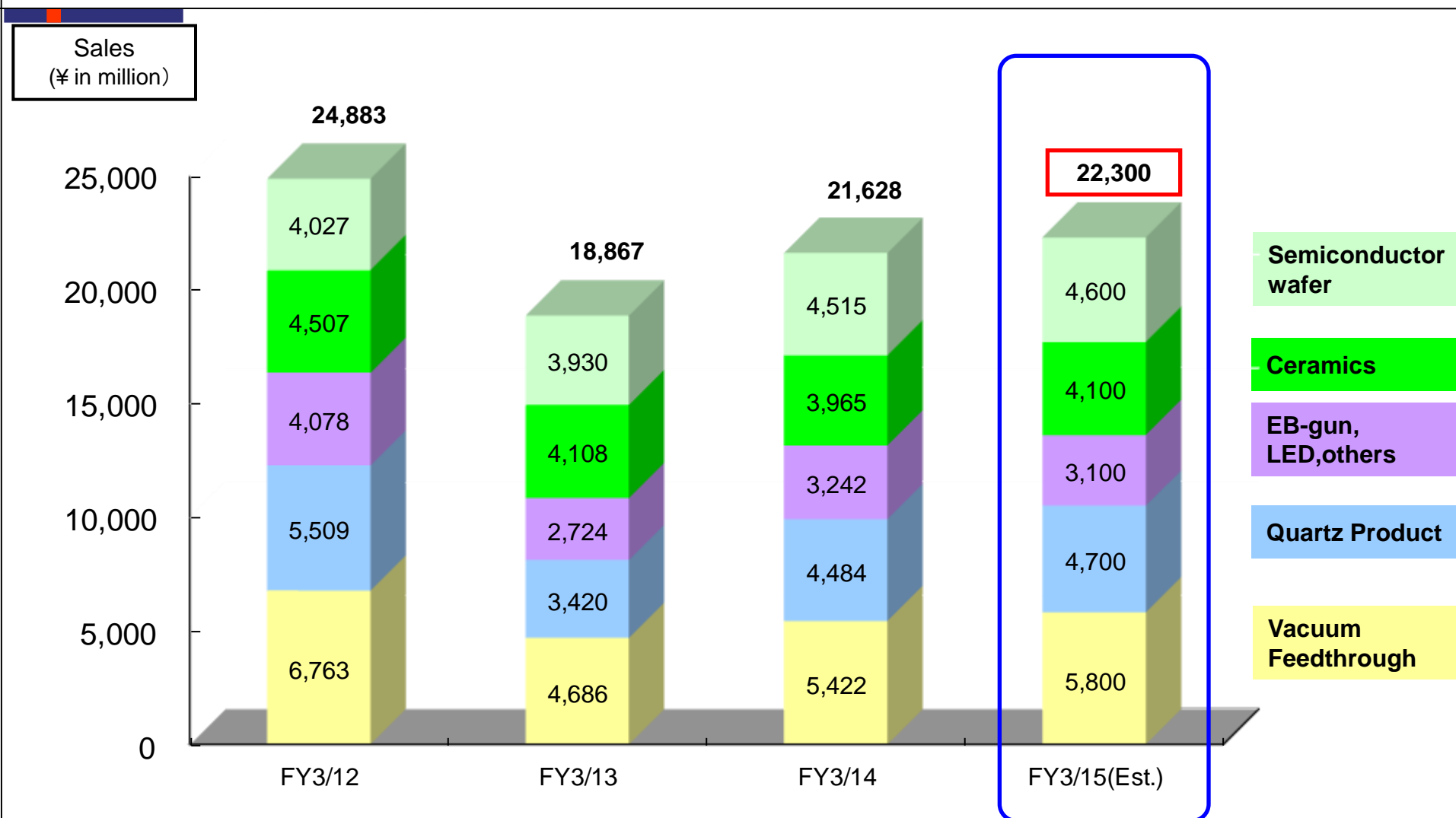
Hot zone



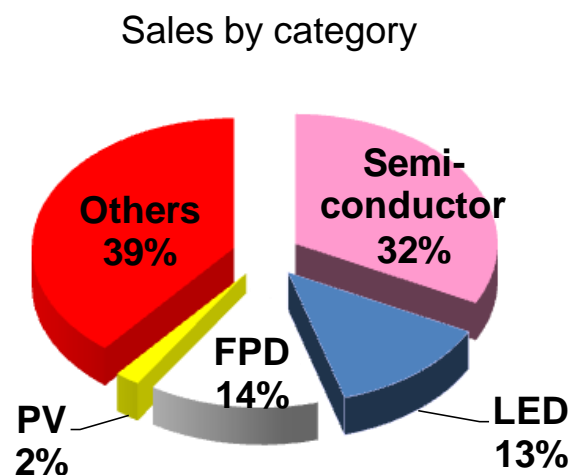
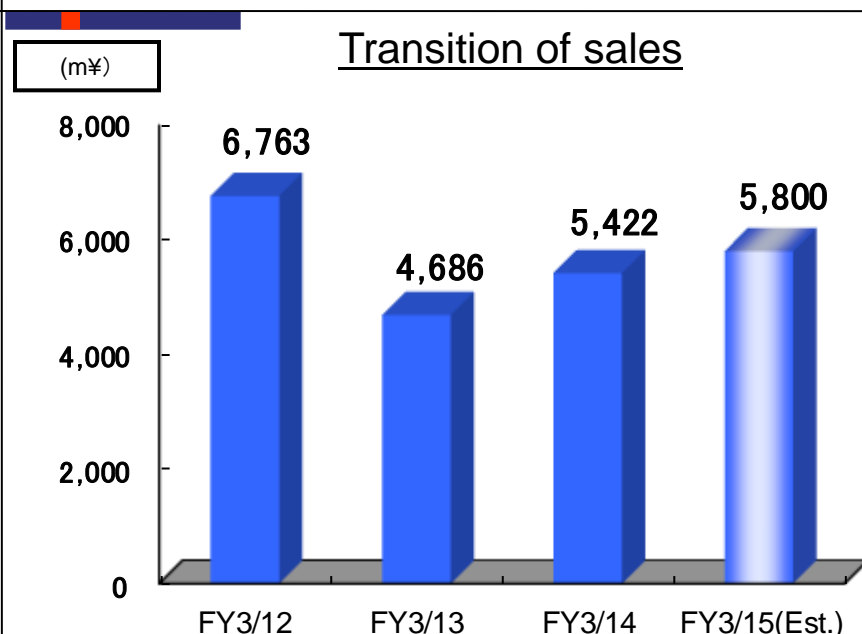
Vessel crucible



# Equipment-related segment



— = Semiconductor silicon products have been shifted to semiconductor wafer from FY3/12.



Note) Other: Vacuum feedthrough equipment for industrial use, aviation, medical care, science, etc.

## 1. Results for FY3/14

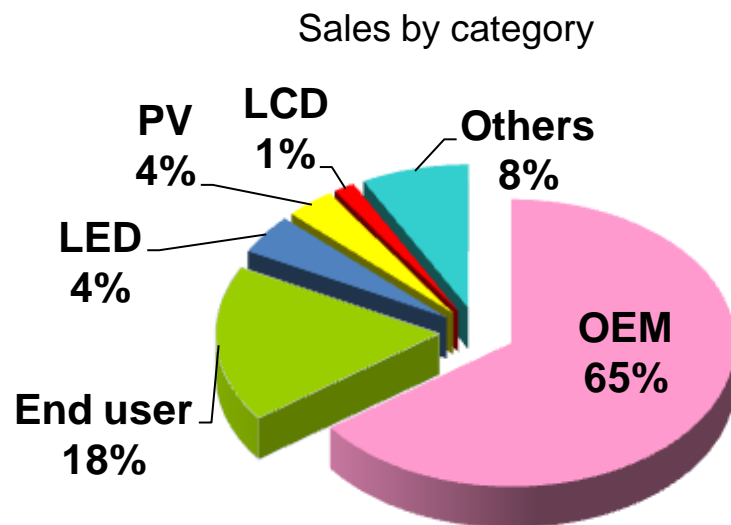
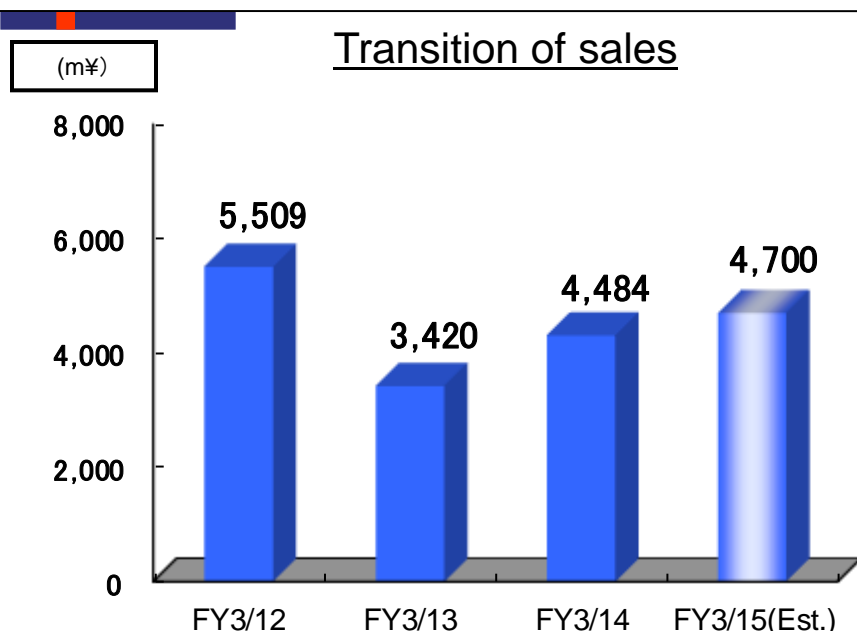
- In the FPD market, investments in small-and-mid-sized high definition LCD completed
- In the semiconductor market, major companies started making investments again and demand for equipment expanded resulting in increase in orders.
- Steady expansion of contract manufacturing from equipment manufacturers branched out into China
- Orders increased for robot manufacturers

## 2. Outlook for FY3/15

- In the FPD market, Chinese manufacturers are planning to make investments and low-cost mobile phones for emerging countries will be the key
- Expected to be favorable for device manufacturers for automobile use
- Semiconductor strong due to investments in 3D and miniaturization but slows down from the 1<sup>st</sup> half
- SEAJ forecasts 11% growth in device supply-demand
- Contract manufacturing is expected to be strong

## [Measures]

- Expansion of contracted equipment sub-assembly products for general industry
- Provision of engineering after-sales services



## 1. Results for FY3/14

- IC manufacturers in Japan and Asia started making investment which led to a gradual recovery
- Orders from major semiconductor OEM companies in the US and Japan recovered
- Orders increased due to reinvestment by the companies in Japan and Asia, request for quick delivery increased
- Chinese plant for high purity products was approved and production started
- Strong due to increase in inquiries but pressure to cut price continued

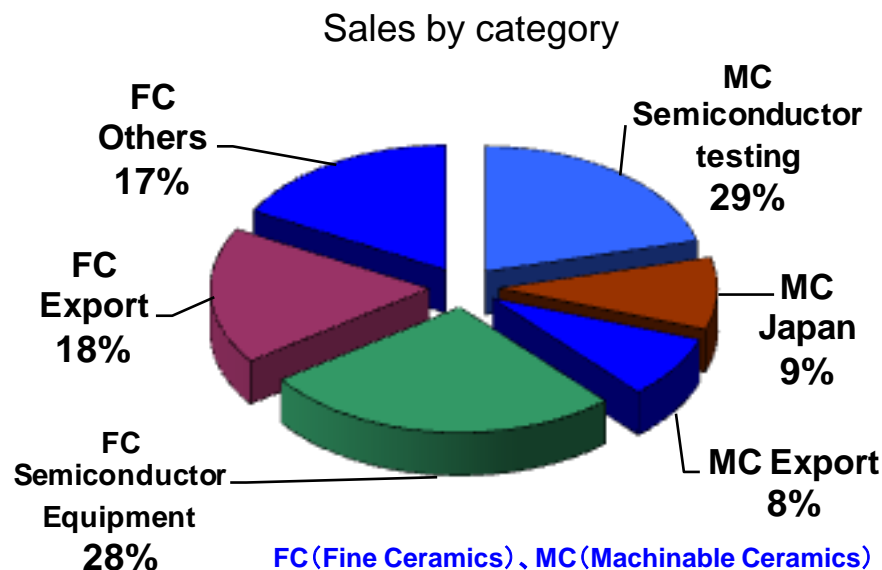
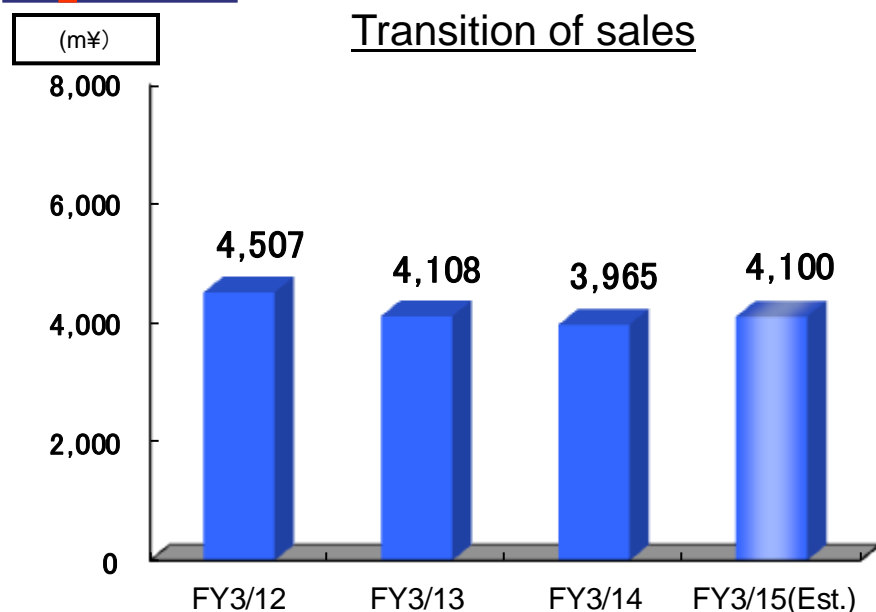
## 2. Outlook for FY3/15

- Continue to be busy due to orders from major semiconductor OEM companies in the US and Japan
- Expect to maintain high volume of orders due to investments by companies in Japan and Asia
- Increase in mass production of high purity products in China
- Request for quick delivery is expected to continue
- Improvement in earnings due to price maintenance and reduction of material costs for value-added products

## [Measures]

- Further increase production in China to reduce costs
- Deal with next-generation and next model silicon parts products
- Marketing for Taiwanese companies, quick delivery, stable product quality, customization





## 1. Results for FY3/14 (Jan. – Dec.)

### Machinable ceramics “Photoveel”

- Memory (N/Flash) showed a moderate recovery from the 2<sup>nd</sup> half reaching the highest sales volume in 4Q. Meanwhile, the sales of non-memory (Logic) decreased substantially due to downturn in Korea and Taiwan as a result of adjustment of production of sophisticated smartphones.
- Sales for organic EL equipment were unachieved due to delay in mass production but mass production and sales of medical care-related parts for the US started from the 2<sup>nd</sup> half.

### Fine ceramics

- Investments in miniaturization mainly in Taiwan started at the beginning of the year and investments in cutting-edge areas (miniaturization, 3D) of major IC manufacturers and major foundries recovered much faster than expected in the 2<sup>nd</sup> half which led to sharp increase in orders from and sales of equipment manufacturers in Japan and overseas.
- In particular, sales for overseas increased substantially.

## 2. Outlook for FY3/15 (Jan. – Dec.)

### Machinable ceramics “Photoveel”

- Booming demand for Memory (N/Flash), which will be used for SSD for mobile phones and cloud, will continue in the 1<sup>st</sup> half due to the strong demand for SSD.
- For non-memory (Logic) use, it is expected to continue to show a moderate recovery due to expansion of mobile device market in emerging countries.

### Fine ceramics

- Busy due to continued investments in miniaturization in the 1<sup>st</sup> half. Will settle in the middle of the year due to postponement of investments by some factories but investments in cutting-edge areas (miniaturization, 3D) are highly anticipated in 2015.

## 3. Continued sales policy

### <Machinable>

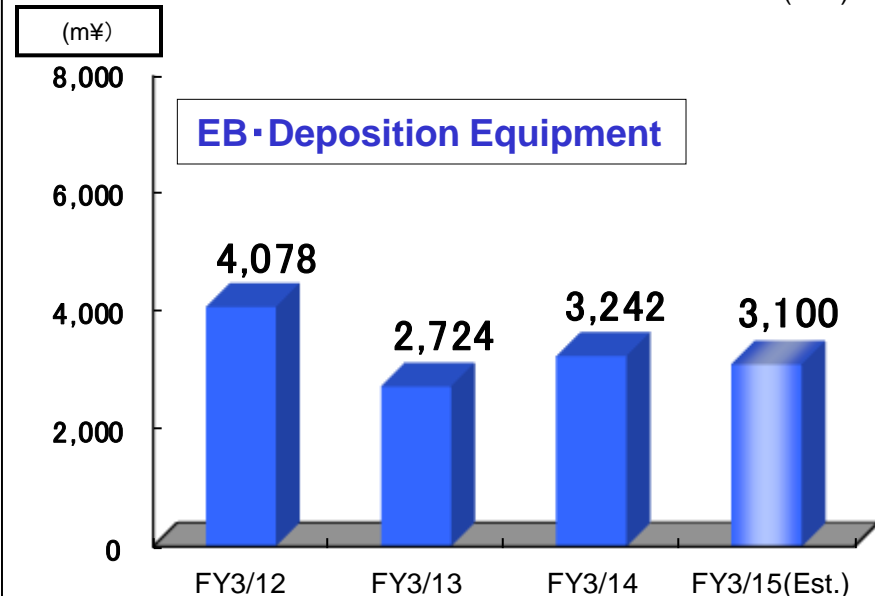
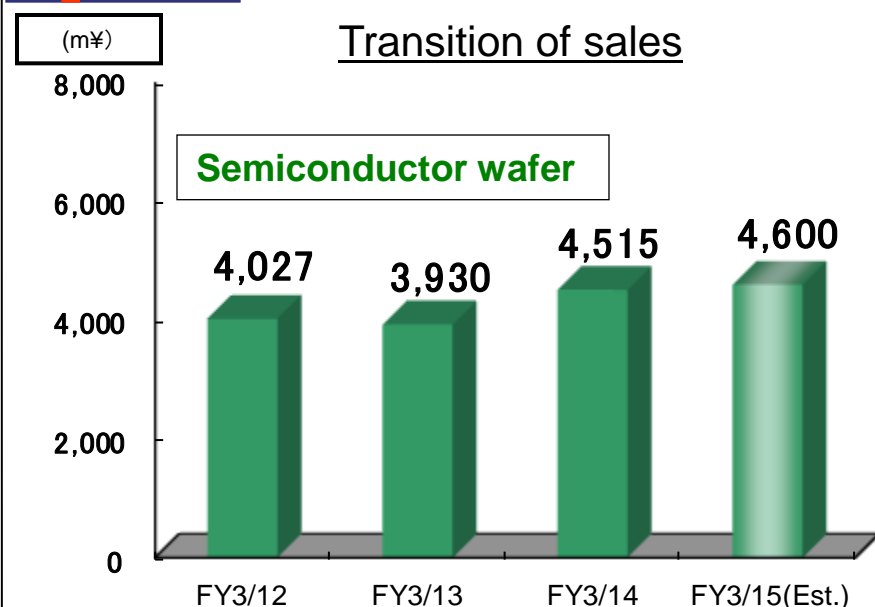
- Global-scale development of new customers and use of wafer circuit inspection tools (further strengthen marketing)
- Global-scale development of new customers and use (medical devices, etc.) for general use

### <Fine ceramics>

- Continuing marketing activities to develop new customers and use in the European market as well as in the US and Asia

### <Common>

- Sales expansion through development of new materials and new processing technological development and strengthening of sales competition



## Semiconductor wafer:

### 1. Results for FY3/14

- The market condition recovered in general and the company's own brand products in particular expanded
- Demand in Chinese and Taiwanese markets was strong but was sluggish in the latter half
- Increased the variety of wafers but time was required for approval

### 2. Outlook for FY3/15

- Expect increase in the company's own brand products due to favorable market condition
- Expect sales increase due to strong Chinese and Taiwanese markets

#### <Measures>

- Plan to upgrade facilities to expand mass production
- Improve service system including technology and quality

## EB gun and deposition equipment:

### 1. Results for FY3/14

- Gradually but sales will increase due to recovery in demand

### 2. Outlook for FY3/15

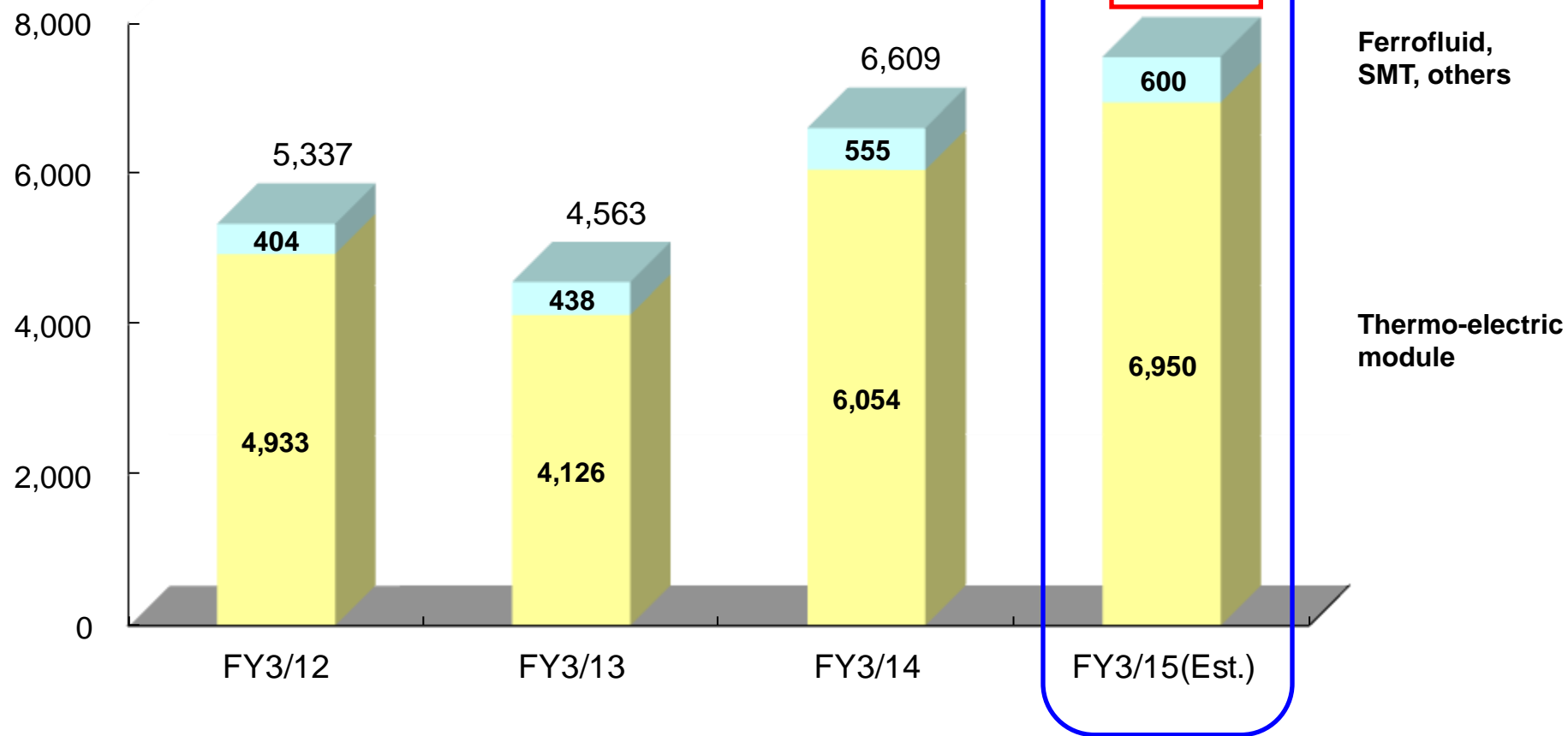
- Recovery in demand slows down and LED market remains severe

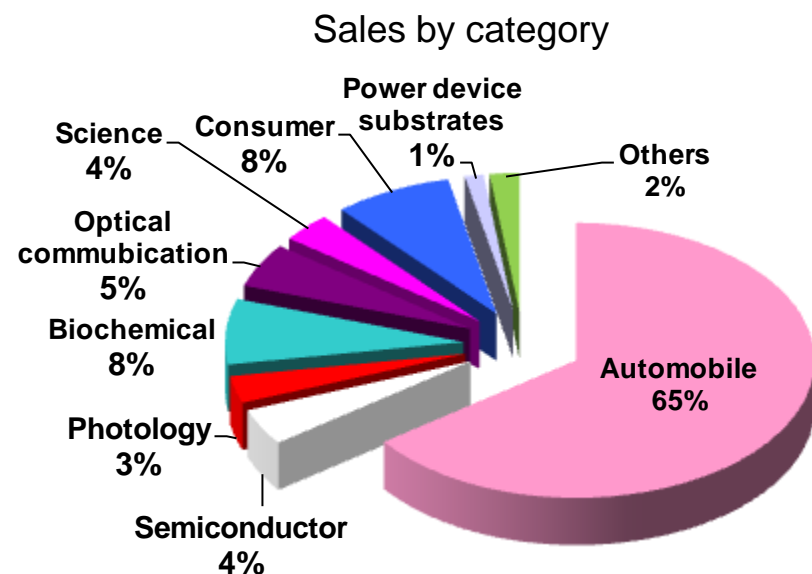
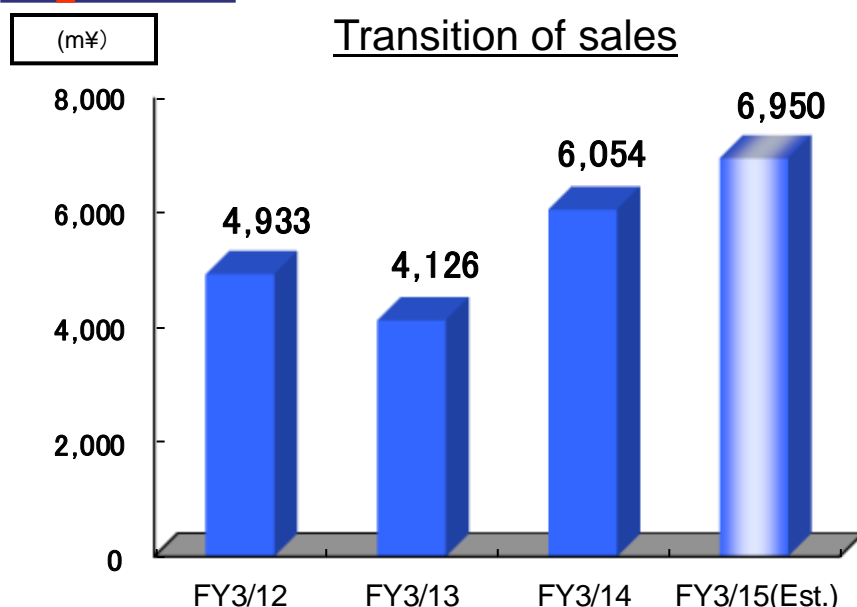
#### <Measures>

- Focus on optical market and start taking orders
- Prop up the European market

# Electronic Device Segment

Sales  
(¥ in million)





## 1. Results for FY3/14

### Automobile seat

- Strong supported by favorable market in the US.

### Other industries

- Sales expanded for all uses except for optical use.
- Strong for optical use.
- Started mass producing and supplying power device substrates to major manufacturers

## 2. Outlook for FY3/15

### Automobile seat

- Expect to keep it strong

### Other industries

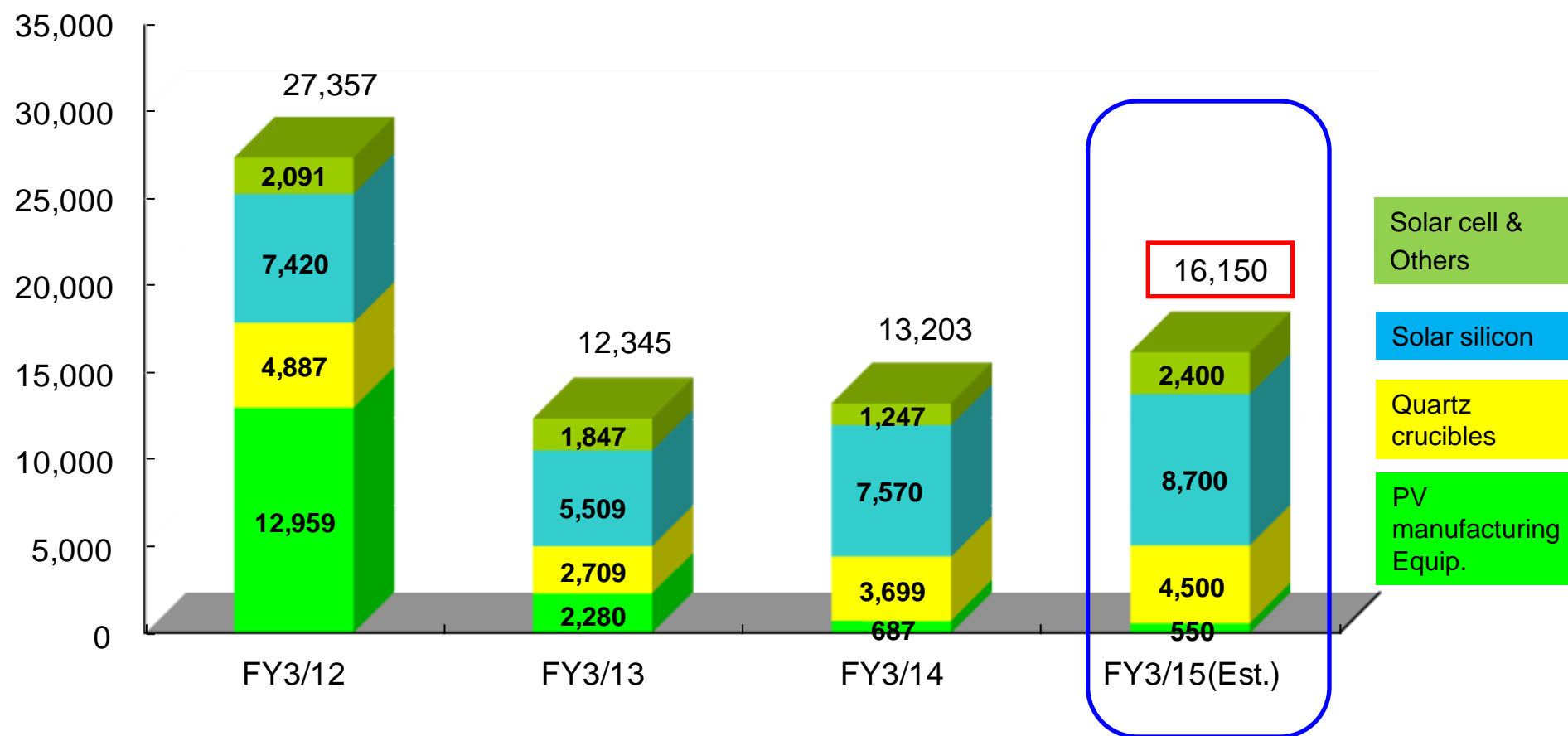
- Expect to do well for all uses
- Expect big increase because more power device substrates will be used

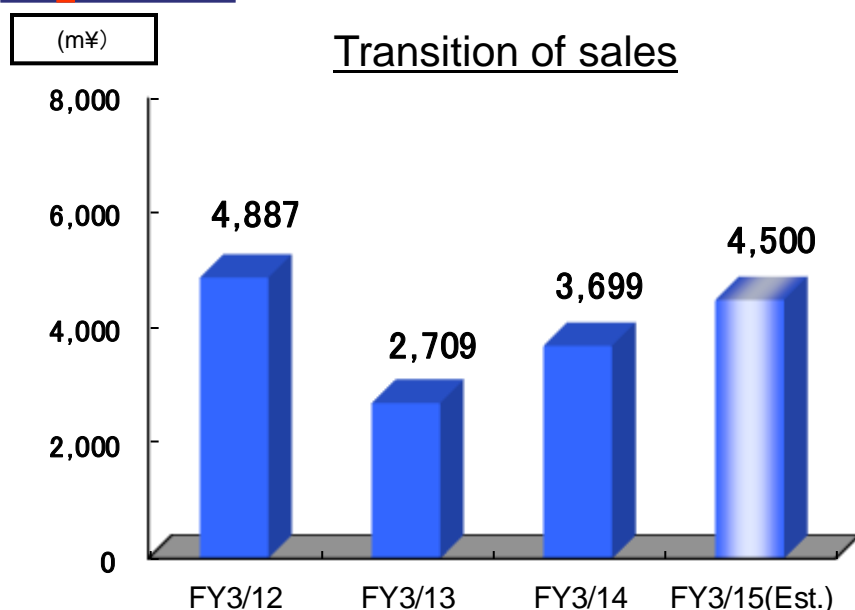
## <Measures>

- Improve the quality of marketing to increase customer satisfaction
- Strengthen marketing for power device substrates
- Focus on the launch of new users' TE application products

# Photovoltaic-related Segment

Sales  
(¥ in million)





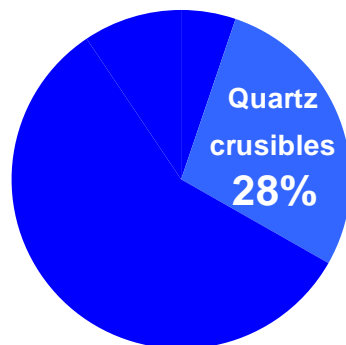
Single-crystal quartz crucible



Multi-crystal vessel

**Pct. Of sales  
In the PV segment**

**FY3/14**



## 1. Results for FY3/14

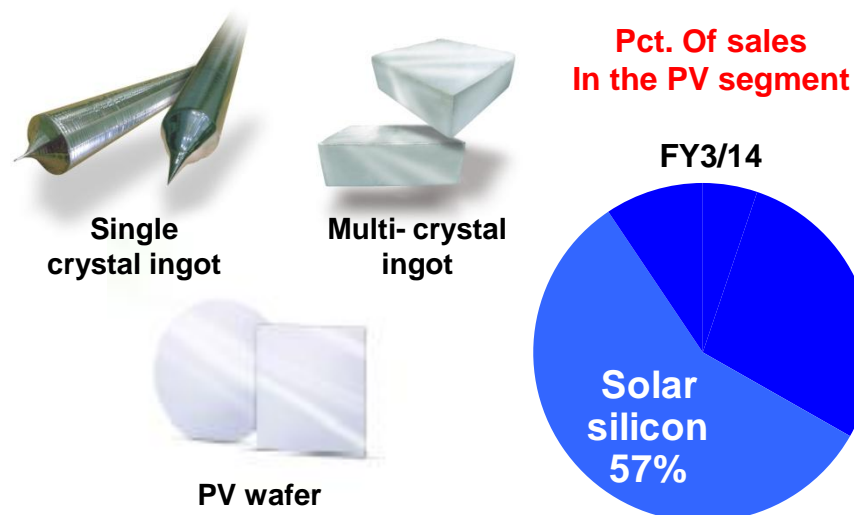
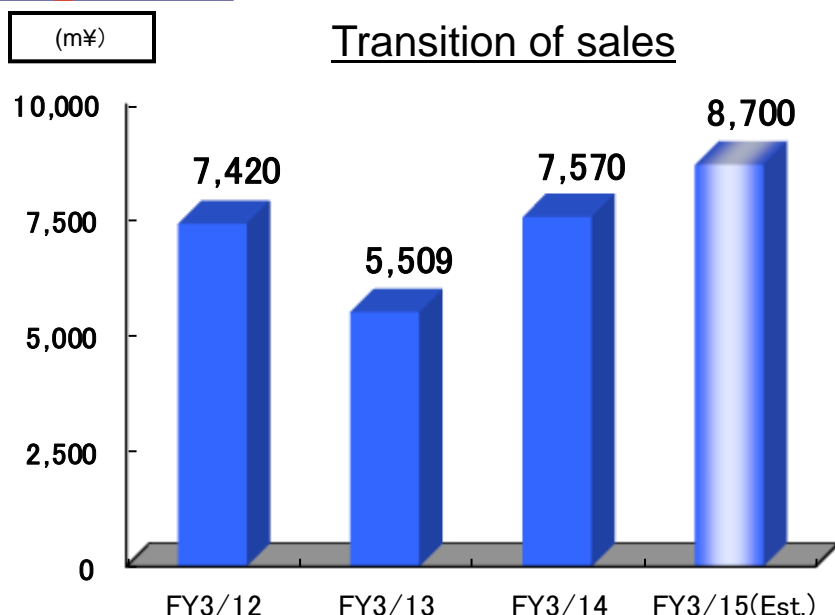
- Demand for PV application hit bottom gradually recovered
- Price remained flat, volume increased slightly
- Tried expanding market share for small diameter semiconductor use
- Vessels for multi-crystal for customers in Taiwan recovered

## 2. Outlook for FY3/15

- Demand will increase but price will not be restored
- Change in customer needs to additional charge
- Continue to increase sales for semiconductor use
- Increase in the quantity of vessels for multi-crystal is expected

## <Measures>

- Price shift by introducing long-lasting products
- Work to reduce costs through transfer to Yinchuan factory
- Continue to obtain approval for semiconductor manufacturers in Japan



## 1. Results for FY3/14

- Specialized in N-type crystal OEM products and demand was relatively strong. Inquiries also increased
- Consumers demanded high performance and low-cost products
- Booming markets in Japan, China and the US, and India and other emerging countries also launched
- Price remained flat, sluggish due to severe competition

## 2. Outlook for FY3/15

- Evaluation continues toward obtaining approval of new OEM customers
- Customers' needs for high conversion efficiency N-type single crystal
- Multi-crystal needs also continue particularly in China
- Price is expected to remain at the current level

## <Measures>

- Full-scale operation of the Yinchuan factory and introduce additional facilities
- Respond to demand for fixed abrasive, flat wafers. Consider expanding
- Aim to expand customers by enhancing the performance of N-type single crystal



## Reference Materials



# Corporate profile



Corporate Name

Ferrotec Corporation

Date of Foundation

September 27, 1980

A d d r e s s

Nihonbashi Plaza Building, 2-3-4, Nihonbashi, Chuo-ku, Tokyo Japan

L i s t e d

JASDAQ (Listed Code: 6890)

P r e s i d e n t

Akira Yamamura

Business Segment

- **Equipment-related business** : Vacuum Feedthrough, Quartz, Ceramics, silicon, wafer processing
- **PV-related business** : PV manufacturing equip, Quartz crucibles, solar silicon
- **Electronic device business** : thermo-electric module, Ferrofluid

C a p i t a l

13,201,346thousand JPY

I s s u e d   S t o c k

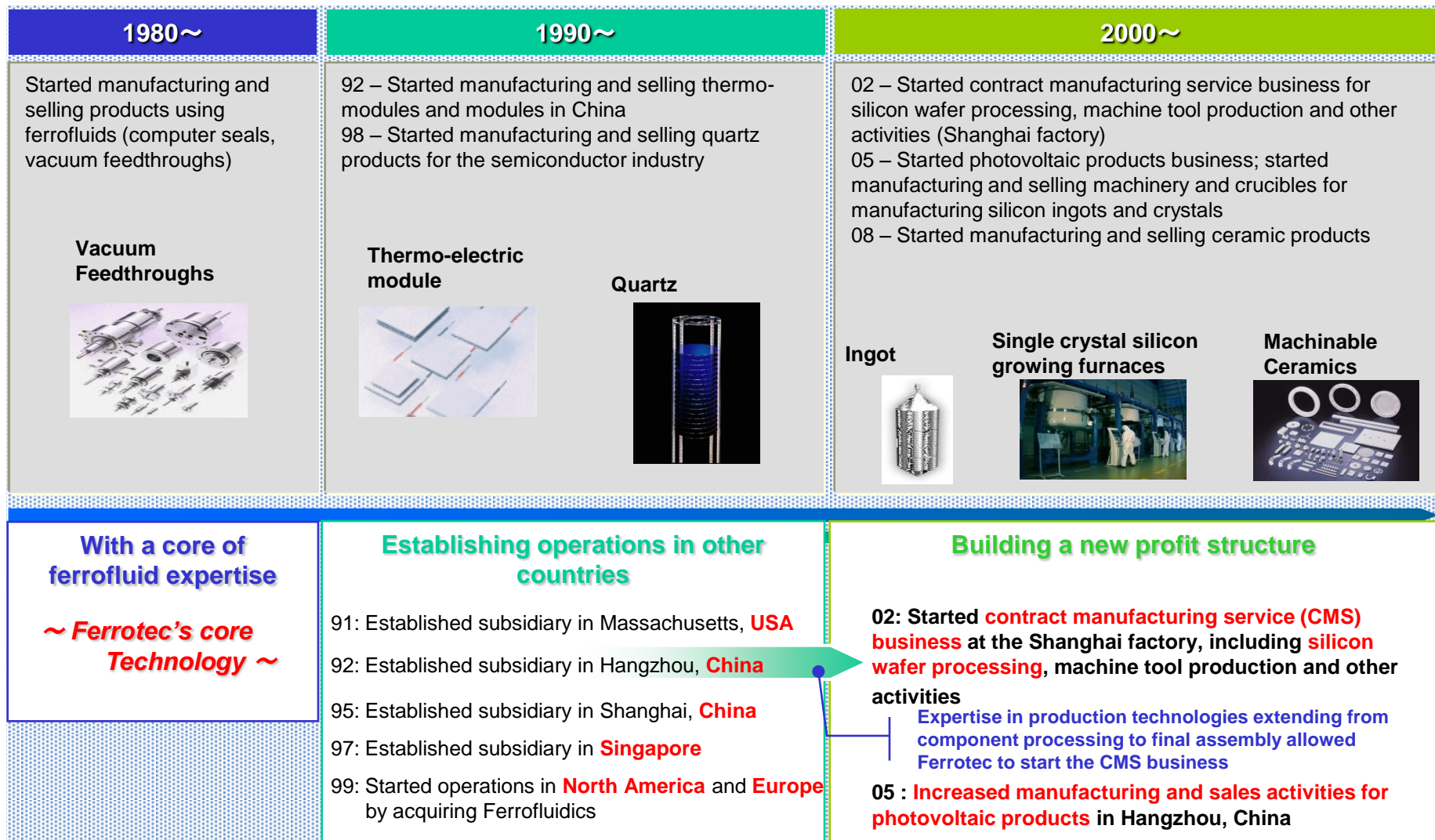
30,903,702

Related Company

[23 Consolidated Subsidiary]  
[5 Companies Accounted for by the Equity Method]

E m p l o y e e s

[Consolidated]5,329 [Non-consolidated]169

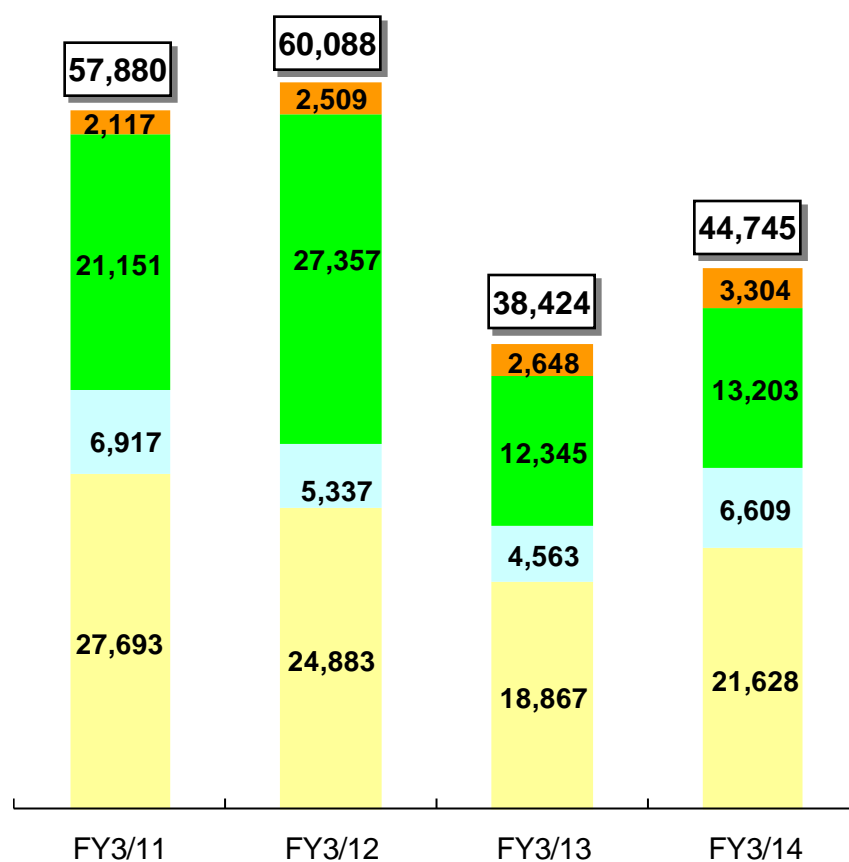


# Sales and Operating income Trend

## Sales Trend

(¥ in millions)

Equipment related Electronic device PV Others



## Operating income Trend

(¥ in millions)

Equipment related Electronic device PV Others

