

Commitment of Top Management

Take up the challenge of creating value for the future by fostering human resources for the next round of corporate growth



Setsuo Iwashita

President and Chief Executive Officer

Profile

March	1984	Joined the Company
August	1992	Manager of Beijing Business Office and Shanghai Business Office, Overseas Operation Division
September	1995	Director and Chief Executive Officer of ULVAC (NINGBO) CO., LTD.
July	1998	General Manager for Chinese Region, Asia Division of the Company
March	2006	Director and Chief Executive Officer of ULVAC (CHINA) HOLDING CO., LTD.
October	2006	Chairman of ULVAC (Shanghai) Trading Co., Ltd. Chairman of ULVAC (SUZHOU) Co., Ltd.
September	2011	Director of the Company
July	2012	Director and Executive Officer
September	2013	Managing Executive Officer
July	2015	Senior Managing Executive Officer Chairman of ULVAC (CHINA) HOLDING CO., LTD.
September	2016	Director and Senior Managing Executive Officer of the Company
July	2017	President and Chief Executive Officer (current position)

Systems and mechanisms to reform employee mindset Promote every employee's personal growth by emphasizing "knowing the outside world and looking in from the outside"

● At the start of my second year as president

Since taking the helm at ULVAC in July 2017, I have been endeavoring to strengthen the solidarity of the Group and to change the awareness of our employees to a globally oriented perspective, while remaining true to ULVAC's corporate DNA of leveraging its "human resources," upholding its corporate culture of boldly seeking out challenges and contributing to industrial and scientific advancement through the comprehensive utilization of vacuum technology. The priority in my first year as president was to lay a foundation for transformation of the corporate culture. Starting from fiscal 2018 (fiscal year ending June 30, 2019), I intend to speed up our reforms in an effort to cultivate new possibilities as a "comprehensive vacuum products manufacturer."

Although ULVAC is performing well at present, the drastic changes brought on by the wave of technological innovation and global competition have awakened a sense of urgency for the need to promote reforms that will ensure our survival. Although living in Japan tends to make us oblivious to our global situation, I have witnessed the rapid changes taking place with our customers and on the market through my experience at the overseas bases.

I believe that it is also essential to utilize this very perspective of being outside looking in to reaffirm our strengths and potential. Through the manufacture of semiconductor production equipment and electronic device production equipment, which promises growth in peripheral markets, in addition to the manufacture of the current mainstay FPD (Flat Panel Display) production equipment, we have been displaying growth potential in a broad range of fields amid the wave of technological innovation. Our operating base capable of generating stable revenues including such businesses as the components and materials businesses and the customer support business may be counted as one of our strengths.

Under the "Run at triple speed!", which is my policy, I intend to encourage our employees to speed up reforms while building "systems and mechanisms" to ensure that the entire ULVAC Group is growing and heading towards the same direction.

● My challenges as president

My first challenge as president is to assess the value of ULVAC by "knowing the outside world and looking in from the outside" so as to envisage what ULVAC's configuration should be five to ten years ahead. In line with the progress of the smart society, embodied by IoT, the emergence of self-driving vehicles, and greater utilization of AI and robots, dramatic changes are taking place as technological innovation increasingly intensifies. As technologies become increasingly sophisticated and diversified, enhancement of ULVAC's corporate value hinges on our ability to come up with leading-edge technologies by deploying our R&D capabilities to maximum effect. Therefore, to fuel our progress as a comprehensive vacuum products manufacturer, we are reallocating resources and promoting optimization of the business portfolio and cultivation of new fields.

Our next challenge is to establish a system to maximize Group synergy to achieve global growth by aligning Group companies in a unified direction as mentioned earlier. We aim to put in place an efficient global management system capitalizing on specialization and regional characteristics, that is, the strengths of each Group company.

Moreover, we will promote alliances with external parties, including industry peers, to establish complementary relationships so as to realize manufacturing that meet the needs of the global market. As ULVAC operates worldwide, it will be essential to secure advantages and economies of scale through collaboration with external parties with the aim of expanding business attuned to the market in each region.

Furthermore, it is necessary to provide support for employees' personal growth. For ULVAC to survive in the global competitive environment, it is crucially important to encourage every employee to display his or her individuality to the full, as this will enable us to leverage the diversity of human resources for competitive advantage. From Group companies, we will select personnel with the potential to flourish in a global milieu, encourage them to gain wide-ranging managerial experience, and train them as next-generation executives. Meanwhile, for directors, senior executives and general managers, we have positioned the fostering of subordinates as the principal item in their performance evaluation. Moreover, each individual will cultivate the "perspective" required of his or her position and to share the "issues." The objective is to promote total optimization geared to growth based on "systems and mechanisms" designed to develop the capabilities ULVAC requires through assignment to managerial positions. My job is to take the lead in building "systems and mechanisms" where people are the most important resources and our future depends on them. By focusing on the development of human resources, we will establish a basis for sustainable growth.

Commitment of Top Management

Strengthen profit structure and financial strength through management reform targeting net sales of ¥300 billion and an operating profit margin of 16% in five years

● Highest sales ever, record breaking profits for three consecutive terms

In fiscal 2017, the first year of the three-year mid-term management plan, orders received exceeded the previous fiscal year's level and we recorded our highest-ever net sales. Profitability also improved significantly, with all profit categories achieving record highs for three consecutive terms.

FPD and PV production equipment remained strong in terms of both orders received and sales, thanks to the continued high level of investment in LCDs for large-screen TVs and OLEDs for smartphones, centering on China. Meanwhile, regarding semiconductor and electronic device production equipment, there were significant increases in orders received for and sales of production equipment mainly for memory (NAND, DRAM, next-generation non-volatile), backed by buoyant demand for servers. Additionally, for components and materials, orders received and sales remained brisk. In terms of profits, the expansion of the semiconductor and electronic device production equipment business contributed to a substantial increase in profit.

As a result, for fiscal 2017, on a consolidated basis, orders received increased 3.2% year-on-year to ¥243.0 billion, net sales increased 7.5% to ¥249.3 billion, operating profit surged 20.0% to ¥35.4 billion, ordinary profit grew 24.2% to ¥36.9 billion, and net income surged 46.7% to ¥35.9 billion, reflecting the effects of recording deferred tax assets and gains from sales of stocks. The operating profit margin increased from 12.7% for the previous fiscal year to 14.2% and the equity ratio improved significantly from 40.2% to 49.5%.

In view of this financial performance, ULVAC paid an end-of-term dividend fiscal 2017 of ¥95 per share (an increase of ¥45 per share from the previous fiscal year).

● Upward revisions to the targets of the mid-term management plan

The three-year mid-term management plan (from fiscal 2017 to fiscal 2019) had originally aimed for "net sales of ¥250 billion" and "operating profit of ¥35 billion" on a consolidated basis in the final year of the plan. However, given that in the initial year we are already nearing the target for netsales and we have already overshot the operating profit target, we revised upward our quantitative targets for the final year of the plan to "net sales of ¥265 billion" and "operating profit of ¥38 billion." No changes have been made to the framework of the plan in which the key strategies are "promotion of business

growth" and "enhancement of power to create value." In order to achieve the new quantitative targets, we will aim at further growth primarily in semiconductor and electronic device production equipment.

In addition, as for R&D investment (capital expenditures for R&D + R&D expenses), we will strengthen the development of logic and next-generation non-volatile memory, as part of efforts to aggressively expand the semiconductor and electronic device production equipment businesses, while proactively engaging in development that will lead to future growth.

Furthermore, as well as the revisions to the targets of the mid-term management plan, we have set "net sales of ¥300 billion" and "operating profit margin of 16%" on a consolidated basis as targets for the fiscal year ending June 30, 2023, five years from now, as outlined in our "growth strategy" for the next leap forward.

Further enhancing corporate value by establishing a management base for sustainable growth through human resources development and enhancement of manufacturing capabilities

● Multifaceted strengthening of the management base

ULVAC is implementing multifaceted initiatives to achieve more powerful business promotion capabilities and manufacturing capabilities so as to strengthen the management base. Regarding human resources, in addition to the training of next-generation executives mentioned above, we will emphasize education and training to strengthen global human resources and provide opportunities for personal growth through assignments to overseas posts and exchanges with external parties.

My first action on taking office as president was to call for cultivation of workplaces where every employee can work with vigor and enthusiasm while achieving personal growth. In this regard, initiatives to strengthen the unity of employees as well as vitalize and improve the efficiency of operations have taken root. At the same time, we are promoting workstyle reforms, advancement of women, and health management to ensure that every employee enjoys physical and mental health, is full of energy, and displays his or her full potential.

Meanwhile, regarding the manufacturing structure, we have secured a competitive edge in global business development by optimizing the location of development and production. In terms of product development, we have put in place a system such that our global development bases centering on Japan collaborate while development bases close to the customer precisely respond to the customer's exacting requirements. In terms of production, our plants in Japan, China, South Korea, and Taiwan, with their established local supply chains, collaborate with one another while taking advantage of their

proximity to customers.

Under this manufacturing structure, the Advanced Manufacturing Division at ULVAC Head Office is spearheading the Group's efforts to maintain and improve quality, secure occupational safety, protect the environment and will provide more guidance to plants overseas. These initiatives are indispensable for protecting the ULVAC brand, a vital element of our management base.

Marketing also has an important bearing on the strengthening of the management base. At ULVAC, the Global Market & Technology Strategy Division, which has specialized knowledge concerning advanced technologies, is playing the central role in identifying customer needs around the world in order to navigate markets toward the future and work on development that constitutes the base for the next round of growth.

● Growth strategy going forward

Under the growth strategy based on the mid-term management plan, ULVAC will focus on the following themes.

Firstly, regarding semiconductor production equipment, we aim to achieve growth related to both memory and logic by vigorously tapping demand for logic, which is a new field for ULVAC, while responding to rising demand for memory, the existing strength of ULVAC. We will accelerate efforts to win orders while accumulating a track record in logic by providing production equipment for mass production.

Secondly, regarding electronic device production equipment, in order to catch the trend toward a smart society accelerated by the spread of 5G, we will capitalize on our flexible engineering capabilities while promoting joint development with customers.

Regarding FPD production equipment, in light of continuing long-term investment in the market, we will seek to maintain a high market share for G10.5 substrate-compatible FPD production equipment for large-screen TVs, while addressing needs for lower cost and higher definition. Also, in view of growing demand for OLED, we will strive to secure orders.

In the components and materials businesses and the customer support business, we aim to achieve further growth of these businesses as stable revenue bases, for which purpose we will take advantage of our ability to offer comprehensive solutions together with equipment.

In the China market, which is the main driver for growth of demand for FPD production equipment, semiconductor and electronic device production equipment, and components and materials, we will take advantage of the 15 ULVAC Group companies and their 1,757 employees (as of June 30, 2018) in China to realize further growth.

Based on the market prospects and the key measures outlined above, for fiscal 2018, the fiscal year ending June 30, 2019, we forecast net sales of ¥255.0 billion, up 2.3% year on year, operating profit of ¥36.5 billion, up 3.3%, ordinary profit of ¥37.5 billion, up 1.6%, and net income of ¥25.5 billion, down 29.0%.



The decrease in net income will be in reaction to the posting of deferred tax assets in the previous fiscal year, and the overall trend remains upward with higher sales and higher profit expected.

The year-end dividend for fiscal 2018 is expected to be ¥105 per share, an increase of ¥10 per share from fiscal 2017.

Contributing to a sustainable society by offering solutions to social issues as a comprehensive vacuum products manufacturer

● Strengthened recognition of sustainability and its practice

In recent years, global efforts are made with a view to developing a sustainable society, such as initiatives to achieve the United Nations' sustainable development goals (SDGs) and environmental, social, and governance (ESG) investment. Efforts by private-sector companies are also called for, as more and more companies are advocating the resolution of social issues through business activities as management themes and proactively working on solutions.

ULVAC recognizes its corporate social responsibility more than ever and is eager to contribute to the achievement of a sustainable society. The Group will make a concerted effort to resolve social issues through collaborative creation with stakeholders. We intend to further clarify materiality (important issues) as a group through the promotion of sustainability-oriented management from a medium- to long-term perspective.

Our products and services contribute to energy saving and the development of emerging countries. Going forward, we will create greater value by comprehensively utilizing vacuum technology, continue to be an enterprise valued by society, and grow together with our stakeholders.