

We are aiming to increase our corporate value by harnessing the power of diverse human resources and expanding the range of and deepening integration activities.



Hisaharu Obinata  
President and Chief Executive Officer

*Hisaharu Obinata*

Looking back on the fiscal year ended June 30, 2016

Q1 Please tell us about the business environment and results for this consolidated fiscal year (year ended June 2016).

A1 WE ACHIEVED RECORD-HIGH PROFITS.

The electronics market, in which the ULVAC Group operates, saw a continuous trend toward higher-performance, thinner smartphones, but due to the declining growth of sales quantities, a general wariness toward capital investment was observed among electronic component manufacturers. LCD production equipment, on the other hand, benefitted from a concentration of active capital investment. Investment in organic LED also showed signs of improving, and maintained a higher level than in the previous fiscal year.

In this business environment, the consolidated results for the fiscal year ended June 30, 2016 showed a year-on-year increase in both orders received and net sales, with orders received amounting to ¥223.6 billion (a year-on-year increase of 22%), and net sales totaling ¥192.4 billion (a year-on-year increase of 7.0%). With regard to profit and loss, operating profit, ordinary profit and net income attributable to owners of parent all exceeded the targets under our initial plan at the beginning of the term, with an operating profit of ¥17.9 billion (a year-on-year increase of 60%), ordinary profit of ¥18.4 billion (a year-on-year increase of 47%) and net income attributable to owners of parent of ¥16.7 billion (a year-on-year increase of 88%).

In addition to achieving the above results, we also aimed to promote financial soundness, and were able to purchase and cancel all of our remaining class A classified stock (¥10 billion capital) in July 2015. Our balance sheet has slimmed down as a whole, but we shall continue to increase our equity ratio and strive to be a company capable of adapting to changes in the business environment. Based on our performance for the year ended June 2016, we have increased our dividend payments for the term by ¥20 compared to the previous fiscal year, and paid out ¥30 per share.

Consolidated Business Results (unit: billion yen)

	June 2015 Results	June 2016 Results	Year on year
Orders received	182.7	223.6	40.9 (+22%)
Net sales	179.2	192.4	13.3 (+7%)
Operating profit	11.1	17.9	6.7 (+60%)
Operating profit to net sales	6.2%	9.3%	
Ordinary profit	12.5	18.4	5.9 (+47%)
Ordinary profit to net sales	7.0%	9.5%	
Net income attributable to owners of parent	8.9	16.7	7.8 (+88%)

Q2 How do you rate your results for this consolidated fiscal year (year ended June 2016)?

A2 WE HAVE STRENGTHENED OUR PROFIT-EARNING CAPACITY BY IMPLEMENTING "FRONT LOADING\*" AND PROMOTING GROUP-WIDE INTEGRATED MANAGEMENT.

"Front Loading" realizes trouble-free, stable manufacturing by gathering the knowledge that we have so far cultivated in the ULVAC Group, such as past manufacturing data and technical specifications, and ensuring that thorough precautions are already in place in the early stages of operations. By taking this approach to meticulously pursue quality in the early stages of operations, we have been able to prevent additional costs and significantly improve our profit-earning capacity. Furthermore, we designated the year ended June 2016 as the first year of Group-wide integrated management, and promoted efficient management particularly in our production departments. As a result, I believe we have been able to foster a sense of group solidarity that goes beyond the boundaries of each company, as well as integrate our Group's production framework. This has maximized our profit and pushed forward our efforts to create an organization conducive to accumulating advanced technologies within our company, and is another significant achievement.

Outlook for the fiscal year ending June 30, 2017 and progress of the medium-term management plan

Q3 Please tell us about the outlook for the fiscal year ending June 2017.

A3 BY ADAPTING TO CHANGES IN OUR EARNINGS ENVIRONMENT, WE FORECAST THE SAME STRONG LEVEL OF SALES AND PROFIT AS LAST YEAR.

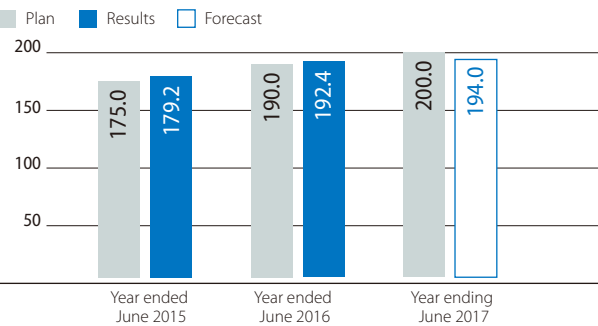
We expect future growth in the semiconductor and electronic component market, which includes 3D-NAND and non-volatile memory,

advanced electronic devices, power devices, and high-density mounting. In the industrial equipment market, we forecast a certain level of growth, but do not anticipate major growth, as the economy remains uncertain in China and emerging countries. In the FPD production equipment market, capital investment in organic LED is expected to increase, but investment in large TVs is expected to experience a temporary slowdown after having reached a peak in Fiscal 2015.

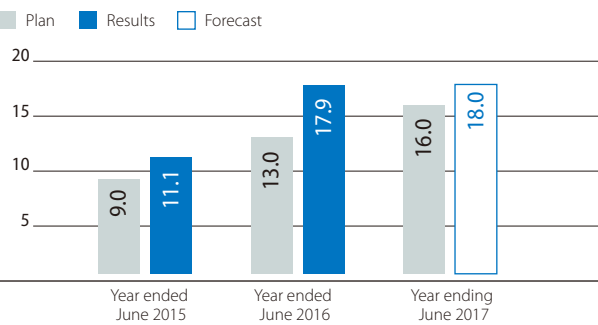
Even while our earnings environment becomes increasingly severe, due to such factors as the fierce cost competition caused by the strong yen, we will steadfastly respond to changes and grasp new opportunities. In the fiscal year ending June 2017, we anticipate orders worth ¥185.0 billion, net sales of ¥194.0 billion, operating profit and ordinary profit of ¥18.0 billion each, and net income attributable to owners of parent of ¥12.0 billion.

Progress of the medium-term management plan (from the year ended June 2015 to the year ending June 2017)

Net sales (consolidated) (unit: billion yen)



Operating profit (consolidated) (unit: billion yen)



\* The plan figures are those that were announced in August 2014.

Q4 Please tell us about your efforts for the final year of the medium-term management plan.

A4 WE WILL PROMOTE EXPAND THE RANGE OF AND DEEPEN "INTEGRATION" ACTIVITIES IN ALL OUR DEPARTMENTS AND DELIVER COMPETITIVE, HIGH-VALUE-ADDED PRODUCTS TO THE WORLD.

As fiscal 2016 is the final year of our medium-term management plan, we are making every possible effort at this very moment to achieve the earnings we have projected. We set a policy of expanding the range of and deepening "integration" activities in fiscal 2016. Expanding the range of "integration" activities means all our departments, including the production departments as well as the

\* "Front Loading" generally means placing a larger proportion of the burden (load) at the beginning (front) of an operation and performing a large part of the operation in the early stages. This approach ensures quality by allowing problems to be identified as early as possible.

development, sales, and head office departments, will endeavor to promote integrated management, and will aim to improve efficiency and produce results as a integrated group. It also means we must depart from our conventional emphasis on sub-optimization and instead place priority on total optimization from a consolidated perspective and pursue the ultimate in efficiency. Deepening "integration" activities means gathering the wisdom of our Group companies in marketing, development, production, and field services, and creating and delivering new added value to the world. Due to the advancement of globalization and commoditization, the vacuum equipment industry faces severe cost competition today. To escape from this situation, we must develop a new lineup that offers greater added value and is more competitive than ever before. Thus, in Fiscal 2016, we have continued to work to create even higher added value by increasing capital investment in research and development and R&D budget.

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## ULVAC's mission and value creation

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Q5 What are your thoughts concerning ULVAC's mission?

A5 I BELIEVE OUR MISSION IS TO CONTRIBUTE TO SOCIETY WITH CUTTING-EDGE TECHNOLOGY.

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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, 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.

Q6 In what specific fields do you hope to contribute to society in the future?

A6 WE HOPE TO CONTRIBUTE TO SOCIETY IN THE FIELDS OF ENERGY AND IOT.

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In recent years, global environmental problems and other such complex social issues have become prominent, and the fields in

which our Group's products and technology can contribute are expanding at a rapid rate.

Although we face various social issues, we aim to make a contribution in mainly two fields. One of these is the energy-saving and power generation field. Today, there is mounting concern about the depletion of energy sources due to the increasing population. We will use our Group's technology to solve this deepening social issue. Vacuum equipment is indispensable to the production of power devices, such as those that save energy by controlling large electrical currents, solid-state batteries that store electricity, and long-life, high-brightness LEDs. Various types of vacuum equipment are also used in the production process of solar cells, the representative solution to power generation. Thus, we will implement a priority energy project in the four areas of power devices, high-brightness LEDs, high-efficiency solar cells, and automotive related technology.

The second field that we will contribute to is the field related to advanced information technology. As we increasingly become a highly information-oriented society, represented by the acronym "IoT," we are focusing our efforts on four projects related to display-related technology, non-volatile memory, hyperfine wiring, and high-density mounting. We have also launched a project that involves electronic components and MEMS. MEMS technology is extremely important to the creation of communication devices and sensors that support the IoT age. With our Group's advanced processing technology related to these areas, we can make significant future contributions to our information-oriented society. By designating these two fields related to energy and information technology as priorities for our Group, we will aggressively promote technological development toward the realization of a rich and safe lifestyle for people all over the world.

Q7 Please tell us what values or principles your organization upholds.

A7 WE ARE BUILDING AN ORGANIZATION THAT EMBRACES DIVERSITY AND IS WORTH WORKING FOR.

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The globalization of the economy has also taken down the barriers between nations with regard to human resources, and mutual understanding of different races, cultures and customs has become more important than ever before, such that each and every one of us is expected to be tolerant of diversity. In our Group, we have established measures for providing opportunities to make presentations and a system of awards that turn the spotlight on employees in all job categories, and have created a personnel system that values professionalism, for example, with respect for diversity. I believe having a system that rewards people who make great effort is the key to revitalizing both individuals and the organization. That is why we employ a system of management by objectives and evaluation systems that do not focus solely on results, but rather acknowledge and encourage employees' bold challenges to address difficult issues and initiatives to work as a team. We also take pride in our corporate culture, which is

characterized by flexible thinking and an open and dynamic spirit.

We believe human resources development is an essential element of our organization, and have implemented a variety of specialized programs for professional production related training, including education for manufacturing professionals, engineers, and designers, to ensure that our engineering skills is handed down to the next generation. In Fiscal 2015, we concentrated on establishing programs for instructor development and engineer education. In Fiscal 2016, we are now preparing an e-learning program for engineers, and we are pushing forward our plan to create an "ULVAC Academy."

We also promote working styles that allow our employees to maintain a good work-life balance, and are aiming to create workplaces that are employee-friendly. We have produced steady results by granting our employees annual paid leaves from the day they join our company, launching campaigns that encourage them to take spot-leaves, and implementing a host of other relevant measures. Another characteristic of our company is the high rate at which our female employees take parental leave and subsequently return to work. However, our efforts will not stop there. We will continue to take measures to further promote diversity in the future.

Q8 Please tell us about the kind of group ULVAC aspires to be.

A8 WE WISH TO CONTINUE TO BE A PRESENCE THAT CREATES NEW VALUE AND IS NEEDED BY SOCIETY.

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I believe business management is about ensuring safety, quality and profits, in that order. Without safety and quality, we cannot expect to produce profit. If we merely pursue profit and neglect safety, we may meet with an accident somewhere down the line and inconvenience society. If we neglect quality, we stand to lose our customers' trust. Therefore, we must build a strong foundation of safety and quality before we can begin to pursue profit. This, I believe, is the essence of business management.



My aim is for us to continue to be a corporate group that creates new value in response to the times and is truly needed by society, by bringing together our manufacturing capability and the power of our employees who support it, and firmly rooting them in a corporate culture that places top priority on safety and quality. I will build a stable corporate structure that is conducive to expanding our business in a sustainable manner and continually increase our corporate value.

Q9 Lastly, please give a few words to your stakeholders.

A9 I WILL DEVOTE MYSELF TO OUR BUSINESS ACTIVITIES, WITH FEELINGS OF GRATITUDE ETCHED IN MY HEART.

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Our company has faced countless difficulties over the years, but has overcome them all to grow into a leading company in vacuum technology. From our founding to the present, we have continued to exist thanks to our predecessors, who laid the foundation of the company, and to our stakeholders, who have supported us all the way. I wish to take this opportunity to express anew my sincerest gratitude to everyone. By further improving our channels of communication with you, I hope you will favor us with your understanding and walk alongside us as we forge our way into the future.

The sight of people working hard to do what they must, strikes the hearts of others around them, and naturally attracts support. The same is true of companies. I realize that unless each and every one of us makes every effort to deal with what lies in front of us, our company cannot expect to receive your understanding. Only by working faithfully, with enthusiasm, can we gain the support of people around us and realize our significance. Furthermore, to be recognized from outside the company for standing firm to this conviction will increase our corporate value.

Thus, we will make ongoing efforts to be a company that is needed by society, and ask for your continued support and cooperation.