

A large background image on the left side of the slide. It features a semi-transparent FerroTec logo at the top left. Below the logo, there is a collage of industrial equipment, including what appears to be a large furnace or reactor, and various mechanical components like pipes and valves. The overall color scheme is light blue and white.

FerroTec Corporation

Results for the 1st half of the fiscal year ending March 31, 2015

November 27, 2014

(JASDAQ 6890)

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

1. This 1st half results cover six months period from April to September of Ferrotec, and six months period from Jan. to June of consolidated subsidiaries and affiliated companies included in investment profit loss in equity method.
2. These materials were prepared for the purpose of providing information regarding the company's results of operations for the 1st half of the fiscal year ending March 31, 2015.
3. These materials were prepared based on information available as of Sep. 30, 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.



First Half of FY March 2015 Financial Results

Consolidated Financial Summary



¥ in millions	FY March 2014 1 st half		FY March 2015 1 st half		YOY	
	Amount	Pct. of sales(%)	Amount	Pct. of sales(%)	Amount	Pct. of sales(%)
Net sales	20,229	100.0	29,238	100.0	9,009	44.5
Cost of sales	15,189	75.1	22,561	77.2	7,372	48.5
Gross profit	5,040	24.9	6,677	22.8	1,637	32.5
SG&A expenses	4,880	24.1	5,478	18.7	598	12.3
Operating profit	159	0.8	1,199	4.1	1,040	653.9
Non-operating income	1,257	6.2	236	0.8	△1,021	△81.2
Non-operating expense	886	4.4	602	2.1	△284	△32.1
Ordinary profit	530	2.6	834	2.9	304	57.3
Extraordinary income	659	3.3	2	0.0	△657	△99.7
Extraordinary loss	6	0.0	56	0.2	50	833.3
Net profit	694	3.4	354	1.2	△340	△48.9
Capital investment	1,640	-	1,314	-	△326	△19.9
Depreciation	1,981	-	1,899	-	△82	△4.1

Note: Exchange rate FY3/14 1H→FY3/15 1H : ¥95.90 →¥102.23/ US dollar ¥15.53→¥16.56/ RMB (avg. rate during the period)

Consolidated Financial Summary



¥ in millions	FY March 2015 1 st half	
	Amount	Pct. of sales(%)
Net sales	29,238	100.0
Cost of sales	22,561	77.2
Gross profit	6,677	22.8
SG&A expenses	5,478	18.7
Operating profit	1,199	4.1
Non-operating income	236	0.8
Non-operating expense	602	2.1
Ordinary profit	834	2.9
Extraordinary income	2	0.0
Extraordinary loss	56	0.2
Income before income tax	780	2.7
Income taxes	433	1.5
Net profit	354	1.2

Net sales increased but the cost rate deteriorated slightly because of changes in the segment composition

Increased year-on-year in tandem with the sales growth but improved strongly in ratio to sales

Non-operating income:
Equity-accounted investment income ¥76 million
Non-operating income:
Exchange loss ¥106 million

Impairment loss on the sale of quartz plant in Japan ¥38 million

Net Sales and Operating Profits by Segment



Net sales (¥ in millions)	FY March 2014 1 st half		FY March 2015 1 st half		YOY	
	Amount	Pct. Of Sales(%)	Amount	Pct. Of Sales(%)	Difference	Pct. change
Equipment-related	10,189	50.4	12,948	44.3	2,759	27.1
Electronic device	2,801	13.8	4,164	14.2	1,363	48.6
Photovoltaic-related	5,680	28.1	10,153	34.7	4,473	78.8
Others	1,557	7.7	1,973	6.8	416	26.7
T o t a l	20,229	100.0	29,238	100.0	9,009	44.5

Operating income (¥ in millions)	FY March 2014 1 st half		FY March 2015 1 st half		YOY	
	Amount	Pct. Of Sales(%)	Amount	Pct. Of Sales(%)	Difference	Pct. change
Equipment-related	77	0.8	918	7.1	841	1092.2
Electronic device	249	8.9	604	14.5	355	142.6
Photovoltaic-related	△111	-	△247	-	△136	-
Others	△24	-	△52	-	△28	-
Corporate & elimination	△31	-	△24	-	7	-
T o t a l	159	0.8	1,199	4.1	1,040	653.9

Consolidated Balance Sheet ~Assets~



(¥ in millions)		FY3/14	FY3/15 1H	Difference
Current assets		39,835	39,560	△275
	Cash & deposits	7,550	8,018	468
	Note & accounts receivable	16,946	16,949	3
	Inventory	12,406	11,958	△448
Fixed assets		34,887	32,926	△1,961
	Tangible fixed assets	29,041	27,108	△1,933
	Building	6,466	5,791	△675
	Equipment & machinery	11,809	10,669	△1,140
	Tools, furniture, and fixture	6,593	5,693	△900
	Land	708	635	△73
	Intangible fixed assets	1,613	1,438	△175
	Goodwill	602	517	△85
	Investments & other assets	4,232	4,379	147
Total assets		74,723	72,486	△2,237

【Current assets】

Decreased in response to progress with repayment of borrowings, but cash and deposits rose slightly with a suitable level

【Main reason for decrease in tangible fixed assets】

Depreciation ¥1,900 million, with the main reason for the decrease being a stronger yen exchange rate at the end of June for the subsidiary company fiscal year than at the end of the previous fiscal year

【Intangible fixed assets】

Goodwill amortisation amount:
1st half(actual) : ¥80 million
2nd half(plan): ¥80 million

Consolidated Balance Sheet

~Liabilities and
net worth~



(¥ in millions)	FY3/14	FY3/15 1H	Difference
Current liabilities	28,522	29,152	630
Notes and accounts payable	10,474	12,188	1,714
Short-term debt	9,386	8,072	△1,314
Current portion of long-term borrowings	3,037	3,023	△14
Fixed liabilities	8,140	7,035	△1,105
Long-term debt	5,673	4,331	△1,342
Total liabilities	36,662	36,187	△475
Net Assets	38,060	36,298	△1,762
Shareholder's equity	30,604	30,773	169
Total adjustment	6,884	4,977	△1,907
Minority interests	571	547	△24
Total liabilities & shareholder's equity	74,723	72,486	△2,237

【 Major reason for decrease in current liabilities 】

The increase in notes payable and accounts payable was mainly due to the timing of inventory purchases of PV (OEM) materials.

【 Interest-being debt 】

Short-term debt + Current portion of long-term borrowings	11,096 million	(12,423 *)
Long-term debt + bond etc.	4,331 million	(5,673)

Total 15,427 million (18,096)

【 Net interest-being debt 7,409 million (10,546) 】

*Parentheses represent the figures as of end-FY3/14

【Net assets】

Shareholders' equity:

Net income : 354 million

Dividends : △184 million

Foreign currency translation adjustments :
△1,994 million

Consolidated Cash Flow



(¥ in million)	FY3/14 1H	FY3/15 1H
Cash flow from operating activities	2,013	4,373
Income before income taxes	1,182	780
Depreciation	1,981	1,899
Exchange gain & loss (Δ : gain)	Δ732	111
Changes in restructuring expense (Δ : decrease)	462	-
Changes in notes & accounts receivable (Δ : increase)	3,430	Δ1,067
Changes in inventories (Δ : increase)	Δ942	Δ83
Changes in accounts payable (Δ : decrease)	Δ932	2,585
Others	Δ2,436	177
Cash flow from investing activities	Δ1,761	Δ1,123
Payments for purchase of tangible fixed assets	Δ1,640	Δ1,314
Proceeds from sales of tangible fixed assets	31	327
Payments for purchase of marketable securities	Δ67	Δ92
Proceeds from sales of marketable securities	760	-
Others	Δ845	Δ44
Cash flow from financing activities	115	Δ2,513
Changes in short-term borrowing	1,579	Δ960
Proceeds from long-term debt	300	200
Payments of long-term debt	Δ1,573	Δ1531
Payments for dividend	Δ152	Δ184
Others	Δ39	Δ37
Changes in cash & cash equivalents	841	467
Cash and cash equivalents, beginning of year	7,373	7,550
Cash and cash equivalents, end of year	8,215	8,018

【Operating CF】

Income before income tax + Depreciation :	2,680million
Decrease in operating CF due to increased accounts receivable :	Δ1,067million
Decrease in operating CF due to increased inventories :	Δ83million
Increase in operating CF due to increased accounts payable :	2,585million

【Investing CF】

Main content of payments for tangible fixed assets acquired
• Shanghai subsidiary : 452million
• Hangzhou subsidiary : 459million
• Yinchuan subsidiary : 316million

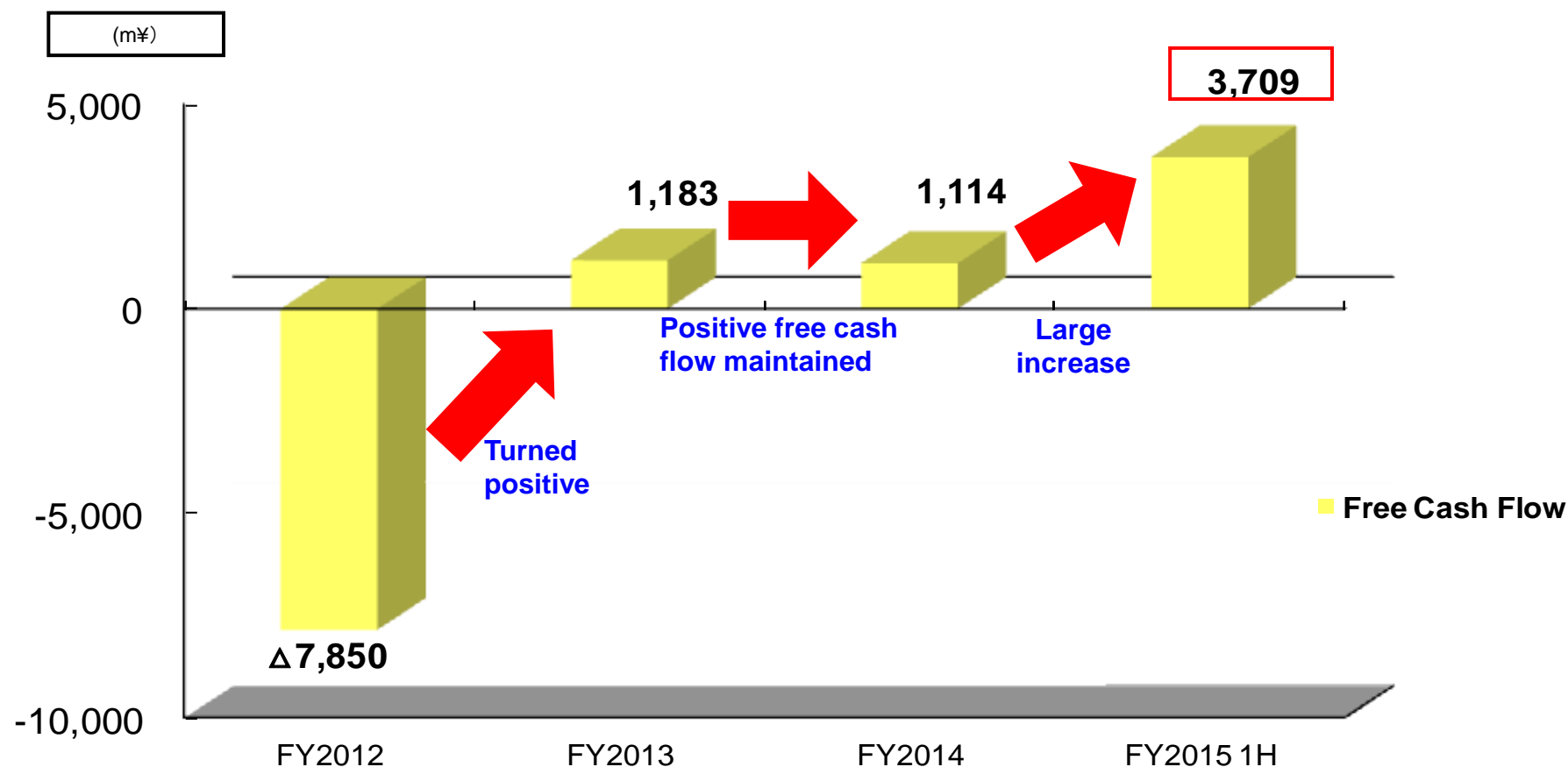
【Financing CF】

• Increase/decrease in short-term debt :	Δ960million
• Increase/decrease in long-term debt :	Δ1,331million

Free Cash Flow Trend

- Free cash flows have maintained a positive and increasing trend since the fiscal year ended March 2013. ¥3,709 million in the second quarter
- ⇒ The increase in funds is to be used to finance further growth in the future

※ Free Cash Flow = Operating Cash Flow + Investing Cash Flow



Full-Year Forecast



(¥ in millions)	FY3/14	FY3/15	FY3/15	Comparison between FY3/15 and figures	
		Initial forecast	Revised forecast	Vs. FY3/14(%)	Vs. Initial plan(%)
Net sales	44,745	50,000	56,000	25.2	12.0
Operating profit	798	1,800	2,000	150.6	11.1
Ordinary profit	1,262	1,000	1,500	18.9	50.0
Net profit	1,391	700	800	△42.5	14.3
Capital investment	3,825	3,000	3,000	△21.6	0
Depreciation	3,941	4,200	4,000	1.5	△4.7

Note: Exchange rate FY3/14⇒FY3/15(assumed rate) : ¥ 97.90 ⇒ ¥105.00 / US dollar ¥15.97 ⇒ ¥17.00 / RMB
 Capital investment is based on cash flow considering unprojected large-scale capital investment and accounts payable facilities at the end of previous year.

Business Forecast (sales by segment)

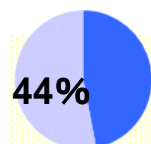


(¥ in millions)	FY3/14	FY3/15(E)	YOY(%)
Equipment-related	21,628	25,150	16.3
Vacuum Feedthroughs	5,422	7,790	43.7
Quartz	4,484	5,010	11.7
Ceramics	3,965	5,000	26.1
EB-Gun, LED	3,242	3,300	1.8
semiconductor wafer	4,515	4,050	Δ10.3
Electronic device	6,609	8,370	26.6
Thermo-electric module	6,054	7,630	26.0
Ferrofluid, others	555	740	33.3
Photovoltaic-related	13,203	18,360	39.1
Quartz crucibles	3,699	3,180	Δ14.0
Solar silicon	7,570	11,810	56.0
PV manufacturing Equip.	687	510	-25.8
Solar cell, Others	1,247	2,860	129.4
Others	3,304	4,120	24.7
Total	44,745	56,000	25.2



Status by Segment and Outlook

Segment



Equipment-related

Vacuum feedthroughs



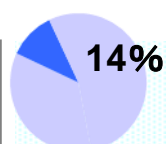
Quartz



Ceramics

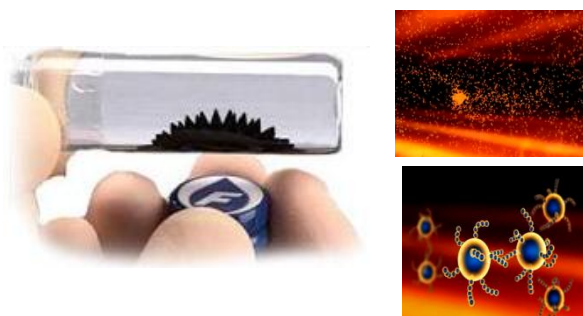


Semiconductor wafer



Electronic device

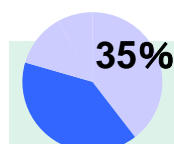
Ferrofluid



Thermo-electric module



Substrates for power semiconductor



Photovoltaic-related

PV silicon (Ingot) [OEM]

Single crystal ingot



Multi-crystal ingot



PV wafer



Consumable

Quartz crucible



Hot zone

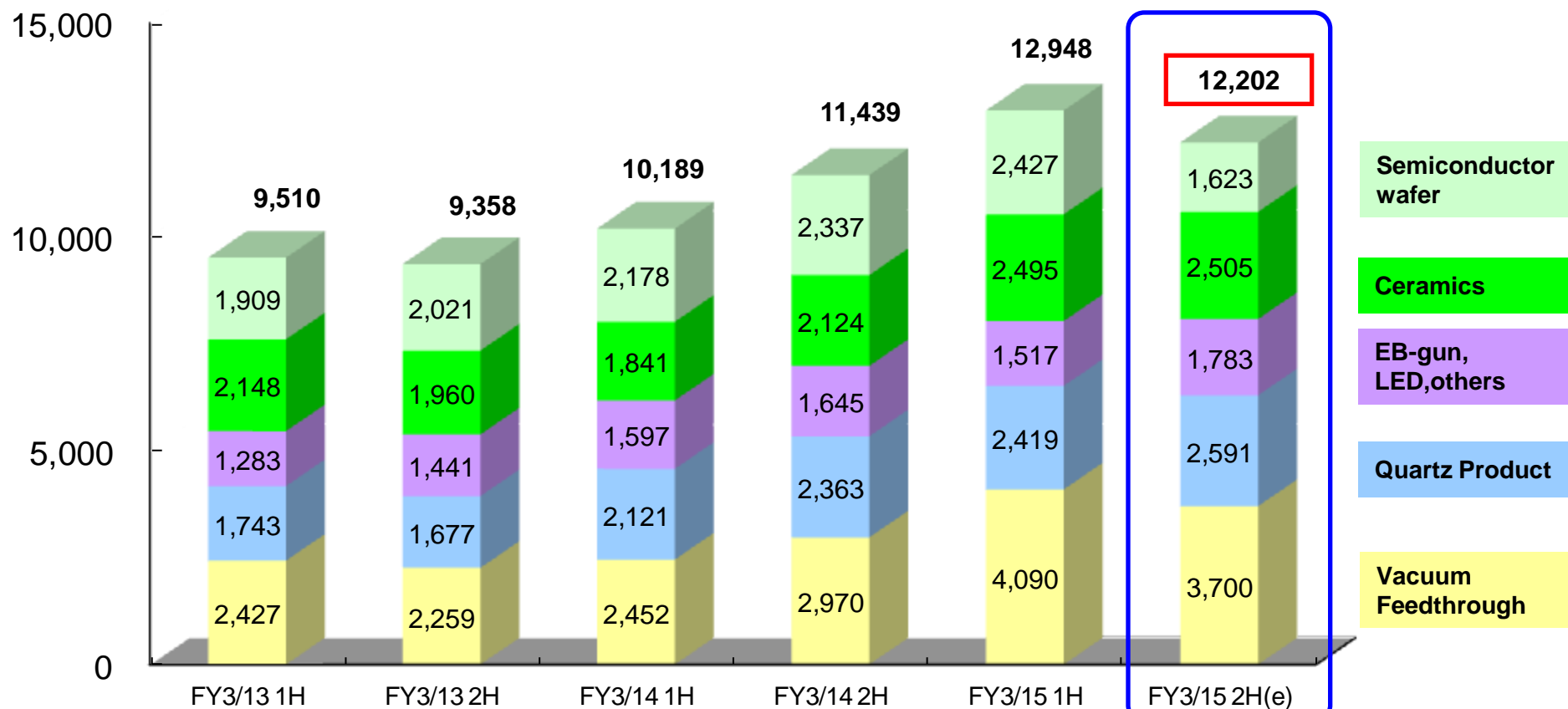


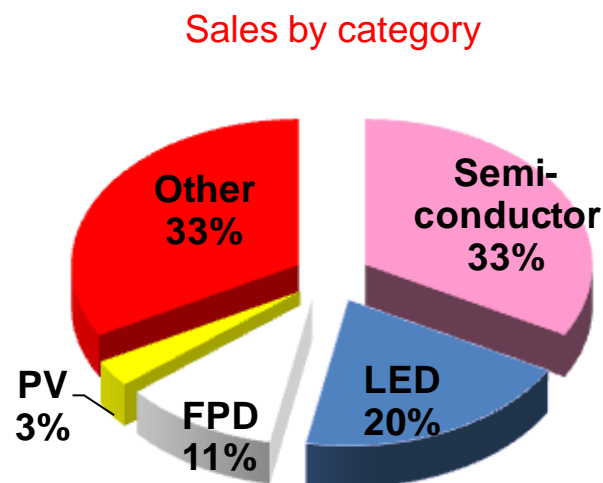
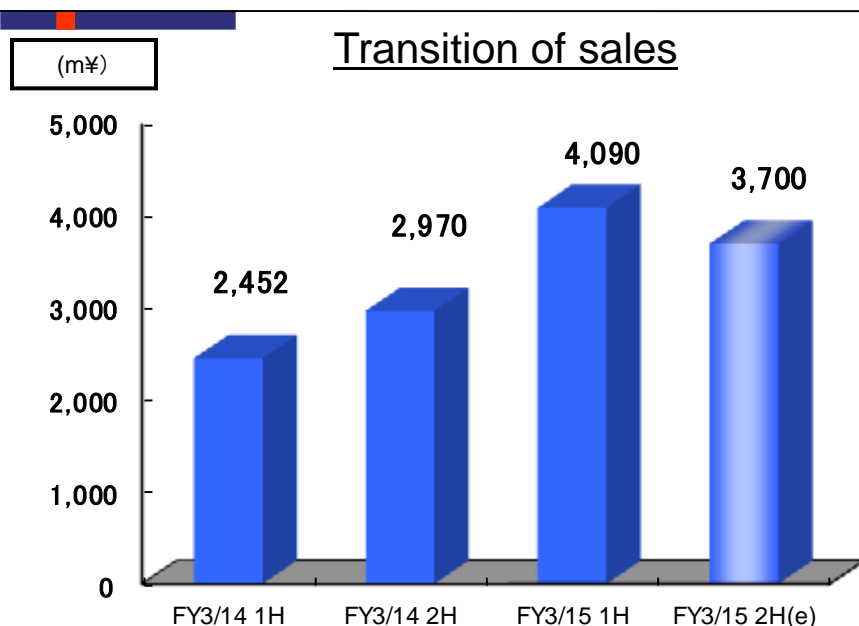
Vessel



Equipment-related Segment

Sales
(¥ in million)





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

1. Status of 1st half of FY3/15

- The FPD market saw greater clarity for portable tablets, and so demand for small to medium-sized LCD, and organic EL production equipment was firm.
- Good performance in automobile-mounted applications
- Semiconductors rose on sustained investment in 3D and miniaturisation
- Semiconductors rose on sustained investment in 3D and miniaturisation
- In the LED market, LED products for lightings and LCD backlights performed well.

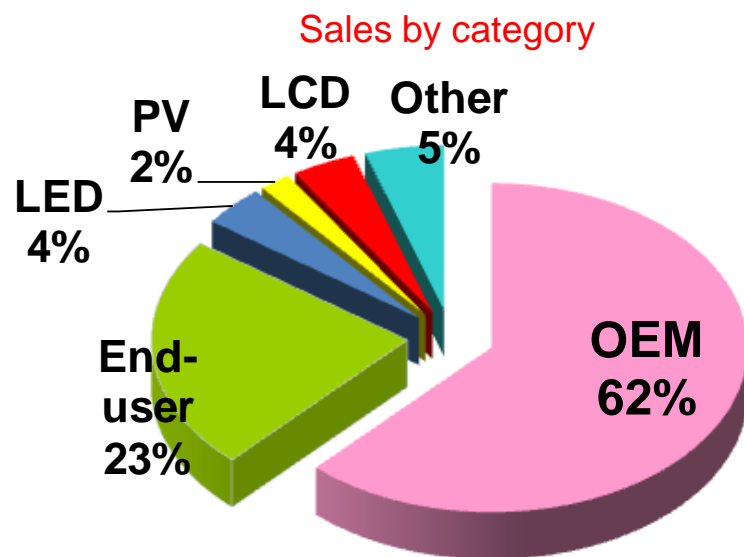
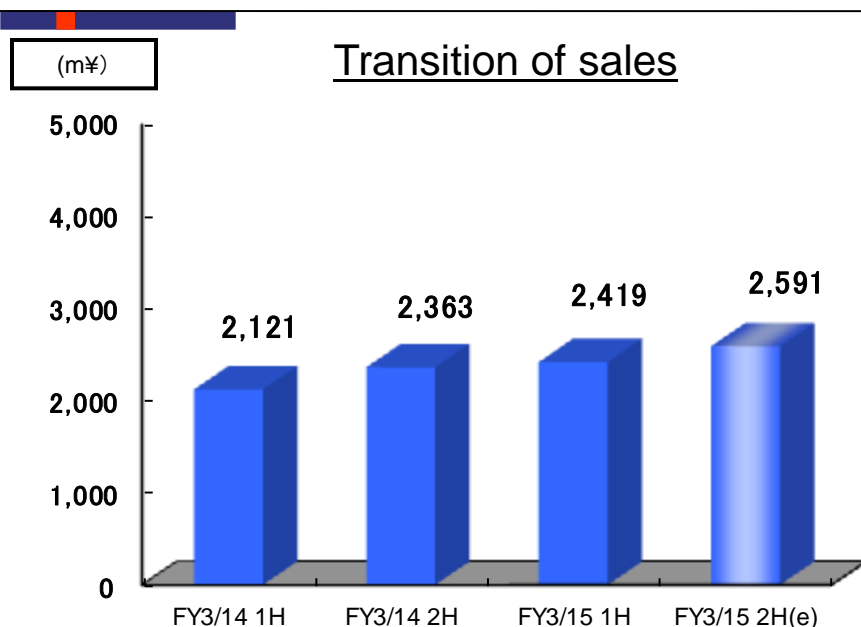
2. Outlook for 2nd half of FY3/15

- Expect semiconductor applications to continue to achieve gentle growth.
- There are concerns about a slowdown in demand and a fall in price in the LCD market, despite the investment plans of Chinese manufacturers in the FPD market
- Expect that LED-use MOCVD for automobile applications will start to steadily rise
- Increasing transaction volumes with Japanese companies moving into China

[Measures]

- Further continuation of subassembly of contracted equipment sub-assembly products for general industry
- Bolstering of operations and O/H business in Taiwan market
- Strengthening contracted manufacture of medical equipment and food related equipment
- Developing China market through alliances with Japanese companies

Status and Outlook for Quartz Products



1. Status of 1st half of FY3/15

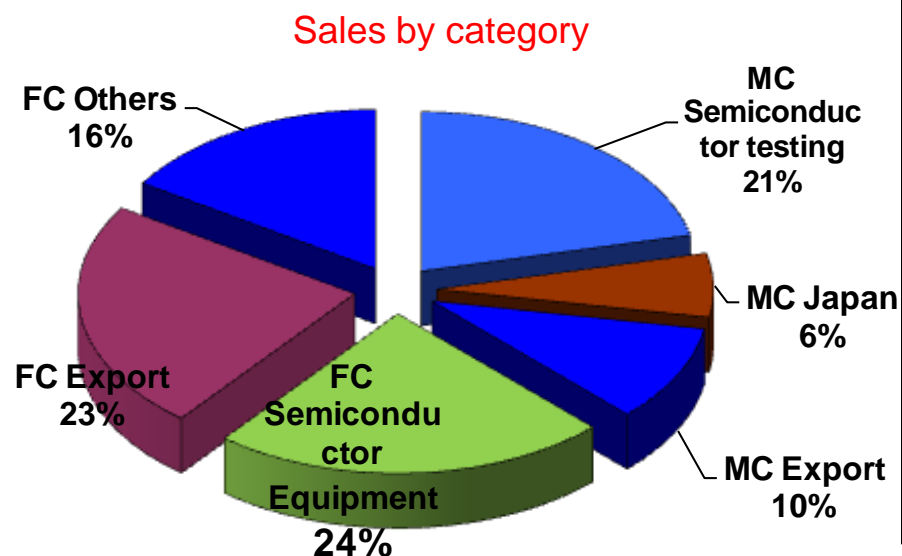
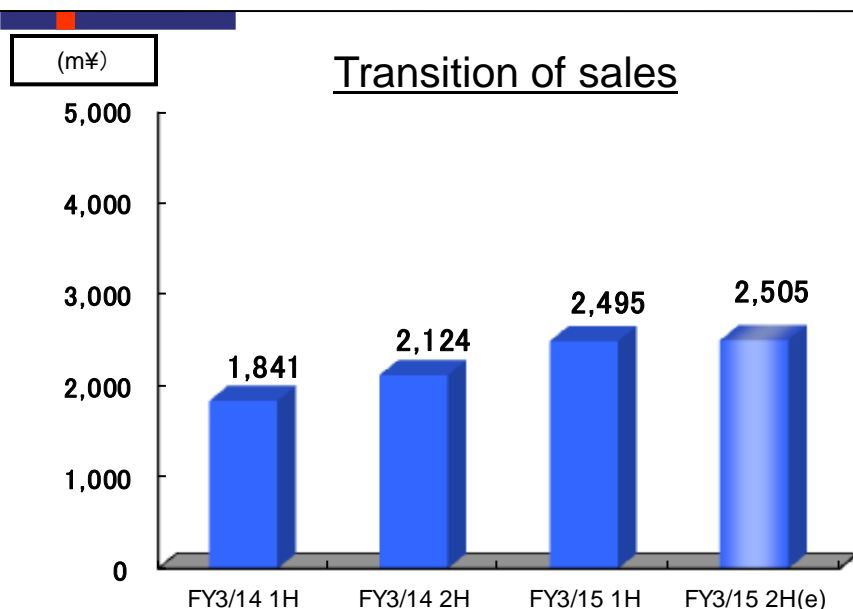
- Orders from US and Japanese major semiconductor OEM continue brisk
- Capacity utilisation rates remain high and firm at domestic and Asian companies
- Initiating mass production of high purity products in Chinese manufacturing
- Continuous demands for short delivery times from customers (Japan, Taiwan)
- Making progress with improving earnings by implementing measures to reduce materials costs, and by maintaining prices with value added products

2. Outlook for 2nd half of FY3/15

- Expect that US majors' OEM (SWP) will remain strong
- Expect that Japanese majors' OEM will rise again after peaking out
- Expect that capacity utilisation rates at domestic and Asian companies will remain at high levels
- LED related demand gradually rising in response to stronger demand for smart phone applications

[Measures]

- Planning to reduce costs by concentrating production in Chinese facilities
- Moving into the next generation and other process equipment in silicon parts.
- Continuing to respond to requirements from Taiwanese companies, quick delivery, stable product quality and customization



FC (Fine Ceramics) 、 MC (Machinable Ceramics “Photoveel”)

1. Status of 1st half (Jan-Jun) of FY 3/15

Machinable ceramics “Photoveel”

- Powered by smartphone and tablet demand, orders and sales for wafer circuit inspection equipment are rising both in Japan and overseas
- Continued stable demand from the US for medical-care related parts

Fine ceramics

- Orders and sales to equipment manufacturers from both in Japan and overseas are maintaining a high level from the second half of last year to the beginning of this year in response to the investment in semiconductor miniaturisation

2. Outlook for 2nd half (Jul-Dec) of FY 3/15

Machinable ceramics “Photoveel”

- There were some large-scale expressions of interest from sources of demand in Taiwan and Korea in the summer in anticipation of new smart phone models. Although there has been some degree of minor adjustment since the fall, the basic tone remains unchanged.

Fine ceramics

- Due to the influence of lively investment in miniaturisation and mass production in the semiconductor industry, orders for new equipment applications are strong both from Japan and from overseas. Sales is also expected to maintain a firm tone.

3. Continuous sales policy

<Machinable ceramics >

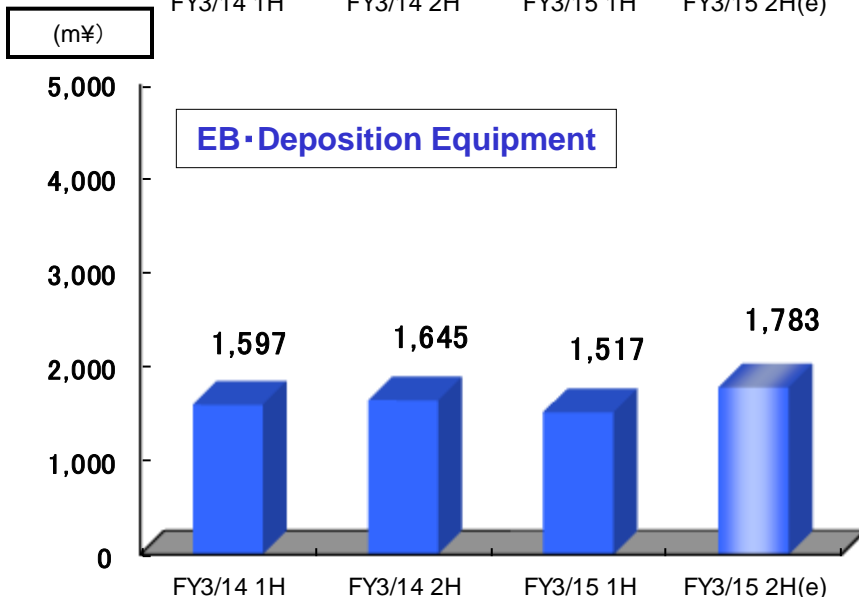
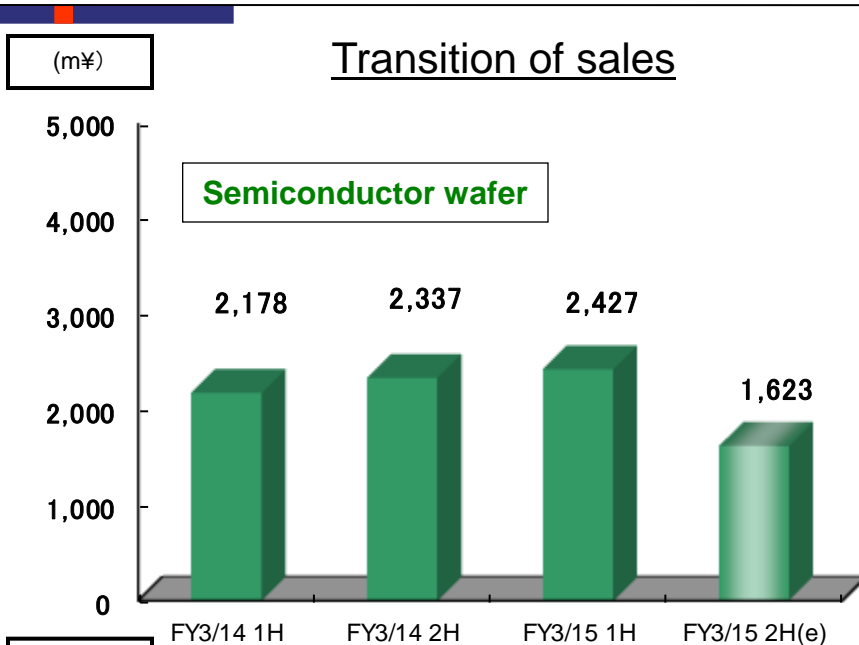
- In order to be able to respond to changes in customer needs for wafer circuit inspection equipment rapidly, focusing on the challenges of next generation models.

< Fine ceramics >

- An increase in demand for equipment is anticipated in response to major investment by sources of demand in miniaturization and 3D. Focusing on the challenges of satisfying demand for ceramics products including products in development.

< Common >

- Continuing our sales and marketing efforts to develop new customers and pioneer new applications (medical equipment related areas, etc).



Semiconductor wafer:

1. Status of 1st half of FY 3/15

- The market environment is firm, and so making solid progress with the company's own brand products.
- Sales remain firm thanks to a solid undertone in the Chinese and Taiwanese markets

2. Outlook for 2nd half of FY 3/15

- Maintaining a strong performance for the company's own brand products.
- Anticipate year-end production adjustments at the company's OEM customers

《Measures》

- Draft plan for the relocation of ingot production from Yinchuan into inland districts
- Establishment of technology, product quality and other service structures

EB gun and Deposition equipment:

1. Status of 1st half of FY 3/15

- Demand slackening temporarily. There is delayed recovery in LED market

2. Outlook for 2nd half of FY 3/15

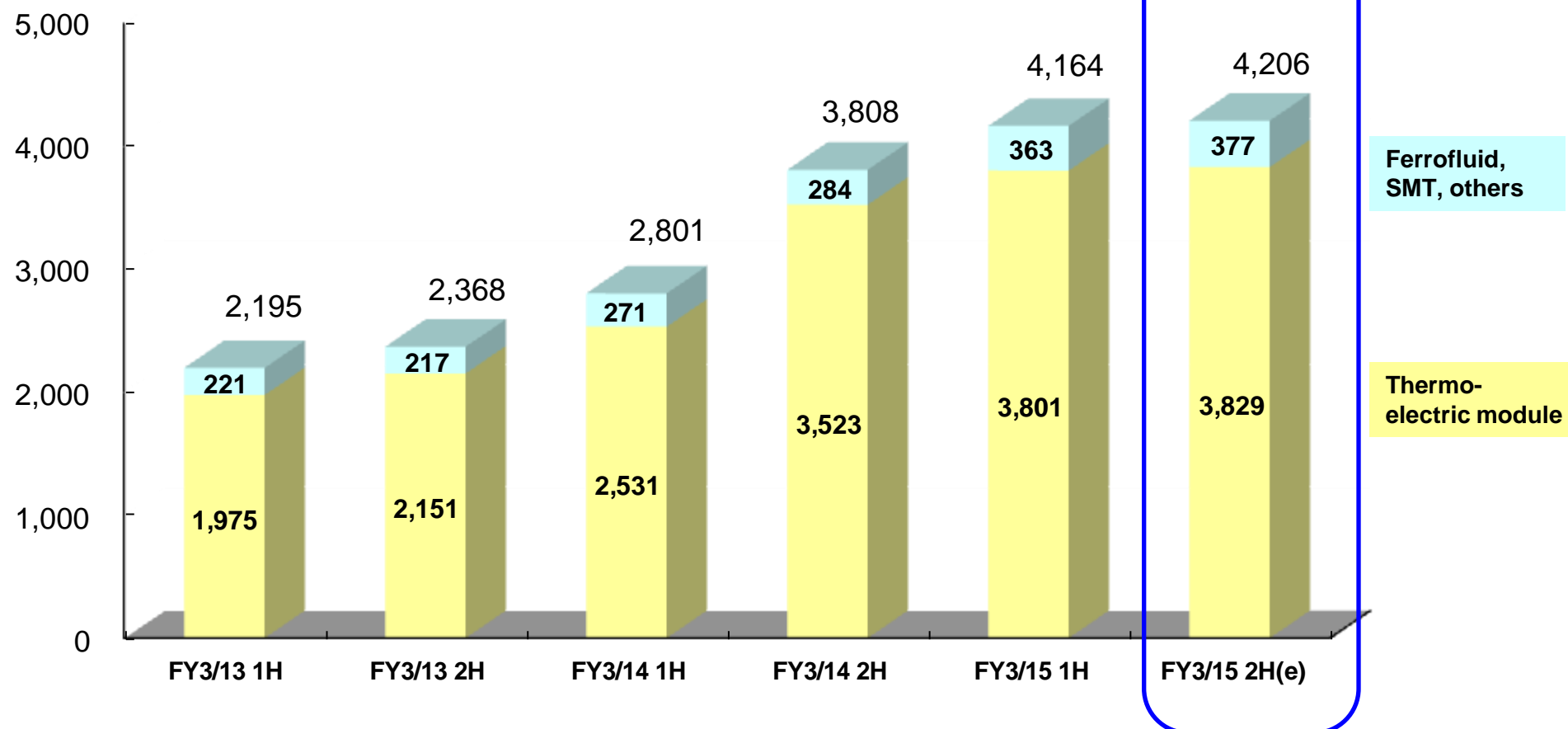
- Communications chips for smartphones expanding, expect LED market to start to recover

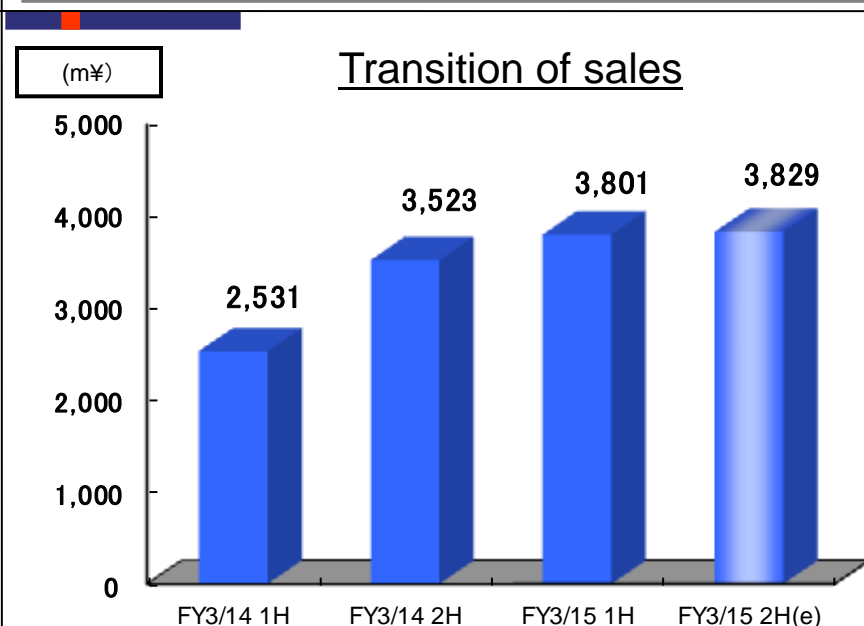
《Measures》

- Focusing on optical market and start taking orders
- EB gun: support from European market sweeping away feelings of uncertainty

Electronic Device Segment

Sales
(¥ in million)





1. Status of 1st half of FY3/15

Automobile Seat Application

- Particularly strong in North America, undertaking mass production

Other Applications

- Main industrial applications faring well, also pioneering new applications
- Power device substrates moving into growth as number of models using them increases

2. Outlook for 2nd half of FY3/15

Automobile Seat Application

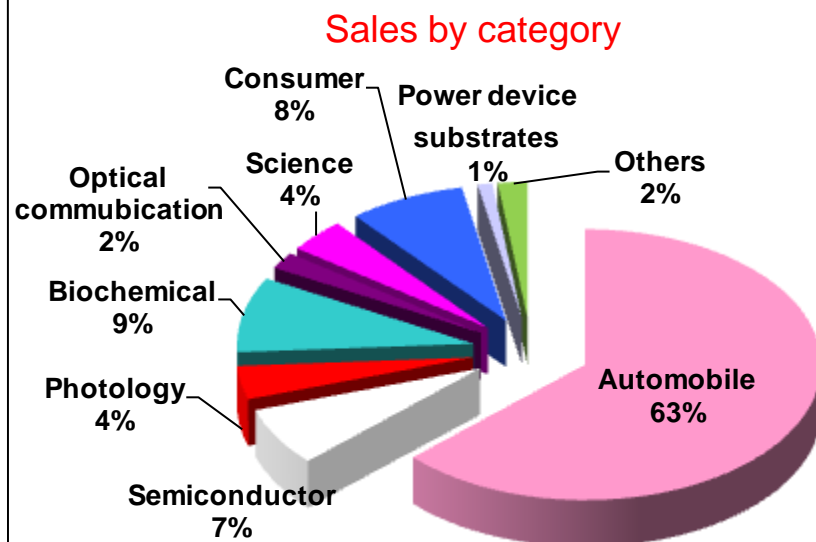
- Strong demand in North America is expected to remain steady

Other Applications

- Demand in China remains firm for optical telecommunications equipment applications
- Expect that bio, medical, and general industrial applications will all remain firm - strong
- Planning to start up new mass production for power device substrates

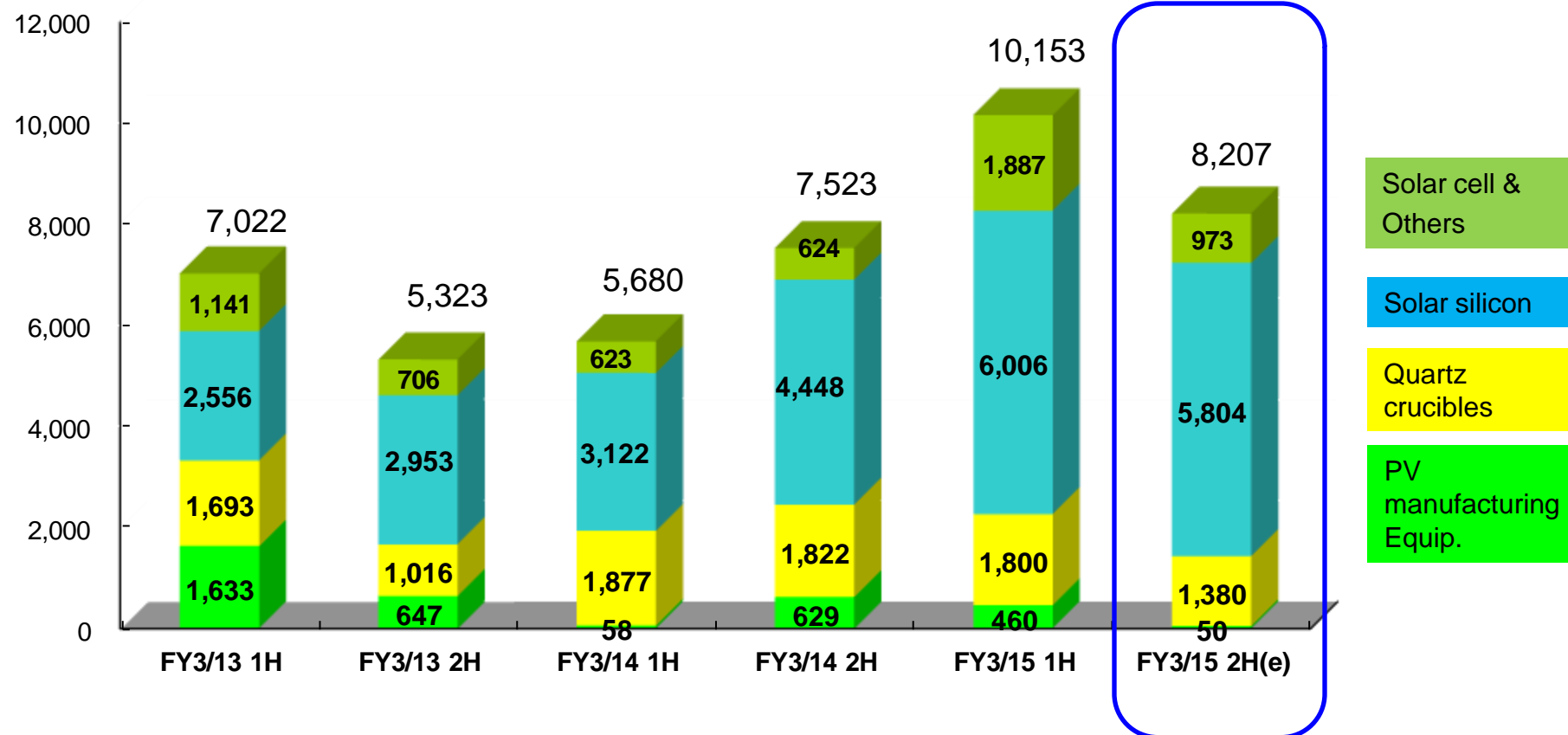
《Measures》

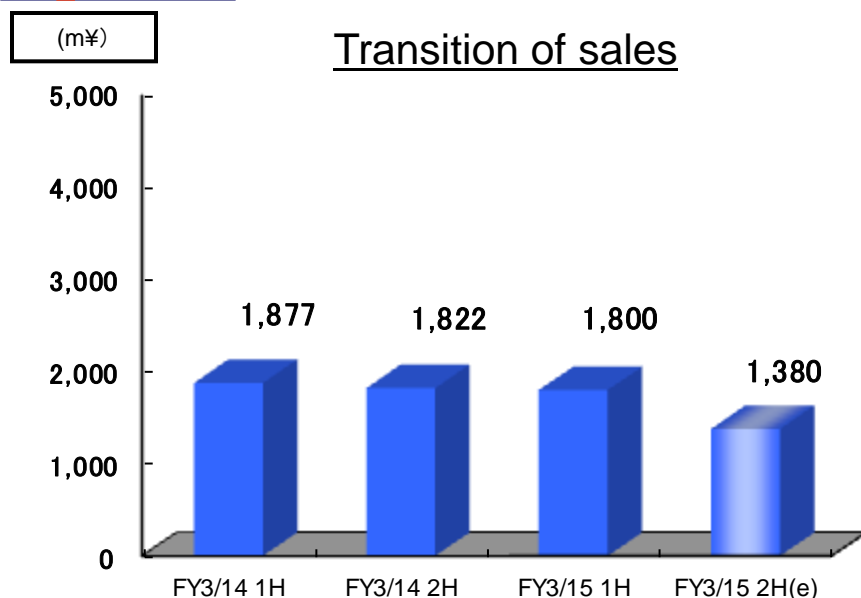
- Planning to increase customer satisfaction with sales proposals
- Bolstering support for customers' TE-use product start-ups
- Initiating new model module products able to respond to new applications
- Planning start-up of new mass production for power device substrates



Photovoltaic-related Segment

Sales
(¥ in million)





Single-crystal quartz crucible



Multi-crystal vessel

1. Status of 1st half of FY3/15

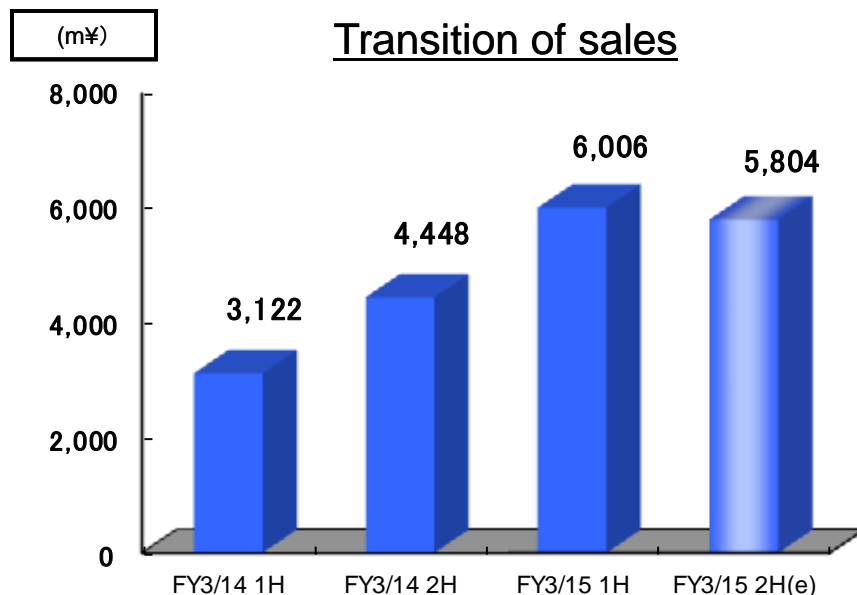
- Recovering trend in demand continues, without rebound in prices
- Responding to customer needs for long-life products
- Pressing ahead with sales for small diameter semiconductor use
- Volumes for vessels for multi-crystal remain flat

2. Outlook for 2nd half of FY3/15

- Expecting demand to fall in response to US anti-dumping measures
- Continuation of sales for small diameter semiconductor use
- Vessels for multi-crystal for Taiwan expected to receive the impact
- Reinforcing shift in sales from G5 size to G6 size in Chinese Multi-crystal vessels market

《Measures》

- Planning to pass on price rises with introduction of long-life products
- Striving to reduce costs by shifting Yinchuan plant
- Continuing to acquire authorizations for domestic semiconductor manufacturers



**Single
crystal ingot**



**Multi- crystal
ingot**



PV wafer

1. Status of 1st half of FY3/15

- Evaluations proceeding towards the acquisition of authorisations from new OEM customers. Expect to embark upon mass production in the next fiscal year
- Customer needs for high conversion efficiency N-type single crystal and key OEM customers faring well
- Multi- crystal needs are particularly strong in China but prices remain depressed
- Intensifying competition among users is resulting in severe demands for cost reductions

2. Outlook for 2nd half of FY3/15

- Demand from OEM is firm but demands for cost reductions are intensifying even further
- US anti-dumping measures and retaliatory tariffs implemented by China are resulting in an uncertain outlook
- Greater efforts being made to achieve yet further technological advances in thinning technologies
- Pricing reviews for Multi-crystal products, uncertainty sets to continue
- Chinese government installation volumes to be reduced from 14GW to 10GW per annum
- Concerns over impact of succession problems in Japan

《Measures》

- Concentrating crystal production at Yinchuan plant, with full capacity utilization
- Further progress with responding to process of thinning of fixed abrasives and thin wafers
- Aiming to expand the number of customers for N-type single crystal by enhancing functionality