

Commitment of Top Management

Taking on the challenge of creating and co-creating innovation with vacuum technology at the core, with a view to a sustainable future for people and the planet

Setsuo Iwashita

President and Chief Executive Officer



Pioneering the future with vacuum technology, inheriting the spirit of our founders

ULVAC was founded with the aspiration of "contributing to industry with vacuum technology" at a time when Japan was engaged in post-war reconstruction. We started manufacturing vacuum equipment, which no one else in Japan could manufacture at the time. Subsequently, by embracing a succession of new technologies corresponding to the changing structure of industries, we have expanded our application fields to include chemicals, pharmaceuticals, food, metallurgy, semiconductors and electronic devices, and flat-panel displays, opening up new markets. We have achieved growth while supporting people's lives with vacuum technology, contributing to the business expansion of client companies and the advancement of industry and science, and celebrated ULVAC's 70th anniversary on August 23, 2022. I would like to take this opportunity to express my heartfelt gratitude to all our stakeholders for their support, which has enabled our business to grow to what it is today.

Inheriting the spirit of sustainability that our founders aspired to resolve social issues of the time through technology, the ULVAC Group will continue to boldly take on the challenge of pioneering a sustainable future for people and the planet with vacuum technology and continue to provide value as an indispensable enterprise in the world.

Viewing social change as an opportunity for growth and expanding the scope of our value provision

In recent years, the business environment in which the ULVAC Group operates has changed greatly owing to a series of changes that have had a profound impact on society as a whole. The inexorable trend toward digital transformation (DX) and greater use of information and communications technology (ICT) is accelerating, due to factors such as the normalization of remote working, the shift to EVs and the growing use of AI. At the same time, technological innovation is needed to reduce the power consumed by semiconductors and electronic devices, in order to achieve a green society committed to worldwide decarbonization to mitigate the adverse impacts of climate change.

Technological innovation that supports realization of such a society requires technologies enabling large capacity and low power consumption of semiconductor memories and logic devices; miniaturization and enhanced performance of MEMS/sensors and power devices; and higher resolution,

lower power consumption, increased size and greater flexibility of displays. ULVAC will respond to these needs by leveraging its strengths in vacuum thin film processing technology and fundamental technologies for equipment.

Orders received increased in all businesses. Great increases in both net sales and profit achieved

To summarize the business environment in FY 2021, in the semiconductors sector, the tempo of investment by foundries and logic manufacturers in advanced equipment was vigorous, and investment in semiconductor memories remained at a high level. In the electronics sector, investment in various electronic devices for the realization of a digital society expanded in line with the spread of 5G and investment in power devices also grew in line with the ongoing shift to green energy and EVs. In the flat-panel display (FPD) sector, investment in liquid crystal displays (LCDs) for tablets, PCs, and IT panels for automotive and other applications increased, and moves responding to the transition from LCDs to organic light-emitting diode (OLED) displays continued.

In this environment, the ULVAC Group received orders greatly surpassing the level for the previous fiscal year and achieved significant increases in both net sales and profit, exceeding the initial targets.

Regarding FPD production equipment, in particular, orders received increased significantly in response to growing investment in LCDs and OLEDs, with net sales growing markedly from the previous fiscal year. Regarding semiconductor production equipment, orders received increased for both logic and memory, reflecting greater use of the Metal Hard Mask (MHM) process and a continuing high level of investment, respectively. Regarding electronic device production equipment, both orders received and net sales increased, because business negotiations in China with a view to increased production of electronics in that country progressed while investment in power devices and various electronic devices became brisk. Components, industrial equipment, and materials also performed strongly. As a result, orders received for FY 2021 exceeded the levels for the previous fiscal year for all businesses.

In terms of profit, the gross profit margin reached 30.6%, the highest level since the listing of the Company on the stock exchange. This was due to the progress achieved in improving the profit margin by strengthening manufacturing capabilities and the increase in net sales, despite the impact of higher prices of parts and materials and longer procurement lead times. The operating profit margin was 12.5%, up 3.1 percentage points from the previous fiscal year.

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As a result, for FY 2021, on a consolidated basis, orders received increased 35.8% year on year to ¥270.1 billion, net sales increased 31.8% to ¥241.3 billion, operating profit increased 74.8% to ¥30.1 billion, ordinary profit increased 79.2% to ¥32.2 billion, and profit attributable to owners of parent increased 36.3% to ¥20.2 billion.

Strengthen growing businesses and improve profitability by enhancing manufacturing capabilities

The current mid-term management plan, "Breakthrough 2022" (covering the period from FY 2020 to FY 2022), is now in its final year. Initiatives under the mid-term management plan with "investment in development for growth (selection and concentration)" and "profit-oriented management through structural change" as the basic policies made good progress in the past two years, achieving business growth and improved profitability.

Regarding semiconductor production equipment, in the logic field, ULVAC is outperforming market growth owing to an increase in demand for MHM equipment attributable to EUV-related investment as well as the securing of new customers and increased opportunities for entry into other processes. In the memory field, we also maintained a high level of orders received, not only for conventional processes but also for entry into other processes. Thus, the semiconductor production equipment business achieved growth in both the logic and memory fields.

Regarding electronic device manufacturing equipment, investment in power devices and optical devices is accelerating in Japan and China. Especially in China, in response to the government's policy emphasizing domestic production, construction of

factories increased, primarily in coastal provinces. Capturing such demand, the Group continues to achieve high growth. We expect demand for electronic device production equipment in FY 2022 to grow to 1.9 times the level recorded before the launch of the current mid-term management plan (FY 2019).

Regarding FPD production equipment, the shift from LCDs to OLEDs is progressing, buoyed by the trend toward more active investment in IT panels. In FY 2021, we were able to capture the surge in LCD investment, thus securing high orders received. Going forward, we will focus on expanding sales of sputtering equipment for large-substrate OLEDs in response to the full-scale shift to mass production of OLEDs. At the same time, we have begun receiving orders for evaporation roll coaters to realize smaller-sized and larger-capacity EV batteries offering enhanced safety, and we aim to increase orders going forward.

While active investment in technological innovation and increased production is expected in the medium to long term in the semiconductor, electronic device, and FPD fields, ULVAC is focusing on research and development to strengthen its growing businesses targeting these areas so as to increase orders received. Under the current mid-term management plan, ULVAC will continue to strengthen its initiatives to improve profitability by enhancing manufacturing capabilities. To improve productivity, we are reforming our engineering & design, production process, and procurement to strengthen the information system infrastructure. As a result, the gross profit margin improved from 27.3% to 30.6% over the past two years and is improving even in an environment affected by longer delivery lead times and rising prices for parts and materials. In July 2022, ULVAC, Inc. merged with ULVAC TOHOKU, Inc. and ULVAC KYUSHU CORPORATION through absorption-type mergers. By integrating the two production subsidiaries' manufacturing expertise with the expertise of the head office in development and design, ULVAC put in place a structure for accelerating enhancement of manufacturing capabilities. From now on, we intend to strengthen the global cooperation system by coordinating the supply chains we have established in each region, including overseas plants.

Expect to maintain a high level of orders received and increases in net sales and profit

In FY 2022, the final year of the current mid-term management plan "Breakthrough 2022," while, as mentioned above, active investment for technological innovation and increased production is forecast for semiconductor, electronic device, and FPD

production equipment businesses, ULVAC expects to maintain a high level of orders received. Although we expect the impact of longer delivery lead times and higher prices for parts and materials to continue for the time being, we will work to enhance both growth potential and profitability by strengthening research and development and enhancing manufacturing capabilities to respond to the risks.

Based on these predictions, for FY 2022, on a consolidated basis, we forecast orders received of ¥270.0 billion (on a par with FY 2021) and increases in both net sales and profit. Plans call for net sales of ¥250.0 billion (+3.6% year on year), operating profit of ¥34.5 billion (+14.6%), ordinary profit of ¥35.5 billion (+10.2%), and profit attributable to owners of parent of ¥23.0 billion (+13.8%). As a result, the gross profit margin is expected to be 33.0% (an improvement of 2.4 percentage points) and the operating profit margin 13.8% (an improvement of 1.3 percentage points).

Capital policy

Regarding the capital policy, we take into account such factors as financial soundness, the capital structure, and distribution of profit to shareholders, while securing capacity for growth investment with a view to future needs. ULVAC recognizes that the sharing of profits with the shareholders as one of its most important policies. On the other hand, ULVAC operates in an industry characterized by technological innovation and fluctuating capital expenditure, and intends to enhance its internal reserves to secure sufficient funds for R&D investment in growth fields and establish a stable financial base.

With regard to returning profits to its shareholders, ULVAC's dividend policy is to focus on linkage with business performance and to aim at achieving a consolidated dividend payout ratio of 30% or more. Taking these factors into consideration, it was decided to pay a year-end dividend of 124 yen per share for FY 2021.

What our vision and materiality for the next 10 years aim to achieve

As the world faces various issues of increasing gravity, such as the continuing COVID-19 pandemic, extreme weather events and natural disasters attributable to climate change, increasing geopolitical risks, and supply chain disruptions, we need to reaffirm the role that ULVAC should fulfill in the international community and pursue sustainability of ULVAC and simultaneously that of the planet. In order to further practice sustainable management, taking the opportunity of the 70th anniversary of ULVAC's foundation, we have set our vision of where we want ULVAC to be 10 years from now on the path to our goal for 2050. ULVAC's vision for 2032 is to continue to be a "Field of Potentiality" for the future and we

have identified the materiality to realize this vision. In doing so, we focused on the uniqueness that differentiates ULVAC from others and enhancement of economic, social, and environmental value, while also taking into account the Basic Corporate Philosophy.

The term "Field of Potentiality" alludes to the margin of each person's mind. Having an empty space in one's mind allows one to look to the outside world and absorb more from it. Using the knowledge thus gained, one can venture into the unknown and create the new, transcending preconceived ideas and images. We believe that the ULVAC Group, where passionate people gather, can be a "Field of Potentiality," a source of innovation contributing to resolution of global issues and technologies and products offering true value through co-creation with people connected to the ULVAC Group. Therefore, we placed "promotion of creation and co-creation of innovation with vacuum technology at the core" and "development of diverse human resources and promotion of their advancement; cultivation of resilient organizations" as key issues of materiality.

With a challenging mindset that aims to shift from a business that responds to customers' requests to one that proposes creation of new value for customers and society, we will create innovation through joint development with customers and co-creation with various companies, universities, research institutions, and other organizations.

Furthermore, we aim to create new businesses and markets with next-generation technologies with vacuum technology at the core. In order to achieve these goals, it is essential that we look to the future, transcend national boundaries, think from the perspectives of the planet, society, markets, and customers, develop globally competent human resources with flexible ideas, and transition from a traditional organization, system, and values to an autonomous, self-driven organization with a high degree of mobility and adaptability.

Respect for human rights and responsible behavior in the value chain are also important issues for the ULVAC Group as it has a high percentage of overseas sales and employees. As a comprehensive vacuum product manufacturer, ULVAC is also committed to contributing to a sustainable global environment by working toward a decarbonized society and a circular economy.

We encourage our stakeholders to look forward to ULVAC's further enhancement of corporate value, and ask for your continued support over the long term.

