



Supporting Profit Growth through Financial and Capital Strategies on the Path to Excellence

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Financial and Capital Strategies of the Value-Up Plan

The financial and capital strategies under the new six-year mid- to long-term management plan, the “Value Up Plan,” rest on two cornerstones: securing a solid financial foundation that allows continued growth investment despite changes in the external environment, and improving capital efficiency through higher profit margins. Based on a capital allocation plan projecting cumulative cash inflows and outflows of approximately ¥195.0 billion over the six-year period, we will manage growth and strategic investments as well as shareholder returns, while strengthening cash flow management to improve capital efficiency. The capital efficiency improvement target is “ROE of 16%” in the final year of the plan (fiscal year ending June 30, 2031). From the perspective of financial stability, it is necessary to continue to maintain and strengthen shareholders’ equity. Accordingly, our fundamental approach to improving ROE is to achieve it through higher profit margins. Under the Value-Up Plan, we will enhance profitability by transforming the business portfolio through “Business Reforms”—including downsizing or withdrawing from low-profit businesses and restructuring of production sites—and by improving efficiency through “production reforms,” such as promoting modular design. Building on this foundation, the “Growth Strategy” will further expand profits. The administrative divisions will monitor, from a quantitative perspective, the progress of profitability improvement driven by these measures and play a leading role in promoting growth in profits and profit margins. At the same time, as an internal measure, we will strengthen management of the cash conversion cycle (CCC), including efforts to shorten inventory turnover days, thereby supporting profit growth through improved capital efficiency.

Capital Allocation and Risk Mitigation

Under our capital allocation plan, we expect cumulative cash inflows of approximately ¥195.0 billion over the six-year period, with about 85% (approximately ¥165.0 billion) generated from operating cash flow and about 15% (approximately ¥30.0 billion) from debt financing, including borrowings and business divestitures. As ULVAC operates in a relatively volatile industry, operating cash flow is subject to significant fluctuations depending on external conditions. We intend to manage any resulting surplus or shortfall through borrowings and other measures. This ratio is not fixed and will be adjusted in line with cash flow conditions. The current plan calls for an increase in cash inflows to vigorously expand growth and strategic investments.

Meanwhile, with respect to cash outflows, we plan to allocate approximately 70% (around ¥135.0 billion) to growth and strategic investments and approximately 30% (around ¥60.0 billion) to shareholder returns.

This growth and strategic investment is expected to include approximately ¥82.0 billion in capital expenditure for research and development, as well as the expansion of production

facilities and M&A. A defining feature of the plan is the large scale of investment envisaged, encompassing expanded development and capital investment in semiconductor and electronics business, which is a growth field, together with strategic investments, including M&A.

Over the six-year period, total investment in research and development investment is expected to amount to approximately ¥170.0 billion, comprising ¥82.0 billion in capital expenditure for R&D facilities, as noted above, and ¥88.0 billion in research and development cost. Of this total, about 80% (approximately ¥136.0 billion) will be allocated to the semiconductor and electronics business, about 10% each (approximately ¥17.0 billion) to the semiconductor and electronics-related businesses (analyzers, materials, etc.) and the vacuum-related businesses. Among these businesses, the semiconductor and electronics business and related businesses are expected to drive profit expansion and high growth. Meanwhile, vacuum-related businesses are expected to generate stable profits in the components field such as pumps and power supplies, with additional contributions anticipated from synergies with the semiconductor and electronics business.

Internally, we have long maintained a framework under which investment projects are reviewed and deliberated by the Investment Committee prior to execution, thereby mitigating risk. Going forward, we will establish mechanisms to strengthen progress monitoring—including for R&D and M&A—focused on investment recovery and profit contribution—thereby mitigating the risks associated with large-scale investments.

Mid- to Long-Term Financial and Capital Strategies with an Eye to the Future

Our initiatives to secure technological superiority through proactive development investment in the semiconductor and electronics business require time, and accordingly, some results will be realized during the Value-Up Plan period, while others will materialize beyond it. With a long-term perspective, I believe it is essential to sustain proactive investment without easing our commitment.

We recognize that the foundation of our mid- to long-term financial and capital strategies is to firmly support business growth while ensuring investment capacity sufficient for that growth. Based on this approach, the administrative divisions will work to expand and strengthen our financial foundation while supporting company-wide initiatives to enhance corporate value, as ULVAC continues on its path toward excellence.

In April 2025, ULVAC, Inc. received an “A” credit rating (Single A Flat). Through the steady execution of the Value-Up Plan, we will further enhance our creditworthiness in the capital markets. Looking ahead, we aim to advance to a new stage of growth as a company on the path to excellence, while also positioning ourselves to pursue capital policies that make more effective use of financial leverage.

