



Implement Reforms to Achieve a Leap in Six Years and Pave the Way for ULVAC's Future

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Role as CSO and My Mission

From the current fiscal year, we have introduced a CxO system, and I have assumed the roles of Senior Managing Director and Chief Strategy Officer (CSO). I am responsible for the formulation and execution of the mid- to long-term company-wide management strategies. Having spent many years in business divisions, I intend to bring my first-hand operational experience to ULVAC's management going forward. Through my practical experience, I have come to understand and reflect deeply on ULVAC's potential for value offering. As a division head, I have led various reforms and innovation initiatives, contributing to the growth of the business. I believe this experience and track record have been recognized, and that I have been entrusted with a role in shaping the strategic initiatives the ULVAC Group will need going forward and in transforming the organization with a clear sense of direction. As we advance with unprecedented company-wide reform under the "Value-Up Plan," there is a shared understanding among the management team that strong leadership and steady guidance from someone deeply familiar with our business operations are essential. As CSO, I am absolutely committed to fulfilling this responsibility. Mid-term management plans typically focus primarily on "growth," setting performance targets based on assumptions such as expanding market share, strengthening profitability, and launching new products and businesses. By contrast,

the Value-Up Plan we have formulated as a six-year mid- to long-term management plan clearly positions "reform" at its core, while aiming for both growth and improved profit margins. "Business reforms" and "Production reforms," which are the cornerstones of the plan, require initiatives grounded in a front-line perspective with a thorough understanding of day-to-day operations. This marks a significant departure from a typical mid-term management plan. First and foremost, making this Value-Up Plan a success is my most important mission as CSO. As the person with overall responsibility for this plan, I will encourage company-wide reform initiatives, provide momentum to maintain the pace of progress, set the overall direction without becoming overly involved in the details, and support each team so that they can move forward on their own initiative. Currently, we hold progress review meetings every two weeks to monitor implementation of the Value-Up Plan and ensure effective information sharing. This meeting is attended by the leaders of Business Reforms, Production Reforms, and Growth Strategy, together with the operational leaders reporting to them. Mr. Aoki, Senior Managing Director and CFO, is the leader of Business Reforms; I lead Production Reforms; and Mr. Kondo, Senior Executive Officer and Head of Semiconductor & Advanced Electronics Business HQ, leads the Growth Strategy. My top priority is to ensure that reforms do not stall. Where progress shows signs of slowing, I will take timely action to keep the overall plan moving forward.

The six-year duration of the Value-Up Plan is exceptionally long. While strong initial enthusiasm is important, enthusiasm alone will not be sufficient to achieve its objectives. To embed the mindset that reform must never stall, it is essential to execute agreed routines consistently. As part of building this system, we have introduced progress reporting every two weeks and are working to ensure it takes hold throughout the organization.

Background to Formulation of the Value-Up Plan

The ULVAC Group concluded the previous three-year mid-term management plan (from FY2023 to FY2025) one year ahead of schedule and has launched the Value-Up Plan in the fiscal year ending June 30, 2026 (FY2025).

After launching the previous plan, which identified logic, memory, power devices, various electronic devices, and batteries as the five pillars of our growth strategy, we have held discussions to develop a mid- to long-term outlook beyond that plan. In these discussions, we examined a shift toward positioning semiconductor and electronics as the core drivers of ULVAC's future growth.

Meanwhile, the previous plan made a strong start amid expanding capital investment, achieving growth in orders received far above expectations, together with increases in both sales and profit. However, in the second year, investment in power devices and batteries declined rapidly due to a slowdown in the Chinese EV market. As it became clear that continuing with the existing plan would no longer allow us to recover performance sufficiently to achieve our targets, we recognized the need to reform from a higher perspective and decided at this stage to transition to a new plan based on a mid- to long-term outlook.

The above outlines the background leading to the formulation of the Value-Up Plan. Rather than waiting for a recovery in investment in batteries and power devices, we decided to transform our business portfolio and pivot to an electronics- and semiconductor-centered strategy, positioning these businesses as the core drivers of our future growth. We organized our measures into "Business Reforms," "Production Reforms," and "Growth Strategy," and formulated the six-year mid- to long-term management plan, the Value-Up Plan.

Currently, the semiconductor market is entering a major growth phase against the backdrop of the rapid development and penetration of generative AI. ULVAC is in the process of further enhancing its presence as a semiconductor production equipment manufacturer. Through the Value-Up Plan, we aim to increase profit margins and achieve growth by boldly concentrating management resources on the semiconductor and electronics business.

However, as we expand our semiconductor and electronics business—particularly semiconductor production equipment—it takes considerable time from development through adoption to mass production. Therefore, even if we pursue initiatives over a three-year period as in our previous mid-term management plan, it would be difficult to achieve tangible results. Accordingly, under the Value-Up Plan, we have drawn up a roadmap to deliver results over a six-year period, starting with the laying of a foundation through business reforms and production reforms as a preparatory phase.

Transforming our business portfolio has been a longstanding theme for ULVAC. For more than a decade, we have been discussing the need for a new growth driver to succeed flat panel displays (FPDs). However, as the FPD business has remained robust and continued to deliver stable results, it has been difficult to translate those discussions into concrete actions toward future transformation. In recent years, Chinese FPD manufacturers have come to dominate the market and FPD production in Japan has shrunk. Against this backdrop, and as described above, we have shifted our focus toward semiconductor and electronics. Nevertheless, I feel it will still take time for this change in direction to be fully reflected in the mindset across ULVAC.

However, from a profit-margin perspective, the semiconductor and electronics business significantly outperforms the FPD business. To achieve sustainable growth, ULVAC must maintain the high level of profitability. I also consider it one of my roles to communicate this profit-focused perspective within the company and promote a change in mindset.

Goals of Business Reforms and Production Reforms

Under the Value-Up Plan, business reforms are positioned as the first step, and over the next two years through the fiscal year ending June 30, 2027, we will downsize or withdraw from low-profit businesses, restructure production sites, and optimize fixed costs. As part of our efforts to address low-profit businesses, we have recently completed the transfer of a portion of our equity interest in the pump motors business in China. We are also considering downsizing or withdrawal from the FPD-related materials business, the parts processing business, and a customer support office in Southeast Asia. Regarding the restructuring of production sites, we terminated production at the materials-related Tomisato Plant in Tomisato City, Chiba Prefecture, and announced the withdrawal from production of FPD production equipment at the Tohoku Plant in Hachinohe City, Aomori Prefecture, and the Hyeon-gok Plant in South Korea. We plan to consolidate the production of FPD production equipment at our site in China by 2027.

The downsizing of and withdrawal from low-profit businesses are based on the profit-oriented approach mentioned earlier. Within ULVAC, the prevailing view has been that the existence of low-profit businesses is acceptable as long as high-profit businesses offset them and overall profitability is secured. In the semiconductor and electronics market, however, this approach makes it difficult to sustain sufficient development investment, and a higher level of profitability is essential to create high-value-added technologies and products that will drive future growth. In light of this situation, I believe it is important to proceed with reforms while the Group is strong and the market is poised for growth.

Regarding the restructuring of production sites, one challenge is that the factory setups for large FPD production equipment and for semiconductor and electronic device production equipment are completely different. While it is possible to manufacture semiconductor and electronic device production equipment at our existing production sites, production efficiency cannot be fully optimized, leaving us at a disadvantage compared to competitors. Geographically, ULVAC production sites have been concentrated in East Asia because of our focus on the FPD market. However, the



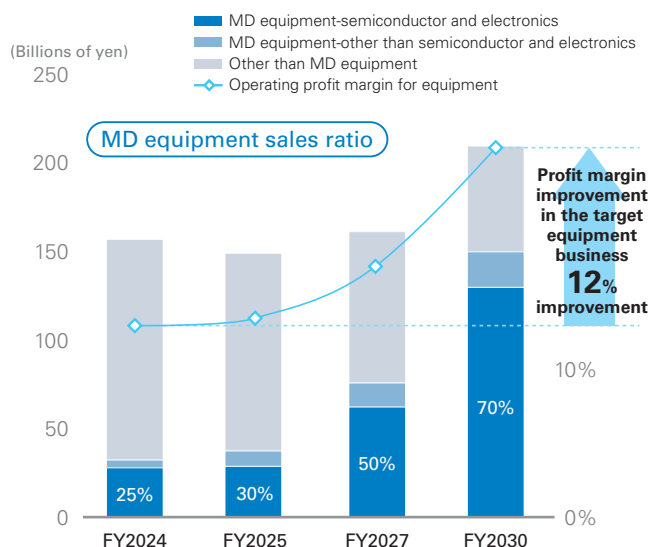
semiconductor and electronics market is expanding globally. With these challenges in mind, we will establish a new production system by consolidating sites and reorganizing the production lineup.

Regarding optimization of fixed costs, we anticipate a reduction of 1,200 personnel and the consolidation and reorganization of eight consolidated subsidiaries over the three-year period ending June 2028. These measures will include the sale of businesses, including deconsolidation through equity transfer, and factory closures. In business reforms, the approach to optimizing fixed costs is not simply to reduce the headcount to improve efficiency, but to build a system that allows a smaller workforce to maintain, or even exceed, current operational performance. Such reforms, combined with the production reforms and growth strategy described below, is expected to improve operating profit by ¥12.0 billion.

In terms of production reform, we will introduce “modular design,” primarily for semiconductor and electronic device production equipment. This approach will deliver benefits including significant reduction in manufacturing lead times, streamlining of production systems, and improvement in procurement and parts standardization. Modular design will, of course, be applied to mass-produced equipment, but only by achieving sufficient volume can it contribute to higher profit margins. We aim to put in place a system that supports

the expansion of mass-production projects across both sales and development. Our plan is to raise the share of modular design equipment to approximately 70% of total equipment sales by the fiscal year ending June 30, 2031 (FY2030). The remaining 30% consists of prototype-like equipment or highly customized equipment for specific customers, and therefore is unsuitable for modular design. This portion of equipment allows us to try new technologies, build on our field experience, and undertake various trials and challenges. It is also crucial for demonstrating our proposal capabilities while responding to customer needs, and for exploring ideas that will drive our next phase of growth. Taking advantage of this environment, we will continue to hone our development and technological capabilities every day.

By increasing the percentage of modular design (MD) equipment focused on semiconductor and electronics, swiftly respond to customer needs and improve profitability through consolidation of production sites.

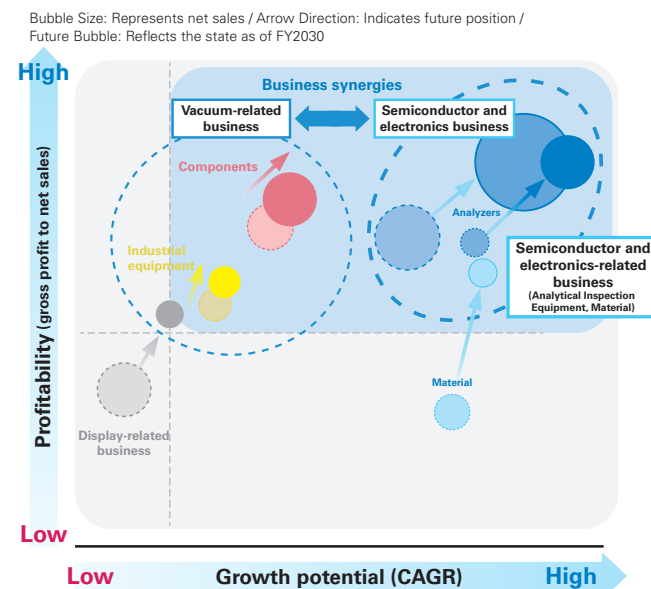


Key Points of Growth Strategy and Business Portfolio

Building on the results of business reforms and production reform, the growth strategy aims to further expand profits, with the semiconductor and electronics market as the main focus. In the semiconductor field, demand related to generative AI—currently experiencing remarkable growth—will serve as a key growth driver, and the market is expected to continue growing for the time being. This trend is spreading to electronic devices, leading to rising demand and continued expansion of the electronics market. Looking ahead, we expect the semiconductor and electronics business to maintain steady growth over the medium to long term. Specifically, we are now most focused on advanced packaging, which integrates numerous functions into single-chip semiconductor and electronic devices. ULVAC possesses production equipment with strengths in the advanced packaging field. We will reinforce product development through aggressive investment to reliably capture demand and drive growth. We also intend to focus on initiatives in collaboration with Japanese companies that have strengths in materials-related fields.

Under the business portfolio strategy, we will concentrate management resources on semiconductor and electronic device production equipment to grow it as our core business. At the same time, we will capture demand for peripheral products—such as analyzers and inspection equipment—which we classify as semiconductor and electronics-related, and expand the businesses of our subsidiaries handling these products. For components and measuring instruments, which are positioned as vacuum-related businesses, we will leverage products suitable for semiconductor and electronics applications and operate with a focus on synergies between businesses. As mentioned above, we will withdraw from FPD production in Japan. However, the business will continue primarily overseas, and we will shift it toward high-margin operations. Particularly in East Asia, where we have delivered a large volume of equipment to date, servicing, maintenance, and equipment renewal are areas with high profit potential.

Business Portfolio Strategy Image



Commit to Execution and Complete with Rigor

Over the next six years, I will remain fully committed to achieving the targets of the Value-Up Plan and will support our employees in advancing their initiatives without interruption. This commitment is shared by all members of the Board of Directors, including external directors, as well as all executive officers. I have received strong encouragement from the external directors, reflecting their expectations that I will see the Value-Up Plan through to completion. To see the plan through successfully, we must act with full commitment, without hesitation or compromise. We will maintain a disciplined resolve and remain steadfast in executing our initiatives. We invite you to look forward with us to the changes ULVAC will undergo and the achievements within our reach.