



Interview with Top Management

*Promoting group-wide unified management, the evolution of manufacturing and science, and contributing to sustainable social development in order to boldly strive to create new value*

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*H. Obinata*

Looking back on the fiscal year ended June 30, 2015

Q1 Please tell us about the business environment and results for this consolidated fiscal year (year ended June 2015).

A1 ACHIEVING PROFITS IN EXCESS OF PLAN’S TARGETS

The electronics market, in which the ULVAC Group operates, continues to be buoyed by smartphones, with an increase in shipment of small to medium-sized LCD panels, semiconductors and other electronic components that are used as smartphone components. With regard to capital investment in LCD production equipment, a lull was observed early in the fiscal year due to the completion of a round of investment by various companies and the market remained generally sluggish;

Business Results (unit: billion yen)

	(Reference) June 2014	June 2015		
		Plan*	Results	Year-on-year
Orders received	169.8	170.0	182.7	12.9 +7.6%
Year-end order backlog	67.2	62.2	73.0	
Net sales	173.9	175.0	179.2	5.3 +3.0%
Operating profit	12.0	9.0	11.1	(0.9) (7.2%)
Operating profit to net sales (%)	6.9%	5.1%	6.2%	
Ordinary profit	13.4	8.5	12.5	(0.9) (6.8%)
Ordinary profit to net sales (%)	7.7%	4.9%	7.0%	
Net income	11.5	6.5	8.9	(2.7) (23.1%)

\*Values published in August 2014

however, signs of renewed investment in the second half of the fiscal year reinvigorated the market. In the automobile market, sales of eco-friendly cars remained strong, causing capital investment in automotive parts, including car electronics products, to remain steady.

In this business environment, the consolidated results for the fiscal year ended June 30, 2015 showed a year-on-year increase in both orders received and net sales, with orders received amounting to ¥182.7 billion (a year-on-year increase of 7.6%), and net sales totaling ¥179.2 billion (a year-on-year increase of 3.0%). With regard to profit and loss, although operating profit, ordinary profit and net income all showed a year-on-year decrease, with operating profit of ¥11.1 billion (a year-on-year decrease of 7.2%), ordinary profit of ¥12.5 billion (a year-on-year decrease of 6.8%) and net income of ¥8.9 billion (a year-on-year decrease of 23.1%), these figures still exceeded our initial targets under the plan.

Q2 How do you rate your results for this consolidated fiscal year (year ended June 2015)?

A2 IMPROVING OUR ABILITY TO GENERATE STEADY PROFITS BY THOROUGHLY IMPLEMENTING ‘FRONT LOADING’

Three years has passed since I took on the role of president in 2012. In that time, I truly feel that the group as a whole has achieved its targets under the plan in a challenging business environment and has improved its ability to generate steady profits by coming together as one and working towards structural business reform. Major factors that

have contributed to this have included (1) thoroughly establishing a structure that grasps the current business conditions and is able to respond immediately to unforeseen volatility, and (2), creating a manufacturing system to generate income according to our plan. This is a result of focusing the knowledge that the ULVAC Group has fostered up to this point, such as past data and technical specifications, and thoroughly implementing ‘front loading,’ which ensures that thorough precautions are already in place before work begins to ensure stable and trouble-free manufacturing. I believe that this is the reason we were able to generate income in excess of our targets under the plan.

Q3 How would you describe the financial soundness of the group?

A3 WE FULLY REDEEMED PREFERRED STOCK.

In September 2012, the Company issued ¥15 billion worth of class A classified stock in an attempt to seriously promote structural business reform. As a result, there was considerable reform to the financial structure, such as an increase in consolidated net assets and cash on hand equivalents, as well as a reduction in interest-bearing debt. In November 2014, a portion of these shares (¥5 billion capital) was purchased and cancelled. Furthermore, in July 2015, we were also able to purchase and cancel the remaining class A classified stock (¥10 billion capital).

Outlook for the fiscal year ending June 30, 2016 and progress of the medium-term management plan

Q4 Please tell us about the outlook for the fiscal year ending June 2016.

A4 ORDERS AND SALES ARE PREDICTED TO MEET THE PLAN’S TARGETS AND PROFITS ARE PREDICTED TO EXCEED TARGETS.

In the fiscal year ending June 30, 2016, which is the second year of the medium-term management plan, we anticipate that orders and sales will each amount to ¥190 billion, which will meet the targets under the plan. In addition, we anticipate that profits will exceed targets under the medium-term management plan, with operating income of ¥14.5 billion (¥13 billion under the medium-term management plan), ordinary income of ¥13 billion (¥12 billion under the plan) and net income reverting to the parent company of ¥10 billion (¥9 billion under the plan. (Profits were upwardly revised on November 11, 2015.)

Progress of the medium-term management plan (unit: billion yen)

	June 2015 Results	June 2016 Forecasts*2	June 2017 Targets
Orders received	182.7	190.0	200.0
Net sales	179.2	190.0	200.0
Operating profit	11.1	14.5	16.0
Operating profit to net sales (%)	6.2%	7.6%	8.0%
Ordinary profit	12.5	13.0	15.0
Ordinary profit to net sales (%)	7.0%	6.8%	7.5%
Net income*1	8.9	10.0	11.0

\*1 For the respective fiscal years ending June 30, 2016 and June 30, 2017, this refers to current net profits that revert to the shareholders of the parent company  
\*2 Revised values announced on November 11, 2015

Q5 Please tell us about future efforts under the medium-term management plan.

A5 WE WILL FURTHER PURSUE OUR STRUCTURAL BUSINESS REFORM PROJECT.

In order to achieve the targets under the medium-term management plan devised in August 2014, we adopted basic policies of “reconstructing a business model to create value (reestablishment of a mechanism to increase added value with vacuum technologies at the core),” “reviewing unprofitable businesses,” and “reducing break-even sales.” We aim to continue to “establish a system to enable us to secure reliable and stable earnings.” With regard to business segments, we plan to adhere to the plan’s growth scenario, which sees growth being propelled by the semiconductor and electronic component manufacturing equipment segment while continuing to be supported by the FPD and PV production equipment, Industrial equipment, and Component segments, while further pursuing activities to increase product competitiveness and profitability through cooperation between the development, sales, and production sections under the structural business reform project.

Sales strategy project

- Strengthening of the Corporate Sales and Marketing Division
- Securing partnerships with companies that are global leaders in new technology and open new markets

Development strategy project

- Adding electronics components and MEMS that support the IoT to the eight important business areas
- Establishment of the Future Technology Research Laboratory, which will contribute to long-term growth

Cost management enhancement project

- Establishment of front loading and global expansion
- Ensuring the Group’s production efficiency

**Q6** Please tell us about each project and important points for their thorough implementation.

**A6 WE ARE PURSUING MAXIMUM EFFICIENCY THROUGH INTEGRATED GROUP MANAGEMENT, AND STEADILY IMPROVING RESULTS.**

Firstly, with regard to the sales strategy project, we will further strengthen ULVAC's Corporate Sales and Marketing Division. At present, our customers' production activities are spreading around the world. In order to respond to these developments, we plan to align and optimize the Group's sales activities, led by ULVAC's Corporate Sales and Marketing Division, and promote a more effective approach to obtaining orders globally. Furthermore, in preparation for securing partnerships with companies that are global leaders in new technology, we would like to have a firm grasp of future technological trends, while building many connections, such as by continuously holding technical roadmap meetings.

With regard to the development strategy project, we have added electronics components and MEMS that support an advanced information-oriented society (IoT) to the ULVAC Group's eight important business areas, so that we are now promoting development in nine important business areas. Furthermore, we have created the Future Technology Research Laboratory to assist ULVAC 10 or 20 years in the future. For the past several years, we have valued development aimed at the current plan to receive orders; however, we are now proactively engaging in development from a medium-term perspective with dreams of contributing to social progress and the ULVAC Group's future growth.

With regard to the cost management enhancement project, we will expand globally, while further enhancing our implementation of front loading, which we have been engaged with up to this point. Furthermore, we will thoroughly pursue efficiency in the Group's production.

By promoting these projects, the ULVAC Group will chart a course towards efficient management which embodies the keyword of "one ULVAC" in order to achieve solid growth. Up to this point we have pursued the structural business reform project using the keyword of "vitalization." This has led us to promote global vitalization for our development, sales, and production sections, as well as increased product competitiveness and profitability etc. Looking forward, the ULVAC Group will seek to integrate these areas in order to achieve maximum efficiency, and promote integrated management in order to ensure increased growth.

**Shareholder returns**

**Q7** Please tell us about your thoughts concerning dividends.

**A7 THE DIVIDEND FOR THE YEAR ENDED JUNE 2015 WAS ¥10 PER SHARE.**

Through the structural business reform that the ULVAC Group has come together to engage in up to this point, we have implemented a system that allows us to ensure secure and stable income, and fully redeemed the class A classified stock, etc. This led us to the decision that we had achieved our goal of being able to resume dividends for common stock and duly issued a dividend of ¥10 per share for the fiscal year ended June 30, 2015. With regard to the fiscal year ending June 30, 2016, looking forward we will secure the internal reserves necessary for investment in research and development and to strengthen our financial base, and in consideration of the future earnings forecasts and dividend payout ratio, etc., we anticipate that dividends will increase by ¥20 for a total dividend of ¥30.

**ULVAC's mission and value creation**

**Q8** What are your thoughts concerning ULVAC's mission?

**A8 I BELIEVE ULVAC'S MISSION IS TO CONTRIBUTE TO SOCIETY BY CONDUCTING RESEARCH AND DEVELOPMENT CONCERNING CUTTING-EDGE TECHNOLOGY.**

Companies are said to be a public instrument of society, and we are aware that we only exist because of society at large, so we work on the premise that we must be a company that is valuable to society. In addition, I think that it is our utmost duty to contribute to society through the ULVAC Group's greatest strength, which is cutting-edge technology, while fulfilling our responsibility to all of our stakeholders.

Since our establishment in 1952, at ULVAC, we have dauntlessly challenged ourselves to create new value that is demanded by the times, seeking out the infinite possibilities of vacuums, and refining technology that freely manipulates vacuums, based on our corporate philosophy of "contributing to manufacturing and science through vacuum technology." In addition, a diverse range of fields utilize the vacuum technology that we have developed, including semiconductors, electronic components, flat-panel TVs, solar cells, automobiles, pharmaceuticals, food, and science, and it is a fundamental technology that is indispensable for the advancement of many industrial fields and science.

In recent years, intricately connected social issues such as environmental problems have become prominent, and I think that the fields in which the ULVAC Group's products and technology can contribute are expanding exponentially.

**Q9** In what specific fields do you hope to contribute to society in the future?

**A9 WE HOPE TO CONTRIBUTE TO SOCIETY IN THE FIELDS OF ENERGY AND IOT.**

Although we are facing many issues, the Group aims to make great contributions in two specific fields. One of these is the energy saving and power generation field, which will help to provide technological solutions to deepening social issues. There are concerns about insufficient power supply in the future due to the increasing global population, and we will continue to be a leader in the development of

technology to avoid the energy crisis that is being faced by society through four projects concerning power devices, high-brightness LEDs, high-efficiency solar cells, and automotive-related technology. The second field that we will contribute to is key technology for the growth and development of society. We are devoting ourselves to the development of technology which is necessary for four projects concerning display-related technology, non-volatile memory, hyperfine wiring, and high-density mounting, as we head towards a highly information-oriented society, which is represented by the acronym "IoT." We are also working on a ninth project, which concerns electronic components and MEMS. MEMS technology is extremely important for the creation of the communication devices and sensors etc. that will support the IoT age. The Group has advanced processing technology relating to this area, and we plan to place particular emphasis on it looking forward. The Group has determined that these two fields are important, and we will aggressively promote technological development for the realization of a rich and safe lifestyle for people all over the world. (Refer to p. 23)

**Q10** Finally, please tell us about the type of group that ULVAC aspires to be.

**A10 WE AIM TO BE A CORPORATE GROUP THAT CREATES NEW VALUE THAT IS DEMANDED BY THE TIMES AND IS VALUED BY ALL KINDS OF BUSINESSES AND SOCIETIES.**

I feel that business management should value safety, quality, and profits, in that order. Profits cannot be achieved without safety and quality. If you merely chase profits and neglect safety and quality, it will lead to accidents down the line and cause inconvenience to the societies. Also, if you neglect quality, you will lose the trust of your customers. Once you make sure that you achieve safety and quality, only then will you be able to seek profits. I feel that this is prudent business management.

My aim for the Group is to create new value that is demanded by the times and to be valued by all kinds of businesses and societies by bringing together our manufacturing ability and the abilities of our personnel who support it, firmly based on a corporate culture that values safety and quality above all else. To that end, we will strengthen our relationships with all of our stakeholders including our customers, sustainably expand our businesses by building a stable business structure, and continually improve corporate value. We appreciate your continued support and invite you to join us in the bright future that ULVAC will create.

