Financial Overview

Forward-looking statements contained in this document are based on the current assumptions and beliefs of ULVAC in light of the information available to it as of September 27, 2024.

Management's Recognition, Analysis and Discussion of Financial Position and Operating Results

For the fiscal year ended June 30, 2024 (FY2023), net sales amounted to ¥261,115 million, a 14.8% increase compared to the previous year. In the semiconductor and electronic device manufacturing equipment sector, the recovery in investments for advanced logic and memory, along with active investments in power devices in Japan and China, were key contributors. Additionally, in the industrial battery sector, which is part of the display and energy-related production equipment segment, mass production investments aimed at the miniaturization, increased capacity, and enhanced safety of EV batteries began to ramp up. These factors played a significant role in the growth of net sales.

The operating profit margin improved to 11.4%, up by 2.6 percentage points from the same period last year. This improvement was primarily due to increased sales, particularly in the higher-margin semiconductor and electronic component manufacturing equipment.

Furthermore, the total research and development costs were ¥13.313 billion, a decrease of ¥452 million from the previous year. The ratio of R&D costs to net sales decreased by 1.0 percentage point to 5.1%. Strengthening R&D capabilities remains a key focus in our mid-term management plan, as we continue to enhance investments towards future growth.

In terms of objective indicators to assess the achievement of management policies, strategies, and goals, the ULVAC Group has disclosed a mid-term management plan for the three-year period starting with the fiscal year ending June 2024. This plan outlines two basic policies: "creating social value through vacuum technology" and "focusing on profit and capital efficiency in management." Under these policies, we monitor key performance indicators such as net sales, gross profit margin, operating profit margin, operating cash flow, and return on equity (ROE) as outlined in our financial model.

For the third year of the mid-term management plan, we aim to achieve net sales of ¥300 billion, a gross profit margin of 35%, an operating profit margin of 16%, cumulative operating cash flow of ¥63 billion, and an ROE of 14%. With these targets, we will continue to pursue growth from a mediumto long-term perspective through specific initiatives

Management's recognition, analysis and discussion of operating results by business segment are as follows.

■Vacuum Equipment Business

Net sales increased by 14.9% year on year, reaching ¥212,314 million. The main factors behind this growth include the recovery trend in investments for advanced logic and memory, the increased investment in power devices in Japan and China, and the full-scale commencement of mass production investments aimed at miniaturizing and increasing the capacity and safety of EV batteries in the industrial battery sector, which is included in display and energy-related manufacturing equipment. Regarding segment profit margin, it improved to 12.3% in the fiscal year under review, up from 9.0% in the previous fiscal year. This improvement was mainly due to the increase in net sales and the growth in sales of semiconductor and electronic component manufacturing equipment, which has a higher profit margin

■Vacuum Application Business

Net sales increased by 14.1% year on year, reaching ¥48,801 million. This growth was mainly due to the recovery in operating rates at FPD-related customer factories and strong sales of mask blanks for high-definition and high-performance displays, which contributed to the increase in net sales for this segment. Regarding segment profit margin, it decreased to 7.3% for the fiscal year under review, down from 7.8% in the previous fiscal year. This decline was primarily due to the increase in net sales of relatively lower-margin products.

Financial Position

Total assets at the end of FY2023 increased by ¥35,179 million compared to the previous fiscal year-end, reaching ¥388,653 million. This was due to an increase of ¥19,723 million in notes and accounts receivable, trade and contract assets, ¥7,537 million in inventories, and ¥10,157 million in property, plant and equipment, despite a decrease of ¥2,065 million in cash deposits. Total liabilities amounted to ¥160,926 million, an increase of ¥12,306 million compared to the previous fiscal year-end. This was mainly due to increases in contract liabilities of ¥3,939 million, long-term borrowings of ¥3,714 million, and provision for bonuses of ¥1,881 million. Net assets amounted to ¥227,727 million, an increase of ¥22,873 million compared to the previous fiscal year-end. This was primarily due to an increase of ¥14,854 million in retained earnings and an increase of ¥5,976 million in foreign currency translation adjustment, mainly attributable to the recording of profit attributable to owners of parent. As a result, the shareholders' equity ratio was 56.7%. We will continue to strengthen our financial base through measures such as enhanced cash flows from operating activities.

Cash Flows

At the end of FY2023, cash and cash equivalents decreased by ¥27,760 million compared to the previous fiscal year-end, totaling ¥84,541 million, primarily due to the impact of foreign exchange resulting from the depreciation of the yen. The status of cash flows from operating activities, investing activities, and financing activities, as well as the major contributing factors, are as follows:

Cash Flows from Operating Activities

While working capital increased, net cash provided by operating activities amounted to ¥17,162 million, driven by the recognition of profit before income taxes, depreciation, and other factors. To achieve the target of operating cash flow of ¥63.0 billion (cumulative total for three years through the fiscal year ending June 30, 2026) set in the medium-term management plan, we will continue to strengthen our cash flow management efforts.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥19,524 million due to expenditures related to the acquisition of property, plant and equipment and intangible assets. As a result, free cash flows was negative at ¥2,362 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥2,784 million, mainly due to dividend payments based on the performance-linked payout ratio. ULVAC positions profit distribution to shareholders as one of its most important policies and aims for long-term increases in dividends through further growth. As part of this, starting from the fiscal year ending June 30, 2024, we plan to increase the performance-linked payout ratio to 35% or more.

Financial Resources and Liquidity

The ULVAC Group's main funding needs are based on R&D investments, capital investments, and working capital required for business operations, particularly for expanding development investments in the semiconductor and electronics fields, which are key growth areas. These funding needs will be addressed through cash flows from operating activities and borrowings from financial institutions. In terms of fund procurement, the Group strives to smooth out the annual repayment amounts to reduce refinancing risks and the repayment burden.

Given the prolonged high interest rate environment in Western countries and concerns over an economic slowdown in China, the Group has secured sufficient liquidity on hand to prepare for unforeseen circumstances. Additionally, the Group has established a system that allows it to secure additional funds through commitment-line arrangements. As a result, the Group is positioned for stable management for the time being. The Group will continue to maintain this system so that necessary funds can be secured in a timely manner to respond to sudden changes in the business environment.