

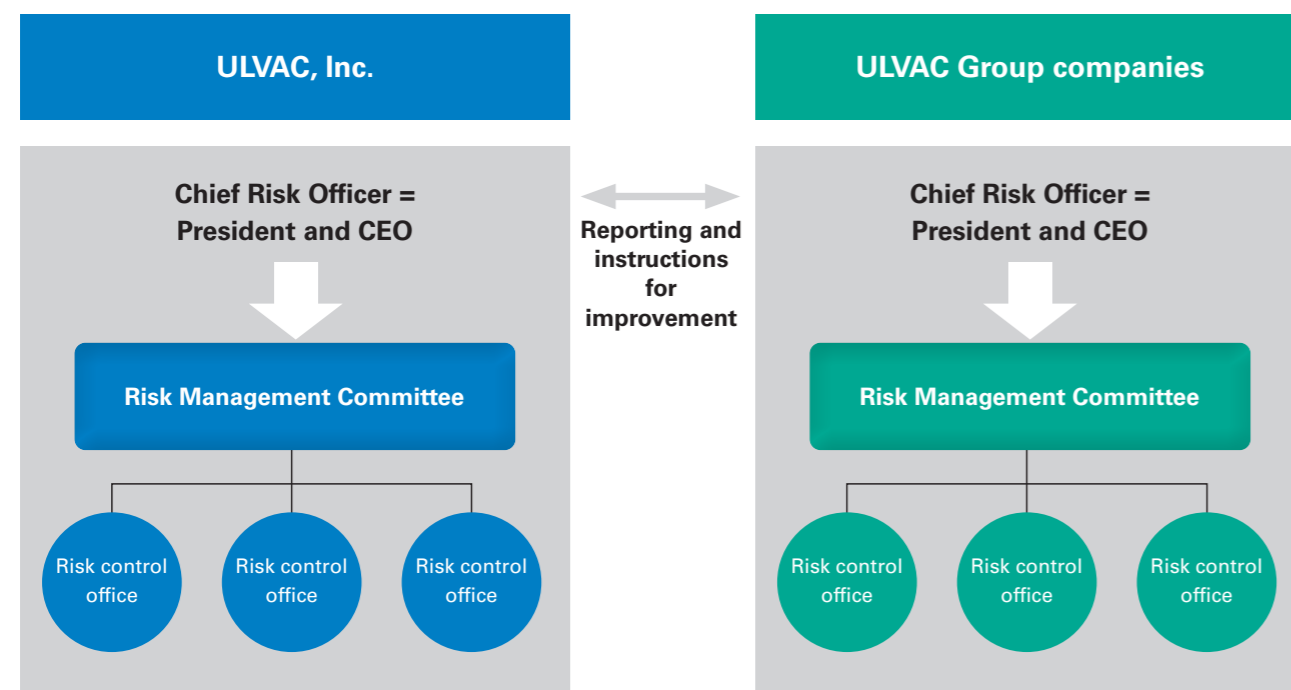
Risk Management

The ULVAC Group considers that responding appropriately to increasingly complex and diverse risk factors leads to the creation of governance structures that contribute to the fulfillment of legal requirements and the creation of internal control structures, and by extension, the medium- to long-term improvement of corporate value. We are expanding systems that can respond appropriately to risk factors through identification, classification, analysis, and evaluation, and we are working to increase corporate value by reflecting them in our management strategy.

Risk Management System

We have established rules concerning the risk management system, classifying a broad range of risks from various perspectives, and designated the control offices primarily responsible for risk management according to the classification of risks. Furthermore, these risk control offices identify more specific risks and respond to them. We work to ensure that these offices efficiently gather information that is important for operating the risk management system. In addition, in order to share and evaluate information concerning the operation of the risk management system on a company-wide basis, we have a Risk Management Committee, which is chaired by the president, and mainly comprises representatives of the risk control offices with primary responsibility for risk management. The Risk Management Committee holds regular meetings as an umbrella organization for risk management, and it determines company-wide basic policies, monitors the state of management and administration, and considers any improvements that can be made, etc. Furthermore, initiatives at ULVAC, Inc. are implemented at ULVAC Group companies as appropriate for the scale and business type of the company in question.

Risk Management System



- Risk control offices are designated according to risk classifications and they implement risk management through a PDCA cycle.
- Each Group company decides whether it is necessary to establish a Risk Management Committee in consideration of the size of the company in question and other factors.

Management of Risks

Principal risks are identified that may have a significant impact on financial position, business results, and cash flows and are described below. ULVAC examines measures to reduce these risks and utilize them as opportunities through discussion at a decision-making body such as the Management Council.

Recognized Risks in Business, etc.

- 1 Market fluctuation
- 2 Research and development
- 3 Global competitive environment
- 4 Securing of human resources
- 5 Supply chain
- 6 Laws and regulations
- 7 Quality
- 8 Fund procurement
- 9 Information security
- 10 Currency fluctuations
- 11 Intellectual property rights
- 12 Safety
- 13 Environmental regulations, response to climate change
- 14 Other

Market Fluctuation

The Group has acquired its market share and achieved growth by developing unique technologies and introducing them in the field of vacuum equipment used, in particular, in FPD, semiconductor, and electronic device production processes. On the other hand, if a great reduction in capital investment occurs or customers' financial conditions deteriorate owing to change in the market conditions of FPD manufacturers, or semiconductor and electronic device manufacturers, who are the Group's customers, the Group's business results and financial position may be adversely affected.

In the mid-term management plan launched in July 2023, the Group set a twofold basic policy: "Creating Social Value through Vacuum Technology" and "Enhancing Profit and Capital Efficiency Oriented Management" Under the basic policy, even in the case of market fluctuation, we aim to improve profitability by enhancing productivity and achieve sustainable growth by focusing on development in growth fields. Our diverse products are used in a wide range of fields. We will enhance our ability to respond to market fluctuations by building a stable revenue base centering on the semiconductor and electronic component fields.

Research and Development

By maintaining vigorous R&D investment, the Group has continued to introduce a stream of new products that incorporate the latest technologies. However, if development is significantly delayed for a compelling reason, resulting in delay in introduction of new products to the market, the Group's business results and financial position may be adversely affected.

The Group is accelerating development, which is necessary for growth, through selection and concentration of investment. At the same time, periodic monitoring is implemented for progress management in order to prevent significant delay in development.

Global Competitive Environment

The Group operates business globally and provides products to customers in various countries and regions, but competitors also operate globally, and it is a competitive environment with new entrants. In such an environment, competition is intensifying not only in terms of product performance but also price, and the Group's business results and financial position may be adversely affected.

The Group is striving to maintain competitiveness by sharing its technology and product roadmap with customers and launching products using cutting-edge technologies at the appropriate time.

Securing of Human Resources

The Group considers the securing of human resources to be the most important factor determining the Group's ability to continue to grow in the global business environment. If the Group is unable to continue to secure the human resources necessary for business growth, competitiveness will decline, and the Group's business results and financial position may be adversely affected.

The Group views human resources as "human assets" and strives to create opportunities for diverse human resources to continue to take on challenges. We secure the necessary human resources by promoting development of human resources and health and productivity management and other measures to ensure that diverse human resources in excellent physical and mental health and good spirits can demonstrate their abilities to the fullest.