

## Message from Top Management



# Vacuum Technology to Create Social Value and Contribute to the Future of People, Society, and the Planet

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### Beyond epochs, inheriting the ULVAC's founding spirit Vacuum technology for value creation

ULVAC's history began in 1952 with a group of young people who were eager to contribute to the development of industry and science through the application of vacuum technology. The company started as a distributor of imported products. In its third year, the company succeeded in manufacturing vacuum heat treatment furnaces in Japan. Since then, always abreast of the changing times, ULVAC has been the source of various types of vacuum equipment, including vacuum metallurgical equipment for the heavy chemical industry, vacuum heat treatment furnaces for the automotive and home appliance industries,

and evaporation roll coaters for capacitors, as well as vacuum deposition equipment for semiconductors and electronic devices in the 1980s and vacuum deposition equipment for flat panel displays since the 1990s.

We take pride in the fact that the value we offer has contributed to the development of industry and science and the growth of our customers' businesses while also underpinning people's affluent lifestyles.

In recent years, technological innovation has been accelerating toward realization of the smart society, typified by the trend toward electrification of automobiles and autonomous driving, progress in digitalization, and advances in AI and robotics. Meanwhile, decarbonization initiatives are proliferating to address global environmental issues. All this technological innovation together with initiatives to resolve social issues has spurred demand for ever more sophisticated

semiconductor memory and logic, MEMS and sensors, electronic and power devices, batteries, etc. In this context, ULVAC is committed to meeting these needs by leveraging its vacuum thin-film processing technology, micromachining technologies, and fundamental technologies for equipment and making comprehensive use of them.

### Seize changes in the business environment as opportunities to grow

In the semiconductor industry, capital investment by semiconductor manufacturers is slowing in the short term, in line with the slowing tempo of demand for smartphones, PCs, etc. However, over the medium to long term, expectations for generative AI are likely to spur semiconductor demand. Moreover, from the perspective of addressing geopolitical risks, there is ongoing planning and construction of new semiconductor plants worldwide. Vigorous investment has been continuing in the electronics industry, too. Notable examples are investment in power devices, reflecting the impact of policies promoting mass adoption of EVs with the aim of achieving carbon neutrality, digitalization for the smart society and technological innovation affecting various electronic devices, as well as investment to increase production. In the flat panel display (FPD) industry, IT panels for tablets and PCs are transitioning from LCD to OLED and investment in large-size OLED is expected to increase in the near future. In the industrial battery industry, investment in mass production of EV batteries to achieve smaller size, larger capacity and higher safety is also gaining momentum.

We intend to develop technologies that address these social issues, aiming to achieve growth through business practices that contribute to sustainability of the global environment and development of society.

### Achievements and issues of the previous mid-term management plan

Basic policies of the previous mid-term management plan (covering the period from FY 2020 to FY 2022) were "investment in development for growth (selection and concentration)" and "profit oriented management through structural change." Our objective was to clarify the growth fields ULVAC should target as well as the overall direction, while concentrating management resources so as to succeed in developing technologies and products. In order to secure financial resources for development, we considered it necessary to improve the profit margin by enhancing our manufacturing capabilities.

Regarding the first policy, "investment in development for growth (selection and concentration)," led by growth drivers, including logic, power devices, and various electronic devices, orders received for FY 2022 were 1.6 times greater than in FY 2019. Net sales also grew and exceeded the initial plan. These results attest to the fact that we seized the opportunities created in recent years by social and market changes as well as by technological innovation. The entry into the metal hard mask (MHM) process related to EUV led to the application of ULVAC equipment to other semiconductor production processes. Orders received increased mainly for equipment for power devices and optical devices. We began mass production of roll-to-roll vacuum evaporation equipment used in EV battery production. These are major achievements under the previous mid-term management plan.

As for the second policy, "profit-oriented management through structural change," the key strategies were to "strengthen manufacturing capabilities" and "strengthen the management base." Specific measures included the gradual transition to a planned production structure mainly for semiconductor and power devices, etc., promotion of standardization, consolidation of subsidiaries in Japan and overseas, in addition to the development and implementation of various systems

for productivity improvement. As a result, the profit margin improved steadily until the first half of FY 2021. However, subsequently, longer parts delivery lead times mainly attributable to supply chain disruption diminished the improvement impact and the profit margin fell short of the target. Moreover, a root-cause analysis of the non-attainment of the target clarified ULVAC's internal issues. We will address these issues under the new mid-term management plan. Furthermore, regarding the strengthening of the management base, we steadily increased shareholders' equity during the period of the previous mid-term management plan and secured financial stability. Under the new mid-term management plan, we will continue our efforts to establish a more robust management base by resolving, one by one, the issues that have been clarified.

Meanwhile, in a project led by young employees, the question of what the ideal configuration of the ULVAC Group should be in 10 years' time was thoroughly discussed. The outcome of the project is Vision 2032 "Continue to Be a 'Field of Potentiality' for the Future," which was announced on the occasion of the 70th anniversary of our founding in 2022. Vision 2032 aligns and expresses the corporate culture and values inherited from ULVAC's foundation with the future. The "Field of Potentiality"



refers to a "vacuum field" with potentiality where new value may be created. The term "Field of Potentiality" also alludes to "the margin of a person's mind." An "empty space" in one's mind is a "container" that catches the thoughts of people inside and outside the company. Vision 2032 indicates our commitment to pursuing the value of vacuum technology, continuing to rise to the challenge of technological innovation, and contributing to the resolution of global issues through the innovation.

### Strengthen manufacturing capabilities in the three years of the new mid-term management plan to achieve growth

We formulated the new mid-term management plan (FY 2023-FY 2025) by backcasting from Vision 2032 and in light of the issues clarified in the course of the previous mid-term management plan. Under the basic policies, "creating social value through vacuum technology" and "enhancing profit and capital efficiency-oriented management," we set priority strategies, namely, "strengthening product competitiveness in growth businesses," "improving global productivity," and "strengthening the management base," as well as specific initiatives corresponding to each priority strategy. These policies and strategies are largely a continuation of those under the previous mid-term management plan.

Various devices essential for a sustainable society cannot be produced without vacuum technology. The fields in which we can provide social value are expanding and we will continue to innovate and create value in them. To this end, we intend to enhance the competitiveness of our growth driver products and promote innovation together with our customers.

During the period of the previous mid-term management plan, we faced the problem of longer delivery lead times for procured parts. Treating this as a good opportunity to thoroughly review our conventional manufacturing systems, we recognized the

need to ensure our systems are attuned to the reality of the current times. During the period covered by the new mid-term management plan, we will continue our efforts to strengthen manufacturing capabilities so as to improve profit margins. For this purpose, we will strive to further improve global productivity by promoting planned production through implementation of measures, such as improving efficiency by reviewing business processes and introducing various information systems.

Recognizing that our policy on returning profit to shareholders is of great importance, we aim to increase dividends over the long term through further growth. On the other hand, as we operate in an industry subject to rapid market fluctuations and technological innovation, we believe it is necessary to secure sufficient funds for R&D investment in growth fields and to secure and maintain a stable financial base. Taking into consideration our policy, the financial base, and other factors, we plan to increase the performance-linked dividend payout ratio from 30% to 35% from FY 2023.

### Expanding the circle of co-creation with an eye to the future

In order to fulfill Vision 2032, it is crucial for us to form an organization that can fully leverage our comprehensive capabilities in a rapidly evolving technological society. At the same time, strengthening our management foundation and increasing resilience. This aligns with ULVAC's basic corporate philosophy: "The ULVAC Group aims to contribute to the development of industries and science by comprehensively utilizing its vacuum and peripheral technologies through the mutual cooperation and collaboration of the Group companies."

Regarding structural changes in FY2023, we implemented two significant reorganizations. Firstly, the introduction of the HQ system, comprising seven HQs: Administration, Research & Development, Sales, Production, Equipments Business, Components Business, and CS Business. In particular, in the equipment business,

devices in various fields, in the course of their evolution, have incorporated technologies from other fields. To offer value to customers beyond traditional structures, we formed the Equipments Business HQ, to oversee the Semiconductor Equipment Division, the Advanced Electronics Equipment Division, and the FPD Division, enhancing inter-divisional collaboration and synergy.

Additionally, we established the Sustainable Management Department, directly reporting to the President. This department is responsible for monitoring and guiding global activities aligned with our Sustainability Policy, such as carbon neutrality initiatives and human rights considerations. Going forward, ULVAC will clarify the responsibilities of each organization with regard to the relationship between ULVAC's business and sustainability, evaluate performance, and share the measures globally and vigorously promote them.

With the aim of expanding the application fields of vacuum technology, we are encouraged to seek more co-creation opportunities and innovations globally, considering "what we want to achieve together" with our customers, universities, research institutes, and communities. For example, we decided to establish Technology Center PYEONGTAEK in South Korea and its construction began in March 2023. Bringing collaboration and technological support close to customers will help us cultivate fruitful partnerships with them.

Our objective is to keep contributing to the future of people, society, and the planet through vacuum technology and its peripheral technologies. ULVAC is dedicated to rigorously implementing our mid-term management plan and attaining our set objectives.

We encourage our stakeholders to join ULVAC on this significant journey as we expand the circle of co-creation towards the future. We greatly value and seek your ongoing support in all our endeavors.