

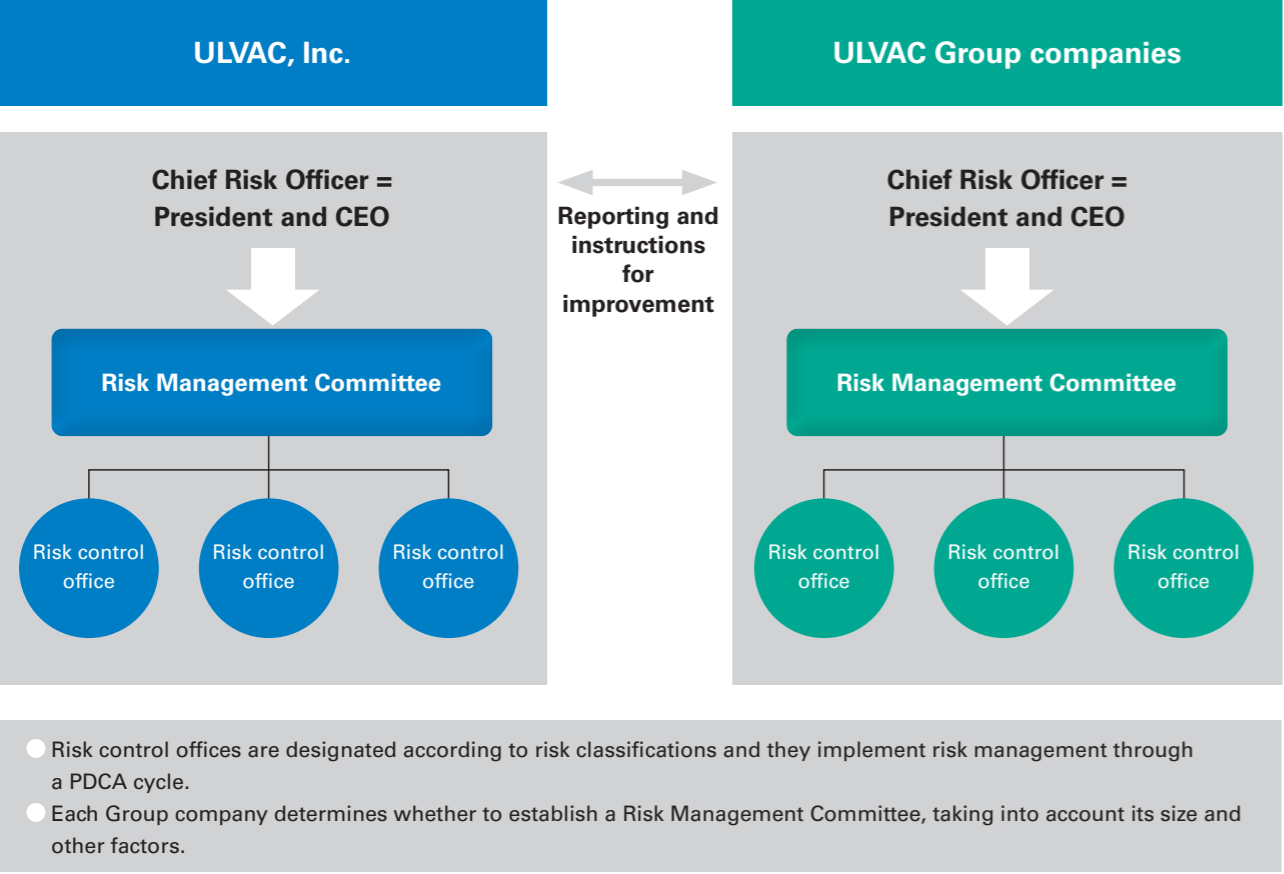
Risk Management

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 incorporating them into 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 established 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 the overarching 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



Management of Risks

We have identified the principal risks that may have a significant impact on our financial position, business results, and cash flows, as outlined below. ULVAC discusses measures to mitigate these risks and leverage them as opportunities at decision-making bodies such as the Management Council.

Recognized Risks in Business, etc.

- 1 Market fluctuation
- 2 Research and development
- 3 Global competitive environment
- 4 Securing human resources
- 5 Supply chain
- 6 Laws and regulations
- 7 Quality
- 8 Financing
- 9 Information security
- 10 Foreign exchange fluctuations
- 11 Intellectual property rights
- 12 Safety
- 13 Environmental regulations and 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 changes in 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 these basic policies, 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, our Group has consistently introduced new products featuring the latest technologies. However, should significant development delays occur for compelling reasons, causing postponements in product launches, there could be adverse effects on the Group's business performance and financial standing.

Impact of the 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.

Impact of Securing Human Resources

The Group regards securing human resources as one of the most important factors for continuing its growth in the global business environment. If the Group fails to continuously secure the necessary human resources for business growth, it may lead to a decline in competitiveness and adversely affect the Group's business results and financial position.

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