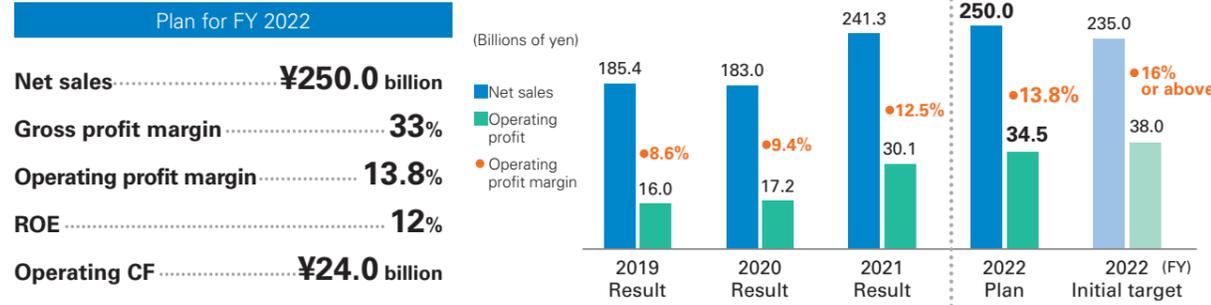


# Mid-term Management Plan: Breakthrough 2022

FY 2022 is the final year of the current mid-term management plan "Breakthrough 2022" (covering the period from FY 2020 to FY 2022). While maintaining the basic policies, we have revised the plan for consolidated financial results for the final year in consideration of the market and the business environment.

## Basic Policy

- Investment in development for growth (selection and concentration)
- Profit-oriented management through structural change



## Specific initiatives in FY 2022

1 Strengthening Growing Businesses		
Further strengthen semiconductor, electronic device, and FPD businesses	1 Semiconductor Production Equipment	Further strengthen sales expansion activities for logic miniaturization process and memory process
	2 Electronic Device Production Equipment	Select five key fields (power devices, optical devices, communication devices, electronic devices, and implementation) on which the Group should focus its efforts, and further strengthen sales expansion activities in these fields by providing combinations of multiple manufacturing systems through modularization to meet customer needs
	3 FPD Production Equipment	Further strengthen sales expansion activities for new products to be developed for large-substrate OLEDs and equipment for EV batteries
Enhance components, materials, and customer support	1 Components	Enter new markets and further strengthen sales expansion activities by developing new products corresponding to the key products that were selected as products on which the Group should focus its efforts
	2 Materials	Enter new markets by developing new products in the semiconductor field and further strengthen sales expansion
	3 Customer support	For businesses such as maintenance, surface treatment, cleaning, and parts sales, further strengthen sales expansion activities in coordination with equipment sales expansion activities and also establish and promote a new business model
2 Strengthening Research and Development Capabilities		
Strengthen product development in response to technological innovation in growing markets by strengthening the marketing structure	1 Expand development investment in the semiconductor, electronic device, and FPD businesses	
	2 Strengthen global development system by promoting joint development of cutting-edge technologies with world-leading companies	
	3 Focus from process development to product development	
3 Enhancing Manufacturing Capabilities		
Improve gross profit margin by enhancing productivity throughout the processes from engineering and design to production	1 Engineering and design reform	Further enhance product quality by strengthening value engineering for design
	2 Reform of the procurement system	Flexibly reorganize the procurement system to respond to longer delivery lead times for parts and materials and in line with value engineering
	3 Production reform	Promote specialization of manufacturing technology of each site through consolidation of the Group's production sites by product
	4 Strengthening the information system infrastructure	Further promote productivity improvement through standardization of each business process and sharing of production information
4 Strengthening the Management Base		
Human resources development and revitalization	Further strengthen human capital through visualization of skills of human resources, development of next-generation leaders, and promotion of diversity	
Promote business unit-based management	Further strengthen collaboration among the Group companies regarding their businesses	
Strengthen the financial base	Further strengthen cash flow management to realize investment in development for the further growth of the Group and improvement of capital efficiency	
Promote sustainability management	1	Contribute to addressing social issues, such as smart society, digital society, and promotion of green energy, leveraging the Group's technologies
	2	Vigorous disclosure information on the risks and opportunities of climate change that affects the Group's business activities, based on the TCFD recommendations

## Progress

Under the current mid-term management plan, we consider the trend of technological innovation for realization of a smart society to be a business opportunity leading to the resolution of social issues, and are pursuing various measures in accordance with the basic policies: "Investment in development for growth (selection and concentration)" and "Profit-oriented management through structural change." Against the backdrop of favorable market conditions, in FY 2021, net sales exceeded the final year target, which we revised in

the previous fiscal year, while operating profit, ordinary profit, and profit also exceeded the plan. This is due to vitalization of investment in advanced logic and memory devices, electronics-related investment based on China's domestic production policy, and FPD-related investment to meet increased panel demand, and we believe that semiconductor and electronic device, investment will continue to increase, going forward.

	Initiatives (plan) under the mid-term management plan	FY 2021 results and progress evaluation
1 Strengthening Growing Businesses 2 Strengthening Research and Development Capabilities	<b>Semiconductor Production Equipment</b>	<ul style="list-style-type: none"> <li>• New entry into logic miniaturization process</li> <li>• Resumption of memory investment and entry into new processes</li> </ul>
	<b>Electronic Device Production Equipment</b>	<ul style="list-style-type: none"> <li>• Adoption of the de facto standard for the logic processes of 5 nm or below</li> <li>• Increased opportunities for entry into other processes from Metal Hard Mask (MHM) process as a second vendor</li> </ul>
	<b>FPD Production Equipment</b>	<ul style="list-style-type: none"> <li>• Expanding proposed equipment through modularization</li> <li>• Strengthening development, sales and support systems in China</li> <li>• Expansion of equipment proposals with the modularized uGmni Series</li> <li>• Strengthening of sales and technical support in China</li> <li>➔ Exceeded the sales plan in response to active investment in power, optical, electronic devices, etc.</li> </ul>
3 Enhancing Manufacturing Capabilities	<ul style="list-style-type: none"> <li>• Development for mass production of large-substrate OLEDs</li> <li>• Conversion to a profitable structure</li> </ul>	<ul style="list-style-type: none"> <li>• Progress in investment for development for mass production of large-substrate OLEDs</li> <li>• Start of development of evaporation roll coaters to realize smaller-sized and larger-capacity EV batteries offering enhanced safety</li> <li>• Improvement of profit margin through steady enhancement of manufacturing capabilities</li> </ul>
3 Enhancing Manufacturing Capabilities	<ul style="list-style-type: none"> <li>• Integrated reform of engineering &amp; design, procurement, and production</li> <li>➔ Productivity improvement ➔ Profit margin improvement</li> </ul>	<ul style="list-style-type: none"> <li>• For details, please refer to the next page.</li> </ul> <p>For details ➔ P.33 Mid-term Management Plan "Enhancing Manufacturing Capabilities"</p>
4 Strengthening the Management Base	<ul style="list-style-type: none"> <li>• Human resources development and revitalization</li> </ul>	<ul style="list-style-type: none"> <li>• Education Center established</li> </ul>
	<ul style="list-style-type: none"> <li>• Promote business unit-based management</li> </ul>	<ul style="list-style-type: none"> <li>• Absorption-type merger of two domestic manufacturing subsidiaries</li> <li>➔ Enhancement of manufacturing capabilities, including those of overseas plants, by integrating "development and design" of the head office and "manufacturing" of domestic manufacturing subsidiaries</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthening of the information system infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of various system developments to improve productivity</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthening the financial base</li> </ul>	<ul style="list-style-type: none"> <li>• ROE 11.4%</li> <li>• Operating CF of ¥33.9 billion (Shareholders' equity ratio: 53.3%)</li> </ul>

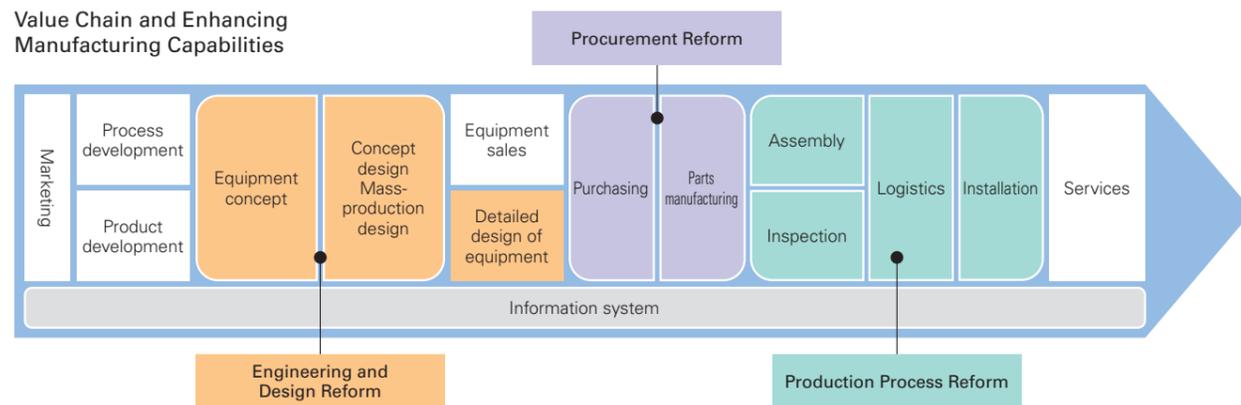
## Mid-term Management Plan: Breakthrough 2022

# Enhancing Manufacturing Capabilities

ULVAC is engaged in promoting comprehensive reform of processes including engineering and design, procurement, and production processes in order to significantly improve its profit margin through the "strengthening of manufacturing capabilities" set forth in the mid-term management plan.

For engineering and design reform, as equipment cost is determined in the design phase, measures are taken to accurately ascertain the required specifications of the customer and improve the completeness of technical drawings. With respect to procurement reform, we will reorganize procurement organizations and rebuild the global supply chain to ensure stable quality and procurement and reduce procurement costs. For production process reform, we have implemented initiatives for more efficient manufacturing operations through specialization of production sites and improvement of manufacturing productivity. We are promoting manufacturing education required for modular design and the new way of working. In July 2022, ULVAC, Inc. merged with its production subsidiaries, ULVAC TOHOKU, Inc. and ULVAC KYUSHU CORPORATION through absorption-type mergers. By incorporating the two companies' strengths in production technology, ULVAC will further enhance manufacturing capabilities, and roll out these initiatives across the Group companies including those overseas.

Value Chain and Enhancing Manufacturing Capabilities



### Engineering and Design Reform

The cost and quality of equipment are mainly determined in the engineering and design phase. Mindful that the efforts of upstream divisions are crucially important in manufacturing, we conduct reforms with an awareness that equipment concepts are changing from tacit knowledge to explicit knowledge.

With regard to engineering reforms, we are engaged in standardizing, optimizing and clarifying equipment specifications, improving the quality of technical materials, and upgrading manufacturing quality.

### Procurement Reform

In procurement reform, we have established the policy of "realizing optimized procurement" and reformed procurement operations to achieve efficient parts procurement that accounts for a large portion of manufacturing cost.

Furthermore, we will rebuild the global supply chain while strengthening coordination with overseas Group companies and actively make efforts to procure quality products from the best suppliers at low cost to ultimately reduce procurement cost.

With regard to design reforms, we have incorporated "modular design" and are promoting the sharing, standardization, and simplification of manufacturing.

Furthermore, we are conducting education to realize quality and functions required by customers at the minimum cost and incorporating an approach emphasizing customer perspectives into design with the aim of realizing manufacturing that provides satisfaction to customers.

From the perspective of parts processing, we are focusing on improvement proposal activities such as proposals of optimal configurations for design divisions, proposal of alternative parts, and reviewing manufacturing methods of processed parts through collaboration with suppliers.

We will establish these reform activities to enhance our manufacturing capabilities.

### Production Process Reform

We are implementing production process reform along the two tracks of "specialization of production sites" and "improvement of manufacturing productivity."

In the "specialization of production sites," although we used to manufacture a single model at multiple production sites, we will reorganize them by consolidating and specializing production while monitoring market trends. Having production sites specialize in certain specified models will lead to dramatic improvement in production technology, improvement in the efficiency of production processes, and enhanced quality and reduced costs.

Furthermore, "improvement of manufacturing productivity" is also being implemented in parallel. In the area of equipment manufacturing, each production site sets timely targets for indicators that go to the heart of manufacturing, such as production manhours and lead time. We are making company-wide efforts to address challenges while monitoring the trends of such indicators.

### Quality Assurance

Enhancing manufacturing capabilities is made possible by the foundation of quality and safety of ULVAC products. From the perspective of quality assurance, we have revised the quality policy by rebuilding the approach to manufacturing with the aim of enhancing manufacturing quality.

Based on this policy, we have defined all costs and time that do not create value from a customer perspective as "non-conformity as broadly conceived" or "COPQ (Cost Of Poor Quality)" and are promoting an initiative to control COPQ throughout the Group.

### ULVAC Group Quality Policy

- Improve quality & reduce costs and lead time to half
- Maximize profits and customer satisfaction

### Steady improvement in gross profit margin by strengthening manufacturing capabilities

