

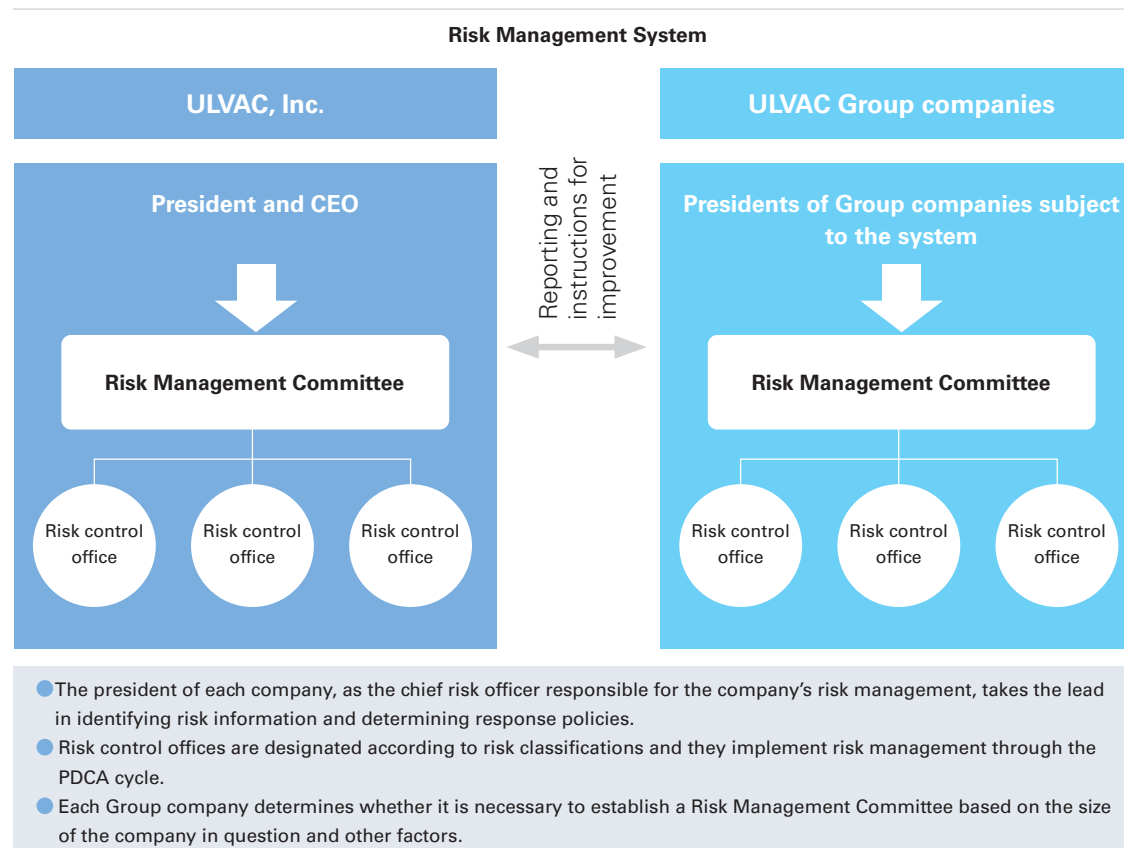
Risk Management

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 enhancement 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 as an umbrella organization for risk management holds meetings at least twice a year, 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

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

Market Fluctuation

The Group has developed unique technologies and expanded its market share in the field of vacuum equipment used primarily in semiconductor, electronic device, and FPD production processes. However, if customers significantly reduce capital investment or experience a deterioration in their financial condition due to market fluctuations in the semiconductor, electronic device, FPD, or other fields, the ULVAC Group's business results and financial condition may be affected.

Furthermore, under its new mid- to long-term management plan, the "Value-Up Plan," ULVAC has adopted a policy of concentrating its business portfolio on the semiconductor and electronic devices field. However, the semiconductor market is characterized by rapid technological innovation and is susceptible to geopolitical risks and economic fluctuations. Going forward, rapid fluctuations in semiconductor demand and changes in the competitive environment may affect the ULVAC Group's business results and financial condition.

While focusing on the semiconductor and electronic device field, the ULVAC Group continues to operate a broad range of vacuum-related businesses. In response to rapid changes in the semiconductor and electronic device market environment, we will invest in research and development to enhance our ability to respond to technological innovation, thereby expanding and differentiating the product lineup. Moreover, by creating new businesses that leverage synergies across our businesses, we will strive to diversify the revenue base and strengthen resilience against market fluctuations.

Research and Development

By maintaining vigorous R&D investment, the ULVAC 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 a delay in the introduction of new products to the market, the ULVAC Group's business results and financial position may be affected.

The ULVAC 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 ULVAC Group has a high ratio of sales overseas and provides products to customers in countries and regions worldwide. However, with numerous existing competitors operating globally and new entrants increasing, competition is intensifying not only in terms of product performance but also price. Such competitive environment may affect the ULVAC Group's business results and financial condition. The ULVAC Group will maintain its competitiveness and respond to the competitive environment by accurately grasping customer needs and launching products reflecting those needs in a timely manner.

Securing Human Resources

The ULVAC Group considers securing human resources to be the most important factor determining the Group's ability to continue to grow in the global business environment. If the ULVAC 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 affected.

The ULVAC 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 recruitment and development and fostering a work environment that emphasizes employee engagement and well-being, ensuring diverse human resources in excellent physical and mental health and good spirits can demonstrate their abilities to the fullest.

Information Security

The ULVAC Group holds important information assets, including personal data and business partner information, that are handled in its business operations. We regard the protection of these information assets as a critical management priority and are working to strengthen information security management. We monitor threats such as cyberattacks and internal misconduct, ensuring a safe and secure environment for the use of data. We also conduct vulnerability analysis and implement countermeasures. We have established a system to promptly share information and respond swiftly if an incident occurs. Furthermore, we conduct regular information security education to ensure all employees understand their responsibilities regarding information security and act appropriately.