

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

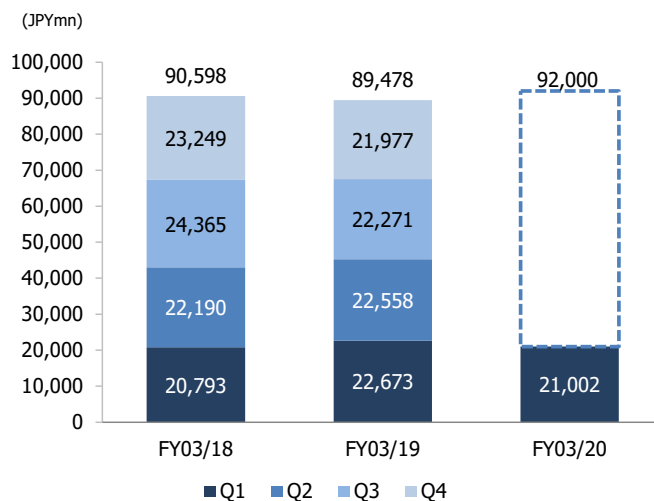
On **August 14, 2019**, Ferrotec Holdings Corporation announced earnings results for Q1 FY03/20.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20	FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of 1H	1H Est.	% of FY	FY Est.
Sales	20,793	42,984	67,348	90,598	22,673	45,231	67,502	89,478	21,002	46.7%	45,000	22.8%	92,000
YoY	20.8%	14.2%	24.1%	22.7%	9.0%	5.2%	0.2%	-1.2%	-7.4%		-0.5%		2.8%
Gross profit	5,985	12,294	19,077	24,915	6,979	13,877	21,266	27,137	7,114				
YoY	22.8%	21.8%	30.9%	26.4%	16.6%	12.9%	11.5%	8.9%	1.9%				
GPM	28.8%	28.6%	28.3%	27.5%	30.8%	30.7%	31.5%	30.3%	33.9%				
SG&A expenses	3,717	7,796	11,907	16,478	4,272	8,808	13,420	18,354	5,020				
YoY	14.8%	16.1%	18.1%	17.4%	14.9%	13.0%	12.7%	11.4%	17.5%				
SG&A ratio	17.9%	18.1%	17.7%	18.2%	18.8%	19.5%	19.9%	20.5%	23.9%				
Operating profit	2,268	4,498	7,170	8,437	2,707	5,069	7,846	8,783	2,094	48.7%	4,300	23.8%	8,800
YoY	38.5%	33.2%	59.8%	48.6%	19.4%	12.7%	9.4%	4.1%	-22.6%		-15.2%		0.2%
OPM	10.9%	10.5%	10.6%	9.3%	11.9%	11.2%	11.6%	9.8%	10.0%		9.6%		9.6%
Recurring profit	1,748	3,857	6,319	7,158	1,786	4,866	7,561	8,060	1,790	44.7%	4,000	22.1%	8,100
YoY	77.5%	83.0%	78.4%	26.1%	2.2%	26.1%	19.7%	12.6%	0.2%		-17.8%		0.5%
RPM	8.4%	9.0%	9.4%	7.9%	7.9%	10.8%	11.2%	9.0%	8.5%		8.9%		8.8%
Net income	926	2,300	3,607	2,678	684	2,826	3,544	2,846	1,327	57.7%	2,300	28.2%	4,700
YoY	103.9%	122.5%	84.1%	-17.8%	-26.2%	22.9%	-1.8%	6.3%	94.1%		-18.6%		65.2%
Net margin	4.5%	5.4%	5.4%	3.0%	3.0%	6.2%	5.2%	3.2%	6.3%		5.1%		5.1%

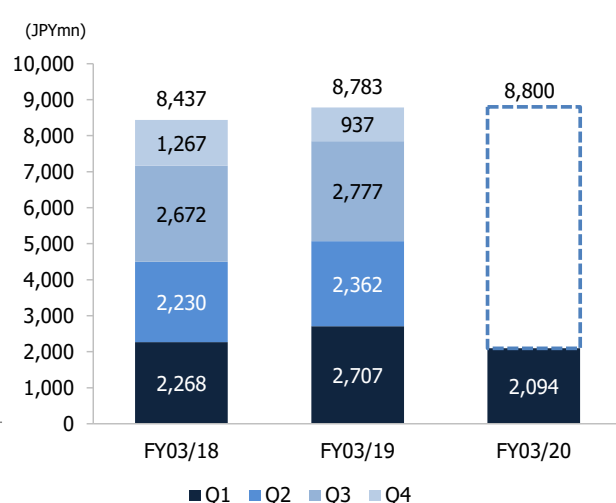
Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	20,793	22,190	24,365	23,249	22,673	22,558	22,271	21,977	21,002
YoY	20.8%	8.6%	46.7%	18.7%	9.0%	1.7%	-8.6%	-5.5%	-7.4%
Gross profit	5,985	6,308	6,783	5,838	6,979	6,898	7,389	5,871	7,114
YoY	22.8%	20.8%	51.5%	13.6%	16.6%	9.3%	8.9%	0.6%	1.9%
GPM	28.8%	28.4%	27.8%	25.1%	30.8%	30.6%	33.2%	26.7%	33.9%
SG&A expenses	3,717	4,078	4,111	4,571	4,272	4,536	4,612	4,934	5,020
YoY	14.8%	17.2%	22.1%	15.8%	14.9%	11.2%	12.2%	7.9%	17.5%
SG&A ratio	17.9%	18.4%	16.9%	19.7%	18.8%	20.1%	20.7%	22.5%	23.9%
Operating profit	2,268	2,230	2,672	1,267	2,707	2,362	2,777	937	2,094
YoY	38.5%	28.2%	140.6%	6.4%	19.4%	5.9%	3.9%	-26.0%	-22.6%
OPM	10.9%	10.0%	11.0%	5.4%	11.9%	10.5%	12.5%	4.3%	10.0%
Recurring profit	1,748	2,110	2,462	839	1,786	3,081	2,695	499	1,790
YoY	77.5%	87.8%	71.5%	-60.7%	2.2%	46.0%	9.5%	-40.5%	0.2%
RPM	8.4%	9.5%	10.1%	3.6%	7.9%	13.7%	12.1%	2.3%	8.5%
Net income	926	1,374	1,307	-929	684	2,142	718	-698	1,327
YoY	103.9%	137.0%	41.3%	-	-26.2%	55.9%	-45.1%	-	94.1%
Net margin	4.5%	6.2%	5.4%	-	3.0%	9.5%	3.2%	-	6.3%

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly sales

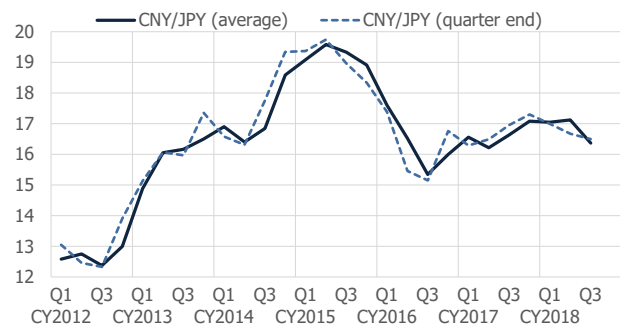
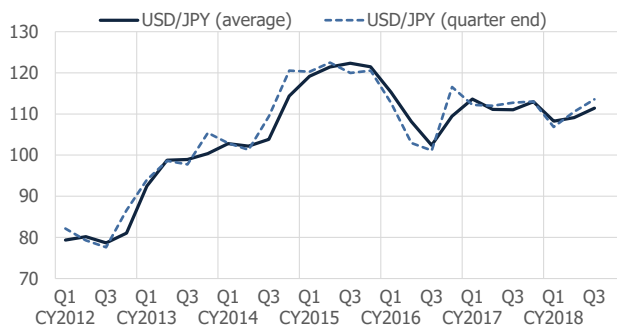


Quarterly operating profit



Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.

Foreign exchange rates



Source: Shared Research based on Mizuho Bank data

Q1 FY03/20 results (out August 14, 2019)

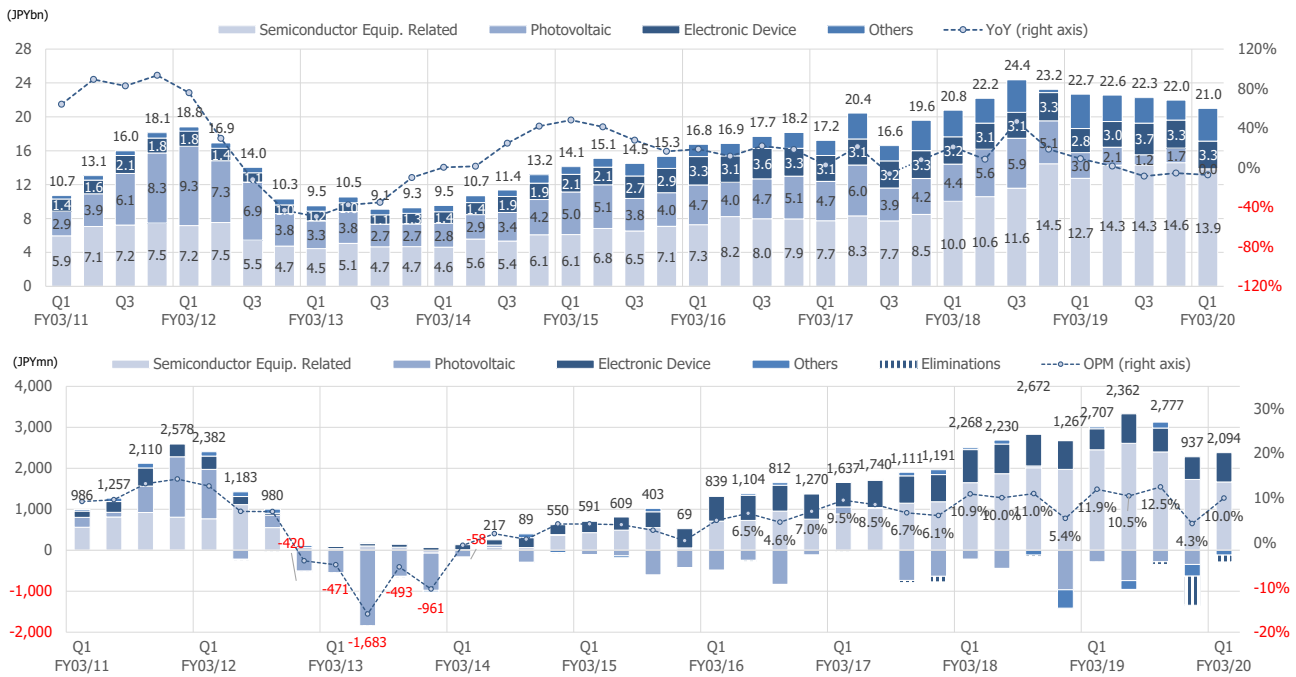
Q1 FY03/20 results (April–June 2019)

- ▷ Sales: JPY21.0bn (-7.4% YoY)
- ▷ Operating profit: JPY2.1bn (-22.6% YoY)
- ▷ Recurring profit: JPY1.8bn (+0.2% YoY)
- ▷ Net income*: JPY1.3bn (+94.1% YoY)

*Net income attributable to parent company shareholders

- ▷ As of end Q1, the company had made no changes to its 1H and full-year forecasts.
- ▷ Electronics industry trends: Overseas, capital investment related to semiconductor memory and liquid crystal and organic EL panels has entered an adjustment phase. Capacity utilization rates have also been somewhat low.
- ▷ Ferrotec's response: In the Semiconductor Equipment-related segment, sales of semiconductor materials, which are subject to demand from semiconductor manufacturers and device makers, were essentially in line with plan. In the Electronic Device segment, since the numbers of automobiles sold in the North American, Chinese, and European markets were down YoY, sales of mainstay thermoelectric modules for heated automobile seats were soft. Sales of the modules to other industries were robust, and sales of substrates for powered semiconductor devices grew.
- ▷ Segment change: Ferrotec had been reporting results for three segments: Semiconductor Equipment-related, Photovoltaic, and Electronic Device. However, after the company decided to withdraw from the sale of in-house products in the group's Photovoltaic segment and limit itself to OEM consignment manufacturing of silicon products for photovoltaic cells, the Photovoltaic segment became less significant in terms of quantity, and Ferrotec removed it from the list of reportable segments and shifted remaining business to the Others segment. In addition, quartz crucibles, which were managed as a Photovoltaic segment product, are now included under the Semiconductor Equipment-related segment, as their uses and targeted customers changed.

Quarterly performance



Source: Shared Research based on company data

Overview of segment earnings

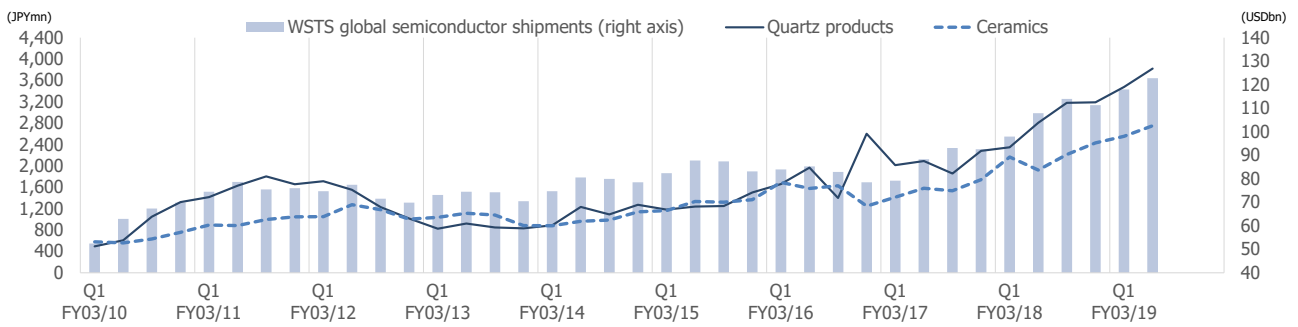
Q1 FY03/20 earnings results (April–June 2019)

Segment sales are sales to outside clients, and YoY comparisons are calculated using retroactively adjusted results for Q1 FY03/19 to account for the change in segmentation.

Semiconductor Equipment-related segment

- ▷ Segment sales: JPY13.9bn (+6.5% YoY)
- ▷ Segment operating profit: JPY1.7bn (-32.2% YoY)
- ▷ Trends by product type: The company's performance in this segment is closely linked to shipments and capacity utilization rates at semiconductor production equipment makers. Sales of mainstay vacuum feedthroughs were soft as capital investment related to semiconductors and liquid crystal and organic EL panels has entered an adjustment phase. Sales of semiconductor materials to device makers were also soft. The prices of 3D NAND flash memory and D-RAM used in smartphones and data center servers are falling and the capacity utilization rates at device makers have been comparatively low. In wafer processing, the 8-inch wafers produced at the Shanghai factory are steadily gaining client certification, resulting in increased sales volume. Device parts cleaning (for components of semiconductor and liquid crystal panel manufacturing equipment) also steadily expanded. Sales of quartz crucibles were essentially in line with plan.

Sales of the company's materials and WSTS global semiconductor shipments



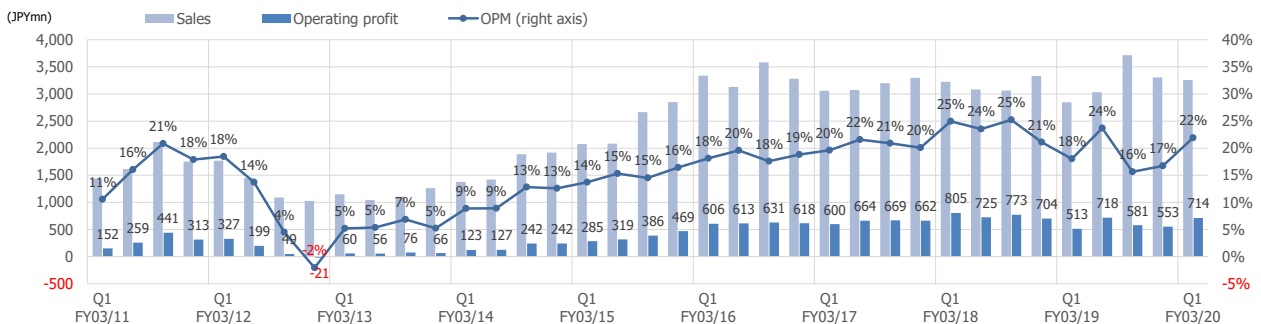
Source: Shared Research based on company data

Note: With regard to quartz product sales, which declined in Q3 then jumped sharply in Q4, the fluctuation was simply the result of problems with the timing of when certain orders were booked to sales, and it would be fair to take the average of those two quarters to gauge its performance.

Electronic Device segment

- ▷ Segment sales: JPY3.3bn (+14.5% YoY)
- ▷ Segment operating profit: JPY714mn (+39.1% YoY)
- ▷ Sales of the segment's mainstay thermoelectric modules for heated automotive seats were affected by declines in automobile sales in China and North America. Sales of modules for mobile communication systems, medical testing equipment, biotechnology equipment, and other uses were essentially in line with plan. The company has been steadily capturing new clients for its substrates used in power semiconductors, and with activation of the new factory in China's Jiangsu Province, it has increased production. Sales of magnetic fluids used in vibration motors were soft due to a decline in the number of advanced smartphone models sold.

Electronic Device quarterly performance



Source: Shared Research based on company data

Others segment

- ▷ Segment sales: JPY3.9bn (-43.1% YoY)
- ▷ Segment operating loss: JPY122mn (operating loss of JPY246mn in Q1 FY03/19)
- ▷ Businesses: Saw blades, machine tools, surface treatment, and others, including silicon products for photovoltaic cells, a business that was transferred from the old Photovoltaic segment with the change in the company's segmentation

Segment change: From FY03/19, Ferrotec moved the cleaning business from the Others segment to the Semiconductor Equipment-related segment. This makes YoY comparisons difficult. In this report, we use values for FY03/19 onward in tables and graphs, and YoY comparisons made in the body text are based on figures after the segment change. In addition, starting in FY03/20, the company dropped the old Photovoltaic segment from its list of reportable segments, so calculations are based on retroactively adjusted figures for FY03/19 provided by the company.

This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp